Supplemental Listing Document

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

3,400,000 European Style Cash Settled Long Certificates

relating to the ordinary shares of AIA Group Limited

with a Daily Leverage of 5x

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S$1.20 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the "**Certificates**") to be issued by SG Issuer (the "**Issuer**") unconditionally and irrevocably guaranteed by Société Générale (the "**Guarantor**"), and is supplemental to and should be read in conjunction with a base listing document dated 18 June 2021 including such further base listing documents as may be issued from time to time (the "**Base Listing Document**") for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see "Placing and Sale" contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products[1] and Specified Investment Products (SIPs)[2], and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the guarantee dated 18 June 2021 (the "**Guarantee**") and entered into by the Guarantor constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 17 December 2021.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

16 December 2021

[1] As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.

[2] As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed "Placing and Sale" contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates.

Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the "**Conditions**" shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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RISK FACTORS

The following are risk factors relating to the Certificates:

(a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;

(b) the Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;

(c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has fallen sharply;

(d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;

(e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;

(f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;

(g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;

(h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 32 to 36 and the examples and illustrations of adjustments set out in the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section of this document for more information;

(i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

(j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);

(k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy (as described below) including the Funding Cost (as defined below) and Rebalancing Cost (as defined below);

(l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

(m) investors should note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;

(n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;

(o) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);

(p) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;

(q) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight fall in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens the following day or (ii) a sharp intraday fall in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 52 to 53 of this document for more information;

(r) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 38 to 39 of this document for more information;

(s) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;

(t) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;

(u) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

(v) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

(w) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

(x) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may decline. The following is a list of some of the significant risks associated with the Underlying Stock:

– Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and

– The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

(y) the value of the Certificates depends on the Leverage Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Strategy last closing level and a calculation tool available to the investors on a website;

(z) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

(aa) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):

(i) investors should note that no definitive certificate will be issued in relation to the Certificates;

(ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;

(iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and

(iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;

(bb) the reform of HIBOR may adversely affect the value of the Certificates

The Hong Kong Inter-bank Offered Rate ("**HIBOR**") benchmark is referenced in the Leverage Strategy.

It is not possible to predict with certainty whether, and to what extent, HIBOR will continue to be supported going forwards. This may cause HIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Certificates.

In addition, the occurrence of a modification or cessation of HIBOR may cause adjustment of the Certificates which may include selecting one or more successor benchmarks and making related adjustments to the Certificates, including if applicable to reflect increased costs.

The Calculation Agent may make adjustments as it may determine appropriate if any of the following circumstances occurs or may occur: (1) HIBOR is materially changed or cancelled or (2)(i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained, (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any of the international or national reforms in making any investment decision with respect to any Certificate;

(cc) the US Foreign Account Tax Compliance Act ("**FATCA**") withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer or an investor's broker or custodian may be subject to FATCA and, as a result, may be required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide the Issuer or the relevant broker or custodian with such certification, the Issuer and the Guarantor or other withholding agent could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer or the relevant broker or custodian could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES;

(dd) U.S. withholding tax

The Issuer has determined that this Certificate is not linked to U.S. Underlying Equities within the meaning of applicable regulations under Section 871(m) of the United States Internal Revenue Code, as discussed in the accompanying Base Listing Document under "TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986." Accordingly, the Issuer expects that Section 871(m) will not apply to the Certificates. Such determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on a Certificate Holder's particular circumstances. Certificate Holders should consult with their own tax advisers regarding the potential application of Section 871(m) to the Certificates; and

(ee) risk factors relating to the BRRD

French and Luxembourg law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution.

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") entered into force on 2 July 2014. The BRRD has been implemented into Luxembourg law by, among others, the Luxembourg act dated 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (the "**BRR Act 2015**"). Under the BRR Act 2015, the competent authority is the Luxembourg financial sector supervisory authority (*Commission de surveillance du secteur financier*, the CSSF) and the resolution authority is the CSSF acting as resolution council (*conseil de résolution*).

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism ("**SRM**") and a Single Resolution Fund (the "**SRM Regulation**") has established a centralised power of resolution entrusted to a Single Resolution Board (the "**SRB**") in cooperation with the national resolution authorities.

Since November 2014, the European Central Bank ("**ECB**") has taken over the prudential supervision of significant credit institutions in the member states of the Eurozone under the Single Supervisory Mechanism ("**SSM**"). In addition, the SRM has been put in place to ensure that the resolution of credit institutions and certain investment firms across the Eurozone is harmonised. As mentioned above, the SRM is managed by the SRB. Under Article 5(1) of the SRM Regulation, the SRM has been granted those responsibilities and powers granted to the EU Member States' resolution authorities under the BRRD for those credit institutions and certain investment firms subject to direct supervision by the ECB. The ability of the SRB to exercise these powers came into force at the beginning of 2016.

Societe Generale has been designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the "**SSM Regulation**") and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

The stated aim of the BRRD and the SRM Regulation is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and certain investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the resolution authority designated by each EU Member State (the "**Resolution Authority**") with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions while minimising the impact of an institution's failure on the economy and financial system (including taxpayers' exposure to losses).

Under the SRM Regulation, a centralised power of resolution is established and entrusted to the SRB acting in cooperation with the national resolution authorities. In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the institutions' resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The SRB is the Resolution Authority for the Issuer and the Guarantor.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the "**Bail-in Power**"). The conditions for resolution under the SRM Regulation are deemed to be met when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write-down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in Article 10 of the SRM Regulation). The terms and conditions of the Certificates contain provisions giving effect to the Bail-in Power in the context of resolution and write-down or conversion of capital instruments at the point of non-viability.

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write-down, conversion or otherwise.

In addition to the Bail-in Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure, including implementing the Bail-in Power, or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

The application of any measure under the BRRD and the SRM Regulation or any suggestion of such application with respect to the Issuer, the Guarantor or the Group could materially adversely affect the rights of Certificate Holders, the price or value of an investment in the Certificates and/or the ability of the Issuer or the Guarantor to satisfy its obligations under any Certificates, and as a result investors may lose their entire investment.

Moreover, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Power, the exercise of write-down/conversion powers or any other resolution tools by the Resolution Authority independently of a resolution measure or in combination with a resolution measure when it determines that the Issuer, the Guarantor or the Group will no longer be viable could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such powers.

Since 1 January 2016, EU credit institutions (such as Societe Generale) and certain investment firms have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article 12 of the SRM Regulation. The MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

The current regime will evolve as a result of the changes adopted by the EU legislators. On 7 June 2019, as part of the contemplated amendments to the so-called "EU Banking Package", the following legislative texts have been published in the Official Journal of the EU 14 May 2019:

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the "**BRRD II**"); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity ("**TLAC**") of credit institutions and investment firms (the "**SRM II Regulation**" and, together with the BRRD II, the "**EU Banking Package Reforms**").

The EU Banking Package Reforms will introduce, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet ("**FSB TLAC Term Sheet**"), by adapting, among others, the existing regime relating to the specific MREL with aim of reducing risks in the banking sector and further reinforcing institutions' ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system.

The TLAC will be implemented in accordance with the FSB TLAC Term Sheet, which impose a level of "Minimum TLAC" that will be determined individually for each global systemically important bank ("**G-SIB**"), such as Societe Generale, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets through January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator through January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

According to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**"), as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the "**CRR II**"), EU G-SIBs, such as Societe Generale, will have to comply with TLAC requirements, on top of the MREL requirements, as from the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale will have to comply at the same time with TLAC and MREL requirements.

Consequently, criteria for MREL-eligible liabilities will be closely aligned with those laid down in the CRR, as amended by the CRR II for the TLAC-eligible liabilities, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes, will be eligible, subject to certain conditions, to meet the MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance while only an additional return is linked to that derivative component and depends on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL will be set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance any may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by non-EU law, they must be able to be written down or converted under that law (including through contractual provisions).

The scope of liabilities used to meet the MREL includes, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in the BRRD, as amended by the BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that the MREL be met with own funds and other subordinated liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require institutions and entities to meet the MREL with own funds and other subordinated liabilities where the amount of liabilities excluded from the application of the bail- in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements apply to resolution groups with assets above EUR 100 billion (top-tier banks).

If the SRB finds that there could exist any obstacles to resolvability by the Issuer or the Guarantor and/or the Group, a higher MREL requirement could be imposed. Any failure by the Issuer or the Guarantor, as applicable, and/or the Group to comply with its MREL may have a material adverse effect on the Issuer's business, financial conditions and results of operations.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.

The Conditions are set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates:	3,400,000 European Style Cash Settled Long Certificates relating to the ordinary shares of AIA Group Limited (the "**Underlying Stock**")
ISIN:	LU2267116353
Company:	AIA Group Limited (RIC: 1299.HK)
Underlying Price[3] and Source:	HK$80.00 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 1.20
Management Fee (p.a.)[4]:	0.40%
Gap Premium (p.a.)[5]:	6.90%, is a hedging cost against extreme market movements overnight.
Funding Cost[6]:	The annualised costs of funding, referencing a publicly published interbank offered rate plus spread.
Rebalancing Cost[6]:	The transaction costs (if applicable), computed as a function of leverage and daily performance of the Underlying Stock.
Launch Date:	10 December 2021
Closing Date:	16 December 2021
Expected Listing Date:	17 December 2021

[3] These figures are calculated as at, and based on information available to the Issuer on or about 16 December 2021. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 16 December 2021.
[4] Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to "Fees and Charges" below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.
[5] Please note that the Gap Premium is calculated on a 360-day basis.
[6] These costs are embedded within the Leverage Strategy.

Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 6 December 2024
Expiry Date:	13 December 2024 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)
Board Lot:	100 Certificates
Valuation Date:	12 December 2024 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Cash Settlement Amount:	In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: Closing Level multiplied by the Notional Amount per Certificate Please refer to the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section on pages 43 to 58 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.
Hedging Fee Factor:	In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where: "**t**" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

An "**Underlying Stock Business Day**" is a day on which The Stock Exchange of Hong Kong Limited (the "**HKEX**") is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section on pages 43 to 58 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level: In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$

Initial Reference Level: 1,000

Final Reference Level: The closing level of the Leverage Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Strategy is set out in the "Specific Definitions relating to the Leverage Strategy" section on pages 20 to 26 below.

Initial Exchange Rate[3]: 0.1748

Final Exchange Rate: The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by

	the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.
Air Bag Mechanism:	The "**Air Bag Mechanism**" refers to the mechanism built in the Leverage Strategy and which is designed to reduce the Leverage Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock falls by 15% or more ("**Air Bag Trigger Price**") during the trading day (which represents approximately 75% loss after a 5 times leverage), the Air Bag Mechanism is triggered and the Leverage Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses. Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. The Leverage Strategy is floored at 0 and the Certificates cannot be valued below zero. Please refer to the "Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")" section on pages 24 to 26 below and the "Description of Air Bag Mechanism" section on pages 49 to 50 of this document for further information of the Air Bag Mechanism.
Adjustments and Extraordinary Events:	The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.
Underlying Stock Currency:	Hong Kong Dollar ("**HKD**")
Settlement Currency:	Singapore Dollar ("**SGD**")
Exercise Expenses:	Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.
Relevant Stock Exchange for the Certificates:	The Singapore Exchange Securities Trading Limited (the "**SGX-ST**")
Relevant Stock Exchange for the Underlying Stock:	HKEX
Business Day and Exchange Business Day:	A "**Business Day**" is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

	An "**Exchange Business Day**" is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.
Warrant Agent:	The Central Depository (Pte) Limited ("**CDP**")
Clearing System:	CDP
Fees and Charges:	Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy including the Funding Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month's notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.
Further Information:	Please refer to the website at dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

<u>Specific Definitions relating to the Leverage Strategy</u>

<u>Description of the Leverage Strategy</u>

The Leverage Strategy is designed to track a 5 times daily leveraged exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Strategy to the Underlying Stock is reset within the Leverage Strategy in order to retain a daily leverage of 5 times the performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

Leverage Strategy Formula

$\mathbf{LSL_t}$	means, for any Observation Date(t), the Leverage Strategy Closing Level as of such day (t). Subject to the occurrence of an Intraday Restrike Event, the Leverage Strategy Closing Level as of such Observation Date(t) is calculated in accordance with the following formulae: On Observation Date(1): $\mathrm{LSL_1} = 1000$ On each subsequent Observation Date(t): $\mathrm{LSL_t} = \mathrm{Max}\left[\mathrm{LSL_{t-1}} \times \left(1 + \mathrm{LR_{t-1,t}} - \mathrm{FC_{t-1,t}} - \mathrm{RC_{t-1,t}}\right), 0\right]$
$\mathbf{LR_{t-1,t}}$	means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows: $\mathrm{LR_{t-1,t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right)$
$\mathbf{FC_{t-1,t}}$	means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows: $\mathrm{FC_{t-1,t}} = (\mathrm{Leverage} - 1) \times \frac{\mathrm{Rate_{t-1}} \times \mathrm{ACT(t-1,t)}}{\mathrm{DayCountBasisRate}}$
$\mathbf{RC_{t-1,t}}$	means the Rebalancing Cost of the Leverage Strategy on Observation Date (t), calculated as follows : $\mathrm{RC_{t-1,t}} = \mathrm{Leverage} \times (\mathrm{Leverage} - 1) \times \left(\left\lvert\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right\rvert\right) \times \mathrm{TC}$
TC	means the Transaction Costs applicable (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to: 0.13% "Stamp Duty" refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.
Leverage	5
$\mathbf{S_t}$	means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.
$\mathbf{Rate_t}$	means, in respect of each Observation Date(t), a rate calculated as of such day in accordance with the following formula:

$$\mathrm{Rate_t} = \mathrm{CashRate_t} + \mathrm{\%SpreadLevel_t}$$

$\mathbf{Rfactor_t}$ means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula:

$$Rfactor_t = 1 - \frac{Div_t}{\mathbf{S_{t-1}}}$$

where

Div_t is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered net of any applicable withholding taxes.

$\mathbf{CashRate_t}$ means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

$\mathbf{\%SpreadLevel_t}$ means, in respect of each Observation Date(t), a rate which shall be determined with respect to such Valuation Date(t) by the Calculation Agent as the difference between (1) the 12-month HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKD1YD= and (2) Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, each being the rate as of day (t), provided that if any of such rates is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

Provided that if such difference is negative, $\mathbf{\%SpreadLevel_t}$ should be 0%.

ACT(t-1,t) ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).

DayCountBasisRate	365
Benchmark Fallback	upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Reference Rate Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.
Reference Rate Event	means, in respect of the Reference Rate any of the following has occurred or will occur: (i) a Reference Rate Cessation; (ii) an Administrator/Benchmark Event; or (iii) a Reference Rate is, with respect to over-the-counter derivatives transactions which reference such Reference Rate, the subject of any market-wide development formally agreed upon by the International Swaps and Derivative Association (ISDA) or the Asia Securities Industry & Financial Markets Association (ASIFMA), pursuant to which such Reference Rate is, on a specified date, replaced with a risk-free rate (or near risk-free rate) established in order to comply with the recommendations in the Financial Stability Board's paper titled "Reforming Major Interest Rate Benchmarks" dated 22 July 2014.
Reference Rate Cessation	means, for a Reference Rate, the occurrence of one or more of the following events: (i) a public statement or publication of information by or on behalf of the administrator of the Reference Rate announcing that it has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; (ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate, the central bank for the currency of the Reference Rate, an insolvency official with jurisdiction over the administrator for the Reference Rate, a resolution authority with jurisdiction over the administrator for the Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Reference Rate, which states that the administrator of the Reference Rate has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; or (iii) in respect of a Reference Rate, a public statement or publication of information by the regulatory supervisor for the administrator of such Reference Rate announcing that (a) the regulatory supervisor has determined that such Reference Rate is no longer, or as of a specified future date will no longer be, representative of the underlying market and economic reality that such Reference Rate is intended to measure and that representativeness will not be restored and (b) it is being made in the awareness that the statement or publication will engage certain contractual triggers for fallbacks activated by pre-cessation announcements by such supervisor (howsoever described) in contracts;

Administrator/ Benchmark Event means, for a Reference Rate, any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of the Reference Rate or the administrator or sponsor of the Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that either the Issuer, the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or regulation to use the Reference Rate to perform its or their respective obligations under the Certificates.

Reference Rate(s) means the rate(s) used in the Leverage Strategy Formula, for example SORA, SOFR and US Federal Funds Effective Rate.

Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")

Extraordinary Strategy Adjustment for Performance Reasons If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date,** noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Strategy Closing Level on the Intraday Restrike Date (LSL_{IRD}) should be computed as follows :

$$\mathrm{LSL_{IRD}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(n)}} \times \left(1 + \mathrm{ILR_{IR(n),IR(C)}} - \mathrm{IRC_{IR(n),IR(C)}}\right), 0\right]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$\mathrm{LSL_{IRD}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(n)}}, 0\right]$$

$\mathbf{ILSL_{IR(k)}}$ means, in respect of IR(k), the Intraday Leverage Strategy Level in accordance with the following provisions :

(1) for k = 1 :

$$\mathrm{ILSL_{IR(1)}} = \mathrm{Max}\left[\mathrm{LSL_{IRD-1}} \times \left(1 + \mathrm{ILR_{IR(0),IR(1)}} - \mathrm{FC_{IRD-1,IRD}} - \mathrm{IRC_{IR(0),IR(1)}}\right), 0\right]$$

(2) for k > 1 :

$$\mathrm{ILSL_{IR(k)}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(k-1)}} \times \left(1 + \mathrm{ILR_{IR(k-1),IR(k)}} - \mathrm{IRC_{IR(k-1),IR(k)}}\right), 0\right]$$

$\mathbf{ILR_{IR(k-1),IR(k)}}$ means the Intraday Leveraged Return between IR(k-1) and IR(k), calculated as follows :

$$\mathrm{ILR_{IR(k-1),IR(k)}} = \mathrm{Leverage} \times \left(\frac{\mathrm{IS_{IR(k)}}}{\mathrm{IS_{IR(k-1)}}} - 1\right)$$

$\mathbf{IRC_{IR(k-1),IR(k)}}$ means the Intraday Rebalancing Cost of the Leverage Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows :

$$\mathrm{IRC}_{\mathrm{IR(k-1),IR(k)}} = \text{ Leverage } \times (\text{Leverage} - 1) \times \left(\left|\frac{\mathrm{IS}_{\mathrm{IR(k)}}}{\mathrm{IS}_{\mathrm{IR(k-1)}}} - 1\right|\right) \times \mathrm{TC}$$

$\mathbf{IS}_{\mathbf{IR(k)}}$	means the Underlying Stock Price in respect of IR(k) computed as follows: (1) for k=0 $\mathrm{IS}_{\mathrm{IR(0)}} = \mathrm{S}_{\mathrm{IRD-1}} \times \mathrm{Rfactor}_{\mathrm{IRD}}$ (2) for k=1 to n means in respect of IR(k), the lowest price of the Underlying Stock during the respective Intraday Restrike Observation Period (3) with respect to IR(C) $\mathrm{IS}_{\mathrm{IR(C)}} = \mathrm{S}_{\mathrm{IRD}}$ In each case, subject to the adjustments and provisions of the Conditions.
IR(k)	For k=0, means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date; For k=1 to n, means the k^{th} Intraday Restrike Event on the relevant Intraday Restrike Date.
IR(C)	means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.
n	means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.
Intraday Restrike Event	means in respect of an Observation Date(t): (1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS}_{\mathbf{IR(0)}}$ as of such Calculation Time. (2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS}_{\mathbf{IR(k)}}$ as of such Calculation Time.
Calculation Time	means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Strategy Level.
TimeReferenceOpening	means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
TimeReferenceClosing	means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
Intraday Restrike Event	means in respect of an Intraday Restrike Event, the period starting on and

Observation Period	excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing. Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.
Intraday Restrike Event Time	means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.

TERMS AND CONDITIONS OF

THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status and Guarantee, Transfer and Title

(a) *Form*. The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-

(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 18 June 2021, made by SG Issuer (the "**Issuer**") and Société Générale (the "**Guarantor**"); and

(ii) a warrant agent agreement (the "**Master Warrant Agent Agreement**" or "**Warrant Agent Agreement**") dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the "**Certificate Holders**") are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

(b) *Status and Guarantee*. The Certificates constitute direct, general and unsecured obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a "**Guarantee Obligation**").

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the "**Code**").

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

(i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the "**Law**") on 11 December 2016;

(ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;

(iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and

(iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

(c) Transfer. The Certificates are represented by a global warrant certificate ("**Global Warrant**") which will be deposited with The Central Depository (Pte) Limited ("**CDP**"). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.

(d) *Title*. Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression "**Certificate Holder**" shall be construed accordingly.

(e) *Bail-In*. By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:

(i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer's liabilities under the Certificates, which may include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;

(B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;

(C) the cancellation of the Certificates; and/or

(D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

that terms of the Certificates are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the Relevant Resolution Authority or the regulator,

(the "**Statutory Bail-In**");

(ii) if the Relevant Resolution Authority exercises its Bail-In Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the "**M&F Code**"):

(A) ranking:

(1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;

(2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and

(3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and

(B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and

(C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) ratio of the Guarantor

and such exercise of the Bail-In Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-In Power, then the Issuer's obligations under the Certificates will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Certificate Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Certificate Holders as if, in either case, the Certificates had been directly issued by the Guarantor itself, and as if any Amount Due under the Certificates had accordingly been directly subject to the exercise of the Bail-In Power (the "**Contractual Bail-in**").

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Bail-In with respect to the Issuer or the Guarantor unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer or the Guarantor under the applicable laws and regulations in effect in France or Luxembourg and the European Union applicable to the Issuer or the Guarantor or other members of its group.

No repayment or payment of the Amounts Due will become due and payable or be paid under the Certificates issued by SG Issuer after implementation of the Contractual Bail-in.

Upon the exercise of the Statutory Bail-in or upon implementation of the Contractual Bail-in with respect to the Certificates, the Issuer or the Guarantor will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Statutory Bail-in or implementation of the Contractual Bail-in. Any delay or failure by the Issuer or the Guarantor to give notice shall not affect the validity and enforceability of the Statutory Bail-in or Contractual Bail-in nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or the Guarantor or another person, as a result of the exercise of the Statutory Bail-in or the implementation of the Contractual Bail-in with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer, the Guarantor and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer and the Guarantor, shall be borne by any Certificate Holder.

For the purposes of this Condition:

"**Amounts Due**" means any amounts due by the Issuer under the Certificates.

"**Bail-In Power**" means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

"**MREL**" means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

"**Relevant Resolution Authority**" means any authority with the ability to exercise the Bail-in Power on Societe Generale or SG Issuer as the case may be.

2. Certificate Rights and Exercise Expenses

(a) *Certificate Rights*. Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The "**Closing Level**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case:-

(i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event.

"**Market Disruption Event**" means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

(b) *Exercise Expenses*. Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

(c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

4. Exercise of Certificates

(a) *Exercise*. Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).

(b) *Automatic Exercise*. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.

(c) *Settlement*. In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Business Days following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

(d) *CDP not liable*. CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.

(e) *Business Day*. In these Conditions, a "**Business Day**" shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

(a) *Warrant Agent*. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.

(b) *Agent of Issuer*. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

6. Adjustments

(a) *Potential Adjustment Event*. Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.

(b) *Definitions*. "**Potential Adjustment Event**" means any of the following:

(i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

(iii) an extraordinary dividend;

(iv) a call by the Company in respect of the Underlying Stock that is not fully paid;

(v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a "poison pill" being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

(vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.

(c) *Merger Event, Tender Offer, Nationalisation and Insolvency*. If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:

(i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;

(ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or

(iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the "**Option Reference Source**") make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

(d) *Definitions*. "**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. "**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. "**Merger Event**" means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. "**Nationalisation**" means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. "**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

(e) *Other Adjustments*. Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(f) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

7. Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

8. Meetings of Certificate Holders; Modification

(a) *Meetings of Certificate Holders*. The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

(a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.

(b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

12. Delisting

(a) Delisting. If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).

(b) Issuer's Determination. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination

(a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Certificates for any reason, the Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

"**Regulatory Event**" means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the "**Relevant Affiliates**" and each of the Issuer, Société Générale and the Relevant Affiliates, a "**Relevant Entity**") that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

"**Change in law**" means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

(b) *Early Termination for Holding Limit Event*. The Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d) where a Holding Limit Event (as defined below) occurs.

For the purposes of this Condition:

"**Holding Limit Event**" means, assuming the investor is the Issuer and/or any of its affiliates, the Issuer together with its affiliates, in aggregate hold, an interest in the Underlying Stock, constituting or likely to constitute (directly or indirectly) ownership, control or the power to vote a percentage of any class of voting securities of the Underlying Stock, of the Underlying Stock in excess of a percentage permitted or advisable, as determined by the Issuer, for the purpose of its compliance with the Bank Holding Company Act of 1956 as amended by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule), including any requests, regulations, rules, guidelines or directives made by the relevant governmental authority under, or issued by the relevant governmental authority in connection with, such statutes.

(c) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(d) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.

(d) *Termination*. If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

14. Substitution of the Issuer

The Issuer may be replaced by the Guarantor or any subsidiary of the Guarantor as principal obligor in respect of the Certificates without the consent of the relevant Certificate Holders. If the Issuer determines that it shall be replaced by the Guarantor or any subsidiary of the Guarantor (the "**Substituted Obligor**"), it shall give at least 90 days' notice (exclusive of the day on which the notice is given and of the day on which the substitution is effected) specifying the date of the substitution, in accordance with Condition 9, to the Certificate Holders of such event and, immediately on the expiry of such notice, the Substituted Obligor shall become the principal obligor in place of the Issuer and the Certificate Holders shall thereupon cease to have any rights or claims whatsoever against the Issuer.

Upon any such substitution, all references to the Issuer in the Conditions and all agreements relating to the Certificates will be to the Substituted Obligor and the Certificates will be modified as required, and the Certificate Holders will be notified of the modified terms and conditions of such Certificates in accordance with Condition 9.

For the purposes of this Condition, it is expressly agreed that by subscribing to, acquiring or otherwise purchasing or holding the Certificates, the Certificate Holders are expressly deemed to have consented to the substitution of the Issuer by the Substituted Obligor and to the release of the Issuer from any and all obligations in respect of the Certificates and all agreements relating thereto and are expressly deemed to have accepted such substitution and the consequences thereof.

15. Governing Law

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

16. Prescription

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

17. Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

Issuer:	SG Issuer
Company:	AIA Group Limited
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	3,400,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 18 June 2021 (the "**Master Instrument**") and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the "**Master Warrant Agent Agreement**") and made between the Issuer, the Guarantor and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates
Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples

	thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 17 December 2021.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED LONG CERTIFICATES ON SINGLE EQUITIES

What are European Style Cash Settled Long Certificates on Single Equities?

European style cash settled long certificates on single equities (the "**Certificates**") are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Strategy.

A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will increase and are seeking short-term leveraged exposure to the Underlying Stock.

B) Trading the Certificates before Expiry

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

(i) <u>For Certificate Holders who trade the Certificates intraday</u>: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and

(ii) <u>For Certificate Holders who hold the Certificates overnight</u>: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Strategy including the Funding Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees

Daily Fees	=	**Daily Management Fee Adjustment**
		1 – Management Fee x ACT (t-1;t) / 360
		x
		Daily Gap Premium Adjustment
		1 – Gap Premium (t-1) x ACT (t-1;t) / 360

Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

		t[7]=0		t=1		t=2		t=i
Value of Certificates	=	Notional Amount	x	Leverage Strategy daily performance[8] x Daily Fees	x	Leverage Strategy daily performance x Daily Fees	x …	Leverage Strategy Daily performance x Daily Fees

		t=0		**Product of the daily Leverage Strategy Performance**		**Product of the Daily Fees (Hedging Fee Factor)**
Value of Certificates	=	Notional Amount	x	Leverage Strategy daily performance x Leverage Strategy daily performance	x	Daily Fees x Daily Fees

		t=0				
Final Value of Certificates	=	Notional Amount	x	Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate	x	Hedging Fee Factor

Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

[7] "t" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.

[8] Leverage Strategy daily performance is computed as the Leverage Strategy Closing Level on Business Day (t) divided by the Leverage Strategy Closing Level on Business Day (t-1).

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.

Assuming an investor purchases the following Certificates at the Issue Price:

Underlying Stock:	Ordinary shares of AIA Group Limited
Expected Listing Date:	**03/07/2018**
Expiry Date:	**18/07/2018**
Initial Reference Level:	**1,000**
Initial Exchange Rate:	**1**
Final Reference Level:	**1,200**
Final Exchange Rate:	**1**
Issue Price:	**1.20 SGD**
Notional Amount per Certificate:	**1.20 SGD**
Management Fee (p.a.):	**0.40%**
Gap Premium (p.a.):	**6.90%**
Strike Level:	Zero

Hedging Fee Factor

Hedging Fee Factor on the n^{th} Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

HFF(0) = 100%

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\mathrm{HFF}\ (1)\ =\ \mathrm{HFF}\ (0)\ \times\left(1-\text{Management Fee}\ \times\frac{\mathrm{ACT}\ (\mathrm{t}-1;\mathrm{t})}{360}\right)\times\left(1-\text{Gap Premium}\ \times\frac{\mathrm{ACT}\ (\mathrm{t}-1;\mathrm{t})}{360}\right)$$

$$\mathrm{HFF}\ (1)=\ 100\%\ \times\left(1-0.40\%\ \times\frac{1}{360}\right)\times\left(1-6.90\%\ \times\frac{1}{360}\right)$$

$$\mathrm{HFF}\ (1)=\ 100\%\ \times\ 99.9989\%\ \times\ 99.9808\%\ \approx\ 99.9797\%$$

Assuming 2nd Underlying Stock Business Day falls 3 Calendar Days after 1st Underlying Stock Business Day:

$$\mathrm{HFF}\ (2) = \mathrm{HFF}\ (1) \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\ (t-1;t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\ (t-1;t)}{360}\right)$$

$$\mathrm{HFF}\ (2) = 99.9797\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 6.90\% \times \frac{3}{360}\right)$$

$$\mathrm{HFF}\ (2) = 99.9797\% \times 99.9967\% \times 99.9425\% \approx 99.9189\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\mathrm{HFF}\ (n) = \mathrm{HFF}\ (n-1) \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\ (t-1;t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\ (t-1;t)}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6962% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9797%
5/7/2018	99.9594%
6/7/2018	99.9392%
9/7/2018	99.8784%
10/7/2018	99.8581%
11/7/2018	99.8379%
12/7/2018	99.8176%
13/7/2018	99.7974%
16/7/2018	99.7367%
17/7/2018	99.7165%
18/7/2018	99.6962%

Cash Settlement Amount

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

= [(1200 x 1) / (1000 x 1) – 0] x 99.6962%

= 119.64%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.64% x 1.20 SGD

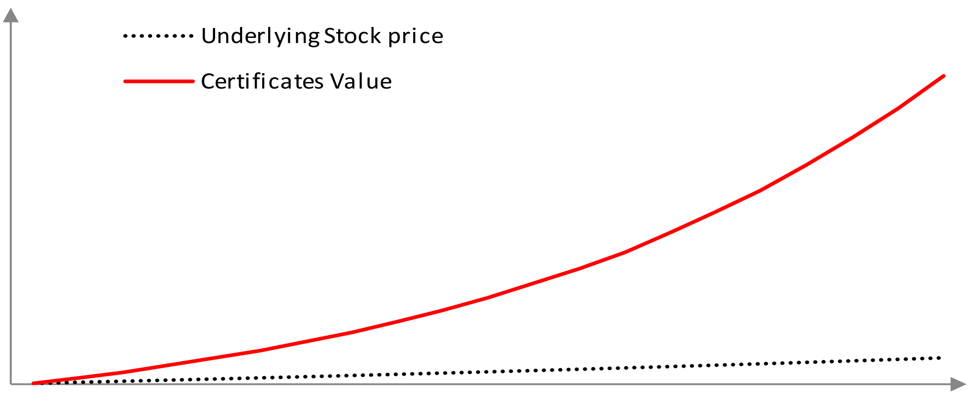
= 1.436 SGD

Illustration on how returns and losses can occur under different scenarios

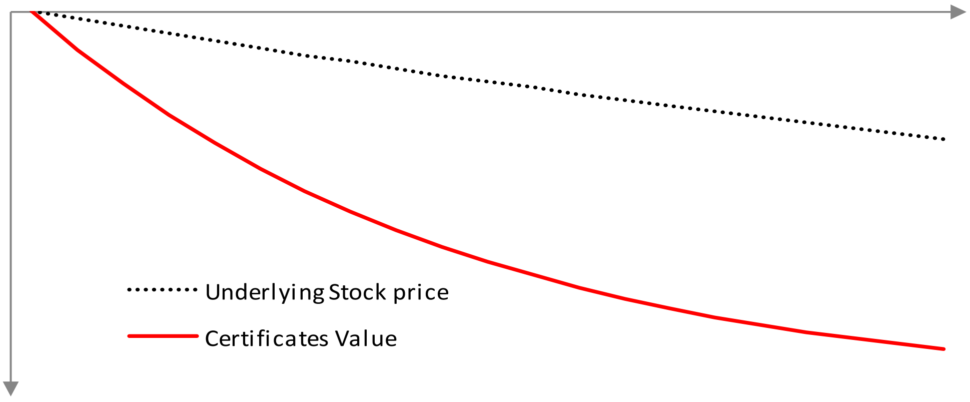
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

1. Illustrative examples

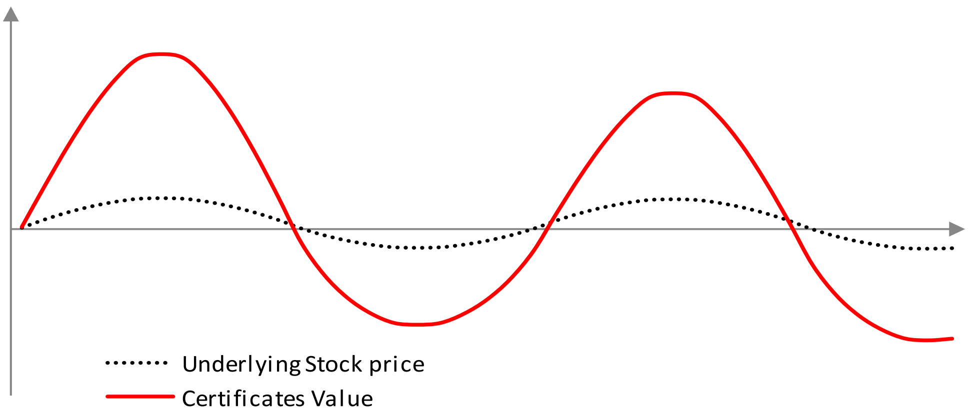
Scenario 1 – Upward Trend



Scenario 2 – Downward Trend



Scenario 3 – Volatile Market



2. Numerical Examples

Scenario 1 – Upward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	2.0%	2.0%	2.0%	2.0%
Value at end of day	10,000.0	10,200.0	10,404.0	10,612.1	10,824.3	11,040.8
Accumulated Return		2.00%	4.04%	6.12%	8.24%	10.41%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	10.0%	10.0%	10.0%	10.0%
Price at end of day	1.2	1.32	1.45	1.60	1.76	1.93
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

Scenario 2 – Downward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Value at end of day	10,000.0	9,800.0	9,604.0	9,411.9	9,223.7	9,039.2
Accumulated Return		-2.00%	-3.96%	-5.88%	-7.76%	-9.61%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	1.2	1.08	0.97	0.87	0.79	0.71
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

Scenario 3 – Volatile Market

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	-2.0%	2.0%	-2.0%	2.0%
Value at end of day	10,000.0	10,200.0	9,996.0	10,195.9	9,992.0	10,191.8
Accumulated Return		2.00%	-0.04%	1.96%	-0.08%	1.92%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	-10.0%	10.0%	-10.0%	10.0%
Price at end of day	1.2	1.32	1.19	1.31	1.18	1.29
Accumulated Return		10.00%	-1.00%	8.90%	-1.99%	7.81%

Description of Air Bag Mechanism

The Certificates integrate an "Air Bag Mechanism" which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, a 30-minute period starts. This period is divided into two sub-periods:

- <u>Observation Period</u> : during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its minimum price is recorded; and
- <u>Reset Period</u>: after 15 minutes, the Leverage Strategy is reset using the minimum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Strategy, 30 minutes after the Air Bag trigger.

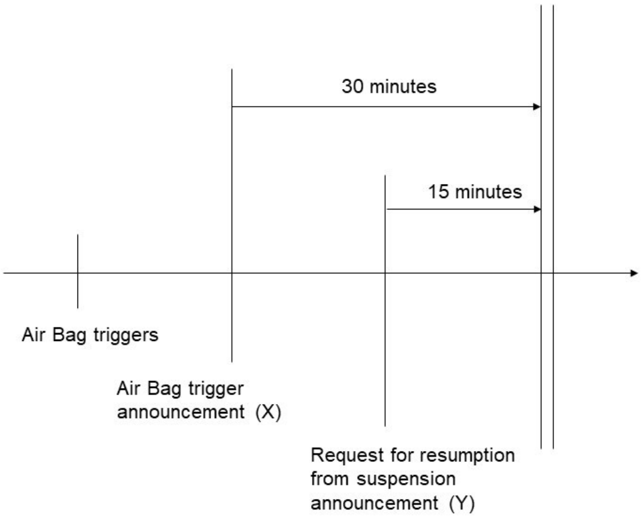
Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. Investors cannot sell or purchase any Certificates during this period.

<u>Air Bag Mechanism timeline</u>

<table>
<tr><th>Air Bag Trigger</th><th>Observation Period</th><th>Resumption of Trading</th></tr>
<tr><td>More than 45 minutes before Market Close</td><td rowspan="5">First 15 minutes after Air Bag Trigger</td><td>Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger</td></tr>
<tr><td>45 minutes before Market Close</td><td rowspan="6">Next trading day at Market Open</td></tr>
<tr><td>30 to 45 minutes before Market Close</td></tr>
<tr><td>30 minutes before Market Close</td></tr>
<tr><td>15 to 30 minutes before Market Close</td></tr>
<tr><td>15 minutes before Market Close</td><td rowspan="2">From Air Bag Trigger to Market Close</td></tr>
<tr><td>Less than 15 minutes before Market Close</td></tr>
</table>

With **Market Close** defined as:

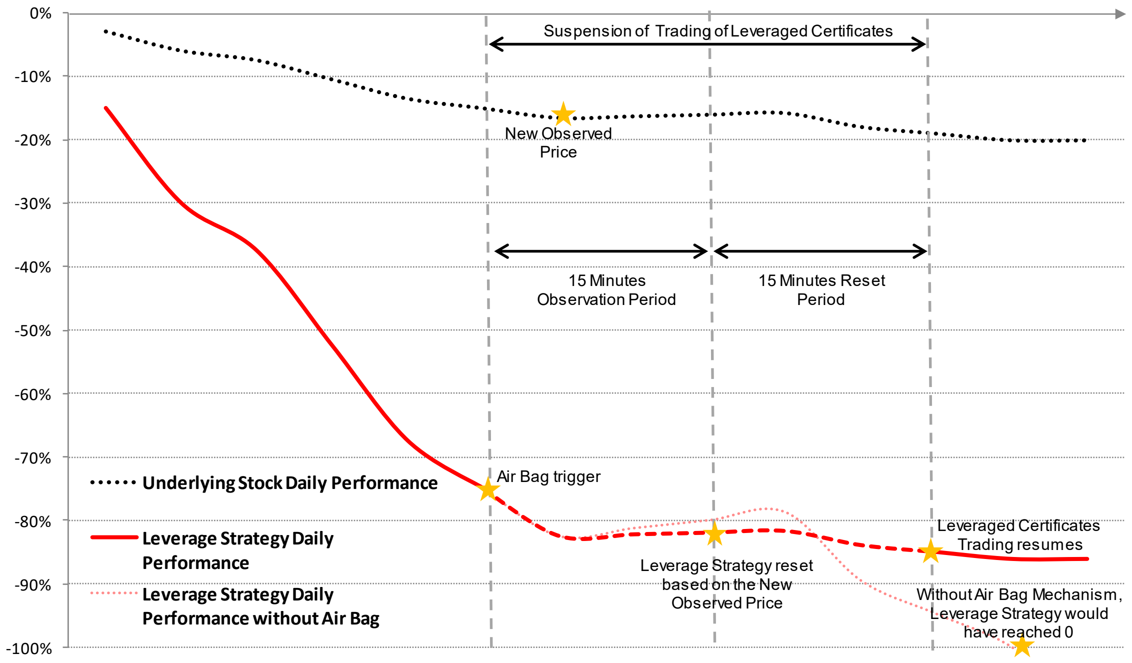
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading



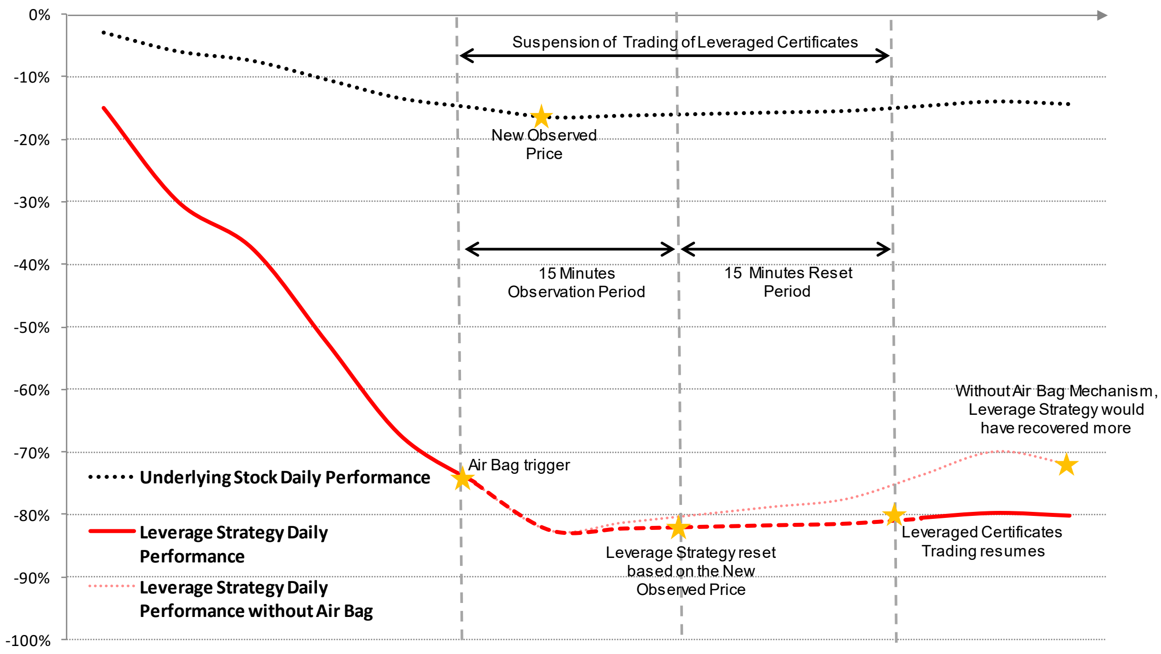
- The later between X+30 minutes or Y+15 minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates.
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing time of the underlying asset, the Certificates will resume at 9 a.m. on the next SGX-ST trading day.

Illustrative examples of the Air Bag Mechanism[9]

Scenario 1 – Downward Trend after Air Bag trigger



Scenario 2 – Upward Trend after Air Bag trigger



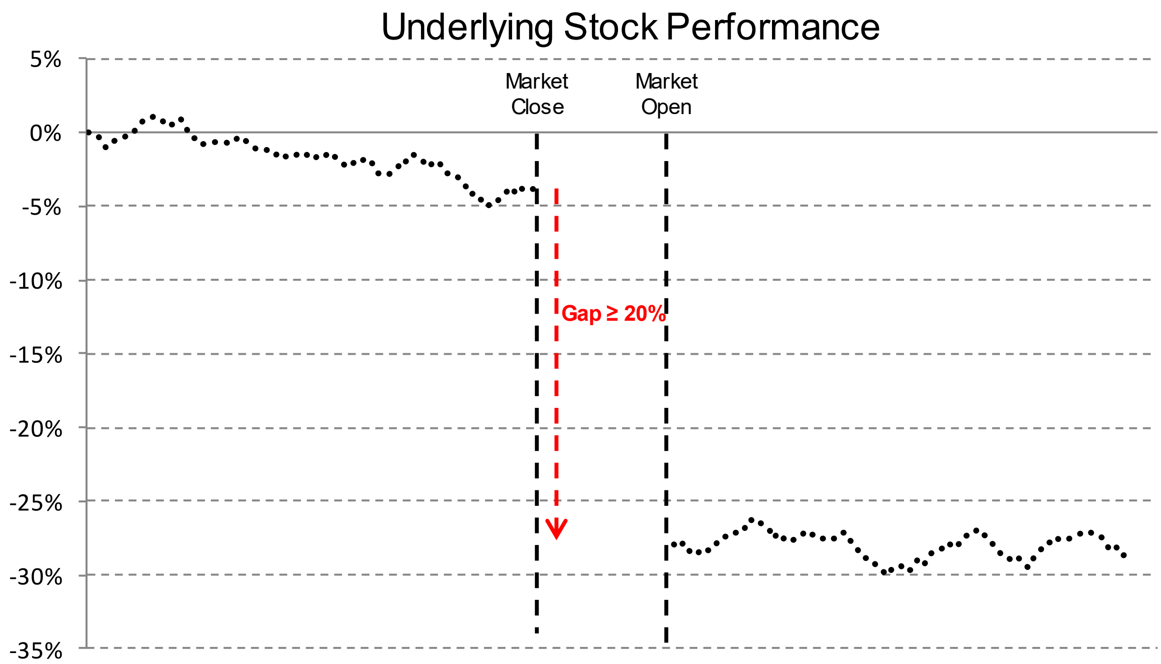
[9] The illustrative examples are not exhaustive.

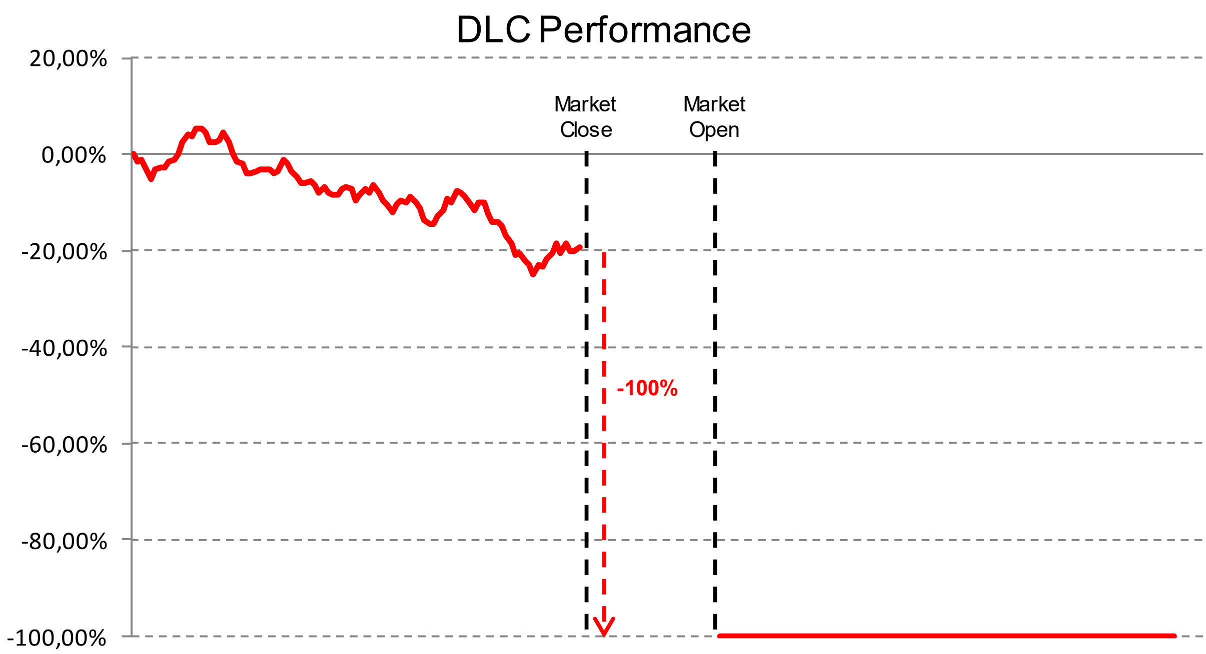
Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

Scenario 1 – Overnight fall of the Underlying Stock

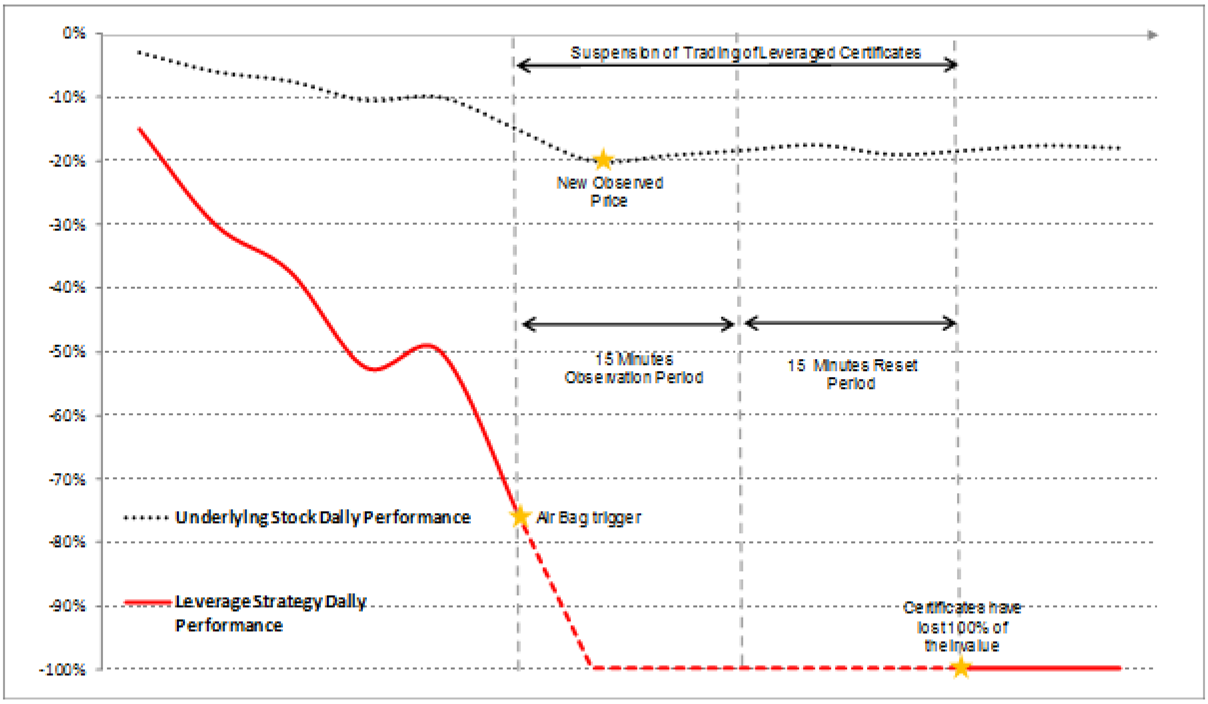
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a “gap”. If the opening price of the Underlying Stock is 20% or more below the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens the following day, and the Certificates would lose their entire value in such event.





<u>Scenario 2 – Sharp intraday fall of the Underlying Stock</u>

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock falls by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



Examples and illustrations of adjustments due to certain corporate actions

The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Observation Date (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{\mathrm{S}_{t-1}}\right] \times \frac{1}{1 + M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of $Rfactor_t$ would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price falls by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$\mathrm{DivExc_t}$ is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

M is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

R is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$\mathrm{S_{t-1}}$ = $100

$\mathrm{S_t}$ = $51

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0)}{100}\right] \times \frac{1}{1+1} = 50\%$$

As a consequence:

$$\mathrm{LR}_{\mathrm{t-1,t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{51}{100 \times 50\%} - 1\right) = 10\%$$

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.32	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to $42.5, which is 15% below $50, the Underlying Stock Reference Price.

2. <u>Share Consolidation</u>

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$\mathrm{S_{t-1}}$ = $100

$\mathrm{S_t}$ = $202

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0)}{100}\right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$\mathrm{LR}_{\mathrm{t-1,t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{202}{100 \times 200\%} - 1\right) = 5\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	200	202	1%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.26	5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to $170, which is 15% below $200, the Underlying Stock Reference Price.

3. <u>Rights Issues</u>

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of $40.

S_{t-1} = $100

S_t = $84

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$0$

R = $40 (i.e. subscription price of $40)

M = 0.5 (i.e. 1 new share for every 2 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100}\right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \mathrm{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = 25\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.50	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to $68, which is 15% below $80, the Underlying Stock Reference Price.

4. <u>Bonus Issues</u>

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

S_{t-1} = \$100

S_t = \$85

$Div_t = \$0$

$DivExc_t = \$0$

R = \$0

M = 0.2 (i.e. 1 new share for 5 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100}\right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{85}{100 \times 83.33\%} - 1\right) = 10\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.32	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$70.83, which is 15% below \$83.33, the Underlying Stock Reference Price.

5. <u>Extraordinary Dividend</u>

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

S_{t-1} = \$100

S_t = \$84

$Div_t = \$0$

$DivExc_t = \$20$

R = \$0

M = 0

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100}\right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right) = 5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = 25\%$$

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.50	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to $68, which is 15% below $80, the Underlying Stock Reference Price.

INFORMATION RELATING TO THE COMPANY

*All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the "**HKExCL**") at http://www.hkex.com.hk and/or the Company's web-site at http://www.aia.com.The Issuer has not independently verified any of such information.*

AIA Group Limited and its subsidiaries (collectively "**AIA**" or the "**Group**") comprise the largest independent publicly listed pan-Asian life insurance group. It 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 and Macau SAR, and a 49 per cent joint venture in India.

The business that is now AIA was first established in Shanghai more than a century ago in 1919. It is a market leader in Asia (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US$330 billion as of 30 June 2021.

AIA meets the long-term savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents, partners and employees across Asia, AIA serves the holders of more than 39 million individual policies and over 16 million participating members of group insurance schemes.

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code "1299" with American Depositary Receipts (Level 1) traded on the over-the-counter market (ticker symbol: "AAGIY").

The information set out in Appendix I of this document relates to the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2021 and has been extracted and reproduced from an announcement by the Company dated 14 September 2021 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at http://www.hkex.com.hk.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker ("**DMM**") for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

(a)	Maximum bid and offer spread	:	(i) when the best bid price of the Certificate is S$10 and below: 10 ticks or S$0.20 whichever is greater; and (ii) when the best bid price of the Certificate is above S$10: 5% of the best bid price of the Certificate.
(b)	Minimum quantity subject to bid and offer spread	:	10,000 Certificates
(c)	Last Trading Day for Market Making	:	The date falling 5 Exchange Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

(i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;

(ii) if the Certificates are valueless (where the Issuer's bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);

(iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;

(iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;

(v) where the Certificates are suspended from trading for any reason;

(vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;

(vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;

(viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;

(ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;

(x) if the stock market experiences exceptional price movement and volatility;

(xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX are not open for dealings; and

(xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR

The information set out in Appendix II of this document is a reproduction of the press release dated 4 November 2021 containing the Guarantor's consolidated financial results for the third quarter ended 30 September 2021.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 105 of the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.

2. Settlement of trades done on a normal "ready basis" on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed "Summary of the Issue" above.

3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.

4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2020 or the Guarantor since 30 September 2021, in the context of the issuance of Certificates hereunder.

5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:

   (a) the Guarantee;

   (b) the Master Instrument; and

   (c) the Master Warrant Agent Agreement.

   None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The Auditors of the Issuer and the Guarantor have given and have not withdrawn their written agreement to the inclusion of the report, included herein, in the form and context in which it is included. Their report was not prepared exclusively for incorporation into this document.

   The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.

7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.

8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.

9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:

   (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;

   (b) the latest financial reports (including the notes thereto) of the Issuer;

   (c) the latest financial reports (including the notes thereto) of the Guarantor;

   (d) the consent letters from the Auditors to the Issuer and the Guarantor referred to in paragraph 6 above;

   (e) the Base Listing Document;

   (f) this document; and

   (g) the Guarantee.

PLACING AND SALE

General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore.

Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong ("**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus", as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

European Economic Area

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2016/97/EU (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the Prospectus Regulation); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

United Kingdom

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

Each dealer further represents and agrees, and each further dealer appointed in respect of the Certificates will be required to further represent and agree, that:

(a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the

Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

United States

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended (the "**Commodity Exchange Act**") and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (ii) it is not purchasing any Certificates for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised or otherwise redeemed on behalf of a U.S. person. No payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term "**United States**" includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term

“**U.S. person**” means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986, or (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the “**CEA**”) or any rules thereunder of the CFTC (the “**CFTC Rules**”), guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a “Non-United States person” defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not “Non-United States persons”, shall be considered a U.S. person).

APPENDIX I

REPRODUCTION OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 OF AIA GROUP LIMITED AND ITS SUBSIDIARIES

The information set out below is a reproduction of the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2021 and has been extracted and reproduced from an announcement by the Company dated 14 September 2021 in relation to the same.

FINANCIAL SUMMARY

Performance Highlights

US$ millions, unless otherwise stated	Six months ended 30 Jun 2021	Six months ended 30 Jun 2020	YoY CER	YoY AER
New Business Value				
Value of new business (VONB)	**1,814**	1,410	**22%**	29%
VONB margin	**59.0%**	54.4%	**4.2 pps**	4.6 pps
Annualised new premiums (ANP)	**3,060**	2,579	**13%**	19%
EV Operating Profit				
Embedded value (EV) operating profit	**4,092**	3,878	**1%**	6%
Operating return on EV	**12.9%**	12.9%	**(0.3) pps**	–
Basic EV operating earnings per share (US cents)	**33.92**	32.17	**1%**	5%
IFRS Earnings				
Operating profit after tax (OPAT)	**3,182**	2,933	**5%**	8%
Operating return on shareholders' allocated equity	**12.8%**	13.2%	**(0.5) pps**	(0.4) pps
Total weighted premium income (TWPI)	**18,511**	16,926	**5%**	9%
Operating earnings per share (US cents)				
– Basic	**26.37**	24.33	**5%**	8%
– Diluted	**26.33**	24.29	**5%**	8%
Underlying Free Surplus Generation				
Underlying free surplus generation	**3,374**	3,049	**6%**	11%
Dividends				
Dividend per share (HK cents)	**38.00**	35.00	**n/a**	8.6%

US$ millions, unless otherwise stated	As at 30 Jun 2021	As at 31 Dec 2020	Change CER	Change AER
Embedded Value				
EV Equity	**70,102**	67,185	**5%**	4%
Embedded value	**68,179**	65,247	**5%**	4%
Free surplus	**17,907**	13,473	**28%**	33%
EV Equity per share (US cents)	**579.50**	555.48	**5%**	4%
Equity and Capital				
Shareholders' allocated equity	**48,871**	48,030	**3%**	2%
Group LCSM cover ratio*	**412%**	374%	**n/a**	38 pps
Shareholders' allocated equity per share (US cents)	**403.99**	397.11	**3%**	2%

* Please refer to Note 8.

New Business Performance by Segment

US$ millions, unless otherwise stated	**Six months ended 30 Jun 2021** VONB	VONB Margin	ANP	Six months ended 30 Jun 2020 VONB	VONB Margin	ANP	**VONB Change** YoY CER	YoY AER
Mainland China**	**738**	**82.1%**	**899**	594	81.8%	726	**15%**	24%
Hong Kong	**313**	**57.5%**	**505**	306	51.0%	565	**2%**	2%
Thailand	**312**	**93.5%**	**333**	199	63.9%	312	**52%**	57%
Singapore	**176**	**63.2%**	**279**	127	59.3%	214	**32%**	39%
Malaysia	**157**	**61.7%**	**253**	81	50.5%	159	**89%**	94%
Other Markets	**253**	**32.1%**	**791**	240	39.7%	603	**(1)%**	5%
Subtotal	**1,949**	**62.9%**	**3,060**	1,547	59.3%	2,579	**20%**	26%
Adjustment to reflect consolidated reserving and capital requirements	**(31)**	**n/m**	**n/m**	(50)	n/m	n/m	**n/m**	n/m
After-tax value of unallocated Group Office expenses	**(88)**	**n/m**	**n/m**	(77)	n/m	n/m	**n/m**	n/m
Total before non-controlling interests	**1,830**	**59.0%**	**3,060**	1,420	54.4%	2,579	**22%**	29%
Non-controlling interests	**(16)**	**n/m**	**n/m**	(10)	n/m	n/m	**n/m**	n/m
Total	**1,814**	**59.0%**	**3,060**	1,410	54.4%	2,579	**22%**	29%

** Please refer to Note 10.

Notes:

(1) A presentation for analysts and investors, hosted by Lee Yuan Siong, Group Chief Executive and President, was held on 17 August 2021.

The webcast of the presentation and presentation slides are available on AIA's website:

http://www.aia.com/en/investor-relations/results-presentations.html

(2) All figures are presented in actual reporting currency (US dollar) and based on actual exchange rates (AER) unless otherwise stated. Change on constant exchange rates (CER) is calculated using constant average exchange rates for the first half of 2021 and for the first half of 2020, other than for balance sheet items that use CER as at 30 June 2021 and as at 31 December 2020.

(3) Change is shown on a year-on-year basis unless otherwise stated.

(4) VONB is calculated based on assumptions applicable at the point of sale.

VONB for the Group excludes VONB attributable to non-controlling interests.

ANP and VONB for Other Markets included the results from our 49 per cent shareholding in Tata AIA Life Insurance Company Limited (Tata AIA Life).

(5) VONB includes pension business. ANP and VONB margin exclude pension business and are reported before deduction of non-controlling interests.

(6) OPAT and operating earnings per share are shown after non-controlling interests unless otherwise stated.

(7) Operating return on EV is calculated as EV operating profit, expressed as a percentage of the opening embedded value. Operating return on shareholders' allocated equity is calculated as operating profit after tax attributable to shareholders of AIA Group Limited, expressed as a percentage of the simple average of opening and closing shareholders' allocated equity. Both are measured on an annualised basis.

(8) In 2021, the Hong Kong Insurance Authority implemented the new group-wide supervision (GWS) framework. On 14 May 2021, AIA Group Limited became a designated insurance holding company and is now subject to the GWS framework in Hong Kong including the Insurance (Group Capital) Rules. The Group LCSM cover ratio is the ratio of group available capital to group minimum capital requirement based on the Local Capital Summation Method (LCSM).

The comparative figure as at 31 December 2020, as previously disclosed in our Annual Report 2020, was based on our understanding of the likely application of the GWS framework to the Group at the time, the key difference being the exclusion of US$5,810 million of senior notes not then approved as contributing to Group available capital.

(9) In the context of our reportable segments, Hong Kong refers to operations in Hong Kong Special Administrative Region (SAR) and 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.

(10) Following the conversion of AIA Company Limited's Shanghai branch into a wholly-owned subsidiary, VONB from AIA China is reported after the deduction of 5 per cent withholding tax since July 2020. For clarity, the comparative figure for the first half of 2020 has not been adjusted.

(11) The results of Tata AIA Life are accounted for the six-month period ended 31 March 2021 and the six-month period ended 31 March 2020 in AIA's consolidated results for the first half of 2021 and the first half of 2020, respectively.

The IFRS results of Tata AIA Life are accounted for using the equity method. For clarity, TWPI does not include any contribution from Tata AIA Life.

(12) AIA's financial information in this Financial Summary is based on the unaudited interim condensed consolidated financial statements and supplementary embedded value information for the first half of 2021, unless otherwise stated.

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GROUP CHIEF EXECUTIVE AND PRESIDENT'S REPORT

As communities everywhere accept and adjust to changing their ways of living, 2021 is proving to be a year of transition. Around the world, the deployment of COVID-19 vaccination programmes has met with diverse challenges, but they have also brought a sense of renewed hope. We are cautiously optimistic that, with a wider roll-out of vaccines and new therapeutics, severity of illness will reduce further, health systems cope better, mortality rates significantly improve and ultimately, the worst effects of the pandemic will be curtailed.

Throughout this time our people have been outstanding, ensuring the continued safety and well-being of our staff, adapting to new ways of working and providing uninterrupted support for our customers. We continue to extend wide-ranging COVID-19 relief measures across our markets including free protection cover, financial assistance, access to health resources, donations of vaccines and use of our facilities for medical services.

The increasing demand for our products and strong business momentum that has been building since last year continued into the first half of 2021, driving growth in all our key financial metrics. Value of new business (VONB) of US$1,814 million was up by 22 per cent compared to the first half of 2020. Our geographical diversification is a primary competitive advantage and VONB growth was broad-based. All reportable segments exceeded pre-pandemic levels of the first half of 2019, except Hong Kong, where ongoing travel restrictions have affected new business sales to Mainland Chinese visitors. Our proprietary Premier Agency delivered excellent VONB growth of 25 per cent and we have also seen a greater demand for protection products which accounted for more than 60 per cent of VONB.

AIA China was once again the largest contributor to the Group's VONB with very strong growth of 20 per cent on a like-for-like basis[(1)]. I am delighted that we have made excellent progress with our geographical expansion plans and received approval for our newest operations in Sichuan province in March 2021, launching with more than 400 new Premier Agents. Just three months later, we received approval from the China Banking and Insurance Regulatory Commission (CBIRC) to begin preparations for our first branch in Hubei province.

The Group's large and growing in-force portfolio with high-quality, recurring sources of earnings supported an increase of 5 per cent in operating profit after tax (OPAT) to US$3,182 million and underlying free surplus generation (UFSG) grew by 6 per cent to US$3,374 million. We also achieved a record high for EV Equity which exceeded US$70 billion. Our capital position is very strong with free surplus of US$17.9 billion and Group LCSM cover ratio of 412 per cent.

We expect that the new Hong Kong Risk-based Capital regime (HKRBC) rules will be finalised in 2021 and anticipate that our regulatory capital position will remain very strong on this basis. Subject to finalisation, we intend to provide an update on the Group's capital position including the new HKRBC rules, together with our capital management plans, at our 2021 annual results announcement.

The board of Directors (Board) has declared an increase in interim dividend of 8.6 per cent to 38.00 Hong Kong cents per share. This reflects the Group's strong business performance and financial position. The Board follows AIA's established prudent, sustainable and progressive dividend policy, allowing for the significant future growth opportunities and financial flexibility of the Group.

AIA's strong performance in the first half of 2021 demonstrates the resilience of the Group's operations and that we are executing the right strategic priorities to build on our strong competitive advantages. A step change in technology, digital and analytics is at the heart of our strategy. Since the beginning of the year, we have made impressive progress with our adoption of cloud technology and more than 50 per cent of our infrastructure is now hosted in the cloud, outpacing the global financial services and insurance industry average of 16 per cent. This has supported a substantial improvement in straight-through-processing rates for purchases and other customer services. I am confident that we will achieve our ambition to be a global leader in the use of technology, enabling us to transform AIA's customer experience, distribution and operational efficiency.

Our investments in analytics-powered digital tools to support our unrivalled distribution are helping us to engage with customers in new ways as we meet their evolving needs for long-term financial protection. We have embedded social media connectivity directly into our agency digital platforms, expanding customer outreach and generating more than one million customer leads in the first half. We have over 100 major projects in 2021 that employ artificial intelligence and analytics, enhancing every aspect of our business, including recruitment, training, underwriting and claims.

AIA's growing analytics capabilities also improve our understanding of customer needs and inform the design of our compelling propositions. Our Health and Wellness Ecosystem brings together AIA Vitality, customised incentive-based rewards and access to leading health services that keep our customers healthier for longer. Since the beginning of the pandemic, the importance of good health has been top-of-mind for consumers, driving increased demand for our protection products, including exceptional VONB growth from AIA Vitality integrated products of more than 70 per cent.

Strategic investments enhance the reach of our business and create additional opportunities for growth. In July 2021, we launched our exclusive 15-year bancassurance partnership with The Bank of East Asia, Limited (BEA) covering Hong Kong and Mainland China. This new partnership provides access to more than 1.2 million domestic customers in Hong Kong, a top-three foreign bank franchise in Mainland China and additional capabilities to harness the immense potential for AIA across the Greater Bay Area.

In June 2021, we also announced an agreement to acquire a 24.99 per cent equity stake in China Post Life Insurance Co., Ltd. (China Post Life), subject to securing all necessary regulatory approvals. China Post Life has access to around 40,000 financial outlets nationwide and more than 600 million retail customers through the largest retail financial distribution network in Mainland China. AIA's investment in China Post Life increases the Group's exposure to the growth opportunities in the Chinese life insurance market and enables AIA to capture the significant value available from distribution channels and customer segments that are complementary to our existing strategy in Mainland China.

AIA has many significant advantages that distinguish us from our competitors and these would not be possible without our 23,000 employees who embody our Purpose of helping people live Healthier, Longer, Better Lives. As we transform AIA into a simpler, faster and more connected organisation, we are creating an empowered organisation of the future that further strengthens our competitive advantages and leadership position in the region. By combining our existing strengths with the best talent, I am certain that we will deliver our clear and ambitious growth strategy.

The global impacts of Environmental, Social and Governance (ESG) issues are of enormous importance and we continue to incorporate ESG considerations that drive tangible and measurable outcomes within our operations. I am very proud that AIA is a recent signatory to the United Nations Environment Programme Finance Initiative's Principles for Sustainable Insurance. I am certain that the execution of our five strategic focus areas of improving health and wellness, green operations, sustainable investment, people and culture, and effective governance will enable us to play our part in shaping a brighter and more sustainable future.

OUTLOOK

After the strong rebound in the second half of last year, global economic activity gained further traction in the first half of 2021. While low vaccination rates in some countries have contributed to a rise in COVID-19 infections and the threat of more highly transmissible variants emerging persists, early evidence suggests that achieving widespread vaccination has the potential to be a crucial turning point in the fight against the disease. Although the lasting effects of the pandemic are far from over, I am confident that our businesses are equipped with innovative technologies and digital tools that enable them to navigate disruption better than before.

The long-term prospects for AIA's businesses remain exceptional despite the near-term uncertainty. The strong domestic drivers of demand and major demographic trends in Asia will continue to drive an increasing need for our products. As we focus on delivering our strategic priorities, we will build on AIA's substantial competitive advantages and strong track record of growth while creating shared value for all our stakeholders.

Lee Yuan Siong
Group Chief Executive and President
17 August 2021

Growth rates are shown on constant exchange rates as management believes this provides a clearer picture of the year-on-year performance of the underlying business.

Note:
(1) The like-for-like basis compares the results for AIA China gross of 5 per cent withholding tax which has been applied since July 2020 following subsidiarisation.

FINANCIAL AND OPERATING REVIEW

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

Growth rates and commentaries are provided on a constant exchange rate (CER) basis.

Summary and Key Financial Highlights

AIA has delivered strong financial results with growth across all our key metrics of value of new business (VONB), operating profit after tax (OPAT), embedded value (EV) operating profit and underlying free surplus generation (UFSG). This broad-based performance demonstrates the resilience and diversity of our business with VONB exceeding the pre-pandemic levels of the first half of 2019 for each of our reportable segments except Hong Kong. Free surplus has grown significantly and EV Equity reached a record high. Our very strong financial position, reflected in the Group Local Capital Summation Method (LCSM) cover ratio of 412 per cent, allowed us to finance our organic new business growth and shareholder value-enhancing inorganic opportunities, as well as to deliver a progressive increase in interim dividend. We expect that the new Hong Kong Risk-based Capital regime (HKRBC) rules will be finalised in 2021 and anticipate that our regulatory capital position will remain very strong on this basis. Subject to finalisation, we intend to provide an update on the Group's capital position including the new HKRBC rules, together with our capital management plans, at our 2021 annual results announcement.

VONB grew by 22 per cent to US$1,814 million, reflecting our geographical diversification across Asia, our market-leading positions and the strength of our unrivalled, multi-channel distribution. Growth in VONB was broad-based with 11 markets delivering a double-digit increase and all of our reportable segments except Hong Kong exceeding pre-pandemic levels of the first half of 2019.

VONB from our agency channel grew by 25 per cent and accounted for 82 per cent of the Group's total VONB. While travel restrictions continue to limit sales to Mainland Chinese visitors, resulting in reduced business from our retail independent financial adviser (IFA) channel in Hong Kong, VONB from our partnership distribution channel remained broadly stable compared with the first half of 2020.

ANP of US$3,060 million grew by 13 per cent, and VONB margin increased by 4.2 pps to 59.0 per cent driven by a positive shift in product mix towards protection and unit-linked business, higher government bond yields and a reduction in acquisition expense overruns reflecting the strong recovery in new business volumes.

EV Equity reached US$70,102 million, driven by EV operating profit of US$4,092 million and positive investment return variances of US$1,019 million, which reflected a rise in government bond yields and a strong equity market performance. Long-term economic assumptions remained unchanged from those reported at the end of 2020. EV operating profit included US$363 million from positive operating variances as our overall experience has continued to be positive compared with our EV assumptions. The growth in EV Equity is reported after the payment of the final shareholder dividend for 2020 of US$1,558 million.

Our high-quality, recurring sources of earnings and proactive management of our growing in-force portfolio delivered OPAT of US$3,182 million and a stable operating margin of 17.3 per cent. OPAT growth of 5 per cent included the effect of 5 per cent withholding tax for AIA China post subsidiarisation and a normalisation of claims compared with the exceptionally low levels reported in the first half of 2020 as previously disclosed. Underlying OPAT growth was 8 per cent excluding these items. Renewal premiums received increased by 9 per cent and total recurring premiums accounted for over 90 per cent of premiums received in the first half of 2021.

The Group's financial position remained very strong with free surplus growing to US$17,907 million at 30 June 2021, supported by strong UFSG of US$3,374 million and positive investment return variances from higher government bond yields.

On 14 May 2021, AIA Group Limited became a designated insurance holding company and subject to the group-wide supervision (GWS) framework in Hong Kong including the Insurance (Group Capital) Rules (GWS Capital Rules). Under the GWS framework, the Group LCSM cover ratio was very strong at 412 per cent as at 30 June 2021.

The board of directors (Board) has declared an increase of 8.6 per cent in the interim dividend to 38.00 Hong Kong cents per share. This follows AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

The Group announced in March 2021 that it had reached an agreement to enter into a new exclusive 15-year strategic bancassurance partnership with The Bank of East Asia, Limited (BEA) covering Hong Kong and Mainland China. As part of the agreement, the Group also agreed to acquire 100 per cent of BEA Life Limited, a wholly-owned subsidiary of BEA, and a closed portfolio of life insurance policies underwritten by Blue Cross (Asia-Pacific) Insurance Limited. The total gross consideration with respect to these transactions is HK$5,070 million (approximately US$650 million). As at 17 August 2021, the necessary regulatory approval for the acquisition of the shares of BEA Life Limited has been obtained and the completion of that acquisition is expected to take place shortly.

The Group announced in June 2021 that it had reached an agreement to invest RMB12,033 million (approximately US$1,860 million) through AIA Company Limited (AIA Co.) for a 24.99 per cent equity stake (post investment) in China Post Life Insurance Co., Ltd. The completion of this transaction remains subject to securing all necessary regulatory approvals.

New Business Performance

VONB, ANP AND MARGIN BY SEGMENT

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**			Six months ended 30 June 2020			**VONB Change**	
	VONB	**VONB Margin**	**ANP**	VONB	VONB Margin	ANP	**YoY CER**	YoY AER
Mainland China	**738**	**82.1%**	**899**	594	81.8%	726	**15%**	24%
Hong Kong	**313**	**57.5%**	**505**	306	51.0%	565	**2%**	2%
Thailand	**312**	**93.5%**	**333**	199	63.9%	312	**52%**	57%
Singapore	**176**	**63.2%**	**279**	127	59.3%	214	**32%**	39%
Malaysia	**157**	**61.7%**	**253**	81	50.5%	159	**89%**	94%
Other Markets	**253**	**32.1%**	**791**	240	39.7%	603	**(1)%**	5%
Subtotal	**1,949**	**62.9%**	**3,060**	1,547	59.3%	2,579	**20%**	26%
Adjustment to reflect consolidated reserving and capital requirements	**(31)**	**n/m**	**n/m**	(50)	n/m	n/m	**n/m**	n/m
After-tax value of unallocated Group Office expenses	**(88)**	**n/m**	**n/m**	(77)	n/m	n/m	**n/m**	n/m
Total before non-controlling interests	**1,830**	**59.0%**	**3,060**	1,420	54.4%	2,579	**22%**	29%
Non-controlling interests	**(16)**	**n/m**	**n/m**	(10)	n/m	n/m	**n/m**	n/m
Total	**1,814**	**59.0%**	**3,060**	1,410	54.4%	2,579	**22%**	29%

VONB grew by 22 per cent to US$1,814 million, reflecting our geographical diversification across Asia, our market-leading positions and the strength of our unrivalled, multi-channel distribution. Growth in VONB was broad-based with 11 markets delivering a double-digit increase and all of our reportable segments except Hong Kong exceeding pre-pandemic levels of the first half of 2019.

VONB from our agency channel grew by 25 per cent and accounted for 82 per cent of the Group's total VONB. While travel restrictions continue to limit sales to Mainland Chinese visitors, resulting in reduced business from our retail IFA channel in Hong Kong, VONB from our partnership distribution channel remained broadly stable compared with the first half of 2020.

ANP of US$3,060 million grew by 13 per cent, and VONB margin increased by 4.2 pps to 59.0 per cent driven by a positive shift in product mix towards protection and unit-linked business, higher government bond yields and a reduction in acquisition expense overruns reflecting the strong recovery in new business volumes.

AIA China delivered VONB growth of 20 per cent on a like-for-like basis that excludes the impact of 5 per cent withholding tax applied since July 2020 (15 per cent on a reported basis) and exceeded the pre-pandemic level of the first half of 2019. Our agency force remains a key competitive advantage, as a high adoption level for our comprehensive suite of digital tools supported a strong improvement in productivity in the first half of 2021. We continued to expand our geographical footprint in Mainland China with the launch of our newest operation in Sichuan province. In June 2021, we also received approval to begin preparations to establish a new branch in Hubei province.

AIA Hong Kong's domestic customer segment saw VONB growth of 16 per cent in the first half of 2021. VONB for the business overall increased by 2 per cent as the domestic customer segment growth was partly offset by reduced sales to the Mainland Chinese visitor customer segment. Our Premier Agency remained the clear market leader in agency distribution, which was supported by a double-digit increase in new recruits. Sales to Mainland Chinese visitors in our Macau branch increased progressively and contributed over one-third of AIA Macau's total ANP in the first half of 2021.

AIA Thailand delivered VONB growth of 52 per cent compared to the first half of 2020, which represented a substantial increase from the pre-pandemic level of 2019. VONB margin increased to 93.5 per cent, supported by a significant shift in product mix towards traditional protection and regular premium unit-linked products.

AIA Singapore achieved excellent VONB growth of 32 per cent compared to the first half of 2020. This was driven by very strong improvements in agent productivity, as we continued to support our Premier Agency by enhancing our digital tools and platforms.

AIA Malaysia reported excellent VONB growth of 89 per cent with the absolute level of VONB 20 per cent higher than the first half of 2019. We continued to focus on executing our Premier Agency strategy and delivered a strong double-digit increase in active agents, while our partnership with Public Bank Berhad delivered a very strong performance.

In Other Markets, we delivered 10 per cent VONB growth after excluding the one-off contribution from Commonwealth Bank of Australia (CBA) in the first half of 2020. This result was supported by double-digit VONB growth from Indonesia, South Korea and Vietnam.

EV Equity

EV OPERATING PROFIT

EV operating profit was US$4,092 million for the first half of 2021. The strong growth in VONB was partially offset by a lower expected return on EV due to the reduction in government bond yields and long-term economic assumptions in 2020. Annualised operating return on EV (operating ROEV) was 12.9 per cent. Operating variances were positive at US$363 million and cumulatively, since our initial public offering (IPO) in 2010, have added more than US$3.5 billion to EV Equity.

EV OPERATING EARNINGS PER SHARE – BASIC

	Six months ended 30 June 2021	Six months ended 30 June 2020	**YoY CER**	YoY AER
EV operating profit (US$ millions)	**4,092**	3,878	**1%**	6%
Weighted average number of ordinary shares (millions)	**12,065**	12,055	**n/a**	n/a
Basic EV operating earnings per share (US cents)	**33.92**	32.17	**1%**	5%

EV OPERATING EARNINGS PER SHARE – DILUTED

	Six months ended 30 June 2021	Six months ended 30 June 2020	**YoY CER**	YoY AER
EV operating profit (US$ millions)	**4,092**	3,878	**1%**	6%
Weighted average number of ordinary shares[(1)] (millions)	**12,087**	12,074	**n/a**	n/a
Diluted EV operating earnings per share[(1)] (US cents)	**33.85**	32.12	**1%**	5%

Note:

(1) Diluted EV operating earnings per share including the dilutive effects, if any, of the awards of share options, restricted share units, restricted stock purchase units (RSPUs) and restricted stock subscription units (RSSUs) granted to eligible directors, officers, employees and agents under the share-based compensation plans as described in note 40 to the consolidated financial statements in our Annual Report 2020.

EV MOVEMENT

EV grew to US$68,179 million at 30 June 2021. The growth in EV is reported after the payment of the final shareholder dividend for 2020 of US$1,558 million. The increase was mainly driven by EV operating profit of US$4,092 million and positive investment return variances of US$1,019 million, which reflected a rise in government bond yields and a strong equity market performance. Long-term economic assumptions remained unchanged from those reported at the end of 2020. The effect of foreign exchange translation movements was negative US$612 million.

An analysis of the movement in EV is shown as follows:

US$ millions, unless otherwise stated	**Six months ended 30 June 2021** ANW	VIF	EV
	ANW	**VIF**	**EV**
Opening EV	**28,503**	**36,744**	**65,247**
Value of new business	**(400)**	**2,214**	**1,814**
Expected return on EV	**2,456**	**(391)**	**2,065**
Operating experience variances	**471**	**(85)**	**386**
Operating assumption changes	**42**	**(65)**	**(23)**
Finance costs	**(150)**	**–**	**(150)**
EV operating profit	**2,419**	**1,673**	**4,092**
Investment return variances	**1,482**	**(463)**	**1,019**
Other non-operating variances	**833**	**(794)**	**39**
Total EV profit	**4,734**	**416**	**5,150**
Dividends	**(1,558)**	**–**	**(1,558)**
Other capital movements	**(48)**	**–**	**(48)**
Effect of changes in exchange rates	**(86)**	**(526)**	**(612)**
Closing EV	**31,545**	**36,634**	**68,179**

US$ millions, unless otherwise stated	Six months ended 30 June 2020		
	ANW	VIF	EV
Opening EV	28,241	33,744	61,985
Value of new business	(363)	1,773	1,410
Expected return on EV	2,844	(654)	2,190
Operating experience variances	494	(69)	425
Operating assumption changes	(152)	116	(36)
Finance costs	(111)	–	(111)
EV operating profit	2,712	1,166	3,878
Investment return variances	(3,076)	(302)	(3,378)
Effect of changes in economic assumptions	33	(968)	(935)
Other non-operating variances	426	(91)	335
Total EV profit	95	(195)	(100)
Dividends	(1,452)	–	(1,452)
Other capital movements	61	–	61
Effect of changes in exchange rates	(323)	(597)	(920)
Closing EV	26,622	32,952	59,574

EV EQUITY

US$ millions, unless otherwise stated	**As at 30 June 2021**	As at 31 December 2020
EV	**68,179**	65,247
Goodwill and other intangible assets[1]	**1,923**	1,938
EV Equity	**70,102**	67,185

Note:

(1) Consistent with the interim condensed consolidated financial statements. Net of tax, amounts attributable to participating funds and non-controlling interests.

EV AND VONB SENSITIVITIES

Sensitivities to EV and VONB arising from changes to central assumptions from equity price and interest rate movements, and including the impacts of management actions, are shown below. The interest rate sensitivities apply a 50 basis points movement in current government bond yields, our long-term investment return assumptions and risk discount rates. The interest rate sensitivities are small as at 30 June 2021, and primarily driven by the market interest rate level and the characteristics of the underlying assets and liabilities by business unit.

US$ millions, unless otherwise stated	**As at 30 June 2021** EV	**As at 30 June 2021** % Change	As at 31 December 2020 EV	As at 31 December 2020 % Change
Central value	**68,179**		65,247	
Impact of equity price changes				
10 per cent increase in equity prices	**1,312**	**1.9%**	1,099	1.7%
10 per cent decrease in equity prices	**(1,307)**	**(1.9)%**	(1,095)	(1.7)%
Impact of interest rate changes				
50 basis points increase in interest rates	**90**	**0.1%**	652	1.0%
50 basis points decrease in interest rates	**(533)**	**(0.8)%**	(1,294)	(2.0)%

US$ millions, unless otherwise stated	**Six months ended 30 June 2021** VONB	**Six months ended 30 June 2021** % Change	Six months ended 30 June 2020 VONB	Six months ended 30 June 2020 % Change
Central value	**1,814**		1,410	
Impact of interest rate changes				
50 basis points increase in interest rates	**50**	**2.8%**	102	7.2%
50 basis points decrease in interest rates	**(66)**	**(3.6)%**	(159)	(11.3)%

Please refer to Section 3 of the Supplementary Embedded Value Information for additional information.

IFRS Profit

OPAT[1] BY SEGMENT

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
Mainland China	**722**	640	**4%**	13%
Hong Kong	**1,055**	1,005	**5%**	5%
Thailand	**485**	478	**(1)%**	1%
Singapore	**339**	303	**8%**	12%
Malaysia	**194**	148	**25%**	31%
Other Markets	**391**	333	**12%**	17%
Group Corporate Centre	**(4)**	26	**n/m**	n/m
Total	**3,182**	2,933	**5%**	8%

Note:
(1) Attributable to shareholders of the Company only, excluding non-controlling interests.

Our high-quality, recurring sources of earnings and proactive management of our growing in-force portfolio delivered OPAT of US$3,182 million and a stable operating margin of 17.3 per cent. OPAT growth of 5 per cent included the effect of 5 per cent withholding tax for AIA China post subsidiarisation and a normalisation of claims compared with the exceptionally low levels reported in the first half of 2020 as previously disclosed. Underlying OPAT growth was 8 per cent excluding these items. Renewal premiums received increased by 9 per cent and total recurring premiums accounted for over 90 per cent of premiums received in the first half of 2021.

Mainland China achieved a 4 per cent increase in OPAT, including the introduction of withholding tax following subsidiarisation. Excluding this item, OPAT growth was 10 per cent. Higher earnings from our growing in-force portfolio more than offset the normalisation of medical claims relative to the first half of 2020.

Hong Kong reported OPAT growth of 5 per cent, supported by underlying business growth and higher investment returns. Claims experience for the first half of 2021 was not as positive as the exceptional experience in the first half of 2020.

Thailand's OPAT remained broadly stable as strong earnings from new business was offset by adverse lapse experience and lower investment returns.

Singapore's OPAT increased by 8 per cent as a result of growth in our in-force portfolio and increased returns on investments.

Malaysia delivered OPAT growth of 25 per cent in the first half of 2021. As previously highlighted, a one-off provision due to an industry-wide initiative to identify and pay accumulated unreported death claims significantly reduced OPAT in the first half of 2020. Excluding this provision, Malaysia's OPAT grew by 7 per cent.

OPAT in Other Markets increased by 12 per cent, mainly driven by underlying business growth and positive claims experience from disability insurance policies in Australia.

Annualised operating ROE reduced slightly to 12.8 per cent as higher average shareholders' allocated equity offset OPAT growth.

TWPI BY SEGMENT

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
Mainland China	**3,961**	3,001	**22%**	32%
Hong Kong	**5,773**	6,136	**(6)%**	(6)%
Thailand	**2,089**	1,981	**3%**	5%
Singapore	**1,730**	1,502	**10%**	15%
Malaysia	**1,200**	1,049	**10%**	14%
Other Markets	**3,758**	3,257	**6%**	15%
Total	**18,511**	16,926	**5%**	9%

TWPI increased by 5 per cent to US$18,511 million compared with the first half of 2020. In Hong Kong, TWPI reduced as a cohort of long-term participating policies issued in 2016 reached the end of the premium payment term, while remaining in force and continuing to generate OPAT. Renewal premiums received increased by 9 per cent, and total recurring premiums accounted for over 90 per cent of premiums received in the first half of 2021.

IFRS OPERATING PROFIT INVESTMENT RETURN

US$ millions, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	YoY CER	YoY AER
Interest income	**3,754**	3,420	**6%**	10%
Expected long-term investment return for equities and real estate	**1,427**	1,129	**23%**	26%
Total	**5,181**	4,549	**10%**	14%

International Financial Reporting Standards (IFRS) operating profit investment return increased by 10 per cent to US$5,181 million compared with the first half of 2020. The growth was primarily driven by the increase in the size of our investment portfolio.

OPERATING EXPENSES

US$ millions, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	YoY CER	YoY AER
Operating expenses	**1,439**	1,242	**10%**	16%

The expense ratio was 7.8 per cent compared with 7.3 per cent in the first half of 2020 as a result of a geographical mix shift in TWPI away from Hong Kong, the reportable segment with the lowest expense ratio in the Group.

NET PROFIT[1]

US$ millions, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	YoY CER	YoY AER
OPAT	**3,182**	2,933	**5%**	8%
Short-term fluctuations in investment return related to equities and real estate, net of tax[2]	**199**	(1,290)	**n/m**	n/m
Reclassification of revaluation (gains)/losses for property held for own use, net of tax[2]	**(37)**	61	**n/m**	n/m
Corporate transaction related costs, net of tax	**(19)**	(37)	**n/m**	n/m
Implementation costs of new accounting standards, net of tax	**(28)**	(22)	**n/m**	n/m
Other non-operating investment return and other items, net of tax	**(52)**	552	**n/m**	n/m
Total	**3,245**	2,197	**47%**	48%

Notes:
(1) Attributable to shareholders of the Company only, excluding non-controlling interests.
(2) Short-term fluctuations in investment return include the revaluation gains and losses for property held for own use. This amount is then reclassified out of net profit to conform to IFRS measurement and presentation.

IFRS NON-OPERATING MOVEMENT

IFRS net profit increased by 47 per cent to US$3,245 million compared with the first half of 2020. AIA's net profit definition includes mark-to-market movements from equity and investment property portfolios. The result in the first half of 2021 included positive short-term fluctuations from long-term assumptions for equities and real estate of US$199 million, compared with negative movements of US$1,290 million in the first half of 2020. Other non-operating investment return and other items of US$552 million in the first half of 2020 largely consisted of realised gains from our available for sale debt securities.

MOVEMENT IN SHAREHOLDERS' ALLOCATED EQUITY

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Year ended 31 December 2020	Six months ended 30 June 2020
Opening shareholders' allocated equity	**48,030**	43,278	43,278
Net profit	**3,245**	5,779	2,197
Purchase of shares held by employee share-based trusts	**(97)**	(16)	(6)
Dividends	**(1,558)**	(1,997)	(1,452)
Revaluation gains/(losses) on property held for own use	**22**	(46)	(65)
Foreign currency translation adjustments	**(819)**	931	(710)
Other capital movements	**48**	101	67
Total movement in shareholders' allocated equity	**841**	4,752	31
Closing shareholders' allocated equity	**48,871**	48,030	43,309
Average shareholders' allocated equity	**49,747**	45,654	44,488

The movement in shareholders' allocated equity is shown before fair value reserve movements. We believe this provides a clearer reflection of the underlying movement in shareholders' equity over the period, before the IFRS accounting treatment of market value movements in available for sale debt securities.

Shareholders' allocated equity increased by 3 per cent to US$48,871 million over the first half of 2021. Net profit of US$3,245 million was partly offset by the depreciation of local currencies against our US dollar reporting currency of US$819 million and the payment of the final shareholder dividend for 2020 of US$1,558 million.

Average shareholders' allocated equity was US$49,747 million, which was 10 per cent higher than the same period last year, reflecting strong equity portfolio gains and local currency appreciation in the second half of 2020.

Sensitivities to foreign exchange rate, interest rate and equity price movements are included in note 22 to the interim condensed consolidated financial statements.

IFRS Earnings per Share (EPS)

Basic EPS based on OPAT attributable to shareholders increased by 5 per cent to 26.37 US cents.

Basic EPS based on IFRS net profit attributable to shareholders, including mark-to-market movements from our equity and investment property portfolios, increased by 46 per cent to 26.90 US cents.

IFRS EPS – BASIC

	Net Profit[1]		**OPAT**[1]	
	Six months ended 30 June 2021	Six months ended 30 June 2020	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Profit (US$ millions)	**3,245**	2,197	**3,182**	2,933
Weighted average number of ordinary shares (millions)	**12,065**	12,055	**12,065**	12,055
Basic earnings per share (US cents)	**26.90**	18.22	**26.37**	24.33

IFRS EPS – DILUTED

	Net Profit[1]		**OPAT**[1]	
	Six months ended 30 June 2021	Six months ended 30 June 2020	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Profit (US$ millions)	**3,245**	2,197	**3,182**	2,933
Weighted average number of ordinary shares[2] (millions)	**12,087**	12,074	**12,087**	12,074
Diluted earnings per share[2] (US cents)	**26.85**	18.20	**26.33**	24.29

Notes:
(1) Attributable to shareholders of the Company only, excluding non-controlling interests.
(2) Diluted earnings per share including the dilutive effects, if any, of the awards of share options, restricted share units, RSPUs and RSSUs granted to eligible directors, officers, employees and agents under the share-based compensation plans as described in note 40 to the consolidated financial statements in our Annual Report 2020.

IFRS Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$ millions, unless otherwise stated	As at 30 June 2021	As at 31 December 2020	Change AER
Assets			
Financial investments	**272,619**	271,467	–
Investment property	**4,579**	4,639	(1)%
Cash and cash equivalents	**7,149**	5,619	27%
Deferred acquisition and origination costs	**28,374**	27,915	2%
Other assets	**17,170**	16,481	4%
Total assets	**329,891**	326,121	1%
Liabilities			
Insurance and investment contract liabilities	**241,135**	235,952	2%
Borrowings	**9,182**	8,559	7%
Other liabilities	**20,157**	17,942	12%
Less total liabilities	**270,474**	262,453	3%
Equity			
Total equity	**59,417**	63,668	(7)%
Less non-controlling interests	**473**	468	1%
Total equity attributable to shareholders of AIA Group Limited	**58,944**	63,200	(7)%
Shareholders' allocated equity	**48,871**	48,030	2%

MOVEMENT IN SHAREHOLDERS' EQUITY

US$ millions, unless otherwise stated	Six months ended 30 June 2021	Year ended 31 December 2020	Six months ended 30 June 2020
Opening shareholders' equity	**63,200**	54,947	54,947
Net profit	**3,245**	5,779	2,197
Fair value (losses)/gains on assets	**(5,097)**	3,501	1,826
Purchase of shares held by employee share-based trusts	**(97)**	(16)	(6)
Dividends	**(1,558)**	(1,997)	(1,452)
Revaluation gains/(losses) on property held for own use	**22**	(46)	(65)
Foreign currency translation adjustments	**(819)**	931	(710)
Other capital movements	**48**	101	67
Total movement in shareholders' equity	**(4,256)**	8,253	1,857
Closing shareholders' equity	**58,944**	63,200	56,804

TOTAL INVESTMENTS

US$ millions, unless otherwise stated	As at 30 June 2021	Percentage of total	As at 31 December 2020	Percentage of total
Total policyholder and shareholder	**248,386**	**87%**	247,408	87%
Total unit-linked contracts and consolidated investment funds	**37,990**	**13%**	36,302	13%
Total investments	**286,376**	**100%**	283,710	100%

The investment mix remained stable during the first half of the year as set out below:

UNIT-LINKED CONTRACTS AND CONSOLIDATED INVESTMENT FUNDS

US$ millions, unless otherwise stated	As at 30 June 2021	Percentage of total	As at 31 December 2020	Percentage of total
Unit-linked contracts and consolidated investment funds				
Debt securities	**6,779**	**18%**	6,403	18%
Loans and deposits	**580**	**2%**	395	1%
Equities	**29,614**	**78%**	28,232	78%
Cash and cash equivalents	**973**	**2%**	1,219	3%
Derivatives	**44**	**–**	53	–
Total unit-linked contracts and consolidated investment funds	**37,990**	**100%**	36,302	100%

POLICYHOLDER AND SHAREHOLDER INVESTMENTS

US$ millions, unless otherwise stated	As at 30 June 2021	Percentage of total	As at 31 December 2020	Percentage of total
Participating funds and Other participating business with distinct portfolios[1]				
Government bonds	**10,330**	**4%**	9,324	4%
Other government and government agency bonds	**10,870**	**5%**	11,701	5%
Corporate bonds and structured securities	**53,960**	**22%**	54,947	22%
Loans and deposits	**2,650**	**1%**	2,519	1%
Subtotal – Fixed income investments	**77,810**	**32%**	78,491	32%
Equities	**28,520**	**12%**	23,892	10%
Investment property and property held for own use	**1,069**	**–**	1,054	–
Cash and cash equivalents	**759**	**–**	565	–
Derivatives	**522**	**–**	335	–
Subtotal Participating funds and Other participating business with distinct portfolios	**108,680**	**44%**	104,337	42%
Other policyholder and shareholder				
Government bonds	**45,107**	**18%**	46,939	19%
Other government and government agency bonds	**17,887**	**7%**	18,918	7%
Corporate bonds and structured securities	**52,096**	**21%**	53,649	22%
Loans and deposits	**6,339**	**3%**	6,421	3%
Subtotal – Fixed income investments	**121,429**	**49%**	125,927	51%
Equities	**6,972**	**3%**	7,058	3%
Investment property and property held for own use	**5,539**	**2%**	5,570	2%
Cash and cash equivalents	**5,417**	**2%**	3,835	2%
Derivatives	**349**	**–**	681	–
Subtotal other policyholder and shareholder	**139,706**	**56%**	143,071	58%
Total policyholder and shareholder	**248,386**	**100%**	247,408	100%

Note:

(1) Participating business is written in a segregated statutory fund, with regulations governing the division of surplus between policyholders and shareholders. "Other participating business with distinct portfolios", which represents the Hong Kong participating business, is supported by segregated investment assets and explicit provisions for future surplus distribution, though the division of surplus between policyholders and shareholders is not defined in regulations.

ASSETS

Total assets increased by US$3,770 million to US$329,891 million at 30 June 2021, compared with US$326,121 million at 31 December 2020 due to net cash inflows and mark-to-market gains on equities in the first half of 2021, partly offset by negative fair value movements from our debt securities.

Total investments including financial investments, investment property, property held for own use, and cash and cash equivalents increased by US$2,666 million to US$286,376 million at 30 June 2021, compared with US$283,710 million at 31 December 2020.

Of the total US$286,376 million investments at 30 June 2021, US$248,386 million were held in respect of policyholders and shareholders and the remaining US$37,990 million were backing unit-linked contracts and consolidated investment funds.

Fixed income investments, including debt securities, loans and term deposits held in respect of policyholders and shareholders, totalled US$199,239 million at 30 June 2021 compared with US$204,418 million at 31 December 2020.

Government bonds and other government and government agency bonds represented 42 per cent of fixed income investments at 30 June 2021, compared with 43 per cent at 31 December 2020. Corporate bonds and structured securities accounted for 53 per cent of fixed income investments at 30 June 2021 and 31 December 2020. The average credit rating of our fixed income portfolio excluding government bonds remained stable at A- compared to the position at 31 December 2020. Our corporate bond portfolio is well diversified with over 1,700 issuers with an average holding size of US$59 million. At 30 June 2021, we held US$4.0 billion of bonds rated below investment grade or not rated, representing 2 per cent of our total bond portfolio. Approximately US$30 million of our bonds, representing less than 0.1 per cent of our total bond portfolio, were downgraded to below investment grade and we did not experience any impairments in the first half of 2021, reflecting the overall quality of our investment portfolio.

Equity securities held in respect of policyholders and shareholders totalled US$35,492 million at 30 June 2021, compared with US$30,950 million at 31 December 2020. The US$4,542 million increase in carrying value was mainly attributable to new purchase driven by underlying business growth and positive mark-to-market movements. Within this figure, equity securities of US$28,520 million were held in participating funds and other participating business with distinct portfolios.

Cash and cash equivalents increased by US$1,530 million to US$7,149 million at 30 June 2021 compared with US$5,619 million at 31 December 2020. The increase largely reflected funds being held for purchase considerations of recently announced transactions.

Investment property and property held for own use in respect of policyholders and shareholders totalled US$6,608 million at 30 June 2021 compared with US$6,624 million at 31 December 2020.

Deferred acquisition and origination costs increased by US$459 million to US$28,374 million at 30 June 2021 compared with US$27,915 million at 31 December 2020.

Other assets increased to US$17,170 million at 30 June 2021 compared with US$16,481 million at 31 December 2020, reflecting an increase in investment-related receivables and reinsurance recoveries.

LIABILITIES

Total liabilities increased to US$270,474 million at 30 June 2021 from US$262,453 million at 31 December 2020.

Insurance and investment contract liabilities increased to US$241,135 million at 30 June 2021 compared with US$235,952 million at 31 December 2020, reflecting the underlying growth of the in-force portfolio and positive mark-to-market movements on equities backing unit-linked and participating policies, partially offset by negative foreign exchange translation.

Borrowings increased to US$9,182 million at 30 June 2021, due to the net proceeds from the issuances of medium-term notes and securities totalling US$1,121 million less the redemption of medium-term notes of US$502 million upon maturity. The leverage ratio, which is defined as borrowings expressed as a percentage of total borrowings and equity, was at 13.4 per cent at 30 June 2021, compared with 11.9 per cent at 31 December 2020.

Other liabilities were US$20,157 million at 30 June 2021, compared with US$17,942 million at 31 December 2020, reflecting an increase in repurchase agreements, investment-related payables and derivative financial liabilities, partly offset by a decrease in deferred tax liabilities.

Details of commitments and contingencies are included in note 25 to the interim condensed consolidated financial statements.

EQUITY

Total equity attributable to shareholders was US$58,944 million at 30 June 2021, compared with US$63,200 million at 31 December 2020, as earnings for the first half of 2021 were more than offset by the decrease in fair value reserve driven by the increase in government bond yields in the first half of 2021. The fair value reserve reflects unrealised gains on our available for sale debt securities and is excluded from shareholders' allocated equity to represent the underlying position more clearly.

Capital

REGULATORY CAPITAL REQUIREMENTS

AIA is subject to both Group and local level regulatory capital requirements and met all of these fully as at 30 June 2021.

From 14 May 2021, the Group is subject to the new GWS framework implemented by the Hong Kong Insurance Authority (HKIA), under which the HKIA has direct regulatory powers over Hong Kong incorporated holding companies of designated insurance groups. The framework includes the Local Capital Summation Method (LCSM) assessment of the regulatory capital of the Group based on a summation of local level capital requirements.

The Group's various regulated branches and subsidiaries are also subject to local supervision, including relevant capital requirements, in the jurisdictions in which they and their parent entity operate. The vast majority of the jurisdictions in which the Group operates have enacted regulatory capital regimes for insurers that are risk-based and better reflect underlying economics than the earlier Solvency 1 regulatory regimes that they replaced.

AIA continues to be closely and constructively engaged with the HKIA and the industry on the multi-year consultation process toward a risk-based capital regime in Hong Kong applicable to Hong Kong licensed insurance companies (distinct from the GWS framework applicable at the group level). This risk-based capital regime will replace the current Solvency 1 regime. We expect the regulatory capital rules of the new HKRBC to be finalised during 2021 and anticipate that our regulatory capital position will remain very strong on this basis.

Based on the most recently available information, our expectation is that the regime will become effective from 1 January 2024, however we understand that the HKIA is currently developing plans to allow early adoption.

Subject to finalisation, we intend to provide an update on the Group's capital position including the new HKRBC rules, together with our capital management plans, at our 2021 annual results announcement.

FREE SURPLUS

The Group's 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 organic new business growth, take advantage of inorganic opportunities and absorb the effects of capital market stress conditions.

UFSG is an operating metric that measures the expected amount of free surplus generated from in-force business over the period before investment in new business, unallocated Group Office expenses, finance costs, investment return variances and other non-operating items.

UFSG of US$3,374 million increased by 6 per cent, driven by the continued growth and active management of our in-force portfolio, partly offset by less positive claims experience compared to the first half of 2020. Free surplus invested in writing new business of US$921 million increased by 25 per cent, in line with the pace of VONB growth.

The Group's financial position remained very strong with free surplus growing to US$17,907 million at 30 June 2021 after the payment of the final shareholder dividend for 2020 of US$1,558 million. The overall effect of investment return variances and other items was US$3,919 million, reflecting positive capital market movements, in particular the effect of higher government bond yields.

The following table summarises the change in free surplus:

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Opening free surplus	**13,473**	14,917
Underlying free surplus generation	**3,374**	3,049
Free surplus used to fund new business	**(921)**	(703)
Unallocated Group Office expenses	**(182)**	(91)
Finance costs and other capital movements	**(198)**	(50)
Free surplus before investment return variances and dividends	**15,546**	17,122
Investment return variances and other items	**3,919**	(3,899)
Free surplus before dividends	**19,465**	13,223
Dividends	**(1,558)**	(1,452)
Closing free surplus	**17,907**	11,771

GROUP LCSM SOLVENCY POSITION

Our Group supervisor is the HKIA. The Group is in compliance with the group capital adequacy requirements as applied to it. In 2021, the HKIA implemented the new GWS framework, under which the HKIA has direct regulatory powers over Hong Kong incorporated holding companies of designated insurance groups. On 14 May 2021, AIA Group Limited became a designated insurance holding company and is now subject to the GWS framework in Hong Kong including the GWS Capital Rules. The GWS Capital Rules set out the capital requirements of the Group under the GWS framework that define the Group's overall solvency position. These requirements are based on a "summation approach" and are referred to as the LCSM.

Under the LCSM, AIA's published group-level total available capital and minimum capital requirement are calculated as the sum of the available and applicable required capital according to the respective regulatory requirements for each entity within the Group, subject to any variation the HKIA considers necessary. The Group LCSM surplus is the difference between the Group available capital and the Group minimum capital requirement. The Group LCSM cover ratio is the ratio of the Group available capital to the Group minimum capital requirement.

At 30 June 2021, the Group LCSM surplus was US$51,231 million, with a very strong Group LCSM cover ratio of 412 per cent. Group available capital within these figures includes:

(i) US$2,858 million(1) of subordinated securities. Subordinated securities with a fixed maturity receive full capital credit up to the date that is 5 years prior to the date of maturity, with the capital credit then reducing at the rate of 20 per cent per annum until maturity. Perpetual subordinated securities receive full capital credit unless they are redeemed; and

(ii) US$5,810 million(1) of senior notes issued before designation that have been approved by the HKIA. Prior to maturity, the approved senior notes receive full capital credit until 14 May 2031, after which the capital credit reduces at the rate of 20 per cent per annum until 14 May 2036.

The comparative figures as at 31 December 2020 were based on the Group's understanding of the likely application of the GWS framework to the Group at the time and included US$1,735 million of subordinated securities, while excluding US$5,810 million of senior notes not then approved as contributing to Group available capital. This is largely consistent with the basis of calculation of the Group LCSM solvency position as at 30 June 2021 with the key difference being the treatment of senior notes.

Note:
(1) The amounts represented the net cash proceeds from the issuances of medium-term notes and securities contributing to Group available capital. These are counted as tier 2 group capital under the GWS Capital Rules.

A summary of the Group LCSM solvency position is as follows:

US$ millions, unless otherwise stated	**As at 30 June 2021**	As at 31 December 2020
Group available capital	**67,675**	59,830
Group minimum capital requirement	**16,444**	16,013
Group LCSM surplus	**51,231**	43,817
Group LCSM cover ratio	**412%**	374%
Senior notes approved as contributing to Group available capital[(1)]	**5,810**	–

The following table summarises the movement in Group LCSM surplus:

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**
Opening Group LCSM surplus	**43,817**
Senior notes approved as contributing to Group available capital[(1)]	**5,810**
Group LCSM surplus generation	**3,021**
Group LCSM surplus used to fund new business	**(89)**
Unallocated Group Office expenses	**(182)**
Finance costs and other capital movements	**(198)**
Group LCSM surplus before net increase in borrowings, investment return variances and dividends	**52,179**
New issuances of borrowings[(1)]	**1,121**
Redemption and maturity of borrowings	**–**
Group LCSM surplus before investment return variances and dividends	**53,300**
Investment return variances and other items	**(511)**
Group LCSM surplus before dividends	**52,789**
Dividends	**(1,558)**
Closing Group LCSM surplus	**51,231**

Note:

(1) The amounts represented the net cash proceeds from the issuances of medium-term notes and securities contributing to Group available capital. These are counted as tier 2 group capital under the GWS Capital Rules.

GROUP LCSM COVER RATIO SENSITIVITIES

Group LCSM cover ratio 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 net cash proceeds at issuance and is unchanged in the sensitivity calculations.

	As at 30 June 2021	As at 31 December 2020
Central value	**412%**	374%
Impact of equity price changes		
10 per cent increase in equity prices	**2 pps**	1 pps
10 per cent decrease in equity prices	**(2) pps**	(2) pps
Impact of interest rate changes		
50 basis points increase in interest rates	**12 pps**	13 pps
50 basis points decrease in interest rates	**(22) pps**	(18) pps

RECONCILIATION BETWEEN GROUP LCSM SURPLUS AND FREE SURPLUS

We believe that the free surplus on a consolidated basis provides a more representative view of the capital position of the Group from a shareholder perspective. The table below shows a reconciliation between the Group LCSM surplus and free surplus.

US$ millions, unless otherwise stated	As at 30 June 2021	As at 31 December 2020
Group LCSM surplus	**51,231**	43,817
Adjustments for:		
Eligible debt capital	**(8,668)**	(1,735)
Different capital requirements under EV for AIA China[1]	**(8,084)**	(7,675)
Reflecting shareholders' view of capital[2]	**(9,888)**	(10,314)
Free surplus on business unit basis	**24,591**	24,093
Adjustment to reflect consolidated reserving and capital requirements	**(6,684)**	(10,620)
Free surplus on consolidated basis	**17,907**	13,473

Notes:
(1) Adjustment from C-ROSS solvency basis to China Association of Actuaries (CAA) EV basis in line with local requirements.
(2) Reflects change from Group minimum capital requirement to EV required capital and the removal of participating fund surplus.

LOCAL SOLVENCY REQUIREMENTS

The Group's individual branches and subsidiaries are also subject to supervision, including relevant capital requirements, in the jurisdictions in which they and their parent entity operate. The local operating units were in compliance with the capital requirements of their respective entity and local regulators in each of our geographical markets at 30 June 2021.

HOLDING COMPANY FINANCIAL RESOURCES

At 30 June 2021, holding company financial resources were US$12,919 million compared with US$12,388 million at 31 December 2020. The increase of US$531 million resulted primarily from net capital flows to the holding company from subsidiaries of US$1,908 million, net proceeds from the issuances and redemption of medium-term notes and securities of US$619 million, and the payment of the final shareholder dividend for 2020 of US$1,558 million. Issuances of medium-term notes and securities totalled US$1,121 million while US$502 million were redeemed upon maturity. As previously highlighted, capital flows from business units for 2020 were heavily weighted to the second half of the year reflecting the timing of regulatory reporting and board governance cycles in that year.

The movements in holding company financial resources are summarised as follows:

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Opening holding company financial resources	**12,388**	8,630
Net capital flows to holding company	**1,908**	24
Increase in borrowings(1)	**619**	1,055
Interest payments on borrowings(1)	**(157)**	(115)
Investment income, mark-to-market movements in debt securities and others	**(281)**	672
Closing holding company financial resources before dividends	**14,477**	10,266
Dividends paid	**(1,558)**	(1,452)
Closing holding company financial resources	**12,919**	8,814

Assets recoverable and liabilities repayable within 12 months as follows:

US$ millions, unless otherwise stated	**As at 30 June 2021**	As at 30 June 2020
Loans to/amounts due from subsidiaries(2)	**85**	92
Medium-term notes and securities(3)	**(500)**	(503)
Net other assets and other liabilities	**(65)**	(30)

Notes:

(1) Borrowings principally include medium-term notes and securities; other intercompany loans; and amounts outstanding, if any, from the Company's US$2,290 million unsecured committed credit facilities.

(2) As at 30 June 2021, loans to/amounts due from subsidiaries was US$1,899 million (31 December 2020: US$1,904 million). US$85 million was recoverable within the 12 months after the period ended 30 June 2021 (30 June 2020: US$92 million).

(3) As at 30 June 2021, medium-term notes and securities placed to the market was US$9,171 million (31 December 2020: US$8,559 million). US$500 million was repayable within the 12 months after the period ended 30 June 2021 (30 June 2020: US$503 million). Details of the medium-term notes and securities placed to the market are included in note 18 to the interim condensed consolidated financial statements.

Global Medium-term Note and Securities Programme

In March 2021, we increased our Global Medium-term Note (GMTN) and Securities Programme from US$10 billion to US$12 billion.

Under the programme, the Company issued two fixed rate resettable subordinated perpetual securities. On 7 April 2021, the Company issued US$750 million of resettable subordinated perpetual securities at an annual rate of 2.7 per cent. On 11 June 2021, the Company issued Singapore dollar (SGD) 500 million of resettable subordinated perpetual securities at an annual rate of 2.9 per cent. Both securities are listed on The Stock Exchange of Hong Kong Limited.

At 30 June 2021, the aggregate carrying amount of the debt issued to the market under the GMTN and Securities Programme was US$9,171 million.

Credit Ratings

At 30 June 2021, AIA Co. had financial strength ratings of Aa2 (Very Low Credit Risk) with a stable outlook from Moody's; AA (Very Strong) with a stable outlook from Fitch; and AA- (Very Strong) with a stable outlook from S&P Global Ratings.

Moody's upgraded its issuer credit rating on the Company from A2 (Low Credit Risk) to A1 (Low Credit Risk) on 14 May 2021. S&P Global Ratings upgraded its issuer credit rating on the Company from A (Strong) to A+ (Strong), and revised the outlook on the Company from positive to stable on 29 April 2021.

At 30 June 2021, the Company had issuer credit ratings of A1 (Low Credit Risk) with a stable outlook from Moody's; AA- (Very High Credit Quality) with a stable outlook from Fitch; and A+ (Strong) with a stable outlook from S&P Global Ratings.

Dividends

The Board has declared an increase of 8.6 per cent in the interim dividend to 38.00 Hong Kong cents per share. This follows AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

Regulatory and International Developments

The International Association of Insurance Supervisors (IAIS), a standard-setting body for insurers, adopted ComFrame, the Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs) at its annual general meeting on 14 November 2019. Many of the regulators of the Group's business units, including the HKIA, are members of the IAIS. IAIGs are identified under ComFrame as insurance groups which meet certain minimum requirements with regards to the size and geographical footprint of their business. The Group has been designated an IAIG in accordance with these criteria as previously disclosed.

In addition, as part of ComFrame, in 2020 the IAIS began the first of two phases in the development and implementation of the Insurance Capital Standard (ICS). Under the first phase, a "Reference ICS" is being assessed during a five-year Monitoring Period for reporting privately to group-wide supervisors. It is proposed that the second phase, beginning in 2025, will include implementation of the ICS as part of prescribed group capital requirements. The IAIS is also collecting data on the "aggregation method" (AM), an alternative proposed by US regulators, that would define group solvency by referencing the local regimes to which a group is subject. The IAIS will make a determination by the end of the Monitoring Period whether the AM can be considered to produce "comparable outcomes" to the Reference ICS and therefore be used in its place.

In addition to the above, AIA is an active participant in the industry dialogue on prudential, market conduct and other related matters including the following:

- Hong Kong Risk-based Capital regime: AIA continues to be closely and constructively engaged with the HKIA on the multi-year consultation process toward a risk-based capital regime in Hong Kong applicable to Hong Kong licensed insurance companies (distinct from the GWS framework applicable at the group level). This risk-based capital regime will replace the current Solvency 1 regime. Based on the most recently available information, our expectation is that the regime will become effective from 1 January 2024.

- AIA continues to closely monitor developments in respect of the Organisation for Economic Co-operation and Development's (OECD) recent work on tax policy, commonly referred to as "Base erosion and profit shifting 2.0" (BEPS 2.0), and constructively engages with governments and the OECD. The first pillar of BEPS 2.0 focuses on changes to the international tax system to allocate more taxing rights to sales and market jurisdictions and to ensure a taxable presence in jurisdictions where enterprises have no physical presence but still have a significant economic presence. The second pillar focuses on the development of rules that seek to apply a global minimum tax rate to multinational enterprises and their cross-border transactions. 133 of the 139 members of the OECD/G20 Inclusive Framework that have signed up to the BEPS 2.0 initiative (including Hong Kong) issued a statement, which sets out, at a high level, certain agreed elements of the initiative.

  Pillar One (which is now limited to changes to the international tax system that target the "largest and most profitable" multinational groups) includes an exclusion for regulated financial services businesses. The details of the exclusion are still to be determined but are expected to apply to the Group. Pillar Two will introduce a minimum tax rate of "at least 15 per cent" on a jurisdiction-by-jurisdiction basis. Specific details on the operation of these rules, such as how the effective tax rate (ETR) will be calculated for the purposes of comparing the ETR in a particular jurisdiction with the 15 per cent minimum rate, are still unclear. However, based on publicly available information, the rules that the OECD is proposing are likely to impact AIA's effective tax rate. A commitment has been made by the Inclusive Framework to continue discussions in order to reach a "final decision" on the "design elements" of both pillars by October 2021 and that jurisdictions should bring the rules on Pillar Two into law in 2022, to be effective from 2023.

BUSINESS REVIEW

Summary and Key Business Highlights

In the first half of 2021, AIA delivered a strong and broad-based business performance with 22 per cent growth in VONB and all of our reportable segments reported double-digit growth on a like-for-like basis. To maintain sales momentum, we worked tirelessly to ensure the safety of our staff while continuing to provide uninterrupted service to our customers, agents and partners. Although many of our markets experienced new outbreaks of COVID-19 and authorities around the region reinstated containment measures, remote sales capabilities in all our markets and other key strategic initiatives have enhanced our resilience during periods of disruption.

DISTRIBUTION

Agency VONB grew by 25 per cent in the first half of 2021 as we continued to digitalise the entire agency value chain. We increased our number of active agents and productivity for the Group overall. In July 2021, AIA was named the number one Million Dollar Round Table (MDRT) company in the world, which marks our seventh consecutive year of achieving the largest number of registered members.

VONB for our **partnership** channels grew by 8 per cent after excluding the impact of the one-off contribution from CBA's purchase of mortality cover in the first half of last year. Our bancassurance channel delivered double-digit growth on the same like-for-like basis. This growth was driven by excellent performances from our long-term strategic bank partnerships in Thailand and Malaysia.

GEOGRAPHICAL MARKETS

AIA China delivered VONB growth of 20 per cent on a like-for-like basis (15 per cent on a reported basis) and exceeded the pre-pandemic level of the first half of 2019. Our agency force remains a key competitive advantage, as a high adoption level for our comprehensive suite of digital tools supported a strong improvement in productivity in the first half of 2021. We continued to expand our geographical footprint in Mainland China with the launch of our newest operation in Sichuan province. In June 2021, we also received approval to begin preparations to establish a new branch in Hubei province.

AIA Hong Kong's domestic customer segment saw VONB growth of 16 per cent in the first half of 2021. VONB for the business overall increased by 2 per cent as the domestic customer segment growth was partly offset by reduced sales to the Mainland Chinese visitor customer segment. Our Premier Agency remained the clear market leader in agency distribution, which was supported by a double-digit increase in new recruits. Sales to Mainland Chinese visitors in our Macau branch increased progressively and contributed over one-third of AIA Macau's total ANP in the first half of 2021.

AIA Thailand delivered VONB growth of 52 per cent compared to the first half of 2020, which represented a substantial increase from the pre-pandemic level of 2019. VONB margin increased to 93.5 per cent, supported by a significant shift in product mix towards traditional protection and regular premium unit-linked products.

AIA Singapore achieved excellent VONB growth of 32 per cent compared to the first half of 2020. This was driven by very strong improvements in agent productivity, as we continued to support our Premier Agency by enhancing our digital tools and platforms.

AIA Malaysia reported excellent VONB growth of 89 per cent with the absolute level of VONB 20 per cent higher than the first half of 2019. We continued to focus on executing our Premier Agency strategy and delivered a strong double-digit increase in active agents, while our partnership with Public Bank Berhad delivered a very strong performance.

In **Other Markets**, we delivered 10 per cent VONB growth on a like-for-like basis. This result was supported by double-digit VONB growth from Indonesia, South Korea and Vietnam.

Distribution

AGENCY

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**1,574**	1,194	**25%**	32%
VONB margin	**76.0%**	69.9%	**5.6 pps**	6.1 pps
ANP	**2,069**	1,708	**16%**	21%

AIA's proprietary agency network is our primary distribution channel and sits at the heart of our relationships with our customers. Our Premier Agents are well equipped to provide professional advice and value-added services that help our customers meet their evolving protection and long-term savings needs.

VONB from our agency channel grew by 25 per cent compared to the first half of 2020. ANP grew by 16 per cent to US$2,069 million and VONB margin increased to 76.0 per cent, driven by product mix shift and lower acquisition expense overruns. Our ongoing efforts to digitalise activities across the value chain has helped to build greater resilience in our agency. For example, in Singapore, the proportion of cases closed through remote sales technology more than doubled in June compared to the beginning of the year after local containment measures were tightened. For the Group overall, over one-third of all policies sold by our agency during the first half of 2021 used remote capabilities that did not exist before the pandemic. These initiatives supported an increase in the number of active new agents and productivity in the first half of 2021, despite periodic disruptions from the resurgence of COVID-19 in our markets.

In the first half of 2021, we continued to enhance our digital platforms and embedded new features that industrialise our use of social media presence for leads generation and campaign marketing. These features are now live in six markets: Mainland China, Hong Kong, Singapore, Malaysia, India and the Philippines. Early results from social media integration are encouraging as these new features generated over one million customer leads for our agents and helped deliver over US$100 million of ANP in the first half of 2021.

Our next-generation agency leaders are critical in achieving sustainable growth of our Premier Agency. In the first half of 2021, we increased the number of agency leaders, further enhanced our digital recruitment platforms and improved our leader development programmes.

In July 2021, AIA was named the number one Million Dollar Round Table (MDRT) company in the world, our seventh consecutive year of achieving the largest number of registered members. Our total of more than 16,000 registered MDRT members in 2021 is an increase of 25 per cent over 2020.

PARTNERSHIPS

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**352**	335	**(1)%**	5%
VONB margin	**35.5%**	38.4%	**(3.2) pps**	(2.9) pps
ANP	**991**	871	**8%**	14%

AIA's long-term distribution partnerships with market-leading financial institutions and other corporate partners provide us with the opportunity to engage with and meet the protection and long-term savings needs of hundreds of millions of potential customers in Asia. Our focus is to deliver new, digitally-led and personalised propositions to customers of our partners.

VONB for partnerships grew by 8 per cent in the first half of 2021 on a like-for-like basis after excluding the impact of the one-off purchase by CBA in the first half of 2020, as previously reported. On a reported basis, ANP increased by 8 per cent and VONB margin reduced, driven by a higher contribution from group insurance business in Australia.

BANCASSURANCE

Our bancassurance channel delivered double-digit VONB growth on a like-for-like basis. We achieved excellent VONB growth through our long-term strategic bank partnerships in Thailand and Malaysia.

In the first half of 2021, we continued to work with our partners to strengthen activity management of insurance specialists and enhance customer segmentation, resulting in an improvement in new business momentum. In particular, we saw double-digit growth in productivity in Bangkok Bank Public Company Limited (Bangkok Bank) in Thailand, Public Bank Berhad in Malaysia and Bank Central Asia (BCA) in Indonesia. Our evolving digital capabilities enable us to engage, connect and service the customers of our partners with seamless end-to-end experiences. For example, in the first half of 2021, we launched a new product proposition with Citibank, N.A. (Citibank) in Hong Kong and Singapore that provides customers with an efficient online sales process linked to their mobile banking application. We are also driving integration with our partners' data and digital platforms to enable us to deliver the right propositions for different customer segments through an omnichannel experience. Our bank partnerships are increasingly using social media, customer analytics and digital marketing to generate leads that can be closed through different channels from fully online through to face-to-face sales in-branch.

In April 2021, Citibank announced publicly that it will pursue an exit from its consumer banking business in the markets covered by our bancassurance partnership except for Hong Kong and Singapore, which have been the largest contributing markets to the total VONB of our regional partnership. We are in discussions with Citibank on the future arrangement of the bancassurance partnership.

DIGITAL PLATFORMS

AIA's strategy is to form strategic partnerships with technology companies that have significant active user bases and leading consumer companies that have widely-used digital platforms. Through these next-generation partnerships, we attract and engage customers with online purchases of simple products, while applying new analytical models to identify customers with unmet needs for more comprehensive advice-driven life insurance propositions. In addition to existing partnerships with Practo Pte Ltd in India, Gojek in Indonesia and SK Telecom in South Korea, we have launched several new partnerships in 2021, including with TNG Digital Sdn. Bhd., Malaysia's largest e-wallet, and Tiki Corporation, Vietnam's leading e-commerce retailer.

Geographical Market Highlights

MAINLAND CHINA

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**738**	594	**15%**	24%
VONB margin	**82.1%**	81.8%	**0.3 pps**	0.3 pps
ANP	**899**	726	**14%**	24%
TWPI	**3,961**	3,001	**22%**	32%
OPAT	**722**	640	**4%**	13%

AIA China delivered very strong VONB growth of 20 per cent compared to the first half of 2020 on a like-for-like basis that excludes the impact of 5 per cent withholding tax applied since July 2020. VONB on a reported basis grew strongly at 15 per cent compared to the first half of 2020 and exceeded the pre-pandemic level of the first half of 2019. ANP grew by 14 per cent to US$899 million and VONB margin remained broadly stable as the effect of withholding tax was more than offset by enhanced profitability in our long-term savings products.

Our high-quality, professional agency force is a key competitive advantage for AIA China and we continue to strengthen its capabilities with enhanced digital tools. In July 2021, we launched a powerful needs-based-selling application that analyses a customer's existing insurance coverage in real time, generates a personal needs analysis and enables our agents to provide tailored product recommendations. High adoption levels of our comprehensive suite of advanced digital tools in our agents' daily activities has supported a strong increase in agent productivity.

Our new innovative modular critical illness proposition, *You Ru Yi*, provides bespoke coverage and includes an upgraded personal case management service and a nutrition programme. Since launch, *You Ru Yi* has become our primary protection proposition. We also recently expanded our long-term savings offerings with the launch of a suite of new products that are designed to help us meet evolving customer needs and deepen our share of wallet in our expanding customer base. We have formed new partnerships with hospitals to provide value-added services to our customers, including online direct billing and prescription services.

Mainland China delivered a 4 per cent increase in OPAT, including the introduction of withholding tax following subsidiarisation. Excluding this item, OPAT increased by 10 per cent compared to the first half of last year, as higher earnings from our growing in-force portfolio more than offset the normalisation of medical claims relative to the first half of 2020.

In March 2021, we launched our new operation in Sichuan province. By the end of June 2021, we had more than 400 full-time high-quality new agents in Chengdu, 70 per cent of whom are university graduates. Leveraging our successful model of geographical expansion, AIA China received approval from the China Banking and Insurance Regulatory Commission to begin preparations to establish a new branch in Hubei province in June 2021. Hubei has a fast-growing economy and ranks eighth in terms of GDP by province within Mainland China. The Hubei branch approval was received less than three months after the launch of our operations in Sichuan province and is a further step in our geographical expansion strategy in Mainland China.

HONG KONG

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**313**	306	**2%**	2%
VONB margin	**57.5%**	51.0%	**6.5 pps**	6.5 pps
ANP	**505**	565	**(11)%**	(11)%
TWPI	**5,773**	6,136	**(6)%**	(6)%
OPAT	**1,055**	1,005	**5%**	5%

AIA Hong Kong achieved 16 per cent growth in VONB for its domestic customer segment in the first half of 2021. Overall VONB grew by 2 per cent as the domestic customer segment growth was partly offset by reduced sales to the Mainland Chinese visitor customer segment. While the Individual Visit Scheme with Mainland China remained suspended for Hong Kong, quarantine requirements for cross-border visitors have been lifted for Macau. In the first half of 2021, sales to Mainland Chinese visitors in our Macau branch progressively increased and contributed over one-third of AIA Macau's total ANP. VONB margin increased by 6.5 pps to 57.5 per cent as product mix shifted towards protection products.

Our Premier Agency remained the clear market leader in agency distribution in Hong Kong and our continued focus on quality recruitment delivered a double-digit increase in new recruits in the first half of 2021. We also launched a series of new customer-centric and innovative propositions, including enhanced Voluntary Health Insurance Scheme products, which offer top-tier medical protection, and AIA One Absolute, our innovative severity-based health protection proposition.

TWPI reduced as a cohort of long-term participating policies issued in 2016 reached the end of the premium paying term while remaining in force and continuing to generate OPAT. OPAT grew by 5 per cent, supported by underlying business growth and higher investment returns. Claims experience for the first half of 2021 was not as positive as the exceptional experience in the first half of 2020.

In March 2021, we announced a 15-year bancassurance partnership with The Bank of East Asia (BEA). The partnership was launched in early July 2021, providing AIA with exclusive access to the bank's customer base and further expanding our distribution capabilities.

THAILAND

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**312**	199	**52%**	57%
VONB margin	**93.5%**	63.9%	**29.6 pps**	29.6 pps
ANP	**333**	312	**4%**	7%
TWPI	**2,089**	1,981	**3%**	5%
OPAT	**485**	478	**(1)%**	1%

AIA Thailand delivered an excellent performance with VONB growth of 52 per cent compared to the first half of 2020, which was also a substantial increase from the pre-pandemic level of 2019. VONB margin increased substantially to 93.5 per cent, as we drove a significant product mix shift towards traditional protection and regular premium unit-linked products. This change in product mix was supported by greater consumer awareness of individual protection needs.

Our market-leading agency business continued to focus on quality recruitment and achieved double-digit growth in the number of new recruits in the first half of 2021. We further developed the functionality of our agency digital tools and launched AIA iSign, an enhanced remote sales tool that improves customer experience with a smoother sales process and enables our agents to remotely complete sales of unit-linked products. Our strategic bancassurance partner Bangkok Bank delivered double-digit VONB growth, primarily driven by strategic initiatives to increase the productivity of insurance specialists.

AIA Thailand's OPAT remained broadly stable, as strong earnings from new business was offset by adverse lapse experience and lower investment returns.

SINGAPORE

US$ millions, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	YoY CER	YoY AER
VONB	**176**	127	**32%**	39%
VONB margin	**63.2%**	59.3%	**3.9 pps**	3.9 pps
ANP	**279**	214	**25%**	30%
TWPI	**1,730**	1,502	**10%**	15%
OPAT	**339**	303	**8%**	12%

AIA Singapore delivered excellent VONB growth of 32 per cent compared to the first half of 2020, driven by double-digit growth in both our agency and partnership distribution channels. VONB margin increased by 3.9 pps to 63.2 per cent, supported by reduced acquisition expense overruns that reflect the strong ANP growth of 25 per cent.

Our differentiated Premier Agency strategy delivered very strong improvements in agent productivity in the first half of 2021. In the second quarter of 2021, we launched a new mobile-enabled recruitment platform that has been widely adopted with over 60 per cent of new recruits recruited digitally since the platform's launch. We also enhanced iSmart, our mobile application enabling our agents to leverage their individual social media presence for leads generation; this helped generate over 150,000 leads that produced over 10 per cent of our agency sales.

OPAT increased by 8 per cent as a result of growth in our in-force portfolio and increased investment returns.

MALAYSIA

US$ millions, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	YoY CER	YoY AER
VONB	**157**	81	**89%**	94%
VONB margin	**61.7%**	50.5%	**11.3 pps**	11.2 pps
ANP	**253**	159	**54%**	59%
TWPI	**1,200**	1,049	**10%**	14%
OPAT	**194**	148	**25%**	31%

AIA Malaysia achieved excellent VONB growth of 89 per cent to US$157 million, which is 20 per cent higher than the pre-pandemic level of the first half of 2019. VONB margin improved by 11.3 pps to 61.7 per cent, reflecting a favourable product mix shift and reduced acquisition expense overruns from higher sales volumes.

Agency delivered an excellent performance in the first half of 2021, as our focus on quality recruitment and agency management helped deliver excellent growth in new recruits and a strong double-digit increase in active agents. Our partnership channel achieved a very strong increase in VONB, primarily through Public Bank Berhad where we have worked to drive higher adoption of remote sales tools and execute cross-selling strategies.

Malaysia delivered OPAT growth of 25 per cent in the first half of 2021. As previously highlighted, a one-off provision due to an industry-wide initiative to identify and pay accumulated unreported death claims significantly reduced OPAT in the first half of 2020. Excluding this provision, Malaysia's OPAT grew by 7 per cent.

OTHER MARKETS

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**253**	240	**(1)%**	5%
VONB margin	**32.1%**	39.7%	**(8.0) pps**	(7.6) pps
ANP	**791**	603	**24%**	31%
TWPI	**3,758**	3,257	**6%**	15%
OPAT	**391**	333	**12%**	17%

Overview

Our Other Markets segment reported VONB of US$253 million in the first half of 2021, above the pre-pandemic level of 2019. Excluding the one-off contribution from CBA in the first half of 2020, the segment delivered 10 per cent VONB growth, as 7 of 11 markets within the segment reported VONB growth on a like-for-like basis. This result was mainly driven by double-digit growth in Indonesia, South Korea and Vietnam. OPAT increased by 12 per cent, mainly due to underlying business growth and positive claims experience from disability insurance policies in Australia.

Geographical Market Highlights

Australia and **New Zealand:** AIA Australia delivered double-digit VONB growth on a like-for-like basis. Our group insurance business delivered double-digit growth as we benefitted from the renewal of several large group insurance schemes.

Our New Zealand business reported very strong VONB growth, supported by a reduction in acquisition expense overruns. Our IFA channel delivered an excellent performance as we focused on providing strong support to advisers.

Cambodia: AIA Cambodia continued to execute its multi-channel strategy and delivered double-digit ANP growth in the first half of 2021. This was driven by a strong performance in partnership distribution, despite disruptions from COVID-19 containment measures imposed in the first half of 2021.

India: Tata AIA Life Insurance Company Limited (Tata AIA Life) delivered positive VONB growth and maintained its leading position in the pure retail protection market. Our high quality, differentiated Premier Agency continued to drive productivity improvements and achieved strong ANP growth, even as COVID-19 infection rates within the country increased. During this period, we completed close to 100 per cent of new cases using remote sales technology. Our bancassurance channel also delivered excellent growth in VONB compared to the same period last year, as we worked closely with our partners to improve productivity through our enhanced online purchase journeys. Our comprehensive suite of digital and remote selling tools has enabled business continuity and growth throughout the first half of 2021, including agent recruitment processed through iRecruit and online training for our distribution partners and employees.

Indonesia: AIA Indonesia achieved double-digit VONB growth in both our agency and partnership distribution channels, driven by a significant increase in the number of active agents and an improvement in insurance specialist productivity for our strategic bancassurance partnerships.

Myanmar: Throughout the first half of 2021, our Myanmar business has been focused on ensuring the safety of our employees and agents and continuing to meet the needs of our customers.

Philippines: Our operations in the Philippines reported a double-digit decline in VONB as year-on-year growth in the second quarter was offset by a decline in the first quarter. We have continued to focus on increased adoption of remote selling tools among our agency and bank insurance specialists, as our business was affected by containment measures that have largely remained in place since March 2020.

South Korea: AIA Korea delivered double-digit VONB growth, driven by an excellent performance in our direct marketing business and a higher VONB margin resulting from the repricing of several key products in 2020. We continued to enhance our omnichannel distribution model with SK Telecom, SK Inc. C&C and Samsung Card.

Sri Lanka: AIA Sri Lanka reported excellent VONB growth in the first half of 2021, driven by an increase in the number of active agents and improved productivity in our strategic bancassurance partnerships. We delivered double-digit growth in new recruits and continued to support our agency force by enhancing digital support tools, including the launch of a digital customer portal and enhanced remote sales capabilities.

Taiwan (China): AIA Taiwan recorded a double-digit decline in VONB against an exceptional performance in the first half of 2020 ahead of an industry-wide repricing exercise, as previously reported. In May 2021, stringent containment measures were implemented for the first time since the start of the pandemic.

Vietnam: AIA Vietnam delivered double-digit growth in VONB, driven by a very strong performance from our agency channel. We achieved a double-digit increase in the number of active agents as well as improved agent productivity. Our strategic bancassurance partnership with VPBank delivered excellent VONB growth, partly due to a favourable shift in product mix. In July 2021, we announced a new 10-year exclusive life and health insurance partnership with Tiki Corporation, a leading all-in-one e-commerce platform.

Notes:

(1) Throughout all sections of the Business Review, growth on a “like-for-like basis” refers to the exclusion of the 5 per cent withholding tax applied since July 2020 for AIA China, the exclusion of the Mainland Chinese visitor customer segment for AIA Hong Kong and the exclusion of the one-off contribution from CBA in the first half of 2020 for Partnership Distribution and Other Markets.

(2) Throughout the Distribution section, VONB and VONB margin by distribution channel are based on local statutory reserving and capital requirements and exclude pension business.

(3) AIA’s Other Markets VONB and ANP results include the results from our 49 per cent shareholding of Tata AIA Life. The IFRS results for Tata AIA Life are accounted for using the equity method. For clarity, TWPI does not include any contribution from Tata AIA Life. The results of Tata AIA Life are accounted for the six-month period ended 31 March 2021 and the six-month period ended 31 March 2020 in AIA’s consolidated results for the first half of 2021 and the first half of 2020, respectively.

(4) Growth rates and commentaries are provided on a constant exchange rate (CER) basis.

CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2021, with the exception of Code Provision F.1.3, AIA Group Limited (Company) complied with all applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules). Code Provision F.1.3 provides that the company secretary should report to the chairman of the board and/or the chief executive. The Company operates under a variant of this model whereby the Group Company Secretary reports to the Group General Counsel, who is ultimately accountable for the company secretarial function of the Company and who in turn reports directly to the Group Chief Executive.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own Directors' and Chief Executives' Dealing Policy (Dealing Policy) on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code) contained in Appendix 10 to the Listing Rules in respect of dealings by the directors of the Company (Directors) and Group Chief Executive in the securities of the Company. All of the Directors (including the Group Chief Executive) confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and the Dealing Policy throughout the six months ended 30 June 2021.

CHANGES IN DIRECTORS' INFORMATION

Changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Name of Directors	Details of Changes
Mr. Chung-Kong CHOW	Awarded the Grand Bauhinia Medal by the Hong Kong Government on 1 July 2021
Mr. George Yong-Boon YEO	• Resigned as a director of New Yangon Development Company Limited with effect from 3 May 2021 • Ceased to be senior advisor of Kerry Logistics Network Limited (listed on the Hong Kong Stock Exchange) and Kerry Group Limited with effect from 31 May 2021
Professor Lawrence Juen-Yee LAU	• Ceased to be a member and Chairman of the Prize Recommendation Committee of the LUI Che Woo Prize Limited with effect from 30 April 2021 • Appointed as a non-official member of the Candidate Eligibility Review Committee of Hong Kong with effect from 6 July 2021
Mr. Cesar Velasquez PURISIMA	Appointed as independent director of Bank of the Philippine Islands (BPI) (listed on The Philippine Stock Exchange) and BPI Capital Corporation, a wholly-owned subsidiary of BPI, with effect from 20 January 2021 and 16 June 2021 respectively

Directors' biographies are available on the Company's website at www.aia.com.

Save as disclosed above, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the Directors' and the Chief Executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (SFO)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, are as follows:

Interests in the shares and underlying shares of the Company:

Name of Directors	**Number of shares or underlying shares** Long Position (L)	**Class**	**Percentage of the total number of shares in issue**[1]	**Capacity**
Mr. LEE Yuan Siong	633,095(L)[2]	Ordinary	<0.01	Beneficial owner
	2,318,686(L)[3]		0.02	Beneficial owner
	1,661,659(L)[4]		0.01	Beneficial owner
	974(L)[5]		<0.01	Beneficial owner
Mr. Edmund Sze-Wing TSE	3,330,400 (L)[2]	Ordinary	0.02	Beneficial owner
	230,000 (L)[2]		<0.01	Interest of controlled corporation[6]
Mr. Jack Chak-Kwong SO	130,000 (L)[2]	Ordinary	<0.01	Interest of controlled corporation[7]
Mr. Chung-Kong CHOW	126,000 (L)[2]	Ordinary	<0.01	Beneficial owner
Mr. John Barrie HARRISON	80,000 (L)[2]	Ordinary	<0.01	Interests held jointly with another person[8]
Mr. George Yong-Boon YEO	50,000 (L)[2]	Ordinary	<0.01	Beneficial owner
Professor Lawrence Juen-Yee LAU	160,000 (L)[2]	Ordinary	<0.01	Interest of spouse[9]

Notes:

(1) Based on 12,096,637,078 shares of the Company in issue as at 30 June 2021.

(2) The interests were in the shares of the Company.

(3) The interests were in restricted share units (RSUs) granted to Mr. Lee Yuan Siong under the restricted share unit schemes adopted by the Company from time to time, of which 1,468,714 RSUs were awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employment as also disclosed in the Company announcement dated 22 November 2019.

(4) The interests were in share options (SOs) granted to Mr. Lee Yuan Siong under the share option schemes adopted by the Company from time to time.

(5) The interests were in matching restricted stock purchase units (RSPUs) granted under the employee share purchase plans adopted by the Company from time to time.

(6) The 230,000 shares were held by Edmund & Peggy Tse Foundation Limited, one-third interest of which is beneficially held by Mr. Edmund Sze-Wing Tse.

(7) The 130,000 shares were held by Cyber Project Developments Limited, a company beneficially wholly-owned by Mr. Jack Chak-Kwong So.

(8) The 80,000 shares were jointly held by Mr. John Barrie Harrison and his spouse, Ms. Rona Irene Harrison, as beneficial owners.

(9) The 160,000 shares were held by Ms. Ayesha Abbas Macpherson, the spouse of Professor Lawrence Juen-Yee Lau, as beneficial owner.

Save as disclosed above, as at 30 June 2021, neither the Directors nor the Chief Executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF PERSONS OTHER THAN THE DIRECTORS OR THE CHIEF EXECUTIVE

As at 30 June 2021, the following persons, other than the Directors or the Chief Executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	**Number of shares or underlying shares**(1) Long Position (L) Short Position (S) Lending Pool (P)	**Class**	**Percentage of the total number of shares in issue**(2) Long Position (L) Short Position (S) Lending Pool (P)	**Capacity**
JPMorgan Chase & Co.	1,110,600,642 (L) 22,351,209 (S) 766,775,471 (P)	Ordinary	9.18 (L) 0.18 (S) 6.33 (P)	Note 3
The Bank of New York Mellon Corporation	1,096,258,164 (L) 301,796,828 (S) 769,295,915 (P)	Ordinary	9.06 (L) 2.49 (S) 6.35 (P)	Note 4
The Capital Group Companies, Inc.	1,087,914,261 (L)	Ordinary	8.99 (L)	Interest of controlled corporations
BlackRock, Inc.	629,705,868 (L) 2,007,714 (S)	Ordinary	5.20 (L) 0.01 (S)	Interest of controlled corporations

Notes:

(1) Amongst the interests and short positions in the shares and underlying shares of the Company set out in the table above, the following interests and short positions were related to derivative interests held by the shareholders of the Company (Shareholders):

	Long Position				Short Position			
Name of Shareholders	Physically settled listed derivatives	Cash settled listed derivatives	Physically settled unlisted derivatives	Cash settled unlisted derivatives	Physically settled listed derivatives	Cash settled listed derivatives	Physically settled unlisted derivatives	Cash settled unlisted derivatives
JPMorgan Chase & Co.	3,105,000	136,200	448,162	8,309,400	5,786,000	2,407,400	9,930,658	1,751,609
The Bank of New York Mellon Corporation	–	–	–	–	–	–	301,796,828	–
The Capital Group Companies, Inc.	–	–	21,983,176	–	–	–	–	–
BlackRock, Inc.	–	–	–	182,000	–	–	–	818,114

(2) Based on 12,096,637,078 shares of the Company in issue as at 30 June 2021.

(3) JPMorgan Chase & Co. held the interests and short positions in the following capacities:

Capacity	Number of shares or underlying shares (Long Position)	Number of shares or underlying shares (Short Position)
Approved lending agent	766,775,471	–
Investment manager	315,614,262	–
Interest of controlled corporations	26,704,056	22,351,209
Trustee	1,486,491	–
Person having a security interest in shares	20,362	–

(4) The Bank of New York Mellon Corporation held the interests and short positions in the following capacity:

Capacity	Number of shares or underlying shares (Long Position)	Number of shares or underlying shares (Short Position)
Interest of controlled corporations	1,096,258,164	301,796,828

Save as disclosed above, as at 30 June 2021, no person, other than the Directors or the Chief Executive of the Company whose interests are set out in the section entitled “Directors’ and the Chief Executive’s Interests and Short Positions in Shares and Underlying Shares”, had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Save for the purchases on the Hong Kong Stock Exchange of 738,388 shares of the Company under the employee share purchase plan adopted on 1 August 2020 and 6,719,800 shares of the Company under the restricted share unit scheme adopted on 1 August 2020 for a total consideration of approximately US$96 million, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021. These share purchases were made by the relevant plan/scheme trustee on the Hong Kong Stock Exchange and the shares are held on trust for the participants of the relevant plan/scheme and therefore were not cancelled.

SHARE-BASED COMPENSATION

LONG-TERM INCENTIVE PLAN

The restricted share unit scheme (2010 RSU Scheme) and the share option scheme (2010 SO Scheme) adopted by the Company on 28 September 2010, each with a term of 10 years from the date of adoption, were terminated in 2020 and no further grants may be made under these schemes upon their termination.

The restricted share unit scheme (2020 RSU Scheme) and the share option scheme (2020 SO Scheme), with substantially the same terms as the 2010 RSU Scheme and 2010 SO Scheme, respectively, were adopted by the Company on 1 August 2020 (2020 RSU Scheme Adoption Date) and 29 May 2020 (2020 SO Scheme Adoption Date), respectively. Both the 2020 RSU Scheme and the 2020 SO Scheme are effective for a period of 10 years from the respective date of adoption and will expire in 2030.

During the six months ended 30 June 2021, the Company granted RSUs under the 2020 RSU Scheme and SOs under the 2020 SO Scheme to employees, Directors (excluding Independent Non-executive Directors) and officers of the Company and/or its subsidiaries. For further information regarding the 2020 RSU Scheme and the 2020 SO Scheme, please refer to pages 90 to 93 and pages 115 to 121 of the Company's Annual Report 2020, and Appendix III of the shareholders' circular of the Company's 2020 annual general meeting.

RESTRICTED SHARE UNIT SCHEME

During the six months ended 30 June 2021, the Company granted 9,373,814 RSUs under the 2020 RSU Scheme. Notwithstanding the termination of the 2010 RSU Scheme, it shall remain in full force and effect for all RSUs granted prior to its termination, and the vesting of such RSUs shall be subject to and made in accordance with the terms on which they were granted under the 2010 RSU Scheme.

The aggregate number of shares that may underlie all RSUs granted by the Company (excluding RSUs that have lapsed or been cancelled) pursuant to the 2020 RSU Scheme and any other restricted share unit scheme of the Company (i.e., the 2010 RSU Scheme) shall not exceed 2.5 per cent of the number of shares in issue on 29 May 2020 (RSU Reference Date).

Since 2020 RSU Scheme Adoption Date and up to 30 June 2021, a cumulative total of 5,880,863 RSUs vested under the 2010 RSU Scheme and the 2020 RSU Scheme, underlying shares of which represent 0.049 per cent of the shares in issue as at the RSU Reference Date. During the same period, no new shares have been issued either under the 2010 RSU Scheme or the 2020 RSU Scheme.

The table below summarises the movements in RSUs under the 2010 RSU Scheme during the six months ended 30 June 2021.

Group Chief Executive and President, Key Management Personnel and other eligible employees and participants	Date of grant (day/month/ year)[(2)]	Date of vesting (day/month/ year)[(3)]	RSUs outstanding as at 1 January 2021	RSUs granted during the six months ended 30 June 2021	RSUs vested during the six months ended 30 June 2021	RSUs cancelled/ lapsed/ reclassified during the six months ended 30 June 2021	RSUs outstanding as at 30 June 2021[(7)]
Group Chief Executive and President	13/03/2020	See Note[(4)]	1,784,275	–	(315,561)	–	1,468,714
Mr. LEE Yuan Siong	25/03/2020	25/03/2023[(5)]	420,426	–	–	–	420,426
Key Management Personnel (excluding the Group Chief Executive and President)	15/03/2018	15/03/2021[(5)]	980,440	–	(542,483)	(437,957)	–
	27/03/2019	27/03/2022[(5)]	832,594	–	–	–	832,594
	15/05/2019	01/05/2022[(5)]	27,182	–	–	–	27,182
	30/12/2019	30/12/2022[(6)]	445,308	–	–	–	445,308
	25/03/2020	25/03/2023[(5)]	963,062	–	–	–	963,062
Other eligible employees and participants[(1)]	15/03/2018	15/03/2021[(5)]	8,443,189	–	(4,581,525)	(3,861,664)	–
	29/06/2018	15/03/2021[(5)]	108,956	–	(60,287)	(48,669)	–
	27/03/2019	27/03/2022[(5)]	8,131,419	–	(24,052)	(328,688)	7,778,679
	15/05/2019	01/05/2022[(5)]	16,480	–	–	–	16,480
	25/03/2020	25/03/2023[(5)]	9,602,594	–	(9,665)	(312,412)	9,280,517
	10/06/2020	10/06/2023[(5)]	31,142	–	–	–	31,142

Notes:

(1) Includes the RSUs of the retired Group Chief Executive and President, Mr. Ng Keng Hooi, that were outstanding as at 1 January 2021.

(2) The measurement dates (i.e. the dates used to determine the value of the grants for accounting purposes) for grants made during the thirteen months ended 31 December 2018 were determined to be 15 March 2018 and 29 June 2018. The measurement dates for grants made during the financial year ended 31 December 2019 were determined to be 27 March 2019, 15 May 2019 and 30 December 2019. The measurement dates for grants made during the financial year ended 31 December 2020 were determined to be 13 March 2020, 25 March 2020 and 10 June 2020. These measurement dates were determined in accordance with IFRS 2.

(3) The date of vesting is subject to applicable dealing restrictions.

(4) Reference is made to the Company's announcement dated 22 November 2019. These RSUs relate to the awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employment. The vesting of these RSUs is service-based only (i.e. there are no further performance conditions attached except for continued employment). The first two tranches of 315,561 RSUs each had vested on 13 September 2020 and 21 February 2021 respectively. Subject to continued employment, the remaining tranches of 315,561 RSUs each are scheduled to vest on 21 February 2022, 21 February 2023, and 21 February 2024 respectively and 522,031 RSUs are scheduled to vest on 21 February 2025.

(5) The vesting of these RSUs is subject to service requirements and the achievement of performance measures shown on page 117 of the Company's Annual Report 2020.

(6) The vesting of these RSUs is service-based only (i.e. there are no further performance conditions attached except for continued employment). Subject to continued employment, all RSUs will vest on 30 December 2022.

(7) Includes RSUs outstanding as at 30 June 2021 that, in accordance with the 2010 RSU Scheme rules, will lapse on or before the respective vesting date.

The table below summarises the movements in RSUs under the 2020 RSU Scheme during the six months ended 30 June 2021.

Group Chief Executive and President, Key Management Personnel and other eligible employees and participants	Date of grant (day/ month/ year)(1)	Date of vesting (day/ month/ year)(2)	RSUs outstanding as at 1 January 2021	RSUs granted during the six months ended 30 June 2021	RSUs vested during the six months ended 30 June 2021	RSUs cancelled/ lapsed/ reclassified during the six months ended 30 June 2021	RSUs outstanding as at 30 June 2021(7)
Group Chief Executive and President Mr. LEE Yuan Siong	24/03/2021	24/03/2024(3)	–	429,546	–	–	429,546
Key Management Personnel (excluding the Group Chief Executive and President)	24/03/2021	24/03/2022(4)	–	88,071	–	–	88,071
	24/03/2021	24/03/2024(3)	–	1,041,558	–	–	1,041,558
Other eligible employees and participants	24/03/2021	24/03/2022(4)	–	379,400	–	(1,240)	378,160
	24/03/2021	24/03/2024(3)	–	7,226,928	(187)	(122,323)	7,104,418
	24/03/2021	24/03/2024(5)	–	77,480	–	–	77,480
	30/03/2021	24/03/2022(4)	–	43,723	–	(409)	43,314
	02/06/2021	02/06/2024(3)	–	82,624	–	–	82,624
	02/06/2021	02/06/2024(6)	–	4,484	–	–	4,484

Notes:

(1) The measurement dates (i.e. the dates used to determine the value of the grants for accounting purposes) for grants made during the six months ended 30 June 2021 were determined to be 24 March 2021, 30 March 2021 and 2 June 2021. These measurement dates were determined in accordance with IFRS 2.

(2) The date of vesting is subject to applicable dealing restrictions.

(3) The vesting of these RSUs is subject to service requirements and the achievement of performance measures shown on page 117 of the Company's Annual Report 2020.

(4) The vesting of these RSUs is service-based only (i.e. there are no further performance conditions attached except for continued employment). Subject to continued employment, all RSUs will vest on 24 March 2022.

(5) The vesting of these RSUs is service-based only (i.e. there are no further performance conditions attached except for continued employment). Subject to continued employment, all RSUs will vest on 24 March 2024.

(6) The vesting of these RSUs is service-based only (i.e. there are no further performance conditions attached except for continued employment). Subject to continued employment, all RSUs will vest on 2 June 2024.

(7) Includes RSUs outstanding as at 30 June 2021 that, in accordance with the 2020 RSU Scheme rules, will lapse on or before the respective vesting date.

SHARE OPTION SCHEME

During the six months ended 30 June 2021, the Company granted 1,849,222 SOs under the 2020 SO Scheme. Notwithstanding the termination of the 2010 SO Scheme, it shall remain in full force and effect for all SOs granted prior to its termination, and the exercise of such SOs shall be subject to and made in accordance with the terms on which they were granted under the 2010 SO Scheme and the Listing Rules.

The aggregate number of shares that may be issued upon exercise of all SOs granted by the Company (excluding SOs that have lapsed) pursuant to 2020 SO Scheme and any other share option scheme of the Company (i.e., the 2010 SO Scheme) must not exceed 2.5 per cent of the number of shares in issue on 29 May 2020, being the 2020 SO Scheme Adoption Date.

Since 2020 SO Scheme Adoption Date and up to 30 June 2021, a cumulative total of 4,845,602 new shares were issued under the 2010 SO Scheme, representing approximately 0.04 per cent of the shares in issue as at the 2020 SO Scheme Adoption Date. During the same period, no new shares were issued under the 2020 SO Scheme.

As at the date of this report, the total number of shares which will be available for issue upon vesting of all outstanding SOs and SOs that can be granted under the SO Schemes is 297,419,376 shares, representing approximately 2.46 per cent of the number of shares in issue as at the date of this report and as at the 2020 SO Scheme Adoption Date.

Details regarding the valuation of the SOs are set out in note 23 to the interim condensed consolidated financial statements.

The table below summarises the movements in SOs under the 2010 SO Scheme during the six months ended 30 June 2021.

Group Chief Executive and President, Key Management Personnel and other eligible employees and participants	Date of grant (day/month/year)[2]	Period during which SOs are exercisable (day/month/year)	SOs outstanding as at 1 January 2021	SOs granted during the six months ended 30 June 2021	SOs vested during the six months ended 30 June 2021	SOs cancelled/lapsed/reclassified during the six months ended 30 June 2021	SOs exercised during the six months ended 30 June 2021	Exercise price (HK$)	SOs outstanding as at 30 June 2021[16]	Weighted average closing price of shares immediately before the dates on which SOs were exercised (HK$)
Group Chief Executive and President Mr. LEE Yuan Siong	25/03/2020	25/03/2023 – 24/03/2030[3]	1,197,133	–	–	–	–	68.10	1,197,133	n/a
Key Management Personnel (excluding Group Chief Executive and President)	11/03/2013	11/03/2016 – 10/03/2023[4]	76,937	–	–	–	–	34.35	76,937	n/a
	05/03/2014	05/03/2017 – 04/03/2024[5]	527,584	–	–	–	–	37.56	527,584	n/a
	12/03/2015	12/03/2018 – 11/03/2025[6]	473,259	–	–	–	–	47.73	473,259	n/a
	09/03/2016	09/03/2019 – 08/03/2026[7]	1,413,600	–	–	–	–	41.90	1,413,600	n/a
	10/03/2017	10/03/2020 – 09/03/2027[8]	1,499,764	–	–	–	–	50.30	1,499,764	n/a
	31/07/2017	01/06/2020 – 30/07/2027[9]	353,650	–	–	–	–	61.55	353,650	n/a
	15/03/2018	15/03/2021 – 14/03/2028[10]	2,351,059	–	2,351,059	–	–	67.15	2,351,059	n/a
	27/03/2019	27/03/2022 – 26/03/2029[11]	2,195,342	–	–	–	–	76.38	2,195,342	n/a
	15/05/2019	01/05/2022 – 14/05/2029[12]	72,856	–	–	–	–	78.70	72,856	n/a
	25/03/2020	25/03/2023 – 24/03/2030[3]	2,742,235	–	–	–	–	68.10	2,742,235	n/a
Other eligible employees and participants[1]	01/06/2011	01/04/2014 – 31/05/2021[13]	235,861	–	–	–	(235,861)	27.35	–	101.02
	01/06/2011	01/04/2014 – 31/05/2021[14]	217,457	–	–	–	(217,457)	27.35	–	99.10
	15/03/2012	15/03/2015 – 14/03/2022[15]	574,170	–	–	–	–	28.40	574,170	n/a
	11/03/2013	11/03/2016 – 10/03/2023[4]	438,536	–	–	–	–	34.35	438,536	n/a
	05/03/2014	05/03/2017 – 04/03/2024[5]	280,952	–	–	–	–	37.56	280,952	n/a
	12/03/2015	12/03/2018 – 11/03/2025[6]	1,026,353	–	–	–	–	47.73	1,026,353	n/a
	09/03/2016	09/03/2019 – 08/03/2026[7]	411,586	–	–	–	(5,005)	41.90	406,581	103.70
	10/03/2017	10/03/2020 – 09/03/2027[8]	2,109,430	–	–	–	(5,000)	50.30	2,104,430	95.00
	31/07/2017	01/06/2020 – 30/07/2027[9]	476,786	–	–	–	–	61.55	476,786	n/a
	15/03/2018	15/03/2021 – 14/03/2028[10]	1,551,311	–	1,492,908	(58,403)	(42,261)	67.15	1,450,647	98.54
	27/03/2019	27/03/2022 – 26/03/2029[11]	1,551,283	–	–	(54,961)	–	76.38	1,496,322	n/a
	15/05/2019	01/05/2022 – 14/05/2029[12]	9,365	–	–	–	–	78.70	9,365	n/a
	25/03/2020	25/03/2023 – 24/03/2030[3]	1,917,300	–	–	–	–	68.10	1,917,300	n/a

Notes:

(1) Includes SOs of the retired Group Chief Executive and Presidents, Mr. Mark Edward Tucker and Mr. Ng Keng Hooi, that were outstanding as at 1 January 2021.

(2) The measurement date (i.e. the date used to determine the value of the grants for accounting purposes) for grants made during the year ended 30 November 2011 was determined to be 15 June 2011. The measurement date for grants made during the year ended 30 November 2012 was determined to be 15 March 2012. The measurement date for grants made during the year ended 30 November 2013 was determined to be 11 March 2013. The measurement date for grants made during the year ended 30 November 2014 was determined to be 5 March 2014. The measurement date for grants made during the year ended 30 November 2015 was determined to be 12 March 2015. The measurement date for grants made during the year ended 30 November 2016 was determined to be 9 March 2016. The measurement dates for grants made during the year ended 30 November 2017 were determined to be 10 March 2017 and 31 July 2017. The measurement date for grants made during the thirteen months ended 31 December 2018 was determined to be 15 March 2018. The measurement dates for grants made during the year ended 31 December 2019 were determined to be 27 March 2019 and 15 May 2019. The measurement date for grant made during the year ended 31 December 2020 was determined to be 25 March 2020. These measurement dates were determined in accordance with IFRS 2.

(3) The vesting of SOs is service-based only. Subject to continued employment, all SOs will vest on 25 March 2023.

(4) The vesting of SOs is service-based only. All SOs vested on 11 March 2016.

(5) The vesting of SOs is service-based only. All SOs vested on 5 March 2017.

(6) The vesting of SOs is service-based only. All SOs vested on 12 March 2018.

(7) The vesting of SOs is service-based only. All SOs vested on 9 March 2019.

(8) The vesting of SOs is service-based only. All SOs vested on 10 March 2020.

(9) The vesting of SOs is service-based only. All SOs vested on 1 June 2020.

(10) The vesting of SOs is service-based only. All SOs vested on 15 March 2021.

(11) The vesting of SOs is service-based only. Subject to continued employment, all SOs will vest on 27 March 2022.

(12) The vesting of SOs is service-based only. Subject to continued employment, all SOs will vest on 1 May 2022.

(13) The vesting of SOs is service-based only. All SOs vested on 1 April 2014.

(14) The vesting of SOs is service-based only. One-third of SOs vested on 1 April 2014, one-third vested on 1 April 2015, and one third vested on 1 April 2016.

(15) The vesting of SOs is service-based only. All SOs vested on 15 March 2015.

(16) Includes SOs outstanding as at 30 June 2021 that, in accordance with the 2010 SO Scheme rules, will lapse on or before the end of the respective periods during which the SOs are exercisable.

The table below summarises the movements in SOs under the 2020 SO Scheme during the six months ended 30 June 2021.

Group Chief Executive and President, Key Management Personnel and other eligible employees and participants	Date of grant (day/ month/ year)[1]	Period during which SOs are exercisable (day/month/year)	SOs outstanding as at 1 January 2021	SOs granted during the six months ended 30 June 2021	SOs vested during the six months ended 30 June 2021	SOs cancelled/ lapsed/ reclassified during the six months ended 30 June 2021	SOs exercised during the six months ended 30 June 2021	Exercise price (HK$)	SOs outstanding as at 30 June 2021[3]	Weighted average closing price of shares immediately before the dates on which SOs were exercised (HK$)
Group Chief Executive and President Mr. LEE Yuan Siong	24/03/2021	24/03/2024 – 23/03/2031[2]	–	464,526	–	–	–	97.33	464,526	n/a
Key Management Personnel (excluding Group Chief Executive and President)	24/03/2021	24/03/2024 – 23/03/2031[2]	–	1,126,373	–	–	–	97.33	1,126,373	n/a
Other eligible employees and participants	24/03/2021	24/03/2024 – 23/03/2031[2]	–	258,323	–	–	–	97.33	258,323	n/a

Notes:

(1) The measurement date (i.e. the date used to determine the value of the grants for accounting purposes) for grant made during the six months ended 30 June 2021 was determined to be 24 March 2021. This measurement date was determined in accordance with IFRS 2.

(2) The closing price of the Company's shares immediately before the date on which SOs were granted was HK$96.35. The vesting of SOs is service-based only. Subject to continued employment, all SOs will vest on 24 March 2024.

(3) Includes SOs outstanding as at 30 June 2021 that, in accordance with the 2020 SO Scheme rules, will lapse on or before the end of the respective periods during which the SOs are exercisable.

EMPLOYEE SHARE PURCHASE PLAN

The employee share purchase plan (2011 ESPP) adopted by the Company on 25 July 2011 with a term of 10 years was terminated in 2020. The Company adopted a new employee share purchase plan (2020 ESPP) on 1 August 2020 (2020 ESPP Adoption Date) in place of and with substantially the same terms as the 2011 ESPP. The 2020 ESPP is effective for a period of 10 years from the date of adoption.

Upon the termination of the 2011 ESPP, no further RSPUs can be granted thereunder. However, the 2011 ESPP shall remain in full force and effect for all RSPUs granted prior to its termination, and the vesting of such RSPUs shall be subject to and made in accordance with the terms on which they were granted under the 2011 ESPP.

Under the 2020 ESPP, eligible employees of the Group may elect to purchase the Company's shares and, through the grant of matching RSPUs, receive one matching share for every two shares purchased and held until the end of the vesting period. Each eligible employee's participation level is capped at the lower of 10 per cent of his or her base salary or HK$12,500 (or local currency equivalent) per calendar month.

Upon vesting of the matching RSPUs (i.e., three years from the first share purchase date in a plan year), those employees who are still employed with the Group will receive one matching share for each RSPU granted to him or her. The matching shares can either be provided to recipients through the issuance of new shares by the Company or be purchased on market by the trustee of the 2020 ESPP.

The aggregate number of new shares which can be issued by the Company pursuant to the 2020 ESPP and any other employee share purchase plan (i.e., the 2011 ESPP) during the 10-year period from the 2020 ESPP Adoption Date shall not exceed 2.5 per cent of the number of shares in issue on 29 May 2020 (ESPP Reference Date). Since 2020 ESPP adoption date and up to 30 June 2021, no new shares have been issued under the 2011 ESPP nor the 2020 ESPP.

During the six months ended 30 June 2021, no matching RSPUs were granted, 31,510 matching RSPUs were vested and no new shares were issued under the 2010 ESPP. During the same period, 738,389 matching RSPUs were granted, 5,345 matching RSPUs were vested and no new shares were issued under the 2020 ESPP. Since 2020 ESPP Adoption Date and up to 30 June 2021, a cumulative total of 1,100,058 matching RSPUs were vested under ESPPs and no new shares were issued for the RSPUs.

AGENCY SHARE PURCHASE PLAN

The agency share purchase plan (2012 ASPP) adopted by the Company on 23 February 2012 (2012 ASPP Adoption Date) has a term of 10 years. In view of the upcoming expiry of the 2012 ASPP, the Company adopted a new agency share purchase plan (2021 ASPP) on 1 February 2021 (2021 ASPP Adoption Date) in place of and with substantially the same terms as the 2012 ASPP. The 2021 ASPP is effective for a period of 10 years from the date of adoption.

Upon the termination of the 2012 ASPP, no further RSSUs can be granted thereunder. However, the 2012 ASPP shall remain in full force and effect for all RSSUs granted prior to its termination, and the vesting of such RSSUs shall be subject to and made in accordance with the terms on which they were granted under 2012 ASPP.

Under the 2012 ASPP and 2021 ASPP, certain agents and agency leaders of the Group are selected to participate in the plans. Those agents selected for participation may elect to purchase the Company's shares and, after having been in the plan for a period of three years, receive one matching share for each two shares purchased through the grant of matching RSSUs. Each eligible agent's participation level is capped at HK$9,750 (or local equivalent) per calendar month under 2012 ASPP and capped at HK$12,500 (or local equivalent) per calendar month under 2021 ASPP. Upon vesting of the matching RSSUs, those agents who remain with the Group will receive one matching share for each RSSU which he or she holds.

The aggregate number of new shares which can be issued by the Company pursuant to the 2021 ASPP and any other agency share purchase plan (i.e., the 2012 ASPP) during the 10-year period from the 2021 ASPP Adoption Date shall not exceed 2.5 per cent of the number of shares in issue on 29 May 2020 (ASPP Reference Date).

During the six months ended 30 June 2021, 229,320 matching RSSUs were granted, 1,192,355 matching RSSUs were vested, and 1,192,355 new shares (Awarded Shares) were issued for RSSUs vested pursuant to the 2012 ASPP. During the same period, 146,711 matching RSSUs were granted, no matching RSSUs were vested, and no new shares (Awarded Shares) were issued accordingly pursuant to the 2021 ASPP. The Awarded Shares were issued at the subscription price of US$1.00 each to Computershare Hong Kong Trustees Limited (being the plan trustee) to hold the same on trust for certain eligible agents upon vesting of their matching RSSUs. The closing price of the Company's shares on 27 April 2021 was HK$99.55. The proceeds received amounted to approximately US$1.19 million, which were used to fund the administration expenses of the 2012 ASPP and as general working capital of the Company. Since 2021 ASPP Adoption Date and up to 30 June 2021, a cumulative total of 1,192,355 matching RSSUs were vested under the ASPPs and 1,192,355 new shares were issued for the RSSUs, representing approximately 0.01 per cent of the shares in issue as at the ASPP Reference Date.

EMPLOYEES

As at 30 June 2021, there has been no material change to the information disclosed in the Company's Annual Report 2020 relating to the number and remuneration of employees of the Group, its remuneration policies, share incentive schemes and training programmes.

CONTENTS

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)

pwc 羅兵咸永道

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 51 to 105, which comprise the interim consolidated statement of financial position of AIA Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34 and IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review and to report our conclusion 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 Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. 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 Hong Kong 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 condensed consolidated financial statements of the Group are not prepared, in all material respects, in accordance with HKAS 34 and IAS 34.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
17 August 2021

INTERIM CONSOLIDATED INCOME STATEMENT

US$m	Notes	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Revenue			
Premiums and fee income		**18,609**	17,268
Premiums ceded to reinsurers		**(1,361)**	(1,135)
Net premiums and fee income		**17,248**	16,133
Investment return	7	**6,780**	3,381
Other operating revenue		**166**	150
Total revenue		**24,194**	19,664
Expenses			
Insurance and investment contract benefits		**17,272**	13,930
Insurance and investment contract benefits ceded		**(1,202)**	(899)
Net insurance and investment contract benefits		**16,070**	13,031
Commission and other acquisition expenses		**2,267**	2,157
Operating expenses		**1,439**	1,242
Finance costs		**176**	143
Other expenses		**530**	519
Total expenses	8	**20,482**	17,092
Profit before share of profit from associates and joint ventures		**3,712**	2,572
Share of profit from associates and joint ventures		**2**	2
Profit before tax		**3,714**	2,574
Income tax credit/(expense) attributable to policyholders' returns		**72**	(23)
Profit before tax attributable to shareholders' profits		**3,786**	2,551
Tax expense	9	**(445)**	(391)
Tax attributable to policyholders' returns		**(72)**	23
Tax expense attributable to shareholders' profits		**(517)**	(368)
Net profit		**3,269**	2,183
Net profit attributable to:			
Shareholders of AIA Group Limited		**3,245**	2,197
Non-controlling interests		**24**	(14)
Earnings per share (US$)			
Basic	10	**0.27**	0.18
Diluted	10	**0.27**	0.18

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Net profit	**3,269**	2,183
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on available for sale financial assets (net of tax of: six months ended 30 June 2021: US$739m; six months ended 30 June 2020: US$(84)m)(2)	**(4,092)**	2,742
Fair value gains on available for sale financial assets transferred to income on disposal (net of tax of: six months ended 30 June 2021: US$42m; six months ended 30 June 2020: US$61m)(2)	**(1,061)**	(865)
Foreign currency translation adjustments	**(813)**	(679)
Cash flow hedges	**–**	12
Share of other comprehensive income/(expense) from associates and joint ventures	**33**	(65)
Subtotal	**(5,933)**	1,145
Items that will not be reclassified subsequently to profit or loss:		
Revaluation gains/(losses) on property held for own use (net of tax of: six months ended 30 June 2021: nil; six months ended 30 June 2020: US$5m)	**22**	(65)
Effect of remeasurement of net liability of defined benefit schemes (net of tax of: six months ended 30 June 2021: nil; six months ended 30 June 2020: US$(1)m)	**4**	2
Subtotal	**26**	(63)
Total other comprehensive (expense)/income	**(5,907)**	1,082
Total comprehensive (expense)/income	**(2,638)**	3,265
Total comprehensive (expense)/income attributable to:		
Shareholders of AIA Group Limited	**(2,646)**	3,262
Non-controlling interests	**8**	3

Notes:

(1) Where applicable, amounts are presented net of tax, policyholders' participation and other shadow accounting related movements.

(2) Gross of tax, policyholders' participation and other shadow accounting related movements, US$(7,246)m relates to the fair value losses (six months ended 30 June 2020: US$4,709m relates to the fair value gains) on available for sale financial assets and US$1,103m (six months ended 30 June 2020: US$926m) relates to the fair value gains on available for sale financial assets transferred to income on disposal during the period.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	Notes	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Assets			
Intangible assets	12	**2,569**	2,634
Investments in associates and joint ventures		**676**	606
Property, plant and equipment		**2,703**	2,722
Investment property		**4,579**	4,639
Reinsurance assets		**4,830**	4,560
Deferred acquisition and origination costs		**28,374**	27,915
Financial investments:	13, 15		
Loans and deposits		**9,569**	9,335
Available for sale			
Debt securities		**159,298**	165,106
At fair value through profit or loss			
Debt securities		**37,731**	36,775
Equity securities		**65,106**	59,182
Derivative financial instruments	14	**915**	1,069
		272,619	271,467
Deferred tax assets		**32**	23
Current tax recoverable		**89**	103
Other assets		**6,271**	5,833
Cash and cash equivalents	16	**7,149**	5,619
Total assets		**329,891**	326,121
Liabilities			
Insurance contract liabilities	17	**228,276**	223,071
Investment contract liabilities	17	**12,859**	12,881
Borrowings	18	**9,182**	8,559
Obligations under repurchase agreements	19	**3,447**	1,664
Derivative financial instruments	14	**1,836**	1,003
Provisions		**225**	230
Deferred tax liabilities		**5,835**	6,902
Current tax liabilities		**446**	346
Other liabilities		**8,368**	7,797
Total liabilities		**270,474**	262,453

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US$m	Notes	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Equity			
Share capital	20	**14,159**	14,155
Employee share-based trusts	20	**(225)**	(155)
Other reserves	20	**(11,877)**	(11,891)
Retained earnings		**46,391**	44,704
Fair value reserve	20	**10,073**	15,170
Foreign currency translation reserve	20	**(586)**	233
Property revaluation reserve	20	**1,048**	1,027
Others		**(39)**	(43)
Amounts reflected in other comprehensive income		**10,496**	16,387
Total equity attributable to:			
Shareholders of AIA Group Limited		**58,944**	63,200
Non-controlling interests		**473**	468
Total equity		**59,417**	63,668
Total liabilities and equity		**329,891**	326,121

Approved and authorised for issue by the Board of Directors on 17 August 2021.

Lee Yuan Siong
Director

Edmund Sze-Wing Tse
Director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

						Other comprehensive income					
US$m	Note	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Fair value reserve	Foreign currency translation reserve	Property revaluation reserve	Others	Non-controlling interests	Total equity
Balance at 1 January 2021		**14,155**	**(155)**	**(11,891)**	**44,704**	**15,170**	**233**	**1,027**	**(43)**	**468**	**63,668**
Net profit		**–**	**–**	**–**	**3,245**	**–**	**–**	**–**	**–**	**24**	**3,269**
Fair value losses on available for sale financial assets[2]		**–**	**–**	**–**	**–**	**(4,081)**	**–**	**–**	**–**	**(11)**	**(4,092)**
Fair value gains on available for sale financial assets transferred to income on disposal[2]		**–**	**–**	**–**	**–**	**(1,061)**	**–**	**–**	**–**	**–**	**(1,061)**
Foreign currency translation adjustments		**–**	**–**	**–**	**–**	**–**	**(808)**	**–**	**–**	**(5)**	**(813)**
Share of other comprehensive income/(expense) from associates and joint ventures		**–**	**–**	**–**	**–**	**45**	**(11)**	**(1)**	**–**	**–**	**33**
Revaluation gains on property held for own use		**–**	**–**	**–**	**–**	**–**	**–**	**22**	**–**	**–**	**22**
Effect of remeasurement of net liability of defined benefit schemes		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**–**	**4**
Total comprehensive income/ (expense) for the period		**–**	**–**	**–**	**3,245**	**(5,097)**	**(819)**	**21**	**4**	**8**	**(2,638)**
Dividends	11	**–**	**–**	**–**	**(1,558)**	**–**	**–**	**–**	**–**	**(14)**	**(1,572)**
Shares issued under share option scheme and agency share purchase plan		**4**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4**
Capital contributions from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11**	**11**
Share-based compensation		**–**	**–**	**41**	**–**	**–**	**–**	**–**	**–**	**–**	**41**
Purchase of shares held by employee share-based trusts		**–**	**(97)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(97)**
Transfer of vested shares from employee share-based trusts		**–**	**27**	**(27)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 30 June 2021 – Unaudited		**14,159**	**(225)**	**(11,877)**	**46,391**	**10,073**	**(586)**	**1,048**	**(39)**	**473**	**59,417**

Notes:

(1) Where applicable, amounts are presented net of tax, policyholders' participation and other shadow accounting related movements.

(2) Gross of tax, policyholders' participation and other shadow accounting related movements, US$(7,246)m relates to the fair value losses on available for sale financial assets and US$1,103m relates to the fair value gains on available for sale financial assets transferred to income on disposal during the six months ended 30 June 2021.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

US$m	Note	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income: Fair value reserve	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Property revaluation reserve	Others	Non-controlling interests	Total equity
Balance at 1 January 2020		14,129	(220)	(11,887)	40,922	11,669	(698)	1,073	(41)	448	55,395
Net profit		–	–	–	2,197	–	–	–	–	(14)	2,183
Fair value gains on available for sale financial assets[(2)]		–	–	–	–	2,727	–	–	–	15	2,742
Fair value gains on available for sale financial assets transferred to income on disposal[(2)]		–	–	–	–	(865)	–	–	–	–	(865)
Foreign currency translation adjustments		–	–	–	–	–	(681)	–	–	2	(679)
Cash flow hedges		–	–	–	–	–	–	–	12	–	12
Share of other comprehensive expense from associates and joint ventures		–	–	–	–	(36)	(29)	–	–	–	(65)
Revaluation losses on property held for own use		–	–	–	–	–	–	(65)	–	–	(65)
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	2	–	2
Total comprehensive income/ (expense) for the period		–	–	–	2,197	1,826	(710)	(65)	14	3	3,265
Dividends	11	–	–	–	(1,452)	–	–	–	–	–	(1,452)
Shares issued under share option scheme and agency share purchase plan		6	–	–	–	–	–	–	–	–	6
Share-based compensation		–	–	47	–	–	–	–	–	–	47
Purchase of shares held by employee share-based trusts		–	(6)	–	–	–	–	–	–	–	(6)
Transfer of vested shares from employee share-based trusts		–	71	(71)	–	–	–	–	–	–	–
Balance at 30 June 2020 – Unaudited		14,135	(155)	(11,911)	41,667	13,495	(1,408)	1,008	(27)	451	57,255

Notes:

(1) Where applicable, amounts are presented net of tax, policyholders' participation and other shadow accounting related movements.

(2) Gross of tax, policyholders' participation and other shadow accounting related movements, US$4,709m relates to the fair value gains on available for sale financial assets and US$926m relates to the fair value gains on available for sale financial assets transferred to income on disposal during the six months ended 30 June 2020.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Cash flows from operating activities		
Profit before tax	**3,714**	2,574
Adjustments for:		
Financial investments	**(12,101)**	(7,459)
Insurance and investment contract liabilities, and deferred acquisition and origination costs	**10,139**	9,053
Obligations under repurchase agreements	**1,774**	(314)
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items	**(4,193)**	(4,024)
Operating cash items:		
Interest received	**3,712**	3,377
Dividends received	**519**	460
Interest paid	**(24)**	(24)
Tax paid	**(446)**	(377)
Net cash provided by operating activities	**3,094**	3,266
Cash flows from investing activities		
Payments for intangible assets	**(120)**	(81)
Distribution or dividend from an associate	**–**	2
Payments for increase in interest of joint ventures	**(27)**	(2)
Proceeds from sales of investment property and property, plant and equipment	**1**	–
Payments for investment property and property, plant and equipment	**(51)**	(51)
Acquisition of subsidiaries	**–**	(536)
Net cash used in investing activities	**(197)**	(668)
Cash flows from financing activities		
Issuances of medium-term notes and securities	**1,121**	1,055
Redemption of medium-term notes	**(502)**	–
Proceeds from other borrowings	**94**	911
Repayment of other borrowings	**(83)**	(841)
Capital contributions from non-controlling interests	**11**	–
Payments for lease liabilities(1)	**(95)**	(96)
Interest paid on medium-term notes and securities	**(148)**	(107)
Dividends paid during the period	**(1,572)**	(1,452)
Purchase of shares held by employee share-based trusts	**(97)**	(6)
Shares issued under share option scheme and agency share purchase plan	**4**	6
Net cash used in financing activities	**(1,267)**	(530)
Net increase in cash and cash equivalents	**1,630**	2,068
Cash and cash equivalents at beginning of the financial period	**5,393**	3,753
Effect of exchange rate changes on cash and cash equivalents	**(94)**	(59)
Cash and cash equivalents at end of the financial period	**6,929**	5,762

Note:
(1) The total cash outflow for leases for the six months ended 30 June 2021 was US$98m (six months ended 30 June 2020: US$100m).

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Cash and cash equivalents in the above interim consolidated statement of cash flows can be further analysed as follows:

	Note	**As at 30 June 2021 (Unaudited)**	As at 30 June 2020 (Unaudited)
Cash and cash equivalents in the interim consolidated statement of financial position	16	**7,149**	5,950
Bank overdrafts		**(220)**	(188)
Cash and cash equivalents in the interim consolidated statement of cash flows		**6,929**	5,762

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

AIA Group Limited (the "Company") was established as a company with limited liability incorporated in Hong Kong on 24 August 2009. The address of its registered office is 35/F, AIA Central, No. 1 Connaught Road Central, Hong Kong.

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code "1299" with American Depositary Receipts (Level 1) being traded on the over-the-counter market (ticker symbol: "AAGIY").

AIA Group Limited and its subsidiaries (collectively "AIA" or the "Group") is a life insurance based financial services provider operating in 18 markets. The Group's principal activity is the writing of life insurance business, providing life insurance, accident and health insurance and savings plans throughout Asia, and distributing related investment and other financial services products to its customers.

2. Basis of preparation and statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting and International Accounting Standard (IAS) 34, Interim Financial Reporting. International Financial Reporting Standards (IFRS) is substantially consistent with Hong Kong Financial Reporting Standards (HKFRS) and the accounting policy selections that the Group has made in preparing these interim condensed consolidated financial statements are such that the Group is able to comply with both HKFRS and IFRS. References to IFRS, IAS and Interpretations developed by the IFRS Interpretations Committee (IFRS IC) in these interim condensed consolidated financial statements should be read as referring to the equivalent HKFRS, HKAS and Hong Kong (IFRIC) Interpretations (HK(IFRIC) – Int) as the case may be. Accordingly, there are not any differences of accounting practice between HKFRS and IFRS affecting these interim condensed consolidated financial statements. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2020.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. The accounting policies adopted are consistent with those of the previous financial year, except as described as follows.

2. Basis of preparation and statement of compliance (continued)

(a) The following relevant new amendments to standards have been adopted for the first time for the financial year ending 31 December 2021 and have no material impact to the Group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2; and

- Amendment to IFRS 16, COVID-19-Related Rent Concessions.

(b) The following relevant new amendments to standards have been issued since the release of the Group's 2020 consolidated financial statements, but are not effective for the financial year ending 31 December 2021 and have not been early adopted (the financial years for which the adoption is required for the Group is stated in parentheses). The Group has assessed the impact of the new amendment on its financial position and results of operations and it is not expected to have a material impact on the financial position or results of operations of the Group:

- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2023).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgement on estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS and IFRS.

The interim condensed consolidated financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers in accordance with the Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers' independent review report to the Board of Directors is included on page 50. The interim condensed consolidated financial statements have also been reviewed by the Company's Audit Committee.

The financial statements relating to the financial year ended 31 December 2020 that are included in the interim condensed consolidated financial statements as comparative information does not constitute the Group's statutory financial statements for that financial period but is derived from those financial statements. The Group has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The auditors have expressed an unqualified opinion on those financial statements in their report dated 12 March 2021. Their report did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

3. Exchange rates

The Group's principal overseas operations during the reporting period were located within Asia. The results and cash flows of these operations have been translated into US dollars at the following average rates:

	US dollar exchange rates		
	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020	Six months ended 30 June 2020 (Unaudited)
Mainland China	**6.47**	6.90	7.03
Hong Kong	**7.76**	7.76	7.76
Thailand	**30.82**	31.27	31.60
Singapore	**1.33**	1.38	1.40
Malaysia	**4.10**	4.20	4.25

Assets and liabilities have been translated at the following period-end rates:

	US dollar exchange rates		
	As at 30 June 2021 (Unaudited)	As at 31 December 2020	As at 30 June 2020 (Unaudited)
Mainland China	**6.46**	6.53	7.07
Hong Kong	**7.77**	7.75	7.75
Thailand	**32.03**	29.95	30.88
Singapore	**1.34**	1.32	1.40
Malaysia	**4.15**	4.02	4.28

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

4. Operating profit after tax

Operating profit after tax may be reconciled to net profit as follows:

US$m	Note	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Operating profit after tax	6	**3,206**	2,958
Non-operating items, net of related changes in insurance and investment contract liabilities and taxes:			
Short-term fluctuations in investment return related to equities and real estate[1]		**196**	(1,309)
Reclassification of revaluation (gains)/losses for property held for own use[1]		**(37)**	61
Corporate transaction related costs		**(19)**	(37)
Implementation costs for new accounting standards		**(28)**	(22)
Other non-operating investment return and other items		**(49)**	532
Subtotal[2]		**63**	(775)
Net profit		**3,269**	2,183
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited		**3,182**	2,933
Non-controlling interests		**24**	25
Net profit attributable to:			
Shareholders of AIA Group Limited		**3,245**	2,197
Non-controlling interests		**24**	(14)

Notes:

(1) Short-term fluctuations in investment return include the revaluation gains and losses for property held for own use. This amount is then reclassified out of net profit to conform to IFRS measurement and presentation.

(2) The amount is net of tax credit of US$13m (six months ended 30 June 2020: US$91m). The gross amount before tax is US$50m (six months ended 30 June 2020: US$(866)m).

Operating profit is determined using, among others, expected long-term investment return for equities and real estate. Short-term fluctuations between expected long-term investment return and actual investment return for these asset classes are excluded from operating profit. The assumptions used to determine expected long-term investment return are the same, in all material respects, as those used by the Group in determining its embedded value and are disclosed in the Supplementary Embedded Value Information.

5. Total weighted premium income and annualised new premiums

For management decision-making and internal performance management purposes, the Group measures business volumes during the period using a performance measure referred to as total weighted premium income (TWPI). The Group measures new business activity using a performance measure referred to as annualised new premiums (ANP). The presentation of this note is consistent with our reportable segment presentation in note 6.

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 interim consolidated income statement.

ANP is a key internal measure of new business activities, which consists of 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded. ANP excludes new business of pension business, personal lines and motor insurance.

TWPI US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
TWPI by geography		
Mainland China	**3,961**	3,001
Hong Kong	**5,773**	6,136
Thailand	**2,089**	1,981
Singapore	**1,730**	1,502
Malaysia	**1,200**	1,049
Other Markets	**3,758**	3,257
Total	**18,511**	16,926
First year premiums by geography		
Mainland China	**872**	693
Hong Kong	**357**	462
Thailand	**291**	282
Singapore	**188**	145
Malaysia	**186**	141
Other Markets	**518**	439
Total	**2,412**	2,162
Single premiums by geography		
Mainland China	**92**	234
Hong Kong	**1,376**	876
Thailand	**256**	91
Singapore	**711**	521
Malaysia	**163**	87
Other Markets	**448**	440
Total	**3,046**	2,249

5. Total weighted premium income and annualised new premiums (continued)

TWPI (continued) US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Renewal premiums by geography		
Mainland China	**3,080**	2,285
Hong Kong	**5,278**	5,586
Thailand	**1,772**	1,690
Singapore	**1,471**	1,305
Malaysia	**998**	899
Other Markets	**3,195**	2,774
Total	**15,794**	14,539

ANP US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
ANP by geography		
Mainland China	**899**	726
Hong Kong	**505**	565
Thailand	**333**	312
Singapore	**279**	214
Malaysia	**253**	159
Other Markets	**791**	603
Total	**3,060**	2,579

6. Segment information

The Group's operating segments, based on the reports received by the ExCo, are each of the geographical markets in which the Group operates. Each of the reportable segments, other than the "Group Corporate Centre" 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 services products. The reportable segments are Mainland China, Hong Kong (including Macau), Thailand, Singapore (including Brunei), Malaysia, Other Markets and Group Corporate Centre. Other Markets includes the Group's operations in Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam and India. The activities of the Group Corporate Centre segment consist of the Group's corporate functions, shared services and eliminations of intragroup transactions.

As each reportable segment other than the Group Corporate Centre 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:

- ANP;
- TWPI;
- investment return;
- operating expenses;
- operating profit after tax attributable to shareholders of AIA Group Limited;
- expense ratio, measured as operating expenses divided by TWPI;
- operating margin, measured as operating profit after tax expressed as a percentage of TWPI; and
- operating return on shareholders' allocated equity measured on an annualised basis as operating profit after tax attributable to shareholders of AIA Group Limited expressed as a percentage of the simple average of opening and closing shareholders' allocated segment equity (being the segment assets less segment liabilities in respect of each reportable segment less non-controlling interests and fair value reserve).

Business volumes in respect of the Group's five largest customers are less than 30 per cent of premiums and fee income.

The Group provides deferred tax liabilities in respect of unremitted earnings in jurisdictions where withholding tax charge would be incurred upon dividend distribution. On 1 October 2020, AIA Company Limited (AIA Co.) converted its Mainland China business to a wholly-owned subsidiary, AIA Life Insurance Company Limited, which was incorporated in Shanghai on 9 July 2020. Upon the conversion of the Mainland China business to AIA Life Insurance Company Limited, any future dividends to the Group from this subsidiary are subject to withholding tax at the applicable tax rate in Mainland China (currently at 5 per cent). Consequently, deferred tax liability in respect of unremitted earnings of this subsidiary was provided for in the period ended 30 June 2021 and year ended 31 December 2020.

6. Segment information (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2021 – Unaudited								
ANP	899	505	333	279	253	791	–	3,060
TWPI	3,961	5,773	2,089	1,730	1,200	3,758	–	18,511
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	3,776	6,192	1,968	1,877	999	2,535	63	17,410
Investment return	658	1,993	614	709	298	610	299	5,181
Total revenue	4,434	8,185	2,582	2,586	1,297	3,145	362	22,591
Net insurance and investment contract benefits	2,978	5,985	1,415	1,918	807	1,627	57	14,787
Commission and other acquisition expenses	303	747	421	185	123	480	8	2,267
Operating expenses	232	209	128	111	109	509	141	1,439
Finance costs and other expenses	29	92	28	22	8	45	140	364
Total expenses	3,542	7,033	1,992	2,236	1,047	2,661	346	18,857
Share of (losses)/profit from associates and joint ventures	–	(1)	–	–	–	3	–	2
Operating profit before tax	892	1,151	590	350	250	487	16	3,736
Tax on operating profit before tax	(170)	(89)	(105)	(11)	(51)	(84)	(20)	(530)
Operating profit/(losses) after tax	722	1,062	485	339	199	403	(4)	3,206
Operating profit/(losses) after tax attributable to:								
Shareholders of AIA Group Limited	722	1,055	485	339	194	391	(4)	3,182
Non-controlling interests	–	7	–	–	5	12	–	24
Key operating ratios:								
Expense ratio	5.9%	3.6%	6.1%	6.4%	9.1%	13.5%	–	7.8%
Operating margin	18.2%	18.4%	23.2%	19.6%	16.6%	10.7%	–	17.3%
Operating return on shareholders' allocated equity	31.4%	16.3%	14.5%	16.0%	17.9%	8.6%	–	12.8%
Operating profit before tax includes:								
Finance costs	18	15	–	1	1	4	133	172
Depreciation and amortisation	49	46	11	14	12	50	16	198

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
30 June 2021 – Unaudited								
Total assets	38,567	118,329	35,116	46,851	17,265	53,636	20,127	329,891
Total liabilities	33,847	100,647	26,746	41,640	15,069	43,230	9,295	270,474
Total equity	4,720	17,682	8,370	5,211	2,196	10,406	10,832	59,417
Shareholders' allocated equity	4,066	12,828	6,492	4,222	2,082	8,840	10,341	48,871
Total assets include:								
Investments in associates and joint ventures	–	3	–	–	2	671	–	676

6. Segment information (continued)

Segment information may be reconciled to the interim consolidated income statement as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items[1]	Interim consolidated income statement	
Six months ended 30 June 2021 – Unaudited					
Net premiums, fee income and other operating revenue	**17,410**	**–**	**4**	**17,414**	Net premiums, fee income and other operating revenue
Investment return	**5,181**	**741**	**858**	**6,780**	Investment return
Total revenue	**22,591**	**741**	**862**	**24,194**	**Total revenue**
Net insurance and investment contract benefits	**14,787**	**503**	**780**	**16,070**	Net insurance and investment contract benefits
Other expenses	**4,070**	**–**	**342**	**4,412**	Other expenses
Total expenses	**18,857**	**503**	**1,122**	**20,482**	**Total expenses**
Share of profit from associates and joint ventures	**2**	**–**	**–**	**2**	Share of profit from associates and joint ventures
Operating profit before tax	**3,736**	**238**	**(260)**	**3,714**	**Profit before tax**

Note:
(1) Include unit-linked contracts.

6. Segment information (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2020 – Unaudited								
ANP	726	565	312	214	159	603	–	2,579
TWPI	3,001	6,136	1,981	1,502	1,049	3,257	–	16,926
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	3,039	6,631	1,909	1,596	901	2,151	57	16,284
Investment return	509	1,695	631	616	279	573	246	4,549
Total revenue	3,548	8,326	2,540	2,212	1,180	2,724	303	20,833
Net insurance and investment contract benefits	2,388	6,155	1,415	1,619	770	1,304	47	13,698
Commission and other acquisition expenses	222	770	397	170	127	463	8	2,157
Operating expenses	185	220	113	96	90	445	93	1,242
Finance costs and other expenses	22	88	26	28	7	39	111	321
Total expenses	2,817	7,233	1,951	1,913	994	2,251	259	17,418
Share of profit from associates and joint ventures	–	–	–	–	–	2	–	2
Operating profit before tax	731	1,093	589	299	186	475	44	3,417
Tax on operating profit before tax	(91)	(80)	(111)	4	(36)	(127)	(18)	(459)
Operating profit after tax	640	1,013	478	303	150	348	26	2,958
Operating profit after tax attributable to:								
Shareholders of AIA Group Limited	640	1,005	478	303	148	333	26	2,933
Non-controlling interests	–	8	–	–	2	15	–	25
Key operating ratios:								
Expense ratio	6.2%	3.6%	5.7%	6.4%	8.6%	13.7%	–	7.3%
Operating margin	21.3%	16.5%	24.1%	20.2%	14.3%	10.7%	–	17.5%
Operating return on shareholders' allocated equity	28.7%	18.8%	14.4%	16.9%	15.8%	7.8%	–	13.2%
Operating profit before tax includes:								
Finance costs	16	16	–	1	1	5	102	141
Depreciation and amortisation	43	51	11	15	10	57	18	205

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
31 December 2020								
Total assets	34,919	113,933	38,640	45,994	17,715	55,644	19,276	326,121
Total liabilities	29,989	95,598	28,730	40,640	15,445	44,369	7,682	262,453
Total equity	4,930	18,335	9,910	5,354	2,270	11,275	11,594	63,668
Shareholders' allocated equity	4,407	11,999	6,421	3,916	2,060	8,936	10,291	48,030
Total assets include:								
Investments in associates and joint ventures	–	3	–	–	2	601	–	606

6. Segment information (continued)

Segment information may be reconciled to the interim consolidated income statement as shown below:

US$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items[(1)]	Interim consolidated income statement	
Six months ended 30 June 2020 – Unaudited					
Net premiums, fee income and other operating revenue	16,284	–	(1)	16,283	Net premiums, fee income and other operating revenue
Investment return	4,549	(2,886)	1,718	3,381	Investment return
Total revenue	20,833	(2,886)	1,717	19,664	**Total revenue**
Net insurance and investment contract benefits	13,698	(1,384)	717	13,031	Net insurance and investment contract benefits
Other expenses	3,720	–	341	4,061	Other expenses
Total expenses	17,418	(1,384)	1,058	17,092	**Total expenses**
Share of profit from associates and joint ventures	2	–	–	2	Share of profit from associates and joint ventures
Operating profit before tax	3,417	(1,502)	659	2,574	**Profit before tax**

Note:
(1) Include unit-linked contracts.

7. Investment return

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Interest income	**3,681**	3,443
Dividend income	**539**	459
Rental income	**84**	87
Investment income	**4,304**	3,989
Available for sale		
Net realised gains from debt securities	**1,103**	926
Net gains of available for sale financial assets reflected in the interim consolidated income statement	**1,103**	926
At fair value through profit or loss		
Net (losses)/gains of debt securities	**(907)**	719
Net gains/(losses) of equity securities	**2,798**	(3,165)
Net fair value movement on derivatives	**(864)**	843
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	**1,027**	(1,603)
Net fair value movement of investment property	**(2)**	(276)
Net foreign exchange gains	**395**	363
Other net realised losses	**(47)**	(18)
Investment experience	**2,476**	(608)
Investment return	**6,780**	3,381

Foreign currency movements resulted in the following gains recognised in the interim consolidated income statement (other than gains and losses arising on items measured at fair value through profit or loss):

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Foreign exchange gains	**261**	111

8. Expenses

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Insurance contract benefits	**7,596**	6,878
Change in insurance contract liabilities	**9,004**	7,207
Investment contract benefits	**672**	(155)
Insurance and investment contract benefits	**17,272**	13,930
Insurance and investment contract benefits ceded	**(1,202)**	(899)
Insurance and investment contract benefits, net of reinsurance ceded	**16,070**	13,031
Commission and other acquisition expenses incurred	**2,857**	2,725
Deferral and amortisation of acquisition costs	**(590)**	(568)
Commission and other acquisition expenses	**2,267**	2,157
Employee benefit expenses	**932**	817
Depreciation	**135**	132
Amortisation	**43**	49
Other operating expenses	**329**	244
Operating expenses	**1,439**	1,242
Investment management expenses and others	**297**	283
Depreciation on property held for own use	**16**	16
Restructuring and other non-operating costs[1]	**207**	190
Change in third-party interests in consolidated investment funds	**10**	30
Other expenses	**530**	519
Finance costs	**176**	143
Total	**20,482**	17,092

Note:

(1) Restructuring costs represent costs related to restructuring programmes and are primarily comprised of redundancy and contract termination costs. Other non-operating costs primarily consist of corporate transaction related costs, implementation costs for new accounting standards and other items that are not expected to be recurring in nature.

8. Expenses (continued)

Finance costs may be analysed as:

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Repurchase agreements	**19**	15
Medium-term notes and securities	**147**	111
Lease liabilities	**7**	8
Other loans	**3**	9
Total	**176**	143

Employee benefit expenses consist of:

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Wages and salaries	**751**	664
Share-based compensation	**39**	48
Pension costs – defined contribution plans	**60**	46
Pension costs – defined benefit plans	**7**	7
Other employee benefit expenses	**75**	52
Total	**932**	817

9. Income tax

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Tax charged in the interim consolidated income statement		
Current income tax – Hong Kong Profits Tax	**86**	77
Current income tax – overseas	**595**	213
Deferred income tax on temporary differences	**(236)**	101
Total	**445**	391

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The tax benefit or expense attributable to life insurance policyholder returns in Singapore, Brunei, Malaysia, Australia, Indonesia, New Zealand, the Philippines and Sri Lanka is included in the tax charge or credit and is analysed separately in the interim consolidated income statement in order to permit comparison of the underlying effective rate of tax attributable to shareholders from period to period. The tax credit attributable to policyholders' returns included above is US$72m (six months ended 30 June 2020: tax expense of US$23m).

During the period ended 30 June 2021, changes in the corporate income tax rates have been enacted in the Philippines and Sri Lanka. For the Philippines, the corporate income tax rate changed from 30 per cent to 25 per cent effective from 1 July 2020. For Sri Lanka, the corporate income tax rate changed from 28 per cent to 24 per cent effective from 1 January 2020.

In 2020, a change in the corporate income tax rate was enacted in Indonesia from 25 per cent to 22 per cent for fiscal years 2020 and 2021 and to 20 per cent from fiscal year 2022 onwards.

10. Earnings per share

BASIC

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares in issue during the period. The shares held by employee share-based trusts are not considered to be outstanding from the date of the purchase for the purpose of computing basic and diluted earnings per share.

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,245**	2,197
Weighted average number of ordinary shares in issue (million)	**12,065**	12,055
Basic earnings per share (US cents per share)	**26.90**	18.22

10. Earnings per share (continued)

DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As of 30 June 2021 and 2020, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 23.

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,245**	2,197
Weighted average number of ordinary shares in issue (million)	**12,065**	12,055
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans (million)	**22**	19
Weighted average number of ordinary shares for diluted earnings per share (million)	**12,087**	12,074
Diluted earnings per share (US cents per share)	**26.85**	18.20

At 30 June 2021, 1,849,222 share options (30 June 2020: 9,824,311) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

OPERATING PROFIT AFTER TAX PER SHARE

Operating profit after tax (see note 4) per share is calculated by dividing the operating profit after tax attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares in issue during the period. As of 30 June 2021 and 2020, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 23.

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Basic (US cents per share)	**26.37**	24.33
Diluted (US cents per share)	**26.33**	24.29

11. Dividends

Dividends to shareholders of the Company attributable to the interim period:

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Interim dividend declared after the reporting date of 38.00 Hong Kong cents per share (six months ended 30 June 2020: 35.00 Hong Kong cents per share)[1]	**590**	545

Note:

(1) Based upon shares outstanding at 30 June 2021 and 2020 that are entitled to a dividend, other than those held by employee share-based trusts.

The above interim dividend was declared after the reporting date and has not been recognised as a liability at the reporting date.

Dividends to shareholders of the Company attributable to the previous financial period, approved and paid during the interim period:

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Final dividend in respect of the previous financial period, approved and paid during the interim period of 100.30 Hong Kong cents per share (six months ended 30 June 2020: 93.30 Hong Kong cents per share)	**1,558**	1,452

12. Intangible assets

US$m	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 January 2021	1,659	823	911	3,393
Additions	–	54	–	54
Disposals	–	(18)	–	(18)
Foreign exchange movements	(48)	(13)	(8)	(69)
At 30 June 2021 – Unaudited	**1,611**	**846**	**903**	**3,360**
Accumulated amortisation				
At 1 January 2021	(4)	(512)	(243)	(759)
Amortisation charge for the period	–	(43)	(20)	(63)
Disposals	–	18	–	18
Foreign exchange movements	–	8	5	13
At 30 June 2021 – Unaudited	**(4)**	**(529)**	**(258)**	**(791)**
Net book value				
At 31 December 2020	1,655	311	668	2,634
At 30 June 2021 – Unaudited	**1,607**	**317**	**645**	**2,569**

The Group holds intangible assets for its long-term use and the annual amortisation charge of US$126m (31 December 2020: US$142m) approximates the amount that is expected to be recovered through consumption within 12 months after the end of the reporting period.

The carrying amount of distribution and other rights is US$645m (31 December 2020: US$668m), a significant proportion of which is related to the bancassurance partnership with Citibank, N.A. (Citibank).

In April 2021, Citibank announced publicly that it will pursue an exit from its consumer banking business in the markets covered by the bancassurance partnership except for Hong Kong and Singapore. The Group is in discussions with Citibank on the future arrangement of the bancassurance partnership.

The Group determined that there was no impairment of the Group's intangible assets as at 30 June 2021.

13. Financial investments

DEBT SECURITIES

Debt securities by type comprise the following:

	Policyholder and shareholder							
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder			Unit-linked	Consolidated investment funds[5]	
US$m	FVTPL	AFS	FVTPL	AFS	Subtotal	FVTPL	FVTPL	Total
30 June 2021 – Unaudited								
Government bonds[1]	**10,330**	**–**	**1,185**	**43,922**	**55,437**	**1,669**	**–**	**57,106**
Other government and government agency bonds[2]	**6,615**	**4,255**	**70**	**17,817**	**28,757**	**548**	**678**	**29,983**
Corporate bonds	**10,926**	**42,699**	**1,058**	**49,663**	**104,346**	**1,361**	**2,301**	**108,008**
Structured securities[3]	**335**	**–**	**433**	**942**	**1,710**	**222**	**–**	**1,932**
Total[4]	**28,206**	**46,954**	**2,746**	**112,344**	**190,250**	**3,800**	**2,979**	**197,029**
31 December 2020								
Government bonds[1]	9,324	–	1,189	45,750	56,263	1,846	–	58,109
Other government and government agency bonds[2]	6,767	4,934	75	18,843	30,619	508	332	31,459
Corporate bonds	11,922	42,668	264	51,975	106,829	1,459	2,063	110,351
Structured securities[3]	357	–	474	936	1,767	195	–	1,962
Total[4]	28,370	47,602	2,002	117,504	195,478	4,008	2,395	201,881

Notes:

(1) Government bonds include bonds issued in local or foreign currencies by the government of the country where respective business unit operates.

(2) Other government and government agency bonds comprise other bonds issued by government and government-sponsored institutions such as national, provincial and municipal authorities, government-related entities, multilateral development banks and supranational organisations.

(3) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

(4) Debt securities of US$8,490m (31 December 2020: US$9,188m) are restricted due to local regulatory requirements.

(5) Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

13. Financial investments (continued)

EQUITY SECURITIES

Equity securities by type comprise the following:

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Consolidated investment funds[1] FVTPL	Total
30 June 2021 – Unaudited						
Equity shares	**17,083**	**5,044**	**22,127**	**7,193**	**1,806**	**31,126**
Interests in investment funds	**11,437**	**1,928**	**13,365**	**20,603**	**12**	**33,980**
Total	**28,520**	**6,972**	**35,492**	**27,796**	**1,818**	**65,106**

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Consolidated investment funds[1] FVTPL	Total
31 December 2020						
Equity shares	15,596	6,302	21,898	7,185	1,073	30,156
Interests in investment funds	8,296	756	9,052	19,974	–	29,026
Total	23,892	7,058	30,950	27,159	1,073	59,182

Note:
(1) Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

DEBT AND EQUITY SECURITIES

US$m	As at 30 June 2021 (Unaudited)	As at 31 December 2020
Debt securities		
Listed	**154,261**	160,062
Unlisted	**42,768**	41,819
Total	**197,029**	201,881
Equity securities		
Listed	**33,166**	31,050
Unlisted[1]	**31,940**	28,132
Total	**65,106**	59,182

Note:
(1) Including US$27,002m (31 December 2020: US$25,806m) of investment funds which can be redeemed daily.

13. Financial investments (continued)

LOANS AND DEPOSITS

US$m	As at 30 June 2021 (Unaudited)	As at 31 December 2020
Policy loans	**3,559**	3,547
Mortgage loans on residential real estate	**549**	590
Mortgage loans on commercial real estate	**46**	49
Other loans	**597**	760
Allowance for loan losses	**(15)**	(14)
Loans	**4,736**	4,932
Term deposits	**3,225**	2,683
Promissory notes(1)	**1,608**	1,720
Total	**9,569**	9,335

Note:
(1) The promissory notes are issued by a government.

Certain term deposits with financial institutions and promissory notes are restricted due to local regulatory requirements or other pledge restrictions. The restricted balance held within term deposits and promissory notes is US$1,953m (31 December 2020: US$2,057m).

Other loans include receivables from reverse repurchase agreements under which the Group does not take physical possession of securities purchased under the agreements. Sales or transfers of securities are not permitted by the respective clearing house on which they are registered while the loan is outstanding. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities held by the clearing house. At 30 June 2021, the carrying value of such receivables is US$294m (31 December 2020: US$271m).

Effect of Inter-bank offered rate (IBOR) reform

The International Accounting Standards Board (IASB) published *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2* to address the implications on financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate. These amendments have been adopted for the first time for the year ending 31 December 2021 and have no material impact to the Group.

The Group currently holds a number of financial instrument contracts which reference USD London Interbank Offered Rate (LIBOR), Singapore Swap Offer Rate (SOR) and Thai Baht Interest Rate Fixing (THBFIX), that extend beyond 2021 (collectively "Original Benchmark Interest Rates") and have not yet transitioned to replacement benchmark interest rates.

The Group monitors the exposure to instruments subject to such reform and is in the process of implementing changes to systems, processes, risk management procedures and valuation models that may arise as a consequence of the reform. Such reform has no impact on the Group's risk management strategy. Risks arising from instruments that are subject to such transition are not considered significant.

While the impact of IBOR reform on profit or loss and other comprehensive income is not considered significant to the Group, the following table contains the carrying value of relevant financial instruments that the Group holds at 30 June 2021.

	Carrying value at 30 June 2021 and have yet to transition to a replacement benchmark interest rate		
US$m	USD LIBOR	SOR	THBFIX
Non-derivative financial assets	**1,518**	**904**	**–**
Non-derivative financial liabilities	**–**	**(371)**	**–**
Net derivative financial assets/(liabilities)	**(73)**	**23**	**45**

14. Derivative financial instruments

The Group's derivative exposure is as follows:

US$m	Notional amount	Fair value Assets	Fair value Liabilities
30 June 2021 – Unaudited			
Foreign exchange contracts			
Cross-currency swaps	**8,086**	**101**	**(310)**
Forwards	**3,971**	**72**	**(22)**
Foreign exchange futures	**91**	**–**	**–**
Total foreign exchange contracts	**12,148**	**173**	**(332)**
Interest rate contracts			
Interest rate swaps	**8,879**	**415**	**(249)**
Other			
Warrants and options	**147**	**9**	**–**
Forward contracts	**17,004**	**310**	**(1,252)**
Swaps	**1,787**	**8**	**(3)**
Netting	**(91)**	**–**	**–**
Total	**39,874**	**915**	**(1,836)**
31 December 2020			
Foreign exchange contracts			
Cross-currency swaps	8,172	313	(158)
Forwards	2,694	121	(17)
Foreign exchange futures	100	–	–
Total foreign exchange contracts	10,966	434	(175)
Interest rate contracts			
Interest rate swaps	8,510	561	(308)
Other			
Warrants and options	1,342	51	(45)
Forward contracts	10,658	18	(469)
Swaps	1,267	5	(6)
Netting	(100)	–	–
Total	32,643	1,069	(1,003)

The column "notional amount" in the above table represents the pay leg of derivative transactions other than equity-index option. For certain equity-index call and put options with the same notional amount that are purchased to hedge the downside risk of the underlying equities by means of a collar strategy, the notional amount represents the exposure of the hedged equities.

Of the total derivatives, US$25m (31 December 2020: US$25m) are listed in exchange or dealer markets and the rest 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.

Derivative assets and derivative liabilities are recognised in the interim 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 provide an economic hedge to 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 interim 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.

14. Derivative financial instruments (continued)

FOREIGN EXCHANGE CONTRACTS

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

INTEREST RATE SWAPS

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

OTHER DERIVATIVES

Warrants and options are option agreements that give the owner the right to buy or sell securities at an agreed price and settlement date. Forward contracts are contractual obligations to buy or sell a financial instrument on a predetermined future date at a specified price. Swaps are OTC contractual agreements between the Group and a third party to exchange a series of cash flows based upon an index, rates or other variables applied to a notional amount.

NETTING ADJUSTMENT

The netting adjustment is related to futures contracts executed through clearing house where the settlement arrangement satisfied the netting criteria under IFRS.

COLLATERAL UNDER DERIVATIVE TRANSACTIONS

At 30 June 2021, the Group had posted cash collateral of US$170m (31 December 2020: US$86m) and pledged debt securities with carrying value of US$1,489m (31 December 2020: US$696m) for liabilities and held cash collateral of US$288m (31 December 2020: US$500m), debt securities collateral with carrying value of US$20m (31 December 2020: US$17m) for assets in respect of derivative transactions. The Group did not sell or repledge the collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard repurchase agreements.

15. Fair value measurement of financial instruments

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group classifies all financial assets as either at fair value through profit or loss, or as available for sale, which are carried at fair value, or as loans and receivables, which are carried at amortised cost. Financial liabilities are classified as either at fair value through profit or loss or at amortised cost, except for investment contracts with discretionary participation features (DPF) which are accounted for under IFRS 4.

The following tables present the fair values of the Group's financial assets and financial liabilities:

		Fair value				
US$m	Notes	Fair value through profit or loss	Available for sale	Cost/ amortised cost	Total carrying value	Total fair value
30 June 2021- Unaudited						
Financial investments	13					
Loans and deposits		**–**	**–**	**9,569**	**9,569**	**9,565**
Debt securities		**37,731**	**159,298**	**–**	**197,029**	**197,029**
Equity securities		**65,106**	**–**	**–**	**65,106**	**65,106**
Derivative financial instruments	14	**915**	**–**	**–**	**915**	**915**
Reinsurance receivables		**–**	**–**	**816**	**816**	**816**
Other receivables		**–**	**–**	**3,423**	**3,423**	**3,423**
Accrued investment income		**–**	**–**	**1,838**	**1,838**	**1,838**
Cash and cash equivalents	16	**–**	**–**	**7,149**	**7,149**	**7,149**
Financial assets		**103,752**	**159,298**	**22,795**	**285,845**	**285,841**

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	17	**12,016**	**556**	**12,572**	**12,572**
Borrowings	18	**–**	**9,182**	**9,182**	**10,020**
Obligations under repurchase agreements	19	**–**	**3,447**	**3,447**	**3,447**
Derivative financial instruments	14	**1,836**	**–**	**1,836**	**1,836**
Other liabilities		**1,004**	**7,364**	**8,368**	**8,368**
Financial liabilities		**14,856**	**20,549**	**35,405**	**36,243**

15. Fair value measurement of financial instruments (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

US$m	Notes	Fair value: Fair value through profit or loss	Fair value: Available for sale	Cost/ amortised cost	Total carrying value	Total fair value
31 December 2020						
Financial investments	13					
Loans and deposits		–	–	9,335	9,335	9,333
Debt securities		36,775	165,106	–	201,881	201,881
Equity securities		59,182	–	–	59,182	59,182
Derivative financial instruments	14	1,069	–	–	1,069	1,069
Reinsurance receivables		–	–	671	671	671
Other receivables		–	–	3,053	3,053	3,053
Accrued investment income		–	–	1,822	1,822	1,822
Cash and cash equivalents	16	–	–	5,619	5,619	5,619
Financial assets		97,026	165,106	20,500	282,632	282,630

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	17	12,026	543	12,569	12,569
Borrowings	18	–	8,559	8,559	9,555
Obligations under repurchase agreements	19	–	1,664	1,664	1,664
Derivative financial instruments	14	1,003	–	1,003	1,003
Other liabilities		1,025	6,772	7,797	7,797
Financial liabilities		14,054	17,538	31,592	32,588

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the six months ended 30 June 2021.

When the Group holds a group of derivative assets and derivative liabilities entered into with a particular counterparty, the Group takes into account the arrangements that mitigate credit risk exposure in the event of default (e.g. International Swap and Derivatives Association (ISDA) Master Agreements and Credit Support Annex (CSA) that require the exchange of collateral on the basis of each party's net credit risk exposure). The Group measures the fair value of the group of financial assets and financial liabilities on the basis of its net exposure to the credit risk of that counterparty or the counterparty's net exposure to our credit risk that reflects market participants' expectations about the likelihood that such an arrangement would be legally enforceable in the event of default.

15. Fair value measurement of financial instruments (continued)

FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS ON A RECURRING BASIS

A summary of financial assets and liabilities carried at fair value according to fair value hierarchy is given below:

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
30 June 2021 – Unaudited				
Financial assets				
Available for sale				
Debt securities				
Participating funds and other participating business with distinct portfolios	–	46,946	8	46,954
Other policyholder and shareholder	–	111,151	1,193	112,344
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	–	27,368	838	28,206
Unit-linked and consolidated investment funds	22	6,757	–	6,779
Other policyholder and shareholder	1	2,434	311	2,746
Equity securities				
Participating funds and other participating business with distinct portfolios	23,742	999	3,779	28,520
Unit-linked and consolidated investment funds	28,991	302	321	29,614
Other policyholder and shareholder	5,290	1,063	619	6,972
Derivative financial instruments				
Foreign exchange contracts	–	173	–	173
Interest rate contracts	–	415	–	415
Other contracts	12	315	–	327
Total financial assets on a recurring fair value measurement basis	58,058	197,923	7,069	263,050
% of Total	*22.1*	*75.2*	*2.7*	*100.0*
Financial liabilities				
Investment contract liabilities	–	11,704	312	12,016
Derivative financial instruments				
Foreign exchange contracts	–	332	–	332
Interest rate contracts	–	249	–	249
Other contracts	9	1,246	–	1,255
Other liabilities	–	1,004	–	1,004
Total financial liabilities on a recurring fair value measurement basis	9	14,535	312	14,856
% of Total	*0.1*	*97.8*	*2.1*	*100.0*

15. Fair value measurement of financial instruments (continued)

FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS ON A RECURRING BASIS (continued)

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2020				
Financial assets				
Available for sale				
Debt securities				
Participating funds and other participating business with distinct portfolios	–	47,594	8	47,602
Other policyholder and shareholder	69	116,178	1,257	117,504
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	14	27,426	930	28,370
Unit-linked and consolidated investment funds	14	6,386	3	6,403
Other policyholder and shareholder	1	1,697	304	2,002
Equity securities				
Participating funds and other participating business with distinct portfolios	20,272	877	2,743	23,892
Unit-linked and consolidated investment funds	27,640	285	307	28,232
Other policyholder and shareholder	5,481	1,077	500	7,058
Derivative financial instruments				
Foreign exchange contracts	–	434	–	434
Interest rate contracts	–	561	–	561
Other contracts	13	61	–	74
Total financial assets on a recurring fair value measurement basis	53,504	202,576	6,052	262,132
% of Total	*20.4*	*77.3*	*2.3*	*100.0*
Financial liabilities				
Investment contract liabilities	–	–	12,026	12,026
Derivative financial instruments				
Foreign exchange contracts	–	175	–	175
Interest rate contracts	–	308	–	308
Other contracts	12	508	–	520
Other liabilities	–	1,025	–	1,025
Total financial liabilities on a recurring fair value measurement basis	12	2,016	12,026	14,054
% of Total	*0.1*	*14.3*	*85.6*	*100.0*

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 2021, the Group transferred US$312m (year ended 31 December 2020: US$127m) of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. The Group transferred US$202m (year ended 31 December 2020: US$9m) of assets from Level 2 to Level 1 during the six months ended 30 June 2021.

The Group's Level 2 financial instruments include debt securities, equity securities, derivative instruments and other liabilities. 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 private pricing services and brokers are not available, internal valuation techniques and inputs will be used to derive the fair value for the financial instruments.

15. Fair value measurement of financial instruments (continued)

FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS ON A RECURRING BASIS (continued)

The table below sets out a summary of changes in the Group's Level 3 financial assets and liabilities measured at fair value on a recurring basis for the six months ended 30 June 2021. The table reflects gains and losses, including gains and losses on financial assets and liabilities categorised as Level 3 as at 30 June 2021.

Level 3 financial assets and liabilities

US$m	Debt securities	Equity securities	Derivative financial assets/ (liabilities)	Investment contracts
At 1 January 2021	**2,502**	**3,550**	**–**	**(12,026)**
Net movement on investment contract liabilities	**–**	**–**	**–**	**(5)**
Total gains/(losses)				
Reported under investment return in the interim consolidated income statement	**(2)**	**346**	**–**	**–**
Reported under fair value reserve and foreign currency translation reserve in the interim consolidated statement of comprehensive income	**12**	**(35)**	**–**	**–**
Purchases	**172**	**895**	**–**	**–**
Sales	**(14)**	**(37)**	**–**	**–**
Settlements	**(320)**	**–**	**–**	**–**
Transfer out of Level 3	**–**	**–**	**–**	**11,719**
At 30 June 2021 – Unaudited	**2,350**	**4,719**	**–**	**(312)**
Change in unrealised gains or losses included in the interim consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return	**(36)**	**332**	**–**	**–**

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. In 2021, the Group has revisited the fair value hierarchy disclosure of its investment contract liabilities. Of the total investment contract liabilities reported, US$11,719m have been valued based on quoted prices of the underlying investments hence they are classified as Level 2.

There are not any differences between the fair values on initial recognition and the amounts determined using valuation techniques since the models adopted are calibrated using initial transaction prices.

15. Fair value measurement of financial instruments (continued)

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 FAIR VALUE MEASUREMENTS

As at 30 June 2021, the valuation techniques and applicable unobservable inputs used to measure the Group's Level 3 financial instruments are summarised as follows:

Description	Fair value at 30 June 2021 (Unaudited) (US$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	907	Discounted cash flows	Risk adjusted discount rate	3.71% – 10.79%

VALUATION PROCESSES

The Group has the valuation policies, procedures and analyses in place to govern the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. In determining the fair values of financial assets, the Group in general uses private pricing providers and, only in rare cases when third-party prices do not exist, will use prices derived from internal models. The Chief Investment Officers of each of the business units are required to review the reasonableness of the prices used and report price exceptions, if any. The Group Investment team analyses reported price exceptions and reviews price challenge responses from private pricing providers and provides the final recommendation on the appropriate price to be used. Any changes in valuation policies are reviewed and approved by the Group Valuations Advisory Committee which is part of the Group's wider financial risk governance processes. Changes in Level 2 and 3 fair values are analysed at each reporting date.

The main Level 3 input used by the Group pertains to the discount rate for the debt securities and investment contracts. The unobservable inputs for determining the fair value of these instruments include the obligor's credit spread and/or the liquidity spread. A significant increase/(decrease) in any of the unobservable input may result in a significantly lower/(higher) fair value measurement. The Group has subscriptions to private pricing services for gathering such information. If the information from private pricing services is not available, the Group uses the proxy pricing method based on internally-developed valuation inputs.

16. Cash and cash equivalents

US$m	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Cash	**4,260**	2,877
Cash equivalents	**2,889**	2,742
Total(1)	**7,149**	5,619

Note:
(1) US$931m (31 December 2020: US$1,111m) are held to back unit-linked contracts and US$42m (31 December 2020: US$108m) are held by consolidated investment funds.

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits and highly liquid short-term investments with maturities at acquisition of three months or less and money market funds that are convertible into known amounts of cash and subject to insignificant risk of changes in value. Accordingly, all such amounts are expected to be realised within 12 months after the end of the reporting period.

17. Insurance and investment contract liabilities

INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities (including liabilities in respect of investment contracts with DPF) can be analysed as follows:

US$m	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Deferred profit	**27,166**	24,972
Unearned revenue	**2,039**	1,751
Policyholders' share of participating surplus	**30,259**	31,151
Liabilities for future policyholder benefits	**168,812**	165,197
Total	**228,276**	223,071

INVESTMENT CONTRACT LIABILITIES

Investment contract liabilities include deferred fee income of US$287m (31 December 2020: US$312m).

18. Borrowings

US$m	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Other loans	**11**	–
Medium-term notes and securities		
Senior notes	**6,321**	6,824
Subordinated securities	**2,850**	1,735
Total	**9,182**	8,559

18. Borrowings (continued)

The following table summarises the Company's outstanding medium-term notes and securities placed to the market at 30 June 2021:

SENIOR NOTES

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
13 March 2013[(1)]	US$500m	3.125%	10 years	13 March 2023
11 March 2014[(1)]	US$500m	4.875%	30 years	11 March 2044
11 March 2015[(1)]	US$750m	3.200%	10 years	11 March 2025
16 March 2016[(1)]	US$750m	4.500%	30 years	16 March 2046
23 May 2017[(2)]	US$500m	4.470%	30 years	23 May 2047
6 April 2018[(1)]	US$500m	3.900%	10 years	6 April 2028
20 September 2018[(1)]	US$500m	3M LIBOR + 0.52%	3 years	20 September 2021
16 January 2019	HK$1,300m	2.950%	3.5 years	16 July 2022
16 January 2019	HK$1,100m	3.680%	12 years	16 January 2031
9 April 2019[(1)]	US$1,000m	3.600%	10 years	9 April 2029
7 April 2020[(1)]	US$1,000m	3.375%	10 years	7 April 2030
24 June 2020	A$90m	2.950%	10 years	24 June 2030

SUBORDINATED SECURITIES

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
16 September 2020[(1)(3)]	US$1,750m	3.200%	20 years	16 September 2040
7 April 2021[(1)(3)(4)]	US$750m	2.700%	Perpetual	n/a
11 June 2021[(1)(3)(4)]	SG$500m	2.900%	Perpetual	n/a

Notes:

(1) These medium-term notes and securities are listed on The Stock Exchange of Hong Kong Limited.

(2) These medium-term notes are listed on The Taipei Exchange, Taiwan. The Company has the right to redeem these notes at par on 23 May of each year beginning on 23 May 2022.

(3) The Company has the right to redeem these securities, in whole, at par on predetermined dates as set out within the terms and conditions of the securities.

(4) The coupon rate of these securities is fixed for a predetermined period as set out within the terms and conditions of the securities, and then resets to the initial spread plus a then prevailing benchmark rate if the securities have not been redeemed.

The net proceeds from issuance during the six months ended 30 June 2021 are used for general corporate purposes.

The Group has access to an aggregate of US$2,290m unsecured committed credit facilities, which includes a US$100m revolving three-year credit facility expiring in 2024 and a US$2,190m five-year credit facility expiring in 2026, following extension of both facilities by one year effective 28 July 2021. The credit facilities will be used for general corporate purposes. There were no outstanding borrowings under these credit facilities as of 30 June 2021 and 31 December 2020.

19. Obligations under repurchase agreements

The Group has entered into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date.

The securities related to these agreements are not derecognised from the Group's interim consolidated statement of financial position, but are retained within the appropriate financial asset classification. During the term of the repurchase agreements, the Group is restricted from selling or pledging the transferred debt securities. The following table specifies the amounts included within financial investments subject to repurchase agreements which do not qualify for derecognition at each period end:

US$m	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Debt securities – AFS		
Repurchase agreements	**3,200**	1,444
Debt securities – FVTPL		
Repurchase agreements	**248**	232
Total	**3,448**	1,676

COLLATERAL

At 30 June 2021, the Group had pledged debt securities of US$16m (31 December 2020: US$1m). Cash collateral of US$26m (31 December 2020: nil) was held based on the market value of the securities transferred. In the absence of default, the Group did not sell or repledge the collateral received.

At 30 June 2021, the obligations under repurchase agreements were US$3,447m (31 December 2020: US$1,664m).

20. Share capital and reserves

SHARE CAPITAL

	As at 30 June 2021		As at 31 December 2020	
	Million shares (Unaudited)	US$m (Unaudited)	Million shares	US$m
Ordinary shares[1], issued and fully paid				
At beginning of the financial period	**12,095**	**14,155**	12,089	14,129
Shares issued under share option scheme and agency share purchase plan	**2**	**4**	6	26
At end of the financial period	**12,097**	**14,159**	12,095	14,155

Note:
(1) Ordinary shares have no nominal value.

The Company issued 505,584 shares under share option scheme (year ended 31 December 2020: 4,876,916 shares) and 1,192,355 shares under agency share purchase plan (year ended 31 December 2020: 1,185,442 shares) during the six months ended 30 June 2021.

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2021 with the exception of 7,458,188 shares (year ended 31 December 2020: 1,552,886 shares) of the Company purchased by and nil share (year ended 31 December 2020: nil share) of the Company sold by the employee share-based trusts. These purchases were made by the relevant scheme trustees on the Hong Kong Stock Exchange. These shares are held on trust for participants of the relevant schemes and therefore were not cancelled.

During the six months ended 30 June 2021, 5,570,654 shares (six months ended 30 June 2020: 11,233,639 shares) were transferred to eligible directors, officers and employees of the Group from the employee share-based trusts under share-based compensation plans as a result of vesting. As at 30 June 2021, 30,635,796 shares (31 December 2020: 28,748,261 shares) of the Company were held by the employee share-based trusts.

20. Share capital and reserves (continued)

RESERVES

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for sale securities held at the end of the reporting period.

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.

Employee share-based trusts

Trusts have been established to acquire shares of the Company for distribution to participants in future periods through the share-based compensation plans. Those shares acquired by the trusts, to the extent not transferred to the participants upon vesting, are reported as “Employee share-based trusts”.

Property revaluation reserve

Property revaluation reserve comprises the cumulative net change in the revalued amount of property held for own use at the end of the reporting period. Property revaluation surplus is not considered to be a realised profit available for distribution to shareholders.

Other reserves

Other reserves mainly include the impact of merger accounting for business combinations under common control and share-based compensation.

21. Group capital structure

Capital Management Approach

The Group's capital management objectives focus on maintaining a strong capital base to support the development of its business, maintaining the ability to move capital freely among Group members and satisfying regulatory capital requirements at all times.

The Group's capital management function oversees all capital-related activities of the Group and assists senior management in making capital decisions. The capital management function participates 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 and when determining AIA's capacity to pay dividends to shareholders.

Group-wide Supervision Framework and the Local Capital Summation Method

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. On 14 May 2021, the Company became a designated insurance holding company and is now subject to the GWS framework including the Insurance (Group Capital) Rules (GWS Capital Rules). Under the GWS Capital Rules, the Group available capital and the Group minimum capital requirement are based on a "summation approach", and are referred to as the Local Capital Summation Method (LCSM).

Under the LCSM, the Group available capital and the Group minimum capital requirement are calculated based on summing up of the available capital and applicable required capital according to the respective regulatory requirements for each entity within the Group, subject to any variation the HKIA considers necessary. The Group LCSM surplus is the difference between the Group available capital and the Group minimum capital requirement. The Group LCSM cover ratio is the ratio of the Group available capital to the Group minimum capital requirement.

At 30 June 2021, the Group available capital includes:

(i) US$2,858m[(1)] of subordinated securities. Subordinated securities with a fixed maturity receive full capital credit up to the date that is 5 years prior to the date of maturity, with the capital credit then reducing at the rate of 20 per cent per annum until maturity. Perpetual subordinated securities receive full capital credit unless they are redeemed; and

(ii) US$5,810m[(1)] of senior notes issued before designation that have been approved by the HKIA. Prior to maturity, the approved senior notes receive full capital credit until 14 May 2031, after which the capital credit reduces at the rate of 20 per cent per annum until 14 May 2036.

The comparative figures as at 31 December 2020 were based on the Group's understanding of the likely application of the GWS framework to the Group at the time and included US$1,735m of subordinated securities, while excluding US$5,810m of senior notes not then approved as contributing to Group available capital. This is largely consistent with the basis of calculation of the Group LCSM solvency position as at 30 June 2021 with the key difference being the treatment of senior notes.

Note:

(1) The amounts represent the net cash proceeds from the issuances of medium-term notes and securities contributing to Group available capital. These are counted as tier 2 group capital under the GWS Capital Rules.

21. Group capital structure (continued)

Group-wide Supervision Framework and the Local Capital Summation Method (continued)

A summary of the Group LCSM solvency position is as follows:

US$m	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020 (Unaudited)
Group available capital	**67,675**	59,830
Group minimum capital requirement	**16,444**	16,013
Group LCSM surplus	**51,231**	43,817
Group LCSM cover ratio	**412%**	374%

Local Regulatory Solvency

The Group's individual branches and subsidiaries are also subject to the supervision of government regulators in the jurisdictions in which those branches and subsidiaries and their parent entity operate and, in relation to subsidiaries, in which they are incorporated. The various regulators overseeing the Group actively monitor our local solvency positions.

The Group's principal operating companies AIA Co. and AIA International Limited (AIA International), as authorised insurers in Hong Kong, are required by the HKIA to meet the solvency margin requirements of the Hong Kong Insurance Ordinance. During the six months ended 30 June 2021 and the year ended 31 December 2020, these two principal operating companies were in compliance with these solvency requirements.

Dividends, remittances and other payments from individual branches and subsidiaries

The ability of the Company to pay dividends to shareholders and to meet other obligations depends ultimately on dividends, remittances and other payments being received from its operating branches and subsidiaries, which are subject to contractual, regulatory and other limitations. The various regulators overseeing the individual branches and subsidiaries of the Group have the discretion to impose additional restrictions on the ability of those regulated branches and subsidiaries to make payment of dividends, remittances and other payments to AIA Co., including increasing the required margin of solvency that an operating unit must maintain. For example, capital may not be remitted without the consent from regulators for certain individual branches or subsidiaries of the Group.

Capital and Regulatory Orders Specific to the Group

On 14 May 2021, AIA Group Limited became a designated insurance holding company and is now subject to the GWS framework. The HKIA has confirmed that the undertaking as previously disclosed in note 37 to the Group's consolidated financial statements as at and for the year ended 31 December 2020 has ceased to apply as of 14 May 2021.

22. Risk management

The risks that the Group is exposed to include, but are not limited to, credit risk, interest rate risk, equity price risk, foreign exchange rate risk and liquidity risk.

CREDIT RISK

Credit risk is the risk that third parties fail to meet their obligations to the Group when they fall due. Although the primary source of credit risk is the Group's investment portfolio, such risk can also arise through reinsurance, procurement, and treasury activities.

The Group's credit risk management oversight process is governed centrally, but provides for decentralised management and accountability by our lines of defence. A key to AIA's credit risk management is adherence to a well-controlled underwriting process. The Group's credit risk management starts with the assignment of an internal rating to all counterparties. A detailed analysis of each counterparty is performed and a rating determined by the investment teams. The Group's Risk Management function manages the Group's internal ratings framework and conducts periodic rating reviews. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

INTEREST RATE RISK

The Group's exposure to interest rate risk predominantly arises from any differences between the duration of the Group's liabilities and assets. Since most markets do not have assets of sufficient tenor to match life insurance liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Group's insurance liabilities.

AIA manages interest rate risk primarily on an economic basis to determine the durations of both assets and liabilities. Interest rate risk on local solvency basis is also taken into consideration for business units where local solvency regimes deviate from economic basis. Furthermore, for products with discretionary benefits, additional modelling of interest rate risk is performed to guide determination of appropriate management actions. Management also takes into consideration the asymmetrical impact of interest rate movements when evaluating products with options and guarantees.

22. Risk management (continued)

EQUITY PRICE RISK

Equity price risk arises from changes in the market value of equity securities. Investments in equity securities on a long-term basis are expected to align policyholders expectations, provide diversification benefits and enhance returns. The extent of exposure to equities at any time is subject to the terms of the Group's strategic asset allocations.

Equity price risk is managed in the first instance through the individual investment mandates which define benchmarks and any tracking error targets. Equity limits are also applied to contain individual exposures. Equity exposures are included in the aggregate exposure reports on each individual counterparty to ensure concentrations are avoided.

SENSITIVITY ANALYSIS

Sensitivity analysis to the key variables affecting financial assets and liabilities is set out in the table below. The carrying values of other financial assets are not subject to changes in response to movements in interest rates or equity prices. In calculating the sensitivity of debt and equity instruments to changes in interest rates and equity prices, the Group has made assumptions about the corresponding impact of asset valuations on liabilities to policyholders. Assets held to support unit-linked contracts have been excluded on the basis that changes in fair value are wholly borne by policyholders. Sensitivity analysis for assets held in participating funds has been calculated after allocation of returns to policyholders using the applicable minimum policyholder participation ratios.

Information is presented to illustrate the estimated impact on profits and total equity arising from a change in a single variable before taking into account the effects of taxation.

The impact of any impairments of financial assets has been ignored for the purpose of illustrating the sensitivity of profit before tax and total equity before the effects of taxation to changes in interest rates and equity prices on the grounds that default events reflect the characteristics of individual issuers. As the Group's accounting policies lock in interest rate assumptions on policy inception and the Group's assumptions incorporate a provision for adverse deviations, the level of movement illustrated in this sensitivity analysis does not result in loss recognition and so there is not any corresponding effect on liabilities.

	30 June 2021 (Unaudited)			31 December 2020		
US$m	**Impact on profit before tax**	**Impact on total equity (before the effects of taxation)**	**Impact on allocated equity (before the effects of taxation)**	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)
Equity price risk						
10 per cent increase in equity prices	**1,158**	**1,158**	**1,158**	1,091	1,091	1,091
10 per cent decrease in equity prices	**(1,158)**	**(1,158)**	**(1,158)**	(1,091)	(1,091)	(1,091)
Interest rate risk						
+ 50 basis points shift in yield curves	**(690)**	**(8,000)**	**(690)**	(550)	(8,403)	(550)
- 50 basis points shift in yield curves	**728**	**8,910**	**728**	584	9,356	584

22. Risk management (continued)

FOREIGN EXCHANGE RATE RISK

The Group's foreign exchange rate risk arises mainly from the Group's operations in multiple geographical markets in Asia and the translation of multiple currencies to US dollar for financial reporting purposes. The balance sheet values of our operating units and subsidiaries are not hedged to the Group's presentation currency, the US dollar.

However, assets, liabilities and local regulatory and stress capital in each business unit are generally currency matched with the exception of holdings of equities denominated in currencies other than the functional currency, or any expected capital movements due within one year which may be hedged. Bonds denominated in currencies other than the functional currency are commonly hedged with cross-currency swaps or foreign exchange forward contracts.

FOREIGN EXCHANGE RATE NET EXPOSURE

US$m	**United States Dollar**	**China Renminbi**	**Hong Kong Dollar**	**Thai Baht**	**Singapore Dollar**	**Malaysian Ringgit**
30 June 2021 – Unaudited						
Equity analysed by original currency	**30,501**	**6,891**	**5,735**	**5,137**	**(5,526)**	**2,384**
Net positions of currency derivatives	**(8,908)**	**(13)**	**332**	**3,033**	**3,711**	**(38)**
Currency exposure	**21,593**	**6,878**	**6,067**	**8,170**	**(1,815)**	**2,346**
5% strengthening of original currency						
Impact on profit before tax	**356**	**98**	**113**	**4**	**11**	**(1)**
Impact on other comprehensive income	**(381)**	**246**	**140**	**404**	**(101)**	**118**
Impact on total equity	**(25)**	**344**	**253**	**408**	**(90)**	**117**
5% strengthening of the US dollar						
Impact on profit before tax	**356**	**(95)**	**(71)**	**(2)**	**6**	**1**
Impact on other comprehensive income	**(381)**	**(249)**	**(182)**	**(406)**	**84**	**(118)**
Impact on total equity	**(25)**	**(344)**	**(253)**	**(408)**	**90**	**(117)**

US$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2020						
Equity analysed by original currency	35,400	5,862	4,617	6,445	(4,644)	2,516
Net positions of currency derivatives	(9,942)	–	650	3,457	4,239	135
Currency exposure	25,458	5,862	5,267	9,902	(405)	2,651
5% strengthening of original currency						
Impact on profit before tax	260	41	71	9	25	5
Impact on other comprehensive income	(286)	252	141	485	(45)	128
Impact on total equity	(26)	293	212	494	(20)	133
5% strengthening of the US dollar						
Impact on profit before tax	260	(34)	(5)	(6)	(9)	(4)
Impact on other comprehensive income	(286)	(259)	(207)	(488)	29	(129)
Impact on total equity	(26)	(293)	(212)	(494)	20	(133)

22. Risk management (continued)

LIQUIDITY RISK

The liquidity principle adopted by the Group Board is "*We will maintain sufficient liquidity to meet our expected financial commitments as they fall due*" and as such AIA has defined liquidity risk as the risk of failure to meet current and future financial commitments as they fall due. This incorporates the risks arising from the timing mismatch of cash inflows and outflows in day-to-day operations, including collateral requirements, as well as the market liquidity of assets required for policyholder liabilities.

AIA manages liquidity risk in accordance with the Group's liquidity framework. This framework contains the standards, procedures, and tools used by the Group to monitor and manage liquidity risk in base and stressed conditions across multiple time horizons from daily to twelve months. AIA further supports its liquidity by maintaining access to committed credit facilities, use of bond repurchase markets and debt markets via the Group's Global Medium-term Note and Securities Programme.

US$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity(2)
30 June 2021 – Unaudited						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	8,989	2,117	1,108	516	1,679	3,569
Other receivables	2,661	2,544	66	14	–	37
Debt securities	190,250	4,783	20,719	28,916	135,832	–
Equity securities	35,492	–	–	–	–	35,492
Reinsurance receivables	816	816	–	–	–	–
Accrued investment income	1,768	1,759	2	–	–	7
Cash and cash equivalents	6,176	6,176	–	–	–	–
Derivative financial instruments	872	55	395	125	297	–
Subtotal	247,024	18,250	22,290	29,571	137,808	39,105
Financial assets (Unit-linked contracts and consolidated investment funds)	38,481	–	–	–	–	38,481(3)
Total	285,505	18,250	22,290	29,571	137,808	77,586
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	172,777	4,280	15,530	17,510	135,457	–
Borrowings	9,182	511	1,413(1)	2,689	3,454	1,115
Obligations under repurchase agreements	3,447	3,447	–	–	–	–
Other liabilities excluding lease liabilities	7,816	6,107	262	168	188	1,091
Lease liabilities	497	168	299	29	1	–
Derivative financial instruments	1,808	396	1,079	126	207	–
Subtotal	195,527	14,909	18,583	20,522	139,307	2,206
Financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds)	35,798	–	–	–	–	35,798
Total	231,325	14,909	18,583	20,522	139,307	38,004

Note:
(1) Including US$747m which fall due after 2 years through 5 years.

22. Risk management (continued)

LIQUIDITY RISK (continued)

US$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity[2]
31 December 2020						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	8,940	1,997	1,013	580	1,793	3,557
Other receivables	2,574	2,477	50	13	–	34
Debt securities	195,478	3,973	21,353	31,072	139,080	–
Equity securities	30,950	–	–	–	–	30,950
Reinsurance receivables	671	671	–	–	–	–
Accrued investment income	1,757	1,756	1	–	–	–
Cash and cash equivalents	4,400	4,400	–	–	–	–
Derivative financial instruments	1,016	189	189	249	389	–
Subtotal	245,786	15,463	22,606	31,914	141,262	34,541
Financial assets (Unit-linked contracts and consolidated investment funds)	36,499	–	–	–	–	36,499[3]
Total	282,285	15,463	22,606	31,914	141,262	71,040
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	169,477	4,316	15,559	17,309	132,293	–
Borrowings	8,559	1,002	1,414[4]	2,548	3,595	–
Obligations under repurchase agreements	1,664	1,664	–	–	–	–
Other liabilities excluding lease liabilities	4,025	2,305	240	150	171	1,159
Lease liabilities	539	177	325	35	2	–
Derivative financial instruments	991	135	534	109	213	–
Subtotal	185,255	9,599	18,072	20,151	136,274	1,159
Financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds)	35,125	–	–	–	–	35,125
Total	220,380	9,599	18,072	20,151	136,274	36,284

Notes:

(2) Financial assets with no fixed maturity are equities or receivables on demand which the Group has the choice to call. Borrowings with no fixed maturity are resettable subordinated perpetual securities issued by the Company. Other financial liabilities with no fixed maturity are payables on demand as the counterparty has a choice of when the amount is paid.

(3) The total value of amounts within financial assets (Unit-linked contracts and consolidated investment funds) is included within the no fixed maturity category to facilitate comparison with the corresponding total value of amounts within financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds). Included within financial assets (Unit-linked contracts and consolidated investment funds) are debt securities of US$553m (31 December 2020: US$433m) due in one year or less, US$2,961m (31 December 2020: US$2,622m) due after 1 year through 5 years, US$2,001m (31 December 2020: US$1,934m) due after 5 years through 10 years and US$1,264m (31 December 2020: US$1,414m) due after 10 years, in accordance with the contractual terms of the financial investments.

(4) Including US$1,246m which fall due after 2 years through 5 years.

23. Share-based compensation

SHARE-BASED COMPENSATION PLANS

During the six months ended 30 June 2021, the Group made further grants of share options (SOs), restricted share units (RSUs) and restricted stock purchase units (RSPUs) to certain directors, officers and employees of the Group under the Share Option Scheme (2020 SO Scheme) and the Restricted Share Unit Scheme (2020 RSU Scheme) and the Employee Share Purchase Plan (2020 ESPP). In addition, the Group made further grants of restricted stock subscription units (RSSUs) to eligible agents under the Agency Share Purchase Plan (2021 ASPP and 2012 ASPP).

Due to the expiry of the 2010 SO Scheme in 2020, the Company obtained the approval from its shareholders at the annual general meeting of the Company held on 29 May 2020 (2020 AGM) for the termination of the 2010 SO Scheme and the adoption of a new share option scheme (2020 SO Scheme), each as of 29 May 2020. The 2020 SO Scheme is also effective for a period of 10 years from the date of adoption. Following the termination of the 2010 SO Scheme and adoption of the 2020 SO Scheme, no further SOs can be granted thereunder. However, the 2010 SO Scheme shall remain in full force and effect for all SOs granted prior to its termination, and the exercise of such SOs shall be subject to and in accordance with the terms on which they were granted under the provisions of the 2010 SO Scheme and the Listing Rules.

VALUATION METHODOLOGY

The Group utilises a binomial lattice model to calculate the fair value of the SO grants, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, RSPU and RSSU grants, taking into account the terms and conditions upon which the grants were made. The price volatility is estimated on the basis of implied volatility of the Company's shares which is based on an analysis of historical data since they are traded in the Hong Kong Stock Exchange. The expected life of the SOs is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees. The estimate of market condition for performance-based RSUs is based on one-year historical data preceding the grant date. An allowance for forfeiture prior to vesting is not included in the valuation of the grants.

The fair value calculated for SOs is inherently subjective due to the assumptions made and the limitations of the model utilised.

	Share options	
	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020
Assumptions		
Risk-free interest rate	**1.24%**	0.85%
Volatility	**26%**	24%
Dividend yield	**1.60%**	1.60%
Exercise price (HK$)	**97.33**	68.10
Share option life (in years)	**10**	10
Expected life (in years)	**7.82**	7.84
Weighted average fair value per option/unit at measurement date (HK$)	**22.26**	15.51

The weighted average share price for SO valuation for grants made during the six months ended 30 June 2021 is HK$92.75 (year ended 31 December 2020: HK$68.10). The total fair value of SO granted during the six months ended 30 June 2021 is US$5m (six months ended 30 June 2020: US$12m).

23. Share-based compensation (continued)

RECOGNISED COMPENSATION COST

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation grants made by the Group for the six months ended 30 June 2021 is US$44m (six months ended 30 June 2020: US$52m).

24. Remuneration of key management personnel

Key management personnel have been identified as the members of the Group's Executive Committee.

US$	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Key management compensation and other expenses		
Salaries and other short-term employee benefits	**12,829,872**	14,490,699
Post-employment benefits	**343,746**	802,167
Termination benefits	**–**	1,708,678
Share-based payments[1]	**7,182,450**	16,371,764
Total	**20,356,068**	33,373,308

Note:
(1) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP to the key management personnel based on the fair value at the respective grant dates.

The emoluments of the key management personnel are within the following bands:

US$	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Below 1,000,000	**3**	4
1,000,001 to 2,000,000	**8**	7
2,000,001 to 3,000,000	**–**	1
6,000,001 to 7,000,000	**–**	1
7,000,001 and above	**1**	1

25. Commitments and contingencies

INVESTMENT AND CAPITAL COMMITMENTS

The Group announced in March 2021 that it had reached an agreement to enter into a new exclusive 15-year strategic bancassurance partnership with The Bank of East Asia, Limited (BEA) covering Hong Kong and Mainland China. As part of the agreement, the Group also agreed to acquire 100 per cent of BEA Life Limited, a wholly-owned subsidiary of BEA, and a closed portfolio of life insurance policies underwritten by Blue Cross (Asia-Pacific) Insurance Limited. The total gross consideration with respect to these transactions is HK$5,070m (approximately US$650m). As at 17 August 2021, the necessary regulatory approval for the acquisition of the shares of BEA Life Limited has been obtained and the completion of that acquisition is expected to take place shortly.

The Group announced in June 2021 that it had reached an agreement to invest RMB12,033m (approximately US$1,860m) through AIA Co. for a 24.99 per cent equity stake (post investment) in China Post Life Insurance Co., Ltd. The completion of this transaction remains subject to securing all necessary regulatory approvals.

Other investment and capital commitments, consisting of commitments to invest in private equity partnerships and other assets, were as follows:

US$m	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Not later than one year	**3,956**	2,504
Later than one and not later than five years	**218**	174
Later than five years	**9**	16
Total	**4,183**	2,694

25. Commitments and contingencies (continued)

CONTINGENCIES

The Group is subject to regulation in each of the geographical markets in which it operates from insurance, securities, capital markets, pension, data privacy 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 legal proceedings, complaints and other actions from its activities including those arising from commercial activities, sales practices, suitability of products, policies, claims and taxes. The Group believes that these matters are adequately provided for in these financial statements.

The Group operates in many jurisdictions across Asia and in certain of those jurisdictions, the Group's interpretation of the relevant law or regulation may differ from that of the tax authorities, which can result in disputes arising. The Group has made provisions to cover the potential tax implications, based on management's judgement and best estimate in relation to the probability or likelihood of the potential outcomes, which is subject to periodic re-assessment. Due to the uncertainty associated with these items, there remains a possibility that the final outcomes may differ on conclusion of the relevant tax matters at a future date.

The Group is the reinsurer in a residential mortgage credit reinsurance agreement covering residential mortgages in Australia. The Group is exposed to the risk of losses in the event of the failure of the retrocessionaire, a subsidiary of American International Group, Inc., to honour its outstanding obligations which is mitigated by a trust agreement. The principal balance outstanding of mortgage loans to which the reinsurance agreement relates were approximately US$456m at 30 June 2021 (31 December 2020: US$479m). The liabilities and related reinsurance assets, which totalled US$3m (31 December 2020: US$3m), respectively, arising from these agreements are reflected and presented on a gross basis in these financial statements in accordance with the Group's accounting policies. The Group expects to fully recover amounts outstanding at the reporting date under the terms of this agreement from the retrocessionaire.

26. Events after the reporting period

On 17 August 2021, a Committee appointed by the Board of Directors declared an interim dividend of 38.00 Hong Kong cents per share (six months ended 30 June 2020: 35.00 Hong Kong cents per share).

27. Interim statement of financial position of the Company

US$m	As at 30 June 2021 (Unaudited)	As at 31 December 2020
Assets		
Investment in subsidiaries at cost(4)	**17,202**	17,341
Financial investments:		
At fair value through other comprehensive income		
Debt securities(2)	**8,817**	9,871
At fair value through profit or loss		
Debt securities	**34**	37
Equity securities(4)	**1,174**	227
Derivative financial instruments	**5**	–
	10,030	10,135
Loans to/amounts due from subsidiaries	**1,899**	1,904
Other assets	**85**	78
Promissory notes from subsidiaries(3)	**3,166**	1,844
Cash and cash equivalents	**728**	409
Total assets	**33,110**	31,711
Liabilities		
Borrowings	**9,764**	9,152
Obligations under repurchase agreements	**1,000**	–
Derivative financial instruments	**9**	12
Other liabilities	**150**	92
Total liabilities	**10,923**	9,256
Equity		
Share capital	**14,159**	14,155
Employee share-based trusts	**(225)**	(155)
Other reserves	**273**	259
Retained earnings	**7,727**	7,360
Amounts reflected in other comprehensive income	**253**	836
Total equity	**22,187**	22,455
Total liabilities and equity	**33,110**	31,711

Notes:

(1) The financial information of the Company should be read in conjunction with the interim condensed consolidated financial statements of the Group.

(2) Includes United States Treasury securities of US$3,248m as at 30 June 2021 (31 December 2020: US$3,372m).

(3) The promissory notes from subsidiaries are repayable on demand.

(4) The Company's interests in investment funds such as mutual funds and unit trusts, including funds controlled by the Group, are measured at fair value through profit or loss. Interests in other entities controlled by the Group are measured at cost, unless impaired, and presented as investment in subsidiaries at cost.

Approved and authorised for issue by the Board of Directors on 17 August 2021.

Lee Yuan Siong
Director

Edmund Sze-Wing Tse
Director

28. Interim statement of changes in equity of the Company

US$m	**Share capital**	**Employee share-based trusts**	**Other reserves**	**Retained earnings**	**Amounts reflected in other comprehensive income**	**Total equity**
Balance at 1 January 2021	**14,155**	**(155)**	**259**	**7,360**	**836**	**22,455**
Net profit	**–**	**–**	**–**	**1,925**	**–**	**1,925**
Fair value losses on debt securities at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(404)**	**(404)**
Fair value gains on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	**–**	**–**	**–**	**–**	**(179)**	**(179)**
Dividends	**–**	**–**	**–**	**(1,558)**	**–**	**(1,558)**
Shares issued under share option scheme and agency share purchase plan	**4**	**–**	**–**	**–**	**–**	**4**
Share-based compensation	**–**	**–**	**41**	**–**	**–**	**41**
Purchase of shares held by employee share-based trusts	**–**	**(97)**	**–**	**–**	**–**	**(97)**
Transfer of vested shares from employee share-based trusts	**–**	**27**	**(27)**	**–**	**–**	**–**
Balance at 30 June 2021 – Unaudited	**14,159**	**(225)**	**273**	**7,727**	**253**	**22,187**

US$m	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Amounts reflected in other comprehensive income	Total equity
Balance at 1 January 2020	14,129	(220)	260	7,079	395	21,643
Net profit	–	–	–	86	–	86
Fair value gains on debt securities at fair value through other comprehensive income	–	–	–	–	492	492
Fair value gains on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	–	–	–	–	(47)	(47)
Dividends	–	–	–	(1,452)	–	(1,452)
Shares issued under share option scheme and agency share purchase plan	6	–	–	–	–	6
Share-based compensation	–	–	47	–	–	47
Purchase of shares held by employee share-based trusts	–	(6)	–	–	–	(6)
Transfer of vested shares from employee share-based trusts	–	71	(71)	–	–	–
Balance at 30 June 2020 – Unaudited	14,135	(155)	236	5,713	840	20,769

APPENDIX II

REPRODUCTION OF THE PRESS RELEASE DATED 4 NOVEMBER 2021 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

The information set out below is a reproduction of the press release dated 4 November 2021 containing the Guarantor's consolidated financial results for the third quarter ended 30 September 2021.

RESULTS AT SEPTEMBER 30TH 2021

Press release
Paris, November 4th 2021,

Q3 21: EXCELLENT QUARTER, UNDERLYING GROUP NET INCOME OF EUR 1.4 BILLION(1) (EUR 1.6 BILLION ON A REPORTED BASIS)

Revenues up +14.9% vs. Q3 20 (+15.0%*) driven by growth in all the businesses, in particular a very strong momentum in Financial Services and Financing & Advisory, a very good performance by Global Markets, and continued growth in Retail Banking

Underlying gross operating income: EUR 2.4 billion(1), up 32.8%(1) vs. Q3 20, with a positive jaws effect

Still low cost of risk: 15 basis points in Q3 21, with no significant provision write-back

Profitability (ROTE): 10.9%(1) on an underlying basis and 12.7% on a reported basis in Q3 21

9M 21: UNDERLYING GROUP NET INCOME OF EUR 4.0 BILLION(1) (X5 VS. 9M 20)

Underlying gross operating income: EUR 6.6 billion(1), +61% vs. 9M 20, driven by revenue growth combined with continued good cost discipline

Cost of risk: 16 basis points

Profitability (ROTE): 10.4%(1) on an underlying basis and 10.0% on a reported basis in 9M 21

SOLID CAPITAL POSITION

Solid CET 1 ratio: 13.4%(2) at end-September 2021, after provision for distribution and including the impact of the share buyback programme, or around 440 basis points above the regulatory requirement

Organic capital generation: 61 basis points in the first 9 months of 2021

Attractive shareholder return

- **Launch of the share buyback programme,** for an amount of around EUR 470 million, scheduled for November 4th, with the programme expected to be finalised by end-2021
- **Provision for distribution per share of EUR 2.03 in 9M 21** (financing both dividend and share buyback) consistent with a payout ratio of 50% of underlying Group net income(3)

SUCCESSFUL EXECUTION OF OUR STRATEGIC PROJECTS

Detailed presentation of the new French Retail Banking operation (a full merger project progressing as scheduled)
Very satisfactory implementation of the strategy in Global Banking & Investor Solutions
Development of our differentiating assets (Boursorama, ALD, KB)

Frédéric Oudéa, the Group's Chief Executive Officer, commented:
"The Societe Generale group enjoyed an excellent quarter, with strong commercial and financial performances in all the businesses and improvement of the cost-income ratio. The group also continued to benefit from the quality of its loan portfolio, with a low cost of risk combined with a continued very prudent provisioning policy. Thanks to the unfailing commitment of the teams, the different strategic projects announced, in particular the creation of a new French Retail Bank resulting from the merger of the Societe Generale and Crédit du Nord networks, are all progressing in line with the objectives set. The group is already starting to prepare its new strategic plan 2022-2025, drawing on its strong, innovative and fast-growing businesses and its recognised leadership in terms of corporate social responsibility."

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(1) Underlying data (see methodology note No. 5 for the transition from accounting data to underlying data)
(2) Phased-in ratio; fully-loaded ratio of 13.2%
(3) After deducting interest on deeply subordinated notes and undated subordinated notes
*The footnote * in this document corresponds to data adjusted for changes in Group Structure and at constant exchange rates*

1. GROUP CONSOLIDATED RESULTS

In EURm	Q3 21	Q3 20	Change		9M 21	9M 20	Change	
Net banking income	6,672	5,809	+14.9%	+15.0%*	19,178	16,275	+17.8%	+20.0%*
Operating expenses	(4,170)	(3,825)	+9.0%	+9.0%*	(13,025)	(12,363)	+5.4%	+6.6%*
Underlying operating expenses(1)	*(4,272)*	*(4,002)*	*+6.8%*	*+6.7%**	*(12,594)*	*(12,186)*	*+3.3%*	*+4.6%**
Gross operating income	2,502	1,984	+26.1%	+26.7%*	6,153	3,912	+57.3%	+63.4%*
Underlying gross operating income(1)	*2,400*	*1,807*	*+32.8%*	*+33.5%**	*6,584*	*4,089*	*+61.0%*	*+67.0%**
Net cost of risk	(196)	(518)	-62.2%	-62.4%*	(614)	(2,617)	-76.5%	-76.0%*
Operating income	2,306	1,466	+57.3%	+58.7%*	5,539	1,295	x 4.3	x 4.6*
Underlying operating income(1)	*2,204*	*1,289*	*+70.9%*	*+72.7%**	*5,970*	*1,472*	*x 4.1*	*x 4.3**
Net profits or losses from other assets	175	(2)	n/s	n/s	186	82	x 2.3	x 2.3*
Impairment losses on goodwill	-	-	n/s	n/s	-	(684)	n/s	n/s
Income tax	(699)	(467)	+49.7%	+50.9%*	(1,386)	(1,079)	+28.4%	+31.4%*
Net income	1,781	992	+79.5%	+80.9%*	4,343	(386)	n/s	n/s
O.w. non-controlling interests	(180)	(130)	+38.5%	+38.7%*	(489)	(342)	+43.0%	+43.5%*
Reported Group net income	1,601	862	+85.7%	+87.3%*	3,854	(728)	n/s	n/s
Underlying Group net income(1)	*1,391*	*742*	*+87.4%*	*+89.3%**	*4,038*	*803*	*x 5.0*	*x 5.5**
ROE	11.1%	5.7%			8.7%	-3.0%		
ROTE	12.7%	6.5%			10.0%	-1.4%		
Underlying ROTE(1)	*10.9%*	*5.5%*			*10.4%*	*1.0%*		

(1) Adjusted for exceptional items and linearisation of IFRIC 21

Societe Generale's Board of Directors, which met on November 3rd, 2021 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q3 and 9M 2021.

The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 10.5).

Net banking income

Net banking income increased by +14.9% (+15.0%*) vs. Q3 20, driven by a very strong momentum in all the businesses and the beginning of the recognition of the second TLTRO allowance for around EUR 0.1 billion.

French Retail Banking continued the progress initiated for several quarters. As a result, net banking income (excluding PEL/CEL provision) increased by +5.7% vs. Q3 20, driven by the recovery in net interest income and commissions.

International Retail Banking & Financial Services enjoyed strong revenue growth (+12.8%* vs. Q3 20), driven by the excellent momentum in Financial Services to Corporates (+39.9%* vs. Q3 20) and Insurance (+10.2%* vs. Q3 20). International Retail Banking also continued to progress (+4.0%* vs. Q3 20).

Global Banking & Investor Solutions also turned in an excellent performance, with revenues up +16.1% vs. Q3 20. Financing & Advisory enjoyed very strong growth (+30.7% vs. Q3 20) while Global Markets activity remained robust (+8.4% vs. Q3 20).

In 9M 21, the Group posted strong growth of +17.8% (+20.0%*) vs. 9M 20, with a positive contribution from all the businesses, and returned to a higher revenue level than in 9M 19 (EUR 18.5 billion).

Operating expenses

In Q3 21, operating expenses totalled EUR 4,170 million on a reported basis and EUR 4,272 million on an underlying basis (restated for the linearisation of IFRIC 21 and transformation costs amounting to EUR 97 million), representing an increase of +6.8% vs. Q3 20.

Driven by a positive jaws effect, underlying gross operating income rose +32.8% to EUR 2,400 million and the underlying cost to income ratio improved by nearly 5 points (64% vs. 69% in Q3 20).

In 9M 21, costs amounted to EUR 13,025 million on a reported basis and EUR 12,594 million on an underlying basis, up +3.3% vs. 9M 20. This limited growth can be explained by the rise in variable costs linked to the growth in revenues (EUR +595 million) and the increase in the IFRIC 21 charge (EUR +67 million). The other operating expenses declined by EUR 207 million, excluding structure effect.

Cost of risk

In Q3 21, the commercial cost of risk stood at a low level of 15 basis points, or EUR 196 million, lower than in Q3 20 (40 basis points) and slightly higher than in Q2 21 (11 basis points). It breaks down into a provision on non-performing loans of EUR 266 million and a provision write-back on performing loans of EUR 70 million.

The Group's provisions on performing loans currently amount to EUR 3,486 million.

As part of the support provided to its customers during the crisis, the Group granted State Guaranteed Loans. At September 30th 2021, the residual amount of State Guaranteed Loans represented around EUR 17 billion. In France, the total amount of State Guaranteed Loans ("PGE") amounts to around EUR 15 billion and net exposure is less than EUR 2 billion.

The gross doubtful outstandings ratio amounted to 3.1%(1) at September 30th 2021, stable vs. end-June 2021. The Group's gross coverage ratio for doubtful outstandings also remained stable at 52%(2) at September 30th 2021 vs. June 30th 2021.

The cost of risk is not expected to exceed 20 basis points in 2021.

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(1) *NPL ratio calculated according to the EBA methodology published on July 16th, 2019*

(2) *Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings*

Group net income

In EURm	Q3 21	Q3 20	9M 21	9M 20
Reported Group net income	1,601	862	3,854	(728)
Underlying Group net income[1]	1,391	742	4,038	803

In %	Q3 21	Q3 20	9M 21	9M 20
ROTE	12.7%	6.5%	10.0%	-1.4%
Underlying ROTE[1]	10.9%	5.5%	10.4%	1.0%

Earnings per share amounts to EUR 4.02 in 9M 21 (EUR -1.38 in 9M 20). Underlying earnings per share amounts to EUR 4.06 over the same period (EUR 0.42 in 9M 20).

[1] *Underlying data (see methodology note No. 5 for the transition from accounting data to underlying data)*

2. THE GROUP'S FINANCIAL STRUCTURE

Group shareholders' equity totalled EUR 63.6 billion at September 30th, 2021 (EUR 61.7 billion at December 31st, 2020). Net asset value per share was EUR 65.5 and tangible net asset value per share was EUR 57.8.

The consolidated balance sheet totalled EUR 1,526 billion at September 30th, 2021 (EUR 1,462 billion at December 31st, 2020). The net amount of customer loan outstandings at September 30th, 2021, including lease financing, was EUR 468 billion (EUR 440 billion at December 31st, 2020) – excluding assets and securities purchased under resale agreements. At the same time, customer deposits amounted to EUR 487 billion, vs. EUR 451 billion at December 31st, 2020 (excluding assets and securities sold under repurchase agreements).

At October 20th, 2021, the parent company had issued EUR 31.5 billion of medium/long-term debt, having an average maturity of 5.4 years and an average spread of 38 basis points (vs. the 6-month midswap, excluding subordinated debt). The subsidiaries had issued EUR 1.4 billion. In total, the Group had issued EUR 32.9 billion of medium/long-term debt. As a result, the parent company had completed its 2021 annual financing programme on both vanilla debt and structured issuances.

The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 130% at end-September 2021, vs. 149% at end-December 2020. At the same time, the NSFR (Net Stable Funding Ratio) was at a level of 105% at end-September 2021, above the regulatory requirement of 100%.

The Group's **risk-weighted assets** (RWA), including IFRS9 phasing, amounted to EUR 363.5 billion at September 30th, 2021 (vs. EUR 351.9 billion at end-December 2020) according to CRR2/CRD5 rules. Risk-weighted assets in respect of credit risk represent 82.5% of the total, at EUR 300.0 billion, up 4.4% vs. December 31st, 2020.

At September 30th, 2021, the Group's **Common Equity Tier 1** ratio stood at 13.4%, or around 440 basis points above the regulatory requirement. The CET1 ratio at September 30th, 2021 includes an effect of +19 basis points for phasing of the IFRS 9 impact. Excluding this effect, the fully-loaded ratio amounts to 13.2%. The Tier 1 ratio stood at 15.6% at end-September 2021 (16% at end-December 2020) and the total capital ratio amounted to 18.6% (19.2% at end-December 2020).

The **leverage ratio** stood at 4.5% at September 30th, 2021 (4.8% at end-December 2020).

With a level of 29.9% of RWA and 8.6% of leverage exposure at end-September 2021, the Group's TLAC ratio is above the FSB's requirements for 2021 and 2022. At September 30th, 2021, the Group was also above its 2022 MREL requirements of 25.2% of RWA and 5.91% of leverage exposure.

The Group is rated by four rating agencies: (i) Fitch Ratings - long-term rating "A-", stable rating, senior preferred debt rating "A", short-term rating "F1" (ii) Moody's - long-term rating (senior preferred debt) "A1", stable outlook, short-term rating "P-1" (iii) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (iv) S&P Global Ratings - long-term rating (senior preferred debt) "A", stable outlook, short-term rating "A-1".

3. FRENCH RETAIL BANKING

In EURm	Q3 21	Q3 20	Change	9M 21	9M 20	Change
Net banking income	1,976	1,836	+7.6%	5,729	5,470	+4.7%
Net banking income excl. PEL/CEL	*1,963*	*1,857*	*+5.7%*	*5,711*	*5,511*	*+3.6%*
Operating expenses	(1,351)	(1,292)	+4.6%	(4,101)	(3,975)	+3.2%
Gross operating income	625	544	+14.9%	1,628	1,495	+8.9%
Gross operating income excl. PEL/CEL	*612*	*565*	*+8.3%*	*1,610*	*1,536*	*+4.8%*
Net cost of risk	5	(130)	-103.8%	(124)	(821)	-84.9%
Operating income	630	414	+52.2%	1,504	674	x 2.2
Net profits or losses from other assets	(2)	3	-166.7%	2	139	-98.6%
Reported Group net income	451	283	+59.4%	1,092	562	+94.3%
Underlying Group net income (1)	*414*	*274*	*+50.9%*	*1,107*	*613*	*+80.6%*
RONE	16.4%	9.5%		13.0%	6.5%	
Underlying RONE(1)	*15.0%*	*9.2%*		*13.2%*	*7.1%*	

(1) Adjusted for the linearisation of IFRIC 21 and PEL/CEL provision

Societe Generale and Crédit du Nord networks:

Average loan outstandings were 2% lower than in Q3 20 at EUR 207 billion. They were 9% higher than in Q3 19. Average outstanding loans to individuals were up +1%, bolstered by the growth in home loan production (+58% vs. Q3 20). The production of medium/long-term loans to corporate and professional customers climbed +48% excluding State Guaranteed Loans vs. Q3 20.

Average outstanding balance sheet deposits[(2)] increased by +7% vs. Q3 20 to EUR 240 billion, still driven by sight deposits, whose rate of growth nevertheless decelerated.

As a result, the average loan/deposit ratio stood at 87% in Q3 21 vs. 95% in Q3 20.

Insurance assets under management totalled EUR 91 billion at end-September 2021. Gross life insurance inflow amounted to EUR 1.9 billion in Q3 21, with the unit-linked share accounting for 36%.

Private Banking's assets under management totalled EUR 76 billion at end-September 2021. Net inflow remained buoyant at EUR 1.1 billion in Q3 21.

Property/casualty insurance premiums were up +3% vs. Q3 20, as were personal protection insurance premiums (+3% vs. Q3 20).

Boursorama:

The bank consolidated its position as the leading online bank in France, with more than 3.1 million clients at end-September 2021, thanks to the onboarding of 163,000 new clients in Q3 21 (+26% vs. Q3 20). Boursorama has exceeded 3 million clients ahead of its onboarding plan.

This quarter, Boursorama distinguished itself by obtaining 2022 award in the rankings for best online bank awarded by Moneyvox. Boursorama was also classified No. 1 in the rankings for best bank for students in France 2021 awarded by Selectra. The bank also received an award for its retirement savings plan ("MATLA") from the business magazines Challenges and Le Particulier (Victoire d'or). In addition, the bank received the 2022 Excellence Label for personal loans awarded by Les Dossiers de l'Epargne magazine.

[(2)] *Including BMTN (negotiable medium-term notes)*

Average outstanding loans rose +28% vs. Q3 20 to EUR 13 billion. Home loan outstandings were up +30% vs. Q3 20.

Average outstanding savings including deposits and financial savings were 30% higher than in Q3 20 at EUR 35 billion, while outstanding deposits were up +29% vs. Q3 20. Life insurance outstandings were 14% higher than in Q3 20 while assets under management in UCITS increased by +35% vs. Q3 20.

Net banking income excluding PEL/CEL

Q3 21: revenues (excluding PEL/CEL) totalled EUR 1,963 million, up +5.7% vs. Q3 20. Net interest income (excluding PEL/CEL) was up +5.9% vs. Q3 20. Commissions were 5.2% higher than in Q3 20 owing particularly to an increase in financial commissions against the backdrop of recovery.

9M 21: revenues (excluding PEL/CEL) totalled EUR 5,711 million, up +3.6% vs. 9M 20. Net interest income (excluding PEL/CEL) was stable (+0.5%) vs. 9M 20. Commissions were 5.1% higher than in 9M 20, benefiting from the strong growth in financial commissions.

Operating expenses

Q3 21: operating expenses totalled EUR 1,351 million (+4.6% vs. Q3 20) and EUR 1,390 million on an underlying basis. The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 68.8%, an improvement of 0.8 points vs. Q3 20.

9M 21: operating expenses totalled EUR 4,101 million (+3.2% vs. 9M 20) and EUR 4,062 million on an underlying basis. The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.8%, an improvement of 0.3 points vs. 9M 20.

Cost of risk

Q3 21: the commercial cost of risk represented a write-back of EUR 5 million or -1 basis point, a significant improvement vs. Q3 20 (24 basis points), and virtually stable vs. Q2 21 (1 basis point).

9M 21: the commercial cost of risk amounted to EUR 124 million or 8 basis points, a substantial decline compared to 9M 20 (52 basis points).

Contribution to Group net income

Q3 21: the contribution to Group net income was EUR 451 million vs. EUR 283 million in Q3 20 (+59% vs. Q3 20). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 15.0% in Q3 21 (9.2% in Q3 20) and 16.1% excluding Boursorama.

9M 21: the contribution to Group net income was EUR 1,092 million (+94% vs. 9M 20). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 13.2% in 9M 21 (7.1% in 9M 20) and 14.2% excluding Boursorama.

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

In EURm	Q3 21	Q3 20	Change		9M 21	9M 20	Change	
Net banking income	2,107	1,891	+11.4%	*+12.8%**	5,958	5,605	+6.3%	*+9.8%**
Operating expenses	(1,015)	(999)	*+1.6%*	*+2.3%**	(3,115)	(3,124)	*-0.3%*	*+2.6%**
Gross operating income	1,092	892	*+22.4%*	*+24.7%**	2,843	2,481	*+14.6%*	*+19.0%**
Net cost of risk	(145)	(331)	*-56.2%*	*-56.7%**	(408)	(978)	*-58.3%*	*-57.0%**
Operating income	947	561	*+68.8%*	*+75.0%**	2,435	1,503	*+62.0%*	*+69.0%**
Net profits or losses from other assets	4	(2)	*n/s*	*n/s*	10	9	*+11.1%*	*+11.1%**
Reported Group net income	584	337	*+73.3%*	*+80.0%**	1,498	928	*+61.4%*	*+69.4%**
Underlying Group net income (1)	*570*	*323*	*+76.5%*	*+83.7%**	*1,512*	*942*	*+60.5%*	*+68.3%**
RONE	22.6%	12.9%			19.7%	11.6%		
Underlying RONE(1)	*22.1%*	*12.3%*			*19.9%*	*11.8%*		

(1) Adjusted for the linearisation of IFRIC 21

International Retail Banking's loan and deposit production experienced an increase in all geographical regions. Outstanding loans totalled EUR 90.9 billion. They rose +4.3%* vs. end-September 2020. Outstanding deposits were 9.6%* higher than in September 2020, at EUR 90.1 billion.

For the Europe scope, outstanding loans were up +5.1%* vs. September 2020 at EUR 58.1 billion, driven by all the regions: +4.4%* in the Czech Republic, +7.5%* in Romania, and +5.2%* in Western Europe. Outstanding deposits increased by +12.1%*.

In Russia, outstanding loans enjoyed healthy growth (+8.0%*), with a robust performance in home loans and in the corporate customers segment with outstanding loans up +15%* and +7%* respectively vs. Q3 20. Outstanding deposits also rose (+3.6%*).

In Africa, Mediterranean Basin and French Overseas Territories, outstanding loans rose +0.9%*. Outstanding deposits, up +7.2%*, enjoyed a healthy momentum.

In the Insurance business, the life insurance savings business saw outstandings increase +8%* at end-September 2021 vs. September 2020 to EUR 132 billion. The share of unit-linked products in outstandings was 35%, an increase of +5 points vs. September 2020.

Financial Services to Corporates also enjoyed a healthy momentum. Operational Vehicle Leasing and Fleet Management had 1.7 million contracts, including 1.4 million financed vehicles, an increase of 0.6% vs. end-September 2020. Equipment Finance's new leasing business was up +11%* vs. Q3 20 (+12%* in 9M 21), while outstanding loans were stable vs. end-September 2020, at EUR 14.3 billion (excluding factoring).

Net banking income

Net banking income amounted to EUR 2,107 million in Q3 21, up +12.8%* vs. Q3 20. Revenues amounted to EUR 5,958 million in 9M 21, up +9.8%* vs. 9M 20.

International Retail Banking's net banking income totalled EUR 1,271 million in Q3 21, an increase of +4.0%* vs. Q3 20. Thanks to a healthy commercial momentum and an increase in commissions (+17%* vs. Q3 20), revenues in Europe were 6.2%* higher than in Q3 20. Activity in the individual customers segment remained particularly robust in specialised consumer finance, with revenues up +14%* vs. Q3 20. For the SG Russia[2] scope, revenues were down -4.8%* (-1.4%* vs. 9M 20) despite a healthy momentum in the corporate customers and home loan segments. The Africa, Mediterranean Basin and

[2] *SG Russia encompasses the entities Rosbank, Rosbank Insurance, ALD Automotive and their consolidated subsidiaries*

French Overseas Territories scope posted revenues up +4.4%* vs. Q3 20. International Retail Banking's net banking income totalled EUR 3,689 million in 9M 21, up +2.6%* vs. 9M 20.

The Insurance business posted net banking income up +10.2%* vs. Q3 20, at EUR 246 million in Q3 21. The gross premiums of the life insurance savings business were 59%* higher in Q3 21 than in Q3 20, with an attractive share of unit-linked products (43%). Protection insurance saw an increase of +7%* vs. Q3 20. Property/casualty premiums rose +10%* (including +8%* in France and +17%* internationally), as did personal protection insurance (+5%* vs. Q3 20). The Insurance business' net banking income was 8.8%* higher in 9M 21 than in 9M 20 at EUR 720 million.

Financial Services to Corporates' net banking income was substantially higher (+39.9%*) than in Q3 20, at EUR 590 million. This performance was driven primarily by the activities of ALD which posted an increase in leasing margins (+12%[1] vs. Q3 20) and the used car sale result (EUR 1,126 per unit in 9M 21). Financial Services to Corporates' net banking income totalled EUR 1,549 million in 9M 21, up +32.6%* vs. 9M 20.

Operating expenses

Operating expenses totalled EUR 1,015 million, an increase of +2.3%* on a reported basis and +2.3%* also on an underlying basis vs. Q3 20, in conjunction with the growth in revenue. As a result, the quarter generated a positive jaws effect. The cost to income ratio stood at 48.2% in Q3 21. Operating expenses amounted to EUR 3,115 million in 9M 21, an increase of +2.6%* vs. 9M 20.

In International Retail Banking, operating expenses were up +3.4%* vs. Q3 20. Operating expenses were slightly higher (+2.0%*) in 9M 21 than in 9M 20.

In the **Insurance** business, operating expenses were in line with the expansion ambitions and rose +4.5%* vs. Q3 20 and +4.3%* vs. 9M 20.

In **Financial Services to Corporates**, operating expenses increased by +2.0%* vs. Q3 20 and +4.1%* vs. 9M 20.

Cost of risk

Q3 21: the commercial cost of risk amounted to 43 basis points (EUR 145 million), vs. 37 basis points in Q2 21 and 102 basis points in Q3 20.

9M 21: the cost of risk amounted to 41 basis points (EUR 408 million). It was 98 basis points in 9M 20.

Contribution to Group net income

The contribution to Group net income totalled EUR 584 million in Q3 21 (+80.0%* vs. Q3 20) and EUR 1,498 million in 9M 21 (+69.4%* vs. 9M 20). Underlying RONE stood at 22.1% in Q3 21 (vs. 12.3% in Q3 20) and 19.9% in 9M 21 (11.8% in 9M 20).

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[1] *Based on ALD local data*

5. GLOBAL BANKING & INVESTOR SOLUTIONS

In EURm	Q3 21	Q3 20	Change		9M 21	9M 20	Change	
Net banking income	2,361	2,034	+16.1%	+15.4%*	7,210	5,541	+30.1%	+32.5%*
Operating expenses	(1,608)	(1,478)	+8.8%	+8.2%*	(5,307)	(5,025)	+5.6%	+6.9%*
Gross operating income	753	556	+35.4%	+34.5%*	1,903	516	x 3.7	x 4*
Net cost of risk	(57)	(57)	-	-	(83)	(818)	-89.9%	-89.5%*
Operating income	696	499	+39.5%	+38.4%*	1,820	(302)	n/s	n/s
Group net income	563	381	+47.8%	+46.6%*	1,441	(223)	n/s	n/s
Underlying Group net income (1)	*467*	*295*	*+58.0%*	*+56.4%**	*1,537*	*(137)*	*n/s*	*n/s*
RONE	14.7%	10.3%			13.1%	-2.1%		
Underlying RONE(1)	*12.2%*	*7.9%*			*14.0%*	*-1.3%*		

(1) Adjusted for the linearisation of IFRIC 21

Net banking income

In Q3 21, **Global Banking & Investor Solutions** enjoyed a healthy momentum in its businesses, with revenues of EUR 2,361 million, substantially higher (+16.1%) than in Q3 20.
In 9M 21, revenues rose +30.1% vs. 9M 20 (EUR 7,210 million vs. EUR 5,541 million), and were higher than 9M 19 revenues (EUR 6,518 million).

In Global Markets & Investor Services, net banking income totalled EUR 1,349 million (+8.4% vs. Q3 20). It amounted to EUR 4,388 million in 9M 21 (+46.1% vs. 9M 20).

The Equity market was active, driven by commercial activity that remained buoyant throughout the quarter. The business posted revenues of EUR 814 million, up +53% vs. Q3 20, with a good performance in all activities. Volumes were particularly high on investment solutions products (structured products and listed products) and on prime services products.
Revenues totalled EUR 2,423 million in 9M 21 (vs. EUR 682 million in 9M 20).

Market conditions were less favourable for the Fixed Income franchise model: substantial spread compression on financing, coupled with reduced client demand in Fixed Income markets. The environment was also unfavourable in Asia. However, commercial activity remained resilient on the Corporates franchise. Fixed Income & Currency activities posted revenues of EUR 380 million in Q3 21, down -33% vs. a good Q3 20.
Revenues were 21% lower in 9M 21 compared to the exceptionally high level in 9M 20.

Securities Services' revenues saw a further increase, with revenues up +6.9% vs. Q3 20, at EUR 155 million. They were 10% higher in 9M 21 than in 9M 20, at EUR 490 million.
Securities Services' assets under custody amounted to EUR 4,475 billion, slightly higher than at end-June 2021. Over the same period, assets under administration were up +2.9%, at EUR 680 billion.

Financing & Advisory delivered the best historical performance, with revenues of EUR 757 million in Q3 21, up +31% vs. Q3 20. They amounted to EUR 2,110 million in 9M 21, significantly higher (+13%) than in 9M 20 (+15%* when adjusted for changes in Group structure and at constant exchange rates).

Investment Banking enjoyed an excellent quarter, driven by the strong momentum of advisory, M&A and Leveraged Buyout activities. Revenues from Asset Finance, Natural Resources and Infrastructure activities and the Asset-Backed Products platform also showed a substantial increase.

Global Transaction and Payment Services continued to enjoy strong growth, up +23% vs. Q3 20.

Asset and Wealth Management's net banking income totalled EUR 255 million in Q3 21 (+21% vs. Q3 20). It was 6% higher in 9M 21.

Private Banking posted a substantial increase in its revenues (+20% vs. Q3 20) to EUR 184 million. The business benefited from a favourable market environment and strong commercial activity. Net inflow amounted to EUR +2.2 billion during the quarter.
Net banking income totalled EUR 528 million in 9M 21, up +2.3% vs. 9M 20 (when restated for an exceptional impact of EUR +29 million related to an insurance payout received in 2020, it is up +8.4%). Net inflow was high (EUR +6.8 billion in the first nine months) and positive in all geographical regions. Assets under management totalled EUR 127 billion. They rose +11% vs. end-September 2020.

Lyxor's net banking income amounted to EUR 64 million, an increase of +21% vs. Q3 20. Assets under management were up +28% vs. end-September 2020, at EUR 169 billion.
Revenues were 17% higher in 9M 21 than in 9M 20, with net inflow of EUR +14 billion.

Operating expenses

Q3 21: operating expenses totalled EUR 1,608 million and EUR 1,733 million on an underlying basis. Higher underlying costs (+9.3% vs. Q3 20) can be explained by the rise in variable costs related to the increase in earnings and IFRIC 21 charges. Thanks to a very positive jaws effect, there was an improvement in the cost to income ratio of 5 points (68% vs. 73% in Q3 20).
9M 21: operating expenses were up +5.6% on a reported basis and +5.4% on an underlying basis.

Net cost of risk

Q3 21: the commercial cost of risk amounted to 14 basis points (or EUR 57 million), the same level as in Q3 20.
9M 21: it was at a low level of 7 basis points, well below 9M 20 (66 basis points) which was adversely affected by the health crisis.

Contribution to Group net income

Q3 21: the contribution to Group net income was EUR 563 million on a reported basis (+48% vs. Q3 20) and EUR 467 million on an underlying basis (+58% vs. Q3 20).
9M 21: it was EUR 1,441 million and EUR 1,537 million respectively.

Global Banking & Investor Solutions posted a significant underlying RONE of 12.2% in Q3 21 and 14.0% in 9M 21.

6. CORPORATE CENTRE

In EURm	Q3 21	Q3 20	9M 21	9M 20
Net banking income	228	48	281	(341)
Operating expenses	(196)	(56)	(502)	(239)
Underlying operating expenses (1)	*(110)*	*(69)*	*(259)*	*(226)*
Gross operating income	32	(8)	(221)	(580)
Underlying gross operating income (1)	*118*	*(21)*	*22*	*(567)*
Net cost of risk	1	-	1	-
Impairment losses on goodwill	-	-	-	(684)
Income tax	(166)	(84)	(6)	(534)
Reported Group net income	3	(139)	(177)	(1,995)
Underlying Group net income (1)	*(69)*	*(137)*	*(132)*	*(586)*

(1) Adjusted for the linearisation of IFRIC 21

The Corporate Centre includes:
- the property management of the Group's head office,
- the Group's equity portfolio,
- the Treasury function for the Group,
- certain costs related to cross-functional projects as well as certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR 228 million in Q3 21 vs. EUR +48 million in Q3 20 and EUR +281 million in 9M 21 vs. EUR -341 million in 9M 20.

Operating expenses totalled EUR 196 million in Q3 21 vs. EUR 56 million in Q3 20. They include the Group's transformation costs for a total amount of EUR 97 million relating to the activities of French Retail Banking (EUR 46 million), Global Banking & Investor Solutions (EUR 23 million) and the Corporate Centre (EUR 28 million). Underlying costs came to EUR 110 million in Q3 21 compared to EUR 69 million in Q3 20.

Operating expenses totalled EUR 502 million in 9M 21 vs. EUR 239 million in 9M 20. They include the Group's transformation costs for a total amount of EUR 232 million relating to the activities of French Retail Banking (EUR 106 million), Global Banking & Investor Solutions (EUR 66 million) and the Corporate Centre (EUR 60 million). Underlying costs came to EUR 259 million in 9M 21 compared to EUR 226 million in 9M 20.

Gross operating income totalled EUR 32 million in Q3 21 vs. EUR -8 million in Q3 20 and EUR -221 million in 9M 21 vs. EUR -580 million in 9M 20. Underlying gross operating income came to EUR +22 million in 9M 21.

The **Corporate Centre's contribution to Group net income was EUR 3 million** in Q3 21 vs. EUR -139 million in Q3 20 and EUR -177 million in 9M 21 vs. EUR -1,995 million in 9M 20. It includes a capital gain on a property sale amounting to EUR 185 million, before tax is taken into account (EUR 132 million net of tax).

7. CONCLUSION

The Group delivered an excellent performance in the first 9 months of 2021. All the businesses experienced healthy revenue growth, compared to the first 9 months of 2020, and a improvement in their cost to income ratio due to disciplined cost management.

At end-September 2021, the Group's CET1 ratio stood at 13.4%[1] comfortably above its regulatory requirement, after taking account of the distribution provision of EUR 2.03[2] (financing both dividend and share buyback) and the capital impact of the announced share buyback programme of around EUR 470 million. Authorised by the ECB on September 30th 2021, the Group intends to implement the programme as from November 4th and by end-2021. During this period, the group will suspend the liquidity contract.

Furthermore, the Group continues to execute its strategy with the achievement, this quarter, of a new key milestone. On October 12th, the Group provided information on the model and the detailed organisational structure of its new French Retail Bank. The project to merge the networks is therefore progressing according to the announced timetable. The other businesses are successfully rolling out their strategy presented at the dedicated Investor Days.

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(1) *Phased-in ratio; fully-loaded ratio of 13.2%*

(2) *Based on a payout ratio of 50% of underlying Group net income after deducting interest on deeply subordinated notes and undated subordinated notes*

8. 2021 FINANCIAL CALENDAR

2021 Financial communication calendar	
February 10th, 2022	Fourth quarter and FY 2021 results
May 5th, 2022	First quarter 2022 results
May 17th, 2022	2022 General Meeting
August 3rd, 2022	Second quarter and first half 2022 results
November 4th, 2022	Third quarter and nine-month 2022 results

The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, IFRIC 21 adjustment, (commercial) cost of risk in basis points, ROE, ROTE, RONE, net assets, tangible net assets, and the amounts serving as a basis for the different restatements carried out (in particular the transition from published data to underlying data) are presented in the methodology notes, as are the principles for the presentation of prudential ratios.

This document contains forward-looking statements relating to the targets and strategies of the Societe Generale Group.
These forward-looking statements are based on a series of assumptions, both general and specific, in particular the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union, as well as the application of existing prudential regulations.

These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. The Group may be unable to:
- anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences;
- evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document and the related presentation.

Therefore, although Societe Generale believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in Societe Generale's markets in particular, regulatory and prudential changes, and the success of Societe Generale's strategic, operating and financial initiatives.

More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the section "Risk Factors" in our Universal Registration Document filed with the French Autorité des Marchés Financiers (which is available on https://investors.societegenerale.com/en).

Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, Societe Generale does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal.

9. APPENDIX 1: FINANCIAL DATA

GROUP NET INCOME BY CORE BUSINESS

In EURm	Q3 21	Q3 20	Change	9M 21	9M 20	Change
French Retail Banking	451	283	59.4%	1,092	562	94.3%
International Retail Banking and Financial Services	584	337	73.3%	1,498	928	61.4%
Global Banking and Investor Solutions	563	381	47.8%	1,441	(223)	n/s
Core Businesses	1,598	1,001	59.6%	4,031	1,267	x 3.2
Corporate Centre	3	(139)	n/s	(177)	(1,995)	91.1%
Group	1,601	862	85.7%	3,854	(728)	n/s

CONSOLIDATED BALANCE SHEET

	30.09.2021	31.12.2020
Cash, due from central banks	176,531	168,179
Financial assets at fair value through profit or loss	436,594	429,458
Hedging derivatives	14,021	20,667
Financial assets measured at fair value through other comprehensive income	45,780	52,060
Securities at amortised cost	18,687	15,635
Due from banks at amortised cost	66,144	53,380
Customer loans at amortised cost	475,923	448,761
Revaluation differences on portfolios hedged against interest rate risk	172	378
Investment of insurance activities	174,240	166,854
Tax assets	4,307	5,001
Other assets	78,469	67,341
Non-current assets held for sale	390	6
Investments accounted for using the equity method	95	100
Tangible and intangible assets	31,180	30,088
Goodwill	3,821	4,044
Total	**1,526,354**	**1,461,952**

	30.09.2021	31.12.2020
Central banks	6,684	1,489
Financial liabilities at fair value through profit or loss	386,465	390,247
Hedging derivatives	9,576	12,461
Debt securities issued	133,194	138,957
Due to banks	148,430	135,571
Customer deposits	497,155	456,059
Revaluation differences on portfolios hedged against interest rate risk	4,250	7,696
Tax liabilities	1,683	1,223
Other liabilities	96,568	84,937
Non-current liabilities held for sale	125	-
Liabilities related to insurance activities contracts	152,619	146,126
Provisions	4,491	4,775
Subordinated debts	15,826	15,432
Total liabilities	**1,457,066**	**1,394,973**
SHAREHOLDERS' EQUITY		
Shareholders' equity, Group share		
Issued common stocks and capital reserves	22,364	22,333
Other equity instruments	7,534	9,295
Retained earnings	30,866	32,076
Net income	3,854	(258)
Sub-total	**64,618**	**63,446**
Unrealised or deferred capital gains and losses	(980)	(1,762)
Sub-total equity, Group share	**63,638**	**61,684**
Non-controlling interests	5,650	5,295
Total equity	**69,288**	**66,979**
Total	**1,526,354**	**1,461,952**

10. APPENDIX 2: METHODOLOGY

1 –The financial information presented in respect of Q3 and 9M 2021 was examined by the Board of Directors on November 3rd, 2021 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. This information has not been audited.

2 - Net banking income

The pillars' net banking income is defined on page 41 of Societe Generale's 2021 Universal Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

3 - Operating expenses

Operating expenses correspond to the "Operating Expenses" as presented in note 8.1 to the Group's consolidated financial statements as at December 31st, 2020 (pages 466 et seq. of Societe Generale's 2021 Universal Registration Document). The term "costs" is also used to refer to Operating Expenses. The Cost/Income Ratio is defined on page 41 of Societe Generale's 2021 Universal Registration Document.

4 - IFRIC 21 adjustment

The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter, i.e. a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed.

5 – Exceptional items – Transition from accounting data to underlying data

It may be necessary for the Group to present underlying indicators in order to facilitate the understanding of its actual performance. The transition from published data to underlying data is obtained by restating published data for exceptional items and the IFRIC 21 adjustment.

Moreover, the Group restates the revenues and earnings of the French Retail Banking pillar for PEL/CEL provision allocations or write-backs. This adjustment makes it easier to identify the revenues and earnings relating to the pillar's activity, by excluding the volatile component related to commitments specific to regulated savings.

The reconciliation enabling the transition from published accounting data to underlying data is set out in the table below:

Q3 21 (in EURm)	Operating Expenses	Net profit or losses from other assets	Impairment losses on goodwill	Income tax	Group net income	Business
Reported	(4,170)	175	0	(699)	1,601	
(+) IFRIC 21 linearisation	*(199)*			*46*	*(149)*	
(+) Transformation charges[*]	*97*			*(27)*	*70*	*Corporate Center*[(1)]
(+) Capital gains on Haussmann office disposal[*]		*(185)*		*53*	*(132)*	*Corporate Center*
Underlying	(4,272)	(10)	0	(627)	1,391	

Q3 20 (in EURm)	Operating Expenses	Net profit or losses from other assets	Impairment losses on goodwill	Income tax	Group net income	Business
Reported	(3,825)	(2)	0	(467)	862	
(+) IFRIC 21 linearisation	*(177)*			*53*	*(120)*	
Underlying	(4,002)	(2)	0	(414)	742	

9M 21 (in EURm)	Operating Expenses	Net profit or losses from other assets	Impairment losses on goodwill	Income tax	Group net income	Business
Reported	(13,025)	186	0	(1,386)	3,854	
(+) IFRIC 21 linearisation	*199*			*(46)*	*149*	
(+) Transformation charges[*]	*232*			*(65)*	*167*	*Corporate Center*[(2)]
(+) Capital gains on Haussmann office disposal[*]		*(185)*		*53*	*(132)*	*Corporate Center*
Underlying	(12,594)	1	0	(1,444)	4,038	

9M 20 (in EURm)	Operating Expenses	Net profit or losses from other assets	Impairment losses on goodwill	Income tax	Group net income	Business
Reported	(12,363)	82	(684)	(1,079)	(728)	
(+) IFRIC 21 linearisation	*177*			*(53)*	*120*	
(+) Group refocusing plan		*77*			*77*	*Corporate center*
(-) Goodwill impairment[*]			*684*		*684*	*Corporate center*
(-) DTA impairment [*]				*650*	*650*	*Corporate center*
Underlying	(12,186)	159	0	(482)	803	

[*] *Exceptional item*

(1) *Transformation and/or restructuring charges in Q3 21 related to French Retail Banking (EUR 46m), Global Banking & Investor Solutions (EUR 23m) and Corporate Centre (EUR 28m)*

(2) *Transformation and/or restructuring charges in 9M 21 related to French Retail Banking (EUR 106m), Global Banking & Investor Solutions (EUR 66m) and Corporate Centre (EUR 60m)*

6 - Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk or commercial cost of risk is defined on pages 43 and 635 of Societe Generale's 2021 Universal Registration Document. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases.

	(In EUR m)	Q3 21	Q3 20	9M 21	9M 20
French Retail Banking	Net Cost Of Risk	(5)	130	124	821
	Gross loans Outstanding	217,332	217,156	217,549	208,604
	Cost of Risk in bp	(1)	24	8	52
International Retail Banking and Financial Services	Net Cost Of Risk	145	331	408	978
	Gross loans Outstanding	134,725	129,838	132,088	133,240
	Cost of Risk in bp	43	102	41	98
Global Banking and Investor Solutions	Net Cost Of Risk	57	57	83	818
	Gross loans Outstanding	167,410	162,429	161,432	165,389
	Cost of Risk in bp	14	14	7	66
Corporate Centre	Net Cost Of Risk	(1)	0	(1)	0
	Gross loans Outstanding	14,244	12,400	13,589	10,800
	Cost of Risk in bp	(1)	(1)	(1)	1
Societe Generale Group	Net Cost Of Risk	196	518	614	2,617
	Gross loans Outstanding	533,711	521,822	524,659	518,033
	Cost of Risk in bp	15	40	16	67

The **gross coverage ratio for doubtful outstandings** is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking account of any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default ("doubtful").

7 - ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on page 43 and 44 of Societe Generale's 2021 Universal Registration Document. This measure makes it possible to assess Societe Generale's return on equity and return on tangible equity.

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses, according to the principles presented on page 44 of Societe Generale's 2021 Universal Registration Document.

Group net income used for the ratio numerator is book Group net income adjusted for "interest net of tax payable on deeply subordinated notes and undated subordinated notes, interest paid to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisations" and "unrealised gains/losses booked under shareholders' equity, excluding conversion reserves" (see methodology note No. 9). For ROTE, income is also restated for goodwill impairment.

Details of the corrections made to book equity in order to calculate ROE and ROTE for the period are given in the table below:

ROTE calculation: calculation methodology

End of period	Q3 21	Q3 20	9M 21	9M 20
Shareholders' equity Group share	63,638	60,593	63,638	60,593
Deeply subordinated notes	(7,820)	(7,873)	(7,820)	(7,873)
Undated subordinated notes		(274)		(274)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(34)	(4)	(34)	(4)
OCI excluding conversion reserves	(613)	(875)	(613)	(875)
Dividend provision [1]	(1,726)	(178)	(1,726)	(178)
ROE equity end-of-period	53,445	51,389	53,445	51,389
Average ROE equity	52,947	51,396	52,215	52,352
Average Goodwill	(3,927)	(3,928)	(3,927)	(4,253)
Average Intangible Assets	(2,599)	(2,464)	(2,549)	(2,417)
Average ROTE equity	46,421	45,004	45,739	45,682
Group net Income (a)	1,601	862	3,854	(728)
Underlying Group net income (b)	1,391	742	4,038	803
Interest on deeply subordinated notes and undated subordinated notes (c)	(130)	(127)	(439)	(447)
Cancellation of goodwill impairment (d)				684
Ajusted Group net Income (e) = (a)+ (c)+(d)	1,471	735	3,415	(491)
Ajusted Underlying Group net Income (f)=(b)+(c)	1,261	615	3,599	356
Average ROTE equity (g)	46,421	45,004	45,739	45,682
ROTE [quarter: (4*e/g), 9M: (4/3*e/g)]	12.7%	6.5%	10.0%	-1.4%
Underlying ROTE	46,210	44,884	45,923	47,213
Underlying ROTE [quarter: (4*f/h), 9M: (4/3*f/h)]	10.9%	5.5%	10.4%	1.0%

RONE calculation: Average capital allocated to Core Businesses (in EURm)

In EURm	Q3 21	Q3 20	Change	9M 21	9M 20	Change
French Retail Banking	11,025	11,879	-7.2%	11,201	11,507	-2.7%
International Retail Banking and Financial Services	10,340	10,468	-1.2%	10,154	10,627	-4.5%
Global Banking and Investor Solutions	15,327	14,868	3.1%	14,687	14,306	2.7%
Core Businesses	36,693	37,215	-1.4%	36,042	36,440	-1.1%
Corporate Center	16,254	14,180	14.6%	16,173	15,912	1.6%
Group	52,947	51,396	3.0%	52,215	52,352	-0.3%

[1] *The provision is calculated on a payout ratio of 50% of underlying Group net income, excluding linearisation of IFRIC 21, after deducting interest on deeply subordinated notes and undated subordinated notes*

8 - Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 46 of the Group's 2021 Universal Registration Document. The items used to calculate them are presented below:

End of period	9M 21	H1 21	2020
Shareholders' equity Group share	63,638	63,136	61,684
Deeply subordinated notes	(7,820)	(8,905)	(8,830)
Undated subordinated notes	-	(62)	(264)
Interest, net of tax, payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(34)	(1)	19
Bookvalue of own shares in trading portfolio	(45)	(46)	301
Net Asset Value	55,739	54,122	52,910
Goodwill	(3,927)	(3,927)	(3,928)
Intangible Assets	(2,641)	(2,556)	(2,484)
Net Tangible Asset Value	49,171	47,639	46,498
Number of shares used to calculate NAPS*	850,430	850,429	848,859
Net Asset Value per Share	65.5	63.6	62.3
Net Tangible Asset Value per Share	57.8	56.0	54.8

** The number of shares considered is the number of ordinary shares outstanding as at September 30th, 2021, excluding treasury shares and buybacks, but including the trading shares held by the Group.*
In accordance with IAS 33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transaction.

9 - Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 45 of Societe Generale's 2021 Universal Registration Document). The corrections made to Group net income in order to calculate EPS correspond to the restatements carried out for the calculation of ROE and ROTE. As specified on page 45 of Societe Generale's 2021 Universal Registration Document, the Group also publishes EPS adjusted for the impact of non-economic and exceptional items presented in methodology note No. 5 (underlying EPS).
The calculation of Earnings Per Share is described in the following table:

Average number of shares (thousands)	9M 21	H1 21	2020
Existing shares	853,371	853,371	853,371
Deductions			
Shares allocated to cover stock option plans and free shares awarded to staff	3,335	3,466	2,987
Other own shares and treasury shares			
Number of shares used to calculate EPS**	850,036	849,905	850,385
Group net Income	3,854	2,253	(258)
Interest on deeply subordinated notes and undated subordinated notes	(439)	(309)	(611)
Capital gain net of tax on partial buybacks			
Adjusted Group net income	3,415	1,944	(869)
EPS (in EUR)	4.02	2.29	(1.02)
Underlying EPS* (in EUR)	4.06	2.40	0.97

(*) Calculated on the basis of underlying Group net income excluding linearisation of IFRIC 21. Or EUR 4.23 taking into account the linearisation of IFRIC 21 in 9M 21.
(**) The number of shares considered is the number of ordinary shares outstanding as at September 30th, 2021, excluding treasury shares and buybacks, but including the trading shares held by the Group.

10 – The Societe Generale Group's Common Equity Tier 1 capital is calculated in accordance with applicable CRR2/CRD5 rules. The fully loaded solvency ratios are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise. When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise. The leverage ratio is also calculated according to applicable CRR2/CRD5 rules including the phased-in following the same rationale as solvency ratios.

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.

(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale's website www.societegenerale.com in the "Investor" section.

Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, aiming to be the trusted partner for its clients, committed to the positive transformations of society and the economy.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 133,000 members of staff in 61 countries and supports on a daily basis 30 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking**, which encompasses the Societe Generale, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates**, with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Bloomberg Gender-Equality Index, Refinitiv Diversity and Inclusion Index, Euronext Vigeo (Europe and Eurozone), STOXX Global ESG Leaders indexes and MSCI Low Carbon Leaders Index (World and Europe).

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