HEALTHIER, LONGER, BETTER LIVES

IFRS 17 UPDATE

15 June 2023

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Throughout this document, in the context of our reportable segments, Hong Kong refers to operations in the Hong Kong Special Administrative Region and the Macau Special Administrative Region; Singapore refers to operations in Singapore and Brunei; and Other Markets refers to operations in Australia, Cambodia, India, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam.

Agenda

Today's Presentation

- Overview of IFRS 17 adoption
- Key IFRS metrics for FY 2022
- Understanding new disclosures
- Conclusion

Virtual Q&A Session

- Scheduled at 5:00 to 6:00 p.m. on 15 June 2023 (Hong Kong Time)

2023 Interim Results

- 1H 2023 results will be reported under IFRS 9 and IFRS 17, with 1H 2022 comparative financial statements

Note:
Throughout the entire presentation, IFRS 9 impacts are included when referring to IFRS 17 figures, and IAS 39 impacts are included when referring to IFRS 4 figures

AIA's Successful Growth Strategy is Unchanged Post IFRS 17

- **Continued focus on delivering Growth, Earnings and Cash**
  - **Growth:** Significant opportunity for profitable new business growth at attractive returns, active in-force management
  - **Earnings:** Sustained growth in OPAT and shareholders' allocated equity driven by EV and VONB growth
  - **Cash:** Prudent, sustainable and progressive dividend; returning excess capital to shareholders
- **All key IFRS metrics improved, volatility reduced post IFRS 17 adoption**
  - No impact on underlying economics of the business
  - Key metrics of OPAT and shareholders' allocated equity for 2022 higher than under IFRS 4
  - High-quality sources of earnings driven by insurance contract services
  - Net profit and shareholders' equity for 2022 significantly higher and less volatile going forward
  - VONB, EV and free surplus remain key measures of shareholder value creation

Large-Scale Profitable New Business Driving Growth, Earnings and Cash

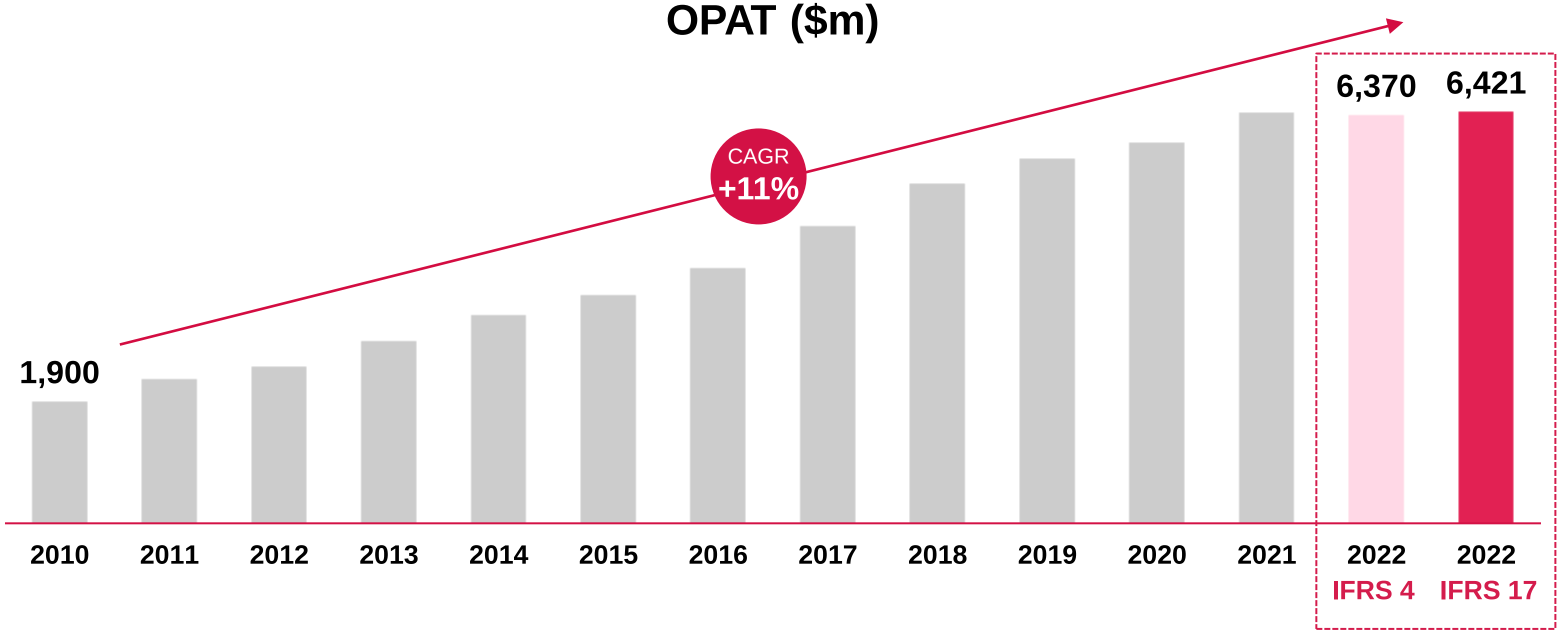
All Key IFRS Metrics Improved in 2022 Under IFRS 17

	OPAT FY22	Net Profit FY22	Shareholders' Allocated Equity As at 31 Dec 2022	Shareholders' Equity As at 31 Dec 2022	Leverage Ratio[1] As at 31 Dec 2022
IFRS 4	**\$6.4b**	**\$0.3b**	**\$44.8b**	**\$38.1b**	**22.5%**
IFRS 17	**\$6.4b**	**\$3.3b**	**\$47.2b**	**\$44.7b**	**11.4%**
Impact	⬆ **1%**	⬆ **\$3.0b**	⬆ **5%**	⬆ **17%**	⬇ **11.1 pps**
Prior Guidance *(Mar 2023)*	*within 5%*	*at least \$2.0b higher*	*expected to be higher*	*expected to be higher*	*at least 5 pps lower*

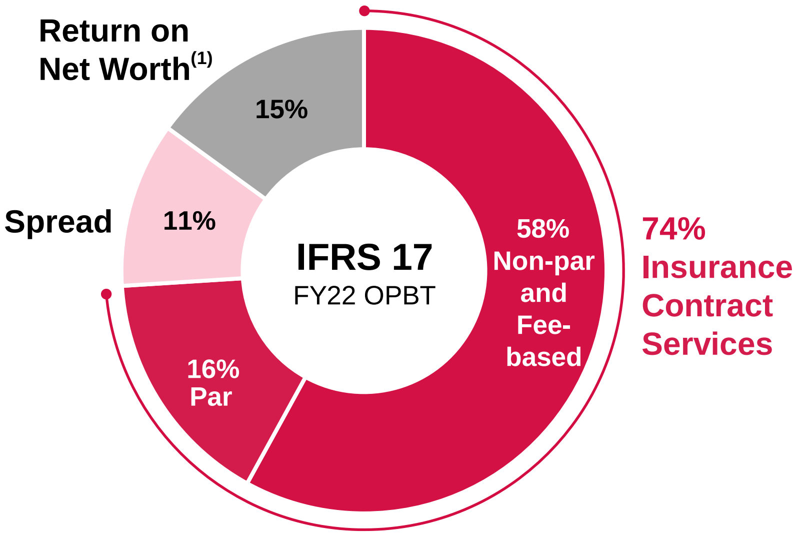
Note:
(1) Under IFRS 4, leverage ratio defined as total borrowings / (total borrowings + total equity); Under IFRS 17, leverage ratio defined as total borrowings / (total borrowings + total equity + CSM net of reinsurance and taxes)

OPAT Higher Under IFRS 17 vs IFRS 4 in 2022

OPAT ($m)



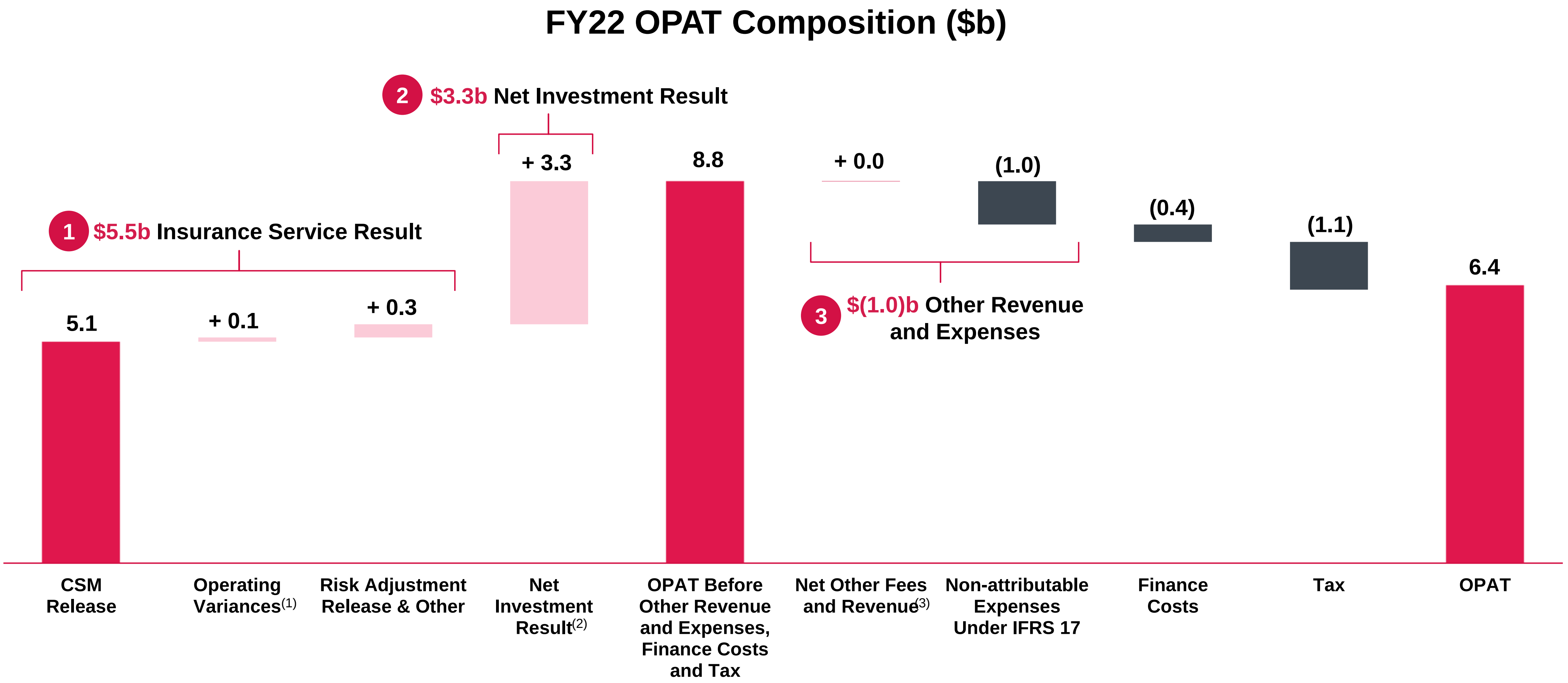
Sources of Earnings



- OPAT better reflects underlying earnings vs net profit
- IFRS 17 provides a clearer understanding of the drivers of OPAT
- High-quality earnings driven by insurance contract services

Note:
(1) Net of finance costs, non-attributable expenses under IFRS 17 and non-insurance expenses excluding the investment contract related expenses

CSM Release is the Core Driver of $6.4b OPAT

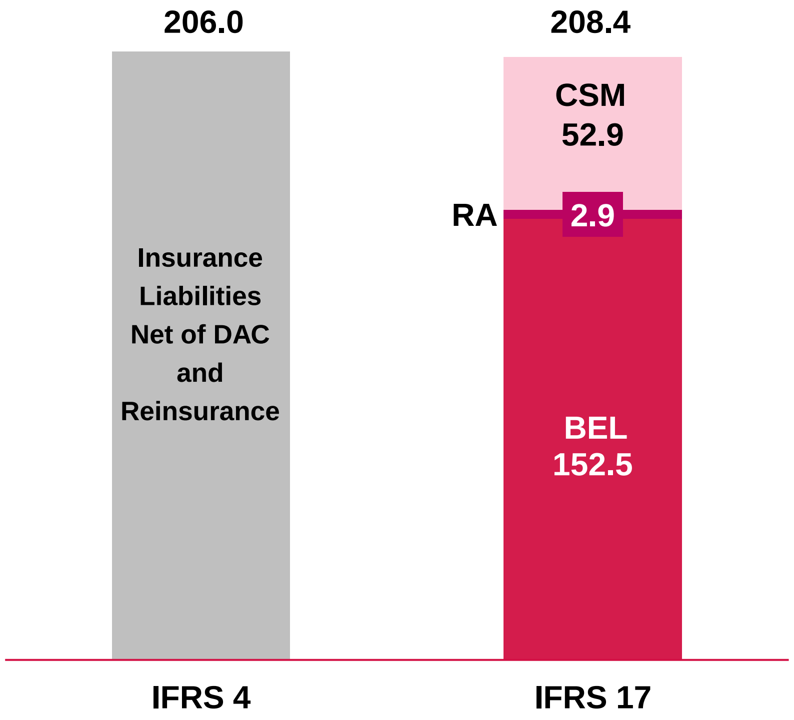


Notes: Due to rounding, numbers presented in the chart may not add up precisely
(1) Includes claims, expenses and others but excludes persistency
(2) Net of investment management expenses of $0.3b
(3) Net of non-insurance expenses of $0.3b

AIA's Growth Strategy Has Delivered a Large Stock of Future Profits

Insurance Contract Liabilities Net of Reinsurance ($b)

As at 1 Jan 2022 (Transition Date)

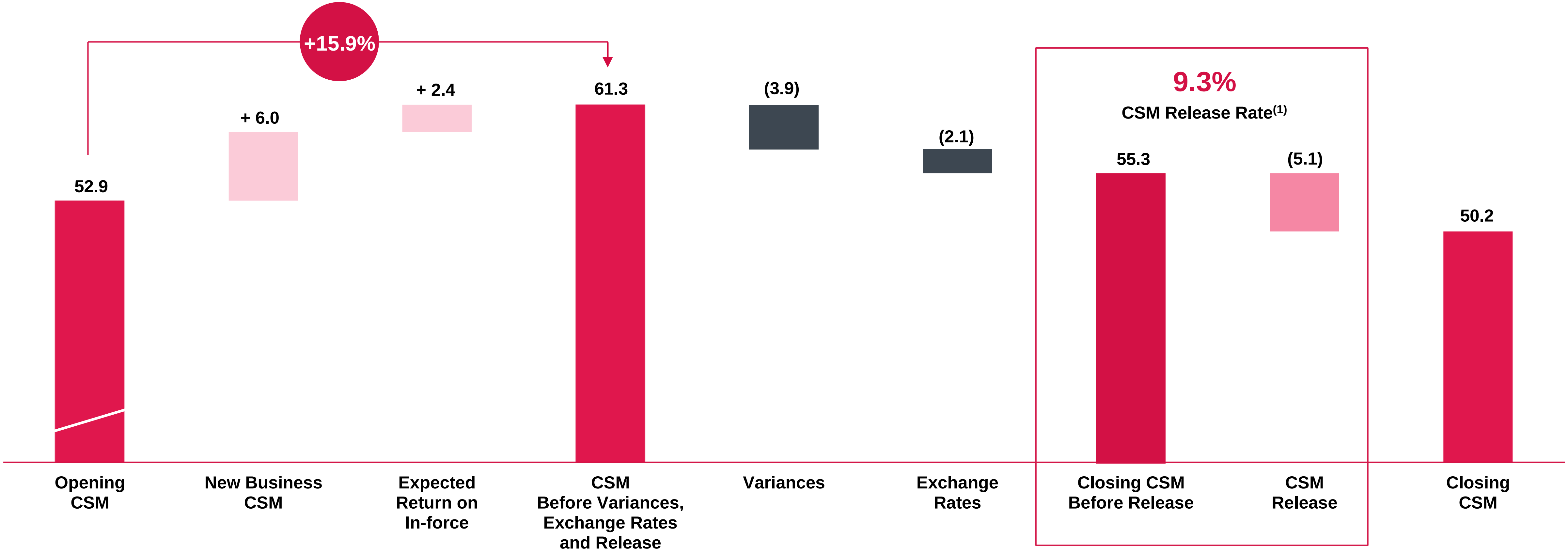


- **Contractual Service Margin (CSM) of $52.9b** represents a large stock of expected future profits from in-force business
  - Key driver of OPAT and shareholders' allocated equity growth
  - Profitable new business to drive sustained OPAT growth
- **Best Estimate Liabilities (BEL)** is the present value of best estimate policy net cash flows from in-force business
- **Risk Adjustment (RA)** is an explicit allowance for non-financial risk over and above the best estimate assumptions
- Discount rates are based on current risk-free rates plus an illiquidity premium, consistent with observable market prices

Notes: Due to rounding, numbers presented in the chart may not add up precisely
IFRS 17 insurance contract liabilities are presented net of insurance contract assets and assets for insurance acquisition cash flows to be consistent with IFRS 4 insurance contract liabilities net of DAC, value of business acquired and upfront reinsurance premium rebate

New Business Drives Increasing CSM and Future OPAT Growth

FY22 CSM Movement, Net of Reinsurance ($b)

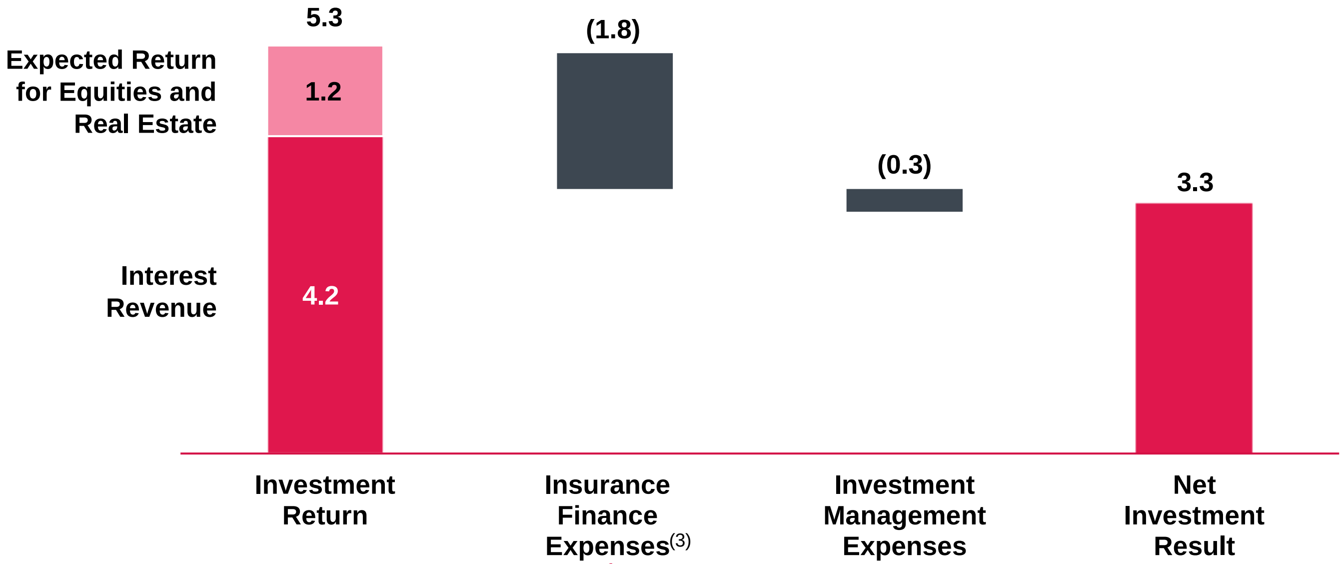


Note:
(1) Calculated after variances and exchange rates

$3.3b Net Investment Result from Non-Par and Surplus Assets

FY22 Net Investment Result ($b)

From Non-Par and Surplus Assets



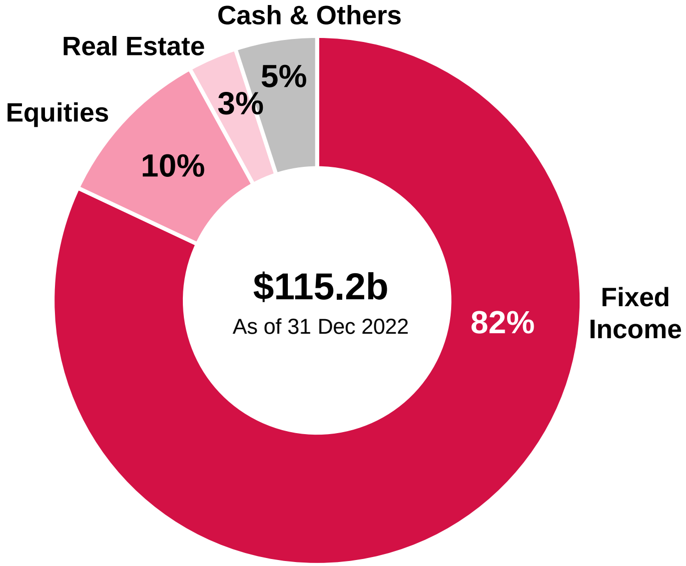
Fixed Income Yield[1] **4.2%**

Total Investment Return[2] **4.5%**

- Unwind of discount rate on non-par insurance contract liabilities
- Uses a level discount rate locked-in at contract issue
- Average insurance contract liabilities[4] balance of $63.0b in 2022
- Rate changes gradually over time with new business

Non-Par and Surplus Assets

By Asset Type



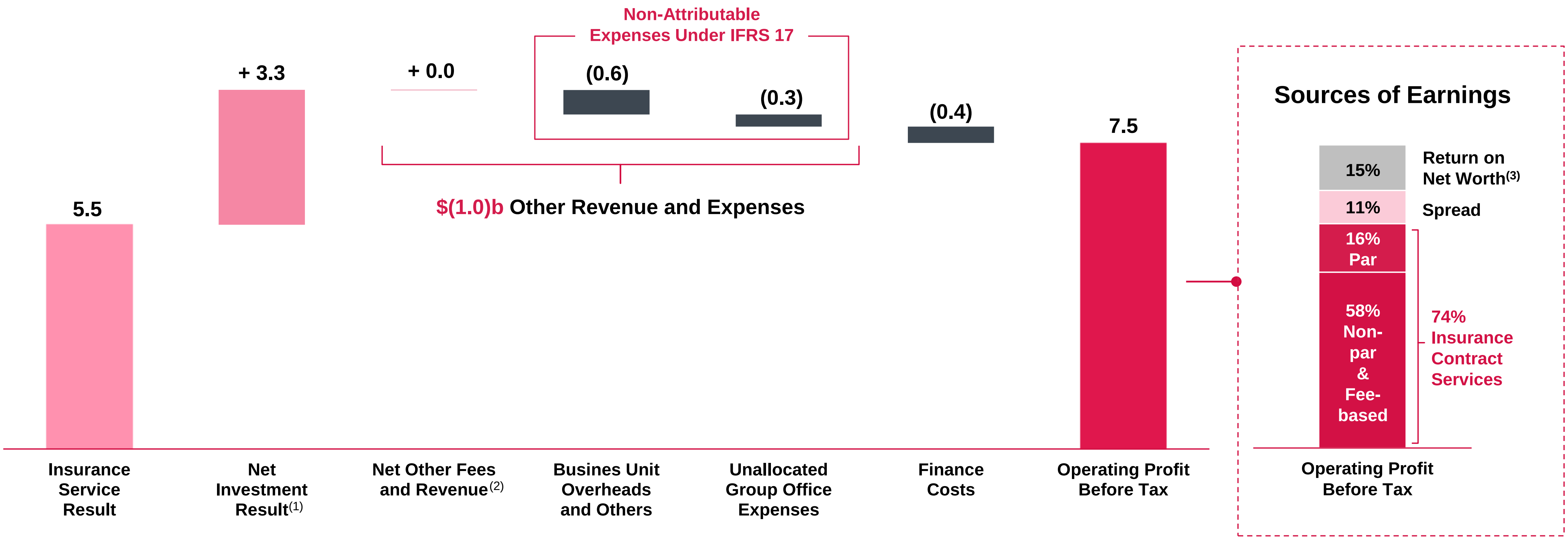
As of 31 Dec 2022 ($b)

Non-par and surplus assets	115.2	53%
Par business	103.1	47%
Invested Assets	218.3	100%

Notes: Excludes participating funds and other participating business with distinct portfolios, unit-linked contracts and consolidated investment funds. Due to rounding, numbers presented in the chart may not add up precisely
(1) Interest revenue from fixed income investments, as a percentage of average amortised cost of fixed income investments over the period
(2) Interest revenue from fixed income investments and expected long-term returns of equities and real estate, as a percentage of fixed income investments, equities and real estate over the period
(3) Represents interest accreted on non-par business liabilities net of investment return relating to unit-linked business with significant protection
(4) Net of reinsurance, insurance contract asset and insurance finance reserve

High-Quality Sources of Earnings

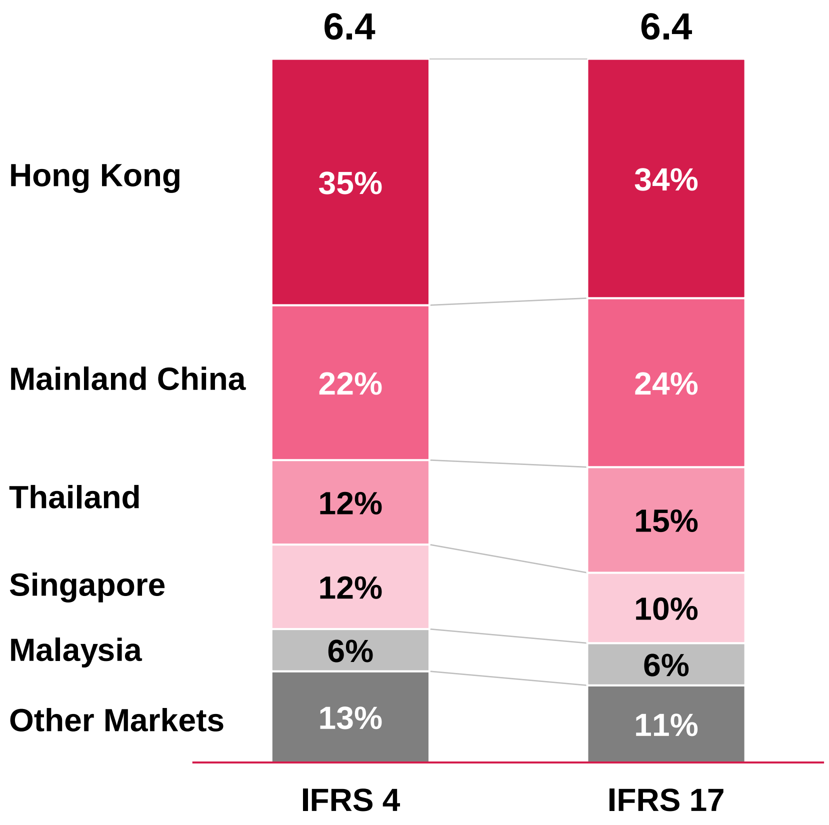
FY22 Operating Profit Before Tax Composition ($b)



Notes: Due to rounding, numbers presented in the chart may not add up precisely
(1) Net of investment management expenses of $0.3b
(2) Net of non-insurance expenses of $0.3b
(3) Net of finance costs, non-attributable expenses under IFRS 17 and non-insurance expenses excluding the investment contract related expenses

Balanced Earnings Across Markets

FY22 OPAT ($b)



FY22 OPAT by Market Segment

(IFRS 17 vs IFRS 4 % Change)

Market	OPAT	Change
Hong Kong	$2.2b	(1)%
Mainland China	$1.6b	+9%
Thailand	$1.0b	+25%
Singapore	$0.7b	(12)%
Malaysia	$0.4b	(8)%
Other Markets	$0.7b	(12)%

Note: Group OPAT includes Group Corporate Centre

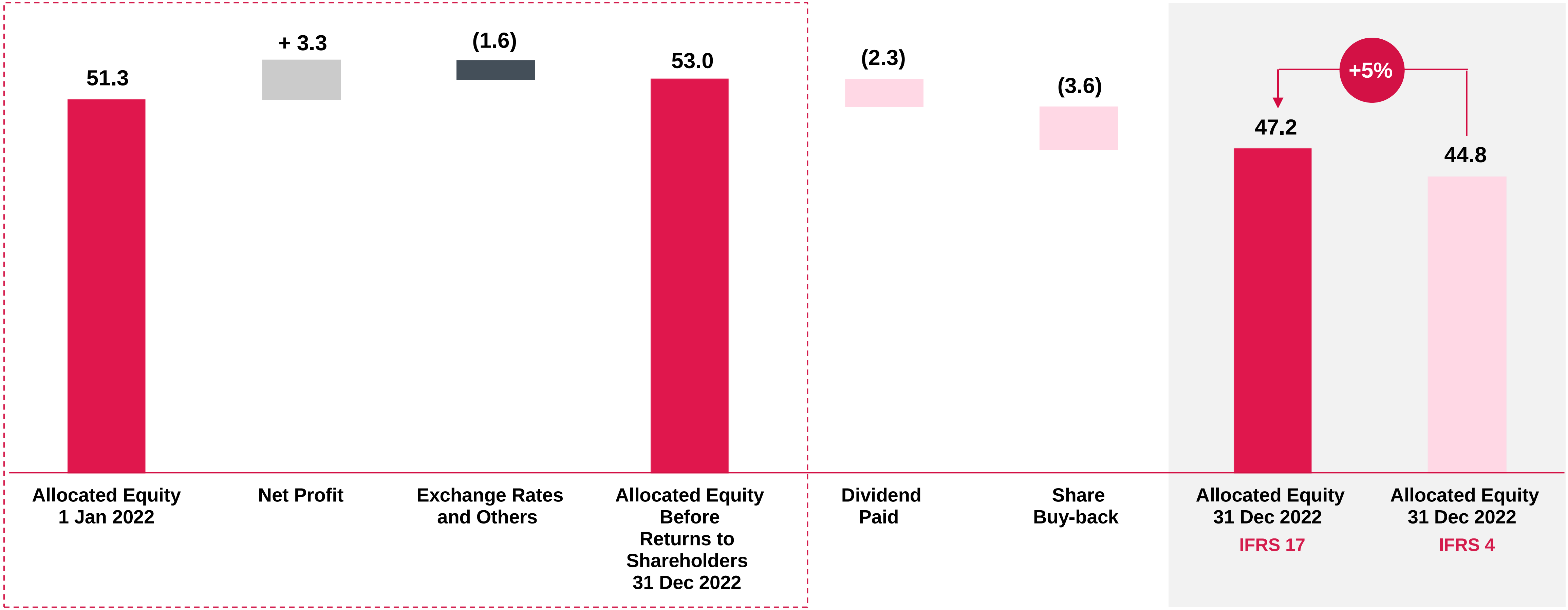
Net Profit Higher and Less Volatile

FY22 Reconciliation of OPAT to Net Profit

$b	IFRS 4	IFRS 17	
OPAT	**6.4**	**6.4**	
Short-term fluctuations in equities/real estate and discount rates	(2.3)	(1.1)	▪ Mark-to-market on equities and real estate in par business absorbed within the CSM
Non-operating movements on derivative financial instruments for par business	(2.0)	-	▪ Hedging derivatives within par business offset by change in insurance contract liabilities
Other non-operating items	(1.8)	(2.0)	▪ Includes other non-operating expenses, realised capital gains/losses on FVOCI bonds, mark-to-market movement on FVTPL bonds, and changes in provision for Expected Credit Losses (ECL)
Net Profit	**0.3**	**3.3**	

$53.0b Shareholders' Allocated Equity Before Shareholder Returns

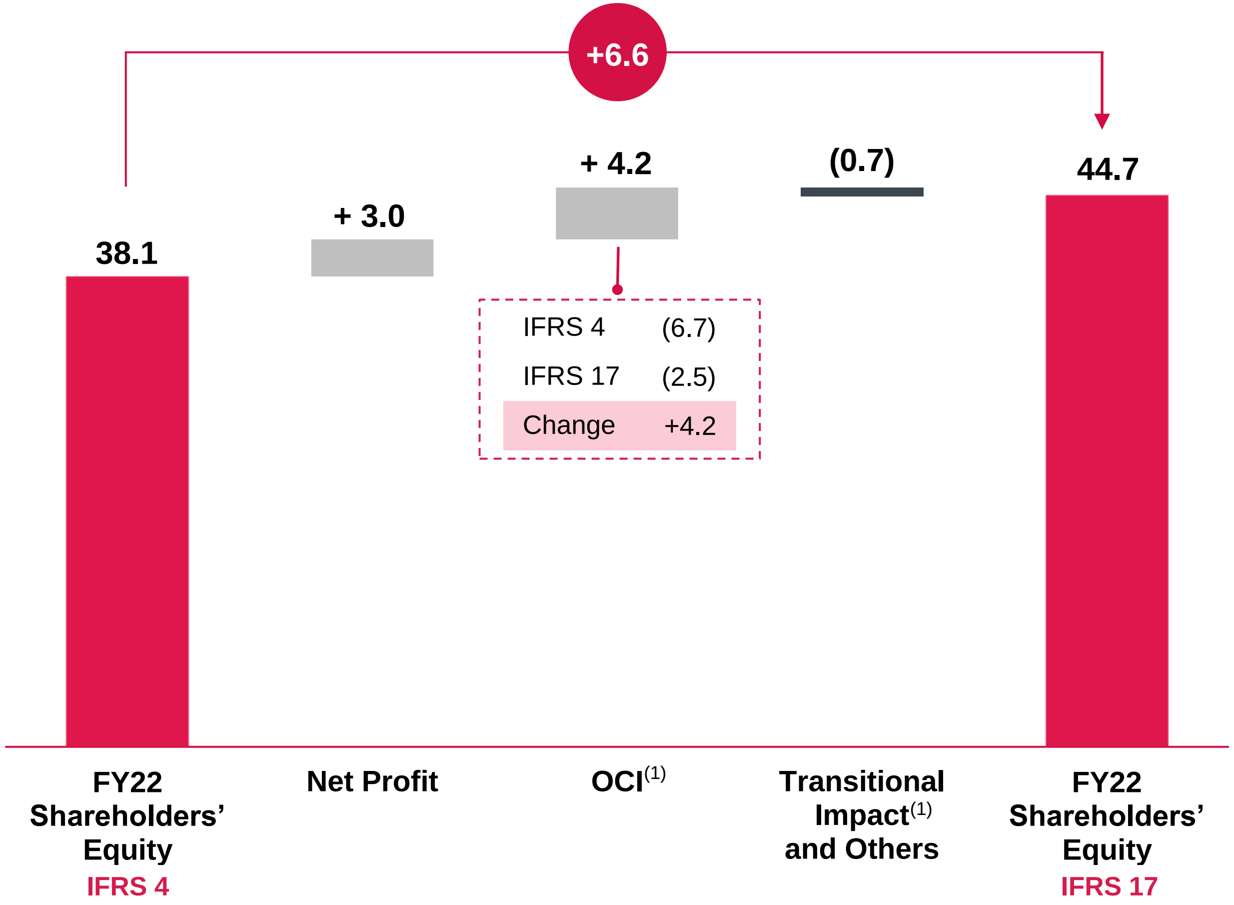
IFRS 17 Shareholders' Allocated Equity Movement ($b)



Note: Due to rounding, numbers presented in the chart may not add up precisely

Shareholders’ Equity Higher and Less Volatile

Reconciliation of IFRS Shareholders’ Equity from IFRS 4 to IFRS 17 ($b)

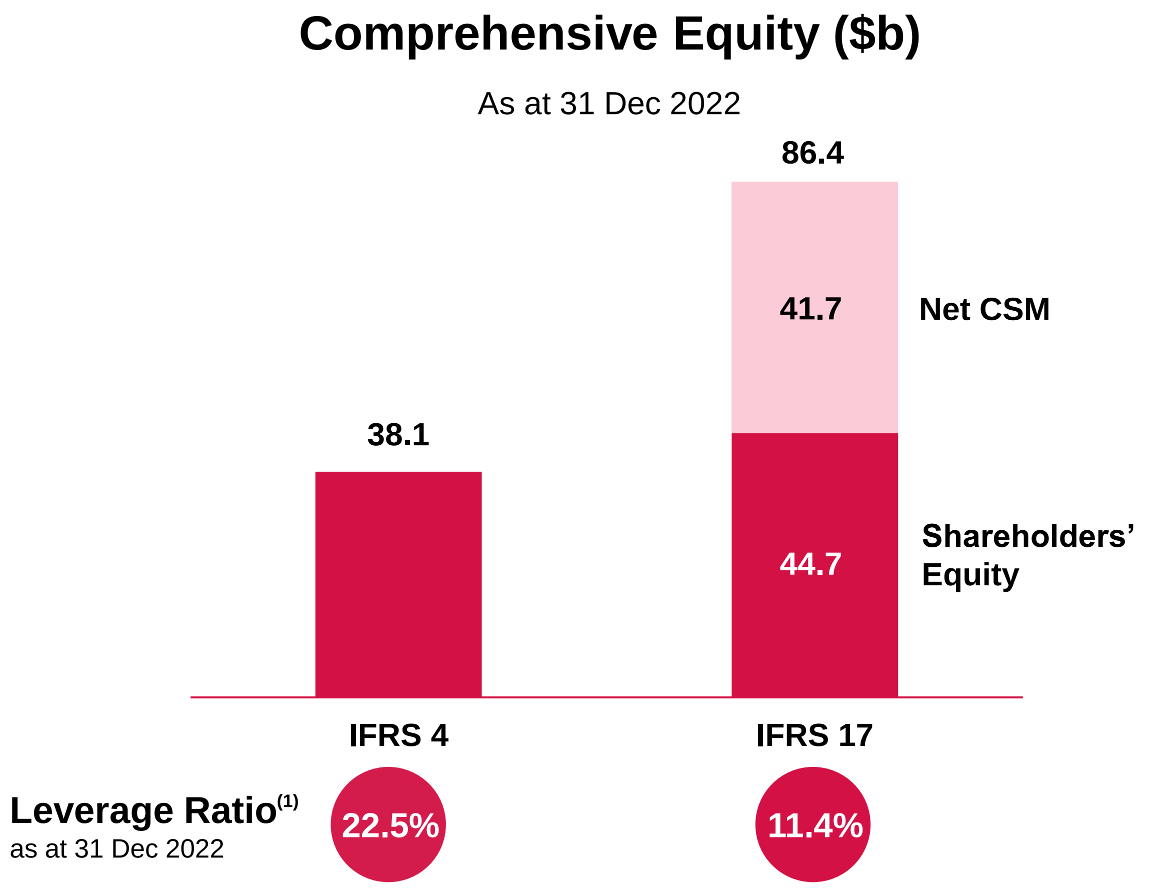


Other Comprehensive Income (OCI) is smaller and less volatile going forward

- Continues to include mark-to-market on fixed income assets through the fair value reserve
- Under IFRS 17
  - Relates only to non-par business[1] and surplus assets
  - Par business captured within insurance contract liabilities
- Partially offset by the effect of discount rate changes on insurance contract liabilities that are now included in insurance finance reserve within OCI[2]

Notes: Due to rounding, numbers presented in the chart may not add up precisely
(1) Excluding unit-linked with significant protection
(2) OCI represents fair value reserve and insurance finance reserve; transitional impact excludes impacts from OCI for presentation

Comprehensive Equity of $86.4b; Leverage Ratio of 11.4%



Comprehensive equity of $86.4b as at 31 Dec 2022

- Comprehensive equity defined as shareholders' equity plus net CSM
- Net CSM is after allowing for reinsurance, taxes and non-controlling interests
- Inclusion by rating agencies for leverage ratio calculation

Leverage ratio of 11.4% as at 31 Dec 2022

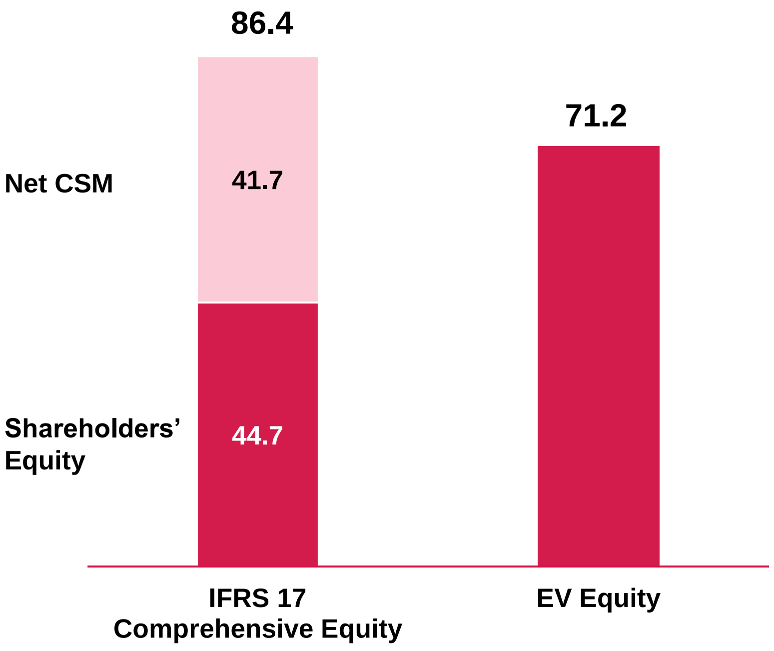
- Supports AIA's very strong credit and financial ratings
- Further enhances AIA's financial flexibility

Note:
(1) Under IFRS 4, leverage ratio defined as total borrowings / (total borrowings + total equity); Under IFRS 17, leverage ratio defined as total borrowings / (total borrowings + total equity + CSM net of reinsurance and taxes)

IFRS 17 Reinforces Prudence in AIA’s Embedded Value

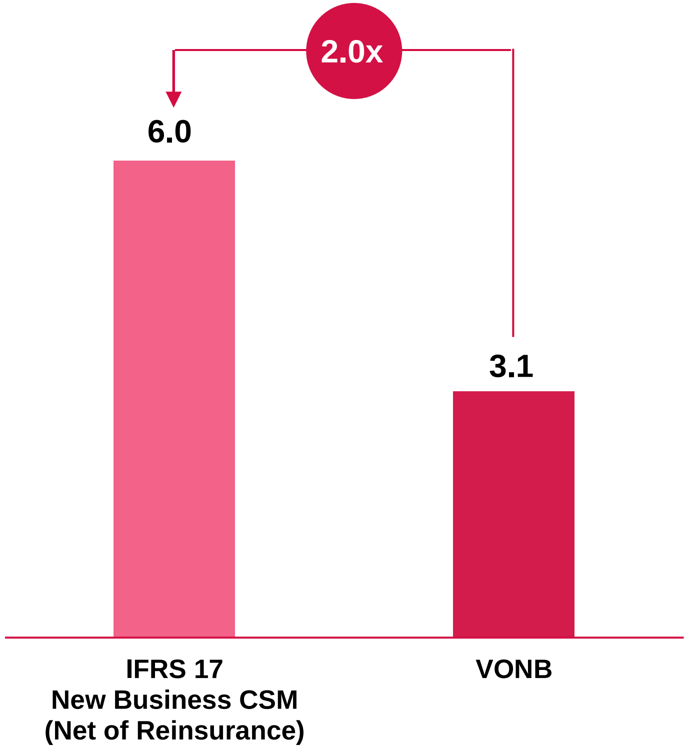
IFRS 17 Comprehensive Equity to EV Equity ($b)

As at 31 Dec 2022



IFRS 17 New Business CSM to VONB ($b)

FY 2022



VONB, EV and free surplus more representative of shareholder value

- Value of future distributable cash flows to shareholders
- Captures all expenses including unallocated Group Office expenses
- Reflective of regulatory and Group capital requirements
- Risk premium allowance[1] in the range of 4% to 6%
- Free surplus represents shareholders’ view of capital

Note:
(1) For Hong Kong, Mainland China, Thailand, Singapore and Malaysia

Profitable Growth Strategy Driving Shareholder Value

- **Focus on strong profitable new business growth at attractive returns**
- **OPAT and shareholders' allocated equity remain key metrics under IFRS 17**
  - **Strong OPAT and high-quality sources of earnings**
  - **Net profit and shareholders' equity higher for 2022, less volatile going forward**
- **Robust cash generation with growing free surplus**
- **Prudent, sustainable and progressive dividend; returning $10.0b[1] to shareholders**

Note:
(1) Ongoing share buy-back programme

Definitions and Notes

- **Throughout the entire presentation, IFRS 9 impacts are included when referring to IFRS 17 figures, and IAS 39 impacts are included when referring to IFRS 4 figures.**
- In the context of our reportable segments, Hong Kong refers to operations in the Hong Kong Special Administrative Region (SAR) and the Macau SAR; Singapore refers to operations in Singapore and Brunei; and Other Markets refers to operations in Australia, Cambodia, India, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam.
- VONB includes the results from our 49 per cent shareholding in Tata AIA Life Insurance Company Limited (Tata AIA Life). VONB does not include any contribution from our 24.99 per cent shareholding in China Post Life Insurance Co., Ltd. (China Post Life). The IFRS results of Tata AIA Life and China Post Life are accounted for using the equity method in Other Markets and Group Corporate Centre, respectively. For clarity, TWPI does not include any contribution from Tata AIA Life and China Post Life.
- Both the results of Tata AIA Life and China Post Life are reported on a one-quarter-lag basis. The results of Tata AIA Life are accounted for the six-month period ended 31 March 2022 and the twelve-month period ended 30 September 2022 in AIA's consolidated results for the six-month period ended 30 June 2022 and the twelve-month period ended 31 December 2022 respectively. The results of China Post Life are accounted for using the period from the completion of the investment on 11 January 2022 to 31 March 2022 in AIA's consolidated results for the six months ended 30 June 2022, and from 11 January 2022 to 30 September 2022 in AIA's consolidated results for the year ended 31 December 2022.
- The financial information from 2019 onwards is presented after the change in AIA's IFRS accounting treatment for the recognition and measurement of insurance contract liabilities of other participating business with distinct portfolios. The financial information from 2018 and before is presented before the above-mentioned changes.
- The Group enhanced the presentation to further split and allocate the underlying assets held by consolidated investment funds to the respective fund segments of the asset-backing liabilities, except for the consolidated investment funds comprising third-party unit holders' interests in the consolidated investment funds.
- All figures are presented in actual reporting currency (US dollar) unless otherwise stated.
- AIA has a presence in 18 markets – wholly-owned branches and subsidiaries in Mainland China, Hong Kong SAR, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei, Macau SAR and a 49% joint venture in India. In addition, AIA has a 24.99% shareholding in China Post Life.
- Amortised cost is a type of recognition and measurement of financial assets under IFRS 9, primarily including debt securities, loans and deposits, receivables and cash and cash equivalents. These financial assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest revenue from debt securities measured at amortised cost is recognised in investment return in the consolidated income statement using the effective interest method.
- Best estimate liabilities (BEL) represent the present value of best estimate future cash flows discounted at the IFRS 17 discount rates.
- Comprehensive equity is defined as shareholders' equity plus net CSM.
- Contractual service margin (CSM) is a component of the carrying amount of the asset or liability under IFRS 17 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. The balance is on discounted basis, presented after allowing for reinsurance unless otherwise stated. Please refer to note 2.3.6 to the FY22 consolidated financial information for details.
- Deferred acquisition costs (DAC) are expenses of an insurer under IFRS 4 which are incurred in connection with the acquisition of new insurance contracts or the renewal of existing insurance contracts. They include commissions and other variable sales inducements and the direct costs of issuing the policy, such as underwriting and other policy issue expenses. These costs are deferred and expensed to the consolidated income statement on a systematic basis over the life of the policy.
- EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company, after allowing for taxes.
- Expected credit losses is a forward-looking model under IFRS 9, replacing the incurred loss model in IAS 39. The new impairment model applies to financial assets measured at amortised cost, debt securities at fair value through other comprehensive income, trade receivables and lease receivables. It represents the weighted average of credit losses with the respective risks of a default occurring as the weights. Please refer to note 11 to the FY22 consolidated financial information for details.
- Fair value through other comprehensive income (FVOCI) represents a type of recognition and measurement of financial assets and liabilities under IFRS 9 where changes in fair value are recognised in other comprehensive income. Please refer to note 2.5.1 to the FY22 consolidated financial information for details.
- Fair value through profit or loss (FVTPL) represents a type of recognition and measurement of financial assets under IFRS 9 where changes in fair value are recognised in profit or loss as part of net investment result. Please refer to note 2.5.1 to the FY22 consolidated financial information for details.
- Free surplus is the excess of the market value of AIA's assets over the sum of the statutory liabilities, required capital and adjustment for certain assets not eligible for regulatory capital purposes.

Definitions and Notes (Cont.)

- General measurement model (GMM) defines the recognition and measurement of insurance contracts under IFRS 17. Please refer to the content of this information pack and note 2.3.1 to the FY22 consolidated financial information for details.
- IFRS operating profit includes the expected long-term investment return for equities and real estate.
- Insurance contract services are the services that the Group provides to a policyholder of an insurance contract: (a) coverage for an insured event (insurance coverage); (b) for insurance contracts without direct participation features, the generation of an investment return for the policyholder, if applicable (investment-return service); and (c) for insurance contracts with direct participation features, the management of underlying items on behalf of the policyholder (investment-related service).
- Insurance finance reserve comprises the cumulative insurance finance income or expenses recognised in other comprehensive income under IFRS 17.
- Insurance service result is a new consolidated income statement line item under IFRS 17, comprising insurance revenue, insurance service expenses and net expenses from reinsurance contracts held.
- Investment return and composition of investments exclude unit-linked contracts and consolidated investment funds, unless otherwise stated.
- Investments include financial investments, investment property, property held for own use, and cash and cash equivalents. Investment property and property held for own use are at fair value.
- Leverage ratio under IAS 39 and IFRS 4 is total borrowings expressed as a percentage of the sum of total borrowings and total equity.
- Leverage ratio under IFRS 9 and IFRS 17 is total borrowings expressed as a percentage of the sum of total borrowings, total equity and CSM net of reinsurance and taxes.
- Net contractual service margin (net CSM) is the contractual service margin net of reinsurance, taxes and non-controlling interests.
- Net finance income or expenses from insurance contracts is a new consolidated income statement line item under IFRS 17. Please refer to note 7A to the FY22 consolidated financial information for details.
- Net investment result is a new consolidated income statement line item under IFRS 17, comprising 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 contractual service margin (NB CSM) represents the contractual service margin initially recognised in the period.
- Non-participating (non-par) business includes all insurance liabilities under the GMM model, covering traditional protection, unit-linked with significant protection benefits, universal life and other participating business without distinct portfolios.
- Participating (par) business referring to participating funds and other participating business with distinct portfolios, with investment experience reflected within insurance contract liabilities.
- Premium allocation approach (PAA) simplifies the recognition and measurement of insurance contracts under IFRS 17. Please refer to the content of this information pack and note 2.3.7 to the FY22 consolidated financial information for details.
- Risk adjustment or RA represents the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the Group fulfils insurance contracts under IFRS 17. It is determined separately from estimates from the present value of future cash flows, using the confidence level technique. Applying a confidence level technique, AIA estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.
- Shareholders’ allocated equity under IAS 39 and IFRS 4 is the total equity attributable to shareholders of the Company less fair value reserve.
- Shareholders’ allocated equity under IFRS 9 and IFRS 17 is the total equity attributable to shareholders of the Company less fair value reserve and insurance finance reserve.
- Transition date is 1 January 2022, representing the start of the comparative financial period when AIA adopted the new accounting standards of IFRS 9 and IFRS 17 from 1 January 2023.
- TWPI consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums, before reinsurance ceded.
- Variable fee approach (VFA) modifies the general measurement model for the recognition and measurement of insurance contracts under IFRS 17. Please refer to the content of this information pack and note 2.3.1 to the FY22 consolidated financial information for details.
- VIF is the present value of projected after-tax statutory profits by business units emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business. VIF for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses.
- VONB for the Group is after unallocated Group Office expenses and the adjustment to reflect consolidated reserving and capital requirements. The total reported VONB for the Group excludes VONB attributable to non-controlling interests. VONB includes pension business.

APPENDIX

Overview of IFRS 9 and IFRS 17 Accounting Standards

Assets

Invested Assets

IFRS 9 Financial Instruments

- Measurement mostly at fair value
- Impairment model: Expected Credit Losses
- Classification of assets into FVTPL, FVOCI and amortised cost

Other Assets

Deferred acquisition costs no longer exist

Reinsurance included under IFRS 17 liabilities

Liabilities and Equity

Insurance Contract and Other Liabilities

IFRS 17 Insurance Contracts[1]

- Best Estimate Liabilities (BEL)
- Risk Adjustment for non-financial risks (RA)
- Contractual Service Margin (CSM)

Total Equity: OCI; Allocated Equity

OCI[2] Balances

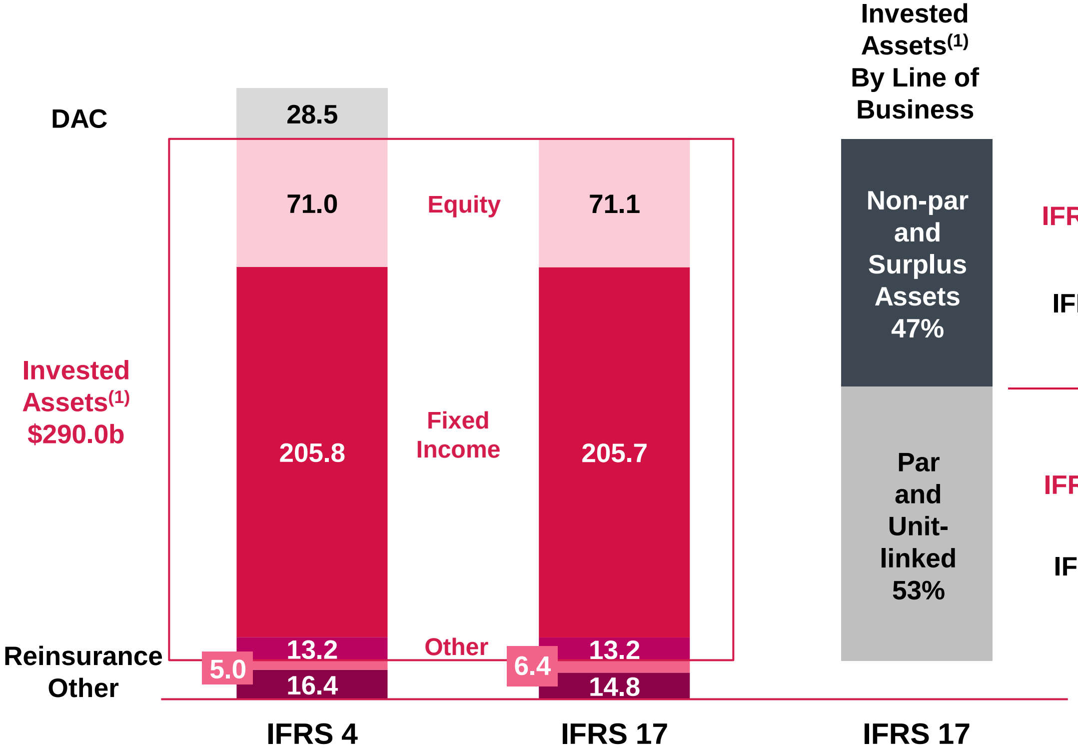
- Mark-to-market on FVOCI fixed income assets
- Effect of changes in discount rates on insurance contract liabilities for non-par business[3]

Notes:
(1) IFRS 17 insurance contract liabilities are presented net of insurance contract assets and assets for insurance acquisition cash flows
(2) OCI comprises fair value reserve and insurance finance reserve
(3) Excluding unit-linked with significant protection

Invested Assets Better Aligned to Insurance Contract Liabilities

Total Assets ($b)

As at 1 Jan 2022



Invested Assets Classification

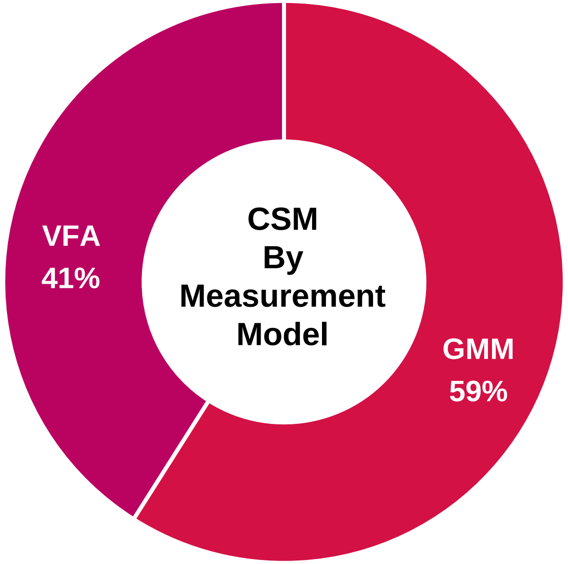
	Fixed Income	Equities & Real Estate[2]
IFRS 17	FVOCI	FVTPL
IFRS 4	FVOCI	FVTPL
IFRS 17	FVTPL	FVTPL
IFRS 4	FVTPL / FVOCI[3]	FVTPL

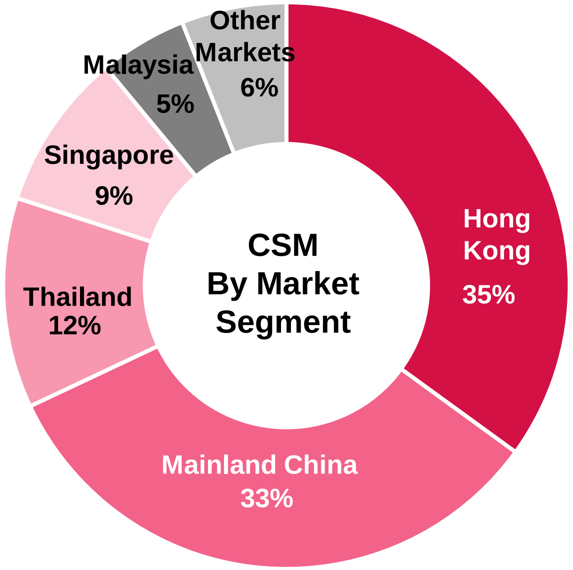
- **Deferred acquisition costs (DAC)** eliminated
- **Goodwill and intangibles** unchanged
- **Invested asset values largely unchanged,** >95% continue on mark-to-market basis
- **Classification** of invested assets aligned to insurance contract liability measurement model
  - **Non-participating and surplus assets**
    - FVOCI for fixed income[4]
    - FVTPL for equities and real estate
  - **Participating and unit-linked assets**[5] are mostly fair value through P&L (FVTPL)

Notes:
(1) Includes policyholder and shareholder fund, unit-linked contracts and consolidated investment funds. Excludes policy loans as these are included in insurance contract liabilities under IFRS 17
(2) The classification of real estate under IFRS 17 in the table represents investment properties and certain properties held for own use for participating contracts. Classification of properties held for own use generally follows IAS 16. The classification of real estate under IFRS 4 in the table represents investment properties only
(3) FVTPL for participating funds, FVOCI for Hong Kong participating business
(4) Includes $4.6b of fixed income assets that are classified under amortised cost and FVTPL
(5) Includes consolidated investment funds

CSM by Class of Business and Geography

Measurement Model	Class of Business	Included in CSM
General Measurement Model (GMM)	▪ Non-par protection and savings ▪ Universal life ▪ Unit-linked (protection) ▪ Other par without distinct portfolios	✓
Variable Fee Approach (VFA)	▪ Participating funds ▪ Unit-linked (savings) ▪ Other par with distinct portfolios	✓
Premium Allocation Approach (PAA)	Annual renewable group insurance contracts, classified as short-term (< 1 year)	✗

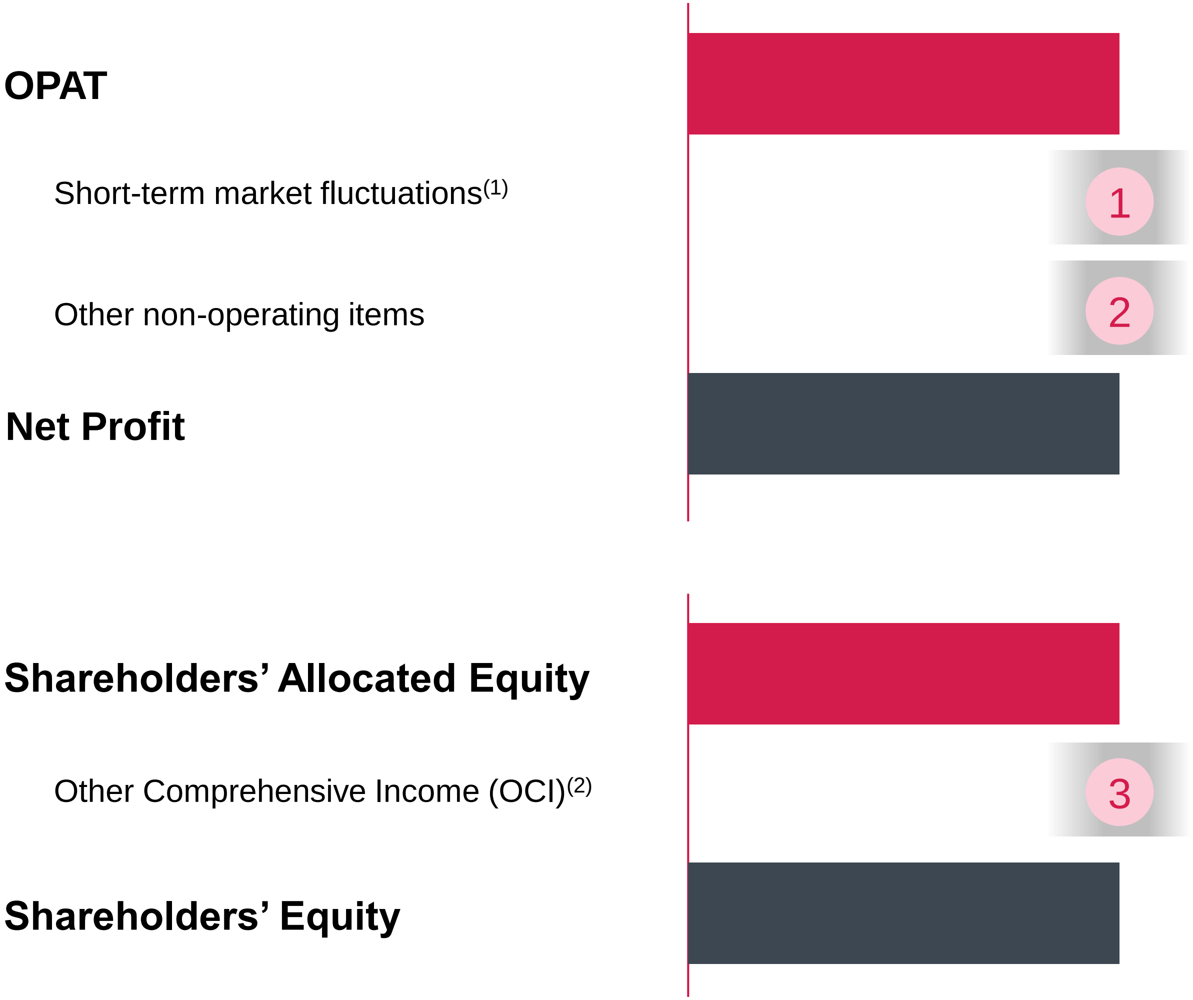




Note: As of 31 Dec 2022

Net Profit and Shareholders' Equity Less Volatile Going Forward

Illustrative Net Profit and Shareholders' Equity Under IFRS 17



1

- Non-par business[3] and surplus assets only
  - Mark-to-market on equities and real estate
  - Discount rate changes on insurance contract liabilities (unit-linked with significant protection benefits)
- Par business mark-to-market allowed for within CSM

2

- Realised capital gains/losses on FVOCI bonds
- Mark-to-market movement on FVTPL bonds
- Provision for Expected Credit Losses (ECL)
- Other non-operating expenses

3

- Non-par business[3] and surplus assets only
  - Mark-to-market movement on FVOCI bonds under fair value reserve
  - Discount rate changes on insurance contract liabilities (other than unit-linked with significant protection benefits) under insurance finance reserve

Notes:
(1) Short-term investment and discount rate variances
(2) OCI represents fair value reserve and insurance finance reserve
(3) Non-participating (non-par) business includes all insurance liabilities under the GMM model, covering traditional protection, unit-linked with significant protection benefits, universal life and other participating business without distinct portfolios

Participating Business (VFA) Accounting Treatment

Participating Business (VFA)

Accounting Treatment of Insurance Contract Liabilities and Invested Asset Movements

	Insurance Contract Liabilities Assumption Changes		Invested Assets Mark-to-Market Movement	
	Operating	Discount Rates	Fixed Income	Equities & Real Estate[1]
IFRS 17	CSM	CSM	CSM	CSM
IFRS 4	Locked-in	Locked-in	Net Profit / OCI[2]	Net Profit

Implications
IFRS 17 vs IFRS 4

Reduced net profit volatility

- Discount rate changes and asset mark-to-market absorbed within CSM and gradually released into OPAT
- Interest rate hedges in participating business also absorbed within the CSM

Notes: Excludes unit-linked and short-term contracts under PAA approach for simplicity
(1) The classification of real estate under IFRS 17 in the table represents investment properties and certain properties held for own use for participating contracts. Classification of properties held for own use generally follows IAS 16. The classification of real estate under IFRS 4 in the table represents investment properties only
(2) Net profit for participating funds, OCI for Hong Kong participating business

Non-Participating Business (GMM) Accounting Treatment

Non-Participating Business (GMM)

Accounting Treatment of Insurance Contract Liabilities and Invested Asset Movements

	Insurance Contract Liabilities Assumption Changes		Invested Assets Mark-to-Market Movement	
	Operating	Discount Rates	Fixed Income	Equities & Real Estate(2)
IFRS 17	CSM	OCI(1)	OCI(1)	Net Profit
IFRS 4	Locked-in	Locked-in	OCI	Net Profit

Implications
IFRS 17 vs IFRS 4

OCI is smaller and shareholders' equity more stable

- Discount rate changes on insurance contract liabilities and mark-to-market on fixed income both flow through OCI

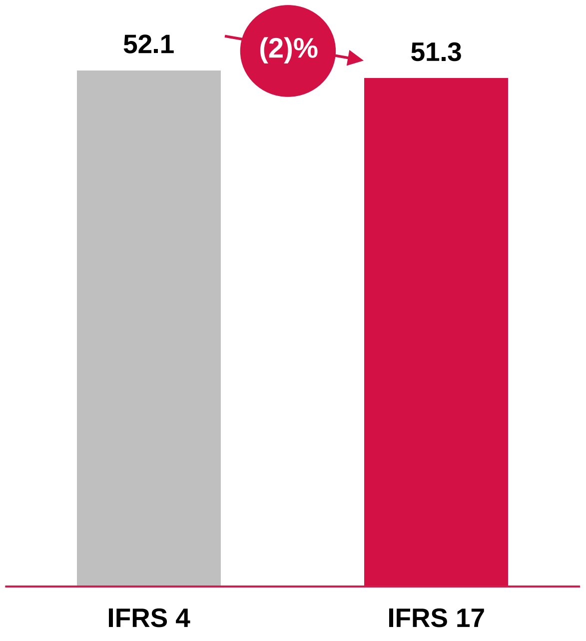
Net profit treatment similar vs IFRS 4

- >95% of invested assets continue on mark-to-market basis

Notes: Excludes unit-linked and short-term contracts under PAA approach for simplicity
(1) Except for unit-linked with significant protection benefits which is recognised through net profit
(2) The classification of real estate under IFRS 17 in the table represents investment properties. Classification of properties held for own use generally follows IAS 16. The classification of real estate under IFRS 4 in the table represents investment properties only

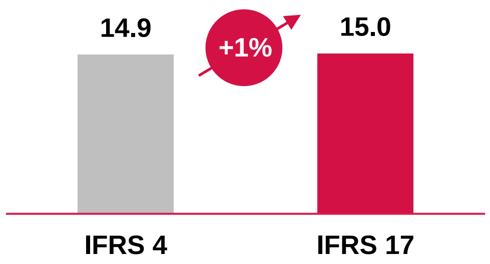
Shareholders’ Allocated Equity Stable at Transition

Shareholders’ Allocated Equity as of 1 Jan 2022 ($b) Group

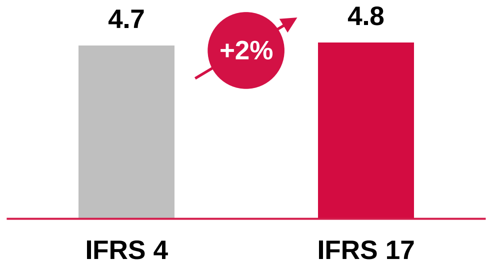


Shareholders’ Allocated Equity as of 1 Jan 2022 ($b)

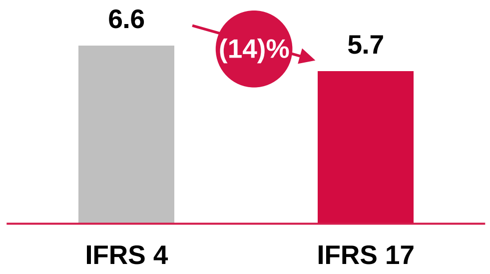
Hong Kong



Mainland China

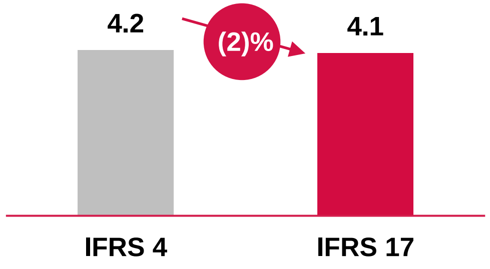


Thailand

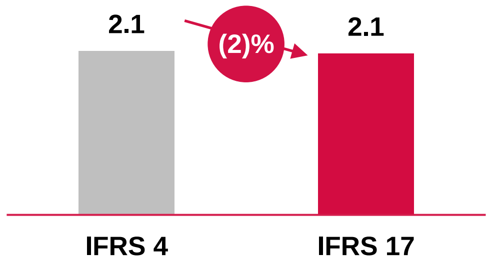


- Capitalisation of negative spreads on old deposit account business
- Lower discount rates than IFRS 4

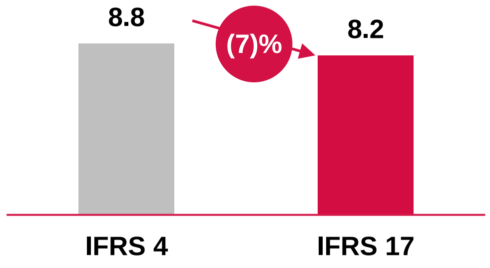
Singapore



Malaysia



Other Markets

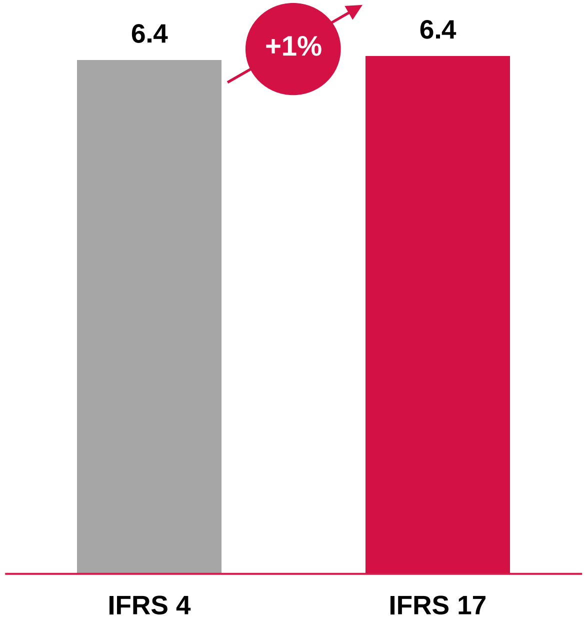


- Mismatch in accounting treatment and contract boundary in Australia and New Zealand

Note: Group shareholders’ allocated equity includes Group Corporate Centre

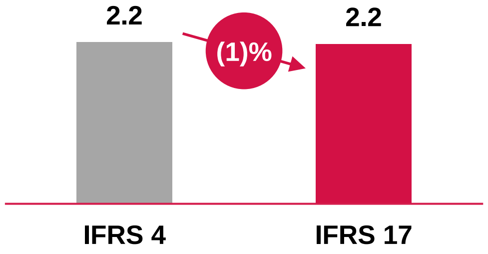
IFRS 17 OPAT Stable vs IFRS 4

FY 2022 OPAT ($b)
Group

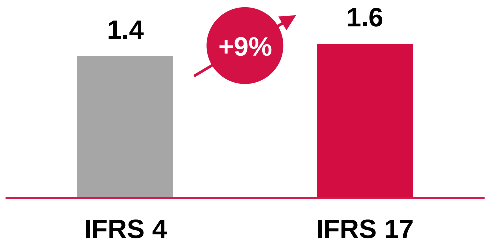


FY 2022 OPAT ($b)

Hong Kong

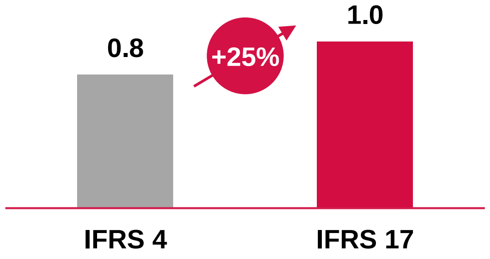


Mainland China



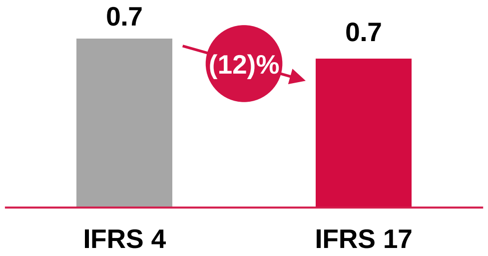
- Faster emergence for profit of non-par business under IFRS 17

Thailand



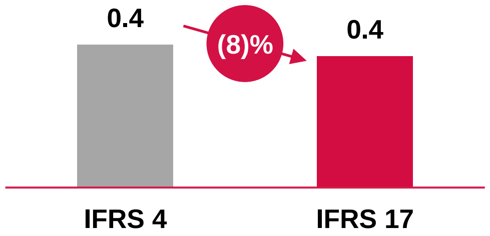
- Lower opening shareholders' allocated equity translates to higher future earnings

Singapore



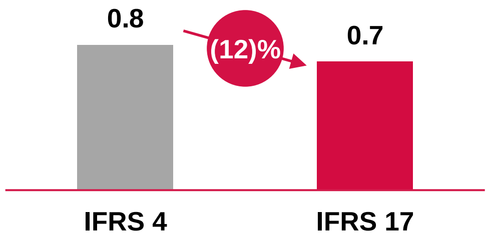
- More gradual emergence of earnings for unit-linked business under IFRS 17

Malaysia



- More gradual emergence of earnings for unit-linked business under IFRS 17

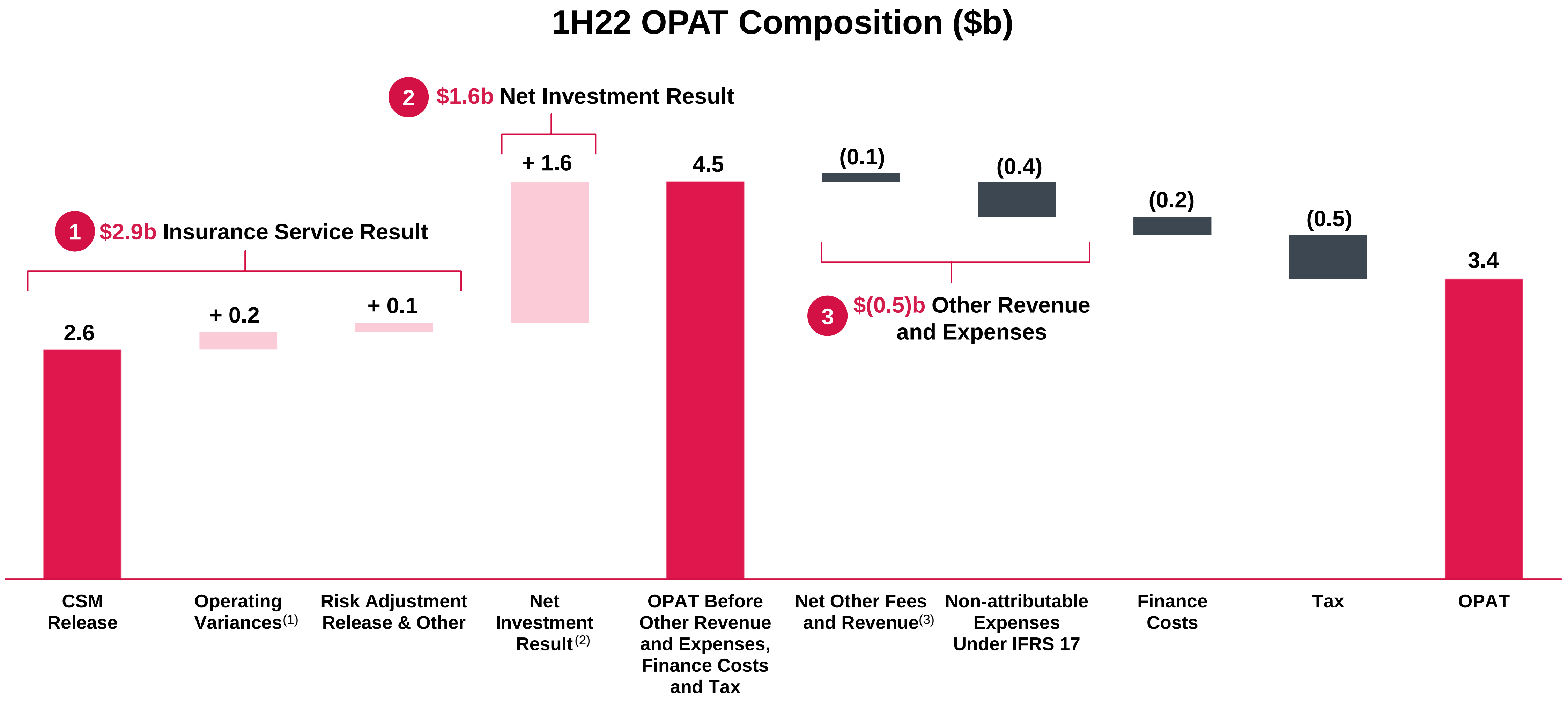
Other Markets



- Mismatch in accounting treatment and contract boundary in Australia

Note: Group OPAT includes Group Corporate Centre

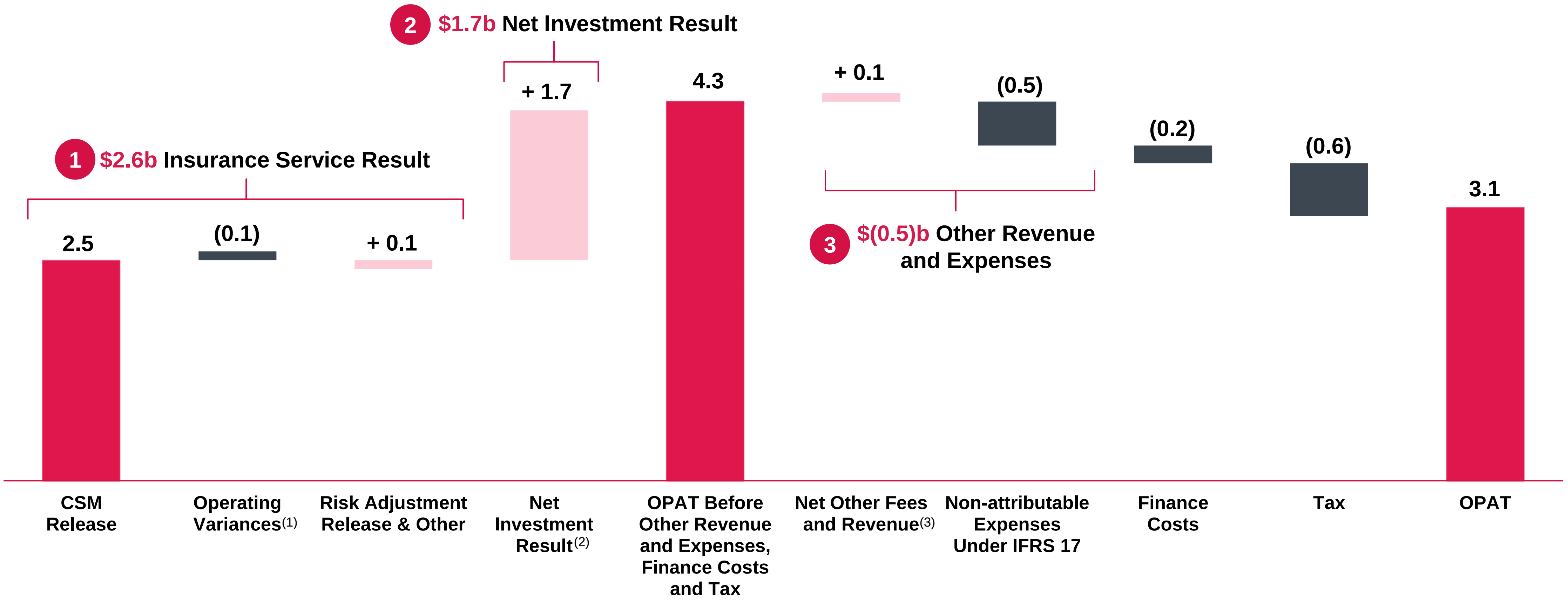
1H 2022 OPAT Under IFRS 17



Notes: Due to rounding, numbers presented in the chart may not add up precisely
(1) Includes claims, expenses and others but excludes persistency
(2) Net of investment management expenses of $0.1b
(3) Net of non-insurance expenses of $0.1b

2H 2022 OPAT Under IFRS 17

2H22 OPAT Composition ($b)



Notes: Due to rounding, numbers presented in the chart may not add up precisely
(1) Includes claims, expenses and others but excludes persistency
(2) Net of investment management expenses of $0.2b
(3) Net of non-insurance expenses of $0.2b

Expected Credit Losses

Description

Stage 1	Financial assets that have low credit risk at reporting date or have not had a significant increase in credit risk since initial recognition
Stage 2	Financial assets that have had a significant increase in credit risk since initial recognition but that do not have any evidence of impairment at the reporting date
Stage 3	Financial assets that are determined to be credit-impaired at the reporting date

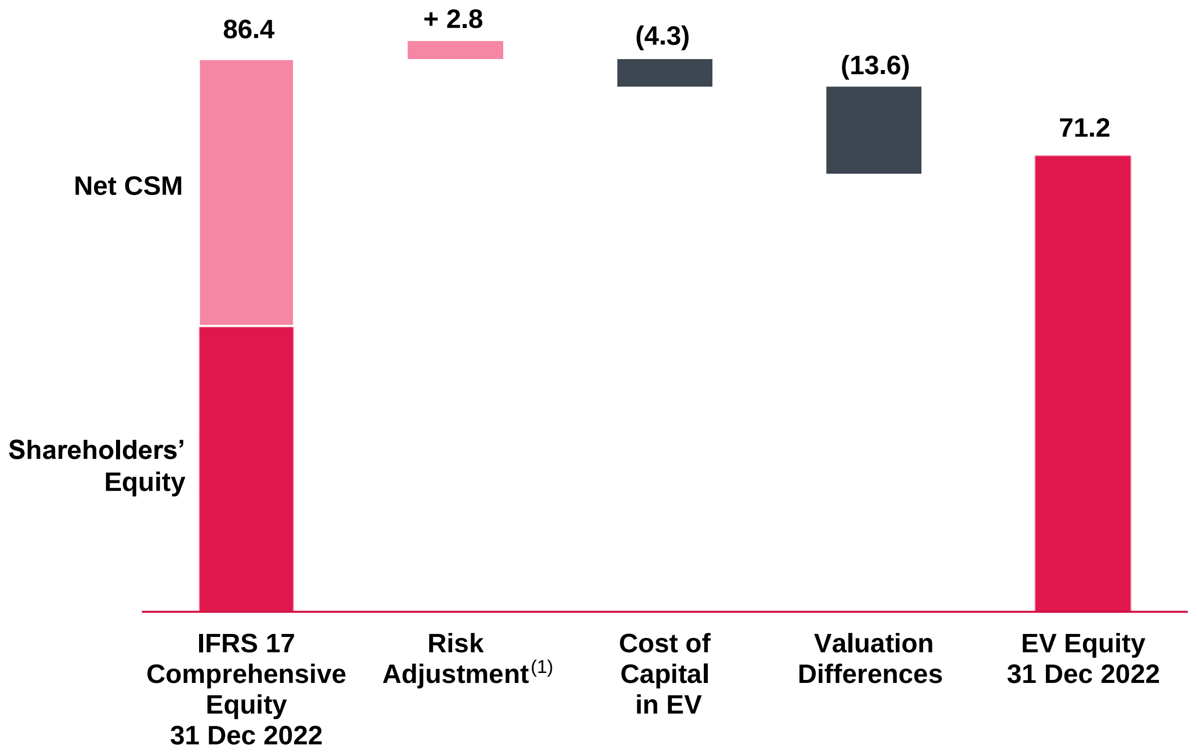
Expected Credit Losses (ECL) Under IFRS 17

$m	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 Jan 2022	**152**	**29**	**26**	**207**
ECL net charge to net profit	97	64	72	233
Derecognition	(48)	(25)	-	(73)
Other movements	(13)	(2)	6	(9)
Loss allowance as at 31 Dec 2022	**188**	**66**	**104**	**358**
Amortised cost of financial assets before loss allowance as at 31 Dec 2022	97,579	579	141	98,299
% of total	99%	1%	-	100%

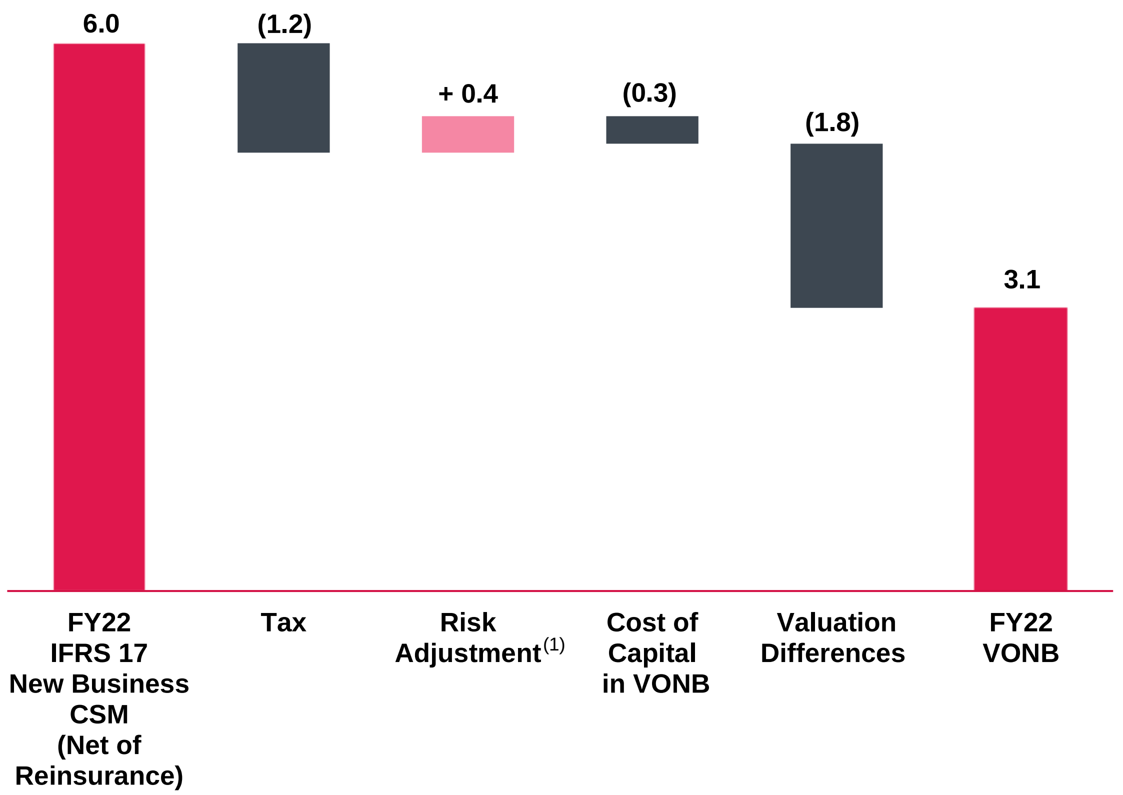
Note: Shown at amortised cost and does not include accrued investment income and cash and cash equivalents as the exposure to credit risk of these assets are considered insignificant

IFRS 17 Reinforces Prudence in AIA's Embedded Value

IFRS 17 Comprehensive Equity to EV Equity ($b)



IFRS 17 New Business CSM to VONB ($b)

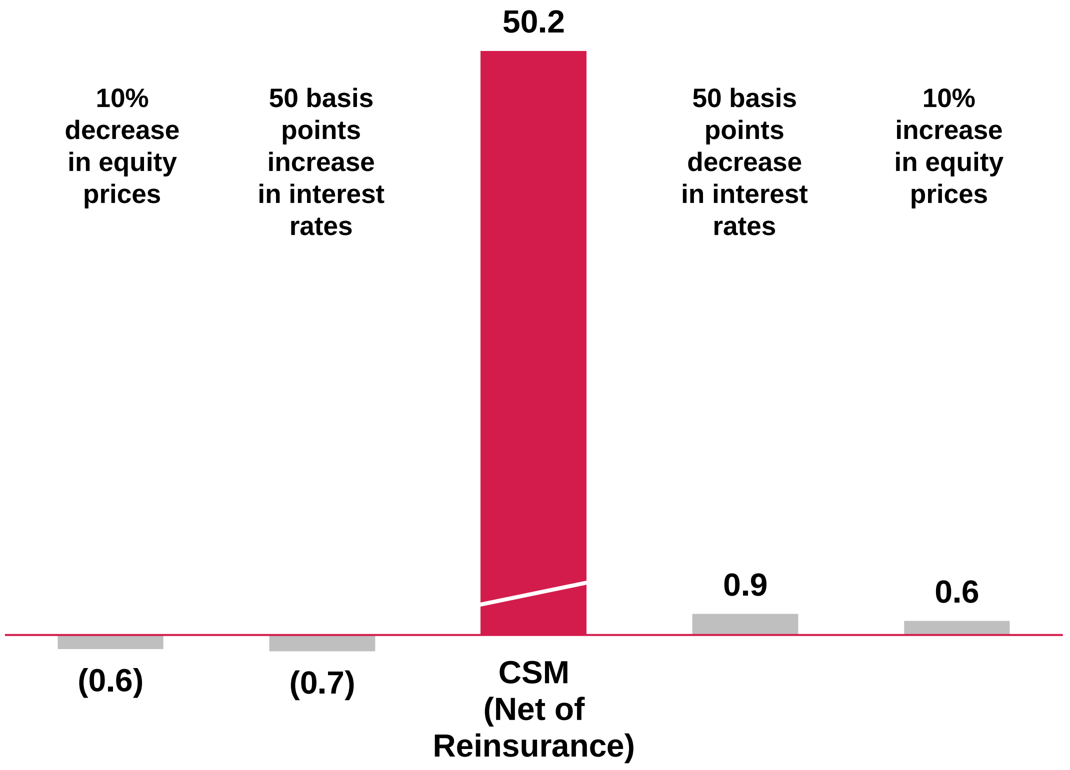


Notes: Due to rounding, numbers presented in the chart may not add up precisely
(1) Risk adjustment is net of reinsurance

Estimated Sensitivity Analysis Under IFRS 17

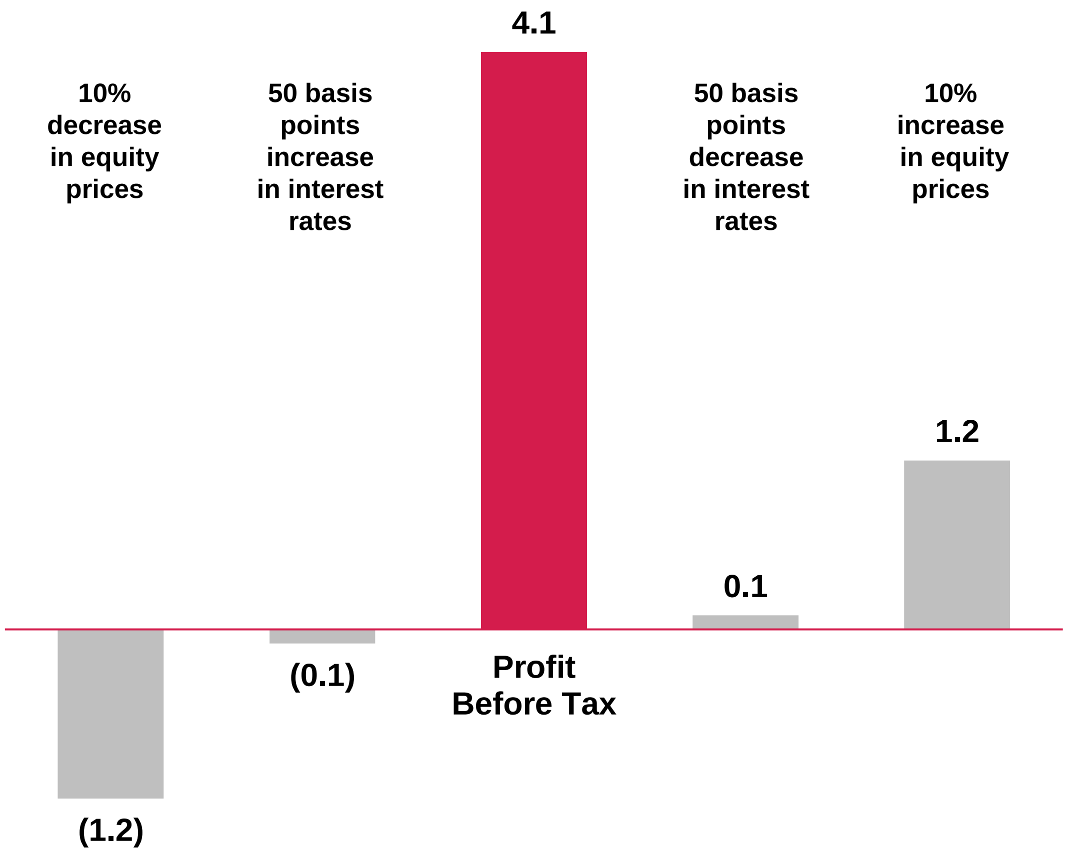
Estimated Sensitivity of CSM ($b)

As at 31 Dec 2022



Estimated Sensitivity of Profit before Tax ($b)

For the year ended 31 Dec 2022



Note: Sensitivities are based on latest AIA's estimation

IFRS 17 Discount Rates and Illiquidity Premium

Spot Rates as at 31 Dec 2022

%	1 year		5 years		10 years		15 years		20 years	
	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.62	4.96	3.88	4.92	3.75	5.20	3.84	5.42	4.10	5.69
HKD	4.85	5.19	3.96	4.99	3.78	5.22	3.82	5.40	4.08	5.66
CNY	2.09	2.63	2.66	3.29	2.88	3.47	3.04	3.72	3.16	3.88
SGD	3.88	5.15	2.84	4.56	3.07	4.97	2.92	4.80	2.59	4.39
MYR	3.25	3.86	3.88	4.36	4.09	4.67	4.36	5.02	4.46	5.18
THB	1.38	1.83	1.98	2.62	2.74	3.59	3.34	4.33	3.75	4.79