THE REAL LIFE COMPANY

AIA Group Limited

友 邦 保 險 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

Stock Code: 1299

ANNUAL RESULTS FOR THE YEAR ENDED 30 NOVEMBER 2014

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AIA DELIVERS RECORD RESULTS

VALUE OF NEW BUSINESS UP 24 PER CENT
STRONG EARNINGS GROWTH AND INCREASED DIVIDEND

The Board of Directors of AIA Group Limited (stock code: 1299) is pleased to announce that AIA has achieved another excellent set of results for the year ended 30 November 2014.

Record value of new business (VONB)

- 24 per cent growth in VONB to US$1,845 million
- Annualised new premium (ANP) of US$3,700 million, up 11 per cent
- 5.0 pps increase in VONB margin to 49.1 per cent

Strong IFRS operating profit growth

- 16 per cent growth in IFRS operating profit after tax (OPAT) to US$2,910 million
- IFRS operating earnings per share up 16 per cent to 24.31 US cents
- Net profit up 22 per cent to US$3,450 million

Sustainable value creation and robust capital position

- 14 per cent growth in embedded value (EV) operating profit to US$4,535 million
- US$4.2 billion increase in EV Equity to US$39.0 billion, up 12 per cent
- EV up 10 per cent to US$37.2 billion after deducting the upfront payment for our regional bancassurance partnership with Citibank that was signed in the first half of 2014
- 16 per cent growth in free surplus generation during the year to US$4,397 million
- Solvency ratio for AIA Co. of 427 per cent on the HKICO basis

Recommended increase in final dividend

- 19 per cent growth in final dividend to 34.00 Hong Kong cents per share
- Total dividend of 50.00 Hong Kong cents per share, an increase of 18 per cent

Mark Tucker, AIA's Group Chief Executive and President, said:

"AIA achieved another excellent set of results in 2014, delivering a record VONB of US$1,845 million, up 24 per cent from 2013. Our performance is a clear reflection of the strength of AIA's business model, the determined execution of our proven growth strategy and our position as the leading insurer exclusively focused on the Asia-Pacific region. The consistency in our performance year on year, with each of our key financial metrics reaching new highs, demonstrates AIA's potential for future value creation.

"Asia is one of the world's most attractive and dynamic insurance markets. Urbanisation, rising disposable incomes, relatively low levels of social welfare and a rapidly-growing middle class continue to provide enormous structural growth opportunities across our markets. AIA is exceptionally well-positioned with our market-leading positions, extensive geographical reach, deep experience in Asia and exceptional financial strength. We are committed to growing our business by helping our customers meet their long-term protection needs and wealth aspirations. We will continue to do this in a way that reflects our aim of making a difference to the real lives of people and their communities.

"We have achieved a great deal since our IPO but, as I have said many times before, I strongly believe that we are still at an early stage in a long journey to realising AIA's full potential. That is a very exciting prospect for our business. 2015 will be our fifth year since becoming an independently listed company and throughout this time we have generated year-on-year profitable growth and made substantial progress in delivering increases in long-term sustainable value for our shareholders. The Board has recommended a 19 per cent increase in our final dividend, a clear reflection of the health of our business, the strong results and our confidence in AIA's outstanding prospects."

About AIA

AIA Group Limited and its subsidiaries (collectively “AIA” or the “Group”) comprise the largest independent publicly listed pan-Asian life insurance group. It has operations in 17 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, a 97 per cent subsidiary in Sri Lanka, a 26 per cent joint venture in India and a representative office in Myanmar.

The business that is now AIA was first established in Shanghai over 90 years ago. 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$167 billion as of 30 November 2014.

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 more than 28 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”).

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FINANCIAL SUMMARY

Performance Highlights

US$ millions, unless otherwise stated	2014	2013	YoY
New Business Value			
Value of new business (VONB)	**1,845**	1,490	24%
VONB margin	**49.1%**	44.1%	5.0 pps
Annualised new premium (ANP)	**3,700**	3,341	11%
Embedded Value			
Embedded value (EV) operating profit	**4,535**	3,977	14%
EV Equity	**39,042**	34,871	12%
Value of in-force business (VIF)	**21,802**	20,356	7%
Adjusted net worth (ANW)	**15,351**	13,462	14%
Embedded value	**37,153**	33,818	10%
EV operating earnings per share (US cents)	**37.89**	33.21	14%
EV Equity per share (US cents)	**324.13**	289.53	12%
IFRS			
Operating profit after tax (OPAT)	**2,910**	2,506	16%
Total weighted premium income (TWPI)	**19,211**	17,808	8%
Net profit	**3,450**	2,824	22%
Operating earnings per share (US cents)			
– Basic	**24.31**	20.93	16%
– Diluted	**24.23**	20.87	16%
Dividends and Capital			
Dividend per share (HK cents)			
– Final	**34.00**	28.62	19%
– Total	**50.00**	42.55	18%
AIA Co. HKICO solvency ratio	**427%**	433%	(6) pps

New Business Performance by Segment

US$ millions, unless otherwise stated	2014 VONB	2014 VONB Margin	2014 ANP	2013 VONB	2013 VONB Margin	2013 ANP	VONB Change
Hong Kong	**619**	**62.3%**	**952**	468	57.6%	781	32%
Thailand	**361**	**63.2%**	**572**	319	56.3%	565	13%
Singapore	**299**	**61.2%**	**489**	269	67.3%	400	11%
Malaysia	**161**	**50.1%**	**320**	120	37.8%	319	34%
China	**258**	**83.1%**	**311**	166	66.4%	249	55%
Korea	**82**	**21.7%**	**380**	91	26.8%	338	(10)%
Other Markets	**212**	**31.3%**	**676**	220	32.0%	689	(4)%
Subtotal	**1,992**	**53.1%**	**3,700**	1,653	48.9%	3,341	21%
Adjustment to reflect additional Hong Kong reserving and capital requirements	**(50)**	**n/m**	**n/m**	(67)	n/m	n/m	n/m
After-tax value of unallocated Group Office expenses	**(97)**	**n/m**	**n/m**	(96)	n/m	n/m	n/m
Total	**1,845**	**49.1%**	**3,700**	1,490	44.1%	3,341	24%

Growth in Key Metrics on Constant Exchange Rates

US$ millions, unless otherwise stated	2014	2013	YoY AER	YoY CER
Value of new business (VONB)	**1,845**	1,490	24%	27%
Annualised new premium (ANP)	**3,700**	3,341	11%	14%
Operating profit after tax (OPAT)	**2,910**	2,506	16%	18%

Notes:

(1) A presentation for analysts and investors, hosted by Mark Tucker, Group Chief Executive and President, is scheduled at 9:30 a.m. Hong Kong time today with attendance by pre-registration only.

An audio cast of the presentation and presentation slides will be available on AIA's website:

http://investors.aia.com/phoenix.zhtml?c=238804&p=irol-presentations

(2) All figures are presented in actual reporting currency (US dollar) and based on actual exchange rates (AER) unless otherwise stated. Change on constant exchange rates (CER) is calculated using constant average exchange rates for 2014 and 2013.

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

(4) VONB is calculated based on assumptions applicable at the point of sale and before deducting the amount attributable to non-controlling interests. The amounts of VONB attributable to non-controlling interests in 2014 and 2013 were US$13 million and US$11 million respectively.

(5) VONB includes pension business. ANP and VONB margin exclude pension business.

(6) ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded and excluding pension business.

(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.

(8) IFRS operating profit after tax (OPAT), net profit and operating earnings per share are shown after non-controlling interests unless otherwise stated.

(9) EV Equity includes goodwill and other intangible assets.

(10) Hong Kong refers to operations in Hong Kong and Macau; Singapore refers to operations in Singapore and Brunei; and Other Markets refers to operations in Australia, Indonesia, New Zealand, the Philippines, Sri Lanka, Taiwan and Vietnam.

(11) AIA's previously-announced acquisitions of ING Management Holdings (Malaysia) Sdn. Bhd. (ING Malaysia) and Aviva NDB Insurance (ANI) in Sri Lanka completed in December 2012. The financial results of these two newly-acquired businesses are accounted for in the Group's 2013 results from the respective dates of completion.

(12) The results of our joint venture in India are accounted for using the equity method. For clarity, TWPI, ANP and VONB exclude any contribution from India.

(13) 2013 financial information as well as EV and EV Equity have been adjusted to reflect the adoption of new and revised accounting standards by AIA in 2014. For a description of the new and revised accounting standards and a reconciliation of the adjustments made to the 2013 financial information as previously reported, please refer to our 2014 audited consolidated financial statements.

(14) AIA's financial information in this announcement is based on the audited consolidated financial statements and supplementary embedded value information for the year.

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GROUP CHIEF EXECUTIVE AND PRESIDENT'S REPORT

I am pleased to report that AIA has again achieved an excellent set of results in 2014. Value of new business (our main performance measure) reached a new high, increasing by 24 per cent compared with 2013 and continuing the pattern of sustained growth that AIA has established since our listing in 2010. We have also achieved strong growth in IFRS operating profit and delivered a significant increase in shareholder dividends.

Powerful economic and social factors are driving growth across our 17 markets in Asia-Pacific. We continue to benefit from significant and ongoing urbanisation as well as rising wealth and disposable incomes. The middle class and active workforce are growing rapidly. The inability of state-funded retirement income and medical and welfare services to meet demand across much of the region combines with these factors to provide enormous structural growth opportunities in our markets.

AIA is in an exceptionally strong position to harness these forces to help people achieve financial security and reduce the social welfare burden on the state. We have an exceptional distribution reach, a broad product range, a leading brand built over many years and unrivalled financial strength. However sustainable success depends on two additional elements: the implementation of a clear strategy focused on profitable growth in each of our markets; and strong corporate values that emphasise our commitment to supporting the markets and communities in which we operate.

In 2014 our management teams from across the Group took part in a major project to assess all aspects of our strategy and to ensure that we continue to optimise our business model. The project reinforced the strength and relevance of our brand proposition that AIA is The Real Life Company for people to rely on for support when facing real life opportunities and challenges. This clear theme informs every aspect of our development, prompting our major focus on simplicity in all that we do; refining the way we align benefits to customers' needs and influencing the management and training of our agents to enhance the quality of our service.

As our performance in 2014 shows, we are building on a strong foundation to deliver sustainable growth.

2014 PERFORMANCE HIGHLIGHTS

Value of new business (VONB) grew by 24 per cent to US$1,845 million. This excellent performance was achieved by optimising growth in new business value rather than focusing on market share or margin in isolation. Our other main performance metrics also reported strong growth with IFRS operating profit after tax up 16 per cent to US$2,910 million and EV Equity higher by US$4,171 million to US$39,042 million. The strength of this financial performance once again demonstrates the immense potential that AIA has to create future shareholder value.

China and Hong Kong delivered excellent performances with VONB up 55 per cent and 32 per cent respectively. Malaysia, Thailand and Singapore also delivered double-digit VONB growth, with Malaysia performing strongly as we benefited from the integration of our acquisition of ING Malaysia in 2013. The strength of our overall performance once again demonstrates the enormous potential the Group draws from its broad distribution reach and diversification across 17 Asia-Pacific markets.

The solvency ratio of our main insurance operating company, AIA Co., measured on the prudent HKICO basis, remained strong at 427 per cent as at the end of November 2014. This reflects high-quality retained earnings from the successful management of our in-force book and our financial discipline. The continuing low interest rate environment presented an opportunity for the Group to issue senior debt of US$1 billion under its Global Medium Term Note programme in March 2014. This received high levels of investor demand, reflecting the market's appreciation of our financial strength and creditworthiness.

REGIONAL PLATFORM

Distribution

AIA was one of the first insurance companies to use a proprietary agency network to distribute life insurance products across Asia. Agency distribution remains the cornerstone of our business, generating 72 per cent of our VONB in 2014. Distribution through trained professional agents provides the most effective means of engaging with our customers to offer needs-based advice across a wide range of Asian markets, from those purchasing their first financial products to more sophisticated consumer segments.

We are making the most of the pace of technological change and the rapid spread of consumer information and product awareness to add innovative features and efficiency improvements to our already highly successful distribution channels. We are making a considerable investment in enhancing our interactive point-of-sale system, iPoS, and our next generation system has already been launched across the majority of our markets. We are also dedicating significant resources to developing further the technical skills of our agency force as well as refining our recruitment and training programmes to lift productivity and efficiency for the benefit of both customers and shareholders.

While agency is our primary distribution channel, we have extended our market coverage and penetration with partnership distribution, predominantly through exclusive distribution agreements with retail banks but also selectively through IFA and direct marketing channels. In all instances, we ensure we promote only those products that meet our customers' needs and provide appropriate returns both consistent with the risks we take on the behalf of our shareholders and our commitment to supporting markets and communities.

AIA derives around 28 per cent of VONB from our partnership distribution. Our business model combines centralised expertise in developing and managing relationships and product distribution with collaboration between AIA's local operation and our partners in each market. The strong and sustained growth we have achieved is a testament to the skill and effectiveness of the partnership teams at Group Office and in our local operations, as well as the calibre of partners we are able to attract.

As reported last year, in December 2013 we entered into an exclusive 15-year strategic partnership agreement with Citibank, N.A. (Citibank) to provide protection and life insurance products to Citibank's 13 million retail cardholders and banking customers in 11 Asian markets. 2014 saw the detailed planning of the implementation of this agreement and its progressive roll-out across each of the markets. We are very excited about the prospects of this partnership and its potential to deliver a material source of additional profitable growth for the Group. Initial indications, given the performance so far, are highly encouraging.

Marketing and Product Innovation

In 2014, we continued to develop The Real Life Company brand positioning as the framework for the communication of our products and services to our customers. During the year, we also continued to develop our brand awareness by extending our relationship with Tottenham Hotspur Football Club (Spurs) with a comprehensive five-year deal to become lead shirt sponsor of the club. This is a partnership that introduces AIA to new audiences and provides us with many opportunities to differentiate our brand across Asia.

We are always looking to improve the experience of our customers when they engage with AIA, both at the point of sale and throughout the lifetime of their relationship with us. In 2014, we undertook Customer Understanding Programmes across all our markets that involved conversations with customers from a wide range of social and economic backgrounds. The results were incorporated into a Model Customer Experience framework to enhance our local operations' understanding of the key elements of customer satisfaction.

A third major theme in our marketing activity is a focus on generating new business from existing customers through the systematic identification of gaps in their in-force cover, particularly as we introduce innovative new products. This has been a particular focus over the last two years and, in 2014, we continued to deliver additional sources of growth with a 39 per cent increase in VONB from existing customer-related initiatives.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

AIA's core business promotes social well-being in the communities we serve. Our life protection, health and long-term savings products contribute directly to the financial security of our policyholders and their families. Our CSR programme complements our brand positioning as The Real Life Company. CSR is led by the Group and managed by each of our local businesses so that it is attuned to specific local community priorities.

Healthy Living is our main CSR theme. The increasing prosperity in Asia is raising living standards and improving access to medical care but lifestyle health risks are also increasing. AIA Vitality, a science-backed wellness programme, connects our CSR theme with our mainstream customer proposition by promoting changes in diet and lifestyle and encouraging people to exercise regularly and work towards personal health goals.

Alongside our Healthy Living activities, we encourage our employees to take part in community-based charitable work, providing financial resources to support their projects. The scale of these efforts can be substantial, such as in the aftermath of Typhoon Haiyan. Having provided emergency support when the typhoon struck in late 2013, we continued our efforts in 2014 through fundraising and the provision of medicine and supplies to help rebuild communities and infrastructure in the Philippines.

ENGAGEMENT WITH PEOPLE

AIA's success would not be possible without the high levels of expertise, professionalism and commitment shown by our employees and agents across the region. Sustaining this level of motivation depends on a collective belief in our corporate operating philosophy of "Doing the Right Thing, in the Right Way, with the Right People", confident that the right results will follow. Our culture is distinctive, bringing together empowerment of our local businesses with a focused and shared commitment to implementing AIA's core strategy. This is supported by an undertaking to cultivate all aspects of employee engagement, performance management and personal development to ensure that empowerment within an appropriate risk management framework remains a core strength of the organisation.

OUTLOOK

The overall long-term economic outlook for Asia-Pacific ex-Japan remains positive, with a gradual rebalancing in favour of domestic consumption in emerging markets, notably China. While Asia is not isolated from near-term economic factors outside the region such as difficulties in the Eurozone, threats to geopolitical stability and a more demanding regulatory environment, the outlook and growth profile for the markets in which we operate remain highly attractive.

AIA benefits from the significant long-term economic and demographic growth drivers in Asia. The substantial and ongoing need for healthcare, protection and savings products ensures a measure of protection from cyclical economic forces. These positive structural trends, together with the investment we are making to upgrade our distribution and servicing capacity, mean that AIA is exceptionally well-positioned to grow our business by helping our customers meet their long-term protection needs and wealth aspirations. We will continue to do this in a way that resonates with our aim of making a difference to the real lives of people and their communities and to deliver long-term sustainable value for our shareholders.

FINANCIAL AND OPERATING REVIEW

FINANCIAL REVIEW

Summary

AIA has delivered excellent financial results across all of our main performance metrics. Our focus on the execution of a clear strategy combined with disciplined financial management has produced significant and profitable new business growth and a strong increase in IFRS operating profits.

Value of new business grew by 24 per cent to US$1,845 million and IFRS operating profit after tax increased by 16 per cent to US$2,910 million on actual exchange rates. EV Equity was higher by US$4,171 million or 12 per cent to US$39,042 million.

These results are reported on actual exchange rates. They were achieved despite the depreciation of local currencies against our US dollar reporting currency. The strong performance on both actual and constant exchange rates demonstrates AIA's resilience, scale and diversification across the region.

We delivered this large-scale new business growth with increased capital efficiency and higher returns. The free surplus generation from our in-force book has enabled us to maintain our resilient solvency position and invest capital in profitable growth at the same time as increasing shareholder dividends. Reflecting these results and confidence in the future of the business, the Board of Directors has recommended a final dividend increase of 19 per cent to bring the total dividend for 2014 to 50.00 Hong Kong cents per share.

Our financial performance in 2014 has once again demonstrated the substantial opportunities that AIA provides to generate profitable growth with attractive shareholder returns and progressive dividends.

VALUE GROWTH

VONB grew by 24 per cent to US$1,845 million compared with 2013. China and Hong Kong once again delivered excellent performances and Malaysia, Thailand and Singapore also generated double-digit growth.

ANP grew by 11 per cent to US$3,700 million on actual exchange rates and VONB margin increased by 5.0 pps to 49.1 per cent with the margin increase mainly driven by a positive shift in product mix. We do not focus on new business volumes or margins in isolation but continue to focus on optimising the mix to deliver sustainable growth in total new business value.

EV operating profit was 14 per cent higher at US$4,535 million reflecting strong growth in the value of new business, overall positive operating experience variances and operating assumption changes of US$108 million. Operating return on adjusted opening EV increased by 70 basis points compared with 2013 to 13.7 per cent.

EV Equity was higher by US$4,171 million to US$39,042 million at 30 November 2014, with the increase mainly coming from strong EV operating profit generation less the payment of dividends to shareholders. This represents growth of 12 per cent from US$34,871 million at 30 November 2013.

IFRS EARNINGS

IFRS operating profit after tax (OPAT) grew by 16 per cent compared with 2013 to US$2,910 million. This strong performance was the result of underlying business growth and scale combined with our focus on improving profitability through writing higher-quality savings and protection business.

IFRS net profit increased by 22 per cent compared with 2013 to US$3,450 million, reflecting the strong growth in operating profit and positive gains from equity markets. AIA's IFRS net profit definition includes mark-to-market movements from our equity portfolio.

Shareholders' IFRS equity increased by 25 per cent or US$6,124 million to US$30,806 million at 30 November 2014 from US$24,682 million at 30 November 2013. The increase included US$3,807 million of fair value gains on assets mainly due to the IFRS accounting effect of lower interest rates on the treatment of debt securities that are classified as available for sale.

CAPITAL AND DIVIDENDS

At 30 November 2014, the total available capital for AIA Co., our main regulated entity, was US$6,730 million as measured under the HKICO basis and AIA Co. has a solvency ratio of 427 per cent of regulatory minimum capital, compared with 433 per cent at the end of November 2013.

The ratio was stable year-on-year from strong retained earnings and positive market movements less the US$800 million upfront payment (Citibank Upfront Payment) for our long-term partnership with Citibank, N.A. (Citibank) in the financial year 2014, dividends to AIA Group Limited and increased regulatory minimum capital due to growth in the business. Our local businesses remitted US$1,718 million to the Group Corporate Centre in 2014.

The Board of Directors has recommended an increase in final dividend of 19 per cent to 34.00 Hong Kong cents per share, in line with our prudent, sustainable and progressive dividend policy and subject to shareholders' approval at the Company's forthcoming AGM. This brings the total dividend for 2014 to 50.00 Hong Kong cents per share, an increase of 18 per cent compared with 2013.

New Business Growth

VALUE OF NEW BUSINESS (VONB) AND ANNUALISED NEW PREMIUM (ANP) BY SEGMENT

US$ millions, unless otherwise stated	2014[1] VONB	2014[1] VONB Margin	2014[1] ANP	2013[1] VONB	2013[1] VONB Margin	2013[1] ANP	VONB Change	ANP Change
Hong Kong	**619**	**62.3%**	**952**	468	57.6%	781	32%	22%
Thailand	**361**	**63.2%**	**572**	319	56.3%	565	13%	1%
Singapore	**299**	**61.2%**	**489**	269	67.3%	400	11%	22%
Malaysia	**161**	**50.1%**	**320**	120	37.8%	319	34%	–
China	**258**	**83.1%**	**311**	166	66.4%	249	55%	25%
Korea	**82**	**21.7%**	**380**	91	26.8%	338	(10)%	12%
Other Markets	**212**	**31.3%**	**676**	220	32.0%	689	(4)%	(2)%
Subtotal	**1,992**	**53.1%**	**3,700**	1,653	48.9%	3,341	21%	11%
Adjustment to reflect additional Hong Kong reserving and capital requirements [2]	**(50)**	**n/m**	**n/m**	(67)	n/m	n/m	n/m	n/m
After-tax value of unallocated Group Office expenses	**(97)**	**n/m**	**n/m**	(96)	n/m	n/m	n/m	n/m
Total	**1,845**	**49.1%**	**3,700**	1,490	44.1%	3,341	24%	11%

Notes:
(1) ANP and VONB margin exclude pension business.
(2) Adjustment to VONB for the branches of AIA Co. and AIA International, as described in Section 4.4 of the Supplementary Embedded Value Information.

VONB grew by 24 per cent to US$1,845 million, an increase of US$355 million compared with 2013.

China and Hong Kong once again delivered an excellent performance with VONB up 55 per cent and 32 per cent respectively driven by the execution of our Premier Agency and product strategies. Malaysia, Thailand and Singapore also delivered strong double-digit VONB growth with Malaysia performing well as we benefited from the integration of the ING Malaysia acquisition in 2013.

The industry-wide suspension of outbound telesales in Korea by regulators, as previously highlighted in our 2014 interim results announcement, affected the performance of AIA's Korean business in 2014. However, the growth in our bancassurance, broker and agency channels offset lower direct marketing sales and AIA outperformed the Korean life industry as a whole. Other Markets delivered double-digit VONB growth on constant exchange rates in the second half of the year, despite the slower start in the first half of 2014. Reported VONB for the Other Markets for the full year was lower than 2013 due in large part to the depreciation of local currencies against our US dollar reporting currency and the effect of liquidity tightening in the banking sector, as previously disclosed.

We continued to achieve double-digit growth across both agency and partnership distribution channels with agency distribution delivering VONB growth of 21 per cent to US$1,414 million and partnership distribution VONB growing by 17 per cent to US$551 million compared with 2013. The reported growth for partnership distribution was moderated by local currency depreciation and the industry-wide suspension of outbound telesales in Korea as highlighted above. Underlying partnership VONB growth exceeded 30 per cent excluding these effects.

ANP grew by 11 per cent to US$3,700 million compared with US$3,341 million in 2013, driven by excellent growth in China, Hong Kong and Singapore. The reported ANP growth rate for Thailand, Malaysia and our Other Markets were affected by local currency depreciation. VONB margin increased by 5.0 pps to 49.1 per cent compared with 44.1 per cent in 2013. The majority of the increase was from product mix improvements with economic assumption changes representing 1.2 pps.

VONB is reported after a deduction of US$147 million for additional Hong Kong reserving and capital requirements above local statutory requirements and unallocated Group Office expenses, representing the expenses incurred by the Group Office which are not allocated by business unit. The deduction for additional Hong Kong reserving and capital requirements was lower compared with 2013 as a result of a focus on products with improved capital efficiency and geographical mix.

Embedded Value (EV) Equity

EV EQUITY

US$ millions, unless otherwise stated	**As at 30 November 2014**	As at 30 November 2013	Change
EV	**37,153**	33,818	10%
Goodwill and other intangible assets[1]	**1,889**	1,053	79%
EV Equity	**39,042**	34,871	12%

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

EV Equity grew by US$4,171 million to US$39,042 million at 30 November 2014, an increase of 12 per cent over the year from US$34,871 million at 30 November 2013, mainly as a result of strong EV operating profit.

EV Equity included goodwill and other intangible assets of US$1,889 million at 30 November 2014 compared with US$1,053 million at 30 November 2013, with the increase arising principally from the Citibank Upfront Payment.

ANALYSIS OF EV MOVEMENT

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

US$ millions, unless otherwise stated	2014 ANW	2014 VIF	2014 EV
Opening EV	**13,462**	**20,356**	**33,818**
Citibank Upfront Payment	**(800)**	**–**	**(800)**
Adjusted Opening EV	**12,662**	**20,356**	**33,018**
Value of new business	**(995)**	**2,840**	**1,845**
Expected return on EV	**3,531**	**(896)**	**2,635**
Operating experience variances	**(126)**	**314**	**188**
Operating assumption changes	**(13)**	**(67)**	**(80)**
Finance costs	**(53)**	**–**	**(53)**
EV operating profit	**2,344**	**2,191**	**4,535**
Investment return variances	**610**	**110**	**720**
Effect of changes in economic assumptions	**6**	**116**	**122**
Other non-operating variances	**530**	**(507)**	**23**
Total EV profit	**3,490**	**1,910**	**5,400**
Dividends	**(689)**	**–**	**(689)**
Other capital movements	**(14)**	**–**	**(14)**
Effect of changes in exchange rates	**(98)**	**(464)**	**(562)**
Closing EV	**15,351**	**21,802**	**37,153**

US$ millions, unless otherwise stated	2013 ANW	VIF	EV
Opening EV	13,135	18,238	31,373
Purchase price	(1,865)	–	(1,865)
Acquired EV	683	374	1,057
Effect of acquisitions	(1,182)	374	(808)
Adjusted Opening EV	11,953	18,612	30,565
Value of new business	(957)	2,447	1,490
Expected return on EV	3,089	(700)	2,389
Operating experience variances	(255)	369	114
Operating assumption changes	(83)	93	10
Finance costs	(26)	–	(26)
EV operating profit	1,768	2,209	3,977
Investment return variances	335	10	345
Effect of changes in economic assumptions	–	429	429
Other non-operating variances	361	(515)	(154)
Total EV profit	2,464	2,133	4,597
Dividends	(595)	–	(595)
Other capital movements	11	–	11
Effect of changes in exchange rates	(371)	(389)	(760)
Closing EV	13,462	20,356	33,818

EV grew to US$37,153 million at 30 November 2014. The growth in EV of US$3,335 million is shown after a deduction for the Citibank Upfront Payment and the payment of shareholder dividends. Underlying growth excluding the Citibank Upfront Payment was US$4,135 million.

EV operating profit grew by 14 per cent to US$4,535 million compared with 2013. The strong performance reflected a combination of a higher VONB of US$1,845 million, an increased expected return on EV of US$2,635 million from a higher opening EV and overall positive operating experience variances and operating assumption changes which totalled US$108 million, less finance costs of US$53 million on medium term notes. Operating return on adjusted opening EV after the Citibank Upfront Payment and including finance costs increased by 70 basis points compared with 2013 to 13.7 per cent.

Non-operating EV movements included positive investment return variances of US$720 million, largely due to increased market values of equities and fixed income assets; the positive effect of changes in economic assumptions of US$122 million mainly due to lower interest rates; and positive other non-operating variances of US$23 million. This was offset by the payment of shareholder dividends totalling US$689 million, negative other capital movements of US$14 million and negative foreign exchange movements of US$562 million.

EV includes adjusted net worth (ANW) and value of in-force business (VIF). ANW increased by 14 per cent to US$15,351 million at 30 November 2014 from US$13,462 million at 30 November 2013 with the operating increase of US$2,344 million partially offset by the Citibank Upfront Payment. VIF increased by 7 per cent to US$21,802 million at 30 November 2014 compared with US$20,356 million at 30 November 2013 with the operating increase of US$2,191 million partially offset by negative other non-operating variances of US$507 million and negative foreign exchange movements of US$464 million.

EV AND VONB SENSITIVITIES

Sensitivities to EV and VONB arising from changes to central assumptions from equity price and interest rate movements are shown below.

US$ millions, unless otherwise stated	EV as at 30 November 2014	2014 VONB	EV as at 30 November 2013	2013 VONB
Central value	**37,153**	**1,845**	33,818	1,490
Equity price changes				
10 per cent increase in equity prices	**37,914**	**n/a**	34,455	n/a
10 per cent decrease in equity prices	**36,377**	**n/a**	33,164	n/a
Interest rate changes				
50 basis points increase in interest rates	**37,232**	**1,923**	34,027	1,564
50 basis points decrease in interest rates	**37,014**	**1,748**	33,414	1,399

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

IFRS Profit

IFRS OPERATING PROFIT AFTER TAX (OPAT)(1) BY SEGMENT

US$ millions, unless otherwise stated	2014	2013	YoY
Hong Kong	**905**	773	17%
Thailand	**544**	528	3%
Singapore	**429**	396	8%
Malaysia	**280**	250	12%
China	**283**	205	38%
Korea	**165**	150	10%
Other Markets	**314**	239	31%
Group Corporate Centre	**(10)**	(35)	n/m
Total	**2,910**	2,506	16%

Note:
(1) Attributable to shareholders of AIA Group Limited.

OPAT grew by 16 per cent compared with 2013 to US$2,910 million. This strong performance was the result of underlying business growth and operational efficiency combined with our focus on improving profitability through writing higher-quality savings and protection business.

Each of our market segments delivered positive growth in OPAT. Hong Kong and Malaysia delivered strong increases as a result of underlying business growth and improved product profitability. Malaysia's OPAT growth was further supported by a lower effective tax rate. The reported increase in Thailand was affected by the depreciation in the Thai baht by 6 per cent against our US dollar reporting currency and lower investment income following dividends remitted to the Group Corporate Centre.

An excellent performance in China was mainly driven by strong underlying business growth leading to improvements in scale, increased profitability from changes in product mix and higher investment income. The significant growth in Other Markets was mainly the result of increased scale and growth in Indonesia, the Philippines and Australia. Group Corporate Centre benefited from higher investment income and a lower effective tax rate.

TOTAL WEIGHTED PREMIUM INCOME (TWPI) BY SEGMENT

US$ millions, unless otherwise stated	2014	2013	YoY
Hong Kong	**4,330**	3,770	15%
Thailand	**3,334**	3,364	(1)%
Singapore	**2,339**	2,150	9%
Malaysia	**2,084**	2,036	2%
China	**1,786**	1,599	12%
Korea	**2,205**	2,049	8%
Other Markets	**3,133**	2,840	10%
Total	**19,211**	17,808	8%

TWPI increased by 8 per cent to US$19,211 million with the reported growth rate affected by currency depreciation in Thailand, Malaysia and Other Markets. Persistency remained strong at 94.4 per cent in 2014.

INVESTMENT INCOME[1]

US$ millions, unless otherwise stated	2014	2013	YoY
Interest income	**4,801**	4,445	8%
Dividend income	**428**	398	8%
Rental income	**123**	115	7%
Total	**5,352**	4,958	8%

Note:
(1) Excluding unit-linked contracts.

Investment income increased by 8 per cent to US$5,352 million compared with 2013, reflecting an increased level of invested assets at the start of 2014.

OPERATING EXPENSES

US$ millions, unless otherwise stated	2014	2013[1]	YoY
Operating expenses	**1,636**	1,537	6%

Note:
(1) US$37 million expenses have been reclassified from operating expenses to investment management expenses for the year ended 30 November 2013 to be consistent with current year presentation. Further details are disclosed in note 8 to the financial statements.

Operating expenses increased by 6 per cent to US$1,636 million compared with 2013 and the expense ratio decreased to 8.5 per cent in 2014 from 8.6 per cent in 2013.

NET PROFIT[1]

US$ millions, unless otherwise stated	2014	2013	YoY
OPAT	**2,910**	2,506	16%
Net gains from equities, net of tax	**508**	424	20%
Other non-operating investment experience and other items, net of tax	**32**	(106)	n/m
Total	**3,450**	2,824	22%

Note:
(1) Attributable to shareholders of AIA Group Limited.

AIA's IFRS net profit definition includes mark-to-market movements from our equity portfolio. Net profit increased by 22 per cent compared with 2013 to US$3,450 million from higher equity market gains. Net gains from equities, net of tax, contributed US$508 million in 2014 compared with US$424 million in 2013. Other non-operating investment experience and other items, net of tax, increased to US$32 million mainly from net realised gains from debt securities.

Earnings Per Share (EPS)

Basic IFRS OPAT earnings per share increased by 16 per cent to 24.31 US cents in 2014 from 20.93 US cents in 2013.

Basic EPS based on IFRS net profit attributable to shareholders of AIA Group Limited increased by 22 per cent to 28.83 US cents in 2014 from 23.58 US cents in 2013.

EARNINGS PER SHARE – BASIC

	Net Profit[1]		OPAT[1]	
	2014	2013	**2014**	2013
Profit (US$ millions)	**3,450**	2,824	**2,910**	2,506
Weighted average number of ordinary shares (millions)	**11,968**	11,974	**11,968**	11,974
Basic earnings per share (US cents)	**28.83**	23.58	**24.31**	20.93

Note:
(1) Attributable to shareholders of AIA Group Limited.

EARNINGS PER SHARE – DILUTED

	Net Profit[1]		OPAT[1]	
	2014	2013	**2014**	2013
Profit (US$ millions)	**3,450**	2,824	**2,910**	2,506
Weighted average number of ordinary shares (millions)[2]	**12,009**	12,006	**12,009**	12,006
Diluted earnings per share (US cents)[2]	**28.73**	23.52	**24.23**	20.87

Notes:
(1) Attributable to shareholders of AIA Group Limited.
(2) Diluted earnings per share including the dilutive effects, if any, of the awards of share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible employees, directors, officers and agents under the share-based compensation plans as described in note 40 to the financial statements.

Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$ millions, unless otherwise stated	As at 30 November 2014	As at 30 November 2013	Change
Assets			
Financial investments	**138,809**	121,354	14%
Investment property	**1,384**	1,128	23%
Cash and cash equivalents	**1,835**	2,316	(21)%
Invested assets	**142,028**	124,798	14%
Deferred acquisition and origination costs	**16,593**	15,738	5%
Other assets	**8,298**	6,866	21%
Total assets	**166,919**	147,402	13%
Liabilities			
Insurance and investment contract liabilities	**121,034**	112,134	8%
Borrowings	**2,934**	1,950	50%
Other liabilities	**11,996**	8,491	41%
Less total liabilities	**135,964**	122,575	11%
Equity			
Total equity	**30,955**	24,827	25%
Less non-controlling interests	**149**	145	3%
Total equity attributable to shareholders of AIA Group Limited	**30,806**	24,682	25%

ASSETS

Total assets grew by 13 per cent to US$166,919 million at 30 November 2014 compared with US$147,402 million at 30 November 2013 mainly reflecting positive net flows from underlying growth in the business and fair value gains from debt securities.

Cash and cash equivalents decreased to US$1,835 million at 30 November 2014 compared with US$2,316 million at 30 November 2013, reflecting increased investments in financial assets and the payment of shareholder dividends totalling US$689 million.

Deferred acquisition and origination costs increased to US$16,593 million at 30 November 2014 compared with US$15,738 million at 30 November 2013, reflecting underlying growth in the business.

Other assets increased by 21 per cent to US$8,298 million mainly from the Citibank Upfront Payment of US$800 million, higher reinsurance assets of US$278 million and other asset growth of US$354 million.

LIABILITIES

Total liabilities increased by 11 per cent to US$135,964 million at 30 November 2014 compared with US$122,575 million at 30 November 2013.

Insurance and investment contract liabilities grew by 8 per cent to US$121,034 million at 30 November 2014 compared with US$112,134 million at 30 November 2013, reflecting the underlying growth of the in-force portfolio and new business.

Borrowings increased to US$2,934 million at 30 November 2014 mainly due to the issue in March 2014 of two medium term notes of a combined nominal amount of US$1.0 billion.

Other liabilities increased by 41 per cent to US$11,996 million at 30 November 2014 compared with US$8,491 million at 30 November 2013 mainly from the US$1,864 million increase in obligations under repurchase agreements and the US$1,005 million increase in tax liabilities driven by market appreciation of available-for-sale debt securities and an increase in deferred acquisition costs.

Details of commitments and contingencies are included in note 43 to the financial statements.

EQUITY – MOVEMENT IN SHAREHOLDERS' EQUITY

US$ millions, unless otherwise stated	2014	2013
Opening shareholder's equity	**24,682**	26,662
Net profit	**3,450**	2,824
Fair value gains/(losses) on assets	**3,807**	(3,712)
Foreign currency translation adjustments	**(430)**	(508)
Purchase of shares held by employee share-based trusts	**(91)**	(87)
Dividends	**(689)**	(595)
Other capital movements	**77**	98
Total movement in shareholders' equity	**6,124**	(1,980)
Closing shareholders' equity	**30,806**	24,682

Shareholders' IFRS equity excluding non-controlling interests increased by 25 per cent over the year to US$30,806 million at 30 November 2014 compared with US$24,682 million at 30 November 2013. This increase was mainly from net profit of US$3,450 million, fair value gains on assets of US$3,807 million primarily reflecting fair value gains from debt securities, a decrease in foreign currency translation reserves of US$430 million less the payment of shareholder dividends totalling US$689 million.

Sensitivities to IFRS profit before tax and net assets arising from foreign exchange rate, interest rate and equity price risk are included in note 38 to the financial statements.

Invested Assets

The carrying value of our invested assets, including financial investments, investment property and cash and cash equivalents, increased by 14 per cent to US$142,028 million at 30 November 2014 compared with US$124,798 million at 30 November 2013. The increase was a result of an overall positive movement in the market value of the portfolio and the investment of operating cash flows arising from the business in 2014.

Invested assets include total assets held in respect of policyholders and shareholders, and those backing unit-linked contracts as well as assets from consolidated investment funds.

TOTAL INVESTED ASSETS

US$ millions, unless otherwise stated	**As at 30 November 2014**	**Percentage of total**	As at 30 November 2013	Percentage of total
Total policyholder and shareholder	**121,054**	**85%**	105,174	84%
Total unit-linked contracts and consolidated investment funds	**20,974**	**15%**	19,624	16%
Total invested assets	**142,028**	**100%**	124,798	100%

Details of the investment mix are as follows:

POLICYHOLDER AND SHAREHOLDER INVESTED ASSETS

US$ millions, unless otherwise stated	**As at 30 November 2014**	**Percentage of total**	As at 30 November 2013	Percentage of total
Participating funds				
Government and government agency bonds	**8,271**	**7%**	7,041	7%
Corporate bonds and structured securities	**11,321**	**9%**	11,150	11%
Loans and deposits	**2,095**	**2%**	1,944	2%
Subtotal – Fixed income investments	**21,687**	**18%**	20,135	20%
Equities	**5,044**	**4%**	4,569	4%
Cash and cash equivalents	**292**	**–**	269	–
Derivatives	**136**	**–**	215	–
Investment property	**92**	**–**	95	–
Subtotal participating funds	**27,251**	**22%**	25,283	24%
Other policyholder and shareholder				
Government and government agency bonds	**35,983**	**30%**	32,109	31%
Corporate bonds and structured securities	**42,273**	**35%**	33,283	32%
Loans and deposits	**5,374**	**4%**	5,393	5%
Subtotal – Fixed income investments	**83,630**	**69%**	70,785	68%
Equities	**7,707**	**7%**	6,315	6%
Cash and cash equivalents	**1,047**	**1%**	1,531	1%
Derivatives	**127**	**–**	227	–
Investment property	**1,292**	**1%**	1,033	1%
Subtotal other policyholder and shareholder	**93,803**	**78%**	79,891	76%
Total policyholder and shareholder	**121,054**	**100%**	105,174	100%

UNIT-LINKED CONTRACTS AND CONSOLIDATED INVESTMENT FUNDS

US$ millions, unless otherwise stated	**As at 30 November 2014**	**Percentage of total**	As at 30 November 2013	Percentage of total
Unit-linked contracts and consolidated investment funds				
Debt securities	**4,215**	**20%**	3,740	19%
Loans and deposits	**185**	**1%**	147	–
Equities	**16,076**	**77%**	15,218	78%
Cash and cash equivalents	**496**	**2%**	516	3%
Derivatives	**2**	**–**	3	–
Total unit-linked contracts and consolidated investment funds	**20,974**	**100%**	19,624	100%

Invested assets held in respect of policyholders and shareholders increased to US$121,054 million at 30 November 2014 compared with US$105,174 million at 30 November 2013. The increase was mainly as a result of an overall positive movement in the market value of the portfolio and the investment of net operating cash flows arising from the business over the year.

Fixed income investments, including debt securities, loans and term deposits, held in respect of policyholders and shareholders, totalled US$105,317 million at 30 November 2014 compared with US$90,920 million at 30 November 2013.

Government and government agency bonds represented 42 per cent of our fixed income investments at 30 November 2014 compared with 43 per cent at 30 November 2013. Corporate bonds and structured securities accounted for 51 per cent of our fixed income investments at 30 November 2014 compared with 49 per cent at 30 November 2013.

Equity securities held in respect of policyholders and shareholders totalled US$12,751 million at 30 November 2014 compared with US$10,884 million at 30 November 2013. The increase in carrying value was mainly attributable to new purchases as well as gains in market values. Within this figure, equity securities totalling US$5,044 million were held in participating funds.

Cash and cash equivalents held in respect of policyholders and shareholders totalled US$1,339 million at 30 November 2014 compared with US$1,800 million at 30 November 2013, reflecting increased investments in financial assets and the payment of shareholder dividends totalling US$689 million.

Invested assets held in respect of unit-linked contracts and consolidated investment funds totalled US$20,974 million at 30 November 2014 compared with US$19,624 million at 30 November 2013.

Capital

FREE SURPLUS GENERATION

The Group's free surplus at 30 November 2014 represented the excess of adjusted net worth over liabilities and required capital calculated on the HKICO basis.

Free surplus including the Citibank Upfront Payment increased by US$1,067 million to US$7,794 million at 30 November 2014. Free surplus before the Citibank Upfront Payment grew by US$1,867 million.

Free surplus generated increased by 16 per cent compared with 2013 to US$4,397 million from strong growth in our in-force business, positive market-related and other gains.

This was offset by investment in new business of US$1,655 million, unallocated Group Office expenses including finance costs of US$172 million, the payment of shareholder dividends totalling US$689 million and negative other capital movements of US$14 million.

The following table shows the change in free surplus:

US$ millions, unless otherwise stated	**2014**	2013
Opening free surplus	**6,727**	6,608
Citibank Upfront Payment	**(800)**	–
Effect of acquisitions and others	**–**	(1,431)
Free surplus post acquisitions and others	**5,927**	5,177
Free surplus generated	**4,397**	3,786
Free surplus used to fund new business	**(1,655)**	(1,510)
Unallocated Group Office expenses[(1)]	**(172)**	(142)
Dividends	**(689)**	(595)
Other capital movements	**(14)**	11
Closing free surplus	**7,794**	6,727

Note:
(1) Unallocated Group Office expenses included finance costs of US$53 million on medium term notes for the year ended 30 November 2014 and finance costs of US$26 million on medium term notes and an acquisition credit facility for the year ended 30 November 2013.

NET FUNDS TO GROUP CORPORATE CENTRE

Working capital comprises debt and equity securities, deposits and cash and cash equivalents held at the Group Corporate Centre. Working capital, after the Citibank Upfront Payment, grew by 19 per cent over the year to US$6,614 million at 30 November 2014 compared with US$5,556 million at 30 November 2013. The increase was mainly due to net remittances from business units of US$1,718 million plus the issue of two medium term notes in March 2014 with net proceeds of US$985 million less the Citibank Upfront Payment of US$800 million and the payment of shareholder dividends totalling US$689 million.

The movements in working capital are summarised as follows:

US$ millions, unless otherwise stated	2014	2013
Opening working capital	**5,556**	5,185
Group Corporate Centre net losses	**(63)**	(31)
Capital flows from business units		
Hong Kong	**752**	839
Thailand	**641**	700
Singapore	**267**	222
Malaysia	**112**	118
China	**(100)**	(101)
Korea	**24**	27
Other Markets	**22**	(72)
Net funds remitted to Group Corporate Centre	**1,718**	1,733
Citibank Upfront Payment	**(800)**	–
Payment for acquisitions	**–**	(1,865)
Increase in borrowings	**985**	1,441
Purchase of shares held by the employee share-based trusts	**(91)**	(87)
Payment of dividends	**(689)**	(595)
Change in fair value reserve and others	**(2)**	(225)
Closing working capital	**6,614**	5,556

Regulatory Capital

The Group's lead insurance regulator is the Hong Kong Office of the Commissioner of Insurance (HKOCI). The Group's principal operating company is AIA Co., a Hong Kong-domiciled insurer. At 30 November 2014, the total available capital for AIA Co. amounted to US$6,730 million as measured under the HKICO basis and AIA Co. has a solvency ratio of 427 per cent of regulatory minimum capital. The ratio was stable year-on-year from strong retained earnings and positive market movements less the Citibank Upfront Payment, dividends to AIA Group Limited and increased regulatory minimum capital due to growth in the business.

A summary of the total available capital and solvency ratios of AIA Co. is as follows:

US$ millions, unless otherwise stated	**As at 30 November 2014**	As at 30 November 2013
Total available capital	**6,730**	6,057
Regulatory minimum capital (100%)	**1,577**	1,399
Solvency ratio (%)	**427%**	433%

AIA has given an undertaking to the HKOCI that it will maintain a solvency ratio of not less than 150 per cent in each of AIA Co. and AIA International. The Group's individual branches and subsidiaries are also subject to supervision in the jurisdictions in which they operate. This means that local operating units, including branches and subsidiaries, must meet the regulatory capital requirements of their local prudential regulators. The various regulators overseeing the Group's branches and subsidiaries actively monitor their capital position. The local operating units were in compliance with the capital requirements of their respective local regulators in each of our geographical markets at 30 November 2014.

Global Medium Term Note Programme

AIA established a US$2 billion Medium Term Note (MTN) programme on 27 February 2013. Subsequently, on 21 February 2014, we expanded the MTN programme into a US$3 billion Global Medium Term Note (GMTN) programme. We issued two senior unsecured fixed rate notes under this expanded programme in March 2014. The notes are for terms of 5 years and 30 years at nominal amounts of US$500 million each and bear annual interest of 2.250 per cent and 4.875 per cent respectively. At 30 November 2014, the carrying amount of the medium term notes was US$2,126 million.

Credit Ratings

At 30 November 2014, AIA Co. has financial strength ratings of AA- (Very Strong) and Aa3 (Very Low Credit Risk) with stable outlooks from Standard & Poor's and Moody's respectively. AIA Group Limited has issuer credit ratings of A (Strong) and A3 (Low Credit Risk) with stable outlooks from Standard & Poor's and Moody's respectively.

Dividends

The Board of Directors has recommended an increase in the final dividend of 19 per cent to 34.00 Hong Kong cents per share, in line with our prudent, sustainable and progressive dividend policy and subject to shareholders' approval at the Company's forthcoming AGM. This brings the total dividend for 2014 to 50.00 Hong Kong cents per share, an increase of 18 per cent compared with 2013.

BUSINESS REVIEW

Distribution

AGENCY

AIA's proprietary tied agency network remains the cornerstone of our distribution platform and is a significant competitive advantage for AIA allowing us to build and maintain long-term relationships with our customers by offering advice on a broad range of protection and long-term savings products. The exceptional scale and quality of our agency operations is a fundamental strength and provides an unequalled platform for unlocking the enormous market potential across the Asia-Pacific region.

We made strong progress in executing our Premier Agency strategy in 2014, focusing on training, quality recruitment and increased efficiency. Our agency business generated 21 per cent growth in VONB to US$1,414 million in 2014, accounting for 72 per cent of the Group's total VONB. ANP grew by 8 per cent in reporting currency and VONB margin increased by 6.9 pps to 60.8 per cent mainly from a change in product mix.

Our absolute priority is ensuring that our growing agency force has all the skills and knowledge our agents need to provide sound, professional advice to our customers. Our recruitment process has evolved under our Premier Agency strategy to introduce greater selection using profiling tools developed through our strategic partnership with LIMRA and dedicated recruitment teams targeting younger, highly-educated agents looking to develop a full-time professional career in the industry. As part of our recruitment process, we have upgraded training programmes to accelerate the productivity of new agents joining AIA and raise their activity levels. Intensive induction training periods covering regulations, compliance and technical product skills are followed by sales skills training and coaching from leaders.

Our agency leaders also have access to best-in-class training through our strategic partnership with GAMA International, a worldwide association dedicated to supporting the professional development of field leaders in the financial services industry. In 2014, over one-third of our agency leaders across the region had completed the GAMA training courses and we also launched new leader training to strengthen the recruitment skills of our newly-promoted agency leaders. Selected experienced leaders have been certified as trainers so they can share invaluable real life experience and perspectives to complement our GAMA programmes.

Our strong agency performance is a direct result of this focus on recruitment and career development with active new agents increasing by 14 per cent compared with 2013. It is also reflected in the growth of our Million Dollar Round Table (MDRT) qualifiers, which is an important external industry benchmark of leading financial planners. Overall, the Group's MDRT qualifiers increased by 24 per cent in 2014. AIA is now the second-largest insurer for MDRT membership worldwide.

AIA is committed to investment in technology and innovation to support our agents in meeting customer needs while delivering the best possible customer experience. Our market-leading interactive point-of-sale (iPoS) technology is now available in 11 of our markets, forming an integral part of our operation with broad-based and growing adoption amongst our agency force. During 2014, we started to launch a next generation system that incorporates iPoS into our new interactive Mobile Office (iMO) platform. Expanded functionality allows our agents and agency leaders to manage lead generation, sales productivity, recruitment activity, development training and customer analytics on a mobile device. The new technology is transforming the way our agents work, increasing the quality of interactions with our customers and helping AIA to sustain our growth.

PARTNERSHIPS

Barriers to entry for distribution in Asia are high and our broad partnership distribution platform provides a complementary and material source of competitive advantage by extending our reach in the fast-growing Asian insurance market. We have built on our strong strategic relationships with our partners in bancassurance, direct marketing and other intermediated distribution channels to deliver 17 per cent VONB growth to US$551 million compared with 2013 with ANP up 17 per cent and VONB margin of 40.2 per cent.

The reported growth in 2014 was moderated by local currency depreciation against our US dollar reporting currency and the industry-wide suspension of outbound telesales in Korea, which affected the growth of our direct marketing business. Underlying VONB growth was more than 30 per cent excluding these effects. Overall, our partnership distribution continued to deliver substantial additional sources of sustainable profitable growth for the Group, accounting for 28 per cent of our total VONB in 2014.

Bancassurance

The successful execution of our bancassurance strategy generated strong growth in 2014. We continued to maintain the momentum in our existing bank partnerships across the region by collaborating with our partners in a number of key areas, notably the recruitment and training of insurance specialists; enhanced customer segmentation; and rigorous activity management using our proprietary iPoS platform to improve in-branch sales productivity. In addition to expanding our sales from insurance specialists in bank branches, we have developed new business streams with our bank partners through direct marketing, private banking and group insurance.

AIA continued to make good progress in our newly-established strategic partnership with Citibank, N.A. (Citibank). Our landmark 15-year distribution agreement was signed in December 2013 representing one of the most wide-ranging geographic bancassurance partnerships in Asia, covering 11 markets and 13 million customers across the region. AIA and Citibank have worked closely to obtain regulatory approvals and successfully launch the partnership in each of the 11 markets: Hong Kong, Singapore, Thailand, China, Indonesia, the Philippines, Vietnam, Malaysia, Australia, India and Korea. We have established a joint partnership management structure and developed business plans with the launch of more than 80 products and engagement of more than 2,000 salespeople. We have made a significant investment in technology to enable cutting-edge front-end sales and service solutions for our clients. We have also built a new regional sales management programme for bank relationship managers; organised joint branding campaigns across the markets; and established telesales call centres for direct marketing of AIA products to Citibank's retail cardholders. We anticipate a gradual build-up of sustainable profitable growth over time as we implement our business plans to significantly increase the life and health insurance penetration of Citibank's large retail and corporate customer base across Asia.

Direct Marketing and Other Partnership Channels

As previously highlighted in our 2014 interim results announcement, the industry-wide suspension of outbound telesales by the Korean financial regulators affected industry performance during the year and with it, the performance of our direct marketing business. VONB was affected by the additional costs of financial support provided to telesales representatives and regulatory changes following the industry-wide suspension.

AIA's intermediated partnership channels, including IFAs, brokers, private banks and specialist advisers, delivered excellent VONB growth in 2014, driven by increased sales and higher margins in IFA and broker channels. Our focus has been on generating new sales through targeted product launches and a dedicated approach to sales and service support.

GROUP INSURANCE

AIA is a leader in the group insurance market across the Asia-Pacific region, meeting the needs of over 16 million in-force insured scheme members and more than 120,000 corporate clients. With our strong multi-channel distribution capabilities and long-standing relationships with corporate clients, we continued to hold market-leading positions in Australia, Singapore, Thailand, Hong Kong and Malaysia, while building our presence in other growth markets including China, Indonesia and the Philippines.

Our strategy of developing life and health employee benefits propositions to companies ranging from small-and-medium sized enterprises (SMEs) to large multinational corporations through our agency channel and broker relationships delivered a solid performance in 2014. Our Premier Agency distribution continued to be a major competitive advantage for AIA in the SME segment and we provide targeted support and training to agents who have pre-existing relationships with small business owners and are identified as potential high performers in this business segment. We launched the AIA Asia Benefits Network in 2014 to allow multinational corporations to aggregate their local group insurance contracts with AIA into a single, exclusive regional risk pool. We worked closely with our broker and human resource consultant partners to provide a seamless, integrated service to their domestic and multinational clients across the region.

Our multi-channel distribution strategy and leading benefits platform combined with the significant potential in the Asia-Pacific region provides AIA with the opportunity to deliver further substantial growth in the group insurance market.

Marketing

AIA's brand positioning as The Real Life Company continued to play an important role in guiding our brand and marketing activities in 2014. It reflects our commitment to providing financial solutions for our customers to help them prepare for the opportunities and challenges of real life. In addition to serving as the foundation for our visual communications and campaigns, it also provides a framework for engaging with our stakeholders throughout the Asia-Pacific region, including through events such as The Music Run™ in Malaysia and Thailand, The Electric Run in Hong Kong, The Real Life Now Music Festival in Korea and the Taylor Swift Red Concerts in Malaysia and Singapore.

An important part of our brand awareness strategy was the extension of our partnership with Tottenham Hotspur Football Club (Spurs) announced at the beginning of 2014. AIA became the club's exclusive Official Shirt Partner for five years. Through our partnership with Spurs, we are not only promoting greater awareness of AIA among the many millions of English Premier League supporters throughout the region but also broadening our reach to connect with new audiences. It provides us with many opportunities to differentiate our brand and engage with our customers, agents, partners and employees, as well as local communities.

CUSTOMER ENGAGEMENT

Our aim is to deliver the best possible customer experience through a deep understanding of what matters most to our customers. In 2014, we spoke to more than 14,000 consumers across the region, including path-to-purchase research, as part of the ongoing Customer Understanding Programmes that we began in 2013. Our detailed knowledge of "how and why" customers purchase insurance allows us to better understand customer needs and identify critical success factors in product and service design. As a result of our research, we have created a new framework called Model Customer Experience, launched initially in Malaysia, China and the Philippines that reinforces our guiding principles of reducing complexity in all of our interactions with our customers.

Our in-force customer base of more than 28 million individual policies and over 16 million participating members of group insurance schemes provides AIA with a significant advantage in generating new business and our marketing teams have worked alongside our distribution channels to expand sales to these customer groups. In addition to running targeted sales campaigns, we have expanded our customer reunion programme that enables our agents and salespeople to reconnect with inactive customers. In 2014 we continued to make strong progress in this area with 39 per cent VONB growth from existing customer marketing initiatives compared with 2013. We also leverage the opportunity for new sources of customer engagement through developing social media platforms.

PRODUCT DEVELOPMENT

AIA offers an extensive range of products to meet the evolving real life protection needs and long-term wealth aspirations of our customers. Our products are designed to provide tailored benefits to our different customer segments and levels of cover aligned with the different stages of our customers' lives. In 2014 we extended our popular comprehensive protection product to the young family segment in China and launched a new long-term product specifically designed to meet education-funding needs. In Hong Kong, we produced a packaged comprehensive retirement solution for our customers to raise awareness about retirement planning and our operation in Singapore has also rolled out an affordable critical illness product to senior customers to meet their specific needs.

Unit-linked products remain central to our product strategy by providing our customers with the flexibility to adjust the balance between protection cover and wealth accumulation over the lifetime of the product. In Malaysia, we introduced additional protection riders for our flagship regular premium unit-linked products targeted at women and young adults, which helped drive a 38 per cent increase in unit-linked VONB compared with 2013. We have also expanded our range of riders for our first-of-its-kind unit-linked product in Thailand, doubling our unit-linked VONB as we look to develop this nascent segment of the market.

Following the initial launch in Singapore, we extended AIA Vitality, our innovative wellness programme, to Australia in 2014. This science-backed programme enables us to offer protection products designed to encourage and reward sustained changes in lifestyle that promote healthy living and further differentiate AIA's protection proposition.

Technology and Operations

We have made significant progress in delivering our ongoing technology and business process transformation programme. Our aim is to increase operational efficiency, simplify our interactions with our customers and reinforce AIA's competitive advantages through the innovative use of new technologies. The changes we are making to enhance our core business operations and technology platform will support AIA in delivering sustainable growth.

IMPROVING EFFICIENCY

The modernisation of our data centre made excellent progress during the year in providing cost-efficient infrastructure services across the Group, while at the same time enhancing information security and raising service quality. The changes will help increase platform flexibility and improve operating costs as the modernisation programme reduces data centre infrastructure and decreases data centre office space.

In 2015, we will complete the retirement of our remaining mainframe platforms, further reducing operating costs and increasing administrative flexibility. During the year, we continued the roll-out of our expert underwriting systems to automate new business issuance in our markets. For example, following the launch in Malaysia, we realised significant efficiency benefits, achieving a straight-through processing rate of approximately 70 per cent of new policy applications submitted through the system during the year.

AIA remains focused on safeguarding our customers, partners, employees and shareholders against information security risks. We have implemented a continuous cycle of security upgrades and initiatives, spanning technology, operations, process and education, supplemented with advanced intelligence-gathering techniques to ensure we stay ahead of the fast-evolving threat from cybercrime.

REDUCING COMPLEXITY

Following extensive customer research based on our Customer Understanding Programmes, we have launched a range of initiatives to reduce complexity and make it easier to do business with AIA. The core principles include the use of simple language, providing a consistent customer experience and integrating customer feedback. Our aim is to identify opportunities to simplify products and business processes, improving efficiency while increasing our understanding of what customers really value in their interactions with AIA. The improved customer experience and reduced complexity will increase customer loyalty and operating efficiency – two significant drivers of financial performance.

PROMOTING INNOVATION

Through close partnerships with leading global technology providers, we continued to take advantage of the opportunities offered by new technology. We accelerated the use of our iPoS platform across the Group, building on our early adoption of this integrated mobile technology in our agency and partnership distribution channels. We also launched our next generation system that incorporates iPoS into our new interactive Mobile Office (iMO) platform.

2014 also marked the formation of AIA Edge, an internal team mandated to promote business innovation throughout the Group with a medium-term horizon. AIA Edge goes beyond our regular business plans to explore new sources of competitive advantage for AIA. The team has established relationships with a network of external partners ranging from start-ups and universities to research institutes and government agencies. In its first year of inception, AIA Edge has already engaged in projects involving commercial opportunities in data analytics and digital health.

Geographical Markets

HONG KONG

US$ millions, unless otherwise stated	2014	2013	YoY
VONB[1]	**619**	468	32%
VONB margin[2]	**62.3%**	57.6%	4.7 pps
ANP	**952**	781	22%
TWPI	**4,330**	3,770	15%
Operating profit after tax	**905**	773	17%

Financial Highlights

AIA's Hong Kong business delivered another year of excellent growth with VONB up by 32 per cent compared with 2013 to US$619 million. The strong performance was driven by a combination of sustained improvements in our high-quality agency distribution channel through the ongoing execution of our Premier Agency strategy, excellent growth in our partnership business and positive changes in product mix. ANP grew by 22 per cent to US$952 million with VONB margin up by 4.7 pps to 62.3 per cent. IFRS operating profit after tax grew by 17 per cent to US$905 million compared with 2013, as a result of growth in the underlying business, improved profitability and higher investment income.

Business Highlights

Our commitment to developing our Premier Agents through high-quality recruitment and professional career development continued to strengthen AIA's market-leading agency distribution in Hong Kong. Our training programmes delivered through the AIA Premier Academy build on our successful "Road to MDRT" and "Executive Development Programme" to target a younger generation of agents and agency leaders and promote a culture of high activity and productivity. Our focus on recruiting and developing our new generation of high-quality candidates produced a 15 per cent increase in active new agents compared with 2013. AIA is the market leader for MDRT members in Hong Kong and our MDRT qualifiers grew by 18 per cent compared with 2013 demonstrating the quality and professionalism of our agency.

Our partnership distribution channel was an important contributor to VONB growth in 2014, led by our IFA business. We strengthened our IFA proposition during the year through tailored long-term protection and savings products and our ongoing commitment to high levels of service and support. In March 2014, AIA's Hong Kong business began our exclusive long-term bancassurance partnership with Citibank. We continued to make good progress with the initial roll-out of our product, marketing and training plans to support the growth of this business and build scale over time.

Group insurance delivered a strong performance, with 26 per cent growth in VONB as we reinforced our relationships with independent brokers and increased our proprietary agency activity within the SME market. In the agency channel, our average number of active group insurance producers increased by 29 per cent, with total cases closed up by 38 per cent compared with 2013.

AIA maintained its position as a market leader in protection provision in Hong Kong. We expanded our protection range by introducing a comprehensive critical illness product for young and mature families and the launch of a new disability income plan targeted at the middle-class working population. One of our main priorities is helping our customers save for retirement. Integrated marketing campaigns raised awareness of the importance of retirement planning, producing excellent results alongside the launch of our regular savings participating products at the beginning of the year.

THAILAND

US$ millions, unless otherwise stated	2014	2013	YoY
VONB[(1)]	**361**	319	13%
VONB margin[(2)]	**63.2%**	56.3%	6.9 pps
ANP	**572**	565	1%
TWPI	**3,334**	3,364	(1)%
Operating profit after tax	**544**	528	3%

Financial Highlights

AIA delivered a strong performance in 2014, demonstrating the resilience of our long-standing business in Thailand. VONB growth of 13 per cent to US$361 million was achieved despite the 6 per cent depreciation in the Thai baht against our US dollar reporting currency. VONB margin improved by 6.9 pps to 63.2 per cent as a result of improved product mix from the launch of new protection riders and the positive effect of agency compensation structure changes implemented towards the end of 2013.

IFRS operating profit after tax grew by 3 per cent to US$544 million. The growth rate in Thailand was affected by the depreciation in the Thai baht and lower investment income following dividends remitted to the Group Corporate Centre. We have assumed that the corporate tax rate in Thailand will be 20 per cent for assessment year 2015 and return to 30 per cent from assessment year 2016 onward.

Business Highlights

Our market-leading agency network in Thailand has enabled AIA to offer a broad range of long-term savings and life and health protection products to our customers nationwide. We have continued to develop the professionalism and breadth of knowledge of our proprietary agents through training from our AIA Premier Academy and the introduction of enhanced recruitment policies. VONB from unit-linked products doubled compared with 2013 as we focused on training licensed agents qualified to sell these products following our launch of Thailand's first-of-its-kind next generation unit-linked product in 2013.

The 45 per cent increase in MDRT qualifiers during the year underscores the quality of AIA's agency distribution in Thailand. The benefits from the modifications to our agency compensation structure implemented towards the end of 2013 also began to emerge in 2014. The execution of our Premier Agency strategy has delivered VONB growth of more than 20 per cent in our agency business on constant exchange rates compared with 2013. The continued investment in our market-leading agency distribution network positions AIA extremely well as the Thai insurance market continues to grow.

While our proprietary agency channel provides AIA with significant competitive advantages, the development of our partnership business continued in 2014, particularly in the direct marketing channel supported by our leading brand awareness.

The upmarket health product we launched late last year has been a significant contributor to the strong underlying VONB growth throughout 2014, and in the second half of the year we launched a new product with complementary benefits which has been well received by the market. Our flexible and unique product offerings have resulted in a significant increase in the attachment of protection riders, a key driver of the increase in VONB margin compared with 2013. These successes are a validation of our focus on long-term savings and protection products rather than pursuing headline market share gains without regard to profitability.

SINGAPORE

US$ millions, unless otherwise stated	2014	2013	YoY
VONB(1)	**299**	269	11%
VONB margin(2)	**61.2%**	67.3%	(6.1) pps
ANP	**489**	400	22%
TWPI	**2,339**	2,150	9%
Operating profit after tax	**429**	396	8%

Financial Highlights

AIA's operation in Singapore delivered an increase in VONB of 11 per cent to US$299 million building on our sustained growth from prior years including a particularly strong performance in 2013. ANP growth of 22 per cent and VONB margin of 61.2 per cent reflected the completion of the HealthShield protection plan upgrade running from March 2013 to February 2014 that boosted protection sales substantially in 2013. Lower sales of the HealthShield plan were offset by strong growth in unit-linked and participating business and this more balanced mix of savings and protection business was the driver of strong ANP growth over the year. IFRS operating profit after tax increased by 8 per cent to US$429 million, in line with the underlying business growth.

Business Highlights

The successful execution of our Premier Agency strategy continues to strengthen our market-leading position in the agency channel in Singapore in 2014. Our targeted recruitment strategy combined with comprehensive development programmes to support our new recruits has delivered 16 per cent growth in the number of active agents. Our new leadership career structure has continued to deliver strong results with a 23 per cent increase in the number of new recruits compared with 2013. We also benefited from the successful completion of our recruitment offer to agents from HSBC Insurance Singapore following our agreement in November 2013.

We are committed to enhancing the efficiency and productivity of our agency force through adopting new technology. AIA's proprietary interactive point-of-sale system, iPoS, is now established as the primary sales tool for our agents in Singapore. Another major milestone was the completion of a major system upgrade of our policy administration system, adopting significantly enhanced technology capabilities to allow greater product innovation and flexibility.

Partnership distribution delivered solid growth in VONB as we continued to expand our relationships with our IFA and bancassurance distribution partners. The IFA channel delivered strong growth as we launched new protection and participating savings products for this channel. We produced a strong performance in our bancassurance business through our consistent execution and collaboration with our existing bank partners, while we began the roll-out of our exclusive bancassurance partnership with Citibank in March 2014.

AIA is consistently looking for new ways of engaging with our customers and further differentiating our products and services. The latest addition to our next generation unit-linked range in Singapore offers greater flexibility to adjust levels of cover and types of benefits as needs change over the lifetime of the policy and has driven excellent growth in unit-linked VONB compared with 2013. AIA Vitality, our innovative science-backed wellness programme, has continued to gain traction in 2014 as we further integrated the programme into our protection products and reward our customers for sustained changes in behaviour towards a healthier lifestyle.

MALAYSIA

US$ millions, unless otherwise stated	2014	2013	YoY
VONB[1]	**161**	120	34%
VONB margin[2]	**50.1%**	37.8%	12.3 pps
ANP	**320**	319	–
TWPI	**2,084**	2,036	2%
Operating profit after tax	**280**	250	12%

Financial Highlights

AIA's Malaysian operation reported another year of excellent results with VONB growth of 34 per cent to US$161 million. ANP was flat in reporting currency with VONB margin significantly higher by 12.3 pps to 50.1 per cent following a successful move towards regular premium protection and unit-linked products. The improvement in product mix over the year was a direct result of the product and training strategy we set out at the time of our acquisition of ING Malaysia in December 2012.

IFRS operating profit after tax rose by 12 per cent to US$280 million, reflecting positive underlying business growth, improved product profitability and a lower effective tax rate. This was partially offset by the depreciation of the Malaysian ringgit against our US dollar reporting currency.

Business Highlights

As part of the integration of ING Malaysia, we launched a new, unified structure for agency compensation towards the end of 2013. It is designed to drive quality recruitment and improve agency productivity supporting our aim of promoting and rewarding full-time agents, who are looking for a professional career with AIA. New recruitment programmes are focused on the under-35 age group and generated a 29 per cent increase in the number of active new agents compared with 2013.

Our AIA Premier Academy has focused on improving product mix and productivity through training aligned with our new product range and integrated with iPoS, our market-leading interactive point-of-sales platform. The take-up of iPoS has continued to be strong with around 90 per cent of our active agents in Malaysia adopting this innovative technology.

On 1 March 2014, we completed the consolidation of our single Takaful licence and rebranding to AIA PUBLIC Takaful Bhd. Takaful VONB increased by over 50 per cent compared with 2013, as we benefited from the strength of our existing qualified agents and the launch of a comprehensive recruitment strategy that more than doubled our number of new recruits in this market compared with 2013.

Our exclusive bancassurance partnership with Public Bank has again made a material contribution to VONB, building on its successful start in 2013. The broadening of our product offering and training of in-branch sales executives have raised productivity and improved the product mix, delivering excellent VONB growth compared with 2013. Our market-leading group insurance business also performed strongly with new schemes and the successful launch of a portable protection product, delivering 35 per cent VONB growth compared with 2013.

We launched new riders during 2014 as part of our expanded product range, offering combinations of protection cover and benefit levels tailored specifically for different market segments: young adults, young families, mature families, women and pre-retirees. The riders have been pre-packaged with unit-linked savings plans and integrated within iPoS, providing our agents with the flexibility and interactive sales tools to shape premiums and benefits to the needs of individual customers. The VONB from unit-linked products grew by 38 per cent compared with 2013.

CHINA

US$ millions, unless otherwise stated	**2014**	2013	YoY
VONB[(1)]	**258**	166	55%
VONB margin[(2)]	**83.1%**	66.4%	16.7 pps
ANP	**311**	249	25%
TWPI	**1,786**	1,599	12%
Operating profit after tax	**283**	205	38%

Financial Highlights

AIA's business in China has produced another excellent performance in 2014. The disciplined execution of our Premier Agency strategy resulted in 55 per cent growth in VONB compared with 2013. ANP increased by 25 per cent to US$311 million reflecting the strong growth in the number of active agents and improvements in productivity. New products aimed at protecting the financial position of young families made a strong contribution to our growth during the year. VONB margin reflected our continued positive shift towards longer-term savings and protection products.

IFRS operating profit after tax grew by 38 per cent to US$283 million compared with 2013, building on an increase of 36 per cent in the year before. This strong performance was due to strong underlying business growth leading to improvements in scale, increased profitability from changes in product mix and higher investment income. Our business in China has achieved a compound annual growth rate of 40 per cent over the last four years in both VONB and OPAT.

Business Highlights

Our strategy in China is focused on growing AIA's professional agency distribution through superior recruitment, best-in-class training and leadership development programmes. Our aim is to help our agents and leaders build long-term professional careers with AIA, as demonstrated by the 58 per cent growth in MDRT qualifiers compared with 2013. We have established a culture of rewarding productivity aligned with the long-term interests of our customers. This focus has enabled our agents to provide better solutions for customers, generate profitable new business growth while increasing their average income levels over the year.

The combination of our stringent selection criteria and dedicated new joiner programmes has increased the number of quality recruits and the activity of our new agents. These actions have resulted in a 42 per cent increase in our active new agents. Our approach to agency support and development backed by the use of our interactive point-of-sales technology has also increased active agent productivity levels by 9 per cent compared with 2013.

While agency remained our main source of new business, our partnership channel continued to deliver strong VONB growth in 2014. We launched our exclusive new bancassurance partnership with Citibank in April 2014 and began the roll-out of our long-term savings and protection product range to the branches during the year.

Building on our success in the protection market in China, AIA continued to focus on rolling out products that address customers' needs for protection and long-term savings. The launch of two products specifically designed to meet the long-term protection and education-funding needs of young families in this area delivered strong results throughout 2014. We also expanded our product portfolio with our innovative plans that combine the strengths of traditional and unit-linked products to meet the long-term savings needs of Chinese consumers.

KOREA

US$ millions, unless otherwise stated	2014	2013	YoY
VONB(1)	**82**	91	(10)%
VONB margin(2)	**21.7%**	26.8%	(5.1) pps
ANP	**380**	338	12%
TWPI	**2,205**	2,049	8%
Operating profit after tax	**165**	150	10%

Financial Highlights

AIA operates a broad multi-channel distribution strategy in Korea. The industry-wide suspension of outbound telesales and subsequent regulatory changes affected the performance of AIA's direct marketing business in 2014. However, the growth in our bancassurance, broker and agency channels offset lower direct marketing sales and AIA outperformed the market with ANP growth of 12 per cent to US$380 million set against an overall contraction in the Korean life insurance industry.

VONB declined by 10 per cent to US$82 million compared with 2013, with positive growth reported in the second half of 2014. This result was due to lower margins in our direct marketing business caused by the costs of financial support provided to telesales representatives and regulatory changes following the industry-wide suspension. IFRS operating profit after tax grew by 10 per cent to US$165 million compared with 2013 reflecting revenue growth and improved claims experience.

Business Highlights

As noted in our 2014 interim results announcement, the Korean financial regulators imposed an industry-wide temporary suspension of outbound telesales in the first half of the year and introduced new regulations leading to a lengthier sales process. This was in response to a leak of personal data involving three credit card companies, which was not related to AIA or the insurance industry. During the year, we began an extensive personal data re-verification process and undertook a number of initiatives to improve sales efficiency as we adapted our outbound telesales model to the new regulatory environment.

Our agency force in Korea delivered strong VONB growth in 2014, as we continued to reprice key products, drive new training programmes aimed at improving agent productivity and further align agency compensation structures to reward an increased shift towards protection products and health rider attachments. The systematic implementation of these new product and sales management programmes improved both margin and productivity per active agent compared with 2013.

We diversified our multi-channel strategy further in Korea during the year, expanding our successful distribution partnerships in the broker channel and launching new health products. Our bancassurance business also delivered excellent VONB growth in 2014 driven by increased production as we continued to launch new products selectively with our bank partners.

Our focus in Korea is to provide products that meet customers' protection and long-term savings needs. Our direct marketing simplified issue health product was extended to both agency and broker channels in 2014 and its popularity continued throughout the year. We also concentrated our marketing efforts on increasing AIA's brand awareness in Korea through a number of campaigns targeting the young customer segment. We acted as the title sponsor of the AIA Real Life Now Music Festival in August, which had over 55,000 attendees, and created a popular online video campaign that generated around 6 million views.

OTHER MARKETS

US$ millions, unless otherwise stated	2014	2013	YoY
VONB[(1)]	**212**	220	(4)%
VONB margin[(2)]	**31.3%**	32.0%	(0.7) pps
ANP	**676**	689	(2)%
TWPI	**3,133**	2,840	10%
Operating profit after tax	**314**	239	31%

Other Markets include AIA's operations in Australia, Indonesia, New Zealand, the Philippines, Sri Lanka, Taiwan and Vietnam. The financial results from our 26 per cent shareholding in our joint venture with Tata in India is included in IFRS operating profit after tax on an equity accounted basis.

Financial Highlights

Other Markets delivered double-digit VONB growth in the second half of 2014 on constant exchange rates and despite the slower start in the first half of the year. Reported VONB for the full year was lower than 2013 at US$212 million due in large part to the depreciation of local currencies against our US dollar reporting currency and the effect of liquidity tightening in the banking sector, as previously disclosed. IFRS operating profit after tax increased significantly by 31 per cent to US$314 million mainly driven by increased scale and growth in Indonesia, the Philippines and Australia.

Business Highlights

Australia: Our strategy in Australia is to use our leading position as an independent risk specialist to provide protection insurance that addresses the country's substantial protection gap. We continued to expand our market-leading Premier IFA model with the addition of new platform partnerships in 2014, providing access to over 1,100 additional advisers. The launch of AIA Vitality, our innovative wellness programme, has reinforced our protection proposition in the retail market and received very positive participation during the year. AIA Vitality has also been made available on wealth management platforms in the second half to provide additional access to protection business funded through investment accounts. We consolidated our leading position in the group insurance market as we continued to review benefit design and proactively manage our claims experience through our leading claims assessment process. While our Australian business delivered a solid underlying performance in 2014, reported VONB growth was affected by significant currency depreciation.

Indonesia: AIA delivered double-digit VONB growth on constant exchange rates in the second half of 2014 with reported results affected by a 13 per cent weakening of the Indonesian rupiah against the US dollar reporting currency compared with 2013. We expanded our existing bancassurance partnerships by increasing the number of active in-branch sales specialists and we also added another new bancassurance partnership with a local Indonesian bank in the second half of 2014. Quality recruitment and training remained at the heart of our Premier Agency strategy to deliver sustainable growth in our agency channel, a strategy that has delivered strong underlying VONB growth compared with 2013. Overall, AIA increased its profitable market share during the year achieving a top three position by weighted new business premium.

New Zealand: AIA delivered strong VONB growth in New Zealand in 2014, as a result of the successful delivery of our targeted service model for the IFA channel and effective product portfolio management that improved VONB margin. In the second half of 2014, we continued to expand our direct marketing business and build our new proprietary agency force to engage with the fast-growing Asian communities in New Zealand.

Philippines: AIA's businesses in the Philippines achieved solid VONB growth with reported results also affected by currency depreciation. Our bancassurance channel performed well in the second half of 2014. We worked closely with our joint venture partner, Bank of the Philippine Islands (BPI), to focus on expanding the footprint of our in-branch insurance specialists and improving their capabilities. This was supported by the implementation of a productive lead-generation programme, focused training and sales activity management. As a result, the number of active specialists grew by 49 per cent in 2014. Agency delivered a solid performance, with growth in active agent productivity and the number of active agents supported by our ongoing focus on agent recruitment and training.

Sri Lanka: AIA continued to grow its infrastructure and distribution platforms to capture the significant opportunities in the emerging Sri Lankan life insurance market. We expanded our agency distribution platform with the opening of 31 additional new branches across the country and the number of active agents grew significantly. In addition to our partnership with National Development Bank PLC (NDB), we entered into new bancassurance agreements during the year that increased the number of bank branches selling AIA products by 69 per cent compared with 2013.

Taiwan: Our Taiwanese business delivered excellent VONB growth as we continued to make solid progress in developing our multi-channel distribution model, using technology to deliver increased efficiency and enhanced levels of service to our distribution partners and customers. Each of our agency, IFA, bancassurance and direct marketing businesses delivered positive VONB growth compared with 2013 and we also benefited from an improved product mix as we concentrated on providing stand-alone protection and integrated packaged products.

Vietnam: AIA's operations in Vietnam once again delivered an excellent performance with VONB double the amount reported in 2013. AIA continued to take profitable market share and is a top three player in terms of weighted new business premium. Our focus on quality recruitment and training increased the number of active agents by 25 per cent compared with 2013 and the improvements made to our product range last year have allowed greater flexibility around rider attachments, helping to improve VONB margin in 2014.

Notes:

Throughout the Distribution section:

(1) VONB and VONB margin by distribution channel are based on local statutory reserving and capital requirements and exclude pension business.

Throughout the Geographical Markets section:

(1) VONB figures shown in the tables are based on local statutory reserving and capital requirements and include pension business.

(2) VONB margin excludes pension business to be consistent with the definition of ANP used within the calculation.

RISK MANAGEMENT

Overview

AIA recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. For policyholders it is the security from knowing that we will always be there for them. For regulators sound risk management is vital to the stability of the financial system. For investors it is a means of protecting and enhancing the long-term value of their investment.

At AIA we recognise that strong corporate governance and sound risk management are at the core of our business proposition. Indeed, we believe that our focus in these areas has been a significant contributor to our performance. As our business grows in scale and against a backdrop of political, social and economic change, so our approach to risk management is constantly evolving.

The Risk Management Framework (RMF) provides the structure for identifying, quantifying and mitigating risk across the Group. An effective RMF is the key to avoiding the financial and reputational damage that arises from inadequate or ineffective control of the risks in the business.

AIA's RMF is built around supporting our business. AIA has adopted the "three lines of defence" model for risk management which is described below. Consistent with that approach our risk functions provide support to our business with tools, processes and capabilities for the identification, quantification and management of risk.

Our risk functions also exercise oversight – objective judgement as to the appropriateness, sufficiency and effectiveness of the measures taken to manage risk.

Clarity of responsibility for different aspects of risk management is fundamental to sound risk management. Responsibility for AIA's RMF starts with the Board who determine AIA's Risk Appetite and retain overall responsibility for the Group's risk management activities. It is the responsibility of Group Risk to provide assurance to both executive management and the Board that risks are being managed within the Risk Appetite. The local Risk functions are expected to provide similar assurance to their executive management and Boards.

These themes – support, accountability, oversight and assurance – are at the foundation of our risk management culture.

Three Lines of Defence

The three lines of defence model (Three Lines) for risk management is a commonly used approach to managing risk in financial institutions globally. The objective of Three Lines is to ensure that an appropriate system of checks and balances are in place to minimise unexpected losses and reputational damage. This is achieved by clearly defining roles and responsibilities for the management of risk between those taking executive decisions, the Risk functions and Internal Audit, with each of these working closely together but ultimately operating independently from each other.

The first line of defence (First Line) is made up of the executive decision-makers and functions other than Risk, Compliance and Internal Audit. Executive management of Group Office, each business unit and the various functions are required to ensure that risk is being managed in a way consistent with the RMF and that appropriate processes, limits and controls for the identification, management and mitigation of all relevant risks are in place and effective. In particular, the amount of risk taken at each level of the organisation has to be consistent with both the Group's and relevant local business unit's Risk Appetite.

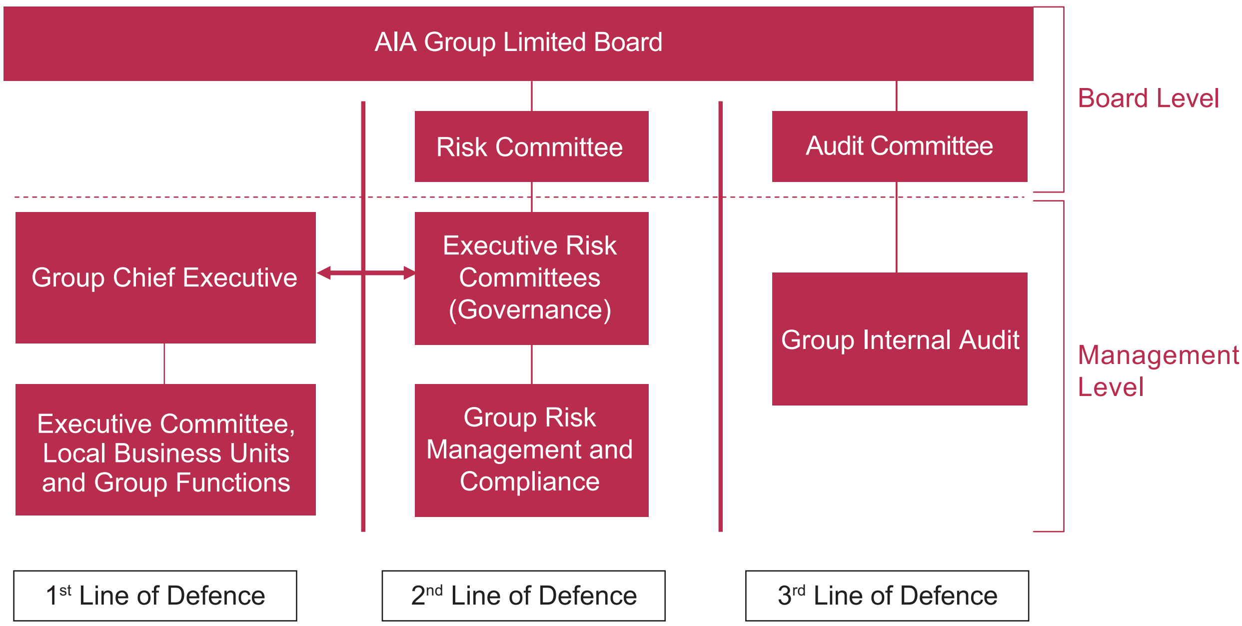
Unless reserved to the Board, all decisions are made by identified executives operating in the First Line. These executives have full accountability for their decisions. Decisions regarding activities deemed to have significant risks attached or that are materially outside policy will be referred to the Group Chief Executive or, where appropriate, to the Board.

The second line of defence (Second Line) at the Group level consists of two important functional areas, namely Compliance and Risk. These functions are independent from the First Line but work closely with them to ensure that they are appropriately supported in meeting their obligations in respect of risk management, and to exercise effective oversight of First Line activities. It is also the responsibility of the Second Line to give assurance to executive management, the Board and the Risk Committee that risks are being managed satisfactorily within AIA's Risk Appetite.

The Group Risk function manages the RMF, ensuring that consistent policies and processes are adopted across the Group and that all decisions are made within policies and Risk Appetite following a full assessment of all risks associated with a business or transaction. Compliance supports these efforts by providing oversight of the programmes that ensure adherence to the high standards set by the Group in its various policies and procedures, as well as the regulatory requirements to which the Group and its constituent businesses are subject.

The third line of defence (Third Line) comprises Group Internal Audit, which reports to the Board, through the Audit Committee, on the effectiveness of risk controls. The Third Line, amongst other things, reviews the RMF, coordinating with Risk and Compliance, but acting independently of those functions, to ensure that risks and their management processes are being identified and monitored on a consistent basis. The Third Line also audits the Second Line.

The application of the three lines of defence model in AIA is illustrated below:



Risk Management Framework

AIA's RMF has the following components:

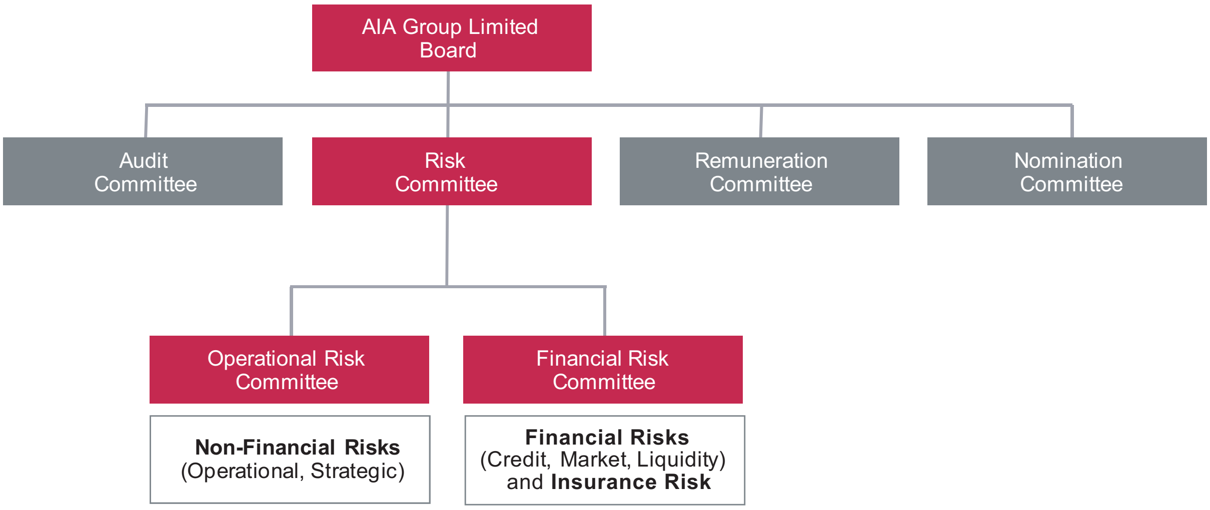
- Risk Governance;
- Risk Appetite;
- Risk Metrics; and
- Group and Local Risk Functions.

Risk Governance

AIA's risk governance is designed to provide for:

- Consistent application of the RMF across the Group through common committee structures, policies and metrics;
- Streamlined processes for the early identification and swift escalation of risk issues;
- Objective analysis of risk issues enabling informed decision-making; and
- Discussion and challenge in relation to risk issues at suitable forums.

AIA's current committee structure was implemented in 2012 and is set out in the chart below:



THE BOARD

The Company's Board retains overall responsibility for oversight of the Group's risk management activities. In this regard the Board sets the Group's Risk Appetite, agrees the RMF and monitors group-wide risks. In fulfilling these responsibilities the Board is supported and advised by the Risk Committee.

RISK COMMITTEE

The Risk Committee advises the Board on all risk-related issues requiring Board attention. The Risk Committee is also responsible for approving risk metrics used in the context of the Group's Risk Appetite. The members of the Risk Committee are all Board directors, with the Chairman required to be an Independent Non-executive Director. The Risk Committee meets at least four times a year.

The Risk Committee has oversight over all risk management activities in the Group. At each meeting it considers the general risk environment, reviews the activities of the Group's executive risk committees and the Group's financial and operational risk profile. The Risk Committee also conducts more detailed reviews of both financial and operational risks as well as specific scenarios. In 2014 the Risk Committee reviewed, amongst other things, the Group's business continuity planning programme, the robustness of the Group's internal credit rating framework, its pension scheme liabilities, the potential impact of various political issues and the ebola outbreak.

OPERATIONAL RISK COMMITTEE (ORC)

The ORC provides oversight of non-financial risk activities within the Group. These include any activity that has the potential to weaken the business and may include issues related to human, physical or technology resources. The ORC approves Group policies, processes and metrics related to the management of Operational Risk, or recommends the same for approval by the Risk Committee. The ORC is chaired by the Group Chief Financial Officer. The members of the ORC are predominantly members of the Group Executive Committee. The ORC meets at least four times a year.

At each meeting the operational risk environment is reviewed based on the Group's defined key operating risks. Emerging risks deemed to have a Group dimension from local business unit ORC reports are considered for inclusion on the Group Watch List.

In 2014 the ORC discussed, amongst other things, a new structure for business continuity planning, investment operations in support of unit-linked products, the operational aspects of repurchase agreements and derivatives, information security and the impact of big data and social networking on our risk profile.

FINANCIAL RISK COMMITTEE (FRC)

The FRC provides oversight of financial and insurance risk activities within the Group. These include market and insurance risks as well as the Group's balance sheet, liquidity and capital position. The FRC approves Group policies, processes and metrics related to the management of these risks, or recommends the same for approval by the Risk Committee. The FRC is chaired by the Group Chief Executive. The members of the FRC include the Group Chief Investment Officer, Group Chief Financial Officer and Group General Counsel. The FRC meets at least four times a year.

At each meeting the Group's capital and balance sheet position are reviewed as well as the risks in the Group's investment portfolio. Risk governance, local business unit reports and watch lists are standing agenda items with issues deemed to have a Group dimension placed on the Group Watch List.

Where activities, proposals and/or reports are relevant to both the FRC and the ORC, the FRC is responsible for coordination.

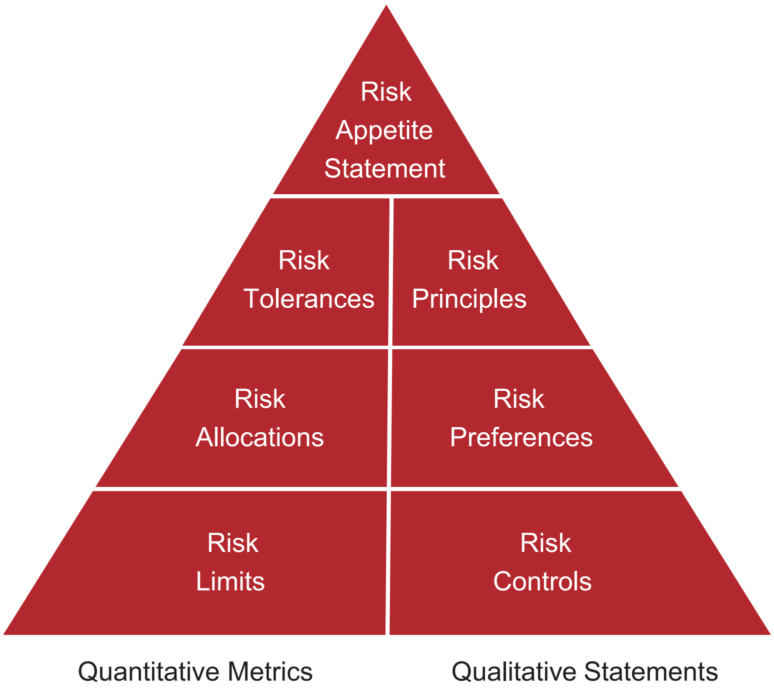
The FRC has approved policies for key activities and risks. Should a transaction or an existing position fall outside the parameters described in those policies an exception request is triggered. This request is considered by the Second Line who reviews and refers the transaction to an appropriate executive in the First Line for approval. Transactions deemed to require the Group Chief Executive's approval are considered first by the FRC and, where appropriate, the ORC.

In 2014 the FRC discussed, amongst other things, new limits and policies in relation to equity risk, repurchase agreements, subordinated debt, liquidity and foreign exchange rate risk as well as reviewing the Group's economic capital models and their application.

Risk Appetite

AIA's Risk Appetite is the foundation of its RMF. It establishes the quantum and nature of risks the Group is prepared to take to achieve its strategic objectives and helps to inform stakeholder expectations.

Risk Appetite can be presented as a pyramid, with qualitative statements supported by quantitative metrics which are applied at each level within the business, as illustrated in the figure below:



- The Risk Appetite Statement (RAS) is an overarching comment on the enterprise's attitude to risk;
- Risk Principles are qualitative statements that expand the RAS;
- Risk Tolerances are quantitative metrics that validate the Risk Principles and thus the RAS;
- Risk Allocations reflect the division of the Risk Tolerances between specific risks, products and businesses;
- Risk Preferences define the enterprise's attitude to specific risks; and
- Risk Limits and Controls reflect the risk allocations and preferences in the business.

AIA has adopted the following Risk Appetite Statement:

"The amount of risk taken by AIA in the ordinary course of its business will be sufficient to meet its customers' reasonable requirements for protection and benefits while ensuring that the level and volatility of shareholder returns are in line with a broadly-based risk profile appropriate to an Asia-Pacific ex-Japan-focused life insurance company."

This statement is consistent with AIA's vision of being the pre-eminent life insurance provider in the Asia-Pacific ex-Japan region while contributing to the financial security of the people and the economic and social development of the region.

AIA supports its RAS with four Risk Principles, each addressing one of AIA's risk and capital management priorities.

Priority	Risk Principle
Regulatory Capital	*"We have no appetite for regulatory non-compliance and as such will ensure that we hold sufficient capital to meet our current statutory minimum solvency in all but the most extreme market conditions."*
Financial Strength	*"We will ensure the Group's ability to meet all future commitments to our customers, both financial obligations and in terms of the promises we make to them. We will maintain sufficient capital to support a Financial Strength Rating that meets our business needs."*
Liquidity	*"We will maintain sufficient liquidity to meet our expected financial commitments as they fall due."*
Earnings Volatility	*"We will seek to deliver reported operating earnings consistent with expectations and will implement policies, limits and controls to contain operational risks, risk concentrations and insurance risks within reasonable tolerances."*

Each of these Risk Principles is supported by a Risk Tolerance, a measurable financial benchmark that enables AIA to validate each of these principles such that assurance can be provided to the Board that AIA is operating within its Risk Appetite.

AIA's Risk Appetite Statement, Risk Principles and Risk Tolerances have all been approved by the Board and their application is monitored by the Risk Committee.

Risk Metrics

Fundamental to sound risk management is the need to quantify risks effectively. Group Risk has a dedicated risk modeling function that works closely with the Finance, Actuarial and Investment functions to assess the various risks in the balance sheet. There are four principal risk modeling activities:

- **Stress Testing:** Stress testing provides assurance that the Group and the business units are adequately capitalised to maintain regulatory solvency and withstand adverse financial risk events.

  We perform regular stress testing to monitor the potential impact of the changing investment and economic environment on the regulatory capital position of the Group and each of the business units. These tests show the financial impact the risks identified above are likely to have when considered individually and collectively. The ability to diversify risk is a key competitive advantage for a financial institution operating across a diverse set of economies. Accordingly, AIA closely monitors the correlations between risks across different countries.

- **Economic Capital:** Economic capital is widely used by large international financial services groups as a measure of financial strength and as a means of comparing the relative financial merits of different business strategies regardless of varying regulatory capital requirements.

  AIA is developing an economic capital model based on best estimates of its liabilities to an agreed confidence level. The model draws on global industry best practices and takes into account the environment in the Asia-Pacific region, in particular in relation to the economic and market-related parameters adopted within the model.

- **Market Risk:** Group Risk works closely with the Investment Analytics team to develop and implement quantitative techniques for measuring AIA's market risks. For example, duration and other related measures are used to quantify interest rate risk, peak exposure is used to determine credit and liquidity risk, and Value At Risk measures are used to assess different investment strategies. These measures are used in the regular updates on investments provided to the FRC and in setting limits and defining actions to mitigate market risk.

- **Operational Risk:** Where data is scarce, scenario modeling techniques are used by the operational risk team to approximate the loss distribution associated with a particular event or set of circumstances.

Local and Group Risk Functions

The role of the risk management functions are as follows:

- Provide business managers with the tools, processes and capabilities to identify, quantify and manage risk;

- Exercise oversight and objective judgement as to the appropriateness, sufficiency and effectiveness of the measures taken to manage risk; and

- Provide assurance to both executive management and the Board that risks are being managed by the businesses appropriately and within Risk Appetite.

Above all, the objective for all risk officers is to support the embedding of risk in the Group's mindset and culture.

AIA maintains risk teams in all business units, in each case supported by risk professionals with experience in all the major risk areas. The Group Risk function provides specialist support to the local risk teams and oversees their activities. Group Risk is also expected to take the lead on specific issues, provide general guidance as to best practice and to intervene where significant issues may potentially occur.

This year our Group Risk function has worked closely with the local risk functions to embed risk and support the development of risk culture. A common standard for risk functions has been established by the Group with the active sponsorship of the Group Chief Executive. The emphasis of this standard has been on ensuring that the role of risk management is clearly understood and that our risk functions are supported with consistent governance, reporting and measurement.

The interface between Group and local risk functions is critical to ensuring that emerging risks are identified, escalated and dealt with in a timely and effective manner. This is achieved through the following:

- Close oversight of local risk committees whose activities and risk watch lists are reviewed by the Group Risk function and form standing items on the FRC and ORC agendas;

- Involvement of local risk functions in determining whether transactions are "within policy" and preparing checklists and risk assessments as required;

- Regular and consistent consultation among local and Group Risk, Group Compliance and Internal Audit functions with regular reporting to Group Executive Committee members to identify emerging issues; and

- Transparency in the conduct of risk management through a common portal where relevant documentation is made available, risk databases can be accessed, exceptions processed and experience shared.

Risk Categorisations

Under the RMF, the Group adopts a common language in the description of risks at both the Group and the local business unit levels to proactively manage a wide spectrum of financial and non-financial risks as summarised in the chart below:

Insurance Risk	Financial Risks	Non-Financial Risks
	Credit Risk	Operational Risk
	Market Risk	Strategic Risk
	Liquidity Risk	

PRINCIPAL RISKS

The principal risks and the Group's approach to managing them are discussed below with further information provided in note 38 to the financial statements.

Insurance Risk

Insurance risk is the potential loss resulting from mortality, morbidity, persistency, longevity and adverse expense experience. This includes the potential impacts from catastrophic events such as pandemics and natural disasters.

Note 27 to the financial statements details insurance contract liabilities, the nature of insurance products and their principal risks.

The Group manages its exposure to insurance risk at each stage of the process.

- **Product Design:** The Group manages product design risk through the New Product Approval Process where products are reviewed against pricing, design and operational risk benchmarks agreed by the FRC. Local business units work closely with a number of Group functions including product management, actuarial, legal, compliance, risk and underwriting. The Group monitors closely the performance of new products and focuses on actively managing each part of the actuarial control cycle to minimise risk in the in-force book as well as for new products.

- **Underwriting, Claims & Expense Discipline:** Professional underwriting together with active management of expenses reduces the risk of actual experience being adverse compared with the assumptions used in the pricing of products. We adhere to well-defined market-oriented underwriting and claims guidelines and practices that have been developed based on extensive historical experience. Daily operations also follow a disciplined budgeting and control process that allows for the management of expenses within pricing estimates based on the Group's very substantial experience within the markets in which we operate.

- **Sales Quality:** Ensuring customers buy products that meet their needs is central to the Group's operating philosophy. Through comprehensive sales training programmes and active monitoring and management of sales activities and persistency, the Group seeks to ensure that appropriate products are sold by sales representatives and that standards of service consistently meet or exceed our customers' reasonable expectations. This allows the Group to meet customer needs while also delivering sustainable value to shareholders through the consistent income derived from a large and predictable in-force book of business across a broad set of markets.

- **Experience Management:** The Group conducts regular experience studies of all the insurance risk factors in its in-force book. These internal studies together with external data are used to identify emerging trends which can then be used to inform product design, pricing, underwriting, claims management and reinsurance needs.

- **Research:** Through monitoring the development of both local and global trends in medical technology, health and wellness, the impact of legislation and general social, political and economic conditions the Group seeks to anticipate and respond promptly to potential adverse experience impacts on its products.

- **Reinsurance:** The Group uses reinsurance solutions to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophic events such as pandemics or natural disasters.

Financial Risks

Financial risk is the potential loss resulting from adverse movements in financial markets, changes in the financial condition of counterparties and in market liquidity to buy and sell investments. Financial risk is subdivided into credit risk, market risk (which includes interest rate, credit spread, equity price, property price and foreign exchange rate risk) and liquidity risk.

The Group manages its exposure to financial risk within tolerances agreed by the FRC. Risk metrics such as those described above are used to identify exposure to each of the major financial risks. First Line management of financial risk is primarily conducted by the Investment and Treasury functions with oversight provided by a dedicated Investment Risk function in Group Risk and financial risk management units in all major business units.

The Group also manages financial risk by periodically running specific scenario modeling exercises to gauge the potential impact of macro political, social and economic events on financial strength and profitability.

Credit Risk

Credit risk is the risk that third parties fail to meet their obligations to the Group when they fall due. Credit risk occurs wherever reliance is placed on a third party to satisfy a financial obligation. Although the primary source of credit risk is the Group's investment portfolio, such risk can also arise through reinsurance, procurement and treasury activities.

Note 21 to the financial statements provides further details of the Group's financial investments in debt instruments, the credit quality of those instruments and the basis on which they are carried in the Financial Statements.

The management of all credit risk occurs on two levels within AIA. The Credit Research team in the Investment Department performs a detailed analysis of individual counterparties and recommends a rating within the internal ratings framework. The Group Risk function manages the Group's internal ratings framework and reviews these recommendations and, where appropriate, makes recommendations for revisions from time to time. Agreed internal ratings are then used to determine the Group's appetite for exposure to each counterparty.

A matrix of risk tolerances has been approved by the FRC that ensures that credit risk in the investment portfolio is contained within AIA's Risk Appetite. These tolerances cover individual counterparty, segmental concentration and cross-border exposures. The Investment Department has discretion to shape the portfolio within those risk tolerances, seeking further Group approvals through the risk governance framework where they wish to invest outside those tolerances. If certain investments are technically within risk tolerances but there is a specific concern, Group Risk brings these to the attention of the FRC for inclusion in the Group Watch List.

Market Risk

Market risk is the risk of financial loss from adverse movements in the value of assets owing to market factors, including changes in interest and foreign exchange rates, as well as movements in the spread of credit instruments to corresponding government bonds, "Credit Spread Risk", and in equity and property prices. Note 38 to the financial statements provides further detail relating to the market risks discussed below.

The FRC approves all policies and metrics associated with the evaluation of market risk exposures.

Interest Rate Risk

The Group's exposure to interest rate risk predominantly arises from any difference between the duration of the Group's liabilities and assets, in particular in relation to the reinvestment of maturing assets to meet the Group's commitments, predominantly its insurance liabilities. In insurance companies this is often known as ALM risk. This exposure can be heightened in products with inherent options or guarantees. Since the majority of the Group's investments are in fixed income securities interest rate risk is the Group's largest market risk.

Exposure to interest rate risk is summarised in note 38 to the financial statements, which shows the split of financial assets and liabilities between variable, fixed and non-interest bearing investments.

The Group manages interest rate risk by ensuring appropriate insurance product design and underlying assumptions as part of the product approval process and by matching, to the extent possible and appropriate, the duration of investment assets with the duration of insurance liabilities. For in-force policies, we regularly review the policyholder bonus payout and crediting rates applicable to policyholder account balances, considering amongst other things bond yields and policyholders' reasonable expectations.

Credit Spread Risk

Credit Spread Risk arises from changes in the market value of non-government securities as a result of a change in perception as to their likelihood of repayment. These price changes are distinct from those resulting from changes in interest rates. AIA invests in non-government securities in a number of its portfolios. Because these securities are mostly held to maturity, Credit Spread Risk is only taken to the extent that the Group may be forced to sell those securities before they mature.

AIA nonetheless manages its Credit Spread Risk carefully, focusing on overall portfolio quality and diversification and seeking to avoid excessive volatility in the mark-to-market value of its investment portfolios.

Equity Price Risk

Equity price risk arises from changes in the market value of equity securities and equity funds. Investment in equity assets on a long-term basis is expected to provide diversification benefits and enhance returns.

The extent of exposure to equities at any time is at the discretion of the Investment Department operating within the terms of the Group's and local business units' strategic asset allocations.

From a risk perspective, particular emphasis is placed on managing concentrations and volatility in the Group's equity exposures. The Group's "Margin of Safety Investment" approach is designed to target value in equity selection. Equity exposures are also included in the aggregate credit exposure reports on individual counterparties to ensure concentrations are avoided. Note 21 to the financial statements provides further details of the Group's financial investments in equity securities, including the basis on which they are carried in the Financial Statements. Note 38 to the financial statements indicates the sensitivity of profit and net assets to changes in equity prices.

Property Price Risk

Property price risk arises from interests in real estate assets, which form part of the Group's investment portfolios and are subject to market value changes due to general or specific factors. A considerable number of such real estate assets are self-occupied and used for operating purposes. Real estate assets are expected to provide useful diversification benefits and a long-term return with some inflation protection.

The price risk in property can be driven by broader economic and social factors, notably tenant supply and demand, liquidity of individual buildings, evolving infrastructure or government actions that may directly or indirectly influence the market. It can also be driven by the characteristics of specific holdings: their location within an area, the competitiveness of their facilities and their physical condition.

Foreign Exchange Rate Risk

At the Group level, 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 dollars for financial reporting purposes. Note 38 to the financial statements shows the Group's currency exposures and the sensitivity of shareholders' equity and profit to movements in those currencies.

Foreign exchange rate risk is managed in AIA on various levels. The balance sheet values of our operating units and the expected cash flows from these are generally not hedged to the Group's reporting currency, US dollar. Local capital requirements are generally held in assets of the same currency as the corresponding liabilities. Expected capital movements in less than one year such as dividends and investments may be hedged to or from US dollar at the discretion of the Group's senior management. At a local level, Business Units are generally expected to match their assets and liabilities by currency. This includes the matching of US$ and HK$ assets and liabilities in the Hong Kong businesses. In this respect cross-currency swaps or foreign exchange forward contracts are sometimes used.

Liquidity Risk

AIA identifies liquidity risk as occurring in two ways, Funding Liquidity Risk and Investment Liquidity Risk. Funding Liquidity Risk is the risk that insufficient cash is available to meet payment obligations to counterparties as they fall due. This covers the need to ensure that cash or cash equivalent assets are available to cover expected insurance liabilities including any volatility in those liabilities arising from experience variance or from insurance products that permit surrender, withdrawal or other forms of early termination for a cash surrender value. Note 38 to the financial statements provides a maturity analysis of the Group's financial assets and its liabilities and insurance contracts.

The local business units seek to manage liquidity risk through insurance product design and by matching near-term expected cash flows from liabilities and assets. In this respect, the positive cash flows from the business provide an important source of liquidity.

At the Group level we hold sufficient cash and liquid assets to cover expected Group obligations and commitments.

In order to maximise returns to policyholders and shareholders the Group seeks to remain as fully invested as prudent. A US$300 million committed bank facility has therefore been put in place and bond repurchase markets are also used to manage short-term liquidity needs where it is in the Group's interest to remain fully invested. This can be used in conjunction with the Group's Global Medium Term Note programme which provides ready access to the capital markets subject to market conditions.

Investment Liquidity Risk occurs in relation to our 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 benefit from the relatively low need for liquidity to cover those of their liabilities which are directly linked to mortality and morbidity, this risk is managed by regularly assessing the relative liquidity of the Group's assets and managing the size of individual holdings through risk tolerances. As disclosed in note 21 to the financial statements, most assets are in the form of marketable securities, which can typically be converted to cash quickly should the need arise.

Non-Financial Risks

Non-financial risks cover the potential for AIA's business to suffer through either key control failures, changes in the business environment or inadequate planning or management of infrastructure. While ultimately all losses are financial, in the case of non-financial risks the loss may initially take the form of damage to the Group's reputation. The risk of such damage, or reputational risk, is that negative publicity regarding a company's business practices, whether true or not, could have adverse consequences, including but not limited to a loss of customers, financial loss, sanction by regulators, damage to the brand and litigation.

Consideration of reputational risk is a key element in the Group's operational risk checklists and is actively monitored by the operational risk teams working closely with Group Law, Group Compliance, Group Corporate Communications and business unit management.

The Group's non-financial risks comprise operational risk and strategic risk.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, personnel and systems or from external events.

Operational risk is broken down into a common classification which is used across the Group. At the Group level, operational risk is overseen through 11 defined risk areas or Key Operational Risks (KORs). Each KOR is measured using Key Risk Indicators (KRIs), with a designated First Line owner for each KOR. The ORC reviews these risks regularly, placing items that are seen to have a Group dimension on the Group Watch List for further action and heightened review.

The ORC also reviews new activities where there is deemed to be the potential for material operational risk. For all new products, derivative instruments, large property projects and "Restricted Investments" (generally non-generic or illiquid traded investments such as hedge funds, structured credits or instruments containing embedded derivatives) an operational risk checklist is completed including potential reputational issues, operational readiness and technical dependencies.

The Group's Risk and Control Self-Assessment (RCSA) process is used to identify and assess the impact of operational risks. The RCSA is an exercise whereby management considers possible or actual risk events, ascribes likelihood of occurrence and potential severity, and then agrees mitigation strategies to reduce these risks. These strategies are then monitored and the exercise repeated, with the results stored in a dedicated operational risk database.

AIA protects itself against financial losses by purchasing insurance coverage against a range of operational loss events including business disruption, property damage and internal fraud. The excess amounts and extent of coverage are determined taking into consideration the results of scenario modeling.

Strategic Risk

Strategic risk refers to adverse impacts from unexpected changes to the Group's operating and market environment. Strategic risk is addressed as part of the business planning process and ongoing monitoring of and response to social, economic, political, regulatory, competitive and technical changes that may impact AIA's business.

REGULATORY DEVELOPMENTS

The International Association of Insurance Supervisors ("IAIS") has undertaken a number of initiatives toward the stated aim of fostering a globally consistent framework for principles-based insurance regulation. In particular, the IAIS has adopted "Insurance Core Principles" to serve as guidance for insurance regulators, and proposed the development of a common framework ("ComFrame") to be implemented by 2019 for the supervision of internationally active insurance groups ("IAIGs"); it is anticipated that the Group will be nominated as an IAIG. As part of ComFrame, a risk-based global insurance capital standard is also planned to be developed and be applied to IAIGs.

In addition, the insurance regulators in many of our markets, including HKOCI, the Group's lead insurance regulator in Hong Kong, have in recent years implemented, or announced their intention to implement, enhanced capital and solvency frameworks.

The relevant proposals are moving through various developmental stages and the Group remains constructively engaged in the consultation processes, however the ultimate outcomes of these consultations remain uncertain.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)

羅兵咸永道

We have audited the consolidated financial statements of AIA Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 48 to 171, which comprise the consolidated and company statements of financial position as at 30 November 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 November 2014 and of the Group's profit and cash flows for the year then ended in accordance with both Hong Kong Financial Reporting Standards issued by the HKICPA and with International Financial Reporting Standards issued by the IASB and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

26 February 2015

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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CONSOLIDATED INCOME STATEMENT

US$m	Notes	**Year ended 30 November 2014**	Year ended 30 November 2013 (As adjusted)
Revenue			
Turnover			
Premiums and fee income		**18,225**	16,666
Premiums ceded to reinsurers		**(1,173)**	(959)
Net premiums and fee income		**17,052**	15,707
Investment return	*9*	**8,204**	6,030
Other operating revenue	*9*	**177**	155
Total revenue		**25,433**	21,892
Expenses			
Insurance and investment contract benefits		**17,828**	15,299
Insurance and investment contract benefits ceded		**(1,024)**	(816)
Net insurance and investment contract benefits		**16,804**	14,483
Commission and other acquisition expenses		**2,139**	1,934
Operating expenses		**1,636**	1,537
Finance costs		**103**	71
Other expenses		**420**	340
Total expenses	*10*	**21,102**	18,365
Profit before share of profit from associates and joint venture		**4,331**	3,527
Share of profit from associates and joint venture		**14**	14
Profit before tax		**4,345**	3,541
Income tax expense attributable to policyholders' returns		**(125)**	(47)
Profit before tax attributable to shareholders' profits		**4,220**	3,494
Tax expense	*11*	**(877)**	(692)
Tax attributable to policyholders' returns		**125**	47
Tax expense attributable to shareholders' profits		**(752)**	(645)
Net profit		**3,468**	2,849
Net profit attributable to:			
Shareholders of AIA Group Limited		**3,450**	2,824
Non-controlling interests		**18**	25
Earnings per share (US$)			
Basic	*12*	**0.29**	0.24
Diluted	*12*	**0.29**	0.24

Dividends to shareholders of the Company attributable to the year:

US$m	*Notes*	**Year ended 30 November 2014**	Year ended 30 November 2013
Interim dividend declared and paid of 16.00 Hong Kong cents per share (2013: 13.93 Hong Kong cents per share)	*13*	**247**	215
Final dividend proposed after the reporting date of 34.00 Hong Kong cents per share (2013: 28.62 Hong Kong cents per share)	*13*	**525**	442
		772	657

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	Year ended 30 November 2014	Year ended 30 November 2013 (As adjusted)
Net profit	**3,468**	2,849
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on available for sale financial assets (net of tax of: 2014: US$(694)m; 2013: US$555m)	**3,813**	(3,671)
Fair value gains on available for sale financial assets transferred to income on disposal (net of tax of: 2014: US$3m; 2013: US$2m)	**(29)**	(23)
Foreign currency translation adjustments	**(433)**	(505)
Cash flow hedges	**4**	–
Share of other comprehensive income/(expense) from associates and joint venture	**22**	(23)
Subtotal	**3,377**	(4,222)
Items that will not be reclassified subsequently to profit or loss:		
Effect of remeasurement of net liability of defined benefit schemes (net of tax of: 2014: US$(1)m; 2013: US$(3)m)	**(10)**	29
Subtotal	**(10)**	29
Total other comprehensive income/(expense)	**3,367**	(4,193)
Total comprehensive income/(expense)	**6,835**	(1,344)
Total comprehensive income/(expense) attributable to:		
Shareholders of AIA Group Limited	**6,821**	(1,367)
Non-controlling interests	**14**	23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	*Notes*	**As at 30 November 2014**	As at 30 November 2013 (As adjusted)
Assets			
Intangible assets	*14*	**2,152**	1,321
Investments in associates and joint venture	*15*	**131**	93
Property, plant and equipment	*16*	**541**	480
Investment property	*17, 18*	**1,384**	1,128
Reinsurance assets	*19*	**1,657**	1,379
Deferred acquisition and origination costs	*20*	**16,593**	15,738
Financial investments:	*21, 23*		
Loans and deposits		**7,654**	7,484
Available for sale			
Debt securities		**77,744**	64,763
At fair value through profit or loss			
Debt securities		**24,319**	22,560
Equity securities		**28,827**	26,102
Derivative financial instruments	*22*	**265**	445
		138,809	121,354
Deferred tax assets	*11*	**10**	6
Current tax recoverable		**54**	44
Other assets	*24*	**3,753**	3,543
Cash and cash equivalents	*26*	**1,835**	2,316
Total assets		**166,919**	147,402
Liabilities			
Insurance contract liabilities	*27*	**113,097**	103,436
Investment contract liabilities	*28*	**7,937**	8,698
Borrowings	*30*	**2,934**	1,950
Obligations under securities lending and repurchase agreements	*31*	**3,753**	1,889
Derivative financial instruments	*22*	**211**	89
Provisions	*33*	**213**	187
Deferred tax liabilities	*11*	**3,079**	2,030
Current tax liabilities		**198**	242
Other liabilities	*34*	**4,542**	4,054
Total liabilities		**135,964**	122,575

US$m	*Notes*	**As at 30 November 2014**	As at 30 November 2013 (As adjusted)
Equity			
Share capital	*35*	**13,962**	12,044
Share premium	*35*	**–**	1,914
Employee share-based trusts	*35*	**(286)**	(274)
Other reserves	*35*	**(11,994)**	(11,995)
Retained earnings		**22,831**	20,070
Fair value reserve	*35*	**6,076**	2,270
Foreign currency translation reserve	*35*	**227**	657
Others		**(10)**	(4)
Amounts reflected in other comprehensive income		**6,293**	2,923
Total equity attributable to:			
Shareholders of AIA Group Limited		**30,806**	24,682
Non-controlling interests	*36*	**149**	145
Total equity		**30,955**	24,827
Total liabilities and equity		**166,919**	147,402

Approved and authorised for issue by the Board of Directors on 26 February 2015.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$m	Notes	Share capital and share premium	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income: Fair value reserve	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Others	Non-controlling interests	Total equity
Balance at 1 December 2013, as previously reported		13,958	(274)	(11,995)	20,070	2,270	657	–	145	24,831
Effect of adoption of IAS 19 (as revised in 2011)		–	–	–	–	–	–	(4)	–	(4)
Balance at 1 December 2013, as adjusted		13,958	(274)	(11,995)	20,070	2,270	657	(4)	145	24,827
Net profit		–	–	–	3,450	–	–	–	18	3,468
Fair value gains/(losses) on available for sale financial assets		–	–	–	–	3,814	–	–	(1)	3,813
Fair value gains on available for sale financial assets transferred to income on disposal		–	–	–	–	(29)	–	–	–	(29)
Foreign currency translation adjustments		–	–	–	–	–	(430)	–	(3)	(433)
Cash flow hedges		–	–	–	–	–	–	4	–	4
Share of other comprehensive income from associates and joint venture		–	–	–	–	22	–	–	–	22
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	(10)	–	(10)
Total comprehensive income/(expense) for the year		–	–	–	3,450	3,807	(430)	(6)	14	6,835
Dividends	*13*	–	–	–	(689)	–	–	–	(11)	(700)
Shares issued under share option scheme		4	–	–	–	–	–	–	–	4
Acquisition of non-controlling interests		–	–	–	–	(1)	–	–	1	–
Share-based compensation		–	–	83	–	–	–	–	–	83
Purchase of shares held by employee share-based trusts		–	(91)	–	–	–	–	–	–	(91)
Transfer of vested shares from employee share-based trusts		–	79	(79)	–	–	–	–	–	–
Others		–	–	(3)	–	–	–	–	–	(3)
Balance at 30 November 2014		13,962	(286)	(11,994)	22,831	6,076	227	(10)	149	30,955

US$m	Notes	Share capital and share premium	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income: Fair value reserve	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Others	Non-controlling interests	Total equity
Balance at 1 December 2012, as previously reported		13,958	(188)	(12,060)	17,843	5,979	1,165	–	131	26,828
Effect of adoption of IAS 19 (as revised in 2011)		–	–	–	(2)	–	–	(33)	–	(35)
Balance at 1 December 2012, as adjusted		13,958	(188)	(12,060)	17,841	5,979	1,165	(33)	131	26,793
Net profit		–	–	–	2,824	–	–	–	25	2,849
Fair value (losses)/gains on available for sale financial assets		–	–	–	–	(3,676)	–	–	5	(3,671)
Fair value gains on available for sale financial assets transferred to income on disposal		–	–	–	–	(23)	–	–	–	(23)
Foreign currency translation adjustments		–	–	–	–	–	(498)	–	(7)	(505)
Share of other comprehensive expense from associates		–	–	–	–	(13)	(10)	–	–	(23)
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	29	–	29
Total comprehensive income/ (expense) for the year		–	–	–	2,824	(3,712)	(508)	29	23	(1,344)
Dividends	*13*	–	–	–	(595)	–	–	–	(9)	(604)
Acquisition of subsidiaries		–	–	–	–	–	–	–	16	16
Acquisition of non-controlling interests		–	–	(8)	–	3	–	–	(16)	(21)
Share-based compensation		–	–	75	–	–	–	–	–	75
Purchase of shares held by employee share-based trusts		–	(87)	–	–	–	–	–	–	(87)
Transfer of vested shares from employee share-based trusts		–	1	–	–	–	–	–	–	1
Others		–	–	(2)	–	–	–	–	–	(2)
Balance at 30 November 2013 – as adjusted		13,958	(274)	(11,995)	20,070	2,270	657	(4)	145	24,827

CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	*Notes*	**Year ended 30 November 2014**	Year ended 30 November 2013 (As adjusted)
Cash flows from operating activities			
Profit before tax		**4,345**	3,541
Adjustments for:			
Financial investments		**(15,479)**	(10,190)
Insurance and investment contract liabilities		**10,430**	8,342
Obligations under securities lending and repurchase agreements	*31*	**1,892**	121
Other non-cash operating items, including investment income		**(5,084)**	(5,052)
Operating cash items:			
Interest received		**4,678**	4,330
Dividends received		**535**	472
Interest paid		**(57)**	(47)
Tax paid		**(516)**	(451)
Net cash provided by operating activities		**744**	1,066
Cash flows from investing activities			
Payments for intangible assets	*14*	**(911)**	(65)
Contribution to a joint venture	*15*	**–**	(30)
Loans to a joint venture		**(16)**	–
Distribution from investments in associates	*15*	**–**	1
Payments for investment property and property, plant and equipment	*16, 17*	**(456)**	(176)
Payments for leasehold land	*24*	**–**	(296)
Proceeds from sale of investment property and property, plant and equipment		**35**	82
Acquisition of subsidiaries, net of cash acquired		**–**	(1,802)
Net cash used in investing activities		**(1,348)**	(2,286)
Cash flows from financing activities			
Issuance of medium term notes and drawdown of acquisition credit facility	*30*	**990**	2,868
Repayment of acquisition credit facility	*30*	**–**	(1,725)
Interest paid on medium term notes and acquisition credit facility		**(49)**	(23)
Proceeds from other borrowings	*30*	**347**	324
Repayment of other borrowings	*30*	**(348)**	(8)
Dividends paid during the year		**(700)**	(604)
Purchase of shares held by employee share-based trusts		**(91)**	(87)
Shares issued under share option scheme		**4**	–
Acquisition of non-controlling interests		**–**	(21)
Net cash provided by financing activities		**153**	724
Net decrease in cash and cash equivalents		**(451)**	(496)
Cash and cash equivalents at beginning of the financial year		**2,140**	2,709
Effect of exchange rate changes on cash and cash equivalents		**(58)**	(73)
Cash and cash equivalents at end of the financial year		**1,631**	2,140

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

	Notes	**Year ended 30 November 2014**	Year ended 30 November 2013 (As adjusted)
Cash and cash equivalents in the consolidated statement of financial position	*26*	**1,835**	2,316
Bank overdrafts		**(204)**	(176)
Cash and cash equivalents in the consolidated statement of cash flows		**1,631**	2,140

Notes to the Consolidated Financial Statements and Significant Accounting Policies

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 17 jurisdictions 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. Significant accounting policies

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Hong Kong Financial Reporting Standards (HKFRS) and the Hong Kong Companies Ordinance. Hong Kong Companies Ordinance for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), 'Accounts and Audit', which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. HKFRS is substantially consistent with IFRS and the accounting policy selections that the Group has made in preparing these consolidated financial statements are such that the Group is able to comply with both IFRS and HKFRS. References to IFRS, International Accounting Standards (IAS) and Interpretations developed by the IFRS Interpretations Committee (IFRS IC) in these consolidated financial statements should be read as referring to the equivalent HKFRS, Hong Kong Accounting Standards (HKAS) and Hong Kong (IFRIC) Interpretations (HK(IFRIC) – Int) as the case may be. Accordingly, there are no differences of accounting practice between IFRS and HKFRS affecting these consolidated financial statements.

The consolidated financial statements have been approved for issue by the Board of Directors on 26 February 2015.

The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of available for sale financial assets, certain financial assets and liabilities designated at fair value through profit or loss and derivative financial instruments, all of which are carried at fair value.

Items included in the 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 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.

The accounting policies adopted are consistent with those of the previous financial year, except as described below. In addition, the Group reclassified bank overdrafts of US$176m from “Borrowings” to “Other liabilities” in the consolidated statement of financial position as of 30 November 2013 and expenses of US$37m from “Operating expenses” to “Other expenses” in the consolidated income statement for the year ended 30 November 2013 to be consistent with current year presentation. In prior years, cash and cash equivalents in the consolidated statement of cash flows was the same as cash and cash equivalents in the consolidated statement of financial position. The Group has reassessed the composition of cash and cash equivalents in the consolidated statement of cash flows and included bank overdrafts within the definition of cash and cash equivalents in the consolidated statement of cash flows.

(a) New and revised standards adopted by the Group

- IFRS 10, Consolidated Financial Statements, replaces the consolidation guidance in IAS 27, Consolidated and separate financial statements and SIC 12, Consolidation – Special purpose entities. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of IFRS 10 resulted in the consolidation of certain funds and deconsolidation of certain others which led to a net increase of US$809m in total assets and total liabilities with no impact on shareholders’ equity as at 30 November 2013. It also led to a net decrease of US$34m in investment return, a decrease of US$30m in other expenses and a decrease of US$4m in net insurance and investment contract benefits with no impact on the net profit for the year ended 30 November 2013.

- IAS 19, Employee Benefits (as revised in 2011), eliminates the corridor approach and calculates finance costs on a net funding basis. It also requires recognition of all actuarial gains and losses in other comprehensive income as they occur and of all past service costs in profit or loss. The amendments replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). The adoption of the amendments resulted in the recognition of additional remeasurement loss, net of tax, of US$4m in other comprehensive income as at 30 November 2013. It also resulted in a remeasurement gain, net of tax, of US$29m in other comprehensive income and the reduction of operating expenses, net of tax, of US$2m in profit or loss for the year ended 30 November 2013.

Additional information on the quantitative effect of the adoption of the new and revised accounting standards on the Group’s consolidated financial statements is provided in note 46.

(b) The following relevant new standards and amendments to standards are mandatory for the first time (except for the amendments to IAS 36 which have been early adopted) for the financial year beginning 1 December 2013 and have no material impact to the Group (some new standards do require additional disclosures):

- IFRS 11, Joint Arrangements;
- IFRS 12, Disclosure of Interests in Other Entities;
- IFRS 13, Fair Value Measurement;
- IAS 27, Separate Financial Statements (as revised in 2011);
- IAS 28, Investments in Associates and Joint Ventures (as revised in 2011);
- Amendments to IAS 1, Presentation of Financial Statements, Clarification of the requirements for comparative information;

- Amendments to IAS 32, Financial Instruments: Presentation, Tax effect of distributions to holders of equity instruments;

- Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets;

- Amendments to IFRS 7, Financial Instruments: Disclosures on offsetting financial assets and financial liabilities;

- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance;

- Amendment to IFRS 13, Fair Value Measurement, Scope of portfolio exception; and

- Amendment to IFRS 13, Fair Value Measurement, Short-term receivables and payables.

(c) The following relevant new standards, interpretation and amendments to standards have been issued but are not effective for the financial year ended 30 November 2014 and have not been early adopted (the financial years for which the adoption is planned and required are stated in parentheses). The Group has assessed the full impact of these new standards 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 but may require additional disclosures:

- IFRIC 21, Levies (2015);

- IFRS 15, Revenue from Contracts with Customers (2018);

- Amendments to IAS 1, Disclosure Initiative (2017);

- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation (2017);

- Amendments to IAS 19, Employee Benefits, Discount rate: regional market issue (2017);

- Amendment to IAS 24, Related Parties Disclosures, Key management personnel (2015);

- Amendments to IAS 27, Equity Method in Separate Financial Statements (2017);

- Amendments to IAS 32, Financial Instruments: Presentation on offsetting financial assets and financial liabilities (2015);

- Amendments to IAS 34, Interim Financial Reporting, Disclosure of information 'elsewhere in the interim financial report' (2017);

- Amendment to IAS 40, Investment Property, Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property (2015);

- Amendment to IFRS 2, Share-based Payment, Definition of vesting condition (2015);

- Amendment to IFRS 3, Business Combinations, Accounting for contingent consideration in a business combination (2015);

- Amendments to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, Changes in methods of disposal (2017);

- Amendments to IFRS 7, Financial Instruments: Disclosure, Servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements (2017);

- Amendments to IFRS 8, Operating Segments, Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets (2015);

- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (2017);

- Amendments to IFRS 11, Acquisitions of Interests in Joint Operations (2017); and

- The annual report requirements of Part 9 'Accounts and Audit' of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance.

(d) The following relevant new standard and requirements have been issued but are not effective for the financial year ended 30 November 2014 and have not been early adopted:

- 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 two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. 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 Group is yet to assess the full impact of the standard on its financial position and results of operations. The standard is mandatorily effective for annual periods beginning on or after 1 January 2018.

The significant accounting policies adopted in the preparation of the Group's consolidated financial statements are set out below. These policies have been applied consistently in all periods presented.

2.2 OPERATING PROFIT

The long-term nature of much of the Group's operations means that, for management's decision-making and internal performance management purposes, the Group evaluates its results and its operating segments using a financial performance measure referred to as "operating profit". The Group defines operating profit before and after tax respectively as profit excluding the following non-operating items:

- investment experience (which consists of realised gains and losses, foreign exchange gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss);

- investment income related to unit-linked contracts (consisting of dividends, interest income and rental income);

- investment management expenses related to unit-linked contracts;

- corresponding changes in insurance and investment contract liabilities in respect of unit-linked contracts and participating funds (see note 2.4) and changes in third-party interests in consolidated investment funds;

- policyholders' share of tax relating to changes in insurance and investment contract liabilities; and

- other significant items that management considers to be non-operating income and expenses.

Whilst these excluded non-operating items are significant components of the Group's profit, the Group considers that the presentation of operating profit enhances the understanding and comparability of its performance and that of its operating segments. The Group considers that trends can be more clearly identified without the fluctuating effects of these non-operating items, many of which are largely dependent on market factors.

Operating profit is provided as additional information to assist in the comparison of business trends in different reporting periods on a consistent basis and enhance overall understanding of financial performance.

2.3 BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. The Group has determined that the investment funds and structured securities, such as collateralised debt obligations, mortgage-backed securities and other asset-backed securities that the Group has interest are structured entities.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date at which the Group no longer has control. Intercompany transactions are eliminated.

The Group utilises the acquisition method of accounting to account for the acquisition of subsidiaries, unless the acquisition forms part of the Group reorganisation of entities under common control. Under this method, the cost of an acquisition is measured as the fair value of consideration payable, shares issued or liabilities assumed at the date of acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (see 2.10 below). The Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the subsidiary. Any surplus of the acquirer's interest in the subsidiary's net assets over the cost of acquisition is credited to the consolidated income statement.

The consolidated financial statements of the Group include the assets, liabilities and results of the Company and subsidiaries in which AIA Group Limited has a controlling interest, using accounts drawn up to the reporting date.

Investment funds

Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds are consolidated in the financial statements. In conducting the assessment, the Group considers substantive contractual rights as well as de facto control. De facto control of an entity may arise from circumstances where the Group does not have more than 50% of the voting power but it has the practical ability to direct the relevant activities of the entity. If the Group has power to remove or control over the party having the ability to direct the relevant activities of the fund based on the facts and circumstances and that the Group has exposure to variable returns of the investment funds, they are consolidated. Variable returns include both rights to the profits or distributions as well as the obligation to absorb losses of the investees.

Employee share-based trusts

Trusts are set up to acquire shares of the Company for distribution to participants in future periods through the share-based compensation schemes. The consolidation of these trusts is evaluated in accordance with IFRS 10; where the Group is deemed to control the trusts, they are consolidated. Shares acquired by the trusts to the extent not provided to the participants upon vesting are carried at cost and reported as "employee share-based trusts" in the consolidated statement of financial position, and as a deduction from the equity in the consolidated statement of changes in equity.

Non-controlling interests

Non-controlling interests are presented within equity except when they arise through the minority's interest in puttable liabilities such as the unit holders' interest in consolidated investment funds, when they are recognised as a liability, reflecting the net assets of the consolidated entity.

Acquisitions and disposals of non-controlling interests, except when they arise through the minority's interest in puttable liabilities, are treated as transactions between equity holders. As a result, any difference between the acquisition cost or sale price of the non-controlling interest and the carrying value of the non-controlling interest is recognised as an increase or decrease in equity.

Associates and joint ventures

Associates are entities over which the Group has significant influence, but which it does not control. Generally, it is presumed that the Group has significant influence if it has between 20 per cent and 50 per cent of voting rights. Joint ventures are entities whereby the Group and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement.

Gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Losses are also eliminated, unless the transaction provides evidence of an impairment of an asset transferred between entities.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under this method, the cost of the investment in an associate or joint venture, together with the Group's share of that entity's post-acquisition changes to equity, is included as an asset in the consolidated statement of financial position. Cost includes goodwill arising on acquisition. The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement and its share of post-acquisition movement in equity is recognised in other comprehensive income. Equity accounting is discontinued when the Group no longer has significant influence over the investment. If the Group's share of losses in an associate or joint venture equals or exceeds its interest in the undertaking, additional losses are provided for, and a liability recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. The Group also accounts for investments in joint ventures that are subject to joint control using the equity method of accounting.

The Company's investments

In the Company's statement of financial position, subsidiaries, associates and joint ventures are stated at cost, unless impaired. The Company's interests in investment funds such as mutual funds and unit trusts are designated at fair value through profit or loss.

2.4 INSURANCE AND INVESTMENT CONTRACTS

Consistent accounting policies for the measurement and recognition of insurance and investment contracts have been adopted throughout the Group to substantially all of its business.

In a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction, without deferral of acquisition costs.

Product classification

The Group classified its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. Some insurance and investment contracts, referred to as participating business, have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. The Group applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Group to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. For investment contracts that do not contain DPF, IAS 39, *Financial Instruments: Measurement and Recognition*, and, if the contract includes an investment management element, IAS 18, *Revenue Recognition*, are applied. IFRS 4 permits the continued use of previously applied accounting policies for insurance contracts and investment contracts with DPF, and this basis has been adopted by the Group in accounting for such contracts. Once a contract has been classified as an insurance or investment contract, no reclassification is subsequently performed unless the terms of the agreement are later amended.

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

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

The Group applies the same accounting policies for the recognition and measurement of obligations and the deferral of acquisition costs arising from investment contracts with DPF as it does to insurance contracts. The Group refers to such contracts as participating business. In some jurisdictions participating business is written in a participating fund which is distinct from the other assets of the Company or branch. The allocation of benefits from the assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation. The extent of such policy participation may change over time. The current policyholder participation in declared dividends for locations with participating funds is set out below:

Country	**Current policyholder participation**
Singapore	90%
Malaysia	90%
China	70%
Australia	80%
Brunei	80%

In some jurisdictions participating business is not written in a distinct fund and the Group refers to this as other participating business.

The Group's products may be divided into the following main categories:

Policy type		Description of benefits payable	Basis of accounting for: Insurance contract liabilities	Investment contract liabilities
Traditional participating life assurance with DPF	Participating funds	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities The timing of dividend and bonus declarations is at the discretion of the insurer. Local regulations generally prescribe a minimum proportion of policyholder participation in declared dividends	Insurance contract liabilities make provision for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating fund that would be allocated to policyholders, assuming all performance would be declared as a dividend based upon local regulations	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
	Other participating business	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience	Insurance contract liabilities make provision for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
Non-participating life assurance, annuities and other protection products		Benefits payable are not at the discretion of the insurer	Insurance contract liabilities reflect the present value of future policy benefits to be paid less the present value of estimated future net premiums to be collected from policyholders. In addition, deferred profit liabilities for limited payment contracts are recognised	Investment contract liabilities are measured at amortised cost
Universal life		Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment return credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded	Not applicable as such contracts generally contain significant insurance risk
Unit-linked		These may be primarily savings products or may combine savings with an element of protection	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment return credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value)

In the notes to the financial statements, unit-linked contracts are presented together with pension contracts for disclosure purposes.

The basis of accounting for insurance and investment contracts is discussed in notes 2.4.1 and 2.4.2 below.

2.4.1 Insurance contracts and investment contracts with DPF

Premiums

Premiums from life insurance contracts, including participating policies and annuity policies with life contingencies, are recognised as revenue when due from the policyholder. Benefits and expenses are provided in respect of such revenue so as to recognise profits over the estimated life of the policies. For limited pay contracts, premiums are recognised in profit or loss when due, with any excess profit deferred and recognised in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from insurance contracts with investment features but with sufficient insurance risk to be considered insurance contracts, such as universal life, and certain unit-linked contracts, are accumulated as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration, and surrenders during the period.

Upfront fees are recognised over the estimated life of the contracts to which they relate. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

Unearned revenue liability

Unearned revenue liability arising from insurance contracts representing upfront fees and other non-level charges is deferred and released to the consolidated income statement over the estimated life of the business.

Deferred acquisition costs

The costs of acquiring new insurance contracts, including commissions and distribution costs, underwriting and other policy issue expenses which vary with and are primarily related to the production of new business or renewal of existing business, are deferred as an asset. Deferred acquisition costs are assessed for recoverability in the year of policy issue to ensure that these costs are recoverable out of the estimated future margins to be earned on the policy. Deferred acquisition costs are assessed for recoverability at least annually thereafter. Future investment income is also taken into account in assessing recoverability. To the extent that acquisition costs are not considered to be recoverable at inception or thereafter, these costs are expensed in the consolidated income statement.

Deferred acquisition costs for life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are consistently applied throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing (see below).

Deferred acquisition costs for universal life and unit-linked contracts are amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits expected to be realised over the life of the contract or on a straight-line basis. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrenders, less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly. The interest rate used to compute the present value of revised estimates of expected gross profits is the latest revised rate applied to the remaining benefit period. Deviations of actual results from estimated experience are reflected in earnings.

Deferred sales inducements

Deferred sales inducements, consisting of day one bonuses, persistency bonuses and enhanced crediting rates are deferred and amortised using the same methodology and assumptions used to amortise acquisition costs when:

- the sales inducements are recognised as part of insurance contract liabilities;
- they are explicitly identified in the contract on inception;
- they are incremental to amounts credited on similar contracts without sales inducements; and
- they are higher than the expected ongoing crediting rates for periods after the inducement.

Unbundling

The deposit component of an insurance contract is unbundled when both of the following conditions are met:

- the deposit component (including any embedded surrender option) can be measured separately (i.e. without taking into account the insurance component); and
- the Group's accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component.

Bifurcation

To the extent that certain of the Group's insurance contracts include embedded derivatives that are not clearly and closely related to the host contract, these are bifurcated from the insurance contracts and accounted for as derivatives.

Benefits and claims

Insurance contract benefits reflect the cost of all maturities, surrenders, withdrawals and claims arising during the year, as well as policyholder dividends accrued in anticipation of dividend declarations.

Accident and health claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims, and are included in operating expenses.

Insurance contract liabilities (including liabilities in respect of investment contracts with DPF)

Insurance contract liabilities represent the estimated future policyholder benefit liability for life insurance policies.

Future policy benefits for life insurance policies are calculated using a net level premium valuation method which represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders.

For contracts with an explicit account balance, such as universal life and unit-linked contracts, insurance contract liabilities are equal to the accumulation value, which represents premiums received and investment returns credited to the policy less deductions for mortality and morbidity costs and expense charges.

Settlement options are accounted for as an integral component of the underlying insurance or investment contract unless they provide annuitisation benefits, in which case an additional liability is established to the extent that the present value of expected annuitisation payments at the expected annuitisation date exceeds the expected account balance at that date. Where settlement options have been issued with guaranteed rates less than market interest rates, the insurance or investment contract liability does not reflect any provision for subsequent declines in market interest rates unless a deficiency is identified through liability adequacy testing.

The Group accounts for participating policies within participating funds by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating fund that would be allocated to policyholders assuming all performance were to be declared as a dividend based upon local regulations. The Group accounts for other participating business by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation, less estimated future net premiums to be collected from policyholders.

Liability adequacy testing

The adequacy of liabilities is assessed by portfolio of contracts, in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts. Liability adequacy testing is performed for each geographical market.

For traditional life insurance contracts, insurance contract liabilities reduced by deferred acquisition costs and value of business acquired on acquired insurance contracts, are compared to the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the unamortised balance of deferred acquisition cost and value of business acquired on acquired insurance contracts are written down to the extent of the deficiency. If, after writing down the unamortised balance for the specific portfolio of contracts to nil, a deficiency still exists, the net liability is increased by the amount of the remaining deficiency.

For universal life and investment contracts, deferred acquisition costs, net of unearned revenue liabilities, are compared to estimated gross profits. If a deficiency exists, deferred acquisition costs are written down.

Financial guarantees

Financial guarantees are regarded as insurance contracts. Liabilities in respect of such contracts are recognised as loss is incurred by a holder.

2.4.2 Investment contracts

Investment contracts do not contain sufficient insurance risk to be considered insurance contracts and are accounted for as a financial liability, other than investment contracts with DPF which are excluded from the scope of IAS 39 and are accounted for as insurance contracts.

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

Investment contract fee revenue

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

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

Deferred origination costs

The costs of acquiring investment contracts with investment management services, including commissions and other incremental expenses directly related to the issue of each new contract, are deferred and amortised over the period that services are provided. Deferred origination costs are tested for recoverability at each reporting date.

The costs of acquiring new investment contracts without investment management services are included as part of the effective interest rate used to calculate the amortised cost of the related investment contract liabilities.

Investment contract liabilities

Deposits received in respect of investment contracts are not accounted for through the consolidated income statement, except for the investment income and fees attributable to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance.

The majority of the Group's contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets. These represent investment portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value) with changes recognised in profit or loss. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue, and accounted for as described under "Investment contract fee revenue" above.

Non unit-linked investment contract liabilities are carried at amortised cost, being the fair value of consideration received at the date of initial recognition, less the net effect of principal payments such as transaction costs and front-end fees, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity value, and less any write-down for surrender payments. The effective interest rate equates the discounted cash payments to the initial amount. At each reporting date, the unearned revenue liability is determined as the value of the future best estimate cash flows discounted at the effective interest rate. Any adjustment is immediately recognised as income or expense in the consolidated income statement.

The amortised cost of the financial liability is never recorded at less than the amount payable on surrender, discounted for the time value of money where applicable, if the investment contract is subject to a surrender option.

2.4.3 Insurance and investment contracts

Reinsurance

The Group cedes reinsurance in the normal course of business, with retentions varying by line of business. The cost of reinsurance is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for such policies.

Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated income statement and statement of financial position.

Reinsurance assets consist of amounts receivable in respect of ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured insurance or investment contract liabilities or benefits paid and in accordance with the relevant reinsurance contract.

To the extent that reinsurance contracts principally transfer financial risk (as opposed to insurance risk) they are accounted for directly through the consolidated statement of financial position and are not included in reinsurance assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment loss in the consolidated income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Group will receive from the reinsurer can be reliably measured.

Value of business acquired (VOBA)

The VOBA in respect of a portfolio of long-term insurance and investment contracts, either directly or through the purchase of a subsidiary, is recognised as an asset. If this results from the acquisition of an investment in a joint venture or an associate, the VOBA is held within the carrying amount of that investment. In all cases, the VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

Shadow accounting

Shadow accounting is applied to insurance and certain investment contracts with discretionary participation feature where financial assets backing insurance and investment contract liabilities are classified as available for sale. Shadow accounting is applied to deferred acquisition costs, VOBA, deferred origination costs and the contract liabilities for investment contracts with DPF to take into account the effect of unrealised gains or losses on insurance liabilities or assets that are recognised in other comprehensive income in the same way as for a realised gain or loss recognised in the consolidated income statement. Such assets or liabilities are adjusted with corresponding charges or credits recognised directly in shareholders' equity as a component of the related unrealised gains and losses.

Other assessments and levies

The Group is potentially subject to various periodic insurance-related assessments or guarantee fund levies. Related provisions are established where there is a present obligation (legal or constructive) as a result of a past event. Such amounts are not included in insurance or investment contract liabilities but are included under "Provisions" in the consolidated statement of financial position.

2.5 FINANCIAL INSTRUMENTS

2.5.1 Classification of and designation of financial instruments

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss comprise two categories:

- financial assets or liabilities designated at fair value through profit or loss upon initial recognition; and
- financial assets or liabilities classified as held for trading.

Management designates financial assets and liabilities at fair value through profit or loss if this eliminates a measurement inconsistency or if the related assets and liabilities are actively managed on a fair value basis, including:

- financial assets held to back unit-linked contracts and participating funds;
- other financial assets managed on a fair value basis; consisting of the Group's equity portfolio and investments held by the Group's fully consolidated investment funds; and
- compound instruments containing an embedded derivative, where the embedded derivative would otherwise require bifurcation.

Financial assets and liabilities classified as held for trading include financial assets acquired principally for the purpose of selling them in the near future and those that form part of a portfolio of financial assets in which there is evidence of short-term profit taking, as well as derivative assets and liabilities.

Dividend income from equity instruments designated at fair value through profit or loss is recognised in investment income in the consolidated income statement, generally when the security becomes ex-dividend. Interest income is recognised on an accrued basis. For all financial assets designated at fair value through profit or loss, changes in fair value are recognised in investment experience.

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

Available for sale financial assets

Financial assets, other than those at fair value through profit or loss, and loans and receivables, are classified as available for sale.

The available for sale category is used where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consist of the Group's debt securities (other than those backing participating funds and unit-linked contracts). Available for sale financial assets are initially recognised at fair value plus attributable transaction costs. For available for sale debt securities, the difference between their cost and par value is amortised. Available for sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available for sale is recognised in investment income in the consolidated income statement using the effective interest method.

Unrealised gains and losses on securities classified as available for sale are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences on monetary available for sale investments, such as debt securities are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statement as investment experience. For impairments of available for sale financial assets, reference is made to the section "Impairment of financial assets".

Changes in the fair value of securities classified as available for sale, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income and accumulated in a separate fair value reserve within equity. Impairment losses and relevant foreign exchange gains and losses are recognised in the income statement.

Realised gains and losses on financial assets

Realised gains and losses on available for sale financial assets are determined as the difference between the sale proceeds and amortised cost. Cost is determined by specific identification.

Recognition of financial instruments

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

Derecognition and offset of financial assets

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans and receivables is recognised in investment income in the consolidated income statement using the effective interest method.

Term deposits

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Certain of these balances are subject to regulatory or other restriction as disclosed in note 21 Loans and Deposits. Deposits are stated at amortised cost using the effective interest method.

Cash and cash equivalents

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

2.5.2 Fair values of non-derivative financial assets

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Group has access. The fair values of financial instruments traded in active markets (such as financial instruments at fair value through profit or loss and available for sale securities) are based on quoted market prices at the date of the consolidated statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price, which is considered to be the price within the bid-ask spread that is most representative of the fair value in the circumstances. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions at the date of each consolidated statement of financial position. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the consolidated statement of financial position.

Financial instruments carried at fair value are measured using a fair value hierarchy described in note 23.

2.5.3 Impairment of financial assets

General

Financial assets are assessed for impairment on a regular basis. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Available for sale financial instruments

When a decline in the fair value of an available for sale asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss already recognised directly in other comprehensive income is recognised in current period profit or loss.

If the fair value of a debt instrument classified as available for sale increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Where, following the recognition of an impairment loss in respect of an available for sale debt security, the asset suffers further falls in value, such further falls are recognised as an impairment only in the case when objective evidence exists of a further impairment event to which the losses can be attributed.

Loans and receivables

For loans and receivables, impairment is considered to have taken place if it is probable that the Group will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount is decreased through a charge to profit or loss. The carrying amount of mortgage loans or receivables is reduced through the use of an allowance account, and the amount of any allowance is recognised as an impairment loss in profit or loss.

2.5.4 Derivative financial instruments

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

Derivative instruments for economic hedging

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

Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with IAS 39.

2.6 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activity from which it earns revenues and incurs expenses and, for which, discrete financial information is available, and whose operating results are regularly reviewed by the Group's chief operating decision-maker, considered to be the Executive Committee of the Group (ExCo).

2.7 FOREIGN CURRENCY TRANSLATION

Income statements and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the year as this approximates to the exchange rates prevailing at the transaction date. Their statements of financial position are translated at year or period end exchange rates. Exchange differences arising from the translation of the net investment in foreign operations, are taken to the currency translation reserve within equity. On disposal of a foreign operation, such exchange differences are transferred out of this reserve and are recognised in the consolidated income statement as part of the gain or loss on sale.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency, are recognised in the consolidated income statement.

Translation differences on financial assets designated at fair value through profit or loss are included in investment experience. For monetary financial assets classified as available for sale, translation differences are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statement. Foreign exchange movements on non-monetary equities that are accounted for as available for sale are included in the fair value reserve.

2.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, generally:

Furniture, fixtures and office equipment	5 years
Buildings	20-40 years
Other assets	3-5 years
Freehold land	No depreciation

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits will flow to the Group. Repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Residual values and useful lives are reviewed and adjusted, if applicable, at each reporting date. An asset is written down to its recoverable amount if the carrying value is greater than the estimated recoverable amount.

Any gain and loss arising on disposal of property, plant and equipment is measured as the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

Where the cost of the Group's leasehold land is known, or can be reliably determined at the inception of the lease, the Group records its interest in leasehold land and land use rights separately as operating leases or finance leases depending on whether substantially all the risks and rewards incidental to ownership of the land are transferred to the Group. These leases are recorded at original cost and amortised over the term of the lease (see 2.19).

2.9 INVESTMENT PROPERTY

Property held for long-term rental that is not occupied by the Group is classified as investment property, and is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property comprises freehold or leasehold land and buildings. Buildings located on leasehold land are classified as investment property if held for long-term rental and not occupied by the Group. Where the cost of the land is known, or can be reliably determined at the inception of the lease, the Group records its interest in leasehold land and land use rights separately as operating leases or finance leases depending on whether substantially all the risks and rewards incidental to ownership of the land are transferred to the Group (see 2.19). These leases are recorded at original cost and amortised over the term of the lease. Buildings that are held as investment properties are amortised on a straight-line basis over their estimated useful lives of 20 to 40 years.

If an investment property becomes held for use, it is reclassified as property, plant and equipment. Where a property is partly used as an investment property and partly for the use of the Group, these elements are recorded separately within investment property and property, plant and equipment respectively, where the component used as investment property would be capable of separate sale or finance lease.

The fair value of investment property and property held for use is disclosed under note 18. It is the Group's policy to obtain external property valuations annually except in the case of a discrete event occurring in the interim that has a significant impact on the fair value of the properties.

2.10 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions prior to 1 December 2006 (the date of transition to IFRS) is carried at book value (original cost less cumulative amortisation) on that date, less any impairment subsequently incurred. Goodwill arising on the Group's investment in subsidiaries since that date is shown as a separate asset and is carried at cost less any accumulated impairment losses, whilst that on associates and joint ventures is included within the carrying value of those investments. All acquisition-related costs are expensed as incurred.

Other intangible assets

Other intangible assets consist primarily of acquired computer software and contractual relationships, such as access to distribution networks, and are amortised over their estimated useful lives. The amortisation charge for rights to access distribution networks is included in the consolidated income statement under "Commission and other acquisition expenses".

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs directly associated with the internal production of identifiable and unique software by the Group that will generate economic benefits exceeding those costs over a period greater than a year, are recognised as intangible assets. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs of acquiring computer software licences and incurred in the internal production of computer software are amortised using the straight-line method over the estimated useful life of the software, which does not generally exceed a period of 3 to 15 years. The amortisation charge for the year is included in the consolidated income statement under "Operating expenses".

2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment, goodwill and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of the asset less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped into cash-generating units at the level of the Group's operating segments, the lowest level for which separately identifiable cash flows are reported. The carrying values of goodwill and intangible assets with indefinite useful lives are reviewed at least annually or when circumstances or events indicate that there may be uncertainty over this value.

The Group assesses at the end of each reporting period whether there is any objective evidence that its investments in associates and joint ventures are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the associates and joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or a joint venture is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

In the separate financial statements of the Company, impairment testing of the investments in subsidiaries, associates and joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, associates or joint ventures in the period the dividend is declared or if the carrying amount of the relevant investment in the Company's statement of financial position exceeds its carrying amount in the consolidated financial statements of the investees' net assets including goodwill.

2.12 SECURITIES LENDING INCLUDING REPURCHASE AGREEMENTS

The Group has been a party to various securities lending agreements under which securities are loaned to third parties on a short-term basis. The loaned securities are not derecognised and so they continue to be recognised within the appropriate investment classification.

Assets sold under repurchase agreements (repos)

Assets sold under repurchase agreements continue to be recognised and a liability is established for the consideration received. The Group may be required to provide additional collateral based on the fair value of the underlying assets, and such collateral assets remain on the consolidated statement of financial position.

Assets purchased under agreements to resell (reverse repos)

The Group enters into purchases of assets under agreements to resell (reverse repos). Reverse repos are initially recorded at the cost of the loan or collateral advanced within the caption "Loans and deposits" in the consolidated statement of financial position. In the event of failure by the counterparty to repay the loan, the Group has the right to the underlying assets.

2.13 COLLATERAL

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of derivative transactions, securities lending transactions, and repo and reverse repo transactions, in order to reduce the credit risk of these transactions. The amount and type of collateral depends on an assessment of the credit risk of the counterparty. Collateral received in the form of cash, which is not legally segregated from the Group, is recognised as an asset in the consolidated statement of financial position with a corresponding liability for the repayment. Non-cash collateral received is not recognised on the consolidated statement of financial position unless the Group either sells or repledges these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability. To further minimise credit risk, the financial condition of counterparties is monitored on a regular basis.

Collateral pledged in the form of cash which is legally segregated from the Group is derecognised from the consolidated statement of financial position and a corresponding receivable established for its return. Non-cash collateral pledged is not derecognised (except in the event of default) and therefore continues to be recognised in the consolidated statement of financial position within the appropriate financial instrument classification.

2.14 BORROWINGS

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. All borrowing costs are expensed as they are incurred, except for borrowing costs directly attributable to the development of investment properties and other qualifying assets, which are capitalised as part of the cost of the asset.

2.15 INCOME TAXES

The current tax expense is based on the taxable profits for the year, including any adjustments in respect of prior years. Tax is allocated to profit or loss before taxation and amounts charged or credited to equity as appropriate.

Deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except as described below.

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities, revaluation of certain financial assets and liabilities including derivative contracts, deferred acquisition costs and the future taxes arising on the surplus in life funds where the relevant local tax regime is distributions-based. The rates enacted or substantively enacted at the date of the consolidated statement of financial position are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In countries where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is evidence that future profits will be available.

Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of goodwill or from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and which affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred tax related to fair value remeasurement of available for sale investments and other amounts taken directly to equity, is recognised initially within the applicable component of equity. It is subsequently recognised in the consolidated income statement, together with the gain or loss arising on the underlying item.

In addition to paying tax on shareholders' profits, certain of the Group's life insurance businesses pay tax on policyholders' investment returns (policyholder tax) at policyholder tax rates. Policyholder tax is accounted for as an income tax and is included in the total tax expense and disclosed separately.

2.16 REVENUE

Investment return

Investment income consists of dividends, interest and rents receivable for the reporting period. Investment experience comprises realised gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss. Interest income is recognised as it accrues, taking into account the effective yield on the investment. Rental income on investment property is recognised on an accrual basis. Investment return consists of investment income and investment experience.

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase price if purchased during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

Other fee and commission income

Other fee and commission income consists primarily of fund management fees, income from any incidental non-insurance activities, distribution fees from mutual funds, commissions on reinsurance ceded and commission revenue from the sale of mutual fund shares. Reinsurance commissions receivable are deferred in the same way as acquisition costs. All other fee and commission income is recognised as the services are provided.

2.17 EMPLOYEE BENEFITS

Annual leave and long service leave

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Post-retirement benefit obligations

The Group operates a number of funded and unfunded post-retirement employee benefit schemes, whose members receive benefits on either a defined benefit basis (generally related to salary and length of service) or a defined contribution basis (generally related to the amount invested, investment return and annuity rates), the assets of which are generally held in separate trustee-administered funds. The defined benefit plans provide life and medical benefits for employees after retirement and a lump sum benefit on cessation of employment, and the defined contribution plans provide post-retirement pension benefits.

For defined benefit plans, the costs are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The resulting scheme surplus or deficit appears as an asset or liability in the consolidated statement of financial position.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in staff costs in the consolidated income statement.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in consolidated income statement when the plan amendment or curtailment occurs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans. Once the contributions have been paid, the Group, as employer, has no further payment obligations. The Group's contributions are charged to the consolidated income statement in the reporting period to which they relate and are included in staff costs.

Share-based compensation and cash incentive plans

The Group launched a number of share-based compensation plans, under which the Group receives services from the employees, directors, officers and agents as consideration for the shares and/or share options of the Company. These share-based compensation plans comprise the Share Option Scheme (SO Scheme), the Restricted Share Unit Scheme (RSU Scheme), the Employee Share Purchase Plan (ESPP) and the Agency Share Purchase Plan (ASPP).

The Group's share-based compensation plans are predominantly equity-settled plans. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of shares and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share and/or share options awarded. Non-market vesting conditions are included in assumptions about the number of shares and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of shares and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

The Group estimates the fair value of share options using a binomial lattice model. This model requires inputs such as share price, implied volatility, risk-free interest rate, expected dividend rate and the expected life of the share option.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

For cash-settled share-based compensation plans, the fair value of the employee services in exchange for the grant of cash-settled award is recognised as an expense in profit or loss, with a corresponding amount recognised in liability. At the end of each reporting period, any unsettled award is remeasured based on the change in fair value of the underlying asset and the liability and expense are adjusted accordingly.

2.18 PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract held, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingencies are disclosed if material and if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event, but either a payment is not probable or the amount cannot be reliably estimated.

2.19 LEASES

Leases, where a significant portion of the risks and rewards of ownership is retained by the Group as a lessor, are classified as operating leases. Assets subject to such leases are included in property, plant and equipment or investment property, and are depreciated to their residual values over their estimated useful lives. Rentals from such leases are credited to the consolidated income statement on a straight-line basis over the period of the relevant lease. Payments made by the Group as lessee under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the relevant lease. The Group classifies amounts paid to acquire leasehold land either as an operating lease prepayment or as a component of property, plant and equipment or investment property depending on whether substantially all the risks and rewards incidental to the ownership of the land are transferred to the Group.

There are no freehold land interests in Hong Kong. The Group classifies the amounts paid to acquire leasehold land under operating leases and finance leases as operating lease prepayments and property, plant and equipment or investment property respectively. Operating lease prepayments are included within “Other assets”. Amortisation is calculated to write off the cost of the land on a straight-line basis over the terms of the lease.

2.20 SHARE CAPITAL

Ordinary shares are classified in equity when there is no obligation to transfer cash or other assets to the holders.

Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

Dividends

Interim dividends on ordinary shares are recognised when they have been paid. Final dividends on ordinary shares are recognised when they have been approved by shareholders.

2.21 PRESENTATION OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's insurance and investment contract liabilities and related assets are realised and settled over periods of several years, reflecting the long-term nature of the Group's products. Accordingly, the Group presents the assets and liabilities in its consolidated statement of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Group regards its intangible assets, investments in associates and joint ventures, property, plant and equipment, investment property and deferred acquisition and origination costs as non-current assets as these are held for the longer-term use of the Group.

2.22 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Earnings per share has also been calculated on the operating profit before adjusting items, attributable to ordinary shareholders, as the Directors believe this figure provides a better indication of operating performance.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as share options granted to employees.

Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

2.23 FIDUCIARY ACTIVITIES

Assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, are excluded from these consolidated financial statements where the Group has no contractual rights to the assets and acts in a fiduciary capacity such as nominee, trustee or agent.

2.24 CONSOLIDATED STATEMENT OF CASH FLOW

The consolidated statement of cash flow presents movements in cash and cash equivalents and bank overdrafts as shown in the consolidated statement of financial position.

Purchases and sales of financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims. Purchases and sales of investment property are included within cash flows from investing activities.

2.25 RELATED PARTY TRANSACTIONS

Transactions with related parties are recorded at amounts mutually agreed and transacted between the parties to the arrangement.

3. Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, and revenue and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly.

Items that are considered particularly sensitive to changes in estimates and assumptions, and the relevant accounting policies are those which relate to product classification, insurance contract liabilities (including liabilities in respect of investment contracts with DPF), deferred acquisition and origination costs, liability adequacy testing, fair value of financial assets, impairment of financial assets, impairment of goodwill and other intangible assets and share-based compensation.

3.1 PRODUCT CLASSIFICATION

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Group exercises significant judgement to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Group to pay significant additional benefits to its customers. In the event the Group has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. The judgements exercised in determining the level of insurance risk in product classification affect the amounts recognised in the consolidated financial statements as insurance and investment contract liabilities and deferred acquisition and origination costs. The accounting policy on product classification is described in note 2.4.

3.2 INSURANCE CONTRACT LIABILITIES (INCLUDING LIABILITIES IN RESPECT OF INVESTMENT CONTRACTS WITH DPF)

The Group calculates the insurance contract liabilities for traditional life insurance using a net level premium valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses best estimate assumptions at inception adjusted for a provision for the risk of adverse deviation for mortality, morbidity, expected investment yields, policyholder dividends (for other participating business), surrenders and expenses set at the policy inception date. These assumptions remain locked in thereafter, unless a deficiency arises on liability adequacy testing. Interest rate assumptions can vary by geographical market, year of issuance and product. Mortality, surrender and expense assumptions are based on actual experience by each geographical market, modified to allow for variations in policy form. The Group exercises significant judgement in making appropriate assumptions.

For contracts with an explicit account balance, such as universal life and unit-linked contracts, insurance contract liabilities represent the accumulation value, which represents premiums received and investment returns credited to the policy less deductions for mortality and morbidity costs and expense charges. Significant judgement is exercised in making appropriate estimates of gross profits which are based on historical and anticipated future experiences, these estimates are regularly reviewed by the Group.

The Group accounts for insurance contract liabilities for participating business written in participating funds by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating fund 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 applicable regulations. Establishing these liabilities requires the exercise of significant judgement. In addition, the assumption that all relevant performance is declared as a policyholder dividend may not be borne out in practice. The Group accounts for other participating business by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation, less estimated future net premiums to be collected from policyholders.

The judgements exercised in the valuation of insurance contract liabilities (including investment contracts with DPF) affect the amounts recognised in the consolidated financial statements as insurance contract benefits and insurance contract liabilities. Further details of the related accounting policy, key risk and variables, and the sensitivities of assumptions to the key variables in respect of insurance contract liabilities are provided in notes 2.4, 27 and 29.

3.3 DEFERRED ACQUISITION AND ORIGINATION COSTS

The judgements exercised in the deferral and amortisation of acquisition and origination costs affect amounts recognised in the consolidated financial statements as deferred acquisition and origination costs and insurance and investment contract benefits.

As noted in note 2.4.1, deferred acquisition costs for traditional life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are applied consistently throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing.

As noted in note 2.4.1, deferred acquisition costs for universal life and unit-linked contracts are amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits expected to be realised over the life of the contract or on a straight-line basis. As noted in note 3.2, significant judgement is exercised in making appropriate estimates of gross profits. The expensing of acquisition costs is accelerated following adverse investment performance. Likewise, in periods of favourable investment performance, previously expensed acquisition costs are reversed, not exceeding the amount initially deferred.

Additional details of deferred acquisition and origination costs are provided in notes 2.4 and 20.

3.4 LIABILITY ADEQUACY TESTING

The Group evaluates the adequacy of its insurance and investment contract liabilities with DPF at least annually. Significant judgement is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Liability adequacy is assessed by portfolio of contracts in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts. The Group performs liability adequacy testing separately for each geographical market in which it operates.

The judgements exercised in liability adequacy testing affect amounts recognised in the consolidated financial statements as commission and other acquisition expenses, deferred acquisition costs, insurance contract benefits and insurance and investment contract liabilities.

3.5 FAIR VALUES OF FINANCIAL ASSETS

The Group determines the fair values of financial assets traded in active markets using quoted bid prices as of each reporting date. The fair values of financial assets that are not traded in active markets are typically determined using a variety of other valuation techniques, such as prices observed in recent transactions and values obtained from current bid prices of comparable investments. More judgement is used in measuring the fair value of financial assets for which market observable prices are not available or are available only infrequently.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

Changes in the fair value of financial assets held by the Group's participating funds affect not only the value of financial assets, but are also reflected in corresponding movements in insurance and investment contract liabilities. This is due to an insurance liability being recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders if all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based on current local regulations. Both of the foregoing changes are reflected in the consolidated income statement.

Changes in the fair value of financial assets held to back the Group's unit-linked contracts result in a corresponding change in insurance and investment contract liabilities. Both of the foregoing changes are also reflected in the consolidated income statement.

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in notes 23 and 38.

3.6 IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at fair value through profit or loss, are assessed for impairment regularly. This requires the exercise of significant judgement. The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Objective evidence that a financial asset, or group of assets, is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data, including market prices, indicating that there is a potential decrease in the estimated future cash flows since the initial recognition of those assets, including:
  - adverse changes in the payment status of issuers; or
  - national or local economic conditions that correlate with increased default risk.

For loans and receivables, impairment loss is determined using an analytical method based on knowledge of each loan group or receivable. The method is usually based on historical statistics, adjusted for trends in the group of financial assets or individual accounts.

Further details of the impairment of financial assets during the year are provided in note 25.

3.7 IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash-generating units. These assets are tested for impairment by comparing the carrying amount of the cash-generating unit, including goodwill, to the recoverable amount of that cash-generating unit. The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions. Further details of the impairment of goodwill during the year are provided in note 14.

3.8 SHARE-BASED COMPENSATION

The Group has adopted a number of share-based compensation plans to retain, motivate and align the interests of eligible employees, directors, officers and agents with those of the Group. These share-based compensation plans are predominantly accounted for as equity-settled plans under which shares or options to purchase shares are awarded. The Group utilises a binomial lattice model to calculate the fair value of the share option grants, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the other share awards. These models require assumption inputs that may differ from actual results due to changes in economic conditions. Further details of share-based compensation are provided in notes 2.17 and 40.

4. 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	
	Year ended 30 November 2014	Year ended 30 November 2013
Hong Kong	**7.75**	7.76
Thailand	**32.43**	30.58
Singapore	**1.26**	1.25
Malaysia	**3.25**	3.13
China	**6.15**	6.16
Korea	**1,048.22**	1,095.29

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

	US dollar exchange rates	
	As at 30 November 2014	As at 30 November 2013
Hong Kong	**7.75**	7.75
Thailand	**32.82**	32.10
Singapore	**1.30**	1.25
Malaysia	**3.38**	3.22
China	**6.15**	6.09
Korea	**1,107.65**	1,058.51

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

5. Changes in group composition

This note provides details of the acquisitions of subsidiaries that the Group has made during the year ended 30 November 2014.

ACQUISITION

In March 2014, the Group acquired a further 10 per cent of the equity interest in AIA PUBLIC Takaful Bhd.

6. Operating profit after tax

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

US$m	*Note*	**Year ended 30 November 2014**	Year ended 30 November 2013
Operating profit after tax	*8*	**2,925**	2,516
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Net gains from equity securities (net of tax of 2014: US$(111)m; 2013: US$(89)m)		**508**	424
Other non-operating investment experience and other items (net of tax of 2014: US$(62)m; 2013: US$11m)		**35**	(91)
Net profit		**3,468**	2,849
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited		**2,910**	2,506
Non-controlling interests		**15**	10
Net profit attributable to:			
Shareholders of AIA Group Limited		**3,450**	2,824
Non-controlling interests		**18**	25

7. Total weighted premium income and annualised new premium

For management decision-making and internal performance management purposes, the Group measures business volumes during the year using a performance measure referred to as total weighted premium income (TWPI), while the Group measures new business activity using a performance measure referred to as annualised new premium (ANP).

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 premium and fee income recorded in the 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	**Year ended 30 November 2014**	Year ended 30 November 2013
TWPI by geography		
Hong Kong	**4,330**	3,770
Thailand	**3,334**	3,364
Singapore	**2,339**	2,150
Malaysia	**2,084**	2,036
China	**1,786**	1,599
Korea	**2,205**	2,049
Other Markets	**3,133**	2,840
Total	**19,211**	17,808
First year premiums by geography		
Hong Kong	**772**	659
Thailand	**498**	501
Singapore	**300**	257
Malaysia	**259**	241
China	**297**	233
Korea	**286**	256
Other Markets	**675**	668
Total	**3,087**	2,815
Single premiums by geography		
Hong Kong	**1,585**	897
Thailand	**209**	285
Singapore	**1,684**	1,079
Malaysia	**202**	193
China	**27**	29
Korea	**309**	201
Other Markets	**481**	641
Total	**4,497**	3,325

TWPI US$m	Year ended 30 November 2014	Year ended 30 November 2013
Renewal premiums by geography		
Hong Kong	**3,400**	3,021
Thailand	**2,816**	2,834
Singapore	**1,870**	1,785
Malaysia	**1,804**	1,776
China	**1,486**	1,363
Korea	**1,888**	1,773
Other Markets	**2,410**	2,108
Total	**15,674**	14,660

ANP US$m	Year ended 30 November 2014	Year ended 30 November 2013
ANP by geography		
Hong Kong	**952**	781
Thailand	**572**	565
Singapore	**489**	400
Malaysia	**320**	319
China	**311**	249
Korea	**380**	338
Other Markets	**676**	689
Total	**3,700**	3,341

8. 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, China, Korea, Other Markets and Group Corporate Centre. Other Markets includes the Group's operations in Australia, Indonesia, New Zealand, the Philippines, Sri Lanka, Taiwan, 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.

Because 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 income (excluding investment income in respect of unit-linked contracts);
- 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 before tax (see above) expressed as a percentage of TWPI; and
- operating return on allocated equity, measured as operating profit after tax attributable to shareholders of AIA Group Limited expressed as a percentage of the simple average of opening and closing allocated segment equity (being the segment assets less segment liabilities in respect of each reportable segment less non-controlling interests, fair value and foreign currency translation reserves and others, and adjusted for intercompany debt).

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.

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
Year ended 30 November 2014									
ANP	952	572	489	320	311	380	676	–	3,700
TWPI	4,330	3,334	2,339	2,084	1,786	2,205	3,133	–	19,211
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	4,138	3,391	2,685	1,888	1,668	1,602	1,855	2	17,229
Investment income[(1)]	1,280	933	838	552	536	426	555	232	5,352
Total revenue	5,418	4,324	3,523	2,440	2,204	2,028	2,410	234	22,581
Net insurance and investment contract benefits[(2)]	3,635	2,817	2,579	1,764	1,486	1,403	1,298	(2)	14,980
Commission and other acquisition expenses	473	575	265	141	144	240	301	–	2,139
Operating expenses	223	174	158	180	210	155	373	163	1,636
Investment management expenses and finance costs[(3)]	99	44	20	22	27	13	37	74	336
Total expenses	4,430	3,610	3,022	2,107	1,867	1,811	2,009	235	19,091
Share of profit/(loss) from associates and joint venture	–	–	–	1	–	–	17	(4)	14
Operating profit/(loss) before tax	988	714	501	334	337	217	418	(5)	3,504
Tax on operating profit/(loss) before tax	(79)	(170)	(72)	(53)	(54)	(52)	(94)	(5)	(579)
Operating profit/(loss) after tax	909	544	429	281	283	165	324	(10)	2,925
Operating profit/(loss) after tax attributable to:									
Shareholders of AIA Group Limited	905	544	429	280	283	165	314	(10)	2,910
Non-controlling interests	4	–	–	1	–	–	10	–	15
Key operating ratios:									
Expense ratio	5.2%	5.2%	6.8%	8.6%	11.8%	7.0%	11.9%	–	8.5%
Operating margin	22.8%	21.4%	21.4%	16.0%	18.9%	9.8%	13.3%	–	18.2%
Operating return on allocated equity	21.6%	13.1%	21.9%	10.8%	17.1%	9.0%	12.1%	–	12.6%
Operating profit/(loss) before tax includes:									
Finance costs	17	7	2	5	18	–	2	52	103
Depreciation and amortisation	12	12	13	17	10	8	30	16	118

Notes:

(1) Excludes investment income related to unit-linked contracts.

(2) Excludes corresponding changes in insurance and investment contract liabilities from investment experience for unit-linked contracts and participating funds and investment income and investment management expenses related to unit-linked contracts. It also excludes policyholders' share of tax relating to the change in insurance and investment contract liabilities.

(3) Excludes investment management expenses related to unit-linked contracts.

Allocated equity may be analysed as follows:

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
30 November 2014									
Assets before investments in associates and joint venture	**41,687**	**25,920**	**30,030**	**16,460**	**15,661**	**13,768**	**16,411**	**6,851**	**166,788**
Investments in associates and joint venture	**–**	**–**	**1**	**7**	**–**	**–**	**123**	**–**	**131**
Total assets	**41,687**	**25,920**	**30,031**	**16,467**	**15,661**	**13,768**	**16,534**	**6,851**	**166,919**
Total liabilities	**34,477**	**20,567**	**27,311**	**13,821**	**13,397**	**11,342**	**12,494**	**2,555**	**135,964**
Total equity	**7,210**	**5,353**	**2,720**	**2,646**	**2,264**	**2,426**	**4,040**	**4,296**	**30,955**
Allocated equity	**4,497**	**4,243**	**2,120**	**2,679**	**1,965**	**1,902**	**2,851**	**4,256**	**24,513**
Net capital (out)/in flows	**(752)**	**(641)**	**(267)**	**(112)**	**100**	**(24)**	**(22)**	**1,022**	**(696)**

Segment information may be reconciled to the consolidated income statement as shown below:

US$m	Segment information	Investment experience	Investment income related to unit-linked contracts	Investment management expenses related to unit-linked contracts	Other non-operating items	Related changes in insurance and investment contract benefits: Unit-linked contracts	Related changes in insurance and investment contract benefits: Participating funds	Third-party interests in consolidated investment funds	Consolidated income statement	
Year ended 30 November 2014										
Total revenue	**22,581**	**2,634**	**218**	**–**	**–**	**–**	**–**	**–**	**25,433**	**Total revenue**
Of which:										Of which:
Net premiums, fee income and other operating revenue	17,229	–	–	–	–	–	–	–	17,229	Net premiums, fee income and other operating revenue
Investment return	5,352	2,634	218	–	–	–	–	–	8,204	Investment return
Total expenses	**19,091**	**–**	**–**	**103**	**(19)**	**1,281**	**604**	**42**	**21,102**	**Total expenses**
Of which:										Of which:
Net insurance and investment contract benefits	14,980	–	–	–	(71)	1,281	604	10	16,804	Net insurance and investment contract benefits
Restructuring and other non-operating costs	–	–	–	–	55	–	–	–	55	Restructuring and other non-operating costs
Investment management expenses and finance costs	336	–	–	103	(3)	–	–	–	436	Investment management expenses and finance costs
Change in third-party interests in consolidated investment funds	–	–	–	–	–	–	–	32	32	Change in third-party interests in consolidated investment funds
Share of profit from associates and joint venture	14	–	–	–	–	–	–	–	14	Share of profit from associates and joint venture
Operating profit before tax	**3,504**	**2,634**	**218**	**(103)**	**19**	**(1,281)**	**(604)**	**(42)**	**4,345**	**Profit before tax**

Other non-operating items in 2014 consist of restructuring and other non-operating costs of US$55m (see note 10).

US$m	Hong Kong(5)	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
Year ended 30 November 2013 – As adjusted									
ANP	781	565	400	319	249	338	689	–	3,341
TWPI	3,770	3,364	2,150	2,036	1,599	2,049	2,840	–	17,808
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	3,344	3,498	2,369	1,899	1,498	1,504	1,740	10	15,862
Investment income(1)	1,121	943	791	525	437	389	564	188	4,958
Total revenue	4,465	4,441	3,160	2,424	1,935	1,893	2,304	198	20,820
Net insurance and investment contract benefits(2)	2,959	2,959	2,345	1,768	1,342	1,345	1,286	(2)	14,002
Commission and other acquisition expenses	381	559	191	144	145	206	308	–	1,934
Operating expenses	191	185	153	172	194	138	361	143	1,537
Investment management expenses and finance costs(3)	92	45	17	19	19	6	35	46	279
Total expenses	3,623	3,748	2,706	2,103	1,700	1,695	1,990	187	17,752
Share of profit/(loss) from associates and joint venture	–	–	–	1	–	–	19	(6)	14
Operating profit before tax(4)	842	693	454	322	235	198	333	5	3,082
Tax on operating profit before tax(4)	(65)	(165)	(58)	(72)	(30)	(48)	(88)	(40)	(566)
Operating profit/(loss) after tax(4)	777	528	396	250	205	150	245	(35)	2,516
Operating profit/(loss) after tax attributable to:									
Shareholders of AIA Group Limited(4)	773	528	396	250	205	150	239	(35)	2,506
Non-controlling interests	4	–	–	–	–	–	6	–	10
Key operating ratios:									
Expense ratio	5.1%	5.5%	7.1%	8.4%	12.1%	6.7%	12.7%	–	8.6%
Operating margin	22.3%	20.6%	21.1%	15.8%	14.7%	9.7%	11.7%	–	17.3%
Operating return on allocated equity	20.1%	12.9%	22.9%	16.1%	17.4%	8.9%	11.4%	–	12.1%
Operating profit before tax includes:									
Finance costs	16	10	2	2	12	–	3	26	71
Depreciation and amortisation	10	12	13	16	9	6	26	15	107

Notes:

(1) Excludes investment income related to unit-linked contracts.

(2) Excludes corresponding changes in insurance and investment contract liabilities from investment experience for unit-linked contracts and participating funds and investment income and investment management expenses related to unit-linked contracts. It also excludes policyholders' share of tax relating to the change in insurance and investment contract liabilities.

(3) Excludes investment management expenses related to unit-linked contracts.

(4) Due to the retrospective application of certain new and revised accounting standards, the Group's operating expenses have been reduced by US$3m, tax on operating profit before tax has been increased by US$1m and operating profit after tax has been increased by US$2m for the year ended 30 November 2013. Please refer to note 2.1(a) and note 46 for further information of these new and revised accounting standards.

(5) US$37m expenses of the Hong Kong segment have been reclassified from operating expenses to investment management expenses for the year ended 30 November 2013 to be consistent with current year presentation.

Allocated equity may be analysed as follows:

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
As at 30 November 2013 – As adjusted									
Assets before investments in associates and joint venture	35,495	24,026	27,547	15,774	11,728	12,631	14,360	5,748	147,309
Investments in associates and joint venture	–	–	1	7	–	–	81	4	93
Total assets[(6)]	35,495	24,026	27,548	15,781	11,728	12,631	14,441	5,752	147,402
Total liabilities[(6)]	30,517	19,433	25,314	13,272	10,601	10,675	10,941	1,822	122,575
Total equity[(6)]	4,978	4,593	2,234	2,509	1,127	1,956	3,500	3,930	24,827
Allocated equity	3,892	4,036	1,792	2,494	1,347	1,753	2,336	4,109	21,759
Net capital (out)/in flows	(839)	(700)	(222)	1,636	101	(27)	183	(748)	(616)

Notes:

(6) Due to the retrospective application of certain new and revised accounting standards, the Group's total assets have been increased by US$817m, total liabilities have been increased by US$821m and total equity has been reduced by US$4m for the year ended 30 November 2013. Please refer to note 2.1(a) and note 46 for further information of these new and revised accounting standards.

Segment information may be reconciled to the consolidated income statement as shown below:

US$m	Segment information	Investment experience	Investment income related to unit-linked contracts	Investment management expenses related to unit-linked contracts	Other non-operating items	Related changes in insurance and investment contract benefits: Unit-linked contracts	Related changes in insurance and investment contract benefits: Participating funds	Third-party interests in consolidated investment funds	Consolidated income statement	
Year ended 30 November 2013 – As adjusted										
Total revenue	20,820	870	202	–	–	–	–	–	21,892	**Total revenue**
Of which:										Of which:
Net premiums, fee income and other operating revenue	15,862	–	–	–	–	–	–	–	15,862	Net premiums, fee income and other operating revenue
Investment return	4,958	870	202	–	–	–	–	–	6,030	Investment return
Total expenses	17,752	–	–	89	(16)	861	(306)	(15)	18,365	**Total expenses**
Of which:										Of which:
Net insurance and investment contract benefits	14,002	–	–	–	(70)	861	(306)	(4)	14,483	Net insurance and investment contract benefits
Restructuring and other non-operating costs	–	–	–	–	54	–	–	–	54	Restructuring and other non-operating costs
Investment management expenses and finance costs	279	–	–	89	–	–	–	–	368	Investment management expenses and finance costs
Change in third-party interests in consolidated investment funds	–	–	–	–	–	–	–	(11)	(11)	Change in third-party interests in consolidated investment funds
Share of profit from associates and joint venture	14	–	–	–	–	–	–	–	14	Share of profit from associates and joint venture
Operating profit before tax	3,082	870	202	(89)	16	(861)	306	15	3,541	**Profit before tax**

Other non-operating items in 2013 consist of restructuring and other non-operating costs of US$54m (see note 10).

9. Revenue

INVESTMENT RETURN

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013 (As adjusted)
Interest income	**4,901**	4,539
Dividend income	**546**	506
Rental income	**123**	115
Investment income	**5,570**	5,160
Available for sale		
Net realised gains from debt securities	**32**	25
Net gains of available for sale financial assets reflected in the consolidated income statement	**32**	25
At fair value through profit or loss		
Net gains/(losses) of financial assets designated at fair value through profit or loss		
Net gains/(losses) of debt securities	**653**	(903)
Net gains of equity securities	**1,996**	1,589
Net gains/(losses) of financial instruments held for trading		
Net gains of debt investments	**–**	1
Net fair value movement on derivatives	**(206)**	(81)
Net gains in respect of financial instruments at fair value through profit or loss	**2,443**	606
Net foreign exchange gains	**188**	167
Other net realised (losses)/gains	**(29)**	72
Investment experience	**2,634**	870
Investment return	**8,204**	6,030

INVESTMENT INCOME

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013
Income from listed investments	**3,542**	3,248
Income from unlisted investments	**2,028**	1,912
Total	**5,570**	5,160

Other net realised (losses)/gains include gains on disposal of properties of US$5m (2013: US$114m).

Foreign currency movements resulted in the following gains recognised in the consolidated income statement (other than gains and losses arising on items measured at fair value through profit or loss):

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013
Foreign exchange gains	**76**	94

OTHER OPERATING REVENUE

The balance of other operating revenue largely consists of asset management fees.

10. Expenses

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013 (As adjusted)
Insurance contract benefits	**9,711**	9,067
Change in insurance contract liabilities	**7,773**	5,931
Investment contract benefits	**344**	301
Insurance and investment contract benefits	**17,828**	15,299
Insurance and investment contract benefits ceded	**(1,024)**	(816)
Insurance and investment contract benefits, net of reinsurance ceded	**16,804**	14,483
Commission and other acquisition expenses incurred	**3,747**	3,357
Deferral and amortisation of acquisition costs	**(1,608)**	(1,423)
Commission and other acquisition expenses	**2,139**	1,934
Employee benefit expenses	**1,088**	1,015
Depreciation	**75**	70
Amortisation	**29**	27
Operating lease rentals	**111**	103
Other operating expenses	**333**	322
Operating expenses	**1,636**	1,537
Investment management expenses and others	**333**	297
Restructuring and other non-operating costs(1)	**55**	54
Change in third-party interests in consolidated investment funds	**32**	(11)
Other expenses	**420**	340
Finance costs	**103**	71
Total	**21,102**	18,365

Other operating expenses include auditors' remuneration of US$15m (2013: US$13m).

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 acquisition-related and integration expenses.

Investment management expenses and others may be analysed as:

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013 (As adjusted)
Investment management expenses	**312**	281
Depreciation on investment property	**21**	16
Total	**333**	297

Finance costs may be analysed as:

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013
Securities lending and repurchase agreements (see note 31 for details)	**34**	30
Bank and other loans	**69**	41
Total	**103**	71

Finance costs include interest expense of US$35m (2013: US$29m) on bank loans, overdrafts and other loans wholly repayable within five years and US$34m (2013: US$12m) on bank loans, overdrafts and other loans not wholly repayable within five years.

Employee benefit expenses consist of:

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013 (As adjusted)
Wages and salaries	**875**	813
Share-based compensation	**80**	75
Pension costs – defined contribution plans	**60**	54
Pension costs – defined benefit plans	**14**	12
Other employee benefit expenses	**59**	61
Total	**1,088**	1,015

11. Income tax

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013 (As adjusted)
Tax charged in the consolidated income statement		
Current income tax – Hong Kong Profits Tax	**73**	67
Current income tax – overseas	**391**	311
Deferred income tax on temporary differences	**413**	314
Total	**877**	692

The tax benefit or expense attributable to Singapore, Brunei, Malaysia, Indonesia, Australia, Sri Lanka and the Philippines life insurance policyholder returns is included in the tax charge or credit and is analysed separately in the consolidated income statement in order to permit comparison of the underlying effective rate of tax attributable to shareholders from year to year. The tax attributable to policyholders' returns included above is US$125m (2013: US$47m).

The provision for Hong Kong Profits Tax is calculated at 16.5 per cent. Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions of which the most significant jurisdictions are outlined below.

	Year ended 30 November 2014	Year ended 30 November 2013
Hong Kong	**16.5%**	16.5%
Thailand	**20%**	20%
Singapore	**17%**	17%
Malaysia	**25%**	25%
China	**25%**	25%
Korea	**24.2%**	24.2%
Others	**12% – 30%**	12% – 30%

The table above reflects the principal rate of corporate income taxes, as at the end of each year. The rate changes reflect changes to the enacted or substantively enacted corporate tax rates throughout the year in each jurisdiction. For Thailand, the corporate income tax rate is assumed to be 20 per cent in assessment years 2014 and 2015 and 30 per cent thereafter. The corporate income tax rate for Malaysia will reduce to 24 per cent from assessment year 2016 onward. The corporate income tax rate for Vietnam is 22 per cent for the assessment years 2014 and 2015 and 20 per cent from assessment year 2016 onward.

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013 (As adjusted)
Income tax reconciliation		
Profit before income tax	**4,345**	3,541
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective jurisdictions	**821**	672
Reduction in tax payable from:		
Life insurance tax[(1)]	**–**	(25)
Exempt investment income	**(91)**	(76)
Amount over-provided in prior years	**(9)**	–
Changes in tax rate and law	**–**	(10)
Others	**(43)**	–
	(143)	(111)
Increase in tax payable from:		
Life insurance tax[(1)]	**54**	–
Withholding taxes	**–**	37
Disallowed expenses	**39**	27
Amounts under-provided in prior years	**–**	1
Unrecognised deferred tax assets	**27**	10
Provisions for uncertain tax positions	**79**	7
Others	**–**	49
	199	131
Total income tax expense	**877**	692

Note:

(1) Life insurance tax refers to the permanent differences which arise where the tax regime specific to the life insurance business does not adopt net income as the basis for calculating taxable profit, for example Hong Kong, where life business taxable profit is derived from life premiums.

The movement in net deferred tax liabilities in the period may be analysed as set out below:

US$m	Net deferred tax asset/ (liability) at 1 December	Acquisition of subsidiaries[2]	Credited/ (charged) to the income statement	Credited/(charged) to other comprehensive income: Fair value reserve[3]	Credited/(charged) to other comprehensive income: Foreign exchange	Credited/(charged) to other comprehensive income: Others	Net deferred tax asset/ (liability) at year end
30 November 2014							
Revaluation of financial instruments	**(593)**	**–**	**(286)**	**(691)**	**18**	**–**	**(1,552)**
Deferred acquisition costs	**(2,296)**	**–**	**(184)**	**–**	**63**	**–**	**(2,417)**
Insurance and investment contract liabilities	**1,568**	**–**	**50**	**–**	**(44)**	**–**	**1,574**
Withholding taxes	**(139)**	**–**	**–**	**–**	**–**	**–**	**(139)**
Provision for expenses	**135**	**–**	**6**	**–**	**(3)**	**(1)**	**137**
Losses available for offset against future taxable income	**15**	**–**	**3**	**–**	**–**	**–**	**18**
Life surplus[1]	**(579)**	**–**	**(56)**	**–**	**25**	**–**	**(610)**
Others	**(135)**	**–**	**54**	**–**	**1**	**–**	**(80)**
Total	**(2,024)**	**–**	**(413)**	**(691)**	**60**	**(1)**	**(3,069)**
30 November 2013 – As adjusted							
Revaluation of financial instruments	(1,210)	(21)	57	557	24	–	(593)
Deferred acquisition costs	(2,099)	(3)	(277)	–	83	–	(2,296)
Insurance and investment contract liabilities	1,678	–	(37)	–	(73)	–	1,568
Withholding taxes	(115)	–	(37)	–	13	–	(139)
Provision for expenses	129	3	9	–	(3)	(3)	135
Losses available for offset against future taxable income	25	–	(10)	–	–	–	15
Life surplus[1]	(517)	(97)	10	–	25	–	(579)
Others	(105)	–	(29)	–	(1)	–	(135)
Total	(2,214)	(118)	(314)	557	68	(3)	(2,024)

Notes:

(1) Life surplus relates to the temporary difference which arises where the taxable profits are based on actual distributions from the long-term fund. This primarily relates to Singapore and Malaysia.

(2) The amount of US$118m represents a one-time adjustment in respect of the acquisition of ING Malaysia and ANI.

(3) Of the fair value reserve deferred tax (credit)/charge of US$691m (2013: US$(557)m) for 2014, US$694m (2013: US$(555)m) relates to fair value gains and losses on available for sale financial assets and US$(3)m (2013: US$(2)m) relates to fair value gains and losses on available for sale financial assets transferred to income on disposal.

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised deferred tax assets on tax losses and the temporary difference on insurance and investment contract liabilities arising from different accounting and statutory/tax reserving methodology for certain branches and subsidiaries on the basis that they have histories of tax losses and there is insufficient evidence that future profits will be available.

Temporary differences not recognised in the consolidated statement of financial position are:

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013
Tax losses	**53**	105
Insurance and investment contract liabilities	**30**	21
Total	**83**	126

The Group has not provided deferred tax liabilities of US$97m (2013: US$47m) in respect of unremitted earnings of operations in three jurisdictions from which a withholding tax charge would be incurred upon distribution as the Group does not consider it probable that this portion of accumulated earnings will be remitted in the foreseeable future.

The Group has unused income tax losses carried forward in Hong Kong, Macau, Thailand, Malaysia, China, Korea, the Philippines, Taiwan, New Zealand and Sri Lanka. The tax losses of Hong Kong, Malaysia, New Zealand and Sri Lanka can be carried forward indefinitely. The tax losses of remaining branches and subsidiaries are due to expire within the periods ending 2017 (Macau and the Philippines), 2018 (China), 2019 (Thailand) and 2024 (Korea and Taiwan).

12. 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 year. The shares held by employee share-based trusts are not considered to be outstanding from the date of the purchase for purposes of computing basic and diluted earnings per share.

	Year ended 30 November 2014	Year ended 30 November 2013 (As adjusted)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,450**	2,824
Weighted average number of ordinary shares in issue (million)	**11,968**	11,974
Basic earnings per share (US cents per share)	**28.83**	23.58

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 November 2014 and 2013, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible employees, directors, officers and agents under various share-based compensation plans as described in note 40.

	Year ended 30 November 2014	Year ended 30 November 2013 (As adjusted)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,450**	2,824
Weighted average number of ordinary shares in issue (million)	**11,968**	11,974
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans	**41**	32
Weighted average number of ordinary shares for diluted earnings per share (million)	**12,009**	12,006
Diluted earnings per share (US cents per share)	**28.73**	23.52

At 30 November 2014, 13,414,360 share options (2013: 6,919,294) 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 6) 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 year. As of 30 November 2014 and 2013, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible employees, directors, officers and agents under various share-based compensation plans as described in note 40.

	Year ended 30 November 2014	Year ended 30 November 2013 (As adjusted)
Basic (US cents per share)	**24.31**	20.93
Diluted (US cents per share)	**24.23**	20.87

13. Dividends

Dividends to shareholders of the Company attributable to the year:

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013
Interim dividend declared and paid of 16.00 Hong Kong cents per share (2013: 13.93 Hong Kong cents per share)	**247**	215
Final dividend proposed after the reporting date of 34.00 Hong Kong cents per share (2013: 28.62 Hong Kong cents per share)[1]	**525**	442
	772	657

Note:

(1) Based upon shares outstanding at 30 November 2014 and 2013 that are entitled to a dividend, other than those held by employee share-based trusts.

The above final dividend was proposed by the Board on 26 February 2015 subject to shareholders' approval at the AGM to be held on 8 May 2015. The proposed final dividend has not been recognised as a liability at the reporting date.

Dividends to shareholders of the Company attributable to the previous financial year, approved and paid during the year:

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013
Final dividend in respect of the previous financial year, approved and paid during the year of 28.62 Hong Kong cents per share (2013: 24.67 Hong Kong cents per share)	**442**	380

14. Intangible assets

US$m	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 December 2012	126	263	66	455
Additions	–	33	2	35
Acquisition of subsidiaries	1,009	3	48	1,060
Disposals	–	(1)	(5)	(6)
Foreign exchange movements	–	(9)	(7)	(16)
At 30 November 2013	**1,135**	**289**	**104**	**1,528**
Additions	**–**	**48**	**831**	**879**
Disposals	**–**	**(1)**	**–**	**(1)**
Foreign exchange movements	**–**	**(11)**	**(2)**	**(13)**
At 30 November 2014	**1,135**	**325**	**933**	**2,393**
Accumulated amortisation and impairment				
At 1 December 2012	(6)	(163)	(14)	(183)
Amortisation charge for the year	–	(26)	(11)	(37)
Disposals	–	1	5	6
Foreign exchange movements	–	7	–	7
At 30 November 2013	**(6)**	**(181)**	**(20)**	**(207)**
Amortisation charge for the year	**–**	**(28)**	**(15)**	**(43)**
Disposals	**–**	**1**	**–**	**1**
Foreign exchange movements	**–**	**7**	**1**	**8**
At 30 November 2014	**(6)**	**(201)**	**(34)**	**(241)**
Net book value				
At 30 November 2013	1,129	108	84	1,321
At 30 November 2014	**1,129**	**124**	**899**	**2,152**

Of the above, US$2,109m (2013: US$1,284m) is expected to be recovered more than 12 months after the end of the reporting period.

During the year ended 30 November 2014, the Group entered into an agreement with Citibank to enter into an exclusive, long-term bancassurance partnership for a 15-year period. The agreement provided for a payment of US$800m to Citibank upon signing, which was capitalised as an intangible asset.

IMPAIRMENT TESTS FOR GOODWILL

Goodwill arises primarily in respect of the Group's insurance business in Malaysia. Goodwill is tested for impairment by comparing the carrying amount of the cash-generating unit, including goodwill, to the recoverable amount of that cash-generating unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the goodwill allocated to that unit shall be regarded as not impaired. The recoverable amount is the value in use of the cash-generating unit unless otherwise stated. The value in use is determined by calculating the present value of expected future cash flows plus a multiple of the present value of the new business generated.

Value in use is calculated as an actuarially determined appraisal value, based on the embedded value of the business and the value from future new business.

The key assumptions used in the embedded value calculations include investment returns, mortality, morbidity, persistency, expenses, and inflation. The value from future new business is calculated based on a combination of indicators which include, among others, a multiple of the projected one-year value of new business (VONB), taking into account recent production mix, business strategy and market trends. The Group may apply alternative method to estimate the value of future new business if the described method is not appropriate under the circumstances.

15. Investments in associates and joint venture

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013
Group		
Investments in associates	**131**	89
Investment in joint venture	**–**	4
Total	**131**	93

Investments in associates and joint venture are held for their long-term contribution to the Group's performance and so all amounts are expected to be realised more than 12 months after the end of the reporting period.

The Group's interest in its principal associates and joint venture is as follows:

				Group's interest %	
	Place of incorporation	**Principal activity**	**Type of shares held**	**As at 30 November 2014**	As at 30 November 2013
Tata AIA Life Insurance Company Limited	India	Insurance	– Ordinary	**26%**	26%
AIA Vitality Company Limited(1)	Hong Kong	Development of wellness programmes	– Ordinary – Preference	**50%** **100%**	50% 100%

Note:

(1) The economic interest is 35%.

All associates and joint venture are unlisted.

Aggregated financial information of associates

The investment in the associate is measured using the equity method. The following table analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of these associates.

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013
Carrying amount in the statement of financial position	**131**	89
Profit from continuing operations	**18**	20
Other comprehensive income/(expense)	**22**	(23)
Total comprehensive income/(expense)	**40**	(3)

16. Property, plant and equipment

US$m	Property held for use	Computer hardware	Fixtures and fittings and others	Total
Cost				
At 1 December 2012	457	207	325	989
Additions	13	29	59	101
Acquisition of subsidiaries	33	4	1	38
Disposals	(28)	(17)	(32)	(77)
Net transfers from investment property	35	–	–	35
Foreign exchange movements	(17)	(7)	(4)	(28)
At 30 November 2013	**493**	**216**	**349**	**1,058**
Additions	**24**	**26**	**43**	**93**
Disposals	**(2)**	**(13)**	**(15)**	**(30)**
Net transfers from investment property	**61**	**–**	**–**	**61**
Foreign exchange movements	**(19)**	**(5)**	**(7)**	**(31)**
At 30 November 2014	**557**	**224**	**370**	**1,151**
Accumulated depreciation				
At 1 December 2012	(195)	(164)	(218)	(577)
Depreciation charge for the year	(15)	(23)	(32)	(70)
Disposals	15	10	30	55
Net transfers from investment property	(2)	–	–	(2)
Foreign exchange movements	7	6	3	16
At 30 November 2013	**(190)**	**(171)**	**(217)**	**(578)**
Depreciation charge for the year	**(15)**	**(26)**	**(34)**	**(75)**
Disposals	**1**	**11**	**13**	**25**
Net transfers to investment property	**1**	**–**	**–**	**1**
Foreign exchange movements	**7**	**5**	**5**	**17**
At 30 November 2014	**(196)**	**(181)**	**(233)**	**(610)**
Net book value				
At 30 November 2013	303	45	132	480
At 30 November 2014	**361**	**43**	**137**	**541**

The Group holds freehold land outside Hong Kong and leasehold land under finance lease in the form of property, plant and equipment. An analysis of the carrying value of the Group's interest in those land and land use rights is set out in note 24.

The Group holds property, plant and equipment for its long-term use and, accordingly, the annual depreciation charge approximates to the amount expected to be recovered through consumption within 12 months after the end of the reporting period.

17. Investment property

US$m	
Cost	
At 1 December 2012	1,100
Additions	42
Acquisition of subsidiaries	115
Disposals	(3)
Net transfers to property, plant and equipment	(35)
Foreign exchange movements	(18)
At 30 November 2013	**1,201**
Additions	**358**
Disposals	**(2)**
Net transfers to property, plant and equipment	**(61)**
Foreign exchange movements	**(19)**
At 30 November 2014	**1,477**
Accumulated depreciation	
At 1 December 2012	(65)
Charge for the year	(16)
Disposals	2
Net transfers to property, plant and equipment	2
Foreign exchange movements	4
At 30 November 2013	**(73)**
Charge for the year	**(21)**
Disposals	**1**
Net transfers from property, plant and equipment	**(1)**
Foreign exchange movements	**1**
At 30 November 2014	**(93)**
Net book value	
At 30 November 2013	1,128
At 30 November 2014	**1,384**

The Group holds investment property for long-term use, and so the annual amortisation charge approximates to the amount expected to be recovered within 12 months after the reporting period.

The Group leases out its investment property under operating leases. The leases typically run for an initial period of one to twelve years, with an option to renew the lease based on future negotiations. Lease payments are usually negotiated every one to three years to reflect market rentals. There were no material contingent rentals earned as income for the year. Rental income generated from investment properties amounted to US$123m (2013: US$115m). Direct operating expenses (including repair and maintenance) on investment property that generates rental income amounted to US$29m (2013: US$25m).

The Group owns investment property in the form of freehold land outside Hong Kong and leasehold land under finance lease. The Group does not hold freehold land in Hong Kong. An analysis of the carrying value of the Group's interest in those land and land use right is set out in note 24.

The future minimum operating lease rental income under non-cancellable operating leases that the Group expects to receive in future periods may be analysed as follows:

US$m	**As at 30 November 2014**	As at 30 November 2013
Leases of investment property		
Expiring no later than one year	**99**	86
Expiring later than one year and no later than five years	**140**	100
Expiring after five years or more	**5**	5
Total	**244**	191

18. Fair value of investment property and property held for use

US$m	**As at 30 November 2014**	As at 30 November 2013
Carrying value[1]		
Investment property	**1,384**	1,128
Property held for use (classified as property, plant and equipment)	**361**	303
Leasehold land under operating lease (classified as prepayments in other assets)	**442**	453
Total	**2,187**	1,884
Fair value[1]		
Investment property (including land)	**3,639**	3,180
Property held for use (including land)	**1,492**	1,388
Total	**5,131**	4,568

Note:

(1) Carrying and fair values are presented before non-controlling interests and, for assets held in participating funds, before allocation to policyholders.

19. Reinsurance assets

US$m	**As at 30 November 2014**	As at 30 November 2013
Amounts recoverable from reinsurers	**240**	141
Ceded insurance and investment contract liabilities	**1,417**	1,238
Total	**1,657**	1,379

20. Deferred acquisition and origination costs

US$m	As at 30 November 2014	As at 30 November 2013
Carrying amount		
Deferred acquisition costs on insurance contracts	**15,793**	14,836
Deferred origination costs on investment contracts	**534**	603
Value of business acquired	**266**	299
Total	**16,593**	15,738

	Year ended 30 November 2014	Year ended 30 November 2013
Movements in the year		
At beginning of financial year	**15,738**	14,161
Deferral and amortisation of acquisition and origination costs	**1,631**	1,432
Acquisition of subsidiaries	**–**	322
Foreign exchange movements	**(385)**	(414)
Impact of assumption changes	**(23)**	(9)
Other movements	**(368)**	246
At end of financial year	**16,593**	15,738

Deferred acquisition and origination costs are expected to be recoverable over the mean term of the Group's insurance and investment contracts, and liability adequacy testing is performed at least annually to confirm their recoverability. Accordingly, the annual amortisation charge, which varies with investment performance for certain universal life and unit-linked products, approximates to the amount which is expected to be realised within 12 months of the end of the reporting period.

21. Financial investments

The following tables analyse the Group's financial investments by type and nature. The Group manages its financial investments in two distinct categories: Unit-linked Investments and Policyholder and Shareholder Investments. The investment risk in respect of Unit-linked Investments is generally wholly borne by our customers, and does not directly affect the profit for the year before tax. Furthermore, unit-linked contract holders are responsible for allocation of their policy values amongst investment options offered by the Group. Although profit for the year before tax is not affected by Unit-linked Investments, the investment return from such financial investments is included in the Group's profit for the year before tax, as the Group has elected the fair value option for all Unit-linked Investments with corresponding changes in insurance and investment contract liabilities for unit-linked contracts. Policyholder and Shareholder Investments include all financial investments other than Unit-linked Investments. The investment risk in respect of Policyholder and Shareholder Investments is partially or wholly borne by the Group.

Policyholder and Shareholder Investments are further categorised as Participating Funds and Other Policyholder and Shareholder. The Group has elected to separately analyse financial investments held by Participating Funds within Policyholder and Shareholder Investments as they are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends. The Group has elected the fair value option for debt and equity securities of Participating Funds. The Group's accounting policy is to record an insurance liability for the proportion of net assets of the Participating Fund that would be allocated to policyholders assuming all performance would be declared as a dividend based upon local regulations as at the date of the statement of financial position. As a result the Group's net profit for the year before tax is impacted by the proportion of investment return that would be allocated to shareholders as described above.

Other Policyholder and Shareholder Investments are distinct from Unit-linked Investments and Participating Funds as there is no direct contractual or regulatory requirement governing the amount, if any, for allocation to policyholders. The Group has elected to apply the fair value option for equity securities in this category and the available for sale classification in respect of the majority of debt securities in this category. The investment risk from investments in this category directly impacts the Group's financial statements. Although a proportion of investment return may be allocated to policyholders through policyholder dividends, the Group's accounting policy for insurance and certain investment contract liabilities utilises a net level premium methodology that includes best estimates as at the date of issue for non-guaranteed participation. To the extent investment return from these investments either is not allocated to participating contracts or varies from the best estimates, it will impact the Group's profit before tax.

In the following tables, "FVTPL" indicates financial investments classified at fair value through profit or loss and "AFS" indicates financial investments classified as available for sale.

DEBT SECURITIES

In compiling the tables, external ratings have been used where available. Where external ratings are not readily available an internal rating methodology has been adopted. The following conventions have been adopted to conform the various ratings.

External ratings		Internal ratings	Reported as
Standard and Poor's	**Moody's**		
AAA	Aaa	1	AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-	AA
A+ to A-	A1 to A3	3+ to 3-	A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-	BBB
BB+ and below	Ba1 and below	5+ and below	Below investment grade[1]

Note:

(1) Unless otherwise identified individually.

Debt securities by type comprise the following:

US$m	Rating	Policyholder and shareholder Participating funds FVTPL	Other policyholder and shareholder FVTPL	AFS	Subtotal	Unit-linked FVTPL	Consolidated investment funds(3) FVTPL	Total
30 November 2014								
Government bonds								
– issued in local currency								
Thailand	A	–	–	11,002	11,002	–	–	11,002
China	AA	1,099	–	4,211	5,310	18	–	5,328
Korea	AA	–	–	3,543	3,543	202	–	3,745
Singapore	AAA	1,768	–	1,175	2,943	435	–	3,378
Philippines	BBB	–	–	2,879	2,879	75	–	2,954
Malaysia	A	2,149	–	541	2,690	24	–	2,714
Indonesia	BB	23	–	632	655	55	–	710
Other(1)		16	2	575	593	2	–	595
Subtotal		5,055	2	24,558	29,615	811	–	30,426
Government bonds								
– foreign currency								
Philippines	BBB	–	9	397	406	89	–	495
Indonesia	BB	86	16	357	459	5	–	464
Qatar	AA	–	–	318	318	3	–	321
Mexico	BBB	7	15	228	250	–	–	250
Malaysia	A	73	–	91	164	2	–	166
Korea	A	19	–	135	154	7	–	161
Russia	BBB	19	15	104	138	–	–	138
South Africa	BBB	–	18	103	121	–	–	121
Other(1)		–	121	161	282	12	–	294
Subtotal		204	194	1,894	2,292	118	–	2,410
Government agency bonds(2)								
AAA		1,321	–	1,070	2,391	116	39	2,546
AA		612	–	1,926	2,538	83	61	2,682
A		803	–	4,721	5,524	18	50	5,592
BBB		253	–	1,439	1,692	6	–	1,698
Below investment grade		23	–	179	202	6	–	208
Not rated		–	–	–	–	6	61	67
Subtotal		3,012	–	9,335	12,347	235	211	12,793

Notes:

(1) Of the total government bonds listed as "Other" at 30 November 2014, 61 per cent are rated as investment grade and a further 21 per cent are rated BB- and above. The remaining are rated below BB- or not rated.

(2) Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities; government-related entities; multilateral development banks and supranational organisations.

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

US$m	Policyholder and shareholder: Participating funds FVTPL	Other policyholder and shareholder FVTPL	Other policyholder and shareholder AFS	Subtotal	Unit-linked FVTPL	Consolidated investment funds[3] FVTPL	Total
30 November 2014							
Corporate bonds							
AAA	66	–	81	147	5	52	204
AA	1,100	8	4,457	5,565	23	186	5,774
A	4,980	61	16,778	21,819	638	531	22,988
BBB	3,933	76	17,150	21,159	462	246	21,867
Below investment grade	864	–	2,701	3,565	75	33	3,673
Not rated	18	1	149	168	108	473	749
Subtotal	10,961	146	41,316	52,423	1,311	1,521	55,255
Structured securities[4]							
AAA	–	–	10	10	–	–	10
AA	6	20	18	44	–	–	44
A	10	–	438	448	–	–	448
BBB	308	38	150	496	2	5	503
Below investment grade	29	56	–	85	–	–	85
Not rated	7	56	25	88	1	–	89
Subtotal	360	170	641	1,171	3	5	1,179
Total[5]	19,592	512	77,744	97,848	2,478	1,737	102,063

Notes:

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

(4) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

(5) Debt securities of US$2,920m are restricted due to local regulatory requirements.

US$m	Rating	Policyholder and shareholder: Participating funds FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Policyholder and shareholder: Other policyholder and shareholder AFS	Subtotal	Unit-linked FVTPL	Consolidated investment funds[3] FVTPL	Total
30 November 2013 – As adjusted								
Government bonds – issued in local currency								
Thailand	A	–	–	10,217	10,217	–	–	10,217
China	AA	390	–	2,072	2,462	10	–	2,472
Korea	AA	–	–	3,189	3,189	154	–	3,343
Singapore	AAA	1,694	–	1,305	2,999	281	–	3,280
Philippines	BBB	–	–	3,016	3,016	57	–	3,073
Malaysia	A	2,288	–	674	2,962	5	–	2,967
Indonesia	BB	2	–	555	557	99	–	656
Other[1]		13	5	552	570	4	–	574
Subtotal		4,387	5	21,580	25,972	610	–	26,582
Government bonds – foreign currency								
Philippines	BBB	–	16	409	425	81	–	506
Indonesia	BB	71	8	296	375	4	–	379
Qatar	AA	–	–	272	272	3	–	275
Mexico	BBB	7	12	171	190	–	–	190
Malaysia	A	75	–	98	173	2	–	175
Korea	A	17	–	219	236	8	–	244
Russia	BBB	20	17	108	145	–	–	145
South Africa	BBB	–	8	131	139	–	–	139
Other[1]		–	117	139	256	13	–	269
Subtotal		190	178	1,843	2,211	111	–	2,322
Government agency bonds[2]								
AAA		1,112	–	914	2,026	120	43	2,189
AA		486	–	1,597	2,083	57	–	2,140
A		574	–	4,597	5,171	22	5	5,198
BBB		275	–	1,247	1,522	10	–	1,532
Below investment grade		17	–	148	165	2	–	167
Not rated		–	–	–	–	2	62	64
Subtotal		2,464	–	8,503	10,967	213	110	11,290

Notes:

(1) Of the total government bonds listed as "Other" at 30 November 2013, 68 per cent are rated as investment grade and a further 15 per cent are rated BB- and above. The remaining are rated below BB- or not rated.

(2) Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities; government-related entities; multilateral development banks and supranational organisations.

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

US$m	Policyholder and shareholder: Participating funds FVTPL	Other policyholder and shareholder FVTPL	Other policyholder and shareholder AFS	Subtotal	Unit-linked FVTPL	Consolidated investment funds[3] FVTPL	Total
30 November 2013 – As adjusted							
Corporate bonds							
AAA	108	–	115	223	5	47	275
AA	806	8	2,799	3,613	7	142	3,762
A	4,857	190	14,018	19,065	677	407	20,149
BBB	4,184	71	12,953	17,208	348	189	17,745
Below investment grade	653	–	2,050	2,703	51	2	2,756
Not rated	64	10	104	178	141	644	963
Subtotal	10,672	279	32,039	42,990	1,229	1,431	45,650
Structured securities[4]							
AAA	–	–	–	–	–	–	–
AA	16	–	15	31	–	–	31
A	43	19	581	643	–	–	643
BBB	328	–	157	485	3	–	488
Below investment grade	51	108	–	159	–	31	190
Not rated	40	40	45	125	2	–	127
Subtotal	478	167	798	1,443	5	31	1,479
Total[5]	18,191	629	64,763	83,583	2,168	1,572	87,323

Notes:

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

(4) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.

(5) Debt securities of US$2,067m are restricted due to local regulatory requirements.

The Group's debt securities classified at fair value through profit or loss can be analysed as follows:

US$m	**As at 30 November 2014**	As at 30 November 2013 (As adjusted)
Debt securities – FVTPL		
Designated at fair value through profit or loss	**24,297**	22,516
Held for trading	**22**	44
Total	**24,319**	22,560

EQUITY SECURITIES

Equity securities by type comprise the following:

US$m	Policyholder and shareholder: Participating funds FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Consolidated investment funds[(1)] FVTPL	Total
30 November 2014						
Equity shares	**3,476**	**6,005**	**9,481**	**3,948**	**1**	**13,430**
Interests in investment funds	**1,568**	**1,702**	**3,270**	**12,124**	**3**	**15,397**
Total	**5,044**	**7,707**	**12,751**	**16,072**	**4**	**28,827**

US$m	Policyholder and shareholder: Participating funds FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Consolidated investment funds[(1)] FVTPL	Total
30 November 2013 – As adjusted						
Equity shares	3,032	5,026	8,058	3,325	1	11,384
Interests in investment funds	1,537	1,289	2,826	11,890	2	14,718
Total	4,569	6,315	10,884	15,215	3	26,102

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 November 2014**	As at 30 November 2013 (As adjusted)
Debt securities		
Listed		
Hong Kong	**8,489**	5,222
Overseas	**63,528**	55,447
	72,017	60,669
Unlisted	**30,046**	26,654
Total	**102,063**	87,323
Equity securities		
Listed		
Hong Kong	**1,661**	1,225
Overseas	**13,615**	11,992
	15,276	13,217
Unlisted	**13,551**	12,885
Total	**28,827**	26,102

INTERESTS IN STRUCTURED ENTITIES

The Group has determined that the investment funds and structured securities, such as collateralised debt obligations, mortgage-backed securities and other asset-backed securities that the Group has interest are structured entities.

The Group has consolidated certain investment funds for which the Group provides guarantee on capital or rate of return to the investors and deemed to have control based on an analysis of the guidance in IFRS 10. For these investment funds, the Group has the ability to reduce the guaranteed rates of return, subject to obtaining approvals of applicable regulators. The Group has an obligation to absorb losses in the event that the returns of the funds are insufficient to cover the capital or rate of return guarantee provided to the investors.

The following table summarises the Group's interest in unconsolidated structured entities as at 30 November 2014:

US$m	**Investment funds**	**Structured securities[1]**
Available for sale debt securities	577[2]	641
Debt securities at fair value through profit or loss	360[2]	538
Equity securities at fair value through profit or loss	15,397	–
Total	**16,334**	**1,179**

Notes:

(1) Structured securities include collateralised debt obligation, mortgage-backed securities and other asset-backed securities.

(2) Balance represents the Group's interests in loans to real estate investment trusts.

The Group's maximum exposure to loss arising from its interests in these unconsolidated structured entities is limited to the carrying amount of the assets. Dividend income and interest income are received during the reporting period from these interests in unconsolidated structured entities.

In addition, the Group receives management fees and trustee fees in respect of providing trustee, management and administrative services to certain retirement scheme funds and investment funds. These funds are not held and the associated investment risks are not borne by the Group, the Group does not have exposure to loss in these funds.

LOANS AND DEPOSITS

US$m	**As at 30 November 2014**	As at 30 November 2013
Policy loans	**2,433**	2,384
Mortgage loans on residential real estate	**645**	650
Mortgage loans on commercial real estate	**14**	15
Other loans	**808**	718
Allowance for loan losses	**(16)**	(14)
Loans	**3,884**	3,753
Term deposits	**2,201**	2,127
Promissory notes[1]	**1,569**	1,604
Total	**7,654**	7,484

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$1,757m (2013: US$1,772m).

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 November 2014, the carrying value of such receivables is US$101m (2013: US$81m).

22. Derivative financial instruments

The Group's non-hedge derivative exposure was as follows:

		Fair value	
US$m	Notional amount	Assets	Liabilities
30 November 2014			
Foreign exchange contracts			
Forwards	**622**	**4**	**(12)**
Cross-currency swaps	**6,142**	**246**	**(198)**
Foreign exchange futures	**177**	**–**	**–**
Currency options	**20**	**–**	**–**
Total foreign exchange contracts	**6,961**	**250**	**(210)**
Interest rate contracts			
Interest rate swaps	**157**	**7**	**(1)**
Other			
Warrants and options	**144**	**8**	**–**
Netting	**(177)**	**–**	**–**
Total	**7,085**	**265**	**(211)**
30 November 2013			
Foreign exchange contracts			
Forwards	665	4	(3)
Cross-currency swaps	5,278	428	(86)
Foreign exchange futures	182	–	–
Currency options	19	1	–
Total foreign exchange contracts	6,144	433	(89)
Interest rate contracts			
Interest rate swaps	320	5	–
Other			
Warrants and options	140	7	–
Equity index futures	5	–	–
Netting	(187)	–	–
Total	6,422	445	(89)

The column "notional amount" in the above table represents the pay leg of derivative transactions.

Of the total derivatives, US$7m (2013: US$3m) 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 risk, similar to those related to the underlying financial instruments.

Derivative assets and derivative liabilities are recognised in the consolidated statement of financial position as financial assets at fair value through profit or loss and derivative financial liabilities respectively. The Group's derivative contracts are established to economic hedge financial exposures. The Group adopts hedge accounting in limited circumstances. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the consolidated statement of financial position as they do not represent the fair value of these transactions. The notional amounts in the previous table reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of derivative transactions.

FOREIGN EXCHANGE CONTRACTS

Foreign exchange forward and futures contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Currency options are agreements that give the buyer the right to exchange the currency of one country for the currency of another country at agreed prices and settlement dates. Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to gain and loss 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. Equity index futures contracts are exchange-traded cash-settled contracts on the value of particular stock market index. The Group entered into equity index futures contracts to manage its equity market exposure.

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 November 2014, the Group had posted cash collateral of US$20m (2013: US$21m) and pledged debt securities with carrying value of US$96m (2013: US$31m) for liabilities and held cash collateral of US$122m (2013: US$230m), deposit collateral of US$25m (2013: US$6m) and debt securities collateral with carrying value of US$2m (2013: US$24m) 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 securities lending and repurchase agreements.

23. Fair value measurement

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 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 November 2014						
Financial investments	*21*					
Loans and deposits		**–**	**–**	**7,654**	**7,654**	**7,675**
Debt securities		**24,319**	**77,744**	**–**	**102,063**	**102,063**
Equity securities		**28,827**	**–**	**–**	**28,827**	**28,827**
Derivative financial instruments	*22*	**265**	**–**	**–**	**265**	**265**
Reinsurance receivables	*19*	**–**	**–**	**240**	**240**	**240**
Other receivables	*24*	**–**	**–**	**1,632**	**1,632**	**1,632**
Accrued investment income	*24*	**–**	**–**	**1,345**	**1,345**	**1,345**
Cash and cash equivalents	*26*	**–**	**–**	**1,835**	**1,835**	**1,835**
Financial assets		**53,411**	**77,744**	**12,706**	**143,861**	**143,882**

	Notes	**Fair value through profit or loss**	**Cost/ amortised cost**	**Total carrying value**	**Total fair value**
Financial liabilities					
Investment contract liabilities	*28*	**7,315**	**622**	**7,937**	**7,937**
Borrowings	*30*	**–**	**2,934**	**2,934**	**3,005**
Obligations under securities lending and repurchase agreements	*31*	**–**	**3,753**	**3,753**	**3,753**
Derivative financial instruments	*22*	**211**	**–**	**211**	**211**
Other liabilities	*34*	**1,221**	**3,321**	**4,542**	**4,542**
Financial liabilities		**8,747**	**10,630**	**19,377**	**19,448**

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
30 November 2013 – As adjusted						
Financial investments	*21*					
Loans and deposits		–	–	7,484	7,484	7,517
Debt securities		22,560	64,763	–	87,323	87,323
Equity securities		26,102	–	–	26,102	26,102
Derivative financial instruments	*22*	445	–	–	445	445
Reinsurance receivables	*19*	–	–	141	141	141
Other receivables	*24*	–	–	1,473	1,473	1,473
Accrued investment income	*24*	–	–	1,368	1,368	1,368
Cash and cash equivalents	*26*	–	–	2,316	2,316	2,316
Financial assets		49,107	64,763	12,782	126,652	126,685

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	*28*	7,429	1,269	8,698	8,698
Borrowings	*30*	–	1,950	1,950	1,915
Obligations under securities lending and repurchase agreements	*31*	–	1,889	1,889	1,889
Derivative financial instruments	*22*	89	–	89	89
Other liabilities	*34*	1,197	2,857	4,054	4,054
Financial liabilities		8,715	7,965	16,680	16,645

The carrying amount of assets included in the above tables represents the maximum credit exposure.

Foreign currency exposure, including the net notional amount of foreign currency derivative positions, is shown in note 38 for the Group's key foreign exchange exposures.

The fair value of investment contract liabilities measured at amortised cost is not considered to be materially different from the amortised cost carrying value.

The carrying value of financial instruments expected to be settled within 12 months (after taking into account valuation allowances, where applicable) is not considered to be materially different from the fair value.

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS

The Group measures at fair value financial instruments classified at fair value through profit or loss, available for sale securities portfolios, derivative assets and liabilities, investments held by investment funds which are consolidated, investments in non-consolidated investment funds and certain investment contract liabilities on a recurring basis. The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the year ended 30 November 2014.

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments.

DETERMINATION OF FAIR VALUE FOR FINANCIAL INSTRUMENTS

Loans and receivables

For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings.

The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered in respect of similar loans to borrowers with similar credit ratings. The fair values of fixed rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying values of policy loans with variable rates approximate to their fair values.

Debt securities and equity securities

The fair values of equity securities are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor's credit spreads, foreign exchange rates, and credit default rates. For holdings in hedge funds and limited partnerships, fair values are determined based on the net asset values provided by the general partner or manager of each investment, the accounts of which are generally audited on an annual basis. The transaction price is used as the best estimate of fair value at inception.

Derivative financial instruments

The Group values its derivative financial assets and liabilities using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contract terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Group generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement. Examples of inputs that are generally observable include foreign exchange spot and forward rates, benchmark interest rate curves and volatilities for commonly traded option products. Examples of inputs that may be unobservable include volatilities for less commonly traded option products and correlations between market factors.

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.

Cash and cash equivalents

The carrying amount of cash approximates its fair value.

Reinsurance receivables

The carrying amount of amounts receivable from reinsurers is not considered materially different to their fair value.

Fair value of securities sold under repurchase agreements and the associated payables

The contract values of payables under repurchase agreements approximate their fair value as these obligations are short-term in nature.

Other assets

The carrying amount of other financial assets is not materially different to their fair value. The fair values of deposits with banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

Investment contract liabilities

For investment contract liabilities, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts where the investment risk is borne by the policyholder, the fair value generally approximates to the fair value of the underlying assets.

Investment contracts with DPF enable the contract holder to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating business and are measured and classified according to the Group practice for insurance contract liabilities and hence are disclosed within note 27. These are not measured at fair value as there is currently no agreed definition of fair value for investment and insurance contracts with DPF under IFRS. In the absence of any agreed methodology, it is not possible to provide a range of estimates within which fair value is likely to fall. The IASB is expecting to address this issue in Phase II of its insurance contracts project.

Borrowings

The fair values of borrowings with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities or prices obtained from brokers.

Other liabilities

The fair values of other unquoted financial liabilities is estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those with no stated maturity, where the carrying value approximates to fair value.

FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT ON A RECURRING BASIS

Assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure their fair values as discussed below:

- **Level 1**: Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Group does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded listed equities. The Group considers that government debt securities issued by G7 countries (the United States, Canada, France, Germany, Italy, Japan, the United Kingdom) and traded in a dealer market to be Level 1, until they no longer trade with sufficient frequency and volume to be considered actively traded.

- **Level 2**: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include government securities issued by non-G7 countries, most investment grade corporate bonds, hedge fund investments and derivative contracts.

- **Level 3**: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 include certain classes of structured securities, certain derivative contracts, private equity and real estate fund investments, and direct private equity investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Group considers factors specific to the asset or liability.

A summary of assets and liabilities carried at fair value on a recurring basis according to fair value hierarchy is given below.

	Fair value hierarchy			
US$m	**Level 1**	**Level 2**	**Level 3**	**Total**
30 November 2014				
Recurring fair value measurements				
Financial assets				
Available for sale				
Debt securities	**–**	**76,993**	**751**	**77,744**
At fair value through profit or loss				
Debt securities				
Participating funds	**–**	**19,323**	**269**	**19,592**
Unit-linked and consolidated investment funds	**–**	**3,888**	**327**	**4,215**
Other policyholder and shareholder	**–**	**281**	**231**	**512**
Equity securities				
Participating funds	**4,704**	**111**	**229**	**5,044**
Unit-linked and consolidated investment funds	**15,177**	**899**	**–**	**16,076**
Other policyholder and shareholder	**7,019**	**343**	**345**	**7,707**
Derivative financial instruments				
Foreign exchange contracts	**–**	**250**	**–**	**250**
Interest rate contracts	**–**	**7**	**–**	**7**
Other contracts	**7**	**1**	**–**	**8**
Total assets on a recurring fair value measurement basis	**26,907**	**102,096**	**2,152**	**131,155**
Total %	***20.5***	***77.9***	***1.6***	***100.0***
Financial liabilities				
Investment contract liabilities	**–**	**–**	**7,315**	**7,315**
Derivative financial instruments				
Foreign exchange contracts	**–**	**210**	**–**	**210**
Interest rate contracts	**–**	**1**	**–**	**1**
Other liabilities	**–**	**1,221**	**–**	**1,221**
Total liabilities on a recurring fair value measurement basis	**–**	**1,432**	**7,315**	**8,747**
Total %	**–**	***16.4***	***83.6***	***100.0***

US$m	Fair value hierarchy Level 1	Level 2	Level 3	Total
30 November 2013 – As adjusted				
Recurring fair value measurements				
Financial assets				
Available for sale				
Debt securities	–	63,983	780	64,763
At fair value through profit or loss				
Debt securities				
Participating funds	–	17,826	365	18,191
Unit-linked and consolidated investment funds	–	3,344	396	3,740
Other policyholder and shareholder	–	399	230	629
Equity securities				
Participating funds	4,359	11	199	4,569
Unit-linked and consolidated investment funds	13,943	1,275	–	15,218
Other policyholder and shareholder	5,965	86	264	6,315
Derivative financial instruments				
Foreign exchange contracts	–	432	1	433
Interest rate contracts	–	5	–	5
Other contracts	1	5	1	7
Total assets on a recurring fair value measurement basis	24,268	87,366	2,236	113,870
Total %	*21.3*	*76.7*	*2.0*	*100.0*
Financial liabilities				
Investment contract liabilities	–	–	7,429	7,429
Derivative financial instruments				
Foreign exchange contracts	–	89	–	89
Other liabilities	–	1,197	–	1,197
Total liabilities on a recurring fair value measurement basis	–	1,286	7,429	8,715
Total %	–	*14.8*	*85.2*	*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 year ended 30 November 2014, the Group transferred $55m of assets measured at fair value from Level 1 to Level 2 during the year. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. The Company transferred $483m of assets from Level 2 to Level 1 during the year ended 30 November 2014.

The Group's Level 2 financial instruments include debt securities, equity securities and derivative instruments. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from third-party pricing services and brokers are not available, internal valuation techniques and inputs will be used to derive the fair value for the financial instruments.

The tables below set out a summary of changes in the Group's Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended 30 November 2014 and 2013. The tables reflect gains and losses, including gains and losses on financial assets and liabilities categorised as Level 3 as at 30 November 2014 and 2013.

Level 3 financial assets and liabilities

US$m	Debt securities	Equity securities	Derivative financial assets/ (liabilities)	Investment contracts
At 1 December 2013 – As adjusted	**1,771**	**463**	**2**	**(7,429)**
Net movement on investment contract liabilities	**–**	**–**	**–**	**114**
Total gains/(losses)				
Reported under investment return in the consolidated income statement	**87**	**80**	**(1)**	**–**
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	**(12)**	**(12)**	**–**	**–**
Purchases	**504**	**78**	**–**	**–**
Sales	**(202)**	**(35)**	**–**	**–**
Settlements	**(149)**	**–**	**(1)**	**–**
Transfer into Level 3	**–**	**–**	**–**	**–**
Transfer out of Level 3	**(421)**	**–**	**–**	**–**
At 30 November 2014	**1,578**	**574**	**–**	**(7,315)**
Change in unrealised gains or losses included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return	**70**	**82**	**(1)**	**–**

US$m	Debt securities	Equity securities	Derivative financial assets/ (liabilities)	Investment contracts
At 1 December 2012 – As adjusted	1,341	406	4	(7,533)
Net movement on investment contract liabilities	–	–	–	104
Total gains/(losses)				
Reported under investment return in the consolidated income statement	66	9	2	–
Reported under fair value reserve and foreign currency translation reserve in the consolidated statement of comprehensive income	(25)	(8)	–	–
Acquisition of subsidiaries	133	48	–	–
Purchases	450	42	1	–
Sales	(23)	(34)	–	–
Settlements	(70)	–	(5)	–
Transfer into Level 3	26	–	–	–
Transfer out of Level 3	(127)	–	–	–
At 30 November 2013 – As adjusted	1,771	463	2	(7,429)
Change in unrealised gains or losses included in the consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return	60	4	1	–

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. Details of the movement in investment contract liabilities are provided in note 28.

Assets transferred out of Level 3 mainly relate to corporate debt instruments of which market-observable inputs became available during the year and were used in determining the fair value.

There are no 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.

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 FAIR VALUE MEASUREMENTS

As at 30 November 2014, 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 November 2014 (US$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	548	Discounted cash flows	Discount rate for liquidity	5.28% – 11.49%

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 no third-party prices exist, will use prices derived from internal models. Chief Investment Officers of each business units are required to review the reasonableness of the prices used and report price exceptions, if any. 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 Pricing Committee (GPC) 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 to 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.

FAIR VALUE FOR ASSETS AND LIABILITIES FOR WHICH THE FAIR VALUE IS DISCLOSED AT REPORTING DATE

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed as at 30 November 2014 is given below.

	Fair value hierarchy			
US$m	**Level 1**	**Level 2**	**Level 3**	**Total**
30 November 2014				
Assets for which the fair value is disclosed				
Financial assets				
Loans and deposits	**632**	**3,293**	**3,750**	**7,675**
Reinsurance receivables	**–**	**240**	**–**	**240**
Other receivables	**–**	**1,534**	**98**	**1,632**
Accrued investment income	**15**	**1,330**	**–**	**1,345**
Cash and cash equivalents	**1,835**	**–**	**–**	**1,835**
Investment property and property held for use				
Investment property (including land)	**–**	**–**	**3,639**	**3,639**
Property held for use (including land)	**–**	**–**	**1,492**	**1,492**
Total assets for which the fair value is disclosed	**2,482**	**6,397**	**8,979**	**17,858**
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment contract liabilities	**–**	**–**	**622**	**622**
Borrowings	**2,046**	**959**	**–**	**3,005**
Obligations under securities lending and repurchase agreement	**–**	**3,753**	**–**	**3,753**
Other liabilities	**204**	**3,027**	**90**	**3,321**
Total liabilities for which the fair value is disclosed	**2,250**	**7,739**	**712**	**10,701**

The Group engaged external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every financial year. The valuation on open market value basis by independent professional valuer for certain investment properties was calculated by reference to net rental income allowing for reversionary income potential. The fair values of other properties were derived using the Market Data Approach. In this approach, the values are based on sales and listing of comparable property registered in the vicinity.

In valuing the investment properties and properties in use, the current use of the properties are considered to be its highest and best use; records of recent sales and offerings of similar property are analysed and comparison made for such factors as size, location, quality and prospective use.

The investment properties and properties in use are valued on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible. Records of recent sales and offerings of similar property are analysed and comparison made for such factors as size, location, quality and prospective use. In limited occasions, potential redevelopment of the properties in use would be taken into account when they would maximise the fair value of the properties; the Group is occupying these properties for operational purposes.

24. Other assets

US$m	As at 30 November 2014	As at 30 November 2013 (As adjusted)
Accrued investment income	**1,345**	1,368
Pension scheme assets		
Defined benefit pension scheme surpluses	**25**	22
Insurance receivables due from insurance and investment contract holders	**998**	870
Others	**1,385**	1,283
Total	**3,753**	3,543

All amounts other than prepayments in respect of operating leases of leasehold land are generally expected to be recovered within 12 months after the end of the reporting period. Prepayments in respect of operating leases of land are expected to be recovered over the period of the leases shown below.

Below sets out an analysis of the Group's interest in land and land use rights:

	As at 30 November 2014				As at 30 November 2013			
US$m	**Property, plant and equipment**	**Investment property**	**Prepayments of operating leases**	**Total**	Property, plant and equipment	Investment property	Prepayments of operating leases	Total
Land held in Hong Kong								
Long-term leases (>50 years)	**43**	**588**	**288**	**919**	43	589	292	924
Medium-term leases (10 to 50 years)	**-**	**-**	**-**	**-**	–	–	–	–
Short-term leases (<10 years)	**-**	**-**	**-**	**-**	–	–	–	–
Land held outside Hong Kong								
Freehold	**88**	**225**	**-**	**313**	75	157	–	232
Long-term leases (>50 years)	**2**	**-**	**54**	**56**	2	–	56	58
Medium-term leases (10 to 50 years)	**-**	**-**	**100**	**100**	–	–	105	105
Short-term leases (<10 years)	**-**	**-**	**-**	**-**	–	–	–	–
Total	**133**	**813**	**442**	**1,388**	120	746	453	1,319

25. Impairment of financial assets

In accordance with the Group's accounting policies, impairment reviews were performed for available for sale securities and loans and receivables.

AVAILABLE FOR SALE DEBT SECURITIES

During the year ended 30 November 2014, no impairment losses (2013: US$nil) were recognised in respect of available for sale debt securities.

The carrying amounts of available for sale debt securities that are individually determined to be impaired at 30 November 2014 was US$48m (2013: US$66m).

LOANS AND RECEIVABLES

The Group's primary potential credit risk exposure in respect of loans and receivables arises in respect of policy loans and a portfolio of mortgage loans on residential and commercial real estate (see note 21 Financial investments for further details). The Group's credit exposure on policy loans is mitigated because, if and when the total indebtedness on any policy, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Group has a first lien on all policies which are subject to policy loans.

The carrying amounts of loans and receivables that are individually determined to be impaired at 30 November 2014 was US$25m (2013: US$22m).

The Group has a portfolio of residential and commercial mortgage loans which it originates. To the extent that any such loans are past their due dates specific allowance is made, together with a collective allowance, based on historical delinquency. Insurance receivables are short-term in nature and cover is not provided if consideration is not received. An ageing of accounts receivable is not provided as all amounts are due within one year and cover is cancelled if consideration is not received.

26. Cash and cash equivalents

US$m	**As at 30 November 2014**	As at 30 November 2013 (As adjusted)
Cash	**1,067**	1,248
Cash equivalents	**768**	1,068
Total(1)	**1,835**	2,316

Note:

(1) Of cash and cash equivalents, US$467m (2013: US$428m) are held to back unit-linked contracts and US$29m (2013: US$88m) 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.

27. Insurance contract liabilities

The movement of insurance contract liabilities (including liabilities in respect of investment contracts with DPF) is shown as follows:

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013 (As adjusted)
At beginning of financial year	**103,436**	90,613
Valuation premiums and deposits	**20,273**	17,755
Liabilities released for policy termination or other policy benefits paid and related expenses	**(12,170)**	(10,917)
Fees from account balances	**(954)**	(843)
Accretion of interest	**3,442**	3,288
Foreign exchange movements	**(2,699)**	(2,674)
Change in net asset values attributable to policyholders	**2,055**	702
Acquisition of subsidiaries	**–**	5,396
Other movements	**(286)**	116
At end of financial year	**113,097**	103,436

BUSINESS DESCRIPTION

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

Type of contract		Material terms and conditions	Nature of benefits and compensation for claims	Factors affecting contract cash flows	Key reportable segments
Traditional participating life assurance with DPF	Participating funds	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing of dividend declarations is at the discretion of the insurer. Local regulations generally prescribe a minimum proportion of policyholder participation in declared dividends	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations	• Investment performance • Expenses • Mortality • Surrenders	Singapore, China, Malaysia
	Other participating business	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends, the timing or amount of which is at the discretion of the insurer taking into account factors such as investment experience	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations	• Investment performance • Expenses • Mortality • Surrenders	Hong Kong, Thailand, Other Markets
Traditional non-participating life		Benefits paid on death, maturity, sickness or disability that are fixed and guaranteed and not at the discretion of the insurer	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole	• Mortality • Morbidity • Lapses • Expenses	All(1)
Accident and health		These products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole	• Mortality • Morbidity • Lapses • Expenses • Claims experience	All(1)
Unit-linked		Unit-linked contracts combine savings with protection, the cash value of the policy depending on the value of unitised funds	Benefits are based on the value of the unitised funds and death benefits	• Investment performance • Lapses • Expenses • Mortality	All(1)
Universal life		The customer pays flexible premiums subject to specified limits accumulated in an account balance which are credited with interest at a rate set by the insurer, and a death benefit which may be varied by the customer	Benefits are based on the account balance and death benefit	• Investment performance • Crediting rates • Lapses • Expenses • Mortality	All(1)

Note:

(1) Other than the Group Corporate Centre segment.

METHODOLOGY AND ASSUMPTIONS

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

		Market and credit risk			
		Direct exposure			
Type of contract		**Insurance and investment contract liabilities**	**Risks associated with related investment portfolio**	**Indirect exposure**	**Significant insurance and lapse risks**
Traditional participating life assurance with DPF	Participating funds	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Investment performance subject to smoothing through dividend declarations	• Impact of persistency on future dividends • Mortality
	Other participating business	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Investment performance	• Impact of persistency on future dividends • Mortality
Traditional non-participating life assurance		• Investment performance • Credit risk • Asset-liability mismatch risk	• Guarantees • Asset-liability mismatch risk	• Not applicable	• Mortality • Persistency • Morbidity
Accident and health		• Loss ratio • Asset-liability mismatch risk	• Investment performance • Credit risk • Asset-liability mismatch risk	• Not applicable	• Claims experience • Morbidity • Persistency
Pension		• Net neutral • Asset-liability mismatch risk	• Net neutral • Asset-liability mismatch risk	• Performance-related investment management fees	• Persistency
Unit-linked		• Net neutral	• Net neutral	• Performance-related investment management fees	• Persistency • Mortality
Universal life		• Guarantees • Asset-liability mismatch risk	• Investment performance • Credit risk • Asset-liability mismatch risk	• Spread between earned rate and crediting rate to policyholders	• Mortality • Persistency • Withdrawals

The Group is also exposed to foreign exchange rate risk in respect of its operations, and to interest rate risk, credit risk and equity price risk on assets representing net shareholders' equity, and to expense risk to the extent that actual expenses exceed those that can be charged to insurance and investment contract holders on non-participating business. Expense assumptions applied in the Group's actuarial valuation models assume a continuing level of business volumes.

Valuation interest rates

As at 30 November 2014 and 2013, the ranges of applicable valuation interest rates for traditional insurance contracts, which vary by territory, year of issuance and products, within the first 20 years are as follows:

	As at 30 November 2014	As at 30 November 2013
Hong Kong	**3.50% – 7.50%**	3.50% – 7.50%
Thailand	**3.25% – 9.00%**	3.25% – 9.00%
Singapore	**2.00% – 7.25%**	2.00% – 7.25%
Malaysia	**3.70% – 8.90%**	3.70% – 8.90%
China	**2.75% – 7.00%**	2.75% – 7.00%
Korea	**3.33% – 6.50%**	3.33% – 6.50%
Philippines	**2.20% – 9.20%**	2.20% – 9.20%
Indonesia	**3.10% – 10.80%**	3.10% – 10.80%
Vietnam	**5.07% – 12.25%**	5.07% – 12.25%
Australia	**3.83% – 7.11%**	3.83% – 7.11%
New Zealand	**3.83% – 5.75%**	3.83% – 5.75%
Taiwan	**1.75% – 6.50%**	1.75% – 6.50%
Sri Lanka	**9.30% – 11.90%**	9.69% – 12.69%

28. Investment contract liabilities

US$m	**Year ended 30 November 2014**	Year ended 30 November 2013
At beginning of financial year	**8,698**	8,865
Effect of foreign exchange movements	**(71)**	(83)
Investment contract benefits	**344**	301
Fees charged	**(174)**	(187)
Net withdrawals and other movements	**(860)**	(198)
At end of financial year	**7,937**	8,698

29. Effect of changes in assumptions and estimates

The table below sets out the sensitivities of the assumptions in respect of insurance and investment contracts with DPF to key variables. This disclosure only allows for the impact on liabilities and related assets, such as reinsurance, and deferred acquisition costs and does not allow for offsetting movements in the fair value of financial assets backing those liabilities.

US$m	**As at 30 November 2014**	As at 30 November 2013
(Increase)/decrease in insurance contract liabilities, increase/(decrease) in equity and profit before tax		
0.5 pps increase in investment return	**14**	12
0.5 pps decrease in investment return	**(14)**	(15)
10% increase in expenses	**(4)**	(3)
10% increase in mortality rates	**(21)**	(19)
10% increase in lapse/discontinuance rates	**(16)**	(18)

Future policy benefits for traditional life insurance policies (including investment contracts with DPF) are calculated using a net level premium valuation method with reference to best estimate assumptions set at policy inception date unless a deficiency arises on liability adequacy testing. There is no impact of the above assumption sensitivities on the carrying amount of traditional life insurance liabilities as the sensitivities presented would not have triggered a liability adequacy adjustment. During the years presented there was no effect of changes in assumptions and estimates on the Group's traditional life products.

For interest sensitive insurance contracts, such as universal life products and unit-linked contracts, assumptions are made at each reporting date including mortality, persistency, expenses, future investment earnings and future crediting rates.

The impact of changes in assumptions on the valuation of insurance and investment contracts with DPF was US$3m decrease in profit (2013: US$9m decrease).

30. Borrowings

US$m	**As at 30 November 2014**	As at 30 November 2013
Bank loans and bank credit facilities	**808**	809
Medium term notes	**2,126**	1,141
Total	**2,934**	1,950

Properties with a book value of US$874m at 30 November 2014 (2013: US$882m) and a fair value of US$2,135m at 30 November 2014 (2013: US$2,020m) and cash and cash equivalents and term deposits with a book value of US$21m (2013: US$19m) are pledged as security with respect to amounts disclosed as bank loans and bank credit facilities above. Interest on loans reflects market rates of interest. Interest expense on borrowings is shown in note 10. Further information relating to interest rates and the maturity profile of borrowings is presented in note 38.

On 30 November 2012, the Group obtained a 12-month bank loan facility of HK$2,507m (approximately US$323m). The loan bore interest based upon HIBOR. Subsequently on 9 July 2013, the Group entered into a 3-year multicurrency bank facility in an aggregate amount equal to US$323m with floating rate interest for refinancing the existing loan.

On 13 March 2013, the Group issued a 5-year and a 10-year fixed rate medium term notes at nominal amount of US$500m each; these notes bear annual interest of 1.750 per cent and 3.125 per cent respectively. On 4 November 2013, the Group issued a 3-year floating rate medium term note at nominal amount of HK$1,160m (approximately US$150m); the note bears interest based upon HIBOR. On 11 March 2014, the Group issued a 5-year and a 30-year fixed rate medium term notes at nominal amount of US$500m each; these notes bear annual interest of 2.250 per cent and 4.875 per cent respectively. The four US dollar medium term notes at nominal amount of US$500m each are listed on The Stock Exchange of Hong Kong Limited. The net proceeds from these notes are used for general corporate purposes.

On 8 October 2013, the Group entered into a committed multicurrency revolving credit facility in an aggregate amount equal to US$300m. The revolving credit facility bears floating rate interest. No facility was drawn down as at 30 November 2014.

31. Obligations under securities lending and repurchase agreements

The Group has entered into securities lending agreement whereby securities are loaned to a national monetary authority. In addition, the Group has entered into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date.

The securities related to these agreements are not derecognised from the Group's consolidated statement of financial position, but are retained within the appropriate financial asset classification. During the term of the securities lending and 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 securities lending or repurchase agreements which do not qualify for derecognition at each year end:

US$m	**As at 30 November 2014**	As at 30 November 2013
Debt securities – AFS		
Repurchase agreements	**3,243**	1,552
Debt securities – FVTPL		
Securities lending	**299**	312
Repurchase agreements	**598**	332
Total	**4,140**	2,196

COLLATERAL

At 30 November 2014, the Group had pledged debt securities with carrying value of US$5m (2013: US$10m) and held cash collateral of US$10m (2013: US$nil) and debt securities collateral of US$2m (2013: US$2m) based on the initial 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 consolidated statement of financial position.

The securities lending transactions outstanding as at 30 November 2014 are conducted with a national monetary authority on securities denominated in local currency issued by the same authority.

The following table shows the obligations under repurchase agreements at each year end:

US$m	**As at 30 November 2014**	As at 30 November 2013
Repurchase agreements	**3,753**	1,889

32. Offsetting of financial assets and financial liabilities

OFFSETTING, ENFORCEABLE MASTER NETTING AGREEMENTS AND SIMILAR AGREEMENTS

The following table shows the assets that are subject to offsetting, enforceable master netting agreements and similar arrangements at each year end:

US$m	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral received	Net amount
30 November 2014						
Financial assets:						
Derivative assets	**265**	**–**	**265**	**(2)**	**(147)**	**116**
Reverse repurchase agreements	**101**	**–**	**101**	**(101)**	**–**	**–**
	366	**–**	**366**	**(103)**	**(147)**	**116**

US$m	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral received	Net amount
30 November 2013						
Financial assets:						
Derivative assets	445	–	445	(24)	(236)	185
Reverse repurchase agreements	81	–	81	(81)	–	–
	526	–	526	(105)	(236)	185

The following table shows the liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements at each year end:

US$m	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged	Net amount
30 November 2014						
Financial liabilities:						
Derivative liabilities	**211**	**–**	**211**	**(96)**	**(20)**	**95**
Repurchase agreements, securities lending, and similar arrangements	**3,753**	**–**	**3,753**	**(3,753)**	**–**	**–**
	3,964	**–**	**3,964**	**(3,849)**	**(20)**	**95**

US$m	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged	Net amount
30 November 2013						
Financial liabilities:						
Derivative liabilities	89	–	89	(31)	(21)	37
Repurchase agreements, securities lending, and similar arrangements	1,889	–	1,889	(1,889)	–	–
	1,978	–	1,978	(1,920)	(21)	37

The Group entered into enforceable master netting agreements for derivative transactions, as well as the repurchase agreements and securities lending agreements for debt instruments with various counterparties. Except for certain futures contracts executed through clearing house mechanism where the settlement arrangement satisfied the IFRS netting criteria, the transactions under the enforceable master netting agreements and similar agreements involving the exchange of financial instruments or cash as collateral do not satisfy the IFRS netting criteria. The provision in the master netting agreement and similar agreements enables a party to terminate transactions early and settle at a net amount if a default or termination event occurs.

33. Provisions

US$m	Employee benefits	Other	Total
At 1 December 2012 – As adjusted	133	118	251
Charged to the consolidated income statement	12	59	71
Credited to other comprehensive income	(32)	–	(32)
Acquisition of subsidiaries	2	10	12
Exchange differences	(3)	(2)	(5)
Released during the year	(11)	(15)	(26)
Utilised during the year	(4)	(89)	(93)
Other movements	9	–	9
At 30 November 2013 – As adjusted	**106**	**81**	**187**
Charged to the consolidated income statement	**15**	**61**	**76**
Charged to other comprehensive income	**9**	**–**	**9**
Exchange differences	**(3)**	**(2)**	**(5)**
Released during the year	**(3)**	**(19)**	**(22)**
Utilised during the year	**(3)**	**(32)**	**(35)**
Other movements	**3**	**–**	**3**
At 30 November 2014	**124**	**89**	**213**

OTHER PROVISIONS

Other provisions comprise provisions in respect of regulatory matters, litigation, reorganisation and restructuring. In view of the diverse nature of the matters provided for and the contingent nature of the matters to which they relate, the Group is unable to provide an accurate assessment of the term over which provisions are expected to be utilised.

34. Other liabilities

US$m	**As at 30 November 2014**	As at 30 November 2013 (As adjusted)
Trade and other payables	**2,926**	2,556
Third-party interests in consolidated investment funds	**1,221**	1,197
Reinsurance payables	**395**	301
Total	**4,542**	4,054

Third-party interests in consolidated investment funds consist of third-party unit holders' interests in consolidated investment funds which are reflected as a liability since they can be put back to the Group for cash.

Trade and other payables are generally expected to be settled within 12 months after the end of the reporting period. The realisation of third-party interests in investment funds cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds held to back insurance and investment contract liabilities and are subject to market risk and the actions of third-party investors.

35. Share capital and reserves

SHARE CAPITAL

	As at 30 November 2014 **Million shares**	**US$m**	As at 30 November 2013 Million shares	US$m
At beginning of the financial year	**12,044**	**12,044**	12,044	12,044
Transfers from share premium on 3 March 2014	**–**	**1,914**	–	–
Shares issued under share option scheme	**1**	**4**	–	–
At end of the financial year	**12,045**	**13,962**	12,044	12,044
Share premium		**–**		1,914

There were 1,117,224 shares issued under share option schemes during the year ended 30 November 2014 (2013: nil).

Except for 19,404,804 shares (2013: 21,274,914 shares) of the Company purchased by and 320,390 shares (2013: nil) of the Company sold by the employee share-based trusts, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 November 2014. These purchases and sales 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. As at 30 November 2014, 73,219,060 shares (2013: 74,598,995 shares) of the Company were held by the employee share-based trusts.

During the year ended 30 November 2014, 20,464,365 vested shares were transferred to eligible employees, directors and officers of the Group under share-based compensation plans. Please refer to note 40 for details.

The transfer of share premium to share capital resulted from the abolition of nominal value of shares under the New Companies Ordinance which is effective from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

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 schemes. Those shares acquired by the trusts, to the extent not transferred to the participants upon vesting, are reported as "Employee share-based trusts".

Other reserves

Other reserves mainly include the impact of merger accounting for business combinations under common control and share-based compensation.

36. Non-controlling interests

US$m	As at 30 November 2014	As at 30 November 2013
Equity shares in subsidiaries	**59**	63
Share of earnings	**52**	45
Share of other reserves	**38**	37
Total	**149**	145

37. Group capital structure

CAPITAL MANAGEMENT APPROACH

The Group's capital management objectives focus on maintaining a strong capital base to support the development of its business, maintaining the ability to move capital freely and satisfying regulatory capital requirements at all times.

The Group's capital management function oversees all capital-related activities of the Group and assists senior management in making capital decisions. The capital management function participates in decisions concerning asset-liability management, strategic asset allocation and ongoing solvency management. This includes ensuring capital considerations are paramount in the strategy and business planning processes and when determining the AIA's capacity to pay dividends to shareholders.

REGULATORY SOLVENCY

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 Office of the Commissioner of Insurance (HKOCI), which requires that AIA Co. and AIA International meet the solvency margin requirements of the Hong Kong Insurance Companies Ordinance (HKICO). The HKICO (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. The HKOCI requires AIA Co. and AIA International to maintain an excess of assets over liabilities of not less than the required minimum solvency margin. The amount required under the HKICO is 100 per cent of the required minimum solvency margin. The excess of assets over liabilities to be maintained by AIA Co. and AIA International required by the HKOCI is not less than 150 per cent of the required minimum solvency margin.

The capital positions of the Group's two principal operating companies as of 30 November 2014 and 2013 are as follows:

	30 November 2014			30 November 2013		
US$m	**Total available capital**	**Regulatory minimum capital**	**Solvency ratio**	Total available capital	Regulatory minimum capital	Solvency ratio
AIA Co.	**6,730**	**1,577**	**427%**	6,057	1,399	433%
AIA International	**6,319**	**1,641**	**385%**	4,752	1,422	334%

For these purposes, the Group defines total available capital as the amount of assets in excess of liabilities measured in accordance with the HKICO and "regulatory minimum capital" as the minimum required margin of solvency calculated in accordance with the HKICO. 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 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 HKOCI of their solvency margin position based on their annual audited accounts, and the Group's other operating units perform similar annual filings with their respective local regulators.

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 from Thailand without the consent of the Office of the Insurance Commission in Thailand. The payment of dividends, distributions and other payments to shareholders is subject to the oversight of the HKOCI.

CAPITAL AND REGULATORY ORDERS SPECIFIC TO THE GROUP

As of 30 November 2014, the requirements and restrictions summarised below may be considered material to the Group and remain in effect unless otherwise stated.

Hong Kong Office of the Commissioner of Insurance

AIA Group Limited has given to the Insurance Authority an undertaking that AIA Group Limited will:

(i) ensure that (a) AIA Co. and AIA International will at all times maintain a solvency ratio of not less than 150 per cent, both on an individual insurer basis and on an AIA Co./AIA International consolidated basis; (b) it will not withdraw capital or transfer any funds or assets out of either AIA Co. or AIA International that will cause AIA Co.'s or AIA International's solvency ratio to fall below 150 per cent, except with, in either case, the prior written consent of the Insurance Authority; and (c) should the solvency ratio of either AIA Co. or AIA International fall below 150 per cent, AIA Group Limited will take steps as soon as possible to restore it to at least 150 per cent in a manner acceptable to the Insurance Authority;

(ii) notify the Insurance Authority in writing as soon as the Company becomes aware of any person (a) becoming a controller (within the meaning of Section 9(1)(c)(ii) of the HKICO) of AIA Co. and AIA International through the acquisition of our shares traded on the HKSE; or (b) ceasing to be a controller (within the meaning of Section 9(1)(c)(ii) of the HKICO) of AIA Co. and AIA International through the disposal of our shares traded on the HKSE;

(iii) be subject to the supervision of the Insurance Authority and AIA Group Limited will be required to continually comply with the Insurance Authority's guidance on the "fit and proper" standards of a controller pursuant to Section 8(2) of the HKICO. The Insurance Authority is empowered by the HKICO to raise objection if it appears to it that any person is not fit and proper to be a controller or director of an authorised insurer. These standards include the sufficiency of a holding company's financial resources; the viability of a holding company's business plan for its insurance subsidiaries which are regulated by the Insurance Authority; the clarity of the Group's legal, managerial and operational structures; the identities of any other holding companies or major regulated subsidiaries; whether the holding company, its directors or controllers is subject to receivership, administration, liquidation or other similar proceedings or failed to satisfy any judgement debt under a court order or the subject of any criminal convictions or in breach of any statutory or regulatory requirements; the soundness of the Group's corporate governance; the soundness of the Group's risk management framework; the receipt of information from its insurance subsidiaries which are regulated by the Insurance Authority to ensure that they are managed in compliance with applicable laws, rules and regulation; and its role in overseeing and managing the operations of its insurance subsidiaries which are regulated by the Insurance Authority; and

(iv) fulfil all enhancements or improvements to the guidance referred to in subparagraph (iii) above, as well as administrative measures issued from time to time by the Insurance Authority or requirements that may be prescribed by the Insurance Authority in accordance with the HKICO, regulations under the HKICO or guidance notes issued by the Insurance Authority from time to time.

38. Risk management

RISK MANAGEMENT FRAMEWORK

AIA recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. The Risk Management Framework (RMF) provides the structure for identifying, quantifying and mitigating risk across the Group. An effective RMF is the key to avoiding the financial and reputational damage that arises from inadequate or ineffective control of the risks in the business.

INSURANCE RISK

Insurance risk is the potential loss resulting from mortality, morbidity, persistency, longevity and adverse expense experience. This includes the potential impacts from catastrophic events such as pandemics and natural disasters.

The Group manages its exposure to insurance risk at each stage of the process, which includes:

- Product design;
- Underwriting, claims & expense discipline;
- Sales quality;
- Experience management;
- Research; and
- Reinsurance.

Product design

The Group manages product design risk through the New Product Approval Process where products are reviewed against pricing, design and operational risk benchmarks agreed by the Group's Financial Risk Committee (FRC). Local business units work closely with a number of Group functions including product management, actuarial, legal, compliance, risk and underwriting. The Group monitors closely the performance of new products and focuses on actively managing each part of the actuarial control cycle to minimise risk in the in-force book as well as for new products.

Underwriting, claims & expense discipline

Professional underwriting together with active management of expenses reduces the risk of actual experience being adverse compared with the assumptions used in the pricing of products. The Group adheres to well-defined market-oriented underwriting and claims guidelines and practices that have been developed based on extensive historical experience. Daily operations also follow a disciplined budgeting and control process that allows for the management of expenses within pricing estimates based on the Group's very substantial experience within the markets in which we operate.

Sales quality

Ensuring customers buy products that meet their needs is central to the Group's operating philosophy. Through comprehensive sales training programmes and active monitoring and management of sales activities and persistency, the Group seeks to ensure that appropriate products are sold by sales representatives and that standards of service consistently meet or exceed our customers' reasonable expectations. This allows the Group to meet customer needs while also delivering sustainable value to shareholders through the consistent income derived from a large and predictable in-force book of business across a broad set of markets.

Experience management

The Group conducts regular experience studies of all the insurance risk factors in its in-force book. These internal studies together with external data are used to identify emerging trends which can then be used to inform product design, pricing, underwriting, claims management and reinsurance needs.

Research

Through monitoring the development of both local and global trends in medical technology, health and wellness, the impact of legislation and general social, political and economic conditions the Group seeks to anticipate and respond promptly to potential adverse experience impacts on its products.

Reinsurance

The Group uses reinsurance solutions to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophic events such as pandemics or natural disasters.

FINANCIAL RISKS

Financial risk is the potential loss resulting from adverse movements in financial markets, changes in the financial condition of counterparties and in market liquidity to buy and sell investments. The Group is exposed to a range of financial risks, including credit risk, market risk, and liquidity risk. The Group manages its exposure to financial risk within tolerances agreed by the FRC.

The following section summarises the Group's key risk exposures and the primary policies and processes used by the Group to manage its exposures to these risks.

Credit risk

Credit risk is the risk that third parties fail to meet their obligations to the Group when they fall due. Credit risk occurs wherever reliance is placed on a third party to satisfy a financial obligation. 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 management of all credit risk occurs on two levels within AIA. The Credit Research team in the Investment Department performs a detailed analysis of individual counterparties and recommends a rating within the internal ratings framework. The Group Risk function manages the Group's internal ratings framework and reviews these recommendations and, where appropriate, makes recommendations for revisions from time to time. Agreed internal ratings are then used to determine the Group's appetite for exposure to each counterparty.

A matrix of risk tolerances has been approved by the FRC that ensures that credit risk in the investment portfolio is contained within AIA's Risk Appetite. These tolerances cover individual counterparty, segmental concentration and cross-border exposures. The Investment Department has discretion to shape the portfolio within those risk tolerances, seeking further Group approvals through the risk governance framework where they wish to invest outside those tolerances. If certain investments are technically within risk tolerances but there is a specific concern, Group Risk brings these to the attention of the FRC for inclusion in the Group Watch List.

Market risk

Market risk is the risk of financial loss from adverse movements in the value of assets owing to market factors, including changes in interest and foreign exchange rates, as well as movements in the spread of credit instruments to corresponding government bonds, or credit spread risk, and in equity and property prices.

The FRC approves all policies and metrics associated with the evaluation of market risk exposures.

Interest rate risk

The Group's exposure to interest rate risk predominantly arises from any difference between the duration of the Group's liabilities and assets, in particular in relation to the reinvestment of maturing assets to meet the Group's commitments, predominantly its insurance liabilities. This exposure can be heightened in products with inherent interest rate options or guarantees.

The Group manages interest rate risk by ensuring appropriate insurance product design and underlying assumptions as part of the product approval process and by matching, to the extent possible and appropriate, the duration of investment assets with the duration of insurance liabilities. For in-force policies, we regularly review the policyholder bonus payout and crediting rates applicable to policyholder account balances, considering amongst other things bond yields and policyholders' reasonable expectations.

Exposure to interest rate risk

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities. In preparing this analysis, fixed rate interest bearing instruments that mature or reprice within 12 months of the reporting date have been disclosed as variable rate instruments.

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
30 November 2014				
Financial assets				
Loans and deposits	**1,062**	**6,570**	**22**	**7,654**
Other receivables	**18**	**–**	**1,589**	**1,607**
Debt securities	**7,156**	**94,907**	**–**	**102,063**
Equity securities	**–**	**–**	**28,827**	**28,827**
Reinsurance receivables	**–**	**–**	**240**	**240**
Accrued investment income	**–**	**–**	**1,345**	**1,345**
Cash and cash equivalents	**1,674**	**–**	**161**	**1,835**
Derivative financial instruments	**–**	**–**	**265**	**265**
Total financial assets	**9,910**	**101,477**	**32,449**	**143,836**
Financial liabilities				
Investment contract liabilities	**–**	**–**	**7,937**	**7,937**
Borrowings	**958**	**1,976**	**–**	**2,934**
Obligations under securities lending and repurchase agreements	**3,753**	**–**	**–**	**3,753**
Other liabilities	**159**	**–**	**4,383**	**4,542**
Derivative financial instruments	**–**	**–**	**211**	**211**
Total financial liabilities	**4,870**	**1,976**	**12,531**	**19,377**

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
30 November 2013 – As adjusted				
Financial assets				
Loans and deposits	1,258	6,198	28	7,484
Other receivables	3	29	1,441	1,473
Debt securities	7,202	80,121	–	87,323
Equity securities	–	–	26,102	26,102
Reinsurance receivables	–	–	141	141
Accrued investment income	–	114	1,254	1,368
Cash and cash equivalents	2,165	–	151	2,316
Derivative financial instruments	–	–	445	445
Total financial assets	10,628	86,462	29,562	126,652
Financial liabilities				
Investment contract liabilities	–	–	8,698	8,698
Borrowings	991	959	–	1,950
Obligations under securities lending and repurchase agreements	1,889	–	–	1,889
Other liabilities	–	–	4,054	4,054
Derivative financial instruments	–	–	89	89
Total financial liabilities	2,880	959	12,841	16,680

Equity price risk

Equity price risk arises from changes in the market value of equity securities and equity funds. Investment in equity assets on a long-term basis is expected to provide diversification benefits and enhance returns.

Sensitivity analysis

Sensitivity analysis to the key variables affecting financial assets and liabilities is set out in the table below. Information relating to sensitivity of insurance and investment contracts with DPF is provided in note 29. 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 described in note 2. Information is presented to illustrate the estimated impact on profits and net assets 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 net assets 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. Because 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 no corresponding effect on liabilities.

	30 November 2014		30 November 2013	
US$m	**Impact on profit before tax**	**Impact on net assets (before the effects of taxation)**	Impact on profit before tax	Impact on net assets (before the effects of taxation)
Equity price risk				
10 per cent increase in equity prices	**836**	**836**	691	691
10 per cent decrease in equity prices	**(836)**	**(836)**	(691)	(691)
Interest rate risk				
+ 50 basis points shift in yield curves	**(121)**	**(3,868)**	(98)	(2,827)
- 50 basis points shift in yield curves	**121**	**3,868**	98	2,827

Foreign exchange rate risk

At the Group level, foreign exchange rate risk arises mainly from our operations in multiple geographical markets in the Asia-Pacific region and the translation of multiple currencies to US dollars for financial reporting purposes. Generally, the Group seeks to match the currency applicable to its local liabilities and assets.

The Group's net foreign currency exposures and the estimated impact of changes in foreign exchange rates are set out in the tables below after taking into account derivative contracts entered into to hedge foreign exchange rate risk. Currencies for which net exposure is not significant are excluded from the analysis below. In compiling the table below the impact of a 5 per cent strengthening of original currency is stated relative to the functional currency of the relevant operation of the Group. The impact of a 5 per cent strengthening of the US dollar is also stated relative to functional currency. Currency exposure reflects the net notional amount of currency derivative positions as well as net equity by currency.

Net exposure

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	Korean Won
30 November 2014							
Equity analysed by original currency	**19,256**	**309**	**3,189**	**(2,472)**	**1,535**	**2,575**	**2,306**
Net notional amounts of currency derivative positions	**(6,180)**	**601**	**1,665**	**3,228**	**–**	**19**	**573**
Currency exposure	**13,076**	**910**	**4,854**	**756**	**1,535**	**2,594**	**2,879**
5% strengthening of original currency							
Impact on profit before tax	**144**	**17**	**5**	**26**	**2**	**23**	**30**
Impact on other comprehensive income	**(144)**	**(8)**	**238**	**11**	**75**	**107**	**114**
Impact on total equity	**–**	**9**	**243**	**37**	**77**	**130**	**144**
5% strengthening of the US dollar							
Impact on profit before tax	**144**	**8**	**(4)**	**(9)**	**(1)**	**(16)**	**(24)**
Impact on other comprehensive income	**(144)**	**(17)**	**(239)**	**(28)**	**(76)**	**(114)**	**(120)**
Impact on total equity	**–**	**(9)**	**(243)**	**(37)**	**(77)**	**(130)**	**(144)**

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	Korean Won
30 November 2013 – As adjusted							
Equity analysed by original currency	14,867	200	2,894	(2,380)	1,495	1,533	2,327
Net notional amounts of currency derivative positions	(5,683)	401	1,830	3,566	–	19	162
Currency exposure	9,184	601	4,724	1,186	1,495	1,552	2,489
5% strengthening of original currency							
Impact on profit before tax	78	(13)	5	28	4	24	30
Impact on other comprehensive income	(78)	7	231	32	71	54	95
Impact on total equity	–	(6)	236	60	75	78	125
5% strengthening of the US dollar							
Impact on profit before tax	78	28	(4)	(11)	(3)	(17)	(24)
Impact on other comprehensive income	(78)	(22)	(232)	(49)	(72)	(61)	(101)
Impact on total equity	–	6	(236)	(60)	(75)	(78)	(125)

Liquidity risk

AIA identifies liquidity risk as occurring in two ways, Funding Liquidity Risk and Investment Liquidity Risk. Funding Liquidity Risk is the risk that insufficient cash is available to meet payment obligations to counterparties as they fall due. This covers the need to ensure that cash or cash equivalent assets are available to cover expected insurance liabilities including any volatility in those liabilities arising from experience variance or from insurance products that permit surrender, withdrawal or other forms of early termination for a cash surrender value.

The local business units manage liquidity risk through insurance product design and by matching near-term expected cash flows from liabilities and assets. In this respect, the positive cash flows from the business provide an important source of liquidity.

At the Group level we hold sufficient cash and liquid assets to cover expected Group obligations and commitments.

Investment Liquidity Risk occurs in relation to our 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 benefit from the relatively low need for liquidity to cover those of their liabilities which are directly linked to mortality and morbidity, this risk is managed by regularly assessing the relative liquidity of the Group's assets and managing the size of individual holdings through risk tolerances. As disclosed in note 21 to the financial statements, most assets are in the form of marketable securities, which can typically be converted to cash quickly should the need arise.

US$m	Total	No fixed maturity	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
30 November 2014						
Financial assets						
Loans and deposits	**7,654**	**2,437**	**797**	**1,477**	**602**	**2,341**
Other receivables	**1,607**	**48**	**1,525**	**25**	**2**	**7**
Debt securities	**102,063**	**–**	**3,322**	**18,724**	**26,689**	**53,328**
Equity securities	**28,827**	**28,827**	**–**	**–**	**–**	**–**
Reinsurance receivables	**240**	**–**	**240**	**–**	**–**	**–**
Accrued investment income	**1,345**	**4**	**1,335**	**6**	**–**	**–**
Cash and cash equivalents	**1,835**	**–**	**1,835**	**–**	**–**	**–**
Derivative financial instruments	**265**	**–**	**102**	**151**	**7**	**5**
Total	**143,836**	**31,316**	**9,156**	**20,383**	**27,300**	**55,681**
Financial and insurance contract liabilities						
Insurance and investment contract liabilities (net of reinsurance)	**119,592**	**–**	**(967)**	**937**	**8,763**	**110,859**
Borrowings	**2,934**	**–**	**410**	**1,537**(1)	**497**	**490**
Obligations under securities lending and repurchase agreements	**3,753**	**–**	**3,753**	**–**	**–**	**–**
Other liabilities	**4,542**	**1,221**	**3,248**	**33**	**1**	**39**
Derivative financial instruments	**211**	**–**	**13**	**58**	**132**	**8**
Total	**131,032**	**1,221**	**6,457**	**2,565**	**9,393**	**111,396**

Note:

(1) Includes amounts of US$1,390m falling due after 2 years through 5 years.

US$m	Total	No fixed maturity	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
30 November 2013 – As adjusted						
Financial assets						
Loans and deposits	7,484	2,387	952	1,139	818	2,188
Other receivables	1,473	70	1,297	97	2	7
Debt securities	87,323	–	3,686	17,461	24,520	41,656
Equity securities	26,102	26,102	–	–	–	–
Reinsurance receivables	141	–	141	–	–	–
Accrued investment income	1,368	–	1,258	43	67	–
Cash and cash equivalents	2,316	–	2,316	–	–	–
Derivative financial instruments	445	–	124	311	10	–
Total	126,652	28,559	9,774	19,051	25,417	43,851
Financial and insurance contract liabilities						
Insurance and investment contract liabilities (net of reinsurance)	110,896	–	(699)	694	9,077	101,824
Borrowings	1,950	–	322	1,130[1]	498	–
Obligations under securities lending and repurchase agreements	1,889	–	1,889	–	–	–
Other liabilities	4,054	1,197	2,857	–	–	–
Derivative financial instruments	89	–	–	29	54	6
Total	118,878	1,197	4,369	1,853	9,629	101,830

Note:

(1) Includes amounts of US$719m falling due after 2 years through 5 years.

39. Employee benefits

DEFINED BENEFIT PLANS

The Group operates funded and unfunded defined benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Hong Kong, Singapore, Malaysia, Thailand, Taiwan, Indonesia, the Philippines, Sri Lanka, Korea and Vietnam. The latest independent actuarial valuations of the plans were at 30 November 2014 and were prepared by credentialed actuaries of Mercer (Hong Kong) Limited. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 46 per cent (2013: 51 per cent) covered by the plan assets held by the trustees. The fair value of plan assets as at year end at the date of valuation was US$83m (2013: US$87m). The total expenses relating to these plans recognised in the consolidated income statement was US$14m (2013 as adjusted: US$12m).

DEFINED CONTRIBUTION PLANS

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was US$60m (2013: US$54m). Employees and the employer are required to make monthly contributions equal to 2 per cent to 21 per cent of the employees' monthly basic salaries, depending on years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

40. Share-based compensation

SHARE-BASED COMPENSATION PLANS

During the year ended 30 November 2014, the Group made further grants of share options, restricted share units (RSUs) and restricted stock purchase units to certain employees, directors and officers of the Group under the Share Option Scheme (SO Scheme), the Restricted Share Unit Scheme (RSU Scheme) and the Employee Share Purchase Plan (ESPP). As well, the Group made further grants of restricted stock subscription units to eligible agents under the Agency Share Purchase Plan (ASPP).

RSU Scheme

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period. For RSU grants that are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. For certain RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the participants at the end of the vesting period depending on the actual achievement of the performance conditions. During the vesting period, the participants are not entitled to dividends of the underlying shares. Except in jurisdictions where restrictions apply, the granted RSUs are expected to be settled in equity; grants that the Group has the legal or constructive obligation to settle in cash are insignificant to the Group. The maximum number of shares that can be granted under this scheme is 301,100,000 (2013: 301,100,000), representing 2.5 per cent (2013: 2.5 per cent) of the number of shares in issue at 30 November 2014.

Number of shares	**Year ended 30 November 2014**	Year ended 30 November 2013
Restricted Share Units		
Outstanding at beginning of financial year	**64,002,086**	50,450,631
Granted	**19,086,387**	20,645,534
Forfeited	**(4,585,447)**	(6,767,954)
Vested	**(19,912,607)**	(326,125)
Outstanding at end of financial year	**58,590,419**	64,002,086

SO Scheme

The objectives of the SO Scheme are to align eligible participants' interests with those of the shareholders of the Company by allowing eligible participants to share in the value created at the point they exercise their options. Share option (SO) grants are vested either entirely after a specific period of time or in tranches over the vesting period approximately three to five years, during which, the eligible participants are required to remain in employment with the Group. For SO grants vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. The granted share options expire 10 years from the date of grant and each share option entitles the eligible participant to subscribe for one ordinary share. Except in jurisdictions where restrictions apply, the granted share options are expected to be settled in equity; grants that the Group has the legal or constructive obligation to settle in cash are insignificant to the Group. The total number of shares under options that can be granted under the scheme is 301,100,000 (2013: 301,100,000), representing 2.5 per cent (2013: 2.5 per cent) of the number of shares in issue at 30 November 2014. The measurement dates for share option grants made in June 2011, March 2012, March 2013, March 2014 and April 2014 were determined to be 15 June 2011, 15 March 2012, 11 March 2013, 5 March 2014 and 14 April 2014 respectively, in accordance with IFRS 2.

Information about share options outstanding and share options exercisable by the Group's employees and directors as at the end of the reporting period is as follows:

	Year ended 30 November 2014		Year ended 30 November 2013	
	Number of share options	**Weighted average exercise price (HK$)**	Number of share options	Weighted average exercise price (HK$)
Share options				
Outstanding at beginning of financial year	**32,291,121**	**29.08**	28,171,257	27.64
Granted	**6,678,445**	**37.65**	7,490,459	34.35
Exercised	**(1,117,224)**	**27.35**	–	–
Forfeited or expired	**(746,423)**	**29.34**	(3,370,595)	28.77
Outstanding at end of financial year	**37,105,919**	**30.67**	32,291,121	29.08
Share options exercisable at end of financial year	**9,663,878**	**27.36**	–	–

The weighted average share price of the Group at the date the share option was exercised was HK$39.68 for the year ended 30 November 2014 (2013: nil).

The range of exercise prices for the share options outstanding as of 30 November 2014 and 2013 is summarised in the table below.

	Year ended 30 November 2014		Year ended 30 November 2013	
	Number of share options outstanding	**Weighted average remaining contractual life (years)**	Number of share options outstanding	Weighted average remaining contractual life (years)
Range of exercise price				
HK$26 – HK$35	**30,427,474**	**7.07**	32,291,121	8.05
HK$36 – HK$45	**6,678,445**	**9.27**	–	–
Outstanding at end of financial year	**37,105,919**	**7.47**	32,291,121	8.05

ESPP

Under the plan, eligible employees of the Group can purchase ordinary shares of the Company with qualified employee contributions and the Company will award one matching restricted stock purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the Group. The level of qualified employee contribution is limited to not more than 5 per cent of the annual basic salary subject to a maximum of US$15,000 per annum. The granted matching restricted stock purchase units are expected to be settled in equity. For the year ended 30 November 2014, eligible employees paid US$10m (2013: US$8m) to purchase 1,893,088 ordinary shares (2013: 1,745,775 ordinary shares) of the Company.

ASPP

The structure of the ASPP generally follows that of the ESPP, the key difference being that the eligible agents are required to pay a subscription price of US$1 to subscribe for each new share in the Company at the end of the vesting period. Under the plan, eligible agents of the Group can purchase ordinary shares of the Company with qualified agent contributions and the Company will award one matching restricted stock subscription unit to them at the end of the vesting period for each two shares purchased through the qualified agent contributions (agent contribution shares). Each restricted stock subscription unit entitles eligible agents to subscribe for one new share of the Company. Agent contribution shares are purchased from the open market. During the vesting period, the eligible agents must hold the contribution shares purchased during the plan cycle and maintain their agent contracts with the Group. The granted matching restricted stock subscription units are expected to be settled in equity. The level of qualified agent contribution is subject to a maximum of US$15,000 per annum. For the year ended 30 November 2014, eligible agents paid US$12m (2013: US$11m) to purchase 2,222,176 ordinary shares (2013: 2,365,707 ordinary shares) of the Company.

VALUATION METHODOLOGY

The Group utilises a binomial lattice model to calculate the fair value of the share option grants, 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 granted. 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 and takes into consideration the historical volatility of peer companies (the constituent companies in Dow Jones Insurance Titans 30 Index) in view of the short trading history of the Company's shares on the measurement date. 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. No allowance for forfeiture prior to vesting is 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.

	Year ended 30 November 2014			
	Share options	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions				
Risk-free interest rate	**2.14% – 2.22%**	**0.51% – 0.59%***	**0.37% – 0.94%**	**0.64%**
Volatility	**25%**	**25%**	**25% – 26%**	**25%**
Dividend yield	**1.2%**	**1.2%**	**1.2%**	**1.2%**
Exercise price (HK$)	**37.56 – 39.45**	**n/a**	**n/a**	**n/a**
Share option life (in years)	**10**	**n/a**	**n/a**	**n/a**
Expected life (in years)	**7.54**	**n/a**	**n/a**	**n/a**
Weighted average fair value per option/unit at measurement date (HK$)	**10.43**	**30.77**	**38.85**	**30.64**

	Year ended 30 November 2013 Share options	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions				
Risk-free interest rate	1.26%	0.25% – 0.37%*	0.12% – 0.66%	0.34%
Volatility	30%	30%	26% – 30%	30%
Dividend yield	1.1%	1.1%	1.1% – 1.3%	1.1%
Exercise price (HK$)	34.35	n/a	n/a	n/a
Share option life (in years)	10	n/a	n/a	n/a
Expected life (in years)	7.41	n/a	n/a	n/a
Weighted average fair value per option/unit at measurement date (HK$)	10.54	28.94	35.69	24.51

* Applicable to RSU with market conditions.

The weighted average share price for share option valuation for grants made during the year ended 30 November 2014 is HK$37.50 (2013: HK$34.35). The total fair value of share options granted during the year ended 30 November 2014 is US$9m (2013: US$9m).

RECOGNISED COMPENSATION COST

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU Scheme, SO Scheme, ESPP and ASPP by the Group for the year ended 30 November 2014 is US$84m (2013: US$77m).

41. Remuneration of directors and key management personnel

DIRECTORS' REMUNERATION

The Executive Director receives compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives, housing and other allowances, and benefits in kind subject to applicable laws, rules and regulations. Bonuses and long-term incentives represent the variable components in the Executive Director's compensation and are linked to the performance of the Group and the Executive Director. Details of share-based payment schemes are described in note 40.

US$	Director's fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Post-employment benefits	Share-based payments(1)	Inducement fees	Termination fees	Total
Year ended 30 November 2014									
Executive Director									
Mr. Mark Edward Tucker	-	2,052,688	4,244,400	83,876	-	8,896,950	-	-	15,277,914
Total	-	2,052,688	4,244,400	83,876	-	8,896,950	-	-	15,277,914

Notes:

(1) Include SOs and RSUs awarded based upon the fair value at grant date assuming maximum performance levels are achieved.

US$	Director's fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Post-employment benefits	Share-based payments[1]	Inducement fees	Termination fees	Total
Year ended 30 November 2013									
Executive Director									
Mr. Mark Edward Tucker	–	1,943,664	4,042,000	80,250	–	8,660,080[2]	–	–	14,725,994
Total	–	1,943,664	4,042,000	80,250	–	8,660,080	–	–	14,725,994

Notes:

(1) Include SOs and RSUs awarded based upon the fair value at grant date assuming maximum performance levels are achieved.

(2) The comparative information has been adjusted to conform to current year presentation.

The remuneration of Non-executive Directors and Independent Non-executive Directors of the Company at 30 November 2014 and 2013 are included in the tables below:

US$	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Post-employment benefits	Share-based payments	Inducement fees	Termination fees	Total
Year ended 30 November 2014									
Non-executive Director									
Mr. Edmund Sze-Wing Tse[1]	**575,126**	**92,883**	**-**	**-**	**-**	**-**	**-**	**-**	**668,009**
Independent Non-executive Directors									
Mr. Jack Chak-Kwong So	**220,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**220,000**
Mr. Chung-Kong Chow	**205,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**205,000**
Mr. John Barrie Harrison	**235,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**235,000**
Mr. George Yong-Boon Yeo	**207,425**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**207,425**
Mr. Mohamed Azman Yahya[2]	**141,918**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**141,918**
Professor Lawrence Juen-Yee Lau[2]	**38,521**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**38,521**
Dr. Qin Xiao[3]	**91,233**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**91,233**
Dr. Narongchai Akrasanee[3]	**142,630**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**142,630**
Total	**1,856,853**	**92,883**	**-**	**-**	**-**	**-**	**-**	**-**	**1,949,736**

Notes:

(1) US$24,126 which represents remuneration to Mr. Edmund Sze-Wing Tse in respect of his services as director of a subsidiary of the Company is included in his fees.

(2) Mr. Mohamed Azman Yahya and Professor Lawrence Juen-Yee Lau were appointed as Independent Non-executive Directors of the Company on 24 February 2014 and 18 September 2014, respectively.

(3) Dr. Qin Xiao and Dr. Narongchai Akrasanee resigned as Independent Non-executive Directors of the Company with effect from 30 May 2014 and 1 September 2014, respectively.

US$	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Post-employment benefits	Share-based payments	Inducement fees	Termination fees	Total
Year ended 30 November 2013									
Non-executive Director									
Mr. Edmund Sze-Wing Tse[(1)]	564,922	81,615	–	–	–	–	–	–	646,537
Independent Non-executive Directors									
Mr. Jack Chak-Kwong So	220,000	–	–	–	–	–	–	–	220,000
Mr. Chung-Kong Chow	205,000	–	–	–	–	–	–	–	205,000
Dr. Qin Xiao	190,890	–	–	–	–	–	–	–	190,890
Mr. John Barrie Harrison	235,000	–	–	–	–	–	–	–	235,000
Mr. George Yong-Boon Yeo	190,000	–	–	–	–	–	–	–	190,000
Dr. Narongchai Akrasanee	190,000	–	–	–	–	–	–	–	190,000
Mr. Barry Chun-Yuen Cheung[(2)]	100,685	–	–	–	–	–	–	–	100,685
Total	1,896,497	81,615	–	–	–	–	–	–	1,978,112

Notes:

(1) US$19,813 which represents remuneration to Mr. Edmund Sze-Wing Tse in respect of his services as director of a subsidiary of the Company is included in his fees.

(2) Mr. Barry Chun-Yuen Cheung resigned as Independent Non-executive Director of the Company with effect from 25 May 2013.

REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

The aggregate remuneration of the five highest paid individuals employed by the Group in each of the years ended 30 November 2014 and 2013 is presented in the table below.

US$	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Post-employment benefits	Share-based payments[(1)]	Inducement fees	Termination fees	Total
Year ended								
30 November 2014	**5,840,510**	**8,584,077**	**197,286**	**–**	**18,816,073**	**–**	**–**	**33,437,946**
30 November 2013	6,371,858	8,281,530	189,753	–	19,169,227[(2)]	–	–	34,012,368

Notes:

(1) Include SOs and RSUs awarded to the five highest paid individuals based upon the fair value at grant date assuming maximum performance levels are achieved.

(2) The comparative information has been adjusted to conform to current year presentation.

The emoluments of the five individuals with the highest emoluments are within the following bands:

HK$	**Year ended 30 November 2014**	Year ended 30 November 2013[1]
27,500,001 to 28,000,000	**1**	–
28,500,001 to 29,000,000	**1**	1
31,500,001 to 32,000,000	**–**	1
37,000,001 to 37,500,000	**1**	–
40,000,001 to 40,500,000	**–**	1
46,500,001 to 47,000,000	**1**	–
49,000,001 to 49,500,000	**–**	1
114,000,001 to 114,500,000	**–**	1
118,000,001 to 118,500,000	**1**	–

Note:

(1) The comparative information has been adjusted to conform to current year presentation.

KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel have been identified as the members of the Group's Executive Committee.

US$	**Year ended 30 November 2014**	Year ended 30 November 2013
Key management compensation and other expenses		
Salaries and other short-term employee benefits	**22,012,074**	21,695,497
Post-employment benefits – defined contribution	**420,921**	397,034
Post-employment benefits – medical & life	**–**	–
Other long-term benefits	**–**	180,911
Share-based payments[1]	**24,031,010**	21,667,247[2]
Total	**46,464,005**	43,940,689

Notes:

(1) Include SOs and RSUs awarded to the key management personnel based upon the fair value at grant date assuming maximum performance levels are achieved.

(2) The comparative information has been adjusted to conform to current year presentation.

The emoluments of the Key Management Personnel are within the following bands:

US$	**Year ended 30 November 2014**	Year ended 30 November 2013[1]
1,500,001 to 2,000,000	**2**	2
2,000,001 to 2,500,000	**–**	1
3,000,001 to 3,500,000	**4**	3
3,500,001 to 4,000,000	**1**	–
4,000,001 to 4,500,000	**–**	1
4,500,001 to 5,000,000	**1**	–
5,000,001 to 5,500,000	**–**	1
6,000,001 to 6,500,000	**1**	1
14,500,001 to 15,000,000	**–**	1
15,000,001 to 15,500,000	**1**	–

Note:

(1) The comparative information has been adjusted to conform to current year presentation.

42. Related party transactions

Remuneration of directors and key management personnel is disclosed in note 41.

43. Commitments and contingencies

COMMITMENTS UNDER OPERATING LEASES

Total future aggregate minimum lease payments under non-cancellable operating leases are as follows:

US$m	**As at 30 November 2014**	As at 30 November 2013
Properties and others expiring		
Not later than one year	**89**	86
Later than one and not later than five years	**131**	125
Later than five years	**56**	31
Total	**276**	242

The Group is the lessee in respect of a number of properties and items of office equipment held under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually reviewed at the end of the lease term to reflect market rates. None of the leases include contingent rentals.

INVESTMENT AND CAPITAL COMMITMENTS

US$m	**As at 30 November 2014**	As at 30 November 2013
Not later than one year	**427**	693
Later than one and not later than five years	**6**	14
Later than five years	**–**	1
Total	**433**	708

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 and claims. The Group believes that these matters are adequately provided for in these financial statements.

The Group is the reinsurer in a residential mortgage credit reinsurance agreement covering residential mortgages in Australia. Due to a change in law, further cessions under this contract ended in July 2008. This reinsurance was fully retroceded to a subsidiary of AIG and this retrocession was terminated in February 2012 on a run-off basis. The Group is exposed to the risk of losses in the event of the failure of the counterparty retrocessionaire to honour its outstanding obligations which is mitigated by a trust agreement put in place after the aforesaid termination. The principal balance outstanding of mortgage loans to which the reinsurance agreement relates were approximately US$924m at 30 November 2014 (2013: US$1,248m). The liabilities and related reinsurance assets, which totalled US$4m (2013: 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.

44. Subsidiaries

The principal subsidiary companies which materially contribute to the net income of the Group or hold a material element of its assets and liabilities are:

Name of entity	Place of incorporation and operation	Principal activity	Issued share capital	As at 30 November 2014 Group's interest %	As at 30 November 2014 NCI's interest %	As at 30 November 2013 Group's interest %	As at 30 November 2013 NCI's interest %
AIA Company Limited[1]	Hong Kong	Insurance	1,151,049,861 ordinary shares for US$5,962,084,000 issued share capital	**100%**	**–**	100%	–
AIA International Limited	Bermuda	Insurance	3,000,000 ordinary shares of US$1.20 each	**100%**	**–**	100%	–
AIA Australia Limited	Australia	Insurance	112,068,300 ordinary shares of A$1 each	**100%**	**–**	100%	–
AIA Pension and Trustee Co. Ltd.	British Virgin Islands	Trusteeship	1,300,000 ordinary shares of US$1 each	**100%**	**–**	100%	–
AIA Bhd.	Malaysia	Insurance	767,438,174 ordinary shares of RM1 each	**100%**	**–**	100%	–
AIA Singapore Private Limited	Singapore	Insurance	1,374,000,001 ordinary shares of S$1 each	**100%**	**–**	100%	–
PT. AIA Financial	Indonesia	Insurance	477,711,032 ordinary shares of Rp1,000 each	**100%**	**–**	100%	–
The Philippine American Life and General Insurance Company	Philippines	Insurance	199,560,671 ordinary shares of PHP10 each and 439,329 treasury shares	**100%**	**–**	100%	–
AIA (Vietnam) Life Insurance Company Limited	Vietnam	Insurance	Contributed capital of VND1,264,300,000,000	**100%**	**–**	100%	–
AIA Insurance Lanka PLC	Sri Lanka	Insurance	Contributed capital of LKR300,000,000	**97.15%**	**2.85%**	97.15%	2.85%
Bayshore Development Group Limited	British Virgin Islands	Investment holding company	100 ordinary shares of US$1 each	**90%**	**10%**	90%	10%
BPI-Philam Life Assurance Corporation	Philippines	Insurance	749,993,979 ordinary shares of PHP1 each and 6,000 treasury shares	**51%**	**49%**	51%	49%
AIA Reinsurance Limited	Bermuda	Reinsurance	250,000 common shares of US$1 each	**100%**	**–**	100%	–

Notes:

(1) The Company's subsidiary.

(2) All of the above subsidiaries are audited by PricewaterhouseCoopers.

All subsidiaries are unlisted except AIA Insurance Lanka PLC which is listed on the Main Board of the Colombo Stock Exchange.

45. Events after the reporting period

On 26 February 2015, the Board of Directors proposed a final dividend of 34.00 Hong Kong cents per share (2013: 28.62 Hong Kong cents per share).

46. Effect of adoption of new and revised accounting standards

The new and revised accounting standards adopted by the Group in 2014 are explained in note 2.1(a). The tables below show the quantitative effect of the adoption of these new and revised standards on the consolidated financial statements.

(a) CONSOLIDATED INCOME STATEMENT

US$m	Year ended 30 November 2013 (As previously reported)	Reclassifications	Retrospective adjustments for IFRS 10	Retrospective adjustments for IAS 19	Year ended 30 November 2013 (As adjusted)
Revenue					
Turnover					
Premiums and fee income	16,666	–	–	–	16,666
Premiums ceded to reinsurers	(959)	–	–	–	(959)
Net premiums and fee income	15,707	–	–	–	15,707
Investment return	6,064	–	(34)	–	6,030
Other operating revenue	155	–	–	–	155
Total revenue	21,926	–	(34)	–	21,892
Expenses					
Insurance and investment contract benefits	15,303	–	(4)	–	15,299
Insurance and investment contract benefits ceded	(816)	–	–	–	(816)
Net insurance and investment contract benefits	14,487	–	(4)	–	14,483
Commission and other acquisition expenses	1,934	–	–	–	1,934
Operating expenses	1,577	(37)	–	(3)	1,537
Finance costs	71	–	–	–	71
Other expenses	333	37	(30)	–	340
Total expenses	18,402	–	(34)	(3)	18,365
Profit before share of profit from associates and joint venture	3,524	–	–	3	3,527
Share of profit from associates and joint venture	14	–	–	–	14
Profit before tax	3,538	–	–	3	3,541
Income tax expense attributable to policyholders' returns	(47)	–	–	–	(47)
Profit before tax attributable to shareholders' profits	3,491	–	–	3	3,494
Tax expense	(691)	–	–	(1)	(692)
Tax attributable to policyholders' returns	47	–	–	–	47
Tax expense attributable to shareholders' profits	(644)	–	–	(1)	(645)
Net profit	2,847	–	–	2	2,849
Net profit attributable to:					
Shareholders of AIA Group Limited	2,822	–	–	2	2,824
Non-controlling interests	25	–	–	–	25

The adoption of new accounting policy had an immaterial impact on earnings per share for the comparative year ended 30 November 2013.

(b) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	As at 1 December 2012 (As previously reported)	Reclassifications	Retrospective adjustments for IFRS 10	Retrospective adjustments for IAS 19	As at 1 December 2012 (As adjusted)
Assets					
Intangible assets	272	–	–	–	272
Investments in associates and joint venture	91	–	–	–	91
Property, plant and equipment	412	–	–	–	412
Investment property	1,035	–	–	–	1,035
Reinsurance assets	1,153	–	–	–	1,153
Deferred acquisition and origination costs	14,161	–	–	–	14,161
Financial investments:					
Loans and deposits	6,425	–	–	–	6,425
Available for sale					
Debt securities	62,268	–	–	–	62,268
At fair value through profit or loss					
Debt securities	18,594	–	1,543	–	20,137
Equity securities	23,656	–	(555)	–	23,101
Derivative financial instruments	638	–	–	–	638
	111,581	–	988	–	112,569
Deferred tax assets	5	–	–	–	5
Current tax recoverable	46	–	–	–	46
Other assets	2,735	–	15	2	2,752
Cash and cash equivalents	2,948	–	34	–	2,982
Total assets	134,439	–	1,037	2	135,478
Liabilities					
Insurance contract liabilities	90,574	–	39	–	90,613
Investment contract liabilities	8,865	–	–	–	8,865
Borrowings	766	(273)	–	–	493
Obligations under securities lending and repurchase agreements	1,792	–	–	–	1,792
Derivative financial instruments	41	–	–	–	41
Provisions	204	–	–	47	251
Deferred tax liabilities	2,229	–	–	(10)	2,219
Current tax liabilities	328	–	–	–	328
Other liabilities	2,812	273	998	–	4,083
Total liabilities	107,611	–	1,037	37	108,685
Equity					
Share capital	12,044	–	–	–	12,044
Share premium	1,914	–	–	–	1,914
Employee share-based trusts	(188)	–	–	–	(188)
Other reserves	(12,060)	–	–	–	(12,060)
Retained earnings	17,843	–	–	(2)	17,841
Fair value reserve	5,979	–	–	–	5,979
Foreign currency translation reserve	1,165	–	–	–	1,165
Others	–	–	–	(33)	(33)
Amounts reflected in other comprehensive income	7,144	–	–	(33)	7,111
Total equity attributable to:					
Shareholders of AIA Group Limited	26,697	–	–	(35)	26,662
Non-controlling interests	131	–	–	–	131
Total equity	26,828	–	–	(35)	26,793
Total liabilities and equity	134,439	–	1,037	2	135,478

US$m	As at 1 December 2013 (As previously reported)	Reclassifications	Retrospective adjustments for IFRS 10	Retrospective adjustments for IAS 19	As at 1 December 2013 (As adjusted)
Assets					
Intangible assets	1,321	–	–	–	1,321
Investments in associates and joint venture	93	–	–	–	93
Property, plant and equipment	480	–	–	–	480
Investment property	1,128	–	–	–	1,128
Reinsurance assets	1,379	–	–	–	1,379
Deferred acquisition and origination costs	15,738	–	–	–	15,738
Financial investments:					
Loans and deposits	7,484	–	–	–	7,484
Available for sale					
Debt securities	64,763	–	–	–	64,763
At fair value through profit or loss					
Debt securities	20,988	–	1,572	–	22,560
Equity securities	26,968	–	(866)	–	26,102
Derivative financial instruments	445	–	–	–	445
	120,648	–	706	–	121,354
Deferred tax assets	6	–	–	–	6
Current tax recoverable	44	–	–	–	44
Other assets	3,520	–	15	8	3,543
Cash and cash equivalents	2,228	–	88	–	2,316
Total assets	146,585	–	809	8	147,402
Liabilities					
Insurance contract liabilities	103,401	–	35	–	103,436
Investment contract liabilities	8,698	–	–	–	8,698
Borrowings	2,126	(176)	–	–	1,950
Obligations under securities lending and repurchase agreements	1,889	–	–	–	1,889
Derivative financial instruments	89	–	–	–	89
Provisions	169	–	–	18	187
Deferred tax liabilities	2,036	–	–	(6)	2,030
Current tax liabilities	242	–	–	–	242
Other liabilities	3,104	176	774	–	4,054
Total liabilities	121,754	–	809	12	122,575
Equity					
Share capital	12,044	–	–	–	12,044
Share premium	1,914	–	–	–	1,914
Employee share-based trusts	(274)	–	–	–	(274)
Other reserves	(11,995)	–	–	–	(11,995)
Retained earnings	20,070	–	–	–	20,070
Fair value reserve	2,270	–	–	–	2,270
Foreign currency translation reserve	657	–	–	–	657
Others	–	–	–	(4)	(4)
Amounts reflected in other comprehensive income	2,927	–	–	(4)	2,923
Total equity attributable to:					
Shareholders of AIA Group Limited	24,686	–	–	(4)	24,682
Non-controlling interests	145	–	–	–	145
Total equity	24,831	–	–	(4)	24,827
Total liabilities and equity	146,585	–	809	8	147,402

(c) CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	Year ended 30 November 2013 (As previously reported)	Reclassifications	Retrospective adjustments for IFRS 10	Retrospective adjustments for IAS 19	Year ended 30 November 2013 (As adjusted)
Cash flows from operating activities					
Net cash provided by operating activities	915	97	54	–	1,066
Cash flows from investing activities					
Net cash used in investing activities	(2,286)	–	–	–	(2,286)
Cash flows from financing activities					
Net cash provided by financing activities	724	–	–	–	724
Net (decrease)/increase in cash and cash equivalents	(647)	97	54	–	(496)
Cash and cash equivalents at beginning of the financial year	2,948	(273)	34	–	2,709
Effect of exchange rate changes on cash and cash equivalents	(73)	–	–	–	(73)
Cash and cash equivalents at end of the financial year	2,228	(176)	88	–	2,140

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

	Year ended 30 November 2013 (As previously reported)	Reclassifications	Retrospective adjustments for IFRS 10	Retrospective adjustments for IAS 19	Year ended 30 November 2013 (As adjusted)
Cash and cash equivalents in the consolidated statement of financial position	2,228	–	88	–	2,316
Bank overdrafts	–	(176)	–	–	(176)
Cash and cash equivalents in the consolidated statement of cash flows	2,228	(176)	88	–	2,140

FINANCIAL STATEMENTS OF THE COMPANY

Statement of financial position of the Company

US$m	*Notes*	**As at 30 November 2014**	As at 30 November 2013
Assets			
Investment in a subsidiary	*2*	**15,741**	15,741
Amounts due from subsidiaries	*3*	**2,345**	910
Other assets		**35**	22
Cash and cash equivalents	*4*	**45**	10
Total assets		**18,166**	16,683
Liabilities			
Borrowings	*5*	**2,226**	1,201
Other liabilities		**19**	11
Total liabilities		**2,245**	1,212
Equity			
Share capital	*6*	**13,962**	12,044
Share premium	*6*	**–**	1,914
Employee share-based trusts	*6*	**(286)**	(274)
Retained earnings		**2,102**	1,652
Other reserves	*7*	**139**	135
Amounts reflected in other comprehensive income	*8*	**4**	–
Total equity		**15,921**	15,471
Total liabilities and equity		**18,166**	16,683

Notes:

(1) The financial information of the Company should be read in conjunction with the consolidated financial statements of the Group.

(2) Net profit of the Company for the years ended 30 November 2014 and 2013 were US$1,139m and US$944m, respectively.

Approved and authorised for issue by the Board of Directors on 26 February 2015.

NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

1. Accounting policies

Where applicable, the accounting policies of the Company are the same as for the Group as set out on pages 57 to 82. The Company's financial statements comply with both IFRS and HKFRS.

2. Investment in a subsidiary

US$m	**As at 30 November 2014**	As at 30 November 2013
Unlisted shares, at cost	**15,741**	15,741

See note 44 to the Group's consolidated financial statements for further information of the Company's subsidiary.

3. Amounts due from subsidiaries

Of the total amounts due from subsidiaries, US$985m is unsecured and interest-bearing at 2.51 per cent per annum which will be recoverable in March 2019. The remaining balance is unsecured, interest-free and repayable on demand.

4. Cash and cash equivalents

The cash and cash equivalents balance consists of cash of US$45m (2013: US$10m).

5. Borrowings

Details of the borrowings of the Company are provided in note 30 to the Group's consolidated financial statements. On 22 November 2013, the Company issued the first tranche of a 10-year unsecured floating rate medium term note series to a subsidiary at a nominal value of US$60m. On 7 August 2014, the Company issued the second tranche of the same floating rate medium term note series to the subsidiary at a nominal value of US$40m. The medium term note bears interest upon LIBOR and will be fully repaid in November 2023. The medium term note has been eliminated in the Group's consolidated financial statements.

6. Share capital, share premium and employee share-based trusts

Details of share capital, share premium and employee share-based trusts are presented in note 35 to the Group's consolidated financial statements.

7. Other reserves

Other reserves comprise share-based compensation recognised under the RSU Scheme, ESPP, ASPP and Share Option Scheme.

8. Amounts reflected in other comprehensive income

Amounts reflected in other comprehensive income comprise cash flow hedge reserve.

9. Risk management

Risk management in the context of the Group is discussed in note 38 to the Group's consolidated financial statements.

The business of the Company is managing its investments in subsidiaries, associates and joint venture operations. Its risks are considered to be the same as those described in the context of the consolidated group. Such investments are held by the Company at cost in accordance with accounting policy discussed in note 2.3 to the Group's consolidated financial statements.

Financial assets, other than investment in a subsidiary, largely consist of amounts due from subsidiaries and cash and cash equivalents.

10. Related party transactions

The Company receives dividend from subsidiaries and pays interest and expenses to those subsidiaries in the normal course of business.

Except as disclosed elsewhere in the financial statements, there are no other material related party transactions.

11. Contingencies

The Company has issued a guarantee to financial institutions in respect of a 3-year multicurrency bank facility of HK$2,507m (approximately US$323m) borrowed by its subsidiary. The Company is exposed to the risk in the event of default payment by its subsidiary.

12. Events after the reporting period

Details of the events after the reporting period of the Company are presented in note 45 to the Group's consolidated financial statements.

SUPPLEMENTARY EMBEDDED VALUE INFORMATION

Towers Watson Report on the Review of the Supplementary Embedded Value Information

AIA Group Limited (the "Company") and its subsidiaries (together, "AIA" or the "Group") have prepared supplementary embedded value results (EV Results) for the year ended 30 November 2014 (the Period). These EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Supplementary Embedded Value Information section of this report.

Towers Watson Hong Kong Limited, trading as Towers Watson (Towers Watson), has been engaged to review the Group's EV Results and prior year comparisons. This opinion is made solely to the Company and, to the fullest extent permitted by applicable law, Towers Watson does not accept or assume any responsibility, duty of care or liability to any third party for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion.

Scope of Work

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the equity attributable to shareholders of the Company on the embedded value basis as at 30 November 2014, and the value of new business for the 12-month period 1 December 2013 to 30 November 2014;

- A review of the economic and operating assumptions used to calculate the embedded value as at 30 November 2014 and the value of new business for the 12-month period 1 December 2013 to 30 November 2014; and

- A review of the results of AIA's calculation of the EV Results.

In carrying out our review, Towers Watson has relied on data and information provided by the Group.

Opinion

Towers Watson has concluded that:

- The methodology used to calculate the embedded value and value of new business is consistent with recent industry practice for publicly listed companies in Hong Kong as regards traditional embedded value calculations based on discounted values of projected deterministic after-tax cash flows. This methodology makes an overall allowance for risk for the Group through the use of risk discount rates which incorporate risk margins and vary by Business Unit, together with an explicit allowance for the cost of holding required capital;

- The economic assumptions are internally consistent and have been set with regard to current economic conditions; and

- The operating assumptions have been set with appropriate regard to past, current and expected future experience, taking into account the nature of the business conducted by each Business Unit.

Towers Watson has performed a number of high-level checks on the models, processes and the results of the calculations, and has confirmed that no issues have been discovered that have a material impact on the disclosed embedded value and the equity attributable to shareholders of the Company on the embedded value basis as at 30 November 2014, the value of new business for the 12-month period 1 December 2013 to 30 November 2014, the analysis of movement in embedded value for the 12-month period ended 30 November 2014, and the sensitivity analysis.

Towers Watson
26 February 2015

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 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.

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). This methodology makes implicit allowance for all sources of 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 for the economic cost of capital, through the use of a risk-adjusted discount rate. 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 of the EV Results, methodology and assumptions are covered in later sections of this report.

2013 EV and EV Equity have been adjusted to reflect the adoption of new and revised accounting standards by AIA in 2014. For a description of the new and revised accounting standards and a reconciliation of the adjustments made to the 2013 financial information as previously reported, see our 2014 audited consolidated financial statements.

Table 1.1 summarises the key results including the adjusted net worth (ANW) and value of in-force business (VIF).

Table 1.1

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

	As at 30 November 2014	As at 30 November 2013	Growth
Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	**39,042**	34,871	12%
Embedded value (EV)	**37,153**	33,818	10%
Adjusted net worth (ANW)	**15,351**	13,462	14%
Value of in-force business (VIF)	**21,802**	20,356	7%
	12 months ended 30 November 2014	12 months ended 30 November 2013	YoY
Value of new business (VONB)	**1,845**	1,490	24%
Annualised new premium (ANP)(2) (3)	**3,700**	3,341	11%
VONB margin(3)	**49.1%**	44.1%	5.0 pps

Notes:

(1) The results are after adjustments to reflect additional Hong Kong reserving and capital requirements and the after-tax value of unallocated Group Office expenses.

(2) ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded.

(3) ANP and VONB margin exclude pension business.

VONB grew by 24 per cent to US$1,845 million, an increase of US$355 million compared with 2013. ANP grew by 11 per cent to US$3,700 million compared with US$3,341 million in 2013. VONB margin increased by 5.0 pps to 49.1 per cent compared with 44.1 per cent in 2013.

EV Equity grew by US$4,171 million to US$39,042 million at 30 November 2014, an increase of 12 per cent over the year from US$34,871 million at 30 November 2013. EV Equity included goodwill and other intangible assets of US$1,889 million at 30 November 2014 compared with US$1,053 million at 30 November 2013.

EV grew to US$37,153 million at 30 November 2014. The growth in EV of US$3,335 million is shown after a deduction for the Citibank Upfront Payment and the payment of shareholder dividends. Underlying growth excluding the Citibank Upfront Payment was US$4,135 million.

EV operating profit grew by 14 per cent to US$4,535 million compared with 2013. The growth reflected a combination of a higher VONB of US$1,845 million, an increased expected return on EV of US$2,635 million from a higher opening EV and overall positive operating experience variances and operating assumption changes which totalled US$108 million, less finance costs of US$53 million on medium term notes.

Non-operating EV movements included positive investment return variances of US$720 million, positive effect of changes in economic assumptions of US$122 million and positive other non-operating variances of US$23 million. This was offset by the payment of shareholder dividends totalling US$689 million, negative other capital movements of US$14 million and negative foreign exchange movements of US$562 million.

EV as at 30 November 2014 included ANW of US$15,351 million and VIF of US$21,802 million, up 14 per cent and 7 per cent respectively compared with 30 November 2013.

2. EV Results

2.1 EMBEDDED VALUE BY BUSINESS UNIT

The EV as at 30 November 2014 is detailed in Table 2.1 below. Results are presented separately for the six largest Business Units, with those for the remaining Business Units presented together under the category "Other Markets". This is consistent with the segment information in the IFRS financial statements. Section 4.1 of this report contains a full list of the entities included in this report and the mapping of these entities to Business Units for the purpose of this report.

Table 2.1

Summary of EV by Business Unit (US$ millions)

	As at 30 November 2014					As at 30 November 2013
Business Unit	**ANW(1)**	**VIF before CoC(2)**	**CoC(2)**	**VIF after CoC(2)**	**EV**	EV
AIA Hong Kong	5,529	7,515	572	6,943	**12,472**	10,716
AIA Thailand	5,370	2,476	724	1,752	**7,122**	6,854
AIA Singapore	1,741	3,095	561	2,534	**4,275**	4,007
AIA Malaysia	1,375	1,398	260	1,138	**2,513**	2,440
AIA China	1,482	2,779	196	2,583	**4,065**	3,106
AIA Korea	1,805	748	401	347	**2,152**	1,907
Other Markets	3,331	1,492	270	1,222	**4,553**	3,973
Group Corporate Centre	4,874	(102)	–	(102)	**4,772**	4,405
Subtotal	25,507	19,401	2,984	16,417	**41,924**	37,408
Adjustment to reflect additional Hong Kong reserving and capital requirements(3)	(10,156)	6,281	219	6,062	**(4,094)**	(2,940)
After-tax value of unallocated Group Office expenses	–	(677)	–	(677)	**(677)**	(650)
Total	15,351	25,005	3,203	21,802	**37,153**	33,818

Notes:

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

(2) CoC refers to the cost arising from holding the required capital as described in Section 4.2 of this report.

(3) Adjustment to EV for the branches of AIA Co. and AIA International, as described in Section 4.4 of this report.

2.2 RECONCILIATION OF ANW TO IFRS EQUITY

Table 2.2 sets out the derivation of ANW from IFRS equity as at 30 November 2014.

Table 2.2

Derivation of the Group ANW from IFRS equity (US$ millions)

	As at 30 November 2014	As at 30 November 2013
IFRS equity attributable to shareholders of the Company	**30,806**	24,682
Elimination of IFRS deferred acquisition and origination costs assets	**(16,593)**	(15,738)
Difference between IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	**9,894**	10,725
Difference between net IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	**(6,699)**	(5,013)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds	**2,509**	2,250
Elimination of intangible assets	**(2,152)**	(1,321)
Recognition of deferred tax impacts of the above adjustments	**1,175**	1,006
Recognition of non-controlling interests impacts of the above adjustments	**(132)**	(138)
Group ANW (local statutory basis)	**25,507**	21,466
Adjustment to reflect additional Hong Kong reserving requirements, net of tax	**(10,156)**	(8,004)
Group ANW (after additional Hong Kong reserving requirements)	**15,351**	13,462

2.3 BREAKDOWN OF ANW

Table 2.3 shows the breakdown of the ANW for the Group between the required capital, as defined in Section 4.6 of this report, and the free surplus, which is the ANW in excess of the required capital.

Table 2.3

Free surplus and required capital for the Group (US$ millions)

	As at 30 November 2014		As at 30 November 2013	
	Local statutory basis	**Hong Kong basis for branches of AIA Co. and AIA International**	Local statutory basis	Hong Kong basis for branches of AIA Co. and AIA International
Free surplus	**18,884**	**7,794**	15,644	6,727
Required capital	**6,623**	**7,557**	5,822	6,735
ANW	**25,507**	**15,351**	21,466	13,462

The Company's subsidiaries, AIA Co. and AIA International, are both Hong Kong-regulated entities subject to Hong Kong statutory requirements. The business written in the branches of AIA Co. and AIA International is subject to both the local reserving and capital requirements in the relevant territory and the Hong Kong reserving and capital requirements applicable to AIA Co. and AIA International at the entity level.

At 30 November 2014, the more onerous reserving basis for both AIA Co. and AIA International was the Hong Kong basis. Therefore, the Group's free surplus at 30 November 2014 reduced by US$11,090 million (2013: US$8,917 million) under the Hong Kong basis compared with the local statutory basis, reflecting US$10,156 million (2013: US$8,004 million) higher reserving requirements and US$934 million (2013: US$913 million) higher required capital under the Hong Kong basis for branches of AIA Co. and AIA International.

2.4 EARNINGS PROFILE

Table 2.4 shows 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 Hong Kong reserving and capital requirements for the branches of AIA Co. and AIA International.

Table 2.4

Profile of projected after-tax distributable earnings for the Group's in-force business (US$ millions)

	As at 30 November 2014	
Financial year	**Undiscounted**	**Discounted**
2015 – 2019	13,732	11,311
2020 – 2024	12,692	6,884
2025 – 2029	11,935	4,410
2030 – 2034	10,843	2,749
2035 and thereafter	46,261	4,005
Total	**95,463**	**29,359**

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US$29,359 million (2013: US$27,091 million) plus the free surplus of US$7,794 million (2013: US$6,727 million) shown in Table 2.3 is equal to the EV of US$37,153 million (2013: US$33,818 million) shown in Table 2.1.

2.5 VALUE OF NEW BUSINESS

The VONB for the Group for the 12-month period from 1 December 2013 to 30 November 2014 is summarised in Table 2.5 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 separately for the six largest Business Units, with those for the remaining Business Units presented together under the category "Other Markets". This is consistent with the segment information in the IFRS financial statements. Section 4.1 of this report contains a full list of the entities included in this report and the mapping of these entities to Business Units for the purpose of this report.

The Group VONB for the 12 months ended 30 November 2014 was US$1,845 million, an increase of US$355 million, or 24 per cent, from US$1,490 million for the same period in 2013.

Table 2.5

Summary of VONB by Business Unit (US$ millions)

	12 months ended 30 November 2014			12 months ended 30 November 2013
Business Unit	**VONB before CoC[(1)]**	**CoC[(1)]**	**VONB after CoC[(1) (3)]**	VONB after CoC[(1) (3)]
AIA Hong Kong	720	101	**619**	468
AIA Thailand	422	61	**361**	319
AIA Singapore	338	39	**299**	269
AIA Malaysia	181	20	**161**	120
AIA China	282	24	**258**	166
AIA Korea	104	22	**82**	91
Other Markets	233	21	**212**	220
Total before unallocated Group Office expenses (local statutory basis)	2,280	288	**1,992**	1,653
Adjustment to reflect additional Hong Kong reserving and capital requirements[(2)]	(68)	(18)	**(50)**	(67)
Total before unallocated Group Office expenses (after additional Hong Kong reserving and capital requirements)	2,212	270	**1,942**	1,586
After-tax value of unallocated Group Office expenses	(97)	–	**(97)**	(96)
Total	**2,115**	**270**	**1,845**	1,490

Notes:

(1) CoC refers to the cost arising from holding the required capital as described in Section 4.2 of this report.

(2) Adjustment to VONB for the branches of AIA Co. and AIA International, as described in Section 4.4 of this report.

(3) VONB for the Group is calculated before deducting the amount attributable to non-controlling interests. The amounts of VONB attributable to non-controlling interests for the 12 months ended 30 November 2014 and 30 November 2013 were US$13 million and US$11 million respectively.

Table 2.6 shows the VONB margin for the Group. The VONB margin is defined as VONB, excluding pension business, expressed as a percentage of ANP. The VONB for pension business is excluded from the margin calculation to be consistent with the definition of ANP.

The Group VONB margin for the 12 months ended 30 November 2014 was 49.1 per cent compared with 44.1 per cent for the same period in 2013.

Table 2.6

Summary of VONB Margin by Business Unit (US$ millions)

	12 months ended 30 November 2014			12 months ended 30 November 2013
Business Unit	**VONB Excluding Pension**	**ANP(1)**	**VONB Margin(1)**	VONB Margin(1)
AIA Hong Kong	593	952	**62.3%**	57.6%
AIA Thailand	361	572	**63.2%**	56.3%
AIA Singapore	299	489	**61.2%**	67.3%
AIA Malaysia	160	320	**50.1%**	37.8%
AIA China	258	311	**83.1%**	66.4%
AIA Korea	82	380	**21.7%**	26.8%
Other Markets	212	676	**31.3%**	32.0%
Total before unallocated Group Office expenses (local statutory basis)	1,965	3,700	**53.1%**	48.9%
Adjustment to reflect additional Hong Kong reserving and capital requirements(2)	(50)	–		
Total before unallocated Group Office expenses (after additional Hong Kong reserving and capital requirements)	1,915	3,700	**51.8%**	46.9%
After-tax value of unallocated Group Office expenses	(97)	–		
Total	**1,818**	**3,700**	**49.1%**	44.1%

Notes:

(1) ANP and VONB margin exclude pension business.

(2) Adjustment to VONB for the branches of AIA Co. and AIA International, as described in Section 4.4 of this report.

Table 2.7 shows the breakdown of the VONB, ANP and VONB margin for the Group by quarter for business written in the 12 months to 30 November 2014. For comparison purposes, the quarterly VONB, ANP and VONB margin for business written in the 12 months to 30 November 2013 are also shown in the same table.

Table 2.7

Summary of VONB, ANP and VONB Margin by quarter for the Group (US$ millions)

Quarter	VONB after CoC(1)	ANP(2)	VONB Margin(2)
Values for 2014			
3 months ended 28 February 2014	**354**	**799**	**43.8%**
3 months ended 31 May 2014	**438**	**891**	**48.4%**
3 months ended 31 August 2014	**468**	**944**	**48.7%**
3 months ended 30 November 2014	**585**	**1,066**	**54.2%**
Values for 2013			
3 months ended 28 February 2013	291	745	38.4%
3 months ended 31 May 2013	354	782	44.7%
3 months ended 31 August 2013	379	839	44.7%
3 months ended 30 November 2013	466	975	47.3%

Notes:

(1) CoC refers to the cost arising from holding the required capital as described in Section 4.2 of this report.

(2) ANP and VONB margin exclude pension business.

2.6 ANALYSIS OF EV MOVEMENT

Table 2.8 shows the analysis of movement in EV from 30 November 2013 to 30 November 2014.

Table 2.8

Analysis of movement in EV (US$ millions)

	12 months ended 30 November 2014			12 months ended 30 November 2013	YoY
	ANW	**VIF**	**EV**	EV	EV
Opening EV	13,462	20,356	**33,818**	31,373	8%
Effect of acquisitions	–	–	**–**	(808)	n/m
Citibank Upfront Payment	(800)	–	**(800)**	–	n/m
Adjusted Opening EV	12,662	20,356	**33,018**	30,565	8%
Value of new business	(995)	2,840	**1,845**	1,490	24%
Expected return on EV	3,531	(896)	**2,635**	2,389	10%
Operating experience variances	(126)	314	**188**	114	65%
Operating assumption changes	(13)	(67)	**(80)**	10	n/m
Finance costs on medium term notes and acquisition credit facility	(53)	–	**(53)**	(26)	104%
EV operating profit	2,344	2,191	**4,535**	3,977	14%
Investment return variances	610	110	**720**	345	109%
Effect of changes in economic assumptions	6	116	**122**	429	(72)%
Other non-operating variances	530	(507)	**23**	(154)	n/m
Total EV profit	3,490	1,910	**5,400**	4,597	17%
Dividends	(689)	–	**(689)**	(595)	16%
Other capital movements	(14)	–	**(14)**	11	n/m
Effect of changes in exchange rates	(98)	(464)	**(562)**	(760)	(26)%
Closing EV	15,351	21,802	**37,153**	33,818	10%

EV operating profit grew by 14 per cent to US$4,535 million (2013: US$3,977 million) compared with 2013. The growth reflected a combination of a higher VONB of US$1,845 million (2013: US$1,490 million), an increased expected return on EV of US$2,635 million (2013: US$2,389 million) from a higher opening EV and overall positive operating experience variances and operating assumption changes which totalled US$108 million (2013: US$124 million), less finance costs of US$53 million (2013: US$26 million) on medium term notes.

The VONB shown in Table 2.8 is calculated at the point of sale for business written during the Period before deducting the amount attributable to non-controlling interests. The expected return on EV is the expected change in the EV over the Period plus the expected return on the VONB from the point of sale to 30 November 2014 less the VONB attributable to non-controlling interests. 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, are:

- Expense variances of US$16 million (2013: US$1 million) including non-recurring project expenses of US$(14) million (2013: US$(9) million);
- Mortality and morbidity claims variances of US$124 million (2013: US$116 million); and
- Persistency and other variances of US$48 million (2013: US$(3) million).

The effect of changes to operating assumptions during the Period was US$(80) million (2013: US$10 million).

The EV profit of US$5,400 million (2013: US$4,597 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. This includes the impact on the EV of changes in the market values and market yields on existing fixed income assets, and the impact on the EV of changes in the economic assumptions used in the statutory reserving bases for the Group. The investment return variances of US$720 million (2013: US$345 million) were largely caused by positive market movements offset by negative statutory reserve movements compared with the assumptions used in the EV calculation at the start of the Period.

The effect of changes in economic assumptions of US$122 million (2013: US$429 million) includes the impact of changes in long-term investment return assumptions of US$(337) million (2013: US$161 million) and the impact of changes in risk discount rates of US$459 million (2013: US$268 million).

Other non-operating variances amounted to US$23 million (2013: US$(154) million) and included:

- Positive tax-related adjustments of US$24 million (2013: US$195 million);
- Restructuring and other non-operating costs of US$52 million (2013: US$44 million); and
- Modelling enhancements, accounting for the majority of the balance.

The Group paid total shareholder dividends of US$689 million (2013: US$595 million). Other capital movements of US$(14) million (2013: US$11 million) were mainly due to the purchase of shares held by employee share-based trusts.

There were negative foreign exchange movements of US$562 million during the Period (2013: US$760 million).

2.7 EV EQUITY

The EV as at 30 November 2014 included a deduction of US$800 million for the Citibank Upfront Payment. The EV Equity grew to US$39,042 million at 30 November 2014, an increase of 12 per cent from US$34,871 million at 30 November 2013. Table 2.9 sets out the derivation of EV Equity from EV as at 30 November 2014.

Table 2.9

Derivation of EV Equity from EV (US$ millions)

	As at 30 November 2014	As at 30 November 2013	YoY
EV	37,153	33,818	10%
Goodwill and other intangible assets[1]	1,889	1,053	79%
EV Equity	**39,042**	**34,871**	**12%**

Note:

(1) Consistent with the IFRS financial statements, net of tax, amounts attributable to participating funds and non-controlling interests.

3. Sensitivity Analysis

The EV as at 30 November 2014 and the VONB for the 12-month period 1 December 2013 to 30 November 2014 have been recalculated to illustrate the sensitivity of the results to changes in certain central assumptions discussed in Section 5.

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 November 2014 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 November 2014); and

- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 30 November 2014).

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 November 2014 and the values of debt instruments held at 30 November 2014 were changed to be consistent with the interest rate assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

The EV Results of each entity in Section 4.1 are measured in the currency of the primary economic environment in which that entity operates (the functional currency) and presented in US dollars (the presentation currency). In order to provide sensitivity results for EV and VONB of the impact of foreign currency movements to the translation from functional currencies, a change of 5 per cent to the presentation currency is included. This sensitivity does not include the impact of currency movements on the translation of transactions denominated in a foreign currency of an entity into its functional currency (including any impacts on VIF).

For the equity price sensitivities, the projected bonus rates on participating business and the values of equity securities and equity funds held at 30 November 2014 were changed to be consistent with the equity price assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

For each of the remaining sensitivity analyses, the statutory reserving bases at 30 November 2014 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 results of the above sensitivity analysis are shown below in Table 3.1 for the EV and in Table 3.2 for the VONB.

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

Table 3.1

Sensitivity of EV as at 30 November 2014 (US$ millions)

Scenario	**EV**
Central value	37,153
200 bps increase in risk discount rates	32,590
200 bps decrease in risk discount rates	43,822
10% increase in equity prices	37,914
10% decrease in equity prices	36,377
50 bps increase in interest rates	37,232
50 bps decrease in interest rates	37,014
5% appreciation in the presentation currency	36,157
5% depreciation in the presentation currency	38,149
10% increase in lapse/discontinuance rates	36,771
10% decrease in lapse/discontinuance rates	37,613
10% increase in mortality/morbidity rates	34,384
10% decrease in mortality/morbidity rates	40,048
10% decrease in maintenance expenses	37,627
Expense inflation set to 0%	37,578

Table 3.2

Sensitivity of VONB for the 12 months ended 30 November 2014 (US$ millions)

Scenario	VONB
Central value	1,845
200 bps increase in risk discount rates	1,373
200 bps decrease in risk discount rates	2,539
50 bps increase in interest rates	1,923
50 bps decrease in interest rates	1,748
5% appreciation in the presentation currency	1,779
5% depreciation in the presentation currency	1,911
10% increase in lapse rates	1,719
10% decrease in lapse rates	1,984
10% increase in mortality/morbidity rates	1,550
10% decrease in mortality/morbidity rates	2,139
10% decrease in maintenance expenses	1,910
Expense inflation set to 0%	1,891

4. Methodology

4.1 ENTITIES INCLUDED IN THIS REPORT

The Group operates through a number of subsidiaries and branches. Its two main operating subsidiaries are AIA Company Limited (AIA Co.), a subsidiary of the Company, and AIA International Limited (AIA International), a subsidiary of AIA Co. Furthermore, AIA Co. has branches located in Brunei, China and Thailand and AIA International has branches located in Hong Kong, Korea, Macau, New Zealand and Taiwan.

The following is a full list of the entities and their mapping to Business Units for the purpose of this report.

- AIA Australia refers to AIA Australia Limited, a subsidiary of AIA Co.;
- AIA China refers to the China branches of AIA Co.;
- AIA Hong Kong refers to the total of the following three entities:
  - the Hong Kong and Macau branches of AIA International;
  - the Hong Kong and Macau business written by AIA Co.; and
  - AIA Pension and Trustee Co. Ltd., a subsidiary of AIA Co.
- AIA Indonesia refers to PT. AIA Financial, a subsidiary of AIA International;
- AIA Korea refers to the Korea branch of AIA International;
- AIA Malaysia refers to AIA Bhd., a subsidiary of AIA Co., its subsidiary Green Health Certification Berhad (formerly known as AIA AFG Takaful Bhd.), and AIA PUBLIC Takaful Bhd., a 70 per cent owned subsidiary of AIA Co.;
- AIA New Zealand refers to the New Zealand branch of AIA International;
- Philam Life refers to The Philippine American Life and General Insurance Company, a subsidiary of AIA Co. and its 51 per cent owned subsidiary BPI-Philam Life Assurance Corporation;

- AIA Singapore refers to AIA Singapore Private Limited, a subsidiary of AIA Co., and Brunei branch of AIA Co.;
- AIA Sri Lanka refers to AIA Insurance Lanka PLC, a 97.15 per cent owned subsidiary of AIA Co.;
- AIA Taiwan refers to the Taiwan branch of AIA International;
- AIA Thailand refers to the Thailand branches of AIA Co.; and
- AIA Vietnam refers to AIA (Vietnam) Life Insurance Company Limited, a subsidiary of AIA International.

AIA's previously-announced acquisitions of ING Management Holdings (Malaysia) Sdn. Bhd. (ING Malaysia) and Aviva NDB Insurance (ANI) in Sri Lanka completed in December 2012. The financial results of these two newly-acquired businesses are accounted for in the Group's 2013 results from the respective dates of completion.

In March 2014, the Group acquired a further 10 per cent of the equity interest in AIA PUBLIC Takaful Bhd.

In addition, the entity Tata AIA Life Insurance Company Limited, which is 26 per cent owned by AIA International, has been included in the Group ANW presented in this report on an equity method accounting basis.

The summary of the EV of the Group by Business Unit in this report also includes a segment for "Group Corporate Centre" results. The results shown for this segment consist of the ANW for the Group's corporate functions and the present value of remittance taxes payable on distributable profits to Hong Kong. The ANW has been derived as the IFRS equity for this segment plus mark-to-market adjustments less the value of excluded intangible assets.

Results are presented separately for the six largest Business Units, with those for the remaining Business Units presented together under the category "Other Markets". This is consistent with the segment information in the IFRS financial statements. For the VONB, "Other Markets" includes the present value of allowance for remittance taxes payable on distributable profits to Hong Kong.

4.2 EMBEDDED VALUE AND VALUE OF NEW BUSINESS

The Group uses a traditional deterministic discounted cash flow methodology for determining its EV and VONB. This methodology makes implicit allowance for all sources of 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 for the economic cost of capital, through the use of a risk-adjusted discount rate. Typically, the higher the risk discount rate, the greater the allowance for these factors. This is a common methodology used by life insurance companies in Asia currently. Alternative valuation methodologies and approaches continue to emerge and may be considered by AIA.

The business included in the VIF and VONB calculations includes all life business written by the Business Units of the Group, plus other lines of business which may not be classified as life business but have similar characteristics. These include accident and health, group and pension businesses. The projected in-force business included in the VIF also incorporates expected renewals on short-term business with a term of one year or less.

The EV is the sum of the ANW and VIF. The ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of the Group, plus the IFRS equity value (excluding the value of intangible assets) of other activities, such as general insurance business. It excludes any amounts not attributable to shareholders of the Company. The market value of investment property and property held for own use that is used to determine the ANW is based on the fair value disclosed in the Group's IFRS financial statements as at the valuation date. It is the Group's policy to obtain external property valuations annually except in the case of a discrete event occurring in the interim that has a significant impact on the fair value of the properties.

The VIF is the present value of projected after-tax statutory profits emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business. CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in a participating fund there is no associated cost of capital included in the VIF or VONB.

EV Equity is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company.

The VONB is the present value, measured at point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding required capital in excess of regulatory reserves to support this business. The VONB for the Group is calculated based on assumptions applicable at the point of measurement and before deducting the amount attributable to non-controlling interests. The VONB attributable to non-controlling interests was US$13 million for the 12 months ended 30 November 2014 (2013: US$11 million).

A deduction has been made from the EV and VONB for the present value of future after-tax unallocated Group Office expenses, representing the expenses incurred by the Group Office which are not allocated to the Business Units. These unallocated Group Office expenses have been allocated to acquisition and maintenance activities, and a deduction made from the VONB and VIF respectively.

4.3 DEFINITION OF NEW BUSINESS

New business includes the sale of new contracts during the period, additional single premium payments on recurrent single premium contracts and increments to existing contracts where these are not variations allowed for in the calculation of the VIF. The VONB also includes the present value of cash flows associated with new policies written during the reporting period but subsequently terminated before the valuation date.

For group renewable business including group yearly renewable term business, new business is composed of new schemes set up during the period plus any premium payable on existing schemes that exceeds the prior year's premium.

For short-term accident and health business with a term of one year or less, renewals of existing contracts are not considered new business, and the value of expected renewals on this business is included in the VIF.

For pension business, sales of new contracts during the period and any new contributions, including assets transferred in, are considered as new business for the calculation of the VONB.

New business volumes shown in this report are measured using annualised new premium (ANP), which is an internal measure of new business sales. This represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded. It excludes new business sales for pension business.

4.4 CONSOLIDATION OF HONG KONG BRANCHES

The Group's subsidiaries, AIA Co. and AIA International, are both Hong Kong-regulated entities. AIA operates in a number of territories as branches of these entities. Therefore, the business written in these branches is subject to the local reserving and capital requirements in the relevant territory and the Hong Kong reserving and capital requirements applicable to AIA Co. and AIA International at the entity level.

For these branches, the EV Results shown in Section 2 have been calculated reflecting the more onerous of the Hong Kong and branch level local regulatory reserving and capital requirements. This was done because the ultimate distribution of profits to shareholders of the Company from AIA Co. and AIA International will depend on both the Hong Kong and the local regulatory reserving and capital requirements. At the end of November 2014, the more onerous reserving basis for both AIA Co. and AIA International was the Hong Kong regulatory basis. This impact is shown as a Group-level adjustment to the EV and VONB. The EV and VONB for each Business Unit reflect only the local reserving and capital requirements, as discussed in Section 4.6.

4.5 VALUATION OF FUTURE STATUTORY LOSSES

For certain lines of business, projected future statutory profits are negative due to the local statutory reserves being insufficient to meet the value of future policyholder cash flows. Within a traditional embedded value framework, there are a number of acceptable methods for determining the value of a combination of positive and negative statutory profits for different lines of business.

For the purposes of this valuation, future projected statutory losses have been valued by discounting them at the risk discount rate for the relevant Business Unit. This has been done because the allowance for risk in the range of selected risk discount rates for each Business Unit has been set taking into account the presence of any such business lines with projected statutory losses. Also, the currently more onerous Hong Kong regulatory reserving requirements for the branches of AIA Co. and AIA International have the effect of reducing the level of any future projected statutory losses for these Business Units. Based on the assumptions described in Section 5, and allowing for the Hong Kong statutory reserving and capital requirements for the branches of AIA Co. and AIA International, the overall projected annual distributable profits from the current in-force business and the assets backing the required capital of the Group are positive over the remaining lifetime of the business. Therefore, it is not considered necessary to change the discounting approach described above.

4.6 REQUIRED CAPITAL

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 required capital for each Business Unit are set out in Table 4.1 below. Further, the consolidated EV Results for the Group have been calculated reflecting the more onerous of the Hong Kong and branch level local regulatory reserving and capital requirements for AIA Co. and AIA International.

Table 4.1

Required Capital by Business Unit

Business Unit	Required Capital
AIA Australia	100% of the regulatory capital adequacy requirement
AIA China	100% of required minimum solvency margin
AIA Hong Kong	150% of required minimum solvency margin(1)
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 New Zealand	100% of the local regulatory requirement
Philam Life	100% of regulatory Risk-Based Capital requirement
AIA Singapore	180% of regulatory Risk-Based Capital requirement
AIA Sri Lanka	120% of proposed Risk-Based Capital requirement
AIA Taiwan	250% of regulatory Risk-Based Capital requirement
AIA Thailand	140% of regulatory Risk-Based Capital requirement
AIA Vietnam	100% of required minimum solvency margin

Note:

(1) The assumed level of required capital for AIA Hong Kong is also used for the branches of AIA Co. and AIA International in the calculation of the consolidated EV Results.

5. Assumptions

5.1 INTRODUCTION

This section summarises the assumptions used by the Group to determine the EV as at 30 November 2014 and the VONB for the 12 months to 30 November 2014 and highlights certain differences in assumptions between the EV as at 30 November 2013 and the EV as at 30 November 2014.

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 historical returns, 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 these 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 some allowance for the current market yields. In these cases, in calculating the VIF, adjustment was 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 term, to be consistent with the valuation of the assets backing the policy liabilities.

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

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

Risk discount rates

The risk discount rates for each Business Unit 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 allowance for the risk profile of the business.

The Group has generally set the risk discount rates to be equal to the estimated cost of equity capital for each Business Unit within the Group. The cost of equity capital is derived using an estimated long-term risk-free interest rate, an equity risk premium and a market risk factor. In some cases, adjustments have been made to reflect territorial or Business Unit-specific factors.

Table 5.1 summarises the risk discount rates and assumed long-term investment returns for the major asset classes for each Business Unit as at 30 November 2014. The investment returns on existing fixed income assets were set consistently with the market yields on these assets. Note that VONB results were calculated based on start-of-quarter economic assumptions consistent with the measurement at point of sale. The same risk discount rates were used for all the EV Results shown in Section 1 and Section 2 of this report. In particular, for the branches of AIA Co. and AIA International, the consolidated EV Results reflecting the Hong Kong reserving and capital requirements were calculated using the branch-specific risk discount rates shown in the table. The present value of unallocated Group Office expenses was calculated using the AIA Hong Kong risk discount rate. The investment returns shown are gross of tax and investment expenses.

Table 5.1

Risk discount rates and long-term investment return assumptions by Business Unit (%)

Business Unit	**Risk discount rates**		**10-year government bonds**		**Local equities**	
	As at 30 Nov 2014	As at 30 Nov 2013	**As at 30 Nov 2014**	As at 30 Nov 2013	**As at 30 Nov 2014**	As at 30 Nov 2013
AIA Australia	**7.75**	7.75	**3.37**	3.37	**7.15**	7.15
AIA China	**9.75**	9.75	**3.74**	3.74	**9.49**	9.49
AIA Hong Kong[(1)]	**7.00**	7.25	**2.50**	2.68	**7.55**	7.73
AIA Indonesia	**13.00**	13.00	**7.50**	6.50	**12.25**	11.25
AIA Korea	**9.50**	9.75	**3.60**	3.85	**6.94**	7.19
AIA Malaysia	**8.75**	8.75	**4.20**	4.20	**8.75**	8.75
AIA New Zealand	**8.25**	8.25	**3.99**	3.99	**n/a**[(2)]	n/a[(2)]
Philam Life	**10.50**[(3)]	11.50	**4.00**	4.00	**9.16**	9.16
AIA Singapore	**6.75**	6.75	**2.23**	2.23	**7.00**	7.00
AIA Sri Lanka	**18.00**	19.00	**12.33**	13.33	**14.00**	15.00
AIA Taiwan	**7.75**	7.75	**1.48**	1.48	**6.62**	6.62
AIA Thailand	**9.00**	9.25	**3.62**	3.87	**9.37**	9.62
AIA Vietnam	**13.80**	14.80	**8.00**	9.00	**13.80**	14.80

Notes:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond assumption is for US dollar-denominated bonds.

(2) The assumed asset allocations do not include equities.

(3) Philippine long term sovereign debt was raised to investment grade in a series of upgrades over 2013 and 2014 by the major international rating agencies.

5.3 PERSISTENCY

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, partial withdrawals and retirement rates for pension products.

Assumptions have been developed by each of the Business Units based on their recent historical experience, and their best estimate expectations of current and expected future experience. Persistency assumptions vary by policy year and product type with different rates for regular and single premium products.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

5.4 EXPENSES

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate firstly total expenses between acquisition and maintenance activities, and then to allocate these acquisition and maintenance expenses to various product categories to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expense assumptions have been determined for acquisition and maintenance activities, split by product type, and unit costs expressed as a percentage of premium, sum assured and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

Group Office expenses

Group Office expense assumptions have been set, after excluding non-recurring expenses, based on actual acquisition and maintenance expenses in the 12-month period to 30 November 2014. The Group Office acquisition expenses have been deducted from the VONB. The present value of the projected future Group Office maintenance expenses has been deducted from the Group EV. The maintenance expense assumptions in the VONB also allow for the allocation of Group Office expenses.

5.5 EXPENSE INFLATION

The assumed expense inflation rates are based on expectations of long-term consumer price and salary inflation. The expense inflation assumptions are shown in Table 5.2 below.

Table 5.2

Expense inflation assumptions by Business Unit (%)

Business Unit	**As at 30 November 2014**	As at 30 November 2013
AIA Australia	**3.25**	3.25
AIA China	**2.0**	2.0
AIA Hong Kong	**2.0**	2.0
AIA Indonesia	**6.0**	6.0
AIA Korea	**3.5**	3.5
AIA Malaysia	**3.0**	3.0
AIA New Zealand	**2.5**	2.5
Philam Life	**3.5**	3.5
AIA Singapore	**2.0**	2.0
AIA Sri Lanka	**6.5**	6.5
AIA Taiwan	**1.0**	1.0
AIA Thailand	**2.0**	2.5
AIA Vietnam	**5.0**	5.0

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

5.6 MORTALITY

Assumptions have been developed by each Business Unit based on their recent historical experience, and their expectations of current and expected future experience. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Group.

For products that are exposed to longevity risk, an allowance has been made for expected improvements in mortality; otherwise no allowance has been made for mortality improvements.

5.7 MORBIDITY

Assumptions have been developed by each Business Unit based on their recent historical experience, and their expectations of current and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

5.8 REINSURANCE

Reinsurance assumptions have been developed by each Business Unit based on the reinsurance arrangements in force as at the valuation date and the recent historical and expected future experience.

5.9 POLICYHOLDER DIVIDENDS, PROFIT SHARING AND INTEREST CREDITING

The projected policyholder dividends, profit sharing and interest crediting assumptions set by each Business Unit that have been used in calculating the EV Results presented in this report, reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each Business Unit's best estimate of future policies, strategies and operations consistent with the investment return assumptions used in the EV Results.

Participating fund surpluses have been assumed to be distributed between policyholders and shareholders via future final bonuses or at the end of the projection period so that there are no residual assets at the end of the projection period.

5.10 TAXATION

The projections of distributable earnings underlying the values presented in this report are net of corporate tax, based on current taxation legislation and corporate 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 tax rates used by each Business Unit are set out in Table 5.3 below.

Table 5.3

Local corporate tax rates by Business Unit (%)

Business Unit	**As at 30 November 2014**	As at 30 November 2013
AIA Australia	**30.0**	30.0
AIA China	**25.0**	25.0
AIA Hong Kong	**16.5**	16.5
AIA Indonesia	**25.0**	25.0
AIA Korea	**24.2**	24.2
AIA Malaysia[1]	**25.0 for assessment years 2014 to 2015; 24.0 thereafter**	25.0 for assessment years 2013 to 2015; 24.0 thereafter
AIA New Zealand	**28.0**	28.0
Philam Life	**30.0**	30.0
AIA Singapore	**17.0**	17.0
AIA Sri Lanka	**28.0**	28.0
AIA Taiwan	**17.0**	17.0
AIA Thailand[2]	**20.0 for assessment years 2014 and 2015; 30.0 thereafter**	20.0 for assessment years 2013 and 2014; 30.0 thereafter
AIA Vietnam	**22.0 for assessment years 2014 and 2015; 20.0 thereafter**	25.0 for assessment year 2013; 22.0 for assessment years 2014 and 2015; 20.0 thereafter

Notes:

(1) The Malaysian Government announced a corporate tax rate change in the Federal Government Budget 2014 which will be effective from assessment year 2016.

(2) During the year, Thailand extended the 20% corporate income tax rate reduction for assessment year 2015. The best estimate corporate tax rates for future assessment years remain uncertain and will continue to be evaluated.

The tax assumptions used in the valuation reflect the local corporate 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 November 2014 is calculated after deducting any remittance taxes payable on the anticipated distribution of both the ANW and VIF.

Where territories have an imputation credit system in place, e.g. Australia, no allowance has been made for the value of the imputation credits in the results shown in this report.

5.11 STATUTORY VALUATION BASES

The projection of regulatory liabilities at future points in time assumes the continuation of the reserving methodologies used to value policyholder liabilities as at the valuation date.

5.12 PRODUCT CHARGES

Management fees and product charges reflected in the VIF and VONB have been assumed to follow existing scales.

5.13 FOREIGN EXCHANGE

The EV as at 30 November 2014 and 30 November 2013 have been translated into US dollars using exchange rates as at each valuation date. The VONB results shown in this report have been translated into US dollars using the corresponding average exchange rates for each quarter. The other components of the EV profit shown in the analysis of movement in EV have been translated using average exchange rates for the period.

6. Events after the Reporting Period

On 26 December 2014, the Financial Supervisory Service of Korea announced changes to the Risk-Based Capital requirement. These changes are effective 31 December 2014. The impact of these changes is not expected to be significant.

On 30 December 2014, the Financial Supervisory Commission of Taiwan announced changes to the Risk-Based Capital requirement. These changes are effective 1 January 2015. The impact of these changes is not expected to be significant.

On 26 February 2015, the Board of Directors proposed a final dividend of 34.00 Hong Kong cents per share (2013: 28.62 Hong Kong cents per share).

INFORMATION FOR SHAREHOLDERS

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 30 November 2014, including the accounting principles and practices adopted by the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 30 November 2014, the Company complied with all the applicable code provisions set out in the Corporate Governance Code except for Code Provision F.1.3. Code Provision F.1.3 provides that the company secretary should report to the chairman of the board and/or the chief executive. The Company operates under a variant of this model whereby the Group Company Secretary reports to the Group General Counsel who is ultimately accountable for the company secretarial function and who in turn reports directly to the Group Chief Executive.

The Company has also adopted its own Directors' and Chief Executives' Dealing Policy on terms no less exacting than those set out in the Model Code in respect of dealings by the Directors in the securities of the Company. All of the Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and the Directors' and Chief Executives' Dealing Policy throughout the year ended 30 November 2014.

PURCHASE, SALE AND REDEMPTION OF THE SECURITIES OF THE COMPANY

Save for the purchase of 19,404,804 shares and sale of 320,390 forfeited shares of the Company under the Restricted Share Unit Scheme and the Employee Share Purchase Plan at a total consideration of approximately US$93 million and US$2 million respectively, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 November 2014. These purchases and sales 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. Please refer to note 40 to the financial statements for details.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the year ended 30 November 2014 are set out in note 45 to the financial statements.

PUBLICATION OF CERTAIN FINANCIAL AND OTHER DATA PURSUANT TO LOCAL REGULATORY REQUIREMENTS

The Company and its subsidiaries or their respective branches are subject to local regulatory oversight in each of the countries or jurisdictions in which they operate. In a number of these jurisdictions, local insurance and other regulations require the publication of certain financial and other data primarily for policyholders' information and prudential supervisory purposes. The Local Statutory Data is often produced pursuant to regulations that are not designed with the protection or requirements of public shareholders as a primary objective. The Local Statutory Data that we expect to be published in 2015 includes the following:

Location	**Expected Time of Publication**
People's Republic of China	Monthly
Hong Kong	June, September, October and December
Malaysia	February, March, May, July, August and November
Singapore	April and June
Korea	February, June, August and November
Thailand	April, May, August and November

The Company uses IFRS to prepare its consolidated financial information. Local Statutory Data may be prepared on bases different from IFRS and may be substantially different from the Company's audited IFRS financial information.

Accordingly, our shareholders and potential investors are advised that the Local Statutory Data should not be relied on for an assessment of the Company's financial performance.

FINAL DIVIDEND

The Board has recommended a final dividend of 34.00 Hong Kong cents per share (2013: 28.62 Hong Kong cents per share) in respect of the year ended 30 November 2014. If approved, the proposed final dividend together with the interim dividend will represent a total dividend of 50.00 Hong Kong cents per share (2013: 42.55 Hong Kong cents per share) in respect of the year ended 30 November 2014.

Subject to shareholders' approval at the AGM, the final dividend will be payable on Friday, 29 May 2015 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 13 May 2015.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Wednesday, 6 May 2015 to Friday, 8 May 2015, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Tuesday, 5 May 2015.

In order to qualify for the entitlement of the final dividend, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m., Wednesday, 13 May 2015.

ANNUAL GENERAL MEETING

The 2015 Annual General Meeting will be held at 11:00 a.m. Hong Kong time on Friday, 8 May 2015 at the Grand Ballroom, 2/F, New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong. Notice of the AGM will be published on the website of the Hong Kong Stock Exchange and the Company's website.

Details of voting results at the AGM can be found on the website of the Hong Kong Stock Exchange at www.hkex.com.hk and the Company's website at www.aia.com on Friday, 8 May 2015.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to the Group's business prospects, future developments, trends and conditions in the industry and geographical markets in which the Group operates, its strategies, plans, objectives and goals, its ability to control costs, statements relating to prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

When used in this document, the words "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Group or the Group's management, are intended to identify forward-looking statements. These forward-looking statements reflect the Group's views as of the date hereof with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. Actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including any changes in the laws, rules and regulations relating to any aspects of the Group's business operations, general economic, market and business conditions, including capital market developments, changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, the actions and developments of the Group's competitors and the effects of competition in the insurance industry on the demand for, and price of, the Group's products and services, various business opportunities that the Group may or may not pursue, changes in population growth and other demographic trends, including mortality, morbidity and longevity rates, persistency levels, the Group's ability to identify, measure, monitor and control risks in the Group's business, including its ability to manage and adapt its overall risk profile and risk management practices, its ability to properly price its products and services and establish reserves for future policy benefits and claims, seasonal fluctuations and factors beyond the Group's control. Subject to the requirements of the Listing Rules, the Group does not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way the Group expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this document are qualified by reference to the cautionary statements set forth in this section.

By Order of the Board
Mark Edward Tucker
Executive Director
Group Chief Executive and President

Hong Kong, 26 February 2015

As at the date of this announcement, the Board of Directors of the Company comprises:

Non-executive Chairman and Non-executive Director:
Mr. Edmund Sze-Wing Tse

Executive Director, Group Chief Executive and President:
Mr. Mark Edward Tucker

Independent Non-executive Directors:
Mr. Jack Chak-Kwong So, Mr. Chung-Kong Chow, Mr. John Barrie Harrison, Mr. George Yong-Boon Yeo, Mr. Mohamed Azman Yahya and Professor Lawrence Juen-Yee Lau

GLOSSARY

Accident and health (A&H) insurance products	A&H insurance products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover. A&H insurance products are sold both as stand-alone policies and as riders that can be attached to our individual life insurance policies.
Acquisition cost (of a financial instrument)	The amount of cash or cash equivalents paid or the fair value of other consideration provided, in order to acquire an asset at the date of its acquisition.
Active agent	An agent who sells at least one policy per month.
Active market	A market in which all the following conditions exist: • the items traded within the market are homogeneous; • willing buyers and sellers can normally be found at any time; and • prices are available to the public. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
Adjusted net worth (ANW)	ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of AIA, plus the IFRS equity value (excluding the value of intangible assets) of other activities, such as general insurance business. It excludes any amounts not attributable to shareholders of AIA Group Limited. The market value of investment property and property held for use used to determine the ANW is based on the fair value disclosed in AIA's IFRS financial statements as at the valuation date. It is AIA's policy to obtain external property valuations annually except in the case of a discrete event occurring in the interim that has a significant impact on the fair value of the properties.
AGM	2015 Annual General Meeting of the Company to be held at 11:00 a.m. Hong Kong time on Friday, 8 May 2015.
AIA or the Group	AIA Group Limited and its subsidiaries.
AIA Co.	AIA Company Limited, a subsidiary of the Company.
AIA International	AIA International Limited, a subsidiary of AIA Co.
AIA Vitality	A science-backed wellness programme that provides participants with the knowledge, tools and motivation to help them achieve their personal health goals. The programme is a joint venture between AIA and Discovery Limited, a specialist insurer headquartered in South Africa.
AIG	American International Group, Inc.

Amortised cost	The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.
ANI	Aviva NDB Insurance.
Annualised new premium (ANP)	ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded. It is an internally used measure of new business sales or activity for all entities within AIA. ANP excludes new business of pension business, personal lines and motor insurance.
Annuity	A savings product where the accumulated amount can be paid out to the customer in a variety of income streams.
ASPP	Agency Share Purchase Plan.
Asset-liability management (ALM)	ALM is the management of the relative risk profiles of assets and liabilities.
Available for sale (AFS) financial assets	Financial assets that may be sold before maturity and that are used to back insurance and investment contract liabilities and shareholders' equity, and which are not managed on a fair value basis. Non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables or as at fair value through profit or loss. Available for sale financial instruments are measured at fair value, with movements in fair value recorded in other comprehensive income.
Bancassurance	The distribution of insurance products through banks or other financial institutions.
Common control	A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination.
The Company	AIA Group Limited.
Corporate Governance Code	Corporate Governance Code set out in Appendix 14 to the Listing Rules.
Cost of capital (CoC)	CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing the required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in a participating fund, there is no associated cost of capital included in the VIF or VONB.

Credit risk	The risk that third parties fail to meet their obligations to the Group when they fall due.
Deferred acquisition costs (DAC)	DAC are expenses of an insurer which are incurred in connection with the acquisition of new insurance contracts or the renewal of existing insurance contracts. They include commissions and other variable sales inducements and the direct costs of issuing the policy, such as underwriting and other policy issue expenses. These costs are deferred and expensed to the consolidated income statement on a systematic basis over the life of the policy. DAC assets are tested for recoverability at least annually.
Deferred origination costs (DOC)	Origination costs are expenses which are incurred in connection with the origination of new investment contracts or the renewal of existing investment contracts. For contracts that involve the provision of investment management services, these include commissions and other incremental expenses directly related to the issue of each new contract. Origination costs on contracts with investment management services are deferred and recognised as an asset in the consolidated statement of financial position and expensed to the consolidated income statement on a systematic basis in line with the revenue generated by the investment management services provided. Such assets are tested for recoverability.
Defined benefit plans	Post-employment benefit plans under which amounts to be paid or services to be provided as post-retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service.
Defined contribution plans	Post-employment benefit plans under which amounts to be paid as post-retirement benefits are determined by contributions to a fund together with earnings thereon. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the post-retirement benefits.
Discretionary participation features (DPF)	A contractual right to receive, as a supplement to guaranteed benefits, additional benefits or bonuses: • that are likely to be a significant portion of the total contractual benefits; • whose amount or timing is contractually at the discretion of the Group; and • that are contractually based on: – the performance of a specified pool of contracts or a specified type of contract; – realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or – the profit or loss of the Company, fund or other entity that issues the contract.

Effective interest method	A method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying value of the financial asset or financial liability.
Embedded value (EV)	An actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business.
EPS	Earnings per share.
Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company.
ESPP	Employee Share Purchase Plan.
ExCo	The Executive Committee of the Group.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Fair value through profit or loss (FVTPL)	Financial assets that are held to back unit-linked contracts and participating funds or financial assets and liabilities that are held for trading. A financial asset or financial liability that is measured at fair value in the statement of financial position with gains and losses arising from movements in fair value being presented in the consolidated income statement as a component of the profit or loss for the year.
First year premiums	First year premiums are premiums received in the first year of a recurring premium policy, and include the amount of premium that is expected to be required to provide insurance coverage until maturity.
Foreign exchange rate risk	The risk that the Company's value may be affected by changes in exchange rates.
FRC	Financial Risk Committee.
Free surplus	ANW in excess of the required capital.
Functional currency	The currency of the primary economic environment in which the entity operates.
Funding Liquidity Risk	The risk that insufficient cash is available to meet payment obligations to counterparties as they fall due.
GAMA International	A worldwide association serving the professional development needs of field leaders in the insurance, investment and financial services industry.
Goodwill	Goodwill represents the excess of the purchase price of an acquisition over the fair value of the Group's share of the net identifiable assets including VOBA of the acquired subsidiary, associate or joint venture at the date of acquisition.

Group insurance	An insurance scheme whereby individual participants are covered by a master contract held by a single group or entity on their behalf.
Group Office	Group Office includes the activities of the Group Corporate Centre segment consisting of the Group's corporate functions, shared services and eliminations of intragroup transactions.
HIBOR	Hong Kong Interbank Offered Rate.
HKFRS	Hong Kong Financial Reporting Standards.
HKOCI	Hong Kong Office of the Commissioner of Insurance.
Hong Kong	The Hong Kong Special Administrative Region of the PRC; in the context of our reportable segments, Hong Kong includes Macau.
Hong Kong Companies Ordinance	A substantial part of the Companies Ordinance (Laws of Hong Kong, Chapter 622) which came into force on 3 March 2014.
Hong Kong Insurance Companies Ordinance (HKICO)	The Insurance Companies Ordinance (Laws of Hong Kong, Chapter 41) (HKICO) provides a legislative framework for the prudential supervision of the insurance industry in Hong Kong. The objectives of the HKICO are to protect the interests of the insuring public and to promote the general stability of the insurance industry.
Hong Kong Stock Exchange (HKSE)	The Stock Exchange of Hong Kong Limited.
IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
IFA	Independent financial adviser.
IFRS	Standards and interpretations adopted by the International Accounting Standards Board (IASB) comprising: • International Financial Reporting Standards; • International Accounting Standards; and • Interpretations developed by the IFRS Interpretations Committee (IFRS IC) or the former Standing Interpretations Committee (SIC).
Interactive Mobile Office (iMO)	iMO is a mobile office platform with a comprehensive suite of applications that allow agents and agency leaders to manage their daily activities from lead generation, sales productivity and recruitment activity through to development training and customer analytics.
ING Malaysia	ING Management Holdings (Malaysia) Sdn. Bhd.
Insurance contract	A contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if specified uncertain future events adversely affect the policyholder.

Insurance risk	The potential loss resulting from inappropriate underwriting, mispricing, adverse expense, lapse, mortality and morbidity experiences. Under IFRS, insurance risk means risk, other than financial risk, transferred from the holder of a contract to the issuer.
Interactive Point of Sales (iPoS)	iPoS is a secure, mobile point-of-sale technology that features a paperless sales process from the completion of the customer's financial-needs analysis to proposal generation with electronic biometric signature of life insurance applications on tablet devices.
Investment contract	An investment contract is an insurance policy that, whilst structured and regulated as a contract of insurance, does not meet the accounting definition of an insurance contract because it does not transfer significant insurance risk.
Investment experience	Realised and unrealised investment gains and losses recognised in the consolidated income statement.
Investment income	Investment income comprises interest income, dividend income and rental income.
Investment Liquidity Risk	The risk that the Group will be unable to buy and sell securities. This risk generally occurs where our actual or required holdings are greater than market appetite.
Investment property	Property (land and/or a building or part of a building) held to earn rentals or for capital appreciation or both rather than for use by AIA.
Investment return	Investment return consists of investment income plus investment experience.
IPO	Initial public offering.
Lapse risk	The risk that, having purchased an insurance policy from AIA, customers either surrender the policy or cease paying premiums on it and so the expected stream of future premiums ceases. Lapse risk is taken into account in formulating projections of future premium revenues, for example when testing for liability adequacy and the recoverability of deferred acquisition and origination costs.
Liability adequacy testing	An assessment of whether the carrying amount of an insurance liability needs to be increased or the carrying amount of related deferred acquisition and origination costs or related intangible assets decreased based on a review of future cash flows.
LIBOR	London Interbank Offered Rate.
Life Insurance and Market Research Association (LIMRA)	A worldwide research, consulting and professional development organisation, established to help its member companies from life insurance and financial services industries improve their marketing and distribution effectiveness.
Liquidity risk	A general term for the risks that companies may be unable to meet their obligations to counterparties as they fall due or to buy and sell securities as required. See also Funding Liquidity Risk and Investment Liquidity Risk.

Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
Local Statutory Data	Certain financial and other data required to be published under local insurance and other regulations, primarily for policyholders' information and prudential supervisory purposes.
Market risk	The risk of loss from adverse movements in the value of assets owing to market factors, including changes in interest and foreign exchange rates, as well as movements in credit, equity and property prices.
Million Dollar Round Table (MDRT)	MDRT is a global professional trade association of life insurance and financial services professionals that recognises significant sales achievements and high service standards.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.
Monetary items	Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.
Net book value	The net value of an asset. Equal to its original cost (its book value) minus depreciation and amortisation.
Net funds to Group Corporate Centre	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.
Net profit	Net profit is calculated by subtracting a company's total expenses from total revenue, including share of profit/(loss) from associates and joint venture and after tax.
Non-controlling interests	The equity in a subsidiary not attributable, directly or indirectly, to a parent. Also referred to as "minority interests".
Non-participating life assurance	Contracts of insurance with no DPF.
n/a	Not available.
n/m	Not meaningful.
OPAT	Operating profit after tax attributable to shareholders of AIA Group Limited.
Operating profit before tax and after tax	The Group defines operating profit before and after tax excluding investment experience; investment income and investment management expenses related to unit-linked contracts; corresponding changes in insurance and investment contract benefits in respect of unit-linked contracts and participating fund; changes in third-party interests in consolidated investment funds, policyholders' share of tax relating to the change in insurance and investment contract liabilities and other significant items of non-operating income and expenditure.

Operating return on allocated equity	Operating return on allocated equity is calculated as operating profit after tax attributable to shareholders of the Company, expressed as a percentage of the simple average of opening and closing total equity attributable to shareholders of the Company, less the fair value and foreign currency translation reserves and others, and adjusted for intercompany debt.
Operating segment	A component of an entity that: • engages in business activities from which it may earn revenues and incur expenses; • whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance; and • for which discrete financial information is available.
Operational risk	The potential direct or indirect loss (including reputational loss) resulting from inadequate or failed internal processes, personnel and systems; or from external events.
ORC	Operational Risk Committee.
OTC	Over-the-counter.
Other comprehensive income	Items of income and expense that form part of total comprehensive income but, as required or permitted by IFRS, do not form part of profit or loss for the year, such as fair value gains and losses on available for sale financial assets.
Participating funds	Participating funds are distinct portfolios where the policyholders have a contractual right to receive at the discretion of the insurer additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The Group may either have discretion as to the timing of the allocation of those benefits to participating policyholders or may have discretion as to the timing and the amount of the additional benefits.
Participating policies	Participating policies are contracts with DPF. Participating policies may either be written within participating funds or may be written within the Company's general account, whereby the investment performance is determined for a group of assets or contracts, or by reference to the Company's overall investment performance and other factors. The latter is referred to by the Group as "other participating business". Whether participating policies are written within a separate participating fund or not largely depends on matters of local practice and regulation.
Persistency	The percentage of insurance policies remaining in force from month to month in the past 12 months, as measured by premiums.
Philam Life	The Philippine American Life and General Insurance Company, a subsidiary of AIA Co.; in the context of the Supplementary Embedded Value Information, Philam Life includes BPI-Philam Life Assurance Corporation.

Policyholder and shareholder investments	Investments other than those held to back unit-linked contracts.
Policyholder dividends	Policyholder dividends are the means of participating policyholders receiving the non-guaranteed element of the discretionary benefits, through which they participate in the investment return of the reference portfolio or pool of assets.
pps	Percentage points.
PRC	The People's Republic of China.
Property held for use	Property held for use in AIA's business.
Protection gap	The difference between the resources needed and resources available to maintain dependants' living standards after the death of the primary wage-earner.
Puttable liabilities	A puttable financial instrument is one in which the holder of the instrument has the right to put the instrument back to the issuer for cash (or another financial asset). Units in investment funds such as mutual funds and open-ended investment companies are typically puttable instruments. As these can be put back to the issuer for cash, the non-controlling interest in any such funds which have to be consolidated by AIA are treated as financial liabilities.
RCSA	Risk and Control Self-Assessment.
Regulatory minimum capital	Net assets held to meet the minimum solvency margin requirement set by the HKICO that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong.
Related parties	Related parties may be related to AIA for any of the following reasons: • they are directly or indirectly controlled by an AIA entity; • an AIA entity has significant influence on the party; • they are in a joint venture arrangement with an AIA entity; • they are part of AIA's key management or a close member of the family of any key management or any entity that is controlled by these persons; or • they are a post-retirement benefit plan for the employees of AIA.
Renewal premiums	Premiums receivable in subsequent years of a recurring premium policy.

Repurchase agreements (repos)	A repurchase transaction involves the sale of financial investments by AIA to a counterparty, subject to a simultaneous agreement to repurchase those securities at a later date at an agreed price. Accordingly, for accounting purposes, the securities are retained on AIA's consolidated statement of financial position for the life of the transaction, valued in accordance with AIA's policy for assets of that nature. The proceeds of the transaction are reported in the caption "Obligations under securities lending and repurchase agreements". Interest expense from repo transactions is reported within finance costs in the consolidated income statement.
Reverse repurchase agreements (reverse repos)	A reverse repurchase transaction (reverse repo) involves the purchase of financial investments with a simultaneous obligation to sell the assets at a future date, at an agreed price. Such transactions are reported within "Loans and deposits" in the consolidated statement of financial position. The interest income from reverse repo transactions is reported within investment return in the consolidated income statement.
Rider	A supplemental plan that can be attached to a basic insurance policy, typically with payment of additional premium.
Risk-adjusted return	The return produced by an investment after accounting for the risks involved in producing that return.
Risk appetite	Risk appetite is the amount of risk that companies are willing to take in order to achieve their business objectives.
RAS	Risk Appetite Statement.
Risk-Based Capital (RBC)	RBC represents an amount of capital based on an assessment of risks that a company should hold to protect customers against adverse developments.
RMF	Risk Management Framework.
RSUs	Restricted share units.
RSU Scheme	Restricted Share Unit Scheme.
Securities lending	Securities lending consists of the loan of certain securities within the Group's financial investments to third parties on a short-term basis. The loaned securities continue to be recognised within the appropriate financial investment classifications in the Group's consolidated statement of financial position.
Shadow accounting	Investment experience (realised and unrealised investment gains and losses) has a direct effect on the measurement of insurance contract liabilities and related deferred acquisition costs and intangible assets, such as VOBA (see below). Shadow accounting permits adjustments to insurance contract liabilities and the related assets to be reflected in other comprehensive income to match the extent to which unrealised investment gains and losses are recognised in other comprehensive income.
Singapore	The Republic of Singapore; in the context of our reportable segments, Singapore includes Brunei.

Single premiums	Single premiums are the lump sum payments from a policyholder, excluding first year premiums and renewal premiums.
SME	Small-and-medium sized enterprise.
SO Scheme	Share Option Scheme.
Solvency	The ability of an insurance company to satisfy its policyholder benefits and claims obligations.
Solvency ratio	The ratio of the total available capital to the regulatory minimum capital applicable to the insurer pursuant to relevant regulations.
Statement of financial position	Formerly referred to as the balance sheet.
Strategic asset allocation (SAA)	SAA is the setting of strategic asset allocation targets, based on long-term capital market assumptions, to meet long-term requirements of the insurance business and shareholders.
Strategic risk	The risk of unexpected changes in the regulatory, market and competitive environment in which the Group operates.
Stress tests	The application of shocks to the assumptions underlying valuations. Stress tests are used to observe the resilience of the Company to stress events and the volatility of those valuations.
Takaful	Islamic insurance which is based on the principles of mutual assistance and risk sharing.
Total weighted premium income (TWPI)	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. As such it provides an indication of AIA's longer-term business volumes as it smoothes the peaks and troughs in single premiums.
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.
Unit-linked investments	Financial investments held to back unit-linked contracts.
Unit-linked products	Unit-linked products are insurance products where the policy value is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investment or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of death of the insured or surrender or maturity of the policy, subject to surrender charges.
Universal life	A type of insurance product where the customer pays flexible premiums, subject to specified limits, which are accumulated in an account balance which are credited with interest at a rate either set by the insurer or reflecting returns on a pool of matching assets. The customer may vary the death benefit and the contract may permit the policyholder to withdraw the account balance, typically subject to a surrender charge.

Value of business acquired (VOBA)	VOBA in respect of a portfolio of long-term insurance and investment contracts acquired is recognised as an asset, calculated using discounted cash flow techniques, reflecting all future cash flows expected to be realised from the portfolio. VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the additional value of the business acquired. The carrying value of VOBA is reviewed annually for impairment and any impairment is charged to the consolidated income statement.
Value of in-force business (VIF)	VIF is the present value of projected after-tax statutory profits emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business.
Value of new business (VONB)	VONB is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding the required capital in excess of regulatory reserves to support this business. VONB for AIA is stated after adjustments to reflect additional Hong Kong reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB by market is stated before adjustments to reflect additional Hong Kong reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
VONB margin	VONB excluding pension business, expressed as a percentage of ANP. VONB margin for AIA is stated after adjustments to reflect additional Hong Kong reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB margin by market is stated before adjustments to reflect additional Hong Kong reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
Withholding tax	When a payment is made to a party in another country, the laws of the payer's country may require withholding tax to be applied to the payment. International withholding tax may be required for payments of dividends or interest. A double tax treaty may reduce the amount of withholding tax required, depending upon the jurisdiction in which the recipient is tax resident.
Working capital	Working capital comprises debt and equity securities, deposits and cash and cash equivalents held at the Group Corporate Centre. These liquid assets are available to invest in building the Group's business operations.