

# 2016 INTERIM RESULTS PRESENTATION

28 July 2016



THE REAL LIFE  
COMPANY

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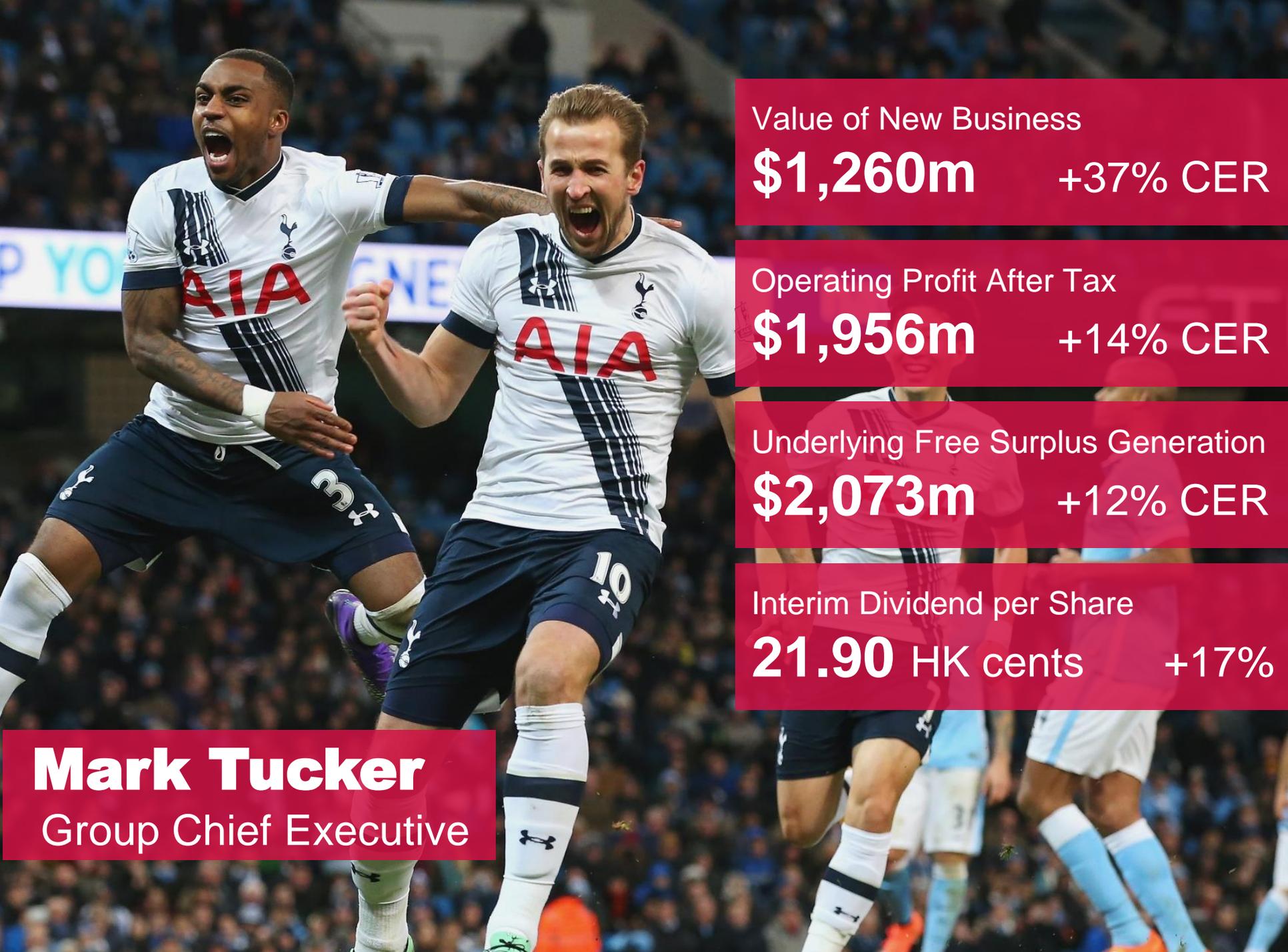
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Value of New Business

**\$1,260m** +37% CER

Operating Profit After Tax

**\$1,956m** +14% CER

Underlying Free Surplus Generation

**\$2,073m** +12% CER

Interim Dividend per Share

**21.90** HK cents +17%

**Mark Tucker**

Group Chief Executive

# 1H2016 Excellent Financial Results

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- **Value of new business up 37% to \$1,260m**
- **Operating profit up 14% to \$1,956m**
- **Underlying free surplus generation up 12% to \$2,073m**
- **EV Equity up by \$1.8b to \$41.7b**
- **AIA Co. solvency ratio of 381%**
- **Interim dividend per share increase of 17%**

# Agenda



| <b>Presenter</b>                            | <b>Position</b>               | <b>Topic</b>             |
|---|-------------------------------|--------------------------|
| Mark Tucker                                 | Group Chief Executive         | 1H2016 Group Review      |
| Garth Jones                                 | Group Chief Financial Officer | 1H2016 Financial Results |
| Gordon Watson<br>Bill Lisle<br>Ng Keng Hooi | Regional Chief Executives     | 1H2016 Market Reviews    |
| Mark Tucker                                 | Group Chief Executive         | Closing Remarks          |
| All Presenters                              | ExCo Members                  | Q&A                      |

# Aligned Growth Platforms and Priorities

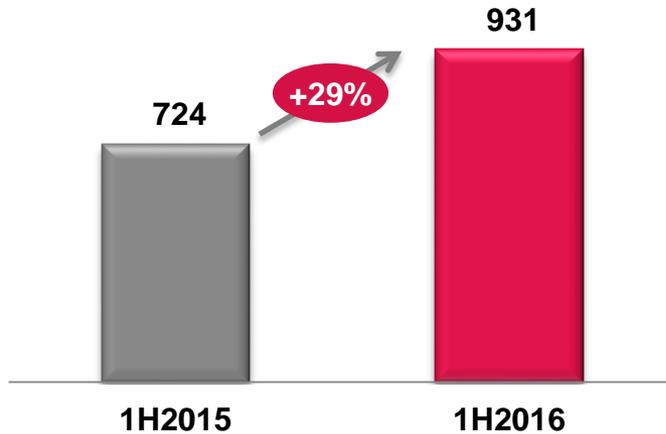


| Growth Drivers  | Growth Platforms                | Growth Priorities   |
|---|---------------------------------|---|
| <p>Large Population Growth<br/><b>4.1 billion</b><br/>people by 2020</p>              | <b>Premier Agency</b>           | <ul style="list-style-type: none"> <li>Sustain competitive advantages in Premier Agency</li> <li>Recruit, develop and promote next generation of agents</li> <li>Enhance productivity and service through technology</li> </ul> |
| <p>Rapid Urbanisation<br/><b>1.7 billion</b><br/>urban dwellers</p>                   | <b>Profitable Partnerships</b>  | <ul style="list-style-type: none"> <li>Expand distribution platform reach</li> <li>Optimise new and existing partnerships</li> <li>Generate additional sources of profitable growth</li> </ul>                                  |
| <p>Rising Income &amp; Wealth<br/><b>\$3.8 trillion</b><br/>in new spending power</p> | <b>Protection &amp; Savings</b> | <ul style="list-style-type: none"> <li>Maintain protection-focused portfolio</li> <li>Expand integrated savings and protection covers</li> <li>Capture incremental high-quality savings opportunities</li> </ul>                |
| <p>Low Social Welfare<br/><b>1/6th</b><br/>of social spending by G7</p>               | <b>Brand &amp; Marketing</b>    | <ul style="list-style-type: none"> <li>Transform customer experience</li> <li>Increase existing customer engagement levels</li> <li>Enhance analytics and segmentation</li> </ul>   |
| <p>Low Private Cover<br/><b>1/16th</b><br/>penetration of G7</p>                      | <b>Financial Strength</b>       | <ul style="list-style-type: none"> <li>Support strong new business growth and returns</li> <li>Maintain strong capital and cash flow</li> <li>Deliver prudent, sustainable and progressive dividend</li> </ul>                  |

# Delivering Distribution Quality and Expansion



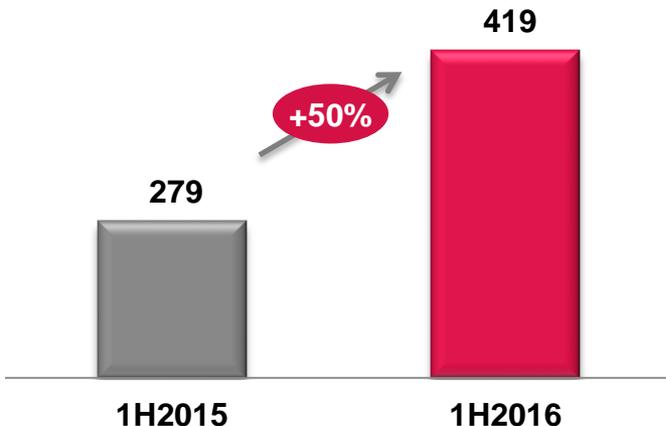
## Premier Agency VONB (\$m)



## Premier Agency Delivery

- VONB up 29%
- Segmented recruiting and training programmes across the region
- Active new agents up 16%
- 700k policies processed through iPoS
- #1 in MDRT worldwide

## Partnership Distribution VONB (\$m)



## Profitable Partnership Expansion

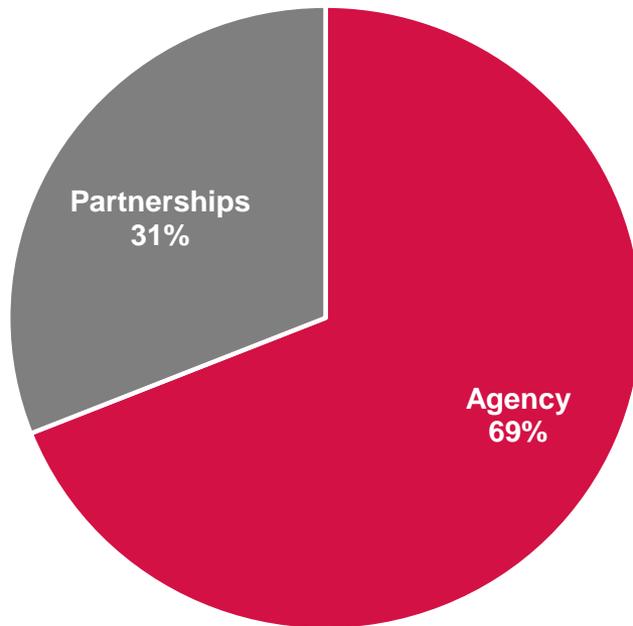
- VONB up 50%
- 31% of Group VONB
- Strong IFA performance across the region
- Solid bancassurance growth through local and regional partners
- Continued strong progress with Citibank

Note:  
VONB comparatives are shown on a constant exchange rate basis

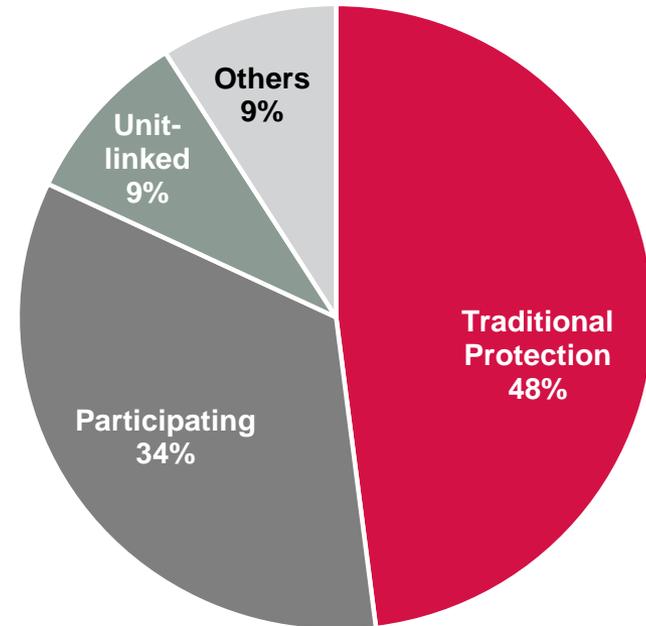
# The Right Distribution and Product Mix



## 1H2016 Distribution Mix



## 1H2016 Product Mix



Note:  
Based on VONB

# AIA Vitality – Increasing Customer Engagement



## AIA Vitality Proposition



## 6 Markets and Counting

- Hong Kong
- Singapore
- Australia
- Malaysia
- Thailand
- Philippines

## Significant Growth Opportunity

- Leading wellness platform globally with more than 3 million members
- First regional, full-scale health and wellness platform in Asia
- Enhancing the way social benefits are provided through wellness
- New way of engaging customers
  - Customer engagement increased 15x in first policy year<sup>(1)</sup>
- Accelerating growth in membership month-over-month
  - Membership more than doubled<sup>(2)</sup>
- Large-scale, and growing customer base – a significant source of future growth

Notes:

(1) For silver members and above

(2) Year-on-year growth as of 31 May 2016

# People – Our Competitive Advantage



## BESTEMPLOYERS

ASIA PACIFIC | 2016



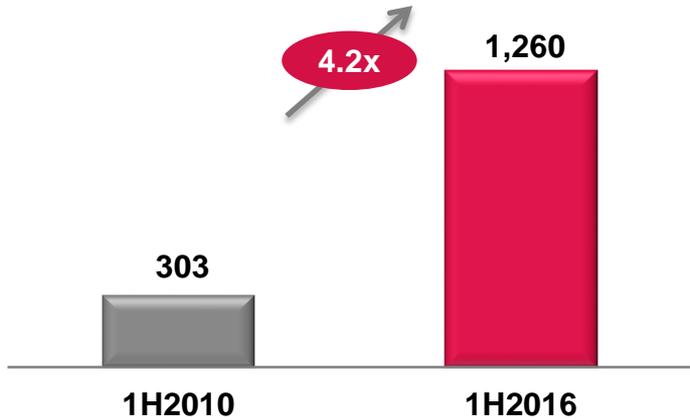
### Our People

- Experienced management team with strong track record of execution
- Local leaders responsible for decisions on the ground
- Committed to attracting, developing and retaining the best people in Asia
- **AIA Leadership Centre** in Thailand providing best-in-class development to both senior executives and distribution leaders
- Awarded '**Best Employer 2016**' by Aon in the Asia-Pacific Region

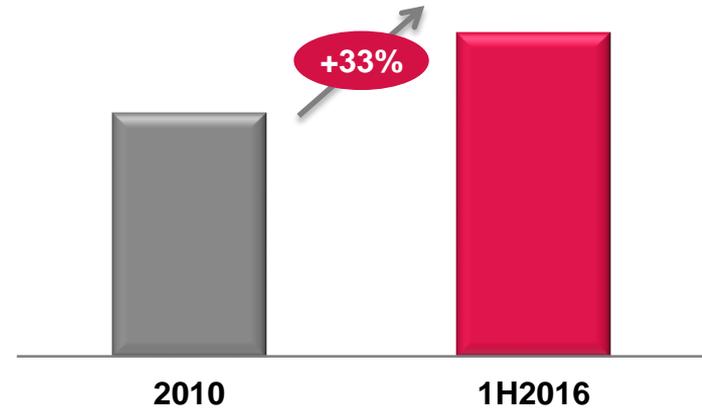
# Disciplined Financial Management



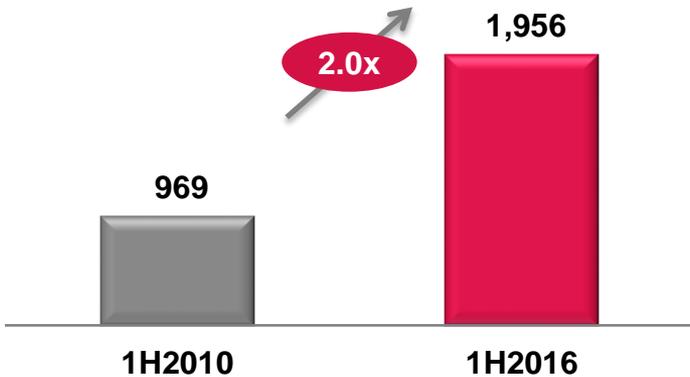
### VONB (\$m)



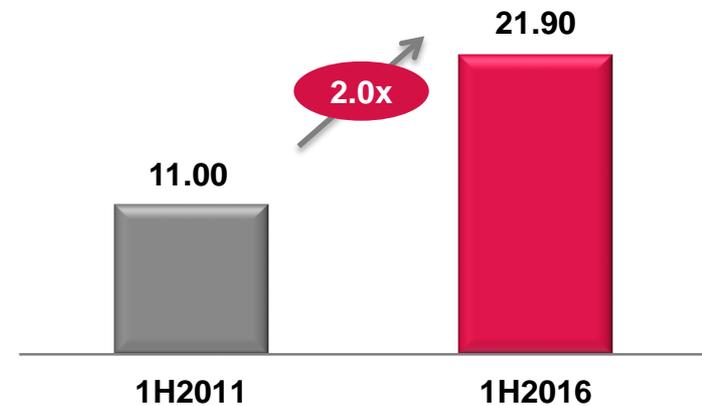
### IRRs Consistently Above 20%



### OPAT (\$m)



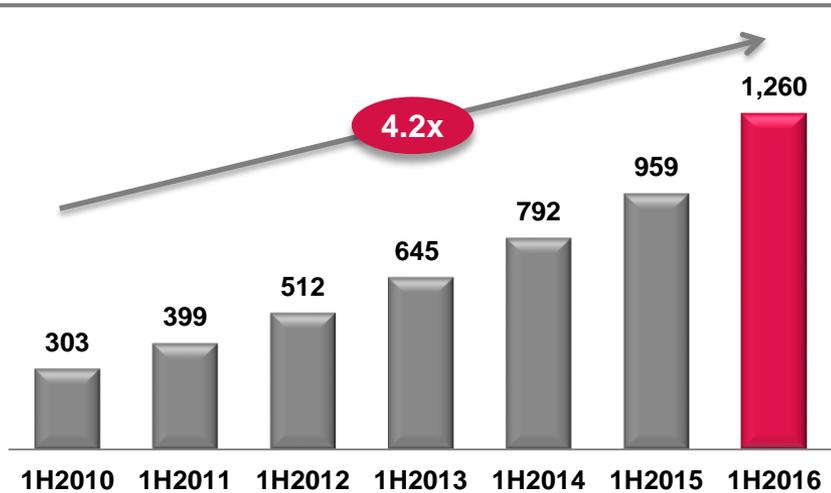
### Interim Dividend Per Share (HK cents)



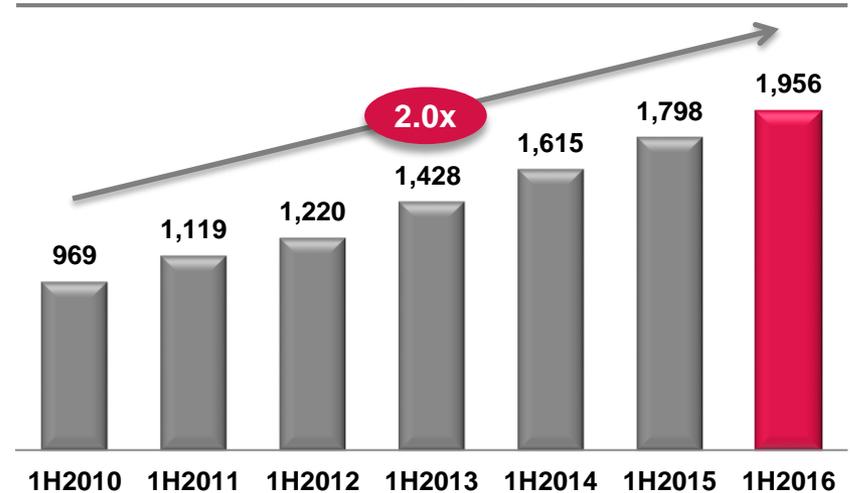
# Sustained Delivery Through Market Cycles



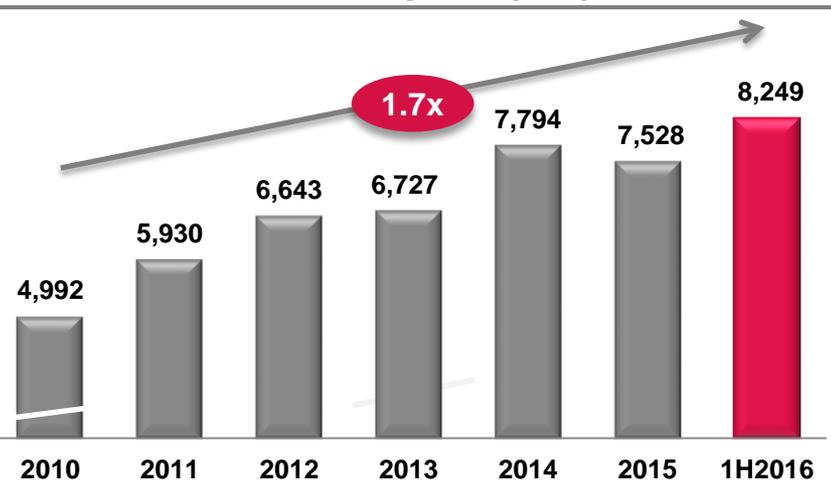
## VONB (\$m)



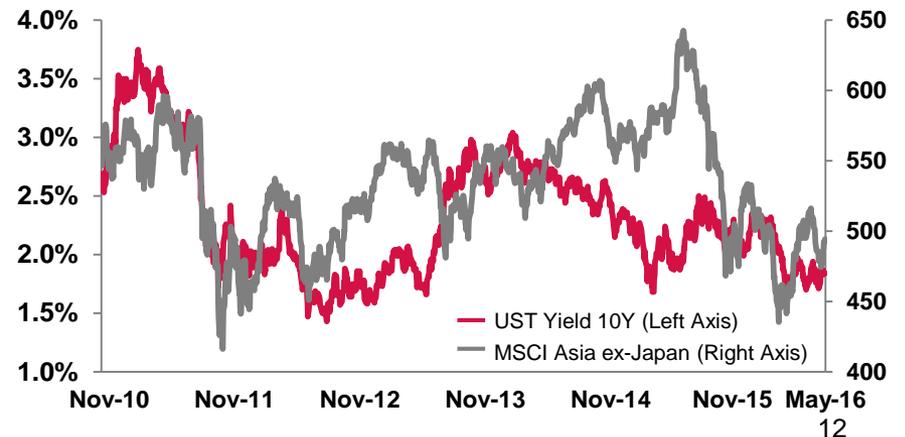
## OPAT (\$m)



## Free Surplus (\$m)



## Interest Rate and Equity Market Volatility





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**Garth Jones**

Group Chief Financial Officer

# Excellent Financial Results – Across All Key Metrics



|                                |   | (\$m) | 1H2016 | 1H2015 | CER     | AER      |   |
|--------------------------------|---|-------|--------|--------|---------|----------|---|
| <b>Growth</b>                  | VONB  |       | 1,260  | 959    | 37%     | 31%      | ↑ |
|                                | VONB Margin                                 |       | 52.7%  | 50.2%  | 2.4 pps | 2.5 pps  | ↑ |
|                                | ANP   |       | 2,355  | 1,878  | 31%     | 25%      | ↑ |
|                                | EV Operating Profit                         |       | 2,896  | 2,352  | 28%     | 23%      | ↑ |
| <b>Earnings</b>                | IFRS Operating Profit After Tax             |       | 1,956  | 1,798  | 14%     | 9%       | ↑ |
|                                | TWPI  |       | 10,332 | 9,633  | 13%     | 7%       | ↑ |
|                                | Operating Margin After Tax                  |       | 19.1%  | 18.8%  | 0.1 pps | 0.3 pps  | ↑ |
| <b>Capital &amp; Dividends</b> | EV Equity <sup>(1)</sup>                    |       | 41,657 | 39,818 | 4%      | 5%       | ↑ |
|                                | Underlying Free Surplus Generated           |       | 2,073  | 1,923  | 12%     | 8%       | ↑ |
|                                | AIA Co. HKICO Solvency Ratio <sup>(1)</sup> |       | 381%   | 428%   | n/a     | (47) pps | ↓ |
|                                | Interim Dividend per Share (HK cents)       |       | 21.90  | 18.72  | n/a     | 17%      | ↑ |

Note:  
 (1) Comparatives for balance sheet items are shown against the position as at the end of the 2015 financial year

**Growth**

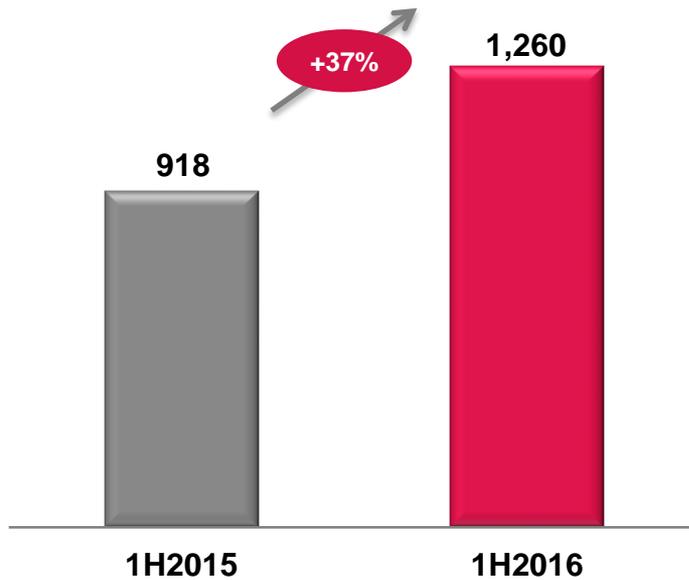
**Earnings**

**Capital and Dividends**

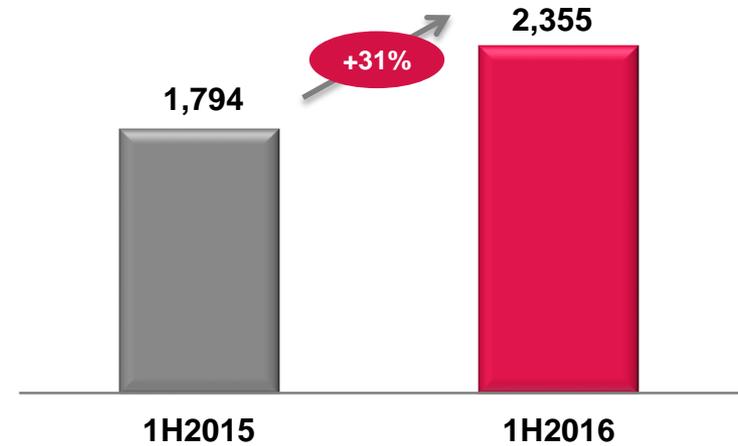
# Sustained VONB Growth



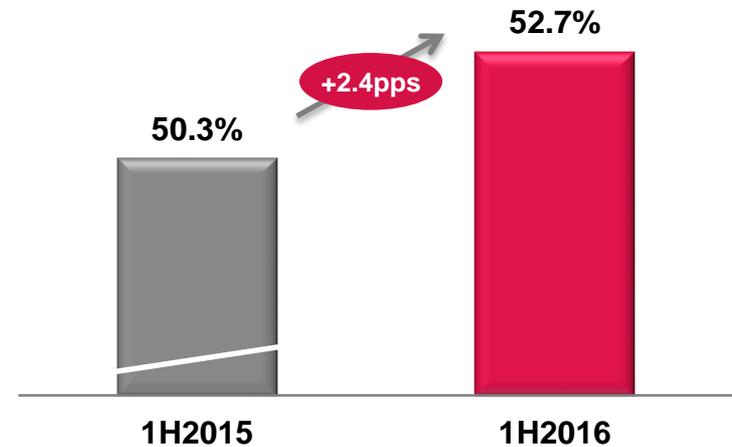
### VONB (\$m)



### ANP (\$m)



### VONB Margin

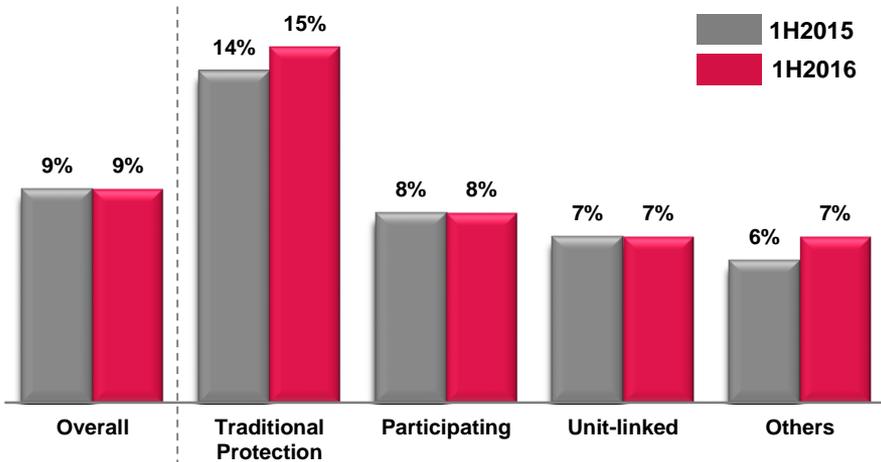


Note:  
Comparatives are shown on a constant exchange rate basis

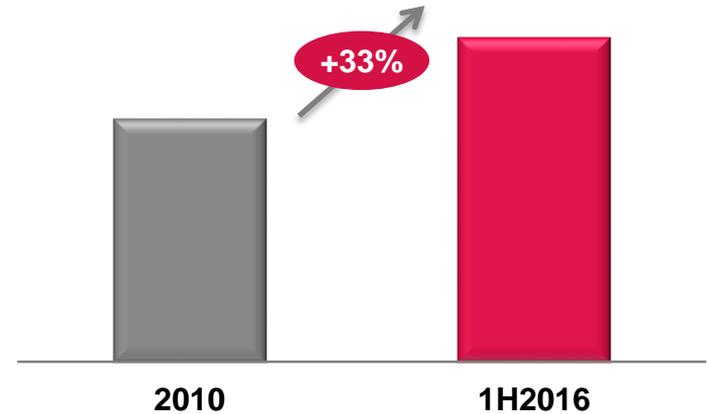
# Investing Capital at Attractive Returns



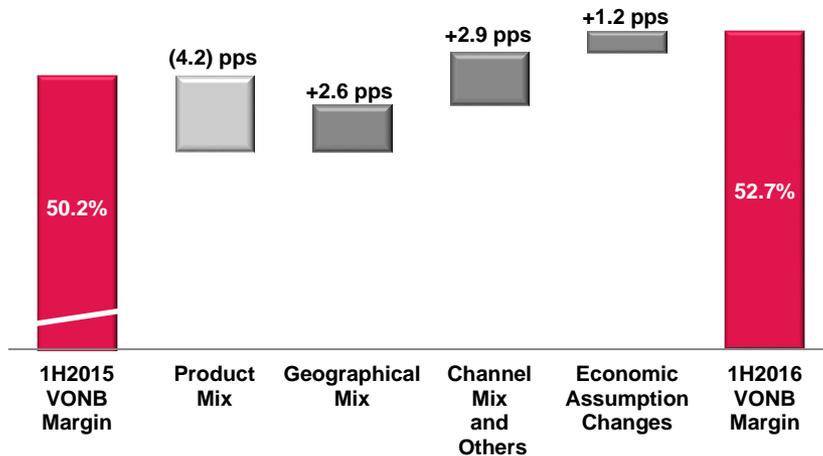
## PVNB Margin by Product



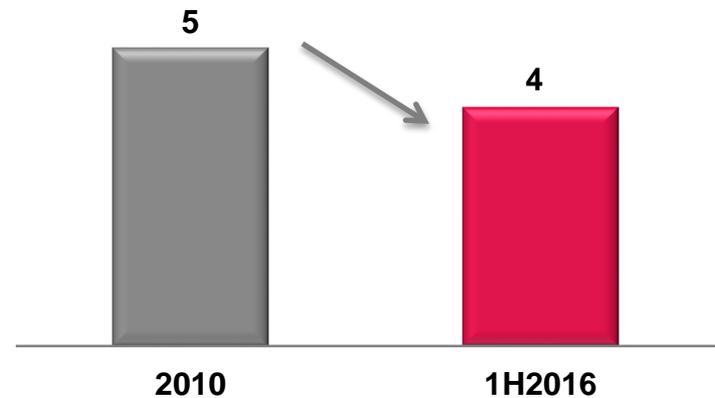
## IRRs Consistently Above 20%



## Positive VONB Margin Movement



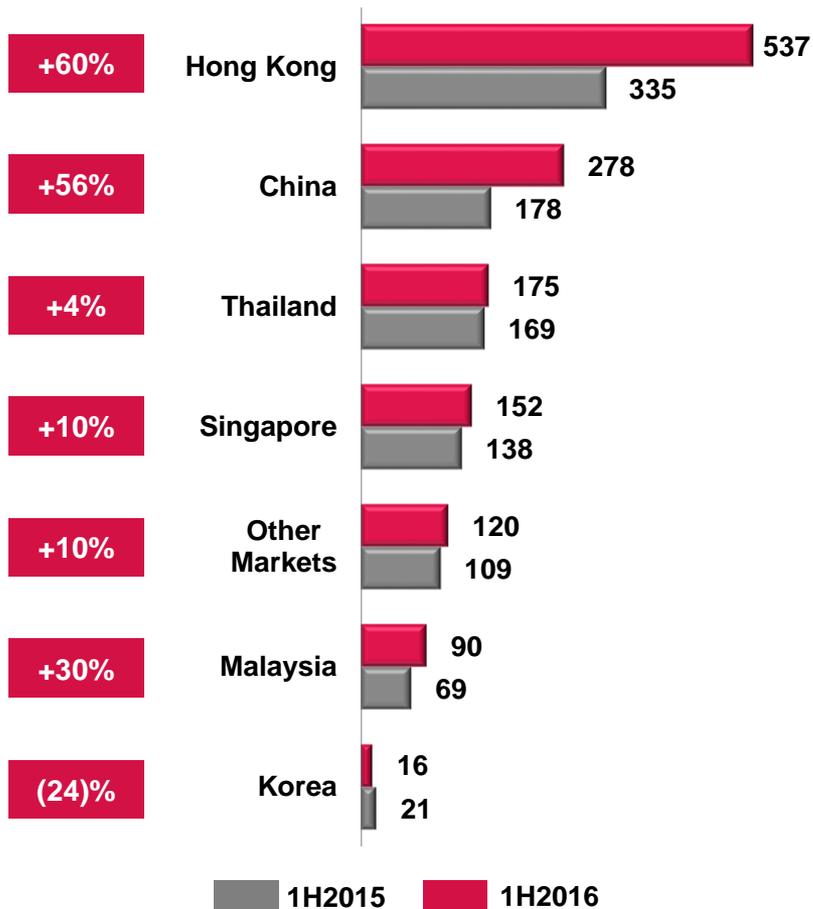
## Decreasing Payback Periods (Years)



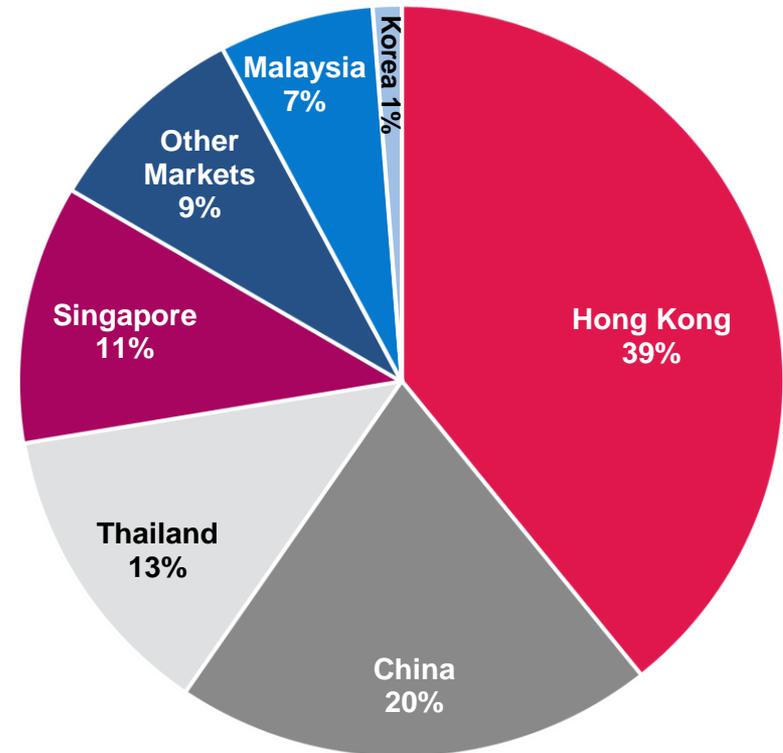
# Strong and Resilient Growth Portfolio



## VONB (\$m)



## 1H2016 VONB by Market Segment

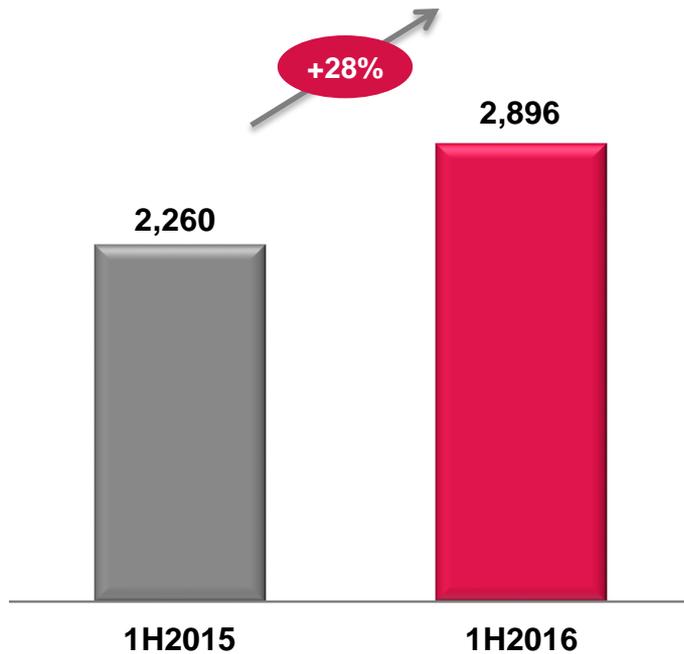


Note:  
Comparatives are shown on a constant exchange rate basis

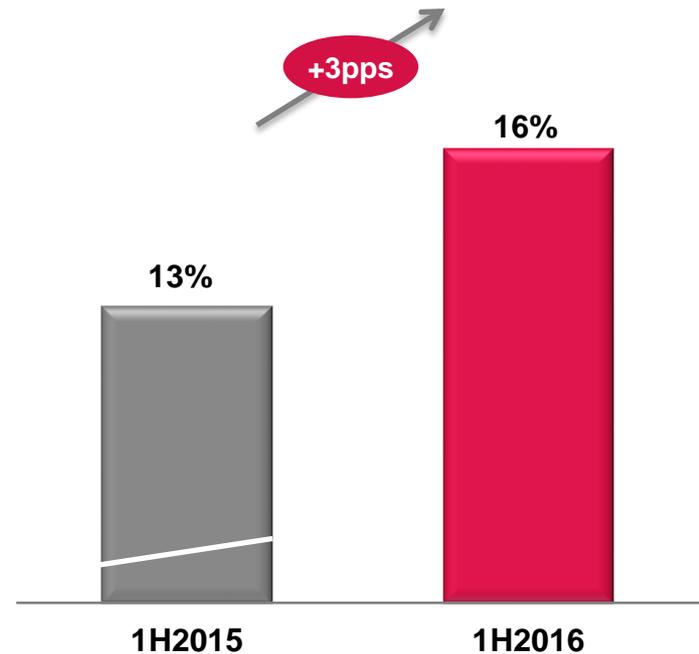
# Strong EV Operating Returns



## EV Operating Profit (\$m)



## Annualised ROEV

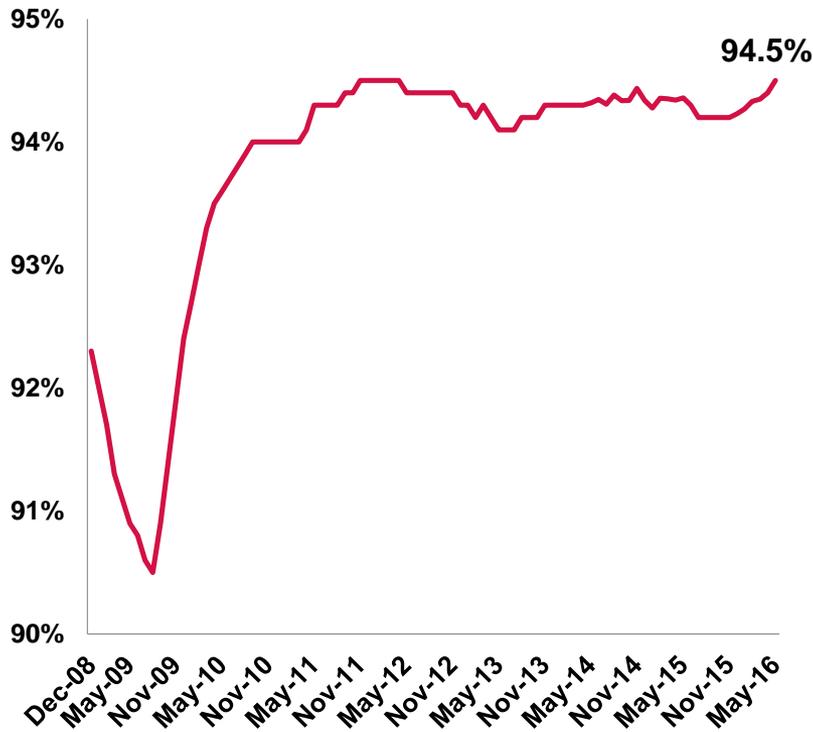


Note:  
EV operating profit comparative is shown on a constant exchange rate basis

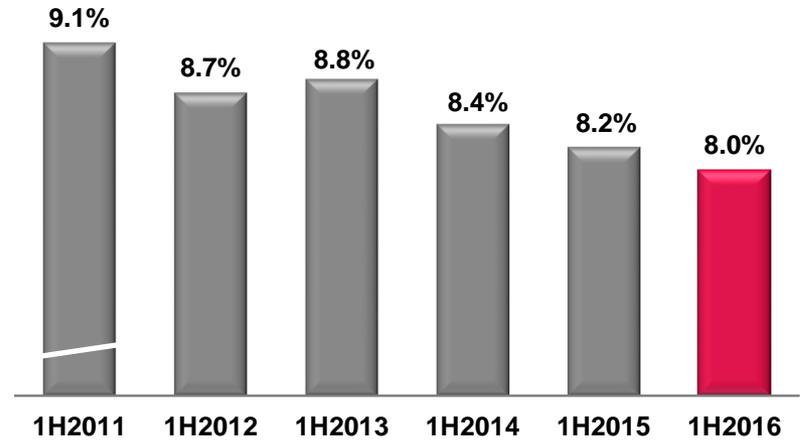
# Operating Performance Driving Positive Variances



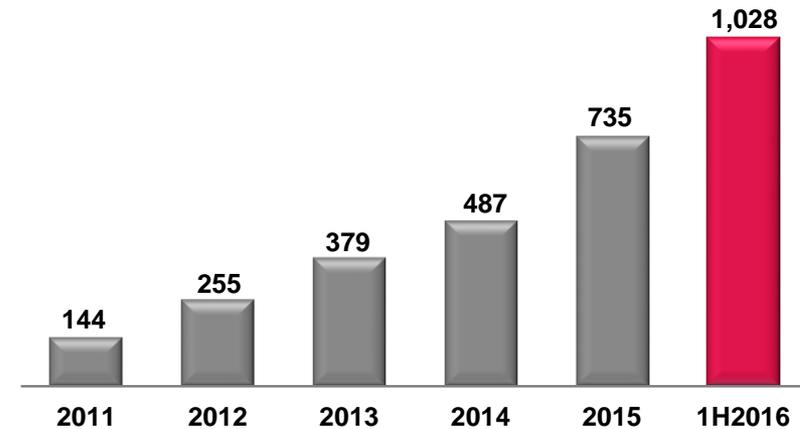
## Persistency Rate



## Expense Ratio



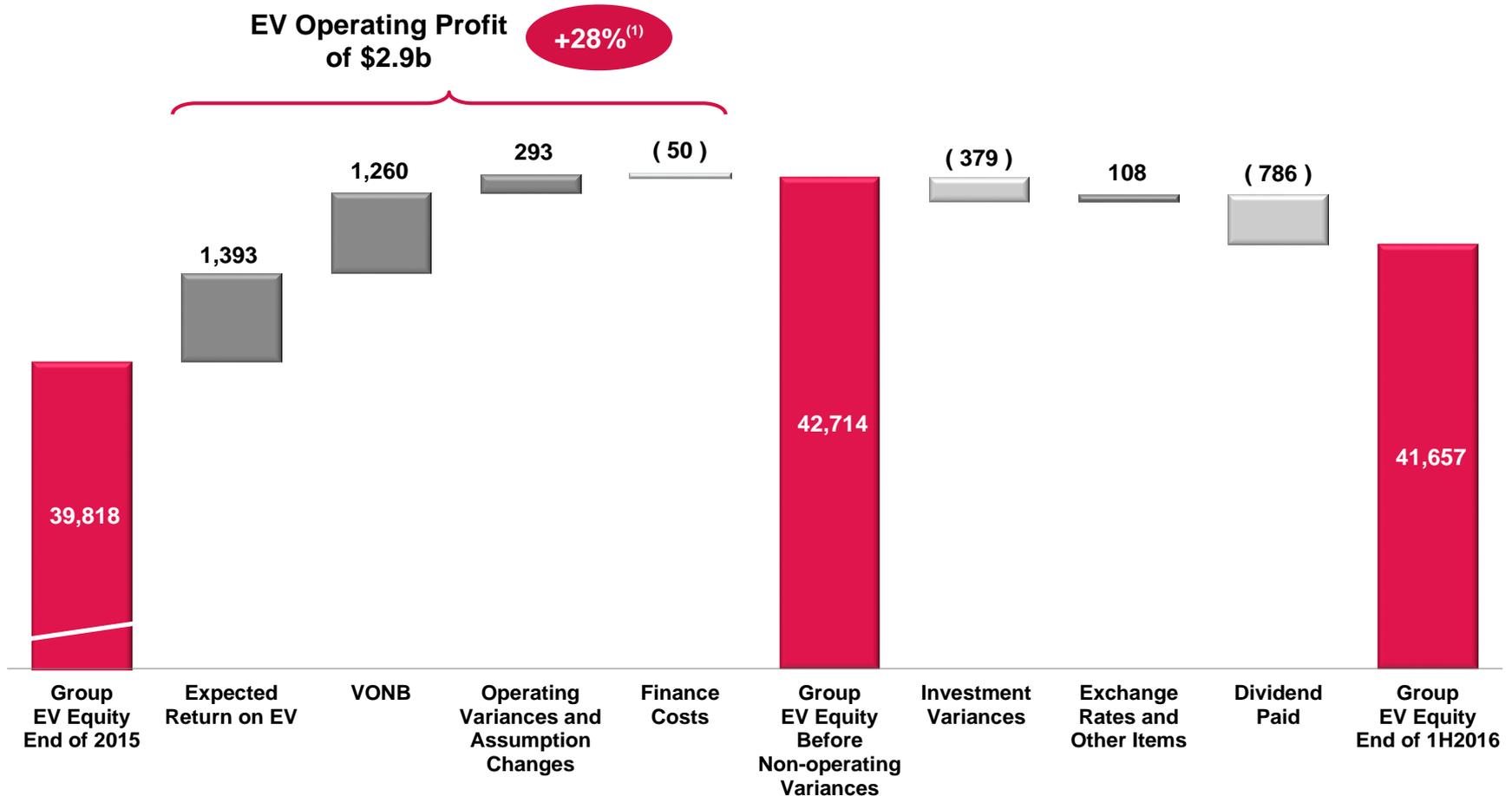
## Cumulative EV Operating Variances (\$m)



# EV Equity of \$41.7b – EV Operating Profit up 28%



## 1H2016 EV Equity Movement (\$m)



Note:  
 (1) On a constant exchange rate basis

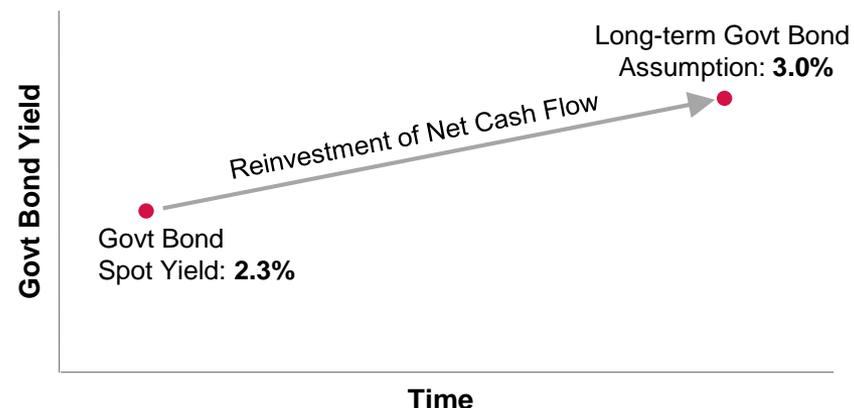
# AIA EV Assumption Setting Methodology



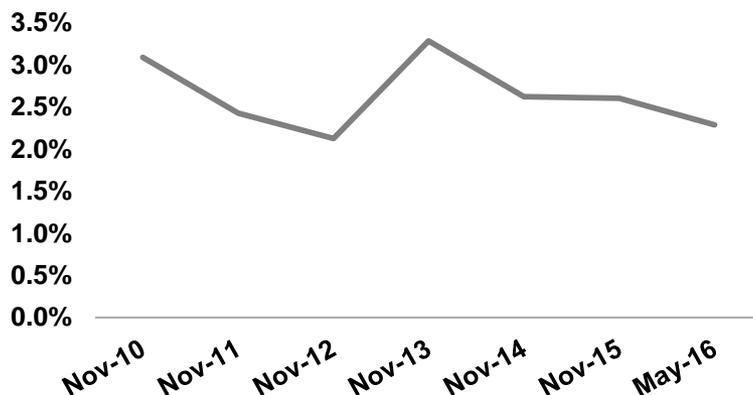
## Market Based EV Methodology

- EV methodology and assumptions reflect long-term focus of the business
- EV **uses market spot rates** and grades to long-term forward assumption over time
- Independent market-consistent assessment produces similar results to reported EV

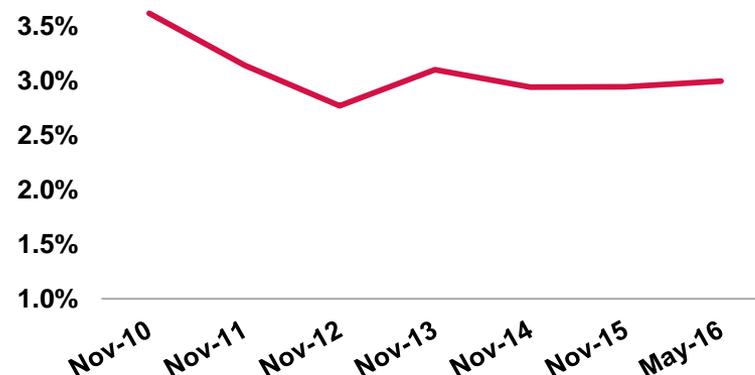
## Market Spot Yield Graded to Long-term Assumption<sup>(1)</sup>



## AIA 10-year Govt Bond Spot Yield<sup>(2)</sup>



## AIA Long-term Govt Bond Assumption<sup>(3)</sup>



Notes:

(1) As at 31 May 2016

(2) Current market 10-year government bond yields referenced in EV calculations; weighted average by VIF of key markets: Hong Kong, Thailand, Singapore, Malaysia, China and Korea

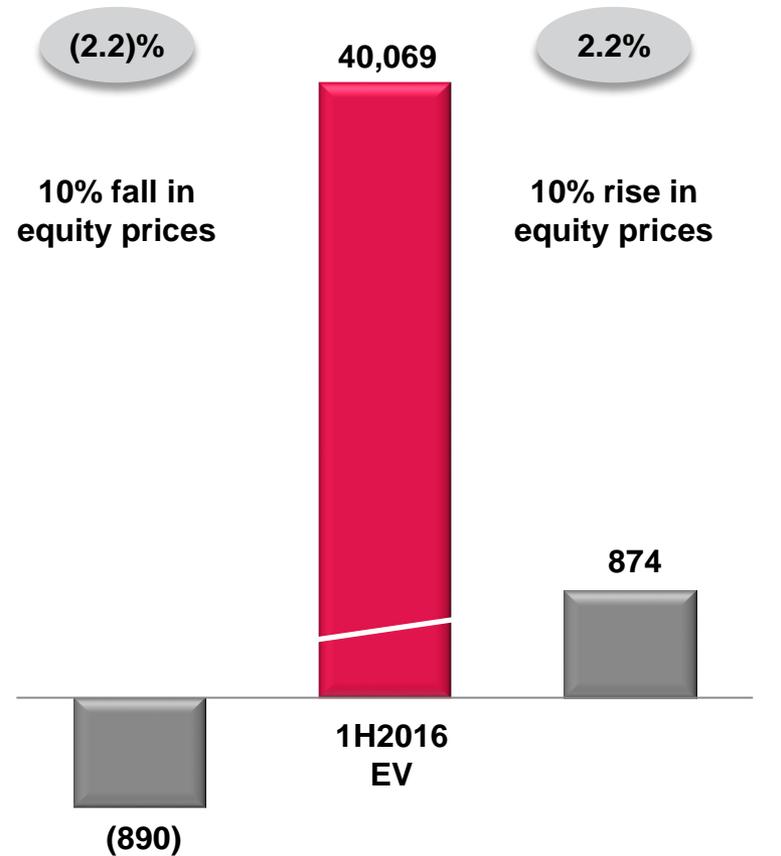
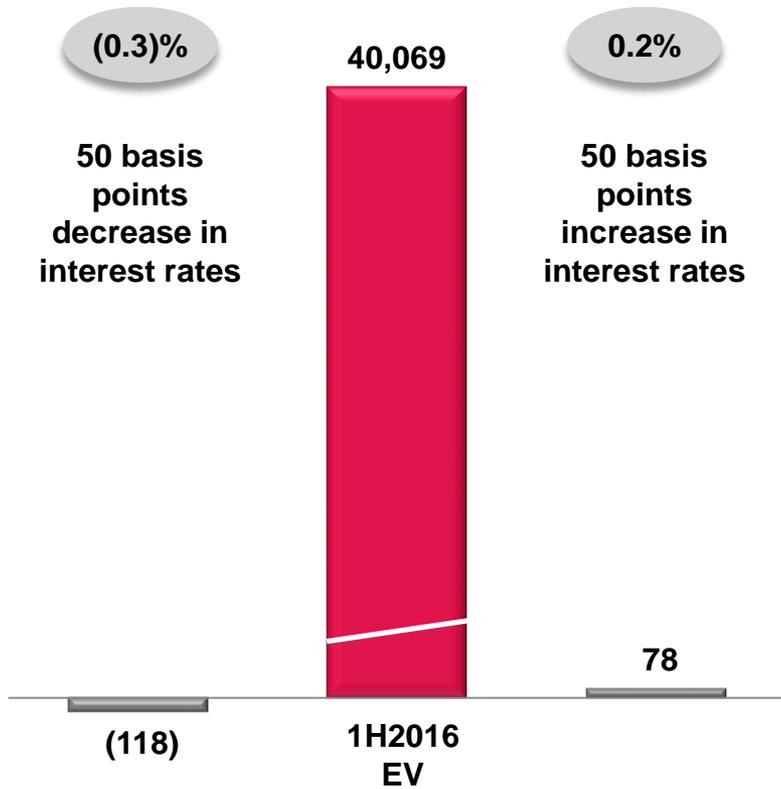
(3) Weighted average by VIF of key markets: Hong Kong, Thailand, Singapore, Malaysia, China and Korea

# EV Sensitivity to Capital Market Movements



## Interest Rates (\$m)

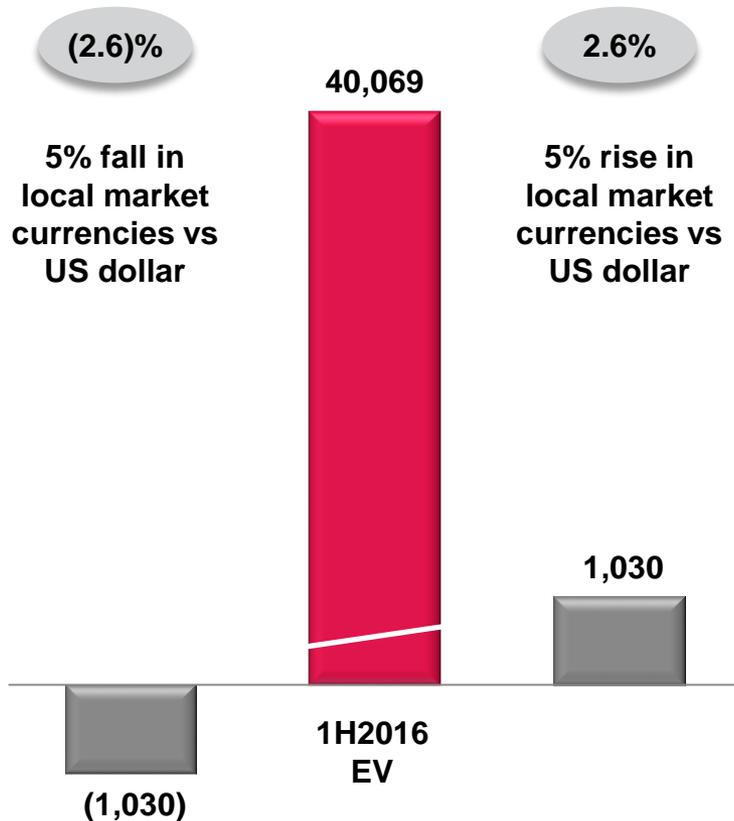
## Equities (\$m)



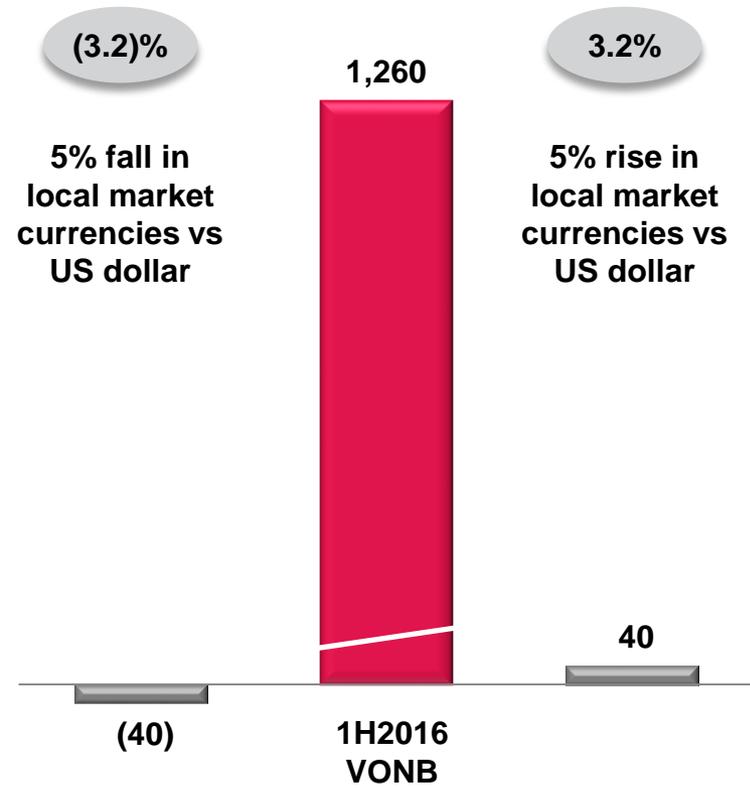
# Currency Sensitivity



## EV (\$m)



## VONB (\$m)

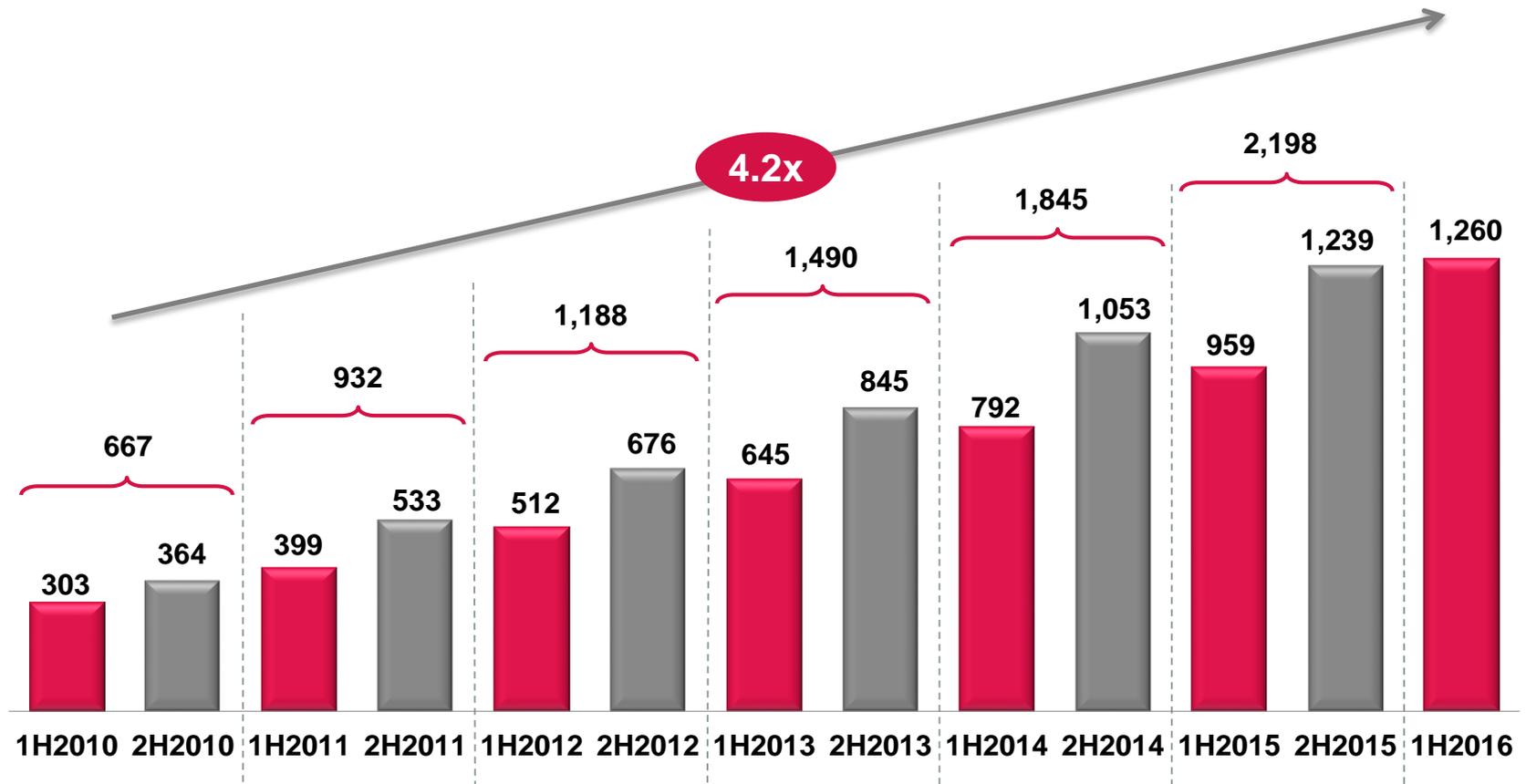


Note:  
The translation sensitivities shown assume a constant Hong Kong dollar to US dollar exchange rate

# Strong & Sustained Growth in Profitable New Business



VONB (\$m)



**Growth**

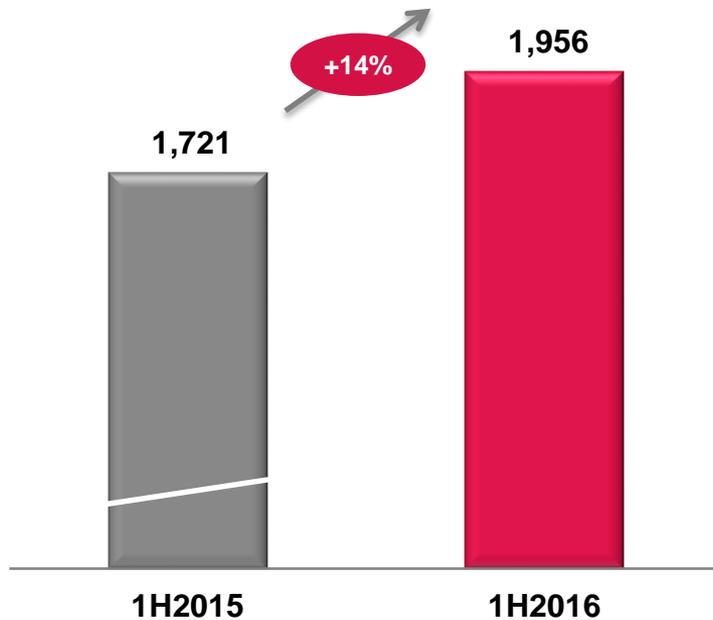
**Earnings**

**Capital and Dividends**

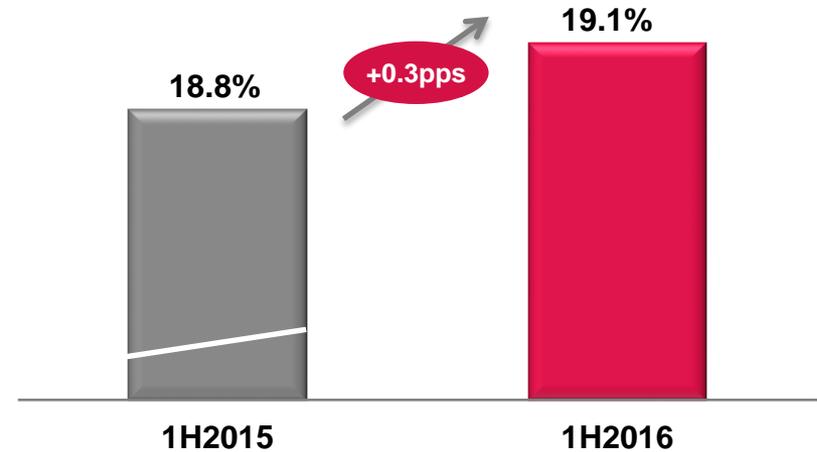
# IFRS Operating Profit up 14%



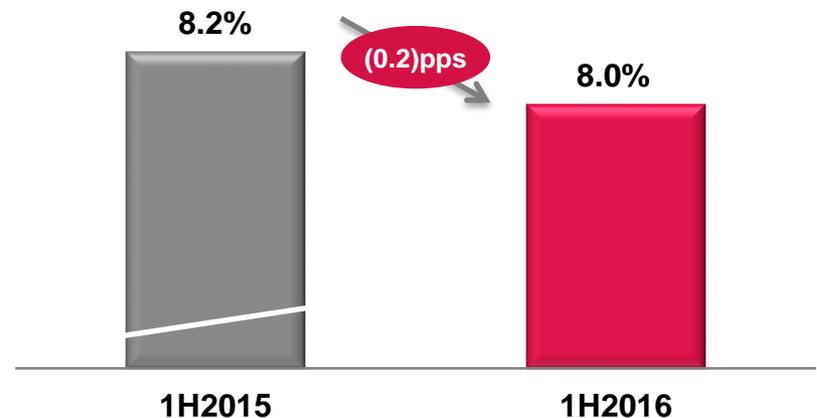
## Operating Profit After Tax (\$m)



## Operating Margin After Tax



## Expense Ratio

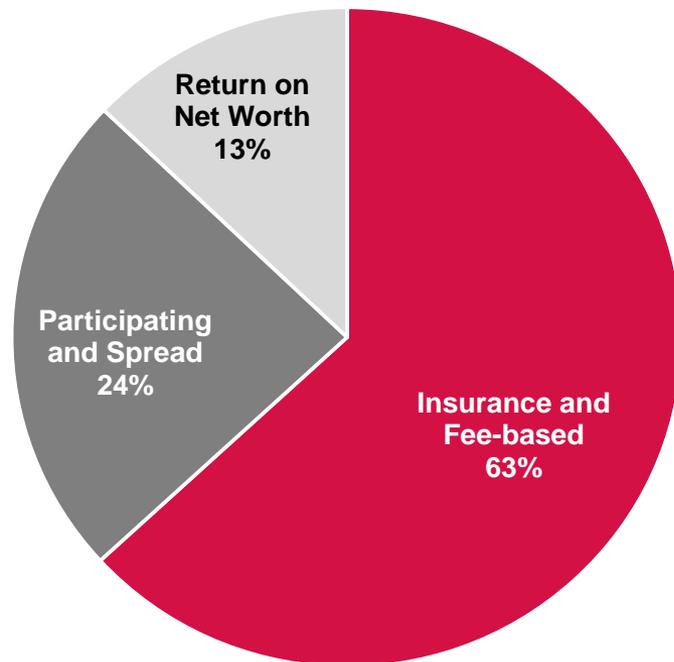


Note:  
Operating profit after tax comparative is shown on a constant exchange rate basis

# Resilient and Diversified Earnings



## 1H2016 Sources of IFRS Operating Profit<sup>(1)</sup>



## High-quality Business

- Right earnings balance
- Majority insurance and fee-based profits
- Profitable new business mix
- Protection cover embedded across product range
- Resilient across cycles
- Underpinned by focus on regular premiums

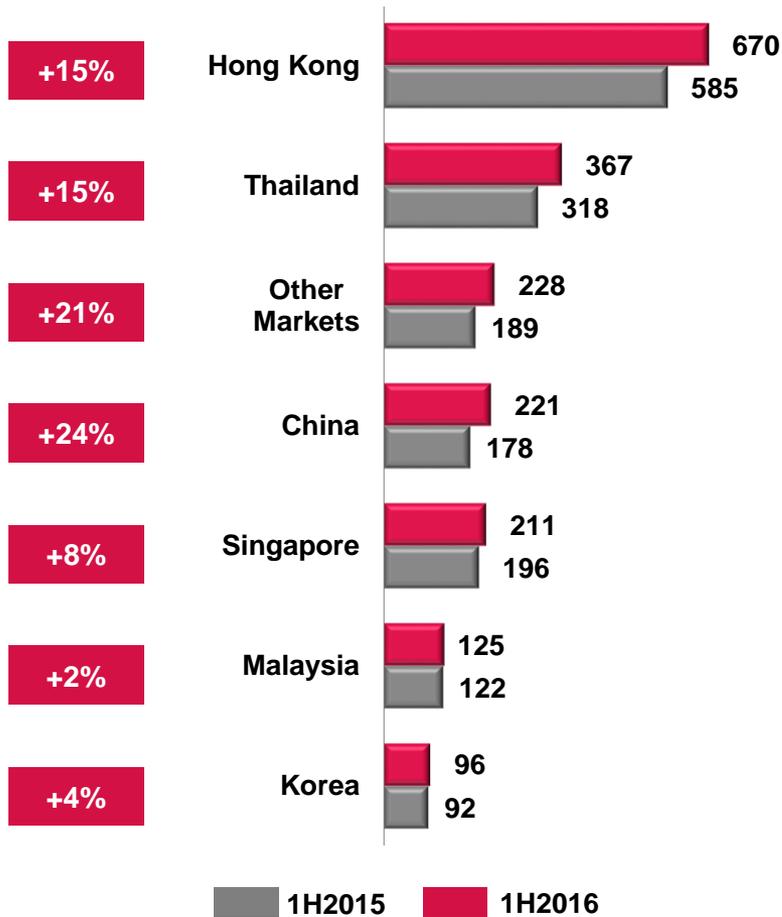
Note:

(1) Before Group Corporate Centre expenses; IFRS operating profit includes the expected long-term investment returns for equities and real estate. Insurance and fee-based profits would account for 69% of IFRS operating profit on the previous OPAT basis as used in the 2015 Annual Results

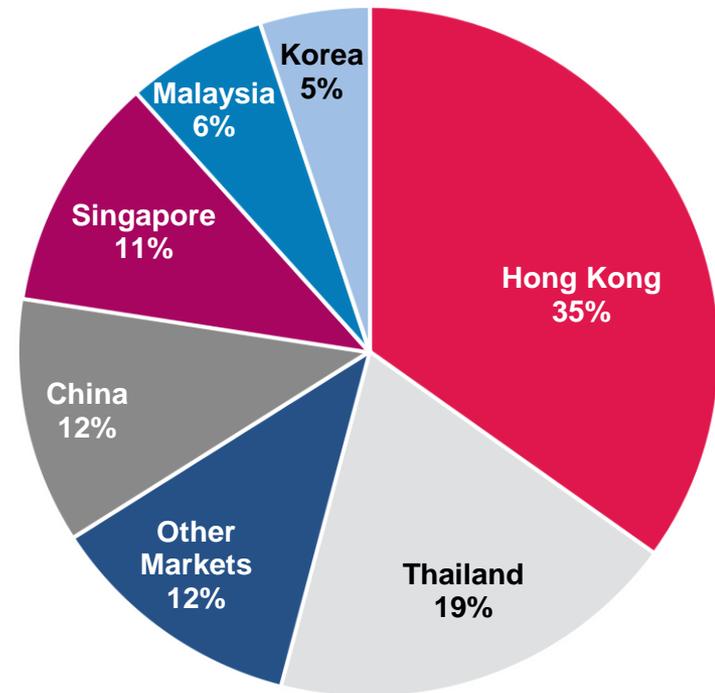
# Resilient and Diversified Earnings



## OPAT (\$m)



## 1H2016 IFRS OPAT by Market Segment

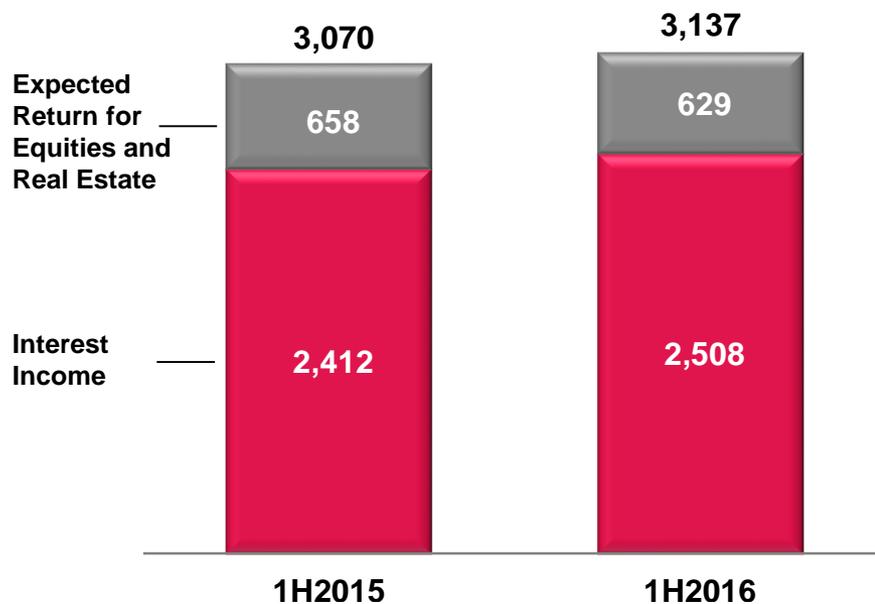


Note:  
Comparatives are shown on a constant exchange rate basis

# Stable Investment Yield



## IFRS Operating Profit Investment Return (\$m)



Fixed Income Yield<sup>(1)</sup>

5.1%

5.0%

(FY15: 5.1%)

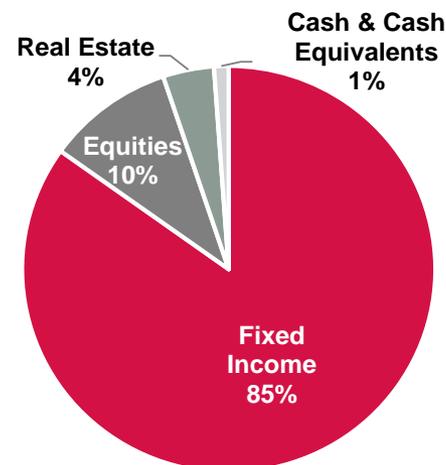
Actual Investment Return

6.9%

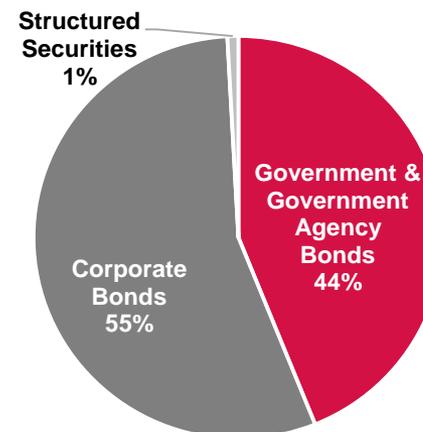
4.9%

(FY15: 4.6%)

## Total Investments of \$135b<sup>(2)</sup>



## Total Bond Portfolio of \$108b<sup>(2)</sup>



Average Rating A-

Notes:

(1) Interest income from fixed income investments, as a percentage of average fixed income investments measured at amortised cost over the period. This excludes unit-linked contracts and consolidated investment funds.

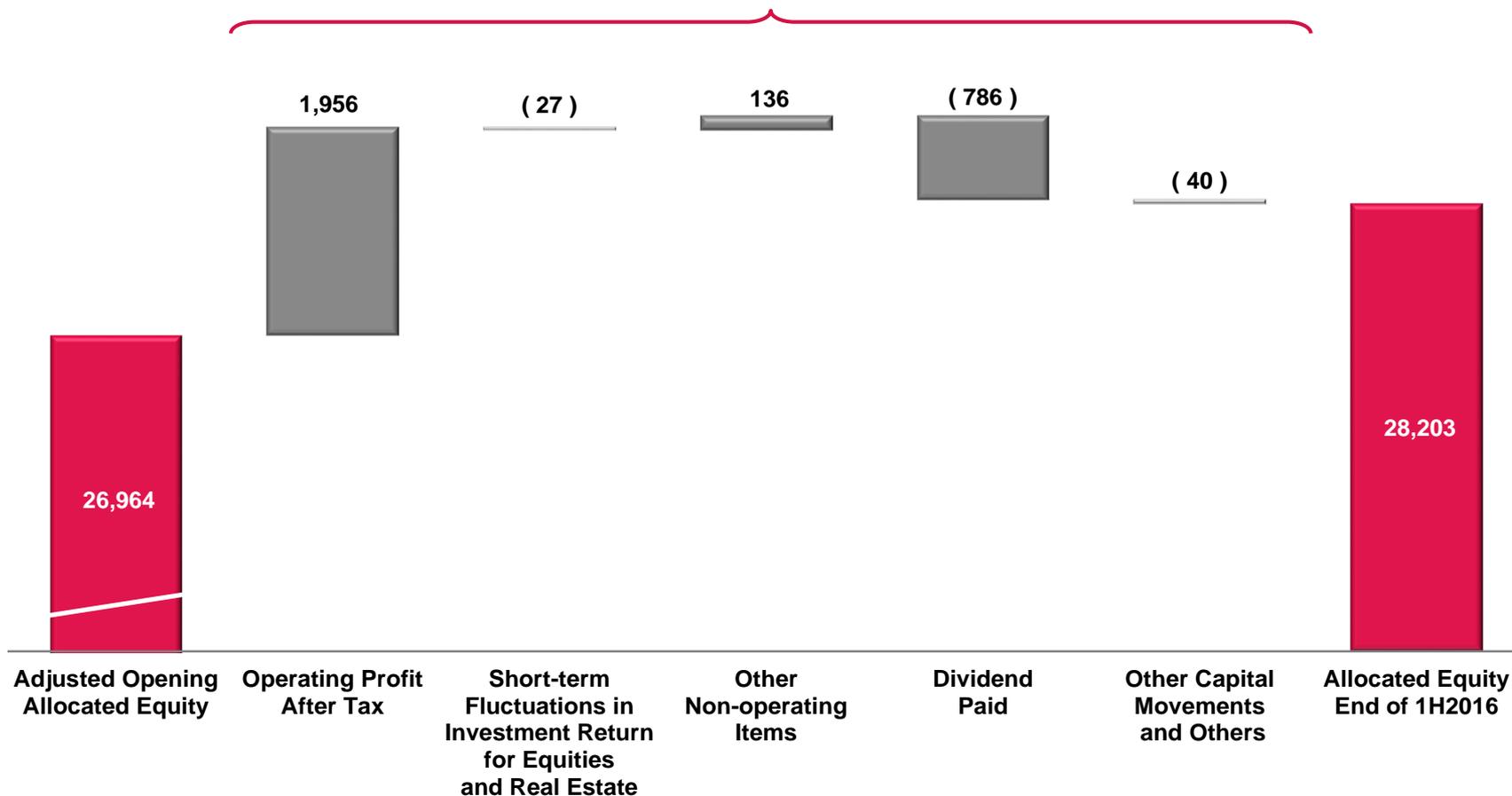
(2) As of 31 May 2016

# Allocated Equity Movement



## IFRS Shareholders' Allocated Equity Movement (\$m)

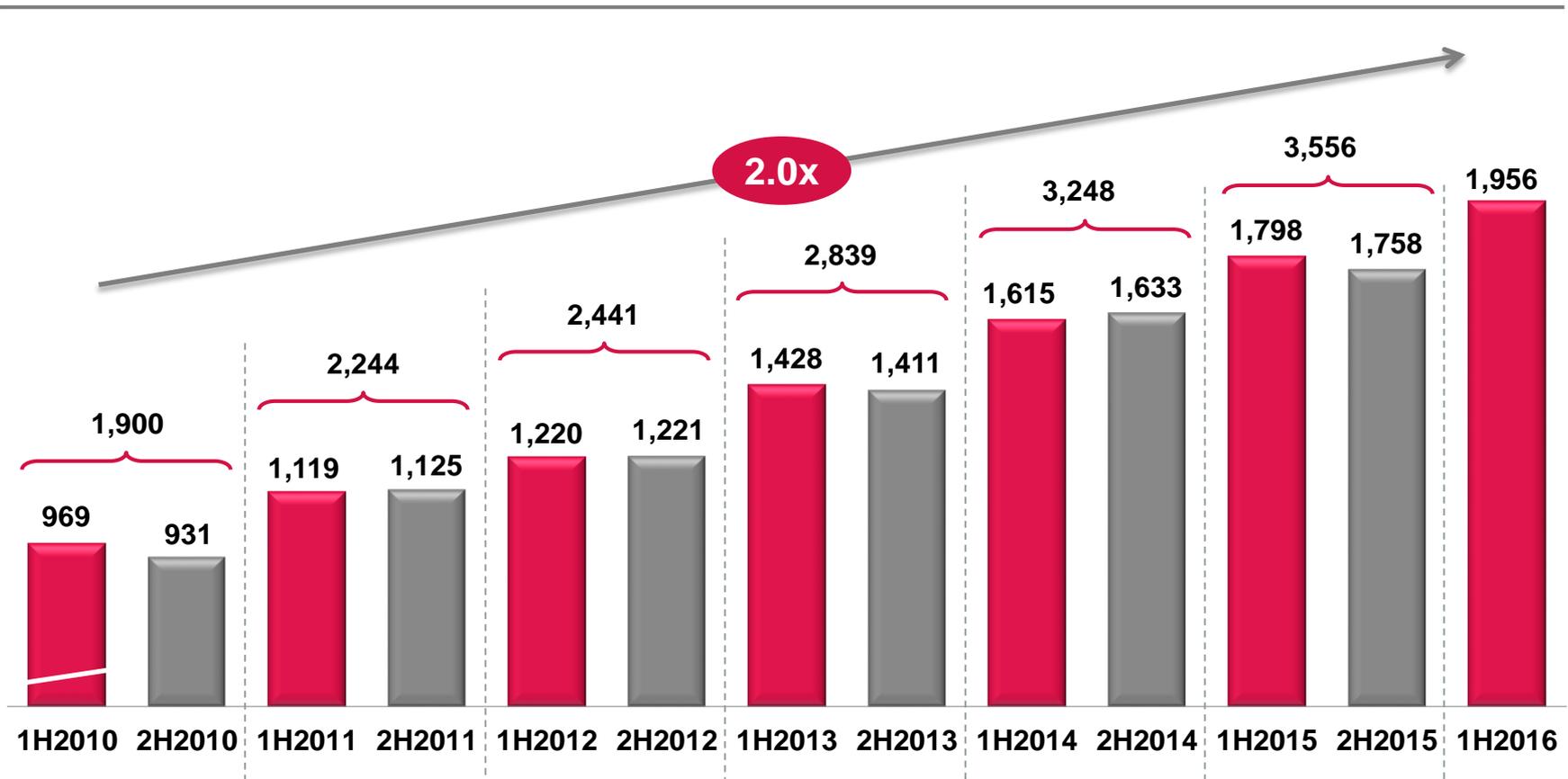
Allocated Equity Movement up 5% over 1H2016



# Strong and Sustained Earnings Growth



OPAT (\$m)



**Growth**

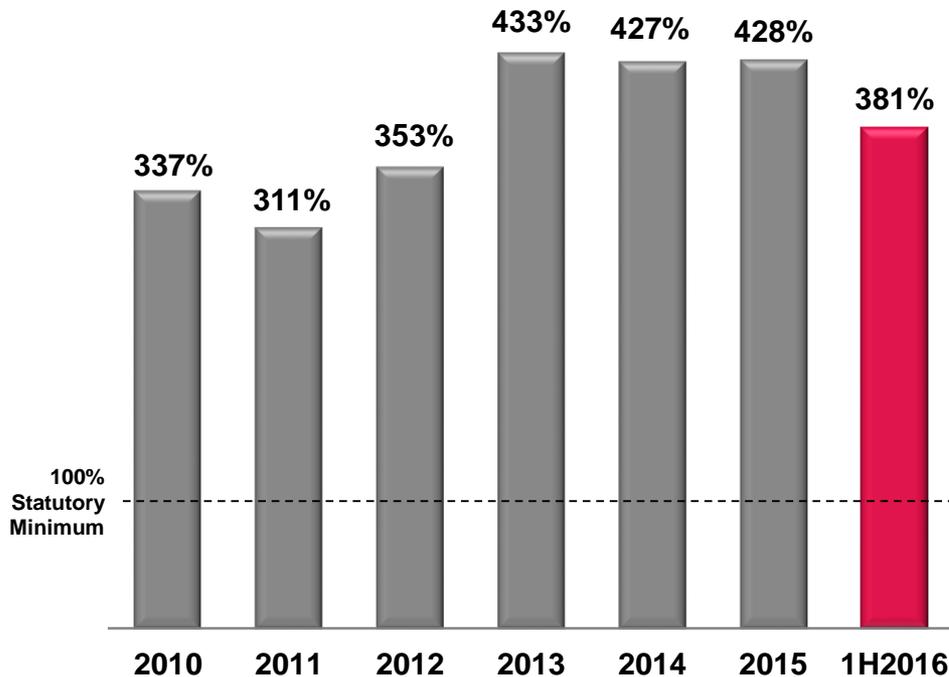
**Earnings**

**Capital and Dividends**

# Regulatory Solvency Ratio of 381%



## Solvency Ratio on HKICO Basis for AIA Co.



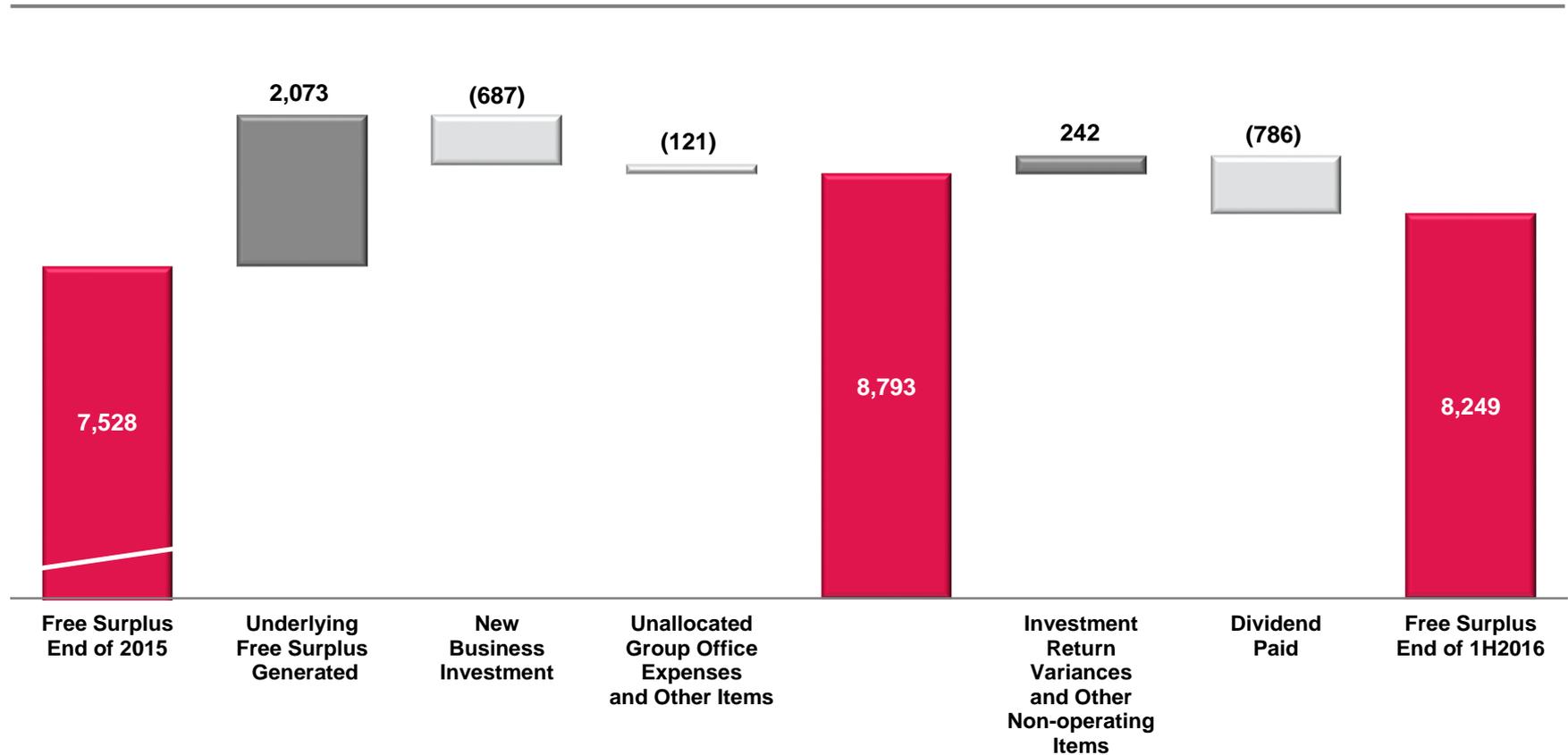
## Ongoing Capital Strength

- Resilient solvency position
- Prudent HKICO reserves and capital
- Strong retained earnings
- Including the payment for the increased shareholding in Tata AIA in the first half
- AIA Co. S&P Rating of AA- and Moody's Rating of Aa3

# Self-financed Growth at Attractive Returns



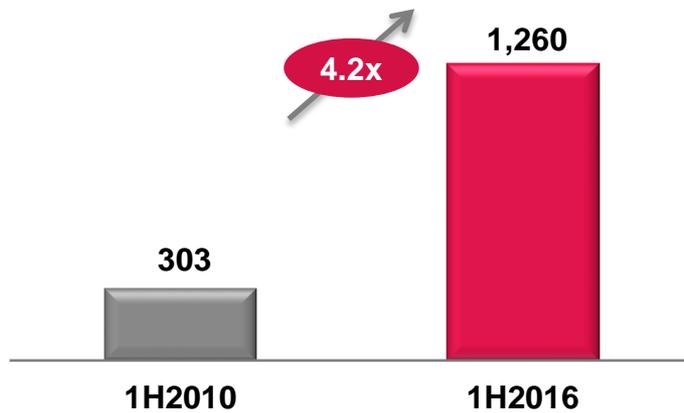
## Free Surplus of \$8.2b on the HKICO Basis (\$m)



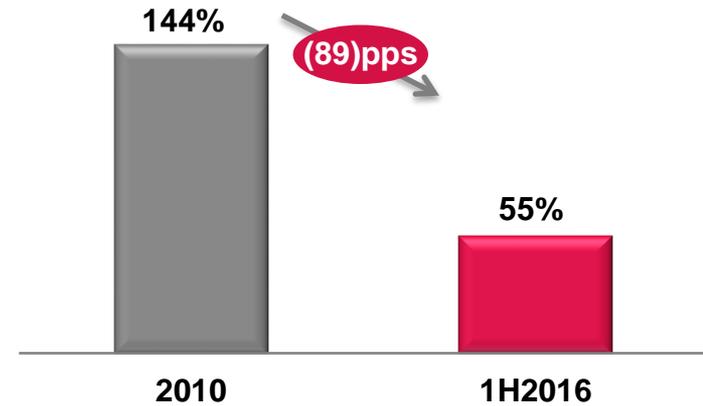
# Increased Returns and Capital Efficiency Since IPO



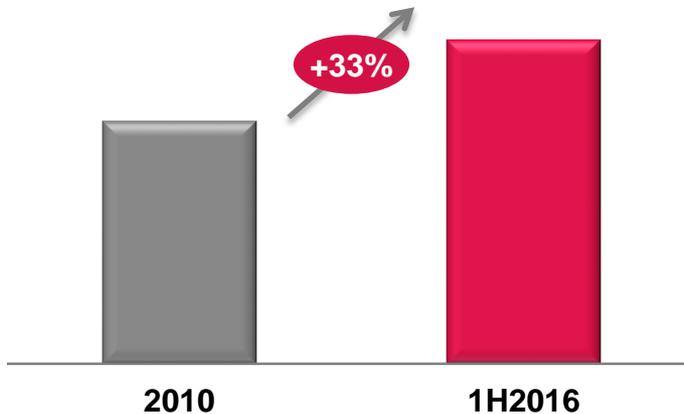
## VONB (\$m)



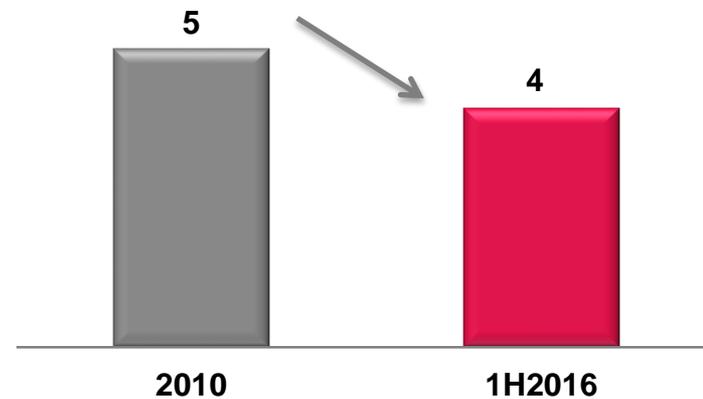
## New Business Strain as % of VONB



## IRRs Consistently Above 20%



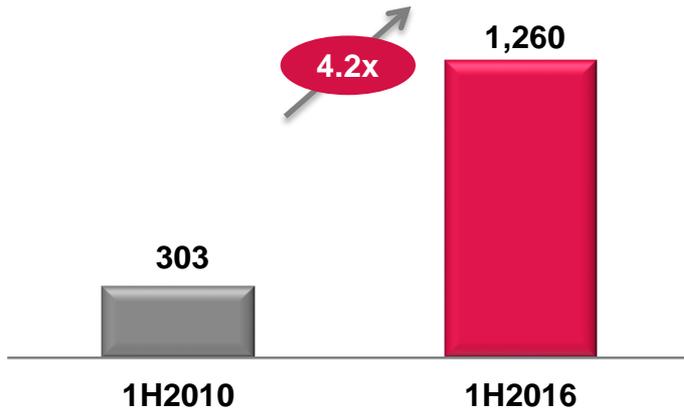
## Decreasing Payback Periods (Years)



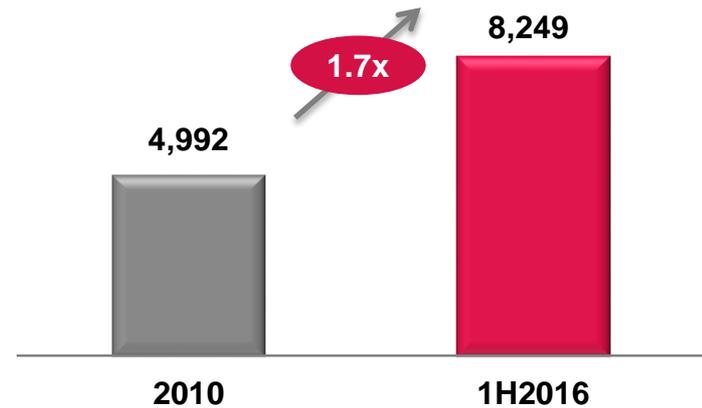
# Disciplined Financial Management



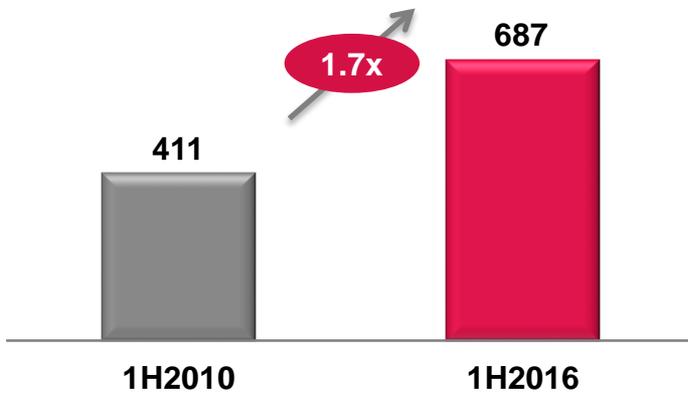
## VONB (\$m)



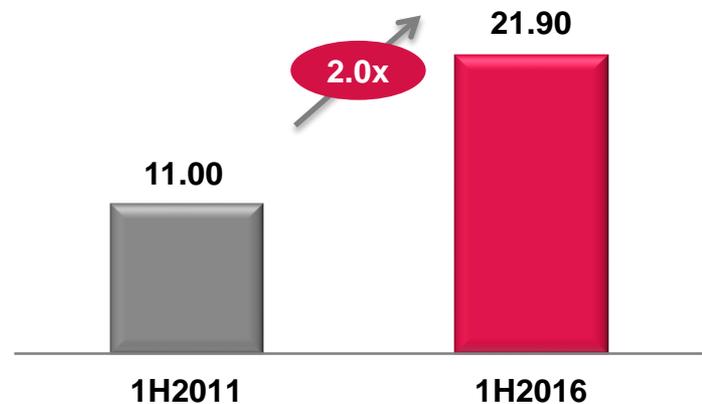
## Free Surplus (\$m)



## New Business Investment (\$m)



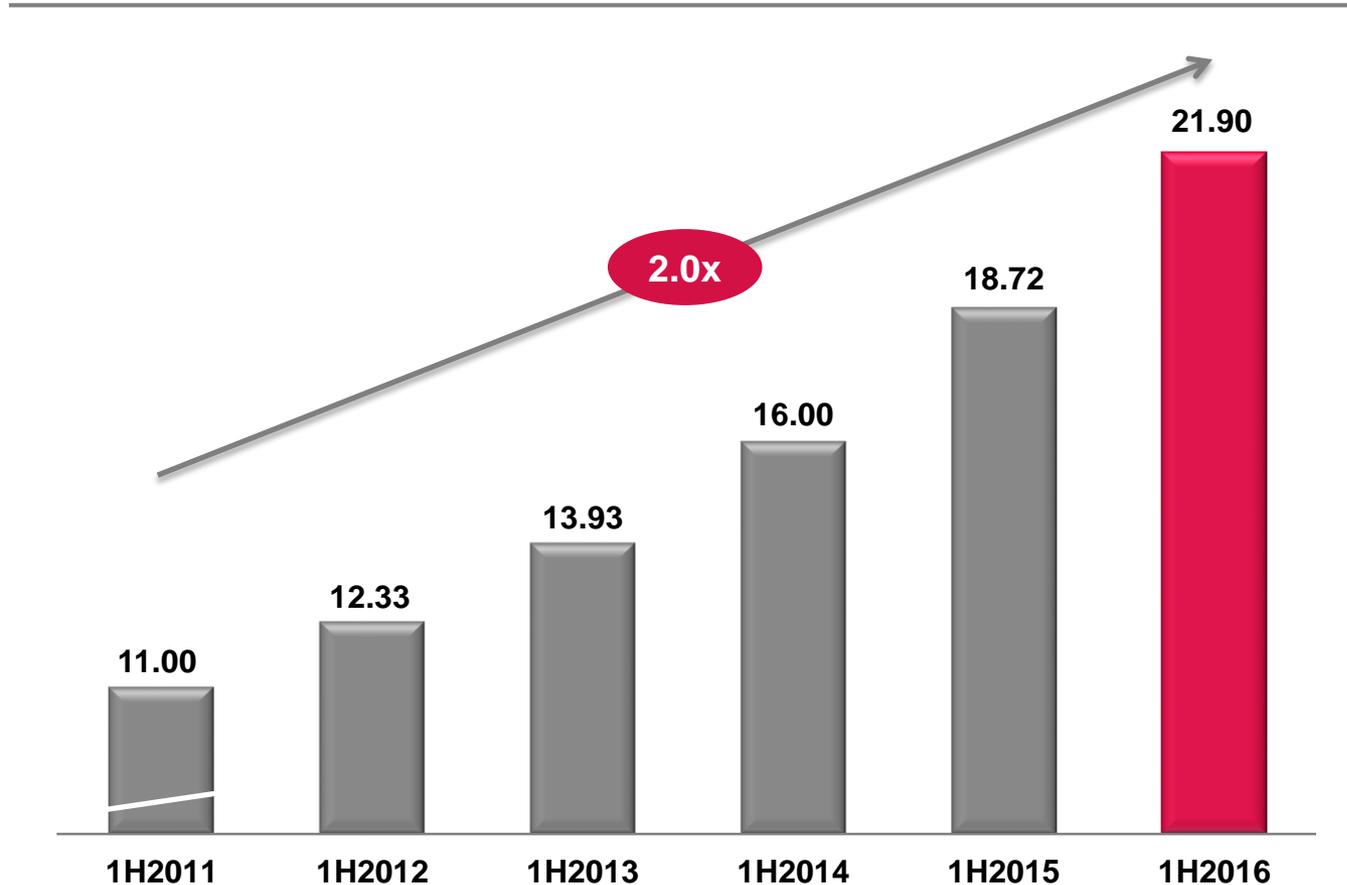
## Interim Dividend Per Share (HK cents)



# Prudent, Sustainable and Progressive Dividend



Interim Dividend Per Share (HK cents)



# 1H2016 Financial Results Summary



## Growth

- Considerable growth in profitable new business
  - Significant capital investment at high returns
  - Improvement in new business capital efficiency
- 

## Earnings

- Strong increase in IFRS operating profit
  - Consistent growth across the region
  - Diversified and large-scale source of earnings
- 

## Capital & Dividends

- Substantial cash and capital generation
- Resilient solvency position
- Prudent, sustainable and progressive dividend

**Gordon Watson**

Regional Chief Executive

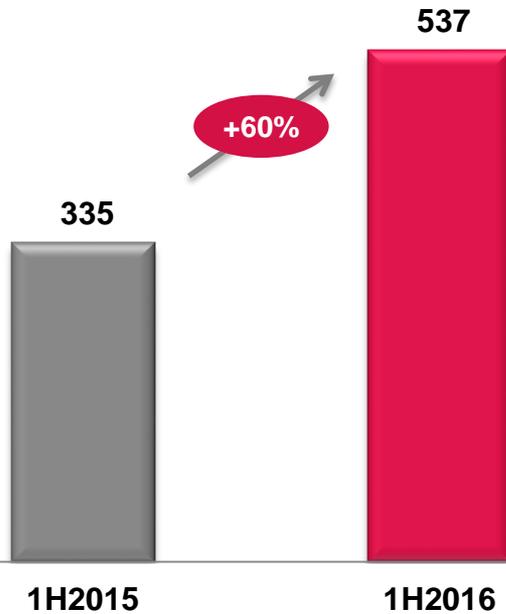


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# Hong Kong: Another Excellent Performance



VONB (\$m)



ANP (\$m)

540

988

VONB  
Margin

59.6%

52.9%

## ■ Premier Agency

- Delivered excellent VONB growth
- Launched Premier Agency Leader programme
- Active new agents up 14%
- Active agent productivity up 35%

## ■ Profitable Partnerships

- Strong contribution from IFA channel
- Excellent growth in Citibank partnership

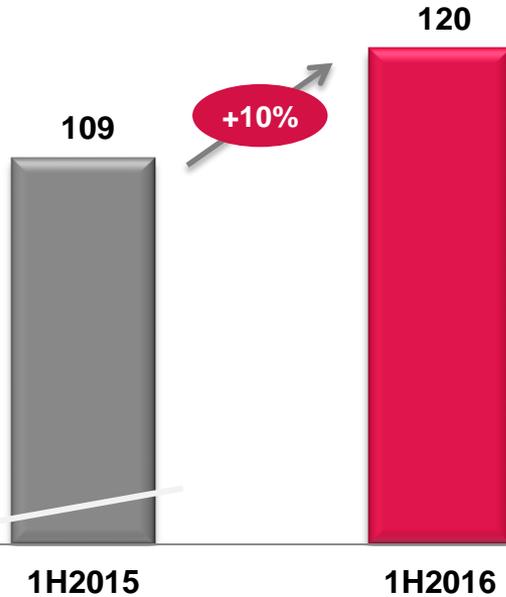
## ■ Products and Customers

- More than 90% of ANP is regular premium
- Strong initial take-up of **AIA Vitality**

# Other Markets: Delivered Solid Results



VONB (\$m)



ANP (\$m) 346

363

VONB Margin 31.3%

32.5%

## Australia

- Double-digit VONB growth
- #1 ranked in IFA individual life market
- Strong growth in group insurance renewals

## Indonesia

- Double-digit agency VONB growth
- Active agent productivity up 20%
- Positive mix shift in bancassurance

## Philippines

- Challenging market environment
- New recruits up 17%
- *AIA Vitality* extended to BPI customers

## Vietnam

- Excellent VONB growth
- Extended our innovative agency branch model
- Active agents up 19%

Note:  
Comparatives are shown on a constant exchange rate basis

**Bill Lisle**

Regional Chief Executive

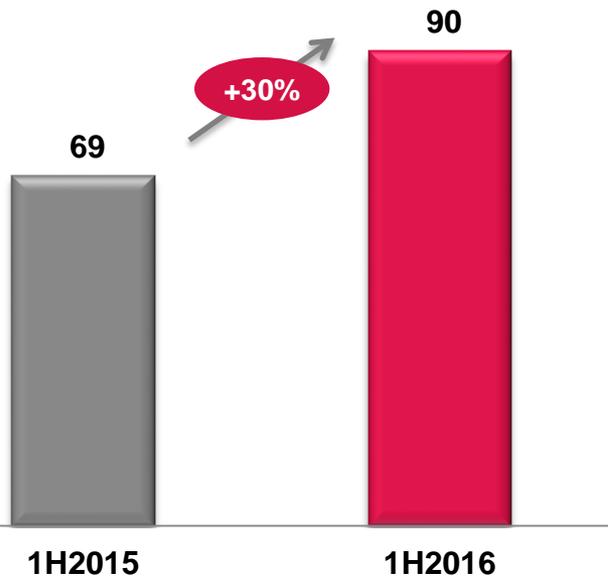


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# Malaysia: Delivering Excellent Growth



## VONB (\$m)



ANP (\$m) 121

159

VONB Margin 55.4%

55.7%

### ■ Premier Agency

- Focus on superior recruitment and high-quality agent development
- Active new agents up 30%
- Active agent productivity up 27%
- Active Takaful-producing agents up 79%

### ■ Profitable Partnerships

- Strong VONB growth from Public Bank

### ■ Products and Customers

- Sustained focus on unit-linked with protection
- New mobile underwriting technology on iPoS
- Launched *AIA Vitality* in June

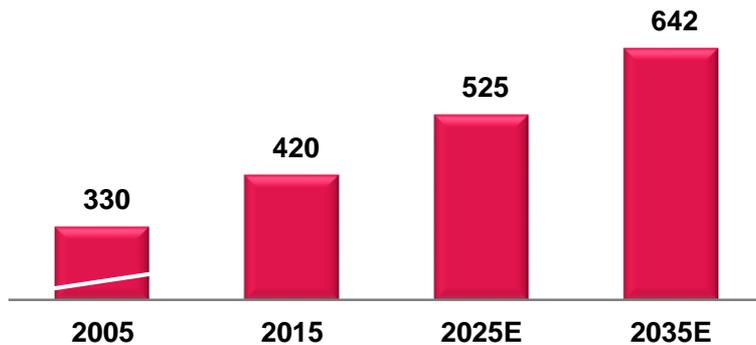
Note:  
Comparatives are shown on a constant exchange rate basis

# India: Shareholding Increased to 49%



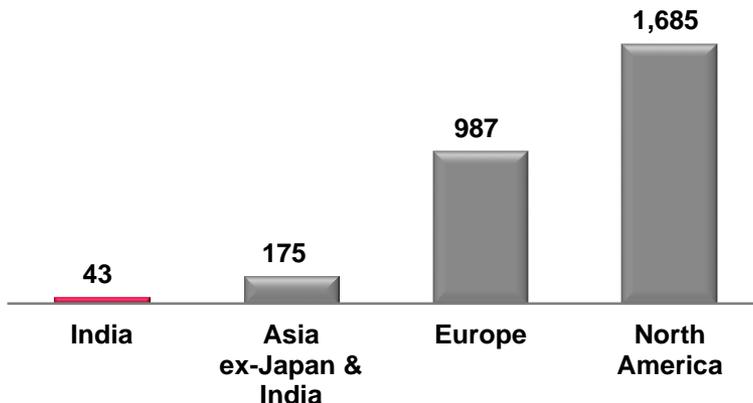
## Rapid Urbanisation

Urban Population (Millions)



## Underpenetrated Life Insurance Market

2015 Density Rate (US\$)



## Focusing on the Right Priorities

- **Economic and Structural Growth Drivers**
  - 2<sup>nd</sup> largest population
  - GDP growth >7% p.a.
  - 2.7% penetration; protection gap of US\$8.6tn
- **Multi-channel Distribution Platform**
  - Creating value by building a Premier Agency
  - Delivering profitable bancassurance through partnering with Citibank and IndusInd Bank
  - Direct sales force targeting existing customers
- **Products and Customer Service**
  - Focusing on protection gap opportunity
  - Using mobile technology to increase efficiency
  - Concentrating on selected cities



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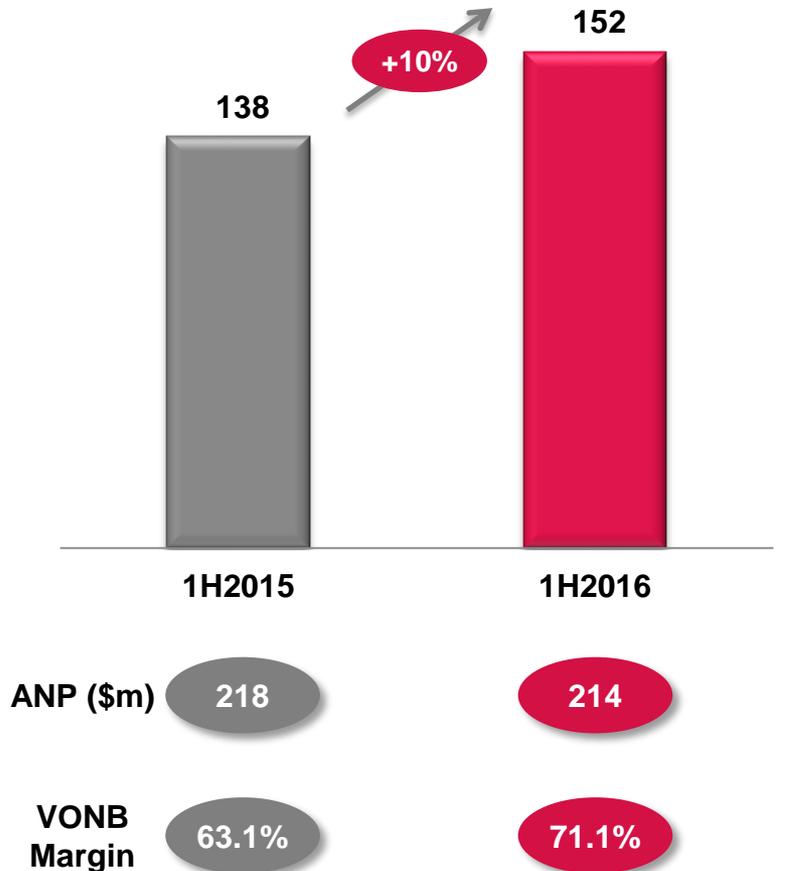


**Ng Keng Hooi**  
Regional Chief Executive

# Singapore: Solid Growth



## VONB (\$m)



### ■ Premier Agency

- Agency VONB up more than 20%
- Expanded iMO with mobile underwriting
- Active agent productivity up 15%

### ■ Profitable Partnerships

- Strong bancassurance VONB growth
- Lower broker single premium sales

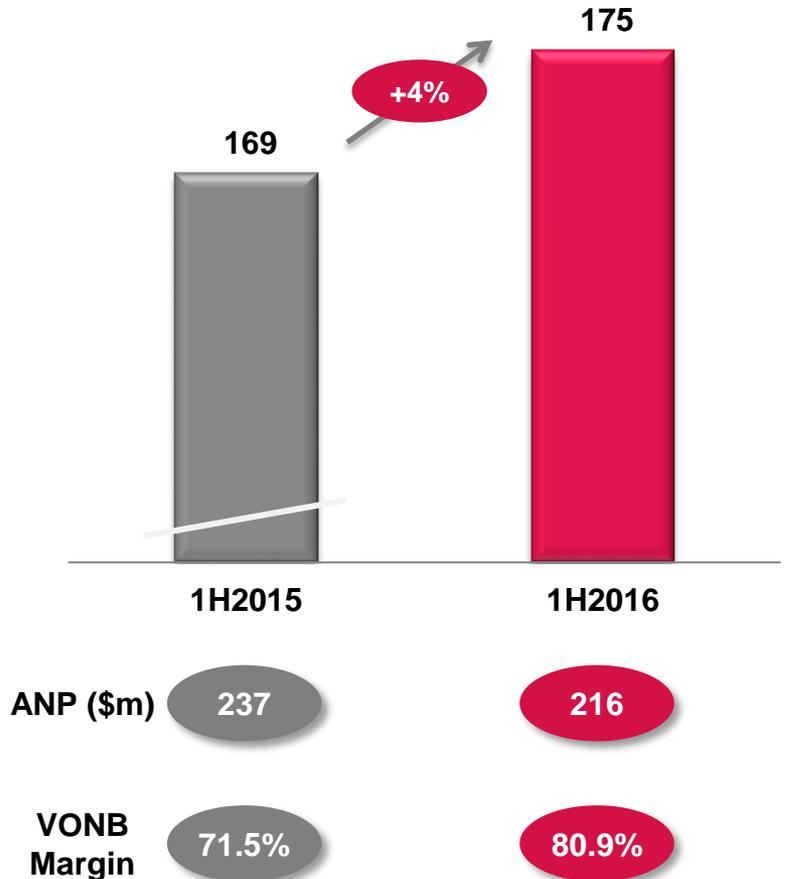
### ■ Products and Customers

- #1 insurer in protection market
- First 2-in-1 smoothed savings product
- *AIA Vitality* take-up of more than 50%

# Thailand: Stable Results



## VONB (\$m)



### ■ Premier Agency

- Recruitment and training programme targeting young and highly-educated candidates
- New recruits more productive
- Unit-linked licensed agents up 65%
- AIA continued to account for over 80% of industry agents licensed to sell unit-linked

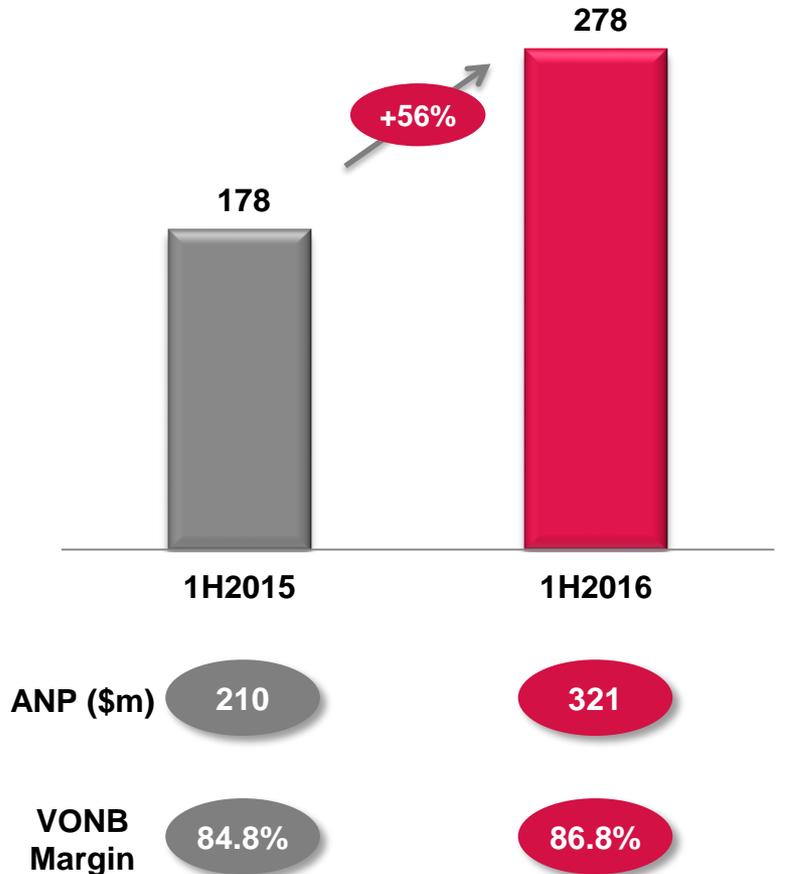
### ■ Products and Customers

- Leader in the protection market
- Ongoing positive product mix shift
- Launched *AIA Vitality* in June

# China: Sustained Outperformance



## VONB (\$m)



### ■ Premier Agency

- Differentiated product and distribution strategy
- Focus on quality recruitment and training
- Active agents up over 40%
- Use of iPoS to improve agent productivity

### ■ Products and Customers

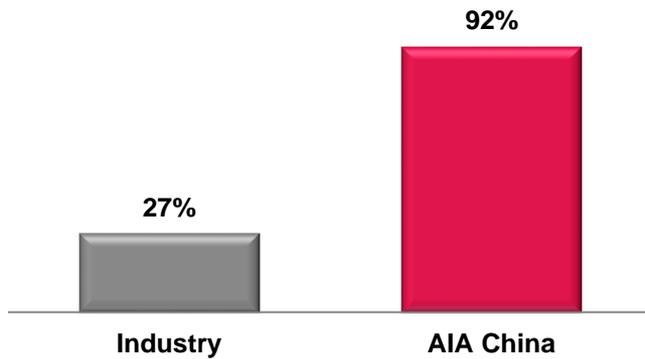
- Protection market leadership driving new sales
- Majority of earnings from insurance profits
- Launched new products and services targeting rapidly growing affluent segment

# China: Differentiated Execution

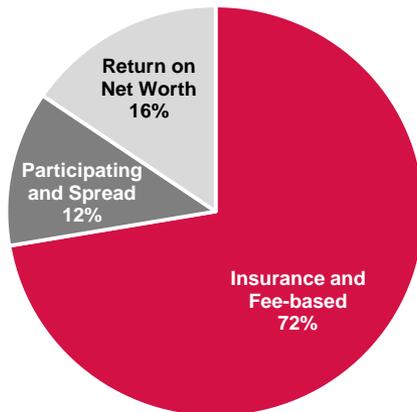


## Disciplined Protection Focus

### Regular Premium as % of New Premium<sup>(1)</sup>

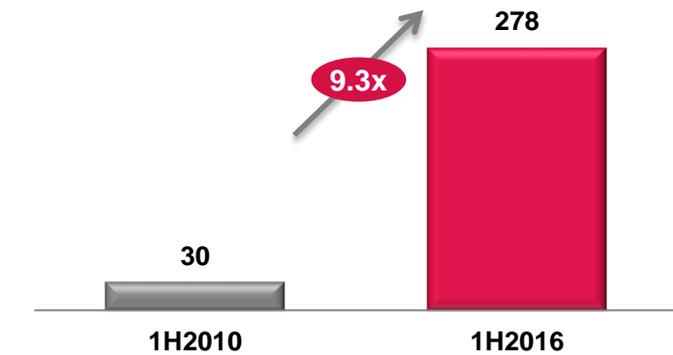


### Source of IFRS Operating Profit

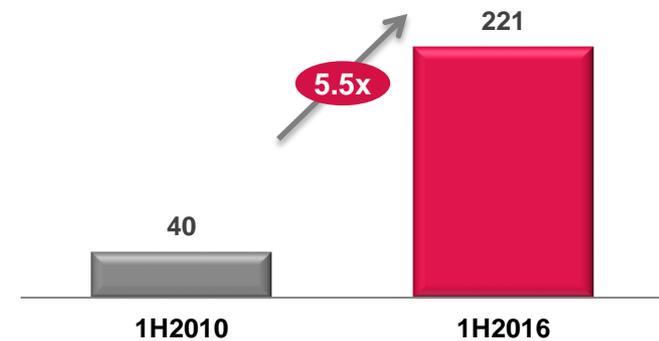


## Sustained Outperformance

### VONB (\$m)



### OPAT (\$m)

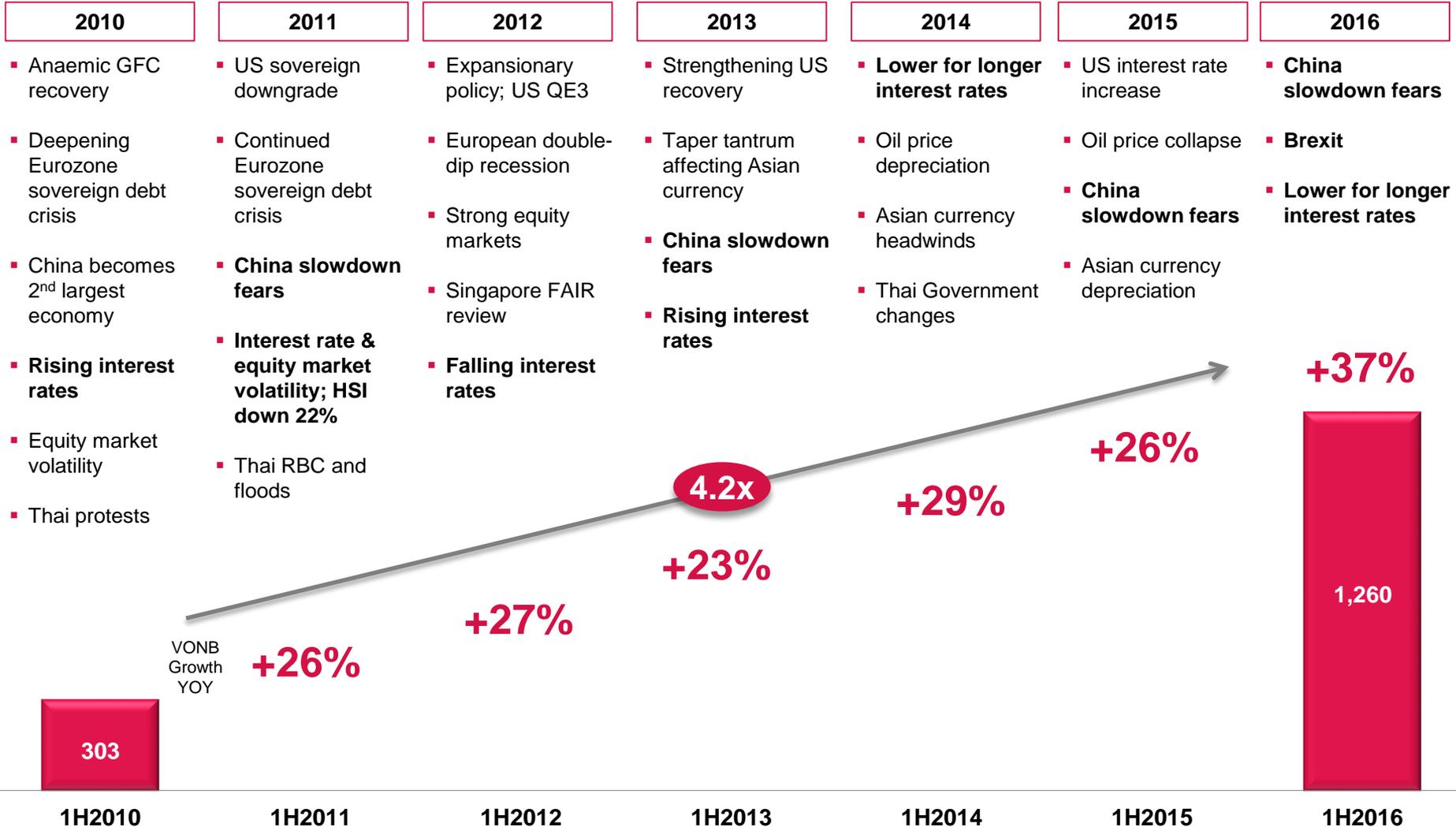


Note:  
 (1) Source: Annual Report of the Chinese Insurance Market 2015



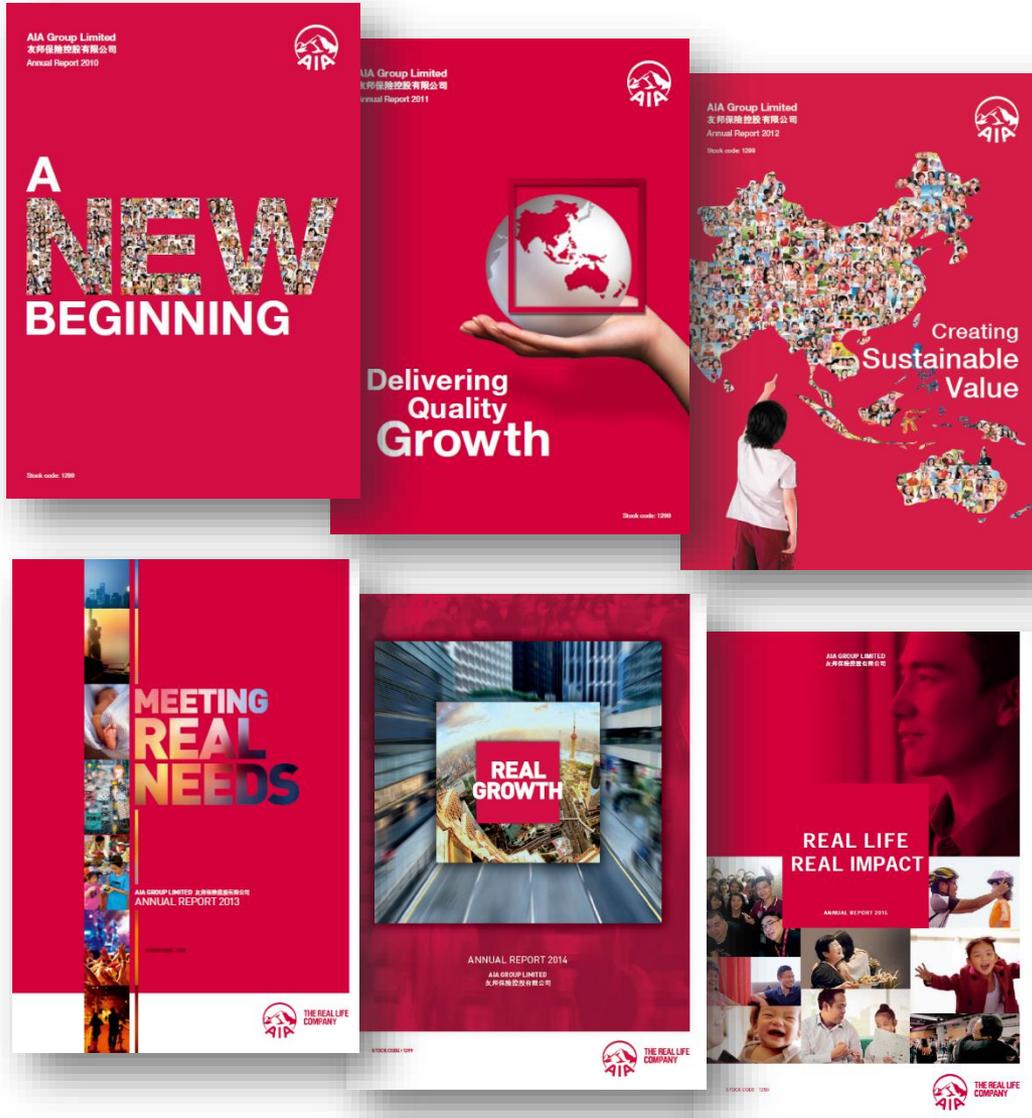
**Mark Tucker**  
Group Chief Executive

# Sustained Delivery Through Market Cycles



Note:  
Chart shows VONB (\$m); Growth on a constant exchange rate basis

# Sustaining Value Creation



## AIA and Asia

- Aligned strategy with the fundamental economic and social needs of the region
- Intrinsic to the continued growth and development of emerging markets
  - \$118b of Asian assets
  - \$20b p.a. of pooled premiums
  - \$1tn total sum assured
  - \$51tn protection gap
- Expanding and deepening capital markets
- Enhancing the way benefits are provided through increased engagement
- Helping people live longer, healthier lives and plan for a brighter future

- **Unprecedented long-term structural growth drivers**
- **Market-leading franchise and brand**
- **Advantaged platform and clear strategy**
- **Experienced and proven management team**
- **Consistent, sustainable execution**
- **Strong financial discipline**

# Q&A Session

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# Definitions and Notes



- Actual investment return is the interest income from fixed income investments and actual investment returns of equities and real estate, as a percentage of average fixed income investments, equities and real estate over the period. This excludes unit-linked contracts and consolidated investment funds.
- Annualised new premiums (ANP) excludes pension business.
- Change on constant exchange rates is calculated using constant average exchange rates for the first half of 2016 and for the first half of 2015 other than for balance sheet items that use constant exchange rates as at 31 May 2016 and as at 30 November 2015.
- EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company.
- Fixed income yield is the interest income from fixed income investments, as a percentage of average fixed income investments measured at amortised cost over the period. This excludes unit-linked contracts and consolidated investment funds.
- Free surplus is the excess of the market value of AIA's assets over the sum of the statutory liabilities and the minimum regulatory capital. For branches of AIA Co. and AIA International, the statutory liabilities are based on HKICO statutory accounting while the required capital is based on 100% of Hong Kong statutory minimum solvency margin for non-Hong Kong branches and 150% for the Hong Kong business of AIA Co. and AIA International respectively.
- Hong Kong market includes Macau; Singapore market includes Brunei; Other Markets includes Australia, Indonesia, New Zealand, the Philippines, Sri Lanka, Taiwan, Vietnam and India.
- IFRS operating profit after tax (OPAT), net profit and IFRS shareholders' equity are shown post minorities.
- IFRS operating profit includes the expected long-term investment returns for equities and real estate.
- Investment return and composition of investments exclude unit-linked contracts and consolidated investment funds.
- Investment return is defined as investment income with the addition of realised and unrealised gains and losses as a percentage of average investments excluding property held for own use.
- Investments include financial investments, investment property, property held for own use, and cash and cash equivalents. Investment property and property held for own use are at fair value.
- PVNBP margin stands for margin on a present value of new premium basis.
- Shareholders' allocated equity is total equity attributable to shareholders of the Company less fair value reserve.
- TWPI consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums, before reinsurance ceded.
- VONB is after unallocated Group Office expenses and adjustment to reflect additional Hong Kong reserving and capital requirements; includes pension business and is shown before minorities.
- $VONB \text{ margin} = VONB / ANP$ . VONB for the margin calculations exclude pension business to be consistent with the definition of ANP.
- VONB and VONB margin by distribution channel are based on local statutory reserving and capital requirements, before the deduction of unallocated Group Office expenses and exclude pension business.
- VONB and VONB margin by geographical market are based on local statutory reserving and capital requirements, before the deduction of unallocated Group Office expenses.

# APPENDIX

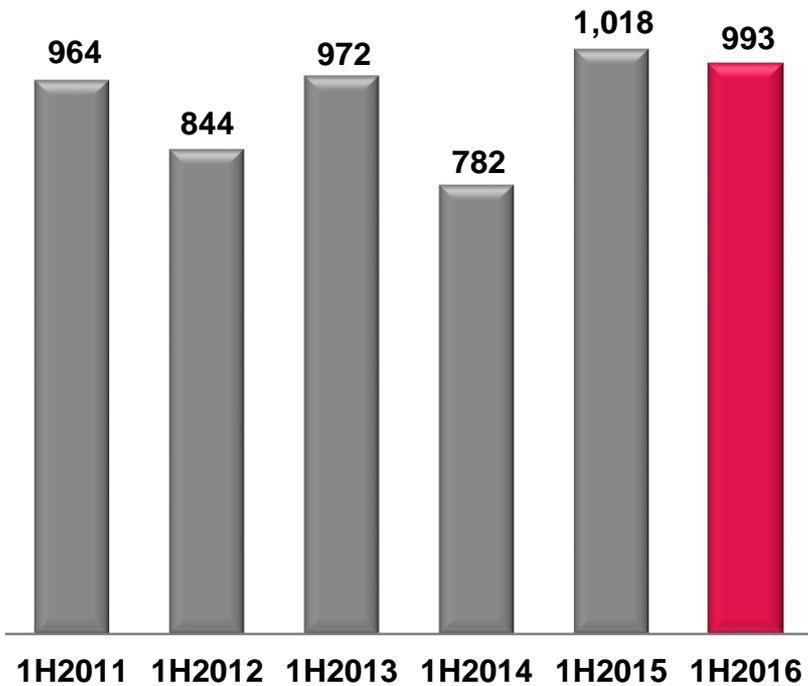


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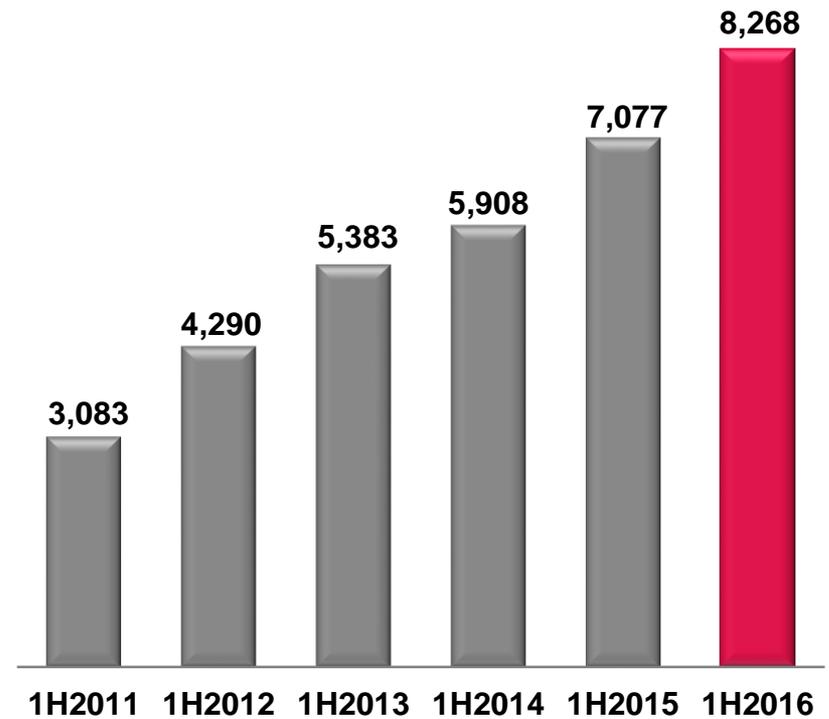
# Capital Fungibility



## Net Funds Remitted to Group (\$m)



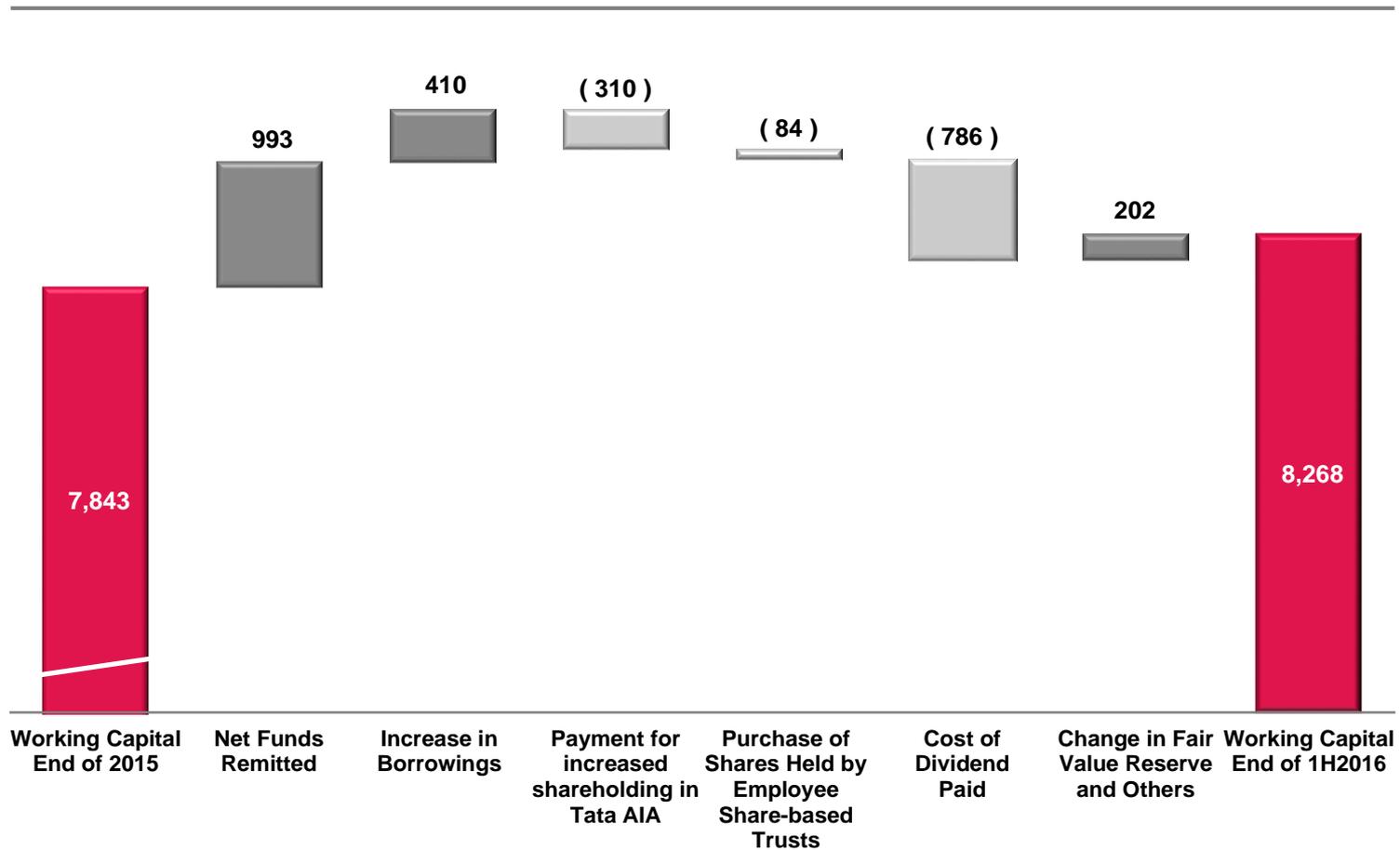
## Group Working Capital (\$m)



# 1H2016 Working Capital Movement



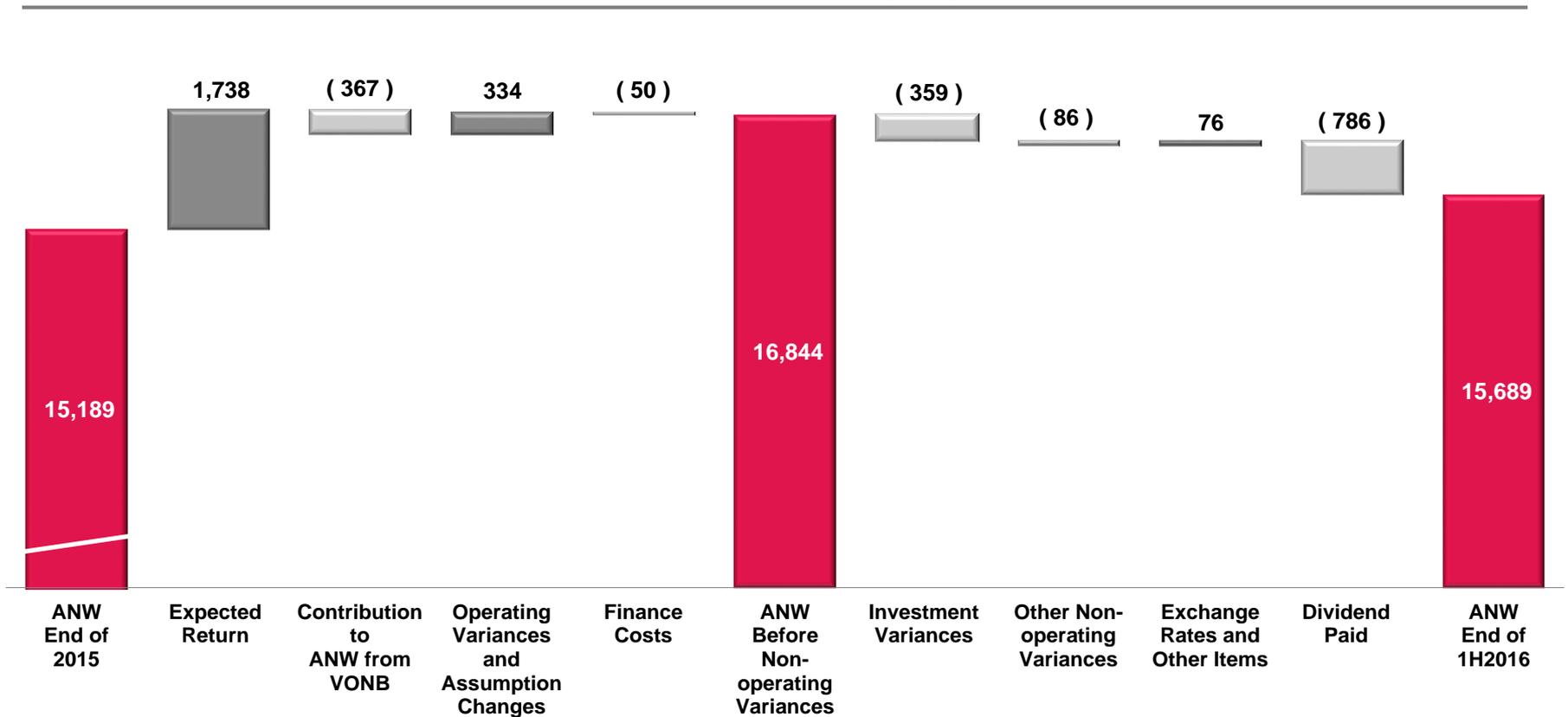
## Working Capital Movement (\$m)



# 1H2016 ANW Movement



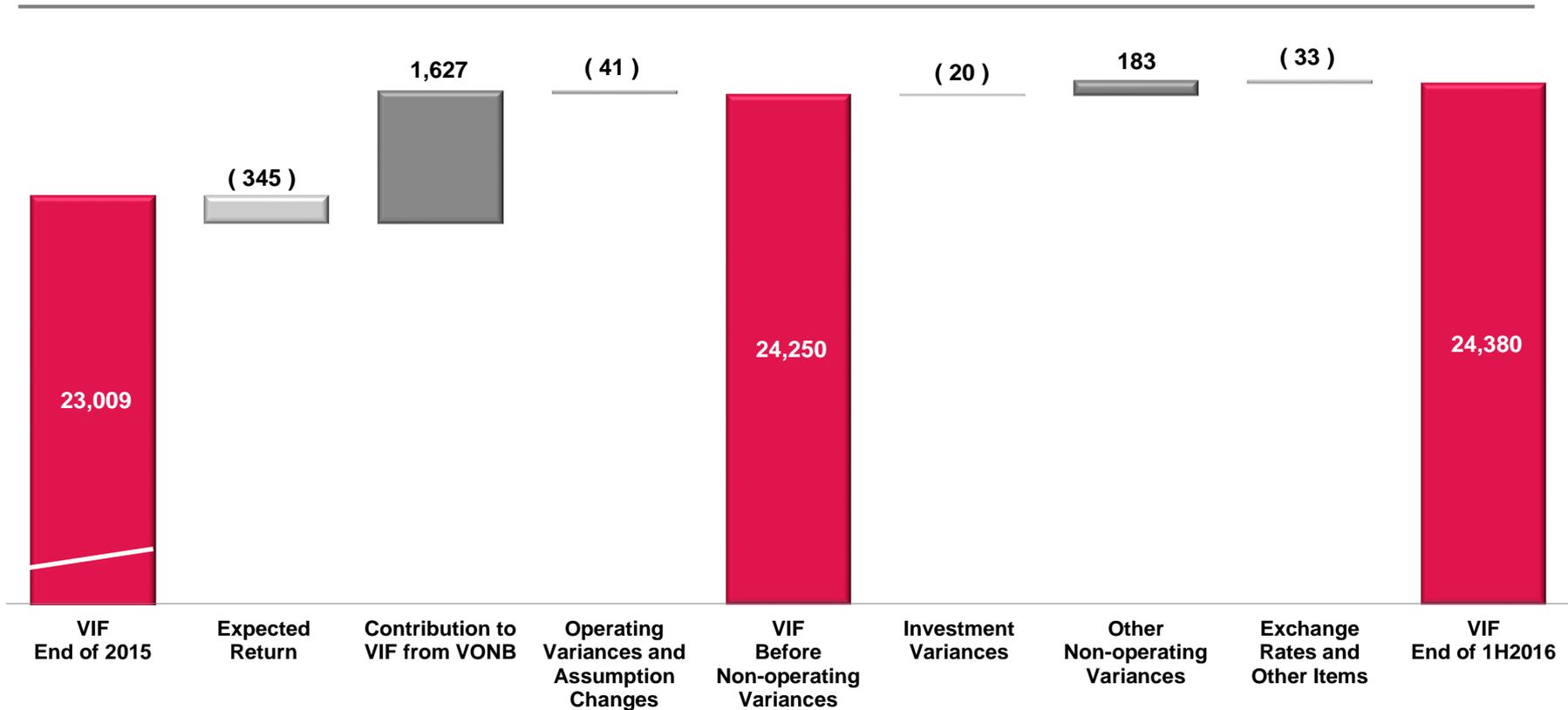
## ANW Movement (\$m)



# 1H2016 VIF Movement



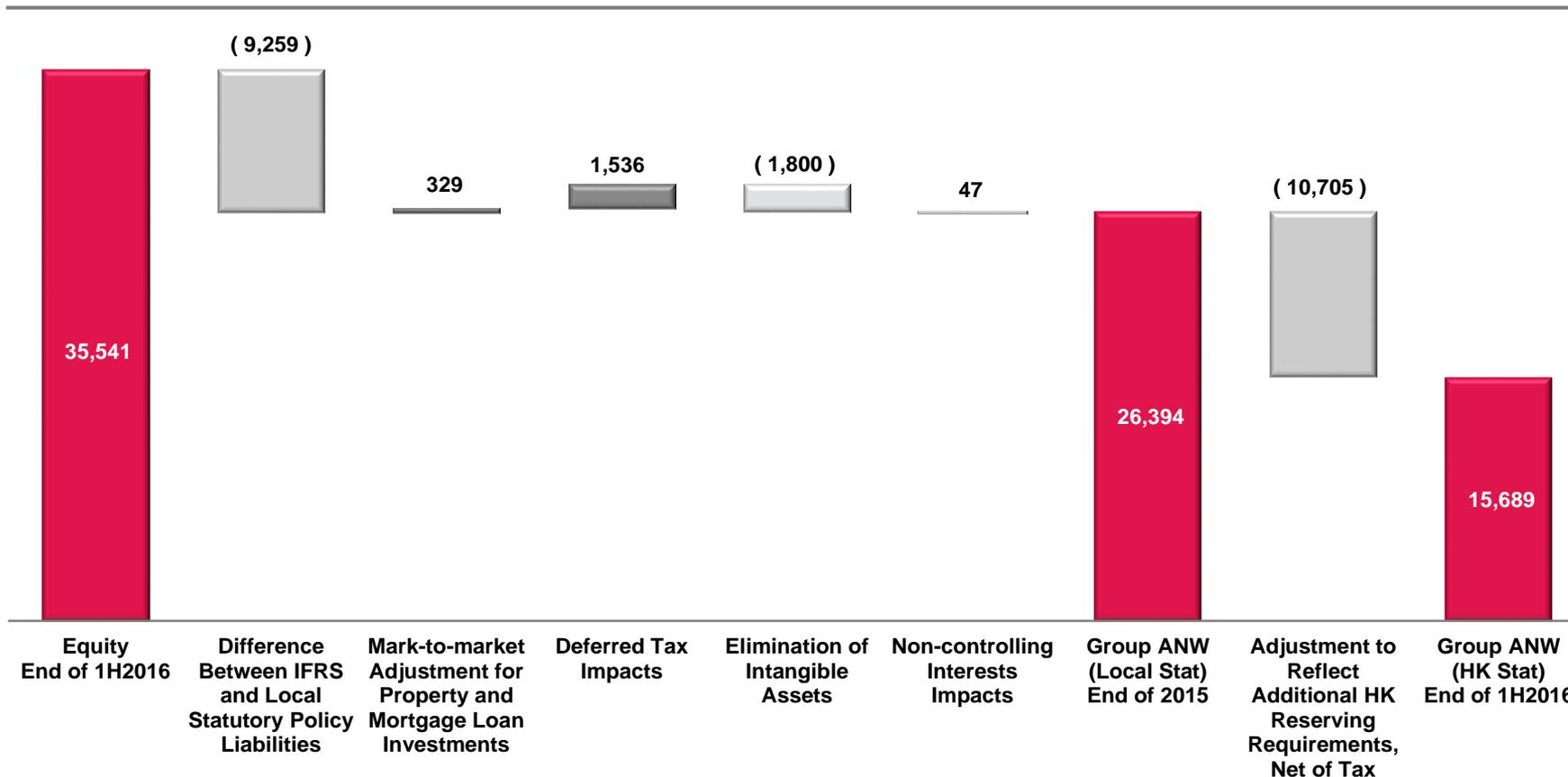
## VIF Movement (\$m)



# 1H2016 IFRS Shareholders' Equity and ANW



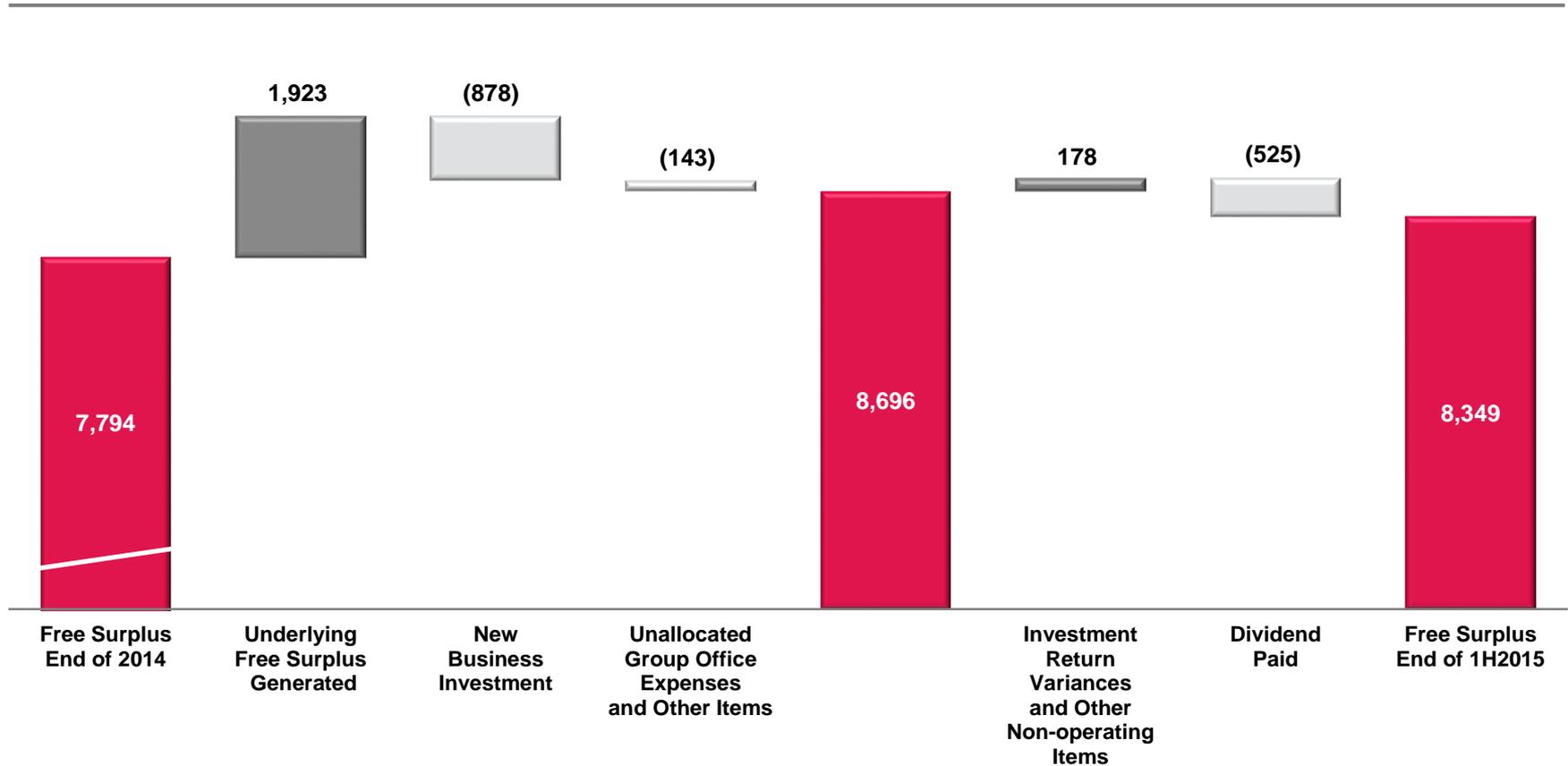
## Reconciliation of IFRS Shareholders' Equity to ANW (\$m)



# 1H2015 Free Surplus Movement



## Free Surplus on the HKICO Basis (\$m)

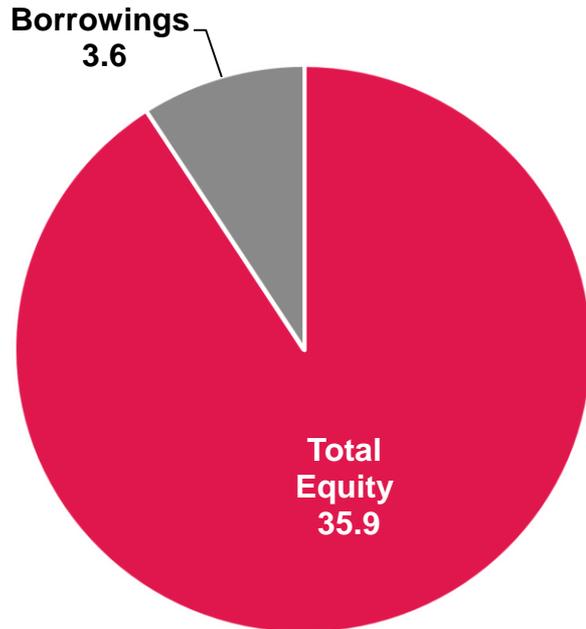


# Robust Capital Structure

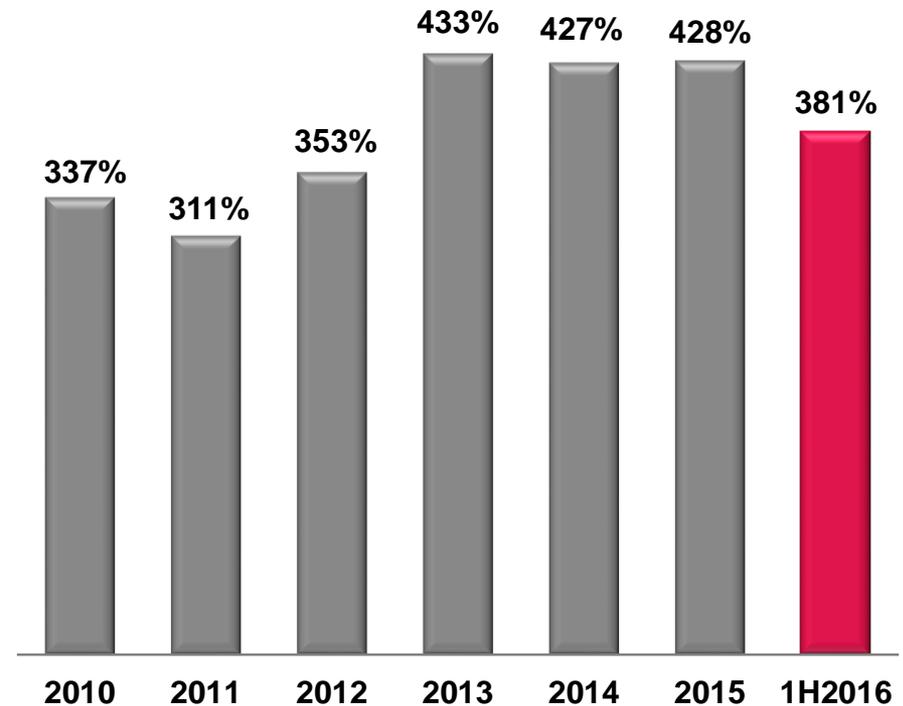


## AIA Capital Structure (\$b)

1H2016 Leverage Ratio<sup>(1)</sup> **9.1%**



## Solvency Ratio on HKICO Basis for AIA Co.



Note:

(1) Leverage ratio defined as Borrowings / (Borrowings + Total Equity)

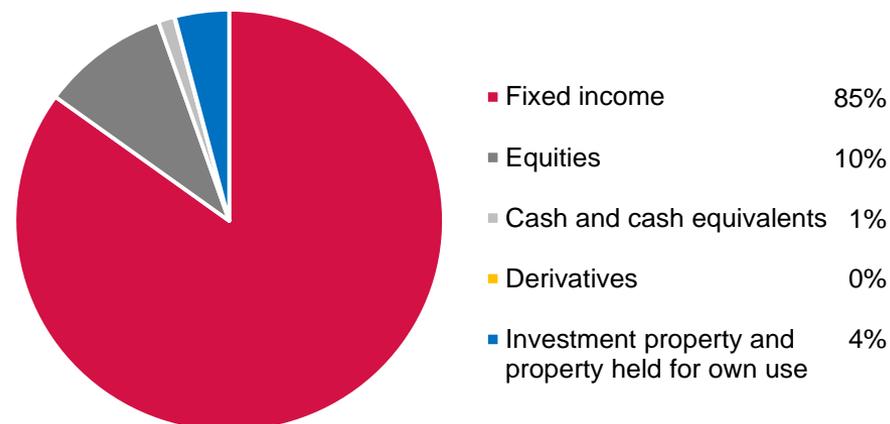
# Total Invested Assets



| \$m   | Participating Funds | Other Policyholder and Shareholder | Total          |
|---|---------------------|------------------------------------|----------------|
| Fixed Income                                      | 21,367              | 93,484                             | 114,851        |
| Equities  | 5,282               | 8,190                              | 13,472         |
| Cash and cash equivalents                         | 144                 | 1,097                              | 1,241          |
| Derivatives                                       | 49                  | 38                                 | 87             |
| Investment property and property held for own use | 443                 | 4,999                              | 5,442          |
| <b>Total Invested Assets</b>                      | <b>27,285</b>       | <b>107,808</b>                     | <b>135,093</b> |

## Total Invested Assets by Type

Total \$135.1b



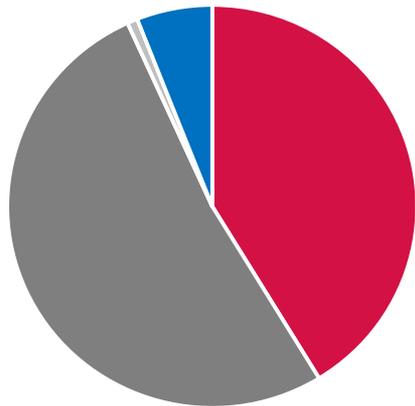
Note:  
As of 31 May 2016

# Conservative and High-quality Fixed Income Portfolio



## Total Fixed Income by Type

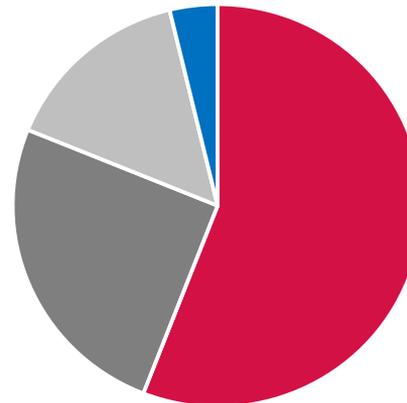
Total \$114.9b



|  |     |
|--|-----|
| ■ Government & Government Agency Bonds | 41% |
| ■ Corporate Bonds                      | 52% |
| ■ Structured Securities                | 1%  |
| ■ Loans and deposits                   | 6%  |

## Total Fixed Income by Maturity

Total \$114.9b



|                                 |     |
|---------------------------------|-----|
| ■ >10 Years & No Fixed Maturity | 56% |
| ■ 5 - 10 Years                  | 25% |
| ■ 1 - 5 Years                   | 15% |
| ■ ≤1 Year                       | 4%  |

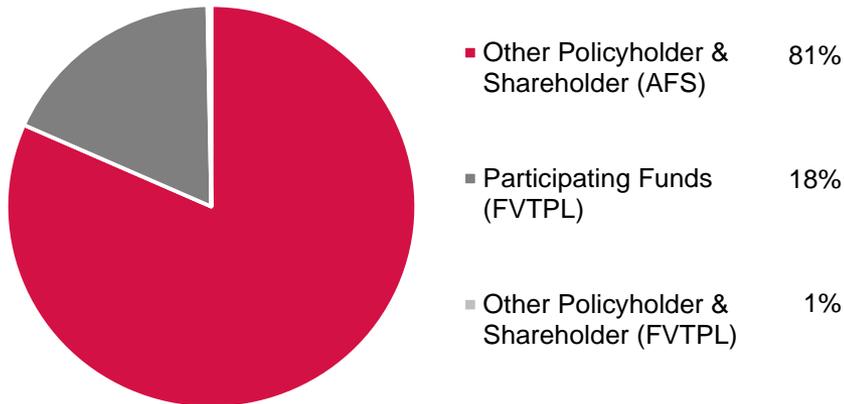
Note:  
As of 31 May 2016

# Conservative and High-quality Fixed Income Portfolio



## Total Bonds by Accounting Classification

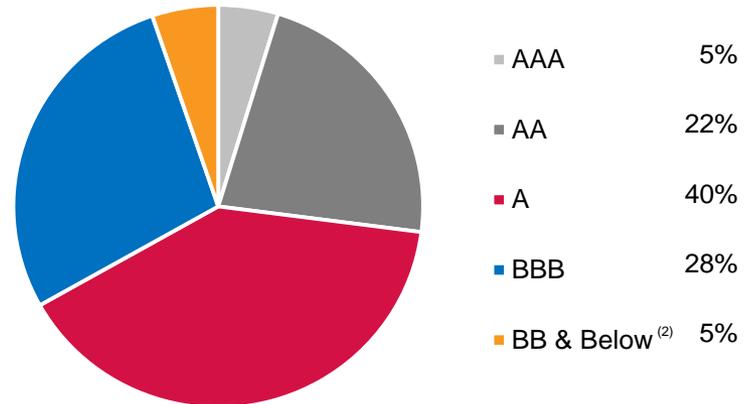
Total \$108.0b



## Total Bonds by Rating<sup>(1)</sup>

Total \$108.0b

Average Rating A-



Notes:

As of 31 May 2016

(1) For government bonds and government agency bonds, ratings for local currency and foreign currency securities for the same issuer are included separately

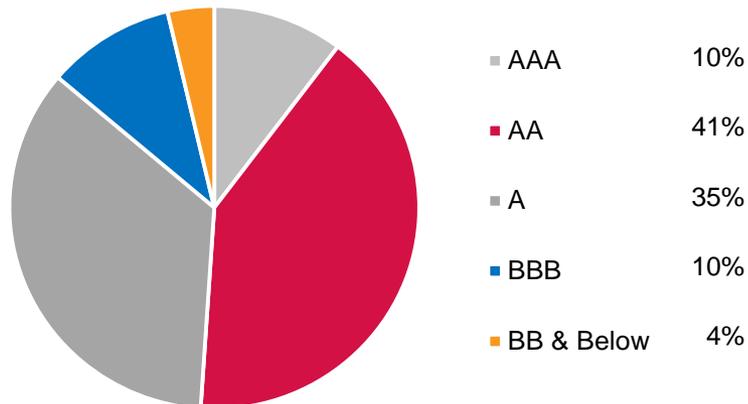
(2) Including not rated bonds

# Government Bond Portfolio



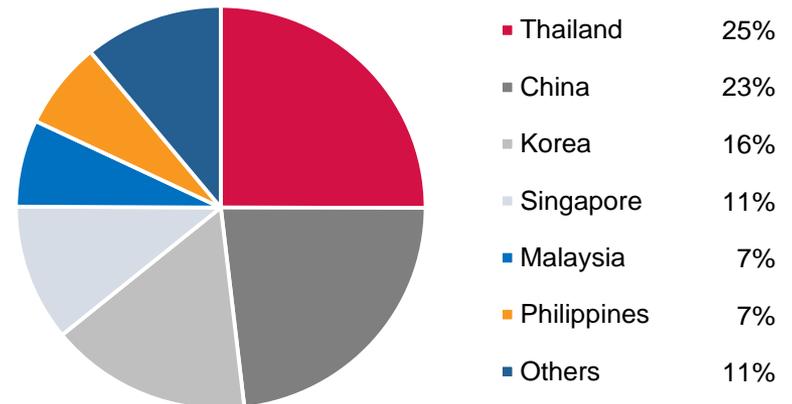
## Government and Agency Bonds by Rating<sup>(1)</sup>

Total \$47.4b



## Government and Agency Bonds by Geography

Total \$47.4b



Notes:

As of 31 May 2016

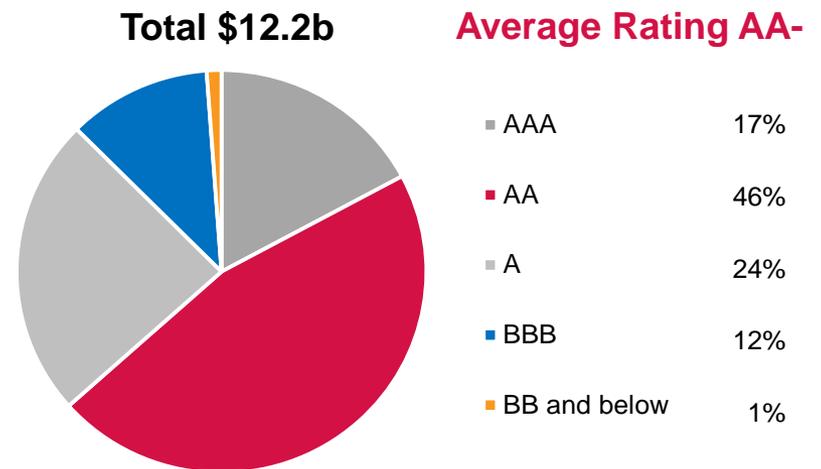
(1) For government bonds and government agency bonds, ratings for local currency and foreign currency securities for the same issuer are included separately

# Government Agency Bond Portfolio



| Rating       | Total (\$m)   |
|--------------|---------------|
| AAA          | 2,089         |
| AA           | 5,631         |
| A            | 2,935         |
| BBB          | 1,380         |
| BB and below | 141           |
| <b>Total</b> | <b>12,176</b> |

## Government Agency Bonds by Rating

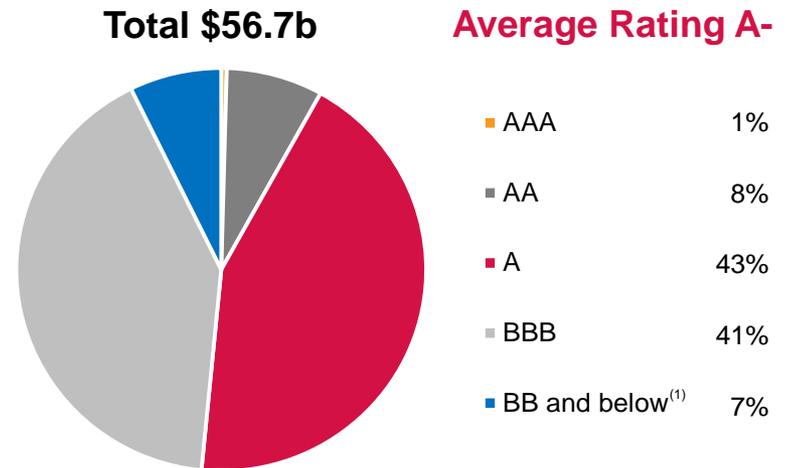


# Corporate Bond Portfolio



| Rating                      | Total (\$m)   |
|-----------------------------|---------------|
| AAA                         | 255           |
| AA                          | 4,551         |
| A                           | 25,947        |
| BBB                         | 24,575        |
| BB and below <sup>(1)</sup> | 4,331         |
| <b>Total</b>                | <b>59,659</b> |

## Corporate Bonds by Rating



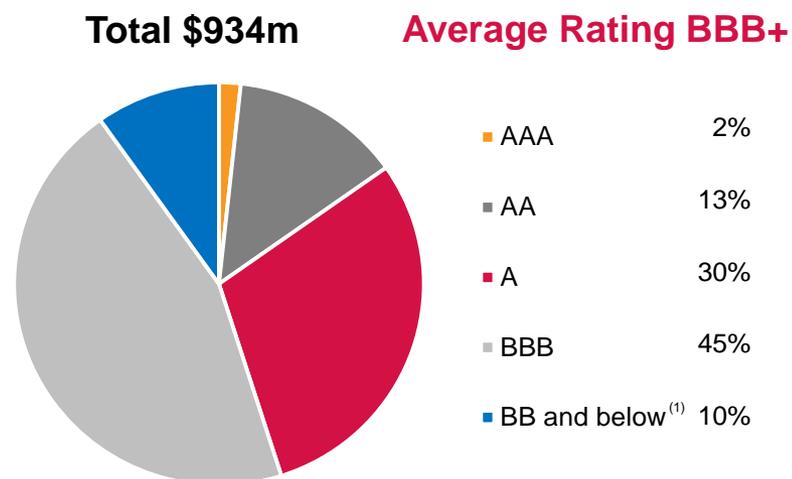
Notes:  
 As of 31 May 2016  
 (1) Including not rated bonds

# Structured Security Portfolio



| Rating                      | Total (\$m) |
|-----------------------------|-------------|
| AAA                         | 16          |
| AA                          | 126         |
| A                           | 279         |
| BBB                         | 421         |
| BB and below <sup>(1)</sup> | 92          |
| <b>Total</b>                | <b>934</b>  |

## Structured Securities by Rating

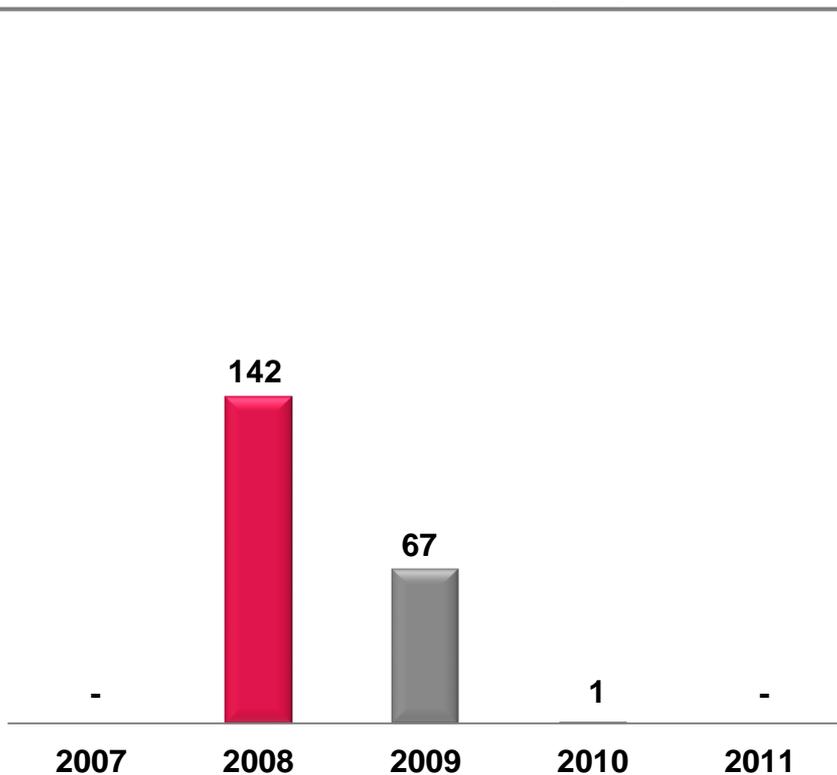


Notes:  
As of 31 May 2016  
(1) Including not rated bonds

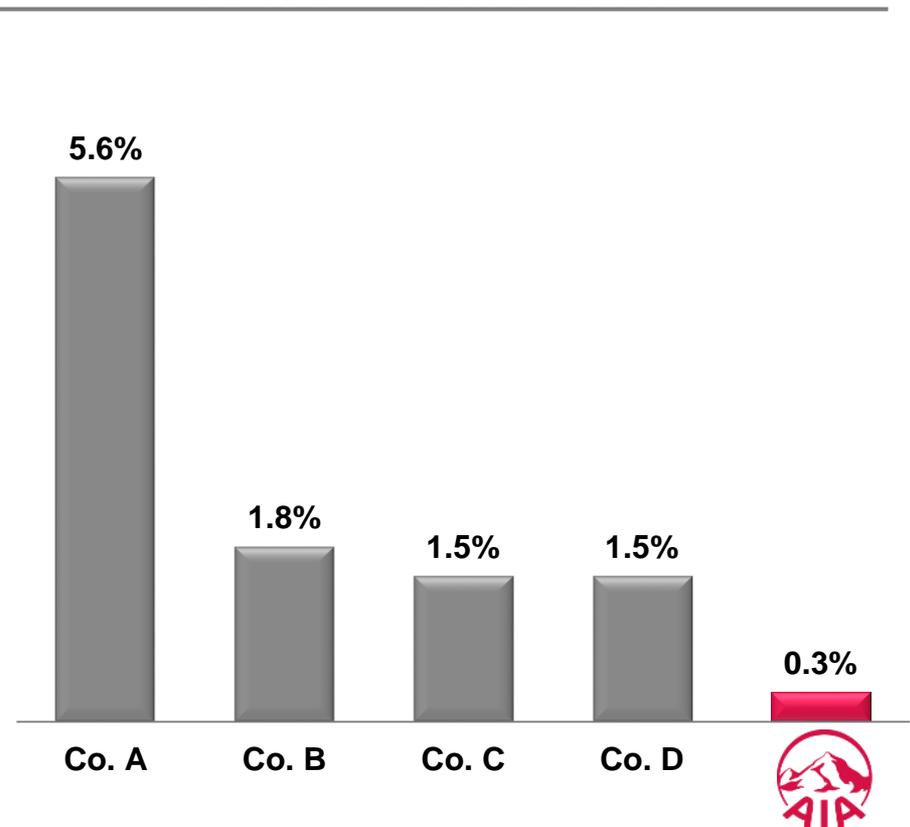
# Impairment Experience During Global Financial Crisis



## AIA Impairments on Invested Assets (\$m)



## 2008 Impairment Charges as % of Invested Assets



# Risk Discount Rate and Risk Premium



| %                                     | As at 30 Nov 2010   |                              |              | As at 31 May 2016   |                              |              |
|---------------------------------------|---------------------|------------------------------|--------------|---------------------|------------------------------|--------------|
|                                       | Risk Discount Rates | Long-term 10-year Govt Bonds | Risk Premium | Risk Discount Rates | Long-term 10-year Govt Bonds | Risk Premium |
| <b>Australia</b>                      | 8.75                | 5.65                         | 3.10         | 7.75                | 3.40                         | 4.35         |
| <b>China</b>                          | 10.00               | 3.74                         | 6.26         | 9.75                | 3.70                         | 6.05         |
| <b>Hong Kong</b>                      | 8.00                | 3.53                         | 4.47         | 7.00                | 2.50                         | 4.50         |
| <b>Indonesia</b>                      | 15.00               | 7.90                         | 7.10         | 13.50               | 8.00                         | 5.50         |
| <b>Korea</b>                          | 10.50               | 4.82                         | 5.68         | 9.10                | 3.20                         | 5.90         |
| <b>Malaysia</b>                       | 9.00                | 4.45                         | 4.55         | 8.75                | 4.20                         | 4.55         |
| <b>New Zealand</b>                    | 9.00                | 6.13                         | 2.87         | 8.25                | 4.00                         | 4.25         |
| <b>Philippines</b>                    | 13.00               | 6.00                         | 7.00         | 10.50               | 4.00                         | 6.50         |
| <b>Singapore</b>                      | 7.75                | 2.93                         | 4.82         | 6.90                | 2.50                         | 4.40         |
| <b>Sri Lanka<sup>(1)</sup></b>        | -                   | -                            | -            | 15.70               | 10.00                        | 5.70         |
| <b>Taiwan</b>                         | 8.00                | 1.73                         | 6.27         | 7.85                | 1.60                         | 6.25         |
| <b>Thailand</b>                       | 9.50                | 3.87                         | 5.63         | 8.80                | 3.40                         | 5.40         |
| <b>Vietnam</b>                        | 16.00               | 10.20                        | 5.80         | 13.80               | 8.00                         | 5.80         |
| <b>Weighted Average<sup>(2)</sup></b> | <b>8.95</b>         | <b>3.85</b>                  | <b>5.10</b>  | <b>8.28</b>         | <b>3.18</b>                  | <b>5.10</b>  |

Notes:

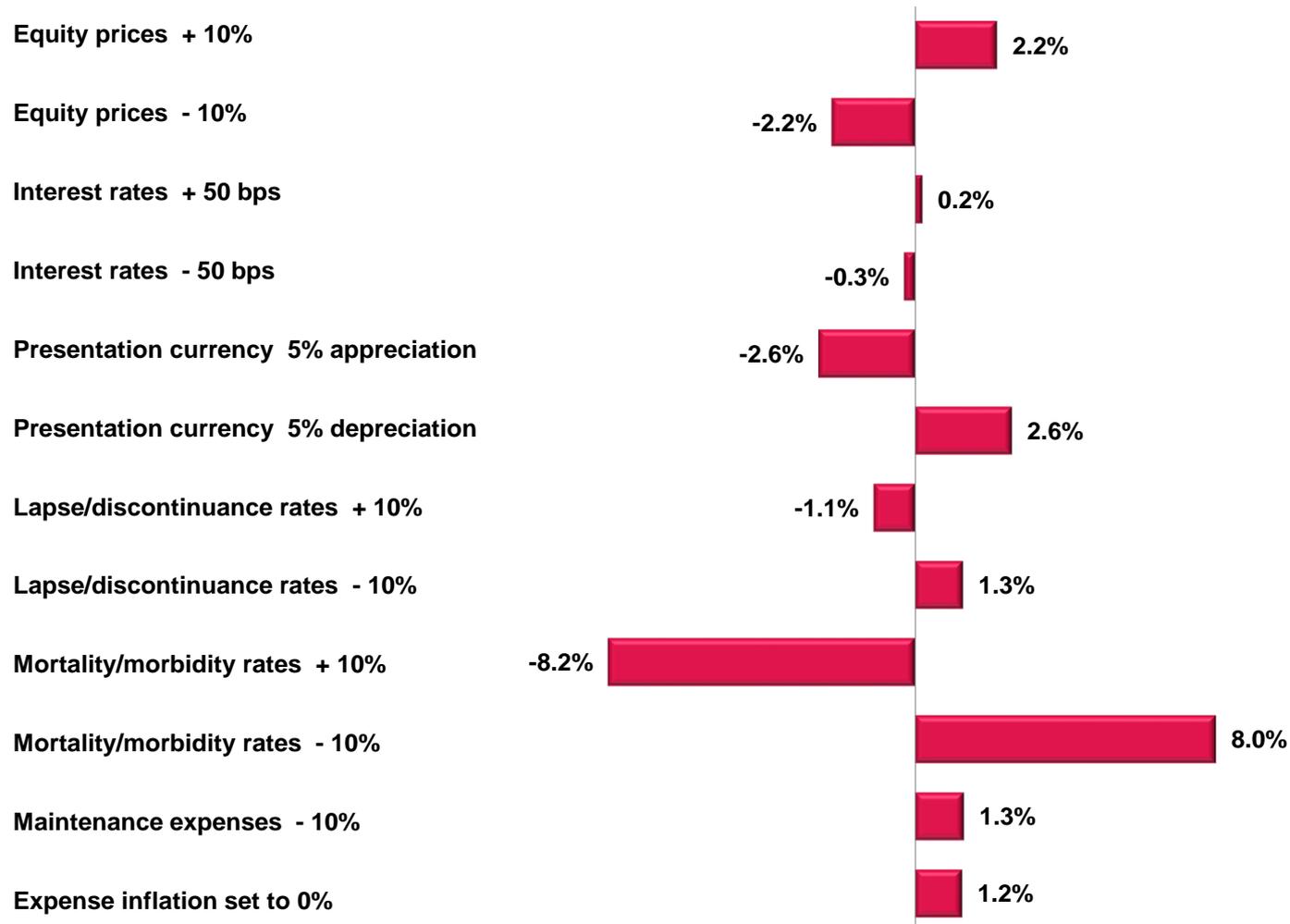
(1) Sri Lanka is included since the acquisition completion date of 5 December 2012

(2) Weighted average by VIF contribution

# Sensitivity Analysis – EV



## Sensitivity of EV as at 31 May 2016



# Sensitivity Analysis – VONB



## Sensitivity of VONB as at 31 May 2016

