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**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**

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2015**

# **INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2015**

## **AIA DELIVERS EXCELLENT RESULTS**

### **VONB UP 25 PER CENT ON CONSTANT EXCHANGE RATES STRONG IFRS EARNINGS GROWTH AND PROGRESSIVE DIVIDEND**

The Board of Directors of AIA Group Limited (stock code: 1299) is pleased to announce the Group's unaudited consolidated results for the six months ended 31 May 2015.

#### **Excellent growth in value of new business (VONB)**

- VONB of US\$959 million, up 21 per cent; up 25 per cent on constant exchange rates (CER)
- Annualised new premiums (ANP) of US\$1,878 million, up 11 per cent; up 15 per cent on CER
- VONB margin of 50.2 per cent, up 4.0 pps

#### **Strong increase in IFRS operating profit**

- IFRS operating profit after tax (OPAT) of US\$1,630 million, up 12 per cent; up 15 per cent on CER
- Net profit up 41 per cent to US\$2,180 million; up 45 per cent on CER

#### **Sustainable value creation and robust capital position**

- Free surplus of US\$8.3 billion, up 7 per cent over the first half
- Free surplus generation of US\$2.1 billion
- 30 per cent increase in net remittances to US\$1.0 billion
- EV Equity of US\$40.5 billion, up 4 per cent over the first half
- EV of US\$38.6 billion, up 4 per cent over the first half
- Solvency ratio for AIA Co. increased by 26 pps to 453 per cent on the HKICO basis

#### **Increased interim dividend**

- 17 per cent increase in interim dividend to 18.72 Hong Kong cents per share

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

"AIA has delivered another strong performance in the first half of 2015. VONB growth is 25 per cent on a constant exchange rate basis, which more clearly reflects the underlying performance of the business during the recent period of foreign exchange volatility.

"Our disciplined approach to the management of our in-force business has enabled us to achieve a strong increase in IFRS operating profit and maintain our resilient solvency position. Our financial results continue to demonstrate the value of the consistent execution of our well-established growth strategy and our exclusive focus on the Asia-Pacific region.

"The region continues to present enormous growth opportunities for AIA. Ongoing urbanisation and rising disposable incomes, coupled with low provision of social welfare benefits, will continue to fuel the substantial and growing need for healthcare, protection and long-term savings products. AIA is exceptionally well-positioned to make the most of these opportunities.

"The Board has declared a 17 per cent increase in the interim dividend, a clear reflection of the health of AIA's business, our strong financial results and our confidence in the future prospects for the Group. The power of AIA's franchise, the breadth of our product range, our trusted brand and unrivalled financial strength will enable us to continue to generate sustainable value for our customers and shareholders."

## 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 a presence in 18 markets in Asia-Pacific – wholly-owned branches and subsidiaries in Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau, Brunei, a 97 per cent subsidiary in Sri Lanka, a 26 per cent joint venture in India and representative offices in Myanmar and Cambodia.

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\$172 billion as of 31 May 2015.

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 29 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

### Growth in Key Metrics on Constant Exchange Rates

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2015</b>	Six months ended 31 May 2014	YoY AER	YoY CER
Value of new business (VONB)	<b>959</b>	792	21%	25%
Annualised new premiums (ANP)	<b>1,878</b>	1,690	11%	15%
Operating profit after tax (OPAT)	<b>1,630</b>	1,457	12%	15%

### Performance Highlights

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2015</b>	Six months ended 31 May 2014	YoY
<b>New Business Value</b>			
Value of new business (VONB)	<b>959</b>	792	21%
VONB margin	<b>50.2%</b>	46.2%	4.0 pps
Annualised new premiums (ANP)	<b>1,878</b>	1,690	11%
<b>Embedded Value</b>			
Embedded value (EV) operating profit	<b>2,352</b>	2,119	11%
EV Equity <sup>(1)</sup>	<b>40,478</b>	39,042	4%
Value of in-force business (VIF) <sup>(1)</sup>	<b>22,442</b>	21,802	3%
Adjusted net worth (ANW) <sup>(1)</sup>	<b>16,156</b>	15,351	5%
Embedded value <sup>(1)</sup>	<b>38,598</b>	37,153	4%
EV operating earnings per share (US cents)	<b>19.65</b>	17.71	11%
EV Equity per share (US cents) <sup>(1)</sup>	<b>335.99</b>	324.13	4%
<b>IFRS</b>			
Operating profit after tax (OPAT)	<b>1,630</b>	1,457	12%
Total weighted premium income (TWPI)	<b>9,633</b>	9,004	7%
Net profit	<b>2,180</b>	1,546	41%
Operating earnings per share (US cents)			
– Basic	<b>13.62</b>	12.18	12%
– Diluted	<b>13.57</b>	12.15	12%
<b>Dividends and Capital</b>			
Dividend per share (HK cents)	<b>18.72</b>	16.00	17%
AIA Co. HKICO solvency ratio <sup>(1)</sup>	<b>453%</b>	427%	26 pps

(1) Comparatives for balance sheet items are shown at 30 November 2014.

## New Business Performance by Segment

US\$ millions, unless otherwise stated	Six months ended 31 May 2015			Six months ended 31 May 2014			VONB Change	
	VONB	VONB Margin	ANP	VONB	VONB Margin	ANP	YoY AER	YoY CER
Hong Kong	335	59.6%	540	260	62.4%	401	29%	29%
Thailand	183	71.5%	256	162	63.3%	256	13%	14%
Singapore	142	62.9%	225	127	59.3%	214	12%	19%
Malaysia	78	55.4%	138	70	43.9%	161	11%	22%
China	187	84.8%	220	120	78.7%	152	56%	58%
Korea	23	17.5%	132	35	18.6%	189	(34)%	(32)%
Other Markets	115	31.2%	367	96	29.9%	317	20%	31%
<b>Subtotal</b>	<b>1,063</b>	<b>55.8%</b>	<b>1,878</b>	870	50.8%	1,690	22%	26%
Adjustment to reflect additional Hong Kong reserving and capital requirements	(48)	n/m	n/m	(24)	n/m	n/m	n/m	n/m
After-tax value of unallocated Group Office expenses	(56)	n/m	n/m	(54)	n/m	n/m	n/m	n/m
<b>Total</b>	<b>959</b>	<b>50.2%</b>	<b>1,878</b>	792	46.2%	1,690	21%	25%

### 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 the first half of 2015 and the first half of 2014.

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

(4) Economic assumptions are the same as those shown as at 30 November 2014 in our 2014 annual results preliminary announcement published on 26 February 2015. Non-economic assumptions used are based on those at 30 November 2014 updated to reflect AIA's view of the latest experience observed.

(5) 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 the first half of 2015 and in the first half of 2014 were US\$11 million and US\$4 million respectively.

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

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

(8) 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.

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

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

(11) 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.

(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) AIA's financial information in this announcement is based on the unaudited interim condensed consolidated financial statements and supplementary embedded value information for the first half of 2015.

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# FINANCIAL AND OPERATING REVIEW

## FINANCIAL REVIEW

### Summary

In the first half of 2015 AIA made excellent progress and delivered strong financial results. Consistent with past years we have delivered growth across our main financial metrics through our strategy of investing capital at attractive returns in quality new business and with increased capital efficiency.

Value of new business (VONB) grew by 21 per cent to US\$959 million and IFRS operating profit after tax (OPAT) increased by 12 per cent to US\$1,630 million. EV Equity was US\$40,478 million, up by 4 per cent over the first half. On constant exchange rates VONB grew by 25 per cent and OPAT increased by 15 per cent compared with the first half of 2014.

The high quality business we have written in past years has driven strong increases in IFRS operating profit and our disciplined approach to the management of our in-force business has enabled us to maintain our resilient solvency position and invest our strong capital generation in further profitable growth.

Reflecting these financial results and our confidence in the future of AIA, the Board of Directors has declared an interim dividend of 18.72 Hong Kong cents per share, an increase of 17 per cent on the prior year.

Our financial performance in the first half of 2015 has once again demonstrated the value of our focus on achieving large-scale profitable growth through investing capital with financial discipline to deliver attractive returns and progressive dividends to shareholders.

### VALUE GROWTH

As a leading life insurance company with a presence in 18 markets in the Asia-Pacific region, AIA receives the vast majority of its premiums in local currencies and we closely match our assets and liabilities to reduce the economic effects of foreign exchange movements. When reporting the Group's consolidated figures, there is a translation effect as we report in US dollars. In the first half of 2015, we have provided comparisons of growth rates and commentaries on actual and constant exchange rates to provide a clearer picture when assessing the underlying performance of the business during the recent period of foreign exchange volatility.

VONB increased by 21 per cent compared with the first half of 2014 to US\$959 million. VONB growth was 25 per cent on constant exchange rates. China and Hong Kong once again delivered excellent performances with Thailand, Singapore, Malaysia and Other Markets also generated double-digit growth compared with the first half of 2014.

ANP grew by 11 per cent, or 15 per cent on constant exchange rates, to US\$1,878 million. VONB margin increased by 4.0 pps to 50.2 per cent driven mainly by a positive shift in geographical mix. We do not manage our business solely for volume or margin. Our objective is to drive absolute VONB growth through investing capital to generate sustainable increases in value and returns to our shareholders.

EV operating profit grew by 11 per cent to US\$2,352 million, or 14 per cent on constant exchange rates, again reflecting the strong growth in the VONB and overall positive operating experience variances and assumption changes of US\$60 million.

EV Equity grew by US\$1,436 million to US\$40,478 million at 31 May 2015. The increase of 4 per cent over the first half from US\$39,042 million at 30 November 2014 was mainly driven by strong EV operating profit less the payment of the 2014 final dividend to shareholders of US\$525 million and negative foreign exchange translation of US\$667 million.

Economic assumptions remained unchanged from those shown in our Annual Report 2014.

## **IFRS EARNINGS**

OPAT increased by 12 per cent compared with the first half of 2014 to US\$1,630 million. OPAT growth was 15 per cent on constant exchange rates. The strong performance was the result of underlying business growth and an improved operating margin.

IFRS net profit increased by 41 per cent compared with the first half of 2014 to US\$2,180 million reflecting strong growth in OPAT and equity market gains of US\$590 million in the first half of 2015. Shareholders' IFRS equity increased by 3 per cent over the first half to US\$31,752 million at 31 May 2015 from US\$30,806 million at 30 November 2014. The increase was a result of net profit of US\$2,180 million less the payment of the 2014 final dividend of US\$525 million and negative foreign currency translation of US\$421 million. Negative fair value movements of US\$212 million reflected the IFRS accounting effect of higher interest rates in the first half on the treatment of debt securities that are classified as available for sale.

Shareholders' allocated equity, before fair value reserve and foreign currency translation reserve, which provides a better reflection of the underlying movement of shareholders' equity over the period, increased by 7 per cent over the first half from US\$24,513 million at 30 November 2014 to US\$26,118 million at 31 May 2015.

## **CAPITAL AND DIVIDENDS**

At 31 May 2015, the total available capital for AIA Co., our main regulated entity, was US\$7,285 million as measured under the HKICO basis. The solvency ratio for AIA Co. increased by 26 pps to 453 per cent of regulatory minimum capital compared with 427 per cent at the end of November 2014. The increase was mainly from retained earnings and positive market movements less dividends to AIA Group Limited and an increase in regulatory minimum capital due to growth in the business.

Our local businesses remitted US\$1,018 million to the Group Corporate Centre in the first half of 2015 compared with US\$782 million in the first half of 2014.

The Board of Directors has declared an interim dividend of 18.72 Hong Kong cents per share in line with our prudent, sustainable and progressive dividend policy. This represents an increase of 17 per cent compared with the interim dividend in 2014 reflecting our strong operating and financial performance.

## **OUTLOOK**

Asian economies have proved resilient through recent economic cycles and the long-term economic outlook for emerging Asia ex-Japan remains positive, notwithstanding continuing turbulence in global capital markets. While Asia is not isolated from near-term economic factors outside the region such as shifts in monetary policy in the U.S., threats to Eurozone stability and a more demanding global regulatory environment, the Asian markets in which AIA operates are well-positioned to withstand these challenges.

The life insurance industry continues to benefit from the significant structural economic and demographic trends, rapid urbanisation and growth in disposable incomes across the region which together drive strong demand for our products. Combined with low levels of government social support and private insurance cover, these structural drivers underpin AIA's present success and provide the foundation for our enormous growth potential in future years.

We remain confident that AIA's leading businesses across the region place us in an advantaged position to capture the ongoing growth opportunities of the Asian life insurance market.



## New Business Growth

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

US\$ millions, unless otherwise stated	Six months ended 31 May 2015 <sup>(1)</sup>			Six months ended 31 May 2014 <sup>(1)</sup>			VONB Change AER	VONB Change CER
	VONB	VONB Margin	ANP	VONB	VONB Margin	ANP		
Hong Kong	335	59.6%	540	260	62.4%	401	29%	29%
Thailand	183	71.5%	256	162	63.3%	256	13%	14%
Singapore	142	62.9%	225	127	59.3%	214	12%	19%
Malaysia	78	55.4%	138	70	43.9%	161	11%	22%
China	187	84.8%	220	120	78.7%	152	56%	58%
Korea	23	17.5%	132	35	18.6%	189	(34)%	(32)%
Other Markets	115	31.2%	367	96	29.9%	317	20%	31%
<b>Subtotal</b>	<b>1,063</b>	<b>55.8%</b>	<b>1,878</b>	<b>870</b>	<b>50.8%</b>	<b>1,690</b>	<b>22%</b>	<b>26%</b>
Adjustment to reflect additional Hong Kong reserving and capital requirements	(48)	n/m	n/m	(24)	n/m	n/m	n/m	n/m
After-tax value of unallocated Group Office expenses	(56)	n/m	n/m	(54)	n/m	n/m	n/m	n/m
<b>Total</b>	<b>959</b>	<b>50.2%</b>	<b>1,878</b>	<b>792</b>	<b>46.2%</b>	<b>1,690</b>	<b>21%</b>	<b>25%</b>

Note:

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

VONB grew by 21 per cent to US\$959 million compared with the first half of 2014. VONB growth was 25 per cent on constant exchange rates.

Hong Kong and China once again delivered excellent performances. VONB was up 29 per cent and 56 per cent respectively through the consistent execution of our Premier Agency strategy, driving strong growth in our number of active agents and improved agent productivity.

Singapore achieved strong growth from increased sales of new unit-linked and long-term packaged participating products. Thailand and Malaysia also delivered double-digit growth in VONB largely driven by further margin improvements, as we continued our strategy of increasing take-up of regular premium unit-linked products with higher protection rider attachments. Korea reported lower VONB, as we maintained our strict focus on selectively writing business that meets our return requirements. Other Markets delivered an excellent performance, in particular Indonesia, the Philippines and Vietnam.

We continued to achieve strong results across both agency and partnership distribution channels with agency distribution delivering VONB growth of 21 per cent to US\$756 million and partnership distribution VONB growing by 23 per cent to US\$292 million compared with the first half of 2014.

ANP grew by 11 per cent to US\$1,878 million, as we continued our strategy of writing long-term savings and regular premium protection products. The reported growth rates for Singapore, Malaysia and our Other Markets were affected by local currency depreciation and ANP increased by 15 per cent on constant exchange rates. VONB margin increased by 4.0 pps to 50.2 per cent from 46.2 per cent in the first half of 2014. The increase was mainly from a positive shift in geographical mix with economic assumption changes representing a reduction in margin of 0.4 pps.

VONB is reported after a US\$104 million reduction 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 to business units.

## Embedded Value (EV) Equity

### EV EQUITY

US\$ millions, unless otherwise stated	As at 31 May 2015	As at 30 November 2014	Change
<b>EV</b>	<b>38,598</b>	37,153	4%
Goodwill and other intangible assets <sup>(1)</sup>	<b>1,880</b>	1,889	–
<b>EV Equity</b>	<b>40,478</b>	39,042	4%

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\$1,436 million to US\$40,478 million at 31 May 2015. The increase of 4 per cent over the first half from US\$39,042 million at 30 November 2014 was mainly driven by strong EV operating profit less the payment of the 2014 final dividend to shareholders of US\$525 million and negative foreign exchange translation of US\$667 million.

### ANALYSIS OF EV MOVEMENT

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

US\$ millions, unless otherwise stated	Six months ended 31 May 2015		
	ANW	VIF	EV
<b>Opening EV</b>	<b>15,351</b>	<b>21,802</b>	<b>37,153</b>
Value of new business	(571)	1,530	959
Expected return on EV	1,769	(403)	1,366
Operating experience variances	37	152	189
Operating assumption changes	(64)	(65)	(129)
Finance costs	(33)	–	(33)
<b>EV operating profit</b>	<b>1,138</b>	<b>1,214</b>	<b>2,352</b>
Investment return variances	365	(88)	277
Other non-operating variances	104	(54)	50
<b>Total EV profit</b>	<b>1,607</b>	<b>1,072</b>	<b>2,679</b>
Dividends	(525)	–	(525)
Other capital movements	(42)	–	(42)
Effect of changes in exchange rates	(235)	(432)	(667)
<b>Closing EV</b>	<b>16,156</b>	<b>22,442</b>	<b>38,598</b>

US\$ millions, unless otherwise stated	Six months ended 31 May 2014		
	ANW	VIF	EV
<b>Opening EV</b>	13,462	20,356	33,818
Citibank Upfront Payment	(800)	–	(800)
<b>Adjusted Opening EV</b>	12,662	20,356	33,018
Value of new business	(489)	1,281	792
Expected return on EV	1,814	(525)	1,289
Operating experience variances	(36)	108	72
Operating assumption changes	(2)	(10)	(12)
Finance costs	(22)	–	(22)
<b>EV operating profit</b>	1,265	854	2,119
Investment return variances	595	17	612
Other non-operating variances	(52)	(14)	(66)
<b>Total EV profit</b>	1,808	857	2,665
Dividends	(442)	–	(442)
Other capital movements	(42)	–	(42)
Effect of changes in exchange rates	(88)	(41)	(129)
<b>Closing EV</b>	13,898	21,172	35,070

EV grew to US\$38,598 million at 31 May 2015, an increase of 4 per cent over the first half from US\$37,153 million at 30 November 2014.

EV operating profit grew by 11 per cent to US\$2,352 million, or 14 per cent on constant exchange rates compared with the first half of 2014. The growth reflected a combination of a higher VONB of US\$959 million and an increased expected return on EV of US\$1,366 million. Overall operating experience variances and operating assumption changes were again positive at US\$60 million. Finance costs from our medium term notes were US\$33 million.

Non-operating EV movements included investment return variances of US\$277 million and other non-operating variances of US\$50 million. The final dividend declared for 2014 was US\$525 million and paid in the first half of 2015. Other capital movements reduced EV by US\$42 million and negative foreign exchange movements were US\$667 million. Positive investment return variances of US\$277 million were largely due to equity market gains partly offset by increased statutory reserves.

EV includes adjusted net worth (ANW) and the value of in-force business (VIF). ANW increased by 5 per cent over the first half to US\$16,156 million at 31 May 2015 from US\$15,351 million at 30 November 2014.

VIF increased by 3 per cent over the half year to US\$22,442 million at 31 May 2015 compared with US\$21,802 million at 30 November 2014 with the operating increase of US\$1,214 million partly offset by negative foreign exchange movements of US\$432 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 31 May 2015	Six months ended 31 May 2015 VONB	EV as at 30 November 2014	Six months ended 31 May 2014 VONB
<b>Central value</b>	<b>38,598</b>	<b>959</b>	37,153	792
<b>Equity price changes</b>				
10 per cent increase in equity prices	39,471	n/a	37,914	n/a
10 per cent decrease in equity prices	37,710	n/a	36,377	n/a
<b>Interest rate changes</b>				
50 basis points increase in interest rates	38,748	1,016	37,232	833
50 basis points decrease in interest rates	38,404	892	37,014	755

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

## IFRS Profit

### IFRS OPERATING PROFIT AFTER TAX (OPAT)<sup>(1)</sup> BY SEGMENT

US\$ millions, unless otherwise stated	Six months ended 31 May 2015	Six months ended 31 May 2014	YoY AER	YoY CER
Hong Kong	540	460	17%	17%
Thailand	281	279	1%	2%
Singapore	210	203	3%	10%
Malaysia	138	140	(1)%	9%
China	167	132	27%	27%
Korea	89	78	14%	20%
Other Markets	185	158	17%	27%
Group Corporate Centre	20	7	n/m	n/m
<b>Total</b>	<b>1,630</b>	1,457	12%	15%

Note:

(1) Attributable to shareholders of AIA Group Limited.

OPAT grew by 12 per cent compared with the first half of 2014 to US\$1,630 million. The reported growth rates for Singapore, Malaysia, Korea and our Other Markets were affected by local currency depreciation. OPAT growth was 15 per cent on constant exchange rates. The performance was the result of underlying business growth and an improved operating margin from higher investment income, increased initial profit from new business and a lower expense ratio.

Each of our market segments delivered positive growth in OPAT on constant exchange rates in the first half of the year. Hong Kong reported an excellent performance with an increase of 17 per cent primarily due to growth in the underlying business. In Thailand, underlying growth in the business was offset by lower investment income in the first half and increased surrender claims reflecting industry-wide trends, although our aggregate persistency continued to outperform that of the industry overall. The Group's persistency remained strong at 94.4 per cent in the first half of 2015.

Singapore and Malaysia delivered a solid underlying performance with reported figures affected by local currency depreciation. Malaysia benefited from higher investment income partly offset by increased claims. China achieved excellent growth of 27 per cent, as we continued to benefit from greater economies of scale and operational efficiency. Korea's strong OPAT growth was the result of our pricing discipline and improved claims experience.

Other Markets delivered an excellent performance with strong growth in Australia, Indonesia, the Philippines and Vietnam.

## TOTAL WEIGHTED PREMIUM INCOME (TWPI) BY SEGMENT

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2015</b>	Six months ended 31 May 2014	YoY AER	YoY CER
Hong Kong	<b>2,271</b>	1,929	18%	18%
Thailand	<b>1,632</b>	1,555	5%	6%
Singapore	<b>1,141</b>	1,134	1%	7%
Malaysia	<b>960</b>	1,027	(7)%	3%
China	<b>991</b>	850	17%	18%
Korea	<b>1,065</b>	1,087	(2)%	2%
Other Markets	<b>1,573</b>	1,422	11%	22%
<b>Total</b>	<b>9,633</b>	9,004	7%	11%

TWPI increased by 7 per cent to US\$9,633 million with the reported growth rate affected by local currency depreciation in Singapore, Malaysia, Korea and our Other Markets. TWPI growth was 11 per cent on constant exchange rates.

## INVESTMENT INCOME<sup>(1)</sup>

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2015</b>	Six months ended 31 May 2014	YoY
Interest income	<b>2,498</b>	2,342	7%
Dividend income	<b>270</b>	214	26%
Rental income	<b>63</b>	61	3%
<b>Total</b>	<b>2,831</b>	2,617	8%

Note:

(1) Excluding unit-linked contracts.

Investment income was up 8 per cent to US\$2,831 million compared with the first half of 2014 reflecting an increased level of investments at the beginning of 2015 combined with higher dividends received.

## OPERATING EXPENSES

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2015</b>	Six months ended 31 May 2014	YoY
Operating expenses	<b>801</b>	765	5%

Operational efficiency improved in the first half of 2015 with a lower expense ratio of 8.3 per cent from 8.5 per cent and a 5 per cent increase in operating expenses to US\$801 million.

## NET PROFIT<sup>(1)</sup>

US\$ millions, unless otherwise stated	Six months ended 31 May 2015	Six months ended 31 May 2014	YoY
OPAT	1,630	1,457	12%
Net gains from equities, net of tax	590	47	n/m
Other non-operating investment experience and other items, net of tax	(40)	42	n/m
<b>Total</b>	<b>2,180</b>	<b>1,546</b>	<b>41%</b>

Note:

(1) Attributable to shareholders of AIA Group Limited.

AIA's IFRS net profit definition includes mark-to-market movements from our equity portfolio. IFRS net profit increased by 41 per cent compared with the first half of 2014 to US\$2,180 million reflecting strong growth in OPAT and positive equity market gains of US\$590 million compared with US\$47 million in the first half of 2014.

## Earnings Per Share (EPS)

Basic EPS based on IFRS OPAT attributable to shareholders of AIA Group Limited increased by 12 per cent to 13.62 US cents in the first half of 2015 from 12.18 US cents in the first half of 2014.

Basic EPS based on IFRS net profit attributable to shareholders of AIA Group Limited increased by 41 per cent to 18.21 US cents in the first half of 2015 from 12.92 US cents in the first half of 2014.

### EARNINGS PER SHARE – BASIC

	Net Profit		OPAT	
	Six months ended 31 May 2015	Six months ended 31 May 2014	Six months ended 31 May 2015	Six months ended 31 May 2014
Profit (US\$ millions)	2,180	1,546	1,630	1,457
Weighted average number of ordinary shares (millions)	11,969	11,964	11,969	11,964
<b>Basic earnings per share (US cents)</b>	<b>18.21</b>	<b>12.92</b>	<b>13.62</b>	<b>12.18</b>

### EARNINGS PER SHARE – DILUTED

	Net Profit		OPAT	
	Six months ended 31 May 2015	Six months ended 31 May 2014	Six months ended 31 May 2015	Six months ended 31 May 2014
Profit (US\$ millions)	2,180	1,546	1,630	1,457
Weighted average number of ordinary shares (millions) <sup>(1)</sup>	12,012	11,989	12,012	11,989
<b>Diluted earnings per share (US cents)<sup>(1)</sup></b>	<b>18.15</b>	<b>12.90</b>	<b>13.57</b>	<b>12.15</b>

Note:

(1) 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 directors, officers, employees and agents under the share-based compensation plans as described in Note 40 to the financial statements in our Annual Report 2014.

## Balance Sheet

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US\$ millions, unless otherwise stated	As at 31 May 2015	As at 30 November 2014	Change
<b>Assets</b>			
Financial investments	143,659	138,809	3%
Investment property	1,432	1,384	3%
Cash and cash equivalents	1,655	1,835	(10)%
Deferred acquisition and origination costs	16,909	16,593	2%
Other assets	8,405	8,298	1%
<b>Total assets</b>	<b>172,060</b>	166,919	3%
<b>Liabilities</b>			
Insurance and investment contract liabilities	124,713	121,034	3%
Borrowings	3,193	2,934	9%
Other liabilities	12,256	11,996	2%
<b>Less total liabilities</b>	<b>140,162</b>	135,964	3%
<b>Equity</b>			
Total equity	31,898	30,955	3%
Less non-controlling interests	146	149	(2)%
<b>Total equity attributable to shareholders of AIA Group Limited</b>	<b>31,752</b>	30,806	3%
Shareholders' allocated equity	26,118	24,513	7%

#### ASSETS

Total assets grew by 3 per cent over the first half to US\$172,060 million at 31 May 2015 compared with US\$166,919 million at 30 November 2014, mainly from increased financial investments reflecting positive net flows from underlying growth in the business and fair value gains from equity securities.

Cash and cash equivalents decreased to US\$1,655 million at 31 May 2015 compared with US\$1,835 million at 30 November 2014 reflecting increased investments in financial assets and payment of the 2014 final dividend of US\$525 million.

Deferred acquisition and origination costs increased to US\$16,909 million at 31 May 2015 compared with US\$16,593 million at 30 November 2014 reflecting underlying growth in the business.

#### LIABILITIES

Total liabilities increased by 3 per cent over the first half to US\$140,162 million at 31 May 2015 compared with US\$135,964 million at 30 November 2014.

Insurance and investment contract liabilities grew by 3 per cent to US\$124,713 million at 31 May 2015 compared with US\$121,034 million at 30 November 2014 reflecting the underlying growth of the in-force portfolio and new business.

Borrowings increased to US\$3,193 million at 31 May 2015 mainly due to the issuance of a medium term note of US\$750 million nominal amount in March 2015 less repayments of bank loans.

Other liabilities increased by 2 per cent to US\$12,256 million at 31 May 2015 compared with US\$11,996 million at 30 November 2014 mainly from a US\$103 million increase in obligations under repurchase agreements and a US\$244 million increase in tax liabilities.

Details of commitments and contingencies are included in Note 24 to the interim financial statements.

## MOVEMENT IN SHAREHOLDERS' EQUITY

US\$ millions, unless otherwise stated	Six months ended 31 May 2015	Year ended 30 November 2014	Six months ended 31 May 2014
<b>Opening shareholders' equity</b>	<b>30,806</b>	24,682	24,682
Net profit	<b>2,180</b>	3,450	1,546
Fair value (losses)/gains on assets	<b>(246)</b>	3,807	2,321
Foreign currency translation adjustments	<b>(421)</b>	(430)	(35)
Purchase of shares held by employee share-based trusts	<b>(94)</b>	(91)	(89)
Dividends	<b>(525)</b>	(689)	(442)
Other capital movements	<b>52</b>	77	47
<b>Total movement in shareholders' equity</b>	<b>946</b>	6,124	3,348
<b>Closing shareholders' equity</b>	<b>31,752</b>	30,806	28,030

## MOVEMENT IN SHAREHOLDERS' ALLOCATED EQUITY

US\$ millions, unless otherwise stated	Six months ended 31 May 2015	Year ended 30 November 2014	Six months ended 31 May 2014
<b>Opening shareholders' allocated equity</b>	<b>24,513</b>	21,759	21,759
Net profit	<b>2,180</b>	3,450	1,546
Purchase of shares held by employee share-based trusts	<b>(94)</b>	(91)	(89)
Dividends	<b>(525)</b>	(689)	(442)
Other capital movements	<b>44</b>	84	44
<b>Total movement in shareholders' allocated equity</b>	<b>1,605</b>	2,754	1,059
<b>Closing shareholders' allocated equity</b>	<b>26,118</b>	24,513	22,818

Shareholders' IFRS equity excluding non-controlling interests increased by 3 per cent over the first half to US\$31,752 million at 31 May 2015 from US\$30,806 million at 30 November 2014. The increase arose from net profit of US\$2,180 million less the payment of the 2014 final dividend of US\$525 million and negative foreign currency translation adjustments of US\$421 million. Fair value movements of negative US\$212 million reflected the IFRS accounting effect of higher interest rates on the treatment of debt securities that are classified as available for sale.

Shareholders' allocated equity, before fair value reserve and foreign currency translation reserve and others, is a better reflection of the underlying movement of shareholders' equity over the period and increased by 7 per cent over the first half from US\$24,513 million at 30 November 2014 to US\$26,118 million at 31 May 2015.

Sensitivities to IFRS profit before tax and net assets arising from foreign exchange rate, interest rate and equity price risks are included in Note 21 to the interim financial statements.

## Investments

Investments include financial investments, investment property, property held for use, and cash and cash equivalents. Investments increased by 3 per cent to US\$150,479 million at 31 May 2015 compared with US\$145,775 million at 30 November 2014. The increase was mainly a result of positive net flows from underlying growth in the business and fair value gains from equity securities.

Investments 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 INVESTMENTS

US\$ millions, unless otherwise stated	As at 31 May 2015	Percentage of total	As at 30 November 2014	Percentage of total
Total policyholder and shareholder	128,660	86%	124,801	86%
Total unit-linked contracts and consolidated investment funds	21,819	14%	20,974	14%
<b>Total investments</b>	<b>150,479</b>	<b>100%</b>	<b>145,775</b>	<b>100%</b>

The investment mix remained stable during the first half of 2015 as set out below:

## POLICYHOLDER AND SHAREHOLDER INVESTMENTS

US\$ millions, unless otherwise stated	As at 31 May 2015	Percentage of total	As at 30 November 2014	Percentage of total
<b>Participating funds</b>				
Government and government agency bonds	8,350	6%	8,271	6%
Corporate bonds and structured securities	11,251	9%	11,321	9%
Loans and deposits	1,969	2%	2,095	2%
<b>Subtotal – Fixed income investments</b>	<b>21,570</b>	<b>17%</b>	<b>21,687</b>	<b>17%</b>
Equities	5,516	4%	5,044	4%
Investment property and property held for use <sup>(1)</sup>	472	1%	494	1%
Cash and cash equivalents	206	–	292	–
Derivatives	90	–	136	–
<b>Subtotal participating funds</b>	<b>27,854</b>	<b>22%</b>	<b>27,653</b>	<b>22%</b>
<b>Other policyholder and shareholder</b>				
Government and government agency bonds	36,369	28%	35,983	29%
Corporate bonds and structured securities	44,496	35%	42,273	34%
Loans and deposits	5,322	4%	5,374	4%
<b>Subtotal – Fixed income investments</b>	<b>86,187</b>	<b>67%</b>	<b>83,630</b>	<b>67%</b>
Equities	8,912	7%	7,707	6%
Investment property and property held for use <sup>(1)</sup>	4,693	4%	4,637	4%
Cash and cash equivalents	939	–	1,047	1%
Derivatives	75	–	127	–
<b>Subtotal other policyholder and shareholder</b>	<b>100,806</b>	<b>78%</b>	<b>97,148</b>	<b>78%</b>
<b>Total policyholder and shareholder</b>	<b>128,660</b>	<b>100%</b>	<b>124,801</b>	<b>100%</b>

Note:

(1) Amounts included at fair value.

## UNIT-LINKED CONTRACTS AND CONSOLIDATED INVESTMENT FUNDS

US\$ millions, unless otherwise stated	As at 31 May 2015	Percentage of total	As at 30 November 2014	Percentage of total
<b>Unit-linked contracts and consolidated investment funds</b>				
Debt securities	4,222	19%	4,215	20%
Loans and deposits	180	1%	185	1%
Equities	16,904	78%	16,076	77%
Cash and cash equivalents	510	2%	496	2%
Derivatives	3	–	2	–
<b>Total unit-linked contracts and consolidated investment funds</b>	<b>21,819</b>	<b>100%</b>	20,974	100%

Fixed income investments, including debt securities, loans and term deposits, held in respect of policyholders and shareholders, totalled US\$107,757 million at 31 May 2015 compared with US\$105,317 million at 30 November 2014. The average credit rating of the portfolio was unchanged compared with the position at 30 November 2014.

Government and government agency bonds represented 42 per cent of our fixed income investments at 31 May 2015 and 30 November 2014. Corporate bonds and structured securities accounted for 52 per cent of our fixed income investments at 31 May 2015 compared with 51 per cent at 30 November 2014.

Equity securities held in respect of policyholders and shareholders totalled US\$14,428 million at 31 May 2015 compared with US\$12,751 million at 30 November 2014. The increase in carrying value was mainly attributable to new purchases as well as fair value gains from equity markets. Within this figure, equity securities of US\$5,516 million were held in participating funds.

Investment property and property held for use in respect of policyholders and shareholders totalled US\$5,165 million at 31 May 2015 compared with US\$5,131 million at 30 November 2014.

Cash and cash equivalents held in respect of policyholders and shareholders totalled US\$1,145 million at 31 May 2015 compared with US\$1,339 million at 30 November 2014 reflecting increased investments in financial assets and the payment of the 2014 final dividend of US\$525 million.

Investments held in respect of unit-linked contracts and consolidated investment funds totalled US\$21,819 million at 31 May 2015 compared with US\$20,974 million at 30 November 2014. The increase is also mainly driven by positive net flows from underlying growth in the business and fair value gains from equity securities.

## Capital

### FREE SURPLUS GENERATION

The Group's free surplus at 31 May 2015 represented the excess of adjusted net worth over required capital calculated on the HKICO basis.

Free surplus increased by US\$555 million or 7 per cent over the first half to US\$8,349 million. Free surplus generated in the first half year was US\$2,101 million despite negative foreign exchange movements and lower positive investment variances compared with the first half of 2014.

The growth in total free surplus came from free surplus generated of US\$2,101 million less new business investment of US\$878 million, unallocated Group Office expenses including finance costs of US\$101 million, the payment of the 2014 final dividend of US\$525 million and negative other capital movements of US\$42 million.

The following table shows the change in free surplus:

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2015</b>	Six months ended 31 May 2014
<b>Opening free surplus</b>	<b>7,794</b>	6,727
Citibank Upfront Payment	–	(800)
<b>Adjusted opening free surplus</b>	<b>7,794</b>	5,927
Free surplus generated	<b>2,101</b>	2,117
Free surplus used to fund new business	<b>(878)</b>	(781)
Unallocated Group Office expenses <sup>(1)</sup>	<b>(101)</b>	(75)
Dividends	<b>(525)</b>	(442)
Other capital movements	<b>(42)</b>	(42)
<b>Closing free surplus</b>	<b>8,349</b>	6,704

Note:

(1) Unallocated Group Office expenses included finance costs on medium term notes of US\$33 million and US\$22 million for the six months ended 31 May 2015 and 31 May 2014 respectively.

## 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 grew by 7 per cent over the first half to US\$7,077 million at 31 May 2015 compared with US\$6,614 million at 30 November 2014. The increase was mainly due to higher net remittances from business units of US\$1,018 million plus the issue of a medium term note in March 2015 with net proceeds of US\$745 million less repayments of bank loans and the payment of the 2014 final dividend of US\$525 million.

The movements in working capital are summarised as follows:

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2015</b>	Six months ended 31 May 2014
<b>Opening working capital</b>	<b>6,614</b>	5,556
Group Corporate Centre net profit/(loss)	<b>55</b>	(13)
Capital flows from business units		
Hong Kong	<b>420</b>	377
Thailand	<b>400</b>	292
Malaysia	<b>188</b>	108
Korea	<b>31</b>	24
Other Markets	<b>(21)</b>	(19)
<b>Net funds remitted to Group Corporate Centre</b>	<b>1,018</b>	782
Citibank Upfront Payment	–	(800)
Increase in borrowings	<b>177</b>	984
Purchase of shares held by the employee share-based trusts	<b>(94)</b>	(89)
Payment of dividends	<b>(525)</b>	(442)
Change in fair value reserve and others	<b>(168)</b>	(70)
<b>Closing working capital</b>	<b>7,077</b>	5,908

## 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 31 May 2015, the total available capital for AIA Co. amounted to US\$7,285 million as measured under the HKICO basis and AIA Co. had a solvency ratio of 453 per cent of regulatory minimum capital compared with 427 per cent at the end of November 2014. The increase was mainly from retained earnings and positive market movements less dividends to AIA Group Limited and an increase in 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:

<b>US\$ millions, unless otherwise stated</b>	<b>As at 31 May 2015</b>	<b>As at 30 November 2014</b>
Total available capital	<b>7,285</b>	6,730
Regulatory minimum capital (100%)	<b>1,607</b>	1,577
Solvency ratio (%)	<b>453%</b>	427%

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 31 May 2015.

## Regulatory Developments

Internationally, the regulatory environment facing life insurers has continued to evolve in 2015. In particular, the International Association of Insurance Supervisors (IAIS) is undertaking a multi-year consultation to review certain Insurance Core Principles with the longer-term aim of developing and implementing a common framework (ComFrame). In Hong Kong, legislation was passed in July 2015 in support of the creation of an Independent Insurance Authority. In addition, development work under the guidance of the HKOCI continues towards the development of a risk-based capital regime. AIA is closely and constructively engaged in these developments as the largest, independently listed pan-Asian life insurance group headquartered in Hong Kong and for whom the HKOCI serves as Group Supervisor.

Beyond Hong Kong, various regulators across AIA's span of operations have undertaken projects intended to align their respective regulatory frameworks with the broad principles recommended by the IAIS. AIA is involved in these discussions at country level across the region and is an active participant in the international industry dialogue on a host of relevant issues including discussions regarding a common capital standard.

## Global Medium Term Note Programme

During the first half of 2015, we increased our Global Medium Term Note (GMTN) programme from US\$3 billion to US\$5 billion. AIA Group Limited issued a senior unsecured fixed rate note under this programme in March 2015. The note is for a term of 10 years at nominal amount of US\$750 million and bears annual interest of 3.200 per cent. At 31 May 2015, the aggregate carrying amount of the debt issued under the GMTN programme was US\$2,871 million.

## **Credit Ratings**

At 31 May 2015, 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 declared an interim dividend of 18.72 Hong Kong cents per share, an increase of 17 per cent compared with the interim dividend in 2014.

## **BUSINESS REVIEW**

### **Distribution**

#### **AGENCY**

The scale and quality of AIA's proprietary tied agency network allows us to develop and maintain close ties with our customers by offering professional advice across a comprehensive range of products and many opportunities to service their ongoing needs. Our agents are often the first point of contact for our customers to obtain financial advice in our markets and they provide us with exceptional reach across the different demographic and socio-economic groups in the Asia-Pacific region.

VONB growth in our agency channel was 21 per cent to US\$756 million in the first half of 2015. The growth rate was 24 per cent on constant exchange rates. ANP increased by 10 per cent or 13 per cent on constant exchange rates to US\$1,177 million and VONB margin increased by 5.8 pps to 64.2 per cent. Agency accounted for 72 per cent of the Group's overall VONB in the first half of 2015. This excellent performance was the direct result of the disciplined execution of our core Premier Agency strategy through our best-in-class training platforms, selective recruitment and leading activity management programmes.

AIA develops its agency leaders' management skills by enhancing their effectiveness in driving quality recruitment and agent productivity gains. We launched a range of leadership programmes in the first half of 2015 with our strategic partners GAMA International and LIMRA to provide in-house professional development programmes for our agency leaders. We grow our next generation of agents and leaders by offering young recruits the prospect of building a successful long-term career with AIA. We have introduced new intensive induction training and continuing professional development to embed targeted sales outcomes and foster effective selling practices in both our new recruits and our experienced agents.

Million Dollar Round Table (MDRT) qualification remains an important industry benchmark for tracking the performance of our Premier Agency strategy. We continued to drive the productivity of our proprietary tied agency through tailored incentives and campaigns targeted at different agency segments. AIA is now the world's largest insurer for MDRT membership, thanks to our strong positions in Hong Kong, Thailand and Singapore and an outstanding performance in China. Our operation in China delivered an increase of 58 per cent in the number of MDRT-registered members. We remain on track to deliver our planned growth in MDRT qualifiers for the full year of 2015 with a number of markets showing strong performance in the first half of the year. While our top tier agents continue to deliver outstanding performance, MDRT qualification is just one measure of the success of our Premier Agency strategy and our broad array of long-term initiatives will continue to drive growth in activity and productivity across our core agency channel.

Our market-leading interactive point-of-sale system (iPoS) is now established as our primary sales tool in the region. The adoption of iPoS has improved customer experience by enhancing the efficiency and professionalism of the service we offer. We also continued to roll out and expand the functionality of our interactive Mobile Office (iMO) platform, the next generation system that integrates iPoS and mobile office utilities. iMO is designed to improve the way our agency leaders and individual agents plan their businesses, manage their daily sales activities, train and recruit. This transformational platform will enhance the significant competitive advantages of our agency force, helping them deliver even higher quality services and the best possible customer experience.

## **PARTNERSHIPS**

Partnership distribution is a key component of AIA's diversified distribution platform and an important source of competitive advantage for the Group. It provides a material opportunity for additional profitable growth by broadening our access to prospective customers across the Asia-Pacific region. It is critically important to us that our long-term strategic partnerships are based on shared values with a focus on sustainable profitable growth by maintaining a disciplined approach to the types of products we offer to our customers to meet their long-term needs.

In the first half of 2015, our partnership business accounted for 28 per cent of total VONB and delivered an excellent performance with VONB up by 23 per cent compared with the first half of 2014 to US\$292 million. VONB growth was 30 per cent on constant exchange rates. ANP increased by 13 per cent or 20 per cent on constant exchange rates to US\$701 million with a further improvement in VONB margin of 3.7 pps to 41.6 per cent.

### **Bancassurance**

AIA's bancassurance channel delivered excellent first half results with VONB growth of 51 per cent. Our strategic bancassurance partners across the region have delivered strong growth driven by disciplined execution, increased partner engagement, in-branch productivity improvements and our focus on offering an attractive broad range of products. We have worked closely with our bank partners to improve lead generation with the roll-out of our proprietary iPoS platform and various customised sales management programmes.

Of particular note is our relationship with the Bank of Philippine Islands (BPI). We introduced a new in-branch sales model designed to increase engagement with the bank's relationship managers. This has driven a 69 per cent increase in number of referrals and a 40 per cent increase in cases per relationship manager. In Indonesia, we achieved close to 100 per cent adoption of iPoS among our strategic partners contributing to a 22 per cent increase in productivity compared with the first half of 2014. Our long-term strategic partnership with Citibank, N.A. (Citibank) covering 11 markets continued to gain momentum as we lay the foundations for meeting the long-term savings and protection needs of Citibank's more than 13 million customers across Asia. In the first half of 2015, we focused on recruitment of in-branch specialists and increasing the activity levels through the launch of over 100 training and sales management programmes covering the 11 markets. The total number of front-line sales staff have grown by more than 30 per cent since the end of 2014. We also expanded our product range to increase the penetration of Citibank's customer base through our direct marketing channel.

### **Direct Marketing and Other Partnership Channels**

AIA's direct marketing channel delivered strong results in the first half of 2015. VONB growth of 27 per cent was driven by excellent performances in Malaysia, Thailand and China. The Group's overall growth in this channel was constrained by more stringent regulations in Korea in the aftermath of the industry-wide suspension of outbound telesales reported in our 2014 annual results announcement. Our other intermediated channels, including IFAs, brokers, private banks and specialist advisers, are an important source of new business for the Group and delivered solid growth compared with the first half of 2014. Our efforts to deepen the engagement with our partners in these channels continue and we remain committed to launching dedicated products and providing best-in-class sales and service support.

## **GROUP INSURANCE**

AIA has been developing group insurance solutions for employers throughout the Asia-Pacific region for more than 60 years and has built an employee benefits business that serves more than 16 million individual members across 120,000 corporate clients. Our distribution capabilities have enabled us to build long-standing partnerships with employers through our market-leading products and the regional support we provide to a wide range of domestic and multinational companies. We hold market-leading positions in group insurance in Australia, Singapore, Thailand, Hong Kong and Malaysia and are making a concerted effort to develop further our markets in China, Indonesia and the Philippines.

The macroeconomic fundamentals driving growth across the region are rapidly increasing the demand for competitive group benefits plans among an employee population of over 1.8 billion. AIA captures the growth in this market through two main distribution channels. The first is large group insurance schemes sold through employee benefit consultants and brokers. Our Regional Employee Benefits Partnership Platform enables us to work with key specialist global brokers to deliver group insurance products and services to multinational organisations across the region. The second is our proprietary agency distribution which is a major competitive advantage for AIA and critical to our success in providing packaged group insurance plans to the small-and-medium sized enterprises (SMEs) widespread across Asia.

In the first half of 2015, AIA launched innovative new products that make it easier for group scheme members to supplement their group insurance protection with additional benefits on a voluntary basis. This new capability takes advantage of our established relationships with employees of corporate clients to combine a more efficient underwriting process with the purchase of individual policies tailored to their existing employer benefits.

AIA also offers multi-territory risk-pooling solutions through the AIA Asia Benefits Network which was launched in 2014 and is the first and only Asian-domiciled pooling network operated by an Asian-headquartered life insurance group. It enables AIA to address the opportunity presented by the rapid rise of Asian-headquartered multinational companies and the expansion of global corporations across the region.



## **Marketing**

AIA has one of the most trusted and respected brands in Asia. In the first half of 2015, we continued to invest in The Real Life Company brand positioning to deepen our engagement with Asian customers. As a result of our consistent brand building efforts, we have maintained our exceptionally high brand awareness. We have significantly improved our brand consideration in our largest markets of Hong Kong, Thailand, Singapore, Malaysia and China by more than 40 per cent since IPO.

In the first half of 2015, we emphasised the community engagement underlying our brand through a range of marketing campaigns and sponsorships, including our partnership with Tottenham Hotspur Football Club (Spurs). In May 2015, we hosted a football tour in Kuala Lumpur and Sydney bringing the Spurs team to Asia. Over 100,000 fans watched the AIA Cup matches, and there were numerous outreach activities, such as football coaching clinics, customer and employee engagement events, and other media opportunities.

The Real Life Company brand positioning reflects our commitment to provide financial solutions for our customers to help them meet the opportunities and challenges that real life presents. This is demonstrated by our staff and agents' day-to-day interaction with our customers. We launched a regional campaign called AIA Real Life Hero Awards to recognise our agents who best deliver on our brand promise of making a real difference in people's lives. Around 280 agents were nominated for the awards across 10 markets, with six winners chosen for recognition.

### **CUSTOMER ENGAGEMENT**

AIA is committed to enhancing customer experience by focusing on the services and product needs that matter most to our customers. To further improve the way we interact with our customers, we have created an online customer community across Hong Kong, Thailand, China and Malaysia designed to capture customer insights and help guide our future product and service development.

Our in-force customer base of more than 29 million individual policies and over 16 million participating members of group insurance schemes remains an important source of growth for AIA. In the first half of 2015, our marketing and distribution teams worked together to launch several new targeted marketing initiatives using our customer data analytics to focus on existing customers who have a need for enhanced protection. VONB from existing customer marketing initiatives increased by 33 per cent compared with the first half of 2014 and has more than doubled since the launch of this programme in the first half of 2012.

### **PRODUCT DEVELOPMENT**

AIA's core strategy is to provide customers with products that offer financial protection against mortality and health risks and efficient long-term regular savings plans to accumulate funds for the future. We have developed an extensive range of products to meet diverse customer needs as they evolve during their lives.

The provision of adequate critical illness cover was at the forefront of our new product launches and marketing campaigns in the first half of 2015. Our critical illness protection campaign in Hong Kong generated 48,000 new policies while our new participating products in Singapore with cover added for death, disability and critical illness alongside long-term savings have contributed strongly to VONB growth.

Our customers have continued to find the flexibility of our unit-linked products attractive in providing a balance between protection cover and wealth accumulation. In Malaysia, we launched the "Lifestage Plan Option" for unit-linked products to enable our agents to offer protection riders and benefit levels that suit customers' needs. AIA's operation in Thailand delivered significant VONB growth from increased critical illness rider attachment and our new range of next generation unit-linked products. Overall, the Group saw 40 per cent VONB growth from unit-linked products compared with the first half of 2014.

## **Employee and Community Engagement**

### **EMPLOYEE DEVELOPMENT**

Our Vision remains to be the pre-eminent life insurance provider in the Asia-Pacific region.

Our success in realising this Vision will be very heavily dependent on the commitment and dedication of our people. We continue to invest in the engagement and development of both our agency force and our over 21,000 employees across the Group.

We value our people and are committed to helping them achieve both their corporate and personal ambitions and a comprehensive and structured development programme is available to help them grow professionally and personally in AIA. In the first half of 2015, a series of new development modules were added to our existing development curriculum to help drive personal development at the individual level and flowing from that, execution excellence at all levels of the organisation.

We encourage our people to grow and develop through new and expanding career experience. Mobility in AIA is highly encouraged and is designed to offer our staff the opportunity to acquire new skills and strengthen their capabilities all in support of helping them develop personally while helping build AIA as The Real Life Company across Asia. In the first half of 2015, over 400 employees across the Group have taken advantage of mobility opportunities, including secondments (up to 12 months), business assignments (up to two years) and permanent inter-entity and intra-entity transfers.

### **CORPORATE SOCIAL RESPONSIBILITY**

In the first half of 2015, AIA continued to focus its Corporate Social Responsibility (CSR) efforts on promoting the health and well-being of our customers, employees and agents and the communities in which they live and work. Many of these efforts focused on improving the lives of our younger generation.

In Vietnam, something as simple as access to a bicycle can mean the difference between a child having the opportunity for an education or not. Building on the donation of 770 bicycles to schoolchildren in Vietnam in 2014, AIA's "The Real Life Journey" continued to spread goodwill through this initiative in 2015. In the first half of 2015 alone, our employees and agents in Vietnam and throughout the Group have already committed to donating 1,000 bicycles to youngsters in need in 15 cities and provinces across Vietnam.

Through AIA's commitment to promoting the advancement of communities, our operation in Thailand is now in its 10th year of building fully-equipped libraries for schools in remote areas to promote lifelong education for teachers, students and the local community. In the first half of 2015, the total number of AIA School Libraries, equipped with quality books and computers, reached 31. Supplementing these programmes, we also donated school supplies and sports equipment, and provided scholarships to secondary school students to allow them to continue with their education.

In Australia, AIA launched its sponsorship of the AIA Vitality MiniRoos – a new, fun introduction to soccer for Australian boys and girls aged 4 – 11 years. With record numbers of Australians taking up soccer – an estimated 200,000 children are expected to take part in the AIA Vitality MiniRoos programme this year – AIA now has an excellent platform to raise awareness of the importance of being healthy.

In Singapore, over 9,000 "Music Runners"<sup>TM</sup> walked, ran and danced to their favourite music at the first Singapore edition of The Music Run<sup>TM</sup> by AIA. Among the participants were 100 family members from the Asian Women's Welfare Association, AIA's adopted charity in Singapore. The Singapore edition of The Music Run<sup>TM</sup> followed similarly successful events in Thailand and Malaysia in 2014, and demonstrated yet again that healthy living and keeping fit can be fun.

AIA and our employees remain deeply committed to "making a difference" to create a better personal, workplace and community environment for all.

## Geographical Markets

### HONG KONG

US\$ millions, unless otherwise stated	Six months ended	Six months ended	YoY	YoY
	31 May 2015	31 May 2014	AER	CER
VONB <sup>(1)</sup>	335	260	29%	29%
VONB margin <sup>(2)</sup>	59.6%	62.4%	(2.8) pps	(2.8) pps
ANP	540	401	35%	35%
TWPI	2,271	1,929	18%	18%
Operating profit after tax	540	460	17%	17%

### Financial Highlights

AIA's Hong Kong business delivered another excellent start to the year with VONB growth of 29 per cent to US\$335 million compared with the first half of 2014. This was driven by strong productivity improvements in our proprietary tied agency channel and excellent growth from our partnership business. ANP grew by 35 per cent to US\$540 million compared with the first half of 2014, while VONB margin remained stable reflecting a balanced mix of critical illness and participating long-term savings products in the first half of 2015. IFRS operating profit after tax grew by 17 per cent to US\$540 million, primarily due to growth in the underlying business.

### Business Highlights

The AIA Premier Academy is now in its fourth year in Hong Kong. Its extensive recruitment and training programmes continue to support our agency leaders in building the future of our Premier Agency. These programmes are complemented by our Gen Y-Club, which is attracting young graduate recruits and fostering the next generation of leaders through internships, targeted marketing events, sales training and technology support.

Together with selective recruitment and new product launches, these initiatives increased the number of active agents by 12 per cent compared with the first half of 2014 and have driven a significant improvement in ANP per active agent of 17 per cent.

Our partnership distribution channel continued to deliver excellent VONB growth in the first half of 2015, mainly from a strong performance in our retail IFA business. We have continued the ongoing development of our strategic long-term bancassurance partnership with Citibank and now have active insurance specialist coverage across all of Citibank's branches. We will focus on expanding our product range and training programmes to drive higher insurance penetration across Citibank's diverse customer segments in Hong Kong.

Strong growth in the second quarter of 2015 in both agency and broker channels, following smaller volume of new schemes at the beginning of the year helped us maintain our leading position in the group insurance market.

AIA's Hong Kong business offers a broad range of products with marketing support designed to help consumers understand and provide for gaps in their protection and long-term savings needs. Critical illness cover continued to be at the forefront of our new product launches in the first half of 2015. Our "Always there" critical illness protection campaign alone generated 48,000 new policies. We also launched "A Prosperous Future" wealth creation programme that generated more than US\$80 million of ANP in the first half of 2015.

## THAILAND

US\$ millions, unless otherwise stated	Six months ended 31 May 2015	Six months ended 31 May 2014	YoY AER	YoY CER
VONB <sup>(1)</sup>	183	162	13%	14%
VONB margin <sup>(2)</sup>	71.5%	63.3%	8.2 pps	8.2 pps
ANP	256	256	–	1%
TWPI	1,632	1,555	5%	6%
Operating profit after tax	281	279	1%	2%

### Financial Highlights

AIA Thailand achieved solid VONB growth of 13 per cent to US\$183 million compared with the first half of 2014. The increase was driven by growth in the number of active agents and our core product strategy of providing regular premium long-term savings and protection products to our customers. VONB margin increased by 8.2 pps to 71.5 per cent alongside stable ANP as a result of a positive shift in product mix with increased sales of our new unit-linked and protection rider products.

IFRS operating profit after tax was US\$281 million in the first half of 2015. Underlying growth in the business was offset by lower investment income and increased surrender claims reflecting industry-wide trends, although our aggregate persistency continued to outperform that of the industry overall. We have assumed that the corporate tax rate in Thailand will be 20 per cent for assessment year 2015, returning to 30 per cent from assessment year 2016 onward.

### Business Highlights

Our Premier Agency strategy in Thailand focuses on raising the quality and professionalism of our agency force through the recruitment of young and highly-educated candidates looking to develop a full-time professional career with AIA. We have also made significant investments in expanding our training courses for new recruits including more intensive induction programmes and ongoing professional development training for existing agents. At the same time, we have strictly enforced the validation of agency contracts.

Since AIA introduced unit-linked products into the Thai market, we have continued to support our agents in meeting stringent licensing requirements. We achieved 73 per cent growth in the number of licensed agents qualified to sell unit-linked products compared with the first half of 2014, laying the foundation for future growth in this product category.

While agency remains our main distribution channel in Thailand and a clear competitive advantage, we made good progress in the first half of 2015 in developing our partnership distribution. In particular, our direct marketing operation achieved a 25 per cent market share in this channel in the first quarter of 2015. Our bancassurance business also delivered a solid performance following the launch of new life insurance products and strong sales momentum from existing partners.

AIA launched a marketing campaign in March 2015 to raise awareness of the critical illness protection gap that exists in Thailand. The campaign focused on increasing critical illness coverage levels to adequately meet the costs of treatment. Our efforts significantly increased VONB from critical illness riders by more than 50 per cent while increasing the average coverage on new policies sold. Our staff and agents' dedication to providing high-quality advice and service levels to our customers has continued to strengthen our brand in Thailand. AIA is the most preferred and highly-considered life insurance brand in Thailand and we were once again named Thailand's Most Admired Brand by *BrandAge* magazine.

## SINGAPORE

US\$ millions, unless otherwise stated	Six months ended 31 May 2015	Six months ended 31 May 2014	YoY AER	YoY CER
VONB <sup>(1)</sup>	142	127	12%	19%
VONB margin <sup>(2)</sup>	62.9%	59.3%	3.6 pps	3.5 pps
ANP	225	214	5%	13%
TWPI	1,141	1,134	1%	7%
Operating profit after tax	210	203	3%	10%

### Financial Highlights

AIA's operation in Singapore delivered a strong performance in the first half of 2015 with VONB growth of 19 per cent on constant exchange rates to US\$142 million. ANP increased by 13 per cent to US\$225 million and VONB margin was higher by 3.5 pps to 62.9 per cent mainly from growth in sales of new long-term packaged participating and regular premium unit-linked products. IFRS operating profit after tax increased by 10 per cent to US\$210 million in line with the underlying growth in the business.

Due to the 6 per cent depreciation of the Singaporean dollar against our US dollar reporting currency, growth rates for our business in Singapore are shown on constant exchange rates unless otherwise stated to provide a clearer picture of the underlying performance of the business in the first half of 2015.

### Business Highlights

Our market-leading agency business in Singapore delivered strong VONB growth in the second quarter of 2015. As previously highlighted, the first quarter comparison was affected by the completion of the HealthShield upgrade in the first quarter of 2014 that boosted sales in the prior year.

We continued our focus on improving the activity levels of our agents and leveraging iPoS as the primary sales tool for agents with two-thirds of new business applications submitted through this platform in the first half of 2015. The overall number of active agents continued to increase in the first half, building on the 16 per cent growth achieved in 2014. Our agents are at the forefront of driving AIA's protection proposition in Singapore and our focus on promoting next generation unit-linked protection products led to a 20 per cent increase in unit-linked VONB in the first half of 2015.

Partnership distribution generated strong VONB growth in the first half of 2015, as we continued to broaden our product offering through our bancassurance and IFA channels. Our strategic partnership with Citibank in Singapore including the local and International Personal Banking businesses demonstrated strong momentum in the first half of 2015 and is well-positioned to deliver future growth. Our market-leading IFA channel also delivered excellent results as we continued to deliver long-term participating products focused on both meeting customers' wealth accumulation aspirations and providing protection for their estate planning needs.

AIA maintained its leading position in the Singapore group insurance market in the first half of 2015. Excellent VONB growth was supported by a single large direct scheme from a multinational corporation and an increase in average SME case size from our agency distribution channel.

AIA is committed to helping our customers meet the significant protection gap in Singapore. We expanded our product range in the first half of 2015 with new participating products that provide cover for death, disability and critical illness alongside long-term savings. AIA Vitality continued to gain traction by offering protection products designed to encourage and reward sustained changes in lifestyle that promote healthy living further differentiating AIA's protection proposition. AIA Vitality is chosen by our customers in around one out of every two targeted new protection product sales.

## MALAYSIA

US\$ millions, unless otherwise stated	Six months ended 31 May 2015	Six months ended 31 May 2014	YoY AER	YoY CER
VONB <sup>(1)</sup>	78	70	11%	22%
VONB margin <sup>(2)</sup>	55.4%	43.9%	11.5 pps	11.5 pps
ANP	138	161	(14)%	(5)%
TWPI	960	1,027	(7)%	3%
Operating profit after tax	138	140	(1)%	9%

### Financial Highlights

AIA Malaysia delivered an excellent performance in the first half of 2015 with VONB growth of 22 per cent on constant exchange rates to US\$78 million. VONB margin increased by 11.5 pps to 55.4 per cent with ANP lower by 5 per cent as we continued our strategy of pursuing regular premium protection and unit-linked products with higher protection riders. IFRS operating profit after tax increased by 9 per cent on constant exchange rates to US\$138 million with higher investment income partly offset by increased claims.

Due to the 9 per cent depreciation of the Malaysian ringgit against our US dollar reporting currency, growth rates for our Malaysian business are shown on constant exchange rates unless otherwise stated to provide a clearer picture of the underlying performance of the business in the first half of 2015.

### Business Highlights

Our agency business delivered 26 per cent growth in VONB compared with the first half of 2014. Our Premier Agency strategy has shifted the sales mix from traditional savings products towards a more balanced new business mix including regular premium unit-linked business. Our training programmes through the AIA Premier Academy have led to a 27 per cent increase in protection rider attachment rates compared with the first half of 2014. iPoS has become an indispensable sales tool in Malaysia helping to drive our product shift and differentiate AIA in the recruitment of younger agents. Close to 90 per cent of new business applications from our agency business in the first half of 2015 were submitted using this innovative technology.

Our agency Takaful business continued to make excellent progress with VONB more than double the amount delivered in the first half of 2014. Increased productivity and activity levels from our existing qualified agents combined with the recruitment efforts begun in 2014 have led to early success in this growing market segment. Our Takaful-producing agents increased by 35 per cent compared with the first half of 2014.

Our strategic bancassurance partnership with Public Bank continued to deliver excellent VONB growth through our shared focus on providing an attractive range of protection and long-term unit-linked savings products to our customers. We also launched our proprietary iPoS technology for Public Bank's dedicated insurance specialists in the first half of 2015 as part of a continuing effort to enhance productivity. Direct marketing is an additional source of profitable growth for AIA in Malaysia. Our efforts to improve the productivity of our telesales representatives in cooperation with our bank partners has delivered excellent results with VONB growth of over 90 per cent.

Enhancing customer experience is a key focus. The launch of our "Lifestage Plan Option" for unit-linked products on iPoS has helped simplify new business proposals, while enabling agents to offer benefit levels appropriate to the needs of customers at different stages of their lives. VONB from unit-linked products grew by 46 per cent compared with the first half of 2014. Continuing the theme of making it easier to do business with AIA, we launched campaigns in the first half of 2015 to encourage customers to settle premium payments automatically through credit card, auto payment or other electronic means. This helps streamline the transaction process for our customers. We also successfully completed the final back-office migration of over 4 million in-force policies on to our policy administration system during the first half of 2015.

## CHINA

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2015</b>	Six months ended 31 May 2014	YoY AER	YoY CER
VONB <sup>(1)</sup>	<b>187</b>	120	56%	58%
VONB margin <sup>(2)</sup>	<b>84.8%</b>	78.7%	6.1 pps	6.1 pps
ANP	<b>220</b>	152	45%	47%
TWPI	<b>991</b>	850	17%	18%
Operating profit after tax	<b>167</b>	132	27%	27%

### Financial Highlights

AIA China delivered another excellent performance across all key financial metrics. VONB grew by 56 per cent to US\$187 million through the consistent execution of our Premier Agency strategy and China is now the Group's second-largest operation in terms of VONB. ANP grew by 45 per cent to US\$220 million reflecting a strong increase in both the number of active agents and agent productivity. VONB margin increased by 6.1 pps to 84.8 per cent due to expense improvements partly offset by a higher proportion of long-term participating savings products in the mix. IFRS operating profit after tax increased by 27 per cent to US\$167 million, as we continued to benefit from greater economies of scale and operational efficiency.

### Business Highlights

AIA's strategy of selectively recruiting and developing high-quality agents has delivered excellent results in the first half of 2015. Our approach to developing the careers of new agents and support for our agency leaders has generated a 49 per cent increase in the number of new recruits in the first half of 2015. Enhancing agency productivity and activity levels is also at the core of our Premier Agency strategy. Our best-in-class training programmes, supported by our iPoS technology, led to a 28 per cent increase in the total number of active agents and a 15 per cent increase in ANP per active agent compared with the first half of 2014.

While agency accounted for over 90 per cent of our VONB production, our partnership distribution business also delivered strong VONB growth in the first half of 2015. We remained focused on developing our strategic bank relationships with like-minded partners and maintained our discipline in pricing and product selection through this channel. The momentum behind our Citibank partnership continued in the first half of 2015, as we expanded our product offering and increased our engagement with Citibank's sales force through our training programmes.

An important pillar of AIA's strategy in China is the capability of our distribution channels to meet our customers' needs by providing advice across a broad range of products. This has enabled us to differentiate our product and service offering in China through innovative new comprehensive protection and long-term savings products. In the first half of 2015, we continued to expand our protection range with the introduction of two new All-in-One products enabling multiple claims for critical illnesses and providing targeted protection cover for childhood diseases. We also launched a customer experience initiative using "WeChat", a popular mobile text and voice messaging communication platform in China, to provide simplified transaction functionality and increase engagement with our customers.

## KOREA

US\$ millions, unless otherwise stated	Six months ended 31 May 2015	Six months ended 31 May 2014	YoY AER	YoY CER
VONB <sup>(1)</sup>	23	35	(34)%	(32)%
VONB margin <sup>(2)</sup>	17.5%	18.6%	(1.1) pps	(1.1) pps
ANP	132	189	(30)%	(27)%
TWPI	1,065	1,087	(2)%	2%
Operating profit after tax	89	78	14%	20%

### Financial Highlights

AIA operates a multi-channel distribution strategy in Korea and our business continued to face challenging market conditions in the first half of 2015. Despite these challenges, we maintained our strict focus on selectively writing business that meets our return requirements and proactively managing our in-force portfolio. Korea accounted for 2 per cent of the Group's total VONB in the first half of 2015, as our direct marketing business continued to be affected by industry-wide regulatory changes as previously highlighted in 2014. New business sales across our other distribution channels were also affected as we maintained pricing discipline. As a result, VONB declined by 34 per cent to US\$23 million compared with the first half of 2014 from lower volumes. IFRS operating profit after tax increased by 20 per cent on constant exchange rates to US\$89 million, demonstrating the benefit of our pricing discipline, positive claims experience and the proactive management of our in-force business.

### Business Highlights

Our direct marketing business, together with the entire industry, is in the process of adapting to more stringent regulations following the industry-wide suspension of outbound telesales reported in our 2014 annual results announcement. VONB margin was higher compared with the first half of 2014 following the costs of financial support provided to telesales representatives during the 2014 suspension. Our new business volumes reduced as industry-wide requirements to reconfirm marketing consent from each customer combined with the imposition of call restrictions and limitations on television advertising were implemented. We remain committed to restoring stability and ultimately growth in this channel.

New business sales for agency business in Korea continued to decline across the industry in the first half of 2015. Our aim is to differentiate AIA from the mass agency models prevalent in the market and to complement our growth strategy in the general agency channel. We therefore continued to roll out a series of recruitment campaigns and tailored training programmes targeted at younger agents as we adhere to our Premier Agency strategy in Korea. In bancassurance, ANP declined as we remained committed to writing new business selectively through this channel when profitable opportunities arise.

Our product development strategy focuses on meeting the long-term savings and protection needs of our customers in Korea. The results from AIA's middle class survey showed that only 23 per cent of respondents in Korea said they felt confident about having enough savings for retirement (one of the lowest figures in the region), while half cited saving for a comfortable retirement as a top life goal. We launched a new savings product at the beginning of the year that included long-term incentives to encourage regular savings for retirement. We also introduced in April a new critical illness protection product with innovative benefits, which has been well received by the market.



## OTHER MARKETS

US\$ millions, unless otherwise stated	Six months ended 31 May 2015	Six months ended 31 May 2014	YoY AER	YoY CER
VONB <sup>(1)</sup>	115	96	20%	31%
VONB margin <sup>(2)</sup>	31.2%	29.9%	1.3 pps	1.5 pps
ANP	367	317	16%	25%
TWPI	1,573	1,422	11%	22%
Operating profit after tax	185	158	17%	27%

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 the Tata Group in India is included in IFRS operating profit after tax on an equity accounted basis.

### Financial Highlights

Other Markets delivered an excellent first half performance with VONB growth of 20 per cent in reported currency. VONB growth on constant exchange rates was 31 per cent, reflecting the depreciation of a number of local currencies, notably the Australian dollar and Indonesian rupiah, against our US dollar reporting currency. The excellent results were driven mainly by strong performances in Indonesia, the Philippines and Vietnam. IFRS operating profit after tax increased by 17 per cent, with 27 per cent growth on constant exchange rates.

### Business Highlights

**Australia:** AIA maintained its position as the leading provider of life insurance in the IFA channel during the first half of 2015. Strong VONB growth in the retail IFA market was driven by a positive shift in product mix offset by a lower volume of group insurance sales compared with the first half of 2014. Positive claims experience and our continued efforts in proactive claims management also drove a significant increase in IFRS operating profit after tax. We continued to expand our Premier IFA model through our new platform partnerships, our differentiated wellness proposition with AIA Vitality and introducing new features on our flagship "Priority Protection" product to target the retail superannuation fund segment. This has enabled us to further consolidate our position in the Australian protection market.

**Indonesia:** AIA's Indonesian business delivered strong VONB growth in the first half of 2015, as we continued to benefit from our multi-channel distribution strategy targeting the large and rapidly-growing urban population. We remained committed to building sustainable, profitable growth through the implementation of our Premier Agency strategy delivering high standards of professionalism and productivity and expanding our leading bancassurance business. In early 2015, we launched our Premier Bank Consultant programme across our largest bancassurance partnerships with the focus on delivering best-in-class productivity. We achieved close to 100 per cent adoption of iPoS with a 22 per cent increase in individual branch productivity compared with the first half of 2014. Overall, AIA was ranked second by weighted new business premium and continued to outperform the market based on first quarter 2015 figures.

**New Zealand:** AIA New Zealand had an excellent first half in 2015. We delivered strong growth in both ANP and VONB margin, as a direct result of enhancements to our existing protection portfolio and changes to our service model for the IFA channel including putting in place a team focused on helping IFAs improve client retention. We signed two new strategic distribution agreements with a bank and a mortgage advisory company, focusing on the sales of protection products to expand our new business distribution channels.

**Philippines:** AIA's businesses in the Philippines delivered excellent VONB growth in the first half of 2015. As part of the ongoing execution of our Premier Agency strategy, we began the roll-out of a new activity management system designed to improve agent activity levels and increase average case sizes. This initiative has enabled us to grow ANP per active agent by 23 per cent compared with the first half of 2014. We also continued to work closely with the Bank of the Philippine Islands (BPI) by introducing a new in-branch sales model to increase engagement with the bank's relationship managers and improve lead generation across customer segments. We saw a 69 per cent increase in customer referrals leading to VONB more than double the amount reported in the first half of 2014.

**Sri Lanka:** VONB growth in the first half of 2015 was driven by a strong performance in our bancassurance channel, increased number of active agents and margin improvements from new product launches. Training was at the forefront of our initiatives to improve agent recruitment quality, as we continued to build on our significant branch expansion that took place countrywide in 2014. Our bancassurance distribution benefited from our efforts to improve lead generation and enhance the quality of the sales process with our bank partners. To further strengthen the AIA brand, we signed an agreement in March 2015 to become the Official Insurance Partner of Sri Lanka Cricket; the country's most popular sport.

**Taiwan:** In the first half of 2015, we continued to build our distribution platform in Taiwan. Our sustained focus on growing our Premier Agency distribution in Taiwan, supported by 94 per cent iPoS adoption rate, delivered solid VONB growth through increased number of active agents and a 28 per cent increase in ANP per active agent. Our direct marketing telesales representatives also maintained high levels of productivity contributing to a strong increase in VONB compared with the first half of 2014.

**Vietnam:** AIA's business in Vietnam once again delivered an excellent performance with VONB double the amount generated in the first half of 2014. The performance of our agency channel was the principal driver of growth with a 24 per cent increase in the number of active agents and a significant increase in agent productivity. VONB margins were higher as increased scale and cost control improved expense efficiencies within the business. AIA is well-positioned to capture the emerging growth opportunities in the Vietnam market.

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**

At AIA we recognise that sound risk management is at the core of our business. As our operations grow in scale against a backdrop of political, social and economic change, our approach to identifying, quantifying and mitigating risk continues to evolve.

In 2015 our main priorities are focused on refining and building on the strength of our “three lines of defence” model, ensuring local risk functions embed risk management at operational level, enhancing second line oversight and deploying an expanded range of risk metrics in support of capital planning and product design. We continue to ensure timely and objective assessment of material risks by the Risk Committee and the Board.

AIA’s Risk Management Framework is described on pages 54 to 62 and notes 37 and 38 to the financial statements on pages 187 to 196 of our Annual Report 2014.

## CORPORATE GOVERNANCE

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 31 May 2015, the Company has complied with all applicable code provisions set out in the Corporate Governance Code except for Code Provision F.1.3 which 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 and President.

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 standards set out in the Model Code and the Directors' and Chief Executives' Dealing Policy throughout the six months ended 31 May 2015.

### UPDATED INFORMATION OF DIRECTORS

Changes in the Directors' information since 26 February 2015 are set out below:

Name of Director	Change
Mr. Edmund Sze-Wing Tse <i>Non-executive Director</i>	Ceased to act as the Chairman and a director of Philam Life with effect from 22 April 2015.
Mr. Jack Chak-Kwong So <i>Independent Non-executive Director</i>	Appointed as an advisor to The Hong Kong and China Gas Company Limited with effect from 1 March 2015 and retired as Independent Non-executive Director of Cathay Pacific Airways Limited with effect from 20 May 2015.  Ceased to act as the Chairman of Hong Kong Trade Development Council with effect from 31 May 2015.  Appointed as the Chairman of Airport Authority Hong Kong with effect from 1 June 2015.
Mr. John Barrie Harrison <i>Independent Non-executive Director</i>	Appointed as Independent Non-executive Director of Cathay Pacific Airways Limited with effect from 20 May 2015 and ceased to be a member of the Asian Advisory Committee of AustralianSuper Pty Ltd with effect from 12 May 2015.

The Directors' updated biographies are available on the Company's website.

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

## INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 May 2015, the following are the persons, other than the Directors or Chief Executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Number of shares or underlying shares (Note 5)		Percentage of the total number of shares in issue (Note 6)		Capacity
	Long Position (L)	Short Position (S)	Long Position (L)	Short Position (S)	
Citigroup Inc.	1,083,128,432(L)		8.99(L)		Note 1
	6,083,940(S)		0.05(S)		
	3,703,592(P)		0.03(P)		
Citigroup Financial Products Inc.	1,074,197,000(L)		8.92(L)		Note 2
	856,100(S)		0.01(S)		
Citigroup Global Markets Holdings Inc.	1,074,197,000(L)		8.92(L)		Note 2
	856,100(S)		0.01(S)		
Citigroup Global Markets (International) Finance AG	1,074,077,000(L)		8.92(L)		Note 3
	856,100(S)		0.01(S)		
Citigroup Global Markets Asia Limited	1,054,334,400(L)		8.75(L)		Interest of controlled corporation
Citigroup Global Markets Hong Kong Holdings Limited	1,054,334,400(L)		8.75(L)		Interest of controlled corporation
Citigroup Global Markets Overseas Finance Limited	1,054,334,400(L)		8.75(L)		Interest of controlled corporation
JPMorgan Chase & Co.	1,024,230,622(L)		8.50(L)		Note 4
	35,706,024(S)		0.30(S)		
	746,082,158(P)		6.19(P)		
The Capital Group Companies, Inc.	848,133,207(L)		7.04(L)		Interest of controlled corporation
BlackRock, Inc.	679,597,039(L)		5.64(L)		Interest of controlled corporation
	2,008,200(S)		0.02(S)		

Notes:

- (1) The interests held by Citigroup Inc. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Interests held jointly with another person	1,054,334,400	–
Interest of controlled corporation	10,009,240	6,083,940
Custodian corporation/approved lending agent	3,703,592	–
Security interest in shares	15,081,200	–

- (2) The interests held by each of Citigroup Financial Products Inc. and Citigroup Global Markets Holdings Inc. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Interest of controlled corporation	1,059,115,800	856,100
Security interest in shares	15,081,200	–

- (3) The interests held by Citigroup Global Markets (International) Finance AG were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Interest of controlled corporation	1,058,995,800	856,100
Security interest in shares	15,081,200	–

- (4) The interests held by JPMorgan Chase & Co. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Beneficial owner	80,622,708	35,706,024
Investment manager	197,345,088	–
Trustee (other than a bare trustee)	180,668	–
Custodian corporation/approved lending agent	746,082,158	–

- (5) The interests or short positions include underlying shares as follows:

Name of Shareholder	Long position				Short position			
	Physically settled equity listed derivatives	Cash settled equity listed derivatives	Physically settled equity unlisted derivatives	Cash settled equity unlisted derivatives	Physically settled equity listed derivatives	Cash settled equity listed derivatives	Physically settled equity unlisted derivatives	Cash settled equity unlisted derivatives
Citigroup Inc.	–	–	1,059,562,240	–	–	–	5,227,840	–
Citigroup Financial Products Inc.	–	–	1,054,334,400	–	–	–	–	–
Citigroup Global Markets Holdings Inc.	–	–	1,054,334,400	–	–	–	–	–
Citigroup Global Markets (International) Finance AG	–	–	1,054,334,400	–	–	–	–	–
Citigroup Global Markets Asia Limited	–	–	1,054,334,400	–	–	–	–	–
Citigroup Global Markets Hong Kong Holdings Limited	–	–	1,054,334,400	–	–	–	–	–
Citigroup Global Markets Overseas Finance Limited	–	–	1,054,334,400	–	–	–	–	–
JPMorgan Chase & Co.	6,426,120	481,800	235,299	5,375,004	7,418,000	4,879,800	2,910,718	20,413,906
BlackRock, Inc.	–	–	–	559,200	–	–	–	2,008,200

- (6) Based on 12,047,297,216 shares in issue as at 31 May 2015.

As at 31 May 2015, save as disclosed above, there are no persons, other than the Directors and Chief Executive of the Company, whose interests are set out in the section entitled “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares”, holds any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO.

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

As of 31 May 2015, the Directors' and the Chief Executive's interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company pursuant to the Model Code, are as follows:

(i) Interests and short positions in the shares and underlying shares of the Company:

Name of Director	Number of shares or underlying shares	Class	Percentage of the total number of shares in issue <sup>(3)</sup>	Capacity
Mr. Mark Edward Tucker	21,390,969(L) <sup>(1)</sup>	Ordinary	0.18	Beneficial owner
Mr. Edmund Sze-Wing Tse	3,560,400(L) <sup>(2)</sup>	Ordinary	0.03	Interest of controlled corporation
Mr. Chung-Kong Chow	86,000(L) <sup>(2)</sup>	Ordinary	< 0.01	Beneficial owner

Notes:

- (1) The interests include 4,378,337 shares of the Company, 13,101,399 share options under the Share Option Scheme, 3,907,091 restricted share units under the Restricted Share Unit Scheme and 4,142 matching restricted stock purchase units under the Employee Share Purchase Plan.
- (2) The interests are ordinary shares of the Company.
- (3) Based on 12,047,297,216 shares in issue as at 31 May 2015.

Save as disclosed above, as at 31 May 2015, none of the Directors or Chief Executive of the Company holds any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

## PURCHASE, SALE AND REDEMPTION OF THE SECURITIES OF THE COMPANY

Save for the purchase of 16,374,254 shares of the Company further to the Restricted Share Unit Scheme and the Employee Share Purchase Plan in each case by the trustee thereof at a total consideration of approximately US\$94 million, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 May 2015. These purchases were made by the aforementioned trustees on the Hong Kong Stock Exchange. These shares are held on trust for participants of the relevant plans and therefore were not cancelled.

## SHARE-BASED COMPENSATION

### Long-term Incentive (LTI) Plans

#### APPROVED AIA LTI PLANS

The Company adopted the Restricted Share Unit Scheme and the Share Option Scheme on 28 September 2010 and these schemes are effective for a period of 10 years from the date of adoption. For further information on these schemes, please refer to pages 93 to 97 of the Company's Annual Report 2014.

Under these schemes, the Company may award restricted share units and/or share options to employees, Directors (excluding Independent Non-executive Directors) or officers of the Company or any of its subsidiaries.

#### RESTRICTED SHARE UNIT SCHEME

During the six months ended 31 May 2015, 17,234,497 restricted share units were awarded by the Company under the Restricted Share Unit Scheme. For restricted share units awarded during this period, the Group has adjusted the graduated vesting scale applicable to the total shareholder return (TSR) metric such that vesting for the TSR portion of the most recent award will range from zero if the TSR is below the 25th percentile relative to those of the Dow Jones Insurance Titans 30 Index (DJTINN) constituents, up to full vesting at or above the 75th percentile. This adjustment has no impact on the vesting scale for any of the restricted share units awarded in prior periods.

Movements in restricted share unit awards are summarised below:

Executive Director, Key Management Personnel and other eligible employees	Date of grant (day/month/year) <sup>(1)</sup>	Vesting date(s) (day/month/year)	Restricted share units outstanding as at 1 December 2014	Restricted share units awarded during the six months ended 31 May 2015	Restricted share units vested during the six months ended 31 May 2015	Restricted share units cancelled/lapsed during the six months ended 31 May 2015 <sup>(7)</sup>	Restricted share units outstanding as at 31 May 2015
<b>Executive Director</b>	1/6/2011	See note <sup>(2)</sup>	537,432	–	(268,715)	–	268,717
Mr. Mark Edward Tucker	15/3/2012	15/3/2015 <sup>(3)</sup>	1,434,842	–	(956,610)	(478,232)	–
	11/3/2013	11/3/2016 <sup>(3)</sup>	1,314,873	–	–	–	1,314,873
	5/3/2014	5/3/2017 <sup>(3)</sup>	1,261,874	–	–	–	1,261,874
	12/3/2015	12/3/2018 <sup>(4)</sup>	–	1,061,627	–	–	1,061,627
<b>Key Management Personnel (excluding Executive Director)</b>	1/6/2011	See note <sup>(2)</sup>	2,486,217	–	(1,243,104)	–	1,243,113
	15/3/2012	15/3/2015 <sup>(3)</sup>	1,949,178	–	(1,299,521)	(649,657)	–
	11/3/2013	11/3/2016 <sup>(3)</sup>	1,779,549	–	–	–	1,779,549
	5/3/2014	5/3/2017 <sup>(3)</sup>	1,546,053	–	–	–	1,546,053
	14/4/2014	14/4/2017 <sup>(3)</sup>	203,016	–	–	–	203,016
	14/4/2014	See note <sup>(5)</sup>	487,238	–	(243,619)	–	243,619
	12/3/2015	12/3/2018 <sup>(4)</sup>	–	1,348,419	–	–	1,348,419
<b>Other eligible employees</b>	1/6/2011	See note <sup>(2)</sup>	1,703,244	–	(851,615)	–	851,629
	15/3/2012	15/3/2015 <sup>(3)</sup>	13,863,942	–	(8,996,504)	(4,867,438)	–
	6/9/2012	6/9/2015 <sup>(3)</sup>	218,664	–	–	–	218,664
	11/3/2013	11/3/2016 <sup>(3)</sup>	14,434,112	–	(19,091)	(429,933)	13,985,088
	1/8/2013	1/8/2016 <sup>(3)</sup>	264,994	–	–	–	264,994
	1/8/2013	11/3/2016 <sup>(3)</sup>	75,865	–	–	–	75,865
	5/3/2014	5/3/2017 <sup>(3)</sup>	14,976,409	–	(6,783)	(297,332)	14,672,294
	11/9/2014	11/9/2017 <sup>(3)</sup>	48,724	–	–	–	48,724
	11/9/2014	5/3/2017 <sup>(3)</sup>	4,193	–	–	–	4,193
	12/3/2015	12/3/2018 <sup>(4)</sup>	–	13,467,026	–	(61,353)	13,405,673
	12/3/2015	12/3/2017 <sup>(6)</sup>	–	1,357,425	–	(3,937)	1,353,488



Notes:

- (1) The measurement date (i.e. the date used to determine the value of the awards for accounting purposes) for awards made in 2011 was determined to be 15 June 2011. The measurement dates for awards made in 2012 were determined to be 15 March 2012 and 6 September 2012. The measurement dates for awards made in 2013 were determined to be 11 March 2013 and 1 August 2013. The measurement dates for awards made in 2014 were determined to be 5 March 2014, 14 April 2014 and 11 September 2014. The measurement date for awards made in the first half of 2015 was determined to be 12 March 2015. The measurement dates were determined in accordance with IFRS 2.
- (2) The vesting of these restricted share units is service-based only (meaning there are no further performance conditions attached). One-third of restricted share units vested on 1 April 2014; one-third vested on 1 April 2015; and one-third vest on 1 April 2016.
- (3) The vesting of these restricted share units is subject to the achievement of performance conditions shown on page 94 of the Company's Annual Report 2014.
- (4) The vesting of these restricted share units is subject to the achievement of performance conditions shown on page 94 of the Company's Annual Report 2014 and the adjusted vesting scale applicable to the TSR metric, as shown on the preceding page.
- (5) The vesting of these restricted share units is service-based only (meaning there are no further performance conditions attached). One-half of restricted share units vested on 14 April 2015; and one-half vest on 14 April 2016.
- (6) The vesting of these restricted share units is service-based only (meaning there are no further performance conditions attached). All restricted share units vest on 12 March 2017.
- (7) There were no cancelled restricted share units during the six months ended 31 May 2015.

## SHARE OPTION SCHEME

During the six months ended 31 May 2015, 5,937,871 share options were awarded by the Company under the Share Option Scheme. No share options have been awarded to substantial shareholders, or in excess of the individual limit. Details of the valuation of the share options are set out in note 22 to the interim financial statements.

Movements in share option awards are summarised below:

Executive Director, Key Management Personnel and other eligible employees	Date of grant (day/month/year) <sup>(1)</sup>	Period during which share options exercisable (day/month/year)	Share options outstanding as at 1 December 2014	Share options awarded during the six months ended 31 May 2015	Share options vested during the six months ended 31 May 2015	Share options cancelled/lapsed during the six months ended 31 May 2015 <sup>(9)</sup>	Share options exercised during the six months ended 31 May 2015	Exercise price (HK\$)	Share options outstanding as at 31 May 2015	Weighted average closing price of shares immediately before the dates on which share options were exercised (HK\$)
<b>Executive Director</b>	1/6/2011	1/4/2014 – 31/5/2021 <sup>(2)</sup>	2,149,724	–	–	–	–	27.35	2,149,724	n/a
Mr. Mark Edward Tucker	1/6/2011	1/4/2014 – 31/5/2021 <sup>(3)</sup>	2,418,439	–	806,146	–	–	27.35	2,418,439	n/a
	15/3/2012	15/3/2015 – 14/3/2022 <sup>(4)</sup>	2,152,263	–	2,152,263	–	–	28.40	2,152,263	n/a
	11/3/2013	11/3/2016 – 10/3/2023 <sup>(5)</sup>	2,183,144	–	–	–	–	34.35	2,183,144	n/a
	5/3/2014	5/3/2017 – 4/3/2024 <sup>(6)</sup>	2,169,274	–	–	–	–	37.56	2,169,274	n/a
	12/3/2015	12/3/2018 – 11/3/2025 <sup>(8)</sup>	–	2,028,555	–	–	–	47.73	2,028,555	n/a
<b>Key Management Personnel (excluding Executive Director)</b>	1/6/2011	1/4/2014 – 31/5/2021 <sup>(2)</sup>	3,380,346	–	–	–	–	27.35	3,380,346	n/a
	1/6/2011	1/4/2014 – 31/5/2021 <sup>(3)</sup>	4,919,047	–	1,639,679	–	(213,639)	27.35	4,705,408	47.15
	15/3/2012	15/3/2015 – 14/3/2022 <sup>(4)</sup>	2,923,765	–	2,923,765	–	–	28.40	2,923,765	n/a
	11/3/2013	11/3/2016 – 10/3/2023 <sup>(5)</sup>	2,954,666	–	–	–	–	34.35	2,954,666	n/a
	5/3/2014	5/3/2017 – 4/3/2024 <sup>(6)</sup>	2,657,795	–	–	–	–	37.56	2,657,795	n/a
	14/4/2014	14/4/2017 – 13/4/2024 <sup>(7)</sup>	332,282	–	–	–	–	39.45	332,282	n/a
	12/3/2015	12/3/2018 – 11/3/2025 <sup>(8)</sup>	–	2,576,553	–	–	–	47.73	2,576,553	n/a
<b>Other eligible employees</b>	1/6/2011	1/4/2014 – 31/5/2021 <sup>(2)</sup>	898,849	–	–	–	(293,011)	27.35	605,838	48.50
	1/6/2011	1/4/2014 – 31/5/2021 <sup>(3)</sup>	3,090,660	–	1,160,768	–	(356,062)	27.35	2,734,598	49.56
	15/3/2012	15/3/2015 – 14/3/2022 <sup>(4)</sup>	1,751,548	–	1,715,141	(23,293)	(268,671)	28.40	1,459,584	48.99
	11/3/2013	11/3/2016 – 10/3/2023 <sup>(5)</sup>	1,605,023	–	–	(18,163)	(6,918)	34.35	1,579,942	45.60
	5/3/2014	5/3/2017 – 4/3/2024 <sup>(6)</sup>	1,519,094	–	–	(11,099)	–	37.56	1,507,995	n/a
	12/3/2015	12/3/2018 – 11/3/2025 <sup>(8)</sup>	–	1,332,763	–	–	–	47.73	1,332,763	n/a

Notes:

- (1) The measurement date (i.e. the date used to determine the value of the awards for accounting purposes) for awards made in 2011 was determined to be 15 June 2011. The measurement date for awards made in 2012 was determined to be 15 March 2012. The measurement date for awards made in 2013 was determined to be 11 March 2013. The measurement dates for awards made in 2014 were determined to be 5 March 2014 and 14 April 2014. The measurement date for awards made in the first half of 2015 was determined to be 12 March 2015. The measurement dates were determined in accordance with IFRS 2.
- (2) The vesting of share options is service-based only. All share options vested on 1 April 2014.
- (3) The vesting of share options is service-based only. One-third of share options vested on 1 April 2014; one-third vested on 1 April 2015; and one-third vest on 1 April 2016.
- (4) The vesting of share options is service-based only. All share options vested on 15 March 2015.
- (5) The vesting of share options is service-based only. All share options vest on 11 March 2016.
- (6) The vesting of share options is service-based only. All share options vest on 5 March 2017.
- (7) The vesting of share options is service-based only. All share options vest on 14 April 2017.
- (8) The closing price of the Company's shares immediately before the date on which share options were awarded is HK\$47.10. The vesting of share options is service-based only. All share options vest on 12 March 2018.
- (9) There were no cancelled share options during the six months ended 31 May 2015.

## **Employee Share Purchase Plan**

For information on Employee Share Purchase Plan, please refer to page 99 of the Company's Annual Report 2014.

# FINANCIAL STATEMENTS

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)



羅兵咸永道

#### Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 39 to 90, which comprise the interim consolidated statement of financial position of AIA Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 May 2015 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (HKAS 34) issued by the Hong Kong Institute of Certified Public Accountants or International Accounting Standard 34 “Interim financial reporting” (IAS 34) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34 and IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34 and IAS 34.

PricewaterhouseCoopers  
*Certified Public Accountants*

Hong Kong  
24 July 2015

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## INTERIM CONSOLIDATED INCOME STATEMENT

US\$m	Notes	Six months ended 31 May 2015 (Unaudited)	Six months ended 31 May 2014 (Unaudited)
<b>Revenue</b>			
<i>Turnover</i>			
Premiums and fee income		9,361	8,407
Premiums ceded to reinsurers		(585)	(552)
Net premiums and fee income		<u>8,776</u>	<u>7,855</u>
Investment return	7	5,051	3,625
Other operating revenue		101	89
<b>Total revenue</b>		<u><b>13,928</b></u>	<u><b>11,569</b></u>
<b>Expenses</b>			
Insurance and investment contract benefits		9,486	8,119
Insurance and investment contract benefits ceded		(477)	(487)
<b>Net insurance and investment contract benefits</b>		<u>9,009</u>	<u>7,632</u>
Commission and other acquisition expenses		1,168	993
Operating expenses		801	765
Finance costs		80	40
Other expenses		212	179
<b>Total expenses</b>	8	<u><b>11,270</b></u>	<u><b>9,609</b></u>
<b>Profit before share of profit from associates and joint venture</b>			
		2,658	1,960
Share of profit from associates and joint venture		–	5
<b>Profit before tax</b>		<u><b>2,658</b></u>	<u><b>1,965</b></u>
Income tax expense attributable to policyholders' returns			
		(60)	(71)
<b>Profit before tax attributable to shareholders' profits</b>		<u><b>2,598</b></u>	<u><b>1,894</b></u>
Tax expense			
	9	(465)	(410)
Tax attributable to policyholders' returns		60	71
Tax expense attributable to shareholders' profits		(405)	(339)
<b>Net profit</b>		<u><b>2,193</b></u>	<u><b>1,555</b></u>
<i>Net profit attributable to:</i>			
<b>Shareholders of AIA Group Limited</b>		<b>2,180</b>	1,546
Non-controlling interests		<b>13</b>	9
<b>Earnings per share (US\$)</b>			
Basic	10	<b>0.18</b>	0.13
Diluted	10	<b>0.18</b>	0.13

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US\$m	Six months ended 31 May 2015 (Unaudited)	Six months ended 31 May 2014 (Unaudited)
<b>Net profit</b>	<b>2,193</b>	1,555
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on available for sale financial assets (net of tax of: six months ended 31 May 2015: US\$(39)m; six months ended 31 May 2014: US\$(285)m)	<b>(213)</b>	2,314
Fair value (gains)/losses on available for sale financial assets transferred to income on disposal (net of tax of: six months ended 31 May 2015: US\$2m; six months ended 31 May 2014: US\$(1)m)	<b>(46)</b>	7
Foreign currency translation adjustments	<b>(418)</b>	(39)
Cash flow hedges	<b>4</b>	4
Share of other comprehensive income from associates and joint venture	<b>9</b>	3
Subtotal	<u><b>(664)</b></u>	<u>2,289</u>
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: six months ended 31 May 2015: US\$3m; six months ended 31 May 2014: US\$nil)	<b>4</b>	–
Subtotal	<u><b>4</b></u>	<u>–</u>
Total other comprehensive (expense)/income	<u><b>(660)</b></u>	<u>2,289</u>
<b>Total comprehensive income</b>	<u><b>1,533</b></u>	<u>3,844</u>
<i>Total comprehensive income attributable to:</i>		
<b>Shareholders of AIA Group Limited</b>	<b>1,521</b>	3,836
Non-controlling interests	<b>12</b>	8

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US\$m	Notes	As at 31 May 2015 (Unaudited)	As at 30 November 2014
<b>Assets</b>			
Intangible assets	12	2,136	2,152
Investments in associates and joint venture		141	131
Property, plant and equipment		517	541
Investment property		1,432	1,384
Reinsurance assets		1,636	1,657
Deferred acquisition and origination costs		16,909	16,593
<b>Financial investments:</b>	13, 15		
Loans and deposits		7,471	7,654
Available for sale			
Debt securities		80,309	77,744
At fair value through profit or loss			
Debt securities		24,379	24,319
Equity securities		31,332	28,827
Derivative financial instruments	14	168	265
		<u>143,659</u>	<u>138,809</u>
Deferred tax assets		10	10
Current tax recoverable		38	54
Other assets		3,927	3,753
Cash and cash equivalents	16	1,655	1,835
<b>Total assets</b>		<u><b>172,060</b></u>	<u><b>166,919</b></u>
<b>Liabilities</b>			
Insurance contract liabilities		116,663	113,097
Investment contract liabilities		8,050	7,937
Borrowings	17	3,193	2,934
Obligations under securities lending and repurchase agreements	18	3,856	3,753
Derivative financial instruments	14	371	211
Provisions		216	213
Deferred tax liabilities		3,154	3,079
Current tax liabilities		367	198
Other liabilities		4,292	4,542
<b>Total liabilities</b>		<u><b>140,162</b></u>	<u><b>135,964</b></u>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US\$m	Notes	As at 31 May 2015 (Unaudited)	As at 30 November 2014
<b>Equity</b>			
Share capital	19	13,967	13,962
Employee share-based trusts	19	(322)	(286)
Other reserves	19	(12,013)	(11,994)
Retained earnings		24,486	22,831
Fair value reserve	19	5,830	6,076
Foreign currency translation reserve	19	(194)	227
Others		(2)	(10)
Amounts reflected in other comprehensive income		<u>5,634</u>	<u>6,293</u>
<i>Total equity attributable to:</i>			
<b>Shareholders of AIA Group Limited</b>		<b>31,752</b>	<b>30,806</b>
Non-controlling interests		<b>146</b>	<b>149</b>
<b>Total equity</b>		<u><b>31,898</b></u>	<u><b>30,955</b></u>
<b>Total liabilities and equity</b>		<u><b>172,060</b></u>	<u><b>166,919</b></u>

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$m	Note	Other comprehensive income								Total equity
		Share capital	Employee share-based trusts	Other reserves	Retained earnings	Fair value reserve	Foreign currency translation reserve	Others	Non-controlling interests	
<b>Balance at 1 December 2014</b>		13,962	(286)	(11,994)	22,831	6,076	227	(10)	149	30,955
Net profit		-	-	-	2,180	-	-	-	13	2,193
Fair value losses on available for sale financial assets		-	-	-	-	(212)	-	-	(1)	(213)
Fair value gains on available for sale financial assets transferred to income on disposal		-	-	-	-	(46)	-	-	-	(46)
Foreign currency translation adjustments		-	-	-	-	-	(418)	-	-	(418)
Cash flow hedges		-	-	-	-	-	-	4	-	4
Share of other comprehensive income/(expense) from associates and joint venture		-	-	-	-	12	(3)	-	-	9
Effect of remeasurement of net liability of defined benefit schemes		-	-	-	-	-	-	4	-	4
<b>Total comprehensive income/ (expense) for the period</b>		-	-	-	2,180	(246)	(421)	8	12	1,533
Dividends	11	-	-	-	(525)	-	-	-	(15)	(540)
Shares issued under share option scheme and agency share purchase plan		5	-	-	-	-	-	-	-	5
Share-based compensation		-	-	39	-	-	-	-	-	39
Purchase of shares held by employee share-based trusts		-	(94)	-	-	-	-	-	-	(94)
Transfer of vested shares from employee share-based trusts		-	58	(58)	-	-	-	-	-	-
<b>Balance at 31 May 2015 – Unaudited</b>		<b>13,967</b>	<b>(322)</b>	<b>(12,013)</b>	<b>24,486</b>	<b>5,830</b>	<b>(194)</b>	<b>(2)</b>	<b>146</b>	<b>31,898</b>



## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

US\$m	Note	Other comprehensive income								Total equity
		Share capital and share premium	Employee share-based trusts	Other reserves	Retained earnings	Fair value reserve	Foreign currency translation reserve	Others	Non-controlling interests	
<b>Balance at 1 December 2013</b>		13,958	(274)	(11,995)	20,070	2,270	657	(4)	145	24,827
Net profit		-	-	-	1,546	-	-	-	9	1,555
Fair value gains/(losses) on available for sale financial assets		-	-	-	-	2,315	-	-	(1)	2,314
Fair value losses on available for sale financial assets transferred to income on disposal		-	-	-	-	7	-	-	-	7
Foreign currency translation adjustments		-	-	-	-	-	(39)	-	-	(39)
Cash flow hedges		-	-	-	-	-	-	4	-	4
Share of other comprehensive income/(expense) from associates and joint venture		-	-	-	-	(1)	4	-	-	3
<b>Total comprehensive income/ (expense) for the period</b>		-	-	-	1,546	2,321	(35)	4	8	3,844
Dividends	11	-	-	-	(442)	-	-	-	(5)	(447)
Shares issued under share option scheme		3	-	-	-	-	-	-	-	3
Acquisition of non-controlling interests		-	-	-	-	(1)	-	-	1	-
Share-based compensation		-	-	44	-	-	-	-	-	44
Purchase of shares held by employee share-based trusts		-	(89)	-	-	-	-	-	-	(89)
Transfer of vested shares from employee share-based trusts		-	71	(71)	-	-	-	-	-	-
Others		-	-	(3)	-	-	-	-	-	(3)
<b>Balance at 31 May 2014 – Unaudited</b>		<u>13,961</u>	<u>(292)</u>	<u>(12,025)</u>	<u>21,174</u>	<u>4,590</u>	<u>622</u>	<u>-</u>	<u>149</u>	<u>28,179</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

US\$m	Six months ended 31 May 2015 (Unaudited)	Six months ended 31 May 2014 (Unaudited)
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>2,658</b>	1,965
Adjustments for:		
Financial investments	(7,809)	(6,806)
Insurance and investment contract liabilities	5,856	4,695
Obligations under securities lending and repurchase agreements	173	1,038
Other non-cash operating items, including investment income	(3,098)	(2,684)
Operating cash items:		
Interest received	2,485	2,161
Dividends received	305	232
Interest paid	(49)	(26)
Tax paid	(176)	(161)
<b>Net cash provided by operating activities</b>	<b>345</b>	414
<b>Cash flows from investing activities</b>		
Payments for intangible assets	(34)	(833)
Payments for investment property and property, plant and equipment	(65)	(340)
Proceeds from sale of investment property and property, plant and equipment	–	14
<b>Net cash used in investing activities</b>	<b>(99)</b>	(1,159)
<b>Cash flows from financing activities</b>		
Issuance of medium term notes	745	990
Interest paid on medium term notes	(33)	(14)
Proceeds from other borrowings	–	347
Repayment of other borrowings	(487)	(348)
Dividends paid during the period	(540)	(447)
Purchase of shares held by employee share-based trusts	(94)	(89)
Shares issued under share option scheme and agency share purchase plan	5	3
<b>Net cash (used in)/provided by financing activities</b>	<b>(404)</b>	442
Net decrease in cash and cash equivalents	(158)	(303)
Cash and cash equivalents at beginning of the financial period	1,631	2,140
Effect of exchange rate changes on cash and cash equivalents	(58)	13
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,415</b>	1,850

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

	Note	Six months ended 31 May 2015 (Unaudited)	Six months ended 31 May 2014 (Unaudited)
Cash and cash equivalents in the interim consolidated statement of financial position	16	1,655	2,039
Bank overdrafts		(240)	(189)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows		<u>1,415</u>	<u>1,850</u>

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate information

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

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

AIA Group Limited and its subsidiaries (collectively “AIA” or the “Group”) is a life insurance based financial services provider operating in 18 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. Basis of preparation and statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting and International Accounting Standard (IAS) 34, Interim Financial Reporting. International Financial Reporting Standards (IFRS) is substantially consistent with Hong Kong Financial Reporting Standards (HKFRS) and the accounting policy selections that the Group has made in preparing these interim condensed consolidated financial statements are such that the Group is able to comply with both HKFRS and IFRS. References to IFRS, IAS and Interpretations developed by the IFRS Interpretations Committee (IFRS IC) in these interim condensed consolidated financial statements should be read as referring to the equivalent HKFRS, HKAS and Hong Kong (IFRIC) Interpretations (HK(IFRIC) – Int) as the case may be. Accordingly, there are no differences of accounting practice between HKFRS and IFRS affecting these interim condensed consolidated financial statements. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 November 2014.

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

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

(a) The following relevant new interpretation and amendments to standards are mandatory for the first time for the financial year beginning 1 December 2014 and have no material impact to the Group:

- IFRIC 21, Levies;
- Amendment to IAS 24, Related Parties Disclosures, Key management personnel;
- Amendments to IAS 32, Financial Instruments: Presentation on offsetting financial assets and financial liabilities;
- 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;
- Amendment to IFRS 2, Share-based Payment, Definition of vesting condition;
- Amendment to IFRS 3, Business Combinations, Accounting for contingent consideration in a business combination;
- 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; 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.

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

(b) The following relevant new standards and amendments to standards have been issued but are not effective for the financial year ending 30 November 2015 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:

- 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);
- Amendments to IAS 27, Equity Method in Separate Financial Statements (2017);
- Amendments to IAS 34, Interim Financial Reporting, Disclosure of information 'elsewhere in the interim financial report' (2017);
- 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 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (2017); and
- Amendments to IFRS 11, Acquisitions of Interests in Joint Operations (2017).

(c) The following relevant new standard and requirements have been issued but are not effective for the financial year ending 30 November 2015 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 fully assess the 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.

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

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgement on estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates.

The interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS and IFRS.

The interim condensed consolidated financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers in accordance with the Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers' independent review report to the Board of Directors is included on page 38. The interim condensed consolidated financial statements have also been reviewed by the Company's Audit Committee.

The financial statements relating to the financial year ended 30 November 2014 that are included in the interim condensed consolidated financial statements as being previously reported information does not constitute the Group's statutory financial statements for this financial year but is derived from those financial statements. The Group had delivered the financial statements for the year ended 30 November 2014 to the Registrar of Companies as required by the predecessor Hong Kong Companies Ordinance (Cap. 32) section 109(3). The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 February 2015.

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

### 3. Exchange rates

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

	<b>US dollar exchange rates</b>		
	<b>Six months ended 31 May 2015 (Unaudited)</b>	Year ended 30 November 2014	Six months ended 31 May 2014 (Unaudited)
Hong Kong	7.75	7.75	7.76
Thailand	32.81	32.43	32.53
Singapore	1.34	1.26	1.26
Malaysia	3.60	3.25	3.27
China	6.22	6.15	6.14
Korea	1,097.69	1,048.22	1,054.85

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

	<b>US dollar exchange rates</b>		
	<b>As at 31 May 2015 (Unaudited)</b>	As at 30 November 2014	As at 31 May 2014 (Unaudited)
Hong Kong	7.75	7.75	7.75
Thailand	33.70	32.82	32.82
Singapore	1.35	1.30	1.25
Malaysia	3.66	3.38	3.21
China	6.20	6.15	6.25
Korea	1,109.25	1,107.65	1,020.41

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



#### 4. Operating profit after tax

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

US\$m	Note	<b>Six months ended 31 May 2015 (Unaudited)</b>	Six months ended 31 May 2014 (Unaudited)
<b>Operating profit after tax</b>	<b>6</b>	<b>1,640</b>	1,465
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Net gains from equity securities (net of tax of: six months ended 31 May 2015: US\$(101)m; six months ended 31 May 2014: US\$(15)m)		<b>590</b>	47
Other non-operating investment experience and other items (net of tax of: six months ended 31 May 2015: US\$36m; six months ended 31 May 2014: US\$(29)m)		<b>(37)</b>	43
<b>Net profit</b>		<b><u>2,193</u></b>	<b><u>1,555</u></b>
<i>Operating profit after tax attributable to:</i>			
<b>Shareholders of AIA Group Limited</b>		<b>1,630</b>	1,457
Non-controlling interests		<b>10</b>	8
<i>Net profit attributable to:</i>			
<b>Shareholders of AIA Group Limited</b>		<b>2,180</b>	1,546
Non-controlling interests		<b>13</b>	9

#### 5. Total weighted premium income and annualised new premiums

For management decision-making and internal performance management purposes, the Group measures business volumes during the period using a performance measure referred to as total weighted premium income (TWPI), while the Group measures new business activity using a performance measure referred to as annualised new premiums (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 premiums and fee income recorded in the interim consolidated income statement.

ANP is a key internal measure of new business activities, which consists of 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded. ANP excludes new business of pension business, personal lines and motor insurance.

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

	Six months ended 31 May 2015 (Unaudited)	Six months ended 31 May 2014 (Unaudited)
<b>TWPI</b>		
US\$m		
<b>TWPI by geography</b>		
Hong Kong	2,271	1,929
Thailand	1,632	1,555
Singapore	1,141	1,134
Malaysia	960	1,027
China	991	850
Korea	1,065	1,087
Other Markets	1,573	1,422
Total	<u>9,633</u>	<u>9,004</u>
<b>First year premiums by geography</b>		
Hong Kong	436	329
Thailand	233	223
Singapore	128	140
Malaysia	132	123
China	209	151
Korea	132	139
Other Markets	324	326
Total	<u>1,594</u>	<u>1,431</u>
<b>Single premiums by geography</b>		
Hong Kong	788	580
Thailand	104	101
Singapore	920	662
Malaysia	66	70
China	27	9
Korea	64	131
Other Markets	391	201
Total	<u>2,360</u>	<u>1,754</u>
<b>Renewal premiums by geography</b>		
Hong Kong	1,756	1,542
Thailand	1,389	1,322
Singapore	921	927
Malaysia	821	897
China	779	698
Korea	927	935
Other Markets	1,210	1,076
Total	<u>7,803</u>	<u>7,397</u>

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

ANP US\$m	Six months ended 31 May 2015 (Unaudited)	Six months ended 31 May 2014 (Unaudited)
<b>ANP by geography</b>		
Hong Kong	540	401
Thailand	256	256
Singapore	225	214
Malaysia	138	161
China	220	152
Korea	132	189
Other Markets	367	317
Total	<u>1,878</u>	<u>1,690</u>

## 6. Segment information

The Group's operating segments, based on the reports received by the ExCo, are each of the geographical markets in which the Group operates. Each of the reportable segments, other than the "Group Corporate Centre" segment, writes life insurance business, providing life insurance, accident and health insurance and savings plans to customers in its local market, and distributes related investment and other financial services products. The reportable segments are 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 expressed as a percentage of TWPI; and
- operating return on shareholders' 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 shareholders' allocated segment equity (being the segment assets less segment liabilities in respect of each reportable segment less non-controlling interests, fair value reserve and foreign currency translation reserve and others).

## 6. Segment information (continued)

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
<b>Six months ended 31 May 2015 – Unaudited</b>									
<b>ANP</b>	540	256	225	138	220	132	367	–	1,878
<b>TWPI</b>	2,271	1,632	1,141	960	991	1,065	1,573	–	9,633
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	2,170	1,623	1,540	892	919	775	960	(2)	8,877
Investment income <sup>(1)</sup>	727	474	433	264	296	218	273	146	2,831
<b>Total revenue</b>	<b>2,897</b>	<b>2,097</b>	<b>1,973</b>	<b>1,156</b>	<b>1,215</b>	<b>993</b>	<b>1,233</b>	<b>144</b>	<b>11,708</b>
Net insurance and investment contract benefits <sup>(2)</sup>	1,906	1,311	1,474	796	795	679	603	(3)	7,561
Commission and other acquisition expenses	239	303	163	91	77	118	177	–	1,168
Operating expenses	119	90	76	83	103	72	176	82	801
Finance costs and other expenses <sup>(3)</sup>	52	23	10	12	34	7	19	41	198
<b>Total expenses</b>	<b>2,316</b>	<b>1,727</b>	<b>1,723</b>	<b>982</b>	<b>1,009</b>	<b>876</b>	<b>975</b>	<b>120</b>	<b>9,728</b>
Share of profit from associates and joint venture	–	–	–	–	–	–	–	–	–
<b>Operating profit before tax</b>	<b>581</b>	<b>370</b>	<b>250</b>	<b>174</b>	<b>206</b>	<b>117</b>	<b>258</b>	<b>24</b>	<b>1,980</b>
Tax on operating profit before tax	(39)	(89)	(40)	(35)	(39)	(28)	(66)	(4)	(340)
<b>Operating profit after tax</b>	<b>542</b>	<b>281</b>	<b>210</b>	<b>139</b>	<b>167</b>	<b>89</b>	<b>192</b>	<b>20</b>	<b>1,640</b>
<i>Operating profit after tax attributable to:</i>									
<b>Shareholders of AIA Group Limited</b>	<b>540</b>	<b>281</b>	<b>210</b>	<b>138</b>	<b>167</b>	<b>89</b>	<b>185</b>	<b>20</b>	<b>1,630</b>
Non-controlling interests	2	–	–	1	–	–	7	–	10

### Key operating ratios:

Expense ratio	5.2%	5.5%	6.7%	8.6%	10.4%	6.8%	11.2%	–	8.3%
Operating margin	25.6%	22.7%	21.9%	18.1%	20.8%	11.0%	16.4%	–	20.6%
Operating return on shareholders' allocated equity <sup>(4)</sup>	23.1%	13.5%	18.8%	10.4%	15.0%	9.2%	12.5%	–	12.9%

Operating profit before tax includes:

Finance costs	11	2	2	4	30	–	1	30	80
Depreciation and amortisation	7	6	8	9	6	5	12	8	61

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) Operating return on shareholders' allocated equity has been annualised to facilitate comparison with prior periods.

## 6. Segment information (continued)

US\$m								Group	Total
	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Corporate Centre	
<b>31 May 2015 – Unaudited</b>									
Assets before investments in associates and joint venture	44,350	25,817	30,492	15,672	17,082	14,439	16,681	7,386	171,919
Investments in associates and joint venture	-	-	1	7	-	-	133	-	141
<b>Total assets</b>	<b>44,350</b>	<b>25,817</b>	<b>30,493</b>	<b>15,679</b>	<b>17,082</b>	<b>14,439</b>	<b>16,814</b>	<b>7,386</b>	<b>172,060</b>
<b>Total liabilities</b>	<b>37,125</b>	<b>20,724</b>	<b>27,646</b>	<b>13,202</b>	<b>14,281</b>	<b>11,835</b>	<b>12,654</b>	<b>2,695</b>	<b>140,162</b>
<b>Total equity</b>	<b>7,225</b>	<b>5,093</b>	<b>2,847</b>	<b>2,477</b>	<b>2,801</b>	<b>2,604</b>	<b>4,160</b>	<b>4,691</b>	<b>31,898</b>
<b>Shareholders' allocated equity</b>	<b>4,844</b>	<b>4,098</b>	<b>2,340</b>	<b>2,626</b>	<b>2,494</b>	<b>1,970</b>	<b>3,084</b>	<b>4,662</b>	<b>26,118</b>
Net capital (out)/in flows	(420)	(400)	-	(188)	-	(31)	21	443	(575)

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

US\$m	Segment information	Investment return and related changes in insurance and investment contract liabilities and expenses related to:				Interim consolidated income statement	
		Unit-linked contracts and consolidated investment funds	Policyholders and shareholders	Other non-operating items			
<b>Six months ended 31 May 2015 – Unaudited</b>							
Net premiums, fee income and other operating revenue	8,877	-	-	-	8,877	Net premiums, fee income and other operating revenue	
Investment return	2,831	1,137	1,083	-	5,051	Investment return	
<b>Total revenue</b>	<b>11,708</b>	<b>1,137</b>	<b>1,083</b>	<b>-</b>	<b>13,928</b>	<b>Total revenue</b>	
Net insurance and investment contract benefits	7,561	1,072	383	(7)	9,009	Net insurance and investment contract benefits	
Other expenses	2,167	65	4	25	2,261	Other expenses	
<b>Total expenses</b>	<b>9,728</b>	<b>1,137</b>	<b>387</b>	<b>18</b>	<b>11,270</b>	<b>Total expenses</b>	
Share of profit from associates and joint venture	-	-	-	-	-	Share of profit from associates and joint venture	
<b>Operating profit before tax</b>	<b>1,980</b>	<b>-</b>	<b>696</b>	<b>(18)</b>	<b>2,658</b>	<b>Profit before tax</b>	

## 6. Segment information (continued)

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
<b>Six months ended 31 May 2014 – Unaudited</b>									
<b>ANP</b>	401	256	214	161	152	189	317	–	1,690
<b>TWPI</b>	1,929	1,555	1,134	1,027	850	1,087	1,422	–	9,004
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	1,805	1,597	1,199	920	775	779	866	3	7,944
Investment income <sup>(1)</sup>	618	474	409	267	252	207	277	113	2,617
<b>Total revenue</b>	<b>2,423</b>	<b>2,071</b>	<b>1,608</b>	<b>1,187</b>	<b>1,027</b>	<b>986</b>	<b>1,143</b>	<b>116</b>	<b>10,561</b>
Net insurance and investment contract benefits <sup>(2)</sup>	1,577	1,310	1,169	844	695	700	604	(1)	6,898
Commission and other acquisition expenses	205	294	112	62	65	107	148	–	993
Operating expenses	98	86	76	89	101	71	172	72	765
Finance costs and other expenses <sup>(3)</sup>	46	21	10	9	7	7	17	33	150
<b>Total expenses</b>	<b>1,926</b>	<b>1,711</b>	<b>1,367</b>	<b>1,004</b>	<b>868</b>	<b>885</b>	<b>941</b>	<b>104</b>	<b>8,806</b>
Share of profit/(loss) from associates and joint venture	–	–	–	–	–	–	9	(4)	5
<b>Operating profit before tax</b>	<b>497</b>	<b>360</b>	<b>241</b>	<b>183</b>	<b>159</b>	<b>101</b>	<b>211</b>	<b>8</b>	<b>1,760</b>
Tax on operating profit before tax	(35)	(81)	(38)	(42)	(27)	(23)	(48)	(1)	(295)
<b>Operating profit after tax</b>	<b>462</b>	<b>279</b>	<b>203</b>	<b>141</b>	<b>132</b>	<b>78</b>	<b>163</b>	<b>7</b>	<b>1,465</b>
<i>Operating profit after tax attributable to:</i>									
<b>Shareholders of AIA Group Limited</b>	460	279	203	140	132	78	158	7	1,457
Non-controlling interests	2	–	–	1	–	–	5	–	8
<b>Key operating ratios:</b>									
Expense ratio	5.1%	5.5%	6.7%	8.7%	11.9%	6.5%	12.1%	–	8.5%
Operating margin	25.8%	23.2%	21.3%	17.8%	18.7%	9.3%	14.8%	–	19.5%
Operating return on shareholders' allocated equity <sup>(4)</sup>	22.4%	13.7%	20.7%	11.1%	18.0%	8.8%	12.5%	–	13.1%

Operating profit before tax includes:

Finance costs	8	4	1	1	3	–	1	22	40
Depreciation and amortisation	8	6	7	10	5	6	16	10	68

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) Operating return on shareholders' allocated equity has been annualised to facilitate comparison with prior periods.

## 6. Segment information (continued)

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
<b>30 November 2014</b>									
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
<b>Total assets</b>	<b>41,687</b>	<b>25,920</b>	<b>30,031</b>	<b>16,467</b>	<b>15,661</b>	<b>13,768</b>	<b>16,534</b>	<b>6,851</b>	<b>166,919</b>
<b>Total liabilities</b>	<b>34,477</b>	<b>20,567</b>	<b>27,311</b>	<b>13,821</b>	<b>13,397</b>	<b>11,342</b>	<b>12,494</b>	<b>2,555</b>	<b>135,964</b>
<b>Total equity</b>	<b>7,210</b>	<b>5,353</b>	<b>2,720</b>	<b>2,646</b>	<b>2,264</b>	<b>2,426</b>	<b>4,040</b>	<b>4,296</b>	<b>30,955</b>
<b>Shareholders' allocated equity</b>	<b>4,497</b>	<b>4,243</b>	<b>2,120</b>	<b>2,679</b>	<b>1,965</b>	<b>1,902</b>	<b>2,851</b>	<b>4,256</b>	<b>24,513</b>
Net capital (out)/in flows	(752)	(641)	(267)	(112)	100	(24)	(22)	1,022	(696)

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

US\$m	Segment information	Unit-linked contracts and consolidated investment funds	Policyholders and shareholders	Other non-operating items	Interim consolidated income statement	
Investment return and related changes in insurance and investment contract liabilities and expenses related to:						
Unit-linked contracts and consolidated investment funds						
Policyholders and shareholders						
Other non-operating items						
Interim consolidated income statement						
<b>Six months ended 31 May 2014 – Unaudited</b>						
Net premiums, fee income and other operating revenue	7,944	–	–	–	7,944	Net premiums, fee income and other operating revenue
Investment return	2,617	622	386	–	3,625	Investment return
<b>Total revenue</b>	<b>10,561</b>	<b>622</b>	<b>386</b>	<b>–</b>	<b>11,569</b>	<b>Total revenue</b>
Net insurance and investment contract benefits	6,898	560	178	(4)	7,632	Net insurance and investment contract benefits
Other expenses	1,908	62	–	7	1,977	Other expenses
<b>Total expenses</b>	<b>8,806</b>	<b>622</b>	<b>178</b>	<b>3</b>	<b>9,609</b>	<b>Total expenses</b>
Share of profit from associates and joint venture	5	–	–	–	5	Share of profit from associates and joint venture
<b>Operating profit before tax</b>	<b>1,760</b>	<b>–</b>	<b>208</b>	<b>(3)</b>	<b>1,965</b>	<b>Profit before tax</b>

## 7. Investment return

US\$m	Six months ended 31 May 2015 (Unaudited)	Six months ended 31 May 2014 (Unaudited)
Interest income	2,545	2,390
Dividend income	334	279
Rental income	63	61
<b>Investment income</b>	<b>2,942</b>	<b>2,730</b>
<b>Available for sale</b>		
Net realised gains/(losses) from debt securities	48	(8)
<b>Net gains/(losses) of available for sale financial assets reflected in the interim consolidated income statement</b>	<b>48</b>	<b>(8)</b>
<b>At fair value through profit or loss</b>		
<b>Net gains of financial assets designated at fair value through profit or loss</b>		
Net gains of debt securities	2	254
Net gains of equity securities	2,134	641
<b>Net losses of financial instruments held for trading</b>		
Net losses of debt investments	-	(1)
Net fair value movement on derivatives	(202)	(27)
<b>Net gains in respect of financial instruments at fair value through profit or loss</b>	<b>1,934</b>	<b>867</b>
Net foreign exchange gains	173	40
Other net realised losses	(46)	(4)
<b>Investment experience</b>	<b>2,109</b>	<b>895</b>
<b>Investment return</b>	<b>5,051</b>	<b>3,625</b>

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

US\$m	Six months ended 31 May 2015 (Unaudited)	Six months ended 31 May 2014 (Unaudited)
Foreign exchange gains	52	34



## 8. Expenses

US\$m	Six months ended 31 May 2015 (Unaudited)	Six months ended 31 May 2014 (Unaudited)
Insurance contract benefits	4,732	4,601
Change in insurance contract liabilities	4,365	3,371
Investment contract benefits	389	147
<b>Insurance and investment contract benefits</b>	<b>9,486</b>	<b>8,119</b>
Insurance and investment contract benefits ceded	(477)	(487)
<b>Insurance and investment contract benefits, net of reinsurance ceded</b>	<b>9,009</b>	<b>7,632</b>
Commission and other acquisition expenses incurred	1,897	1,706
Deferral and amortisation of acquisition costs	(729)	(713)
<b>Commission and other acquisition expenses</b>	<b>1,168</b>	<b>993</b>
Employee benefit expenses	542	524
Depreciation	39	38
Amortisation	14	14
Operating lease rentals	58	54
Other operating expenses	148	135
<b>Operating expenses</b>	<b>801</b>	<b>765</b>
Investment management expenses and others	174	159
Restructuring and other non-operating costs <sup>(1)</sup>	25	7
Change in third-party interests in consolidated investment funds	13	13
<b>Other expenses</b>	<b>212</b>	<b>179</b>
Finance costs	80	40
<b>Total</b>	<b>11,270</b>	<b>9,609</b>

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.

## 8. Expenses (continued)

Investment management expenses and others may be analysed as:

US\$m	<b>Six months ended 31 May 2015 (Unaudited)</b>	Six months ended 31 May 2014 (Unaudited)
Investment management expenses and others	162	148
Depreciation on investment property	12	11
<b>Total</b>	<b>174</b>	<b>159</b>

Finance costs may be analysed as:

US\$m	<b>Six months ended 31 May 2015 (Unaudited)</b>	Six months ended 31 May 2014 (Unaudited)
Securities lending and repurchase agreements (see note 18 for details)	39	11
Bank and other loans	41	29
<b>Total</b>	<b>80</b>	<b>40</b>

Employee benefit expenses consist of:

US\$m	<b>Six months ended 31 May 2015 (Unaudited)</b>	Six months ended 31 May 2014 (Unaudited)
Wages and salaries	442	420
Share-based compensation	37	44
Pension costs – defined contribution plans	30	29
Pension costs – defined benefit plans	6	7
Other employee benefit expenses	27	24
<b>Total</b>	<b>542</b>	<b>524</b>

## 9. Income tax

US\$m	<b>Six months ended 31 May 2015 (Unaudited)</b>	Six months ended 31 May 2014 (Unaudited)
<b>Tax charged in the interim consolidated income statement</b>		
Current income tax – Hong Kong Profits Tax	<b>35</b>	31
Current income tax – overseas	<b>330</b>	215
Deferred income tax on temporary differences	<b>100</b>	164
<b>Total</b>	<b><u>465</u></b>	<b><u>410</u></b>

Income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The tax benefit or expense attributable to 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 interim consolidated income statement in order to permit comparison of the underlying effective rate of tax attributable to shareholders from period to period. The tax attributable to policyholders' returns included above is US\$60m (six months ended 31 May 2014: US\$71m).

## 10. Earnings per share

### BASIC

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares in issue during the period. The shares held by employee share-based trusts are not considered to be outstanding from the date of the purchase for purposes of computing basic and diluted earnings per share.

	<b>Six months ended 31 May 2015 (Unaudited)</b>	Six months ended 31 May 2014 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US\$m)	<b>2,180</b>	1,546
Weighted average number of ordinary shares in issue (million)	<b>11,969</b>	11,964
<b>Basic earnings per share (US cents per share)</b>	<b><u>18.21</u></b>	<b><u>12.92</u></b>

## 10. Earnings per share (continued)

### DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As of 31 May 2015 and 2014, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 22.

	<b>Six months ended 31 May 2015 (Unaudited)</b>	Six months ended 31 May 2014 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US\$m)	<b>2,180</b>	1,546
Weighted average number of ordinary shares in issue (million)	<b>11,969</b>	11,964
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded under share-based compensation plans	<b>43</b>	25
Weighted average number of ordinary shares for diluted earnings per share (million)	<b>12,012</b>	11,989
<b>Diluted earnings per share (US cents per share)</b>	<b>18.15</b>	12.90

At 31 May 2015, 6,270,153 share options (31 May 2014: 13,458,447) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

### OPERATING PROFIT AFTER TAX PER SHARE

Operating profit after tax (see note 4) per share is calculated by dividing the operating profit after tax attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares in issue during the period. As of 31 May 2015 and 2014, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 22.

	<b>Six months ended 31 May 2015 (Unaudited)</b>	Six months ended 31 May 2014 (Unaudited)
Basic (US cents per share)	<b>13.62</b>	12.18
Diluted (US cents per share)	<b>13.57</b>	12.15

## 11. Dividends

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

US\$m	Six months ended 31 May 2015 (Unaudited)	Six months ended 31 May 2014 (Unaudited)
Interim dividend declared after the reporting date of 18.72 Hong Kong cents per share (six months ended 31 May 2014: 16.00 Hong Kong cents per share) <sup>(1)</sup>	<u>289</u>	<u>247</u>

Note:

- (1) Based upon shares outstanding at 31 May 2015 and 2014 that are entitled to a dividend, other than those held by employee share-based trusts.

The above interim dividend was declared after the reporting date and has not been recognised as a liability at the reporting date.

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

US\$m	Six months ended 31 May 2015 (Unaudited)	Six months ended 31 May 2014 (Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period of 34.00 Hong Kong cents per share (six months ended 31 May 2014: 28.62 Hong Kong cents per share)	<u>525</u>	<u>442</u>

## 12. Intangible assets

US\$m	Goodwill	Computer software	Distribution and other rights	Total
<b>Cost</b>				
At 1 December 2014	1,135	325	933	2,393
Additions	–	12	–	12
Foreign exchange movements	–	(11)	(4)	(15)
<b>At 31 May 2015</b>	<b>1,135</b>	<b>326</b>	<b>929</b>	<b>2,390</b>
<b>Accumulated amortisation and impairment</b>				
At 1 December 2014	(6)	(201)	(34)	(241)
Amortisation charge for the period	–	(14)	(8)	(22)
Foreign exchange movements	–	8	1	9
<b>At 31 May 2015</b>	<b>(6)</b>	<b>(207)</b>	<b>(41)</b>	<b>(254)</b>
<b>Net book value</b>				
At 30 November 2014	1,129	124	899	2,152
<b>At 31 May 2015 – Unaudited</b>	<b>1,129</b>	<b>119</b>	<b>888</b>	<b>2,136</b>

Of the above, US\$2,092m (30 November 2014: US\$2,109m) is expected to be recovered more than 12 months after the end of the reporting period.

## 13. Financial investments

### DEBT SECURITIES

Debt securities by type comprise the following:

US\$m	Policyholder and shareholder			Subtotal	Unit-linked FVTPL	Consolidated investment funds <sup>(4)</sup> FVTPL	Total
	Participating funds	Other policyholder and shareholder					
	FVTPL	FVTPL	AFS				
<b>31 May 2015 – Unaudited</b>							
Government bonds	5,005	191	26,864	32,060	876	–	32,936
Government agency bonds <sup>(1)</sup>	3,345	20	9,294	12,659	218	248	13,125
Corporate bonds	10,911	179	43,509	54,599	1,335	1,537	57,471
Structured securities <sup>(2)</sup>	340	166	642	1,148	3	5	1,156
<b>Total<sup>(3)</sup></b>	<b>19,601</b>	<b>556</b>	<b>80,309</b>	<b>100,466</b>	<b>2,432</b>	<b>1,790</b>	<b>104,688</b>

US\$m	Policyholder and shareholder			Subtotal	Unit-linked FVTPL	Consolidated investment funds <sup>(4)</sup> FVTPL	Total
	Participating funds	Other policyholder and shareholder					
	FVTPL	FVTPL	AFS				
<b>30 November 2014</b>							
Government bonds	5,259	196	26,452	31,907	929	–	32,836
Government agency bonds <sup>(1)</sup>	3,012	–	9,335	12,347	235	211	12,793
Corporate bonds	10,961	146	41,316	52,423	1,311	1,521	55,255
Structured securities <sup>(2)</sup>	360	170	641	1,171	3	5	1,179
<b>Total<sup>(3)</sup></b>	<b>19,592</b>	<b>512</b>	<b>77,744</b>	<b>97,848</b>	<b>2,478</b>	<b>1,737</b>	<b>102,063</b>

Notes:

- (1) 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.
- (2) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.
- (3) Debt securities of US\$3,251m (30 November 2014: US\$2,920m) are restricted due to local regulatory requirements.
- (4) Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

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

US\$m	As at 31 May 2015 (Unaudited)	As at 30 November 2014
<b>Debt securities – FVTPL</b>		
Designated at fair value through profit or loss	24,334	24,297
Held for trading	45	22
<b>Total</b>	<b>24,379</b>	<b>24,319</b>

### 13. Financial investments (continued)

#### EQUITY SECURITIES

Equity securities by type comprise the following:

US\$m	Policyholder and shareholder		Subtotal	Unit-linked FVTPL	Consolidated investment funds <sup>(1)</sup> FVTPL	Total
	Participating funds FVTPL	Other policyholder and shareholder FVTPL				
<b>31 May 2015 – Unaudited</b>						
Equity shares	3,821	6,887	10,708	3,939	1	14,648
Interests in investment funds	1,695	2,025	3,720	12,961	3	16,684
<b>Total</b>	<b>5,516</b>	<b>8,912</b>	<b>14,428</b>	<b>16,900</b>	<b>4</b>	<b>31,332</b>

US\$m	Policyholder and shareholder		Subtotal	Unit-linked FVTPL	Consolidated investment funds <sup>(1)</sup> FVTPL	Total
	Participating funds FVTPL	Other policyholder and shareholder FVTPL				
<b>30 November 2014</b>						
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
<b>Total</b>	<b>5,044</b>	<b>7,707</b>	<b>12,751</b>	<b>16,072</b>	<b>4</b>	<b>28,827</b>

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 31 May 2015 (Unaudited)	As at 30 November 2014
<b>Debt securities</b>		
Listed	74,888	72,017
Unlisted	29,800	30,046
<b>Total</b>	<b>104,688</b>	<b>102,063</b>
<b>Equity securities</b>		
Listed	16,645	15,276
Unlisted	14,687	13,551
<b>Total</b>	<b>31,332</b>	<b>28,827</b>



### 13. Financial investments (continued)

#### LOANS AND DEPOSITS

US\$m	As at 31 May 2015 (Unaudited)	As at 30 November 2014
Policy loans	2,435	2,433
Mortgage loans on residential real estate	611	645
Mortgage loans on commercial real estate	54	14
Other loans	768	808
Allowance for loan losses	(16)	(16)
<b>Loans</b>	<b>3,852</b>	<b>3,884</b>
Term deposits	2,091	2,201
Promissory notes <sup>(1)</sup>	1,528	1,569
<b>Total</b>	<b>7,471</b>	<b>7,654</b>

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\$1,709m (30 November 2014: US\$1,757m).

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 31 May 2015, the carrying value of such receivables is US\$121m (30 November 2014: US\$101m).

## 14. Derivative financial instruments

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

US\$m	Notional amount	Fair value	
		Assets	Liabilities
<b>31 May 2015 – Unaudited</b>			
<b>Foreign exchange contracts</b>			
Forwards	569	3	(9)
Cross-currency swaps	6,647	154	(360)
Foreign exchange futures	216	–	–
Currency options	32	–	–
<b>Total foreign exchange contracts</b>	<b>7,464</b>	<b>157</b>	<b>(369)</b>
<b>Interest rate contracts</b>			
Interest rate swaps	310	3	(2)
<b>Other</b>			
Warrants and options	164	8	–
<b>Netting</b>	<b>(216)</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>7,722</b>	<b>168</b>	<b>(371)</b>
<b>30 November 2014</b>			
<b>Foreign exchange contracts</b>			
Forwards	622	4	(12)
Cross-currency swaps	6,142	246	(198)
Foreign exchange futures	177	–	–
Currency options	20	–	–
<b>Total foreign exchange contracts</b>	<b>6,961</b>	<b>250</b>	<b>(210)</b>
<b>Interest rate contracts</b>			
Interest rate swaps	157	7	(1)
<b>Other</b>			
Warrants and options	144	8	–
<b>Netting</b>	<b>(177)</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>7,085</b>	<b>265</b>	<b>(211)</b>

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

Of the total derivatives, US\$5m (30 November 2014: US\$7m) are listed in exchange or dealer markets and the rest are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

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

## **14. Derivative financial instruments (continued)**

### **FOREIGN EXCHANGE CONTRACTS**

Foreign exchange forward and futures contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Currency options are agreements that give the buyer the right to exchange the currency of one country for the currency of another country at agreed prices and settlement dates. Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to 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.

### **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 31 May 2015, the Group had posted cash collateral of US\$49m (30 November 2014: US\$20m) and pledged debt securities with carrying value of US\$230m (30 November 2014: US\$96m) for liabilities and held cash collateral of US\$44m (30 November 2014: US\$122m), deposit collateral of US\$15m (30 November 2014: US\$25m) and debt securities collateral with carrying value of US\$1m (30 November 2014: US\$2m) 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.

## 15. Fair value measurement

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group classifies all financial assets as either at fair value through profit or loss, or 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:

US\$m	Notes	Fair value			Total carrying value	Total fair value
		Fair value through profit or loss	Available for sale	Cost/amortised cost		
<b>31 May 2015 – Unaudited</b>						
<b>Financial assets</b>						
Financial investments	13					
Loans and deposits		–	–	7,471	7,471	7,486
Debt securities		24,379	80,309	–	104,688	104,688
Equity securities		31,332	–	–	31,332	31,332
Derivative financial instruments	14	168	–	–	168	168
Reinsurance receivables		–	–	238	238	238
Other receivables		–	–	1,625	1,625	1,625
Accrued investment income		–	–	1,413	1,413	1,413
Cash and cash equivalents	16	–	–	1,655	1,655	1,655
<b>Financial assets</b>		<u><b>55,879</b></u>	<u><b>80,309</b></u>	<u><b>12,402</b></u>	<u><b>148,590</b></u>	<u><b>148,605</b></u>
<b>Financial liabilities</b>						
Financial liabilities						
Investment contract liabilities			7,495	555	8,050	8,050
Borrowings	17		–	3,193	3,193	3,262
Obligations under securities lending and repurchase agreements	18		–	3,856	3,856	3,856
Derivative financial instruments	14		371	–	371	371
Other liabilities			1,221	3,071	4,292	4,292
<b>Financial liabilities</b>			<u><b>9,087</b></u>	<u><b>10,675</b></u>	<u><b>19,762</b></u>	<u><b>19,831</b></u>

## 15. Fair value measurement (continued)

### FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

US\$m	Notes	Fair value					Total fair value
		Fair value through profit or loss	Available for sale	Cost/ amortised cost	Total carrying value		
<b>30 November 2014</b>							
Financial investments	13						
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	14	265	–	–	265	265	
Reinsurance receivables		–	–	240	240	240	
Other receivables		–	–	1,632	1,632	1,632	
Accrued investment income		–	–	1,345	1,345	1,345	
Cash and cash equivalents	16	–	–	1,835	1,835	1,835	
<b>Financial assets</b>		<b>53,411</b>	<b>77,744</b>	<b>12,706</b>	<b>143,861</b>	<b>143,882</b>	
	Notes	Fair value through profit or loss		Cost/ amortised cost	Total carrying value	Total fair value	
Financial liabilities							
Investment contract liabilities			7,315	622	7,937	7,937	
Borrowings	17		–	2,934	2,934	3,005	
Obligations under securities lending and repurchase agreements	18		–	3,753	3,753	3,753	
Derivative financial instruments	14		211	–	211	211	
Other liabilities			1,221	3,321	4,542	4,542	
<b>Financial liabilities</b>			<b>8,747</b>	<b>10,630</b>	<b>19,377</b>	<b>19,448</b>	

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the six months ended 31 May 2015.

When the Group holds a group of derivative assets and derivative liabilities entered into with a particular counterparty, the Group takes into account the arrangements that mitigate credit risk exposure in the event of default (e.g. International Swap and Derivatives Association (ISDA) Master Agreements and Credit Support Annex (CSA) that require the exchange of collateral on the basis of each party's net credit risk exposure). The Group measures the fair value of the group of financial assets and financial liabilities on the basis of its net exposure to the credit risk of that counterparty or the counterparty's net exposure to our credit risk that reflects market participants' expectations about the likelihood that such an arrangement would be legally enforceable in the event of default.

## 15. Fair value measurement (continued)

### FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT ON RECURRING BASIS

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

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>31 May 2015 – Unaudited</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Available for sale				
Debt securities	–	79,358	951	80,309
At fair value through profit or loss				
Debt securities				
Participating funds	–	19,275	326	19,601
Unit-linked and consolidated investment funds	–	3,895	327	4,222
Other policyholder and shareholder	–	327	229	556
Equity securities				
Participating funds	5,087	185	244	5,516
Unit-linked and consolidated investment funds	15,963	941	–	16,904
Other policyholder and shareholder	8,013	512	387	8,912
Derivative financial instruments				
Foreign exchange contracts	–	157	–	157
Interest rate contracts	–	3	–	3
Other contracts	5	3	–	8
<b>Total assets on a recurring fair value measurement basis</b>	<b>29,068</b>	<b>104,656</b>	<b>2,464</b>	<b>136,188</b>
<i>% of total</i>	<i>21.3</i>	<i>76.9</i>	<i>1.8</i>	<i>100.0</i>
<b>Financial liabilities</b>				
Investment contract liabilities	–	–	7,495	7,495
Derivative financial instruments				
Foreign exchange contracts	–	369	–	369
Interest rate contracts	–	2	–	2
Other liabilities	–	1,221	–	1,221
<b>Total liabilities on a recurring fair value measurement basis</b>	<b>–</b>	<b>1,592</b>	<b>7,495</b>	<b>9,087</b>
<i>% of total</i>	<i>–</i>	<i>17.5</i>	<i>82.5</i>	<i>100.0</i>

## 15. Fair value measurement (continued)

### FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT ON RECURRING BASIS (continued)

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>30 November 2014</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
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
<b>Total assets on a recurring fair value measurement basis</b>	<b>26,907</b>	<b>102,096</b>	<b>2,152</b>	<b>131,155</b>
<i>% of total</i>	<i>20.5</i>	<i>77.9</i>	<i>1.6</i>	<i>100.0</i>
<b>Financial liabilities</b>				
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
<b>Total liabilities on a recurring fair value measurement basis</b>	<b>–</b>	<b>1,432</b>	<b>7,315</b>	<b>8,747</b>
<i>% of total</i>	<i>–</i>	<i>16.4</i>	<i>83.6</i>	<i>100.0</i>

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the six months ended 31 May 2015, the Group transferred US\$104m of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. The Company transferred US\$18m of assets from Level 2 to Level 1 during the six months ended 31 May 2015.

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.

## 15. Fair value measurement (continued)

### FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT ON RECURRING BASIS (continued)

The table below sets out a summary of changes in the Group's Level 3 financial assets and liabilities measured at fair value on a recurring basis for the six months ended 31 May 2015. The table reflects gains and losses, including gains and losses on financial assets and liabilities categorised as Level 3 as at 31 May 2015.

#### Level 3 financial assets and liabilities

US\$m	Debt securities	Equity securities	Derivative financial assets/ (liabilities)	Investment contracts
<b>At 1 December 2014</b>	<b>1,578</b>	<b>574</b>	<b>-</b>	<b>(7,315)</b>
Net movement on investment contract liabilities	-	-	-	(180)
Total gains/(losses)				
Reported under investment return in the interim consolidated income statement	11	14	-	-
Reported under fair value reserve and foreign currency translation reserve in the interim consolidated statement of comprehensive income	(11)	(12)	-	-
Purchases	294	78	-	-
Sales	(12)	(23)	-	-
Settlements	(22)	-	-	-
Transfer into Level 3	-	-	-	-
Transfer out of Level 3	(5)	-	-	-
<b>At 31 May 2015 – Unaudited</b>	<b>1,833</b>	<b>631</b>	<b>-</b>	<b>(7,495)</b>
Change in unrealised gains or losses included in the interim consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return	10	22	-	-

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

Assets transferred out of Level 3 mainly relates to corporate debt instruments of which market-observable inputs became available during the period 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.



## 15. Fair value measurement (continued)

### SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 FAIR VALUE MEASUREMENTS

As at 31 May 2015, 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 31 May 2015 (US\$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	783	Discounted cash flows	Discount rate for liquidity	4.48% – 12.14%

### 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 individual 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 for determining the fair value of these instruments include the obligor's credit spread and/or the liquidity spread. A significant increase/(decrease) in any of the unobservable input may result in a significantly lower/(higher) fair value measurement. The Group has subscriptions to private pricing services for gathering such information. If the information from private pricing services is not available, the Group uses the proxy pricing method based on internally-developed valuation inputs.

## 16. Cash and cash equivalents

US\$m	As at 31 May 2015 (Unaudited)	As at 30 November 2014
Cash	1,172	1,067
Cash equivalents	483	768
<b>Total<sup>(1)</sup></b>	<b>1,655</b>	<b>1,835</b>

Note:

(1) Of cash and cash equivalents, US\$440m (30 November 2014: US\$467m) are held to back unit-linked contracts and US\$70m (30 November 2014: US\$29m) 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.

## 17. Borrowings

US\$m	<b>As at 31 May 2015 (Unaudited)</b>	As at 30 November 2014
Bank loans	<b>322</b>	808
Medium term notes	<b>2,871</b>	2,126
<b>Total</b>	<b><u>3,193</u></b>	<b><u>2,934</u></b>

At 31 May 2015, the Group does not have assets pledged as security with respect to amounts disclosed as bank loans above. At 30 November 2014, properties with a book value of US\$874m and a fair value of US\$2,135m and cash and cash equivalents and term deposits with a book value of US\$21m were pledged as security with respect to amounts disclosed as bank loans above.

The following table summarises the Group's outstanding medium term notes at 31 May 2015:

Issue date	Nominal amount	Interest rate	Tenor
13 March 2013 <sup>(1)</sup>	US\$500m	1.750%	5 years
13 March 2013 <sup>(1)</sup>	US\$500m	3.125%	10 years
4 November 2013	HK\$1,160m	based upon HIBOR	3 years
11 March 2014 <sup>(1)</sup>	US\$500m	2.250%	5 years
11 March 2014 <sup>(1)</sup>	US\$500m	4.875%	30 years
11 March 2015 <sup>(1)</sup>	US\$750m	3.200%	10 years

Note:

(1) These medium term notes are listed on The Stock Exchange of Hong Kong Limited.

The net proceeds from issuance during the six months ended 31 May 2015 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 31 May 2015.

## 18. 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 interim 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 period end:

US\$m	As at 31 May 2015 (Unaudited)	As at 30 November 2014
Debt securities – AFS		
Repurchase agreements	3,073	3,243
Debt securities – FVTPL		
Securities lending	180	299
Repurchase agreements	769	598
<b>Total</b>	<b>4,022</b>	<b>4,140</b>

### COLLATERAL

At 31 May 2015, the Group had pledged cash collateral of US\$7m (30 November 2014: nil) and debt securities with carrying value of US\$12m (30 November 2014: US\$5m) and held cash collateral of US\$1m (30 November 2014: US\$10m) based on the initial market value of the securities transferred. No debt securities collateral was held as of 31 May 2015 (30 November 2014: US\$2m). In the absence of default, the Group does not sell or repledge the debt securities collateral received and they are not recognised in the interim consolidated statement of financial position.

The securities lending transactions outstanding as at 31 May 2015 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 period end:

US\$m	As at 31 May 2015 (Unaudited)	As at 30 November 2014
Repurchase agreements	3,856	3,753

## 19. Share capital and reserves

### Share Capital

	As at 31 May 2015		As at 30 November 2014	
	Million shares (Unaudited)	US\$m (Unaudited)	Million shares	US\$m
<b>At beginning of the financial period</b>	<b>12,045</b>	<b>13,962</b>	12,044	12,044
Transfers from share premium on 3 March 2014	-	-	-	1,914
Shares issued under share option scheme and agency share purchase plan	<b>2</b>	<b>5</b>	1	4
<b>At end of the financial period</b>	<b>12,047</b>	<b>13,967</b>	<b>12,045</b>	<b>13,962</b>

The Company issued 1,138,301 shares under share option schemes (30 November 2014: 1,117,224 shares) and 1,041,690 shares under agency share purchase plan (30 November 2014: nil) during the six months ended 31 May 2015.

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's shares during the six months ended 31 May 2015 with the exception of 16,374,254 shares purchased by the employee share-based trusts (30 November 2014: 19,404,804 shares of the Company purchased by and 320,390 shares of the Company sold by the employee share-based trusts). These purchases were made by the relevant scheme trustees on the Hong Kong Stock Exchange. These shares are held on trust for participants of the relevant schemes and therefore were not cancelled.

During the six months ended 31 May 2015, 13,885,933 (six months ended 31 May 2014: 18,378,549) shares were transferred to eligible directors, officers and employees of the Group from the employee share-based trusts under share-based compensation plans as a result of vesting. As at 31 May 2015, 75,707,381 shares (30 November 2014: 73,219,060 shares) of the Company were held by the employee share-based trusts.

The transfer of share premium to share capital resulted from the abolition of nominal value of shares under the Hong Kong Companies Ordinance (Cap. 622) which is effective from 3 March 2014. There was no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

## 19. Share capital and reserves (continued)

### RESERVES

#### Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for sale securities held at the end of the reporting period.

#### Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

#### Employee share-based trusts

Trusts have been established to acquire shares of the Company for distribution to participants in future periods through the share-based compensation 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.

## 20. Group capital structure

The Group is in compliance with the solvency and capital adequacy requirements applied by its regulators. The Group's primary insurance regulator at the AIA Company Limited (AIA Co.) and AIA International Limited (AIA International) levels is the Hong Kong 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 31 May 2015 and 30 November 2014 are as follows:

US\$m	31 May 2015 (Unaudited)			30 November 2014		
	Total available capital	Regulatory minimum capital	Solvency ratio	Total available capital	Regulatory minimum capital	Solvency ratio
AIA Co.	7,285	1,607	453%	6,730	1,577	427%
AIA International	6,531	1,743	375%	6,319	1,641	385%

## **20. Group capital structure (continued)**

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 required minimum 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 financial statements, 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 without the consent from regulators for certain individual branches or subsidiaries of the Group. The payment of dividends, distributions and other payments to shareholders is subject to the oversight of the HKOCI.

## **21. Risk management**

The major risks of the Group typically include, but are not limited to, credit risk, foreign exchange rate risk, equity price risk, interest rate risk and liquidity risk.

### **CREDIT RISK**

Credit risk is the risk that third parties fail to meet their obligations to the Group when they fall due. 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 maximum exposure to credit risk for loans and receivables, debt securities, derivative assets and cash and cash equivalents is the carrying value (net of allowances) in the interim consolidated statement of financial position.

### **EQUITY PRICE AND INTEREST RATE RISKS**

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.

## 21. Risk management (continued)

### Sensitivity analysis

Sensitivity analysis to the key variables affecting financial assets and liabilities is set out in the table below. The carrying values of other financial assets are not subject to changes in response to movements in interest rates or equity prices. In calculating the sensitivity of debt and equity instruments to changes in interest rates and equity prices, the Group has made assumptions about the corresponding impact of asset valuations on liabilities to policyholders. Assets held to support unit-linked contracts have been excluded on the basis that changes in fair value are wholly borne by policyholders. 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.

	31 May 2015 (Unaudited)		30 November 2014	
	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)
US\$m				
<b>Equity price risk</b>				
10 per cent increase in equity prices	967	967	836	836
10 per cent decrease in equity prices	(967)	(967)	(836)	(836)
<b>Interest rate risk</b>				
+ 50 basis points shift in yield curves	(129)	(3,967)	(121)	(3,868)
- 50 basis points shift in yield curves	129	3,967	121	3,868

## 21. Risk management (continued)

### 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
<b>31 May 2015 – Unaudited</b>							
Equity analysed by original currency	19,483	1,305	2,765	(2,543)	1,256	3,238	2,093
Net notional amounts of currency derivative positions	(7,029)	601	1,994	3,125	-	32	852
<b>Currency exposure</b>	<b>12,454</b>	<b>1,906</b>	<b>4,759</b>	<b>582</b>	<b>1,256</b>	<b>3,270</b>	<b>2,945</b>
<b>5% strengthening of original currency</b>							
Impact on profit before tax	116	40	10	32	2	30	30
Impact on other comprehensive income	(116)	19	228	(3)	61	133	117
<b>Impact on total equity</b>	<b>-</b>	<b>59</b>	<b>238</b>	<b>29</b>	<b>63</b>	<b>163</b>	<b>147</b>
<b>5% strengthening of the US dollar</b>							
Impact on profit before tax	116	(2)	(8)	(15)	(1)	(20)	(22)
Impact on other comprehensive income	(116)	(57)	(230)	(14)	(62)	(143)	(125)
<b>Impact on total equity</b>	<b>-</b>	<b>(59)</b>	<b>(238)</b>	<b>(29)</b>	<b>(63)</b>	<b>(163)</b>	<b>(147)</b>



## 21. Risk management (continued)

### FOREIGN EXCHANGE RATE RISK (continued)

#### Net exposure (continued)

US\$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	Korean Won
<b>30 November 2014</b>							
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
<b>Currency exposure</b>	<b>13,076</b>	<b>910</b>	<b>4,854</b>	<b>756</b>	<b>1,535</b>	<b>2,594</b>	<b>2,879</b>
<b>5% strengthening of original currency</b>							
Impact on profit before tax	144	17	5	26	2	23	30
Impact on other comprehensive income	(144)	(8)	238	11	75	107	114
<b>Impact on total equity</b>	<b>–</b>	<b>9</b>	<b>243</b>	<b>37</b>	<b>77</b>	<b>130</b>	<b>144</b>
<b>5% strengthening of the US dollar</b>							
Impact on profit before tax	144	8	(4)	(9)	(1)	(16)	(24)
Impact on other comprehensive income	(144)	(17)	(239)	(28)	(76)	(114)	(120)
<b>Impact on total equity</b>	<b>–</b>	<b>(9)</b>	<b>(243)</b>	<b>(37)</b>	<b>(77)</b>	<b>(130)</b>	<b>(144)</b>

#### 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.

## 21. Risk management (continued)

### LIQUIDITY RISK (continued)

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 13, 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
<b>31 May 2015 – Unaudited</b>						
Financial assets						
Loans and deposits	7,471	2,438	800	1,339	797	2,097
Other receivables	1,592	46	1,495	48	2	1
Debt securities	104,688	–	3,632	18,151	27,731	55,174
Equity securities	31,332	31,332	–	–	–	–
Reinsurance receivables	238	–	238	–	–	–
Accrued investment income	1,413	–	1,404	9	–	–
Cash and cash equivalents	1,655	–	1,655	–	–	–
Derivative financial instruments	168	–	77	82	7	2
<b>Total</b>	<b>148,557</b>	<b>33,816</b>	<b>9,301</b>	<b>19,629</b>	<b>28,537</b>	<b>57,274</b>
Financial and insurance contract liabilities						
Insurance and investment contract liabilities (net of reinsurance)	123,282	–	(739)	1,354	8,629	114,038
Borrowings	3,193	–	–	1,466 <sup>(1)</sup>	1,240	487
Obligations under securities lending and repurchase agreements	3,856	–	3,856	–	–	–
Other liabilities	4,292	1,221	2,970	56	3	42
Derivative financial instruments	371	–	10	107	219	35
<b>Total</b>	<b>134,994</b>	<b>1,221</b>	<b>6,097</b>	<b>2,983</b>	<b>10,091</b>	<b>114,602</b>

Note:

(1) Includes amounts of US\$994m falling due after 2 years through 5 years.

## 21. Risk management (continued)

### LIQUIDITY RISK (continued)

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
<b>30 November 2014</b>						
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
<b>Total</b>	<b>143,836</b>	<b>31,316</b>	<b>9,156</b>	<b>20,383</b>	<b>27,300</b>	<b>55,681</b>
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 <sup>(1)</sup>	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
<b>Total</b>	<b>131,032</b>	<b>1,221</b>	<b>6,457</b>	<b>2,565</b>	<b>9,393</b>	<b>111,396</b>

Note:

(1) Includes amounts of US\$1,390m falling due after 2 years through 5 years.

## 22. Share-based compensation

### SHARE-BASED COMPENSATION PLANS

During the six months ended 31 May 2015, the Group made further awards of share options, restricted share units (RSUs) and restricted stock purchase units to certain directors, officers and employees of the Group under the Share Option Scheme (SO Scheme), the Restricted Share Unit Scheme (RSU Scheme) and the Employee Share Purchase Plan (ESPP). In addition, the Group made further awards of restricted stock subscription units to eligible agents under the Agency Share Purchase Plan (ASPP).

### VALUATION METHODOLOGY

The Group utilises a binomial lattice model to calculate the fair value of the share option awards, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, ESPP and ASPP awards, taking into account the terms and conditions upon which the awards were made. The price volatility is estimated on the basis of implied volatility of the Company's shares which is based on an analysis of historical data since they are traded in the Hong Kong Stock Exchange 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.

	Share option awards	
	Six months ended 31 May 2015 (Unaudited)	Year ended 30 November 2014
<b>Assumptions</b>		
Risk-free interest rate	1.61%	2.14% – 2.22%
Volatility	20%	25%
Dividend yield	1.2%	1.2%
Exercise price (HK\$)	47.73	37.56 – 39.45
Share option life (in years)	10	10
Expected life (in years)	7.94	7.54
Weighted average fair value per option/unit at measurement date (HK\$)	10.15	10.43

The weighted average share price for share option valuation for awards made during the six months ended 31 May 2015 are HK\$47.15 (30 November 2014: HK\$37.50). The total fair value of share options awarded during the six months ended 31 May 2015 is US\$8m (six months ended 31 May 2014: US\$9m).

### RECOGNISED COMPENSATION COST

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards made under the RSU Scheme, SO Scheme, ESPP and ASPP by the Group for the six months ended 31 May 2015 is US\$39m (six months ended 31 May 2014: US\$46m).

## 23. Key management personnel remuneration

Key management personnel have been identified as the members of the Group's Executive Committee.

US\$	<b>Six months ended 31 May 2015 (Unaudited)</b>	Six months ended 31 May 2014 (Unaudited)
<b>Key management compensation and other expenses</b>		
Salaries and other short-term employee benefits	<b>9,167,520</b>	7,603,897
Post-employment benefits – defined contribution	<b>221,647</b>	202,418
Share-based payments	<b>11,308,404</b>	12,404,103
<b>Total</b>	<b><u>20,697,571</u></b>	<b><u>20,210,418</u></b>

The emoluments of the Key Management Personnel are within the following bands:

US\$	<b>Six months ended 31 May 2015 (Unaudited)</b>	Six months ended 31 May 2014 (Unaudited)
0 to 500,000	–	1
500,001 to 1,000,000	<b>2</b>	2
1,000,001 to 1,500,000	<b>3</b>	3
1,500,001 to 2,000,000	<b>2</b>	1
2,000,001 to 2,500,000	<b>1</b>	1
2,500,001 to 3,000,000	<b>1</b>	1
6,000,001 to 6,500,000	<b>1</b>	–
6,500,001 to 7,000,000	–	1

## 24. 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 31 May 2015 (Unaudited)	As at 30 November 2014
<b>Properties and others expiring</b>		
Not later than one year	94	89
Later than one and not later than five years	125	131
Later than five years	49	56
<b>Total</b>	<b>268</b>	<b>276</b>

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 31 May 2015 (Unaudited)	As at 30 November 2014
Not later than one year	423	427
Later than one and not later than five years	7	6
Later than five years	–	–
<b>Total</b>	<b>430</b>	<b>433</b>

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

## **24. Commitments and contingencies (continued)**

### **CONTINGENCIES**

The Group is subject to regulation in each of the geographical markets in which it operates from insurance, securities, capital markets, pension, data privacy and other regulators and is exposed to the risk of regulatory actions in response to perceived or actual non-compliance with regulations relating to suitability, sales or underwriting practices, claims payments and procedures, product design, disclosure, administration, denial or delay of benefits and breaches of fiduciary or other duties. The Group believes that these matters have been adequately provided for in these financial statements.

The Group is exposed to legal proceedings, complaints and other actions from its activities including those arising from commercial activities, sales practices, suitability of products, policies 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 American International Group, Inc. 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\$833m at 31 May 2015 (30 November 2014: US\$924m). The liabilities and related reinsurance assets, which totalled US\$4m (30 November 2014: US\$4m), 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.

## **25. Events after the reporting period**

On 24 July 2015, the Board of Directors declared an interim dividend of 18.72 Hong Kong cents per share (six months ended 31 May 2014: 16.00 Hong Kong cents per share).

## **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 interim period ended 31 May 2015 (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 31 May 2015, and the value of new business for the six-month period 1 December 2014 to 31 May 2015;
- A review of the economic and operating assumptions used to calculate the embedded value as at 31 May 2015 and the value of new business for the six-month period 1 December 2014 to 31 May 2015; 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 31 May 2015, the value of new business for the six-month period 1 December 2014 to 31 May 2015, the analysis of movement in embedded value for the six-month period ended 31 May 2015, and the sensitivity analysis.

**Towers Watson**  
24 July 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.

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<sup>(1)</sup> (US\$ millions)

	<b>As at 31 May 2015</b>	As at 30 November 2014	Growth	
Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	<b>40,478</b>	39,042	4%	
Embedded value (EV)	<b>38,598</b>	37,153	4%	
Adjusted net worth (ANW)	<b>16,156</b>	15,351	5%	
Value of in-force business (VIF)	<b>22,442</b>	21,802	3%	

  

	<b>Six months ended 31 May 2015</b>	Six months ended 31 May 2014	YoY AER	YoY CER
Value of new business (VONB) <sup>(3)</sup>	<b>959</b>	792	21%	25%
Annualised new premiums (ANP) <sup>(2) (3)</sup>	<b>1,878</b>	1,690	11%	15%
VONB margin <sup>(3)</sup>	<b>50.2%</b>	46.2%	4.0 pps	3.8 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) VONB includes pension business. ANP and VONB margin exclude pension business.

## 1. Highlights (continued)

VONB grew by 21 per cent to US\$959 million compared with the first half of 2014. VONB growth was 25 per cent on constant exchange rates. ANP grew by 11 per cent to US\$1,878 million. ANP increased by 15 per cent on constant exchange rates. VONB margin increased by 4.0 pps to 50.2 per cent from 46.2 per cent in the first half of 2014.

EV Equity grew by US\$1,436 million to US\$40,478 million at 31 May 2015, an increase of 4 per cent over the first half from US\$39,042 million at 30 November 2014. EV Equity included goodwill and other intangible assets of US\$1,880 million at 31 May 2015 compared with US\$1,889 million at 30 November 2014.

EV grew to US\$38,598 million at 31 May 2015, an increase of 4 per cent over the first half from US\$37,153 million at 30 November 2014.

EV operating profit grew by 11 per cent to US\$2,352 million compared with the first half of 2014. The growth reflected a combination of a higher VONB of US\$959 million and an increased expected return on EV of US\$1,366 million. Overall operating experience variances and operating assumption changes were again positive at US\$60 million. Finance costs from the medium term notes were US\$33 million.

Non-operating EV movements included investment return variances of US\$277 million and other non-operating variances of US\$50 million. The final dividend declared for 2014 was US\$525 million and paid in the first half of 2015. Other capital movements reduced EV by US\$42 million and negative foreign exchange movements were US\$667 million.

EV includes ANW and VIF. ANW increased by 5 per cent over the first half to US\$16,156 million at 31 May 2015 from US\$15,351 million at 30 November 2014. VIF increased by 3 per cent over the half year to US\$22,442 million at 31 May 2015 compared with US\$21,802 million at 30 November 2014 with the operating increase of US\$1,214 million partly offset by negative foreign exchange movements of US\$432 million.

## 2. EV Results

### 2.1 EMBEDDED VALUE BY BUSINESS UNIT

The EV as at 31 May 2015 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.

**Table 2.1**

#### Summary of EV by Business Unit (US\$ millions)

Business Unit	As at 31 May 2015				EV	As at
	ANW <sup>(1)</sup>	VIF before CoC <sup>(2)</sup>	CoC <sup>(2)</sup>	VIF after CoC <sup>(2)</sup>		30 November 2014
						EV
AIA Hong Kong	5,563	8,155	617	7,538	<b>13,101</b>	12,472
AIA Thailand	5,082	2,194	735	1,459	<b>6,541</b>	7,122
AIA Singapore	2,075	3,069	609	2,460	<b>4,535</b>	4,275
AIA Malaysia	1,172	1,383	231	1,152	<b>2,324</b>	2,513
AIA China	1,963	3,089	222	2,867	<b>4,830</b>	4,065
AIA Korea	1,964	704	575	129	<b>2,093</b>	2,152
Other Markets	3,425	1,500	276	1,224	<b>4,649</b>	4,553
Group Corporate Centre	5,315	(125)	(1)	(124)	<b>5,191</b>	4,772
<b>Subtotal</b>	<b>26,559</b>	<b>19,969</b>	<b>3,264</b>	<b>16,705</b>	<b>43,264</b>	<b>41,924</b>
Adjustment to reflect additional Hong Kong reserving and capital requirements <sup>(3)</sup>	(10,403)	6,492	63	6,429	<b>(3,974)</b>	(4,094)
After-tax value of unallocated Group Office expenses	–	(692)	–	(692)	<b>(692)</b>	(677)
<b>Total</b>	<b>16,156</b>	<b>25,769</b>	<b>3,327</b>	<b>22,442</b>	<b>38,598</b>	<b>37,153</b>

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 the Supplementary Embedded Value Information in the Company's Annual Report 2014.
- (3) Adjustment to EV for the branches of AIA Co. and AIA International, as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's Annual Report 2014.

## 2. EV Results (continued)

### 2.2 RECONCILIATION OF ANW TO IFRS EQUITY

Table 2.2 sets out the derivation of ANW from IFRS equity as at 31 May 2015.

**Table 2.2**

#### Derivation of the Group ANW from IFRS equity (US\$ millions)

	As at 31 May 2015	As at 30 November 2014
<b>IFRS equity attributable to shareholders of the Company</b>	<b>31,752</b>	30,806
Elimination of IFRS deferred acquisition and origination costs assets	<b>(16,909)</b>	(16,593)
Difference between IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	<b>10,192</b>	9,894
Difference between net IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	<b>(6,717)</b>	(6,699)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds	<b>2,549</b>	2,509
Elimination of intangible assets	<b>(2,136)</b>	(2,152)
Recognition of deferred tax impacts of the above adjustments	<b>1,239</b>	1,175
Recognition of non-controlling interests impacts of the above adjustments	<b>(128)</b>	(132)
<b>Group ANW (local statutory basis)</b>	<b>26,559</b>	25,507
Adjustment to reflect additional Hong Kong reserving requirements, net of tax	<b>(10,403)</b>	(10,156)
<b>Group ANW (after additional Hong Kong reserving requirements)</b>	<b>16,156</b>	15,351

## 2. EV Results (continued)

### 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 4.1 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 31 May 2015		As at 30 November 2014	
	Local statutory basis	Hong Kong basis <sup>(1)</sup>	Local statutory basis	Hong Kong basis <sup>(1)</sup>
Free surplus	19,454	8,349	18,884	7,794
Required capital	7,105	7,807	6,623	7,557
<b>ANW</b>	<b>26,559</b>	<b>16,156</b>	<b>25,507</b>	<b>15,351</b>

Note:

(1) Hong Kong basis for branches of AIA Co. and AIA International and local statutory basis for subsidiaries of AIA Co. and AIA International.

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 31 May 2015, the more onerous reserving basis for both AIA Co. and AIA International was the Hong Kong basis. Therefore, the Group's free surplus at 31 May 2015 reduced by US\$11,105 million (30 November 2014: US\$11,090 million) under the Hong Kong basis compared with the local statutory basis, reflecting US\$10,403 million (30 November 2014: US\$10,156 million) higher reserving requirements and US\$702 million (30 November 2014: US\$934 million) higher required capital under the Hong Kong basis for branches of AIA Co. and AIA International.

## 2. EV Results (continued)

### 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)**

Financial year	As at 31 May 2015	
	Undiscounted	Discounted
2H15 – 2019	12,691	10,668
2020 – 2024	12,974	7,349
2025 – 2029	12,497	4,800
2030 – 2034	11,421	3,006
2035 and thereafter	50,536	4,426
<b>Total</b>	<b>100,119</b>	<b>30,249</b>

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US\$30,249 million (30 November 2014: US\$29,359 million) plus the free surplus of US\$8,349 million (30 November 2014: US\$7,794 million) shown in Table 2.3 is equal to the EV of US\$38,598 million (30 November 2014: US\$37,153 million) shown in Table 2.1.

## 2. EV Results (continued)

### 2.5 VALUE OF NEW BUSINESS

The VONB for the Group for the six-month period from 1 December 2014 to 31 May 2015 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.

The Group VONB for the six months ended 31 May 2015 was US\$959 million, an increase of US\$167 million, or 21 per cent, from US\$792 million for the same period in 2014.

Table 2.5

#### Summary of VONB by Business Unit (US\$ millions)

Business Unit	Six months ended 31 May 2015			Six months ended 31 May 2014
	VONB before CoC <sup>(1)</sup>	CoC <sup>(1)</sup>	VONB after CoC <sup>(1) (3)</sup>	VONB after CoC <sup>(1) (3)</sup>
AIA Hong Kong	396	61	<b>335</b>	260
AIA Thailand	229	46	<b>183</b>	162
AIA Singapore	162	20	<b>142</b>	127
AIA Malaysia	87	9	<b>78</b>	70
AIA China	206	19	<b>187</b>	120
AIA Korea	29	6	<b>23</b>	35
Other Markets	126	11	<b>115</b>	96
<b>Total before unallocated Group Office expenses (local statutory basis)</b>	<b>1,235</b>	<b>172</b>	<b>1,063</b>	<b>870</b>
Adjustment to reflect additional Hong Kong reserving and capital requirements <sup>(2)</sup>	(74)	(26)	<b>(48)</b>	(24)
<b>Total before unallocated Group Office expenses (after additional Hong Kong reserving and capital requirements)</b>	<b>1,161</b>	<b>146</b>	<b>1,015</b>	<b>846</b>
After-tax value of unallocated Group Office expenses	(56)	–	<b>(56)</b>	(54)
<b>Total</b>	<b>1,105</b>	<b>146</b>	<b>959</b>	<b>792</b>

Notes:

- (1) CoC refers to the cost arising from holding the required capital as described in Section 4.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2014.
- (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 in the Company's Annual Report 2014.
- (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 six months ended 31 May 2015 and 31 May 2014 were US\$11 million and US\$4 million respectively.



## 2. EV Results (continued)

### 2.5 VALUE OF NEW BUSINESS (continued)

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 six months ended 31 May 2015 was 50.2 per cent compared with 46.2 per cent for the same period in 2014.

Table 2.6

#### Summary of VONB Margin by Business Unit (US\$ millions)

Business Unit	Six months ended 31 May 2015			Six months ended 31 May 2014
	VONB Excluding Pension	ANP <sup>(1)</sup>	VONB Margin <sup>(1)</sup>	VONB Margin <sup>(1)</sup>
AIA Hong Kong	322	540	59.6%	62.4%
AIA Thailand	183	256	71.5%	63.3%
AIA Singapore	142	225	62.9%	59.3%
AIA Malaysia	76	138	55.4%	43.9%
AIA China	187	220	84.8%	78.7%
AIA Korea	23	132	17.5%	18.6%
Other Markets	115	367	31.2%	29.9%
<b>Total before unallocated Group Office expenses (local statutory basis)</b>	<b>1,048</b>	<b>1,878</b>	<b>55.8%</b>	<b>50.8%</b>
Adjustment to reflect additional Hong Kong reserving and capital requirements <sup>(2)</sup>	(48)	–		
<b>Total before unallocated Group Office expenses (after additional Hong Kong reserving and capital requirements)</b>	<b>1,000</b>	<b>1,878</b>	<b>53.2%</b>	<b>49.4%</b>
After-tax value of unallocated Group Office expenses	(56)	–		
<b>Total</b>	<b>944</b>	<b>1,878</b>	<b>50.2%</b>	<b>46.2%</b>

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 in the Company's Annual Report 2014.

## 2. EV Results (continued)

### 2.5 VALUE OF NEW BUSINESS (continued)

Table 2.7 shows the breakdown of the VONB, ANP and VONB margin for the Group by quarter for business written in the six months to 31 May 2015. For comparison purposes, the quarterly VONB, ANP and VONB margin for business written in the six months to 31 May 2014 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 <sup>(1) (2)</sup>	ANP <sup>(2)</sup>	VONB Margin <sup>(2)</sup>
<b>Values for 2015</b>			
3 months ended 28 February 2015	425	895	46.8%
3 months ended 31 May 2015	534	983	53.4%
<b>Values for 2014</b>			
3 months ended 28 February 2014	354	799	43.8%
3 months ended 31 May 2014	438	891	48.4%

Notes:

(1) CoC refers to the cost arising from holding the required capital as described in Section 4.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2014.

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

## 2. EV Results (continued)

### 2.6 ANALYSIS OF EV MOVEMENT

Table 2.8 shows the analysis of movement in EV from 30 November 2014 to 31 May 2015.

Table 2.8

#### Analysis of movement in EV (US\$ millions)

	Six months ended 31 May 2015			Six months ended 31 May 2014	YoY
	ANW	VIF	EV	EV	EV
<b>Opening EV</b>	15,351	21,802	<b>37,153</b>	33,818	10%
Citibank Upfront Payment	–	–	–	(800)	n/m
<b>Adjusted Opening EV</b>	15,351	21,802	<b>37,153</b>	33,018	13%
Value of new business	(571)	1,530	<b>959</b>	792	21%
Expected return on EV	1,769	(403)	<b>1,366</b>	1,289	6%
Operating experience variances	37	152	<b>189</b>	72	163%
Operating assumption changes	(64)	(65)	<b>(129)</b>	(12)	975%
Finance costs on medium term notes	(33)	–	<b>(33)</b>	(22)	50%
<b>EV operating profit</b>	1,138	1,214	<b>2,352</b>	2,119	11%
Investment return variances	365	(88)	<b>277</b>	612	(55)%
Effect of changes in economic assumptions	–	–	–	–	n/m
Other non-operating variances	104	(54)	<b>50</b>	(66)	n/m
<b>Total EV profit</b>	1,607	1,072	<b>2,679</b>	2,665	1%
Dividends	(525)	–	<b>(525)</b>	(442)	19%
Other capital movements	(42)	–	<b>(42)</b>	(42)	–
Effect of changes in exchange rates	(235)	(432)	<b>(667)</b>	(129)	417%
<b>Closing EV</b>	<b>16,156</b>	<b>22,442</b>	<b>38,598</b>	<b>35,070</b>	<b>10%</b>

EV operating profit grew by 11 per cent to US\$2,352 million (2014: US\$2,119 million) compared with the first half of 2014. The growth reflected a combination of a higher VONB of US\$959 million (2014: US\$792 million) and an increased expected return on EV of US\$1,366 million (2014: US\$1,289 million). Overall operating experience variances and operating assumption changes were again positive at US\$60 million (2014: US\$60 million). Finance costs from the medium term notes were US\$33 million (2014: US\$22million).

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 31 May 2015 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.

## 2. EV Results (continued)

### 2.6 ANALYSIS OF EV MOVEMENT (continued)

The main operating experience variances, net of tax, are:

- Expense variances of US\$10 million (2014: US\$27 million) including non-recurring project expenses of US\$(5) million (2014: nil);
- Mortality and morbidity claims variances of US\$87 million (2014: US\$69 million); and
- Persistency and other variances of US\$92 million (2014: US\$(24) million) including the positive effect of reinsurance.

The effect of changes to operating assumptions during the Period was US\$(129) million (2014: US\$(12) million) mainly from increased surrender claims in Thailand reflecting industry-wide trends, although AIA Thailand's aggregate persistency continued to outperform that of the industry overall.

The EV profit of US\$2,679 million (2014: US\$2,665 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. Positive investment return variances of US\$277 million (2014: US\$612 million) were largely due to equity market gains partly offset by increased statutory reserves.

There were no changes in economic assumptions used in the EV basis during the Period (2014: nil).

Other non-operating variances amounted to US\$50 million (2014: US\$(66) million) and included:

- Tax-related adjustments of US\$35 million (2014: US\$(19) million);
- Restructuring and other non-operating costs of US\$18 million (2014: US\$8 million); and
- Others including modelling enhancements.

The final dividend declared for 2014 was US\$525 million (2014: US\$442 million) and paid in the first half of 2015. Other capital movements reduced EV by US\$42 million (2014: US\$42 million).

Foreign exchange movements were US\$(667) million (2014: US\$(129) million).

## 2. EV Results (continued)

### 2.7 EV EQUITY

The EV Equity grew to US\$40,478 million at 31 May 2015, an increase of 4 per cent from US\$39,042 million at 30 November 2014. Table 2.9 sets out the derivation of EV Equity from EV as at 31 May 2015.

**Table 2.9**

#### **Derivation of EV Equity from EV (US\$ millions)**

	<b>As at 31 May 2015</b>	As at 30 November 2014	Growth
EV	<b>38,598</b>	37,153	4%
Goodwill and other intangible assets <sup>(1)</sup>	<b>1,880</b>	1,889	–
<b>EV Equity</b>	<b><u>40,478</u></b>	<b><u>39,042</u></b>	<b><u>4%</u></b>

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 31 May 2015 and the VONB for the six-month period 1 December 2014 to 31 May 2015 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 31 May 2015 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 31 May 2015); and
- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 31 May 2015).

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 31 May 2015 and the values of debt instruments held at 31 May 2015 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 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 31 May 2015 were changed to be consistent with the equity price assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

### 3. Sensitivity Analysis (continued)

For each of the remaining sensitivity analyses, the statutory reserving bases at 31 May 2015 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 31 May 2015 (US\$ millions)**

Scenario	EV
Central value	38,598
200 bps increase in risk discount rates	33,853
200 bps decrease in risk discount rates	45,575
10% increase in equity prices	39,471
10% decrease in equity prices	37,710
50 bps increase in interest rates	38,748
50 bps decrease in interest rates	38,404
5% appreciation in the presentation currency	37,580
5% depreciation in the presentation currency	39,616
10% increase in lapse/discontinuance rates	38,186
10% decrease in lapse/discontinuance rates	39,072
10% increase in mortality/morbidity rates	35,643
10% decrease in mortality/morbidity rates	41,551
10% decrease in maintenance expenses	39,096
Expense inflation set to 0%	39,032

**Table 3.2**

#### **Sensitivity of VONB for the six months ended 31 May 2015 (US\$ millions)**

Scenario	VONB
Central value	959
200 bps increase in risk discount rates	679
200 bps decrease in risk discount rates	1,388
50 bps increase in interest rates	1,016
50 bps decrease in interest rates	892
5% appreciation in the presentation currency	925
5% depreciation in the presentation currency	993
10% increase in lapse rates	896
10% decrease in lapse rates	1,027
10% increase in mortality/morbidity rates	813
10% decrease in mortality/morbidity rates	1,105
10% decrease in maintenance expenses	993
Expense inflation set to 0%	982

## 4. Methodology

The methodology used by the Group for determining the EV Results for the Period is materially unchanged from that described in Section 4 of the Supplementary Embedded Value Information in the Company's Annual Report 2014.

### 4.1 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 regulatory capital adequacy requirement
AIA China	100% of required minimum solvency margin
AIA Hong Kong	150% of required minimum solvency margin <sup>(1)</sup>
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 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

Section 5 of the Supplementary Embedded Value Information in the Company's Annual Report 2014 outlines the basis and considerations for determining the assumptions used by the Group for calculating the EV and VONB. The economic assumptions used to determine the EV as at 31 May 2015 are the same as those for determining the EV as at 30 November 2014. The non-economic assumptions used are based on those at 30 November 2014 updated to reflect the Group's view of the latest experience observed.

### 5.2 ECONOMIC ASSUMPTIONS

#### Risk discount rates

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 31 May 2015. 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 the 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	As at	As at	As at	As at	As at	As at	As at	As at
	31 May 2015	30 Nov 2014	31 May 2014	31 May 2015	30 Nov 2014	31 May 2014	31 May 2015	30 Nov 2014	31 May 2014
AIA Australia	7.75	7.75	7.75	3.37	3.37	3.37	7.15	7.15	7.15
AIA China	9.75	9.75	9.75	3.74	3.74	3.74	9.49	9.49	9.49
AIA Hong Kong <sup>(1)</sup>	7.00	7.00	7.25	2.50	2.50	2.68	7.55	7.55	7.73
AIA Indonesia	13.00	13.00	13.00	7.50	7.50	6.50	12.25	12.25	11.25
AIA Korea	9.50	9.50	9.75	3.60	3.60	3.85	6.94	6.94	7.19
AIA Malaysia	8.75	8.75	8.75	4.20	4.20	4.20	8.75	8.75	8.75
AIA New Zealand	8.25	8.25	8.25	3.99	3.99	3.99	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
Philam Life	10.50	10.50 <sup>(3)</sup>	11.50	4.00	4.00	4.00	9.16	9.16	9.16
AIA Singapore	6.75	6.75	6.75	2.23	2.23	2.23	7.00	7.00	7.00
AIA Sri Lanka	18.00	18.00	19.00	12.33	12.33	13.33	14.00	14.00	15.00
AIA Taiwan	7.75	7.75	7.75	1.48	1.48	1.48	6.62	6.62	6.62
AIA Thailand	9.00	9.00	9.25	3.62	3.62	3.87	9.37	9.37	9.62
AIA Vietnam	13.80	13.80	14.80	8.00	8.00	9.00	13.80	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. Assumptions (continued)

### 5.3 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 31 May 2015	As at 30 November 2014
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	2.0
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. Assumptions (continued)

### 5.4 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 31 May 2015	As at 30 November 2014
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 <sup>(1)</sup>	25.0 for assessment year 2015; 24.0 thereafter	25.0 for assessment years 2014 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 <sup>(2)</sup>	20.0 for assessment year 2015; 30.0 thereafter	20.0 for assessment years 2014 and 2015; 30.0 thereafter
AIA Vietnam	22.0 for assessment year 2015; 20.0 thereafter	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) In 2014, Thailand extended the 20 per cent corporate tax rate reduction to apply to 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 31 May 2015 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.

## **6. Events after the Reporting Period**

On 24 July 2015, the Board of Directors declared an interim dividend of 18.72 Hong Kong cents per share (six months ended 31 May 2014: 16.00 Hong Kong cents per share).

## **INFORMATION FOR SHAREHOLDERS**

### **REVIEW OF ACCOUNTS**

The Audit Committee has reviewed the Group's interim condensed consolidated financial statements for the six months ended 31 May 2015.

### **INTERIM DIVIDEND**

The Board of Directors has declared an interim dividend of 18.72 Hong Kong cents per share (2014: 16.00 Hong Kong cents per share).

The interim dividend will be payable on Friday, 28 August 2015 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 12 August 2015.

### **Relevant Dates for the 2015 Interim Dividend Payment**

Ex-dividend date	11 August 2015
Record date	12 August 2015
Payment date	28 August 2015

### **RECORD DATE**

In order to qualify for the entitlement of the interim 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 not later than 4:30 p.m., Wednesday, 12 August 2015.

### **SHARE REGISTRAR**

If you have any enquiries relating to your shareholding, please contact the Company's share registrar at:

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong  
Telephone: 852 2862 8555  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)  
Website: [www.computershare.com](http://www.computershare.com)

### **FINANCIAL CALENDAR**

Announcement of First Quarter 2015 New Business Highlights	24 April 2015
2015 Annual General Meeting	8 May 2015
Announcement of 2015 Interim Results	24 July 2015
Payment of 2015 Interim Dividend	28 August 2015

### **ELECTRONIC COMMUNICATIONS**

For environmental and cost reasons, shareholders are encouraged to elect to receive shareholder documents electronically. You may at any time send written notice to the Company c/o the Company's share registrar or via email at [aia.ecom@computershare.com.hk](mailto:aia.ecom@computershare.com.hk) specifying your name, address and request to change your choice of language or means of receipt of all shareholder documents.

## 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, 24 July 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.
Active agent	An agent who sells at least one policy per month.
Active market	<p>A market in which all the following conditions exist:</p> <ul style="list-style-type: none"><li>• the items traded within the market are homogeneous;</li><li>• willing buyers and sellers can normally be found at any time; and</li><li>• prices are available to the public.</li></ul> <p>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.</p>
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.
AER	Actual exchange rates.
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.

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.
Annualised new premiums (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.
ASPP	Agency Share Purchase Plan.
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.
CER	Constant exchange rates. Change on constant exchange rates is calculated using constant average exchange rates for current period and prior period.
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.
Consolidated investment funds	Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds.
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 participating funds, 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)	<p>A contractual right to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:</p> <ul style="list-style-type: none"> <li>• that are likely to be a significant portion of the total contractual benefits;</li> <li>• whose amount or timing is contractually at the discretion of the Group; and</li> <li>• that are contractually based on: <ul style="list-style-type: none"> <li>– the performance of a specified pool of contracts or a specified type of contract;</li> <li>– realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or</li> <li>– the profit or loss of the Company, fund or other entity that issues the contract.</li> </ul> </li> </ul>

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 period.
First half	The six months from 1 December to 31 May.
First year premiums	First year premiums are premiums received in the first year of a recurring premium policy, and include the amount of premiums 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.
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.
IFA	Independent financial adviser.
IFRS	Standards and interpretations adopted by the International Accounting Standards Board (IASB) comprising: <ul style="list-style-type: none"> <li>• International Financial Reporting Standards;</li> <li>• International Accounting Standards; and</li> <li>• Interpretations developed by the IFRS Interpretations Committee (IFRS IC) or the former Standing Interpretations Committee (SIC).</li> </ul>
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	Under IFRS, insurance risk means risk, other than financial risk, transferred from the holder of a contract to the issuer.
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.
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.
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.
LTI	Long-term incentive.
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.
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".
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 as profit excluding investment experience; investment income and 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; 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 of non-operating income and expenses.
Operating return on shareholders' allocated equity	Operating return on shareholders' 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 shareholders' allocated equity.
Operating segment	A component of an entity that: <ul style="list-style-type: none"> <li>• engages in business activities from which it may earn revenues and incur expenses;</li> <li>• 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</li> <li>• for which discrete financial information is available.</li> </ul>

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 period, 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.
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 as well as assets from consolidated investment funds.
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.
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	<p>Related parties may be related to AIA for any of the following reasons:</p> <ul style="list-style-type: none"> <li>• they are directly or indirectly controlled by an AIA entity;</li> <li>• an AIA entity has significant influence on the party;</li> <li>• they are in a joint venture arrangement with an AIA entity;</li> <li>• 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</li> <li>• they are a post-retirement benefit plan for the employees of AIA.</li> </ul>

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 premiums.
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.
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.
SFO	The Securities and Futures Ordinance (Laws of Hong Kong, Chapter 571), as amended from time to time.
Shareholders' allocated equity	Shareholders' allocated equity is total equity attributable to shareholders of the Company, less the fair value reserve and foreign currency translation reserve and others.
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.
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.
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.
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.