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).

5,000,000 European Style Cash Settled Short 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$0.80 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 19 June 2020 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 an inverse 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 and of no other person, and the guarantee dated 19 June 2020 (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 29 January 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.

28 January 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 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 risen 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 30 to 34 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Short 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 Inverse Strategy (as described below) including the Stock Borrowing 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 an inverse 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 inverse 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 Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall 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 increase 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 increase 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 49 to 50 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 36 to 38 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 rise. 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 Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse 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 Inverse 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 is subject to FATCA and, as a result, is 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 us with such certification, the Issuer and the Guarantor 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 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 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. 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 will include, 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 will 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:	5,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of AIA Group Limited (the **"Underlying Stock"**)
ISIN:	LU2184317472
Company:	AIA Group Limited (RIC: 1299.HK)
Underlying Price[3] and Source:	HK$95.1 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	-5x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	SGD 0.80
Management Fee (p.a.)[4]:	0.40%
Gap Premium (p.a.)[5]:	6.90%, is a hedging cost against extreme market movements overnight.
Stock Borrowing Cost[6]:	The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock.
Rebalancing Cost[6]:	The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock.
Launch Date:	22 January 2021
Closing Date:	28 January 2021
Expected Listing Date:	29 January 2021

[3] These figures are calculated as at, and based on information available to the Issuer on or about 28 January 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 28 January 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 Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 18 January 2024
Expiry Date:	25 January 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:	24 January 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 Short Certificates on Single Equities" section on pages 41 to 55 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 Inverse 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 Short Certificates on Single Equities" section on pages 41 to 55 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 Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the "Specific Definitions relating to the Leverage Inverse Strategy" section on pages 21 to 24 below.

Initial Exchange Rate[3]: 0.172

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 Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more ("**Air Bag Trigger Price**") during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall 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 Inverse 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 22 to 24 below and the "Description of Air Bag Mechanism" section on pages 47 to 48 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	A "**Business Day**" is a day on which the SGX-ST is open for

Business Day:	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 Inverse Strategy including the Stock Borrowing 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.

Specific Definitions relating to the Leverage Inverse Strategy

Description of the Leverage Inverse Strategy

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

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse 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 Inverse Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

<u>Leverage Inverse Strategy Formula</u>

$\mathbf{LSL_t}$ means, for any Observation Date(t), the Leverage Inverse Strategy Closing Level as of such day (t).

Subject to the occurrence of an Intraday Restrike Event, the **Leverage Inverse Strategy Closing Level** as of such Observation Date(t) is calculated in accordance with the following formulae:

On Observation Date(1):

$LSL_1 = 1000$

On each subsequent Observation Date(t):

$$LSL_t = \text{Max}\left[LSL_{t-1} \times \left(1 + LR_{t-1,t} - FC_{t-1,t} - SB_{t-1,t} - RC_{t-1,t}\right), 0\right]$$

$\mathbf{LR_{t-1,t}}$ means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right)$$

$\mathbf{FC_{t-1,t}}$ means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

$$FC_{t-1,t} = (\text{Leverage} - 1) \times \frac{Rate_{t-1} \times ACT(t-1,t)}{DayCountBasisRate}$$

$\mathbf{SB_{t-1,t}}$ means the Stock Borrowing Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

$$SB_{t-1,t} = -\text{Leverage} \times \frac{CB \times ACT(t-1,t)}{DayCountBasisRate}$$

CB means the Cost of Borrowing applicable that is equal to: 2.00%.

$\mathbf{RC_{t-1,t}}$ means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows :

$$RC_{t-1,t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left(\left|\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right|\right) \times TC$$

TC means the Transaction Costs applicable (including Stamp Duty) that are equal to :

0.10%

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), 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.

$\mathbf{Rfactor_t}$ 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 gross of any applicable withholding taxes.

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).

DayCount BasisRate 365

<u>Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)</u>

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 Inverse 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 Inverse Strategy Level in accordance with the following provisions :

(1) for k = 1 :

$$\mathrm{ILSL}_{\mathrm{IR(1)}} = \mathrm{Max}\left[\mathrm{LSL}_{\mathrm{IRD\text{-}1}} \times \left(1 + \mathrm{ILR}_{\mathrm{IR(0),IR(1)}} - \mathrm{FC}_{\mathrm{IRD\text{-}1,IRD}} - \mathrm{SB}_{\mathrm{IRD\text{-}1,IRD}} - \mathrm{IRC}_{\mathrm{IR(0),IR(1)}}\right), 0\right]$$

(2) for k > 1 :

$$\mathrm{ILSL}_{\mathrm{IR(k)}} = \mathrm{Max}\left[\mathrm{ILSL}_{\mathrm{IR(k-1)}} \times \left(1 + \mathrm{ILR}_{\mathrm{IR(k-1),IR(k)}} - \mathrm{IRC}_{\mathrm{IR(k-1),IR(k)}}\right), 0\right]$$

$\mathbf{ILR_{IR(k-1),IR(k)}}$

means the Intraday Leveraged Return between IR(k-1) and IR(k), calculated as follows :

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

$\mathbf{IRC_{IR(k-1),IR(k)}}$

means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows :

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

$\mathbf{IS_{IR(k)}}$

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 highest 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 increase at any Calculation Time of the Underlying

Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS}_{\mathbf{IR}(\mathbf{0})}$ as of such Calculation Time.

(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS}_{\mathbf{IR}(\mathbf{k})}$ 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 Inverse 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 Observation Period	means in respect of an Intraday Restrike Event, the period starting on and 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 19 June 2020, 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.

"**Regulator**" means the European Central Bank and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

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. 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.

15. 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.

16. 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 Short Certificates relating to the Underlying Stock
Number:	5,000,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 19 June 2020 (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 29 January 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 a 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 SHORT CERTIFICATES ON SINGLE EQUITIES

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

European style cash settled short 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 Inverse 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 decrease and are seeking short-term leveraged inverse 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) For Certificate Holders who trade the Certificates intraday: 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) For Certificate Holders who hold the Certificates overnight: 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 Inverse Strategy including the Stock Borrowing 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)

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

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

Final Value of Certificates	=	t=0 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 Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Closing Level on Business Day (t) divided by the Leverage Inverse 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:	**0.80 SGD**
Notional Amount per Certificate:	**0.80 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:

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

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

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

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

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

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 0.80 SGD

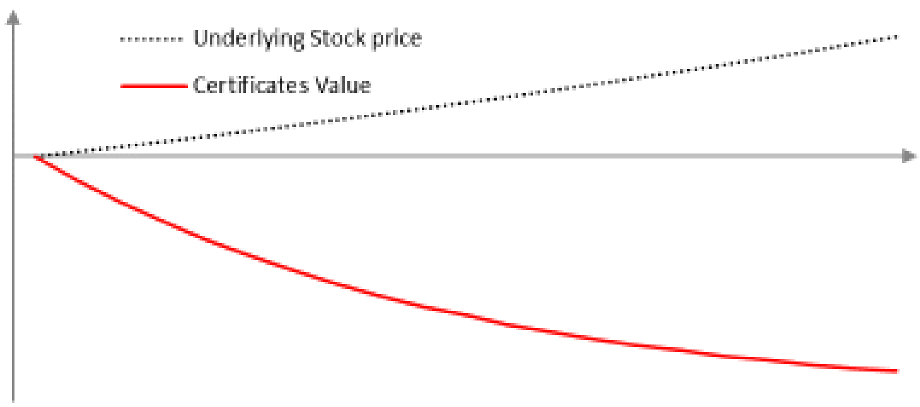
= 0.957 SGD

Illustration on how returns and losses can occur under different scenarios

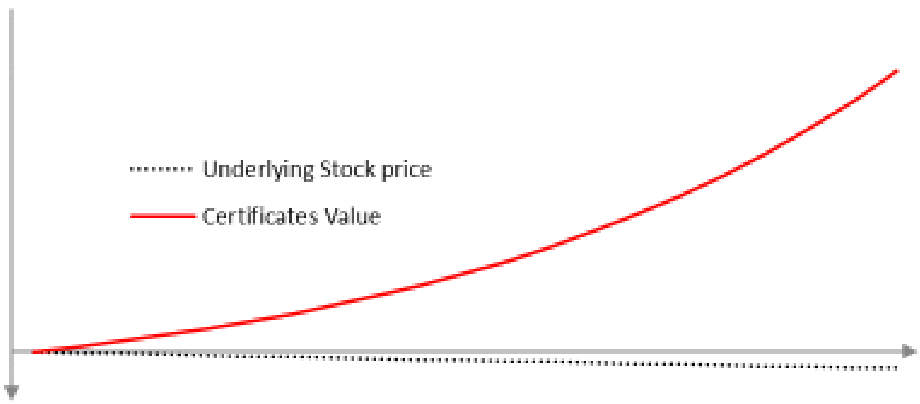
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

1. Illustrative examples

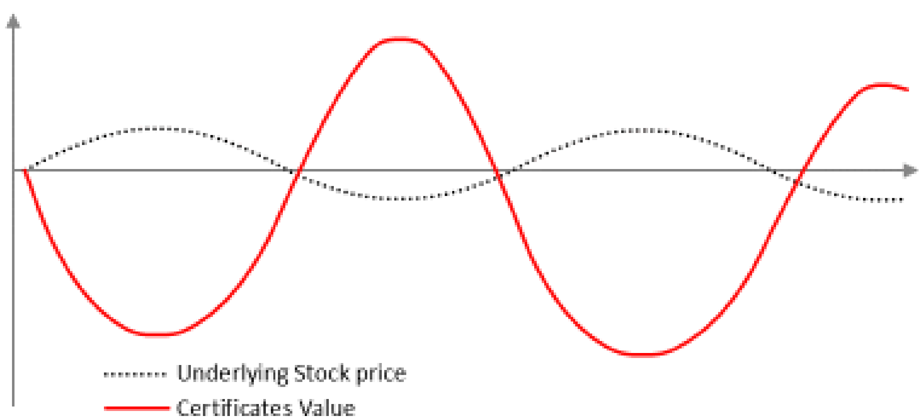
Scenario 1 – Upward Trend



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	0.80	0.72	0.65	0.58	0.52	0.47
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

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	0.80	0.88	0.97	1.06	1.17	1.29
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

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	0.80	0.72	0.79	0.71	0.78	0.71
Accumulated Return		-10.00%	-1.00%	-10.90%	-1.99%	-11.79%

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:

- Observation Period : during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its maximum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Inverse Strategy is reset using the maximum 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 Inverse 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.

The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

Air Bag Mechanism timeline

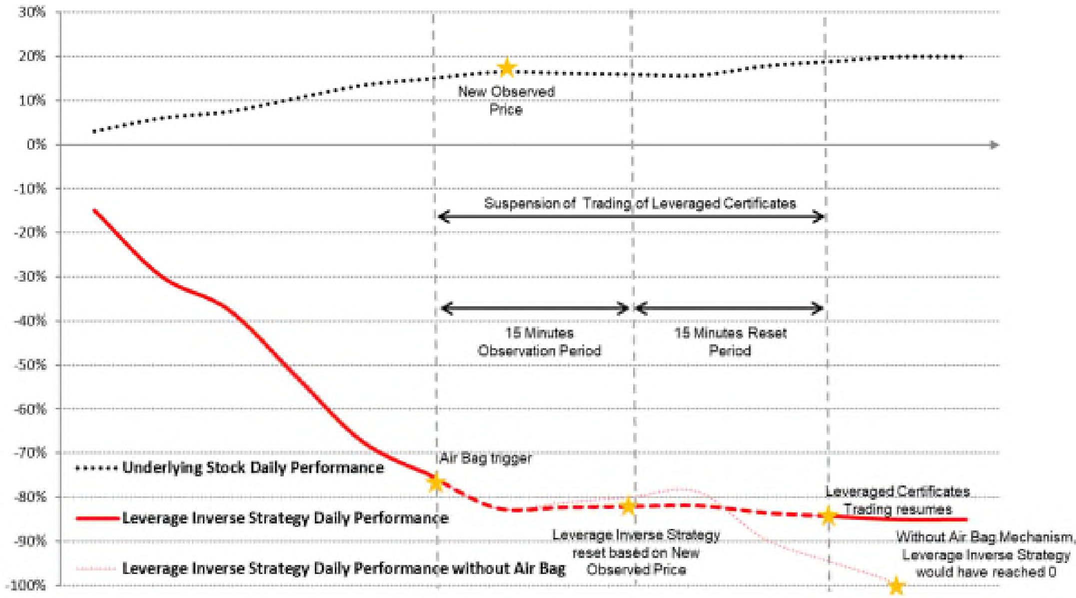
<table>
<tr><th>Air Bag Trigger</th><th>Observation Period</th><th>Resumption of Trading</th></tr>
<tr><td>More than 45 minutes before Market Close</td><td rowspan="5">First 15 minutes after Air Bag Trigger</td><td>Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger</td></tr>
<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:

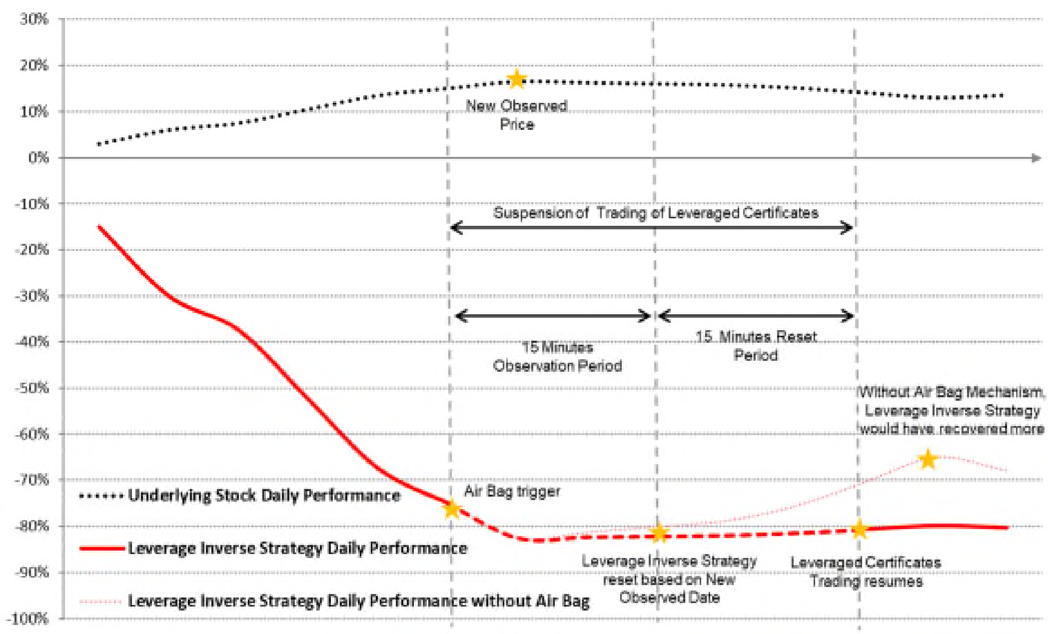
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

Illustrative examples of the Air Bag Mechanism[9]

Scenario 1 – Upward Trend after Air Bag trigger



Scenario 2 – Downward Trend after Air Bag trigger



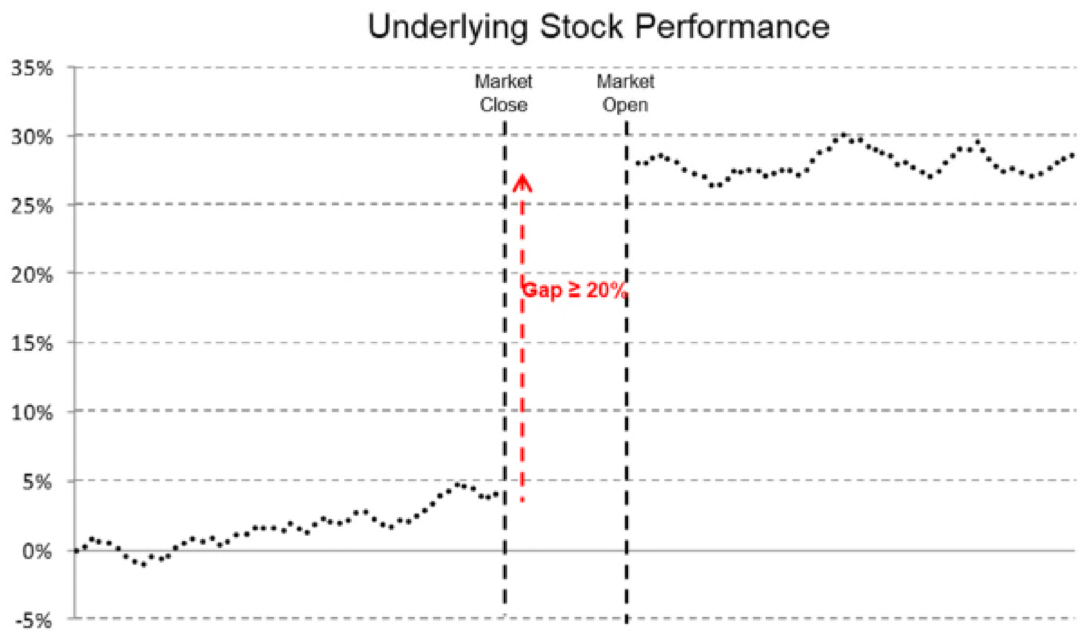
9 The illustrative examples are not exhaustive.

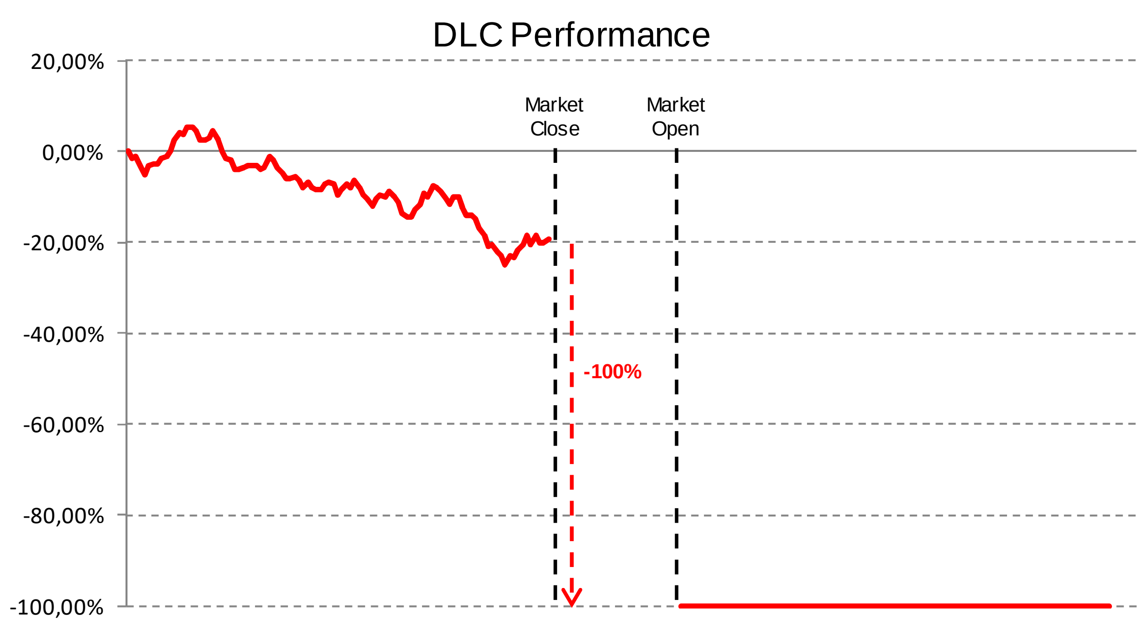
Scenarios where the investor may lose the entire value of the investment

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.

<u>*Scenario 1 – Overnight rise of the Underlying Stock*</u>

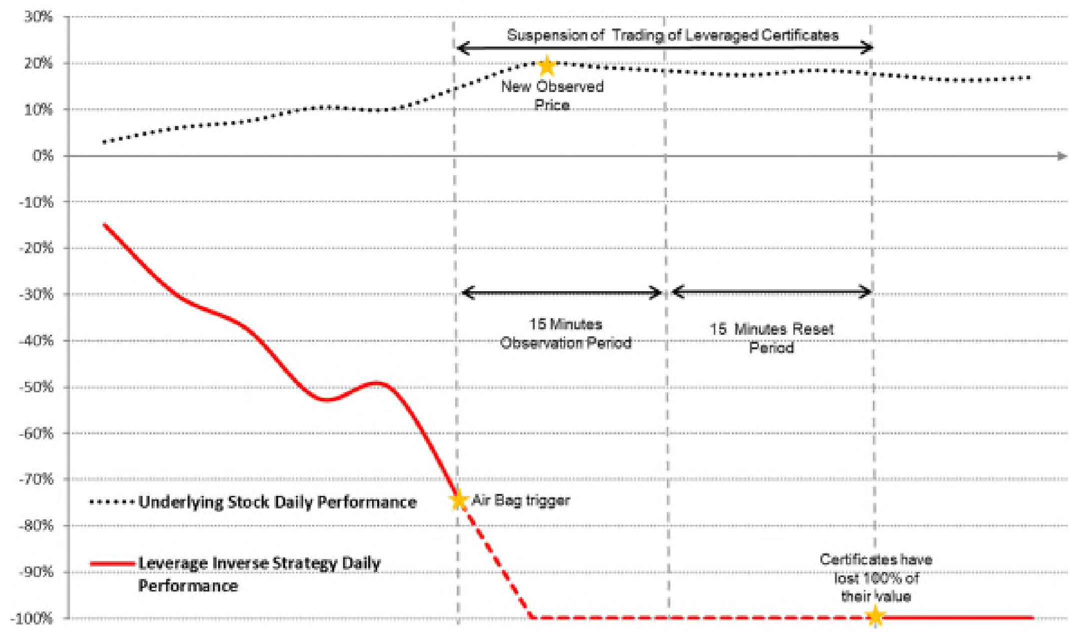
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more above 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.





Scenario 2 – Sharp intraday rise of the Underlying Stock

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 rises 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 rises 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. <u>Stock split</u>

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:

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

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	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)
0.80	0.72	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $57.5, which is 15% above$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:

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

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	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)
0.80	0.76	-5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $230, which is 15% above $200, the Underlying Stock Reference Price.

3. Rights Issues

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:

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

S_{t-1}	$\mathrm{S}_{t-1} \times Rfactor_t$	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)
0.80	0.60	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $92, which is 15% above $80, the Underlying Stock Reference Price.

4. Bonus Issues

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

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

$\mathrm{S_t}$ = \$85

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

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:

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

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	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)
0.80	0.72	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$95.83, which is 15% above \$83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

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

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

$\mathrm{S_t}$ = \$84

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$20$

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:

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

S_{t-1}	$\mathrm{S}_{t-1} \times Rfactor_t$	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)
0.80	0.60	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $92, which is 15% above $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 in Asia-Pacific – wholly-owned branches and subsidiaries in Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau, Brunei, Cambodia, a 97 per cent subsidiary in Sri Lanka, a 49 per cent joint venture in India and a representative office in Myanmar.

The business that is now AIA was first established in Shanghai almost a century ago in 1919. It is a market leader in the Asia-Pacific region (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US$221 billion as of 30 June 2018.

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-Pacific, AIA serves the holders of 32 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-month period ended 30 June 2020 and has been extracted and reproduced from an announcement by the Company dated 15 September 2020 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	:	10 ticks or S$0.20 whichever is greater
(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 5 November 2020 containing the Guarantor's consolidated financial results for the third quarter ended 30 September 2020.

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 2019 or the Guarantor since 30 September 2020, 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) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; 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 that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the 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 Securities and Futures Ordinance and any rules made under that Ordinance.

European Economic Area and the 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 European Economic Area or 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 (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 the Certificates.

In respect of the United Kingdom, each dealer has further represented and agreed, 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 Financial Services and Markets Act, as amended (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-MONTH PERIOD ENDED 30 JUNE 2020 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-month period ended 30 June 2020 and has been extracted and reproduced from an announcement by the Company dated 15 September 2020 in relation to the same.

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 58 to 122, 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 2020 and the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim condensed 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 are not prepared, in all material respects, in accordance with HKAS 34 and IAS 34.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
20 August 2020

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INTERIM CONSOLIDATED INCOME STATEMENT

US$m	Notes	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited and as adjusted)
Revenue			
Premiums and fee income		**17,268**	16,687
Premiums ceded to reinsurers		**(1,135)**	(1,069)
Net premiums and fee income		**16,133**	15,618
Investment return	8	**3,381**	8,510
Other operating revenue		**150**	148
Total revenue		**19,664**	24,276
Expenses			
Insurance and investment contract benefits		**13,930**	17,346
Insurance and investment contract benefits ceded		**(899)**	(951)
Net insurance and investment contract benefits		**13,031**	16,395
Commission and other acquisition expenses		**2,157**	2,037
Operating expenses		**1,242**	1,168
Finance costs		**143**	136
Other expenses		**519**	444
Total expenses	9	**17,092**	20,180
Profit before share of profit from associates and joint ventures		**2,572**	4,096
Share of profit from associates and joint ventures		**2**	–
Profit before tax		**2,574**	4,096
Income tax expenses attributable to policyholders' returns		**(23)**	(115)
Profit before tax attributable to shareholders' profits		**2,551**	3,981
Tax expense	10	**(391)**	(719)
Tax attributable to policyholders' returns		**23**	115
Tax expense attributable to shareholders' profits		**(368)**	(604)
Net profit		**2,183**	3,377
Net profit attributable to:			
Shareholders of AIA Group Limited		**2,197**	3,359
Non-controlling interests		**(14)**	18
Earnings per share (US$)			
Basic	11	**0.18**	0.28
Diluted	11	**0.18**	0.28

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited and as adjusted)
Net profit	**2,183**	3,377
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on available for sale financial assets (net of tax of: six months ended 30 June 2020: US$(84)m; six months ended 30 June 2019: US$(529)m)[2]	**2,742**	5,383
Fair value gains on available for sale financial assets transferred to income on disposal (net of tax of: six months ended 30 June 2020: US$61m; six months ended 30 June 2019: US$14m)[2]	**(865)**	(125)
Foreign currency translation adjustments	**(679)**	351
Cash flow hedges	**12**	3
Share of other comprehensive (expense)/income from associates and joint ventures	**(65)**	19
Subtotal	**1,145**	5,631
Items that will not be reclassified subsequently to profit or loss:		
Revaluation (losses)/gains on property held for own use (net of tax of: six months ended 30 June 2020: US$5m; six months ended 30 June 2019: US$(5)m)	**(65)**	124
Effect of remeasurement of net liability of defined benefit schemes (net of tax of: six months ended 30 June 2020: US$(1)m; six months ended 30 June 2019: nil)	**2**	–
Subtotal	**(63)**	124
Total other comprehensive income	**1,082**	5,755
Total comprehensive income	**3,265**	9,132
Total comprehensive income attributable to:		
Shareholders of AIA Group Limited	**3,262**	9,091
Non-controlling interests	**3**	41

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 (six months ended 30 June 2019: US$7,935m) relates to the fair value gains on available for sale financial assets and US$926m (six months ended 30 June 2019: US$139m) 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 2020 (Unaudited)**	As at 31 December 2019 (As adjusted)
Assets			
Intangible assets	13	**2,429**	2,520
Investments in associates and joint ventures		**558**	615
Property, plant and equipment		**2,698**	2,865
Investment property		**4,556**	4,834
Reinsurance assets		**3,826**	3,833
Deferred acquisition and origination costs		**26,205**	26,328
Financial investments:	14, 16		
Loans and deposits		**9,957**	10,086
Available for sale			
Debt securities		**147,129**	138,852
At fair value through profit or loss			
Debt securities		**34,023**	33,132
Equity securities		**46,791**	50,322
Derivative financial instruments	15	**1,051**	971
		238,951	233,363
Deferred tax assets		**20**	23
Current tax recoverable		**217**	205
Other assets		**5,794**	5,605
Cash and cash equivalents	17	**5,950**	3,941
Total assets		**291,204**	284,132
Liabilities			
Insurance contract liabilities	18	**198,806**	192,181
Investment contract liabilities	18	**11,334**	12,273
Borrowings	19	**6,886**	5,757
Obligations under repurchase agreements	20	**1,484**	1,826
Derivative financial instruments	15	**915**	412
Provisions		**232**	225
Deferred tax liabilities		**6,212**	6,214
Current tax liabilities		**342**	432
Other liabilities		**7,738**	9,417
Total liabilities		**233,949**	228,737

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US$m	Notes	**As at 30 June 2020 (Unaudited)**	As at 31 December 2019 (As adjusted)
Equity			
Share capital	21	**14,135**	14,129
Employee share-based trusts	21	**(155)**	(220)
Other reserves	21	**(11,911)**	(11,887)
Retained earnings		**41,667**	40,922
Fair value reserve	21	**13,495**	11,669
Foreign currency translation reserve	21	**(1,408)**	(698)
Property revaluation reserve	21	**1,008**	1,073
Others		**(27)**	(41)
Amounts reflected in other comprehensive income		**13,068**	12,003
Total equity attributable to:			
Shareholders of AIA Group Limited		**56,804**	54,947
Non-controlling interests		**451**	448
Total equity		**57,255**	55,395
Total liabilities and equity		**291,204**	284,132

Approved and authorised for issue by the Board of Directors on 20 August 2020.

Lee Yuan Siong
Director

Edmund Sze-Wing Tse
Director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$m	Notes	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, as previously reported		**14,129**	**(220)**	**(11,887)**	**40,372**	**14,663**	**(698)**	**1,163**	**(14)**	**448**	**57,956**
Retrospective adjustments for change in accounting policy	28	–	–	–	550	(2,994)	–	(90)	(27)	–	(2,561)
Balance at 1 January 2020, as adjusted		**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	12	–	–	–	(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 CHANGES IN EQUITY (continued)

						Other comprehensive income					
US$m	Notes	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 2019, as previously reported		14,073	(258)	(11,910)	35,661	2,211	(1,301)	1,020	(8)	400	39,888
Retrospective adjustments for change in accounting policy	28	–	–	–	1,219	247	–	(77)	(12)	–	1,377
Balance at 1 January 2019, as adjusted		14,073	(258)	(11,910)	36,880	2,458	(1,301)	943	(20)	400	41,265
Net profit		–	–	–	3,359	–	–	–	–	18	3,377
Fair value gains on available for sale financial assets(2)		–	–	–	–	5,363	–	–	–	20	5,383
Fair value gains on available for sale financial assets transferred to income on disposal(2)		–	–	–	–	(125)	–	–	–	–	(125)
Foreign currency translation adjustments		–	–	–	–	–	348	–	–	3	351
Cash flow hedges		–	–	–	–	–	–	–	3	–	3
Share of other comprehensive income from associates and joint ventures		–	–	–	–	11	8	–	–	–	19
Revaluation gains on property held for own use		–	–	–	–	–	–	124	–	–	124
Total comprehensive income for the period		–	–	–	3,359	5,249	356	124	3	41	9,132
Dividends	12	–	–	–	(1,448)	–	–	–	–	–	(1,448)
Shares issued under share option scheme and agency share purchase plan		55	–	–	–	–	–	–	–	–	55
Acquisition of non-controlling interests		–	–	(3)	–	–	–	–	–	(1)	(4)
Share-based compensation		–	–	45	–	–	–	–	–	–	45
Purchase of shares held by employee share-based trusts		–	(24)	–	–	–	–	–	–	–	(24)
Transfer of vested shares from employee share-based trusts		–	58	(58)	–	–	–	–	–	–	–
Revaluation reserve transferred to retained earnings on disposal		–	–	–	24	–	–	(24)	–	–	–
Balance at 30 June 2019 – Unaudited and as adjusted		14,128	(224)	(11,926)	38,815	7,707	(945)	1,043	(17)	440	49,021

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$7,935m relates to the fair value gains on available for sale financial assets and US$139m relates to the fair value gains on available for sale financial assets transferred to income on disposal during the six months ended 30 June 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited and as adjusted)
Cash flows from operating activities		
Profit before tax	**2,574**	4,096
Adjustments for:		
Financial investments	**(7,459)**	(14,838)
Insurance and investment contract liabilities, and deferred acquisition and origination costs	**9,053**	12,233
Obligations under repurchase and securities lending agreements	**(314)**	820
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items	**(4,024)**	(4,235)
Operating cash items:		
Interest received	**3,377**	3,232
Dividends received	**460**	425
Interest paid	**(24)**	(22)
Tax paid	**(377)**	(476)
Net cash provided by operating activities	**3,266**	1,235
Cash flows from investing activities		
Payments for intangible assets	**(81)**	(73)
Distribution or dividend from an associate	**2**	3
Payments for increase in interest of joint ventures	**(2)**	(4)
Proceeds from sales of investment property and property, plant and equipment	**–**	20
Payments for investment property and property, plant and equipment	**(51)**	(43)
Acquisition of subsidiaries	**(536)**	–
Net cash used in investing activities	**(668)**	(97)
Cash flows from financing activities		
Issuances of medium-term notes	**1,055**	1,301
Redemption of medium-term notes	**–**	(500)
Proceeds from other borrowings	**911**	138
Repayment of other borrowings	**(841)**	(77)
Acquisition of non-controlling interests	**–**	(4)
Payments for lease liabilities[(1)]	**(96)**	(71)
Interest paid on medium-term notes	**(107)**	(97)
Dividends paid during the period	**(1,452)**	(1,448)
Purchase of shares held by employee share-based trusts	**(6)**	(24)
Shares issued under share option scheme and agency share purchase plan	**6**	55
Net cash used in financing activities	**(530)**	(727)
Net increase in cash and cash equivalents	**2,068**	411
Cash and cash equivalents at beginning of the financial period	**3,753**	2,146
Effect of exchange rate changes on cash and cash equivalents	**(59)**	20
Cash and cash equivalents at end of the financial period	**5,762**	2,577

Note:
(1) The total cash outflow for leases for the six months ended 30 June 2020 was US$100m (six months ended 30 June 2019: US$86m).

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

	Note	**As at 30 June 2020 (Unaudited)**	As at 30 June 2019 (Unaudited)
Cash and cash equivalents in the interim consolidated statement of financial position	17	**5,950**	2,869
Bank overdrafts		**(188)**	(292)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows		**5,762**	2,577

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 throughout the Asia-Pacific region. 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 no 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 2019.

The accounting policies adopted are consistent with those of the previous financial year, except as described as follow and in note 28. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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

(a) The following standard and amendments are effective for the financial year ending 31 December 2020, but the Group has elected to apply the temporary exemption described further below:

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss (FVTPL) or in other comprehensive income (FVOCI) and those measured at amortised cost. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An option is also available at initial recognition to irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. In addition, a revised expected credit losses model will replace the incurred loss impairment model in IAS 39. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies. The IASB made further changes to two areas of IFRS 9. Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at FVOCI if the cash flow represents solely payments of principal and interest and the financial assets are held within a business model of "hold to collect" or "hold to collect and sell". Non-substantial modifications or exchange of financial liabilities that do not result in derecognition will be required to be recognised in profit or loss. The Group is yet to fully assess the impact of the above new requirements and changes.

  The standard is mandatorily effective for financial periods beginning on or after 1 January 2018 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition are effective for financial periods beginning on or after 1 January 2019), but the Group qualifies for a temporary exemption as explained below.

- On 12 September 2016, the IASB issued amendments to IFRS 4, Insurance Contracts, Applying IFRS 9 Financial Instruments with IFRS 4, which provides two alternative measures to address the different effective dates of IFRS 9 and IFRS 17, Insurance Contracts. These measures include a temporary option (known as the "deferral approach") for companies whose activities are predominantly connected with insurance to defer the effective date of IFRS 9 until the earlier of the effective date of IFRS 17 and financial reporting periods beginning on or after 1 January 2021, as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before IFRS 17 is applied. On 25 June 2020, the IASB issued the amendments to IFRS 4 and IFRS 17, the effective date of IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023, and that the exemption currently in place for some insurers, including the Group, regarding the application of IFRS 9 will be extended to enable the implementation of both IFRS 9 and IFRS 17 at the same time.

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

(b) The following relevant new amendments to standards have been adopted for the first time for the financial year ending 31 December 2020 and have no material impact to the Group:

- Amendments to IAS 1 and IAS 8, Definition of Material;
- Amendments to IAS 39 and IFRS 7, Interest Rate Benchmark Reform; and
- Amendments to IFRS 3, Definition of a Business.

(c) The following relevant new amendments to standards have been issued but are not effective for the financial year ending 31 December 2020 and have not been early adopted (the financial years for which the adoption is required for the Group are stated in parentheses). The Group has assessed the impact of these new amendments on its financial position and results of operations and they are not expected to have a material impact on the financial position or results of operations of the Group:

- Amendment to IAS 1, Classification of Liabilities as Current or Non-Current (2023);
- Amendment to IAS 16, Proceeds before Intended Use (2022);
- Amendment to IAS 37, Cost of Fulfilling a Contract (2022);
- Amendment to IAS 41, Taxation in Fair Value Measurements (2022);
- Amendment to IFRS 1, Subsidiary as a First-time Adopter (2022);
- Amendment to IFRS 3, Reference to the Conceptual Framework (2022);
- Amendment to IFRS 9, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (2022);
- Amendment to IFRS 16, Covid-19-Related Rent Concessions (2021); and
- Amendment to IFRS 16, Lease Incentives (2022).

(d) The following relevant new standard has been issued but is not effective for the financial year ending 31 December 2020 and has not been early adopted:

- IFRS 17, Insurance Contracts (previously IFRS 4 Phase II) will replace the current IFRS 4, Insurance Contracts. IFRS 17 includes fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, IFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. On 12 December 2017, the Hong Kong Institute of Certified Public Accountants (HKICPA) approved the issuance of HKFRS 17, Insurance Contracts. On 25 June 2020, the IASB issued the amendments to IFRS 17 and the effective date of IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023. HKICPA has not yet made any amendments to HKFRS 17 related to IASB deferral for IFRS 17. The Group is in the midst of conducting a detailed assessment of the new standard.

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

(e) Voluntary change in accounting policy

During the reporting period, the Group revised its accounting policy with respect to the recognition and measurement of insurance contract liabilities of other participating business with distinct portfolios. Prior to this change in accounting policy, the Group recognised and measured the insurance contract liabilities for this business based on the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders. With effect from 1 January 2020, and applied retrospectively, the Group now recognises and measures the insurance contract liabilities for this business based on the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance contract liability is recorded for the proportion of the net assets of this other participating business with distinct portfolios that would be allocated to policyholders assuming all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based upon policyholder participation. This approach is consistent with the existing accounting for insurance contract liabilities arising from participating business. The allocation of benefit from the assets held in such other participating business with distinct portfolios is set according to the underlying bonus rule as determined by the relevant Board based on applicable regulatory requirements after considering the Appointed Actuary's recommendation. The extent of such policyholder participation may change over time, the current policyholder participation in declared dividends for Hong Kong ranged from 70% to 90%.

The impacts of this voluntary change in accounting policy are described in note 28.

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 2019 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 57. 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 2019 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 2019 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 2020. 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 the Asia-Pacific region. The results and cash flows of these operations have been translated into US dollars at the following average rates:

	US dollar exchange rates		
	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2019	Six months ended 30 June 2019 (Unaudited)
Hong Kong	**7.76**	7.84	7.84
Thailand	**31.60**	31.03	31.61
Singapore	**1.40**	1.36	1.36
Malaysia	**4.25**	4.14	4.12
Mainland China	**7.03**	6.91	6.79

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

	US dollar exchange rates		
	As at 30 June 2020 (Unaudited)	As at 31 December 2019	As at 30 June 2019 (Unaudited)
Hong Kong	**7.75**	7.79	7.81
Thailand	**30.88**	29.84	30.71
Singapore	**1.40**	1.35	1.35
Malaysia	**4.28**	4.09	4.14
Mainland China	**7.07**	6.97	6.87

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

4. Change in group composition

In September 2017, the Group entered into an agreement to acquire Commonwealth Bank of Australia's (CBA) life insurance business in Australia. On 1 November 2019, the Group, CBA and The Colonial Mutual Life Assurance Society Limited (CMLA) entered into a contractual joint cooperation agreement, which provided an alternative completion structure for the original planned acquisition. The consideration with respect to this acquisition was AUD2,109m or US$1,454m at exchange rate of the date of the acquisition. The fair value of consideration at acquisition date comprised US$344m in cash, deferred cash consideration of US$1,041m and contingent consideration of US$69m.

As at 31 December 2019, the consideration was subject to purchase price adjustments that had not yet been finalised. Such adjustments were still under negotiation during the current period. The values of consideration and goodwill are therefore provisional as of 30 June 2020. In the period to 30 June 2020, no further changes have been made to these provisional values of consideration or goodwill, which will be finalised within 12 months of the acquisition date.

5. Operating profit after tax

Operating profit after tax may be reconciled to net profit as follows:

US$m	Note	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited and as adjusted)
Operating profit after tax	7	**2,958**	2,856
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Short-term fluctuations in investment return related to equities and real estate (net of tax of: six months ended 30 June 2020: US$193m; six months ended 30 June 2019: US$(120)m)[1]		**(1,309)**	696
Reclassification of revaluation losses/(gains) for property held for own use (net of tax of: six months ended 30 June 2020: US$(1)m; six months ended 30 June 2019: nil)[1]		**61**	(114)
Corporate transaction related costs (net of tax of: six months ended 30 June 2020: US$12m; six months ended 30 June 2019: US$12m)		**(37)**	(30)
Implementation costs for new accounting standards (net of tax of: six months ended 30 June 2020: US$2m; six months ended 30 June 2019: US$2m)		**(22)**	(24)
Other non-operating investment return and other items (net of tax of: six months ended 30 June 2020: US$(115)m; six months ended 30 June 2019: US$67m)		**532**	(7)
Net profit		**2,183**	3,377
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited		**2,933**	2,836
Non-controlling interests		**25**	20
Net profit attributable to:			
Shareholders of AIA Group Limited		**2,197**	3,359
Non-controlling interests		**(14)**	18

Note:
(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 with IFRS measurement and presentation.

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 investment return assumptions used to determine expected long-term investment return are based on the same assumptions used by the Group in determining its embedded value and are disclosed in the Supplementary Embedded Value Information.

6. 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 7.

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 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
TWPI by geography		
Hong Kong	**6,136**	6,104
Thailand	**1,981**	1,929
Singapore	**1,502**	1,456
Malaysia	**1,049**	1,063
Mainland China	**3,001**	2,561
Other Markets	**3,257**	3,292
Total	**16,926**	16,405
First year premiums by geography		
Hong Kong	**462**	1,237
Thailand	**282**	300
Singapore	**145**	181
Malaysia	**141**	163
Mainland China	**693**	734
Other Markets	**439**	480
Total	**2,162**	3,095
Single premiums by geography		
Hong Kong	**876**	1,074
Thailand	**91**	112
Singapore	**521**	562
Malaysia	**87**	102
Mainland China	**234**	87
Other Markets	**440**	370
Total	**2,249**	2,307

6. Total weighted premium income and annualised new premiums (continued)

TWPI (continued) US$m	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
Renewal premiums by geography		
Hong Kong	**5,586**	4,760
Thailand	**1,690**	1,618
Singapore	**1,305**	1,219
Malaysia	**899**	890
Mainland China	**2,285**	1,818
Other Markets	**2,774**	2,774
Total	**14,539**	13,079

ANP US$m	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)
ANP by geography		
Hong Kong	**565**	1,367
Thailand	**312**	321
Singapore	**214**	267
Malaysia	**159**	198
Mainland China	**726**	753
Other Markets[1]	**603**	537
Total	**2,579**	3,443

Note:

(1) ANP from Tata AIA Life Insurance Company Limited (Tata AIA Life), which is 49 per cent owned by the Group, is accounted for using the equity method and has been included in the Other Markets' ANP result for the six months ended 30 June 2020 (six months ended 30 June 2019: exclude any contribution from Tata AIA Life).

7. 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 Hong Kong (including Macau), Thailand, Singapore (including Brunei), Malaysia, Mainland China, Other Markets and Group Corporate Centre. Other Markets includes the Group's operations in Australia (including New Zealand), Cambodia, Indonesia, Myanmar, 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).

In presenting net capital in/(out) flows to reportable segments, capital outflows consist of dividends and profit distributions to the Group Corporate Centre segment and capital inflows consist of capital injections into reportable segments by the Group Corporate Centre segment. For the Group, net capital in/(out) flows reflect the net amount received from shareholders by way of capital contributions less amounts distributed by way of dividends.

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. Prior to 2020, the Group reflected the withholding tax charge under Group Corporate Centre. Starting from 2020, the Group has enhanced the segment information to present the withholding tax charge in the operating segment where the withholding tax arises. The comparative information has been adjusted to conform to current period presentation.

7. Segment information (continued)

US$m	Hong Kong	Thailand	Singapore	Malaysia	Mainland China	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2020 – Unaudited								
ANP	**565**	**312**	**214**	**159**	**726**	**603**	**–**	**2,579**
TWPI	**6,136**	**1,981**	**1,502**	**1,049**	**3,001**	**3,257**	**–**	**16,926**
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	6,631	1,909	1,596	901	3,039	2,151	57	16,284
Investment return	1,695	631	616	279	509	573	246	4,549
Total revenue	**8,326**	**2,540**	**2,212**	**1,180**	**3,548**	**2,724**	**303**	**20,833**
Net insurance and investment contract benefits	6,155	1,415	1,619	770	2,388	1,304	47	13,698
Commission and other acquisition expenses	770	397	170	127	222	463	8	2,157
Operating expenses	220	113	96	90	185	445	93	1,242
Finance costs and other expenses	88	26	28	7	22	39	111	321
Total expenses	**7,233**	**1,951**	**1,913**	**994**	**2,817**	**2,251**	**259**	**17,418**
Share of profit from associates and joint ventures	–	–	–	–	–	2	–	2
Operating profit before tax	**1,093**	**589**	**299**	**186**	**731**	**475**	**44**	**3,417**
Tax on operating profit before tax	(80)	(111)	4	(36)	(91)	(127)	(18)	(459)
Operating profit after tax	**1,013**	**478**	**303**	**150**	**640**	**348**	**26**	**2,958**
Operating profit after tax attributable to:								
Shareholders of AIA Group Limited	**1,005**	**478**	**303**	**148**	**640**	**333**	**26**	**2,933**
Non-controlling interests	8	–	–	2	–	15	–	25
Key operating ratios:								
Expense ratio	3.6%	5.7%	6.4%	8.6%	6.2%	13.7%	–	7.3%
Operating margin	16.5%	24.1%	20.2%	14.3%	21.3%	10.7%	–	17.5%
Operating return on shareholders' allocated equity	18.8%	14.4%	16.9%	15.8%	28.7%	7.8%	–	13.2%
Operating profit before tax includes:								
Finance costs	16	–	1	1	16	5	102	141
Depreciation and amortisation	51	11	15	10	43	57	18	205

US$m	Hong Kong	Thailand	Singapore	Malaysia	Mainland China	Other Markets	Group Corporate Centre	Total
30 June 2020 – Unaudited								
Total assets	**100,513**	**36,508**	**40,668**	**15,801**	**29,761**	**50,773**	**17,180**	**291,204**
Total liabilities	**84,848**	**27,167**	**36,260**	**13,804**	**24,641**	**40,103**	**7,126**	**233,949**
Total equity	**15,665**	**9,341**	**4,408**	**1,997**	**5,120**	**10,670**	**10,054**	**57,255**
Shareholders' allocated equity	**10,560**	**6,073**	**3,334**	**1,811**	**4,487**	**8,270**	**8,774**	**43,309**
Net capital (out)/in flows	(622)	(15)	8	(24)	–	4	(756)	(1,405)
Total assets include:								
Investments in associates and joint ventures	4	–	–	1	–	553	–	558

7. 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. Segment information (continued)

US$m	Hong Kong	Thailand	Singapore	Malaysia	Mainland China	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2019 – Unaudited and as adjusted								
ANP	1,367	321	267	198	753	537	–	3,443
TWPI	6,104	1,929	1,456	1,063	2,561	3,292	–	16,405
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	6,666	1,891	1,640	922	2,439	2,179	31	15,768
Investment return	1,507	678	605	288	471	560	216	4,325
Total revenue	8,173	2,569	2,245	1,210	2,910	2,739	247	20,093
Net insurance and investment contract benefits	6,107	1,405	1,640	787	1,854	1,359	26	13,178
Commission and other acquisition expenses	736	372	182	123	200	428	4	2,045
Operating expenses	222	111	112	88	168	357	110	1,168
Finance costs and other expenses	79	27	16	8	26	31	94	281
Total expenses	7,144	1,915	1,950	1,006	2,248	2,175	234	16,672
Share of profit from associates and joint ventures	–	–	–	–	–	–	–	–
Operating profit before tax	1,029	654	295	204	662	564	13	3,421
Tax on operating profit before tax	(86)	(126)	(14)	(35)	(125)	(166)	(13)	(565)
Operating profit after tax	943	528	281	169	537	398	–	2,856
Operating profit after tax attributable to:								
Shareholders of AIA Group Limited	935	528	281	167	537	388	–	2,836
Non-controlling interests	8	–	–	2	–	10	–	20
Key operating ratios:								
Expense ratio	3.6%	5.8%	7.7%	8.3%	6.6%	10.8%	–	7.1%
Operating margin	15.4%	27.4%	19.3%	15.9%	21.0%	12.1%	–	17.4%
Operating return on shareholders' allocated equity	19.8%	15.7%	17.0%	18.8%	27.5%	11.1%	–	14.0%
Operating profit before tax includes:								
Finance costs	16	1	–	1	19	4	87	128
Depreciation and amortisation	36	11	14	12	38	41	11	163

US$m	Hong Kong	Thailand	Singapore	Malaysia	Mainland China	Other Markets	Group Corporate Centre	Total
31 December 2019 – As adjusted								
Total assets	92,233	38,842	40,397	15,896	29,084	51,901	15,779	284,132
Total liabilities	78,462	28,346	36,034	13,958	24,690	41,371	5,876	228,737
Total equity	13,771	10,496	4,363	1,938	4,394	10,530	9,903	55,395
Shareholders' allocated equity	9,853	6,683	3,515	1,782	3,805	8,441	9,199	43,278
Net capital (out)/in flows	(986)	(1,037)	(295)	(176)	(1,022)	(214)	1,910	(1,820)
Total assets include:								
Investments in associates and joint ventures	3	–	–	4	–	608	–	615

7. 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 2019 – Unaudited and as adjusted					
Net premiums, fee income and other operating revenue	15,768	–	(2)	15,766	Net premiums, fee income and other operating revenue
Investment return	4,325	1,797	2,388	8,510	Investment return
Total revenue	20,093	1,797	2,386	24,276	**Total revenue**
Net insurance and investment contract benefits	13,178	981	2,236	16,395	Net insurance and investment contract benefits
Other expenses	3,494	–	291	3,785	Other expenses
Total expenses	16,672	981	2,527	20,180	**Total expenses**
Share of profit from associates and joint ventures	–	–	–	–	Share of profit from associates and joint ventures
Operating profit before tax	3,421	816	(141)	4,096	**Profit before tax**

Note:
(1) Include unit-linked contracts.

8. Investment return

US$m	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
Interest income	**3,443**	3,273
Dividend income	**459**	454
Rental income	**87**	89
Investment income	**3,989**	3,816
Available for sale		
Net realised gains from debt securities	**926**	139
Net gains of available for sale financial assets reflected in the interim consolidated income statement	**926**	139
At fair value through profit or loss		
Net gains of debt securities	**719**	689
Net (losses)/gains of equity securities	**(3,165)**	4,074
Net fair value movement on derivatives	**843**	(110)
Net (losses)/gains in respect of financial instruments at fair value through profit or loss	**(1,603)**	4,653
Net fair value movement of investment property	**(276)**	89
Net foreign exchange gains/(losses)	**363**	(246)
Other net realised (losses)/gains	**(18)**	59
Investment experience	**(608)**	4,694
Investment return	**3,381**	8,510

Foreign currency movements resulted in the following gains/(losses) 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 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
Foreign exchange gains/(losses)	**111**	(183)

9. Expenses

US$m	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited and as adjusted)
Insurance contract benefits	**6,878**	6,493
Change in insurance contract liabilities	**7,207**	10,209
Investment contract benefits	**(155)**	644
Insurance and investment contract benefits	**13,930**	17,346
Insurance and investment contract benefits ceded	**(899)**	(951)
Insurance and investment contract benefits, net of reinsurance ceded	**13,031**	16,395
Commission and other acquisition expenses incurred	**2,725**	3,384
Deferral and amortisation of acquisition costs	**(568)**	(1,347)
Commission and other acquisition expenses	**2,157**	2,037
Employee benefit expenses	**817**	780
Depreciation	**132**	111
Amortisation	**49**	32
Other operating expenses	**244**	245
Operating expenses	**1,242**	1,168
Investment management expenses and others	**283**	257
Depreciation on property held for own use	**16**	27
Restructuring and other non-operating costs[1]	**190**	98
Change in third-party interests in consolidated investment funds	**30**	62
Other expenses	**519**	444
Finance costs	**143**	136
Total	**17,092**	20,180

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.

9. Expenses (continued)

Finance costs may be analysed as:

US$m	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
Repurchase agreements	**15**	23
Medium-term notes	**111**	100
Lease liabilities	**8**	10
Other loans	**9**	3
Total	**143**	136

Employee benefit expenses consist of:

US$m	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
Wages and salaries	**664**	630
Share-based compensation	**48**	40
Pension costs – defined contribution plans	**46**	45
Pension costs – defined benefit plans	**7**	8
Other employee benefit expenses	**52**	57
Total	**817**	780

10. Income tax

US$m	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
Tax charged in the interim consolidated income statement		
Current income tax – Hong Kong Profits Tax	**77**	99
Current income tax – overseas	**213**	133
Deferred income tax on temporary differences	**101**	487
Total	**391**	719

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 expenses attributable to policyholders' returns included above is US$23m (six months ended 30 June 2019: US$115m).

During the reporting period, Indonesia enacted a change in the corporate income tax rate from 25 to 22 per cent for fiscal years 2020 and 2021 and 20 per cent from fiscal year 2022 onwards.

11. 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 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited and as adjusted)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**2,197**	3,359
Weighted average number of ordinary shares in issue (million)	**12,055**	12,036
Basic earnings per share (US cents per share)	**18.22**	27.91

11. 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 2020 and 2019, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 24.

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited and as adjusted)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**2,197**	3,359
Weighted average number of ordinary shares in issue (million)	**12,055**	12,036
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded under share-based compensation plans (million)	**19**	29
Weighted average number of ordinary shares for diluted earnings per share (million)	**12,074**	12,065
Diluted earnings per share (US cents per share)	**18.20**	27.84

At 30 June 2020, 9,824,311 share options (30 June 2019: 8,803,510) 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 5) 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 2020 and 2019, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 24.

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited and as adjusted)
Basic (US cents per share)	**24.33**	23.56
Diluted (US cents per share)	**24.29**	23.51

12. Dividends

Dividends to shareholders of the Company attributable to the interim period:

US$m	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
Interim dividend declared after the reporting date of 35.00 Hong Kong cents per share (six months ended 30 June 2019: 33.30 Hong Kong cents per share)[1]	**545**	514

Note:

(1) Based upon shares outstanding at 30 June 2020 and 2019 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 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
Final dividend in respect of the previous financial period, approved and paid during the interim period of 93.30 Hong Kong cents per share (six months ended 30 June 2019: 84.80 Hong Kong cents per share)	**1,452**	1,302
Special dividend in respect of the previous financial period, approved and paid during the interim period of nil per share (six months ended 30 June 2019: 9.50 Hong Kong cents per share)	**–**	146

13. Intangible assets

US$m	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 January 2020	1,555	687	895	3,137
Additions	–	42	–	42
Disposals	–	(14)	(2)	(16)
Foreign exchange movements	(50)	(12)	(9)	(71)
At 30 June 2020 – Unaudited	**1,505**	**703**	**884**	**3,092**
Accumulated amortisation				
At 1 January 2020	(4)	(422)	(191)	(617)
Amortisation charge for the period	–	(49)	(24)	(73)
Disposals	–	13	2	15
Foreign exchange movements	–	9	3	12
At 30 June 2020 – Unaudited	**(4)**	**(449)**	**(210)**	**(663)**
Net book value				
At 31 December 2019	1,551	265	704	2,520
At 30 June 2020 – Unaudited	**1,501**	**254**	**674**	**2,429**

The Group holds intangible assets for its long-term use and the annual amortisation charge of US$146m (31 December 2019: US$121m) approximates the amount that is expected to be recovered through consumption within 12 months after the end of the reporting period.

14. Financial investments

DEBT SECURITIES

Debt securities by type comprise the following:

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios FVTPL	AFS	Other policyholder and shareholder FVTPL	AFS	Subtotal	Unit-linked FVTPL	Consolidated investment funds[5] FVTPL	Total
30 June 2020 – Unaudited								
Government bonds[1]	**7,884**	**–**	**1,495**	**39,940**	**49,319**	**1,647**	**–**	**50,966**
Other government and government agency bonds[2]	**6,455**	**4,848**	**76**	**17,061**	**28,440**	**319**	**333**	**29,092**
Corporate bonds	**11,273**	**36,433**	**279**	**48,030**	**96,015**	**1,537**	**1,937**	**99,489**
Structured securities[3]	**314**	**178**	**346**	**639**	**1,477**	**128**	**–**	**1,605**
Total[4]	**25,926**	**41,459**	**2,196**	**105,670**	**175,251**	**3,631**	**2,270**	**181,152**
31 December 2019								
Government bonds[1]	7,751	–	1,397	41,948	51,096	1,600	–	52,696
Other government and government agency bonds[2]	5,974	4,000	76	16,651	26,701	270	347	27,318
Corporate bonds	11,096	29,213	303	46,115	86,727	1,615	1,946	90,288
Structured securities[3]	291	242	378	683	1,594	88	–	1,682
Total[4]	25,112	33,455	2,154	105,397	166,118	3,573	2,293	171,984

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$8,063m (31 December 2019: US$8,150m) are restricted due to local regulatory requirements.

(5) Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

14. 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 2020 – Unaudited						
Equity shares	**11,644**	**5,129**	**16,773**	**5,738**	**557**	**23,068**
Interests in investment funds	**6,072**	**1,344**	**7,416**	**16,306**	**1**	**23,723**
Total	**17,716**	**6,473**	**24,189**	**22,044**	**558**	**46,791**

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 2019						
Equity shares	12,114	6,613	18,727	6,302	331	25,360
Interests in investment funds	6,625	869	7,494	17,468	–	24,962
Total	18,739	7,482	26,221	23,770	331	50,322

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 2020 (Unaudited)	As at 31 December 2019
Debt securities		
Listed	**145,240**	137,014
Unlisted	**35,912**	34,970
Total	**181,152**	171,984
Equity securities		
Listed	**24,856**	26,743
Unlisted[1]	**21,935**	23,579
Total	**46,791**	50,322

Note:
(1) Including US$19,729m (31 December 2019: US$21,333m) of investment funds which can be redeemed daily.

14. Financial investments (continued)

LOANS AND DEPOSITS

US$m	As at 30 June 2020 (Unaudited)	As at 31 December 2019
Policy loans	**3,295**	3,246
Mortgage loans on residential real estate	**577**	606
Mortgage loans on commercial real estate	**48**	49
Other loans	**1,238**	776
Allowance for loan losses	**(16)**	(13)
Loans	**5,142**	4,664
Term deposits	**3,147**	3,696
Promissory notes[1]	**1,668**	1,726
Total	**9,957**	10,086

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$1,902m (31 December 2019: US$1,951m).

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 2020, the carrying value of such receivables is US$719m (31 December 2019: US$265m).

15. Derivative financial instruments

The Group's derivative exposure is as follows:

US$m	Notional amount	Fair value Assets	Fair value Liabilities
30 June 2020 – Unaudited			
Foreign exchange contracts			
Cross-currency swaps	**9,054**	**196**	**(434)**
Forwards	**3,954**	**116**	**(19)**
Foreign exchange futures	**84**	**–**	**–**
Total foreign exchange contracts	**13,092**	**312**	**(453)**
Interest rate contracts			
Interest rate swaps	**9,197**	**686**	**(442)**
Other			
Warrants and options	**121**	**2**	**–**
Forward contracts	**1,876**	**50**	**(11)**
Swaps	**870**	**1**	**(9)**
Netting	**(84)**	**–**	**–**
Total	**25,072**	**1,051**	**(915)**
31 December 2019			
Foreign exchange contracts			
Cross-currency swaps	8,338	396	(204)
Forwards	4,973	62	(24)
Foreign exchange futures	98	–	–
Currency options	3	–	–
Total foreign exchange contracts	13,412	458	(228)
Interest rate contracts			
Interest rate swaps	8,740	487	(161)
Other			
Warrants and options	147	3	–
Forward contracts	1,843	14	(17)
Swaps	1,333	9	(6)
Netting	(98)	–	–
Total	25,377	971	(412)

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$16m (31 December 2019: US$12m) 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.

15. 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 2020, the Group had posted cash collateral of US$201m (31 December 2019: US$37m) and pledged debt securities with carrying value of US$415m (31 December 2019: US$266m) for liabilities and held cash collateral of US$534m (31 December 2019: US$581m), debt securities collateral with carrying value of US$7m (31 December 2019: US$7m) 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.

16. 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 2020 – Unaudited						
Financial investments	14					
Loans and deposits		**–**	**–**	**9,957**	**9,957**	**9,967**
Debt securities		**34,023**	**147,129**	**–**	**181,152**	**181,152**
Equity securities		**46,791**	**–**	**–**	**46,791**	**46,791**
Derivative financial instruments	15	**1,051**	**–**	**–**	**1,051**	**1,051**
Reinsurance receivables		**–**	**–**	**595**	**595**	**595**
Other receivables		**–**	**–**	**3,104**	**3,104**	**3,104**
Accrued investment income		**–**	**–**	**1,762**	**1,762**	**1,762**
Cash and cash equivalents	17	**–**	**–**	**5,950**	**5,950**	**5,950**
Financial assets		**81,865**	**147,129**	**21,368**	**250,362**	**250,372**

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	18	**10,494**	**503**	**10,997**	**10,997**
Borrowings	19	**–**	**6,886**	**6,886**	**7,529**
Obligations under repurchase agreements	20	**–**	**1,484**	**1,484**	**1,484**
Derivative financial instruments	15	**915**	**–**	**915**	**915**
Other liabilities		**1,052**	**6,686**	**7,738**	**7,738**
Financial liabilities		**12,461**	**15,559**	**28,020**	**28,663**

16. 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 2019						
Financial investments	14					
Loans and deposits		–	–	10,086	10,086	10,086
Debt securities		33,132	138,852	–	171,984	171,984
Equity securities		50,322	–	–	50,322	50,322
Derivative financial instruments	15	971	–	–	971	971
Reinsurance receivables		–	–	683	683	683
Other receivables		–	–	2,983	2,983	2,983
Accrued investment income		–	–	1,710	1,710	1,710
Cash and cash equivalents	17	–	–	3,941	3,941	3,941
Financial assets		84,425	138,852	19,403	242,680	242,680

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	18	11,391	515	11,906	11,906
Borrowings	19	–	5,757	5,757	6,169
Obligations under repurchase agreements	20	–	1,826	1,826	1,826
Derivative financial instruments	15	412	–	412	412
Other liabilities		1,116	8,301	9,417	9,417
Financial liabilities		12,919	16,399	29,318	29,730

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the six months ended 30 June 2020.

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.

16. 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 on a recurring basis according to fair value hierarchy is given below:

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
30 June 2020 – Unaudited				
Recurring fair value measurement				
Financial assets				
Available for sale				
Debt securities				
Participating funds and other participating business with distinct portfolios	–	41,289	170	41,459
Other policyholder and shareholder	–	104,742	928	105,670
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	–	25,225	701	25,926
Unit-linked contracts and consolidated investment funds	–	5,895	6	5,901
Other policyholder and shareholder	1	1,942	253	2,196
Equity securities				
Participating funds and other participating business with distinct portfolios	14,770	1,025	1,921	17,716
Unit-linked contracts and consolidated investment funds	22,074	259	269	22,602
Other policyholder and shareholder	5,284	733	456	6,473
Derivative financial instruments				
Foreign exchange contracts	–	312	–	312
Interest rate contracts	–	686	–	686
Other contracts	7	46	–	53
Total financial assets on a recurring fair value measurement basis	**42,136**	**182,154**	**4,704**	**228,994**
% of Total	*18.4*	*79.5*	*2.1*	*100.0*
Financial liabilities				
Investment contract liabilities	–	–	10,494	10,494
Derivative financial instruments				
Foreign exchange contracts	–	453	–	453
Interest rate contracts	–	442	–	442
Other contracts	9	11	–	20
Other liabilities	–	1,052	–	1,052
Total financial liabilities on a recurring fair value measurement basis	**9**	**1,958**	**10,494**	**12,461**
% of Total	*0.1*	*15.7*	*84.2*	*100.0*

16. 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 2019				
Recurring fair value measurement				
Financial assets				
Available for sale				
Debt securities				
Participating funds and other participating business with distinct portfolios	72	33,153	230	33,455
Other policyholder and shareholder	133	104,220	1,044	105,397
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	8	24,529	575	25,112
Unit-linked contracts and consolidated investment funds	–	5,848	18	5,866
Other policyholder and shareholder	1	1,886	267	2,154
Equity securities				
Participating funds and other participating business with distinct portfolios	16,108	896	1,735	18,739
Unit-linked contracts and consolidated investment funds	23,559	244	298	24,101
Other policyholder and shareholder	6,348	755	379	7,482
Derivative financial instruments				
Foreign exchange contracts	–	458	–	458
Interest rate contracts	–	487	–	487
Other contracts	14	12	–	26
Total financial assets on a recurring fair value measurement basis	46,243	172,488	4,546	223,277
% of Total	*20.7*	*77.3*	*2.0*	*100.0*
Financial liabilities				
Investment contract liabilities	–	–	11,391	11,391
Derivative financial instruments				
Foreign exchange contracts	–	228	–	228
Interest rate contracts	–	161	–	161
Other contracts	12	11	–	23
Other liabilities	–	1,116	–	1,116
Total financial liabilities on a recurring fair value measurement basis	12	1,516	11,391	12,919
% of Total	*0.1*	*11.7*	*88.2*	*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 2020, the Group transferred US$121m (year ended 31 December 2019: US$379m) 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$1m (year ended 31 December 2019: US$36m) of assets from Level 2 to Level 1 during the six months ended 30 June 2020.

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 third-party pricing services and brokers are not available, internal valuation techniques and inputs will be used to derive the fair value for the financial instruments.

16. 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 2020. The table reflects losses, including losses on financial assets and liabilities categorised as Level 3 as at 30 June 2020.

Level 3 financial assets and liabilities

US$m	Debt securities	Equity securities	Derivative financial assets/ (liabilities)	Investment contracts
At 1 January 2020	**2,134**	**2,412**	**–**	**(11,391)**
Net movement on investment contract liabilities	**–**	**–**	**–**	**897**
Total losses				
Reported under investment return in the interim consolidated income statement	**(58)**	**(92)**	**–**	**–**
Reported under fair value reserve and foreign currency translation reserve in the interim consolidated statement of comprehensive income	**(21)**	**(41)**	**–**	**–**
Purchases	**266**	**358**	**–**	**–**
Sales	**(111)**	**(91)**	**–**	**–**
Settlements	**(152)**	**–**	**–**	**–**
Transfer into Level 3	**–**	**100**	**–**	**–**
At 30 June 2020 – Unaudited	**2,058**	**2,646**	**–**	**(10,494)**
Change in unrealised losses included in the interim consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return	**(5)**	**(61)**	**–**	**–**

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets.

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.

16. Fair value measurement of financial instruments (continued)

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 FAIR VALUE MEASUREMENTS

As at 30 June 2020, 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 2020 (Unaudited) (US$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	833	Discounted cash flows	Risk adjusted discount rate	2.97% – 10.35%

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 third-party 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 third-party 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 fixed income 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.

17. Cash and cash equivalents

US$m	As at 30 June 2020 (Unaudited)	As at 31 December 2019
Cash	**4,953**	3,158
Cash equivalents	**997**	783
Total(1)	**5,950**	3,941

Note:

(1) Of cash and cash equivalents, US$803m (31 December 2019: US$703m) are held to back unit-linked contracts and US$120m (31 December 2019: US$49m) 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. Accordingly, all such amounts are expected to be realised within 12 months after the end of the reporting period.

18. 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 2020 (Unaudited)	As at 31 December 2019 (As adjusted)
Deferred profit	**22,295**	20,500
Unearned revenue	**1,863**	2,091
Policyholders' share of participating surplus	**25,091**	21,870
Liabilities for future policyholder benefits	**149,557**	147,720
Total	**198,806**	192,181

INVESTMENT CONTRACT LIABILITIES

Investment contract liabilities include deferred fee income of US$337m (31 December 2019: US$367m).

19. Borrowings

US$m	**As at 30 June 2020 (Unaudited)**	As at 31 December 2019
Other loans	**70**	–
Medium-term notes	**6,816**	5,757
Total	**6,886**	5,757

The following table summarises the Company's outstanding medium-term notes placed to the market at 30 June 2020:

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
12 April 2018	HK$3,900m	2.760%	3 years	12 April 2021
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

Notes:
(1) These medium-term notes 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.

The net proceeds from issuance during the six months ended 30 June 2020 are used for general corporate purposes.

The Group has access to an aggregate of US$2,438m unsecured committed credit facilities, which includes a US$248m credit facility expiring in 2020, and a US$2,190m credit facility expiring in 2024. The credit facilities will be used for general corporate purposes. There were no outstanding borrowings under these credit facilities as of 30 June 2020 and 31 December 2019.

20. 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 de-recognised 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 de-recognition at each period end:

US$m	**As at 30 June 2020 (Unaudited)**	As at 31 December 2019
Debt securities – AFS		
Repurchase agreements	**1,364**	1,947
Debt securities – FVTPL		
Repurchase agreements	**133**	41
Total	**1,497**	1,988

COLLATERAL

At 30 June 2020 and 31 December 2019, the Group had no pledged debt securities. Cash collateral of US$5m (31 December 2019: US$1m) was held based on the market value of the securities transferred. In the absence of default, the Group does not sell or repledge the debt securities collateral received and they are not recognised in the interim consolidated statement of financial position.

At 30 June 2020, the obligations under repurchase agreements were US$1,484m (31 December 2019: US$1,826m).

21. Share capital and reserves

SHARE CAPITAL

	As at 30 June 2020		As at 31 December 2019	
	Million shares (Unaudited)	**US$m (Unaudited)**	Million shares	US$m
Ordinary shares[1], issued and fully paid				
At beginning of the financial period	**12,089**	**14,129**	12,077	14,073
Shares issued under share option scheme and agency share purchase plan	**2**	**6**	12	56
At end of the financial period	**12,091**	**14,135**	12,089	14,129

Note:
(1) Ordinary shares have no nominal value.

The Company issued 1,021,227 shares under share option scheme (year ended 31 December 2019: 10,552,614 shares) and 1,185,442 shares under agency share purchase plan (year ended 31 December 2019: 1,260,386 shares) during the six months ended 30 June 2020.

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2020 with the exception of 787,733 shares (year ended 31 December 2019: 3,127,664 shares) of the Company purchased by and nil share (year ended 31 December 2019: 911,718 shares) 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 2020, 11,233,639 shares (six months ended 30 June 2019: 13,348,747 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 2020, 29,416,533 shares (31 December 2019: 39,862,439 shares) of the Company were held by the employee share-based trusts.

21. 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.

22. Group capital structure

The Group is in compliance with the solvency and capital adequacy requirements applied by its regulators. The Group's primary insurance regulator at the AIA Company Limited (AIA Co.) and AIA International Limited (AIA International) levels is the Hong Kong Insurance Authority (HKIA), which requires that AIA Co. and AIA International meet the solvency margin requirements of the Hong Kong Insurance Ordinance (HKIO). The HKIO (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong.

On 16 May 2017, the HKIA and the China Banking and Insurance Regulatory Commission signed the Equivalence Assessment Framework Agreement on the Solvency Regulatory Regime. As a transitional arrangement, AIA is reporting under HKIO the capital position of its Mainland China branches under the HKIO based on the Mainland China local regulatory solvency basis progressively over a 4-year phase-in period to full implementation on 31 March 2022.

AIA has given an undertaking to the HKIA to maintain an excess of assets over liabilities for branches other than Hong Kong at no less than 100% of the Hong Kong statutory minimum solvency margin requirement in each of AIA Co. and AIA International.

The capital positions of the Group's two principal operating companies as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020 (Unaudited)			31 December 2019		
US$m	**Total available capital**	**Regulatory minimum capital**	**Solvency ratio**	Total available capital	Regulatory minimum capital	Solvency ratio
AIA Co.	**12,342**	**3,762**	**328%**	11,856	3,272	362%
AIA International	**8,400**	**2,819**	**298%**	9,280	2,443	380%

For these purposes, the Group defines total available capital as the amount of assets in excess of liabilities measured in accordance with the HKIO and "regulatory minimum capital" as the required minimum margin of solvency calculated in accordance with the HKIO. The solvency ratio is the ratio of total available capital to regulatory minimum capital.

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. AIA Co. and AIA International submit annual filings to the HKIA of their solvency margin position based on their annual audited financial statements.

The ability of the Company to pay dividends to shareholders and to meet other obligations depends ultimately on dividends and other payments being received from its operating subsidiaries and branches, 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 subsidiaries and branches to make payment of dividends or other distributions and 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.

23. 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.

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.

23. Risk management (continued)

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 policyholders' 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 2020 (Unaudited)			31 December 2019 (As adjusted)		
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	**984**	**984**	**984**	1,050	1,050	1,050
10 per cent decrease in equity prices	**(984)**	**(984)**	**(984)**	(1,050)	(1,050)	(1,050)
Interest rate risk						
+ 50 basis points shift in yield curves	**(295)**	**(7,219)**	**(295)**	(289)	(7,026)	(289)
- 50 basis points shift in yield curves	**335**	**8,042**	**335**	312	7,869	312

FOREIGN EXCHANGE RATE RISK

The Group's foreign exchange rate risk arises mainly from the Group's operations in multiple geographical markets in the Asia-Pacific region 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.

23. Risk management (continued)

FOREIGN EXCHANGE RATE RISK (continued)

Foreign exchange rate net exposure

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi
30 June 2020 – Unaudited						
Equity analysed by original currency	**32,458**	**3,476**	**5,687**	**(3,172)**	**2,339**	**5,630**
Net positions of currency derivatives	**(9,256)**	**659**	**3,618**	**4,037**	**(14)**	**(622)**
Currency exposure	**23,202**	**4,135**	**9,305**	**865**	**2,325**	**5,008**
5% strengthening of original currency						
Impact on profit before tax	**151**	**10**	**(21)**	**27**	**(1)**	**(9)**
Impact on other comprehensive income	**(176)**	**143**	**485**	**17**	**118**	**259**
Impact on total equity	**(25)**	**153**	**464**	**44**	**117**	**250**
5% strengthening of the US dollar						
Impact on profit before tax	**151**	**41**	**23**	**(13)**	**1**	**13**
Impact on other comprehensive income	**(176)**	**(194)**	**(487)**	**(31)**	**(118)**	**(263)**
Impact on total equity	**(25)**	**(153)**	**(464)**	**(44)**	**(117)**	**(250)**

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi
31 December 2019 – As adjusted						
Equity analysed by original currency	29,978	3,483	6,703	(2,604)	2,312	4,612
Net positions of currency derivatives	(8,371)	592	3,349	3,274	(123)	(629)
Currency exposure	21,607	4,075	10,052	670	2,189	3,983
5% strengthening of original currency						
Impact on profit before tax	152	(2)	(17)	11	(8)	(25)
Impact on other comprehensive income	(180)	151	519	23	118	224
Impact on total equity	(28)	149	502	34	110	199
5% strengthening of the US dollar						
Impact on profit before tax	152	46	20	4	9	26
Impact on other comprehensive income	(180)	(195)	(522)	(38)	(119)	(225)
Impact on total equity	(28)	(149)	(502)	(34)	(110)	(199)

23. Risk management (continued)

LIQUIDITY RISK

AIA identifies liquidity risk as occurring in two ways, financial liquidity risk and investment liquidity risk. Financial liquidity risk is the risk that insufficient cash is available to meet payment obligations to counterparties as they fall due. One area of particular focus in the management of financial liquidity is collateral. AIA manages this exposure by determining limits for its activities in the derivatives and repurchase agreement markets based on the collateral available within the relevant fund or subsidiary to withstand extreme market events. More broadly AIA supports its liquidity through committed bank facilities, use of the bond repurchase markets and maintaining access to debt markets via the Company's Global Medium-term Note and Securities programme.

Investment liquidity risk occurs in relation to the Group's ability to buy and sell investments. This is a function of the size of the Group's holdings relative to the availability of counterparties willing to buy or sell these holdings at any given time. In times of stress, market losses will generally be compounded by forced sellers seeking unwilling buyers.

While life insurance companies are characterised by a relatively low need for liquidity to cover those of their liabilities which are directly linked to mortality and morbidity, this risk is nevertheless carefully managed by continuously assessing the relative liquidity of the Group's assets and managing the size of individual holdings through limits.

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 2020 – Unaudited						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	**9,394**	**2,777**	**1,018**	**526**	**1,762**	**3,311**
Other receivables	**2,681**	**2,563**	**73**	**14**	**–**	**31**
Debt securities	**175,251**	**3,168**	**19,484**	**30,794**	**121,805**	**–**
Equity securities	**24,189**	**–**	**–**	**–**	**–**	**24,189**
Reinsurance receivables	**595**	**595**	**–**	**–**	**–**	**–**
Accrued investment income	**1,694**	**1,687**	**–**	**–**	**–**	**7**
Cash and cash equivalents	**5,027**	**5,027**	**–**	**–**	**–**	**–**
Derivative financial instruments	**1,013**	**206**	**109**	**187**	**511**	**–**
Subtotal	**219,844**	**16,023**	**20,684**	**31,521**	**124,078**	**27,538**
Financial assets (Unit-linked contracts and consolidated investment funds)	**30,208**	**–**	**–**	**–**	**–**	**30,208**[3]
Total	**250,052**	**16,023**	**20,684**	**31,521**	**124,078**	**57,746**
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	**151,957**	**3,915**	**14,344**	**15,624**	**118,074**	**–**
Borrowings	**6,886**	**573**	**1,912**[1]	**2,541**	**1,860**	**–**
Obligations under repurchase agreements	**1,484**	**1,484**	**–**	**–**	**–**	**–**
Other liabilities excluding lease liabilities	**6,198**	**4,319**	**232**	**152**	**176**	**1,319**
Lease liabilities	**582**	**180**	**353**	**48**	**1**	**–**
Derivative financial instruments	**905**	**37**	**318**	**235**	**315**	**–**
Subtotal	**168,012**	**10,508**	**17,159**	**18,600**	**120,426**	**1,319**
Financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds)	**29,486**	**–**	**–**	**–**	**–**	**29,486**
Total	**197,498**	**10,508**	**17,159**	**18,600**	**120,426**	**30,805**

Note:
(1) Including US$1,413m which fall due after 2 years through 5 years.

23. 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 2019 – As adjusted						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	9,383	2,657	1,048	594	1,828	3,256
Other receivables	2,598	2,488	75	7	–	28
Debt securities	166,118	2,849	19,404	31,219	112,646	–
Equity securities	26,221	–	–	–	–	26,221
Reinsurance receivables	683	683	–	–	–	–
Accrued investment income	1,644	1,635	–	–	–	9
Cash and cash equivalents	3,189	3,189	–	–	–	–
Derivative financial instruments	937	167	189	196	385	–
Subtotal	210,773	13,668	20,716	32,016	114,859	29,514
Financial assets (Unit-linked contracts and consolidated investment funds)	31,604	–	–	–	–	31,604[(3)]
Total	242,377	13,668	20,716	32,016	114,859	61,118
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	144,801	3,297	12,025	13,676	115,803	–
Borrowings	5,757	–	1,665[(4)]	2,233	1,859	–
Obligations under repurchase agreements	1,826	1,826	–	–	–	–
Other liabilities excluding lease liabilities	7,716	5,868	234	162	229	1,223
Lease liabilities	605	178	368	55	4	–
Derivative financial instruments	397	40	165	79	113	–
Subtotal	161,102	11,209	14,457	16,205	118,008	1,223
Financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds)	31,098	–	–	–	–	31,098
Total	192,200	11,209	14,457	16,205	118,008	32,321

Notes:

(2) Financial assets with no fixed maturity are receivables on demand which the Group has the choice to call or equities. Similarly, financial liabilities with no fixed maturity are payables on demand as the counterparty has a choice of when the amount is paid.

(3) Total value of amounts within financial assets (Unit-linked contracts and consolidated investment funds) are 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$523m (31 December 2019: US$668m) due in one year or less, US$2,588m (31 December 2019: US$2,392m) due after 1 year through 5 years, US$1,674m (31 December 2019: US$1,792m) due after 5 years through 10 years and US$1,116m (31 December 2019: US$1,014m) due after 10 years, in accordance with the contractual terms of the financial investments.

(4) Including US$665m which fall due after 2 years through 5 years.

24. Share-based compensation

SHARE-BASED COMPENSATION PLANS

During the six months ended 30 June 2020, the Group made further awards of share options, restricted share units (RSUs) and restricted stock purchase units (RSPUs) to certain directors, officers and employees of the Group under the 2010 Share Option Scheme (2010 SO Scheme), the 2010 Restricted Share Unit Scheme (2010 RSU Scheme) and the 2011 Employee Share Purchase Plan (2011 ESPP). In addition, the Group made further awards of restricted stock subscription units (RSSUs) to eligible agents under the Agency Share Purchase Plan (ASPP).

Due to the expiry of the 2010 SO Scheme in 2020, the Company has sought and 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 share options can be granted under the 2010 SO Scheme. However, the 2010 SO Scheme shall remain in full force and effect to any share options granted prior to its termination, and the exercise of such share options 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 share option awards, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, ESPP and ASPP awards, taking into account the terms and conditions upon which the awards 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 share options 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 awards.

The fair value calculated for share options is inherently subjective due to the assumptions made and the limitations of the model utilised.

	Share option awards	
	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2019
Assumptions		
Risk-free interest rate	**0.85%**	1.44% – 1.59%
Volatility	**24%**	20%
Dividend yield	**1.60%**	1.50%
Exercise price (HK$)	**68.10**	76.38 – 78.70
Share option life (in years)	**10**	10
Expected life (in years)	**7.84**	7.97
Weighted average fair value per option/unit at measurement date (HK$)	**15.51**	15.55

The weighted average share price for share option valuation for awards made during the six months ended 30 June 2020 is HK$68.10 (year ended 31 December 2019: HK$76.37). The total fair value of share options awarded during the six months ended 30 June 2020 is US$12m (six months ended 30 June 2019: US$9m).

24. Share-based compensation (continued)

RECOGNISED COMPENSATION COST

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards made under the 2010 RSU Scheme, 2010 SO Scheme, 2011 ESPP and ASPP by the Group for the six months ended 30 June 2020 is US$52m (six months ended 30 June 2019: US$45m).

25. 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 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
Key management compensation and other expenses		
Salaries and other short-term employee benefits	**14,490,699**	14,325,664
Post-employment benefits	**802,167**	1,404,935
Termination benefits	**1,708,678**	–
Share-based payments	**16,371,764**	8,767,011
Total	**33,373,308**	24,497,610

The emoluments of the key management personnel are within the following bands:

US$	**Six months ended 30 June 2020 (Unaudited)**	Six months ended 30 June 2019 (Unaudited)
Below 1,000,000	**4**	2
1,000,001 to 2,000,000	**7**	11
2,000,001 to 3,000,000	**1**	–
5,000,001 to 6,000,000	**–**	1
6,000,001 to 7,000,000	**1**	–
7,000,001 and above	**1**	–

26. Commitments and contingencies

INVESTMENT AND CAPITAL COMMITMENTS

US$m	**As at 30 June 2020 (Unaudited)**	As at 31 December 2019
Not later than one year	**2,561**	1,911
Later than one and not later than five years	**102**	8
Total	**2,663**	1,919

Investment and capital commitments consist of commitments to invest in private equity partnerships and other assets.

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 the Asia-Pacific region 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 anticipated outcome of these disputes and differences of interpretation, where the outcomes are probable and where a reliable estimate can be made. While the final outcomes are subject to uncertainties, the Group believes that these matters have been adequately provided for in these financial statements.

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$439m at 30 June 2020 (31 December 2019: US$462m). The liabilities and related reinsurance assets, which totalled US$2m (31 December 2019: US$6m), 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.

27. Events after the reporting period

On 19 June 2020, AIA Co. has received approval from the China Banking and Insurance Regulatory Commission (CBIRC) to convert its existing Shanghai branch to a 100 per cent wholly-owned subsidiary. On 9 July 2020, the subsidiary was incorporated in Shanghai to operate AIA's life insurance business in Mainland China once the conversion process is completed. Upon the completion of the conversion process, any future remittances to the Group from this subsidiary will be subject to withholding tax at the applicable tax rate in Mainland China (currently at 5%). Although the conversion is not expected to have any immediate material financial impact on the Group's consolidated financial statements, operating profit after tax and net profit from AIA China will be subject to 5% withholding tax from the date of conversion.

On 20 August 2020, a Committee appointed by the Board of Directors declared an interim dividend of 35.00 Hong Kong cents per share (six months ended 30 June 2019: 33.30 Hong Kong cents per share).

28. Effect of adoption of revised accounting policy

For the period ended 30 June 2020, the Group has revised its accounting policy with respect to the recognition and measurement of insurance contract liabilities of other participating business with distinct portfolios. Other participating business with distinct portfolios refer to business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory. Prior to this change in accounting policy, the Group recognised and measured the insurance contract liabilities for this business based on the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders. With effect from 1 January 2020, and applied retrospectively, the Group now recognises and measures the insurance contract liabilities for this business based on the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance contract liability is recorded for the proportion of the net assets of this other participating business with distinct portfolios that would be allocated to policyholders assuming all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based upon policyholder participation. This approach is consistent with the existing accounting for insurance contract liabilities arising from participating business. The allocation of benefit from the assets held in such other participating business with distinct portfolios is set according to the underlying bonus rule as determined by the relevant Board based on applicable regulatory requirements after considering the Appointed Actuary's recommendation. The extent of such policyholder participation may change over time, the current policyholder participation in declared dividends for Hong Kong ranged from 70% to 90%.

The Group believes that the new accounting policy is more relevant and no less reliable to the economic decision-making needs of users. It brings more consistency between assets and liabilities of the other participating business with distinct portfolios and more closely reflects its economic substance, thereby enhancing the understandability of the Group's performance.

28. Effect of adoption of revised accounting policy (continued)

The tables below show the quantitative effect of the adoption of the revised accounting policy on the consolidated financial statements.

(A) CONSOLIDATED INCOME STATEMENT

US$m	Six months ended 30 June 2020 (Before change in accounting policy)	Impact of change in accounting policy	Six months ended 30 June 2020 (Unaudited and as reported)
Revenue			
Premiums and fee income	**17,268**	**–**	**17,268**
Premiums ceded to reinsurers	**(1,135)**	**–**	**(1,135)**
Net premiums and fee income	**16,133**	**–**	**16,133**
Investment return	**3,381**	**–**	**3,381**
Other operating revenue	**150**	**–**	**150**
Total revenue	**19,664**	**–**	**19,664**
Expenses			
Insurance and investment contract benefits	**13,667**	**263**	**13,930**
Insurance and investment contract benefits ceded	**(899)**	**–**	**(899)**
Net insurance and investment contract benefits	**12,768**	**263**	**13,031**
Commission and other acquisition expenses	**2,157**	**–**	**2,157**
Operating expenses	**1,242**	**–**	**1,242**
Finance costs	**143**	**–**	**143**
Other expenses	**519**	**–**	**519**
Total expenses	**16,829**	**263**	**17,092**
Profit/(losses) before share of profit from associates and joint ventures	**2,835**	**(263)**	**2,572**
Share of profit from associates and joint ventures	**2**	**–**	**2**
Profit/(losses) before tax	**2,837**	**(263)**	**2,574**
Income tax expense attributable to policyholders' returns	**(23)**	**–**	**(23)**
Profit/(losses) before tax attributable to shareholders' profits	**2,814**	**(263)**	**2,551**
Tax expense	**(390)**	**(1)**	**(391)**
Tax attributable to policyholders' returns	**23**	**–**	**23**
Tax expense attributable to shareholders' profits	**(367)**	**(1)**	**(368)**
Net profit/(losses)	**2,447**	**(264)**	**2,183**
Net profit/(losses) attributable to:			
Shareholders of AIA Group Limited	**2,461**	**(264)**	**2,197**
Non-controlling interests	**(14)**	**–**	**(14)**
Earnings per share (US$)			
Basic	**0.20**	**(0.02)**	**0.18**
Diluted	**0.20**	**(0.02)**	**0.18**

28. Effect of adoption of revised accounting policy (continued)

(A) CONSOLIDATED INCOME STATEMENT (continued)

US$m	Year ended 31 December 2019 (As previously reported)	Retrospective adjustments for change in accounting policy	Year ended 31 December 2019 (As adjusted)
Revenue			
Premiums and fee income	34,777	–	34,777
Premiums ceded to reinsurers	(2,166)	–	(2,166)
Net premiums and fee income	32,611	–	32,611
Investment return	14,350	–	14,350
Other operating revenue	281	–	281
Total revenue	47,242	–	47,242
Expenses			
Insurance and investment contract benefits	33,400	668	34,068
Insurance and investment contract benefits ceded	(1,940)	–	(1,940)
Net insurance and investment contract benefits	31,460	668	32,128
Commission and other acquisition expenses	4,283	–	4,283
Operating expenses	2,468	–	2,468
Finance costs	283	–	283
Other expenses	845	–	845
Total expenses	39,339	668	40,007
Profit/(losses) before share of losses from associates and joint ventures	7,903	(668)	7,235
Share of losses from associates and joint ventures	(8)	–	(8)
Profit/(losses) before tax	7,895	(668)	7,227
Income tax expense attributable to policyholders' returns	(179)	–	(179)
Profit/(losses) before tax attributable to shareholders' profits	7,716	(668)	7,048
Tax expense	(1,208)	(1)	(1,209)
Tax attributable to policyholders' returns	179	–	179
Tax expense attributable to shareholders' profits	(1,029)	(1)	(1,030)
Net profit/(losses)	6,687	(669)	6,018
Net profit/(losses) attributable to:			
Shareholders of AIA Group Limited	6,648	(669)	5,979
Non-controlling interests	39	–	39
Earnings per share (US$)			
Basic	0.55	(0.05)	0.50
Diluted	0.55	(0.05)	0.50

28. Effect of adoption of revised accounting policy (continued)

(A) CONSOLIDATED INCOME STATEMENT (continued)

US$m	Six months ended 30 June 2019 (Unaudited and as previously reported)	Retrospective adjustments for change in accounting policy	Six months ended 30 June 2019 (Unaudited and as adjusted)
Revenue			
Premiums and fee income	16,687	–	16,687
Premiums ceded to reinsurers	(1,069)	–	(1,069)
Net premiums and fee income	15,618	–	15,618
Investment return	8,510	–	8,510
Other operating revenue	148	–	148
Total revenue	24,276	–	24,276
Expenses			
Insurance and investment contract benefits	16,841	505	17,346
Insurance and investment contract benefits ceded	(951)	–	(951)
Net insurance and investment contract benefits	15,890	505	16,395
Commission and other acquisition expenses	2,037	–	2,037
Operating expenses	1,168	–	1,168
Finance costs	136	–	136
Other expenses	444	–	444
Total expenses	19,675	505	20,180
Profit/(losses) before share of profit from associates and joint ventures	4,601	(505)	4,096
Share of profit from associates and joint ventures	–	–	–
Profit/(losses) before tax	4,601	(505)	4,096
Income tax expense attributable to policyholders' returns	(115)	–	(115)
Profit/(losses) before tax attributable to shareholders' profits	4,486	(505)	3,981
Tax expense	(719)	–	(719)
Tax attributable to policyholders' returns	115	–	115
Tax expense attributable to shareholders' profits	(604)	–	(604)
Net profit/(losses)	3,882	(505)	3,377
Net profit/(losses) attributable to:			
Shareholders of AIA Group Limited	3,864	(505)	3,359
Non-controlling interests	18	–	18
Earnings per share (US$)			
Basic	0.32	(0.04)	0.28
Diluted	0.32	(0.04)	0.28

28. Effect of adoption of revised accounting policy (continued)

(B) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	As at 30 June 2020 (Before change in accounting policy)	Impact of change in accounting policy	As at 30 June 2020 (Unaudited and as reported)
Assets			
Intangible assets	2,429	–	2,429
Investments in associates and joint ventures	558	–	558
Property, plant and equipment	2,698	–	2,698
Investment property	4,556	–	4,556
Reinsurance assets	3,826	–	3,826
Deferred acquisition and origination costs	26,205	–	26,205
Financial investments:			
Loans and deposits	9,957	–	9,957
Available for sale			
Debt securities	147,129	–	147,129
At fair value through profit or loss			
Debt securities	34,023	–	34,023
Equity securities	46,791	–	46,791
Derivative financial instruments	1,051	–	1,051
	238,951	–	238,951
Deferred tax assets	20	–	20
Current tax recoverable	217	–	217
Other assets	5,794	–	5,794
Cash and cash equivalents	5,950	–	5,950
Total assets	291,204	–	291,204
Liabilities			
Insurance contract liabilities	194,087	4,719	198,806
Investment contract liabilities	11,334	–	11,334
Borrowings	6,886	–	6,886
Obligations under repurchase agreements	1,484	–	1,484
Derivative financial instruments	915	–	915
Provisions	232	–	232
Deferred tax liabilities	6,247	(35)	6,212
Current tax liabilities	342	–	342
Other liabilities	7,738	–	7,738
Total liabilities	229,265	4,684	233,949
Equity			
Share capital	14,135	–	14,135
Employee share-based trusts	(155)	–	(155)
Other reserves	(11,911)	–	(11,911)
Retained earnings	41,381	286	41,667
Fair value reserve	18,324	(4,829)	13,495
Foreign currency translation reserve	(1,408)	–	(1,408)
Property revaluation reserve	1,074	(66)	1,008
Others	48	(75)	(27)
Amounts reflected in other comprehensive income	18,038	(4,970)	13,068
Total equity attributable to:			
Shareholders of AIA Group Limited	61,488	(4,684)	56,804
Non-controlling interests	451	–	451
Total equity	61,939	(4,684)	57,255
Total liabilities and equity	291,204	–	291,204

28. Effect of adoption of revised accounting policy (continued)

(B) CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US$m	As at 31 December 2019 (As previously reported)	Retrospective adjustments for change in accounting policy	As at 31 December 2019 (As adjusted)
Assets			
Intangible assets	2,520	–	2,520
Investments in associates and joint ventures	615	–	615
Property, plant and equipment	2,865	–	2,865
Investment property	4,834	–	4,834
Reinsurance assets	3,833	–	3,833
Deferred acquisition and origination costs	26,328	–	26,328
Financial investments:			
Loans and deposits	10,086	–	10,086
Available for sale			
Debt securities	138,852	–	138,852
At fair value through profit or loss			
Debt securities	33,132	–	33,132
Equity securities	50,322	–	50,322
Derivative financial instruments	971	–	971
	233,363	–	233,363
Deferred tax assets	23	–	23
Current tax recoverable	205	–	205
Other assets	5,605	–	5,605
Cash and cash equivalents	3,941	–	3,941
Total assets	284,132	–	284,132
Liabilities			
Insurance contract liabilities	189,597	2,584	192,181
Investment contract liabilities	12,273	–	12,273
Borrowings	5,757	–	5,757
Obligations under repurchase agreements	1,826	–	1,826
Derivative financial instruments	412	–	412
Provisions	225	–	225
Deferred tax liabilities	6,237	(23)	6,214
Current tax liabilities	432	–	432
Other liabilities	9,417	–	9,417
Total liabilities	226,176	2,561	228,737
Equity			
Share capital	14,129	–	14,129
Employee share-based trusts	(220)	–	(220)
Other reserves	(11,887)	–	(11,887)
Retained earnings	40,372	550	40,922
Fair value reserve	14,663	(2,994)	11,669
Foreign currency translation reserve	(698)	–	(698)
Property revaluation reserve	1,163	(90)	1,073
Others	(14)	(27)	(41)
Amounts reflected in other comprehensive income	15,114	(3,111)	12,003
Total equity attributable to:			
Shareholders of AIA Group Limited	57,508	(2,561)	54,947
Non-controlling interests	448	–	448
Total equity	57,956	(2,561)	55,395
Total liabilities and equity	284,132	–	284,132

28. Effect of adoption of revised accounting policy (continued)

(B) CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US$m	As at 31 December 2018 (As previously reported)	Retrospective adjustments for change in accounting policy	As at 31 December 2018 (As adjusted)
Assets			
Intangible assets	1,970	–	1,970
Investments in associates and joint ventures	610	–	610
Property, plant and equipment	1,233	–	1,233
Investment property	4,794	–	4,794
Reinsurance assets	2,887	–	2,887
Deferred acquisition and origination costs	24,626	–	24,626
Financial investments:			
Loans and deposits	7,392	–	7,392
Available for sale			
Debt securities	112,485	–	112,485
At fair value through profit or loss			
Debt securities	27,736	–	27,736
Equity securities	38,099	–	38,099
Derivative financial instruments	430	–	430
	186,142	–	186,142
Deferred tax assets	26	–	26
Current tax recoverable	164	–	164
Other assets	4,903	–	4,903
Cash and cash equivalents	2,451	–	2,451
Total assets	229,806	–	229,806
Liabilities			
Insurance contract liabilities	164,764	(1,456)	163,308
Investment contract liabilities	7,885	–	7,885
Borrowings	4,954	–	4,954
Obligations under repurchase and securities lending agreements	1,683	–	1,683
Derivative financial instruments	243	–	243
Provisions	168	–	168
Deferred tax liabilities	4,187	6	4,193
Current tax liabilities	532	–	532
Other liabilities	5,984	–	5,984
Total liabilities	190,400	(1,450)	188,950
Equity			
Share capital	14,073	–	14,073
Employee share-based trusts	(258)	–	(258)
Other reserves	(11,910)	–	(11,910)
Retained earnings	35,661	1,219	36,880
Fair value reserve	2,211	247	2,458
Foreign currency translation reserve	(1,301)	–	(1,301)
Property revaluation reserve	538	(4)	534
Others	(8)	(12)	(20)
Amounts reflected in other comprehensive income	1,440	231	1,671
Total equity attributable to:			
Shareholders of AIA Group Limited	39,006	1,450	40,456
Non-controlling interests	400	–	400
Total equity	39,406	1,450	40,856
Total liabilities and equity	229,806	–	229,806

28. Effect of adoption of revised accounting policy (continued)

The tables below set out the impacts of the adoption of the revised accounting policy on operating profit/(losses).

(C) OPERATING PROFIT

US$m	Six months ended 30 June 2020 (Before change in accounting policy)	Impact of change in accounting policy	Six months ended 30 June 2020 (Unaudited and as reported)
Operating profit before tax	**3,403**	**14**	**3,417**
Tax on operating profit before tax	**(458)**	**(1)**	**(459)**
Operating profit after tax	**2,945**	**13**	**2,958**
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited	**2,920**	**13**	**2,933**
Non-controlling interests	**25**	**–**	**25**
Operating profit after tax per share (US cents)			
Basic	**24.22**	**0.11**	**24.33**
Diluted	**24.18**	**0.11**	**24.29**

US$m	Year ended 31 December 2019 (As previously reported)	Retrospective adjustments for change in accounting policy	Year ended 31 December 2019 (As adjusted)
Operating profit/(losses) before tax	6,816	(51)	6,765
Tax on operating profit/(losses) before tax	(1,030)	(1)	(1,031)
Operating profit/(losses) after tax	5,786	(52)	5,734
Operating profit/(losses) after tax attributable to:			
Shareholders of AIA Group Limited	5,741	(52)	5,689
Non-controlling interests	45	–	45
Operating profit/(losses) after tax per share (US cents)			
Basic	47.67	(0.43)	47.24
Diluted	47.56	(0.43)	47.13

28. Effect of adoption of revised accounting policy (continued)

(C) OPERATING PROFIT (continued)

US$m	Six months ended 30 June 2019 (Unaudited and as previously reported)	Retrospective adjustments for change in accounting policy	Six months ended 30 June 2019 (Unaudited and as adjusted)
Operating profit/(losses) before tax	3,483	(62)	3,421
Tax on operating profit/(losses) before tax	(565)	–	(565)
Operating profit/(losses) after tax	2,918	(62)	2,856
Operating profit/(losses) after tax attributable to:			
Shareholders of AIA Group Limited	2,898	(62)	2,836
Non-controlling interests	20	–	20
Operating profit/(losses) after tax per share (US cents)			
Basic	24.08	(0.52)	23.56
Diluted	24.02	(0.51)	23.51

28. Effect of adoption of revised accounting policy (continued)

(C) OPERATING PROFIT (continued)

Operating profit/(losses) after tax may be reconciled to net profit/(losses) as follows:

US$m	Year ended 31 December 2019 (As previously reported)	Retrospective adjustments for change in accounting policy	Year ended 31 December 2019 (As adjusted)
Operating profit/(losses) after tax	5,786	(52)	5,734
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Short-term fluctuations in investment return related to equities and real estate (net of tax of: as previously reported: US$(43)m; as adjusted: US$(38)m)	937	(632)	305
Reclassification of revaluation gain for property held for own use (net of tax of: as previously reported and as adjusted: US$10m)	(170)	17	(153)
Corporate transaction related costs (net of tax of: as previously reported and as adjusted: US$33m)	(85)	–	(85)
Implementation costs for new accounting standards (net of tax of: as previously reported and as adjusted: US$13m)	(39)	–	(39)
Other non-operating investment return and other items (net of tax of: as previously reported: US$(12)m; as adjusted: US$(18)m)	258	(2)	256
Net profit/(losses)	6,687	(669)	6,018
Operating profit/(losses) after tax attributable to:			
Shareholders of AIA Group Limited	5,741	(52)	5,689
Non-controlling interests	45	–	45
Net profit/(losses) attributable to:			
Shareholders of AIA Group Limited	6,648	(669)	5,979
Non-controlling interests	39	–	39

28. Effect of adoption of revised accounting policy (continued)

(C) OPERATING PROFIT (continued)

US$m	Six months ended 30 June 2019 (Unaudited and as previously reported)	Retrospective adjustments for change in accounting policy	Six months ended 30 June 2019 (Unaudited and as adjusted)
Operating profit/(losses) after tax	2,918	(62)	2,856
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Short-term fluctuations in investment return related to equities and real estate (net of tax of: as previously reported: US$(115)m; as adjusted: US$(120)m)	1,173	(477)	696
Reclassification of revaluation gain for property held for own use (net of tax of: as previously reported and as adjusted: nil)	(125)	11	(114)
Corporate transaction related costs (net of tax of: as previously reported and as adjusted: US$12m)	(30)	–	(30)
Implementation costs for new accounting standards (net of tax of: as previously reported and as adjusted: US$2m)	(24)	–	(24)
Other non-operating investment return and other items (net of tax of: as previously reported: US$62m; as adjusted: US$67m)	(30)	23	(7)
Net profit/(losses)	3,882	(505)	3,377
Operating profit/(losses) after tax attributable to:			
Shareholders of AIA Group Limited	2,898	(62)	2,836
Non-controlling interests	20	–	20
Net profit/(losses) attributable to:			
Shareholders of AIA Group Limited	3,864	(505)	3,359
Non-controlling interests	18	–	18

28. Effect of adoption of revised accounting policy (continued)

(D) SEGMENT INFORMATION

US$m	Hong Kong	Thailand	Singapore	Malaysia	Mainland China	Other Markets	Group Corporate Centre	Total
Year ended 31 December 2019 – As adjusted								
ANP	2,393	729	538	406	1,248	1,271	–	6,585
TWPI	13,107	4,352	2,916	2,142	4,804	6,681	–	34,002
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	14,191	4,222	3,372	1,826	4,814	4,413	58	32,896
Investment return	3,119	1,394	1,225	582	971	1,157	451	8,899
Total revenue	17,310	5,616	4,597	2,408	5,785	5,570	509	41,795
Net insurance and investment contract benefits	13,021	3,190	3,348	1,585	3,783	2,705	43	27,675
Commission and other acquisition expenses	1,602	814	390	216	315	951	9	4,297
Operating expenses	454	236	222	183	376	759	238	2,468
Finance costs and other expenses	164	55	30	16	64	59	194	582
Total expenses	15,241	4,295	3,990	2,000	4,538	4,474	484	35,022
Share of losses from associates and joint ventures	–	–	–	–	–	(8)	–	(8)
Operating profit before tax	2,069	1,321	607	408	1,247	1,088	25	6,765
Tax on operating profit before tax	(175)	(257)	(24)	(68)	(186)	(293)	(28)	(1,031)
Operating profit/(losses) after tax	1,894	1,064	583	340	1,061	795	(3)	5,734
Operating profit/(losses) after tax attributable to:								
Shareholders of AIA Group Limited	1,879	1,064	583	333	1,061	772	(3)	5,689
Non-controlling interests	15	–	–	7	–	23	–	45
Key operating ratios:								
Expense ratio	3.5%	5.4%	7.6%	8.5%	7.8%	11.4%	–	7.3%
Operating margin	14.5%	24.4%	20.0%	15.9%	22.1%	11.9%	–	16.9%
Operating return on shareholders' allocated equity	20.2%	16.6%	17.6%	19.7%	28.8%	10.2%	–	14.0%
Operating profit before tax includes:								
Finance costs	31	2	–	2	47	8	181	271
Depreciation and amortisation	79	22	28	22	75	83	31	340

28. Effect of adoption of revised accounting policy (continued)

(D) SEGMENT INFORMATION (continued)

US$m	Hong Kong	Thailand	Singapore	Malaysia	Mainland China	Other Markets	Group Corporate Centre	Total
31 December 2019 – As adjusted								
Total assets	92,233	38,842	40,397	15,896	29,084	51,901	15,779	284,132
Total liabilities	78,462	28,346	36,034	13,958	24,690	41,371	5,876	228,737
Total equity	13,771	10,496	4,363	1,938	4,394	10,530	9,903	55,395
Shareholders' allocated equity	9,853	6,683	3,515	1,782	3,805	8,441	9,199	43,278
Net capital (out)/in flows	(986)	(1,037)	(295)	(176)	(1,022)	(214)	1,910	(1,820)

Total assets include:

Investments in associates and joint ventures	3	–	–	4	–	608	–	615

Segment information may be reconciled to the 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]	Consolidated income statement	
Year ended 31 December 2019 – As adjusted					
Net premiums, fee income and other operating revenue	32,896	–	(4)	32,892	Net premiums, fee income and other operating revenue
Investment return	8,899	1,474	3,977	14,350	Investment return
Total revenue	41,795	1,474	3,973	47,242	**Total revenue**
Net insurance and investment contract benefits	27,675	1,131	3,322	32,128	Net insurance and investment contract benefits
Other expenses	7,347	–	532	7,879	Other expenses
Total expenses	35,022	1,131	3,854	40,007	**Total expenses**
Share of losses from associates and joint ventures	(8)	–	–	(8)	Share of losses from associates and joint ventures
Operating profit before tax	6,765	343	119	7,227	**Profit before tax**

Note:
(1) Include unit-linked contracts.

REPORT ON REVIEW OF SUPPLEMENTARY EMBEDDED VALUE INFORMATION 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 Supplementary Embedded Value Information ("the EV Information") set out on pages 124 to 146, which comprises the EV consolidated results of AIA Group Limited (the "Company") and its subsidiaries (together, the "Group") as at and for the six-month period ended 30 June 2020, sensitivity analysis and a summary of significant methodology and assumptions and other explanatory notes. The directors of the Company are responsible for the preparation of the EV Information in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information. Our responsibility is to express a conclusion on this EV Information 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 the EV Information, including the summary of significant methodology and assumptions, 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 EV Information of the Group is not prepared, in all material respects, in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information.

Basis of Preparation

Without modifying our conclusion, we draw attention to Sections 4 and 5 of the EV Information, which describe the EV basis of preparation. As a result, the EV Information may not be suitable for another purpose. This report does not extend to any financial statements of the Company.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2020

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SUPPLEMENTARY EMBEDDED VALUE INFORMATION

Cautionary Statements Concerning Supplementary Embedded Value Information

This report includes non-IFRS financial measures and should not be viewed as a substitute for IFRS financial measures.

The results shown in this report are not intended to represent an opinion of market value and should not be interpreted in that manner. This report does not purport to encompass all of the many factors that may bear upon a market value.

The results shown in this report are based on a series of assumptions as to the future. It should be recognised that actual future results may differ from those shown, on account of the changes in the operating and economic environments and natural variations in experience. The results shown are presented at the valuation dates stated in this report and no warranty is given by the Group that future experience after these valuation dates will be in line with the assumptions made.

The Supplementary Embedded Value Information is unaudited, but has been reviewed by PricewaterhouseCoopers 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. PricewaterhouseCoopers' independent review report to the Board of Directors is included on page 123.

1. HIGHLIGHTS

The embedded value (EV) is a measure of the value of shareholders' interests in the earnings distributable from assets allocated to the in-force business after allowance for the aggregate risks in that business. The Group uses a traditional deterministic discounted cash flow methodology for determining its EV and value of new business (VONB) for all entities other than Tata AIA Life Insurance Company Limited (Tata AIA Life). This methodology makes an implicit overall level of allowance for risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and the economic cost of capital, through the use of a risk discount rate. For Tata AIA Life, the Group uses the Indian Embedded Value (IEV) methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, consistent with local practice in India.

The equity attributable to shareholders of the Company on the embedded value basis (EV Equity) is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company. More details on the EV results, methodology and assumptions are covered in later sections of this report.

The EV of the Group is calculated after deducting any expected remittance taxes payable on the anticipated distribution of the ANW and VIF as described under Section 5.4. Prior to 2020, the Group reflected the impact of the withholding tax charge under Group Corporate Centre. Starting from 2020, the Group enhanced the segment information to present the withholding tax charge in the operating segment where the withholding tax arises from. The comparative information has been adjusted to conform to current period presentation.

The Supplementary Embedded Value Information in this report should be read in conjunction with the Supplementary Embedded Value Information of the Group in the Company's Annual Report 2019.

1. HIGHLIGHTS (continued)

Summary of Key Metrics[1] (US$ millions)

	As at 30 June 2020 (Unaudited)	As at 31 December 2019	Change CER	Change AER
Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	**61,420**	63,905	(3)%	(4)%
Embedded value (EV)	**59,574**	61,985	(3)%	(4)%
Adjusted net worth (ANW)	**26,622**	28,241	(5)%	(6)%
Value of in-force business (VIF)	**32,952**	33,744	0%	(2)%

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)	YoY CER	YoY AER
Value of new business (VONB)	**1,410**	2,275	(37)%	(38)%
Annualised new premiums (ANP)	**2,579**	3,443	(24)%	(25)%
VONB margin	**54.4%**	65.6%	(11.1) pps	(11.2) pps
EV operating profit	**3,878**	4,523	(13)%	(14)%
Operating return on EV (Operating ROEV)[2]	**12.9%**	17.3%	(3.9) pps	(4.4) pps
Underlying free surplus generation (UFSG)	**3,049**	2,804	11%	9%

Notes:

(1) The results are after adjustment to reflect the consolidated reserving and capital requirements and the present value of future after-tax unallocated Group Office expenses.

(2) On an annualised basis.

2. EMBEDDED VALUE RESULTS

2.1 Embedded Value by Business Unit

The EV as at 30 June 2020 is presented consistently with the segment information in the IFRS consolidated financial statements.

The EV of the Group is calculated after deducting any expected remittance taxes payable on the anticipated distribution of the ANW and VIF as described under Section 5.4. Prior to 2020, the Group reflected the impact of the withholding tax charge under Group Corporate Centre. Starting from 2020, the Group enhanced the segment information to present the withholding tax charge in the operating segment where the withholding tax arises from. The comparative information has been adjusted to conform to current period presentation.

Summary of EV by Business Unit (US$ millions)

	As at 30 June 2020 (Unaudited)				
Business Unit	ANW[1]	VIF before CoC	CoC	VIF after CoC	**EV**
AIA Hong Kong	6,678	16,069	2,212	13,857	**20,535**
AIA Thailand	3,512	5,671	1,390	4,281	**7,793**
AIA Singapore	2,309	4,223	648	3,575	**5,884**
AIA Malaysia	1,195	1,920	219	1,701	**2,896**
AIA China	3,775	7,248	2	7,246	**11,021**
Other Markets	5,905	4,704	1,326	3,378	**9,283**
Group Corporate Centre	9,840	–	–	–	**9,840**
Subtotal	33,214	39,835	5,797	34,038	**67,252**
Adjustment to reflect consolidated reserving and capital requirements[2]	(6,255)	2,841	2,774	67	**(6,188)**
After-tax value of unallocated Group Office expenses	–	(997)	–	(997)	**(997)**
Total (before non-controlling interests)	26,959	41,679	8,571	33,108	**60,067**
Non-controlling interests	(337)	(166)	(10)	(156)	**(493)**
Total	26,622	41,513	8,561	32,952	**59,574**

2. EMBEDDED VALUE RESULTS (continued)

2.1 Embedded Value by Business Unit (continued)

	As at 31 December 2019 (as adjusted)				
Business Unit	ANW[1]	VIF before CoC	CoC	VIF after CoC	EV
AIA Hong Kong	8,372	15,059	1,534	13,525	21,897
AIA Thailand	4,802	5,583	1,365	4,218	9,020
AIA Singapore	2,805	4,360	831	3,529	6,334
AIA Malaysia	1,211	1,946	215	1,731	2,942
AIA China	3,074	6,968	–	6,968	10,042
Other Markets	5,949	4,708	1,309	3,399	9,348
Group Corporate Centre	9,291	–	–	–	9,291
Subtotal	35,504	38,624	5,254	33,370	68,874
Adjustment to reflect consolidated reserving and capital requirements[2]	(6,905)	3,180	1,583	1,597	(5,308)
After-tax value of unallocated Group Office expenses	–	(1,067)	–	(1,067)	(1,067)
Total (before non-controlling interests)	28,599	40,737	6,837	33,900	62,499
Non-controlling interests	(358)	(164)	(8)	(156)	(514)
Total	28,241	40,573	6,829	33,744	61,985

Notes:

(1) ANW by Business Unit is after net capital flows between Business Units and Group Corporate Centre as reported in the IFRS consolidated financial statements.

(2) Adjustment to reflect consolidated reserving and capital requirements as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's Annual Report 2019 and Section 4.1 of this report.

2. EMBEDDED VALUE RESULTS (continued)

2.2 Reconciliation of ANW from IFRS Equity

Derivation of the Consolidated ANW from IFRS Equity (US$ millions)

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (as adjusted)
IFRS equity attributable to shareholders of the Company	**56,804**	54,947
Elimination of IFRS deferred acquisition and origination costs assets	**(26,205)**	(26,328)
Difference between IFRS policy liabilities and local statutory policy liabilities	**1,261**	5,949
Difference between net IFRS policy liabilities and local statutory policy liabilities	**(24,944)**	(20,379)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds	**10**	–
Elimination of intangible assets	**(2,429)**	(2,520)
Recognition of deferred tax impacts of the above adjustments	**3,321**	3,008
Recognition of non-controlling interests impacts of the above adjustments	**115**	90
ANW (Business Unit)	**32,877**	35,146
Adjustment to reflect consolidated reserving requirements, net of tax	**(6,255)**	(6,905)
ANW (Consolidated)	**26,622**	28,241

IFRS equity attributable to shareholders of the Company as at 31 December 2019 has been adjusted to reflect the change in accounting policy as per note 28 under the IFRS consolidated financial statements.

2. EMBEDDED VALUE RESULTS (continued)

2.3 Breakdown of ANW

The breakdown of the ANW for the Group between the required capital, as defined in Section 4.1 of this report, and the free surplus, which is the ANW in excess of the required capital, is set out below:

Free Surplus and Required Capital for the Group (US$ millions)

	As at 30 June 2020 (Unaudited)		As at 31 December 2019	
	Business Unit	**Consolidated**	Business Unit	Consolidated
Free surplus	**22,483**	**11,771**	24,523	14,917
Required capital	**10,394**	**14,851**	10,623	13,324
ANW	**32,877**	**26,622**	35,146	28,241

The Company's subsidiaries, AIA Company Limited (AIA Co.) and AIA International Limited (AIA International), are both subject to the Hong Kong reserving and capital requirements. In addition, AIA International, which is incorporated in Bermuda, is subject to the Bermuda Monetary Authority (BMA) reserving and capital requirements. These regulatory reserving and capital requirements, and other consolidated reserving and capital requirements, as determined by the Group, apply in addition to the relevant local requirements applicable to our Business Units.

2. EMBEDDED VALUE RESULTS (continued)

2.4 Earnings Profile

The tables below show how the after-tax distributable earnings from the assets backing the statutory reserves and required capital of the in-force business of the Group are projected to emerge over future years. The projected values reflect the consolidated reserving and capital requirements.

Profile of Projected After-Tax Distributable Earnings for the Group's In-force Business (US$ millions)

	As at 30 June 2020 (Unaudited)	
Expected period of emergence	**Undiscounted**	**Discounted**
1 – 5 years	**19,424**	**16,176**
6 – 10 years	**17,202**	**9,719**
11 – 15 years	**19,256**	**7,460**
16 – 20 years	**19,650**	**5,306**
21 years and thereafter	**141,819**	**9,142**
Total	**217,351**	**47,803**

	As at 31 December 2019	
Expected period of emergence	Undiscounted	Discounted
1 – 5 years	20,000	16,641
6 – 10 years	16,759	9,383
11 – 15 years	18,398	7,029
16 – 20 years	18,724	4,963
21 years and thereafter	166,423	9,052
Total	240,304	47,068

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US$47,803 million (31 December 2019: US$47,068 million) plus the free surplus of US$11,771 million (31 December 2019: US$14,917 million) shown in Section 2.3 of this report is equal to the EV of US$59,574 million (31 December 2019: US$61,985 million) shown in Section 2.1 of this report.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business

The VONB for the Group for the six months ended 30 June 2020 is summarised in the table below. The VONB is defined as the present value, at the point of sale, of the projected after-tax statutory profits less the cost of required capital. Results are presented consistently with the segment information in the IFRS consolidated financial statements.

The Group VONB for the six months ended 30 June 2020 was US$1,410 million, a decrease of US$865 million, or 38 per cent on actual exchange rates (AER), from US$2,275 million for the six months ended 30 June 2019.

Summary of VONB by Business Unit (US$ millions)

	Six months ended 30 June 2020 (Unaudited)			Six months ended 30 June 2019 (Unaudited)		
Business Unit	VONB before CoC	CoC	**VONB after CoC**	VONB before CoC	CoC	VONB after CoC
AIA Hong Kong	359	53	**306**	1,003	58	945
AIA Thailand	222	23	**199**	248	33	215
AIA Singapore	134	7	**127**	189	16	173
AIA Malaysia	88	7	**81**	139	9	130
AIA China	629	35	**594**	754	52	702
Other Markets(1)	295	55	**240**	270	46	224
Total before unallocated Group Office expenses (Business Unit)	1,727	180	**1,547**	2,603	214	2,389
Adjustment to reflect consolidated reserving and capital requirements	(20)	30	**(50)**	(44)	(5)	(39)
Total before unallocated Group Office expenses (Consolidated)	1,707	210	**1,497**	2,559	209	2,350
After-tax value of unallocated Group Office expenses	(77)	–	**(77)**	(75)	–	(75)
Total before non-controlling interests (Consolidated)	1,630	210	**1,420**	2,484	209	2,275
Non-controlling interests(2)	(11)	(1)	**(10)**	n/a	n/a	n/a
Total(1), (2)	1,619	209	**1,410**	2,484	209	2,275

Notes:

(1) The reported VONB for Other Markets in the six months ended 30 June 2020 includes the Group's share of VONB from Tata AIA Life, which amount to US$34 million. VONB for the six months ended 30 June 2019 has not been restated and is reported before any contribution from Tata AIA Life.

(2) The reported VONB for the Group in the six months ended 30 June 2020 excludes the VONB attributable to non-controlling interests of US$10 million. VONB for the six months ended 30 June 2019 has not been restated and is reported before deducting the amount attributable to non-controlling interests of US$15 million, as previously disclosed in the Company's Interim Report 2019.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the breakdown of the VONB, ANP, VONB margin, and present value of new business premium (PVNBP) margin for the Group, by quarter, for business written in the six months ended 30 June 2020.

The VONB margin and PVNBP margin are defined as VONB, gross of non-controlling interests and excluding pension business, expressed as a percentage of ANP and PVNBP, respectively. The VONB used in the margin calculation is gross of non-controlling interests and excludes pension business to be consistent with the definition of ANP and PVNBP.

The Group VONB margin for the six months ended 30 June 2020 was 54.4 per cent compared with 65.6 per cent for the six months ended 30 June 2019. The Group PVNBP margin for the six months ended 30 June 2020 was 9 per cent compared with 11 per cent for the six months ended 30 June 2019.

Breakdown of VONB, ANP, VONB Margin and PVNBP Margin (US$ millions)

	VONB after CoC	ANP	VONB Margin	PVNBP Margin
Half Year				
Values for 2020				
Six months ended 30 June 2020 (Unaudited)[1]	**1,410**	**2,579**	**54.4%**	**9%**
Values for 2019				
Six months ended 30 June 2019 (Unaudited)[1]	2,275	3,443	65.6%	11%
Quarter				
Values for 2020				
Three months ended 31 March 2020 (Unaudited)[1]	**841**	**1,483**	**56.6%**	**10%**
Three months ended 30 June 2020 (Unaudited)[1]	**569**	**1,096**	**51.4%**	**9%**
Values for 2019				
Three months ended 31 March 2019[1], [2]	1,169	1,827	63.6%	11%
Three months ended 30 June 2019[1], [2]	1,106	1,616	67.9%	11%

Notes:

(1) The Group includes its share of Tata AIA Life and deducts the amount attributable to non-controlling interests in the VONB starting from the fourth quarter of 2019. The VONB for the six months ended 30 June 2019 are not restated as the impact to the Group is not material.

(2) As previously disclosed in the Company's Interim Report 2019, in the second quarter of 2019, the Ministry of Finance and State Administration of Taxation of the People's Republic of China announced a tax rule change that increased the tax deductibility of commissions in China retroactively from 2018 tax year onwards. The effect of the tax rule change on policies issued in the three months ended 31 March 2019, which amounted to US$36 million, was reported in the VONB for the three months ended 30 June 2019.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the VONB (excluding pension business), ANP, and VONB margin by Business Unit.

Summary of VONB Excluding Pension, ANP and VONB Margin by Business Unit (US$ millions)

	Six months ended 30 June 2020 (Unaudited)			Six months ended 30 June 2019 (Unaudited)		
Business Unit	VONB excluding pension	ANP	**VONB margin**	VONB excluding pension	ANP	VONB margin
AIA Hong Kong	289	565	**51.0%**	929	1,367	68.0%
AIA Thailand	199	312	**63.9%**	215	321	66.8%
AIA Singapore	127	214	**59.3%**	173	267	64.8%
AIA Malaysia	80	159	**50.5%**	130	198	65.4%
AIA China	594	726	**81.8%**	702	753	93.2%
Other Markets	240	603	**39.7%**	224	537	41.8%
Total before unallocated Group Office expenses (Business Unit)	1,529	2,579	**59.3%**	2,373	3,443	68.9%
Adjustment to reflect consolidated reserving and capital requirements	(50)	–		(39)	–	
Total before unallocated Group Office expenses (Consolidated)	1,479	2,579	**57.3%**	2,334	3,443	67.8%
After-tax value of unallocated Group Office expenses	(77)	–		(75)	–	
Total	1,402	2,579	**54.4%**	2,259	3,443	65.6%

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement

Analysis of Movement in EV (US$ millions)

	Six months ended 30 June 2020 (Unaudited)			Six months ended 30 June 2019 (Unaudited)			YoY AER
	ANW	VIF	**EV**	ANW	VIF	EV	EV
Opening EV	28,241	33,744	**61,985**	24,637	29,880	54,517	14%
Value of new business	(363)	1,773	**1,410**	(339)	2,614	2,275	(38)%
Expected return on EV	2,844	(654)	**2,190**	2,506	(498)	2,008	9%
Operating experience variances	494	(69)	**425**	245	84	329	n/m[1]
Operating assumption changes	(152)	116	**(36)**	(7)	21	14	n/m
Finance costs	(111)	–	**(111)**	(103)	–	(103)	8%
EV operating profit	2,712	1,166	**3,878**	2,302	2,221	4,523	(14)%
Investment return variances	(3,076)	(302)	**(3,378)**	1,484	92	1,576	n/m
Effect of changes in economic assumptions	33	(968)	**(935)**	–	–	–	n/m
Other non-operating variances	426	(91)	**335**	83	(63)	20	n/m
Total EV profit	95	(195)	**(100)**	3,869	2,250	6,119	n/m
Dividends	(1,452)	–	**(1,452)**	(1,448)	–	(1,448)	0%
Other capital movements	61	–	**61**	90	–	90	(32)%
Effect of changes in exchange rates	(323)	(597)	**(920)**	(10)	478	468	n/m
Closing EV	26,622	32,952	**59,574**	27,138	32,608	59,746	(0)%

Note:
(1) Not meaningful (n/m).

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

EV operating profit dropped by 14 per cent on AER to US$3,878 million (2019: US$4,523 million) compared with 2019. The drop reflected a lower VONB to US$1,410 million (2019: US$2,275 million), offset by a higher expected return on EV to US$2,190 million (2019: US$2,008 million). Overall operating experience variances and operating assumption changes were again positive at US$389 million (2019: US$343 million). Finance costs were US$111 million (2019: US$103 million).

The VONB is calculated at the point of sale for business written during the period. The expected return on EV is the expected change in the EV over the period plus the expected return on the VONB up to 30 June 2020. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the period and that expected based on the operating assumptions.

The main operating experience variances, net of tax, increased EV by US$425 million (2019: US$329 million), driven by:

- Expense variances of US$68 million (2019: US$18 million), partly offset by development costs of US$3 million (2019: US$16 million);

- Mortality and morbidity claims variances of US$273 million (2019: US$158 million); and

- Persistency and other variances of US$87 million (2019: US$169 million) which included persistency variances of US$(82) million (2019: US$51 million) and other variances arising from management actions of US$169 million (2019: US$118 million).

The effect of changes in operating assumptions during the period was a decrease in EV of US$36 million (2019: increase in EV of US$14 million).

The EV profit of US$(100) million (2019: US$6,119 million) is the total of EV operating profit, investment return variances, the effect of changes in economic assumptions and other non-operating variances.

The investment return variances arise from the impact of differences between the actual investment returns in the period and the expected investment returns reflecting short-term fluctuations in investment returns. This amounted to a decrease in EV of US$3,378 million (2019: increase in EV of US$1,576 million) from the effect of short-term fluctuations in current interest rate, equity market and other capital market movements on the Group's investment portfolio and the reserves and capital requirements compared with the expected returns.

The effect of changes in economic assumptions was a decrease in EV by US$935 million (2019: nil).

Other non-operating variances increased EV by US$335 million (2019: US$20 million) which comprised positive impacts from the subsidiarisation of New Zealand, the implementation of Risk-Based Capital 2 in Singapore, adjustments to capital requirements on consolidation, and other items including modelling-related enhancements. This was partly offset by a negative impact from certain non-operating project costs.

The final dividends paid in the first half of 2020 totalled US$1,452 million (2019: US$1,448 million). Other capital movements increased EV by US$61 million (2019: US$90 million).

Foreign exchange movements decreased EV by US$920 million (2019: increase in EV by US$468 million).

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

Operating ROEV (US$ millions)

Operating return on EV (operating ROEV) is calculated as EV operating profit expressed as a percentage of the opening EV and was 12.9 per cent (2019: 17.3 per cent) for the six months ended 30 June 2020.

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)	YoY CER	YoY AER
EV operating profit	**3,878**	4,523	(13)%	(14)%
Opening EV	**61,985**	54,517	12%	14%
Operating ROEV[1]	**12.9%**	17.3%	(3.9) pps	(4.4) pps

Note:
(1) On an annualised basis.

2.7 EV Equity

The EV Equity dropped to US$61,420 million at 30 June 2020, a decrease of 4 per cent on AER from US$63,905 million as at 31 December 2019.

Derivation of EV Equity from EV (US$ millions)

	As at 30 June 2020 (Unaudited)	As at 31 December 2019	Change CER	Change AER
EV	**59,574**	61,985	(3)%	(4)%
Goodwill and other intangible assets[1]	**1,846**	1,920	(2)%	(4)%
EV Equity	**61,420**	63,905	(3)%	(4)%

Note:
(1) Based on the IFRS consolidated financial statements, net of tax, amounts attributable to participating funds and non-controlling interests.

2.8 Free Surplus Generation

Free Surplus Generation (US$ millions)

	Six months ended 30 June 2020 (Unaudited)	Six months ended 30 June 2019 (Unaudited)	YoY CER (Unaudited)	YoY AER (Unaudited)
Opening free surplus	**14,917**	14,751	1%	1%
Underlying free surplus generation	**3,049**	2,804	11%	9%
Free surplus used to fund new business	**(703)**	(750)	(4)%	(6)%
Investment return variances and other items	**(3,899)**	848	n/m[1]	n/m
Unallocated Group Office expenses	**(91)**	(115)	(21)%	(21)%
Dividends	**(1,452)**	(1,448)	0%	0%
Finance costs and other capital movements	**(50)**	(13)	n/m	n/m
Closing free surplus	**11,771**	16,077	(27)%	(27)%

Free surplus decreased by US$3,146 million to US$11,771 million (31 December 2019: US$14,917 million[2]) as of 30 June 2020.

Underlying free surplus generation, as defined in Section 4.8 in the Company's Annual Report 2019, increased by 11 per cent[2] on constant exchange rates (CER) to US$3,049 million (2019: US$2,804 million[2]). Investment in writing new business reduced free surplus by US$703 million (2019: US$750 million[2]).

Investment return variances and other items amounted to US$(3,899) million (2019: US$848 million[2]), reflecting the effect of short-term fluctuations in current interest rate, equity market and other capital market movements on the Group's investment portfolio and statutory reserves compared with the expected returns and other items including the free surplus impacts arising from other non-operating variances as described in Section 2.6.

Unallocated Group Office expenses amounted to US$91 million (2019: US$115 million[2]).

Notes:
(1) Not meaningful (n/m).

(2) All the 2019 numbers and growth rates quoted in this section are unaudited.

3. SENSITIVITY ANALYSIS

The EV as at 30 June 2020 and the VONB for the six months ended 30 June 2020 have been recalculated to illustrate the sensitivity of the results to changes in certain central assumptions discussed in Section 5 of this report.

The sensitivities analysed were:

- Risk discount rates 200 basis points per annum higher than the central assumptions;
- Risk discount rates 200 basis points per annum lower than the central assumptions;
- Interest rates 50 basis points per annum higher than the central assumptions;
- Interest rates 50 basis points per annum lower than the central assumptions;
- The presentation currency (as explained below) appreciated by 5 per cent;
- The presentation currency depreciated by 5 per cent;
- Lapse and premium discontinuance rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Lapse and premium discontinuance rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Mortality/morbidity rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Mortality/morbidity rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Maintenance expenses 10 per cent lower (i.e. 90 per cent of the central assumptions); and
- Expense inflation set to 0 per cent.

The EV as at 30 June 2020 has been further analysed for the following sensitivities:

- Equity prices increased proportionally by 10 per cent (i.e. 110 per cent of the prices at 30 June 2020); and
- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 30 June 2020).

For the interest rate sensitivities, the investment return assumptions and the risk discount rates were changed by 50 basis points per annum; the projected bonus rates on participating business, the statutory reserving bases at 30 June 2020 and the values of debt instruments held at 30 June 2020 were changed to be consistent with the interest rate assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

As the Group operates in multiple geographical markets in the Asia-Pacific region, the EV results for the Group are translated from multiple currencies to US dollar which is the Group's presentation currency. In order to provide sensitivity results for EV and VONB of the impact of foreign currency movements, a change of 5 per cent to the US dollar is included.

For the equity price sensitivities, the projected bonus rates on participating business and the values of equity securities and equity funds held at 30 June 2020 were changed to be consistent with the equity price assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

3. SENSITIVITY ANALYSIS (continued)

For each of the remaining sensitivity analyses, the statutory reserving bases as at 30 June 2020 and the projected bonus rates on participating business were changed to be consistent with the sensitivity analysis assumptions, while all the other assumptions remain unchanged.

The sensitivities chosen do not represent the boundaries of possible outcomes, but instead illustrate how certain alternative assumptions would affect the results.

Sensitivity of EV (US$ millions)

	As at 30 June 2020 (Unaudited)		As at 31 December 2019	
Scenario	**EV**	**Ratio**	EV	Ratio
Central value	**59,574**		61,985	
Impact of:				
200 bps increase in risk discount rates	**(8,672)**	**(14.6)%**	(8,500)	(13.7)%
200 bps decrease in risk discount rates	**13,968**	**23.4%**	13,696	22.1%
10% increase in equity prices	**919**	**1.5%**	968	1.6%
10% decrease in equity prices	**(914)**	**(1.5)%**	(967)	(1.6)%
50 bps increase in interest rates	**1,589**	**2.7%**	719	1.2%
50 bps decrease in interest rates	**(1,905)**	**(3.2)%**	(797)	(1.3)%
5% appreciation in the presentation currency	**(1,851)**	**(3.1)%**	(1,837)	(3.0)%
5% depreciation in the presentation currency	**1,851**	**3.1%**	1,837	3.0%
10% increase in lapse/discontinuance rates	**(879)**	**(1.5)%**	(999)	(1.6)%
10% decrease in lapse/discontinuance rates	**992**	**1.7%**	1,087	1.8%
10% increase in mortality/morbidity rates	**(4,262)**	**(7.2)%**	(4,627)	(7.5)%
10% decrease in mortality/morbidity rates	**4,292**	**7.2%**	4,540	7.3%
10% decrease in maintenance expenses	**748**	**1.3%**	699	1.1%
Expense inflation set to 0%	**847**	**1.4%**	868	1.4%

Sensitivity of VONB (US$ millions)

	Six months ended 30 June 2020 (Unaudited)		Six months ended 30 June 2019 (Unaudited)	
Scenario	**VONB**	**Ratio**	VONB	Ratio
Central value	**1,410**		2,275	
Impact of:				
200 bps increase in risk discount rates	**(324)**	**(23.0)%**	(522)	(22.9)%
200 bps decrease in risk discount rates	**492**	**34.9%**	849	37.3%
50 bps increase in interest rates	**102**	**7.2%**	79	3.5%
50 bps decrease in interest rates	**(159)**	**(11.3)%**	(107)	(4.7)%
5% appreciation in the presentation currency	**(53)**	**(3.8)%**	(68)	(3.0)%
5% depreciation in the presentation currency	**53**	**3.8%**	68	3.0%
10% increase in lapse/discontinuance rates	**(81)**	**(5.7)%**	(108)	(4.7)%
10% decrease in lapse/discontinuance rates	**85**	**6.0%**	116	5.1%
10% increase in mortality/morbidity rates	**(159)**	**(11.3)%**	(183)	(8.0)%
10% decrease in mortality/morbidity rates	**153**	**10.9%**	175	7.7%
10% decrease in maintenance expenses	**41**	**2.9%**	51	2.2%
Expense inflation set to 0%	**23**	**1.6%**	30	1.3%

4. METHODOLOGY

The methodology used by the Group for determining the EV results for the period is consistent with that described in Section 4 of the Supplementary Embedded Value Information in the Company's Annual Report 2019 taking into account the regulatory capital requirements as set out in Section 4.1.

4.1 Capital Requirements

Each of the Business Units has a regulatory requirement to hold shareholder capital in addition to the assets backing the insurance liabilities. The Group's assumed levels of local capital requirement for each Business Unit are set out in the table below:

Business Unit	Capital requirements
AIA Australia	
• Australia	100% of regulatory capital adequacy requirement
• New Zealand	100% of regulatory capital adequacy requirement
AIA China	100% of required capital as specified under the CAA EV assessment guidance
AIA Hong Kong	150% of required minimum solvency margin
AIA Indonesia	120% of regulatory Risk-Based Capital requirement
AIA Korea	150% of regulatory Risk-Based Capital requirement
AIA Malaysia	170% of regulatory Risk-Based Capital requirement
AIA Philippines	100% of regulatory Risk-Based Capital requirement
AIA Singapore	Higher of 135% of capital adequacy requirement and 80% of Tier 1 capital requirement under the regulatory Risk-Based Capital framework(1)
AIA Sri Lanka	120% of regulatory Risk-Based Capital requirement
AIA Taiwan	250% of regulatory Risk-Based Capital requirement
AIA Thailand	140% of regulatory Risk-Based Capital requirement(2)
AIA Vietnam	100% of required minimum solvency margin
Tata AIA Life	175% of required minimum solvency margin

Notes:

(1) The Monetary Authority of Singapore (MAS) announced that the new Risk-Based Capital 2 (Singapore RBC 2) requirement for insurers takes effect from 31 March 2020. This new Singapore RBC 2 requirement has been applied to the EV as of 30 June 2020.

(2) The Required Capital ratio assumed in the EV calculation is 120% up to year-end of 2021, and 140% thereafter, in line with the regulatory requirement under Thailand RBC 2.

Capital Requirements on Consolidation

The Group has an undertaking to the Hong Kong Insurance Authority (HKIA) to maintain required capital not less than the aggregate of 150% of the Hong Kong statutory minimum solvency margin requirement in respect of AIA Hong Kong and no less than 100% of the Hong Kong statutory minimum solvency margin requirement for branches other than Hong Kong.

AIA International and its subsidiaries hold required capital of no less than 120% of the BMA regulatory capital requirements.

On 16 May 2017, the HKIA and the China Banking and Insurance Regulatory Commission (formerly the China Insurance Regulatory Commission) signed the Equivalence Assessment Framework Agreement on the Solvency Regulatory Regime. As a transitional arrangement, the Group reports under the Hong Kong Insurance Ordinance the capital position of its China branches based on the China local regulatory solvency basis progressively over a 4-year phase-in period to full implementation on 31 March 2022.

In addition to the above, the reserving and capital requirements for the purpose of consolidation allow for the local regulatory requirements outlined above and other reserving and capital requirements as determined by the Group.

5. ASSUMPTIONS

5.1 Introduction

This section summarises the assumptions used by the Group to determine the EV as at 30 June 2020 and the VONB for the period ended 30 June 2020.

Long-term economic assumptions used in the EV basis for the interim results has been updated from those shown in Section 5.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2019 to reflect the Group's latest view of economic outlook. Note that VONB results were calculated based on start-of-period economic assumptions consistent with measurement at the point of sale.

The non-economic assumptions used are based on those at 31 December 2019, updated to reflect the Group's latest view of expected future experience. A more detailed description of the assumptions can be found in Section 5 of the Supplementary Embedded Value Information in the Company's Annual Report 2019.

5.2 Economic Assumptions

Investment Returns

The Group has set the assumed long-term future returns for fixed income assets to reflect its view of expected returns having regard to estimates of long-term forward rates from yields available on government bonds and current bond yields. In determining returns on fixed income assets the Group allows for the risk of default, and this allowance varies by the credit rating of the underlying asset.

Where long-term views of investment return assumptions differ from current market yields on existing fixed income assets such that there would be a significant impact on value, an adjustment was made to make allowance for the current market yields. In these cases, in calculating the VIF, adjustments have been made to the investment return assumptions such that the investment returns on existing fixed income assets were set consistently with the current market yield on these assets for their full remaining term, to be consistent with the valuation of the assets backing the policy liabilities.

The Group has set the equity return and property return assumptions by reference to the return on 10-year government bonds, allowing for an internal assessment of risk premia that vary by asset class and by territory.

For each Business Unit, the non-linked portfolio is divided into a number of distinct product groups, and the returns for each of these product groups have been derived by considering current and future targeted asset allocations and associated investment returns for major asset classes.

For unit-linked business, fund growth assumptions have been determined based on actual asset mix within the funds at the valuation date and expected long-term returns for major asset classes.

For Tata AIA Life the Group uses the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India for determining its EV and VONB. This methodology uses investment returns and risk discount rates that reflect the market-derived government bond yield curve.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates

The risk discount rates can be considered as the sum of the appropriate risk-free interest rate, to reflect the time value of money, and a risk margin to make an implicit overall level of allowance for risk.

The table below summarises the current market 10-year government bond yields referenced in EV calculations.

	Current market 10-year government bond yields referenced in EV calculations (%)		
Business Unit	**As at 30 June 2020 (Unaudited)**	As at 31 December 2019	As at 30 June 2019 (Unaudited)
AIA Australia			
• Australia	**0.87**	1.37	1.32
• New Zealand	**0.93**	1.65	1.57
AIA China	**2.85**	3.14	3.24
AIA Hong Kong(1)	**0.66**	1.92	2.01
AIA Indonesia	**7.21**	7.06	7.37
AIA Korea	**1.39**	1.67	1.60
AIA Malaysia	**2.87**	3.31	3.64
AIA Philippines	**2.80**	4.46	5.07
AIA Singapore	**0.90**	1.74	2.00
AIA Sri Lanka	**7.20**	10.07	10.33
AIA Taiwan	**0.45**	0.67	0.68
AIA Thailand	**1.28**	1.49	2.16
AIA Vietnam	**2.99**	3.56	4.70

Note:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond yields shown above are those of US dollar-denominated bonds.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates (continued)

The table below summarises the risk discount rates and long-term investment returns assumed in EV calculations. The same risk discount rates were used for all the EV results shown in Section 1 and Section 2 of this report. The present value of unallocated Group Office expenses was calculated using the AIA Hong Kong risk discount rate. The investment returns on existing fixed income assets were set consistently with the market yields on these assets. Note that the VONB results were calculated based on start-of-quarter economic assumptions consistent with the measurement at the point of sale. The investment returns shown are gross of tax and investment expenses.

	Risk discount rates assumed in EV calculations (%)			Long-term investment returns assumed in EV calculations (%)					
				10-year government bonds			Local equities		
Business Unit	**As at 30 Jun 2020 (Unaudited)**	As at 31 Dec 2019	As at 30 Jun 2019 (Unaudited)	**As at 30 Jun 2020 (Unaudited)**	As at 31 Dec 2019	As at 30 Jun 2019 (Unaudited)	**As at 30 Jun 2020 (Unaudited)**	As at 31 Dec 2019	As at 30 Jun 2019 (Unaudited)
AIA Australia									
• Australia	**6.45**	6.45	7.35	**2.30**	2.30	3.00	**6.60**	6.60	7.50
• New Zealand	**6.85**	6.85	7.75	**2.60**	2.60	3.50	**7.10**	7.10	8.00
AIA China	**9.75**	9.75	9.75	**3.70**	3.70	3.70	**9.30**	9.30	9.30
AIA Hong Kong(1)	**7.00**	7.20	7.50	**2.20**	2.70	3.00	**7.00**	7.50	7.80
AIA Indonesia	**13.00**	13.00	13.00	**7.50**	7.50	7.50	**12.00**	12.00	12.00
AIA Korea	**8.10**	8.10	8.60	**2.20**	2.20	2.70	**6.50**	6.50	7.20
AIA Malaysia	**8.55**	8.55	8.75	**4.00**	4.00	4.20	**8.60**	8.60	8.80
AIA Philippines	**11.80**	11.80	11.80	**5.30**	5.30	5.30	**10.50**	10.50	10.50
AIA Singapore	**6.60**	6.90	7.10	**2.20**	2.50	2.70	**6.70**	7.00	7.20
AIA Sri Lanka	**15.70**	15.70	15.70	**10.00**	10.00	10.00	**12.00**	12.00	12.00
AIA Taiwan	**7.55**	7.55	7.85	**1.30**	1.30	1.60	**5.90**	5.90	6.60
AIA Thailand	**7.90**	7.90	8.60	**2.70**	2.70	3.20	**7.70**	7.70	9.00
AIA Vietnam	**9.80**	10.80	11.80	**4.00**	5.00	6.00	**9.30**	10.30	11.30

Note:
(1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond assumptions shown above are those of US dollar-denominated bonds.

For Tata AIA Life, the Group uses the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India for determining its EV and VONB. This methodology uses investment returns and risk discount rates that reflect the market-derived government bond yield curve. The above disclosure information is therefore not provided for Tata AIA Life.

5. ASSUMPTIONS (continued)

5.3 Expense Inflation

The expected long-term expense inflation rates used by Business Unit are set out below:

Expense Inflation Assumptions by Business Unit (%)

Business Unit	**As at 30 June 2020 (Unaudited)**	As at 31 December 2019
AIA Australia		
• Australia	**2.05**	2.05
• New Zealand	**2.00**	2.00
AIA China	**2.00**	2.00
AIA Hong Kong	**2.00**	2.00
AIA Indonesia	**3.50**	3.50
AIA Korea	**3.50**	3.50
AIA Malaysia	**3.00**	3.00
AIA Philippines	**3.50**	3.50
AIA Singapore	**2.00**	2.00
AIA Sri Lanka	**6.50**	6.50
AIA Taiwan	**1.20**	1.20
AIA Thailand	**2.00**	2.00
AIA Vietnam	**4.00**	4.00
Tata AIA Life	**7.25**	7.25

Unallocated Group Office expenses are assumed to inflate by the weighted average of the Business Unit expense inflation rates.

5. ASSUMPTIONS (continued)

5.4 Taxation

The projections of distributable earnings underlying the values presented in this report are net of corporate income tax, based on current taxation legislation and corporate income tax rates. The projected amount of tax payable in any year allows, where relevant, for the benefits arising from any tax loss carried forward.

The local corporate income tax rates used by each Business Unit are set out below:

Local Corporate Income Tax Rates by Business Unit (%)

Business Unit	**As at 30 June 2020 (Unaudited)**	As at 31 December 2019
AIA Australia		
• Australia	**30.0**	30.0
• New Zealand	**28.0**	28.0
AIA China	**25.0**	25.0
AIA Hong Kong	**16.5**	16.5
AIA Indonesia(1)	**22.0**	25.0
AIA Korea(2)	**27.5**	27.5
AIA Malaysia	**24.0**	24.0
AIA Philippines	**30.0**	30.0
AIA Singapore	**17.0**	17.0
AIA Sri Lanka	**28.0**	28.0
AIA Taiwan	**20.0**	20.0
AIA Thailand	**20.0**	20.0
AIA Vietnam	**20.0**	20.0
Tata AIA Life	**14.6**	14.6

Notes:

(1) During the reporting period, Indonesia enacted a change in corporate income tax rate from 25% to 22% for fiscal years 2020 and 2021 and 20% from fiscal year 2022 onwards.

(2) From fiscal years 2018 to 2020, AIA Korea is subject to an assumed corporate income tax of 27.5%, which includes an Accumulated Earnings Tax following the subsidiarisation of the branch in AIA Korea. Based on current regulations, the corporate income tax rate will revert to 24.2% from fiscal year 2021.

The tax assumptions used in the valuation reflect the local corporate income tax rates set out above. Where applicable, tax payable on investment income has been reflected in projected investment returns.

The EV of the Group as at 30 June 2020 is calculated after deducting any expected remittance taxes payable on the anticipated distribution of both the ANW and VIF.

6. EVENTS AFTER THE REPORTING PERIOD

On 19 June 2020, AIA Co. has received approval from the China Banking and Insurance Regulatory Commission (CBIRC) to convert its existing Shanghai branch to a wholly-owned subsidiary. On 9 July 2020, the subsidiary was incorporated in Shanghai to operate AIA's life insurance business in Mainland China once the conversion process is completed. Upon the completion of the conversion process, any future remittances to the Group from this subsidiary will be subject to withholding tax at the applicable tax rate in Mainland China (currently at 5%). EV and VONB from AIA China have been subject to 5% withholding tax from 9 July 2020 onwards.

On 20 August 2020, a Committee appointed by the Board of Directors declared an interim dividend of 35.00 Hong Kong cents per share (six months ended 30 June 2019: 33.30 Hong Kong cents per share).

APPENDIX II

REPRODUCTION OF THE PRESS RELEASE DATED 5 NOVEMBER 2020 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020

The information set out below is a reproduction of the press release dated 5 November 2020 containing the Guarantor's consolidated financial results for the third quarter ended 30 September 2020.

SOCIETE GENERALE

RESULTS AT SEPTEMBER 30TH 2020

Press release
Paris, November 5th 2020

Q3 20 KEY INFORMATION: CONFIRMED REBOUND

Substantial improvement in gross operating income +14.6%* vs. Q3 19
Rebound in revenues in all activities: revenues +9.7% vs. Q2 20 (+0.5%* vs. Q3 19)
Operating expenses down -8.2% vs. Q3 19 (-5.6%*) and -6.5% vs. 9M 19 (-4.5%*)
Positive jaws effect at Group level
Q3 20 cost of risk substantially lower than in Q2 20 at 40 basis points
Reported Group net income of EUR 862m (+9.8%* vs. Q3 19) - underlying Group net income of EUR 742m in Q3 20 and EUR 803m in 9M 20

SIGNIFICANT INCREASE IN CET1 RATIO AT 13.2%(1)

Dividend provision of EUR 0.21 per share(2) included in CET1
High level of capital (~420bp buffer over regulatory requirement) giving the Group flexibility in terms of shareholders' return

2020 OBJECTIVES

Objective of underlying operating expenses of around EUR 16.5bn
Cost of risk of around 70bp
Objective of a CET1 ratio above 12% at end-2020

SOCIETE GENERALE GROUP FULLY MOBILISED TO SERVING THE ECONOMY

More than EUR 20bn of State Guaranteed Loan applications at Group level

NEW ENERGY TRANSITION COMMITMENTS

Target to reduce overall exposure to the oil and gas extraction sector by 10% by 2025:

- by supporting the energy transition of our clients, through a priority of financing renewable energies and gas in the transition phase
- by stopping new financing of onshore oil & gas extraction in the US (Reserve Based Lending)

Frédéric Oudéa, the Group's Chief Executive Officer, commented:
"The Societe Generale Group's Q3 results illustrate the ability of all our businesses to rebound, after the exceptional lockdown period that we have experienced, and to adapt to a still very uncertain environment. The performances reflect our efforts in terms of commercial development, cost control and rigorous risk management. The solidity of the balance sheet, both in terms of asset quality and level of capital, enables us to approach the coming months with confidence and build our new strategic roadmap on sound foundations. With the exceptional commitment of our teams, we have the ambition to support our customers both in the current crisis and in the longer term with their energy and digital transition, and we are confident of our ability to enhance the added value and competitiveness of our different businesses."

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*The footnote * in this document corresponds to data adjusted for changes in Group Structure and at constant exchange rates*
(1) Including +19bp of IFRS 9 phasing and ~+10bp impact of closing of SG Finans dated 1 October 2020
(2) Corresponding to 50% of underlying Group net income in 9M 20, after deducting interests on deeply subordinated notes and undated subordinated notes

1. GROUP CONSOLIDATED RESULTS

In EURm	Q3 20	Q3 19	Change		9M 20	9M 19	Change	
Net banking income	5,809	5,983	-2.9%	+0.5%*	16,275	18,458	-11.8%	-9.4%*
Operating expenses	(3,825)	(4,165)	-8.2%	-5.6%*	(12,363)	(13,224)	-6.5%	-4.5%*
Underlying operating expenses(1)	*(4,002)*	*(4,317)*	*-7.3%*	*-4.8%**	*(12,186)*	*(12,816)*	*-4.9%*	*-2.8%**
Gross operating income	1,984	1,818	+9.1%	+14.6%*	3,912	5,234	-25.3%	-22.3%*
Underlying gross operating income(1)	*1,807*	*1,666*	*+8.5%*	*+14.4%**	*4,089*	*5,642*	*-27.5%*	*-24.9%**
Net cost of risk	(518)	(329)	+57.4%	+67.7%*	(2,617)	(907)	x 2.9	x 3.0*
Operating income	1,466	1,489	-1.5%	+2.9%*	1,295	4,327	-70.1%	-69.6%*
Underlying operating income(1)	*1,289*	*1,337*	*-3.6%*	*+1.3%**	*1,472*	*4,753*	*-69.0%*	*-68.6%**
Net profits or losses from other assets	(2)	(71)	+97.2%	+97.2%*	82	(202)	n/s	n/s
Underlying net profits or losses from other assets(1)	*(2)*	*42*	*n/s*	*n/s*	*159*	*47*	*X3.4*	*X3.3**
Impairment losses on goodwill	0	0	n/s	n/s	(684)	0	n/s	n/s
Income tax	(467)	(389)	+20.1%	+20.1%*	(1,079)	(1,034)	+4.4%	+23.0%*
Reported Group net income	862	854	+0.9%*	+9.8%*	(728)	2,594	n/s	n/s
Underlying Group net income(1)	*742*	*855*	*-13.2%*	*-5.9%**	*803*	*3,183*	*-74.8%*	*-74.7%**
ROE	5.7%	5.3%			-3.0%	5.5%		
ROTE	6.5%	6.1%			-1.4%	6.7%		
Underlying ROTE (1)	*5.5%*	*6.1%*			*1.0%*	*8.1%*		

(1) Adjusted for exceptional items and linearisation of IFRIC 21

Societe Generale's Board of Directors, which met on November 4th, 2020 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q3 and 9M 2020.

The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 10.5).

Net banking income

Q3 was marked by a general rebound in all the Group's activities in an environment still characterised by the global health crisis. There was a significant improvement in the Group's net banking income (+9.7%) vs. Q2 20 to EUR 5,809 million. It was stable (+0.5%* when adjusted for changes in Group structure and at constant exchange rates) vs. Q3 19 (-2.9% on a reported basis). It was down -9.4%* in 9M 20 vs. 9M 19 (-11.8% in 9M 20 vs. 9M 19).

Net banking income (excluding PEL/CEL provision) for French Retail Banking was up +6.2% vs. Q2 20 and down -4.5% vs. Q3 19. The dynamic rebound was also observed on International Retail Banking & Financial Services' revenues (+9.9%* vs. Q2 20, -2.6%* vs. Q3 19).

Global Banking & Investor Solutions' net banking income was up +8.2% vs. Q2 20 and +1% vs. Q3 19. Global Markets experienced a sharp rebound, particularly in the Equity businesses, against the backdrop of the normalisation of market conditions.

Operating expenses

Operating expenses were significantly lower in Q3 20 at EUR 3,825 million (-8.2% vs. Q3 19 and -5.6%* when adjusted for changes in Group structure and at constant exchange rates), resulting in a positive jaws effect in the quarter, and in 9M 20 at EUR 12,363 million (-6.5% vs. 9M 19 and -4.5%* when adjusted for changes in Group structure and at constant exchange rates). Underlying operating expenses totalled EUR 4,002 million in Q3 20, down -7.3% vs. Q3 19, and EUR 12,186 million in 9M 20, down -4.9% vs. 9M 19, after including the linearisation of the IFRIC 21 impact.

All the Group's businesses contributed to this decline: French Retail Banking's costs were down -6.0% in Q3 20 vs. Q3 19, those of International Retail Banking & Financial Services were down -8.4% in Q3 20 vs. Q3 19 and those of Global Banking & Investor Solutions were down -9.8% in Q3 20 vs. Q3 19.

The Group expects underlying operating expenses of around EUR 16.5 billion for 2020. In addition, the Group is already working on reducing its costs beyond 2020: expected decline of EUR 450 million by 2022/2023 in Global Markets, study under way on French Retail Banking, ongoing optimisation of cross-functional processes, gradual benefit of the finalisation of remediation efforts as from 2022, ramping up of digitalisation.

Cost of risk

The commercial cost of risk amounted to 40 basis points in Q3 20, substantially lower than in the last quarter (97 basis points in Q2 20 and 26 basis points in Q3 19), and 67 basis points in 9M 20.

The net cost of risk amounted to EUR 518 million in Q3 20 and breaks down into EUR 382 million in respect of loans classified in Stage 3 (credit-impaired) and EUR 136 million in respect of loans classified in Stage 1 (performing) and Stage 2 (underperforming), o/w EUR 123 million impact of macroeconomic scenarios review in International Retail Banking & Financial Services.

In the first nine months, the net cost of risk amounted to EUR 2,617 million, with EUR 1,617 million in respect of loans classified in Stage 3 and EUR 1,000 million in respect of loans classified in Stage 1 and Stage 2.

As of September 30th, the total amount of repayment moratoriums was around EUR 35 billion, o/w EUR 9 billion already expired. The end of these moratoriums has a limited impact on the Group's cost of risk.

The Group expects a 2020 commercial cost of risk of around 70 basis points.

The gross doubtful outstandings ratio amounted to 3.4%(1) at September 30th 2020, up +20bp vs. September 30th 2019. The Group's gross coverage ratio for doubtful outstandings stood at 52%(2) at September 30th 2020 (54% at June 30th 2020).

Net profits or losses from other assets

Net profits or losses from other assets totalled EUR -2 million in Q3 20 and EUR +82 million in 9M 20.

(1) NPL ratio calculated according to the new EBA methodology

(2) Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings

Group net income

In EURm	Q3 20	Q3 19	9M 20	9M 19
Reported Group net income	862	854	(728)	2,594
Underlying Group net income[1]	742	855	803	3,183

In %	Q3 20	Q3 19	9M 20	9M 19
ROTE (reported)	6.5%	6.1%	-1.4%	6.7%
Underlying ROTE[1]	5.5%	6.1%	1%	8.1%

Earnings per share is negative and amounts to EUR -1.38 in 9M 20 (EUR 2.49 in 9M 19). Underlying earnings per share amounts to EUR 0.42 (EUR 3.21 in 9M 19). The dividend provision, corresponding to 50% of underlying net income after deducting interest on deeply subordinated notes and undated subordinated notes for 9M 20, amounts to EUR 0.21 per share.

[1] *Adjusted for exceptional items and the linearisation of IFRIC 21*

2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 60.6 billion at September 30th, 2020 (EUR 63.5 billion at December 31st, 2019). Net asset value per share was EUR 62.0 and tangible net asset value per share was EUR 54.45.

The **consolidated balance sheet** totalled EUR 1,472 billion at September 30th, 2020 (EUR 1,356 billion at December 31st, 2019). The net amount of customer loan outstandings at September 30th, 2020, including lease financing, was EUR 440 billion (EUR 430 billion at December 31st, 2019) – excluding assets and securities purchased under resale agreements. At the same time, customer deposits amounted to EUR 440 billion, vs. EUR 410 billion at December 31st, 2019 (excluding assets and securities sold under repurchase agreements).

At end-September 2020, the parent company had issued EUR 26.9 billion of medium/long-term debt, having an average maturity of 5.6 years and an average spread of 61 basis points (vs. the 6-month mid-swap, excluding subordinated debt). The subsidiaries had issued EUR 765 million. At September 30th, 2020, the Group had issued a total of EUR 27.6 billion of medium/long-term debt. The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 179% at end-September 2020, vs. 119% at end-December 2019. At the same time, the NSFR (Net Stable Funding Ratio) was over 100% at end-September 2020.

The Group's **risk-weighted assets** (RWA) amounted to EUR 352.3 billion at September 30th, 2020 (vs. EUR 345.0 billion at end-December 2019) according to CRR/CRD4 rules. Risk-weighted assets in respect of credit risk represent 80.7% of the total, at EUR 284.4 billion, up 0.7% vs. December 31st, 2019.

At September 30th, 2020, the Group's **Common Equity Tier 1** ratio stood at 13.1% (13.2% pro forma for the impact of the disposal of SG Finans which was finalised on October 1st, 2020, i.e. around 420 basis points above the regulatory requirement). The CET1 ratio at September 30th, 2020 includes an effect of +19 basis points for phasing of the IFRS 9 impact. Excluding this effect, the fully-loaded ratio amounts to 12.9%. The Tier 1 ratio stood at 15.1%(1) at end-September 2020 (15.1% at end-December 2019) and the total capital ratio amounted to 18.2%(1) (18.3% at end-December 2019).

The CET1 ratio is expected to be above 12% at end-2020, taking into account all the regulatory developments related to the review of internal models (TRIM).

With a level of 29.6%(1) of RWA and 8.7%(1) of leveraged exposure at end-September 2020, the Group's TLAC ratio is above the FSB's requirements for 2020. At September 30th, 2020, the Group was also above its MREL requirements of 8.51% of the TLOF(2) (which, in December 2017, represented a level of 24.4% of RWA), which were used as a reference for the SRB calibration.

The **leverage ratio** stood at 4.4%(1) at September 30th, 2020 (4.3% at end-December 2019).

The Group is rated by four rating agencies: (i) FitchRatings - long-term rating "A-", stable outlook, 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", negative outlook, short-term rating "A-1".

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(1) Excluding IFRS 9 phasing
(2) TLOF: Total Liabilities and Own Funds

3. FRENCH RETAIL BANKING

In EURm	Q3 20	Q3 19	Change	9M 20	9M 19	Change
Net banking income	1,836	1,879	-2.3%	5,470	5,789	-5.5%
Net banking income excl. PEL/CEL	*1,857*	*1,945*	*-4.5%*	*5,511*	*5,894*	*-6.5%*
Operating expenses	(1,292)	(1,375)	-6.0%	(3,975)	(4,209)	-5.6%
Gross operating income	544	504	+7.9%	1,495	1,580	-5.4%
Gross operating income excl. PEL/CEL	*565*	*570*	*-0.9%*	*1,536*	*1,685*	*-8.8%*
Net cost of risk	(130)	(95)	+36.8%	(821)	(318)	+158.2%
Operating income	414	409	+1.2%	674	1,262	-46.6%
Net profits or losses from other assets	3	41	-92.7%	139	43	+223.3%
Reported Group net income	283	311	-9.0%	562	901	-37.6%
RONE	9.5%	11.0%		6.5%	10.6%	
Underlying RONE (1)	9.2%	12.0%		7.1%	11.7%	

(1) Adjusted for the linearisation of IFRIC 21 and PEL/CEL provision

After the substantial impact of the lockdown on activity in Q2, French Retail Banking's commercial performance improved in Q3 20.

The brands continued to expand their activity on their core target customers.
Boursorama consolidated its position as the leading online bank in France, with around 2.5 million clients at end-September 2020 (around 450,000 new clients in one year) while maintaining its No. 1 position in terms of client satisfaction(1). The number of stock market orders doubled compared to Q3 19.
Net inflow for wealthy clients remained robust at EUR 919 million in Q3 20 (EUR 2.2 billion over 9 months 2020), taking assets under management to EUR 67.4 billion (including Crédit du Nord) at end-September 2020.
Life insurance outstandings totalled EUR 93.4 billion, with the unit-linked share accounting for 25.9% of outstandings. The unit-linked share of outstandings increased by 126bp vs. Q3 19.
The brands continued to develop their insurance business, with Property/Casualty insurance premiums up 6.4% vs. Q3 19.

Average investment loan outstandings (including leases) rose 25.7% vs. Q3 19 to EUR 88.3 billion (+5.5% excluding State Guaranteed Loans). Average outstanding loans to individuals were up 4.5% at EUR 122.3 billion, bolstered by housing loans.
As a result, average loan outstandings climbed 12.2% (+5.0% excluding State Guaranteed Loans) vs. Q3 19 to EUR 222.4 billion.

French Retail Banking continued to support the economy, accompanying individual, corporate and professional customers.
As of October 16th, 2020, around 91,800 applications had been received for State Guaranteed Loans for a total amount of EUR 19.7 billion at Group level in France.

Average outstanding balance sheet deposits(2) were 14.1% higher than in Q3 19 (+4.9% vs. Q2 20) at EUR 239.9 billion, still driven by sight deposits (+19.8% vs. Q3 19)(3).

As a result, the average loan/deposit ratio stood at 92.7% in Q3 20.

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(1) Source: Bain & Company 2020
(2) Including BMTN (negotiable medium-term notes)
(3) Including currency deposits

Net banking income excluding PEL/CEL

Q3 20: revenues (excluding PEL/CEL) totalled EUR 1,857 million, down -4.5% vs. Q3 19 but up 6.2% vs. the low point in Q2 20.
Net interest income (excluding PEL/CEL) was 5.1% lower than in Q3 19 against a backdrop of low interest rates and a sharp rise in deposits. However, it picked up compared to Q2 20 (+2.8%), bolstered in particular by loan production and TLTRO effects.
Commissions were 4.0% lower than in Q3 19 but picked up compared to Q2 20 (+6.6%), with financial commissions down compared to the high level in Q2 20 and stable compared to Q3 19 (-3.0% vs. Q2 20, +0.8% vs. Q3 19), and a gradual recovery in service commissions (+7.8% vs. Q2 20, -7.5% vs. Q3 19).

9M 20: revenues (excluding PEL/CEL) totalled EUR 5,511 million, down -6.5% vs. 9M 19, reflecting the effects of the Covid-19 crisis. Net interest income (excluding PEL/CEL) was 3.3% lower and commissions were down -6.9% (-4.7% excluding adjustment for tax related to commissions in Q2 19).

Operating expenses

Q3 20: French Retail Banking generated a positive jaws effect, thereby improving its operating leverage. Operating expenses were substantially lower at EUR 1,292 million (-6.0% vs. Q3 19), illustrating the Group's work on costs. The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) was lower at 71.4%.

9M 20: operating expenses were lower at EUR 3,975 million (-5.6% vs. 9M 19). The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.5%.

Cost of risk

Q3 20: the commercial cost of risk amounted to EUR 130 million or 24 basis points, returning to normal after peaking in Q2 20 (85bp). It includes EUR 55 million of S1/S2 (performing/underperforming loans) provisioning and EUR 75 million of S3 (credit-impaired loans) provisioning.

9M 20: the commercial cost of risk amounted to EUR 821 million or 52 basis points, higher than in 9M 19 (22bp, EUR 318 million). It includes EUR 411 million of S1/S2 provisioning and EUR 410 million of S3 (non-performing loans) provisioning.

Net profits or losses from other assets

Q3 20: "Net profits or losses from other assets" amounted to EUR 3 million vs. EUR 41 million in Q3 19.
9M 20: "Net profits or losses from other assets" amounted to EUR 139 million, including a capital gain of EUR 130 million relating to the Group's property disposal programme realised in Q1 2020.

Contribution to Group net income

Q3 20: the contribution to Group net income totalled EUR 283 million (-9.0% vs. Q3 19). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 9.2% in Q3 20 (vs. 12.0% in Q3 19).

9M 20: the contribution to Group net income totalled EUR 562 million (-37.6% vs. 9M 19). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 7.1% in 9M 20 (vs. 11.7% in 9M 19).

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

In EURm	Q3 20	Q3 19	Change		9M 20	9M 19	Change	
Net banking income	1,891	2,096	*-9.8%*	*-2.6%**	5,605	6,296	*-11.0%*	*-4.0%**
Operating expenses	(999)	(1,091)	*-8.4%*	*-0.2%**	(3,124)	(3,440)	*-9.2%*	*-1.4%**
Gross operating income	892	1,005	*-11.2%*	*-5.1%**	2,481	2,856	*-13.1%*	*-7.0%**
Net cost of risk	(331)	(169)	*+95.9%*	*x 2.2*	(978)	(430)	*x 2.3*	*x 2.4*
Operating income	561	836	*-32.9%*	*-29.4%**	1,503	2,426	*-38.0%*	*-34.2%**
Net profits or losses from other assets	(2)	1	*n/s*	*n/s*	9	2	*x 4.5*	*x 3.4*
Reported Group net income	337	513	*-34.3%*	*-29.3%**	928	1,492	*-37.8%*	*-32.5%**
RONE	12.9%	18.7%			11.6%	17.8%		
Underlying RONE (1)	*12.3%*	*18.1%*			*11.8%*	*18.2%*		

(1) Adjusted for the linearisation of IFRIC 21 and the restructuring provision of EUR 29 million in Q2 19.

International Retail Banking saw a rebound in loan and deposit production in all regions from June. Outstanding loans totalled EUR 84.6 billion. They rose +3.7%* vs. end-September 2019 ; they were down -5.5% at current structure and exchange rates, given the disposals finalised since September 2019 : SKB in Slovenia, OBSG in Macedonia and Societe Generale de Banque aux Antilles. Outstanding deposits climbed +9.3%* (-2.3% at current structure and exchange rates) vs. September 2019, to EUR 79.0 billion.

For the Europe scope, outstanding loans were up +3.1%* vs. September 2019, at EUR 53.7 billion (-5.1% at current structure and exchange rates), driven by the Czech Republic (+4.6%*, -0.8%) and to a lesser extent Western Europe (+2.3%). Outstanding deposits were up +7.1%* (-4.3% at current structure and exchange rates), with a healthy momentum in the Czech Republic (+7.4%*, +1.8%) and Romania (+9.5%*, +6.7%).

In Russia, there was a significant increase in outstanding loans (+7.5%* at constant exchange rates, -17.1% at current exchange rates) while outstanding deposits climbed +19.5%* (-7.9% at current exchange rates).

In Africa, Mediterranean Basin and French Overseas Territories, outstanding loans rose +3.6%* (or -0.9%) vs. September 2019, including +2.3%* in the Mediterranean Basin and +3.1%* in Sub-Saharan Africa. Outstanding deposits enjoyed a strong momentum, up +9.5%* (+5.1%).

In the Insurance business, the life insurance savings business saw outstandings increase +1%* vs. September 2019. The share of unit-linked products in outstandings was 30% at end-September 2020, up 2 points vs. September 2019. Protection insurance fell -1.1%* vs. Q3 19. The 8.2%* increase in Property/Casualty premiums was offset by a decline in personal protection insurance (-6.8%* vs. Q3 19).

Financial Services to Corporates delivered a resilient commercial performance. Operational Vehicle Leasing and Fleet Management saw an increase in its vehicle fleet (+2% vs. end-September 2019) to 1.76 million vehicles at end-September 2020. Equipment Finance's outstanding loans were up +0.7%* vs. end-September 2019, at EUR 17.8 billion (excluding factoring).

Net banking income

Net banking income amounted to EUR 1,891 million in Q3 20, down -2.6%* (-9.8%) vs. Q3 19. The increase of +9.9%* vs. Q2 20 illustrates the recovery in activity. Revenues totalled EUR 5,605 million in 9M 20, down -4.0%* (-11.0%) vs. 9M 19.

In International Retail Banking, net banking income totalled EUR 1,216 million in Q3 20, down -3.9%* (-13.2%) vs. Q3 19, marked in particular by a fall in net interest income in the Czech Republic and

Romania, in conjunction with the decline in rates. Net banking income was 6.5%* higher than in Q2 20.
Net banking income amounted to EUR 3,666 million in 9M 20, down -3.3%* (-12.7%) vs. 9M 19.

The Insurance business saw a slight fall in net banking income (-1.6%* vs. Q3 19) to EUR 223 million in Q3 20 (-1.8%), but an increase of +5.5%* vs. Q2 20. Net banking income was down -3.1%* (-3.5%) in 9M 20, at EUR 663 million.

Financial Services to Corporates' net banking income was up +1%* (-3.4%) vs. Q3 19 and +22.1%* vs. Q2 20, at EUR 452 million. ALD posted a used car sale result of EUR 333 per vehicle in Q3 20 and has revised its full-year target between EUR -50 and EUR 150 per vehicle for 2020. Financial Services to Corporates' net banking income came to EUR 1,276 million in 9M 20, down -6.4%* (-9.4%) vs. 9M 19.

Operating expenses

Operating expenses were down -0.2%* (-8.4%), at EUR -999 million, vs. Q3 19, reflecting control of costs. They fell -1.4%* (-9.2%) in 9M 20, to EUR 3,124 million. The cost to income ratio stood at 52.8% in Q3 20 and 55.7% in 9M 20.

In International Retail Banking, operating expenses were down -1.4%* (-11.1%) vs. Q3 19 and down -0.5%* (-10.1%) vs. 9M 19.

In the **Insurance** business, operating expenses were slightly higher (+0.7%*, stable at current structure) than in Q3 19. They were up +3.1%* (+2.6%) vs. 9M 19.

In **Financial Services to Corporates**, operating expenses were down -0.3%* (-6.2%) vs. Q3 19 and -1.7%* (-6.8%) vs. 9M 19.

Cost of risk

Q3 20: the commercial cost of risk amounted to 102 basis points (or EUR 332 million), vs. 125 basis points in Q2 20 and 49 basis points in Q3 19, which included a net provision write-back incorporating insurance payouts in Romania. The Q3 cost of risk includes EUR 120 million for the estimate of expected credit losses in Stage 1 and Stage 2, including EUR 123 million for the impact related to the review of macro-economic scenarios.
9M 20: the cost of risk amounted to 98 basis points (EUR 978 million); it was 42 basis points in 9M 19. The estimate of expected credit losses in Stage 1 and Stage 2 amounted to EUR 310 million.

Contribution to Group net income

The contribution to Group net income totalled EUR 337 million in Q3 20 (-34.3% vs. Q3 19) and EUR 928 million in 9M 20 (-37.8% vs. 9M 19). Underlying RONE stood at 12.3% in Q3 20 (vs. 18.1% in Q3 19), and 11.8% in 9M 20 (vs. 18.2% in 9M 19).

5. GLOBAL BANKING & INVESTOR SOLUTIONS

In EURm	Q3 20	Q3 19	Change		9M 20	9M 19	Change	
Net banking income	2,034	2,013	+1.0%	+2.5%*	5,541	6,518	-15.0%	-14.9%*
Operating expenses	(1,478)	(1,638)	-9.8%	-8.3%*	(5,025)	(5,579)	-9.9%	-9.7%*
Gross operating income	556	375	+48.3%	+49.4%*	516	939	-45.0%	-45.4%*
Net cost of risk	(57)	(65)	-12.3%	-7.8%*	(818)	(140)	x 5.8	x 5.9
Operating income	499	310	+61.0%	+60.7%*	(302)	799	n/s	n/s
Reported Group net income	381	253	+50.6%	+50.2%*	(223)	667	n/s	n/s
RONE	10.3%	6.9%			-2.1%	5.7%		
Underlying RONE (1)	*7.9%*	*5.1%*			*-1.3%*	*7.7%*		

(1) Adjusted for the linearisation of IFRIC 21

Net banking income

Q3 20: Global Banking & Investor Solutions' revenues were up +1.0% (+2.5%* when adjusted for changes in Group structure and at constant exchange rates) at EUR 2,034 million and rebounded +8.2% (+10.8%*) compared to Q2 20.
9M 20: net banking income was down -12.7% vs. 9M 19 when adjusted for the impact of restructuring, the revaluation of SIX securities (EUR +66 million) and the disposal of Private Banking in Belgium. On a reported basis, the decrease is -15.0%.

In Global Markets & Investor Services, net banking income totalled EUR 1,245 million, up +4.5% (+6.3%* when adjusted for changes in Group structure and at constant exchange rates) vs. Q3 19.

Fixed Income & Currencies delivered another solid performance, with revenues of EUR 569 million, up +9.4% vs. Q3 19. Market conditions have normalised compared to H1 20. The solid Q3 performance was driven in particular by healthy activity with European corporate clients, higher revenues in the Americas region and in flow & hedging activities.

There was a sharp rebound in Equity activities, with net banking income 3.7 times higher than in Q2 20, and up +5.1% vs. Q3 19. Flow & hedging activities performed well in Q3, and the Asia and Americas regions enjoyed strong volumes. There was a gradual recovery in equity structured product revenues vs. Q2 20, impacted by the current reduction in the risk profile. The good performance of listed products helped offset this impact.

The implementation of decisions following the strategic review of equity and credit structured products is under way:

- Reducing the risk profile of these products in line with the plan with, in particular, a decrease in the exposure to the most complex products
- Maintaining the leadership position on the investment solutions franchise

Securities Services' assets under custody amounted to EUR 4,328 billion at end-September 2020, up +2.1% vs. end-June 2020. Over the same period, assets under administration were up +2.3% at EUR 613 billion. Securities Services' revenues totalled EUR 145 million in Q3 20 and were down -12.7% vs. Q3 19.

Financing & Advisory revenues totalled EUR 579 million in Q3 20, down -2.8%* vs. Q3 19 (-4.1% at current structure and exchange rates).
Investment banking enjoyed a healthy activity in Q3 20, albeit slower in the debt market compared to Q2 which saw a record number of issues. Acquisition financing activity was sustained.
Financing activities were adversely affected by the slowdown in aircraft and property financing.

After a second quarter marked by the crisis and a decline in volumes, Global Transaction and Payment Services posted a better performance than in Q2 20, benefiting from a rebound in commissions.

Asset and Wealth Management's net banking income totalled EUR 210 million in Q3 20, down -3.7% vs. Q3 19 (-3.7%* when adjusted for changes in Group structure and at constant exchange rates).

Lyxor's net banking income amounted to EUR 53 million, up +10.4% vs. Q3 19. It rebounded by +32.5% vs. Q2 20, driven by the ETF segment and the rebound in equity markets. Lyxor's assets under management totalled EUR 133 billion at end-September 2020. Lyxor's varied ESG ETF offering contributed to the increase in net inflow in the first nine months.

Private Banking posted a performance that was 7.3% lower in Q3 20 than in Q3 19, with net banking income of EUR 153 million. Revenues were hit by market conditions and weaker activity. Assets under management were stable in Q3 20, at EUR 114 billion. Net inflow totalled EUR 1.8 billion in the first nine months of the year, driven by France.

Operating expenses

Q3 20: operating expenses were substantially lower (-9.8%) than in Q3 19.
The pillar generated a positive jaws effect in Q3 20.

9M 20: operating expenses, restated for the restructuring provision recorded in Q2 19 for EUR 227 million, were down -7.3%.

Net cost of risk

Q3 20: the commercial cost of risk amounted to 14 basis points (or EUR 57 million), vs. 95 basis points in Q2 20 and 16 basis points in Q3 19. It includes EUR -34 million of S1/S2 (performing/underperforming loans) provisioning and EUR 92 million of S3 (credit-impaired loans) provisioning.
9M 20: the cost of risk amounted to 66 basis points (EUR 818 million), including EUR 284 million of S1/S2 provisioning and EUR 534 million of S3 (non-performing loans) provisioning.

Contribution to Group net income

The contribution to Group net income amounted to EUR 381 million in Q3 20, an increase of +50.6% vs. Q3 19, and EUR -223 million in 9M 20.
RONE (after linearisation of the IFRIC 21 charge) stood at 7.9% vs. 5.1% in Q3 19. It was negative in the first nine months.

6. CORPORATE CENTRE

In EURm	Q3 20	Q3 19	9M 20	9M 19
Net banking income	48	(5)	(341)	(145)
Operating expenses	(56)	(61)	(239)	4
Gross operating income	(8)	(66)	(580)	(141)
Net cost of risk	0	0	0	(19)
Net profits or losses from other assets	(3)	(115)	(80)	(249)
Impairment losses on goodwill	0		(684)	
Income tax	(84)	7	(534)	70
Reported Group net income	(139)	(223)	(1,995)	(466)

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 and certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR 48 million in Q3 20 vs. EUR -5 million in Q3 19 and EUR -341 million in 9M 20 vs. EUR -145 million in 9M 19.

Operating expenses totalled EUR -56 million in Q3 20 vs. EUR -61 million in Q3 19. They amounted to EUR -239 million in 9M 20 vs. EUR +4 million in 9M 19.

Gross operating income totalled EUR -8 million in Q3 20 vs. EUR -66 million in Q3 19 and EUR -580 million in 9M 20 vs. EUR -141 million in 9M 19.

Net profits or losses from other assets amounted to EUR -3 million in Q3 20 vs. EUR -115 million in Q3 19 and EUR -80 million in 9M 20 vs. EUR -249 million in 9M 19, related to the application of IFRS 5 as part of the implementation of the Group's refocusing plan.

The Corporate Centre's contribution to Group net income was EUR -139 million in Q3 20 vs. EUR -223 million in Q3 19 and EUR -1,995 million in 9M 20 vs. EUR -466 million in 9M 19.

7. CONCLUSION

The Group posted gross operating income up +14.6%* in Q3 20 vs. Q3 19, demonstrating its ability to rebound while at the same time improving its operating leverage. At the same time, the balance sheet has been further strengthened, with a CET1 level of 13.2%(1), i.e. around 420 basis points above the regulatory requirement, giving the Group flexibility in terms of shareholders' return

The Group posted a dividend provision of EUR 0.21 per share(2).

In 2020, the Group anticipates:

- underlying operating expenses of around EUR 16.5 billion
- an expected cost of risk of around 70 basis points
- a CET1 ratio above 12.0% at end-2020 assuming full trim regulatory impact

The Group continues to develop its value proposition while working to strengthen the profitability of its businesses:

- Global Banking & Investor Solutions has demonstrated its ability to support its clients while improving its operational efficiency
- French Retail Banking is accelerating the expansion of Boursorama and entering a new phase with the study on the merger between its two networks, Societe Generale and Crédit du Nord
- International Retail Banking & Financial Services has confirmed its position as a resilient and profitable business

In particular, the Group will present the conclusion of its strategic study on the merger of Crédit du Nord and Societe Generale to the market on December 7th, 2020. The Global Banking & Investor Solutions' strategy will be presented in Q1 2021.

(1) *including +19 basis points for IFRS9 phasing and pro-forma for the capital impact of the disposal of SG Finans which was finalised on October 1st, 2020 (around + 10 basis points)*

(2) *corresponding to 50% of underlying Group net income in 9M 20, after deducting interests on deeply subordinated notes and undated subordinated notes*

8. 2020 FINANCIAL CALENDAR

2020 Financial communication calendar	
February 10th, 2021	Fourth quarter and FY 2020 results
May 6th, 2021	First quarter 2021 results
August 3rd, 2021	Second quarter and first half 2021 results
November 4th, 2021	Third quarter and nine-month 2021 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, in particular in the Covid-19 crisis context, 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 Universal Registration Document filed with the French Autorité des Marchés Financiers.

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 20	Q3 19	Change	9M 20	9M 19	Variation
French Retail Banking	283	311	-9.0%	562	901	-37.6%
International Retail Banking and Financial Services	337	513	-34.3%	928	1,492	-37.8%
Global Banking and Investor Solutions	381	253	50.6%	(223)	667	n/s
Core Businesses	1,001	1,077	-7.1%	1,267	3,060	-58.6%
Corporate Centre	(139)	(223)	+37.6%	(1,995)	(466)	n/s
Group	862	854	+0.9%	(728)	2,594	n/s

CHANGES Q3 20/Q2 20 – NET BANKING INCOME, OPERATING EXPENSES AND GROSS OPERATING INCOME

Net Banking Income (in EURm)	Q3 20	Q2 20	Change	
French Retail Banking	1,836	1,754	+4.7%	+4.7%*
International Retail Banking and Financial Services	1,891	1,750	+8.1%	+9.9%*
Global Banking and Investor Solutions	2,034	1,880	+8.2%	+10.8%*
Corporate Centre	48	(88)	n/s	n/s
Group	5,809	5,296	9.7%	11.4%*

Operating Expenses (in EURm)	Q3 20	Q2 20	Change	
French Retail Banking	(1,292)	(1,233)	+4.8%	+4.8%*
International Retail Banking and Financial Services	(999)	(979)	+2.0%	+3.1%*
Global Banking and Investor Solutions	(1,478)	(1,570)	-5.9%	-4.2%*
Corporate Centre	(56)	(78)	-28.2%	-28.3%*
Group	(3,825)	(3,860)	-0.9%	+0.1%*

Gross operating income (in EURm)	Q3 20	Q2 20	Change	
French Retail Banking	544	521	+4.4%	+4.4%*
International Retail Banking and Financial Services	892	771	+15.7%	+18.7%*
Global Banking and Investor Solutions	556	310	+79.4%	+90.0%*
Corporate Centre	(8)	(166)	+95.2%	+95.3%*
Group	1,984	1,436	+38.2%	+42.3%*

CONSOLIDATED BALANCE SHEET

	30.09.2020	31.12.2019
Cash, due from central banks	165,215	102,311
Financial assets at fair value through profit or loss	435,295	385,739
Hedging derivatives	21,657	16,837
Financial assets measured at fair value through other comprehensive income	53,511	53,256
Securities at amortised cost	15,094	12,489
Due from banks at amortised cost	52,119	56,366
Customer loans at amortised cost	453,930	450,244
Revaluation differences on portfolios hedged against interest rate risk	422	401
Investment of insurance activities	164,533	164,938
Tax assets	4,862	5,779
Other assets	68,188	68,045
Non-current assets held for sale	3,775	4,507
Investments accounted for using the equity method	100	112
Tangible and intangible assets	29,590	30,652
Goodwill	4,046	4,627
Total	**1,472,337**	**1,356,303**

	30.09.2020	31.12.2019
Central banks	4,958	4,097
Financial liabilities at fair value through profit or loss	411,727	364,129
Hedging derivatives	12,409	10,212
Debt securities issued	133,084	125,168
Due to banks	137,676	107,929
Customer deposits	445,226	418,612
Revaluation differences on portfolios hedged against interest rate risk	8,338	6,671
Tax liabilities	1,330	1,409
Other liabilities	90,218	85,062
Non-current liabilities held for sale	791	1,333
Liabilities related to insurance activities contracts	141,687	144,259
Provisions	4,415	4,387
Subordinated debts	14,768	14,465
Total liabilities	**1,406,627**	**1,287,733**
SHAREHOLDERS' EQUITY		
Shareholders' equity, Group share		
Issued common stocks, equity instruments and capital reserves	30,157	31,102
Retained earnings	32,362	29,558
Net income	(728)	3,248
Sub-total	**61,791**	**63,908**
Unrealised or deferred capital gains and losses	(1,198)	(381)
Sub-total equity, Group share	**60,593**	**63,527**
Non-controlling interests	5,117	5,043
Total equity	**65,710**	**68,570**
Total	**1,472,337**	**1,356,303**

10. APPENDIX 2: METHODOLOGY

1 – The financial information presented in respect of Q3 and 9M 2020 was examined by the Board of Directors on November 4th, 2020 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 43 of Societe Generale's 2020 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, 2019 (pages 423 et seq. of Societe Generale's 2020 Universal Registration Document). The term "costs" is also used to refer to Operating Expenses.
The Cost/Income Ratio is defined on page 43 of Societe Generale's 2020 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 20 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Impairment losses on goodwill	Income Tax	Group net income	Business
Reported	(3,825)	(518)	(2)	0	(467)	862	
(+) IFRIC 21 linearisation	*(177)*				*53*	*(120)*	
Underlying	(4,002)	(518)	(2)	0	(414)	742	

9M 20 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Impairment losses on goodwill	Income Tax	Group net income	Business
Reported	(12,363)	(2,617)	82	(684)	(1,079)	(728)	
(+) IFRIC 21 linearisation	*177*				*(53)*	*120*	
*(-) Group refocusing plan**			*(77)*		*0*	*(77)*	*Corporate Centre*
*(-) Goodwill impairment**				*(684)*	*0*	*(684)*	*Corporate Centre*
*(-) DTA impairment**					*(650)*	*(650)*	*Corporate Centre*
Underlying	(12,186)	(2,617)	159	0	(482)	803	

Q3 19 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Group net income	Business
Reported	(4,165)	(329)	(71)	854	
(+) IFRIC 21 linearisation	*(152)*			*(110)*	
*(-)Group refocusing plan**			*(113)*	*(111)*	*Corporate Centre*
Underlying	(4,317)	(329)	42	855	

9M 19 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Group net income	Business
Reported	(13,224)	(907)	(202)	2,594	
(+) IFRIC 21 linearisation	*152*			*110*	
*(-) Restructuring provision**	*(256)*			*(192)*	*GBIS (EUR -227m) / IBFS (EUR -29m)*
*(-) Group refocusing plan**		*(18)*	*(249)*	*(287)*	*Corporate Centre*
Underlying	(12,816)	(889)	47	3,183	

(*) exceptional item

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 45 and 574 of Societe Generale's 2020 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 20	Q3 19	9M 20	9M 19
French Retail Banking	Net Cost Of Risk	130	95	821	318
	Gross loan Outstandings	217,156	195,305	208,604	193,208
	Cost of Risk in bp	24	19	52	22
International Retail Banking and Financial Services	Net Cost Of Risk	331	169	978	430
	Gross loan Outstandings	129,838	138,493	133,240	135,996
	Cost of Risk in bp	102	49	98	42
Global Banking and Investor Solutions	Net Cost Of Risk	57	64	818	140
	Gross loan Outstandings	162,429	160,906	165,389	163,310
	Cost of Risk in bp	14	16	66	11
Corporate Centre	Net Cost Of Risk	0	1	0	19
	Gross loan Outstandings	12,400	9,944	10,800	9,299
	Cost of Risk in bp	(1)	2	1	27
Societe Generale Group	Net Cost Of Risk	518	329	2,617	907
	Gross loan Outstandings	521,822	504,647	518,033	501,813
	Cost of Risk in bp	40	26	67	24

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 45 and 46 of Societe Generale's 2020 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 46 of Societe Generale's 2020 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 20	Q3 19	9M 20	9M 19
Shareholders' equity Group share	60,593	63,715	60,593	63,715
Deeply subordinated notes	(7,873)	(9,739)	(7,873)	(9,739)
Undated subordinated notes	(274)	(290)	(274)	(290)
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	(4)	(16)	(4)	(16)
OCI excluding conversion reserves	(875)	(741)	(875)	(741)
Dividend provision	(178)	(1,402)	(178)	(1,402)
ROE equity end-of-period	51,389	51,527	51,389	51,527
Average ROE equity	51,396	51,243	52,352	50,309
Average Goodwill	(3,928)	(4,562)	(4,253)	(4,600)
Average Intangible Assets	(2,464)	(2,259)	(2,417)	(2,215)
Average ROTE equity	45,004	44,422	45,682	43,494
Group net Income (a)	862	854	(728)	2,594
Underlying Group net income (b)	742	855	803	3,183
Interest on deeply subordinated notes and undated subordinated notes (c)	(127)	(180)	(447)	(537)
Cancellation of goodwill impairment (d)	0	7	684	115
Adjusted Group net Income (e) = (a)+ (c)+(d)	735	681	(491)	2,172
Adjusted Underlying Group net Income (f)=(b)+(c)	615	675	356	2,646
Average ROTE equity (g)	45,004	44,422	45,682	43,494
ROTE [quarter: (4*e/g), 9M: (4/3*e/g)]	6.5%	6.1%	-1.4%	6.7%
Average ROTE equity (underlying) (h)	44,884	44,422	47,213	43,693
Underlying ROTE [quarter: (4*f/h), 9M: (4/3*f/h)]	5.5%	6.1%	1.0%	8.1%

RONE calculation: Average capital allocated to Core Businesses (in EURm)

In EURm	Q3 20	Q3 19	Change	9M 20	9M 19	Variation
French Retail Banking	11,879	11,321	+4.9%	11,507	11,294	+1,9%
International Retail Banking and Financial Services	10,468	10,946	-4.4%	10,627	11,196	-5,1%
Global Banking and Investor Solutions	14,868	14,739	+0.9%	14,306	15,622	-8,4%
Core Businesses	37,215	37,006	+0.6%	36,440	38,112	-4,4%
Corporate Centre	14,180	14,237	-0.4%	15,912	12,197	+30,5%
Group	51,395	51,243	+0.3%	52,352	50,309	+4,1%

8 - Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 48 of the Group's 2020 Universal Registration Document. The items used to calculate them are presented below:

End of period	9M 20	H1 20	2019	9M 19
Shareholders' equity Group share	60,593	60,659	63,527	63,715
Deeply subordinated notes	(7,873)	(8,159)	(9,501)	(9,739)
Undated subordinated notes	(274)	(283)	(283)	(290)
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	(4)	20	4	(16)
Bookvalue of own shares in trading portfolio	302	335	375	348
Net Asset Value	52,744	52,572	54,122	54,018
Goodwill	(3,928)	(3,928)	(4,510)	(4,577)
Intangible Assets	(2,469)	(2,458)	(2,362)	(2,292)
Net Tangible Asset Value	46,347	46,186	47,250	47,149
Number of shares used to calculate NAPS**	851,134	851,133	849,665	849,665
Net Asset Value per Share	62.0	61.8	63.7	63.6
Net Tangible Asset Value per Share	54.5	54.3	55.6	55.5

*** The number of shares considered is the number of ordinary shares outstanding as at September 30th, 2020, 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 47 of Societe Generale's 2020 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 47 of Societe Generale's 2020 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 20	H1 20	2019	9M 19
Existing shares	853,371	853,371	834,062	829,235
Deductions				
Shares allocated to cover stock option plans and free shares awarded to staff	2,606	2,728	4,011	4,087
Other own shares and treasury shares			149	187
Number of shares used to calculate EPS**	850,766	850,643	829,902	824,961
Group net Income	(728)	(1,590)	3,248	2,594
Interest on deeply subordinated notes and undated subordinated notes	(447)	(320)	(715)	(537)
Capital gain net of tax on partial buybacks				
Adjusted Group net income	(1,175)	(1,910)	2,533	2,057
EPS (in EUR)	(1.38)	(2.25)	3.05	2.49
Underlying EPS* (in EUR)	0.42	(0.38)	4.03	3.21

(*) *Excluding exceptional items and including linearisation of the IFRIC 21 effect.*
(**) *The number of shares considered is the number of ordinary shares outstanding as at September 30th, 2020, 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 CRR/CRD4 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 calculated according to applicable CRR/CRD4 rules including the provisions of the delegated act of October 2014.

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. Committed to the positive transformations of the world's societies and economies, Societe Generale and its teams seek to build, day after day, together with its clients, a better and sustainable future through responsible and innovative financial solutions.

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 138,000 members of staff in 62 countries and supports on a daily basis 29 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), Euronext Vigeo (World, Europe and Eurozone), four of the STOXX ESG Leaders indices, and the MSCI Low Carbon Leaders Index.
For more information, you can follow us on Twitter @societegenerale or visit our website www.societegenerale.com

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