*These materials are not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia). These materials do not constitute or form a part of any offer or solicitation to purchase or subscribe for, or otherwise invest in, securities in the United States. The securities mentioned herein have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**"). The securities may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of securities in the United States.*

This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

Notice to Hong Kong investors: *The Issuer (as defined below) confirms that each Tranche of Instruments (each term as defined in the Offering Circular (as defined below)) are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and the Programme (as defined below) has been, and the Instruments (to the extent they are to be listed on The Stock Exchange of Hong Kong Limited) will be, listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Instruments are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF THE OFFERING CIRCULAR

FWD insurance

FWD GROUP HOLDINGS LIMITED
富衛集團有限公司

(incorporated in the Cayman Islands with limited liability)

US$5,000,000,000 Global Medium Term Note and Capital Securities Programme

Arranger
HSBC

Under the US$5,000,000,000 Global Medium Term Note and Capital Securities Programme (the "**Programme**"), FWD Group Holdings Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes and dated and perpetual capital securities.

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Please refer to the offering circular dated 31 March 2023 in relation to the update of the Programme (the "**Offering Circular**"). As disclosed in the Offering Circular, the medium term notes and dated and perpetual capital securities to be issued under the Programme are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and (to the extent they are to be listed on The Stock Exchange of Hong Kong Limited) will be listed on The Stock Exchange of Hong Kong Limited on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer and no such inducement is intended.

Hong Kong
3 April 2023

As at the date of this announcement, the directors of FWD Group Holdings Limited 富衛集團有限公司 are Mr. HUYNH Thanh Phong and Mr. LI Tzar Kai, Richard as executive directors; Mr. John DACEY, Mr. Walter KIELHOLZ and Mr. SUN Po Yuen as non-executive directors; and Professor MA Si Hang, Frederick, Ms. Yijia TIONG, Ms. CHUNG Kit Hung, Martina, Mr. Dirk SLUIMERS, Mr. John BAIRD, and Ms. Kyoko HATTORI as independent non-executive directors.

IMPORTANT NOTICE

THIS OFFERING CIRCULAR IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A PROMULGATED UNDER THE SECURITIES ACT (AS DEFINED BELOW) ("**RULE 144A**"), OR (2) NON-U.S. PERSONS (AS DEFINED IN REGULATION S PROMULGATED UNDER THE SECURITIES ACT (AS DEFINED BELOW) ("**REGULATION S**")) PURCHASING THE INSTRUMENTS OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S.

IMPORTANT: You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. As used herein, the terms "United States", "U.S. person", "directed selling efforts" and "offshore transaction" shall have the meanings attributed to such terms in Rule 902 of Regulation S.

Instruments (as described in the Offering Circular) may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are both accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions ("**NI 45-106**") or subsection 73.3(1) of the Securities Act (Ontario), and permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of Instruments must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the Offering Circular (including any amendment thereto) contains a misrepresentation, **provided that** the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser. Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Arranger (as described in the Offering Circular) are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Upon receipt of the Offering Circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Instruments described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF INSTRUMENTS FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE INSTRUMENTS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE INSTRUMENTS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE FOLLOWING OFFERING CIRCULAR MAY NOT BE DISCLOSED TO, DELIVERED, FORWARDED OR DISTRIBUTED TO ANY PERSON OTHER THAN THE INTENDED RECIPIENT AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE INSTRUMENTS DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the following Offering Circular or make an investment decision with respect to the Instruments, investors must be either (I) qualified institutional buyers ("**QIBs**") (within the meaning of Rule 144A) or (II) non-U.S. persons eligible to purchase the Instruments outside the United States in an offshore transaction in reliance on Regulation S. By accepting this e-mail and accessing the following Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons eligible to purchase the Instruments outside the United States in an offshore transaction in reliance on Regulation S and that the electronic e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to the delivery of such Offering Circular by electronic transmission.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arranger (as described in the Offering Circular) or any affiliate of the Arranger is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arranger or such affiliate on behalf of the Issuer in such jurisdiction.

The Instruments, this Offering Circular, and any other information made available to prospective investors have not been reviewed, recommended, approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Instruments or the accuracy or adequacy of this Offering Circular or any other information made available to prospective investors. Any representation to the contrary is a criminal offence in the United States.

The following Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Issuer, the Arranger (as described in the Offering Circular) or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard-copy version available to you on request from the Arranger.

You should not reply by e-mail to this notice, and you may not purchase any Instruments by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting this e-mail against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

FWD GROUP HOLDINGS LIMITED
富衛集團有限公司

(incorporated in the Cayman Islands with limited liability)

US$5,000,000,000

Global Medium Term Note and Capital Securities Programme

Under the US$5,000,000,000 Global Medium Term Note and Capital Securities Programme described in this Offering Circular (the "**Programme**"), FWD Group Holdings Limited 富衛集團有限公司 (the "**Issuer**" or the "**Company**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**") and dated and perpetual capital securities (the "**Capital Securities**"). References herein to the "**Instruments**" are to the Notes and/or the Capital Securities, as the context so requires. Instruments may be issued in bearer or registered form. The aggregate nominal amount of Instruments outstanding will not at any time exceed US$5,000,000,000 (or its equivalent in other currencies). The Instruments may be issued on a continuing basis to the Arranger specified under "*Summary of the Programme*" and any additional Dealer we may appoint under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Instruments being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Instruments.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**" or "**HKSE**") for the listing of the Programme on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only during the 12-month period after the date of this Offering Circular. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: the Issuer confirms that each Tranche (as defined under "*Terms and Conditions of the Notes*" or "*Terms and Conditions of the Capital Securities*", as applicable) of Instruments issued under the Programme is intended for purchase by Professional Investors only and the Programme and the Instruments, to the extent such Instruments are to be listed on the Hong Kong Stock Exchange, will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Instruments are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Instruments on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Instruments, the Issuer or the Group or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Notice of the aggregate nominal amount of Instruments, interest or distribution (if any) payable in respect of Instruments, the issue price of Instruments and any other terms and conditions not contained herein which are applicable to each Tranche of Instruments will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Instruments to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the date of issue of the Instruments of such Tranche.

The relevant Pricing Supplement in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the Hong Kong Stock Exchange or any other stock exchange.

Each Series (as defined in "*Summary of the Programme*") of Instruments in bearer form ("**Bearer Instruments**") will be represented on issue by a temporary global instrument (each a "**temporary Global Instrument**"), and will be sold in an "offshore transaction" within the meaning of Regulation S ("**Regulation S**") promulgated under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Interests in temporary Global Instruments generally will be exchangeable for interests in permanent global instruments (each a "**permanent Global Instrument**" and, together with the temporary Global Instruments, the "**Global Instruments**"), or if so stated in the relevant Pricing Supplement, definitive Instruments ("**Definitive Instruments**"), on or after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Tranche (as defined in "*Summary of the Programme*"), upon certification as to non-U.S. beneficial ownership. Interests in permanent Global Instruments will be exchangeable for Definitive Instruments in whole but not in part as described under "*Summary of Provisions Relating to the Instruments while in Global Form*".

The Instruments of each Series to be issued in registered form ("**Registered Instruments**") and which are sold to non-U.S. persons in an "offshore transaction" within the meaning of Regulation S ("**Unrestricted Instruments**") will initially be represented by a permanent registered global certificate (each an "**Unrestricted Global Certificate**") without interest or distribution coupons, which may be deposited on the relevant issue date (i) in the case of a Series intended to be cleared through Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), with a common depositary on behalf of Euroclear and Clearstream, (ii) in the case of a Series intended to be cleared through the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU Service**" or "**CMU**"), with a sub-custodian for the CMU, (iii) in the case of a Series intended to be cleared through The Depository Trust Company ("**DTC**"), registered in the name of Cede & Co. as nominee for DTC (a "**DTC Unrestricted Global Certificate**") and (iv) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, the CMU and/or DTC, or delivered outside a clearing system, as agreed between us and the relevant Dealer. Registered Instruments which are sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") promulgated under the Securities Act ("**Restricted Instruments**") will initially be represented by a permanent registered global certificate (each a "**Restricted Global Certificate**" and, together with the relevant Unrestricted Global Certificate, the "**Global Certificates**"), without interest or distribution coupons, which may be deposited on the relevant issue date with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, DTC. The provisions governing the exchange of interests in Global Instruments for other Global Instruments and Definitive Instruments are described in "*Summary of Provisions Relating to the Instruments while in Global Form*".

Investors should be aware that certain Capital Securities that may be issued under the Programme have no maturity and Securityholders may not receive Distribution payments if the Issuer elects to or is required to defer or cancel Distribution payments. In addition, there are various other risks relating to the Notes and the Capital Securities, the Issuer and its subsidiaries, their business and their jurisdictions of operations which investors should familiarize themselves with before making an investment in any Instrument. See "*Risk Factors*" beginning on page 48 of this Offering Circular.

The Instruments have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Instruments may include Bearer Instruments that are subject to U.S. tax law requirements. Accordingly, the Instruments are being offered and sold only (i) in the United States to QIBs as defined in Rule 144A, and (ii) outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S. Subject to certain exceptions, the Instruments may not be offered, sold, or, in the case of Bearer Instruments, delivered within the United States or to, or for the account or benefit of, U.S. persons. Registered Instruments are subject to certain restrictions on transfer. See "*Subscription and Sale*" and "*Transfer Restrictions*".

We may agree with any Dealer that Instruments may be issued in a form not contemplated by the Terms and Conditions of the Notes or Terms and Conditions of the Capital Securities herein, as applicable, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Instruments.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE Rules**" or "**Listing Rules**") for the purpose of giving information with regard to us or the Group. We accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Arranger

HSBC

The date of this Offering Circular is 31 March 2023.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular contains all information with respect to us and our subsidiaries taken as a whole (the "**Group**") and the Instruments, which is material in the context of the issue and offering of the Instruments; the statements contained herein relating to us and the Group are in every material respect true and accurate and not misleading; the opinions and intentions expressed in this Offering Circular with regard to us and the Group are honestly held, have been reached after due and careful consideration and are based on reasonable assumptions; and all reasonable enquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Notes Conditions**") and each Tranche of Capital Securities will be issued on the terms set out herein under "*Terms and Conditions of the Capital Securities*" (the "**Capital Securities Conditions**") as amended and/or supplemented by the Pricing Supplement specific to such Tranche. References herein to the "**Conditions**" are to the Notes Conditions and/or the Capital Securities Conditions, as the context so requires. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Instruments, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. We, the Arranger and the Dealers, require persons into whose possession this Offering Circular comes to inform themselves about and to observe any such restrictions. None of the Issuer, the Arranger or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Instruments may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, we, the Arranger and the Dealers, have not taken any action which would permit a public offering of any Instruments or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Instruments may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Important – EEA Retail Investors: If the Pricing Supplement in respect of any Instruments includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**EU MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Important – UK Retail Investors – If the Pricing Supplement in respect of any Instruments includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No

2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Instruments or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU MIFID II product governance/target market: The Pricing Supplement in respect of any Instruments may include a legend entitled "*EU MiFID II Product Governance*" which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any person subsequently offering, selling or recommending the Instruments (a "**distributor**") " should take into consideration the target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**EU MiFID Product Governance Rules**"), any Dealer subscribing for any Instruments is a manufacturer in respect of such Instruments, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Instruments may include a legend entitled "*UK MiFIR Product Governance*" which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Instruments is a manufacturer in respect of such Instruments, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

Cayman Islands Data Protection – Prospective investors should note that, in certain circumstances, personal data may need to be supplied in order for an investment in the Instruments to be made and for that investment in the Instruments to continue. The Issuer's use of personal data is governed by the Cayman Islands Data Protection Act (as amended) and, in respect of any EU data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**"). Under the Data Protection Legislation, individual data subjects have rights and the Issuer as data controller has obligations with respect to the processing of personal data by the Issuer and its affiliates and delegates. Breach of the Data Protection Legislation by the Issuer could lead to enforcement action against it.

Prospective investors should note that personal data may in certain circumstances be required to be supplied to the Issuer in order for an investment in the Instruments to continue or to enable the Instruments to be redeemed. If the required personal data is not provided, a prospective investor will not be able to continue to invest in the Instruments or to redeem the Instruments.

The Issuer has published a privacy notice (the "**Data Privacy Notice**"), which provides prospective investors with information on the Issuer's use of their personal data in accordance with the Data Protection Legislation. The location and means of accessing the Data Privacy Notice is specified in the "General Information" Section of this Offering Circular.

If you are an individual prospective investor, the processing of personal data by and on behalf of the Issuer is directly relevant to you. If you are an institutional investor that provides personal data on individuals connected to you for any reason in relation to your investment in the Instruments (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), this will be relevant for those individuals and you should transmit the Data Privacy Notice to such individuals or otherwise advise them of its content.

Important Notice to Prospective Investors pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct – Prospective investors should be aware that certain intermediaries in the context of certain offerings of Instruments pursuant to this Programme (each such offering, a "**CMI Offering**"), including certain Dealers, may be "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Instruments and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Instruments subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Instruments distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer(s), such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer(s) or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer(s), such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer(s) when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealer(s) and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

Product Classification Pursuant to Section 309B of the Securities and Futures Act 2001 – The Pricing Supplement in respect of any Instruments may include a legend entitled "*Singapore Securities and Futures Act Product Classification*" which will state the product classification of the Instruments pursuant to section 309B(1) of the Securities and Futures Act 2001 (the "**SFA**"). We will make a determination and provide the appropriate written notification to "relevant persons" in relation to each issue about the classification of the Instruments being offered for the purposes of Section 309B(1)(a) and Section 309B(1)(c) of the SFA.

There are restrictions on the offer and sale of the Instruments and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States, the European Economic Area, the United Kingdom, China, Hong Kong, Japan, Taiwan (China), Singapore, the Netherlands, Canada and the Cayman Islands, and to persons connected therewith. The Instruments have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Bearer Instruments that are subject to U.S. tax law requirements. Accordingly, the Instruments are being offered and sold only (i) in the United States to QIBs as defined in Rule 144A, and (ii) outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S. For a description of certain restrictions on offers, sales and transfers of Instruments and on the distribution of this Offering Circular, see "*Subscription and Sale*" and "*Transfer Restrictions*".

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Instruments on the Hong Kong Stock Exchange is not to be taken as an indication of our merits or the merits of the Group or the Instruments. In making an investment decision, investors must rely on their own examination of us, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Instruments.

We have not authorised any person to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of Instruments and, if given or made, such information or representation should not be relied upon as having been authorised by us, any Dealer or the Arranger.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Instruments shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in our prospects or financial or trading position since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by us, the Arranger, the Dealers, or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Instruments. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of our condition (financial or otherwise).

The maximum aggregate principal amount of Instruments outstanding at any one time under the Programme will not exceed US$5,000,000,000 (and for this purpose, any Instruments denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Instruments calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Instruments which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

In connection with the issue of any Tranche of Instruments, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager") in the applicable Pricing Supplement may over-allot Instruments or effect transactions with a view to supporting the price of the Instruments at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Instruments is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Instruments and 60 days after the date of the allotment of the relevant Tranche of Instruments. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

The Arranger and the Dealers have not separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Arranger or Dealers, nor any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arranger or Dealers, nor any director, officer, employee, agent or affiliate of any such person accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arranger, a Dealer, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with us, the Group or the issue and offering of the Instruments. Each of the Arranger and Dealers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Instruments of a particular issue. Each potential purchaser of Instruments should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Instruments, which may describe additional risks and investment considerations associated with such Instruments. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Instruments and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by us, the Arranger or the Dealers, or any director, officer, employee, agent or affiliate of any such person that any recipient of this Offering Circular or of any such information should purchase the Instruments. Each potential purchaser of Instruments should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of us and the Group. Each potential purchaser of Instruments should determine for itself the relevance of the information contained in this Offering Circular, and its purchase of Instruments should be based upon such investigation as it deems necessary. None of the Arranger or Dealers, or agent or affiliate of any such person, undertakes to review the financial condition or affairs of us or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Instruments of any information coming to the attention of any of the Arranger or the Dealers or any of them.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items, and actual numbers may differ from those contained herein due to rounding.

As used herein, unless otherwise specified or the context otherwise requires, the terms "United States", "U.S. person", "directed selling efforts" and "offshore transaction" shall have the meanings attributed to such terms in Rule 902 of Regulation S.

No representation is made that the Hong Kong dollar and other currency amounts stated herein could have been, or could be, converted into U.S. dollars at such rates or at any other rate.

AVAILABLE INFORMATION

For so long as any Series of the Instruments remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) promulgated under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder for delivery to such holder or prospective purchaser, in each case upon the request of such holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

FORWARD LOOKING STATEMENTS

This Offering Circular contains forward-looking statements that involve risks and uncertainties, including statements based on our current expectations, assumptions, estimates and projections about us and our industry. The forward-looking statements are contained principally in "*Summary,*" "*Risk Factors,*" "*Use of Proceeds*," "*Financial Information*" and "*Business*." These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. The forward- looking statements included in this Offering Circular relate to, among others:

- changes in the laws, rules and regulations relating to our business operations;
- technological changes in the future;
- prevailing economic and market conditions in the markets in which we operate or plan to operate;
- changes or volatility in interest rates, foreign exchange rates or other rates or prices that may affect our operations and financial results;
- changes in population growth and other demographic trends, including mortality, morbidity and longevity rates;

- developments of our competitors and other competitive pressures within the insurance industry in which we operate;

- changes in consumer demand and preferences for the products and services we offer;

- our ability to maintain and expand our customer base efficiently;

- effectiveness of our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices;

- our ability to properly price our products and services and establish reserves for future policy benefits and claims;

- developments in our business strategies and business plans;

- our ability to successfully implement our strategy, growth and expansion; and

- our expectation regarding the use of the net proceeds from each issue of Instruments.

Projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "*Risk Factors*" and elsewhere in this Offering Circular. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this Offering Circular relate only to events or information as of the date on which the statements are made in this Offering Circular. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this Offering Circular and the documents that we have referred to in this Offering Circular completely and with the understanding that our actual future results may be materially different from what we expect.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability. We are incorporated in the Cayman Islands because of certain benefits associated with being a Cayman Islands company, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of foreign exchange control or currency restrictions and the availability of professional and support services. However, the Cayman Islands has a less developed body of securities laws as compared to the United States and provides protections for investors to a lesser extent. In addition, Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our operations are mainly conducted in Hong Kong (and Macau), Thailand (and Cambodia), Japan and Emerging Markets, and our assets are mainly located in these jurisdictions. In addition, most of our directors and officers are residents of jurisdictions other than the United States and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. It may also be difficult for you to enforce in United States courts judgments obtained in United States courts based on the civil liability provisions of the United States federal securities laws against us and our officers and directors.

Walkers (Hong Kong), our counsel as to Cayman Islands law, has advised us that there is uncertainty as to whether the courts of the Cayman Islands would (1) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States and (2) entertain original actions brought in the Cayman Islands against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Walkers (Hong Kong) has informed us that the uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the United States courts under the civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Walkers (Hong Kong) has further advised us that a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the Cayman Islands under the common law doctrine of obligation.

In addition, Walkers (Hong Kong) has advised us that there is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the Cayman Islands will generally recognize as a valid judgment, a final and conclusive judgment in personam obtained in the federal or state courts in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon **provided that** (i) such courts had proper jurisdiction over the parties subject to such judgment; (ii) such courts did not contravene the rules of natural justice of the Cayman Islands; (iii) such judgment was not obtained by fraud; (iv) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (v) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (vi) there is due compliance with the correct procedures under the laws of the Cayman Islands. The courts of the Cayman Islands may stay enforcement proceedings if concurrent proceedings are being brought elsewhere. As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company organised in the United States.

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, our most recently published audited consolidated financial statements and any unaudited condensed consolidated financial statements published subsequently to such consolidated financial statements from time to time (if any) and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available for inspection upon prior written notice and satisfactory proof of holding free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified office of the Fiscal Agent (as defined under "*Summary of the Programme*") set out at the end of this Offering Circular.

PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements for the years ended 31 December 2022, 2021 and 2020 included in this Offering Circular have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Our historical results are not necessarily indicative of results to be expected for any future period. Our consolidated financial and other data for the periods and as of the dates indicated are qualified by reference to, and should be read in conjunction with, our consolidated financial statements and related notes and the information under "*Financial Information*," both of which are included elsewhere in this Offering Circular.

CONTENTS

GLOSSARY

In this Offering Circular, unless the context otherwise requires, the following expressions shall have the following meanings.

"**2021 Audited Annual Financial Statements**"	the audited financial statements of the Issuer as at and for the years ended 31 December 2020 and 31 December 2021 set out in Appendix II
"**2022 Audited Annual Financial Statements**"	the audited financial statements of the Issuer as at and for the years ended 31 December 2021 and 31 December 2022 set out in Appendix II
"**Audited Consolidated Financial Statements**"	means collectively, the 2021 Audited Annual Financial Statements and the 2022 Audited Annual Financial Statements
"**Actuarial Consultant's Report**"	the Actuarial Consultant's Report prepared by Milliman and set out in Appendix I setting out Milliman's review of our embedded value as at 31 December 2020, 2021 and 2022
"**AMCM**"	the Monetary Authority of Macau, the primary regulator of the insurance industry in Macau
"**Apollo**".	Apollo Global Management, Inc.
"**Articles**" or "**Articles of Association**".	the articles of association of our Company (as amended from time to time)
"**Athene**"	Athene Life Re Ltd.
"**Bank BRI**"	PT Bank Rakyat Indonesia (Persero) Tbk, a publicly listed bank established and existing under the laws of Indonesia
"**Bermuda Insurance Act**"	the Insurance Act 1978 of Bermuda and related regulations, as amended, supplemented or otherwise modified from time to time
"**BMA**".	the Bermuda Monetary Authority
"**BNM**".	the Central Bank of Malaysia, Bank Negara Malaysia
"**Board**" or "**Board of Directors**"	the board of directors of our Company
"**Bolttech Digital Solutions**"	Bolttech Digital Solutions Capital Limited, a company incorporated under the laws of the Cayman Islands, part of the GI Disposal Group
"**bolttech Group**"	bolttech Holdings and its subsidiaries
"**bolttech Holdings**"	bolttech Holdings Limited, a company incorporated under the laws of the Cayman Islands

"**BRI Life**"	PT Asuransi BRI Life, a company in which we own an equity interest of 39.8% as of the date of this Offering Circular
"**Business Units**"	our operations across Hong Kong (and Macau), Thailand (and Cambodia), Japan and the Emerging Markets
"**CAC**"	Cyberspace Administration of China
"**Cayman Companies Act**"	the Companies Act, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"**CBA**"	Commonwealth Bank of Australia
"**CEO**"	chief executive officer
"**China**", "**mainland China**" or "**the PRC**"	the People's Republic of China, excluding, for the purpose of this listing document only, Hong Kong, Macau and Taiwan, unless otherwise specified; the term "Chinese" has a correlative meaning
"**CIMA**"	the Cayman Islands Monetary Authority
"**Companies Ordinance**"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Company**" or "**Issuer**"	FWD Group Holdings Limited 富衛集團有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability on 18 March 2013
"**Controlling Shareholder(s)**"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Li, Mr. Li's Entities and the Fornax Entities
"**CPP Investments**"	Canada Pension Plan Investment Board
"**CPS**"	convertible preference shares
"**Crimson White Investment**"	Crimson White Investment Pte. Ltd.
"**DGA Capital (Master) Fund**"	DGA Capital (Master) Fund I LP
"**Director(s)**"	the director(s) of our Company
"**DPA**"	the Cayman Islands Data Protection Act (as amended)
"**Eastwood Asset Holding**"	Eastwood Asset Holding Ltd
"**Emerging Markets**"	refers to our operations in the Philippines, Indonesia, Singapore, Vietnam and Malaysia

"**ES Act**"	the Cayman Islands International Tax Co-Operation (Economic Substance) Act (as amended)
"**FGL**"	FWD Group Limited, an exempted company incorporated under the laws of the Cayman Islands and registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance and a subsidiary of our Company
"**FL**"	FWD Limited, an exempted company incorporated under the laws of the Cayman Islands and registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance and a subsidiary of our Company
"**Fornax**"	Fornax Investment Global Company Limited
"**Fornax Entities**"	Fornax, Fornax Holding Company Limited, Falcon 2019 Co-Invest A, L.P. and Falcon 2019 Co-Invest GP, the general partner of Falcon 2019 Co-Invest A, L.P.
"**FRA**"	the Cayman Islands Financial Reporting Authority
"**FRs**"	the HKIA, the SFC and the HKMA
"**Future Financial Investment**"	Future Financial Investment Company Ltd
"**FWD Assurance (Vietnam)**"	FWD Assurance VietNam Company Limited, a company incorporated under the laws of Vietnam
"**FWD Cambodia**"	FWD Life Insurance (Cambodia) Plc., a company incorporated under the laws of Cambodia and a subsidiary of our Company
"**FWD Financial Planning**"	FWD Financial Planning Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company
"**FWD Financial Services**"	FWD Financial Services Pte. Ltd., company incorporated under the laws of Singapore and a subsidiary of our Company
"**FWD General Insurance**"	FWD General Insurance Company Limited, a company incorporated under the laws of Hong Kong and part of the GI Disposal Group
"**FWD Group Financial Services**"	FWD Group Financial Services Pte. Ltd., a company incorporated under the laws of Singapore and a subsidiary of our Company
"**FWD Group Management**"	FWD Group Management Holdings Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company

"**FWD Indonesia**"	PT FWD Life Indonesia, a company incorporated under the laws of Indonesia, and a subsidiary of our Company, which was subsequently merged with PT FWD Insurance Indonesia (formerly known as PT Commonwealth Life), with the surviving entity being PT FWD Insurance Indonesia
"**FWD Life Assurance (Hong Kong)**"	FWD Life Assurance Company (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company
"**FWD Life (Bermuda)**"	FWD Life Insurance Company (Bermuda) Limited, a company incorporated under the laws of Bermuda and registered as non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance and a subsidiary of our Company
"**FWD Life (Hong Kong)**"	FWD Life (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company
"**FWD Life Japan**"	FWD Life Insurance Company, Limited (formerly known as FWD Fuji Life Insurance Company, Limited), a company incorporated under the laws of Japan and a subsidiary of our Company
"**FWD Life (Macau)**"	FWD Life Insurance Company (Macau) Limited, a company incorporated under the laws of Macau and a subsidiary of our Company
"**FWD Management Holdings**"	FWD Management Holdings Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company
"**FWD Pension Trust**"	FWD Pension Trust Limited, a company incorporated under the laws of Hong Kong and a subsidiary of our Company
"**FWD Philippines**"	FWD Life Insurance Corporation, a company incorporated under the laws of the Philippines and a subsidiary of our Company
"**FWD Reinsurance**"	FWD Reinsurance SPC, Ltd, an exempted company incorporated under the laws of the Cayman Islands and a subsidiary of our Company
"**FWD Singapore**"	FWD Singapore Pte. Ltd., a company incorporated under the laws of Singapore and a subsidiary of our Company
"**FWD Takaful**"	FWD Takaful Berhad, a company incorporated under the laws of Malaysia and a subsidiary of our Company
"**FWD Thailand**"	FWD Life Insurance Public Company Limited (บรษ ท เอฟดบบลวดีประกนชวิต จากด (มหาชน)), a company incorporated under the laws of Thailand and a subsidiary of our Company
"**FWD Vietnam**"	FWD Vietnam Life Insurance Company Limited, a company incorporated under the laws of Vietnam and a subsidiary of our Company

"**FY**" or "**financial year**"	financial year ended or ending 31 December
"**GI Disposal Group**"	certain former subsidiaries of our Company's general insurance business; please see Note 5.2 to the 2021 Audited Annual Financial Statements
"**GIC Blue**"	GIC Blue Holdings Pte Ltd.
"**Group**", "**we**", "**our**" or "**us**"	our Company and its subsidiaries
"**Group Office**"	FWD Group Financial Services, FWD Group Management and Valdimir
"**GWS**" or "**Group-wide Supervision**"	the group-wide supervision framework introduced by the HKIA, which came into effect on 29 March 2021
"**HK$**", "**Hong Kong dollar(s)**" or "**HKD**"	Hong Kong dollars, the lawful currency of Hong Kong
"**HKFI**"	the Hong Kong Federation of Insurers
"**HKIA**"	the Insurance Authority of Hong Kong, the primary regulator of the insurance industry in Hong Kong
"**HKMA**"	the Hong Kong Monetary Authority
"**HKT**"	HKT Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and registered as a non-Hong Kong company in Hong Kong, and having its share stapled units jointly issued with the HKT Trust listed on the Main Board of the Stock Exchange (HKEX: 6823)
"**HKT Group**"	HKT and its direct and indirect subsidiaries
"**HKT Trust**"	a trust constituted on November 7, 2011 under the laws of Hong Kong and managed by HKT Management Limited (the trustee-manager of the HKT Trust), and having its share stapled units jointly issued with HKT listed on the Main Board of the Stock Exchange (HKEX: 6823)
"**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC
"**Hong Kong authorised insurers**"	FWD Life (Bermuda), FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong)
"**HOPU**"	HOPU USD Master Fund III, L.P.
"**HP**"	Huatai-PineBridge Fund Management Co., Ltd.

"**HSBC Amanah Takaful**"	HSBC Amanah Takaful (Malaysia) Berhad, a company incorporated under the laws of Malaysia and is a subsidiary of our Company, now rebranded as FWD Takaful
"**Huatai Financial**"	Huatai Financial Holdings (Hong Kong) Limited
"**Huatai Fund**"	Huatai Value Investment Fund L.P.
"**Huatai Securities**"	Huatai Securities Co., Ltd.
"**IAIS**"	the International Association of Insurance Supervisors, which is the global standard setter for the insurance industry
"**ICB**"	the Insurance Complaints Bureau in Hong Kong
"**IDR**"	Indonesian rupiah, the lawful currency of Indonesia
"**IFRS**"	International Financial Reporting Standards
"**IFSA**"	the Islamic Financial Services Act 2013 of Malaysia
"**iFWD TW**"	iFWD Insurance Broker Co., Ltd., a company incorporated under the laws of Taiwan, and part of the GI Disposal Group
"**Implementation Agreement**"	the amended and restated implementation agreement dated 19 December 2022 among our Company, PCGI Holdings, FL, FGL and the securityholders named therein
"**independent third party**"	any party who is not connected (within the meaning of the Hong Kong Listing Rules) with our Company, so far as the Directors are aware after having made reasonable enquiries
"**Indonesia Insurance Law**"	Law No. 40 of 2014 on Insurance Business of Indonesia
"**ING**"	ING Group N.V.
"**Insurance (Group Capital) Rules**"	the Insurance (Group Capital) Rules (Chapter 41O of the Laws of Hong Kong), as amended or supplemented from time to time
"**Insurance Act**"	the Insurance Act (as amended) of the Cayman Islands
"**IO**"	the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), as amended or supplemented from time to time
"**JFSA**"	the Japan Financial Services Agency
"**JPY**"	Japanese yen, the lawful currency of Japan
"**LIBOR**"	London Interbank Offered Rate

"**Listing**"	the listing of the Shares on the Main Board of the Stock Exchange
"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"**Macau**"	the Macau Special Administrative Region of the PRC
"**MAS**"	Monetary Authority of Singapore
"**Memorandum**" or "**Memorandum of Association**"	the memorandum of association of our Company
"**Milliman**"	Milliman Limited, an independent actuarial consultant
"**MOP**"	Macanese pataca, the lawful currency of Macau
"**MPF**"	mandatory provident fund
"**MPFA**"	the Mandatory Provident Fund Schemes Authority
"**MPFSO**"	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)
"**MPIC**"	Metro Pacific Investments Corporation
"**Mr. Huynh**"	Mr. Huynh Thanh Phong
"**Mr. Li**"	Mr. Li Tzar Kai, Richard
"**Mr. Li's Entities**"	PCGI Holdings, Bliss Horizon Limited, Creative Knight Limited, Creative Mind Limited and Spring Achiever Limited
"**Mr. Wong**"	Mr. Wong Ka Kit
"**NMG**"	N.M.G. Financial Services Consulting Limited, an independent industry consultant
"**Nomination Committee**"	the nomination and corporate governance committee of the Board
"**OECD**"	the Organisation for Economic Co-operation and Development
"**OGS**"	One George Street LLP, a joint venture in which we hold a 50.0% interest
"**OIC**"	the Office of Insurance Commission of Thailand
"**ORIX**"	ORIX Corporation

"**ORIX Asia Capital**"	ORIX Asia Capital Limited
"**ORSO**"	the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong)
"**Otoritas Jasa Keuangan**" or "**OJK**"	the Indonesian Financial Services Authority
"**PCCW**"	PCCW Limited, a company incorporated under the laws of the Hong Kong whose shares are listed on the HKEX (HKEX: 0008)
"**PCG**"	Pacific Century Group, an Asia-based private investment group ultimately wholly-owned by Mr. Li
"**PCGI**"	PCGI Limited
"**PCGI Holdings**"	PCGI Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands and directly wholly-owned by Mr. Li
"**PCGI Intermediate**"	PCGI Intermediate Limited, an exempted company incorporated under the laws of the Cayman Islands and directly wholly-owned by PCGI Holdings and indirectly wholly-owned by Mr. Li
"**PCGI Intermediate II Holdings**"	PCGI Intermediate Holdings (II) Limited, an exempted company incorporated under the laws of the Cayman Islands and directly wholly-owned by PCGI Holdings and indirectly wholly-owned by Mr. Li
"**Philippine Insurance Code**"	Presidential Decree No. 1460, as amended by Republic Act No. 10607 of the Philippines
"**PHP**"	Philippine peso, the lawful currency of the Philippines
"**PineBridge**"	PineBridge Investments Limited, an exempted company incorporated under the laws of the Cayman Islands and a member of PCG and which has been appointed by the Group to act as investment manager for the Group's credit fixed income portfolio
"**PineBridge Group**"	PineBridge and its subsidiaries
"**Pre-IPO Investments 2021/2022**"	the Pre-IPO Investments set out in "*History, Reorganisation and Corporate Structure – Pre-IPO Investments – Subscription of ordinary shares of our Company by Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master) Fund, PCGI Holdings, ORIX Asia Capital and Huatai Growth Focus Limited*"
"**Pre-IPO Investment(s)**"	the pre-IPO investment(s) in our Company undertaken by the Pre-IPO Investors, details of which are set out in "*History, Reorganisation and Corporate Structure*"

"**Pre-IPO Investor(s)**"	the investors in the Pre-IPO Investments
"**Previous Rounds Pre-IPO Investments**"	RRJ First Pre-IPO Investment, GIC Blue Pre-IPO Investment, HOPU Pre-IPO Investment, PCG First Pre-IPO Investment, Swiss Re First Pre-IPO Investment, RRJ Second Pre-IPO Investment, PCG Second Pre-IPO Investment, Mr Wong's Pre-IPO Investment, Swiss Re Second Pre-IPO Investment and PCG Third Pre-IPO Investment
"**Proposed Initial Public Offering**" or "**IPO**"	the proposed initial public offering of the Company on the Main Board of the Stock Exchange
"**PSU**"	a RSU which is subject to certain performance-based and other vesting conditions
"**PTBC**"	PT Bank Commonwealth, a company incorporated under the laws of Indonesia
"**PT Commonwealth Life**"	PT Commonwealth Life, a company incorporated under the laws of Indonesia (now known as PT FWD Insurance Indonesia)
"**QIB**"	a qualified institutional buyer within the meaning of Rule 144A
"**Queensway Asset Holding**"	Queensway Asset Holding Limited
"**Regulation S**"	Regulation S under the U.S. Securities Act
"**Reorganisation**"	the restructuring steps undertaken by our Group as set out in the paragraph headed "*History, Reorganisation and Corporate Structure – Reorganisation*"
"**RM**"	Malaysian ringgit, the lawful currency of Malaysia
"**RRJ**"	RRJ Capital Master Fund III, L.P.
"**RSU**"	a restricted share unit, being a contingent right to receive shares under an Equity Incentive Plan subject to certain time-based and other vesting conditions
"**Rule 144A**"	Rule 144A under the U.S. Securities Act
"**SCB**"	The Siam Commercial Bank Public Company Limited
"**SCB Life**"	SCB Life Assurance Public Company Limited, a company incorporated under the laws of Thailand, now amalgamated with FWD Thailand
"**Security Bank**"	Security Bank Corporation, a universal bank incorporated in the Philippines
"**SFC**"	the Securities and Futures Commission of Hong Kong

"**SFO**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"**SGD**"	Singaporean dollars, the lawful currency of Singapore
"**Shareholders**"	holders of Shares
"**Shares**"	ordinary shares of the share capital of our Company with a nominal value of US$0.01 each
"**Singapore Insurance Act**"	the Insurance Act 1966 of Singapore
"**Stock Exchange**" or "**HKEX**"	The Stock Exchange of Hong Kong Limited
"**Swiss Re**"	Swiss Reinsurance Company Ltd, an intermediate parent company of Swiss Re PICA
"**Swiss Re Group**"	Swiss Re Ltd and its subsidiaries
"**Swiss Re Investments**"	Swiss Re Investments Company Ltd
"**Swiss Re PICA**"	Swiss Re Principal Investments Company Asia Pte. Ltd.
"**THB**"	Thai baht, the lawful currency of Thailand
"**TMB**"	Thai Military Bank, or TMB Bank Public Company Limited (now amalgamated with Thanachart Bank Public Company Limited and known as TMB Thanachart Bank Public Company Limited)
"**US$**", "**U.S. dollars**", "**US dollar(s)**" or "**USD**"	US dollars, the lawful currency of the United States of America
"**U.S.**" or "**United States**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"**U.S. Securities Act**" or "**Securities Act**"	the United States Securities Act of 1933, as amended
"**Valdimir**"	Valdimir Pte. Ltd, a company incorporated under the laws of Singapore and a subsidiary of our Company
"**VCB**"	Joint Stock Commercial Bank for Foreign Trade of Vietnam
"**VCLI**"	Vietcombank-Cardif Life Insurance Limited Company, now rebranded as FWD Assurance (Vietnam)
"**VHIS**"	Voluntary Health Insurance Scheme of Hong Kong
"**VND**"	Vietnamese dong, the lawful currency of Vietnam

"**white space**"	the segment of the Asian life insurance market representing emerging affluent consumers who intend to purchase insurance products but suffer from low penetration of insurance services due to purchase barriers

In this Offering Circular, unless the context otherwise requires, the terms "**associate**", "**connected person**", "**connected transaction**", "**controlling shareholder**", "**subsidiary**" and "**substantial shareholder**" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and statements may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, certain amounts denominated in US$ have been translated into Hong Kong dollars at exchange rates of US$1.00 = HK$7.80, respectively, in each case for illustrative purposes only and such conversions shall not be construed as representations that amounts in US dollars were or could have been or could be converted into Hong Kong dollars and/or that amounts in Hong Kong dollars were or could have been or could be converted into US dollars at such rate or any other exchange rates.

This glossary contains explanations of certain terms used in this Offering Circular in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

"**Actual Exchange Rate**" or "**AER**"	actual exchange rates for the relevant periods used for the purpose of calculation of growth
"**Adjusted Net Worth**" or "**ANW**"	the statutory net asset value, reflecting the excess of assets over policy reserves and other liabilities reported on a local regulatory basis plus/minus mark-to-market adjustments for assets that have not been held on a market value basis minus the value of intangible assets
"**Adjusted net UFSG**"	Net UFSG excluding one-off opening adjustments (including non-economic assumption change) and expense variance
"**AI**"	artificial intelligence
"**ALMCO**"	the Group's Asset and Liability Management Committee
"**Annualised Premium Equivalent**" or "**APE**"	the sum of 10% of single premiums and 100% of annualised first year premiums for all new policies, before reinsurance ceded. Consistent with customary industry practice, a factor of 10% is applied to single premiums because such weighting makes the value of a single premium sale broadly equivalent to the same dollar amount of first year premiums. APE provides an indicative volume measure of new policies issued in the relevant period. For takaful business, APE refers to annualised contribution equivalent
"**API**"	application programming interface
"**bancassurance**"	the distribution of insurance products through banks or other financial institutions
"**CAGR**"	compound annual growth rate

"**cede**"	the transfer of all or part of a risk written by an insurer to a reinsurer
"**claim**"	an occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Depending on the terms of the insurance policy, a claim may be covered, limited or excluded from coverage
"**COLI**"	Corporate Owned Life Insurance
"**commission**"	a fee paid to a distribution partner by an insurance company for services rendered in connection with the sale or maintenance of an insurance product
"**Constant Exchange Rate**" or "**CER**"	constant exchange rate used for the calculation of growth and is based on average exchange rates of relevant periods, other than for balance sheet items where growth as at the end of the current year over the end of the prior year is based on end of period exchange rates
"**conversion rate**"	the percentage of quoted leads that convert into successful sales
"**customer**"	anyone who owns or receives value from insurance products and services. Customers are categorised as either individual customers or group scheme customers. Individual customers include policyholders (who are paying policy owners), the insured under life insurance policies, beneficiaries of the policies and active FWD MAX members, while group scheme customers include corporate policyholders (who are paying policy owners) and participating members
"**D2C**"	direct-to-customer
"**DIHC**"	designated holding company of an insurance group
"**Embedded Value**" or "**EV**"	an actuarial method of measuring the consolidated value of shareholders' interests in the existing business of an insurance company. Represents an estimate of the economic value of its life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to any future new business
"**Embedded value equity**" or "**EV equity**"	the equity attributable to shareholders on an actuarial basis, reflecting the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders. It is presented on a net-of-financing basis. Financing for this purpose includes debt held by us and comprises borrowings and perpetual securities

"**Embedded value operating profit**" or "**EV operating profit**"	the change in EV over the relevant period, adjusted for movements relating to acquisitions, partnerships and discontinued businesses, economic variance, economic assumption charge, non-operating variance, capital movements, corporate adjustments, financing and foreign exchange movement. It comprises expected returns on EV, VNB, operating variance, and the impact of operating assumption changes. The results have been presented before allowing for operating variances other than claims/persistency/expense and operating assumption changes
"**exclusive bancassurance partnerships**" or "**exclusive bancassurance arrangements**"	our exclusive bancassurance partnerships in-market generally require bancassurance partners to distribute our products on either an exclusive or preferred basis to their customers across networks and jurisdictions specified under their contracts and subject to applicable laws and regulations. Exclusive bancassurance arrangements commonly include termination rights which may be triggered if specific, pre-defined conditions are met, for example upon material breaches by either party, in the event a party becomes a competitor, upon a change of control or in the event of force majeure; in addition, in limited cases exclusivity also applies to us over the partnership term
"**expense ratio**"	operating expenses expressed as a percentage of TWPI for the relevant period
"**financial investments**"	equity and fixed income securities plus receivables and derivative financial instruments classified as assets, excluding cash and cash equivalents
"**first year premiums**"	premiums received in the first year of a recurring premium policy. As such they provide an indication of the volume of new policies sold
"**Free Surplus**".	excess of adjusted net worth, i.e. adjusted statutory net asset value attributable to shareholders, over the required capital
"**FWD markets**".	Hong Kong (and Macau), Thailand (and Cambodia), Japan, Philippines, Indonesia, Singapore, Vietnam and Malaysia
"**GMCR**"	group minimum capital requirement
"**GPCR**".	group prescribed capital requirement
"**Group embedded value**" or "**Group EV**".	the consolidated EV of our Group and is presented on a net-of-financing basis; financing for this purpose includes debt held and comprises borrowings and perpetual securities
"**GWP**"	gross written premiums calculated based on applicable guidelines promulgated by the relevant insurance authorities
"**high net worth**" or "**HNW**".	individuals who have investable assets of US$1 million or more

"**ICS**"	Insurance Capital Standard
"**IFA**"	independent financial advisor
"**IFRS**"	International Financial Reporting Standards
"**in-force customers**", "**in-force products**" or "**in-force policies**"	Customers or products with respect to an insurance policy or contract reflected on records, at a certain time, that has not expired, matured or otherwise been surrendered or terminated, or such policies or contracts themselves
"**investment experience**"	realised gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss
"**LCSM**"	local capital summation method
"**life insurance market**"	all business written under a life insurance licence in each of the individual markets
"**lifetime value**"	policyholder lifetime value is calculated by discounting the aggregate VNB of all life insurance purchases by a policyholder over his or her life to today's value
"**MCV**"	mainland Chinese visitors
"**MDRT**"	Million Dollar Round Table, a global professional trade association that recognises significant sales achievements while working to develop professional and ethical sales practices
"**morbidity**" or "**morbidity rate**"	incidence rates and period of disability, varying by such parameters as age, gender and period since disability, used in pricing and computing liabilities for accident and health insurance
"**mortality**" or "**mortality rate**"	rate of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for life and annuity products, which contain mortality risks
"**net premiums**"	life insurance premiums net of reinsurance premiums ceded to third-party reinsurers
"**net underlying free surplus generation**" or "**net UFSG**"	underlying free surplus generation, allowing for the free surplus used to fund new business; it excludes investment return variances and other items such as the impact of acquisitions, new partnerships and discontinued businesses, capital movements and impact of financing
"**NPV**"	no par value
"**O2O**"	collectively, online-to-online, online-to-offline and offline-to-online

"**offshore**"	(i) with respect to our Hong Kong business, an offshore policy is any policy where the policyholder does not have or disclose a Hong Kong identity card number and an offshore customer is any customer who does not have or disclose a Hong Kong identity card; and (ii) with respect to our Macau business, an offshore policy is any policy where the policyholder is not a resident of Macau and an offshore customer is any customer who is not a resident of Macau
"**onshore**"	(i) with respect to our Hong Kong business, an onshore policy is any policy where the policyholder has a Hong Kong identity card and an onshore customer is any customer who has a Hong Kong identity card, and (ii) with respect to our Macau business, any policy where the policyholder is a resident of Macau and an onshore customer is any customer who is a resident of Macau
"**Operating embedded value**" or "**Operating EV**"	consolidated EV of operating entities
"**Operating ROEV**"	the ratio of EV operating profit to the average of opening and closing Group EV (net of financing basis) for the relevant period
"**Pan-Asian insurer**" or "**Pan-Asian life insurer**"	a life insurer competing in three or more of FWD markets
"**participating funds**"	distinct portfolios where the policyholders have a contractual right to receive at the discretion of the insurer additional benefits based on factors such as the performance of the pool of assets held within the fund, as a supplement to any guaranteed benefits. The insurer may either have discretion as to the timing of the allocation of those benefits to participating policyholders or as to the timing and the amount of the additional benefits
"**participating products**" or "**participating business**"	contracts of insurance where the policyholders have a contractual right to receive, at the discretion of the insurer, additional benefits based on factors such as investment performance, as a supplement to any guaranteed benefits
"**persistency**"	the proportion of insurance policies remaining in force from month to month, as measured by the number of policies
"**protection ratio**"	the protection ratio of each product is calculated by dividing the present value of mortality and morbidity benefits expected to be paid on account of the product by the present value of all customer benefits expected to be paid on account of the product
"**Protection VNB**"	the aggregated protection VNB at product level, which is determined by protection ratio multiplied by VNB
"**PVNBP**"	the present value of projected new business premiums

"**RBC**" or "**Risk-based capital**" . .	a method of measuring the amount of capital appropriate for an insurance entity to support its overall business operations in consideration of its size and risk profile
"**reinsurance**".	the practice whereby a reinsurer, in consideration of a premium paid to it, agrees to indemnify another party for part or all of the liabilities assumed by the reinsured party under an insurance contract, which the reinsured party has issued
"**renewal premiums**"	premiums receivable in subsequent years of a multi-year insurance policy
"**reserves**"	liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurers
"**retrocession**"	the reinsuring of reinsurance
"**riders**"	a supplemental plan that can be attached to a base insurance policy, typically with payment of additional premium; unless otherwise stated, riders include unit- deducting riders for which no premiums are received. The insurance coverage of unit-deducting riders is funded by deduction of units from account balances of underlying unit-linked and universal life contracts
"**sales conversion rate**"	the percentage of quoted leads that convert into successful sales
"**single premiums**"	single premium policies of insurance are those that require only a single lump sum payment from the policyholder
"**SME**"	small and medium enterprise
"**solvency**"	the ability of an insurance company to satisfy its policyholder benefits and claims obligations
"**Southeast Asia**"	for purposes of market rankings included in this Offering Circular, Thailand, Cambodia, Philippines, Indonesia, Singapore, Vietnam and Malaysia
"**STP**"	straight-through-processing
"**surrender**"	the termination of a life insurance policy or annuity contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract
"**Takaful**".	insurance that is compliant with Islamic principles
"**tied agent**"	a sales representative who sells the products of one company exclusively

"**TWPI**" or "**Total Weighted Premium Income**"	total weighted premium income consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums; it provides an indication of total premiums and just the new business premiums that we have generated in the reporting period and that have the potential to generate profits for the Shareholders
"**Underlying APE**"	the APE for the relevant periods excluding, as applicable, the effects of (i) the COLI business in Japan, the sales of which have declined on account of the taxation rule changes in 2019, and (ii) the one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020
"**Underlying PVNBP**".	the PVNBP for the relevant periods excluding, as applicable, the effects of (i) the COLI business in Japan, the sales of which have declined on account of the taxation rule changes in 2019, and (ii) the one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020
"**Underlying VNB**".	the VNB for the relevant periods excluding, as applicable, the effects of (i) the COLI business in Japan, the sales of which have declined on account of the taxation rule changes in 2019, and (ii) the one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020
"**Underlying new business margin**".	Underlying VNB expressed as a percentage of Underlying APE or Underlying PVNBP for the relevant period
"**underwriting**".	the process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk
"**Value of business acquired**" or "**VOBA**".	VOBA in respect of a portfolio of long-term insurance and investment contracts acquired is recognised as an asset, calculated by discounting all future cash flows expected to be realised from the portfolio. VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The carrying value of VOBA is reviewed at least annually for impairment and any impairment is charged to the consolidated income statement
"**Value of new business**" or "**VNB**"	present value, measured at point of sale, of future net-of-tax profits on a local statutory basis less the corresponding cost of capital. VNB is calculated quarterly, based on assumptions applicable at the start of each quarter
"**new business margin**".	VNB expressed as a percentage of APE or PVNBP for the relevant period

SUMMARY

This summary is intended to give you an overview of the information contained in this Offering Circular. Since it is a summary, it does not contain all the information that may be important to you. You should read this Offering Circular in its entirety before you decide whether to invest in the Instruments. Some of the particular risks of investing in the Instruments are set out in "Risk Factors" and you should read that section carefully before you decide to invest in the Instruments.

OVERVIEW

We are a fast-growing Pan-Asian life insurer with a customer-led and digitally-enabled model. We were founded in 2013 by our founder, Mr. Li, with the ambition of forging our own path as a next-generation insurer in Asia. Our vision is *changing the way people feel about insurance*. By adopting a multi-channel distribution model, investing in robust technology capabilities, digital infrastructure and data analytics, as well as expanding partnership and referral opportunities, we have been able to quickly capture market opportunities and stay ahead of the industry average in terms of certain key performance indicators, such as Annualised Premium Equivalent ("**APE**") growth rates, in the markets in which we operate. We have built our leadership team and culture to align with this vision.

We have grown from three markets at inception to ten markets, including Hong Kong (and Macau), Thailand (and Cambodia), Japan, and Emerging Markets, comprising the Philippines, Indonesia, Singapore, Vietnam and Malaysia (collectively, the "**FWD markets**", each a "**FWD market**"). We have entered certain of these new markets by obtaining new licences (such as in the Philippines and Indonesia) or via the acquisition of licensed life insurers with limited operations locally (such as in Singapore, Vietnam, Malaysia and Cambodia). Our Hong Kong (and Macau), Thailand (and Cambodia), Japan and Emerging Markets operations contributed 29.8%, 31.7%, 19.1% and 19.4% of our value of new business ("**VNB**") in 2021 and 26.3%, 32.8%, 16.8% and 24.1% of our VNB in 2022, respectively. This provides us with access to some of the fastest growing insurance markets in the world with an expanding but underinsured population. Within our Southeast Asia markets (comprising Thailand (and Cambodia), Philippines, Indonesia, Singapore, Vietnam and Malaysia), which contributed approximately 57% of our VNB in 2022, we are the fifth largest insurer with a market share of 4.7% in 2021 according to NMG.

Our APE has grown 4.6 times from 2014, our first full year of operations, to 2022, increasing from US$309 million in 2014 to US$1,408 million in 2022, and our VNB grew 6.7 times over the same period, increasing from US$123 million in 2014 to US$823 million in 2022. We recorded total revenue of US$8,250 million and a net loss of US$740 million in 2022, compared to a net loss of US$252 million and a net profit of US$249 million in 2020 and 2021, respectively. Our net loss in 2020 resulted primarily from increases in financing costs and other non-recurring costs, including implementation costs for IFRS 9 and 17 and Group-wide supervision, one-off costs of integration activities, and IPO-related costs, while our net loss in 2022 resulted primarily from losses on investment returns due to adverse capital market movements. Although we recorded a net profit for 2021, this was the result of (i) gains in short-term fluctuations in investment returns related to equities and property investment due to actual investment returns being significantly higher than the expected long-term investment returns used in our assumptions, and (ii) net profit from discontinued operations. See "*Financial Information – Discussion of Key Performance Indicators*" for more details.

We are customer-led and we put customers at the heart of everything we do. We have adopted a digitally-enabled, multi-channel distribution model to effectively serve customers wherever, whenever and however they choose. Our distribution channels include bancassurance, agency, brokerage/IFA and others, which includes neo-insurance and other distribution channels. These channels contributed 43.7%, 21.9%, 24.2% and 10.2% of VNB in 2022, respectively. We have built a leading Southeast Asian bancassurance franchise with nine exclusive partnerships. We are ranked sixth among multi-national insurers globally in terms of the number of Million Dollar Round Table ("**MDRT**") registered members in 2022, up from tenth in 2021. We have also built a neo-insurance model to effectively reach tech-savvy and young-at-heart customers through our D2C eCommerce platform, our bank partners' digital channels and ecosystem partners' platforms supported by application programming interface ("**API**") integration and O2O referral programmes. Together, our distribution channels grant us access to a number of exclusive and non-exclusive bank partners, with a combined customer base of up to 220 million, according to NMG.

We offer easy-to-understand and relevant propositions through our diverse portfolio of life insurance, health insurance, employee benefits (group insurance) and financial planning products. We classify our key products into (i) participating life, (ii) non-participating life, (iii) critical illness, term life, medical and riders, (iv) unit-linked insurance, (v) group insurance, and (vi) COLI, which contributed 18.9%, 25.2%, 34.5%, 12.3%, 6.9%, 2.1% of VNB in 2022, respectively. Through our digital and data analytics tools, we have made our customers' insurance journeys simpler, faster and smoother. We also recorded significant growth in our individual policyholders from approximately 0.8 million as of 31 December 2015 to 5.7 million as of 31 December 2022. Our individual policyholders increased at a CAGR of 9.9% from 31 December 2020 to 31 December 2022. Importantly, we have gained traction amongst the millennial (defined as those aged under 40) customer segment, which has high lifetime value relative to other customer segments, according to NMG.

We are a digitally-enabled insurer. Underpinned by our data analytics and technology capabilities, we have constructed a digital architecture that is standardised across our Group. Our integrated, cloud-based Data Lake captures a holistic customer view and informs every customer interaction and decision across business divisions in real time. Our digital systems and toolkits across our prospecting, purchasing, underwriting, claims and servicing functions are built increasingly upon artificial intelligence ("**AI**") and data analytics. To further our digital capabilities, we have continued to expand our investment in research and development budget and technology headcount.

We have experienced substantial growth and demonstrated a strong track record of execution, and our business is supported by a strong balance sheet to allow for future growth. Under the group-wide supervision framework which came into effect in relation to the Group in May 2021 ("**GWS**"), we assess our capital adequacy with reference to the Insurance (Group Capital) Rules as well as the local capital summation method ("**LCSM**") position on both minimum capital requirement ("**MCR**") and prescribed capital requirement ("**PCR**") bases. Our LCSM free surplus (MCR basis) is the difference between our group available capital and our group minimum capital requirement ("**GMCR**"), and our LCSM cover ratio (MCR basis) is the ratio of our group available capital to our GMCR. Our LCSM free surplus (PCR basis) is the difference between our group available capital and our group prescribed capital requirement ("**GPCR**"), and our LCSM cover ratio (PCR basis) is the ratio of our group available capital to our GPCR. Our cover ratio (MCR basis) as of 31 December 2022 and 31 December 2021 would be 623% and 592%, respectively, and on a PCR basis the cover ratio was 288% as of 31 December 2022, before giving effect to the net proceeds of the Proposed Initial Public Offering, assuming that all of our outstanding preference shares and convertible preference shares had been exchanged for ordinary shares on that date. See "*Financial Information – Group Capital Adequacy*" for details.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have provided us with the ability to maintain our strong growth: (a) we are a fast-growing Pan-Asian life insurer capturing growth opportunities in the most attractive markets in the region; (b) we offer compelling customer propositions with a distinctive brand; (c) we have elite, tailored and tech-enabled multi-channel distribution capabilities; (d) we have purpose-built digital infrastructure with data analytics at the core; (e) we have gained advantaged access to millennials; and (f) we have delivered agile execution under the leadership of a highly experienced management team.

OUR GROWTH STRATEGIES

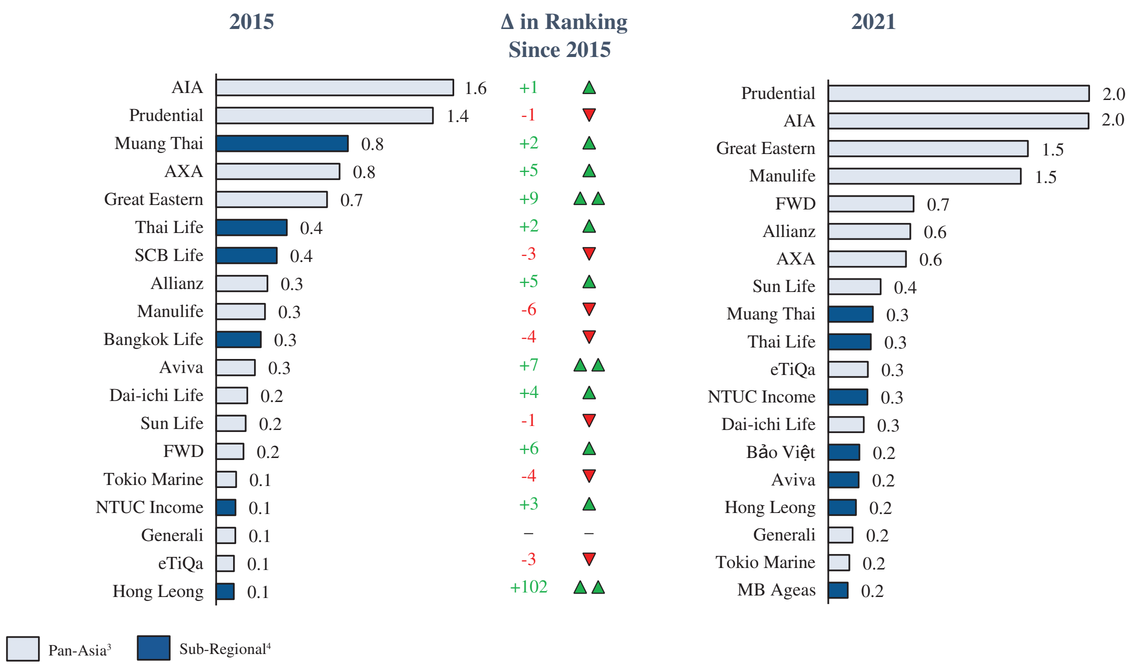
To maintain our strong growth momentum, we plan to implement the following strategies: (a) generate lifetime value by reinforcing leadership in customer acquisition and engagement; (b) increase scale and productivity by digitalising, expanding and activating new partnerships; (c) enhance protection mix and achieve new business margin uplift through relevant propositions; (d) optimise customer experience and boost operating leverage through continued investment in digitalisation; and (e) create additional value by pursuing selective value-enhancing expansion opportunities.

OUR MARKET POSITIONING

We operate in seven of the ten fastest-growing markets in Asia, the majority of which are in Southeast Asia. Southeast Asia and mainland China are expected to be the key drivers of growth in the Asia life insurance market, given the population base, the proportion of the middle class in the overall population, and the larger protection gap, compared to the rest of the Asia region.

The competitive landscape of Southeast Asia's life insurance industry has changed dramatically in a short period of time. In terms of ranking by new business APE in our Southeast Asia markets (comprising Thailand (and Cambodia), Philippines, Indonesia, Singapore, Vietnam and Malaysia), we are estimated to have grown from fourteenth place in 2015 to fifth place in 2021, making us the fastest-growing Pan-Asian life insurer (defined as a life insurer who competes in three or more FWD markets) in that period. This is illustrated in the following charts, which also include our market ranking and market share by new business APE in each FWD market in 2021. We tailor our approach in each market to capture the unique opportunities with specific distribution and product strategies, primarily focusing on driving VNB growth. We hence do not seek to solely compete on market share, particularly in newly entered markets during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

Insurers Across Southeast Asia FWD Markets[1] by Individual New Business
(New Business APE[2], 2021)



Source: NMG Asia Life Insurance Market Model, new business statistics published by each market's regulatory body and local life insurance association

(1) Southeast Asia FWD Markets includes Thailand (and Cambodia), the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(2) Using static FX rates as at 30 June 2021.

(3) Pan-Asia is defined as players who compete in 3 or more FWD markets, including Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(4) Sub-Regional is defined as locally focused players who only focus on two or less FWD markets.

Individual Life Insurance Market Share Rankings Across FWD Markets
(New Business APE[1], 2021)

Hong Kong & Macau

HSBC	20%
China Life	20%
BOC LIFE	12%
AIA	11%
China Taiping	7%
Manulife	7%
Prudential	5%
FWD (#8)	4%
AXA	3%
FTLife	2%

Thailand

AIA	24%
FWD (#2)	15%
Muang Thai	12%
Thai Life	12%
AXA	9%
Prudential	7%
Allianz	5%
Bangkok Life	5%
Tokio Marine	2%
Generali	2%

Vietnam

Manulife	23%
Prudential	13%
Dai-ichi Life	12%
Bảo Việt	12%
AIA	8%
MB Ageas	8%
Sun Life	5%
FWD (#8)	5%
Generali	3%
Chubb	3%

Philippines

Sun Life	20%
Prudential	17%
AXA	10%
Manulife	8%
AIA	8%
Allianz	7%
BDO Life	7%
FWD (#8)	6%
Insular Life	3%
Ageas	3%

Japan

Nippon Life	20%
Dai-ichi Life	11%
Mitsui Sumitomo	7%
PFI	7%
Taiyo Life	7%
Sumitomo Life	7%
Meiji Yasuda Life	6%
Sony Life	6%
MetLife	5%
AXA	4%
FWD (#19)	1%

Malaysia[2]

Prudential	23%
Great Eastern	19%
AIA	18%
Hong Leong	9%
eTiQa	9%
Allianz	7%
Sun Life	3%
Zurich	2%
Tokio Marine	2%
Manulife	2%
FWD (#11)	1%

Indonesia

Allianz	14%
Prudential	12%
AIA	9%
AXA	9%
Simas Jiwa	8%
Capital Life	7%
Manulife	6%
BRI Life	4%
Generali	4%
Sun Life	3%
FWD (#18)	1%

Singapore

Great Eastern	27%
Manulife	20%
Prudential	16%
AIA	13%
NTUC Income	8%
Aviva	4%
AXA	2%
eTiQa	2%
Singlife	2%
HSBC	2%
FWD (#12)	1%

Pan-Asia[3]
Sub-Regional[4]

Source: NMG Asia Life Insurance Market Model

(1) Using static FX rates as at 30 June 2021.

(2) Includes both life insurance and takaful.

(3) Pan-Asia is defined as competing in 3 or more FWD markets, where FWD markets include: Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(4) Sub-Regional is defined as locally focused players who only focus on two or less FWD markets.

Our Proposed Initial Public Offering

On 28 February 2022, we filed a Form A1 Main Board listing application with the Stock Exchange in connection with our proposed initial public offering on the Main Board of the Stock Exchange. The listing application lapsed and was thereafter renewed on 13 September 2022. Further, on 13 March 2023, we re-filed our Form A1 Main Board listing application with the Stock Exchange in connection with our proposed initial public offering on the Main Board of the Stock Exchange (the "**Proposed Initial Public Offering**").

RECENT DEVELOPMENTS

Impact of the COVID-19 Pandemic

Significant COVID-19 related restrictions during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 affected the markets in which we operate. Within the backdrop of a challenging operating environment, our VNB increased by 12.7% on a CER basis (11.1% on an AER basis) in 2021 and 28.9% on a CER basis (20.0% on an AER basis) in 2022. Further, there has been an increase in the overall awareness from the general public for the need for health protection, within the overall context of rising demand for life and health insurance post-COVID-19 pandemic, demonstrated by the historical trend of increasing protection mix.

Border controls and travel restrictions, such as those previously imposed in Hong Kong during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, had an adverse effect on our sales to MCVs and other customers and thereby reduced our offshore policy contracts. Our offshore APE in Hong Kong (and Macau) recovered from US$91 million in 2020 to US$127 million in 2021 due to the easing of travel restrictions in Macau and declined to US$83 million in 2022 due to the tightened COVID-19 restrictions imposed in Hong Kong and the decline in sales of single premium products that were favourable to customers in the lower interest rate environment. In December 2022, the PRC government started to relax the COVID-19 related restrictions in mainland China. The Hong Kong-mainland China border reopened on 8 January 2023, allowing travellers (including MCVs) to cross freely without having to undergo quarantine, which may result in a rebound in sales to MCVs.

COVID-19 related claims represented 11.2% of the total claim amount in 2022, down from 11.4% in 2021. We experienced an increase in COVID-19 related claims in some markets, particularly in Japan, where COVID-19 related claims were 25.5% of the total claim amount in 2022, up from 4.2% in 2021. This was primarily attributable to a change in government policy, which led to an increase in deemed hospitalisations. See "*Financial Information – Segment Information – Japan*." Excluding Japan, COVID-19 related claims represented only 5.4% of the total claim amount in 2022, down significantly from 13.5% in 2021, demonstrating the reducing exposure to COVID-19 related claims across our Group.

On persistency, as measured by 13-month persistency rates, Hong Kong saw a strong rebound from a slightly lower base of approximately 79% in 2020 due to the COVID-19 pandemic, to approximately 87% in 2021 and further to approximately 92% in 2022. Thailand saw a strong improvement in persistency throughout the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, from approximately 87% in 2020 (excluding SCB Life), to approximately 91% in both 2021 and 2022, whereas Japan was able to maintain the persistency level at a strong mid-90% range throughout the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

We believe that there is no material adverse impact from the pandemic on our business operations and financial performance after the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. However, the ultimate impact of the COVID-19 outbreak or a similar health epidemic and the associated government measures are highly uncertain and subject to change. See *"Risk Factors – The COVID-19 pandemic has caused and may continue to cause disruption to our operations and negatively affect our business, financial condition, and results of operations*".

Acquisition of a majority interest in Gibraltar BSN Life Berhad

In February 2023, we entered into an agreement to acquire, with other investors, a 70% effective interest in Gibraltar BSN Life Berhad, a life insurance company in Malaysia. This acquisition will enable our Group to enter into the life insurance market in Malaysia alongside our existing takaful presence, and will allow us to create a full-service offering in Malaysia to offer both family takaful and life insurance solutions in a rapidly growing market with long-term potential for growth. See "*History, Reorganisation and Corporate Structure – Business Milestones*" and "*Our Operations in Our Geographic Markets*" for details.

Impact of IFRS 17

IFRS 17 has now replaced IFRS 4 and has come into effect for annual reporting periods beginning on or after 1 January 2023, with retrospective application and comparative figures required for 2022. IFRS 17 requires significant changes to the accounting policies for insurance contract liabilities, and also requires enhancements to the IT, finance and actuarial systems of the Group, and a Group-wide project is in progress to implement the new standard. As part of this Group-wide project, the Group has been assessing the implications of IFRS 17 and is in the midst of preparing its opening statement of financial position as of 1 January 2022, and the restatement of results for the year ending 31 December 2022, under IFRS 17. The Group has been monitoring emerging market practice and interpretations of judgemental areas of the standard and there continues to be some uncertainty on the financial impact of the transition to IFRS 17. However, based on the Group's preliminary financial impact analysis, equity in the opening statement of financial position as of 1 January 2022 is estimated to be between US$8.9 billion and US$9.0 billion under IFRS 17 as compared to US$8.9 billion under IFRS 4. See "*Risk Factors – Risks Relating to the Insurance Industry – IFRS 17 could have a material adverse effect on the reporting of our financial results*" *and* "*Financial Information – Critical Accounting Policies and Estimates – IFRS 17 Insurance Contracts*" for more information.

SUMMARY OF RISK FACTORS

An investment in the Instruments is subject to a number of risks, including risks relating to our business, risks relating to credit, counterparties and investments, risks relating to our products and product distribution channels, risks relating to the insurance industry, risks relating to legal and regulatory matters, risks relating to our technology, risks relating to our Controlling Shareholders and certain other shareholders, and risks relating to the Instruments issued under the Programme. You should carefully consider all of the information in this Offering Circular, in particular the section headed "*Risk Factors*", before making an investment in the Instruments. We believe that some of the most significant risks we face include: (a) our international operations across different geographic markets and political systems; (b) intense competition in the segments of the insurance industry in which we operate in each of our markets could negatively affect our ability to attain growth and scale or increase profitability; (c) extensive regulation across multiple jurisdictions; (d) new solvency standards which may affect our capital position; (e) our business has evolved through a number of strategic transactions and the information presented in our financial statements may not be indicative of our future performance and prospects; (f) the disruptions to our business from the COVID-19 pandemic and the associated government measures; (g) the risk of not being able to execute our strategic initiatives, manage our growth and integrate and realise synergies from our acquisitions; (h) compliance with existing and future solvency ratio and capital requirements may force us to raise additional capital, change our business strategy or reduce our growth, which could increase our financing costs; and (i) inability to obtain financing from external sources in a timely manner, in amounts or on terms which are commercially acceptable.

OUR PRE-IPO INVESTORS

Shortly following the acquisition of the life insurance companies in Hong Kong, Macau and Thailand, as well as the general insurance, employee benefits, MPF business and financial planning businesses in Hong Kong, from ING by Mr. Li in 2013, Swiss Re Investments acquired a 12.34% equity interest in the Group. Thereafter, the Group received several rounds of Pre-IPO Investments, including through the subscription of securities issued by FL and FGL, as well as more recently, the subscription of Shares in our Company. For further details of the Pre-IPO Investments, please refer to the section headed "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company – Pre-IPO Investments*".

DIVIDENDS

Our Company has not declared or made any dividend or other distribution to its shareholders in the past and it does not have any present plan to declare or pay any dividends on its ordinary shares in the foreseeable future. The Group currently intends to retain most, if not all, of available funds and any future earnings to operate and expand the business. Any other future determination to pay dividends will be made at the discretion of our Board and subject to our constitutional documents and applicable laws and regulations. In addition, we are required to obtain the HKIA's prior written consent before declaring or paying dividends on our ordinary shares. See "*Regulatory Overview – Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Payment of dividends.*" The Group may also be subject to certain covenants in outstanding indebtedness which may restrict its ability to declare or pay any dividend on its ordinary shares. If we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Board may deem relevant.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The summary historical data of financial information set forth below has been derived from, and should be read in conjunction with, our consolidated financial statements, together with the accompanying notes set out in the Audited Consolidated Financial Statements included in Appendix II to this Offering Circular, as well as the "*Financial Information*" section. Our consolidated financial statements have been prepared in accordance with IFRS. We have also presented a number of key performance indicators that we believe are useful in evaluating our performance. See "*Financial Performance*" and "*– Key Performance Indicators*".

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2020	2021	2022
		(US$ millions)	
REVENUE			
Net premiums and fee income	7,682	9,302	7,866
Investment return	1,581	2,137	138
Other operating revenue	224	258	246
Total revenue	9,487	11,697	8,250
EXPENSES			
Insurance and investment contract benefits	7,941	9,396	6,942
Insurance and investment contract benefits ceded	(646)	(731)	(489)
Net insurance and investment contract benefits	7,295	8,665	6,453
Commission and commission-related expenses	832	1,121	1,020
General expenses	1,212	1,243	1,214
Finance costs	209	184	128
Other expenses	157	167	138
Total expenses	9,705	11,380	8,953
Share of profit/(loss) from associates and joint ventures	(1)	9	(1)
Profit/(loss) before tax from continuing operations	(219)	326	(704)
Tax benefit/(expense) from continuing operations	(53)	(126)	(36)
Profit/(loss) from continuing operations after tax	(272)	200	(740)
Profit/(loss) from discontinued operations, net of tax	20	49	–
Net profit/(loss)	(252)	249	(740)
Less:			
Net loss of the Company and Financing Entities[1]	36	–	–
NON-IFRS MEASURE			
Adjusted net profit/(loss)[2]	(216)	249	(740)
Attributable to:			
Shareholders of the Company (non-IFRS measure)	(268)	188	(823)
Perpetual securities (non-IFRS measure)	65	65	83
Non-controlling interests (non-IFRS measure)	(13)	(4)	–

Notes:

(1) Non-IFRS measure. Mainly consists of finance costs on bank borrowings and guaranteed notes of US$36 million for the year ended 31 December 2020 that were transferred to PCGI Holdings Limited as part of the Reorganisation disclosed in Note 1.2.2 to the 2021 Audited Annual Financial Statements and Note 1.2.2 to the 2022 Audited Annual Financial Statements.

(2) To provide a more meaningful representation of our results of operations, we have presented adjusted net profit/(loss), which is a non-IFRS measure that excludes the net loss of the Company and Financing Entities, assuming the Reorganisation was completed as of 1 January 2020, since these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management. See Note 1.2.2 and Note 6.3 to the 2021 Audited Annual Financial Statements and Note 1.2.2 and Note 6.3 to the 2022 Audited Annual Financial Statements included in Appendix II for more information. The net loss of the Company and Financing Entities excluded from adjusted net profit/(loss) principally comprised financing costs related to bank borrowings and guaranteed notes that were novated and transferred to a related third party as part of the Reorganisation. Such Financing Entities did not become part of the Group until the Reorganisation and expenses were recorded as part of the Group's costs.

The following table presents our adjusted net profit/(loss) (non-IFRS measure) as reconciled with our net profit/(loss) in for the periods indicated:

	Year ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Net profit/(loss)	(252)	249	(740)
Less:			
Net loss of the Company and Financing Entities	36	–	–
Interest income	(1)	–	–
General expenses	1	–	–
Finance costs	36	–	–
Adjusted net profit/(loss) (non-IFRS measure)	(216)	249	(740)
Attributable to:			
Shareholders of the Company[1]	(268)	188	(823)
Perpetual securities[1]	65	65	83
Non-controlling interests[1]	(13)	(4)	–

Note:

(1) Non-IFRS measure.

SUMMARY CONSOLIDATED BALANCE SHEET

	As of 31 December		
	2020	2021	2022
	(US$ millions)		
ASSETS			
Intangible assets	3,531	3,348	3,207
Assets other than financial investments(1)	13,377	13,009	12,498
Financial investments			
Loans and deposits	1,754	1,688	2,327
Available for sale debt securities	37,839	37,156	32,493
At fair value through profit or loss:			
Debt securities	129	79	225
Equity securities	5,740	8,253	7,864
Derivative financial instruments	180	120	319
Total financial investments	45,642	47,296	43,228
Total assets	62,550	63,653	58,933
LIABILITIES			
Insurance and investment contract liabilities	45,481	48,198	48,889
Financial liabilities(2)	3,671	2,369	2,350
Liabilities – other than above(3)	5,173	4,139	3,988
Total liabilities	54,325	54,706	55,227
Total equity	8,225	8,947	3,706
Add: Share capital and share premium	1,713	1,692	388
Less: Non-controlling interests(5)	(1,713)	(1,692)	(388)
NON-IFRS MEASURE			
Adjusted total equity(4)	8,225	8,947	3,706
Adjusted total equity attributable to:			
Shareholders of the Company (non-IFRS measure)	6,611	7,339	2,351
Perpetual securities (non-IFRS measure)	1,607	1,607	1,354
Non-controlling interests (non-IFRS measure)(5)	7	1	1

Notes:

(1) Primarily consists of property, plant and equipment, reinsurance assets, deferred acquisition costs, cash and cash equivalents, other miscellaneous non-financial assets and assets classified as held-for-sale.

(2) Includes borrowings and derivative financial instruments.

(3) Consists of deferred ceding commission, provisions, deferred tax liabilities, current tax liabilities, other liabilities and liabilities directly associated with assets classified as held-for-sale.

(4) To provide a more meaningful representation of our total equity, we have presented adjusted total equity, which is a non-IFRS measure, assuming the Reorganisation was completed as of 1 January 2020. See Note 6.3 to the 2021 Audited Annual Financial Statements and Note 6.3 to the 2022 Audited Annual Financial Statements included in Appendix II for details.

The following table sets forth our total equity and adjusted total equity (non-IFRS measure), assuming the Reorganisation was completed as of 1 January 2020, as of the dates indicated:

	Year ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Total equity attributable to shareholders of the Company	4,898	5,647	1,963
Perpetual securities	1,607	1,607	1,354
Non-controlling interests[1]	1,720	1,693	389
Total equity	8,225	8,947	3,706
Share capital and share premium	1,713	1,692	388
Non-controlling interests	(1,713)	(1,692)	(388)
Adjusted total equity (non-IFRS measure)	8,225	8,947	3,706
Adjusted total equity attributable to			
Shareholders of the Company (non-IFRS measure)	6,611	7,339	2,351
Perpetual securities (non-IFRS measure)	1,607	1,607	1,354
Non-controlling interests (non-IFRS measure)[1]	7	1	1

Note:

(1) The non-controlling interests represent ordinary shares, preference shares and convertible preference shares which are not attributable to the Company, which will become equity of the Company upon the completion of the Reorganisation. See "*History, Reorganisation and Corporate Structure – Reorganisation*." The key terms of preference shares and convertible preference shares are summarised in Note 27.4 to the 2021 Audited Annual Financial Statements and Note 27.4 to the 2022 Audited Annual Financial Statements included in Appendix II.

(5) The non-controlling interests represent ordinary shares, preference shares and convertible preference shares which are not attributable to the Company, which will become equity of the Company upon the completion of the Reorganisation. See "*History, Reorganisation and Corporate Structure – Reorganisation.*" The key terms of preference shares and convertible preference shares are summarised in Note 27.4 to the 2021 Audited Annual Financial Statements and Note 27.4 to the 2022 Audited Annual Financial Statements included in Appendix II.

SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

	As of 31 December		
	2020	2021	2022
		(US$ millions)	
Net cash used in operating activities	(2)	(868)	(391)
Operational cash flows from insurance business	2,483	3,532	2,077
Cash advances from a related party novated in Reorganisation[1]	360	–	–
Cash flows from repurchase and forward agreements	429	(238)	198
Interest and dividends from investment portfolio	1,252	1,444	1,374
Purchases, maturities and sales of financial investments	(4,526)	(5,606)	(4,040)
Net cash used in investing activities	(533)	(94)	(553)
Net cash provided by/(used in) financing activities	1,353	948	(190)
Net increase/(decrease) in cash and cash equivalents	818	(14)	(1,134)
Cash and cash equivalents at beginning of year	1,911	2,740	2,654
Effect of exchange rate changes on cash and cash equivalents	11	(72)	(46)
Cash and cash equivalents at end of year[1]	2,740	2,654	1,474

Note:

(1) Included in cash and cash equivalents as of 31 December 2020, 2021 and 2022, US$10 million, US$2 million and nil, respectively, in assets classified as held-for-sale in the consolidated statements of financial positions.

FINANCIAL PERFORMANCE

Profit and loss performance over the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022

During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, we recorded a net loss of US$252 million, a net profit of US$249 million and a net loss of US$740 million in 2020, 2021 and 2022, respectively. Our net loss in 2020 resulted primarily from increases in financing costs and other non-recurring costs, including but not limited to implementation costs for IFRS 9 and 17 and Group-wide supervision, one-off costs of integration activities, and IPO-related costs including incentive costs, while our net loss in 2022 resulted primarily from losses on investment returns due to adverse capital market movements. Although we recorded a net profit for 2021, this was the result of (i) gains in short-term fluctuations in investment returns related to equities and property investment during the period, which increased from US$40 million in 2019 to US$503 million in 2021 due to actual investment returns being significantly higher than the expected long-term investment returns used in our assumptions, and (ii) net profit from discontinued operations.

Our adjusted operating profit before tax, a non-IFRS measure, which is intended to enhance the understanding and comparability of the Group's performance and that of its operating segments on an ongoing basis and is a measure that is disclosed by other listed Pan-Asian insurers, was positive during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. The following table presents our segmental adjusted operating profit before tax (non-IFRS measure) as reconciled with the net profit/(loss) from continuing operations for the relevant periods:

	Year ended 31 December		
	2020	**2021**	**2022**
	(US$ millions)		
Segmental adjusted operating profit before tax (non-IFRS measure)	125	205	334
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(24)	(29)	(79)
Adjusted operating profit before tax (non-IFRS measure)	101	176	255
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Short-term fluctuations in investment return related to equities and property investments	(104)	503	(586)
Other non-operating investment return[(1)]	233	39	(6)
Finance costs related to borrowings and long-term payables[(2)]	(162)	(174)	(109)
Amortisation of value of business acquired	(82)	(100)	(66)
M&A, business set up and restructuring related costs	(151)	(104)	(90)
IPO-related costs including incentive costs	(40)	(73)	(72)
Other non-operating items[(3)]	22	59	(30)
Adjusted profit/(loss) before tax from continuing operations (non-IFRS measure)	(183)	326	(704)
Tax on adjusted operating profit before tax	(50)	(52)	(51)
Tax impact from non-operating items	(3)	(74)	15
Adjusted net profit/(loss) from continuing operations after tax (non-IFRS measure)	(236)	200	(740)
Net loss of the Company and Financing Entities[(4)]	(36)	–	–
Profit/(loss) from continuing operations after tax	(272)	200	(740)

Notes:

(1) Comprises realised gains/losses on the disposal of debt securities, loans and deposits and gains/losses on fair value movements of derivatives.

(2) See Note 6.3 to the 2021 Audited Annual Financial Statements and Note 6.3 to the 2022 Audited Annual Financial Statements included in Appendix II for additional details on finance costs, including breakdown by purpose.

(3) Primarily consists of impact of the novation of the TMB distribution.

(4) Represents the results and certain balances resulted from the Reorganisation as described in Note 1.2.2 and Note 6.3 to the 2021 Audited Annual Financial Statements and Note 1.2.2 and Note 6.3 to the 2022 Audited Annual Financial Statements included in Appendix II.

Operating cash flows during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022

Our operating cash inflows primarily consist of cash premiums and fee income received for insurance products we issue, as well as proceeds from the sale of financial investments in the ordinary course of our insurance business. Our operating cash outflows primarily consist of cash payments of insurance claims, professional service fees, employee salaries and benefits and commissions, as well as cash outflows for the purchase of financial investments in the ordinary course of our insurance business.

During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, we recorded significant operating cash inflows (such as cash premiums and fee income) and used such inflows to, among other operating activities, make investments in a wide variety of financial instruments in the ordinary course of our insurance business. For a non-insurance company, the investment-related cash flows are typically recorded under cash flows from investing activities. However, for insurers such as the Group, investments are an integral part of business operations and therefore are included as operating cash flows.

We have been actively managing down excess liquidity through purchases of financial investments, which outweigh the cash premiums and fee income received for insurance products we issue. In 2021 and 2022 in particular, we made a concerted effort to invest higher amounts of liquidity as a core part of our investment strategy to increase our operating profits. Therefore, while our business generated positive cash inflows, the deployment of those cash inflows to make ordinary course financial investments resulted in net cash used in operating activities of US$2 million, US$868 million and US$391 million in our consolidated statement of cash flows for 2020, 2021 and 2022, respectively.

Given that we account for the purchase, maturities and sale of financial investments as operating activities rather than investing activities, we may continue to report net cash used in operating activities in our consolidated statement of cash flows for future periods as we continue to have net purchases of financial investments in the ordinary course of our insurance business to grow our business scale and presence.

Limitations of conventional IFRS financial data

Life insurance is a long-term business where upfront costs are high while revenues are booked over the life of the policy which implies that profits only come later in the cycle. This means that conventional IFRS financial data may not provide a complete or meaningful view of our underlying financial performance or prospects for potential investors. Further, the Asian life insurance industry is a high growth industry and, as such, additional metrics are reported to help provide operating and financial performance indicators to supplement IFRS earnings and thereby facilitate a better understanding of long-term profitability potential. Accordingly, in addition to the information contained in the consolidated financial statements, we have defined and presented in this Offering Circular various key performance indicators that we rely upon to evaluate, and in our view provide an alternative measure with which to monitor, our economic, financial and operating performance, and which we use to monitor the underlying performance of the Group and its business and operations, identify trends in our business, and make strategic decisions, including setting key performance indicators for our executives and senior management, and being a basis of our compensation programme. These measures, which are not meant to be predictive of future results, are summarised in the table below and are discussed in further detail in "*Financial Information – Key Performance Indicators*". A key measure of operational performance is APE, which measures the volume of new policies issued, and is thereby an indicator of how much new business sales we were able to generate in any period. VNB is an actuarial performance measure which represents the value to shareholders arising from the new business issued during the relevant period, reflecting the present value of future net-of-tax profits less the corresponding cost of capital. We also believe that measures such as adjusted operating profit and EV operating profit are appropriate measures to evaluate an insurance business rather than traditional financial measures such as net profit and net operating cash flow. These are also industry standard measures that are widely used by Pan-Asian life insurers in their financial reporting, and are even more important to facilitate a better understanding of the longer term outlook for our Group given its short operating history. Note non-IFRS measures do not have standardised definitions. As a result, whilst the Group's peers rely on very similar non-IFRS measures, the non-IFRS measures are not identical as between the Group and its peers.

KEY PERFORMANCE INDICATORS

	For the year ended/ as of 31 December						
	2020	2021	2022	2020-2022 CAGR	2021-2022 YoY	2020-2022 CAGR	2021-2022 YoY
				(AER)		*(CER)*	
	(US$ millions, except for percentages)						
Growth & Value Creation							
Annualised premium equivalent (APE)(1)	1,692	1,446	1,408	(8.8)%	(2.7)%	(3.8)%	3.7%
Value of new business (VNB)(2)	617	686	823	15.5%	20.0%	21.4%	28.9%
Underlying VNB(2)	524	657	806	24.0%	22.5%	29.1%	31.1%
Group embedded value (Group EV)(2)(3)	3,761	5,731	6,066	27.0%	5.8%	44.5%	13.9%
Embedded value equity (EV equity)(2)(3)	7,110	9,065	9,288	14.3%	2.5%	24.6%	8.6%
Profitability & Scale							
Total Weighted Premium Income (TWPI)(4)	6,546	6,851	6,295	(1.9)%	(8.1)%	3.1%	(0.1)%
Segmental adjusted operating profit before tax (non-IFRS measure)(4)	125	205	334	63.4%	63.2%	80.6%	83.2%
Adjusted net profit/(loss) attributable to shareholders of the Company (non-IFRS measure)(5)	(268)	188	(823)	N/A	N/A	N/A	N/A
EV operating profit(2)(6)	673	885	1,072	26.2%	21.1%	32.4%	30.3%
Capital							
Adjusted net underlying free surplus generation (Adjusted net UFSG)(7)	135	95	625	115.3%	558.3%	127.0%	937.4%
Ratios:							
New business margin (% of APE)(2)(8)	36.5%	47.4%	58.5%	N/A	N/A	N/A	N/A
New business margin (% of PVNBP)(2)(9)	6.1%	7.5%	10.1%	N/A	N/A	N/A	N/A
Expense ratio(10)	14.7%	14.4%	14.9%	N/A	N/A	N/A	N/A
Operating ROEV(11)	25.8%	18.7%	18.2%	N/A	N/A	N/A	N/A
Leverage ratio(12)	49.2%	34.1%	34.6%	N/A	N/A	N/A	N/A

Except for TWPI, segmental adjusted operating profit before tax (non-IFRS measure), adjusted net profit/(loss) attributable to shareholders of the Company (non-IFRS measure) and expense ratio, all other numbers in the table above are unaudited.

Notes:

(1) Operational performance measure. See the Actuarial Consultant's Report set forth in Appendix I.

(2) Actuarial performance measures. See the Actuarial Consultant's Report set forth in Appendix I, except for Underlying VNB, which is a derived figure – see "*Financial Information – Discussion of Key Performance Indicators – Growth and Value Creation – VNB*" for more details.

(3) Presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.

(4) Non-IFRS measures. Segmental adjusted operating profit before tax consists of profit/(loss) from continuing operations after tax adjusted to exclude (i) net loss of the Company and the Financing Entities, assuming the Reorganisation was completed as of 1 January 2020 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management, (ii) tax, (iii) short-term fluctuations in investment return related to equities and property investments and other non-operating investment return, (iv) finance costs related to borrowings and long-term payables, (v) amortisation of VOBA, (vi) M&A, business set-up and restructuring-related costs, (vii) IPO-related costs, including incentive costs, (viii) implementation costs for IFRS 9 and 17 and Group-wide Supervision, and (ix) any other non-operating items which, in our view, should be disclosed separately to enable a meaningful understanding of our financial performance. See Notes 6.1, 6.2, 6.3 and 6.4 to the 2021 Audited Annual Financial Statements and Notes 6.1, 6.2, 6.3 and 6.4 to the 2022 Audited Annual Financial Statements included in Appendix II for more details.

(5) Non-IFRS measure. See "*Financial Information – Discussion of Key Performance Indicators – Profitability and Scale – Adjusted net profit/(loss) (non-IFRS measure).*"

(6) Presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes.

(7) Adjusted net UFSG is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. See the Actuarial Consultant's Report set forth in Appendix I for details on adjusted net UFSG.

(8) New business margin (% of APE) is defined as VNB expressed as a percentage of APE for the relevant period.

(9) New business margin (% of PVNBP) is defined as VNB expressed as a percentage of the present value of projected new business premiums ("**PVNBP**") for the relevant period.

(10) Expense ratio is defined as operating expenses expressed as a percentage of TWPI for the relevant period.

(11) Actuarial performance measure. Operating ROEV is defined as the ratio of EV operating profit to the average of opening and closing Group EV for the relevant period. The results have been presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes. See the Actuarial Consultant's Report set forth in Appendix I for details of EV operating profit and Group EV.

(12) Calculated as debt divided by the sum of debt and shareholders' allocated segment equity as at the end of the applicable period.

To give a more meaningful representation of the performance of our underlying new business, we also present Underlying APE. Underlying APE is the APE adjusted to exclude, as applicable, the impact of (i) the COLI business in Japan, the sales of which have declined on account of the taxation rule changes in 2019, and (ii) the one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020.

Our Underlying APE increased by 6.6% on a CER basis (0.6% on an AER basis) from US$1,367 million in 2021 to US$1,375 million in 2022, and by 5.4% on a CER basis (4.5% on an AER basis) from US$1,308 million in 2020 to US$1,367 million in 2021, reflecting the growth of our business from the various initiatives we have undertaken across product design, channel optimisation and digitalisation and, in particular for 2021, from growth in Hong Kong. See "*Financial Information – Discussion of Key Performance Indicators – Underlying APE*" for more details.

Similar to Underlying APE, we also present VNB on an underlying basis ("**Underlying VNB**") to provide a more meaningful representation of the growth of the value to shareholders arising from our underlying new business. Underlying VNB is the VNB subject to the same adjustments made for Underlying APE.

Our Underlying VNB increased by 31.1% on a CER basis (22.5% on an AER basis) from US$657 million in 2021 to US$806 million in 2022, and by 26.6% on a CER basis (25.5% on an AER basis) from US$524 million in 2020 to US$657 million in 2021, primarily due to the strong growth of our underlying business and continued shift to higher margin products. Accordingly, our Underlying new business margin (% of APE), an actuarial performance measure, was 40.1%, 48.1% and 58.6% in 2020, 2021 and 2022, respectively. Our Underlying new business margin (% of PVNBP), also an actuarial performance measure, was 7.0%, 7.6% and 10.1% in 2020, 2021 and 2022, respectively. Excluding the impact of all additional acquisition and associated partnerships, discontinued businesses, disrupted businesses, one-off items and non-recurring events across the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, our VNB grew at a CAGR of 30.0% on a CER basis (24.9% on an AER basis) from 2020 to 2022. See "*Financial Information – Discussion of Key Performance Indicators – Underlying VNB*" for more details.

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular, and any decision to invest in the Instruments should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" or the "Terms and Conditions of the Capital Securities" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer:	FWD Group Holdings Limited 富衛集團有限公司.
Legal Entity Identifier Code:	254900HEGGDS8WU5QZ97
Programme Size:	Up to US$5,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. We may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors:	Investing in Instruments issued under the Programme involves certain risks. The principal risk factors that may affect our ability to fulfil our obligations in respect of the Instruments are discussed under the section "*Risk Factors*" below.
Arranger:	The Hongkong and Shanghai Banking Corporation Limited.
Dealers:	Any other Dealer we may appoint from time to time either generally in respect of the Programme or in relation to a particular Tranche of Instruments.
Fiscal Agent:	The Hongkong and Shanghai Banking Corporation Limited.
Registrars:	The Hongkong and Shanghai Banking Corporation Limited (in respect of Unrestricted Instruments other than Unrestricted Instruments cleared through DTC ("**DTC Unrestricted Instruments**") or the CMU Service), HSBC Bank USA, National Association (in respect of Restricted Instruments and DTC Unrestricted Instruments) and The Hongkong and Shanghai Banking Corporation Limited (in respect of Unrestricted Instruments cleared through the CMU Service).
Transfer Agents:	The Hong Kong and Shanghai Banking Corporation Limited (in respect of Unrestricted Instruments other than DTC Unrestricted Instruments or Instruments cleared through the CMU Service), The Hongkong and Shanghai Banking Corporation Limited (in respect of Unrestricted Instruments cleared through the CMU Service) and HSBC Bank USA, National Association (in respect of Restricted Instruments and DTC Unrestricted Instruments).
Paying Agents:	The Hongkong and Shanghai Banking Corporation Limited (in respect of Unrestricted Instruments) and HSBC Bank USA, National Association (in respect of Restricted Instruments).
CMU Lodging Agent:	The Hongkong and Shanghai Banking Corporation Limited.

Exchange Agent:	HSBC Bank USA, National Association.
Method of Issue:	The Instruments will be issued on a syndicated or non-syndicated basis. The Instruments will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest (in the case of Notes) or distribution (in the case of Capital Securities)), the Instruments of each Series being intended to be interchangeable with all other Instruments of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest (in the case of Notes) or distribution (in the case of Capital Securities)) and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Issue Price:	Instruments may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Clearing Systems:	Clearstream, Euroclear, DTC and/or the CMU Service and, in relation to any Tranche, such other clearing system as we may agree with the Fiscal Agent (or the CMU Lodging Agent, as the case may be) and the relevant Dealer.
Form of Instruments:	Instruments may be issued in bearer form or in registered form. Registered Instruments will not be exchangeable for Bearer Instruments and *vice versa*. Each Tranche of Bearer Instruments will initially be in the form of either a temporary Global Instrument (which shall be a "**temporary Global Note**" (in the case of Notes) or a "**temporary Global Security**" (in the case of Capital Securities)) or a permanent Global Instrument (which shall be a "**permanent Global Note**" (in the case of Notes) or a "**permanent Global Security**" (in the case of Capital Securities), in each case as specified in the relevant Pricing Supplement.

	Each Global Instrument will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Clearstream, Euroclear, DTC and/or as the case may be, the CMU Service and/or any other relevant clearing system. Each temporary Global Instrument will be exchangeable for a permanent Global Instrument or, if so specified in the relevant Pricing Supplement, for Definitive Instruments (which shall be a "**Definitive Note**" (in the case of Notes) or a "**Definitive Security**" (in the case of Capital Securities)). If the TEFRA D rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a temporary Global Instrument or receipt of any payment of interest (in the case of Notes) or distribution (in the case of Capital Securities) in respect of a temporary Global Instrument. Each permanent Global Instrument will be exchangeable for Definitive Instruments in accordance with its terms. Definitive Instruments will, if interest-bearing (in the case of Notes) or distribution-bearing (in the case of Capital Securities), have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Instruments sold in an "offshore transaction" to non-U.S. persons within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate. Registered Instruments sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate.
Currencies:	Instruments may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Instruments may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Instruments are denominated.
Denominations:	Instruments will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Listing and Trading:	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, under which Instruments may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange.

	However, unlisted Instruments and Instruments to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the Hong Kong Stock Exchange (or listed, traded or quoted on or by any other competent authority, exchange or quotation system). Instruments listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Enforcement of Instruments in Global Form:	In the case of Global Instruments, individual investors' rights against us will be governed by a Deed of Covenant dated 24 November 2021 (as amended or further supplemented from time to time), a copy of which will be available for inspection upon prior written notice and satisfactory proof of holding at the specified office of the Fiscal Agent.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, China, Hong Kong, Japan, Taiwan (China), Singapore, the Netherlands, Canada and the Cayman Islands, see "*Subscription and Sale*". For the purposes of Regulation S, Category 2 selling restrictions will apply unless otherwise indicated in the relevant Pricing Supplement. Instruments in bearer form will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") ("**TEFRA D**") unless (a) the relevant Pricing Supplement states that such Instruments are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "**TEFRA C**") or (b) such Instruments are issued other than in compliance with the TEFRA D rules or the TEFRA C rules but in circumstances in which such Instruments will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable. The following legend may appear on the Instruments in bearer form, the inclusion of which will be provided in the relevant Pricing Supplement: "ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE UNITED STATES INTERNAL REVENUE CODE."

Transfer Restrictions:	There are restrictions on the transfer of Instruments sold pursuant to Category 2 of Regulation S prior to the expiration of the relevant distribution compliance period and on the transfer of Registered Instruments sold pursuant to Rule 144A promulgated under the Securities Act. See "*Transfer Restrictions*".
ERISA Considerations:	The Instruments may not be acquired by an "employee benefit plan" (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) that is subject to Part 4 of Subtitle B of Title I of ERISA, a "plan" (as defined in Section 4975(e)(1) of the Code) that is subject to Section 4975 of the Code or any entity whose assets are treated as assets of any such plan unless such purchase and holding of the Instruments will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. Each purchaser or holder of Instruments and each transferee thereof will be deemed to have made certain representations as to its status under ERISA and the Code. Potential investors should read the sections entitled "*Certain ERISA Considerations*" and "*Transfer Restrictions*".
Initial Delivery of Instruments: . . .	On or before the issue date for each Tranche, the Global Instrument representing Bearer Instruments or the Global Certificate representing Registered Instruments may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU Service or registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) or nominee for DTC and deposited on or about the issue date with the Custodian or deposited with any other clearing system or may be delivered outside any clearing system (such delivery in all events to be outside the United States in the case of Bearer Instruments) **provided that** we, the Fiscal Agent and the relevant Dealers have agreed in advance to the method of such delivery. Registered Instruments that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee or a sub-custodian for, such clearing systems.

THE NOTES

Status and Ranking of the Notes: . .	The Notes constitute our direct, unconditional, unsubordinated, and (subject to the provisions of Notes Condition 4 (*Negative Pledge*)) unsecured obligations and shall at all times rank pari passu in right of payment and without any preference among themselves. Our payment obligations under the Notes shall, save for such exceptions as may be provided by applicable law and subject to Notes Condition 4 (*Negative Pledge*), at all times rank at least equally with our payment obligations in respect of all our other unsecured and unsubordinated indebtedness, present and future as described in Notes Condition 3 (*Status*).
Maturities:	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Redemption:	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which we will accept the issue proceeds in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption at the Option of the Issuer:	If "Redemption at the Option of the Issuer" is specified in the relevant Pricing Supplement, the Issuer may, on giving not less than the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Noteholders and the Fiscal Agent (which notice shall be irrevocable) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption.
Redemption at the Option of the Issuer (Make Whole Redemption): .	If "Redemption at the Option of the Issuer (Make Whole Redemption)" is specified in the relevant Pricing Supplement, the Issuer may, on giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Noteholders and the Fiscal Agent (which notice shall be irrevocable) redeem the Notes in whole on any Make Whole Optional Redemption Date. Any such redemption of Notes shall be at their Make Whole Redemption Amount together with interest accrued to the date fixed for redemption.
Redemption for Taxation Reasons:	If "Redemption for Taxation Reasons" is specified in the relevant Pricing Supplement as being applicable, the Notes will be redeemable at our option for taxation reasons as described in the Notes Conditions, including if we have or will become obliged to pay additional amounts as provided or referred to in Notes Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes.
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked, and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Negative Pledge:	The Notes will contain a negative pledge provision as further described in Notes Condition 4 (*Negative Pledge*).

Cross-Acceleration:	The Notes will contain a cross-acceleration provision as further described in Notes Condition 10(d) (*Events of Default – Cross-Acceleration of Issuer or Principal Subsidiary*).
Withholding Tax:	All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands or Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is as required by law. In that event, we will (subject to certain customary exceptions as described in Notes Condition 8 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such deduction or withholding been required.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.

THE CAPITAL SECURITIES

Types of Capital Securities:	The Capital Securities may be undated ("**Perpetual Capital Securities**") or dated ("**Dated Capital Securities**"). Perpetual Capital Securities may be issued as senior obligations ("**Senior Perpetual Capital Securities**") or on a subordinated basis and Dated Capital Securities may be issued on a subordinated basis ("**Subordinated Dated Capital Securities**", and together with Subordinated Perpetual Capital Securities, "**Subordinated Capital Securities**"). The relevant Pricing Supplement may specify any such additional terms as may be required from time to time to meet the applicable regulatory criteria, including the minimum maturity for Dated Capital Securities and redemptions, conditions (including without limitation conditions relating to our solvency or the solvency of any of our subsidiaries) for redemption and payment of principal and Distribution, provisions for the redemption of the Capital Securities if qualification of the Capital Securities under applicable law or regulation changes, and requirements for deferral and/or cancellation of Distribution.
Status and Ranking of the Senior Perpetual Capital Securities:	The Senior Perpetual Capital Securities will constitute our direct, unconditional, unsubordinated and unsecured obligations and shall at all times rank *pari passu* in right of payment and without any preference among themselves. Our payment obligations under the Senior Perpetual Capital Securities shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with our payment obligations in respect of all our other unsecured and unsubordinated indebtedness, present and future.

Status and Ranking of the Subordinated Capital Securities:.	The Subordinated Capital Securities will constitute our direct, unconditional, subordinated and unsecured obligations and shall at all times rank *pari passu* in right of payment and without any preference among themselves and with our Parity Obligations (as defined in "*Terms and Conditions of the Capital Securities*") and in priority in right of payment to payments to holders of present or future outstanding Junior Obligations (as defined in "*Terms and Conditions of the Capital Securities*"). The rights and claims of the Securityholders in respect of the Subordinated Capital Securities will be subordinated in right of payment to the claims of all Senior Creditors (as defined in "*Terms and Conditions of the Capital Securities*"), including, for the avoidance of doubt, the holders of Senior Perpetual Capital Securities and the Notes.
Distribution Basis:	Subject to "*Optional Issuer Deferral*" and "*Optional Issuer Cancellation*" below, the Capital Securities confer a right to receive distributions (each a "**Distribution**") from the Distribution Commencement Date at the Rate of Distribution (as specified in the relevant Pricing Supplement) in accordance with the Capital Securities Conditions.
Optional Issuer Deferral:	If "Optional Issuer Deferral" is specified as applicable in the relevant Pricing Supplement, we may, at our sole discretion, elect to defer, in whole or in part, any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Securityholders unless, if the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, during the Dividend Pusher Lookback Period ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event has occurred. We shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if we validly elect not to do so or are required not to do so in accordance with the Capital Securities Conditions. "**Dividend Pusher Lookback Period**" if applicable, shall be the period specified in the relevant Pricing Supplement.
Compulsory Distribution Payment Event:.	A "**Compulsory Distribution Payment Event**" occurs: (a) if "Payment Event (Pusher)" is specified in the relevant Pricing Supplement, if a discretionary dividend, distribution or other payment is declared, paid or made on any Relevant Obligations (Pusher) (except, in relation to the Parity Obligations of the Issuer, where such dividend, distribution or other payment is made on a *pro rata* basis with payment on the Capital Securities), other than for any Exempted Payments (Pusher); or

(b) if "Redemption Event (Pusher)" is specified in the relevant Pricing Supplement, if the Issuer makes any discretionary redemption, reduction, cancellation, buy-back or acquisition for any consideration any of its Relevant Obligations (Pusher) (except, in relation to the Parity Obligations of the Issuer, where such redemption, reduction, cancellation, buy-back or acquisition is made on a *pro rata* basis with a *pro rata* purchase of the Capital Securities), other than for any Exempted Redemptions (Pusher).

The relevant Pricing Supplement may also provide that a Compulsory Distribution Payment Event may not occur if Distributions are not permitted to be paid for regulatory or other reasons specified in the Pricing Supplement.

Cumulative Deferral: . . . . Any Distribution deferred pursuant to "*Optional Issuer Deferral*" above shall constitute "**Arrears of Distribution**". We may, at our sole discretion, elect to defer further any Arrears of Distribution by complying with the relevant notice requirements applicable to any deferral of an accrued Distribution. We are not subject to any limit as to the number of times Distributions and Arrears of Distribution may or shall be deferred except that certain restrictions shall apply in the event that the Dividend Stopper is specified in the Pricing Supplement as applicable. See "*Restrictions in the case of an optional deferral*" below.

If Distributions are specified to be compounding in the relevant Pricing Supplement, each amount of Arrears of Distribution shall accrue additional distribution amounts at the Distribution Rate as if it constituted the principal of the Capital Securities and the amount of such additional distributions accrued (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to the Capital Securities Conditions and shall be calculated by applying the Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the Capital Securities Conditions. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

Satisfaction of Arrears of Distribution by Payment: . . . . We (A) may satisfy any Arrears of Distribution and any Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Securityholders and the Fiscal Agent not more than 20 nor less than 10 business days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige us to pay the relevant Arrears of Distribution on the payment date specified in such notice) and (B) in any event shall satisfy any outstanding Arrears of Distribution deferred in accordance with the Capital Securities Conditions (in whole but not in part) upon the earliest to occur of certain events, including our Winding-Up or a Special Event Redemption Date (see "*Redemption*" below).

Optional Issuer Cancellation:	If "Optional Issuer Cancellation" is specified as applicable in the relevant Pricing Supplement, we may, at our sole discretion, elect to cancel, in whole or in part, any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Securityholders unless, if the Dividend Pusher is specified in the relevant Pricing Supplement as being applicable, during the Dividend Pusher Lookback Period ending on the day before that scheduled Distribution Payment Date, a Compulsory Distribution Payment Event has occurred. We shall have no obligation to pay any Distribution on any Distribution Payment Date if we validly elect not to do so in accordance with Capital Securities Condition 5(a) and any failure to pay any Distribution shall not constitute a default on our part in respect of the Capital Securities. Distributions are non-compounding and any Distribution that is cancelled shall therefore not be payable at any time thereafter, whether in a Winding-Up or otherwise.
Mandatory Issuer Deferral or Mandatory Issuer Cancellation:.	The relevant Pricing Supplement may specify provisions for the mandatory deferral or cancellation of Distribution in respect of any Capital Securities.
Restrictions in Case of an Optional Issuer Deferral or Optional Issuer Cancellation:.	We may be subject to certain restrictions if the Dividend Stopper is specified in the Pricing Supplement. See Capital Securities Conditions 5(a).
Redemption:	The Capital Securities may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall also specify which Special Events apply to a particular Series or Tranche. A "**Special Event**" means a Withholding Tax Event, a Tax Deductibility Event, a Rating Event, an Accounting Event, a Regulatory Event, any other event designated as a Special Event in the relevant Pricing Supplement, or any combination of the foregoing.
Redemption at the Option of the Issuer:	If "Redemption at the Option of the Issuer" is specified as applicable in the relevant Pricing Supplement, the Capital Securities may be redeemed at our option (either in whole or in part to the extent specified in the relevant Pricing Supplement) on any Optional Redemption Date at the relevant Optional Redemption Amount on us giving the Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable) and shall oblige us to redeem the Capital Securities or, as the case may be, the Capital Securities specified in such notice on the relevant Optional Redemption Date at the Optional Redemption Amount plus Distributions accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)).

	The Optional Redemption Date and Optional Redemption Amount, if applicable, shall be specified in the relevant Pricing Supplement. The Optional Redemption Date specified in the relevant Pricing Supplement may include any or each Distribution Payment Date or Reset Date, subject to applicable rating or regulatory criteria.
Redemption at the Option of the Issuer (Make Whole Redemption):	If "Redemption at the Option of the Issuer (Make Whole Redemption)" is specified as applicable in the relevant Pricing Supplement, the Issuer may, on giving the Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (such notice shall be irrevocable) redeem the Capital Securities in whole on any Make Whole Optional Redemption Date. Any such redemption of Capital Securities shall be at their Make Whole Redemption Amount together with Distributions accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount). The Make Whole Optional Redemption Date and Make Whole Redemption Amount, if applicable, shall be specified in the relevant Pricing Supplement.
Redemption for Taxation Reasons:	If "Redemption for Taxation Reasons" is specified in the relevant Pricing Supplement as being applicable, the Capital Securities will be redeemable at our option for taxation reasons as described in the Capital Securities Conditions, including if we have or will become obliged to pay additional amounts as provided or referred to in Capital Securities Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, which change or amendment becomes effective on or after the Issue Date.
Redemption upon a Tax Deductibility Event:	If "Redemption upon a Tax Deductibility Event" is specified in the relevant Pricing Supplement as being applicable, the Capital Securities will be redeemable at our option for tax deductibility reasons as described in the Capital Securities Conditions, such that if, where Distribution payments on the Capital Securities have been, on or subsequent to the issue date of the Capital Securities, but are no longer, tax deductible (1) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date; and where (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Redemption upon a Rating Event:	If the "Redemption upon a Rating Event" is specified in the relevant Pricing Supplement as being applicable, the Capital Securities may be redeemed at our option in whole, but not in part, as described in the Capital Securities Conditions, if, immediately before giving such notice, an amendment, clarification or change has occurred in the rules, criteria, guidelines or methodologies of relevant Rating Agencies or any of their respective successors to the rating business thereof, which amendment, clarification or change (x) results in or will result in, a lower equity credit for the Capital Securities than the equity credit assigned on or subsequent to the issue date of the Capital Securities or results in or will result in no equity credit for the Capital Securities, or (y) results in or will result in the shortening of the length of time the Capital Securities are assigned a particular level of equity credit by such rating agency as compared to the length of time the Capital Securities would have been assigned that level of equity credit by such rating agency on or subsequent to the issue date of the Capital Securities. "**Rating Agencies**" shall be such rating agency or agencies as specified in the relevant Pricing Supplement, or if one or more of the rating agencies specified in the relevant Pricing Supplement shall not make a rating of the Capital Securities publicly available, another recognised securities rating agency or agencies, as the case may be, selected by us, which shall be substituted for such rating agency.
Redemption for Accounting Reasons:.	If "Redemption for Accounting Reasons" is specified in the relevant Pricing Supplement as being applicable, the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable) at their Early Redemption Amount (Accounting Event) (together with Distributions accrued to the date fixed for redemption, including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, as a result of any changes or amendments ("**Accounting Changes**") to IFRS or any other generally accepted accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Capital Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard (an "**Accounting Event**"). The period during which the Issuer may notify the redemption of the Capital Securities as a result of the occurrence of an Accounting Event shall start on the date on which the Accounting Change(s) in the Relevant Accounting Standard is officially adopted. For the avoidance of doubt, such period shall include any transitional period between the date on which the Accounting Change(s) is officially adopted and the date on which it comes into effect.

Redemption upon a Regulatory Event:	The Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable) at their Early Redemption Amount (Regulatory Event) (together with Distributions accrued to the date fixed for redemption, including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the Capital Securities, having qualified as the Relevant Group Capital Level (as specified in the relevant Pricing Supplement) under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), are no longer capable of qualifying (in whole or in part) as at least the Relevant Group Capital Level under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules): (A) as a result of a change or amendment to the then Applicable Supervisory Rules; or (B) as a result of a change or amendment to the application or official interpretation of the Applicable Supervisory Rules **provided that** such change or amendment to such application or official interpretation is confirmed in writing or by way of a public announcement of general application by the Relevant Regulator (an "**Interpretation or Application of the Applicable Supervisory Rules**"), except where such non-qualification is as a result of any other applicable limit on the amount of such capital (each, a "**Regulatory Event**").
Redemption for Minimum Outstanding Amount:.	If the "Redemption for Minimum Outstanding Amount" is specified in the relevant Pricing Supplement as being applicable, the Capital Securities may be redeemed at our option in whole, but not in part, at any time, on our giving not less than the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable) at the Early Redemption Amount (Minimal Outstanding Amount), if, immediately before giving such notice, at least the Minimum Redeemed Amount in principal amount of the Capital Securities originally issued (including any further Capital Securities issued in accordance with the Capital Securities Conditions) and consolidated and forming a single series with the Capital Securities has already been redeemed or purchased and cancelled.

Limited Rights to Institute Proceedings:	The right of any Securityholder to institute Winding-Up proceedings is limited to certain circumstances where payment has become due and is unpaid. In the case of any Distribution, such Distribution will not be due if we have, as the case may be, elected to defer or cancel that Distribution in accordance with the Capital Securities Conditions or been mandatorily required to defer or cancel that Distribution in accordance with the Capital Securities Conditions or as otherwise provided in the applicable Pricing Supplement.
Regulatory Redemption Conditions:	If (a) "Regulatory Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement and (b) the Capital Securities qualify as at least Tier 2 group capital under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) and such Regulatory Redemption Condition is required by the Applicable Supervisory Rules, then the Capital Securities may not be redeemed or purchased pursuant to Capital Securities Condition 6 (*Redemption, Purchase and Options*) unless in accordance with Capital Securities Condition 6(j) (*Redemption, Purchase and Options – Regulatory Redemption Conditions*).
Right of Securityholders:	No remedy against us, other than as referred to in "*Proceedings for Winding-Up*" below, shall be available to the Securityholders, whether for the recovery of amounts owing in respect of the Capital Securities or in respect of any breach by us of any of our other obligations under or in respect of the Capital Securities.
Proceedings for Winding-Up:	Upon (i) an order being made or an effective resolution being passed for our Winding-Up or (ii) our failing to make payment in respect of the Capital Securities for a period of ten days or more after the date on which such payment is due, we shall be deemed to be in default under the Capital Securities and Securityholders holding not less than 15 per cent. of the aggregate principal amount of the Capital Securities may institute proceedings for our Winding-Up and/or prove and/or claim in our Winding-Up for the principal amount of the Capital Securities together with Distribution, Arrears of Distribution and any Additional Distribution Amount accrued to the day prior to the commencement of the Winding-Up. The right to proving and/or claiming in Winding-Up in respect of any of our payment obligations arising from the Capital Securities is limited to circumstances provided by applicable law.

Substitution and Variation:	If "Special Event Substitution or Variation" is specified in the relevant Pricing Supplement as being applicable and a Special Event has occurred and is continuing, then we may, subject the conditions relating to Distribution (without any requirement for the consent or approval of the Securityholders) and subject to us having satisfied the requirements set out under the definition of "**Qualifying Capital Securities**" (as defined in "*Terms and Conditions of the Capital Securities*") immediately prior to the giving of any notice to Securityholders, and having given the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Fiscal Agent and the Securityholders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Capital Securities for, or (ii) vary the terms of the Capital Securities with the effect that they remain or become (as the case may be), Qualifying Capital Securities.
Withholding Tax:	All payments in respect of Capital Securities will be made without deduction or withholding for the Cayman Islands taxes unless the deduction or withholding is required by law. In that event, we will (subject to certain customary exceptions as described in Capital Securities Condition 8 (*Taxation*)) pay such additional amounts as will result in the Securityholders receiving such amounts as they would have received in respect of such Capital Securities had no such deduction or withholding been required.
Governing Law:	Other than in respect of Capital Securities Conditions 3(b) and 3(c), which shall be governed by and construed in accordance with, Cayman Islands law, the Capital Securities and any non-contractual obligations arising out of or in connection with the Capital Securities will be governed by, and construed in accordance with, English law.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material adverse effect on us, including on our ability to fulfil our obligations under the Instruments.

These factors are contingencies that may or may not occur. The information given is as of the date of this Offering Circular and will not be updated after the date hereof, and is subject to the reservations in the section headed "Forward Looking Statements" in this Offering Circular.

RISKS RELATING TO OUR BUSINESS

Our international operations subject us to additional risks which could have an adverse effect on our business, financial condition, and results of operations.

We operate across different geographic markets and political systems, and are required to comply with a wide variety of tax regimes, laws and regulatory requirements. In connection with our growth plans, we may also expand our geographic footprint and enter into new markets, through organic growth or acquisitions. We need to manage our extensive and growing operations in the markets and regions in which we operate across Asia, which exposes us to complexities in staffing and personnel management, currency exchange movements and controls, and the burden of complying with a wide variety of tax regimes, legal systems and regulatory requirements, which may be in conflict with each other. We may face, and have to manage, risks in relation to volatile macroeconomic trends, inflationary pressures, capital controls and other restrictions on the movement of currency into and out of countries and markets, and therefore between different Business Units.

For example, we continue to explore expansion opportunities into mainland China, including into the Greater Bay Area, which may subject us to additional risks relating to different legal, political, social and regulatory requirements and economic conditions in mainland China. If we expand our operations into mainland China, our exposure to these risks would increase. Also see "– *While we currently have immaterial operations in mainland China, in the event these operations grow we would be subject to a greater extent than we currently are to uncertainties with respect to the laws and regulations of the PRC.*"

Furthermore, certain markets in which we operate, including some of our Emerging Markets, are rapidly developing economies and differ from the economies of most developed countries in material respects, including the macroeconomic challenges they face, the rapidly evolving nature of their financial and legal systems and the extent of government involvement. Operating in these markets presents certain risks, including political and economic instability, the inability to protect contractual or legal rights, market volatility and liquidity, high inflation, rapid demographic and market changes, evolving laws and regulations in respect of insurance, potential expropriation or nationalisation of property or assets, and comparatively underdeveloped legal, financial and enforcement systems. In some of our markets, there is also more limited reliable statistical data on which to base pricing or underwriting decisions for certain insurance products. These risks may increase our costs of doing business in these markets.

We cannot assure you that we will be able to execute our growth strategy successfully and manage all of the risks associated with operating and scaling up an extensive multi-country business with operations in many developing and rapidly growing countries and markets, and any failure to do so may affect our ability to obtain dividends from our Business Units which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks associated with multi-jurisdictional operations also include those arising from geopolitical uncertainties. For example, the United States has imposed sanctions on certain Chinese and Hong Kong individuals and companies, including prohibitions on investment by US persons in such companies. As of the date of this Offering Circular, we have not been specifically impacted by sanctions already imposed. However, further sanctions or other actions may be imposed or taken, and we cannot assure you that our customers, distributors, or partners will not be specifically impacted by such sanctions or actions. As of the date of this Offering Circular, we are unable to predict the impact of these events on our business.

Intense competition in the segments of the insurance industry in which we operate in each of our markets could negatively affect our ability to attain or increase profitability.

Our competitors include established regional players, domestic insurance companies and local operating entities of large insurance groups as well as new entrants, such as digital insurers. The large insurance groups may have greater financial and other resources than we do, in addition to their large market shares and economies of scale. We also face competition from large domestic financial service providers in some of our markets that either have their own insurance subsidiaries or enter into co-operative arrangements with major insurance companies.

In addition, Southeast Asian life insurance markets are dominated by a relatively small number of large insurers. According to NMG, Pan-Asian insurers typically account for approximately 70% of total individual new business premiums across our markets in Southeast Asia. Further concentration of the markets in which we operate may adversely affect our business, financial condition and results of operations.

In the future, we may face competition from technology companies in the markets in which we operate. There are various technology companies that have recently started operating in adjacent insurance categories that offer life and health insurance products. Technology companies may in the future begin operating and offering products that are better or more competitively priced than ours, which could cause us to lose market share and have a material adverse effect on our results of operations and financial condition. In addition, traditional insurance companies may seek to adapt their businesses to sell insurance and process claims using technology similar to ours. Given their size, resources, and other competitive advantages, they may be able to erode any market advantage we may currently have over them.

We also face competition from banks and other financial institutions that directly own insurance companies, and from smaller insurance companies that may develop strong positions in various market segments in which we operate. Our ability to compete is driven by a number of factors, including premiums charged and other terms and conditions of coverage, product features, investment performance, services provided, distribution capabilities, scale, experience, commission structure, brand strength and name recognition, information technology and actual or perceived financial strength. Such competition could have a material adverse effect on our business, financial condition and results of operations.

We and our Business Units are subject to extensive regulation as insurance companies, including monitoring and inspection of our financial soundness, which may restrict our business activities and investments and increase our cost of complying with such regulations.

We are subject to laws, rules and regulations across all aspects of our business. The primary purpose of insurance laws and related regulations is to protect policyholders, not debt holders, shareholders or insurers. Insurance laws and regulations place restrictions on the types of businesses that we and our Business Units may engage in, impose limits on the types of investments that we may make and require us to maintain specified reserves and minimum solvency margin ratios. Furthermore, we and our Business Units are subject to extensive oversight and comprehensive regulation by the relevant regulators in each market where we operate. Collectively, these regulators oversee our relevant operations in each of the insurance markets in which we operate and, as a result of such broad oversight, we are occasionally subject to overlapping, conflicting or expanding regulation across jurisdictions.

For instance, each country's insurance laws and regulations typically give the relevant regulator broad regulatory powers over us and our Business Units' business, including the authority to investigate regulatory breaches, reprimand regulated entities publicly for compliance failures, impose fines, revoke operating licences, suspend operations, request information and conduct rigorous on-site inspections of books and records. In addition, we and our Business Units, in certain markets in which we operate, need to receive prior authorisation from our respective regulators for the sale of new insurance products or key changes in the terms of our products. Reorganisation of our corporate structure or a change in control is also subject to regulatory approvals.

We and the businesses we have acquired or may acquire from time to time, are also subject to a wide range of anti-bribery, anti-money laundering and sanctions laws and regulations as well as business conduct rules, in each of the jurisdictions in which we or such other businesses operate. Such laws and regulations may vary significantly from jurisdiction to jurisdiction, and may either impose obligations on our Group to act in a certain manner or restrict the way that we can act in respect of specified individuals, organisations, businesses and/or governments. Our geographical diversification, including in some emerging markets, development of joint venture and partnering relationships and our employment of local agents in the markets in which we operate may increase our exposure to the risk of violations of anti-corruption laws or similar laws. We operate in some markets where, for example, large-scale agency networks may be in operation where sales are incentivised by commission and fees, where there is a higher concentration of exposure to politically-exposed persons, or which otherwise have higher geopolitical risk exposure. While we seek to apply a culture of compliance and control, our policies and procedures may not be followed at all times or effectively detect and prevent violations of the applicable laws by one or more of our employees, consultants, agents or partners across our operations in multiple jurisdictions. Similarly, with respect to the businesses we have acquired or may acquire from time to time, we may be exposed to the adverse consequences of instances of non-compliance that occurred prior to our acquisition of such businesses. We may incur additional costs to remediate or address predecessor liabilities in other situations and may be adversely affected by non-compliance incidents of our acquired businesses in the future. In the case of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited (the predecessors of FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong)), these companies were reprimanded by the HKIA in January 2021 and were each subject to a penalty of HK$3.5 million for certain non-compliances that occurred, and were remediated, prior to our acquisition of these companies in 2020. We were indemnified on the penalty and associated costs.

In addition, some of the laws, rules and regulations are subject to changes. For example, in Vietnam, the new insurance law was passed on 16 June 2022 and took effect on 1 January 2023. Please refer to the section headed "Regulatory Overview – Laws and Regulations relating to the Group's Business and Operations in Vietnam" for further details of the material changes under the new Vietnam insurance law. Detailed guidance on the scope of applying the new insurance law, especially the application of transitional provisions is expected to be issued in 2023. As a result, the implementation of the new Vietnam insurance law may have an impact on our business, financial condition and operations. Furthermore, some of the other laws, rules and regulations to which we are subject are also relatively new (including laws and regulations relating to data privacy), and their interpretation and application remain uncertain. For example, on 14 March 2022, OJK in Indonesia issued Circular 5/2022 on investment-linked (including unit-linked) insurance products. Circular 5/2022 seeks to consolidate various provisions governing the offering, marketing, management of assets and other operational matters in relation to investment-linked insurance products under various regulations issued by OJK. Given the recent enactment of Circular 5/2022, the insurance industry is in ongoing discussions with OJK on the circular's interpretation and the application of transitional provisions. As a result, the impact of Circular 5/2022 on our Group may continue to evolve. The Group manages these regulatory changes as part of its ordinary course of business, which may involve costs associated with amending product terms and conditions and/or business processes. See "Regulatory Overview."

Changes to existing regulations, their interpretation or implementation, or new regulations may also impede or otherwise impact our use or development of AI technologies, which could impair our competitive position and result in a material adverse effect on our business, results of operations, and financial condition. Failure to comply with any applicable laws, rules and regulations and international prudential frameworks, including as a result of changes to rules and regulations or the changing interpretation thereof by relevant regulators, could result in fines, suspension of our business licences or, in extreme cases, business licence revocation, each of which could have a material adverse effect on our business, financial condition and results of operations.

New solvency standards may affect our capital position.

The International Association of Insurance Supervisors (the "**IAIS**") is in the process of developing a risk-based capital framework that takes into account different risk factors in the assessment of the capital adequacy of Internationally Active Insurance Groups ("**IAIGs**"). All member supervisors around the world are obliged to observe the new Insurance Core Principles. Additional requirements that may be proposed in the future, such as the Insurance Capital Standard (the "**ICS**"), currently developed by the IAIS as part of its Common Framework for the Supervision of IAIGs, could result in changes to the required capital regulations applicable to IAIGs. In January 2023, the HKIA identified us as an IAIG, and therefore these changes could affect our business and investment activities and could impact our capital requirements and structure and ability to distribute dividends. On 31 July 2018, the IAIS issued the Risk-based Global Insurance Capital Standard Version 2.0 ("**ICS 2.0**"), a public consultation document to solicit feedback from stakeholders on the ICS. The ICS 2.0 was adopted in 2019, and a five-year monitoring period began in 2020.

In addition, we anticipate significant developments in solvency standards in our three largest geographic markets. These developments will impact our capital positions and, as a result, could materially impact the nature of the products we offer and the investment strategies we adopt:

- Hong Kong is in the process of moving to a Risk Based Capital ("**RBC**") regime from the current rules-based regime. The new regime will comprise three pillars (Pillar 1: quantitative requirements; Pillar 2: qualitative requirements; and Pillar 3: disclosure and transparency requirements). On 28 December 2021, the HKIA published a circular detailing early adoption of aspects of Pillar 1, which the HKIA has approved for early adoption by FWD Life (Bermuda) with effect from 30 June 2022, as well as FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) with effect from 1 July 2022. In addition, it is possible that the IA could impose a supervisory variation such that our Group available capital, GMCR and GPCR would be calculated by taking into account the available capital and capital requirement of FWD Life (Bermuda) under Hong Kong RBC regime in addition to the local requirement in Bermuda, which may materially impact the amount of our surplus available. As at the date of this Offering Circular, the final details of Pillar 3 and the remaining aspects of Pillar 1 of the RBC regime have not yet been finalised; accordingly, uncertainty remains over the time of implementation, the final form and the potential impact of these remaining aspects on us.

- Thailand implemented Risk Based Capital 2 ("**RBC 2**"), which became effective on 31 December 2019, and is actively considering further changes to risk-based capital standards that would increase the sufficiency level from 95% to 99.5% and would also change risk charge levels and components. It is contemplated that changes would be implemented gradually over time.

- In Japan, in connection with the development and possible introduction of new standards for solvency assessment by the IAIS, the Financial Services Agency of Japan is considering the adoption of an economic value-based solvency regime and use of internal models in the course of medium term reviews of solvency margin regulations. The new regulations are expected to be significantly different from the current regulations.

Our operating subsidiaries are also subject to the regulatory requirements and solvency standards in other markets in which the Group operates, which may evolve and are subject to change. For example:

- In Malaysia, Bank Negara Malaysia ("**BNM**"), the central bank of Malaysia, has initiated a multiphase review of its current RBC frameworks for insurers and takaful operators which has been conducted since 2019. The review aims to ensure that the frameworks remain effective under changing market conditions, facilitate consistent and comparable capital adequacy measurement across the insurance and takaful industry, where appropriate, and achieve greater alignment with key elements of the global capital standards such as ICS, where appropriate. A discussion paper on proposals was issued on 30 June 2021 with responses due by 30 September 2021. The timing of the effective date of the updated rules currently remains uncertain.

- The Financial Services Authority of Indonesia (the Otoritas Jasa Keuangan or "**OJK**") has been revising investment linked product regulations with the aim of increasing insurance penetration and better protecting customer interests and improving market conduct. The final regulations will have implications for the product strategies and insurance and compliance risks for insurers.

We continue to examine the impact of new regulations, if any, on our business as a whole in the long term, and it is possible that they could affect the profitability of our products or amount of capital required. These regulations are subject to changes and different interpretations. In order to comply with applicable capital requirements, or future changes to these requirements, we may need to raise or inject additional capital, which may affect the return on investment of our shareholders. We may also need to change our business strategy, including the types of products we sell and how we manage our capital. Furthermore, compliance with capital requirements may either require us to slow the growth of our business or affect our ability to pay shareholder dividends. In addition, failure to make such adjustments to comply with capital requirements may affect our reputation or financial strength, which could in turn have a material adverse effect on our business, results of operations and financial condition. For details, see "*Regulatory Overview*".

Our business has evolved through a number of strategic transactions and the information presented in our financial statements may not be indicative of our future performance and prospects.

During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, we made several strategic acquisitions that have contributed significantly to our business growth and our geographic expansion. See "*Financial Information – Factors Affecting Comparability – Acquisitions, Investments and Discontinued Businesses*" and "*History, Reorganisation and Corporate Structure – Business Milestones*" in this Offering Circular for further details. Additionally, in advance of the Proposed Initial Public Offering, we have undertaken the Reorganisation. To enable prospective investors to evaluate our results and performance as a combined group, we have prepared and presented in this Offering Circular consolidated financial statements as of and for the years ended 31 December 2020, 2021 and 2022. Our consolidated financial statements for the years ended 31 December 2020, 2021 and 2022 have been prepared on the basis that, during this period, our Group was under the common control of Mr. Li, one of our Controlling Shareholders.

Our financial statements do not necessarily reflect what our financial condition, results of operations and cash flows would have been had we been operated as a consolidated group during the periods presented. Actual costs that may have been incurred if we had been a consolidated group would depend on a number of factors, including the chosen organisational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

In addition, our financial statements may not be indicative of what our results of operations, financial condition and cash flows will be in the future. For example, following finalisation of the Reorganisation and completion of the Proposed Initial Public Offering, changes will occur in our cost structure, financial liabilities and interest expense, funding and operations, including changes in our tax structure, increased costs and enhanced regulatory standards associated with operating as a public company. These changes may be material, further reducing the meaningfulness of our historical consolidated financial statements in evaluating our future financial condition and results of operations. Please also see "*Financial Information – Basis of Presentation*" and "*– Factors Affecting Comparability*."

The COVID-19 pandemic has caused and may continue to cause disruption to our operations and negatively affect our business, financial condition, and results of operations.

Our business has been and may continue to be affected by the COVID-19 pandemic. The pandemic and related measures taken to contain the spread of the virus, such as government-mandated business closures and travel restrictions, have negatively affected the global economy, including the economies of the markets in which we operate. Despite the gradual recovery of most of our markets from the COVID-19 pandemic with mass vaccination programmes being rolled out, the full extent of the long-term impact of the pandemic on financial markets and economic growth remains highly uncertain. While there has been a simultaneous increase in customer demand for health insurance and a shift towards contactless selling and services, border controls and travel restrictions, such as those previously imposed in Hong Kong and Macau, had an adverse effect on our sales to MCVs and other customers during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. Specifically, these restrictions contributed to a decline in our offshore APE in Hong Kong (and Macau) from US$207 million in 2019 to US$91 million in 2020, before recovering to US$127 million in 2021 due to the easing of travel restrictions in Macau and declining to US$83 million in 2022 due to the tightened COVID-19 restrictions imposed in Hong Kong and the decline in sales of single premium products that were favourable to customers in the lower interest rate environment. We also experienced increases in COVID-19 related claims in some markets, particularly Japan where COVID-19 related claims accounted for 25.5% of the total claim amount in 2022, up from 4.2% in 2021. This was primarily attributable to a change in government policy, which led to an increase in deemed hospitalisations. See "*Financial Information – Segment Information – Japan*." In December 2022, the PRC government started to relax the COVID-19 related restrictions in mainland China. The Hong Kong-mainland China border reopened on 8 January 2023, allowing travellers (including MCVs) to cross freely without having to undergo quarantine. There is no guarantee that our sales to MCVs will increase after the border reopening. Additionally, our distributors have similarly adjusted their operations in light of the COVID-19 pandemic. The intra-country travel restrictions have affected our distributors' ability to interact with customers through face-to-face meetings, which has affected our revenue. If our distributors or other business partners experience shutdowns or continued business disruptions in the future, our ability to conduct our business operations as planned could be materially and negatively affected. For further details on the impact of the COVID-19 pandemic on the Group, see "*Summary – Impact of the COVID-19 Pandemic*".

We continue to monitor the development of the COVID-19 pandemic closely. Any additional impact of the COVID-19 pandemic may have a material adverse effect on our business, financial condition, and results of operations.

Our success will depend on integrating and realising synergies from our acquisitions and our ability to execute our strategic initiatives.

As part of our business strategy, we may acquire additional businesses, assets and technologies, enter into new markets, undertake new key projects or develop new distribution channels that are complementary to our business. During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, we made several acquisitions and investments, principally for geographical or distribution expansion, details of which are set out in the section headed "*History, Reorganisation and Corporate Structure – Business Milestones*" in this Offering Circular.

In connection with acquisitions, we may face difficulties in conducting sufficient and effective due diligence on potential targets, and we may have to incur costs to remediate or address predecessor liabilities and incidences of contractual or regulatory non-compliance, as well as other operating losses, costs and expenses that may adversely affect us following our acquisitions or investments or other strategic transactions. In addition, we may not be able to complete any subsequent acquisitions or investments due to a failure to obtain the required regulatory approvals or other reasons, and we may experience unexpected delays in completing such acquisitions and investments, which may divert management time and resources for a prolonged period of time. If we are unable to complete the key projects we undertake in accordance with planned schedules, and to capture projected benefits, there could be a material adverse effect on our business and financial condition.

We may also experience difficulties integrating, or incur higher than expected costs in relation to, our acquisitions, investments, distribution arrangements and partnerships into our business and operations. Compared to our existing Business Units, the new businesses we acquire may be at different stages of development. This may make it difficult for our group-wide strategies and initiatives, such as our centralised approach to our vision, mission and digital initiatives, to be implemented at the newly acquired businesses. If we acquire businesses in new markets, we face the additional difficulty of adapting to local practices and competing with local and multi-national insurers with market knowledge, and our experience of operating in our existing markets may not provide an advantage in those new markets.

In addition, we may experience difficulties in retaining employees and management teams of newly acquired businesses following a strategic transaction. The culture, working practices and management styles at newly acquired businesses may be different from that of our existing Business Units and management teams. As a result, we may experience significant challenges in workforce integration, which may adversely affect the performance of our existing employees and management personnel. Integration of acquisitions, including consolidation of assets, services and infrastructure between our existing business and the acquired business, requires a substantial amount of management time, cost and other resources that may have to be diverted from our existing operations. We may also have to adapt our operating, governance and internal controls frameworks effectively to accommodate the transition and the new acquisitions, as well as to achieve integration goals that may be identified by regulators. Failure to integrate our acquisitions effectively may divert management time and resources for a prolonged period of time and have a material adverse effect on our business, financial condition and results of operations.

In addition, in connection with any disposal of assets or businesses we may undertake from time to time, we may contractually agree or be otherwise legally required to indemnify the purchaser of such assets or businesses we dispose of, including in respect of liabilities that are unknown or contingent at the time of such disposals or which may materialise much later than the time of completion of the relevant disposal.

Accordingly, under these indemnities we may be exposed to potential significant liability, including in connection with or as a result of any claims or proceedings brought against us. Any actual liability incurred by us in connection with any such disposals may have a material adverse effect on our business, financial condition and results of operations. For more on the risks connected to litigation, see "*– Risks Relating to Legal and Regulatory Matters – We face the risk of litigation, regulatory investigations and other proceedings in relation to our business which may result in financial losses and reputational harm*" in this section.

Our financial condition and results of operations could be adversely affected if we are unable to successfully manage our growth.

Our future growth may place significant demands on our managerial, operational and capital resources. The expansion of our business activities exposes us to various challenges, including:

- continuing to expand, train and retain our agency force, while maintaining costs and productivity at optimal levels;
- continuing to expand our bancassurance, brokerage and other networks and upgrade the underlying technology and front and back-end support to meet expanding distribution needs;
- continuing to develop adequate underwriting and claims settlement capabilities and skills;
- recruiting, training and retaining management personnel with proper experience and knowledge; and
- strengthening and expanding our risk management and information technology systems to effectively manage the risks associated with existing and new lines of insurance products and services and increased marketing and sales activities.

We cannot assure you that we will manage our growth successfully. In particular, we may not be able to recruit, train and retain a sufficient number of qualified personnel to keep pace with the growth of our business.

The implementation of large-scale strategic initiatives gives rise to significant design and execution risks, may affect our operational capability and capacity, and may adversely impact our businesses and the delivery of our strategies if these initiatives fail to meet their objectives.

In order to implement our business strategies for growth, improve customer experiences, improve operational excellence, meet regulatory and industry requirements and maintain market competitiveness, we undertake large-scale strategic initiatives, such as group restructuring, acquisitions and disposals. While we have benefited from growth through acquisitions, our underlying business has experienced substantial organic growth in nearly all of our markets in terms of scale, new business growth and capital. We achieved 4.6 times APE growth in 2022 since our first full year of operations in 2014, growing from US$309 million in 2014 to US$1,408 million in 2022, and our VNB grew 6.7 times over the same period, increasing from US$123 million in 2014 to US$823 million in 2022. Many of these initiatives are complex, interconnected and/or of large scale. There may be a material adverse effect to our businesses, customer satisfaction, financial condition, results of operations and prospects if these initiatives incur unplanned costs, are subject to implementation delays, or fail to fully meet their objectives. Additionally, there may be adverse non-financial (including operational, regulatory, conduct and reputational) implications for us. These initiatives inherently give rise to design and execution risks and may increase our business risks, such as placing additional strain on the operational capacity, or weakening the control environment.

Certain metrics and key performance indicators we present in this Offering Circular are based on a number of assumptions and may vary significantly as those assumptions change.

We have included in this Offering Circular estimates of Operating EV, Group EV, EV equity, VNB, EV operating profit and new business margin, which are also included in the Actuarial Consultant's Report set forth in Appendix I to this Offering Circular. The calculation of these values necessarily includes numerous assumptions and estimates with respect to, among other things, industry performance, general business and economic conditions, investment returns, reserving standards, regulatory requirements relating to solvency ratios and policyholder values, taxation, life expectancy and other matters, many of which are beyond our control. Specifically, we make certain assumptions and estimates regarding, among other things, risk discount rates, investment yields, mortality rates, morbidity rates, lapse rates, expense assumptions, commissions, policy dividends, crediting rates and tax rates. Moreover, the values shown in the Actuarial Consultant's Report and in this Offering Circular do not encompass the full range of potential outcomes. The embedded value results are not intended to represent an opinion of market value and should not be interpreted in that manner. Actual market value is determined based on many factors. In particular, embedded value does not include the potential contribution arising from future new business which will depend on, among other things, the prospects of the Pan-Asian life insurance market, our future position in this market and the profitability of future new business. Further, the embedded value results are presented as at the valuation dates referenced in the Actuarial Consultant's Report. Except where otherwise stated in the Actuarial Consultant's Report, the figures stated therein and in this Offering Circular as at any valuation date do not make allowance for any developments after such date. It should be recognised that assumptions and estimates involve judgment and are forward-looking, actual future results may vary from those shown, on account of changes in the operating and economic environments and natural variations in experience and such differences may be material. We cannot assure you that the future experience will be in line with the assumptions made.

Reinsurance may (i) be unavailable at current levels and prices, which may limit our ability to underwrite new business and impact the economics of in-force business, and (ii) subject us to counterparty risk and may not be adequate to protect us against losses, which could have a material effect on our business, financial condition and results of operations.

We reinsure a portion of the risks that we assume under our insurance products to multiple international and local reinsurers to manage our insurance risk, maintain our capital position within our risk appetite limits and leverage the reinsurers' knowledge for our product development. We also obtain reinsurance for capital management purposes. To reduce our reinsurance concentration risk, we use various leading international and local reinsurers. We select our reinsurers based on their financial strength, services and terms of coverage, claims settlement efficiency and price. In addition to using external reinsurers, we have also established FWD Reinsurance, a Cayman-incorporated captive reinsurance company, for capital optimisation and margin enhancement. We also use Swiss Re, one of our shareholders, to reinsure certain products.

Our ability to obtain reinsurance on a timely basis and at a reasonable cost is subject to a number of factors, many of which are beyond our control. In particular, certain risks that we are subject to, such as epidemics and war risks, are difficult to reinsure. If we are unable to renew any expiring external reinsurance coverage or to obtain acceptable new external reinsurance coverage, our net risk exposure could increase or, if we are unwilling to bear an increase in net risk exposure, the amount of risk we are able to underwrite and the breadth of our product offerings could decrease. To the extent that we are unable to utilise external or captive reinsurance effectively, for example because of changes in tax treatment or due to changes in regulatory views on acceptability of reinsurance arrangements, our business, financial condition and results of operations may be materially and adversely affected. Alternatively, we could elect to pay higher than reasonable rates for reinsurance coverage, which could have a material adverse effect upon our profitability until policy premium rates could be raised, in most cases subject to approval by our regulators, to offset this additional cost. We also cannot guarantee that we would be able to obtain these required approvals to raise our policy premium rates. We also receive commissions from reinsurance arrangements which may subject us to uncertainty of tax implications in certain jurisdictions, and we cannot guarantee that we will succeed in defending our positions if such disputes arise. In addition, we may from time to time enter into retrocession reinsurance arrangements, which could subject us to additional risks relating to the quality of the ceded reinsurance portfolio.

Additionally, we are also exposed to credit risk with respect to reinsurers in all lines of our insurance business. Although our reinsurance counterparties are liable to us according to the terms of the reinsurance arrangements, we remain liable to our policyholders as the direct insurers on all risks reinsured. As a result, reinsurance does not eliminate our obligation to pay all claims, and we are subject to the risk that one or more of our reinsurers will be unable or unwilling to honour their obligations, that the reinsurers will not pay in a timely fashion, or that our losses are so large that they exceed the limits inherent in our reinsurance contracts, limiting recovery. Reinsurers may also become financially unsound by the time that they are called upon to pay amounts due, which may not occur for many years, in which case we may have no legal ability to recover what is due to us under our agreement with such reinsurer. Any disputes with reinsurers regarding coverage under reinsurance contracts could be time consuming, costly, and uncertain of success. If our reinsurers fail to pay us on a timely basis, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Concentrated surrenders may materially and adversely affect our business, financial condition and results of operations.

Under normal circumstances, it is generally possible for insurance companies to estimate the overall amount of surrenders in a given period. However, the occurrence of emergency or macroeconomic events that have significant impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, changes in relevant government and regulatory policies, loss of customer confidence in the insurance industry due to the weakening of the financial strength of one or more insurance companies, or the severe weakening of our financial strength, may trigger massive surrenders of insurance policies. For example, in 2019, the Food and Health Bureau launched the VHIS in Hong Kong with the goal of creating minimum standards for certified individual medical insurance plans and giving consumers greater transparency and tax benefits. We are one of the registered providers under the VHIS. Since the VHIS offers an alternative to existing medical insurance products, as our VHIS sales grow, it has resulted in a decrease in persistency of our existing medical insurance products and we expect it to continue to have an impact on our operations in Hong Kong as customers may surrender or not renew existing medical insurance products to buy products under the VHIS either from us or another provider of such products. If significant and concentrated surrenders were to occur, the value that we expect to generate from our in-force policies would be adversely impacted and we would have to dispose certain of our investment assets, possibly at unfavourable prices, in order to make the significant amount of surrender payments. This could materially and adversely affect our business, financial condition and results of operations.

As a holding company, we depend on the ability of our subsidiaries to transfer funds to us to meet our obligations and pay dividends. Our subsidiaries' remittance of capital depends on their earnings, regulatory requirements and restrictions and macroeconomic conditions.

Our Company is a holding company and does not conduct any significant business operations of its own. Our Company depends on dividends, other distributions and payments from our operating subsidiaries, and its ability to pay dividends and other obligations is dependent on the flow of funds from and among our operating subsidiaries.

Our operating subsidiaries are subject to a variety of insurance and other laws and regulations that vary by jurisdiction and are intended to protect policyholders and beneficiaries in that jurisdiction first and foremost, rather than investors. We are a regulated insurer in Hong Kong, Macau, Thailand, Cambodia, Japan, the Philippines, Indonesia, Singapore, Vietnam, Malaysia, Bermuda and the Cayman Islands and may only pay dividends if we are able to meet the applicable legal requirements and requirements of the relevant regulators and supervisors in these jurisdictions. Our regulated subsidiaries are generally required to maintain solvency and capital standards as set by their local regulators and may also be subject to other legal and regulatory restrictions, including having adequate retained earnings and compliance with risk-based capital requirements, all of which may limit their ability to pay dividends or make distributions to us. See "*– New solvency standards may affect our capital position*." In particular, we are required to obtain the HKIA's prior written consent before declaring or paying dividends. For details, see "*Regulatory Overview*". In addition, the ability of our operating subsidiaries to pay us dividends in the future will also depend on their earnings, their ability to generate surplus capital, as well as macroeconomic conditions and other local regulatory requirements and restrictions, including exchange controls and economic or trade sanctions. We cannot assure you that our operating subsidiaries will be able to make dividend payments, other distributions and payments in amounts sufficient to meet our cash requirements or to enable us to pay any dividends.

We do not wholly or directly own our businesses in some jurisdictions, which entails certain risks.

We do not wholly own our businesses in Malaysia and Indonesia. In Malaysia, we own an equity interest of 49.0% in FWD Takaful, a family takaful operator offering family takaful products. While we are the largest shareholder in FWD Takaful, the minority shareholders have certain protective rights, whether contractually or pursuant to applicable local laws and regulations, or may have economic or business interests or goals that are not consistent with ours, or may, as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations as minority shareholders. For example, a minority shareholder could decide to sell its shares in the business in breach of any applicable pre-emptive rights, prevent us from acquiring full control of the business or oppose our proposals and other actions relating to strategic transactions and other matters, such as mergers, acquisitions, disposals, financings and commercial partnerships. Additionally, any disagreements or disputes between us and the minority shareholders in any of these businesses may lead to litigation, harm our reputation or prevent us from exercising control over or achieving our strategic or financial goals for such business. Any of these events could adversely affect the operation, performance and growth prospects of, or dilute the value of and return on our investment in, these businesses. Additionally, if the minority shareholders fail to make their share of capital contributions to support the growth strategy in relation to these businesses, the growth of these businesses might be adversely affected, or we may have to make additional capital contributions that exceed our equity interests in these businesses. In addition, the presence of minority shareholders may limit our ability to pay dividends and meet other obligations. Thus, our ability to control the operations and to pay dividends and meet other obligations in relation to these businesses are subject to contractual and other obligations. For details, see "*Regulatory Overview*."

In Indonesia, we own an equity interest of 39.8% in BRI Life and have committed to providing an additional capital contribution which is expected to bring our shareholding in BRI Life to 44.0% in March 2024. Presently, Bank BRI is the largest shareholder in BRI Life. As we own a minority interest in BRI Life, we cannot assure you that the majority shareholder's strategies or goals in relation to BRI Life will be consistent with ours, or that the majority shareholder will not exercise its votes in relation to its majority stake to make decisions that do not align with our business or economic interests in BRI Life.

Furthermore, in certain markets in which we operate, in compliance with local laws and regulations, we have entered into and may enter into contractual arrangements which enable us to exercise controlling voting rights in our local subsidiaries in such markets. Relevant laws, regulations or policies may change in such markets, including a change in their application or interpretation, which may result in a change to the existing structure of our existing or future local subsidiaries and associates in these markets and our ability to exercise effective control over them.

Our success depends on retaining our existing customers and expanding our customer base.

We have experienced significant customer and policyholder growth since 2020. From 31 December 2020 to 31 December 2022, the number of our individual policyholders increased by a CAGR of 9.9%. In terms of organic new individual policyholders, we recorded a CAGR of 12.6% from 2020 to 2022. See "*Business – Customer Segments*" for further details. While we strive to build life-long partnerships with our customers by making the customer journey easy and seamless, we cannot assure you that we will be able to maintain the rate of growth we have experienced in recent years, successfully retain our existing customers, attract new customers or capture long-term value from our customers.

There are many factors that could negatively affect our ability to grow our customer base, business or scale, including, but not limited to:

- there is a prolonged impact of the COVID-19 pandemic or any other pandemic on our persistency ratio and claims;
- we fail to offer new or competitive products;
- our distribution partners fail to grow their customer base or achieve sale targets;
- we experience a deterioration of our financial strength including any change in our credit ratings;
- our digital platform experiences disruptions, including as a result of hacking, malware or other unauthorised or malevolent activity;
- we are unable to address customer concerns regarding the content, privacy, and security of our digital platform;
- technical or other problems frustrating the customer experience, particularly if those problems prevent us from generating quotes or paying claims in a fast and reliable manner;
- we suffer reputational harm to our brand resulting from negative publicity, whether accurate or inaccurate;
- customers have difficulty installing, updating or otherwise accessing our digital apps or eCommerce platform on mobile devices or web browsers as a result of actions by us or third parties;
- our competitors successfully implement their own digital platform or mimic ours, causing current and potential customers to purchase their insurance products instead of our products;
- we fail to effectively use search engines, social media platforms, digital app stores, content-based online advertising, and other online sources for generating traffic to our eCommerce platform and our digital apps;
- we fail to target customer segments that meet our underwriting requirements in a particular market or generally; or
- we fail to expand geographically.

Our inability to overcome these challenges to continuously respond to changes in customer demand and preferences to remain competitive, and to grow our business and maintain our market position, could have a material adverse effect on our business, operating results and financial condition. Further, any new products and services we launch may involve risks and challenges we do not currently face, may require us to devote significant financial and management resources and may not perform as well as expected. We may also have difficulty in anticipating customer demand and preferences, and our products may not be accepted in the market. Our success will depend, in part, on our ability to identify, develop and adapt to new trends and respond to technological advances and emerging industry standards and practices. We cannot assure you that we will be successful in these efforts.

Additionally, expanding our customer base in the millennial customer segment and developing our engagement with our target customers are key elements of our growth strategy. We intend to attract a new generation of digitally focused customers by implementing a number of strategies including a digitally-enabled distribution strategy and diverse ecosystem partnerships. Millennials represented more than half of our new individual policyholders in each of our bancassurance, agency, and other distribution channels (including brokerage/IFA and neo-insurance) in 2022, respectively. We cannot assure you that these initiatives and measures will be effective in continuing our growth in this segment, retaining our existing millennial customers or capturing greater value from our customers.

Our risk management and internal control systems may be inadequate or ineffective in identifying or mitigating the various risks to which we are exposed.

Prior to the Proposed Initial Public Offering, we operated as a private company that was not required to comply with the obligations of a listed company with respect to internal control over financial reporting and we did not maintain the internal accounting and financial reporting resources necessary to comply with the obligations of a listed company.

Ahead of the Proposed Initial Public Offering, we have established risk management and internal control systems consisting of organisational frameworks, policies, procedures and risk management methods that we believe are appropriate for our business operations, and we seek to continue to improve these systems, initiatives and measures to address the potential material weaknesses in these systems.

However, due to the inherent limitations in the design and implementation of risk management and internal control systems, including identification and evaluation of risks, internal control variables and the communication of information, we cannot assure you that such systems will be able to identify, mitigate and manage all exposures to risks.

Our risk management methods have inherent limitations, as they are generally based on statistical analysis of historical data as well as the assumption that future risks will share similar characteristics with past risks. We cannot assure you that such assumptions are an accurate prediction of future events. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our financial disclosure and other obligations required by relevant regulations and reporting requirements, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our Shares. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations, and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

In addition, our internal control over financial reporting will not prevent or detect all errors and fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, we cannot assure you that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected. Furthermore, our financial systems are not fully automated and some of our financial controls still require manual intervention and are therefore susceptible to human error. To the extent we use information technology systems to support our financial controls, these systems need regular maintenance and upgrades to handle the expansion in information as we expand our existing operations and acquire new businesses. Our historical data may also need to be updated to unwind errors identified from time to time. If we fail to carry out these maintenance or upgrades, our risk management methods and techniques may not be effective in alerting us to take timely and appropriate measures to manage our risks.

Our risk management and internal controls also depend on the proficiency of and implementation by our employees. We cannot assure you that such implementation will not involve any human error or mistakes, which may materially and adversely affect our business, financial condition and results of operations.

We have a history of net losses and expense overruns and may not achieve or maintain profitability in the future.

During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, we recorded a net loss of US$252 million, a net profit of US$249 million and a net loss of US$740 million in 2020, 2021 and 2022, respectively. Our net loss in 2020 resulted primarily from increases in financing costs and other non-recurring costs, including but not limited to implementation costs for IFRS 9 and 17 and Group-wide supervision, one-off costs of integration activities, and IPO-related costs including incentive costs, while our net loss in 2022 resulted primarily from losses on investment returns due to adverse capital market movements. Although we recorded a net profit for 2021, this was the result of gains in short-term fluctuations in investment returns related to equities and property investment during the period and net profit from discontinued operations. We may continue to record net losses in future periods as we continue to grow our business scale and presence and incur related costs, or due to macroeconomic factors or events. We have a history of expense overruns, which is typical for a life insurance company in the early growth stages. We monitor our expense overruns against our expense assumptions, which we set based on a long-term view of our expenditures and historical operating experience, including acquisition and maintenance activities by the reporting segments, and other product-related costs that drive up our spending. In line with our business strategy, we expect to continue making investments to further develop and expand our business, such as by investing in further digitalisation across all our distribution channels. We continue to enhance our finance, investment and corporate governance functions for ongoing compliance with public company reporting requirements as well as the implementation of the GWS framework and IFRS 17. We intend to invest substantially in our Emerging Markets to grow our business scale and presence in those markets. We made a strategic investment for a minority interest in BRI Life in Indonesia, for which we completed the initial subscription in March 2021 followed by subsequent subscriptions in March 2022 and March 2023, and have also committed to providing an additional capital contribution to BRI Life, which is expected to bring our shareholding in BRI Life to 44.0% across a three-year period. These efforts and investments may be more costly than we expect and our revenue may not increase sufficiently to offset the expenses, which may result in continued or increased expense overruns and net losses. Accordingly, we may not achieve or maintain profitability and we may continue to incur net losses in the future.

Geopolitical and political instability, market fluctuations and general economic conditions globally and in the markets in which we operate may materially and adversely affect our business.

Our business is subject to geopolitical and political instability, market fluctuations and general economic conditions globally and in the markets in which we operate. Such risks may result from the application of protectionist or restrictive economic and trade policies with specific markets; regulations and executive powers which increase trade barriers with specific markets or restrict trade, financial transactions, transfer of capital and/or investment with specific territories, companies or individuals which could impact on the macroeconomic outlook and the environment for global financial markets; international trade disputes such as the implementation of trade tariffs; the withdrawal from existing trading blocs or agreements; and measures favouring local enterprises, such as changes to the maximum level of non-domestic ownership by foreign companies or differing treatment of foreign-owned businesses under regulations and tax rules.

The global economy has experienced, and continues to experience, uncertainty brought on by geopolitical events such as the trade negotiations between the PRC and the United States, political instability in the Middle East, Europe and various parts of the Asia-Pacific region, and the ongoing conflict in Ukraine. For example, the conflict between Russia and Ukraine has resulted in the imposition by the U.S. and other nations of sanctions and other restrictive actions against certain banks, companies and individuals in Russia. As of the date of this Offering Circular, we do not have any business operations in Russia or Ukraine which would expose us to any sanctions by the U.S. or other nations. Our Group's exposure to Russia and Ukraine, through our ordinary course investments or otherwise, is insignificant. Increased geopolitical tensions may also increase cross-border cyber activity and therefore increase cyber security risks, and may lead to civil unrest. These events, together with the global impact of the outbreak of the COVID-19 pandemic, have affected the monetary and fiscal policies of governments globally, and may result in substantial volatility of equity and debt markets, fluctuations in interest rates, currency exchange rates, capital flows and credit spreads, and higher inflation, as well as reducing market liquidity and global economic activity.

These factors could lead to a prolonged downturn in the global economy, resulting in higher unemployment rates, lower income and reduced consumer spending, which could in turn negatively impact the insurance sector as a whole, including our business. For example, we may experience a decline in demand for certain types of products and services, increased claims, lapses or surrenders of policies, and defaults in the payment of insurance premiums. Difficult macroeconomic conditions may also lead to decreased corporate earnings, default of issuers whose bonds we hold or reductions in the values of these bonds due to increased perceived risk of default and declines in the value of the equity securities in our investment portfolio, which may negatively impact our investment returns and asset valuations. In addition, our counterparties may fail to discharge their obligations to us if they face economic difficulties, and we may not be able to recover the losses resulting from such failure if the obligations of our counterparties are not fully secured. Any of the above factors could have a material adverse effect on our business, financial condition and results of operations.

Our business is also subject to the general political and economic conditions in our key markets, in addition to the specific factors set forth below:

- in Hong Kong, social and political factors, the COVID-19 pandemic and related government measures such as the border controls imposed during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, as well as the resurgence of COVID-19 infections in 2021 and 2022, have led to a significant decline in the number of visitors traveling to Hong Kong, which has consequently led to a decline in our sales to offshore customers, and payment of renewal premiums by policyholders in general. In December 2022, the PRC government started to relax the COVID-19 related restrictions in mainland China. The Hong Kong-mainland China border reopened on 8 January 2023, allowing travellers (including MCVs) to cross freely without having to undergo quarantine. Given the uncertainty of the full extent of the long-term impact of the COVID-19 pandemic, we cannot predict when or if revenue generated from offshore customers will be restored to pre-pandemic levels. While we have taken steps to change our product offering and marketing strategies in Hong Kong in response, including switching our focus to onshore customers and offering remote sales and customer services, we cannot assure you that these measures will continue to be effective. Responses by the U.S., U.K. and other governments to constitutional or legislative changes in Hong Kong, which continue to develop, may adversely impact Hong Kong's economy with potential adverse sales, operational and product distribution impacts to us;

- in Thailand, in addition to the impact of the COVID-19 pandemic on the general economy, political events and policy changes, such as the social instability and protests since the 2019 general election, have impacted our business operations and financial condition;

- in Japan, the changes announced by the tax authorities in 2019 with respect to the tax deductibility of insurance premiums paid on COLI products (which were previously fully deductible) have resulted in a material and adverse impact on our sales of those products in Japan. While we have taken steps to significantly adjust our product offering in Japan in response, we cannot assure you that these adjustments will be effective; and

- in Macau, Cambodia, the Philippines, Indonesia, Singapore, Vietnam and Malaysia, the impact of the COVID-19 pandemic and changes in the political and regulatory environment in these jurisdictions could have an adverse effect on our business and results of operations.

A failure to understand, manage and provide greater transparency of our exposure to environmental, social and governance (ESG) related risks may have increasingly adverse implications for us and our stakeholders.

ESG-related risks may directly or indirectly impact our business and the achievement of our strategy and consequently those of our key stakeholders, which range from customers, institutional investors, employees and suppliers, to policymakers, regulators, industry organisations and local communities. A failure to transparently and consistently implement our ESG strategy across operational, underwriting and investment activities may adversely impact our financial condition and reputation and may negatively impact our stakeholders, who all have expectations, concerns and aims related to ESG matters, which may differ, both within and across the markets in which we operate. In our investment activities, our stakeholders increasingly have expectations of, and place reliance on, an approach to responsible investment that demonstrates how ESG considerations are effectively integrated into investment decisions and the performance of fiduciary and stewardship duties. These duties include effective implementation of exclusions, voting and active engagement decisions with respect to investee companies, as both an asset owner and an asset manager, in line with internally defined procedures and external commitments. For more information on our group-wide ESG strategy, see "*Business – Environmental, Social And Governance Matters.*"

Market conditions, failure to meet our financial and operating targets, including growth of our customer base, and other factors could materially and adversely affect our intangible assets, including in respect of the goodwill and distribution rights recorded in our balance sheet, which in turn could materially and adversely affect our business, results of operations or financial condition.

Business and market conditions may impact the amount of intangible assets, including in respect of our distribution rights and goodwill, such as our goodwill arising in respect of our insurance businesses, as well as distribution rights in respect of our exclusive bancassurance and distribution arrangements, which we carry in our consolidated balance sheet in relation to our business. To the extent that market and economic conditions deteriorate, the fair value of such intangible assets will be adversely affected and reaching the conclusion that fair value exceeds carrying value will, over time, become more difficult. As a result, subsequent impairment tests may occur more frequently and be based on more negative assumptions and future cash flow projections, and may result in an impairment of intangible assets, including in respect of the goodwill and distribution rights recorded in our balance sheet. An impairment may result in a material change to our earnings, which would materially and adversely affect our business, results of operations or financial condition. Because the value of our intangible assets may be significantly impacted by such factors as the state of the financial markets and ongoing operating performance, significant deterioration or prolonged weakness in the financial markets or economy generally, or our failure to meet financial and operating targets, or our distribution partners failing to grow their customer base, could adversely impact impairment testing and also may require more frequent testing for impairment. Any impairment would reduce the amount of intangible assets recorded, with a corresponding charge to earnings, which could be material. Our net book value of intangible assets was US$3,531 million, US$3,348 million and US$3,207 million as of 31 December 2020, 2021 and 2022, respectively, of which US$1,615 million, US$1,560 million and US$1,529 million is attributable to goodwill arising in respect of our insurance businesses as of 31 December 2020, 2021 and 2022, respectively.

We rely on the experience and expertise of our senior management team, key technical and operations employees and other highly skilled personnel and sales force, and a lack of ability to attract, motivate and retain talented professionals may adversely affect our business, financial condition and results of operations.

The success of our business is dependent in part on our ability to attract and retain key personnel and sales force, including management personnel, technical operations personnel, agents and distribution partners, who have in-depth knowledge and understanding of the insurance markets in which we operate. In a few of the insurance markets in which we operate, we are also required by law to hire a minimum percentage of domestic talent or recruit local personnel for certain key roles. We cannot assure you that we will be able to attract and retain qualified personnel or that our senior management or other key personnel will not retire or otherwise leave us at any time.

We face competition to attract and retain agency leaders, individual agents, as well as sales representatives in our bancassurance and brokerage distribution channels. We compete with other companies for the services of agents on the basis of our reputation, product range, compensation, training, support services and financial position. Further, access to the bancassurance and brokerage distribution channels is subject to similar competition. Our arrangements with such distribution partners may not be on an exclusive basis, with our products and services being distributed along with those of our competitors. Even for partnerships with exclusivity, our partners would still have ways to terminate their contracts with us if we fail to provide competitive products. Any adverse movement in any of these factors could inhibit our ability to attract and retain adequate numbers of qualified agents and adversely affect our ability to maintain the effectiveness of such distribution channels and develop relationships with other distribution partners.

Increasing competition for experienced individual insurance agents from insurance companies and other business institutions may also force us to increase the compensation of our agents, which would increase operating costs and reduce our profitability. Furthermore, we cannot assure you that we will be able to maintain these relationships at an acceptable cost or at all. To the extent we are unable to maintain our existing distribution relationships or secure new distribution relationships, we may not be able to maintain or increase our new business premiums, which may materially and adversely affect our business, financial condition and results of operations.

We also depend on the sound underwriting, product development, risk control, business development and actuarial expertise of our senior management, investment managers and other key employees. The competition for qualified technical, sales and managerial personnel in the insurance sector in the markets in which we operate is challenging. To attract top talent, we have to offer, and believe we will need to continue to offer, competitive compensation and benefits packages. We may also need to increase our employee compensation levels in response to competitor actions. If we are unable to hire new employees quickly enough to meet our needs, or otherwise fail to effectively manage our hiring needs or successfully integrate new hires, our efficiency, ability to meet forecasts, productivity and retention could suffer, which in turn could have an adverse effect on our business, results of operations and financial condition.

Our business depends on a strong brand, and any failure to maintain and enhance our brand would hurt our ability to grow our business, particularly in new markets where we have limited brand recognition.

We have developed a strong brand that we believe has contributed significantly to the success of our business. Maintaining and enhancing the "FWD" brand and our other brands is critical to growing our business, particularly in new markets where we have limited brand recognition. If we do not successfully build and maintain a strong brand, our business could be materially affected. Maintaining and enhancing the quality of our brand may require us to make substantial investments in areas such as marketing, community relations and employee training. We actively engage in advertisements, targeted promotional mailings and email communications, and engage on a regular basis in public relations and sponsorship activities. These investments may be substantial and may fail to encompass the optimal range of traditional, online and social advertising media to achieve maximum exposure and benefit to the brand. If we fail to maintain or, in newer markets, establish, a positive reputation concerning our brand, we may not be able to attract or retain customers as well as agents and distribution partners, and, as a result, our business, financial condition or results of operations may be adversely affected.

Our brand names and intellectual property are valuable to us and we may not be successful in protecting them.

We have invested and expect to continue investing significant resources in establishing our brand names, brand visual identities and our marketing and technology intellectual property. Our success is dependent in part on protecting our intellectual property rights and technology (such as source code, information, data, processes and other forms of information, know-how and technology). We rely on a combination of copyrights, trademarks and contractual restrictions to establish and protect our intellectual property. While we take precautions designed to protect our intellectual property, including through contracts with third parties to protect our intellectual property rights, we cannot assure you that these contracts will fully safeguard our intellectual property rights or that our competitors and other unauthorised third parties will not copy our technology and use our proprietary brand, content and information to create or enhance competing solutions and services. In addition, we may not be able to protect the "FWD" and other brand names, which could reduce the value associated with them, erode any competitive advantage and materially harm our business and our prospects of profitability. The validity, enforceability and scope of protection of intellectual property rights may vary across the jurisdictions in which we operate, and we may not be successful in enforcing these rights. Accordingly, we may not be able to adequately protect our intellectual property rights. If we are unable to protect our brand names and other intellectual property rights from infringement, our competitive position may also be undermined, and we may suffer material losses and harm to our reputation.

We currently hold various domain names relating to our brand in all the markets in which we operate, including *fwd.com*. Failure to protect our domain names could adversely affect our reputation and brand and make it more difficult for users to find our eCommerce platform and our online applications. We may be unable, without significant cost or at all, to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights.

In addition, while we take care to ensure that we do not infringe on third parties' intellectual property rights or breach the terms of any licence of intellectual property granted by third parties, we cannot assure you that we will not face infringement claims brought by third parties, which may have a material adverse effect on our business and financial condition.

We may be required to spend significant resources in order to monitor and protect our intellectual property rights, and some violations may be difficult or impossible to detect. Litigation to protect and enforce our intellectual property rights could be costly and time-consuming to management and could result in the impairment or loss of portions of our intellectual property. Our efforts to enforce our intellectual property rights may be met with defences, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorised copying or use could impair the functionality of our platform, delay introductions of enhancements to our platform, result in our substituting inferior or more costly technologies into our platform or harm our reputation or brand. We may be required to license additional technology from third parties to develop and market new offerings or platform features, which may not be on commercially reasonable terms or at all and could adversely affect our ability to compete.

Catastrophic events could materially and adversely affect our business, financial condition and results of operations.

The threat of epidemics, including the ongoing COVID-19 pandemic and policies implemented by governments to deter the spread of the disease, has had and may continue to have an adverse effect on consumer confidence and the general economic conditions to which we or the third parties upon whom we rely to service our customers are subject. International tensions in many parts of the world, terrorism, ongoing and future military and other actions, heightened security measures in response to these threats, natural disasters (including tsunamis and earthquakes), climate change or other catastrophes may cause disruptions to commerce, reduced economic activity and high market volatility. For further details on the impact of the COVID-19 pandemic on the Group, see "*– The COVID-19 pandemic has caused and may continue to cause disruptions to our operations and negatively affect our business, financial condition, and results of operations*" and "*Summary – Impact of the COVID-19 Pandemic*". Our insurance businesses expose us to claims arising out of such events, in particular to the risk of catastrophic mortality or morbidity, such as an epidemic or other events that cause a large number of claims or increase in reserves and capital requirements.

In accordance with IFRS, we do not establish reserves for catastrophes in advance of their occurrence, and the loss or losses from a single catastrophe or multiple catastrophes could materially and adversely affect our business, financial condition and results of operations. Although we carry reinsurance to reduce our catastrophe loss exposures, due to limitations in the relevant terms of our reinsurance contracts and the underwriting capacity limits in the reinsurance market, as well as difficulties in assessing our exposures to catastrophes, this reinsurance may not be sufficient to protect us adequately against loss.

Our failure to understand and respond effectively to the risks associated with corporate governance could adversely affect us.

A failure to maintain high standards of corporate governance may adversely impact us and our customers, staff and employees, through poor decision-making and a lack of oversight of our key risks. Poor governance may arise where key governance committees have insufficient independence, a lack of diversity, skills or experience in their members, or unclear (or insufficient) oversight responsibilities and mandates. Inadequate oversight increases the risk of poor senior management behaviours. We operate across multiple jurisdictions and have a group and subsidiary governance structure which may add further complexity to these considerations. Participation in joint ventures or partnerships where we do not have direct overall control and the use of third party distributors and agents increases the potential for reputational risks.

Our failure to understand and respond effectively to certain social changes could adversely affect our achievement of our strategies.

Social risks that could impact our results of operations, financial condition and prospects may arise from a failure to consider the rights, diversity, well-being, and interests of people and communities in which we or the third parties that we cooperate with, operate. These risks are increased as we operate in multiple jurisdictions with distinct local cultures and considerations. As an employer, we are also exposed to the risk of being unable to attract, retain and develop highly skilled employees, which may increase if we do not have in place responsible working practices or fail to recognise the benefits of diversity or promote a culture of inclusion. The potential for reputational risk extends to our supply chains, which may be exposed to factors such as poor labour standards and abuses or allegations of abuses of human rights. Emerging population risks associated with public health trends (such as an increase in obesity) and demographic changes (such as population urbanisation and ageing) may affect customer lifestyles and therefore may impact claims against our insurance product offerings. In addition, we are exposed to heightened social and ethical risks as we are increasingly focused on data analytics, technologies and distribution channels for a broadening range of products and services, such as the use of machine learning and AI technologies.

If our employees and tied agents were to engage in a strike or other work stoppage or interruption, our business, results of operations, financial condition and liquidity could be materially adversely affected.

Although we believe that our relations with our employees and tied agents are good, if disputes with our employees and/or tied agents arise, or if our employees and/or tied agents engage in a strike or other work stoppage or interruption, we could experience a significant disruption of, or inefficiencies in, our operations or incur higher labour costs, which could have a material adverse effect on our business, results of operations, financial condition and liquidity. In addition, our employees in Japan are represented by a labour union.

Involvement of members of our management, our directors, and entities with which they are affiliated in civil disputes, criminal proceedings, litigation, government or other investigations or other actual or alleged misconduct, whether related or unrelated to our business affairs, may be detrimental to our reputation and/or have an adverse effect on the price of our securities.

Members of our management team, our directors, and entities with which they are affiliated have been, and in the future may be, involved in a wide variety of businesses and other activities. As a result of such involvement, members of our management, our directors, and entities with which they are affiliated may become involved in civil disputes, criminal proceedings, litigation, governmental or other investigations or other actual or alleged misconduct relating to their affairs, whether related or unrelated to our Company. Any such development, including any negative publicity related thereto, may be detrimental to our reputation and/or have an adverse effect on the price of our securities.

While we currently have immaterial operations in mainland China, in the event these operations grow we would be subject to a greater extent than we currently are to uncertainties with respect to the laws and regulations of the PRC.

The Group does not currently sell any insurance products or operate an insurance business in mainland China that is subject to regulation by any insurance regulator in the PRC. We currently have non-substantive operations in mainland China, which comprise only the maintenance of a representative office and the provision of shared services to the Group through two PRC-incorporated subsidiaries. The representative office serves the purpose of maintaining a presence in mainland China, and the shared services primarily consist of certain IT and support services. These functions are not material to the Group.

If we commence business and customer facing operations in mainland China, whether as a result of organic growth or any future acquisition, or if the laws and regulations as they apply to our existing operations in mainland China change, we could become subject to a greater extent than we currently are to the laws and regulations of the PRC. Some of these laws and regulations are relatively new, and some degree of uncertainty exists in connection with their applicability and how they will be interpreted and enforced. This uncertainty is exacerbated by the fact that precedents regarding the interpretation, implementation and enforcement of PRC laws and regulations are of limited value for decisions, since higher court decisions in the PRC do not necessarily have binding effect on lower courts. In addition, the implementation of laws and regulations in the PRC may be in part based on government policies and internal rules that are subject to the interpretation and discretion of different government agencies, some of which are not published on a timely basis or at all, and some of which may have a retroactive effect. As a result, we may not be aware of a violation of these policies and rules until after the violation, which would expose us to the risk of enforcement action, litigation, penalties or other sanctions. Any litigation or enforcement action in the PRC, regardless of outcome, may be protracted and result in substantial costs and diversion of resources and management attention. An example of a PRC regulatory regime that is currently subject to uncertainty relates to data security, and uncertainties as to the applicability of the related laws and regulations is discussed under "*– Risks Relating to Legal and Regulatory Matters – Our failure to comply with data privacy laws and regulations in our geographic markets could have a material adverse effect on our business, financial condition and results of operations*". If we become subject to the Data Security Law, we would be required to comply with certain PRC data security and privacy obligations, including the need potentially to conduct a national security review of data activities that may affect the national security of the PRC, and being prohibited from providing data to foreign judicial or law enforcement agencies without approval from relevant PRC regulatory authorities. In addition to data security, relevant organs of the PRC government have made recent statements or recently taken regulatory actions related to anti-monopoly and overseas listings of mainland China businesses. For example, in addition to the PRC Data Security Law and the Draft Management Measures, relevant PRC government agencies have recently taken anti-trust enforcement action against certain mainland China-based businesses. We understand that such enforcement action was taken pursuant to the PRC Anti-Monopoly Law which applies to monopolistic activities in domestic economic activities in mainland China and monopolistic activities outside mainland China which eliminate or restrict market competition in mainland China. In addition, in July 2021, the PRC government provided new guidance on locally-based companies raising capital outside of mainland China, including through arrangements called variable interest entities

("**VIEs**"). Since we do not have any substantive operations in mainland China, and do not have a VIE structure, we believe that these recent statements or regulatory actions should not have any material adverse impact on our ability to conduct business, accept foreign investments, or list on the Stock Exchange. However, there is no guarantee that this will continue to be the case. Should such statements or regulatory actions be held to apply to us, it would likely have a material adverse impact on our business, financial condition and results of operations, our ability to accept foreign investments and our ability to offer or continue to offer securities to investors, any of which may cause the value of the Shares to significantly decline.

We are subject to the risk of potential adverse policy changes and other risks associated with offshore insurance coverage.

The Group's operations in Hong Kong (and Macau) have historically benefited from selling insurance products to MCVs. In 2020, 2021 and 2022, US$20 million, US$39 million and US$42 million of APE and US$8 million, US$6 million and US$18 million of VNB were attributable to our sales to MCVs. As of 31 December 2022, 55,521 of the Group's policyholders were MCVs, representing approximately 1.0% of the Group's total policyholders, and 1.7% of the Group's total in-force policies were attributable to MCVs.

Sales to MCVs as well as payment of renewal premiums by MCVs slowed down due to stricter capital controls in mainland China, the social unrest in Hong Kong from 2019 to 2020, as well as the COVID-19 pandemic and associated government measures imposed during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 such as border controls and mandatory quarantine requirements. In December 2022, the PRC government started to relax the COVID-19 related restrictions in mainland China. The Hong Kong-mainland China border reopened on 8 January 2023, allowing travellers (including MCVs) to cross freely without having to undergo quarantine. Given that the full extent of the long-term impact of the COVID-19 pandemic remains uncertain, there is no guarantee that our sales to MCVs will increase after the border reopening. If our sales to MCVs decline or the relevant regulators introduce any adverse policy changes, our business operations and financial performance, particularly in Hong Kong (and Macau), will be adversely affected.

RISKS RELATING TO CREDIT, COUNTERPARTIES AND INVESTMENTS

Compliance with solvency ratio and capital requirements in the various markets in which we operate may force us to raise additional capital, change our business strategy or reduce our growth.

We and our Business Units are required to maintain solvency ratios at a level in excess of minimum regulatory requirements. The solvency ratio of our Group and each of our Business Units is affected primarily by the volumes and types of new insurance policies sold, by the composition of the in-force insurance policies and investments and by the regulatory capital requirements in each jurisdiction. The solvency ratio is also affected by a number of other factors, including the profit margin of our products, returns on our assets and investments, interest rates, underwriting and acquisition costs, and policyholder and shareholder dividends. For details, see "*Regulatory Overview*".

In order to comply with applicable solvency and capital requirements in each jurisdiction, we may need to raise or inject additional capital in our Group or Business Units. As a result of group-wide supervision under the GWS framework, we are subject to additional oversight by the HKIA, which we expect will require additional changes to our approach to Group capital adequacy and funding sources over time. For more details, see "*Regulatory Overview – Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Framework for group-wide supervision of certain insurance groups*". We may also need to change our business strategy, including the types of products we sell and our capital management. Finally, compliance with solvency and capital requirements may require us to slow the growth of our business in some jurisdictions or affect our ability to pay shareholder dividends, which could have a material adverse effect on our business, financial condition and results of operations.

Failure to manage our liquidity and cash flows may materially and adversely affect our financial condition and results of operations.

Liquidity in the insurance industry primarily relates to the ability of an insurer to generate sufficient cash from its business operations, including its investment portfolio, to satisfy its obligations under its insurance policies and other financial commitments. Historically, we have funded our liquidity requirements primarily using cash generated by our operating activities, bank borrowings and other funds raised from issuing debt and equity securities. During 2020, 2021 and 2022, our Group received an aggregate amount of US$5.4 billion from shareholders which was used by the Group for, among other things, general working capital purposes and the funding of certain acquisitions.

In addition, during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, we recorded significant operating cash inflows (such as cash premiums and fee income) and used such inflows to, among other operating activities, make investments in a wide variety of financial instruments in the ordinary course of our insurance business. In particular, we have been actively managing down excess liquidity through purchases of financial investments, which outweigh the cash premiums and fee income received for insurance products we issue. In 2021 and 2022, we made a concerted effort to invest higher amounts of liquidity as a core part of our investment strategy to increase our operating profits. Therefore, while our business generated positive cash inflows, the deployment of those cash inflows to make ordinary course financial investments resulted in net cash used in operating activities of US$2 million, US$868 million and US$391 million in our consolidated statement of cash flows for 2020, 2021 and 2022, respectively.

After the Proposed Initial Public Offering, we expect that our liquidity requirements will be financed through cash generated by our operating activities, bank borrowings and/or other funds raised from issuing debt and equity securities, together with the net proceeds we receive from the Proposed Initial Public Offering. See "*Financial Information – Liquidity and Capital Resources*" for further details. We cannot assure you that we will be able to manage our liquidity and cash flows in a sustainable manner or that future financing will be available in amounts or on terms acceptable to us, if at all.

In addition, our liquidity is affected by the frequency and severity of policy surrenders, withdrawals, maturities, claims and guarantees under our insurance contracts. In particular, our life, general and medical insurance products expose us to the risk of unexpected cash demands in the event that a catastrophic event, such as epidemics or other events that increase mortality or morbidity, lead to a large number of claims, surrenders and early terminations by our policyholders. We seek to manage our catastrophe loss exposure through reinsurance arrangements and we also seek to reduce the likelihood of surrenders and early terminations through in-force product management and adjusting the prices of our products based on regular reviews of persistency experience. Over the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 we have not experienced any failure of meeting capital or solvency requirements in the regions in which we operate, nor have we received any formal request from regulators to strengthen our capital position for any of our operating entities. However, there is no assurance that we will be able to withstand the liquidity pressures posed by catastrophic events, the timing and effect of which are inherently unpredictable. The occurrence of one or more of such events could have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to obtain financing from external sources in a timely manner, in amounts or on terms which are commercially acceptable.

We may require additional financing if we incur operating losses or for the future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our financing is insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance and liquidity of the international capital and credit markets. The capital and credit markets may experience, and have experienced, varying degrees of volatility and disruption. In some cases, the markets have exerted downward pressure on availability of liquidity and credit capacity for certain issuers. We need liquidity to pay our operating expenses, interest expenses and to capitalise our insurance subsidiaries. Liquidity may also be consumed by any increase in required contributions to our captive reinsurance. Without sufficient liquidity, we could be required to curtail our operations and our business would suffer. In addition, following the Proposed Initial Public Offering, we expect we will need to rely in part on the capital markets and third-party lenders for future funding. While we expect that our future liquidity needs will be satisfied primarily through the net proceeds of the Proposed Initial Public Offering, cash generated by our operations, borrowings from third parties and dividends and distributions from our subsidiaries, it is possible that the level of cash and securities we maintain when combined with expected cash inflows from investments and operations will not be adequate to meet our anticipated short-term and long-term benefit and expense payment obligations. If current resources are insufficient to satisfy our needs, we may need to access financing sources such as bank debt or the capital markets, including through the issue of Instruments. The availability of additional capital or financing would depend on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, interest rates, credit spreads, our credit ratings and credit capacity, as well as the possibility that our shareholders, any existing holder of the Instruments, customers or lenders could develop a negative perception of our long- or short-term financial prospects if we incur large investment losses or if the level of our business activity decreases due to a market downturn. Similarly, our access to funds may be rendered more costly or impaired if rating agencies downgrade our ratings or if regulatory authorities take certain actions against us. If we are unable to access capital markets to issue new debt, refinance existing debt or sell additional shares as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely impacted.

Volatile market conditions may in the future limit our ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory reserves and rating agency capital requirements. In addition, a significant rise in benchmark interest rates such as the increases experienced in 2022, including in LIBOR or equivalent rates, would lead to higher financing costs for additional debt or refinancing existing debt. A significant increase in interest rates could force us to (i) delay raising capital, (ii) miss payments on our debt or reduce or eliminate dividends paid on our capital stock, (iii) issue capital of different types or under different terms than we would otherwise or (iv) incur a higher cost of capital than would prevail in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility.

We cannot assure you that we will be able to obtain financing in the future in a timely manner, in amounts or on terms which are commercially acceptable, or at all. In particular, future financing, if obtained, could include terms that restrict our financial flexibility or restrict our ability to manage our business freely, which may adversely affect our business and results of operations. Any debt financing secured by us in the future could require that a substantial portion of our operating cash flow be devoted to the payment of interest and principal on such indebtedness, which may decrease available funds for other business activities, and could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities.

If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth, maintain minimum amounts of risk-based capital and to respond to business challenges could be significantly limited, and our business, results of operations and financial condition could be adversely affected.

Our substantial indebtedness could materially and adversely affect our business, results of operations or financial condition.

Historically, we have relied on indebtedness to fund working capital, to finance acquisitions and for our other funding requirements. As of 31 December 2022, we had US$2,216 million of indebtedness (including US$992 million of indebtedness from bank borrowings, US$324 million from the issuance of medium term notes and US$900 million from the issuance of subordinated notes). In addition, as of 31 December 2022, we had outstanding perpetual securities in a nominal amount of US$1,550 million and carrying value of US$1,354 million. We may incur more indebtedness in the future, subject to the terms of our debt agreements. Any such incurrence of additional indebtedness may increase the risks created by our level of indebtedness.

Our level of indebtedness could have important consequences for holders of the Instruments and significant effects on our business and future operations. If we fail to meet our payment obligations or otherwise default under the agreements governing our existing indebtedness, the applicable lenders or note holders under our indebtedness will have the right to accelerate such indebtedness and exercise other rights and remedies against us. Additionally, we may be limited in our ability to obtain additional financing, if needed, to fund our working capital requirements, capital expenditures, debt service, general corporate or other obligations, including our obligations with respect to existing indebtedness. If we are unable to comply with our existing and/or future indebtedness obligations and other agreements, there could be a default under those agreements, which may result in a default under the terms and conditions of certain of the Instruments. If that occurs, lenders could terminate their respective commitments to lend to us or terminate their respective agreements, and holders of our debt securities could accelerate repayment of debt and declare all outstanding amounts due and payable, as the case may be. If any of these events occurs, our assets and cash flows may not be sufficient to repay in full all of our indebtedness and we may not be able to find alternative financing. Even if we are able to obtain alternative financing, it may not be on terms that are acceptable to us.

Changes in the method pursuant to which the LIBOR is determined and the transition to other benchmarks may adversely affect our results of operations.

LIBOR and certain other "benchmarks" have been the subject of continuing national, international, and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. In July 2017, the United Kingdom's Financial Conduct Authority (the "**FCA**"), which regulates LIBOR, publicly announced that it would no longer be necessary to persuade or compel banks to submit LIBOR rates after 2021 as financial regulators in various countries encourage market participants to transition from LIBOR to alternative rates and prepare for LIBOR cessation. In March 2021, the FCA confirmed that publication of all of the LIBOR settings for Euro and Swiss Franc and some of the LIBOR settings for Japanese Yen, Sterling and US dollars ceased on 31 December 2021, with the remaining LIBOR settings for US dollars (overnight and 12-month) ceasing immediately after 30 June 2023. In November 2022, the FCA announced a consultation on their proposal to require LIBOR's administrator, ICE Benchmark Administration Limited, to continue to publish the one-, three- and six-month US dollar LIBOR settings on a synthetic basis until end-September 2024. After this, publication would cease permanently. In December 2022, the Federal Reserve Board adopted the final rule that implements Adjustable Interest Rate (LIBOR) Act by identifying benchmark rates based on Secured Overnight Financing Rate ("**SOFR**") that will replace LIBOR in certain financial contracts after 30 June 2023. SOFR is a measure of the cost of borrowing cash overnight, collateralised by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. Although certain financial regulators have indicated their preference for SOFR as the preferred replacement rate for LIBOR, it is unclear if other benchmarks may emerge or if other rates will be adopted.

Some of our indebtedness has interest rate payments determined directly or indirectly based on LIBOR. See Note 25 to the 2021 Audited Annual Financial Statements and Note 25 to the 2022 Audited Annual Financial Statements included in Appendix II for further details. Uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the performance of LIBOR relative to its historic values. These contain benchmark replacement provisions in the event that LIBOR is permanently or indefinitely discontinued. However, even if the financial instruments transition to using alternative benchmarks like SOFR successfully, the new benchmarks are likely to differ from LIBOR, as the alternative benchmark rate may be calculated differently than LIBOR. This may increase the interest expense associated with our outstanding indebtedness or any future indebtedness we may incur. Further, transitioning to an alternative benchmark rate, such as SOFR, may result in us incurring significant expense and legal risks, as renegotiation and changes to documentation may be required in effecting the transition. Any of these occurrences could materially and adversely affect our borrowing costs, financial condition, and results of operations.

A downgrade in our financial strength and claims-paying ratings or any actual or perceived reduction in our financial strength could adversely affect our business, results of operations or financial condition.

Claims-paying and financial strength ratings are important factors in establishing the competitive position of insurance companies. They indicate the rating agencies' opinions regarding an insurance company's ability to meet policyholder obligations and are important to maintaining public confidence in our products and our competitive position. A downgrade in our ratings could adversely affect our business, results of operations or financial condition by, among other things, reducing new sales of our products, increasing surrenders and withdrawals from our existing contracts, possibly requiring us to reduce prices or take other actions for many of our products and services to remain competitive, or adversely affecting our ability to obtain reinsurance or obtain reasonable pricing on reinsurance. Our business, results of operations, financial condition, liquidity, statutory capital or rating agency capital position could be materially and adversely affected by disruptions in the financial markets. Any downgrade to our ratings is likely to increase our borrowing costs and limit our access to the capital markets and could be detrimental to our business relationships with distribution partners. A downgrade in our ratings may also adversely affect our cost of raising capital or limit our access to sources of capital. In addition, in the case of a downgrade in our credit ratings, our customers may not be able to obtain premium financing to purchase certain of our products. We may face additional downgrades as a result of the Proposed Initial Public Offering or future sales of our shares by our Controlling Shareholders. As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of us would have additional adverse ratings consequences, which could have a material adverse effect on our business, results of operations or financial condition. We may need to take actions in response to changing standards or capital requirements set by any of the rating agencies which could cause our business and operations to suffer. We cannot predict what additional actions rating agencies may take, or what actions we may take in response to the actions of rating agencies.

Policyholders' and other counterparties' confidence in the financial strength of an insurance company, as well as in the financial services industry generally, is an important factor affecting our business. Any actual or perceived reduction in our financial strength, a significant reduction in the solvency ratio of one or more of our Business Units or a downgrade in our credit ratings could have a material adverse effect on our business, financial condition and results of operations. These effects could include, among others, increased policy surrenders, an adverse effect on new sales, increased pricing pressure on our products and services, increased borrowing costs, loss of support from distributors and counterparties such as reinsurers and an adverse impact on our ability to generate new business. The occurrence of any of these events may materially and adversely affect our business, financial condition and results of operations.

We are subject to the credit risk of our counterparties, including the issuers or borrowers whose securities or loans we hold and our trade debtors.

We have monetary and securities claims under transactions against reinsurers, brokers, other debtors and third parties. These parties include the issuers whose securities are held by us, borrowers whose loans we hold, customers, trading counterparties, counterparties under credit default swaps and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Issuers or borrowers whose securities are held by or who have entered into loans with us may not fulfil their obligations to pay scheduled interest or principal payments on such securities or loans, while third-party trade debtors may not pay amounts outstanding in respect of our accounts receivable. In addition, our reinsurance providers may be unable or unwilling to fulfil their contractual obligations related to the liabilities we cede to them which could lead to an increase in policy liabilities. Failure to recover such amounts or governmental action involving these obligations may have a material adverse effect on our business, financial condition and results of operations.

Our investment portfolio is exposed to the risk of losses, volatility and illiquidity.

Our investment portfolio is comprised primarily of debt securities. As of 31 December 2020, 2021 and 2022, our investment portfolio totalled US$43.7 billion, US$45.3 billion and US$41.3 billion, respectively. Events or developments that have a negative effect on any particular industry, asset class, group of related industries, country or geographic region may have a greater negative effect on our investment portfolio to the extent our portfolio is concentrated in such industry, asset class, group of related industries, country or geographic region. These types of concentrations in our investment portfolio increase the risk that, in the event we experience a significant loss in any of these investments, our business, financial condition and results of operations would be materially and adversely affected.

Our exposure to credit risk arises mainly from our investment in fixed income or debt securities and the amounts payable by our reinsurance partners. As of 31 December 2022, 82.4% of our total investment portfolio (excluding unit-linked investments) was composed of fixed income investments. The global fixed income markets declined significantly in 2022. Any further decline or volatility in fixed income markets could adversely affect the value of our fixed income investments. In addition, the value of our fixed income securities portfolio could be affected by changes in the credit rating of the issuers of the fixed income securities we hold and by changes in credit spreads in the bond markets. In addition, issuers or our reinsurance partners may default on principal, reinsurance payable or interest payments to us and our rights against them may not be enforceable in all circumstances. Changes in our exposure to credit risk will also affect our solvency levels, capital position, reserving level and therefore our ability to comply with the supervisory capital level and our individual target capital level. Further, we may not be able to identify and mitigate credit risks successfully.

Equity and other alternative investments, including private equity investments, are subject to volatility in prices based on market movements, which can affect returns. As of 31 December 2022, investments in equity securities represented 13.6% of our total investment portfolio. Following substantial gains in 2021, the global equity markets declined significantly in 2022. Any further decline or volatility in equity markets could adversely affect the value of our equity investments. In particular, given the tenor of our investment portfolio, the return on our long-term equity investments, which we consider an important profitability driver, is more susceptible to long-term volatility in the equity markets. Difficult economic conditions could also prevent companies in which we have made private equity investments from achieving their business plans and could cause the value of these investments to fall, or even cause the companies to fail. The timing and amount of investment income from private equity investments is difficult to predict, and investment income from these investments can vary from quarter to quarter. If our investment-linked funds underperform their respective benchmarks, report negative performance or the value of the underlying investments falls as a result of a decline in equity markets or otherwise, we may experience a decrease in new business and an increase in surrenders and be placed in a disadvantageous position as compared to our competitors. In addition, there may not be a liquid trading market for some of our investments. For instance, our alternative investments include private equity investments which are inherently long-term and illiquid. As of 31 December 2020, 2021 and 2022, we had unlisted equity securities investments of US$1.9 billion, US$3.1 billion and US$3.2 billion, representing 52.2%, 52.4% and 57.3%, respectively, of our investments in equity securities. Such unlisted equity securities are mainly managed by dedicated private equity managers. The fair values of unlisted private equity funds are based on the reported net assets value in their audited financial statements, considering various factors including the accounting policies adopted by the investees, the restrictions and barriers preventing the Group from disposing of the investments, our percentage over the investee and other relevant factors. See "*Financial Information – Discussion of Major Items in the Consolidated Statements of Financial Position – Investment Portfolio – Equity Securities*" for further details. Liquidity may be affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. Our ability to dispose of certain securities without significantly depressing market prices, or at all, may be limited. If we are required to dispose of investment assets on short notice, whether as a result of cash outflows due to policyholder withdrawals or for other reasons, we may suffer investment losses. See "*– We could be forced to sell investments to meet our liquidity requirements.*"

If our investment strategies are ineffective in the future and we fail to achieve our target investment return, our VNB, EV and earnings may be adversely impacted. Aside from concentration in certain assets possibly affecting our investment returns, we may experience significant losses from the performance of our investment portfolio (particularly illiquid investments) due to events at the macro-economic level, including as a result of the ongoing COVID-19 pandemic. Adverse market conditions can also lead to a reduction of the distributable surplus relating to our participating products, which may result in some payments to policyholders, such as bonuses or dividends, being decreased or not paid. A decrease in investment return could also affect our total equity. In particular, our total equity decreased by 58.6% from US$8,947 million as of 31 December 2021 to US$3,706 million as of 31 December 2022, mainly due to (i) higher interest rates that drove down asset value, resulting in a net decrease in fair value of available for sale financial assets of US$4,439 million, (ii) net loss for the period, and (iii) foreign exchange losses on cumulative translation adjustments resulting from the strengthening of the US dollar. The sensitivity of our total equity to market risk factors is affected by accounting mismatches between the measurement of insurance contract liabilities (which are measured using "locked in" assumptions determined at the policy inception date), and changes in the fair value of assets which are reflected directly in shareholders' equity, with no offsetting impact. Furthermore, a decrease in investment income may reduce the value of our assets under management, leading to a reduction in the fees we receive from our investment-linked business. This could in turn reduce our profits and cash flows and have an adverse effect on our business, financial condition and results of operations.

Our reputation could suffer if we are unable to maintain and grow our investment portfolio. Any damage to our reputation, resulting from poor or inconsistent investment performance can impair our ability to maintain or grow our business. Any of the above factors, alone or in combination, may materially and adversely affect our business, financial condition and results of operations.

We are subject to the risk of potential sovereign debt credit deterioration owing to the amounts of sovereign debt obligations held in our investment portfolio.

We hold significant amounts of local currency and foreign currency denominated sovereign debt obligations in our investment portfolio and consequently are exposed to the direct or indirect consequences of political, social or economic changes (including changes in governments, heads of state or monarchs) in the countries in which the issuers of such debt are located and to the creditworthiness of the sovereign. Within our policyholder and shareholder investments, we held government bonds, primarily issued by governments in Asia, with a carrying value of US$15,495 million as of 31 December 2022, representing 37.5% of the carrying value of our total policyholder and shareholder investments. In particular, we held Thai government bonds issued in Thai Baht with a carrying value of US$10,477 million as of 31 December 2022, which carry a lower credit rating than the other government bonds in our investment portfolio. Sovereign debt ratings determine the ratings of corporate bonds in several of our markets, including Thailand, the Philippines and Indonesia, and most corporate bonds issued in these markets are below investment grade on an international rating scale. We intend to continue to include certain non-investment grade securities in our investment portfolio if we find such investment opportunities attractive and appropriate.

Investment in sovereign debt obligations involves risks not present in debt obligations of corporate issuers and in particular creates exposure to the consequences of political, governmental, social or economic changes in the countries in which the issuers are located and the creditworthiness of the sovereigns. In addition, the issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due in accordance with the terms of such debt, and we may have limited recourse to compel payment in the event of a default. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by, among other factors, its cash flow situation, its relations with its central bank, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward local and international lenders, and the political constraints to which the sovereign debtor may be subject.

Moreover, governments may use a variety of techniques, such as intervention by their central banks or imposition of regulatory controls or taxes, to devalue their currencies' exchange rates, or may adopt monetary and other policies (including to manage their debt burdens) that have a similar effect, all of which could adversely impact the value of an investment in sovereign debt even in the absence of a technical default. Periods of economic uncertainty may affect the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issuers.

In addition, if a sovereign default or other such events described above were to occur as has happened on occasion in the past, other financial institutions may also suffer losses or experience solvency or other concerns, which may result in our facing additional risks relating to investments in such financial institutions that are held in our investment portfolio. There is also risk that public perceptions about the stability and creditworthiness of financial institutions and the financial sector generally might be adversely affected as might counterparty relationships between financial institutions.

If a sovereign were to default on its obligations, or adopt policies that devalued or otherwise altered the currencies in which its obligations were denominated, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our investment portfolio is exposed to the risk of the potential long-term impact of climate change.

Environmental concerns, notably those associated with climate change, pose significant risks to us and our customers. Our investment horizons are long term and we are therefore exposed to the potential long-term impact of climate change risks, which include the financial and non-financial impact of transition and physical risks.

The global transition to a lower carbon economy may have an adverse impact on investment valuations as the financial assets of carbon intensive companies re-price, and this could result in some asset sectors facing significantly higher costs and a reduction in demand for their products and services. The speed of this transition, and the extent to which it is orderly and managed, will be influenced by factors such as public policy, technology and changes in market or investor sentiment. This climate-related transition risk may adversely impact the valuation of investments held by us, and the potential broader economic impact may adversely affect customer demand for our products. Our stakeholders increasingly expect and/or rely on us to support an orderly, inclusive and sustainable transition based on an understanding of relevant country and company-level transition plans and which takes into consideration the impact on the economies, businesses and customers in the markets in which we operate and invest. The pace and volume of new climate-related regulation emerging across the markets in which we operate and the demand for externally assured reporting may give rise to compliance, operational and disclosure risks and costs which may be increased by the multi-jurisdictional coordination required in adopting a consistent risk management approach. Our ability to sufficiently understand and appropriately react to transition risk and our ability to deliver on any future external carbon reduction commitments may be limited by insufficient or unreliable data on carbon exposure and transition plans for the assets in which we invest. The direct physical impacts of climate change, driven by both specific short-term climate-related events such as natural disasters and longer-term changes to climate and the natural environment, will increasingly influence the longevity, mortality and morbidity risk assessments for our life insurance product underwriting and offerings and their associated claims profiles. Climate-driven events in countries in which we operate could impact our operational resilience and our customers. A failure to understand, manage and provide greater transparency of our exposure to these climate related risks may have increasingly adverse implications for us and our stakeholders.

We could be forced to sell investments to meet our liquidity requirements.

We invest the premiums we receive from our customers until they are needed to pay policyholder claims. Additionally, some of our products allow policyholders to withdraw their funds or cash values under defined circumstances. Consequently, we seek to manage the duration of our investment portfolio based on the duration of any losses and loss adjustment expenses reserves to ensure sufficient liquidity and avoid having to liquidate investments to fund claims or withdrawals. Risks such as inadequate losses and loss adjustment expenses reserves, unfavourable trends in litigation, the outcome of regulatory investigations or unexpected withdrawal activity could potentially result in the need to sell investments to fund these liabilities. We may not be able to sell our investments at favourable prices or at all. Sales could result in significant realised losses depending on the conditions of the general market, interest rates and credit issues with individual securities.

Increases in the amount of allowances and impairments taken on our investments could have a material adverse effect on our financial condition and results of operations.

We determine the amount of allowances and impairments taken in respect of our investments in accordance with IAS 39. See Note 2 to the 2021 Audited Annual Financial Statements and Note 2 to the 2022 Audited Annual Financial Statements included in Appendix II. Such determination varies by investment type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset classes. These evaluations and assessments are revised as conditions change and new information becomes available. The determination of the amount of allowances and impairments to be taken on our investment assets may require complex and subjective judgments. These judgments may not reflect the actual losses that we will ultimately incur on these investments. Historical trends may not be indicative of future impairments or allowances and we may not be required under future accounting standards to change the amounts of allowances and impairments of our investments. We recognised impairment losses of US$7 million, US$4 million and nil, respectively, on our available for sale financial assets during 2020, 2021 and 2022.

IFRS 9 replaced IAS 39 and became effective on 1 January 2018. Pursuant to a temporary exemption, we have decided to defer adopting IFRS 9 until 1 January 2023. The main change of IFRS 9 compared to IAS 39 is that IFRS 9 brings together all three aspects of the accounting for financial instruments, including classification and measurement, impairment and hedge accounting. We are assessing the implications of IFRS 9, and we cannot assure you that the adoption of IFRS 9 will not have a material adverse effect on our business, financial condition and results of operations.

Our level 3 assets and liabilities are subject to uncertainties in accounting estimates, and fluctuations in the changes in fair value of these assets or liabilities would affect our financial results.

Some of our accounting policies require our management to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. As at 31 December 2022, we had level 3 assets of US$641 million in investment property, US$922 million in debt securities, US$3,147 million in equity securities and US$51 million in derivative financial assets that were measured at fair value by using unobservable valuation inputs. See Note 18 to the 2021 Audited Annual Financial Statements and Note 18 to the 2022 Audited Annual Financial Statements in Appendix II to this Offering Circular. The valuation of investments with no quoted market prices requires management estimates and assumptions, which are reviewed periodically and adjusted if necessary. Changes in any of these estimates or assumptions may lead to a change in the fair value of the financial assets and liabilities. If the fair value of our level 3 assets or liabilities were to fluctuate or decline, our business, financial condition and results of operations could be materially and adversely affected. It is possible that future accounting standards and fair value estimation that we are required to adopt may differ from the current accounting treatment that we apply to our financial statements and may result in significant changes to our results of operations. Such changes could adversely affect the trends and comparability of our financial results.

Non-recoverability of deferred acquisition costs could adversely affect our results of operations.

The costs of acquiring new insurance contracts, including commissions and distribution costs, underwriting and other policy issue expenses which vary with, and are primarily related to, the production of new business or renewal of existing business, are deferred as an asset. We had deferred acquisition costs of US$4,997 million as of 31 December 2022. We hold related liabilities including an unearned premium revenue reserve of US$761 million as of 31 December 2022 and deferred profit liability of US$3,505 million as of 31 December 2022, which are held to defer recognition of revenue from up-front fees and charges received and profits from premiums received in excess of future benefits and expenses, respectively. The existence of the unearned premium revenue reserve and deferred profit liability indicate that the deferred acquisition costs are recoverable. In addition, we assess deferred acquisition costs for recoverability in the year of policy issue to ensure that these costs are recoverable out of the estimated future margins to be earned on the policy. We assess deferred acquisition costs for recoverability at least annually thereafter in the liability adequacy test together with the provision for life insurance liabilities and value of business acquired. See Note 2.3 to the 2021 Audited Annual Financial Statements and Note 2.3 to the 2022 Audited Annual Financial Statements in Appendix II to this Offering Circular. We expense these costs in our income statement to the extent that acquisition costs are not considered to be recoverable at inception or thereafter. If a significant portion of our deferred acquisition costs are determined to be non-recoverable, this could materially and adversely affect our results of operations.

Interest rate increases could result in reduced investment return, which may materially and adversely affect our profitability and our ability to service our debt obligations.

Our investment portfolio primarily consists of fixed income investments to match the duration of our liabilities. As of 31 December 2022, 82.4% of our total investment portfolio (excluding unit-linked investments) was composed of fixed income investments. As a result, our profitability is affected by changes in market factors that impact the level and timing of gains and losses that we make on our fixed income investments.

Since 2022, driven by inflationary pressures, interest rates have risen globally, including several raises announced by the United States Federal Reserve. The United States Federal Reserve's interest rate decisions have a significant influence on central banks globally, including central banks in jurisdictions in which we operate. Many of these central banks also increased interest rates substantially in 2022. If interest rates continue to rise, surrenders and withdrawals of insurance policies and contracts may increase as policyholders seek other investments with higher perceived returns. This process may result in cash outflows and may require us to sell investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realised capital losses. Furthermore, any material fluctuations in interest rates may also increase our interest burden on our future indebtedness and could have an adverse effect on our ability to service our debt obligations.

Interest rate declines could reduce our yield on investments, adversely affecting our liquidity and cash flows.

Notwithstanding the recent increases in benchmark rates, the United States Federal Reserve and other key central banks have pursued a low interest rate policy since the global financial crisis of 2008, accompanied by further interest rate decreases during the peak of the COVID-19 pandemic in 2020.

If interest rates decline in some of the markets in which we operate, we may generate less income from our future fixed income investments. In addition, as instruments in our investment portfolio mature, we may have to reinvest the proceeds from such maturing investments, which were generally purchased in environments when interest rates were higher than current levels, in new investments that bear lower yields. This could materially reduce our liquidity, cash flows and profitability. Furthermore, some of our insurance obligations have a longer duration than certain assets in our investment portfolio, and some of the premiums we charge are calculated based on an assumed investment yield. Lower interest rates reduce our average investment yield while our premiums from certain outstanding products remain unchanged, thereby reducing our profitability.

Additionally, for some of our long-term life insurance policies, we are obligated to pay a guaranteed return, minimum interest or crediting rate to our policyholders, which is established when the product is priced. The guaranteed return, minimum interest or crediting rate is partially or fully based on assumptions about interest rates. These products expose us to the risk that changes in interest rates may reduce our spread, or the difference between the rates we are required to pay under the policies and the rate of return we are able to earn on our investments supporting our insurance obligations. If the rates of return on our investments fall below the minimum rates we guarantee either explicitly or implicitly under those insurance products, our business, financial condition and results of operations could be materially and adversely affected.

We may be unable to closely match the duration of our assets and liabilities, which could potentially increase our exposure to interest rate risk.

In order to reduce our exposure to changes in interest rates, we seek to match, to the extent possible and appropriate, the duration of our assets and related liabilities. However, the availability of assets of suitable duration or alternatives in the form of derivative instruments may be restricted by applicable insurance laws, rules and regulations or other market factors. If we are unable to match the duration of our liabilities with the duration of the underlying assets, we will be exposed to interest rate changes, which may materially and adversely affect our business, financial condition and results of operations.

Fluctuations in currency exchange rates may adversely affect our financial condition and results of operations.

While the currency of our assets and liabilities are generally matched, we are still exposed to foreign currency exchange risk arising from fluctuations of exchange rates of the currencies in the jurisdictions where we operate, primarily because some of our investments in equity, fixed income securities and collective investment schemes and property are denominated in currencies that are different from the currencies of the underlying liabilities. Our most significant foreign currency exposure is to the Thai Baht and the Japanese Yen. We do not currently target to hedge either our revenues or our net equity position in any of our operating subsidiaries. See "*Financial Information – Foreign exchange rate risk*" and Note 29 to the 2021 Audited Annual Financial Statements and Note 29 to the 2022 Audited Annual Financial Statements included in Appendix II. We review our hedging strategy from time to time and may change our hedging policy in the future. The effect of exchange rate fluctuations on local operating results could lead to significant fluctuations in our financial statements upon translation of the results into US dollars. In particular, the local operating results of Thailand and Japan were materially impacted by the depreciation of the Thai Baht and the Japanese Yen against the US dollar in 2022. In addition, fluctuations in the value of the US dollar will affect the value of our investment assets which are denominated in US dollars and may affect our ability to service debts. In addition, Hong Kong has maintained a pegged exchange rate system between the Hong Kong dollar and the US dollar since 1983. If this system is ever discontinued, our assets and operating results denominated in Hong Kong dollars could face significant fluctuations.

RISKS RELATING TO OUR PRODUCTS AND PRODUCT DISTRIBUTION CHANNELS

If we are unable to expand our product offerings or our new business initiatives do not achieve the intended results, our business, financial condition and results of operations may be adversely affected.

The insurance and investment product markets are constantly evolving in response to shifts in the preferences of customers. Our future success will depend on our ability to adapt to changing customer preferences and industry standards, and on our ability to respond with new product offerings and services. In furtherance of this objective, we are focused on delivering products that are designed to address the increasing awareness of our customers for their protection needs, particularly under the context of rising demand for life and health coverage post-COVID-19 pandemic and we expect our historical trend of increasing protection mix to persist in the near term.

We face certain risks when introducing new business initiatives, including, initiatives implemented as part of our customer-led strategy. We may not be able to implement these initiatives consistently across our Business Units and, if implemented, they may not achieve customer acceptance. We may incur significant costs in connection with introducing new business initiatives, and we cannot assure you that we will be able to realise the intended benefits within the expected timeframes. In addition to significant costs incurred, insurance regulation could limit our ability to introduce new product offerings and require us to incur additional costs or devote additional resources. In addition, some of the new products we introduce into the market may carry additional underwriting risks. Any proposed new insurance products could take longer than anticipated to be approved by regulatory authorities, or may not be approved at all. If we fail to implement new business initiatives successfully, our business, financial condition and results of operations could be adversely affected.

Actual experience may differ from assumptions used in establishing reserves and in product pricing, which may adversely affect our business, financial condition and results of operations.

We establish balance sheet liabilities and set aside reserves to reflect future expected policyholder benefits and claims. We establish these reserves and prices of our products based on many assumptions and estimates, including mortality and morbidity rates, longevity, reinvestment rates, policyholder behaviour, expected premiums and investment returns, policy persistency, claims profile, benefits to be paid, expenses to be incurred, as well as macroeconomic factors such as interest rates and inflation.

Due to the nature of the underlying risks and uncertainty associated with the determination of the liabilities for unpaid benefits and claims, these amounts may vary from the estimated amounts. We cannot, however, determine with precision the amounts that we will need to pay for, or the timing of payment of, actual claims or whether the assets supporting the policy liabilities will grow to the level assumed prior to payment of claims.

In addition, we are exposed to the risk of higher than anticipated claims. Pandemics, such as the COVID-19 outbreak, have caused and may continue to cause increased claims under many of our policies, raising our resulting costs. This may cause or exacerbate any of the risks related to our estimates or assumptions. If significant deviations in actual experience from the assumptions occur, we may be forced to incur additional expenses in the form of claims and payments, to the extent the actual amounts exceed the estimated amounts, or we may be required to increase our reserves for future policy benefits, resulting in additional expenses in the period during which the reserves are established or re-estimated, which could materially and adversely affect our business, financial condition and results of operations.

The pricing of our products is also based in part upon expected persistency of these products, which is the probability that a policy or contract will remain in force from one period to the next. Persistency within our products may be significantly impacted by, among other things, conditions in the capital markets, the changing needs and claims profile of our policyholders, the manner in which a product is marketed or illustrated and competition, including the availability of new products and policyholder perception of us, which may be negatively impacted by adverse publicity. In addition, any repricing of our products may impact the perceived competitiveness and affordability of our products.

We have experienced consecutive negative persistency variances in recent periods. We have also experienced negative morbidity variances in Japan in 2022 due to the COVID-19 related claims and the local regulatory requirements to pay out the deemed hospitalisation benefits. Significant deviations in actual experience from our pricing assumptions could have an adverse effect on the profitability of our products. For example, if policyholder elections differ from the assumptions we use in our pricing, our profitability may decline. Actual persistency that is lower than our persistency assumptions could have an adverse effect on profitability, especially in the early years of a policy, primarily because we would be required to accelerate the amortisation of expenses we defer in connection with the acquisition of the policy. Actual persistency that is higher than our persistency assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience is higher in these later years. If actual persistency is significantly different from that assumed in our current reserving assumptions, our reserves for future policy benefits may prove to be inadequate.

We periodically update the assumptions and estimates used to calculate our reserves. A liability adequacy test is performed at least annually. If the net reserves initially established for future policy benefits prove to be insufficient, we must increase our net reserves, which may have a material adverse effect on our business, financial condition and results of operations.

Changes in regulations, solvency standards, capital requirements or other requirements or the impact of adverse market conditions could result in changes to our product offerings that could materially and adversely impact our business, results of operations or financial condition.

The insurance industry is highly regulated, and we are required to revise our product offerings and business practices from time to time due to changes in regulation. Our future success will depend on our ability to adapt to changing regulations (including the implementation of GWS and the RBC regime in Hong Kong) in a timely manner. For example, in Japan the COLI product offering was reduced in favour of new individual life insurance products as a result of changes in tax regulations in 2019. We cannot assure you that our efforts to introduce new product offerings or reposition our existing product offerings will be successful. Unsuccessful alterations in our product offering, or failure to adequately react to new regulations or trends in a timely manner, could have a material and adverse effect on our business, financial condition and results of operations.

In addition, more stringent solvency standards, capital requirements or regulatory restrictions on investment could limit the type of assets we can invest in, which may have an adverse impact on the performance of our investment portfolio and sales of our unit-linked products. For example, see Circular 5/2022 which has been issued in Indonesia under "*– We and our Business Units are subject to extensive regulation as insurance companies, including monitoring and inspection of our financial soundness, which may restrict our business activities and investments and increase our cost of complying with such regulations.*" Changing legal requirements, increased costs of hedging, other risk mitigation techniques, cost of financing and other adverse market conditions could also result in certain products becoming less profitable or unprofitable. These circumstances may cause us to modify or eliminate certain features of various products or cause us to suspend or cease the sales of some of our products in the future. Any modifications to products that we may make could result in these products being less attractive or competitive which could adversely impact our sales and profitability. We also cannot assure you that modifications to our products would result in these products being in compliance with any applicable solvency standards or capital requirements. Any of these events may materially and adversely impact our business, results of operations or financial condition.

The termination of, or any adverse changes to, or any failure to renew, our arrangements with our bancassurance partners may have a material adverse effect on our business, financial condition and results of operations.

In addition to our agency channel, we have distribution arrangements with banks in Southeast Asia and Hong Kong for sales of our bancassurance products through their respective networks. As of 6 March 2023, we had 22 ongoing bancassurance partnerships, including nine exclusive bancassurance partnerships in Southeast Asia. For example, our exclusive bancassurance partnership with SCB is the largest contributor to our APE and VNB in Thailand.

While these arrangements typically have multi-year terms, there is a risk our bancassurance partnerships might terminate before their contractually agreed termination dates or might not be renewed. For example, we transferred by novation our exclusive distribution agreement with TMB in Thailand to Prudential Life Assurance (Thailand) Public Company Limited in 2020 prior to its stated termination date. In addition, from time to time, our bancassurance partners may attempt to renegotiate the commercial terms of the arrangements, may be unable to fulfil their obligations, may have disputes with us as to the scope or performance of our and/or their obligations, or may be dissatisfied with other terms and seek changes to, or early termination of, the arrangements. Changes to these arrangements could increase our costs in connection with the sales of our products and adversely affect the profitability of our products, or impact our ability to sell products through our bancassurance partners. In April 2022, our exclusive bancassurance partnership with An Binh Bank was terminated prior to its expiration date, which has not and is not expected to have a material adverse impact on our bancassurance channel and our ability to conduct business in Vietnam.

Additionally, some banks may consolidate, restructure, downsize their physical branch networks or change their business lines, and more non-traditional market participants, such as virtual banks and other financial technology companies, may enter the market. These developments could limit or constrain the ability of our partnering banks and us to sell insurance products through bank branches.

Regulatory changes with respect to the bancassurance business and distribution of bancassurance products through any of the banks' business lines, such as restrictions on banks to partner exclusively with one insurance company or changes in the sales practices of the bank branches, could also materially and adversely affect our relationships and arrangements with these banks or restrict our ability to further expand our bancassurance arrangements with such banks.

Most of our distribution arrangements with the banks are due to be renewed within a similar timeframe. If we are unable to renew our arrangements with a significant number of our partners or unable to find replacement partners, our business could be significantly impacted.

The termination of, disruption to, or any other adverse change to, our relationships with the banks with which we have distribution arrangements, any adverse change to these banks' businesses or the formation of any exclusive partnerships between these banks and any of our competitors could significantly reduce sales of our products and our growth opportunities. Our inability to address these risks or satisfactorily resolve any disputes or disagreements with our partners or other problems encountered in connection with our existing or future bancassurance arrangements could prevent us from fully realising the anticipated benefits of such partnerships or impede or delay our operations or growth in the affected markets. Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

Consolidation of third-party distributors of insurance products may adversely affect the insurance industry and the profitability of our business.

The insurance industry distributes many of its products through other financial institutions such as banks, broker-dealers and ecosystem partnerships. An increase in the consolidation activity of such institutions and other financial services companies may create firms with even stronger competitive positions, negatively impact the industry's sales, increase competition for access to third-party distributors, result in greater distribution expenses and impair our ability to market certain of our products to our current customer base or expand our customer base. For instance, on 1 April 2020, we novated our exclusive distribution agreement with TMB, following its consolidation with a different bank. We cannot assure you that, in the event of another consolidation in relation to any of our exclusive distributors in the future, we will be able to successfully novate our distribution agreements or receive adequate or any consideration.

Consolidation of third-party distributors or other industry changes, such as increased competition from new market entrants or non-traditional or online competitors, may also increase the likelihood that third-party distributors will try to renegotiate the terms of any existing selling agreements to terms less favourable to us.

If our customers were to claim that the policies they purchased failed to provide adequate or appropriate coverage, we could face claims that could harm our reputation, business, results of operations and financial condition.

Although we aim to provide adequate and appropriate coverage under each of our policies, customers could purchase policies that prove to be inadequate or inappropriate. If such customers were to bring a claim or claims alleging that we failed in our responsibilities to provide them with the type or amount of coverage that they sought to purchase, we could be found liable, resulting in an adverse effect on our reputation, business, results of operations and financial condition.

Denial of claims or our failure to accurately and timely pay claims could materially and adversely affect our business, financial condition, results of operations, and prospects.

We must accurately and timely evaluate and pay claims that are made under our policies. Many factors affect our ability to pay claims accurately and timely, including the efficacy of our AI claims processing, the training and experience of our employees and our ability to develop or select and implement appropriate procedures and systems to support our claims functions.

The increased adoption of automation and AI has led to higher customer expectations for experience and productivity. The speed and accuracy by which our AI technology allows us to process and pay claims is a differentiating factor for our business, and an increase in the average time to process claims or a decrease in the accuracy of claim processing could undermine our reputation and position in the insurance marketplace. Any failure to pay claims accurately or timely could also lead to regulatory and administrative actions or material litigation, or result in damage to our reputation, any one of which could materially and adversely affect our business, financial condition, results of operations, and prospects. Additionally, if our employees are unable to effectively process our volume of non-automated claims, our ability to grow our business while maintaining high levels of customer satisfaction could be compromised, which in turn, could adversely affect our operating margins.

We rely on third-party service providers in certain areas of our operations and therefore do not have full control over the services provided to us or our customers.

We rely on third parties for certain investment management, information technology and other services, including:

- managing certain assets in our investment portfolio;
- conducting information technology security assessments and developing certain digital tools;
- talent acquisition, employee training and development;
- conducting customer and brand surveys;
- providing payroll services; and
- handling claims for medical products.

In addition, we may from time to time use third-party service providers to provide us with corporate secretarial support, technical advice and systems support for regulatory compliance and screening, and specialist advisory support on mergers and acquisitions related due diligence from a governance and risk management perspective.

If any of these third parties fail to provide these services and we are unable to secure an adequate alternative in time, our business, financial condition and results of operations could be materially affected.

Agent, broker, employee, distribution partner or other parties' misconduct, underperformance or negative media coverage could harm our reputation or lead to regulatory sanctions or litigation against us.

Misconduct or underperformance on the part of, attrition in relation to, or negative media coverage about, any of our agents, associates, employees, distribution partners or other parties could result in violations of law, regulatory sanctions, litigation or serious reputational or financial harm. Such misconduct could include misrepresenting the features or limits of our products, recommending products not suitable for particular consumers, misappropriation of client funds and other fraudulent behaviour in violation of applicable laws and regulations.

We have limited control over our agents, associates, brokers, employees and distribution partners, but we may suffer negative consequences as a result of their actions. The measures that we take to detect and deter misconduct by our agents, associates, brokers, employees and distribution partners may not be effective in all circumstances. Past or future misconduct by our agents, associates, brokers, employees and distribution partners could result in investigations, violations of law, regulatory sanctions, and litigation. We may have to implement more extensive or different risk management policies and procedures due to legal and regulatory requirements as a result. Any such misconduct may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE INSURANCE INDUSTRY

IFRS 17 could have a material adverse effect on the reporting of our financial results.

The International Accounting Standards Board (the "**IASB**"), which develops IFRS, issued IFRS 17 in May 2017 with amendments made in June 2020. IFRS 17 has now replaced IFRS 4 and has come into effect for annual reporting periods beginning on or after 1 January 2023, with retrospective application and comparative figures required for 2022. IFRS 17 will significantly change the recognition and measurement of insurance contracts and the corresponding presentation and disclosure in our consolidated financial statements. See "*Financial Information – Critical Accounting Policies and Estimates – IFRS 17 Insurance Contracts*" for more information.

IFRS 17 requires significant changes to the accounting policies for insurance contract liabilities, and also requires enhancements to the IT, finance and actuarial systems of the Group, and a Group-wide project is in progress to implement the new standard. As part of this Group-wide project, the Group has been assessing the implications of IFRS 17 and is in the midst of preparing its opening statement of financial position as of 1 January 2022, and the restatement of results for the year ending 31 December 2022, under IFRS 17. The Group has been monitoring emerging market practice and interpretations of judgemental areas of the standard and there continues to be some uncertainty on the financial impact of the transition to IFRS 17. However, based on the Group's preliminary financial impact analysis, equity in the opening statement of financial position as of 1 January 2022 is estimated to be between US$8.9 billion and US$9.0 billion under IFRS 17 as compared to US$8.9 billion under IFRS 4.

IFRS 17 is also likely to have a significant impact on our profit or loss, total equity, financial statement presentation and disclosures. For example, profit will be recognised differently, and insurance revenue will no longer be measured by premium, but by provision of insurance services to policyholders throughout the term of the insurance contract. In addition, IFRS 17 introduces a new presentation format for the statement of comprehensive income and requires more extensive disclosure. These changes could have a material adverse effect on our financial performance and condition. The IASB may also make further amendments to IFRS 17 which could have a material adverse effect on our financial performance and condition. These changes may also adversely impact our credit rating and certain covenants in outstanding indebtedness.

The rate of growth of the insurance industry in Asia may not be as high or as sustainable as we anticipate.

We estimate the rate of growth of the insurance industry in Asia based on the number of underserved potential customers. The high number of underserved individuals in this region may not translate to high growth potential, or we may not succeed in capitalising on any such growth potential. In addition, certain of the regional markets in which we operate may already be or become saturated and experience low or no growth in the future. Demographic growth and other economic indicators, such as an increase in standards of living, which are usually the traditionally beneficial drivers of growth in these markets, may not be sustainable or continue developing as expected. The growth and development of the insurance industry in Asia is subject to a number of industry trends and uncertainties that are beyond our control.

The failure of other insurance companies could require our operating entities to increase their contributions to industry-wide policyholder protection funds and could undermine consumer confidence.

In Hong Kong, a policyholder protection fund has not yet been established, although the Financial Services and the Treasury Bureau of the Hong Kong government undertook a consultation in 2012 and is currently undertaking another consultation in 2023 with regard to the establishment of such a fund. Establishing the Policy Holders' Protection Scheme continues to be a stated objective, and together with the HKIA, additional preparatory work is being undertaken, including conducting a consultancy study to update the key parameters of the scheme.

In Japan, FWD Life Japan, along with other life insurers, is required to support policyholders of failed life insurance companies through payments to the Life Insurance Policyholders Protection Corporation of Japan (the "**LIPPC**"). The LIPPC provides funds upon acceptance and assumption by a successor life insurance company of the insurance policies of a failed life insurance company and also performs certain other specified functions. The proportion of required contributions allocated to FWD Life Japan could increase if its income from insurance premiums and policy reserves increases relative to other life insurance companies in Japan. In the event of future failures of Japanese life insurance companies or if the legal requirements for contributing to the LIPPC change, FWD Life Japan may be required to make additional contributions to the LIPPC and its financial condition and results of operations could be adversely affected.

In Singapore, all direct insurers licensed by the Monetary Authority of Singapore ("**MAS**") to carry on life or general business, including FWD Singapore, are members of the Policy Owners' Protection ("**PPF**") Scheme and must make payments towards certain PPF Funds. In the event that a PPF Scheme member is wound up, insolvent, or otherwise fails, the MAS may decide to activate the PPF Fund to compensate policy owners, fund the transfer of the insurance company to another insurer, or to continue to provide coverage for affected policies until all policies have matured or expired. As the MAS determines the levy rates payable by PPF Scheme members every year, any change to how levy rates are calculated by MAS, whether not due to the potential future failures of other Singapore insurance companies, could adversely affect FWD Singapore's financial condition and results of its operations.

In Thailand, life insurance companies are required to contribute to a life insurance statutory fund intended to compensate policyholders in the event that an insurer is declared bankrupt or has its insurance licence revoked. In principle, life insurance companies are required to contribute not more than 0.5% of insurance premiums received by the company during the past six months to the statutory fund and the contribution shall be in accordance with the rules announced by the Office of Insurance Commission of Thailand ("**OIC**"). According to the current rules announced by the OIC, life insurance companies are required to contribute to the statutory fund every six months.

Although Indonesia has not established a policyholder protection fund, Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector ("Law No. 4/2023") mandates the Indonesian Deposit Insurance Corporation to implement the policyholder protection fund in which all Indonesian insurance companies are require to participate in. There will be further implementations through ensuing regulations.

In the Philippines, all insurance companies must contribute an amount (calculated as a ratio of the company's net worth in proportion to the aggregate net worth of all insurance companies in the country) to the security fund which may be used to compensate policy owners in the event that an insurance company becomes insolvent.

In Malaysia, all licensed takaful operators are members of the Malaysia Deposit Insurance Corporation ("**MDIC**") and must make annual levies (in the case of a family takaful operator such as FWD Takaful, calculated based on the actuarial valuation liabilities in respect of its business) from their shareholders' funds to the relevant fund maintained by MDIC. In the event of a takaful operator failure, MDIC will utilise the relevant fund to, among other things, make payments to the certificate owners of such takaful operator. In some of these markets, therefore, any widespread failure by insurance companies would increase the amount our businesses either must contribute to designated funds or the reserves they must establish and maintain, thus possibly affecting our results of operations and financial condition.

Other markets in which we operate, or may operate in the future, may introduce similar policyholder protection regimes in the future, and as such, our operating entities may be required to start contributing to, or may need to increase their contribution to such funds.

The failure of other life insurance companies could also damage the reputation of the life insurance industry and undermine consumer confidence in life insurers in general, which could lead to a decrease in the relevant Business Units' sales of new policies or an increase in lapses or surrenders of existing policies.

The adoption of OECD's Common Reporting Standard, as well as changes it has proposed on global corporate minimum tax, could have an impact on our businesses, including our reinsurance company, financial condition, results of operations and growth prospects.

The Organisation for Economic Co-operation and Development ("**OECD**") has adopted a common reporting standard ("**CRS**") and model competent authority agreement to enable the multilateral, automatic exchange of financial account information. The CRS does not include a potential withholding element. Under the CRS, financial institutions (including certain specified insurance companies) are required to identify and report the tax residence status of customers in more than 110 countries that have endorsed the plans. It is expected that CRS will be adopted in Thailand by 2023. Financial institutions in Hong Kong, Macau, Japan, Indonesia, Singapore, Malaysia and the Cayman Islands have begun collecting tax residency information from their account holders as early as 1 January 2017 and have submitted information on reportable account holders for the applicable reporting years. The increased due diligence of customer information and the reporting of information to the tax authorities may increase operational and compliance costs for us, depending on its scope of application. At this time, it is not possible to quantify the full costs of complying with the new legislation as some aspects are still to be determined.

In addition, as a company with international operations, we are subject to taxation in each of the markets in which we operate. Our future effective tax rates could be affected by numerous factors, including changes in applicable tax laws. Changes currently proposed by the OECD and its action plan on Base Erosion and Profit Shifting, including, without limitation, its proposal to introduce a global corporate minimum tax at 15% through changes in domestic tax rules and bilateral and multilateral agreements, may affect the tax expenses of our Business Units and our reinsurance strategy and could have a material impact on our financial condition and results of operations.

RISKS RELATING TO LEGAL AND REGULATORY MATTERS

We may face challenges in adapting to group-wide supervision under the GWS framework.

Until recently, we have been supervised by the HKIA through an indirect approach, including by way of written undertakings provided by our Group and our Controlling Shareholders. On 29 March 2021, the Insurance (Amendment) (No. 2) Ordinance 2020 (Ord. No. 18 of 2020) and the Insurance (Group Capital) Rules, which introduced the GWS framework, came into operation, enabling the HKIA to directly conduct group-wide regulation and supervision of insurance groups through the designation of a company within the relevant group as a "designated insurance holding company." The Hong Kong government also published subsidiary legislation relating to the GWS framework on 31 December 2020. The GWS framework provides, among other requirements, group-wide capital, risk management, governance and disclosure related requirements for insurance groups through the designated holding companies of such insurance groups.

In part because of the requirement for a designated insurance holding company to be incorporated in Hong Kong, the HKIA designated FWD Management Holdings as the designated insurance holding company of the Group on 14 May 2021, following which the Group became subject to additional capital, solvency, regulatory reporting, public disclosure and intervention measures as may be imposed under the GWS framework. This was the first time we have been subject to comprehensive regulation on a group-wide basis, and this required a number of changes to our internal controls, risk management systems and reporting obligations. The GWS framework also impacts our businesses in jurisdictions other than Hong Kong, for example by impacting group-wide decisions and implementing group-wide requirements, which affects all our Business Units. For example, the HKIA has identified certain priority areas for us to address, including improvement in the profitability and sustainability of our existing Business Units, further integration across our Business Units and enhancement of our corporate structure. For further details on the GWS framework and group-wide regulation and supervision, see "*Regulatory Overview – Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Framework for group-wide supervision of certain insurance groups*".

Because the GWS framework is new and given the untested nature of the regime, interpretations of the applicable rules and guidelines may evolve over time. If we are unable to adapt to group-wide supervision under the GWS framework on a timely and cost-efficient basis or if our interpretations of the regulatory requirements differ in some aspects from the interpretations made by the HKIA, we could face penalties and public or private reprimand and our business, financial condition, capital position, results of operations and regulatory position could be materially and adversely affected.

Changes in tax regulations have had, and may continue to have, an adverse effect on the demand for our insurance products.

There are specific rules governing the taxation of policyholders and the tax treatment of insurance premiums paid by policyholders in each jurisdiction in which we operate. These rules affect the structuring of, and demand for, the insurance products that we offer in those jurisdictions. In addition, as we expand our business into new jurisdictions, we may be subject to new tax laws or additional tax liabilities. We are unable to predict accurately the impact of future changes in tax laws on the taxation of life insurance proceeds in the hands of beneficiaries and the tax treatment of insurance premiums paid by policyholders. Amendments to existing legislation, particularly if there is a withdrawal of any tax relief, or an increase in tax rates, or an introduction of new rules, may affect the purchase decisions of our potential customers and the investment decisions of our policyholders. The impact of such change on us would depend on the mix of business in force at the time of such change.

In particular, changes announced by the National Tax Agency of Japan in 2019 with respect to the tax deductibility of insurance premiums paid on COLI products (which were previously fully deductible) have had, and may continue to have, a significant impact on the sales of such products in Japan. Although we have taken a number of measures to mitigate the effects of these changes, such as shifting our focus to other product types, their near-term impact may be difficult to quantify, and we cannot assure you that such measures will be effective or sufficient in mitigating any adverse effects to our business, financial condition and results of operations.

The Indonesia Law No. 11 on Job Creation ("**Job Creation Law**"), which became effective in November 2020, changed the definition of non-taxable income, which may result in investment gains on unit-linked products being taxable for Indonesian citizens. Direct investments in mutual funds remain exempted from taxation. Therefore, customers may choose to invest directly into mutual funds rather than unit-linked products, which may have a material adverse effect on sales of our unit-linked investment products in Indonesia. The local life insurance association is lobbying with the Indonesian government to clarify the implementation of the new regulation. On 25 November 2021, the Indonesian Constitutional Court declared that the Indonesian Government must fix certain aspects within two years, failing which the Job Creation Law will be declared unconstitutional. The Indonesian Constitutional Court also prohibited the Indonesian Government from issuing further regulations implementing the Job Creation Law. To remedy and comply with the Indonesian Constitutional Court's judgment regarding Indonesian Law No. 11 on Job Creation, the Indonesian government issued Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation ("**Perppu 2/2022**"), which became effective on 30 December 2022, with tax matters implemented through Law No. 7 of 2021 on the Harmonization of Taxation Regulations. Perppu 2/2022 contains certain tax regulations, including provisions similar to the preceding regulations on the taxation of payments or benefits to be received by Indonesian citizens. However, as of 6 March 2023, Perppu 2/2022 is pending legislative approval. We are closely monitoring these developments and will take appropriate measures to mitigate the effects on our business, but we cannot assure you that these measures will be effective.

We face the risk of litigation, regulatory investigations and other proceedings in relation to our business which may result in financial losses and reputational harm.

Legal or regulatory actions, inquiries or investigations, whether ongoing or yet to come, could harm our reputation, ability to attract or retain customers or employees, business, financial condition, or results of operations, even if we ultimately prevail. Litigation and regulatory investigations are increasingly common in our business as a result of increased regulatory and prudential oversight. Regulators or private parties may bring investigations, class actions or individual suits seeking large recoveries alleging wrongs relating to sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, controls, compliance with laws and regulations, investments, denial or delay of benefits and breaches of fiduciary or other duties, among other things. For example, in Japan, local media have reported regulators questioning certain industry-wide sales practices relating to insurance products which previously had tax-savings effects which may or may not result in formal investigations or regulatory consequences against insurers in Japan (including FWD Japan). Also, in January 2019, FWD Insurance (Bermuda) was reprimanded by the SFC and fined HK$2.4 million for failures in complying with key personnel requirements under the MPF Code and Fund Manager Code of Conduct. We may be unable to anticipate the outcome of a litigation or investigation and the amount or range of loss because we do not know how adversaries, fact finders, courts, regulators, or others will evaluate evidence, the law, or accounting principles, and whether they will do so differently than we have. A substantial liability arising from a lawsuit judgment or a significant regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees could have a material adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, such proceedings could significantly harm our reputation, which could materially affect our business, financial condition and results of operations. See "*– Agent, broker, employee, distribution partner or other parties' misconduct, underperformance or negative media coverage could harm our reputation or lead to regulatory sanctions or litigation against us*."

We are subject to tax audits, tax litigation or similar proceedings, and as a result we may owe additional taxes, interest and penalties in amounts that may be material.

We are subject to income and other taxes in the jurisdictions in which we do business. In determining our provisions for income taxes and our accounting for tax related matters in general, we are required to exercise judgment. We regularly make estimates where the ultimate tax determination is uncertain. We cannot assure you that the final determination of any tax audit, appeal of the decision of a taxing authority, tax litigation or similar proceedings will not be materially different from that reflected in our financial statements. The assessment of additional taxes, interest and penalties could be materially adverse to our current and future results of operations and financial condition.

Our failure to comply with data privacy laws and regulations in our geographic markets could have a material adverse effect on our business, financial condition and results of operations.

We are subject to data privacy laws, rules and regulations that regulate the collection, use and storage of personal data. Protection of personal data has become increasingly important for regulators and lawmakers globally. A breach of data privacy laws, rules and regulations may result in significant reputational and regulatory sanctions, including substantial financial penalties. Compliance with these laws, rules and regulations may restrict our business activities and require us to incur increased costs and allocate considerable time to compliance efforts, such as implementing information technology systems and processes that comply with the relevant rules and regulations. Applicable data privacy laws, rules and regulations could also adversely affect our distribution channels, such as our neo-insurance channel, and limit our ability to share customer data with third parties or transfer customer data between our businesses in different jurisdictions.

Certain of these laws, rules and regulations in the markets in which we operate, as well as mainland China (where we have certain limited operations), are relatively new and evolving, and their interpretation and application remain uncertain. Data privacy laws, rules and regulations are also subject to change and may become more restrictive in the future. For instance, there have been several developments in the data privacy and protection laws and regulations in the PRC, including the Regulations for Cyber Data Security Management (Draft for Comments) ("**Draft Management Measures**") issued by the Cyberspace Administration of China ("**CAC**") in November 2021 (and closed for comment on 13 December 2021) and the Measures for Cybersecurity Review ("**Review Measures**") issued by the CAC in January 2022 (with effect from 15 February 2022) which have significantly expanded the cybersecurity review requirement under the cybersecurity laws of the PRC, including a requirement that certain operators (including both operators of critical information infrastructure and relevant parties who are engaged in data processing) file for cybersecurity review with the Cybersecurity Review Office of the PRC if purchasing of network products and services or carrying out data processing activities will or may affect national security. Specifically, the Review Measures require online platform operators (which term is yet to be specified) holding personal information of more than one million users and seeking a listing in a foreign country to file for cybersecurity review with the Cybersecurity Review Office of the PRC, while the Draft Management Measures propose that parties which process data or seek a listing in Hong Kong that will in either case affect or may affect national security to make such filing. As the Draft Management Measures were released for public comment only, the enacted version of the Draft Management Measures and the anticipated adoption or effective date may be subject to substantial change. We cannot predict the relevant regulators' interpretation of the Review Measures and Draft Management Measures or their respective impact, if any, at this stage, including on our business, financial condition or results of operations, or the Proposed Initial Public Offering, and we will closely monitor and assess any development in the rule-making process. If the enacted version of the Draft Management Measures mandates the clearance of a cybersecurity review or other specific actions to be completed by companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. In addition, the PRC Data Security Law, which was promulgated in June 2021 and took effect on 1 September 2021, imposes data security and privacy obligations on entities and individuals carrying out data activities (including activities outside of mainland China), requires a national security review of data activities that may affect national security, and imposes export restrictions on certain data and information. As a related development, on 12 September 2022, the CAC released a draft Decision on Amending the Cybersecurity Law ("**Draft Amendment**") for public consultation (which closed on 29 September 2022), aiming to enhance the Cybersecurity Law of the People's Republic of China's legal liability system and align it with that under other data laws. The Draft Amendment, if passed in the current form, will increase the penalties for failing to fulfill cybersecurity obligations in line with those under the PRC Personal Information Protection Law (discussed further below).

Other than the maintenance of a representative office and the provision of shared services to the Group through two subsidiaries incorporated under the laws of the PRC, we currently do not have operations in mainland China. As of the date of this Offering Circular, we had fewer than 100,000 MCV customers and did not have a large amount of MCV personal information in our business operations. In addition, no information belonging to our customers is collected, hosted or managed in mainland China and we have policies and systems in place to manage the risk of information belonging to our customers being collected, hosted or managed in mainland China. As such, we do not currently expect the Outbound Data Transfer Security Assessment Measures, which were issued by the CAC on 7 July 2022 (with effect from 1 September 2022) to regulate the transfer of data from the PRC to other jurisdictions (including Hong Kong), or that the proposed supplements to the cybersecurity laws of the PRC or the PRC Data Security Law will have an impact on our business, financial condition or results of operations or the Proposed Initial Public Offering. To the extent that they apply to our limited presence in mainland China, we believe we are in compliance with the data privacy and protection regulations and policies issued by the relevant PRC regulatory authorities to date. However, as uncertainties remain regarding the interpretation and implementation of these laws and regulations and the Draft Management Measures are subject to substantial change, there can be no assurance that this will continue to be the case. In addition, to the extent we develop or acquire operations in mainland China, such laws could also apply to us.

Furthermore, new laws could be introduced in the future that could also apply to our business, whether or not we have operations in mainland China. For example, the PRC Personal Information Protection Law, which was promulgated on 20 August 2021 and took effect on 1 November 2021, also has extraterritorial effect in certain circumstances. It shall apply to the processing of personal information of natural persons within the territory of the PRC that is carried out outside of mainland China where (1) such processing is for the purpose of providing products or services for natural persons within mainland China, (2) such processing is to analyse or evaluate the behaviour of natural persons within mainland China or (3) there are any other circumstances stipulated by laws and administrative regulations. As uncertainties remain regarding the interpretation and implementation of the extraterritorial effect of the PRC Personal Information Protection Law and whether it applies to us, if the PRC Personal Information Protection Law becomes applicable to us outside of mainland China, we may incur substantial operational costs or modify our data collecting and processing practices. Similarly, the CAC issued the Personal Information Export Standard Contract ("**Standard Contract**"), together with the Standard Contract Provisions ("**Provisions**"), on 30 June 2022 (and closed for public comment on 29 July 2022) which could (although subject to change before the Standard Contract and the Provisions are finalised) impact the internal assessment and other compliance obligations in relation to both the transfer personal data from mainland China and receipt of that data as an overseas recipient, in each case subject to the supervision of the PRC regulatory authorities. Non-compliance could result in proceedings against us by data protection authorities, governmental entities or others, which may subject us to significant fines, penalties, judgments and negative publicity, which would have a material adverse effect on our business, operations and financial condition.

In addition, while we have policies and systems in place to manage the risk of data privacy, data privacy breaches may still occur. We had certain incidents of inadvertent data leakage and security breaches during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, involving either employee or customer information. We took remedial actions promptly and notified the relevant regulatory authorities, and we were not subject to any fines or penalties by the relevant regulatory authorities. Although we have strengthened our policies and systems to better detect and manage the risk of data privacy breaches, we cannot assure you that these breaches will not happen in the future, which breaches could have a material adverse effect on our business, financial condition and results of operations. See "*– We may be unable to prevent or address the misappropriation of our data.*"

Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to customers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorised release or transfer of sensitive information, which could include personal information or other user data, may result in governmental or regulatory investigations, enforcement actions, regulatory fines and other penalties, compliance orders, litigation or public statements against us by consumer advocacy groups or others, and could cause customers to lose trust in us, all of which could be costly and have an adverse effect on our business. In addition, new and changed rules and regulations regarding privacy, data protection (in particular those that impact the use of AI) and cross-border transfers of customer information could cause us to delay or change planned uses and disclosures of data to comply with applicable privacy and data protection requirements. Moreover, if third parties that we work with violate applicable laws or our policies, such violations also may put personal information at risk, which may result in increased regulatory scrutiny and penalties and have a material adverse effect on our reputation, business and operating results.

Evolving legislation related to genetic testing could adversely impact our underwriting abilities.

Current or future legislation in jurisdictions where we operate may restrict our right to underwrite based on access to genetic test results. Without the obligation of disclosure, the asymmetry of information shared between applicant and insurer could increase anti-selection in both new business and in-force policyholder behaviour. The impact of restricting insurers' access to this information and the associated problems of anti-selection becomes more acute where genetic technology leads to advancements in diagnosis of life threatening conditions that are not matched by improvements in treatment. We cannot predict the potential financial impact that this would have on us or the industry as a whole. In addition, there may be further unforeseen implications as genetic testing continues to evolve and becomes more established in mainstream medical practice.

You may face difficulties in protecting your interests because our Company is incorporated under the laws of the Cayman Islands, which may offer less protection to minority shareholders than the laws of Hong Kong and some other jurisdictions.

Our corporate affairs are governed by the terms of the Memorandum of Association and the Articles of Association as well as the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in Hong Kong and some other jurisdictions. Such differences may mean that our minority shareholders may have less protection than they would have under the laws of Hong Kong and some other jurisdictions. For example, the Cayman Islands does not have a statutory equivalent of section 724 of the Companies Ordinance, which provides remedies for shareholders whose interests are being or have been unfairly prejudiced by the conduct of the company's affairs.

RISKS RELATING TO OUR TECHNOLOGY

Cyber-attacks or other security breaches of our computer systems or computer systems maintained by others could disrupt our business, cause financial losses, damage our reputation, lead to regulatory sanctions and legal claims or a loss of customers and revenue.

Use of technology to offer insurance products involves the storage and transmission of information, including personal information, in relation to our employees, contractors, business partners and current, past or potential customers. Security breaches may result from actions of hackers, vendors, third-party administrators or insiders as well as from cyber-attacks perpetrated by organised crime groups, "hacktivists," or state-sponsored groups. Cyber-attacks may range from sophisticated social engineering to extortion or threats, including ransomware attacks, which can lead to access, disclosure, disruption, or ransom demands or further attacks. These cyber-attacks or security breaches could expose confidential information, which could result in potential regulatory investigations, fines, penalties, compliance orders, liability, litigation and remediation costs, as well as reputational harm, any of which could materially adversely affect our business and financial results. For example, unauthorised parties could steal or access our users' names, email addresses, physical addresses, phone numbers and other information that we collect when providing insurance quotes, and credit card or other payment information if a customer agrees to purchase insurance coverage from us. Further, outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information in order to gain access to our information or customers' information. Policies and procedures are in place to prevent and detect fraud incidents; however, our existing system of internal controls may not be able to mitigate all possible incidents. The risk of a breach can exist whether software services are in our data centres or we use cloud-based software services. Any of these incidents, or any other types of security or privacy related incidents, could result in an investigation by a competent regulator, resulting in a fine or penalty, or an order to implement specific compliance measures. It could also trigger claims by affected third parties, which could adversely impact our business, results of operations, financial condition, and reputation.

We maintain confidential and proprietary information on our computer systems and rely on sophisticated technologies to maintain the security of that information. Our computer systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorised access, cyber-attacks or other computer-related penetrations. While, to date, we have not experienced a material breach of cyber security, administrative and technical controls and other preventative actions we take to reduce the risk of cyber-incidents and protect our information technology may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to our computer systems. Any such breaches could cause significant interruptions in our operations, and the failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to our customers, employees and distribution partners, could harm our reputation, subject us to regulatory sanctions, significant monetary fines and legal claims, lead to a loss of customers and revenue and otherwise materially adversely affect our business, financial condition or results of operations.

Our business could also be harmed indirectly by cyber-attacks or security breaches to computer and IT systems maintained by others, including our associate companies, business partners and our service providers. For example, BRI Life, in which we currently own an equity interest of 39.8%, announced that it was investigating an alleged cybersecurity breach resulting in the leak of the data of certain customers. FWD's infrastructure is separate from that of BRI Life's and has no direct linkage to BRI Life's systems. However, while this incident has not had, and we do not believe will have, any material impact on our business, we cannot assure you that this incident or any future cyber-attacks or security breaches to computer and IT systems maintained by others will not have a material adverse effect on our business, financial condition or results of operations.

Our investment in digitalisation and neo-insurance may not achieve the intended result.

As a customer-led insurer, we have made and continue to make significant investments in digital initiatives, applications and tools to enhance customer experience, including neo-insurance. A key element of our customer retention and acquisition strategy is using digitalisation to make it easier for customers to stay engaged with our insurance ecosystem. We also intend to continue to invest in digitalisation, including neo-insurance, and launch more initiatives, technology-enabled products and services across the jurisdictions in which we operate. See "*Business – Distribution – Other Channels – Neo-Insurance Channel*" and "*Business – Optimise Customer Experience and Boost Operating Leverage through Continued Investment in Digitalisation*" for further details.

We cannot assure you that our digital initiatives will continue to appeal to our existing or potential customers. Consumer trends and demands are subject to change, and we will need to respond to rapid technological developments in time to effectively serve our digitally native customers. Any failure of these digital applications and tools to operate as intended may cause customer dissatisfaction. In addition, as we develop new digital tools and implement new technologies, we will need to update our governance and risk management frameworks to manage the relevant risks, such as the risks of data breaches and system failures. If we fail to update our governance frameworks on a timely basis, we could be exposed to risks associated with these digital systems. Any of these factors may have an adverse effect on our business, financial condition and results of operations.

We rely on AI and our digital platform to collect data points that we evaluate in pricing and underwriting our insurance policies, managing claims and customer support, and improving business processes, and any legal or regulatory requirements that restrict our ability to collect this data could thus materially and adversely affect our business, financial condition, results of operations and prospects.

We use AI and our digital platform to gain insight into our customers' experience and support various aspects of our business operations. Our proprietary Data Lake is a centralised data repository that collects data from multiple sources, which is stored and managed in a centralised system. It processes and analyses data based on our proprietary AI and machine learning algorithms, providing us with quick access to time-sensitive data to gain customer insights, design and deploy new products and services, and launch automated and targeted marketing campaigns, thereby allowing us to meet the evolving customer needs in a timely manner. Our Data Lake currently covers all of our markets except Cambodia as of December 2022.

If any of the regulators in the markets we operate in were to determine that the type of data we collect, the process we use for collecting this data or how we use it, unfairly discriminates against some groups of people, existing laws and regulations could be interpreted or implemented to prohibit or restrict our collection or use of this data. A determination by regulators that the data points we collect and the process we use for collecting this data unfairly discriminates against some groups of people could also subject us to fines and other sanctions, including, but not limited to, disciplinary action, revocation and suspension of licences, and withdrawal of our products. Any such event could, in turn, materially and adversely affect our business, financial condition, results of operations and prospects, and make it harder for us to be profitable over time. Although we have implemented policies and procedures into our business operations that we feel are appropriately calibrated to our AI and automation-driven operations, these policies and procedures may prove inadequate to manage our use of this nascent technology, resulting in a greater likelihood of inadvertent legal or compliance failures.

We depend on search engines, social media platforms, digital app stores, content-based online advertising and other online sources to attract consumers to our websites and our online applications, which may be affected by third-party interference beyond our control and as we grow our customer acquisition costs will continue to rise.

Our future growth depends on our ability to attract consumers to our websites and our online applications and convert them into customers in a cost-effective manner. We depend, in large part, on search engines, social media platforms, digital app stores, content-based online advertising and other online sources for traffic to our websites and our online applications.

With respect to search engines, we are included in search results as a result of both paid search listings, where we purchase specific search terms that result in the inclusion of our advertisement, and free search listings, which depend on algorithms used by search engines. For paid search listings, if one or more of the search engines or other online sources on which we rely for purchased listings modifies or terminates its relationship with us, we could lose consumers and traffic to our websites could decrease, and we may incur additional costs in seeking alternative search engines or online sources, any of which could have a material adverse effect on our business, results of operations and financial condition. For free search listings, if search engines on which we rely for algorithmic listings modify their algorithms, our websites may appear less prominently or not at all in search results, which could result in reduced traffic to our websites.

Our ability to maintain and increase the number of consumers directed to our products from digital platforms is not within our control. Search engines, social media platforms and other online sources often revise their algorithms and introduce new advertising products. If one or more of the search engines or other online sources on which we rely for traffic to our websites and our online applications were to modify its general methodology for how it displays our advertisements or keyword search results, resulting in fewer consumers clicking through to our websites and our online applications, our business and operating results are likely to suffer. In addition, if our online display advertisements are no longer effective or are not able to reach certain consumers due to consumers' use of ad-blocking software, our business and operating results could suffer.

The marketing of our insurance products depends on our ability to cultivate and maintain cost-effective and otherwise satisfactory relationships with digital app stores, in particular, those operated by Google and Apple. As we grow, we may struggle to maintain cost-effective marketing strategies, and our customer acquisition costs could rise substantially. Furthermore, because many of our customers access our insurance products through online applications, we depend on the Apple App Store and the Google Play Store to distribute our online applications. Both Apple and Google have broad discretion to change their respective terms and conditions applicable to the distribution of our online applications, including those relating to the amount of (and requirement to pay) certain fees associated with purchases facilitated by Apple and Google through our online applications, to interpret their respective terms and conditions in ways that may limit, eliminate or otherwise interfere with our ability to distribute our online applications through their stores, the features we provide and the manner in which we market in-app products. We cannot assure you that Apple or Google will not limit, eliminate or otherwise interfere with the distribution of our online applications, the features we provide and the manner in which we market our online applications. To the extent either or both of them do so, our business, results of operations and financial condition could be adversely affected.

Our proprietary AI models may not operate properly or as we expect them to, which could cause us to write policies we should not write, price those policies inappropriately or overpay claims that are made by our customers. Moreover, our proprietary AI models may lead to unintentional bias and discrimination.

We have built our entire digital architecture with the single purpose of maximising the use of data analytics and technology to optimise customer experience, empower distribution and inform our business decisions. We have developed 74 proprietary data applications which leverage our Data Lake and proprietary AI models. As of 31 December 2022, approximately 44% of the headcount at our Group Office was comprised of technology employees, many of whom have extensive prior work experience with global leading technology and fintech companies.

The continuous development, maintenance and operation of our deep-learning data analytics engine is complex and may involve unforeseen difficulties including material performance problems, undetected defects or errors, for example, with new capabilities incorporating AI. We may encounter technical obstacles, and it is possible that we will discover additional problems that prevent our proprietary algorithms from operating properly. If our data analytics do not function reliably, we may incorrectly price insurance products for our customers or incorrectly pay or deny claims made by our customers. Either of these situations could result in customer dissatisfaction with us, which could cause customers to cancel their insurance policies with us, discourage prospective customers from obtaining new insurance policies, or cause us to under-price policies or overpay claims. Additionally, our proprietary AI models may lead to unintentional bias and discrimination in the underwriting process, which could subject us to legal or regulatory liability. Any of these eventualities could result in a material and adverse effect on our business, results of operations and financial condition.

Interruptions or delays in our information technology systems or in the services provided by our third-party data centres or our internet service providers could impair the operability of our online applications and other digital services, which may materially and adversely affect our operations.

Our business is reliant on the ability of our information technology systems to process a large number of transactions and data on a timely basis for our management to make informed decisions. We rely on the internet and, accordingly, depend on the continuous, reliable and secure operation of internet servers, related hardware and software, as well as network infrastructure. Further, because of the long-term nature of much of our business, accurate records must be maintained for significant periods of time. The proper functioning of our financial controls, accounting, customer databases, customer service and other data processing systems, including those relating to underwriting and claims processing functions, is critical to our operations and to our ability to compete effectively.

Certain of our critical data and IT systems, including our proprietary Data Lake, a centralised data repository, are located on cloud platforms. Failure of these cloud platforms may render us unable to use our data and certain IT systems. Although we have in place disaster recovery and business continuity plans and maintain disaster recovery facilities designed to be activated in place of our primary facilities in the event of failure, the data centres that we use are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, floods, fires, severe storms, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures, and similar events, many of which are beyond our control, any of which could disrupt our services, prevent customers from accessing our products, destroy customer data, or prevent us from being able to continuously back up and record data. In the event of significant physical damage to one of these data centres, it may take a significant period of time to achieve full resumption of our services, and our disaster recovery planning may not account for all eventualities.

Further, a prolonged service disruption affecting our online applications and other digital services for any of the foregoing reasons could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the cloud services we use. Damage or interruptions to these data centres could harm our business. Moreover, negative publicity arising from these types of disruptions could damage our reputation and may adversely impact the use of our online applications and other digital services.

Additionally, as we continue to expand the number of customers to whom we provide our products and services, we may not be able to scale our technology to accommodate the increased capacity requirements, which may result in interruptions or delays in service. In addition, the failure of our data centres or third-party internet or technology service providers to meet our capacity requirements could result in interruptions or delays in access to our online applications and other digital services or impede our ability to scale our operations. In the event that our service agreements are terminated, or there is a lapse of service, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our online applications and other digital services as well as incur delays and additional expense and management time devoted to arranging new facilities and services, which could harm our business and have a material adverse impact on our financial condition and results of operations.

We may be unable to prevent or address the misappropriation of our data.

From time to time, third parties may misappropriate our data through website scraping, bots or other means and aggregate this data on their websites with data from other companies. In addition, copycat websites or online applications may misappropriate data and attempt to imitate our brand or the functionality of our websites or our online applications. If we become aware of such websites or online applications, we will employ technological or legal measures to halt their operations. However, we may be unable to detect all such websites or online applications in a timely manner and, even if we could, technological and legal measures may be insufficient to halt their operations. In some cases, due to the applicable laws in the jurisdictions in which we operate, the remedies available to us may not be adequate to protect us against the effect of the operation of such websites or online applications. Regardless of whether we can successfully enforce our rights against the operators of these websites or online applications, any measures that we may take could require us to expend significant financial or other resources, which could harm our business, results of operations or financial condition. In addition, to the extent that such activity creates confusion among consumers or advertisers, our brand and business could be harmed.

System errors may affect the calculation of unit prices or deduction of charges for investment linked products which may require us to compensate customers retrospectively.

A material portion of our product sales are investment linked contracts, where product benefits are linked to the prices of the underlying unit funds. While comprehensive controls are in place, there is a risk of error in the calculation of the prices of these funds or the use of the prices of these funds for other policyholder value calculations due to human error in data entry, IT-related issues or other causes. Additionally, it is possible that policy charges which are deducted from these contracts are taken incorrectly or the methodology is subsequently challenged by policyholders or regulators and changed retrospectively. Any of these can give rise to compensation payments to customers. Controls are in place to mitigate these risks, but errors could give rise to future liabilities. Payments due to errors or compensation may negatively affect our profitability or financial condition.

RISKS RELATING TO OUR CONTROLLING SHAREHOLDERS AND CERTAIN OTHER SHAREHOLDERS

Our Controlling Shareholders and certain other shareholders are currently involved in some aspects of our business, including investment management, telecommunication services and reinsurance, and we may be subject to risks associated with such transactions.

PineBridge, a company ultimately majority owned and controlled by Mr. Li, one of our Controlling Shareholders (with minority interests owned by directors, management and consultants of PineBridge), manages certain investment grade bonds and alternative investments for our investment portfolios. Mr. Li also has interests in PCCW and HKT, companies listed on the HKEX, which provide telecommunication and insurance related services to us, as well as having branding and marketing arrangements in place with us. Mr. Li is the chairman and an executive director of PCCW and, as at 6 March 2023, is deemed to be interested (as such term is defined under the SFO) in approximately 30.89% of the equity interest in PCCW. PCCW is the parent of the HKT Group. Mr. Li is the chairman and an executive director of HKT and HKT Management Limited (the trustee-manager of the HKT Trust), and, as at 6 March 2023, is deemed to be interested (as such term is defined under the SFO) in approximately 2.91% of the total number of share stapled units in issue of HKT Trust and HKT. In addition, we provide certain services, including consulting and advisory support services, to and receive certain insurance services from, bolttech Holdings, a company indirectly majority controlled by Mr. Li, one of our Controlling Shareholders.

Swiss Re, the intermediate parent company of Swiss Re PICA, one of our shareholders, operates a reinsurance business and provides reinsurance services to us and we in turn receive reinsurance commissions from Swiss Re. Swiss Re PICA has the right to nominate two individuals to our board immediately prior to listing. For further details, see "*History, Reorganisation and Corporate Structure – Reorganisation.*"

Athene, one of our Pre-IPO Investors, is a leading retirement services company. Together with Apollo, the affiliate of Athene and a leading global investment manager, we and Athene have agreed to a strategic collaboration in asset management, product distribution and reinsurance. Pursuant to certain investment management agreements, one or more Apollo affiliates will manage part of our Company's investment portfolio, across multi-credit and alternative asset classes. For further details, see "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company – Pre-IPO Investments*" and "*Business – Investments and Asset Management – Outsourced Investment Managers.*"

These relationships between our related parties and us could create, or appear to create, conflicts of interest. If any conflict of interest arises between our connected persons and us, we cannot assure you that we will be able to resolve these conflicts on terms favourable to us given our Controlling Shareholders' and such related parties' respective ownership interests in us. If we fail to adequately address these conflicts of interests in our favour, we may be subject to regulatory scrutiny, which may adversely affect our business, financial condition and results of operations.

The interests of our Controlling Shareholders may not align with the interests of our Shareholders as a whole.

Our Controlling Shareholders, through their voting power at our general meetings, have significant influence over our business and affairs, including decisions in respect of mergers or other strategic transactions, acquisition of assets, issuance of additional Shares or other equity or debt securities, timing and amount of dividend payments and amendments to our Articles of Association. Our Controlling Shareholders are not required to and may not act in the best interests of our minority Shareholders. In addition, without the approval of the Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us and/or the Shareholders as a whole. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive the Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price and liquidity of the Shares.

Negative news or publicity about our Controlling Shareholders may adversely affect our reputation, business and results of operations.

If any of our Controlling Shareholders or his/its affiliates are subject to negative publicity, and the negative publicity, even if untrue, causes our customers to lose confidence in our Controlling Shareholders, us or the FWD brand, it could have a material adverse effect on our brand image, reputation, business, results of operations and financial condition.

If our Controlling Shareholders sell all or a substantial portion of his/its ownership in us, our business, financial condition and results of operations could be adversely affected.

The Shares held by our Controlling Shareholders will be subject to certain lock-up undertakings after the Proposed Initial Public Offering. Nevertheless, we cannot assure you that our Controlling Shareholders will not dispose of the shares they may own following the expiration of such lock-up period. If our Controlling Shareholders cease to maintain a controlling stake in us or otherwise change important elements of his strategic relationships with us, we may lose the advantages associated with these strategic relationships, which could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the shares and the Instruments.

In addition, because we operate regulated businesses (under applicable insurance and financial services rules and regulations), any shareholder whose shareholding meets or exceeds certain thresholds (as specified under applicable rules and regulations) may need to be pre-approved by, or pre-notified to, regulators. Any failure to comply with such pre-approval or pre-notification requirements may affect our ability to continue to hold applicable licences, which in turn could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE INSTRUMENTS ISSUED UNDER THE PROGRAMME

Our ability to service payments on the Instruments and to meet our obligations depends, in addition to assets held at the holding company, on dividends and other distributions and payments from and among our operating subsidiaries and branches, which are subject to contractual, regulatory and other limitations.

We are a holding company. Other than the assets held at the holding company (including the net proceeds from our Proposed Initial Public Offering), we depend upon dividends and other distributions and payments from subsidiaries and branches of subsidiaries for substantially all of our cash flow. Most of our assets are held by these subsidiaries and branches of subsidiaries. Our ability to pay our expenses and meet our obligations, including payments on the Instruments issued under the Programme, is largely dependent upon the flow of funds from and among our subsidiaries and branches of subsidiaries. We cannot assure you that our subsidiaries and branches of subsidiaries will be able to make dividend payments and other distributions and payments in an amount sufficient to meet our cash requirements or to enable us to make payment under the Instruments.

The payment on the Instruments issued under the Programme and other distributions and payments from and among our subsidiaries and branches of subsidiaries are regulated by applicable insurance, foreign exchange and tax laws, rules and regulations. The amount and timing of dividends, distributions and other payments by our subsidiaries or branches of subsidiaries may require regulatory approval in certain jurisdictions, the confirmation of the relevant appointed actuary and the approval of the board of directors of the relevant entity, any of which may prohibit the payment of dividends or other distributions and payments by our insurance subsidiaries and branches of subsidiaries if they determine that such payment could be adverse to the interests of policyholders or contract holders of the relevant subsidiary or branch. Distributions and other payments by our subsidiaries and branches could also be subject to relevant taxation, regulations regarding the repatriation of earnings, monetary transfer restrictions and foreign currency exchange regulations.

For a more detailed discussion of the regulations in our key segments that may require our subsidiaries to meet certain solvency or other financial requirements and receive regulatory approval to pay dividends to us, see "*Regulatory Overview*".

The Instruments may not be a suitable investment for all investors.

Each potential investor in the Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Instruments, the merits and risks of investing in the Instruments and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Instruments and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Instruments, including where principal, interest or distribution is payable in one or more currencies, or where the currency for principal, interest or distribution payments is different from the potential investor's currency;
- understand thoroughly the terms of the Instruments and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Instruments may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Instruments which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the value of such Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of some investors are subject to legal investment laws and regulations, or review or regulation by some authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Instruments are legal investments for it, (b) the Instruments can be used as collateral for various types of borrowing or (c) any other restrictions apply to its purchase of the Instruments. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Instruments under any applicable RBC or similar rules.

The Terms and Conditions of the Instruments may be modified without the consent of the Instrumentholders in certain circumstances.

The Conditions of the Instruments contain provisions for calling meetings of Instrumentholders to consider and vote on matters affecting their interests generally. These provisions permit defined voting majorities to modify certain terms and conditions governing the Instruments. If the requisite number of Instrumentholders vote to modify terms and conditions of the Instruments, the modified terms will apply to all Instruments and bind all Instrumentholders including Instrumentholders who did not attend and vote at the relevant meeting and Instrumentholders who voted in a manner contrary to the majority. As a result, you may find that the modified terms and conditions of the Instruments are not as favorable to you as you would deem appropriate. See "*Terms and Conditions of the Notes – Meetings of Noteholders and Modifications"* and "*Terms and Conditions of the Capital Securities – Meetings of Securityholders and Modifications*".

A change in English and Cayman Islands law which governs the Instruments may adversely affect Instrumentholders.

The Conditions of the Instruments are governed by English law in effect as of the date of issue of the Instruments, except in relation to certain Capital Securities Conditions, which are governed by Cayman Islands law. No assurance can be given as to the impact of any possible judicial decision or change to English or Cayman Islands law or administrative practice after the date of issue of the Instruments.

The Instruments may be represented by Global Instruments, and holders of a beneficial interest in a Global Instrument must rely on the procedures of the relevant Clearing System(s).

The Instruments issued under the Programme may be represented by one or more Global Instruments. Such Global Instruments will be, in the case of Rule 144A Global Instruments, registered in the name of Cede & Co., as nominee of, and as deposited with a custodian for, DTC and, in the case of Regulation S Global Instruments, registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream or lodged with the CMU Service (each of DTC, Euroclear, Clearstream and the CMU Service, a "**Clearing System**"). Except in the circumstances described in the relevant Global Instrument, investors will not be entitled to receive Definitive Instruments. The relevant Clearing Systems will maintain records of the beneficial interests in the Global Instruments. While the Instruments are represented by one or more Global Instruments, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Instruments are represented by one or more Global Instruments, we will discharge our payment obligations under the Instruments by making payments to the depositary for DTC, Euroclear and Clearstream or, as the case may be, to the CMU Service, for distribution to their account holders. A holder of a beneficial interest in a Global Instrument must rely on the procedures of the relevant Clearing Systems to receive payments under the Instruments. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Instruments.

Holders of beneficial interests in the Global Instruments will not have a direct right to vote in respect of the Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing Systems to appoint appropriate proxies.

Instrumentholders should be aware that Definitive Instruments which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Instruments may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Instruments may provide that, for so long as the Instruments are represented by a Global Instrument and the relevant Clearing Systems so permit, the Instruments will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. Definitive Instruments will only be issued if the relevant Clearing Systems are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business. The Pricing Supplement may provide that, if Definitive Instruments are issued, such Instruments will be issued in respect of all holdings of Instruments equal to or greater than the minimum denomination. However, Instrumentholders should be aware that Definitive Instruments that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Instruments will in no circumstances be issued to any person holding Instruments in an amount lower than the minimum denomination and such Instruments will be cancelled and holders will have no rights against us (including rights to receive principal, interest or distribution, or to vote) in respect of such Instruments.

The Terms and Conditions of the Instruments permit us to issue further instruments that form a single series with the Instruments but are treated as a separate series for U.S. Federal income taxes purposes, which may affect the market value of the Instruments.

We may, from time to time, without the consent of the Instrumentholders of a series, create and issue further instruments having the same terms and conditions as the Instruments of such series so as to be consolidated and form a single series with such Instruments. Even if such additional instruments are treated for non-tax purposes as part of the same series as such Instruments, such additional instruments may in some cases be treated as a separate series for U.S. federal income tax purposes. In such case, such additional instruments may be considered to have been issued with original issue discount ("**OID**") for U.S. federal income tax purposes even if such Instruments were not issued with OID, or such additional instruments may have a different amount of OID than such Instruments for U.S. federal income tax purposes. These differences may affect the market value of the Instruments of the affected series if such additional instruments are not otherwise distinguishable from such Instruments.

Bearer Instruments where denominations involve integral multiples may be traded in amounts that are not integral multiples of the minimum Specified Denomination (as defined in the relevant Pricing Supplement).

In relation to any issue of Bearer Instruments which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Instruments may be traded in amounts that are not integral multiples of such minimum Specified Denomination.

In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Instrument in respect of such holding (should Definitive Instruments be printed) and would need to purchase a principal amount of Instruments such that its holding amounts to a Specified Denomination. If Definitive Instruments are issued, each potential investor should be aware that Definitive Instruments which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Changes in market interest rates may adversely affect the value of Instruments which bear a fixed rate of interest or distribution.

We expect that the trading price of the Instruments which bear a fixed rate of interest or distribution will depend on a variety of factors, including the interest rate environment. Each of these factors may be volatile, and may or may not be within our control. If interest rates, or expected future interest rates, rise during the term of the Instruments which bear a fixed rate of interest or distribution, the trading price of the Instruments which bear a fixed rate of interest or distribution will likely decrease. Because interest rates and interest rate expectations are influenced by a wide variety of factors, many of which are beyond our control, we cannot assure you that changes in interest rates or interest rate expectations will not adversely affect the trading price of the Instruments which bear a fixed rate of interest or distribution.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by us may have a lower market value than Notes that cannot be redeemed.

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that we would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands or any political subdivision thereof or any authority therein or thereof having power to tax, we may redeem all outstanding Notes in accordance with the Conditions. Notes may also be subject to optional redemption by us to the extent set forth in the Conditions and the relevant Pricing Supplement.

An optional redemption feature is likely to limit the market value of Notes. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem Notes when our cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes carrying an interest rate which may be converted from fixed to floating interest rates, and vice-versa, may have lower market values than other Notes.

Fixed/Floating Rate Notes may bear interest at a rate that we may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Our ability to convert the interest rate will affect the secondary market and the market value of such Notes since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If we convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared with conventional interest-bearing securities with comparable maturities.

Dual Currency Notes have features which are different from single currency issues.

We may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Each potential investor should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected; and
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by a potential investor to pay a subsequent instalment of partly-paid Notes may result in it losing all of its investment.

We may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in a potential investor losing all of its investment.

The market price of Floating Rate Notes with a multiplier or other leverage factor may be volatile.

Notes with floating interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

There are various risks associated with Index Linked Notes.

We may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). Each potential investor should be aware that:

- the market price of such Notes may be volatile and may be linked to factors other than our credit;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

In general, the earlier the change in the Relevant Factor, the greater the effect on yield. The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Variable Rate Notes with a multiplier or other leverage factor can be volatile investments.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

RISKS RELATING TO THE CAPITAL SECURITIES

The Subordinated Capital Securities are subordinated obligations.

The obligations of the Issuer under the Subordinated Capital Securities will constitute unsecured and subordinated obligations of the Issuer. In the event of the Winding-Up of the Issuer, the rights of the holders of Subordinated Capital Securities to receive payments in respect of the Subordinated Capital Securities, will rank senior to the holders of its Junior Obligations and *pari passu* with the holders of its Parity Obligations, but junior to the claims of all other creditors, including, all Senior Creditors (including, for the avoidance of doubt, the holders of the Senior Perpetual Capital Securities and the Notes). In the event of a shortfall of funds or a Winding-Up, an investor in the Subordinated Capital Securities may lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Arrears of Distribution.

Perpetual Capital Securities may be issued for which investors have no right to require redemption.

Perpetual Capital Securities are perpetual and have no maturity date. Perpetual Securityholders have no right to require the Issuer and the Issuer is under no obligation to redeem Perpetual Capital Securities at any time, and an investor who acquires Perpetual Capital Securities may only dispose of such Perpetual Capital Securities by sale. Perpetual Securityholders who wish to sell their Perpetual Capital Securities may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of Perpetual Capital Securities should be aware that they may be required to bear the financial risks of an investment in Perpetual Capital Securities for an indefinite period of time.

Securityholders may not receive Distribution payments if the Issuer elects to or is required to defer or cancel Distribution payments under the Capital Securities Conditions.

The Issuer may, at its sole discretion and subject to certain conditions as set out in the Capital Securities Conditions and, where applicable, as specified in the applicable Pricing Supplement, elect to or may be required to defer or cancel any scheduled Distribution on the Capital Securities for any period of time. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Capital Securities Conditions, subject to compliance with certain restrictions.

Following a deferral, Arrears of Distributions may be compounding or non-compounding, subject to the Capital Securities Conditions and the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Securityholders. Any such deferral of Distribution shall not constitute a default for any purpose.

Following a cancellation, Distributions are non-compounding and any Distribution that is cancelled shall therefore not be payable at any time thereafter, whether in a Winding-Up or otherwise.

Any deferral or cancellation of Distribution may have an adverse effect on the market price of the Capital Securities. In addition, if the Distribution deferral or cancellation provision of the Capital Securities is specified in the applicable Pricing Supplement, the market price of the Capital Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Group's financial condition.

The Capital Securities may be redeemed at the Issuer's option on the date(s) specified in the relevant Pricing Supplement or on the occurrence of certain other events.

The Capital Securities will be redeemable at the option of the Issuer on certain dates as specified in the applicable Pricing Supplement. The date(s) on which the Issuer elects to redeem the Capital Securities may not accord with the preference of individual Securityholders. This may be disadvantageous to the Securityholders in light of market conditions or the individual circumstances of the Securityholders. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Capital Securities.

There are limited remedies for default under the Capital Securities.

Any scheduled Distribution will not be due if, as provided for in the relevant Pricing Supplement, the Issuer elects or is required not to pay all or a part of that distribution pursuant to the Capital Securities Conditions. Notwithstanding any of the provisions relating to payment defaults, the right to institute Winding-Up proceedings is limited to circumstances where payment under the Capital Securities has become due and the Issuer fails to make the payment when due. The only remedy against the Issuer available to any Securityholder for recovery of amounts in respect of the Capital Securities following the occurrence of a payment default after any sum becomes due in respect of the Capital Securities will be proving in such Winding-Up and/or claiming in the liquidation of the Issuer in respect the Capital Securities. The right to proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Capital Securities is limited to circumstances provided by applicable law.

The Issuer may raise or redeem other capital which affects the price of the Capital Securities.

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Capital Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders on a Winding-Up or may increase the likelihood of a deferral or cancellation of Distributions under the Capital Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Capital Securities and/or the ability of Securityholders to sell their Capital Securities.

The Issuer may issue or incur other liabilities.

In addition, subject to the limit on the aggregate principal amount of Capital Securities that can be issued under the Programme (which can be amended from time to time by the Issuer without the consent of the Securityholders), there is no restriction on the amount of unsubordinated securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Capital Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Capital Securities on a winding-up of the Issuer and/or may increase the likelihood of a non-payment under the Capital Securities.

The insolvency laws of the Cayman Islands may differ from those of other jurisdictions with which the Holders of the Capital Securities are familiar.

The Issuer is incorporated under the laws of the Cayman Islands, and any insolvency proceeding relating to the Issuer would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of insolvency laws of jurisdictions with which the Holders of the Capital Securities are familiar. The Issuer cannot give any assurance that any deferred Distributions would constitute a claim under applicable insolvency laws of the Cayman Islands with the same ranking as would be afforded to such deferred Distributions in other jurisdictions.

If the Issuer is a passive foreign investment company for U.S. federal income tax purposes for any taxable year, U.S. Holders of Capital Securities could be subject to adverse U.S. federal income tax consequences.

A non-U.S. corporation will be classified as a passive foreign investment company (a "**PFIC**") for any taxable year if either: (a) at least 75% of its gross income is "passive income" for purposes of the PFIC rules or (b) at least 50% of the gross value of its assets (generally determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income. For these purposes, "passive income" generally includes interest, dividends, rents, royalties and gains from non-dealer securities transactions. In general, cash is a passive asset for these purposes.

The Code provides for special rules under which income that would otherwise be treated as passive income that is derived in the active conduct of an insurance business by a "qualifying insurance corporation" will be treated as active income for purposes of the PFIC rules. If the Issuer is treated as a "qualifying insurance corporation" that is engaged in the active conduct of an insurance business, assets that are available to satisfy the Issuer's insurance business liabilities would not be treated as passive. Generally, a "qualifying insurance corporation" is a foreign insurance corporation the "applicable insurance liabilities" of which constitute more than 25 per cent. of its total assets. Whether the Issuer qualifies as a "qualifying insurance corporation" that is engaged in the active conduct of an insurance business is a factual determination that is based on a number of technical financial tests as well as on expectations of active insurance business activities and is therefore subject to change. Moreover, the rules for determining whether a "qualifying insurance corporation" is engaged in the active conduct of an insurance business are currently in proposed form and may not be finalised in their current form. As a result, the application of the proposed regulations to the Issuer's circumstances is not entirely clear. The Issuer's possible status as a PFIC must be determined annually, and there can be no assurance that the Issuer will not be a PFIC for any year in which a U.S. Holder holds the Capital Securities. The PFIC status of the Issuer will be addressed in the applicable Pricing Supplement.

If the Issuer were a PFIC, a U.S. Holder (as defined in "*Taxation – Certain U.S. Federal Income Tax Considerations*") of Capital Securities may be subject to adverse U.S. federal income tax consequences, such as taxation at the highest marginal ordinary income tax rates on gains recognised on certain actual or deemed distributions, interest charges on certain taxes treated as deferred, and additional reporting requirements (see "*Taxation – Certain U.S. Federal Income Tax Considerations – U.S. Federal Income Tax Considerations Relating to the Capital Securities – Passive foreign investment company considerations*").

RISKS RELATING TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, foreign exchange rate risk, interest rate risk and credit risk:

Instruments issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Instruments issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Instruments which is already issued). If the Instruments are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. If the Instruments are trading at a discount, investors may not be able to receive a favorable price for their Instruments, and in some circumstances investors may not be able to sell their Instruments at all or at their fair market value. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Instruments issued under the Programme. Accordingly, we cannot assure you as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Instruments.

Foreign exchange rate risks and exchange controls may result in investors receiving less interest, distribution or principal than expected.

We will pay principal and interest on the Instruments in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency equivalent yield on the Instruments, (b) the Investor's Currency equivalent value of the principal payable on the Instruments and (c) the Investor's Currency equivalent market value of the Instruments. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest, distribution or principal than expected, or no interest, distribution or principal.

The credit ratings assigned to the Instruments may not reflect all risks and may be lowered or withdrawn.

One or more independent credit rating agencies may assign credit ratings to an issue of Instruments and/or the Programme. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Instruments and/or the Programme. Furthermore, we cannot assure you that a given credit rating will remain in effect for any period of time or that such rating will not be lowered, suspended or withdrawn. A downgrade or potential downgrade in a rating may reduce the number of investors in the Instruments and adversely affect the price and liquidity of the Instruments. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Certain benchmark rates, including EURIBOR, may be discontinued or reformed in the future.

The Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

As an example of such benchmark reforms, on 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has subsequently been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Notes Conditions, or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and the UK Benchmarks Regulation reforms or arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The market continues to develop in relation to risk-free rates (including overnight rates) as reference rates for Floating Rate Notes.

The use of risk-free rates – including those such as the Sterling Overnight Index Average ("**SONIA**"), the Secured Overnight Financing Rate ("**SOFR**") and the €STR, as reference rates for Eurobonds continues to develop. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Notes Conditions and used in relation to Notes that reference risk-free rates issued under this Programme. We may in the future also issue Notes referencing SONIA, the SONIA Compounded Index, SOFR, the SOFR Compounded Index or €STR that differ materially in terms of interest determination when compared with any previous Notes issued by us under this Programme. The development of risk-free rates for the Eurobond markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the Eurobond markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates.

In particular, investors should be aware that several different methodologies have been used in risk-free rate notes issued to date. No assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Notes, will gain widespread market acceptance. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. If the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing indices that are more widely used.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SONIA, SOFR, €STR or any related indices.

Risk-free rates may differ from LIBOR and other inter-bank offered rates in a number of material respects and have a limited history.

Risk-free rates may differ from The London Interbank Offered Rate ("**LIBOR**") and other inter-bank offered rates in a number of material respects. These include (without limitation) being backwards-looking, in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank lending. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Notes. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future. Investors should not rely on historical performance data as an indicator of the future performance of such risk-free rates nor should they rely on any hypothetical data.

Furthermore, interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference such risk-free rates reliably to estimate the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backwards-looking rates become due and payable as a result of an Event of Default under Notes Condition 10 (*Events of Default*), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest Rate payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

The administrator of SONIA, SOFR or €STR or any related indices may make changes that could change the value of SONIA, SOFR or €STR or any related index, or discontinue SONIA, SOFR or €STR or any related index.

The Bank of England, the Federal Reserve, Bank of New York or the European Central Bank (or their successors) as administrators of SONIA (and the SONIA Compounded Index), SOFR (and the SOFR Compounded Index) or €STR, respectively, may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, SOFR or €STR, or timing related to the publication of SONIA, SOFR or €STR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA, SOFR or €STR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

GENERAL RISK FACTORS

Certain facts and other statistics in this Offering Circular with respect to the economies of the markets in which we operate and the insurance industry and market are derived from various official or third party sources and may not be accurate, reliable, complete or up to date.

We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics contained in this Offering Circular that are obtained from various publicly available government and official sources and other independent third-party sources and publications. Certain facts, forecasts and other statistics relating to the insurance industry contained in this Offering Circular, particularly in "*Industry*" have been derived from various public data sources and other independent third party sources, as well as an industry report of NMG which we commissioned. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, information from publicly available government and official sources and other independent third-party sources and publications has not been independently verified by us, the Controlling Shareholders, the Arranger or any of our, the Controlling Shareholders' or the Arranger's, directors, officers, representatives or any other person involved in this Programme. Furthermore, any facts, forecasts, and other statistics from such sources may not be prepared on a comparable basis or may not be consistent with other sources. In addition, certain facts, forecasts and other statistics have been taken from publicly available government and official sources or statements. Neither we nor the Controlling Shareholders nor the Arranger nor any of our, the Controlling Shareholders' or the Arranger's, directors, officers or representatives nor any other person involved in this Programme, are responsible for the accuracy, reliability or completeness of the information from such publicly available government and official sources. For these reasons, you should not place undue reliance on such information as a basis for making your investment in the Instruments. You should carefully consider the importance placed on such information or statistics.

USE OF PROCEEDS

We and/or our subsidiaries will use the net proceeds from each issue of Instruments for general corporate purposes. If, in respect of any particular issue of Instruments, there is a particular identified use of net proceeds, this will be stated in the applicable Pricing Supplement.

DIVIDENDS

Our Company has not declared or made any dividend or other distribution to its shareholders in the past and it does not have any present plan to declare or pay any dividends on its ordinary shares in the foreseeable future. The Group currently intends to retain most, if not all, of available funds and any future earnings to operate and expand the business. Any other future determination to pay dividends will be made at the discretion of our Board and subject to our constitutional documents and applicable laws and regulations. In addition, we are required to obtain the HKIA's prior written consent before declaring or paying dividends on our ordinary shares. See "*Regulatory Overview – Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Payment of dividends*." The Group may also be subject to certain covenants in outstanding indebtedness which may restrict its ability to declare or pay any dividend on its ordinary shares. If we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Board may deem relevant.

As of 31 December 2022, our Company did not have any distributable reserves.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued pursuant to an Amended and Restated Agency Agreement dated 31 March 2023 (as amended or further supplemented as at the Issue Date, the "**Agency Agreement**") between the Issuer, The Hongkong and Shanghai Banking Corporation Limited as fiscal agent, The Hongkong and Shanghai Banking Corporation Limited as lodging agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU Service**"), The Hongkong and Shanghai Banking Corporation Limited as exchange agent (the "**Exchange Agent**"), HSBC Bank USA, National Association (the "**U.S. Registrar**"), The Hongkong and Shanghai Banking Corporation Limited (the "**CMU Registrar**") and The Hongkong and Shanghai Banking Corporation Limited (the "**Registrar**" and together with the U.S. Registrar and the CMU Registrar, the "**Registrars**"), HSBC Bank USA, National Association (the "**U.S. Paying Agent**") and The Hongkong and Shanghai Banking Corporation Limited (the "**Paying Agent**" and together with the U.S. Paying Agent, the "**Paying Agents**") and the other agents named in it and with the benefit of a Deed of Covenant dated 24 November 2021 (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") executed by the Issuer in relation to the Notes. The fiscal agent, the CMU lodging agent, the paying agents, the registrars, the transfer agents, the exchange agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrars**", the "**Transfer Agents**", the "**Exchange Agent**" and the "**Calculation Agent(s)**". For the purposes of these Conditions, all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU Service, be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly. The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection upon prior written notice and satisfactory proof of holding at the specified office of the Fiscal Agent.

1. FORM, DENOMINATION AND TITLE

(a) **Form:** The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

(b) **Denomination:** Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

(c) **Title:** Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the relevant Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

*Notwithstanding anything contained in these Conditions, for so long as any of the Notes is represented by a Global Note or a Global Certificate held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**") and/or The Depository Trust Company ("**DTC**") and/or the CMU Service (as the case may be), each person (other than Euroclear or Clearstream, DTC or the CMU Service) who is for the time being shown in the records of Euroclear or of Clearstream or of DTC or of the CMU Service as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or DTC or the CMU Service as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Registrars, the Exchange Agent and the Transfer Agents as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such principal amount of such Notes, for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Global Certificate shall be treated by the Issuer, any Paying Agent, any Transfer Agent, any Registrar and the Exchange Agent as the holder of such principal amount of such Notes in accordance with and subject to the terms of the relevant Global Note or Global Certificate, and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. Notes which are represented by a Global Note or a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, DTC and the CMU Service as the case may be. References to Euroclear, Clearstream, DTC and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer and the Fiscal Agent or the CMU Lodging Agent, as the case may be.*

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the relevant Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the relevant Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the relevant Registrar and the Noteholders. A copy of the current regulations will be made available by the relevant Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the relevant Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Put Exercise Notice and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the relevant Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Put Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Put Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the relevant Registrar the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the relevant Registrar (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the relevant Registrar or the Transfer Agents, but upon payment by the applicant of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the relevant Registrar or the relevant Transfer Agent may require in respect of tax or charges).

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. STATUS

The Notes and the Receipts and Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* in right of payment and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable law and subject to Condition 4, at all times rank at least equally with its payment obligations in respect of all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

4. NEGATIVE PLEDGE

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement), the Issuer shall not, and the Issuer shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertakings, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes and the Coupons equally and rateably therewith or (b) providing such other security for the Notes and the Coupons as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

In these Conditions:

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

(i) amounts raised by acceptance under any acceptance credit facility;

(ii) amounts raised under any note purchase facility;

(iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

(iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and

(v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**Permitted Security Interest**" means (i) any Security Interest over any assets (or related documents of title) purchased by the Issuer or any Principal Subsidiary as security for all or part of the purchase price of such assets and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets; and (ii) any Security Interest over any assets (or related documents of title) purchased by the Issuer or any Principal Subsidiary subject to such Security Interest and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets, *provided, however, that* (A) any such Security shall be confined to the property or assets purchased, (B) the principal amount of the debt encumbered by such Security Interest shall not exceed the cost of the purchase or development of such assets or any improvements thereto (including any construction, repair or alteration) or thereon; and (C) any such Security Interest shall be created concurrently with or within six months following the purchase of such assets;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Subsidiary**" means a Subsidiary of the Issuer:

(i) as to which one or more of the following conditions is satisfied:

(A) its net profit or (in the case of a Subsidiary of the Issuer which has Subsidiaries) consolidated net profit attributable to the Issuer (in each case before taxation and exceptional items) is at least 5 per cent. of the consolidated net profit of the Issuer and its Subsidiaries (before taxation and exceptional items), but in each case after deducting minority interests in Subsidiaries; or

(B) its net assets or (in the case of a Subsidiary of the Issuer which has Subsidiaries) consolidated net assets attributable to the Issuer (in each case after deducting minority interests in Subsidiaries) are at least 5 per cent. of the consolidated net assets (after deducting minority interests in Subsidiaries) of the Issuer and its Subsidiaries; or

(C) its gross revenue or (in the case of a Subsidiary of the Issuer which has Subsidiaries) consolidated gross revenue attributable to the Issuer is at least 5 per cent. of the consolidated gross revenue of the Issuer and its Subsidiaries,

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Issuer and the then latest audited financial statements of the Issuer *provided that*: (A) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (B) if, in the case of a Subsidiary of the Issuer which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets, consolidated net profits and consolidated revenue shall be determined on the basis of *pro forma* consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Issuer; (C) if the accounts of a Subsidiary of the Issuer (not being a Subsidiary referred to in (A) above) are not consolidated with those of the Issuer then the determination of whether or not the Subsidiary of the Issuer is a Principal Subsidiary shall, if the Issuer requires, be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts of the Issuer and its Subsidiaries; or

(ii) to which is transferred all or substantially all of the assets of a Subsidiary of the Issuer which immediately prior to the transfer was a Principal Subsidiary, *provided that*, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (a) above) and the Subsidiary of the Issuer to which the assets are so transferred shall become a Principal Subsidiary,

and where a certificate of the Issuer as to whether or not a Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

5. INTEREST AND OTHER CALCULATIONS

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the

Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to Screen Rate Determination shall apply.

(A) *Screen Rate Determination for Floating Rate Notes*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined (other than in respect of Notes for which SOFR is specified as the Reference Rate in the relevant Pricing Supplement), the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR or HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall promptly inform the Issuer and the Issuer shall use its best endeavours to appoint an independent financial advisor (the "**IFA**") and procure the IFA to request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the IFA and the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the IFA and the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the IFA and the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the IFA and the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the IFA and the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR, the Hong Kong inter-bank market, as the case may be.

(B) *Screen Rate Determination for Floating Rate Notes (SOFR)*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified in the relevant Pricing Supplement as being SOFR, the Rate of Interest for each Interest Period will, subject as provided below, be the Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin, all as determined by the Calculation Agent.

For the purposes of this Condition 5(b)(iii)(B):

"**Benchmark**" means Compounded SOFR, which is a compounded average of daily SOFR, as determined for each Interest Period in accordance with the specific formula and other provisions set out in this Condition 5(b)(iii)(B).

Daily SOFR rates will not be published in respect of any day that is not a U.S. Government Securities Business Day, such as a Saturday, Sunday or holiday. For this reason, in determining Compounded SOFR in accordance with the specific formula and other provisions set forth herein, the daily SOFR rate for any U.S. Government Securities Business Day that immediately precedes one or more days that are not U.S. Government Securities Business Days will be multiplied by the number of calendar days from and including such U.S. Government Securities Business Day to, but excluding, the following U.S. Government Securities Business Day.

If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of Compounded SOFR (or the daily SOFR used in the calculation hereof) prior to the relevant SOFR Determination Time, then the provisions under Condition 5(b)(iii)(B)(y) below will apply.

"**Compounded SOFR**" with respect to any Interest Period, means the rate of return of a daily compound interest investment computed in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards to 0.00001):

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right]\times\frac{D}{d}$$

"**d**" is the number of calendar days in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period.

"**D**" is the number specified in the relevant Pricing Supplement (or, if no such number is specified, 360);

"$\mathbf{d_o}$" is the number of U.S. Government Securities Business Days in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period.

"**i**" is a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Day in chronological order from, and including, the first U.S. Government Securities Business Day in:

(i) where "Lag" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Interest Period; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant Observation Period,

to and including the last U.S. Government Securities Business Day in such period;

"**Interest Determination Date**" means, in respect of any Interest Period, the date falling "p" U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Notes are due and payable);

"**ni**" for any U.S. Government Securities Business Day "i" in the relevant Interest Period or Observation Period (as applicable), is the number of calendar days from, and including, such U.S. Government Securities Business Day "i" to, but excluding, the following U.S. Government Securities Business Day ("**i+1**");

"**Observation Period**" in respect of an Interest Period means the period from, and including, the date falling "p" U.S. Government Securities Business Days preceding the first day in such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) to, but excluding, the date falling "p" U.S. Government Securities Business Days preceding the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Notes become due and payable);

"**p**" for any Interest Period or Observation Period (as applicable) means the number of U.S. Government Securities Business Days specified as the "Lag Period" or the "Observation Shift Period" (as applicable) in the relevant Pricing Supplement or, if no such period is specified, five U.S. Government Securities Business Days;

"**SOFR**" with respect to any U.S. Government Securities Business Day, means:

(i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator's Website at 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day (the "**SOFR Determination Time**"); or

(ii) subject to Condition 5(b)(iii)(C)(y) below, if the rate specified in (i) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website;

"**SOFR Administrator**" means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate);

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source;

"**SOFRi**" means the SOFR for:

(i) where "Lag" is specified as the Observation Method in the applicable Pricing Supplement, the U.S. Government Securities Business Day falling "p" U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day "i"; or

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Pricing Supplement, the relevant U.S. Government Securities Business Day "i"; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(y) If the Issuer determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates. In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the Noteholders. At the request of the Issuer, the Fiscal Agent shall (at the direction of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with such determination by the Issuer in effecting any Benchmark, Replacement Conforming Changes (including, inter alia, by the execution of a supplemental agency agreement) and the Fiscal Agent shall not be liable to any party for any consequences thereof, provided that the Fiscal Agent shall not be bound by or be obliged to effect any such amendments if, in the opinion of the Fiscal Agent, doing so would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Agency Agreement and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental agency agreement) in any way.

Any determination, decision or election that may be made by the Issuer pursuant to this section, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

(1) will be conclusive and binding absent manifest error;

(2) will be made in the sole discretion of the Issuer; and

(3) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

"**Benchmark**" means, initially, Compounded SOFR, as such term is defined above; provided that if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then "Benchmark" shall mean the applicable Benchmark Replacement.

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer as of the Benchmark Replacement Date:

(i) the sum of: (A) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (B) the Benchmark Replacement Adjustment;

(ii) the sum of: (A) the ISDA Fallback Rate and (B) the Benchmark Replacement Adjustment; or

(iii) the sum of: (A) the alternate rate of interest that has been selected by the Issuer as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (B) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(i) in the case of clause (i) or (ii) of the definition of "Benchmark Transition Event,"the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of clause (iii) of the definition of "Benchmark Transition Event,"the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**Benchmark Transition Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (i) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not Compounded SOFR, the time determined by the Issuer after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(z) Any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under Condition 5(b)(iii)(B)(y) above will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

(1) confirming (x) that a Benchmark Transition Event has occurred, (y) the relevant Benchmark Replacement and, (z) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 5(b)(iii)(B); and

(2) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 5(b)(iii)(B), the Rate of Interest shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period) or (B) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).

(C) *Screen Rate Determination for Floating Rate Notes (SOFR Compounded Index)*

Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined and "Index Determination" is specified in the relevant Pricing Supplement as being applicable, the Rate of Interest for each Interest Period will be the compounded daily reference rate for the relevant Interest Period, calculated in accordance with the following formula:

$$\left(\frac{Compounded\ Index\ End}{Compounded\ Index\ Start} - 1\right) \times \frac{Numerator}{d}$$

and rounded to the Relevant Decimal Place, plus or minus the Margin (if any), all as determined and calculated by the Calculation Agent, where:

"**Compounded Index**" means the SOFR Compounded Index;

"**Compounded Index End**" means the Compounded Index value on the End date;

"**Compounded Index Start**" means the Compounded Index value on the Start date;

"**d**" is the number of calendar days from (and including) the day on which the relevant Compounded Index Start is determined to (but excluding) the day on which the Compounded Index End is determined;

"**End**" means the day falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Period);

"**Index Days**" means U.S. Government Securities Business Days;

"**Numerator**" means 360;

"**Relevant Decimal Place**" shall, unless otherwise specified in the Pricing Supplement, be the fifth decimal place, rounded up or down, if necessary (with 0.000005 being rounded upwards);

"**Relevant Number**" is as specified in the applicable Pricing Supplement, but, unless otherwise specified shall be five;

"**SOFR Compounded Index**" means the Compounded SOFR rate as published at 15:00 (New York time) by Federal Reserve Bank of New York (or a successor administrator of SOFR) on the website of the Federal Reserve Bank of New York, or any successor source; and

"**Start**" means the day falling the Relevant Number of Index Days prior to the first day of the relevant Interest Period.

If, with respect to any Interest Period, the rate is not published for the Compounded Index either on the relevant Start or End date, then the Calculation Agent shall calculate the rate of interest for that Interest Period as if Index Determination was not specified in the applicable Pricing Supplement and as if Compounded SOFR (as defined in Condition 5(b)(iii)(B)) had been specified instead in the Pricing Supplement, and in each case "Observation Shift" had been specified as the Observation Method in the relevant Pricing Supplement, and where the Observation Period for the purposes of that definition in Condition 5(b)(iii)(B) shall be deemed to be the same as the Relevant Number specified in the Pricing Supplement. For the avoidance of doubt, if a Benchmark Transition Event and its related Benchmark Replacement Date has occurred in respect of SOFR, the provisions of Condition 5(b)(iii)(B)(y) shall apply.

(D) *Benchmark Replacement (Independent Adviser)*

Other than in the case of a U.S. dollar-denominated floating rate Note for which the Reference Rate is specified in the relevant Pricing Supplement as being SOFR, if a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(b)(iii)(D)(x)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 5(b)(iii)(D)(y)) and any Benchmark Amendments (in accordance with Condition 5(b)(iii)(D)(z)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Fiscal Agent or the Noteholders for any determination made by it pursuant to this Condition 5(b)(iii)(D)) and the Fiscal Agent will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof.

(x) If the Independent Adviser determines in its discretion that:

(1) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5(b)(iii)(D)(x)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 5(b)(iii)(D) in the event of a further Benchmark Event affecting the Successor Rate; or

(2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5(b)(iii)(D)(x)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 5(b)(iii)(D) in the event of a further Benchmark Event affecting the Alternative Rate.

(y) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).

(z) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5(b)(iii)(D) and the Independent Adviser determines in its discretion (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 5(b)(iii)(D)(bb), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as the Fiscal Agent may be required in order to give effect to this Condition 5(b)(iii)(D)).

(aa) If (A) the Issuer is unable to appoint an Independent Adviser or (B) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(b)(iii)(D) prior to the relevant Interest Determination Date, the Reference Rate applicable to the relevant Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate that would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date. For the avoidance of doubt, any adjustment pursuant to this Condition 5(b)(iii)(D)(aa) shall apply to the relevant Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 5(b)(iii)(D).

(bb) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(b)(iii)(D) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 20 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(cc) No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

(1) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(b)(iii)(D); and

(2) certifying that (I) the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread and (II) the intent of the drafting of such changes is solely to implement the relevant Benchmark Amendments.

The Fiscal Agent and the Agents shall be entitled to rely on such certificate (without further enquiry and without liability to any person) as sufficient evidence thereof.

(dd) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, Fiscal Agent, the Calculation Agent, the other Paying Agents and the Noteholders.

As used in this Condition 5(b)(iii)(D):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or

(iii) (if no such determination has been made) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(iv) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 5(b)(iii)(D) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) for a commensurate period and in the Specified Currency;

"**Benchmark Amendments**" has the meaning given to it in Condition 5(b)(iii)(D)(z);

"**Benchmark Event**" means:

(i) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or

(ii) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the "**Specified Future Date**"); or

(iii) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the "**Specified Future Date**"), be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the "**Specified Future Date**"), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or

(v) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, such Reference Rate is or will, by a specified future date (the "**Specified Future Date**"), be no longer representative of an underlying market; or

(vi) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii), (iv), or (v) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense;

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders and any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Centre**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Business Day**" means:

(i) in the case of a currency other than U.S. dollar, Euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of U.S. dollar, a U.S. Government Securities Business Day; and/or

(iii) in the case of Euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iv) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(v) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30;

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Agent**" means an investment bank or financial institution of international standing selected by the Issuer;

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

"**Euro-zone**" means the monetary union of European Union member states which have adopted the Euro as their common currency and sole legal tender;

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro nor Hong Kong dollars or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro;

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon;

"**Make Whole Redemption Amount**" means, with respect to each Note to be redeemed, either:

(i) an amount calculated by the Determination Agent equal to the higher of (i) the principal amount of such Note and (ii) the sum of (x) the present value of the principal amount of such Note and (y) the present values of the interest payable for the relevant Interest Periods from, and including, the relevant Make Whole Optional Redemption Date to the Maturity Date (exclusive of interest accrued to the Make Whole Optional Redemption Date), in each case, discounted to such redemption date at the Make Whole Reference Rate, plus the Make Whole Redemption Margin; or

(ii) the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement;

"**Make Whole Reference Rate**" means:

(i) with respect to any Make Whole Optional Redemption Date as specified in the relevant Pricing Supplement, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Security, assuming a price for the Reference Security (expressed as a percentage of its nominal amount) equal to the Reference Security Price for such Make Whole Optional Redemption Date; or

(ii) the rate specified in, or determined in the manner specified in, the relevant Pricing Supplement;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"**Reference Banks**" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in each case selected by the Issuer or IFA;

"**Reference Date**" means as set out in the relevant notice of redemption pursuant to Condition 6(f);

"**Reference Dealer**" means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues, or such other banks or method of selection of such banks as specified in the relevant Pricing Supplement;

"**Reference Dealer Quotations**" means, with respect to each Reference Dealer and any Make Whole Optional Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Security (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the relevant Pricing Supplement on the Reference Date quoted in writing to the Determination Agent by such Reference Dealer;

"**Reference Rate**" means the rate specified as such hereon;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon;

"**Reference Security**" shall be as set out in the relevant Pricing Supplement, *provided that* if the Reference Security is no longer outstanding, a Similar Security will be chosen by the Determination Agent at 11:00 a.m. (CET) on the third (3rd) Business Day preceding the Make Whole Optional Redemption Date, or at such other time and date specified in the relevant Pricing Supplement, quoted in writing by the Determination Agent to the Issuer and notified by the Issuer in accordance with Condition 14;

"**Reference Security Price**" means, with respect to any Make Whole Optional Redemption Date, either:

(i) (A) the arithmetic average of the Reference Dealer Quotations for such Make Whole Optional Redemption Date, after excluding the highest and lowest such Reference Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Dealer Quotations, the arithmetic average of all such quotations; or

(ii) as otherwise provided in the relevant Pricing Supplement;

"**Similar Security**" means a reference security or reference securities having an actual or interpolated maturity comparable with the remaining term of the relevant series of Notes that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes;

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated;

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

(k) ***Calculation Agents*:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. REDEMPTION, PURCHASE AND OPTIONS

(a) **Redemption by Instalments and Final Redemption:**

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** If "Redemption for Taxation Reasons" is specified as applicable in the relevant Pricing Supplement, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Noteholders and the Fiscal Agent (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 5 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it **provided, however, that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

(i) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to in (A) and (B) above prevail and setting out the details of such circumstances; and

(ii) an opinion of independent legal, tax or other professional advisers with expertise in taxation matters of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, provided that the Fiscal Agent may accept such certificate or opinion without further investigation or enquiry.

Upon the expiry of any such notice as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c).

(d) **Redemption at the Option of the Issuer:** If "Redemption at the Option of the Issuer" is specified as applicable in the relevant Pricing Supplement, the Issuer may, on giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Noteholders and the Fiscal Agent (which notice shall be irrevocable) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as agreed between the Issuer and the Fiscal Agent, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:** If "Redemption at the Option of Noteholders" is specified as applicable in the relevant Pricing Supplement, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Issuer redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the relevant Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Put Exercise Notice**") in the form obtainable from any Paying Agent, the relevant Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Redemption at the Option of the Issuer (Make Whole Redemption):** If "Redemption at the Option of the Issuer (Make Whole Redemption)" is specified as applicable in the relevant Pricing Supplement, the Issuer may, on giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Noteholders and the Fiscal Agent (which notice shall be irrevocable) redeem the Notes in whole on any Make Whole Optional Redemption Date. Any such redemption of Notes shall be at their Make Whole Redemption Amount together with interest accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Determination Agent shall (in the absence of manifest error) be final and binding upon all parties.

(g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(h) **Purchases:** The Issuer and its subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(i) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the relevant Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. PAYMENTS AND TALONS

(a) **Bearer Notes:**

(i) *Bearer Notes not held in the CMU Service:* Payments of principal and interest in respect of Bearer Notes not held in the CMU Service shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, (i) in the case of a currency other than Renminbi, outside the United States and its possessions by transfer to an account denominated in such currency with, a Bank and (ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of Euro, in a city in which banks have access to the TARGET System.

(ii) *Bearer Notes held in the CMU Service:* Payments of principal and interest in respect of Bearer Notes held in the CMU Service will be made outside the United States and its possessions to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(b) **Registered Notes:**

(i) *Registered Notes not held in the CMU Service*:

(A) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the relevant Registrar and in the manner provided in paragraph (B) below.

(B) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(1) in the case of a currency other than Renminbi, in the relevant currency by transfer to the registered account of the Noteholder appearing in the Register; and

(2) in the case of Renminbi, by transfer to the registered account of the Noteholder. In this Condition 7(b), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(ii) *Registered Notes held in the CMU Service*:

Payments of principal and interest in respect of Registered Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Fiscal Laws:** All payments in respect of the Notes, Receipts and Coupons are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrars, the Transfer Agents, the Exchange Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrars, Transfer Agents, the Exchange Agent and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, any Registrar, any Transfer Agent, the Exchange Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging Agent in relation to Notes accepted for clearance through the CMU Service, (v) one or more Calculation Agent(s) where the Conditions so require and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make Whole Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than Euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in London and in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in Euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. TAXATION

All payments of principal and interest in respect of the Notes, the Receipts and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands or Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is as required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note, Receipt or Coupon:

(i) where the holder or beneficial owner is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note, Receipt or Coupon;

(ii) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant holder or beneficial owner would have been entitled to such additional amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days; or

(iii) where such withholding or deduction would not have been so imposed but for the failure to comply, following a timely request by the Issuer, with any applicable certification, identification, documentation, information or other reporting requirement concerning the nationality, residence, identity or connection with a tax jurisdiction of the holder or beneficial owner if, without regard to any tax treaty, such compliance is required under the tax laws or regulations of a tax jurisdiction or any political subdivision or taxing authority thereof or therein to establish an entitlement to an exemption from such withholding or deduction.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

In these Conditions, As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or the date on which payment in full of the amount outstanding is made. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Make Whole Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Cayman Islands or Hong Kong, respectively, references in these Conditions to the Cayman Islands or Hong Kong shall be construed as references to the Cayman Islands or (as the case may be) Hong Kong and/or such other jurisdiction.

The Agents shall not be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder, Couponholder or any third party (i) to pay such tax, duty, charges, withholding or other payment in any jurisdiction or (ii) to provide any notice or information to the Agents that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes, Receipts or Coupons without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing, the holders of, individually or in aggregate, not less than 15 per cent. of the aggregate principal amount of the outstanding Notes may give written notice to the Fiscal Agent at its specified office to declare that its Notes are immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable. Notice of any such declaration shall promptly be given to all other Noteholders:

(a) **Non-payment of principal:** the Issuer fails to pay principal of any Note within five business days after the due date for such payment; or

(b) **Non-payment of interest:** the Issuer fails to pay interest on any Note within 30 days after the due date for such payment; or

(c) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Covenant and such default remains unremedied for 60 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or

(d) **Cross-acceleration of Issuer or Principal Subsidiary:**

(i) any Indebtedness of the Issuer, or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any other present or future indebtedness of the Issuer or Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of an event of default (howsoever described); or

(iii) the Issuer or any of its Principal Subsidiaries fails to pay when due or (as the case may be) within any applicable grace period any amount payable by it under any Guarantee of any Indebtedness,

provided that the amount of indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.$20,000,000 (or its equivalent in any other currency or currencies); or

(e) **Unsatisfied judgment:** one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible or sought under applicable law for the payment of any amount is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or

(f) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer, or any of its Principal Subsidiaries and is not discharged within 60 days; or

(g) **Insolvency, etc.:** (i) the Issuer, or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer, or any of its Principal Subsidiaries or the whole or any substantial part of the undertaking, assets or revenues of the Issuer, or any of its Principal Subsidiaries is appointed (or application for any such appointment is made), (iii) the Issuer, or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its material obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any material part of its indebtedness or any Guarantee of any indebtedness given by it (other than, in the case of a Principal Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent or as a result of a disposal on arm's length terms or as approved by an Extraordinary Resolution of the Noteholders), or (iv) the Issuer, or any of Principal Subsidiaries ceases or threatens to cease to carry on all or any material part of its business (otherwise than, in the case of any Principal Subsidiary, for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent); or

(h) **Winding up, etc.:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries (other than, in the case of a Principal Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring while solvent or as a result of a disposal on arm's length terms or as approved by an Extraordinary Resolution of the Noteholders); or

(i) **Analogous event:** any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or

(j) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant.

11. MEETINGS OF NOTEHOLDERS AND MODIFICATIONS

(a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount or the Make Whole Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

In addition, (i) a resolution in writing signed by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of Notes for the time being outstanding will take effect as if it were an Extraordinary Resolution, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more the holders and (ii) a resolution passed by way of electronic consents through the clearing systems by or on behalf of holders of not less than 75 per cent. in aggregate principal amount of Notes for the time being outstanding with the effect as if it were an Extraordinary Resolution, in each case whether or not relating to a Reserved Matter.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification:** The Notes, the Conditions and the Deed of Covenant may be amended without the consent of the Holders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree without the consent of the Holders to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or if to do so could not reasonably be expected to be prejudicial to the interests of the Holders.

12. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the relevant Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (except in respect of the first payment of interest and their issue price, and so that, for the avoidance of doubt, references in these Conditions to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" and "Noteholders" shall be construed accordingly.

14. NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Asia (which is expected to be the *Asian Wall Street Journal*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of Euroclear or Clearstream or DTC, or any other clearing system (except as provided in (ii) and (iii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by these Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate; (ii) on behalf of the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

15. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. GOVERNING LAW AND JURISDICTION

(a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Service of Process:** The Issuer irrevocably appoints Law Debenture Corporate Services Limited of Eighth Floor, 100 Bishopsgate, London EC2N 4AG as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Capital Securities in definitive form (if any) issued in exchange for the Global Capital Security or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Capital Securities or on the Certificates relating to such Registered Capital Securities. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Capital Securities or Certificates, as the case may be. References in the Conditions to "**Capital Securities**" are to the Capital Securities of one Series only, not to all Capital Securities that may be issued under the Programme.*

The Capital Securities are issued pursuant to an Amended and Restated Agency Agreement dated 31 March 2023 (as amended or further supplemented as at the Issue Date, the "**Agency Agreement**") between the Issuer, The Hongkong and Shanghai Banking Corporation Limited as fiscal agent, The Hongkong and Shanghai Banking Corporation Limited as lodging agent for Capital Securities to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU Service**"), The Hongkong and Shanghai Banking Corporation Limited as exchange agent (the "**Exchange Agent**"), HSBC Bank USA, National Association (the "**U.S. Registrar**"), The Hongkong and Shanghai Banking Corporation Limited (the "**CMU Registrar**") and The Hongkong and Shanghai Banking Corporation Limited (the "**Registrar**" and together with the U.S. Registrar and the CMU Registrar, the "**Registrars**"), HSBC Bank USA, National Association (the "**U.S. Paying Agent**") and The Hongkong and Shanghai Banking Corporation Limited (the "**Paying Agent**" and together with the U.S. Paying Agent, the "**Paying Agents**") and the other agents named in it and with the benefit of a Deed of Covenant dated 24 November 2021 (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") executed by the Issuer in relation to the Capital Securities. The fiscal agent, the CMU lodging agent, the paying agents, the registrars, the transfer agents, the exchange agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrars**", the "**Transfer Agents**", the "**Exchange Agent**" and the "**Calculation Agent(s)**". For the purposes of these Conditions, all references to the Fiscal Agent shall, with respect to a Series of Capital Securities to be held in the CMU Service, be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly. The Securityholders (as defined below), the holders of the distribution coupons (the "**Coupons**") relating to distribution bearing Capital Securities in bearer form and, where applicable in the case of such Capital Securities, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Capital Securities in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Capital Securities which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection upon prior written notice and satisfactory proof of holding at the specified office of the Fiscal Agent.

1. FORM, DENOMINATION AND TITLE

The Capital Securities are issued in bearer form ("**Bearer Capital Securities**") or in registered form ("**Registered Capital Securities**") in each case in the Specified Denomination(s) shown hereon.

This Capital Security is either a "Senior Perpetual Capital Security", a "Subordinated Perpetual Capital Security" or a "Subordinated Dated Capital Security", as specified in the relevant Pricing Supplement.

Bearer Capital Securities are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached.

Registered Capital Securities are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Capital Securities by the same holder.

Capital Securities will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Title to the Bearer Capital Securities and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Capital Securities shall pass by registration in the register that the Issuer shall procure to be kept by the relevant Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Capital Security, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or a distribution in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Securityholder**" means the bearer of any Bearer Capital Security and the Receipts relating to it or the person in whose name a Registered Capital Security is registered (as the case may be), "**holder**" (in relation to a Capital Security, Receipt, Coupon or Talon) means the bearer of any Bearer Capital Security, Receipt, Coupon or Talon or the person in whose name a Registered Capital Security is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Capital Securities.

*Notwithstanding anything contained in these Conditions, for so long as any of the Capital Securities is represented by a Global Capital Security or a Global Certificate held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**") and/or The Depository Trust Company ("**DTC**") and/or the CMU Service (as the case may be), each person (other than Euroclear or Clearstream, DTC or the CMU Service) who is for the time being shown in the records of Euroclear or of Clearstream or of DTC or of the CMU Service as the holder of a particular principal amount of such Capital Securities (in which regard any certificate or other document issued by Euroclear or Clearstream or DTC or the CMU Service as to the principal amount of such Capital Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Registrars, the Exchange Agent and the Transfer Agents as the holder of such principal amount of such Capital Securities for all purposes other than with respect to the payment of principal or distribution on such principal amount of such Capital Securities, for which purpose the bearer of the relevant Global Capital Security or the registered holder of the relevant Global Certificate shall be treated by the Issuer, any Paying Agent, any Transfer Agent, any Registrar and the Exchange Agent as the holder of such principal amount of such Capital Securities in accordance with and subject to the terms of the relevant Global Capital Security or Global Certificate, and the expressions "**Securityholder**" and "**holder of Capital Securities**" and related expressions shall be construed accordingly. Capital Securities which are represented by a Global Capital Security or a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, DTC and the CMU Service as the case may be. References to Euroclear, Clearstream, DTC and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer and the Fiscal Agent or the CMU Lodging Agent, as the case may be.*

2. NO EXCHANGE OF CAPITAL SECURITIES AND TRANSFERS OF REGISTERED CAPITAL SECURITIES

(a) **No Exchange of Capital Securities**: Registered Capital Securities may not be exchanged for Bearer Capital Securities. Bearer Capital Securities of one Specified Denomination may not be exchanged for Bearer Capital Securities of another Specified Denomination. Bearer Capital Securities may not be exchanged for Registered Capital Securities.

(b) **Transfer of Registered Capital Securities**: One or more Registered Capital Securities may be transferred upon the surrender (at the specified office of the relevant Registrar or any Transfer Agent) of the Certificate representing such Registered Capital Securities to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the relevant Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Capital Securities represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Capital Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Capital Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the relevant Registrar and the Securityholders. A copy of the current regulations will be made available by the relevant Registrar to any Securityholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Capital Securities**: In the case of an exercise of an Issuer's or a Securityholder's option in respect of, or a partial redemption of, a holding of Registered Capital Securities represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Capital Securities of the same holding having different terms, separate Certificates shall be issued in respect of those Capital Securities of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the relevant Registrar or any Transfer Agent. In the case of a transfer of Registered Capital Securities to a person who is already a holder of Registered Capital Securities, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the relevant Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the relevant Registrar the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the relevant Registrar (as the case may be).

(e) **Transfers Free of Charge**: Transfers of Capital Securities and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the relevant Registrar or the Transfer Agents, but upon payment by the applicant of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Issuer, the relevant Registrar or the relevant Transfer Agent may require in respect of tax or charges).

(f) **Closed Periods**: No Securityholder may require the transfer of a Registered Capital Security to be registered (i) during the period of 15 days ending on the due date for redemption of that Capital Security, (ii) during the period of 15 days before any date on which Capital Securities may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Capital Security has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. STATUS

(a) **Status and ranking of the Senior Perpetual Capital Securities**: The Senior Perpetual Capital Securities constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* in right of payment and without any preference among themselves. The payment obligations of the Issuer under the Senior Perpetual Capital Securities shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with its payment obligations in respect of all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

(b) **Status and ranking of the Subordinated Capital Securities**: The Subordinated Capital Securities constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank *pari passu* in right of payment and without any preference among themselves and with its Parity Obligations and in priority in right of payment to payments to holders of present or future outstanding Junior Obligations of the Issuer. The rights and claims of the Securityholders in respect of the Subordinated Capital Securities will be subordinated in right of payment to the claims of all Senior Creditors, including, for the avoidance of doubt, the holders of Senior Perpetual Capital Securities and the Notes as provided in this Condition 3.

(c) **Set-off – Subordinated Capital Securities**: Subject to applicable law, no holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Subordinated Capital Securities, and each holder shall, by virtue of his holding of any such Capital Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any holder by the Issuer in respect of, or arising under or in connection with the Subordinated Capital Securities is discharged by set-off, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up, the liquidator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator) and accordingly any such discharge shall be deemed not to have taken place.

4. DISTRIBUTION AND OTHER CALCULATIONS

(a) **Accrual of Distribution**: The Capital Securities confer a right to receive distributions (each a "**Distribution**") from the Distribution Commencement Date at the Rate of Distribution payable in arrear on each Distribution Payment Date, subject as provided in Condition 5.

Unless otherwise provided for in these Conditions, each Capital Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, Distribution will continue to accrue at the applicable Rate of Distribution (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of any Capital Security are received by or on behalf of the relevant Securityholder and (ii) the day which is seven days after the Fiscal Agent has notified the Securityholders that it has received all sums due in respect of the Capital Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Securityholders under these Conditions).

(b) **Fixed Distribution Amount**: The amount of distribution payable in respect of each Capital Security for any Distribution Period shall be the relevant Fixed Distribution Amount and, if the Capital Securities are in more than one Specified Denomination, shall be the relevant Fixed Distribution Amount in respect of the relevant Specified Denomination.

(c) **Calculation of Distribution Amount**: The amount of distribution payable in respect of each Capital Security for any period for which a Fixed Distribution Amount is not specified shall be calculated by applying the Rate of Distribution to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Capital Security divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent.

If the relevant Pricing Supplement specifies that the Rate of Distribution is subject to reset, the Calculation Agent will, on the Calculation Business Day prior to each Reset Date, calculate the applicable Reset Distribution Rate payable in respect of the Capital Securities. The Calculation Agent will cause the applicable Reset Distribution Rate determined by it to be notified to the Issuer, the Paying Agents, the Securityholders and each listing authority, stock exchange and/or quotation system (if any) on to which the Capital Securities have then been admitted to listing, trading and/or quotation as soon as practicable after the relevant Reset Date. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4(c) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the Securityholders and no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

5. DEFERRAL OR CANCELLATION OF DISTRIBUTION

(a) **Deferral or Cancellation of Distribution Payments – Issuer Discretion**

(i) This Condition 5(a) is applicable to Capital Securities only if "Optional Issuer Deferral" or "Optional Issuer Cancellation" is specified as applicable in the relevant Pricing Supplement.

(ii) The Issuer may, at its sole discretion, elect to:

(A) if "Optional Issuer Deferral" is specified as applicable in the relevant Pricing Supplement, defer to the next Distribution Payment Date (an "**Optionally Deferred Distribution Payment**"); or

(B) if "Optional Issuer Cancellation" is specified as applicable in the relevant Pricing Supplement, cancel,

in each case, in whole or in part, any Distribution (including, in the case of an Optional Issuer Deferral only, any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date by giving notice in writing to the Fiscal Agent and to the Securityholders (in accordance with Condition 15) not more than 10 nor less than five Business Days prior to a scheduled Distribution Payment Date (in the case of Condition 5(a)(ii)(A), an "**Optional Deferral Event**" and in the case of Condition 5(a)(ii)(B), an "**Optional Cancellation Event**") unless, if "Dividend Pusher" is specified in the relevant Pricing Supplement as being applicable, during the Dividend Pusher Lookback Period ending on the day before that scheduled Distribution Payment Date a Compulsory Distribution Payment Event has occurred. Any partial payment of outstanding Distribution (including, in the case of an Optional Issuer Deferral only, any Arrears of Distribution and any Additional Distribution Amount) by the Issuer shall be shared by the Securityholders of all outstanding Capital Securities on a *pro-rata* basis.

(iii) The Issuer shall have no obligation to pay any Distribution (including, in the case of an Optional Issuer Deferral only, any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with this Condition 5(a) and any failure to pay any Distribution (including, in the case of an Optional Issuer Deferral only, any Arrears of Distribution and any Additional Distribution Amount) shall not constitute a default of the Issuer in respect of the Capital Securities.

(iv) If "Dividend Pusher" is specified in the relevant Pricing Supplement as being applicable, the Issuer shall deliver to the Fiscal Agent, together with the notice required by Condition 5(a)(ii), a certificate in the form scheduled to the Agency Agreement signed by two directors of the Issuer confirming that an Optional Deferral Event or Optional Cancellation Event has occurred and is continuing, and that no Compulsory Distribution Payment Event has occurred and is continuing.

(v) In the case of an Optional Deferral Event only:

(A) any Distribution deferred pursuant to this Condition 5(a) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to further defer any Arrears of Distribution by complying with the foregoing notice requirements applicable to any deferral of an accrued Distribution. The Issuer is not subject to any limit as to the number of times Distributions and Arrears of Distribution (together with Additional Distribution Amounts (as defined below)) may be deferred pursuant to this Condition 5(a) except that this Condition 5(a)(v) shall be complied with until all outstanding Arrears of Distribution have been paid in full; and

(B) Distributions are either non-compounding or compounding, as specified in the relevant Pricing Supplement, and if Distributions are specified to be compounding in the relevant Pricing Supplement, each amount of Arrears of Distribution shall accrue distribution at the Rate of Distribution as if it constituted the principal of the Capital Securities and the amount of such additional distribution (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 5(a) and shall be calculated by applying the Rate of Distribution to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 5(a). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(vi) If "Dividend Stopper" is specified in the Pricing Supplement as applicable, then if on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full by reason of Condition 5(a)(ii), the Issuer shall not:

(A) if "Discretionary Payment Restriction (Stopper)" is specified as applicable in the relevant Pricing Supplement, declare, pay or make any discretionary dividends, distributions or other payments on, and will procure that no discretionary dividend, distribution or other payment is declared, paid or made on any of its Relevant Obligations (Stopper) (except, in relation to the Parity Obligations of the Issuer, where such dividend, distribution or other payment is made on a *pro rata* basis with payment on the Capital Securities), save that such restriction shall not apply to any Exempted Payments (Stopper).

(B) if "Discretionary Redemption Restriction (Stopper)" is specified as applicable in the relevant Pricing Supplement, make any discretionary redemption, reduction, cancellation, buy-back or acquisition for any consideration of any of its Relevant Obligations (Stopper) (except, in relation to the Parity Obligations of the Issuer, where such redemption, reduction, cancellation, buy-back or acquisition is made on a *pro rata* basis with a *pro rata* purchase of the Capital Securities), save that such restriction shall not apply to any Exempted Redemptions (Stopper),

in each case, unless and until the Issuer:

(1) has satisfied in full in the case of a Dividend Stopper subsisting as a result of an Optional Deferral Event only, all outstanding Arrears of Distributions and any Additional Distribution Amounts;

(2) has paid a sum equal to at least:

(aa) in the case of a Dividend Stopper subsisting as a result of an Optional Deferral Event, all such amounts specified in Condition 5(a)(vi)(1); or

(bb) in the case of a Dividend Stopper subsisting as a result of an Optional Cancellation Event, the amount of Distribution scheduled to be paid on any subsequent Distribution Payment Date (which, for the avoidance of doubt, shall exclude any Distribution that has been cancelled in accordance with these Conditions prior to and in respect of any Distribution Payment Date preceding such subsequent Distribution Payment Date),

in each case to a segregated account secured or entrusted for the benefit of the Securityholders;

(3) has redeemed or purchased and cancelled the Capital Securities in full; or

(4) is permitted to do so by an Extraordinary Resolution of the Securityholders.

(vii) In the case of an Optional Deferral Event only, the Issuer:

(A) may satisfy any Arrears of Distribution and any Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Securityholders (in accordance with Condition 15) and the Fiscal Agent not more than 20 nor less than 10 Business Days prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution on the payment date specified in such notice); and

(B) in any event shall satisfy any outstanding Arrears of Distribution deferred in accordance with Condition 5(a)(ii), in whole but not in part, upon the earliest to occur of:

(1) the next Distribution Payment Date falling immediately after a breach of Condition 5(a)(vi);

(2) a Special Event Redemption Date;

(3) the date on which the Capital Securities are redeemed at the option of the Issuer pursuant to Conditions 6(d), (e) or 6(i);

(4) the Maturity Date (if any);

(5) the date such amount becomes due under Condition 10; or

(6) the date of any substitution or variation in accordance with Condition 13.

Any partial payment of outstanding Arrears of Distribution by the Issuer shall be paid to the holders of all outstanding Capital Securities on a pro-rata basis.

(viii) Notwithstanding any other provision in these Conditions, the deferral or cancellation or non-payment of any Distribution payment in accordance with this Condition 5(a) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 10) on the part of the Issuer.

(b) **Deferral or Cancellation of Distribution Payments – Mandatory**

(i) This Condition 5(b) is applicable only if "Mandatory Issuer Deferral" or "Mandatory Issuer Cancellation" is specified as applicable in the relevant Pricing Supplement.

(ii) If applicable, the relevant Pricing Supplement shall specify provisions for the mandatory deferral or cancellation of Distribution.

(c) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Centre**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Business Day**" means:

(i) in the case of a currency other than Euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

a "**Compulsory Distribution Payment Event**" occurs:

(a) if "Payment Event (Pusher)" is specified in the relevant Pricing Supplement, if a discretionary dividend, distribution or other payment is declared, paid or made on any Relevant Obligations (Pusher) (except, in relation to the Parity Obligations of the Issuer, where such dividend, distribution or other payment is made on a *pro rata* basis with payment on the Capital Securities), other than for any Exempted Payments (Pusher); or

(b) if "Redemption Event (Pusher)" is specified in the relevant Pricing Supplement, if the Issuer makes any discretionary redemption, reduction, cancellation, buy-back or acquisition for any consideration any of its Relevant Obligations (Pusher) (except, in relation to the Parity Obligations of the Issuer, where such redemption, reduction, cancellation, buy-back or acquisition is made on a *pro rata* basis with a *pro rata* purchase of the Capital Securities), other than for any Exempted Redemptions (Pusher); and

the relevant Pricing Supplement may also provide that a Compulsory Distribution Payment Event may not occur if Distributions are not permitted to be paid for regulatory or other reasons specified in the Pricing Supplement;

"**Day Count Fraction**" means, in respect of the calculation of an amount of distribution on any Security for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Distribution Period or a Distribution Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of a Distribution Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30;

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

where:

"**Determination Agent**" means an investment bank or financial institution of international standing selected by the Issuer;

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Distribution Payment Date(s);

"**Distribution Accrual Period**" means the period beginning on and including the Distribution Commencement Date and ending on but excluding the first Distribution Period Date and each successive period beginning on and including a Distribution Period Date and ending on but excluding the next succeeding Distribution Period Date;

"**Distribution Amount**" means, in relation to a Capital Security and a Distribution Period, the amount of distribution payable in respect of that Capital Security for that Distribution Period;

"**Distribution Commencement Date**" means the Issue Date or such other date as may be specified hereon;

"**Distribution Determination Date**" means, with respect to a Rate of Distribution and Distribution Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Distribution Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Distribution Accrual Period if the Specified Currency is neither Sterling nor Euro nor Hong Kong dollars or (iii) the day falling two TARGET Business Days prior to the first day of such Distribution Accrual Period if the Specified Currency is Euro;

"**Distribution Payment Date**" means the first Distribution Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

"**Distribution Period**" means the period beginning on and including the Distribution Commencement Date and ending on but excluding the first Distribution Payment Date and each successive period beginning on and including a Distribution Payment Date and ending on but excluding the next succeeding Distribution Payment Date;

"**Distribution Period Date**" means each Distribution Payment Date unless otherwise specified hereon;

"**Dividend Pusher Lookback Period**", if applicable, shall be the period specified in the relevant Pricing Supplement;

"**Early Redemption Amount**" means any of an Early Redemption Amount (Accounting Event), Early Redemption Amount (Tax Deductibility Event), Early Redemption Amount (Minimum Outstanding Amount), Early Redemption Amount (Rating Event), Early Redemption Amount (Regulatory Event) and Early Redemption Amount (Withholding Tax Event);

"**Early Redemption Amount (Accounting Event)**" means, in respect of any Capital Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Tax Deductibility Event)**" means, in respect of any Capital Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Minimum Outstanding Amount)**" means, in respect of any Capital Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Rating Event)**" means, in respect of any Capital Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Regulatory Event)**" means, in respect of any Capital Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Withholding Tax Event)**" means, in respect of any Capital Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Exempted Payments (Pusher)**" has the meaning given to it in the relevant Pricing Supplement;

"**Exempted Payments (Stopper)**" has the meaning given to it in the relevant Pricing Supplement;

"**Exempted Redemptions (Pusher)**" has the meaning given to it in the relevant Pricing Supplement;

"**Exempted Redemptions (Stopper)**" has the meaning given to it in the relevant Pricing Supplement;

"**Hong Kong Companies Ordinance**" means the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong;

"**Junior Obligations**" unless modified in the relevant Pricing Supplement, means any instruments or securities (including ordinary and common shares) issued, entered into or guaranteed by the Issuer or other obligations of the Issuer ranking, or expressed to rank, junior in right of payment to the Capital Securities;

"**Make Whole Calculation Date**" has the meaning given to it in the relevant Pricing Supplement;

"**Make Whole Optional Redemption Date**" has the meaning given to it in the relevant Pricing Supplement;

"**Make Whole Redemption Amount**" means, with respect to each Capital Security to be redeemed, either:

(i) an amount calculated by the Determination Agent equal to the higher of (i) the principal amount of such Capital Security and (ii) the sum of (x) the present value of the principal amount of such Capital Security and (y) the present values of Distribution payable for the relevant Distribution Payment Dates from, and including, the relevant Make Whole Optional Redemption Date to the Make Whole Calculation Date (exclusive of Distribution accrued to the Make Whole Optional Redemption Date), in each case, discounted to such redemption date at the Make Whole Reference Rate, plus the Make Whole Redemption Margin; or

(ii) the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement;

"**Make Whole Redemption Margin**" means as specified in the applicable Pricing Supplement;

"**Make Whole Reference Rate**" means:

(i) with respect to any Make Whole Optional Redemption Date as specified in the relevant Pricing Supplement, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Security, assuming a price for the Reference Security (expressed as a percentage of its nominal amount) equal to the Reference Security Price for such Make Whole Optional Redemption Date; or

(ii) the rate specified in, or determined in the manner specified in, the relevant Pricing Supplement;

"**Minimum Redeemed Amount**" means 75 per cent., unless otherwise specified in the relevant Pricing Supplement;

"**Optional Redemption Amount**" means, in respect of any Capital Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Optional Redemption Date**" has the meaning given in the relevant Pricing Supplement;

"**Parity Obligations**" unless modified in the relevant Pricing Supplement, means any instruments or securities issued, entered into or guaranteed by the Issuer or other obligations of the Issuer ranking, or expressed to rank, *pari passu* in right of payment with the Capital Securities;

"**Rate of Distribution**" means, unless otherwise specified in the relevant Pricing Supplement:

(i) if no Reset Date is specified in the relevant Pricing Supplement:

    (A) if no Step-Up Margin is specified hereon, the Rate of Distribution shown on the relevant Pricing Supplement; or

(B) if a Step-Up Margin is specified hereon, (A) for the period from (and including) the Distribution Commencement Date to (but excluding) the Step-Up Date specified hereon, the Rate of Distribution shown on the relevant Pricing Supplement and (B) for the period from (and including) the Step-Up Date specified hereon, the Rate of Distribution shown on the relevant Pricing Supplement plus the Step-Up Margin (as specified hereon); or

(ii) if a Reset Date is specified in the relevant Pricing Supplement:

(A) for the period from (and including) the Distribution Commencement Date to (but excluding) the First Reset Date specified hereon, the Rate of Distribution shown on the relevant Pricing Supplement; and

(B) for the period from (and including) the First Reset Date and each Reset Date (as shown hereon) falling thereafter to (but excluding) the immediately following Reset Date, the Reset Distribution Rate (as specified hereon).

"**Rating Agencies**" means the rating agencies specified in the relevant Pricing Supplement, or if one or more of the rating agencies specified in the relevant Pricing Supplement shall not make a rating of the Capital Securities publicly available, another recognised securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for such rating agency;

"**Reference Date**" means as set out in the relevant notice of redemption pursuant to Condition 6(e);

"**Reference Dealer**" means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues, or such other banks or method of selection of such banks as specified in the relevant Pricing Supplement;

"**Reference Dealer Quotations**" means, with respect to each Reference Dealer and any Make Whole Optional Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Security (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the relevant Pricing Supplement on the Reference Date quoted in writing to the Determination Agent by such Reference Dealer;

"**Reference Security**" shall be as specified in the relevant Pricing Supplement, *provided that* if the Reference Security is no longer outstanding, a Similar Security will be chosen by the Determination Agent at 11:00 a.m. (CET) on the third Business Day preceding the Make Whole Optional Redemption Date, or at such other time and date specified in the relevant Pricing Supplement, quoted in writing by the Determination Agent to the Issuer and notified by the Issuer in accordance with Condition 15;

"**Reference Security Price**" means, with respect to any Make Whole Optional Redemption Date, either:

(i) (A) the arithmetic average of the Reference Dealer Quotations for such Make Whole Optional Redemption Date, after excluding the highest and lowest such Reference Dealer Quotations, or (B) if the Determination Agent obtains fewer than four such Reference Dealer Quotations, the arithmetic average of all such quotations; or

(ii) as otherwise provided in the relevant Pricing Supplement;

"**Relevant Obligations (Pusher)**" has the meaning given to it in the relevant Pricing Supplement;

"**Relevant Obligations (Stopper)**" has the meaning given to it in the relevant Pricing Supplement;

"**Reset Distribution Rate**" has the meaning given to it in the relevant Pricing Supplement;

"**Senior Creditors**" means all policyholders (including, for the avoidance of doubt, all obligations to such policyholders under policies and contracts of insurance) and other unsubordinated creditors of the Issuer and any other member of the Insurance Group (as defined in Condition 6);

"**Similar Security**" means a reference security or reference securities having an actual or interpolated maturity comparable with the remaining term of the relevant series of Capital Securities that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate securities of comparable maturity to the remaining term of such Capital Security;

"**Special Event**" means a Withholding Tax Event, a Tax Deductibility Event, a Rating Event, an Accounting Event, a Regulatory Event, any other event designated as a Special Event in the relevant Pricing Supplement, or any combination of the foregoing;

"**Special Event Redemption**" means a redemption in respect of a Withholding Tax Event, a Tax Deductibility Event, a Rating Event, an Accounting Event, a Regulatory Event, such other Special Event as so designated in the relevant Pricing Supplement;

"**Special Event Redemption Date**" means the date on which the Capital Securities are redeemed in a Special Event Redemption;

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Capital Securities are denominated;

"**Subordinated Capital Security**" means any of a Subordinated Perpetual Capital Security or a Subordinated Dated Capital Security;

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto; and

"**Winding-Up**" means a final and effective order or resolution for the liquidation, winding-up or similar proceedings in respect of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger or amalgamation, (a) the terms of which reorganisation, reconstruction, merger or amalgamation have previously been approved by an Extraordinary Resolution; and (b) which does not result in the Capital Securities thereby becoming redeemable or repayable in accordance with these Conditions).

(d) **Calculation Agents**

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Capital Security is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Capital Securities, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Distribution for a Distribution Accrual Period or to calculate any Distribution Amount, Final Redemption Amount, Early Redemption Amount or Optional

Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption at Maturity

(i) Subordinated Dated Capital Securities, unless previously redeemed, purchased and cancelled as provided below, shall be finally redeemed on the Maturity Date specified hereon at their Final Redemption Amount (which, unless otherwise provided hereon, is their nominal amount together with Distributions accrued to the Maturity Date, including any Arrears of Distribution and any Additional Distribution Amount).

(ii) Senior Perpetual Capital Securities or Subordinated Perpetual Capital Securities are perpetual securities in respect of which there is no date fixed for redemption and the Issuer shall (subject to the provisions of Condition 3 and without prejudice to Condition 10) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 6.

(b) Redemption for Taxation Reasons

(i) This Condition 6(b) shall apply to Capital Securities only if "Redemption for Taxation Reasons" is specified as being applicable in the relevant Pricing Supplement and, if "Regulatory Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(j).

(ii) The Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable), at their Early Redemption Amount (Withholding Tax Event) (together with Distributions accrued to the date fixed for redemption, including any Arrears of Distribution and any Additional Distribution Amount), if the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) (1) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date; and where (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or (each, a "**Withholding Tax Event**") **provided, however, that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Capital Securities were then due.

(iii) Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

(A) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to in Condition 6(b)(ii)(1) and (2) above prevail and setting out the details of such circumstances; and

(B) an opinion of independent legal, tax or other professional advisers with expertise in taxation matters of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, provided that the Fiscal Agent may accept such certificate or opinion without further investigation or enquiry.

(iv) Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Capital Securities in accordance with this Condition 6(b).

(c) **Redemption upon a Tax Deductibility Event**

(i) This Condition 6(c) shall apply to Capital Securities only if "Redemption upon a Tax Deductibility Event" is specified as being applicable in the relevant Pricing Supplement and, if "Regulatory Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(j).

(ii) The Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable), at their Early Redemption Amount (Tax Deductibility Event) (together with Distributions accrued to the date fixed for redemption, including any Arrears of Distribution and any Additional Distribution Amount), if, where Distribution payments on the Capital Securities have been, on or subsequent to the Issue Date, but are no longer, tax deductible (1) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date; and where (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it (each, a "**Tax Deductibility Event**") **provided, however, that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Capital Securities were then due.

(iii) Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent:

(A) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to in Condition 6(c)(ii)(1) and (2) above prevail and setting out the details of such circumstances; and

(B) an opinion of independent legal, tax or other professional advisers with expertise in taxation matters of recognised standing to the effect that Distribution payments on the Capital Securities were, on or subsequent to the Issue Date, but are no longer tax deductible, provided that the Fiscal Agent may accept such certificate or opinion without further investigation or enquiry.

(iv) Upon the expiry of any such notice as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Capital Securities in accordance with this Condition 6(c).

(d) **Redemption at the Option of the Issuer**

(i) This Condition 6(d) shall apply to Capital Securities only if "Redemption at the Option of the Issuer" is specified as being applicable in the relevant Pricing Supplement and, if "Regulatory Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(j).

(ii) The Issuer may, on giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable) redeem, all or, if so provided, some, of the Capital Securities on any Optional Redemption Date. Any such redemption of Capital Securities shall be at their Optional Redemption Amount together with Distributions accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount). Any such redemption or exercise must relate to Capital Securities of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

(iii) All Capital Securities in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

(iv) In the case of a partial redemption the notice to Securityholders shall also contain the certificate numbers of the Bearer Capital Securities, or in the case of Registered Capital Securities shall specify the nominal amount of Registered Capital Securities drawn and the holder(s) of such Registered Capital Securities, to be redeemed, which shall have been drawn in such place and in such manner as agreed between the Issuer and the Fiscal Agent, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of the Issuer (Make Whole Redemption)**

(i) This Condition 6(e) shall apply to Capital Securities only if "Redemption at the Option of the Issuer (Make Whole Redemption)" is specified as being applicable in the relevant Pricing Supplement and, if "Regulatory Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(j).

(ii) The Issuer may, on giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable) redeem the Capital Securities in whole on any Make Whole Optional Redemption Date. Any such redemption of Capital Securities shall be at their Make Whole Redemption Amount together with Distributions accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

(iii) All Capital Securities in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(e).

(iv) The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Determination Agent shall (in the absence of manifest error) be final and binding upon all parties.

(f) **Redemption upon a Rating Event**

(i) This Condition 6(f) shall apply to Capital Securities only if "Redemption upon a Rating Event" is specified as being applicable in the relevant Pricing Supplement and, if "Regulatory Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(j).

(ii) The Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable) at their Early Redemption Amount (Rating Event) (together with

Distributions accrued to the date fixed for redemption, including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the Issuer delivers to the Fiscal Agent the certificate referred to below stating that an amendment, clarification or change has occurred in the rules, criteria, guidelines or methodologies of relevant Rating Agencies or any of their respective successors to the rating business thereof, which amendment, clarification or change (x) results in, or will result in, a lower equity credit for the Capital Securities than the equity credit assigned on or subsequent to the Issue Date or results in or will result in no equity credit for the Capital Securities, or (y) results in or will result in the shortening of the length of time the Capital Securities are assigned a particular level of equity credit by such rating agency as compared to the length of time the Capital Securities would have been assigned that level of equity credit by such rating agency on or subsequent to the Issue Date (a "**Rating Event**").

(iii) Prior to the publication of any notice of redemption pursuant to this Condition 6(f), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent a certificate signed by two directors of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances.

(iv) Upon the expiry of any such notice as is referred to in this Condition 6(f), the Issuer shall be bound to redeem the Capital Securities in accordance with this Condition 6(f), provided that such date for redemption shall be no earlier than the last day before the date on which the Capital Securities will no longer be eligible for the same or higher category of equity credit.

(g) **Redemption for Accounting Reasons**

(i) This Condition 6(g) shall apply only if "Redemption for Accounting Reasons" is specified as being applicable in the relevant Pricing Supplement and, if "Regulatory Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(j).

(ii) The Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable) at their Early Redemption Amount (Accounting Event) (together with Distributions accrued to the date fixed for redemption, including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, as a result of any changes or amendments ("**Accounting Changes**") to IFRS or any other generally accepted accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Capital Securities must not or must no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard (an "**Accounting Event**"). The period during which the Issuer may notify the redemption of the Capital Securities as a result of the occurrence of an Accounting Event shall start on the date on which the Accounting Change(s) in the Relevant Accounting Standard is officially adopted. For the avoidance of doubt, such period shall include any transitional period between the date on which the Accounting Change(s) is officially adopted and the date on which it comes into effect.

(iii) Prior to the publication of any notice of redemption pursuant to this Condition 6(g), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent: (A) a certificate, signed by two directors of the Issuer, stating that the circumstances referred to above prevail and setting out reasonable detail of such circumstances; and (B) an opinion of the Issuer's independent auditors or of an independent professional advisor with expertise in accounting matters of recognised standing stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.

(iv) Upon the expiry of any such notice as is referred to in this Condition 6(g), the Issuer shall be bound to redeem the Capital Securities in accordance with this Condition 6(g).

(h) **Redemption upon a Regulatory Event**

(i) This Condition 6(h) shall apply to Capital Securities that are (A) a Subordinated Capital Security, (B) only if "Redemption upon a Regulatory Event" is specified as being applicable in the relevant Pricing Supplement and (C) if "Regulatory Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(j).

(ii) The Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable) at their Early Redemption Amount (Regulatory Event) (together with Distributions accrued to the date fixed for redemption, including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the Capital Securities, having qualified as the Relevant Group Capital Level (as specified in the relevant Pricing Supplement) under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), are no longer capable of qualifying (in whole or in part) as at least the Relevant Group Capital Level under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules):

(A) as a result of a change or amendment to the then Applicable Supervisory Rules; or

(B) as a result of a change or amendment to the application or official interpretation of the Applicable Supervisory Rules *provided that* such change or amendment to such application or official interpretation is confirmed in writing or by way of a public announcement of general application by the Relevant Regulator (an "**Interpretation or Application of the Applicable Supervisory Rules**"),

except where such non-qualification is as a result of any other applicable limit on the amount of such capital (each, a "**Regulatory Event**").

(iii) Prior to the publication of any notice of redemption pursuant to this Condition 6(h), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent a certificate signed by two directors of the Issuer stating that the circumstances referred to above prevail and setting out reasonable detail of such circumstances.

(iv) Upon expiry of any such notice as is referred to in this Condition 6(h), the Issuer shall be bound to redeem the Capital Securities in accordance with this Condition 6(h).

(i) **Redemption for Minimum Outstanding Amount**

(i) This Condition 6(i) shall apply to Capital Securities only if "Redemption for Minimum Outstanding Amount" is specified as being applicable in the relevant Pricing Supplement and, if "Regulatory Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement, at all times be subject to the satisfaction of Condition 6(j).

(ii) The Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Securityholders and the Fiscal Agent (which notice shall be irrevocable) at the Early Redemption Amount (Minimum Outstanding Amount) (together with Distributions accrued to the date fixed for redemption, including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, at least the Minimum Redeemed Amount in principal amount of the Capital Securities originally issued (including any further Capital Securities issued pursuant to Condition 14 and consolidated and forming a single series with the Capital Securities) has already been redeemed or purchased and cancelled.

(iii) Upon expiry of any such notice as is referred to in this Condition 6(i), the Issuer shall be bound to redeem the Capital Securities in accordance with this Condition 6(i).

(j) **Regulatory Redemption Conditions**

(i) Notwithstanding anything to the contrary set forth herein, only if (a) "Regulatory Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement and (b) the Capital Securities qualify as at least Tier 2 group capital under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) and such condition (each, a "**Regulatory Redemption Condition**") is required by the Applicable Supervisory Rules, then the Capital Securities may not be redeemed or purchased pursuant to this Condition 6:

(A) at any time prior to the fifth anniversary of the Issue Date of the Capital Securities (or, if any further Tranche(s) of the Capital Securities has or have been issued pursuant to Condition 14 and consolidated to form a single series with the Capital Securities, prior to the fifth anniversary of the Issue Date of such latest Tranche to be issued), unless such redemption or purchase is:

(1) effected with Relevant Regulatory Approval, to the extent required by the Applicable Supervisory Rules; and

(2) funded out of the proceeds of a new issuance of capital having equal or better capital treatment as the Capital Securities under the Applicable Supervisory Rules or effected by way of exchange or conversion of such Capital Securities into another form of capital having equal or better capital treatment as the Capital Securities under the Applicable Supervisory Rules; and

(B) at any other time, unless such redemption or purchase is effected with Relevant Regulatory Approval.

The determination by the Issuer in connection with any redemption that the applicable conditions to redemption set forth in this Condition 6(j) have or have not been met or that no such conditions to redemption apply shall, in the absence of manifest error, be treated and accepted by the Securityholders and all other interested parties as correct and sufficient evidence thereof and shall be final and binding on such parties, and the Fiscal Agent shall be entitled to rely on such determination without liability to any person.

(ii) In the event that an option of the Issuer (i) to redeem the Capital Securities following the occurrence of any Special Event, (ii) to substitute the Capital Securities, or vary the terms of the Capital Securities, following the occurrence of any Special Event, (iii) to exercise its Call Option (Make Whole Redemption), or (iv) to conduct a Minimum Outstanding Amount Redemption, would at any time prevent:

(A) in the case of Capital Securities originally qualifying as Tier 2 group capital, from being treated under the then Applicable Supervisory Rules as at least Tier 2 group capital (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules); or

(B) in the case of Capital Securities originally qualifying as Tier 1 limited capital, from being treated under the then Applicable Supervisory Rules as at least Tier 1 group capital (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), then, at the option of the Issuer, the terms of the Capital Securities shall automatically be amended so as to exclude any feature relating to such option that is preventing the Capital Securities from being treated under the then Applicable Supervisory Rules as at least Tier 2 group capital or Tier 1 group capital (as applicable) (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) for so long as such terms excluded would prevent the relevant capital treatment by the then Applicable Supervisory Rules. Should such automatic amendment occur, notice of such fact shall be given promptly by the Issuer to the Securityholders and the Fiscal Agent.

As used herein:

"**Applicable Supervisory Rules**" means the Cap. 41O Insurance (Group Capital) Rules or such insurance supervisory laws, rules, regulations and guidelines relating to group supervision which are applicable to the Insurance Group from time to time;

"**Insurance Group**" means all subsidiaries of the Issuer that are regulated insurance or reinsurance companies and all other entities that are included within the regulatory group that includes the Issuer pursuant to the Applicable Supervisory Rules;

"**Relevant Regulator**" means the regulator which is considered the group supervisor of the Insurance Group under the Applicable Supervisory Rules; and

"**Relevant Regulatory Approval**" means the Relevant Regulator has given, and not withdrawn by the relevant date, its prior consent to the redemption or, as the case may be, purchase of such Capital Securities.

(k) **Other redemption**

The Issuer shall be entitled to specify additional redemption events and the conditions attaching thereto in the relevant Pricing Supplement. Such additional redemption events may include, without limitation, redemption upon a Regulatory Event.

(l) **Purchases**

The Issuer and its subsidiaries may at any time purchase Capital Securities (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price, *provided that* if "Regulatory Redemption Conditions" is specified as being applicable in the relevant Pricing Supplement, such purchase shall at all times be subject to the satisfaction of Condition 6(j).

(m) **Cancellation**

All Capital Securities purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Capital Securities, by surrendering each such Capital Security together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Capital Securities, by surrendering the Certificate representing such Capital Securities to the relevant Registrar and, in each case, if so surrendered, shall, together with all Capital Securities redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Capital Securities so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Capital Securities shall be discharged.

7. PAYMENTS AND TALONS

(a) **Bearer Capital Securities**:

(i) Bearer Capital Securities not held in the CMU Service: Payments of principal and distribution in respect of Bearer Capital Securities not held in the CMU Service shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts, Capital Securities (in the case of all other payments of principal and, in the case of distribution, as specified in Condition 7(f)(iv)) or Coupons (in the case of distribution, save as specified in Condition 7(f)(iv)), as the case may be, (i) in the case of a currency other than Renminbi, outside the United States and its possessions by transfer to an account denominated in such currency with, a Bank and (ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Securityholder with a bank in Hong Kong. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of Euro, in a city in which banks have access to the TARGET System.

(ii) Bearer Capital Securities held in the CMU Service: Payments of principal and distribution in respect of Bearer Capital Securities held in the CMU Service will be made outside the United States and its possessions to the person(s) for whose account(s) interests in the relevant Bearer Capital Security are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(b) **Registered Capital Securities**:

(i) *Registered Capital Securities not held in the CMU Service:*

(A) Payments of principal in respect of Registered Capital Securities shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the relevant Registrar and in the manner provided in paragraph (B) below.

(B) Distribution on Registered Capital Securities shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of distribution on each Registered Capital Security shall be made:

(1) In the case of a currency other than Renminbi, in the relevant currency by transfer to the registered account of the Securityholder appearing in the Register; and

(2) in the case of Renminbi, by transfer to the registered account of the Securityholder. In this Condition 7(b), "**registered account**" means the Renminbi account maintained by or on behalf of the Securityholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(ii) *Registered Capital Securities held in the CMU Service:*

Payments of principal and distribution in respect of Registered Capital Securities held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Registered Capital Security are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error) and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(c) **Payments in the United States**: Notwithstanding the foregoing, if any Bearer Capital Securities are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Capital Securities in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Fiscal Laws**: All payments in respect of the Capital Securities, Receipts and Coupons are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Securityholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**: The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrars, the Transfer Agents, the Exchange Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrars, Transfer Agents, the Exchange Agent and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Securityholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, any Registrar, any Transfer Agent, the Exchange Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Capital Securities, (iii) a Transfer Agent in relation to Registered Capital Securities, (iv) a CMU Lodging Agent in relation to Capital Securities accepted for clearance through the CMU Service, (v) one or more Calculation Agent(s) where the Conditions so require and (vi) such other agents as may be required by any other stock exchange on which the Capital Securities may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Capital Securities denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Securityholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Capital Securities, those Capital Securities should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Make Whole Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Capital Security, any unexchanged Talon relating to such Capital Security (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iii) Where any Bearer Capital Security that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Capital Securities is presented for redemption without all unmatured Coupons, and where any Bearer Capital Security is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(iv) If the due date for redemption of any Capital Security is not a due date for payment of distribution, distribution accrued from the preceding due date for payment of distribution or the Distribution Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Capital Security or Certificate representing it, as the case may be. Distribution accrued on a Subordinated Dated Capital Security that only bears distribution after its Maturity Date shall be payable on redemption of such Capital Security against presentation of the relevant Capital Security or Certificate representing it, as the case may be.

(g) **Talons**: On or after the Distribution Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Capital Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days**: If any date for payment in respect of any Capital Security, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any distribution or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than Euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in London and in the principal financial centre of the country of such currency; or

(i) (in the case of a payment in Euro) which is a TARGET Business Day; or

(ii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. TAXATION

All payments of principal and interest in respect of the Capital Securities, the Receipts and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands or Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is as required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Securityholders and the Couponholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Capital Security, Receipt or Coupon:

(a) where the holder or beneficial owner is liable to such taxes, duties, assessments or governmental charges in respect of such Capital Security, Receipt or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Capital Security, Receipt or Coupon;

(b) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant holder or beneficial owner would have been entitled to such additional amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days; or

(c) where such withholding or deduction would not have been so imposed but for the failure to comply, following a timely request by the Issuer, with any applicable certification, identification, documentation, information or other reporting requirement concerning the nationality, residence, identity or connection with a tax jurisdiction of the holder or beneficial owner if, without regard to any tax treaty, such compliance is required under the tax laws or regulations of a tax jurisdiction or any political subdivision or taxing authority thereof or therein to establish an entitlement to an exemption from such withholding or deduction.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

In these Conditions, as used in these Conditions, "**Relevant Date**" in respect of any Capital Security, Receipt or Coupon means the date on which payment in respect of it first becomes due or the date on which payment in full of the amount outstanding is made. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Capital Securities, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Make Whole Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Cayman Islands or Hong Kong, respectively, references in these Conditions to the Cayman Islands or Hong Kong shall be construed as references to the Cayman Islands or (as the case may be) Hong Kong and/or such other jurisdiction.

The Agents shall not be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Securityholder, Couponholder or any third party (i) to pay such tax, duty, charges, withholding or other payment in any jurisdiction or (ii) to provide any notice or information to the Agents that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Capital Securities, Receipts or Coupons without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. PRESCRIPTION

Claims against the Issuer for payment in respect of the Capital Securities, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of distribution) from the appropriate Relevant Date in respect of them.

10. NON-PAYMENT

(a) **Limited rights to institute proceedings**: Notwithstanding any of the provisions below in this Condition 10, the right to institute Winding-Up proceedings is limited to circumstances where payment has become due and is unpaid. In the case of any Distribution, such Distribution will not be due if the Issuer has, as the case may be, elected to defer or cancel that Distribution in accordance with Condition 5(a) or been mandatorily required to defer or cancel that Distribution in accordance with Condition 5(b) or as otherwise provided in the applicable Pricing Supplement.

(b) **Proceedings for Winding-Up**: Upon (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or (ii) the Issuer failing to make payment in respect of the Capital Securities for a period of ten days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Capital Securities and Securityholders holding not less than 15 per cent. of the aggregate principal amount of the Capital Securities may institute proceedings for the Winding-Up of the Issuer and/or prove and/or claim in the Winding-Up of the Issuer for the principal amount of the Capital Securities together with Distribution, Arrears of Distribution and any Additional Distribution Amount accrued to the day prior to the commencement of the Winding-Up. The right to proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Capital Securities is limited to circumstances provided by applicable law.

(c) **Enforcement**: Without prejudice to Condition 10(b), Securityholders holding not less than 15 per cent. of the aggregate principal amount of the outstanding Capital Securities may without further notice to the Issuer institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Capital Securities (other than any payment obligation of the Issuer under or arising from the Capital Securities including, without limitation, payment of any principal or premium or satisfaction of any Distributions (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Capital Securities, including any damages awarded for breach of any obligations), provided that in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) **Extent of Securityholders' remedy**: No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Securityholders, whether for the recovery of amounts owing in respect of the Capital Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Securities.

11. MEETINGS OF SECURITYHOLDERS AND MODIFICATIONS

(a) **Meetings of Securityholders**: The Agency Agreement contains provisions for convening meetings of Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Securityholders holding not less than 10 per cent. in nominal amount of the Capital Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting two or more persons being or representing Securityholders whatever the nominal amount of the Capital Securities held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity of Subordinated Dated Capital Securities or redemption of the Capital Securities, any date for payment of distribution or Distribution Amounts on the Capital Securities, (ii) to reduce or cancel any premium payable on redemption of the Capital Securities, (iii) to reduce the rate or rates of distribution in respect of the Capital Securities or to vary the method or basis of calculating the rate or rates or amount of distribution or the basis for calculating any Distribution Amount in respect of the Capital Securities, (iv) if a Minimum and/or a Maximum Rate of Distribution or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount or the Make Whole Redemption Amount, (vi) to vary the currency or currencies of payment or denomination of the Capital Securities, (vii) to amend the subordination provisions in the Deed of Covenant or (viii) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than one-quarter in nominal amount of the Capital Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

In addition, (i) a resolution in writing signed by or on behalf of Securityholders of not less than 90 per cent. of the aggregate principal amount of Capital Securities for the time being outstanding will take effect as if it were an Extraordinary Resolution, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more the holders and (ii) a resolution passed by way of electronic consents through the clearing systems by or on behalf of Securityholders of not less than 75 per cent. in aggregate principal amount of Capital Securities for the time being outstanding with the effect as if it were an Extraordinary Resolution, in each case whether or not relating to a Reserved Matter.

These Conditions may be amended, modified or varied in relation to any Series of Capital Securities by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification**: The Capital Securities, the Conditions and the Deed of Covenant may be amended without the consent of the Securityholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree without the consent of the Securityholders to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or if to do so could not reasonably be expected to be prejudicial to the interests of the Securityholders.

12. REPLACEMENT OF CAPITAL SECURITIES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Capital Security, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Capital Securities, Receipts, Coupons or Talons) and of the relevant Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Securityholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Capital Security, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Capital Securities, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Capital Securities, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. SUBSTITUTION OR VARIATION

(a) This Condition 13 shall apply to Capital Securities only if "Special Event Substitution or Variation" is specified as being applicable in the relevant Pricing Supplement.

(b) If a Special Event has occurred and is continuing, then the Issuer may, subject to Condition 4 (without any requirement for the consent or approval of the Securityholders) and subject to its having satisfied the requirements set out under the definition of "Qualifying Capital Securities" immediately prior to the giving of any notice referred to herein that the provisions of this Condition 13 have been complied with and, unless otherwise specified in the relevant Pricing Supplement, subject to the Relevant Regulator having given, and not withdrawn by the relevant date, its prior consent to the substitution or variation, having given the relevant Notice Period's (as specified in the relevant Pricing Supplement) notice to the Fiscal Agent and, in accordance with Condition 15, the Securityholders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Capital Securities for, or (ii) vary the terms of the Capital Securities with the effect that they remain or become (as the case may be), Qualifying Capital Securities.

(c) Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Capital Securities in accordance with this Condition 13, as the case may be.

(d) In connection therewith, any outstanding Arrears of Distribution (including any Additional Distribution Amount) will be satisfied in full in accordance with the provisions of Condition 5(a) (if applicable).

(e) In connection with any substitution or variation in accordance with this Condition 13, the Issuer shall comply with the rules of any stock exchange on which the Capital Securities are for the time being listed or admitted to trading.

(f) Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event with respect to the Capital Securities or the Qualifying Capital Securities.

In this Condition 13, "**Qualifying Capital Securities**" means securities that:

(a) have terms not materially less favourable to an investor than the terms of the Capital Securities (as reasonably determined by the Issuer, and provided that a certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of two directors of the Issuer shall have been delivered to the Securityholders prior to the substitution or variation of the relevant Capital Securities), provided that:

  (i) they are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of the Issuer;

  (ii) they (or, as appropriate, the guarantee as aforesaid) shall rank senior to or *pari passu* with the Capital Securities on a Winding-Up of the issuer or guarantor thereof, shall preserve the Securityholders' rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the relevant securities, and shall contain terms which provide for the same Rate of Distribution, Distribution Payment Dates and redemption events, from time to time applying to the Capital Securities; and other terms of such securities are substantially identical (as reasonably determined by the Issuer) to the Capital Securities, save for the modifications or amendments to such terms that are required to be made in order to avoid or resolve the applicable Special Event; and

  (iii) they shall not contain loss absorbing provisions, such as principal write-offs, write-downs or conversion to equity (which, for the avoidance of doubt, does not include any provision dealing with statutory bail-in);

(b) have been, or will on issue be, assigned at least the same rating as that assigned by the Rating Agencies to the Capital Securities (if any such rating was assigned on or prior to the Issue Date of the Capital Securities, as specified in the relevant Pricing Supplement) immediately prior to such substitution or variation; and

(c) are listed on The Stock Exchange of Hong Kong Limited or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.

14. FURTHER ISSUES

The Issuer may from time to time without the consent of the Securityholders or Couponholders create and issue further securities having the same terms and conditions as the Capital Securities (except in respect of the first payment of distribution and their issue price, and so that, for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be to the first issue date of the Capital Securities) and so that the same shall be consolidated and form a single series with such Capital Securities, and references in these Conditions to "**Capital Securities**" and "**Securityholders**" shall be construed accordingly.

15. NOTICES

Notices to the holders of Registered Capital Securities shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Capital Securities shall be valid if published in a daily newspaper of general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Capital Securities in accordance with this Condition.

So long as the Capital Securities are represented by a Global Capital Security or a Global Certificate and such Global Capital Security or Global Certificate is held on behalf of Euroclear or Clearstream or DTC, or any other clearing system (except as provided in (ii) and (iii) below), notices to the holders of Capital Securities of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by these Conditions or by delivery of the relevant notice to the holder of the Global Capital Security or Global Certificate; (ii) on behalf of the CMU Service, notices to the holders of Capital Securities of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Capital Security or Global Certificate.

16. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Capital Security, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Securityholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Capital Security, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Capital Security, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Securityholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Securityholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Capital Security, Coupon or Receipt or any other judgment or order.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Capital Securities, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law except that the subordination provisions set out in Conditions 3(b) and (c) are governed by, and shall be construed in accordance with, Cayman Islands law.

(b) **Jurisdiction**: The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Capital Securities, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Capital Securities, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Capital Securities, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Service of Process**: The Issuer irrevocably appoints Law Debenture Corporate Services Limited of Eighth Floor, 100 Bishopsgate, London EC2N 4AG as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Securityholders of such appointment in accordance with Condition 15. Nothing shall affect the right to serve process in any manner permitted by law.

FORM OF PRICING SUPPLEMENT IN RELATION TO NOTES

The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**EU MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.][1]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][2]

EU MiFID II product governance/target market – [*legend to be included for issuances involving one or more EU MiFID II Firm manufacturers*]

[**EU MIFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**EU MiFID II**")] [EU MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

UK MiFIR product governance/target market – [*legend to be included for issuances involving one or more UK MiFIR Firm manufacturers*]

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1 To be included if the Notes may constitute "packaged" products and no KID will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason.

2 To be included if the Notes may constitute "packaged" products and no KID will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason.

[UK MIFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

The Notes have not and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any other jurisdiction. The Notes may not be offered or sold in the United States except in transactions exempt from or not subject to the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold [inside the United States only to "qualified institutional buyers" as defined under and in accordance with Rule 144A promulgated under the Securities Act and] outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S promulgated under the Securities Act.

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information in this Pricing Supplement amends and supplements the Offering Circular dated 31 March 2023 (the "**Offering Circular**"), and supersedes the information in the Offering Circular to the extent inconsistent with the information in the Offering Circular. This Pricing Supplement should be read together with the Offering Circular, which is hereby incorporated by reference. Terms used herein but not defined herein shall have the respective meanings as set forth in the Offering Circular.

This Pricing Supplement is intended for the sole use of the person to whom it is provided by the sender, and it is being distributed to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE**")) ("**Professional Investors**") only.

Notice to Hong Kong investors: the Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme and the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer or the Group or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

This Pricing Supplement together with the Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE Rules**" or "**Listing Rules**") for the purpose of giving information with regard to us and the Group. We accept full responsibility for the accuracy of the information contained in this Pricing Supplement and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

ANY DISCLAIMERS OR OTHER NOTICES THAT MAY APPEAR BELOW ARE NOT APPLICABLE TO THIS COMMUNICATION AND SHOULD BE DISREGARDED. SUCH DISCLAIMERS OR OTHER NOTICES WERE AUTOMATICALLY GENERATED AS A RESULT OF THIS COMMUNICATION BEING SENT VIA BLOOMBERG OR ANOTHER EMAIL SYSTEM.

Pricing Supplement dated [●]

FWD Group Holdings Limited
富衛集團有限公司
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the US$5,000,000,000 Global Medium Term Note and Capital Securities Programme

The document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Notes Conditions (the "**Conditions**") set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated [*current date*] [and the supplemental Offering Circular dated [*date*]], save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.*]

1.	Issuer:	FWD Group Holdings Limited 富衛集團有限公司
2.	[(i) Series Number:]	[●]
	[(ii) Tranche Number:	[●]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)]	
3.	Specified Currency or Currencies:	[●]
		(If Notes are being cleared through DTC with interest and or principal payable in a currency other than U.S. dollars, check whether DTC will accept payments in such currency)
4.	Aggregate Nominal Amount:	[●]
	[(i)] [Series]:	[●]
	[(ii) Tranche:	[●]]
5.	(i) Issue Price:	[●] per cent of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]

	[(ii) Net Proceeds:	[●] (Required only for listed issues)]
6.	(i) Specified Denominations:[3, 4, 5]	[●]
	(ii) Calculation Amount:	[●]
7.	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8.	Maturity Date:	*[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*[6]
9.	Interest Basis:	[[●] per cent Fixed Rate] [[*Specify* reference rate] +/- [●] per cent Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*Specify*)] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*Specify*)]
11.	Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12.	Put/Call Options:	[Redemption for Taxation Reasons]

3 Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

4 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]. No notes in definitive form will be issued with a denomination above[€99,000]/[€199,000].

5 Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HKD500,000 (or equivalent in other currencies).

6 Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

		[Redemption at the Option of the Issuer]
		[Redemption at the Option of Noteholders]
		[Redemption at the Option of the Issuer (Make Whole Redemption)]
		[(further particulars specified below)]
13.	Listing:	[Hong Kong/Other (*specify*)/None] (*For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes*)
14.	Method of Distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions	[Applicable/Not Applicable]
		(If not applicable, delete the remaining subparagraphs of this paragraph)
	(i) Rate[(s)] of Interest:	[●] per cent per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [specify *Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/*not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[7]
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[30/360/Actual/Actual(ICMA/ISDA)/Actual/ 365(fixed) /other]
	(vi) [Determination Dates:	[●] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/Condition [●] or Condition [●]]

[7] For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.

16.	Floating Rate Note Provisions	[Applicable/Not Applicable]
		(If not applicable, delete the remaining subparagraphs of this paragraph)
	(i) Interest Period(s):	[●]
	(ii) Specified Period:	[●]
		(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")
	(iii) Specified Interest Payment Dates:	[●]
		(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(v) Additional Business Centre(s):	[Not Applicable/*give details*]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/other (*give details*)]
	(vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]):	[[Name] shall be the Calculation Agent *(no need to specify if the Fiscal Agent is to perform this function)*]
	(viii) Screen Rate Determination:	
	• Reference Rate:	[*For example*, EURIBOR/SOFR]
	• Observation Method:	[Lag/Observation Shift]
	• Lag Period:	[5/[●] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days/Not Applicable]
	• Observation Shift Period:	[5/[●] TARGET Settlement Days/U.S. Government Securities Business Days/London Banking Days /Not Applicable]
		(*NB: A minimum of 5 should be specified for the Lag Period or Observation Shift Period, unless otherwise agreed with the Calculation Agent*)

	• D:	[360/365/[●]]/[Not Applicable]
	• Index Determination:	[Applicable/Not Applicable]
	• SOFR Compounded Index:	[Applicable/Not Applicable]
	• Relevant Decimal Place:	[●] [5] *(unless otherwise specified in the Pricing Supplement, it should be the fifth decimal place)*
	• Relevant Number of Index Days:	[●] [5] *(unless otherwise specified in the Pricing Supplement, it should be the fifth decimal place)*
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[*For example*, *EURIBOR 01*]
(ix)	Margin(s):	[+/-] [●] per cent per annum
(x)	Minimum Rate of Interest:	[●] per cent per annum
(xi)	Maximum Rate of Interest:	[●] per cent per annum
(xii)	Day Count Fraction:	[●]
(xiii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
17.	Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(i)	Amortisation Yield:	[●] per cent per annum
(ii)	Day count fraction:	[●]
(iii)	Any other formula/basis of determining amount payable:	[●]
18.	Index-Linked Interest Note/other variable-linked interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Index/Formula/other variable:	[*give or annex details*]
(ii)	Calculation Agent responsible for calculating the interest due:	[●]

	(iii)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv)	Interest Determination Date(s):	[●]
	(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	Interest or calculation period(s):	[●]
	(vii)	Specified Period:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
	(viii)	Specified Interest Payment Dates:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Business Day Convention or Eurodollar Convention, insert "Not Applicable")*
	(ix)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(x)	Additional Business Centre(s):	[●]
	(xi)	Minimum Rate/Amount of Interest:	[●] per cent per annum
	(xii)	Maximum Rate/Amount of Interest:	[●] per cent per annum
	(xiii)	Day Count Fraction:	[●]
19.	Dual Currency Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]

(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20.	Redemption for Taxation Reasons:	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Early Redemption Amount (Withholding Tax Event):	[As defined in the Conditions]/^*] per Calculation Amount]
(ii)	Notice Period:	No fewer than 15 or more than 30 days' notice
21.	Redemption at the Option of the Issuer	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii)	[If redeemable in part:	(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount]
(iv)	Notice Period:	No fewer than 15 or more than 30 days' notice
22.	Redemption at the Option of Noteholders	[Applicable/Not Applicable]
		(If not applicable, delete the remaining subparagraphs of this paragraph)
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii)	Notice Period:	No fewer than 30 or more than 60 days' notice

23.	Redemption at the Option of the Issuer (Make Whole Redemption)	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Make Whole Optional Redemption Date(s):	[●]
	(ii) Reference Security:	[●]
	(iii) Reference Security Price:	[Not Applicable]
	(iv) Make Whole Redemption Margin:	[●]
	(v) Quotation Time:	[●]
	(vii) Make Whole Redemption Amount:	[●]
	(viii) Notice Period:	No fewer than 15 or more than 30 days' notice
24.	Final Redemption Amount of each Note	[●] per Calculation Amount
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	
	(i) Index/Formula/variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[●]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[●]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi) [Payment Date]:	[●]

(vii) [Minimum Final Redemption Amount: [●] per Calculation Amount]

(viii) [Maximum Final Redemption Amount: [●] per Calculation Amount]

25. Early Redemption Amount [Not Applicable]

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

(If both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Form of Notes

Bearer Notes:

[Temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice][8]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]

[Registered Notes:

[Unrestricted Global Certificate exchangeable for unrestricted Individual Note Certificates in the limited circumstances described in the Unrestricted Global Certificate]

[and]

[Restricted Global Certificate exchangeable for Restricted Individual Note Certificates in the limited circumstances described in the Restricted Global Certificate]]

8 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]", the temporary Global Note shall not be exchangeable on [●] days' notice.

27.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details* *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(vi) and 16(x) relate*]
28.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
29.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/*give details*]
30.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
31.	Redenomination, Renominalisation and Reconventioning Provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
32.	Consolidation Provisions:	[The provisions in [Condition 13 (*Further Issues*)]
33.	Other Terms or Special Conditions:	[annexed to this Pricing Supplement] apply] [Not Applicable/*give details*]

DISTRIBUTION

34.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/*give names*]
35.	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
36.	U.S. Selling Restrictions:	Reg. S Category 2; *(In the case of Bearer Notes)* – [TEFRA C/TEFRA D/TEFRA not applicable] *(In the case of Registered Notes) – [Not] Rule 144A Eligible*
37.	Additional Selling Restrictions:	[Not Applicable/*give details*]

38. Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
	(*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, "Applicable" should be specified.*)
39. Prohibition of Sales to UK Retail Investors	[Applicable/Not Applicable]
	(*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, or the Issuer wishes to prohibit offers to UK retail investors for any other reason, "Applicable" should be specified.*)

OPERATIONAL INFORMATION

ISIN Code:	[●]
Common Code:	[●]
CUSIP:	[●]
CMU Instrument Number:	[●]
Any clearing system(s) other than Euroclear, Clearstream and the CMU Service and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
Delivery:	Delivery [against/free of] payment
Additional Paying Agent(s) (if any):	[●]

HONG KONG SFC CODE OF CONDUCT

Rebates:	[A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable].

Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide*]/[Not Applicable]
Marketing and Investor Targeting Strategy:	[*if different from the Offering Circular*]

GENERAL

The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in [U.S. dollars]):	[Not Applicable/US$[●]]
[Ratings:	The Notes to be issued are expected to be rated: (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)]

[STABILISATION

In connection with the issue of the Notes, [*name(s) of Stabilising Manager(s)*] (or persons acting on behalf of [*name(s) of Stabilising Manager(s)*]) (the "**Stabilising Manager[s]**") may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilising Manager[s] to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.]

[INVESTMENT CONSIDERATIONS

There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.]

[USE OF PROCEEDS

[●] *(See "Use of Proceeds" wording in the Offering Circular. If the use of the net proceeds is different from those reasons stated, include those reasons here.)*]

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this Pricing Supplement, there/There] has been no significant change in the financial or trading position of the Issuer or of the Group since *[insert date of last audited accounts or interim accounts (if later)]* and no material adverse change in the financial position or prospects of the Issuer or of the Group since *[insert date of last published annual accounts]*.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Notes described herein pursuant to the US$5,000,000,000 Global Medium Term Note and Capital Securities Programme.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of FWD Group Holdings Limited 富衛集團有限公司:

By: ________________________

Name:

Title:

FORM OF PRICING SUPPLEMENT IN RELATION TO CAPITAL SECURITIES

The Pricing Supplement in respect of each Tranche of Capital Securities will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Capital Securities and their issue.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**EU MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][1]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][2]

EU MiFID II product governance/target market – [*legend to be included for issuances involving one or more EU MiFID II Firm manufacturers*]

[**EU MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**EU MiFID II**")] [EU MiFID II]; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

1 To be included if the Securities may constitute "packaged" products and no KID will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason.

2 To be included if the Securities may constitute "packaged" products and no KID will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason.

UK MiFIR product governance/target market – [*legend to be included* for *issuances involving one or more UK MiFIR Firm manufacturers*]

[**UK MIFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

The Capital Securities have not and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any other jurisdiction. The Capital Securities may not be offered or sold in the United States except in transactions exempt from or not subject to the registration requirements of the Securities Act. Accordingly, the Capital Securities are being offered and sold [inside the United States only to "qualified institutional buyers" as defined under and in accordance with Rule 144A promulgated under the Securities Act and] outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S promulgated under the Securities Act.

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information in this Pricing Supplement amends and supplements the Offering Circular dated 31 March 2023 (the "**Offering Circular**"), and supersedes the information in the Offering Circular to the extent inconsistent with the information in the Offering Circular. This Pricing Supplement should be read together with the Offering Circular, which is hereby incorporated by reference. Terms used herein but not defined herein shall have the respective meanings as set forth in the Offering Circular.

This Pricing Supplement is intended for the sole use of the person to whom it is provided by the sender, and it is being distributed to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE**")) ("**Professional Investors**") only.

Notice to Hong Kong investors: the Issuer confirms that the Capital Securities are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, the Issuer confirms that the Capital Securities are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme and the Capital Securities on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Capital Securities or the Issuer or the Group or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

This Pricing Supplement includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE Rules**" or "**Listing Rules**") for the purpose of giving information with regard to us and the Group. We accept full responsibility for the accuracy of the information contained in this Pricing Supplement and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

[**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Capital Securities are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

ANY DISCLAIMERS OR OTHER NOTICES THAT MAY APPEAR BELOW ARE NOT APPLICABLE TO THIS COMMUNICATION AND SHOULD BE DISREGARDED. SUCH DISCLAIMERS OR OTHER NOTICES WERE AUTOMATICALLY GENERATED AS A RESULT OF THIS COMMUNICATION BEING SENT VIA BLOOMBERG OR ANOTHER EMAIL SYSTEM.

Pricing Supplement dated [●]

FWD Group Holdings Limited
富衛集團有限公司
Issue of [Aggregate Nominal Amount of Tranche] [Title of Capital Securities]
under the US$5,000,000,000 Global Medium Term Note and Capital Securities Programme

The document constitutes the Pricing Supplement relating to the issue of Capital Securities described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Capital Securities Conditions (the "**Conditions**") set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Capital Securities and must be read in conjunction with such Offering Circular dated [*current date*] [and the supplemental Offering Circular dated [*date*]], save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.*]

1. Issuer:	FWD Group Holdings Limited 富衛集團有限公司
[(i) Series Number:]	[●]
[(ii) Tranche Number:	[●]
(If fungible with an existing Series, details of that Series, including the date on which the Capital Securities become fungible)]	

2.	Type of Security and Ranking:	[Senior Perpetual Securities/Subordinated Perpetual Securities/Subordinated Dated Securities] (*specify if any additional provisions relating to ranking under Condition 3, if applicable*)
3.	Specified Currency or Currencies:	[●] *(If Capital Securities are being cleared through DTC with interest and or principal payable in a currency other than U.S. dollars, check whether DTC will accept payments in such currency)*
4.	Aggregate Nominal Amount:	[●]
	[(i)] [Series]:	[●]
	[(ii) Tranche:	[●]]
5.	(i) Issue Price:	[●] per cent of the Aggregate Nominal Amount [plus accrued Distribution from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	[(ii) Net Proceeds:	[●] (Required only for listed issues)]
6.	Maturity Date:	[Specify/Not Applicable]
7.	(i) Specified Denominations:[3, 4, 5]	[●]
	(ii) Calculation Amount:	[●]
8.	(i) Issue Date:	[●]
	(ii) Distribution Commencement Date:	[*Specify*/Issue Date/Not Applicable]
9.	Distribution Basis:	[[●] per cent. Fixed Rate] [Optional Issuer Deferral applies. Distributions are [compounding/non-compounding] in accordance with Condition 5(a)(v)] [Optional Issuer Cancellation applies] [Mandatory Issuer Deferral applies]

3 Securities (including Securities denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

4 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]. No securities in definitive form will be issued with a denomination above [€99,000]/[€199,000].

5 Securities to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HKD500,000 (or equivalent in other currencies).

	[Mandatory Issuer Cancellation applies]
	(see paragraph [14/15/16] below)
10. Put/Call Options:	[Redemption for Taxation Reasons]
	[Redemption upon a Tax Deductibility Event]
	[Redemption at the Option of the Issuer]
	[Redemption at the Option of the Issuer (Make Whole Redemption)]
	[Redemption upon a Rating Event]
	[Redemption for Accounting Reasons]
	[Redemption upon a Regulatory Event] *(for Subordinated Capital Securities only)*
	[Redemption for Minimum Outstanding Amount]
	[(See paragraph(s) [19/20/21/22/23/24/25/26] below)]
11. Listing:	[Hong Kong/Other (*specify*)/None] (*For Capital Securities to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Capital Securities*)
12. Method of Distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO DISTRIBUTION (IF ANY) PAYABLE

13.	(i)	Rate of Distribution:	[●] per cent. per annum payable in arrear
	(ii)	Step-up Margin:	[[●] per cent./Not Applicable]
	(iii)	Step-up Date:	[[●]/Not Applicable]
	(iv)	Reset Date:	[[●]/Not Applicable] [*To set out First Reset Date along with any subsequent Reset Dates*]
	(v)	Reset Distribution Rate:	[[●]/Not Applicable]
	(vi)	Distribution Payment Date(s):	[●] and [●] in each year [adjusted in accordance with [*specify Business day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]]/[*not adjusted*]

	(vii) Fixed Distribution Amount[(s)]:	[●] per Calculation Amount[6]
	(viii) Broken Amount(s):	[Not Applicable]/[[●] per Calculation Amount, payable on the Distribution Payment Date falling [in/on] [●]]
	(ix) Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/other]
14.	Dividend Pusher:	[Applicable/Not Applicable] [Payment Event (Pusher) applies] [Redemption Event (Pusher) applies] (*select as applicable*)
	(i) [Dividend Pusher Lookback Period:	[●] months]
	(ii) Relevant Obligations (Pusher):	[Junior Obligations/Parity Obligations/Junior Obligations and Parity Obligations/Not Applicable] [The definition of "**Junior Obligations**" set out in the Conditions shall be modified as follows: [*insert*]] [The definition of "**Parity Obligations**" set out in the Conditions shall be modified as follows: [*insert*]]
	(iii) Exempted Payments (Pusher):	[Not Applicable]/[Payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants]
	(iv) Exempted Redemptions (Pusher):	[Not Applicable]/[(i) An exchange of any of its Parity Obligations in whole for Junior Obligations, (ii) a repurchase or other acquisition of any Relevant Obligations (Pusher) in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants, or (iii) any repurchase or other acquisition which occurs in connection with a merger, amalgamation, consolidation, sale or other corporate reorganisation or which is required under applicable law]
15.	Dividend Stopper:	[Applicable/Not Applicable] [Discretionary Payment Restriction (Stopper) applies] [Discretionary Redemption Restriction (Stopper) applies] (select as applicable)

6 For Hong Kong dollar or Renminbi denominated Securities where the Distribution Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Distribution Amount shall be calculated by multiplying the product of the Rate of Distribution and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Securities and to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Securities, in each case being rounded upwards.

(i) Relevant Obligations (Stopper):	[Junior Obligations/Parity Obligations/Junior Obligations and Parity Obligations/Not Applicable]
(ii) Exempted Payments (Stopper):	[Not Applicable]/[Payments declared, paid or made in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants]
(iii) Exempted Redemptions (Stopper):	[Not Applicable]/[An exchange of any of its Parity Obligations in whole for Junior Obligations, a repurchase or other acquisition of any securities in respect of an employee benefit plan or similar arrangement with or for the benefit of employees, officers, directors, agents or consultants]
16. Optional Issuer Deferral:	[Applicable/Not Applicable]/[*give details*]
17. Optional Issuer Cancellation:	[Applicable/Not Applicable]/[*give details*]
18. Mandatory Issuer Deferral:	[Applicable/Not Applicable]/[*give details*]
19. Mandatory Issuer Cancellation:	[Applicable/Not Applicable]/[*give details*]
20. Other terms relating to the method of calculating Distribution:	[Applicable/Not Applicable]/[*give details*]

PROVISIONS RELATING TO REDEMPTION

21. Redemption for Taxation Reasons:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Early Redemption Amount (Withholding Tax Event):	[As defined in the Conditions]/[[●] per Calculation Amount]
(ii) Notice Period:	No fewer than 15 or more than 30 days' notice
22. Redemption upon a Tax Deductibility Event:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i) Early Redemption Amount (Tax Deductibility Event):	[As defined in the Conditions]/[[●] per Calculation Amount]
(ii) Notice Period:	No fewer than 15 or more than 30 days' notice
23. Redemption at the Option of the Issuer:	
(i) Optional Redemption Date(s):	[●]
(ii) Optional Redemption Amount of each Security:	[As defined in the Conditions]/[[●] per Calculation Amount]
(iii) [If redeemable in part:	(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(a) Minimum Redemption Amount:	[●] per Calculation Amount

	(b) Maximum Redemption Amount	[●] per Calculation Amount]
	(iv) Notice Period:	No fewer than 15 or more than 30 days' notice
24.	Redemption at the Option of the Issuer (Make Whole Redemption):	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Make Whole Optional Redemption Date(s):	[●]
	(ii) Make Whole Calculation Date:	[●]
	(iii) Reference Security:	[●]
	(iv) Reference Security Price:	[Not Applicable]
	(v) Make Whole Redemption Margin:	[●]
	(vi) Quotation Time:	[●]
	(vii) Make Whole Redemption Amount:	[●]
	(viii) Notice Period:	No fewer than 15 or more than 30 days' notice
25.	Redemption upon a Rating Event Redemption:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Early Redemption Amount (Rating Event):	[As defined in the Conditions]/[[●] per Calculation Amount]
	(ii) Notice Period:	No fewer than 15 or more than 30 days' notice
	(iii) Relevant Rating Agencies in relation to any Rating Event:	[●] [or other rating agencies of equivalent international standing requested from time to time by the Issuer to grant an equity classification to the Capital Securities]
26.	Redemption for Accounting Reasons:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Early Redemption Amount (Accounting Event):	[As defined in the Conditions]/[[●] per Calculation Amount]
	(ii) Notice Period:	Not less than 15 or more than 30 days' notice
27.	Redemption upon a Regulatory Event:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Early Redemption Amount (Regulatory Event):	[As defined in the Conditions]/[[●] per Calculation Amount]

	(ii) Notice Period:	Not less than 15 or more than 30 days' notice
	(iii) Relevant Group Capital Level:	[●]
28.	Redemption for Minimum Outstanding Amount	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Early Redemption Amount (Minimum Outstanding Amount):	[As defined in the Conditions]/[[●] per Calculation Amount]
	(ii) Minimum Redeemed Amount:	[As defined in the Conditions]/[[●] per cent.]
	(iii) Notice Period:	Not less than 15 or more than 30 days' notice
29.	Other Special Events	[Not Applicable/*give details*]
30.	Regulatory Redemption Conditions:	[Not Applicable/Applicable]

GENERAL PROVISIONS APPLICABLE TO THE CAPITAL SECURITIES

31.	Special Event Substitution or Variation:	[Applicable/Not Applicable]
	(i) Notice Period:	Not less than 15 or more than 30 days' notice
32.	Form of Capital Securities:	**Bearer Capital Securities:** [Temporary Global Security exchangeable for a permanent Global Security which is exchangeable for Definitive Capital Securities in the limited circumstances specified in the permanent Global Security] [Temporary Global Security exchangeable for Definitive Capital Securities on [●] days' notice][7] [Permanent Global Security exchangeable for Definitive Capital Securities in the limited circumstances specified in the permanent Global Security] **[Registered Capital Securities:** [Unrestricted Global Certificate exchangeable for unrestricted Individual Security Certificates in the limited circumstances described in the Unrestricted Global Certificate] [and]

[7] If the Specified Denominations of the Securities in paragraph 8 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]", the temporary Global Security shall not be exchangeable on [●] days' notice.

		[Restricted Global Certificate exchangeable for Restricted Individual Security Certificates in the limited circumstances described in the Restricted Global Certificate]]
33.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details* *Note that this paragraph relates to the date and place of payment, and not distribution period end dates, to which sub paragraph 14(ii) relates*]
34.	Talons for future Coupons or Receipts to be attached to Definitive Capital Securities (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
35.	Redenomination, Renominalisation and Reconventioning Provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
36.	Consolidation Provisions:	[The provisions in [Condition [14] (*Further Issues*)] [annexed to this Pricing Supplement] apply]
37.	Other Terms or Special Conditions:	[Not Applicable/*give details*]

DISTRIBUTION

38.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/*give names*]
39.	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
40.	U.S. Selling Restrictions:	Reg. S Category 2; *(In the case of Bearer Capital Securities)* – [TEFRA C/TEFRA D/TEFRA not applicable] *(In the case of Registered Capital Securities) – [Not] Rule 144A Eligible*
41.	Additional Selling Restrictions:	[Not Applicable/*give details*]
42.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Capital Securities clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Capital Securities may constitute "packaged" products and no KID will be prepared, or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, "Applicable" should be specified.*)

43.	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable]
		(*If the Capital Securities clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Capital Securities may constitute "packaged" products and no KID will be prepared, or the Issuer wishes to prohibit offers to UK retail investors for any other reason, "Applicable" should be specified.*)

OPERATIONAL INFORMATION

44.	ISIN Code:	[●]
45.	Common Code:	[●]
46.	CUSIP:	[●]
47.	CMU Instrument Number:	[●]
48.	Any clearing system(s) other than DTC, Euroclear, Clearstream and the CMU Service and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
49.	Delivery:	Delivery [against/free of] payment
50.	Additional Paying Agent(s) (if any):	[●]

HONG KONG SFC CODE OF CONDUCT

51.	Rebates:	[A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Securities subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Securities distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable].
52.	Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide*]/[Not Applicable]
53.	Marketing and Investor Targeting Strategy:	[*if different from the Offering Circular*]

GENERAL

54.	The aggregate principal amount of Capital Securities issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Capital Securities not denominated in [U.S. dollars]):	[Not Applicable/US$[●]]
55.	Ratings:	The Capital Securities to be issued are expected to be rated: *(The above disclosure should reflect the rating allocated to Capital Securities of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*]
55.	HKIA Insurance (Group Capital) Rules:	[The Capital Securities are expected to qualify as [Tier 1 limited capital/Tier 2 group capital] under the Hong Kong Insurance Authority's Insurance (Group Capital) Rules.]

[STABILISATION

In connection with the issue of the Capital Securities, [*name*(*s*) *of Stabilising Manager*(*s*)] (or persons acting on behalf of [*name*(*s*) *of Stabilising Manager*(*s*)]) (the "**Stabilising Manager[s]**") may over-allot Capital Securities or effect transactions with a view to supporting the price of the Capital Securities at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilising Manager[s] to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.]

[INVESTMENT CONSIDERATIONS

[SPECIFY ANY ADDITIONAL INVESTMENT OR TAX CONSIDERATIONS WHICH ARE RELEVANT TO THE TERMS OF THE CAPITAL SECURITIES]

There are significant risks associated with the Capital Securities including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Capital Securities, the appropriate tools to analyse that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Capital Securities unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Capital Securities.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.]

[**USE OF PROCEEDS**

[●] (*See "Use of Proceeds" wording in the Offering Circular*. *If the use of the net proceeds is different from those reasons stated*, *include those reasons here*.)]

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this Pricing Supplement, there/There] has been no significant change in the financial or trading position of the Issuer or of the Group since *[insert date of last audited accounts or interim accounts (if later)]* and no material adverse change in the financial position or prospects of the Issuer or of the Group since *[insert date of last published annual accounts]*.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Hong Kong Stock Exchange of the Capital Securities described herein pursuant to the US$5,000,000,000 Global Medium Term Note and Capital Securities Programme.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of FWD Group Holdings Limited 富衛集團有限公司:

By: ________________________

Name:

Title:

SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM

1. INITIAL ISSUE OF INSTRUMENTS

Global Instruments and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or a sub-custodian for the CMU Service or registered in the name of a nominee for DTC.

Upon the initial deposit of a Global Instrument with the Common Depositary or with a sub-custodian for the CMU Service or registration of Registered Instruments in the name of (a) any nominee for Euroclear and Clearstream or a Common Depositary therefor or (b) the HKMA as operator of the CMU Service and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the CMU Service (as the case may be), Euroclear or Clearstream or the CMU Service (as the case may be) will credit each subscriber with a nominal amount of Instruments equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Instruments in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Instruments equal to the nominal amount thereof for which it has subscribed and paid.

Instruments that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Instruments that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

2. RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream, DTC or any other clearing system ("**Alternative Clearing System**") as the holder of an Instrument represented by a Global Instrument or a Global Certificate must look solely to Euroclear, Clearstream, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by us to the bearer of such Global Instrument, or the holder of the underlying Registered Instruments, as the case may be, and in relation to all other rights arising under the Global Instruments or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, DTC or any such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against us in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument or Global Certificate and such obligations of ours will be discharged by payment to the bearer of such Global Instrument, or the holder of the underlying Registered Instruments, as the case may be, in respect of each amount so paid.

If a Global Instrument or a Global Certificate is lodged with a sub-custodian for or registered with the CMU Service, the person(s) for whose account(s) interests in such Global Instrument or Global Certificate are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled (in the case of Registered Instruments, directed or deemed by the CMU Service as entitled) to receive payments in respect of Instruments represented by such Global Instrument or Global Certificate and we will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Instrument or Global Certificate are credited as being held in the CMU Service in respect of each amount so paid. Each of the persons shown in the records of the CMU Service, as the beneficial holder of a particular nominal amount of Instruments represented by such Global Instrument or Global Certificate, must look solely to the CMU Lodging Agent for his share of each payment so made by us in respect of such Global Instrument or Global Certificate.

3. EXCHANGE

3.1 Temporary Global Instruments

Each temporary Global Instrument will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(a) if the relevant Pricing Supplement indicates that such Global Instrument is issued in compliance with the TEFRA C rules or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Instruments defined and described below; and

(b) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Instrument or, if so provided in the relevant Pricing Supplement, for Definitive Instruments.

3.2 Permanent Global Instruments

Each permanent Global Instrument will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "*Partial Exchange of Permanent Global Instruments*" below, in part for Definitive Instruments (a) if the permanent Global Instrument is held on behalf of Euroclear or Clearstream or the CMU Service or any other clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (b) if principal in respect of any Instruments is not paid when due, by the holder giving notice to the Fiscal Agent (or, in the case of Instruments lodged with the CMU Service, the CMU Lodging Agent) of its election for such exchange.

In the event that a Global Instrument is exchanged for Definitive Instruments, such Definitive Instruments shall be issued in Specified Denomination(s) only. An Instrumentholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Instrument in respect of such holding and would need to purchase a principal amount of Instruments such that it holds an amount equal to one or more Specified Denominations.

3.3 Permanent Global Certificates

(a) Unrestricted Global Certificates

If the relevant Pricing Supplement states that the Instruments are to be represented by an Unrestricted Global Certificate on issue, the following will apply in respect of transfers of Instruments held in Euroclear or Clearstream or the CMU Service or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Instruments within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Instruments may be withdrawn from the relevant clearing system.

Transfers of the holding of Instruments represented by any Global Certificate pursuant to Notes Condition 2(b) or Capital Securities Condition 2(b) may only be made:

(i) in whole but not in part, if such Instruments are held on behalf of Euroclear or Clearstream or the CMU Service or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;

(ii) in whole but not in part, if such Instruments are held on behalf of a Custodian for DTC and if DTC notifies us that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that DTC Unrestricted Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and we are unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(iii) in whole or in part, with our prior consent, **provided that**, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Registered Holder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

(b) Restricted Global Certificates

If the relevant Pricing Supplement states that the Restricted Instruments are to be represented by a Restricted Global Certificate on issue, the following will apply in respect of transfers of such Instruments held in DTC. These provisions will not prevent the trading of interests in the Instruments within DTC whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Instruments may be withdrawn from DTC. Transfers of the holding of Instruments represented by that Restricted Global Certificate pursuant to Notes Condition 2(b) or Capital Securities Condition 2(b) may only be made:

(i) in whole but not in part, if such Instruments are held on behalf of a Custodian for DTC and if DTC notifies us that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Restricted Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and we are unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(ii) in whole or in part, with our consent, **provided that**, in the case of any transfer pursuant to (i) or (ii) above, the relevant Registered Instrumentholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Instrumentholder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Instruments as set out in "*Transfer Restrictions*".

3.4 Partial Exchange of Permanent Global Instruments

For so long as a permanent Global Instrument is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Instrument will be exchangeable in part on one or more occasions for Definitive Instruments (a) if principal in respect of any Instruments is not paid when due or (b) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

3.5 Delivery of Instruments

On or after any due date for exchange the holder of a Global Instrument may surrender such Global Instrument or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Instruments lodged with the CMU Service, the CMU Lodging Agent). In exchange for any Global Instrument, or the part thereof to be exchanged, we will (a) in the case of a temporary Global Instrument exchangeable for a permanent Global Instrument, deliver, or procure the delivery of, a permanent Global Instrument in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Instrument that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Instrument to reflect such exchange or (b) in the case of a Global Instrument exchangeable for Definitive Instruments or Registered Instruments, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Instruments and/or Certificates, as the case may be. Global Instruments and Definitive Instruments will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Instruments**" means, in relation to any Global Instrument, the definitive Bearer Instruments for which such Global Instrument may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Instrument and a Talon). Definitive Instruments will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Instrument, we will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Instruments.

3.6 Exchange Date

"**Exchange Date**" means (a) in relation to an exchange of a temporary Global Instrument to a permanent Global Instrument, the day falling after the expiry of 40 days after its issue date; (b) in relation to an exchange of a permanent Global Instrument to a Definitive Instrument, a day falling not less than 60 days or in the case of exchange following failure to pay principal in respect of any Instruments when due 30 days after the date of receipt of the first relevant notice by the Fiscal Agent; (c) in relation to an exchange of a permanent Global Instrument to a Registered Instrument, a day falling not more than five days after the date of receipt of the first relevant notice by the Fiscal Agent; or (d) in the case of failure to pay principal in respect of any Instruments when due or an Event of Default has occurred and is continuing, a day falling 45 days after the date of receipt of the first relevant notice by the Fiscal Agent, provided if such date is not a day on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located, the immediately following day on which banks are so open in such locations.

4. AMENDMENT TO CONDITIONS

The temporary Global Instruments, permanent Global Instruments and Global Certificates contain provisions that apply to the Instruments that they represent, some of which modify the effect of the terms and conditions of the Instruments set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Instrument unless exchange for an interest in a permanent Global Instrument or for Definitive Instruments or Registered Instruments is improperly withheld or refused. Payments on any temporary Global Instrument issued in compliance with the TEFRA D rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Instruments represented by a Global Instrument (except with respect to Global Instrument held through the CMU Service) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Instruments, surrender of that Global Instrument to or to the order of the Fiscal Agent as shall have been notified to the Instrumentholders for such purpose. A record of each payment so made will be endorsed on each Global Instrument, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Instruments. For the purpose of any payments made in respect of a Global Instrument, the relevant place of presentation (if applicable) shall be disregarded in the definition of "**business day**" set out in Notes Condition 7(h) and Capital Securities Condition 7(h) (*Non-Business Days*).

All payments in respect of Instruments represented by a Global Certificate (other than a Global Certificate held through the CMU Service) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (the "**record date**"), where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Instrument or Global Certificate held through the CMU Service, any payments of principal, interest or distribution (if any), or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Instrument are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service as at the business day before the date for payment) and, save in the case of final payment, no presentation of the relevant bearer Global Instrument or Global Certificate shall be required for such purpose.

4.2 Prescription

Claims against us in respect of Instruments that are represented by a permanent Global Instrument will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or distribution) from the appropriate Relevant Date (as defined in Notes Condition 8) and Capital Securities Condition 8).

4.3 Meetings

The holder of a permanent Global Instrument or of the Instruments represented by a Global Certificate shall (unless such permanent Global Instrument or Global Certificate represents only one Instrument) be treated as being two persons for the purposes of any quorum requirements of a meeting of Instrumentholders and, at any such meeting, the holder of a permanent Global Instrument or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Instruments. (All holders of Registered Instruments are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Instruments comprising such Instrumentholder's holding, whether or not represented by a Global Certificate).

4.4 Cancellation

Cancellation of any Instrument represented by a permanent Global Instrument or Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Instrument or its presentation to or to the order of the Fiscal Agent for endorsement in the relevant schedule of such permanent Global Instrument or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the register of the certificateholders, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

4.5 Purchase

Instruments represented by a permanent Global Instrument may only be purchased by us or any of our subsidiaries if they are purchased together with the rights to receive all future payments of interest or distribution and Instalment Amounts (if any) thereon.

4.6 Our Option

Any option of ours provided for in the Conditions of any Instruments while such Instruments are represented by a permanent Global Instrument or a Global Certificate shall be exercised by us giving notice to the Instrumentholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain, in the case of Bearer Instruments, the certificate numbers of Instruments drawn or, in the case of Registered Instruments, the holder of the Instruments in respect of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of ours is exercised in respect of some but not all of the Instruments of any Series, the rights of accountholders with a clearing system in respect of the Instruments will be governed by the standard procedures of Euroclear, Clearstream, DTC, the CMU Service or any other clearing system (as the case may be).

4.7 Instrumentholders' Options

Any option of the Instrumentholders provided for in the Conditions of any Instruments while such Instruments are represented by a permanent Global Instrument may be exercised by the holder of the permanent Global Instrument giving notice to the Fiscal Agent or (in respect of Instruments represented by a Global Certificate) the Registrar or Transfer Agent or (in respect of Instruments lodged with the CMU Service) the CMU Lodging Agent within the time limits relating to the deposit of Instruments with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Instruments in respect of which the option has been exercised, and stating the nominal amount of Instruments in respect of which the option is exercised and at the same time presenting the permanent Global Instrument or Global Certificate to the Fiscal Agent, the Registrar or a Transfer Agent (or, in each case, to a Paying Agent acting on their behalf), as the case may be, for notation.

4.8 Notices

So long as any Instruments are represented by a Global Instrument or Global Certificate and such Global Instrument or Global Certificate is held on behalf of (a) Euroclear and/or Clearstream and/or DTC or any other clearing system (except as provided in (b) below), notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Instrument or Global Certificate or (b) the CMU Service, notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of dispatch of such notice as holding interests in the relevant Global Instrument or Global Certificate.

4.9 Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear or Clearstream or the CMU Service and/or any other relevant clearing system as being entitled to an interest in a temporary Global Instrument or a permanent Global Instrument which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the temporary Global Instrument or permanent Global Instrument became void, they had been the holders of Definitive Instruments, in an aggregate principal amount equal to the principal amount of Instruments they were shown as holding in the records of Euroclear and/or Clearstream and/or the CMU Service and/or any other relevant clearing system.

5. PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes or Global Certificates.

While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, we may forfeit such Notes and shall have no further obligation to their holder in respect of them.

CAPITALISATION

The following table sets forth our consolidated capitalisation as of 31 December 2022. The following table should be read in conjunction with the Audited Consolidated Financial Statements in this Offering Circular.

	As of 31 December 2022
	(U.S.$ million)
Borrowings	
Bank borrowings	992
Medium-term notes	324
Subordinated notes	900
Total Borrowings	2,216
Equity	
Share capital and share premium	6,411
Other reserves	81
Accumulated losses	(1,036)
Fair value reserve	(3,168)
Cash flow hedge reserve	(15)
Defined benefit obligation revaluation reserve	3
Foreign currency translation reserve	(315)
Share of other comprehensive income of associates and a joint venture	2
Total Shareholders' equity	1,963
Perpetual securities	1,354
Non-controlling interests	389
Total capitalisation[(1)]	5,922

Note:

(1) Total capitalisation represents the sum of total borrowings, perpetual securities, non-controlling interests and total shareholders' equity.

Save for the impact of IFRS 17 which will significantly change the recognition and measurement of insurance contracts and the corresponding presentation and disclosure in our consolidated financial statements, there has been no other material change in our capitalisation and indebtedness since 31 December 2022. See "*Risk Factors – Risks Relating to the Insurance Industry – IFRS 17 could have a material adverse effect on the reporting of our financial results*" and "*Financial Information – Critical Accounting Policies and Estimates – IFRS 17 Insurance Contracts*" for more information.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR HISTORY AND DEVELOPMENT

Introduction

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 March 2013 under the name "Power Shine Limited" and on 12 November 2015 was renamed "PCGI Intermediate Holdings Limited". We undertook the Reorganisation primarily to facilitate the Proposed Initial Public Offering. On 20 August 2021, our Company was renamed "FWD Group Holdings Limited". On 10 January 2022, our Company adopted the dual foreign name of "富衛集團有限公司".

Our current business portfolio comprises life and health insurance, employee benefits and Shariah, family takaful products and general insurance. Our regional footprint spans across Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

Acquisitions by Mr. Li and Birth of the FWD Brand

In February 2013, Mr. Li, one of our Controlling Shareholders, acquired life insurance companies in Hong Kong, Macau and Thailand, as well as the general insurance, employee benefits, MPF business and financial planning businesses in Hong Kong, from ING. With these acquisitions, we launched the FWD brand, which comprised FWD Life (Bermuda), FWD Thailand, FWD Life (Macau) and FWD Financial Planning.

In October 2013, Mr. Li (through PCGI Holdings) entered into an agreement with Swiss Re Investments, pursuant to which Swiss Re Investments agreed to invest up to US$425 million in our Group. After the completion of Swiss Re Investments' 2013 investment in our Group, Mr. Li, indirectly, owned and controlled our Group through his stake of 87.66% and Swiss Re Investments owned the remaining equity interest of 12.34% in our Group. Swiss Re Investments subsequently transferred its holdings in our Group to Swiss Re PICA through an internal share transfer in December 2020.

For further details of the background and work experience of Mr. Li, see the section headed "*Directors and Senior Management*" in this Offering Circular.

Growth of Our Group into New Markets and Businesses

From 2013 to 2023, we made a number of new market entries and expansions via a combination of organic opportunities and acquisitions, bringing the FWD brand to the Philippines, Indonesia, Singapore, Vietnam, Japan, Malaysia and Cambodia in addition to our existing presence in Hong Kong, Macau and Thailand.

Please refer to the paragraphs headed "*Major Acquisitions and Disposals*", "*Reorganisation*" and "*Pre-IPO Investments*" in this section for subsequent shareholding changes resulting from the major acquisitions and disposals, major shareholding changes and internal restructuring steps undertaken by our Group as well as the Pre-IPO Investments, respectively.

BUSINESS MILESTONES

The following table illustrates our Group's key business development milestones:

YEAR	MILESTONE
2013	• In February 2013, Mr. Li, one of our Controlling Shareholders, acquired the Hong Kong, Macau and Thailand insurance businesses from ING and launched the FWD brand.
	• In October 2013, Swiss Re Investments acquired 12.34% of equity interest in our Group.
2014	• In November 2013, we incorporated a subsidiary, FWD Philippines, in the Philippines. FWD Philippines obtained a life insurance licence in the Philippines in April 2014 and commenced its life insurance business in September 2014.
2015	• In June 2015, we entered Indonesia by acquiring a direct equity stake of 50.1% in PT Finansial Wiramitra Danadyaksa, which was subsequently rebranded as FWD Indonesia. Subsequently, we increased our equity stake in FWD Indonesia, which reached 79.1% in March 2018.
2016	• In April 2016, we entered Singapore by acquiring an equity interest of 90% in Shenton Insurance Pte. Ltd., which was subsequently rebranded as FWD Singapore. Subsequently, we acquired the entire remaining stake in the company, and it became our wholly-owned subsidiary in June 2019.
	• In June 2016, we entered Vietnam by acquiring the entire equity interest in Great Eastern Life (Vietnam) Company Limited, which was subsequently rebranded as FWD Vietnam.
2017	• In April 2017, we entered Japan by acquiring AIG Fuji Life Insurance Company, Limited which was subsequently rebranded as FWD Life Japan.
	• In October 2017, we completed the transfer of FWD Pension Trust to Sun Life Hong Kong Limited, such transfer being the first phase of the disposal of our MPF and ORSO business in Hong Kong.
2019	• In March 2019, we entered Malaysia by acquiring an equity interest of 49% in HSBC Amanah Takaful, which was subsequently rebranded as FWD Takaful. In connection with this acquisition, in February 2019, FWD Takaful also entered into a 10-year exclusive bancatakaful partnership with HSBC Amanah Malaysia Berhad, as supplier of family takaful products.
	• In September 2019, we grew our presence in Thailand by acquiring an equity interest of 99.2% in SCB Life, which amalgamated with FWD Thailand in October 2020. In connection with this acquisition, we entered into a 15-year exclusive bancassurance partnership with SCB, in September 2019. Subsequently, we increased our equity interest in the amalgamated company to 99.9%.

YEAR	MILESTONE
2020	• In April 2020, we acquired the entire equity interest in VCLI, which was subsequently rebranded as FWD Assurance (Vietnam). In connection with this acquisition, we entered into a 15-year exclusive bancassurance partnership with VCB. In March 2022, we disposed our entire interest in FWD Assurance (Vietnam) to Tan Viet Securities Joint Stock Company and a group of investors.
	• In June 2020, we grew our presence in Hong Kong by acquiring the entire equity interest in MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited, which were subsequently rebranded as FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong), respectively.
	• Also, in June 2020, FWD Indonesia acquired the entire equity interest in PT Commonwealth Life and, indirectly through PT Commonwealth Life (now known as PT FWD Insurance Indonesia), the entire equity interest in PT First State Investments Indonesia (which changed its name to PT FWD Asset Management). In connection with these acquisitions, FWD Indonesia entered into a 15-year exclusive bancassurance partnership with PTBC, which was subsequently extended by mutual agreement to a 20-year term. Subsequently, FWD Indonesia merged with PT FWD Insurance Indonesia in December 2020 and the merged entity (namely, PT FWD Insurance Indonesia) was rebranded as FWD Indonesia.
	• In December 2020, we entered Cambodia by acquiring the entire share capital of Bangkok Life Assurance (Cambodia) Plc., which was subsequently rebranded as FWD Cambodia.
	• Also, in December 2020, to streamline our business to focus on life insurance, we agreed to dispose of the GI Disposal Group to an affiliate, and at the same time, we completed the divestment of FWD General Insurance to our affiliate.
2021	• In February 2021, we completed the divestment of the remaining two companies of the GI Disposal Group, iFWD TW and Bolttech Digital Solutions, to our affiliate.
	• Also, in February 2021, we completed the final phase of the disposal of our MPF and ORSO business in Hong Kong, the first phase of which closed in 2017, with the completion of the transfer of certain Class G insurance policies issued by FWD Life (Bermuda) to Sun Life Hong Kong Limited.
	• In March 2021, FWD Financial Services, a wholly-owned subsidiary of FL, subscribed for 29.9% of the issued share capital in BRI Life, which shares were subsequently transferred to FWD Management Holdings in October 2021. As part of this investment, we agreed to provide additional capital contributions to BRI Life, which is expected to bring our shareholding in BRI Life to 44.0% across a three-year period. In March 2022 and March 2023, we subscribed for a further 5.2% and 4.7%, respectively of the issued share capital in BRI Life, resulting in our shareholding in BRI Life increasing to 39.8% currently. In connection with this investment, BRI Life entered into a 15-year exclusive partnership with Bank BRI.
2023	• To grow our presence in Malaysia and to enable us to enter the Malaysian life insurance market alongside our existing takaful presence, in February 2023, we entered into an agreement to acquire, with local investors, a 70% effective interest in Gibraltar BSN Life Berhad, a life insurance company in Malaysia.

GROUP STRUCTURE AND MAJOR SUBSIDIARIES

The following table sets out the principal business activities, the place of incorporation, the location of business, the date of incorporation and the date of commencement of business of each member of our Group that made a material contribution to our results of operations during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022:

Name of subsidiary	Principal business activities	Place of incorporation	Location of business	Date of incorporation	Date of commencement of business
FL	Investment holding	Cayman Islands	Hong Kong	December 2012	December 2012
FGL	Investment holding	Cayman Islands	Hong Kong	January 2013	January 2013
FWD Life (Bermuda)	Life insurance business	Bermuda	Hong Kong	April 1977	February 2013[1]
FWD Reinsurance	Reinsurance business	Cayman Islands	Cayman Islands	February 2017	March 2017
FWD Life (Hong Kong).	Life insurance business	Hong Kong	Hong Kong	July 2001	June 2020[1]
FWD Life Assurance (Hong Kong)	Life assurance business	Hong Kong	Hong Kong	May 1978	June 2020[1]
FWD Life Japan	Life insurance business	Japan	Japan	August 1996	April 2017[1]
FWD Thailand (amalgamating FWD Life Insurance Public Company Limited and SCB Life)	Life insurance business	Thailand	Thailand	October 2020[2]	February 2013[1]
FWD Management Holdings . . .	Investment holding	Hong Kong	Hong Kong	May 2011	December 2011
FWD Life (Macau)	Life insurance business	Macau	Macau	July 1999	February 2013[1]
FWD Takaful	Islamic insurance business (Family Takaful)	Malaysia	Malaysia	April 2006	March 2019[1]
FWD Vietnam	Life insurance business & accident and health insurance business	Vietnam	Vietnam	November 2007	June 2016[1]
FWD Assurance (Vietnam). . . .	Life insurance business	Vietnam	Vietnam	October 2008	April 2020[1][3]
FWD Philippines.	Life insurance business	Philippines	Philippines	November 2013	September 2014[1]
FWD Singapore	Life and general insurance business	Singapore	Singapore	February 2005	April 2016[1]
PT FWD Asset Management . . .	Asset management	Indonesia	Indonesia	September 2003	June 2020[1]
PT FWD Insurance Indonesia . .	Life insurance business	Indonesia	Indonesia	April 1990	June 2020[1]

Notes:

(1) This subsidiary was acquired by our Group subsequent to its incorporation. This date represents the date of closing of our Group's acquisition of such subsidiary.

(2) SCB Life was amalgamated with FWD Thailand on 1 October 2020.

(3) In March 2022 we disposed of our entire interest in FWD Assurance (Vietnam) to Tan Viet Securities Joint Stock Company and a group of investors.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Share Capital of Our Company

Our Company was incorporated on 18 March 2013 in the Cayman Islands under the name "Power Shine Limited" with an authorised share capital of US$50,000.00 divided into 50,000 shares with a par value of US$1.00 each (the "**Initial Shares**"). Upon incorporation, our Company allotted and issued one Initial Share to Offshore Incorporations (Cayman) Limited, who subsequently transferred the Initial Share to Mr. Li on 28 May 2013 at the same price, and our Company became wholly-owned by Mr. Li.

On 28 May 2013, the share capital of our Company was increased from US$50,000.00 divided into 50,000 shares with a par value of US$1.00 each to US$25,000,000.00 divided into 25,000,000 shares with a par value of US$1.00 each by the creation of 24,950,000 shares with a par value of US$1.00 each. On 28 May 2013 and 29 May 2013, a further nine Initial Shares and 1,000,000 Initial Shares were allotted and issued to Mr. Li, respectively. Mr. Li subsequently transferred all of the 1,000,010 Initial Shares owned by him to a wholly-owned company, Best Concord Limited (which was subsequently renamed as "PCGI Holdings Limited" on 12 November 2015), on 30 May 2013. On 7 June 2013, Best Concord Limited transferred 4,500 of Initial Shares to Chathaburi Holding Limited. The 4,500 Initial Shares were later transferred back to Best Concord Limited on 12 June 2014.

On 17 December 2020, we entered into a plan of merger with PCGI, pursuant to which PCGI merged with and into our Company in accordance with the Cayman Companies Act, with PCGI ceasing to exist and our Company as the surviving entity (the "**Merger**"). In connection with the Merger, our Company allotted and issued 18,486,640 Initial Shares to Mr. Li, being the sole shareholder of PCGI prior to completion of the Merger.

On 23 December 2020, Mr. Li transferred the 18,486,640 Initial Shares to PCGI Holdings in consideration for newly issued shares in PCGI Holdings. Upon completion of such transfer, our Company became a wholly-owned subsidiary of PCGI Holdings.

On 13 May 2021, our Company allotted and issued 2,142,858 Initial Shares to PCGI Holdings, which increased our issued share capital to 21,629,508 Initial Shares.

On 20 August 2021, our Company carried out a subdivision of the 21,629,508 Initial Shares into 2,162,950,800 ordinary shares of a nominal or par value of US$0.01 each ("**Shares**"). Following the subdivision, PCGI Holdings surrendered 1,514,065,560 Shares to our Company for no consideration, resulting in our Company's issued share capital being 648,885,240 Shares.

On 14, 15 and 20 December 2021, and on 14 and 27 January 2022, our Company allotted and issued additional Shares to certain pre-IPO investors, details of which are referred to under the paragraph headed "*Pre-IPO Investments*" in this section below.

On 19 December 2022, our Company allotted and issued 31,897,926 additional Shares to PCGI Holdings, which increased our issued share capital to 939,953,815 Shares.

Reorganisation

Please refer to the paragraph headed "*Reorganisation*" in this section for details of the restructuring steps undertaken by our Group.

Pre-IPO Investments

Please refer to the paragraph headed "*Pre-IPO Investments*" in this section for details of subsequent shareholding changes resulting from the Pre-IPO Investments.

MAJOR ACQUISITIONS AND DISPOSALS

As part of our business strategy and long-term development goals, we actively seek opportunities to diversify our business operations, and to streamline our operations. During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, we have made certain acquisitions, investments and disposals.

1. **Acquisition of the entire equity interest in PT Commonwealth Life and PT First State Investments Indonesia**

On 22 October 2018, FWD Indonesia, entered into a share sale agreement with, among others, Commonwealth International Holdings Pty Limited, CMG Asia Life Holdings Limited, PT Gala Arta Jaya (together, the "**PTCL Sellers**"), PTBC and CBA. Each of the PTCL Sellers, PTBC and CBA is an independent third party. Pursuant to the share sale agreement, FWD Indonesia agreed to: (i) purchase the entire equity interest in PT Commonwealth Life from the PTCL Sellers for a total consideration of approximately IDR4,992 billion (comprising the base consideration of IDR4,400 billion, plus interest payments and other adjustments); and (ii) purchase approximately 14.61% of class A shares in PT First State Investments Indonesia from PTBC for a total consideration of IDR26 million. The consideration for the acquisition of PT Commonwealth Life and PT First State Investments Indonesia was determined based on arm's length negotiations, with reference to its net assets, embedded and appraisal values determined by independent actuarial consultants and financial advisors, and precedent transaction multiples. Approvals for the acquisition from the OJK in Indonesia were obtained on 28 February 2019, 17 September 2019, 17 January 2020, 7 May 2020 and 1 October 2020. The acquisition was completed and fully settled in June 2020 and upon completion of the acquisition, FWD Indonesia directly held the entire equity interest in PT Commonwealth Life (now known as PT FWD Insurance Indonesia), and directly and indirectly through PT Commonwealth Life held the entire equity interest in PT First State Investments Indonesia (which changed its name to PT FWD Asset Management).

Concurrently with the acquisition, in June 2020 PT Commonwealth Life (now known as PT FWD Insurance Indonesia) entered into a 15-year life insurance distribution agreement with PTBC. The distribution agreement with PTBC was subsequently extended to be a 20-year agreement on 22 December 2021. Under this arrangement, PTBC agreed to distribute PT FWD Insurance Indonesia's life insurance products to its customers in Indonesia by leveraging its distribution channels. In December 2020, PT FWD Insurance Indonesia merged with FWD Indonesia with the resultant merged entity being PT FWD Insurance Indonesia.

The acquisitions were undertaken in order to scale up FWD's existing business in Indonesia. PT FWD Insurance Indonesia's enhanced distribution capability adds credibility and execution track record and lays a robust foundation for its future bancassurance opportunities.

2. **Acquisition of the entire equity interest in MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited**

On 28 June 2019, FWD Management Holdings, a wholly-owned subsidiary of the Group, entered into a share sale and purchase agreement with MetLife Worldwide Holdings, LLC, MetLife International Holdings, LLC and Natiloportem Holdings LLC (together, the "**MetLife Sellers**"). Each of the MetLife Sellers is an independent third party. Pursuant to the share sale and purchase agreement, the MetLife Sellers agreed to sell, and FWD Management Holdings agreed to purchase, the entire equity interests in MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited for an aggregate consideration of US$344 million as adjusted in accordance with the share sale and purchase agreement. The consideration for the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited was determined based on arm's length negotiations, with reference to their net assets, embedded and appraisal values determined by independent actuarial consultants and financial advisors, and precedent transaction multiples. A letter of no objection to the acquisition was received from the HKIA in Hong Kong on 24 June 2020. These acquisitions were completed and fully settled in June 2020.

These acquisitions were undertaken in order to further strengthen our presence in Hong Kong, to enhance new business potential from additional sales forces and to realise synergies with improved operational efficiency.

3. Acquisition of the entire equity interest in VCLI

On 12 November 2019, FWD Life (Bermuda), a wholly-owned subsidiary of the Group, entered into a capital transfer agreement with VCB (an independent third party) (the "**Vietcombank Seller**") and VCLI, pursuant to which the Vietcombank Seller agreed to sell, and FWD Life (Bermuda) agreed to purchase, 45% of the charter capital of VCLI for a total consideration of VND614.025 billion. The consideration for the acquisition was determined based on arm's length negotiations, with reference to its net assets, embedded and appraisal values determined by independent actuarial consultants and financial advisors, and precedent transaction multiples.

On the same day, the Group also entered into a distribution agreement with the Vietcombank Seller pursuant to which the Group established an exclusive bancassurance partnership with the Vietcombank Seller where the Vietcombank Seller will distribute life insurance products of the Group in Vietnam for a term of 15 years commencing from the date of completion of the capital transfer of VCLI from the Vietcombank Seller to FWD Life (Bermuda).

On the same day, FWD Life (Bermuda) also entered into a capital transfer agreement with BNP Paribas Cardif (an independent third party) and VCLI, pursuant to which BNP Paribas Cardif agreed to sell and FWD Life (Bermuda) agreed to purchase 55% of the charter capital of VCLI for a total consideration of VND750.475 billion. The consideration for the acquisition was determined based on arm's length negotiations, with reference to VCLI's net assets, embedded and appraisal values determined by independent actuarial consultants and financial advisors, and precedent transaction multiples.

A letter of no objection to the acquisition was received from each of the HKIA in Hong Kong and the BMA in Bermuda on 21 February 2020 and 24 February 2020, respectively, and approval for the acquisition was obtained from the Ministry of Finance of Vietnam on 3 April 2020. The acquisition was completed and fully settled in April 2020.

Following the capital transfers, FWD Life (Bermuda) owned the entire charter capital of VCLI. The acquisition presented a valuable opportunity to partner with a premier bank in Vietnam with a view to strengthening our distribution reach and brand presence, and accelerating growth of our Group. In March 2022 we disposed of our entire interest in FWD Assurance (Vietnam) to Tan Viet Securities Joint Stock Company and a group of investors.

4. Disposal of the entire equity interest in FWD General Insurance, iFWD TW and Bolttech Digital Solutions

During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, our Group, by utilising our own resources, technology and insurance capabilities, successfully launched a global insurtech platform, bolttech, comprising (amongst others) device protection, digital brokerage (through Bolttech Digital Solutions) and general insurance business (through FWD General Insurance). After leveraging on these platforms to strengthen our Group's digital and technological development and with a view to streamlining the Group's lines of business in order to focus on life insurance, on 8 December 2020, FL, FGL and bolttech Holdings (formerly known as Sky Noble Ventures Limited and is indirectly majority owned and controlled by Mr. Li), entered into a share purchase agreement, pursuant to which FL and FGL agreed to procure the sale of, and bolttech Holdings agreed to procure the purchase of, the entire equity interest in FWD General Insurance, iFWD TW and Bolttech Digital Solutions, for a total consideration of approximately US$109 million. The consideration for the disposals was determined based on arm's length negotiations with reference to the valuation by an independent valuer, using discounted cash flow analysis and precedent transaction multiples, and the carrying value of the relevant assets. Approvals for the the disposal were obtained from the HKIA in Hong Kong and the Taiwan Investment Commission in Taiwan on 8 December 2020 and 15 December 2020 respectively. The disposal of FWD General Insurance was completed and fully settled in December 2020 while the disposals of iFWD TW and Bolttech Digital Solutions were completed and fully settled in February 2021, following receipt of requisite regulatory approvals.

As part of the transaction, the relevant affiliate(s) of FL and FGL and the relevant affiliate(s) of bolttech Holdings entered into a collaboration arrangement for the distribution by our Group of general insurance products of the bolttech Group, and the distribution by the bolttech Group of our Group's life insurance products, as well as various contractual arrangements pursuant to which, among other things, bolttech Holdings agreed to pay our Group for the provision of certain shared services and the use of certain trademarks in respect of the FWD brand.

5. Acquisition of equity interest in BRI Life

On 19 June 2020, FWD Financial Services, a wholly-owned subsidiary of FL, entered into a conditional share subscription agreement with BRI Life and Bank BRI, pursuant to which FWD Financial Services agreed to subscribe for new shares representing approximately 29.9% of the issued share capital of BRI Life for a total consideration of IDR3,850 billion. Approvals for the share subscription were obtained from the OJK in Indonesia on 29 January 2021 and 4 February 2021. A letter of no objection to the share subscription was received from the HKIA in Hong Kong on 16 February 2021. The share subscription was completed and fully settled in March 2021. In October 2021, FWD Financial Services novated its rights and obligations under the conditional share subscription agreement to FWD Management Holdings and transferred its entire shareholding in BRI Life to FWD Management Holdings. As part of the novation, FWD Management Holdings also agreed to take over FWD Financial Services' obligation to subscribe for additional shares in BRI Life over three tranches, with each tranche taking place over the course of the next three years following the initial subscription in March 2021 to support BRI Life's growth plans. Following the subscription of these additional tranches, FWD Management Holdings will own 44.0% of the issued share capital of BRI Life. The financial results of BRI Life are not, and will not be upon completion of the subscription of these additional tranches, consolidated into the financial statements of the Group. On 2 March 2022 and 2 March 2023, FWD Management Holdings subscribed for additional shares in BRI Life, which resulted in its aggregate shareholding in BRI Life increasing to 35.1% and 39.8% respectively. As at 6 March 2023, FWD Management Holdings is expected to subscribe for additional shares in March 2024, which is expected to result in its aggregate shareholding in BRI Life being 44.0%.

The subscription price was determined after arm's length negotiations between the parties by reference to the financial performance of BRI Life. Our Directors believe that the terms of the subscription of shares in BRI Life are fair and reasonable and in the interests of the Shareholders as a whole. BRI Life is a life insurance company in Indonesia and a subsidiary of Bank BRI, which is a state-owned bank in Indonesia. To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, BRI Life and its ultimate beneficial owner(s) are independent of our Company and our connected persons.

As part of this investment, on 2 March 2021, Bank BRI and BRI Life entered into a 15-year distribution agreement for the marketing of BRI Life's life products through Bank BRI's distribution channels.

This investment is in line with the strategy of our Group of partnering with leading banks to expand our customer reach in Southeast Asia. The partnership with Bank BRI represents an opportunity for our Group to transform our presence in Indonesia, one of the most attractive and fastest-growing economies in the markets where we operate.

REORGANISATION

Background to the Reorganisation

We have undertaken the Reorganisation in an effort to unify the ownership structure of our Group, as well as to facilitate the Proposed Initial Public Offering. We believe this will enhance organisational efficiency. Below is a description of the Reorganisation, Phase 1 of which has been completed and Phase 2 of which is conditional upon receiving certain regulatory approvals and upon Listing taking place.

Phase 1: Merger of PCGI into our Company, consolidation of Mr. Li's interests into PCGI Holdings and transfer of PCGI Intermediate and PCGI Intermediate II Holdings ("Phase 1")

On 17 December 2020, we entered into a plan of merger with PCGI, pursuant to which PCGI merged with and into our Company in accordance with the Cayman Companies Act, with PCGI ceasing to exist and our Company as the surviving entity (the "**Merger**"). The Merger was completed on the same day, whereby we assumed all of the assets and liabilities of PCGI and directly held 71.82% of the issued share capital in each of FL and FGL and 100% interest in each of PCGI Intermediate and PCGI Intermediate II Holdings.

On 23 December 2020, Mr. Li transferred his direct shareholding in our Company to PCGI Holdings in consideration for newly issued shares in PCGI Holdings. Upon completion of such transfer, our Company became a wholly-owned subsidiary of PCGI Holdings, which is the vehicle through which Mr. Li holds interests in our Group.

On that date, we transferred the entire issued share capital of PCGI Intermediate and PCGI Intermediate II Holdings (both entities of which are issuers of public bonds unrelated to our Group's business or financing) to PCGI Holdings. Immediately following the transfer, PCGI Holdings directly held the entire issued share capital of PCGI Intermediate, PCGI Intermediate II Holdings and our Company. Pursuant to the entry into a deed of novation and release, an intragroup deed of transfer and novation and two deeds of guarantee between our Group and PCGI Holdings, the indebtedness and guarantees of our Company with respect to PCGI Intermediate and PCGI Intermediate II Holdings were novated to PCGI Holdings following such transfer.

Phase 2: Equity restructuring of security interests in FL and FGL ("Phase 2")

In connection with the Reorganisation, we entered into an amended and restated implementation agreement dated 19 December 2022 with PCGI Holdings, FL, FGL and securityholders in our Group which hold interests in FL and FGL (including the Pre-IPO Investors of the Previous Rounds Pre-IPO Investments, individual shareholders and senior management) (the "**Implementation Agreement**").

Pursuant to the Implementation Agreement, and conditional upon the Listing, we have agreed to acquire the interests of FL and FGL (being ordinary shares, preference shares and convertible preference shares in FL and FGL) held by these securityholders in consideration for the issuance of our Shares. All warrants granted by FL and FGL held thereby have lapsed as of the date of this Offering Circular.

The number of Shares which each such securityholder will be entitled to will be determined by reference to such securityholder's as-converted percentage holding of the issued ordinary share capital of each of FL and FGL had the Implementation Agreement not been entered into (the "**FL/FGL Holding Percentage**") such that immediately after the issuance of the Shares to all such securityholders, each such securityholder will hold a percentage of the then total number of outstanding Shares (excluding Shares held by the Pre-IPO Investors of the Pre-IPO Investments 2021/2022) as equal to its FL/FGL Holding Percentage. For the purpose of determining the FL/FGL Holding Percentage: (a) in the case of holders of preference shares in FL and FGL, each of their preference shares will be treated as being converted to one ordinary share in FL and FGL; and (b) in the case of holders of convertible preference shares in FL and FGL, each of their convertible preference shares will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (i) the sum of the respective invested principal amount and accrued interest at the applicable coupon of between approximately 7% per annum to 17% per annum up to the date of the Listing by (ii) a price per FL/FGL ordinary share equivalent to the offer price as determined in accordance with the Proposed Initial Public Offering.

Upon completion of Phase 2, our Company will hold 100% of the issued share capital of FL and FGL and is expected to continue to retain, or surrender for cancellation, our holding of preference shares and convertible preference shares in FL and FGL. Other ordinary shareholders, preference shareholders and holders of convertible preference shares in FL and FGL will hold their respective FL/FGL Holding Percentage of indirect interests in FL and FGL through the holding of our Shares (subject to dilution arising from the Proposed Initial Public Offering) and will not be entitled to any special rights upon completion of the Proposed Initial Public Offering.

PRE-IPO INVESTMENTS

Overview

The Group had received eight rounds of Pre-IPO Investments, in respect of which Pre-IPO Investors subscribed for convertible preference shares in FL and FGL or our Shares. Details of our Pre-IPO Investments are summarised below.

Subscription of Series A CPS of FL and FGL by RRJ

On 10 February 2017, a subscription agreement was entered into among FL, FGL, Eastwood Asset Holding (which is controlled by RRJ) and RRJ pursuant to which Eastwood Asset Holding was allotted and issued convertible preference shares, which were re-designated as series A convertible preference shares, ("**Series A CPS**") in FL with a par value of US$0.01 each and Series A CPS in FGL with a par value of US$0.01 each on 1 March 2018 (the "**RRJ First Pre-IPO Investment**").

On the same day, Eastwood Asset Holding, Swiss Re Investments, PCGI and our Company entered into a side undertaking letter in connection with the aforementioned subscription agreement (the "**RRJ Side Undertaking Letter**") pursuant to which, among other things: (i) Eastwood Asset Holding granted PCGI and our Company the right to require Eastwood Asset Holding to, in consideration of the buyback amount prescribed in the RRJ Side Undertaking letter, transfer all or any part of the Series A CPS in FL and FGL allotted and issued under the subscription agreement to PCGI/our Company or to PCGI/our Company's order; and (ii) PCGI and our Company unconditionally and irrevocably guaranteed to Eastwood Asset Holding that if FL or FGL does not pay any sum payable by it under the Series A CPS or in respect of any breach of its respective warranties under the subscription agreement, PCGI and our Company shall pay such sum in cash to Eastwood Asset Holding.

As noted under the section headed *"– Buyback of Series A CPS of FL and FGL by Fornax and PCGI"* below, the RRJ Side Undertaking Letter lapsed in February 2020.

The table below sets out the principal terms of the RRJ First Pre-IPO Investment:

Name of our Pre-IPO Investor	**Eastwood Asset Holding**
Date of investment	10 February 2017
Number of CPS subscribed but subsequently redesignated to Series A CPS	(i) FL: 1,264,672 Series A CPS in FL[(1)] (ii) FGL: 1,264,672 Series A CPS in FGL[(1)]
Cost per Series A CPS at the time of the subscription	(i) FL: US$0.01 per Series A CPS in FL (ii) FGL: US$316.29 per Series A CPS in FGL
Total consideration at the time of the subscription	(i) FL: US$12,647 in respect of Series A CPS in FL (ii) FGL: US$400,000,000 in respect of Series A CPS in FGL
Basis of determination of the consideration.	The subscription consideration was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL

Name of our Pre-IPO Investor	Eastwood Asset Holding
Date on which the investment was fully settled	23 February 2017
Conversion	Upon a qualified IPO, each Series A CPS will convert to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and accrued interest at the coupon of approximately 15.0% per annum up to the date of the Listing by (b) a price per FL/FGL ordinary share equivalent to the offer price as determined in accordance with the Proposed Initial Public Offering.

Note:

(1) On 16 January 2020, Eastwood Asset Holding undertook a transfer of 1,054,630 Series A CPS in each of FL and FGL to Fornax. On 14 February 2020, Eastwood Asset Holding undertook a further transfer of 210,042 Series A CPS in each of FL and FGL to our Company. Following such transfers, Eastwood Asset Holding ceased to hold any Series A CPS in each of FL and FGL. See "*– Buyback of Series A CPS of FL and FGL by Fornax and PCGI*" for more details.

Subscription of Series A CPS of FL and FGL by GIC Blue

On 27 March 2017, a subscription agreement was entered into among FL, FGL and Crimson White Investment, pursuant to which Crimson White Investment, an investment vehicle of the Minister for Finance of the Government of Singapore and an affiliate of GIC Blue, was allotted and issued convertible preference shares (which were re-designated to Series A CPS) in FL with a par value of US$0.01 and Series A CPS in FGL with a par value of US$0.01 (the "**GIC Blue Pre-IPO Investment**").

The table below sets out the principal terms of the GIC Blue Pre-IPO Investment:

Name of our Pre-IPO Investor	Crimson White Investment
Date of investment	27 March 2017
Number of Series A CPS subscribed	(i) FL: 316,158 Series A CPS in FL (ii) FGL: 316,158 Series A CPS in FGL
Cost per Series A CPS at the time of the subscription	(i) FL: US$0.01 per Series A CPS in FL (ii) FGL: US$316.29 per Series A CPS in FGL
Total consideration at the time of the subscription	(i) FL: US$3,161.58 in respect of Series A CPS in FL (ii) FGL: US$99,996,837.12 in respect of Series A CPS in FGL
Basis of determination of the consideration	The subscription consideration was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL
Date on which the investment was fully settled	11 May 2017

Name of our Pre-IPO Investor	Crimson White Investment
Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, such Series A CPS would be acquired in consideration for our Shares to be issued to it conditional on, and upon, Listing. Each of such Series A CPS will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and accrued interest from 11 May 2017 at the coupon of approximately 15.70% per annum up to the date of the Listing by (b) a price per FL/FGL ordinary share equivalent to the offer price as determined in accordance with the Proposed Initial Public Offering.

Subscription of Series A CPS of FL and FGL by HOPU

On 1 March 2018, a subscription agreement was entered into by, among others, FL, FGL, Future Financial Investment (which is controlled by HOPU) and HOPU, pursuant to which Future Financial Investment was allotted and issued Series A CPS in FL with a par value of US$0.01 and Series A CPS in FGL with a par value of US$0.01 (the "**HOPU Pre-IPO Investment**").

The table below sets out the principal terms of the HOPU Pre-IPO Investment:

Name of our Pre-IPO Investor	Future Financial Investment
Date of investment	1 March 2018
Number of Series A CPS subscribed	(i) FL: 948,504 Series A CPS in FL (ii) FGL: 948,504 Series A CPS in FGL
Cost paid per Series A CPS at the time of the subscription	(i) FL: US$0.01 per Series A CPS in FL (ii) FGL: US$316.29 per Series A CPS in FGL
Total consideration at the time of the subscription	(i) FL: US$9,485.04 in respect of Series A CPS in FL (ii) FGL: US$300,000,000 in respect of Series A CPS in FGL
Basis of determination of the consideration	The subscription consideration was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL
Date of which the investment was fully settled	7 March 2018
Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, such Series A CPS would be acquired in consideration for our Shares to be issued to it conditional on, and upon, Listing.

Name of our Pre-IPO Investor	Future Financial Investment
	Each of such Series A CPS will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and, in respect of the Series A CPS held by Future Financial Investment, accrued interest from 1 March 2018 at the coupon of approximately 15.83% per annum up to the date of the Listing and, in respect of the Series A CPS held by Fornax, accrued interest from 27 October 2020 at the coupon of approximately 17.26% per annum up to the date of Listing, in each case by (b) a price per FL/FGL ordinary share equivalent to the offer price as determined in accordance with the Proposed Initial Public Offering.

Buyback of Series A CPS of FL and FGL by Fornax and PCGI

On 6 January 2020, pursuant to the RRJ Side Undertaking Letter, PCGI and our Company issued a buyback notice to Eastwood Asset Holding pursuant to which PCGI and our Company exercised its buyback right to require Eastwood Asset Holding to transfer to Fornax (i) 1,054,630 Series A CPS in FL for a total consideration of US$15,807.91, and (ii) 1,054,630 Series A CPS in FGL for a total consideration of US$499,984,462.68 on 16 January 2020 (the "**Fornax Buyback**").

On 5 February 2020, PCGI and our Company further issued a buyback notice to Eastwood Asset Holding pursuant to which PCGI and our Company exercised its buyback right to require Eastwood Asset Holding to transfer to our Company (i) 210,042 Series A CPS in FL for a total consideration of US$3,184.71, and (ii) 210,042 Series A CPS in FGL for a total consideration of US$100,728,274.86 on 14 February 2020 (the "**Company Buyback**").

The Fornax Buyback and the Company Buyback represented an opportunity for Fornax and PCG to increase their interests in the Group as the Series A CPSs could be converted into shares, while providing a return.

Following the Fornax Buyback and the Company Buyback, all Series A CPS in FL and FGL initially allotted and issued to Eastwood Asset Holding have been bought back and the RRJ Side Undertaking Letter lapsed.

The table below sets out the principal terms of the Fornax Buyback and the Company Buyback:

Name of our Pre-IPO Investor	Fornax	Our Company
Date of investment	6 January 2020	5 February 2020
Number of Series A CPS acquired:.	(i) FL: 1,054,630 Series A CPS in FL	(i) FL: 210,042 Series A CPS in FL
	(ii) FGL: 1,054,630 Series A CPS in FGL	(ii) FGL: 210,042 Series A CPS in FGL
Cost paid per Series A CPS at the time of the relevant buyback.	(i) FL: US$0.01 per Series A CPS in FL	(i) FL: US$0.02 per Series A CPS in FL
	(ii) FGL: US$474.09 per Series A CPS in FGL	(ii) FGL: US$479.56 per Series A CPS in FGL

Name of our Pre-IPO Investor	Fornax	Our Company
Total consideration at the time of the relevant buyback	(i) FL: US$15,807.91 in respect of Series A CPS in FL (ii) FGL: US$499,984,462.68 in respect of Series A CPS in FGL	(i) FL: US$3,184.71 in respect of Series A CPS in FL (ii) FGL: US$100,728,274.86 in respect of Series A CPS in FGL
Basis of determination of the consideration	The consideration was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of the purchase, taking into account the timing of the purchase, the then status of the businesses carried on by FL/FGL	
Date of which the investment was fully settled	16 January 2020	14 February 2020
Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, such Series A CPS held by Fornax would be acquired in consideration for our Shares to be issued to it conditional on, and upon, Listing. Each of such Series A CPS will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and, in respect of the Series A CPS transferred to Fornax, accrued interest from 16 January 2020 at the coupon of approximately 16.50% per annum up to the date of the Listing and, in respect of the Series A CPS transferred to our Company, accrued interest from 14 February 2020 at the coupon of approximately 16.55% per annum up to the date of the Listing, in each case by (b) a price per FL/FGL ordinary share equivalent to the offer price as determined in accordance with the Proposed Initial Public Offering.	

Subscription of Series B2 CPS and Series B Warrants of FL and FGL by PCGI, Swiss Re Investments and RRJ

On 8 March 2019, subscription agreements were entered into among FL and FGL, and, inter alia, each of PCGI, our Company, Swiss Re Investments and Eastwood Asset Holding (which is controlled by RRJ), respectively, pursuant to which each of PCGI, Swiss Re Investments and Eastwood Asset Holding was allotted and issued series B2 convertible preference shares ("**Series B2 CPS**") in FL with a par value of US$0.01 each and each of our Company, Swiss Re Investments and Eastwood Asset Holding was allotted and issued Series B2 CPS in FGL with a par value of US$0.01 each (each such investment by PCGI/our Company, Swiss Re Investments and Eastwood Asset Holding shall be referred to as the "**PCG First Pre-IPO Investment**", "**Swiss Re First Pre-IPO Investment**" and "**RRJ Second Pre-IPO Investment**", respectively).

In connection with the issue of Series B2 CPS in FL and FGL, each of PCGI, our Company, Swiss Re Investments and Eastwood Asset Holding also subscribed for warrants to subscribe for fully paid common shares ("**Series B Warrants**") in FL and FGL which are exercisable for one common share in FL and FGL, respectively, per Series B Warrant. Each Series B Warrant has an exercise price to be determined by FL and FGL upon exercise of any such warrants, provided that the exercise price of each corresponding Series B Warrant in FL and FGL shall add up to an aggregate of US$316.30. As at 6 March 2023, all of the Series B Warrants have lapsed and are no longer capable of being exercised.

The table below sets out the principal terms of the PCG First Pre-IPO Investment, the Swiss Re First Pre-IPO Investment and the RRJ Second Pre-IPO Investment:

Name of our Pre-IPO Investor	PCGI/our Company	Swiss Re Investments	Eastwood Asset Holding
Date of investment	8 March 2019	8 March 2019	8 March 2019
Number of Series B2 CPS subscribed	(i) FL: 189,701 Series B2 CPS in FL (ii) FGL: 189,701 Series B2 CPS in FGL	(i) FL: 63,234 Series B2 CPS in FL(1) (ii) FGL: 63,234 Series B2 CPS in FGL(1)	(i) FL: 189,701 Series B2 CPS in FL(2) (ii) FGL: 189,701 Series B2 CPS in FGL(2)
Number of Series B Warrants subscribed	(i) FL: 47,425 Series B Warrants in FL (ii) FGL: 47,425 Series B Warrants in FGL	(i) FL: 15,809 Series B Warrants in FL (ii) FGL: 15,809 Series B Warrants in FGL	(i) FL: 47,425 Series B Warrants in FL (ii) FGL: 47,425 Series B Warrants in FGL
Cost paid per Series B2 CPS and Series B Warrants at the time of the subscription	(i) FL: US$0.01 per Series B2 CPS in FL (ii) FGL: US$316.29 per Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$0.01 per Series B2 CPS in FL (ii) FGL: US$316.29 per Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$0.01 per Series B2 CPS in FL (ii) FGL: US$316.29 per Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.
Total consideration for Series B2 CPS subscribed and Series B Warrants at the time of the subscription	(i) FL: US$1,897.01 in respect of Series B2 CPS in FL (ii) FGL: US$60,000,000 in respect of Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$632.34 in respect of Series B2 CPS in FL (ii) FGL: US$20,000,000 in respect of Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$1,897.01 in respect of Series B2 CPS in FL (ii) FGL: US$60,000,000 in respect of Series B2 CPS in FGL No additional consideration was paid for the Series B Warrants subscribed.
Basis of determination of the consideration of Series B2 CPS	The subscription consideration for each of the PCG First Pre-IPO Investment, Swiss Re First Pre-IPO Investment and RRJ Second Pre-IPO Investment was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL.		
Date on which the investment was fully settled	The Series B2 CPS were fully settled on 13 March 2019, and all Series B Warrants were subscribed on the same day.		

Name of our Pre-IPO Investor	PCGI/our Company	Swiss Re Investments	Eastwood Asset Holding
Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, such Series B2 CPS (other than those held by our Company) would be acquired in consideration for our Shares to be issued to it conditional on, and upon, Listing. Each of such Series B2 CPS will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and, in respect of the Series B2 CPS held by Swiss Re PICA and our Company, accrued interest from 13 March 2019 at the coupon of approximately 13.07% per annum up to the date of the Listing and, in respect of the Series B2 CPS held by Queensway Asset Holding, accrued interest from 16 June 2020 at the coupon of approximately 13.78% per annum up to the date of the Listing, in each case by (b) a price per FL/FGL ordinary share equivalent to the offer price as determined in accordance with the Proposed Initial Public Offering.		

Notes:

(1) We expect to surrender our holding of convertible preference shares in FL and FGL for cancellation without issuance of additional Shares in accordance with Phase 2 of the Reorganisation.

(2) On 18 December 2020, Swiss Re Investments undertook a transfer of 63,234 Series B2 CPS in each of FL and FGL to Swiss Re PICA. As such, Swiss Re Investments ceased to hold any Series B2 CPS, and Swiss Re PICA became the registered owner of the 63,234 Series B2 CPS in each of FL and FGL thereafter.

Subscription of Series B3 CPS of FL and FGL by PCGI, Mr. Wong and Swiss Re Investments

On 23 October 2020, subscription agreements were entered into amongst FL and FGL, with each of PCGI, our Company, Mr. Wong and Swiss Re Investments, respectively, pursuant to which each of PCGI, Mr. Wong and Swiss Re Investments was allotted and issued series B3 convertible preference shares ("**Series B3 CPS**") in FL with a par value of US$0.01 each and each of our Company, Mr. Wong and Swiss Re Investments was allotted and issued Series B3 CPS in FGL with a par value of US$0.01 each (each such investment by PCGI/our Company, Mr. Wong and Swiss Re Investments shall be referred to as the "**PCG Second Pre-IPO Investment**", "**Mr Wong's Pre-IPO Investment**" and "**Swiss Re Second Pre-IPO Investment**", respectively).

In connection with the issue of Series B3 CPS in FL and FGL, each of PCGI, our Company, Mr. Wong and Swiss Re Investments also subscribed for Series B Warrants in FL and FGL which are excisable for one common share in FL and FGL, respectively, per Series B Warrant. Each Series B Warrant has an exercise price to be determined by FL and FGL upon exercise of any such warrants, provided that the exercise price of each corresponding Series B Warrant in FL and FGL shall add up to an aggregate of US$316.30. As at 6 March 2023, all of the Series B Warrants subscribed by PCGI, our Company, Mr. Wong or Swiss Re Investments have lapsed and are no longer capable of being exercised.

The table below sets out the principal terms of the PCG Second Pre-IPO Investment, Mr. Wong's Pre-IPO Investment and the Swiss Re Second Pre-IPO Investment:

Name of our Pre-IPO Investor	PCGI/our Company	Mr. Wong	Swiss Re Investments
Date of investment	23 October 2020	23 October 2020	23 October 2020
Number of Series B3 CPS subscribed	(i) FL: 4,774,750 Series B3 CPS in FL[1] (ii) FGL: 4,774,750 Series B3 CPS in FGL[1]	(i) FL: 6,323 Series B3 CPS in FL (ii) FGL: 6,323 Series B3 CPS in FGL	(i) FL: 664,341 Series B3 CPS in FL[2] (ii) FGL: 664,341 Series B3 CPS in FGL[2]
Number of Series B Warrants subscribed	(i) FL: 1,193,687 Series B Warrants in FL (ii) FGL: 1,193,687 Series B Warrants in FGL	(i) FL: 1,581 Series B Warrants in FL (ii) FGL: 1,581 Series B Warrants in FGL	(i) FL: 166,085 Series B Warrants in FL (ii) FGL: 166,085 Series B Warrants in FGL

Name of our Pre-IPO Investor	PCGI/our Company	Mr. Wong	Swiss Re Investments
Cost paid per Series B3 CPS and Series B Warrants at the time of the subscription	(i) FL: US$258.98 per Series B3 CPS in FL (ii) FGL: US$57.32 per Series B3 CPS in FGL	(i) FL: US$316.30 per Series B3 CPS in FL (ii) FGL: US$0.01 per Series B3 CPS in FGL	(i) FL: US$243.55 per Series B3 CPS in FL (ii) FGL: US$72.75 per Series B3 CPS in FGL
Total consideration for Series B3 CPS and Series B Warrants subscribed at the time of the subscription	(i) FL: US$1,236,571,439.65 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FL. (ii) FGL: payment of US$273,670,525.95 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FGL. No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$1,999,948.46 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FL. (ii) FGL: payment of US$63.23 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FGL. No additional consideration was paid for the Series B Warrants subscribed.	(i) FL: US$161,799,652.64 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FL. (ii) FGL: payment of US$48,329,811.24 in aggregate principal amount of zero coupon subordinated perpetual capital securities of FGL. No additional consideration was paid for the Series B Warrants subscribed.
Basis of determination of the consideration of Series B3 CPS	The subscription consideration for each of the PCG Second Pre-IPO Investment, Mr Wong Pre-IPO Investment and Swiss Re Second Pre-IPO Investment was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL.		
Date on which the investment was fully settled	23 October 2020	23 October 2020	23 October 2020
Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, such Series B3 CPS (other than those held by our Company) would be acquired in consideration for our Shares to be issued to it conditional on, and upon, Listing. Each of such Series B3 CPS held by PCGI/our Company, Mr. Wong, Swiss Re PICA and Fornax will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and accrued interest at the coupon of approximately 7.05% per annum from 23 October 2020 (in respect of the Series B3 CPS held by PCGI/our Company, Mr. Wong and Swiss Re PICA), 7.06% per annum (from 27 October 2020 in respect of the Series B3 CPS held by Fornax pursuant to the Fornax First Transfer) and 7.98% per annum (from 20 April 2021 in respect of the Series B3 CPS held by Fornax pursuant to the Fornax Second Transfer) up to the date of the Listing, in each case by (b) a price per FL/FGL ordinary share equivalent to the offer price as determined in accordance with the Proposed Initial Public Offering.		

Notes:

(1) We expect to surrender our holding of convertible preference shares in FL and FGL for cancellation without issuance of additional Shares in accordance with Phase 2 of the Reorganisation.

(2) On 27 October 2020 and 20 April 2021, our Company (which has been merged with PCGI) undertook a transfer of 2,073,269 ("**Fornax First Transfer**") and 1,219,967 ("**Fornax Second Transfer**") Series B3 CPS in each of FL and FGL respectively to Fornax. As such, Fornax became the registered owner of a total of 3,293,236 Series B3 CPS in each of FL and FGL and our Company became the registered owner of the 1,481,514 Series B3 CPS in each of FL and FGL thereafter.

Subscription of Series B4 CPS of FL and FGL by our Company

On 29 December 2020, a subscription agreement was entered into among FL, FGL and our Company, pursuant to which our Company was allotted and issued in each of FL and FGL 1,169,784 series B4 convertible preference shares ("**Series B4 CPS**") with a par value of US$0.01 each (the "**PCG Third Pre-IPO Investment**").

In connection with the issue of Series B4 CPS in FL and FGL, our Company also subscribed for Series B Warrants in FL and FGL which are excisable for one common share in FL and FGL, respectively, per Series B Warrant. Each Series B Warrant has an exercise price to be determined by FL and FGL upon exercise of any such warrants, provided that the exercise price of each corresponding Series B Warrant in FL and FGL shall add up to an aggregate of US$316.30. As at 6 March 2023, all of the Series B Warrants subscribed by our Company have lapsed and are no longer capable of being exercised.

The table below sets out the principal terms of the PCG Third Pre-IPO Investment.

Name of our Pre-IPO Investor	**Our Company**
Date of investment	29 December 2020
Number of Series B4 CPS subscribed	(i) FL: 1,169,784 Series B4 CPS in FL (ii) FGL: 1,169,784 Series B4 CPS in FGL
Cost paid per Series B4 CPS at the time of the subscription	(i) FL: US$188.07 per Series B4 CPS in FL (ii) FGL: US$128.23 per Series B4 CPS in FGL
Total consideration at the time of the subscription	(i) FL: US$220,000,000 (ii) FGL: US$149,999,810.22
Basis of determination of the consideration	The subscription consideration for the PCG Third Pre-IPO Investment was determined based on arm's length negotiations between the parties with reference to the agreed valuation of FL and FGL (as the case may be) at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by FL and FGL.
Date on which the investment was fully settled	29 December 2020
Conversion in Phase 2 of the Reorganisation	Pursuant to the Implementation Agreement, each of such Series B4 CPS will be treated as being converted to such number of ordinary shares in FL and FGL as determined by dividing (a) the sum of the invested principal amount and accrued interest at the coupon of approximately 7.31% per annum up to the date of the Listing by (b) a price per FL/FGL ordinary share equivalent to the offer price as determined in accordance with the Proposed Initial Public Offering.

No Special Rights Granted to our Pre-IPO Investors of the Previous Rounds Pre-IPO Investments

Pursuant to the relevant agreements with the Pre-IPO Investors of the Previous Rounds Pre-IPO Investments and as part of Phase 2 of the Reorganisation, all existing convertible preference shares held by our Pre-IPO Investors of the Previous Rounds Pre-IPO Investments will be converted into our Shares. Such converted Shares will not be subject to any lock-up undertakings after Listing, save for those held by our Controlling Shareholders which will be subject to lock-up requirements pursuant to the Listing Rules. In addition, all of our Pre-IPO Investors of the Previous Rounds Pre-IPO Investments will not be entitled to any special rights upon completion of the Proposed Initial Public Offering.

Subscription of ordinary shares of our Company by Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master) Fund, PCGI Holdings, ORIX Asia Capital and Huatai Growth Focus Limited

On 13 December 2021, subscription agreements were entered into between our Company and each of Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master) Fund and PCGI Holdings, pursuant to which each of Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master) Fund and PCGI Holdings was allotted and issued 63,795,853 Shares, 28,708,133 Shares, 23,923,444 Shares, 1,594,896 Shares, 11,961,722 Shares, 47,846,889 Shares and 49,441,786 Shares respectively; on 11 January 2022, a subscription agreement was entered into between our Company and ORIX Asia Capital, pursuant to which ORIX Asia Capital was allotted and issued 15,948,963 Shares; and on 12 January 2022, a subscription agreement was entered into between our Company and Huatai Growth Focus Limited, pursuant to which Huatai Growth Focus Limited was allotted and issued 15,948,963 Shares. On 19 December 2022, a subscription agreement was entered into between our Company and PCGI Holdings, pursuant to which PCGI Holdings was allotted and issued 31,897,926 Shares (together, the "**Pre-IPO Investments 2021/2022**").

The table below sets out the principal terms of the Pre-IPO Investments 2021/2022.

Name of our Pre-IPO Investor	Athene	SCB	CPP Investments	MPIC	Swiss Re PICA	DGA Capital (Master) Fund	PCGI Holdings
Date of investment	13 December 2021	13 December 2021	13 December 2021	13 December 2021	13 December 2021	13 December 2021	(1) 13 December 2021 (2) 19 December 2022
Number of Shares subscribed	63,795,853 Shares, comprised of 55,821,371 Shares (the "**Tranche A Purchased Shares**") and 7,974,482 Shares (the "**Tranche B Purchased Shares**")	28,708,133 Shares	23,923,444 Shares	1,594,896 Shares	11,961,722 Shares	47,846,889 Shares	(1) 49,441,786 Shares (2) 31,897,926 Shares
Cost paid per Share at the time of the subscription	US$6.27 per Share	US$6.27 per Share	US$6.27 per Share	US$6.27 per Share	US$6.27 per Share	US$6.27 per Share	US$6.27 per Share
Total consideration for Shares subscribed at the time of the subscription	US$399,999,998.31	US$179,999,994	US$150,000,000	US$10,000,000	US$75,000,000	US$300,000,000	(1) US$310,000,000 (2) US$200,000,000

Name of our Pre-IPO Investor	Athene	SCB	CPP Investments	MPIC	Swiss Re PICA	DGA Capital (Master) Fund	PCGI Holdings
Basis of determination of the consideration	The subscription consideration for the Pre-IPO Investments 2021/2022 was determined based on arm's length negotiations between the parties with reference to the agreed valuation of our Company at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by the Group.						
Date on which the investment was fully settled	14 December 2021	15 December 2021	20 December 2021	14 December 2021	15 December 2021	15 December 2021	(1) 14 December 2021 (2) 19 December 2022

Name of our Pre-IPO Investor	ORIX Asia Capital	Huatai Growth Focus Limited
Date of investment	11 January 2022	12 January 2022
Number of Shares subscribed	15,948,963 Shares	15,948,963 Shares
Cost paid per Share at the time of the subscription	US$6.27 per Share	US$6.27 per Share
Total consideration for Shares subscribed at the time of the subscription	US$100,000,000	US$100,000,000
Basis of determination of the consideration	The subscription consideration for such Pre-IPO Investment was determined based on arm's length negotiations between the parties with reference to the agreed valuation of our Company at the time of investment, taking into account the timing of the investment, the then status of the businesses carried out by the Group.	
Date on which the investment was fully settled	14 January 2022	27 January 2022

Use of Proceeds and Strategic Benefits from Pre-IPO Investments

The proceeds raised from the Pre-IPO Investments were paid to our Company for strengthening our capital, building a capital buffer to fund further growth and reducing our debt. As at 6 March 2023, the proceeds received by our Company from the Pre-IPO Investments have been partially used for the aforesaid purposes and have not been fully utilised. Our Directors believe that our Company has benefitted and will continue to benefit from the capital raised through the Pre-IPO Investments, the knowledge, skills and experience of the Pre-IPO Investors, and the endorsement of our Company's performance, strength and prospects as reflected by the Pre-IPO Investments.

Previous Contemplation for Possible Listing on the New York Stock Exchange

We filed a registration statement on F-1 with the U.S. Securities and Exchange Commission on 24 September 2021 relating to a proposed initial public offering of American depositary shares representing certain ordinary shares of our Company (the "**US Listing Plan**"). Subsequently, we considered other alternatives to the US Listing Plan and on 20 December 2021, we determined not to proceed with the offering and sale of the securities pursuant to the US Listing Plan.

Background Information about our Pre-IPO Investors

Where Pre-IPO Investments were made by PCGI or our Company in FL and FGL, such Pre-IPO Investments were effectively made by and on behalf of Mr. Li, one of our Controlling Shareholders, as Mr. Li owned 100% of the issued share capital of PCGI and our Company at the time such Pre-IPO Investments were made.

Queensway Asset Holding and RRJ

Queensway Asset Holding is an investment holding company incorporated in the Cayman Islands on 15 March 2018 and is wholly-owned by RRJ. RRJ is an Asia-based investment fund acting through its general partner, RRJ Capital III Ltd, which is wholly- owned by an independent third party of our Company. FWD Life (Bermuda) is one of the limited partners of RRJ, holding less than 5% of the interests of RRJ.

Crimson White Investment and GIC Blue

Crimson White Investment is wholly-owned by GIC Blue. Both Crimson White Investment and GIC Blue are ultimately owned by the Minister for Finance of the Government of Singapore. The Minister for Finance is the body corporate constituted under section 2(1) of the Minister for Finance (Incorporation) Act 1959 and is a statutory corporation set up by the Government of Singapore to own and administer government assets.

Future Financial Investment and HOPU

Future Financial Investment is an investment holding company incorporated in the British Virgin Islands on 28 November 2017 which is controlled by HOPU. HOPU is a Cayman Islands limited partnership registered on 25 August 2017 acting through its general partner, HOPU Investments Co. III Ltd., which is part of and managed by HOPU Investments (an independent third party), an Asian alternative asset manager.

PCGI Holdings and PCG

PCGI Holdings is an investment holding company incorporated in the Cayman Islands. PCGI Holdings is wholly-owned by Mr. Li, a director of our Company. Mr. Li is also the founder, chairman and chief executive of PCG. For details of Mr. Li, PCGI Holdings and the relationship between Mr. Li, our Company and our directors and senior management, please refer to the section headed "*Directors and Senior Management*".

Swiss Re PICA, Swiss Re Investments and Swiss Re

Each of Swiss Re PICA (a company incorporated in Singapore) and Swiss Re Investments (a company incorporated in Switzerland) is an indirect wholly-owned subsidiary of Swiss Re which in turn is a wholly-owned subsidiary of Swiss Re Ltd. The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cyber crime. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. Swiss Re Ltd is listed on the SIX Swiss Exchange (stock code: SREN) and its shares are widely held with no single substantial shareholder. BlackRock, Inc. and UBS Fund Management (Switzerland) AG are the only shareholders holding more than 3% of the voting rights of Swiss Re Ltd's share capital as of 6 March 2023.

A number of our subsidiaries have entered into reinsurance arrangements in relation to our products with the Swiss Re Group. For further details, please refer to the section headed "*Business – Reinsurance*".

In addition to being a Pre-IPO Investor of the Pre-IPO Investments 2021/2022, Swiss Re PICA holds preference shares and convertible preference shares in each of FL and FGL, which shall be acquired in consideration for Shares to be issued in accordance with the Implementation Agreement in Phase 2 of the Reorganisation. For further details, please refer to the section "*– Reorganisation – Phase 2: Equity restructuring of security interests in FL and FGL*".

Swiss Re PICA has exercised rights to appoint one director (Mr. John Dacey) to our board. For further details of the relationship between the Swiss Re Group and our directors and senior management, please refer to the section headed "*Directors and Senior Management*".

Fornax

Fornax, a private exempted company incorporated in the British Virgin Islands, is wholly-owned by Fornax Holding Company Limited, which in turn is wholly-owned by the Falcon 2019 Co-Invest A, L.P., a Cayman Islands limited partnership in which Falcon 2019 Co-Invest GP acts as the general partner, and Spring Achiever Limited and Fornax Management Holding Company Limited act as the limited partners. Spring Achiever Limited is ultimately controlled by Mr. Li, and Fornax Management Holding Company Limited is ultimately controlled by an independent third party.

Mr. Wong

Mr. Wong is a private investor and currently a senior vice president of PCG. Mr. Wong is certified as a chartered financial analyst (CFA) and also serves as Chief Executive Officer, Chief Financial Officer and a Director of Bridgetown Holdings Limited. Other than his employment in PCG, which is wholly-owned by a Controlling Shareholder of our Company, Mr. Wong is an independent third party of our Company.

Athene

Athene is a Bermuda-based reinsurance company and a subsidiary of Athene Holding Ltd. ("**AHL**"), a leading financial services company specialising in retirement services. AHL is wholly owned by Apollo Global Management ("**AGM**"), which is Athene's ultimate beneficial owner (an independent third party) and is a leading global investment manager. The net invested assets of AHL and its subsidiaries are substantially managed by affiliates of AGM.

Our company has entered into certain investment management agreements with one or more affiliates of AGM to manage part of our company's investment portfolio. For details, please refer to "*Business – Investments and Asset Management – Outsourced Investment Managers*".

SCB

SCB is the first Thai bank and a leader in providing financial services in Thailand with more than 110 years in business. SCB is a leading universal bank, offering deposits and lending and a wide range of other products and services to meet the needs of all customers. SCB's services are backed by its extensive banking network and continuous pursuit of technological innovation. SCB X Public Company Limited (SCBX), a SET listed holding company, is the largest shareholder of SCB, owning 99.53% of SCB shares as at 6 March 2023. In September 2019, FWD acquired an equity interest of 99.2% in SCB Life, which amalgamated with FWD Thailand in October 2020. In connection with this acquisition, FWD Thailand entered into a 15-year exclusive bancassurance partnership with SCB.

CPP Investments

CPP Investments is a professional investment management organisation that manages the fund in the best interest of the more than 21 million contributors and beneficiaries of the Canada Pension Plan. It is incorporated as a federal Crown corporation by an Act of the Canadian parliament and is governed by its board of directors. CPP Investments is governed and managed independently of the Canada Pension Plan and at arm's length from governments. In order to build diversified portfolios of assets, investments are made around the world in public equities, private equities, real estate, infrastructure and fixed income. CPP Investments is headquartered in Toronto, with offices in Hong Kong, London, Luxembourg, Mumbai, New York City, San Francisco, São Paulo and Sydney. As of 31 December 2022, the fund totalled C$536 billion. CPP Investments is an independent third party of our Company.

MPIC

MPIC is a Philippine-based, publicly listed investment management and holding company registered with the Philippine Securities Exchange Commission and listed on the Philippine Stock Exchange (PSE: MPI). MPIC is a leading infrastructure holding company with a diverse set of assets held through its operating companies. MPIC's portfolio of infrastructure assets includes power, toll roads, and water, as well as healthcare and light rail, which are all primarily located in the Philippines. First Pacific Company Limited, a Hong Kong-based investment management and holding company with operations located in Asia-Pacific whose shares are listed on the Main Board of the Stock Exchange (142.HK), holds approximately 46.1% economic interest in MPIC as at 6 March 2023. The largest shareholder of First Pacific Company Limited is Mr. Anthoni Salim (an independent third party), who is holding approximately 45.4% interests in First Pacific Company Limited as at 6 March 2023.

DGA Capital (Master) Fund

DGA Capital (Master) Fund is a Cayman Islands exempted limited partnership of which DGA Capital (Master) GP Limited serves as the general partner and the investment activities of DGA Capital (Master) Fund are managed by DGA Capital Asset Management Limited, a company incorporated in Hong Kong in 25 March 2022 and licensed for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (CE Number: BSJ116) subject to the overall control and supervision of DGA Capital (Master) GP Limited, the general partner of DGA Capital (Master) Fund. The sole limited partner of DGA Capital (Master) Fund at its first closing is Magic Thunder Limited, a limited company incorporated in the British Virgin Islands and an indirectly wholly-owned subsidiary of Li Ka Shing Foundation 2020, a Cayman Islands company limited by guarantee.

ORIX Asia Capital

ORIX Asia Capital, a wholly-owned subsidiary of ORIX, is the investment platform for ORIX in the Greater China region. Built on ORIX's reputation, experiences, resources and network, ORIX Asia Capital has invested in many leading companies from various sectors including renewable energy, infrastructure, healthcare, consumer, and Fintech etc. ORIX Asia Capital has been considered a strategic partner with strong commitment to the long-term development of the portfolio companies.

ORIX (TSE: 8591; NYSE: IX) is a financial services group which provides innovative products and services to its customers by constantly pursuing new businesses.

Established in 1964, from its start in the leasing business, ORIX has advanced into neighbouring fields and at present has expanded into lending, investment, life insurance, banking, asset management, automobile related, real estate and environment and energy related businesses. Since entering Hong Kong in 1971, ORIX has spread its businesses globally by establishing locations in 28 countries and regions across the world.

The largest shareholder of ORIX is The Master Trust Bank of Japan, Ltd. (an independent third party), which is holding approximately 20.56% interests in ORIX as at 6 March 2023.

Huatai Growth Focus Limited

Huatai Growth Focus Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Huatai Fund, an exempted limited partnership formed under the laws of the Cayman Islands. The general partner of Huatai Fund is a wholly-owned subsidiary of Huatai Financial.

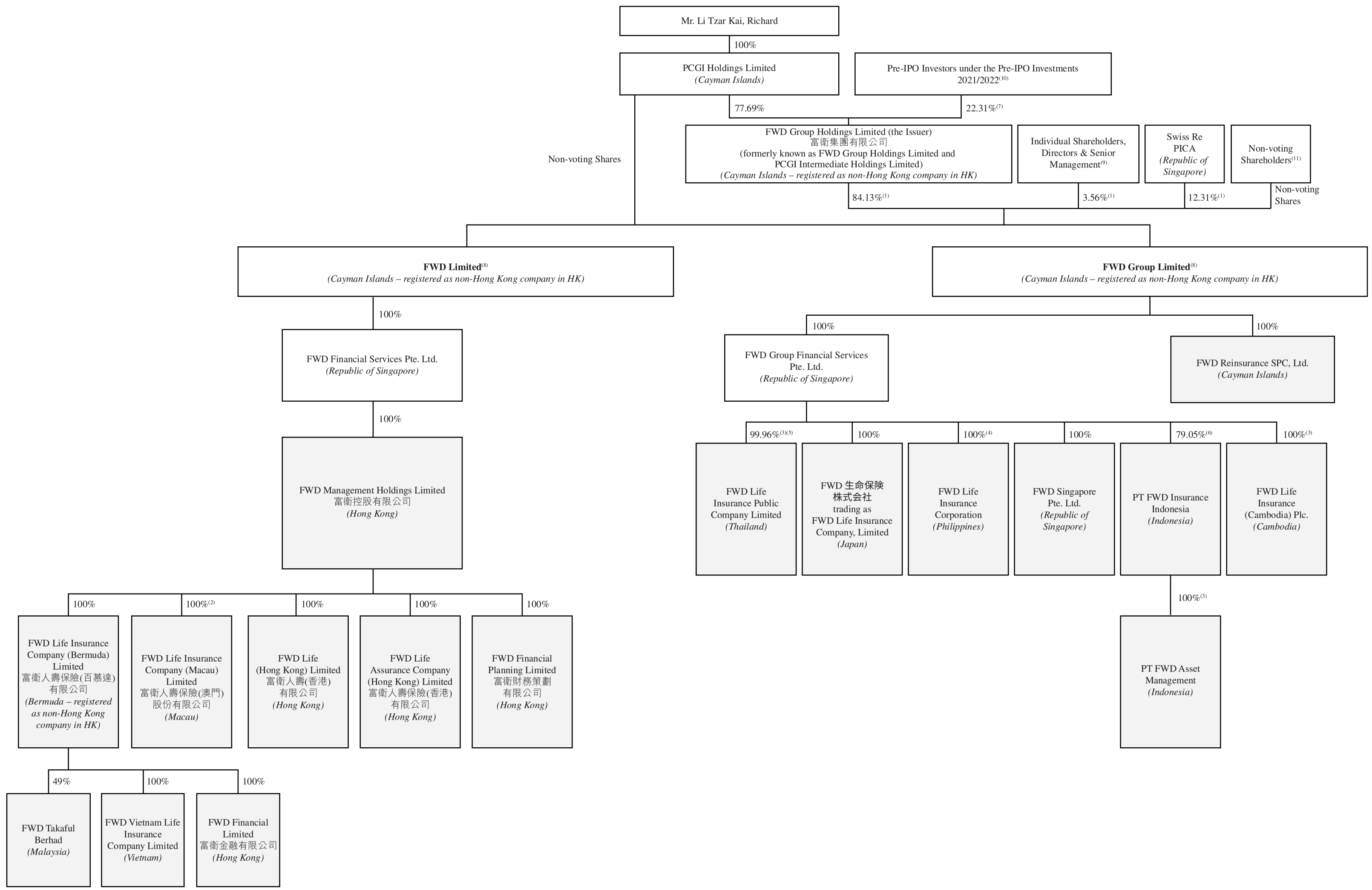
Huatai Financial is licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance.

Huatai Financial is ultimately owned by Huatai Securities, a company listed on the Main Board of the Stock Exchange (6886.HK), the Shanghai Stock Exchange (601688.SH) and the global depository receipts of Huatai Securities have been listed on the London Stock Exchange (HTSC.LSE). Huatai Securities is engaged in the securities business, including brokerage, securities underwriting, asset management, investment banking, and online exchange services. The de facto controller of Huatai Securities is State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (an independent third party).

Huatai Securities' relationship with PCG exists in the form of a joint venture named HP. Huatai Securities and PineBridge formed HP for which each party holds 49% and the remaining 2% is held by a third party. PineBridge is majority-owned and controlled by PCG (save for the minority interests owned by directors, management and consultants of PineBridge Group), which is owned and controlled by certain trusts in respect of which Mr. Li is the founder.

CORPORATE STRUCTURE

The following diagram illustrates our corporate and shareholding structure as at the date of this Offering Circular and immediately before commencement of Phase 2 of the Reorganisation.



Notes:

* The entities in boxes shaded in grey are insurance operating subsidiaries of our Group.

(1) Percentage of total voting rights.

(2) Represents the beneficial interest owned by FWD Management Holdings Limited.

(3) Represents the direct and indirect interest held by our Group (including through contractual arrangements).

(4) Represents the beneficial interest owned by FWD Group Financial Services Pte. Ltd.

(5) The remaining 0.04% in FWD Life Insurance Public Company Limited is held by (i) Alisa Areepong, Jiravat Kosapanyatham and Peamphanyapa Phanyapavee as to 0.000001%, 0.00000003% and 0.000001% respectively, each of which is a current director of FWD Life Insurance Public Company Limited, (ii) Apirak Chitranondh as to 0.00000003%, who is a former director of FWD Life Insurance Public Company Limited, (iii) 32 minority shareholders each as to less than 0.0003%, all of which are linked to the Group solely by virtue of being current or former employees of the Group and (iv) 163 other minority shareholders each as to less than 0.03895%, all of which are independent third parties.

(6) The remaining 20.95% in PT FWD Insurance Indonesia is held by PT. Surya Elok Kencana and Rahendrawan as to approximately 20.94883% and 0.00001%, respectively, both of which are independent third parties.

(7) Percentage of total issued share capital: Athene (6.79%); SCB (3.05%); CPP Investments (2.55%); MPIC (0.17%); Swiss Re PICA (1.27%); DGA Capital (Master) Fund (5.09%); ORIX Asia Capital (1.70%); Huatai Growth Focus Limited (1.70%).

(8) Percentage of total issued share capital: FWD Group Holdings Limited (72.22%); Swiss Re PICA (11.24%); Future Financial Investment (1.22%); Crimson White Investment (0.75%); Queensway Asset Holding (0.45%); Fornax (9.90%); PCGI Holdings (1.46%); Individual Shareholders, Directors and Senior Management (2.76%).

(9) These being: (i) Huynh Thanh Phong, Craig Alan Merdian, Peter Karl Grimes, Jon Paul Nielsen, Krit Chitranapawong, Lau Soon Liang, David John Korunic, Shum Xian Shelyne Ailing, Anantharaman Sridharan, Binayak Dutta, Lo Kwok Chung Raymond, Tsuyoshi Ichihara, Ryuji Kaneda, Wong Kwan Kit, Zhuang Li Hao, Law Yim Ling, Chow Hun Chi Julie, Nicolas Rodriguez, Law Lai Yee Cecilia, Tse Chun Kwok, Takahiro Ogasawara, Huynh Huu Khang and Lau Chi Kin (being directors or senior management of our Group); (ii) Ronald Joseph Arculli, Suwimon Thangnisaitrong, Poramasiri Manolamai, Apirak Chitranondh and Paul Andrew Carrett (being former directors or senior management of our Group); and (iii) Wong Ka Kit.

(10) Pre-IPO Investors of the Pre-IPO Investments 2021/2022 other than PCGI Holdings. Please refer to the paragraph headed "*History, Reorganisation and Corporate Structure – Pre-IPO Investment – Subscription of ordinary shares of our Company by Athene, SCB, CPP Investments, MPIC, Swiss Re PICA, DGA Capital (Master)* Fund, *PCGI Holdings, ORIX Asia Capital and Huatai Growth Focus Limited*" for further details.

(11) These being: (i) Crimson White Investment; (ii) Fornax; (iii) Future Financial Investment; (iv) our Company; (v) PCGI Holdings; (vi) Queensway Asset Holding; and (vii) Swiss Re PICA.

Prospective investors should read the following discussion and analysis in conjunction with the consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 (the "Group"), together with the accompanying notes set out in the Audited Consolidated Financial Statements included in Appendix II to this Offering Circular. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Investors should read the whole of the Audited Consolidated Financial Statements and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this Offering Circular.

For the purpose of this section, unless the context otherwise requires, references to 2020, 2021 and 2022 refer to our fiscal year ended 31 December of that year.

OVERVIEW

We are a fast-growing Pan-Asian life insurer providing participating life, non- participating life, medical, unit-linked, group insurance and other life insurance products to our customers. Founded in 2013 with a presence in three markets, we now operate in ten markets that we group under the following reporting segments based on geography, which we also refer to as our Business Units:

- Hong Kong (and Macau);
- Thailand (and Cambodia);
- Japan; and
- Emerging Markets, which, for purposes of the reporting segments, we define to include the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

We entered several of these markets through acquisitions pursuant to a strategy to access some of the fastest growing life insurance markets in Asia with rapidly increasing GDP and personal disposable income, and expanding, demographically attractive but underinsured populations.

While we have benefited from growth through acquisitions, our underlying business has experienced substantial organic expansion in nearly all of our markets in terms of scale, new business growth and capital. We achieved 4.6 times APE growth and 6.7 times VNB growth between 2014, our first full year of operations, and the twelve months ended 31 December 2022. While the finance costs, short-term fluctuations in investment return related to equities and property investments and some non-operating or non-recurring items, which primarily consisted of an adjustment in relation to the novation of the distribution agreement with TMB and non-core business set up and separation costs in 2020, contributed to our net loss position under IFRS in the years ended 31 December 2020, 2021 and 2022, we experienced substantial improvement in other indicators of profitability. Our Underlying new business margin (% of APE) increased from 40.1% in 2020 to 48.1% in 2021 and increased from 48.1% in 2021 to 58.6% in 2022, and the corresponding Underlying VNB increased by 31.1% on a CER basis (22.5% on an AER basis) from 2021 to 2022. For more information on Underlying VNB, see "– *Key Performance Indicators – Growth and Value Creation – Value of new business ("VNB").*" Our segmental adjusted operating profit before tax (non-IFRS measure) increased by 69.2% on a CER basis (63.5% on an AER basis) from 2020 to 2021 and increased by 83.2% % on a CER basis (63.2% on an AER basis) from 2021 to 2022.

We believe that our customer-led and digitally-enabled model provides us with a competitive advantage in the pursuit of the extensive growth opportunities in all our markets, particularly in Southeast Asia. We further expect that as we unwind value from our in-force business and reduce our expense base through economies of scale, we will be able to continue to grow, achieve higher margins and improve overall profitability.

For the discussion in this section, references to "we" or the "Group" are to FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited) and its consolidated subsidiaries as a whole. Our discussion of our financial condition, results of operations and cash flows takes into account our strategic acquisitions and partnerships, unless otherwise specified.

BASIS OF PRESENTATION

In advance of the Proposed Initial Public Offering, we undertook the Reorganisation and a series of financing transactions. Additionally, since 2020 we have made several strategic acquisitions and investments that have contributed to our business growth and our geographic expansion.

The consolidated financial statements may not be indicative of what our results of operations, financial condition and cash flows will be in the future. Set forth below are certain factors that prospective investors should note as they consider the financial and other information presented in this section.

FACTORS AFFECTING COMPARABILITY

Reorganisation and Financing

Our operating subsidiaries carry out businesses which span across Hong Kong, Macau, Thailand, Cambodia, Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia, and our subsidiaries were held under two intermediate holding companies, namely, FL and FGL. Prior to the Proposed Initial Public Offering, we undertook the Reorganisation and financing transactions to unify the ownership structure of the Group, with a view to enhancing its organisational efficiency and optimising its structure for the Proposed Initial Public Offering. See "*History, Reorganisation and Corporate Structure – Reorganisation*" and Note 1.2.2 to the 2021 Audited Annual Financial Statements and Note 1.2.2 to the 2022 Audited Annual Financial Statements included in Appendix II for more information.

For a discussion of the Pre-IPO Investments made in our Group, see "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company – Pre-IPO Investments.*"

Acquisitions, Investments and Discontinued Businesses

Since 1 January 2020, we have made several strategic acquisitions and partnerships that have contributed significantly to our business growth and our geographic expansion. These acquired entities have been consolidated in our financial statements from their respective dates of acquisition as further described below.

On 8 April 2020, we completed the acquisition, for a total consideration of US$414 million, of VCLI (subsequently rebranded as FWD Assurance (Vietnam)) in Vietnam, which contributed 0.2% of our revenue in 2020 and constituted 0.4% of our net assets as of 31 December 2020. The total consideration also includes the access fee under the distribution agreement with VCB.

On 4 June 2020, we completed the acquisition, for a total consideration of US$424 million, of PT Commonwealth Life in Indonesia, which contributed 1.5% of our revenue in 2020 and constituted 3.3% of our net assets as of 31 December 2020. The total consideration also includes the access fee under the distribution agreement with PTBC.

On 30 June 2020, we completed the acquisition, for a total consideration of US$344 million, of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in Hong Kong, which contributed 2.5% of our revenue in 2020 and constituted 4.0% of our net assets as of 31 December 2020.

On 9 December 2020, we completed the acquisition of 100% of the equity ownership interest in Bangkok Life Assurance (Cambodia) Plc. for a total consideration of US$4 million.

On 1 April 2020, we novated our exclusive distribution agreement with TMB to Prudential Life Assurance (Thailand) Public Company Limited with a transition period of nine months, which ended on 31 December 2020, for a total consideration of US$580 million. See Note 10 to the 2021 Audited Annual Financial Statements and Note 10 to the 2022 Audited Annual Financial Statements included in Appendix II.

On 8 December 2020, we sold a subsidiary of our GI Disposal Group to a related party for a total consideration of US$77 million. In addition, on 3 February 2021, we disposed the remaining two subsidiaries of our GI Disposal Group to a related party for a consideration of US$32 million, which included US$14 million for the settlement of intercompany loans to the GI Disposal Group. The sales were made pursuant to a plan to sell GI Disposal Group formulated in March 2020. On 8 February 2021, we received US$30 million from the related party as a reimbursement and settlement of expenses incurred for the GI Disposal Group in 2018 and 2019 and US$14 million to settle the receivable for payments made on behalf of the GI Disposal Group in 2020. Please refer to Note 5.2 and Note 33 to the 2021 Audited Annual Financial Statements and Note 33 to the 2022 Audited Annual Financial Statements included in Appendix II for more details.

On 1 February 2021, we completed the disposal of our pension business for a net consideration of US$10 million. See Note 5.2 to the 2021 Audited Annual Financial Statements included in Appendix II for more details.

On 2 March 2021, we completed the subscription of a minority stake in BRI Life in Indonesia for a consideration of US$273 million. Concurrently with our subscription, BRI Life entered into a long-term distribution partnership with Bank BRI. Subsequently on 2 March 2022 and 2 March 2023, we subscribed for additional shares in BRI Life for a consideration of US$54 million and US$49 million, respectively. See Note 11 to the 2021 Audited Annual Financial Statements and Note 11 to the 2022 Audited Annual Financial Statements included in Appendix II.

On 21 March 2022, we disposed of our entire interest in FWD Assurance (Vietnam) to Tan Viet Securities Joint Stock Company and a group of investors for a total consideration of US$40 million. See Note 5.3 to the 2021 Audited Annual Financial Statements and Note 5.1 to the 2022 Audited Annual Financial Statements included in Appendix II for more details.

In addition, since 1 January 2020, we have made other strategic acquisitions and investments, and agreed to sell certain businesses which are classified as discontinued operations in the consolidated financial statements. These acquisitions, investments and discontinued operations are, individually and in the aggregate, immaterial to our financial condition and results of operations.

FACTORS AND TRENDS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations, as well as the comparability of our results of operations between periods, have been affected and will continue to be affected by a number of factors, including the following.

Acquisitions and investments. We have made several strategic acquisitions that have contributed significantly to our business growth and our geographic expansion. See "– *Factors Affecting Comparability – Acquisitions, Investments and Discontinued Businesses.*" Due to the proportion of our in-force business that has arisen through acquisitions, our results of operations are significantly impacted by the amortisation of VOBA, one-off costs of integration activities and the costs of servicing debt incurred to finance our acquisitions, which are not necessarily indicative of the underlying operational performance of our operating segments. We have also recorded goodwill and other intangible assets as a result of such acquisitions and investments. See Note 5.1 to the 2021 Audited Annual Financial Statements included in Appendix II. We plan to continue to grow and strengthen our market position as a Pan-Asian insurer through both organic growth and strategic acquisitions across Asia.

Economic, political and social conditions, demographic trends and consumer behaviour. Our business is inherently subject to general economic, political and social conditions, market fluctuations, consumer behaviour and demographic changes in each of the markets in which we operate. Some of these factors were exacerbated in 2020, 2021 and 2022 with the onset and spread of the COVID-19 pandemic and the policies and restrictions implemented by governments across our markets to deter the spread of the disease. These policies have caused substantial disruptions to, and generally reduced the levels of consumption and commercial activities in, all of our key markets. Specific factors that have affected, and may continue to affect, our Business Units include:

- in Hong Kong (and Macau), the social unrest that began in 2019 in Hong Kong as well as the COVID-19 pandemic and associated government measures such as border controls and mandatory quarantine requirements since 2020 have led to a decline in sales of our insurance products to and payment of renewal premiums by offshore policyholders, in particular, visitors from mainland China. In response to the adverse impacts of the COVID-19 pandemic, we have offered customers extended grace periods for premium payment and actively approached lapsed policyholders to encourage reinstatement;

- in Thailand (and Cambodia), in addition to the impact of the COVID-19 pandemic on the general economy, political events and policy changes have continued to impact our business operations; the effects of these factors on our overall financial condition and results of operations have been moderated by the gradual termination of our relationship with TMB and the acquisition of SCB Life and the resulting expansion in the scale of our operations in Thailand;

- in Japan, the changes announced by the tax authority in 2019 with respect to the tax deductibility of insurance premiums paid on COLI products (which were previously fully deductible) resulted in a material and adverse impact on our sales of such products in Japan; as a result, we have had to significantly adjust our product mix, including shifting our focus to individual medical insurance; and

- in Emerging Markets, which includes the Philippines, Indonesia, Singapore, Vietnam and Malaysia, growing health and protection awareness is expected to increase per capita spending on insurance and mitigate the slowdown induced by the COVID-19 pandemic and other recent macroeconomic pressures.

Across the markets in which we operate, volatility in the financial markets may affect general levels of economic activity, employment and customer behaviour. For example, there may be an elevated incidence of claims, lapses or surrenders of policies, and our policyholders may choose to defer or stop paying insurance premiums. Our Underlying VNB grew by 26.6% on a CER basis (25.5% on an AER basis) in 2021 compared to 2020 and grew by 31.1% on a CER basis (22.5% on an AER basis) in 2022 compared to 2021, against a challenging economic environment due to the COVID-19 pandemic. The full extent of the long-term impact of the COVID-19 pandemic remains uncertain. However, we believe that the roll-out of vaccination programmes and reopening of borders should facilitate a gradual return to normalcy, which in turn would benefit our operations in the long term along with our compelling customer propositions and our multi-channel distribution. We are generally able to promptly identify and offset the effects of adverse economic changes or a decline in consumer confidence in a particular market by operating in a number of different geographies within Asia and by offering a wide range of insurance products targeting different customer segments and introducing new products in response to changes in customer needs. However, difficult macroeconomic conditions could reduce demand for our products and services, and reduce the returns from, or give rise to defaults or losses in, our investment portfolio.

Insurance and investment product markets are also constantly evolving alongside shifts in customer preferences and demographic changes. See "*Industry – The Asia life insurance industry continues to exhibit robust growth driven by structural and macroeconomic factors – Market Size and growth.*" In order to remain competitive, we must respond to such changes in a timely manner, grow our business and maintain market share. Changes in customer preferences and population demographics in the jurisdictions in which we operate may have a material impact on our results and operations and require us to adopt significant changes to our strategies and business plan. If these trends continue, or other similar demographic changes occur in any of the jurisdictions in which we operate, we may face reduced demand for our life insurance products, the scale of our insurance business may diminish, and our financial condition and results of operations may be materially and adversely affected.

Product portfolio and multi-channel distribution. We maintain a diversified product portfolio and distribute our products through multiple channels to address the needs of a broad segment of customers in different life stages. Our product portfolio includes participating life, non-participating life, unit-linked, group insurance, COLI and other products. In 2020, 2021 and 2022, we have gradually shifted our focus to offering more protection products to better serve the needs of our customers and enhance our profitability. See "*Business – Our Products – Life insurance products*." We distribute our products through bancassurance, agency, brokerage/IFA and other channels to reduce dependency on any single distribution channel. Our ability to maintain a diverse product portfolio and a balanced multi-channel distribution network, as well as how quickly we are able to market new products and adapt our distribution network to reach our target markets, will impact the extent to which we can create business value and respond to rapidly changing market needs.

Customers' claims experience. Our financial results are affected by our customers' claims experience, which may be different from the assumptions that we would have made when we designed and priced the products and when we calculate our insurance contract liabilities. Claims experience varies over time and with product, and may be impacted by specific events and changes in macroeconomic environment, demographics, mortality, morbidity and other factors. In 2020, we continued to implement a series of initiatives to reduce claims exclusions and shorten the turnaround time for claims payments. See "*Business – Customers – Transforming the Customer Journey*." While we believe that these measures will improve customer experience and the attractiveness of our products, actual claims experience and policy benefits will differ by customer, and any failure to achieve our intended results may adversely impact our results of operations and growth prospects.

Expense Management. As is typical for a life insurance company, our major expense items include insurance and investment contract benefits which represent the claims and benefits we pay to our policyholders and, to a lesser extent, operating expenses, commission and commission-related expenses, finance costs and other expenses. As a relatively young insurance group, we recorded operating expense and commission variance of US$240 million, US$210 million and US$149 million, as outlined in the Actuarial Consultant's Report included in Appendix I, in 2020, 2021 and 2022, respectively.

We have a history of expense overruns, which is typical for a life insurance company in the early growth stages. We monitor our expense overruns against our expense assumptions, which we set based on a long-term view of our expenditures and historical operating experience, including acquisition and maintenance activities by the reporting segments, and other product-related costs that drive up our spending. As we continue to expand the size of our business operations and further invest in technology, we expect to continue to realise economies of scale and synergies from our businesses and benefit from enhanced operational efficiencies to eliminate our expense overruns over time.

Investment portfolio performance. We invest the premiums and other income generated from our insurance company in accordance with the key investment objectives defined by our Risk Committee. As of 31 December 2022, our investment portfolio, excluding investments supporting investment linked contracts under which policyholders assume the investment risk, comprised US$41,336 million in investment assets (82.4% of which consisted of fixed income securities). Our results of operations, financial condition and future prospects are affected by the performance of our investment portfolio and our ability to generate a significant level of return from our investments. Market conditions can significantly impact our results and lead to substantial changes from period to period. For example, although we have historically recorded net losses and expect to continue to do so in the future as we continue to grow our business scale and presence and incur related costs, in 2021, we recorded a net profit of US$249 million mainly due to gains on investment returns resulting from short-term fluctuations in investment returns related to equities and property investments and net foreign exchange gains. We recorded a net loss of US$740 million in 2022 mainly due to losses on investment returns due to adverse capital market movements. Our investments' liquidity is affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. There may not be a liquid trading market for some of our investments. Additionally, if we are required to dispose of illiquid assets at short notice, for example to meet policyholder obligations, we could be forced to sell such assets at prices significantly lower than the prices we paid for them. As most of our investments consist of fixed-income securities, we are also exposed to credit risks, in particular the risk that the issuers of such securities may not be able to fulfil their obligations to make their scheduled interest or principal payments.

As of 31 December 2022, 94.3% of our fixed income investment portfolio was rated investment grade, including government bonds and corporate bonds. We had a moderate portion of investments rated below investment grade, primarily because Thailand, the Philippines and Indonesia all have international sovereign debt ratings of BBB by S&P and, as a result, most corporate bonds issued in these markets are below investment grade on an international rating scale. We intend to continue to include certain non-investment grade securities in our investment portfolio if we find such investment opportunities attractive and appropriate.

In general, the investment risk in respect of investments held to back unit-linked contracts is borne by holders of our unit-linked insurance products, such as variable universal life insurance products, whereas the investment risk associated with investments held by participating funds is shared between our policyholders and our shareholders. The investment risk in respect of non-participating products is borne by our shareholders.

Fluctuations in market interest rates, credit risk and equity markets. Our investment portfolio primarily consists of fixed income investments. As a result, our profitability is affected by changes in market interest rates that impact the level and timing of gains and losses that we make on our fixed income investments. Hong Kong, Thailand and Japan are the markets in which we have the most interest rate exposure through our fixed income investments. After a prolonged period of low interest rates historically in all of these jurisdictions, interest rates are currently rising which will result in higher fixed interest income. If market interest rates decline, we may generate less income from our fixed income investments. As instruments in our investment portfolio mature, we may have to reinvest the proceeds from such maturing investments, which were generally purchased in environments where interest rates were higher than current levels, in new investments that bear lower yields. Although the current environment of rising interest rates could increase our investment income from our fixed income investments, a high interest rate environment may also reduce the market value of these instruments. In addition, higher interest rates could result in increased surrenders and withdrawals of insurance policies and contracts as our policyholders seek other investments with higher perceived returns. This may result in significant cash outflows and may require us to sell our investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates.

We are also exposed to interest rate risks through certain long-term life insurance policies we underwrite that guarantee a minimum interest or crediting rate to our policyholders established when such products are initially priced. These products expose us to the risk that changes in interest rates may reduce our spread, represented by the difference between the interest rates we are required to pay under such policies and the rate of return we are able to earn on investments supporting our insurance obligations. A reduction in our spread could adversely affect our solvency position in some jurisdictions and our ability to pay our insurance obligations. Our financial condition and results of operations could also be adversely affected if the rate of return on our investments falls below the minimum interest rates we guarantee under those insurance products. See "*Risk Factors – Interest rate declines could reduce our yield on investments, adversely affecting our liquidity and cash flows*". To minimise our exposure to interest rate and other market risks and in accordance with our strategy to focus on protection, we had gradually increased the contribution of protection products to our overall sales. Excluding the one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in 2020, our protection ratio remained unchanged as 50.9% in 2020 and 2022. In 2022, we also faced a higher interest rate environment, which increased the relative proportion savings component of cash flows without having an impact on the protection component. Comparing our business performance from the pre-COVID-19 period in 2019 to 2022, our protection ratio has increased from 44.2% in 2019 to 50.9% in 2022.

Fluctuations in equity markets may affect our investment returns and the sale of our unit-linked and universal life insurance products. In particular, in 2020, 2021 and 2022, the COVID-19 outbreak and Russia's invasion of Ukraine in February 2022 have significantly impacted the proper functioning of financial and capital markets, leading to volatility in the global credit and equity markets as well as the value of our investments. Equity securities only comprised 13.6% of our investment portfolio as of 31 December 2022.

Sales of unit-linked insurance products typically decline in periods of protracted or steep declines in equity markets and increase in periods of rising equity markets. In particular, customers may be reluctant to commit to new unit-linked products in times of uncertainty or market volatility, although some customers with regular premium paying policies may choose to maintain their payments of regular premiums as markets decline, following a strategy of dollar cost averaging. Surrenders, premium holidays and withdrawals may increase at times of declining equity markets. In addition, lower investment returns for our unit-linked insurance products would also have a secondary impact on the asset management and other fees we earn, some of which are based on the account balance of these contracts.

Fluctuations in foreign exchange rates. We currently operate in multiple geographic markets in Asia, including Hong Kong, Macau, Thailand, Cambodia, Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia. Our most significant foreign currency exposure is to the Thai Baht, the Hong Kong dollar and the Japanese Yen, details of which are set out in Note 29 to the 2021 Audited Annual Financial Statements and Note 29 to the 2022 Audited Annual Financial Statements included in Appendix II. We do not currently hedge our revenues or our net equity position in any of our operating subsidiaries. The effect of exchange rate fluctuations on our local operating results in the markets we operate in could lead to significant fluctuations in our consolidated financial statements upon translation of the results into US dollars. We seek to limit our exposure to foreign exchange rate risk by ensuring that our financial assets are predominantly denominated in the same currencies (or in the case of Hong Kong, US dollars) as our insurance liabilities in each of our geographic markets.

Regulatory environment. Our business is subject to extensive regulations and oversight by various insurance regulators and other regulatory bodies. The primary purpose of insurance laws and regulations is to protect insurance policyholders, not debtholders or shareholders. Certain of the regulations that we are subject to impose limits on the types of investments that we may make and require us to maintain specified reserves and minimum solvency margin ratios. See "*Regulatory Overview*," "*Risk Factors – Risks Relating to Legal and Regulatory Matters – We may face challenges in adapting to group-wide supervision under the GWS framework*" and "*Risk Factors – Risks Relating to Credit, Counterparties and Investments – New solvency standards may affect our capital position*."

In 2019, the Food and Health Bureau launched VHIS in Hong Kong with the goal of creating minimum standards for certified individual medical insurance plans and providing consumers with greater transparency and tax benefits. We are one of the registered providers under VHIS. Since VHIS offers an alternative to the existing medical insurance products, it may result in a decrease in persistency and is expected to continue to have an impact on our operations in Hong Kong in the near term as customers may elect to surrender existing medical policies to buy products under VHIS either from us or another provider.

Prior to the GWS framework, the HKIA supervised certain international insurance groups, including us, through written undertakings provided by these insurance groups. The GWS framework, which came into force on 29 March 2021, empowers the HKIA to (i) designate an insurance holding company to ensure the insurance group's compliance with GWS's capital requirements, (ii) apply risk management and governance measures across the insurance group, including a requirement to carry out economic capital assessments and risk and solvency assessments, and (iii) set out disclosure requirements that cover risk and governance matters in relation to its insurance group. We have been subject to GWS since 14 May 2021 and we are materially through the transition plan agreed with the HKIA, having submitted first versions of all our required regulatory reports. These reports and assessments will continue to evolve in line with the terms and conditions set out in the transition agreement.

On 28 December 2021, the HKIA published a circular regarding early adoption of aspects of "Pillar 1" of the RBC regime, which will involve the HKIA exercising its powers (i) pursuant to section 130(1) of the IO to relax the Insurance (Determination of Long Term Liabilities) Rules (Chapter 41E of the Laws of Hong Kong) in their application to an authorised insurer and (ii) pursuant to section 17(2) of the IO to modify or vary the requirements of Schedule 3 to the IO (on accounts and statements) in their application to an authorised insurer to align these requirements with the forthcoming RBC regime. Approval was granted for early adoption by FWD Life (Bermuda) on 30 June 2022 and by FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) on 19 September 2022. See "– *Solvency and Capital*" and "*Regulatory Overview*."

Our efforts to comply with the evolving regulations across the many jurisdictions we operate in may lead to increased operating and administrative expenses. Additionally, we may need to obtain prior authorisation from our regulators before selling new insurance products or making changes in the terms of products we sell in particular jurisdictions. Delays in obtaining such approvals may have an adverse impact on our ability to grow our business and expand the range of products we are able to offer to our customers.

Other regulations may limit our ability to engage in certain investment activities, which may restrict our ability to diversify investment risks and enhance the profitability of our investment portfolio.

Competition. We face significant competition in each of the jurisdictions in which we operate. In particular the life insurance markets in Hong Kong and Southeast Asia are dominated by a relatively small number of large insurers, some of which have greater financial resources and economies of scale than us. In Japan, we face competition from both domestic and foreign-owned life insurance companies and from large domestic financial services providers that either have their own insurance subsidiaries or have entered into cooperation arrangements with major insurance companies. We also face competition from banks and other financial institutions that directly own insurance companies and from smaller insurance companies that may develop a strong position in various market segments in which we operate. Competition may negatively affect our business, financial condition and results of operations by reducing our market share in the jurisdictions in which we operate, decreasing our margins and reducing the growth of our customer base. We seek to differentiate ourselves from our competitors by tailoring our products and services to the needs of fast-growing markets and population segments. However, there is no guarantee that we will be able to compete with our competitors to retain and attract new customers.

KEY PERFORMANCE INDICATORS

In addition to the information contained in the consolidated financial statements, we have defined and presented below various key performance indicators that we rely upon to evaluate, and in our view provide an alternative measure with which to monitor, our economic, financial and operating performance, and which we use to monitor the underlying performance of the Group and its business and operations, identify trends in our business, and make strategic decisions, including setting performance goals for our executives and senior employees, and being a basis of our compensation programme. These measures are not meant to be predictive of future results.

Our key performance indicators measure the scale, growth, profitability and capital of our business. Group EV, EV equity, VNB, new business margin, EV operating profit, operating ROEV and adjusted net UFSG, are actuarially determined estimates that rely upon certain assumptions and estimates made by management. See the Actuarial Consultant's Report set forth in Appendix I to this Offering Circular for details of actuarial estimates and assumptions. These indicators may not be comparable to other similarly titled measures of other life insurers or companies, since they are not uniformly defined or calculated, have limitations as analytical tools and should not be considered in isolation, or as alternatives or substitutes for analysis, of our operating results reported under IFRS. Accordingly, you should exercise caution in comparing these measures as reported by us to those of other life insurance companies.

As we discuss in greater detail when defining each measure below, we believe that these measures are useful to investors in evaluating our performance. However, APE is an operational performance measure while Group EV, EV equity, VNB, new business margin, EV operating profit, operating ROEV and adjusted net UFSG are actuarial performance measures and are not indicators recognised under IFRS. You should not consider them as alternatives to financial measures and ratios reported under IFRS. Also, since these are actuarially determined metrics and performance measures, there is no equivalent IFRS measure. Further, as we describe below, TWPI and adjusted net profit/loss are non-IFRS measures and reconciliation of the same is provided in Notes 6.4 and 6.3, respectively, to both the 2021 Audited Annual Financial Statements and the 2022 Audited Annual Financial Statements included in Appendix II. In addition, you should take into account, unless otherwise stated, that these measures reflect the impact of the acquisitions we have made during the periods covered in this Offering Circular. The following pages define our key performance indicators, including the usefulness to investors of each of them.

GROWTH AND VALUE CREATION

- *Annualised premium equivalent ("**APE**").* APE is an operational performance measure and consists of the sum of 10% of single premiums and 100% of annualised first year premiums for all new policies, before reinsurance ceded. Consistent with the customary industry practice, a factor of 10% is applied to single premiums because such weighting makes the value of a single premium sale broadly equivalent to the same dollar amount of first year premiums. APE provides an indicative volume measure of new policies issued in the relevant period and thereby an indicator of how much new business sales we are able to generate in any period. For our takaful business, APE refers to annualised contribution equivalent. Further, since APE is an operational performance measure for our new business, we also mention the growth rates on a CER basis in addition to an actual exchange rate ("**AER**") basis as applicable.

- *Value of new business ("**VNB**").* VNB is an actuarial performance measure which represents the value to shareholders arising from the new business issued during the relevant reporting period. It reflects the present value, measured at point of sale, of future net-of-tax profits on a local statutory basis less the corresponding cost of capital. VNB is calculated quarterly, based on assumptions applicable at the start of each quarter. VNB is a useful metric to help understand the profitability of our new business. Further, since VNB is a key actuarial performance measure for our new business, we also mention the growth rates on a CER basis in addition to an AER basis as applicable.

- *Underlying VNB.* Underlying VNB is an operational performance measure which represents VNB for the relevant periods excluding the impact of our acquisitions and associated partnerships, discontinued businesses, disrupted businesses, one-off items, and non-recurring events as discussed under "*– Discussion of Key Performance Indicators – Growth and Value Creation – VNB*".

- *Group embedded value ("**Group EV**").* Due to the long-tail nature of insurance policies with substantial future income expected to arise from in-force insurance policies, embedded value is a commonly adopted method of measuring the economic value of a life insurance company. Embedded value is an actuarial method of measuring the consolidated value of shareholders' interests in the existing business of an insurance company. It is an actuarial performance measure and an estimate of the economic value of a life insurance company based on a particular set of assumptions as to future experience, excluding any economic value attributable to any future new business. Group EV, an actuarial performance measure, represents the consolidated embedded value of our Group and is presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.

- *Embedded value equity ("**EV equity**").* EV equity, an actuarial performance measure, is defined to be the equity attributable to shareholders, and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders. It is presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities. EV equity allows us to measure the total equity attributable to shareholders on an actuarial basis.

PROFITABILITY AND SCALE

- *Total weighted premium income ("**TWPI**").* TWPI, a non-IFRS measure, consists of 10% of single premiums, 100% of first year regular premiums and 100% of renewal premiums across all business lines, before reinsurance ceded, and includes deposits and contributions for contracts that are accounted for as deposits in accordance with our accounting policies. Consistent with customary industry practice, a factor of 10% is applied to single premiums because such weighting makes the value of a single premium sale broadly equivalent to the same dollar amount of first year premiums. TWPI provides an indicative volume measure of transactions undertaken in the relevant period that have the potential to generate profits for the shareholders. See Note 6.4 to the 2021 Audited Annual Financial Statements and Note 6.4 to the 2022 Audited Annual Financial Statements included in Appendix II for more information. Further, since TWPI is a key operational performance measure for our indicative volumes, we also mention the growth rates on a CER basis in addition to an AER basis as applicable.

- *Segmental adjusted operating profit before tax (non-IFRS measure).* Segmental adjusted operating profit before tax, a non-IFRS measure, consists of profit/(loss) from continuing operations after tax adjusted to exclude (i) net loss of the Company and its financing subsidiaries, PCGI Intermediate and PCGI Intermediate II Holdings (the "**Financing Entities**"), assuming the Reorganisation was completed as of 1 January 2020 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management, (ii) tax, (iii) short-term fluctuations in investment return related to equities and property investments and other non-operating investment return, (iv) finance costs related to borrowings and long-term payables, (v) amortisation of VOBA, (vi) mergers and acquisitions ("**M&A**"), business set-up and restructuring-related costs, (vii) IPO-related costs, including incentive costs, (viii) implementation costs for IFRS 9 and 17 and Group-wide Supervision, and (ix) any other non-operating items which, in our view, should be disclosed separately to enable a meaningful understanding of our financial performance. Segmental adjusted operating profit before tax (non-IFRS measure) enhances the understanding and comparability of the Group's 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 amortisation of VOBA, 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. Further, since segmental adjusted operating profit before tax (non-IFRS measure) is a key operational performance measure for our business, we also mention the growth rates on a CER basis in addition to an AER basis as applicable.

The following table sets forth further details of each adjustment item:

#	Adjustment	Implications to long-term results
Segmental adjusted operating profit before tax		
(i). . . .	Implementation costs for IFRS 9 and 17 and Group-wide Supervision	• The Group has adopted IFRS 9 and IFRS 17 in the annual reporting period beginning on 1 January 2023. The Group has also been subject to the HKIA's GWS Framework since 14 May 2021 with a transitional arrangement to full implementation in 2023. • The changes in IFRS and the GWS Framework are unprecedented and as such require a fundamental change in systems and processes to reporting requirements includes one-time changes at the Group level that are different from the capital computations that we already incur at the business unit levels on an ongoing basis as well as other risk management requirements. • These implementation costs, which are not reflective of the Group's operating performance, are only incurred during the implementation stage and will decrease substantially post implementation in 2023. • Exclusion of these costs will improve the comparability between reporting periods.

#	Adjustment	Implications to long-term results
Adjusted operating profit before tax		
(ii) . . .	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	• Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return are driven by market factors. • Exclusion of these items would eliminate the short-term volatility to profit or loss, allowing for easier and more insightful comparison between reporting periods.
(iii). . .	Finance costs relating to borrowings and long-term payables	• Finance costs relating to borrowings and long-term payables mainly arose in the past from financing undertaken to fund our various acquisitions and are not reflective of the Group's operating performance. • Exclusion of finance costs allows for improved comparability between reporting periods and provides a better reflection of the Group's operating performance.
(iv) . . .	Amortisation of Value of Business Acquired	• VOBA in respect of a portfolio of long-term insurance and investment contracts acquired reflects the fair value of the insurance and investment contracts upon acquisition, rather than the operating performance of contracts underwritten post acquisition. • Exclusion of amortisation of VOBA provides a better reflection of the Group's on-going operating performance.
(v) . . .	M&A, business set-up and restructuring related costs	• These costs are incurred in relation to acquiring, integrating, restructuring and disposing of the Group's businesses. • These costs are not reflective of the Group's operating performance, and their exclusion provides a better reflection of the Group's on-going operating performance.
(vi) . . .	IPO-related costs including incentive costs	• IPO-related costs are expenses incurred in connection with the Proposed Initial Public Offering, and costs of incentive arrangements solely structured for the purpose of the Proposed Initial Public Offering. These costs arise solely as a result of the Proposed Initial Public Offering. • Excluding these costs allows for comparability between reporting periods and provides a better reflection of the Group's ongoing operating performance.
(vii) & (viii) . .	Any other non-operating items which, in FWD's view, should be disclosed separately to enable a meaningful understanding of FWD's financial performance Other non-operating expenses (primarily consisting of the impact of the novation of the TMB distribution)	• Expenditure which is not considered to be reflective of the ongoing operations of the Company is excluded to allow better period-on-period comparability, where one-off and non-recurring expenses may otherwise impact meaningful trend analysis.
(ix) . . .	Net loss of FWD and the Financing Entities assuming the Reorganisation was completed as of 1 January 2020	• These were principally financing and treasury related costs that were shareholder related and did not form part of the Group's operating business as overseen by FWD management.
Adjusted profit before tax from continuing operations		
(x) . . .	Tax	• Tax related to the operating and non-operating items to derive the profit/(loss) from continuing operations after tax.

PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER TAX

- *Adjusted net profit/loss (non-IFRS measure).* Adjusted net profit/loss, a non-IFRS measure, is net profit/loss adjusted to exclude net profit/loss to the Company and Financing Entities, assuming the Reorganisation was completed as of 1 January 2020 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management. See Note 1.2.2 and Note 6.3 to the 2021 Audited Annual Financial Statements and Note 1.2.2 and Note 6.3 to the 2022 Audited Annual Financial Statements included in Appendix II. Management views adjusted net profit/loss (non-IFRS measure) as a more relevant measure of our net profit/loss as it gives pro forma effect to the Reorganisation and should be read in conjunction with net profit/loss which reflects the actual net profit/loss incurred based on the organisation structure in the relevant periods.

- *Embedded value operating profit ("**EV Operating Profit**").* EV operating profit is an actuarial performance measure that reflects the change in EV over the relevant period, adjusted for movements relating to acquisitions, partnerships and discontinued business, economic variance, economic assumption change, non-operating variance, capital movements, corporate adjustments, financing and foreign exchange movement. It comprises expected returns on EV, VNB, operating variance, and the impact of operating assumption changes. The results have been presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes. EV operating profit allows us to measure the profits generated from our operating units on an actuarial basis.

CAPITAL

- *Adjusted net underlying free surplus generation ("**adjusted net UFSG**").* Adjusted net UFSG is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. The one-off opening adjustments, which are non- recurring, primarily include adjustments resulting from (i) revisions to the reserving methodology for valuation interest rate segregation in Hong Kong, and (ii) alignment of the valuation methodology for acquired entities (i.e., SCB Life, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited) with our Group's EV methodology in 2020. The revisions to non-economic assumption updates are also considered one-off and excluded in the adjusted net UFSG. Net UFSG is an actuarial performance measure and represents the underlying free surplus generation ("**UFSG**"), allowing for the free surplus used to fund new business. It excludes investment return variances and other items such as the impact of acquisitions, new partnerships and discontinued business, capital movements and impact of financing. Free surplus is defined as the excess of adjusted net worth, i.e., adjusted statutory net asset value attributable to shareholders, over the required capital. Adjusted net worth comprises the statutory net asset value attributable to shareholders of the Company, reflecting the excess of assets over policy reserves and other liabilities reported on a local regulatory basis plus/minus mark-to-market adjustments for assets that have not been held on a market value basis minus the value of intangible assets. We believe that this serves as a useful adequate measure of the quality of our in-force business and hence the ability to generate cash.

- *Leverage ratio.* Leverage ratio measures our level of indebtedness and is calculated as debt divided by the sum of debt and shareholders' allocated segment equity as at end of the relevant period.

RATIOS

Growth and Value Creation

- *New business margin.* New business margin is an actuarial performance measure and measures the profitability of our new business and is equal to VNB expressed as a percentage of APE or PVNBP for the relevant period.

Profitability and Scale

- *Expense ratio.* Expense ratio measures our operational efficiency and ability to manage our cost base as we grow our business and is measured as operating expenses divided by TWPI for the relevant period.

- *Operating ROEV*. Operating ROEV is an actuarial performance measure and measures the return generated by our in-force business and new business and is defined as the ratio of EV operating profit to the average of opening and closing Group EV for the relevant period. The results have been presented before allowing for operating variances other than claims/persistency/expense and operating assumption changes.

The following table sets forth our key performance indicators for the periods indicated:

	For the Year Ended/ As of 31 December						
	2020	2021	2022	2020-2022 CAGR	2021-2022 YoY	2020-2022 CAGR	2021-2022 YoY
				(AER)		*(CER)*	
	(US$ millions, except for percentages)						
GROWTH & VALUE CREATION							
Annualised premium equivalent (APE)(1)	1,692	1,446	1,408	(8.8)%	(2.7)%	(3.8)%	3.7%
Value of new business (VNB)(2)	617	686	823	15.5%	20.0%	21.4%	28.9%
Underlying VNB(2)	524	657	806	24.0%	22.5%	29.1%	31.1%
Group embedded value (Group EV)(2)(3)	3,761	5,731	6,066	27.0%	5.8%	44.5%	13.9%
Embedded value equity (EV equity)(2)(3)	7,110	9,065	9,288	14.3%	2.5%	24.6%	8.6%
Profitability & Scale							
Total Weighted Premium Income (TWPI)(4)	6,546	6,851	6,295	(1.9)%	(8.1)%	3.1%	(0.1)%
Segmental adjusted operating profit before tax (non-IFRS measure)(4)	125	205	334	63.4%	63.2%	80.6%	83.2%
Adjusted net profit/(loss) attributable to shareholders of the Company (non-IFRS measure)(5)	(268)	188	(823)	N/A	N/A	N/A	N/A
EV operating profit(2)(6)	673	885	1,072	26.2%	21.1%	32.4%	30.3%
CAPITAL							
Adjusted net underlying free surplus generation (Adjusted net UFSG)(7)	135	95	625	115.3%	558.3%	127.0%	937.4%
Ratios:							
New business margin (% of APE)(2)(8)	36.5%	47.4%	58.5%	N/A	N/A	N/A	N/A
New business margin (% of PVNBP)(2)(9)	6.1%	7.5%	10.1%	N/A	N/A	N/A	N/A
Expense ratio(10)	14.7%	14.4%	14.9%	N/A	N/A	N/A	N/A
Operating ROEV(11)	25.8%	18.7%	18.2%	N/A	N/A	N/A	N/A
Leverage ratio(12)	49.2%	34.1%	34.6%	N/A	N/A	N/A	N/A

Except for TWPI, segmental adjusted operating profit before tax (non-IFRS measure), adjusted net profit/(loss) attributable to shareholders of the Company (non-IFRS measure) and expense ratio, all other numbers in the table above are unaudited.

Notes:

(1) Operational performance measure. See the Actuarial Consultant's Report set forth in Appendix I.

(2) Actuarial performance measures. See the Actuarial Consultant's Report set forth in Appendix I, except for Underlying VNB, which is a derived figure – see "*Financial Information – Discussion of Key Performance Indicators – Underlying VNB*" for more details.

(3) Presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.

(4) Non-IFRS measures. Segmental adjusted operating profit before tax consists of profit/(loss) from continuing operations after tax adjusted to exclude (i) net loss of the Company and the Financing Entities, assuming the Reorganisation was completed as of 1 January 2020 as these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management, (ii) tax, (iii) short-term fluctuations in investment return related to equities and property investments and other non-operating investment return, (iv) finance costs related to borrowings and long-term payables, (v) amortisation of VOBA, (vi) M&A, business set-up and restructuring-related costs, (vii) IPO-related costs, including incentive costs, (viii) implementation costs for IFRS 9 and 17 and Group- wide Supervision, and (ix) any other non-operating items which, in our view, should be disclosed separately to enable a meaningful understanding of our financial performance. See Notes 6.1, 6.2, 6.3 and 6.4 to the 2021 Audited Annual Financial Statements and Notes 6.1, 6.2, 6.3 and 6.4 to the 2022 Audited Annual Financial Statements included in Appendix II for more details.

(5) Non-IFRS measure. See *"Financial Information – Discussion of Key Performance Indicators – Profitability and Scale – Adjusted net profit/(loss) (non-IFRS measure)."*

(6) Presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes.

(7) Adjusted net UFSG is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. See the Actuarial Consultant's Report set forth in Appendix I for details on adjusted net UFSG.

(8) New business margin (% of APE) is defined as VNB expressed as a percentage of APE for the relevant period.

(9) New business margin (% of PVNBP) is defined as VNB expressed as a percentage of the PVNBP for the relevant period.

(10) Expense ratio is defined as operating expenses expressed as a percentage of TWPI for the relevant period.

(11) Actuarial performance measure. Operating ROEV is defined as the ratio of EV operating profit to the average of opening and closing Group EV for the relevant period. The results have been presented before allowing for operating variances other than claims/persistency/expense variances and operating assumption changes. See the Actuarial Consultant's Report set forth in Appendix I for details of EV operating profit and Group EV.

(12) Calculated as debt divided by the sum of debt and shareholders' allocated segment equity as at the end of the applicable period.

DISCUSSION OF KEY PERFORMANCE INDICATORS

Growth and value creation – APE

Our APE, an operational performance measure, increased by 3.7% on a CER basis (decreased by 2.7% on an AER basis) from US$1,446 million in 2021 to US$1,408 million in 2022, as a result of (i) the strong growth in Emerging Markets as we continued to deliver across all of our distribution channels and in particular execute on our recently formed distribution partnerships, partially offset by (ii) the decline in Hong Kong (and Macau) due to increased COVID-19 restrictions imposed during the first half of 2022, and in particular reduced sale of single premium products, and (iii) the roll-off of COLI business in Japan. Comparing our business performance from the pre-COVID-19 period in 2019 to 2022, our APE has increased by 10.4% on a CER basis (7.8% on an AER basis) from US$1,125 million in 2019 to US$1,408 million in 2022.

Our APE decreased by 13.2% on a CER basis (14.5% on an AER basis) from US$1,692 million in 2020 to US$1,446 million in 2021, as a result of (i) one-off retrocession reinsurance between Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020, and (ii) the decline in Thailand and Japan, due to the termination of the TMB partnership in Thailand and the pivot away from COLI to focus primarily on individual protection business in Japan, which was partially offset by the strong growth in Hong Kong and Emerging Markets.

The following table presents the APE (on an AER basis) achieved by our Hong Kong (and Macau), Thailand (and Cambodia), Japan and Emerging Markets market segments for the periods indicated:

	Year ended 31 December			**2020-21**	**2021-22**	**2020-22**
	2020	**2021**	**2022**	**YoY**	**YoY**	**CAGR**
	(US$ millions, except for percentages)					
Hong Kong (and Macau)	372	474	327	27.4%	(31.0)%	(6.2)%
Thailand (and Cambodia)	616	462	485	(25.0)%	5.0%	(11.2)%
Japan	507	209	167	(58.7)%	(20.4)%	(42.7)%
Emerging Markets	197	301	429	53.1%	42.3%	47.6%
Group APE	1,692	1,446	1,408	(14.5)%	(2.7)%	(8.8)%

To give a more meaningful representation of the performance of our underlying business, we also present Underlying APE. Underlying APE is the APE adjusted to exclude, as applicable, the impact of (i) the COLI business in Japan, the sales of which have declined on account of the taxation rule changes in 2019, and (ii) the one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020.

Despite such strategic transactions or events taking place in a certain period, we have made adjustments consistently across the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 so as to enable a fair and consistent comparison across the relevant periods and to provide a more accurate picture of the Group's organic growth, excluding the impact of aforementioned disrupted business and one-off item.

The following table presents our Underlying APE as reconciled with the APE (on an AER basis) for the relevant periods:

	Year ended 31 December			**2020-21**	**2021-22**	**2020-22**
	2020	**2021**	**2022**	**YoY**	**YoY**	**CAGR**
	(US$ millions, except for percentages)					
APE	1,692	1,446	1,408	(14.5)%	(2.7)%	(8.8)%
Less: Japan – COLI	149	80	33	N/A	N/A	N/A
Less: Japan – Retrocession Reinsurance	236	–	–	N/A	N/A	N/A
Underlying APE	1,308	1,367	1,375	4.5%	0.6%	2.5%

Our Underlying APE increased by 6.6% on a CER basis (0.6% on an AER basis) from US$1,367 million in 2021 to US$1,375 million in 2022, and by 5.4% on a CER basis (4.5% on an AER basis) from US$1,308 million in 2020 to US$1,367 million in 2021, reflecting the growth of our business from the various initiatives we have undertaken across product design, channel optimisation and digitalisation and, in particular for 2021, from growth in Hong Kong.

Growth and value creation – VNB

Our VNB, an actuarial performance measure, increased by 28.9% on a CER basis (20.0% on an AER basis) from US$686 million in 2021 to US$823 million in 2022, primarily due to (i) increase in margins in Hong Kong as we repriced some of our key savings products, (ii) increase in margins in Thailand from a larger mix of higher margin products, (iii) growth of new business in Japan driven by higher margins individual products, while the sales of lower margin COLI business plateaued, and (iv) growth of new business in Emerging Markets across all markets as COVID-19 restrictions were lifted and increase in margins from continued shift towards protection products. Comparing our business performance from the pre-COVID-19 period in 2019 to 2022, our VNB has increased by 22.0% on a CER basis (18.3% on an AER basis) from US$498 million in 2019 to US$823 million in 2022.

Our VNB, increased by 12.7% on a CER basis (11.1% on an AER basis) from US$617 million in 2020 to US$686 million in 2021, primarily due to the change in product mix to be more protection oriented, which resulted in higher profitability and, in particular, in Thailand where, while our APE declined, VNB increased, reflecting a significant change in product mix towards more profitable products as well as the acquisitions in Vietnam and Indonesia and offset by the one-off retrocession reinsurance between Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020. Excluding the impact of the one-off retrocession reinsurance in Japan in 2020 and the COLI business, our VNB grew by 26.6%on a CER basis (25.5% on an AER basis) from US$524 million in 2020 to US$657 million in 2021. Accordingly, our underlying new business margin (% of APE), an actuarial performance measure, was 40.1%, 48.1% and 58.6% in 2020, 2021 and 2022, respectively. Our underlying new business margin (% of PVNBP), also an actuarial performance measure, was 7.0%, 7.6% and 10.1% in 2020, 2021 and 2022, respectively. Comparing our business performance from the pre-COVID-19 period in 2019 to 2022, our new business margin (% of APE) on an overall basis has increased from 44.2% in 2019 to 58.5% in 2022, and our new business margin (% of PVNBP) on an overall basis has increased from 8.4% in 2019 to 10.1% in 2022.

Excluding the one-time retrocession reinsurance arrangement in Japan in 2020, our protection ratio remained flat as 50.9% in 2020 and 2022. Our protection ratio decreased from 55.4% in 2020 to 50.9% in 2022 primarily due to the increased interest rates in 2022 which increased the savings component of cash flows without impacting the protection component as evident in the growth in Protection VNB. Our protection ratio reflects the success of our continued efforts to increase the protection mix of our products and continuous focus on better addressing our customers' protection needs. We have also consistently implemented our protection strategy across all markets, including (i) pioneering a variety of protection products, which are easy to understand and affordable, (ii) revamping our existing protection products and introducing new protection products to meet customers' needs, (iii) equipping our distribution partners with continuous training to be aware of market development and better understand customers' protection needs, and (iv) introducing easy-to-understand policies to help customers to be more aware of the insurance coverage and ultimately improving the onboarding process.

Additionally, our Protection VNB, which is also an actuarial performance measure, measures the protection component of our total VNB and is calculated by aggregating product level Protection VNB, grew at a CAGR of 17.6% on a CER basis (10.7% on an AER basis) from US$342 million in 2020 to US$419 million in 2022. Excluding the impact of the one-off retrocession reinsurance in Japan in 2020, our Protection VNB grew at a CAGR of 27.2% on a CER basis (21.1% on an AER basis) from US$286 million in 2020 to US$419 million in 2022. Our Protection VNB growth was particularly strong from 2020 to 2022 as we integrated SCB and changed the product mix to be more protection oriented. Despite the continued impact of COVID-19 in 2022, we witnessed an increase of 27.7% on a CER basis (18.0% on an AER basis) in Protection VNB compared to 2021.

The following table presents our VNB (on an AER basis) for each of our reporting segments and our new business margin for the periods indicated:

	Year ended 31 December			2020-21	2021-22	2020-22
	2020	2021	2022	YoY	YoY	CAGR
	(US$ millions, except for percentages)					
Hong Kong (and Macau)	167	205	216	22.2%	5.7%	13.7%
Thailand (and Cambodia)	183	217	270	18.8%	24.3%	21.5%
Japan	188	131	138	(30.4)%	5.6%	(14.3)%
Emerging Markets	79	133	198	69.2%	48.9%	58.7%
Total VNB	617	686	823	11.1%	20.0%	15.5%
New business margin (% of APE)	36.5%	47.4%	58.5%	N/A	N/A	N/A
New business margin (% PVNBP)	6.1%	7.5%	10.1%	N/A	N/A	N/A

Similar to Underlying APE, we also present VNB on an underlying basis ("**Underlying VNB**") to provide a more meaningful representation of the growth of the VNB of our underlying business. Underlying VNB is the VNB adjusted to exclude, as applicable, the impact of (i) the COLI business in Japan, the sales of which have declined on account of the taxation rule changes in 2019, and (ii) the one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in Japan in 2020.

Despite such strategic transactions or events taking place in a certain period, we have made adjustments consistently across the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 so as to enable a fair and consistent comparison across the relevant periods and to provide a more accurate picture of the Group's organic growth, excluding the impact of aforementioned disrupted business and one-off item.

The following table presents our Underlying VNB as reconciled with the VNB (on an AER basis) for the relevant periods:

	Year ended 31 December			2020-21	2021-22	2020-22
	2020	2021	2022	YoY	YoY	CAGR
	(US$ millions, except for percentages)					
VNB	617	686	823	11.1%	20.0%	15.5%
Less: Japan – COLI	38	29	17	N/A	N/A	N/A
Less: Japan – Retrocession Reinsurance	56	–	–	N/A	N/A	N/A
Underlying VNB	524	657	806	25.5%	22.5%	24.0%
Underlying new business margin (% of APE)	40.1%	48.1%	58.6%	N/A	N/A	N/A
Underlying new business margin (% of PVNBP)	7.0%	7.6%	10.1%	N/A	N/A	N/A

Our Underlying VNB increased by 31.1% on a CER basis (22.5% on an AER basis) from US$657 million in 2021 to US$806 million in 2022, and by 26.6% on a CER basis (25.5% on an AER basis) from US$524 million in 2020 to US$657 million in 2021, primarily due to the strong growth of our underlying business and continued shift to higher margin products. Accordingly, our Underlying new business margin (% of APE), an actuarial performance measure, was 40.1%, 48.1% and 58.6% in 2020, 2021 and 2022, respectively. Our Underlying new business margin (% of PVNBP), also an actuarial performance measure, was 7.0%, 7.6% and 10.1% in 2020, 2021 and 2022, respectively. Excluding the impact of all additional acquisition and associated partnerships, discontinued businesses, disrupted businesses, one-off items and non-recurring events across the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, our VNB grew at a CAGR of 30.0% on a CER basis (24.9% on an AER basis) from 2020 to 2022.

For additional discussion of VNB and Protection VNB by reporting segments, see "– *Segment Information.*"

Growth and value creation – Group EV and EV equity

Our Group EV, an actuarial performance measure, increased by 13.9% on a CER basis (5.8% on an AER basis) from US$5,731 million as of 31 December 2021 to US$6,066 million as of 31 December 2022, primarily due to the US$400 million of capital raised in 2022 and increase of EV profit, partially offset by foreign exchange movements reflecting strengthening of the US dollar against the Japanese Yen and the Thai Baht.

Our Group EV increased by 52.4% from US$3,761 million as of 31 December 2020 to US$5,731 million as of 31 December 2021 primarily due to the US$2,389 million of capital raised in 2021, see "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company – Pre-IPO Investments*" for details, partially offset by the negative impact of US$487 million from foreign exchange movement, largely driven by the strengthening of the US dollar against the Japanese Yen and the Thai Baht.

Our EV equity, an actuarial performance measure, increased by 8.6% on a CER basis (2.5% on an AER basis) from US$9,065 million as of 31 December 2021 to US$9,288 million as of 31 December 2022, primarily due to the US$400 million of capital raised in 2022 and increase of EV profit, partially offset by foreign exchange movements reflecting strengthening of the US dollar against the Japanese Yen and the Thai Baht.

Our EV equity increased by 27.5% from US$7,110 million as of 31 December 2020 to US$9,065 million as of 31 December 2021 primarily due to the US$2,389 million of capital raised as of 31 December 2021, see "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company – Pre-IPO Investments*" for details, partially offset by the negative movements in the foreign exchange rate of US$660 million.

The following table presents our Group EV and EV equity as of the dates indicated:

	As of 31 December		
	2020	2021	2022
		(US$ millions)	
Group EV[(1)]	3,761	5,731	6,066
EV equity[(1)]	7,110	9,065	9,288

Note:

(1) Presented on a net of financing basis. Financing for this purpose includes debt held and comprises borrowings and perpetual securities.

Profitability and scale – TWPI

Our TWPI, a non-IFRS measure, remained largely unchanged on a CER basis (decreased by 8.1% on an AER basis) from 2021 to 2022, specifically:

- *Hong Kong (and Macau):* TWPI decreased as the growth in our in-force business was more than offset by lower sales in Hong Kong as a result of tightened COVID-19 restrictions and in particular from the decline in sales of single premium products.

- *Thailand (and Cambodia):* TWPI in Thailand increased by approximately 6% on a CER basis (decreased by approximately 4% on an AER basis), mainly driven by growth in our in-force business and sales in protection products, partially offset by the reduced sales in single premium products.

- *Japan:* TWPI remained relatively stable (declined by approximately 1% on a CER basis) and was impacted by the continued run-off of COLI business. Excluding the COLI business, our TWPI grew approximately 7% on a CER basis in 2022.

- *Emerging Markets:* TWPI increased reflecting growth across all of our markets, and in particular strong top-line growth in Indonesia, Vietnam and the Philippines, and traction in acquired distribution channels.

Our TWPI, a non-IFRS measure, increased by 6.0% on a CER basis (4.7% on an AER basis) from US$6,546 million in 2020 to US$6,851 million in 2021 primarily due to the revenue from in-force policies across our reporting segments and growth from acquisitions, specifically:

- *Hong Kong (and Macau):* TWPI increased due to our acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in 2020.

- *Thailand (and Cambodia):* TWPI remained largely unchanged due to the continued focus on building value in our new business portfolio by focusing on protection and higher margin savings products.

- *Japan:* TWPI remained largely unchanged as we continued to pivot away from COLI products, the sale of which was impacted due to changes in taxation rules, towards individual products.

- *Emerging Markets:* TWPI increased due to growth in all our markets, and in particular strong top-line growth in Indonesia, Vietnam and the Philippines, and traction in acquired distribution channels.

The following table presents the TWPI achieved by each of our Hong Kong (and Macau), Thailand (and Cambodia), Japan and Emerging Markets market segments for the periods indicated:

	Year Ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Hong Kong (and Macau)	1,730	1,888	1,664
Thailand (and Cambodia)	2,255	2,249	2,166
Japan	2,131	2,105	1,757
Emerging Markets	430	609	708
Total TWPI	6,546	6,851	6,295

For a reconciliation of TWPI to premiums and fee income in the consolidated income statement, see Note 6.4 to the 2021 Audited Annual Financial Statements and Note 6.4 to the 2022 Audited Annual Financial Statements included in Appendix II.

Profitability and scale – adjusted net profit/(loss) (non-IFRS measure)

We recorded a net loss of US$740 million in 2022 compared to a net profit of US$249 million in 2021, primarily due to short-term fluctuations in investment returns from fair value losses on our equity portfolio. See "– *Factors and Trends Affecting our Results of Operations – Investment portfolio performance."*

We recorded a net profit of US$249 million in 2021 compared to a net loss of US$252 million in 2020, primarily due to the higher investment income from asset growth and fair value gains on our equity portfolio, and the decline in our expense ratio across segments. See "*– Factors and Trends Affecting our Results of Operations – Investment portfolio performance*."

We recorded a net loss of US$252 million for 2020, primarily due to (i) increases in financing costs, which reflected additional bank borrowings in 2020 and the interest on bank borrowings, subordinated notes and guaranteed notes issued in mid- to late-2019, and (ii) one-off acquisition and related integration costs, and implementation costs for IFRS 9 and 17 and GWS, which were partially offset by gains in short-term fluctuations in investment returns.

To provide a more meaningful representation of our results of operations, we have presented adjusted net profit/(loss), which is a non-IFRS measure that excludes the net loss of the Company and Financing Entities, assuming the Reorganisation was completed as of 1 January 2020, since these were principally financing and treasury related costs that were shareholder related that did not form part of the Group overseen by FWD management – see Note 1.2.2 and Note 6.3 to the 2021 Audited Annual Financial Statements and Note 1.2.2 and Note 6.3 to the 2022 Audited Annual Financial Statements included in Appendix II for more information.

Our adjusted net loss (non-IFRS measure) in 2022 was US$740 million compared to adjusted net profit (non-IFRS measure) of US$249 million in 2021, due to the factors affecting our net profit/(loss) as mentioned above. Our adjusted net profit (non-IFRS measure) in 2021 was US$249 million compared to adjusted net loss (non-IFRS measure) of US$216 million in 2020, due to the factors affecting our net profit/(loss) as mentioned above and the adjustment for net loss to the Company and Financing Entities in 2020, which is the adjustment item for the Reorganisation – See Note 1.2.2 and Note 6.3 to the 2021 Audited Annual Financial Statements and Note 1.2.2 and Note 6.3 to the 2022 Audited Annual Financial Statements included in Appendix II, as the relevant steps under the Reorganisation were completed in 2020. See "*– Factors and Trends Affecting our Results of Operations – Expense Management*" and "*– Factors and Trends Affecting our Results of Operations – Investment portfolio performance.*"

We recorded an adjusted net loss (non-IFRS measure) of US$216 million for 2020, due to factors affecting net loss as mentioned above and the change in net loss to the Company and Financing Entities. The net loss of the Company and Financing Entities excluded from adjusted net profit/(loss) principally comprised financing costs related to bank borrowings and guaranteed notes that were novated and transferred to a related third party as part of the Reorganisation.

The following table presents our adjusted net profit/(loss) (non-IFRS measure) as reconciled with our net profit/(loss) in for the periods indicated:

	Year Ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Net profit/(loss)	(252)	249	(740)
Less:			
Net loss of the Company and Financing Entities	36	–	–
Interest income	(1)	–	–

	Year Ended 31 December		
	2020	2021	2022
		(US$ millions)	
General expenses	1	–	–
Finance costs	36	–	–
NON-IFRS MEASURE			
Adjusted net profit/(loss) (non-IFRS measure)	**(216)**	**249**	**(740)**
Attributable to:			
Shareholders of the Company[1]	(268)	188	(823)
Perpetual securities[1]	65	65	83
Non-controlling interests[1]	(13)	(4)	–

Note:

(1) Non-IFRS measure.

Profitability and scale – segmental adjusted operating profit before tax (non-IFRS measure)

Our segmental adjusted operating profit before tax, a non-IFRS measure, increased by 69.2% on a CER basis from US$125 million in 2020 to US$205 million in 2021 and further increased by 83.2% on a CER basis to US$334 million in 2022, as we increasingly benefitted from economies of scale, underpinned by strong business growth. Comparing our business performance from the pre-COVID-19 period in 2019 to 2022, our segmental adjusted operating profit before tax, a non-IFRS measure, has increased by 110.9% on a CER basis (90.6% on an AER basis) from US$47 million in 2019 to US$334 million in 2022.

Our segmental adjusted operating profit before tax (non-IFRS measure) excludes the implementation costs for IFRS 9 and 17 and GWS, which relate to the preparation for the requirements arising from IFRS 9 and 17 and GWS. IFRS 9 and 17 became effective on 1 January 2023 and GWS became effective in relation to the Group in May 2021 with a transitional arrangement to full implementation in 2023. Implementation costs for IFRS 9 and 17 and GWS increased from US$24 million in 2020 to US$79 million in 2022. These costs are expected to be minimal from 2023 onwards. Including the impact of these one-off implementation costs, our adjusted operating profit before tax (non-IFRS measure) increased from US$101 million in 2020 to US$255 million in 2022.

- *Hong Kong (and Macau):* Segmental adjusted operating profit before tax (non- IFRS measure) increased by 32.7% on a CER basis from US$141 million in 2020 to US$187 million in 2021, primarily due to the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in 2020 and higher investment returns resulting from growth in our asset base. Segmental adjusted operating profit before tax further increased by 11.2% on a CER basis from US$187 million in 2021 to US$208 million in 2022 due to higher premium based revenue and higher deferred expenses.

- *Thailand (and Cambodia):* Segmental adjusted operating profit before tax (non- IFRS measure) increased by 69.1% on a CER basis from US$86 million in 2020 to US$144 million in 2021, primarily as a result of continued disciplined expense management combined with improvements in investment return. Segmental adjusted operating profit before tax further increased by 12.3% on a CER basis from US$144 million in 2021 to US$148 million in 2022, driven by portfolio growth in both in-force and new businesses.

- *Japan:* Segmental adjusted operating profit before tax (non-IFRS measure) remained largely unchanged from US$100 million in 2020 to US$97 million in 2021 as any increase from the business generated through our pivot to individual protection products was offset by the decline in COLI business. Segmental adjusted operating profit before tax increased by 90.6% on a CER basis from US$97 million in 2021 to US$158 million in 2022 primarily due to higher investment returns and lower operating expenses, partially offset by higher claims.

- *Emerging Markets:* Segmental adjusted operating loss before tax (non-IFRS measure) was US$87 million, US$73 million and US$50 million in 2020, 2021 and 2022, respectively. The reducing loss across the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 reflects our efforts in scaling up our operations in the relevant markets.

The following table presents segmental adjusted operating profit/(loss) before tax (non-IFRS measure) for each of our reporting segments for the periods indicated:

	Year Ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Hong Kong (and Macau)	141	187	208
Thailand (and Cambodia)	86	144	148
Japan	100	97	158
Emerging Markets	(87)	(73)	(50)
Corporate and Others	(115)	(150)	(130)
Segmental adjusted operating profit before tax (non-IFRS measure)[(1)]	125	205	334
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(24)	(29)	(79)
Adjusted operating profit before tax (non-IFRS measure)[(1)]	101	176	255

Note:

(1) Non-IFRS measures. See Notes 6.1 and 6.2 to the 2021 Audited Annual Financial Statements and Notes 6.1 and 6.2 to the 2022 Audited Annual Financial Statements included in Appendix II, respectively, for more details.

Profitability and scale – EV operating profit

Our EV operating profit, an actuarial performance measure, increased from US$885 million in 2021 to US$1,072 million in 2022, primarily due to the growth in VNB and returns from our in-force business along with an improvement in operating variance, in particular expense variance and persistency variance. Our EV operating profit increased from US$673 million in 2020 to US$885 million in 2021, primarily due to the growth in VNB and returns from our in-force business. Our EV operating profit grew at a CAGR of 26.2% from 2020 to 2022. Comparing our business performance from the pre-COVID-19 period in 2019 to 2022, our EV operating profit has increased by a CAGR of 28.6% on a CER basis (24.9% on an AER basis) from US$550 million in 2019 to US$1,072 million in 2022. Within these figures, our operating variance was negative across the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, largely driven by expense and commission variance. We have continued to see improvement in our operating expense and commission variance, having reduced by a CAGR of 9.9% on a CER basis from US$218 million in 2019 to US$149 million in 2022.

Capital – adjusted net UFSG

Our net UFSG, an actuarial performance measure, changed from a consumption of US$52 million in 2021 to a surplus of US$1,589 million in 2022 due to (i) our growing in-force business, (ii) the decrease in new business strain as we scale up our business and (iii) the impact of US$1,183 million from the early adoption of Hong Kong RBC. In addition, comparing our financial position from the pre-COVID-19 period in 2019 to 2022, we have seen a decrease in capital used to fund new business by a CAGR of 26.5% from US$415 million in 2019 to US$165 million in 2022.

Our net UFSG changed from a surplus of US$248 million in 2020 to a consumption of US$52 million in 2021 due to the higher new business strain in Hong Kong, which was driven by higher campaign costs required to sustain sales momentum under a prolonged COVID environment, partially offset by the change in product mix.

To provide a more meaningful representation of our net UFSG, we also look at adjusted net UFSG which is net UFSG excluding one-off opening adjustments, non-economic assumption changes and expense variance. The one-off opening adjustments, which are non-recurring, include primarily adjustments resulting from (i) revisions to the reserving methodology for valuation interest rate segregation in Hong Kong, and (ii) alignment of the valuation methodology for acquired entities (i.e., SCB Life, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited) with our Group's EV methodology in 2020. The revisions to non-economic assumption updates are also considered one-off and excluded in the adjusted net UFSG. The expense variance include the maintenance expenses that are allowed for in our in-force book and our operating and acquisition expenses – see the Actuarial Consultant's Report set forth in Appendix I to this Offering Circular for details. Our adjusted net UFSG decreased from US$135 million in 2020 to US$95 million in 2021, primarily due to the higher new business strain in Hong Kong in 2021. Our adjusted net UFSG increased to US$625 million in 2022 primarily due to (i) our growing in-force business, (ii) the decrease in new business strain as we scale up our business and (iii) the impact of US$1,183 million from the early adoption of Hong Kong RBC. Comparing our business performance from the pre-COVID-19 period in 2019 to 2022, our adjusted net UFSG has increased by 82.5% from US$103 million in 2019 to US$625 million in 2022. Excluding the one-off variance of US$388 million in 2019 and US$1,162 million in 2022, our UFSG grew by a CAGR of approximately 41.3% from US$210 million in 2019 to US$591 million in 2022.

The following table presents our net UFSG and adjusted net UFSG for the periods indicated:

	Year Ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
UFSG	654	456	1,753
Free surplus used to fund new business	(406)	(508)	(165)
Net UFSG	**248**	**(52)**	**1,589**
One-off opening adjustments and non-economic assumption changes	(410)	(68)	(1,162)
Expense variance	297	216	198
Adjusted net UFSG	135	95	625

Leverage ratio

Our leverage ratio improved from 49.2% in 2020 to 34.1% in 2021 as we raised more capital in 2021 and paid down part of our existing debt in 2021. Our leverage ratio increased from 34.1% in 2021 to 34.6% in 2022 primarily due to the decrease in shareholders' allocated equity. Comparing our financial position from the pre-COVID-19 period in 2019 to 2022, our leverage ratio has decreased from 64.3% in 2019 to 34.6% in 2022. See "– *Equity*" and "– *Indebtedness – Borrowings*" for more details.

RATIOS

Profitability and Scale – Expense ratio

The following table presents our expense ratio for each of our reporting segments for the periods indicated:

	Year Ended 31 December		
	2020	2021	2022
Hong Kong (and Macau)	11.3%	11.7%	13.3%
Thailand (and Cambodia)	9.8%	9.4%	9.5%
Japan	12.4%	10.6%	9.9%
Emerging Markets	40.6%	34.6%	31.1%
Total	14.7%	14.4%	14.9%

Our expense ratio increased from 14.4% in 2021 to 14.9% in 2022, primarily due to (i) the decline in TWPI from 2021 to 2022, predominantly in Hong Kong, and (ii) expense incurred in setting up our Cambodia business in 2022. Comparing our business performance from the pre-COVID-19 period in 2019 to 2022, our expense ratio has decreased from 17.8% in 2019 to 14.9% in 2022.

Our expense ratio decreased from 14.7% in 2020 to 14.4% in 2021, primarily as a result of the benefit from economies of scale and cost savings from the implementation of our digital initiatives across our markets. However, while our expense ratio decreased in Thailand (and Cambodia), Japan and Emerging Markets, our expense ratio in Hong Kong (and Macau) increased because we chose not to engage in cost reductions even though our offshore sales to MCVs in Hong Kong were adversely impacted by the border closures between Hong Kong and mainland China due to the COVID-19 outbreak, in anticipation of borders opening again in the near future resulting in a resumption in our MCV business.

Profitability and Scale – Operating ROEV

The following table presents our operating ROEV, an actuarial performance measure, for the periods indicated:

	Year Ended 31 December		
	2020	2021	2022
		(US$ millions)	
Operating ROEV	25.8%	18.7%	18.2%

Our operating ROEV decreased from 18.7% in 2021 to 18.2% in 2022, primarily due to the increase in our Group EV base. Our operating ROEV decreased from 25.8% in 2020 to 18.7% in 2021 primarily due to the increase in our Group EV between 2020 and 2021, which more than offset the increase in EV operating profit.

COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth our consolidated income statement and statement of comprehensive income with selected items for the periods indicated:

	Year Ended 31 December		
	2020	2021	2022
		(US$ millions)	
Revenue			
Premiums and fee income	8,776	10,426	8,878
Premiums ceded to reinsurers	(1,094)	(1,124)	(1,012)
Net premiums and fee income	7,682	9,302	7,866
Investment return	1,581	2,137	138
Other operating revenue	224	258	246
Total revenue	9,487	11,697	8,250
Expenses			
Insurance and investment contract benefits	7,941	9,396	6,942
Insurance and investment contract benefits ceded	(646)	(731)	(489)
Net insurance and investment contract benefits	7,295	8,665	6,453
	Year ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Commission and commission-related expenses	832	1,121	1,020
General expenses	1,212	1,243	1,214
Finance costs	209	184	128
Other expenses	157	167	138
Total expenses	9,705	11,380	8,953
Share of profit/(loss) from associates and joint ventures	(1)	9	(1)
Profit/(loss) before tax from continuing operations	(219)	326	(704)
Tax expense from continuing operations	(53)	(126)	(36)
Profit/(loss) from continuing operations after tax	(272)	200	(740)
Profit/(loss) from discontinued operations, net of tax	20	49	–
Net profit/(loss)	(252)	249	(740)
Less:			
Net loss of the Company and Financing Entities	36	–	–
NON-IFRS MEASURE			
Adjusted net profit/(loss)[(1)]	(216)	249	(740)
Attributable to:			
Shareholders of the Company	(268)	188	(823)
Perpetual securities	65	65	83
Non-controlling interests	(13)	(4)	–

Note:

(1) Non-IFRS measure. Assuming the Reorganisation was completed as of 1 January 2020. See Note 6.3 to the 2021 Audited Annual Financial Statements and Note 6.3 to the 2022 Audited Annual Financial Statements included in Appendix II for details.

REVENUE

Our total revenue is the sum of premiums and fee income (less premiums ceded to reinsurers), investment return and other operating revenue.

Net premiums and fee income

Our net premiums and fee income represent gross premiums and fee income less premiums ceded to reinsurers. Gross premiums and fee income primarily include premiums on policies written by us and fees collected on insurance contracts issued or renewed for a given period. Premiums ceded to reinsurers represent the portion of gross premiums ceded to reinsurers who share part of the insured risk that we have assumed under insurance contracts underwritten by us pursuant to our reinsurance arrangements. Ceded reinsurance arrangements do not relieve us from our obligations to policyholders. The cost of reinsurance is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for such policies.

	Year Ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Revenue			
Premiums and fee income	8,776	10,426	8,878
Premiums ceded to reinsurers	(1,094)	(1,124)	(1,012)
Net premiums and fee income	7,682	9,302	7,866

Our net premiums and fee income decreased by 9.8% on a CER basis (15.4% on an AER basis) from US$9,302 million in 2021 to US$7,866 million in 2022, which is consistent with the movement of TWPI as explained earlier.

- *Hong Kong (and Macau):* Our net premiums and fee income decreased by 25.4%, primarily resulted from the decline in our new business due to increased COVID-19 restrictions and in particular the decline in sales of single premium products.

- *Thailand (and Cambodia):* Our net premiums and fee income increased by 3.0% on a CER basis (decreased by 6.0% on an AER basis), mainly driven by growth in our in-force business and sales in protection products, partially offset by the decline in sales of single premium products.

- *Japan:* Our net premiums and fee income remained relatively stable (decreased by 1.6% on a CER basis and 16.7% on an AER basis) as we continued to pivot away from lower margins, but higher sales volume COLI products, towards individual products.

- *Emerging Markets:* Our net premiums and fee income increased by 8.2% on a CER basis (1.8% on an AER basis), due to growth drivers including sales through newly established bancassurance partnerships.

Our net premiums and fee income increased by 24.0% on a CER basis (21.1% on an AER basis) from US$7,682 million in 2020 to US$9,302 million in 2021, due to strong growth in our business and acquisitions.

- *Hong Kong (and Macau):* Our net premiums and fee income increased by 54.4%, primarily due to our acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in 2020.

- *Thailand (and Cambodia):* Our net premiums and fee income increased slightly by 0.3% on a CER basis (decreased by 1.3% on an AER basis), resulting from our ongoing strategic efforts to change the product mix towards protection and higher margin savings products.

- *Japan:* Our net premiums and fee income increased by 0.9% on a CER basis (decreased by 1.4% on an AER basis) as we continued to pivot away from COLI products towards individual products.

- *Emerging Markets:* Our net premiums and fee income increased by 54.4% on a CER basis (55.3% on an AER basis), due to strong underlying growth drivers, including sales through newly established bancassurance partnerships.

Investment return

Our investment return consists of investment income and investment experience, as described under "– *Critical Accounting Policies and Estimates – Investment Return.*" The following table provides a breakdown of our investment return for the periods indicated:

	Year Ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Interest income	867	938	1,049
Dividend income	140	296	189
Rental income[1]	25	28	25
Investment income	1,032	1,262	1,263
Net realised gains/(losses) from debt securities	217	123	(181)
Impairment of available-for-sale financial assets	(7)	(4)	–
Net gains/(losses) of available-for-sale financial assets reflected in the consolidated income statement	210	119	(181)
Net gains/(losses) of debt securities	2	(2)	(3)
Net gains/(losses) of equity securities	346	861	(1,069)
Net fair value movement on derivatives	9	(486)	(327)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	357	373	(1,399)
Net fair value movement of investment property	(8)	(5)	(3)
Net foreign exchange gains/(losses)	(33)	385	454
Other net realised gains	23	3	4
Investment experience	**549**	**875**	**(1,125)**
Investment return	1,581	2,137	138

Note:

(1) Represents rental income from operating lease contracts of our investment property portfolio.

Our investment return decreased by 93.6% from US$2,137 million in 2021 to US$138 million in 2022 due to losses from short-term fluctuations in investment return predominantly due to losses in our equity portfolio.

Our investment return increased by 35.2% from US$1,581 million in 2020 to US$2,137 million in 2021 due to the growth in our asset portfolio earning interest income as well as gains from short-term fluctuations in investment return predominantly due to strong performance of our equity portfolio, which was slightly offset by the net fair value decline on bond forwards in Hong Kong resulting from rising interest rates.

Other operating revenue

Our other operating revenue largely consists of commission from reinsurance arrangements as well as asset management and other fees. The following table sets forth a breakdown of our other operating revenue for the periods indicated:

	Year Ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Commission from reinsurance arrangements	194	232	214
Asset management fees	10	17	20
Other	20	9	12
Other operating revenue	224	258	246

Our other operating revenue decreased by 4.5% from US$258 million in 2021 to US$246 million in 2022, in line with the decline in ceded premiums during the period.

Our other operating revenue increased by 15.4% from US$224 million in 2020 to US$258 million in 2021, due to the increase in ceding commissions from reinsurance arrangements, which reflected increased cession on existing reinsurance arrangements resulting from business growth with reinsurance attached, where the corresponding commissions are ceded to the reinsurers under existing reinsurance arrangements.

Revenue by product

The following table sets forth a breakdown of our revenue by product category:

	Year Ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
REVENUE			
Participating life	2,588	4,368	2,606
Non-participating life	3,761	3,969	2,943
Critical illness, term life, medical and riders	1,109	1,180	1,151
Unit-linked	850	978	626
Group	396	421	385
COLI	708	714	502
Others[(1)]	75	67	37
TOTAL REVENUE	9,487	11,697	8,250

Note:

(1) Others include non-life premium and investment income from shareholder funds not directly attributable to products.

EXPENSES

Our total expenses comprise net insurance and investment contract benefits, commission and commission-related expenses, general expenses and finance costs and other expenses.

Net Insurance and Investment Contract Benefits

Our net insurance and investment contract benefits consist of insurance contract benefits, change in insurance contract liabilities and investment contract benefits, less insurance and investment contract benefits ceded. The following table provides a breakdown of our net insurance and investment contract benefits for the periods indicated:

	Year Ended 31 December		
	2020	2021	2022
		(US$ millions)	
Insurance contract benefits	3,301	3,677	4,122
Change in insurance contract liabilities	4,596	5,708	2,811
Investment contract benefits	44	11	9
Insurance and investment contract benefits	**7,941**	**9,396**	**6,942**
Insurance and investment contract benefits ceded	(646)	(731)	(489)
Net insurance and investment contract benefits	7,295	8,665	6,453

Our net insurance and investment contract benefits decreased by 20.7% on a CER basis (25.5% on an AER basis), from US$8,665 million in 2021 to US$6,453 million in 2022, due to the changes in insurance contract liabilities as a result of underperformance in stock markets leading to a drop in participating life and unit-linked liability, and the depreciation of local currencies against the US dollar.

- *Hong Kong (and Macau):* Our net insurance and investment contract benefits decreased by 39.9%, from US$3,745 million in 2021 to US$2,251 million in 2022, mainly driven by decrease in changes in insurance contract liabilities as a result of underperformance in international and Hong Kong stock markets leading to a drop in participating life and unit-linked liability.

- *Thailand (and Cambodia):* Our net insurance and investment contract benefits remained relatively stable (decreased by 2.8% on a CER basis). On an AER basis, net insurance and investment contract benefits decreased by 11.4%, from US$2,412 million in 2021 to US$2,138 million in 2022, mainly driven by the foreign exchange movements as the Thai Baht depreciated against the US dollar.

- *Japan:* Our net insurance and investment contract benefits remained relatively stable (decreased by 1.2% on a CER basis). On an AER basis, net insurance and investment contract benefits decreased by 16.5%, from US$1,650 million in 2021 to US$1,378 million in 2022, mainly driven by the depreciation of the Japanese Yen against the US dollar.

- *Emerging Markets:* Our net insurance and investment contract benefits decreased by 13.9% on a CER basis (20.1% on an AER basis), from US$859 million in 2021 to US$686 million in 2022, mainly due to the drop in the fund value of our unit-linked portfolio as a result of global equity market volatility.

Our net insurance and investment contract benefits increased by 21.1% on a CER basis (18.8% on an AER basis), from US$7,295 million in 2020 to US$8,665 million in 2021, due to the continued growth of our business and in particular from the increase in net premium and fee income from Hong Kong.

- *Hong Kong (and Macau):* Our net insurance and investment contract benefits increased by 44.9%, from US$2,584 million in 2020 to US$3,745 million in 2021, primarily as a result of the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited.

- *Thailand (and Cambodia):* Our net insurance and investment contract benefits remained stable (increased by 1.3% on a CER basis). On an AER basis, net insurance and investment contract benefits decreased by 0.3% from US$2,418 million in 2020 to US$2,412 million in 2021.

- *Japan:* Our net insurance and investment contract benefits remained flat on a CER basis. On an AER basis, net insurance and investment contract benefits decreased slightly by 1.5% from US$1,676 million in 2020 to US$1,650 million in 2021.

- *Emerging Markets:* Our net insurance and investment contract benefits increased by 38.2% on a CER basis (39.2% on an AER basis), from US$617 million in 2020 to US$859 million in 2021, reflecting the strong growth across our markets.

The following table sets forth a breakdown of our net insurance and investment contract benefits by product category:

	Year Ended 31 December		
	2020	2021	2022
		(US$ millions)	
Participating life	2,033	3,496	1,555
Non-participating life	3,184	2,969	3,026
Critical illness, term life, medical and riders	669	682	715
Unit-linked	782	922	672
Group	128	156	181
COLI	457	436	299
Others[1]	42	4	5
Total net insurance and investment contract benefits	7,295	8,665	6,453

Note:

(1) Others include non-life insurance contract benefits.

Commission and Commission-related Expenses

Our commission and commission-related expenses consist of commission and other acquisition expenses incurred and deferral and amortisation of acquisition expenses. The commission and other acquisition expenses relate to commissions we pay to our agents, bank partners, IFAs and other distribution partners upon the issuance of a policy to customers, renewal commissions upon policy renewals, production bonuses, and any other costs that we incur to acquire a customer. The following table provides a breakdown of our commission and commission-related expenses for the periods indicated:

	Year Ended 31 December		
	2020	2021	2022
		(US$ millions)	
Commission and other acquisition expenses incurred	1,525	1,648	1,641
Deferral and amortisation of acquisition expenses	(693)	(527)	(621)
COMMISSION AND COMMISSION-RELATED expenses	832	1,121	1,020

Our commission and commission-related expenses decreased by 9.0%, from US$1,121 million in 2021 to US$1,020 million in 2022, due to higher net deferral of acquisition costs, which refers to the recognition of acquisition costs over a period of time based on the nature of the income stream. Our higher net deferral acquisition costs was a result of the strong growth of new business in Thailand and Emerging Markets.

Our commission and commission-related expenses increased by 34.7%, from US$832 million in 2020 to US$1,121 million in 2021. This increase is commensurate with the growth in our business, which was partially offset by appreciation of the US dollar against most currencies during 2021.

General Expenses

Our general expenses consist of: (i) employee benefits expenses, (ii) depreciation, (iii) amortisation, (iv) marketing and advertising, (v) professional service fees, (vi) information technology expenses, (vii) operating lease rentals, and (viii) other general expenses. The following table provides a breakdown of our general expenses for the periods indicated:

	Year Ended 31 December		
	2020	2021	2022
		(US$ millions)	
Employee benefits expenses	624	584	605
Depreciation	78	75	63
Amortisation	42	31	32
Marketing and advertising	55	58	51
Professional service fees	165	176	189
Information technology expenses	121	154	146
Operating lease rentals	6	5	3
Other general expenses[(1)]	121	160	125
General expenses	1,212	1,243	1,214

Note:

(1) Consists of travel and entertainment, bank charges, tax related expenses, office related expenses and other general operating expenses.

Our general expenses decreased by 2.3%, from US$1,243 million in 2021 to US$1,214 million in 2022, primarily due to (i) the controlled cost measures we have put in place and (ii) the decline in other general expenses, which was slightly offset by the increase in cost associated with IFRS 17 implementation.

Our general expenses increased by 2.6%, from US$1,212 million in 2020 to US$1,243 million in 2021, primarily due to the increase in professional service fees and information technology expenses to support our preparation of the Proposed Initial Public Offering, one-off transfer tax related to restructuring of BRI Life, and expedited write-off of certain fixed assets. This increase was offset by decline in integration costs incurred in line with the completion of the VCLI, PT Commonwealth Life, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited acquisitions and decrease in employee benefit expenses.

These were partially offset by a reduction in marketing and advertising expenses and other expenses across the region resulting from increasing digitalisation of our operations and general cost saving measures implemented in response to the COVID-19 pandemic.

Our general expenses can be further broken down into (i) operating expenses, which mainly comprise general expenses related to the daily operations of our business, and (ii) non-operating expenses, which mainly comprise (a) M&A, business set-up and restructuring costs, (b) implementation costs for IFRS 9 and 17 and Group-wide supervision, and (c) IPO-related costs, including incentive costs, as set forth below.

	Year Ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Operating expenses	978	995	937
Non-operating expenses	234	248	277
Total general expenses	1,212	1,243	1,214

Finance Costs

Our finance costs consist of borrowings, lease liabilities and other finance costs. The following table provides a breakdown of our finance costs for the periods indicated:

	Year Ended 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Borrowings	168	124	103
Lease liabilities	6	5	4
Others	35	55	21
Total finance costs	209	184	128

Our finance costs decreased by 30.4%, from US$184 million in 2021 to US$128 million in 2022, primarily due to the repayment of bank borrowings during 2021 which resulted in lower interest payments.

Our finance costs decreased by 12.4%, from US$209 million in 2020 to US$184 million in 2021, primarily due to the settlement and transfer of borrowings and guaranteed notes to PCGI Holdings during December 2020, the decrease in LIBOR which had an impact on the interest incurred and the repayment of bank borrowings in 2021, offset by the accretion of interest on the obligation under our distribution agreement with SCB where we brought forward the contingent payment due to outperformance of the partnership against the stated business plan.

Other Expenses

Our other expenses consist of: (i) investment management expenses and others, (ii) amortisation of value of business acquired, and (iii) non-operating expenses. The following table provides a breakdown of our other expenses for the periods indicated:

	Year Ended 31 December		
	2020	2021	2022
		(US$ millions)	
Investment management expenses and others	62	66	72
Amortisation of value of business acquired	82	99	66
Others	13	2	–
Total other expenses	157	167	138

Our other expenses decreased by 17.7%, from US$167 million in 2021 to US$138 million in 2022, due to the decline in VOBA amortisation from Hong Kong.

Our other expenses increased by 6.9%, from US$157 million in 2020 to US$167 million in the same period in 2021, primarily due to the full period amortisation of VOBA resulting from our acquisitions in Vietnam, Indonesia and Hong Kong.

SHARE OF PROFIT/(LOSS) FROM ASSOCIATES AND JOINT VENTURES

Our Profit/(loss) from associates and joint ventures primarily relates to our investment in OGS in the years ended 31 December 2020, 2021 and 2022 and certain other associates.

The following table provides a breakdown of our Profit/(loss) from associates and joint ventures for the periods indicated:

	Year Ended 31 December		
	2020	2021	2022
		(US$ millions)	
Net loss from interest in associates	(2)	(15)	(1)
Net profit from interest in OGS	1	24	–
Total share of profit/(loss) from associates and joint ventures	(1)	9	(1)

Our share of profit/(loss) from associates and joint ventures changed from a profit of US$9 million in 2021 to a loss of US$1 million in 2022, primarily due to the reduction of profit from interest in OGS post disposal of its investment property in 2021.

Our share of profit/(loss) from associates and joint ventures changed from a loss of US$1 million in 2020 to a profit of US$9 million in 2021, due to the profit from interest in OGS, which was offset by loss associated with our investment in BRI Life, in which we completed the subscription of a 29.86% stake on 2 March 2021.

ADJUSTED OPERATING PROFIT BEFORE TAX (NON-IFRS MEASURE)

Adjusted operating profit before tax, a non-IFRS measure as described below, represents our profit from continuing operations after tax, less certain non-operating items, further adjusted for taxes and net loss of the Company and Financing Entities to give effect to the Reorganisation.

As further described in Note 6.2 to the 2021 Audited Annual Financial Statements and Note 6.2 to the 2022 Audited Annual Financial Statements included in Appendix II, the long-term nature of the Group's operations means that, for management's decision-making and internal performance management purposes, the Group evaluates its results and its operating segments using a financial performance measure referred to as "adjusted operating profit". Adjusted operating profit, a non-IFRS measure, 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. The Group considers that trends can be more clearly identified without the significant impact of the amortisation of VOBA, 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. Profit/(loss) from continuing operations after tax is reconciled to the adjusted operating profit before tax as follows:

	Year ended 31 December		
	2020	2021	2022
		(US$ millions)	
Profit/(loss) from continuing operations after tax	(272)	200	(740)
Net loss of the Company and Financing Entities[1]	36	–	–
NON-IFRS MEASURE			
Adjusted net profit/(loss) from continuing operations after tax(non-IFRS measure)	(236)	200	(740)
Tax on adjusted operating profit before tax	50	52	51
Tax impact from non-operating items	3	74	(15)
Adjusted profit/(loss) before tax from continuing operations (non-IFRS measure)	(183)	326	(704)
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Short-term fluctuations in investment return related to equities and property investments	104	(503)	586
Other non-operating investment return[2]	(233)	(39)	6
Finance costs related to borrowings and long-term payables[3]	162	174	109
Amortisation of value of business acquired	82	100	66
M&A, business set up and restructuring related costs	151	104	90
IPO-related costs including incentive costs	40	73	72
Other non-operating items[4]	(22)	(59)	30
Adjusted operating profit before tax (non-IFRS measure)	101	176	255
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	24	29	79
Segmental adjusted operating profit before tax (non-IFRS measure)	125	205	334

Notes:

(1) Represents the results and certain balances resulted from the Reorganisation as described in Note 1.2.2 and Note 6.3 to the 2021 Audited Annual Financial Statements and Note 1.2.2 and Note 6.3 to the 2022 Audited Annual Financial Statements included in Appendix II.

(2) Comprises realised gains/losses on the disposal of debt securities, loans and deposits and gains/losses on fair value movements of derivatives.

(3) See Note 6.3 to the 2021 Audited Annual Financial Statements and Note 6.3 to the 2022 Audited Annual Financial Statements included in Appendix II for additional details on finance costs, including breakdown by purpose.

(4) Primarily consists of impact of the novation of the TMB distribution agreement and non-core business set up and separation costs in 2020.

Our loss from continuing operations after tax was US$740 million in 2022 compared to a profit of US$200 million in 2021 primarily due to the loss in short-term fluctuations in investment return related to the fair value loss of the equity portfolio as a result of global equity market volatility.

Our profit from continuing operations after tax was US$200 million in 2021 compared to a loss of US$272 million in 2020 primarily due to the gain in short-term fluctuations in investment return related to equities and property investments, driven by strong performance from the equity portfolio.

INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

We are subject to income tax on an entity basis on profits arising in or derived from the markets or jurisdictions in which we operate. During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, we were subject to statutory corporate income tax rates of 16.5%, 20.0% and 28.0% in relation to our operations in Hong Kong, Thailand and Japan, respectively. In the other jurisdictions in which we operate, we were subject to average corporate income tax rates ranging from 12.0% (Macau) to 25.0% (the Philippines) during that period. In the Philippines, the corporate income tax rate changed to 25.0% in 2021 with retrospective effect from 1 July 2020. Specifically, new subsidiaries of varying sizes and applicable statutory tax rates have been added to our Group in different countries across each reporting period. We recorded a tax expense of US$53 million, US$126 million and US$36 million in 2020, 2021 and 2022, respectively. Additionally, as we operate across relatively more mature markets and emerging markets, our consolidated results during the three years ended 31 December 2020, 2021 and 2022 comprised both profit-making and loss-making entities, which results in offsetting effects that impacted our combined effective tax rates during the reporting periods. Our annual average tax has changed year over year as taxes are determined at the individual country level and then aggregated and as a result, as our geographic mix changes, the overall tax rate also changes.

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

	Year ended 31 December		
	2020	**2021**	**2022**
Hong Kong	16.5%	16.5%	16.5%
Thailand	20%	20%	20%
Japan	28%	28%	28%
Others	12%–30%	12%–25%	12%–25%

Profit/(loss) from discontinued operations, net of tax

	Year ended 31 December		
	2020	**2021**	**2022**
	(US$ millions)		
Pension business	2	9	–
General insurance business	18	40	–
Profit/(loss) from discontinued operations, net of tax	20	49	–

Our profit from discontinued operations decreased from US$49 million in 2021 to nil in 2022, as we had completed the disposal of our discontinued businesses in 2021.

Our profit from discontinued operations increased from US$20 million in 2020 to a profit of US$49 million in 2021, due to (i) the US$10 million gain recognised on the disposal of the pension business on 1 February 2021 and (ii) the US$11 million gain recognised on the disposal of the GI Disposal Group to a related party on 3 February 2021 and US$30 million received from the related party as a reimbursement and settlement of expenses incurred in 2018 and 2019. For more information, see Note 33 to the 2021 Audited Annual Financial Statements and Note 33 to the 2022 Audited Annual Financial Statements included in Appendix II.

SEGMENT INFORMATION

This section provides performance highlights for each of our reporting segments: Hong Kong (and Macau), Thailand (and Cambodia), Japan, Emerging Markets and, where applicable, Corporate and Others.

Hong Kong (and Macau)

	Year ended/As of 31 December		
	2020	**2021**	**2022**
	(US$ millions, except for percentages)		
TWPI[(1)]	1,730	1,888	1,664
APE[(2)]	372	474	327
Onshore	281	346	243
Offshore	91	127	83
VNB[(3)]	167	205	216
Onshore	146	185	175
Offshore	21	20	41
Segmental adjusted operating profit before tax (non-IFRS measure)[(1)]	141	187	208
Allocated segment assets	22,669	24,638	22,996
Ratios:			
Expense ratio	11.3%	11.7%	13.3%
New business margin (% of APE)[(3)]	45.0%	43.2%	66.2%
New business margin (% of PVNBP)[(3)]	6.2%	5.3%	7.9%

Notes:

(1) See Notes 6.1 and 6.4 to the 2021 Audited Annual Financial Statements and Notes 6.1 and 6.4 to the 2022 Audited Annual Financial Statements included in Appendix II for more details.

(2) Operational performance measure.

(3) Actuarial performance measures.

APE, VNB, new business margin and expense ratio are important growth and cost measures of the Group, and we believe that presenting this information from the pre-COVID-19 period in 2019 to 2022 would enable a meaningful evaluation of the Group's growth. Our APE decreased by a CAGR of 8.8% on a CER basis from US$431 million in 2019 to US$327 million in 2022. Our VNB from onshore business increased by a CAGR of 24.8% on a CER basis from US$90 million in 2019 to US$175 million in 2022. On an overall basis, our VNB grew at a CAGR of 8.3% on a CER basis from US$170 million in 2019 (of which, US$90 million from onshore business and US$81 million from offshore business) to US$216 million in 2022. Our new business margin (% of APE) grew from 39.6% in 2019 to 66.2% in 2022, while our new business margin (% of PVNBP) increased from 7.4% to 7.9%. Lastly, our expense ratio decreased from 13.4% in 2019 to 13.3% in 2022.

TWPI in Hong Kong (and Macau) decreased by 11.9% from US$1,888 million in 2021 to US$1,664 million in 2022, primarily due to the decline in our new business due to increased COVID-19 restrictions and in particular the decline in sales of single premium products. TWPI in Hong Kong (and Macau) increased by 9.1% from US$1,730 million in 2020 to US$1,888 million in 2021, primarily due to our acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong.

APE in Hong Kong (and Macau) decreased by 31.0% from US$474 million in 2021 to US$327 million in 2022, primarily due to the tightened COVID-19 restrictions imposed in Hong Kong in the first and second quarters of 2020, and the decline in sales of single premium products. APE in Hong Kong (and Macau) increased by 27.4% from US$372 million in 2020 to US$474 million in 2021, primarily due to the recovery of our offshore business as well as continued growth in our onshore business. On a CER basis, our APE growth rates in Hong Kong (and Macau) across the time periods mentioned above are the same as on an AER basis.

VNB in Hong Kong (and Macau) increased by 5.7% from US$205 million in 2021 to US$216 million in 2022, due to the increase in margins as a result of favourable product mix shift as well as margin improvement from repricing some of our key savings products. In addition, our value of new business in the offshore segment grew by 106.7% from 2021 to 2022, as we captured opportunities from the Hong Kong-mainland China border reopening. VNB in Hong Kong (and Macau) increased by 22.2% from US$167 million in 2020 to US$205 million in 2021, due to the strong growth in APE as described above and the significant increase in the profitability of our products sold in the onshore segment as we continued the product mix shift towards protection products, which more than offset the decline in margins in our offshore business driven primarily by higher campaign costs. New business margin (% of APE) increased from 43.2% in 2021 to 66.2% in 2022 and new business margin (% of PVNBP) grew from 5.3% in 2021 to 7.9% in 2022, due to the factors highlighted above for the growth in APE and VNB, whereas Protection VNB decreased by 4.9% in 2022 compared to 2021. New business margin (% of APE) decreased from 45.0% in 2020 to 43.2% in 2021 and new business margin (% of PVNBP) decreased from 6.2% in 2020 to 5.3% in 2021, due to the factors highlighted above for the growth in APE and VNB. Accordingly, Protection VNB grew by 23.1% from 2020 to 2021. On a CER basis, our VNB growth rates in Hong Kong (and Macau) across time periods mentioned above are the same as on an AER basis.

Segmental adjusted operating profit before tax (non-IFRS measure) further increased by 11.2% from US$187 million in 2021 to US$208 million in 2022, primarily from higher premium based revenue and improved expense margin. Segmental adjusted operating profit before tax (non-IFRS measure) in Hong Kong (and Macau) increased by 32.7% from US$141 million in 2020 to US$187 million in 2021, due to the strong growth of our business, higher investment returns resulting from growth in our asset base as well as our expense ratio remaining largely stable.

The expense ratio was 13.3% in 2022 compared to 11.7% in 2021, primarily due to the decline in TWPI for reasons explained above, as operating expenses remained stable during the same period. The expense ratio was 11.7% in 2021 compared to 11.3% in 2020, due to the expense control measures we have undertaken that helped us control costs while growing the business and the increase in 2021 was driven by higher campaign costs.

Allocated segment assets in Hong Kong (and Macau) were US$22,669 million, US$24,638 million and US$22,996 million as of 31 December 2020, 2021, and 2022. The increase in allocated segment assets in Hong Kong (and Macau) in 2021 mainly reflects the growth of the Hong Kong business while the decline in 2022 was mainly due to market factors such as (i) higher interest rates that drove down asset value and (ii) lower return in the equity markets.

For a discussion of our operations in Hong Kong (and Macau), see "*Our Operations in Our Geographic Markets – Hong Kong (and Macau).*"

Thailand (and Cambodia)

	Year ended/As of 31 December		
	2020	**2021**	**2022**
	(US$ millions, except for percentages)		
TWPI[1]	2,255	2,249	2,166
APE[2]	616	462	485
TMB	86	–	–
SCB[3]	434	362	350
Others	96	100	136
VNB[4]	183	217	270
TMB	20	–	–
SCB[3]	127	170	199
Others	36	47	71
Segmental adjusted operating profit before tax (non-IFRS measure)[1]	86	144	148
Allocated segment assets	22,475	20,066	18,903
Ratios:			
Expense ratio	9.8%	9.4%	9.5%
New business margin (% of APE)[4]	29.7%	47.0%	55.6%
New business margin (% of PVNBP)[4]	6.3%	9.3%	11.7%

Notes:

(1) See Notes 6.1 and 6.4 to the 2021 Audited Annual Financial Statements and Notes 6.1 and 6.4 to the 2022 Audited Annual Financial Statements included in Appendix II for more details.

(2) Operational performance measure.

(3) Business generated through SCB and other distribution networks of SCB Life.

(4) Actuarial performance measures.

APE, VNB, new business margin and expense ratio are important growth and cost measures of the Group, and we believe that presenting this information from the pre-COVID-19 period in 2019 to 2022 would enable a meaningful evaluation of the Group's growth. Our APE increased by a CAGR of 27.0% on a CER basis from US$266 million in 2019 to US$485 million in 2022. Our VNB increased by a CAGR of 66.9% on a CER basis from US$65 million in 2019 (of which, US$34 million from TMB, US$11 million from SCB, and US$21 million from Others) to US$270 million in 2022. Our new business margin (% of APE) grew from 24.5% in 2019 to 55.6% in 2022, while our new business margin (% of PVNBP) increased from 5.2% to 11.7%. Lastly, our expense ratio decreased from 11.2% in 2019 to 9.5% in 2022.

TWPI in Thailand (and Cambodia) increased by 5.5% on a CER basis (decreased by 3.7% on an AER basis) from US$2,249 million in 2021 to US$2,166 million in 2022 primarily due to the increase in our new business. The decrease on an AER basis from 2021 to 2022 was due to foreign exchange movements as the Thai Baht depreciated against the US dollar. TWPI in Thailand (and Cambodia) slightly increased by 1.5% on a CER basis (decreased by 0.2% on an AER basis) from US$2,255 million in 2020 to US$2,249 million in 2021, primarily driven by increase in premium renewals despite the decline in new business sales, as we continued creating value in our new business portfolio by focusing on protection and higher margin savings products.

APE in Thailand (and Cambodia) increased by 15.5% on a CER basis (5.0% on an AER basis) from US$462 million in 2021 to US$485 million in 2022, primarily driven by higher sales in the agency channel. APE in Thailand (and Cambodia) decreased by 24.0% on a CER basis (25.0% on an AER basis) from US$616 million in 2020 to US$462 million in 2021, due to (i) the decline in APE from SCB as we undertook a change in product mix to sell more protection and higher margin savings products and (ii) the termination of our TMB partnership on 31 December 2020. Excluding the TMB partnership, APE in Thailand (and Cambodia) decreased by 11.7% on a CER basis (12.8% on an AER basis) in 2021 compared to 2020.

VNB in Thailand (and Cambodia) increased by 36.8% on a CER basis (24.3% on an AER basis) from US$217 million in 2021 to US$270 million in 2022, due to higher mix of higher margin products. In particular, VNB from SCB grew by 28.7% on a CER basis (16.9% on an AER basis) from 2021 to 2022, benefiting from enhanced scale and distribution reach. VNB in Thailand (and Cambodia) increased by 20.5% on a CER basis (18.8% on an AER basis) from US$183 million in 2020 to US$217 million in 2021, due to our shift to higher margin products coupled with higher protection sales, which more than offset the decline in new business sales. New business margin (% of APE) increased from 47.0% in 2021 to 55.6% in 2022 and new business margin (% of PVNBP) grew from 9.3% in 2021 to 11.7% in 2022, due to the optimisation of business mix of higher margin products and re-pricing. Accordingly, Protection VNB grew by 24.7% on a CER basis (13.4% on an AER basis) from 2021 to 2022. New business margin (% of APE) increased from 29.7% in 2020 to 47.0% in 2021 and new business margin (% of PVNBP) grew from 6.3% in 2020 to 9.3% in 2021, due to the reasons explained above for the changes in APE and VNB. Accordingly, Protection VNB grew by 31.4% on a CER basis (28.8% on an AER basis) from 2020 to 2021.

Excluding the VNB generated from the TMB partnership which ended on 31 December 2020, our VNB in Thailand (and Cambodia) increased by 35.1% on a CER basis (33.2% on an AER basis) from US$163 million in 2020 to US$217 million in 2021, due to the increase in margins of our business from SCB and that from our agency and brokerage channels. Our new business margin (% of APE) in Thailand (and Cambodia) excluding the TMB partnership was 47.0% in 2021 compared to 30.7% in 2020. Our new business margin (% of APE) in Thailand (and Cambodia) excluding the TMB partnership, SCB partnership and other distribution networks of SCB Life was 37.4% in 2020. The gradual increase in such new business margin (% of APE) primarily reflected (i) margin improvements due to an increasing focus on protection and the repricing and improvements to product mix in response to lower interest rates, and (ii) the introduction of our neo-insurance channel in Thailand in 2019. Further, excluding VNB from our SCB partnership, our VNB decreased by 13.2% on a CER basis (15.7% on an AER basis) from 2020 to 2021.

Segmental adjusted operating profit before tax (non-IFRS measure) increased by 12.3% on a CER basis (3.0% on an AER basis) from US$144 million in 2021 to US$148 million in 2022, driven by increase in premium-based revenue, mainly from portfolio growth in both in-force and new business. Segmental adjusted operating profit before tax (non-IFRS measure) in Thailand (and Cambodia) increased by 69.1% on a CER basis (65.3% on an AER basis) from US$86 million in 2020 to US$144 million in 2021, primarily due to higher investment return.

The expense ratio was 9.5% in 2022 compared to 9.4% in 2021, due to the expense incurred in setting up our Cambodia business in 2022. Excluding Cambodia, the expense ratio in Thailand alone declined from 9.3% in 2021 to 9.1% in 2022. The expense ratio was 9.4% in 2021 compared to 9.8% in 2020, due to the continued realisation of synergies from the integration of SCB Life, combined with ongoing savings in a more efficient operating environment.

Allocated segment assets in Thailand (and Cambodia) were US$22,475 million, US$20,066 million and US$18,903 million, as of 31 December 2020, 2021, and 2022, respectively. The decrease in 2022 was mainly due to a decrease in the fair value of available for sale financial assets as a result of an increase in interest yield, and foreign currency translation movements driven by appreciation of the US dollar against the Thai Baht.

For a discussion of our operations in Thailand (and Cambodia), see "*Our Operations in Our Geographic Markets – Thailand (and Cambodia).*"

Japan

	For the year ended/As of 31 December		
	2020	2021	2022
	(US$ millions, except for percentages)		
TWPI(1)	2,131	2,105	1,757
APE(2)	507	209	167
Individual	123	130	134
COLI	149	80	33
Retrocession reinsurance	236	–	–
VNB(3)	188	131	138
Individual	95	102	121
COLI	38	29	17
Retrocession reinsurance	56	–	–
Segmental adjusted operating profit before tax (non-IFRS measure)(1)	100	97	158
Allocated segment assets	12,970	13,083	11,445
Ratios:			
Expense ratio	12.4%	10.6%	9.9%
New business margin (% of APE)(3)	37.1%	62.6%	83.0%
New business margin (% of PVNBP)(3)	5.1%	9.0%	11.4%

Notes:

(1) See Notes 6.1 and 6.4 to the 2021 Audited Annual Financial Statements and Notes 6.1 and 6.4 to the 2022 Audited Annual Financial Statements included in Appendix II for more details.

(2) Operational performance measure.

(3) Actuarial performance measures.

APE, VNB, new business margin and expense ratio are important growth and cost measures of the Group, and we believe that presenting this information from the pre-COVID-19 period in 2019 to 2022 would enable a meaningful evaluation of the Group's growth. Our APE from individual business increased by a CAGR of 19.3% on a CER basis from US$95 million in 2019 to US$134 million in 2022. Our VNB from individual business increased by a CAGR of 24.0% on a CER basis from US$76 million in 2019 to US$121 million in 2022. On an overall basis, our VNB decreased from US$210 million in 2019 to US$138 million in 2022, due to the continued run-off of our COLI business. Our new business margin (% of APE) from individual business grew from 80.5% in 2019 to 90.2% in 2022, while our new business margin (% of PVNBP) from individual business increased from 9.8% to 11.6%. Lastly, our overall expense ratio decreased from 14.5% in 2019 to 9.9% in 2022.

TWPI in Japan remained relatively stable (declined by approximately 1% on a CER basis) from US$2,105 million in 2021 to US$1,757 million in 2022 and was impacted by the continued run-off of COLI business. Excluding the COLI business, the TWPI grew approximately 7% on a CER basis in 2022. TWPI in Japan increased by 1.0% on a CER basis (decreased by 1.2% on an AER basis) from US$2,131 million in 2020 to US$2,105 million in 2021, which remained largely unchanged as we continued to pivot away from COLI products, the sales of which were impacted due to the changes in taxation rules, towards individual products.

APE in Japan decreased by 5.9% on a CER basis (20.4% on an AER basis) from US$209 million in 2021 to US$167 million in 2022, due to the continued pivot towards individual products while the COLI business plateaued. APE in Japan decreased by 57.2% on a CER basis (58.7% on an AER basis) from US$507 million in 2020 to US$209 million in 2021, due to the one-off retrocession reinsurance arrangement with Swiss Re and FWD Reinsurance for a block of in-force life and health business in 2020, as well as the continued shift away from COLI products, which were impacted by the taxation rule changes, partially offset by the continued focus on individual protection products.

VNB in Japan increased by 25.9% on a CER basis (5.6% on an AER basis) from US$131 million in 2021 to US$138 million in 2022 due to the launch of a new medical product, the sales of individual protection products and margin improvement in our individual business. Our VNB from individual business, in particular, grew by 41.3% on a CER basis (18.1% on an AER basis) from 2021 to 2022. VNB in Japan decreased by 27.9% on a CER basis (30.4% on an AER basis) from US$188 million in 2020 to US$131 million in 2021 due to a one-off impact of one-off retrocession reinsurance in 2020 as described above, partially offset by the continued shift towards more profitable individual protection products as well as margin improvement in both individual protection and COLI products. New business margin (% of APE) increased from 62.6% in 2021 to 83.0% in 2022 and new business margin (% of PVNBP) grew from 9.0% in 2021 to 11.4% in 2022, primarily due to the continued shift towards individual products which are higher margin. Accordingly, Protection VNB increased by 44.6% on a CER basis (20.8% on an AER basis) from 2021 to 2022. New business margin (% of APE) increased from 37.1% in 2020 to 62.6% in 2021 and new business margin (% of PVNBP) grew from 5.1% in 2020 to 9.0% in 2021, primarily due to the continued shift towards individual products which are higher margin and the one-off impact from lower margin retrocession insurance in 2020. Accordingly, Protection VNB decreased by 35.9% on a CER basis (38.2% on an AER basis) from 2020 to 2021.

Excluding the VNB generated from sales of COLI products, and one-off retrocession reinsurance with Swiss Re and FWD Reinsurance for a block of in-force life and health business in 2020, our VNB in Japan increased by 11.1% on a CER basis (7.8% on an AER basis) from US$95 million in 2020 to US$102 million in 2021 and by 41.3% on a CER basis (18.1% on an AER basis) from US$102 million in 2021 to US$121 million in 2022, due to the increase in sales of individual protection products and, in particular, the increase in margins of the individual products sold, mainly due to an increase in the sales of individual protection products as we shifted our focus towards such products. Our new business margin (% of APE) excluding the impact of COLI products and retrocession reinsurance increased from 77.1% in 2020 to 78.9% in 2021 and further to 90.2% in 2022, due to the increase in margins of our individual products. Our VNB generated from sales of COLI business decreased by 29.0% on a CER basis (39.4% on an AER basis) from 2021 to 2022 and by 21.6% on a CER basis (23.9% on an AER basis) from 2020 to 2021.

Segmental adjusted operating profit before tax (non-IFRS measure) in Japan increased by 90.6% on a CER basis (62.7% on an AER basis) from US$97 million in 2021 to US$158 million in 2022, primarily due to higher investment returns and lower operating expenses, partially offset by higher COVID-19 related claims. Specifically, COVID-19 related claims in Japan accounted for 25.5% of our Group's total claim amount in 2022, up from 4.2% in 2021. This increase was primarily attributable to an increase in COVID-19 related individual medical claims, following the Japanese government's directive deeming that any person infected with COVID-19 could make a hospitalisation claim, regardless of whether they were hospitalised, or whether any treatment was required. As such, in aggregate, our actual incurred claim amount in Japan was approximately 110% of our pricing expectation in 2022, up from approximately 67% in 2021. Segmental adjusted operating profit before tax (non- IFRS measure) in Japan decreased by 3.3% on a CER basis (2.9% on an AER basis) from US$100 million in 2020 to US$97 million in 2021, primarily due to our revenue remaining largely unchanged as we continued the shift towards individual protection products. In 2020, 2021 and 2022, the revenue contributed by COLI products in Japan was US$708 million, US$714 million and US$502 million while the revenue contributed by the individual products in Japan was US$1,591 million, US$1,754 million and US$1,518 million with group products contributing US$7 million in revenue in each of 2020 and 2021 and US$5 million in 2022.

The expense ratio in Japan was 9.9% in 2022 compared to 10.6% in 2021, primarily due to lower operating expenses from the effective cost control measures we had put in place. The expense ratio in Japan was 10.6% in 2021 compared to 12.4% in 2020, primarily due to the reduction in business as usual costs through the introduction of a procurement function and implementing various cost reduction initiatives.

Allocated segment assets in Japan were US$12,970 million, US$13,083 million and US$11,445 million as of 31 December 2020, 2021, and 2022, respectively. The decrease in allocated segment assets in Japan from 2020 reflects (i) market factors such as higher bond yields and (ii) foreign exchange movement as the Japanese Yen depreciated against the US dollar.

For a discussion of our operations in Japan, see "*Our Operations in Our Geographic Markets – Japan.*"

Emerging Markets

The Emerging Markets segment includes our business operations in Indonesia, Malaysia, the Philippines, Singapore and Vietnam.

	Year Ended/As Of 31 December		
	2020	**2021**	**2022**
	(US$ millions, except for percentages)		
TWPI[(1)]	430	609	708
APE[(2)]	197	301	429
VNB[(3)]	79	133	198
Segmental adjusted operating loss before tax (non-IFRS measure)[(1)]	(87)	(73)	(50)
Allocated segment assets	3,409	4,309	4,560
Ratios: Expense ratio	40.6%	34.6%	31.1%
New business margin (% of APE)[(3)]	40.0%	44.2%	46.2%
New business margin (% of PVNBP)[(3)]	9.1%	9.4%	10.7%

Notes:

(1) See Notes 6.1 and 6.4 to the 2021 Audited Annual Financial Statements and Notes 6.1 and 6.4 to the 2022 Audited Annual Financial Statements included in Appendix II for more details.

(2) Operational performance measure.

(3) Actuarial performance measures.

APE, VNB, new business margin and expense ratio are important growth and cost measures of the Group, and we believe that presenting this information from the pre-COVID-19 period in 2019 to 2022 would enable a meaningful evaluation of the Group's growth. Our APE increased by a CAGR of 41.5% on a CER basis from US$157 million in 2019 to US$429 million in 2022. Our VNB increased by a CAGR of 58.6% on a CER basis from US$52 million in 2019 to US$198 million in 2022. Our new business margin (% of APE) grew from 32.9% in 2019 to 46.2% in 2022, while our new business margin (% of PVNBP) increased from 9.4% to 10.7%. Lastly, our expense ratio decreased from 53.4% in 2019 to 31.1% in 2022.

TWPI in Emerging Markets increased by 22.7% on a CER basis (16.3% on an AER basis) from US$609 million in 2021 to US$708 million in 2022, due to the strong growth in both new and renewal business across our markets. TWPI in Emerging Markets increased by 40.0% on a CER basis (41.5% on an AER basis) from US$430 million in 2020 to US$609 million in 2021, due to the strong growth in both new and renewal business across our markets.

APE in Emerging Markets increased by 49.5% on a CER basis (42.3% on an AER basis) from US$301 million in 2021 to US$429 million in 2022, due to the strong growth of our operations across markets as COVID-19 restrictions were relaxed and as we continued to deliver on our recently formed bancassurance partnerships. APE in Emerging Markets increased by 51.7% on a CER basis (53.1% on an AER basis) from US$197 million in 2020 to US$301 million in 2021, due to strong growth of our operations across markets and especially as we continued to build on our bancassurance partnerships.

VNB in Emerging Markets increased by 67.6% on a CER basis (69.2% on an AER basis) from US$79 million in 2020 to US$133 million in 2021 and further grew by 56.5% on a CER basis (48.9% on an AER basis) from US$133 million in 2021 to US$198 million in 2022, due to the strong growth in new business sales as well as an increase in margins from higher growth in protection products sales. Accordingly, Protection VNB in Emerging Markets grew by 64.6% on a CER basis (57.2% on an AER basis) from 2021 to 2022 and 79.2% on a CER basis (81.1% on an AER basis) from 2020 to 2021, mainly due to (i) a shift towards protection products across all Emerging Markets and across all distribution channels to meet customers' needs for protection, (ii) the revamping of existing protection and savings products to incorporate more protections and riders, and (iii) a shift towards more profitable universal life products and riders.

Our new business margin (% of APE) in Emerging Markets increased to 46.2% in 2022, compared to 44.2% in 2021 and 40.0% in 2020, due to the shift towards more profitable protection products. Similarly, our new business margin (% of PVNBP) increased from 9.1% in 2020 and 9.4% in 2021 to 10.7% in 2022.

Segmental adjusted operating loss before tax (non-IFRS measure) was US$87 million, US$73 million and US$50 million in 2020, 2021 and 2022, respectively. The reducing loss across the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 reflects our efforts in scaling up our operations in the relevant markets.

The expense ratio was 31.1% in 2022 compared to 34.6% in 2021 and 40.6% in 2020 due to the continued benefit from an increase in the scale of our business as we continued to roll out our expense-saving initiatives.

Allocated segment assets in Emerging Markets were US$3,409 million, US$4,309 million and US$4,560 million as of 31 December 2020, 2021, and 2022, respectively. The increase in allocated segment assets in Emerging Markets primarily reflects the impact of our acquisitions of HSBC Amanah Takaful in 2019 and VCLI and PT Commonwealth Life in 2020 and the continued growth of our business in all markets.

For a discussion of our operations in our Emerging Markets, see "*Our Operations in Our Geographic Markets – Our Emerging Markets.*"

Corporate and others

The Corporate and Others segment largely represents the expenditure to support our regulatory and compliance activities, as well as our Business Units across the finance, IT and digital, investments and distribution areas.

	Year Ended 31 December		
	2020	2021	2022
		(US$ millions)	
Segmental adjusted operating loss before tax (non-IFRS measure)	(115)	(150)	(130)

Segmental adjusted operating loss before tax (non-IFRS measure) was US$150 million in 2021 compared to US$130 million in 2022, due to disciplined cost control. Segmental adjusted operating loss before tax (non-IFRS measure) was US$115 million in 2020 compared to US$150 million in 2021, due to the investments required to support the growth of our operations while maintaining disciplined cost control.

DISCUSSION OF MAJOR ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Assets

As of 31 December 2020, 2021, and 2022, our total assets were US$62,550 million, US$63,653 million and US$58,933 million, respectively. The following table sets forth the principal components of our assets as of the dates indicated:

	As of 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Intangible assets	3,531	3,348	3,207
Assets other than financial investments[(1)]	13,377	13,009	12,498
Financial investments			
Loans and deposits	1,754	1,688	2,327
Available for sale debt securities	37,839	37,156	32,493
At fair value through profit or loss:			
Debt securities	129	79	225
Equity securities	5,740	8,253	7,864
Derivative financial instruments	180	120	319
Total financial investments	45,642	47,296	43,228
Total assets	62,550	63,653	58,933

Note:

(1) Primarily consists of property, plant and equipment, reinsurance assets, deferred acquisition costs, cash and cash equivalents, other miscellaneous non-financial assets and assets classified as held-for- sale.

Intangible assets

Intangible assets consist of goodwill, distribution rights, computer software and other intangible assets.

	As of 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Intangible assets			
Goodwill	1,615	1,560	1,529
Distribution rights	1,786	1,660	1,543
Computer software and others	130	128	135
Total intangible assets	3,531	3,348	3,207

Our intangible assets decreased by 4.2% from US$3,348 million as of 31 December 2021 to US$3,207 million as of 31 December 2022, mainly due to the amortisation of our distribution rights and computer software and foreign exchange translation adjustments, partially offset by the addition of computer software.

Our intangible assets reduced by 5.2% from US$3,531 million as of 31 December 2020 to US$3,348 million as of 31 December 2021, mainly due to the amortisation of our distribution rights and computer software, and foreign exchange translation adjustments, partially offset by the capitalisation of the first milestone payment made pursuant to the distribution agreement with PTBC.

Goodwill is tested for impairment annually by comparing the carrying amount of the cash generating unit ("**CGU**"), including goodwill, to the recoverable amount of that CGU. The recoverable amount is the value in use of the CGU. The value in use is calculated as an actuarially determined appraisal value, based on (i) the Embedded Value with respect to the in-force business together with (ii) the value of future new business. The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation, which are aligned to those assumptions detailed in the Actuarial Consultant's Report set forth in Appendix I. The present value of expected future new business is calculated based on a combination of indicators which reflect management's best estimate of future profit based on historical experience and operating assumptions such as premium and expenses taking into account, among others, recent production mix, business strategy, market trends and risk associated with the future new business projections. Best estimate assumption reflects estimates around economic environment, business plans with distribution partners, and the prevailing business environment and regulatory requirements. No impairment on goodwill was recognised in 2020, 2021, and 2022. See Note 10 to the 2021 Audited Annual Financial Statements and Note 10 to the 2022 Audited Annual Financial Statements in Appendix II to this Offering Circular.

The headroom of each CGU (i.e., by how much the recoverable amount would exceed the carrying amount of the CGU when the key assumptions have been applied in the impairment testing) during 2022 is summarised in the following table:

	% of headroom over the carrying amount of the CGU
Hong Kong	Over 100
Thailand	Over 100
Japan	Over 100
Emerging markets	
Vietnam	Over 100
Indonesia	0-50

The Group conducted sensitivity analyses of the assumptions applied in the base version of the impairment test to confirm whether a reasonably possible change in key assumptions (the investment returns, risk discount rate or VNB multiplier) would cause the carrying amount of the CGU to exceed its recoverable amount. Based upon the basis of the analyses and the best estimate assumptions, the Group did not identify that a reasonable possible change in the key assumptions could cause the carrying amount of the CGUs to exceed the recoverable amount as at 31 December 2022.

The results of the sensitivity analyses on the investment returns, the risk discount rate or the VNB multiplier during 2022 are summarised in the following table:

	Change in % of headroom over the carrying amount of the CGU	
Investment returns	-25bps	+25bps
Hong Kong	(10-20)	0-10
Thailand	(10-20)	10-20
Japan	(20-40)	20-40
Emerging markets		
Vietnam	0-10	(0-10)
Indonesia	(0-10)	0-10

	Change in % of headroom over the carrying amount of the CGU	
Risk discount rate	+50bps	-50bps
Hong Kong	(40-70)	40-70
Thailand	(0-10)	0-10
Japan	(40-70)	40-70
Emerging markets		
Vietnam	(10-20)	10-20
Indonesia	(0-10)	0-10

	Change in % of headroom over the carrying amount of the CGU	
VNB Multiplier	-20%	+20%
Hong Kong	(40-70)	40-70
Thailand	(20-40)	20-40
Japan	(40-70)	40-70
Emerging markets		
Vietnam	(40-70)	40-70
Indonesia	(10-20)	10-20

Assets other than financial investments

Assets other than financial investments primarily consist of reinsurance assets, deferred acquisition costs ("**DAC**"), cash and cash equivalents and other miscellaneous non-financial assets.

	As of 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
ASSETS OTHER THAN FINANCIAL INVESTMENTS			
Reinsurance assets	3,232	3,404	3,235
Deferred acquisition costs	4,591	4,742	4,997
Cash and cash equivalents	2,730	2,652	1,474
Other non-financial assets(1)	2,824	2,211	2,792
Total assets other than financial investments	13,377	13,009	12,498

Note:

(1) Consist of investments in associates and joint ventures, property, plant and equipment, investment property, deferred tax assets, current tax recoverable, other assets and assets classified as held-for-sale.

Our assets other than financial investments decreased by 3.9% from US$13,009 million as of 31 December 2021 to US$12,498 million as of 31 December 2022, mainly due to the decrease of cash and cash equivalents in 2022, which in turn was primarily due to the decline in net cash from financing and investing activities.

Our assets other than financial investments decreased by 2.7% from US$13,377 million as of 31 December 2020 to US$13,009 million as of 31 December 2021, mainly due to other non-financial assets decreasing due to the settlement of receivable in connection with the novation of the TMB distribution agreement.

Financial investments

Our financial assets decreased by 8.6% from US$47,296 million as of 31 December 2021 to US$43,228 million as of 31 December 2022, mainly due to (i) fair value losses in available for sale debt securities due to continued increase in longer dated bond yields in Thailand, (ii) increasing US interest rate environment, (iii) fair value losses in our equity portfolio, and (iv) foreign exchange loss from weakening of the Japanese Yen and the Thai Baht against the US dollar, partially offset by the overall asset growth from new business.

Our financial assets increased by 3.6% from US$45,642 million as of 31 December 2020 to US$47,296 million as of 31 December 2021, mainly due to overall asset growth from new business and reinvestments as well as fair value gains from our equity portfolio, which was offset by the reduction in value of our available for sale debt securities, primarily driven by an increase in longer dated bond yields in Thailand and fair value losses on derivative financial instruments due to the weakening of the Japanese Yen and the Thai Baht.

Level 3 of fair value measurement

Our management has carefully reviewed the valuation related policies, the financial statements prepared in accordance with the IFRS, and other supporting documents, and has had sufficient understanding of the valuation model, methodologies, and techniques. Based on the foregoing, our management is of the view that the valuation analysis performed during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 is fair and reasonable. Our management is satisfied with the valuation work for the Level 3 fair value measurement on financial assets and liabilities performed during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

Details of the fair value measurement of Level 3 financial assets and liabilities, including the valuation technique and unobservable inputs, are set out in Note 18.1 to the 2021 Audited Annual Financial Statements and Note 18.1 to the 2022 Audited Annual Financial Statements included in Appendix II.

Liabilities

	As of 31 December		
	2020	**2021**	**2022**
		(US$ millions)	
Liabilities			
Insurance and investment contract liabilities	45,481	48,198	48,889
Financial liabilities[(1)]	3,671	2,369	2,350
Liabilities – other than the above[(2)]	5,173	4,139	3,988
Total liabilities	54,325	54,706	55,227

Notes:

(1) Includes borrowings and derivative financial instruments.

(2) Consists of deferred ceding commission, provisions, deferred tax liabilities, current tax liabilities, other liabilities and liabilities directly associated with assets classified as held-for-sale.

Our insurance and investment contract liabilities increased by 1.4% from US$48,198 million as of 31 December 2021 to US$48,889 million as of 31 December 2022, mainly due to the growth in our business and the resultant increases in liabilities for future policyholder benefits, and deferred profit liabilities. Our financial liabilities remained largely stable (decreased by 0.8%) from US$2,369 million as of 31 December 2021 to US$2,350 million as of 31 December 2022. Our liabilities, other than insurance and investment contract liabilities and financial liabilities, decreased by 3.6% from US$4,139 million as of 31 December 2021 to US$3,988 million as of 31 December 2022, mainly due to the reversal of an accrual resulting from the settlement of a distribution agreement payable, offset by an increase in obligations under repurchase and forward arrangements.

Our insurance and investment contract liabilities increased by 6.0% from US$45,481 million as of 31 December 2020 to US$48,198 million as of 31 December 2021, mainly due to the growth in our business and the resultant increases in liabilities for future policyholder benefits, and deferred profit liabilities. Our financial liabilities decreased by 35.5% from US$3,671 million as of 31 December 2020 to US$2,369 million as of 31 December 2021 primarily due to the repayment of US$2,250 million of our bank borrowings in 2021 and new bank borrowings of US$1,000 million in December 2021. Our liabilities, other than insurance and investment contract liabilities and financial liabilities, decreased by 20.0% from US$5,173 million as of 31 December 2020 to US$4,139 million as of 31 December 2021, mainly due to the reversal of an accrual resulting from the settlements of repurchase and forward agreements and distribution agreement payables, the disposal of the GI Disposal Group and our pension business and the decrease in deferred tax liabilities as a result of a decrease in unrealised gain on available for sale financial assets and changes in insurance provision.

Except as discussed above, as of 31 December 2022, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured.

EQUITY

Our total equity decreased by 58.6% from US$8,947 million as of 31 December 2021 to US$3,706 million as of 31 December 2022, mainly due to (i) higher interest rates that drove down asset value, resulting in a net decrease in fair value of available for sale financial assets of US$4,439 million, (ii) net loss for the period, and (iii) foreign exchange losses on cumulative translation adjustments resulting from the strengthening of the US dollar. The sensitivity of our total equity to market risk factors is affected by accounting mismatches between the measurement of insurance contract liabilities (which are measured using "locked in" assumptions determined at the policy inception date), and changes in the fair value of assets which are reflected directly in shareholders' equity, with no offsetting impact.

Upon implementation of IFRS 17, we expect reduced volatility in reported net profit and total equity because we will be required to apply "best estimate" assumptions, rather than "locked in" assumptions, on insurance contract liabilities. This will have an offsetting impact, thereby improving the alignment between the financial market related impacts on assets and liabilities.

Our total equity increased by 8.8% from US$8,225 million as of 31 December 2020 to US$8,947 million as of 31 December 2021, mainly due to (i) US$2,025 million in capital contributions from our shareholders and other investors and US$400 million from the proceeds of transferring FL's and FGL's convertible preference shares from the Company to an existing convertible preference shareholder, partially offset by (ii) a net decrease in fair value reserve of US$1,411 million driven by Thailand and Hong Kong which experienced drop in market value as a result of an increase in interest yield, and (iii) a net decrease in foreign currency translation reserve of US$470 million driven by appreciation of the US dollar against the Thai Baht and the Japanese Yen.

The following table sets forth our total equity and adjusted total equity, i.e., assuming the Reorganisation was completed as of 1 January 2020, as of the dates indicated:

	As of 31 December		
	2020	2021	2022
		(US$ millions)	
Total equity attributable to shareholders of the Company	4,898	5,647	1,963
Perpetual securities	1,607	1,607	1,354
Non-controlling interests(1)	1,720	1,693	389
Total equity	8,225	8,947	3,706
Share capital and share premium	1,713	1,692	388
Non-controlling interests	(1,713)	(1,692)	(388)
NON-IFRS MEASURE			
Adjusted total equity (non-IFRS measure)	**8,225**	**8,947**	**3,706**
Adjusted total equity attributable to			
Shareholders of the Company	6,611	7,339	2,351
Perpetual securities	1,607	1,607	1,354
Non-controlling interests(1)	7	1	1

Note:

(1) The non-controlling interests represent ordinary shares, preference shares and convertible preference shares which are not attributable to the Company, which will become equity of the Company upon the completion of the Reorganisation. See "*History, Reorganisation and Corporate Structure – Reorganisation*." The key terms of preference shares and convertible preference shares are summarised in Note 27.4 to the 2021 Audited Annual Financial Statements and Note 27.4 to the 2022 Audited Annual Financial Statements included in Appendix II.

The perpetual securities were issued by FL and FGL and have been treated as equity in our consolidated statement of financial position. FL and FGL have used the proceeds from the issuances for general corporate purposes, acquisitions and/or repayment of our own indebtedness. The following table sets forth the carrying amount of the perpetual securities:

	Year Ended 31 December		
Issued on	**2020**	**2021**	**2022**
		(US$ millions)	
24 January 2017	255	255	–
15 June 2017	360	360	362
6 July 2017	179	179	179
1 February 2018	203	203	203
13 September 2019	610	610	610
Total	1,607	1,607	1,354

INVESTMENT PORTFOLIO

Our results of operations, financial condition and future prospects are affected by the performance of our investment portfolio and our ability to profit from our investments. We manage our investments in accordance with our investment management framework. Our investment management framework seeks to ensure that our investment functions are effective and compliant with relevant laws and regulations. It also requires that our investment functions adhere to our ethical standards and risk management policies.

The discussion of our investment portfolio composition focuses on our policyholder and shareholder investments, as our profit before tax is less affected by the performance of the unit-linked investments. Our unit-linked policyholders are responsible for allocating their premiums among the investment options, and they bear the investment risk of these investments.

Our investment portfolio is composed predominantly of fixed income assets such as government bonds and corporate bonds, followed by equity securities, investment properties and others.

The greatest aggregate concentration of fair value to direct ultimate holding of an individual issuer (excluding all government related fixed income assets) is less than 1% of the total equity and debt investments as at 31 December 2022.

The following table sets forth our total investment portfolio by asset class as of the dates indicated for policyholder and shareholder investments:

	As of 31 December					
		2020		2021		2022
	(US$ millions, except for percentages)					
Fixed income securities . .	38,596	88.4%	37,876	83.7%	34,037	82.4%
Equity securities	3,630	8.3%	5,949	13.1%	5,662	13.6%
Investment properties . . .	609	1.4%	663	1.5%	641	1.6%
Others[(1)]	866	2.0%	810	1.8%	811	2.0%
Derivatives	(34)	(0.1)%	(37)	(0.1)%	185	0.4%
TOTAL	43,667	100.0%	45,261	100.0%	41,336	100.0%

Note:

(1) Includes policy loans and secured loans. An irrevocable notice of redemption was issued on 24 December 2021 for the redemption of the January 2017 Perpetual Securities on 24 January 2022, which has been completed.

We predominantly invest in fixed income assets based on our liability maturity profile and to generate predictable and stable income. As of 31 December 2022, 82.4% of our investment portfolio (excluding unit-linked investments) was composed of fixed income investments. As of 31 December 2022, government bonds constituted the largest component of our fixed income investments and represented 44.5% of our total fixed income investment portfolio (excluding unit-linked investments). Our government bond investments were concentrated in Thai and Japanese government bonds, accounting for 32.1% of our investment portfolio as of 31 December 2022. The Company reports the group-wide concentration and potential risks to the Risk Committee on a quarterly basis. Our Directors are of the view that while there are some concentrations of Thai and Japanese government bonds and private equity investments in Hong Kong in our investment portfolio, apart from the sovereign credit exposures, the portfolio overall is sufficiently diversified from single party exposures and managed within the sector limit permitted by our concentration risk guidelines at our Group level. The government bonds in our investment portfolio have sufficiently high liquidity and the reason for such concentration is primarily due to our policy of matching our assets and liabilities on a local currency basis. Furthermore, in countries such as Thailand, government bonds are the safest form of fixed income investments available to us. The percentage of private equities is also within the SAA approved by the Risk Committee. The primary reason to allocate to private equity is that historically, private equity investments have been able to generate a premium over public stocks, which remains our expectation for the future. The long term nature and holding periods for private equity investments are commensurate with long term life insurance liabilities and support the non-guarantee bonus to policyholder in long run and, as such, our Directors are of the view that the allocation of private equity in our SAA is manageable and acceptable.

As of 31 December 2022, 94.3% of our fixed income investment portfolio was rated investment grade. We had a small portion of investments rated below investment grade, primarily because Thailand has international sovereign debt ratings of BBB+, the Philippines and Indonesia have international sovereign debt ratings of BBB while Vietnam has an international sovereign debt rating of BB and as a result, many corporate bonds issued in these markets are below investment grade on an international rating scale.

Fixed income

The following table sets forth the breakdown of our fixed income investments by asset categories as of the dates indicated for policyholder and shareholder investments.

	As of 31 December					
	2020		**2021**		**2022**	
	(US$ millions, except for percentages)					
Debt securities						
Government bonds	17,755	45.0%	17,815	46.1%	15,495	44.5%
Government agency bonds	2,171	5.5%	2,005	5.2%	1,609	4.6%
Corporate bonds	16,253	41.2%	15,585	40.3%	13,443	38.6%
Structured securities	1,391	3.5%	1,499	3.9%	1,906	5.5%
Others	1,026	2.6%	972	2.5%	1,584	4.5%
Subtotal	38,596	97.8%	37,876	98.0%	34,037	97.7%
Loans and deposits						
Policy loans	856	2.2%	793	2.0%	795	2.3%
Others	10	0.0%	17	0.0%	16	0.0%
Subtotal	866	2.2%	810	2.0%	811	2.3%
Total[1]	39,462	100%	38,686	100%	34,848	100%

Note:

(1) As at 31 December 2022, debt securities of US$3,529 million, US$431 million, US$22 million and US$5 million are restricted due to local regulatory requirements in Thailand, Macau, Indonesia and the Philippines, respectively. As at 31 December 2022, equity securities of US$50 million are restricted due to local regulatory requirements in Macau.

The following table sets forth the breakdown of our debt securities by loan amounts as of the dates indicated (as measured by carrying value):

	As of 31 December											
	2020				2021				2022			
Loan amounts	**US$0-1 Bn**	**US$1-3 Bn**	**US$3-5 Bn**	**US$5 Bn+**	**US$0-1 Bn**	**US$1-3 Bn**	**US$3-5 Bn**	**US$5 Bn+**	**US$0-1 Bn**	**US$1-3 Bn**	**US$3-5 Bn**	**US$5 Bn+**
	(US$ millions)											
Government bonds	17,746	9	–	–	17,808	7	–	–	15,495	–	–	–
Government agency bonds	2,150	11	10	–	1,981	8	16	–	1,609	–	–	–
Corporate bonds	16,002	124	127	–	15,402	93	90	–	13,443	–	–	–
Structured securities	1,385	4	2	–	1,499	–	–	–	1,906	–	–	–
Others	388	10	–	–	321	10	–	–	265	–	–	–
Total	37,671	158	139	–	37,011	118	106	–	32,718	–	–	–

The following table sets forth the breakdown of our debt securities by tenor at issue, which is defined as the length of time remaining before a financial contract expires at the time of issue, as of the dates indicated (as measured by carrying value):

	As of 31 December											
	2020				2021				2022			
Tenor at issue	**<1 year**	**1-3 years**	**3-5 years**	**5+ years**	**<1 year**	**1-3 years**	**3-5 years**	**5+ years**	**<1 year**	**1-3 years**	**3-5 years**	**5+ years**
	(US$ millions)											
Government bonds	218	629	22	16,886	415	93	35	17,272	252	130	224	14,889
Government agency bonds	–	3	22	2,146	–	–	12	1,993	1	2	58	1,548
Corporate bonds	14	122	417	15,700	103	64	295	15,123	20	156	370	12,897
Structured securities	–	1	4	1,386	–	–	–	1,499	–	–	–	1,906
Others	269	–	4	125	237	–	1	93	207	–	–	58
Total	501	755	469	36,243	755	157	343	35,980	480	288	652	31,298

The following table sets forth the breakdown of our debt securities by maturity dates as of the dates indicated (as measured by carrying value):

	As of 31 December											
	2020				2021				2022			
Maturity Dates	**2023**	**2024**	**2025**	**2026+**	**2023**	**2024**	**2025**	**2026+**	**2023**	**2024**	**2025**	**2026+**
	(US$ millions)											
Government bonds	556	273	441	15,067	243	230	343	16,403	407	180	328	14,580
Government agency bonds	156	182	139	1,326	127	160	120	1,447	78	114	125	1,292
Corporate bonds	811	926	1,562	11,634	630	707	1,253	12,509	496	472	1,059	11,416
Structured securities	11	3	8	1,369	10	4	–	1,485	10	3	–	1,893
Others	25	–	10	290	24	–	15	258	32	–	13	220
Total	**1,559**	**1,384**	**2,160**	**29,686**	**1,034**	**1,101**	**1,731**	**32,102**	**1,023**	**769**	**1,525**	**29,401**

The following table sets forth the breakdown of our debt securities by coupon rates as of the dates indicated (as measured by carrying value):

	As of 31 December											
	2020				2021				2022			
Coupon Rates	**0-3%**	**3-5%**	**5-10%**	**10+%**	**0-3%**	**3-5%**	**5-10%**	**10+%**	**0-3%**	**3-5%**	**5-10%**	**10+%**
	(US$ millions)											
Government bonds	7,126	9,300	1,285	44	8,829	7,907	1,047	32	7,790	7,190	499	16
Government agency bonds	782	1,286	103	–	719	1,024	262	–	555	820	234	–
Corporate bonds	3,909	9,367	2,975	2	4,091	8,788	2,702	4	3,571	7,504	2,368	–
Structured securities	1,162	178	51	–	1,339	94	66	–	127	1,188	576	15
Others	304	93	–	1	266	65	–	–	212	53	–	–
Total	13,283	20,224	4,414	47	15,244	17,878	4,077	36	12,255	16,755	3,677	31

The following table sets for the breakdown of our debt securities by secured/unsecured as of the dates indicated (as measured by carrying value):

	As of 31 December					
	2020		2021		2022	
Type	**Secured**	**Unsecured**	**Secured**	**Unsecured**	**Secured**	**Unsecured**
	(US$ millions)					
Government bonds	24	17,731	21	17,794	23	15,472
Government agency bonds	61	2,110	53	1,952	19	1,590
Corporate bonds	517	15,736	577	15,008	775	12,668
Structured securities	661	730	856	643	382	1,524
Others	–	398	–	331	–	265
Total	1,263	36,705	1,507	35,728	1,199	31,519

Government bonds

Government bonds constituted 45.0%, 46.1% and 44.5% of the carrying value of our total fixed income investments (excluding unit-linked investments) as of 31 December 2020, 2021 and 2022, respectively. In order to increase our investment returns and diversify our investment portfolio, we invest in both local and foreign currency denominated government bonds.

The table below shows the carrying value of our government bonds invested by the issuing governments as of the dates indicated for policyholder and shareholder investments:

	As of 31 December					
	2020		2021		2022	
	(US$ millions, except for percentages)					
Thailand	12,930	72.9%	11,218	63.0%	10,477	67.6%
Japan	2,561	14.4%	3,692	20.7%	2,803	18.1%
United States	1,355	7.6%	1,571	8.8%	1,035	6.7%
Other	909	5.1%	1,334	7.5%	1,180	7.6%
Total government bonds	17,755	100%	17,815	100%	15,495	100%

Corporate bonds

Corporate bonds constituted 41.2%, 40.3% and 38.6% of the carrying value of our total fixed income investments (excluding unit-linked investments) as of 31 December 2020, 2021 and 2022, respectively. We invest in both local and foreign currency denominated corporate bonds across a broad range of markets, industries and issuers or obligors. Financial institutions and industrials represented our largest sector exposures in our corporate bond investments as of 31 December 2022 since issuers in these sectors usually have international credit ratings, making it easier to evaluate their credit worthiness. These issuers also issue corporate bonds more frequently, providing us with greater flexibility to make investments.

Unlisted Bonds

Most corporate bonds issued by private and public companies are traded "over the counter" and not on exchanges. The listing criterium is hence not of major relevance in determining the quality and, more importantly, the liquidity of a bond. We therefore do not consider unlisted bonds as being of heightened risk.

Credit Rating

The following table sets forth the breakdown of our fixed income investments by credit rating as of the dates indicated for policyholder and shareholder investments:

	As of 31 December					
	2020		**2021**		**2022**	
	(US$ millions, except for percentages)					
AAA	1,871	4.8%	2,028	5.4%	1,389	4.1%
AA	2,018	5.2%	2,569	6.8%	2,131	6.3%
A	10,231	26.5%	11,578	30.6%	10,156	29.9%
BBB	21,531	55.8%	19,393	51.2%	18,430	54.1%
Below Investment Grade	1,602	4.2%	1,729	4.6%	1,576	4.6%
Non-Rated	1,343	3.5%	579	1.4%	355	1.0%
Total	38,596	100%	37,876	100%	34,037	100%

The majority of our non-investment grade bond holdings stem from insurance entities in countries with below investment grade sovereign ratings. The sovereign rating typically provides a ceiling for credit ratings of government and corporate bonds issued by or in this country. The following table sets forth the sovereign ratings for selected countries:

	SOVEREIGN RATING	
COUNTRY	**Standard & Poor's**	**Fitch**
Thailand	BBB+	BBB+
Philippines	BBB+	BBB
Malaysia	A-	BBB+
Vietnam	BB+	BB
Indonesia	BBB	BBB

Most of our non-investment grade rated bonds relate to corporate issues in Thailand, which are typically only rated by local Thai rating agencies (such as TRIS and Fitch Thailand). Bonds that receive local investment grade ratings of one or more letter grades below the sovereign (such as "AA or lower" compared to the local sovereign "AAA") would translate into BB or lower ratings using international rating agency scale that classifies Thai sovereign as BBB+.

Fixed income yield

The following table sets forth our quarterly investment yield on fixed income portfolio as of the dates indicated:

	Quarterly investment yield on fixed income portfolio
	Annualised
As of 31 March 2020	2.31%
As of 30 June 2020	2.31%
As of 30 September 2020	2.37%
As of 31 December 2020	2.45%
As of 31 March 2021	2.49%
As of 30 June 2021	2.57%
As of 30 September 2021	2.56%
As of 31 December 2021	2.57%
As of 31 March 2022	2.49%
As of 30 June 2022	2.56%
As of 30 September 2022	2.68%
As of 31 December 2022	2.77%

Our fixed income portfolio yield has trended up from 2.31% as of 31 March 2020 to 2.59% as of 31 March 2021 and further to 2.77% as of 31 December 2022, while our reinvestment yield in Hong Kong, Japan and Thailand combined was 1.96% in 2020, 1.84% in 2021 and 3.19% in 2022.

Equity securities

We invest in public and private equity, as well as real estate, to diversify our portfolio and increase long-term returns. Due diligence procedures as well as local and group committee approvals are required for such investments. As of 31 December 2022, investments in equity securities represented 13.6% of our total policyholder and shareholder investment portfolio.

The following table sets forth the breakdown of our equity securities investments by asset category as of the dates indicated for policyholder and shareholder investments:

	As of 31 December					
	2020		**2021**		**2022**	
	(US$ millions, except for percentages)					
Equity shares	1,374	37.9%	2,525	42.4%	1,862	32.9%
Interests in investment funds	2,256	62.1%	3,424	57.6%	3,800	67.1%
Total	3,630	100%	5,949	100%	5,662	100%

	As of 31 December		
	2020	2021	2022
		(US$ millions)	
Policyholder and shareholder			
Listed	1,474	2,596	2,222
Unlisted	1,896	3,116	3,243
Others[(1)]	260	237	197
Total	3,630	5,949	5,662

Note:

(1) Others includes Redeemable investment funds.

Private equities are mainly managed by dedicated private equity managers who have the required resources and skills to identify and execute private investments. We select managers based on their track record and targeted strategies and commit capital to their funds typically as limited partners in pooled fund type vehicles. We select managers across various strategies (such as secondary funds; mid-market buy-out, technology, venture capital) and geographies to obtain diversified private equity portfolios.

Historically, private equity investments were able to generate a premium over public stocks, which remains our expectation for the future. Lower volatility of private equity investments is due to the smoothed valuations over time compared to publicly traded stocks which trades-off with little or no liquidity of private investments. Long term nature and holding periods for private equity are commensurate with long term life liabilities.

Public equities are managed either through the purchase of mutual funds or ETFs, which provide a diversified and cost-effective access to public markets or market segments. The selection of relevant ETF follows the underlying portfolio benchmarks.

Alternatively, public equities are managed through discretionary mandates by internal or external asset managers which typically have established market indices as their benchmark. Asset managers would then choose to over- or underweight certain stocks within the portfolios relative to the benchmark weight based on a number of factors such as fundamental valuation, attractiveness of the stock or sector the stock belongs to relative to the overall benchmark universe.

For our equity securities portfolio (which includes investments supporting investment- linked products), we realised an average annualised return of 9.9%, 16.5% and (10.9%) for 2020, 2021 and 2022, respectively. The volatility (as measured by standard deviation) of our public equity portfolio (which include both investment-linked products as well as that in general accounts) was in the range of 15-30% per annum, which is in line with that of public market indices, while our private equity portfolio exhibited lower volatility (as measured by standard deviation) of approximately 10% per annum.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity in the insurance industry primarily relates to the ability of an insurer to generate sufficient cash from its business operations, including its investment portfolio, to satisfy its obligations under its insurance policies and other financial commitments. Historically, we have funded our liquidity requirements primarily using cash generated by our operating activities, bank borrowings and other funds raised from issuing debt and equity securities. During 2020, 2021 and 2022, our Group received an aggregate amount of US$5.4 billion from shareholders which was used by the Group for, among other things, general working capital purposes and the funding of certain acquisitions. After the Proposed Initial Public Offering, we expect that our liquidity requirements will be financed through cash generated by our operating activities, bank borrowings and/or other funds raised from issuing debt and equity securities, together with the net proceeds we receive from the Proposed Initial Public Offering. As of 31 December 2022, we had aggregate cash and cash equivalents of US$1,474 million. We do not, nor are we required under applicable laws to, calculate or disclose any specific liquidity ratio. Our cash inflows and existing cash balances are primarily used to satisfy payment liabilities under our insurance contracts and debt obligations, to purchase investment assets and to fund our operating expenses.

We believe that our current cash and anticipated cash flow generated from operating activities and net proceeds from the Proposed Initial Public Offering will be sufficient to meet our anticipated working capital requirements, including our cash needs for operating expenses, payment liabilities under our insurance contracts and debt obligations and capital expenditures, in the next 12 months. We may, however, need additional cash resources in the future if we experience changes in business conditions or other developments, or if we find and wish to pursue opportunities for investments, acquisitions, capital expenditures or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time or that at any given time, it is desirable to refinance certain of our outstanding indebtedness, whether at or prior to maturity, we may seek to issue equity or debt securities, including through the establishment of and drawdowns under medium-term notes programmes and/or standalone bond issuances, or obtain credit facilities. We may enter into one or more of such transactions at any time, including shortly after 6 March 2023 and/or the completion of the Proposed Initial Public Offering. In particular, as disclosed in "– *Perpetual securities*" below, as of 31 January 2023, we had outstanding perpetual securities in an aggregate nominal amount of US$1,550 million. Under the terms of these perpetual securities, upon the occurrence of certain events including the Proposed Initial Public Offering, FL or FGL may redeem certain of these perpetual securities. We may determine to refinance such perpetual securities in line with sound treasury practices, including to manage our overall finance costs, extend our debt maturity profile or to establish ongoing market access. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

We allocate capital within our Group on a centralised basis. In general, we do not expect to transfer capital resources across reporting segments, with limited exceptions where our local operating subsidiaries are held by companies incorporated in different jurisdictions. We determine capital and resource allocation to each business unit based on local regulations, and will ensure that each local business unit not only meets the solvency requirement but have sufficient capital buffer in line with our target level to withstand extreme scenarios.

Our liquidity is affected by the frequency and severity of policy surrenders, withdrawals, maturities, claims and guarantees under our insurance contracts. In particular, our life, general and medical insurance products expose us to the risk of unexpected cash demands in the event that a catastrophic event, such as epidemics or other events that increase mortality or morbidity, lead to a large number of claims, surrenders and early terminations by our policyholders. We seek to manage our catastrophe loss exposure through reinsurance arrangements and we also seek to reduce the likelihood of surrenders and early terminations through in-force product management and adjusting the prices of our products based on regular reviews of persistency experience. During the years ended 31 December 2020, 2021 and 2022, we have not experienced any failure of meeting capital or solvency requirements in the regions in which we operate, nor have we received any formal request from regulators to strengthen our capital position for any of our operating entities. However, there is no assurance that we will be able to withstand the liquidity pressures posed by catastrophic events, the timing and effect of which are inherently unpredictable.

CASH FLOWS

The following table sets out a summary of our consolidated statements of cash flows for the periods indicated:

	Year Ended 31 December		
	2020	2021	2022
	(US$ millions)		
Net cash used in operating activities	(2)	(868)	(391)
Net cash used in investing activities	(533)	(94)	(553)
Net cash provided by/(used in) financing activities	1,353	948	(190)
Net increase/(decrease) in cash and cash equivalents	818	(14)	(1,134)
Cash and cash equivalents at beginning of the year	1,911	2,740	2,654
Effect of exchange rate changes on cash and cash equivalents	11	(72)	(46)
Cash and cash equivalents at the end of year[(1)]	2,740	2,654	1,474

Note:

(1) Included in cash and cash equivalents as of 31 December 2020, 2021 and 2022, US$10 million, US$2 million and nil, respectively, in assets classified as held-for-sale in the consolidated statements of financial positions.

Net cash used in operating activities

Our operating activities primarily consist of operational cash flows from the insurance business including cash premiums and fee income received from policyholders of which we invest to support our future obligations to the policyholders including claims, maturities, and surrenders. The operational cash flow from our insurance business also includes payments of commissions and other related acquisition costs to our distributors and the operating expenses to maintain the service to the policyholders and manage the overall business. Further, our operating activities include the purchases, maturities and sales of financial investments as well as the related interest and dividends.

A summary of the key components of our operating cash activities is as follows:

	Year Ended 31 December		
	2020	2021	2022
	(US$ millions)		
Operational cash flows from insurance business	2,483	3,532	2,077
Cash advances from a related party novated in Reorganisation[(1)]	360	–	–
Cash flows from repurchase and forward agreements	429	(238)	198
Interest and dividends from investment portfolio	1,252	1,444	1,374
Purchases, maturities and sales of financial investments	(4,526)	(5,606)	(4,040)
Total	(2)	(868)	(391)

Note:

(1) See Note 1.2.2 to the 2021 Audited Annual Financial Statements and Note 1.2.2 to the 2022 Audited Annual Financial Statements included in Appendix II.

Net cash used in operating activities was US$391 million in 2022 compared to US$868 million in 2021, primarily due to (i) an increase in cash inflows from repurchase and forward agreements of US$198 million in 2022, compared to cash outflows for settlement of obligations under repurchase and forward agreements of US$238 million in 2021, and (ii) a decrease in cash outflows for net purchases of financial investments of US$4,040 million in 2022 compared to US$5,606 million in 2021, which was partially offset by a decrease in cash inflows from insurance business of US$2,077 million in 2022 compared to US$3,532 million in 2021.

Net cash used in operating activities was US$868 million in 2021 compared to net cash used in operating activities of US$2 million in 2020, primarily due to (i) an increase in cash inflows from insurance business in 2021 of US$3,532 million compared to US$2,483 million in 2020 as our business continued to add scale, and (ii) an increase in cash inflows to US$1,444 million from dividend and interest received compared to US$1,252 million in 2020 as a result of increased financial investments held during 2021, which was partially offset by a reduction in cash advances from a related party of US$360 million in 2020 compared to nil in 2021, cash outflows on settlement of obligations under repurchase and forward agreements of US$238 million in 2021 compared to cash inflows under repurchase and forward agreements of US$429 million in 2020 related to our investment activities, and cash outflows from increase in the net purchases of financial investments of US$5,606 million in 2021 compared to US$4,526 million in 2020. The increase in net purchases of investments exceeded our operational cash flows from the insurance business and interest and dividends from our investment portfolio due to our concentrated actions to reduce excess liquidity during 2021.

Net cash used in investing activities

Our cash outflows from investing activities primarily consist of cash used to acquire subsidiaries, investment properties, investment in associates, property, plant and equipment and intangible assets such as distribution rights. Our cash inflows from investing activities mainly relate to dividends received from our joint venture and proceeds from our disposals of intangible assets, property, plant, and equipment and other investments.

Net cash used in investing activities was US$553 million in 2022 compared to US$94 million in 2021, primarily due to (i) cash outflows of US$483 million for payments for intangible assets, mainly due to the reversal of an accrual resulting from the settlement of a distribution agreement payable in 2022, compared to US$187 million in 2021 and (ii) cash inflows of US$233 million from the disposal proceeds of the distribution agreement with TMB in Thailand in 2021, compared to no such cash inflows in 2022. These cash outflows in 2022 were partially offset by (i) cash inflows of dividend and distribution from joint ventures of US$7 million, compared to US$246 million in 2021 and (ii) a decrease in cash outflow of US$54 million for subscription of additional interest in BRI Life in 2022, compared to US$273 million in 2021.

Net cash used in investing activities was US$94 million in 2021 compared to US$533 million in 2020, primarily due to (i) the cash outflow of US$273 million for the subscription of a minority stake in BRI Life, (ii) US$117 million for purchase of investment properties, (iii) US$45 million for payments for intangible assets, and (iv) US$142 million due to the reversal of an accrual resulting from the settlement of distribution agreements in 2021. These cash outflows in 2021 were partially offset by cash inflows of US$233 million representing proceeds from the disposal of the distribution agreement with TMB in Thailand and cash inflows of US$246 million from dividend and distribution from a joint venture. Cash outflows in 2020 primarily related to US$910 million for the acquisition of subsidiaries and entry into distribution agreements, offset partially by cash inflow of US$381 million for proceeds from the termination of the distribution agreement with TMB in Thailand.

Net cash provided by/(used in) financing activities

Our cash outflows from financing activities mainly consist of cash used to pay finance costs and to redeem or repay outstanding indebtedness. Our cash inflows from financing activities primarily consist of proceeds from bank borrowings and issuance/transfer of debt and equity securities.

Net cash used in financing activities was US$190 million in 2022, compared to net cash provided by financing activities of US$948 million in 2021. The increase in net cash used in financing activities in 2022 was mainly due to (i) a decrease in cash inflow of US$400 million from issuance of our Company's ordinary shares in 2022, compared to US$2,025 million in 2021, (ii) absence of proceeds from transaction with non-controlling interests in 2022, compared to US$400 million in 2021, and (iii) an increase in cash outflow for the redemption and distribution of perpetual securities of US$337 million in 2022, compared to US$65 million in 2021, partially offset by (iv) absence of net repayment of bank borrowings in 2022, compared to US$1,250 million in 2021.

Net cash provided by financing activities was US$948 million in 2021 compared to net cash provided of US$1,353 million in 2020. The net cash provided in financing activities in 2021 was mainly due to (i) cash inflow of US$2,025 million from issuance of our Company's ordinary shares, (ii) cash inflow of US$1,000 million from new bank borrowing, and (iii) cash inflow of US$400 million as consideration received by our Company for transferring convertible preference shares issued by FL and FGL to an existing convertible preference shareholder in the first half of 2021 (refer to Note 27 to the 2021 Audited Annual Financial Statements and Note 27 to the 2022 Audited Annual Financial Statements included in Appendix II), offset by cash outflows primarily relating to US$2,250 million repayment of bank borrowings, finance costs paid on borrowings, distributions paid on perpetual securities and lease payments.

SOLVENCY AND CAPITAL

The Group has been subject to the HKIA's GWS framework since 14 May 2021, when FWD Management Holdings was determined to be our DIHC. In addition, our operating subsidiaries are subject to regulatory solvency and capital requirements in the jurisdictions in which they operate and are incorporated and/or domiciled.

Under the GWS framework, a supervised group's capital adequacy is measured with reference to the group capital adequacy requirements. With respect to local business operations, capital adequacy and solvency are measured with reference to relevant local regulations.

We review and monitor our capital adequacy and solvency positions at the Group and operating company levels. Our ALMCO and the Risk Committee regularly review, and conduct sensitivity analyses of, a set of capital management metrics analysing scenarios that could cause changes in our group capital adequacy and solvency levels and the underlying causes of such changes. Regular committee meetings are held to monitor and discuss our group capital adequacy and solvency positions.

Group capital adequacy

Under the GWS framework, the group capital adequacy requirements are determined in accordance with the Group Capital Rules, as applied to us under transitional arrangements that have been agreed with the HKIA.

We assess our capital adequacy with reference to the Insurance (Group Capital) Rules as well as the LCSM position on both the MCR and PCR bases. Our LCSM free surplus (MCR basis) is the difference between our group available capital and our GMCR, and our LCSM cover ratio (MCR basis) is the ratio of our group available capital to our GMCR. Our LCSM free surplus (PCR basis) is the difference between our group available capital and our GPCR, and our LCSM cover ratio (PCR basis) is the ratio of our group available capital to our GPCR. The Group LCSM tier 1 cover ratio (MCR basis) is the ratio of our Group tier 1 available capital to our GMCR. We calculate these amounts as the sum of the available capital and the sum of the minimum and prescribed required capital, as applicable, of each entity within the Group as determined in accordance with local regulatory requirements, subject to any capital variation the HKIA considers necessary.

As of 31 December 2022, the Group's available capital includes US$2,572 million of Group Tier 2 capital, of which US$2,556 million are financial instruments which, under transitional arrangements, receive full capital credit up to the tenth anniversary of designation of FWD Management Holdings as the DIHC, with the capital credit reducing at the rate of 20% per annum until the 15th anniversary, and US$16 million local regulatory capital that are classified as Tier 2 under GWS. In addition, a further US$2,439 million of preference shares and convertible preference shares have transitional arrangements in place for these to be treated as Tier 1 capital before exchanging for ordinary shares.

Our capital adequacy as of 31 December 2021 and 31 December 2022 before giving effect to the net proceeds of the Proposed Initial Public Offering (applying the principles set forth below), assuming that all outstanding preference shares and convertible preference shares of FL and FGL had been exchanged for ordinary Shares on that date, is as follows:

	31 December 2022	**31 December 2021[1]**
	(US$ millions, except for percentages)	
Group available capital	5,406	6,007
of which Tier 1 capital	2,834	3,203
Group minimum capital requirement (GMCR)	868	1,016
Group prescribed capital requirement (GPCR)	1,877	N/A
Group LCSM free surplus (MCR basis)	4,538	4,991
Group LCSM free surplus (PCR basis)	3,529	N/A
Group LCSM cover ratio (MCR basis)	623%	592%
Group LCSM tier 1 cover ratio (MCR basis)[2]	327%	315%
Group LCSM cover ratio (PCR basis)[3]	288%	N/A

Notes:

(1) For comparison, the 31 December 2021 figures above have been determined on the basis that our Company was part of our supervised group. As of 31 December 2021, our supervised group comprised FL, FGL and their respective subsidiaries (including FWD Takaful) and BRI Life. Our Company was not part of the supervised group and hence the financial resources sitting in our Company, but not injected into the supervised group, could not be treated as eligible Group capital resources. On this basis, the Group LCSM cover ratio (MCR basis) as of 31 December 2021, without including our Company in our supervised group, was 480%.

(2) Also defined as the "tier 1 group capital coverage ratio".

(3) Also defined as the "eligible group capital resources coverage ratio".

Our LCSM cover ratio (MCR basis) and LCSM tier 1 cover ratio (MCR basis) in 2022 increased from 2021 mainly due to in-force business free surplus generation, RBC early adoption for our Hong Kong authorised insurers and the US$400 million Pre-IPO Investments undertaken in 2022 pursuant to the Pre-IPO Investments 2021/2022, partially offset by capital market and foreign exchange movements.

Group LCSM cover sensitivities

Our Group LCSM cover ratio (PCR basis) sensitivities arising from changes to the central assumptions from equity price and interest rate movements and applied consistently with those in EV, are shown below. The interest rate sensitivities apply a 50 basis points movement in current bond yields and the corresponding movement on discount rates applied to the calculation of liabilities. The amount of eligible debt capital is equal to the carrying value and is unchanged in the sensitivity calculations.

	2022
Central value	288%
Impact of equity price changes	
10 per cent increase in equity prices	2 pps
10 per cent decrease in equity prices	(3) pps
Impact of interest rate changes	
50 basis points increase in interest rates	1 pps
50 basis points decrease in interest rates	0 pps

Principles set forth in the Group capital adequacy calculations above

When assessing our capital adequacy, with reference to the group capital adequacy requirements and the LCSM, we define our group available capital as the sum of (i) our eligible group capital resources and (ii) an amount equal to the net proceeds we received upon issuance of US$2,578 million (being the carrying value of financial instruments at 31 December 2022) of our outstanding financial instruments, which were issued by FL and FGL prior to the designation of FWD Management Holdings as the DIHC and which we apply toward meeting our group prescribed capital requirement under the transitional arrangements. The inclusion of these financial instruments in our group capital and the refinancing of them under the GWS framework are subject to certain terms and conditions contained in the transitional arrangements with the HKIA. In addition, we use the following terms defined in the Group Capital Rules:

Group capital adequacy requirements. A DIHC in relation to its supervised group must ensure that at all times (i) the tier 1 group capital of the supervised group is not less than the GMCR of the supervised group; and (ii) the sum of the tier 1 group capital and the tier 2 group capital of the supervised group is not less than the group prescribed capital requirement of the supervised group.

Group minimum capital requirement. The GMCR of a supervised group is the sum of the minimum capital requirements applicable to the supervised group members in the supervised group.

Group prescribed capital requirement. The group prescribed capital requirement of a supervised group is the sum of the prescribed capital requirements applicable to the supervised group members in the supervised group.

Eligible group capital resources. The eligible group capital resources of a DIHC are the resources and financial instruments of the supervised group which are eligible to be included in the tier 1 group capital or tier 2 group capital of the supervised group.

We also apply the following principles in determining our group available capital and required capital:

- For regulated insurance and non-insurance entities, capital resources and required capital are based on the local solvency regime applicable in each jurisdiction, with minimum required capital set at the solo legal entity statutory minimum capital requirements;

- For non-regulated entities, the capital resources are based on IFRS shareholder equity after deducting intangible assets, and the financial instruments which satisfy the criteria in Group Capital Rules. No required capital is held in respect of unregulated entities;

- For entities where the Group's shareholding is less than 100%, the contribution of the entity to the GWS eligible group capital resources and required capital represents the Group's share of these amounts and excludes any amounts attributable to non-controlling interests. This does not apply to investment holdings which are not part of the Group;

- Investments in subsidiaries, joint ventures and associates (including, if any, loans that are recognised as capital on the receiving entity's balance sheet) are eliminated from the relevant holding company to prevent the double counting of capital resources; and

- The Group is moving towards compliance with the GWS requirements on the basis of transitional arrangements that have been agreed with the HKIA. We apply an amount equal to the net proceeds we received upon issuance of US$2,578 million (being the carrying value of financial instruments at 31 December 2022) of our outstanding financial instruments, which were issued by FL and FGL prior to the designation of FWD Management Holdings as the DIHC, toward meeting our group prescribed capital requirement under such transitional arrangements.

For further details, see "*Regulatory Overview.*"

Operating Subsidiaries

Pursuant to applicable regulations, an insurer is required to maintain at all times required solvency and capital. The objective of these regulations is to provide a reasonable safeguard against the risk that the insurer's assets may be inadequate to meet its liabilities arising from unpredictable events, such as adverse fluctuations in its operating results or the value of its assets and liabilities. Our operating subsidiaries are subject to solvency and capital regulations of, and the supervision of insurance regulators in, the jurisdictions in which they operate and the jurisdictions in which they are incorporated and/or domiciled. We generally aim to set our target solvency and capital ratios well above the minimum local regulatory requirements in all the markets in which we operate. All our operating subsidiaries are in compliance with the relevant solvency and capital requirements prescribed under applicable insurance laws. See "*Regulatory Overview*" for discussions on solvency and capital requirements in each geographic market that we operate in and Note 28 to the 2021 Audited Annual Financial Statements and Note 28 to the 2022 Audited Annual Financial Statements included in Appendix II for more information on the solvency ratios that our key regulated entities are required to meet under applicable local requirements.

CAPITAL EXPENDITURES

From time to time, we make capital expenditures to expand our operations, primarily through making leasehold improvements, acquiring property, plant and equipment, and intangible assets, primarily consisting of computer software. Our capital expenditure during the years ended 31 December 2020, 2021 and 2022 largely related to investment in IT systems and digital infrastructure to deliver improved digitalisation of core processes covering customer experience and back office services. We have historically funded our capital expenditures through using cash generated by our operating activities. The table below sets forth our capital expenditures for the periods indicated:

	Year ended 31 December		
	2020	**2021**	**2022**
		(US $ millions)	
Purchase of property, plant and equipment (excluding (right-of-use assets)	13	20	10
Purchase of intangible assets – computer software and others	64	49	50
TOTAL	77	69	60

INDEBTEDNESS

At the close of business on 31 January 2023, our indebtedness included: (i) borrowings of US$2,216 million, (ii) perpetual securities of US$1,363 million, and (iii) lease liabilities of US$112 million. As of the same date, we had no outstanding significant contingent liabilities.

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of 31 December			As of 31 January
	2020	**2021**	**2022**	**2023**
				(unaudited)
			(US$ millions)	
Borrowings				
Bank borrowings	2,234	988	992	992
Medium-term notes	323	324	324	324
Subordinated notes	900	900	900	900
Total Borrowings	3,457	2,212	2,216	2,216
Perpetual Securities	1,607	1,607	1,354	1,363
Lease Liabilities[(1)]	145	128	113	112
Total Indebtedness	5,209	3,947	3,683	3,691

Note:

(1) The Group leases various office premises, residential units, car parks, office equipment, IT-related and other assets. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. See Note 26 to the 2021 Audited Annual Financial Statements and Note 26 to the 2022 Audited Annual Financial Statements included in Appendix II for details.

BORROWINGS

Other than our operating cash flow, we also use the net proceeds from bank loans and our issuance of medium-term notes and subordinated notes to finance acquisitions and for general corporate purposes.

The following table sets forth a breakdown of our borrowings as of the dates indicated:

	As of 31 December			As of 31 January
	2020	**2021**	**2022**	**2023**
				(unaudited)
			(US$ millions)	
Bank borrowings	2,234	988	992	992
Medium-term notes	323	324	324	324
Subordinated notes	900	900	900	900
Total borrowings	3,457	2,212	2,216	2,216

On 23 December 2020, our Company transferred the guaranteed notes of PCGI Intermediate and PCGI Intermediate II Holdings to PCGI Holdings by way of capitalisation as part of the Reorganisation. In 2020, our Company transferred and settled certain of our bank borrowings to PCGI Holdings as part of the Reorganisation. See "– *Factors Affecting Comparability – Reorganisation and Financing*," and Note 25 to the 2021 Audited Annual Financial Statements and Note 25 to the 2022 Audited Annual Financial Statements included in Appendix II.

Bank borrowings

The following table summarises our outstanding bank borrowings as of 31 January 2023:

Drawdown date	Amount	Interest rate	Tenor
30 December 2021	US$1,000 million	LIBOR + 1.275%	3 years

As of 31 January 2023, we had unutilised bank borrowings of US$500 million. During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, our main lenders were commercial banks in the markets in which we operate.

On 26 July 2021, the Group repaid in full on its scheduled maturity date, a US$275 million term loan borrowed under a facility agreement dated 25 July 2018 (as amended) with, among others, Standard Chartered Bank (Hong Kong) Limited as agent. On 10 August 2021, the Group voluntarily prepaid in full prior to its scheduled maturity date, a US$175 million term loan borrowed under a facility agreement dated 4 February 2019 (as amended) with, among others, The Hongkong and Shanghai Banking Corporation Limited as agent.

On 30 December 2021, the Group (i) borrowed a term loan of US$1.0 billion under a facilities agreement (relating to a US$1.0 billion term loan facility and US$500 million revolving loan facility) dated 28 December 2021 with, among others, Standard Chartered Bank (Hong Kong) Limited as agent (the "**2021 Facilities Agreement**"), and (ii) voluntarily prepaid in full prior to its scheduled maturity date, a US$1.8 billion term loan borrowed under a facility agreement dated 10 September 2019 with, among others, Standard Chartered Bank (Hong Kong) Limited as agent (the "**2019 SCB Facility Agreement**").

As of 31 January 2023, our bank borrowings under the 2021 Facilities Agreement were secured with an account charge in favour of the security agent, pursuant to which security was provided over an account of FGL and the amounts standing to the credit of such account, together with the rights related thereto. Our 2021 Facilities Agreement contains standard terms, conditions, restrictions and covenants that are customary for commercial bank loans (including change of control pre-payment triggers). We also undertake to comply with financial covenants in our 2021 Facilities Agreement that require us to meet certain financial ratio requirements such as consolidated debt to consolidated equity and consolidated tangible net assets.

On 24 February 2023, the Group agreed with the lenders to extend the tenor of the 2021 Facilities Agreement by one year to 30 December 2025.

Medium-term notes and subordinated notes

The following table summarises our outstanding medium-term notes and subordinated notes as of 31 January 2023:

Issue date	Description	Nominal amount	Interest rate	Tenor
24 September 2014	Medium-term notes	US$325 million	5.00%	10 years
9 July 2019.	Subordinated notes	US$550 million	5.75%	5 years
23 July 2019	Subordinated notes	US$250 million	5.75%	5 years
30 July 2019	Subordinated notes	US$100 million	5.75%	5 years

2024 Notes

On 24 September 2014, FL issued US$325,000,000 in aggregate principal amount of 5% notes due 2024 (the "**2024 Notes**"). The 2024 Notes are listed on the HKEX. Interest on the 2024 Notes is payable semi-annually in arrears on 24 March and 24 September of each year, starting from 24 March 2015.

The 2024 Notes mature on 24 September 2024. FL may redeem the 2024 Notes, in whole but not in part, at any time, together with the interest accrued to the date fixed for redemption, at a redemption price, in respect of each 2024 Note, (i) the principal amount of such 2024 Note or, if this is higher (ii) the amount equal to the sum of the present value of the principal amount of such 2024 Note, together with the present values of the interest payable for the relevant interest periods from the relevant date fixed for redemption to the maturity date, in each case, discounted to such redemption date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus 0.50%, all as determined by the determination agent appointed by FL. In addition, the 2024 Notes are subject to redemption, in whole but not in part, at their principal amount, together with the interest accrued to the date fixed for redemption, at the option of FL at any time in the event of certain changes affecting taxes of the Cayman Islands or Hong Kong. Furthermore, upon the occurrence of certain change of control events, FL may be required to offer to purchase 2024 Notes from holders at a price equal to 101% of their principal amount together with interest accrued to the date fixed for redemption.

The 2024 Notes are unsecured obligations of FL and rank equal in right of payment without any preference among themselves and at least equal in right of payment with all other existing and future unsecured and unsubordinated obligations of FL, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

As of 31 December 2022 and 31 January 2023, the outstanding principal amount of the 2024 Notes was US$324 million and US$324 million, respectively.

For details of the consent solicitation relating to the 2024 Notes and the other debt securities and perpetual securities, please see "*– Debt Restructuring.*"

2024 Subordinated Notes

In July 2019, FGL issued US$900,000,000 in aggregate principal amount of 5.75% subordinated notes due 2024 (the "**2024 Subordinated Notes**"), which consists of US$550 million issued on 9 July 2019, US$250 million issued on 23 July 2019 and US$100 million issued on 30 July 2019. The 2024 Subordinated Notes are listed on the HKEX. Interest on the 2024 Subordinated Notes is payable semi-annually in arrears on 9 January and 9 July of each year, starting from 9 January 2020.

The 2024 Subordinated Notes mature on 9 July 2024. Before 9 July 2024, FGL may redeem the 2024 Subordinated Notes, in whole but not in part, at the option of FGL, subject to certain provisions, (i) at their principal amount, together with interest accrued to the date fixed for redemption, at any time in the event of certain changes affecting the taxes of Cayman Islands or Hong Kong, (ii) at 101% of the outstanding principal amount of the 2024 Subordinated Notes, together with any interest accrued but unpaid to the date fixed for redemption if an initial public offering has occurred or (iii) at 101% of the outstanding principal amount of the 2024 Subordinated Notes, together with any interest accrued but unpaid to the date fixed for redemption, upon the occurrence of a change of control event, on giving not less than 30 nor more than 60 days' notice to the holders of the 2024 Subordinated Notes. By the 30th day following the occurrence of a change of control event, if FGL does not give an irrevocable notice to redeem the 2024 Subordinated Notes, the interest rate will increase to the aggregate of 5.00% per annum and the interest rate, with effect from (i) the next interest payment date; or (ii) if the date on which a change of control event occurs is prior to the most recent preceding interest payment date, such interest payment date. FGL will have the option to redeem the 2024 Subordinated Notes, in whole, but not in part, upon giving the requisite notice following the completion of the Proposed Initial Public Offering.

The 2024 Subordinated Notes are unsecured and subordinated obligations of FGL and rank equal in right of payment without any preference or priority payment among themselves and with any parity obligations of FGL, which includes the June 2017 Perpetual Securities and preference shares issued by FGL in December 2013 and August 2015.

As of 31 December 2022 and 31 January 2023, the outstanding principal amount of the 2024 Subordinated Notes was US$900 million and US$900 million, respectively.

For details of the consent solicitation relating to the 2024 Subordinated Notes and the other debt securities and perpetual securities, please see "– *Debt Restructuring*."

CONVERTIBLE PREFERENCE SHARES

Prior to the Proposed Initial Public Offering, each of FL and FGL has outstanding convertible preference shares issued through various rounds of equity financing. We expect that upon the completion of the Proposed Initial Public Offering, both FL's and FGL's outstanding convertible preference shares will be exchanged for our Shares.

Perpetual securities

As of 31 January 2023, we had outstanding perpetual securities in an aggregate nominal amount of US$1,550 million and a carrying value of US$1,363 million. These perpetual securities have been issued by FL and FGL. FL and FGL may, at its sole option, defer the distributions by giving notice to the holders. In the event of any distribution deferral, FL and FGL 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 statements of financial position. If the June 2017 Perpetual Securities are redeemed, the equity and EV of the Group will be further reduced by the difference between the face value and the equity amount of these securities in the Group's consolidated statements of financial position at such time. FL and FGL use the proceeds from the issuances for general corporate purposes, potential transactions and/or repayment of the Group's own indebtedness. During the years ended 31 December 2020, 2021 and 2022, the Group paid distributions of US$65 million, US$65 million, and US$87 million, respectively. See Note 27.3 to the 2021 Audited Annual Financial Statements and Note 27.3 to the 2022 Audited Annual Financial Statements included in Appendix II for details of perpetual securities issued and outstanding.

As of 31 January 2023, FL and FGL had issued the following perpetual securities:

	Nominal amount	Distribution rate	Tenor
24 January 2017[(1)]	US$250m	6.250%	Perpetual
15 June 2017	US$500m	*Note 2*	Perpetual
6 July 2017	US$250m	*Note 2*	Perpetual
1 February 2018	US$200m	5.500%	Perpetual
13 September 2019	US$600m	6.375%	Perpetual

Notes:

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

(2) 0% for first 5 years, and reset to 8.045% on 15 June 2022.

The following table sets forth the carrying amount of the perpetual securities as of the dates indicated:

US$ millions	As of 31 December 2020	As of 31 December 2021	As of 31 December 2022	As of 31 January 2023
				(Unaudited)
24 January 2017	255	255	–	–
15 June 2017	360	360	362	365
6 July 2017	179	179	179	181
1 February 2018	203	203	203	204
13 September 2019	610	610	610	613
	1,607	1,607	1,354	1,363

January 2017 Perpetual Securities

On 24 January 2017, FL issued US$250,000,000 in aggregate nominal amount of 6.250% Subordinated Perpetual Capital Securities (the "**January 2017 Perpetual Securities**"). The January 2017 Perpetual Securities are listed on the HKEX. The January 2017 Perpetual Securities confer upon the holders thereof a right to receive distributions for the period from and including 24 January 2017 at the initial rate of 6.25% per annum. Subject to provisions relating to deferral of distributions, distributions are payable semi-annually in arrears on 24 January and 24 July of each year, starting from 24 July 2017. The January 2017 Perpetual Securities have no fixed maturity and are redeemable in whole, but not in part, at FL's discretion, on or after 24 January 2022, at their nominal amount together with distribution accrued to such date fixed for redemption. After 24 January 2022, the rate of distribution will be reset every 5 calendar years to a rate of distribution expressed as a percentage per annum equaling to the sum of (i) the U.S. Treasury benchmark rate as defined in the instrument governing the January 2017 Perpetual Securities in relation to that reset period and (ii) the initial spread of 4.408%. In addition, the January 2017 Perpetual Securities are subject to redemption, in whole but not in part, at their principal amount together with any distribution accrued to such date fixed for redemption (including any arrears), at the option of FL at any time in the event of certain changes affecting taxes of the Cayman Islands or Hong Kong. Furthermore, upon the occurrence of certain events including a change of control, FL may redeem the January 2017 Perpetual Securities at such price in accordance with the terms of January 2017 Perpetual Securities.

An irrevocable notice of redemption was issued on 24 December 2021 for the redemption of the January 2017 Perpetual Securities on 24 January 2022. On 24 January 2022, the Group redeemed the January 2017 Perpetual Securities in full. The redemption price is composed of the outstanding principal amount together with distributions accrued to such date. The difference between the carrying amount of the redeemed perpetual securities and the cash paid upon redemption of US$2 million was recognised in accumulated losses on the date of redemption.

June 2017 Perpetual Securities

On 15 June 2017, FGL issued US$500,000,000 in aggregate principal amount of Zero Coupon Subordinated Perpetual Capital Securities (the "**June 2017 Perpetual Securities**"). The June 2017 Perpetual Securities are listed on the HKEX. Except in certain limited circumstances, the June 2017 Perpetual Securities do not confer upon the holders thereof a right to receive distributions before 15 June 2022. After 15 June 2022, the June 2017 Perpetual Securities confer upon the holders thereof a right to receive distribution from and including 15 June 2022 at a rate of distribution expressed as a percentage per annum equalling to the sum of (i) the U.S. Treasury benchmark rate as defined in the instrument governing the June 2017 Perpetual Securities in relation to that distribution period and (ii) the initial spread of 4.865%. Distributions are payable semi-annually in arrears on 15 June and 15 December of each year, with the first distribution payment date, except in certain circumstances, falling in June 2022. On or after 15 June 2022, the June 2017 Perpetual Securities may be redeemed at the option of FGL in whole, but not in part. In addition, the June 2017 Perpetual Securities are subject to redemption, in whole but not in part, at such price in accordance with the terms of June 2017 Perpetual Securities, at the option of FGL at any time in the event of certain changes affecting taxes of the Cayman Islands. Furthermore, upon the occurrence of certain events including a change of control, FGL may redeem the June 2017 Perpetual Securities at such price in accordance with the terms of June 2017 Perpetual Securities. In addition, the June 2017 Perpetual Securities may be redeemed by FGL at its option in whole, but not in part, at any time upon giving the requisite notice if an initial public offering, such as the Proposed Initial Public Offering, has occurred.

On 6 July 2017, FGL issued an additional US$250,000,000 in aggregate nominal amount of the June 2017 Perpetual Securities, which were consolidated and formed a single series with the June 2017 Perpetual Securities issued on 15 June 2017.

As of 31 December 2022 and 31 January 2023, the carrying value of the June 2017 Perpetual Securities was US$541 million and US$546 million, respectively.

A notice was issued on 16 May 2022 announcing FGL had decided not to exercise its option to redeem the June 2017 Perpetual Securities on 15 June 2022 and as a result, the June 2017 Perpetual Securities will remain outstanding following 15 June 2022. In accordance with the terms of the June 2017 Perpetual Securities, the Distribution Rate (as defined in such terms) for the period commencing from and including 15 June 2022 to but excluding 15 June 2027 will be 8.045% with distributions payable semi-annually in arrear.

For details of the consent solicitation relating to the June 2017 Perpetual Securities and the other perpetual securities and debt securities, please see "*– Debt Restructuring*."

2018 Perpetual Securities

On 1 February 2018, FL issued US$200,000,000 in aggregate nominal amount of 5.50% Subordinated Perpetual Capital Securities (the "**2018 Perpetual Securities**"). The 2018 Perpetual Securities are listed on the HKEX. The 2018 Perpetual Securities confer upon the holders thereof a right to receive distributions for the period from and including 1 February 2018 at an initial rate of 5.50% per annum. Subject to provisions relating to cancellation of distributions, distributions are payable semi-annually in arrears on 1 February and 1 August of each year, starting from 1 August 2018. FL may, at its sole discretion, elect to cancel (in whole or in part) distributions by providing holders of the 2018 Perpetual Securities with not more than 10 nor less than 5 business days' notice prior to the relevant distribution payment date. The 2018 Perpetual Securities have no fixed final redemption date and are redeemable in whole, but not in part, at FL's discretion, on or after 1 February 2023, at their nominal amount, together with distributions accrued to such date fixed for redemption. After 1 February 2023, the rate of distribution will be reset every 5 calendar years to a rate of distribution expressed as a percentage per annum equalling to the sum of (i) the U.S. Treasury benchmark rate as defined in the instrument governing the 2018 Perpetual Securities in relation to that reset period and (ii) the initial spread of 3.075%. In addition, the 2018 Perpetual Securities are subject to redemption, in whole but not in part, at their principal amount together with any distribution accrued to such date fixed for redemption, at the option of FL at any time in the event of certain changes affecting taxes of the Cayman Islands or Hong Kong. Furthermore, upon the occurrence of certain events including a change of control, FL may redeem the 2018 Perpetual Securities at such price in accordance with the terms of 2018 Perpetual Securities. In addition, the 2018 Perpetual Securities may be redeemed by FL at its option in whole, but not in part, at any time upon giving the requisite notice if an initial public offering, such as the Proposed Initial Public Offering, has occurred.

As of 31 December 2022 and 31 January 2023, the carrying value of the 2018 Perpetual Securities was US$203 million and US$204 million, respectively.

A notice was issued on 30 December 2022 announcing FL had decided not to exercise its option to redeem the 2018 Perpetual Securities on 1 February 2023 and as a result, the 2018 Perpetual Securities will remain outstanding following 1 February 2023. In accordance with the terms of the 2018 Perpetual Securities, the Distribution Rate (as defined in such terms) for the period commencing from and including 1 February 2023 to but excluding 1 February 2028 will be 6.675% with distributions payable semi-annually in arrear.

For details of the consent solicitation relating to the 2018 Perpetual Securities and the other perpetual securities and debt securities, please see "– *Debt Restructuring*."

2019 Perpetual Securities

On 13 September 2019, FGL issued US$600,000,000 in aggregate nominal amount of 6.375% Capital Securities (the "**2019 Perpetual Securities**"). The 2019 Perpetual Securities are listed on the HKEX. The 2019 Perpetual Securities confer upon the holders thereof a right to receive distributions for the period from and including 13 September 2019 at an initial rate of 6.375% per annum. Subject to provisions relating to deferral of distributions, distributions are payable semi-annually in arrears on 13 March and 13 September of each year, starting from 13 March 2020. FGL may, at its sole discretion, elect to defer distributions otherwise scheduled to be paid on a distribution payment date to the next distribution payment date by providing holders of the 2019 Perpetual Securities with not more than 10 nor less than 5 business days' notice prior to the relevant distribution payment date. The 2019 Perpetual Securities have no fixed final redemption date and are redeemable in whole, but not in part, at FGL's discretion, on or after 13 September 2024, at their nominal amount, together with any distributions accrued to such date fixed for redemption. After 13 September 2024, the rate of distribution will be reset every 5 calendar years to a rate of distribution expressed as a percentage per annum equalling to the sum of (i) the U.S. Treasury benchmark rate as defined in the instrument governing the 2019 Perpetual Securities in relation to that reset period and (ii) the initial spread of 4.876%. In addition, the 2019 Perpetual Securities are subject to redemption, in whole but not in part, at their principal amount together with any distribution accrued to such date fixed for redemption (including any arrears), at the option of FGL at any time in the event of certain changes affecting taxes of the Cayman Islands. Furthermore, upon the occurrence of certain events including a change of control, FGL may redeem the 2019 Perpetual Securities at such price in accordance with the terms of 2019 Perpetual Securities. In addition, the 2019 Perpetual Securities may be redeemed by FGL at its option in whole, but not in part, at any time upon giving the requisite notice if an initial public offering, such as the Proposed Initial Public Offering, has occurred.

As of 31 December 2022 and 31 January 2023, the carrying value of the 2019 Perpetual Securities was US$610 million and US$613 million, respectively.

For details of the consent solicitation relating to the 2019 Perpetual Securities and the other perpetual securities and debt securities, please see "– *Debt Restructuring*."

RATINGS

As of 6 March 2023, FL has received the following ratings.

FWD Limited Ratings	Moody's	Fitch
Issuer Default Rating	Baa2	BBB+
Senior Unsecured	Baa2	BBB

DEBT RESTRUCTURING

To centralise the treasury functions of our Group, we plan to restructure the outstanding indebtedness of our subsidiaries, FGL and FL, such that all such indebtedness is either transferred to our Company and/or redeemed or repaid and/or refinanced.

To this end, FGL and FL solicited and obtained consents of the holders of all existing series of notes, subordinated notes and perpetual securities issued by FGL and FL, in each case to amend the terms of the relevant instrument to substitute the relevant issuer with our Company, among other things. Please see Note 27.3 to the 2021 Audited Annual Financial Statements and Note 27.3 to the 2022 Audited Annual Financial Statements in Appendix II for details of the existing series of perpetual securities issued by FGL and FL.

In line with customary market practice, we expect to pay certain fees to the public holders of the notes, the subordinated notes and the perpetual securities who consented to the proposed amendments by the relevant deadlines.

The effectiveness of the consents of the holders of the notes, the subordinated notes and the perpetual securities is conditioned on, among other things, (a) all requisite regulatory approvals for the implementation of the relevant proposal(s) under the consent solicitation having been obtained by the Group and any notice periods imposed by any regulatory authority with respect to such proposal having lapsed or been waived, (b) the completion of any significant equity raising exercise by us, which may be by way of the Proposed Initial Public Offering or otherwise, (c) our being reasonably satisfied that, upon the implementation of the relevant proposal(s) under the consent solicitation, Fitch Ratings Limited will assign a long-term issuer default rating and Moody's Investors Service Limited will assign a long-term issuer rating to our Company equal to or higher than the long-term issuer rating of FL prevailing at such time, and (d) in respect of each of FGL's existing loan agreements, either (x) lender consent in respect to such loan agreement having been obtained for the novation of such loan agreement from FGL to our Company, or (y) such loan agreement having been (i) fully prepaid, (ii) fully repaid, or (iii) otherwise refinanced by new facilities borrowed by our Company. We may waive condition (d) in our discretion.

The effectiveness of the consent in respect of any series is not conditional on the effectiveness of the consent in respect of any other series and we have the discretion to implement the relevant proposal(s) in respect of none, one, some or all of the series in respect of which consent is obtained. The proposals under the consent solicitation may therefore be implemented only with respect to some but not all of the series of notes, subordinated notes and perpetual securities. As a result, upon the effectiveness of the relevant proposal(s) under the consent solicitation, there may continue to be notes, subordinated notes and/or perpetual securities outstanding at the FGL and/or FL level.

We cannot assure that we will be able to effect the proposals with respect to any or all series, on the proposed timetable or at all.

The 2021 Facilities Agreement includes a pre-defined novation feature allowing the loans to novate from FGL (the initial and current borrower) to our Company upon the satisfaction of certain conditions.

HEDGING

We follow a clearly defined hedging strategy in respect of our foreign exchange exposures. All foreign exchange related asset and liability mismatches are reviewed at Investment Committee meetings, and appropriate foreign exchange hedges are in place to ensure that local statutory solvency ratios are maintained at acceptable levels. Where foreign currency fixed income assets are used to back local currency liabilities, we hedge currency exposure by using foreign exchange forward contracts or cross currency swap contracts. For example, while all of FWD Thailand's liabilities are denominated in Thai Baht, it invests in certain assets denominated in US dollars. It uses forward currency contracts and cross currency swap contracts to hedge the currency mismatch between its liabilities to policyholders and its assets to maintain its currency exposure within an acceptable level. Similar hedging strategies are adopted by our Japan and Hong Kong (and Macau) businesses and FWD Reinsurance. Our other businesses do not have foreign exchange related asset and liability mismatches.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Contractual obligations

The table below summarises the future estimated cash payments related to certain contractual obligations as of 31 December 2022. The estimated payments reflected in this table are based on management's estimates and assumptions about these obligations. Because these estimates and assumptions are necessarily subjective, the actual cash outflows in future periods will vary, possibly materially, from those reflected in the table. In addition, we do not believe that our cash flow requirements can be adequately assessed based solely upon an analysis of these obligations, as the table below does not contemplate all aspects of our cash inflows, nor all aspects of our cash outflows.

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(US$ millions)				
Type of Commitments					
Long-term debt obligations[1]	2,477	126	2,351	–	–
IFRS 16 lease obligations[2]	129	46	56	25	2
Investment and capital commitments[3]	954	266	477	199	12
Purchase obligations[4]	170	13	123	–	34
Insurance and investment contract liabilities[5]	188,086	4,605	8,795	8,533	166,153
Other long-term liabilities[6]	343	19	24	–	300
Total	192,159	5,075	11,826	8,757	166,501

Notes:

(1) Amounts reflect the contractual maturities of the undiscounted cash flows (including contractual interest payments) due to be paid assuming conditions are consistent with those at 31 December 2022. These consist of bank borrowings, medium-term notes and subordinated notes and excludes the perpetual securities which, as discussed in Note 27.3 to the 2022 Audited Annual Financial Statements included in Appendix II, are treated as equity for accounting purposes. Interest payments have been determined taking into account the effect of interest rate swaps used to hedge floating interest rates.

(2) Payments on lease obligations in scope of IFRS 16 (Leases), as described in Note 2.1(a) to the 2022 Audited Annual Financial Statements included in Appendix II.

(3) Investments and capital commitments relate to our Group's commitments to invest in private equity partnerships.

(4) These purchase obligations are discussed below in "*– Other commitments.*"

(5) Amounts shown represent estimated undiscounted cash flows in respect of our insurance and investment contracts. These primarily relate to the expected payment of death and disability claims, policy surrenders and withdrawals, policyholder dividends and policy maturities. These estimated cash flows are based on our current mortality, morbidity, lapse and investment return assumptions. They include expected commission payments on the policies in-force and exclude projected recoveries from reinsurance agreements. They are undiscounted and therefore exceed the liabilities arising from insurance and investment contracts included in the consolidated balance sheet.

(6) Consists of distribution agreement payables (excluding those contingent on future channel performance) and other payables.

Other commitments

In addition to our commitments to invest in private equity partnerships as outlined under Contractual Obligations, as of 31 December 2022, we have committed to making the following investments and business acquisitions, which are presented as purchase obligations in the above table of contractual obligations:

- As of 31 December 2022, we had planned to invest US$26 million in Malaysia until 2024.

- As at 31 December 2022, we have agreed to make additional payments in aggregate amounts of up to US$144 million for various acquisitions and investments. For more information, see Note 34 to the 2022 Audited Annual Financial Statements included in Appendix II.

We have funded and expect to continue to fund our contractual obligations and other commitments by using cash generated by our operating activities, bank borrowings and other funds raised from issuing debt and equity securities.

Off-Balance sheet obligations and contingent liabilities

We do not have any outstanding off-balance sheet arrangements. Other than those incurred in the normal course of our insurance business and disclosed in the financial statements, there were no outstanding contingent liabilities as of 31 December 2022.

Related party transactions

During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, we entered into a number of related party transactions from time to time, details of which are set forth in Note 33 to the 2021 Audited Annual Financial Statements and Note 33 to the 2022 Audited Annual Financial Statements included in Appendix II. Our Directors have confirmed that all business transactions with related parties were conducted in the ordinary course of business and on an arm's length basis. They did not have a material impact on our results of operations during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. All non-trade balances will be settled prior to listing, other than certain transactions identified in Note 33 to the 2021 Audited Annual Financial Statements and Note 33 to the 2022 Audited Annual Financial Statements included in Appendix II.

Qualitative and quantitative disclosure about market risk

Market risk arises due to fluctuations in market prices and rates. We are exposed to a variety of market risks, including, but not limited to, interest rate risk, equity market price risk, foreign exchange rate risk and liquidity risk.

Interest rate risk

Our exposure to interest rate risk predominantly arises from any difference between the duration of our assets and liabilities, or any difference between the return on investments and the return required to meet our commitments, primarily in our traditional insurance liabilities. This exposure is heightened in products with inherent interest rate options or guarantees. We seek to manage our interest rate risk by ensuring appropriate product design and underlying assumptions as part of our product approval process and by matching, to the extent possible and appropriate, the duration of our investment assets with the duration of our insurance contracts. Given the long duration of policy liabilities and the uncertainty of future cash flows arising from these contracts, it is not possible to acquire assets that will perfectly match the policy liabilities. This results in interest rate risk, which is managed and monitored by our ALMCO. See "*Business – Investments and Asset Management.*" The duration of interest-bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities.

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

	As of 31 December					
	2020		2021		2022	
	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)
	(US$ millions)					
+50 basis points shift in yield curves. . .	18	(1,611)	20	(1,863)	8	(1,603)
-50 basis points shift in yield curves . . .	(17)	1,664	(20)	2,061	(8)	1,592

Equity market price risk

Our equity market price risk exposure relates to financial assets and liabilities whose values fluctuate as a result of changes in equity market prices, principally investment securities not held for the account of unit-linked policyholders. We manage these risks by setting and monitoring investment limits in each country and sector. The sensitivity analysis below illustrates the estimated impact on profits and shareholder's equity arising from a change in a single variable before taking into account the effects of taxation.

	As of 31 December					
	2020		2021		2022	
	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)
	(US$ millions)					
10% increase in equity prices.	229	–	323	–	301	–
10% decrease in equity prices.	(229)	–	(323)	–	(301)	–

Foreign exchange rate risk

We are exposed to foreign exchange rate risks as a result of having business operations in various jurisdictions and from financial assets and liabilities that are denominated in foreign currencies. Our financial assets are predominantly denominated in the same currencies (or, in the case of Hong Kong, US dollars) as our insurance liabilities, which serves to mitigate the foreign exchange rate risk. The level of currency risk we take on is managed and monitored by our ALMCO, through regular monitoring of currency positions of financial assets and insurance contracts.

In some markets, primarily in Thailand and Japan, where most of the assets backing the underlying liabilities are in the same local currencies, we also have liabilities on a local statutory basis that are backed by assets in other foreign currencies. Taking into account a much deeper pool of assets available in US dollars, these assets are mainly US dollar- denominated assets. Such currency mismatches are handled through hedging programmes that target minimising the mismatch on a local statutory basis for local solvency purposes.

Liquidity risk

We are 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, we have implemented a variety of measures, with an emphasis on flexible insurance product design, so that we can retain the greatest flexibility to adjust contract pricing, crediting rates or other non-guaranteed policyholder dividends. We also seek to match, to the extent possible and appropriate, the duration of our investment assets with the duration of our insurance contracts. We perform regular monitoring of our liquidity position through cash flow projections.

Critical accounting policies and estimates

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

We have identified below certain accounting policies and estimates that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the 2021 Audited Annual Financial Statements and Notes 2 and 3 to the 2022 Audited Annual Financial Statements included in Appendix II.

Investment return

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

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

Other fee and commission income

Our other fee and commission income primarily consists of fund management fees, income from any incidental noninsurance activities, distribution fees from mutual funds and commissions on reinsurance ceded.

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

Product classification

Pursuant to IFRS 4 Insurance Contracts, we classify contracts written by us as either insurance contracts or investment contracts, depending on the level of insurance risk we take on pursuant to a given contract. We issue contracts that transfer insurance risk, financial risk or both types of risks. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those that do not involve significant insurance risk. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Some of our insurance and investment contracts, referred to as 'participating business', have discretionary participation features ("**DPF**"), which may entitle a customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. We apply the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as we do for insurance contracts. In certain jurisdictions in which we operate, participating business is written in a participant fund which is distinct from our other assets. The allocation of benefits from assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation and the extent of such policyholder participant may change over time. In certain jurisdictions, participating business is not written in a distinct fund and we refer to this as "other participating business".

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

Our judgments in determining the level of insurance risk in product classification can affect the amounts recognised in our consolidated financial statements as insurance and investment contract liabilities and deferred acquisition and origination costs.

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

IFRS 4 permits a wide range of accounting treatments to be adopted for the recognition and measurement of insurance contract liabilities, including liabilities in respect of insurance and investment contracts with DPF. For traditional life insurance policies, insurance contract liabilities represent the estimated future policyholder benefit liability for such policies, which is calculated using a net level premium valuation method which represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders.

For investment-linked contracts, contract liabilities are directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. We record these liabilities at fair value, determined with reference to the accumulation value and unearned revenue liability and sales inducement liability where applicable.

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

We account for insurance contract liabilities for participating business written in participating funds by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders assuming all performance were to be declared as a dividend based upon our rules on profit distribution. We account for other participating business by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders.

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

Cash flows of our traditional insurance contracts are discounted using the appropriate long-term investment return assumptions that reflect the expected underlying asset mix. In determining the long-term returns on the fixed income assets, an allowance is made for the risk of default which varies by the credit rating of the underlying asset. The Group has set the equity return and property return assumptions by reference to the long-term return on 10-year government bonds, allowing for an internal assessment of risk premia that vary by asset class and by territory. Further, an adjustment is made to the long-term investment return assumptions to provide for the risk of adverse deviation. These assumptions are determined at the policy inception date and remain locked in thereafter, unless a deficiency arises on liability adequacy testing.

Investment contract liabilities (for investment contracts without DPF)

We account for deposits collected and benefit payments received under investment contracts without DPF directly through our consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance. The majority of our contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. We record those liabilities at fair value, determined with reference to the accumulation value (current unit value) and the unearned revenue liability and sales inducement liability, where applicable. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue in the period in which they are received unless they relate to services to be provided in future periods, in which case they are deferred and recognised as the service is provided.

Non-unit-linked investment contract liabilities are carried at amortised cost, being the fair value of consideration received at the date of initial recognition, less the net effect of principal payments such as transaction costs and front-end fees, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity value, and less any write-down for surrender payments. The effective interest rate equates the discounted cash payments to the initial amount. At each reporting date, we measure unearned revenue liability based on the value of the future best estimate cash flows discounted at the effective interest rate. We immediately recognise any adjustment as income or expense in the consolidated income statement. The amortised cost of the financial liability is never recorded at less than the amount payable on surrender, discounted for the time value of money where applicable, if the investment contract is subject to a surrender option.

Share-Based Compensation and Valuation of Share Awards including Options

During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, pursuant to the Share Option and RSU Plan, we have offered share awards including options to reward certain key employees and eligible participants for their services and achievement of shareholder value targets. The Share Option and RSU Plan is an equity-settled plan. Under an equity-settled share-based compensation plan, the fair value of the employees' services received in exchange for the award of share awards including options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards including options awarded on respective grant dates and an assessment of performance conditions. The Board adopted the Share Award Plan and the Employee Share Purchase Plan on 30 January 2022 (and amended by the Board on 27 February 2023) to provide our Company with flexibility to incentivise and retain talent.

We estimate the fair value of the awards using appraisal value method (EV plus a multiple of VNB) for the RSUs and the Black-Scholes model for the share options, taking into account the terms and conditions upon which the awards were granted. In the case of share options, our use of the Black-Scholes option-pricing model requires the input of subjective assumptions, including dividend yield, expected share price volatility, risk free interest, expected term of the options and appraisal value of our share price. These assumptions and estimates are as follows:

- *Fair value appraisal* – Because our ordinary shares have not been publicly traded, we must estimate the fair value of our shares. Our Board of Directors considers numerous objective and subjective factors to determine the fair value of our ordinary shares as awards are approved, including utilising third-party valuations to assist with the determination of the estimated fair-market value and ordinary share price.

- *Expected dividend yield* – The annual rate of dividends is expressed as a dividend yield which is a constant percentage of the stock price. We use an expected dividend yield of zero.

- *Expected term* – The expected life of an option represents the period of time that an option is expected to be outstanding. The expected term of an award is determined using the simplified method for plain vanilla options, consistent with applicable accounting guidance.

- *Risk-free interest rate* – The risk-free interest rate is based on the rate of U.S. treasury securities with maturities consistent with the estimated expected term of the awards.

- *Expected volatility* – As we do not have a trading history of our ordinary shares, there is no historical basis of the stock volatility. Accordingly, the expected volatility is based primarily on the historical volatilities of similar entities' shares over the most recent period commensurate with the estimated expected term of the awards.

The assumptions utilised to determine the fair value of share options granted are presented in the following table:

	Year Ended 31 December		
	2020	**2021[(1)]**	**2022**
Risk-free interest rate	0.02%	N/A	0.13%
Volatility	30.00%	N/A	30.00%
Dividend yield	0.00%	N/A	0.00%
Exercise price (US$ per share)	0.01	N/A	0.01
Expected life of share options (in years)	0.50	N/A	0.50
Weighted average share price (US$ per share)	202.11	N/A	106.89
FGL	104.42	N/A	55.20
FL	97.69	N/A	51.69

Note:

(1) No options were granted in 2021.

In assessing the performance conditions, we take into account all monthly cash flow items during the performance period and the appraisal value determined in accordance with the guidelines approved by the Compensation Committee.

The determination of fair value of share awards including options and the assessment of achievement of performance conditions are inherently subjective, and would affect the amounts we recognise in the consolidated financial statements as share-based payment expense and share-based payment reserve. If factors change and different assumptions are used, our share-based compensation expense could be materially different in the future.

DEFERRED ACQUISITION COSTS

Insurance contracts

The costs of acquiring new insurance contracts, including commissions and distribution costs, underwriting and other policy issue expenses which vary with, and are primarily related to, the production of new business or renewal of existing business, are deferred as an asset. We assess DAC for recoverability in the year of policy issue to ensure that these costs are recoverable out of the estimated future margins to be earned on the policy. We assess DAC for recoverability at least annually thereafter in the liability adequacy test together with the provision for life insurance liabilities and VOBA. Future investment income is also taken into account in assessing recoverability. We expense these costs in our income statement to the extent that acquisition costs are not considered to be recoverable at inception or thereafter.

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

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

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

Investment contracts

The costs of acquiring investment contracts with investment management services, including commissions and other incremental expenses directly related to the issue of each new contract, are deferred and amortised over the period that services are provided. We test the recoverability of DAC at each reporting date. The cost of acquiring new investment contracts without investment management services are included as part of the effective interest rate used to calculate the amortised cost of the related investment contract liabilities.

Liability adequacy testing

We evaluate the adequacy of our insurance and investment contract liabilities at least annually. We exercise significant judgment in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. We assess liability adequacy on a portfolio of contracts in accordance with our manner of acquiring, servicing and measuring the profitability of our insurance contracts.

For life insurance contracts, insurance contract liabilities reduced by DAC and VOBA on purchased insurance contracts, are compared to the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the unamortised balances of DAC and VOBA on purchased insurance contracts are written down to the extent of the deficiency. If, after writing down the unamortised balances for the specific portfolio of contracts to zero, a deficiency still exists, the net liability is increased by the amount of the remaining deficiency.

For life reinsurance contracts, we perform liability adequacy testing by comparing the carrying value of reinsurance contract liabilities less DAC with the fair value of the liabilities from the reinsurance portfolio recognised. If there is a deficiency, the unamortised balances of DAC are written down to the extent of the deficiency. If, after writing down the unamortised balances of DAC to zero, a deficiency still exists, the liability is increased by the amount of the remaining deficiency.

The judgments we exercise in liability adequacy testing affect amounts recognised in our financial statements such as commission and other acquisition expenses, DAC, insurance contract benefits and investment contract liabilities.

FINANCIAL INSTRUMENTS

Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial assets and liabilities at fair value through profit or loss comprise two categories: (i) financial assets or liabilities designated at fair value through profit or loss upon initial recognition; and (ii) financial assets or liabilities classified as held for trading. We designate financial assets and liabilities at fair value through profit or loss if this eliminates a measurement inconsistency or if the related assets and liabilities are actively managed on a fair value basis, including:

- financial assets held to back unit-linked contracts and participating funds;
- other financial assets managed on a fair value basis, consisting of our equity portfolio; and
- compound instruments containing embedded derivatives, where the embedded derivative would otherwise require bifurcation.

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

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

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

Available for Sale Financial Assets

Financial assets, other than those at fair value through profit or loss, and loans and receivables, are classified as available for sale. We use the available for sale category where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consist of our debt securities (other than those backing unit-linked contracts) which are neither classified as held for trading nor designated at fair value through profit or loss. Available for sale financial assets are initially recognised at fair value plus attributable transaction costs. For available for sale debt securities, the difference between their cost and par value is amortised. Available for sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available for sale is recognised in investment income in the consolidated income statement using the effective interest method.

Unrealised gains and losses on securities classified as available for sale are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences on debt securities are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statement as investment experience.

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

Impairment of goodwill and other intangible assets

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

IFRS 17 Insurance Contracts

The IFRS 17 Insurance Contracts standard has replaced the current IFRS 4 Insurance Contracts standard, and has materially changed the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in our consolidated financial statements. IFRS 17 provides the general model which is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits, supplemented by the variable fee approach for contracts that provides both insurance coverage and investment- related service, and the premium allocation approach that applies to short-duration contracts. Insurance revenue is no longer measured by premium, but recognised by the provision of services to policyholders throughout the term of the insurance contracts. Additionally, IFRS 17 has introduced a new presentation format for the statement of comprehensive income which requires more extensive disclosures. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with retrospective application and comparative figures required for 2022. If full retrospective application to a group of contracts is impractical, the modified retrospective approach or fair value method may be used.

IFRS 17 requires significant changes to the accounting policies for insurance contract liabilities, and also requires enhancements to the IT, finance and actuarial systems of the Group, and a Group-wide project is in progress to implement the new standard. As part of this Group-wide project, the Group has been assessing the implications of IFRS 17 and is in the midst of preparing the opening statement of financial position as of 1 January 2022 and the restatement of results for the year ending 31 December 2022 under IFRS 17. The Group has been monitoring emerging market practice and interpretations of judgemental areas of the standard and there continues to be some uncertainty on the financial impact on transition to IFRS 17. However, based on the Group's preliminary financial impact analysis, equity in the opening statement of financial position as of 1 January 2022 is estimated to be between US$8.9 billion and US$9.0 billion under IFRS 17 as compared to US$8.9 billion under IFRS 4.

DIVIDENDS AND DISTRIBUTABLE RESERVES

Our Company has not declared or made any dividend or other distribution to its shareholders in the past and it does not have any present plan to declare or pay any dividends on its ordinary shares in the foreseeable future. The Group currently intends to retain most, if not all, of available funds and any future earnings to operate and expand the business. Any other future determination to pay dividends will be made at the discretion of our Board and subject to our constitutional documents and applicable laws and regulations. In addition, we are required to obtain the HKIA's prior written consent before declaring or paying dividends on our ordinary shares. See "*Regulatory Overview – Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Payment of dividends.*" The Group may also be subject to certain covenants in outstanding indebtedness which may restrict its ability to declare or pay any dividend on its ordinary shares. If we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Board may deem relevant.

As of 31 December 2022, our Company did not have any distributable reserves as of that date.

EMBEDDED VALUE

To enhance investors' understanding of our economic value and profitability, we have disclosed information regarding our embedded value, as discussed below. These measures are determined on a discounted cash flow valuation using commonly applied actuarial methodologies and based on certain assumptions as outlined in the Actuarial Consultant's Report. There is no single adopted standard for the determination or presentation of the embedded value of a life insurance company. Because of the technical complexity involved in these calculations and the fact that these estimates vary materially with any change in key assumptions, you should read the following discussion as well as the Actuarial Consultant's Report set out in Appendix I in their entirety, including the assumptions and limitations described therein, interpret the embedded value results with special care and seek the advice of experts familiar with the interpretation of embedded value results. The estimates contained herein and therein involve risks and uncertainties and are subject to change based on various factors, including those discussed under the captions "Risk Factors", "Forward Looking Statements" and "Financial Information".

We report our results of operations in accordance with IFRS. The embedded value method is a commonly adopted method of measuring the consolidated value of shareholders' interest in the in-force business of an insurance company. It is an estimate of the economic value of life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business. In addition, VNB represents the value to shareholders arising from the new business issued in the last 12 months.

We have engaged Milliman, a third-party actuarial consulting firm, to prepare a report on its review of our embedded value as at 31 December 2020, 2021 and 2022 and the value of new business in respect of new policies issued for the 12 months ended 31 December 2020, 2021 and 2022, as calculated by us. A copy of the Actuarial Consultant's Report is included in Appendix I. Except as specifically stated in the Actuarial Consultant's Report, Milliman has performed no audits, assessments or independent verification of the data, information and assumptions furnished to it by us. To the extent that there are any material errors in the information provided, the results of Milliman's analysis would be affected, possibly materially. The principal materials provided by us and relied upon by Milliman are listed in Appendix B to the Actuarial Consultant's Report included in Appendix I. The Actuarial Consultant's Report provides further information regarding Milliman's use of, and reliance on, the data and information supplied to it, as well as a more detailed description of the embedded value methodology and assumptions employed in the Actuarial Consultant's Report and the assumptions and limitations covering its work.

The Actuarial Consultant's Report includes information to illustrate the sensitivity of EV and VNB to changes in key assumptions, given the particular uncertainties associated with the future investment environment and other future operational uncertainties in relation to our portfolio of policies. We advise you to consider this information in order to gain an understanding of the impact on the EV and VNB of differences between actual future experience and individual assumptions underlying the calculations. The sensitivities shown for each element of future investment and operational experience do not encompass the full range of potential outcomes.

The embedded value results are not intended to represent an opinion of market value and should not be interpreted in that manner. Actual market value is determined by investors, based on many factors. In particular, embedded value does not include the potential contribution arising from future new business which will depend on, among other things, the prospects of the Pan-Asian life insurance market, our future position in this market and the profitability of future new business.

The embedded value results are presented as at the valuation dates referenced above and are based on a series of assumptions as to the future. Except where otherwise stated in the Actuarial Consultant's Report included in Appendix I, the figures quoted therein as at any valuation date do not make allowance for any developments after such date. It should be recognised that actual future results may vary from those shown, on account of changes in the operating and economic environments and natural variations in experience and such differences may be material. No warranty is given that future experience will be in line with the assumptions made.

This section contains information relating to our industry and the trends that are shaping its development. Certain facts, statistics and data presented in this section and elsewhere in this Offering Circular have been derived, in part, from various publicly available government and official sources, independent third-party sources and publications. We also commissioned an independent industry consultant, NMG, to prepare a report upon which this industry section is based (the "NMG Report"). In the course of its research, NMG conducted primary and secondary research, and the sources used are considered by NMG to be reliable. All data, including forecasts, referenced in this section is from the NGM Report, unless otherwise specified.

We believe that the sources of the information relating to our industry in this section and elsewhere in this Offering Circular are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information included herein that is based on or derived from government and official sources has not been independently verified by us, the Dealers, the Arranger or any director, officer, employee, agent or affiliate of any such person, and no representation is given as to its correctness, accuracy and completeness.

Further, in relation to the facts, forecasts and other statistics which have been taken from government and official sources or statements, none of us, the Dealers, the Arranger or any director, officer, employee, agent or affiliate of any such person is responsible for the accuracy, reliability and/or completeness of such information.

We have agreed to pay NMG a fee of US$1,175,000 for the preparation of the NMG Report.

INTRODUCTION

The life insurance industry offers a broad range of products that address three core customer needs: (i) savings and investment, (ii) protection from the financial implications of illness, morbidity and mortality and (iii) retirement income. Typical savings and investment products include endowments, unit-linked products and participating life insurance products. Protection products include medical and health insurance products as well as products protecting against accidents, critical illness, disability and death. Annuity products provide policyholders with income after they retire.

This section principally focuses on the life insurance industry in the markets in which we operate, namely Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia. Comparisons are also provided to four markets in which we do not currently operate but which have a sizeable life insurance industry, namely mainland China, India, South Korea and Taiwan. In this section, unless stated otherwise: (i) information and statistics provided for Asia relate to the markets in which we operate and the four comparable markets and (ii) information and statistics provided for Southeast Asia relate to Thailand (and Cambodia), the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

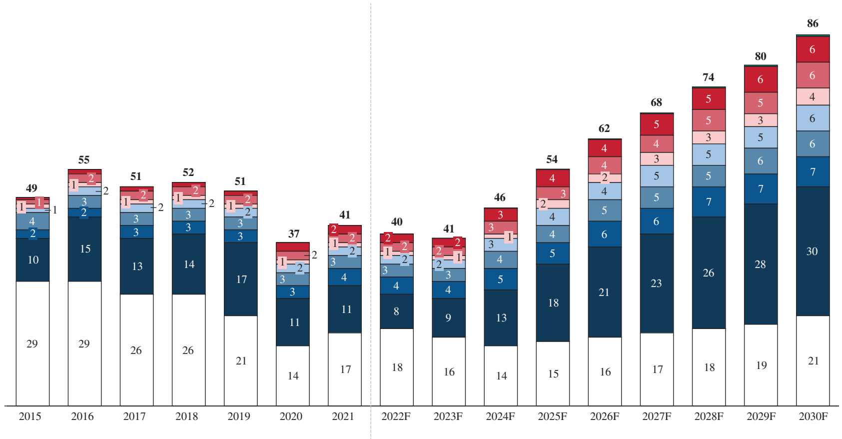
This section discusses five key themes that characterise the current landscape and future growth of the Asia life insurance industry.

The Asia life insurance industry continues to exhibit robust growth driven by structural and macroeconomic factors.

Market size and growth

Asia is one of the largest life insurance markets globally, with ~37% of global life insurance gross written premiums, or GWP, generated in Asia in 2021. Asia generated an estimated US$1,097 billion of life insurance GWP in 2021 (which represents 62% of the estimated US$1,767 billion of insurance GWP generated in 2021), 40% of which was originated in the markets in which we operate. Life insurance GWP in Asia is expected to reach US$1,951 billion in 2030. Life insurance APE in our markets grew at a CAGR of 0.8% from 2015 to 2019, (2.8%) from 2015 to 2021 (impacted by the COVID-19 pandemic), and is expected to grow at a CAGR of 8.4% from 2021 to 2030, as illustrated in the chart below.

FWD Markets – Individual Life Insurance New Business
(APE, in US$ billions)[1]



Market	CAGR 2015-19	CAGR 2021-30F
Cambodia	26.9%	27.6%
Vietnam	29.0%	13.6%
Indonesia	7.3%	13.5%
Philippines	9.6%	16.3%
Malaysia[2]	8.5%	10.6%
Thailand	(3.8%)	8.6%
Singapore	9.6%	7.2%
HK & Macau	15.2%	11.8%
Japan	(8.2%)	2.5%
FWD Markets	**0.8%**	**8.4%**
FWD SEA Markets	**6.1%**	**10.8%**
FWD Markets ex. Japan	**10.8%**	**11.3%**

CAGR 2015-21 across FWD Markets was (2.8%), driven by the COVID-19 pandemic's impact on 2020/21 volumes

Source: NMG Asia Life Insurance Market Model

(1) Using local market convention for APE, using static FX rates as at 30/06/21.

(2) Includes both life insurance and takaful.

Life insurance is currently primarily distributed through face-to-face interactions with intermediaries. The COVID-19 pandemic in 2020 had a significant impact on intermediaries' ability to distribute to consumers, resulting in a material decline in APE. However, based on the NMG Asia Life Consumer Study, experience across global life insurance markets and historical market momentum, underlying customer awareness and appreciation of the importance of life insurance remains. As COVID-19 restrictions are lifted and intermediaries' ability to interact with customers through face-to-face meetings returns, APE volumes are expected to return to pre-COVID-19 growth rates. APE growth is expected to accelerate across all markets in the long-term on the back of increased customer awareness of the need for life and health coverage, as well as through the industry digitising across the value chain and customer journey, ultimately enhancing their ability to reach and convert consumers, reducing the protection gap.

While there is significant volatility associated with COVID-19 and the macroeconomic environment, the significant projected future long-term increase in life insurance APE across the FWD Markets remains unchanged. COVID-19 and the current macroeconomic environment have not materially impacted the long-term fundamental drivers/basis that underpin these forecasts (including but not limited to: fundamental population, demographic and macroeconomic drivers, consumer perceptions of life insurance and trust in insurers, in conjunction with the realisation of digitisation initiatives by providers).

We operate in seven of the ten fastest-growing markets in Asia, the majority of which are in Southeast Asia. Southeast Asia is expected to be a key driver of growth in the Asia life insurance market, given the population base, the proportion of the middle class in the overall population, and the larger protection gap, compared to the rest of the Asia region.

Structural macroeconomic growth drivers

The growth of the Asia life insurance market and the forecasts of NMG above are based on a number of demographic and macroeconomic factors, as discussed below.

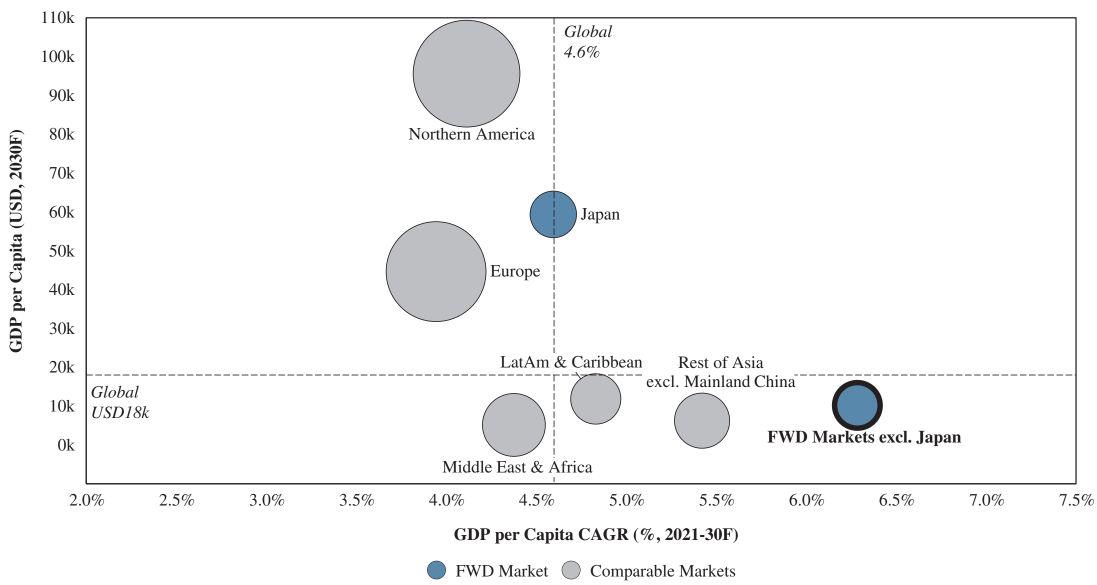
Favourable demographics with a young and growing population

Many of our markets have strong population growth, and also enjoy a younger demographic. Asia had a total population of approximately 3.7 billion as of 31 December 2021, 60% of which was under the age of 40. The overall population size in the markets where we operate was 746 million as of 31 December 2021, which is expected to grow to 782 million by 2030. The under-40 population in Asia was 2,208 million in 2021, whereas in Europe and in North America, the equivalent population was 354 million and 198 million, respectively. In our markets, the under-40 population grew from 446 million in 2015 to 448 million in 2021, accounting for 60% of the total 2021 population. In particular, the total population of Southeast Asia reached more than 610 million as of 2021, 65% of which was under the age of 40. The median age in our markets was 34 years as of 2021, compared to 34 years for Asia as a whole, 48 years for Japan, 38 years for China and 29 years for the rest of Asia (excluding our markets).

Growing wealth and expanding middle class

The GDP per capita of our markets grew at a CAGR of 2.1% from 2015 to 2021, reaching approximately US$11,500 at the end of 2021. It is expected to further grow approximately by 1.5 times from 2021 to 2030, or at a CAGR of 4.9% (or 1.7 times from 2021 to 2030, excluding Japan, or at a CAGR of 6.3%), compared with forecasted global GDP per capita growth of 4.6% over the same period. Also from 2015 to 2021, GDP per capita in the markets of Southeast Asia in which we operate grew almost 1.3 times as fast as the global average. Average per capita gross savings of our markets reached approximately US$3,350 as of the end of 2021. Per capita gross national income, or GNI, for the Southeast Asia markets where we operate, grew at a CAGR of 3.6% over the past six years, compared to the global average of 3.0%. The following chart illustrates per capita GDP growth by region and across our markets.

GDP per Capita and Growth by Region



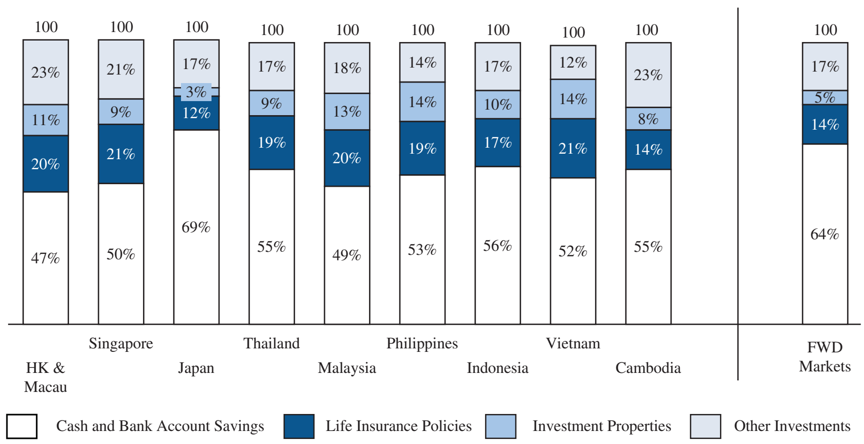
Source: NMG, United Nations, World Bank, IMF

Note: Area of bubbles represent the region's forecasted GDP in 2030.

The rising income levels in our markets are expected to create opportunities for life insurance companies to capitalise on the increasing savings and investable wealth in those markets. In particular, the middle class population, which is the population classified with daily income between US$10 and US$100 per person in 2005 purchasing power parity terms, grew by 2.5% from 2015 to 2021 in our markets, compared to the global average growth of 2.3% over the same period. The middle class accounted for 62% of the total population of our markets at the end of 2021, compared to the global average of 49%. In particular, the middle class population in Southeast Asia is expected to grow by approximately 158 million in the next nine years.

A significant portion of the investable wealth in our markets is currently allocated to cash and bank savings, which, on average, accounted for 64% of the total investable wealth of our markets in 2022. Given these surplus funds and low interest rates, there is significant potential in these markets for customers to increase the allocation of their investable wealth to life insurance policies, particularly as their average income and savings increase. The chart below sets forth the breakdown of the average investable wealth distribution by asset type across our markets in 2022.

Average Investable Wealth Distribution by Asset Type
(%, 2022)



Source: Credit Suisse Global Wealth Databook 2021, NMG Asia Life Consumer Study 2022

Sizeable protection gap across the Asia region

The growth of the life insurance market is also driven by the mortality and health protection gaps. The mortality protection gap is the shortfall between the financial resources a household needs versus what is available, to maintain its living standard in the event of the premature death of the primary income earner and the health protection gap is the cost of stressful self-financing or forgoing healthcare due to unaffordability, both measured in annualised premium equivalent terms. The protection gap APE for Asia was US$759 billion at the end of 2021, including US$5 billion for Hong Kong (and Macau), US$4 billion for Thailand, US$46 billion for Japan, US$23 billion for Indonesia, US$12 billion for Malaysia, US$8 billion for the Philippines, US$9 billion for Vietnam, US$4 billion for Singapore, US$0.2 billion for Cambodia, US$298 billion for mainland China and US$174 billion for the rest of Asia.

The following chart illustrates the demographic and macroeconomic growth drivers for Asia:

Key Individual In-Scope Market Metrics

Market	Life Insurance GWP 2015-21 CAGR (%)	Population (m)	Income per Capita Growth[1]	Protection Gap (USD bn)	Life Insurance Penetration[2]	Mobile Penetration	Internet Penetration
Cambodia	>30%	17	5.8%	0.2	0.7%	76%	53%
Vietnam	26.8%	97	6.3%	8.7	1.9%	84%	73%
Singapore	12.5%	6	2.5%	4.4	9.5%	98%	68%
India	11.9%	1,408	5.9%	131.9	3.2%	60%	51%
Mainland China	10.1%	1,426	7.7%	298.3	2.1%	92%	73%
Philippines	8.6%	114	1.3%	8.5	1.6%	73%	68%
HK & Macau	8.6%	8	2.7%	4.7	16.1%	98%	92%
Malaysia[3]	7.9%	34	2.2%	11.8	4.0%	89%	90%
Indonesia	7.2%	274	4.6%	23.2	1.2%	74%	59%
Thailand	2.4%	72	3.9%	4.1	3.8%	96%	68%
South Korea	0.2%	52	3.3%	30.9	6.0%	97%	97%
Taiwan	(0.3%)	24	6.0%	11.3	11.7%	98%	91%
Japan	(3.7%)	125	2.1%	46.4	5.6%	97%	92%

FWD Markets   Other Asia Markets

Source: NMG Asia Life Insurance Market Model, Swiss Re, United Nations, World Bank, IMF, World Data Lab, GSMA, GWP statistics published by each market's regulatory body and local life insurance association

(1) GNI per capita CAGR from 2015-2021.

(2) as % of GDP.

(3) Includes both life insurance and takaful.

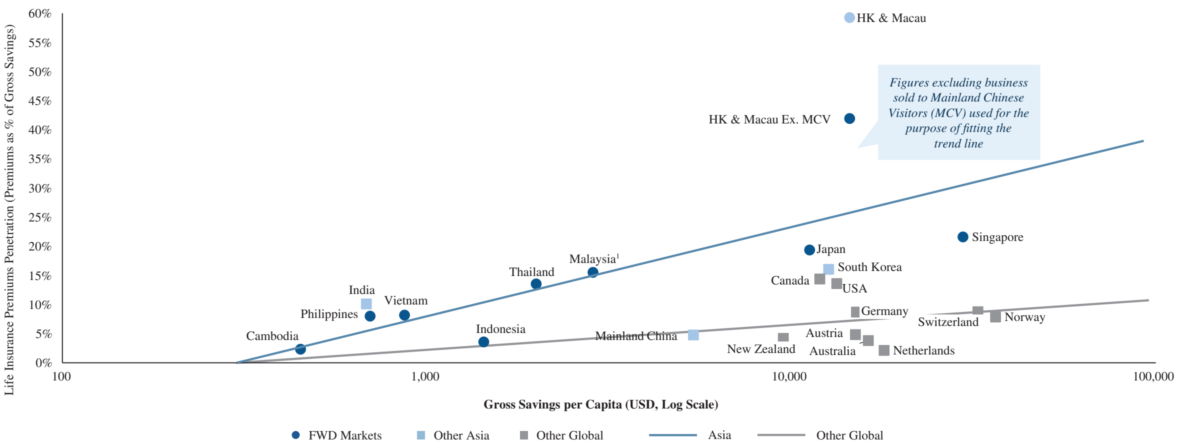
In response to the COVID-19 pandemic, we have observed several trends to emerge in Asia's life insurance market, including (i) enhanced consumer awareness for health and protection products; (ii) online and digital engagement with customers becoming a critical part of engagement not only for purchasing but end-to-end servicing; (iii) life insurance companies competing based on their innovation capabilities and their speed to market; and (iv) increasing importance of ecosystem partnerships.

There is a substantial underserved insurance "white space" with significant lifetime value.

Life insurance penetration

The emerging markets in Asia, including our markets such as Thailand, Cambodia, the Philippines, Indonesia, Vietnam and Malaysia, currently have significant potential for life insurance penetration. In Asia, life insurance premiums per capita are at only US$294 and the ratio of life insurance premiums to gross savings is 8.9%. The ratio of life insurance premiums to gross savings in North America and Europe is 12.1 %and 14.9%, respectively. This indicates significant growth opportunities for emerging markets in the Asia region. The chart below illustrates the life insurance penetration rates by market as of the end of 2021.

Life Insurance Penetration
(Premiums as % of Gross Savings, 2021)



Source: NMG Asia Life Insurance Market Model, Swiss Re Institute, World Bank

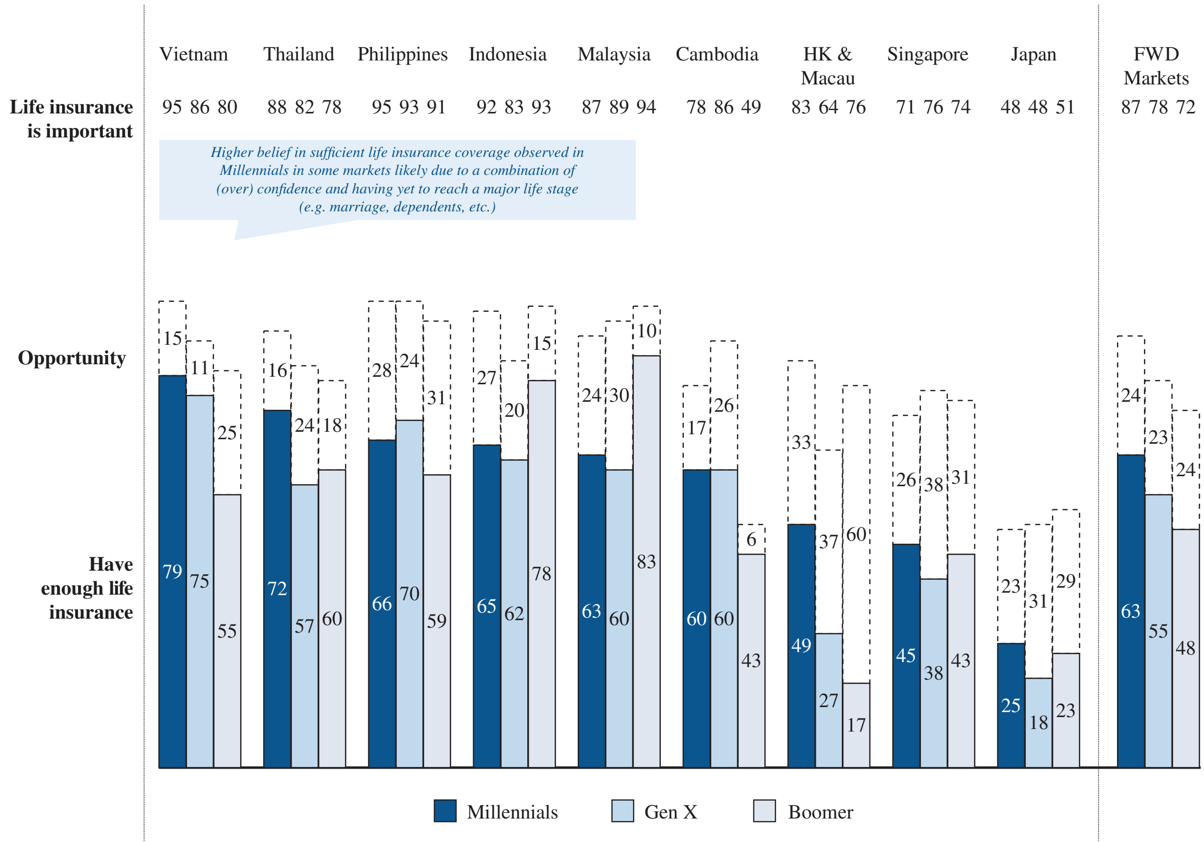
(1) Includes both life insurance and takaful.

Gap between intent to buy and actual purchase propensity

Consumers across all age groups within our markets, including millennials (defined as those aged under 40), acknowledge that despite having the intention to purchase life insurance, they remain under-insured. As illustrated in the following chart, 87% of millennials regard life insurance as important, but only 63%, when surveyed, stated that they believe they have adequate life insurance. This significant gap between having the intention to purchase and having adequate life insurance coverage is observed in consumers across all age segments in our markets.

Many Consumers Believe they are Under Insured

(Stated importance of life insurance vs whether current life insurance is sufficient, %, 2022)



Source: NMG Asia Life Consumer Study 2022

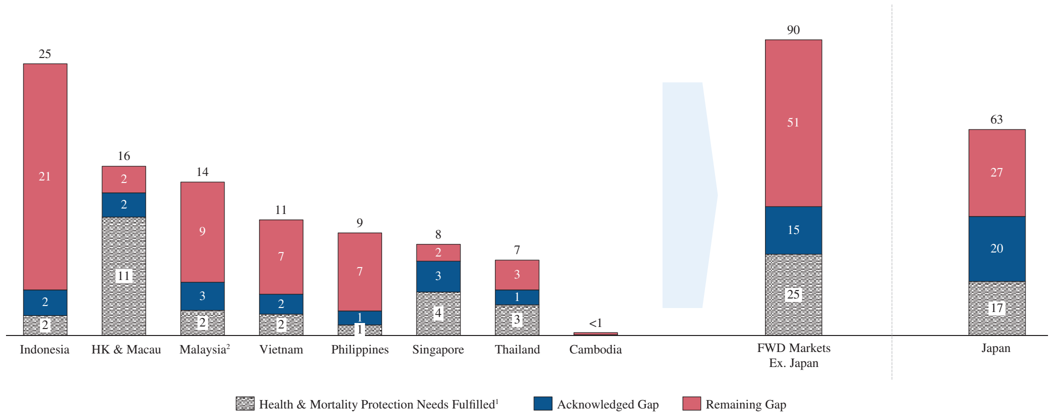
Based on responses from the NMG Asia Life Consumer Study, which had a sample size of 5,482 consumers across all of the FWD markets. NMG's research methodology and scoring basis implemented quotas across markets, and key demographic variables (gender, personal income and age), as well as screening questions to ensure a representative sample. The 'opportunity' metric is the difference between the proportion of consumers that answered 'moderately important' or 'very important' to the question 'how important is life insurance to you and your household?', and 'not confident' or 'not confident at all' to the question 'how confident are you that you have enough coverage for you and your household across the following?'.

We believe these underserved consumer needs have resulted from several customer pain points throughout the customer journey, from being unable to afford life insurance to being unsatisfied with a long-winding purchase process.

The customers are often offered complex, standard and jargon-laced products via offline channels. At the same time, distributors lack timely access, natural touchpoints and insights into these prospective customers to serve them effectively. As a result of the legacy systems of many life insurance companies, customers are often faced with convoluted, paper-based and time-consuming purchase processes.

In addition, NMG found that approximately one-third of life insurance claimants in Asia are dissatisfied with the claims process because it is lengthy, difficult to understand, coupled with limited post-sale engagement and unsatisfactory customer service and requires excessive amount of information. See "– *Asia's life insurance landscape is constrained by legacy business models*" for more details on these customer pain points. As illustrated in the following chart, consumers' acknowledgement of underinsurance translates to approximately US$34 billion of the overall approximately US$112 billion protection gap, as measured by APE at the end of 2021. We expect that rising income and wealth levels as well as the ongoing growth of the life insurance industry will help consumers better understand their need for protection.

Estimated APE Health & Mortality Protection Needs and Gap Across FWD Markets(1)
(2021, in US$ billions)



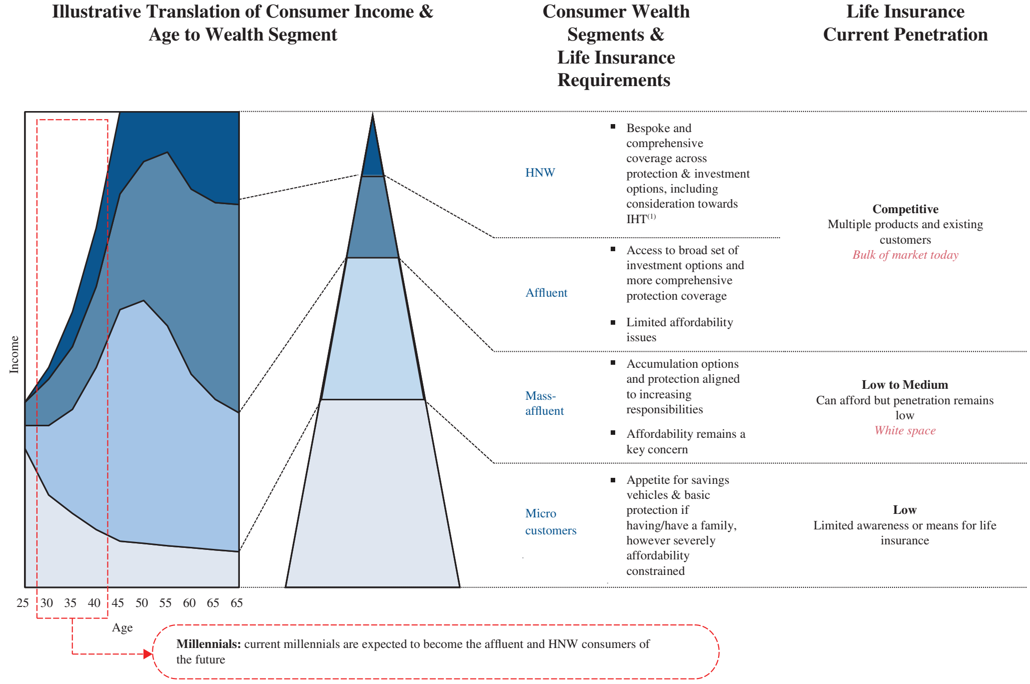
Source: NMG Asia Life Insurance Market Model, NMG Asia Life Consumer Study 2022, Swiss Re, NMG Estimates

(1) 'Health & Mortality Protection Needs Fulfilled' is actual life insurance new business volumes written (as measured by APE) in 2021. The total gap (acknowledged and remaining) is based on Swiss Re's published life and health protection gaps, with additional NMG estimates overlaid to calculate individual country gaps where not published by Swiss Re.

(2) Includes both life insurance and takaful.

Customer segmentation and lifetime value

The following chart illustrates the four different customer segments for the life insurance industry and their correlation with age.



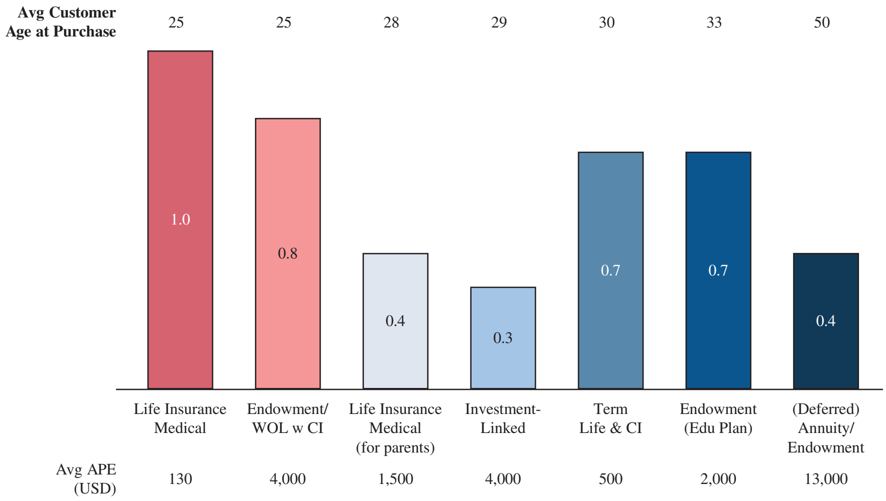
Source: NMG

(1) Inheritance tax.

Although the current millennial population currently makes up only a small proportion of high net worth and affluent customers, as their income and wealth level increases, this proportion is expected to increase over time. However, due to the legacy business models discussed below, the majority of the millennials segment is currently underserved because life insurance products and propositions generally appeal more to older high net worth and affluent customers. We believe the growing percentage of millennial customers presents significant opportunities for insurance companies. Since a large proportion of these customers will become affluent and high net worth customers over time and offer substantial lifetime value, insurance companies can capture these potential customers early on.

The evolving needs and high lifetime value of millennials allow life insurance companies to gain greater value throughout their life insurance journey. The cumulative lifetime value of a typical new 25-year-old policyholder is on average ten times the value of their initial purchase (US$2,500 and US$250, respectively). New 25-year-old policyholders will, on average, purchase 4.25 life insurance policies over their lifetimes and the majority of these policies will be purchased before they reach the age of 40. In addition, since customers prefer different products at different life stages, the change in product preferences of the current millennial segment also offers opportunities for life insurance companies to cross- sell as well as up-sell. Millennials generally prefer medical insurance products in early life stages and, as they age and as they accumulate wealth, their preference changes to a broader range of insurance products such as term life, critical illness and unit-linked products. Therefore, millennials are expected to have greater needs for products that address their protection needs, as they go through their life stages. The following chart illustrates the purchasing journey and lifetime value of a typical 25-year-old new policyholder.

Average # of Policies Over Typical New 25-Year-Old Policyholder's Lifetime



Source: NMG Asia Customer Lifetime Value Model

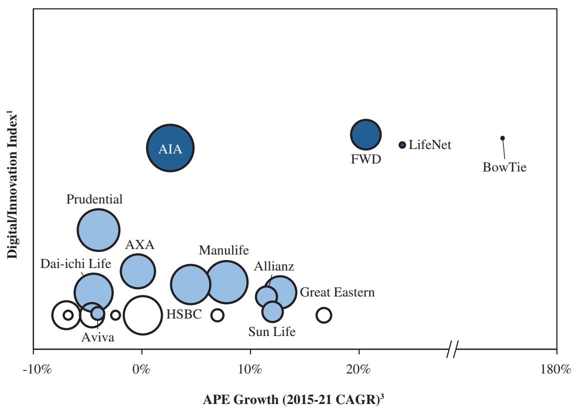
Asia's life insurance landscape is constrained by legacy business models.

Industry landscape

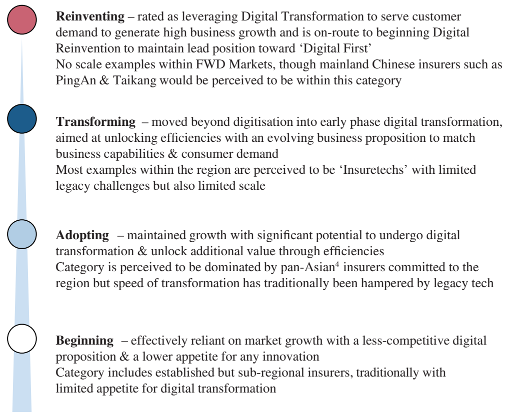
The majority of life insurance companies in Asia have been constrained by legacy business models. The top three Pan-Asian life insurers, as measured by total APE market share, have been investing significantly in upgrading their infrastructure, but attempts to digitalise the life insurance business and streamline the relevant processes take time to gain traction among insurance companies, and effective digitalisation efforts appear to be largely limited to a few players. In addition, there are a large number of slower growth mid-sized multi-national and local insurers who either may have more limited resources or lack the support and commitment to make a significant difference. As a result, many of Asia's life insurance companies are still in the early to mid stages of digital transformation.

The following chart illustrates the digitalisation status and growth of Asia's life insurance companies (excluding China).

Digital/Innovation vs Growth for Asian Life Insurers
(FWD Markets, 2021)



Categories[2] & Key Insights



Note: Area of bubbles represent the insurer's life insurance 2021 new business (APE) across FWD Markets.

Source: NMG Life Re Study Asia 2021, NMG Asia Life Executive Study 2022, NMG Asia Life Insurance Market Model, Gartner

(1) Based on industry executive citations from NMG Life Re Study Asia 2021 & NMG Asia Life Executive Study 2022.

(2) Based on Gartner & NMG categorisation.

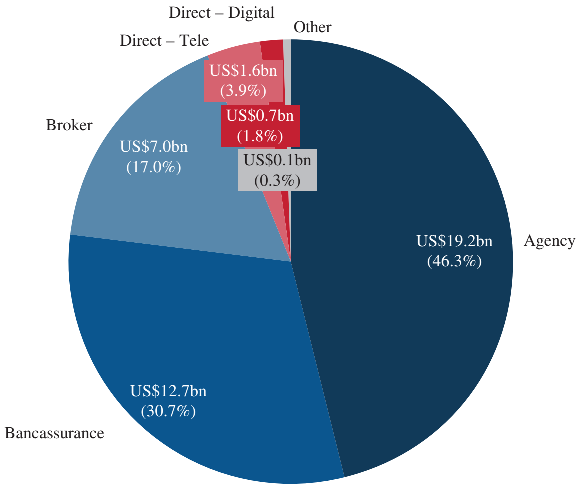
(3) NMG Asia Life Insurance Market Model, CAGR based on first year of entry if insurer entered post-2015, using local market convention for APE.

(4) Pan-Asia defined as competing in 3 or more FWD markets.

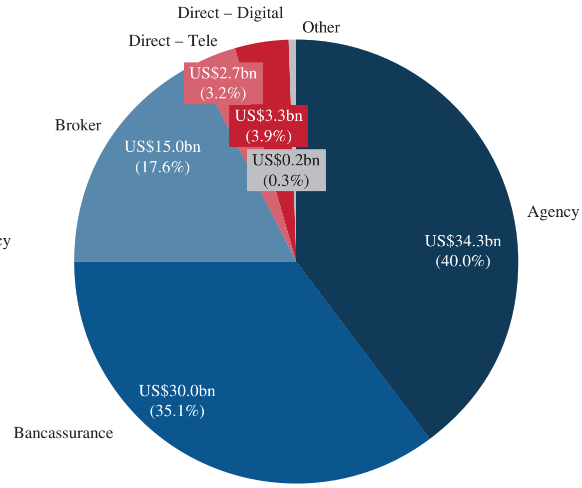
Distribution channels

The Asia life insurance market is relatively reliant on traditional distribution channels such as bancassurance, agency and brokerage/IFA. While direct channels are expected to grow at a much faster rate, bancassurance, agency and brokerage/IFA channels are still expected to make up the majority of distribution over the next decade. In our markets (excluding Japan), APE distributed through the direct digital channel is expected to grow at a CAGR of 27.2% from 2021 to 2030F, compared to projected growth of 9.3% for traditional direct tele-marketing, 11.1% for the bancassurance channel, 12.9% for the brokerage/IFA channel and 10.3% for the agency channel over the same period. Bancassurance, agency and brokerage/IFA channels together are expected to amount to approximately US$79 billion, which represents 92.6% of the APE in our markets in 2030. The following chart illustrates the breakdown of APE by distribution channel in our markets in 2021.

Individual Life Insurance New Business by Distribution Channel in 2021
(APE, US$ billions)



Projected Individual Life Insurance New Business by Distribution Channel in 2030F
(APE, US$ billions)



Source: NMG Asia Life Insurance Market Model, new business statistics published by each market's regulatory body and local life insurance association

Most life insurance companies in Asia are heavily reliant on the agency channel, which has experienced very limited digital adoption historically. Similarly, traditional direct channels are not digitally enabled and are severely limited in terms of the types of products they currently offer and the underlying purchase process. However, COVID-19 has further accelerated insurers investment into the digitisation of their agency forces and their direct channels.

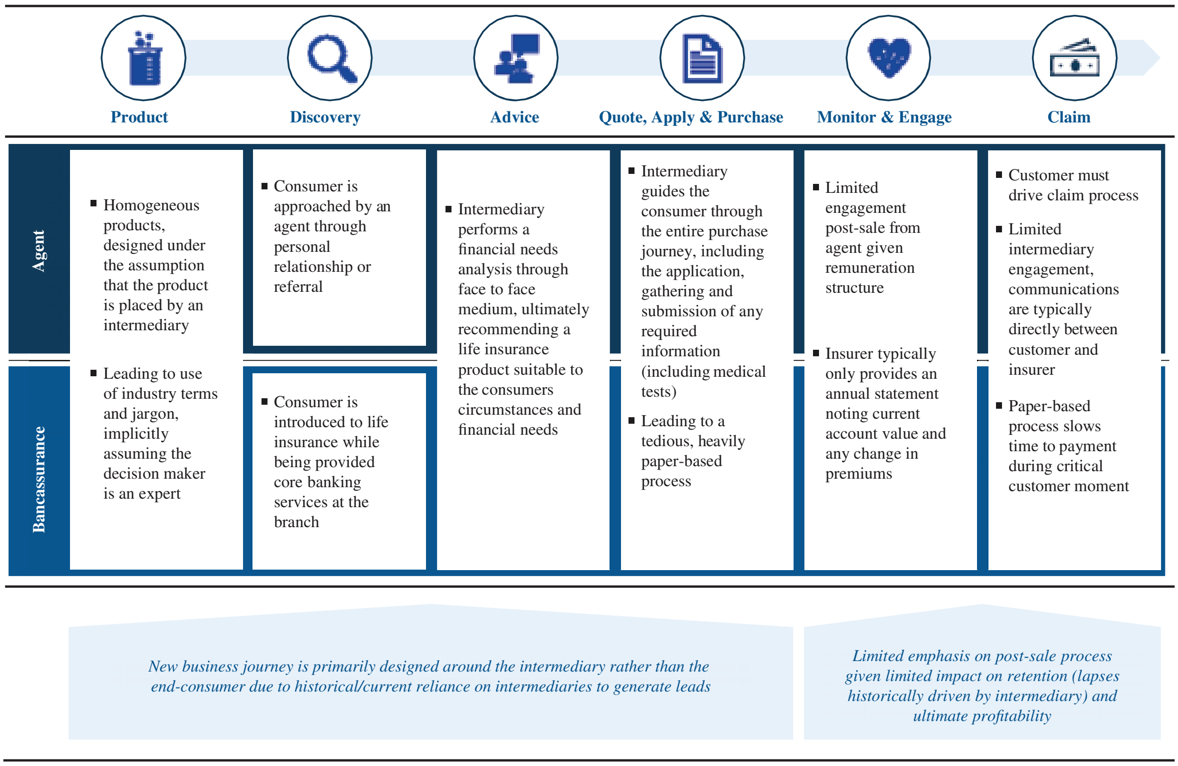
Homogenised product offerings

Within Asia, there are limited differences across the core benefits of product offerings in each market, and since pricing remains opaque, it is difficult for customers to compare fees and other costs across insurers. Customers are often offered standard products with bundled coverage and benefits, limiting customer ability to choose coverage or benefits that are tailored to their specific needs. In addition, due to the dominance of agency and bancassurance as distribution channels, products are often designed to be distributed through an intermediary, such as an agent or bank staff, which results in the pervasive use of industry jargon that customers do not understand.

Products offered by Asia's life insurance companies generally fall into the following categories: medical/health, personal accident, term life, endowment, whole of life, investment-linked and retirement income. The core characteristics of products within the same category are generally the same, with only marginal differences in areas such as coverage limits, number of exclusions, detailed terms and optional riders.

Customer journey

Given the dominance of the agency and bancassurance channels, the traditional customer journey is designed to focus heavily on the origination phase and rely on agents and bank staff to engage with customers and guide them through the sale process. Since there is limited engagement from agents post-sale, policyholders receive very little after- sale service and are often left alone to drive the claims process. In addition, the traditional sale and claims processes have been heavily paper-based and require a substantial amount of information. Even where modern digital claim tools are utilised, without engagement with agents, the claims process can still prove difficult to navigate for customers. The chart below shows a simplified version of a typical traditional customer journey across different stages for the agency and bancassurance channels.



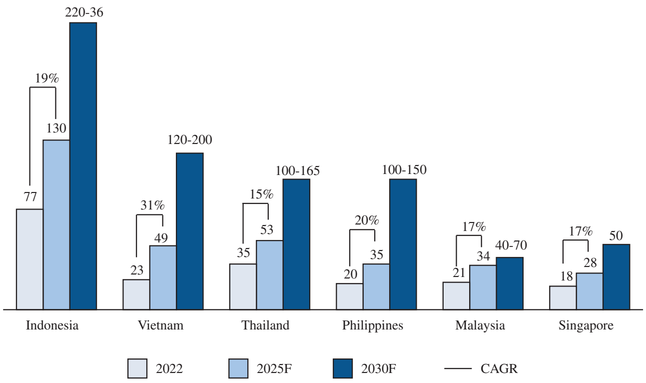
Source: NMG

Digital adoption is a key enabler of change for Asia's life insurance industry.

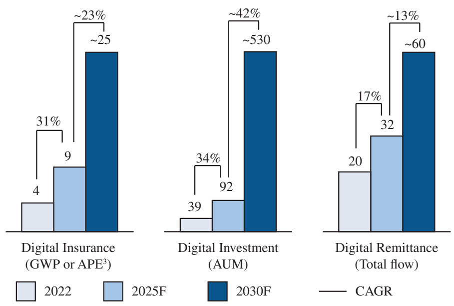
Growth of the digital economy

Growth of the digital economy across our markets is a key growth driver for the life insurance industry as customers become increasingly digitally savvy. The expanding levels of digital connectivity, as well as the increasing affordability and higher adoption rates for digital services, enable insurers with digitally native, customer-focused business models to penetrate underserved customer segments rapidly. The following chart illustrates the growth in the digital economy across our markets over the periods indicated.

Digital Economy Across FWD Southeast Asia[1] Markets
(GMV[2], US$ billions)



Digital Financial Services Across Southeast Asia[2]
(GWP or APE[3], US$ billions)



Source: Google, Temasek and Bain e-Conomy SEA 2022 report

(1) Southeast Asia here only encompasses the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

(2) GMV means Gross Merchandise Value, including insurance through eCommerce.

(3) GWP for non-life insurance, APE for life insurance.

Mobile devices are becoming increasingly accessible and affordable in our markets. Consumers are becoming increasingly more skilled at using digital devices, with more than 60% of smartphone users having purchased a product or service online in 2020. The mobile internet penetration rate for Southeast Asia was 55% in 2021, and the smartphone penetration rate in our markets is expected to reach more than 80% in 2025. As a result of these changes contemporary life insurance customers in Asia expect a typical customer journey to be "mobile-first" and digital, and have higher expectations for seamless customer experience, easy-to-understand products and competitive pricing.

Technology enablement of traditional distribution channels

Digitalisation is transforming traditional distribution channels, such as agency and bancassurance, through the development of digital tools. For example, agents use social media to complement their network and improve their lead generation capabilities, and with the growing popularity of internet and mobile banking, bank staff can capture leads and acquire customers digitally to complement their branch network. Customer relationship management tools and automated processing tools can improve agents' productivity by enabling them to serve customers remotely and more efficiently. Propensity modelling improves customer retention rates by allowing agents to engage in proactive retention activities. Customer relationship management tools can also increase cross-selling and up-selling opportunities by managing customers' lifecycle.

Adoption of ecosystem models to broaden customer access

Digital ecosystems are emerging as modern distribution channels and key growth engines for life insurers in Asia. While agency and bancassurance are expected to remain important distribution channels in the next five years, ecosystem partnerships will also play a key role in distribution.

A common type of digital ecosystem adopted by life insurance companies is the digital marketplace model, where insurance companies collaborate with eCommerce partners to broaden customer access and leverage their infrastructure. The digital marketplace model focuses on customer acquisition. Customers have a one-stop shop for a broad range of products, including insurance, and are able to easily complete insurance transactions through eCommerce portals. By seeking to improve policyholders' health and well-being, insurers can reduce the amount and frequency of claims.

Compared to the traditional distribution channels, digital ecosystems provide greater customer engagement and acquisition opportunities. They allow digital insurers to leverage technology, data and analytics to build ecosystem partnerships to access hundreds of millions of previously untapped customers across Asia. Life insurance companies are also able to derive superior lifetime value from policyholders and increase cross-sell and up-sell potential as a result of higher levels of customer engagement.

Omni-channel model with human touch

With the rapid development of the digital economy, millennials are increasingly turning to digital channels to research and purchase life insurance, and 42% of millennials in our markets expressed trust in digital channels to research life insurance. Consumers' increasing preference for digital channels provides insurers with the opportunity to offer seamless customer journeys with simplified purchase processes, customised products and pricing, enhanced customer engagement and streamlined claims processes.

88% of consumers across all ages still prefer to have some form of human contact during the sales process, with 56% of millennials, 49% of Gen X (defined as those born between 1965 and 1980) and 40% of Baby Boomers (defined as those born between 1946 and 1964) preferring to purchase life insurance through digital channels.

Given the diverging preferences for engagement by customers of different ages and the general preference for some level of human contact, omni-channels, involving both an online and in-person component that can adapt to consumers' preferences, are becoming increasingly important.

Digitalisation of back-end processing and customer servicing

The increased adoption of automation and AI has led to higher customer expectations for experience and productivity. Processes can be automated to provide instant services that are available at all times while also increasing cost efficiency and enabling insurance companies to build scalable, agile and efficient platforms. Process automation is regarded by insurance companies as a priority for their digital investments. By simplifying and automating various processes, operating and cost efficiencies can be significantly improved. For example, AI-enabled chatbots are utilised for customer services to increase the speed and efficiency of these services. AI-enabled chatbots can interact with customers around the clock, enhancing customer experience across the marketing, distribution and claim processes. Automation has also been adopted in the marketing, underwriting, and claims processes.

Data analytics and the application of AI will have positive impacts across the life insurance value chain by increasing efficiency and reducing operating costs. For example, data analytics and AI enable life insurance companies to fulfil the needs of more customers during the marketing, sales and distribution processes through automated and targeted marketing campaigns, automated triage processes that match customers with the most suitable distribution channel and AI-supported financial analysis and advice. AI also simplifies and expedites the underwriting process by adopting AI-supported adaptive underwriting questionnaires that only ask necessary questions and augmenting information derived from the questionnaires with external datasets. AI also allows insurance companies to analyse customers' requirements early on to create customised products quickly and offer dynamic pricing. Automated risk-profiling improves customer retention rates and increases cross-sell and up-sell opportunities.

Digital infrastructure

A modern enterprise architecture is essential for digital-first insurers to understand customers' needs, deliver innovative propositions and improve cost efficiencies. While most life insurance companies have made significant investments in developing applications and tools to improve the customer experience, many large insurance companies are not able to utilise these tools effectively in and across different jurisdictions in Asia due to their legacy systems and outdated data structures.

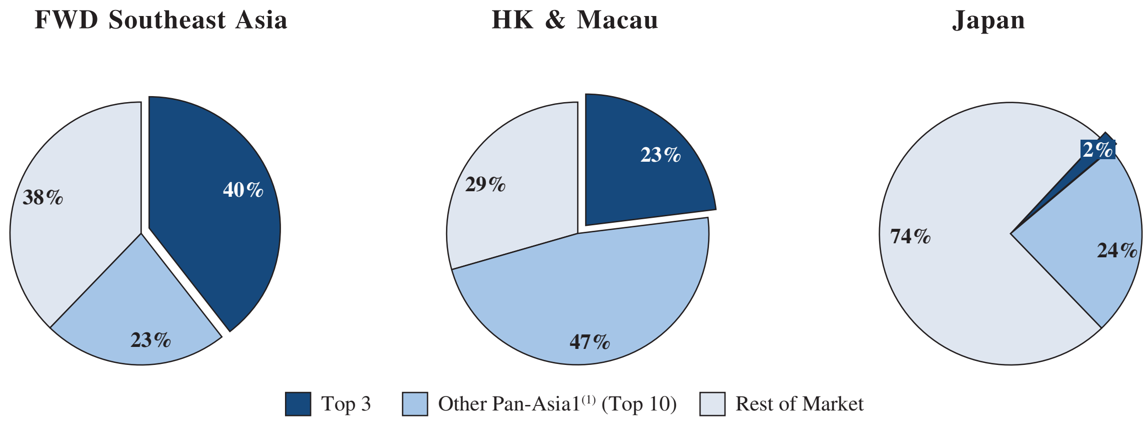
The key component for companies that are to be regarded as leaders in digital-first transformation is their establishment of common data models for use throughout their entire business so that data can be consolidated into a centralised source. The development of digital infrastructure is essential to digitalising the customer journey, utilising customer data and integrating processes and systems to offer customers the omni-channel experience. With an open modular architecture, scalable and real-time changes can be made to individual modules without interrupting the whole application, and applications can be seamlessly integrated. Centralised data can be utilised to derive comprehensive customer profiles across all products and services to improve cost efficiencies and offer more relevant customer propositions quickly.

There are significant growth opportunities for digital-first nimble players operating at scale.

Dynamic Pan-Asian Life Insurance Landscape

There are substantial growth opportunities for nimble and innovative life insurance companies that have achieved scale, particularly in Southeast Asia. The top three Pan-Asian life insurance companies together were estimated to have accounted for only approximately 20% of the APE in respect of all our markets in 2021, leaving ample room for other life insurance companies in the region. The charts below set forth the breakdown of APE by market in 2021.

Individual APE by Insurer Categories (2021)



Source: NMG Asia Life Insurance Market Model, new business statistics published by each market's regulatory body and local life insurance association

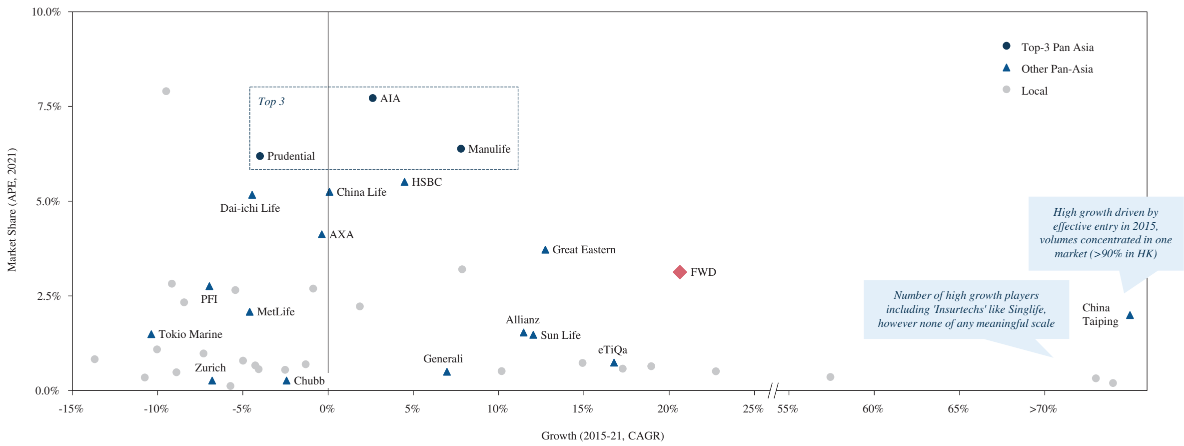
(1) Pan-Asia is defined as competing in three or more of our markets.

(2) Using static FX rates as at 30 June 2021.

The life insurance sector is generally characterised by high capital requirements, with significant advantages to achieving and operating at scale, which also present significant barriers to entry. While there have been a number of genuine new entrants (i.e. not through the acquisition of an existing life insurer) over the past 5 years within the FWD markets (including Bowtie Life, St James' Place International and Well Link Life in Hong Kong, China Taiping and Singlife (pre-Aviva merger) in Singapore, 1CISP and Singlife in Philippines, China Life and Ciputra Life and Victoria Life in Indonesia), none have reached more than 2% market share and most are sub-scale at <0.5%. We have observed that new entrants tend to enter the market in niche market segments; in general, absent of significant capital investment and inorganic growth, new entrants typically require a significant amount of time to build up competitive distribution channels and capabilities; historical experience suggests growing into the top 10 market share organically is both challenging and time consuming.

As illustrated in the following chart, growth for the leading life insurance companies in terms of market share has lagged compared with the emerging insurtech companies, which, while enjoying rapid growth, have yet to gain enough market share to take advantage of the benefits of the omni-channel model. Wherever life insurance companies in Asia remain constrained by legacy business models, companies that are successful in their transformation are particularly well-positioned to capture growth opportunities. In addition, with the rapid growth of the life insurance market in Asia, aside from capturing and retaining existing customers, there are significant opportunities for expansion offered by currently untapped and underserved customers.

Competitor Market Share and Growth across FWD Markets – Individual Life Insurance New Sales
(APE[2], 2021)



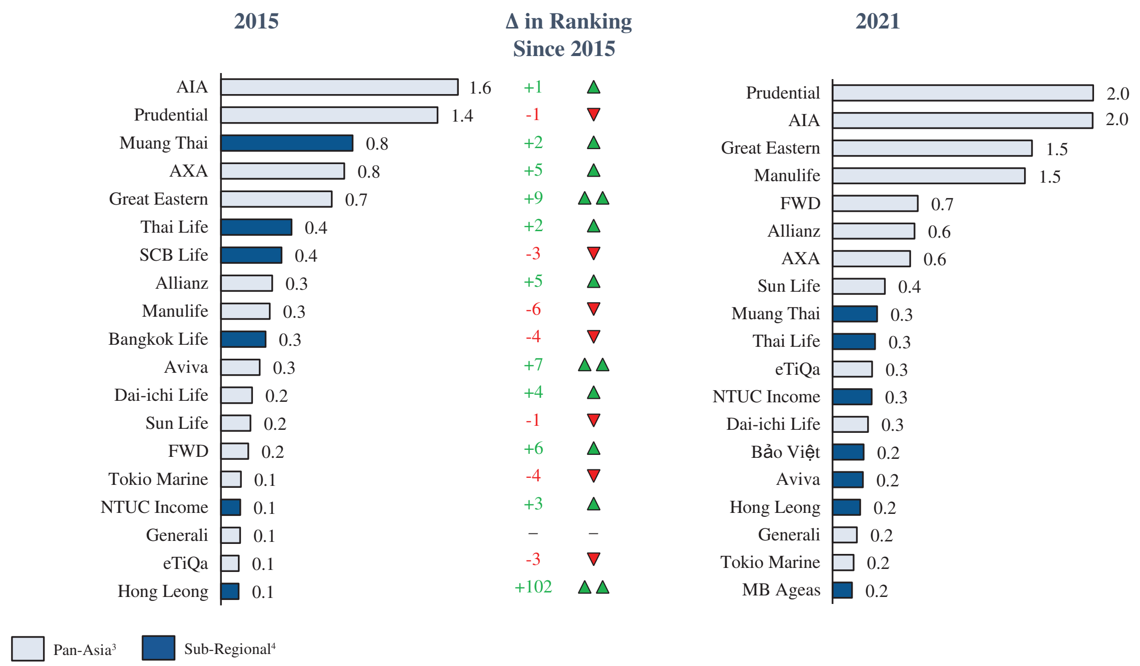
Source: NMG Asia Life Insurance Market Model, new business statistics published by each market's regulatory body and local life insurance association

(1) Pan-Asia is defined as competing in three or more of our markets.

(2) Using static FX rates as at 30 June 2021.

As illustrated in the following chart, the competitive landscape of Southeast Asia's life insurance industry has changed dramatically in a short period of time. In terms of ranking by new business APE in our Southeast Asia markets (comprising Thailand (and Cambodia), Philippines, Indonesia, Singapore, Vietnam and Malaysia), we are estimated to have grown from fourteenth place in 2015 to fifth place in 2021, making us the fastest-growing Pan-Asian life insurer in that period.

Insurers Across Southeast Asia FWD Markets[1] by Individual New Business
(New Business APE[2], 2021)



Source: NMG Asia Life Insurance Market Model, new business statistics published by each market's regulatory body and local life insurance association –

(1) Southeast Asia FWD Markets includes Thailand (and Cambodia), the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(2) Using static FX rates as at 30 June 2021.

(3) Pan-Asia is defined as players who compete in 3 or more FWD markets, including Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(4) Sub-Regional is defined as locally focused players who only focus on two or less FWD markets.

As illustrated in the following data tables, FWD's ranking and market share within each of its operating markets was eighth and 4% in Hong Kong (and Macau), second and 15% in Thailand, nineteenth and 1% in Japan, eleventh and 1% in Malaysia, eighth and 5% in Vietnam, eighteenth and 1% in Indonesia, twelfth and 1% in Singapore, as well as eighth and 6% in the Philippines. The individual life insurance market makes up 90% of the overall life insurance market across the regions in which FWD operates.

Individual Life Insurance Market Share Rankings Across FWD Markets

(New Business APE[1], 2021)

Hong Kong & Macau	
HSBC	20%
China Life	20%
BOC LIFE	12%
AIA	11%
China Taiping	7%
Manulife	7%
Prudential	5%
FWD (#8)	**4%**
AXA	3%
FTLife	2%

Thailand	
AIA	24%
FWD(#2)	**15%**
Muang Thai	12%
Thai Life	12%
AXA	9%
Prudential	7%
Allianz	5%
Bangkok Life	5%
Tokio Marine	2%
Generali	2%

Vietnam	
Manulife	23%
Prudential	13%
Dai-ichi Life	12%
Bảo Việt	12%
AIA	8%
MB Ageas	8%
Sun Life	5%
FWD (#8)	**5%**
Generali	3%
Chubb	3%

Philippines	
Sun Life	20%
Prudential	17%
AXA	10%
Manulife	8%
AIA	8%
Allianz	7%
BDO Life	7%
FWD (#8)	**6%**
Insular Life	3%
Ageas	3%

Japan	
Nippon Life	20%
Dai-ichi Life	11%
Mitsui Sumitomo	7%
PFI	7%
Taiyo Life	7%
Sumitomo Life	7%
Meiji Yasuda Life	6%
Sony Life	6%
MetLife	5%
AXA	4%
FWD (#19)	**1%**

Malaysia[2]	
Prudential	23%
Great Eastern	19%
AIA	18%
Hong Leong	9%
eTiQa	9%
Allianz	7%
Sun Life	3%
Zurich	2%
Tokio Marine	2%
Manulife	2%
FWD (#11)	**1%**

Indonesia	
Allianz	14%
Prudential	12%
AIA	9%
AXA	9%
Simas Jiwa	8%
Capital Life	7%
Manulife	6%
BRI Life	4%
Generali	4%
Sun Life	3%
FWD (#18)	**1%**

Singapore	
Great Eastern	27%
Manulife	20%
Prudential	16%
AIA	13%
NTUC Income	8%
Aviva	4%
AXA	2%
eTiQa	2%
Singlife	2%
HSBC	2%
FWD (#12)	**1%**

Pan-Asia[3]
Sub-Regional[4]

Source: NMG Asia Life Insurance Market Model

(1) Using static FX rates as at 30 June 2021.

(2) Includes both life insurance and takaful.

(3) Pan-Asia is defined as competing in 3 or more FWD markets, where FWD markets include: Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam, and Malaysia.

(4) Sub-Regional is defined as locally focused players who only focus on two or less FWD markets.

Digital-first advantage

The emergence of digitally native and young-at-heart customers, together with the growth of the digital economy, is driving the transformation of life insurance companies to digital-first insurers. Digitally native customers are those that have been brought up in the digital age while young-at-heart customers are those from an older generation that have embraced technology. Both are familiar and comfortable with smartphones, computers and the internet. Digital-first insurers can enhance the customer experience by gaining a deeper understanding of customers through data collection, transforming the traditional distribution channels and building ecosystems to broaden customer propositions.

A true digital-first life insurance company recognises digitalisation as the core of future growth, invests in digitalisation deliberately and strategically, and emphasises the development of data and digital infrastructure. Digital-first life insurance companies have the following core capabilities and culture: in terms of customer experience, digital-first insurers adopt a customer-centric approach that permeates across the life insurance value chain. In terms of platforms and ecosystems, they focus on both developing traditional distribution channels such as bancassurance and agency and building multi-channel ecosystems for future partnerships. They have an underlying infrastructure that supports easy integration with different partners across various markets. In terms of digital infrastructure, they have invested strategically early on to establish an integrated infrastructure for data across their businesses in different markets.

Insurers have been investing heavily in digitalisation with a central focus on customer acquisition by building new distribution channels and developing corresponding products, digitising the application process and developing tools to facilitate automated marketing, underwriting and claim management. However, such investments can be slower to pay off without transforming the underlying infrastructure, and as a result, many insurers in the Asia region are still far from being true digital-first insurers. Many executives of life insurance companies in Asia acknowledge that their companies' current digital capabilities are far from ideal, and while there have been some achievements in digitalising the "front-end" of the customer experience, such as improving the omni-channel experience, progress has been slower for back-end processing and intelligent technology such as cloud-based architecture and automation. In particular, insurers are often restricted in their digital transformation efforts due to the cost, challenges and complexities associated with transforming a myriad of legacy systems.

OVERVIEW

We are a fast-growing Pan-Asian life insurer with a customer-led and digitally-enabled model.

We were founded in 2013 by our founder, Mr. Li, with the ambition of forging our own path as a next-generation insurer in Asia. Our vision is *changing the way people feel about insurance*. By adopting a multi-channel distribution model, investing in robust technology capabilities, digital infrastructure and data analytics, as well as expanding partnership and referral opportunities, we have been able to quickly capture market opportunities and stay ahead of the industry average in terms of certain key performance indicators, such as APE growth rates, in the markets in which we operate. We have built our leadership team and culture to align with this vision.

We have grown from three markets at inception to ten markets, including Hong Kong (and Macau), Thailand (and Cambodia), Japan, and Emerging Markets, comprising the Philippines, Indonesia, Singapore, Vietnam and Malaysia. We have entered certain of these new markets by obtaining new licences (such as in the Philippines and Indonesia) or via the acquisition of licensed life insurers with limited operations locally (such as in Singapore, Vietnam, Malaysia and Cambodia). Our Hong Kong (and Macau), Thailand (and Cambodia), Japan and Emerging Markets operations contributed 26.3%, 32.8%, 16.8% and 24.1% of our VNB in 2022, respectively. This provides us with access to some of the fastest growing insurance markets in the world with an expanding but underinsured population. Our Southeast Asia markets contributed approximately 57% of our VNB in 2022. We achieved 4.6 times growth of our APE in 2022 since our first full year of operations in 2014, growing from US$309 million in 2014 to US$1,408 million in 2022, and our VNB grew 6.7 times over the same period, increasing from US$123 million in 2014 to US$823 million in 2022. We recorded total revenue of US$8,250 million and a net loss of US$740 million in 2022.

We are customer-led and we put customers at the heart of everything we do. To maximise customer touch points and offer a desirable experience, we adopted a digitally- enabled, multi-channel distribution model to enhance, extend and empower our distribution, effectively serving diverse customer needs and meeting customers wherever, whenever and however they choose. Our distribution channels include bancassurance, agency, brokerage/IFA and others, which include neo-insurance and other distribution channels. These channels contributed 43.7%, 21.9%, 24.2% and 10.2% of VNB in 2022, respectively. To serve sophisticated, affluent and mass affluent customers who value personalised interactions, we have built a leading Southeast Asian bancassurance franchise with nine exclusive partnerships. We are ranked sixth among multi-national insurers globally in terms of the number of MDRT-registered members in 2022, up from tenth in 2021. We have also built a neo-insurance model to effectively reach digitally native, tech-savvy and young- at-heart customers through our D2C eCommerce platform, our bank partners' digital channels and ecosystem partners' platforms supported by API integration and O2O referral programmes. Together, our distribution channels grant us access to a number of exclusive and non-exclusive bank partners, with a combined customer base of up to 220 million, according to NMG.

We offer easy-to-understand and relevant propositions through our diverse portfolio of life insurance, health insurance, employee benefits (group insurance) and financial planning products. We classify our key products into (i) participating life, (ii) non-participating life, (iii) critical illness, term life, medical and riders, (iv) unit-linked insurance, (v) group insurance, and (vi) COLI, which contributed 18.9%, 25.2%, 34.5%, 12.3%, 6.9%, 2.1% of VNB in 2022, respectively. Through our digital and data analytics tools, we have made our customers' insurance journeys simpler, faster and smoother, providing them with an experience that we believe is best-in-class. As a result of our commitment to understanding and addressing our customers' various insurance needs and pain points, we ranked in the top three among insurance brands for customer experience in Vietnam, Thailand, the Philippines and Japan according to the KPMG Global Customer Experience Excellence Report in 2022.

Market Opportunities and Growth Drivers. We have built a Pan-Asian presence with success driven by our ability to adapt to evolving market trends and customer needs. According to NMG, the aggregate life insurance GWP in our current markets is estimated to be US$440 billion in 2021, with the overall GWP in Asia forecasted to grow 1.8 times from 2021 to 2030, offering significant market opportunities ahead. We believe that structural demographic and macroeconomic factors, including middle-class expansion, ongoing wealth accumulation, a significant protection gap, which is the estimated additional life insurance premiums needed annually to fully meet mortality and health protection needs, as well as digital acceleration, are key drivers for the growth of the Pan-Asian insurance sector. We are present in seven of the top ten fastest growing markets in Asia, according to NMG, including a strong focus on Southeast Asia.

Addressing Insurance Pain Points. When we established FWD in 2013, we conducted customer behaviour studies and identified multiple pain points in the insurance journey that created barriers to purchase. We have found that underserved customers were offered complex, standard and jargon-laced products through aggressive marketing. At the same time, distributors lacked timely access, natural touchpoints and insights into these prospective customers to serve them effectively. Customers were also faced with convoluted paper-based and time-consuming purchase and claims processes, coupled with limited post-sale engagement and unsatisfactory customer service. We believe that these customers are deterred from purchasing the protection they need because of this frictional customer journey. We decided to challenge the traditional business model and tap into this insurance "white space".

Customer-led Strategy. To address these challenges, we adopted a customer-led strategy designed to champion our customers' needs and create a desirable customer journey. We aim to make insurance (1) *easy to know* with transparent and tailored propositions, (2) *easy to buy* with the introduction of paperless applications and auto-underwriting for certain products and markets, (3) *easy to claim* with a smart claims process and swift payment, (4) *easy to engage* with end-to-end lifetime interaction, and (5) *easy to love* with a distinctive brand. We believe our multi-channel distribution strategy allows us to meet our customers wherever and whenever they choose, across tech-enabled touch points, with O2O and cross-channel referrals creating a seamless customer journey that presents cross-selling and up-selling opportunities.

We believe that our customers are drawn to these value propositions. Our individual policyholders increased at a CAGR of 9.9% from 31 December 2020 to 31 December 2022. In terms of organic new individual policyholders, we recorded a CAGR of 12.6% from 2020 to 2022. Importantly, we have gained traction amongst the millennial (defined as those aged under 40) customer segment, which has high lifetime value relative to other customer segments, according to NMG.

Digitally Focused. We are a digitally-enabled insurer. Underpinned by our data analytics and technology capabilities, we have constructed a digital architecture that is standardised across our Group. Our integrated, cloud-based Data Lake captures a holistic customer view and informs every customer interaction and decision across business divisions in real time. Our digital systems and toolkits across our prospecting, purchasing, underwriting, claims and servicing functions are built increasingly upon AI and data analytics. This has enabled us to understand our customers' needs and how and when they would like to be engaged, deliver improved customer and distributor experiences, and enhance our operational efficiency. To further our digital capabilities, we have continued to expand our investment in research and development and technology headcount.

Sustainable and Value-focused Growth. We have experienced substantial growth and demonstrated a strong track record of execution. Our Pan-Asian franchise combines our operations in the Philippines, Indonesia, Singapore, Vietnam and Malaysia, which are growing rapidly and efficiently, and our sizeable operations in Hong Kong (and Macau), Thailand (and Cambodia) and Japan. Our growth is defined by the following aspects:

- Value creation: We recorded total VNB of US$823 million and protection ratio of approximately 51% in 2022. Our Underlying VNB increased at a CAGR of 29.1% on a CER basis (24.0% on an AER basis) since 2020 to US$806 million in 2022. Our EV equity grew at a 24.6% CAGR on a CER basis (14.3% on an AER basis) from US$7.1 billion as of 31 December 2020 to US$9.3 billion as of 31 December 2022.

- Scale: Backed by both rapidly growing new business and a significant book of in-force business, we achieved TWPI of US$6.3 billion in 2022 which grew at a CAGR of 3.1% since 2020. At the same time, our operating expense and commission variance decreased at a CAGR of 21.1% from 2020 to 2022 reflecting our prudent cost control as we scaled our business.

- Profitability: Our EV operating profit, an actuarial performance measure, grew from US$673 million in 2020 to US$1,072 million in 2022, representing a CAGR of 32.4% on a CER basis (26.2% on an AER basis). We recorded a net loss of US$252 million, a net profit of US$249 million and a net loss of US$740 million in 2020, 2021 and 2022, respectively. Our net profit in 2021 was primarily driven by an increase in investment returns. Our net loss in 2022 was primarily due to losses on investment returns due to adverse capital market movements, while our net loss in 2020 was primarily due to (i) increases in financing costs, which reflected additional bank borrowings in 2020, and (ii) one-off acquisition and related integration costs, and implementation costs for IFRS 9 and 17 and Group-wide Supervision, which were partially offset by gains in short-term fluctuations in investment returns. See "*Financial Information – Key Performance Indicators*" and "*Financial Information – Factors and Trends Affecting our Results of Operations – Investment portfolio performance*" for details. In addition to net profit/(loss), we also look at segmental adjusted operating profit before tax, a non-IFRS performance measure, which grew from US$125 million in 2020 to US$334 million in 2022, representing a CAGR of 80.6%.

- Capital management: Our business is supported by a strong balance sheet to allow for future growth. Under the GWS which came into effect in relation to the Group in May 2021, our cover ratio on MCR basis assessed under the LCSM as of 31 December 2022, would be 623%, and our cover ratio on PCR basis would be 288%, before giving effect to the net proceeds of the Proposed Initial Public Offering, assuming that all of our outstanding preference shares and convertible preference shares had been exchanged for ordinary shares on that date. See "*Financial Information – Group Capital Adequacy*" for details.

We believe that our customer-led and digitally-enabled strategy positions us to stay true to our vision of *changing the way people feel about insurance*. Combining this with our Pan-Asian geographical reach, extensive customer access, distinctive brand and propositions, digitally empowered distribution excellence as well as a proven track record in organic growth and M&A execution, we believe that we are well-positioned to capture the substantial growth prospects across our markets.

OUR COMPETITIVE STRENGTHS

Since our inception in 2013, we have positioned ourselves as a trusted provider of customer-led propositions to our customers and as a value-generative partner to our bank and ecosystem partners across Asia. We believe that the following competitive strengths have provided us with an edge to maintain our strong growth:

Fast-growing Pan-Asian Life Insurer Capturing Growth Opportunities in the Most Attractive Markets in the Region

Our geographic reach and growth are substantial. Since the launch of our brand in Hong Kong, Macau and Thailand in 2013, we have expanded into seven new markets by means of obtaining new licences and acquisitions, and selected value-accretive acquisitions to establish scale. In particular, we have targeted markets where we have identified what we see as substantial insurance "white space" and underserved populations. We believe that our expansion is a testament to our success in activating the large, young, emerging-affluent and tech-savvy consumer base across Asia with our nimble business model, data insights and proprietary digital tools, and our ability to transfer our know-how, distribution capabilities and technology across markets has been a significant driver of our rapid growth in each market.

Our strong foothold in Southeast Asia is a core source of our significant growth, and we expect this trend to continue into the future. We have grown our TWPI from US$1.1 billion in 2014 to US$6.3 billion in 2022, representing a CAGR of 24%.

Compelling Customer Propositions with Distinctive Brand

We aim to make insurance easy by tackling the pain points in the customer journey. We believe we offer new, simple and relevant product propositions in response to evolving and distinctive customer needs.

- **Easy to know**: We believe it is important for our customers to easily understand the insurance they buy and the scope of coverage. To achieve this, we have sought to make our product offerings transparent, personalised and simple. We have re-written and simplified our policies across eight markets. We have also reduced policy exclusions substantially, allowing customers to celebrate living without worrying about uncovered exclusions.

- **Easy to buy**: We have simplified the purchase journey by introducing paperless sales, enabling purchases via user-friendly mobile applications and streamlined underwriting questions for certain products. We have also extended our reach to potential customers with the goal to meet them wherever and whenever they choose, online or offline. To this end, we equip our partners with a range of analytical tools for customer insights.

- **Easy to claim**: We aim to provide our customers peace of mind in their claims experience. Our AI Claims 2.0 app can generate instant decisions for low risk claims and reduce the average assessment time to as little as two minutes from two days historically. We aim to provide a smooth and swift digital claims process to ensure our customers are covered and paid in their time of need.

- **Easy to engage**: We provide seamless, intuitive customer experiences with increasing automation. For example, customers seeking to engage with us can utilise our AI chatbots, which are capable of handling inquiries on a 24/7 basis. Our engagement with customers goes beyond insurance, with offerings extending to rewards, lifestyle experiences, post-claim recovery and other services.

- **Easy to love**: Our modern brand is recognised for being “Different”, according to Blackbox Research’s Brand Tracking Survey. We strive to introduce new products which provide relevant and affordable protection for individuals and families as well as providing support post claims through our FWD Care recovery plan.

We have built our business with the aim to make protection easy, accessible and affordable to our customers. As a result, we recorded a protection ratio in terms of VNB of approximately 51% in 2022. We believe that our strong brand, leading customer advocacy and product propositions create significant differentiation and allow us to outperform our peers in attracting and retaining customers.

Elite, Tailored and Tech-enabled Multi-channel Distribution

Our distribution capabilities are anchored in our customer-led approach tailored to each market, including digital-savvy agents in Hong Kong, the top bancassurance franchise in Thailand, IFA teams in Japan and diversified channels in Emerging Markets. Our tech- enabled sales force seeks to meet customers’ demands with optimal touch points and services. We have built a differentiated distribution model by enhancing traditional face-to- face distribution channels with technologies, extending reach to prospective, underserved customers through our neo-insurance platform, and empowering all channels with relevant propositions, products and skill sets.

We have developed ongoing distribution partnerships with 22 banks as of 6 March 2023. This includes exclusive partnerships with nine banks in Southeast Asia, such as SCB in Thailand, VCB in Vietnam and Bank BRI in Indonesia. Through both exclusive and non-exclusive partnerships, we have access to up to 220 million potential customers via a network of over 4,000 bank branches. We have approximately 48,400 agents as of 31 December 2022, which is one of the fastest-growing MDRT-registered agency forces, ranking sixth among the multi-national insurers globally as measured by the number of MDRT-registered members in 2022, up from tenth in 2021 according to the MDRT Association. Our MDRT-registered members grew at a CAGR of approximately 47% between 2020 and 2022, which is approximately six times higher than the average CAGR of the other top-ten multi-national insurers globally as measured by the number of MDRT-registered members in the relevant period. To consolidate our access to customers with an end-to-end digital journey and natural touch points, we have built a neo-insurance platform which provides us access to over 150 million potential customers of our ecosystem partners, according to NMG. Our D2C eCommerce platform provides one of the most comprehensive set of online life insurance products across our markets, according to NMG. With our strong API-enablement capability, we are also able to integrate our services with digital platforms of our leading bank partners as well as ecosystem partners. We partner with over 50 leading ecosystem players spanning the digital lifestyle, retail and consumer finance sectors.

Our digital core has empowered our agents, banks, brokers, IFAs and ecosystem partners with wider customer access, personalised and effective servicing, and productivity enhancements. We blend the human touch with digitally enhanced direct engagement to drive customer acquisition. Among our agency force, we achieved digital tool adoption and eSubmission ratios of 100% and 97% in 2022. For additional information on our overall distribution channels and our digital tools, see "– *Distribution*" and "– *Technology*."

Purpose-built Digital Infrastructure and Data Analytics at the Core

We have built our entire digital architecture with the purpose of maximising the use of data analytics and technology to inform business decisions, optimise customer experience, empower distribution and enhance operational efficiency. Our digital apps and platforms leverage data from our Data Lake, customer relationship management and proprietary AI models.

Our proprietary Data Lake is a central and foundational part of our infrastructure. Its cloud-based platform provides end-to-end visibility and control of the collection, collation and usage of data across applications, allowing real-time analysis to improve customer understanding, enable data analytics and increase operational efficiencies. Our digital infrastructure enables us to roll out technological enhancements at a fast pace and in a cost-efficient manner.

Built on our Data Lake is a series of systems and automated digital toolkits to facilitate prospecting, purchasing, underwriting, claims and servicing for customers, distributors and internal management. By implementing these digital tools, we aim to deliver a seamless experience along the customer journey.

From 31 December 2020 to 31 December 2022, we have increased the annual budget and headcount of our data analytics team by CAGRs of approximately 23% and 30%, respectively, to support our various digital initiatives. As of 31 December 2022, approximately 44% of the headcount at our Group Office was comprised of technology employees, up from 36% as of 31 December 2020. Many of these employees have extensive prior work experience at global leading technology and fintech companies. Our engineering hub, utilising technology from industry leaders such as Amazon and Google, both incubates emerging technologies and drives the increasing use of these data analytics to optimise customer experience and business processes.

Advantaged Access to Millennials

Our customer-led strategy is focused on developing lifetime partnerships with our customers who include millennials and those who are tech-savvy and young-at-heart. We believe that these customers, especially underserved millennials with significant lifetime value, are drawn to our relevant propositions and elite, tech-savvy distribution force. This includes customer touch points which provide a simple, online purchase and servicing journey to set up for future cross-selling and up-selling. These propositions also include our sales force of digitally-enabled agents, bancassurance partners and ecosystem partners to establish everyday outreach. We have gained meaningful traction within the millennial segment, which constituted 60.4% of our organic new individual policyholders in 2022, up from 57.3% in 2020.

We believe we are well-positioned to capture the significant lifetime value of these millennials as they migrate across life stages. According to NMG, the lifetime value of a typical new 25-year-old policyholder, as measured by VNB, is approximately ten times of the value of his or her initial purchase. Such policyholders are expected to, on average, purchase approximately 1.8 life insurance products, as compared to an average of approximately 4.3 life insurance products for non-millennial policyholders, suggesting ample cross-selling and up-selling potential as they advance along their life stages. We believe this demonstrates the substantial opportunity to develop closer relationships and up-sell to our younger customer base over time.

Agile Execution by Highly Experienced Management Team

Our Controlling Shareholders and experienced management team promote agile decision-making and execution. Mr. Li, through PCG, has provided critical support in our journey across market expansions and partnership formation in recent years. In particular, Mr. Li serves as an executive director on our board and has been instrumental in the delivery of our vision and setting growth strategies for our business. Our management, led by our CEO, Mr. Huynh, has on average over 25 years of experience in the financial and technology industries. Driven by their leadership, we have built an employee base that is aligned to our corporate culture and works cohesively to deliver on our vision. We have designed our remuneration policy for senior employees to align incentives and foster the long-term sustainable growth of the business within our overall risk management framework, as discussed in further detail in "*– Employees – Executive Remuneration Policy*".

Technology and digital analytics are at the core of our business. As a relatively young insurance group, we are able to design the digital infrastructure from inception with a focus on delivering an excellent customer experience. Our strong execution track record is evidenced by our ability to quickly identify market opportunities, balance organic growth and value-accretive acquisitions, and activate new partnerships and integration in a speedy manner. For instance, we efficiently replicated our success in relation to the TMB partnership with SCB, the largest bank in Thailand based on market capitalisation. Through the launch of new products and integration of our products and services into SCB's digital tools, we successfully activated this partnership and created the leading bancassurance franchise by GWP in Thailand within just six months of launch. As a result, we have been able to deliver strong post-acquisition organic growth, with VNB generated through SCB and other distribution networks of SCB Life growing from US$127 million in 2020 to US$199 million in 2022. In the Philippines, we have increased sales productivity of our exclusive bancassurance partner, Security Bank, by 1.3 times between 2017 and 2022. Our 29.1% CAGR in underlying VNB on a CER basis (24.0% on an AER basis) from 2020 to 2022 is also a strong testimony of our execution capabilities in a period marred by the COVID-19 disruption and new variants.

OUR GROWTH STRATEGIES

As we continue to deliver on our vision of *changing the way people feel about insurance*, we believe that our business model and technology will remain crucial to maintaining our competitive advantage. To maintain our strong growth momentum, we plan to implement the following strategies:

Generate Lifetime Value by Reinforcing Leadership in Customer Acquisition and Engagement

We are focused on sustaining strong growth in new customer acquisition and deepening existing customer relationships. Our strong brand and leading customer advocacy are instrumental to attracting and retaining customers. We intend to continue to form new distribution partnerships to broaden our customer reach and use technology to more efficiently target customers with insurance needs. We strive to increase our wallet share among these customers by building lifetime partnerships and ongoing engagement, including gathering insightful user data-points via AI Customer 360 which, in turn, will improve our cross-selling and up-selling capabilities. We believe that by maintaining our seamless customer journeys and building a sustained relationship as our customers migrate across life stages, we will be able to attract and retain more customers, increase policy premiums and incentivise repeat purchases in the future.

Increase Scale and Productivity by Digitalising, Expanding and Activating New Partnerships

We will remain focused on driving our growth and productivity across all distribution channels. We believe that our digital tools will enable us to enhance our current distribution capabilities. Increasing digital adoption and process automation enable us to expand our fast-growing MDRT agency force and enhance both our productivity and the productivity of our distribution partners.

In particular, we expect to accelerate our growth through our five exclusive bancassurance arrangements formed since 2020. We have an established track record of activating new partnerships which can be replicated across markets, presenting significant upside for further growth. For example, we plan to introduce a fully integrated data platform across our distribution partners to harmonise leads, sales and cost-efficient servicing. These five partnerships have provided access to over 30 million of the banks' digitally connected customers. We believe we are well-positioned to tap into these customer bases to strengthen our position in each market.

In addition, we will continue to explore new partnership and referral opportunities to expand customer outreach to underserved segments, including partnering with more leading ecosystem players in adjacent sectors across markets and continuing our roll-out of O2O and cross-channel referral programmes.

Enhance Protection Mix and Achieve New Business Margin Uplift through Relevant Propositions

We are committed to upholding our customer-led propositions to deliver relevant, affordable and easy-to-understand products. Our agile business model assists us in adapting to the changing market needs and evolving customer demands in the life insurance sector. We strive to continue introducing new products and value propositions for our customers. We are focused on products that are designed to address the increasing awareness of our customers for their protection needs, particularly in the context of rising post-COVID-19 demand for life and health coverage. We expect our historical trend of increasing protection mix to persist in the near term. We believe that this, coupled with our prudent pricing strategy, will enhance our new business margin and overall profitability.

Optimise Customer Experience and Boost Operating Leverage through Continued Investment in Digitalisation

We believe our path on data analytics and tech-enablement is imperative to optimising customer experience and enhancing operating leverage. To this end, we will continue to invest and launch pilot programmes in a number of jurisdictions. For the technology programmes and digital tools that have proved successful in a number of jurisdictions, we intend to roll them out on a group-wide basis as appropriate. Powered by our integrated, cloud-based Data Lake in real time, we expect to expand our digital tools such as auto- underwriting and FWD Smart to all ten markets in which we operate. FWD Smart is our sales support tool, which we launched in Thailand in 2013 and we now use widely across our Emerging Markets operations. It provides quick quotes, real time sales illustrations and a range of digital options to our customers. Additionally, we are embarking on our NextGen Banca strategy, under which we utilise data and customer analysis to better serve our customers and introduce a fully digital, end-to-end sales process to replace the previous paper-based process in the bancassurance channel. We plan to roll out our proprietary automated claims application in new markets to improve straight-through-processing ("**STP**") capabilities and reduce turnaround times. We will continue to incubate emerging technologies in our engineering hub. Together with our advanced data analytics, we believe these initiatives will enable us to synchronise our holistic customer view and optimise both the customer and distributor experience. We intend to embed data analytics and AI in all we do. We believe our digitalisation strategy and our continued investments in data analytics and AI, combined with our enhanced scale, will allow us to continue to improve our operational efficiency and reduce our expense ratio.

Create Additional Value by Pursuing Selective Value-enhancing Expansion Opportunities

We continue to evaluate potential acquisition opportunities to scale up and expand customer reach in existing markets where we already have presence, while we focus on maintaining a leading presence across Asia and pursuing organic growth of our regional platform. We have a structured framework to evaluate selective opportunities to ensure such transactions are consistent with our strategy and are value-enhancing. Our experienced team has a strong track record in executing and creating value from these opportunities. We will also continue to explore expansion opportunities, including in mainland China, which, according to NMG, is the largest life insurance market by total premium in the region. We believe that, as a starting point, the proposed Hong Kong regulatory changes to implement Insurance Connect will allow us to capitalise on the significant potential in the Greater Bay Area, and we believe we are well-positioned to tap into the accessible customer base upon its implementation, which is a valuable opportunity for our Hong Kong business. We have a representative office in Shanghai and will consider means to expand our presence in mainland China, including but not limited to obtaining a full life insurance licence and making selective investments or acquisitions as opportunities arise.

CUSTOMERS

Transforming the Customer Journey

We are a customer-led insurer. Driven by customer needs, we believe that we have created trusted and long-lasting relationships with our customers, creating future advocates of the brand, providing them with peace of mind and protection for the future, and enabling them to celebrate living today. Since our inception in 2013, we have focused on changing the way people feel about insurance and addressing the key pain points for customers who seek insurance protection, including:

- *complex, one-size-fits-all and jargon-laced products*: traditional insurance policies are often drafted with complex words and phrases that are not easy to understand, together with long and convoluted exclusions to limit pay-outs;

- *aggressive product marketing through offline channels*: many insurance providers are overly dependent on offline distribution channels, with sellers focusing on “pushing” products that reward them with higher commissions rather than products that customers need;

- *difficult and time-consuming purchase process*: the traditional underwriting process is time-consuming as it often involves multiple human interactions, paperwork and other cumbersome requirements such as physical examinations; and

- *slow and painful claims settlement*: many insurance providers offer claims processes that are largely paper-based, complicated and tedious, which negatively affects the customer experience.

To address these customer pain points and make the insurance journey simpler, faster and smoother, we have designed our products, purchasing experience, claims process, customer engagement and branding with five key guiding principles in mind:

Easy to Know

Our belief is that customers should be able to easily understand the insurance they buy. As such, we strive to simplify our policies and contracts to provide easy-to-understand products. This includes drafting our insurance contracts without complex jargon (so that our customers can easily know the terms of their insurance contracts), and by reducing the number of exclusions in our insurance policies (so that our customers can clearly know what protection they are receiving).

This led us to launch Project Clarity in 2015, which was an initiative to study contracts from traditional insurance companies and global market leaders to understand the key areas of complexity which may hinder our customers from understanding their policy contracts. Based on our findings, we subsequently rewrote our insurance contracts in simple language and avoided complex jargon to make them easier for our customers to understand. By December 2022, we had introduced more than 210 simplified contract templates under Project Clarity. The revamped insurance contracts took into account user experience and design principles such as highlighting important information for the customers’ awareness, clearly defining important phrases, and utilising diagrams and flow charts to illustrate key concepts such as policy benefits. By doing so, we have not only improved the customer experience and our products’ attractiveness but also allowed our call centre and online help teams to respond to customer inquiries with increased speed and accuracy.

In 2016, we launched Project Exclusion, an initiative to reduce long and convoluted exclusions in our insurance policies to offer our customers more protections, increase the transparency of our products and make it easier and faster for customers to settle claims and obtain payments. We focused on removing exclusions that were based on outdated medical data and unsupported judgments. Through the initiative, we are able to better gauge our risk exposure to certain activities, which has helped us improve our underwriting process. For example, since the launch of Project Exclusion, we have removed approximately 80% of exclusions from our policies in Vietnam. We believe that, as a result of simplifying the drafting of our policies and reducing the number of exclusions for certain products, our customers can more easily know the coverage which they have purchased and feel more confident about their ability to make insurance claims.

Easy to Buy

We aim to make it easy for potential customers to buy insurance from us and our distributors. We have simplified the purchase journey by introducing paperless sales, enabling purchases via user-friendly mobile applications and streamlined underwriting questions for certain products. We have also extended our reach to potential customers with the goal to meet them wherever and whenever they choose.

We have introduced a number of initiatives, including equipping agents with digital tools such as FWD Smart, ePOS and AI^2 to support cashless and paperless sales. By continuously investing in new technologies, we have reduced the paperwork involved in our sales process. Our insurance products are available through streamlined and digitalised purchase processes supported by user-friendly mobile applications that we developed in-house. We have also implemented tools to automate the Know-Your-Customers ("**KYC**") process and reduce the time required for KYC in order to enhance the ease of onboarding and purchase for our customers.

Since 2019, we have designed an automated underwriting engine based on rule-based logic, to generate between three to six customised health questions in accordance with an individual customer's risk profile, which makes it faster and simpler for potential customers to buy insurance. We have applied our automated underwriting engine in Singapore, Malaysia and the Philippines since 2019, Hong Kong in 2020, and Indonesia since 2021, and are in the process of rolling out the tool in other markets across Southeast Asia as well. In the markets where we have applied our automated underwriting engine, the proportion of policies that were automatically underwritten was 68%, 89% and 96%, and the proportion of applicants that were successfully onboarded was 96%, 98% and 100% in 2020, 2021 and 2022, respectively. Traditionally, life and health insurance applications involve certain standard questions, regardless of coverage or the customer's particular circumstances. Through our automated underwriting engine, we have classified our potential customers into three risk levels based on the information provided in their applications. Based on our assessment of the potential customers' risk level, we have reduced the number of health- related questions we ask our potential customers from an average of ten questions to as few as three. With our automated underwriting capabilities, we have been able to immediately accept between 66% and 98% of applications submitted via the engine in 2022 on a monthly basis. We will continue to invest in our technological capabilities, including expanding our neo-insurance distribution through our D2C eCommerce platform, to create a smoother and more efficient purchase experience for our current and future customers. 78% of our submissions across the Group are submitted digitally in 2022, while 60% of our customer onboarding is completed in two days in 2022, compared to 44% in 2020. 90% of our customers rate us "great" or "good" after successfully completing the onboarding process for 2022, compared to 88% in 2020 which highlights our sustained customer satisfaction.

Easy to Claim

Claims are our "moment of truth." We have undertaken a series of initiatives to make it easier and faster for our customers to have their claims approved for payment. Our AI Claims 2.0 app can review claims with the help of AI technologies and is the first of its kind in Hong Kong to instantly generate a decision to pay customers for low-risk claims. For higher-risk claims that require manual assessment, AI Claims 2.0 can automatically generate a claim report for an assessor to expedite the assessment process. Testing has shown that AI Claims 2.0 can improve the assessment time from the traditional model of one to two days to real-time decision making.

Additionally, we have implemented our proprietary AI Fraud Detection solution in Hong Kong to identify fraudulent claims and speed up the claims process, where over half of the claims in 2022 were processed by AI. The AI tool analyses existing operational data to identify common patterns for fraudulent cases and incorporates our expertise in identifying applicable risk factors. We have also expedited processing time for claims upon approval. For example, we have partnered with 7-Eleven in Hong Kong to allow our customers to use a QR code to collect payments for their insurance claims at 7-Eleven stores through a quick and efficient process. In 2022, approximately US$4.1 billion was paid to our customers in claims and benefits. Approximately 57% of our claims are processed and completed within three days of submission and our claims Net Promoter Score was +48 in 2022, up from +42 in 2020.

Easy to Engage

We are committed to changing the way people feel about insurance by creating ways for our customers to stay engaged with our insurance ecosystem throughout the insurance journey. To maximise customer touch points and extend our reach, we have also developed a series of systems and tools to optimise customer engagement and help our customers learn and purchase our products, submit claims and stay engaged in an easy and seamless manner. For example, our Fi chatbot addresses questions and provides product information on a 24-hour basis, with approximately 98% accuracy in identifying user intent. 90% of our customer voice calls are resolved at the first point of contact in 2022, and 85% of our customers rate us "great" or "good" after engaging with us in a non-purchase or claims journey in 2022. In addition, our customers can engage with us via our FWD eCommerce Platform, which provides quick quote, O2O lead generation, plug and play functions and fully automated underwriting capability. We have also launched other customer engagement applications and platforms, such as FWD MAX and Omne, to offer customers various value-added services, promotions and content driven by their preferences. By enhancing the use of the data we collect, we aim to achieve higher customer retention rates and new sales through these platforms, while remaining in compliance with the applicable laws and regulations.

Easy to Love

As a result of our customer-driven strategy to refine our products, the purchase experience, claim settlement and customer engagement, our brand is well-recognised by our customers. We are committed to creating solutions to help customers to reduce the protection gap and celebrate living. We have launched multiple new products in various markets, including a Big 3 Critical Illness Insurance product (covering cancer, heart attack and stroke) and an eCancer product with full coverage for any cancer stage in Singapore, FWD New Medical in Japan, FWD SpecialMed in Malaysia, Mind Plus Critical Illness Protection Plan in Hong Kong and Mind Strength in Hong Kong and Thailand. Additionally, we have actively sought ways to make our products affordable and accessible to a wider range of customers. Across our different markets, we have designed our insurance products so that our customers can pick and choose the protection that suits their particular needs.

In Vietnam, we introduced FWD Lady First in 2022, an online insurance planned designed to assist women in taking care of their physical health, mental health, confidence, and preparing for their motherhood journey. In 2018, we launched the Mind Plus Critical Illness Protection Plan, an award-winning product focusing on mental health, and a post- claim recovery support programme in Hong Kong that provides consultation, professional counselling and other value-added services, which we believe will enhance customer loyalty.

We have also introduced the FWD Care recovery plan since 2021 across Hong Kong, Thailand, Singapore, Malaysia, Japan, Indonesia and Vietnam. Through FWD Care, we seek to equip our customers and their families with benefits beyond financial aid, such as by providing a dedicated nurse companion and customised support services through critical life events such as a major illness or the death of a loved one. In 2022, FWD Care achieved over 95% satisfaction rating from customers who have used it. FWD Care also received industry recognition, including "Innovation of the Year" award by Asia Insurance Industry Awards 2022.

We believe that effective customer engagement will be critical to our ability to retain our customers, identify opportunities to cross-sell and up-sell our insurance products, and create advocates of our brand.

Customer Segments

We define our customers as anyone who owns or receives value from our products and services, and we categorise them as either individual customers or group scheme customers. Our individual customers include policyholders (who are paying policy owners), the insured under life insurance policies, beneficiaries of the policies and active FWD MAX members, whom we define as persons who have maintained an active membership on our FWD MAX platform during the preceding 90 days for the use of our products, services or discounts. Our group scheme customers include corporate policyholders (who are paying policy owners) and participating members. As of 31 December 2022, we had 5.7 million individual policyholders and over 3,000 corporate policyholders with 2.3 million participating members. In 2020, 2021 and 2022, APE generated from our five largest customers accounted for 3.2%, 2.3% and 4.8% of our total APE, respectively, and APE generated from our largest customer accounted for 1.3%, 0.7% and 1.5% of our total APE in the same periods, respectively. Our largest customer in 2022 is PCCW, one of our connected persons.

Individual Customers

We believe that our focus on transforming our individual customers' insurance journey with relevant propositions tailored to their needs has contributed to the significant growth in our customer numbers. We had 4.7 million, 5.2 million and 5.7 million individual policyholders as of 31 December 2020, 2021 and 2022, respectively, representing a CAGR of 9.9% during this period. This includes organic new individual policyholders of 0.9 million, 1.0 million and 1.1 million for the years ended 31 December 2020, 2021 and 2022, representing a CAGR of 12.6% during this period. In addition, we acquired 0.2 million new individual policyholders in 2020 as a result of our acquisitions of VCLI, PT Commonwealth Life, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited.

Millennial customers have driven our overall customer growth. The following table sets forth our millennial base as a percentage of new individual policyholders by channel:

Millennials as a % of New Individual Policyholders	**As of 31 December**		
	2020	**2021**	**2022**
Bancassurance	60.7%	63.6%	59.0%
Agency	59.4%	63.3%	61.2%
Others[(1)]	56.0%	61.3%	62.1%
Total	57.3%	62.4%	60.4%

Note:

(1) Includes brokerage/IFA, neo-insurance and other distribution channels.

From 31 December 2020 to 31 December 2022, the number of our millennial individual policyholders with multiple policies grew at a CAGR of 7.0%. We intend to capture greater value within the millennial customer segment in the future by continuing to pursue relevant, distinctive and personalised value propositions for on-going cross-selling and up-selling opportunities. We believe there remains significant potential for cross-selling and up-selling to our existing millennial customers as they advance through different life stages and gain spending power.

In terms of the insured and beneficiaries under life insurance policies relating to individual policyholders, we had 2.3 million, 2.4 million and 2.5 million total insured and beneficiary customers as of 31 December 2020, 2021 and 2022, respectively, representing a CAGR of 4.3% during this period.

Group Scheme Customers

Our group scheme customer segment consists of corporations and other business organisations to whom we offer group life and health solutions. We had approximately 7,000, 5,000 and 3,000 corporate policyholders as of 31 December 2020, 2021 and 2022, respectively. The corresponding number of participating members as of each of the respective periods was 2.4 million, 2.2 million and 2.3 million, respectively. Our group life insurance products mainly cover total and permanent disablement, death, accidental death and dismemberment and employee benefits, and our group health insurance products primarily cover medical insurance and long-term disability income benefits.

Customer Recognition and Brand Marketing

We measure customer relationships and stickiness through internal metrics, including customer retention, re-purchase rates and multiple customer feedback scores, as well as external sources. As a result of our commitment to understanding and addressing our customers' various insurance needs and pain points, we ranked in the top three among insurance brands for customer experience in four of our markets. FWD achieved a number one ranking for Vietnam, number two rankings in Thailand and the Philippines and a number three ranking in Japan in the KPMG Global Customer Experience Excellence Report in 2022, a leading independent industry report.

The KPMG Global Customer Experience Excellence Report is a programme that KPMG has run for 13 years across 25 markets, in which the report and the details of it are publicly available. The report provides studies of customer experience in the overall industry and the broader sectors. The study was not commissioned by FWD, but FWD has licensed from KPMG to receive the report and insights as well as citation rights. The study measures brands across different industries in different markets across six components of customer experience excellence – integrity, resolution, expectations, empathy, personalisation and time and effort. In terms of markets, the study covers, amongst others, Hong Kong, Indonesia, Japan, Malaysia, Philippines Singapore, Thailand and Vietnam. In Vietnam, for example, KPMG reached a sample pool of 1,500 consumers and evaluated more than 70 local and international brands across eight different sectors. In Singapore, for example, insurance brands which were included in the study included a range of leading domestic and multi-national insurance brands in the market.

On the basis that the KPMG Global Customer Experience Excellence Report adopts the same approach to measuring brands across six components of customer experience excellence, the Group believes that both reports are reliable in reflecting a comprehensive research for ranking analysis.

We also ranked as a top three most "Different" insurer in six out of nine surveyed markets, based on 2022 full year data from Blackbox Research's Brand Tracking Survey. To measure "Different", respondents are asked to select brands that they perceive to be "A Life Insurance provider that is different to most others".

We adopt a data-driven approach to track marketing effectiveness and results through a combination of external insights and internally available data. In gathering internal data, we focus on robust and representative samples across each market and cover a broad range of areas including demographic profiles, product ownership and brand awareness.

As of December 2022, our partners in the bancassurance and neo-insurance distribution channels provide us with access to up to 220 million and over 150 million potential customers, respectively, according to NMG. We have been able to, and will continue to, penetrate this customer base for customer acquisition, engagement and retention. We believe this is key to our cross-selling and up-selling, as we are increasingly utilising the lifetime value of our existing customers. In 2020, 2021 and 2022, 28.6%, 30.9% and 42.2% of our new policies were sold to existing individual policyholders, respectively.

Customer Feedback

We collect customer feedback through a variety of means, including surveys, focus groups, brand tracking and campaign effectiveness activities. We have instituted a real-time feedback mechanism, which captures feedback from our customers during the purchase, servicing and claims processes across major markets, channels and product lines. We have empowered our local teams to follow up on customer interactions and pursue feedback opportunities. By reviewing customer experience and customer interactions, we can swiftly improve our product and service quality, as well as address customer feedback in a timely manner.

Customer Complaints Policy

We have adopted a proactive and digitally empowered approach to resolving customer complaints. In addition to the traditional channels of phone, letter and email, we solicit real-time feedback from customers after purchases, service interactions and claims. At the completion of these customer journeys, we invite customers via SMS to participate in a quick online survey to provide feedback on the experience. This practice is adopted across all our markets (with the exception of Macau and Cambodia) and is continuously being improved. We input the customer feedback data verbatim into a digital dashboard for each market, which shows daily customer responses and the call-back handling status for dissatisfied customers. This allows our customer service managers to monitor overall customer sentiment and ensure that issues are addressed and resolved quickly and fairly. Our complaints ratio, which is the percentage of complaints received per number of transactions over a calendar year, was 0.151% in 2022 and has consistently been less than 0.2% each year during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

DISTRIBUTION

Our Distribution Strategy

Asia is home to hundreds of millions of individuals who need life and health insurance protection but do not have the requisite knowledge of such products or lack potential access to traditional insurance distribution channels, according to NMG. To address this issue, we have adopted a distribution model based on the pillars "Enhance, Extend and Empower":

- "Enhance" – We have enhanced traditional face-to-face channels with a host of new technologies that help our bank partners, agents and brokers/IFAs to engage and serve their customers in flexible, dynamic and digital ways. By blending our digital tools with a human touch, we combine offline and online channels to allow customers to engage with us however, wherever and whenever they choose.

- "Extend" – We have extended our reach to individuals underserved by traditional channels. We provide multi-device mobile access so that customers can determine their protection needs, understand our propositions, purchase our products and services and submit claims. Our distribution leverages our neo-insurance channels for online D2C sales and we have extended our agency channel with our social media engagement platform, FWD Affiliates.

- "Empower" – We have empowered our customers to celebrate living by providing them with information to help them to choose the right protection whenever, wherever and however through all our channels with simple propositions, advanced data analytics and high-quality sales leads. We use AI algorithms to supply our distribution channels with the customer insights they need to offer tailored solutions. We have streamlined underwriting, simplified the language used in the policies and reduced the number of exclusions, thereby allowing our channels to better help all customers to understand insurance and buy the protection they need.

Distribution Channels

We aim to widen our touch points with customers by offering them a choice of how to engage with us based on their protection needs and interaction preferences. Digitalisation of our distribution channels is a key element of this strategy.

We distribute our products through multiple distribution channels, including bancassurance, agency, brokerage/IFA, as well as other channels, which include D2C distribution via neo-insurance channels.

The following table sets forth the contributions of our distribution channels to our total APE and VNB, and their respective new business margins during the periods indicated:

	Year ended 31 December			2020-2022
	2020	**2021**	**2022**	**CAGR[1]**
	(US$ millions, except for percentages)			
Bancassurance				
APE	687	589	662	2.6%
VNB	209	266	360	37.0%
New business margin (% of APE)	30.4%	45.1%	54.3%	N/A
New business margin (% of PVNBP)	6.1%	8.1%	11.1%	N/A
Agency				
APE	266	305	276	3.3%
VNB	141	171	181	14.5%
New business margin (% of APE)	53.0%	56.1%	65.4%	N/A
New business margin (% of PVNBP)	7.1%	7.6%	10.3%	N/A
Brokerage/IFA				
APE	403	434	279	(11.4)%
VNB	150	186	199	24.8%
New business margin (% of APE)	37.1%	42.8%	71.2%	N/A
New business margin (% of PVNBP)	6.5%	6.4%	9.0%	N/A
Others[2]				
APE	336	118	191	(17.3)%
VNB	118	64	84	(8.8)%
New business margin (% of APE)	35.1%	53.9%	44.0%	N/A
New business margin (% of PVNBP)	4.8%	10.2%	8.8%	N/A
TOTAL				
APE	1,692	1,446	1,408	(3.8)%
VNB	617	686	823	21.4%
New business margin (% of APE)	36.5%	47.4%	58.5%	N/A
New business margin (% of PVNBP)	6.1%	7.5%	10.1%	N/A

Notes:

(1) On a constant exchange rate basis.

(2) Includes neo-insurance and other distribution channels. In 2020, this also includes a one-time retrocession reinsurance arrangement in Japan between Swiss Re and FWD Reinsurance for a block of in-force hospital cash policies. The transaction was an arm's length commercial agreement, leading to a one-off APE of US$236 million and VNB of US$56 million. For details, see "*Financial Information.*"

We have adopted a multi-channel distribution model that is tailored to each of the markets in which we operate. The percentage contributions of our multiple distribution channels to the overall Group APE of our businesses in each country in 2022 is as follows:

	Hong Kong (and Macau)	Thailand (and Cambodia)	Japan	Emerging Markets	Group
2022 APE Breakdown					
Bancassurance	19%	72%	–	58%	47%
Agency	34%	15%	–	22%	20%
Brokerage/IFA	27%	–	83%	12%	20%
Others(1)	20%	13%	17%	8%	14%

Note:

(1) Includes neo-insurance and other distribution channels.

The breakdown of the overall Group VNB by distribution channel in 2022 was 43.7%, 21.9%, 24.2% and 10.2% for bancassurance, agency, brokerage/IFA and others, respectively.

Bancassurance Channel

We are a leading bancassurer, particularly in Southeast Asia, both in terms of the breadth and depth of our bancassurance partnerships, as well as our demonstrated track record of delivering value through our bancassurance channel. As of 6 March 2023, we had 22 ongoing bancassurance partnerships, including nine exclusive bancassurance partnerships in Southeast Asia. Our strategy for our bancassurance channel has been to partner both exclusively and non-exclusively with leading local banks in each of our markets, promote digital transformation as a means of enhancing our bank partners' sales efforts and productivity, and improve portfolio margins by selling protection-focused products to optimise our VNB, which grew at a CAGR of 37.0% on a CER basis (31.3% on an AER basis) from US$209 million in 2020 to US$360 million in 2022. As a result, our Bancassurance new business margin (% of APE) grew from 26.4% in 2019 to 30.4% in 2020 to 54.3% in 2022. We believe that we have access to our exclusive and non-exclusive bancassurance partners' customer base of up to 220 million as of December 2022, according to NMG. In 2022, we gained over 571,000 new individual policyholders through our bancassurance channel, compared to 246,000 in 2020. Set forth below is an overview of our key bancassurance partnerships:

- **Thailand – SCB**: During our partnership with TMB, we worked closely with the bank to digitalise its face-to-face sales process, which resulted in an increase in its bancassurance APE and VNB. We leveraged our successful experience with TMB in building our new partnership with SCB, which began in the last quarter of 2019. By quickly integrating our products and services into SCB's distribution tools and launching new products, we were able to unlock significant value in SCB's customer base and increase its bancassurance productivity in terms of APE relative to total bank deposits.

- **Vietnam – VCB**: In 2020, we launched our partnership with VCB, a leading commercial bank in Vietnam with 17 million customers and over 600 branches and transaction offices. We are transforming our bancassurance partnership with VCB with our NextGen Banca strategy, under which we are utilising data and customer analysis to better serve our customers and are introducing a fully-digital, end-to- end sales process to replace the previous paper-based process. As a result of our successful integration, all new applications were handled via FWD's eSubmission system since 2020. Additionally, digital sales comprised 16% of total policies issued, and on average 78% of ePolicies were issued within 2 hours of submission in 2022.

- **Indonesia – Bank BRI**: In Indonesia, through our 39.8% investment in BRI Life in which we are represented at management and board levels, we collaborate with Bank BRI, the leading retail bank in the country in terms of customer base with over 166 million customers, of which over 45% were digitally-activated, serviced through its network of over 1,000 branches and sub-branches, according to NMG.

- **The Philippines – Security Bank**: We launched our partnership with Security Bank in January 2015. Security Bank had a network of over 300 branches, according to NMG. We integrated our products into Security Bank's bancassurance network and rolled out our products nationwide in just four months following launch. During the next few years of collaboration, through our product propositions and digital solutions, we achieved a CAGR of over 18% in Security Bank's bancassurance APE from 2015 to 2022. As a result, the FWD partnership became the second largest source of Security Bank's fee-based income and contributed 18% of the total amount in 2021.

We use multiple criteria for selecting and evaluating our bancassurance partnerships, including a strategically sustainable market position, a relatively underpenetrated customer base for life insurance, alignment with our strategy to promote our digital ecosystem, a focus on fee-based income, and evidence of a collaborative culture. In addition to the above, some of our other bancassurance partners are also required to distribute our products exclusively.

For more information on our bancassurance partners in each of our markets, see "*Our Operations in Our Geographic Markets.*"

Exclusive bancassurance partnerships generally require bancassurance partners to distribute our products on either an exclusive or preferred basis to their customers across networks and jurisdictions specified under their contracts and subject to applicable laws and regulations. Exclusive bancassurance arrangements commonly include termination rights which may be triggered if specific, pre-defined conditions are met, for example upon material breaches by either party, in the event a party becomes a competitor, upon a change of control or in the event of force majeure. In addition, in limited cases exclusivity also applies to us over the partnership term.

Our bancassurance arrangements generally include commission-based payment terms. We generally pay an access fee upon initiation of the bancassurance partnerships and pay other commissions, marketing allowance and milestone incentive fees depending on the sales performance and the length of cooperation, in line with the relevant market standards. Our bancassurance partnerships, particularly exclusive bancassurance arrangements, typically last for a duration of ten to 15 years.

Agency Channel

Our agency force is a key channel for accessing our customers. Our total number of agents increased from approximately 33,200 as of 31 December 2020 to approximately 48,400 as of 31 December 2022. The VNB generated by our agency channel grew at a CAGR of 14.5% on a CER basis (13.1% on an AER basis) from US$141 million in 2020 to US$181 million in 2022. As of 31 December 2022, 61% of our agents were millennials. Our agency force includes both full-time and part-time tied agents, who sell our products exclusively. With our digitally-enabled agency force, we believe that we can effectively foster long-term relationships with millennial customers with significant lifetime value.

The following table shows the size of our agency force:

	As of 31 December		
	2020	**2021**	**2022**
	No. of Agents (rounded to hundreds)		
Hong Kong (and Macau)	3,600	3,400	4,100
Thailand (and Cambodia)	6,600	6,200	10,600
Japan	N/A	N/A	N/A
Emerging Markets	23,000	29,600	33,700
Total	33,200	39,200	48,400

The size of our agency force has increased as result of our organic growth as well as the several strategic acquisitions we have completed across our various markets. See "*Financial Information – Acquisitions, Investments and Discontinued Businesses*."

We have invested in our agents' training and equipped them with the latest technological tools. We believe this has enabled our agents to engage and acquire customers in an efficient manner, leading to an increase in new individual policyholders acquired through our agency channel from approximately 108,000 in 2020 to approximately 124,000 in 2022.

As a result of our investments in our agency force and our focus on expanding and improving our distribution capabilities, an increasing portion of our agents attained MDRT status. Founded in 1927, MDRT is a global, independent association of more than 65,000 of the world's leading life insurance and financial services professionals from more than 500 companies in 70 nations and territories. MDRT membership is recognised internationally as the standard of excellence in the life insurance and financial services business. Our MDRT- registered members grew at a CAGR of approximately 47% from 2020 to 2022, which is approximately six times higher than the average CAGR of the other top ten multi-national insurers globally as measured by the number of MDRT-registered members in the relevant period. In 2022, we ranked sixth in the MDRT 2022 rankings for multi-national companies based on the number of MDRT-registered members, up from tenth in 2021.

The following table shows the number of our MDRT-registered members from 2020 to 2022.

	As of 31 December		
	2020	**2021**	**2022[(3)]**
	No. of MDRT-registered members[(1)]		
Hong Kong (and Macau)	578	685	647
Thailand (and Cambodia)	55	143	253
Japan	N/A[(2)]	N/A[(2)]	N/A[(2)]
Emerging Markets	401	716	1,324
Total	1,036	1,545	2,225

Notes:

(1) MDRT-registered member statistics according to the MDRT Association as determined annually, based on specific qualification criteria in the prior year to determine MDRT eligibility.

(2) Includes two MDRT-registered IFAs in Japan in 2020 and one in each of 2021 and 2022.

(3) Based on MDRT-registered member statistics published by MDRT in 2022.

Agency Strategy – "FWD Elite" Agency Programme

As part of our "FWD Elite" agency vision, we cultivate a professional and digitally- enabled team of agents of the highest quality who can take advantage of their social network connectivity and our digital tools to enrich their relationships with our customers. Attaining MDRT qualification by meeting the required high level of premiums, commissions or income during the year can be a long and difficult process for many agents during their careers. Therefore, we have created an additional segmentation of agents, known as FWD Elite agents, which can be attained by meeting at least 50% of MDRT requirements. We further provide special benefits and training for our FWD Elite agents to incentivise them and assist their further progression to MDRT qualification. We develop our top-performing FWD Elite leaders through the FWD Elite Signature programme at INSEAD, which is an intensive executive programme to develop our selected next-generation agency leaders. Our FWD Elite programme has significantly contributed to our business growth. The teams led by our FWD Elite leaders in the programme significantly outperformed the overall channel. Our continued investment in our FWD Elite programme has also contributed to the growth of our FWD Elite agents, who, along with our MDRT-qualified agents, represent the top performers and leaders of our agency force.

The following table shows the number of our FWD Elite agents (including MDRT- qualified agents) from 2020 to 2022:

	As of 31 December		
	2020	**2021**	**2022**
	No. of FWD Elite agents		
Hong Kong (and Macau)	697	827	643
Thailand (and Cambodia)	322	494	605
Japan	N/A	N/A	N/A
Emerging Markets	1,144	1,145	1,104
Total	2,163	2,466	2,352

In addition to career development, since 2019 we have also provided our agents with comprehensive online training, including FWD Elite eCoach, a digital learning differentiator that accelerates their knowledge and development. FWD Elite eCoach offers a broad range of content (some exclusive to us) designed for both new and experienced agents, including coaching on sales, leadership skills training, real-life case studies and featured speakers, including materials subtitled for our local markets. This platform ensures the quality and consistency of the training we provide to agents across all of our markets.

Agency Management and Compensation

Scaling up high quality recruitment has been a key part of our agency channel strategy. We continuously strive to recruit tech-savvy talent who share our vision and values. While scaling up the size of our in-force agents, we have also taken various initiatives to increase the number of our active agents, including by adjusting our compensation scheme to drive higher productivity, improving agency field management to increase daily sales activity, and enhancing agency training and campaigns.

We believe that we have inspired an increasing number of next-generation candidates to join us through our proactive engagement, rigorous recruiting practices and alignment of our agents' purpose to our vision. While we strive to maintain high retention, we take proactive management actions from time to time to restructure our agency force to uphold our core values and achieve our corporate vision.

We have endeavoured to build a productive agency force with a focus on quality. Our strategy is to empower our agents across four core areas:

- **Digital adoption**: Our digital tools allow agents to engage in remote selling, needs-based and goal-driven sales, enhanced customer management and seamless leads management.

- **Recruitment and onboarding**: Under a clearly defined recruitment proposition and an AI-enabled prospecting and recruitment toolkit, eRecruiting, we provide a value proposition for talent who are joining us as new agents.

- **Career activation**: Our tailored incentives reward talent and productivity with a fast-track trajectory programme aimed at transforming new agents to FWD Elite agents within one year.

- **Sales management and leadership**: We have a suite of capabilities that support high performance in challenging markets, as well as continuous learning opportunities for career advancement.

We do not consider our agents to be employees of the Group across our Business Units. We provide competitive remuneration packages that reward high performance, align our agents with our customer strategy and drive agent recruitment. Our agent compensation generally comprises commissions calculated based on policy sales, sales incentives upon meeting specific sales volume and product mix thresholds as well as training and other expense reimbursements. We regularly review our compensation arrangements through market intelligence and benchmarking against peer companies in the relevant market.

Agent Contracts

Our contracts with agents are required to be, and are, in compliance with local regulatory requirements. These contracts contain a range of obligations that agents must comply with, including for the purpose of detecting and deterring agent misconduct. The contracts typically provide that agents must indemnify the contracting Group entity in full for breaches or losses suffered as a result of the Group entity being held responsible for the agent's breach of the agreement or for any misconduct by the agent.

Brokerage/IFA Channels

The brokerage/IFA channels consist of insurance distributors that employ a number of brokers and IFAs and sell the products of multiple insurers on a non-exclusive basis. We believe that we are able to offer a well-balanced and diversified distribution platform by supplementing our main distribution channels with our brokerage and IFA channels in certain markets. As of 31 December 2022, we had over 3,100 brokerage and IFA partners across our various markets. We have undertaken a number of initiatives to support our brokerage and IFA partners, including establishing dedicated relationship management teams that meet regularly with the management of these partners and providing dedicated sales and underwriting support and customised products where needed.

We generally focus on our key distribution partners by identifying a set of core brokers and IFAs, and providing them a wide range of benefits including access to facilities such as 1881 Heritage, and FWD Premier Business Centre to hold client events and enhance client relationships. We are also aiming to roll out a self-service agency portal as well as paperless products to our brokers to improve the customer experience.

In Japan, following the regulatory changes in 2019 that have reduced demand for COLI products, our IFA partnerships have played an instrumental role as we shifted our business focus towards individual protection insurance products, such as medical, healthcare, cancer protection and income protection. We currently distribute our products through different types of IFAs, mainly including shop-type agencies (that serve young retail customers with outlets in shopping malls) and case agencies (which sell insurance products to SME and HNW customers in person or by mail).

We provide competitive compensation to our brokers and IFAs, subject to the applicable regulations. Currently, we pay our brokers and IFAs non-volume related incentives, such as marketing sponsorship for brand-building, training and compliance- related fees, as well as bonus payments related to service quality.

Other Channels

Our other channels comprise our neo-insurance and other distribution channels.

Neo-Insurance Channel

Our neo-insurance channel focuses on our eCommerce initiatives through which we distribute simpler, smaller-ticket products to our customer base. The channel focuses on protection plans, such as life, health and accident products, and provides customers with eCommerce transactional life insurance capabilities that enable them to research, understand, compare, purchase and claim with respect to a wide variety of products in a matter of minutes. The channel appeals to customers who prefer to self-manage their insurance needs at times that are most convenient to them by providing a simple, fast and seamless user experience that is available 24-hours a day on both desktop and mobile devices. In addition to serving as an important distribution channel, we believe that our neo-insurance channel also increases the traction of our other channels through sales referrals as well as O2O lead generation and sales conversion.

D2C and online engagement have been an emerging and fast-growing trend in the life insurance market. We have developed our D2C capability with the establishment of our API-enabled eCommerce platform to deliver digital sales.

This sits at the core of our neo-insurance offerings and allows us to integrate ourselves into our distribution partners' systems. As of 31 December 2022, we had a comprehensive online offering of 63 products on-shelf for our customers. In 2022, our neo-insurance channel expanded its focus by leveraging its strong digital capabilities to strengthen offline distribution channels – agency and other assisted sales channels. The pilot launch was in Hong Kong and Thailand and followed up with cascading expansion to other countries in the later part of the year. In 2022, online-to-offline distribution generated sales amounting to US$31.4 million of VNB, which is captured within the respective offline channels. Together with our neo-insurance distribution channels, the VNB and number of policies from these distribution channels increased by approximately nine and ten times, respectively, between 2020 and 2022. Our eCommerce platform offers lower customer acquisition cost compared to face-to-face channels. For example, iFWD, our D2C platform, recorded 88% lower customer acquisition cost in Hong Kong in 2018 compared to traditional channels due to the unit economics and scalability of our eCommerce platform.

We acquire our neo-insurance customers by leveraging our eCommerce platform in the following three key areas: (1) digital direct to customers, (2) through digital platforms of partner banks and ecosystem partnerships, and (3) O2O referrals from other channels.

We have empowered many of our bancassurance partners by providing integrated eCommerce enabled offerings. As of 6 March 2023, we collaborated with eight of our bank partners across our markets for direct sales on their digital platforms, covering over 40 million digitally accessible customers via these integrated bank partners. By integrating into our bancassurance partners' direct digital channels, we are able to offer our products to their customers through our entirely digital process. Furthermore, we are transforming our bancassurance partnerships with our NextGen Banca strategy through integrated front- and back-end systems and customer interface, simple propositions tailored to digital platform, digital marketing to better engage target customers and drive traffic, and implementation of analytics-driven customer segmentation.

Our ecosystem partnerships form another piece of our neo-insurance channel and collectively provide us access to over 150 million potential customers, according to NMG. By partnering with businesses across the eCommerce, retail and fintech industries, we are able to further penetrate various customer demographics and offer them seamless, integrated and customised lifestyle services. As of 31 December 2022, our partners included Traveloka, HKT Care, Lazada and True Money. Our partnerships with such businesses typically involve agreements to collaborate on implementing digital integration, analysing customer data and streamlining the sales process to increase customer acquisition and facilitate value creation. We also serve customers through collaboration and distribution agreements with our affiliate, bolttech, which is an insurtech platform operator and operates across 30 countries.

The operating model for each ecosystem partner differs depending on the nature of the partnership, the alignment of products and propositions, and the market in which the partner is operating. In general, we seek to offer market-competitive compensation arrangements, such as advertising agreements, click-out payments and commissions.

Other Distribution Channels

Our other distribution channels include our affinity partnerships in Thailand where our products are distributed through these partners, our employee benefits business in certain markets as well as direct marketing and telemarketing channels. In 2020, it also included a one-time retrocession reinsurance arrangement between Swiss Re and FWD Reinsurance for a block of in-force life and health business. For further information on the one-time retrocession reinsurance arrangement between Swiss Re and FWD Reinsurance, see "*Financial Information*."

OUR PRODUCTS

Life Insurance Products

Our key life insurance products include the following:

- *Participating life insurance*. Traditional participating life insurance products are contracts of insurance whereby the policyholders have a contractual right to receive additional benefits based on investment returns or other factors, normally at the discretion of the insurer, as a supplement to any guaranteed benefits.

- *Non-participating life insurance*. Non-participating life insurance products are contracts of insurance where the policyholder has a guaranteed right to the benefit, which is not at the contractual discretion of the insurer.

- *Critical illness, term life, medical and riders*. Critical illness, term life and medical policies are products that give policyholders a contractual right to receive benefits in the case of death, injury or illness. Riders are insurance policy provisions that add benefits to or amend the terms of a base insurance policy to provide additional options and coverage.

- *Unit-linked insurance*. Unit-linked insurance products are insurance products that link the customer's account value to the value of underlying investments, such as mutual funds. Insurance coverage, investment and administration services are provided, for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of surrender, death or the maturity of the policy, subject to surrender charges. In general, the investment risk associated with the account value of these products is borne by the policyholder.

- *Group insurance*. Group insurance products include both group life insurance and group medical benefits that are offered to a group of customers under a master policy contract. Group insurance is typically marketed to corporations, government entities and associations, and coverage is typically arranged by employers for employees. Employers typically pay premiums for basic policies, such as group term life and group medical coverage.

- *COLI*. Corporate-owned life insurance is a product primarily sold to small-and- medium-sized companies in Japan to provide key-person protection. COLI was often used as a tax management strategy before changes in taxation rules in 2019, which significantly reduced the tax benefits and the demand for COLI products. Since 2019, we have adapted to the contraction of the COLI market in Japan by shifting our focus to the individual protection insurance business.

A high proportion of our APE is generated from regular premiums, which amounted to 91%, 79% and 85% of our APE in the years ended 31 December 2020, 2021 and 2022, respectively. The following table sets forth a breakdown of our APE and VNB by product category for the periods indicated below:

	Year ended 31 December					
	2020		2021		2022	
	APE	VNB	APE	VNB	APE	VNB
Participating life	16%	19%	29%	20%	17%	19%
Non-participating life	35%	21%	24%	19%	32%	25%
Critical illness, term life, medical and riders(1)	28%	41%	22%	39%	22%	34%
Unit-linked	7%	6%	15%	11%	19%	12%
Group	5%	7%	5%	7%	8%	7%
COLI	9%	6%	5%	4%	2%	2%
Total	100%	100%	100%	100%	100%	100%

Note:

(1) In 2020, this includes a one-time retrocession reinsurance arrangement in Japan between Swiss Re and FWD Reinsurance for a block of in-force life and health business.

Since 2020, we have focused on the sales of protection-focused products such as critical illness, term life and medical insurance, which contributed 34% of our VNB in 2022. Across all product types, we recorded a protection ratio in terms of VNB of approximately 51% in 2022, and our Protection VNB grew at a CAGR of over 27% on a CER basis from 2020 to 2022, excluding the one time retrocession reinsurance arrangement in Japan in 2020. On this same basis, the bancassurance channel has been a strong contributor to this trend, accounting for approximately 36% of overall Protection VNB in 2022, which is a significant ramp up from approximately 27% in 2020. We have also increased our protection ratio in terms of VNB in the bancassurance channel from approximately 37% in 2020 to 42% in 2022.

Product Strategy and Development

We offer a diverse portfolio of life insurance, employee benefits (group insurance) and financial planning products.

We believe that we have introduced a variety of new products that present unique value propositions to our customers, examples of which are set forth below:

- in Japan, we introduced FWD New Medical in 2022, which offers benefits beyond hospitalisation and surgery, covering survival risks including cancer, cerebrovascular disease, heart disease, outpatient care, disabilities and female illnesses;

- in Vietnam, we introduced FWD Lady First, an online insurance plan designed for women that covers women's physical health, mental health, pregnancy complications and reconstructive surgery, which launched in 2022;

- in Singapore, we launched one of the first cancer insurance products to offer full payment for any stages of cancer with one simple health declaration without any requirement for medical examination;

- in Malaysia, we introduced FWD SpecialMed in 2022, an online family takaful medical plan tailored for persons with disabilities;

- in Hong Kong and Thailand, we introduced Mind Strength in 2022, a new mental health product. Mind Strength offers a solution towards preventing and overcoming mental health challenges that may arise due to depression and anxiety; and

- in Hong Kong, Thailand, Singapore, Malaysia, Japan, Indonesia and Vietnam, we introduced FWD Care from 2021, which provides dedicated nurse companion and customised support services.

Our product development process is customer-led and we rely on data analytics to gain insight into our customers and shape aspects of the design and launch of our products based on our customers' behaviours and needs.

PRICING AND UNDERWRITING

Pricing

We formulate our Group-wide product pricing methodology based on our Group Pricing Guideline, where Business Units are required to submit to Group Office a product approval report, which sets out details of product pricing and the relevant assumptions for each product. We determine the premium rates for our products using a number of factors, including product design, profit targets and competition. We base our calculations on a number of assumptions, including expected mortality and morbidity rates, persistency rates, lapse, interest rates, investment returns, commissions and allowances, operating expenses and inflation, as appropriate. These assumptions are derived primarily from our own experience, as well as broader industry experience and input from reinsurers, where appropriate. Each product is required to meet our pricing benchmarks on a standalone basis, thereby avoiding cross-subsidisation of products.

In determining product pricing, we aim to balance profitability, market competitiveness and customer fairness. To stay agile and competitive in the various markets we operate in, our product pricing teams work closely with our sales teams to understand and reflect market demand as well as solicit customer feedback.

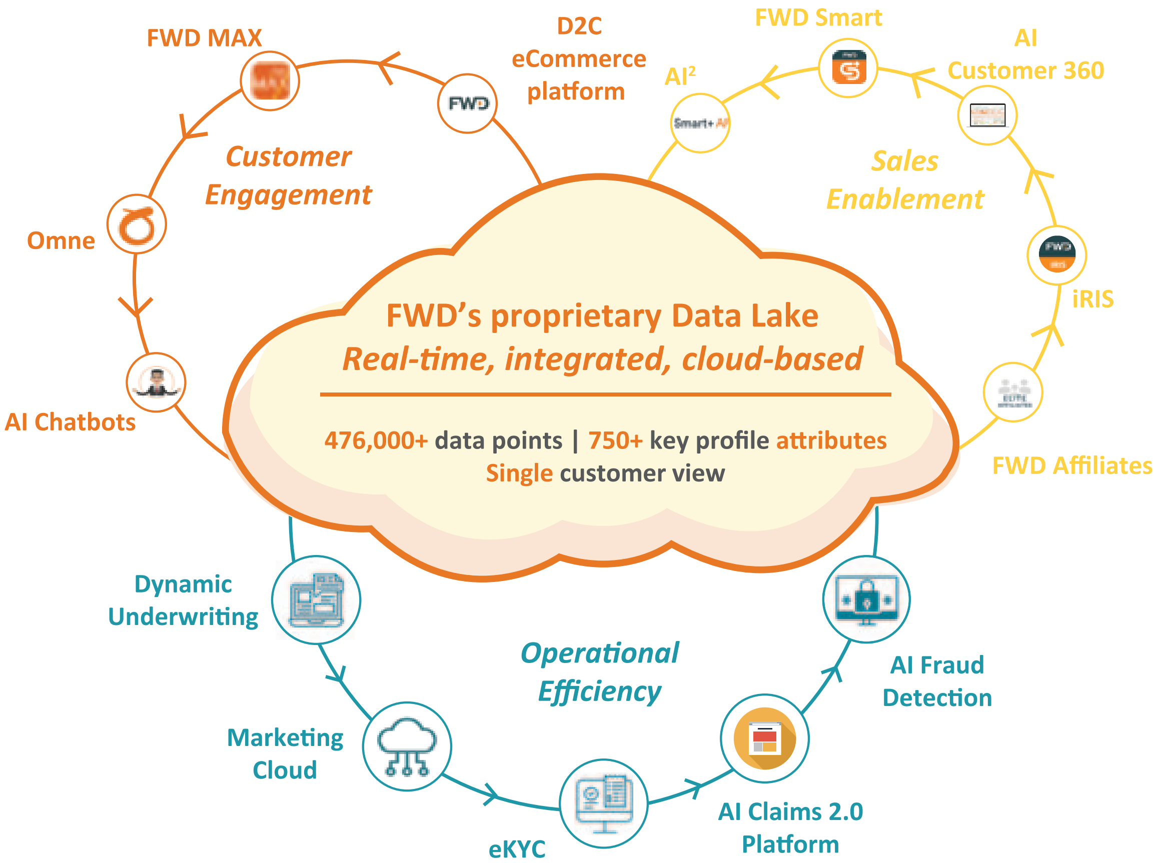
Underwriting

We structure our underwriting process with the overarching goal of limiting friction in our customers' purchase process by using digital tools and enabling paperless straight- through-sales wherever possible. By leveraging automation, we are able to significantly streamline our underwriting and claims settlement processes and reduce our operating expenses. In 2022, we achieved between 66% and 98% monthly straight-through- underwriting in the markets where we have implemented our automated underwriting technology, and reduced the waiting time for coverage initiation from weeks to within a day.

TECHNOLOGY

Technology and digital analytics are at the core of our business. Our operations are supported by robust technology capabilities and digital infrastructure, which is cloud-based and seamlessly integrated across business functions and with external partners. As of 31 December 2022, 94% of our applications are migrated to the cloud, compared to 70% as of 31 December 2021 and 27% as of 31 December 2020. In addition, we have decommissioned 90% of applications that we had targeted for retirement, compared to 60% as of 31 December 2021 and 7% as of 31 December 2020.

Our operations are empowered by 74 proprietary data applications which leverage our Data Lake and proprietary AI models. Our operations are secured by strong data governance to ensure privacy protection and security with high data quality. See "– *Risk Factors – Our proprietary AI models may not operate properly or as we expect them to, which could cause us to write policies we should not write, price those policies inappropriately or overpay claims that are made by customers. Moreover, our proprietary AI models may lead to unintentional bias and discrimination*."



Our information technology budget includes dedicated investments to develop technology and promote our digital vision.

Data Analytics and AI

Data analytics and AI architecture serve as our central building blocks and empower our entire operations and functions, from customer engagement, distribution and partner enablement to operation automation and intelligent management of our customers' policies. With AI analytics implemented in eight out of our ten markets, we are committed to using data analytics to gain insights into our customers' experience and support various aspects of our business operations. As of 31 December 2022, we had 108 active AI models applied across our business, compared to 86 and nine active AI models as of 31 December 2021 and 31 December 2020, respectively, with over 250 use cases. At the heart of our technologies is our proprietary cloud-based Data Lake, a centralised data repository that collects customer data from multiple sources, which is stored and managed in a centralised cloud-based system. Launched in 2019, our Data Lake covers all of our markets except for Cambodia as of December 2022. In December 2022, our Data Lake was capable of consolidating and analysing data from over 476,000 data points, including our corporate databases and various social media channels, and presenting over 750 key profile attributes for a single customer.

Our Data Lake processes and analyses data underpinned by our proprietary AI and machine learning algorithms, providing us with quick access to time-sensitive data to gain customer insights, design and deploy new products and services, and launch automated and targeted marketing campaigns, thereby allowing us to meet the evolving customer needs in a timely manner. For example, we were able to use our Data Lake to identify customers who were about to lapse on their policies with approximately 80% accuracy in 2022, enabling the operations to take timely actions to follow up with such customers.

Additionally, our Data Lake is the central and foundational infrastructure that enables us to build other additional technological capabilities with ease and speed. Its real-time data insights are fed into our applications and services across all stages of the insurance value chain.

Customer Engagement

We put customers at the centre of everything we do and we are focused on providing them with a seamless and desirable journey wherever they want through a combination of digitalised and human services. To maximise customer touch points and extend our reach, in addition to our digitally empowered face-to-face channels, we have also developed a series of systems and tools to optimise customer engagement and help our customers learn and purchase our products, submit claims and stay engaged in an easy and seamless manner. In the year ended 31 December 2022, we launched 253 AI monetisation campaigns across nine markets, which include cross-sell, up-sell, persistency and freemium-to-premium campaigns.

Our customers can purchase our insurance products without human assistance through our FWD eCommerce Platform, which provides quick quote, O2O lead generation, plug and play functions and fully automated underwriting capability.

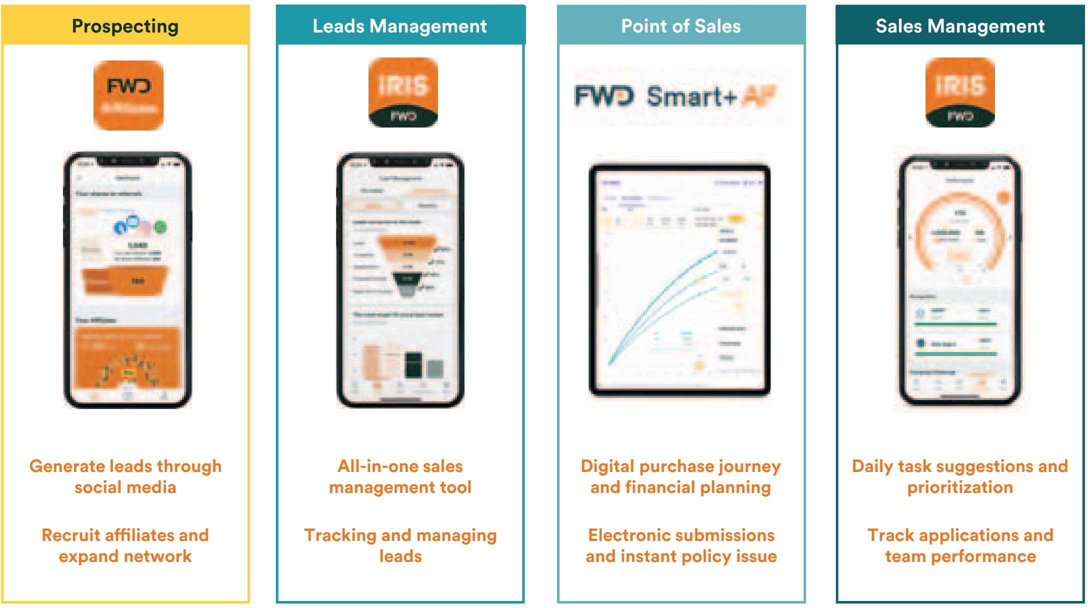
Our AI chatbots (Fi) facilitate customer engagement by answering a variety of customers' inquiries and provide pricing information of our key products on a 24/7 basis. From May 2020 to December 2022, Fi handled over 805,000 messages from more than 258,000 customers. In total, our AI chatbots have delivered US$895,000 of savings in annual manpower and cost reduction since their inception. Our AI chatbots are also able to help us manage our call centre volume and provide better service to our customers around the clock. We have rolled out our chatbots in Hong Kong, Japan, the Philippines, Singapore, Malaysia, Thailand and Indonesia.

We also engage our customer base through customer engagement platforms such as FWD MAX and Omne, which provide value-added services, promotions and content driven by customer preferences. By enhancing the use of data we collect, we aim to achieve higher customer retention rates and new sales through these platforms, while remaining in compliance with the applicable laws and regulations.

Sales Enablement

We have transformed our traditional face-to-face distribution channels by enhancing and empowering our agents and bancassurance partners with digitalised tools and by integrating the digital experience with the human touch. To this end, we have developed various tools and platforms to support the entire sales process, enabling analysis of customers' financial needs, quotations, eSubmission and automated underwriting, thereby allowing our sales force to serve our customers more efficiently and effectively at anywhere and anytime.

During the peaks of COVID-19 pandemic in relevant markets, the intra-country travel restrictions affected our distributors' and agents' ability to interact with customers through face-to-face meetings. In light of this, we have invested in our robust technology capabilities and cloud-based digital infrastructure to enhance our digitalised sales process to support our distributors and agents. For example, we have embedded technology at every step of our agents' sales process, as described below:



- *Prospecting*: FWD Affiliates is a social media engagement platform that enables our agents to broaden their sales network beyond traditional sales channels. Anyone can sign up and become an affiliate for free on the platform. After signing up, the affiliates can earn rewards by sharing articles through the app on social networking websites. Since we first launched FWD Affiliates in Indonesia in April 2020, we have recruited over 45,000 affiliates as of 31 December 2022, making it our largest market in terms of affiliates. This has generated over 4,600 leads in 2022 and attracted more than 45,000 social media advertisement views in 2022, enabling us to match O2O leads. From January to December 2022, we recorded an average monthly leads-to-sales conversion rate of approximately 64% in Indonesia, and its APE contribution to the agency business was approximately 23%. We have also launched FWD Affiliates in Malaysia, Philippines and Vietnam, with a plan to further roll out to Hong Kong and Thailand.

- *Leads Management*: We manage leads through machine learning-driven insights to capture ideal prospects and convert them into customers, mainly through AI Customer 360, which provides a personalised and holistic view of our customers' insurance needs at the product category level to our agents and has successfully contributed to cross-selling. Additionally, it offers an AI prediction of the next- best-product for each customer, with over 85% accuracy in its application in Hong Kong, Thailand, Singapore and Vietnam.

- *Point of Sales ("**POS**")*: We equip our agents with digital tools, such as FWD Smart ePOS and AI^2. FWD Smart ePOS can conduct real-time analysis of customer needs and profiles, engagement support and quick quotes, and is used by approximately 10,000 average monthly active users in 2022. AI^2, which is our own AI-driven financial planning tool that provides our agents with a realistic assessment of each of our customer's needs, risk appetite and affordability, resulting in more enriched conversations between agents and customers. Empowered by such tools, our sales in Emerging Markets are now cashless and paperless.

- *Sales Management*: iRIS, our mobile sales activity management app provides our agents with daily task management, lead activity management, policy management, performance management and other functions. It provides one- stop sales management support by feeding insights on our existing customers to our distribution partners on a daily basis.

We believe that these technologies and tools have been well received by our partners and have significantly boosted their productivity. Similarly, we have been able to roll out bancassurance partnerships swiftly and transform sales force productivity.

Business and Operation Management

We apply data analytics and AI across our sales, underwriting, claims, policy administration, actuarial, collections and finance functions to automate our processes and enhance operational efficiency. We have introduced the following key initiatives to automate our operational processes:

- *Automated Underwriting*: We have implemented an AI-driven automated underwriting engine to provide a faster and simpler underwriting process to our customers. We have reduced our number of underwriting questions and refined them to solicit more relevant and accurate data, which helps us to better assess a potential customer's health condition and removes the need for physical examinations. Improved risk assessment capabilities through data analytics also increased the speed of our underwriting decisions.

- *FWD Marketing Cloud*: FWD Marketing Cloud is a customer relationship management system that is designed to identify the needs and products for customers via integration with our Data Lake. By leveraging customer data and insights stored in our Data Lake, FWD Marketing Cloud initiates automatic targeted customer engagement across all of our communication channels.

- *eKYC*: e-Know-Your-Customers ("**eKYC**") is a proprietary KYC tool that replaces manual KYC document review with an automated KYC process at an over 80% verification application success rate. eKYC resulted in a 90% reduction in usage costs compared to similar solutions developed by third parties. Since we launched eKYC in Vietnam in 2019, we have on average reduced the time required for KYC by 20% for new policy issuances.

- *AI Claims 2.0*: AI Claims 2.0 is a mobile app that can instantly generate a decision to pay customers for low risk claims. We have rolled out AI Claims 2.0 in Hong Kong, Thailand, Japan and Indonesia as of December 2022.

- *AI Fraud Detection*: AI Fraud Detection is our proprietary AI-powered fraud detection solution, which is integrated with our claims system. We have rolled out AI Fraud Detection in Hong Kong, Thailand, Japan and Indonesia as of December 2022.

- *AI Winback Campaign*: AI Winback Campaign is an AI-powered initiative that identifies and targets existing bancassurance customers with lapsed or premium holiday policies. Through effective targeting in 2021 in the Philippines, we increased the number of reinstated policies by 75% in June 2021.

- *AI Lapse Models*: AI Lapse Models provide insights to more efficiently allocate resources and target risk cases to pay renewal premiums via AI Customer 360. We have developed five AI Lapse Models in Thailand, each of which is tailored to various bancassurance and agency sub-channels.

Technology Employees

The number of technology employees in the Group Office grew by a CAGR of over 32% from 206 as of 31 December 2020 to 359 as of 31 December 2022, as we rolled out a number of digital initiatives. We also expanded our team of data scientists, data engineers, and data analysts, representing over 44% of our total headcount at the Group Office level as of 31 December 2022, compared to 36% as of 31 December 2020. Many of our R&D personnel have joined us from large and well-renowned technology and fintech companies headquartered in the United States, Asia and Europe.

INVESTMENTS AND ASSET MANAGEMENT

Overview

We invest the premiums and other income generated from our insurance businesses to generate investment return. Our investment philosophy is to maintain a balanced asset portfolio that generates relatively stable investment returns. To match our long-term liabilities, we focus on investment grade fixed income securities. We also invest in riskier assets with higher returns, such as equity securities, real estate and alternative investments, mainly to support our traditional participating and universal life insurance products.

As of 31 December 2022, we had US$43.7 billion in investment assets (which includes financial investments, investment property, and the assets and liabilities of derivative financial instruments), of which US$41.3 billion were policyholder and shareholder investments and US$2.4 billion were unit-linked investments. For the years ended 31 December 2020, 2021 and 2022, we had net investment income of US$1,032 million, US$1,262 million and US$1,263 million, respectively. We separate our financial investments into two categories: policyholder and shareholder investments, and unit-linked investments. In general, the investment risk of unit-linked investments is borne by our customers, who are responsible for allocating their premiums among the investment options that we offer. Policyholder and shareholder investments include all financial investments other than unit- linked investments. Supported by the rising interest rate environment in 2022 and our investment management strategy, our new money fixed income yields increased by over 1.35% in full year 2022 on a weighted average basis as compared to 2021.

INVESTMENT MANAGEMENT AND FRAMEWORK

We manage our investments in accordance with our investment management framework, which seeks to ensure that our investment functions are effective and compliant with relevant laws and regulations. It also requires that our investment functions adhere to our ethical standards and risk management policies.

Our Board has established a risk committee (the "**Risk Committee**"), which has primary responsibility for overseeing the investment of all our assets (other than operating assets) within the risk guidelines set by our Board. To meet our investment objectives, the Risk Committee reviews and approves our investment strategy and asset allocation.

There are two management committees which oversee our investment activities, namely, the investment committee established by the Board (the "**Investment Committee**") and the ALMCO established by the Risk Committee. The Investment Committee and the ALMCO are required to report all significant risks and issues identified in performing their duties to the Risk Committee, which provides oversight of our risk management framework.

The Investment Committee is chaired by our Group Chief Financial Officer and currently consists of three other members, namely, our Group Chief Executive Officer, Group Chief Investment Officer and Group Chief Actuary. The Investment Committee reviews, approves and monitors investment management strategies and delegates authority to our Business Units to carry out relevant activities in line with our risk appetite. Investment decisions are made by asset managers within the Business Units and subject to our defined and approved investment policies and guidelines.

The ALMCO is also chaired by our Group Chief Financial Officer. It currently consists of five other members, namely, our Regional Chief Financial Officer, Group Chief Actuary, Group Chief Investment Officer and Group Chief Risk Officer. The Group Vice President, Investment Risk, when such position is filled, shall also be a member of the ALMCO pursuant to its terms of reference. The ALMCO has delegated authority from the Risk Committee to oversee the management of insurance risk, market risk, credit risk and asset liability management matters.

The Group manages its assets and liabilities according to its asset liability management policy under the enterprise risk management framework which addresses risks arising from market exposures, asset-liability mismatches, liquidity management, currency exposures and fund segregation. Each Business Unit also has specific goals and objectives – whilst these differ depending upon their individual circumstances and environment, there are some overarching principles that are applied.

These principles ensure that any local legislation that may apply to the treatment of assets and liabilities is considered and that asset cash flows are managed in relation to liability cash flows in a manner that is within the agreed limits and risk appetite of the Group. Additionally, only asset classes permitted by the Group can be invested in and any financial derivative instruments must never be used for speculative purposes.

Asset-liability mismatch risk is the risk of adverse movements in the relative value of assets and liabilities. Assets and liabilities are considered to be well matched if their changes in value in response to market movements are highly correlated and within predefined risk metric limits. In assessing its asset-liability mismatch, each Business Unit determines the appropriate metrics and respective risk thresholds and have approvals for these from the ALMCO. These typically include mismatches between the asset and liability cashflows, duration, dollar duration, liquidity and currency.

The duration of interest-bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities at segment-level. In order to reduce exposure to changes in interest rates, the Group seeks to match, to the extent possible and appropriate, the duration of assets and related liabilities. However, the availability of assets of suitable duration may be restricted by applicable insurance laws, rules and regulations or other market factors.

In addition, the Group continuously monitors its investments through various methods, including management reports, review of risk indicators, action tracking, key control testing, supervision, quality assurance, back-testing, scorecard review, policy review and self-assessment. Our local investment committees and the ALMCO review, at least on a quarterly basis, investment reports by asset class, sector allocation and allocation across ratings. Furthermore, our equity investments are mainly managed by dedicated private equity managers, who provide us regular access (at least on a monthly basis) to portfolio performance and details.

Specific governance processes and procedures are in place for ALMCO to ensure any breaches or errors are identified quickly and to govern the process for escalating any of these breaches to the appropriate parties.

INVESTMENT STRATEGY

Our insurance products are of a long-term nature and may embed guaranteed and non-guaranteed returns. The main objectives of our investment strategy are to meet our financial obligations to policyholders, the reasonable expectations of policyholders, and regulatory capital requirements. In this regard, our Group's investment strategy takes into account the different product characteristics and capital requirements within each business unit.

Our policies require each business unit to formulate its strategic asset allocation ("**SAA**") that is able to meet our main investment objectives and to manage investments within the approved risk appetite. Our insurance portfolios include the following major asset classes:

- fixed income assets, which can provide predictable cash flow from coupons and maturity payments to meet our contractual liability payments;

- major debt fixed income classes such as government and government agency bonds and corporate bonds; and

- structured securities, which can provide diversification and return.

Our focus is on credit quality. Our fixed income investments are predominantly investment grade credits comprising AAA to BBB- ratings. Within these major fixed income asset classes, we also seek diversification across geographies, industry sectors, issuers and currencies. Currency exposure on account of bonds denominated in currencies other than the underlying insurance liabilities will be hedged.

Individual insurance portfolios are composed of these fixed income asset classes with varying degrees of exposure depending on the characteristics of insurance liabilities; for example, long duration liability portfolios tend to be invested to a larger degree in government bond securities as these are issued with long maturities up to 50 years. Portfolios with higher return targets would focus more on corporate bonds that provide higher income due to credit spreads over government securities.

To a smaller degree, insurance portfolios may hold riskier assets such as public and private equity, other alternative assets, and property. Such holdings provide diversification and higher expected long-term returns.

The Group aims to hold and manage capital to meet all policyholder obligations, regulatory capital requirements and economic capital requirements sufficient to meet our credit rating needs and in accordance with the Group Risk Appetite Framework as approved by the Group Board. We have also established a set of risk policies that support the implementation of our Enterprise Risk Management Framework and Risk Appetite Framework to govern risk-taking across various risk factors pertaining to investment assets.

Our SAA Policy and Asset Universe documents stipulate the limit for each asset class and the permitted underlying instrument for each asset class. There are relevant policies that involve multiple layers of limit systems where risks are monitored against the approved risk limits, and prescribe escalation procedures to address excessive risks which are reported to and addressed by the ALMCO, the Investment Committee or Board committees. During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, the Group did not record any material and reportable deviation from the risk limits defined in the Risk Appetite Framework for the investment portfolio.

OUTSOURCED INVESTMENT MANAGERS

We outsource a portion of our investment portfolio to external investment managers. As of 31 December 2022, we managed 39.5% of our Assets Under Management ("**AUM**") for policyholder and shareholder investments. PineBridge, a related party, managed 25.0% of our AUM as of 31 December 2022, primarily consisting of investment grade bonds and alternative investments primarily for our FWD Life (Hong Kong) and FWD Life Japan portfolios. SCB Asset Management Company Limited managed 26.5% of our AUM as of 31 December 2022, which primarily included investments in equities and investment grade and high yield bonds for our Thailand business. The remaining balance of our AUM was managed by other external third parties.

On 13 December 2021, we entered into an Amended and Restated Investment Management Framework Agreement with Apollo Management Holdings, L.P. and Athene and an Amended and Restated Master Investment Management Implementation Agreement with certain affiliates of Apollo, which together set out the framework for a strategic collaboration between certain affiliates of Apollo, Athene and our Company in asset management, product distribution and reinsurance. Apollo is one of the largest asset managers globally, with an AUM of US$548 billion as of 31 December 2022. The partnership allows the Group to tap into Apollo's expertise in managing insurance balance sheets and deploying capital globally, having built up significant capabilities to support affiliated and third party clients. Our Directors believe that the Group will also be able to benefit from Apollo's scalable origination platform with a track record in achieving yield uplift for its clients. Save for the Pre-IPO Investment by Athene, Apollo is an independent third party of our Company.

Pursuant to the investment management agreement, one or more Apollo affiliates will manage part of our Company's investment portfolio, across multi-credit and alternative asset classes. Since the entry into these agreements, we have made purchases of investment grade assets from public markets with blended yields above comparable indices, and we expect the allocation to increase over time with an aim to achieve further yield uplift.

The initial term with respect to the multi-credit asset classes will be five years from the date of each deposit of assets in connection with the investment management mandate, with automatic annual renewals thereafter up to year 10, subject to performance, fees and compliance with law and regulations. Each of the investment management implementation agreements may be terminated by our Company at any time if Athene and/or its affiliate assignees cease to hold at least 75% of the Tranche A Purchased Shares purchased by Athene in the Pre-IPO Investment.

The effectiveness of the Amended and Restated Master Investment Management Implementation Agreement will be subject to certain conditions, including applicable regulatory approvals required from the HKIA under its material outsourcing regime. Furthermore, pursuant to these agreements, if our Company fails to obtain the applicable regulatory approval within nine calendar months following the closing of Athene's Pre-IPO Investment, as a result of which our Company is unable to perform its obligations under the Amended and Restated Master Investment Management Implementation Agreement, or if our Company fails to make the requisite initial deposits on time and such failure is not remedied within a specific period of time, our Company is required to waive the lock-up restrictions applicable to Athene's Pre-IPO Investment. For details regarding the lock-up restrictions, please refer to "*History, Reorganisation and Corporate Structure – Major Shareholding Changes of our Company – Pre-IPO Investments.*" As of December 2022, our Company has allocated over US$3 billion of its assets to Apollo affiliates under advisory, and partnership or fund management agreements, compared to over US$1 billion as of 31 March 2022. As at 6 March 2023, our Company is awaiting approval from the HKIA.

INVESTMENT PORTFOLIO

See "*Financial Information – Investment Portfolio*" for details of our investment portfolio.

RISK MANAGEMENT

The core of our business is accepting, pooling and managing risk for the benefit of our policyholders. We have established a comprehensive risk management framework, including a risk management committee structure and robust risk management frameworks, policies and strategies. Our risk management framework is designed to ensure that the risks we have undertaken are backed by appropriate levels of capital to support the ongoing businesses and protect policyholders. We aim to balance efficient capital structures in case of our operating insurance subsidiaries within acceptable levels of risk without compromising either financial strength or our requirement for appropriate returns.

Our risk management cycle starts with identifying the risks, agreeing on and implementing mitigation actions until the risks are resolved and managed within our risk appetite. We have established risk and compliance KPIs and conduct risk culture activities regularly to promote our staff's awareness of risk issues.

Risk Management Committees

We manage our risk profile through our Risk Committee, which functions independently and is supported by the Investment Committee, the ALMCO and the compliance and operational risk committee as well as additional working committees.

Risk Management Framework

Our risk management framework applies to all our Business Units, which helps to ensure that we adopt a holistic approach towards risk management and that our risk management policies and strategies can be consistently implemented across our Group. Our risk management framework assigns clear accountability, roles and responsibilities for the management of risk in line with our risk appetite. We regularly review, and stress test our risk management framework to ascertain if any update is needed.

Our risk management framework is based on a "*three lines of defence*" model, which ensures that risks are managed according to the risk appetite established by our Board. The first line of defence is our managers and employees who manage risks on a daily basis in accordance with the strategies and policies set by our Board. The second line of defence is our risk management and compliance functions, who (i) assist the relevant risk committees to formulate the risk management strategies and policies; (ii) coordinate and oversee the execution of our risk management strategies and policies; and (iii) provide an independent assessment of our risk exposure. The third line of defence is our audit function, governed by our audit committee. Our internal audit function independently assesses the design and effectiveness of our overall risk management system.

Our risk appetite reflects the amount of total risk exposure that we are willing to accept or retain on the basis of risk-reward trade-offs in qualitative and quantitative terms. Our risk philosophy and approach to risk management stem from our vision, and are reflective of our strategy, risk capacity, code of ethics and business conduct, and our stakeholders' expectations. Our Board establishes our risk appetite through the promulgation of qualitative risk appetite statements. These statements communicate the principles that guide our selection and preference of different types of risks and establish a clear link between our overall business strategy and our risk tolerances. The qualitative risk appetite statements are supported by actionable statements and further broken down into more granular specific risk tolerances for our key risk categories. These risk tolerances are monitored using quantitative metrics set by senior management in collaboration with the Risk Committee and are reported to our Board on a quarterly basis.

Risk Appetite Statements

Our current risk appetite statements are as follows:

- Strategic Risk: we accept strategic risk as part of our business planning process and pursuit of our vision and strategic objectives. We have no appetite for business activities or decisions that knowingly lead, or are likely to lead, to negative impacts on our brand value or customer outcomes. We accept the long term risks posed by climate change (for example, physical and transition risk) where it is identified, assessed and incorporated into the business planning process.

- Market Risk: we accept market risk exposure where we have ample understanding and are able to manage our position as a long term investor to generate adequate and sustainable risk adjusted returns for the benefit of our policyholders and shareholders. We have low appetite for concentration risk from market risk. We have no appetite for complex market risks for which the Group has no knowledge.

- Credit Risk: we have low appetite for credit risk arising from a default by an insurance, reinsurance or investment counterparty (except credit investments) to fulfil its obligations to the Group. We have low appetite for concentration risk.

- Insurance Risk: we accept insurance risk exposure that the Group has the experience to understand, ability to measure and reasonable expectation to price and derive value for shareholders and customers.

- Liquidity Risk: we have a low appetite for liquidity risk arising from group operating expenses, debt servicing, external dividends, and capital support to business units. Within each Business Unit, the liquidity need arises from insurance business activities and planned remittance to the Group.

- Legal, Compliance & Reputational Risk: we accept operational risk is an inherent part of business operations and have varying appetite and tolerance levels for different types of operational risk. We have no appetite for behaviours and decisions that knowingly lead, or are likely to lead, to unfair customer outcomes, regulatory intervention, breach of code of conduct or reputational damage. We have low appetite for adverse business resilience and no appetite for control deficiencies that result in material losses (direct or indirect).

KEY RISK CATEGORIES

We have identified the following key risks as part of our risk appetite framework. For each key risk, we establish a number of risk monitoring metrics, each with a predetermined tolerance level and clearly defined risk ranges, to facilitate detailed monitoring of our risk profile.

Strategic Risks

Strategic risks are risks related to the competitiveness and sustainability of our Group, such as our reputation risk, long-term direction and contagion risk. Reputational risks are risks of loss of franchise value due to damage to our brand or reputation with customers, distributors, investors and regulators. Our consideration of reputational risk is a key element in our strategic risk management.

Insurance Risks

Insurance risk includes the risks inherent in insurance products, including (i) product design risk, which refers to the potential defects in the development of particular insurance products, (ii) underwriting and expense overrun risk, which refers to the possibility of product-related income being inadequate to support future obligations arising from insurance products, (iii) lapse risk, which refers to the possibility of actual lapse experience diverging from the anticipated experience assumed in product pricing, and (iv) claims risk, which refers to the possibility that the frequency or severity of claims arising from insurance products exceeding the levels assumed when the products were priced.

We utilise several benchmarks, including VNB and new business margins, to assess the pricing adequacy of a new product and the ongoing appropriateness of an existing product.

The lapse risk includes the potential financial loss incurred due to early termination of policies or contracts in circumstances where the acquisition costs incurred are no longer recoverable from future revenue. To reduce our expose to lapse risk, we carry out regular reviews of persistency experience, and the results are reflected in new product pricing and in-force product management. In addition, many of our products include surrender charges that entitle us to additional fees upon early termination by policyholders.

We seek to mitigate claims risk by conducting regular reviews of mortality and morbidity experience and reflecting this experience in new product pricing. We also manage claims risk by adhering to our underwriting and claims management policies and procedures. Finally, we use reinsurance solutions to help reduce concentration and volatility risk, especially with large policies or new risks, and as a protection against catastrophes.

Operational Risks

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, personnel and systems or from external events. Our businesses depend on the accurate and efficient processing and reporting of a high volume of complex transactions across numerous and diverse products and services. Any weakness in these internal processes, systems or security could have an adverse effect on our results and on our ability to deliver appropriate service to customers during the affected period. Key operational risks include risks relating to information technology, cyber and information security, business continuity and fraud. Compliance risks, which are the risks of non- compliance with regulatory requirements, are also part of the operational risk categorisation. Key compliance risks include risks relating to regulatory compliance, conduct risk (including mis-selling), anti-money laundering and counter terrorist financing, sanctions, anti-bribery and corruption and privacy. We have low tolerance for operational risks and have established robust processes and procedures to control operational risks by identifying, assessing, monitoring and developing strategies to mitigate these risks.

We have established a strong data governance framework to ensure data privacy protection and information security. We began implementing our data governance framework in 2019 and have adopted the framework in Hong Kong, Thailand, Japan, the Philippines, Vietnam, Indonesia, Singapore and Malaysia. Under this framework, we developed our AI and machine learning models in-house and adopted a well-established process to test and monitor these models and validate their results on a continuous basis. Our data governance framework is aligned with the six measures proposed by the International Organisation of Securities Commission in its consultation report on "The Use of Artificial Intelligence and Machine Learning by Market Intermediaries and Asset Managers" published in June 2020.

Financial Risks

We are exposed to a range of financial risks, including interest rate risk, liquidity risk, credit risk, equity price risk and market risk. For details, see "*Financial Information – Factors and Trends Affecting our Results of Operations – Fluctuations in market interest rates, credit risk and equity markets*".

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 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 three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, material intra-group transactions are related to reinsurance, intra-group dividends, loans, recharges, funding and bonds.

RESERVES

For all of our product lines, we establish, and carry as liabilities, actuarially determined amounts to meet our future obligations under our insurance policies. In accordance with IFRS, our reserves for financial reporting purposes are based on commonly applied actuarial methodologies for estimating future policy benefits and claims. We expect these reserve amounts, along with future payments on policies and contracts, and investment earnings on these amounts, to be sufficient to meet our insurance policy and contract obligations. The amount of our consolidated insurance contract liabilities as of 31 December 2022 was US$48,715 million.

We establish the liabilities for future policy benefits and claims based on assumptions that are uncertain when made. Our assumptions include mortality, morbidity, policyholder persistency, administrative expenses, investment returns and inflation. Our actual experience may be different from our assumptions, and as a result, we cannot determine precisely the amounts that we will ultimately pay to settle these liabilities or the timing of these payments. These amounts may vary from the estimated amounts, particularly when these payments do not occur until well into the future. We evaluate our liabilities periodically, based on changes in the assumptions used to establish the liabilities, as well as our actual policy benefits and claims experience.

REINSURANCE

We reinsure a portion of the risks that we assume under our insurance products to multiple international and local reinsurers to manage our insurance risk, maintain our capital position within our risk appetite limits and leverage the reinsurers' knowledge for our product development. To reduce our reinsurance concentration risk, we use various leading international and local reinsurers. We select our reinsurers based on their financial strength, service, terms of coverage, claims settlement efficiency and price. We usually consider at least three reputable reinsurers during the selection process and take into account local regulatory requirements. We review our reinsurance arrangements periodically and regularly monitor the financial strength and credit rating of our reinsurers and our concentration risks to ensure we do not have excess risk exposure to any particular reinsurer.

We have established a reinsurance management framework that sets out the principles and requirements of our reinsurance management. We tailor our reinsurance strategy to our products and the geographical markets in which we operate. We determine our retention limit and participation ratio based on the insurance laws and regulations of the relevant geographical market, our solvency margin, the characteristics of our products as well as our business needs and strategies. Examples of such external reinsurance arrangements which have been adopted by us include individual surplus reinsurance, quota share reinsurance, catastrophe covers and financial reinsurance. We also receive commissions from reinsurers generally to bear our operating expenses such as new policy acquisition costs and personnel costs.

As part of our overall reinsurance strategy, we have entered into various arm's length arrangements with Swiss Re, the intermediate parent company of one of our shareholders, Swiss Re PICA, to reinsure certain products. Under these arrangements, Swiss Re has undertaken to reinsure a portion of the risks undertaken by us. As consideration for undertaking a portion of the risk, we pay reinsurance risk premiums to Swiss Re on a periodic basis under the terms of these arrangements.

In addition to using external reinsurers, we have also established FWD Reinsurance, a Cayman incorporated captive reinsurance company, for capital optimisation and margin enhancement. Our reinsurance with FWD Reinsurance is arranged through a rated third- party reinsurer to demonstrate arm's length pricing.

INSURANCE

We maintain insurance for our directors and employees and insure against defined incidental loss or damage to our owned self-use properties in accordance with applicable laws. Our Directors are of the view that we have maintained insurance coverage to suit such defined purposes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Our group-wide ESG strategy for 2021-2024 (the "**Group ESG Strategy**") represents the beginning of our journey to understand and prioritise the ESG issues that are most important to our business and those impacted by our decisions. We want to play our part in bringing about a better and more sustainable future.

Our ESG Goals

We support the United Nations' Sustainable Development Goals (the "**SDGs**"). Our Group ESG Strategy aligns with seven SDGs, covering areas where we can make the greatest contribution: SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 10 (Reduced Inequalities), SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Action).

We measure and voluntarily disclose our ESG performance with reference to Global Reporting Initiative, Sustainability Accounting Standards Board, Task Force on Climate-related Financial Disclosures and HKEX Appendix 27.

Our ESG Value-Creation

Our Group ESG strategy intends to create value in the following aspects:

- *Governance and risk management*. We aim to strengthen our culture of integrity and our robust risk management framework to ensure that we are doing the right things right. We are making our business stronger and more resilient through ensuring robust and transparent decision-making and incorporating material ESG factors into risk management;

- *Trust.* We aim to build customers' trust in us and the insurance industry. With 99% of our employees having completed the annual Treating Customers Fairly refresher training in 2022, we offer a seamless customer journey that is designed and evaluated through the eyes of our customers. We deliver the protection that our customers need through simpler and more inclusive products and create ways for customers to stay engaged with us, while ensuring responsible use of their data;

- *Talent.* We aim to attract, develop and retain people who will change the insurance industry. We are fostering a vibrant workplace culture through inclusive leadership, promoting diversity of talent and increasing business resilience through flexible working. We have adopted a Group board diversity policy, which aims to enhance the effectiveness of our board and our corporate governance standards by ensuring diversity. As of 31 December 2022, women make up 27% of our board and 31% of our assistant vice presidents or above;

- *Closing the protection gap.* We are committed to making a real impact on financial inclusion. We focus on younger customers in Asia who have traditionally been underserved by making our products accessible and attractive to them. We are educating people to help increase their financial literacy levels and become their life-time partner as they go through their life stages;

- *Sustainable investment.* We are a signatory to the Principles for Responsible Investment and aim to incorporate ESG factors into our investment process to ensure the long-term sustainability of our investments. In 2022, we supported over 14,000 individuals through financial education and literacy programmes. For example, we partnered with a leading social enterprise in Malaysia to develop Fun(d) for Life, a financial literacy programme that supported over 10,000 individuals; and

- *Climate change resilience.* We support the transition towards a low carbon economy through alignment with the Task Force on Climate-related Financial Disclosures.

Our ESG Governance

As part of our overall business strategy, we aim to ensure a close alignment of our ESG function with our business goals and ensure we allocate sufficient resources to our ESG functions, including establishing an ESG management committee in January 2020 to achieve this. The ESG management committee is chaired directly by Mr. Huynh, our CEO and executive director, and comprises senior managers from across the business. This ESG management committee is responsible for establishing our ESG goals and strategy, evaluating our performance and responding to emerging ESG risks and opportunities. This ESG management committee reports our various initiatives and progress to our Board at least twice a year. Our nomination and corporate governance committee provides a leadership role in the Group ESG strategy and has oversight of its progress through Group ESG management committee updates. The nomination and corporate governance committee meets at least twice a year.

Competition

In general, the insurance industry is highly competitive. Insurers compete based on a number of factors, including distribution reach, brand recognition, marketing methods, products, pricing, customer service, financial strength ratings and other indices of financial health. We believe that we are well positioned to compete with both established players as well as new entrants and to continue increasing our market share by leveraging our customer-led and digitally-enabled strategy and our ability to quickly adapt to changes in market trends and the regulatory environment.

Leading market participants in the insurance industry are primarily either regional or multi-national insurance companies, local entities or subsidiaries of banks and other financial institutions. Subsidiaries of European and North American life insurance groups that operate in Asia tend to operate in many of the major markets in the region, and some currently have top ten market shares in a few major markets. Many local domestic life insurers in Asia remain primarily focused on their home market. We face strong competition in the markets in which we operate. In Hong Kong, we face competition from established regional players including local subsidiaries of large insurance groups and new entrants such as digital insurers. In Thailand, we face competition from local branches of international insurance groups and local insurance companies. In Japan, we face competition from domestic insurance companies and large domestic financial service providers that either have their own insurance subsidiaries or enter into co-operative arrangements with major insurance companies. In our Emerging Markets, we face competition from regional players, especially those with a strong locally established presence and customer reach. For more information, see "*Industry*."

Awards and Recognitions

We have received numerous awards and recognitions which reflect our renowned industry achievements. The tables below set forth some major awards and recognitions we have received:

Selected Business Awards

Year	Award/Recognition	Issuing Body
2021	Online Initiative of the Year	Asia FinTech Awards
2021	Core Insurance Transformation (Bronze Award)	European Financial Management Association and Accenture
2021	Outstanding Use of Digital Channels for Improved Customer Experience	The Digital Banker
2021	Best Use of AI for Customer Experience (Highly Acclaimed)	The Digital Banker
2021	Best Solution for Distribution	DigFin Innovation Awards
2021	Best Client Communication Initiative	WatersTechnology Asia Awards

Selected Insurtech and Innovation Awards

Year	Award/Recognition	Issuing Body
2022	Innovation of the Year	Asia Insurance Industry Awards
2022	Best Cloud Migration Project	WatersTechnology
2022	Best Alternative Data Initiative	WatersTechnology
2022	Special Award for Data, Analytics and AI	International Data Corporation
2021	Asia's Most Innovative Insurer	International Data Corporation
2021	Insurtech Initiative of Year	Insurance Asia News
2021	Analytics Provider of the Year	Insurance Asia News
2021	Future Enterprise of the Year	International Data Corporation
2020	Outstanding Award in the Innovative Product Category	Bloomberg
2020	Most Innovative Insurance Process Asia	Global Banking & Finance Awards

Intellectual Property

The protection of our technology and intellectual property is an important aspect of our business. As of 6 March 2023, we owned 29 registered trademarks, including ten trademarks and eleven domain names which are material to our business. Intellectual property laws, procedures and restrictions provide only limited protection and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated.

Regulatory Licences

We need to maintain valid relevant insurance licences in each market to operate our businesses. We are subject to extensive oversight and comprehensive regulations by the relevant regulators in each market we operate in. In addition, we also need to obtain prior authorisation from respective regulators for the sale of new insurance products or key changes in the terms of our products. Please see "*Risk Factors – Risks Relating to Legal and Regulatory Matters – We and our Business Units are subject to extensive regulation as insurance companies, including monitoring and inspection of our financial soundness, which may restrict our business activities and investments and increase our cost of complying with such regulations*."

During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 and up to 6 March 2023, we have obtained all material licences, approvals and permits from the relevant government authorities necessary for the operation of our business in the jurisdictions in which we operate, and such licences, approvals and permits remain valid and in force. We have not experienced any refusal of the renewal application of any material licences, approvals and permits necessary for the operation of our business. Details of our material licences and permits are as follows:

Licence/Permit	Holder/Jurisdiction	Grant Date/ Expiration Date	Description of Licence/Permit
Life insurance	FWD Life (Bermuda)/ Hong Kong	1984/N/A	Long term insurance business
Life insurance	FWD Life (Bermuda)/ Bermuda	28 December 2011/N/A	Long term insurance business
Life insurance	FWD Life (Hong Kong)/ Hong Kong	27 May 2002/N/A	Long term insurance business
Life insurance	FWD Life Assurance (Hong Kong)/ Hong Kong	23 September 1983/N/A	Long term insurance business

Licence/Permit	Holder/Jurisdiction	Grant Date/ Expiration Date	Description of Licence/Permit
Life insurance	FWD Life (Macau)/ Macau	22 March 1999/N/A	Life insurance business
Life insurance	FWD Life Japan/ Japan	27 August 1996/ N/A	Life insurance business
Life insurance	FWD Thailand/ Thailand	14 May 2021/N/A	Life insurance business
Life insurance business permit	FWD Indonesia/ Indonesia	24 June 2020/ N/A	Life insurance business
Family takaful	FWD Takaful/ Malaysia	3 July 2018/N/A	Family takaful business
Life insurance	FWD Vietnam/ Vietnam	23 November 2007/ 23 November 2057	Life insurance business (including accident and health insurance business)
Life insurance	FWD Assurance (Vietnam)[(1)]/Vietnam	23 October 2008/ 23 October 2033	Life insurance business (including accident and health insurance business)
Direct insurer (composite).	FWD Singapore/ Singapore	19 April 2016/N/A	Direct insurer to carry on life and general business
Certificate of authority	FWD Philippines/ Philippines	1 January 2022/ 31 December 2024	Life insurance business
Class B (iii) licence	FWD Reinsurance/ Cayman Islands	6 April 2017/N/A	Insurance business
Life insurance	FWD Cambodia/ Cambodia	27 June 2021/ 26 June 2024	Life insurance business

Note:

(1) In March 2022 we disposed of our entire interest in FWD Assurance (Vietnam) to Tan Viet Securities Joint Stock Company and a group of investors.

Employees

As of 31 December 2020, 2021 and 2022, we had 6,407, 6,675 and 7,006 full-time employees, respectively, and 20, seven and five temporary employees, respectively. The following table sets out a breakdown of our full-time employees by Business Unit as of 31 December 2022:

	Full-time Employees
Hong Kong (and Macau)[(1)]	1,068
Thailand (and Cambodia)	2,054
Japan	843
Emerging Markets	2,234
Group Office[(2)]	448
Shared services and Innovation Hub[(3)]	359
Total	7,006

Notes:

(1) Includes non-shared services full-time employees from FWD Life (Bermuda), FWD Life (Hong Kong), FWD Life Assurance (Hong Kong), Macau and China representative office.

(2) Includes non-shared services full-time employees from FWD Group Financial Services, FWD Group Management and Valdimir.

(3) Includes shared services full-time employees from FWD China Technology Company, FWD Life (Bermuda) and Valdimir, and all employees from FWD Technology and Innovation Malaysia Sdn. Bhd, an innovation hub in Malaysia.

The following table sets out a breakdown of our full-time employees by function as of 31 December 2022:

	Full-time Employees
Sales, Branding and Marketing	2,269
Technology, Digital and Data Analytics	1,510
Group Operations	933
Finance, Actuarial and Investments	880
Corporate Governance[1]	215
Product Development	206
Strategy	231
Human Resources	174
Group Executive Management	116
Others	472
Total	7,006

Note:

(1) Includes legal, compliance, risk and audit functions.

Other than our employees in Japan, none of our other employees are subject to any collective bargaining agreements or represented by a union. We believe we have good employment relationships with our employees and have not experienced any interruptions of operations due to labour disagreements as of 6 March 2023.

EXECUTIVE REMUNERATION POLICY

The remuneration of our senior employees is designed to provide equitable and competitive incentive to align with Shareholders' interest and foster the long-term sustainable growth of the business within overall risk management framework. The remuneration mainly comprises base salary and variable remuneration including short-term and long-term incentives. The table below summarises the remuneration elements for the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

Element	**Purpose**	**Coverage and Frequency**
Annual Base Salary	Recognises the daily contribution of our people and the skills, experience and knowledge they bring to our Group	All employees and paid monthly
Short-term incentives	Recognises the annual performance of our people and allows us to collectively share and celebrate in our Group's short-term successes	All eligible permanent employees. Annual measurement and payment.

Element	Purpose	Coverage and Frequency
Long-term incentives	Share-based awards (in the form of RSUs and/or PSUs) granted to senior employees of our Group aligns them with the long-term goals of our Group and our Shareholders	Eligible senior employees by invitation. Measured and paid over no less than a three year period, depending on grade.
Allowances	Recognises specific skills or circumstances	Individual or role based entitlement and paid monthly

Variable remuneration opportunities are designed to motivate employees to deliver on key short-term and long-term objectives. The variable remunerations are linked to achievement of certain key performance indicators, with the respective weightings reflecting our business strategies with a focus on sustainable and value-focused growth. In particular, substantial weighting is afforded to VNB. Depending on business and individual performance results, such incentives may result in award levels above or below target, reflecting superior performance and performance below expectations, respectively.

Short-term Incentive Plan

Our short-term incentive plan recognises the contribution of all permanent employees to our Group's short-term successes, and to incentivise the achievement of specific annual performance objectives that are aligned to our strategy. It also provides a means to reward the individual and collective performance of our employees.

For the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, the performance measures used in the short-term incentive plan were as follows:

Performance Measures	Weighting	Description
VNB	35-40%	VNB is the main valuation driver for our Group at this stage of our development and therefore remains the most important metric in terms of weighting
Operating Profit Before Tax ("OBPT").	10-15%	OPBT growth is key to demonstrate progress and path towards profitability over the medium term
Expense management	0-20%	To promote disciplined expense management
New Business Strain ("NBS") as % of VNB	0-10%	NBS measures the capital consumption of our new business and is a key driver of cash flow over the medium term
Excess Embedded Value Growth ("EEVG")	0-10%	EEVG measures operating performance (expenses, persistency, and claim) against our actuarial assumptions and is critical to demonstrate the underlying cash flow generation of our in-force business
Strategic Metrics	30%	To drive medium term performance enhancement through key actions during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. As agreed by our Group Board every year

An individual's performance contribution is also considered when determining the amounts to be paid to the senior employees. The total value of short-term incentive awards that was paid to the senior management for the year ended 31 December 2022 is approximately US$9.4 million.

During the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, additional incentives were provided to reward the efforts required to achieve specific operational targets. For instance, key metrics relating to protection and propositions, customer journey transformation, quality distribution, neo-insurance and cloud adoption were considered in 2022 to determine the awards under the short-term incentive plan.

Long-term Incentive Plan

We offer a long-term share incentive plan to senior employees of the FWD Group in order to recognise our people who can influence, and contribute towards, the achievement of FWD's long-term goals and success and to drive retention of key talent. Eligible senior employees may receive an annual grant of either time-based or time-based and performance-based share awards, which vest over periods of either three or four years.

For the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, the performance measures used in the long-term incentive plan were as follows:

Performance Measures	Weighting	Description
Cumulative VNB	30-35%	VNB is the main valuation driver for the FWD Group at this stage of our development and therefore remains the most important metric in terms of weighting
Cumulative Protection VNB . . .	0-15%	Protection VNB, which is also an actuarial performance measure, measures the protection component of our total VNB and drives quality business mix
Cumulative OPBT/Improvement on Total Premiums and Operating Expenses	10-20%	OPBT growth is key to demonstrate progress and path towards profitability over the medium term. Improvement on total premiums and operating expenses is strategic initiative to achieve similar outcome as OPBT growth
Cumulative NBS as % of VNB	0-10%	NBS measures the capital consumption of our new business and is a key driver of cash flow over the medium term

Performance Measures	Weighting	Description
Cumulative EEVG or Embedded Value	10-35%	EEVG measures operating performance (expenses, persistency, and claim) against our actuarial assumptions and is critical to demonstrate the underlying cash flow generation of our in-force business. Embedded value measures the consolidated value of shareholders' interests in our in- force business.
Strategic and Organisational Health	0-30%	To drive long-term performance enhancement through critical strategic and organisational health metrics

PROPERTIES

As of 31 December 2022, we operated our business primarily through leased premises. We lease various properties in the jurisdictions in which we operate and we primarily use our leased properties as office premises for our business operations. We are headquartered in Hong Kong, where we lease 16 properties covering a gross floor area of approximately 40,010 square meters.

As of 31 December 2022, each of our investment properties had a carrying amount of less than 1% of our consolidated total assets and none of our non-investment properties had a carrying amount of 15% or more of our consolidated total assets. Therefore, we are not required to include a property valuation report in this Offering Circular.

OUR OPERATIONS IN OUR GEOGRAPHIC MARKETS

Our subsidiaries operate the Group's life insurance business across Hong Kong (and Macau), Thailand (and Cambodia), Japan and the Emerging Markets, which include the Philippines, Indonesia, Singapore, Vietnam and Malaysia. As used herein, references to "we" and "us" are to our subsidiaries operating our insurance business in each of our geographic markets.

HONG KONG (AND MACAU)

Market Overview

While Hong Kong is a mature insurance market, the demand for life insurance products continues to grow, driven by solid demographic and macroeconomic tailwinds. With favourable demographic trends, there is growing demand for retirement and health products, as well as untapped potential in medical protection products. The expanding affluent class in recent years has also contributed to an expanding HNW individual population providing further potential for future growth in this sector. Benefited by geographical proximity, it is popular among MCVs to seek additional insurance protection in Hong Kong. Historically, insurance sales to MCVs have contributed to a significant portion of total industry sales, though it has slowed since 2016 due to stricter capital controls in mainland China, the social unrest in Hong Kong from 2019 to 2020, and travel restrictions imposed during the three financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 due to the COVID-19 pandemic. However, we expect that these changes will in turn accelerate the digital transformation of the insurance industry in Hong Kong, which better fits the evolving consumer behaviour, with consumers increasingly seeking remote and digital solutions for their insurance needs. Furthermore, the regulators have been introducing favourable policies and measures to support the growth of the insurance industry, including tax incentives to stimulate demand and the promotion of remote insurance sales. The Hong Kong-mainland China border reopened on 8 January 2023, allowing travellers (including MCVs) to cross freely without having to undergo quarantine.

Business

FWD Life (Bermuda), FWD Life (Macau), FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) operate the Group's life insurance business in Hong Kong and Macau. In February 2013, we acquired FWD Life (Bermuda) and FWD Life (Macau) from ING. Following the acquisition, we have been expanding our presence in Hong Kong with our customer-led brand and our vision to change the way people feel about insurance. We completed the acquisition of MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in June 2020 (subsequently rebranded as FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong), respectively). Our TWPI in Hong Kong (and Macau) was US$1,730 million, US$1,888 million and US$1,664 million in 2020, 2021 and 2022, respectively. Our GWP has grown at a CAGR of approximately 19% from 2014 to 2021, outperforming the industry average growth of 9% during the same period, according to NMG. From 2014 to 2022, our VNB has grown at a CAGR of approximately 13% from US$80 million to US$216 million.

We operate a multi-channel distribution model in Hong Kong and Macau, including tied agents, bancassurance, brokerage and neo-insurance.

Our agency distribution channel has grown significantly in recent years. Our agency force comprised approximately 4,100 agents as of 31 December 2022, including 647 MDRT-registered members in Hong Kong. We have the fifth largest number of MDRT-registered members in Hong Kong, and our agency distribution channel in Hong Kong ranked seventh in market share by APE in the nine months ended 30 September 2022, based on the Provisional Statistics on Hong Kong Long Term Insurance Business for January to September 2022 published by the HKIA. Our agency recruitment strategy mainly focuses on organic recruitment. We have been investing in our in-house agency leaders to recruit and build up our sales force. In 2021 and 2022, we and our agents have won multiple awards from Hong Kong Federation of Insurers, Hong Kong Management Association, Bloomberg and Institute of Financial Planners of Hong Kong.

For our bancassurance channel, we cooperate with Bank of Communications (HK) Ltd, China Construction Bank (Asia) Corporation Limited, E.Sun Commercial Bank, Ltd, Industrial and Commercial Bank of China (Asia) Ltd, CMB Wing Lung Bank-Macau Branch and Nanyang Commercial Bank, Limited under a non-exclusive, preferred banking partnership model where we align our product proposition with the banks' segmentation strategy, provide tailored training programmes for banks, launch co-branding programmes such as co-branded credit cards and deploy digital tools to help us and our banking partners to enhance the sales and customer journey. Through our bancassurance partners and bank-based brokers, we are able to present diverse and tailored product solutions to a wide group of HNW and mass affluent customers. Additionally, our long-term partnerships with the Hong Kong-incorporated bank subsidiaries of leading PRC banks allow us to tap into the vast population across the Greater Bay Area.

For our brokerage/IFA channel, our brokerage distribution channel in Hong Kong ranked sixth in market share by APE as of 30 September 2022, based on the Provisional Statistics on Hong Kong Long Term Insurance Business for January to September 2022 published by the HKIA. Brokers in Hong Kong strategically target MCVs and HNW individuals and we believe that our brokers are well-positioned to take advantage of the forecasted market growth and potential insurance opportunities in the Greater Bay Area. We are also aiming to roll out a self-service portal to our brokers for enhancement of the customer experience.

We also strive to make digital insurance more accessible to customers through our neo-insurance distribution, including our D2C eCommerce platform, digital ecosystems and partnerships, as well as our O2O digital referral model. By optimising our customer-led eCommerce platforms with simplified design and a straight-through product application process, we seek to further increase online traffic at our platforms and increase the online purchase conversion rate. We also distribute our products through the platforms of our digital partners, including online brokers, large eCommerce websites and e-wallets platform, and capture cross-selling opportunities by offering exclusive rewards for the members of such partner websites. Furthermore, we seek to maximise cost efficiency through O2O sales conversion through effective online lead management, digital referrals and data analytics capabilities.

In terms of customers and products, we have been diversifying our product portfolio based on evolving customer needs. We have diversified our product suite from universal life products to participating and protection products, including critical illness, medical and life policies, which are less sensitive to interest rate movements and could enhance our profit margin. In addition to life insurance, we also distribute MPF products for our partner Sun Life, general insurance products for bolttech, and mutual fund products through FWD Financial Planning. Additionally, we have launched a number of new products that present attractive value propositions to our customers, including Life Impact Reliever, Mind Plus Critical Illness Protection Plan and a Cash-up insurance plan. See "Business – Our Products – Product Strategy and Development."

As digitalisation is key to our growth strategy, we have invested heavily in R&D. In terms of customer servicing, our AI chatbot with real-time and multi-language support capabilities currently handles approximately one-third of our call centre traffic. We have also implemented automated underwriting, accepting an increasing number of e-submissions of new insurance applications, and providing digitalised customer management support for our distribution channels with iRIS.

We have promoted systems integration between Hong Kong and Macau to enable us to shift sales and operations across the two markets in a flexible and agile manner. We also benefit from shareholder support and work closely with affiliated companies such as the HKT Group and the bolttech Group on cross-selling and other collaboration opportunities.

Strategy

In the Hong Kong and Macau markets, we aim to improve profitability, accelerate protection growth and eliminate expense overrun by:

- further strengthening our multi-channel strategy, including expanding our agency force, driving digital adoption by our agency force to enhance productivity, promoting the preferred partner model for our bancassurance and brokerage channel to deepen penetration in HNW and targeted customers, and further broadening our customer reach and deepening customer engagement through our neo-insurance channel;

- product revamps and launches to enhance value creation, such as enhancing core critical illness and medical products with new features and enriching the packaging of savings products to differentiate ourselves from our peers;

- pursuing digital advancement to achieve operational excellence, through technologies and initiatives such as our cloud computing, automated underwriting, digitalised sales and services platforms, and AI chatbots;

- positioning our product strategy and risk management for a smooth adaptation to the RBC framework and enhance margins and net free surplus generation; and

- focusing on restoring our sales volumes to MCVs via our multiple channels following the Hong Kong-mainland China border reopening in January 2023.

THAILAND (AND CAMBODIA)

Market Overview

The insurance market in Thailand has faced headwinds in recent years, as a result of social commotion, regulatory changes, and the COVID-19 pandemic. Nonetheless, we believe that there is significant untapped potential within the Thailand life insurance market as the population remains substantially underinsured. In addition, Thailand's aging population has increased the demand for protection, medical and pension products.

Business

We commenced life insurance business in Thailand in 2013, when we acquired ING's life insurance business in the country and rebranded it as FWD Thailand, our regulated insurance subsidiary which operates our business in Thailand. Our acquisition of SCB Life in September 2019, along with a successful digital integration to effectively target customers and cross-sell insurance products, significantly enhanced our business scale, distribution reach and brand visibility. We have been able to take advantage of the various synergies since the acquisition, growing our business in Thailand significantly. Our TWPI in Thailand was US$2,255 million, US$2,249 million and US$2,166 million in 2020, 2021 and 2022, respectively. Our GWP has grown at a CAGR of approximately 29% from 2014 to 2021, compared with an industry average growth of approximately 3% during the same period, according to NMG. Our VNB has grown at an organic CAGR of approximately 14% from US$43 million in 2014 to US$72 million in 2018, which is the last full year prior to the acquisition of SCB Life and the execution of our distribution agreement with SCB in 2019. In 2022, our VNB generated from our partnership with SCB reached US$199 million, with our new business margin (% of APE) growing from 18.6% in 2019 to 56.9% in 2022.

We operate under a multi-channel distribution model in Thailand, including bancassurance, agency, brokerage and neo-insurance channels. We have built our bancassurance channel in Thailand through our past partnership with TMB, one of the leading banks in Thailand with US$28 billion in total assets across 416 branches and 4 million customers as of 31 December 2018 prior to its merger with Thanachart Bank Public Company Limited, as well as our current exclusive partnership with SCB, the leading bank in Thailand by market capitalisation, with US$100 billion in total assets across over 700 branches and over 17 million total customers as of 31 December 2021.

We efficiently replicated our success in relation to the TMB partnership in 2019 with SCB, and created the leading bancassurance franchise by GWP in Thailand within just six months of launch according to data from the TLAA. During our partnership with TMB from 2013 to 2020, we worked closely with the bank to digitalise its face-to-face sales process and deliver better customer experience by incorporating data analytics and other digital tool kits into the sales process, from lead generation to policy issuance. The direct integration of our systems with TMB was crucial in identifying customers' specific needs and effectively implementing a tablet-based, fully electronic sales process by TMB's sales staff to enhance customer interactions. During the course of our partnership with TMB, we achieved improvements across various metrics, including the number of cases per active seller per month by 1.9 times, APE per active seller by 2.0 times, bancassurance new business margin (% of APE) from approximately 42% to approximately 55%, bancassurance market share by GWP in Thailand from 3.9% to 5.5% and bancassurance APE by 2.4 times. On 1 April 2020, we novated our distribution agreement with TMB to Prudential Life Assurance (Thailand) Public Company Limited for a total consideration of US$580 million. See "Financial Information – Factors Affecting Comparability – Acquisitions, Investments and Discontinued Businesses."

In September 2019, we secured a new bancassurance partnership with SCB. We activated our partnership with SCB quickly, as demonstrated by our launch of a new product, SCB Multi-Care Multi-Claims, only three months after the commencement of our partnership. APE sales generated by SCB Multi-Care Multi-Claims exceeded our sales targets by 22% in its first month of launch. SCB has multiple digital channels with an array of products to serve its customers. Through its SCB EASY app, the number of online transactions facilitated through the app represented 85% of SCB's total transaction volume in 2021. Our products and services are fully integrated into SCB's digital tools, accessible by 78% of its customer base as of 31 December 2021. Leveraging our successful experience of working with TMB, our partnership with SCB allowed us to offer our products to a wider group of young and tech-savvy customers. As of 31 December 2022, we had a base of approximately 1.4 million policyholders through our partnership with SCB, representing a 12.9% growth of the number of new individual policyholders we acquired in 2019 as a result of our acquisition of SCB Life. We have worked closely with SCB to build data analytics models, including Propensity to Buy and Next Best Offer, which analyse a customer's life stage, coverage gap, persona and purchase behaviour to predict what is the next best appropriate product for the customers, prompting customised product recommendations that are tailored to cover the customer's specific protection needs. In 2022, we have also started to provide more investment-linked products through the bancassurance channel. We believe that the above initiatives have supported our strong post-acquisition organic growth in policyholder base and financial performance, with VNB generated through SCB and other distribution networks of SCB Life increasing from US$127 million in 2020 to US$199 million in 2022.

Our second largest distribution channel in Thailand is the agency channel, with approximately 10,600 agents in Thailand as of 31 December 2022. To meet evolving customer needs, we are offering more riders through the agency channel. Riders are insurance policy provisions that add benefits to amend the terms of a base insurance policy to provide additional options and coverage. We ranked as the top life insurer in digital sales in Thailand for the nine months ended 30 September 2022 according to the TLAA, capturing a 31% market share by digital sales GWP. We have introduced a number of new products and tools, including Thailand's first mobile life insurance applications. We also offer products such as life insurance, personal accident and health products through our eCommerce platform on a D2C basis. In recent years, the focus of our product portfolio has changed from short- and medium-term savings products to protection and health.

Strategy

To achieve continued growth in Thailand, we aim to:

- develop digital customer engagement ecosystems to enhance operational efficiency, eliminate manual processes, support sales and strengthen our multi-channel distribution capability;

- sustain leadership in bancassurance sales by increasing penetration in the SCB customer base through further digital integration and customer insights and expand health and protection growth through the SCB Protect direct sales force;

- continue to drive quality growth and improvement in our agency channel through increased recruitment, campaigns and training;

- promote sales of protection products and riders to provide customers with relevant protection cover and improve our new business margin; and

- launch new, simple and personalised customer-facing platforms based on our AI data analytics and interconnected technology backbone.

CAMBODIA

In December 2020, we acquired Bangkok Life Assurance (Cambodia) Plc. (renamed as FWD Life Insurance (Cambodia) Plc.) to operate our insurance business in Cambodia. FWD Cambodia launched operations in Cambodia in September 2021. Our bancassurance channel comprises exclusive partnerships with First Finance Plc and Chip Mong Commercial Bank Plc. Our operating model is:

- to leverage the digital capabilities and back-office infrastructure of our leading Thailand business to position FWD Cambodia as a digital leader with paperless and highly automated operations and an efficient capital structure;

- to leverage our digital capabilities to serve a multi-channel sales model across D2C and referral, and establish new digital partnerships, including with micro-finance institutions, emerging banks and fintech players, in addition to building a sizeable and high-quality agency force;

- a product portfolio with focus on new endowment products packaged with protection riders, complemented by simple health and protection products such as critical illness, cancer, term life and group credit life; and

- a focus on the emerging-middle to upper-middle-class Cambodian customers, primarily residing in the major urban areas.

JAPAN

Market Overview

Changes announced by the National Tax Agency of Japan in 2019 with respect to the tax deductibility of insurance premiums paid on COLI products (which were previously fully deductible) have significantly impacted the demand for COLI products in Japan since 2020 (see "Risk Factors – Risks Relating to Legal and Regulatory Matters – Changes in tax regulations have had, and may continue to have, an adverse effect on the demand for our insurance products").

Business

We commenced our operations in Japan after we completed the acquisition of AIG Fuji Life Insurance Company, Limited from American International Group, Inc. ("AIG") for US$330 million in April 2017, which was subsequently rebranded FWD Life Japan, our regulated insurance subsidiary which operates our business in Japan. Our TWPI in Japan was US$2,131 million, US$2,105 million and US$1,757 million in 2020, 2021 and 2022, respectively. Excluding retrocession reinsurance and COLI, our APE in Japan grew at a CAGR of 4% from US$123 million in 2020 to US$134 million in 2022. Our GWP grew at a CAGR of 10% from 2018 to 2021, compared with an industry average decline of approximately 4% during the same period, according to NMG.

Through 2018, COLI products were a major source of our revenue in Japan. Since 2019, to ensure sustainable and profitable growth in light of the regulatory and market changes, we have shifted our focus to individual protection products. We have repriced and updated our individual protection product offerings and introduced seven new products in 2020 to 2022. Due to our efforts to accelerate the offering of individual protection products, we have increased our VNB in Japan, excluding retrocession reinsurance and COLI by a CAGR of 13% from 2020 to 2022.

We believe that we operate a competitive and sustainable business model focused on the specialised but large individual protection market. We aim to gain market share and believe that there is ample room to grow in this market segment.

Our distribution model in Japan is primarily focused on the IFA channel, supplemented by the neo-insurance channel. In Japan, IFAs distribute products via various avenues, including shop-type agencies (which serve young retail customers with retail-style outlets) and case agencies (which sell insurance products to SME and HNW customers in person or by mail). We are regularly refreshing our IFA force to capture the top nationwide IFA partners in the market while reducing the number of IFAs with low productivity. We also distribute our products under a long-term distribution agreement with AIG through its subsidiary, AIG General Insurance Company, Ltd. (formerly known as Fuji Fire & Marine, Ltd).

Our D2C distribution is primarily operated through telemarketing from our call centre in Okinawa, which enables customers to buy our insurance products directly on the phone. To date, a smaller contribution of sales was generated through other neo-insurance channels such as our websites.

The COVID-19 pandemic has brought challenges to many insurance providers in Japan, in particular to those who incur high labour costs from their large and nationwide sales forces. We operate with a relatively small sales force in Japan and recently have focused on shifting our sales away from face-to-face methods, particularly in the brokerage and IFA channel as part of our efforts to digitalise our operations. Instead of deploying our sales force throughout Japan, we support our sales team from our call centre in Okinawa to expand our distribution coverage and increase cross-selling between our channels, especially in distant areas and those with low sales activity. We believe that such initiatives have enhanced our product sales, strengthened our relationships with IFAs and improved customer experience.

In addition, we have invested heavily in research and development in accordance with our digitalisation strategy. Our operations are supported by robust technology capabilities and digital infrastructure which is cloud-based and seamlessly integrated across our business functions. As part of our business digitalisation, we have introduced multiple key technologies and initiatives that cover key areas of our operation. For example, we have increased our operational efficiency, and business scalability through digitalisation of our operations and utilisation of cloud infrastructure to host our applications and servers. We have also enhanced customer satisfaction in claims processing through automation. Our STP and AI Claims 2.0 systems have increased processing speed, reduced error ratios and waiting time by employing analytics-driven software.

Strategy

To achieve continued growth in Japan, we aim to:

- maintain an agile business model to adapt to changes in customer, product and regulatory trends in the Japanese insurance market; to achieve this, we have reengineered our approach to product development and delivery which we believe will lead to faster turnaround times for new products;

- focus on the sales of individual product offerings such as medical, cancer and critical illness and income protection via IFA and neo-insurance to further increase our market share in our target segments;

- accelerate the digitalisation of our operations and products, including the introduction of paperless and automated processes, customer self-service portals and enhanced integration with our distribution partners to become a digitally-oriented insurance company; and

- enhance our operational efficiency, including by expanding our non-face-to-face sales and optimising our workforce structure.

OUR EMERGING MARKETS

Market and Business Overview

Through our regulated insurance subsidiaries, we operate in key and fast-growing markets in Southeast Asia, including the Philippines, Indonesia, Singapore, Vietnam and Malaysia. Except for Singapore, these markets share features such as a large and expanding labour force, robust economic growth underpinning a growing middle class with wealth accumulation, improving financial inclusion across socio-economic classes accelerated by increased access to technology, and an underpenetrated and underserved population. Additionally, except for Singapore, the level of insurance penetration in these emerging markets, measured by calculating insurance premiums as a percentage of total GDP in a given market, was less than 5% as of 31 December 2021, according to NMG. However, growing health and protection awareness in these markets is expected to increase per capita spending on insurance and mitigate the slowdown induced by COVID-19 and other recent macroeconomic pressures.

Emerging Markets have been a key growth engine for us, and represented 6.6%, 8.9% and 11.2% of our total TWPI for the years ended 31 December 2020, 2021 and 2022, respectively. We believe that we are well-positioned to capture the substantial and dynamic opportunities in these markets, leveraging our digitally empowered and diverse distribution channels and customer propositions. As of 31 December 2022, we had over 33,700 agents, 10 bancassurance partners, as well as various brokerage/IFA partners, neo-insurance platforms and eCommerce partners in the Emerging Markets. Among our Business Units, our digital adoption is most progressed in Emerging Markets with a 100% agency digital adoption ratio and 100% eSubmission in all markets in 2022 and fully automated underwriting available in the Philippines, Singapore, Indonesia and Malaysia. While the COVID-19 pandemic has significantly impacted the region and resulted in negative growth for the insurance industry in most of these markets due to economic slowdown and government measures, we have generally outperformed our competitors in these markets. Our VNB grew at a CAGR of 59% from 2020 to 2022. Our TWPI in Emerging Markets was US$430 million, US$609 million and US$708 million in 2020, 2021 and 2022, respectively.

Strategy

To achieve continued growth in our Emerging Markets operations, we aim to:

- optimise our product mix with a focus on individual protection products to target the needs of middle class, upper-middle class and HNW customers;

- transform our newly formed exclusive partnerships with leading banks in the respective markets, accelerate FWD Elite agency growth, establish new ecosystem partnerships for neo-insurance strategy, and drive superior customer service through digital end-to-end customer journeys;

- achieve larger business scale through sustainable organic growth and enhanced profitability;
- build a team of talented employees to challenge industry traditions and create a unique and engaging work environment; and
- further promote digital differentiators in line with our overall Group strategy to attract digitally-native customers and enhance our productivity and operational efficiency.

We have also tailored specific market strategies based on our operating history and industry dynamics, and target to:

- (in the Philippines) focus on our target customer segments of overseas foreign workers ("**OFWs**"), HNW individuals and tech-savvy customers by deepening our brand presence in Metro Manila, Davao and Cebu. We expect to further expand in surrounding areas based on an asset-light strategy by utilising digital technology as well as O2O and remote sales;
- (in Indonesia) optimise and enhance performance, distribution access, customer reach as well as product mix following our amalgamation of PT Commonwealth Life and FWD Indonesia, minority investment in BRI Life and subsequent entry into partnership with Bank BRI; and
- (in Vietnam) accelerate our activation of the VCB customer base with a wide range of new products and lead the market in terms of product simplicity and relevance.

THE PHILIPPINES

Through FWD Philippines, we are the first foreign life insurer licensed by the Insurance Commission under the new Insurance Code, Republic Act No. 10607 which was enacted into law in 2013, to operate in the Philippines. We launched commercial operations through FWD Philippines in September 2014. Our GWP has grown at a CAGR of approximately 34% from 2015 to 2021. According to NMG, the industry GWP grew at a CAGR of approximately 9% over the same period. In the nine months ended 30 September 2022, we ranked as the eighth largest life insurer in the Philippines as measured by new business APE, according to the Philippine Insurance Commission.

Since entering the market, we have, and continue to develop, new products and services to meet the protection and investment needs of our target customers, including tech-savvy customers, mass affluent, HNW and OFW segments.

As of 31 December 2022, we had approximately 5,400 agents in the Philippines, and continue to develop a trusted and digitally-literate agency force through recruitment and MDRT development. We also forged a successful long-term exclusive bancassurance partnership with Security Bank in 2015, through which we effectively utilise both bank staff and our insurance specialists to optimise sales productivity and explore further opportunities such as the launch of a co-branded debit card and the promotion of our products on Security Bank's ATMs and online platform. Under this partnership, we have successfully achieved an increase in Security Bank's sales productivity as demonstrated by an increase in its bancassurance APE at a CAGR of 18% from the launch of our partnership in 2015 to 2022, and on average 93% of our insurance specialists sold at least one policy per month during 2022. We also operate a direct digital channel and have proactively integrated our online and offline offerings to increase our sales. As of 31 December 2022, we had a base of approximately 102,000 policyholders, through our partnership with Security Bank.

We were the first insurance provider in the country to launch in-market 24-hour customer service in 2017, to obtain approvals from the regulators to offer remote insurance sales through the use of electronic signatures and to conduct remote recruitment by self-certifying agents during the COVID-19 pandemic. In 2018, we launched FWD Tapp, which offers customers a 24-hour information gateway and service centre and allows our customers to access and manage their insurance policies with us quickly and easily. The Philippines was also among the first markets where we launched AI2, our AI-driven financial planning tool.

INDONESIA

We commenced business operations in Indonesia in June 2015 and consolidated FWD Indonesia's business in our financial results from 2015. FWD Indonesia, which is our regulated insurance subsidiary operating our insurance business in Indonesia, received a Shariah-compliant life insurance licence in 2015 and launched its first Shariah product in 2016 aimed at the majority Muslim population in the country. We completed the acquisition of PT Commonwealth Life in June 2020 and as of December 2020, we integrated the two companies under one platform with unified products and systems. The GWP of our Indonesia business grew at a CAGR of approximately 63% from 2016 to 2021. According to NMG, the industry GWP in Indonesia grew at a CAGR of approximately 4% over the same period.

As of 31 December 2022, FWD Indonesia had approximately 5,500 agents, as well as exclusive bancassurance partnerships with PTBC and non-exclusive bancassurance partnerships with PT Bank Mestika Dharma Tbk. In 2021, we entered into the ecosystem partnership space with Traveloka, Southeast Asia's leading digital travel and lifestyle booking platform. Through this platform, we provide users with convenient access to comprehensive protection, offering customisable health insurance benefits and affordable cancer protection since early stages without requiring any medical check-up.

We have conducted extensive customer research to create a product portfolio that best caters to the needs of Indonesian customers. Unit-linked products have historically comprised most of our insurance product sales in Indonesia, but we have shifted our focus to traditional critical illness products with a protection focus. We recently launched FWD Critical Armor, which covers up to three critical illness claims in a single policy, and FWD Whole Life Protection, both of which reinforce our protection focus. We have also introduced a number of new products in Indonesia, including a personal care Shariah product that can be bought online with an in-patient, hospital health benefit.

Since the inception of the business, FWD Indonesia has operated on a paperless and cashless basis, including e-submission, electronic signature as well as electronic policy issuance and delivery. We have also recently launched an e-claims process and an e-policy assistant to allow our customers to complete a substantial amount of their transactions with us online by themselves. For our distribution channels, we have automated our agency recruitment process and provide e-training through our e-licensing platform to onboard our new agents.

In order to extend our Group's insurance expertise and capabilities to more customers in Indonesia, in March 2021, we subscribed for 29.9% of the issued share capital in BRI Life, the second largest bancassurer in Indonesia in 2021 in terms of APE according to Asosiasi Asuransi Jiwa Indonesia. Our Group also agreed to provide additional capital contribution to

BRI Life, which is expected to increase our stake in BRI Life to 44.0% across a three-year period and in March 2022 and March 2023, we subscribed for additional shares in BRI Life which resulted in our shareholding increasing to 35.1% and 39.8%, respectively. Concurrently with our initial subscription into BRI Life, BRI Life entered into a 15-year distribution partnership with Bank BRI. Bank BRI is the largest bank in Indonesia by market capitalisation, according to NMG. As such this collaboration strategically complements our own agency channel and our partnership with PTBC. Bank BRI shares our focus on strong digital capabilities that enable cost-effective access to the customer base with predominantly protection products. Since our initial investment in BRI Life, its new business margin (% of APE) has grown from 34.5% in 2021 to 36.1% in 2022.

SINGAPORE

We acquired a controlling stake in Shenton Insurance Pte. Ltd. in 2016. Subsequently, we acquired the entire remaining stake in the company, and it became our wholly-owned subsidiary in June 2019, responsible for operating our insurance business in Singapore. Our life insurance GWP in Singapore grew at a CAGR of 13% from 2017 to 2021. According to NMG, the industry life insurance GWP grew approximately 11% over the same period.

While our API-enabled D2C platform focuses on mass customers as a primary target segment in Singapore, we are increasingly focused on expanding our reach to penetrate affluent and HNW individuals through the fast-growing IFA channel given Singapore's status as one of the largest offshore wealth management hubs in the world. While group insurance products used to be a dominant product category in our portfolio, they have been gradually replaced by our life insurance product offerings, including term life, critical illness and medical, as well as travel, automobile and other individual insurance products. After the launch of term life sales via the IFA channel in 2020, we also commenced the offering of unit-linked products in 2021 and are a leading online insurance provider in Singapore in terms of number of online regular premium policies sold, according to NMG. Additionally, we introduced a new insurance plan, the Big 3 Critical Illness Insurance Plan in 2020, which offers working adults comprehensive protection against the three leading causes of death: cancer, heart attacks and strokes. According to NMG, approximately 80% of critical illness claims in Asia are for these three conditions.

FWD Singapore currently distributes our products in Singapore through neo-insurance and IFA channels. Under our neo-insurance channel, we acquire customers on a D2C basis through our website, search engines and affiliate partnerships as well as O2O cross-selling opportunities. For our IFA channel, we have over 2,800 IFAs from 18 IFA partners in Singapore as of 31 December 2022, who distribute our products such as our term insurance plan, the first product launched through the IFA channel, which utilises the straight-through- underwriting system. Our IFAs can also leverage various digital tools, such as our platform that allows remote sales, transactions and customer consultation.

Our customers in Singapore enjoy a seamless and paperless purchase journey through our fully digital platform and technology-enabled IFA channel. We are automating our underwriting process, which is integrated along with other digital tools into our sales support application FWD Smart. Since 2020, all of our new insurance applications and most service requests in Singapore were submitted online.

VIETNAM

We commenced our operations in Vietnam in 2016 following our acquisition of Great Eastern Life (Vietnam) Company Limited. We subsequently renamed it as FWD Vietnam, which is our regulated insurance subsidiary operating our insurance business in Vietnam. In April 2020, we further expanded our business in Vietnam with the acquisition of VCLI and launch of our exclusive bancassurance partnership with VCB. The new business margin (% of APE) from VCB has grown from 36.8% to 45.3% to 59.7% in 2020, 2021 and 2022, respectively. The GWP of our Vietnam business grew at a CAGR of approximately 100% from 2017 to 2021. According to NMG, the industry GWP in Vietnam grew at a CAGR of approximately 25% over the same period.

FWD Vietnam offers products ranging from universal life, unit linked, endowment, to a suite of riders serving as add-on protection products as well as standalone protection products such as cancer care, critical illness, Medicare, term life and credit life. We design our products under a customer-led approach. We have also been simplifying our contract wording to be reader-friendly and easy-to-understand for customers and offering more products online. We believe that our rider attachments drive an increased protection ratio, serve customer needs and improve our profit margin.

We operate a multi-channel distribution model in Vietnam, including tied agency, bancassurance, IFA, and neo-insurance channels. We have built a highly productive agency force and now ranked third in the MDRT 2022 rankings for life insurers in Vietnam based on the number of MDRT-registered members. We formed exclusive bancassurance partnerships with An Binh Bank in 2016 (which was subsequently terminated in April 2022), Nam A Bank in 2017, and VCB, the leading commercial bank in Vietnam, in 2020 as part of our acquisition of VCLI. We launched our IFA channel in 2017 and are currently cooperating with 14 IFA partners locally. As of 31 December 2022, we had over 102,000 policyholders through our partnership with VCB. Compared to approximately 20,000 new individual policyholders in 2020, which was the first year of partnership following our acquisition of VCLI, this demonstrates our strong post-acquisition organic growth.

FWD Vietnam's operations in Vietnam is among the most digitally-advanced of our business. Our agency force can utilise a variety of digital tools including eRecruit, eLearning, FWD Ezi (our electronic application submission system) and iRIS. We are also transforming our bancassurance partnerships with NextGen Banca, under which we utilise data and customer analytics to better serve our customers. Our neo-insurance channel includes our digital distribution via our eCommerce platform. In addition to adopting a cashless and paperless sales model, we have also implemented other initiatives such as eClaims, ePolicy, eCash withdrawal to enhance the customer experience.

MALAYSIA

We commenced operations in Malaysia with our acquisition of HSBC's 49% stake in HSBC Amanah Takaful in March 2019. The GWP of our Malaysia business grew by approximately 173% from 2020 to 2021. According to NMG, the industry GWP in Malaysia grew by approximately 12% over the same period.

FWD Takaful's product portfolio covers unit-linked products, traditional products, premium-paying riders, advisory and other individual and group products. In general, we are shifting our focus away from savings to protection products, including term life, critical illness, cancer, hospital cash benefit and medical. We are also extending the coverage of many of our products to the insured's family and children.

FWD Takaful operates a multi-channel distribution model, including (i) a bancatakaful partnership with HSBC Amanah Malaysia Berhad, (ii) an agency channel with over 4,000 agents who have access to FWD Affiliates, (iii) a neo-insurance channel for online D2C sales, and (iv) other channels that provide takaful protection for government servants.

In February 2023, we entered into an agreement to acquire, with local investors, a 70% effective interest in Gibraltar BSN Life Berhad, a life insurance company in Malaysia. This acquisition will enable our Group to enter into the life insurance market in Malaysia alongside our existing takaful presence, and will allow us to create a full-service offering in Malaysia to offer both family takaful and life insurance solutions in a rapidly growing market with long-term potential for growth. The life insurance market in Malaysia contributed 78% of GWP to the combined life insurance and takaful market in Malaysia in 2021, according to NMG.

We utilise various digital tools to manage and enhance the performance of our distribution channels. We use iRIS to monitor sales through our agents. We allow our agents to use AI2 to analyse customer data and provide better services. Our neo-insurance channel mainly comprises our eCommerce platform, which supports STP through our automated underwriting engine.

The following is a brief summary of the key laws and regulations applicable to our operations in Hong Kong (and Macau), Thailand, Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia, Bermuda and the Cayman Islands that currently may materially affect the Group and its operations. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to the Group. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of the Group and/or which may be important to potential investors. Investors should note that the following summary is based on the laws and regulations in force as at the date of this Offering Circular, which may be subject to change.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN HONG KONG

Overview

The main source of statutory regulation of the insurance industry in Hong Kong is the Insurance Ordinance (the "**IO**") and its subsidiary legislation, which set out requirements for the licensing, ongoing compliance and reporting obligations of insurers and insurance intermediaries.

The HKIA is the statutory body which administers the IO. The principal function of the HKIA is to regulate and supervise the insurance industry for the promotion of the general stability of the industry and for the protection of existing and potential policyholders. The HKIA regulates the Hong Kong authorised insurers. In addition to regulation by the HKIA, the Hong Kong authorised insurers are members of the Hong Kong Federation of Insurers ("**HKFI**"), an industry body that has issued a code of practice that is binding on its members in relation to, among other things, the management of insurance agents and advising and selling practices.

The HKIA designated FWD Management Holdings as the designated insurance holding company of the Group on 14 May 2021, following which the Group has become subject to additional capital, solvency, regulatory reporting, public disclosure and intervention measures as may be imposed under the GWS framework. See "*– Framework for group-wide supervision of certain insurance groups*" in this section.

Certain types of products and services offered by the Group in Hong Kong are regulated under separate statutory regimes by regulatory bodies other than the HKIA. These include products and services regulated under the Mandatory Provident Fund Schemes Ordinance ("**MPFSO**"), administered by the Mandatory Provident Fund Schemes Authority ("**MPFA**"), and the Hong Kong Securities and Futures Ordinance ("**SFO**"), administered by the Securities and Futures Commission ("**SFC**"). See "*– Regulation under the MPFSO*," "*– Regulation under the SFO*" and "*– Publicly offered investment products*" in this section.

Licences held by FWD in Hong Kong

The Group is authorised to carry on insurance business in Hong Kong through its subsidiaries that are Hong Kong authorised insurers. The Hong Kong authorised insurers are authorised to carry on certain classes of long-term business in or from Hong Kong. In addition, FWD Financial Planning is a licensed insurance broker and FWD Financial Limited is a licensed insurance agency. In relation to the Group's MPFSO retirement scheme business in Hong Kong, FWD Life (Bermuda) and FWD Financial Planning are registered MPFSO principal intermediaries. FWD Financial Planning is a licensed corporation under the SFO, in relation to dealing in securities and advising on securities). In addition, FWD Life (Bermuda) and FWD Life (Hong Kong) are the issuers of investment-linked assurance schemes authorised by the SFC.

Authorisation for an insurance business under the IO

Companies carrying on an insurance business in or from Hong Kong must obtain authorisation from the HKIA. Authorisation will be granted only to insurers meeting certain requirements set out in section 8 of the IO, which focuses on, among other things: (i) paid-up capital; (ii) solvency margin; (iii) fitness and properness of directors and controllers; and (iv) adequacy of reinsurance arrangements.

Other requirements that the HKIA will take into account when considering whether to authorise an insurer are specified in guidelines issued by the HKIA from time to time. The requirements for authorisation are ongoing and continue to apply to an insurer after becoming authorised.

Minimum paid-up capital requirement

Pursuant to section 8(3)(b) of the IO, the minimum paid-up capital requirements are currently HK$10 million for an insurer carrying on long-term business, or HK$20 million for a composite insurer (in each case, carrying on both general and long-term business) and for an insurer wishing to carry on statutory business (i.e., an insurance business, not being a reinsurance business, relating to liabilities or risks in respect of which persons are required by any Hong Kong law to be insured). The minimum paid-up capital is reduced to HK$2 million in respect of captive insurers.

Solvency margin

Pursuant to sections 8(3)(a) and 35AA of the IO, an insurer is required to maintain at all times an excess of assets over liabilities of not less than a required solvency margin. The objective of these requirements is to provide a reasonable safeguard against the risk that the insurer's assets may be inadequate to meet its liabilities arising from unpredictable events, such as adverse fluctuations in its operating results or the value of its assets and liabilities.

For long-term business insurers, the IO stipulates a minimum solvency margin of HK$2 million.

Solvency margins are determined in accordance with the Insurance (Margin of Solvency) Rules (Chapter 41F of the Laws of Hong Kong), which sets out a series of calculations to be used depending on the particular class of long-term business involved, subject to a minimum solvency margin of HK$2 million.

For the purposes of determining compliance with the solvency margin requirement, the value of long-term liabilities, in the case of an insurer carrying on long-term business, is to be determined in accordance with the Insurance (Determination of Long Term Liabilities) Rules (Chapter 41E of the Laws of Hong Kong). An insurer is required to adopt prudent provisions and assumptions, particularly on interest rates, when valuing the amount of long-term business liabilities. Among other things, valuation methods are specified for calculating the yields on assets and the amount of future premiums payable under an insurance contract.

On 30 June 2022, FWD Life (Bermuda) received approval for the early adoption of RBC, and on 19 September 2022, FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) received approval for early adoption of RBC effective as at 1 July 2022. FWD Life (Bermuda), FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) are required at all times to ensure that their eligible capital resources meet the applicable minimum capital requirement ("**MCR**") and prescribed capital requirement ("**PCR**"). In addition, during the early adoption period, FWD Life (Bermuda), FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) should maintain a capital buffer on top of the applicable PCR equal to 50% of the applicable PCR in line with early adoption standards released by the IA.

RBC regime

Hong Kong is in the process of moving to an RBC regime from the current rules-based regime. On 28 December 2021, the HKIA published a circular regarding early adoption of aspects of "Pillar 1" of the RBC regime, which will involve the HKIA exercising its powers (i) pursuant to section 130(1) of the IO to relax the Insurance (Determination of Long Term Liabilities) Rules (Chapter 41E of the Laws of Hong Kong) in their application to an authorised insurer and (ii) pursuant to section 17(2) of the IO to modify or vary the requirements of Schedule 3 to the IO (on accounts and statements) in their application to an authorised insurer to align these requirements with the forthcoming RBC regime. On 30 June 2022, FWD Life (Bermuda) received approval from the HKIA for the early adoption of RBC, and on 19 September 2022, FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) received approval for early adoption of RBC effective as at 1 July 2022. See "*Risk Factors – New solvency standards may affect our capital position*".

Fit and proper directors and controllers

Section 8(2) of the IO provides that the HKIA must not authorise an applicant company as an insurer if it appears to the HKIA that any person who is a director or controller of the company is not a fit and proper person to hold such position. Section 9 of the IO defines an insurer's controllers as including, among others, a managing director of the insurer or its holding company, a chief executive officer of the insurer or its holding company (if the holding company is also an insurer), a person in accordance with whose directions or instructions the directors of the insurer or its corporate parent are accustomed to act or who, alone or with any associate or through a nominee, is entitled to exercise, or control the exercise of, 15% or more of the voting power at any general meeting of the insurer or its holding company.

After obtaining authorisation, an insurer is required to comply with sections 13A, 13AC, 13AE, 13B, 14, 15 and 15B of the IO in respect of any appointments of, or changes in, its controllers, directors, key persons in control functions, auditor and if the insurer carries on long-term business, appointed actuary. These provisions of the IO may require the HKIA's approval, the HKIA's no objection and/or notification to the HKIA for such appointments.

Pursuant to section 14A of the IO, the HKIA must have regard to specified matters in determining whether a person is a fit and proper person for the purposes of sections 8, 8A, 13A, 13AC, 13AE, 13B, 14 and 15 of the IO. In addition, the HKIA has issued a guideline which sets out the minimum standards of suitability that are applicable to certain persons occupying specific positions in relation to an authorised insurer and the general guiding principles of the HKIA in assessing fitness and properness. The factors that the HKIA will have regard to include a director's or controller's financial status, character, reputation, integrity, reliability, qualifications and experience regarding the functions to be performed by such director or controller and ability to perform such functions efficiently, honestly and fairly.

In the case of authorised insurers belonging to a group of companies, the HKIA will, when considering fitness and properness, take into consideration any information in the HKIA's possession relating to any other company in the group of companies or any substantial shareholder or officer of the person or another company in the group of companies.

The HKIA will take into account certain facts in applying the "fit and proper" test to the Hong Kong authorised insurers and their controllers (as defined under section 9, 13A or 13B of the IO, as the case may be), including, but not limited to, whether the person:

(i) has financial integrity, e.g., whether the accounts of the body corporate display a financially sound and stable position;

(ii) (where the person is a shareholder controller, i.e., a controller defined under section 9(1)(a)(iii)(B) or 13B(1) of the IO, as the case may be) has sufficient financial resources to acquire or support the operations of the insurer and whether the business plan for the insurer is realistic and viable;

(iii) is subject to receivership, administration, liquidation or other similar proceedings;

(iv) has been refused or restricted from the right to carry on any trade, business or profession by any regulatory authority in Hong Kong or elsewhere;

(v) has been censured, disciplined or publicly criticised by any regulatory authority in Hong Kong or elsewhere;

(vi) has been the subject of an investigation conducted by any regulatory authority in Hong Kong or elsewhere; or

(vii) was a controller or director of a body corporate or insurer, in Hong Kong or elsewhere, which has been compulsorily wound up or made any compromise or arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims, either whilst the body corporate concerned was a controller or director or within one year after the body corporate concerned ceased to be such a controller or director.

The HKIA is empowered by the IO to raise an objection if it appears to it that any person is not fit and proper to be a controller or director of an authorised insurer. The HKIA is also empowered by the IO to exercise the disciplinary powers set out under section 41P of the IO (such as the revocation or suspension of authorisation of the insurer) if it is of the opinion that a person who holds (or held) the position of a director or controller of the insurer is not (or was not) a fit and proper person to hold that position.

Adequate reinsurance arrangements

Section 8(3)(c) of the IO requires an insurer to have adequate reinsurance arrangements in respect of its insurance business unless it is justified otherwise. The HKIA has issued a guideline that sets out the general guiding principles of the HKIA in assessing the adequacy of the reinsurance arrangements of an insurer. In considering the adequacy of an authorised insurer's reinsurance arrangements, the HKIA will generally take into account, among other things, the following factors: the reinsurance management framework of the insurer; the type of reinsurance arrangements; the maximum retention of the insurer; the spread of risks among reinsurers; and the security of reinsurers.

With regard to the spread of risks among reinsurers, the HKIA considers that additional risks arise where a reinsurer is a related company of the insurer. The HKIA has issued a guideline which sets out the criteria to be used in determining the adequacy of such arrangements. The HKIA will consider a related reinsurer to have provided adequate security if any of the following requirements is met:

(i) the particular reinsurer is an authorised insurer in Hong Kong;

(ii) the particular reinsurer or any one of its holding companies has an Insurer Financial Strength Rating of AA- or above by Standard & Poor's, Aa3 or above by Moody's or A+ or above by A.M. Best or equivalent rating; or

(iii) the particular reinsurer or any one of its holding companies is otherwise considered by the HKIA as having a status comparable to the above.

In the event that none of these requirements is met by a related reinsurer, the HKIA will restrict the amount of net reinsurance it deems recoverable from that reinsurer when assessing the ceding party's financial position, unless it determines that acceptable collateral security, such as an irrevocable and permanently renewable letter of credit, is in place in respect of the arrangement with that reinsurer.

Maintenance of assets

Sections 22 to 23 of the IO require insurers carrying on long-term business to keep separate accounts for different classes of long-term businesses and to maintain certain levels of assets calculated on the basis of their solvency margins in respect of each class of business in funds that are applicable only to that particular business.

The HKIA has also issued a guideline on reserve provisioning for Class G of long-term business to reinforce and enhance the required standard of provision for Class G business of long-term business. Policies classified under Class G of long-term business are mainly offered as retirement scheme contracts which provide for a guaranteed capital or return under MPF schemes and ORSO schemes.

Accounting and reporting requirements

The IO requires insurers to maintain proper books of accounts which must sufficiently exhibit and explain all transactions entered into by the insurer in the course of any business carried on by the insurer. Insurers must submit information including audited financial statements, a directors' report and statistics relating to the valuation of their insurance business and outstanding claims to the HKIA on an annual basis.

An insurer carrying on long-term business is also required to submit annually an actuarial investigation report. The appointed actuary is responsible for advising on all actuarial aspects of the financial management of an insurer's long-term business including proper premium setting, a prudent reserving policy, a suitable investment allocation, appropriate reinsurance arrangements and due reporting of irregularities to the HKIA.

Corporate governance of authorised insurers

The HKIA has issued a guideline on the corporate governance of authorised insurers, which sets out the minimum standard of corporate governance that is expected of an authorised insurer and the general guiding principles of the HKIA in assessing the effectiveness of an insurer's corporate governance arrangements. This guideline applies to both (i) authorised insurers incorporated in Hong Kong (such as FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong)) and (ii) authorised insurers incorporated outside Hong Kong where 50% or more of their annual gross premium income pertains to their Hong Kong insurance business (such as FWD Life (Bermuda)), unless written consent for exemption has been obtained from the HKIA. No such written consent for exemption has been obtained from the HKIA by FWD Life (Bermuda). The guideline covers governance structure, roles and responsibilities of the board of directors, board matters, board committees, risk management and internal control systems, remuneration matters and servicing of clients.

Irrespective of the proportion of an overseas-incorporated insurer's Hong Kong insurance business, the HKIA expects such an insurer to observe strictly any applicable guidelines on corporate governance promulgated by its home regulatory authority.

Asset management

In order to ensure that an insurer will meet its contractual liabilities to policyholders, the HKIA requires that an insurer's assets are managed in a sound and prudent manner, taking into account the profile of liabilities held by the insurer and the risk-return profile of the insurer. The HKIA has issued a guideline on asset management by authorised insurers, which applies to both an insurer incorporated in Hong Kong (such as FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong)) and the Hong Kong branch of an insurer incorporated outside Hong Kong whose investment in financial assets exceeds HK$100 million. This guideline provides a checklist for assessing how insurers should control the risks associated with their investment activities and includes guidance and commentary on the investment process, policy and procedures; the investment mandate given by the board of directors to senior management; and monitoring and control (including risk management functions, internal controls and audit).

In order to assess how insurers control the risks associated with their investment activities, the HKIA may periodically request information from insurers, including accessing information through on-site inspections and discussion with insurers.

Powers of intervention

The HKIA is empowered under Part V of the IO to intervene in an insurer's business and take appropriate actions in (among others) the following circumstances:

(i) where the HKIA considers that the exercise of this power is desirable for protecting policyholders or potential policyholders of the insurer against the risk that the insurer may be unable to meet its liabilities or to fulfil the reasonable expectations of policyholders or potential policyholders;

(ii) where it appears to the HKIA that the insurer or, in limited circumstances, its holding company has failed to satisfy any of its obligations under the IO;

(iii) where it appears to the HKIA that the insurer has provided misleading or inaccurate information to it for the purposes of the IO;

(iv) where the HKIA is not satisfied as to the adequacy of the insurer's reinsurance arrangements;

(v) where the HKIA is not satisfied with the financial condition of the insurer or its compliance position with the prescribed regulatory benchmark or requirements in respect of, among other things, its assets and liabilities matching position, reserving level or financial protections;

(vi) where there exists one of the specified grounds on which the HKIA would be prohibited from authorising the insurer if it were to make an application for authorisation (including where the insurer's directors and controllers fail any "fitness and properness" requirement); or

(vii) where it appears to the HKIA that the circumstance described in section 35AA(1) or (2) of the IO exists (i.e., the insurer has failed to maintain the required excess of the value of its assets over the amount of its liabilities).

The HKIA may also intervene in an insurer's business, whether or not any of the above circumstances exist, at any time during the five-year period following authorisation of the insurer or a person becoming a controller of an insurer.

The actions that the HKIA may take in intervening in an insurer's business include:

(i) restrictions on the insurer effecting new business;

(ii) restrictions on types of investments an insurer may make, or requirements that the insurer realises certain types of investments within a specified period;

(iii) requirements that an insurer maintain assets in Hong Kong equal to the whole or a specified portion of the liabilities arising from its Hong Kong business, and that these assets be held in the custody of a trustee approved by the HKIA;

(iv) requirements that an insurer takes steps to limit the premium income it receives during a specified period to a specified amount in respect of certain classes of business; and

(v) requirements that the insurer conducts a special actuarial investigation on its long-term business to produce information and documents and requirements that the insurer accelerates its submission to the HKIA of financial reports and actuarial investigations and other specified documents.

In addition, under certain specified circumstances, the HKIA may direct that a manager is appointed to assume control of an insurer.

Section 35 orders

The HKIA has a further general residual power (exercisable under section 35(1) of the IO) to issue directions to an authorised insurer to take such action in respect of its affairs, business or property as the HKIA considers appropriate. Letters have been issued by the HKIA to FWD Life (Bermuda) under these powers, which, among other things, require that FWD Life (Bermuda):

(i) will not acquire a new controller (defined as a person who, alone or with any associate or through a nominee, is entitled to exercise, or control the exercise of, 15% or more of the voting power at their general meetings or the general meetings of their holding companies) without first obtaining the HKIA's written consent;

(ii) will ensure that all insurance business and all transactions with any "specified person" are on normal commercial terms and supported by valuable consideration;

(iii) will not place any deposit with or transfer assets (except for normal insurance transactions) or provide financial assistance to any "specified person" without first obtaining written consent from the HKIA;

(iv) will not declare or pay any dividend without first obtaining written consent from the HKIA; and

(v) will inform the HKIA as soon as practicable of any circumstances which may put the interest of policyholders or potential policyholders at risk.

For the purpose of such requirements, "specified person" includes but is not limited to an insurer's directors, controllers, shareholders and associates or group companies.

Letters of undertaking

Letters of undertaking have been issued to the HKIA by certain of the Hong Kong authorised insurers in our Group and their controllers. The HKIA may take into account any failure to comply with the requirements stipulated in such letters in considering whether or not to exercise its intervention powers under the IO or take disciplinary action against the insurer under the IO. The HKIA may also take into account any non-compliance with such requirements in determining matters such as the fitness and properness of controllers and directors on an on-going basis.

By way of non-exhaustive example:

(i) FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) have agreed and undertaken to the HKIA that, among other things, they will not effect any new contracts of insurance, as an insurer, including contracts of reinsurance accepted but excluding contracts of reinsurance ceded in or from Hong Kong, will not recommence such new insurance business without the HKIA's prior written consent, will inform the HKIA of any circumstances which may put the interests of their policyholders or potential policyholders at risk and furnish to the HKIA at specified times or intervals with information about any matter that the HKIA requests in relation to them;

(ii) our Company has agreed and undertaken to the HKIA, among other things, that it will not effect any further acquisition and/or borrowing without first giving the HKIA at least 60-days' prior written notice of such intention (or such shorter prior notice as the HKIA may allow), give the HKIA unrestricted access to its register of members/shareholders, give notification to the HKIA as soon as practicable on any change of directors, furnish the HKIA at specified times or intervals with information about specified matters that the HKIA requests in relation to it and furnish its annual accounts to the HKIA; and

(iii) our Company has agreed and undertaken to the HKIA that, unless prohibited by any laws or statutory regulations, we will provide the HKIA at least 14-days' prior notification (or shorter period if allowed by the HKIA) or, if prior notification is not possible, as soon as practicable, of information relating to material and/or significant events in respect of FGL and its group companies.

As the GWS regime (please see "– *Framework for group-wide supervision of certain insurance groups*" in this section for more details) affects or overlaps with some of the requirements in the current letters of undertaking, the Group is in discussions with the HKIA in relation to our remaining letters of undertaking.

Payment of dividends

An insurer authorised for long-term business and its holding companies are not permitted to declare dividends to shareholders at any time when the requirements of section 22(3) of the IO relating to any fund or funds maintained by the insurer in respect of its long-term business have ceased to be satisfied. In addition to the private undertakings outlined above, our Company has agreed and undertaken to the HKIA that it will obtain the HKIA's prior written consent before declaring or paying dividends to its shareholders. In addition, FWD Life (Bermuda), FWD Life (Hong Kong) and FWD Life Assurance (Hong Kong) are also required to obtain the HKIA's prior written consent prior to declaring or paying a dividend to their respective shareholders.

The Code of Conduct for Insurers ("HK Code of Conduct")

As part of the initiatives taken by the industry, the HKFI has published the HK Code of Conduct, which, among other things, describes the expected standard of good insurance practice in the establishment of insurance contracts and claims settling.

The HK Code of Conduct, which is currently being updated, applies to all general insurance members and life insurance members of the HKFI and applies to insurance effected in Hong Kong by onshore individual policyholders insured in their private capacity only. As a condition of membership of the HKFI, all general insurance members and life insurance members undertake to abide by the HK Code of Conduct and use their best endeavours to ensure that their staff and insurance agents observe its provisions.

The Insurance Complaints Bureau ("ICB")

The ICB was inaugurated on 16 January 2018 to supersede The Insurance Claims Complaints Bureau in providing an alternative dispute resolution mechanism to help resolve insurance disputes arising from personal insurance policies. The Insurance Claims Complaints Panel is appointed by the ICB with the objective of providing independent and impartial adjudication of complaints between insurers and their policyholders. The Insurance Claims Complaints Panel handles claims either from policyholders themselves or their beneficiaries and rightful claimants. The Insurance Claims Complaints Panel, in making its rulings, is required to have regard to and act in conformity with the terms of the relevant policy, general principles of good insurance practice, any applicable rule of law or judicial authority; and any codes and guidelines issued from time to time by the HKFI or the ICB. The terms of the policy contract must prevail unless they would, in the view of the Insurance Claims Complaints Panel, produce a result that is unfair and unreasonable to the complainant. Members (including the Hong Kong authorised insurers) agree to comply with and be bound by the ICB's Terms of Reference and will be bound by any decisions made by the Insurance Claims Complaints Panel.

Cybersecurity

Pursuant to section 133 of the IO, the HKIA has issued a guideline on cybersecurity, which aims to assist authorised insurers to identify and mitigate cyber risks. Effective from 1 January 2020, the guideline applies to all authorised insurers (except for captive insurers and marine mutual insurers) in relation to the insurance business they carry on in or from Hong Kong. It sets out the minimum standard for cybersecurity that applicable authorised insurers are expected to have in place and the general guiding principles which the HKIA uses in assessing the effectiveness of an insurer's cybersecurity framework. The guideline, which is not intended to be an exhaustive list of requirements, sets out the general guiding principles for a cybersecurity strategy and framework and covers governance, risk identification assessment and control, continuous monitoring, response and recovery and information sharing and training. Authorised insurers are expected to implement adequate and effective cybersecurity measures which are appropriate and commensurate with the size, nature and complexity of their business.

Framework for group-wide supervision of certain insurance groups

Overview and relevance to the Group

Prior to 29 March 2021, the HKIA was our group-wide supervisor as agreed by insurance regulators of our supervisory college. The HKIA performed this function through the use of written undertakings provided by us.

In July 2020, the Legislative Council passed the Insurance (Amendment) (No. 2) Bill 2020 which introduced a framework enabling the HKIA to directly conduct group-wide regulation and supervision of insurance groups where the holding company for the group is incorporated in Hong Kong. The GWS framework is intended to be aligned with the IAIS' standards on group-wide supervision (particularly the Common Framework for the Supervision of Internationally Active Insurance Groups) and to be principles-based and outcomes focused to allow the HKIA to have effective and robust supervisory mechanisms for insurance groups. The GWS framework came into force on 29 March 2021.

The Group is within the scope of the GWS framework, as described below. The GWS framework is founded upon three pillars:

(i) pillar one establishes capital requirements (comprising a Group Minimum Capital Requirement ("**GMCR**") and a Group Prescribed Capital Requirement ("**GPCR**") which a DIHC would be expected to ensure its insurance group meets;

(ii) pillar two sets out risk management and governance requirements that a DIHC is expected to apply across the group, including a requirement to carry out a group internal economic capital assessment and an own risk and solvency assessment to assess present and future financial and risk condition of its insurance group; and

(iii) pillar three sets out disclosure requirements for a DIHC that cover risk and governance matters in relation to its insurance group, as well as certain private reporting obligations to the HKIA.

Designation of the DIHC and the DIHC's duties and obligations

Under the GWS framework, the HKIA is able to designate an insurance holding company within an insurance group as a DIHC if: (i) the HKIA, in accordance with principles adopted by the IAIS, is appointed as the group supervisor of the insurance group to which the insurance holding company belongs and (ii) the HKIA considers it appropriate for the insurance holding company to be so designated. In general, the obligations and requirements of a DIHC will apply in relation to its supervised group. The HKIA carries out group wide supervision through the control and influence that the DIHC may exercise in relation to its supervised group. The entities which will comprise the "supervised group" will by default comprise the DIHC, all subsidiaries of the DIHC and any other entities that are, according to applicable accounting standards, treated as members of the insurance group to which the DIHC belongs. However, the HKIA is also able, pursuant to section 95D of the IO, to include other entities in the supervised group, which the HKIA considers are closely linked to a default member of the supervised group through any financial, contractual or operational relationship or exclude default members from the supervised group if it considers appropriate.

On 14 May 2021, FWD Management Holdings was designated as the DIHC of the Group. The "supervised group" of the Group comprises our Company, all entities consolidated in our Company's financial statements and BRI Life. The HKIA may, from time to time, specify other entities to be part of the supervised group as it sees fit.

FWD Management Holdings, as the DIHC, is required to, among other things:

(i) maintain with its holding company any arrangements specified by the HKIA (to ensure that it is able to comply with the GWS framework);

(ii) comply with group-wide capital requirements;

(iii) establish an enterprise risk management system for its supervised group;

(iv) establish and implement a corporate governance framework for its supervised group;

(v) implement effective systems, at the group level, in relation to risk management and internal controls, including effective functions for risk management, compliance, actuarial matters, internal audit and financial control;

(vi) monitor its supervised group's investment risk exposures on an aggregate basis for the supervised group as a whole and ensure controls are in place to ensure each member in the supervised group meets the qualitative and quantitative investment requirements which apply to it;

(vii) comply with requirements for disclosure of information in relation to its supervised group, including public disclosures and private disclosures to the HKIA;

(viii) adopt a sound and responsive framework in formulating and monitoring the outsourcing arrangements for its supervised group and establish a group outsourcing policy to formulate and monitor outsourcing arrangements;

(ix) ensure that the risks associated with any proposed acquisition to be made by itself or any other member of its supervised group are adequately assessed and to avoid making an acquisition, or allowing an acquisition to be made, that would jeopardise the financial position of the supervised group or prejudice the interests of the policyholders of the supervised group; and

(x) obtain the HKIA's prior approval before making a major acquisition or allowing a major acquisition to be made by another member of the supervised group.

In addition, FWD Management Holdings has undertaken to the HKIA that, following listing, all independent non-executive directors of our Board of Directors shall also be independent non-executive directors on the board of directors of FWD Management Holdings.

Group Capital Rules

Under the GWS framework, the Insurance (Group Capital) Rules (the "**Group Capital Rules**") provide for two levels of capital requirements. The GMCR and the GPCR are respectively calculated as the sum of the regulatory minimum capital requirements and prescribed capital requirements which apply to each of the legal entities in the supervised group in the jurisdictions in which they are incorporated or carry on business. FWD Management Holdings (as the DIHC) is required to ensure that the supervised group's tier 1 group capital is at all times not lower than the GMCR and the sum of tier 1 group capital and tier 2 group capital is at all times not lower than the GPCR. Please refer to "*– Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Framework for group-wide supervision of certain insurance groups – Designation of the DIHC and the DIHC's duties and obligations*" in this section for details of the entities comprising the supervised group.

Only eligible group capital resources may be included in the supervised group's tier 1 group capital or tier 2 group capital. If a supervised group member is a regulated entity, its eligible capital resources are the resources and financial instruments that are eligible to be counted towards satisfying its minimum capital requirement or prescribed capital requirement in the jurisdiction in which it is authorised as a regulated entity. If a supervised group member is a non-regulated entity, its eligible capital resources (and their categorisation into tier 1 (unlimited or limited) or tier 2) is determined based on criteria specified in the Group Capital Rules.

The Group Capital Rules require a DIHC to make periodic private reports to the HKIA on group capital adequacy. It must also notify the HKIA forthwith upon the occurrence of certain matters relating to group capital, including where any of its directors, chief executive or key persons in control function believe it is likely that the DIHC will breach (or has breached) certain group capital requirements, as well as upon the occurrence of certain other specified adverse circumstances. The Group Capital Rules also require a DIHC to make certain periodic public disclosures in relation to its supervised group, including information on its group profile, corporate governance framework, certain financial matters (including in relation to group capital) and on material intra-group transactions.

Supervision of shareholder controllers, chief executives, directors and key persons in control functions

Section 95I of the IO prohibits a person from becoming or continuing to be a shareholder controller (defined to mean a person who, alone or with an associate or through a nominee, is entitled to exercise, or control the exercise of, 15% or more of the voting power at any general meeting of the company) of FWD Management Holdings (as the DIHC) unless approved by the HKIA. In addition, the HKIA is able to object to a person being a shareholder controller of a DIHC if it appears to the HKIA that the person is not, or is no longer, a fit and proper person to be a shareholder controller.

FWD Management Holdings (as the DIHC) is required to obtain the HKIA's approval for the appointments of its chief executive(s), director(s) and key person(s) in control functions. The HKIA is able to object to the continued appointment of any chief executive, director or key person in control functions of FWD Management Holdings if it appears to the HKIA that the person in question is not, or is no longer, a fit and proper person to be so appointed.

Factors to be taken into consideration in ascertaining whether a shareholder controller, chief executive, director or key person in control functions is fit and proper are set out in the IO and are similar to the ones applicable to an authorised insurer. Please refer to "*– Laws and Regulations Relating to the Group's Business and Operations in Hong Kong – Fit and proper directors and controllers*" in this section.

The Group has agreed with the HKIA on a transitional arrangement for the implementation of certain GWS reporting requirements. The transitional arrangement specifies the content and timing of certain reports required to be submitted by the Group to the HKIA under the GWS framework. The reports covered by this transitional arrangement include the Group's internal economic capital assessments, group capital adequacy report, capital adequacy supplementary information and updates on Group board meetings. The Group has agreed to report to the HKIA semi-annually on its progress in carrying out its transitional plan. Unless otherwise agreed with HKIA, the transitional arrangement expires on 31 December 2023. Other requirements of the GWS framework currently apply to the Group and the Group is in full compliance with those requirements.

Powers of intervention

The GWS framework also empowers the HKIA to pass a direction appointing a manager to manage the affairs, business and property of the DIHC, including the exercise of the DIHC control and influence over within-scope group companies, for the duration that such direction is in force, if any of the following were to occur:

(i) the HKIA is of the opinion or is informed by the DIHC that the group capital requirements for the supervised group are not being, or are likely to be not, complied with;

(ii) the auditor's report states that there is a significant doubt as to the ability of the DIHC or its supervised group to continue as a going concern; or

(iii) the HKIA is of the opinion that the DIHC or its supervised group is unable to meet their liabilities, and there is no reasonable prospect of the DIHC or its supervised group recovering from such situation, the measures taken by the DIHC or its supervised group to recover from such situation have failed or any attempt to take the measures to recover from such situation is likely to fail or cannot be implemented within a reasonable time.

The HKIA is also empowered under specified circumstances to, among other things, obtain information and require production of documents, requiring the taking of action in relation to the affairs, business and property of companies within the supervised group and the power to restrict the transfer of assets among the within-scope group companies.

Group readiness and transition plan

The Group is moving towards compliance with the GWS requirements on the basis of transitional arrangements that have been agreed with the HKIA. We apply an amount equal to the net proceeds we received upon issuance of US$2,578 million (being the carrying value of financial instruments at 31 December 2022) of our outstanding financial instruments, which were issued by FL and FGL prior to the designation of FWD Management Holdings as the DIHC, toward meeting our group prescribed capital requirement under such transitional arrangements.

In addition, in its capacity as a groupwide supervisory authority, the HKIA has identified certain priority areas for us to address, including (i) improvement in the profitability and sustainability of our existing Business Units; (ii) further integration across our Business Units in areas such as risk management, strategic planning, capital adequacy and financial efficiency; and (iii) enhancement of our corporate governance and reporting structure. We have submitted in response Board approved implementation plans which will be monitored by the Board and shared with the HKIA and supervisory college members.

Incoming risk-based capital requirements

The IAIS is developing the ICS, which will apply to IAIGs. In January 2023, the HKIA identified the Group as an IAIG.

On 31 July 2018, the IAIS issued the ICS 2.0, a public consultation document to solicit feedback from stakeholders on the ICS. In 2020, the IAIS began the first of two phases in the development and implementation of the ICS. Under the first phase, a "Reference ICS" is being assessed during a five-year monitoring period for confidential reporting to group-wide supervisors and discussion in supervisory colleges. It is proposed that the second phase, beginning in 2025, will include implementation of the ICS as part of prescribed group capital requirements. The IAIS also issued a public consultation in 2022 to assess whether the "aggregation method", an approach that defines group solvency by referencing the local regimes to which a group is subject, provides comparable outcomes to the ICS. Where the HKIA has identified the Group as an IAIG, the Group may become subject to additional capital and solvency requirements. See "*Risk Factors – New solvency standards may affect our capital position*".

REGULATION OF INSURANCE INTERMEDIARIES IN HONG KONG

Overview

With effect from 23 September 2019, the HKIA became the sole regulator to license and supervise insurance intermediaries (comprising insurance agents and insurance brokers) in Hong Kong. The regulatory regime for insurance intermediaries is activity-based. The key difference between the two types of insurance intermediaries is that insurance agents act as agents or subagents of insurers, while insurance brokers act as agents of policyholders and potential policyholders.

The HKIA is responsible for supervising insurance intermediaries' compliance with the provisions of the IO and the relevant regulations, rules, codes and guidelines issued by the HKIA. The HKIA is also responsible for promoting and encouraging proper standards of conduct of insurance intermediaries, and has regulatory powers in relation to licensing, inspection, investigation and disciplinary sanctions.

The Group has two licensed insurance intermediaries: FWD Financial Limited, a licensed insurance agent, and FWD Financial Planning, a licensed insurance broker company.

Licensing requirements

Where the applicant insurance agent, technical representative (agent) or technical representative (broker) is an individual, the HKIA must not grant the applicant a licence unless, among other things, (i) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned and (ii) the applicant has passed the relevant papers of the Insurance Intermediaries Qualification Examination conducted by the Vocational Training Council (unless exempt).

Where an applicant insurance agency is a corporation, the HKIA must not grant the applicant a licence unless, among other things, (i) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned; (ii) each director of the applicant is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business; (iii) where there is a controller in relation to the applicant, the controller is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business; and (iv) the applicant is appointed as an agent by at least one authorised insurer. A licensed insurance agency is also required to appoint a fit and proper person to discharge his or her responsibilities as a responsible officer of the insurance agency, and should provide sufficient resources and support to the person for discharging his or her responsibilities. Prior approval of the HKIA is required for appointment of the responsible officer.

The HKIA must not grant an applicant insurance broker company a licence unless (i) the applicant is a fit and proper person to carry on regulated activities in the lines of business concerned; (ii) each director of the applicant is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business; (iii) if there is a controller in relation to the applicant, the controller is a fit and proper person to be associated with the carrying on of regulated activities in those lines of business; and (iv) the applicant is able to demonstrate that, if licensed, it will be able to comply with rules relating to minimum capital and net assets, professional indemnity insurance, the keeping of separate client accounts by a licensed insurance broker company and the keeping of proper books and accounts. A licensed insurance broker company is also required to appoint a fit and proper person to discharge his or her responsibilities as a responsible officer of the insurance broker company, and should provide sufficient resources and support to the person for discharging his or her responsibilities. Prior approval of the HKIA is required for appointment of the responsible officer.

"Controller" is defined in Part X of the IO to mean, in relation to a company, a person who (i) owns or controls, directly or indirectly, including through a trust or bearer shareholding, not less than 15% of the issued share capital of the company; (ii) is, directly or indirectly, entitled to exercise or control the exercise of not less than 15% of the voting rights at general meetings of the company; or (iii) exercises ultimate control over the management of the company.

The matters that the HKIA must have regard to in determining fitness and properness are set out in the IO. These include matters such as a person's education or other qualifications or experience, ability to carry on a regulated activity competently, honestly and fairly, reputation, character, reliability and integrity and financial status or solvency. The HKIA has issued a guideline on the "fit and proper" criteria for licensed insurance intermediaries.

Licences will generally be subject to renewal requirements every three years.

Conduct requirements

Licensed insurance intermediaries are required to comply with the statutory conduct requirements set out in the IO and the relevant requirements set out in the codes of conduct issued under the IO. The HKIA has issued two separate codes of conduct, namely the Code of Conduct for Licensed Insurance Agents and the Code of Conduct for Licensed Insurance Brokers. These codes contain principles of conduct and related standards and practices with which licensed insurance agents and licensed insurance brokers are ordinarily expected to comply in carrying on regulated activities.

Regulation under the MPFSO

The MPFA is the body established to act as the regulatory authority under the MPFSO and is responsible for regulating and supervising the operations of MPF schemes.

The MPFA registers MPF schemes, approves constituent funds of the schemes and ensures that they operate properly in accordance with the MPFSO, subsidiary legislation and the guidelines issued by the MPFA.

A person is required to be registered with the MPFA as an MPF intermediary before he can engage in MPF sales and marketing activities that may influence a prospective or existing participant of an MPF scheme in making a decision that affects the participant's benefits in an MPF scheme. The MPFA may only register as "principal intermediaries" institutions registered with the SFC for dealing in securities and/or advising on securities regulated activity corporations licensed by the SFC for dealing in securities regulated activity and/or advising on securities regulated activity, insurers authorised under the IO to carry on a long-term insurance business and licensed long-term insurance broker companies under the IO. FWD Life (Bermuda) and FWD Financial Planning are registered MPFSO principal intermediaries and hence are subject to supervision under this regime. Certain individuals attached to a principal intermediary are also required to be registered with the MPFA as "subsidiary intermediaries." Both principal intermediaries and subsidiaries intermediaries constitute "MPF intermediaries." In regulating MPF intermediaries, the MPFA works with three frontline regulators, namely the HKIA, the SFC and the Hong Kong Monetary Authority (collectively, the "**FRs**"). The MPFA and the FRs have distinct powers and functions. In cases concerning conduct issues, the FRs are responsible for supervision and investigation of the relevant registered MPF intermediaries who are the FRs' respective regulatees under their own regimes while the MPFA is the sole authority to determine and impose any disciplinary orders under the MPFSO. Conduct requirements for MPF intermediaries are set out in the MPFSO and a guideline issued by the MPFA.

Publicly offered investment products

The operation, marketing and promotion of investment-linked products and schemes, including long-term insurance schemes by insurers, are subject to authorisation by the SFC in accordance with Part IV of the SFO and related codes and guidelines issued by the SFC (for example, the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products). The codes and guidelines contain structural requirements, operational requirements and disclosure requirements, including restrictions on the content of advertisements and the claims that can be made with respect to risks and potential returns on an investment.

Regulation under the SFO

Companies that wish to conduct business in regulated activities (as stipulated in the SFO) which include, but are not limited to, Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) in Hong Kong must be licensed to do so under the SFO, unless one of the exemptions under the SFO applies. The marketing and promotion of regulated activities, certain financial products and investment schemes are also regulated under the SFO.

Licensed corporations under the SFO are subject to a number of ongoing requirements which include, but are not limited to, capital adequacy, financial reporting and audit, internal control and compliance, regulatory notifications and record keeping. Responsible officers who supervise the regulated activities of the licensed corporations and individuals responsible for carrying out the regulated activities in Hong Kong must satisfy suitability and qualification requirements (as well as maintenance of such requirements) and be approved by the SFC. Substantial shareholders as defined under the SFO must also satisfy certain requirements as to their fitness and properness and be approved by the SFC.

In Hong Kong, FWD Financial Planning is a licensed corporation that is licensed for Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities.

In addition, the operation, marketing and promotion of investment-linked products and schemes, including long-term insurance schemes by insurers, are subject to authorisation by the SFC. See "– *Publicly offered investment products*" in this section.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN MACAU

Overview

The main source of statutory regulation of the insurance sector in Macau is Decree-Law 27/97/M as amended by Law 21/2020, commonly referred to as the Macau Insurance Ordinance, which sets out requirements for the authorisation, ongoing compliance and reporting obligations of insurers.

The ultimate authority overseeing, coordinating and supervising insurance activity is the Macau Chief Executive, while the material execution of these functions is carried out by the Macau Monetary Authority ("**AMCM**").

Insurance intermediary activity in Macau is principally regulated under Decree-Law 38/89/M and its subsequent amendments, commonly referred to as the Insurance Agents and Brokers Ordinance. Authorisation of insurance intermediaries and supervision of insurance intermediary activity fall under AMCM's purview, and any individual or corporate entity must obtain the necessary license issued by AMCM before conducting insurance intermediary business in Macau.

Licences held by the Group in Macau

The Group is authorised to carry on a life insurance business in Macau through its locally incorporated subsidiary, FWD Life (Macau). FWD Life (Macau) is licensed as a life insurer and authorised to offer all classes of life business.

FWD Life (Macau)'s authorisation to carry on a life insurance business was issued by government order no. 92/99/M on 22 March 1999 and published in the Macau Official Gazette on 29 March 1999. This authorisation was subsequently updated by way of executive orders 73/2000, 30/2001 and 48/2013, being successive authorisations to the change in trade name of the company.

Capital, Solvency Margin and Reserve Requirements, Dividend Restrictions

The Macau Insurance Ordinance sets a minimum paid up capital requirement for locally incorporated life insurers, such as FWD Life (Macau), of MOP60 million. Pursuant to the Macau Insurance Ordinance, FWD Life (Macau) is also required to maintain technical reserves, guaranteed by equivalent and adequate assets located in Macau (unless otherwise authorised by AMCM), as well an excess of assets over liabilities of not less than a required solvency margin calculated in accordance with section 70 of the Macau Insurance Ordinance, subject to a minimum solvency margin of MOP15 million. FWD Life (Macau) may only distribute dividends if it meets its statutory legal reserve obligations for the financial year. The Monetary Authority of Macao requires insurance companies to maintain a required minimum solvency ratio determined periodically and is currently set at 150%.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN THAILAND

Overview

FWD Thailand is licensed to carry on a life insurance business in Thailand. It is regulated and supervised by the Office of Insurance Commission of Thailand ("**OIC**"), an independent regulatory organisation handling day-to-day insurance business affairs that reports to the Ministry of Finance. The Secretary General of the OIC holds the statutory appointment of Insurance Registrar.

Each quarter, life insurers must contribute a proportion of their insurance premium to the OIC to cover the OIC's operational expenses. Other than unit-linked insurance products, life insurers must contribute 0.3% of the first-year direct premium and 0.15% for the premium of consecutive year and for one-time payment insurance policies. For unit-linked insurance products, the rate of contribution to the OIC is 0.1% of direct premium each year.

The principal regulator for insurers, reinsurers and intermediaries in Thailand is the OIC. Under the Insurance Commission Act 2007, the OIC is chaired by the Permanent Secretary of Finance, and comprises of the Permanent Secretary of Commerce, the Secretary General of the Consumer Protection Board, the Governor of the Bank of Thailand, and the Secretary General of the Securities and Exchange Commission as ex officio commissioners. The OIC must also be made up of at least 6 but no more than 8 Commissioners selected from experts in law, accountancy, business administration, finance, economics, or insurance.

The Life Insurance Act 1992 (as amended) and its subordinated regulations govern life insurance companies and intermediaries in Thailand, and impose compliance and statutory requirements, including approval and reporting requirement, on insurers and intermediaries. The OIC has the power to supervise insurers and intermediaries; regulate professional conduct, qualifications and the licensing of insurance brokers, agents and actuaries; and implement policies on insurance funds.

Capital requirements

Life insurance companies in Thailand must maintain total capital available of not lower than the total capital required ("**TCR**") under the Risk-Based Capital Notification 2019 (as amended) ("**RBC Notification**"), and, in any case, not lower than Thai Baht 50 million. TCR is calculated based on the relevant risks to which a life insurer is exposed. According to the RBC Notification, if life insurance companies have a capital adequacy ratio ("**CAR**") of lower than 120% (effective until 31 December 2021) or lower than 140% (effective from 1 January 2022 onward), the OIC may impose certain measures as necessary to monitor the financial status of such companies.

Reserve and asset management requirements

For any insurance policies that remain in force, life insurers must allocate a portion of their premium income to a statutory insurance reserve. The insurance reserve may consist of different classes of assets, including cash, government bonds, and current deposits.

Life insurers must place a security deposit with the OIC of not less than Thai Baht 20 million, which may be a mix of cash and certain types of bonds, treasury bills, and similar permitted instruments. Life insurers must also place 25% of their insurance reserves with the OIC.

Under the law, if an insurer is bankrupt or if its licence is revoked, policyholders who are entitled to receive payment under their insurance policies will have preferential rights to the assets that the insurer placed with the OIC (security deposit and insurance reserve), and the rights to receive payment from those assets as secured creditors before other secured creditors.

Statutory fund

Life insurance companies must contribute to a central life insurance statutory fund. If an insurer is declared bankrupt or if its licence is revoked, policyholders will be compensated by the fund. Life insurance companies are required to place up to 0.5% of their total premium collected in the past six months into the statutory fund in accordance with the rules of the OIC.

If the insurer's licence is revoked, each policyholder will receive, in total, not more than Thai Baht 1 million of liquidation proceeds already distributed by the liquidator and compensation from the fund. Policyholders would also have preferential rights over other assets of the insurer and the right to receive payment from such assets subject to the rights of secured creditors and certain other classes of preferred creditors.

Reinsurance

Life insurers can only reinsure up to the net amount at risk unless an approval is granted by the OIC.

Life insurers must prepare a liquidity risk management plan for events with huge loss or those requiring constant compensation. The OIC may also request insurers to take a stress test to assess how effective their treaty or facultative reinsurance arrangements are.

Reinsurance with a Thai licensed reinsurer is allowed if insurers have an appropriate reinsurance management framework. On the other hand, Thai insurers can only enter treaty and facultative reinsurance agreements with foreign reinsurers with good credit ratings as prescribed under the regulation. Financial reinsurance and finite reinsurance with certain characteristics are prohibited, and the insurers must be able to demonstrate against those characteristics. Further, the OIC may order insurers to amend their treaty or facultative reinsurance agreements.

Insurers are required to submit a report on their reinsurance management framework and an analysis of the effectiveness of reinsurance to the OIC by the end of March each year. They must also submit the required reinsurance information and statistics, and, if the OIC requests, copies of reinsurance agreements and side letters.

Regulation on products

All insurance policies, as well as their related documents and endorsements, must be approved by the OIC. Using policies that have not been approved can entitle policyholders to policy termination with a full refund of premium or policy continuation with the benefits as written. Any inconsistency between a policy and its marketing materials is to be construed in favour of the policyholder or the beneficiary.

Premium rates also require the OIC's approval. The OIC can adjust a premium rate as it sees appropriate or at the insurer's request. Any premium adjustment will not affect the premium rate of insurance policies that were approved previously.

Insurers cannot underwrite policies denominated in currencies other than Thai Baht, but may access reinsurance from overseas that is denominated in foreign currencies.

The eligibility criteria on tax deductibility of premiums imposed by the Revenue Department affects life insurance policies.

Regulation on agents and brokers

Life insurance agents and brokers must be licensed by the OIC. From a general principle perspective in Thailand, agents generally represent a single insurer, while brokers may represent multiple insurers for the customer's best interests. The licence of an agent also indicates the name of the insurance company of the agent. Insurers cannot pay intermediaries any remuneration other than normal commission and benefits. There is a cap on the first-year commission rate, and a minimum rate for commission rates for subsequent years.

Restriction on foreign insurers

Life insurers must have at least 75% of their total voting shares directly owned by Thai shareholders, and cannot have foreign directors representing more than a quarter of the board. Nonetheless, the OIC may allow a life insurer to have up to 49% direct foreign shareholding and to have foreign directors representing more than a quarter but less than half of the board, if the Commission thinks appropriate.

The Minister of Finance, with recommendation of the OIC, can allow an insurer to have more than 49% foreign shareholding and foreign directors representing half of the board (or more) if the insurer's operation may cause harm to policyholders or the public, or for the purpose of enhancing the stability of the insurer or the insurance industry.

The law does not prohibit foreign shareholders from owning an indirect interest in life insurers in Thailand through Thai holding companies.

Restriction on dividends and distributions

Life insurers must maintain certain reserves. Before they can distribute dividends, life insurers must meet certain requirements, including having a CAR above the prescribed threshold and having net profits for at least two consecutive years. The calculation of net profits and dividends distribution is subject to the OIC's prior approval.

Financial reporting requirements

Insurers must submit reviewed quarterly financial statements, audited annual financial statements, and annual reports, as well as a certified actuarial report on the calculation of liabilities from insurance policies. In addition, life insurers must publicise their financial statements in newspapers, at their head office and branch offices.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN JAPAN

Overview

FWD Life Japan is regulated principally under the Insurance Business Act, which governs both life and non-life insurance businesses in Japan. Pursuant to the Insurance Business Act, the Prime Minister has the authority to supervise insurance companies in Japan. Most of such authority is delegated to the Commissioner of the Japanese Financial Services Agency ("**JFSA**"), who in turn has delegated a part of such authority to the Directors of the Local Finance Bureaus of the Ministry of Finance.

Licensing requirements

Under the Insurance Business Act, a licence must be obtained from the Prime Minister in order to engage in the business of underwriting insurance for the general public, with certain exceptions. The issuance of a licence is subject to the satisfaction of certain requirements relating to financial condition, prospective results of operations, knowledge, experience, social credibility, insurance products to be offered, and the manner of calculation of insurance premiums, policy reserves and certain other financial matters. The Prime Minister or the Commissioner of the JFSA also has the authority to order the suspension of businesses in whole or in part; dismissal of officers including directors, executive officers, accounting advisers, corporate auditors and independent auditors; and revocation of licences, in the event of violation of material provisions of laws or regulations or in certain other cases prescribed by the Insurance Business Act.

Authority of the Commissioner of the JFSA

An insurance company must obtain approval from the Commissioner of the JFSA with respect to (a) any change in its products or any other term provided in the statement of manner of operations, the form of general policy conditions or the statement of the manner of calculation of insurance premiums and policy reserves submitted to the JFSA (although some of these changes are subject only to a prior notification requirement) or certain material provisions of its articles of incorporation, (b) establishment or acquisition of certain subsidiaries, (c) demutualisation, mutualisation, merger, consolidation, company split, dissolution or cessation of insurance business or (d) transfer of insurance policies, transfer or acquisition of a business in which any or all of the parties thereto are insurance companies, or entrustment of its administration or property to any other insurance company. The Commissioner of the JFSA also has extensive supervisory authority over insurance companies.

Reporting requirements

Insurance companies in Japan are subject to various reporting requirements under the Insurance Business Act. Among these requirements, insurance companies in Japan must submit to the Commissioner of the JFSA annual and semi-annual business reports in each business year, as well as notifications with respect to any increase in paid-in capital; appointment or resignation of representative directors, directors who engage in the ordinary business of the insurance company, corporate auditors, representative executive officers, executive officers, members of audit committee or independent auditors; issuance of stock acquisition rights or subordinated bonds; and the borrowing of subordinated loans.

Regulations on solicitation

Under the Insurance Business Act, life insurance solicitors, including sales representatives, independent sales agents and insurance brokers, must be registered with the relevant Local Finance Bureau. The Directors of the Local Finance Bureaus also have the authority to revoke any existing registration upon the occurrence of certain events provided in the Insurance Business Act and to supervise the operation of such representatives, agents and brokers.

Scope of business

Under the Insurance Business Act, insurance companies in Japan are permitted to engage only in the business of underwriting insurance pursuant to their licence, investing premium revenues and other assets, and certain other businesses set forth in the Insurance Business Act (with the prior approval of the Commissioner of the JFSA for certain types of businesses).

Regulations on major shareholders

Under the Insurance Business Act, a person who intends to hold 20% (or in certain cases, 15%) or more of the voting rights of an insurance company, defined for the purpose of this section as a major shareholder, must obtain prior authorisation from the Commissioner of the JFSA with certain limited exceptions. In addition, the Commissioner of the JFSA may request the submission of reports or materials from, or may inspect, any major shareholder if necessary to secure the sound and appropriate operation of the business and the protection of policyholders of such insurance company. The Commissioner of the JFSA may also impose certain administrative sanctions against major shareholders under the Insurance Business Act, including rescinding the authorisation given to a major shareholder, if they violate any law, regulation or administrative disposition, or act against public interest.

Solvency margin

Under the Insurance Business Act, the Commissioner of the JFSA has the authority to set standards to measure the financial soundness of the management of insurance companies in Japan. The solvency margin ratio is a standard designed to measure the ability of insurance companies to pay insurance claims and other claims upon the occurrence of unforeseeable events such as natural disasters. Currently, the solvency margin ratio for life insurance companies on a nonconsolidated basis is calculated pursuant to a defined calculation formula.

In connection with the development and possible introduction of new standards for solvency assessment by the IAIS, the JFSA is considering the adoption of an economic value-based solvency regime and use of internal models in the course of medium-term reviews of solvency margin regulations. The final report of the Advisory Council on the Economic Value-based Solvency Framework published by the JFSA in June 2020, recommended that the JFSA design and implement such an economic-value based solvency framework in Japan targeting adoption from the beginning of the fiscal year ending 31 March 2026.

The Commissioner of the JFSA has the authority to order an insurance company with an insufficient solvency margin ratio or negative real net assets to take prompt corrective action. In general, insurance companies with solvency margin ratios of 200% or higher are considered sound. If the ratio falls below 200%, the Commissioner of the JFSA may order the insurance company to submit and implement a business improvement plan that will reasonably ensure the soundness of its management. If the ratio falls below 100%, the Commissioner of the JFSA may order the insurance company to take measures to enhance solvency. If the solvency margin ratio falls below 0%, the Commissioner of the JFSA may order the insurance company to suspend all or part of its operations for a period of time to be specified by the Commissioner of the JFSA.

Distribution of dividends

Under the Companies Act, the distribution of shareholder dividends takes the form of distribution of surplus. A distribution of surplus may be made up to the amount calculated in accordance with the formula set forth in the Companies Act. The Insurance Business Act provides that the distribution of policyholder dividends by insurance companies in Japan must be made in a fair and equitable manner in accordance with the provisions of related regulations.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN THE PHILIPPINES

Overview

The Group is authorised to carry on a life insurance business in the Philippines through FWD Philippines. FWD Philippines is likewise authorised to engage in bancassurance activities through the banking network of Security Bank of the Philippines.

The Insurance Commission is the regulatory body that supervises the insurance industry in accordance with Presidential Decree No. 1460, as amended by Republic Act No. 10607 (the "**Philippine Insurance Code**"). The Insurance Commission is a government agency under the Department of Finance and is headed by the Insurance Commissioner who is appointed by the President of the Republic of the Philippines.

Capital Requirements, Solvency and Dividends

Insurance Commission Circular Letter 2016-68 (Amended Risk-Based Capital Framework) prescribes that the risk-based capital ratio be at least 100%, and a trend test is satisfied, at every quarter-end. (i.e. 3 quarterly submissions and an annual report). Upon failure to meet the required RBC ratio based on the submissions, the company must submit a report explaining the cause of the failure and a management plan outlining the actions and/or strategies to be done to meet the RBC ratio for the next quarter. There are varying levels of regulatory intervention for the failure of a company to meet the required minimum based on a company's RBC ratio. In addition, Section 194 of the Philippine Insurance Code sets the minimum paid up capital requirements for domestic life and non-life insurance companies incorporated after 2013 at PHP1 billion. All life or non-life insurers are also subject to an increasing net worth requirement of PHP250 million by 30 June 2013, PHP550 million by 31 December 2016, PHP900 million by 31 December 2019, and PHP1.3 billion by 31 December 2022. Net worth shall consist of: (a) paid-up capital; (b) retained earnings; (c) unimpaired surplus; and (d) revaluation of assets as may be approved by the Insurance Commissioner.

A life insurance company is authorised to declare cash, property or stock dividends for distribution to its stockholders of record in proportion to their stockholdings upon approval by the board of directors and stockholders, provided it satisfies the minimum net worth, and paid-up capital thresholds imposed by law. Insurance Commission Circular Letter 2021-02 provides the Revised Guidelines on the Declaration and/or Distribution of Dividends of an insurance company. Moreover, the insurance company shall meet the following regulatory measures at all times, without regulatory relief, duly attested by the President and Treasurer, before declaration and/or distribution out of the unrestricted retained earnings can be made:

(i) unimpaired paid-up capital stock; (ii) net worth requirements prescribed by Circular Letter No. 2015-02-A and Section 194 of the Insurance Code; (iii) solvency requirements defined in Section 200 of the Insurance Code; (iv) legal reserve fund requirements under Section 217 of the Insurance Code; and (v) a sum sufficient to pay off all net losses reported or in the course of settlement, and all liabilities for expenses and taxes imposed by law. No prior approval or clearance from the Insurance Commission is required for the declaration and/or distribution of dividends. Any dividend declared or distributed shall be reported to the Insurance Commissioner within 30 days after such declaration or distribution accompanied by the documentary requirements. If the Insurance Commission finds that there has been a declaration or distribution in violation of the Revised Guidelines, the insurance company may be ordered to cease and desist from doing business until the amount of such dividend or portion in excess of the allowable amount has been restored.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN INDONESIA

Overview

The primary regulating authority for insurance and asset management businesses in Indonesia is the OJK. FWD Indonesia holds a life insurance licence and a Shariah business unit approval, both issued by the OJK. Meanwhile, PT FWD Asset Management holds a licence as an investment management company issued by the OJK.

Dividends and Distribution Restrictions

Under Law No. 40 of 2007 on Limited Liability Companies as amended by the Job Creation Law, if a company records positive earnings in a financial year, the company may distribute dividends to the shareholders. Interim dividends may also be distributed prior to the end of the company's financial year provided that the dividend distribution: (i) would not cause the company's net worth to become less than the amount of paid-up and issued capital plus required reserve; (ii) would not affect the company's capability to perform its obligations to its creditors; and (iii) would not affect the company's business activities. If the company suffers losses at the end of the financial year, then the shareholders shall return the distributed interim dividends to the company.

In addition to the above, OJK Regulation No. 71/POJK.05/2016 on Financial Soundness of Insurance and Reinsurance Companies, as amended, provides that an insurance company shall not make any dividend distribution if it would result in it not meeting its required internal solvency rate and equity.

Insurance Regulatory Framework

There are a wide range of regulations and restrictions relevant to an insurance company, all of which are under the primary law on insurance business activities, i.e., Law No. 40 of 2014 on Insurance Business as partially amended by Law No. 4/2023 ("**Indonesia Insurance Law**").

An insurance company must obtain an insurance business licence from the OJK, which is the primary licence that must be held by an insurance company in order to conduct insurance related activities. Only licensed insurance companies can insure risks in Indonesia and foreign investors can only participate in a domestic insurance business through a joint venture or by acquiring an existing insurance company. Composite insurance companies are not permitted (i.e., an insurer may only write life or non-life products) and parties wishing to operate across both life and non-life sectors need to do so through separate legal entities. This is the same for reinsurance companies, which may not write direct life or non-life insurance business. A direct life insurer may not write reinsurance, but a non-life insurer may write direct insurance and reinsurance.

OJK Authority

The OJK is the primary regulatory authority for insurance businesses and has the authority to issue regulations and policies applicable to insurance companies and also conduct day-to-day supervision over the companies.

OJK approval is required for any change in shareholdings of an insurance company (save for listed companies where there is no change in control). Further, all controlling shareholders, directors and commissioners of an insurance company are required to pass a 'fit and proper' test administered and evaluated by the OJK. OJK approval is also required for each product sold by the insurance company as well as any bancassurance agreements entered into by the insurance company.

Single Presence Policy

Under the Single Presence Policy, an entity can only be a "controlling shareholder" in: (i) one life insurance company; (ii) one general insurance company; (iii) one reinsurance company; (iv) one Shariah life insurance company; (v) one Shariah general life insurance company; and (vi) one Shariah reinsurance company.

Under the relevant regulations, a "controlling shareholder" is defined as an individual, a legal entity and/or a business group that (a) owns 25% (or more) of the issued shares with voting rights or capital; or (b) owns less than 25% of the issued shares with voting rights but where it is proven that the individual, legal entity and/or business group has control.

In order to comply with the Single Presence Policy, a controlling shareholder may undertake any of the following: (i) a merger of the entities within its control; (ii) a consolidation of entities within its control; (iii) a divestment of a portion or all of its shareholding in the insurance company; or (iv) any other corporate action based on OJK's approval, including a rights issue where the controlling shareholder does not exercise its rights to acquire newly issued shares under the rights issue.

The Single Presence Policy came into force on 17 October 2017 and each affected insurance company was required to submit an action plan to comply with the Single Presence Policy requirements by 23 June 2017 at the latest. OJK has discretion to determine the length of any grace period offered to the parties in terms of timing for compliance with the Single Presence Policy.

Foreign Ownership in an Indonesian Insurance Company

Foreign equity ownership in an Indonesian insurance company is capped at a maximum of 80% following a subscription for or purchase of shares, except that an insurer with existing foreign ownership in excess of the 80% limit prior to April 2018 will be grandfathered (and no sell down will be required).

In order to participate directly in the insurance company, the foreign entity must also be a life insurance company or a holding company having one of its subsidiaries conducting life insurance business. Besides being in the same line of business as the Indonesian company, the foreign shareholder must also satisfy certain various requirements under the insurance rules and OJK regulations.

Asset Management Regulatory Framework

An investment management company (manajer investasi) is subject to the authority of a different department in the OJK (i.e., primarily the OJK Capital Markets department).

In general, investment management companies may fall under the category of securities companies and as such shall also be subject to the relevant regulations. Bapepam-LK (which was the regulating authority over financial services institutions prior to the establishment of the OJK) Regulation No. V.A.3 as amended states that investment management can only be conducted by a securities company that has obtained an investment management licence.

Foreign Ownership in an Indonesian Investment Management Company

Foreign equity ownership in an Indonesian investment management company is capped at a maximum of 85% foreign ownership for non-securities company entities and 99% for foreign entities that are licensed as a securities company in their respective jurisdiction.

Capitalisation

Under OJK Regulation No. 67/POJK.05/2016 on Licensing and Organisation of Insurance, Shariah Insurance, Reinsurance, and Shariah Insurances Companies, as amended, the minimum paid up capital for an insurance company is IDR150 billion.

Existing insurance and reinsurance companies (i.e., companies that have obtained business licences prior to the issuance of OJK Regulation No. 67) are grandfathered from this minimum paid up capital requirement. However, any change of shareholders of the relevant insurance and reinsurance company will trigger the obligation for that company to comply with the minimum paid up capital requirement.

Minimum solvency ratio (Risk Based Capital)

Under OJK Regulation No. 71/POJK.05/2016 on Financial Health of Insurance and Reinsurance Companies as lastly amended by OJK Regulation No. 27/POJK.05/2018, an insurance company must maintain an internal solvency ratio of 120%.

Guarantee Fund

Under the Indonesia Insurance Law, an insurance company must set aside a guarantee fund for purposes of protecting policyholders and ensure the company's ability to make partial or all payments due to policyholders or insured parties in the event the company is liquidated.

The amount of the guarantee fund shall be determined by the OJK depending on the company's business but shall not be less than (at least) 20% of the issued capital of the company, which shall be the initial guarantee fund set aside upon the company's application for an insurance business licence.

The company may not put any encumbrance on the fund and any transfer or disbursement must be with prior OJK approval.

As of 6 March 2023, no guarantee fund has yet been established in Indonesia. Once the new provisions of the guarantee fund under Law No. 4/2023 are fully implemented, the aforementioned requirements for Indonesian insurance companies will be revoked.

Fit and Proper Test

There is an obligation for the prospective controlling shareholder(s) of an insurance company and other key parties to pass a "fit and proper" test. Pursuant to OJK Regulation No. 27/POJK.03/2016 on Fit and Proper Test for Key Parties in Financial Services Companies, the above obligation applies also to the following parties which are considered as "Key Parties" of an insurance company:

(i) controlling shareholder (Pemegang Saham Pengendali);

(ii) board of directors members;

(iii) board of commissioners members;

(iv) Shariah supervisory board members; and

(v) the internal auditor.

Based on OJK Regulation No. 27, the "fit and proper" process will take 30 business days following receipt of the complete "fit and proper" application documents by OJK. However, in practice, it typically takes 3-6 months to get the submission completed and the approval issued.

Products

Under POJK Regulation No. 23/POJK.05/2015 on Insurance Product and Distribution of Insurance Products, prior to marketing a new insurance product, an insurance company must notify the OJK of the new product to obtain either an approval or a statement of registration. The notification must be submitted together with, among other things, the following documents:

(i) a copy of the insurance policy (to be in Indonesian or dual language);

(ii) for a life insurance product, a statement issued by an actuary setting out the premium rate, technical reserves and the actuarial assumptions used and relevant supporting data. Further, if the insurance product provides a cash value, a policy dividend or any other similar feature, the statement should also refer to the feature; and

(iii) the profit test or asset share.

For insurance products that are not a "standard insurance product," OJK approval is required prior to marketing the products. The approval will be issued within ten business days after the receipt of the complete application. For other products, the company must register the products with the OJK and OJK will issue a confirmation on the registration within seven business days.

Subsequently, all product policy modifications must be notified to the OJK.

If a product is marketed through a bancassurance arrangement, the insurers must seek OJK approval for each product that they sell (and must meet certain requirements for the sale of unit-linked products) and approval for the relevant bancassurance product agreements. All insurance products distributed through this arrangement must be subject to a co-operation agreement (i.e., a bancassurance product agreement).

In addition to the above, the OJK has released the draft ILP regulations which will be discussed and reviewed by the Indonesian Life Insurance Association. Major changes are proposed in the draft to cover product design, underlying investments and the ILP sales process.

Reporting requirements

Reporting requirements for insurance companies fall into two categories, i.e., (i) regular OJK reporting requirements, which refer to the periodical reporting obligations on the company's financial and operational condition; and (ii) mandatory OJK reporting requirements, which are submitted in relation to specific matters, which include the address and the articles of association of the insurance company and the insurance products marketed.

Failure to comply with these reporting requirements are subject to administrative sanctions ranging from written warnings to ultimately a revocation of the company's business licence by the OJK.

Distribution channels

Under SEOJK No. 19/SEOJK.05/2020 on Insurance Product Distribution Channels as amended by SEOJK No. 30/SEOJK.05/2022 ("**SEOJK 19/2020**"), the insurance product can only be sold through (i) direct marketing; (ii) agency; (iii) bancassurance and (iv) non-bank entities ("**BUSB**"). The insurance company is required to have a written agreement with the party that is selling the insurance product.

BUSBs may only distribute the insurance products through referrals. Businesses that operate the following distribution channels are required to obtain prior approval from the OJK: (i) bancassurance; (ii) cooperation with a BUSB which uses electronic systems; and (iii) an agent which implements Laku Pandai (Financial Services in the Framework of Financial Inclusion). All insurance companies that came into operation prior to the enactment of SEOJK 19/2020 must comply with SEOJK 19/2020 within one year of its enactment.

Investment-linked insurance products

Under OJK Circular letter No. 5/SEOJK.05/2022 on Investment-Linked Insurance Products ("**Circular 5/2022**"), insurance companies selling investment-linked insurance products must comply with certain offering, marketing, management of assets and operational requirements. These requirements relate to the infrastructure which the insurance companies must maintain (including investment management and reporting capability), the underlying investments which may be offered in connection with investment-linked insurance companies, product terms and conditions (including minimum coverage benefits) and capital requirements. Given Circular 5/2022 was only issued by OJK in March 2022, the insurance industry is in ongoing discussions with OJK on the circular's interpretation and the application of transitional provisions. As a result, the impact of Circular 5/2022 on the Group's business and operations in Indonesia may continue to evolve.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN SINGAPORE

Overview

FWD Singapore is licensed by the Monetary Authority of Singapore (the "**MAS**") to underwrite and sell both life and general insurance pursuant to the Insurance Act 1966 (the "**Singapore Insurance Act**"). In particular, FWD Singapore may carry on any of the following activities in Singapore relating to both life insurance and general insurance: the receipt of proposals for policies; the issuing of policies; and the collection or receipt of premiums on insurance policies.

An insurer in Singapore must pay a prescribed annual fee.

Capital Requirements, Minimum Solvency and Dividends

Licensed insurers in Singapore are subject to a risk-based capital framework. The framework sets out the valuation methodology for assets and liabilities, rules relating to the operations of life insurance funds, capital requirement rules, the role of actuaries, and a set of statutory reporting standards. An insurer has to notify the MAS when it has failed or is likely to fail to comply with the mandated risk-based capital indicators or when a financial resources warning event has occurred or is likely to occur. A licensed insurer is required at all times to maintain a minimum level of paid-up ordinary share capital and to ensure that its financial resources are not less than the minimum thresholds set by MAS. Regulations issued under the Singapore Insurance Act require FWD Singapore to maintain minimum paid-up capital of at least SGD10 million. In addition, FWD Singapore has to meet the capital adequacy requirements prescribed by the Singapore Insurance Act, i.e. FWD Singapore's financial resources must not at any time be less than (a) the amount of the total risk requirement of at the higher solvency intervention level, or SGD5 million, whichever is higher; and (b) the amount of the total risk requirement of at the lower solvency intervention level, or SGD5 million, whichever is higher.

Under the One-Tier Corporate Taxation System, the tax on corporate profits is final and dividends paid by a Singapore-resident company are tax-exempt in the hands of shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

No dividend shall be payable to the shareholders of any company incorporated in Singapore except out of profits and any profits of a company applied towards the purchase or acquisition of its own shares in accordance with the relevant provisions of the Companies Act 1967, shall not be payable as dividends to the shareholders of the company. There are no general regulatory restrictions against the payment of dividends by insurers in Singapore.

Separate Accounts Requirement

Every licensed insurer is required to establish and maintain a separate insurance fund (a) for each class of insurance business carried on by the insurer that (i) relates to Singapore policies and (ii) relates to offshore policies; (b) for its investment-linked policies and for its non-investment-linked policies; and (c) if no part of the surplus of assets over liabilities from an insurer's non-participating policies is allocated by the insurer by way of bonus to its participating policies, in respect of non-investment-linked policies (i) for participating policies and (ii) for non-participating policies.

A licensed insurer is also required to fulfil fund solvency requirements in respect of any insurance fund established and maintained by that insurer. In this regard, the licensed insurer must ensure that the total assets of the fund must not at any time be less than the total liabilities of the fund.

Regulation of Products

A licensed insurer registered to carry on life business may only issue a life policy or a long-term accident and health policy if the premium chargeable under the policy is in accordance with rates fixed with the approval of an appointed actuary or, where no rates have been so fixed, is a premium approved by the actuary. It is also a licensing condition of FWD Singapore that FWD Singapore shall consult and obtain the approval of MAS before introducing policies for general business insuring risks which have not been previously written in the Singapore insurance market.

Personal Data Protection

Personal data in Singapore is protected under the Personal Data Protection Act 2012 ("**PDPA**"). The PDPA governs the collection, use, disclosure and care of personal data by organisations in a manner that recognises both the right of individuals to protect their personal data and the need of organisations to collect, use or disclose the same for purposes that a reasonable person would consider legitimate and reasonable in the circumstances. Under the PDPA, personal data is defined as data, whether true or not, about an individual (whether living or deceased) who can be identified (a) from that data; or (b) from that data and other information to which the organisation has, or is likely to have access.

Generally, the PDPA imposes the following obligations on relevant persons: obligations of obtaining consent, giving notification and access and correction rights to the relevant persons, purpose limitation in respect of use of, and retention limitation and transfer limitation in respect of personal data collected, ensuring accuracy and protection of data collected and openness in making information available on its privacy policies and procedures relating to protection of personal data.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN VIETNAM

The below describes the rules and regulations that are material to FWD Vietnam, the Group's business in Vietnam, which holds an establishment and operation licence issued by the Ministry of Finance.

Overview

In Vietnam currently, the Law No. 08/2022/QH15 on Insurance Business ("**Law on Insurance Business**"), which was promulgated on 16 June 2022 and came into effect from 1 January 2023, is the main legislation regulating the insurance business activities in Vietnam. A decree providing guidance on the implementation of the Law on Insurance Business will be issued by the Government of Vietnam. Pending guidance documents for implementation of the Law on Insurance Business from the authorities, other guiding decrees and circulars of the previous law i.e., law No. 24/2000/QH10 on Insurance Business, which generally expired on 1 January 2023, are still considered as the prevailing guidance on the operation of insurance companies in Vietnam.

The main governmental authority who is responsible for supervising and controlling of the insurance company activities is the Ministry of Finance, especially the Insurance Supervisory Authority (a subordinate department within the Ministry of Finance). The Ministry of Finance takes full responsibilities before the Government in exercising the State management of the insurance business sector pursuant to Article 151.2 of the Law on Insurance Business. The Insurance Supervisory Authority, on the other hand, advises and assists the Ministry of Finance in implementing the State management of the insurance business sector and directly manages and supervises (i) insurance business activities and (ii) services in the insurance business sector in accordance with the laws, per Article 1 of Decision No. 1799/QĐ-BTC.

Capital Requirements, Solvency and Dividends

It is required under the Law on Insurance Business that the paid-up charter capital must be at least equal to the level of legal capital. The specific minimum level of legal capital for each type of insurance company is not specified in the Law on Insurance Business but will be provided by the Government under a new Decree. Under Decree No. 73/2016/ND-CP providing guidance to the implementation of the previous Law on Insurance Business ("**Decree 73**")[(1)], the applicable minimum legal capital for life insurance and life reinsurance are VND600 billion, and VND700 billion, respectively. Any change to the charter capital must be approved by the Ministry of Finance. Additionally, no later than 60 days from the date of issuance of the licence, the insurance company must deposit a portion equal to 2% of its legal capital into an escrow account opened at a licensed commercial bank in Vietnam.

Under Decree, 73, the insurance company is obliged to make an annual appropriation of 5% of its after-tax profit to establish a compulsory reserve fund. The maximum amount of the compulsory reserve fund shall be equal to 10% of the charter capital of the insurance company. The Law on Insurance Business sets out a similar requirement, however, the maximum amount of the fund will be later decided by the Government of Vietnam. Prior to 2023, the insurance company had to contribute to the fund for protection of the insured at the amount specified by the Ministry of Finance annually. The contributions shall be required until the scale of the fund is equal to 3% of the total assets of life insurance companies. This requirement will be ceased from 1 January 2023 as the Law on Insurance Business no longer requires such condition. The balance of the fund, which has been accumulated over the years, will be managed and used as per guidance of the Government of Vietnam.

The insurance company shall be deemed to satisfy the solvency requirements if (i) it has fully established the insurance reserves; and (ii) its solvency margin is not less than the minimum solvency margin stipulated by relevant governmental decree. However, the Law on Insurance Business abolishes the regulation on solvency margin and replaces it with regulations on capital adequacy ratio under the guidance of the Ministry of Finance corresponding to the size and level of risk of the business. This change may cause pressure to raise capital for certain insurers. Nevertheless, the Law on Insurance Business allows a transition period of 5 years from the effective date of this law to 2027 where the insurer need to fully comply with the capital adequacy ratio.

Reinsurance

In addition to other conditions in this regulatory framework, under Decree 73, the insurance company must satisfy the following requirements to conduct life reinsurance business (i) legal capital of VND700 billion; (ii) maximum level of the liability retained on each risk or on each separate loss not to exceed ten per cent. of its equity; and (iii) insurance reserves and solvency margin similar to those of life insurance businesses. This requirement has been updated under the Law on Insurance Business. Accordingly, a reinsurer will need to maintain the insurance reserves and the solvency margin at the same level of an insurance company. For the legal capital and the maximum level of the liability, the Government of Vietnam will provide detailed requirements at a later stage.

Other Material Changes under the New Insurance law

Prior to 2023, foreign investors were permitted to own up to 100% of the charter capital or shares of an insurance or re-insurance company in Vietnam, subject to a case by case approval of the licensing authority. However, the Law on Insurance Business has confirmed clearly that foreign investors are allowed to own 100% shares or charter capital of insurance and reinsurance companies according to Vietnam's commitments in World Trade Organization and other international treaties.

Under the Law on Insurance Business, insurers will be more autonomous in their business activities while the role of the regulators will be to provide oversight, promote transparency, and the healthy development of the insurance market. For example, the Law on Insurance Business supplements the duties and powers of the Ministry of Finance in the management, supervision, inspection, and handling of violations of the law on insurance business, such as establishing a mechanism to share management and supervisory information with the State Bank of Vietnam and other ministries related to insurance business activities.

[(1)] Decree 73 will be replaced by the new Decree providing guidance on the implementation of the Law on Insurance Business.

Under the Law on Insurance Business, the scope of agency activities will be limited to certain types of activities compared to those under the previous law on insurance business, which are open for agreement between the insurance companies and the agencies. Subject to further guiding documents of the competent authorities in Vietnam, this change may impact the operation of the agencies system.

Recognising the application of technology in insurance business, for the first time, the Law on Insurance Business provides general regulations for the sale of insurance products via online channels. Accordingly, insurers, foreign insurer's branches, insurance agencies, insurance brokers, and microinsurance companies are permitted to sell their products and services via online channels. These entities must set up, maintain and operate the IT system for such distribution channel. The Ministry of Finance will provide further details regarding this matter at a later stage.

The Law on Insurance Business also introduces stricter disclosure requirements.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN MALAYSIA

Overview

FWD Takaful is regulated by the Ministry of Finance in Malaysia and the Central Bank of Malaysia, Bank Negara Malaysia ("**BNM**"). FWD Takaful carries on family takaful business including investment-linked business, and is licensed under the Islamic Financial Services Act 2013 ("**IFSA**").

The Malaysian statute that provides for takaful business requirements is the IFSA. BNM is the regulatory body responsible for administering the IFSA, and supervising and regulating the conduct of takaful operators in Malaysia. BNM has broad powers, which include the power to request for the submission by a takaful operator of documents or information as may be required by BNM, make regulations with the approval of the Ministry of Finance in Malaysia, and issue policy documents, guidelines, circulars or notices relating to the conduct of the business and affairs of a takaful operator.

In carrying out its business activities, a takaful operator is required to comply with the IFSA, and the regulations and policies imposed by BNM. In addition, a takaful operator is required to comply with applicable Shariah law and ensure that its operations are consistent with principles of Islamic laws applicable to its business.

The Shariah authority of Malaysia in Islamic Finance is the Shariah Advisory Council. The Shariah Advisory Council was established by BNM and is the Shariah authority referred to by local courts and arbitrators in disputes involving Shariah issues in Islamic banking, finance and takaful cases. The resolutions passed by the Shariah Advisory Council on the interpretation of Shariah law and principles are applicable to all Islamic financial institutions, including takaful operators.

A takaful operator is required to establish a Shariah committee. The Shariah committee must consist of a minimum of five members approved by BNM. The main duties and responsibilities of the Shariah committee are to ensure that the takaful operator's aims and operations, business, affairs and activities are in compliance with Shariah. This includes providing a decision or advice to the takaful operator on the application of any rulings of the Shariah Advisory Council or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the takaful operator, deliberating and affirming a Shariah non-compliance finding by any relevant functions, and endorsing a rectification measure to address a Shariah non-compliance event.

Capital Requirements, Solvency and Dividends

A takaful operator is required to maintain at all times a minimum paid-up share capital of RM100,000,000. Presently, all takaful operators are required to have a minimum capital adequacy ratio of 130% and must maintain an internal target capital adequacy ratio which is above 130%. In computing the capital adequacy ratio percentage, factors such as retained profits and general reserves are taken into account. Failure to maintain the minimum capital adequacy ratio will attract supervisory actions by BNM including business restrictions and/or restructuring measures, and potentially actions to resolve the financial position of a takaful operator. A takaful operator must maintain at all times assets of equivalent or higher value than the liabilities of the takaful fund. Where a deficiency arises, the takaful operator is required to provide qard or other forms of financial support to the takaful fund from the shareholders' fund for an amount and on such terms and conditions as may be specified by BNM.

A takaful operator may only withdraw from a takaful fund, whether from surplus or otherwise of the takaful fund, if the withdrawal requirements as may be specified by BNM are complied with, the withdrawal does not impair the sustainability of the takaful fund to meet its liabilities, and the interests and fair treatment of takaful participants including their reasonable expectations, have been given due regard. A takaful operator must obtain the prior written approval of BNM for all declarations and payments of any dividends. In addition to the restrictions on withdrawal from a takaful fund and declaring and paying dividends above, the Companies Act 2016 provides that a Malaysian company may only make a distribution to its shareholders out of profits of the company available if the company is solvent.

Acquisition of interest in shares requiring BNM approval

A person is prohibited from entering into an agreement or arrangement to acquire shares in a takaful operator which will result in the person holding an aggregate of 5% or more interest in the shares of the takaful operator, without the prior approval of BNM or the Ministry of Finance in Malaysia (acting on the recommendation of BNM), as the case may be.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN BERMUDA

Overview

FWD Life (Bermuda) is regulated in respect of its insurance business by the Bermuda Monetary Authority (the "**BMA**") in Bermuda. FWD Life (Bermuda) is subject to the Bermuda Insurance Act 1978 and related regulations, each as amended (the "**Bermuda Insurance Act**") which provides that no person shall carry on any insurance business in or from within Bermuda unless registered as an insurer under the Bermuda Insurance Act by the BMA. Further, a registered insurer shall not engage in any non-insurance business except where such business is ancillary to the insurance business carried on by the insurer. The Bermuda Insurance Act imposes solvency and liquidity standards, as well as auditing and reporting requirements on Bermuda insurance companies. The Bermuda Insurance Act also grants to the BMA powers to supervise, investigate, discipline, censure and intervene in the affairs of Bermuda registered insurance companies and its officers/operators.

Bermuda Licences held by FWD Life (Bermuda)

The Bermuda Insurance Act distinguishes between insurers carrying on long-term business, insurers carrying on general business and insurers carrying on special purpose business. FWD Life (Bermuda) is registered in Bermuda as a Class 3 general business insurer and a Class E long-term insurer under the Bermuda Insurance Act and, as such, has the authority to conduct both general and life insurance business as a composite insurer under the Bermuda Insurance Act except that FWD Life (Bermuda) is required to obtain the BMA's prior written approval before it effects any contracts of insurance or reinsurance with respect to its Class 3 general business licence.

Capital and Solvency Requirements

A composite insurer like FWD Life (Bermuda) is required to maintain a fully paid up share capital of at least US$370,000. In addition, the Bermuda Insurance Act provides that the statutory assets of an insurer must exceed its statutory liabilities by an amount greater than the prescribed minimum solvency margin.

The minimum solvency margin requirement in respect of a Class E insurer's long-term business is the greater of:

(i) US$8,000,000;

(ii) 2% of assets of first US$500,000,000 plus 1.5% of the relevant assets above US$500,000,000; and

(iii) 25% of the enhanced capital requirement ("**ECR**") as reported at the end of the relevant year.

Class E insurers are also required to maintain available statutory economic capital and surplus at a level equal to or in excess of its ECR established in accordance with the Bermuda Insurance Act.

While not specifically referred to in the Bermuda Insurance Act, the BMA has also established a target capital level ("**TCL**") for each Class E insurer equal to 120% of its ECR. The TCL serves as an early warning tool for the BMA and if FWD Life (Bermuda) fails to maintain statutory capital at least equal to the TCL this will likely result in increased regulatory oversight.

With respect to its general business, a Class 3 insurer is required to maintain a minimum solvency margin equal to the greatest of:

(i) US$1,000,000;

(ii) 20% of net premiums written, where the net premiums written do not exceed US$6,000,000; or, where the net premiums written do exceed US$6,000,000, US$1,200,000 plus 15% of net premiums written over US$6,000,000; and

(iii) 5% of loss, and loss expenses provisions, and other general business insurance reserves,

where "net premiums written" means, in relation to a Class 3 insurer, the net amount, after deductions of any premiums ceded by the insurer for reinsurance, of the premiums written by the insurer in that year in respect of general business.

If an insurer at any time fails to meet its minimum solvency margin requirements, it must, upon becoming aware of such failure, immediately notify the BMA and, within 14 days thereafter, file a written report with the BMA containing particulars of the circumstances that gave rise to the failure and setting out its plan detailing specific actions to be taken and the expected timeframe in which the insurer intends to rectify the failure.

Relevant assets include cash and time deposits, quoted investments, unquoted bonds and debentures, first liens on real estate, investment income due and accrued, accounts and premiums receivable, reinsurance balances receivable and funds held by ceding reinsurers. There are certain categories of assets which, unless specifically permitted by the BMA, do not automatically qualify as relevant assets, such as unquoted equity securities, investments in and advances to affiliates and real estate and collateral loans.

The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax and sundry liabilities (such terms are not defined and are subject to interpretation) and letters of credit and guarantees.

Dividends and Distributions Restrictions

As a long-term insurer, FWD Life (Bermuda) shall not declare or pay a dividend unless the value of its assets as certified by its approved actuary, exceeds its liabilities (as so certified) by the greater of its margin of solvency and its ECR and the amount of any such dividend shall not exceed that excess.

FWD Life (Bermuda) is prohibited from declaring or paying any dividends during any financial year if it is, or by virtue of paying such dividends would be, in breach of its applicable solvency margins, enhanced capital requirements or liquidity ratio. If FWD Life (Bermuda) fails to meet its applicable solvency margins or liquidity ratio on the last day of any financial year, it will be prohibited from declaring or paying any dividends during the next financial year without the approval of the BMA.

Also, FWD Life (Bermuda) shall not declare or pay a dividend to any person other than a policyholder unless the value of the assets of its long-term business fund, as certified by the insurer's approved actuary, exceeds the extent (as so certified) of the liabilities of the insurer's long-term business; and the amount of any such dividend shall not exceed the aggregate of:

(i) that excess; and

(ii) any other funds properly available for the payment of dividend.

Further, FWD Life (Bermuda) shall not in any financial year pay dividends which would exceed 25% of its total statutory capital and surplus, as shown on its statutory balance sheet in relation to the previous financial year, unless: at least seven days before payment of those dividends it files with the BMA an affidavit signed by: (a) at least two directors of the insurer (one of whom must be a director resident in Bermuda if the insurer has a director so resident), and (b) the insurer's principal representative in Bermuda, which states that in the opinion of those signing, declaration of those dividends has not caused the insurer to fail to meet its relevant margin.

The restrictions on declaring or paying dividends or distributions under the Bermuda Insurance Act are in addition to the solvency requirements under the Companies Act 1981 which restrict Bermuda companies from declaring or paying a dividend or making a distribution out of contributed surplus if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company's assets would thereby be less than its liabilities.

LAWS AND REGULATIONS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS IN THE CAYMAN ISLANDS

Overview

The below are our principal Group entities domiciled in the Cayman Islands:

(i) our Company;

(ii) FL;

(iii) FGL; and

(iv) FWD Reinsurance.

As entities domiciled in the Cayman Islands, each of the above entities will have obligations under the laws of Cayman Islands. FWD Reinsurance is also licensed as a Class B Insurer by the Cayman Islands Monetary Authority ("**CIMA**") under the Insurance Act (as amended) of the Cayman Islands ("**Insurance Act**"), and material regulatory obligations in relation to the licence apply to FWD Reinsurance.

Licensing requirements

An insurance business must not be carried on in or from the Cayman Islands without a valid licence. FWD Reinsurance is licensed by CIMA as a Class B Insurer under the Insurance Act. A Class B licence allows the holder to carry on insurance business, other than domestic insurance business in the Cayman Islands, of which:

(i) at least 95% of the net premiums written will originate from the insurer's related business;

(ii) over 50% of the net premiums written will originate from the insurer's related business; or

(iii) 50% or less of the net premiums written will originate from the insurer's related business.

FWD Reinsurance holds a Class B (iii) licence under the Insurance Act. A Class B (iii) licence requires that 50% or less of the net premiums written will originate from the insurer's related business.

Capital requirements

FWD Reinsurance must meet the minimum capital requirements and the prescribed capital requirements under the Insurance (Capital and Solvency) (Classes B, C and D Insurers) Regulations, 2012 of the Cayman Islands. FWD Reinsurance must also have an established risk management framework that is appropriate for the size and complexity of FWD Reinsurance and the nature of its risk exposures.

The capital requirement for Class B (iii) licensees are as follows:

(i) General: minimum capital requirement of US$200,000 and prescribed capital requirement of 15% of Net Earned Premium ("**NEP**") on the first US$5,000,000, 7.5% on additional NEP of up to US$20,000,000 and 5% on additional NEP in excess of US$20,000,000.

(ii) Long-term: minimum capital requirement of US$400,000 and a prescribed capital requirement that is equal to the minimum capital requirement.

(iii) Composite: minimum capital requirement of US$600,000 and a prescribed capital requirement which is an aggregate of the amount required to support the general business plus the minimum capital requirement.

FWD Reinsurance operates as a segregated portfolio company ("**SPC**"). FWD Reinsurance, as a single legal entity, must maintain the minimum net worth requirements under the Insurance Act. To ensure the viability of the SPC, CIMA expects each individual segregated portfolio will be solvent in its own right. In respect of each segregated portfolio, FWD Reinsurance must:

(i) meet the prescribed margin of solvency;

(ii) file annual returns with CIMA; and

(iii) the annual returns in respect of each segregated portfolio must be prepared using the same financial year.

CIMA reporting requirements

An annual return must be filed within six months after the financial year end of FWD Reinsurance.

Fit and proper directors and controllers

FWD Reinsurance must be controlled and managed by persons that CIMA regards as fit and proper. FWD Reinsurance must have a minimum of two executive directors. Any change in directors, officers and managers of FWD Reinsurance must be pre-approved by CIMA.

Any direct or indirect change of control of FWD Reinsurance must have the pre-approval of CIMA.

Business conduct requirements

FWD Reinsurance must comply with CIMA's expectations in connection with the conduct of its business. This includes having regard to guidance in connection with outsourcing, corporate governance, record keeping, cybersecurity, marketing, internal controls, reinsurance and business continuity management.

FWD Reinsurance may only carry out its business in accordance with the business plan submitted to CIMA. Any changes to the business plan must have the prior written approval of CIMA.

Anti-money laundering, counter-terrorist financing, prevention of proliferation financing and financial sanctions compliance

All Cayman entities must ensure that they comply with the financial sanctions applicable in the Cayman Islands. The Government of the United Kingdom passes Orders in Council implementing United Nations, European Union and United Kingdom sanctions and extending such sanctions to its Overseas Territories through Overseas Orders in Council, including the Cayman Islands. The Cayman Islands Financial Reporting Authority ("**FRA**") administers and coordinates the implementation of financial sanctions in the Cayman Islands.

If any person resident in the Cayman Islands knows or suspects, or has reasonable grounds for knowing or suspecting, that another person is engaged in criminal conduct, is involved with terrorism or terrorist property or proliferation financing or is the business combination partner of a financial sanction target and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the FRA, pursuant to the Proceeds of Crime Act (as amended) of the Cayman Islands if the disclosure relates to criminal conduct, money laundering or proliferation financing or is the business combination partner of a financial sanction target; or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Act (as amended) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report will not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

FWD Reinsurance must comply with the Cayman Islands anti-money laundering, counter-terrorist financing and proliferation financing regime. This includes having procedures in place that are consistent with such regime and having an Anti-Money Laundering Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer appointed. The roles of these officers must be fulfilled by suitable individuals at managerial level, with suitable qualifications, experience and resources. FWD Reinsurance has the right to refuse to make any payment to a shareholder if its directors or officers suspect or are advised that the payment to such shareholder might result in a breach of applicable anti-money laundering, counter-terrorist financing, prevention of proliferation financing and financial sanctions or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure compliance with any such laws or regulations in any applicable jurisdiction.

Data protection requirements

All Cayman Islands entities that are controlling personal data will be subject to the Data Protection Act (as amended) ("**DPA**"). The DPA will apply irrespective of the location of the data subject. The DPA is based on eight data principles including fair and lawful use, purpose limitation, data minimisation, data accuracy, storage limitation, respect for the individual's rights, security and international transfer of data. Any personal data controlled by Cayman Islands entities must be undertaken in accordance with the DPA.

Economic substance

The Cayman Islands Economic Substance Act (as amended) ("**ES Act**") requires "relevant entities" carrying on a "relevant activity" to meet prescribed economic substance requirements. A Cayman company that is tax resident outside of the Cayman Islands is not a "relevant entity." Companies must annually notify their registered office of their classification under the ES Act, including if they are tax resident outside of the Cayman Islands. If they are tax residents outside the Cayman Islands, or are carrying on a relevant activity, they must file an annual report with the Tax Information Authority.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board of Directors consists of eleven Directors, comprising two Executive Directors, three Non-executive Directors and six Independent Non-executive Directors. Brief information of the Directors is set out below:

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Responsibilities
HUYNH Thanh Phong (alias 黃清風)	56	Group Chief Executive Officer and Executive Director	May 2021	December 2013	Overall strategic planning and business direction
LI Tzar Kai, Richard (李澤楷)	56	Executive Director	November 2020	November 2020	Overall strategic planning and business direction
John DACEY	62	Non-Executive Director	December 2022	December 2022	Provide strategic advice to the Board
Walter KIELHOLZ	72	Non-Executive Director	September 2021	September 2021	Provide strategic advice to the Board
SUN Po Yuen (孫寶源)	62	Non-Executive Director	October 2022	October 2022	Provide strategic advice to the Board
MA Si-Hang, Frederick (馬時亨)	71	Chairman and Independent Non-executive Director	September 2021	December 2013	Provide independent opinion and judgment to the Board
Yijia TIONG (張怡嘉)	38	Independent Non-executive Director	May 2021	May 2021	Provide independent opinion and judgment to the Board
CHUNG Kit Hung, Martina (鍾傑鴻)	64	Independent Non-executive Director	October 2020	February 2013	Provide independent opinion and judgment to the Board

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Responsibilities
Dirk SLUIMERS.	70	Independent Non-executive Director	May 2021	March 2016	Provide independent opinion and judgment to the Board
John BAIRD	53	Independent Non-executive Director	September 2021	April 2015	Provide independent opinion and judgment to the Board
Kyoko HATTORI	48	Independent Non-executive Director	September 2021	November 2017	Provide independent opinion and judgment to the Board

EXECUTIVE DIRECTORS

HUYNH Thanh Phong (alias 黃清風) has served as an Executive Director since May 2021 and is our Group Chief Executive Officer, having served as Group Chief Executive Officer and Director of our subsidiaries, FGL and FL, since March 2014. He also holds various positions on the boards of certain other companies in our Group. Mr. Huynh leads our regional operations and strategic development and is an insurance professional with more than 30 years of experience in the insurance industry, covering North America, Asia and the Middle East.

Before joining our Group, he worked with Argyle Street Management, a Hong Kong-based investment fund, in an advisory role from 2013 to 2014. From 2010 to 2013, Mr. Huynh was Regional Chief Executive for the AIA Group ("**AIA**"), responsible for leading its business operations in Singapore, Indonesia, Malaysia, Vietnam, India, Thailand and Sri Lanka. From 2009 to 2010, he served as Executive Vice President for Insurance at Fullerton Financial Holdings, a wholly-owned subsidiary of Temasek Holdings, where he was responsible for building the insurance business in Indonesia, Malaysia, Vietnam, China, India, Pakistan and the Middle East. He also worked for 12 years at Prudential plc, where he held a number of senior level positions including the founding Chief Executive Officer of Prudential Vietnam and Managing Director for Prudential Corporation Asia, responsible for managing its operations in East Asia, Southeast Asia, and the Middle East. He started his career in Canada with Crown Life, and moved to Manulife Financial, where he was appointed as Manulife's Appointed Actuary for the Greater China Region in 1992.

Mr. Huynh is a qualified actuary and a fellow of the Society of Actuaries (USA). He was awarded the title of Officer of the Order of the British Empire by Queen Elizabeth II in June 2005 in recognition of his contribution in promoting UK financial services in Vietnam. Mr. Huynh graduated in June 1986 with a Bachelor of Science degree from the University of Alberta, Canada.

LI Tzar Kai, Richard (李澤楷) was appointed to our Board in November 2020 and serves as our Executive Director. Mr. Li has also served as a Director on the boards of our subsidiaries, FGL and FL, since November 2020.

Mr. Li is the founder and serves as the Chairman of PCG. Mr. Li founded PCG in 1993 to invest in the financial services, technology, media & telecommunications and property industries.

Presently, Mr. Li is the Executive Director and Chairman of HKEX listed PCCW, an information and communications technology company that PCG acquired in 1999. He is also the Chairman and an Executive Director of HKEX listed HKT, a telecommunications company that PCCW acquired in 2000. He also serves as Chairman and Executive Director of Singapore Exchange listed Pacific Century Regional Developments Limited, as Executive Director of HKEX listed Pacific Century Premium Developments Limited and as Chairman of bolttech Holdings. In 2010, he acquired the asset management business of AIG through PCG, which was subsequently renamed as PineBridge. Mr. Li is a Non-Executive Director of PineBridge.

Mr. Li is a member of the Center for Strategic and International Studies' International Councillors Group in Washington, D.C. He was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

NON-EXECUTIVE DIRECTORS

John DACEY has served as our Non-Executive Director since December 2022. He has also served as a Director of our subsidiaries, FGL and FL, since December 2022.

Mr. Dacey is the Group Chief Financial Officer at Swiss Re Ltd, which is listed on SIX Swiss Exchange, since April 2018. He joined Swiss Re in October 2012 and was appointed Group Chief Strategy Officer and member of the Group Executive Committee in November 2012. He also served as Chairman of Admin Re® from November 2012 to May 2015.

Mr. Dacey started his career in 1986 at the Federal Reserve Bank of New York. From 1990 to 1998, he was a consultant and subsequently Partner at McKinsey & Company. He joined Winterthur Insurance in 1998 and was its Chief Financial Officer from 2000 to 2004 as well as member of its Group Executive Board until 2007. From 2005 to 2007, he was Chief Strategy Officer and member of its risk and investment committees. He joined AXA in 2007 as Group Regional Chief Executive Officer and Group Vice Chairman for Asia-Pacific as well as member of their Group Executive Committee.

Mr. Dacey graduated with a Bachelor's degree in Economics from Washington University in August 1982, and a Master's degree in Public Policy from Harvard University in November 1986.

Walter KIELHOLZ has served as our Non-Executive Director since September 2021.

Mr. Kielholz is an Honorary Chairman of Swiss Re Group since April 2021. After graduating in finance and accounting, he began his career at General Reinsurance Corporation, Zurich, in 1976. In 1986 he joined Credit Suisse, where he was responsible for banking relationships with large insurance groups. He joined reinsurer Swiss Re Group in 1989, becoming an Executive Board member in 1993, and served as Swiss Re Group's Chief Executive Officer from 1997 to 2002. He was Vice Chairman of Swiss Re Group's board from 2003 and served as Chairman from 2009 until April 2021, when he took up his present honorary role. He has served on a number of Swiss Re Group committees throughout his long and distinguished career at Swiss Re Group, including the Finance and Risk Committee and the Chairman's and Governance Committee.

Mr. Kielholz's positions outside of Swiss Re Group include tenure on the board of Credit Suisse (1999 to 2014, Chairman from 2003 to 2009). He was elected to the International Insurance Society's Hall of Fame in March 2005 and awarded with the Honorary Citizen Award in Singapore in August 2022. Mr. Kielholz graduated in October 1975 with a Business, Finance and Accounting degree from the University of St. Gallen, Switzerland.

SUN Po Yuen (孫寶源), JP, has served as our Non-Executive Director since October 2022. He has also served as a Director of FWD Management Holdings since October 2022.

Mr. Sun had been an audit partner with PricewaterhouseCoopers in Hong Kong for 25 years until July 2021. He held various leadership positions in different assurance business units, including institutional group for Hong Kong and Macau, entrepreneurial group for Hong Kong and southern China and capital markets services group for Hong Kong and mainland China. He acted as Lead Director of both governance boards of PricewaterhouseCoopers China and PricewaterhouseCoopers Asia Pacific and was a member of the global board of PricewaterhouseCoopers.

Mr. Sun was a member of the Listing Committee of the Stock Exchange from 2009 to 2014. He was a director of the Hong Kong Science and Technology Parks Corporation and chairman of its audit committee from 2012 to 2018, a director of the Hong Kong Applied Science and Technology Research Institute Company Limited and chairman of its audit committee from 2007 to 2012 and a director of the Estate Agents Authority and a member of its disciplinary committee and finance and strategic development committee respectively from 2006 to 2010. Mr. Sun previously served as Chairman in 2001/02 of the Association of Chartered Certified Accountants (ACCA), Hong Kong Branch. He was appointed by the government of Hong Kong as a Justice of the Peace in 2012.

Mr. Sun is a governing committee member of the Hong Kong Polytechnic University Foundation and previously vice-chairman of the Outstanding PolyU Alumni Association from 2020 to 2022. He was awarded the Outstanding PolyU Alumni Award in 2013 and was conferred a university fellowship by the Hong Kong Polytechnic University in 2018. Mr. Sun obtained Professional Diploma in Accountancy from Hong Kong Polytechnic University (formerly known as The Hong Kong Polytechnic) in November 1984 and he became a member of Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since June 1988 and a fellow member of ACCA since May 1993.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor MA Si-Hang, Frederick (馬時亨), GBS, JP, has served as our Independent Non-Executive Director since September 2021 and in July 2022 was appointed as Chairman. Professor Ma served as our Deputy Chairman from January 2022 to July 2022. He has also served as a Director of our subsidiaries, FGL and FL, since December 2013, performing functions akin to those of an Independent Non-Executive Director, and as an Independent Non-Executive Director of FWD Management Holdings since May 2021.

Professor Ma held different senior positions at various local and overseas banks, financial institutions and companies, including Chase Manhattan Bank, Royal Bank of Canada Dominion Securities, JP Morgan Chase, Kumagai Gumi (HK) Limited and Pacific Century Cyberworks Limited. In 2002, he joined the Hong Kong Government as the Secretary for Financial Services and the Treasury and assumed the post of Secretary for Commerce and Economic Development in 2007. In October 2008, he was appointed as an Honorary Professor of the School of Economics and Finance at the University of Hong Kong. In July 2009, Professor Ma was appointed as a Member of the International Advisory Council of China Investment Corporation. In December 2011, he was appointed as a Permanent Honourable President of Hong Kong Special Schools Council. In 2013, he was appointed as a member of Global Advisory Council of the Bank of America, as an Honorary Professor of the Faculty of Business Administration at the Chinese University of Hong Kong and as a member of the Board of Governors of Lui Che Woo Prize Limited. In April 2017, he was appointed as the Council Chairman of The Education University of Hong Kong. In March 2018, he was appointed as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development. In July 2019, he was appointed as a member of International Advisory Council of Investcorp. He also serves as an Independent Non- Executive Director of HKEX listed COSCO Shipping Holdings Co., Ltd. and Guangshen Railway Company Limited and New York Stock Exchange listed HH&L Acquisition Co. He is also an Independent Non-Executive Director of Unicorn II Holdings Limited. Previously, he was the Chairman and Non-Executive Director of HKEX listed MTR Corporation Limited, a Director of Husky Energy Inc. and COFCO Corporation and an Independent Non-Executive Director of HKEX listed Agricultural Bank of China Limited and New York Stock Exchange listed New Frontier Health Corporation.

Professor Ma graduated with a Bachelor of Arts (Honours) degree from the University of Hong Kong in November 1973, majoring in economics and history.

Professor Ma has been serving the Group as an Independent Director for more than nine years. Our Company has received from Professor Ma a confirmation of independence according to Rule 3.13 of the Listing Rules. Throughout his directorship with the Group, Professor Ma has participated in board meetings to offer impartial advice and exercise independent judgment. Professor Ma has not engaged in any management role of the Group or any arrangement which would interfere with the exercise of his independent judgement. Taking into consideration the independent nature of Professor Ma's role and duties in the past years, the Board is of the view that Professor Ma's duration of service will not interfere with his carrying out the duties and responsibilities as an Independent Non-Executive Director even though he has served the Group for more than nine years. The Board considers Professor Ma to be independent and believes that the continuous appointment of Professor Ma as an Independent Non-Executive Director will help maintain the stability of the Board as Professor Ma has, over time, gained familiarity, experience and valuable insight into the business strategy, affairs and policies of the Group.

Yijia TIONG (張怡嘉) has served as our Independent Non-Executive Director since May 2021. She has also served as an Independent Non-Executive Director of FWD Management Holdings since January 2022.

Ms. Tiong has been the Chief Strategy Officer at Ming Pao Newspapers Limited, a Hong Kong-based newspaper publication, since 2017. She has extensive experience in business development, sales and marketing, media operations and corporate management. She also serves on the boards of various other companies, including as an Executive Director of Media Chinese International Limited, which is dual-listed on HKEX and Bursa Malaysia Securities Berhad, and a Director of Ming Pao Holdings Limited and WAW Creation Limited (formerly known as MCIL Digital Limited).

She graduated from the University of Melbourne with a Bachelor of Arts degree in Art History and Politics and a Bachelor of Commerce degree in Economics and Management in December 2007.

CHUNG Kit Hung, Martina (鍾傑鴻) was appointed to our board in October 2020 and serves as our Independent Non-Executive Director. She currently serves as an Independent Non-Executive Director of FWD Management Holdings. She has also served as a Director of our subsidiaries, FGL and FL, since 2013 and is a Director in other companies affiliated with, or in, our Group, including FWD Financial Services and FWD Group Management. At each of these subsidiaries and companies affiliated with, or in, our Group, Ms. Chung's role is akin to that of an Independent Non-Executive Director. Previously, Ms. Chung served as a Director of PCGI and FWD Pension Trust (renamed to Sun Life Pension Trust Limited in 2017).

Ms. Chung's experience in the Asian life insurance industry spans more than three decades. She joined PCG in October 2011 and was responsible for business development and strategy as its Executive Vice President, Business Development. Prior to joining PCG, Ms. Chung spent 21 years with AIA, where she held a number of management positions, including as Head of Group Corporate Planning, executive oversight for Finance & Actuarial and Group Chief Actuary. She was also a member of the AIA Executive Committee.

Ms. Chung is a Fellow of both the Society of Actuaries (United States) and the Canadian Institute of Actuaries. She graduated from the University of Toronto with a Bachelor of Arts degree in November 1980.

Ms. Chung has been serving the Group as an Independent Director for almost ten years. Our Company has received from Ms. Chung a confirmation of independence according to Rule 3.13 of the Listing Rules. Throughout her directorship with the Group, Ms. Chung has participated in board meetings to offer impartial advice and exercise independent judgment. Ms. Chung has not engaged in any management role of the Group or any arrangement which would interfere with the exercise of her independent judgement. Taking into consideration the independent nature of Ms. Chung's role and duties in the past years, the Board is of the view that Ms. Chung's duration of service will not interfere with her carrying out the duties and responsibilities as an Independent Non-Executive Director even though she has served the Group for almost ten years. The Board considers Ms. Chung to be independent and believes that the continuous appointment of Ms. Chung as an Independent Non-Executive Director will help maintain the stability of the Board as Ms. Chung has, over time, gained familiarity, experience and valuable insight into the business strategy, affairs and policies of the Group.

Dirk SLUIMERS has served as our Independent Non-Executive Director since May 2021. He has served as a Director of our subsidiaries, FGL and FL, since 2016, performing functions akin to those of an Independent Non-Executive Director, and as an Independent Non- Executive Director of FWD Management Holdings since May 2021.

From 2008 to 2016, he was the Chief Executive Officer of APG Group, which provides asset management, administration and fiduciary services for pension funds. Between 2016 and 2021, he was an Extraordinary State Councillor for the Council of State, which is the main advisory body of the Dutch government under chairmanship of King Willem Alexander of the Netherlands. Mr. Sluimers also serves as Vice Chairman of the Supervisory Board of Euronext Paris listed Euronext NV, Chairman of the Supervisory Board of Euronext Amsterdam NV, Chairman of the Supervisory Board of NIBC Bank and a member of the Supervisory Board of Euronext Amsterdam listed AkzoNobel NV. Mr. Sluimers is a member of the Advisory Boards of Quore Capital, Hemingway Corporate Finance and Spencer Stuart Executive Search. Additionally, he is an advisor to Bank of America Merrill Lynch, Arrow Global Ltd, Equitix Ltd and Hakluyt & Company. He currently serves on a number of cultural and educational boards, including as a member of the Board of Governors of the State Academy for Finance and Economics, Trustee of the Erasmus University Trust Fund and he is Chairman of the Thorbecke Fund. In September 2017, he was appointed to the Electoral Committee of the Dutch Liberal Party, having previously served in this committee for the elections in 2010 and 2012. From 2003 to 2008, Mr. Sluimers was Chairman of the Board of Directors and Chief Financial Officer of ABP, the pension fund. Between 1991 and 2003, he held various positions at the Dutch Ministry of Finance, including as Director General of the Budget. Between 1987 and 1991, he was Deputy Director General at the Ministry of Public Health, and from 1979 to 1987, he held senior positions at the Ministry of Social Affairs and the Ministry of Finance. Previously, he was also a member of the Supervisory Boards of Atradius NV, Fokker NV, the National Investment Bank NV, Inter Access NV and ABP Insurance NV. He has also served on the Board of Trustees of the IFRS Foundation, the supervisory body of the International Accounting Standards Board and the Advisory Board of Rabobank. He was also the Chairman of the Board of Governors of the Postgraduate Programme for Treasury Management at the University of Amsterdam.

He graduated in April 1980 with a Master's degree in Economics from the Erasmus University Rotterdam and is an Officer in the Order of Orange Nassau.

The Honourable John BAIRD, P.C. has served as our Independent Non-Executive Director since September 2021. He has also served as a Director of our subsidiaries, FGL and FL, since 2015, performing functions akin to those of an Independent Non-Executive Director, and as an Independent Non-Executive Director of FWD Management Holdings since November 2021. Mr. Baird has also been a Non-Executive Director of our affiliated company, PineBridge since 2015.

Mr. Baird is a former Senior Cabinet Minister in the Government of Canada and serves as a Senior Advisor to various enterprises. A figure in bilateral trade and investment relationships, Mr. Baird has played a leading role in the Canada-China dialogue and worked to build ties with ASEAN countries. Mr. Baird spent three terms as a member of Parliament and four years as Minister of Foreign Affairs. He also served as President of the Treasury Board, Minister of the Environment, Minister of Transport and Infrastructure, and Leader of the Government in the House of Commons. In 2010, Mr. Baird was selected by the Ministers of Parliament from all parties as Parliamentarian of the Year. Prior to entering federal politics, Mr. Baird spent ten years in the Ontario Legislature where he served as Minister of Community and Social Services, Minister of Energy, and Government House Leader.

Mr. Baird has served as a Senior Business Advisor with Bennett Jones LLP, a Canadian law firm, since 2015. In addition, Mr. Baird holds positions on the advisory board of New York Stock Exchange listed Barrick Gold Corp. and corporate boards of Canadian Pacific, Canadian Forest Products (Canfor) where he serves as chair and Toronto Stock Exchange listed Osisko Gold Royalties Ltd. He serves as a Senior Advisor at Eurasia Group, a global political risk consultancy. Mr. Baird also volunteers his time with Community Living Ontario, an organisation that supports individuals with developmental disabilities, the Prince's Trust Canada, the charitable office of His Majesty King Charles III, and is a board member of the Friends of Israel Initiative.

Mr. Baird graduated in May 1992 with an Honours Bachelor of Arts degree in Political Studies, and was conferred an Honorary Doctor of Laws from Queen's University at Kingston in June 2018.

Kyoko HATTORI has served as our Independent Non-Executive Director since September 2021. She has also served as a Director of our subsidiaries, FGL and FL, since 2017 and of FWD Life Japan since December 2017, performing functions at these companies akin to those of an Independent Non-Executive Director. She has been an Independent Non- Executive Director of FWD Management Holdings since May 2021.

Ms. Hattori holds the position of Regional Director at Phillips Auctioneers Limited in Japan. She started their Tokyo office in 2016 and is responsible for the management of client relationships and development of the collector base. Prior to that, from 2013 to 2015, Ms. Hattori was a Consultant at Spencer Stuart & Associates, where she led executive searches for both Japanese and global clients in the consumer industry. Between 2004 and 2013, she rose from Associate to Director at Aetos Japan, where she was in charge of deal origination and management of client relationships and transactions including hard assets, non- performing loans and mergers & acquisitions, with a focus on Japanese and foreign financial institutions, and spearheading the company's marketing efforts. From 2002 to 2004, she worked at Space Design, a property developer, as a Manager and subsequently an Executive Officer, overseeing their business planning, marketing and project management. Ms. Hattori started her career in 1998 with a four-year stint as a business analyst and an associate at McKinsey & Company, providing consulting services to clients in the banking, insurance, pharmaceutical and FMCG industries.

She graduated from University of Tokyo with a degree in economics in March 1998.

SENIOR MANAGEMENT OF THE GROUP

The Executive Directors and members of the senior management of the Group are responsible for the day-to-day management of our business. Certain information relating to the Executive Directors is set out in "– *Directors*" above.

The members of the senior management of the Group include the following:

Name	Age	Position in the Group	Roles and Responsibilities	Date of Appointment as Senior Management	Date of Joining the Group
HUYNH Thanh Phong (alias 黃清風)	56	Group Chief Executive Officer and Executive Director	Overall strategic planning and business direction	March 2014	December 2013
Jon NIELSEN	50	Managing Director and Group Chief Financial Officer	Leads the finance, investment and governance functions across the Group and oversees financial direction and strategy	October 2019	October 2019
Simeon PRESTON	52	Managing Director and Group Chief Operating Officer	Responsible for the Group's customer, brand and marketing, operations, digital and data, technology, innovation, and transformation teams	March 2020	March 2020

Name	Age	Position in the Group	Roles and Responsibilities	Date of Appointment as Senior Management	Date of Joining the Group
Binayak DUTTA	50	Managing Director, Emerging Markets and Group Chief Distribution Officer	Oversees our life businesses in Southeast Asia, as well as the growth and development of distribution channels across the Group	November 2016	November 2016
Jeremy PORTER	55	Group Chief Risk Officer	Responsible for the Group's risk and compliance functions	February 2023	February 2023
Azim MITHANI	52	Group Chief Commercial Officer	Responsible for the Group's digital commerce, product proposition, corporate communications, and real estate management teams	January 2023	April 2020
CHOW Hun Chi Julie (周幸子)	49	Group Chief Human Resources Officer	Responsible for Group's people, culture and organisational strategy and people operations	March 2023	October 2017
LAU Chi Kin (柳志堅)	55	Managing Director, Greater China, and Chief Executive Officer, Hong Kong	Leads our business growth and development in mainland China, Macau and Hong Kong	March 2018	January 2018
Peter GRIMES	63	Regional Chief Executive Officer, Thailand and Cambodia	Leading FWD Thailand's business growth and development, and market entry into Cambodia	October 2013	October 2013
David KORUNIĆ.	57	Chief Executive Officer, Thailand	Leading FWD Thailand's business growth and development	October 2020	July 2019
Hideki YAMAGISHI	56	Chief Executive Officer, Japan	Leading FWD Life Japan's business growth and development	January 2021	January 2021

HUYNH Thanh Phong (alias 黃清風) is our Company's Group Chief Executive Officer and has served as Group Chief Executive Officer of our subsidiaries, FGL and FL, since March 2014. He is also an Executive Director of our Company. For further details of Mr. Huynh, please refer to the paragraph headed "*Directors and Senior Management – Board of Directors – Executive Directors – HUYNH Thanh Phong*" in this section.

Jon NIELSEN has served as our Managing Director and Group Chief Financial Officer of our Group since October 2019. He heads our finance, investment and governance functions, overseeing its financial direction and strategy. He also serves as a Director on the boards of FWD Life Japan and FWD Management Holdings, as well as holding director positions on the boards of various other companies in our Group. Mr. Nielsen has more than 25 years of insurance industry experience, with more than 15 years of experience in Asia, bringing extensive international and regional experience from within the insurance sector, undertaking senior financial management positions at both group and regional leadership levels. Prior to joining us, Mr. Nielsen was the Group Chief Risk Officer and a member of the Group Executive Committee, overseeing the group's risk and compliance functions for AIA. Previously, he served as Regional Chief Financial Officer at AIA, as a listed company. Mr. Nielsen also held a number of senior roles at AIG in New York, Allianz in Munich, and Deloitte & Touche in the US and Hong Kong. Mr. Nielsen graduated with a Bachelor of Science in Business Administration degree in May 1995 and holds a Master of Professional Accountancy in August 1996 from the University of Nebraska-Lincoln.

Simeon PRESTON has served as our Managing Director and Group Chief Operating Officer since March 2020. He leads our customer, brand and marketing, operations, digital and data, technology, innovation and transformation teams. He also holds director positions on the boards of companies in our Group. He has over 23 years of experience in growth markets with over 19 years of insurance experience in Asia. Prior to joining us, Mr. Preston held the position of Chief Executive Officer, International Markets for Bupa where he led the business' operations in Asia, Middle East and most of the Americas. Previously, he was Group Chief Operations Officer for AIA. Mr. Preston graduated with a Bachelor of Science degree in Geography from the London School of Economics in August 1991 and obtained a Master of Science degree in Geographic Information Systems from Leicester University in July 1992, a Master of Science degree in Transportation Policy and Planning from the University of Newcastle-upon-Tyne in December 1993 and a Master of Business Administration degree from INSEAD in July 1999.

Binayak DUTTA joined the Group as Group Chief Distribution Officer in November 2016 and has been in his current role since February 2018 as our Managing Director, Emerging Markets and Group Chief Distribution Officer. He oversees our life insurance companies in Emerging Markets as well as the growth and development of our distribution channels across our Group. He has over 20 years of experience in the insurance industry in Asia. He holds various board positions within our Group, including in Indonesia, Malaysia, Singapore and Vietnam. Prior to joining us, he served as the Chief Executive Officer of Prudential Life Assurance (Thailand) Public Company Limited and has a track record in leading multi-national insurers through diverse phases from start-up to acquisition, merger and realignment. Mr. Dutta graduated with a Bachelor of Economics degree from Jadavpur University in August 1994 and obtained a Master of Business Management degree from the Institute of Management Technology in India in June 1996.

Jeremy PORTER has served as our Group Chief Risk Officer since February 2023. He now leads the Group's risk and compliance functions. Mr. Porter has extensive experience in the insurance industry, gained from leadership experience in finance, risk, and actuarial roles. He also has 10 years of direct experience in risk management. Prior to joining our Group, Mr. Porter held the position of Chief Risk Officer for AXA Hong Kong and Macau from October 2019 to January 2023. Previously, he was Group Chief Risk Actuary for HSBC Insurance. Mr. Porter graduated with a Bachelor of Arts degree in Mathematics in June 1989 from the University of Cambridge. Mr. Porter is a Fellow of the Institute of Actuaries (UK).

Azim MITHANI is our Group Chief Commercial Officer and has been with the Group since April 2020. He leads the Group Digital Commerce, Product Proposition, Corporate Communications and Real Estate management teams. He also holds director positions on the boards of various companies in our Group. Mr. Mithani has over 30 years of insurance experience gained from a range of leadership roles across Asia and the UK, and prior to joining our Group, was most recently Executive Vice President at Singlife. Prior to this, he was Chief Operating Officer for Prudential Corporation Asia, a role he assumed in July 2015 after serving as Chief Executive Officer of Prudential BSN Takaful in Malaysia for six years. Mr Mithani graduated with a 1st Class Honours degree in Physics from Durham University in June 1991 and also holds a Diploma in Islamic Finance from the CIMA (Chartered Institute of Management Accountants) which he obtained in January 2014. He has also been a Fellow of the Institute and Faculty of Actuaries of the UK since 1995.

CHOW Hun Chi Julie (周幸子) has joined the Group in October 2017 and has served as our Group Chief Human Resources Officer since March 2023 and leads our People, Organisation and Human Resources strategy, driving a well-being strategy to foster a caring and performance driven culture across the Group. Ms. Chow has more than 25 years of experience in the human resources industry – gained from leading diverse teams across Asia Pacific with companies including Zurich Insurance, the Royal Bank of Scotland Group, HSBC, and Cathay Pacific Airways. Ms. Chow has broad experience across a range of human resources areas including total rewards, employee wellbeing, performance management, talent acquisition and management, and HR business partnering. Ms. Chow graduated with a bachelor's degree of Commerce and Business Administration with a major in Accounting from the University of British Columbia in May 1995 and she successfully passed the Certified Public Accountant examination in February 1999.

LAU Chi Kin (柳志堅) has served as the Managing Director of Greater China and Chief Executive Officer, Hong Kong, since March 2018. He manages our business in Hong Kong and Macau, spearheading a technology-driven, customer-led strategy, and is responsible for driving our expansion plans into Greater China. He also serves as a Director on the board of FWD Philippines. Mr. Lau has more than 30 years of experience in the insurance industry in Asia, having held a number of senior management positions, including as the Chief Executive Officer of Union Life and as President of Ping An Life in China. Mr. Lau graduated from the University of Hong Kong with a Bachelor of Science degree in December 1989 and is a Fellow of the Society of Actuaries.

Peter GRIMES has served as Regional Chief Executive Officer, Thailand and Cambodia since January 2020 and is responsible for driving growth and providing leadership oversight for Thailand and Cambodia. Previously, Mr. Grimes was the Executive Director, President and Chief Executive Officer of FWD Philippines from November 2014 to December 2019 and was responsible for growing our business in the Philippines under his leadership. Mr. Grimes is also a Director of FWD Cambodia, Ultimate Cosmos Limited, Enterprise Innovation Holdings Limited, OGS (II) Limited, OGS (I) Limited and Future Radiance Limited. Mr. Grimes has well over 20 years of experience in the insurance industry in Asia. Formerly, Mr. Grimes held various senior positions at Prudential including the President and Chief Executive Officer at Pru Life Insurance Corporation of U.K in the Philippines.

David KORUNIĆ has served as the Chief Executive Officer of FWD Thailand since October 2020 and joined the Group in July 2019. He is a qualified Chartered Accountant who has over 30 years' experience in the life insurance industry in Asia. Previous roles include various country and regional financial controller roles and country CFO and CEO roles including with Manulife from December 1989 to February 1997, Allianz from February 1997 to November 2003, Prudential Corporation Asia from November 2003 to August 2004, AXA from August 2004 to December 2018 and SCB Life, now amalgamated with FWD Thailand, from September 2019 to October 2020. Mr. Korunić received a Bachelor of Commerce degree from University of Canterbury, New Zealand in 1986.

Hideki YAMAGISHI has served as our Chief Executive Officer for FWD Life Japan since January 2021. Mr. Yamagishi has extensive management and leadership experience in the Japan financial services industry. Previously, Mr. Yamagishi was the Chief Executive Officer, Japan for NFC Holdings, a JASDAQ-listed company providing insurance agency and brokerage services from August 2009 to August 2020. During his tenure at NFC Holdings, he supported the company with its initial public offering and its mergers and acquisitions and integration strategies. Mr. Yamagishi is a diploma graduate of international business from Kanda Institute of Foreign Language in Japan in March 1987.

JOINT COMPANY SECRETARIES

Steven WINEGAR has been appointed as one of our Joint Company Secretaries with effect from 1 August 2022. He has over 27 years of legal experience and has been the General Counsel of our Group since August 2020. Mr. Winegar began his career in the United States as a corporate attorney at Shearman & Sterling and Goldman Sachs. He then relocated to Hong Kong with Goldman Sachs in 2005, becoming Managing Director and senior counsel at the bank before returning to private practice in 2010 when he joined Paul Hastings. He served as partner and chair of Paul Hastings' Hong Kong office before joining Ping An Group in 2018, where he served as overseas company lawyer and general counsel until July 2020.

Mr. Winegar received his Bachelor of Arts degree from Yale University in May 1989 and his Juris Doctor degree from the University of California, Los Angeles, School of Law School in May 1994. Mr. Winegar was admitted to the California Bar in 1994 and the New York Bar in 1998.

LUI Wing Yat Christopher is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Mr. Lui has over 10 years of experience in the corporate secretarial field. He has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies.

Mr. Lui is currently the company secretary/joint company secretary of listed companies on the Stock Exchange, namely, TOT BIOPHARM International Company Limited (stock code: 1875), HBM Holdings Limited (stock code: 2142), CARsgen Therapeutics Holdings Limited (stock code: 2171), Helens International Holdings Company Limited (stock code: 9869) and TI Cloud Inc. (stock code: 2167).

Mr. Lui is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Mr. Lui obtained his Bachelor of Science (Economics) in Economics and Statistics from University College London in August 2011.

BOARD DIVERSITY

The Board has adopted a policy which sets out the approach to achieving diversity for the Board. The board diversity policy aims to enhance the effectiveness of our board and our corporate governance standards by ensuring diversity. As of 31 December 2022, women make up 27% of our Board and 31% of our assistant vice presidents or above.

Our Company recognises the benefits of a Board that possesses a balance of skills, experience, expertise, independence and knowledge and diversity of perspectives appropriate to the requirements of the businesses of our Company.

Our Company maintains that Board appointment should be based on merit that complements and expands the skills, experience, expertise, independence and knowledge of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board.

The Nomination Committee of our Company is responsible for reviewing the structure, size and composition of the Board, selecting the individuals to be nominated as Directors, reviewing and monitoring the implementation of the board diversity policy, reviewing succession plan of Directors and making recommendations on these matters to the Board for approval to ensure that it has a balanced composition of skills, experience, expertise, independence and knowledge appropriate to the requirements of the businesses of our Company, with due regard to the benefits of diversity on the Board.

SUBSCRIPTION AND SALE

SUMMARY OF DEALER AGREEMENT

The Arranger has, in an amended and restated dealer agreement dated 31 March 2023 (the "**Dealer Agreement**"), agreed with us a basis upon which they or any Dealers that may be appointed may from time to time agree to purchase Instruments. Any such agreement will extend to those matters stated under "*Book-entry Clearance Systems*", "*Terms and Conditions of the Notes*" and "*Terms and Conditions of the Capital Securities*". We will pay each relevant Dealer an agreed commission in respect of Instruments subscribed by it. We have agreed to reimburse the Arranger for certain of our expenses incurred in connection with the establishment, and any future update, of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Instruments on a syndicated basis may be stated in the relevant Pricing Supplement. We, as well as the relevant Dealer(s), may also in relation to any Tranche of Instruments, agree to pay private banks or other selling agents a commission in order to facilitate the offering of the Instruments.

We have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Instruments. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Instruments in certain circumstances prior to payment for such Instruments being made to us. In order to facilitate the offering of any Tranche of the Instruments, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Instruments during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Instruments for their own account by selling more Instruments than have been sold to them by us. Such persons may also elect to cover any such short position by purchasing Instruments in the open market. In addition, such persons may stabilise or maintain the price of the Instruments by bidding for or purchasing Instruments in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Instruments are reclaimed if Instruments previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Instruments at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Instruments to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilising activities may only be carried on by the Stabilising Manager(s) named in the applicable Pricing Supplement (or persons acting on behalf of any Stabilising Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Instruments.

The Dealers and certain of their affiliates may have performed certain investment banking, commercial banking and advisory services for us, our subsidiaries and/or our respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for us, our subsidiaries and/or our respective affiliates in the ordinary course of their business. In addition, the Dealers or their respective affiliates are, or may in the future be, lenders to us, our subsidiaries and/or our respective affiliates.

In connection with each Tranche of Instruments issued under the Programme, the Dealers may offer and sell the Instruments through certain of their affiliates. Additionally, the Dealers or certain of their affiliates may purchase Instruments and be allocated Instruments for asset management and/or proprietary purposes but not with a view to distribution (and such purchase and/or allocation may be material). Further, the Dealers or their respective affiliates may purchase Instruments for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Instruments and/or our other securities or the securities of our subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Instruments or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Instruments to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Instruments).

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Dealer (as described in the Offering Circular) or any affiliate of a Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the issuer in such jurisdiction.

SELLING RESTRICTIONS

United States

The Instruments have not been and will not be registered under the Securities Act or the securities laws of any U.S. state. Accordingly, the Instruments may not be offered or sold within the United States, or to or for the account or benefit of, U.S. persons, except (i) to QIBs in reliance on Rule 144A; (ii) in accordance with Regulation S under the Securities Act; or (iii) pursuant to another exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Instruments are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Instruments or the Bearer Instruments (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing of the offering, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells or delivers the Instruments or the Bearer Instruments (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers, sales and deliveries of the Instruments or the Bearer Instruments within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Dealers may arrange for the resale of Instruments to QIBs pursuant to Rule 144A and each such purchaser of Instruments is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Instruments which may be purchased by a QIB pursuant to Rule 144A is US$100,000 (or the approximate equivalent thereof in any other currency).

Until 40 days after the commencement of the offering of the Instruments or the Bearer Instruments, an offer, sale or delivery of the Instruments or the Bearer Instruments within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer, sale or delivery is made otherwise than in accordance with Rule 144A.

To the extent that we are not subject to or do not comply with the reporting requirements of Section 13 or Section 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, we have agreed to furnish to holders of Instruments and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as we and the relevant Dealer may agree as a term of the issue and purchase of such Instruments or Bearer Instruments, which additional selling restrictions shall be set out in the applicable Pricing Supplement. The relevant Dealer agrees that it shall offer, sell and deliver such Instruments or Bearer Instruments only in compliance with such additional U.S. selling restrictions.

European Economic Area

Unless the Pricing Supplement in respect of any Instruments specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

   (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments.

If the relevant Pricing Supplement in respect of any Instruments specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented, warranted and agreed that it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Instruments to the public in that Member State:

(a) *Approved prospectus*: if the Pricing Supplement in relation to the Instruments specifies that an offer of those Instruments may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, **provided that** any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Instruments referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Instruments to the public**" in relation to any Instruments in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Instruments specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments.

If the relevant Pricing Supplement in respect of any Instruments specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed that it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Instruments to the public in the United Kingdom:

(a) *Approved prospectus*: if the Pricing Supplement in relation (a) to the Instruments specifies that an offer of those Instruments may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Instruments which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, **provided that** any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Instruments referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Instruments to the public**" in relation to any Instruments means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Instruments which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

China

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Instruments are not being offered or sold and may not be offered or sold, directly or indirectly, in China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of China.

Hong Kong

In relation to each Tranche of Instruments to be issued by the Issuer under the Programme, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Instruments, except for Instruments which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "Prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Instruments, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Instruments which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Instruments in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Taiwan

Each Dealer has represented and agreed that the Instruments may be made available outside Taiwan for purchase outside Taiwan by investors resident or domiciled in Taiwan but are not permitted to be offered or sold in Taiwan. Each Dealer has represented and agreed that no person or entity in Taiwan has been authorised to offer or sell the Instruments in Taiwan.

Singapore

Each Dealer has acknowledged and each further Dealer appointed under the Programme will be required to acknowledge that this Offering Circular has not been and will not be registered as a prospectus with the MAS. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Instruments or caused the Instruments to be made the subject of an invitation for subscription or purchase and will not offer or sell any Instruments or cause the Instruments to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Instruments, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Instruments are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Instruments pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Selling Restrictions Addressing Additional Netherlands Securities Laws

Each Dealer has represented and agreed that Zero Coupon Instruments (as defined below) in definitive bearer form and other Instruments in definitive bearer form on which interest does not become due and payable during their term but only at maturity (savings certificates or spaarbewijzen as defined in The Netherlands Savings Certificates Act (Wet inzake spaarbewijzen, the "**SCA**")) may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Instruments to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business and (iii) the issue and trading of such Instruments if they are physically issued outside the Netherlands and are not immediately thereafter distributed in the Netherlands. As used herein "**Zero Coupon Instruments**" are Instruments that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Canada

The Instruments have not been, and will not be, qualified for distribution to the public under the securities laws of Canada or any province or territory thereof. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Instruments have not been and will not be offered, sold, distributed or delivered, directly or indirectly, in Canada or to, or for the account or benefit of, any person resident in Canada in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, not to distribute or deliver this Offering Circular or any other offering material or advertisement in connection with the Instruments, in Canada in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer.

Cayman Islands

No offer or invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Instruments and no such invitation is made hereby. Each Dealer has represented, warranted and undertaken that the public in the Cayman Islands will not be invited to subscribe for the Instruments.

GENERAL

None of the Issuer or the Dealers represent that Instruments may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. These selling restrictions may be modified by the agreement of the Issuer and the relevant Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Instruments to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Instruments, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Instruments. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Dealer(s) accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any EU MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Instruments (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Instruments. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealer(s) in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Instruments, private banks should disclose, at the same time, if such order is placed *other than* on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealer(s) named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealer(s) may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer(s) with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Dealer(s) that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "Person"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://eeas.europa.eu/headquarters/headquartershomepage_en/8442/Consolidated%20list%20of%20sanctions); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "**SSI List**"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "EU Annexes"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United States government; (b) the United Nations; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (f) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

TRANSFER RESTRICTIONS

RESTRICTED INSTRUMENTS

You, as purchaser of Restricted Instruments, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that:

1. You are (a) a QIB, (b) acquiring such Restricted Instruments for your own account, or for the account of one or more QIBs, and (c) aware, and each beneficial owner of the Restricted Instruments has been advised, that the sale of the Restricted Instruments to you is being made in reliance on Rule 144A.

2. (a) The Restricted Instruments have not been and will not be registered under the Securities Act, or the securities laws of any U.S. state, and may not be offered, sold, pledged or otherwise transferred except (i) in accordance with Rule 144A to a person that you, and any person acting on your behalf, reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs, (ii) to, or for the account or benefit of, a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) in each case in accordance with any applicable securities laws of any State of the United States, and (b) you will, and each subsequent holder of the Restricted Instruments is required to, notify any purchaser of the Restricted Instruments from you or it of the resale restrictions on the Restricted Instruments.

3. You understand that the Restricted Instruments, unless we determine otherwise in accordance with applicable law, will bear a legend (the "**Rule 144A Legend**") in or substantially in the following form:

   "THIS INSTRUMENT HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A PROMULGATED UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") THAT IS ACQUIRING THIS INSTRUMENT FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) TO, OR FOR THE ACCOUNT OR BENEFIT OF, A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S PROMULGATED UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 PROMULGATED UNDER THE SECURITIES ACT ("**RULE 144**"), IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THIS INSTRUMENT."

4. You represent by your purchase and holding of the Instruments that either (a) you are not and for so long as you hold an Instrument (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Part 4 of Subtitle B of Title I of ERISA, (ii) a "plan" as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, (iii) a person or entity whose underlying assets include "plan assets" under the Plan Asset Regulation or otherwise for the purposes of Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code by reason of the foregoing employee benefit plan's or plan's investment in the person or entity (each of the entities described in clauses (i), (ii) and (iii) are herein referred to as "**Benefit Plan Investors**") or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law or regulation, that is substantially similar to the fiduciary responsibility and prohibited transaction provisions of Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code ("**Other Plan Law**"), or (b) your purchase and holding of the Instruments will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, will not result in a violation of any Other Plan Law) for which an exemption is not available.

You understand that the Restricted Instruments will bear a legend in or substantially in the following form:

"BY ITS PURCHASE AND HOLDING OF THIS INSTRUMENT (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS INSTRUMENT (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" UNDER THE PLAN ASSET REGULATION OR OTHERWISE FOR THE PURPOSES OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF THE FOREGOING EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (SUCH ENTITIES DESCRIBED IN CLAUSES (I), (II) AND (III) COLLECTIVELY, THE "**BENEFIT PLAN INVESTORS**"), OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION, THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTION PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("**OTHER PLAN LAW**"), OR (B) ITS PURCHASE AND HOLDING OF THIS INSTRUMENT WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, WILL NOT RESULT IN A VIOLATION OF ANY OTHER PLAN LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

MOREOVER, EACH PURCHASER OR HOLDER OF THIS INSTRUMENT THAT IS A BENEFIT PLAN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE OR ACQUISITION OF THE INSTRUMENT THAT (1) NONE OF THE ISSUER, THE ARRANGER, THE DEALERS OR ANY OF THEIR RESPECTIVE AFFILIATES (COLLECTIVELY, THE "**TRANSACTION PARTIES**") HAS THROUGH THE OFFERING CIRCULAR PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE WITHIN THE MEANING OF SECTION 3(21) OF ERISA TO THE BENEFIT PLAN INVESTOR OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR ("**PLAN FIDUCIARY**") ON WHICH EITHER THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY HAS RELIED IN CONNECTION WITH THE DECISION TO PURCHASE OR ACQUIRE THIS INSTRUMENT, (2) THE TRANSACTION PARTIES ARE NOT OTHERWISE ACTING AS A "FIDUCIARY," AS THAT TERM IS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S DECISION TO PURCHASE OR ACQUIRE THIS INSTRUMENT AND (3) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE TRANSACTION."

5. If you are, or if you are using the assets of any Benefit Plan Investor to acquire or hold an Instrument, you will be deemed to have represented by your purchase or acquisition of the Instrument that (a) none of us, the Arranger, any of the Dealers or our or their respective affiliates (collectively, the "**Transaction Parties**") has through this Offering Circular provided any investment recommendation or investment advice to the Benefit Plan Investor or any fiduciary or other person investing the assets of the Benefit Plan Investor ("**Plan Fiduciary**") on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to purchase or acquire such Instrument, (b) the Transaction Parties are not otherwise acting as a "fiduciary," as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's decision to purchase or acquire the Instrument and (c) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

6. You understand that we, each Registrar, the relevant Dealer(s) and our or their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If you are acquiring any Restricted Instruments for the account of one or more QIBs, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

7. You understand that the Restricted Instruments will be represented by a Restricted Global Certificate. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate or as the case may be, Global Instrument, you will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

You are hereby notified that sellers of the Instruments may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

UNRESTRICTED INSTRUMENTS

You, as purchaser of Unrestricted Instruments or Bearer Instruments and each subsequent purchaser of such Unrestricted Instruments or Bearer Instruments in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Unrestricted Instruments or the Bearer Instruments, will be deemed to have represented, agreed and acknowledged that:

1. You are, or at the time Unrestricted Instruments or Bearer Instruments are purchased will be, the beneficial owner of such Unrestricted Instruments or Bearer Instruments and (a) you are not a U.S. person and you are located outside the United States (within the meaning of Regulation S) and (b) you are not our affiliate or a person acting on behalf of such an affiliate.

2. You understand that such Unrestricted Instruments or Bearer Instruments have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, you will not offer, sell, pledge or otherwise transfer such Unrestricted Instruments or Bearer Instruments except (a) in accordance with Rule 144A under the Securities Act to a person that you and any person acting on your behalf reasonably believe is a QIB purchasing for its own account, or for the account of one or more QIBs or (b) to, or for the account or benefit of, a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

3. You understand that the Unrestricted Instruments or the Bearer Instruments, unless otherwise determined by us in accordance with applicable law, will, during the distribution compliance period, bear a legend in or substantially in the following form:

   "THIS INSTRUMENT HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT".

4. You represent by your purchase and holding of the Instruments that either (a) you are not and for so long as you hold an Instrument (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Part 4 of Subtitle B of Title I of ERISA, (ii) a "plan" as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, (iii) a person or entity whose underlying assets include "plan assets" under the Plan Asset Regulation or otherwise for the purposes of Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code

by reason of the foregoing employee benefit plan's or plan's investment in the person or entity (each of the entities described in clauses (i), (ii) and (iii) are herein referred to as "**Benefit Plan Investors**") or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law or regulation, that is substantially similar to the fiduciary responsibility and prohibited transaction provisions of Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code ("**Other Plan Law**"), or (b) your purchase and holding of the Instruments will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, will not result in a violation of any Other Plan Law) for which an exemption is not available.

You understand that the Unrestricted Instruments or the Bearer Instruments will bear a legend in or substantially in the following form:

"BY ITS PURCHASE AND HOLDING OF THIS INSTRUMENT (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS INSTRUMENT (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" UNDER THE PLAN ASSET REGULATION OR OTHERWISE FOR THE PURPOSES OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF THE FOREGOING EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE PERSON OR ENTITY (SUCH ENTITIES DESCRIBED IN CLAUSES (I), (II) AND (III) COLLECTIVELY, THE "**BENEFIT PLAN INVESTORS**"), OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION, THAT IS SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY AND PROHIBITED TRANSACTIONS PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("**OTHER PLAN LAW**"), OR (B) ITS PURCHASE AND HOLDING OF THIS INSTRUMENT WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, WILL NOT RESULT IN A VIOLATION OF ANY OTHER PLAN LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

MOREOVER, EACH PURCHASER OR HOLDER OF THIS INSTRUMENT THAT IS A BENEFIT PLAN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE OR ACQUISITION OF THE INSTRUMENT THAT (1) NONE OF THE ISSUER, THE ARRANGER, THE DEALERS OR ANY OF THEIR RESPECTIVE AFFILIATES (COLLECTIVELY, THE "**TRANSACTION PARTIES**") HAS THROUGH THE OFFERING CIRCULAR PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE TO THE BENEFIT PLAN INVESTOR OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR ("**PLAN FIDUCIARY**") ON WHICH EITHER THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY HAS RELIED IN CONNECTION WITH THE DECISION TO PURCHASE OR ACQUIRE THIS INSTRUMENT, (2) THE TRANSACTION PARTIES ARE NOT OTHERWISE ACTING AS A "FIDUCIARY," AS THAT TERM IS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S DECISION TO PURCHASE OR ACQUIRE THIS INSTRUMENT AND (3) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE TRANSACTION."

5. If you are, or if you are using the assets of any Benefit Plan Investor to acquire or hold an Instrument, you will be deemed to have represented by your purchase or acquisition of the Instrument that (a) none of us, the Arranger, any of the Dealers or our or their respective affiliates (collectively, the "**Transaction Parties**") has through this Offering Circular provided any investment recommendation or investment advice to the Benefit Plan Investor or any fiduciary or other person investing the assets of the Benefit Plan Investor ("**Plan Fiduciary**") on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to purchase or acquire such Instrument, (b) the Transaction Parties are not otherwise acting as a "fiduciary," as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's decision to purchase or acquire the Instrument and (c) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

6. You understand that we, each Registrar, the relevant Dealer(s) and our or their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

7. You understand that the Unrestricted Instruments will be represented by an Unrestricted Global Certificate, or as the case may be, a Global Instrument. Prior to the expiration of the distribution compliance period, before any interest in an Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, you will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream or the CMU Service (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Instruments held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

BOOK-ENTRY SYSTEMS

DTC

DTC has advised us as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "*banking organisation*" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "*clearing corporation*" within the meaning of the New York Uniform Commercial Code and a "*clearing agency*" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CMU Service

The CMU Service is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (the "**CMU Members**") of capital markets instruments (the "**CMU Instruments**") which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service. CMU Instruments may be denominated in Hong Kong dollars or other currencies.

The CMU Service is only available for CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).

Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest, distribution or principal) under, or notices pursuant to the notice provisions of, CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest, distribution or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The lodging CMU Member will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream in any CMU Instruments will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU Service.

BOOK-ENTRY OWNERSHIP

Bearer Instruments

We may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Instruments. We may also apply to have Bearer Instruments accepted for clearance through the CMU Service. In respect of Bearer Instruments, a temporary Global Instrument and/or a permanent Global Instrument in bearer form without coupons may be deposited with a common depositary for Euroclear and/or Clearstream or a sub-custodian for the CMU Service or an Alternative Clearing System as agreed between us and the relevant Dealer. Transfers of interests in such temporary Global Instruments or permanent Global Instruments will be made in accordance with the normal Euromarket debt securities operating procedures of the CMU Service, Euroclear and Clearstream or, if appropriate, the Alternative Clearing System.

Registered Instruments

We may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of the Instruments to be represented by an Unrestricted Global Certificate. Each Unrestricted Global Certificate deposited with a common depositary for, and registered in the name of, a nominee of Euroclear and/or Clearstream will have an ISIN and a Common Code.

We, and a relevant U.S. agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Registered Instruments represented by a Restricted Global Certificate and a DTC Unrestricted Global Certificate. Each such Restricted Global Certificate and DTC Unrestricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "*Transfer Restrictions*". In certain circumstances, as described below in "*– Transfers of Registered Instruments*", transfers of interests in a Restricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Instruments to be cleared through the facilities of DTC, the Custodian, with whom the Restricted Global Certificates and the DTC Unrestricted Global Certificates are deposited, and DTC will electronically record the nominal amount of the Restricted Instruments and DTC Unrestricted Instruments held within the DTC system. Investors may hold their beneficial interests in a Restricted Global Certificate and a DTC Unrestricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system. Payments of the principal of, and interest or distribution on, each Restricted Global Certificate and each DTC Unrestricted Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Restricted Global Certificate and DTC Unrestricted Global

Certificate. We expect that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Restricted Global Certificate and DTC Unrestricted Global Certificate as shown on the records of DTC or the nominee. We also expect that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate and DTC Unrestricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither we nor any Paying Agent nor any Transfer Agent will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Restricted Global Certificate and DTC Unrestricted Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Instruments will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available, in the case of Instruments initially represented by an Unrestricted Global Certificate, in amounts specified in the applicable Pricing Supplement.

Payments through DTC

Payments in U.S. dollars of principal, interest and distribution in respect of a Restricted Global Certificate and DTC Unrestricted Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Instrument. Payments of principal, interest and distribution in a currency other than U.S. dollars in respect of Instruments evidenced by a Restricted Global Certificate and DTC Unrestricted Global Certificate registered in the name of a nominee of DTC will be made or procured to be made by the Paying Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Paying Agent or its agent to DTC with respect to Instruments held by DTC or its nominee will be received from the Issuer by the Paying Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest or distribution, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest or distribution and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Paying Agent will convert amounts in such currency into U.S. dollars and deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

Transfers of Registered Instruments

Transfers of interests in Global Certificates within Euroclear, Clearstream and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Euroclear, Clearstream or DTC. In the case of Registered Instruments to be cleared through Euroclear, Clearstream and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate for the same Series of Instruments **provided that** any such transfer made on or prior to the expiration of the distribution compliance period (as used in "*Subscription and Sale*") relating to the Instruments represented by such

Unrestricted Global Certificate will only be made upon receipt by any Transfer Agent of a written certificate from Euroclear, Clearstream or DTC, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Instruments represented by such Unrestricted Global Certificate will only be made upon request through Euroclear, Clearstream or DTC by the holder of an interest in the Unrestricted Global Certificate to the Fiscal Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear, Clearstream or DTC, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Instruments described above and under "*Transfer Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear, Clearstream or DTC accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Fiscal Agent.

On or after the Issue Date for any Series, transfers of Instruments of such Series between accountholders in Euroclear, Clearstream or DTC and transfers of Instruments of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream on the other, transfers of interests in the relevant Global Certificates will be effected through the Fiscal Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee.

Transfers will be effected on the later of (a) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (b) two business days after receipt by the Fiscal Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Instruments, see "*Transfer Restrictions*".

DTC has advised us that it will take any action permitted to be taken by a holder of Registered Instruments (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates or DTC Unrestricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates or DTC Unrestricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates or DTC Unrestricted Global Certificates for exchange for Individual Certificates (which will, in the case of Restricted Instruments, bear the legend applicable to transfers pursuant to Rule 144A).

Although Euroclear, Clearstream and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we, nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, the CMU Service or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Instruments represented by Individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream or DTC.

Individual Certificates

Registration of title to Registered Instruments in a name other than a depositary or its nominee for Clearstream and Euroclear or for DTC will be permitted only (a) in the case of Restricted Global Certificates in the circumstances set forth in "*Summary of Provisions Relating to the Instruments while in Global Form – Exchange – Permanent Global Certificates – Restricted Global Certificates*" or (b) in the case of Unrestricted Global Certificates in the circumstances set forth in "*Summary of Provisions Relating to the Instruments while in Global Form – Exchange – Permanent Global Certificates – Unrestricted Global Certificates*". In such circumstances, we will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Instrumentholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as we and the Registrar may require to complete, execute and deliver such Individual Certificates; and

(ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Instruments will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the U.S. secondary market generally are required to settle within two business days ("**T+2**"), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than two business days following the relevant date of pricing, purchasers who wish to trade Registered Instruments in the United States between the date of pricing and the date that is two business days prior to the relevant Issue Date will be required, by virtue of the fact that such Instruments initially will settle beyond T+2, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Instruments may be affected by such local settlement practices and, in the event that an Issue Date is more than two business days following the relevant date of pricing, purchasers of Instruments who wish to trade Instruments between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

TAXATION

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Instruments by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Instrument which may be issued under the Programme and the relevant Pricing Supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Instrument as appropriate. This summary deals only with purchasers of Instruments that are U.S. Holders and that will hold the Instruments as capital assets (generally, property held for investment). The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Instruments by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws (such as estate or gift tax laws). In particular, this summary does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 10 per cent. or more of the shares of the Issuer by vote or value, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Instruments as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, U.S. Holders that are required to take certain amounts into income no later than the time such amounts are reflected on an applicable financial statement, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Instruments in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Instruments that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, or any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Instruments will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Instruments by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

Bearer Instruments are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Instrument may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code. This discussion does not address the consequences of the acquisition, ownership and disposition of Bearer Instruments.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE U.S. INTERNAL REVENUE CODE. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE INSTRUMENTS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

U.S. Federal Income Tax Considerations Relating to the Notes

The Issuer generally intends to treat the Notes issued under the Programme as debt for U.S. federal income tax purposes, unless otherwise indicated in the applicable Pricing Supplement. The following summary applies to Notes that are properly treated as debt for U.S. federal income tax purposes.

Payments of interest

General. Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "**foreign currency**"), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "– *Original Issue Discount – General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes, reduced by the allocable amount of amortisable bond premium, subject to the discussion below. Interest paid by the Issuer on the Notes and original issue discount ("**OID**"), if any, accrued with respect to the Notes (as described below under "– *Original Issue Discount*") generally will constitute income from sources outside the United States. Such income generally will constitute "passive category income" for purposes of the foreign tax credit. The rules governing foreign tax credits are complex. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Foreign Currency Denominated Interest. If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "**IRS**").

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Pre-Issuance Accrued Interest. If a portion of the price paid for a Note is attributable to an amount of interest accrued prior to the date the Note is issued (the "**pre-issuance accrued interest**"), a portion of the first interest payment on the Notes equal to the amount of the pre-issuance accrued interest may be treated as a nontaxable return of the pre-issuance accrued interest. This discussion assumes that the first interest payment on Notes with pre-issuance accrued interest will be so treated, and references to interest in the remainder of this discussion exclude pre-issuance accrued interest. This discussion assumes that in determining the issue price of a Note, there will be excluded an amount equal to the pre-issuance accrued interest. Pre-issuance accrued interest not included in income should not form part of any amortisable bond premium (as described below under "– *Notes Purchased at a Premium*"). A U.S. Holder's tax basis in a Note will be reduced by any nontaxable return of pre-issuance accrued interest. This discussion does not otherwise address the treatment of pre-issuance accrued interest, and U.S. Holders should consult their tax advisers concerning the U.S. federal income tax treatment of pre-issuance accrued interest.

Original issue discount

General. The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event the Issuer issues contingent payment debt instruments the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "**Short-Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "**qualified stated interest**". A qualified stated interest payment generally is any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "*– Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If it was deemed that any call or put option would be exercised but was not in fact exercised, the Note would be treated solely for the purpose of calculating OID as if it were redeemed, and a new Note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date.

U.S. Holders of Discount Notes generally must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note. The daily portion is determined by allocating to each day in any "accrual period" a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "**adjusted issue price**" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Foreign Currency Denominated OID. OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Acquisition Premium. A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described below under "– *Election to Treat All Interest as Original Issue Discount*", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Short-Term Notes. In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS.

Market discount

General. A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "**Market Discount Note**") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "*de minimis* market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments. Additionally, for this purpose the "stated redemption price at maturity" (as defined above) is decreased by the amount of any payments previously made on the Note that were not qualified stated interest.

Any gain recognised on the sale or retirement of a Market Discount Note (including any payment on a Note that is not qualified stated interest) generally will be treated as ordinary income to the extent of the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may avoid such treatment by electing to include market discount in income currently over the life of the Note. This election applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year for which the election is made. This election may not be revoked without the consent of the IRS.

A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently may be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note. Such interest is deductible when paid or incurred to the extent of income from the Note for the year. If the interest expense exceeds such income, such excess is currently deductible only to the extent that such excess exceeds the portion of the market discount allocable to the days during the taxable year on which such Note was held by the U.S. Holder.

Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Foreign Currency Denominated Market Discount. Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the sale or retirement of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Variable interest rate notes

Notes that provide for interest at variable rates ("**Variable Interest Rate Notes**") generally will bear interest at a "qualified floating rate" (as defined below) and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "**qualified floating rate**" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

Under finalized U.S. Treasury regulations, Notes referencing an IBOR that are treated as having a qualified floating rate for purposes of the above will not fail to be so treated merely because the terms of the Notes provide for a replacement of the IBOR in the case of a Benchmark Transition Event. In particular, under the regulations, the IBOR referencing rate and the replacement rate are treated as a single qualified rate. Investors should consult their tax advisers regarding the consequences to them of the potential occurrence of a Benchmark Transition Event.

An "**objective rate**" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" generally will not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) equal to or in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Pricing Supplement.

Notes purchased at a premium

General. A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Special rules may limit the amortisation of bond premium with respect to Notes subject to early redemption. Any election to amortise bond premium will apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*– Original Issue Discount – Election to Treat All Interest as Original Issue Discount*".

Foreign Currency Denominated Bond Premium. Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income (or OID) in units of the foreign currency. On the date bond premium offsets interest income (or OID), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date of the offset, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Note matures.

Election to treat all interest as original issue discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "*– Original Issue Discount – General*", with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described above under "*– Notes Purchased at a Premium*") or acquisition premium. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "*– Market Discount*" to include market discount in income currently over the life of all debt instruments having market discount that are acquired on or after the first day of the first taxable year to which the election applies. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Sale or retirement of the Notes

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note, in each case as determined in U.S. dollars. A U.S. Holder's adjusted tax basis in a Note generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. U.S. Holders should consult their own tax advisers about how to account for proceeds received on the sale or retirement of Notes that are not paid in U.S. dollars.

Except to the extent described above under "*– Original Issue Discount – Market Discount*" or "*– Original Issue Discount – Short Term Notes*" or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. The deductibility of capital losses is subject to significant limitations. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of such sale or retirement of Notes.

A U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (as adjusted for amortised bond premium, if any) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

U.S. Federal Income Tax Considerations Relating to the Capital Securities

The Issuer generally intends to treat the Capital Securities issued under the Programme as equity for U.S. federal income tax purposes, unless otherwise indicated in the applicable Pricing Supplement. The following summary applies to Capital Securities that are properly treated as equity for U.S. federal income tax purposes.

Payments of interest

This section is subject to further discussion under "*– Passive Foreign Investment Company Considerations*" below.

General. Payments of interest on a Capital Security generally will be taxable to a U.S. Holder as dividend income to the extent paid out of the Issuer's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) and will not be eligible for the dividends received deduction allowed to corporations. Interest payments in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Capital Securities and thereafter as capital gain. However, the Issuer does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that interest payments will be treated as ordinary dividend income. Such dividend income will not be eligible for the special reduced rate normally applicable to "qualified dividend income" received by non-corporate U.S. Holders. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any interest payment received from the Issuer.

Payments of interest generally will constitute "passive category income" for purposes of the foreign tax credit. The rules governing foreign tax credits are complex. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Capital Securities.

Foreign Currency Denominated Interest. Payments of interest on the Capital Securities in a foreign currency generally will be translated into U.S. dollars by reference to the exchange rate in effect on the day the distributions are received by the U.S. Holder, regardless of whether the foreign currency is converted into U.S. dollars at that time. If distributions received in a foreign currency are converted into U.S. dollars at the rate in effect on the day they are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the distribution.

Sale or other taxable disposition

This section is subject to further discussion under "– *Passive Foreign Investment Company Considerations*" below.

Upon a sale or other taxable disposition of the Capital Securities, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other taxable disposition and the U.S. Holder's adjusted tax basis in the Capital Securities, in each case as determined in U.S. dollars. U.S. Holders should consult their own tax advisers about how to account for proceeds received on the sale or other disposition of Capital Securities that are not paid in U.S. dollars. Capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Capital Securities exceeds one year. The deductibility of capital losses is subject to significant limitations. U.S. Holders are advised to consult their own tax advisers regarding the tax treatment of a sale or other taxable disposition of their Capital Securities.

If a U.S. Holder's Capital Securities are redeemed by the Issuer, and such U.S. Holder actually or constructively continues to hold equity of the Issuer following such redemption, the U.S. Holder may be subject to Section 302 of the Code which could cause the redemption proceeds to be treated as dividend income. Such U.S. Holders are advised to consult their own tax advisers regarding the tax treatment of a redemption of their Capital Securities.

Any gain or loss recognised by a U.S. Holder on the sale or other taxable disposition of Capital Securities generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of such sale or retirement of Capital Securities.

Passive foreign investment company considerations

A foreign corporation will be a passive foreign investment company ("**PFIC**") in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules", either (i) at least 75 per cent. of its gross income is "passive income" or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. For these purposes, "passive income" generally includes interest, dividends, rents, royalties and gains from non-dealer securities transactions. In general, cash is a passive asset for these purposes.

The Code provides for special rules under which income that would otherwise be treated as passive income that is derived in the active conduct of an insurance business by a "qualifying insurance corporation" will be treated as active income for purposes of the PFIC rules. If the Issuer is treated as a "qualifying insurance corporation" that is engaged in the active conduct of an insurance business, assets that are available to satisfy the Issuer's insurance business liabilities would not be treated as passive. Generally, a "qualifying insurance corporation" is a foreign insurance corporation the "applicable insurance liabilities" of which constitute more than 25 per cent. of its total assets. Whether the Issuer qualifies as a "qualifying insurance corporation" that is engaged in the active conduct of an insurance business is a factual determination that is based on a number of technical financial tests as well as on expectations of active insurance business activities and is therefore subject to change. Moreover, the rules for determining whether a "qualifying insurance corporation" is engaged in the active conduct of an insurance business are currently in proposed form and may not be finalised in their current form. As a result, the application of the proposed regulations to the Issuer's circumstances is not entirely clear. The Issuer's possible status as a PFIC must be determined annually, and there can be no assurance that the Issuer will not be a PFIC for any year in which a U.S. Holder holds the Capital Securities. The PFIC status of the Issuer will be addressed in the applicable Pricing Supplement.

If the Issuer is a PFIC in any year during which a U.S. Holder holds the Capital Securities, the U.S. Holder will generally be subject to special rules (regardless of whether the Issuer continues to be a PFIC) with respect to (i) any "excess distribution" (generally, any distribution during a taxable year in which distributions received by the U.S. Holder on the Capital Securities are greater than 125 per cent. of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the Capital Securities) and (ii) any gain realised on the sale or other disposition of the Capital Securities. Under these rules (a) the excess distribution or gain will be allocated rateably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Issuer is a PFIC will be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each such other taxable year. If the Issuer is a PFIC for any taxable year during which a U.S. Holder holds the Capital Securities, the Issuer would generally continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such holder owned the Capital Securities, even if the Issuer ceases to meet the threshold requirements for PFIC status.

If the Issuer is a PFIC for any taxable year, to the extent any of its subsidiaries are also PFICs, a U.S. Holder will generally be deemed to own shares in such lower-tier PFICs that are directly or indirectly owned by the Issuer in the proportion which the value of the Capital Securities owned by such U.S. Holder bears to the value of all of the Issuer's equity interests, and such U.S. Holder will generally be subject to the tax consequences described above (and the IRS Form 8621 reporting requirement described below) with respect to the shares of such lower-tier PFIC the U.S. Holder is deemed to own. As a result, if the Issuer receives a distribution from any lower-tier PFIC or sell shares in a lower-tier PFIC, a U.S. Holder will generally be subject to tax under the excess distribution rules described above in the same manner as if such U.S. Holder had held a proportionate share of the lower-tier PFIC stock directly, even if such amounts are not distributed to the U.S. Holder. However, if a U.S. Holder is treated as receiving an excess distribution in respect of a lower-tier PFIC, such holder would increase its tax basis in the Capital Securities by the amount of such distribution. In addition, if the Issuer were to distribute such amount to the U.S. Holder with respect to its Capital Securities, such U.S. Holder would not include the distribution in income but would instead reduce its tax basis in the Capital Securities by the amount of the distribution. The application of the PFIC rules to indirect ownership of any lower-tier PFIC held by the Issuer is complex and uncertain, and U.S. Holders should therefore consult their own tax advisers regarding the application of such rules to their ownership of Capital Securities.

If the Issuer is a PFIC in a taxable year and the Capital Securities are treated as "marketable stock" in such year, a U.S. Holder may make a mark-to-market election with respect to its Capital Securities. A U.S. Holder that makes such election will not be subject to the PFIC rules described above. Instead, in general, such U.S. Holder will include as ordinary income each year the excess, if any, of the fair market value of the Capital Securities at the end of the taxable year over the U.S. Holder's adjusted basis in the Capital Securities. Such U.S. Holder will also be allowed to take an ordinary loss in respect of the excess, if any, of such holder's adjusted basis in the Capital Securities over the fair market value of such Capital Securities at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's basis in the Capital Securities will be adjusted to reflect any such income or loss amounts. Any gain that is recognized on the sale or other taxable disposition of Capital Securities would be ordinary income and any loss would be an ordinary loss to the extent of the net amount of previously included income as a result of the mark-to-market election and, thereafter, a capital loss. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs of the Issuer, a U.S. Holder would continue to be subject to the excess distribution rules (and corresponding basis adjustments, as discussed above) with respect to any subsidiaries of the Issuer that are PFICs, any distributions received by the Issuer from a subsidiary that is a PFIC, and any gain recognized by the Issuer upon a sale of shares of a subsidiary that is a PFIC, even if a mark-to-market election has been made by the U.S. Holder with respect to its Capital Securities. The interaction of the mark-to-market rules and the rules governing lower-tier PFICs is complex and uncertain, and U.S. Holders should therefore consult their own tax advisers regarding the application of such rules to their ownership of the Capital Securities.

In some cases, a shareholder of a PFIC may be subject to alternative treatment by making a qualified electing fund ("**QEF**") election to be taxed currently on its share of the PFIC's undistributed income. To make a QEF election, the Issuer must provide U.S. Holders with certain information compiled according to U.S. federal income tax principles. The Issuer currently does not intend to provide such information for U.S. Holders, and therefore it is expected that this election will be unavailable.

A U.S. Holder who owns, or who is treated as owning, PFIC stock during any taxable year in which the Issuer is classified as a PFIC may be required to file IRS Form 8621. Prospective purchasers should consult their tax advisers regarding the requirement to file IRS Form 8621 and the potential application of the PFIC regime.

Backup Withholding and Information Reporting

Payments of interest on, and proceeds from the sale or other taxable disposition of, the Instruments by a U.S. or U.S.-connected paying agent or other U.S. or U.S.-connected intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of the Instruments, including requirements related to the holding of certain "specified foreign financial assets".

FOREIGN ACCOUNT TAX COMPLIANCE WITHHOLDING

Pursuant to certain provisions of the Code, commonly known as FATCA, a "foreign financial institution" (including an intermediary through which Instruments are held) may be required to withhold at a rate of 30% on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands and Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Instruments, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, proposed U.S. Treasury regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Instruments that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Instruments. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Instruments, no person will be required to pay any additional amounts as a result of the withholding.

CAYMAN ISLANDS TAXATION

Under existing Cayman Islands laws, payments of interest, principal and other amounts on the Instruments will not be subject to taxation in the Cayman Islands, and no withholding will be required on the payment of interest, principal and other amounts on the Instruments or a distribution to any holder of the Instruments nor will gains derived from the disposal of the Instruments be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties or agreements that would affect any payments made by us in connection with the Instruments.

No stamp duty is payable in respect of the issue or transfer of the Instruments although duty will be payable if the Instruments are executed in or brought into the Cayman Islands or produced before the courts of the Cayman Islands. Certificates evidencing the Instruments, in registered form, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to Instruments, if brought into or executed in or produced before the courts of the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by the Company if any such documents are executed in or brought into the Cayman Islands or produced before the courts of the Cayman Islands.

HONG KONG TAXATION

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Instruments or in respect of any capital gains arising from the sale of the Instruments.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Instruments may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Instruments is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Instruments is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Instruments is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Instruments is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Instruments will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Instruments will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Instruments will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Instruments are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112) of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Instruments and gains from the sale, disposal or redemption of Instruments accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong are regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Instruments **provided that** either:

(i) such Bearer Instruments are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Instruments constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Instruments at a rate of 3 per cent. of the market value of the Bearer Instruments at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Instruments.

No stamp duty is payable on the issue of Registered Instruments. Stamp duty may be payable on any transfer of Registered Instruments if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Instruments **provided that** either:

(i) such Registered Instruments are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Instruments constitute loan capital (as defined in the SDO).

Notwithstanding the above, no stamp duty is payable on the transfer of a regulatory capital security (as defined in Section 17A of the IRO.

If stamp duty is payable in respect of the transfer of Registered Instruments it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Instruments if the relevant transfer is required to be registered in Hong Kong.

CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes fiduciary standards and certain other requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Part 4 of Subtitle B of Title I of ERISA, including entities such as collective investment funds, separate accounts and other entities or accounts whose underlying assets are treated as the assets of such plans pursuant to the U.S. Department of Labor ("**DOL**") regulation at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (such regulation, the "**Plan Asset Regulation**," and such employee benefit plans collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA, but which are subject to Section 4975 of the Code, such as individual retirement accounts, health savings accounts and "Keogh" plans (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "*parties in interest*" within the meaning of Section 3(14) of ERISA or "*disqualified persons*" within the meaning of Section 4975(e)(2) of the Code) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Instruments are acquired by a Plan with respect to which we or the Dealers or any of our or their respective affiliates are a party in interest or a disqualified person. The types of transactions between Plans and parties in interest that are prohibited include: (a) sales, exchanges or leases of property, (b) loans or other direct or indirect extensions of credit and (c) the furnishing of goods and services. Certain parties in interest that participate in a non-exempt prohibited transaction may be subject to an excise taxes or other liabilities under ERISA or the Code.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire an Instrument and the circumstances under which such decision is made. Included among these exemptions are (but are not limited to) Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to the purchase and sale of securities and related lending transactions, provided that, neither the security's issuer nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that, the Plan pays no more than, and receives no less than, "adequate consideration" in connection with the transaction) and Prohibited Transaction Class Exemption ("**PTCE**") 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "**qualified professional asset manager**"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving the Instruments or that, if an exemption is available, it will cover all aspects of any particular transaction.

Governmental plans within the meaning of Section 3(32) of ERISA, non-U.S. plans described in Section 4(b)(4) of ERISA and certain church plans within the meaning of Section 3(33) of ERISA that have made no election under Section 410(d) of the Code, while not subject to the fiduciary responsibility and prohibited transaction provisions of Part 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, may nevertheless be subject to U.S. federal, state, local or non-U.S. law or regulation that is substantially similar to the foregoing provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Instruments.

Under the Plan Asset Regulation, if a Plan invests in an equity interest of an entity, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless the Issuer qualifies as an "operating company" or another exception described in the Plan Asset Regulation applies. An "operating company" is a company that is primarily engaged in the production or sale of a product or service (other than the investment of capital) directly or through one or more majority-owned subsidiaries. Further, a security which is in the form of debt may be considered an equity interest under the Plan Asset Regulation if it has substantial equity features. If any of the Instruments have substantial equity features and the Issuer was deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan's investment in such Instruments, the Issuer and an undivided interest in its underlying assets would be subject to the fiduciary standards of Title I of ERISA and the prohibited transaction rules of Section 406 of ERISA and Section 4975 of the Code. While there is little pertinent authority in this area and no assurance can be given, the Issuer believes that the Instruments should not be treated as equity interests for the purposes of the Plan Asset Regulation and the Issuer currently qualifies as an operating company.

As a result of the foregoing restrictions, the Instruments may not be purchased or held by any Plan, or any person investing "plan assets" of any Plan, unless that purchase and holding will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or is covered by an applicable exemption. By its purchase of any Instruments, the purchaser or holder of the Instruments or any interest therein will be deemed to have represented and agreed either that: (a) it is not and for so long as it holds Instruments (or any interest therein) will not be (and is not acquiring the Instruments directly or indirectly with the assets of a person who is or while the Instruments are held will be) a Benefit Plan Investor, or a governmental, church or non-U.S. plan which is subject to any U.S. federal, state local or non-U.S. law or regulation, that is substantially similar to the fiduciary responsibility and prohibited transaction provisions of Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code ("**Other Plan Law**"); or (b) its purchase and holding of the Instruments will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, will not result in a violation of any Other Plan Law) for which an exemption is not available. Additionally, if you are, or if you are using the assets of any Benefit Plan Investor to acquire or hold an Instrument, you will be deemed to have represented by your purchase or acquisition of the Instrument that (a) none of us, the Arranger, any of the Dealers or our or their respective affiliates (collectively, the "**Transaction Parties**") has through this Offering Circular provided any investment recommendation or investment advice to the Benefit Plan Investor or any fiduciary or other person investing the assets of the Benefit Plan Investor ("**Plan Fiduciary**") on which either the Benefit Plan Investor or Plan Fiduciary has relied in connection with the decision to purchase or acquire such Instrument (b) the Transaction Parties are not otherwise acting as a "fiduciary," as that term is defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or Plan Fiduciary in connection with the Benefit Plan Investor's decision to purchase or acquire the Instrument and (c) the Plan Fiduciary is exercising its own independent judgment in evaluating the transaction.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Benefit Plan Investor fiduciary who proposes to cause a Benefit Plan Investor to purchase any Instruments should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code (or in the case of governmental, church or non-U.S. plans the applicability of any Other Plan Law) to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA or Section 4975 of the Code (or any Other Plan Law, as applicable).

The sale of Instruments to a Benefit Plan Investor is in no respect a representation by us or the Dealers that such an investment meets all relevant legal requirements with respect to investments by Benefit Plan Investors generally or any particular Benefit Plan Investor, or that such an investment is appropriate for Benefit Plan Investors generally or any particular Benefit Plan Investor.

GENERAL INFORMATION

1. LISTING

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, under which Instruments will be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. The issue price of Instruments listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Instruments, commence on or about the next business day following the date of listing of the relevant Instruments. Instruments listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).

2. AUTHORISATION

The update of the Programme and the issue and allotment of the Instruments from time to time under the Programme were authorised by resolutions passed at the meeting of our board of directors held on 27 February 2023. We have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Instruments.

3. LEGAL AND ARBITRATION PROCEEDINGS

Neither of the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer or the Group.

4. SIGNIFICANT/MATERIAL CHANGE

Since 31 December 2022, there has been no material adverse change in the financial position or prospects nor any significant change in the financial or trading position of the Issuer and the Group.

5. AUDITOR

The consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 as at December 31, 2020, 2021 and 2022, and for each of the three years in the period ended December 31, 2022, appearing in this Offering Circular have been audited by Ernst & Young, a Certified Public Accountants and Registered Public Interest Entity Auditor, as set forth in their reports appearing elsewhere herein.

6. DOCUMENTS ON DISPLAY

Copies of the following documents may be inspected by the Instrumentholders upon prior written request and satisfactory proof of holding during normal business hours on any weekday (Saturdays and public holidays excepted) at the specified office of the Fiscal Agent at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong for so long as the Instruments are capable of being issued under the Programme:

(i) our Data Privacy Notice;

(ii) our audited consolidated financial statements for the years ended 31 December 2022, 2021 and 2020;

(iii) copies of our latest annual report and audited consolidated financial statements, and any unaudited condensed consolidated financial statements published subsequently to such audited consolidated financial statements;

(iv) each Pricing Supplement;

(v) the Agency Agreement (which contains the forms of the Instruments in global and definitive form); and

(vi) the Deed of Covenant given by us.

7. CLEARING OF THE INSTRUMENTS

The Instruments have been accepted for clearance through the Euroclear and Clearstream systems (which are the entities in charge of keeping the records). We may also apply to have Instruments accepted for clearance through the CMU Service. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. In addition, we may make an application for any Restricted Instruments or DTC Unrestricted Instruments to be accepted for trading in book-entry form by DTC. Acceptance by DTC of such Instruments will be confirmed in the relevant Instruments. The relevant ISIN, the Common Code, the Committee on the Uniform Security Identification Procedure ("**CUSIP**") number and (where applicable) the identification number for any other relevant clearing system for each series of Instruments will be specified in the applicable Pricing Supplement. If the Instruments are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

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milliman.com

27 February 2023

The Directors
FWD Group Holdings Limited
富衛集團有限公司
13/F, 14 Taikoo Wan Road
Taikoo Shing
Hong Kong

ACTUARIAL CONSULTANT'S REPORT

Dear Directors,

1 INTRODUCTION

1.1. BACKGROUND

FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited) ("FWD Group", "FWD", "Company", "you" or "your") has prepared, in respect of FWD Group and its subsidiaries, the embedded value ("EV") and the value of new business ("VNB") for each calendar year over the period from 1 January 2020 to 31 December 2022 (referred to as the "track record period"). The EV is calculated as at 31 December 2020 ("2020 EV"), 31 December 2021 ("2021 EV") and 31 December 2022 ("2022 EV") (collectively referred to as "Valuation Dates"), while the VNB covers 12 months of sales for calendar years 2020 ("2020 VNB"), 2021 ("2021 VNB") and 2022 ("2022 VNB") respectively. The Company has also prepared additional analyses, including sensitivity tests on EV and VNB, determination of EV equity, EV operating profit, free surplus generation and distributable earnings and an analysis of movement in the EV by calendar year over the track record period. These results are collectively referred to as the "EV Results" and have been prepared by the Company.

Milliman Limited ("Milliman", "we", "us" or "our") has been engaged by FWD Group to independently review and provide an opinion on the EV Results. This report ("Report") sets out the consolidated results as prepared by FWD Group over the track record period, and includes a description of the EV methodology and assumptions, details of our review and opinion, as well as the reliances and limitations applicable to our work. In accordance with the engagement letter dated 1 April 2022, this Report has been prepared in order to provide supplementary information on FWD's EV Results. This Report should be read in its entirety, including the reliances and limitations, as individual sections, if considered in isolation, may be misleading.

Milliman is acting exclusively for FWD Group, and no one else, in connection with the Report. This Report has been prepared in order to provide supplementary information on FWD's EV Results and should not be used for any other purpose without our prior written consent. Neither Milliman nor any employee of Milliman undertakes responsibility arising in any way whatsoever to any other party in respect of this Report.

Except where otherwise stated, the figures quoted in this Report as at the Valuation Dates do not make allowance for any developments after those dates. The various monetary amounts specified are expressed in US Dollars ("USD").

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1.2. FWD GROUP STRUCTURE

In 2022, the Company undertook a series of reorganisation activities to unify the ownership structure of the Group, involving the merger of FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited) with PCGI Limited. Following the merger, PCGI Limited ceased to exist, with FWD Group, after reorganisation, being the immediate holding company of:

- FWD Limited; and
- FWD Group Limited

FWD Limited as at 31 December 2022 includes the following entities:

- FWD Life Insurance Company (Bermuda) Limited ("FWD Life (Bermuda)");
- FWD Life Insurance Company (Macau) Limited ("FWD Macau");
- FWD Life Assurance Company (Hong Kong) Limited ("FWD Life Assurance (Hong Kong)");
- FWD Life (Hong Kong) Limited ("FWD Life (Hong Kong)");
- FWD Vietnam Life Insurance Company Limited ("FWD Vietnam");
- FWD Takaful Berhad ("FWD Malaysia");
- FWD Financial Planning Limited;
- Antede Limited;
- AMG Financial Group Limited (Hong Kong);
- AMG Wealth Management Limited;
- FWD Financial Limited;
- OGS (I) Limited (Cayman Islands);
- OGS (II) Limited (Cayman Islands);
- One George Street LLP (Republic of Singapore);
- Sky Accord Limited (Cayman Islands);
- Future Radiance Limited (Cayman Islands);
- FWD Properties Limited (Hong Kong); and
- PT Asuransi BRI Life ("BRI Life").

FWD Life (Bermuda), FWD Macau, FWD Life Assurance (Hong Kong), FWD Life (Hong Kong) and BRI Life are the life insurance subsidiaries of FWD Limited. FWD Limited owns a minority 35.14%[1] stake in BRI Life, a life insurance subsidiary of PT Bank Rakyat Indonesia (Persero) Tbk. FWD Malaysia and FWD Vietnam are the life insurance subsidiaries of FWD Life (Bermuda). These subsidiaries are treated as separate entities, and the value from these entities is reported separately and not included within the results of FWD Life (Bermuda).

As at 31 December 2022, FWD Group Limited includes the following entities:

[1] On 2 March 2022, FWD acquired an additional 5.28% stake in BRI Life, increasing its holding to 35.14%. The 2022 EV represents a 35.14% economic interest following the increase in this stake, whereas the 2021 EV represents a 29.86% economic interest. The VNB in respect of new business written since acquisition to 28 February 2022 represents a 29.86% economic interest, and from 1 March 2022 to 30 November 2022 represents a 35.14% economic interest.

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- FWD Life Insurance Corporation ("FWD Philippines");
- FWD Life Insurance Public Company Limited ("FWD Thailand");
- PT FWD Insurance Indonesia ("FWD Indonesia");
- FWD Singapore Pte. Ltd. ("FWD Singapore");
- FWD Life Insurance Company, Limited ("FWD Life Japan");
- FWD Reinsurance SPC, Ltd. ("FWD Reinsurance");
- FWD Life Insurance (Cambodia) Plc. ("FWD Cambodia");
- FWD Group Services (Thailand) Co., Ltd.;
- IPP Financial Advisers Pte. Ltd.; and
- PT FWD Asset Management.

FWD Life Japan, FWD Reinsurance, FWD Thailand, FWD Indonesia, FWD Philippines and FWD Cambodia are life insurance subsidiaries of FWD Group Limited. FWD Singapore is a composite insurance subsidiary of FWD Group Limited.

Operating entities in this Report refer to life insurance subsidiaries and non-life insurance subsidiaries, as well as subsidiaries and associates of these entities[2]. Life insurance subsidiaries refer to life insurance companies, including composite insurers. Non-life insurance subsidiaries refer to entities that are general insurance companies, asset management companies and financial planning/broking firms. All other subsidiaries that are held in FWD Limited and FWD Group Limited and not listed above are classified as "non-operating entities" and form part of "corporate and other" adjustments.

The entities for which value of in-force ("VIF") and VNB results have been determined are referred to as "Business Units" in this Report. Several entities have been grouped as one Business Unit by FWD. The Business Units referred to in this Report are as follows:

- FWD HK collectively includes the following entities:
  - FWD Life (Bermuda)[3];
  - FWD Macau;
  - FWD Life Assurance (Hong Kong); and
  - FWD Life (Hong Kong).

[2] Subsidiaries refer to companies in which the operating entity owns a majority stake, while associates refer to companies in which the operating entity owns a minority stake.

[3] The life insurance subsidiaries of FWD Life (Bermuda) (i.e. FWD Malaysia and FWD Vietnam) are treated as separate entities and have been excluded from the results prepared for FWD Life (Bermuda).

- FWD Japan collectively includes the following entities:
  - FWD Life Japan; and
  - FWD Reinsurance[4]
- FWD Thailand
- FWD Indonesia
- FWD Malaysia
- FWD Philippines
- FWD Singapore
- FWD Vietnam
- FWD Cambodia
- BRI Life

PT FWD Life Indonesia ("FWD Life Indonesia") and SCB Life Assurance Public Company Limited ("SCB Life") were consolidated and merged into FWD Indonesia and FWD Thailand in December 2020 and October 2020, respectively. Where reference in this Report is made to FWD Indonesia and FWD Thailand, the historical results reported prior to the respective mergers include these entities.

FWD acquired FWD Assurance VietNam Company Limited (formerly Vietcombank-Cardif Life Insurance) ("FWD VCLI") on 8 April 2020 and disposed of it on 21 March 2022. FWD Cambodia was acquired by FWD on 9 December 2020. No VIF or VNB have been determined for FWD VCLI and in the 2020 Results for FWD Cambodia as these are expected to be immaterial in the context of FWD Group EV and VNB[5]. The assumptions by Business Unit presented in Section 3 and Section 4 of this Report, therefore also exclude these entities.

For BRI Life, the 2021 EV and 2022 EV have been calculated as at 30 November 2021 and 30 November 2022 respectively, and the 2021 VNB and 2022 VNB are in respect of new business written from the date of acquisition to 30 November 2021 and in the 12 months ended 30 November 2022 respectively. FWD's acquisition of a minority 29.86% stake in BRI Life was completed on 2 March 2021, followed by an additional acquisition of 5.28% stake on 2 March 2022, increasing its holding to 35.14%.

The VNB has been presented by region, while the EV and other reporting metrics have been presented at a consolidated group level. The allocation of Business Units to each region is mapped out below:

- Hong Kong: FWD HK
- Thailand: FWD Thailand and FWD Cambodia
- Japan: FWD Japan
- Emerging Markets: FWD Indonesia, FWD Malaysia, FWD Philippines, FWD Singapore, FWD Vietnam and BRI Life

[4] The business ceded to FWD Reinsurance is purely from wholly owned FWD Japanese entities. Hence FWD Reinsurance is included as part of FWD Japan.

[5] The in-force reserves as at 31 December 2020 for FWD VCLI and FWD Cambodia combined were USD 51 million. The in-force statutory reserves as at 31 December 2021 for FWD VCLI amounted to USD 63 million, accounting for less than 1% of the total in-force reserves of FWD Group.

The EV Results in this Report represent a 49.0%[6] holding for FWD Malaysia, a 99.96% holding in FWD Thailand, a 35.14%[7] in BRI Life and a 100.0% holding for other entities (please see Section 3.6 of this Report).

1.3. SCOPE OF OUR WORK

Our work involved the following:

- We have reviewed the methodology and derivation of assumptions used to determine the EV Results presented in this Report.
- We have reviewed the analysis that has been performed by FWD Group to support the risk discount rates, with details described in Section 4.1 of this Report.
- For all Business Units, the VIF and VNB have been derived using FWD's in-house models developed in Prophet, a proprietary modelling software provided by a third party, FIS (collectively referred to as the "Prophet models"). The compilation of results and any off-model adjustments have been carried out using Microsoft Excel ("Excel models" together with the Prophet Models, the "Valuation Models"). We have reviewed certain elements of the Valuation Models. In particular, we have carried out sample policy checks on the projected cash flows produced by the Valuation Models using profit-test spreadsheets we have set up internally, and reviewed the aggregate cash flows by product groups for reasonableness. For each Business Unit, our model review work where sample policy checks were performed has covered products making up at least 90% of statutory reserves (for VIF) and at least 90% of new business annual premium equivalent (for VNB).
- We have also performed checks on the EV Results by Business Unit and have reviewed the consolidated EV Results, including adjustments made in respect of unallocated Group Office expenses. Details of our review are provided in Section 6.3 of this Report.

The objective of our review was to confirm that the EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions described in this Report.

1.4. STRUCTURE OF THE REPORT

The various sections of this Report are set out as follows:

- Section 2: Key highlights – provides an overview of the EV Results
- Section 3: Methodology – provides details of the methodology adopted in the derivation of the EV Results
- Section 4: Assumptions – describes the assumptions used to calculate the EV Results
- Section 5: EV Results – sets out the EV Results, including sensitivity analysis

[6] The non-controlling interest percentage of 49.0% for FWD Malaysia represents FWD's share in the ordinary share capital of MYR 100 million issued. As at 31 December 2022, FWD Malaysia has also issued MYR 517.0 million of preference share capital to FWD. Taking into account the total share capital held by FWD (ordinary share capital plus preference share capital), the 2021 and 2022 EV assume a 100% economic interest in FWD Malaysia, aligned with the treatment adopted for the IFRS accounts. Similarly, the 2022 VNB for FWD Malaysia is also based on a 100% economic interest. It is noted that this represents a methodology change since the third quarter of 2021. The 2021 VNB presented in this Report assumes a 49.0% share of VNB in the first half of 2021 and 100% share in the second half of 2021. The 2020 EV reflects an effective 83.0% share in EV to account for FWD's preference share ownership, while the 2020 VNB has been prepared assuming a 49.0% share. It should be noted that the percentage share for future EV and VNB calculations will reduce from the 100% level assumed when the preference share capital issued to FWD is redeemed, consistent with the treatment adopted for IFRS reporting.

[7] Refer to footnote 1.

- Section 6: Milliman opinion – provides a formal opinion in respect of the EV Results
- Section 7: Reliances and limitations – sets out the reliances and limitations applicable to our work and to this Report
- Appendix A: Abbreviations used in this Report
- Appendix B: Key information received
- Appendix C: Exchange rates used in deriving the results

2 KEY HIGHLIGHTS

An overview of the EV Results across the track record period is presented in this section. While reading this section alone can provide a high-level summary, it does not give the full details, and this Report must be read in its entirety in order to be fully understood. Further details of the methodology, assumptions, and EV Results, including sensitivity analyses, are set out in Sections 3, 4 and 5 of this Report.

An embedded value is an actuarial method of measuring the consolidated value of shareholders' interests in the in-force business of an insurance company. It is an estimate of the economic value of life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business. The EV is taken to be the sum of the adjusted net worth ("ANW") and VIF, with the methodology defined in Section 3.1 of this Report.

Group EV represents the consolidated EV of FWD Group. EV equity is defined to be the equity attributable to shareholders, and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders.

The value of new business represents the value to shareholders arising from the new business issued during the relevant reporting period, with the methodology defined in Section 3.2 of this Report. New business margin is equal to VNB expressed as a percentage of new business annualised premium equivalent[8] ("NB APE") for the relevant reporting period. NB APE represents 100% of annualised first year premium and 10% of single premium. An alternative new business margin with VNB expressed as a percentage of the present value of new business premium ("PVNBP") has also been presented. PVNBP is the present value of projected new business premium discounted at the risk discount rates set out in Table 4.1. The VNB and new business margins presented in this Report have been based on long term unit cost loadings. Using these long term unit cost loadings results in expense overruns in the short term. Further details of the expense overruns, including historical expense and commission variance across the track record period, are presented in Section 4.5 of this Report.

EV operating profits reflect the change in EV over the period, adjusted for non-recurring items[9]. They comprise expected returns on EV, VNB, operating variance, and the impact of operating assumption changes. The results have been presented before and after allowance for operating assumption changes and operating variances other than claims/persistency/expense variances.

Operating entity EV reflects the consolidated EV of the operating entities within FWD Group. It excludes corporate and other adjustments, which comprise corporate and other net assets, allowance for unallocated Group Office expenses and adjustment for financing.

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[8] For FWD Malaysia's takaful business, the annualised premium equivalent is referring to the annualised contribution equivalent.

[9] Non-recurring items include movements relating to acquisitions & partnerships / discontinued business, economic variance, economic assumption change, non-operating variance, capital movements, corporate centre expenses, financing and foreign exchange movement. Please see Section 5.3 of this Report for further details.

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Free surplus is defined as the excess of ANW over the required capital. The underlying free surplus generation represents the free surplus generated by FWD Group over the period, adjusted to exclude new business funding and certain non-recurring items. It excludes free surplus used to fund new business, investment return variances and other items, acquisitions, partnerships (i.e. business sold through PT Bank Commonwealth, the other distribution channels of PT Commonwealth Life, Vietcombank and BRI Life) ("Acquisitions & partnerships") and business lines that have been terminated ("Discontinued business"), capital movements and the impact of financing, but includes methodology updates relating to accounting changes. The net underlying free surplus generation represents the equivalent results after deducting the free surplus used to fund new business, while the adjusted net underlying free surplus generation includes adjustments for one-off variances.

Table 2.1: Summary of Group EV (in USD millions)

	As at 31 December			Change during 2021 (% 31 Dec 2020 results)		Change during 2022 (% 31 Dec 2021 results)	
Embedded value	**2020**	**2021**	**2022**	**CER basis**	**AER basis**	**CER basis**	**AER basis**
Group EV	3,761	5,731	6,066	75.7%	52.4%	13.9%	5.8%
- ANW	458	2,369	2,268	1,079.6%	417.3%	4.1%	(4.3%)
- VIF	3,303	3,362	3,798	9.8%	1.8%	20.7%	13.0%

	As at 31 December			Change during 2021 (% 31 Dec 2020 results)		Change during 2022 (% 31 Dec 2021 results)	
EV equity	**2020**	**2021**	**2022**	**CER basis**	**AER basis**	**CER basis**	**AER basis**
Group EV	3,761	5,731	6,066	75.7%	52.4%	13.9%	5.8%
Plus: Goodwill and other intangible assets	3,349	3,334	3,222	5.1%	(0.4%)	(0.2%)	(3.4%)
EV equity	7,110	9,065	9,288	40.9%	27.5%	8.6%	2.5%

	Year ended 31 December			YoY change in 2021		YoY change in 2022	
New business value	**2020**	**2021**	**2022**	**CER basis**	**AER basis**	**CER basis**	**AER basis**
VNB	617	686	823	12.7%	11.1%	28.9%	20.0%
NB APE	1,692	1,446	1,408	(13.2%)	(14.5%)	3.7%	(2.7%)
PVNBP	10,160	9,095	8,126	(8.9%)	(10.5%)	(5.4%)	(10.7%)
New business margin (% of NB APE)	36.5%	47.4%	58.5%	10.9 pps	10.9 pps	11.4 pps	11.0 pps
New business margin (% of PVNBP)	6.1%	7.5%	10.1%	1.4 pps	1.5 pps	2.7 pps	2.6 pps

EV operating profits	Year ended 31 December 2020	2021	2022	YoY change in 2021 CER basis	AER basis	YoY change in 2022 CER basis	AER basis
Before operating assumption changes and other operating variances(1)	673	885	1,072	33.6%	31.5%	30.3%	21.1%
After operating assumption changes and other operating variances(1)	770	859	1,027	13.3%	11.5%	28.9%	19.6%

Free surplus generation	Year ended 31 December 2020	2021	2022	YoY change in 2021 CER basis	AER basis	YoY change in 2022 CER basis	AER basis
Underlying free surplus generation	654	456	1,753	(29.2%)	(30.2%)	313.4%	284.5%
Net underlying free surplus generation	248	(52)	1,589	n/m	n/m	n/m	n/m
Adjusted net underlying free surplus generation	135	95	625	(27.4%)	(29.6%)	937.4%	558.3%

Figures may not be additive due to rounding.
CER: Constant exchange rate (please refer to Section 3.5 for the definition of CER). AER: Actual exchange rate.
NB APE = New business annualised premium equivalent = 100% of annualised first year premium plus 10% of single premium;
PVNBP = Present value of projected new business premium discounted at the same risk discount rates as VNB.
YoY = Year-on-year. pps = Percentage points.
n/m = Not meaningful.
Note (1): Refers to all operating variances other than claims/persistency/expense variances.

3 METHODOLOGY

The EV and VNB of FWD Group have been determined using a Traditional Embedded Value ("TEV") approach. This approach makes implicit allowance for the time value of financial options and guarantees and other risks associated with the realisation of the projected future profits through the use of a risk adjusted discount rate. The higher the risk discount rate, the greater the allowance for these risks. TEV methodology is commonly used by life insurance companies in Asia. Alternative approaches, such as those using "fair value" and "Market Consistent Embedded Value" ("MCEV") have been developed, under which these types of risks, including the allowance for the time value of financial options and guarantees, are explicitly valued. The work performed by FWD to validate the consistency of the allowance for risk in the risk discount rates is described in Section 4.1 of this Report.

3.1. EMBEDDED VALUE

The EV is taken to be the sum of the ANW and VIF.

The ANW represents the adjusted statutory net asset value attributable to shareholders. The ANW for each Business Unit comprises:

the statutory net asset value, reflecting the excess of assets over policy reserves and other liabilities reported on a local regulatory basis

plus/minus mark-to-market adjustments for assets that have not been held on a market value basis

minus the value of intangible assets

The ANW includes the statutory net asset value reported for the other operating entities not referred to as Business Units, including FWD VCLI, and non-life insurance subsidiaries. The ANW also includes adjustments for non-operating entities.

The ANW for non-operating entities reflects the reported International Financial Reporting Standards ("IFRS") equity, adjusted for subordinated perpetual capital securities issued through FWD Limited and zero coupon subordinated perpetual capital securities issued through FWD Group Limited (with a combined carrying value of USD 1,607 million as at 31 December 2020 and as at 31 December 2021 and USD 1,354 million as at 31 December 2022). These securities are treated as equity in the audited consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited) (referred to as "IFRS accounts"). The carrying value of these securities has been deducted in the ANW when determining the Group EV.

The VIF for each Business Unit represents the present value of future net-of-tax statutory profits arising from the in-force business as at the respective Valuation Dates less the cost of capital required to support the in-force business. The projected statutory profits include adjustments for maintenance expense overruns relating to in-force business and an additional allowance set aside to eliminate future negative statutory profits. The cost of capital is calculated as the present value of the net-of-tax investment return on shareholder assets backing required capital, plus the present value of any changes in required capital, less the face value of the required capital at the respective Valuation Dates.

The business covered in the VIF comprises all life insurance business, including medical, accident & health business managed by the Business Units. No allowance for VIF is reflected for non-life business.

An adjustment has been made to the VIF to reflect the present value of future unallocated Group Office expenses. This adjustment has been calculated as the present value of the projected unallocated Group Office expenses. As most of these expenses are incurred in Hong Kong Dollars, the future unallocated Group Office expenses have been discounted using the risk discount rate applicable to Hong Kong.

The Group EV is further split into operating entity EV and corporate and other adjustments. The operating entity EV reflects the consolidated EV of the operating entities within FWD Group before corporate and other adjustments. Corporate and other adjustments include the ANW of non-operating entities and a VIF adjustment for unallocated Group Office expenses.

The breakdown of ANW, Group EV and EV equity results is shown in Section 5.1 of this Report.

3.2. VALUE OF NEW BUSINESS

The VNB for each Business Unit represents the value to shareholders arising from the new business issued during the relevant reporting period. The VNB reflects the present value, measured at point of sale, of future net-of-tax profits on a local statutory basis less the corresponding cost of capital. The VNB is calculated quarterly, based on assumptions applicable at the start of each quarter.

VNB covers all new life insurance sales with premiums paid and policies issued during the reporting period. Incremental premiums to existing contracts, if the increases are triggered by corresponding increases in benefits, are considered to be part of VNB.

The VNB results shown in this Report are based on long term unit costs rather than current expense levels and make no allowance for the value of acquisition expense and commission overruns in respect of the underlying new business. Further details are outlined in Section 4.5 of this Report.

3.3. UP-FRONT ACCESS FEES AND MILESTONE FEES

Up-front access fees paid to distributors have been fully reflected in the ANW.

Milestone fees paid during each period have been accounted for as expenses and reflected in the VNB reported for the period.

3.4. REQUIRED CAPITAL

Table 3.1 sets out the assumed levels of required capital for each Business Unit. The same level of required capital has been assumed across the track record period, with the exception of FWD Hong Kong, FWD Japan, FWD Thailand, FWD Philippines and FWD Singapore.

For FWD HK, the Hong Kong Insurance Authority approved the early adoption of the Hong Kong risk-based capital regime (“HK RBC”) from 1 July 2022. The 2022 EV and second half of 2022 VNB results for FWD HK have been determined under the HK RBC regime, with results based on an assumed level of capital requirement set equal to 100% of the HK RBC capital requirement. Prior to the second half of 2022, the EV and VNB have been based on 150% of the required minimum solvency margin under the Insurance Ordinance, Chapter 41 of the Laws of Hong Kong.

For FWD Philippines, the local regulator introduced some temporary relief measures, with the required minimum solvency level reduced from 125% to 100% of the regulatory risk-based capital requirement for part of 2020. This temporary reduction in solvency capital has been reflected in the 2020 EV[10] and 2020 VNB. From 2021 onwards, the EV and VNB have been based on 125% of the regulatory requirement.

For FWD Singapore, the assumed required capital has been revised from 135% to 125% of the regulatory risk-based capital requirement with effect from 31 December 2022.

[10] The temporary reduction affects the split of the ANW between free surplus and required capital as at 31 December 2020, although not the total EV.

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Table 3.1: Required capital by Business Unit

Business Units	Results	Required Capital
FWD HK	2022 EV, second half of 2022 VNB	100% of regulatory risk-based capital requirement
	All other results	150% of required minimum solvency margin
FWD Japan	2022 EV, second half of 2022 VNB	600% of regulatory risk-based capital requirement for FWD Life Japan 200% of regulatory risk-based capital requirement for FWD Reinsurance
	All other results	600% of regulatory risk-based capital requirement for FWD Life Japan 400% of regulatory risk-based capital requirement for FWD Reinsurance
FWD Thailand	2022 EV, 2022 VNB	140% of regulatory risk-based capital requirement (RBC 2)
	All other results	120% and 140% of regulatory risk-based capital requirement for 2020-2021 and 2022 onwards respectively (RBC 2)
FWD Indonesia and BRI Life	All	120% of regulatory risk-based capital requirement
FWD Malaysia	All	195% of regulatory risk-based capital requirement
FWD Philippines	2020 EV, 2020 VNB	100% of regulatory risk-based capital requirement for 2020, 125% thereafter
	All other results	125% of regulatory risk-based capital requirement
FWD Singapore	2022 EV	125% of regulatory risk-based capital requirement (RBC 2)
	All other results	135% of regulatory risk-based capital requirement (RBC 2)
FWD Vietnam	All	100% of required minimum solvency margin
FWD Cambodia	All	100% of required minimum solvency margin

The Hong Kong Insurance Authority introduced a group-wide supervision framework effective from 29 March 2021. FWD Group performed an annual internal study as at 30 September each calendar year over the track record period to validate that the framework will not introduce any additional cost of capital requirements beyond those set out in this Report.

3.5. EXCHANGE RATES

The exchange rates set out in Appendix C to this Report, applicable as at the respective Valuation Dates, have been used to convert the EV figures from local currency to USD for each Business Unit. The EV operating profit for the year ended 31 December 2020, as shown in the analysis of EV movement, have been converted using average year-to-date exchange rates. The VNB and EV operating profit for the years ended 31 December 2021 and 31 December 2022 have been calculated quarterly using the quarterly average exchange rates applicable.

In Table 2.1, the change in results based on actual exchange rates ("AER") has been calculated by converting the local currency results for each Business Unit to USD using the exchange rates set out in Appendix C to this Report. The change in EV and EV equity based on constant exchange rate ("CER") has been calculated by converting the local currency results for each Business Unit to USD using the end of period exchange rate applied to both the results at the end of the period and the results at the end of the prior period. The change in VNB, EV operating profits and free surplus generation based on CER has been calculated by converting the local currency results to USD using the average exchange rates observed for the current reporting period, applied to both results in the current period and results in the prior period.

3.6. NON-CONTROLLING INTEREST

The EV Results exclude the value attributable to any non-controlling interest, which means they represent a 49.0%[11] holding for FWD Malaysia, a 99.96% holding in FWD Thailand, a 35.14%[12] holding in BRI Life and a 100.0% holding for other Business Units. For FWD Malaysia, there has been a change in methodology whereby the 2021 EV, 2022 EV and VNB prepared since the second half of 2021 assume a 100% economic interest in the Company; further details of this change are provided in in footnote 6 of this Report.

3.7. REORGANISATION

The EV Results presented across the track record period have been determined based on the adjusted financial statements[13] prepared by the Company pursuant to the reorganisation of FWD Group, as described in first paragraph of Section 1.2 of this Report. Further details of the reorganisation activities and the basis on which the adjusted financial statements have been prepared are presented in the IFRS accounts.

4 ASSUMPTIONS

This section provides a summary of the assumptions used to determine the EV Results.

4.1. ECONOMIC ASSUMPTIONS

The economic assumptions for each Business Unit have been set based on long term returns on assets as prescribed by FWD Group. The long term returns have been set with reference to FWD Group's long term outlook for the economy, interest rates and asset class yields. An adjustment has been included to grade the economic assumptions from the current market yields observed at the respective Valuation Dates to the assumed long term returns.

For each Business Unit, the investment returns have been determined by applying the projected annual returns by major asset category to the assumed asset mix. The asset mix has been determined based on current and future target asset allocations. Within each Business Unit, the investment returns may differ by product group or by fund.

[11] Refer to footnote 6.

[12] Refer to footnote 1.

[13] Please see Note 6 of audited IFRS accounts.

The risk discount rate for each Business Unit has been set by FWD Group. The difference between the risk discount rate and the risk-free rate of return (set with reference to 10-year government bond yields) is referred to as the "risk margin." The risk margin is intended to represent the level of additional return an investor might consider to be appropriate to reflect the underlying risk of the business.

To provide assurance that the economic assumptions are internally consistent with current economic conditions as at the respective Valuation Dates, FWD has also performed an analysis to assess if the risk discount rate used is appropriate by comparing the TEV results with an MCEV calculation performed by FWD. The approach of using an MCEV analysis to support the risk discount rate is common practice for insurers that report TEV results.

Table 4.1 sets out the risk discount rates, current market 10-year government bond yields, long term 10-year government bond yields assumed in the EV calculations, and local equity returns assumed in the EV Results as at 31 December 2020, 31 December 2021 and 31 December 2022. VNB has been calculated quarterly, based on the economic assumptions at the start of the quarter.

Table 4.1: Economic assumptions

Business Units	Risk discount rates			Local Equity Returns		
	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022
FWD HK	7.20%	7.20%	7.55%	7.40%	7.40%	7.90%
FWD Japan	6.00%	6.00%	6.00%	NA	NA	NA
FWD Thailand	8.30%	8.30%	8.75%	8.50%	8.50%	8.95%
FWD Indonesia and BRI Life	14.00%	14.00%	14.00%	11.70%	11.50%	11.50%
FWD Malaysia	9.00%	9.00%	9.00%	8.10%	8.79%	8.79%
FWD Philippines	12.00%	12.50%	12.75%	10.60%	8.80%	11.62%
FWD Singapore	7.00%	7.00%	7.15%	NA(1)	NA(1)	6.50%
FWD Vietnam	11.50%	10.75%	10.75%	10.20%	9.70%	9.70%
FWD Cambodia	NA	11.50%	11.85%	NA	NA(2)	NA(2)
Group Office expense adjustments	7.20%	7.20%	7.55%	NA	NA	NA

Business Units	Long Term 10-Year Government Bond Yields			Current market 10-year Government Bond Yields		
	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022
FWD HK	2.40% (USD); 1.90% (HKD)	2.40% (USD); 1.90% (HKD)	2.75% (USD); 2.40% (HKD)	0.93% (USD); 0.74% (HKD)	1.52% (USD); 1.51% (HKD)	3.88% (USD); 3.65% (HKD)
FWD Japan	0.25%	0.25%	0.25%	0.02%	0.07%	0.42%
FWD Thailand	2.75%	2.75%	3.20%	1.28%	1.90%	2.64%
FWD Indonesia and BRI Life	7.50%	7.50%	7.50%	5.94%	6.37%	6.93%
FWD Malaysia	4.00%	4.00%	4.00%	2.68%	3.59%	4.02%
FWD Philippines	4.75%	5.25%	5.75%	2.99%	4.72%	6.98%
FWD Singapore	2.25%	2.25%	2.40%	0.84%	1.67%	3.09%
FWD Vietnam	4.50%	4.00%	4.00%	2.45%	2.10%	5.04%
FWD Cambodia	NA	NA(2)	NA(2)	NA	NA(1)	NA(1)
Group Office expense adjustments	NA	NA	NA	NA	NA	NA

NA: Not applicable as Business Unit was acquired after the Valuation Date, or if the assumption is not used in the valuation.
Note (1): NA as the assumption was only used for the valuation as at 31 December 2022 where FWD Singapore determined a unit growth rate based on fund asset mix. Prior to 2022 EV, the unit fund growth rates have been set with reference to pricing assumptions.
Note (2): NA as the investment return assumption for FWD Cambodia has been set with reference to fixed deposit rates.

In addition, FWD HK allocates a significant proportion of assets to private equity investments for certain participating products. The private equity investment return assumption has been set by FWD Group at 9.75% p.a. across the track record period. This equates to an equity risk premium of 7.35% p.a., 7.35% p.a. and 7.00% p.a. above the USD 10-year long term government bond yield as at 31 December 2020, 31 December 2021 and 31 December 2022 valuation dates, respectively. FWD Group has derived these assumptions from internal investment management views based on historical performance of the broad private equity market, the Company's actual alternative portfolio returns and market forecasts that predict return premia on private investments over public equity.

4.2. PERSISTENCY

Persistency assumptions include lapses, premium holidays, partial withdrawals and renewals. The assumptions differ by policy year and are usually split by product or product type. They have been determined by each Business Unit based on historical experience where statistically credible, with allowance for current and future trends and with reference to pricing assumptions where the data available is limited or not statistically credible.

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4.3. MORTALITY

Mortality assumptions have been determined by each Business Unit based on historical experience where statistically credible and with reference to either pricing assumptions or industry experience where there is limited claims experience available. The assumptions have been expressed as a percentage of either a standard industry experience table or set as a percentage of reinsurance rates.

For the following Business Units, an allowance has also been made for future mortality improvement (set with reference to a combination of population, industry and company experience):

- FWD HK: Mortality improvement has been applied on all lines of business.
- FWD Japan: Mortality improvement rate has been applied on certain products, namely "Medical Check", Accident & Health and annuity products.

4.4. MORBIDITY

Similar to mortality, morbidity assumptions have been developed based on historical experience where statistically credible, with allowance for current and future trends, and with reference to pricing assumptions where the data available is limited or not statistically credible. The assumptions have either been set as a percentage of reinsurance rates or expressed as a loss ratio applied to the premium earned.

4.5. EXPENSES

The expense assumptions have been set by each Business Unit considering both historical experience and projected expenses in the relevant business plans. Using these expense assumptions results in expense and commission overruns in the short term, as the aggregated amounts in the Valuation Models are lower than current operating expense and commission-related costs. These overruns are expected to reduce over time based on business plan forecasts prepared by the Business Units.

The long term unit cost loadings have been set to support the general operating expenses in line with approved business plans. Any one-off and non-recurrent expenses have been excluded from the expense loadings. FWD Group's justification for using long term unit cost loadings is that expense and commission overruns are expected to be eliminated in the short to medium term. The results, therefore, are reliant on the ability of the Business Units to reduce these expense and commission overruns as planned.

Acquisition expense overruns

Using these long term unit cost loadings, the present value of the projected acquisition expense and commission overruns, based on the approved business plans prepared by the Business Units at the respective Valuation Dates, are set out in Table 4.2. The overruns exclude one-off and non-recurrent expenses, are net of corporate tax[14] and have been discounted at the respective risk discount rate applicable to each Business Unit shown in Table 4.1.

[14] No corporate tax has been applied to Business Units that are in a fiscal tax loss position as at the respective Valuation Dates.

Maintenance expense overruns – VIF adjustment

The VIF includes deductions relating to future maintenance expense overruns for in-force business based on the latest business plans of the Business Units. The provision for expense overruns assumed in the VIF excludes future acquisition expense and commission overruns, any expected one-off and non-recurrent expenses, and future maintenance expense overruns for new business that was not in-force as at the respective Valuation Dates. The present value of these maintenance expense overruns (net of corporate tax) over the track record period, as reflected in the VIF, is set out in Table 4.2.

Table 4.2: Breakdown of present value of acquisition expense and commission overruns and maintenance expense overruns (after tax) allowed for within VIF (in USD millions)

	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022
Present value of acquisition expense and commission overruns	(252)	(170)	(128)
Present value of maintenance expense overruns	(65)	(73)	(36)

Figures may not be additive due to rounding.

Operating expense and commission variance

The EV and VNB results have been based on long term unit cost loadings. Based on these assumptions, most Business Units reported a negative expense and commission variance across the track record period, i.e. the long term unit cost loadings are less than the actual operating expenses and commission payments. Operating expense and commission variance is net of corporate tax and reflects the aggregate expense and commission loadings included in the Valuation Models less the actual expense and commissions incurred in the period. FWD Group has provided a further breakdown of the operating expense and commission variance into acquisition expense and commission-related expense variance, and maintenance expense variance, as presented in Table 4.3.

Across the track record period, the actual expense and commission variance for each calendar year has reduced progressively from 2020 to 2022, aligned with the reduction in the present value of acquisition expense and commission overruns shown in Table 4.2. The actual variance has been higher than the present value of future expense overrun forecast primarily because of a decline in sales from Corporate Owned Life Insurance ("COLI") business in Japan following changes to tax regulations in 2019, and the prolonged effect of the COVID-19 pandemic.

Table 4.3: Breakdown of operating expense and commission variance for operating entities (in USD millions)

	2020	2021	2022
Acquisition expense and commission-related expense variance	(199)	(161)	(121)
Maintenance expense variance	(40)	(49)	(28)
Operating expense and commission variance	**(240)**	**(210)**	**(149)**

Figures may not be additive due to rounding.

The operating expense and commission variances set out in Tables 4.3 exclude any one-off and non-recurrent expenses. These one-off and non-recurrent expenses relate to costs incurred by Business Units to cover FWD Group initiatives and project-related spending (e.g. integration costs). They have been treated as non-operating expenses and presented separately in Table 5.10.

Group Office expenses – VIF adjustment

Group Office expenses are divided into two categories: allocated and unallocated expenses. The allocated Group Office expenses have been charged directly to Business Units and accounted for in the expense studies prepared by each Business Unit when determining expense loadings. The unallocated Group Office expenses are incurred in respect of shareholder services and other developments. These expenses have all been included in the consolidated EV, as FWD Group does not split them into acquisition and maintenance expenses.

The adjustment for unallocated Group Office expenses has been calculated as the present value of the projected unallocated Group Office expenses, discounted at the risk discount rates applicable for Hong Kong. The unallocated Group Office expenses do not include expenses attributable to FWD Group's strategic initiatives, as no shareholder value has yet been placed on these initiatives. Any costs relating to these initiatives will be captured as a reduction to ANW as they are incurred. The projection of unallocated Group Office expenses for the first five years is based on FWD Group's internal business plan. From year six to year ten, FWD Group has assumed that the unallocated Group Office expenses will reduce as more expenses can be allocated to Business Units, with unallocated Group Office expenses from years eleven to fifteen growing at the inflation rate assumed for Hong Kong of 2.3% p.a. A 15-year period has been used to reflect the run-off of in-force business, in line with FWD Group EV policy (referred to as "EV Policy"). The same term and inflation assumption has been used for each year of the track record period.

The present value of the unallocated Group Office expenses allowed for in the VIF is set out in Table 4.4. Any movement relating to unallocated Group Office expenses has been captured within the corporate centre expenses item in the analysis of EV movement (please see Table 5.9).

Table 4.4: Present value of unallocated Group Office expenses allowed for within VIF (in USD millions)

	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022
Unallocated Group Office expenses	(554)	(557)	(558)

Figures may not be additive due to rounding.

4.6. EXPENSE INFLATION

The assumed long term expense inflation rates used by the Business Units at the respective Valuation Dates is set out in Table 4.5.

Table 4.5: Expense inflation rate (% p.a.)

Business Units	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022
FWD HK	2.3%	2.3%	2.3%
FWD Japan	0.0%	0.0%	0.0%
FWD Thailand	2.0%	2.0%	2.0%
FWD Indonesia and BRI Life	3.5%	3.5%	3.5%
FWD Malaysia	3.0%	3.0%	3.0%
FWD Philippines	3.0%	3.0%	3.0%
FWD Singapore	3.0%	3.0%	3.0%
FWD Vietnam	7.0%	5.0%	5.0%
FWD Cambodia	NA	5.0%	5.0%

NA: Not applicable as business was either not valued or acquired post Valuation Date.

4.7. REINSURANCE

The reinsurance assumptions have been developed based on the reinsurance arrangements in-force as at the respective Valuation Dates for each Business Unit, with reference to historical and expected future experience.

4.8. DIVIDENDS, PROFIT SHARING AND CREDITING RATES

The projected dividends, profit sharing and crediting rate assumptions have been determined by each Business Unit taking into account the investment return assumptions and profit sharing rules (from regulatory and/or internal governance requirements), as well as other commercial considerations such as market competition and policyholders' reasonable expectations.

4.9. TAXATION

The projected statutory profits used to determine the EV and VNB are net of corporate tax. The projections take into account, where applicable, any benefits arising from tax losses carried forward, and have been based on a continuation of the current tax legislation in each jurisdiction. The corporate tax rates used by each Business Unit at the respective Valuation Dates are set out in Table 4.6.

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Table 4.6: Corporate tax rates (%)

Business Units	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022
FWD HK	16.5%	16.5%	16.5%
FWD Japan	28.0%	28.0%	28.0%
FWD Thailand	20.0%	20.0%	20.0%
FWD Indonesia and BRI Life[15]	22.0% for 2020 and 2021, 20.0% thereafter	22.0%	22.0%
FWD Malaysia	24.0%	24.0%	24.0%
FWD Philippines[16]	2.0%	1.0% to 30 June 2023, 2.0% thereafter(See note (1))	1.0% to 30 June 2023, 2.0% thereafter(See note (1))
FWD Singapore	17.0%	17.0%	17.0%
FWD Vietnam	0% until 31 Dec 2024, 20.0% thereafter(See note (2))	0% until 31 Dec 2026, 20.0% thereafter(See note (3))	0% until 31 Dec 2026, 20.0% thereafter(See note (3))
FWD Cambodia	NA	20.0%	20.0%

NA: Not applicable as business was acquired post Valuation Date.
Note (1): Reflects updates to the Corporate Recovery and Tax Incentive for Enterprises Act executed in March 2021, where the Minimum Corporate Income Tax was reduced to 1% effective from 1 July 2020, retrospectively, up to 30 June 2023.
Note (2): 0% until 2024 due to tax losses; 20.0% from 2025 onwards.
Note (3): 0% until 2026 due to tax losses; 20.0% from 2027 onwards.

Given the uncertainty around the timing of dividend distributions, no allowance has been made to the EV Results to reflect any withholding or remittance taxes that may be applicable on any future dividend distributions from the Business Units to FWD Group. FWD Group has performed certain projections of the withholding tax position of the relevant Business Units and concluded the impact to the EV Results as at 31 December 2022 would be immaterial (approximately 1% of the operating entity EV), and we have relied on FWD Group's internal assessment in this respect. The analysis has been reviewed and endorsed by FWD Group's independent tax advisors.

4.10. STATUTORY VALUATION BASIS

The EV Results have been based on reserves being projected in line with the prevailing regulatory framework applicable in each jurisdiction as at the respective Valuation Dates.

4.11. PRODUCT CHARGES

The management fees and product charges reflect those that were applicable as at the respective Valuation Dates.

[15] The corporate tax rate for FWD Indonesia used to determine the EV and VNB in 2021 and 2022 has been revised from the previous years to reflect the most recent tax reform approved in October 2021.

[16] For the Philippines, corporate tax in any year is based on the greater of: (i) corporate income tax, where taxable income excludes investment income that is already subject to investment income tax; and (ii) minimum corporate income tax. The projected statutory profits for FWD Philippines have been based on minimum corporate income tax, aligned with the Business Unit's current tax position. The corporate tax rate set out in Table 4.6 reflects the tax rate applicable for the calculation of minimum corporate income tax.

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4.12. EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the last reporting date (i.e. 31 December 2022) are set out in Note 38 to the IFRS accounts.

5 EV RESULTS

5.1. EMBEDDED VALUE

A summary of the Group EV as at each of the respective Valuation Dates is set out in Table 5.1. The levels of required capital amounts have been set by the Business Units at the level at which local regulatory intervention is expected, and are listed in Table 3.1.

Table 5.1: Breakdown of Group EV (in USD millions)

	As at 31 Dec 2020			As at 31 Dec 2021			As at 31 Dec 2022		
	ANW	VIF	EV	ANW	VIF	EV	ANW	VIF	EV
Operating entity EV	4,622	3,857	8,479	4,870	3,918	8,789	5,009	4,357	9,366
Plus: Corporate & Other net assets	1,176	-	1,176	1,629	-	1,629	1,091	-	1,091
Less: Unallocated Group Office expenses	-	(554)	(554)	-	(557)	(557)	-	(558)	(558)
Less: Financing	(5,341)	-	(5,341)	(4,130)	-	(4,130)	(3,833)	-	(3,833)
Group EV	458	3,303	3,761	2,369	3,362	5,731	2,268	3,798	6,066

Figures may not be additive due to rounding.

The Group EV increased by USD 1,970 million in 2021 (from USD 3,761 million as at 31 December 2020 to USD 5,731 million as at 31 December 2021) and by USD 335 million in 2022 (from USD 5,731 million as at 31 December 2021 to USD 6,066 million as at 31 December 2022). The increase in Group EV in 2021 is largely driven by the capital raised during the period of USD 2,425 million through the issuance of ordinary shares (USD 2,025 million) and through transactions with non-controlling interests (USD 400 million)[17] and offset by the movements in foreign exchange rates of USD (487) million. Capital injections of USD 400 million made during the year contributed to the increase in EV in 2022.

Financing refers to outstanding debt raised by the FWD Group. A summary of the financing, split into borrowings and perpetual securities, is presented in Table 5.2. Perpetual securities have been further subdivided between external (i.e. securities sold to external parties) and intercompany securities. External perpetual securities have been treated as equity in the IFRS accounts, with the carrying value of these securities deducted in the EV (please see Table 5.4).

Further details of the movement in EV are presented in Section 5.3 of this Report.

[17] Please refer to Note 29.1 and Note 29.5 (i) to the IFRS accounts.

Table 5.2: Breakdown of FWD Group financing (in USD millions)

	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022
Borrowings (1)	(3,457)	(2,212)	(2,216)
Intercompany perpetual securities (2)	(276)	(311)	(263)
External perpetual securities (3)	(1,607)	(1,607)	(1,354)
Total financing (4) = (1) + (2) + (3)	(5,341)	(4,130)	(3,833)

Figures may not be additive due to rounding.

EV EQUITY

EV equity is defined to be the equity attributable to shareholders and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders. Table 5.3 shows the results on an EV equity basis as at the respective Valuation Dates. The goodwill represents the excess of the cost of acquisition as recognised in the IFRS accounts (net of impairments), while other intangible assets reflect the bancassurance access fees (net of deferred payments) paid by FWD Thailand, FWD Indonesia, FWD Philippines, FWD Vietnam and BRI Life in respect of distribution through The Siam Commercial Bank Public Company Limited ("SCB"), PT Bank Commonwealth, Security Bank Corporation, Nam A Commercial Joint Stock Bank and Vietcombank, and PT Bank Rakyat Indonesia (Persero) Tbk respectively.

Table 5.3: Breakdown of EV equity (in USD millions)

	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022
Group EV	3,761	5,731	6,066
Plus: Goodwill and other intangible assets	3,349	3,334	3,222
EV equity	7,110	9,065	9,288

Figures may not be additive due to rounding.

RECONCILIATION OF ANW FROM IFRS EQUITY

The ANW has been derived from the IFRS equity as presented in the IFRS accounts as at the Valuation Dates, and incorporates various adjustments including:

- Elimination of IFRS deferred acquisition and origination cost assets
- Difference between IFRS and local statutory asset and liability items
- Mark-to market adjustments for property and mortgage loan investments, net of amounts attributable to participating funds
- Elimination of intangible assets including goodwill, bancassurance access fees, computer software and other intangible assets
- Recognition of deferred tax impacts of the above adjustments

- Recognition of non-controlling interest impacts of the above adjustments in respect of FWD Thailand and FWD Malaysia
- Negative adjustment reflecting the carrying value of external perpetual securities, as these securities are treated as equity in the IFRS accounts

The IFRS equity that has been prepared across the track record period has been adjusted to allow for the merger with PCGI Limited as part of the reorganisation exercise carried out recently.

Reconciliation of the IFRS equity after PCGI adjustment attributable to shareholders and ANW as at the respective Valuation Dates for FWD Group are presented in Table 5.4.

Table 5.4: Reconciliation of FWD Group IFRS equity and ANW (USD millions)

	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022
IFRS equity attributable to shareholders after PCGI adjustment (1)[18]	8,218	8,946	3,705
Elimination of IFRS deferred acquisition and origination costs assets (2)	(4,591)	(4,771)	(5,048)
Difference between IFRS and local statutory asset and liability items (3)	2,024	3,070	8,070
Difference between net IFRS and local statutory asset and liability items (4) = (2) + (3)	(2,566)	(1,701)	3,023
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds (5)	(128)	93	713
Elimination of intangible assets (6)[19]	(3,531)	(3,549)	(3,420)
Recognition of deferred tax impacts of the above adjustments (7)	80	187	(399)
Recognition of non-controlling interest impacts of the above adjustments (8)	(7)	(1)	(1)
Elimination of external perpetual securities (9)	(1,607)	(1,607)	(1,354)
ANW (10) = (1) + (4) + (5) + (6) + (7) + (8) + (9)	458	2,369	2,268

Figures may not be additive due to rounding.

[18] The IFRS equity after PCGI adjustment as at 31 December 2020, 31 December 2021 and 31 December 2022 disclosed in Note 6.3 of the IFRS accounts was USD 8,225 million, USD 8,947 million and USD 3,706 million respectively. The difference is due to equity attributable to non-controlling interests, which has been deducted in the figures presented in Table 5.4.

[19] The value of intangible assets as at 31 December 2021 and 31 December 2022 disclosed in Note 12 of the IFRS accounts was USD 3,348 million and USD 3,207 million respectively. The difference relates to intangible assets attributed to BRI Life and FWD VCLI, which has been included under "Investment in associates and a joint venture" in the IFRS accounts.

BREAKDOWN OF ANW

A breakdown of the ANW between required capital and free surplus as at the respective Valuation Dates are set out in Table 5.5. The required capital amounts have been set by the Business Units at the level at which local regulatory intervention is expected and are summarised in Table 3.1. For corporate and other adjustments, the free surplus covers corporate and other net assets, while financing has been reflected as a separate item.

Table 5.5: Breakdown of ANW of FWD Group (in USD millions)

	As at 31 Dec 2020			As at 31 Dec 2021			As at 31 Dec 2022		
	Op. Entity	Corp. & others	Total	Op. Entity	Corp. & others	Total	Op. Entity	Corp. & others	Total
Free surplus	2,879	1,176	4,055	2,843	1,629	4,471	3,049	1,091	4,141
Required capital	1,744	-	1,744	2,028	-	2,028	1,960	-	1,960
Less: Financing	-	(5,341)	(5,341)	-	(4,130)	(4,130)	-	(3,833)	(3,833)
ANW	4,622	(4,164)	458	4,870	(2,501)	2,369	5,009	(2,742)	2,268

Figures may not be additive due to rounding.

Op. Entity: Operating entities. Corp. & others: Reflects corporate and other adjustments.

EARNINGS PROFILE

The projected after-tax distributable earnings of FWD Group on a discounted and undiscounted basis for the in-force business as at 31 December 2020, as at 31 December 2021 and as at 31 December 2022 are set out in Table 5.6.

The net-of-tax distributable earnings are defined as the profits distributable to shareholders from the assets backing the statutory reserves and the required capital of in-force business as at the respective Valuation Dates. On a discounted basis, the total net-of-tax distributable earnings is equal to the sum of the required capital and the VIF for the Business Units and corporate and other adjustments.

Table 5.6: Cash flow profile of net-of-tax distributable earnings for FWD Group in-force business (in USD millions)

Expected period of Emergence	As at 31 Dec 2020		As at 31 Dec 2021		As at 31 Dec 2022	
	Undiscounted	Discounted	Undiscounted	Discounted	Undiscounted	Discounted
1 – 5 years	747	498	1,552	1,219	2,125	1,733
6 – 10 years	2,900	1,664	2,737	1,586	2,638	1,493
11 – 15 years	2,699	1,117	2,344	977	2,263	915
16 – 20 years	1,984	596	1,824	548	1,836	528
21 years and thereafter	17,823	1,171	15,128	1,059	22,324	1,089
Total	26,153	5,047	23,584	5,389	31,185	5,758

Figures may not be additive due to rounding.

The discounted value of net-of-tax distributable earnings (2020: USD 5,047 million, 2021: USD 5,389 million, 2022: USD 5,758 million) plus free surplus (2020: USD 4,055 million, 2021: USD 4,471 million, 2022: USD 4,141 million) less financing (2020: USD (5,341) million, 2021: USD (4,130) million, 2022: USD (3,833) million) is equal to the EV (2020: USD 3,761 million, 2021: USD 5,731 million, 2022: USD 6,066 million). The significant increase in net-of-tax distributable earnings in years 1 to 5 over the track record period is driven by the increase in assumed future investment returns, reflecting the rise in bond yields for Hong Kong, Japan and Vietnam, and a shift towards higher margin products across key markets. This is offset by the fall in asset values from the revision in yields, which has been captured within the ANW.

5.2. VALUE OF NEW BUSINESS

The VNB and new business margins for new business written for the track record period are presented in Table 5.7 and Table 5.8 respectively, split by region. Figures do not include allowance for expense and commission overruns in respect of the underlying new business. Details of the historical operating expense and commission variance over the track record period are set out in Table 4.3.

For each region, the VNB has been further split into the following segments:

- Hong Kong: Split between "Onshore"[20] and "Offshore" business
- Japan: Split between COLI business, one-off retrocession reinsurance business to FWD Reinsurance (referred to as "RI") from Swiss Reinsurance Company Ltd ("Swiss Re"), and individual line of business ("Individual")
- Thailand: Split between business generated through Thai Military Bank ("TMB"), business generated through SCB and the other distribution channels of SCB Life (reported under "SCB" in Table 5.7, Table 5.7a and Table 5.8), and all other lines of business ("Others")
- Emerging Markets: Business generated through entities in Indonesia, Malaysia, the Philippines, Singapore and Vietnam

[20] FWD defines the split of "Onshore" and "Offshore" business for Hong Kong according to the policyholder's identity number. Where the policyholder has a Hong Kong SAR identity number, the policy is classified as Onshore. Otherwise, it is classified as Offshore.

Table 5.7: Breakdown of VNB by region (in USD millions)

	2020			2021			2022		
	NB APE	PVNBP	VNB	NB APE	PVNBP	VNB	NB APE	PVNBP	VNB
Hong Kong									
Onshore	281	2,354	146	346	3,388	185	243	2,082	175
Offshore	91	350	21	127	505	20	83	665	41
Sub-total	372	2,704	167	474	3,893	205	327	2,747	216
Japan									
COLI	149	825	38	80	426	29	33	178	17
RI	236	1,897	56	NA	NA	NA	NA	NA	NA
Individual	123	971	95	130	1,027	102	134	1,039	121
Sub-total	507	3,693	188	209	1,454	131	167	1,217	138
Thailand									
TMB	86	342	20	NA	NA	NA	NA	NA	NA
SCB	434	2,122	127	362	1,813	170	350	1,636	199
Others	96	434	36	100	517	47	136	667	71
Sub-total	616	2,898	183	462	2,330	217	485	2,303	270
Emerging Markets									
Sub-total	197	864	79	301	1,419	133	429	1,858	198
Total	1,692	10,160	617	1,446	9,095	686	1,408	8,126	823

Figures may not be additive due to rounding.
NA = Not applicable; NB APE = New Business APE = 100% of annualised first year premium plus 10% of single premium; PVNBP = Present value of projected new business premium discounted at the same risk discount rates as VNB.

Table 5.7a: NB APE and VNB growth rate by region

	NB APE					
	CER basis			AER basis		
	2020-2021 CAGR	2021-2022 CAGR	2020-2022 CAGR	2020-2021 CAGR	2021-2022 CAGR	2020-2022 CAGR
Hong Kong						
Onshore	23.3%	(29.7%)	(6.9%)	23.3%	(29.7%)	(6.9%)
Offshore	40.4%	(34.5%)	(4.1%)	40.4%	(34.5%)	(4.1%)
Sub-total	27.4%	(31.0%)	(6.2%)	27.4%	(31.0%)	(6.2%)
Japan						
COLI	(45.0%)	(53.1%)	(49.2%)	(46.4%)	(59.0%)	(53.2%)
RI	NA	NA	NA	NA	NA	NA
Individual	8.3%	23.1%	15.5%	5.3%	3.3%	4.3%
Sub-total	(57.2%)	(5.9%)	(36.5%)	(58.7%)	(20.4%)	(42.7%)
Thailand						
TMB	NA	NA	NA	NA	NA	NA
SCB	(15.9%)	6.3%	(5.4%)	(16.6%)	(3.4%)	(10.2%)
Others	7.0%	48.3%	26.0%	3.9%	35.5%	18.7%
Sub-total	(24.0%)	15.5%	(6.3%)	(25.0%)	5.0%	(11.2%)
Emerging Markets						
Sub-total	51.7%	49.5%	51.0%	53.1%	42.3%	47.6%
Total	(13.2%)	3.7%	(3.8%)	(14.5%)	(2.7%)	(8.8%)

	VNB					
	CER basis			AER basis		
	2020-2021 CAGR	2021-2022 CAGR	2020-2022 CAGR	2020-2021 CAGR	2021-2022 CAGR	2020-2022 CAGR
Hong Kong						
Onshore	26.1%	(5.3%)	9.3%	26.1%	(5.3%)	9.3%
Offshore	(4.6%)	106.7%	40.4%	(4.6%)	106.7%	40.4%
Sub-total	22.2%	5.7%	13.7%	22.2%	5.7%	13.7%
Japan						
COLI	(21.6%)	(29.0%)	(25.4%)	(23.9%)	(39.4%)	(32.1%)
RI	NA	NA	NA	NA	NA	NA
Individual	11.1%	41.3%	25.3%	7.8%	18.1%	12.9%
Sub-total	(27.9%)	25.9%	(4.7%)	(30.4%)	5.6%	(14.3%)
Thailand						
TMB	NA	NA	NA	NA	NA	NA
SCB	35.3%	28.7%	31.9%	34.0%	16.9%	25.1%
Others	34.6%	65.4%	49.2%	30.5%	51.1%	40.4%
Sub-total	20.5%	36.8%	28.4%	18.8%	24.3%	21.5%
Emerging Markets						
Sub-total	67.6%	56.5%	62.6%	69.2%	48.9%	58.7%
Total	12.7%	28.9%	21.4%	11.1%	20.0%	15.5%

Figures may not be additive due to rounding.

CER: Constant exchange rate (please refer to Section 3.5 for the definition of CER). AER: Actual exchange rate.

NA = Not applicable; NB APE = New Business APE = 100% of annualised first year premium plus 10% of single premium; CAGR = Compound Annual Growth Rate.

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Table 5.8: New business margin by region

	New business margin					
	2020		2021		2022	
	% of NB APE	% of PVNBP	% of NB APE	% of PVNBP	% of NB APE	% of PVNBP
Hong Kong						
Onshore	52.1%	6.2%	53.3%	5.4%	71.9%	8.4%
Offshore	23.1%	6.0%	15.7%	4.0%	49.6%	6.2%
Sub-total	45.0%	6.2%	43.2%	5.3%	66.2%	7.9%
Japan						
COLI	25.3%	4.5%	35.9%	6.7%	53.1%	9.7%
RI	23.7%	2.9%	NA	NA	NA	NA
Individual	77.1%	9.8%	78.9%	10.0%	90.2%	11.6%
Sub-total	37.1%	5.1%	62.6%	9.0%	83.0%	11.4%
Thailand						
TMB	23.1%	5.8%	NA	NA	NA	NA
SCB	29.3%	6.0%	47.0%	9.4%	56.9%	12.2%
Others	37.4%	8.3%	47.0%	9.1%	52.3%	10.7%
Sub-total	29.7%	6.3%	47.0%	9.3%	55.6%	11.7%
Emerging Markets						
Sub-total	40.0%	9.1%	44.2%	9.4%	46.2%	10.7%
Total	36.5%	6.1%	47.4%	7.5%	58.5%	10.1%

Figures may not be additive due to rounding.

NA = Not applicable; NB APE = New Business APE = 100% annualised first year premium plus 10% of single premium; PVNBP = Present value of projected new business premium discounted at the same risk discount rates as VNB.

At the FWD Group level, the reported VNB increased over the track record period by 21.4% per annum on a CER basis (15.5% per annum increase on an AER basis) from USD 617 million in 2020 to USD 823 million in 2022. VNB growth was mainly driven by favourable shifts in product mix across key markets, leading to an increase in total new business margin from 36.5% of NB APE in 2020 to 58.5% in 2022. FWD Group NB APE reduced over the same period by 3.8% per annum on a CER basis (8.8% per annum decrease on an AER basis) from USD 1,692 million in 2020 to USD 1,408 million in 2022. The reduction in NB APE was primarily driven by falls in NB APE volumes observed for Hong Kong, Japan COLI and Thailand business, offset in part by growth in NB APE in Emerging Markets.

For FWD Hong Kong, the overall VNB increased from 2020 to 2022 by 13.7% per annum on a CER basis (13.7% per annum increase on an AER basis). The growth in VNB was driven by an increase in new business margin from 45.0% of NB APE in 2020 to 66.2% in 2022 due to margin improvement from repricing of key savings products, a higher interest rate environment, and favourable product mix shifts. NB APE fell by 6.2% per annum from 2020 to 2022 on a CER basis (6.2% per annum decrease on an AER basis), partly attributable to the impact of COVID-19 restrictions.

For FWD Japan, there was a one-off retrocession reinsurance arrangement ceded from Swiss Re to FWD Reinsurance for a block of in-force life and health business in 2020, leading to a one-off VNB of USD 56 million. Excluding the one-off retrocession reinsurance arrangement, the VNB increased from 2020 to 2022 by 13.3% per annum on a CER basis (2.2% per annum increase on an AER basis). The overall new business margin increased from 37.1% of NB APE in 2020 to 83.0% in 2022. This increase was mainly due to a shift towards higher margin medical and cancer products and a move away from lower margin endowment products. NB APE fell by 36.5% per annum from 2020 to 2022 on a CER basis (42.7% per annum decrease on an AER basis) mainly due to the loss of COLI business combined with a weakening of the Japanese Yen against the USD in 2022.

For FWD Thailand, VNB increased over the track record period by 28.4% per annum on a CER basis (21.5% per annum increase on an AER basis), with the new business margin rising sharply from 29.7% in 2020 to 55.6% in 2022. The increase in new business margin across the period is largely driven by a shift towards higher margin products, launch of a new high margin protection product sold through SCB, and improvement in new business margins arising from a higher interest rate environment. There was a significant fall in NB APE volumes in 2021 mainly due to the loss in sales through TMB following the novation of the bank's distribution agreement, and to lockdowns imposed in 2021 as a result of the COVID-19 pandemic. NB APE fell by 6.3% per annum from 2020 to 2022 on a CER basis (11.2% per annum decrease on an AER basis).

For the Emerging Markets, the growth in NB APE volumes and VNB across the track record period was driven by organic growth from existing Business Units and through new acquisitions made over the period.

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5.3. ANALYSIS OF EV MOVEMENT

A breakdown of the EV movement for the track record period at a consolidated group level is presented in Table 5.9.

Table 5.9: Analysis of EV movement of FWD Group (in USD millions)

	Year ended 31 Dec 2020			Year ended 31 Dec 2021			Year ended 31 Dec 2022		
	ANW	VIF	EV	ANW	VIF	EV	ANW	VIF	EV
Opening EV (1)	(1,143)	2,606	1,463	458	3,303	3,761	2,369	3,362	5,731
Impact of HK RBC early adoption (2)	-	-	-	-	-	-	1,203	(771)	433
Acquisitions & partnerships / Discontinued business (3)	(207)	106	(101)	(179)	22	(157)	(23)	5	(18)
Expected return on EV (4)	252	160	412	345	157	502	904	(360)	543
VNB (5)	-	617	617	-	686	686	-	823	823
Operating variance and operating assumption change (6) = (7)+(8)+(9)	(29)	(230)	(259)	(198)	(131)	(329)	(290)	(49)	(339)
Operating variance – claims/persistency/expense (7)	(251)	(105)	(356)	(218)	(85)	(303)	(250)	(44)	(294)
Operating variance – Others (8)	66	(10)	56	(8)	2	(6)	(18)	2	(17)
Operating assumption change (9)	156	(115)	41	28	(48)	(21)	(22)	(6)	(29)
Total EV operating profit (10) = (4)+(5)+(6)	223	547	770	147	712	859	613	414	1,027
Economic variance and economic assumption change (11) = (12)+(13)	(988)	511	(478)	290	(474)	(183)	(1,591)	1,045	(545)
Economic variance (12)	(987)	571	(416)	250	(613)	(363)	(1,588)	796	(792)
Economic assumption change (13)	(1)	(61)	(62)	41	139	180	(3)	250	247
Other non-operating variance (14)	403	(458)	(55)	(227)	51	(176)	(204)	(54)	(259)
Total EV profit (15) = (2)+(10)+(11)+(14)	(362)	600	238	210	289	499	22	634	656
Capital movements (16)	2,408	-	2,408	2,425	-	2,425	400	-	400
Corporate centre expenses (17)	(91)	(71)	(163)	(119)	(3)	(122)	(118)	(2)	(120)
Financing (18)	(198)	-	(198)	(188)	-	(188)	(190)	-	(190)
Foreign exchange movement (19)	52	62	115	(237)	(250)	(487)	(192)	(201)	(393)
Closing EV (20) = (1)+(3)+(15)+(16)+(17)+(18)+(19)	458	3,303	3,761	2,369	3,362	5,731	2,268	3,798	6,066

Figures may not be additive due to rounding.

The EV of FWD Group increased by USD 2,298 million in 2020 (from USD 1,463 million as at 31 December 2019 to USD 3,761 million as at 31 December 2020), increased by USD 1,970 million in 2021 (from USD 3,761 million as at 31 December 2020 to USD 5,731 million as at 31 December 2021) and increased by USD 335 million in 2022 (from USD 5,731 million as at 31 December 2021 to USD 6,066 million as at 31 December 2022).

A key contributor to the increase in the EV across the track record period has been the capital raised during the period (item (16) in Table 5.9) (2020: USD 2,408 million, 2021: USD 2,425 million, 2022: USD 400 million). This is offset by the interest paid on the financing held in the period (item (18) in Table 5.9) (2020: USD (198) million, 2021 USD (188) million, 2022: USD (190) million).

The early adoption of HK RBC in 2022 (item (2) in Table 5.9) contributed positively to the EV (2020: zero, 2021: zero, 2022: USD 433 million). Offsetting the positive impact from capital movements and the early adoption of HK RBC are activities relating to acquisitions, partnerships and discontinued business (item (3) in Table 5.9) (2020: USD (101) million, 2021: USD (157) million, 2022: USD (18) million), where the purchase price to acquire new entities and new distribution channels exceeded the EV contributed by these new entities and channels. Corporate centre expenses relating to corporate and other net assets and unallocated Group Office expenses (item (17)) (2020: USD (163) million, 2021: USD (122) million, 2022: USD (120) million) also reduced the EV.

The EV operating profit (item (10) in Table 5.9), comprising returns on EV, VNB, operating variance, and operating assumption changes, contributed positively to the EV profit across the track record period (2020: USD 770 million, 2021: USD 859 million, 2022: USD 1,027 million). Within these figures, the operating variance was negative across the track record period (2020: USD (300) million, 2021: USD (309) million, 2022: USD (311) million), largely driven by expense and commission variance (2020: USD (240) million, 2021: USD (210) million, 2022: USD (149) million), with the split of the expense and commission variance presented in Table 4.3. Excluding expense and commission variance, the remaining operating variance comes from mortality and morbidity (2020: USD 42 million, 2021: USD 42 million, 2022: USD (14) million), persistency (2020: USD (158) million, 2021: USD (135) million, 2022: USD (130) million), and others (item (8) in Table 5.9) (2020: USD 56 million, 2021: USD (6) million, 2022: USD (17) million). The Company has implemented measures to control persistency, with negative persistency variance reducing over the track record period, despite the prolonged impact of COVID-19 on the Hong Kong economy.

The EV profit (item (15) in Table 5.9), comprising the impact of the early adoption of HK RBC, EV operating profit, economic variance and assumption changes, and other non-operating variance was positive across the track record period (2020: USD 238 million, 2021: USD 499 million, 2022: USD 656 million). The other non-operating variance (item (14) in Table 5.9) (2020: USD (55) million, 2021: USD (176) million, 2022: USD (259) million) included the allocation of one-off and non-recurrent expenses to cover FWD Group project-related spending (e.g. integration costs), industrial recruitment packages (reflecting costs associated with recruiting and growing the agency distribution channel), and one-off adjustments such as the impact of methodology and regulatory changes on EV. A detailed breakdown is shown in Table 5.10.

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Table 5.10: Breakdown of other non-operating variance (in USD millions)

	Year ended 31 Dec 2020	Year ended 31 Dec 2021	Year ended 31 Dec 2022
Non-operating expenses (1) = (2) + (3) + (4) + (5)	(183)	(151)	(218)
Mergers and acquisitions, business set up and restructure related costs (2)	(117)	(80)	(75)
IPO related costs including incentive costs (3)	(39)	(70)	(69)
Implementation costs for new accounting standards and other mandatory regulatory changes (4)	(26)	(27)	(74)
Other non-recurring items (See note (1)) (5)	(1)	25	(0)
Industrial recruitment packages (6)	(24)	(30)	(44)
Others (See note (2)) (7)	153	5	3
Total (8) = (1) + (6) + (7)	(55)	(176)	(259)

Figures may not be additive due to rounding.

Note (1): Refers to all other non-recurring items classified as expense variance and includes investment income generated from non-operating entities and the profits/(loss) arising from the sale of non-operating entities.

Note (2): Refers to all other non-operating variances including the impact of methodology and regulatory changes on EV.

EV OPERATING PROFIT

A breakdown of the EV operating profit, both before and after operating assumption changes and other operating variances, is presented in Table 5.11. The EV operating profit after operating assumption changes and other operating variances is derived from item 8, item 9 and item 10 of Table 5.9.

Table 5.11: Operating return on EV (in USD millions)

	Year ended 31 Dec 2020	Year ended 31 Dec 2021	Year ended 31 Dec 2022
EV operating profit after operating assumption changes and other operating variances (1)	770	859	1,027
Plus: Adjustment to reverse out operating assumption changes and other operating variances(See note (1)) (2)	(97)	27	45
EV operating profit before operating assumption changes and other operating variances (3) = (1)+(2)	673	885	1,072

Figures may not be additive due to rounding.

Note (1): Refers to all operating variances other than claims/persistency/expense variances.

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5.4. FREE SURPLUS GENERATION

Free surplus represents the excess of the ANW over the required capital (please see Table 5.5). The underlying free surplus generation represents the free surplus generated from FWD Group each period, adjusted to exclude new business funding and certain non-recurring items. It excludes free surplus used to fund new business, investment return variances and other items, acquisitions, partnerships and discontinued business, capital movements and the impact of financing, but includes the impact of the early adoption of HK RBC and methodology updates relating to accounting changes classified under item (4) and item (5) respectively in Table 5.12. The net underlying free surplus generation represents the equivalent results allowing for the free surplus used to fund new business[21].

FWD Group's free surplus increased by USD 1,419 million in 2020 (from USD (2,705) million as at 31 December 2019 to USD (1,286) million as at 31 December 2020), increased by USD 1,628 million in 2021 (from USD (1,286) million as at 31 December 2020 to USD 342 million as at 31 December 2021) and decreased by USD 34 million in 2022 (from USD 342 million as at 31 December 2021 to USD 308 million as at 31 December 2022). The change in free surplus is made up of the following key components:

- Capital movements (item (10) in Table 5.12) reflecting capital raised in the year, and which reduced significantly in 2022 (2020: USD 2,408 million, 2021: USD 2,425 million, 2022: USD 400 million), offset by the impact relating to acquisitions, partnerships and discontinued business (item (2) in Table 5.12) (2020: USD (335) million, 2021: USD (197) million, 2022: USD (23) million).
- Impact of financing (item (11) in Table 5.12) reflecting the interest paid on the financing held in the year (2020: USD (198) million, 2021: USD (188) million, 2022: USD (190) million).
- Positive underlying free surplus generated (item (3) in Table 5.12) in the year (2020: USD 654 million, 2021: USD 456 million, 2022: USD 1,753 million).
- Negative impact of free surplus used to fund new business (item (7) in Table 5.12) in the year (2020: USD (406) million, 2021: USD (508) million, 2022: USD (165) million).
- One-off impact on free surplus resulting from investment return variances and other items (item (9) in Table 5.12) in the year (2020: USD (704) million, 2021: USD (359) million, 2022: USD (1,810) million).

Table 5.12 provides a breakdown of the movement of free surplus of FWD Group for the track record period.

[21] Free surplus used to fund new business refers to the change in free surplus arising from writing new business as initial outgoings at outset exceed the income received. Over the life of the contract, the future income is expected to repay this outlay, and the value attributed to this is captured within the VIF.

Table 5.12: Analysis of movement of free surplus (in USD millions)

	Year ended 31 Dec 2020			Year ended 31 Dec 2021			Year ended 31 Dec 2022		
	Op. Entity	Group adj.	Total	Op. Entity	Group adj.	Total	Op. Entity	Group adj.	Total
Opening free surplus (1)	2,397	(5,103)	(2,705)	2,879	(4,164)	(1,286)	2,843	(2,501)	342
Acquisitions & partnerships / Discontinued business (2)	410	(745)	(335)	76	(273)	(197)	31	(54)	(23)
Underlying free surplus generation (3) = (4)+(5)+(6)	654	-	654	456	-	456	1,736	17	1,753
Impact of HK RBC early adoption (4)	-	-	-	-	-	-	1,183	-	1,183
Opening adjustment (5)	292	-	292	75	-	75	(4)	-	(4)
Underlying free surplus generation before impact of HK RBC early adoption and opening adjustment (6)	361	-	361	381	-	381	557	17	574
Free surplus used to fund new business (7)	(406)	-	(406)	(508)	-	(508)	(165)	-	(165)
Net underlying free surplus generation (8) = (3)+(7)	248	-	248	(52)	-	(52)	1,572	17	1,589
Investment return variances and other items (9)	(547)	(156)	(704)	(136)	(223)	(359)	(1,606)	(204)	(1,810)
Capital movements (10)	370	2,037	2,408	77	2,348	2,425	210	190	400
Financing (11)	-	(198)	(198)	-	(188)	(188)	-	(190)	(190)
Closing free surplus (12) = (1)+(2)+(8)+(9)+(10)+(11)	2,879	(4,164)	(1,286)	2,843	(2,501)	342	3,049	(2,742)	308

Figures may not be additive due to rounding.

Op. Entity: Operating entity. Corp. & others: Reflects corporate and other adjustments.

The net underlying free surplus generation includes variances relating to expenses, the impact of the early adoption of HK RBC (item (4)), opening adjustments relating to methodology updates (item (5)) and the impact of non-economic assumption changes. The opening adjustments include revisions to the reserving methodology for Hong Kong, revisions to align the valuation of acquired new entities with FWD Group's EV methodology and other adjustments. The impact of the early adoption of HK RBC, opening adjustments and impact of non-economic assumption changes have been classified as one-off variances. The negative variances on expenses mainly relate to operating expense and commission variance, where actual operating expenses and commission payments exceed the long term unit cost loadings[22], and changes to free surplus as a result of revisions to expense assumptions. A summary of these items and the adjusted net free surplus generation including adjustments for these one-off variances are presented in Table 5.13.

[22] Differs from the operating expense and commission variance shown in Table 4.3 as it includes planned maintenance expense overruns arising from in-force business. These planned maintenance expense overruns do not contribute to operating expense and commission variance in the EV as these overruns will be offset by the release in provision set aside in the VIF (please refer to Table 4.2).

Table 5.13: Breakdown of expense variance and one-off items in the net underlying free surplus generation and adjusted net free surplus generation (in USD millions)

	Year ended 31 Dec 2020	Year ended 31 Dec 2021	Year ended 31 Dec 2022
Impact of HK RBC early adoption (1)	-	-	1,183
Opening adjustments (2) = (3) + (4) + (5)	292	75	(4)
Changes to Hong Kong reserving methodology (3)	-	88	-
Alignment of basis for newly acquired entities (4)	225	-	-
Other opening adjustments (5)	67	(13)	(4)
Non-economic assumption changes (excluding expense revisions) (6)	118	(7)	(18)
Total one-off variances (7) = (1) + (2) + (6)	410	68	1,162
Expense variance (8)	(297)	(216)	(198)
Net underlying free surplus generation (9)	248	(52)	1,589
Adjusted net underlying free surplus generation (10) = (9) – (7) – (8)	135	95	625

Figures may not be additive due to rounding.

5.5. SENSITIVITY ANALYSIS

Sensitivity tests have been performed on the EV and VNB over the track record period in respect of changes in key assumptions. For each of the following tests, only the specified parameter has been changed with all other assumptions remaining unchanged:

- 1.0% increase in risk discount rate
- 1.0% decrease in risk discount rate
- 0.5% per annum increase in net investment returns (and corresponding adjustments to the market value of assets for debt securities and derivatives, valuation interest rates, bonus/dividend scales for participating business, crediting rates for universal life business, unit fund growth rates for unit linked business and risk discount rate)
- 0.5% per annum decrease in net investment returns (and corresponding adjustments to the market value of assets for debt securities and derivatives, valuation interest rates, bonus/dividend scales for participating business, crediting rates for universal life business, unit fund growth rates for unit linked business and risk discount rate)
- 10% increase in rates of policy discontinuance, premium discontinuance and partial withdrawal (i.e. 110% of the rates under the base case)
- 10% decrease in rates of policy discontinuance, premium discontinuance and partial withdrawal (i.e. 90% of the rates under the base case)
- 10% increase in rates of mortality and morbidity and loss ratios (i.e. 110% of the rates and loss ratios under the base case)
- 10% decrease in rates of mortality and morbidity and loss ratios (i.e. 90% of the rates and loss ratios under the base case)

- 10% increase in acquisition and maintenance expenses (i.e. 110% of the acquisition and maintenance expenses under the base case) with no revisions made for Group Office expense adjustments
- 10% decrease in acquisition and maintenance expenses (i.e. 90% of the acquisition and maintenance expenses under the base case) with no revisions made for Group Office expense adjustments
- 5% appreciation in presentation currency
- 5% depreciation in presentation currency
- 10% increase in equity prices (i.e. 110% of equity prices as at the respective Valuation Dates)
- 10% reduction in equity prices (i.e. 90% of equity prices as at the respective Valuation Dates)

The sensitivity tests on increase/reduction in equity prices have been applied as at the respective Valuation Dates and are not applicable to VNB.

Additional sensitivity tests have been performed on the key Business Units, namely FWD HK, FWD Japan and FWD Thailand, as set out below. These Business Units made up 92.3%, 89.2% and 88.2% of the consolidated operating entity EV as at 31 December 2020, 31 December 2021 and 31 December 2022 respectively, and 86.0%, 80.6% and 75.9% of FWD Group VNB[23] for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively.

- 1% p.a. reduction in the net investment return for private equity assets from 9.75% p.a. to 8.75% p.a.
- Revision of the acquisition expense unit cost assumptions to eliminate the adjusted operating expense variance. The adjusted operating expense variance reflects reductions in cost expected from initiatives that have been put in place in 2020, 2021 and 2022 to reduce spending, with savings expected to come through over the next two years. As this revision only applies to acquisition expense unit costs, this sensitivity test is not relevant for EV.
- As most of FWD Japan's COLI business, namely SME Term, has been written recently, there is very little lapse experience for the later policy durations. As a result, these assumptions have been set based on FWD Japan's internal view from a relevant lapse experience analysis for "Increasing Term" and "Term" segments and reflect the Business Unit's understanding of the unique characteristics of its COLI portfolio. More specifically, as at 31 December 2020 and 31 December 2021, FWD Japan has set its lapse rate assumptions allowing for a gradual increase in lapses from 3% in policy year 1 to 24% in policy year 5 (referred to as the "peak lapse year" as cash value payouts are at their highest at this duration), with lapses then gradually reducing from policy year 6 onwards to a lapse rate of 4% by policy year 13 (referred to as the "long term lapse rate"). The lapse assumption in policy year 5 has been revised to 25% as at 31 December 2022. Given the level of uncertainty around the Business Unit's lapse experience, in particular the term of the peak lapse period and long term lapse rate, both of which are lower than equivalent market benchmarks, two additional sensitivity tests have been presented, as set out in Table 5.14. These sensitivities are not applicable to VNB as product was not sold in 2021.

[23] Excludes VNB arising from retrocession reinsurance business ceded to FWD Japan for a block of in-force life and health business which is considered one-off and has been excluded from VNB sensitivity results.

- Extension of peak lapse term: the lapse rate assumptions have been set such that the peak lapse rate of 24%, 24% and 25% for policy year 5 for EV sensitivity tests as at 31 December 2020, 31 December 2021 and 31 December 2022 respectively is also used for policy years 6 and 7, before gradually reducing to the long term rate by policy year 15.
- Revision of long term lapse rate: the long term lapse rate has been increased from 4% to 6%, consistent with the Business Unit's lapse experience of "Term" business.

Table 5.14: Lapse sensitivity for SME Term (COLI)

Policy year	As at 31 Dec 2020 and 31 Dec 2021			As at 31 Dec 2022		
	Base	Extension of peak lapse term	Revision of long term lapse rate	Base	Extension of peak lapse term	Revision of long term lapse rate
1	3%	3%	3%	3%	3%	3%
2	9%	9%	9%	9%	9%	9%
3	13%	13%	13%	13%	13%	13%
4	15%	15%	15%	15%	15%	15%
5	24%	24%	24%	25%	25%	25%
6	21%	24%	21%	21%	25%	21%
7	18%	24%	18%	18%	25%	18%
8	15%	21%	15%	15%	21%	15%
9	12%	18%	12%	12%	18%	12%
10	9%	15%	9%	9%	15%	9%
11	6%	12%	6%	6%	12%	6%
12	5%	9%	6%	5%	9%	6%
13	4%	6%	6%	4%	6%	6%
14	4%	6%	6%	4%	6%	6%
15+	4%	4%	6%	4%	4%	6%

As FWD operates in multiple Asian markets, the Business Unit EV and VNB results for FWD Group have been converted from the respective local currency to FWD's US dollar presentation currency. To provide sensitivity results to foreign currency movements, a change of +/- 5% to the USD exchange rate has been shown.

The sensitivity tests have only been performed on the operating entity EV, with no sensitivities carried out on the EV contributed by corporate and other adjustments. Table 5.15 sets out the results of the consolidated operating entity EV sensitivities as at 31 December 2022, together with the change in operating entity EV expressed as a percentage of base case EV for each sensitivity test over the track record period.

Table 5.15: Impact of sensitivities on consolidated operating entity EV of FWD Group (in USD millions)

	As at 31 Dec 2022			% change from base case EV		
	EV	Absolute change from base case EV	% change from base case EV	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2022
Base case	9,366					
Increase risk discount rate by 1.0%	8,760	(606)	(6.5%)	(7.8%)	(6.9%)	(6.5%)
Reduce risk discount rate by 1.0%	10,128	762	8.1%	9.7%	8.5%	8.1%
Increase net investment returns and risk discount rates by 0.5% p.a.(1)	9,363	(3)	(0.0%)	2.9%	2.0%	(0.0%)
Reduce net investment returns and risk discount rates by 0.5% p.a. (1)	9,338	(28)	(0.3%)	(3.9%)	(3.0%)	(0.3%)
Reduce net investment returns for private equity assets by 1% p.a.	9,226	(140)	(1.5%)	(2.0%)	(2.1%)	(1.5%)
Increase discontinuance and partial withdrawal rates by 10%	9,069	(297)	(3.2%)	(1.2%)	(1.9%)	(3.2%)
Reduce discontinuance and partial withdrawal rates by 10%	9,711	345	3.7%	1.6%	2.3%	3.7%
Extend peak lapse term for FWD Japan COLI SME Term business	9,114	(252)	(2.7%)	(3.1%)	(2.8%)	(2.7%)
Increase long term lapse rate to 6% for FWD Japan COLI SME Term business	9,275	(91)	(1.0%)	(1.2%)	(1.1%)	(1.0%)
Increase mortality and morbidity rates and loss ratios by 10%	8,683	(683)	(7.3%)	(5.7%)	(6.0%)	(7.3%)
Reduce mortality and morbidity rates and loss ratios by 10%	10,064	698	7.5%	5.8%	6.1%	7.5%
Increase acquisition and maintenance expenses by 10%	9,218	(148)	(1.6%)	(1.8%)	(1.7%)	(1.6%)
Reduce acquisition and maintenance expenses by 10%	9,513	147	1.6%	1.8%	1.7%	1.6%
Appreciation of presentation currency by 5%	9,089	(277)	(3.0%)	(3.6%)	(3.2%)	(3.0%)
Depreciation of presentation currency by 5%	9,643	277	3.0%	3.6%	3.3%	3.0%
Increase equity prices by 10%	9,576	210	2.2%	1.9%	3.2%	2.2%
Reduce equity prices by 10%	9,154	(212)	(2.3%)	(2.0%)	(3.3%)	(2.3%)

Figures may not be additive due to rounding.

Note (1): For FWD HK, FWD Japan and FWD Vietnam, for debt securities and derivatives with investment returns determined on a book yield basis, sensitivities have not been applied to the market values and investment returns for these securities.

Compared to 2020 and 2021, the 2022 EV Results are less sensitive to net investment return movements. This is due primarily to better asset and liability matching, leading to a reduction in the duration gap between assets and liabilities.

Milliman

Table 5.16 sets out the results of the consolidated VNB sensitivities for the year ended 31 December 2022, together with the change in VNB expressed as a percentage of base case VNB over the track record period. VNB does not include any allowance for acquisition expense and commission overruns.

Table 5.16: Impact of sensitivities on FWD Group VNB (in USD millions)

	Year ended 31 Dec 2022			% change from base case		
	VNB	Absolute change from base case	% change from base case	Year ended 31 Dec 2020 (1)	Year ended 31 Dec 2021	Year ended 31 Dec 2022
Base case	823					
Increase risk discount rate by 1.0%	726	(97)	(11.7%)	(17.5%)	(18.1%)	(11.7%)
Reduce risk discount rate by 1.0%	945	122	14.8%	22.0%	22.7%	14.8%
Increase net investment returns and risk discount rates by 0.5% p.a.	882	59	7.2%	19.3%	14.6%	7.2%
Reduce net investment returns and risk discount rates by 0.5% p.a.	745	(78)	(9.4%)	(23.0%)	(16.5%)	(9.4%)
Reduce net investment returns for private equity assets by 1% p.a.	810	(13)	(1.6%)	(3.7%)	(2.8%)	(1.6%)
Increase discontinuance and partial withdrawal rates by 10%	771	(52)	(6.3%)	(6.5%)	(7.1%)	(6.3%)
Reduce discontinuance and partial withdrawal rates by 10%	881	58	7.1%	7.4%	8.0%	7.1%
Increase mortality and morbidity rates and loss ratios by 10%	702	(121)	(14.7%)	(16.2%)	(12.5%)	(14.7%)
Reduce mortality and morbidity rates and loss ratios by 10%	945	123	14.9%	16.3%	12.5%	14.9%
Increase acquisition and maintenance expenses by 10%	772	(51)	(6.2%)	(8.2%)	(7.2%)	(6.2%)
Reduce acquisition and maintenance expenses by 10%	874	51	6.2%	8.2%	7.2%	6.2%
Revise acquisition unit cost loadings to eliminate adjusted operating expense variance for FWD HK, FWD Japan and FWD Thailand	783	(40)	(4.9%)	(11.6%)	(8.0%)	(4.9%)
Appreciation of presentation currency by 5%	793	(30)	(3.7%)	(3.5%)	(3.4%)	(3.7%)
Depreciation of presentation currency by 5%	853	30	3.7%	3.5%	3.4%	3.7%

Figures may not be additive due to rounding.

Note (1): The VNB sensitivity analyses for the year ended 31 December 2020 have not been performed for the block of retrocession reinsurance business ceded to FWD Japan which is considered one-off.

6 MILLIMAN REVIEW

This section describes a summary of our review in respect of the methodology, assumptions and EV Results.

6.1. REVIEW OF METHODOLOGY

The EV Results have been prepared by FWD using TEV methodology in accordance with the EV Policy. We have reviewed whether the results have been determined, in all material respects, in accordance with the EV Policy. In forming this view, we have checked the consolidated aggregate results spreadsheet prepared by FWD Group and conducted sample model point checks on products making up over 90% of VIF (measured by in-force statutory reserves) and VNB (measured by NB APE) for each Business Unit.

It is noted that the methodology set out in the EV Policy is comparable in all material respects to the TEV methodology commonly adopted by listed insurers incorporated in Asia. However, given FWD Group's particular structure and the nature of its business, there are certain aspects of the methodology that are specific to FWD, as described below:

- The majority of FWD's Business Units, particularly those that are classified as part of Emerging Markets, are still in their growth phase and have not yet achieved economies of scale. The EV Results have therefore been determined using long term unit costs. This is a commonly used approach for growing companies that is predicated on the Business Units extinguishing their expense and commission overruns in the short to medium term. The adjustments and disclosures around expense overruns are as follows:
  - The EV Results include an allowance for projected maintenance expense overruns in respect of in-force business via deductions within the VIF.
  - The VNB and new business margins have been presented before acquisition expense, commission and maintenance expense overruns, with the historical operating expense and commission variance shown separately in this Report, rather than showing VNB and new business margins net of this variance. The present value of future acquisition expense and commission overruns as reflected in the approved business plans prepared by the Business Units, and the total operating expense and commission variance, are disclosed in Table 4.2 and Table 4.3 respectively. The non-operating expenses, reflecting one-off and non-recurrent costs and industrial recruitment package, are disclosed in Table 5.10.

6.2. REVIEW OF ASSUMPTIONS

The assumptions used to determine the EV Results have been developed by FWD based on operating experience of the Business Unit (where statistically credible), reference to industry experience or pricing assumptions, anticipated future trends, asset strategies, the economic outlook and current regulatory frameworks.

We have reviewed the appropriateness of the non-economic assumptions adopted by each Business Unit, having regard to the underlying experience investigations performed by the Business Unit, expected future experience and materiality of the impact of assumptions on the overall results. For the less mature Business Units, due to operating experience typically not being statistically credible, pricing assumptions have in many cases been adopted for EV purposes.

We have reviewed the appropriateness of the economic assumptions, having regard to the current asset holdings, the investment policy of each Business Unit, industry benchmarks and economic conditions as at the Valuation Dates. We have also reviewed the study performed by FWD Group to validate the consistency of the allowance for risk in the discount rate with an alternative market consistent approach at a FWD Group level.

Overall, we note that the assumptions adopted by each Business Unit have been set to align with the EV Policy, which requires assumptions to be set with reference to the three-year rolling average experience as a starting point. However, we highlight that actual future experience may differ from that assumed in the projections. In particular, due to the lack of statistically credible experience, the pricing assumptions used may differ materially from the actual operating experience that emerges as the Business Units mature. The sensitivity of results to certain changes in assumptions is provided in Section 5.5.

Some specific key observations that could result in potentially material revisions to assumptions are as follows:

- Within the analysis of EV movement, the persistency variance is negative across the track record period, although it has progressively reduced over the period. While the practice has typically been for Business Units to update their persistency assumptions as experience emerges, the negative trends need to be monitored closely, with assumptions revised if they persist.

- FWD Japan's COLI SME Term lapse rate assumptions have been selected based on management's understanding of the unique characteristics of the company's COLI SME Term business. As this business has been written relatively recently, there is very little lapse experience from which to evaluate the appropriateness of the longer term lapse rate assumptions adopted. It is noted that the lapse rates assumed at later durations have generally been lower than equivalent market benchmarks. As a result, additional sensitivity tests have been performed to show the effect of changes to the peak lapse term and the long term lapse rate assumptions.

- The expense assumptions have been set on the basis that the Business Units are able to control spending and achieve economies of scale in the medium term with expense overruns eliminated as per internal business plans. The allowance for unallocated Group Office expenses, as reflected in the VIF, has also been projected to reduce as Business Units achieve scale and more expenses can be allocated to these Business Units. An increase in Business Unit expense levels, Group Office spending, increased lapses in the existing portfolio or reduced sales against business plan forecast could lead to an increase in unit cost loadings and an increase in the value of unallocated Group Office expenses, which could have a material impact on the overall EV and VNB presented in this Report. A sensitivity test has been performed to show the impact on VNB if the expense assumptions for the 2022 VNB valuation for the key Business Units (i.e. FWD HK, FWD Japan and FWD Thailand) are increased to eliminate the adjusted operating expense variance in 2022, as described in Section 5.5 of this Report.

- The investment returns for FWD HK have been set based on a significant proportion of the assets backing certain participating products in Hong Kong being invested in private equity. While the private equity assumption of 9.75% p.a. adopted is not out of line with market benchmarks and the equity risk premium has been reduced from 7.35% p.a. in 2020 and 2021 to 7.00% p.a. in 2022 over the USD 10-year long term government bond yield, given the relatively large proportion of investments in this specific asset class, a sensitivity test has been performed to show the impact of a 1% p.a. reduction in this return.

6.3. REVIEW OF RESULTS

The EV Results have been prepared by FWD using its in-house Valuation Models. We have reviewed certain elements of the Valuation Models. In particular, we have carried out sample policy checks on the projected cash flows produced by the Valuation Models for products representing over 90% of the in-force business (measured by in-force statutory reserves) and VNB (measured by NB APE). The sample policy checks were performed to independently validate that the Valuation Models appropriately capture the features of these products and that the Valuation Models have been set up in accordance with the agreed methodology and assumptions.

We have also performed the following checks on the aggregate results:

- Static validation of the opening liabilities projected from Valuation Models to accounting data.
- Static validation of the new business model point file against NB APE presented in new business sales summaries.
- Validating the ANW to accounting data for each Business Unit including a reconciliation performed against the opening IFRS equity.
- Reconciliation of final VIF/VNB results by discounting the VIF/VNB cash flows at the risk discount rates assumed for each Business Unit.
- Validation of out-of-model adjustments.
- Review of EV and VNB sensitivity results in respect of changes to assumptions for each Business Unit.
- Static validation of the ANW to accounting data in respect of the Other Entities of FWD Group.
- Review of the adjustments for unallocated Group Office expenses.

Any material errors revealed by our checks were corrected in the Valuation Models. Our model review process has been to highlight to the Business Units (excluding the newly acquired entities) where the present value of cash flows for sample model points exceeded our 1% tolerance level and to discuss with the Business Units whether a change to the Valuation Models was required.

6.4. OPINION

Based on our review of the methodology and assumptions used by FWD to calculate the EV Results, Milliman concludes that:

- The methodology used to determine the EV Results is consistent in all material respects with the EV Policy.
- The methodology used in the EV Policy is in all material respects comparable to the TEV methodology commonly adopted by listed insurers incorporated in Asia. There are, however, certain features within the methodology that are specific to FWD given its size and corporate structure, as highlighted in Section 6.1 of this Report.
- The non-economic assumptions used to calculate the EV Results have been developed using the operating experience of the Business Units, with allowance for expected future trends where applicable, or have been set with reference to industry experience or pricing assumptions where the experience of the Business Units is not statistically credible. The analysis of EV movement performed by the Business Units, however, shows negative persistency variances across the track record period for FWD Group, although it is noted that the negative persistency variances have reduced progressively from 2020 to 2022. A continuation of adverse persistency experience could have a material impact on the EV

Results as presented in this Report. In addition, the EV Results have been determined using long term expense assumptions set on the basis that Business Units will be able to eliminate expense overruns in the short to medium term in line with internal business plans. An increase in expenses or a reduction in sales compared to the assumptions used in the business plan forecasts could lead to an increase in expense assumptions and adversely affect the EV Results.

- The economic assumptions used to develop the EV Results have been determined having regard to the investment policy of each Business Unit, and current and expected future economic conditions, and are broadly consistent with economic assumptions adopted by insurers in Asia that report on a TEV basis. Checks have also been performed at a FWD Group level to validate the consistency of the allowance for risk in the risk discount rate with an alternative market consistent approach.
- The EV Results have been prepared in all material respects in accordance with the methodology and assumptions described in this Report. This has been validated through the sample model point checks performed for products making up over 90% of VIF (measured by in-force statutory reserves) and VNB (measured by NB APE) for each Business Unit.

This opinion is subject to the reliances and limitations set out below.

7 RELIANCES AND LIMITATIONS

7.1. RELIANCES

In carrying out our work and producing this Report we have relied on information supplied by FWD. Reliance was placed on, but not limited to, the accuracy of the information provided to us.

Except as specifically stated in this Report, we have performed no audits or independent verification of the information furnished to us. To the extent that there are any material errors in the information provided, the results of our analysis will be affected as well, possibly materially. The principal materials provided by FWD and relied upon by us are listed in Appendix B to this Report.

FWD Group has confirmed to us that the data and information it has provided to us is accurate and complete.

7.2. LIMITATIONS

This Report is intended to provide certain actuarial information and analyses that would assist a professional, technically competent in the area of actuarial appraisals, to develop an estimate of the components of economic value of FWD Group. This Report must be read in its entirety to be fully understood. We assume that recipients of this Report will seek explanation and/or amplification of any part of this Report which is not clear.

The actuarial valuation of FWD Group has been developed on a going concern basis and assumes a continuation of the current, economic, political and social environment in the markets in which FWD Group operates. It therefore inherently assumes that the environment will remain stable. The user of this Report should be aware that any political, economic or social instability in these markets would add a degree of uncertainty to the results presented. In particular, the EV Results have been based on long term unit cost loadings determined in accordance with FWD's business plan forecasts. There is continuing uncertainty regarding the impact of COVID-19 and geopolitical factors on the economic, legal, and regulatory environment, and the level and nature of business activity. More specifically, high inflation rates observed in 2022, due to factors such as the impact of the COVID-19 pandemic and the effects of the Russia-Ukraine war, have led to severe measures being imposed by many central banks, including steep increases in interest rates. An impending recession in 2023, predicted by some economists, could have a material impact on the EV Results.

In determining the EV Results of FWD Group, assumptions have been made about future experience, including economic and investment experience, mortality, morbidity, persistency, expenses and taxes. Actual experience may differ from that assumed in the projections used to calculate the EV Results. To the extent actual experience is different from the assumptions underlying this Report, actual results will also differ from the results shown. The sensitivity of results to certain changes in assumptions is provided in Section 5.5 of this Report.

The expense assumptions have been chosen on the basis that each Business Unit would continue to operate on a going concern basis. They do not take into account any future changes to product strategy, sales volumes or other matters that may have a consequential impact on product specific expense loadings. They also do not take into account any strategic FWD Group spending or any matters that could lead to an increase in such spending beyond what has been planned and set aside in the VIF. The assumptions have also been set with reference to Board approved business plans prepared by Business Units. We have relied on the business plans provided to us and have not reviewed the assumptions underlying them.

We have not attempted to assess the suitability or quality of the assets held by FWD Group or its reinsurance strategy. We have also not assessed, or made allowance for, any claims against FWD Group other than those made by policyholders under the normal terms of life insurance business. In particular, no account has been taken of liabilities in respect of pension entitlements, stock option plans, service contracts, leases and breaches of regulations.

No investigation has been made into the accuracy of the unit pricing and unit allocation procedures adopted by each Business Unit.

The results have been prepared by FWD using the Company's Valuation Models. Although we have performed extensive checks on the Valuation Models and underlying results as described in Section 6.3 of this Report, our checks were not exhaustive, and hence may not have uncovered all potential issues.

The EV Results set out in this Report do not include any allowance for withholding or other taxes that may apply to the payment of shareholder dividends on remittances out of the Business Units. We are not tax advisors and have relied on FWD Group's internal assessment and the opinion of its independent tax advisors that the approach taken with respect to withholding tax is appropriate for EV reporting purposes.

Reserves, cost of capital and tax have been calculated using the prevailing regulatory and tax frameworks applicable at the respective Valuation Dates, and do not take into account any future changes in these frameworks. With the introduction of the group-wide supervision framework by the Hong Kong Insurance Authority effective from 29 March 2021, FWD Group also performs annual internal analyses (the last study was as at 30 September 2022) to validate that the framework will not result in an increase in capital requirements beyond what has been assumed in the EV Results set out in this Report. We have not reviewed these internal analyses. We have also relied on the opinion of the operating entities' Appointed Actuaries and auditors that the reserves and capital requirements held as at the respective Valuation Dates comply with the prevailing regulations.

The EV Results allow for adjustments to dividends, profit sharing and crediting rate assumptions taking into account the investment return assumptions and profit sharing rules defined in regulations and/or internal company governance. We have relied on the Business Units' application of these rules within the Valuation Models and note that the impact on the results if the rules incorporated in the Valuation Models are not followed in actual practice can be material.

The EV Results presented in this Report assume the ability to continue to optimise capital through existing external and internal reinsurance arrangements. Any revisions to these arrangements, due to regulatory change or other factors, may have a material impact on the EV Results.

Yours faithfully,

for Milliman Limited

Michael Daly

Michael Daly FIA
Principal & Consulting Actuary

Wen Yee Lee FIAA
Principal & Consulting Actuary

Appendix A: Abbreviations

AER:	Actual Exchange Rate
ANW:	Adjusted Net Worth
BRI Life:	PT Asuransi BRI Life
CAGR:	Compound Annual Growth Rate
CER:	Constant Exchange Rate
COLI:	Corporate Owned Life Insurance
EV:	Embedded Value
EV equity:	Equity attributable to shareholders and reflects the Group EV, adjusted to include goodwill and other intangible assets attributable to shareholders
EV Policy:	FWD Group EV Policy
FWD Cambodia:	FWD Life Insurance (Cambodia) Plc.
FWD Group:	FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited)
FWD HK:	Includes FWD Life (Bermuda) (except FWD Malaysia, FWD Vietnam and FWD VCLI), FWD Macau, FWD Life Assurance (Hong Kong) and FWD Life (Hong Kong)
FWD Indonesia:	PT FWD Insurance Indonesia
FWD Japan:	Includes FWD Life Japan and FWD Reinsurance
FWD Life Assurance (Hong Kong):	FWD Life Assurance Company (Hong Kong) Limited
FWD Life (Bermuda):	FWD Life Insurance Company (Bermuda) Limited
FWD Life (Hong Kong):	FWD Life (Hong Kong) Limited
FWD Life Indonesia:	PT FWD Life Indonesia
FWD Life Japan:	FWD Life Insurance Company, Limited
FWD Macau:	FWD Life Insurance Company (Macau) Limited
FWD Malaysia:	FWD Takaful Berhad
FWD Philippines:	FWD Life Insurance Corporation
FWD Reinsurance	FWD Reinsurance SPC, Ltd.
FWD Singapore:	Includes FWD Singapore Pte. Ltd. and IPP Financial Advisers Pte. Ltd.
FWD Thailand:	Includes FWD Life Insurance Public Company Limited, FWD Cambodia and FWD Group Services (Thailand) Co., Ltd.

FWD VCLI:	FWD Assurance VietNam Company Limited
FWD Vietnam:	FWD Vietnam Life Insurance Company Limited
FX rate:	Foreign Exchange Rate
HKD:	HK Dollar
HK RBC:	Hong Kong Risk-based Capital
IDR:	Indonesian Rupiah
IFRS:	International Financial Reporting Standards
IFRS accounts:	Audited consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 (formerly known as PCGI Intermediate Holdings Limited) for the years ended 31 December 2020, 2021 and 2022
IPO:	Initial Public Offering
JPY:	Japanese Yen
MCEV:	Market Consistent Embedded Value
MOP:	Macanese Pataca
MYR:	Malaysia Ringgit
NA:	Not Applicable / Not Available
n/m:	Not Meaningful
NB APE:	New Business Annual Premium Equivalent
PHP:	Philippine Peso
pps:	Percentage Points
PVNBP:	Present Value of New Business Premium
RI:	One-off retrocession reinsurance business to FWD Reinsurance
SCB:	The Siam Commercial Bank Public Company Limited
SCB Life:	SCB Life Assurance Public Company Limited
SGD:	Singapore Dollar
SME Term:	Small and Medium Enterprise Term Life
Swiss Re:	Swiss Reinsurance Company Ltd
TEV:	Traditional Embedded Value
THB:	Thai Baht
TMB:	Thai Military Bank
USD:	US Dollar
VIF:	Value of In-force Business after Cost of Capital

VNB:	Value of New Business after Cost of Capital
VND:	Vietnamese Dong
YoY:	Year-on-year

Appendix B: Key information received

- Consolidated IFRS accounts of FWD Limited and FWD Group Limited as at the respective Valuation Dates;
- Consolidated IFRS accounts of FWD Group as at the respective Valuation Dates;
- Statutory financial statements and solvency reports by Business Unit as at the respective Valuation Dates;
- Breakdown of statutory reserves by Business Unit as at the respective Valuation Dates;
- New business summary by product for new business sold by Business Unit in the reporting period;
- Group Office expense adjustments as at the respective Valuation Dates;
- EV Policy;
- EV Results breakdown by Business Unit as at the respective Valuation Dates including sensitivity results, analysis of EV movement;
- Summary of quarterly VNB results, NB APE and PVNBP for new business written in the reporting period;
- Group consolidated results, including any off-model adjustments;
- Projections of new business volumes and future expense levels by Business Unit;
- FWD's in-house actuarial models by Business Unit as used to prepare the EV Results;
- Individual in-force policy database by Business Unit as at the respective Valuation Dates;
- Individual new business policy database by Business Unit for new business sold in the reporting period;
- Product descriptions for key in-force and new business products reviewed;
- Experience studies performed by Business Unit covering mortality, morbidity, persistency and expenses; and
- Other information and clarifications obtained through various email and telecommunication during the period of our assignment.

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Appendix C: Exchange rates

Table C.1: Exchange rates to 1 USD

	FX rate used for EV		
	31 Dec 2020	31 Dec 2021	31 Dec 2022
Hong Kong Dollar (HKD)	7.75	7.80	7.80
Macanese Pataca (MOP)	7.99	8.03	8.04
Japanese Yen (JPY)	103.11	115.15	132.14
Thai Baht (THB)	29.95	33.26	34.53
Indonesian Rupiah (IDR)	14,054.00	14,263.00	15,573.00
Malaysia Ringgit (MYR)	4.02	4.17	4.41
Philippine Peso (PHP)	48.03	50.98	55.73
Singapore Dollar (SGD)	1.32	1.35	1.34
Vietnamese Dong (VND)	23,083.00	22,786.00	23,574.00

	FX rate used for movement items in 2020EV AOM and CER calculation		
	Average year-to-date FX rate		
	2020	2021	2022
Hong Kong Dollar (HKD)	7.76	7.77	7.83
Macanese Pataca (MOP)	7.99	8.00	8.06
Japanese Yen (JPY)	106.75	109.80	131.31
Thai Baht (THB)	31.30	31.98	35.04
Indonesian Rupiah (IDR)	14,541.34	14,296.50	14,843.75
Malaysia Ringgit (MYR)	4.20	4.14	4.40
Philippine Peso (PHP)	49.61	49.27	54.48
Singapore Dollar (SGD)	1.38	1.34	1.38
Vietnamese Dong (VND)	23,238.29	22,938.51	23,401.28

	FX rate used for VNB and movement items in EV AOM							
	Quarterly average FX rate				Quarterly average FX rate			
	First quarter 2020	Second quarter 2020	Third quarter 2020	Fourth quarter 2020	First quarter 2021	Second quarter 2021	Third quarter 2021	Fourth quarter 2021
Hong Kong Dollar (HKD)	7.77	7.75	7.75	7.75	7.76	7.77	7.78	7.79
Macanese Pataca (MOP)	8.01	7.98	7.98	7.98	7.99	8.00	8.01	8.02
Japanese Yen (JPY)	108.95	107.54	106.08	104.43	105.95	109.47	110.10	113.67
Thai Baht (THB)	31.28	31.97	31.33	30.60	30.27	31.35	32.93	33.37
Indonesian Rupiah (IDR)	14,204.71	14,926.76	14,684.73	14,349.15	14,154.77	14,391.83	14,379.93	14,259.47
Malaysia Ringgit (MYR)	4.18	4.32	4.20	4.11	4.07	4.13	4.20	4.19
Philippine Peso (PHP)	50.84	50.45	48.91	48.26	48.30	48.18	50.14	50.44
Singapore Dollar (SGD)	1.39	1.41	1.37	1.35	1.33	1.33	1.35	1.36
Vietnamese Dong (VND)	23,251.10	23,358.84	23,182.05	23,161.16	23,048.05	23,046.02	22,876.96	22,783.02

	FX rate used for VNB and movement items in EV AOM			
	Quarterly average FX rate			
	First quarter 2022	Second quarter 2022	Third quarter 2022	Fourth quarter 2022
Hong Kong Dollar (HKD)	7.81	7.85	7.85	7.82
Macanese Pataca (MOP)	8.04	8.08	8.08	8.06
Japanese Yen (JPY)	116.20	129.50	138.16	141.36
Thai Baht (THB)	33.04	34.37	36.38	36.35
Indonesian Rupiah (IDR)	14,343.73	14,547.89	14,925.49	15,557.89
Malaysia Ringgit (MYR)	4.19	4.35	4.48	4.57
Philippine Peso (PHP)	51.54	52.70	56.41	57.27
Singapore Dollar (SGD)	1.35	1.38	1.40	1.39
Vietnamese Dong (VND)	22,768.54	23,071.92	23,462.86	24,301.82

APPENDIX II – AUDITED CONSOLIDATED FINANCIAL STATEMENTS

INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements

FWD Group Holdings Limited
(Formerly known as PCGI Intermediate Holdings Limited)

For the years ended 31 December 2021 and 2020

FWD GROUP HOLDINGS LIMITED (Formerly known as PCGI Intermediate Holdings Limited)

CONTENTS

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Independent auditor's report
To the shareholders of FWD Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion
We have audited the consolidated financial statements of FWD Group Holdings Limited (formerly known as PCGI Intermediate Holdings Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 129, which comprise the consolidated statements of financial position as at 31 December 2021 and 2020, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board.

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent auditor's report (continued)
To the shareholders of FWD Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

Independent auditor's report (continued)
To the shareholders of FWD Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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

Ernst & Young

Certified Public Accountants
Hong Kong
28 February 2022

CONSOLIDATED INCOME STATEMENTS

US$m	Notes	Year ended 31 December 2021	Year ended 31 December 2020
REVENUE			
Premiums and fee income		10,426	8,776
Premiums ceded to reinsurers		(1,124)	(1,094)
Net premiums and fee income		9,302	7,682
Investment return	7	2,137	1,581
Other operating revenue	7	258	224
Total revenue		11,697	9,487
EXPENSES			
Insurance and investment contract benefits		9,396	7,941
Insurance and investment contract benefits ceded		(731)	(646)
Net insurance and investment contract benefits		8,665	7,295
Commission and commission related expenses		1,121	832
General expenses		1,243	1,212
Finance costs		184	209
Other expenses		167	157
Total expenses	8	11,380	9,705
Profit/(loss) before share of profit from associates and a joint venture		317	(218)
Share of profit/(loss) from associates and a joint venture	11	9	(1)
Profit/(loss) before tax from continuing operations		326	(219)
Tax expense attributable to policyholders' returns		(1)	(4)
Profit/(loss) from continuing operations before tax attributable to shareholders' profits		325	(223)
Tax benefit/(expense) from continuing operations	9	(126)	(53)
Tax expense attributable to policyholders' returns		1	4
Tax benefit/(expense) attributable to shareholders' profits		(125)	(49)
Profit/(loss) from continuing operations after tax		200	(272)
Profit/(loss) from discontinued operations, net of tax	5	49	20
Net profit/(loss)		249	(252)
Profit/(loss) from continuing operations after tax attributable to:			
Shareholders of the Company		99	(257)
Perpetual securities		65	65
Non-controlling interests		36	(80)
Net profit/(loss) attributable to:			
Shareholders of the Company		135	(243)
Perpetual securities		65	65
Non-controlling interests		49	(74)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Net profit/(loss)	249	(252)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss		
Fair value gains/(losses) on available for sale financial assets (net of tax of: 31 December 2021 US$(303m) and 31 December 2020 US$114m)	(1,321)	691
Fair value gains on available for sale financial assets transferred to income (31 December 2021 US$(20m) and 31 December 2020 US$(25m))	(90)	(166)
Cash flow hedges	4	(24)
Foreign currency translation adjustments	(470)	7
Share of other comprehensive income/(loss) from associates and a joint venture	(5)	4
Subtotal	(1,882)	512
Items that will not be reclassified subsequently to profit or loss:		
Effect of re-measurement of net liability of defined benefit schemes (net of tax of: 31 December 2021 US$nil and 31 December 2020 US$nil)	2	—
Total other comprehensive income/(loss)	(1,880)	512
Total comprehensive income/(loss)	(1,631)	260
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company	(1,230)	126
Perpetual securities	65	65
Non-controlling interests	(466)	69

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

US$m	Notes	As at 31 December 2021	As at 31 December 2020
ASSETS			
Intangible assets	10	3,348	3,531
Investments in associates and a joint venture	11	332	307
Property, plant and equipment	12	159	194
Investment property	13	663	609
Reinsurance assets	14	3,404	3,232
Deferred acquisition costs	15	4,742	4,591
Financial investments	16, 18		
Loans and deposits		1,688	1,754
Available for sale debt securities		37,156	37,839
At fair value through profit or loss			
Debt securities		79	129
Equity securities		8,253	5,740
Derivative financial instruments	17	120	180
		47,296	45,642
Deferred tax assets	9	9	5
Current tax recoverable		20	24
Other assets	19	921	1,285
Cash and cash equivalents	20	2,652	2,730
Assets classified as held-for-sale	5	107	400
Total assets		63,653	62,550
LIABILITIES			
Insurance contract liabilities	21	47,981	45,181
Investment contract liabilities	22	217	300
Deferred ceding commission	24	1,052	990
Borrowings	25	2,212	3,457
Derivative financial instruments	17	157	214
Provisions		18	21
Deferred tax liabilities	9	341	578
Current tax liabilities		22	51
Other liabilities	26	2,639	3,155
Liabilities directly associated with assets classified as held-for-sale	5	67	378
Total liabilities		54,706	54,325

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

US$m	Notes	As at 31 December 2021	As at 31 December 2020
EQUITY			
Share capital and share premium	27	6,019	4,045
Other reserves	27	98	65
Accumulated losses		(283)	(390)
Amounts reflected in other comprehensive income		(187)	1,178
Fair value reserve	27	(21)	1,004
Cash flow hedge reserve	27	(9)	(11)
Defined benefit obligation revaluation reserve		2	—
Foreign currency translation reserve	27	(162)	178
Share of other comprehensive income of associates and a joint venture		3	7
Total equity attributable to Shareholders of the Company		5,647	4,898
Perpetual securities	27	1,607	1,607
Non-controlling interests	27	1,693	1,720
Total equity		8,947	8,225
Total liabilities and equity		63,653	62,550

Approved and authorised for issue by the board of directors on 28 February 2022.

Ronald Arculli

Director

Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to Shareholders of the Company										
					Other comprehensive income							
US$m	Notes	Share Capital and share premium	Other reserves	Accumulated losses	Fair value reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint venture	Perpetual securities	Non-controlling interests	Total equity
Balance as at 1 January 2021		4,045	65	(390)	1,004	(11)	—	178	7	1,607	1,720	8,225
Net gain		—	—	135	—	—	—	—	—	65	49	249
Fair value losses on available for sale financial		—	—	—	(960)	—	—	—	—	—	(361)	(1,321)
Fair value gains on available for sale financial assets transferred to income on disposal		—	—	—	(65)	—	—	—	—	—	(25)	(90)
Foreign currency translation adjustments		—	—	—	—	—	—	(341)	—	—	(129)	(470)
Cash flow hedges		—	—	—	—	3	—	—	—	—	1	4
Share of other comprehensive income from associates and a joint venture		—	—	—	—	—	—	—	(4)	—	(1)	(5)
Effect of remeasurement of net liability of defined benefit schemes		—	—	—	—	—	2	—	—	—	—	2
Total comprehensive income/(loss) for the period		—	—	135	(1,025)	3	2	(341)	(4)	65	(466)	(1,631)
Issuance of shares	27	1,989	—	—	—	—	—	—	—	—	—	1,989
Share Surrender	27	(15)	15	—	—	—	—	—	—	—	—	—
Issuance of shares by subsidiaries	27	—	(10)	2	—	—	—	—	—	—	8	—
Distribution paid	27	—	—	—	—	—	—	—	—	(65)	—	(65)
Share-based compensation	31	—	23	—	—	—	—	—	—	—	9	32
Acquisition of non-controlling interests	27	—	3	(207)	4	(4)	—	—	—	—	204	—
Transactions with non-controlling interests	27	—	(3)	188	(5)	4	—	—	—	—	216	400
Transfer to legal reserve		—	5	(5)	—	—	—	—	—	—	—	—
Others		—	—	(6)	1	(1)	—	1	—	—	2	(3)
Balance as at 31 December 2021		6,019	98	(283)	(21)	(9)	2	(162)	3	1,607	1,693	8,947

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

		Attributable to Shareholders of the Company			Other comprehensive income						
US$m	Notes	Share Capital and share premium	Other reserves	Accumulated losses	Fair value reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint venture	Perpetual securities	Non-controlling interests	Total equity
Balance as at 1 January 2020		2,329	58	(305)	650	6	175	5	1,608	1,004	5,530
Net gain/(loss)		—	—	(243)	—	—	—	—	65	(74)	(252)
Fair value gains on available for sale financial assets		—	—	—	511	—	—	—	—	180	691
Fair value gains on available for sale financial assets transferred to income on disposal		—	—	—	(121)	—	—	—	—	(45)	(166)
Foreign currency translation adjustments		—	—	—	—	—	(7)	—	—	14	7
Cash flow hedges		—	—	—	—	(17)	—	—	—	(7)	(24)
Share of other comprehensive income from associates and a joint venture		—	—	—	—	—	—	3	—	1	4
Total comprehensive income/(loss) for the period		—	—	(243)	390	(17)	(7)	3	65	69	260
Capitalisation for the Transfer and Novation of Borrowings and Related Party Balances pursuant to Reorganisation (Note 1.2.2)	1.2.2	1,716	—	—	—	—	—	—	—	—	1,716
Issuance of shares by subsidiaries	27	—	(10)	(128)	20	—	(1)	—	—	331	212
Distribution paid	27	—	—	—	—	—	—	—	(65)	—	(65)
Share-based compensation	31	—	18	—	—	—	—	—	—	7	25
Acquisition of non-controlling interests	27	—	1	(150)	21	—	4	—	—	1	(123)
Transactions with non-controlling interests	27	—	(4)	445	(72)	—	3	—	—	308	680
Disposal of subsidiary		—	—	—	(5)	—	—	—	—	(1)	(6)
Transfer to legal reserve		—	1	(1)	—	—	—	—	—	—	—
Others		—	1	(8)	—	—	4	(1)	(1)	1	(4)
Balance as at 31 December 2020		4,045	65	(390)	1,004	(11)	178	7	1,607	1,720	8,225

CONSOLIDATED STATEMENTS OF CASH FLOWS

US$m	Notes	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		326	(219)
From discontinued operations	5	50	22
Adjustments for:			
Financial investments		(4,548)	(6,644)
Insurance and investment contract liabilities, and deferred acquisition and origination costs		2,517	4,487
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		(608)	1,129
Operating cash items:			
Dividend received		295	140
Interest received		1,149	1,112
Interest paid		(1)	(2)
Income tax paid		(48)	(27)
Net cash used in operating activities		(868)	(2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries and distribution agreements, net of cash acquired	5	—	(910)
Acquisition of interest in an associate	11	(273)	(16)
Dividend and distribution from a joint venture		246	10
Payments for intangible assets		(187)	(54)
Payments for investment properties		(117)	(44)
Payments for property, plant and equipment		(17)	(16)
Proceeds from disposal of a subsidiary, net of cash disposed		9	59
Proceeds from disposal of a business		10	—
Proceeds from disposals of intangible assets		233	382
Proceeds from disposals of property, plant and equipment		2	—
Restricted cash for acquisitions		—	56
Net cash used in investing activities		(94)	(533)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

US$m	Notes	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of ordinary shares		2,025	—
Transaction costs on issuance of ordinary shares		(4)	—
Repayment of bank borrowings		(2,250)	—
Proceeds from bank borrowings		1,000	793
Restricted cash		39	71
Proceeds from mandatory convertible securities	27.5	—	210
Proceeds from a short-term loan		—	440
Repayment of a short-term loan		—	(440)
Distributions paid on perpetual securities		(65)	(65)
Acquisition of non-controlling interests	27.5	—	(123)
Transaction with non-controlling interests	27.5	400	680
Principal portion of lease payments		(54)	(46)
Finance costs paid on lease liabilities		(5)	(6)
Finance costs paid on borrowings		(127)	(160)
Finance costs paid on distribution agreement payable		(8)	—
Payment for listing related expenses		(3)	(1)
Net cash provided by financing activities		948	1,353
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(14)	818
Cash and cash equivalents at beginning of year		2,740	1,911
Effect of exchange rate changes on cash and cash equivalents		(72)	11
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,654	2,740
Included in cash and cash equivalents per the consolidated statements of financial position	20	2,652	2,730
Included in the assets classified as held-for-sale		2	10

1. CORPORATE INFORMATION

1.1 General information

FWD Group Holdings Limited (formerly known as PCGI Intermediate Holdings Limited) (the "Company"), is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 18 March 2013. The address of the Company registered office is Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

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

As at 31 December 2021 and 2020, the immediate and ultimate holding company of the Company was PCGI Holdings Limited. PCGI Holdings Limited is wholly owned by Mr. Richard Li Tzar Kai, the ultimate controlling shareholder of the Group (the "Ultimate Controlling Shareholder").

1.2 History and reorganisation of the Group

1.2.1 Historical holding structure

The historical holding structure of the Group prior to the completion of the reorganisation was as follows:

- The Company was and continues to be the immediate holding company of FWD Group Limited ("FGL").
- PCGI Limited was the immediate holding company of FWD Limited ("FL"), an exempted company with limited liability incorporated under the laws of the Cayman Islands. As at 31 December 2019, PCGI Limited was wholly owned by Mr. Richard Li Tzar Kai.
- PCGI Limited and the Company were the immediate holding companies of PCGI Intermediate Limited and PCGI Intermediate Holdings (II) Limited (collectively, the "Financing Entities"), respectively.

1.2.2 Reorganisation of the Group

The Group underwent the following reorganisation steps ("Reorganisation"):

1. On 17 December 2020, the Company and PCGI Limited carried out a merger under the laws of the Cayman Islands (the "Merger"), pursuant to which:
   i. The Company assumed all the assets, liabilities and business of PCGI Limited, and PCGI Limited ceased to exist according to the laws of the Cayman Islands; and
   ii. The Company issued 18,486,640 ordinary shares to Mr. Richard Li Tzar Kai on a one-to-one basis of his holding of ordinary shares of PCGI Limited.

   Following the Merger, the share capital and share premium of the Company increased by US$18m and US$1,831m, respectively. The Company became the immediate investment holding company of FL, FGL and the Financing Entities.

3. On 23 December 2020, Mr. Richard Li Tzar Kai transferred his holding of 18,486,640 ordinary shares of the Company to PCGI Holdings Limited in exchange for 18,486,640 ordinary shares of PCGI Holdings Limited. Following such transfer, the Company became the wholly owned subsidiary of PCGI Holdings Limited.

4. On 23 December 2020, the Company transferred its shareholding in the Financing Entities and novated the bank borrowings and guaranteed notes of US$1,296m and a related party balance of US$420m to PCGI Holdings Limited by way of capitalisation (the "Transfer and Novation of Borrowings and Related Parties Balances"). Refer to Notes 25, 27 and 33 for further details. PCGI Holdings Limited replaced the Company (itself and as successor of PCGI Limited) as the guarantor of certain notes issued by the Financing Entities. After the completion of the Transfer and Novation of Borrowings and Related Parties Balances, US$1,716m was capitalised as share premium.

1. CORPORATE INFORMATION (continued)

1.2.2 Reorganisation of the Group (continued)

5. On 20 August 2021, the name of the Company was changed from PCGI Intermediate Holdings Limited to FWD Group Holdings Limited.
6. On 20 August 2021, the Company effected a share split of all of the Company's issued and outstanding ordinary shares on a 1-for-100 basis ("Share Split"), pursuant to which the par value of each ordinary share was adjusted from US$1 to US$0.01. On the same date, PCGI Holdings Limited surrendered 1,514,065,560 ordinary shares of US$0.01 each for nil consideration pursuant to a form of surrender letter ("Share Surrender"). Accordingly, the par value of the ordinary shares surrendered at an amount of US$15m was transferred from share capital to capital redemption reserve. The Share Split and Share Surrender effectively resulted in a 1-for-30 split of the Company's issued ordinary shares.
7. On 14, 15 and 20 December 2021, and 14 and 27 January 2022, the Company allotted and issued in aggregate 259,170,649 ordinary shares to certain investors ("Pre-IPO Investments"). Following the Pre-IPO Investments, PCGI Holdings Limited holds approximately 76.9% shareholding in the Company. Refer to Notes 27 and 36 for further details.
8. On 10 January 2022, the Company adopted the dual foreign name of "富衛集團有限公司".

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

1. The Company will issue ordinary shares to the non-controlling interest holders (including Swiss Re Principal Investments Company Asia Pte. Ltd, individual shareholders and senior management) of FL and FGL in exchange for their holdings of ordinary shares, preference shares and convertible preference shares (as applicable) in FL and FGL (the "Exchange of Share Capital of FL and FGL"). Immediately after the completion of the Exchange of Share Capital of FL and FGL, FL and FGL will become the wholly-owned subsidiaries of the Company.
2. FL and FGL will cancel the ordinary shares, preference shares and convertible preference shares acquired by the Company from the non-controlling interest holders.

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

1.3 Basis of presentation

Pursuant to the Reorganisation, the Company carried out the Merger with PCGI Limited and assumed all assets and liabilities of PCGI Limited. Thereafter, the Company became the holding company of FL and FGL. Immediately prior to and after the Reorganisation, all entities comprising the Group are under the common control of the Ultimate Controlling Shareholder. The Reorganisation is merely a reorganisation of the Insurance Business and does not result in any changes in business substance, nor in any management or the ultimate owners of the Insurance Business. Accordingly, the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2021 and 2020 include the results and cash flows of all entities now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Ultimate Controlling Shareholder, where this is a shorter period. Equity interests in subsidiaries held by parties other than the controlling shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting. For entities acquired from or disposed of to a third party, their financial information is included in or excluded from the consolidated financial statements from the respective dates of the acquisition or disposal. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation (continued)

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

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

The accounting policies adopted are consistent throughout the years ended 31 December 2021 and 2020, except as described as follows.

(a) Mandatory for the years ended 31 December 2021 and 2020

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

i. Amendments to IFRS 7, IFRS 9 and IAS 39, Interest Rate Benchmark Reform

The Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform - Phase 1 (effective from 1 January 2020) provide a number of reliefs, which apply to all hedging relationships for which hedge accounting is applied and that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The Group has adopted the Phase 1 amendments for the year ended 31 December 2020, prior to the replacement of an interbank offered rate (IBOR). These amendments had no material impact on the consolidated financial statements.

The Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform - Phase 2 (effective from 1 January 2021) provide temporary reliefs which address the financial reporting effects when IBOR is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are a direct consequence of the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group has adopted the Phase 2 amendments for the year ended 31 December 2021 and the amendments had no material impact on the consolidated financial statements. Refer to Note 29 for related disclosures about risks, financial assets and financial liabilities indexed to LIBOR and hedge accounting.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the years ended 31 December 2021 and 2020 (continued)

ii. Amendment to IFRS 16, Covid-19-Related Rent Concessions

The Amendment to IFRS 16, Covid-19-Related Rent Concessions (effective from 1 June 2020), provides lessees an optional exemption not to assess whether a rent concession that meets certain conditions is a lease modification. Lessees that elect the practical expedient shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The practical expedient only applies to lessees' rent concessions occurring as a direct consequence of the Covid-19 pandemic, and only if all of the following conditions are met:

a. the change in lease payments results in revised consideration for the lessee that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. any reduction in lease payments affects only payments due on or before 30 June 2021; and

c. there is no substantive change to other terms and conditions of the lease.

The Group has early adopted this amendment for the financial period ended 31 December 2020, and applies the practical expedient to all rent concessions that meet the above specified conditions. A forgiveness or a waiver of lease payments is accounted for as a variable lease payment in the period in which the event or condition that triggers those payments occurs, with a corresponding adjustment to the lease liability. During the year ended 31 December 2020, the amount of the changes in lease payments that arise from rent concessions was insignificant.

In March 2021, the IASB amended IFRS 16 to extend the availability of the practical expedient by one year and issued the Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 (the "2021 Amendment"). The practical expedient in the 2021 Amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after 1 April 2021, and early adoption is permitted.

The Group has early adopted the 2021 Amendment for the year ended 31 December 2021, and applies the practical expedient to all rent concessions that meet the above specified conditions. During the year ended 31 December 2021, the amount of the changes in lease payments that arise from rent concessions was insignificant.

(b) Temporary exemption from adoption for the years ended 31 December 2021 and 2020

The following relevant new standards and requirements have been issued but are not effective for the financial period ended 31 December 2021 and have not been early adopted:

i. IFRS 9 Financial Instruments

IFRS 9 Financial Instrument, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss or in other comprehensive income and those measured at amortised cost. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, a revised expected credit losses model will replace the incurred loss impairment model in IAS 39.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies. The IASB made further changes to two areas of IFRS 9. Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through comprehensive income if the cash flow represents solely payments of principal and interest ("SPPI"). Non-substantial modifications or exchange of financial liabilities that do not result in derecognition will be required to be recognised in profit or loss.

The Group has not yet fully completed its assessment of impact of the standard on its financial position and results of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Temporary exemption from adoption for the years ended 31 December 2021 and 2020 (continued)

i. IFRS 9 Financial Instruments (continued)

The standard is mandatorily effective for financial periods beginning on or after 1 January 2019. Amendments to IFRS 4 Insurance Contracts allow a temporary exemption option for companies whose activities are predominantly connected with insurance to defer the effective date of IFRS 9 until the earlier of the effective date of IFRS 17 and financial reporting periods beginning on or after 1 January 2023. The Group has elected to apply the temporary exemption option to defer the effective date of IFRS 9 in order to implement the changes in parallel with IFRS 17 Insurance Contracts.

The following disclosures are provided in accordance with the requirements of amendments to IFRS 4 when temporary exemption option is applied.

The Group's financial assets as at 31 December 2021 and 2020 are separated into the following two groups:

- financial assets with contractual terms that give rise to cash flows that meet SPPI criteria in accordance with IFRS 9 and are not held for trading or managed on a fair value basis, which consist of debt securities, loans and receivables, deposits and other assets, insurance receivables, due from related parties, fixed deposits, and cash and cash equivalents; and
- financial assets other than those specified in (i), which consist of debt securities, equity securities and derivative financial instruments.

The following table shows the fair value and change in fair value of these two groups of financial assets.

	Fair value as at 31 December 2021			Change in fair value for the year ended 31 December 2021		
US$m	Financial assets that meet SPPI criteria and are not held for trading or managed on a	Others	Total	Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis	Others	Total
Debt securities	35,795	1,440	37,235	(706)	(7)	(713)
Other financial assets (Note 1 and 2)	1,729	8,372	10,101	41	695	736
Total	37,524	9,812	47,336	(665)	688	23

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Temporary exemption from adoption for the years ended 31 December 2021 and 2020 (continued)

	Fair value as at 31 December 2020			Change in fair value for the year ended 31 December 2020		
US$m	Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis	Others	Total	Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis	Others	Total
Debt securities	36,524	1,444	37,968	1,128	53	1,181
Other financial assets (Note 1 and 2)	1,792	5,920	7,712	21	274	295
Total	38,316	7,364	45,680	1,149	327	1,476

Notes:
1 Balance of other financial assets qualifying as SPPI includes loans and deposits.
2 Balance of other financial assets not qualifying as SPPI mainly represents equity securities and derivative financial instruments.

The financial assets presented above that met SPPI criteria and not held for trading or managed on fair value basis are primarily debt securities. Additional information on the credit quality analysis of these debt securities is provided in Note 16.

Financial assets are considered to have low credit risk if:
- the financial instruments have a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As at 31 December 2021 and 2020, the fair value of financial assets that do not have low credit risk was US$1,273m and US$1,546m,respectively.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) Issued but not yet effective and have not been early adopted for the year ended 31 December 2021

The following relevant new standards and amendments to standards have been issued but are not effective for the year ended 31 December 2021 and have not been early adopted:

i. IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts, and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's consolidated financial statements.

Under IFRS 17, insurance contracts are measured by the general model which is based on a discounted cash flow model with an explicit risk adjustment, and a contractual service margin that defers unearned profits. The deferred profit is recognised gradually over time when insurance contract services are provided to policyholders. The general model is supplemented by the variable fee approach for contracts that meet certain requirements and provide insurance coverage together with substantial investment-related service, and the premium allocation approach that applies to short-duration contracts. Insurance revenue will no longer be measured by premium, but recognised by the provision of services to policyholders throughout the term of the insurance contracts. Additionally, IFRS 17 introduces a new presentation format for the statements of comprehensive income and requires more extensive disclosures.

On 25 June 2020, the IASB issued amendments to IFRS 17 and the effective date of IFRS 17 is deferred to annual reporting periods beginning on or after 1 January 2023, with retrospective application and restatement of comparative figures required. If full retrospective application to a group of contracts is impracticable, IFRS 17 requires using either the modified retrospective approach that allows certain specific modifications, or the fair value approach.

In December 2021, the IASB issued Amendment to IFRS 17, Initial Application of IFRS 17 and IFRS 9 - Comparative Information, which is effective when the entity first applies IFRS 17. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before (the "classification overlay").

IFRS 17 will require significant changes to the accounting policies for insurance contract liabilities and enhancements to the IT, finance and actuarial systems of the Group, and a group-wide project is in progress to implement the new standard. The Group is assessing the implications of IFRS 17 and expects that it will have significant impact on the profit or loss, total equity, financial statements presentation and disclosures of the Group.

ii. Other new amendments to standards that have been issued but are not yet effective and have not been early adopted.

- Amendments to IAS 16, Property, Plant and Equipment: Proceeds before intended use (2022)
- Amendments to IAS 37, Onerous Contracts - Cost of Fulfilling a Contract (2022)
- Amendments to IFRS 3, Reference to the Conceptual Framework (2022)
- Annual Improvements to IFRS Standards 2018 - 2020 (2022)
- Amendments to IAS 1, Classification of Liabilities as Current or Non-Current (2023)
- Amendments to IAS 1 and IFRS 2 Practice Statement 2, Disclosure of Accounting Policies (2023)
- Amendments to IAS 8, Definition of Accounting Estimates (2023)
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2023)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate of Joint Venture (Deferred)

The Group is assessing the impact of these amendments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the years ended 31 December 2021 and 2020. The financial statements of the subsidiaries are prepared for the same reporting period, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

(1) Subsidiaries

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

(2) Investment funds

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

(3) Non-controlling interests

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

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

(4) Investments in associates and joint ventures

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts

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

(1) Product classification

The Group classifies its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Some insurance and investment contracts, referred to as participating business, have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses.

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

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

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

The Group applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts. The Group refers to such contracts as participating business. In some jurisdictions, participating business is written in a participant fund which is distinct from the other assets of the Group. The allocation of benefits from the assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation. The extent of such policyholder participation may change over time. The current policy participation in declared dividends for locations with participating funds is set out below:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

(1) Product classification (continued)

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

		Basis of accounting for:	
Policy type	Description of benefits payable	Insurance contract liabilities	Investment contract liabilities
Traditional participating life assurance with DPF	<u>Participating funds</u> Participating products include protection and savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing and bonus declarations is at the discretion of the insurer. Local regulators generally prescribed a minimum proportion of policyholder participation in declared dividend.	Insurance contracts liabilities make provision for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders. For participating products with definite sharing mechanism, insurance contract liabilities make provision for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. Undistributed participating policy earnings account ("UPPEA") is set up retrospectively for undistributed dividends or bonuses. In addition, deferred profit liabilities for limited payment contracts are recognised.	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
	<u>Other participating business</u> Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience.	Insurance contract liabilities make provision for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
Takaful	Products combine savings with protection, with an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (Family risk fund) providing for mutual financial benefits payable on the occurrence of pre-agreed events.	Insurance contract liabilities reflect the present value of future policy benefits to be paid, the future administration expenses that are directly related to the contract and the mutual financial benefits to be paid from the common fund, less the present value of estimated future gross premiums to be collected from policyholders.	Not applicable
Non-participating life assurance, annuities and other protection products	Benefits payable are not at the discretion of the insurer	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly related to the contract, less the present value of estimated future net premiums to be collected from policyholders. In addition, deferred profit liabilities for limited payment contracts are recognised	Investment contract liabilities without DPF are measured at amortised cost
Universal life	Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer.	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment returns credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded	Not applicable as such contracts generally contain significant insurance risk
Unit-linked	These may be primarily savings products or may combine savings with an element of protection	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment returns credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

(1) Product classification (continued)

The basis of accounting for life insurance and investment contracts is further discussed below.

2.3.1 Life Insurance contracts and investment contracts with DPF

(1) Premiums

For single premium business, premiums are recognised as revenue on the date when the policy becomes effective. Regular premiums from life insurance contracts, including participating policies, universal life, unit-linked contracts and annuity policies with life contingencies, are recognised as revenue when due from the policyholder. Benefits and expenses are provided in respect of such revenue so as to recognise profits over the estimated life of the policies. For limited payment contracts, premiums are recognised in profit or loss when due, with any excess profit deferred and recognised in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

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

Life insurance contract policyholders are charged fees for policy administration services, investment management services and surrenders. The fee income is recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, these are deferred and recognised in profit or loss as the service is provided over the term of the contract. Initial and other upfront fees are also deferred and recognised over the estimated life of the contracts to which they relate. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

(2) Unearned revenue liability

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

(3) Deferred profit liability

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

(4) Deferred acquisition costs (“DAC”)

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

(4) Deferred acquisition costs ("DAC") (continued)

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

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

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

(5) Deferred sales inducements

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

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

(6) Unbundling

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

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

(7) Bifurcation

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

(8) Benefits and claims

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

Accident and health claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for reinsurance recoveries, and any adjustments to claims outstanding from previous years. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims and policyholder bonuses. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

(9) Life insurance contract liabilities (including liabilities in respect of investment contracts with DPF)

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

For investment linked contracts, contract liabilities are directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value and an unearned revenue liability and sales inducement liability where applicable.

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

The Group accounts for insurance contract liabilities for participating business written in participating funds by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders assuming all performance were to be declared as a dividend based upon the Group's rules on profit distribution. The Group accounts for other participating business by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders.

(10) Liability adequacy testing

The adequacy of liabilities is assessed by portfolio of contracts, in accordance with the Group’s manner of acquiring, servicing and measuring the profitability of its insurance contracts.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Investment contracts without DPF

Investment contracts do not contain sufficient insurance risk to be considered as insurance contracts and are accounted for as a financial liability.

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

(1) Investment contract fee revenue

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

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

(2) Deferred origination costs

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

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

(3) Investment contract liabilities

Deposits collected and benefit payments under investment contracts without DPF are not accounted for through the consolidated income statements, except for the investment income and fees attributed to those contracts, but are accounted for directly through the consolidated statements of financial position as an adjustment to the investment contract liability, which reflects the account balance.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Investment contracts without DPF (continued)

(4) Deferred fee income liability

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

2.3.3 Insurance and investment contracts

(1) Reinsurance

The Group cedes insurance risk in the normal course of business, with retentions varying by line of business. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The cost of reinsurance is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for such policies.

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

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

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment loss in the consolidated income statements. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Group will receive from the reinsurer can be reliably measured.

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

Ceding commissions in relation to the reinsurance contracts are deferred and amortised similarly to deferred acquisition costs, and are recognised in "Deferred ceding commissions".

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(2) Value of business acquired ("VOBA")

VOBA in respect of a portfolio of long-term insurance and investment contracts, through the acquisition of a subsidiary, is recognised as an asset. It represents the difference between the fair value of insurance liabilities and the carrying value. VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.3 Insurance and investment contracts (continued)

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

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

(4) Other assessments and levies

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

2.3.4 General Insurance contracts

(1) Premiums

General insurance premiums written are recognised at policy inception and earned on a pro rata basis over the term of the policy related coverage.

(2) Deferred acquisition costs

For general insurance, DAC is amortised on a straight line basis over the life of the contracts and derecognised when the related contracts are settled or disposed of.

(3) Benefits and claims

General insurance claims incurred include all claim losses occurring during the period, whether reported or not, including the related handling costs and other recoveries and any adjustments to claims outstanding from previous years.

(4) General insurance contract liabilities

These liabilities include the provisions for outstanding claims, unearned premiums and unexpired risks. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs, reduced by the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is determined at the end of the reporting period using case estimates, supplemented by a range of standard actuarial claim projection techniques based on empirical data on current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The proportion of written premiums attributable to subsequent periods is deferred as unearned premium, which includes premiums received for risks that have not yet expired. The change in the provision for unearned premium is taken to profit or loss such that revenue is recognised over the period of risk. The methods used are as follows:

Marine cargo business	25% method
Non-marine cargo business	365 days method

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.5 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is the present value of estimated future cash flows discounted at the original effective interest rate. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated income statements.

Insurance receivables are derecognised when the de-recognition criteria for financial assets, as described in "De-recognition of financial instruments" below, have been met.

2.3.6 Reinsurance contracts issued

Reinsurance contracts are defined as those containing significant insurance risk at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as a reinsurance contract, it remains a reinsurance contract for the rest of its life time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

2.3.7 Life reinsurance contracts

(1) Premiums

Premiums are recognised as income when risk coverage is provided to ceding companies.

(2) Deferred Acquisition Costs

The costs of acquiring new reinsurance contracts, including commissions and distribution costs, underwriting and other expenses which vary with, and are primarily related to, the production of new business or renewal of existing business, are deferred as an asset and amortised on the straight-line basis over the terms of life reinsurance policies.

(3) Life reinsurance contract liabilities

Reinsurance contract liabilities represent the estimated future benefit liability for the life reinsurance policies. Future benefits are calculated using a net level premium valuation method which represents the present value of estimated future policy benefits to be paid to cedants, less the present value of estimated future net premiums to be collected from cedants.

(4) Liability adequacy test

The liability adequacy test compares the carrying value of reinsurance contract liabilities less deferred acquisition costs with the fair value of the liabilities from the reinsurance portfolio recognised. If there is a deficiency, the unamortised balances of deferred acquisition costs are written down to the extent of the deficiency. If, after writing down the unamortised balances of deferred acquisition costs to zero, a deficiency still exists, the liability is increased by the amount of the remaining deficiency.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial Instruments

2.4.1 Classification and designation of financial instruments

(1) Financial assets and liabilities at fair value through profit or loss

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

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

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

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

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

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

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

(2) Available for sale financial assets

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

The available for sale category is used where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consists of the Group's debt securities (other than those backing unit-linked contracts) which are neither classified as held for trading nor designated at fair value through profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and designation of financial instruments (continued)

(3) Realised gains and losses on financial assets

Realised gains and losses on available for sale debt securities are determined as the difference between the sale proceeds and amortised costs.

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

(4) Derecognition and offset of financial assets

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

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

(5) Loans and receivables

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

(6) Term deposits

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Certain of these balances are subject to regulatory or other restriction as disclosed in Note 16 Financial Investments. Deposits are stated at amortised cost using the effective interest method.

(7) Cash and cash equivalents and restricted cash

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.2 Fair values of non-derivative financial instruments

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

Financial instruments carried at fair value are measured using a fair value hierarchy described in Note 18.

2.4.3 Impairment of financial assets

(1) General

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

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

(2) Available for sale financial instruments

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

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

(3) Loans and receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.4 Derivative financial instruments

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

(1) Derivative instruments for economic hedges

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

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

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are classified as current portions and non-current portions only if a reliable allocation can be made.

(2) Derivative instruments for hedge accounting

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

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

(i) Fair value hedge

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.4 Derivative financial instruments (continued)

(2) Derivative instruments for hedge accounting (continued)

(ii) Cash flow hedge

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

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

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

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

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

(3) Embedded derivatives

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Segment reporting

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

2.6 Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency, are recognised in the consolidated income statements.

Translation differences on financial assets designated at fair value through profit or loss are included in investment experience. For monetary financial assets classified as available for sale, translation differences are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statements. Foreign exchange movements on non-monetary equities that are accounted for as available for sale are included in the fair value reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.8 Investment property

Property held for long-term rental or capital appreciation, or both that is not occupied by the Group is classified as investment property. Investment property, including land and buildings, is initially recognised at cost with changes in fair values in subsequent periods recognised in the consolidated income statements.

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

2.9 Goodwill and other intangible assets

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill arising on the Group's investment in subsidiaries is shown as a separate asset and is carried at cost less any accumulated impairment losses, whilst that on associates and joint ventures is included within the carrying value of those investments. All acquisition-related costs are expensed as incurred.

(2) Distribution rights

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

Costs associated with acquiring rights to access distribution networks are amortised on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the intangible asset. These amortisation charges are subsequently recorded and amortised as DAC.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Goodwill and other intangible assets (continued)

(3) Other intangible assets

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

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

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

Costs of purchasing computer software licenses and incurred in the internal production of computer software are amortised using the straight-line method over the estimated useful life of the software, which does not generally exceed a period of 3 to 15 years. The amortisation charge for the period is included in the consolidated income statements under “General expenses”.

2.10 Impairment of non-financial assets

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

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

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

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

2.11 Non-current assets and disposal groups held for sale

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Collateral

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

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

2.13 Borrowings

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

2.14 Income taxes

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Revenue

(1) Investment return

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

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

(2) Other fee and commission income

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

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

2.16 Employee benefits

(1) Annual leave

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

(2) Post-retirement benefit obligations

The Group operates a number of funded and unfunded post-retirement employee benefit schemes, whose members receive benefits on either a defined benefit basis (generally related to salary and length of service) or a defined contribution basis (generally related to the amount invested, investment return and annuity rates).

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Employee benefits (continued)

(2) Post-retirement benefit obligations

For defined contribution retirement benefits schemes, the Group pays contributions to independently administered funds. Once the contributions have been paid, the Group, as employer, does not have any further payment obligations. The Group's contributions are charged to the consolidated income statements in the reporting period to which they relate and are included in "Employee benefits expenses". When an employee leaves the scheme prior to his/her interest in the Group's employer contributions becoming fully vested, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

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

(3) Long service payments

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

(4) Share-based compensation

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

The Group's share-based compensation plan is equity-settled plan. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the award of RSU and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the RSU and/or share options awarded on respective grant date. Non-market vesting conditions are included in assumptions about the number of RSU and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of RSU and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

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

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

(5) Termination benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Provisions and contingencies

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

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

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

2.18 Lease

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

Group as a lessee
The Group leases various premises, car parks, equipment and other small items as a lessee. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. Right-of-use assets are presented as a component of property, plant and equipment while lease liabilities are presented as a component of other liabilities (see Notes 12 and 26). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in Note 8.

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

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the respective business unit (as the lessee) within the Group. Furthermore, a maturity analysis of the Group's lease liabilities is disclosed in Note 29.

Right-of-use assets are measured at cost comprising the following:
- the amount of initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Lease (continued)

In determining the lease term, management considers all facts and circumstances that create an economic incentive for the lessee to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) by the lessee. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer hardware and small items of furniture and fixtures that are individually, when new, below US$5,000. Expenses relating to short-term leases are disclosed in Note 8.

2.19 Share capital

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

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

Dividends are recognised when they have been approved by shareholders.

2.20 Presentation of the consolidated statements of financial position

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

2.21 Fiduciary activities

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

2.22 Consolidated statements of cash flow

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

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

2.23 Related parties

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

2.24 Earnings/loss per share

Basic earnings/loss per share is calculated by dividing net profit/loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period as adjusted for the effect of capitalisation issue or bonus issue. For the calculation of diluted earnings/loss per share, net profit/loss attributable to ordinary shareholders of the Company for basic earnings/loss per share is adjusted by the effect of dilutive securities issued by subsidiaries, to assume conversion of all dilutive potential ordinary shares. Dilutive effects of share-based awards issued by subsidiaries are adjusted under treasury stock method. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease basic earnings per share or increase basic loss per share.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly. Key judgments, estimates and assumptions are described below.

3.1 Product classification

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

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

3.2 Life insurance contracts (including liabilities in respect of investments contracts with DPF)

The Group calculates the insurance contract liabilities for traditional life insurance using a net level premium valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses best estimate assumptions at inception adjusted for a provision for the risk of adverse deviation for mortality, morbidity, expected investment yields, policyholder dividends (for other participating business), surrenders and expenses set at the policy inception date. These assumptions remain locked in thereafter, unless a deficiency arises on liability adequacy testing. Interest rate assumptions can vary by geographical market, year of issuance and product. Mortality, surrender and expense assumptions are based on actual experience by each geographical market, modified to allow for variations in policy form. The Group exercises significant judgement in making appropriate assumptions.

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

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

The judgments exercised in the valuation of insurance contract liabilities affect the amounts recognised in the consolidated financial statements as insurance contract benefits and insurance contract liabilities. Further details of the related accounting policies, key risks and variables, and the sensitivities of assumptions to the key variables in respect of insurance contract liabilities are provided in Notes 2.3, 21 and 23.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.3 General insurance contract liabilities

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period. It can take a significant period of time before the ultimate claims cost can be established with certainty and, for some types of policies, IBNR claims form the majority of the claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims is the use of past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

Similar judgments are made in assessing the adequacy of the unearned premium provision, whereby assessments are made of the expected future claim costs arising from the unexpired portion of contracts in force at the end of the reporting period.

Further details of the related accounting policy, key risk and variables, and the sensitivities of assumptions to the key variables in respect of general insurance contract liabilities are provided in Notes 2.3, 21 and 23.

3.4 Deferred acquisition costs

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

As described in Note 2.3, deferred acquisition costs for traditional life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are applied consistently throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing.

As described in Note 2.3, deferred acquisition costs for universal life and unit-linked contracts are amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits to be realised over the life of the contract. Significant judgment is exercised in making appropriate estimates of gross profits. The expensing of acquisition costs is accelerated following adverse investment performance. Likewise, in periods of favourable investment performance, previously expensed acquisition costs are reversed (but not in excess of the amount initially deferred).

Additional details of deferred acquisition costs are provided in Notes 2.3 and 15.

3.5 Liability adequacy testing

The Group evaluates the adequacy of its insurance and investment contract liabilities at least annually. Significant judgment is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Liability adequacy is assessed on a portfolio of contracts in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

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

3.6 Value of business acquired

The judgments exercised in the valuation and amortisation of the fair value of insurance contracts of the acquired company in business combinations that affect amounts recognised in the consolidated financial statements as value of business acquired.

As described in Note 2.3, value of business acquired is an asset that reflects the present value of estimated net cash flows before tax embedded in the insurance contracts of an acquired company which existed at the time of business combination. It represents the difference between the fair value of insurance liabilities and the carrying value. In all cases, the VOBA is amortised over the estimated life of contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statements.

Additional details of value of business acquired are provided in Notes 2.3 and 15.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.7 Fair value of financial assets

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

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

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

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

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in Notes 18 and 29.

3.8 Fair value of investment property

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

Further details of the fair value of investment property are provided in Notes 13 and 18.

3.9 Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units or groups of cash generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions. Further details of the impairment of goodwill and other intangible assets during the period are provided in Note 10.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.10 Share based compensation

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

(1) RSU

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

- For life insurance businesses, the appraisal value equals EV plus a multiplier of VNB for the calendar year at the end of each performance period. The multiplier was agreed with the shareholders for the purpose of assessing the performance conditions.
- For non-life businesses, the appraisal value is calculated as the net asset value plus a multiplier of the net profits for the calendar year at the end of each performance period.
- For non-operating entities, the appraisal value is equal to the net asset value for the calendar year at the end of each performance period.

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

The judgments exercised in the determination of appraisal value and the assessment of achievement of performance conditions affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 31.

(2) Share Options

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

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

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

The judgments exercised in the determination of share-option fair value and the assessment of achievement of performance condition affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 31.

3.11 Income taxes

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

3.12 Valuation of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits with future tax planning strategies. Further details are contained in Note 9 to the consolidated financial statements.

4. EXCHANGE RATES

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

	US dollar exchange rate	
	Year ended 31 December 2021	Year ended 31 December 2020
Hong Kong	7.77	7.76
Japan	109.80	106.75
Thailand	31.98	31.30

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

	US dollar exchange rate	
	As at 31 December 2021	As at 31 December 2020
Hong Kong	7.80	7.75
Japan	115.15	103.11
Thailand	33.26	29.95

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

5. CHANGES IN GROUP COMPOSITION

This Note provides details of the major acquisitions of subsidiaries that the Group has made and held for sale for the years ended 31 December 2021 and 2020.

5.1 Acquisitions

(a) FWD Assurance VietNam Company Limited

On 8 April 2020, the Group acquired 100% of the share capital of Vietcombank-Cardif Life Insurance Limited Company ("VCLI"), a life insurance joint venture from Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank") and BNP Paribas Cardif in Vietnam (the "VCLI Acquisition"). On 13 April 2020, FWD Vietnam Life Insurance Company Limited and Vietcombank launched a long-term bancassurance partnership in Vietnam pursuant to a distribution agreement (the "Vietcombank Distribution Agreement"). The Vietcombank Distribution Agreement is recognised as an "Intangible Asset" in the Group's consolidated statements of financial position. Subsequently, VCLI was renamed as FWD Assurance VietNam Company Limited.

Total consideration of Vietnamese Dong ("VND") 9,759,017m or US$414m, at the exchange rate on the date of the transaction, has been allocated to the VCLI Acquisition of VND940,840m or US$40m and to the Vietcombank Distribution Agreement of VND10,218,960m or US$434m, which also included a deferred payment of VND1,400,783m or US$60m.

The Group incurred US$1m of acquisition-related costs which were recognised as "other expense" in the Group's consolidated income statements.

Details of the fair values of the assets and liabilities acquired and the goodwill arising from the acquisition of VCLI and Vietcombank Distribution Agreement are set out as follows:

US$m	Notes	Fair values as at the date of acquisition
Value of business acquired	15	3
Financial investments - Loans and deposits	16	64
Other assets	19	8
Cash and cash equivalents	20	1
Insurance contract liabilities	21	(40)
Deferred tax liabilities	9	(1)
Other liabilities	26	(4)
Net identifiable assets acquired		**31**
Goodwill arising on acquisition	10	9
Fair value of consideration for acquisition		**40**
Vietcombank Distribution Agreement	10	434
Distribution agreement payable		(60)
Total considerations		**414**
Less:		
Cash and cash equivalents held in acquired subsidiaries		(1)
Net change in cash and cash equivalents		**413**

5. CHANGES IN GROUP COMPOSITION (continued)

5.1 Acquisitions (continued)

(b) PT FWD Insurance Indonesia

On 4 June 2020, the Group acquired 100% of the share capital of PT Commonwealth Life and its subsidiary in Indonesia (collectively referred to as "PTCL") from Commwealth International Holdings Pty Limited, CMG Asia Life Holdings Limited, PT Gala Arta Jaya and PT Bank Commonwealth ("PTBC") (the "PTCL Acquisition"). Concurrently, PT Commonwealth Life entered into a 15-year life insurance distribution partnership with PTBC (the "PTCL Distribution Agreement"), which was subsequently extended by mutual agreement to a 20-year term, to establish extensive customer reach and distribution capabilities in Indonesia. The PTCL Distribution Agreement is recognised as an "Intangible Asset" in the Group's consolidated statements of financial position. Subsequently, PTCL was renamed as PT FWD Insurance Indonesia and PT FWD Asset Management.

Total consideration of IDR5,982,503m or US$424m, at the exchange rate on the date of the transaction, has been allocated to the PTCL Acquisition of IDR4,992,503m or US$354m and the PTCL Distribution Agreement of IDR990,000m or US$70m.

The Group incurred US$8m of acquisition-related costs which were recognised as "other expenses" in the Group's consolidated income statements.

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

US$m	Notes	Fair values as at the date of acquisition
PTCL Distribution Agreement	10	70
Property, plant and equipment	12	2
Reinsurance assets	14	2
Value of business acquired ("VOBA")	15	70
Financial investments	16,17,18	
Loans and deposits		33
Available-for-sale debt securities		157
At fair value through profit or loss		221
Other assets	19	18
Cash and cash equivalents	20	77
Insurance contract liabilities	21	(336)
Deferred tax liabilities	9	(12)
Other liabilities	26	(23)
Provisions		(4)
Net identifiable assets acquired		**275**
Goodwill arising on acquisition	10	149
Total considerations		**424**
Less:		
Cash and cash equivalents held in acquired subsidiaries		(77)
Net change in cash and cash equivalents		**347**

5. CHANGES IN GROUP COMPOSITION (continued)

5.1 Acquisitions (continued)

(b) PT FWD Insurance Indonesia (continued)

Goodwill

The goodwill recognised is mainly attributable to the synergies and other benefits from combining PTCL and the Group's operations in Indonesia. It will not be deductible for income tax purposes.

Impact of acquisition on the results of the Group

PTCL contributed revenues of US$142m and a loss before tax of US$7m to the Group for the period from the acquisition date to 31 December 2020. If the PTCL Acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and loss before tax for the year ended 31 December 2020 would have been US$9,527m and US$217m, respectively. This financial information is prepared in accordance with the accounting policies of PTCL.

On 30 November 2020, PTCL and PT FWD Life Indonesia merged. The merged company is named PT FWD Insurance Indonesia.

(c) FWD Life (Hong Kong) Limited and FWD Life Assurance Company (Hong Kong) Limited

On 30 June 2020, the Group acquired 100% of the share capital of (i) MetLife Limited from MetLife Worldwide Holdings, LLC and (ii) Metropolitan Life Insurance Company of Hong Kong Limited from MetLife International Holdings, LLC and Natiloportem Holdings LLC. MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited are collectively referred to as "MetLife". The consideration with respect to this acquisition was US$344m. Subsequently, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited were renamed as FWD Life (Hong Kong) Limited and FWD Life Assurance Company (Hong Kong) Limited, respectively.

The Group incurred US$1m of acquisition-related costs which were recognised as "other expense" in the Group's consolidated income statements.

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

5. CHANGES IN GROUP COMPOSITION (continued)

5.1 Acquisitions (continued)

(c) FWD Life (Hong Kong) Limited and FWD Life Assurance Company (Hong Kong) Limited (continued)

US$m	Notes	Fair values as at the date of acquisition
Intangible assets	10	4
Property, plant and equipment	12	10
Reinsurance assets	14	8
Value of business acquired ("VOBA")	15	56
Financial investments	16,17,18	
Loans and deposits		9
Available-for-sale debt securities		2,292
At fair value through profit or loss		111
Other assets	19	62
Cash and cash equivalents	20	196
Insurance contract liabilities	21	(2,245)
Deferred tax liabilities	9	(6)
Other liabilities	26	(158)
Provisions		(8)
Net identifiable assets acquired		**331**
Goodwill arising on acquisition	10	13
Total considerations		**344**
Less:		
Cash and cash equivalents held in acquired subsidiaries		(196)
Net change in cash and cash equivalents		**148**

Goodwill

The goodwill recognised is mainly attributable to the synergies and other benefits from combining MetLife and the Group's operations in Hong Kong. It will not be deductible for income tax purposes.

Impact of acquisition on the results of the Group

MetLife contributed revenues and a profit before tax of US$233m and US$71m to the Group for the period from the acquisition date to 31 December 2020. If the Metlife Acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and loss before tax for the year ended 31 December 2020 would have been US$9,554m and US$202m, respectively. This financial information is prepared in accordance with the accounting policies of MetLife.

(d) FWD Life Insurance (Cambodia) Plc.

On 9 December 2020, the Group acquired 100% of the share capital of Bangkok Life Assurance (Cambodia) Plc. from Bangkok Life Assurance Public Company Limited, PT Asuransi Central Asia of Indonesia, Bangkok Insurance Public Company Limited and Asia Insurance Company Limited at a consideration of US$4m. Cash and cash equivalents acquired were US$2m. Subsequently, Bangkok Life Assurance (Cambodia) Plc. was renamed as FWD Life Insurance (Cambodia) Plc.

5. CHANGES IN GROUP COMPOSITION (continued)

5.2 Discontinued operations

(a) The Pension Business

On 3 August 2016, the Group signed an Agreement with Sun Life Hong Kong Limited ("Sun Life") and announced the disposal of FWD's Mandatory Provident Fund ("MPF") and Occupational Retirement Schemes ("ORSO") business, including the disposal of the pension trustee entity, FWD Pension Trust Limited (collectively referred to as "the Pension Business"). The Group and Sun Life also entered into a 15-year strategic distribution agreement commenced on 3 October 2017, which allows FWD's tied agency to distribute Sun Life's MPF and ORSO products in the Hong Kong market. On 3 October 2017, the Group disposed of its 100% interest in FWD Pension Trust Limited and the MPF business (excluding policies relating to products classified as Class G of Long Term Business under the Hong Kong Insurance Ordinance ("Class G Policies")), for a total consideration of US$38m. The required legal and regulatory approvals, consents and orders for the transfer of assets of the ORSO business and Class G Policies were obtained and the transfer was completed on 1 February 2021 with a net consideration of US$10m. The gain on disposal of US$10m is recognised in the Group's consolidated income statements.

The operating results of the remaining Pension Business are presented below:

US$m	From 1 January to 1 February 2021	Year ended 31 December 2020
Profit for the year/period - fees and commission income	—	2

The major classes of assets and liabilities of the Pension Business are as follows:

US$m	As at 1 February 2021	As at 31 December 2020
Total Assets[1]	376	375
Total Liabilities[2]	376	375
Net Assets	—	—

Notes:
[1]Mainly consist of Financial assets at fair value through profit or loss
[2]Mainly consist of Investment contract liabilities

There were no net cash flows from the Pension Business during the period from 1 January to 1 February 2021 and the year ended 31 December 2020.

5. CHANGES IN GROUP COMPOSITION (continued)

5.2 Discontinued operations (continued)

(b) General insurance business

In March 2020, management committed to a plan to sell certain subsidiaries of the Group's general insurance business ("GI Disposal Group") and accordingly these subsidiaries were classified as a disposal group held for sale and as discontinued operations.

On 8 December 2020, the Group sold a subsidiary of the GI Disposal Group to a related party for a total consideration of US$77m. The gain on the disposal recognised in the Group's consolidated income statement was US$17m. On 3 February 2021, the Group sold the remaining subsidiaries of the GI Disposal Group to a related party for a total consideration of US$32m, which included US$14m for settlement of the Group's loans to the GI Disposal Group. The gain on the disposal recognised in the Group's consolidated income statement was US$11m. On 8 February 2021, the Group received US$30m from the related party as a reimbursement and settlement of expenses incurred for the GI Disposal Group in 2018 and 2019 and recognised in the Group's consolidated income statement for the year ended 31 December 2021, and US$14m to settle the Group's receivable for payments made on behalf of the GI Disposal Group in 2020.

The operating results and cash flow information of these subsidiaries are as follows:

US$m	For the period from 1 January to 3 February 2021	Remaining GI Disposal Group Year ended 31 December 2020	Disposed GI subsidiary For the period from 1 January to 8 December 2020
Net premiums and fee income	—	—	28
Investment return	—	—	1
Other operating revenue	—	2	—
Total revenue	—	2	29
Net insurance and investment contract benefits	—	—	(12)
Commission and commission related expenses	—	(1)	—
Other operating expenses	(1)	(7)	(8)
Total expenses	(1)	(8)	(20)
Profit/(loss) before tax	(1)	(6)	9
Tax expense	—	—	(2)
Profit/(loss) for the year/period	(1)	(6)	7
Net cash inflow/(outflow) from operating activities	(1)	(7)	6
Net cash inflow/(outflow) from investing activities	(1)	(4)	5
Net cash inflow from financing activities	1	14	—
Net increase/(decrease) in cash generated by the subsidiaries	(1)	3	11

5. CHANGES IN GROUP COMPOSITION (continued)

5.2 Discontinued operations (continued)

(b) General insurance business

The major classes of assets and liabilities of these subsidiaries are as follows:

US$m	As at 3 February 2021	Remaining GI Disposal Group Year ended 31 December 2020	Disposed GI subsidiary As at 8 December 2020
Assets			
Reinsurance assets	—	—	24
Deferred acquisition costs	—	—	5
Available for sale financial assets	—	—	112
Other assets	14	15	17
Cash and cash equivalents	9	10	18
Total Assets	23	25	176
Liabilities			
Insurance contract liabilities	—	—	(81)
Current tax liabilities	—	—	(3)
Other liabilities	(17)	(3)	(26)
Total Liabilities	(17)	(3)	(110)
Net assets	6	22	66
Amounts included in accumulated other comprehensive income:			
Fair value reserve	—	—	(6)
Foreign currency translation reserve	1	1	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposed GI subsidiary is as follows:

US$m	As at 3 February 2021	Disposed GI subsidiary As at 8 December 2020
Cash consideration	32	77
Settlement of the Group's loans to the GI Disposal Group	(14)	—
Cash and cash equivalents disposed of	(9)	(18)
Net cash inflows in respect of the disposed GI Subsidiary	9	59

5. CHANGES IN GROUP COMPOSITION (continued)

5.3 Disposal group classified as held for sale (continued)

FWD Assurance VietNam Company Limited

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

The major classes of assets and liabilities are as follows:

US$m	As at 31 December 2021
Assets	
Deferred acquisition costs	2
Loans and deposits	75
Available for sale financial assets	23
Other assets	5
Cash and cash equivalents	2
Total Assets	107
Liabilities	
Insurance contract liabilities	(63)
Deferred tax liabilities	(2)
Other liabilities	(2)
Total Liabilities	(67)
Net assets	40
Amounts included in accumulated other comprehensive income:	
Fair value reserve	(2)
Foreign currency translation reserve	(1)

6. SEGMENT INFORMATION

The Group's operating segments represent those of FL, FGL and their subsidiaries, associates and joint venture for all years presented, and the Company for the year ended 31 December 2021 (collectively referred to as the "Operating Group"). The operating segments, based on the reports received by the Operating Group's Executive Committee preceding the Merger, are each of the geographical markets in which the Operating Group operates.

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

The acquired subsidiaries and their respective operations in 2020 are Metlife which is included in the Hong Kong, and PTCL and VCLI which are included in Emerging Markets.

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

- Total weighted premium income attributable to equity holders of FL and FGL ("TWPI") (Note 6.4);
- investment return (Note 6.1)
- operating expenses (Note 6.1);
- adjusted operating profit before tax attributable to equity holders of FL and FGL (Note 6.2);
- adjusted operating profit after tax attributable to equity holders of FL and FGL (Note 6.2); and
- expense ratio, measured as operating expenses attributable to equity holders of FL and FGL divided by TWPI (Note 6.1);

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

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

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

6. SEGMENT INFORMATION (continued)

6.1 Segment results

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	**Total**
Year ended 31 December 2021						
TWPI[2]	1,888	2,249	2,105	609	—	6,851
Premiums and fee income	3,989	2,553	2,874	990	—	10,406
Premiums ceded to reinsurers	(191)	(38)	(840)	(40)	—	(1,109)
Other operating revenue	67	13	148	23	(3)	248
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	3,865	2,528	2,182	973	(3)	9,545
Investment return	633	486	105	74	(22)	1,276
Total revenue[1]	4,498	3,014	2,287	1,047	(25)	10,821
Net insurance and investment contract benefits	3,542	2,412	1,650	859	—	8,463
Commission and commission related expenses	521	225	293	29	—	1,068
Operating expenses	221	211	224	221	118	995
Finance costs and other expenses	27	22	23	4	—	76
Total expenses[1]	4,311	2,870	2,190	1,113	118	10,602
Share of loss from associates and a joint	—	—	—	(7)	(7)	(14)
Segmental adjusted operating profit/(loss) before tax	**187**	**144**	**97**	**(73)**	**(150)**	**205**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(29)
Adjusted operating profit before tax						**176**
Key operating ratios:						
Expense ratio[2]	11.7 %	9.4 %	10.6 %	34.6 %	—	14.4 %
Adjusted operating profit/(loss) before tax						
Finance costs	2	1	3	4	—	10
Depreciation and amortisation	33	40	24	29	14	140

Notes
[1] Excludes results of the Non-core business, comprising of US$16m total revenue and US$20m total expenses.
[2] Represents the amount attributable to the equity holders of FL and FGL.

6. SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

Segment information below represents adjusted financial position of the Operating Group and is reconciled to the consolidated statements of financial position in Note 6.3.

US$m	Hong Kong[2]	Thailand	Japan	Emerging Markets	Corporate and Others	**Adjusted Financial Position**
31 December 2021						
Total assets	24,638	20,066	13,083	4,309	1,557	63,653
Total liabilities	20,564	16,553	12,425	2,805	2,359	54,706
Total equity	4,074	3,513	658	1,504	(802)	8,947
Shareholders' allocated equity	3,752	3,916	612	1,496	(2,409)	7,367
Net capital in/(out) flows[1]	(59)	10	(49)	449	1,973	2,324
Total assets include:						
Investment in associates and a joint venture	8	—	—	287	37	332

Notes:

[1]Net capital inflows for Emerging Markets include the consideration of US$273m for the BRI acquisition. Further details are provided in Note 11.

Segment information is reconciled to the Adjusted net profit from continuing operations of the Operating Group after tax disclosed in Note 6.3, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Operating Group Total	
Year ended 31 December 2021					
Net premiums, fee income and other operating revenue	9,545	—	15	9,560	Net premiums, fee income and other operating revenue
Investment return	1,276	837	24	2,137	Investment return
Total revenue	10,821	837	39	11,697	**Total revenue**
Net insurance and investment contract benefits	8,463	267	(65)	8,665	Net insurance and investment contract benefits
Finance costs and other expenses	2,139	51	525	2,715	Finance costs and other expenses
Total expenses	10,602	318	460	11,380	**Total expenses**
Share of loss from associates and a joint venture	(14)	23	—	9	Share of profit from associates and a joint venture
Segmental adjusted operating profit before tax	205				
Implementation costs for IFRS 9 and 17 and Group-wide	(29)	—	29	—	
Adjusted operating profit before tax	**176**	**542**	**(392)**	**326**	**Adjusted profit before tax from continuing operations of the Operating Group**
				(126)	Tax expense from continuing operations
				200	**Adjusted net profit from continuing operations of the Operating Group after tax**

6. SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Total
Year ended 31 December 2020						
TWPI[2]	1,730	2,255	2,131	430	—	6,546
Premiums and fee income	2,697	2,575	2,839	641	(2)	8,750
Premiums ceded to reinsurers	(239)	(28)	(778)	(31)	—	(1,076)
Other operating revenue	78	9	113	13	(3)	210
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	2,536	2,556	2,174	623	(5)	7,884
Investment return	629	425	118	111	(1)	1,282
Total revenue[1]	3,165	2,981	2,292	734	(6)	9,166
Net insurance and investment contract benefits	2,494	2,419	1,677	616	—	7,206
Commission and commission related expenses	314	228	227	14	—	783
Operating expenses	196	222	265	187	108	978
Finance costs and other expenses	21	26	23	4	—	74
Total expenses[1]	3,025	2,895	2,192	821	108	9,041
Share of profit/(loss) from associates and a joint venture	1	—	—	—	(1)	—
Segmental adjusted operating profit/(loss) before tax	**141**	**86**	**100**	**(87)**	**(115)**	**125**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(24)
Adjusted operating profit before tax						**101**
Key operating ratios:						
Expense ratio[2]	11.3 %	9.8 %	12.4 %	40.6 %	—	14.7 %
Adjusted operating profit/(loss) before tax						
Finance costs	2	2	3	4	—	11
Depreciation and amortisation	34	34	42	25	10	145

Notes:
1 Excludes results of the Non-core business, comprising of US$16m total revenue and US$29m total expenses.
2 Represents the amount attributable to the equity holders of FL and FGL.

6. SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

Segment information below represents adjusted financial position of the Operating Group and is reconciled to the consolidated statements of financial position in Note 6.3.

US$m	Hong Kong[2]	Thailand	Japan	Emerging Markets	Corporate and Others	**Adjusted Financial Position**
31 December 2020						
Total assets	22,669	22,475	12,970	3,409	1,027	62,550
Total liabilities	18,500	17,751	12,321	2,227	3,526	54,325
Total equity	4,169	4,724	649	1,182	(2,499)	8,225
Shareholders' allocated equity	3,408	4,269	500	1,153	(4,099)	5,231
Net capital inflows[1]	406	27	36	640	1,234	2,343
Total assets include:						
Investment in associates and a joint venture	244	—	—	18	45	307

Notes:

[1] Net capital inflows for Hong Kong include the consideration of US$344m for the Metlife acquisition and for Emerging Markets include US$40m for the VCLI acquisition and US$427m for distribution agreements in Vietnam. Further details on the acquisitions and distribution agreements are provided in Note 5 and Note 34.

[2] Includes assets and liabilities of the pension business. Refer to Note 5.2.

Segment information is reconciled to the Adjusted net loss from continuing operations of the Operating Group after tax disclosed in Note 6.3, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Operating Group Total	
Year ended 31 December 2020					
Net premiums, fee income and other operating revenue	7,884	—	21	7,905	Net premiums, fee income and other operating revenue
Investment return	1,282	297	1	1,580	Investment return
Total revenue	9,166	297	22	9,485	**Total revenue**
Net insurance and investment contract benefits	7,206	168	(79)	7,295	Net insurance and investment contract benefits
Finance costs and other expenses	1,835	—	537	2,372	Finance costs and other expenses
Total expenses	9,041	168	458	9,667	**Total expenses**
Share of loss from associates and a joint venture	—	—	(1)	(1)	Share of loss from associates and a joint venture
Segmental adjusted operating profit before tax	125				
Implementation costs for IFRS 9 and 17 and Group-wide	(24)	—	24	—	
Adjusted operating profit before tax	**101**	**129**	**(413)**	**(183)**	**Adjusted loss before tax from continuing operations**
				(53)	Tax expense from continuing operations
				(236)	**Adjusted net loss from continuing operations of the Operating Group after tax**

6. SEGMENT INFORMATION (continued)

6.2 Adjusted operating profit

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

Adjusted operating profit includes among others the expected long-term investment returns for investments in equities and real estate based on the assumptions applied by the Group in the Supplementary Embedded Value Information. The Group defines adjusted operating profit as loss of the Group from continuing operations after tax adjusted to exclude the following items:
- Short-term fluctuations in investment return related to equities and property investments;
- Finance costs related to borrowings and long-term payables;
- Amortisation of Value of Business Acquired (VOBA);
- M&A, business set up and restructuring related costs;
- IPO related costs including incentive costs; and
- Any other items which, in the Directors' view, should be disclosed separately to enable a full understanding of the Group's financial performance.

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

6. SEGMENT INFORMATION (continued)

6.2 Adjusted operating profit (continued)

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

US$m	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Adjusted net profit/(loss) of the Operating Group from continuing operations after tax	6.3	**200**	**(236)**
Tax on adjusted operating profit before tax		52	50
Tax impact from non-operating items		74	3
Adjusted profit/(loss) of the Operating Group before tax from continuing operations		**326**	**(183)**
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Short-term fluctuations in investment return related to equities and property investments		(503)	104
Other non-operating investment return		(39)	(233)
Finance costs related to borrowings and long-term payables		174	162
Amortisation of value of business acquired		100	82
M&A, business set up and restructuring related costs		104	151
IPO related costs including incentive costs		73	40
Other non-operating items		(59)	(22)
Adjusted operating profit before tax	6.1	**176**	**101**
Tax on adjusted operating profit before tax		(52)	(50)
Adjusted operating profit after tax		**124**	**51**
Segmental adjusted operating profit before tax	6.1	**205**	**125**
Tax on segmental adjusted operating profit before tax		(52)	(50)
Segmental adjusted operating profit after tax		**153**	**75**
Adjusted operating profit before tax attributable to:			
Equity holders of FL and FGL		**177**	**107**
Non-controlling interests		(1)	(6)
Adjusted operating profit after tax attributable to:			
Equity holders of FL and FGL		**125**	**57**
Non-controlling interests		(1)	(6)

6. SEGMENT INFORMATION (continued)

6.3 Adjusted results and financial position

The adjusted results and financial positions are the profit/(loss) from continuing operations after tax and net profit/(loss) of the Operating Group for the years ended 31 December 2021 and 2020, and the total assets, liabilities and equity of the Operating Group as at 31 December 2021 and 2020 excluding the results and certain balances attributable to the Transfer and Novation of Borrowings and Related Parties Balances and Exchange of Share Capital of FL and FGL, and the results and certain balances of the Company and the Financing Entities. Refer to Note 1.2 for further details on the History and Reorganisation of the Group.

Adjusted net profit/(loss) of the Operating Group from continuing operations after tax

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Profit/(loss) of the Group from continuing operations after tax	**200**	**(272)**
Less:		
Net loss of the Company and Financing Entities[1]	—	36
Adjusted net profit/(loss) of the Operating Group from continuing operations after tax	**200**	**(236)**
Attributable to:		
Shareholders of the Company	**139**	**(288)**
Perpetual securities	65	65
Non-controlling interests	(4)	(13)

Adjusted net profit/(loss) of the Operating Group

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Net profit/(loss) of the Group	**249**	**(252)**
Less:		
Net loss of the Company and Financing Entities[1]	—	36
Adjusted net profit/(loss) of the Operating Group	**249**	**(216)**
Attributable to:		
Shareholders of the Company	**188**	**(268)**
Perpetual securities	65	65
Non-controlling interests	(4)	(13)

Note:
[1] Mainly consists of finance costs on bank borrowings and guaranteed notes of US$36m for the year ended 31 December 2020, that were transferred to PCGI Holdings Limited as part of the Reorganisation disclosed in Note 1.2.2. The Company is included in the Operating Group during the year ended 31 December 2021.

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

US$m	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Finance costs, principally related to leases, included in adjusted operating profit	6.1	10	11
Finance costs related to borrowings and long-term payables	6.2	174	162
Finance costs of the Company and Financing Entities[2]		—	36
Total		184	209

Note:
[2] The Company is included in the Operating Group during the year ended 31 December 2021.

6. SEGMENT INFORMATION (continued)

6.3 Adjusted results and financial position (continued)

Adjusted total assets and total liabilities of the Operating Group

The Transfer and Novation of Borrowings and Related Parties Balances and Exchange of Share Capital of FL and FGL had no impact on the total assets and the total liabilities of the Operating Group as at 31 December 2021 and 31 December 2020.

Adjusted total equity of the Operating Group

US$m	As at 31 December 2021	As at 31 December 2020
Total equity of the Group attributable to:		
Shareholders of the Company	5,647	4,898
Perpetual securities	1,607	1,607
Non-controlling interests	1,693	1,720
Total equity of the Group	**8,947**	**8,225**
Add:		
Share capital and share premium	1,692	1,713
Less:		
Non-controlling interests	(1,692)	(1,713)
Adjusted total equity of the Operating Group attributable to:		
Shareholders of the Company	**7,339**	**6,611**
Perpetual securities	1,607	1,607
Non-controlling interests	1	7
Adjusted total equity of the Operating Group	**8,947**	**8,225**

6. SEGMENT INFORMATION (continued)

6.4 Total Weighted Premium Income

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

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

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

US$m	Year ended 31 December 2021	Year ended 31 December 2020
TWPI by geography		
Hong Kong	1,888	1,730
Thailand	2,249	2,255
Japan	2,105	2,131
Emerging Markets	609	430
Total	**6,851**	**6,546**
First year premiums by geography		
Hong Kong	251	283
Thailand	421	584
Japan	231	516
Emerging Markets	200	172
Total	1,103	1,555
Single premiums by geography		
Hong Kong	2,248	969
Thailand	331	344
Japan	—	—
Emerging Markets	349	190
Total	2,928	1,503
Renewal premiums by geography		
Hong Kong	1,412	1,350
Thailand	1,795	1,637
Japan	1,874	1,615
Emerging Markets	374	239
Total	5,455	4,841

6. SEGMENT INFORMATION (continued)

6.4 Total Weighted Premium Income (continued)

TWPI is reconciled to Premiums and fee income in the consolidated income statements as shown below:

US$m	Year ended 31 December 2021	Year ended 31 December 2020
TWPI	6,851	6,546
90% of Single premium	2,635	1,353
Premium not included in TWPI[1]	820	783
Gross written premium	10,306	8,682
Fee Income and change in unearned premium	120	94
Premiums and fee income	10,426	8,776

Note:
[1] Mainly comprises certain premium from reinsurance contracts, non-core business and amounts attributable to non-controlling interests.

7. REVENUE

Investment return

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Interest income	938	867
Dividend income	296	140
Rental income [1]	28	25
Investment income	1,262	1,032
Available for Sale		
Net realised gains from debt securities	123	217
Impairment of available-for-sale financial assets	(4)	(7)
Net gains of available-for-sale financial assets reflected in the consolidated income statements	119	210
At fair value through profit or loss		
Net gains/(losses) of debt securities	(2)	2
Net gains of equity securities	861	346
Net fair value movement on derivatives	(486)	9
Net gains in respect of financial instruments at fair value through profit or loss	373	357
Net fair value movement of investment property	(5)	(8)
Net foreign exchange gains/(losses)	385	(33)
Other net realised gains	3	23
Investment experience	875	549
Investment return	2,137	1,581

Note:
[1] Represents rental income from operating lease contracts of the Group's investment property portfolio. Further details are included in Note 13.

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

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Foreign exchange gains/(losses)	374	(19)

Other operating revenue

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

8. EXPENSES

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Insurance contract benefits	3,677	3,301
Change in insurance contract liabilities	5,708	4,596
Investment contract benefits	11	44
Insurance and investment contract benefits	9,396	7,941
Insurance and investment contract benefits ceded	(731)	(646)
Insurance and investment contract benefits, net of reinsurance ceded	8,665	7,295
Commission and other acquisition expenses incurred	1,648	1,525
Deferral and amortisation of acquisition expenses	(527)	(693)
Commission and other acquisition expenses	1,121	832
Employee benefits expenses	584	624
Depreciation	75	78
Amortisation	31	42
Marketing and advertising	58	55
Professional service fees	176	165
Information technology expenses	154	121
Operating lease rentals	5	6
Other general expenses[1]	160	121
General expenses	1,243	1,212
Investment management expenses	66	62
Amortisation of value of business acquired	99	82
Others	2	13
Other expenses	167	157
Finance costs	184	209
Total	11,380	9,705

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

General expenses may be analysed as follows:

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Operating expenses	995	978
Non-operating expenses	248	234
Total general expenses[1]	1,243	1,212

Note:
[1] Includes (i) M&A, business set up and restructuring related costs, (ii) implementation costs for IFRS 9 and 17 and Group-wide supervision and (iii) IPO related costs including incentive costs. Refer to Note 6 for further details.

8. EXPENSES (continued)

Depreciation consists of:

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Leasehold improvements, furniture and fixtures, computer equipment and others	25	26
Right-of-use assets		
- Premises and car park	46	48
- Equipment and Others	4	4
Total	75	78

Finance costs may be analysed as follows:

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Borrowings	124	168
Lease liabilities	5	6
Others	55	35
Total	184	209

Employee benefits consist of:

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Wages and salaries	490	486
Share-based compensation	34	31
Pension costs	20	33
Other employee benefits expenses	40	74
Total	584	624

9. INCOME TAX

(1) Tax benefit/(expense) from continuing operations

Taxes on assessable profits have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Current income tax	(39)	(60)
Deferred income tax on temporary differences	(87)	7
Total	(126)	(53)

The tax benefit/(expense) attributable to life insurance policyholder returns in Malaysia is included in the tax benefit/(expense) and is analysed separately in the consolidated income statements in order to permit comparison of the underlying effective rate of tax attributable to shareholders from year to year. The tax expense attributable to policyholders' returns included above is US$1m and US$4m for the year ended 31 December 2021 and 2020, respectively.

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

	Year ended 31 December 2021	Year ended 31 December 2020
Hong Kong	16.5 %	16.5 %
Thailand	20 %	20 %
Japan	28 %	28 %
Others	12%-25%	12%-30%

In 2021, a change in the corporate income tax rate has been enacted in the Philippines. The corporate income tax rate changed from 30 per cent to 25 per cent effective from 1 July 2020.

9. INCOME TAX (continued)

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Income tax reconciliation		
(Loss)/profit before tax from continuing operations	326	(219)
Tax benefit / (expense) calculated at domestic tax rates applicable to profits in the respective jurisdictions	(54)	41
Increase in tax benefit / reduction in tax expense from:		
Income not subject to tax	48	17
Credit in respect of a previously unrecognised tax loss or temporary difference from a prior period	30	16
	78	33
Decrease in tax benefit / increase in tax expense from:		
Disallowed expenses	(96)	(62)
Unrecognised deferred tax assets	(42)	(56)
Amount under provided in prior years	(8)	(9)
Others	(4)	—
	(150)	(127)
Total income tax benefit/(expense)	(126)	(53)

(2) Deferred tax

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

				Credited/(charged) to other comprehensive income			
US$m	Net deferred tax asset/(liability) at 1 January	Reclassified to liabilities directly associated with assets classified as held-for-sale	Credited/ (charged) to income statements	Fair value reserve[1]	Foreign exchange	Others	Net deferred tax asset/(liability) at 31 December
31 December 2021							
Revaluation of financial instruments	(631)	2	(6)	323	28	—	(284)
Deferred acquisition	(371)	—	(99)	—	18	—	(452)
Insurance and investment contract	234	—	133	—	(30)	—	337
Value of business	(164)	—	35	—	6	—	(123)
Intangible assets	2	—	(9)	—	(1)	—	(8)
Losses available for offset against future taxable income	138	—	(104)	—	(1)	—	33
Others	219	—	(37)	—	(17)	—	165
Total	(573)	2	(87)	323	3	—	(332)

9. INCOME TAX (continued)

(2) Deferred tax (continued)

US$m	Net deferred tax asset/(liability) at 1 January	Acquisition of subsidiaries	Credited/ (charged) to income statements	Credited/(charged) to other comprehensive income: Fair value reserve[1]	Foreign exchange	Others	Net deferred tax asset/(liability) at 31 December
31 December 2020							
Revaluation of financial instruments	(578)	(1)	37	(89)	—	—	(631)
Deferred acquisition costs	(392)	—	22	—	(1)	—	(371)
Insurance and investment contract	414	(6)	(173)	—	(1)	—	234
Value of business	(164)	(13)	12	—	1	—	(164)
Intangible assets	5	—	(3)	—	—	—	2
Losses available for offset against future taxable income	73	—	65	—	—	—	138
Others	159	1	47	—	7	5	219
Total	(483)	(19)	7	(89)	6	5	(573)

Note:
[1] Of the fair value reserve deferred tax charge/(credit), US$(303m) and US$114m for the year ended 31 December 2021 and 2020, respectively, relates to fair value gains and losses on available for sale financial assets, and US$(20m) and US($25m) for the year ended 31 December 2021 and 2020, respectively, relates to fair value gains and losses on available for sale financial assets transferred to income on disposal and impairment.

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised tax losses of US$645m and US$527m as at 31 December 2021 and 2020, as it is not considered probable that sufficient taxable profits will be available against which these tax losses can be further utilised in the foreseeable future.

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

The Group has unused income tax losses carried forward in Hong Kong, China, Cambodia, Indonesia, Japan, the Philippines, Singapore, Malaysia, Macau, Thailand and Vietnam. The tax losses incurred in a tax year can be carried forward indefinitely (Hong Kong and Singapore), for three years (the Philippines and Macau), for five years (China, Cambodia, Indonesia, Thailand and Vietnam) and for ten years (Japan and Malaysia).

10. INTANGIBLE ASSETS

US$m	Goodwill	Distribution rights	Computer software and others	Total
Cost				
At 1 January 2020	1,486	2,043	162	3,691
Acquisitions	171	—	6	177
Additions	—	504	64	568
Disposals	—	(672)	(10)	(682)
Assets held for sale	(1)	—	—	(1)
Foreign exchange movements	(4)	(48)	7	(45)
At 31 December 2020	**1,652**	**1,827**	**229**	**3,708**
Additions	—	27	49	76
Disposals	—	—	(17)	(17)
Foreign exchange movements	(56)	(123)	(19)	(198)
At 31 December 2021	**1,596**	**1,731**	**242**	**3,569**
Accumulated amortisation and impairment				
At 1 January 2020	(38)	(108)	(58)	(204)
Amortisation charge for the year	—	(29)	(42)	(71)
Disposals	—	91	4	95
Assets held for sale	1	—	—	1
Foreign exchange movements	—	5	(3)	2
At 31 December 2020	**(37)**	**(41)**	**(99)**	**(177)**
Amortisation charge for the year	—	(33)	(31)	(64)
Disposals	—	—	8	8
Foreign exchange movements	1	3	8	12
At 31 December 2021	**(36)**	**(71)**	**(114)**	**(221)**
Net book value				
At 31 December 2020	**1,615**	**1,786**	**130**	**3,531**
At 31 December 2021	**1,560**	**1,660**	**128**	**3,348**

10. INTANGIBLE ASSETS (continued)

Goodwill

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

US$m	As at 31 December 2021	As at 31 December 2020
Hong Kong	915	915
Thailand	483	536
Japan	4	4
Emerging markets[1]	158	160

Note:
[1] Includes goodwill of US$148m and US$10m from the operations in Indonesia and Vietnam as at 31 December 2021 and US$150m and US$10m from the operations in Indonesia and Vietnam as at 31 December 2020, respectively.

Impairment tests for goodwill

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

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

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

The value of future new business is the aggregation of the present value of future expected profits on policies expected to be sold in the future (i.e. value of new business (“VNB”)). This is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projects.

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. The present value of expected future new business is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projections. The risk discount rates that are used in the value in use of in-force business and present value of expected future new business ranges from 6% to 14% and 6% to 14% as at 31 December 2021 and 2020, respectively. The Group projected new sales over the next 15 years to estimate the VNB, using growth rates in the current five-year approved financial budgets which reflect management's best estimate of future profit based on historical experience and operating assumptions such as premium and expenses, and 3% to 5% thereafter. The Group may apply alternative method to estimate the value of future new business if the described method is not appropriate under the circumstances.

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

Distribution rights

Distribution rights represent exclusive bancassurance and distribution agreements in Thailand, Indonesia, Vietnam and the Philippines. During the year ended 31 December 2020, the Group has entered new distribution agreements. Refer to Note 5 for further details.

The Group entered into a 15-year exclusive bancassurance contract with TMB Bank Public Company Limited (“TMB”) in Thailand in 2017. On 1 April 2020, the Group novated the exclusive distribution agreement with TMB Bank Public Company Limited to Prudential Life Assurance (Thailand) Public Company Limited with a transition period of nine months ended 31 December 2020 for a total consideration of approximately US$580m.

11. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

US$m	As at 31 December 2021	As at 31 December 2020
Group		
Investments in associates	324	64
Investments in a joint venture	8	243
Total	332	307

The Group's interest in its key associate and joint venture are as follows:

Entity	Place of incorporation	Principal activity	Type of investments	Type of shares held	Group's interest % As at 31 December 2021	Group's interest % As at 31 December 2020
PT Asuransi BRI Life ("BRI Life")	Indonesia	Life insurance	Associate	Ordinary	29.86 %	—
CompareAsia Group Capital Limited	Cayman Islands	Operation of online platforms and provision of insurance brokerage and marketing services	Associate	Ordinary	25.40 %	25.40 %
One George Street LLP ("OGS")	Singapore	Investment in real estate properties in Singapore	Joint venture	Ordinary	50.00 %	50.00 %

All associates and the joint venture are unlisted.

On 31 August 2020, the Group acquired 40% of the share capital of IPP Financial Advisers Pte. Ltd ("IPPFA"), a licensed financial advisor in Singapore ("IPPFA Acquisition"). The total consideration was US$18m, of which US$16m was paid on the transaction date and US$2m will be paid no later than thirty months after the agreement signing date. The Group accounts for this investment as an associate. Dividend received from IPPFA during the year ended 31 December 2021 was US$1m.

On 2 March 2021, the Group has completed its initial investment in a minority stake of 29.86% in BRI Life, the life insurance subsidiary of PT Bank Rakyat Indonesia (Persero) Tbk (“BRI”) at a consideration of US$273m. Concurrently, BRI Life has entered into a 15-year life insurance distribution agreement with BRI. The Group utilises the acquisition method of accounting as in acquisition of subsidiaries to determine the Group's share of the net fair value of assets and liabilities for its initial investment in BRI Life. As at 31 December 2021, this is incomplete for the valuation of certain assets and liabilities, and related income taxes. Accordingly, the goodwill may be adjusted subsequently.

On 9 December 2021, OGS completed a transaction to dispose its investment property (the “Property”) to a third party. Immediately after the disposal, management determined the recoverable amount of investment in OGS to be the carrying amount of the net assets. Accordingly, the investment amount in OGS is adjusted by US$39m.

11. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE (continued)

Summarised financial information of associates and joint venture

(a) Financial information of OGS

Summarised statements of financial position of OGS:

US$m	As at 31 December 2021	As at 31 December 2020
Assets	40	860
Liabilities	(24)	(457)
Equity	16	403
The Group’s share in equity – 50%	8	202
Goodwill	39	41
Investment in OGS	47	243
Adjustment to the investment in OGS	(39)	—
Carrying amount in the consolidated statement of financial position	8	243

Summarised income statements and other comprehensive income of OGS:

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Revenue	143	37
Expenses	(18)	(35)
Profit for the year	125	2
Other comprehensive income/(loss) for the year	(16)	6
Total comprehensive income for the year	109	8
Group’s share of total comprehensive income for the year – 50%	55	4
Adjustment to the investment in OGS	(39)	—
Group's share of total comprehensive income for the year	16	4

Dividend received from OGS during the years ended 31 December 2021 and 2020 was US$8m and US$10m, respectively. In addition, the Group received capital distribution of US$238m from OGS during the year ended 31 December 2021.

11. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE (continued)

Summarised financial information of associates and joint venture (continued)

(b) Financial information of BRI Life

Summarised statement of financial position of BRI Life:

US$m	As at 31 December 2021
Assets	1,473
Liabilities	(965)
Net assets	508
The Group's share in net assets – 29.86%	152
Goodwill	115
Group's carrying amount of the investment in BRI Life	267

Summarised income statement and other comprehensive income of BRI Life:

US$m	From 2 March to 31 December 2021
Revenue	367
Expenses	(395)
Loss for the period	(28)
Other comprehensive income for the period	9
Total comprehensive loss for the period	(19)
Group's share of total comprehensive loss for the period – 29.86%	(6)

(c) Aggregated financial information of the associates that are not individually material

The following table analyses, in aggregate, the share of profit and other comprehensive income of the associates that are not individually material.

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Net loss	(6)	(2)
Other comprehensive income	—	—
Total comprehensive loss	(6)	(2)

12. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment				Right-of-use assets		
US$m	Leasehold improvements	Furniture and fixtures and others	Computer equipmen t	Property held for own use	Premises and car parks	Equipment and others	Total
Cost							
At 1 January 2020	**58**	**18**	**77**	**11**	**147**	**21**	**332**
Acquisition of subsidiaries	3	1	—	—	8	—	12
Additions	11	—	2	—	58	8	79
Disposals	(3)	(6)	(2)	—	(19)	(4)	(34)
Disposal of subsidiaries	—	—	(1)	—	—	—	(1)
Foreign exchange movements	1	—		—	3	—	5
At 31 December 2020	**70**	**13**	**77**	**11**	**197**	**25**	**393**
Remeasurement of lease liability	—	—	—	—	(7)	(1)	(8)
Additions	6	2	12	—	54	3	77
Disposals	(4)	(2)	(6)	—	(45)	(1)	(58)
Reclassifications	—	(2)	—	(10)	—	—	(12)
Foreign exchange movements	(3)	(1)	(4)	—	(9)	—	(17)
At 31 December 2021	**69**	**10**	**79**	**1**	**190**	**26**	**375**
Accumulated depreciation							
At 1 January 2020	**(37)**	**(10)**	**(47)**	**—**	**(38)**	**(16)**	**(148)**
Additions	(3)	—	—	—	—	—	(3)
Disposals	2	4	8	—	16	4	34
Disposal of subsidiaries	—	—	1	—	—	—	1
Depreciation charge for the year	(10)	(2)	(14)	—	(48)	(4)	(78)
Foreign exchange movements	(1)	—	(1)	—	(3)	—	(5)
At 31 December 2020	**(49)**	**(8)**	**(53)**	**—**	**(73)**	**(16)**	**(199)**
Disposals	**2**	**1**	**4**	**—**	**40**	**1**	48
Depreciation charge for the year	**(9)**	**(2)**	**(14)**	**—**	**(46)**	**(4)**	(75)
Reclassifications	**—**	**2**	**—**	**—**	**—**	**—**	2
Foreign exchange movements	**2**	**—**	**3**	**—**	**3**	**—**	8
At 31 December 2021	**(54)**	**(7)**	**(60)**	**—**	**(76)**	**(19)**	**(216)**
Net book value							
At 31 December 2020	**21**	**5**	**24**	**11**	**124**	**9**	**194**
At 31 December 2021	**15**	**3**	**19**	**1**	**114**	**7**	**159**

The Group obtains right to use various office premises, residential units, car parks, office equipment, IT-related and other assets for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 12 years. Right-of-use assets are carried at cost less accumulated depreciation.

13. INVESTMENT PROPERTY

US$m	
Fair value	
At 1 January 2020	542
Additions	44
Fair value gains/(losses)	(8)
Foreign exchange movements	31
At 31 December 2020	**609**
Additions	117
Fair value gains/(losses)	(5)
Reclassification	10
Foreign exchange movements	(68)
At 31 December 2021	**663**

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

Investment properties are carried at fair value at the reporting date as determined by independent professional valuers. Details of valuation techniques and process are disclosed in Note 18.

The Group leases out its investment properties under operating lease contracts with terms varying from 1 to 20 years. Rental income generated from investment properties amounted to US$28m and US$25m for the years ended 31 December 2021 and 2020, respectively. Direct operating expenses, including repair and maintenance, amounted to US$8m and US$5m for the years ended 31 December 2021 and 2020, respectively.

The future minimum operating lease rental income under non-cancellable operating leases that the Group expects to receive in future periods are disclosed in Note 34.

14. REINSURANCE ASSETS

US$m	As at 31 December 2021	As at 31 December 2020
Amounts recoverable from reinsurers	343	383
Ceded insurance and investment contract liabilities	3,061	2,849
Total[1]	3,404	3,232

Note:
[1] Includes US$685m and US$635m at 31 December 2021 and 2020, respectively, expected to be recovered within 12 months after the end of the reporting period.

15. DEFERRED ACQUISITION COSTS

US$m	As at 31 December 2021	As at 31 December 2020
Carrying amount		
Deferred acquisition costs on insurance contracts	4,010	3,738
Value of business acquired	732	853
Total	4,742	4,591

	As at 31 December 2021	As at 31 December 2020
Movements in the year		
At beginning of year	4,591	3,766
Deferral and amortisation of acquisition costs	333	662
Acquisition of subsidiaries	—	129
Disposal of business	—	(5)
Foreign exchange movements	(275)	82
Other movements	93	(43)
At end of year	4,742	4,591

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

16. FINANCIAL INVESTMENTS

The following tables analyse the Group’s financial investments by type and nature. The Group manages its financial investments in two distinct categories: Unit-linked Investments and Policyholder and Shareholder Investments.

The investment risk in respect of Unit-linked Investments is generally wholly borne by the customers, and does not directly affect the profit for the period before tax. Furthermore, unit-linked contract holders are responsible for allocation of their policy values amongst investment options offered by the Group. Although profit for the period before tax is not affected by Unit-linked Investments, the investment return from such financial investments is included in the Group’s profit for the period before tax, as the Group has elected the fair value option for all Unit-linked Investments with corresponding changes in insurance and investment contract liabilities for unit-linked contracts. Policyholder and Shareholder Investments include all financial investments other than Unit-linked Investments. The investment risk in respect of Policyholder and Shareholder Investments is partially or wholly borne by the Group.

Policyholder and Shareholder Investments are further categorised as Participating Funds, 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 it is, as explained above, expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of the underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. The Group has elected the fair value option for debt and equity securities of Participating Funds. The Group's accounting policy is to record an insurance liability for the proportion of net assets of the Participating Funds that would be allocated to policyholders assuming all performance would be declared as a dividend based upon local regulations as at the date of the statements of financial position. As a result, the Group's net profit before tax for the period is impacted by the proportion of investment return that would be allocated to shareholders as described above. For Other Participating Business with distinct Portfolios, the Group either have discretion as to the timing or amount of additional benefits to the policyholders. The Group has elected the fair value option for equity securities and the available for sale classification of the majority of debt securities. The investment risk from Other Participating Business with distinct Portfolios directly impacts the Group's financial statements, but it is expected that a proportion of investment return may be allocated to policyholders through policyholder dividends.

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

16. FINANCIAL INVESTMENTS (continued)

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

16.1 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
B+ to B-	B1 to B3	B
CCC and below	Caa1 and below	Not rated

Debt securities by type comprise the following:

16. FINANCIAL INVESTMENTS (continued)

16.1 Debt securities (continued)

US$m	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL	AFS	FVTPL	AFS	
31 December 2021					
Government bonds - issued in local currency					
United States	—	1,00	—	567	1,571
Japan	—	—	—	3,692	3,692
Thailand	—	—	—	11,195	11,195
Indonesia	—	—	—	173	173
Philippines	—	—	—	48	48
Malaysia	—	—	38	67	105
Other	—	8	—	28	36
Sub-total	—	1,01	38	15,770	16,820
Government bonds - issued in foreign currency					
Qatar	—	196	—	15	211
Belgium	—	54	—	—	54
Saudi Arabia	—	233	—	4	237
Indonesia	—	21	—	45	66
China	—	54	—	2	56
United Arab Emirates	—	242	—	8	250
Other	—	74	—	47	121
Sub-total	—	874	—	121	995
Government agency bonds [1]					
AAA	—	3	—	3	6
AA	—	305	—	150	455
A	—	151	—	662	813
BBB	—	39	—	668	707
Below investment grade	—	—	—	24	24
Sub-total	—	498	—	1,507	2,005

16. FINANCIAL INVESTMENTS (continued)

16.1 Debt securities (continued)

US$m	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder Investments		Total
	FVTPL	AFS	FVTPL	AFS	
31 December 2021					
Corporate bonds					
AAA	—	118	—	7	125
AA	—	529	—	112	641
A	—	4,561	38	1,988	6,587
BBB	—	4,146	—	2,360	6,506
Below investment grade	—	94	—	1,335	1,429
Not rated	—	141	—	156	297
Sub-total	—	9,589	38	5,958	15,585
Structured securities [2]					
AAA	—	317	—	2	319
AA	—	90	—	835	925
A	—	105	—	23	128
BBB	—	66	—	24	90
Below investment grade	—	21	—	16	37
Sub-total	—	599	—	900	1,499
Others					
Redeemable investment funds	—	—	—	237	237
Certificate of deposits	—	64	—	27	91
Others	—	—	3	—	3
Sub-total	—	64	3	264	331
Total [3]	—	12,63	79	24,520	37,235

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 2021, debt securities of US$3,656m and US$299m are restricted due to local regulatory requirements in Thailand and Macau, respectively.

16. FINANCIAL INVESTMENTS (continued)

16.1 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	AFS	FVTPL	AFS	
31 December 2020					
Government bonds - issued in local currency					
United States	—	1,028	—	327	1,355
Japan	—	—	—	2,561	2,561
Thailand	—	—	—	12,903	12,903
Indonesia	—	—	—	133	133
Vietnam	—	7	—	38	45
Malaysia	—	—	23	71	94
Other	—	1	—	48	49
Sub-total	—	1,036	23	16,081	17,140
Government bonds - issued in foreign currency					
Qatar	—	53	—	9	62
Belgium	—	62	—	—	62
Mexico	—	—	—	64	64
Saudi Arabia	—	177	—	—	177
Indonesia	—	25	—	57	82
China	—	58	—	—	58
Other	3	58	—	49	110
Sub-total	3	433	—	179	615
Government agency bonds [1]					
AAA	—	12	—	10	22
AA	17	154	—	295	466
A	—	23	—	741	764
BBB	—	12	—	879	891
Below investment grade	—	—	—	28	28
Not rated	—	—	—	—	—
Sub-total	17	201	—	1,953	2,171

16. FINANCIAL INVESTMENTS (continued)

16.1 Debt securities (continued)

US$m	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
31 December 2020	FVTPL	AFS	FVTPL	AFS	
Corporate bonds					
AAA	—	86	—	7	93
AA	7	409	—	153	569
A	39	4,083	27	2,399	6,548
BBB	2	4,041	—	3,309	7,352
Below investment grade	—	85	—	1,291	1,376
Not rated	1	223	—	91	315
Sub-total	49	8,927	27	7,250	16,253
Structured securities [2]					
AAA	—	445	—	6	451
AA	—	95	—	659	754
A	—	71	—	16	87
BBB	—	39	—	20	59
Below investment grade	—	13	—	25	38
Not rated	—	—	—	2	2
Sub-total	—	663	—	728	1,391
Others					
Redeemable investment funds	—	—	—	260	260
Certificate of deposits	6	97	—	30	133
Others	—	1	4	—	5
Sub-total	6	98	4	290	398
Total [3]	75	11,358	54	26,481	37,968

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 2020, debt securities of US$4,065m and US$223m are restricted due to local regulatory requirements in Thailand and Macau, respectively.

As at 31 December 2021 and 2020, AFS debt securities of US$197m and US$429m 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 statements of financial position, but are retained within the appropriate financial asset classification. During the term of the repurchase and forward agreements, the Group is restricted from selling or pledging the transferred debt securities. Refer to Note 26 for additional information on the associated liabilities.

Debt securities classified at fair value through profit or loss are all designated at fair value through profit or loss.

16. FINANCIAL INVESTMENTS (continued)

16.2 Equity securities

Equity securities measured at fair value through profit and loss comprise the following:

	Policyholder and shareholder				
US$m	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder	Sub-total	Unit-linked	Total
31 December 2021					
Equity shares	1,587	938	2,525	—	2,525
Interests in investment funds	2,494	693	3,187	2,541	5,728
Total [1]	4,081	1,631	5,712	2,541	8,253

	Policyholder and shareholder				
US$m	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder	Sub-total	Unit-linked	Total
31 December 2020					
Equity shares	811	56	1,37	—	1,374
Interests in investment	1,592	40	1,99	2,370	4,366
Total	2,403	96	3,37	2,370	5,740

Note:

[1] As at 31 December 2021, equity securities of US$12m are restricted due to local regulatory requirements in Macau.

16. FINANCIAL INVESTMENTS (continued)

16.3 Debt and equity securities

US$m	As at 31 December 2021	As at 31 December 2020
Debt securities		
Listed	18,479	17,182
Unlisted	18,756	20,786
Total	37,235	37,968
Equity securities		
Policyholder and shareholder		
Listed	2,596	1,474
Unlisted	3,116	1,896
Unit-linked		
Listed	376	382
Unlisted	2,165	1,988
Total	8,253	5,740

16.4 Loans and deposits

US$m	As at 31 December 2021	As at 31 December 2020
Policy loans	793	856
Secured loans	10	11
Accreting deposits and promissory notes	676	717
Term deposits	202	171
Other financial receivables	9	1
Provision for impairment	(2)	(2)
At end of year	1,688	1,754

Policy loans are stated at amortised cost, interest-bearing at market interest rates and repayable at the discretion of the policyholders as long as the interest plus the principal of the loans do not exceed the cash value. As at 31 December 2021 and 2020, the policy loans bear interest rates ranging from 2.25% to 10% per annum.

Accreting deposits and promissory notes are stated at amortised cost. As at 31 December 2021 and 2020, the accreting deposits and promissory notes bear interest rates ranging from 2.3% to 5.2% per annum and 1.9% to 5.7% per annum, respectively, and are repayable upon maturity.

Certain term deposits of US$17m and US$12m as at 31 December 2021 and 2020, respectively, are restricted due to local regulatory requirements.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The following summarises the Group's derivative exposure:

		Fair value	
US$m	Notional amount	Assets	Liabilities
31 December 2021			
Foreign exchange contracts			
Forwards	9,113	44	(99)
Cross-currency swaps	1,108	8	(50)
Total foreign exchange contracts	10,221	52	(149)
Interest rate swaps	9	1	—
Others			
Warrants and options	9	42	—
Bond forward contracts	473	25	(8)
Total	10,712	120	(157)
31 December 2020			
Foreign exchange contracts			
Forwards	8,798	55	(82)
Cross-currency swaps	1,002	33	(48)
Total foreign exchange contracts	9,800	88	(130)
Interest rate swaps	2,376	2	(12)
Others			
Warrants and options	8	8	—
Bond forward contracts	1,340	82	(37)
Credit default swaps	1,500	—	(35)
Total	15,024	180	(214)

17. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Group's derivatives are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

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

Foreign exchange contracts

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

Interest rate swaps

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

Other derivatives

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

As at 31 December 2021, the Group has a call option with a 5 year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. Refer to Note 33 for details

Collateral under derivative transactions

As at 31 December 2021, the Group held cash collateral of US$26m and debt securities collateral with a carrying value of US$19m for assets and posted cash collateral of US$23m and debt securities with a carrying value of US$59m for liabilities. As at 31 December 2020, the Group held cash collateral of US$112m and debt securities collateral with a carrying value of US$244m for assets and posted cash collateral of US$14m and debt securities with a carrying value of US$44m 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 Note 19 and Note 26.

Derivatives designated as hedging instruments

During the year ended 31 December 2021 and 2020, the Group designated interest rate swaps as cash flow hedges of variable rate interest payments arising from bank borrowings. The terms of the interest rate swaps have been negotiated to match the terms of the variable rate interest payments. As a result, these hedging relationships are considered highly effective at inception and 31 December 2021. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment. As at 31 December 2021 and 2020, the fair value of the interest rate swaps designated as hedging instruments was US$1m and US$4m, respectively.

The Group has designated certain foreign exchange derivative liabilities with fair values of US$22m and US$30m as at 31 December 2021 and 2020, respectively, in cash flow hedges of foreign exchange risk. The Group has also designated certain bond forward derivative assets with fair values of US$3m and US$14m, and certain bond forward derivative liabilities with fair values of US$8m and US$37m, as at 31 December 2021 and 2020, respectively, in cash flow hedges of bond price risk. These hedging relationships were considered highly effective as at 31 December 2021 and 2020

18. 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 statements 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, 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.

18.1 Fair value measurements on a recurring basis

The Group measures investment properties, financial instruments classified at fair value through profit or loss, available for sale securities portfolios, 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 and equity securities

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 audited 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.

18. FAIR VALUE MEASUREMENT (continued)

18.1 Fair value measurements on a recurring basis (continued)

Derivative financial instruments

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

Investment property

The Group engaged external, independent and qualified valuers to determine the fair value of the investment properties at least on an annual basis. Investment properties are valued on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. The current use of the investment property is considered to be its highest and best use; records of recent sales and offerings of similar property are analysed and comparison made for such factors as size, location, quality and prospective use.

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

Investment contract liabilities

For investment contract liabilities without DPF, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts where the investment risk is borne by the policyholder, the fair value generally approximates to the fair value of the underlying assets.

Investment contracts with DPF enable the contract holder to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating business and are measured according to the Group practice for insurance contract liabilities. These are not measured at fair value as there is currently not an agreed definition of fair value for investment and insurance contracts with DPF under IFRS. In the absence of any agreed methodology, it is not possible to provide a range of estimates within which fair value is likely to fall.

18. FAIR VALUE MEASUREMENT (continued)

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

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

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2021				
Recurring fair value measurements				
Non-financial assets				
Investment property	—	—	663	663
Financial assets				
Available for sale				
Debt securities	2,613	34,483	60	37,156
Government bonds	1,778	15,999	—	17,777
Government agency bonds	—	2,005	—	2,005
Corporate bonds	713	14,774	60	15,547
Structured securities	—	1,499	—	1,499
Others	122	206	—	328
At fair value through profit or loss				
Debt securities	—	76	3	79
Government bonds	—	38	—	38
Corporate bonds	—	38	—	38
Others	—	—	3	3
Equity securities	2,971	2,191	3,091	8,253
Derivative financial instruments	3	80	37	120
Financial assets measured at fair value and held by discontinued operations	—	105	—	105
Total assets on a recurring fair value measurement basis	5,587	36,935	3,854	46,376
% of Total	*12 %*	*80 %*	*8 %*	*100%*
Financial liabilities				
Investment contract liabilities without DPF	—	—	151	151
Derivative financial instruments	—	157	—	157
Financial liabilities measured at fair value and held by discontinued operations	—	67	—	67
Total liabilities on a recurring fair value measurement basis	**—**	**224**	**151**	**375**
% of Total	*— %*	*60 %*	*40 %*	*100%*

18. FAIR VALUE MEASUREMENT (continued)

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

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2020				
Recurring fair value measurements				
Non-financial assets				
Investment property	—	—	609	609
Financial assets				
Available for sale				
Debt securities	1,921	35,879	39	37,839
Government bonds	1,449	16,280	—	17,729
Government agency bonds	—	2,154	—	2,154
Corporate bonds	329	15,810	38	16,177
Structured securities	—	1,390	1	1,391
Others	143	245	—	388
At fair value through profit or loss				
Debt securities	—	125	4	129
Government bonds	—	26	—	26
Government agency bonds	—	17	—	17
Corporate bonds	—	76	—	76
Others	—	6	4	10
Equity securities	1,856	2,078	1,806	5,740
Derivative financial instruments	7	173	—	180
Financial assets measured at fair value and held by discontinued operations	—	400	—	400
Total assets on a recurring fair value measurement basis	3,784	38,655	2,458	44,897
% of Total	*8 %*	*86 %*	*6 %*	*100%*
Financial liabilities				
Investment contract liabilities without DPF	—	—	179	179
Derivative financial instruments	—	214	—	214
Financial liabilities measured at fair value and held by discontinued operations	—	378	—	378
Total liabilities on a recurring fair value measurement basis	**—**	**592**	**179**	**771**
% of Total	*— %*	*77 %*	*23 %*	*100%*

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the years ended 31 December 2021 and 2020, there were no movements of financial assets between Level 1 and Level 2.

The Group's Level 2 financial instruments include debt securities, equity securities, 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.

18. FAIR VALUE MEASUREMENT (continued)

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

The tables below set out a summary of changes in the Group's Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended 31 December 2021 and 2020. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2021 and 2020.

Level 3 assets and liabilities

US$m	Investment property	Debt securities	Equity securities	Derivative financial assets/(liabilities)	Investment contract liabilities without DPF
As at 1 January 2021	609	43	1,806	—	(179)
Net movement on investment contract liabilities	—	—	—	—	28
Total gains/(losses)					
Reported under investment return in the consolidated income statements	(5)	—	547	37	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statements of comprehensive income	(68)	1	—	—	—
Purchases	117	25	847	—	—
Sales	—	(1)	(70)	—	—
Settlements	—	—	(16)	—	—
Impairment	—	(4)	—	—	—
Reclassifications	10	—	—	—	—
Transfer into level 3	—	4	—	—	—
Transfer out of level 3	—	(5)	(23)	—	—
As at 31 December 2021	**663**	**63**	**3,091**	**37**	**(151)**
Change in unrealised gains/(losses) included in the consolidated income statements for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(5)	—	539	37	—

18. FAIR VALUE MEASUREMENT (continued)

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

US$m	Investment property	Debt securities	Equity securities	Investment contract liabilities without DPF
As at 1 January 2020	542	17	1,322	(184)
Net movement on investment contract liabilities	—	—	—	5
Total gains/(losses)				
Reported under investment return in the consolidated income statements	(8)	—	190	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statements of comprehensive income	31	2	—	—
Purchases	44	24	310	—
Settlements	—	—	(8)	—
Transfer out of level 3	—	—	(8)	—
As at 31 December 2020	**609**	**43**	**1,806**	**(179)**
Change in unrealised gains/(losses) included in the consolidated income statements for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(8)	—	190	—

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in Note 22.

Assets transferred out of Level 3 mainly relate to equity securities of which market-observable inputs became available during the period and were used in determining the fair value.

Level 3 equity securities

As at 31 December 2021 and 2020, equity securities classified as level 3 mainly include unlisted investment funds. 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. The Group considers that the change in the input to the valuation technique would not have a significant impact on the consolidated financial statements. No quantitative analysis has been presented.

Level 3 investment property

Under the discounted cash flow approach, both income and expenses over a certain number of years from the date of valuation are itemised and projected annually taking into account the current rental revenue and the expected growth of income and expenses of each of the properties. The net cash flow over the period is discounted at an appropriate rate of return. There were no changes to the valuation techniques during the years ended 2021 and 2020.

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

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

	Year ended 31 December 2021	Year ended 31 December 2020
Monthly market rental income (US$ per sq.m.)	60 - 960	63 - 595
Discount rate per annum	2.50% - 5.50%	2.70% - 5.40%
Occupancy rate	97% - 100%	97% - 100%

18. FAIR VALUE MEASUREMENT (continued)

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

Level 3 investment contract liabilities

For investment contract liabilities, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. The discount rates used are 4.68% and 4.68% for the years ended 31 December 2021 and 2020, respectively. The higher the interest rates, the lower the fair value.

18.2 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 are estimated by discounting expected future cash flows using interest rate offered for similar loans to borrowers with similar credit ratings. The fair values of fixed rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued.

Loans with similar characteristics are aggregated for purposes of the calculations. The carrying value of loans and receivables approximate to their fair values, except for accreting deposits.

Cash and cash equivalents

The carrying amount of cash approximates its fair value.

Reinsurance receivables

The carrying amount of amounts receivable from reinsurers is not considered materially different to their fair value.

Other assets

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

18. FAIR VALUE MEASUREMENT (continued)

18.2 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 31 December 2021 and 2020 is given below.

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2021				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	—	669	—	669
Total assets for which the fair value is disclosed	**—**	**669**	**—**	**669**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term / subordinated notes	1,265	—	—	1,265
Total liabilities for which the fair value is disclosed	**1,265**	**—**	**—**	**1,265**

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2020				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	—	681	—	681
Total assets for which the fair value is disclosed	**—**	**681**	**—**	**681**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term / subordinated notes	1,290	—	—	1,290
Total liabilities for which the fair value is disclosed	**1,290**	**—**	**—**	**1,290**

19. OTHER ASSETS

US$m	As at 31 December 2021	As at 31 December 2020
Insurance receivables due from insurance and investment contract holders	416	524
Accounts receivable[1]	129	355
Accrued investment income	234	234
Restricted cash	11	50
Deposits	27	30
Prepayments	98	80
Others	6	12
Total	921	1,285

Note:
[1] Accounts receivable as at 31 December 2020 includes US$276m relating to the novation of the TMB distribution agreement which was settled in 2021. Refer to Notes 10 for further details.

Accounts receivable as at 31 December 2021 and 2020 also includes US$23m and US$9m, respectively, relating to the cash collateral posted for derivative liabilities.

As at 31 December 2021 and 2020, bank deposits of US$9m and US$48m were mainly from restrictions for use in accordance with the covenant requirements of bank borrowings. Refer to Note 25 for details of the bank borrowings. As at 31 December 2021 and 2020, US$2m was restricted for the IPPFA acquisition. Refer to Note 11 for further details.

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period. An ageing analysis of insurance receivable has not been provided as all amounts are expected to be recovered within less than one year.

20. CASH AND CASH EQUIVALENTS

US$m	As at 31 December 2021	As at 31 December 2020
Cash	1,376	2,555
Cash equivalents	1,276	175
Total	2,652	2,730

21. INSURANCE CONTRACT LIABILITIES

The movements of insurance contract liabilities are shown as follows:

US$m	Year ended 31 December 2021	Year ended 31 December 2020
At beginning of year	45,181	37,342
Valuation premiums and deposits	9,165	7,583
Life insurance contracts[1]		
New business	3,404	2,534
In-force business	5,762	5,046
General insurance contracts[2]		
New business	11	47
In-force business	(12)	(44)
Expected investment return	1,149	831
Liabilities released for policy termination, or other policy benefits paid and related expenses	(4,647)	(4,053)
Life insurance contracts		
New business	(237)	(300)
In-force business	(4,407)	(3,745)
General insurance contracts		
New business	(1)	(4)
In-force business	(2)	(4)
Interest accrued and change in unit price	272	478
Impact of changes in assumptions	(15)	(7)
Acquisition of subsidiaries	—	2,621
Foreign exchange movements	(2,983)	517
Disposal of business	—	(80)
Other movements	(141)	(51)
At end of year	47,981	45,181

Note:

[1] Represents the portion of premiums received from life insurance contracts that are set aside to pay future insurance benefits.

[2] Represents the change in unearned premiums for general insurance contracts.

Insurance contract liabilities comprise of following:

US$m	As at 31 December 2021	As at 31 December 2020
Deferred profit	2,711	1,589
Unearned revenue	672	568
Policyholders' share of participating surplus	754	451
Liabilities for future policyholder benefits	43,844	42,573
Total	47,981	45,181

21. INSURANCE CONTRACT LIABILITIES (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, Vietnam and Philippines)

21. INSURANCE CONTRACT LIABILITIES (continued)

Methodology and assumptions

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

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

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

21. INSURANCE CONTRACT LIABILITIES (continued)

Methodology and assumptions (continued)

Valuation interest rates

As at 31 December 2021 and 2020, the range of applicable valuation interest rates for traditional insurance contracts, which vary by operating segment, year of issuance and products, within the first 20 years are as follows:

	As at 31 December 2021	As at 31 December 2020
Hong Kong	-0.12% - 7.07%	0.40% - 7.07%
Thailand	1.75% - 4.79%	1.75% - 4.79%
Japan	-1.47% - 1.41%	-1.47% - 1.40%
Singapore	2.15% - 3.00%	2.15% - 2.65%
Malaysia	1.88% - 4.03%	1.76% - 3.53%
Indonesia	1.80% - 7.62%	5.41% - 7.62%
Philippines	2.70% - 4.52%	2.70% - 4.05%
Vietnam	2.17% - 6.50%	2.70% - 6.50%

22. INVESTMENT CONTRACT LIABILITIES

US$m	As at 31 December 2021	As at 31 December 2020
At beginning of year	300	314
Premium received	3	4
Surrenders and withdrawals	(82)	(35)
Interest accrual and change in unit price	(3)	16
Others	(1)	1
At end of year	217	300

23. EFFECT OF CHANGES IN ASSUMPTIONS AND ESTIMATES

The table below sets out the sensitivities of the assumptions in respect of insurance and investment contracts to key variables. This disclosure only allows for the impact on liabilities and related assets, such as reinsurance, and deferred acquisition costs and does not allow for offsetting movements in the fair value of financial assets backing those liabilities.

US$m	As at 31 December 2021	As at 31 December 2020
(Increase)/decrease in insurance contract liabilities, increase/(decrease) in equity and profit before tax		
0.5% increase in investment return	3	8
0.5% decrease in investment return	(5)	(7)
10% increase in expenses	(79)	(96)
10% increase in mortality	(27)	(20)
10% increase in morbidity	(39)	(31)
10% increase in lapse/discontinuance rates	(144)	(141)

Future policy benefits for traditional life insurance policies (including investment contracts with DPF) are calculated using a net premium valuation method with reference to best estimate assumptions set at policy inception date unless a deficiency arises on liability adequacy testing. There is no impact of the above assumptions sensitivities on the carrying amount of traditional life insurance liabilities as the sensitivities presented would have not triggered a liability adequacy adjustment. During the years presented there was no effect of changes in assumptions and estimates on the Group's traditional life products.

For interest sensitive insurance contracts, such as universal life products and unit-linked contracts, assumptions are made at each reporting date including mortality, persistency, expenses, future investment earnings and future crediting rates.

The impact of changes in assumptions on the valuation of insurance and investment contracts was US$17m and US$5m increase in profit for the years ended 31 December 2021 and 2020, respectively.

24. DEFERRED CEDING COMMISSION

US$m	Year ended 31 December 2021	Year ended 31 December 2020
At beginning of year	990	724
Commission income deferred during the year	325	375
Amortisation during the year	(177)	(141)
Foreign exchange difference	(86)	32
At end of year	1,052	990

The annual amortisation charge, which varies for certain products, approximates to the amount which is expected to be realised within 12 months of the end of the reporting period.

25. BORROWINGS

US$m	As at 31 December 2021	As at 31 December 2020
Bank borrowings	988	2,234
Medium term notes	324	323
Subordinated notes	900	900
Total	2,212	3,457

Note:

[1] On 23 December 2020, the Company transferred its shareholding in the Financing Entities to PCGI Holdings Limited by way of capitalisation as part of the Reorganisation. Refer to Note 1.2 for further details.

Interest expense on borrowings is shown in Note 8. Further information relating to interest rates and the maturity profile of borrowings is presented in Note 29.

Outstanding bank borrowings and notes placed to the market as at 31 December 2021:

Issue date	Nominal amount	Interest rate	Tenor
Bank borrowings			
30 December 2021	US$1,000m	LIBOR + 1.275%	3 years
Medium term notes			
24 September 2014	US$325m	5.00 %	10 years
Subordinated notes			
9 July 2019	US$550m	5.75 %	5 years
23 July 2019	US$250m	5.75 %	5 years
30 July 2019	US$100m	5.75 %	5 years

During the years ended 31 December 2021 and 2020, the Group has issued the following borrowings and settled or transferred to PCGI Holdings Limited:

Issue date	Nominal amount	Interest rate	
Bank borrowings			
31 July 2018[2]	US$275m	LIBOR + 2%	Settled
4 February 2019[3]	US$175m	LIBOR + 2%	Settled
6 March 2020[1]	US$800m	LIBOR + 1.5%	Transferred
23 October 2020	US$440m	Base rate + 0.4%	Settled
13 September 2019[4]	US$1,800m	LIBOR + 1.5%	Settled
Guaranteed notes			
28 October 2019[1]	US$250m	4.75 %	Transferred
22 November 2019[1]	US$250m	5.50 %	Transferred

Note:

[1] The bank borrowing and guaranteed notes were transferred to PCGI Holdings Limited at total carrying value of US$1,296m as part of the Reorganisation disclosed in Note 1.2.2.

[2] On 26 July 2021, the Group settled a US$275m bank borrowing on its scheduled maturity date.

[3] On 10 August 2021, the Group voluntarily settled a US$175m bank borrowing before its scheduled maturity date.

[4] On 30 December 2021, the Group voluntarily settled a US$1,800m bank borrowing before its scheduled maturity date.

25. BORROWINGS (continued)

These medium-term notes, subordinated notes and guaranteed notes are listed on The Stock Exchange of Hong Kong Limited. The net proceeds from the issuance of the medium-term notes, subordinated notes, guaranteed notes and the bank credit facilities are used for acquisitions, general corporate purposes and funding requirements of the Group.

As at 31 December 2021, the Group has access to a US$500m undrawn committed revolving credit facility. The credit facility is unsecured and with a term of three years expiring in 2024. The credit facilities will be used for general corporate purposes. There were no undrawn credit facilities as at 31 December 2020.

26. OTHER LIABILITIES

US$m	As at 31 December 2021	As at 31 December 2020
Trade and other payables[1]	1,406	1,510
Reinsurance-related payables	358	385
Distribution agreement payable	556	686
Lease liabilities	128	145
Obligations under repurchase and forward arrangements	191	429
Subtotal	2,639	3,155
Payable to a related party[2]	—	—
Total	2,639	3,155

Note:
[1] Other payables as at 31 December 2020 includes US$22m relating to the novation of the TMB distribution agreement which was settled in 2021. Refer to Notes 10 for further details. Other payables as at 31 December 2021 and 2020 also includes US$26 and US$112m, respectively, relating to the cash collateral held for derivative assets.

[2] Payable to a related party was novated to PCGI Holdings Limited as part of the Reorganisation. Refer to Note 1.2 for further details.

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

Distribution agreement payable represents the deferred payments to be paid in accordance with the terms set out in the SCB Distribution Agreement and the Vietcombank Distribution Agreement. Refer to Note 5.1 for further details.

The total cash outflow for leases for the years ended 31 December 2021 and 2020 was US$64m and US$58m, respectively.

During the year ended 31 December 2021 and 2020, 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 16.1 for details.

27. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

27.1 Share capital and share premium

	Number of ordinary shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Ordinary shares of US$1 each as at 31 December 2020	25,000,00	25	—	25
Share Split	2,475,000,000	—	—	—
Ordinary shares of US$0.01 each as at 31 December 2021	2,500,000,000	25	—	25
Issued and fully paid:				
Ordinary shares of US$1 each as at 1 January 2020	1,000,010	1	479	480
Issue of ordinary shares pursuant to Reorganisation (Note 1.2.2)	18,486,640	18	1,831	1,849
Capitalisation for the Transfer and Novation of Borrowings and Related Party Balances pursuant to Reorganisation (Note 1.2.2)	—	—	1,716	1,716
Ordinary shares of US$1 each as at 31 December 2020	19,486,650	19	4,026	4,045
Issue of ordinary shares	229,415,581	4	1,985	1,989
Share Split	2,141,321,292	—	—	—
Share Surrender	(1,514,065,560)	(15)	—	(15)
Ordinary shares of US$0.01 each as at 31 December 2021	876,157,963	8	6,011	6,019

Share capital and share premium as at 1 January 2020 represents the combined share capital and share premium of the Company and PCGI Limited prior to the Merger. Refer to Note 1.2 for details.

On 13 May 2021, the Company issued 2,142,858 ordinary shares with par value of US$1 each to PCGI Holdings Limited at a consideration of US$600m.

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

In December 2021, the Company issued 227,272,723 ordinary shares with par value of US$0.01 each to PCGI Holdings Limited and other investors at a net consideration of US$1,389m.

27.2 Reserves

(a) Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of available for sale securities held at the end of the reporting period.

(b) 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.

(c) Cash flow hedge reserve
The cash flow hedge reserve represents the cumulative gain or loss on the hedging instruments from the inception of the cash flow hedges.

27. SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

27.2 Reserves (continued)

(d) Other reserves

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

27.3 Perpetual securities

FL and FGL issued the following perpetual securities:

	Nominal amount	Distribution rate	Tenor
24 January 2017	US$250m	6.250 %	Perpetual
15 June 2017	US$500m	Note 1	Perpetual
6 July 2017	US$250m	Note 1	Perpetual
1 February 2018	US$200m	5.500 %	Perpetual
16 September 2019	US$600m	6.375 %	Perpetual

Note 1: 0% for first 5 years, then US treasury benchmark rate +4.865% afterwards

Carrying amount of the perpetual securities:

US$m	As at 31 December 2021	As at 31 December 2020
24 January 2017	255	255
15 June 2017	360	360
6 July 2017	179	179
1 February 2018	203	203
16 September 2019	610	610
	1,607	1,607

FL and FGL may, at its sole option, defer the distributions by giving notice to the holders. In the event of any distribution deferral, FL and FGL 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 statements of financial position. FL and FGL use the proceeds from the issuance for general corporate purposes, potential transactions and/or repayment of the Group's own indebtedness.

During the years ended 31 December 2021 and 2020, the Group paid distributions of US$65m and US$65m, respectively.

27.4 Non-controlling interests

Non-controlling interests represent ordinary shares, preference shares and convertible preference shares which are not attributable to the Company. The key terms of the preference shares and convertible preference shares are summarised below.

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

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

27. SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

27.4 Non-controlling interests (continued)

(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).

27.5 Transactions with non-controlling interests

During the year ended 31 December 2020:

i. on 14 February 2020, PCGI Limited and the Company acquired an aggregate of 420,084 convertible preference shares issued by FL and FGL, respectively, for a total consideration of US$101m;

ii. FL and FGL issued Zero Coupon Subordinated Capital Securities (the "Mandatory Convertible Securities") to PCGI Limited and the Company for an aggregate cash consideration of US$1,512m, and an existing shareholder for an aggregate cash consideration of US$210m. Subsequently, PCGI Limited and the Company transferred their Mandatory Convertible Securities of an aggregate principal amount of US$2m to another existing shareholder for nil consideration. On 23 October 2020, each of FL and FGL issued 4,774,750 and 670,664 convertible preference shares with a par value of US$0.01 each, to PCGI Limited (in relation to FL), the Company (in relation to FGL) and the non-controlling shareholders, respectively, in consideration for the transfer of the Mandatory Convertible Securities of an aggregate principal amount of US$1,722m to FL and FGL. FL and FGL subsequently cancelled all US$1,722m of the Mandatory Convertible Securities. These convertible preference shares have substantially the same terms as previously issued convertible preference shares and are accounted for as equity instruments of FL and FGL.

iii. on 27 October 2020, PCGI Limited and the Company transferred an aggregate of 4,146,538 convertible preference shares issued by FL and FGL to an existing convertible preference shareholder for a total consideration of US$680m;

iv. on 29 December 2020, FL and FGL issued an aggregate of 2,339,568 convertible preference shares with a par value of US$0.01 for a total consideration of US$370m to the Company. These convertible preference shares have substantially the same terms as previously issued convertible preference shares and are accounted for as equity instruments of FL and FGL; and

v. the Group also acquired an additional interest in the common shares of FWD Life Insurance Public Company Limited ("FWD Thailand") from existing minority shareholders for a total cash consideration of US$22m. As a result, the Group has a total of 99.96% effective ownership interest in FWD Thailand.

During the year ended 31 December 2021:

i. on 20 April 2021, the Company transferred an aggregate of 2,439,934 convertible preference shares issued by FL and FGL to an existing convertible preference shareholder for a total consideration of approximately US$400m;

ii. on 14 May 2021, FL and FGL issued an aggregate of 9,392,856 ordinary shares with a par value of US$0.01 for an aggregate consideration of US$1,315m to the Company.

iii. On 21 December 2021, the Company made a capital contribution of US$250m to FGL. No shares were issued by FGL as a result of the transaction.

28. 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 participation in decisions concerning asset-liability management, strategic asset allocation and ongoing solvency management. This includes ensuring capital considerations are paramount in the strategy and business planning processes.

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 the new 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, when FWD Management Holdings Limited, a subsidiary of the Group, was determined to be our designated insurance holding company ("DIHC").

Under the GWS framework, the group capital adequacy requirements are determined in accordance with the Insurance (Group Capital) Rules ("Group Capital Rules"), as applied to the Group under transitional arrangements that have been agreed with the HKIA.

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
SCB Life Assurance 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 HKIA requires FWD Life Insurance Company (Bermuda) Limited to maintain an excess of assets over liabilities of not less than the required minimum solvency margin. The amount required under the HKIO is 100 per cent of the required minimum solvency margin.

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 and SCB Life 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%.

28. GROUP CAPITAL STRUCTURE (continued)

The capital positions of the Group's key operating companies at 31 December 2021 and 2020 is as follows:

	31 December 2021			31 December 2020		
US$m	Total available capital	Regulatory minimum capital	Solvency Ratio	Total available capital	Regulatory minimum capital	Solvency Ratio
FWD Life Insurance Company (Bermuda) Limited	1,565	531	295%	1,279	442	290%
FWD Life Insurance Public Company Limited[1]	1,467	450	326%	1,730	397	436%
SCB Life Assurance Public Company Limited[1]	—	—	—%	—	—	—%
FWD Life Insurance Company, Limited[2]	1,192	181	1,319%	1,219	212	1,151%

Notes:

[1] On 1 October 2020, SCB Life Assurance Public Company Limited and FWD Life Insurance Public Company Limited amalgamated. The amalgamated company is named FWD Life Insurance Public Company Limited

[2] On 2 November 2021, FWD Fuji Life Insurance Company, Limited is renamed as FWD Life Insurance Company, Limited

For these purposes, the Group defines total available capital as the amount of assets in excess of liabilities measured in accordance with the relevant local regulations and "regulatory minimum capital" as the minimum required margin of solvency calculated in accordance with the relevant local regulations. The solvency ratio is the ratio of total available capital to regulatory minimum capital.

Subsidiary dividend restrictions and restricted net assets

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

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

Capital and Regulatory Orders Specific to the Group

At 31 December 2021 and 2020, the requirements and restrictions summarised below may be considered material to the Group and remain in effect unless otherwise stated.

Hong Kong Insurance Authority

Undertakings have been given to the HKIA that:

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

ii) Prior written consent from the HKIA will be obtained before declaring or paying dividends to shareholders.

29. 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.

29. RISK MANAGEMENT (continued)

Insurance risks (continued)

Non-life insurance contracts

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

The Group's non-life insurance business is primarily derived from Singapore. The Group's non-life business in Hong Kong was disposed during 2020. 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.

(a) 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.

(b) 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

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, sectors and currencies. 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 or 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 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;

29. 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 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.

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, settlement and treasury activities.

The level of credit risk the Group accepts is managed and monitored by the 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 macro-economic environment.

The Group actively manages its investments to ensure that there is no significant concentration of credit risk.

Interest rate risk

The Group's exposure to interest rate risk predominantly arises from any difference between the tenor of the Group's liabilities and assets, or any difference between the return on investments and the return required to meet the Group's commitments, 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 not possible 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.

29. RISK MANAGEMENT (continued)

Financial risks

Interest rate risk (continued)

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

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2021				
Financial assets				
Debt securities	2,191	34,804	240	37,235
Cash and cash equivalents	2,295	—	357	2,652
Loans and deposits	87	1,597	4	1,688
Equity securities	—	—	8,253	8,253
Derivative financial instruments	—	—	120	120
Reinsurance receivables	—	—	343	343
Accrued investment income	—	1	233	234
Other assets	24	7	558	589
Assets of disposal group classified as held-for-	1	99	5	105
Total financial assets	4,598	36,508	10,113	51,219
Financial liabilities				
Borrowings [1]	—	2,212	—	2,212
Other liabilities	2	897	1,740	2,639
Derivative financial instruments	—	—	157	157
Liabilities directly associated with the assets of disposal group classified as held-for-sale	—	—	2	2
Total financial liabilities	2	3,109	1,899	5,010

Note:
[1]Borrowings of US$988m bear variable interest rates and are hedged with interest rate swaps. Refer to Note 17 for details.

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2020				
Financial assets				
Debt securities	2,021	35,696	251	37,968
Cash and cash equivalents	1,713	—	1,017	2,730
Loans and deposits	83	1,670	1	1,754
Equity securities	—	—	5,740	5,740
Derivative financial instruments	—	—	180	180
Reinsurance receivables	—	—	383	383
Accrued investment income	—	—	234	234
Other assets	48	—	923	971
Total financial assets	3,865	37,366	8,729	49,960
Financial liabilities				
Borrowings [1]	—	3,457	—	3,457
Other liabilities	—	1,272	1,883	3,155
Derivative financial instruments	—	—	214	214
Total financial liabilities	—	4,729	2,097	6,826

Note:
[1]Borrowings of US$2,234m bear variable interest rates and are hedged with interest rate swaps. Refer to Note 17 for details.

29. RISK MANAGEMENT (continued)

Financial risks (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. The Group's accounting policies lock in interest rate assumptions for traditional insurance contracts at policy inception and incorporate a provision for adverse deviation. As a result, the level of interest rate movement illustrated in this sensitivity analysis does not result in loss recognition and so there is no corresponding effect on insurance liabilities.

	31 December 2021		31 December 2020	
US$m	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)
Interest rate risk				
+50 basis points shift in yield curves	20	(1,863)	18	(1,611)
-50 basis points shift in yield curves	(20)	2,061	(17)	1,664

Effect of interbank offered rate (IBOR) reform

The Group currently holds financial instruments which reference the US Dollar London Interbank Offered Rate (USD LIBOR), Euro Interbank Offered Rate (EURIBOR) and Japanese Yen London Interbank Offered Rate (JPY LIBOR) and are yet to transition to alternative benchmark interest rates. The Group's main IBOR exposure as at 31 December 2021 was indexed to USD LIBOR, the alternative rate of which is the Secured Overnight Financing Rate (SOFR).

The Group monitors the exposure to instruments subject to such reform. For financial investments, the Group is planning to gradually scale down the exposures prior to the cessation of USD LIBOR. For borrowings, as at 31 December 2021, the Group has a USD LIBOR indexed bank borrowing with a principal amount of US$1,000m, and designated interest rate swaps as cash flow hedges of USD LIBOR indexed interest payments arising from the bank borrowing. Both the bank borrowing and interest rate swaps will mature in 2022, before the transition from USD LIBOR to SOFR. The Group also had certain reinsurance treaties reference to LIBOR, the majority of which have transitioned to alternative benchmark rates, and hence, the impact of the remaining treaties arising from such reform is immaterial to the Group.

Risks arising from instruments that are subject to such transition are not considered significant. Such reform has no impact on the Group's risk management strategy and procedures, systems, processes and valuation models.

The following table shows the carrying value of financial instruments held by the Group as at 31 December 2021 and reference USD LIBOR, which have yet to transition to SOFR:

US$m	Total
Financial investments	
Debt securities	974
Financial liabilities	
Borrowings	(988)

29. 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 equity market prices, principally investment securities not held for the account of investment-linked policyholders.

The Group manages these risks by setting and monitoring investment limits in each country and sector. The Group's principal equity price risk relates to movement in the fair value of its equity securities.

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. Equity exposures are considered for each private equity investment to avoid concentration risk.

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.

	31 December 2021		31 December 2020	
US$m	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)
Equity price risk				
10 per cent increase in equity prices	323	—	229	—
10 per cent decrease in equity prices	(323)	—	(229)	—

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 Asset and Liability Management Committee of the Group or business unit, 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.

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 forward currency 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 equity by currency.

29. RISK MANAGEMENT (continued)

Financial risks (continued)

Foreign exchange rate risk (continued)

Foreign exchange rate net exposure

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2021				
Equity analysed by original currency	10,017	(4,513)	2,601	(3,389)
Net notional amounts of currency derivatives	(7,047)	4,102	837	4,406
Currency exposure	2,970	(411)	3,438	1,017
5% strengthening of original currency				
Impact on profit before tax	(10)	268	3	1
Impact on other comprehensive income	(3)	(289)	169	50
Impact on total equity	(13)	(21)	172	51
5% strengthening of the US dollar				
Impact on profit before tax	(10)	(265)	(3)	(1)
Impact on other comprehensive income	(3)	286	(169)	(50)
Impact on total equity	(13)	21	(172)	(51)
31 December 2020				
Equity analysed by original currency	7,868	(3,784)	3,943	(4,058)
Net notional amounts of currency derivatives	(5,872)	3,817	712	4,565
Currency exposure	1,996	33	4,655	507
5% strengthening of original currency				
Impact on profit before tax	128	231	2	3
Impact on other comprehensive income	(89)	(229)	231	22
Impact on total equity	39	2	233	25
5% strengthening of the US dollar				
Impact on profit before tax	128	(227)	(2)	(3)
Impact on other comprehensive income	(89)	225	(231)	(22)
Impact on total equity	39	(2)	(233)	(25)

29. RISK MANAGEMENT (continued)

Financial risks (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, which are not shown in the table below. Refer to Note 21 for additional information on the Group's insurance contract liabilities, as well as to the Insurance Risks section within this Note.

31 December 2021

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through five years	Due after five years	No fixed maturity
Financial assets						
Available-for-sale debt securities	37,156	1,266	1,029	5,252	29,372	237
Fair value through profit or loss	8,332	1	5	17	56	8,253
Loans and deposits	1,688	312	190	334	824	28
Derivatives financial instruments	120	46	9	59	6	—
Reinsurance receivables	343	343	—	—	—	—
Other assets	823	669	16	11	125	2
Cash and cash equivalents	2,652	2,652	—	—	—	—
Assets of disposal group classified as held for sale	105	105	—	—	—	—
Total	51,219	5,394	1,249	5,673	30,383	8,520
Financial and insurance liabilities						
Insurance and investment liabilities (net of DAC and reinsurance)	41,127	2,531	216	940	37,440	—
Borrowings	2,212	—	—	2,212	—	—
Derivative financial instruments	157	68	13	46	30	—
Other liabilities	2,511	2,094	30	27	352	8
Lease liabilities	128	29	31	35	33	—
Liabilities directly associated with the assets of disposal group classified as held for sale	65	65	—	—	—	—
Total	46,200	4,787	290	3,260	37,855	8

29. RISK MANAGEMENT (continued)

Financial risks (continued)

Liquidity risk (continued)

31 December 2020

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through five years	Due after five years	No fixed maturity
Financial assets						
Available-for-sale debt securities	37,839	1,324	1,818	5,131	29,303	263
Fair value through profit or loss	5,869	21	16	33	59	5,740
Loans and deposits	1,754	292	123	342	980	17
Derivatives financial instruments	180	75	47	46	12	—
Reinsurance receivables	383	383	—	—	—	—
Other assets	1,205	1,075	51	25	38	16
Cash and cash equivalents	2,730	2,730	—	—	—	—
Assets of disposal group classified as held for sale	400	400	—	—	—	—
Total	50,360	6,300	2,055	5,577	30,392	6,036
Financial and insurance liabilities						
Insurance and investment liabilities (net of DAC and reinsurance)	38,894	1,506	207	732	36,449	—
Borrowings	3,457	274	1,960	1,223	—	—
Derivative financial instruments	214	104	1	72	37	—
Other liabilities	3,010	2,016	122	473	369	30
Lease liabilities	145	66	27	39	13	—
Liabilities directly associated with the assets of disposal group classified as held for sale	378	378	—	—	—	—
Total	46,098	4,344	2,317	2,539	36,868	30

30. EMPLOYEE BENEFIT OBLIGATIONS

(a) Defined benefit plans

The Group operates funded and unfunded benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Thailand, Japan, the Philippines and Indonesia. The independent actuaries' valuation of the plans were prepared by external credentialed actuaries. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 60% for the years ended 31 December 2021 and 2020, covered by the plan assets held by the trustees. The fair value of plan assets as at year end was US$22m and US$26m for the years ended 31 December 2021 and 2020, respectively. The total expenses relating to these plans recognised in the income statements was US$3m and US$16m for the years ended 31 December 2021 and 2020, respectively.

(b) Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expenses relating to these plans for the years ended 31 December 2021 and 2020 was US$17m and US$17m, respectively. Employees and the employer are required to make monthly contributions equal to a certain percentage of the employee's monthly basic salaries, depending on the jurisdictions and the years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

31. SHARE-BASED COMPENSATION

During the years ended 31 December 2021 and 2020, the Group operated the Share Option and RSU Plan to reward eligible persons for their services and the achievement of shareholder value targets. These RSUs and share options are in the form of a contingent right to receive ordinary shares or a conditional allocation of ordinary shares. These awards have vesting periods of up to four years and are at nil or nominal cost to the eligible person. Save for in certain circumstances, vesting of awards is conditional upon the eligible person being in active employment at the time of vesting. Vesting of certain other awards is, in addition, subject to certain performance conditions. Award holders do not have any right to dividends or voting rights attaching to the shares prior to delivery of the shares. Each share option has a 10-year exercise period.

(i) RSU

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

Number of shares	2021	2020
Outstanding at beginning of year	923,256	1,150,782
Awarded	333,724	129,596
Forfeited	(173,009)	—
Vested	(152,643)	(357,122)
Outstanding at end of year	931,328	923,256

31. SHARE-BASED COMPENSATION (continued)

(i) RSU (continued)

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 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 RSU granted during the years ended 31 December 2021 and 2020 was US$52m and US$13m, respectively.

Recognised compensation cost
The fair value of the employee services received in exchange for the grant of RSU 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 RSU granted under the Share Option and RSU Plan by the Group for the years ended 31 December 2021 and 2020 was US$24m and US$20m, respectively.

(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	2021	2020
Outstanding at beginning of year	590,251	663,427
Awarded	—	204,470
Forfeited	(55,884)	(197,817)
Vested	(123,856)	(79,829)
Outstanding at end of year	410,511	590,251

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.

31. SHARE-BASED COMPENSATION (continued)

(ii) Share options (continued)

Valuation methodology (continued)

The Group determines the fair value of share options by the following input:

	2021	2020
Risk-free interest rate	N/A	0.02 %
Volatility	N/A	30.00 %
Dividend yield	N/A	0.00 %
Exercise price (US$ per share)	N/A	0.01
Expected life of share options (in years)	N/A	0.50
Weighted average share price (US$ per share)	N/A	202.11
- FWD Group Limited	N/A	104.42
- FWD Limited	N/A	97.69

The expected volatility reflects the assumption that historical volatility patterns continue, which may not be the actual outcome.

Share price per share is determined by appraisal value per share, using the same valuation methodology as is used in RSU.

The total fair value of share options granted for the Group during the year ended 31 December 2020 was US$21m. No share options were granted during the year ended 31 December 2021.

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 years ended 31 December 2021 and 2020 was US$10m and US$11m, respectively.

32. REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

US$m	Year ended 31 December 2021	Year ended 31 December 2020
Short-term employee benefits	19	17
Share-based payments	14	19
Other long-term benefits	3	2
Total	36	38

33. RELATED PARTY TRANSACTIONS

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

Remuneration of key management personnel is disclosed in Note 32.

(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$39m and US$26m for the provision of telecommunication, IT and investment advisory, advertising and consulting services to the Group for the years ended 31 December 2021 and 2020, respectively.

(ii) The Group has underwritten various group insurance contracts with related companies. The total premium revenue from those contracts for the years ended 31 December 2021 and 2020 was US$2m and US$41m, respectively.

(iii) The Group has entered into reinsurance contract arrangements with related companies. The total premiums ceded, claim recoveries received and commission paid and surplus distribution received for year ended 31 December 2021 was US$40m, US$22m, US$1m and US$1m, respectively. The total premiums ceded, claim recoveries received and commission income received for the year ended 31 December 2020 was US$53m, US$36m and US$10m, respectively.

(iv) The Group has accepted certain liabilities in connection with a reinsurance contract from a related company. The total premiums ceded, claim recoveries received and commission income received for year ended 31 December 2021 was US$238m, US$75m and US$56m, respectively. The total premium revenue, claims incurred, and commissions paid from this contract for the year ended 31 December 2020 was US$231m, US$166m and US$60m, respectively.

(v) The Group charged related parties US$2m and US$19m for administration services related to the GI Disposal Group during the year ended 31 December 2021 and 2020, respectively.

(vi) Related companies charged US$2m and US$2m for the rental and provision of management fee services for the years ended 31 December 2021 and 2020, respectively.

(vii) During the year ended 31 December 2020, the Group sold a subsidiary of the GI Disposal Group to a related party for a total consideration of US$77m. During the year ended 31 December 2021, the Group sold two subsidiaries of the GI Disposal Group to a related party for a total consideration of US$32m which included US$14m for settlement of the Group's loans to the GI Disposal Group. The Group received US$30m from the related party as a reimbursement and settlement of expenses incurred for the GI Disposal Group in 2019 and 2018 and US$14m to settle the receivable for payments made on behalf of the GI Disposal Group in 2020. The Group also has a call option with a 5 year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. As at 31 December 2021, the fair value of the call option was US$37m. Refer to Note 5.2 and 17 for details.

(viii) The Group held financial investments of US$119m and US$85m controlled by related parties as at 31 December 2021 and 2020, respectively. The investment income earned on bonds issued by related parties was US$nil and US$9m for the years ended 31 December 2021 and 2020, respectively.

(ix) Related companies invested in the guaranteed notes and perpetual securities issued by the Group with aggregate principal amounts of US$146m and US$214m as at 31 December 2021 and 2020, respectively. The total interest and distributions paid to related companies for the years ended 31 December 2021 and 2020 was US$9m and US$10m, respectively. Refer to Notes 25 and 27.3 for further details.

33. RELATED PARTY TRANSACTIONS (continued)

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

(iii) On 16 April 2021, the Group acquired an investment property in Malaysia with a cost of US$17m from a related party. Refer to Notes 13 for further details.

(iv) The Group had amounts due from related companies of US$4m and US$17m as at 31 December 2021 and 2020, respectively. The amounts due are unsecured, interest-free and repayable on demand.

(v) In addition, the Group had outstanding payables to related companies of US$5m and US$6m as at 31 December 2021 and 2020, respectively. The payables are unsecured, interest-free and payable on demand.

(c) Transactions and balances with associates and a joint venture:

(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 years ended 31 December 2021 and 2020 were US$13m and US$4m, respectively.

(ii) The Group had an amount due from an associate and a joint venture of US$6m and US$1m as at 31 December 2021 and 2020, respectively. The amounts due are unsecured, interest-free and repayable on demand.

(iii) The Group had a loan to an associate at US$5m as at 31 December 2021 which is interest-bearing and payable on maturity date.

34. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as a lessor

As of 31 December 2021 and 2020, the Group leased its investment property portfolio consisting of certain commercial buildings and land. These leases have terms of between 1 and 20 years. The Group had total future minimum rental receivable under non-cancellable operating leases falling due as follows:

US$m	31 December 2021	31 December 2020
Within one year	24	20
In the second to fifth years	48	42
Over five years	97	52
Total	169	114

Investment and capital commitments

As of 31 December 2021 and 2020, the Group has investments and capital commitments to invest in its private equity partnerships.

US$m	31 December 2021	31 December 2020
Within one year	299	293
In the second to fifth years	867	1,033
Over five years	—	—
Total	1,166	1,326

Commitments in Malaysia

As of 31 December 2021 and 2020, the Group had planned to invest a total of US$98m and US$189m, respectively, in Malaysia until 2024.

Capital commitment for acquisitions and investments

As of 31 December 2021 and 2020, the Group agreed to make initial payments in aggregate amounts of US$nil and US$316m, respectively, and additional payments in aggregate amounts of up to US$209m and US$214m, respectively, in relation to acquisitions and investments.

Capital commitment for investment properties

On 18 December 2020, the Group signed a sale and purchase agreement to purchase an interest in investment property in Japan at approximately US$40m. The transaction completed on 28 April 2021.

On 24 December 2020, the Group signed a sale and purchase agreement to purchase an investment property in Malaysia at approximately US$17m. The transaction completed on 16 April 2021.

Contingencies

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

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

35. SUBSIDIARIES

The principal subsidiary companies which materially contribute to the net income of the Group or hold a material element of its assets and liabilities are:

				As at 31 December 2021		As at 31 December 2020	
Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
FWD Limited	Cayman Islands	Investment holding	24,040,626 ordinary shares of US$0.01 each 8,202,225 preference shares of US$0.01 each 9,587,168 convertible preference shares of US$0.01 each	73%	27%	73%	27%
FWD Group Limited	Cayman Islands	Investment holding	24,040,626 ordinary shares of US$0.01 each 8,202,225 preference shares of US$0.01 each 9,587,168 convertible preference shares of US$0.01 each	73%	27%	73%	27%
FWD Group Management Holdings Limited	Hong Kong	Group management	6,661,000 ordinary shares of US$100 each 1 ordinary shares of HK$1 each	100%	-	100%	-
FWD Management Holdings Limited	Hong Kong	Investment holding	13,163,072 ordinary shares of US$100 each 2 ordinary shares of HK$3,255,523,426 each	100%	-	100%	-
FWD Life Insurance Company (Bermuda) Limited	Bermuda/ Hong Kong	Life insurance	865,328,240 ordinary shares of US$1 each 709,926 preference shares of US$1,000 each	100%	-	100%	-
FWD Life (Hong Kong) Limited[1]	Hong Kong	Life insurance	980,106,626 ordinary shares of HK$1 each	100%	-	100%	-
FWD Life Assurance Company (Hong Kong) Limited[2]	Hong Kong	Life insurance	76,325 ordinary shares of HK$5,000 each	100%	-	100%	-
FWD Life Insurance Company (Macau) Limited	Macau	Life insurance	6,814,375 ordinary shares of MOP100 each	100%	-	100%	-
FWD Life Insurance Public Company Limited[3]	Thailand	Life insurance	3,006,360,171 ordinary shares of THB10 each	87%	13%	87%	13%
SCB Life Assurance Public Company Limited[3]	Thailand	Life insurance	66,500,000 ordinary shares of THB10 each	N/A	N/A	N/A	N/A
FWD Life Insurance Company, Limited[4]	Japan	Life insurance	1,310,000 ordinary shares of JPY28,816.8 each	100%	-	100%	-
FWD Reinsurance SPC, Ltd.	Cayman Islands	Life reinsurance	50,000 ordinary shares of US$0.01 each	100%	-	100%	-

35. SUBSIDIARIES (continued)

Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	As at 31 December 2021 Group's interest %	As at 31 December 2021 NCI's interest %	As at 31 December 2020 Group's interest %	As at 31 December 2020 NCI's interest %
FWD Life Insurance Corporation	Philippines	Life insurance	2,300,000,000 ordinary shares of PHP1 each	100%	-	100%	-
PT FWD Insurance Indonesia[5]	Indonesia	Life insurance	8,116,071 ordinary shares of Rp1,000,000 each	79%	21%	79%	21%
PT FWD Asset Management	Indonesia	Asset management	123,631 ordinary shares of Rp1,000,000 each	100%	-	100%	-
FWD Singapore Pte. Ltd.	Singapore	Life and general insurance	198,183,678 ordinary shares of SGD177,070,618 issued share capital	100%	-	100%	-
FWD Takaful Berhad	Malaysia	Life Insurance	2,000,000 ordinary shares of RM50 each 3,010 preference shares of RM100,000 each	49%	51%	49%	51%
FWD Vietnam Life Insurance Company Limited	Vietnam	Life insurance	Contributed capital of VND16,961,000,000,000	100%	-	100%	-
FWD Assurance VietNam Company Limited[6]	Vietnam	Life insurance	Contributed capital of VND600,000,000,000	100%	-	100%	-
FWD Life Insurance (Cambodia) Plc.[7]	Cambodia	Life insurance	587,600 ordinary shares of KHR100,000 each	100%	-	100%	-

Notes:

1 Formerly known as MetLife Limited

2 Formerly known as Metropolitan Life Insurance Company of Hong Kong Limited

3 On 1 October 2020, SCB Life Assurance Public Company Limited and FWD Life Insurance Public Company Limited amalgamated. The amalgamated company is named FWD Life Insurance Public Company Limited

4 Formerly known as FWD Fuji Life Insurance Company, Limited

5 On 1 December 2020, PT FWD Life Indonesia and PT FWD Insurance Indonesia (formerly known as PT Commonwealth Life) merged. The merged company is named PT FWD Insurance Indonesia

6 Formerly known as Vietcombank-Cardif Life Insurance Limited Company

7 Formerly known as Bangkok Life Assurance (Cambodia) Public Limited Company

All subsidiaries are unlisted. All subsidiaries are audited by Ernst and Young, except for FWD Assurance VietNam Company Limited.

Except for FWD Limited, FWD Group Limited, FWD Takaful Berhad and FWD Life Insurance Public Company Limited, the subsidiaries are fully consolidated in the consolidated financial statements reflecting the economic interests to the Group.

36. EVENTS AFTER REPORTING YEAR

On 3 January 2022, the Company made a capital contribution of US$250m to FL. No shares were issued by FL as a result of the transaction.

The Company issued 31,897,926 ordinary shares to investors at total considerations of US$200m during January 2022.

On 24 January 2022, the Group redeemed the US$250m 6.25% subordinated perpetual capital securities.

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.

Audited Consolidated Financial Statements

FWD Group Holdings Limited
富衛集團有限公司

(formerly known as FWD Group Holdings Limited)

For the year ended 31 December 2022

CONTENTS

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

Opinion

We have audited the consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 (formerly known as FWD Group Holdings Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 126, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board.

Basis for opinion

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

Information other than the consolidated financial statements and auditor's report thereon

The consolidated financial statements do not include other information.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

EY 安永

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

EY 安永

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Ernst & Young

Certified Public Accountants
Hong Kong
27 February 2023

CONSOLIDATED INCOME STATEMENT

US$m	Notes	Year ended 31 December 2022	2021
REVENUE			
Premiums and fee income		8,878	10,426
Premiums ceded to reinsurers		(1,012)	(1,124)
Net premiums and fee income		7,866	9,302
Investment return	7	138	2,137
Other operating revenue	7	246	258
Total revenue		8,250	11,697
EXPENSES			
Insurance and investment contract benefits		6,942	9,396
Insurance and investment contract benefits ceded		(489)	(731)
Net insurance and investment contract benefits		6,453	8,665
Commission and commission related expenses		1,020	1,121
General expenses		1,214	1,243
Finance costs		128	184
Other expenses		138	167
Total expenses	8	8,953	11,380
Profit/(loss) before share of profit/(loss) from associates and joint ventures		(703)	317
Share of profit/(loss) from associates and joint ventures	11	(1)	9
Profit/(loss) before tax from continuing operations		(704)	326
Tax expense from continuing operations	9	(36)	(126)
Profit/(loss) from continuing operations after tax		(740)	200
Profit from discontinued operations, net of tax	5	—	49
Net profit/(loss)		(740)	249
Profit/(loss) from continuing operations after tax attributable to:			
Shareholders of the Company		(607)	99
Perpetual securities		83	65
Non-controlling interests		(216)	36
Net profit/(loss) attributable to:			
Shareholders of the Company		(607)	135
Perpetual securities		83	65
Non-controlling interests		(216)	49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
US$m	2022	2021
Net profit/(loss)	(740)	249
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Fair value losses on available for sale financial assets (net of tax of: 31 December 2022 US$(680m) and 31 December 2021 US$(303m))	(4,439)	(1,321)
Fair value (gains)/losses on available for sale financial assets transferred to income (net of tax of: 31 December 2022 US$17m and 31 December 2021 US$(20m))	82	(90)
Cash flow hedges	(8)	4
Foreign currency translation adjustments	(213)	(470)
Share of other comprehensive loss from associates and joint ventures	(2)	(5)
Subtotal	(4,580)	(1,882)
Items that will not be reclassified subsequently to profit or loss:		
Effect of re-measurement of net liability of defined benefit schemes (net of tax of: 31 December 2022 US$nil and 31 December 2021 US$nil)	2	2
Total other comprehensive loss	(4,578)	(1,880)
Total comprehensive loss	(5,318)	(1,631)
Total comprehensive loss attributable to:		
Shareholders of the Company	(3,931)	(1,230)
Perpetual securities	83	65
Non-controlling interests	(1,470)	(466)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Year ended 31 December	
US$m	Notes	2022	2021
ASSETS			
Intangible assets	10	3,207	3,348
Investments in associates and joint ventures	11	393	332
Property, plant and equipment	12	139	159
Investment property	13	641	663
Reinsurance assets	14	3,235	3,404
Deferred acquisition costs	15	4,997	4,742
Financial investments	16, 18		
Loans and deposits		2,327	1,688
Available for sale debt securities		32,493	37,156
At fair value through profit or loss			
Debt securities		225	79
Equity securities		7,864	8,253
Derivative financial instruments	17	319	120
		43,228	47,296
Deferred tax assets	9	743	9
Current tax recoverable		19	20
Other assets	19	857	921
Cash and cash equivalents	20	1,474	2,652
Assets classified as held-for-sale	5	—	107
Total assets		58,933	63,653
LIABILITIES			
Insurance contract liabilities	21	48,715	47,981
Investment contract liabilities	22	174	217
Deferred ceding commission	24	1,106	1,052
Borrowings	25	2,216	2,212
Derivative financial instruments	17	134	157
Provisions		15	18
Deferred tax liabilities	9	71	341
Current tax liabilities		369	22
Other liabilities	26	2,427	2,639
Liabilities directly associated with assets classified as held-for-sale	5	—	67
Total liabilities		55,227	54,706

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		Year ended 31 December	
US$m	Note	2022	2021
EQUITY			
Share capital and share premium	27	6,411	6,019
Other reserves	27	81	98
Accumulated losses		(1,036)	(283)
Amounts reflected in other comprehensive income		(3,493)	(187)
Fair value reserve	27	(3,168)	(21)
Cash flow hedge reserve	27	(15)	(9)
Defined benefit obligation revaluation reserve		3	2
Foreign currency translation reserve	27	(315)	(162)
Share of other comprehensive income of associates and joint ventures		2	3
Total equity attributable to Shareholders of the Company		1,963	5,647
Perpetual securities	27	1,354	1,607
Non-controlling interests	27	389	1,693
Total equity		3,706	8,947
Total liabilities and equity		58,933	63,653

Approved and authorised for issue by the board of directors on 27 February 2023.

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Shareholders of the Company										
					Other comprehensive income							
US$m	Notes	Share Capital and share premium	Other reserves	Accumulated losses	Fair value 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 2022		6,019	98	(283)	(21)	(9)	2	(162)	3	1,607	1,693	8,947
Net profit/(loss)		—	—	(607)	—	—	—	—	—	83	(216)	(740)
Fair value losses on available for sale financial assets		—	—	—	(3,223)	—	—	—	—	—	(1,216)	(4,439)
Fair value losses on available for sale financial assets transferred to income on disposal		—	—	—	59	—	—	—	—	—	23	82
Foreign currency translation adjustments		—	—	—	—	—	—	(154)	—	—	(59)	(213)
Cash flow hedges		—	—	—	—	(6)	—	—	—	—	(2)	(8)
Share of other comprehensive loss from associates and joint ventures		—	—	—	—	—	—	—	(2)	—	—	(2)
Effect of remeasurement of net liability of defined benefit schemes		—	—	—	—	—	1	—	—	—	1	2
Total comprehensive income/(loss) for the period		—	—	(607)	(3,164)	(6)	1	(154)	(2)	83	(1,469)	(5,318)
Issuance of shares		400	—	—	—	—	—	—	—	—	—	400
Issuance of shares by subsidiaries		—	(38)	9	18	—	—	2	—	—	9	—
Redemption of perpetual securities	27	—	—	(2)	—	—	—	—	—	(248)	—	(250)
Distribution paid	27	—	—	—	—	—	—	—	—	(87)	—	(87)
Share-based compensation	31	—	19	—	—	—	—	—	—	—	7	26
Transactions with non-controlling interests	27	—	—	(150)	—	—	—	—	—	—	150	—
Disposal of subsidiary	5	—	—	—	(1)	—	—	(1)	—	—	(1)	(3)
Transfer to legal reserve		—	3	(3)	—	—	—	—	—	—	—	—
Others		(8)	(1)	—	—	—	—	—	1	(1)	—	(9)
Balance as at 31 December 2022		6,411	81	(1,036)	(3,168)	(15)	3	(315)	2	1,354	389	3,706

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to Shareholders of the Company										
					Other comprehensive income							
US$m	Notes	Share Capital and share premium	Other reserves	Accumulated losses	Fair value reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint venture	Perpetual securities	Non-controlling interests	Total equity
Balance as at 1 January 2021		4,045	65	(390)	1,004	(11)	—	178	7	1,607	1,720	8,225
Net profit		—	—	135	—	—	—	—	—	65	49	249
Fair value losses on available for sale financial assets		—	—	—	(960)	—	—	—	—	—	(361)	(1,321)
Fair value gains on available for sale financial assets transferred to income on disposal		—	—	—	(65)	—	—	—	—	—	(25)	(90)
Foreign currency translation adjustments		—	—	—	—	—	—	(341)	—	—	(129)	(470)
Cash flow hedges		—	—	—	—	3	—	—	—	—	1	4
Share of other comprehensive loss from associates and a joint venture		—	—	—	—	—	—	—	(4)	—	(1)	(5)
Effect of remeasurement of net liability of defined benefit schemes		—	—	—	—	—	2	—	—	—	—	2
Total comprehensive income/(loss) for the period		—	—	135	(1,025)	3	2	(341)	(4)	65	(466)	(1,631)
Issuance of shares	27	2,025	—	—	—	—	—	—	—	—	—	2,025
Share Surrender	27	(15)	15	—	—	—	—	—	—	—	—	—
Issuance of shares by subsidiaries	27	—	(10)	2	—	—	—	—	—	—	8	—
Distribution paid	27	—	—	—	—	—	—	—	—	(65)	—	(65)
Share-based compensation	31	—	23	—	—	—	—	—	—	—	9	32
Acquisition of non-controlling interests	27	—	3	(207)	4	(4)	—	—	—	—	204	—
Transactions with non-controlling interests	27	—	(3)	188	(5)	4	—	—	—	—	216	400
Transfer to legal reserve		—	5	(5)	—	—	—	—	—	—	—	—
Others		(36)	—	(6)	1	(1)	—	1	—	—	2	(39)
Balance as at 31 December 2021		6,019	98	(283)	(21)	(9)	2	(162)	3	1,607	1,693	8,947

CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	Notes	Year ended 31 December 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		(704)	326
From discontinued operations	5	—	50
Adjustments for:			
Financial investments		(1,029)	(4,548)
Insurance and investment contract liabilities, and deferred acquisition and origination costs		659	2,517
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		(642)	(608)
Operating cash items:			
Dividend received		189	295
Interest received		1,185	1,149
Interest paid		(10)	(1)
Income tax paid		(39)	(48)
Net cash used in operating activities		(391)	(868)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of interest in an associate	11	(54)	(273)
Dividend and distribution from joint ventures		7	246
Payments for intangible assets		(483)	(187)
Payments for investment properties		(64)	(117)
Payments for property, plant and equipment		(11)	(17)
Proceeds from disposal of a subsidiary, net of cash disposed		38	9
Proceeds from disposal of a business		—	10
Proceeds from disposals of intangible assets		13	233
Proceeds from disposals of property, plant and equipment		1	2
Net cash used in investing activities		(553)	(94)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

		Year ended 31 December	
US$m	Notes	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of ordinary shares		400	2,025
Transaction costs on issuance of ordinary shares		(31)	(4)
Repayment of bank borrowings	25	50	(2,250)
Proceeds from bank borrowings	25	(50)	1,000
Restricted cash		(3)	39
Distributions paid on perpetual securities	29.3	(87)	(65)
Redemption of perpetual securities	29.3	(250)	—
Transaction with non-controlling interests	27.5	—	400
Principal portion of lease payments		(42)	(54)
Finance costs paid on lease liabilities		(4)	(5)
Finance costs paid on borrowings		(96)	(127)
Finance costs paid on distribution agreement payable		(74)	(8)
Payment for listing related expenses		(3)	(3)
Net cash provided by/(used in) financing activities		(190)	948
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,134)	(14)
Cash and cash equivalents at beginning of year		2,654	2,740
Effect of exchange rate changes on cash and cash equivalents		(46)	(72)
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,474	2,654
Included in cash and cash equivalents per the consolidated statement of financial position	20	1,474	2,652
Included in the assets classified as held-for-sale		—	2

1. CORPORATE INFORMATION

1.1 General Information

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

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

As at 31 December 2022 and 2021, 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 History and reorganisation of the Group

1.2.1 Historical holding structure

The historical holding structure of the Group prior to the completion of the reorganisation was as follows:

- The Company was and continues to be the immediate holding company of FWD Group Limited ("FGL").
- PCGI Limited was the immediate holding company of FWD Limited ("FL"), an exempted company with limited liability incorporated under the laws of the Cayman Islands. As at 1 January 2020, PCGI Limited was wholly owned by Mr. Li Tzar Kai, Richard.
- PCGI Limited and the Company were the immediate holding companies of PCGI Intermediate Limited and PCGI Intermediate Holdings (II) Limited (collectively, the "Financing Entities"), respectively.

1.2.2 Reorganisation of the Group

The Group underwent the following reorganisation steps ("Reorganisation"):

1. On 17 December 2020, the Company and PCGI Limited carried out a merger under the laws of the Cayman Islands (the "Merger"), pursuant to which:

    i. The Company assumed all the assets, liabilities and business of PCGI Limited, and PCGI Limited ceased to exist according to the laws of the Cayman Islands; and
    ii. The Company issued 18,486,640 ordinary shares to Mr. Li Tzar Kai, Richard on a one-to-one basis of his holding of ordinary shares of PCGI Limited.

    Following the Merger, the share capital and share premium of the Company increased by US$18m and US$1,831m, respectively. The Company became the immediate investment holding company of FL, FGL and the Financing Entities.

2. On 23 December 2020, Mr. Li Tzar Kai, Richard transferred his holding of 18,486,640 ordinary shares of the Company to PCGI Holdings Limited in exchange for 18,486,640 ordinary shares of PCGI Holdings Limited. Following such transfer, the Company became the wholly owned subsidiary of PCGI Holdings Limited.

1. CORPORATE INFORMATION (continued)

1.2 History and reorganisation of the Group (continued)

1.2.2 Reorganisation of the Group (continued)

3. On 23 December 2020, the Company transferred its shareholding in the Financing Entities and novated the bank borrowings and guaranteed notes of US$1,296m and a related party balance of US$420m to PCGI Holdings Limited by way of capitalisation (the "Transfer and Novation of Borrowings and Related Parties Balances"). Refer to Notes 25, 27 and 33 for further details. PCGI Holdings Limited replaced the Company (itself and as successor of PCGI Limited) as the guarantor of certain notes issued by the Financing Entities. After the completion of the Transfer and Novation of Borrowings and Related Parties Balances, US$1,716m was capitalised as share premium.

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

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

6. On 14, 15 and 20 December 2021, and 14 and 27 January 2022, the Company allotted and issued in aggregate 259,170,649 ordinary shares to certain investors.

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

8. On 19 December 2022, the Company allotted and issued 31,897,926 ordinary shares to PCGI Holdings Limited ("December 2022 Pre-IPO Investment"). Following the December 2022 Pre-IPO Investment, PCGI Holdings Limited holds approximately 77.7% shareholding in the Company. Refer to Note 27 for further details.

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

1. The Company will issue ordinary shares to the non-controlling interest holders (including Swiss Re Principal Investments Company Asia Pte. Ltd, individual shareholders, directors and senior management) of FL and FGL in exchange for their holdings of ordinary shares, preference shares and convertible preference shares (as applicable) in FL and FGL (the "Exchange of Share Capital of FL and FGL"). Immediately after the completion of the Exchange of Share Capital of FL and FGL, FL and FGL will become wholly-owned subsidiaries of the Company.

2. FL and FGL will cancel the ordinary shares, preference shares and convertible preference shares acquired by the Company from the non-controlling interest holders.

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The accounting policies adopted are consistent throughout the years ended 31 December 2022 and 2021, except as described as follows.

(a) Mandatory for the year ended 31 December 2022

The following amendments have been adopted by the Group from 1 January 2022 and have no material impact to the Group:

- Amendments to IAS 16, Property, Plant and Equipment: Proceeds before intended use
- Amendments to IAS 37, Onerous Contracts - Cost of Fulfilling a Contract
- Amendments to IFRS 3, Reference to the Conceptual Framework
- Annual Improvements to IFRS Standards 2018 - 2020

(b) Temporary exemption from adoption for the year ended 31 December 2022

The following relevant new standards and requirements have been issued but are not effective for the financial year ended 31 December 2022 and have not been early adopted:

i. IFRS 9 Financial Instruments

IFRS 9 Financial Instrument, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss or in other comprehensive income and those measured at amortised cost. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, a revised expected credit loss model will replace the incurred loss impairment model in IAS 39.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Temporary exemption from adoption for the year ended 31 December 2022 (continued)

i. IFRS 9 Financial Instruments (continued)

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies. The IASB made further changes to two areas of IFRS 9. Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income ("FVOCI") if the cash flow represents solely payments of principal and interest ("SPPI"). Non-substantial modifications or exchange of financial liabilities that do not result in derecognition will be required to be recognised in profit or loss.

The standard is mandatorily effective for financial periods beginning on or after 1 January 2019. Amendments to IFRS 4 Insurance Contracts allow a temporary exemption option for companies whose activities are predominantly connected with insurance to defer the effective date of IFRS 9 until the earlier of the effective date of IFRS 17 and financial reporting periods beginning on or after 1 January 2023. The Group has elected to apply the temporary exemption option to defer the effective date of IFRS 9 in order to implement the changes in parallel with IFRS 17 Insurance Contracts.

The Group will adopt IFRS 9 in parallel with IFRS 17 from 1 January 2023, the Group will apply the full retrospective approach to restate comparative information. Based on the Group's preliminary financial impact analysis:

- The majority of the debt investments that are currently classified as available-for-sale will satisfy the conditions for classification as Fair value through Other Comprehensive Income ("FVOCI"). The Group's equity investments that are currently Fair value through profit or loss ("FVTPL") will continue to be FVTPL under IFRS 9.
- The Group expects an insignificant increase in the loss allowance in relation to debt investments measured at FVOCI and loans and deposits at amortised cost.
- The Group will continue to apply IAS 39 hedge accounting requirements.

The Group expects the overall impact of adoption of IFRS 9 is not material. A further update on the financial impact will be provided in the 2023 interim financial report.

The following disclosures are provided in accordance with the requirements of amendments to IFRS 4 when temporary exemption option is applied.

The Group's financial assets as at 31 December 2022 are separated into the following two groups:

- financial assets with contractual terms that give rise to cash flows that meet SPPI criteria in accordance with IFRS 9 and are not held for trading or managed on a fair value basis, which consist of debt securities, loans and receivables and cash and cash equivalents; and
- financial assets other than those specified in (i), which consist of debt securities, equity securities and derivative financial instruments.

The following table shows the fair value and changes in fair value of these two groups of financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Temporary exemption from adoption for the year ended 31 December 2022 (continued)

i. IFRS 9 Financial Instruments (continued)

US$m	Fair value as at 31 December 2022			Change in fair value for the year ended 31 December 2022		
	Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis	Others	Total	Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis	Others	Total
Debt securities	30,812	1,906	32,718	(4,767)	(101)	(4,868)
Other financial assets (Note 1 and 2)	3,011	8,183	11,194	3	(1,336)	(1,333)
Total	33,823	10,089	43,912	(4,764)	(1,437)	(6,201)

US$m	Fair value as at 31 December 2021			Change in fair value for the year ended 31 December 2022		
	Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis	Others	Total	Financial assets that meet SPPI criteria and are not held for trading or managed on a fair value basis	Others	Total
Debt securities	36,243	992	37,235	(708)	(5)	(713)
Other financial assets (Note 1 and 2)	3,588	8,372	11,960	41	695	736
Total	39,831	9,364	49,195	(667)	690	23

Notes:
[1] Balance of other financial assets qualifying as SPPI includes loans and deposits and cash and cash equivalents. Policy loans included in loans and deposits amounting to US$795m and US$793m as at 31 December 2022 and 2021, respectively, are not included above since they will be accounted for under IFRS 17 where its adoption is in parallel with IFRS 9.
[2] Balance of other financial assets not qualifying as SPPI mainly represents equity securities and derivative financial instruments.

The financial assets presented above that met SPPI criteria and not held for trading or managed on fair value basis are primarily debt securities. Additional information on the credit quality analysis of these debt securities is provided in Note 16.

Financial assets are considered to have low credit risk if:
- the financial instruments have a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As at 31 December 2022 and 2021, the fair value of financial assets that do not have low credit risk was US$1,189m and US$1,099m, respectively.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) Issued but not yet effective and have not been early adopted for the reporting periods presented

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:

i. IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts, and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's consolidated financial statements.

Under IFRS 17, insurance contracts are measured by the general model which is based on a discounted cash flow model with an explicit risk adjustment, and a contractual service margin that defers unearned profits. The deferred profit is recognised gradually over time when insurance contract services are provided to policyholders. The general model is supplemented by the variable fee approach for contracts that meet certain requirements and provide insurance coverage together with substantial investment-related service, and the premium allocation approach that applies to short-duration contracts. The Group expects to use all three measurement model approaches given the variety of insurance products sold and the number of jurisdictions in which the Group operates in.

The insurance contracts are presented in the statement of financial position as the sum of the discounted future cash flows, the risk adjustment and the contractual service margin. The asset for deferred acquisition costs and other insurance related receivables will no longer be separately presented as they will be included in the insurance contract liabilities measurement under IFRS 17.

Insurance revenue will no longer be measured by premium, but recognised by the provision of services to policyholders throughout the term of the insurance contracts. Additionally, IFRS 17 introduces a new presentation format for the statement of comprehensive income with a disaggregation between insurance service result and insurance finance income and expenses. Reinsurance outward results are also required to be shown separate to inward business. There will be extensive disclosures to reconcile the movements in insurance contract assets and liabilities with the income and expenses in the statement of comprehensive income.

The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023, with retrospective application and restatement of comparative figures required. If full retrospective application to a group of contracts is impracticable, IFRS 17 requires using either the modified retrospective approach that allows certain specific modifications, or the fair value approach. The Group expects to make use of all three transition approaches given the varying length of history of the in-force business.

IFRS 17 requires significant changes to the accounting policies for insurance contract liabilities and enhancements to the IT, finance and actuarial systems of the Group, and a group-wide project is in progress to implement the new standard.

The Group has been assessing the implications of IFRS 17 and is in the midst of preparing the opening statement of financial position as at 1 January 2022 and the restatement of results for the year ending 31 December 2022 under IFRS 17. The Group has been monitoring emerging market practice and interpretations of judgemental areas of the standard and there continues to be some uncertainty on the financial impact on transition to IFRS 17. However, based on the Group’s preliminary financial impact analysis, total equity in the opening statement of financial position as at 1 January 2022 is estimated to be between US$8.9 billion to US$9.0 billion.

Further, IFRS 17 provides flexibility in allowing the effects of changes in discount rates and other financial variables to be either presented in profit or loss or disaggregated between profit or loss and other comprehensive income and hence accounting mismatches could be reduced. As such, IFRS 17 is expected to result in reduced volatility in reported net profit and total equity as a result of improved alignment in the financial market related impacts of assets and liabilities. Lower volatility in profit or loss would be expected for insurance contracts being classified under the variable fee approach. Under this approach, the effects of changes in discount rates and other financial variables (such as fair value movements in equities) are adjusted to the contractual service margin and amortised over future periods rather than recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) Issued but not yet effective and have not been early adopted for the reporting periods presented (continued)

In particular, the Hong Kong operating segment will be expected to have lower volatility in net profit as a result of a substantial proportion of the insurance contracts being classified under the variable fee approach. Further, all operating segments will have lower volatility in total equity as a result of discounted cash flows reflecting current estimates of discount rates as opposed to using locked-in discount rates under IFRS 4. A further update on the financial impact will be provided in the 2023 interim financial report.

ii. Other new amendments to standards that have been issued but are not yet effective and have not been early adopted.

- Amendments to IAS 1 and IFRS 2 Practice Statement 2, Disclosure of Accounting Policies (2023)
- Amendments to IAS 8, Definition of Accounting Estimates (2023)
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2023)
- Amendments to IAS 1, Non-Current Liabilities with Covenants (2024)
- Amendment to IFRS 16, Leases on sale and leaseback (2024)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate of Joint Venture (Deferred)

The Group has assessed the impact of these new amendments and they are not expected to have a material impact on the financial position or results of operations of the Group.

2.2 Basis of consolidation

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

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

(1) Subsidiaries

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

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

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

(2) Investment funds

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

(3) Non-controlling interests

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

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

(4) Investments in associates and joint ventures

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts

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

(1) Product classification

The Group classifies its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Some insurance and investment contracts, referred to as participating business, have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses.

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

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

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

The Group applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts. The Group refers to such contracts as participating business. In some jurisdictions, participating business is written in a participant fund which is distinct from the other assets of the Group. The allocation of benefits from the assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation. The extent of such policyholder participation may change over time. The current policy participation in declared dividends for locations with participating funds is set out below:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

(1) Product classification (continued)

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

		Basis of accounting for:	
Policy type	Description of benefits payable	Insurance contract liabilities	Investment contract
Traditional participating life assurance with DPF	Participating funds Participating products include protection and savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing and bonus declarations is at the discretion of the insurer. Local regulators generally prescribed a minimum proportion of policyholder participation in declared dividend.	Insurance contracts liabilities make provision for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders. For participating products with definite sharing mechanism, insurance contract liabilities make provision for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. Undistributed participating policy earnings account ("UPPEA") is set up retrospectively for undistributed dividends or bonuses. In addition, deferred profit liabilities for limited payment contracts are recognised.	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts.
	Other participating business Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience.	Insurance contract liabilities make provision for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders.	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts.
Takaful	Products combine savings with protection, with an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (Family risk fund) providing for mutual financial benefits payable on the occurrence of pre-agreed events.	Insurance contract liabilities reflect the present value of future policy benefits to be paid, the future administration expenses that are directly related to the contract and the mutual financial benefits to be paid from the common fund, less the present value of estimated future gross premiums to be collected from policyholders.	Not applicable.
Non-participating life assurance, annuities and other protection products	Benefits payable are not at the discretion of the insurer.	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly related to the contract, less the present value of estimated future net premiums to be collected from policyholders. In addition, deferred profit liabilities for limited payment contracts are recognized.	Investment contract liabilities without DPF are measured at amortised cost.
Universal life	Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer.	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment returns credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded.	Not applicable as such contracts generally contain significant insurance risk.
Unit-linked	These may be primarily savings products or may combine savings with an element of protection.	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment returns credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded.	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

(1) Product classification (continued)

The basis of accounting for life insurance and investment contracts is further discussed below.

2.3.1 Life Insurance contracts and investment contracts with DPF

(1) Premiums

For single premium business, premiums are recognised as revenue on the date when the policy becomes effective. Regular premiums from life insurance contracts, including participating policies, universal life, unit-linked contracts and annuity policies with life contingencies, are recognised as revenue when due from the policyholder. Benefits and expenses are provided in respect of such revenue so as to recognise profits over the estimated life of the policies. For limited payment contracts, premiums are recognised in profit or loss when due, with any excess profit deferred and recognised in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

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

Life insurance contract policyholders are charged fees for policy administration services, investment management services and surrenders. The fee income is recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, these are deferred and recognised in profit or loss as the service is provided over the term of the contract. Initial and other upfront fees are also deferred and recognised over the estimated life of the contracts to which they relate. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

(2) Unearned revenue liability

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

(3) Deferred profit liability

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

(4) Deferred acquisition costs ("DAC")

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

(4) Deferred acquisition costs ("DAC") (continued)

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

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

(5) Deferred sales inducements

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

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

(6) Unbundling

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

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

(7) Bifurcation

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

(8) Benefits and claims

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

Accident and health claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for reinsurance recoveries, and any adjustments to claims outstanding from previous years. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims and policyholder bonuses. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

(9) Life insurance contract liabilities (including liabilities in respect of investment contracts with DPF)

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

For investment linked contracts, contract liabilities are directly linked to the underlying investment assets, which are portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value and an unearned revenue liability and sales inducement liability where applicable.

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

The Group accounts for insurance contract liabilities for participating business written in participating funds by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders assuming all performance were to be declared as a dividend based upon the Group's rules on profit distribution. The Group accounts for other participating business by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders.

(10) Liability adequacy testing

The adequacy of liabilities is assessed by portfolio of contracts, in accordance with the Group’s manner of acquiring, servicing and measuring the profitability of its insurance contracts.

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

2.3.2 Investment contracts without DPF

Investment contracts do not contain sufficient insurance risk to be considered as insurance contracts and are accounted for as a financial liability.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Investment contracts without DPF (continued)

(1) Investment contract fee revenue

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

Origination and other “upfront” fees (fees that are assessed against the account balance as consideration for origination of the contract) are charged on some non-participating investment and pension contracts. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are amortised and recognised as the services are provided.

(2) Deferred origination costs

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

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

(3) Investment contract liabilities

Deposits collected and benefit payments under investment contracts without DPF are not accounted for through the consolidated income statement, except for the investment income and fees attributed to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance.

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

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

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

(4) Deferred fee income liability

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.3 Insurance and investment contracts

(1) Reinsurance

The Group cedes insurance risk in the normal course of business, with retentions varying by line of business. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The cost of reinsurance is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for such policies.

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

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

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment loss in the consolidated income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Group will receive from the reinsurer can be reliably measured.

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

Ceding commissions in relation to the reinsurance contracts are deferred and amortised similarly to deferred acquisition costs, and are recognised in “Deferred ceding commissions”.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(2) Value of business acquired (“VOBA”)

VOBA in respect of a portfolio of long-term insurance and investment contracts, through the acquisition of a subsidiary, is recognised as an asset. It represents the difference between the fair value of insurance liabilities and the carrying value. VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.3 Insurance and investment contracts (continued)

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

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

(4) Other assessments and levies

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

2.3.4 General Insurance contracts

(1) Premiums

General insurance premiums written are recognised at policy inception and earned on a pro rata basis over the term of the policy related coverage.

(2) Deferred acquisition costs

For general insurance, DAC is amortised on a straight line basis over the life of the contracts and derecognised when the related contracts are settled or disposed of.

(3) Benefits and claims

General insurance claims incurred include all claim losses occurring during the period, whether reported or not, including the related handling costs and other recoveries and any adjustments to claims outstanding from previous years.

(4) General insurance contract liabilities

These liabilities include the provisions for outstanding claims, unearned premiums and unexpired risks. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs, reduced by the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is determined at the end of the reporting period using case estimates, supplemented by a range of standard actuarial claim projection techniques based on empirical data on current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The proportion of written premiums attributable to subsequent periods is deferred as unearned premium, which includes premiums received for risks that have not yet expired. The change in the provision for unearned premium is taken to profit or loss such that revenue is recognised over the period of risk. The methods used are as follows:

Marine cargo business	25% method
Non-marine cargo business	365 days method

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.5 Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is the present value of estimated future cash flows discounted at the original effective interest rate. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated income statement.

Insurance receivables are derecognised when the de-recognition criteria for financial assets, as described in "Derecognition and offset of financial assets" below, have been met.

2.3.6 Reinsurance contracts issued

Reinsurance contracts are defined as those containing significant insurance risk at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as a reinsurance contract, it remains a reinsurance contract for the rest of its life time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

2.3.7 Life reinsurance contracts

(1) Premiums

Premiums are recognised as income when risk coverage is provided to ceding companies.

(2) Deferred Acquisition Costs

The costs of acquiring new reinsurance contracts, including commissions and distribution costs, underwriting and other expenses which vary with, and are primarily related to, the production of new business or renewal of existing business, are deferred as an asset and amortised on the straight-line basis over the terms of life reinsurance policies.

(3) Life reinsurance contract liabilities

Reinsurance contract liabilities represent the estimated future benefit liability for the life reinsurance policies. Future benefits are calculated using a net level premium valuation method which represents the present value of estimated future policy benefits to be paid to cedants, less the present value of estimated future net premiums to be collected from cedants.

(4) Liability adequacy test

The liability adequacy test compares the carrying value of reinsurance contract liabilities less deferred acquisition costs with the fair value of the liabilities from the reinsurance portfolio recognised. If there is a deficiency, the unamortised balances of deferred acquisition costs are written down to the extent of the deficiency. If, after writing down the unamortised balances of deferred acquisition costs to zero, a deficiency still exists, the liability is increased by the amount of the remaining deficiency.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial Instruments

2.4.1 Classification and designation of financial instruments

(1) Financial assets and liabilities at fair value through profit or loss

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

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

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

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

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

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

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

(2) Available for sale financial assets

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

The available for sale category is used where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consists of the Group's debt securities (other than those backing unit-linked contracts) which are neither classified as held for trading nor designated at fair value through profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.1 Classification and designation of financial instruments (continued)

(3) Realised gains and losses on financial assets

Realised gains and losses on available for sale debt securities are determined as the difference between the sale proceeds and amortised costs.

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

(4) Derecognition and offset of financial assets

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

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

(5) Loans and receivables

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

(6) Term deposits

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Certain of these balances are subject to regulatory or other restriction as disclosed in Note 16 Financial Investments. Deposits are stated at amortised cost using the effective interest method.

(7) Cash and cash equivalents and restricted cash

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.2 Fair values of non-derivative financial instruments

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

Financial instruments carried at fair value are measured using a fair value hierarchy described in Note 18.

2.4.3 Impairment of financial assets

(1) General

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

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

(2) Available for sale financial instruments

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

(3) Loans and receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.4 Derivative financial instruments

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

(1) Derivative instruments for economic hedges

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

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

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are classified as current portions and non-current portions only if a reliable allocation can be made.

(2) Derivative instruments for hedge accounting

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

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

(i) Fair value hedge

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial Instruments (continued)

2.4.4 Derivative financial instruments (continued)

(2) Derivative instruments for hedge accounting (continued)

(ii) Cash flow hedge

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

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

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

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

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

(3) Embedded derivatives

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

2.5 Segment reporting

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency, are recognised in the consolidated income statement.

Translation differences on financial assets designated at fair value through profit or loss are included in investment experience. For monetary financial assets classified as available for sale, translation differences are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statement. Foreign exchange movements on non-monetary equities that are accounted for as available for sale are included in the fair value reserve.

2.7 Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investment property

Property held for long-term rental or capital appreciation, or both that is not occupied by the Group is classified as investment property. Investment property, including land and buildings, is initially recognised at cost with changes in fair values in subsequent periods recognised in the consolidated income statement.

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

2.9 Goodwill and other intangible assets

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill arising on the Group's investment in subsidiaries is shown as a separate asset and is carried at cost less any accumulated impairment losses, whilst that on associates and joint ventures is included within the carrying value of those investments. All acquisition-related costs are expensed as incurred.

(2) Distribution rights

Distribution rights represent contractual relationships for exclusive access to distribution networks, and are amortised over their remaining contractual lives. The remaining contractual lives of the distribution rights are determined as the actual contractual periods of the corresponding agreements, which were between 15 to 20 years at their inception.

Costs associated with acquiring rights to access distribution networks are amortised on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the intangible asset. These amortisation charges are subsequently recorded and amortised as DAC.

(3) Other intangible assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets

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

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

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

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

2.11 Non-current assets and disposal groups held for sale

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

2.12 Collateral

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Borrowings

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

2.14 Income taxes

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Revenue

(1) Investment return

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

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

(2) Other fee and commission income

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

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

2.16 Employee benefits

(1) Annual leave

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

(2) Post-retirement benefit obligations

The Group operates a number of funded and unfunded post-retirement employee benefit schemes, whose members receive benefits on either a defined benefit basis (generally related to salary and length of service) or a defined contribution basis (generally related to the amount invested, investment return and annuity rates).

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Employee benefits (continued)

(2) Post-retirement benefit obligations (continued)

For defined contribution retirement benefits schemes, the Group pays contributions to independently administered funds. Once the contributions have been paid, the Group, as employer, does not have any further payment obligations. The Group's contributions are charged to the consolidated income statement in the reporting period to which they relate and are included in "Employee benefits expenses". When an employee leaves the scheme prior to his/her interest in the Group's employer contributions becoming fully vested, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

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

(3) Long service payments

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

(4) Share-based compensation

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

The Group's share-based compensation plan is equity-settled plan. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the award of RSUs and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the RSUs and/or share options awarded on respective grant date. Non-market vesting conditions are included in assumptions about the number of RSUs and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of RSUs and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

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

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

(5) Termination benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Provisions and contingencies

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

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

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

2.18 Lease

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

Group as a lessee
The Group leases various premises, car parks, equipment and other small items as a lessee. These leases, except for short-term leases and leases of low-value assets, are recognised as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. Right-of-use assets are presented as a component of property, plant and equipment while lease liabilities are presented as a component of other liabilities (see Notes 12 and 26). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation charge for right-of-use assets, by class of underlying asset, and finance cost on lease liabilities are disclosed in Note 8.

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

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

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the respective business unit (as the lessee) within the Group. Furthermore, a maturity analysis of the Group's lease liabilities is disclosed in Note 29.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Lease (continued)

In determining the lease term, management considers all facts and circumstances that create an economic incentive for the lessee to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) by the lessee. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer hardware and small items of furniture and fixtures that are individually, when new, below US$5,000. Expenses relating to short-term leases are disclosed in Note 8.

2.19 Share capital

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

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

Dividends are recognised when they have been approved by shareholders.

2.20 Presentation of the consolidated statement of financial position

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

2.21 Fiduciary activities

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

2.22 Consolidated statement of cash flow

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

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

2.23 Related parties

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

2.24 Earnings/loss per share

Basic earnings/loss per share is calculated by dividing net profit/loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period as adjusted for the effect of capitalisation issue or bonus issue. For the calculation of diluted earnings/loss per share, net profit/loss attributable to ordinary shareholders of the Company for basic earnings/loss per share is adjusted by the effect of dilutive securities issued by subsidiaries, to assume conversion of all dilutive potential ordinary shares. Dilutive effects of share-based awards issued by subsidiaries are adjusted under treasury stock method. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease basic earnings per share or increase basic loss per share.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly. Key judgments, estimates and assumptions are described below.

3.1 Product classification

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

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

3.2 Life insurance contracts (including liabilities in respect of investments contracts with DPF)

The Group calculates the insurance contract liabilities for traditional life insurance using a net level premium valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses best estimate assumptions at inception adjusted for a provision for the risk of adverse deviation for mortality, morbidity, expected investment yields, policyholder dividends (for other participating business), surrenders and expenses set at the policy inception date. These assumptions remain locked in thereafter, unless a deficiency arises on liability adequacy testing. Interest rate assumptions can vary by geographical market, year of issuance and product. Mortality, surrender and expense assumptions are based on actual experience by each geographical market, modified to allow for variations in policy form. The Group exercises significant judgement in making appropriate assumptions.

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

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

The judgments exercised in the valuation of insurance contract liabilities affect the amounts recognised in the consolidated financial statements as insurance contract benefits and insurance contract liabilities. Further details of the related accounting policies, key risks and variables, and the sensitivities of assumptions to the key variables in respect of insurance contract liabilities are provided in Notes 2.3, 21 and 23.

3.3 General insurance contract liabilities

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period. It can take a significant period of time before the ultimate claims cost can be established with certainty and, for some types of policies, IBNR claims form the majority of the claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims is the use of past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

Similar judgments are made in assessing the adequacy of the unearned premium provision, whereby assessments are made of the expected future claim costs arising from the unexpired portion of contracts in force at the end of the reporting period.

Further details of the related accounting policy, key risk and variables, and the sensitivities of assumptions to the key variables in respect of general insurance contract liabilities are provided in Notes 2.3, 21 and 23.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.4 Deferred acquisition costs

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

As described in Note 2.3, deferred acquisition costs for traditional life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are applied consistently throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing.

As described in Note 2.3, deferred acquisition costs for universal life and unit-linked contracts are amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits to be realised over the life of the contract. Significant judgment is exercised in making appropriate estimates of gross profits. The expensing of acquisition costs is accelerated following adverse investment performance. Likewise, in periods of favourable investment performance, previously expensed acquisition costs are reversed (but not in excess of the amount initially deferred).

Additional details of deferred acquisition costs are provided in Notes 2.3 and 15.

3.5 Liability adequacy testing

The Group evaluates the adequacy of its insurance and investment contract liabilities at least annually. Significant judgment is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Liability adequacy is assessed on a portfolio of contracts in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

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

3.6 Value of business acquired

The judgments exercised in the valuation and amortisation of the fair value of insurance contracts of the acquired company in business combinations that affect amounts recognised in the consolidated financial statements as value of business acquired.

As described in Note 2.3, value of business acquired is an asset that reflects the present value of estimated net cash flows before tax embedded in the insurance contracts of an acquired company which existed at the time of business combination. It represents the difference between the fair value of insurance liabilities and the carrying value. In all cases, the VOBA is amortised over the estimated life of contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

Additional details of value of business acquired are provided in Notes 2.3 and 15.

3.7 Fair value of financial assets

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.7 Fair value of financial assets (continued)

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

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

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in Notes 18 and 29.

3.8 Fair value of investment property

The Group uses independent professional valuers to determine the fair value of investment property on the basis of the highest and best use of the investment property that is physically possible, legally permissible and financially feasible. In most cases, current use of the investment property is considered to be the highest and best use for determining the fair value. The discounted cash flow approach is used by reference to net rental income allowing for reversionary income potential to estimate the fair value of the investment property. Further details of the fair value of investment property are provided in Notes 13 and 18.

3.9 Impairment of goodwill and other intangible assets

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units or groups of cash generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit (group of units), including goodwill, to the recoverable amount of that cash-generating unit (group of units). The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions. Further details of the impairment of goodwill and other intangible assets during the period are provided in Note 10.

3.10 Share based compensation

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

(1) RSUs

The Group estimates the fair value of the RSUs using appraisal value method (Embedded Value plus a multiple of Value of New Business) and market valuation approach, where applicable.

Under the appraisal value method (Embedded Value ("EV") plus a multiple of Value of New Business ("VNB"), the Group estimates the fair value of the RSUs, taking into account the terms and conditions upon which the awards were granted. The Group determines appraisal value on the following basis:

- For life insurance businesses, the appraisal value equals EV plus a multiplier of VNB for the calendar year at the end of each performance period. The multiplier was agreed with the shareholders for the purpose of assessing the performance conditions.
- For non-life businesses, the appraisal value is calculated as the net asset value plus a multiplier of the net profits for the calendar year at the end of each performance period.
- For non-operating entities, the appraisal value is equal to the net asset value for the calendar year at the end of each performance period.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.10 Share based compensation (continued)

(1) RSUs (continued)

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

The judgments exercised in the determination of appraisal value and the assessment of achievement of performance conditions affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve.

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

Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 31.

(2) Share Options

The Group estimates the fair value of share options using the Black-Scholes model taking into account the terms and conditions upon which the awards were granted. The Group determines the fair value of share options by using the following input:
- Dividend yield
- Expected share price volatility
- Risk-free interest rate
- Expected life of the share options
- Appraisal value per share, using the same valuation methodology as is used in the RSU plan

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

The judgments exercised in the determination of share-option fair value and the assessment of achievement of performance condition affect the amounts recognised in the consolidated financial statements as share-based payment expense and share-based payment reserve. Further details of the related accounting policies and movements in outstanding awards are provided in Notes 2.16 and 31.

3.11 Income taxes

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

3.12 Valuation of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits with future tax planning strategies. Further details are contained in Note 9 to the consolidated financial statements.

4. EXCHANGE RATES

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

	US dollar exchange rate	
	Year ended 31 December	
	2022	2021
Hong Kong	7.83	7.77
Japan	131.31	109.80
Thailand	35.04	31.98

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

	US dollar exchange rate	
	As at 31 December	
	2022	2021
Hong Kong	7.80	7.80
Japan	132.14	115.15
Thailand	34.53	33.26

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

5. CHANGES IN GROUP COMPOSITION

This Note provides details of the major changes in group composition.

5.1 Disposal group classified as held for sale

FWD Assurance VietNam Company Limited

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

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

The major classes of assets and liabilities are as follows:

US$m	As at 21 March 2022	As at 31 December 2021
Assets		
Deferred acquisition costs	2	2
Loans and deposits	79	75
Available for sale financial assets	22	23
Other assets	4	5
Cash and cash equivalents	2	2
Total Assets	109	107
Liabilities		
Insurance contract liabilities	(65)	(63)
Deferred tax liabilities	(1)	(2)
Other liabilities	(2)	(2)
Total Liabilities	(68)	(67)
Net assets	41	40
Amounts included in accumulated other comprehensive income:		
Fair value reserve	(2)	(2)
Foreign currency translation reserve	(1)	(1)

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

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

6. SEGMENT INFORMATION

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

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

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

- total weighted premium income attributable to equity holders of FL and FGL ("TWPI") (Note 6.4);
- investment return (Note 6.1);
- operating expenses (Note 6.1);
- adjusted operating profit before tax attributable to equity holders of FL and FGL (Note 6.2);
- adjusted operating profit after tax attributable to equity holders of FL and FGL (Note 6.2); and
- expense ratio, measured as operating expenses attributable to equity holders of FL and FGL divided by TWPI (Note 6.1).

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

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

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

6. SEGMENT INFORMATION (continued)

6.1 Segment results

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	**Total**
Year ended 31 December 2022						
TWPI[2]	1,664	2,166	1,757	708	—	6,295
Premiums and fee income	3,000	2,404	2,434	1,004	—	8,842
Premiums ceded to reinsurers	(166)	(40)	(740)	(42)	—	(988)
Other operating revenue	56	10	148	21	(1)	234
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	2,890	2,374	1,842	983	(1)	8,088
Investment return	540	355	169	(83)	(4)	977
Total revenue[1]	3,430	2,729	2,011	900	(5)	9,065
Net insurance and investment contract benefits	2,546	2,138	1,378	682	—	6,744
Commission and commission related expenses	416	215	283	51	—	965
Operating expenses	221	206	174	220	116	937
Finance costs and other expenses	39	22	18	11	—	90
Total expenses[1]	3,222	2,581	1,853	964	116	8,736
Share of profit from associates and joint ventures	—	—	—	14	(9)	5
Segmental adjusted operating profit/(loss) before tax	**208**	**148**	**158**	**(50)**	**(130)**	**334**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						**(79)**
Adjusted operating profit before tax						**255**
Key operating ratios:						
Expense ratio[2]	13.3 %	9.5 %	9.9 %	31.1 %	—	14.9 %
Adjusted operating profit/(loss) before tax						
Finance costs	(9)	(3)	(2)	(5)	—	(19)
Depreciation and amortisation	(31)	(42)	(18)	(30)	(18)	(139)

Notes:
[1] Excludes results of the Non-core business, comprising of US$24m total revenue and US$28m total expenses.
[2] Represents the amount attributable to the equity holders of FL and FGL.

6. SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

Segment information below represents adjusted financial position of the Operating Group and is reconciled to the consolidated statement of financial position in Note 6.3.

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	**Adjusted Financial Position**
31 December 2022						
Total assets	22,996	18,903	11,445	4,560	1,029	58,933
Total liabilities	21,787	16,220	11,809	3,039	2,372	55,227
Total equity	1,209	2,683	(364)	1,521	(1,343)	3,706
Shareholders' allocated equity	3,480	3,809	610	1,536	(2,696)	6,739
Net capital inflows[1]	1	11	—	252	136	400
Total assets include:						
Intangible assets	924	1,512	65	669	37	3,207
Investment in associates and joint ventures	8	—	—	345	40	393

Notes:

[1]Net capital inflows for Emerging Markets include the consideration of US$54m for the acquisition of additional interest in BRI. Further details are provided in Note 11.

Segment information is reconciled to the Adjusted net loss from continuing operations of the Operating Group after tax disclosed in Note 6.3, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments	Other non-operating items	Operating Group Total	
Year ended 31 December 2022					
Net premiums, fee income and other operating revenue	8,088	—	24	8,112	Net premiums, fee income and other operating revenue
Investment return	977	(835)	(4)	138	Investment return
Total revenue	9,065	(835)	20	8,250	**Total revenue**
Net insurance and investment contract benefits	6,744	(295)	4	6,453	Net insurance and investment contract benefits
Finance costs and other expenses	1,992	52	456	2,500	Finance costs and other expenses
Total expenses	8,736	(243)	460	8,953	**Total expenses**
Share of profit/(loss) from associates and joint ventures	5	—	(6)	(1)	Share of profit/(loss) from associates and joint ventures
Segmental adjusted operating profit before tax	334				
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(79)	—	79	—	
Adjusted operating profit before tax	255	(592)	(367)	(704)	**Adjusted loss before tax from continuing operations of the Operating Group**
				(36)	**Tax expense from continuing operations**
				(740)	**Adjusted net loss from continuing operations of the Operating Group after tax**

6. SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	**Total**
Year ended 31 December 2021						
TWPI[2]	1,888	2,249	2,105	609	—	6,851
Premiums and fee income	3,989	2,553	2,874	990	—	10,406
Premiums ceded to reinsurers	(191)	(38)	(840)	(40)	—	(1,109)
Other operating revenue	67	13	148	23	(3)	248
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	3,865	2,528	2,182	973	(3)	9,545
Investment return	633	486	105	74	(22)	1,276
Total revenue[1]	4,498	3,014	2,287	1,047	(25)	10,821
Net insurance and investment contract benefits	3,542	2,412	1,650	859	—	8,463
Commission and commission related expenses	521	225	293	29	—	1,068
Operating expenses	221	211	224	221	118	995
Finance costs and other expenses	27	22	23	4	—	76
Total expenses[1]	4,311	2,870	2,190	1,113	118	10,602
Share of loss from associates and a joint venture	—	—	—	(7)	(7)	(14)
Segmental adjusted operating profit/(loss) before tax	**187**	**144**	**97**	**(73)**	**(150)**	**205**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(29)
Adjusted operating profit before tax						**176**
Key operating ratios:						
Expense ratio[2]	11.7 %	9.4 %	10.6 %	34.6 %	—	14.4%
Adjusted operating profit/(loss) before tax						
Finance costs	2	1	3	4	—	10
Depreciation and amortisation	33	40	24	29	14	140

Notes
[1] Excludes results of the Non-core business, comprising of US$16m total revenue and US$20m total expenses.
[2] Represents the amount attributable to the equity holders of FL and FGL.

6. SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

Segment information below represents adjusted financial position of the Operating Group and is reconciled to the consolidated statement of financial position in Note 6.3.

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	**Adjusted Financial Position**
31 December 2021						
Total assets	24,638	20,066	13,083	4,309	1,557	63,653
Total liabilities	20,564	16,553	12,425	2,805	2,359	54,706
Total equity	4,074	3,513	658	1,504	(802)	8,947
Shareholders' allocated equity	3,752	3,916	612	1,496	(2,409)	7,367
Net capital in/(out) flows[1]	(59)	10	(49)	448	2,075	2,425
Total assets include:						
Intangible assets	923	1,604	73	727	21	3,348
Investment in associates and a joint venture	8	—	—	287	37	332

Notes:

[1]Net capital inflows for Emerging Markets include the consideration of US$273m for the BRI acquisition. Further details are provided in Note 11.

Segment information is reconciled to the Adjusted net profit from continuing operations of the Operating Group after tax disclosed in Note 6.3, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating investment return	Other non-operating items	Operating Group Total	
Year ended 31 December 2021					
Net premiums, fee income and other operating revenue	9,545	—	15	9,560	Net premiums, fee income and other operating revenue
Investment return	1,276	837	24	2,137	Investment return
Total revenue	10,821	837	39	11,697	**Total revenue**
Net insurance and investment contract benefits	8,463	267	(65)	8,665	Net insurance and investment contract benefits
Finance costs and other expenses	2,139	51	525	2,715	Finance costs and other expenses
Total expenses	10,602	318	460	11,380	**Total expenses**
Share of profit/(loss) from associates and a joint venture	(14)	23	—	9	Share of profit/(loss) from associates and a joint venture
Segmental adjusted operating profit before tax	205				
Implementation costs for IFRS 9 and 17 and Group-wide	(29)	—	29	—	
Adjusted operating profit before tax	**176**	**542**	**(392)**	**326**	**Adjusted profit before tax from continuing operations of the Operating Group**
				(126)	Tax expense from continuing operations
				200	**Adjusted net profit from continuing operations of the Operating Group after tax**

6. SEGMENT INFORMATION (continued)

6.2 Adjusted operating profit

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

Adjusted operating profit includes among others the expected long-term investment returns for investments in equities and real estate based on the assumptions applied by the Group in the calculations of Embedded Value. The Group defines adjusted operating profit as loss of the Group from continuing operations after tax adjusted to exclude the following items:

- Short-term fluctuations in investment return related to equities and property investments;
- Finance costs related to borrowings and long-term payables;
- Amortisation of Value of Business Acquired (VOBA);
- M&A, business set up and restructuring related costs;
- IPO related costs including incentive costs; and
- Any other items which, in the Directors’ view, should be disclosed separately to enable a full understanding of the Group’s financial performance.

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

6. SEGMENT INFORMATION (continued)

6.2 Adjusted operating profit (continued)

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

		Year ended 31 December	
US$m	Notes	2022	2021
Adjusted net profit/(loss) of the Operating Group from continuing operations after tax	6.3	**(740)**	**200**
Tax on adjusted operating profit before tax		51	52
Tax impact from non-operating items		(15)	74
Adjusted profit/(loss) of the Operating Group before tax from continuing operations		**(704)**	**326**
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Market related:			
Short-term fluctuations in investment return related to equities and property investments		586	(503)
Other non-operating investment return		6	(39)
Non-market related:			
Finance costs related to borrowings and long-term payables		109	174
Amortisation of value of business acquired		66	100
M&A, business set up and restructuring related costs		90	104
IPO related costs including incentive costs		72	73
Other non-operating items		30	(59)
Adjusted operating profit before tax	6.1	**255**	**176**
Tax on adjusted operating profit before tax		(51)	(52)
Adjusted operating profit after tax		**204**	**124**
Segmental adjusted operating profit before tax	6.1	**334**	**205**
Tax on segmental adjusted operating profit before tax		(51)	(52)
Segmental adjusted operating profit after tax		**283**	**153**
Adjusted operating profit before tax attributable to:			
Equity holders of FL and FGL		**255**	**177**
Non-controlling interests		—	(1)
Adjusted operating profit after tax attributable to:			
Equity holders of FL and FGL		**204**	**125**
Non-controlling interests		—	(1)

6. SEGMENT INFORMATION (continued)

6.3 Adjusted results and financial position

The adjusted results and financial positions are the profit/(loss) from continuing operations after tax and net profit/(loss) of the Operating Group for the years ended 31 December 2022 and 2021, and the total assets, liabilities and equity of the Operating Group as at 31 December 2022 and 2021 excluding the results and certain balances attributable to the Transfer and Novation of Borrowings and Related Parties Balances and Exchange of Share Capital of FL and FGL, and the results and certain balances of the Company and the Financing Entities. Refer to Note 1.2 for further details on the History and Reorganisation of the Group.

Adjusted net profit/(loss) of the Operating Group from continuing operations after tax

	Year ended 31 December	
US$m	2022	2021
Profit/(loss) of the Group from continuing operations after tax	**(740)**	**200**
Adjusted net profit/(loss) of the Operating Group from continuing operations after tax	**(740)**	**200**
Attributable to:		
Shareholders of the Company	**(823)**	**139**
Perpetual securities	83	65
Non-controlling interests	—	(4)

Adjusted net profit/(loss) of the Operating Group

	Year ended 31 December	
US$m	2022	2021
Net profit/(loss) of the Group	**(740)**	**249**
Adjusted net profit/(loss) of the Operating Group	**(740)**	**249**
Attributable to:		
Shareholders of the Company	**(823)**	**188**
Perpetual securities	83	65
Non-controlling interests	—	(4)

6. SEGMENT INFORMATION (continued)

6.3 Adjusted results and financial position (continued)

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

US$m	Notes	Year ended 31 December 2022	2021
Finance costs, principally related to leases, included in adjusted operating profit	6.1	19	10
Finance costs related to borrowings and long-term payables	6.2	109	174
Total		128	184

Note:
[1] The Company is included in the Operating Group during the years ended 31 December 2022 and 2021.

Adjusted total assets of the Operating Group

US$m	As at 31 December 2022	2021
Total assets of the Group	**58,933**	**63,653**
Adjusted total assets of the Operating Group	**58,933**	**63,653**

Adjusted total liabilities of the Operating Group

US$m	As at 31 December 2022	2021
Total liabilities of the Group	**55,227**	**54,706**
Adjusted total liabilities of the Operating Group	**55,227**	**54,706**

Adjusted total equity of the Operating Group

US$m	As at 31 December 2022	2021
Total equity of the Group attributable to:		
Shareholders of the Company	1,963	5,647
Perpetual securities	1,354	1,607
Non-controlling interests	389	1,693
Total equity of the Group	**3,706**	**8,947**
Add: Share capital and share premium	388	1,692
Less: Non-controlling interests	(388)	(1,692)
Adjusted total equity of the Operating Group attributable to:		
Shareholders of the Company	**2,351**	**7,339**
Perpetual securities	1,354	1,607
Non-controlling interests	1	1
Adjusted total equity of the Operating Group	**3,706**	**8,947**

6. SEGMENT INFORMATION (continued)

6.4 Total Weighted Premium Income

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

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

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

	Year ended 31 December	
US$m	2022	2021
TWPI by geography		
Hong Kong	1,664	1,888
Thailand	2,166	2,249
Japan	1,757	2,105
Emerging Markets	708	609
Total	**6,295**	**6,851**
First year premiums by geography		
Hong Kong	167	251
Thailand	434	421
Japan	157	231
Emerging Markets	291	200
Total	1,049	1,103
Single premiums by geography		
Hong Kong	1,404	2,248
Thailand	245	331
Japan	—	—
Emerging Markets	267	349
Total	1,916	2,928
Renewal premiums by geography		
Hong Kong	1,356	1,412
Thailand	1,708	1,795
Japan	1,600	1,874
Emerging Markets	390	374
Total	5,054	5,455

6. SEGMENT INFORMATION (continued)

6.4 Total Weighted Premium Income (continued)

TWPI is reconciled to Premiums and fee income in the consolidated income statement as shown below:

	Year ended 31 December	
US$m	2022	2021
TWPI	6,295	6,851
90% of Single premium	1,725	2,635
Premium not included in TWPI[1]	713	820
Gross written premium	8,733	10,306
Fee Income and change in unearned premium	145	120
Premiums and fee income	8,878	10,426

Note:

[1] Mainly comprises certain premium from reinsurance contracts, non-core business and amounts attributable to non-controlling interests.

7. REVENUE

Investment return

US$m	Year ended 31 December 2022	2021
Interest income	1,049	938
Dividend income	189	296
Rental income[1]	25	28
Investment income	1,263	1,262
Available for Sale		
Net realised gains/(losses) from debt securities	(181)	123
Impairment of available for sale financial assets	—	(4)
Net gains/(losses) of available for sale financial assets reflected in the consolidated income statement	(181)	119
At fair value through profit or loss		
Net losses of debt securities	(3)	(2)
Net gains/(losses) of equity securities	(1,069)	861
Net fair value movement on derivatives	(327)	(486)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	(1,399)	373
Net fair value movement of investment property	(3)	(5)
Net foreign exchange gains	454	385
Other net realised gains	4	3
Investment experience	(1,125)	875
Investment return	138	2,137

Note:
[1] Represents rental income from operating lease contracts of the Group's investment property portfolio. Further details are included in Note 13.

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

US$m	Year ended 31 December 2022	2021
Foreign exchange gains	376	374

Other operating revenue

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

8. EXPENSES

US$m	Year ended 31 December 2022	2021
Insurance contract benefits	4,122	3,677
Change in insurance contract liabilities	2,811	5,708
Investment contract benefits	9	11
Insurance and investment contract benefits	6,942	9,396
Insurance and investment contract benefits ceded	(489)	(731)
Insurance and investment contract benefits, net of reinsurance ceded	6,453	8,665
Commission and other acquisition expenses incurred	1,641	1,648
Deferral and amortisation of acquisition expenses	(621)	(527)
Commission and other acquisition expenses	1,020	1,121
Employee benefits expenses	605	584
Depreciation	63	75
Amortisation	32	31
Other general expenses[1]	514	553
General expenses	1,214	1,243
Investment management expenses	72	66
Amortisation of value of business acquired	66	99
Others	—	2
Other expenses	138	167
Finance costs	128	184
Total	8,953	11,380

Note:
[1] Includes marketing and advertising, professional service fees, information technology expenses, travel and entertainment, bank charges, office related expenses and other general operating expenses.

General expenses may be analysed as follows:

US$m	Year ended 31 December 2022	2021
Operating expenses	937	995
Non-operating expenses	277	248
Total general expenses[1]	1,214	1,243

Note:
[1] Includes (i) M&A, business set up and restructuring related costs, (ii) implementation costs for IFRS 9 and 17 and Group-wide supervision and (iii) IPO related costs including incentive costs. Refer to Note 6 for further details.

8. EXPENSES (continued)

Depreciation consists of:

US$m	Year ended 31 December 2022	2021
Leasehold improvements, furniture and fixtures, computer equipment and others	18	25
Right-of-use assets		
- Premises and car park	40	46
- Equipment and Others	5	4
Total	63	75

Finance costs may be analysed as follows:

US$m	Year ended 31 December 2022	2021
Borrowings	103	124
Lease liabilities	4	5
Others	21	55
Total	128	184

Employee benefits consist of:

US$m	Year ended 31 December 2022	2021
Wages and salaries	516	490
Share-based compensation	26	34
Pension costs	22	20
Other employee benefits expenses	41	40
Total	605	584

9. INCOME TAX

(1) Tax expense from continuing operations

Taxes on assessable profits have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	Year ended 31 December	
US$m	2022	2021
Current income tax	(384)	(39)
Deferred income tax on temporary differences	348	(87)
Total	(36)	(126)

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

	Year ended 31 December	
	2022	2021
Hong Kong	16.5%	16.5%
Thailand	20%	20%
Japan	28%	28%
Others	12%-25%	12%-25%

In 2021, a change in the corporate income tax rate has been enacted in the Philippines. The corporate income tax rate changed from 30 per cent to 25 per cent effective from 1 July 2020.

9. INCOME TAX (continued)

US$m	Year ended 31 December 2022	2021
Income tax reconciliation		
(Loss)/profit before tax from continuing operations	(704)	326
Tax benefit/(expense) calculated at domestic tax rates applicable to profits in the respective jurisdictions	132	(54)
Increase in tax benefit / reduction in tax expense from:		
Income not subject to tax	18	48
Credit in respect of a previously unrecognised tax loss or temporary difference from a prior period	24	30
Amount over provided in prior years	3	—
Others	9	—
	54	78
Decrease in tax benefit/increase in tax expense from:		
Disallowed expenses	(90)	(96)
Unrecognised deferred tax assets	(132)	(42)
Amount under provided in prior years	—	(8)
Others	—	(4)
	(222)	(150)
Total income tax expense	(36)	(126)

9. INCOME TAX (continued)

(2) Deferred tax

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

US$m	Net deferred tax asset/(liability) at 1 January	Credited/ (charged) to income statement	Credited/(charged) to other comprehensive income: Fair value reserve[1]	Foreign exchange	Others	Net deferred tax asset/(liability) at 31 December
31 December 2022						
Revaluation of financial instruments	(284)	40	663	(8)	2	413
Deferred acquisition costs	(452)	(58)	—	16	—	(494)
Insurance and investment contract liabilities	337	548	—	(11)	—	874
Value of business acquired	(123)	11	—	3	—	(109)
Intangible assets	(8)	(9)	—	—	—	(17)
Losses available for offset against future taxable	33	(29)	—	—	—	4
Others	165	(155)	—	(9)	—	1
Total	(332)	348	663	(9)	2	672

US$m	Net deferred tax asset/(liability) at 1 January	Reclassified to liabilities directly associated with assets classified as held-for-sale	Credited/ (charged) to income statement	Credited/(charged) to other comprehensive income: Fair value reserve[1]	Foreign exchange	Others	Net deferred tax asset/(liability) at 31 December
31 December 2021							
Revaluation of financial instruments	(631)	2	(6)	323	28	—	(284)
Deferred acquisition costs	(371)	—	(99)	—	18	—	(452)
Insurance and investment contract liabilities	234	—	133	—	(30)	—	337
Value of business acquired	(164)	—	35	—	6	—	(123)
Intangible assets	2	—	(9)	—	(1)	—	(8)
Losses available for offset against future taxable	138	—	(104)	—	(1)	—	33
Others	219	—	(37)	—	(17)	—	165
Total	(573)	2	(87)	323	3	—	(332)

Note:

[1] Of the fair value reserve deferred tax credit, US$(680m) for the year ended 31 December 2022 (2021: US$(303m)), relates to fair value gains and losses on available for sale financial assets, and US$17m for the year ended 31 December 2022 (2021: US$(20m)), relates to fair value gains and losses on available for sale financial assets transferred to income on disposal and impairment.

9. INCOME TAX (continued)

2022 and 2021 deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised tax losses of US$713m as at 31 December 2022 (2021: US$645m), as it is not considered probable that sufficient taxable profits will be available against which these tax losses can be further utilised in the foreseeable future.

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

The Group has unused income tax losses carried forward in Hong Kong, mainland China, Cambodia, Indonesia, Japan, the Philippines, Singapore, Malaysia, Macau, Thailand and Vietnam. The tax losses incurred in a tax year can be carried forward indefinitely (Hong Kong and Singapore), for three years (the Philippines and Macau), for five years (mainland China, Cambodia, Indonesia, Thailand and Vietnam) and for ten years (Japan and Malaysia).

10. INTANGIBLE ASSETS

US$m	Goodwill	Distribution rights	Computer software and others	Total
Cost				
At 1 January 2021	**1,652**	**1,827**	**229**	**3,708**
Additions	—	27	49	76
Disposals	—	—	(17)	(17)
Foreign exchange movements	(56)	(123)	(19)	(198)
At 31 December 2021	**1,596**	**1,731**	**242**	**3,569**
Additions	—	—	50	50
Disposals	—	(11)	(1)	(12)
Foreign exchange movements	(33)	(68)	(18)	(119)
At 31 December 2022	**1,563**	**1,652**	**273**	**3,488**
Accumulated amortisation and impairment				
At 1 January 2021	**(37)**	**(41)**	**(99)**	**(177)**
Amortisation charge for the year	—	(33)	(31)	(64)
Disposals	—	—	8	8
Foreign exchange movements	1	3	8	12
At 31 December 2021	**(36)**	**(71)**	**(114)**	**(221)**
Amortisation charge for the year	—	(44)	(32)	(76)
Disposals	—	3	—	3
Foreign exchange movements	2	3	8	13
At 31 December 2022	**(34)**	**(109)**	**(138)**	**(281)**
Net book value				
At 31 December 2021	**1,560**	**1,660**	**128**	**3,348**
At 31 December 2022	**1,529**	**1,543**	**135**	**3,207**

10. INTANGIBLE ASSETS (continued)

Goodwill

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

	As at 31 December	
US$m	2022	2021
Hong Kong	915	915
Thailand	465	483
Japan	3	4
Emerging markets[1]	146	158

Note:
[1] Includes goodwill of US$136m (2021: US$148m) and US$10m (2021: US$10m) from the operations in Indonesia and Vietnam as at 31 December 2022.

Impairment tests for goodwill

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

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

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

The value of future new business is the aggregation of the present value of future expected profits on policies expected to be sold in the future (i.e. value of new business (“VNB”)). This is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projects.

The key assumptions used in the embedded value calculations include risk discount rate, investment returns, mortality, morbidity, persistency, expenses and inflation. The present value of expected future new business is calculated based on a combination of indicators which include, among others, taking into account recent production mix, business strategy, market trends and risk associated with the future new business projections. The risk discount rates that are used in the value in use of in-force business and present value of expected future new business ranges from 6% to 14% as at 31 December 2022 (2021: 6% to 14%). The Group projected new sales over the next 15 years to estimate the VNB, using growth rates in the current five-year approved financial budgets which reflect management's best estimate of future profit based on historical experience and operating assumptions such as premium and expenses, and 3% to 5% thereafter. The Group may apply alternative method to estimate the value of future new business if the described method is not appropriate under the circumstances.

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

Distribution rights

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

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December	
US$m	2022	2021
Group		
Investments in associates	386	324
Investments in joint ventures	7	8
Total	393	332

The Group's interest in its key associates and joint ventures are as follows:

					Group's interest % As at 31 December	
Entity	Place of incorporation	Principal activity	Type of investments	Type of shares held	2022	2021
PT Asuransi BRI Life ("BRI Life")	Indonesia	Life insurance	Associate	Ordinary	35.14 %	29.86 %
CompareAsia Group Capital Limited	Cayman Islands	Operation of online platforms and provision of insurance brokerage and marketing services	Associate	Ordinary	29.82 %	25.42 %
One George Street LLP ("OGS")	Singapore	Investment in real estate properties in Singapore	Joint venture	Ordinary	50.00 %	50.00 %

All associates and joint ventures are unlisted.

On 2 March 2021, the Group has completed its initial investment in a minority stake of 29.86% in BRI Life, the life insurance subsidiary of PT Bank Rakyat Indonesia (Persero) Tbk (“BRI”) at a consideration of US$273m. Concurrently, BRI Life has entered into a 15-year life insurance distribution agreement with BRI. The Group utilises the acquisition method of accounting as in acquisition of subsidiaries to determine the Group's share of the net fair value of assets and liabilities for its initial investment in BRI Life. On 2 March 2022, the Group acquired an additional interest of 5.28% in BRI Life at a consideration of US$54m. As a result, the Group has a total of 35.14% effective ownership interest in BRI Life.

On 9 December 2021, OGS completed a transaction to dispose its investment property (the “Property”) to a third party. Immediately after the disposal, management determined the recoverable amount of investment in OGS to be the carrying amount of the net assets. Accordingly, the investment amount in OGS is adjusted by US$39m.

On 14 October 2022 and 23 December 2022, CompareAsia Group Capital Limited completed a series of capital restructuring transactions, as a result of which the Group has a total of 29.82% effective ownership interest in CompareAsia Group Capital Limited.

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Summarised financial information of associates and joint ventures

(a) Financial information of OGS

Summarised statement of financial position of OGS:

US$m	As at 31 December 2022	As at 31 December 2021
Assets	15	40
Liabilities	(1)	(24)
Equity	14	16
The Group's share in equity – 50%	7	8
Goodwill	—	39
Investment in OGS	7	47
Adjustment to the investment in OGS	—	(39)
Carrying amount in the consolidated statement of financial position	7	8

Summarised income statement and other comprehensive income of OGS:

US$m	Year ended 31 December 2022	Year ended 31 December 2021
Revenue	—	143
Expenses	—	(18)
Profit for the year	—	125
Other comprehensive loss for the year	—	(16)
Total comprehensive income for the year	—	109
Group's share of total comprehensive income for the year – 50%	—	55
Adjustment to the investment in OGS	—	(39)
Group's share of total comprehensive income for the year	—	16

Dividend received from OGS during the year ended 31 December 2022 was US$5m (2021: US$8m). In addition, the Group received capital distribution of US$1m (2021: US$238m) from OGS during the year ended 31 December 2022.

(b) Financial information of BRI Life

Summarised statement of financial position of BRI Life:

US$m	As at 31 December 2022	As at 31 December 2021
Assets	1,764	1,473
Liabilities	(1,190)	(965)
Net assets	574	508
The Group's share in net assets – 35.14% (31 December 2021: 29.86%)	202	152
Goodwill	123	115
Group's carrying amount of the investment in BRI Life	325	267

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Summarised financial information of associates and joint ventures (continued)

(b) Financial information of BRI Life (continued)

Summarised income statement and other comprehensive income of BRI Life:

US$m	Year ended 31 December 2022	From 2 March to 31 December 2021
Revenue	643	367
Expenses	(621)	(395)
Profit/(loss) for the period/year	22	(28)
Other comprehensive income/(loss) for the period/year	(9)	9
Total comprehensive income/(loss) for the period/year	13	(19)
Group's share of total comprehensive income/(loss) for the period/year	5	(6)

Reconciliation of the summarised financial information of BRI Life:

US$m	As at 31 December 2022	As at 31 December 2021
Net assets		
At beginning of the year	508	527
Total comprehensive (loss)/income for the year	13	(19)
Capital injection	54	—
Foreign exchange movements	1	—
Dividends	(2)	—
At end of the year	574	508
Interest in BRI Life – 35.14% (31 December 2021: 29.86%)	202	152
Goodwill	123	115
Group's carrying amount of the investment in BRI Life	325	267

(c) Aggregated financial information of the associates that are not individually material

The following table analyses, in aggregate, the share of profit and other comprehensive income of the associates that are not individually material.

	Year ended 31 December	
US$m	2022	2021
Net loss	(9)	(6)
Other comprehensive income	1	—
Total comprehensive loss	(8)	(6)

12. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment				Right-of-use assets		
US$m	Leasehold improvements	Furniture and fixtures and others	Computer equipment	Property held for own use	Premises and car parks	Equipment and others	Total
Cost							
At 1 January 2021	**70**	**13**	**77**	**11**	**197**	**25**	**393**
Remeasurement of lease liability	—	—	—	—	(7)	(1)	(8)
Additions	6	2	12	—	54	3	77
Disposals	(4)	(2)	(6)	—	(45)	(1)	(58)
Reclassifications	—	(2)	—	(10)	—	—	(12)
Foreign exchange movements	(3)	(1)	(4)	—	(9)	—	(17)
At 31 December 2021	**69**	**10**	**79**	**1**	**190**	**26**	**375**
Remeasurement of lease liability	—	—	—	—	3	—	3
Additions	3	1	6	—	25	9	44
Disposals	(8)	(1)	(2)	—	(19)	(14)	(44)
Reclassifications	(2)	2	—	—	—	—	—
Foreign exchange movements	(3)	—	(3)	—	(6)	—	(12)
At 31 December 2022	**59**	**12**	**80**	**1**	**193**	**21**	**366**
Accumulated depreciation							
At 1 January 2021	**(49)**	**(8)**	**(53)**	**—**	**(73)**	**(16)**	**(199)**
Disposals	2	1	4	—	40	1	48
Depreciation charge for the year	(9)	(2)	(14)	—	(46)	(4)	(75)
Reclassifications	—	2	—	—	—	—	2
Foreign exchange movements	2	—	3	—	3	—	8
At 31 December 2021	**(54)**	**(7)**	**(60)**	**—**	**(76)**	**(19)**	**(216)**
Addition	—	—	—	—	2	—	2
Disposals	8	1	2	—	18	13	42
Depreciation charge for the year	(5)	(2)	(11)	—	(40)	(5)	(63)
Reclassifications	1	(1)	—	—	—	—	—
Foreign exchange movements	2	—	3	—	3	—	8
At 31 December 2022	**(48)**	**(9)**	**(66)**	**—**	**(93)**	**(11)**	**(227)**
Net book value							
At 31 December 2021	**15**	**3**	**19**	**1**	**114**	**7**	**159**
At 31 December 2022	**11**	**3**	**14**	**1**	**100**	**10**	**139**

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

13. INVESTMENT PROPERTY

US$m	
Fair value	
At 1 January 2021	609
Additions	117
Fair value gains/(losses)	(5)
Reclassification	10
Foreign exchange movements	(68)
At 31 December 2021	**663**
Additions	64
Fair value gains/(losses)	(3)
Foreign exchange movements	(83)
At 31 December 2022	**641**

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

Investment properties are carried at fair value at the reporting date as determined by independent professional valuers. Details of valuation techniques and process are disclosed in Note 18.

The Group leases out its investment properties under operating lease contracts with terms varying from 1 to 20 years. Rental income generated from investment properties amounted to US$25m for the year ended 31 December 2022 (2021: US$28m). Direct operating expenses, including repair and maintenance, amounted to US$5m for the year ended 31 December 2022 (2021: US$8m).

The future minimum operating lease rental income under non-cancellable operating leases that the Group expects to receive in future periods are disclosed in Note 34.

14. REINSURANCE ASSETS

	As at 31 December	
US$m	2022	2021
Amounts recoverable from reinsurers	346	343
Ceded insurance and investment contract liabilities	2,889	3,061
Total[1]	3,235	3,404

Note:
[1] Includes US$649m at 31 December 2022 (2021: US$685m), expected to be recovered within 12 months after the end of the reporting period.

15. DEFERRED ACQUISITION COSTS

	As at 31 December	
US$m	2022	2021
Carrying amount		
Deferred acquisition costs on insurance contracts	4,345	4,010
Value of business acquired	652	732
Total	4,997	4,742

	As at 31 December	
	2022	2021
Movements in the year		
At beginning of year	4,742	4,591
Deferral and amortisation of acquisition costs	464	333
Acquisition of subsidiaries	—	—
Disposal of business	—	—
Foreign exchange movements	(303)	(275)
Other movements	94	93
At end of year	4,997	4,742

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

16. FINANCIAL INVESTMENTS

The following tables analyse the Group's financial investments by type and nature. The Group manages its financial investments in two distinct categories: Unit-linked Investments and Policyholder and Shareholder Investments.

The investment risk in respect of Unit-linked Investments is generally wholly borne by the customers, and does not directly affect the profit for the period before tax. Furthermore, unit-linked contract holders are responsible for allocation of their policy values amongst investment options offered by the Group. Although profit for the period before tax is not affected by Unit-linked Investments, the investment return from such financial investments is included in the Group's profit for the period before tax, as the Group has elected the fair value option for all Unit-linked Investments with corresponding changes in insurance and investment contract liabilities for unit-linked contracts. Policyholder and Shareholder Investments include all financial investments other than Unit-linked Investments. The investment risk in respect of Policyholder and Shareholder Investments is partially or wholly borne by the Group.

Policyholder and Shareholder Investments are further categorised as Participating Funds, 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 it is, as explained above, expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of the underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. The Group has elected the fair value option for debt and equity securities of Participating Funds. The Group's accounting policy is to record an insurance liability for the proportion of net assets of the Participating Funds that would be allocated to policyholders assuming all performance would be declared as a dividend based upon local regulations as at the date of the statement of financial position. As a result, the Group's net profit before tax for the period is impacted by the proportion of investment return that would be allocated to shareholders as described above. For Other Participating Business with distinct Portfolios, the Group either have discretion as to the timing or amount of additional benefits to the policyholders. The Group has elected the fair value option for equity securities and the available for sale classification of the majority of debt securities. The investment risk from Other Participating Business with distinct Portfolios directly impacts the Group's financial statements, but it is expected that a proportion of investment return may be allocated to policyholders through policyholder dividends.

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

16. FINANCIAL INVESTMENTS (continued)

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

16.1 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
B+ to B-	B1 to B3	B
CCC and below	Caa1 and below	Not rated

Debt securities by type comprise the following:

	Policyholder and shareholder investments				
US$m	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL	AFS	FVTPL	AFS	
31 December 2022					
Government bonds					
United States	—	740	—	295	1,035
Japan	—	—	—	2,803	2,803
Thailand	—	—	—	10,477	10,477
Other	—	783	45	352	1,180
Sub-total	—	1,523	45	13,927	15,495
Government agency bonds [1]					
AAA	—	2	—	2	4
AA	—	274	—	188	462
A	—	106	—	434	540
BBB	—	35	—	546	581
Below investment grade	—	—	—	22	22
Sub-total	—	417	—	1,192	1,609

16. FINANCIAL INVESTMENTS (continued)

16.1 Debt securities (continued)

US$m	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder Investments		Total
	FVTPL	AFS	FVTPL	AFS	
31 December 2022					
Corporate bonds					
AAA	—	124	—	24	148
AA	—	437	—	303	740
A	118	2,774	55	2,760	5,707
BBB	—	2,195	—	3,291	5,486
Below investment grade	—	39	—	1,183	1,222
Not rated	—	28	—	112	140
Sub-total	118	5,597	55	7,673	13,443
Structured securities [2]					
AAA	—	186	—	6	192
AA	—	89	—	369	458
A	—	174	—	38	212
BBB	—	104	—	882	986
Below investment grade	—	6	—	15	21
Not rated	—	31	—	6	37
Sub-total	—	590	—	1,316	1,906
Others					
Redeemable investment funds	—	—	—	197	197
Certificate of deposits	—	43	—	18	61
Others	—	—	7	—	7
Sub-total	—	43	7	215	265
Total [3]	118	8,170	107	24,323	32,718

Notes:

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

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

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

16. FINANCIAL INVESTMENTS (continued)

16.1 Debt securities (continued)

US$m	Policyholder and shareholder investments: Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL	AFS	FVTPL	AFS	
31 December 2021					
Government bonds					
United States	—	1,004	—	567	1,571
Japan	—	—	—	3,692	3,692
Thailand	—	—	—	11,218	11,218
Other	—	882	38	414	1,334
Sub-total	—	1,886	38	15,891	17,815
Government agency bonds [1]					
AAA	—	3	—	3	6
AA	—	305	—	150	455
A	—	151	—	662	813
BBB	—	39	—	668	707
Below investment grade	—	—	—	24	24
Not rated	—	—	—	—	—
Sub-total	—	498	—	1,507	2,005

16. FINANCIAL INVESTMENTS (continued)

16.1 Debt securities (continued)

US$m	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder Investments		Total
	FVTPL	AFS	FVTPL	AFS	
31 December 2021					
Corporate bonds					
AAA	—	118	—	7	125
AA	—	529	—	112	641
A	—	4,561	38	1,988	6,587
BBB	—	4,146	—	2,360	6,506
Below investment grade	—	94	—	1,335	1,429
Not rated	—	141	—	156	297
Sub-total	—	9,589	38	5,958	15,585
Structured securities [2]					
AAA	—	317	—	2	319
AA	—	90	—	835	925
A	—	105	—	23	128
BBB	—	66	—	24	90
Below investment grade	—	21	—	16	37
Sub-total	—	599	—	900	1,499
Others					
Redeemable investment funds	—	—	—	237	237
Certificate of deposits	—	64	—	27	91
Others	—	—	3	—	3
Sub-total	—	64	3	264	331
Total [3]	—	12,636	79	24,520	37,235

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 2021, debt securities of US$3,656m and US$299m are restricted due to local regulatory requirements in Thailand and Macau, respectively.

As at 31 December 2022, AFS debt securities of US$419m (2021: US$197m) 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 Group is restricted from selling or pledging the transferred debt securities. Refer to Note 26 for additional information on the associated liabilities.

Debt securities classified at fair value through profit or loss are all designated at fair value through profit or loss.

16. FINANCIAL INVESTMENTS (continued)

16.2 Equity securities

Equity securities measured at fair value through profit and loss comprise the following:

	Policyholder and shareholder				
US$m	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder	Sub-total	Unit-linked	Total
31 December 2022					
Equity shares	1,468	394	1,862	—	1,862
Interests in investment	2,766	837	3,603	2,399	6,002
Total [1]	4,234	1,231	5,465	2,399	7,864

Note:

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

	Policyholder and shareholder				
US$m	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder	Sub-total	Unit-linked	Total
31 December 2021					
Equity shares	1,587	938	2,525	—	2,525
Interests in investment	2,494	693	3,187	2,541	5,728
Total [1]	4,081	1,631	5,712	2,541	8,253

Note:

[1] As at 31 December 2021, equity securities of US$12m are restricted due to local regulatory requirements in Macau.

16. FINANCIAL INVESTMENTS (continued)

16.3 Debt and equity securities

US$m	As at 31 December 2022	2021
Debt securities		
Listed	15,400	18,479
Unlisted	17,318	18,756
Total	32,718	37,235
Equity securities		
Policyholder and shareholder		
Listed	2,222	2,596
Unlisted	3,243	3,116
Unit-linked		
Listed	327	376
Unlisted	2,072	2,165
Total	7,864	8,253

16.4 Loans and deposits

<u>The Group</u>

US$m	As at 31 December 2022	2021
Policy loans	795	793
Secured loans	9	10
Accreting deposits and promissory notes	587	676
Term deposits	929	202
Other financial receivables	10	9
Provision for impairment	(3)	(2)
At end of year	2,327	1,688

Policy loans are stated at amortised cost, interest-bearing at market interest rates and repayable at the discretion of the policyholders as long as the interest plus the principal of the loans do not exceed the cash value. As at 31 December 2022, the policy loans bear interest rates ranging from 2.3% to 10.0% (2021: 2.3% to 10.0%) per annum.

Accreting deposits and promissory notes are stated at amortised cost. As at 31 December 2022, the accreting deposits and promissory notes bear interest rates ranging from 2.3% to 5.2% (2021: 2.3% to 5.2%) per annum and are repayable upon maturity.

Certain term deposits of US$36m as at 31 December 2022 (2021: US$17m), are restricted due to local regulatory requirements.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarises the Group's derivative exposure:

		Fair value	
US$m	Notional amount	Assets	Liabilities
31 December 2022			
Foreign exchange contracts			
Forwards	7,589	122	(119)
Cross-currency swaps	1,476	86	(13)
Total foreign exchange contracts	9,065	208	(132)
Interest rate swaps	508	—	(2)
Others			
Warrants and options	9	52	—
Bond forward contracts	657	59	—
Total	10,239	319	(134)
31 December 2021			
Foreign exchange contracts			
Forwards	9,113	44	(99)
Cross-currency swaps	1,108	8	(50)
Total foreign exchange contracts	10,221	52	(149)
Interest rate swaps	9	1	—
Others			
Warrants and options	9	42	—
Bond forward contracts	473	25	(8)
Total	10,712	120	(157)

17. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Group's derivatives are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

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

Foreign exchange contracts

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

Interest rate swaps

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

Other derivatives

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

As at 31 December 2022 and 2021, the Group has a call option with a 5 year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. Refer to Note 33 for details.

17. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Collateral under derivative transactions

As at 31 December 2022, the Group held cash collateral of US$132m and debt securities collateral with a carrying value of US$118m for assets and posted cash collateral of US$1m and debt securities with a carrying value of US$154m for liabilities. As at 31 December 2021, the Group held cash collateral of US$26m and debt securities collateral with a carrying value of US$59m for assets and posted cash collateral of US$23m and debt securities with a carrying value of US$19m 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 19 and 26.

Derivatives designated as hedging instruments

During the years ended 31 December 2022 and 2021, the Group designated interest rate swaps as cash flow hedges of variable rate interest payments arising from bank borrowings. The terms of the interest rate swaps have been negotiated to match the terms of the variable rate interest payments. As a result, these hedging relationships are considered highly effective at inception, 31 December 2022 and 2021. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment. As at 31 December 2022, the fair value of the interest rate swaps liabilities designated as hedging instruments was US$2m (2021: US$1m).

The Group has designated certain foreign exchange derivative assets with fair value of US$4m and US$nil, and certain foreign exchange derivative liabilities with fair values of US$5m and US$22m as at 31 December 2022 and 2021, respectively, in cash flow hedges of foreign exchange risk. The Group has also designated certain bond forward derivative assets with fair values of US$nil and US$3m, and certain bond forward derivative liabilities with fair values of US$nil and US$8m, as at 31 December 2022 and 2021, respectively, in cash flow hedges of bond price risk. These hedging relationships were considered highly effective as at 31 December 2022 and 2021.

18. 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, 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.

18.1 Fair value measurements on a recurring basis

The Group measures investment properties, financial instruments classified at fair value through profit or loss, available for sale securities portfolios, 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 and equity securities

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 audited 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.

18. FAIR VALUE MEASUREMENT(continued)

18.1 Fair value measurements on a recurring basis (continued)

Derivative financial instruments

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

Investment property

The Group engaged external, independent and qualified valuers to determine the fair value of the investment properties at least on an annual basis. Investment properties are valued on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. The current use of the investment property is considered to be its highest and best use; records of recent sales and offerings of similar property are analysed and comparison made for such factors as size, location, quality and prospective use.

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

Investment contract liabilities

For investment contract liabilities without DPF, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts where the investment risk is borne by the policyholder, the fair value generally approximates to the fair value of the underlying assets.

Investment contracts with DPF enable the contract holder to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating business and are measured according to the Group practice for insurance contract liabilities. These are not measured at fair value as there is currently not an agreed definition of fair value for investment and insurance contracts with DPF under IFRS. In the absence of any agreed methodology, it is not possible to provide a range of estimates within which fair value is likely to fall.

18. FAIR VALUE MEASUREMENT (continued)

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

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

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2022				
Recurring fair value measurements				
Non-financial assets				
Investment property	—	—	641	641
Financial assets				
Available for sale				
Debt securities	2,045	29,532	916	32,493
Government bonds	1,254	14,196	—	15,450
Government agency bonds	—	1,609	—	1,609
Corporate bonds	692	12,514	64	13,270
Structured securities	—	1,054	852	1,906
Others	99	159	—	258
At fair value through profit or loss				
Debt securities	1	218	6	225
Government bonds	—	45	—	45
Corporate bonds	—	173	—	173
Others	1	—	6	7
Equity securities	2,518	2,199	3,147	7,864
Derivative financial instruments	—	268	51	319
Total assets on a recurring fair value measurement basis	4,564	32,217	4,761	41,542
% of Total	*11 %*	*78 %*	*11 %*	*100 %*
Financial liabilities				
Investment contract liabilities without DPF	—	—	112	112
Derivative financial instruments	—	134	—	134
Total liabilities on a recurring fair value measurement basis	**—**	**134**	**112**	**246**
% of Total	*— %*	*54 %*	*46 %*	*100 %*

18. FAIR VALUE MEASUREMENT (continued)

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

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2021				
Recurring fair value measurements				
Non-financial assets				
Investment property	—	—	663	663
Financial assets				
Available for sale				
Debt securities	2,613	34,483	60	37,156
Government bonds	1,778	15,999	—	17,777
Government agency bonds	—	2,005	—	2,005
Corporate bonds	713	14,774	60	15,547
Structured securities	—	1,499	—	1,499
Others	122	206	—	328
At fair value through profit or loss				
Debt securities	—	76	3	79
Government bonds	—	38	—	38
Corporate bonds	—	38	—	38
Others	—	—	3	3
Equity securities	2,971	2,191	3,091	8,253
Derivative financial instruments	3	80	37	120
Financial assets measured at fair value and held by discontinued operations	—	105	—	105
Total assets on a recurring fair value measurement basis	5,587	36,935	3,854	46,376
% of Total	*12%*	*80%*	*8%*	*100%*
Financial liabilities				
Investment contract liabilities without DPF	—	—	151	151
Derivative financial instruments	—	157	—	157
Financial liabilities measured at fair value and held by discontinued operations	—	67	—	67
Total liabilities on a recurring fair value measurement basis	**—**	**224**	**151**	**375**
% of Total	*—%*	*60%*	*40%*	*100%*

18. FAIR VALUE MEASUREMENT (continued)

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

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the years ended 31 December 2022 and 2021, there were no movements of financial assets between Level 1 and Level 2.

The Group's Level 2 financial instruments include debt securities, equity securities, 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.

The tables below set out a summary of changes in the Group's Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended 31 December 2022 and 2021. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 31 December 2022 and 2021.

Level 3 assets and liabilities

US$m	Investment property	Debt securities	Equity securities	Derivative financial assets/(liabilities)	Investment contract liabilities without DPF
As at 1 January 2022	663	63	3,091	37	(151)
Net movement on investment contract liabilities	—	—	—	—	39
Total gains/(losses)					
Reported under investment return in the consolidated income statement	(3)	(21)	(422)	14	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(83)	(5)	—	—	—
Transfer to other assets	—	—	(5)	—	—
Purchases	64	885	984	—	—
Sales	—	—	(470)	—	—
Settlements	—	—	(31)	—	—
As at 31 December 2022	**641**	**922**	**3,147**	**51**	**(112)**
Change in unrealised gains/(losses) included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return and other expenses	(3)	—	(354)	—	—

18. FAIR VALUE MEASUREMENT (continued)

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

US$m	Investment property	Debt securities	Equity securities	Derivative financial assets/(liabilities)	Investment contract liabilities without DPF
As at 1 January 2021	609	43	1,806	—	(179)
Net movement on investment contract liabilities	—	—	—	—	28
Total gains/(losses)					
Reported under investment return in the consolidated income statement	(5)	—	547	37	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(68)	1	—	—	—
Purchases	117	25	847	—	—
Sales	—	(1)	(70)	—	—
Settlements	—	—	(16)	—	—
Impairment	—	(4)	—	—	—
Reclassifications	10	—	—	—	—
Transfer into level 3	—	4	—	—	—
Transfer out of level 3	—	(5)	(23)	—	—
As at 31 December 2021	**663**	**63**	**3,091**	**37**	**(151)**
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 and other expenses	(5)	—	539	37	—

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in Note 22.

Assets transferred out of Level 3 mainly relate to equity securities of which market-observable inputs became available during the period and were used in determining the fair value.

Level 3 equity and debt securities

As at 31 December 2022 and 2021, equity securities classified as level 3 mainly include unlisted private equity funds. As at 31 December 2022, debt securities classified as level 3 mainly include unlisted asset-backed securities. The Group determines the fair value of its holding in each such investment based on the reported NAV as set out in the underlying fund's annual audited financial statements and may make adjustments where appropriate taking into consideration various factors including accounting policies adopted by the fund, the restrictions and barriers preventing the Group from disposing of its interests in such fund and the Group's ownership percentage in such fund. For those funds where December year end audited financial statements are not available, the Group performs a roll forward analysis on the latest NAV of the fund based on fund managers' statements available and capital movements up to the December year end, and engages an external specialist to subsequently review the roll forward analysis. 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.

18. FAIR VALUE MEASUREMENT (continued)

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

Level 3 investment property

Under the discounted cash flow approach, both income and expenses over a certain number of years from the date of valuation are itemised and projected annually taking into account the current rental revenue and the expected growth of income and expenses of each of the properties. The net cash flow over the period is discounted at an appropriate rate of return. There were no changes to the valuation techniques during the years ended 2022 and 2021.

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

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

	As at 31 December	
	2022	2021
Monthly market rental income (US$ per sq.m.)	10 - 928	60 - 960
Discount rate per annum	2.5% - 10.0%	2.50% - 5.50%
Occupancy rate	97% - 100%	97% - 100%

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

Level 3 investment contract liabilities

For investment contract liabilities, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. The discount rate used is 5.09% for the year ended 31 December 2022 (2021: 4.68%). The higher the interest rates, the lower the fair value.

18.2 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 are estimated by discounting expected future cash flows using interest rate offered for similar loans to borrowers with similar credit ratings. The fair values of fixed rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued.

Loans with similar characteristics are aggregated for purposes of the calculations. The carrying value of loans and receivables approximate to their fair values, except for accreting deposits.

Cash and cash equivalents

The carrying amount of cash approximates its fair value.

Reinsurance receivables

The carrying amount of amounts receivable from reinsurers is not considered materially different to their fair value.

Other assets

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

18. FAIR VALUE MEASUREMENT (continued)

18.2 Fair value measurements for disclosure purpose (continued)

Borrowings

The fair values of borrowings with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities or prices obtained from brokers.

Other liabilities

The fair values of other unquoted financial liabilities is estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those without stated maturity, where the carrying value approximates to fair value.

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 31 December 2022 and 2021 is given below.

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

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2021				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	—	669	—	669
Total assets for which the fair value is disclosed	**—**	**669**	**—**	**669**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term / subordinated notes	1,265	—	—	1,265
Total liabilities for which the fair value is disclosed	**1,265**	**—**	**—**	**1,265**

19. OTHER ASSETS

US$m	As at 31 December 2022	2021
Insurance receivables due from insurance and investment contract holders	377	416
Accounts receivable	70	129
Accrued investment income	262	234
Restricted cash	14	11
Deposits	25	27
Prepayments	105	98
Others	4	6
Total	857	921

Accounts receivable as at 31 December 2022 also includes US$1m (2021: US$23m), relating to the cash collateral posted for derivative liabilities.

As at 31 December 2022, bank deposits of US$12m (2021: US$9m) were mainly from restrictions for use in accordance with the covenant requirements of bank borrowings. Refer to Note 25 for details of the bank borrowings. As at 31 December 2022, US$2m (2021: US$2m) was restricted for the IPPFA acquisition. Refer to Note 11 for further details.

All amounts other than certain prepayments are generally expected to be recovered within 12 months after the end of the reporting period. An ageing analysis of insurance receivables has not been provided as all amounts are expected to be recovered within less than one year.

20. CASH AND CASH EQUIVALENTS

US$m	As at 31 December 2022	2021
Cash	1,392	1,376
Cash equivalents	82	1,276
Total	1,474	2,652

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

21. INSURANCE CONTRACT LIABILITIES

The movements of insurance contract liabilities are shown as follows:

US$m	As at 31 December 2022	2021
At beginning of year	47,981	45,181
Valuation premiums and deposits	7,889	9,165
Life insurance contracts[1]		
New business	2,605	3,404
In-force business	5,281	5,762
General insurance contracts[2]		
New business	13	11
In-force business	(10)	(12)
Expected investment return	612	1,149
Liabilities released for policy termination, or other policy benefits paid and related expenses	(5,360)	(4,647)
Life insurance contracts		
New business	(274)	(237)
In-force business	(5,088)	(4,407)
General insurance contracts		
New business	1	(1)
In-force business	1	(2)
Interest accrued and change in unit price	(166)	272
Impact of changes in assumptions	(17)	(15)
Acquisition of subsidiaries	—	—
Foreign exchange movements	(2,159)	(2,983)
Disposal of business	—	—
Other movements	(65)	(141)
At end of year	48,715	47,981

Note:

[1] Represents the portion of premiums received from life insurance contracts that are set aside to pay future insurance benefits.

[2] Represents the change in unearned premiums for general insurance contracts.

Insurance contract liabilities comprise of following:

US$m	As at 31 December 2022	2021
Deferred profit	3,505	2,711
Unearned revenue	761	672
Policyholders' share of participating surplus	257	754
Liabilities for future policyholder benefits	44,192	43,844
Total	48,715	47,981

21. INSURANCE CONTRACT LIABILITIES (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, Vietnam and Philippines)

21. INSURANCE CONTRACT LIABILITIES (continued)

Methodology and assumptions

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

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

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

21. INSURANCE CONTRACT LIABILITIES (continued)

Methodology and assumptions (continued)

Valuation interest rates

As at 31 December 2022 and 2021, the range of applicable valuation interest rates for traditional insurance contracts, which vary by operating segment, year of issuance and products, within the first 20 years are as follows:

	As at 31 December	
	2022	2021
Hong Kong	-0.12% - 7.07%	-0.12% - 7.07%
Thailand	1.75% - 4.79%	1.75% - 4.79%
Japan	-1.47% - 2.24%	-1.47% - 1.41%
Singapore	2.15% - 3.60%	2.15% - 3.00%
Malaysia	3.26% - 4.31%	1.88% - 4.03%
Indonesia	1.80% - 7.62%	1.80% - 7.62%
Philippines	2.70% - 4.87%	2.70% - 4.52%
Vietnam	2.15% - 6.50%	2.17% - 6.50%

22. INVESTMENT CONTRACT LIABILITIES

	As at 31 December	
US$m	2022	2021
At beginning of year	217	300
Premium received	3	3
Surrenders and withdrawals	(36)	(82)
Interest accrual and change in unit price	(10)	(3)
Others	—	(1)
At end of year	174	217

23. EFFECT OF CHANGES IN ASSUMPTIONS AND ESTIMATES

The table below sets out the sensitivities of the assumptions in respect of insurance and investment contracts to key variables. This disclosure only allows for the impact on liabilities and related assets, such as reinsurance, and deferred acquisition costs and does not allow for offsetting movements in the fair value of financial assets backing those liabilities.

	As at 31 December	
US$m	2022	2021
(Increase)/decrease in insurance contract liabilities, increase/(decrease) in equity and profit before tax		
0.5% increase in investment return	9	3
0.5% decrease in investment return	(4)	(5)
10% increase in expenses	(79)	(79)
10% increase in mortality	(27)	(27)
10% increase in morbidity	(40)	(39)
10% increase in lapse/discontinuance rates	(168)	(144)

Future policy benefits for traditional life insurance policies (including investment contracts with DPF) are calculated using a net premium valuation method with reference to best estimate assumptions set at policy inception date unless a deficiency arises on liability adequacy testing. There is no impact of the above assumptions sensitivities on the carrying amount of traditional life insurance liabilities as the sensitivities presented would have not triggered a liability adequacy adjustment. During the years presented there was no effect of changes in assumptions and estimates on the Group's traditional life products.

For interest sensitive insurance contracts, such as universal life products and unit-linked contracts, assumptions are made at each reporting date including mortality, persistency, expenses, future investment earnings and future crediting rates.

The impact of changes in assumptions on the valuation of insurance and investment contracts was US$17m increase in profit for the year ended 31 December 2022 (2021: US$17m).

24. DEFERRED CEDING COMMISSION

	As at 31 December	
US$m	2022	2021
At beginning of year	1,052	990
Commission income deferred during the year	307	325
Amortisation during the year	(147)	(177)
Foreign exchange difference	(106)	(86)
At end of year	1,106	1,052

The annual amortisation charge, which varies for certain products, approximates to the amount which is expected to be realised within 12 months of the end of the reporting period.

25. BORROWINGS

		As at 31 December	
US$m	Notes	2022	2021
Bank borrowings		992	988
Medium term notes		324	324
Subordinated notes		900	900
Total		2,216	2,212

Interest expense on borrowings is shown in Note 8. Further information relating to interest rates and the maturity profile of borrowings is presented in Note 29.

Outstanding bank borrowings and notes placed to the market as at 31 December 2022:

Issue date	Nominal amount	Interest rate	Tenor
Bank borrowings			
30 December 2021	US$1,000m	LIBOR + 1.275%	3 years
Medium term notes			
24 September 2014	US$325m	5.00 %	10 years
Subordinated notes			
9 July 2019	US$550m	5.75 %	5 years
23 July 2019	US$250m	5.75 %	5 years
30 July 2019	US$100m	5.75 %	5 years

During the years ended 31 December 2022 and 2021, the Group has issued the following borrowings and settled or transferred to PCGI Holdings Limited:

Issue date	Nominal amount	Interest rate	
Bank borrowings			
31 July 2018[2]	US$275m	LIBOR + 2%	Settled
4 February 2019[3]	US$175m	LIBOR + 2%	Settled
6 March 2020[1]	US$800m	LIBOR + 1.5%	Transferred
23 October 2020	US$440m	Base rate + 0.4%	Settled
13 September 2019[4]	US$1,800m	LIBOR + 1.5%	Settled
Guaranteed notes			
28 October 2019[1]	US$250m	4.75 %	Transferred
22 November 2019[1]	US$250m	5.50 %	Transferred

Note:

[1] The bank borrowing and guaranteed notes were transferred to PCGI Holdings Limited at total carrying value of US$1,296m as part of the Reorganisation disclosed in Note 1.2.2.

[2] On 26 July 2021, the Group settled a US$275m bank borrowing on its scheduled maturity date.

[3] On 10 August 2021, the Group voluntarily settled a US$175m bank borrowing before its scheduled maturity date.

[4] On 30 December 2021, the Group voluntarily settled a US$1,800m bank borrowing before its scheduled maturity date.

25. BORROWINGS (continued)

These medium-term notes, subordinated notes and guaranteed notes are listed on The Stock Exchange of Hong Kong Limited. The net proceeds from the issuance of the medium-term notes, subordinated notes, guaranteed notes and the bank credit facilities are used for acquisitions, general corporate purposes and funding requirements of the Group.

As at 31 December 2022, the Group has access to a US$500m (2021: US$500m) undrawn committed revolving credit facility. The credit facility is unsecured and with a term of three years expiring in 2024. The credit facilities will be used for general corporate purposes. The Group has drawn down US$50m of the committed revolving credit facility on 9 September 2022, and subsequently settled on 14 November 2022.

26. OTHER LIABILITIES

	As at 31 December	
US$m	2022	2021
Trade and other payables[1]	1,556	1,406
Reinsurance-related payables	321	358
Distribution agreement payable	41	556
Lease liabilities	113	128
Obligations under repurchase and forward arrangements	396	191
Total	2,427	2,639

Note:
[1] Other payables as at 31 December 2022 include US$132m (2021: US$26m), relating to the cash collateral held for derivative assets.

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

The total cash outflow for leases for the years ended 31 December 2022 was US$49m (2021: US$64m).

During the years ended 31 December 2022 and 2021, 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 16.1 for details.

27. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

27.1 Share capital and share premium

Ordinary shares	Number of ordinary shares	Share capital nominal value US$m	Share premium US$m	Total share capital and share premium US$m
Authorised:				
Ordinary shares of US$1 each as at 1 January 2021	25,000,000	25	—	25
Share Split	2,475,000,000	—	—	—
Ordinary shares of US$0.01 each as at 31 December 2021 and 2022	2,500,000,000	25	—	25
Issued and fully paid:				
Ordinary shares of US$1 each as at 1 January 2021	19,486,650	19	4,026	4,045
Issue of ordinary shares	229,415,581	4	1,985	1,989
Share Split	2,141,321,292	—	—	—
Share Surrender	(1,514,065,560)	(15)	—	(15)
Ordinary shares of US$0.01 each as at 31 December 2021	876,157,963	8	6,011	6,019
Issue of ordinary shares	63,795,852	1	391	392
Ordinary shares of US$0.01 each as at 31 December 2022	939,953,815	9	6,402	6,411

On 13 May 2021, the Company issued 2,142,858 ordinary shares with par value of US$1 each to PCGI Holdings Limited at a consideration of US$600m.

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

In December 2021, the Company issued 227,272,723 ordinary shares with par value of US$0.01 each to PCGI Holdings Limited and other investors at a gross consideration of US$1,425m and net of transaction costs of US$36m.

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

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

27. SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

27.2 Reserves

(a) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for sale securities held at the end of the reporting period.

(b) 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.

(c) Cash flow hedge reserve

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

(d) Other reserves

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

27.3 Perpetual securities

FL and FGL issued the following perpetual securities:

Issue date	Nominal amount	Distribution rate	Tenor
24 January 2017 [1]	US$250m	6.250 %	Perpetual
15 June 2017	US$500m	Note 2	Perpetual
6 July 2017	US$250m	Note 2	Perpetual
1 February 2018	US$200m	5.500 %	Perpetual
13 September 2019	US$600m	6.375 %	Perpetual

Note:

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

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

Carrying amount of the perpetual securities:

	As at 31 December	
US$m	2022	2021
24 January 2017	—	255
15 June 2017	362	360
6 July 2017	179	179
1 February 2018	203	203
13 September 2019	610	610
	1,354	1,607

FL and FGL may, at its sole option, defer the distributions by giving notice to the holders. In the event of any distribution deferral, FL and FGL 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. FL and FGL use the proceeds from the issuance for general corporate purposes, potential transactions and/or repayment of the Group's own indebtedness.

During the year ended 31 December 2022, the Group paid distributions of US$87m (2021: US$65m).

27. SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

27.4 Non-controlling interests

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

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

	As at 31 December	
US$m	2022	2021
Ordinary shares, preference shares and convertible preference shares of FL and FGL	388	1,692
Ordinary shares of the subsidiaries of FL and FGL	1	1
	389	1,693

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

(a) Preference shares

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

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

(b) Convertible preference shares

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

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

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

27. SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

27.5 Transactions with non-controlling interests

During the year ended 31 December 2022:

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

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

During the year ended 31 December 2021:

i. On 20 April 2021, the Company transferred an aggregate of 2,439,934 convertible preference shares issued by FL and FGL to an existing convertible preference shareholder for a total consideration of approximately US$400m.

ii. On 14 May 2021, FL and FGL issued an aggregate of 9,392,856 ordinary shares with a par value of US$0.01 for an aggregate consideration of US$1,315m to the Company.

iii. On 21 December 2021, the Company made a capital contribution of US$250m to FGL. No shares were issued by FGL as a result of the transaction.

28. 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 participation in decisions concerning asset-liability management, strategic asset allocation and ongoing solvency management. This includes ensuring capital considerations are paramount in the strategy and business planning processes.

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 the new 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, when FWD Management Holdings Limited, a subsidiary of the Group, was determined to be our designated insurance holding company (“DIHC”).

Under the GWS framework, the group capital adequacy requirements are determined in accordance with the Insurance (Group Capital) Rules (“Group Capital Rules”), as applied to the Group under transitional arrangements that have been agreed with the HKIA.

Local Regulatory Solvency

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

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

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

The HKIA (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong. On 30 June 2022, the HKIA approved the early adoption of the Hong Kong risk based capital regime (“HKRBC”) for FWD Life Insurance Company (Bermuda) Limited, under which an excess of assets over liabilities of not less than 50 per cent of the required minimum solvency margin should be maintained. Prior to the HKRBC adoption, the excess of assets over liabilities should not be less than 100% of the required minimum solvency margin under the Insurance Ordinance, Chapter 41F of the Laws of Hong Kong.

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%.

28. GROUP CAPITAL STRUCTURE (continued)

Subsidiary dividend restrictions and restricted net assets

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

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

Capital and Regulatory Orders Specific to the Group

At 31 December 2022 and 2021, the requirements and restrictions summarised below may be considered material to the Group and remain in effect unless otherwise stated.

Hong Kong Insurance Authority

Undertakings have been given to the HKIA that:

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

ii) Prior written consent from the HKIA will be obtained before declaring or paying dividends to shareholders.

29. 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.

29. RISK MANAGEMENT (continued)

Insurance risks (continued)

Non-life insurance contracts

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

The Group's non-life insurance business is primarily derived from Singapore. The Group's non-life business in Hong Kong was disposed during 2020. 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.

(a) 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.

(b) 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

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, sectors and currencies. 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 or 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 ultimate holding of an individual issuer (excluding all government related fixed income assets) is less than 1 per cent of the total equity and debt investments as at 31 December 2022 and 2021.

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);

29. RISK MANAGEMENT (continued)

Concentration risk (continued)

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;

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.

For the years ended 31 December 2022 and 2021, there are no significant insurance concentration risks.

Financial risks

The Group is exposed to a range of financial risks, including 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.

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, settlement and treasury activities.

The level of credit risk the Group accepts is managed and monitored by the 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 macro-economic environment.

The Group actively manages its investments to ensure that there is no significant concentration of credit risk.

29. RISK MANAGEMENT (continued)

Financial risks (continued)

Interest rate risk

The Group's exposure to interest rate risk predominantly arises from any difference between the tenor of the Group's liabilities and assets, or any difference between the return on investments and the return required to meet the Group's commitments, 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 not possible to acquire assets that will perfectly match the policy liabilities. This results in interest rate risk, which is managed and monitored by the Asset and Liability Management Committee of the Group. The duration of interest bearing financial assets is regularly reviewed and monitored by referencing the estimated duration of insurance contract liabilities.

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

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2022				
Financial assets				
Debt securities	2,009	30,505	204	32,718
Cash and cash equivalents	556	—	918	1,474
Loans and deposits	100	2,223	4	2,327
Equity securities	—	—	7,864	7,864
Derivative financial instruments	—	—	319	319
Reinsurance receivables	—	—	346	346
Accrued investment income	—	—	262	262
Other assets	13	—	477	490
Total financial assets	2,678	32,728	10,394	45,800
Financial liabilities				
Borrowings[1]	—	2,216	—	2,216
Other liabilities	23	652	1,752	2,427
Derivative financial instruments	—	—	134	134
Total financial liabilities	23	2,868	1,886	4,777

Note:
[1] Borrowings of US$992m bear variable interest rates and are hedged with interest rate swaps. Refer to Note 17 for details.

29. RISK MANAGEMENT (continued)

Financial risks (continued)

Interest rate risk (continued)

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2021				
Financial assets				
Debt securities	2,191	34,804	240	37,235
Cash and cash equivalents	2,295	—	357	2,652
Loans and deposits	87	1,597	4	1,688
Equity securities	—	—	8,253	8,253
Derivative financial instruments	—	—	120	120
Reinsurance receivables	—	—	343	343
Accrued investment income	—	1	233	234
Other assets	24	7	558	589
Assets of disposal group classified as held-for-sale	1	99	5	105
Total financial assets	4,598	36,508	10,113	51,219
Financial liabilities				
Borrowings[1]	—	2,212	—	2,212
Other liabilities	2	897	1,740	2,639
Derivative financial instruments	—	—	157	157
Liabilities directly associated with the assets of disposal group classified as held-for-sale	—	—	2	2
Total financial liabilities	2	3,109	1,899	5,010

Note:
[1] Borrowings of US$988m bear variable interest rates and are hedged with interest rate swaps. Refer to Note 17 for details.

29. RISK MANAGEMENT (continued)

Financial risks (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. The Group's accounting policies lock in interest rate assumptions for traditional insurance contracts at policy inception and incorporate a provision for adverse deviation. As a result, the level of interest rate movement illustrated in this sensitivity analysis does not result in loss recognition and so there is no corresponding effect on insurance liabilities.

	As at 31 December					
	2022			2021		
		Impact on			Impact on	
US$m	Profit before tax	Other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)	Profit before tax	Other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)
Interest rate risk						
+50 basis points shift in yield curves	8	(1,603)	8	20	(1,863)	20
-50 basis points shift in yield curves	(8)	1,592	(8)	(20)	2,061	(20)

29. RISK MANAGEMENT (continued)

Financial risks (continued)

Interest rate risk (continued)

Effect of interbank offered rate (IBOR) reform

The Group currently holds financial instruments which reference the US Dollar London Interbank Offered Rate (USD LIBOR), Euro Interbank Offered Rate (EURIBOR) and Japanese Yen London Interbank Offered Rate (JPY LIBOR) and are yet to transition to alternative benchmark interest rates. The Group's main IBOR exposure as at 31 December 2022 was indexed to USD LIBOR, the alternative rate of which is the Secured Overnight Financing Rate (SOFR).

The Group monitors the exposure to instruments subject to such reform. For financial investments, the Group is planning to gradually scale down the exposures prior to the cessation of USD LIBOR. For borrowings, as at 31 December 2022, the Group has a USD LIBOR indexed bank borrowing with a principal amount of US$1,000m, and designated interest rate swaps as cash flow hedges of USD LIBOR indexed interest payments arising from the bank borrowing. Both the bank borrowing and interest rate swaps include transitional provisions to replace USD LIBOR. The Group also had certain reinsurance treaties reference to LIBOR, the majority of which have transitioned to alternative benchmark rates, and hence, the impact of the remaining treaties arising from such reform is immaterial to the Group.

Risks arising from instruments that are subject to such transition are not considered significant. Such reform has no impact on the Group's risk management strategy and procedures, systems, processes and valuation models.

The following table shows the carrying value of financial instruments held by the Group as at 31 December 2022 reference USD LIBOR, which have yet to transition to SOFR:

US$m	As at 31 December 2022
Financial investments	
Debt securities	380
Financial liabilities	
Borrowings	992

29. RISK MANAGEMENT (continued)

Financial risks (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 equity market prices, principally investment securities not held for the account of investment-linked policyholders.

The Group manages these risks by setting and monitoring investment limits in each country and sector. The Group’s principal equity price risk relates to movement in the fair value of its equity securities.

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. Equity exposures are considered for each private equity investment to avoid concentration risk.

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.

	As at 31 December					
	2022			2021		
	Impact on			Impact on		
US$m	Profit before tax	Other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)	Profit before tax	Other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)
Equity price risk						
10 per cent increase in equity prices	301	—	301	323	—	323
10 per cent decrease in equity prices	(301)	—	(301)	(323)	—	(323)

29. RISK MANAGEMENT (continued)

Financial risks (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 Asset and Liability Management Committee of the Group or business unit, 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.

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 forward currency 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 equity by currency.

29. RISK MANAGEMENT (continued)

Financial risks (continued)

Foreign exchange rate risk (continued)

Foreign exchange rate net exposure

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2022				
Equity analysed by original currency	7,191	(4,163)	1,395	(3,974)
Net notional amounts of currency derivatives	(5,076)	2,687	1,209	3,209
Currency exposure	2,115	(1,476)	2,604	(765)
5% strengthening of original currency				
Impact on profit before tax	11	175	5	—
Impact on other comprehensive income	14	(249)	125	(38)
Impact on total equity	25	(74)	130	(38)
5% strengthening of the US dollar				
Impact on profit before tax	11	(165)	(5)	—
Impact on other comprehensive income	14	239	(125)	38
Impact on total equity	25	74	(130)	38
31 December 2021				
Equity analysed by original currency	10,017	(4,513)	2,601	(3,389)
Net notional amounts of currency derivatives	(7,047)	4,102	837	4,406
Currency exposure	2,970	(411)	3,438	1,017
5% strengthening of original currency				
Impact on profit before tax	(10)	268	3	1
Impact on other comprehensive income	(3)	(289)	169	50
Impact on total equity	(13)	(21)	172	51
5% strengthening of the US dollar				
Impact on profit before tax	(10)	(265)	(3)	(1)
Impact on other comprehensive income	(3)	286	(169)	(50)
Impact on total equity	(13)	21	(172)	(51)

29. RISK MANAGEMENT (continued)

Financial risks (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, which are not shown in the table below. Refer to Note 21 for additional information on the Group's insurance contract liabilities, as well as to the Insurance Risks section within this Note.

31 December 2022

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through five years	Due after five years	No fixed maturity
Financial assets						
Available for sale debt securities	32,493	1,017	762	5,052	25,465	197
Fair value through profit or loss	8,089	5	7	152	61	7,864
Loans and deposits	2,327	988	257	343	696	43
Derivatives financial instruments	319	169	14	106	30	—
Reinsurance receivables	346	346	—	—	—	—
Other assets	752	723	11	13	4	1
Cash and cash equivalents	1,474	1,474	—	—	—	—
Total	45,800	4,722	1,051	5,666	26,256	8,105
Financial and insurance liabilities						
Insurance and investment liabilities (net of DAC and reinsurance)	41,655	2,495	282	897	37,981	—
Borrowings	2,216	—	2,216	—	—	—
Derivative financial instruments	134	51	26	34	23	—
Other liabilities	2,314	1,970	5	27	300	12
Lease liabilities	113	49	21	43	—	—
Total	46,432	4,565	2,550	1,001	38,304	12

29. RISK MANAGEMENT (continued)

Financial risks (continued)

Liquidity risk (continued)

31 December 2021

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through five years	Due after five years	No fixed maturity
Financial assets						
Available for sale debt securities	37,156	1,266	1,029	5,252	29,372	237
Fair value through profit or loss	8,332	1	5	17	56	8,253
Loans and deposits	1,688	312	190	334	824	28
Derivatives financial instruments	120	46	9	59	6	—
Reinsurance receivables	343	343	—	—	—	—
Other assets	823	669	16	11	125	2
Cash and cash equivalents	2,652	2,652	—	—	—	—
Assets of disposal group classified as held for sale	105	105	—	—	—	—
Total	51,219	5,394	1,249	5,673	30,383	8,520
Financial and insurance liabilities						
Insurance and investment liabilities (net of DAC and reinsurance)	41,127	2,531	216	940	37,440	—
Borrowings	2,212	—	—	2,212	—	—
Derivative financial instruments	157	68	13	46	30	—
Other liabilities	2,511	2,094	30	27	352	8
Lease liabilities	128	29	31	35	33	—
Liabilities directly associated with the assets of disposal group classified as held for sale	65	65	—	—	—	—
Total	46,200	4,787	290	3,260	37,855	8

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 years ended 31 December 2022 and 2021, material intra-group transactions related to reinsurance, intra-group dividends, loans, recharges, funding and bonds.

30. EMPLOYEE BENEFIT OBLIGATIONS

(a) Defined benefit plans

The Group operates funded and unfunded benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Thailand, Japan, the Philippines and Indonesia. The independent actuaries' valuation of the plans were prepared by external credentialed actuaries. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions. The latest actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 59% as at 31 December 2022 (2021: 60%), covered by the plan assets held by the trustees. The fair value of plan assets was US$20m as at 31 December 2022 (2021: US$22m). The total expenses relating to these plans recognised in the income statement was US$4m for the year ended 31 December 2022 (2021: US$3m).

(b) Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expenses relating to these plans for the year ended 31 December 2022 was US$18m (2021: US$17m). Employees and the employer are required to make monthly contributions equal to a certain percentage of the employee's monthly basic salaries, depending on the jurisdictions and the years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

31. SHARE-BASED COMPENSATION

During the years ended 31 December 2022 and 2021, the Group operated the Share Option and RSU Plan to reward eligible persons for their services and the achievement of shareholder value targets. These RSUs and share options are in the form of a contingent right to receive ordinary shares or a conditional allocation of ordinary shares. These awards have vesting periods of up to four years and are at nil or nominal cost to the eligible person. Save for in certain circumstances, vesting of awards is conditional upon the eligible person being in active employment at the time of vesting. Vesting of certain other awards is, in addition, subject to certain performance conditions. Award holders do not have any right to dividends or voting rights attaching to the shares prior to delivery of the shares. Each share option has a 10-year exercise period.

On 30 January 2022, the Group adopted a new FWD Share Award Plan, under which the Group may award RSUs, performance share units ("PSUs") and/ or share options of the Company to eligible persons as part of compensation for services provided in driving the performance and growth of the Group's business. Concurrently, a new FWD Employee Share Purchase Plan ("ESPP") was conditionally adopted by the Group. Under the ESPP, eligible persons who purchase shares of the Company will be matched with RSUs as part of such eligible persons' compensation for services provided in driving the performance and growth of the Group's business.

(i) RSUs

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

	Year ended 31 December	
Number of shares	2022	2021
Outstanding at beginning of year	931,328	923,256
Awarded	1,784,128	333,724
Forfeited	(513,666)	(173,009)
Vested	(210,204)	(152,643)
Outstanding at end of year	1,991,586	931,328

31. SHARE-BASED COMPENSATION (continued)

(i) RSUs (continued)

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

The total fair value of RSUs granted during the year ended 31 December 2022 was US$95m (2021: US$52m).

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 statement related to RSUs granted under the Share Option and RSU Plan by the Group for the year ended 31 December 2022 was US$18m (2021: US$24m).

(ii) Share options

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

	Year ended 31 December	
Number of share-options	2022	2021
Outstanding at beginning of year	410,511	590,251
Awarded	29,958	—
Forfeited	(42,528)	(55,884)
Vested	(160,878)	(123,856)
Outstanding at end of year	237,063	410,511

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.

31. SHARE-BASED COMPENSATION (continued)

(ii) Share options (continued)

Valuation methodology (continued)

The Group determines the fair value of share options by the following input:

	Year ended 31 December	
	2022	2021
Risk-free interest rate	0.13 %	N/a
Volatility	30.00 %	N/a
Dividend yield	0.00 %	N/a
Exercise price (US$ per share)	0.01	N/a
Expected life of share options (in years)	0.50	N/a
Weighted average share price (US$ per share)	106.89	N/a
- FWD Group Limited	55.20	N/a
- FWD Limited	51.69	N/a

The expected volatility reflects the assumption that historical volatility patterns continue, which may not be the actual outcome.

Share price per share is determined by appraisal value per share, using the same valuation methodology as is used in RSUs.

The total fair value of share options granted for the Group during the year ended 31 December 2022 was US$2m. No share options were granted during the year ended 31 December 2021.

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 statement related to share options granted under the Share Option and RSU Plan by the Group for the years ended 31 December 2022 was US$8m (2021: US$10m).

32. REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	Year ended 31 December	
US$m	2022	2021
Short-term employee benefits	26	19
Share-based payments	(1)	14
Other long-term benefits	2	3
Total	27	36

33. RELATED PARTY TRANSACTIONS

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

Remuneration of key management personnel is disclosed in Note 32.

(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. Other than those disclosed in Notes 1.2 and 27.1, the Group had the following related party transactions during the period.

(i) Related companies charged US$35m (2021: US$39m) for the provision of telecommunication, IT and investment advisory, advertising and consulting services to the Group.

(ii) The Group has underwritten various group insurance contracts with related companies. The total premium revenue from those contracts for the years ended 31 December 2022 was US$22m (2021: US$2m).

(iii) The total premiums ceded, claim recoveries received, commission income received and surplus distribution received for year ended 31 December 2022 was US$41m (2021: US$40m), US$14m (2021: US$22m), US$1m (2021: US$1m) and US$nil (2021: US$1m), respectively.

(iv) The Group has accepted certain liabilities in connection with a reinsurance contract from related companies. The total premium revenue, claims incurred and commissions paid from this contract for year ended 31 December 2022 was US$200m (2021: US$238m), US$70m (2021: US$75m) and US$46m (2021: US$56m), respectively.

(v) The Group charged related parties US$2m (2021: US$2m) for administration services related to the GI Disposal Group during the year ended 31 December 2022.

(vi) Related companies charged US$nil (2021: US$2m) for the rental and provision of management fee services for the years ended 31 December 2022.

(vii) During the year ended 31 December 2021, the Group sold two subsidiaries of the GI Disposal Group to a related party for a total consideration of US$32m which included US$14m for settlement of the Group's loans to the GI Disposal Group. The Group received US$30m from the related party as a reimbursement and settlement of expenses incurred for the GI Disposal Group in 2019 and 2018 and US$14m to settle the receivable for payments made on behalf of the GI Disposal Group in 2020. The Group also has a call option with a 5 year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price. As at 31 December 2022, the fair value of the call option was US$51m (2021: US$37m). Refer to Note 17 for details.

(viii) The Group held financial investments of US$90m controlled by related parties as at 31 December 2022 (2021: US$119m). The investment income earned on bonds issued by related parties was US$nil for the year ended 31 December 2022 (2021: US$nil).

33. RELATED PARTY TRANSACTIONS (continued)

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

(ix) Related companies invested in the guaranteed notes and perpetual securities issued by the Group with aggregate principal amounts of US$175m as at 31 December 2022 (2021: US$146m). The total interest and distributions paid to related companies for the years ended 31 December 2022 was US$9m (2021: US$9m). Refer to Notes 25 and 27.3 for further details.

(x) On 16 April 2021, the Group acquired an investment property in Malaysia with a cost of US$17m from a related party. Refer to Note 13 for further details.

(xi) The Group had amounts due from related companies of US$7m as at 31 December 2022 (2021: US$4m). The amounts due are unsecured, interest-free and repayable on demand.

(xii) In addition, the Group had outstanding payables to related companies of US$4m as at 31 December 2022 (2021: US$5m). The payables are unsecured, interest-free and payable on demand.

(xiii) The Company had outstanding payable to subsidiaries of US$29m as at 31 December 2022 (2021: US$13m). The payable is unsecured, interest-free and payable 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 year ended 31 December 2022 were US$13m (2021: US$13m).

(ii) The Group had an amount due from an associate and joint ventures of US$3m as at 31 December 2022 (2021: US$6m). The amounts due are unsecured, interest-free and repayable on demand.

(iii) The Group had a loan to an associate at US$5m as at 31 December 2022 (2021: US$5m) which is interest-bearing and repayable on the maturity date. On 29 April 2022, the loan to the associate with a carrying amount of US$6m was converted into fixed rate unsecured convertible notes (the "Convertible Notes"), and concurrently, the Group subscribed for additional Convertible Notes issued by the associate, resulting in an aggregate principal amount of US$13m. Subsequently during the year, the Convertible Notes were converted into shares of the associate and the Group subscribed a loan note issued by the associate for US$5m. The loan note is interest-bearing and repayable on the maturity date.

(iv) The Group had a loan to a joint venture at US$6m as at 31 December 2022 (2021: US$3m), which is interest-bearing and repayable on maturity date.

34. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as a lessor

As of 31 December 2022 and 2021, the Group leased its investment property portfolio consisting of certain commercial buildings and land. These leases have terms of between 1 and 20 years. The Group had total future minimum rental receivable under non-cancellable operating leases falling due as follows:

	As at 31 December	
US$m	2022	2021
Within one year	19	24
In the second to fifth years	40	48
Over five years	98	97
Total	157	169

Investment and capital commitments

As of 31 December 2022 and 2021, the Group has investments and capital commitments to invest in its private equity partnerships and other financial investments.

	As at 31 December	
US$m	2022	2021
Within one year	266	299
In the second to fifth years	676	867
Over five years	12	—
Total	954	1,166

Commitments in Malaysia

As of 31 December 2022, the Group had planned to invest a total of US$26m (31 December 2021: US$98m) in Malaysia until 2024.

Capital commitment for acquisitions and investments

As of 31 December 2022, the Group agreed to make additional payments in aggregate amounts of up to US$144m (31 December 2021: US$209m) in relation to acquisitions and investments.

Contingencies

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

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

35. SUBSIDIARIES

The principal subsidiary companies which materially contribute to the net income of the Group or hold a material element of its assets and liabilities are:

				As at 31 December			
				2022		2021	
Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
FWD Limited	Cayman Islands	Investment holding	24,305,860 ordinary shares of US$0.01 each 8,202,225 preference shares of US$0.01 each 9,587,168 convertible preference shares of US$0.01 each	72%	28%	73%	27%
FWD Group Limited	Cayman Islands	Investment holding	24,305,860 ordinary shares of US$0.01 each 8,202,225 preference shares of US$0.01 each 9,587,168 convertible preference shares of US$0.01 each	72%	28%	73%	27%
FWD Group Management Holdings Limited	Hong Kong	Provision of regional support and consultancy services	8,621,500 ordinary shares of US$100 each 1 ordinary share of HK$1 each	100%	-	100%	-
FWD Management Holdings Limited	Hong Kong	Investment holding	22,149,641 ordinary shares of US$100 each 2 ordinary shares of HK$3,255,523,426 each	100%	-	100%	-
FWD Life Insurance Company (Bermuda) Limited	Bermuda/ Hong Kong	Life insurance	1,784,142,740 ordinary shares of US$1 each	100%	-	100%	-
FWD Life (Hong Kong) Limited	Hong Kong	Life insurance	590,106,626 ordinary shares of HK$1 each	100%	-	100%	-
FWD Life Assurance Company (Hong Kong) Limited	Hong Kong	Life insurance	76,325 ordinary shares of HK$5,000 each	100%	-	100%	-
FWD Life Insurance Company (Macau) Limited	Macau	Life insurance	6,814,375 ordinary shares of MOP100 each	100%	-	100%	-
FWD Life Insurance Public Company Limited	Thailand	Life insurance	3,006,360,171 ordinary shares of THB10 each	87%	13%	87%	13%
FWD Life Insurance Company, Limited[1]	Japan	Life insurance	1,310,000 ordinary shares of JPY28,816.8 each	100%	-	100%	-
FWD Reinsurance SPC, Ltd.	Cayman Islands	Life reinsurance	50,000 ordinary shares of US$0.01 each	100%	-	100%	-

35. SUBSIDIARIES (continued)

				As at 31 December			
				2022		2021	
Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	Group's interest %	NCI's interest %	Group's interest %	NCI's interest %
FWD Life Insurance Corporation	Philippines	Life insurance	2,300,000,000 ordinary shares of PHP1 each	100%	-	100%	-
PT FWD Insurance Indonesia	Indonesia	Life insurance	8,116,071 ordinary shares of Rp1,000,000 each	79%	21%	79%	21%
PT FWD Asset Management	Indonesia	Asset management	123,631 ordinary shares of Rp1,000,000 each	100%	-	100%	-
FWD Singapore Pte. Ltd.	Singapore	Life and general insurance	235,183,678 ordinary shares of SGD286,500,004 issued share capital	100%	-	100%	-
FWD Takaful Berhad	Malaysia	Life Insurance	2,000,000 ordinary shares of RM50 each 5,170 preference shares of RM100,000 each	49%	51%	49%	51%
FWD Vietnam Life Insurance Company Limited	Vietnam	Life insurance	Contributed capital of VND18,546,000,000,000	100%	-	100%	-
FWD Assurance VietNam Company Limited[2]	Vietnam	Life insurance	Contributed capital of VND600,000,000,000	-	-	100%	-
FWD Life Insurance (Cambodia) Plc.[3]	Cambodia	Life insurance	875,600 ordinary shares of KHR100,000 each	100%	-	100%	-

Notes:

1 Formerly known as FWD Fuji Life Insurance Company, Limited

2 Formerly known as Vietcombank-Cardif Life Insurance Limited Company. FWD Assurance VietNam Company Limited was disposed on 21 March 2022. Refer to Note 5.1 for further details.

3 Formerly known as Bangkok Life Assurance (Cambodia) Public Limited Company

All subsidiaries are unlisted. All subsidiaries are audited by Ernst and Young, except for FWD Assurance VietNam Company Limited.

Except for FWD Limited, FWD Group Limited, FWD Takaful Berhad and FWD Life Insurance Public Company Limited, the subsidiaries are fully consolidated in the consolidated financial statements reflecting the economic interests to the Group.

36. EVENTS AFTER REPORTING YEAR

On 1 February 2023, the distribution rate for the perpetual securities issued on 1 February 2018 was reset from 5.5% to 6.675%.

On 9 February 2023, the Group entered into an agreement to acquire shares of Gibraltar BSN Holdings Sdn Bhd ("GBSN Holdings"), a company established under the laws of Malaysia, which is the holding company of Gibraltar BSN Life Berhad ("GBSN Life"), a life insurance company in Malaysia ("GBSN Acquisition"). Subject to the conditions to completion being satisfied, the GBSN Acquisition is expected to be completed in 2023. Upon completion of the GBSN Acquisition, the Group will consolidate GBSN Holdings and GBSN Life.

On 24 February 2023, the Group agreed with the lenders of the US$1,000m outstanding bank borrowings and US$500m committed revolving credit facility to extend their tenor by one year to 30 December 2025.

The Group is expected to subscribe for additional shares of BRI Life at a consideration of US$49m in March 2023, which is expected to result in its aggregate shareholding increasing to 39.82%.

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