*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 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 SUPPLEMENTAL OFFERING CIRCULAR

FWD insurance

FWD GROUP HOLDINGS LIMITED
富衛集團有限公司

(incorporated in the Cayman Islands with limited liability)

(the "**Issuer**")

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

Arranger

HSBC

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

Please refer to the supplemental offering circular dated 31 August 2023 (the "**Supplemental Offering Circular**") appended hereto in relation to the US$5,000,000,000 Global Medium Term Note and Capital Securities Programme (the "**Programme**"), which is supplemental to the offering circular dated 31 March 2023 (the "**Original Offering Circular**", and together with the Supplemental Offering Circular, 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
31 August 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.

APPENDIX – SUPPLEMENTAL OFFERING CIRCULAR DATED 31 AUGUST 2023

SUPPLEMENTAL OFFERING CIRCULAR

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

This Supplemental Offering Circular (the "**Supplemental Offering Circular**") is issued to update the Offering Circular dated 31 March 2023 (the "**Original Offering Circular**"). This Supplemental Offering Circular is supplemental to, and should be read in conjunction with, the Original Offering Circular (together with this Supplemental Offering Circular, the "**Offering Circular**") and all other documents that are deemed to be incorporated by reference therein in relation to the Issuer's Programme. Save to the extent defined in this Supplemental Offering Circular, terms defined or otherwise attributed meanings in the Original Offering Circular have the same meaning when used in this Supplemental Offering Circular. References in the Original Offering Circular and this Supplemental Offering Circular to "this Offering Circular" or "the Offering Circular" mean the Original Offering Circular as supplemented by this Supplemental Offering Circular. To the extent that the Original Offering Circular is inconsistent with this Supplemental Offering Circular, the terms of this Supplemental Offering Circular shall prevail.

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 the Original Offering Circular. This Supplemental 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 has been 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 Supplemental 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 Supplemental Offering Circular. Listing of the Programme or 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 the Supplemental Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Supplemental 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 Supplemental Offering Circular.

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 the Original Offering Circular.

Arranger

HSBC

The date of this Supplemental Offering Circular is 31 August 2023.

DISCLAIMERS

This Supplemental Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

SIGNIFICANT / MATERIAL CHANGE

Since 30 June 2023, 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.

CONTENTS

RECENT DEVELOPMENTS

KEY BUSINESS UPDATES

On 24 August 2023, our Company was assigned inaugural investment grade credit ratings from Fitch Ratings Limited ("**Fitch**") and Moody's Investors Service Limited ("**Moody's**"). Fitch assigned us an issuer default rating of "BBB+", with a stable outlook while Moody's assigned us an issuer rating of "Baa2", with a positive outlook. Our investment grade credit ratings will allow us to more effectively and efficiently access the credit markets as we continue to execute our growth strategy.

As of 30 June 2023, we served approximately 8.3 million policyholders and participating members across 10 markets in Asia, enabling us to record US$6.3 billion in total premiums for the twelve months ending 30 June 2023. As of 30 June 2023, our team comprised 7,422 employees and approximately 52,600 contracted agents, and we ranked sixth among multi-national insurers globally in terms of the number of MDRT-registered members. As of 30 June 2023, we had 24 bancassurance partnerships, including nine exclusive bancassurance partnerships, spanning over 4,000 bank branches.

DEBT RESTRUCTURING

Reference is made to the section entitled "***Financial Information – Debt Restructuring***" in the Original Offering Circular. On 24 August 2023, FWD Limited ("**FL**") and FWD Group Limited ("**FGL**") announced that the relevant settlement conditions have been satisfied and notice was given to holders of the 2024 Notes, the 2024 Subordinated Notes, the June 2017 Perpetual Securities, the 2018 Perpetual Securities and the 2019 Perpetual Securities (collectively, the "**Flipped Up Bonds**") that FL and FGL (as the case may be) has elected to proceed with the implementation of the proposals with respect to the Flipped Up Bonds. The implementation of the proposals was effected on 25 August 2023 and as such, our Company has assumed all the rights and obligations as the issuer of each of the Flipped Up Bonds with effect from 25 August 2023. Consent fees were paid out to relevant holders of the Flipped Up Bonds in accordance with the terms of the consent solicitation exercises. In addition, the stock short names of the 2024 Notes, the 2024 Subordinated Notes, the June 2017 Perpetual Securities, the 2018 Perpetual Securities and the 2019 Perpetual Securities have changed from FWD LTD N2409, FWDGP LTD N2407, FWD GP LTD SPCS, FWD LTD SPCSB and FWDGP LTD CS to FWD GHL N2409, FWD GHL N2407, FWD GHL SPCS, FWD GHL SPCSC and FWD GHL CS, respectively, with effect from 30 August 2023. For further details, please refer to the announcements made by FL and FGL with respect to the Flipped up Bonds on the Hong Kong Stock Exchange.

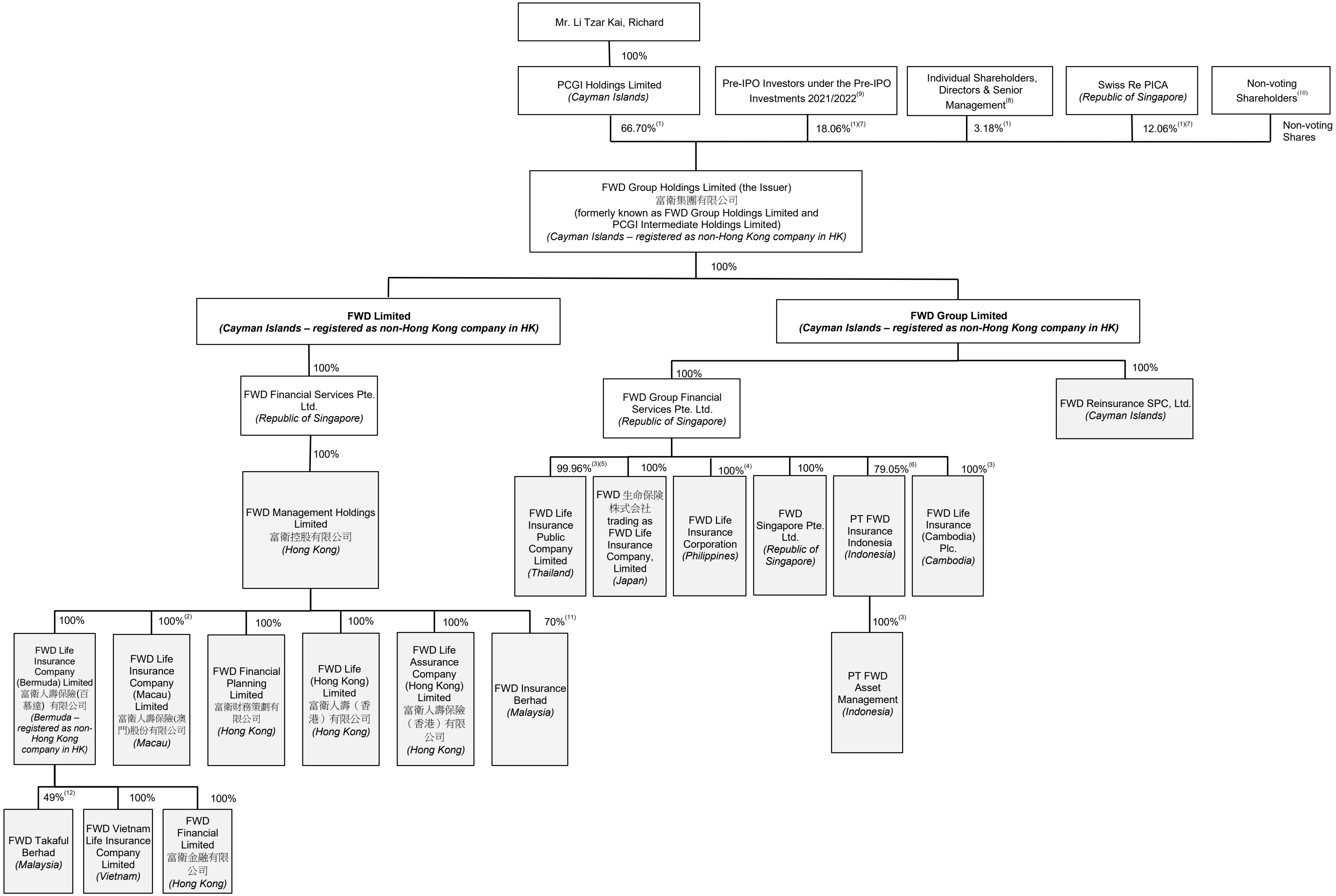
The 2021 Facilities Agreement has also been novated from FGL to our Company as of 25 August 2023.

PHASE 2: EQUITY RESTRUCTURING OF SECURITY INTERESTS IN FL AND FGL

Reference is made to the section entitled "***History, Reorganisation and Corporate Structure - Phase 2: Equity restructuring of security interests in FL and FGL ("Phase 2")***" in the Original Offering Circular. In connection with the Reorganisation, we entered into a third amended and restated implementation agreement dated 31 July 2023 with PCGI Holdings, FL, FGL and securityholders in our Group which held interests in FL and FGL (including individual shareholders and senior management) (the "**Amended and Restated Third IA**").

As part of such Reorganisation, we acquired 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 securities newly issued by us (the "**Exchange**"). The Exchange was completed on 31 July 2023 and as such, our Company now holds 100% of the issued share capital of FL and FGL.

The following chart illustrates the resulting Group structure following the various steps of the restructuring described above:



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.

(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.

(5) The remaining 0.04% in FWD Life Insurance Public Company Limited is held by (i) Alisa Areepong and Peamphanyapa Phanyapavee as to 0.000001% and 0.000001% respectively, each of which is a current director of FWD Life Insurance Public Company Limited, (ii) Jiravat Kosapanyatham as to 0.00000003%, who is a former director of FWD Life Insurance Public Company Limited, (iii) 33 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 (4.94%); SCB (2.22%); CPP Investments (1.85%); MPIC (0.12%); Swiss Re PICA (11.92%); DGA Capital (Master) Fund (3.71%); ORIX Asia Capital (1.24%); Huatai Growth Focus Limited (1.24%).

(8) These being: (i) Huynh Thanh Phong, Craig Alan Merdian, Peter Karl Grimes, 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, Lau Chi Kin, Robert Scott Higgins Schimek, Steven David Winegar, Salim Majid Zain Bin Abdul Majid, Azim Khursheid Ahmed Mithani, Li Siu Yan Grace and He Yi (being directors or senior management of our Group); (ii) Ronald Joseph Arculli, Suwimon Thangnisaitrong, Poramasiri Manolamai, Apirak Chitranondh, Paul Andrew Carrett and Huynh Huu Khang (being former directors or senior management of our Group); and (iii) Wong Ka Kit.

(9) 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*" in the Original Offering Circular for further details.

(10) These being: (i) Crimson White Investment; (ii) Fornax; (iii) Future Financial Investment; (iv) PCGI Holdings; (v) Queensway Asset Holding; (vi) Wong Ka Kit; (vii) Swiss Re PICA; (viii) Spring Achiever Limited; and (xi) Spring Achiever (Hong Kong) Limited.

(11) Represents the indirect effective interests held by our Group together with local investors.

(12) Represents voting interests and equity interest consistent with the presentation of our interests in FWD Takaful in our financial statements.

ACQUISITION OF A 70% EFFECTIVE INTEREST IN GBSN LIFE

In February 2023, we entered into an agreement to acquire (through the acquisition of 70% of Gibraltar BSN Holdings Sdn Bhd), with local investors, a 70% effective interest in Gibraltar BSN Life Berhad ("**GBSN Life**"), a life insurance company in Malaysia, which subsequently completed in April 2023. Subsequent to the completion of the acquisition, in April 2023, the name of GBSN Life was changed to FWD Insurance Berhad ("**FWD Life Malaysia**"). This acquisition has enabled our Group to enter into the life insurance market in Malaysia alongside our takaful presence, and allows 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, as well as to benefit from FWD Life Malaysia's existing exclusive life insurance distribution partnership with Bank Simpanan Nasional.

Although we are the largest shareholder in FWD Life Malaysia (together with local investors), we are still subject to certain risks associated with the protective rights of the minority shareholders. See "***Risk Factors – We do not wholly or directly own our businesses in some jurisdictions, which entails certain risks***" in the Original Offering Circular.

EXTENSION OF DISTRIBUTION PARTNERSHIP WITH SCB

In April 2023, in recognition of, and in furtherance to, our bancassurance partnership with SCB being the largest contributor to our APE and VNB in Thailand, and the delivery of strong post-acquisition growth, we extended our long term exclusive distribution partnership with SCB for a further two years. This extension demonstrates the strength of our partnership with SCB and will allow us to deliver on our strategy of enhancing our bancassurance channel and cementing our bancassurance leadership in Thailand.

CHIEF FINANCIAL OFFICER

Reference is made to the section entitled "***Directors and Senior Management - Senior Management of the Group***" in the Original Offering Circular. On 1 September 2023, Siddhartha Sankaran will be appointed as our Group Chief Financial Officer, replacing our outgoing Group Chief Financial Officer Jon Nielsen.

Siddhartha Sankaran joined the Group as a Senior Advisor in June 2023 and will serve as our Managing Director and Group Chief Financial Officer from 1 September 2023. He will head our finance, investment and governance functions, overseeing its financial direction and strategy. He will also hold director positions on the boards of companies in our Group. Mr. Sankaran has over 25 years of insurance industry experience. Previously, Mr. Sankaran was the Chairman and CEO of SiriusPoint Ltd. from the company's inception and listing in February 2021 until May 2022, having served as the Chairman of the Board of Directors of Third Point Reinsurance Ltd. from August 2020 to February 2021 (and as a director from August 2019 to February 2021), during its acquisition of Sirius Group. Prior to this, Mr. Sankaran was Chief Financial Officer of New York Stock Exchange listed Oscar Health from March 2019 to March 2021 and also acted as interim Chief Financial Officer from December 2022 to August 2023. Mr. Sankaran joined the board of directors of Oscar Health in February 2021. Earlier in his career, Mr. Sankaran worked from November 2010 until December 2018 at AIG, first as Chief Risk Officer and later as Chief Financial Officer. Prior to joining AIG, Mr. Sankaran was a Partner in the Finance and Risk practice of Oliver Wyman Financial Services, where he led the company's Toronto office. Mr. Sankaran graduated with distinction from the University of Waterloo with a Bachelor of Mathematics majoring in actuarial science in June 1999.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The summary financial information set forth below has been derived from, and should be read in conjunction with our unaudited interim financial statements as at and for the six months ended 30 June 2022 and 30 June 2023 (the "**Interim Consolidated Financial Statements**") included in this Supplemental Offering Circular as well as the "***Interim Results***" section. Our Interim 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.

SUMMARY CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June	
	2023	**2022**
	(US$ millions)	
		(Restated)
REVENUE		
Insurance revenue	1,366	1,177
Insurance service expenses	(955)	(791)
Net expenses from reinsurance contracts held	(57)	(109)
Insurance service result	354	277
Interest revenue	522	452
Other investment gains/(losses)	201	(629)
Net impairment loss on financial assets	(1)	(14)
Investment return	722	(191)
Net finance (expenses)/income from insurance contracts	(591)	243
Net finance expenses from reinsurance contracts held	(10)	(20)
Movement in investment contract liabilities	3	1
Net investment result	124	33
Net insurance and investment result	478	310
Other revenue	69	18
General and other expenses	(357)	(316)
Borrowings and other finance costs	(83)	(59)
Profit/(loss) before share of profit/(loss) from associates and joint ventures	107	(47)
Share of profit/(loss) from associates and joint ventures	3	(1)
Profit/(loss) before tax	110	(48)
Tax expense	(66)	(4)

	Six months ended 30 June	
	2023	2022
	(US$ millions)	
		(Restated)
Net profit/(loss)	44	(52)

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 30 June 2023	As of 31 December 2022
	(US$ millions)	
		(Restated)
ASSETS		
Intangible assets	3,218	3,207
Investments in associates and joint ventures	462	407
Property, plant and equipment	127	139
Investment property	587	641
Insurance contract assets	737	722
Reinsurance contract assets	726	725
Financial investments		
At fair value through other comprehensive income debt securities	31,047	30,815
At fair value through profit or loss		
Debt securities	2,025	1,810
Equity securities	739	381
Interests in investment funds	8,019	7,576
Derivative financial instruments	148	319
Loans and deposits	1,116	1,530
	43,094	42,431
Deferred tax assets	338	238
Current tax recoverable	23	32
Other assets	716	574
Cash and cash equivalents	1,729	1,474
	51,757	50,590
Assets classified as held-for-sale	—	—
Total assets	51,757	50,590
LIABILITIES		

	As of 30 June 2023	As of 31 December 2022
	(US$ millions)	
		(Restated)
Insurance contract liabilities	38,607	37,019
Reinsurance contract liabilities	295	463
Investment contract liabilities	149	197
Borrowings	2,215	2,216
Derivative financial instruments	394	134
Provisions	40	15
Deferred tax liabilities	227	269
Current tax liabilities	434	385
Other liabilities	1,195	1,403
	43,556	42,101
Liabilities directly associated with assets classified as held-for-sale	—	—
Total liabilities	43,556	42,101
EQUITY		
Share capital and share premium	6,411	6,411
Other reserves	68	81
(Accumulated losses)/retained earnings	(582)	(438)
Amounts reflected in other comprehensive income	(867)	(637)
Total equity attributable to Shareholders of the Company	5,030	5,417
Perpetual securities	1,354	1,354
Non-controlling interests	1,817	1,718
Total equity	8,201	8,489
Total liabilities and equity	51,757	50,590

SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended	
	2023	**2022**
	(US$ millions)	
		(Restated)
Net cash provided by operating activities	525	321
Net cash used in investing activities	(80)	(469)
Net cash used in financing activities	(151)	(255)

	Six months ended	
	2023	**2022**
	(US$ millions)	
		(Restated)
Net increase/(decrease) in cash and cash equivalents	294	(403)
Cash and cash equivalents at beginning of the year	1,474	2,654
Effect of exchange rate changes on cash and cash equivalents	(39)	(60)
Cash and cash equivalents at end of period	1,729	2,191

CAPITALISATION

The following table sets forth our consolidated capitalisation as of 30 June 2023. The table should be read in conjunction with the Interim Consolidated Financial Statements included in this Supplemental Offering Circular.

	As of 30 June 2023
	(Unaudited)
	(US$ millions)
Borrowings	
Bank borrowings	991
Medium term notes	324
Subordinated notes	900
Total Borrowings	2,215
Equity	
Share capital and share premium	6,411
Other reserves	68
(Accumulated losses)/retained earnings	(582)
Fair value reserve	(2,417)
Insurance finance reserve	2,005
Cash flow hedge reserve	(11)
Defined benefit obligation revaluation reserve	3
Foreign currency translation reserve	(452)
Share of other comprehensive income of associates and joint ventures	5
Total Shareholders' equity	5,030
Perpetual securities	1,354
Non-controlling interests	1,817
Total capitalisation(1)	10,416

Note:

(1) Total capitalisation represents the sum of total borrowings, perpetual securities, non-controlling interests and total shareholders' equity.

There has been no material change in our total capitalisation since 30 June 2023.

INTERIM RESULTS

The following discussion covers the financial results for the six month period from 1 January 2023 to 30 June 2023 for the current period ("**1H23**") and for the six month period from 1 January 2022 to 30 June 2022 for the prior period ("**1H22**"). All figures included in this Supplemental Offering Circular are presented in actual reporting currency (U.S. dollar) and based on the exchange rates set forth in Note 4 to the Interim Consolidated Financial Statements unless otherwise stated.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts has replaced IFRS 4 Insurance Contracts, and has materially changed the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in our Interim Consolidated Financial Statements. As a result, the Interim Consolidated Financial Statements included in this Supplemental Offering Circular are not directly comparable to our Audited Consolidated Financial Statements included in Appendix II to the Original Offering Circular.

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 has used all three measurement model approaches in the preparation of our Interim Consolidated Financial Statements 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 is no longer separately presented as they are included in the insurance contract liabilities measurement under IFRS 17.

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 income statement and 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. Our Interim Consolidated Financial Statements contain extensive disclosures to reconcile the movements in insurance contract assets and liabilities with the income and expenses in the income statement and 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 has made use of all three transition approaches in the preparation of our Interim Consolidated Financial Statements given the varying length of history of the in-force business. The Interim Consolidated Financial Statements (which include, where relevant, comparative financial information for the six months ended 30 June 2022 or as of 31 December 2022) included herein represent the first reported IFRS 17 Consolidated Financial Statements for FWD Group.

SUMMARY AND KEY FINANCIAL HIGHLIGHTS

Growth & value creation

In 1H23, we continued to build scale across our markets by delivering strong growth in new business. Overall reported new business sales increased by 19 per cent to US$845 million compared with 1H22, recovering from the COVID-19 pandemic, especially with the Hong Kong-Mainland China border reopening from January 2023, with full resumption in normal travel from February 2023.

Value of new business grew by 22 per cent in 1H23 to US$482 million. Overall new business margin increased 1.8 percentage points to 57.1 per cent driven by increased protection mix across the portfolio, re-pricing and impact of higher interest rates.

Embedded value equity increased 3 per cent to US$9.3 billion as at 30 June 2023 from US$9.3 billion as at 31 December 2022, mainly driven by growth in new business, offset by adverse operating variances and foreign exchange rates. Operating return on embedded value was 20.5 per cent annualised for 1H23.

Profitability & scale

Our total weighted premium income was up 3 per cent in 1H23 on a constant exchange rate basis, totalling US$3.4 billion, driven by our growth in new business, but impacted by the run-off of our scaled back corporate-owned life insurance ("**COLI**") business in Japan. Our operating expense ratio was 14.8 per cent in 1H23, decreased by 0.1 percentage points from 2022 on actual exchange rate basis, as a result of the slower growth in premiums despite continued cost control.

In line with our Group strategy, we have continued our focus on embedding protection within our product offerings with our protection value of new business up 25 per cent to US$236 million, with a protection ratio of 49.0 per cent in 1H23.

Operating profit before tax increased by 56 per cent to US$307 million in 1H23, which is primarily attributable to strong results delivered by Hong Kong and Japan, with our Emerging Markets segments now also generating operating profit (compared to losses in the prior corresponding period), offset by lower operating profit in Thailand due to higher claims (as customers resume medical treatments post pandemic lockdown).

Embedded value operating profit grew by 8 per cent to US$538 million, of which US$482 million was driven by value of new business.

Capital

Our adjusted net underlying free surplus generation was US$334 million in 1H23, due to the strong growth in our value of new business, with reducing new business strain.

Free surplus, on a gross of financing basis, increased slightly to US$4.4 billion as at 30 June 2023, primarily driven by free surplus generated from the in-force portfolio, less new business strain, and foreign exchange movements.

FWD Group's Local Capital Summation Method ("**LCSM**") cover ratio (on the prescribed capital requirement basis) under the new GWS regime was strong at 300 per cent as at 30 June 2023 up from 288 per cent as at 31 December 2022.

On 24 August 2023, Fitch assigned FWD Group's core life insurance operating entities an insurer financial strength ("IFS") rating of "A", while Moody's assigned a notional insurance financial strength rating of "A3", to the FWD Group's major life insurance operating entities, affirming the strong capitalisation of the Group.

GROWTH & VALUE CREATION

New business performance

New business sales increased by 19 per cent to US$845 million compared with 1H22. Our new business sales increased in all markets as they recovered from the impact of the COVID-19 pandemic and benefited from the reopening of the Hong Kong border with Mainland China, while Japan continued to have some impact from the scaled back COLI business.

New business sales, value of new business and new business margin by segment

	New business sales (APE)				Value of new business				New business margin (% APE)	
	1H23	**1H22**	**AER%**	**CER%**	**1H23**	**1H22**	**AER%**	**CER%**	**1H23**	**1H22**
	US$ millions, unless stated									
Hong Kong	245	188	30%	30%	148	103	43%	43%	60.3%	54.8%
Thailand............	342	260	31%	34%	172	144	20%	21%	50.3%	55.2%
Japan.................	65	93	(30)%	(23)%	70	72	(3)%	7%	108.2%	77.7%
Emerging Markets.............	192	190	1%	5%	92	86	7%	10%	47.9%	45.2%
Total..................	845	732	15%	19%	482	405	19%	22%	57.1%	55.4%

Value of new business increased by 22 per cent to US$482 million in 1H23 (compared with 1H22), with growth across all of our reporting segments, driven by strong execution of our strategic initiatives.

Our new business margin increased by 1.8 percentage points to 57.1 per cent in 1H23, driven mainly by changes in re-pricing and impact of higher interest rates.

Hong Kong's new business grew very strongly in 1H23 with overall value of new business increasing by 43 per cent primarily driven by offshore sales from Mainland Chinese visitors ("**MCVs**") as the border with Hong Kong reopened in January 2023, with full resumption in normal travel in February 2023. New business margins increased by 5.4 percentage points to 60.3 per cent, driven by the improvement in channel and re-pricing.

Thailand's value of new business increased by 21 per cent, driven by strong growth in both our agency channel and our bancassurance sales through Siam Commercial Bank ("**SCB**").

New business margin decreased by 5.1 percentage points to 50.3 per cent, as our business focused on tactically growing sales in the bancassurance channel, where margins continue to be amongst the highest in the industry.

We extended our long term exclusive distribution partnership with SCB for a further two years in April 2023. This extension demonstrates the strength of our partnership with SCB and will allow us to deliver on our strategy of enhancing our bancassurance channel and cementing our bancassurance leadership in Thailand.

Our Japan business continued to grow in individual protection products, focusing on protection and medical and strengthening our independent financial advisor ("**IFA**") platform. Our individual focused strategy has shown positive results in 1H23 with individual value of new business increasing 20 per cent in 1H23.

Emerging Markets delivered 10 per cent growth in value of new business in 1H23. Growth was impacted by market disruption in Vietnam, which we expect to continue for the remainder of 2023. Emerging Markets continued to increase protection ratios across the portfolio, with a 2.5 percentage points increase in the new business margin in 1H23 to 47.9 per cent. Under the new IFRS 17 accounting standard, we calculate a new business contractual service margin ("**CSM**"), which is similar in concept to value of new business ("**VNB**"), differing principally in the following ways:

- **Risk adjustment**: Under IFRS 17, there is an explicit risk adjustment margin to cover the risk of deviation from the best estimate non-market assumptions. This is normally covered by the implicit risk premium embedded in the risk discount rate under traditional VNB reporting basis.
- **Cost of capital**: VNB measures shareholders' profit taking into account the cost of holding required capital whereas CSM is measuring the profitability of the contract before any cost of capital.
- **Valuation differences**: Differences include discount rate (risk free rates with allowance of illiquidity premium vs risk discount rate for VNB), non-attributable expenses to new business CSM and tax.

Value of new business and contractual service margin comparison

	1H23	**1H22**	**AER% / change**	**CER % / change**
	US$ millions, unless otherwise stated			
Value of new business	482	405	19%	22%
Risk adjustment	(57)	(54)	4%	na
Cost of capital	54	24	126%	na
Valuation differences	257	363	(29)%	na
New business contractual service margin (gross of tax)	737	738	—%	3%
New business contractual service margin (net of tax)	608	610	—%	3%
New business CSM (net of tax) / VNB (%)	126%	150%	(24)%	na

The new business CSM grew less than the growth in value of new business mainly due to changes in interest rates and new business mix (new business CSM grew 19 percent excluding economic assumption change). As new business CSM is based on the current risk free rates, it will inherently have more volatility than value of new business which is based on long term interest assumptions.

Present value of new business premiums ("**PVNBP**") increased by 2 per cent to US$4.4 billion in 1H23 due to business mix changes and lower single premium sales. Our new business margin as a percentage of PVNBP increased by 1.9 percentage points to 11.1 per cent due to re-pricing and higher interest rates.

Present value of new business premiums

	1H23	**1H22**	**CER %/change**
	US$ millions, unless otherwise stated		
Present value new business premiums (PVNBP)	4,353	4,387	2%
New business margin (% PVNBP)	11.1%	9.2%	1.9 pps

Embedded value

Embedded value as at 30 June 2023 was US$6.1 billion, up 4 per cent from 31 December 2022. The increase was primarily driven by embedded value operating profit of US$0.5 billion, partially offset by negative foreign exchange movements, corporate expenses and financing costs.

The operating variances, as a part of embedded value operating profit, negatively impacted embedded value by US$0.2 billion in 1H23, primarily driven by expense and persistency variances. Expense variances, though negative, showed a continued improvement in 1H23. Persistency variances were impacted adversely by the high interest rate environment and unfavourable experience in Vietnam and Thailand markets. Please see '*Analysis of embedded value operating profit*' section for more details on operating variances.

Analysis of embedded value

	1H23	2022
	US$ millions, unless otherwise stated	
Opening embedded value	**6,066**	**5,731**
Impact of HK RBC early adoption	—	433
Expected return on embedded value	307	543
VNB	482	823
Operating variances	(189)	(311)
Operating assumption changes	(62)	(29)
Embedded value operating profit	**538**	**1,027**
Economic variances[1]	40	(792)
Economic assumption changes	—	247
Other items	(105)	(259)
Embedded value profit	**473**	**656**
Corporate centre expenses	(73)	(120)
Financing	(118)	(190)
Acquisitions and disposals	(22)	(18)
Capital movements	—	400
Foreign exchange	(262)	(393)
Closing embedded value	**6,064**	**6,066**

Note:

(1) HK RBC impact was reflected from second half of 2022; should HK RBC impact be reflected from the beginning of 2022, the economic variance would be further improved as a result of better matching of asset and liabilities valuations.

Projected distributable earnings of in-force business

	1H23		**2022**	
	Undiscounted	**Discounted**	**Undiscounted**	**Discounted**
	US$ millions, unless otherwise stated			
1 - 5 years	2,036	1,656	2,125	1,733
6 - 10 years	2,562	1,432	2,638	1,493
11 - 15 years	2,228	881	2,263	915
16 - 20 years	1,752	491	1,836	528
21 years and thereafter	24,012	1,082	22,324	1,089
Total	**32,591**	**5,542**	**31,185**	**5,758**

Growth in our distributable earnings reflect the overall growth of our business. The expected undiscounted earnings increased by 5 per cent in 1H23 driven by the addition of new business in 1H23. The discounted cashflows decreased slightly due to a one-off change of FWD Re reserving basis from IFRS4 to IFRS17, which increased total embedded value, but reduced value of in-force.

Embedded value equity summary

	1H23	**2022**	**AER %**	**CER %**
	US$ millions, unless otherwise stated			
Embedded value	6,064	6,066	—%	4%
Goodwill and Intangibles	3,253	3,222	1%	2%
Embedded value equity	**9,317**	**9,288**	**—%**	**3%**

Embedded value equity as at 30 June 2023 was US$9.3 billion, which increased by US$29 million, up 3 per cent from 31 December 2022.

PROFITABILITY & SCALE

Total premiums

Total weighted premium income (“**TWPI**”) was up 3 per cent on a constant exchange rate basis, totalling US$3.4 billion in 1H23, which was impacted by lower single premium sales in Hong Kong and continued run-off of in-force COLI business in Japan (following the change in tax regulations in 2019).

Total weighted premium income by segment

	1H23	**1H22**	**AER %**	**CER %**
	US$ millions, unless otherwise stated			
Hong Kong	866	875	(1)%	(1)%
Thailand	1,288	1,186	9%	10%
Japan	883	1,021	(14)%	(4)%
Emerging Markets	359	341	5%	9%

	1H23	1H22	AER %	CER %
	US$ millions, unless otherwise stated			
Total weighted premium income	**3,396**	**3,423**	**(1)%**	**3%**

Protection ratio

Increasing the protection ratio is a core strategic priority for us, with the protection value of new business growing 25 per cent to US$236 million in 1H23. The protection ratio increased by 1.0 percentage point to 49.0 per cent in 1H23, driven by continued strong execution of our protection strategy.

Protection value of new business

	1H23	1H22	AER %	CER %
	US$ millions, unless otherwise stated			
Protection value of new business	236	196	21%	25%
Protection ratio	49.0%	48.4%	0.6%	1.0%

Operating profit

We achieved a strong improvement in profitability amid challenging global macroeconomic headwinds. Total IFRS operating profit before tax ("**OPBT**"), increased by 56 per cent to US$307 million in 1H23.

Operating profit before tax by segment

	1H23	1H22	AER %	CER %
	US$ millions, unless otherwise stated			
Hong Kong	133	43	204%	204%
Thailand	82	94	(14)%	(13)%
Japan	123	117	5%	15%
Emerging Market	25	(2)	na	na
Corporate and Others	(56)	(44)	26%	26%
Operating profit before tax	**307**	**208**	**48%**	**56%**

Hong Kong's operating profit before tax increased by 204 per cent to US$133 million, which was mainly from the continued growth of our in-force portfolio and new business and lower non-attributable expense.

Thailand operating profit before tax fell by 13 per cent to US$82 million in 1H23 primarily as a result of higher claims expenses (as customers resume medical treatments post pandemic lockdown), which have offset the profit from the growth of our in-force portfolio and new business.

Japan delivered an operating profit before tax of US$123 million, up 15 per cent from 1H22 mainly due to the higher investment margin of our investments managed by Apollo.

Emerging Markets made an operating profit before tax of US$25 million in 1H23, compared to a loss of US$2 million in 1H22, as our business in these markets continue to achieve scale in these fast-growing countries.

The operating loss before tax in Corporate and Others segment increased by 26 per cent to US$56 million, driven by continued investment in resource and IT platform to support fast growing of our underlying business and digital platform for better underwriting, claims and customer engagement experience.

IFRS operating profit

	1H23	**1H22**	**AER % / change**
	US$ millions, unless otherwise stated		
Net contractual service margin release	354	255	39%
Operating variances	(1)	27	(102)%
Risk adjustment release	27	26	4%
Others	(27)	(12)	127%
Net Insurance Service Result	**354**	**295**	**20%**
Investment return..	878	357	146%
Net finance expenses	(703)	(236)	198%
Net Investment Result	**175**	**121**	**45%**
Operating profit before tax (pre-corporate overheads)................................	**529**	**416**	**27%**
Net other fees...	15	16	(3)%
Non-attributable expenses – Group office ...	(62)	(34)	79%
Non-attributable expenses – Business units.	(167)	(182)	(8)%
Finance costs	(14)	(7)	99%
Associates and joint ventures......................	6	(1)	na
Operating profit before tax......................	**307**	**208**	**48%**
Pre-tax operating margin[1] (%)................	**9.0%**	**6.1%**	**48.8 pps**

Note:

(1) Operating profit before tax divided by total weighted premium income.

There are three major components of operating profit under IFRS 17: the insurance service result, the net investment result, and other revenue and expenses.

Under IFRS 17, CSM release is the key driver of operating profit, and forms part of insurance contract liabilities alongside the best estimate liabilities, with a risk adjustment for non-financial risks. The calculation of each component of the insurance contract liabilities involves discounting, based on current risk-free rates and an illiquidity premium depending on product type.

The CSM represents the stock of future profits that are yet to be earned on our in-force business and will release over time into operating profit and net profit. The CSM balance has built up over time through the addition of successive cohorts of profitable new business over many years with a cumulative discounted value of expected future profits of US$5.4 billion as at 30 June 2023.

The release of the CSM is the largest contributor to the operating profit, with the US$354 million CSM release in 1H23 equating to an annualised rate[1] of 13.1 per cent (12.3 per cent excluding one-off items) on the US$5.4 billion opening CSM balance (compared to 2022 amortisation rate of 10.6 per cent). The release of the CSM grew 39 per cent in 1H23 from 1H22 mainly due to the growth in CSM balance.

Insurance profit grew 20 per cent to US$354 million in 1H23 year on year, mainly driven by the growth in the release of CSM, offset by adverse operating variances mainly due to higher claims expenses (as customers resume medical treatments post pandemic lockdown).

The net insurance result contributed 67 per cent of our total operating profit before tax before corporate overheads, highlighting the quality of our business and strong execution of our protection focused strategy.

The net investment result of US$175 million in 1H23 relates mostly to non-participating business and the return on surplus assets, and was increased by 45 per cent from 1H22 due to business growth and higher market returns.

Other revenue and expenses are mainly composed of overhead expenses in business units and the Group Office that under IFRS 17 are not directly attributable to the insurance service result. Group Office costs increased 79 per cent due to investment in resource and IT platform to support fast growing of our underlying business and digital platform for better underwriting, claims and customer engagement experience, with underlying growth of 38 per cent which excludes one-off true up of incentive cost. Non-attributable business unit expenses reduced 8 per cent due to strong cost control and change in the attribution rate.

Total investment return of US$878 million equates to a 3 per cent average return on assets backing our non-par business and surplus assets, which stood at US$30 billion at 30 June 2023. Fixed income and cash, which account for more than 85 per cent of the invested assets, at an average book yield of 2.95 per cent.

The investment return is partially offset by US$703 million of insurance finance expenses, which represents the unwind of the discount rate on non-par insurance liabilities and the interest required on the participating business.

Finally, to derive operating profit before tax, other revenue and non-attributable expenses of US$214 million and finance costs of US$14 million on leases and repurchase agreements.

Given our high rates of new business CSM relative to the CSM balance (representing over 25 per cent in 2022 and 1H23), our CSM balance grew 18 per cent in 2022 on an operating basis (before market and foreign exchange movements), demonstrating the strong growth and quality of our business. This growth was lower in 1H23 due to adverse operating variances (6 per cent annualised excluding assumption changes).

Analysis of contractual service margin

	1H23	**2022**
	US$ millions, unless otherwise stated	
Opening contractual service margin	5,400	5,015
New business contractual service margin*	712	1,362
Expected return on inforce	21	21
Operating variances and assumption changes	(330)	62
Contractual service margin release	(354)	(531)

[1] The CSM amortisation rate is calculated based on the opening balance, and is shown on annualised basis.

	1H23	2022
	US$ millions, unless otherwise stated	
Operating change in contractual service margin	50	915
Economic variances and assumption changes	329	(556)
Foreign exchange	(220)	(240)
Others	(115)	267
Closing contractual service margin	5,444	5,400
Closing contractual service margin (net of tax)	4,462	4,404

*excluding BRI Life.

Our CSM at the start of the year was US$5.4 billion, with 1H23 new business added US$712 million with a further US$21 million coming from the expected return on the in-force CSM as it unwinds by one year. Negative operating variances of US$330 million related largely to persistency experience and operating assumption changes. Lastly, US$354 million of CSM was released into the insurance service result.

Driven by our continued delivery of growth in high-quality new business, our operating CSM increased by US$50 million in 1H23.

Our closing CSM as at 30 June 2023 was impacted by US$329 million of economic variances and US$220 million of negative foreign exchange movements.

Analysis of net profit

	1H23	1H22
	US$ millions, unless otherwise stated	
Net profit / (loss)	44	(52)
Profit / (loss) before tax from continuing operations	110	(48)
Market related:		
Short-term fluctuations in investment return	64	100
Loss component on onerous contracts	9	20
Other non-operating investment return	(14)	(11)
Non-market related:		
Finance costs	69	52
M&A, business set up and restructuring related costs	(6)	36
IPO related costs including incentive costs	34	34
Other non-operating items	9	(3)
Implementation costs for IFRS 9, 17 and GWS	32	28
Operating profit before tax	**307**	**208**
Tax on operating profit before tax	(67)	(45)
Operating profit after tax	**240**	**163**

Our operating profit after tax was US$240 million in 1H23, up 56 per cent from 1H22. Our reported net profit for 1H23 was US$44 million in 1H23, up from a loss of US$52 million in 1H22.

The key difference between operating profit after tax and reported net profit are as follows:

- One-off implementation costs of IFRS 9, 17 and GWS (US$32 million) and IPO related costs (US$34 million);
- Market related fluctuations impacting the reported profit totalling US$59 million; and
- Group finance costs of US$69 million, up from US$52 million from 1H22 due to higher interest rates.

Expense ratio

Our expense ratio has decreased by 0.1 percentage points compared with 2022, driven by robust cost control, and offset by lower growth in total weighted premium income.

Expense ratio by segment

	1H23	2022	AER Change
	US$ millions, unless otherwise stated		
Hong Kong	13.6%	13.3%	0.3 pps
Thailand	9.0%	9.5%	(0.5) pps
Japan	10.1%	9.9%	0.2 pps
Emerging Markets	32.6%	31.1%	1.5 pps
Expense ratio	**14.8%**	**14.9%**	**(0.1) pps**

Our positive operating leverage was evident across all our business units except Hong Kong, mainly due to higher bonus accrual and lower total premiums (from lower single premiums mix), and Japan (due to COLI business), with Emerging Markets impacted by Vietnam market disruption.

Embedded value operating profit

Embedded value operating profit (before operating assumption changes and other operating variances) was US$592 million in 1H23. The key drivers of value creation were the in-force profit from expected returns of US$307 million, and US$482 million from value of new business, and offset by operating variances and assumption changes.

Analysis of embedded value operating profit

	1H23	1H22	AER Change	CER Change
	US$ millions, unless otherwise stated			
Expected return on embedded value	307	248	24%	na
Value of new business	482	405	19%	22%
Operating variances	(189)	(127)	49%	na
- Expense and commission	(70)	(84)	(16)%	na
- Mortality and morbidity	(11)	20	(155)%	na
- Persistency	(116)	(54)	117%	na
- Others	8	(9)	na	na
Operating assumption changes	(62)	(12)	428%	na

	1H23	1H22	AER Change	CER Change
	US$ millions, unless otherwise stated			
Embedded value operating profit	538	515	5%	8%
Embedded value operating profit (before operating assumption changes and other operating variances)	592	536	11%	14%
Operating return on embedded value	**20.5%**	**20.9%**	**(0.4) pps**	**(0.8) pps**

Embedded value operating profit increased by 8 per cent primarily driven by resilient new business contribution which grew by 22 per cent in 1H23.

This was offset by negative operating variances, which were mainly due to:

- Expense and commission: Our expense overruns continue to reduce in 1H23, as our business continued to achieve scale and as integration synergies were extracted.
- Mortality and morbidity: We continued to experience positive mortality experience compared to our expectation. However, for morbidity, we experienced some slight adverse experience as our customers resumed medical treatments post pandemic lockdowns.
- Persistency: The negative persistency variance was largely due to the high interest rate environment and the unfavourable experience in Thailand and Vietnam. In Vietnam, unfavourable lapses were due to market disruption. In Thailand, we experienced higher than expected unit-linked lapses and higher than expected persistency on saving products that offer stable return.

Our negative operating assumption changes of US$62 million were in relation to persistency.

IFRS balance sheet

	1H23	2022	AER %
	US$ millions, unless otherwise stated		
Assets			
Financial investments	43,094	42,431	2%
Investment property	587	641	(8)%
Cash and cash equivalents	1,729	1,474	17%
Intangible assets	3,218	3,207	—%
Other assets	3,129	2,837	10%
Total assets	51,757	50,590	2%
Liabilities			
Insurance and investment contract liabilities	38,756	37,216	4%
Borrowings	2,215	2,216	—%
Other liabilities	2,585	2,669	(3)%
Less total liabilities	43,556	42,101	3%
Equity			
Total equity	8,201	8,489	(3)%

	1H23	2022	AER %
	US$ millions, unless otherwise stated		
Less perpetual securities	1,354	1,354	—%
Less non-controlling interests	1,817	1,718	6%
Total equity attributable to Shareholders of the Company	**5,030**	**5,417**	**(7)%**
Adjusted total equity attributable to shareholders	**6,768**	**7,134**	**(5)%**
Contractual service margin (net of tax)	4,462	4,404	1%
Comprehensive equity	**11,230**	**11,538**	**(3)%**
Debt & borrowings	3,569	3,570	—%
Leverage ratio (shareholders' equity)	**34.3%**	**33.3%**	**1.0 pps**
Leverage ratio (comprehensive equity)	**24.0%**	**23.6%**	**0.4 pps**

Total equity attributable to shareholders of the Company reduced from US$5.4 billion as at 31 December 2022 to US$5.0 billion as at 30 June 2023, due to an increase of net reported profit of US$44 million yet offset by the negative impact of foreign exchange movements during the period.

Total assets grew by 2 per cent during 1H23 and liabilities grew by 3 per cent, in line with growth in the business (offset by foreign exchange impacts).

Under IFRS 17, comprehensive equity is defined as total equity plus the contractual service margin balance, which totalled US$11.2 billion as at 30 June 2023.

Our debt leverage ratio as at 30 June 2023 is 34.3 per cent, up from 33.3 per cent as at 31 December 2022, mainly due to adverse foreign exchange movements during the period.

Our leverage ratio as at 30 June 2023 based on a comprehensive equity definition (shareholders' equity plus net contractual service margin) was 24.0 per cent.

Analysis of comprehensive equity

	1H23	2022	1H22
	US$ millions, unless otherwise stated		
Opening comprehensive equity	11,538	11,573	11,573
Net profit / (loss)	(11)	(403)	(80)
Fair value gains/(losses) on assets	731	(4,043)	(3,656)
Net finance income/(expenses) from insurance and reinsurance contracts	(843)	3,885	3,726
Foreign currency translation adjustments	(223)	(187)	(464)
Other capital movements	(20)	410	189
Net contractual service margin movement	58	303	14
Total movement in comprehensive equity	(308)	(35)	(271)
Closing comprehensive equity	**11,230**	**11,538**	**11,302**

The table below compares the new IFRS 17 comprehensive equity (equity plus the contractual service margin), which is similar in concept to embedded value equity, differing principally in risk adjustment, cost of capital and valuation as discussed earlier.

Comprehensive equity and embedded value equity comparison

	1H23	2022	AER %
	US$ millions, unless otherwise stated		
Shareholders' equity	6,768	7,134	(5)%
Net contractual service margin	4,462	4,404	1%
IFRS 17 comprehensive equity	**11,230**	**11,538**	**(3)%**
Risk adjustment	491	467	5%
Cost of capital	(765)	(735)	4%
Valuation differences	(1,639)	(1,982)	(17)%
Embedded value equity	**9,317**	**9,288**	**—%**

Investment portfolio by asset class

	1H23	% of total	2022	% of total
	US$ millions, unless otherwise stated			
Fixed income investments	**33,072**	**73%**	**32,625**	**73%**
Government bonds	15,772	35%	15,411	35%
Government agency bonds	1,885	4%	1,573	4%
Corporate bonds	13,128	29%	13,619	31%
Structured securities and others	2,287	5%	2,022	5%
Equities	**739**	**2%**	**381**	**1%**
Investment funds	**8,019**	**18%**	**7,576**	**17%**
Investment properties	**587**	**1%**	**641**	**1%**
Others	2,993	7%	3,323	7%
Cash	1,729	4%	1,474	3%
Loan and deposit	1,116	2%	1,530	3%
Derivatives	148	—%	319	1%
Total invested assets	**45,410**	**100%**	**44,546**	**100%**
Unit-linked	2,609	6%	2,408	5%
Participating	12,502	28%	12,077	27%
Non-participating and others	30,299	67%	30,061	67%

Our total invested assets were US$45.4 billion as at 30 June 2023, up 2 per cent from the US$44.5 billion as at 31 December 2022.

Our liabilities are backed 83 per cent by fixed income assets, reflecting the protection focus on our business. Equities represented 15 per cent of our portfolio (of which around 64 per cent were in the participating funds), followed by 1 per cent in investment properties.

Our fixed income portfolio yield was 2.95 per cent per annum for 1H23, compared to 2.77 per cent for 2022.

As at 30 June 2023, 91 per cent of the corporate bonds we invested in were investment grade.

CASH FLOWS

The following table sets out a summary of our consolidated statements of cash flows for the periods indicated

	1H23	1H22
	(US$ millions)	
Net cash provided by operating activities	525	321
Net cash used in investing activities	(80)	(469)
Net cash used in financing activities	(151)	(255)
Net increase/(decrease) in cash and cash equivalents	294	(403)
Cash and cash equivalents at beginning of the year	1,474	2,654
Effect of exchange rate changes on cash and cash equivalents	(39)	(60)
Cash and cash equivalents at end of period	1,729	2,191

Net cash provided by operating activities was US$525 million in the six months ended 30 June 2023 compared to US$321 million in the six months ended 30 June 2022. The greater amount of cash inflows arose primarily due to (i) a profit before tax of US$110 million in the six months ended 30 June 2023, compared to a loss before tax of US$48 million in the six months ended 30 June 2022 and (ii) cash interest received of US$617 million in the six months ended 30 June 2023 compared to US$576 million in the six months ended 30 June 2022. The greater amount of cash inflows were partially offset by income tax paid of US$72 million in the six months ended 30 June 2023 compared to US$25 million in the six months ended 30 June 2022.

Net cash used in investing activities was US$80 million in the six months ended 30 June 2023 compared to US$469 million in the six months ended 30 June 2022. The lower amount of cash outflows arose primarily due to (i) payments for intangible assets in the six months ended 30 June 2023 of US$43 million, compared to US$438 million in the six months ended 30 June 2022 and (ii) cash outflows of US$29 million for the payments for investment properties in the six months ended 30 June 2022, compared to no such cash outflows in the six months ended 30 June 2023. The lower amount of cash outflows were partially offset by cash inflows from disposal of a subsidiary (net of cash disposed) of US$38 million in the six months ended 30 June 2022.

Net cash used in financing activities was US$151 million in the six months ended 30 June 2023 compared to US$255 million in the six months ended 30 June 2022. The lower amount of cash outflows arose primarily due to (i) cash outflows of US$250 million for the redemption of perpetual securities in the six months ended 30 June 2022, compared to no such cash outflows in the six months ended 30 June 2023 and (ii) cash outflows of US$72 million for the finance costs paid on distribution agreement payable in the six months ended 30 June 2022, compared to US$3 million in the six months ended 30 June 2023. The lower amount of cash outflows were partially offset by cash inflow from issuance of ordinary shares of US$200 million in the six months ended 30 June 2022.

CAPITAL

Free surplus

Free surplus is the excess of adjusted net worth over required capital including consolidated reserving and capital requirements. The Group holds free surplus to enable it to invest in new business, take advantage of inorganic opportunities, and absorb the effects of capital market stress conditions.

In 1H23, free surplus, on a gross of financing basis, was US$4.4 billion, up from US$4.1 billion as at 31 December 2022, driven by free surplus generated from the in-force portfolio, less new business strain, and foreign exchange movements.

Free surplus analysis

	1H23	**2022**
	US$ millions, unless otherwise stated	
Opening free surplus	**4,141**	**4,471**
Underlying free surplus generation	731	1,753
of which the impact of HK RBC early adoption	—	1,183
Free surplus used to fund new business	(2)	(165)
Acquisition and disposals	(40)	(23)
Investment return variances and other items	(268)	(1,755)
Foreign exchange movement	(77)	(102)
Capital movements	—	400
Financing and finance costs	(119)	(439)
Dividends	—	—
Closing free surplus	**4,366**	**4,141**

Underlying free surplus generation is an operating metric that measures the expected amount of free surplus generated from in-force business over the period excluding investment in new business, finance costs, investment return variances and other non-operating items.

In 1H23, underlying free surplus generation was US$731 million, mainly from Hong Kong and Japan.

Our adjusted net underlying free surplus generation[2] was US$334 million in 1H23 (up from US$259 million in 1H22), due to the strong growth in our value of new business, with reducing new business strain.

Regulatory capital

The HKIA introduced a GWS framework in 2021, which includes an assessment of the capital adequacy of the Group. The Group has been subject to the HKIA's GWS framework since 14 May 2021, when FWD Management Holdings was designated as our designated insurance holding company. In addition, our operating subsidiaries are subject to solvency and capital adequacy 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.

2 See section 2.7 of the supplementary embedded value section for details.

The Group capital requirements are determined in accordance with the Insurance (Group Capital) Rules. As at 30 June 2023, the group available capital includes US$2.6 billion of Group Tier 2 capital, of which US$2.6 billion 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 from after the tenth anniversary date at the rate of 20 per cent per annum until the fifteenth anniversary.

These requirements are based on the HKIA's prescribed "summation approach" and are referred to as the Local Capital Summation Method ("**LCSM**"). Under the LCSM, the group available capital and group required capital are calculated as the sum of the available capital and minimum and prescribed required capital requirements respectively for each entity within the Group according to the respective local regulatory requirements, subject to any variation considered necessary by the HKIA.

The group minimum capital requirement ("**GMCR**") is the sum of the minimum capital requirements of each entity within the Group. The group prescribed capital requirement ("**GPCR**") is the sum of the prescribed capital requirements of each entity within the Group, and represents the level below which the HKIA may intervene on grounds of capital adequacy.

The Group LCSM cover ratios are calculated as the ratios of the group available capital to our capital requirements on the MCR and PCR bases, while the tier 1 cover ratio (MCR basis) is calculated as the ratio of the Group Tier 1 capital to our GMCR.

FWD Group LCSM cover ratios

	1H23	**2022**
	US$ millions, unless otherwise stated	
Group available capital	5,944	5,406
of which Tier 1 capital	3,379	2,834
Group minimum capital requirement (GMCR)	990	868
Group prescribed capital requirement (GPCR)	1,981	1,877
Group LCSM free surplus (PCR basis)	3,964	3,529
Group LCSM tier 1 cover ratio (MCR basis)[1]	**341%**	**327%**
Group LCSM cover ratio (PCR basis)[2]	**300%**	**288%**

Notes:

(1) Also defined as the 'tier 1 group capital coverage ratio';

(2) Also defined as the 'eligible group capital resources coverage ratio'.

Our LCSM cover ratio (PCR basis) and LCSM tier 1 cover ratio (MCR basis) increased in 1H23 mainly due to in-force business free surplus generation and change in statutory reserving basis for FWD Re from an IFRS4 basis to an IFRS17 basis, partially offset by capital market and foreign exchange movements.

FWD Group Holding Limited Ratings

On 24 August 2023, FWD Group was assigned its inaugural investment grade credit ratings from Fitch and Moody's.

- Fitch assigned the company an issuer default rating of "BBB+", with a stable outlook while Moody's assigned the company an issuer rating of "Baa2", with a positive outlook.

- Fitch affirmed FWD Group's core life insurance operating entities insurer financial strength ("**IFS**") rating of "A", while Moody's assigned a notional insurance financial strength rating of "A3", to the FWD Group's major life insurance operating entities.

Our investment grade credit ratings will allow us to more effectively and efficiently access the credit markets through FWD Group as we continue to execute our growth strategy.

Group LCSM cover sensitivities

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.

FWD Group (PCR basis)	**1H23**
Central value	300%
Impact of equity price changes	
10 per cent increase in equity prices	2 pps
10 per cent decrease in equity prices	(2) pps
Impact of interest rate changes	
50 basis points increase in interest rates	(1) pps
50 basis points decrease in interest rates	7 pps

International developments

The International Association of Insurance Supervisors ("**IAIS**"), of which HKIA is a member, adopted the Common Framework for the Supervision of Internationally Active Insurance Groups ("**ComFrame**" and "**IAIGs**") on 14 November 2019. ComFrame establishes supervisory standards and guidance focusing on the effective group-wide supervision of IAIGs. Insurance groups are identified as IAIGs according to the criteria set out in ComFrame. On 13 January 2023, FWD Group was identified as an IAIG by its group supervisor, the HKIA.

OPERATIONAL HIGHLIGHTS – GEOGRAPHICAL MARKETS

Hong Kong & Macau

Market and strategy overview

We commenced our life insurance business in Hong Kong and Macau in 2013, when we acquired ING's life insurance business. We grew our presence in Hong Kong by acquiring MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited in 2020.

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 high net worth ("**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 and Macau.

Historically, insurance sales to MCVs have contributed to a significant portion of total industry sales (including FWD), which slowed during the COVID-19 pandemic due to travel restrictions. The Mainland China border with Hong Kong and Macau reopened in January 2023, with full resumption of normal travel in February 2023.

As a result, the industry and we have seen a significant increase in sales to MCVs during 1H23.

We expect that these changes will in turn continue to accelerate the digital transformation of the insurance industry in Hong Kong, which better fits the evolving consumer behaviour, with consumers increasingly seeking digital solutions for their insurance needs, which is core to our strategy.

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 in Hong Kong.

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 region in China, 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.

Business highlights

FWD operates 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 MDRT-registered agent force ranked the fourth largest in Hong Kong. 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.

For our bancassurance channel, we cooperate with banks including Bank of Communications, China Construction Bank, E.Sun Commercial Bank, Industrial Commercial Bank of China, 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 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 region in China.

For our brokerage/IFA channel, 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 in China. We are also aiming to roll out a self- service portal to our brokers for enhancement of the customer experience.

Financial highlights

FWD Hong Kong and Macau overall new business sales increased by 30 per cent compared to last year, to US$245 million, driven by strong growth in offshore business as the border with Mainland China reopened in January 2023 (offset by large one-off group sale in 1H22).

Value of new business grew 43 per cent in 1H23 to US$148 million, driven by growth in MCV sales and re-pricing.

New business margin increased by 5.4 percentage points to 60.3 per cent compared with last year, which was driven by favourable product mix shift as well as margin improvement from re-pricing some of our key savings products.

Operating profit before tax has increased by 204 per cent to US$133 million, primarily from higher premium based revenue and improved expense margin.

Thailand & Cambodia

Market and strategy overview

We commenced our life insurance business in Thailand in 2013, when we acquired ING's life insurance business, which included an exclusive distribution relationship with TMB Bank Public Company Limited.

In 2019, we acquired the life insurance entity of SCB and entered into an exclusive long term distribution partnership with the bank, which is the largest bank in Thailand by market capitalisation.

On a new business sales basis[3], we are the second largest life insurance company in Thailand and the largest bancassurer.

We launched our operations in Cambodia in September 2021, leveraging our digital capabilities and other operations in Thailand enabling an efficient capital structure.

The insurance market in Thailand has faced headwinds in recent years, as a result of social commotion, regulatory changes, and the COVID-19 pandemic, but grew again from 2022.

We believe that there is significant untapped potential within the Thailand life insurance market as the population remains substantially under insured. In addition, Thailand's aging population has increased the demand for protection, medical and pension products.

We operate under a multi-channel distribution model in Thailand, including bancassurance, agency, brokerage and direct channels. FWD Thailand's key strategy is to continue to deliver on our exclusive partnership with SCB complemented with growing our quality agency and partnerships channels.

Business highlights

FWD Thailand's successful digital integration with SCB Life allowed us to target customers and cross-sell insurance products, and significantly enhanced our business scale, distribution reach and brand visibility. By leveraging our partnership with SCB, we have continued to grow our business in Thailand significantly, being the largest bancassurer in Thailand on a new business sales[3] basis.

We extended our long term exclusive distribution partnership with SCB for a further two years in April 2023. This extension demonstrates the strength of our partnership with SCB and will allow us to deliver on our strategy of enhancing our bancassurance channel and cementing our bancassurance leadership in Thailand.

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 recommendations that are tailored to cover the customer's specific protection needs.

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[3] Based on 1H23 statistics from the Thai Life Assurance Association

Our second largest distribution channel in Thailand is the agency channel (the sixth largest in Thailand in on a new business sales[3] basis). 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 second largest life insurer in digital sales in Thailand on a new business sales[3] basis, and have introduced a number of new products and tools. We currently offer products such as life insurance, personal accident and health products through our eCommerce platform on a D2C basis.

Financial highlights

FWD Thailand new business sales grew 34 per cent relative to 1H22, growing across all our key distribution channels.

Value of new business increased 21 per cent relative to 1H22, predominantly driven by top line growth rates as we continue to expand our reach in all key channels across Thailand.

New business margin decreased to 50.3 per cent in 1H23 (from 55.2 per cent in 1H22), as our business focused on tactically growing sales of more savings oriented business in the bancassurance channel, where margins continue to be amongst the highest in the industry.

Operating profit before tax has decreased by 13 per cent to US$82 million in 1H23, mainly due to increased level of claims in the period.

Japan

Market and strategy overview

FWD entered Japan with the acquisition of AIG Fuji Life in 2017, which was subsequently rebranded FWD Japan.

From 2017 to early 2018, COLI products were a major source of our revenue. However, changes to tax regulations have significantly impacted the sales of COLI products in early 2019. In response to these changes, we accelerated our strategic shift from COLI products to individual protection products sold through the IFA channel accordingly.

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 value of new business from individual protection business grew 20 per cent to US$68 million from 1H22, aided by the successful launch of our high margin medical product, which accounted for 96 per cent of our value of new business in 1H23.

Overall, in 1H23, our value of new business increased by 7 per cent to US$70 million from 1H22.

We will continue to drive operational efficiencies through the transformation and digitalisation of our operations and continued pivot to the individual protection business.

Our distribution model in Japan is primarily based on the IFA channel, supplemented by our direct channel. In Japan, IFAs distribute products using various methods, including shop-type agencies with retail-style outlets and case agencies which sell insurance products to small- to mid-size enterprise (SME) and HNW customers in person or by mail.

We are regularly refreshing our IFA solicitor 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 direct to customer ("**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 direct channels such as our website.

Business highlights

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 Straight-Through Processing (STP) and AI Claims 2.0 systems have increased processing speed, reduced error ratios and waiting time by employing analytics-driven software.

Financial highlights

FWD Japan reported 1H23 new business sales of US$65 million down 23 per cent from 1H22, impacted by some slowdown in our individual protection business and scaled back COLI business.

Our value of new business was US$70 million in 1H23, up 7 per cent from 1H22. Overall VNB margin increased to 108.2 per cent in 1H23 (from 77.7 per cent in 1H22) due to increased protection mix.

Operating profit before tax was US$123 million in 1H23, up 15 per cent from US$117 million from 1H22, primarily due to higher investment returns.

Emerging Markets

Strategy and business highlights

Emerging Markets include our businesses in the Philippines, Indonesia, Singapore, Vietnam and Malaysia. Apart from the Philippines, FWD entered in these markets via small acquisitions of legacy platforms and has in the last few years invested in expanding distribution and digitalisation, resulting in reaching critical growth.

We aim to transform our newly formed exclusive partnerships with leading banks in respective markets, accelerate FWD Elite agency growth, establish new ecosystem partnerships for direct strategy, and drive superior customer service through digital end-to-end customer journeys.

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 under-penetrated and underserved population.

Growing health and protection awareness in these markets is expected to increase per capita spending on insurance.

Emerging Markets have been a key growth engine for us. 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 30 June 2023, we had over 36,400 agents, 13 bancassurance partners, as well as various brokerage/IFA partners, digital platforms and eCommerce partners in the Emerging Markets. Among our Business Units, our digital adoption is most progressed in Emerging Markets with a 100 per cent agency digital adoption ratio and 100 per cent eSubmission in all markets and fully automated underwriting available in the Philippines, Indonesia, Singapore, and Malaysia.

Vietnam

We commenced our operations in Vietnam in 2016 following our acquisition of Great Eastern Life (Vietnam) Company Limited. We have an exclusive bancassurance long term partnership with Vietcombank ("**VCB**"), the leading commercial bank in Vietnam.

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 simplified our contract wording to be reader-friendly and easy-to-understand for customers and offering more products online. We believe that our higher 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, broker/IFA, and direct channels.

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. 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.

The Philippines

Since entering the market in 2014 under a new licence, 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 overseas foreign workers segments.

We continue to develop a trusted and digitally-literate agency force through Elite 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. We also operate a direct digital channel and have proactively integrated our online and offline offerings to increase our sales.

We were the first insurance provider in the country to launch in-market 24-hour customer service, 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. The Philippines was also among the first markets where we launched AI[2], our AI-driven financial planning tool.

Indonesia

FWD Indonesia, which is our regulated insurance subsidiary operating our insurance business in Indonesia, received a Shariah-compliant life insurance license 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 2020 and integrated the two companies under one platform with unified products and systems.

In March 2021, we subscribed for 29.9 per cent of the issued share capital in BRI Life. We also agreed to provide additional capital contribution to BRI Life, which is expected to increase our stake in BRI Life to approximately 44 per cent across a three-year period. As at 30 June 2023, we have an equity interest of 39.8 per cent in BRI Life. Concurrently with our initial subscription into BRI Life, BRI Life entered into a 15-year distribution partnership with Bank BRI, the largest bank in Indonesia by market capitalisation. As such this collaboration strategically complements our own agency channel and our partnership with PT Bank Commonwealth.

FWD Indonesia operates both through agency and bancassurance channels. Our bancassurance channel comprises exclusive bancassurance partnerships with PT Bank Commonwealth and non-exclusive bancassurance partnerships with KEB Hana Bank and PT Bank Mestika Dharma Tbk.

Since the inception of the business, FWD Indonesia has operated on a paperless and cashless basis, including eSubmission, electronic signature as well as electronic policy issuance and delivery. We have also recently launched an eClaims process and an ePolicy 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 eTraining through our eLicensing platform to onboard our new agents.

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 2019.

While our application programming interface ("**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.

FWD Singapore currently distributes our products in Singapore direct and IFA channels. We acquire customers on a D2C basis through our website, search engines and affiliate partnerships as well as O2O[4] cross-selling opportunities. Our IFAs can 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. In 1H23, all of our new insurance applications and most service requests in Singapore were submitted online.

Malaysia

We commenced operations in Malaysia with our acquisition of HSBC's 49 per cent stake in HSBC Amanah Takaful in 2019. FWD Takaful's product portfolio includes unit-linked products, traditional products, premium-

[4] O2O collectively refers to online-to-online, online-to-offline and offline-to-online.

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, which benefited from access to FWD Affiliates, (iii) a direct channel for online D2C sales, and (iv) other channels that provide takaful protection for government servants.

In April 2023, we acquired, with local investors, a 70 per cent effective interest in Gibraltar BSN Life Berhad (now rebranded as FWD Insurance Berhad), an insurance company in Malaysia. This acquisition enables our Group to enter into the life insurance market in Malaysia alongside our existing takaful presence, and allows 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.

We utilise various digital tools to manage and enhance the performance of our distribution channels. We use our iRIS tool to monitor sales through our agents. We allow our agents to use our AI² application to analyse customer data and provide better services.

Emerging Markets financial highlights

Emerging Markets new business sales grew 5 per cent in 1H23, comparing with the previous year with growth impacted by market disruption in Vietnam, the largest of our Emerging Markets business units.

Value of new business grew 10 per cent in 1H23, comparing with previous year, with new business margin increased by 2.5 percentage points to 47.9 per cent compared to 1H22.

The Emerging Markets segment made an operating profit before tax of US$25 million in 1H23, improving from an operating loss of US$2 million in 1H22, due to the increased cost allocations from new business sales resulting from our growth, highlighting strong progress of scaling up our operations in the relevant countries. The expense ratio reduced 0.9 percentage points to 32.6 per cent as our markets continued to gain scale.

SUPPLEMENTAL GLOSSARY

Contractual service margin ("CSM")	A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in the group. For details, please refer to Note 2.1 to the Interim Consolidated Financial Statements included in this Supplemental Offering Circular.
Fair value through other comprehensive income ("FVOCI")	For financial assets and liabilities measured at fair value through other comprehensive income, some changes in fair value are recognised in other comprehensive income. For details, please refer to Note 16 to the Interim Consolidated Financial Statements included in this Supplemental Offering Circular.
Fair value through profit or loss ("FVTPL")	For financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result. For details, please refer to Note 16 to the Interim Consolidated Financial Statements included in this Supplemental Offering Circular.
FWD Re	FWD Reinsurance SPC, Ltd, an exempted company incorporated under the laws of the Cayman Islands and a subsidiary of our Company.
HK RBC	Hong Kong Risk-Based Capital.
Insurance contract services	The following services that the Group provides to a policyholder of an insurance contract: • coverage for an insured event (insurance coverage); • for insurance contracts without direct participation features, the generation of an investment return for the policyholder, if applicable (investment-return service); and • for insurance contracts with direct participation features, the management of underlying items on behalf of the policyholder (investment-related service).
Insurance finance reserve	Insurance finance reserve comprises the cumulative insurance finance income or expenses recognised in other comprehensive income.
Insurance revenue	Insurance revenue arising from insurance contracts and exclude any investment components. For details, please refer to Note 2.3.1 to the Interim Consolidated Financial Statements included in this Supplemental Offering Circular.
Insurance service expenses	Insurance service expenses arising from insurance contracts and exclude any investment components. For details, please refer to Note 2.3.1 to the Interim Consolidated Financial Statements included in this Supplemental Offering Circular.

Insurance service result — Insurance service result comprises insurance revenue, insurance service expenses and net expenses from reinsurance contracts held.

Investment component — Amount that an insurance contract requires the Group to repay to a policyholder in all circumstances, regardless of whether an insured event occurs. Generally, for relevant contracts, surrender value would be determined as an investment component.

LCSM cover ratios — LCSM cover ratio (MCR basis) is the ratio of our group available capital to our GMCR. LCSM cover ratio (PCR basis) is the ratio of our group available capital to our GPCR.

Liability for incurred claims ("LIC") — The Group's obligation to:

(a) investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses; and

(b) pay amounts that are not included in (a) and that relate to:

   (i) insurance contract services that have already been provided; or

   (ii) any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the liability for remaining coverage.

Liability for remaining coverage ("LRC") — The Group's obligation to:

(a) investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred (i.e. the obligation that relates to the unexpired portion of the insurance coverage); and

(b) pay amounts under existing insurance contracts that are not included in (a) and that relate to:

   (i) insurance contract services not yet provided (i.e. the obligations that relate to future provision of insurance contract services); or

   (ii) any investment components or other amounts that are not related to the provision of insurance contract services and that have not been transferred to the liability for incurred claims.

Loss component — Loss component for onerous contracts. For details, please refer to Note 2.3.1 to the Interim Consolidated Financial Statements included in this Supplemental Offering Circular.

Net investment result — Comprises investment return, net finance income or expenses from insurance contracts and reinsurance contracts held, movement in investment contract liabilities and movement in third-party interests in consolidated investment funds.

New business sales	New business sales volumes defined at Annual Premium Equivalent (APE) sales.
Premium allocation approach ("PAA")	Simplified measurement of insurance contracts where the coverage period of each contract in the group of contracts is one year or less; or the Group reasonably expects that the resulting measurement of the liabilities for remaining coverage would not differ materially from the result of applying the accounting policies of contracts not measured under PAA.
Variable fee approach ("VFA")	The VFA modifies the general measurement model in IFRS 17 to reflect the nature of the income to the insurer is a variable fee.

APPENDIX I – ADDENDUM TO ACTUARIAL CONSULTANT’S REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2023

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29 August 2023

The Directors
FWD Group Holdings Limited
富衛集團有限公司
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ADDENDUM TO ACTUARIAL CONSULTANT'S REPORT – 30 JUNE 2023

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, distributable earnings and analysis of EV movement 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. The consolidated results as prepared by FWD Group over the track record period, including 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 are presented in our Report titled "Actuarial Consultant's Report" (referred to as the "ACR") dated 27 February 2023.

The Company has subsequently calculated results as at 30 June 2023, including the EV as at 30 June 2023 ("1H2023 EV"), the VNB covering six months of sales up to 30 June 2023 ("6M2023 VNB"), the determination of end-period EV equity, EV operating profit, free surplus generation, distributable earnings and analysis of EV movement in the first half of 2023 ("6M2023"). The results as at 30 June 2023 or for the six months ended 30 June 2023 are collectively referred to as the "1H2023 EV Results". The 1H2023 EV Results have been prepared based on unaudited International Financial Reporting Standards ("IFRS") accounts as at 30 June 2023. As a comparison, the equivalent EV and EV equity results have also been presented as at 31 December 2022 ("YE2022") while the equivalent VNB, free surplus generation, distributable earnings and analysis of EV movement have been presented for the first half of 2022 ("6M2022").

In accordance with the engagement letter dated 1 April 2022, this addendum ("Addendum") detailing the 1H2023 EV Results and the scope of our review has been prepared in order to provide supplementary information on FWD's EV Results. The Addendum and the ACR should be read together in their 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 Addendum. This Addendum 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 Addendum.

Except where otherwise stated, the figures quoted in this Addendum as at the Valuation Dates and 30 June 2023 do not make allowance for any developments after those dates. The various monetary amounts specified are expressed in US Dollars ("USD").

Where abbreviations have been used and are not defined in the Addendum, reference should be made to the ACR.

1.2. SCOPE OF OUR WORK

The scope of work as described in Section 1.3 of the ACR also applies to the review of results presented in this Addendum. The objective of our review was to confirm that the 1H2023 EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions described in this Addendum and the ACR.

1.3. STRUCTURE OF THE ADDENDUM

The various sections of this Addendum are set out as follows:

- Section 2: Key highlights – provides an overview of the 1H2023 EV Results
- Section 3: Methodology – provides details of the methodology adopted in the derivation of the 1H2023 EV Results
- Section 4: Assumptions – describes the assumptions used to calculate the 1H2023 EV Results
- Section 5: 1H2023 EV Results – sets out the 1H2023 EV Results, including sensitivity analysis
- Section 6: Milliman opinion – provides a formal opinion in respect of the 1H2023 EV Results
- Section 7: Reliances and limitations – sets out the reliances and limitations applicable to our work and to this Addendum
- Appendix A: Abbreviations used in this Addendum
- Appendix B: Key information received
- Appendix C: Exchange rates used in deriving the results
- Appendix D: Summary of EV and EV equity results as at 30 June 2022

2 KEY HIGHLIGHTS

An overview of the 1H2023 EV Results is presented in this section, together with comparisons against relevant figures for 2022. While reading this section alone can provide a high-level summary, it does not give the full details, and this Addendum must be read together with the ACR in their entirety in order to be fully understood. Further details of the methodology, assumptions and 1H2023 EV Results, including sensitivity analyses, are set out in Sections 3, 4 and 5 to this Addendum. Reference should also be made to Section 2 of the ACR, which includes a description of the results presented.

Table 2.1: Summary of Group EV (in USD millions)

Embedded value	As at 31 Dec 2022	As at 30 Jun 2023	Change during 6M2023 (as % of base results as at 31 Dec 2022): CER basis	Change during 6M2023 (as % of base results as at 31 Dec 2022): AER basis
Group EV	6,066	6,064	4.3%	(0.0%)
- ANW	2,268	2,630	20.3%	16.0%
- VIF	3,798	3,433	(5.4%)	(9.6%)

EV equity	As at 31 Dec 2022	As at 30 Jun 2023	Change during 6M2023 (as % of base results as at 31 Dec 2022): CER basis	Change during 6M2023 (as % of base results as at 31 Dec 2022): AER basis
Group EV	6,066	6,064	4.3%	(0.0%)
Plus: Goodwill and other intangible assets	3,222	3,253	1.9%	1.0%
EV equity	9,288	9,317	3.5%	0.3%

New business value	Six months ended 30 Jun 2022	Six months ended 30 Jun 2023	YoY change: CER basis	YoY change: AER basis
VNB	405	482	22.4%	19.1%
NB APE	732	845	18.6%	15.5%
PVNBP	4,387	4,353	1.7%	(0.8%)
New business margin (% of NB APE)	55.4%	57.1%	1.8 pps	1.7 pps
New business margin (% of PVNBP)	9.2%	11.1%	1.9 pps	1.8 pps

EV operating profits	Six months ended 30 Jun 2022	Six months ended 30 Jun 2023	YoY change: CER basis	YoY change: AER basis
Before operating assumption changes and other operating variances (1)	536	592	14.1%	10.6%
After operating assumption changes and other operating variances (1)	515	538	8.0%	4.5%

Free surplus generation	Six months ended 30 Jun 2022	Six months ended 30 Jun 2023	YoY change: CER basis	YoY change: AER basis
Underlying free surplus generation	305	731	144.9%	139.5%
Free surplus to fund new business	(151)	(2)	n/m	n/m
Net underlying free surplus generation (2)	154	729	385.5%	372.3%
Adjusted underlying free surplus generation (2)	350	298	(11.6%)	(14.7%)
Adjusted free surplus used to fund new business (2)	(91)	36	n/m	n/m
Adjusted net underlying free surplus generation (2)	259	334	33.8%	28.9%

Figures may not be additive due to rounding.

CER = Constant exchange rate (please refer to Section 3.5 of ACR for the definition of CER). AER = Actual exchange rate. YoY = Year-on-year. pps = Percentage points.

ANW = Adjusted net worth; VIF = Value of in-force business; 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.

n/m = Not meaningful. The YoY change in percentage terms is not meaningful when comparing a figure to a prior negative figure.

Note (1): Refers to all operating variances other than claims/persistency/expense variances.

Note (2): Refer to Table 5.13 for the breakdown between net underlying free surplus generation, adjusted underlying free surplus generation, adjusted free surplus used to fund new business and adjusted net underlying free surplus generation.

3 METHODOLOGY

The 1H2023 EV Results have been prepared using a consistent methodology to that described in Section 3 of the ACR, with exchange rates used set out in Appendix C to this Addendum. The level of required capital used to determine the 1H2023 EV Results is aligned with the assumptions adopted for the 2022 EV Results and is summarised in Table 3.1.

Table 3.1: Required capital by Business Unit

Business Units	Required Capital
FWD HK	100% of regulatory risk-based capital requirement
FWD Japan	600% of regulatory risk-based capital requirement for FWD Life Japan 200% of regulatory risk-based capital requirement for FWD Reinsurance
FWD Thailand	140% of regulatory risk-based capital requirement (RBC 2)
FWD Indonesia and BRI Life	120% of regulatory risk-based capital requirement
FWD Malaysia and FWD IB	195% of regulatory risk-based capital requirement for FWD Malaysia 200% of regulatory risk-based capital requirement for FWD IB
FWD Philippines	125% of regulatory risk-based capital requirement
FWD Singapore	125% of regulatory risk-based capital requirement (RBC 2)
FWD Vietnam	100% of required minimum solvency margin
FWD Cambodia	100% of required minimum solvency margin

On 3 April 2023, FWD Group, along with local investors, acquired a 70% stake in FWD BSN Holdings Sdn. Bhd (Malaysia) ("FWD BSN Holdco"), a company established under the laws of Malaysia. FWD BSN Holdco is the holding company of FWD Insurance Berhad (Malaysia) ("FWD IB") (formerly known as "Gibraltar BSN Life Berhad"), a life insurance company acquired from Prudential Insurance Company of America.

No VIF and VNB have been determined for FWD IB as it is expected to be immaterial in the context of FWD Group EV. The in-force statutory reserves as at 30 June 2023 in respect of FWD Group's 14%[1] economic interest in FWD IB amounted to USD 40.7 million, accounting for less than 0.2% of the total in-force reserves of FWD Group. The 1H2023 EV in respect of FWD's shareholding of FWD IB has been calculated with reference to the ANW as at 31 March 2023 and reported under "Emerging Markets".

Consistent with the EV Results presented in the ACR, the 1H2023 EV Results exclude the value attributable to any non-controlling interest, which means they are based on a 99.96% holding in FWD Thailand, a 39.82%[2] holding in BRI Life, a 70%[3] holding in FWD BSN Holdco and a 100% holding for other Business Units.

[1] FWD Group owns 20% of the 70% stake in FWD BSN Holdco while FWD BSN Holdco owns 100% of FWD IB. FWD Group's economic interest in FWD IB is therefore 14% (i.e. 20% x 70% x 100%).

[2] On 2 March 2022 and 1 March 2023, FWD acquired an additional 5.28% and 4.68% stake in BRI Life, increasing its holding to 35.14% and 39.82% respectively. The 1H2023 EV and 2Q2023 VNB represent a 39.82% economic interest following the recent increase in this stake. The YE2022 EV, 1H2022 EV, 1Q2023 VNB and 2Q2022 VNB represent a 35.14% economic interest. The 1Q2022 VNB represents a 29.86% economic interest. As per the ACR, the results for BRI Life are based on results as at the prior month with 1H2023 EV calculated as at 31 May 2023, and 6M2023 VNB is in respect of new business written in the six months ended 31 May 2023.

[3] Refers to the stake in FWD BSN Holdco acquired by FWD Group and local investors. Refer to footnote 1 for details of FWD Group's economic interest in FWD IB.

4 ASSUMPTIONS

The approach used to determine economic and non-economic assumptions in order to calculate the 1H2023 EV Results is consistent with the approach described in Section 4 of the ACR. As operating experience analyses are conducted annually towards the year-end, the non-economic assumptions selected for the 1H2023 EV Results production are consistent with the 2022 year-end assumptions with the exception of selected assumptions where updates have been made following a mid-cycle review. The economic assumptions have been updated to reflect the long term returns prescribed by FWD Group and the current market yields observed as at 30 June 2023.

FWD Reinsurance has changed its statutory reserving basis from an IFRS4 basis to an IFRS 17 basis, with the new basis taking effect from 1 January 2023. The 1H2023 EV and 6M2023 VNB reflect the change to the new basis.

The ACR includes the following tables:

- Table 4.1: Economic assumptions
- Table 4.2: Breakdown of present value of acquisition expense and commission overruns and maintenance expense overruns (after tax) as allowed for within VIF
- Table 4.3: Breakdown of operating expense and commission variance for operating entities
- Table 4.4: Present value of unallocated Group Office expenses allowed for within VIF
- Table 4.5: Expense inflation rate (% p.a.)
- Table 4.6: Corporate tax rates (%)

These tables have been updated to reflect the assumptions adopted for the 1H2023 valuation. As described in the ACR, the expense assumptions adopted by Business Units have been based on long term unit cost loadings, and using these assumptions results in expense and commission overruns in the short term. The breakdowns of operating expense and commission variance observed for the six months ended 30 June 2023 have been prepared in the same format as in the ACR, and are presented in Tables 4.3. Table 4.2 in the ACR shows a breakdown of the present value of acquisition expense and commission overruns derived from the approved business plans and the present value of maintenance expense overruns allowed for within the VIF. As business plans are only updated annually in the second half of the year, there is no update to this forecast for the 1H2023 valuation. While the assumptions have remained unchanged because business plans are only updated annually in the second half of the year, allowance has been made for the release of provisions for maintenance expense overruns in the VIF covering the six-month period, and for maintenance expense allowances contributed by new business written in the six-month period. Similarly, for Table 4.4, there have been no revisions to the allowance for unallocated Group Office expenses within the VIF for the 1H2023 valuation, as the figures are determined from the approved business plans.

As a comparison, the tables presented in this Section also include reference to the assumptions adopted at the last reporting date (i.e. assumptions as at 31 December 2022) or historical experience over the same reporting period in the last calendar year (i.e. six months ended 30 June 2022).

Table 4.1: Economic assumptions

Business Units	Risk Discount Rates As at 30 Jun 2022	Risk Discount Rates As at 31 Dec 2022	Risk Discount Rates As at 30 Jun 2023	Local Equity Returns As at 30 Jun 2022	Local Equity Returns As at 31 Dec 2022	Local Equity Returns As at 30 Jun 2023
FWD HK	7.20%	7.55%	7.55%	7.40%	7.90%	7.90%
FWD Japan	6.00%	6.00%	6.00%	NA	NA	NA
FWD Thailand	8.30%	8.75%	8.75%	8.50%	8.95%	8.95%
FWD Indonesia and BRI Life	14.00%	14.00%	14.00%	11.50%	11.50%	11.50%
FWD Malaysia	9.00%	9.00%	9.00%	8.79%	8.79%	8.79%
FWD Philippines	12.50%	12.75%	12.75%	8.80%	11.62%	11.62%
FWD Singapore	7.00%	7.15%	7.15%	NA(1)	6.50%	6.50%
FWD Vietnam	10.75%	10.75%	10.75%	9.70%	9.70%	9.70%
FWD Cambodia	11.50%	11.85%	11.85%	NA(2)	NA(2)	NA(2)
Group Office expense adjustments	7.20%	7.55%	7.55%	NA	NA	NA

Business Units	Long Term 10-Year Government Bond Yields As at 30 Jun 2022	Long Term 10-Year Government Bond Yields As at 31 Dec 2022	Long Term 10-Year Government Bond Yields As at 30 Jun 2023	Current Market 10-Year Government Bond Yields As at 30 Jun 2022	Current Market 10-Year Government Bond Yields As at 31 Dec 2022	Current Market 10-Year Government Bond Yields As at 30 Jun 2023
FWD HK	2.40% (USD); 1.90% (HKD)	2.75% (USD); 2.40% (HKD)	2.75% (USD); 2.40% (HKD)	2.98% (USD); 2.97% (HKD)	3.88% (USD); 3.65% (HKD)	3.81% (USD); 3.68% (HKD)
FWD Japan	0.25%	0.25%	0.25%	0.23%	0.42%	0.40%
FWD Thailand	2.75%	3.20%	3.20%	2.90%	2.64%	2.58%
FWD Indonesia and BRI Life	7.50%	7.50%	7.50%	7.25%	6.93%	6.33%
FWD Malaysia	4.00%	4.00%	4.00%	4.27%	4.02%	3.91%
FWD Philippines	5.25%	5.75%	5.75%	7.07%	6.98%	6.42%
FWD Singapore	2.25%	2.40%	2.40%	2.98%	3.09%	3.08%
FWD Vietnam	4.00%	4.00%	4.00%	3.37%	5.04%	2.75%
FWD Cambodia	NA(2)	NA(2)	NA(2)	NA(2)	NA(2)	NA(2)
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.

The private equity investment return assumption has been set by FWD Group at 9.75% p.a. for the 30 June 2023 valuation. This equates to an equity risk premium of 7.00% p.a. above the USD 10-year long term government bond yield as at 30 June 2023.

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 2022	As at 30 Jun 2023
Present value of acquisition expense and commission overruns	(128)	(128)(1)
Present value of maintenance expense overruns	(36)	(29)

Figures may not be additive due to rounding.

Note (1): No changes to the results as FWD Group only updates business plans annually.

Table 4.3: Breakdown of operating expense and commission variance for operating entities (in USD millions)

	Six months ended 30 Jun 2022	Six months ended 30 Jun 2023
Acquisition expense and commission-related expense variance	(60)	(38)
Maintenance expense variance	(24)	(33)
Operating expense and commission variance	(84)	(70)

Figures may not be additive due to rounding.

Table 4.4: Present value of unallocated Group Office expenses allowed for within VIF (in USD millions)

	As at 31 Dec 2022	As at 30 Jun 2023
Unallocated Group Office expenses	(558)	(558) (1)

Figures may not be additive due to rounding.

Note (1): FWD Group only updates business plans annually and assumes no changes to the VIF adjustment for interim valuations.

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Table 4.5: Expense inflation rate (% p.a.)

Business Units	As at 31 Dec 2022	As at 30 Jun 2023
FWD HK	2.3%	2.3%
FWD Japan	0.0%	0.0%
FWD Thailand	2.0%	2.0%
FWD Indonesia and BRI Life	3.5%	3.5%
FWD Malaysia	3.0%	3.0%
FWD Philippines	3.0%	3.0%
FWD Singapore	3.0%	3.0%
FWD Vietnam	5.0%	5.0%
FWD Cambodia	5.0%	5.0%

Table 4.6: Corporate tax rates (%)

Business Units	As at 31 Dec 2022	As at 30 Jun 2023
FWD HK	16.5%	16.5%
FWD Japan	28.0%	28.0%
FWD Thailand	20.0%	20.0%
FWD Indonesia and BRI Life	22.0%	22.0%
FWD Malaysia	24.0%	24.0%
FWD Philippines[4]	1.0% to 30 June 2023, 2.0% thereafter (See note (1))	2.0%
FWD Singapore	17.0%	17.0%
FWD Vietnam	0% until 31 December 2026, 20.0% thereafter (See note (2))	0% until 31 December 2026, 20.0% thereafter (See note (2))
FWD Cambodia	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, whereby the Minimum Corporate Income Tax was reduced retrospectively to 1% effective from 1 July 2020 up to 30 June 2023.

Note (2): 0% until 2026 due to tax losses; 20.0% from 2027 onwards.

[4] In 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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EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the last reporting date (i.e. 30 June 2023) are set out in Note 30 to the unaudited IFRS accounts.

5 1H2023 EV RESULTS

5.1. EMBEDDED VALUE

A summary of the Group EV as at 30 June 2023, together with comparable figures as at 31 December 2022, is set out in Table 5.1.

Table 5.1: Breakdown of Group EV (in USD millions)

	As at 31 Dec 2022			As at 30 Jun 2023		
	ANW	VIF	EV	ANW	VIF	EV
Operating entity EV	5,009	4,357	9,366	5,472	3,992	9,464
Plus: Corporate & Other net assets	1,091	-	1,091	1,002	-	1,002
Less: Unallocated Group Office expenses	-	(558)	(558)	-	(558)	(558)
Less: Financing	(3,833)	-	(3,833)	(3,844)	-	(3,844)
Group EV	2,268	3,798	6,066	2,630	3,433	6,064

Figures may not be additive due to rounding.

The Group EV reduced from USD 6,066 million as at 31 December 2022 to USD 6,064 million as at 30 June 2023. This was because positive EV profits arising from expected return on EV and strong VNB in the first half of 2023 were more than offset by negative variances arising from foreign exchange movements, Group financing and corporate centre expenses.

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 Addendum.

Table 5.2: Breakdown of FWD Group financing (in USD millions)

	As at 31 Dec 2022	As at 30 Jun 2023
Borrowings (1)	(2,216)	(2,215)
Intercompany perpetual securities (2)	(263)	(275)
External perpetual securities (3)	(1,354)	(1,354)
Total financing (4) = (1) + (2) + (3)	(3,833)	(3,844)

Figures may not be additive due to rounding.

EV EQUITY

Table 5.3 shows the results on an EV equity basis as at 30 June 2023, with comparable figures presented as at 31 December 2022. 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, Vietcombank, and PT Bank Rakyat Indonesia (Persero) Tbk respectively.

Table 5.3: Breakdown of EV equity (in USD millions)

	As at 31 Dec 2022	As at 30 Jun 2023
Group EV	6,066	6,064
Plus: Goodwill and other intangible assets	3,222	3,253
EV equity	9,288	9,317

Figures may not be additive due to rounding.

RECONCILIATION OF ANW FROM IFRS EQUITY

The ANW has been derived from the IFRS equity presented in the unaudited IFRS accounts as at 30 June 2023, and incorporates various adjustments including:

- Difference between IFRS and local statutory asset and liability items
- Mark-to-market adjustments for property and mortgage loan and other 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 IB

- Negative adjustment reflecting the carrying value of external perpetual securities, as these securities are treated as equity in the IFRS accounts

Reconciliation of the IFRS equity attributable to shareholders and ANW for FWD Group as at 30 June 2023, with comparable figures as at 31 December 2022, is presented in Table 5.4.

Table 5.4: Reconciliation of FWD Group IFRS equity and ANW (USD millions)

	As at 31 Dec 2022	As at 30 Jun 2023
IFRS equity attributable to shareholders[5]	8,488	8,122
Difference between IFRS and local statutory asset and liability items	(3,130)	(2,017)
Mark-to-market adjustment for property and mortgage loan and other investments, net of amounts attributable to participating funds	1,416	1,146
Elimination of intangible assets[6]	(3,420)	(3,438)
Recognition of deferred tax impacts of the above adjustments	269	214
Recognition of non-controlling interest impacts of the above adjustments	(1)	(43)
Elimination of external perpetual securities	(1,354)	(1,354)
ANW	2,268	2,630

Figures may not be additive due to rounding.

BREAKDOWN OF ANW

A breakdown of the ANW between required capital and free surplus as at 30 June 2023, with comparable figures as at 31 December 2022, is 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.

[5] The IFRS equity as at 31 December 2022 and 30 June 2023 disclosed in Note 6.3 of the IFRS accounts was USD 8,489 million (restated) and USD 8,201 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. The IFRS equity as at 31 December 2022 has been restated following transition to an IFRS17 accounting basis.

[6] The value of intangible assets as at 31 December 2022 and 30 June 2023 disclosed in Note 12 of the IFRS accounts was USD 3,207 million and USD 3,218 million respectively. The difference relates to intangible assets attributed to BRI Life, which have been included under "Investment in associates and a joint venture" in the IFRS accounts.

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Table 5.5: Breakdown of ANW of FWD Group (in USD millions)

	As at 31 Dec 2022			As at 30 Jun 2023		
	Op. Entity	Corp. & others	Total	Op. Entity	Corp. & others	Total
Free surplus	3,049	1,091	4,141	3,364	1,002	4,366
Required capital	1,960	-	1,960	2,109	-	2,109
Less: Financing	-	(3,833)	(3,833)	-	(3,844)	(3,844)
ANW	5,009	(2,742)	2,268	5,472	(2,842)	2,630

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 30 June 2023, with comparable figures as at 31 December 2022, are set out in Table 5.6.

The net-of-tax distributable earnings are defined as the distributable profits to shareholders from the assets backing the statutory reserves and the required capital of in-force business as at 30 June 2023. On a discounted basis, the total net-of-tax distributable earnings are 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)

	As at 31 Dec 2022		As at 30 Jun 2023	
Expected period of emergence	Undiscounted	Discounted	Undiscounted	Discounted
1 – 5 years	2,125	1,733	2,036	1,656
6 – 10 years	2,638	1,493	2,562	1,432
11 – 15 years	2,263	915	2,228	881
16 – 20 years	1,836	528	1,752	491
21 years and thereafter	22,324	1,089	24,012	1,082
Total	31,185	5,758	32,591	5,542

Figures may not be additive due to rounding.

The discounted value of net-of-tax distributable earnings of USD 5,542 million (YE2022: USD 5,758 million) plus free surplus of USD 4,366 million (YE2022: USD 4,141 million) less financing of USD (3,844) million (YE2022: USD (3,833) million) is equal to the 1H2023 EV of USD 6,064 million (YE2022: USD 6,066 million).

5.2. VALUE OF NEW BUSINESS

The VNB and new business margins for new business written in the six months ended 30 June 2023, together with comparable figures for the equivalent six months ended 30 June 2022, 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 six-month period are set out in Table 4.3.

Table 5.7: Breakdown of VNB by region (in USD millions)

	Six months ended 30 Jun 2022			Six months ended 30 Jun 2023		
	NB APE	PVNBP	VNB	NB APE	PVNBP	VNB
Hong Kong						
Onshore	130	1,137	79	127	975	90
Offshore	58	480	25	119	617	58
Sub-total	188	1,617	103	245	1,592	148
Japan						
COLI	22	116	10	8	31	3
Individual	71	550	62	57	440	68
Sub-total	93	666	72	65	471	70
Thailand						
SCB	199	976	112	262	1,045	124
Others	62	308	31	80	383	48
Sub-total	260	1,284	144	342	1,427	172
Emerging Markets						
Sub-total	190	820	86	192	862	92
Total	732	4,387	405	845	4,353	482

Figures may not be additive due to rounding.

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		VNB	
	6M2022-6M2023 YoY: CER basis	6M2022-6M2023 YoY: AER basis	6M2022-6M2023 YoY: CER basis	6M2022-6M2023 YoY: AER basis
Hong Kong				
Onshore	(2.7%)	(2.7%)	14.5%	14.5%
Offshore	105.0%	105.0%	135.4%	135.4%
Sub-total	30.4%	30.4%	43.3%	43.3%
Japan				
COLI	(59.7%)	(64.3%)	(71.4%)	(74.3%)
Individual	(11.5%)	(19.4%)	19.6%	8.9%
Sub-total	(22.7%)	(30.1%)	7.3%	(2.6%)
Thailand				
SCB	34.3%	32.1%	12.0%	10.6%
Others	31.2%	29.4%	54.5%	52.6%
Sub-total	33.5%	31.5%	21.3%	19.8%
Emerging Markets				
Sub-total	4.5%	1.0%	10.3%	7.1%
Total	18.6%	15.5%	22.4%	19.1%

Figures may not be additive due to rounding.

CER = Constant exchange rate (please refer to Section 3.5 of ACR for the definition of CER). AER = Actual exchange rate. YoY = Year-on-year.

NB APE = New Business APE = 100% of annualised first year premium plus 10% of single premium.

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Table 5.8: New business margin by region

	Six months ended 30 Jun 2022		Six months ended 30 Jun 2023	
	% of NB APE	% of PVNBP	% of NB APE	% of PVNBP
Hong Kong				
Onshore	60.3%	6.9%	71.0%	9.2%
Offshore	42.6%	5.1%	48.9%	9.4%
Sub-total	54.8%	6.4%	60.3%	9.3%
Japan				
COLI	45.2%	8.6%	32.5%	8.2%
Individual	87.8%	11.3%	118.6%	15.4%
Sub-total	77.7%	10.8%	108.2%	14.9%
Thailand				
SCB	56.6%	11.5%	47.4%	11.9%
Others	50.8%	10.2%	59.9%	12.5%
Sub-total	55.2%	11.2%	50.3%	12.1%
Emerging Markets				
Sub-total	45.2%	10.5%	47.9%	10.7%
Total	55.4%	9.2%	57.1%	11.1%

Figures may not be additive due to rounding.

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 Company reported 6M2023 VNB of USD 482 million for the six months ended 30 June 2023, with VNB increasing over the same period by 22.4% on a CER basis (19.1% increase on an AER basis). VNB growth was mainly driven by strong growth in NB APE across most markets, with the total NB APE across the group increasing by 18.6% from 6M2022 to 6M2023 on a CER basis (15.5% increase on an AER basis). This is combined with favourable shifts in product mix with total new business margin increasing from 55.4% of NB APE for 6M2022 to 57.1% for 6M2023.

For FWD Hong Kong, the VNB increased significantly from 6M2022 to 6M2023, by 43.3% on both a CER and an AER basis. The significant growth in VNB was driven by the strong sales over the period and increase in new business margin. NB APE increased significantly by 30.4% from 6M2022 to 6M2023 on both a CER and an AER basis. This increase in NB APE was primarily due to the expansion of cross-border sales facilitated by the lifting of COVID-19 restrictions in Hong Kong. The new business margin also increased from 54.8% of NB APE in 6M2022 to 60.3% in 6M2023, reflecting favourable product mix changes, combined with a positive impact on new business margins from a higher interest rate environment and the shift to the HK RBC regime.

For FWD Japan, VNB increased from 6M2022 to 6M2023 by 7.3% on a CER basis (2.6% decrease on an AER basis). The new business margin increased significantly from 77.7% of NB APE in 6M2022 to 108.2% in 6M2023. This increase was mainly due to a shift towards higher margin medical and cancer products, a move away from lower margin endowment products and a reduction in the minimum solvency level from 400% to 200% for FWD Reinsurance since the second half of 2022, together with the impact of FWD Re's reserving basis change from an IFRS4 basis to an IFRS17 basis with effect from 1 January 2023. Discontinuance of the sale of COLI endowment products, combined with a weakening of the Japanese Yen against the US dollar, largely contributed to the 22.7% drop in NB APE from 6M2022 to 6M2023 on a CER basis (30.1% decrease on an AER basis).

For FWD Thailand, VNB increased by 21.3% from 6M2022 to 6M2023 on a CER basis (19.8% increase on an AER basis). The growth in VNB was due mainly to strong sales over the period, with NB APE increasing by 33.5% from 6M2022 to 6M2023 on a CER basis (31.5% increase on an AER basis). The new business margin reduced from 55.2% of NB APE in 6M2022 to 50.3% in 6M2023 as a result of a change in product mix, with a higher proportion of sales in 6M2023 coming from lower margin non-participating endowment products.

For Emerging Markets, VNB increased from 6M2022 to 6M2023 by 10.3% on CER basis (7.1% increase on an AER basis). The new business margin for Emerging Markets increased slightly from 45.2% of NB APE in 6M2022 to 47.9% in 6M2023. NB APE increased by 4.5% from 6M2022 to 6M2023 on a CER basis (1.0% increase on an AER basis).

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5.3. ANALYSIS OF EV MOVEMENT

A breakdown of the EV movement over the six months ended 30 June 2023 (referred to as "6M2023 movement") and comparable figures for the equivalent six months ended 30 June 2022 (referred to as "6M2022 movement") at a consolidated group level is presented in Table 5.9.

Table 5.9: Analysis of EV movement of FWD Group (in USD millions)

	Six months ended 30 Jun 2022			Six months ended 30 Jun 2023		
	ANW	VIF	EV	ANW	VIF	EV
Opening EV (1)	2,369	3,362	5,731	2,268	3,798	6,066
Acquisitions & partnerships / Discontinued business (2)	(23)	5	(18)	(28)	6	(22)
Expected return on EV (3)	388	(140)	248	533	(226)	307
VNB (4)	-	405	405	-	482	482
Operating variance and operating assumption change (5) = (6)+(7)+(8)	(104)	(34)	(138)	(216)	(35)	(251)
Operating variance – claims/persistency/expense (6)	(98)	(20)	(118)	(172)	(26)	(197)
Operating variance – Others (7)	(7)	(1)	(9)	(1)	10	8
Operating assumption change (8)	1	(12)	(12)	(43)	(19)	(62)
Total EV operating profit (9) = (3)+(4)+(5)	284	231	515	318	221	538
Economic variance and economic assumption change (10) = (11)+(12)	(1,224)	510	(714)	104	(64)	40
Economic variance (11)	(1,224)	510	(714)	104	(64)	40
Economic assumption change (12)	-	0	0	-	-	-
Other non-operating variance (13)	(104)	33	(71)	286	(391)	(105)
Total EV profit (14) = (9)+(10)+(13)	(1,044)	774	(270)	707	(234)	473
Capital movements (15)	200	-	200	-	-	-
Corporate centre expenses (16)	(36)	-	(36)	(73)	-	(73)
Financing (17)	(73)	-	(73)	(118)	-	(118)
Foreign exchange movement (18)	(205)	(287)	(492)	(125)	(137)	(262)
Closing EV (19) = (1)+(2)+(14)+(15)+(16)+(17)+(18)	1,188	3,854	5,042	2,630	3,433	6,064

Figures may not be additive due to rounding.

The EV of FWD Group reduced from USD 6,066 million as at 31 December 2022 to USD 6,064 million as at 30 June 2023 (6M2022: reduced by USD 689 million).

The change in EV over 6M2023 was because positive EV profits arising from expected return on EV (item (3) in Table 5.9) of USD 307 million (6M2022: USD 248 million) and strong VNB in the first half of 2023 (item (4) in Table 5.9) of USD 482 million (6M2022: USD 405 million) were more than offset by negative variances arising from operating variance and operating assumption change (item (5) in Table 5.9) of USD (251) million (6M2022: USD (138) million) and corporate centre expenses, financing and foreign exchange movement (items (16), (17) and (18) in Table 5.9) of USD (454) million (6M2022: USD (601) million).

The activities relating to acquisitions, partnerships and discontinued business (item (2) in Table 5.9) impacted the EV over 6M2023 by USD (22) million (6M2022: USD (18) million), because of the increase in the stake in BRI Life from 1 March 2023, offset by the acquisition of FWD IB and the gain arising from the refund of upfront access fees from the termination of the bancassurance partnership with Nam A Commercial Joint Stock Bank in June 2023. Corporate centre expenses relating to corporate and other net assets and unallocated Group Office expenses (item (16)) impacted the EV by USD (73) million (6M2022: USD (36) million).

The EV operating profit (item (9) in Table 5.9), comprising returns on EV, VNB, operating variance, and operating assumption changes, contributed USD 538 million to the EV profit (6M2022: USD 515 million). Within these figures, the operating variance was negative across the period at USD (189) million (6M2022: USD (127) million), contributed in part by expense and commission variance of USD (70) million (6M2022: USD (84) 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 (6M2023: USD (11) million, 6M2022: USD 20 million), persistency (6M2023: USD (116) million, 6M2022: USD (54) million), and others (item (7) in Table 5.9) (6M2023: USD 8 million, 6M2022: USD (9) million). The updates to non-economic assumptions led to a reduction in EV (item (8) in Table 5.9) (6M2023: USD (62) million, 6M2022: USD (12) million). This was mainly driven by updates to lapse assumptions for certain products as part of a mid-cycle review.

The EV profit (item (14) in Table 5.9), comprising EV operating profit, economic variance and assumption changes and other non-operating variance, was positive over the period at USD 473 million (6M2022: USD (270) million). The other non-operating variance (item (13) in Table 5.9) of USD (105) million (6M2022: USD (71) 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 amended distribution agreements, the movement from Non-Life subsidiaries, methodology and regulatory changes on EV (i.e. the statutory reserving basis for FWD Re has been updated from an IFRS4 basis to an IFRS17 basis with effect from 1 January 2023). A detailed breakdown is shown in Table 5.10.

No capital injections (item (15)) were made during the first half of 2023 (6M2022: USD 200 million). The interest paid on the financing held in the period (item (17) in Table 5.9) was USD (118) million (6M2022: USD (73) million).

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Table 5.10: Breakdown of other non-operating variance (in USD millions)

	Six months ended 30 Jun 2022	Six months ended 30 Jun 2023
Non-operating expenses (1) = (2) + (3) + (4) + (5)	(81)	(96)
Mergers and acquisitions, business set up and restructure related costs (2)	(25)	(37)
IPO related costs including incentive costs (3)	(32)	(33)
Implementation costs for new accounting standards and other mandatory regulatory changes (4)	(30)	(30)
Other non-recurring items (See note (1)) (5)	7	3
Industrial recruitment packages (6)	(20)	(35)
Others (See note (2)) (7)	29	26
Total (8) = (1) + (6) + (7)	(71)	(105)

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 variance including the impact of amended distribution agreements, the movement from Non-Life subsidiaries, methodology and regulatory changes on EV (i.e. the statutory reserving basis for FWD Re has been updated from an IFRS4 basis to an IFRS17 basis with effect from 1 January 2023).

EV OPERATING PROFIT

A breakdown of the EV operating profit for the first six months of 2023, both before and after operating assumption changes and other operating variances, together with comparable figures for the first six months of 2022, is presented in Table 5.11. The EV operating profit after operating assumption changes and other operating variances is derived from item 7, item 8 and item 9 of Table 5.9.

Table 5.11: Operating return on EV (in USD millions)

	Six months ended 30 Jun 2022	Six months ended 30 Jun 2023
EV operating profit after operating assumption changes and other operating variances (1)	515	538
Plus: Adjustment to reverse out operating assumption changes and other operating variances (See note (1)) (2)	20	54
EV operating profit before operating assumption changes and other operating variances (3) = (1)+(2)	536	592

Figures may not be additive due to rounding.

Note (1): Refers to all operating variances other than claims/persistency/expense variances.

5.4. FREE SURPLUS GENERATION

FWD Group's free surplus in the first six months of 2023 increased by USD 214 million (6M2022: reduced by USD 1,044 million) from USD 308 million as at 31 December 2022 to USD 522 million as at 30 June 2023. The change in free surplus is made up of the following key components:

- Opening adjustment relating to methodology update of USD 527 million (6M2022: USD 6 million) mainly from the changes to FWD Re's reserving basis from an IFRS4 basis to an IFRS17 basis with effect from 1 January 2023.
- Impact from acquisitions, partnerships and discontinued business (item (2) in Table 5.12) of USD (40) million (6M2022: USD (23) million) primarily from the increase in the stake in BRI Life from 1 March 2023 and the acquisition of FWD IB, offset by the gain arising from the refund of upfront access fees from the termination of the bancassurance partnership with Nam A Commercial Joint Stock Bank in June 2023.
- Impact of financing (item (10) in Table 5.12) reflecting the interest paid on the financing held in the period of USD (118) million (6M2022: USD (73) million).
- Positive underlying free surplus generated from operating entities (item (3) in Table 5.12) in the period of USD 731 million (6M2022: USD 305 million).
- Negative impact of free surplus used to fund new business (item (6) in Table 5.12) in the period of USD (2) million (6M2022: USD (151) million).
- One-off impact on free surplus resulting from investment return variances and other items (item (8) in Table 5.12) in the period of USD (357) million (6M2022: USD (1,303) million).
- No capital has been raised in the period (item (9) in Table 5.12) (6M2022: USD 200 million).

Table 5.12 provides a breakdown of the movement of free surplus of FWD Group for the six months ended 30 June 2023, with comparable figures for the equivalent six months ended 30 June 2022.

Table 5.12: Analysis of movement of free surplus (in USD millions)

	Six months ended 30 Jun 2022			Six months ended 30 Jun 2023		
	Op. Entity	Group adj.	Total	Op. Entity	Group adj.	Total
Opening free surplus (1)	2,843	(2,501)	342	3,049	(2,742)	308
Acquisitions & partnerships / Discontinued business (2)	31	(54)	(23)	14	(54)	(40)
Underlying free surplus generation (3) = (4)+(5)	305	-	305	713	17	731
Opening adjustment (4)	6	-	6	527	-	527
Underlying free surplus generation before adjustment (5)	299	-	299	186	17	203
Free surplus used to fund new business (6)	(151)	-	(151)	(2)	-	(2)
Net underlying free surplus generation (7) = (3)+(6)	154	-	154	712	17	729
Investment return variances and other items (8)	(1,236)	(66)	(1,303)	(207)	(150)	(357)
Capital movements (9)	168	32	200	(205)	205	-
Financing (10)	-	(73)	(73)	-	(118)	(118)
Closing free surplus (11) = (1)+(2)+(7)+(8)+(9)+(10)	1,959	(2,662)	(702)	3,364	(2,842)	522

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, opening adjustments relating to methodology updates including the impact of FWD Re's reserving basis change (item (4)), and the impact of non-economic assumption changes. The 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[7], and changes to free surplus as a result of revisions to expense assumptions. A summary of these items and the adjusted net underlying free surplus generation including adjustments for these one-off variances are presented in Table 5.13.

Table 5.13: Breakdown of adjusted underlying free surplus generation, adjusted free surplus used to fund new business and adjusted net underlying free surplus generation (in USD millions)

	Six months ended 30 Jun 2022	Six months ended 30 Jun 2023
Underlying free surplus generation (1)	305	731
Opening adjustments (See note (1)) (2)	6	527
Non-economic assumption changes (excluding expense revisions) (3)	1	(49)
Total one-off variances (4) = (2) + (3)	7	478
Maintenance expense variance (5)	(52)	(46)
Adjusted underlying free surplus generation (6) = (1) – (4) – (5)	350	298
Free surplus used to fund new business (7)	(151)	(2)
Acquisition and commission expense variance (8)	(60)	(38)
Adjusted free surplus used to fund new business (9) = (7) – (8)	(91)	36
Adjusted net underlying free surplus generation (10) = (6) + (9)	259	334

Figures may not be additive due to rounding.

Note (1): Refers to all opening adjustments including the impact of change in statutory reserving basis for FWD Re from an IFRS4 basis to an IFRS17 basis with effect from 1 January 2023.

[7] 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).

5.5. SENSITIVITY ANALYSIS

Sensitivity tests have been performed on the 1H2023 EV and 6M2023 VNB in respect of changes in key assumptions. The same sensitivity tests have been conducted as described in the ACR.

Table 5.14: Impact of sensitivities on consolidated operating entity EV of FWD Group (in USD millions)

	As at 31 Dec 2022			As at 30 Jun 2023		
	EV	Absolute change from base case EV	% change from base case EV	EV	Absolute change from base case EV	% change from base case EV
Base case	9,366			9,464		
Increase risk discount rate by 1.0%	8,760	(606)	(6.5%)	8,867	(597)	(6.3%)
Reduce risk discount rate by 1.0%	10,128	762	8.1%	10,220	756	8.0%
Increase interest rates by 0.5% p.a. (1)	9,363	(3)	(0.0%)	9,470	6	0.1%
Reduce interest rates by 0.5% p.a. (1)	9,338	(28)	(0.3%)	9,430	(33)	(0.4%)
Reduce net investment returns for private equity assets by 1% p.a.	9,226	(140)	(1.5%)	9,314	(150)	(1.6%)
Increase discontinuance and partial withdrawal rates by 10%	9,069	(297)	(3.2%)	9,197	(266)	(2.8%)
Reduce discontinuance and partial withdrawal rates by 10%	9,711	345	3.7%	9,776	312	3.3%
Extend peak lapse term for FWD Japan COLI SME Term business	9,114	(252)	(2.7%)	9,235	(229)	(2.4%)
Increase long term lapse rate to 6% for FWD Japan COLI SME Term business	9,275	(91)	(1.0%)	9,355	(109)	(1.2%)
Increase mortality and morbidity rates and loss ratios by 10%	8,683	(683)	(7.3%)	8,697	(766)	(8.1%)
Reduce mortality and morbidity rates and loss ratios by 10%	10,064	698	7.5%	10,253	789	8.3%
Increase acquisition and maintenance expenses by 10%	9,218	(148)	(1.6%)	9,319	(145)	(1.5%)
Reduce acquisition and maintenance expenses by 10%	9,513	147	1.6%	9,609	145	1.5%
Appreciation of presentation currency by 5%	9,089	(277)	(3.0%)	9,193	(271)	(2.9%)
Depreciation of presentation currency by 5%	9,643	277	3.0%	9,735	271	2.9%
Increase equity prices by 10%	9,576	210	2.2%	9,695	232	2.4%
Reduce equity prices by 10%	9,154	(212)	(2.3%)	9,230	(233)	(2.5%)

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.

Table 5.15 sets out the results of the consolidated VNB sensitivities. VNB does not include any allowance for acquisition expense and commission overruns.

Table 5.15: Impact of sensitivities on FWD Group VNB (in USD millions)

	Year ended 31 Dec 2022			Six months ended 30 Jun 2023		
	VNB	Absolute change from base case	% change from base case	VNB	Absolute change from base case	% change from base case
Base case	823			482		
Increase risk discount rate by 1.0%	726	(97)	(11.7%)	434	(48)	(10.0%)
Reduce risk discount rate by 1.0%	945	122	14.8%	544	62	12.8%
Increase interest rates by 0.5% p.a.	882	59	7.2%	518	36	7.4%
Reduce interest rates by 0.5% p.a.	745	(78)	(9.4%)	445	(38)	(7.8%)
Reduce net investment returns for private equity assets by 1% p.a.	810	(13)	(1.6%)	472	(10)	(2.1%)
Increase discontinuance and partial withdrawal rates by 10%	771	(52)	(6.3%)	454	(28)	(5.8%)
Reduce discontinuance and partial withdrawal rates by 10%	881	58	7.1%	514	31	6.5%
Increase mortality and morbidity rates and loss ratios by 10%	702	(121)	(14.7%)	417	(66)	(13.7%)
Reduce mortality and morbidity rates and loss ratios by 10%	945	123	14.9%	549	67	13.9%
Increase acquisition and maintenance expenses by 10%	772	(51)	(6.2%)	453	(30)	(6.2%)
Reduce acquisition and maintenance expenses by 10%	874	51	6.2%	512	30	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%)	462	(21)	(4.3%)
Appreciation of presentation currency by 5%	793	(30)	(3.7%)	466	(17)	(3.5%)
Depreciation of presentation currency by 5%	853	30	3.7%	499	17	3.5%

Figures may not be additive due to rounding.

6 MILLIMAN REVIEW

This section describes a summary of our review in respect of the methodology, assumptions and 1H2023 EV Results.

6.1. REVIEW OF METHODOLOGY

The 1H2023 EV Results have been prepared in accordance with the same methodology as assumed in the ACR. Reference should be made to Section 6.1 of the ACR for details of Milliman's review and comments on the methodology.

6.2. REVIEW OF ASSUMPTIONS

The non-economic assumptions for the 1H2023 EV Results are consistent with those used for YE2022, as experience analyses are conducted by FWD annually at year-end with the exception of selected lapse assumption updates made following a mid-cycle review. We have reviewed the appropriateness of the update in the non-economic assumptions adopted by these 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.

The economic assumptions have been updated to reflect the long term returns prescribed by FWD Group and the current market yields observed as at 30 June 2023. Reference should be made to Section 6.2 of the ACR for details of Milliman's review and comments on the assumptions.

6.3. REVIEW OF RESULTS

In reviewing the 1H2023 EV Results, we have performed the same checks as documented in Section 6.3 of the ACR.

6.4. OPINION

Based on our review of the methodology and assumptions used by FWD to calculate the 1H2023 EV Results, Milliman concludes that:

- The methodology used to determine the 1H2023 EV Results is consistent in all material respects with the FWD Group EV Policy (referred to as "EV Policy").
- The methodology specified in the EV Policy is in all material respects comparable to the Traditional Embedded Value ("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 the ACR.
- The non-economic assumptions used to calculate the 1H2023 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 for both 6M2022 and 6M2023 for FWD Group, and updates to lapse

assumptions for certain products have consequently been made as part of a mid-cycle review. A continuation of adverse persistency experience could have a material impact on the 1H2023 EV Results as presented in this Addendum. In addition, the 1H2023 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 1H2023 EV Results.

- The economic assumptions used to develop the 1H2023 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 1H2023 EV Results have been prepared in all material respects in accordance with the methodology and assumptions described in this Addendum. 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 in both the ACR and this Addendum.

7 RELIANCES AND LIMITATIONS

7.1. RELIANCES

In carrying out our work and producing this Addendum 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 Addendum, 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 both this Addendum and the ACR.

FWD Group has confirmed to us that the data and information it has provided to us is accurate and complete.

7.2. LIMITATIONS

This Addendum is subjected to the same limitations as presented in Section 7.2 of the ACR.

Yours faithfully,

for Milliman Limited

Michael Daly FIA Principal & Consulting Actuary	Wen Yee Lee FIAA Principal & Consulting Actuary

Appendix A: Abbreviations

ACR:	Actuarial Consultant’s Report
AER:	Actual Exchange Rate
ANW:	Adjusted Net Worth
BRI Life:	PT Asuransi BRI Life
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 BSN Holdco:	FWD BSN Holdings Sdn. Bhd. (Malaysia)
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), FWD Macau, FWD Life Assurance (Hong Kong) and FWD Life (Hong Kong)
FWD IB:	FWD Insurance Berhad (Malaysia), formerly known as “Gibraltar BSN Life Berhad”
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 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 Vietnam:	FWD Vietnam Life Insurance Company Limited
FX rate:	Foreign Exchange Rate
HKD:	HK Dollar
IDR:	Indonesian Rupiah
IFRS:	International Financial Reporting Standards
IFRS accounts:	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 six months ended 30 June 2022 (restated and unaudited) and 2023 (unaudited)
IPO:	Initial Public Offering
JPY:	Japanese Yen
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
SCB:	The Siam Commercial Bank Public Company Limited
SGD:	Singapore Dollar
SME Term:	Small and Medium Enterprise Term Life
TEV:	Traditional Embedded Value
THB:	Thai Baht
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 30 June 2023 (unaudited) and 30 June 2022 (restated and unaudited);
- Consolidated IFRS accounts of FWD Group as at 30 June 2023 (unaudited) and 30 June 2022 (restated and unaudited);
- Statutory financial statements and solvency reports by Business Unit as at 30 June 2023 and 30 June 2022;
- Breakdown of statutory reserves by Business Unit as at 30 June 2023 and 30 June 2022;
- New business summary by product for new business sold by Business Unit in the six months ended 30 June 2023 and 30 June 2022;
- Group Office expense adjustments as at 30 June 2023 and 30 June 2022;
- EV Results breakdown by Business Unit as at 30 June 2023 and 30 June 2022 including sensitivity results and analysis of EV movement;
- Summary of quarterly VNB results, NB APE and PVNBP for new business written in the six months ended 30 June 2023 and 30 June 2022;
- Group consolidated results as at 30 June 2023 and 30 June 2022, including any off-model adjustments;
- FWD's in-house actuarial models by Business Unit as used to prepare the 1H2023 EV Results;
- Individual in-force policy database by Business Unit as at 30 June 2023 and 30 June 2022;
- Individual new business policy database by Business Unit for new business sold in the six months ended 30 June 2023 and 30 June 2022;
- Product descriptions for key in-force and new business products reviewed; and
- Other information and clarifications obtained through various email and telecommunication during the period of our assignment.

Appendix C: Exchange rates

Table C.1: Exchange rates to 1 USD

	FX rate used for EV		
	30 Jun 2022	31 Dec 2022	30 Jun 2023
Hong Kong Dollar (HKD)	7.85	7.80	7.84
Macanese Pataca (MOP)	8.08	8.04	8.07
Japanese Yen (JPY)	136.18	132.14	144.84
Thai Baht (THB)	35.30	34.53	35.53
Indonesian Rupiah (IDR)	14,900.00	15,573.00	15,066.00
Malaysia Ringgit (MYR)	4.41	4.41	4.67
Philippine Peso (PHP)	54.98	55.73	55.22
Singapore Dollar (SGD)	1.39	1.34	1.36
Vietnamese Dong (VND)	23,282.00	23,574.00	23,585.00

	FX rate used for VNB, EV movements and CER calculation					
	Quarterly average FX rate				Average year-to-date FX rate	
	First quarter 2022	Second quarter 2022	First quarter 2023	Second quarter 2023	6M2022	6M2023
Hong Kong Dollar (HKD)	7.81	7.85	7.84	7.84	7.83	7.84
Macanese Pataca (MOP)	8.04	8.08	8.07	8.07	8.06	8.07
Japanese Yen (JPY)	116.20	129.50	132.31	137.14	122.85	134.73
Thai Baht (THB)	33.04	34.37	33.94	34.44	33.71	34.19
Indonesian Rupiah (IDR)	14,343.73	14,547.89	15,225.34	14,879.14	14,445.81	15,052.24
Malaysia Ringgit (MYR)	4.19	4.35	4.39	4.52	4.27	4.46
Philippine Peso (PHP)	51.54	52.70	54.82	55.60	52.12	55.21
Singapore Dollar (SGD)	1.35	1.38	1.33	1.34	1.36	1.34
Vietnamese Dong (VND)	22,768.54	23,071.92	23,577.27	23,481.61	22,920.23	23,529.44

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Appendix D: EV and EV equity results as at 30 June 2022

Table D.1: Breakdown of Group EV (in USD millions)

	As at 30 June 2022		
	ANW	VIF	EV
Operating entity EV	3,850	4,411	8,261
Plus: Corporate & Other net assets	1,210	-	1,210
Less: Unallocated Group Office expenses	-	(557)	(557)
Less: Financing	(3,871)	-	(3,871)
Group EV	1,188	3,854	5,042

Figures may not be additive due to rounding.

Table D.2: Breakdown of EV equity (in USD millions)

	As at 30 June 2022
Group EV	5,042
Plus: Goodwill and other intangible assets	3,223
EV equity	8,266

Figures may not be additive due to rounding.

APPENDIX II – UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

INDEX TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

Unaudited Interim Condensed Consolidated Financial Statements

FWD Group Holdings Limited
富衛集團有限公司

For the six months ended 30 June 2023

EY 安永

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Independent review report

To the shareholders of FWD Group Holdings Limited 富衛集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of FWD Group Holdings Limited 富衛集團有限公司 (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2023 which comprise the interim consolidated statement of financial positions as at 30 June 2023 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month periods then ended; and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2023

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

US$m	Notes	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
		(Unaudited)	(Unaudited)	(Unaudited)
Insurance revenue	7	1,366	1,177	2,408
Insurance service expenses	9,15	(955)	(791)	(1,817)
Net expenses from reinsurance contracts held	15	(57)	(109)	(146)
Insurance service result		**354**	**277**	**445**
Interest revenue		522	452	951
Other investment gains/(losses)		201	(629)	(939)
Net impairment loss on financial assets		(1)	(14)	(29)
Investment return	8	**722**	**(191)**	**(17)**
Net finance (expenses)/income from insurance contracts		(591)	243	86
Net finance expenses from reinsurance contracts held		(10)	(20)	(23)
Movement in investment contract liabilities		3	1	2
Net investment result		**124**	**33**	**48**
Net insurance and investment result	8	**478**	**310**	**493**
Other revenue	7	69	18	38
General and other expenses	9	(357)	(316)	(689)
Borrowings and other finance costs	10	(83)	(59)	(128)
Profit/(loss) before share of profit/(loss) from associates and joint ventures		**107**	**(47)**	**(286)**
Share of profit/(loss) from associates and joint ventures	13	3	(1)	2
Profit/(loss) before tax		**110**	**(48)**	**(284)**
Tax expense	11	(66)	(4)	(36)
Net profit/(loss)		**44**	**(52)**	**(320)**

Net profit/(loss) attributable to:				
Shareholders of the Company		(32)	(59)	(302)
Perpetual securities		55	28	83
Non-controlling interests		21	(21)	(101)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)	(Unaudited)
Net profit/(loss)	**44**	**(52)**	**(320)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Fair value gains/(losses) on debt securities at fair value through other comprehensive income (net of tax of: 30 June 2023: US$154m, 30 June 2022: US$(785m) and 31 December 2022: US$(851m))	669	(3,757)	(4,242)
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment (net of tax of: 30 June 2023: US$nil, 30 June 2022: US$7m and 31 December 2022: US$3m)	62	101	199
Net finance (expenses)/income from insurance contracts (net of tax of: 30 June 2023:US$(221m), 30 June 2022: US$837m and 31 December 2022: US$917m)	(885)	3,743	3,917
Net finance income/(expenses) from reinsurance contracts held	42	(17)	(32)
Cash flow hedges (net of tax of: 30 June 2023:US$nil, 30 June 2022: US$(2m) and 31 December 2022: US$(1m))	3	(6)	(8)
Foreign currency translation adjustments	(223)	(464)	(187)
Share of other comprehensive income/(loss) from associates and joint ventures	3	(5)	—
	(329)	(405)	(353)
Items that will not be reclassified to profit or loss			
Effect of re-measurement of net liability of defined benefit schemes	—	1	2
Total other comprehensive loss	(329)	(404)	(351)
Total comprehensive loss	**(285)**	**(456)**	**(671)**
Total comprehensive loss attributable to:			
Shareholders of the Company	(263)	(352)	(558)
Perpetual securities	55	28	83
Non-controlling interests	(77)	(132)	(196)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	Notes	As at 30 June 2023	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restated)
		(Unaudited)	(Unaudited)	(Unaudited)
ASSETS				
Intangible assets	12	3,218	3,207	3,348
Investments in associates and joint ventures	13	462	407	342
Property, plant and equipment		127	139	159
Investment property	14	587	641	663
Insurance contract assets	15	737	722	741
Reinsurance contract assets	15	726	725	1,020
Financial investments	16,18			
At fair value through other comprehensive income debt securities		31,047	30,815	36,243
At fair value through profit or loss				
Debt securities		2,025	1,810	755
Equity securities		739	381	1,055
Interests in investment funds		8,019	7,576	7,435
Derivative financial instruments	17	148	319	120
Loans and deposits		1,116	1,530	896
		43,094	42,431	46,504
Deferred tax assets		338	238	1
Current tax recoverable		23	32	20
Other assets	19	716	574	597
Cash and cash equivalents	20	1,729	1,474	2,652
		51,757	50,590	56,047
Assets classified as held-for-sale		—	—	107
Total assets		**51,757**	**50,590**	**56,154**
LIABILITIES				
Insurance contract liabilities	15	38,607	37,019	42,061
Reinsurance contract liabilities	15	295	463	456
Investment contract liabilities	21	149	197	272
Borrowings	22	2,215	2,216	2,212
Derivative financial instruments	17	394	134	157
Provisions		40	15	18
Deferred tax liabilities		227	269	326
Current tax liabilities		434	385	22
Other liabilities	23	1,195	1,403	1,483
		43,556	42,101	47,007
Liabilities directly associated with assets classified as held-for-sale		—	—	67
Total liabilities		**43,556**	**42,101**	**47,074**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US$m	Notes	As at 30 June 2023	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restated)
		(Unaudited)	(Unaudited)	(Unaudited)
EQUITY				
Share capital and share premium	24	6,411	6,411	6,019
Other reserves	24	68	81	98
(Accumulated losses)/Retained earnings		(582)	(438)	13
Amounts reflected in other comprehensive income		**(867)**	**(637)**	**(386)**
Fair value reserve	24	(2,417)	(2,953)	(33)
Insurance finance reserve	24	2,005	2,620	(187)
Cash flow hedge reserve	24	(11)	(15)	(9)
Defined benefit obligation revaluation reserve		3	3	2
Foreign currency translation reserve	24	(452)	(295)	(162)
Share of other comprehensive income of associates and joint ventures		5	3	3
Total equity attributable to Shareholders of the		**5,030**	**5,417**	**5,744**
Perpetual securities	24	1,354	1,354	1,607
Non-controlling interests	24	1,817	1,718	1,729
Total equity		**8,201**	**8,489**	**9,080**
Total liabilities and equity		**51,757**	**50,590**	**56,154**

Approved and authorised for issue by the board of directors on 29 August 2023.

Director

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Shareholders of the Company												
US$m	Notes	Share Capital and share premium	Other reserves	Accumulated losses	Amounts reflected in other comprehensive income	Fair value reserve	Insurance finance reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures	Perpetual securities	Non-controlling interests	Total equity
Balance at 1 January 2023, as previously reported		**6,411**	**81**	**(1,036)**	**(3,493)**	**(3,168)**	**—**	**(15)**	**3**	**(315)**	**2**	**1,354**	**389**	**3,706**
Adjustment on initial application of IFRS 17, net of tax		—	—	672	2,784	143	2,620	—	—	20	1	—	1,329	4,785
Adjustment on initial application of IFRS 9, net of tax		—	—	(74)	72	72	—	—	—	—	—	—	—	(2)
Restated balance at 1 January 2023		**6,411**	**81**	**(438)**	**(637)**	**(2,953)**	**2,620**	**(15)**	**3**	**(295)**	**3**	**1,354**	**1,718**	**8,489**
Net gain/(loss)		—	—	(32)	—	—	—	—	—	—	—	55	21	44
<u>Other comprehensive income items that may be reclassified subsequently to profit or loss</u>														
Fair value gains on debt securities at fair value through other comprehensive income		—	—	—	484	484	—	—	—	—	—	—	185	669
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	45	45	—	—	—	—	—	—	17	62
Net finance expenses from insurance contracts		—	—	—	(639)	—	(639)	—	—	—	—	—	(246)	(885)
Net finance income from reinsurance contracts held		—	—	—	30	—	30	—	—	—	—	—	12	42
Cash flow hedges		—	—	—	4	—	—	4	—	—	—	—	(1)	3
Foreign currency translation adjustments		—	—	—	(157)	—	—	—	—	(157)	—	—	(66)	(223)
Share of other comprehensive income of associates and joint ventures		—	—	—	2	—	—	—	—	—	2	—	1	3
Total comprehensive income/(loss) for the period		**—**	**—**	**(32)**	**(231)**	**529**	**(609)**	**4**	**—**	**(157)**	**2**	**55**	**(77)**	**(285)**
Acquisition of subsidiaries	5	—	—	—	—	—	—	—	—	—	—	—	29	29
Issuance of shares by subsidiaries		—	(18)	—	2	8	(7)	—	—	1	—	—	16	—
Distribution paid	24	—	—	—	—	—	—	—	—	—	—	(55)	—	(55)
Share-based compensation	27	—	5	—	—	—	—	—	—	—	—	—	2	7
Transactions with non-controlling interests	24	—	—	(113)	—	—	—	—	—	—	—	—	129	16
Others		—	—	1	(1)	(1)	1	—	—	(1)	—	—	—	—
Balance at 30 June 2023 (Unaudited)		**6,411**	**68**	**(582)**	**(867)**	**(2,417)**	**2,005**	**(11)**	**3**	**(452)**	**5**	**1,354**	**1,817**	**8,201**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

US$m	Notes	Attributable to Shareholders of the Company												
		Share Capital and share premium	Other reserves	Accumulated losses	Amounts reflected in other comprehensive income	Fair value reserve	Insurance finance reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures	Perpetual securities	Non-controlling interests	Total equity
Balance at 1 January 2022, as previously reported		**6,019**	**98**	**(283)**	**(187)**	**(21)**	**—**	**(9)**	**2**	**(162)**	**3**	**1,607**	**1,693**	**8,947**
Adjustment on initial application of IFRS 17, net of tax		—	—	285	(187)	—	(187)	—	—	—	—	—	36	134
Adjustment on initial application of IFRS 9, net of tax		—	—	11	(12)	(12)	—	—	—	—	—	—	—	(1)
Restated balance at 1 January 2022		**6,019**	**98**	**13**	**(386)**	**(33)**	**(187)**	**(9)**	**2**	**(162)**	**3**	**1,607**	**1,729**	**9,080**
Net gain/(loss)		—	—	(59)	—	—	—	—	—	—	—	28	(21)	(52)
<u>Other comprehensive income items that may be reclassified subsequently to profit or loss</u>														
Fair value losses on debt securities at fair value through other comprehensive income		—	—	—	(2,731)	(2,731)	—	—	—	—	—	—	(1,026)	(3,757)
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	73	73	—	—	—	—	—	—	28	101
Net finance income from insurance contracts		—	—	—	2,720	—	2,720	—	—	—	—	—	1,023	3,743
Net finance expenses from reinsurance contracts held		—	—	—	(12)	—	(12)	—	—	—	—	—	(5)	(17)
Cash flow hedges		—	—	—	(4)	—	—	(4)	—	—	—	—	(2)	(6)
Foreign currency translation adjustments		—	—	—	(337)	—	—	—	—	(337)	—	—	(127)	(464)
Share of other comprehensive income of associates and joint ventures		—	—	—	(3)	—	—	—	—	—	(3)	—	(2)	(5)
<u>Other comprehensive income items that will not be reclassified subsequently to profit or loss</u>														
Effect of remeasurement of net liability of defined benefit schemes		—	—	—	1	—	—	—	1	—	—	—	—	1
Total comprehensive income/(loss) for the period		**—**	**—**	**(59)**	**(293)**	**(2,658)**	**2,708**	**(4)**	**1**	**(337)**	**(3)**	**28**	**(132)**	**(456)**
Issuance of shares	24	200	—	—	—	—	—	—	—	—	—	—	—	200
Issuance of shares by subsidiaries		—	(38)	6	4	17	(16)	—	—	3	—	—	28	—
Redemption of perpetual securities	24	—	—	(2)	—	—	—	—	—	—	—	(248)	—	(250)
Distribution paid	24	—	—	—	—	—	—	—	—	—	—	(33)	—	(33)
Share-based compensation	27	—	7	—	—	—	—	—	—	—	—	—	2	9
Transactions with non-controlling interests	24	—	—	(96)	—	—	—	—	—	—	—	—	96	—
Disposal of subsidiary		—	—	—	(2)	(1)	—	—	—	(1)	—	—	(1)	(3)
Others		(8)	(1)	2	1	2	(1)	—	(1)	1	—	—	1	(5)
Restated balance at 30 June 2022 (Unaudited)		**6,211**	**66**	**(136)**	**(676)**	**(2,673)**	**2,504**	**(13)**	**2**	**(496)**	**—**	**1,354**	**1,723**	**8,542**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to Shareholders of the Company												
US$m	Notes	Share Capital and share premium	Other reserves	Accumulated losses	Amounts reflected in other comprehensive income	Fair value reserve	Insurance finance reserve	Cash flow hedge reserve	Defined benefit obligation revaluation reserve	Foreign currency translation reserve	Share of other comprehensive income of associates and joint ventures	Perpetual securities	Non-controlling interests	Total equity
Balance at 1 January 2022, as previously reported		**6,019**	**98**	**(283)**	**(187)**	**(21)**	**—**	**(9)**	**2**	**(162)**	**3**	**1,607**	**1,693**	**8,947**
Adjustment on initial application of IFRS 17, net of tax		—	—	285	(187)	—	(187)	—	—	—	—	—	36	134
Adjustment on initial application of IFRS 9, net of tax		—	—	11	(12)	(12)	—	—	—	—	—	—	—	(1)
Restated balance at 1 January 2022		**6,019**	**98**	**13**	**(386)**	**(33)**	**(187)**	**(9)**	**2**	**(162)**	**3**	**1,607**	**1,729**	**9,080**
Net gain/(loss)		—	—	(302)	—	—	—	—	—	—	—	83	(101)	(320)
<u>Other comprehensive income items that may be reclassified subsequently to profit or loss</u>														
Fair value losses on debt securities at fair value through other comprehensive income		—	—	—	(3,081)	(3,081)	—	—	—	—	—	—	(1,161)	(4,242)
Fair value losses on debt securities at fair value through other comprehensive income transferred to income on disposal and impairment		—	—	—	144	144	—	—	—	—	—	—	55	199
Net finance income from insurance contracts		—	—	—	2,846	—	2,846	—	—	—	—	—	1,071	3,917
Net finance expenses from reinsurance contracts held		—	—	—	(23)	—	(23)	—	—	—	—	—	(9)	(32)
Cash flow hedges		—	—	—	(6)	—	—	(6)	—	—	—	—	(2)	(8)
Foreign currency translation adjustments		—	—	—	(137)	—	—	—	—	(137)	—	—	(50)	(187)
<u>Other comprehensive income items that will not be reclassified subsequently to profit or loss</u>														
Effect of remeasurement of net liability of defined benefit schemes		—	—	—	1	—	—	—	1	—	—	—	1	2
Total comprehensive income/(loss) for the period		**—**	**—**	**(302)**	**(256)**	**(2,937)**	**2,823**	**(6)**	**1**	**(137)**	**—**	**83**	**(196)**	**(671)**
Issuance of shares	24	400	—	—	—	—	—	—	—	—	—	—	—	400
Issuance of shares by subsidiaries		—	(38)	6	4	17	(16)	—	—	3	—	—	28	—
Redemption of perpetual securities	24	—	—	(2)	—	—	—	—	—	—	—	(248)	—	(250)
Distribution paid	24	—	—	—	—	—	—	—	—	—	—	(87)	—	(87)
Share-based compensation	27	—	19	—	—	—	—	—	—	—	—	—	7	26
Transactions with non-controlling interests	24	—	—	(151)	—	—	—	—	—	—	—	—	151	—
Disposal of subsidiary		—	—	—	(2)	(1)	—	—	—	(1)	—	—	(1)	(3)
Transfer to legal reserve		—	3	(3)	—	—	—	—	—	—	—	—	—	—
Others		(8)	(1)	1	3	1	—	—	—	2	—	(1)	—	(6)
Restated balance at 31 December 2022		**6,411**	**81**	**(438)**	**(637)**	**(2,953)**	**2,620**	**(15)**	**3**	**(295)**	**3**	**1,354**	**1,718**	**8,489**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	Notes	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
		(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax:		110	(48)	(284)
Adjustments for:				
Financial investments		(42)	1,165	(1,077)
Insurance and reinsurance contract balances		211	(1,880)	(1,017)
Investment contract liabilities		(48)	(44)	(75)
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items		(348)	469	737
Operating cash items:				
Dividend received		106	110	189
Interest received		617	576	1,185
Interest paid		(9)	(2)	(10)
Income tax paid		(72)	(25)	(39)
Net cash provided by/(used in) operating activities		**525**	**321**	**(391)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash acquired	5	17	—	—
Acquisition of interest in an associate	13	(51)	(54)	(54)
Dividend and distribution from joint ventures	13	—	5	7
Payments for intangible assets		(43)	(438)	(483)
Payments for investment properties		—	(29)	(64)
Payments for property, plant and equipment		(7)	(5)	(11)
Proceeds from disposal of a subsidiary, net of cash disposed		—	38	38
Proceeds from disposals of intangible assets		4	13	13
Proceeds from disposals of property, plant and equipment		—	1	1
Net cash used in investing activities		**(80)**	**(469)**	**(553)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

US$m	Notes	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
		(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of ordinary shares	24.1	—	200	400
Transaction costs on issuance of ordinary shares		—	(31)	(31)
Repayment of bank borrowings	22	—	—	(50)
Proceeds from bank borrowings	22	—	—	50
Restricted cash for bank borrowings		(1)	4	(3)
Distributions paid on perpetual securities	24.3	(55)	(33)	(87)
Redemption of perpetual securities	24.3	—	(250)	(250)
Transaction with non-controlling interests	24.5	1	—	—
Principal portion of lease payments		(22)	(25)	(42)
Finance costs paid on lease liabilities		(2)	(2)	(4)
Finance costs paid on borrowings		(68)	(45)	(96)
Finance costs paid on distribution agreement payable		(3)	(72)	(74)
Payment for listing related expenses		(1)	(1)	(3)
Net cash used in financing activities		**(151)**	**(255)**	**(190)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		294	(403)	(1,134)
Cash and cash equivalents at beginning of the year		1,474	2,654	2,654
Effect of exchange rate changes on cash and cash		(39)	(60)	(46)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,729	2,191	1,474
Included in cash and cash equivalents per the consolidated statement of financial position	20	1,729	2,191	1,474

1 CORPORATE INFORMATION

1.1 General information

FWD Group Holdings Limited 富衛集團有限公司 (the "Company" or "FWD Group Holdings Limited"), 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 30 June 2023 and 31 December 2022, the immediate and ultimate holding company of the Company was PCGI Holdings Limited. PCGI Holdings Limited is wholly owned by Mr. Li Tzar Kai, Richard, the ultimate controlling shareholder of the Group (the "Ultimate Controlling Shareholder").

1.2 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.

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 22, 24 and 28 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)

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 24 for further details.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

The interim condensed consolidated financial statements have been prepared, on a going concern basis, under the historical cost convention, except for investment property, the re-measurement of financial assets measured at fair value through other comprehensive income ("FVOCI"), certain financial assets and liabilities measured or designated at fair value through profit or loss ("FVTPL") and derivative financial instruments, all of which are carried at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

The accounting policies adopted in these interim condensed consolidated financial statements are consistent with those followed in the consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new standards and new amendments to the standards from 1 January 2023.

(a) Mandatory for the annual periods beginning on or after 1 January 2023

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

i. IFRS 17, Insurance Contracts

a. Recognition, measurement and presentation of insurance contracts

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

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the annual periods beginning on or after 1 January 2023 (continued)

i. IFRS 17, Insurance Contracts (continued)

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

Previously, certain acquisition costs were recognised and presented as separate assets from the related insurance contracts ("deferred acquisition costs") until those costs were included in profit or loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

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

For an explanation of how the Group accounts for insurance and reinsurance contracts held under IFRS 17, see Note 2.3.

b. Transition

Full retrospective approach

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

- identified, recognised and measured each group of insurance and reinsurance contracts held as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as "value of business acquired"), policy loans classified as financial investments, insurance receivables and payables. Under IFRS 17, they are included in the measurement of the insurance contracts;
- recognised any resulting net difference in equity. The carrying amount of goodwill from previous business combinations were not adjusted.

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the consolidated financial statements at 1 January 2022 are presented in the statement of changes in equity.

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

2.1 Basis of preparation (continued)

(a) Mandatory for the annual periods beginning on or after 1 January 2023 (continued)

i. IFRS 17, Insurance Contracts (continued)

b. Transition (continued)

The Group considered the full retrospective approach impracticable under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
  - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
  - information about historical cash flows and discount rates required for determining the estimates of cash flows and risk adjustment for non-financial risk on initial recognition and subsequent changes on a retrospective basis;
  - information required to allocate fixed and variable overheads to groups of contracts, because the Group's previous accounting policies did not require such information; and
  - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.
- The full retrospective approach required assumptions about what Group management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:
  - expectations at contract inception about policyholders' shares of the returns on underlying items at contract inception required for identifying direct participating contracts;
  - assumptions about the risk adjustment for non-financial risk, because the Group had not been subject to any accounting or regulatory framework that required an explicit margin for non-financial risk.

Modified retrospective approach

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

2.1 Basis of preparation (continued)

(a) Mandatory for the annual periods beginning on or after 1 January 2023 (continued)

i. IFRS 17, Insurance Contracts (continued)

b. Transition (continued)

Fair value approach

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

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

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

– The consequential amendments to IFRS 3 Business Combinations introduced by IFRS 17 require the Group to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement was not applied to business combinations before 1 January 2023, for which the Group classified contracts acquired as insurance contracts based on the conditions at contract inception.

To indicate the effect of applying the modified retrospective approach or the fair value approach on the CSM, insurance revenue and insurance finance income or expenses, the Group has provided additional disclosures in Notes 8 and 15.

Assets for insurance acquisition cash flows

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

It was impracticable to apply the full retrospective approach because:

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the annual periods beginning on or after 1 January 2023 (continued)

ii. IFRS 9 Financial Instruments

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

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). For impairment, IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For financial liabilities, IFRS 9 has not had a significant effect on the Group. Refer to Note 2.2 for the Group's new accounting policies adopted in accordance with IFRS 9.

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

- The comparative financial statements have been restated. The Group has elected to adopt the classification overlay and apply ECL model to financial instruments that had been derecognised before 1 January 2023.
- The Group has elected, as an accounting policy choice under IFRS 9, to continue to apply the hedge accounting requirements of IAS 39.
- The following assessments have been made on the basis of the facts and circumstances that existed before 1 January 2023:
  - The determination of the business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL;
  - If a financial asset had low credit risk at 1 January 2023, then the Group determined that the credit risk on the asset had not increased significantly since initial recognition.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the annual periods beginning on or after 1 January 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Classification and measurement

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the annual periods beginning on or after 1 January 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

L&R: Loans and receivables

AFS: Available for sale

Note:

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

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

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

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

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.2.1.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the annual periods beginning on or after 1 January 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the annual periods beginning on or after 1 January 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Impairment of financial assets

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

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

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

Refer to Note 26 for further details of the loss allowance under IFRS 9.

Impact of transition to IFRS 9 on reserves and accumulated losses

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

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

Note:

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Mandatory for the annual periods beginning on or after 1 January 2023 (continued)

ii. IFRS 9 Financial Instruments (continued)

Impact of transition to IFRS 9 on reserves and accumulated losses

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

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

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

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

iv. Other amendments

- Amendments to IAS 1 and IFRS 2 Practice Statement 2, Disclosure of Accounting Policies (2024)
- 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)

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

(b) Issued but not yet effective and have not been early adopted for annual period beginning on 1 January 2023

The following relevant new standards and amendments to standards have been issued but are not effective for annual period beginning on 1 January 2023 and have not been early adopted:

- 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 is assessing the impact of these amendments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Financial Instruments

2.2.1 Classification and measurement of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

(2) Financial asset is measured at fair value through other comprehensive income
A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

Financial asset is measured at FVOCI are initially recognised at fair value plus attributable transaction costs. The difference between the initial recognition amount and par value is amortised. Interest income from FVOCI debt securities is recognised in investment income in the consolidated income statements using the effective interest method. FVOCI debt securities are subsequently measured at fair value. Changes in the fair value, except for relevant foreign exchange gains and losses and impairment losses, are 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.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Financial Instruments (continued)

2.2.1 Classification and measurement of financial instruments (continued)

(4) Business model assessment

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

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

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

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

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

(5) Assessment of whether contractual cash flows are SPPI

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Financial Instruments (continued)

2.2.1 Classification and measurement of financial instruments (continued)

(5) Assessment of whether contractual cash flows are SPPI (continued)

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

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

(6) Realised gains and losses on financial assets

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

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

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

(7) Financial liabilities

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Financial Instruments (continued)

2.2.1 Classification and measurement of financial instruments (continued)

(8) Derecognition and offset

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

Financial liabilities are generally derecognised when their contractual obligations expire or are discharged or cancelled. If the terms of a financial instrument are modified, then the Group evaluates whether the cash flows of the modified financial instrument are substantially different. If the cash flows are substantially different, in which case, a new financial instrument based on the modified terms is recognised at fair value. If a financial instrument measured at amortised cost is modified but not substantially, then it is not derecognised.

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

(9) Loans and deposits

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

(10) Term deposits

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Certain of these balances are subject to regulatory or other restriction as disclosed in Note 18 Financial Investments. Deposits are stated at amortised cost using the effective interest method.

(11) Cash and cash equivalents and restricted cash

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Financial Instruments (continued)

2.2.2 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.

2.2.3 Impairment of financial assets

(1) General

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

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

ECL is assessed in three stages:

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Financial Instruments (continued)

2.2.3 Impairment of financial assets (continued)

(2) Measurement of ECL

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

(3) Credit-impaired financial assets

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

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

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

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

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

(4) Presentation of ECL in the consolidated statement of financial position and income statement

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

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

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

(5) Write-off

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Financial Instruments (continued)

2.2.4 Derivative financial instruments

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

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

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.

(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, 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)

2.2 Financial Instruments (continued)

2.2.4 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. When the host contract is a financial asset in the scope of IFRS 9, the hybrid financial instrument as a whole is assessed for classification and the embedded derivative is not separated from the host contract.

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

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

2 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.

(1) Product classification

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

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Group to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. For investment contracts that do not contain DPF, *IFRS 9 Financial Instrument*, and, if the contract includes an investment management element, *IFRS 15, Revenue from contracts with customers,* are applied. Once a contract has been classified as an insurance contract, reclassification is not subsequently performed unless the terms of the agreements are later amended.

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

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

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.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

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, non-guaranteed participation and future administrative expenses that are directly attributable to the contract less estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable, as contracts with DPF are accounted for as insurance contracts under IFRS 17.
	Other participating business Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience.	Insurance contract liabilities make provision for the present value of guaranteed benefits, non-guaranteed participation and future administrative expenses that are directly attributable to the contract less estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable, as contracts with DPF are accounted for as insurance contracts under IFRS 17.
Takaful	Products combine savings with protection, with an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (Family risk fund) providing for mutual financial benefits payable on the occurrence of pre-agreed events.	Insurance contract liabilities reflect the present value of future policy benefits to be paid, the future administration expenses that are directly related to the contract and the mutual financial benefits to be paid from the common fund, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable
Non-participating life assurance, annuities and other protection products	Benefits payable are not at the discretion of the insurer	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Investment contract liabilities without DPF are measured at amortised cost
Universal life	Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer.	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Not applicable as such contracts generally contain significant insurance risk
Unit-linked	These may be primarily savings products or may combine savings with an element of protection	Insurance contract liabilities reflect the present value of future policy benefits to be paid and the future administration expenses that are directly attributable to the contract, less the present value of estimated future gross premiums to be collected from policyholders. In addition, a contractual service margin representing the unearned profit the Group will recognise as it provides service to the contract is recognised.	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.1 Life Insurance contracts and investment contracts with DPF

(1) Separating components from insurance and reinsurance contracts issued

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

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

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

(2) Aggregation and recognition of insurance and reinsurance contracts issued

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

(3) Insurance acquisition cash flows

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

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

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

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

The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

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

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

At each reporting date, the Group revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Recoverability assessment

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

(4) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

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

A substantive obligation to provide services ends when:

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

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

(5) Measurement – Contracts not measured under the PAA

Initial measurement

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

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

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows under (3)) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

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

Subsequent measurement

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

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

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

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

Insurance contracts without direct participation features

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

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - — any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
  - — any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

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

Subsequent measurement (continued)

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

Direct participation contracts

Direct participating contracts are contracts under which the Group's obligation to the policyholder is the net of:

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

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

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

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

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

(6) Measurement – Contracts measured under the PAA

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

(6) Measurement – Contracts measured under the PAA (continued)
On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows for life insurance contracts). For non-life insurance contracts, the Group has chosen to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.
If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

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

(7) Derecognition and contract modification
The Group derecognises a contract when it is extinguished – i.e., when the specified obligations in the contract expire or are discharged or cancelled.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

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

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

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

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

Insurance revenue and insurance service expenses exclude any investment components.

<u>Insurance revenue – Contracts not measured under the PAA</u>
The Group recognises insurance revenue as it satisfies its performance obligations – i.e., as it provides services under groups of insurance contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each year represents the total of the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration, and comprises the following items:

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.
- Other amounts, such as experience adjustments for premium receipts for current or past services

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

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

(8) Presentation (continued)

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

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

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

<u>Insurance revenue – Contracts measured under the PAA</u>

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

<u>Loss components</u>

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

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

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

<u>Insurance service expenses</u>

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

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

2.3.2 Reinsurance contracts held

To the extent that reinsurance contracts held do not transfer significant 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.

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

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

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

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

(2) Contract boundaries
The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time.

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

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

(3) Measurement – Contracts not measured under the PAA
To measure a group of reinsurance contracts held, the Group applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

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

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

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

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts held;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the year.

Reinsurance of onerous underlying insurance contracts

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

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

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

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

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

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

A loss-recovery component is created or adjusted for the group of reinsurance contracts held to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(4) Measurement – Contracts measured under the PAA

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

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

(5) Derecognition and contract modification

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

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

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

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

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

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

(6) Presentation

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.2 Reinsurance contracts held (continued)

(6) Presentation (continued)

Net expenses from reinsurance contracts held

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

The Group recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts held. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration.
For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

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

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

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group expects to recover from the reinsurance contracts held.

2.3.3 Investment contracts without DPF

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

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

(1) Investment contract fee revenue

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Insurance and Investment contracts (continued)

2.3.3 Investment contracts without DPF (continued)

(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 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 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.

(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.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly. Key judgments, estimates and assumptions are described below.

3.1 Level of aggregation and recognition of group of insurance contracts

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

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

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

3.2 Insurance contracts not measured under the premium allocation approach

(1) Measurement

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

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

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

The judgements exercised in the valuation of insurance contracts (including investment contracts with DPF) affect the amounts recognised in the consolidated financial statements as assets or liabilities of insurance contracts and investment contracts with DPF. Further details of the related accounting policies in respect of insurance contracts are provided in Note 2.3.

(2) Determination of coverage unit

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

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

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

3.3 Impairment of financial assets

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

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

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

When determining whether the credit risk (i.e. risk of default) on a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Group's experience, credit assessment performed by internal and external experts and forward-looking information. The Group determines a significant increase in credit risk based on various criteria for different categories of assets, including rating notch downgrade, days past due, expert judgement and other qualitative factors.

The Group has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment-grade", with credit rating equivalent to be Baa3 or above. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, unless there are other indications that there is no significant increase in credit risk.

Details are further disclosed in Note 26.

4 EXCHANGE RATES

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

	US dollar exchange rate		
	Six months ended 30 June		Year ended 31 December
	2023	2022	2022
	(Unaudited)	(Unaudited)	
Hong Kong	7.84	7.83	7.83
Japan	134.73	122.85	131.31
Thailand	34.19	33.71	35.04

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

	US dollar exchange rate	
	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	
Hong Kong	7.84	7.80
Japan	144.84	132.14
Thailand	35.53	34.53

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

5 CHANGES IN GROUP COMPOSITION

This Note provides details of the major acquisition of subsidiaries that the Group has made for the six months ended 30 June 2023.

5.1 Acquisition

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

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

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

Provisional negative goodwill arising on the GBSN Acquisition of US$48m is recognised in "other revenue" in the Group's consolidated income statement. The amount of this provisional negative goodwill attributable to FMH is US$10m. The transaction resulted in a bargain purchase gain as the provisional fair value of the assets and liabilities acquired exceeds the sum of the consideration transferred at the date of acquisition.

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

5 CHANGES IN GROUP COMPOSITION (continued)

5.1 Acquisition (continued)

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

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

US$m	Notes		Provisional fair values as at the date of acquisition
			(Unaudited)
Intangible assets	12		2
Property, plant and equipment			4
Investment property	14		1
Reinsurance contract assets	15		6
Financial investments	16, 18		
At fair value through other comprehensive income debt securities			288
At fair value through profit or loss			124
			412
Other assets	19		5
Cash and cash equivalents	20		37
Insurance contract liabilities	15		(357)
Deferred tax liabilities			(1)
Other liabilities	23		(12)
Net identifiable assets acquired			**97**
Non-controlling interest measured with proportionate share approach			(29)
Provisional negative goodwill arising on acquisition attributable to non-controlling interests		(38)	
Provisional negative goodwill arising on acquisition attributable to FMH		(10)	
Provisional negative goodwill arising on acquisition			**(48)**
Total considerations from non-controlling interests		16	
Total considerations from FMH		4	
Total considerations			**20**
Less:			
Cash and cash equivalents held in acquired subsidiaries			(37)
Net change in cash and cash equivalents			**(17)**

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

6 SEGMENT INFORMATION

The Group's operating segments, based on the reports received by the Group's Executive Committee preceding the Merger, are each of the geographical markets in which the Group operates.

Each of the reportable segments, other than the "Corporate and Others" segment, writes life insurance business, providing life insurance, accident and health insurance and savings plans to customers in its local market, and distributes related investment and other financial service products. Certain businesses also write general insurance business ("Non-core business"). The reportable segments are Hong Kong (including Macau), Thailand (including Cambodia), Japan, Emerging Markets and Corporate and Others. Emerging Markets includes the 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 ("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 Group and (ii) eliminating the inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group. A reconciliation of adjusted operating profit after tax to profit/(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, insurance finance reserve and non-controlling interests of FL and FGL.

In presenting net capital in/(out) flows to reportable segments, capital outflows consist of dividends and profit distributions to the Corporate and Others segment and capital inflows consist of capital injections into reportable segments by the Corporate and Others segment. Emerging Markets' capital inflows also include capital allocation for corporate functions. For the 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
Six months ended 30 June 2023 (Unaudited)						
TWPI	**866**	**1,288**	**883**	**359**	**—**	**3,396**
Insurance revenue	498	319	356	171	—	1,344
Insurance service expenses	(359)	(230)	(219)	(126)	—	(934)
Net expenses from reinsurance contracts held	(8)	(4)	(47)	3	—	(56)
Insurance service result	**131**	**85**	**90**	**48**	**—**	**354**
Investment return	467	222	89	92	8	878
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(427)	(179)	(25)	(72)	—	(703)
Net insurance and investment result	**171**	**128**	**154**	**68**	**8**	**529**
Other operating revenue	3	—	—	12	—	15
General and other expenses	(32)	(46)	(30)	(59)	(62)	(229)
Borrowings and other finance costs	(10)	—	(1)	(3)	—	(14)
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	**132**	**82**	**123**	**18**	**(54)**	**301**
Share of profit/(loss) from associates and joint ventures	1	—	—	7	(2)	6
Segmental adjusted operating profit/(loss) before tax[1]	**133**	**82**	**123**	**25**	**(56)**	**307**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(32)
Adjusted operating profit before tax						**275**
Key operating ratio						
Expense ratio	13.6 %	9.0 %	10.1 %	32.6 %	—	14.8 %
Adjusted operating profit/(loss) before tax includes:						
Operating expenses	(118)	(116)	(89)	(117)	(61)	(501)

Note:

[1] Excludes results of the Non-core business, comprising of US$9m operating loss before tax.

6 SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

Segment information below represents the financial position of the Group:

US$m	Hong Kong	Thailand	Japan	Emerging Markets	Corporate and Others	Adjusted financial position
30 June 2023 (Unaudited)						
Total assets	**20,354**	**17,295**	**8,886**	**4,375**	**847**	**51,757**
Total liabilities	**(17,284)**	**(13,957)**	**(7,690)**	**(2,346)**	**(2,279)**	**(43,556)**
Total equity	**3,070**	**3,338**	**1,196**	**2,029**	**(1,432)**	**8,201**
Shareholders' allocated equity	**3,373**	**3,683**	**1,117**	**1,951**	**(2,783)**	**7,341**
Net capital in/(out) flows	(174)	(72)	(74)	185	135	—
Total assets include:						
Investment in associates and a joint venture	8	—	—	421	33	462

Segment information is reconciled to the profit from continuing operations after tax, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating	Other non-operating items	Operating Group Total	
Six months ended 30 June 2023 (Unaudited)					
Insurance service result	354	—	—	354	Insurance service result
Investment return	878	(156)	—	722	Investment return
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(703)	106	(1)	(598)	Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits
Net insurance and investment result	**529**	**(50)**	**(1)**	**478**	**Net insurance and investment result**
Other operating revenue	15	—	54	69	Other operating revenue
General and other expenses	(229)	—	(128)	(357)	General and other expenses
Borrowings and other finance costs	(14)	—	(69)	(83)	Borrowings and other finance costs
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	**301**	**(50)**	**(144)**	**107**	**Profit/(loss) before share of profit from associates and joint ventures**
Share of profit/(loss) from associates and joint ventures	6	—	(3)	3	Share of profit/(loss) from associates and joint ventures
Segmental adjusted operating profit before tax	307				
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(32)	—	32	—	
Adjusted operating profit/(loss) before tax	**275**	**(50)**	**(115)**	**110**	**Adjusted profit/(loss) before tax from continuing operations of the Operating Group**
				(66)	Tax expense
				44	**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
Six months ended 30 June 2022 (Restated) (Unaudited)						
TWPI	**875**	**1,186**	**1,021**	**341**	**—**	**3,423**
Insurance revenue	406	284	347	127	—	1,164
Insurance service expenses	(276)	(189)	(203)	(93)	—	(761)
Net expenses from reinsurance contracts held	(52)	(5)	(51)	—	—	(108)
Insurance service result	**78**	**90**	**93**	**34**	**—**	**295**
Investment return	270	127	80	(114)	(6)	357
Net finance expenses from insurance and reinsurance contract and movement of investment	(254)	(83)	(28)	129	—	(236)
Net insurance and investment result	**94**	**134**	**145**	**49**	**(6)**	**416**
Other operating revenue	5	—	1	10	—	16
General and other expenses	(54)	(39)	(28)	(61)	(34)	(216)
Borrowings and other finance costs	(2)	(1)	(1)	(3)	—	(7)
Segmental adjusted operating profit/(loss) before share of profit from associates and joint	**43**	**94**	**117**	**(5)**	**(40)**	**209**
Share of loss from associates and joint ventures	—	—	—	3	(4)	(1)
Segmental adjusted operating profit/(loss) before tax	**43**	**94**	**117**	**(2)**	**(44)**	**208**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(28)
Adjusted operating profit before tax						**180**
Key operating ratio						
Expense ratio	12.8%	9.2%	9.2%	33.4%	—	13.5%
Adjusted operating profit/(loss) before tax includes:						
Operating expenses	(112)	(109)	(93)	(114)	(35)	(463)

Note:

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

6 SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

Segment information is reconciled to adjusted profit from continuing operations after tax, as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and property investments and other non-operating	Other non-operating items	Operating Group Total	
Six months ended 30 June 2022 (Restated) (Unaudited)					
Insurance service result	295	—	(18)	277	Insurance service result
Investment return	3	(548)	—	(191)	Investment return
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(236)	459	1	224	Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits
Net insurance and investment result	**416**	**(89)**	**(17)**	**310**	**Net insurance and investment result**
Other operating revenue	16	—	2	18	Other operating revenue
General and other expenses	(216)	—	(100)	(316)	General and other expenses
Borrowings and other finance costs	(7)	—	(52)	(59)	Borrowings and other finance costs
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	**209**	**(89)**	**(167)**	**(47)**	**Profit/(loss) before share of profit from associates and joint ventures**
Share of loss from associates and joint ventures	(1)	—	—	(1)	Share of loss from associates and joint ventures
Segmental adjusted operating profit before tax	**208**				
Implementation costs for IFRS 9 and 17 and Group-wide Supervision	(28)	—	28	—	
Adjusted operating profit/(loss) before tax	**180**	**(89)**	**(139)**	**(48)**	**Adjusted profit/(loss) before tax from continuing operations of the Operating Group**
				(4)	Tax expense
				(52)	**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 2022 (Restated) (Unaudited)						
TWPI	**1,664**	**2,166**	**1,757**	**708**	**—**	**6,295**
Insurance revenue	840	572	682	282	—	2,376
Insurance service expenses	(637)	(398)	(424)	(237)	—	(1,696)
Net expenses from reinsurance contracts held	(50)	(7)	(89)	1	—	(145)
Insurance service result	**153**	**167**	**169**	**46**	**—**	**535**
Investment return	658	305	172	(57)	(4)	1,074
Net finance expenses from insurance and reinsurance contract and movement of investment contract benefits	(630)	(227)	(53)	82	—	(828)
Net insurance and investment result	**181**	**245**	**288**	**71**	**(4)**	**781**
Other operating revenue	11	1	3	21	(1)	35
General and other expenses	(65)	(78)	(53)	(102)	(116)	(414)
Borrowings and other finance costs	(9)	(3)	(2)	(5)	—	(19)
Segmental adjusted operating profit/(loss) before share of profit from associates and joint ventures	**118**	**165**	**236**	**(15)**	**(121)**	**383**
Share of loss from associates and joint ventures	—	—	—	18	(8)	10
Segmental adjusted operating profit/(loss) before tax[1]	**118**	**165**	**236**	**3**	**(129)**	**393**
Implementation costs for IFRS 9 and 17 and Group-wide Supervision						(79)
Adjusted operating profit before tax[1]						**314**
Key operating ratio						
Expense ratio	13.3%	9.5%	9.9%	31.1%	—%	14.9%
Adjusted operating profit/(loss) before tax includes:						
Operating expenses	(221)	(206)	(174)	(220)	(116)	(937)

Notes:

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

6 SEGMENT INFORMATION (continued)

6.1 Segment results (continued)

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

Segment information is reconciled to adjusted profit from continuing operations after tax as shown below:

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

<u>Market related</u>

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

<u>Non-market related</u>

- Finance costs related to borrowings and long-term payables;
- 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 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	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Restated) (Unaudited)	Year ended 31 December 2022 (Restated) (Unaudited)
Adjusted net profit/(loss) of the Operating Group from continuing operations after tax		44	(52)	(320)
Tax on adjusted operating profit before tax		67	45	94
Tax impact from non-operating items		(1)	(41)	(58)
Adjusted profit/(loss) of the Operating Group before tax from continuing operations	6.1	**110**	**(48)**	**(284)**
Non-operating items, net of related changes in insurance and investment contract liabilities:				
Market related:				
Short-term fluctuations in investment return related to equities, investment funds and property investments		64	100	187
Loss component on onerous contracts		9	20	99
Other non-operating investment return		(14)	(11)	10
		59	**109**	**296**
Non-market related:				
Finance costs related to borrowings and long-term payables		69	52	109
M&A, business set up and restructuring related costs		(6)	36	88
IPO related costs including incentive costs		34	34	73
Other non-operating items		9	(3)	32
		106	**119**	**302**
Adjusted operating profit before tax		**275**	**180**	**314**
Tax adjusted on operating profit before tax		(67)	(45)	(94)
Adjusted operating profit after tax		**208**	**135**	**220**
Segmental adjusted operating profit before tax		**307**	**208**	**393**
Tax on segmental adjusted operating profit before tax		(67)	(45)	(94)
Segmental adjusted operating profit after tax		**240**	**163**	**299**
Adjusted operating profit before tax attributable to:				
Equity holders of FL and FGL		**275**	**180**	**314**
Non-controlling interests		—	—	—
Adjusted operating profit after tax attributable to:				
Equity holders of FL and FGL		**208**	**135**	**220**
Non-controlling interests		—	—	—

6 SEGMENT INFORMATION (continued)

6.3 Adjusted results and financial position

The adjusted results and financial positions are the net profit/(loss) of the Operating Group for the six months ended 30 June 2023 and 2022, and for the year ended 31 December 2022, and the total assets, liabilities and equity of the Operating Group as at 30 June 2023 and 31 December 2022 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.

Adjusted net profit/(loss) 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 net profit/(loss) of the Operating Group for the periods 30 June 2023, 30 Jun 2022 and for the year ended 31 December 2022.

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)	(Unaudited)
Net profit/(loss) of the Group and adjusted net profit/(loss) of the Operating Group	**44**	**(52)**	**(320)**
Attributable to:			
Shareholders of the Company	**(49)**	**(80)**	**(403)**
Perpetual securities	55	28	83
Non-controlling interests	38	—	—

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

US$m	Notes	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
		(Unaudited)	(Unaudited)	(Unaudited)
Finance costs, principally related to leases, included in adjusted operating profit	6.1	14	7	19
Finance costs related to borrowings and long-term payables	6.2	69	52	109
Total		**83**	**59**	**128**

6 SEGMENT INFORMATION (continued)

6.3 Adjusted results and financial position

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 30 June 2023 and 31 December 2022.

Adjusted total equity of the Operating Group

US$m	As at 30 June 2023	As at 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)
Total equity of the Group attributable to:		
Shareholders of the Company	**5,030**	**5,417**
Perpetual securities	1,354	1,354
Non-controlling interests	1,817	1,718
Total equity of the Group	**8,201**	**8,489**
Add:		
Share capital and share premium	1,738	1,717
Less:		
Non-controlling interests	(1,738)	(1,717)
Adjusted total equity of the Operating Group attributable to:		
Shareholders of the Company	**6,768**	**7,134**
Perpetual securities	1,354	1,354
Non-controlling interests	79	1
Adjusted total equity of the Operating Group	**8,201**	**8,489**

US$m	Six months ended 30 June 2023	Year ended 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)
Adjusted total equity of the Operating Group attributable to Shareholders of the Company	6,768	7,134
Contractual Service Margin (net of tax)	4,462	4,404
Comprehensive equity[1]	**11,230**	**11,538**

Note:
[1] Comprehensive equity is defined as Adjusted total equity of the Operating Group attributable to Shareholders of the Company plus Contractual Service Margin (net of tax).

6 SEGMENT INFORMATION (continued)

6.4 Total Weighted Premium Income

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

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

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

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
	(Unaudited)	(Unaudited)	
TWPI by geography			
Hong Kong	866	875	1,664
Thailand	1,288	1,186	2,166
Japan	883	1,021	1,757
Emerging Markets	359	341	708
Total	**3,396**	**3,423**	**6,295**
First year premiums by geography			
Hong Kong	182	91	167
Thailand	315	234	434
Japan	67	88	157
Emerging Markets	122	133	291
Total	**686**	**546**	**1,049**
Single premiums by geography			
Hong Kong	624	994	1,404
Thailand	120	143	245
Japan	—	—	—
Emerging Markets	157	132	267
Total	**901**	**1,269**	**1,916**
Renewal premiums by geography			
Hong Kong	622	685	1,356
Thailand	961	937	1,708
Japan	816	933	1,600
Emerging Markets	221	195	390
Total	**2,620**	**2,750**	**5,054**

7 INSURANCE REVENUE AND OTHER REVENUE

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)	(Unaudited)
Contracts not measured under the PAA			
Amounts relating to changes in liabilities for remaining coverage:			
CSM recognised for services provided	398	346	675
Change in risk adjustment for non-financial risk for risk expired	32	29	56
Expected incurred claims and other insurance service expenses	522	482	976
Recovery of insurance acquisition cash flows	337	241	545
	1,289	1,098	2,252
Contracts measured under the PAA	**77**	**79**	**156**
Total insurance revenue	**1,366**	**1,177**	**2,408**

Other revenue

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

8 INVESTMENT RETURN AND NET FINANCE EXPENSES FROM INSURANCE CONTRACTS

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

US$m	Note	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
		(Unaudited)	(Unaudited)	(Unaudited)
Investment return:				
Interest revenue	B	522	452	951
Other investment gains/(losses)	C	201	(629)	(939)
Net impairment loss on financial assets		(1)	(14)	(29)
Amounts recognised in OCI		888	(4,442)	(4,902)
Total investment return		**1,610**	**(4,633)**	**(4,919)**
Net finance expenses from insurance contracts:				
Changes in fair value of underlying items of direct participating contracts		(705)	2,473	3,108
Interest accreted		(203)	(186)	(205)
Effect of changes in interest rates and other financial assumptions		(880)	2,519	2,037
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		69	1	(7)
Net foreign exchange loss		22	16	(13)
Total net finance expenses from insurance contracts	A	**(1,697)**	**4,823**	**4,920**
Net finance income from reinsurance contracts held:				
Interest accreted		(2)	(5)	3
Other		34	(32)	(58)
Total net finance income from reinsurance contracts held	A	**32**	**(37)**	**(55)**
Movement in investment contract liabilities		3	1	2
Net investment result		**(52)**	**154**	**(52)**
Represented by:				
Amounts recognised in profit or loss		124	33	48
Amounts recognised in OCI		(176)	121	(100)
		(52)	**154**	**(52)**

A. Insurance finance income and expenses

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)	(Unaudited)
Net finance (expenses)/income from insurance contracts			
Recognised in profit or loss	(591)	243	86
Recognised in OCI	(1,106)	4,580	4,834
	(1,697)	4,823	4,920
Net finance income/(expenses) from reinsurance			
Recognised in profit or loss	(10)	(20)	(23)
Recognised in OCI	42	(17)	(32)
	32	(37)	(55)

8 INVESTMENT RETURN AND NET FINANCE EXPENSES FROM INSURANCE CONTRACTS (continued)

B. Interest revenue

Interest revenue calculated using the effective interest method are presented as below.

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)	(Unaudited)
Debt securities measured at FVOCI	482	42	892
Financial investments measured at amortised cost	40	25	59
	522	45	951

C. Other investment gains/(losses)

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)	(Unaudited)
Financial instruments mandatorily measured at FVTPL:			
Net fair value gains/(losses) on			
Debt securities	9	(72)	(99)
Derivatives	(423)	(498)	(327)
Equity securities	(4)	(154)	(161)
Interests in investment funds	69	(542)	(928)
Dividend income	108	110	189
Interest income	49	25	60
Net foreign exchange gain	136	140	76
	(56)	(991)	(1,190)
Net losses on derecognition of debt investments at FVOCI	(59)	(95)	(174)
Net foreign exchange gain on items not measured at FVTPL	300	441	394
Lease income from investment properties	13	13	25
Net fair value movement of investment properties	1	(2)	(3)
Other investment income	2	5	9
Total	**201**	**(629)**	**(939)**

8 INVESTMENT RETURN AND NET FINANCE EXPENSES FROM INSURANCE CONTRACTS (continued)

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

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

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
	(Unaudited)	(Unaudited)	(Unaudited)
Fair value reserve			
Balance at 1 January	(2,447)	(92)	(92)
Change in fair value, net of fair value change transferred to income on disposal and impairment	448	(2,682)	(2,931)
Related income tax	(99)	514	561
Sharing to non-controlling interests[1]	8	14	15
Balance at period end	(2,090)	(2,246)	(2,447)

Note:

[1] During the year ended 31 December 2022 and the six months ended 30 June 2023 and 2022, FL and FGL issued ordinary shares to non-controlling interests holders. The fair value reserve attributable to shareholders of the Company was changed as a result of change in shareholding of non-controlling interests.

9 EXPENSES

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)	(Unaudited)
Claims and benefits	435	375	861
Loss on onerous insurance contracts	29	31	118
Commission and other acquisition expenses	751	658	1,280
Employee benefits expenses	320	300	605
Depreciation	31	32	63
Amortisation	22	16	32
Marketing and advertising	32	20	51
Professional service fees	83	69	189
Information technology expenses	74	69	147
Investment management expenses	41	30	69
Others[1]	69	60	128
	1,887	1,660	3,543
Amounts attributed to insurance acquisition cash flows	(923)	(807)	(1,605)
Amortisation of insurance acquisition cash flows	348	254	568
Total	**1,312**	**1,107**	**2,506**
Represented by:			
Insurance service expenses	955	791	1,817
General and other expenses - operating	229	216	414
General and other expenses - non operating	128	100	275
	1,312	1,107	2,506

Note:

[1] Includes travel and entertainment, bank charges, office related expenses and other general operating expenses.

10 BORROWINGS AND OTHER FINANCE COSTS

Borrowings and other finance costs may be analysed as follows:

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
	(Unaudited)	(Unaudited)	(Unaudited)
Borrowings	69	47	103
Lease liabilities	2	2	4
Others	12	10	21
Total	**83**	**59**	**128**

11 INCOME TAX

Tax benefit/(expense)

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

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022 (Restated)	Year ended 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	(129)	(223)	(393)
Deferred income tax on temporary differences	63	219	357
Total	(66)	(4)	(36)

The Group calculates income tax expense for the six months ended 30 June 2023 and 2022 using the tax rate that would be applicable to the expected total annual profit/(loss) before tax. The Group's effective tax rate for the six months ended 30 June 2023 and 2022 and for the year ended 31 December 2022 was -60.0% and 8.3% and 12.7% respectively. The difference is primarily explained by changes to the Group's recognition of deferred tax assets and non-taxable/deductible items.

12 INTANGIBLE ASSETS

US$m	Goodwill	Distribution rights	Computer software and others	Total
Cost				
At 1 January 2022	**1,596**	**1,731**	**242**	**3,569**
Additions	—	—	50	50
Disposals	—	(11)	(1)	(12)
Foreign exchange movements	(33)	(68)	(18)	(119)
At 31 December 2022	**1,563**	**1,652**	**273**	**3,488**
Acquisition of a subsidiary	—	—	2	2
Additions	—	58	39	97
Disposals	—	(2)	—	(2)
Foreign exchange movements	(9)	(30)	(12)	(51)
At 30 June 2023 (Unaudited)	**1,554**	**1,678**	**302**	**3,534**
Accumulated amortisation and impairment				
At 1 January 2022	**(36)**	**(71)**	**(114)**	**(221)**
Amortisation charge for the year	—	(44)	(32)	(76)
Disposals	—	3	—	3
Foreign exchange movements	2	3	8	13
At 31 December 2022	**(34)**	**(109)**	**(138)**	**(281)**
Amortisation charge for the period	—	(21)	(22)	(43)
Disposals	—	1	—	1
Foreign exchange movements	(1)	2	6	7
At 30 June 2023 (Unaudited)	**(35)**	**(127)**	**(154)**	**(316)**
Net book value				
At 31 December 2022	**1,529**	**1,543**	**135**	**3,207**
At 30 June 2023 (Unaudited)	**1,519**	**1,551**	**148**	**3,218**

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

US$m	As at 30 June 2023	As at 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)
Group		
Investments in associates	455	400
Investments in joint ventures	7	7
Total	**462**	**407**

The Group's interest in its key associates and joint venture are as follows:

Entity	Place of incorporation	Principal activity	Type of investments	Type of shares held	Group's interest % As at 30 June 2023	Group's interest % As at 31 December 2022
					(Unaudited)	
PT Asuransi BRI Life ("BRI Life")	Indonesia	Life insurance	Associate	Ordinary	39.82%	35.14%
CompareAsia Group Capital Limited	Cayman Islands	Operation of online platforms and provision of insurance brokerage and marketing services	Associate	Ordinary	29.82%	29.82%
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 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 2 March 2023, the Group acquired an additional interest of 4.68% in BRI Life at a consideration of US$51m. As a result, the Group has a total of 39.82% effective ownership interest in BRI Life.

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.

Dividend received from OGS during the six months ended 30 June 2023 and 30 June 2022 and year ended 31 December 2022 was US$nil, US$5m and US$5m, respectively.

14 INVESTMENT PROPERTY

US$m	
Fair value	
At 1 January 2022	663
Additions	64
Fair value losses	(3)
Foreign exchange movements	(83)
At 31 December 2022	**641**
Acquisition of a subsidiary	1
Fair value gains	1
Foreign exchange movements	(56)
At 30 June 2023 (Unaudited)	**587**

15 INSURANCE AND REINSURANCE CONTRACT BALANCES

INSURANCE AND REINSURANCE CONTRACTS

Insurance Contracts

US$m	As at 30 June 2023	As at 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)
Insurance contract assets	737	722
Insurance contract liabilities	(38,607)	(37,019)
Total	(37,870)	(36,297)

Reinsurance Contracts Held

US$m	As at 30 June 2023	As at 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)
Reinsurance contract assets	726	725
Reinsurance contract liabilities	(295)	(463)
Total	431	262

As at 30 June 2023, the maximum exposure to credit risk from reinsurance contracts held is US$726m (31 December 2022: US$725m). The credit risk arising from insurance contracts are not considered to be significant.

(a) Movement in insurance and reinsurance contract balances

The Group presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and OCI.

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

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

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

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

Analysis by remaining coverage and incurred claims

		Six months ended 30 June 2023 (Unaudited)				Year ended 31 December 2022 (Restated) (Unaudited)			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
US$m	Note	Excluding loss component	Loss component			Excluding loss component	Loss component		
Opening assets		785	(5)	(58)	722	717	(4)	28	741
Opening liabilities		(35,696)	(168)	(1,108)	(36,972)	(40,798)	(69)	(1,141)	(42,008)
Net opening balance		**(34,911)**	**(173)**	**(1,166)**	**(36,250)**	**(40,081)**	**(73)**	**(1,113)**	**(41,267)**
Changes in the statement of profit or loss and OCI									
Insurance revenue	7								
Contracts under the modified retrospective approach		76	—	—	76	102	—	—	102
Contracts under the fair value approach		593	—	—	593	1,276	—	—	1,276
Other contracts		620	—	—	620	874	—	—	874
		1,289	—	—	1,289	2,252	—	—	2,252
Insurance service expenses									
Incurred claims and other insurance service expenses		—	14	(502)	(488)	—	17	(1,008)	(991)
Amortisation of insurance acquisition cash flows		(337)	—	—	(337)	(545)	—	—	(545)
Losses and reversals of losses on onerous contracts		—	(26)	—	(26)	—	(117)	—	(117)
Adjustments to liabilities for incurred claims		—	—	(13)	(13)	—	—	(22)	(22)
		(337)	(12)	(515)	(864)	(545)	(100)	(1,030)	(1,675)
Investment components		2,151	—	(2,151)	—	3,287	—	(3,287)	—
Insurance service result		3,103	(12)	(2,666)	425	4,994	(100)	(4,317)	577
Net finance expenses from insurance contracts	8	(1,635)	(6)	(56)	(1,697)	4,910	(3)	13	4,920
Foreign exchange movement		978	1	40	1,019	1,574	3	128	1,705
Total changes in the statement of profit or loss and OCI		**2,446**	**(17)**	**(2,682)**	**(253)**	**11,478**	**(100)**	**(4,176)**	**7,202**
Cash flows									
Premium received		(4,655)	—	—	(4,655)	(7,649)	—	—	(7,649)
Claims and other insurance service expenses paid; including investment components		—	—	2,504	2,504	—	—	4,123	4,123
Insurance acquisition cash flows		910	—	—	910	1,341	—	—	1,341
Total cash flows		**(3,745)**	**—**	**2,504**	**(1,241)**	**(6,308)**	**—**	**4,123**	**(2,185)**
Net closing balance		**(36,210)**	**(190)**	**(1,344)**	**(37,744)**	**(34,911)**	**(173)**	**(1,166)**	**(36,250)**
Closing assets		768	(18)	(14)	736	785	(5)	(58)	722
Closing liabilities		(36,978)	(172)	(1,330)	(38,480)	(35,696)	(168)	(1,108)	(36,972)
Net closing balance		**(36,210)**	**(190)**	**(1,344)**	**(37,744)**	**(34,911)**	**(173)**	**(1,166)**	**(36,250)**

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

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

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

Analysis by measurement component

		Six months ended 30 June 2023 (Unaudited)							Year ended 31 December 2022 (Restated) (Unaudited)						
				CSM							CSM				
US$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		1,876	(87)	—	(243)	(824)	(1,067)	722	1,726	(92)	—	(472)	(421)	(893)	741
Opening liabilities		(31,133)	(562)	(254)	(3,042)	(1,981)	(5,277)	(36,972)	(36,391)	(609)	(323)	(3,806)	(879)	(5,008)	(42,008)
Net opening balance		(29,257)	(649)	(254)	(3,285)	(2,805)	(6,344)	(36,250)	(34,665)	(701)	(323)	(4,278)	(1,300)	(5,901)	(41,267)
Changes in the statement of profit or loss and															
Changes that relate to current services															
CSM recognised for services received	7	—	—	16	172	210	398	398	—	—	35	381	259	675	675
Change in risk adjustment for non-financial risk for risk expired		—	32	—	—	—	—	32	—	56	—	—	—	—	56
Experience adjustments		34	—	—	—	—	—	34	(15)	—	—	—	—	—	(15)
Changes that relate to future services															
Contracts initially recognised in the year		905	(79)	—	—	(834)	(834)	(8)	1,747	(114)	—	—	(1,656)	(1,656)	(23)
Changes in estimates that adjust the CSM		(172)	(8)	(5)	48	137	180	—	(355)	67	24	320	(56)	288	—
Changes in estimates that result in losses and reversals of losses on onerous contracts		(18)	—	—	—	—	—	(18)	(94)	—	—	—	—	—	(94)
Changes that relate to past services															
Adjustments to assets for incurred claims		(13)	—	—	—	—	—	(13)	(22)	—	—	—	—	—	(22)
Insurance service result		736	(55)	11	220	(487)	(256)	425	1,261	9	59	701	(1,453)	(693)	577
Net finance expenses from insurance contracts	8	(1,680)	1	(2)	(3)	(13)	(18)	(1,697)	4,945	—	(5)	(8)	(12)	(25)	4,920
Effect of movements in exchange rates		705	28	7	165	114	286	1,019	1,387	43	15	300	(40)	275	1,705
Total changes in the statement of profit or loss and OCI		(239)	(26)	16	382	(386)	12	(253)	7,593	52	69	993	(1,505)	(443)	7,202
Cash flows															
Premium received		(4,655)	—	—	—	—	—	(4,655)	(7,649)	—	—	—	—	—	(7,649)
Claims and other insurance service expenses paid; including investment components		2,504	—	—	—	—	—	2,504	4,123	—	—	—	—	—	4,123
Insurance acquisition cash flows		910	—	—	—	—	—	910	1,341	—	—	—	—	—	1,341
Total cash flows		(1,241)	—	—	—	—	—	(1,241)	(2,185)	—	—	—	—	—	(2,185)
Net closing balance		(30,737)	(675)	(238)	(2,903)	(3,191)	(6,332)	(37,744)	(29,257)	(649)	(254)	(3,285)	(2,805)	(6,344)	(36,250)
Closing assets		1,906	(99)	—	(220)	(851)	(1,071)	736	1,876	(87)	—	(243)	(824)	(1,067)	722
Closing liabilities		(32,643)	(576)	(238)	(2,683)	(2,340)	(5,261)	(38,480)	(31,133)	(562)	(254)	(3,042)	(1,981)	(5,277)	(36,972)
Net closing balance		(30,737)	(675)	(238)	(2,903)	(3,191)	(6,332)	(37,744)	(29,257)	(649)	(254)	(3,285)	(2,805)	(6,344)	(36,250)

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

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

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

Analysis by remaining coverage and incurred claims

		Six months ended 30 June 2023 (Unaudited)					Year ended 31 December 2022 (Restated) (Unaudited)				
		Liabilities for remaining coverage		Liabilities for incurred claims		Total	Liabilities for remaining coverage		Liabilities for incurred claims		Total
US$m	Note	Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment		Excluding loss component	Loss component	Estimates of PV of FCF	Risk Adjustment	
Opening assets		—	—	—	—	—	—	—	—	—	—
Opening liabilities		(4)	(4)	(38)	(1)	(47)	(27)	(2)	(23)	(1)	(53)
Net opening balance		(4)	(4)	(38)	(1)	(47)	(27)	(2)	(23)	(1)	(53)
Changes in the statement of profit or loss and OCI											
Insurance revenue	7										
Other contracts		77	—	—	—	77	156	—	—	—	156
Insurance service expenses											
Incurred claims and other insurance service expenses		—	(1)	(79)	—	(80)	—	(2)	(119)	—	(121)
Amortisation of insurance acquisition cash flows		(11)	—	—	—	(11)	(23)	—	—	—	(23)
Losses and reversals of losses on onerous contracts		—	(2)	—	—	(2)	—	—	—	—	—
Adjustments to liabilities for incurred claims		—	—	2	—	2	—	—	2	—	2
		(11)	(3)	(77)	—	(91)	(23)	(2)	(117)	—	(142)
Insurance service result		66	(3)	(77)	—	(14)	133	(2)	(117)	—	14
Foreign exchange movement		1	—	(2)	—	(1)	(3)	—	4	—	1
Total changes in the statement of profit or loss and OCI		67	(3)	(79)	—	(15)	130	(2)	(113)	—	15
Cash flows											
Premium received		(154)	—	—	—	(154)	(124)	—	—	—	(124)
Claims and other insurance service expenses paid; including investment components		—	—	75	—	75	—	—	98	—	98
Insurance acquisition cash flows		15	—	—	—	15	17	—	—	—	17
Total cash flows		(139)	—	75	—	(64)	(107)	—	98	—	(9)
Net closing balance		(76)	(7)	(42)	(1)	(126)	(4)	(4)	(38)	(1)	(47)
Closing assets		—	—	1	—	1	—	—	—	—	—
Closing liabilities		(76)	(7)	(43)	(1)	(127)	(4)	(4)	(38)	(1)	(47)
Net closing balance		(76)	(7)	(42)	(1)	(126)	(4)	(4)	(38)	(1)	(47)

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

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

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

Analysis by remaining coverage and incurred claims

US$m	Note	Six months ended 30 June 2023 (Unaudited)				Year ended 31 December 2022 (Restated) (Unaudited)			
		Assets for remaining coverage		Assets for incurred claims	Total	Assets for remaining coverage		Assets for incurred claims	Total
		Excluding loss-recovery component	Loss- recovery component			Excluding loss-recovery component	Loss- recovery component		
Opening assets		487	3	219	709	938	2	80	1,020
Opening liabilities		(531)	2	66	(463)	(587)	—	116	(471)
Net opening balance		(44)	5	285	246	351	2	196	549
Changes in the statement of profit or loss and OCI									
Allocation of reinsurance premium paid		(179)	—	—	(179)	(381)	—	—	(381)
Amounts recoverable from reinsurers									
Recoveries of incurred claims and other insurance service expenses		—	—	115	115	—	—	233	233
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	2	—	2	—	3	—	3
Adjustments to assets for incurred claims		—	—	7	7	—	—	1	1
		—	2	122	124	—	3	234	237
Investment components and premium refunds		(298)	—	298	—	(481)	—	481	—
Net expenses from reinsurance contracts		(477)	2	420	(55)	(862)	3	715	(144)
Effect of changes in non-performance risk of reinsurers		—	—	—	—	(4)	—	—	(4)
Net finance expenses from reinsurance contracts	8	29	—	3	32	(50)	—	(1)	(51)
Foreign exchange movement		27	—	(48)	(21)	(22)	—	(5)	(27)
Total changes in the statement of profit or loss and OCI		(421)	2	375	(44)	(938)	3	709	(226)
Cash flows									
Premium paid		542	—	—	542	543	—	—	543
Amounts received		—	—	(329)	(329)	—	—	(620)	(620)
Total cash flows		542	—	(329)	213	543	—	(620)	(77)
Net closing balance		77	7	331	415	(44)	5	285	246
Closing assets		361	6	341	708	487	3	219	709
Closing liabilities		(284)	1	(10)	(293)	(531)	2	66	(463)
Net closing balance		77	7	331	415	(44)	5	285	246

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

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

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

Analysis by measurement component

		Six months ended 30 June 2023 (Unaudited)							Year ended 31 December 2022 (Restated) (Unaudited)						
				CSM							CSM				
US$m	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition	Contracts under fair value transition approach	Other contracts	Subtotal	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition	Contracts under fair value transition approach	Other contracts	Subtotal	Total
Opening assets		(240)	82	8	464	395	867	709	161	90	1	563	205	769	1,020
Opening liabilities		(549)	9	(2)	57	22	77	(463)	(606)	19	3	97	16	116	(471)
Net opening balance		(789)	91	6	521	417	944	246	(445)	109	4	660	221	885	549
Changes in the statement of profit or loss and OCI															
Changes that relate to current services															
CSM recognised for services received		—	—	(1)	(32)	(12)	(45)	(45)	—	—	(2)	(93)	(48)	(143)	(143)
Change in risk adjustment for non-financial risk for risk expired		—	(5)	—	—	—	—	(5)	—	(6)	—	—	—	—	(6)
Experience adjustments		(14)	—	—	—	—	—	(14)	1	—	—	—	—	—	1
Changes that relate to future services															
Contracts initially recognised in the year		(121)	6	—	—	115	115	—	(285)	14	—	—	271	271	—
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		—	—	—	—	2	2	2	—	—	—	1	2	3	3
Changes in estimates that adjust the CSM		59	—	1	(18)	(42)	(59)	—	8	(15)	4	21	(18)	7	—
Changes that relate to past services															
Adjustments to assets for incurred claims		7	—	—	—	—	—	7	2	(1)	—	—	—	—	1
Net expenses from reinsurance contracts		(69)	1	—	(50)	63	13	(55)	(274)	(8)	2	(71)	207	138	(144)
Effect of changes in non-performance risk of reinsurers		—	—	—	—	—	—	—	(4)	—	—	—	—	—	(4)
Net finance expenses from reinsurance contracts	8	30	—	—	1	1	2	32	(56)	—	—	3	2	5	(51)
Foreign Exchange Movement		57	(7)	—	(32)	(39)	(71)	(21)	67	(10)	—	(71)	(13)	(84)	(27)
Total changes in the statement of profit or loss and OCI		18	(6)	—	(81)	25	(56)	(44)	(267)	(18)	2	(139)	196	59	(226)
Cash flows															
Premium paid		542	—	—	—	—	—	542	543	—	—	—	—	—	543
Amounts received		(329)	—	—	—	—	—	(329)	(620)	—	—	—	—	—	(620)
Total cash flows		213	—	—	—	—	—	213	(77)	—	—	—	—	—	(77)
Net closing balance		(558)	85	6	440	442	888	415	(789)	91	6	521	417	944	246
Closing assets		(154)	73	6	372	411	789	708	(240)	82	8	464	395	867	709
Closing liabilities		(404)	12	—	68	31	99	(293)	(549)	9	(2)	57	22	77	(463)
Net closing balance		(558)	85	6	440	442	888	415	(789)	91	6	521	417	944	246

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

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

(i) (b) Reinsurance contracts held measured under the premium allocation approach

Analysis by remaining coverage and incurred claims

		Six months ended 30 June 2023 (Unaudited)					Year ended 31 December 2022 (Restated) (Unaudited)				
		Assets for remaining coverage		Assets for incurred claims		Total	Assets for remaining coverage		Assets for incurred claims		Total
US$m	Note	Excluding loss-recovery component	Loss- recovery component	Estimates of PV of FCF	Risk Adjustment		Excluding loss-recovery component	Loss- recovery component	Estimates of PV of FCF	Risk Adjustment	
Opening assets		15	—	1	—	16	—	—	—	—	—
Opening liabilities		(8)	1	6	1	—	7	—	7	1	15
Net opening balance		7	1	7	1	16	7	—	7	1	15
Changes in the statement of profit or loss and OCI											
Allocation of reinsurance premium paid		(8)	—	—	—	(8)	(14)	—	—	—	(14)
Amounts recoverable from reinsurers											
Recoveries of incurred claims and other insurance service		—	—	8	—	8	—	—	14	—	14
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	—	—	—	—	—	1	—	—	1
Adjustments to assets for incurred claims		—	—	(2)	—	(2)	—	—	(3)	—	(3)
		—	—	6	—	6	—	1	11	—	12
Investment components and premium refunds		—	—	—	—	—	—	—	—	—	—
Net expenses from reinsurance contracts		(8)	—	6	—	(2)	(14)	1	11	—	(2)
Effect of changes in non-performance risk of reinsurers		—	—	—	—	—	—	—	—	—	—
Net finance expenses from reinsurance contracts	8	—	—	—	—	—	—	—	—	—	—
Foreign exchange movement		—	—	—	—	—	—	—	1	—	1
Total changes in the statement of profit or loss and OCI		(8)	—	6	—	(2)	(14)	1	12	—	(1)
Cash flows											
Premium paid		6	—	—	—	6	14	—	—	—	14
Amounts received		—	—	(4)	—	(4)	—	—	(12)	—	(12)
Total cash flows		6	—	(4)	—	2	14	—	(12)	—	2
Net closing balance		5	1	9	1	16	7	1	7	1	16
Closing assets		7	1	9	1	18	15	—	1	—	16
Closing liabilities		(2)	—	—	—	(2)	(8)	1	6	1	—
Net closing balance		5	1	9	1	16	7	1	7	1	16

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

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

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

(i) Insurance contracts

US$m	Profitable contracts issued	Onerous contracts issued	Profitable contracts acquired	Onerous contracts acquired	Total
30 June 2023 (Unaudited)					
Claims and other insurance service expenses payable	(3,523)	(186)	—	—	(3,709)
Insurance acquisition cash flows	(1,021)	(31)	—	—	(1,052)
Estimates of present value of cash outflows	(4,544)	(217)	—	—	(4,761)
Estimates of present value of cash inflows	5,435	211	20	—	5,666
Risk adjustment for non-financial risk	(59)	(2)	(18)	—	(79)
Contractual Service Margin (CSM)	(832)	—	(2)	—	(834)
Amount included in insurance contract assets/liabilities for the period	**—**	**(8)**	**—**	**—**	**(8)**
31 December 2022 (Restated) (Unaudited)					
Claims and other insurance service expenses payable	(7,026)	(173)	—	—	(7,199)
Insurance acquisition cash flows	(1,761)	(58)	—	—	(1,819)
Estimates of present value of cash outflows	(8,787)	(231)	—	—	(9,018)
Estimates of present value of cash inflows	10,555	210	—	—	10,765
Risk adjustment for non-financial risk	(112)	(2)	—	—	(114)
Contractual Service Margin (CSM)	(1,656)	—	—	—	(1,656)
Amount included in insurance contract assets/liabilities for the year	**—**	**(23)**	**—**	**—**	**(23)**

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

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

(ii) Reinsurance contracts

US$m	Contracts initiated	Contracts acquired	Total
30 June 2023 (Unaudited)			
Estimates of present value of cash inflows	487	(3)	484
Estimates of present value of cash outflows	(605)	—	(605)
Risk adjustment for non-financial risk	6	—	6
Contractual Service Margin (CSM)	112	3	115
Amount included in reinsurance contract assets/liabilities for the period	**—**	**—**	**—**
31 December 2022 (Restated) (Unaudited)			
Estimates of present value of cash inflows	1,141	—	1,141
Estimates of present value of cash outflows	(1,426)	—	(1,426)
Risk adjustment for non-financial risk	14	—	14
Contractual Service Margin (CSM)	271	—	271
Amount included in reinsurance contract assets/liabilities for the year	**—**	**—**	**—**

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

INSURANCE AND REINSURANCE CONTRACTS (continued)

(c) Contractual service margin

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

	As at 30 June 2023			As at 31 December 2022 (Restated)		
US$m	Insurance contracts	Reinsurance contracts held	Total	Insurance contracts	Reinsurance contracts held	Total
			(Unaudited)			(Unaudited)
Within one year	673	(78)	595	657	(109)	548
One to five years	1,917	(227)	1,690	1,846	(265)	1,581
Five to ten years	1,414	(178)	1,236	1,389	(184)	1,205
More than ten years	2,328	(405)	1,923	2,452	(386)	2,066
Total	6,332	(888)	5,444	6,344	(944)	5,400

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

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

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

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Methodology and assumptions

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

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

15 INSURANCE AND REINSURANCE CONTRACT BALANCES (continued)

Discount rates

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

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

As at 30 June 2023	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	5.27%	6.32%	4.04%	5.09%	3.72%	4.77%	3.75%	4.79%	4.07%	5.11%
HKD	4.82%	5.56%	4.02%	4.75%	3.77%	4.51%	3.79%	4.53%	3.81%	4.55%
THB	2.09%	3.14%	2.33%	3.37%	2.59%	3.64%	2.88%	3.92%	3.20%	4.25%
JPY	(0.13)%	(0.02)%	0.07%	0.18%	0.43%	0.54%	0.77%	0.88%	1.06%	1.16%
CNY	1.86%	2.43%	2.44%	3.00%	2.67%	3.24%	2.89%	3.45%	3.17%	3.73%

As at 31 December 2022	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.64%	5.67%	3.94%	4.97%	3.81%	4.84%	3.91%	4.94%	4.18%	5.21%
HKD	4.88%	5.73%	3.96%	4.81%	3.78%	4.63%	3.82%	4.67%	3.84%	4.70%
THB	1.37%	2.40%	1.99%	3.02%	2.63%	3.66%	3.15%	4.18%	3.51%	4.54%
JPY	0.00%	0.23%	0.25%	0.49%	0.45%	0.69%	1.03%	1.27%	1.34%	1.58%
CNY	2.09%	2.92%	2.66%	3.49%	2.88%	3.71%	3.07%	3.90%	3.32%	4.15%

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

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

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'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 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 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.

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

16 FINANCIAL INVESTMENTS (continued)

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 (Below investment grade)
B+ to B-	B1 to B3	B (Below investment grade)
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 (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
30 June 2023 (Unaudited)					
Government bonds					
United States	—	655	—	308	963
Japan	—	—	—	2,943	2,943
Thailand	—	—	—	10,656	10,656
Other	—	739	—	471	1,210
Sub-total	**—**	**1,394**	**—**	**14,378**	**15,772**
Government agency bonds [1]					
AAA	—	11	—	2	13
AA	—	526	—	214	740
A	—	220	—	322	542
BBB	—	46	—	501	547
Below investment grade	—	11	—	32	43
Not rated	—	—	—	—	—
Sub-total	**—**	**814**	**—**	**1,071**	**1,885**
Corporate bonds					
AAA	—	146	—	26	172
AA	—	423	—	305	728
A	158	2,683	138	2,665	5,644
BBB	142	1,967	240	3,044	5,393
Below investment grade	10	25	19	1,029	1,083
Not rated	24	12	43	29	108
Sub-total	**334**	**5,256**	**440**	**7,098**	**13,128**

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 (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
30 June 2023 (Unaudited)					
Structured securities [2]					
AAA	7	119	—	19	145
AA	1	117	1	382	501
A	39	147	19	41	246
BBB	41	124	1,116	49	1,330
Below investment grade	3	—	18	—	21
Not rated	—	—	—	—	—
Sub-total	**91**	**507**	**1,154**	**491**	**2,243**
Others					
Certificate of deposits	—	27	—	11	38
Others	—	—	6	—	6
Sub-total	—	27	6	11	44
Total [3]	**425**	**7,998**	**1,600**	**23,049**	**33,072**

Notes:

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

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

3 As at 30 June 2023, debt securities of US$3,584m, US$469m, US$20m and US$6m are restricted due to local regulatory requirements in Thailand, Macau, Indonesia and the Philippines, respectively.

US$m	Policyholder and shareholder investments				
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder investments		Total
	FVTPL (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2022 (Restated) (Unaudited)					
Government bonds					
United States	—	734	—	301	1,035
Japan	—	—	—	2,804	2,804
Thailand	—	—	—	10,455	10,455
Other	—	805	—	312	1,117
Sub-total	—	1,539	—	13,872	15,411
Government agency bonds [1]					
AAA	—	2	—	2	4
AA	—	267	—	193	460
A	—	111	—	363	474
BBB	—	35	—	574	609
Below investment grade	—	—	—	—	—
Not rated	—	14	—	12	26
Sub-total	—	429	—	1,144	1,573
Corporate bonds					
AAA	—	123	—	25	148
AA	—	431	—	304	735
A	144	2,772	66	2,800	5,782
BBB	134	2,045	235	3,051	5,465
Below investment grade	9	25	19	1,132	1,185
Not rated	90	48	45	121	304
Sub-total	377	5,444	365	7,433	13,619

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 (Mandatory)	FVOCI	FVTPL (Mandatory)	FVOCI	
31 December 2022 (Restated) (Unaudited)					
Structured securities [2]					
AAA	8	158	—	25	191
AA	—	76	—	381	457
A	45	99	35	34	213
BBB	36	45	864	43	988
Below investment grade	3	—	17	—	20
Not rated	2	27	51	6	86
Sub-total	**94**	**405**	**967**	**489**	**1,955**
Others					
Certificate of deposits	—	40	—	20	60
Others	—	—	7	—	7
Sub-total	—	40	7	20	67
Total [3]	**471**	**7,857**	**1,339**	**22,958**	**32,625**

Notes:

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

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

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

As at 30 June 2023 and 31 December 2022, debt securities of US$391m and US$419m, are subject to repurchase and forward agreements, whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. The securities related to the repurchase and forward agreements are not derecognised from the consolidated statement of financial position, but are retained within the appropriate financial asset classification. During the term of the repurchase and forward agreements, the counterparty is restricted from selling or pledging the transferred debt securities. Refer to Note 23 for additional information on the associated liabilities.

16.2 Equity securities

Equity securities at fair value through profit and loss comprise the following:

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder	Sub-total	Unit-linked	Total
30 June 2023 (Unaudited)					
Equity securities	7	665	739	—	739
31 December 2022 (Restated) (Unaudited)					
Equity securities	5	325	381	—	381

16 FINANCIAL INVESTMENTS (continued)

16.3 Interests in investment funds

Interests in investment funds 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
30 June 2023 (Unaudited)					
Interests in investment funds	3,84	1,568	5,410	2,609	8,019
31 December 2022 (Restated) (Unaudited)					
Interests in investment funds	3,56	1,608	5,168	2,408	7,576

16.4 Loans and deposits

US$m	As at 30 June 2023	As at 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)
Accreting deposits and promissory notes	569	587
Term deposits	535	930
Other financial receivables	14	16
Provision for impairment	(2)	(3)
At end of year	**1,116**	**1,530**

Accreting deposits and promissory notes are stated at amortised cost. As at 30 June 2023 and 31 December 2022, the accreting deposits and promissory notes bear interest rates ranging from 3.8% to 4.5% per annum and 2.3% to 5.2% per annum, respectively, and are repayable upon maturity.

Certain term deposits of US$36m and US$36m as at 30 June 2023 and 31 December 2022, respectively, are restricted due to local regulatory requirements.

17 DERIVATIVE FINANCIAL INSTRUMENTS

The following summarised the Group's derivative exposure:

		Fair value	
US$m	Notional amount	Assets	Liabilities
30 June 2023 (Unaudited)			
Not underlying items			
Foreign exchange contracts			
Forwards	8,173	61	(377)
Cross-currency swaps	581	25	(17)
Total foreign exchange contracts	**8,754**	**86**	**(94)**
Interest rate swaps	**508**	**3**	**—**
Others			
Warrants and options	364	54	—
Bond forward contracts	128	5	—
Total	**9,754**	**148**	**(394)**
31 December 2022 (Restated) (Unaudited)			
Not underlying items			
Foreign exchange contracts			
Forwards	7,589	122	(19)
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)**

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.

Collateral under derivative transactions

As at 30 June 2023, the Group held cash collateral of US$51m and debt securities collateral with a carrying value of US$418m for assets, and posted cash collateral of US$61m and pledged debt securities with a carrying value of US$9m for liabilities. As at 31 December 2022, the Group held cash collateral of US$132m and debt securities collateral with a carrying value of US$118m for assets, and posted cash collateral of US$1m and debt securities with a carrying value of US$154m for liabilities. The Group did not sell or repledge the collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions. Further information relating to cash collateral is included in Notes 19 and 23.

17 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives designated as hedging instruments

During the six months ended 30 June 2023 and 2022, 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, 30 June 2023 and 31 December 2022. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment. The fair value of the interest rate swaps designated as hedging instruments was US$3m and US$(2)m as at 30 June 2023 and 31 December 2022, respectively.

The Group has designated certain foreign exchange derivative assets with fair values of US$1m and US$4m and certain foreign exchange derivative liabilities with fair values of US$9m and US$5m as at 30 June 2023 and 31 December 2022, respectively, in cash flow hedges of foreign exchange risk. The Group has also designated certain bond forward derivatives with insignificant fair values as at 30 June 2023 and 31 December 2022 in cash flow hedges of bond price risk. These hedging relationships were considered highly effective as at 30 June 2023 and 31 December 2022.

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 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy (continued)

18.1 Fair value measurements on a recurring basis

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

Debt securities, equity securities and interests in investment funds

Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor's credit spreads, foreign exchange rates and credit default rates.

The fair values of listed equity securities are based on quoted market prices. The transaction price is used as the best estimate of fair value at inception. The fair values of unlisted private equity funds are based on the reported net assets value ("NAV") in their 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.

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.

18 FAIR VALUE MEASUREMENT (continued)

18.1 Fair value measurements on a recurring basis (continued)

Investment contract liabilities without DPF

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

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
30 June 2023 (Unaudited)				
Recurring fair value measurements				
Financial assets				
At fair value through OCI				
Debt securities	1,193	29,789	65	31,047
Government bonds	1,147	14,625	—	15,772
Government agency bonds	38	1,847	—	1,885
Corporate bonds	8	12,281	65	12,354
Structured securities	—	998	—	998
Others	—	38	—	38
At fair value through profit or loss				
Debt securities	—	916	1,109	2,025
Corporate bonds	—	774	—	774
Structured securities	—	142	1,103	1,245
Others	—	—	6	6
Equity securities	640	—	99	739
Interests in investment funds	2,332	2,459	3,228	8,019
Derivative financial instruments	—	95	53	148
Total assets on a recurring fair value measurement basis	**4,165**	**33,259**	**4,554**	**41,978**
% of Total	*10%*	*79%*	*11 %*	*100%*
Financial liabilities				
Investment contract liabilities without DPF	—	—	78	78
Derivative financial instruments	—	394	—	394
Total liabilities on a recurring fair value measurement basis	**—**	**394**	**78**	**472**
% of Total	*—%*	*83%*	*17%*	*100%*

18 FAIR VALUE MEASUREMENT (continued)

18.1 Fair value measurements on a recurring basis (continued)

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2022 (Restated) (Unaudited)				
Recurring fair value measurements				
Financial assets				
At fair value through OCI				
Debt securities	1,895	28,856	64	30,815
Government bonds	1,219	14,192	—	15,411
Government agency bonds	37	1,536	—	1,573
Corporate bonds	639	12,174	64	12,877
Structured securities	—	894	—	894
Others	—	60	—	60
At fair value through profit or loss				
Debt securities	—	902	908	1,810
Corporate bonds	—	742	—	742
Structured securities	—	159	902	1,061
Others	—	1	6	7
Equity securities	302	—	79	381
Interests in investment funds	2,314	2,195	3,067	7,576
Derivative financial instruments	—	268	51	319
Total assets on a recurring fair value measurement basis	**4,511**	**32,221**	**4,169**	**40,901**
% of Total	*11 %*	*79 %*	*10 %*	*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 measurements 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 six months ended 30 June 2023 and year ended 31 December 2022, 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 six months ended 30 June 2023 and year ended 31 December 2022. The tables reflect gains and losses, including gains and losses on assets and liabilities categorised as Level 3 as at 30 June 2023 and 31 December 2022.

Level 3 assets and liabilities

US$m	Debt securities	Equity securities	Interests in investment funds	Derivative financial assets/(liabilities)	Investment contract liabilities without DPF
As at 1 January 2023 (Restated)	972	79	3,067	51	(112)
Net movement on investment contract	—	—	—	—	34
Total gains/(losses)					
Reported under investment return in the consolidated income statement	50	19	(27)	2	—
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(54)	—	(51)	—	—
Purchases	206	2	265	—	—
Sales	—	(1)	(17)	—	—
Settlements	—	—	(9)	—	—
As at 30 June 2023 (Unaudited)	1,174	99	3,228	53	(78)
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 general and other expenses	50	17	(28)	2	—

18 FAIR VALUE MEASUREMENT (continued)

18.1 Fair value measurements on a recurring basis (continued)

Level 3 assets and liabilities (continued)

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

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in Note 21.

Level 3 interests in investment funds and debt securities

As at 30 June 2023 and 31 December 2022, interests in investment funds classified as level 3 mainly include unlisted investment funds, debt securities classified as level 3 mainly include unlisted asset-backed securities. The Group determines the fair values of these investment funds based on the reported NAV in their audited financial statements and may make adjustments where appropriate taking into consideration various factors including accounting policies adopted by the fund, the restrictions and barriers preventing the Group from disposing of its interests in such fund and the Group's ownership percentage in such fund. For those funds where December year end audited financial statements are not available, the Group performs a roll forward analysis on the latest NAV of the fund based on fund managers' statements available and capital movements up to the December year end, 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.

Level 3 investment contract liabilities without DPF

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

18 FAIR VALUE MEASUREMENT (continued)

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 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. The carrying amount of cash and cash equivalents, other financial assets and other financial liabilities are not materially different to their fair values.

Other assets

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

Cash and cash equivalents

The carrying amount of cash approximates its fair value.

Borrowings

The fair values of borrowings with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities or prices obtained from brokers.

Other liabilities

The fair values of other unquoted financial liabilities is estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those without stated maturity, where the carrying value approximates to fair value.

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 30 June 2023 and 31 December 2022 is given below.

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
30 June 2023 (Unaudited)				
Assets for which the fair value is disclosed				
Financial assets				
Accreting deposits	—	536	—	536
Total assets for which the fair value is disclosed	**—**	**536**	**—**	**536**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Medium term / subordinated notes / guaranteed notes	1,205	—	—	1,205
Total liabilities for which the fair value is disclosed	**1,205**	**—**	**—**	**1,205**

18 FAIR VALUE MEASUREMENT (continued)

18.2 Fair value measurements for disclosure purpose (continued)

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

19 OTHER ASSETS

US$m	As at 30 June 2023	As at 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)
Accounts receivable[1]	312	186
Accrued investment income	255	246
Restricted cash	15	14
Deposits	25	25
Prepayments	109	103
Total	**716**	**574**

Note:

1 Accounts receivable as at 30 June 2023 and 31 December 2022 also includes US$61m and US$1m, respectively, relating to the cash collateral posted for derivative liabilities.

As at 30 June 2023 and 31 December 2022, bank deposits of US$13m and US$12m were mainly from restrictions for use in accordance with the covenant requirements of bank borrowings. Refer to Note 22 for details of the bank borrowings. As at 30 June 2023 and 31 December 2022, US$2m was restricted for the acquisition for investment in associate.

20 CASH AND CASH EQUIVALENTS

US$m	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	
Cash	1,370	1,337
Cash equivalents	359	137
Total	**1,729**	**1,474**

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

21 INVESTMENT CONTRACT LIABILITIES

US$m	As at 30 June 2023	As at 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)
At beginning of year	**(197)**	**(272)**
Benefits paid	31	26
Investment return from underlying assets	—	13
Others	17	36
At end of year	**(149)**	**(197)**

22 BORROWINGS

US$m	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	
Bank borrowings	991	992
Medium term notes	324	324
Subordinated notes	900	900
Total	**2,215**	**2,216**

Interest expense on borrowings is shown in Note 10. Further information relating to interest rates and the maturity profile of borrowings is presented in Note 26.

Outstanding bank borrowings and notes placed to the market as at 30 June 2023:

Issue date	Nominal amount	Interest rate	Tenor
<u>Bank borrowings</u>			
30 December 2021	US$1,000m	LIBOR + 1.275%	4 years
<u>Medium term notes</u>			
24 September 2014	US$325m	5.00 %	10 years
<u>Subordinated notes</u>			
9 July 2019	US$550m	5.75 %	5 years
23 July 2019	US$250m	5.75 %	5 years
30 July 2019	US$100m	5.75 %	5 years

These medium-term notes and subordinated notes are listed on The Stock Exchange of Hong Kong Limited. The net proceeds from the issuance of the medium-term notes and subordinated notes and the bank credit facilities are used for acquisitions, general corporate purposes and funding requirements of the Group.

As at 30 June 2023 and 31 December 2022, the Group has access to a US$500m undrawn committed revolving credit facility. The credit facility is unsecured and expiring in 2025. 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.

23 OTHER LIABILITIES

US$m	As at 30 June 2023	As at 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)
Trade and other payables[1]	636	853
Distribution agreement payable	82	41
Lease liabilities	101	113
Obligations under repurchase and forward arrangements	376	396
Total	**1,195**	**1,403**

Note:
[1] Other payables as at 30 June 2023 and 31 December 2022 also includes US$51m and US$132m, respectively, relating to the cash collateral held for derivative assets.

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

During the six months ended 30 June 2023 and year ended 31 December 2022, the Group has entered into repurchase and forward agreements whereby certain debt securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. Refer to Note 16.1 for details.

24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

24.1 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 share of US$1 each as at 31 December 2022 and 30 June 2023	2,500,000,000	25	—	25
Issued and fully paid:				
Ordinary shares of US$0.01 each as at 1 January 2022	876,157,963	8	6,011	6,019
Issue of ordinary shares	63,795,852	1	391	392
Ordinary shares of US$0.01 each as at 31 December 2022 and 30 June 2023	939,953,815	9	6,402	6,411

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.

24.2 Reserves

(a) Fair value reserve

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

(b) Insurance finance reserve

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

24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

24.2 Reserves (continued)

(c) Foreign currency translation reserve

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

(d) Cash flow hedge reserve

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

(e) Other reserves

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

24.3 Perpetual securities

FL and FGL 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	Note 3	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

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

Carrying amount of the perpetual securities:

US$m	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	
15 June 2017	362	362
6 July 2017	179	179
1 February 2018	203	203
13 September 2019	610	610
	1,354	1,354

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 six months ended 30 June 2023 and 30 June 2022 and the year ended 31 December 2022, the Group paid distributions of US$55m and US$33m and US$87m, respectively.

24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

24.4 Non-controlling interests

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

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

US$m	As at 30 June 2023	As at 31 December 2022 (Restated)
	(Unaudited)	(Unaudited)
Ordinary shares, preference shares and convertible preference shares of FL and FGL	1,738	1,717
Ordinary shares of the subsidiaries of FL and FGL	79	1
	1,817	1,718

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

(a) Preference shares

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

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

(b) Convertible preference shares

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

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

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

24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

24.5 Transactions with non-controlling interests

During the six months ended 30 June 2023:

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

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

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

iv. On 31 May 2023, the Group prepaid US$15m for repurchasing an aggregate of 283,410 ordinary shares of FL and FGL held by non-controlling interests. The transaction was completed on 31 July 2023.

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.

25 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,	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%.

25 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 30 June 2023 and 31 December 2022, the requirements and restrictions summarised below may be considered material to the Group and remain in effect unless otherwise stated.

Hong Kong Insurance Authority

Undertakings have been given to the HKIA that:

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

ii) Prior written consent from the HKIA will be obtained before declaring or paying dividends to shareholders.

26 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.

26 RISK MANAGEMENT (continued)

Insurance risks (continued)

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

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

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

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

Concentration risk

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 and the Group’s Asset and Liability Management Committee or Investment Committee. These committees decide the course of action required to address limit violations should they occur. Limit monitoring takes place at both the Group level and Business Unit level. Asset concentration reports are tabled at the relevant committees.

The 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;

26 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.

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

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

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

26 RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

The macroeconomic factors in the major countries/regions the Group operates or invests in such as Gross Domestic Product growth, Consumer Price Index, Property Price Index and Unemployment Rate are applied in the economic scenarios. These macroeconomic factors are considered to be important to the Group's ECL in statistical analysis and business opinion.

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

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

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
30 June 2023 (Unaudited)					
Debt securities under FVOCI					
AAA	1,561	—	—	—	1,561
AA	2,795	—	—	—	2,795
A	10,916	—	—	—	10,916
BBB	18,405	—	—	—	18,405
Below investment grade	1,162	28	—	—	1,190
Not rated	37	2	9	—	48
Sub-total	34,876	30	9	—	34,915
Loss Allowance	(40)	(3)	(5)	—	(48)
Amortised cost	**34,836**	**27**	**4**	**—**	**34,867**
Carrying amount – fair value	**31,013**	**30**	**4**		**31,047**

26 RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

US$m	Stage 1	Stage 2	Stage 3	Stage 3 - Purchased or originated credit-impaired financial assets	Total
30 June 2023 (Unaudited)					
Loans and deposits under amortised					
AA	21	—	—	—	21
A	295	—	—	—	295
BBB	556	—	—	—	556
Below investment grade	229	—	—	—	229
Not rated	17	—	1	—	18
Sub-total	1,118	—	1	—	1,119
Loss Allowance	(2)	—	(1)	—	(3)
Carrying amount	**1,116**	**—**	**—**	**—**	**1,116**
31 December 2022 (Unaudited)					
Loans and deposits under amortised					
AA	122	—	—	—	122
A	568	—	—	—	568
BBB	555	—	—	—	555
Below investment grade	269	—	—	—	269
Not rated	19	—	—	—	19
Sub-total	1,533	—	—	—	1,533
Loss Allowance	(3)		—	—	(3)
Carrying amount	**1,530**	**—**	**—**	**—**	**1,530**

26 RISK MANAGEMENT (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
30 June 2023 (Unaudited)				
Financial assets				
Debt securities	2,906	30,160	6	33,072
Cash and cash equivalents	1,729	—	—	1,729
Loans and deposits	6	1,110	—	1,116
Equity securities	—	—	739	739
Interests in investment funds	—	—	8,019	8,019
Derivative financial instruments	—	—	148	148
Accrued investment income	—	—	255	255
Other assets	14	4	334	352
Total financial assets	**4,655**	**31,274**	**9,501**	**45,430**
Insurance and reinsurance contract assets				
Insurance contract assets				737
Reinsurance contract assets				726
Total insurance and reinsurance contract				**1,463**
Financial liabilities				
Borrowings	—	2,215	—	2,215
Other liabilities	—	530	665	1,195
Derivative financial instruments	—	—	394	394
Total financial liabilities	**—**	**2,745**	**1,059**	**3,804**
Insurance and reinsurance contract liabilities				
Insurance contract liabilities				38,607
Reinsurance contract liabilities				295
Total insurance and reinsurance contract				**38,902**

26 RISK MANAGEMENT (continued)

Interest rate risk (continued)

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
31 December 2022 (Restated) (Unaudited)				
Financial assets				
Debt securities	2,228	30,391	6	32,625
Cash and cash equivalents	1,474	—	—	1,474
Loans and deposits	—	1,530	—	1,530
Equity securities	—	—	381	381
Interests in investment funds	—	—	7,576	7,576
Derivative financial instruments	—	—	319	319
Accrued investment income	—	—	246	246
Other assets	12	1	213	226
Total financial assets	**3,714**	**31,922**	**8,741**	**44,377**
Insurance and reinsurance contract assets				
Insurance contract assets				722
Reinsurance contract assets				725
Total insurance and reinsurance contract assets				**1,447**
Financial liabilities				
Borrowings	—	2,216	—	2,216
Other liabilities	8	665	730	1,403
Derivative financial instruments	—	—	134	134
Total financial liabilities	**8**	**2,881**	**864**	**3,753**
Insurance and reinsurance contract liabilities				
Insurance contract liabilities				37,019
Reinsurance contract liabilities				463
Total insurance and reinsurance contract				**37,482**

[1] Borrowings of US$991m and US$992m as at 30 June 2023 and 31 December 2022, respectively, bear variable interest rates and are hedged with interest rate swaps. Refer to Note 22 for details.

26 RISK MANAGEMENT (continued)

Interest rate risk (continued)

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

	30 June 2023 (Unaudited)			31 December 2022 (Restated) (Unaudited)		
US$m	Impact on profit before tax	Impact on other components of equity (before the effects of taxation)	Shareholders' allocated equity (before the effects of taxation)	Impact on profit before tax	Impact on 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						
Insurance and reinsurance contracts	15	1,661	15	(16)	1,635	(16)
Financial instruments	9	(1,562)	9	4	(1,525)	4
Total	24	99	24	(12)	110	(12)
- 50 basis points shift in yield curves						
Insurance and reinsurance contracts	(33)	(1,837)	(33)	5	(1,800)	5
Financial instruments	(10)	1,733	(10)	(3)	1,687	(3)
Total	(43)	(104)	(43)	2	(113)	2

Equity price risk

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

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

Equity price risk is managed through the selection process of equity funds and portfolio criteria for segregated equity mandates, which includes tracking errors based on benchmarks or specific concentration limits. 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.

	30 June 2023 (Unaudited)			31 December 2022 (Restated) (Unaudited)		
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						
Insurance and reinsurance contracts	(561)	—	(561)	(528)	—	(527)
Financial instruments	739	—	739	675	—	675
Total	178	—	178	147	—	148
10 per cent decrease in equity prices						
Insurance and reinsurance contracts	552	—	552	524	—	524
Financial instruments	(739)	—	(739)	(675)	—	(675)
Total	(187)	—	(187)	(151)	—	(151)

26 RISK MANAGEMENT (continued)

Foreign exchange rate risk

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

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

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

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

Foreign exchange rate net exposure

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
30 June 2023 (Unaudited)				
Financial assets	20,832	1,575	14,384	3,580
Financial liabilities	(2,768)	(162)	(173)	(85)
Insurance and reinsurance contract assets	182	54	17	929
Insurance and reinsurance contract liabilities	(12,338)	(4,018)	(13,714)	(7,056)
Net notional amounts of currency derivatives	(4,868)	2,550	1,235	3,099
Currency exposure	**1,040**	**(1)**	**1,749**	**467**
5% strengthening of original currency				
Impact on profit before tax				
Financial instruments	76	202	(1)	1
Insurance contracts and reinsurance contracts held	(32)	(219)	—	—
Impact on profit before tax	**44**	**(17)**	**(1)**	**1**
Impact on total equity				
Financial instruments	64	200	(1)	—
Insurance contracts and reinsurance contracts held	(31)	(198)	—	—
Impact on total equity	**33**	**2**	**(1)**	**—**

26 RISK MANAGEMENT (continued)

Foreign exchange rate risk (continued)

Foreign exchange rate net exposure (continued)

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Japanese Yen
31 December 2022 (Restated) (Unaudited)				
Financial assets	20,811	1,385	14,387	3,514
Financial liabilities	(2,852)	(204)	(171)	(145)
Insurance and reinsurance contract assets	34	182	13	896
Insurance and reinsurance contract liabilities	(11,571)	(4,203)	(13,625)	(6,788)
Net notional amounts of currency derivatives	(5,076)	2,687	1,209	3,209
Currency exposure	**1,346**	**(153)**	**1,813**	**686**
5% strengthening of original currency				
Impact on profit before tax				
Financial instruments	62	198	1	1
Insurance contracts and reinsurance contracts held	(28)	(225)	—	—
Impact on profit before tax	**34**	**(27)**	**1**	**1**
Impact on total equity				
Financial instruments	50	196	1	—
Insurance contracts and reinsurance contracts held	(26)	(201)	—	—
Impact on total equity	**24**	**(5)**	**1**	**—**

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.

26 RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table below summarises financial assets and liabilities of the Group into their relevant maturity groupings based on the remaining period at the end of the reporting year to their contractual maturities or expected repayment dates. Most of the Group's assets are used to support its insurance contract liabilities. Refer to Note 15 for additional information on the Group's insurance contract liabilities, as well as to the Insurance Risks section within this Note.

30 June 2023 (Unaudited)

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	Due after five years	No fixed maturity
Financial and insurance contract assets								
Fair value through OCI debt securities	31,047	967	807	1,745	1,495	1,311	24,722	—
Fair value through profit or loss	10,783	64	12	35	128	52	1,734	8,758
Loans and deposits	1,116	529	44	93	95	39	316	—
Derivatives financial instruments	148	29	11	7	14	67	20	—
Insurance contract asset (Estimated PV of future cash flow)	1,907	174	95	88	76	73	1,401	—
Reinsurance contract asset (Estimated PV of future cash flow)	(144)	184	(14)	(12)	(17)	(17)	(268)	—
Other assets	607	587	5	5	2	7	1	—
Cash and cash equivalents	1,729	1,729	—	—	—	—	—	—
Total	**47,193**	**4,263**	**960**	**1,961**	**1,793**	**1,532**	**27,926**	**8,758**
Financial and insurance contract liabilities								
Insurance contract liabilities (Estimated PV of future cash flow)	(32,687)	(3,126)	(1,886)	(1,736)	(1,735)	(1,610)	(22,594)	—
Reinsurance contract liabilities (Estimated PV of future cash flow)	(404)	(84)	(31)	(28)	(19)	(16)	(226)	
Investment contract liabilities	(149)	(71)	—	—	—	—	(78)	—
Borrowings	(2,215)	—	(1,224)	(991)	—	—	—	—
Derivative financial instruments	(394)	(201)	(46)	(52)	(33)	(37)	(25)	—
Other liabilities	(1,094)	(1,068)	(26)	—	—	—	—	—
Lease liabilities	(101)	(42)	(21)	(15)	(13)	(7)	(3)	—
Total	**(37,044)**	**(4,592)**	**(3,234)**	**(2,822)**	**(1,800)**	**(1,670)**	**(22,926)**	**—**

26 RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2022 (Restated) (Unaudited)

US$m	Total	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	Due after five years	No fixed maturity
Financial and insurance contract assets								
Fair value through OCI debt securities	30,815	1,016	741	1,511	2,142	1,339	24,066	—
Fair value through profit or loss	9,767	114	28	20	31	159	1,458	7,957
Loans and deposits	1,530	846	152	77	45	56	354	—
Derivatives financial instruments	319	170	14	16	24	67	28	—
Insurance contract asset (Estimated PV of future cash flow)	1,876	128	103	92	85	81	1,387	—
Reinsurance contract asset (Estimated PV of future cash flow)	(239)	672	(77)	(96)	(69)	(51)	(618)	—
Other assets	472	443	8	7	1	1	12	—
Cash and cash equivalents	1,474	1,474	—	—	—	—	—	—
Total	**46,014**	**4,863**	**969**	**1,627**	**2,259**	**1,652**	**26,687**	**7,957**
Financial and insurance contract liabilities								
Insurance contract liabilities (Estimated PV of future cash flow)	(31,172)	(2,920)	(2,137)	(1,800)	(1,757)	(1,735)	(20,823)	—
Reinsurance contract liabilities (Estimated PV of future cash flow)	(542)	(743)	30	53	24	9	85	—
Investment contract liabilities	(197)	—	—	—	—	—	(197)	—
Borrowings	(2,216)	—	(2,216)	—	—	—	—	—
Derivative financial instruments	(134)	(51)	(26)	(15)	(9)	(10)	(23)	—
Other liabilities	(1,290)	(1,257)	(1)	(24)	(2)	(1)	(5)	—
Lease liabilities	(113)	(49)	(20)	(20)	(12)	(12)	—	—
Total	**(35,664)**	**(5,020)**	**(4,370)**	**(1,806)**	**(1,756)**	**(1,749)**	**(20,963)**	**—**

The amounts payable on demand in the insurance contract liabilities represent the policyholders' account values of US$35,918m (2022: US$34,820m).

27 SHARE-BASED COMPENSATION

During the six months ended 30 June 2023, 30 June 2022 and the year ended 31 December 2022, the Group operated the Share Option and RSU Plan to reward eligible persons for their services and the achievement of shareholder value targets. These RSUs and share options are in the form of a contingent right to receive ordinary shares or a conditional allocation of ordinary shares. These awards have vesting periods of up to four years and are at nil or nominal cost to the eligible person. Save for in certain circumstances, vesting of awards is conditional upon the eligible person being in active employment at the time of vesting. Vesting of certain other awards is, in addition, subject to certain performance conditions. Award holders do not have any right to dividends or voting rights attaching to the shares prior to delivery of the shares. Each share option has a 10-year exercise period.

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.

(i) RSUs

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

Number of shares	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
	(Unaudited)	(Unaudited)	
Outstanding at beginning of the year	1,991,586	931,328	931,328
Awarded	1,232,612	1,771,736	1,784,128
Forfeited	(980,550)	(282,062)	(513,666)
Vested	(201,600)	(210,204)	(210,204)
Outstanding at end of the year	2,042,048	2,210,798	1,991,586

Valuation methodology

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

The total fair value of RSUs granted during the six months ended 30 June 2023, 30 June 2022 and the year ended 31 December 2022 was US$63m, US$95m and US$95m, respectively.

Recognised compensation cost

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

The total expense recognised in the consolidated financial statements related to RSUs granted under the Share Option and RSU Plan by the Group for the six months ended 30 June 2023, 30 June 2022 and the year ended 31 December 2022 was US$12m, US$4m and US$18m, respectively.

27 SHARE-BASED COMPENSATION (continued)

(ii) Share options

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

Number of share-options	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
	(Unaudited)	(Unaudited)	
Outstanding at beginning of the year	237,063	410,511	410,511
Awarded	24,000	29,958	29,958
Forfeited	(6,946)	(35,528)	(42,528)
Vested	(207,555)	(160,879)	(160,878)
Outstanding at end of the year	46,562	244,062	237,063

The total fair value of share options granted for the Group during the six months ended 30 June 2023, 30 June 2022 and the year ended 31 December 2022 was US$1m, US$2m and US$2m, respectively.

Recognised compensation cost

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

The total expense recognised in the consolidated financial statements related to share options granted under the Share Option and RSU Plan by the Group for the six months ended 30 June 2023, 30 June 2022 and the year ended December 2022 was US$2m, US$5m and US$8m, respectively.

28 RELATED PARTY TRANSACTIONS

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

US$m	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
	(Unaudited)	(Unaudited)	
Short-term employee benefits	11	14	26
Share-based payments	2	—	(1)
Termination benefits	2	—	—
Other long-term benefits	—	2	2
Total	**15**	**16**	**27**

28 RELATED PARTY TRANSACTIONS (continued)

(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$14m, US$18m and US$35m for the provision of telecommunication, IT and investment advisory, advertising and consulting services to the Group for the six months ended 30 June 2023 and 30 June 2022 and the year ended 31 December 2022, respectively.

(ii) The Group has underwritten various group insurance contracts with related companies. The total premium revenue from those contracts for the six months ended 30 June 2023 and 30 June 2022 and the year ended 31 December 2022 was US$26m, US$22m and US$22m, respectively.

(iii) The Group has entered into reinsurance contract arrangements with related companies. The total premiums ceded, claim recoveries received and commission income received for the six months ended 30 June 2023 was US$23m, US$13m and US$1m, respectively. The total premiums ceded, claim recoveries received and commission income received for the six months ended 30 June 2022 was US$22m, US$8m and US$2m, respectively. The total premiums ceded, claim recoveries received and commission income received for the year ended 31 December 2022 was US$41m, US$14m and 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 the six months ended 30 June 2023 was US$113m, US$40m and US$21m, respectively. The total premium revenue, claims incurred, and commissions paid from this contract for the six months ended 30 June 2022 was US$129m, US$33m and US$25m, respectively. The total premium revenue, claims incurred, and commissions paid from this contract for the year ended 31 December 2022 was US$200m, US$70m and US$46m, respectively.

(v) The Group charged related parties US$1m, US$1m and US$2m for administration services related to the certain general insurance business subsidiaries sold during year ended 31 December 2022 and 2021 ("GI Disposal Group") during the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, respectively.

(vi) The Group has a call option with a 5 year exercise period pursuant to which the Group has the right to acquire a minority stake in the related party at a discounted price after the Group sold subsidiaries of the GI Disposal Group during the year ended 31 December 2020 and 2021. As at 30 June 2023 and 31 December 2022, the fair value of the call option was US$53m and US$51m, respectively. Refer to Note 18 for further details.

(vii) The Group held financial investments of US$50m and US$90m controlled by related parties as at 30 June 2023 and 31 December 2022, respectively.

(viii) Related companies invested in the subordinated notes and perpetual securities issued by the Group with aggregate principal amounts of US$155m and US$175m as at 30 June 2023 and 31 December 2022, respectively. The total interest and distributions accrued to these related companies for the six months ended 30 June 2023 and 30 June 2022 and year ended 31 December 2022 was US$5m, US$5m and US$9m, respectively. Refer to Notes 22 and 24.3 for further details.

(ix) The Group had amounts due from related companies of US$8m and US$7m, for the six months ended 30 June 2023 and 31 December 2022, respectively. The amounts due are unsecured, interest-free and repayable on demand.

(x) In addition, the Group had outstanding payables to related companies of US$5m and US$4m as at 30 June 2023 and 31 December 2022, respectively. The payables are unsecured, interest-free and payable on demand.

28 RELATED PARTY TRANSACTIONS (continued)

(c) Transactions and balances with associates and joint ventures:

(i) The Group has entered into broker and non-exclusive distribution agreements with associates, pursuant to which the total commission expenses recognised by the Group for the six months ended 30 June 2023 and 30 June 2022 and the year ended 31 December 2022 were US$7m, US$6m and US$13m, respectively.

(ii) The Group had an amount due from an associate of US$4m and US$3m as at 30 June 2023 and 31 December 2022, respectively. The amounts due are unsecured, interest-free and repayable on demand.

(iii) The Group had a loan to an associate at US$5m and US$5m as at 30 June 2023 and 31 December 2022 which is interest-bearing and repayable on the maturity date.

(iv) The Group had a loan to a joint venture at US$6m and US$6m as at 30 June 2023 and 31 December 2022, which is interest-bearing and repayable on maturity date.

29 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as a lessor

The Group leased its investment property portfolio consisting of certain commercial buildings and land. These leases have terms of between 1 and 20 years. The Group had total future minimum rental receivable under non-cancellable operating leases falling due as follows:

US$m	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	
Within one year	22	19
In the second to fifth years	45	40
Over five years	86	98
Total	153	157

Investment and capital commitments

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

US$m	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	
Within one year	186	266
In the second to fifth years	676	676
Over five years	—	12
Total	862	954

Commitments in Malaysia

As of 30 June 2023, the Group had planned to invest a total of US$51m (31 December 2022: US$26m), in Malaysia until 2028.

Capital commitment for acquisitions and investments

As of 30 June 2023, the Group agreed to make additional payments in aggregate amounts of up to US$93m (31 December 2022: US$144m), in relation to acquisitions and investments.

29 COMMITMENTS AND CONTINGENCIES (continued)

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.

30 EVENTS AFTER REPORTING PERIOD

On 31 July 2023, the Company issued in aggregate 34,756,740 Management Shares, 120,099,900 Series P Conversion Shares and 196,083,810 Series A, B-2 and B-3 Conversion Shares to the non-controlling interest holders of FL and FGL in exchange for their ordinary shares, preference shares and convertible preference shares (as applicable) in FL and FGL. Details are further disclosed in Note 1.2.2. These Management Shares, Series P Conversion Shares and Series A, B-2 and B-3 Conversion Shares are equity instruments issued by the Company and the Exchange of Share Capital of FL and FGL is accounted for as a transaction with non-controlling interests in the Group's consolidated financial statements.

On 25 August 2023, FL and FGL novated all the medium-term notes, subordinated notes and perpetual securities to the Company. As such, the Company has assumed all the rights and obligations as the issuer of each of the medium-term notes, subordinated notes and perpetual securities.

On 25 August 2023, FGL transferred its US$1,000m bank borrowing and US$500m committed revolving credit facility, as disclosed in Note 22, to the Company. As such, the Company has assumed all the rights and obligations under the bank borrowing and revolving credit facility.

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