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AIA Group Limited

友邦保險控股有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 1299

FIRST QUARTER 2018 NEW BUSINESS HIGHLIGHTS



友邦保險控股有限公司

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Media Release

AIA Delivers Record VONB in the First Quarter of 2018

VONB growth of 20 per cent on constant exchange rates

HONG KONG, 4 May 2018 – AIA Group Limited (the “Company”; stock code: 1299) today announces record quarterly value of new business (VONB) of US\$1,021 million and continued strong growth of 20 per cent on constant exchange rates (CER) for the first quarter ended 31 March 2018.

Highlights of the first quarter on constant exchange rates:

- 20 per cent growth in VONB to US\$1,021 million (26 per cent on actual exchange rates (AER))
- 1 per cent increase in annualised new premiums (ANP) to US\$1,696 million (4 per cent on AER)
- VONB margin of 59.7 per cent, up 9.8 pps
- Total weighted premium income (TWPI) up 14 per cent to US\$7,219 million (19 per cent on AER)

KEY FINANCIAL SUMMARY

US\$ millions, unless otherwise stated	1Q 2018	1Q 2017	YoY	YoY
			CER	AER
Value of new business (VONB)	1,021	811	20%	26%
VONB margin	59.7%	49.2%	9.8 pps	10.5 pps
Annualised new premiums (ANP)	1,696	1,630	1%	4%
Total weighted premium income (TWPI)	7,219	6,059	14%	19%

Ng Keng Hooi, AIA’s Group Chief Executive and President, said:

“AIA has made a strong start to the year with 20 per cent growth in VONB to US\$1,021 million, which is the first time that quarterly VONB for the Group has exceeded US\$1 billion.

“We have maintained our strong track record of year-on-year growth, with today’s headline figures demonstrating the consistent execution of our profitable growth strategy.

“AIA’s strategy remains closely aligned with the vast opportunities created by the unprecedented structural economic, demographic and social changes taking place across our markets. Our competitive advantages, combined with our deep roots and long history in the region, mean that the Group is exceptionally well-placed to help the rapidly growing middle-class across Asia meet their substantial needs for financial protection and long-term savings and live healthier, longer, better lives.”

SUMMARY FOR THE FIRST QUARTER

VONB increased by 20 per cent to US\$1,021 million with each of our operating market segments registering growth compared to the first quarter of 2017.

AIA's wholly-owned operation in China was once again our fastest growing business in the first quarter, with excellent VONB growth driven by an increase in active agents and higher productivity. Our differentiated strategy continues to set AIA apart in the industry with full-time professional agents providing high-quality advice, supported by digital platforms that enhance efficiency and effectiveness.

In Hong Kong, we delivered positive growth in VONB, building on a strong performance in the first quarter of 2017. Lower ANP through the retail IFA channel was more than offset by increased profitability of the product mix, which was also a feature of the second half of 2017.

Singapore achieved very strong growth in VONB, with continued growth in regular premium protection business. Strong agency results benefited from both an increased number of active agents and productivity improvements. Malaysia also delivered very strong VONB growth, across both agency and partnership distribution channels.

VONB growth in Thailand was positive in the first quarter of 2018, supported by improvement in agent productivity. Our Other Markets segment delivered double-digit VONB growth with strong performances in Indonesia, Korea, the Philippines and Vietnam.

VONB margin improved strongly to 59.7 per cent, compared with 49.2 per cent in the first quarter of 2017, mainly driven by product and geographic mix. ANP increased by 1 per cent compared with the first quarter of 2017 to US\$1,696 million, as lower sales volumes in Hong Kong were offset by double-digit growth across all other operating market segments. Margin reported on a present value of new business premium (PVNBP) basis remained strong at 10 per cent for the first quarter of 2018. Long-term economic assumptions remain unchanged from those shown in our Annual Report 2017, following the same approach that we have applied consistently for quarterly new business highlights. TWPI increased by 14 per cent to US\$7,219 million, compared with the first quarter of 2017, as we continue to layer new business onto our large in-force portfolio.

OUTLOOK

The outlook for the global economy remains positive. Asian economies have increasingly re-oriented towards domestic drivers of growth with inter-regional demand for exports continuing to rise. While global political uncertainty continues to drive volatility in capital markets, Asian policymakers retain significant monetary and fiscal flexibility to sustain domestic sources of investment.

AIA is uniquely positioned to capture the immense opportunities presented by this backdrop of positive economic developments, rising incomes and the rapid growth in the middle classes across Asia. Low levels of social insurance protection and increasing incomes combine to create strong demand for protection and savings products in all of our markets. We remain confident in our ability to deliver growing and sustainable shareholder value.

FOREIGN EXCHANGE VOLATILITY

AIA receives the vast majority of its premiums in local currencies and we closely match our local assets and liabilities to minimise the economic effects of foreign exchange movements. When reporting the Group's consolidated figures, there is a currency translation effect as we report in US dollars. We have provided growth rates and commentaries on constant exchange rates unless otherwise stated, since this provides a clearer picture of the year-on-year performance of the underlying businesses.

2017 SUPPLEMENTARY FINANCIAL INFORMATION ON CALENDAR YEAR BASIS

In February 2018, the board of directors of the Company (the "Board") resolved to change the Company's financial year-end date from 30 November to 31 December as previously announced on 27 February 2018. Accordingly, the next 13-month financial period-end date of the Company will be 31 December 2018. The next audited financial statements of the Group will cover a 13-month period from 1 December 2017 to 31 December 2018 and a voluntary disclosure of the 12-month periods from 1 January to 31 December 2017 and from 1 January to 31 December 2018.

In conjunction with this change, the Company voluntarily discloses supplementary financial information for the calendar year 2017 as set out in the Appendix on pages 7 to 37.

The 2017 supplementary financial information set out in the Appendix on pages 7 to 37 does not constitute the Company's statutory annual consolidated financial statements for that year and has been prepared to provide a historical comparison. It has neither been audited nor reviewed by the Company's external auditor, PricewaterhouseCoopers.

The Company has delivered the financial statements for the year ended 30 November 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the 13-month period ending 31 December 2018 in due course.

The Company's external auditor has reported on the financial statements for the year ended 30 November 2017. The external auditor's report was unqualified; it did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance. The Company's external auditor has yet to report on the financial statements for the 13-month period ending 31 December 2018.

– End –

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, Cambodia, a 97 per cent subsidiary in Sri Lanka, a 49 per cent joint venture in India and a representative office in Myanmar.

The business that is now AIA was first established in Shanghai almost a century ago in 1919. It is a market leader in the Asia-Pacific region (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US\$216 billion as of 30 November 2017.

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 30 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”).

Contacts

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As for all quarterly new business highlights announcements, there will not be a conference call for media or investors and your usual contact will be available to answer queries.

AIA Delivers Record VONB in the First Quarter of 2018

Notes:

1. AIA's first fiscal quarter of 2018 ended on 31 March 2018 and comparatives for 2017 relate to the three-month period ended on 31 March 2017.
2. All figures are presented in actual reporting currency (US dollars) and based on actual exchange rates (AER) unless otherwise stated. Change is shown on a year-on-year basis and based on constant exchange rates (CER) unless otherwise stated. Change on CER is calculated using constant average exchange rates for 2018 and 2017.
3. Long-term economic assumptions are the same as those shown as at 30 November 2017 in Section 5.2 of the Supplementary Embedded Value Information in our 2017 annual results preliminary announcement published on 27 February 2018. Non-economic assumptions are based on those used at 30 November 2017 updated to reflect the latest experience observed.
4. VONB is calculated based on assumptions applicable at the point of sale and before deducting the amount attributable to non-controlling interests. The amounts of VONB attributable to non-controlling interests in the three months ended 31 March 2018 and in the three months ended 31 March 2017 were US\$7 million and US\$6 million respectively.
5. VONB includes pension business. ANP and VONB margin exclude pension business.
6. ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded and excluding pension business.
7. TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded.

This document contains forward-looking statements relating to AIA Group Limited 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. When used in this document, the words "will", "future" and similar expressions are intended to identify forward-looking statements. 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.

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By Order of the Board
Ng Keng Hooi
Executive Director
Group Chief Executive and President

Hong Kong, 4 May 2018

As at the date of this announcement, the Board comprises:

Independent Non-executive Chairman and Independent Non-executive Director:
Mr. Edmund Sze-Wing Tse

Executive Director, Group Chief Executive and President:
Mr. Ng Keng Hooi

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, Professor Lawrence Juen-Yee Lau, Ms. Swee-Lian Teo, Dr. Narongchai Akrasanee and Mr. Cesar Velasquez Purisima

APPENDIX

2017 SUPPLEMENTARY FINANCIAL INFORMATION ON CALENDAR YEAR BASIS

The Board has resolved to change the Company's financial year-end date from 30 November to 31 December. Accordingly, the next 13-month financial period-end date of the Company will be 31 December 2018 and the next audited financial statements of the Group will cover a 13-month period from 1 December 2017 to 31 December 2018. In conjunction with this change, the following supplementary financial information is voluntarily disclosed by the Company to provide a historical basis for comparison.

The following supplementary financial information does not include any definition or explanatory notes. A glossary of key terms can be found on pages 268 to 276 of the 2017 Annual Report of the Company. The accounting policies and embedded value methodologies adopted to prepare the following supplementary financial information are consistent with those used for the preparation of the Company's consolidated financial statement and supplementary embedded value information for 2017 set out in the 2017 Annual Report of the Company. The supplementary financial information set out in the table below and on pages 8 to 37 has neither been audited nor reviewed by the Company's external auditor, PricewaterhouseCoopers.

1 2017 KEY FINANCIAL INFORMATION

Key financial summary

US\$m	Three months	Three months	Three months	Three months
	ended 31 March 2017	ended 30 June 2017	ended 30 September 2017	ended 31 December 2017
Value of new business (VONB)	811	794	846	755
VONB margin	49.2%	61.3%	58.4%	56.9%
Annualised new premiums (ANP)	1,630	1,276	1,422	1,296
Total weighted premium income (TWPI)	6,059	6,115	6,611	7,608
Margin reported on a present value of new business premium (PVNBP) basis	9%	10%	10%	9%

US\$m	Six months	Twelve months
	ended 30 June 2017	ended 31 December 2017
Operating profit after tax (OPAT)	2,233	4,635
Underlying free surplus generated	2,290	4,568

US\$m	As at 30 June 2017	As at 31 December 2017
	Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	48,594
Shareholders' allocated equity	32,700	36,413
AIA Co. HKIO solvency ratio	433%	446%

1 2017 KEY FINANCIAL INFORMATION (CONTINUED)

Key financial information by geography

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets
Six months ended 30 June 2017						
VONB	723	179	138	106	377	185
VONB margin	49.2%	75.3%	71.1%	62.3%	88.2%	41.2%
ANP	1,434	237	194	169	428	444
TWPI	4,275	1,571	1,172	882	1,467	2,807
OPAT	821	423	240	118	294	337

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets
Twelve months ended 31 December 2017						
VONB	1,384	381	297	215	725	395
VONB margin	53.7%	73.4%	69.7%	62.5%	83.1%	39.9%
ANP	2,493	519	426	340	873	973
TWPI	9,535	3,559	2,435	1,848	3,118	5,898
OPAT	1,627	868	513	274	643	742

2 EMBEDDED VALUE RESULTS

Summary of key metrics⁽¹⁾

	As at 30 June 2017	As at 31 December 2017
US\$m		
EV Equity	48,594	52,429
Embedded value (EV)	47,035	50,779
Adjusted net worth (ANW)	19,067	20,974
Value of in-force business (VIF)	27,968	29,805
	Six months ended 30 June 2017	Twelve months ended 31 December 2017
US\$m		
VONB	1,605	3,206
ANP	2,906	5,624
VONB margin	54.5%	56.0%
EV operating profit	3,370	6,654
Operating return on EV (Operating ROEV) ⁽²⁾	16.3%	15.5%

Notes:

- (1) The results are after adjustment to reflect the consolidated reserving and capital requirements and the present value of future after-tax unallocated Group Office expenses.
- (2) On an annualised basis for six months ended 30 June 2017.

2 EMBEDDED VALUE RESULTS (CONTINUED)

Summary of EV by Business Unit

US\$m		As at 30 June 2017			
Business Unit	ANW ⁽¹⁾	VIF before CoC	CoC	VIF after CoC	EV
AIA Hong Kong	5,659	10,786	820	9,966	15,625
AIA Thailand	4,215	3,809	684	3,125	7,340
AIA Singapore	2,509	3,464	674	2,790	5,299
AIA Malaysia	1,009	1,378	195	1,183	2,192
AIA China	2,194	3,867	–	3,867	6,061
Other Markets	4,839	3,051	1,014	2,037	6,876
Group Corporate Centre	7,816	(208)	–	(208)	7,608
Subtotal	28,241	26,147	3,387	22,760	51,001
Adjustment to reflect consolidated reserving and capital requirements	(9,174)	6,177	27	6,150	(3,024)
After-tax value of unallocated Group Office expenses	–	(942)	–	(942)	(942)
Total	19,067	31,382	3,414	27,968	47,035

US\$m		As at 31 December 2017			
Business Unit	ANW ⁽¹⁾	VIF before CoC	CoC	VIF after CoC	EV
AIA Hong Kong	6,701	11,158	935	10,223	16,924
AIA Thailand	4,566	4,719	784	3,935	8,501
AIA Singapore	2,516	3,643	721	2,922	5,438
AIA Malaysia	1,200	1,508	218	1,290	2,490
AIA China	2,143	4,863	–	4,863	7,006
Other Markets	4,823	3,258	978	2,280	7,103
Group Corporate Centre	8,381	(121)	(1)	(120)	8,261
Subtotal	30,330	29,028	3,635	25,393	55,723
Adjustment to reflect consolidated reserving and capital requirements	(9,356)	5,597	118	5,479	(3,877)
After-tax value of unallocated Group Office expenses	–	(1,067)	–	(1,067)	(1,067)
Total	20,974	33,558	3,753	29,805	50,779

Note:

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

2 EMBEDDED VALUE RESULTS (CONTINUED)

Reconciliation of the consolidated ANW from IFRS Equity

US\$m	As at 30 June 2017	As at 31 December 2017
IFRS equity attributable to shareholders of the Company	39,051	43,176
Elimination of IFRS deferred acquisition and origination costs assets	(20,558)	(21,950)
Difference between IFRS policy liabilities and local statutory policy liabilities	<u>9,363</u>	<u>8,588</u>
Difference between net IFRS policy liabilities and local statutory policy liabilities	(11,195)	(13,362)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds	362	348
Elimination of intangible assets	(1,764)	(1,870)
Recognition of deferred tax impacts of the above adjustments	1,731	1,979
Recognition of non-controlling interests impacts of the above adjustments	<u>56</u>	<u>59</u>
ANW (Business Unit)	28,241	30,330
Adjustment to reflect consolidated reserving requirements, net of tax	<u>(9,174)</u>	<u>(9,356)</u>
ANW (Consolidated)	<u><u>19,067</u></u>	<u><u>20,974</u></u>

Breakdown of ANW

US\$m	As at 30 June 2017		As at 31 December 2017	
	Business Unit	Consolidated	Business Unit	Consolidated
Free surplus	20,357	11,360	21,831	12,586
Required capital	<u>7,884</u>	<u>7,707</u>	<u>8,499</u>	<u>8,388</u>
ANW	<u><u>28,241</u></u>	<u><u>19,067</u></u>	<u><u>30,330</u></u>	<u><u>20,974</u></u>

2 EMBEDDED VALUE RESULTS (CONTINUED)

Profile of projected after-tax distributable earnings for the Group's in-force business

US\$m Expected period of emergence	As at 30 June 2017		As at 31 December 2017	
	Undiscounted	Discounted	Undiscounted	Discounted
1-5 years	16,832	13,992	18,434	15,175
6-10 years	13,482	7,550	14,491	7,952
11-15 years	13,209	5,083	14,499	5,386
16-20 years	12,117	3,223	13,425	3,434
21 years and thereafter	100,434	5,827	126,545	6,246
Total	156,074	35,675	187,394	38,193

Summary of VONB by Business Unit

US\$m Business Unit	Six months ended 30 June 2017			Twelve months ended 31 December 2017		
	VONB before CoC	VONB after CoC	VONB after CoC ⁽¹⁾	VONB before CoC	VONB after CoC	VONB after CoC ⁽¹⁾
AIA Hong Kong	791	68	723	1,520	136	1,384
AIA Thailand	202	23	179	434	53	381
AIA Singapore	156	18	138	344	47	297
AIA Malaysia	115	9	106	233	18	215
AIA China	410	33	377	791	66	725
Other Markets	231	46	185	479	84	395
Total before unallocated Group Office expenses (Business Unit)	1,905	197	1,708	3,801	404	3,397
Adjustment to reflect consolidated reserving and capital requirements	(36)	(12)	(24)	(86)	(25)	(61)
Total before unallocated Group Office expenses (Consolidated)	1,869	185	1,684	3,715	379	3,336
After-tax value of unallocated Group Office expenses	(79)	–	(79)	(130)	–	(130)
Total	1,790	185	1,605	3,585	379	3,206

Note:

- (1) 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 30 June 2017 and for the twelve months ended 31 December 2017 were US\$11m and US\$22m respectively.

2 EMBEDDED VALUE RESULTS (CONTINUED)

Breakdown of VONB, ANP, VONB margin and PVNBP margin

US\$m	VONB after CoC	ANP	VONB Margin	PVNBP Margin
Half year and full year				
6 months ended 30 June 2017	1,605	2,906	54.5%	9%
12 months ended 31 December 2017	3,206	5,624	56.0%	9%
Quarter				
3 months ended 31 March 2017	811	1,630	49.2%	9%
3 months ended 30 June 2017	794	1,276	61.3%	10%
3 months ended 30 September 2017	846	1,422	58.4%	10%
3 months ended 31 December 2017	755	1,296	56.9%	9%

Summary of VONB excluding pension, ANP and VONB margin by Business Unit

US\$m Business Unit	Six months ended 30 June 2017			Twelve months ended 31 December 2017		
	VONB Excluding Pension	ANP	VONB Margin	VONB Excluding Pension	ANP	VONB Margin
AIA Hong Kong	705	1,434	49.2%	1,338	2,493	53.7%
AIA Thailand	179	237	75.3%	381	519	73.4%
AIA Singapore	138	194	71.1%	297	426	69.7%
AIA Malaysia	105	169	62.3%	213	340	62.5%
AIA China	377	428	88.2%	725	873	83.1%
Other Markets	183	444	41.2%	388	973	39.9%
Total before unallocated Group Office expenses (Business Unit)	1,687	2,906	58.1%	3,342	5,624	59.4%
Adjustment to reflect consolidated reserving and capital requirements	(25)	—		(61)	—	
Total before unallocated Group Office expenses (Consolidated)	1,662	2,906	57.2%	3,281	5,624	58.4%
After-tax value of unallocated Group Office expenses	(79)	—		(130)	—	
Total	1,583	2,906	54.5%	3,151	5,624	56.0%

2 EMBEDDED VALUE RESULTS (CONTINUED)

Analysis of EV movement

US\$m	Six months ended 30 June 2017			Twelve months ended 31 December 2017		
	ANW	VIF	EV	ANW	VIF	EV
Opening EV	16,862	25,986	42,848	16,862	25,986	42,848
Value of new business	(291)	1,896	1,605	(591)	3,797	3,206
Expected return on EV	2,042	(374)	1,668	4,154	(846)	3,308
Operating experience variances	325	(103)	222	297	64	361
Operating assumption changes	(213)	152	(61)	(229)	146	(83)
Finance costs	(64)	–	(64)	(138)	–	(138)
EV operating profit	1,799	1,571	3,370	3,493	3,161	6,654
Investment return variances	877	160	1,037	1,272	61	1,333
Effect of changes in economic assumptions	–	–	–	(7)	(185)	(192)
Other non-operating variances	282	(506)	(224)	387	(741)	(354)
Total EV profit	2,958	1,225	4,183	5,145	2,296	7,441
Dividends	(983)	–	(983)	(1,376)	–	(1,376)
Other capital movements	86	–	86	134	–	134
Effect of changes in exchange rates	144	757	901	209	1,523	1,732
Closing EV	<u>19,067</u>	<u>27,968</u>	<u>47,035</u>	<u>20,974</u>	<u>29,805</u>	<u>50,779</u>

Operating ROEV

US\$m	Six months ended 30 June 2017	Twelve months ended 31 December 2017
	EV operating profit	3,370
Opening EV	<u>42,848</u>	<u>42,848</u>
Operating ROEV⁽¹⁾	<u>16.3%</u>	<u>15.5%</u>

Note:

(1) On an annualised basis for the six months ended 30 June 2017.

2 EMBEDDED VALUE RESULTS (CONTINUED)

Derivation of EV Equity from EV

US\$m	As at 30 June 2017	As at 31 December 2017
EV	47,035	50,779
Goodwill and other intangible assets ⁽¹⁾	1,559	1,650
EV Equity	48,594	52,429

Note:

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

Free surplus generation

US\$m	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Opening free surplus as of 1 January 2017	9,940	9,940
Underlying free surplus generated	2,290	4,568
Free surplus used to fund new business	(635)	(1,386)
Investment return variances and other items	833	1,039
Unallocated Group Office expenses	(107)	(195)
Dividends	(983)	(1,376)
Finance costs and other capital movements	22	(4)
Closing free surplus	11,360	12,586

Assumptions

Long-term economic assumptions used in the EV basis for the six months ended 30 June 2017 and for the twelve months ended 31 December 2017 remain unchanged from those shown in Section 5 of the Supplementary Embedded Value Information in the Company's Interim Report 2017 and Annual Report 2017, respectively. VONB results were calculated based on start-of-period economic assumptions consistent with measurement at the point of sale.

3 IFRS FINANCIAL INFORMATION

Consolidated income statement

US\$m	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Revenue		
Premiums and fee income	12,307	27,241
Premiums ceded to reinsurers	(728)	(1,524)
Net premiums and fee income	11,579	25,717
Investment return	7,377	13,907
Other operating revenue	104	224
Total revenue	19,060	39,848
Expenses		
Insurance and investment contract benefits	12,948	27,112
Insurance and investment contract benefits ceded	(606)	(1,282)
Net insurance and investment contract benefits	12,342	25,830
Commission and other acquisition expenses	1,525	3,486
Operating expenses	949	2,019
Finance costs	88	185
Other expenses	296	607
Total expenses	15,200	32,127
Profit before share of profit from associates and joint venture	3,860	7,721
Share of profit from associates and joint venture	3	–
Profit before tax	3,863	7,721
Income tax expense attributable to policyholders' returns	(106)	(135)
Profit before tax attributable to shareholders' profits	3,757	7,586
Tax expense	(586)	(1,159)
Tax attributable to policyholders' returns	106	135
Tax expense attributable to shareholders' profits	(480)	(1,024)
Net profit	3,277	6,562
<i>Net profit attributable to:</i>		
Shareholders of AIA Group Limited	3,241	6,496
Non-controlling interests	36	66
Earnings per share (US\$)		
Basic	0.27	0.54
Diluted	0.27	0.54

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Consolidated statement of financial position

US\$m	As at 30 June 2017	As at 31 December 2017
Assets		
Intangible assets	1,764	1,870
Investments in associates and joint venture	630	643
Property, plant and equipment ⁽¹⁾	1,165	1,225
Investment property ⁽¹⁾	4,138	4,363
Reinsurance assets	2,283	2,549
Deferred acquisition and origination costs	20,558	21,950
Financial investments:		
Loans and deposits	7,239	8,210
Available for sale		
Debt securities	98,747	106,788
At fair value through profit or loss		
Debt securities	24,604	26,081
Equity securities	35,137	38,079
Derivative financial instruments	167	345
	165,894	179,503
Deferred tax assets	10	13
Current tax recoverable	68	117
Other assets	4,038	4,491
Cash and cash equivalents	1,649	1,922
	202,197	218,646
Total assets	202,197	218,646
Liabilities		
Insurance contract liabilities	139,693	151,475
Investment contract liabilities	7,504	8,210
Borrowings	3,957	3,958
Obligations under repurchase agreements	2,219	1,557
Derivative financial instruments	356	271
Provisions	246	223
Deferred tax liabilities	3,415	3,611
Current tax liabilities	423	497
Other liabilities	4,970	5,288
	162,783	175,090
Total liabilities	162,783	175,090

Note:

- (1) The appraisal values for the real estate of the Group as at 30 June 2017 and 31 December 2017 remain unchanged from those reported in the financial statements of the Group as at 31 May 2017 and 30 November 2017, respectively.

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Consolidated statement of financial position (continued)

US\$m	As at 30 June 2017	As at 31 December 2017
Equity		
Share capital	14,064	14,065
Employee share-based trusts	(296)	(298)
Other reserves	(11,978)	(11,943)
Retained earnings	31,792	34,653
Fair value reserve	6,351	6,763
Foreign currency translation reserve	(1,318)	(569)
Property revaluation reserve	481	530
Others	(45)	(25)
	<hr/>	<hr/>
Amounts reflected in other comprehensive income	5,469	6,699
<i>Total equity attributable to:</i>		
Shareholders of AIA Group Limited	39,051	43,176
Non-controlling interests	363	380
	<hr/>	<hr/>
Total equity	<hr/> 39,414	<hr/> 43,556
Total liabilities and equity	<hr/> 202,197	<hr/> 218,646

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Exchange rates

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

	US dollar exchange rates	
	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Hong Kong	7.77	7.79
Thailand	34.71	33.90
Singapore	1.40	1.38
Malaysia	4.39	4.30
China	6.87	6.75

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

	US dollar exchange rates	
	As at 30 June 2017	As at 31 December 2017
Hong Kong	7.81	7.82
Thailand	33.98	32.61
Singapore	1.38	1.34
Malaysia	4.29	4.05
China	6.78	6.51

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

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Operating profit after tax

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

US\$m	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Operating profit after tax	2,251	4,670
Non-operating items, net of related changes in insurance and investment contract liabilities:		
Short-term fluctuations in investment return related to equities and real estate (net of tax of: six months ended 30 June 2017: US\$(51)m; twelve months ended 31 December 2017: US\$(143)m)	1,040	2,063
Other non-operating investment return and other items (net of tax of: six months ended 30 June 2017: nil; twelve months ended 31 December 2017: US\$36m)	(14)	(171)
Net profit	3,277	6,562
<i>Operating profit after tax attributable to:</i>		
Shareholders of AIA Group Limited	2,233	4,635
Non-controlling interests	18	35
<i>Net profit attributable to:</i>		
Shareholders of AIA Group Limited	3,241	6,496
Non-controlling interests	36	66

Operating profit is determined using, among others, expected long-term investment return for equities and real estate. Short-term fluctuations between expected long-term investment return and actual investment return for these asset classes are excluded from operating profit. The investment return assumptions used to determine expected long-term investment return are based on the same assumptions used by the Group in determining its embedded value and are disclosed in the Supplementary Embedded Value Information.

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Total weighted premium income and annualised new premiums

TWPI US\$m	Six months ended 30 June 2017	Twelve months ended 31 December 2017
TWPI by geography		
Hong Kong	4,275	9,535
Thailand	1,571	3,559
Singapore	1,172	2,435
Malaysia	882	1,848
China	1,467	3,118
Other Markets	2,807	5,898
Total	12,174	26,393
First year premiums by geography		
Hong Kong	1,345	2,231
Thailand	216	477
Singapore	131	272
Malaysia	136	285
China	415	838
Other Markets	422	925
Total	2,665	5,028
Single premiums by geography		
Hong Kong	912	2,405
Thailand	90	194
Singapore	570	1,422
Malaysia	76	182
China	62	136
Other Markets	309	620
Total	2,019	4,959

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Total weighted premium income and annualised new premiums (continued)

	Six months ended 30 June 2017	Twelve months ended 31 December 2017
TWPI (continued)		
US\$m		

Renewal premiums by geography

Hong Kong	2,839	7,063
Thailand	1,346	3,063
Singapore	984	2,021
Malaysia	738	1,545
China	1,046	2,266
Other Markets	2,354	4,911

Total	9,307	20,869
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	Six months ended 30 June 2017	Twelve months ended 31 December 2017
ANP		
US\$m		

ANP by geography

Hong Kong	1,434	2,493
Thailand	237	519
Singapore	194	426
Malaysia	169	340
China	428	873
Other Markets	444	973

Total	2,906	5,624
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3 IFRS FINANCIAL INFORMATION (CONTINUED)

Segment information

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2017								
ANP	1,434	237	194	169	428	444	–	2,906
TWPI	4,275	1,571	1,172	882	1,467	2,807	–	12,174
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	4,717	1,599	1,344	782	1,401	1,839	1	11,683
Investment return	1,033	566	529	260	346	523	172	3,429
Total revenue	5,750	2,165	1,873	1,042	1,747	2,362	173	15,112
Net insurance and investment contract benefits	4,141	1,167	1,356	700	1,124	1,289	1	9,778
Commission and other acquisition expenses	492	346	153	105	86	336	–	1,518
Operating expenses	173	99	86	84	132	271	104	949
Finance costs and other expenses	55	23	14	6	12	20	60	190
Total expenses	4,861	1,635	1,609	895	1,354	1,916	165	12,435
Share of profit from associates and joint venture	–	–	–	–	–	3	–	3
Operating profit before tax	889	530	264	147	393	449	8	2,680
Tax on operating profit before tax	(62)	(107)	(24)	(28)	(99)	(101)	(8)	(429)
Operating profit after tax	827	423	240	119	294	348	–	2,251
<i>Operating profit after tax attributable to:</i>								
Shareholders of AIA Group Limited	821	423	240	118	294	337	–	2,233
Non-controlling interests	6	–	–	1	–	11	–	18
Key operating ratios:								
Expense ratio	4.0%	6.3%	7.3%	9.5%	9.0%	9.7%	–	7.8%
Operating margin	19.3%	26.9%	20.5%	13.5%	20.0%	12.4%	–	18.5%
Operating return on shareholders' allocated equity ⁽¹⁾	23.8%	17.2%	17.0%	16.8%	19.1%	11.5%	–	13.9%
Operating profit before tax includes:								
Finance costs	14	3	–	–	4	1	48	70
Depreciation and amortisation	9	3	5	7	8	15	5	52

Note:

(1) Operating return on shareholders' allocated equity was measured on an annualised basis.

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Segment information (continued)

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
30 June 2017								
Total assets	60,604	28,398	34,132	13,444	19,297	35,336	10,986	202,197
Total liabilities	50,355	22,213	30,758	12,073	16,173	27,633	3,578	162,783
Total equity	10,249	6,185	3,374	1,371	3,124	7,703	7,408	39,414
Shareholders' allocated equity	6,990	4,986	2,919	1,347	3,030	6,012	7,416	32,700
Net capital (out)/in flows	(602)	(197)	–	(192)	(206)	28	288	(881)

Total assets includes:

Investments in associates and joint venture	–	–	1	6	–	623	–	630
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3 IFRS FINANCIAL INFORMATION (CONTINUED)

Segment information (continued)

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

US\$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items ⁽¹⁾	Consolidated income statement	
Six months ended 30 June 2017					
Net premiums, fee income and other operating revenue	11,683	–	–	11,683	Net premiums, fee income and other operating revenue
Investment return	3,429	1,487	2,461	7,377	Investment return
Total revenue	15,112	1,487	2,461	19,060	Total revenue
Net insurance and investment contract benefits	9,778	396	2,168	12,342	Net insurance and investment contract benefits
Other expenses	2,657	–	201	2,858	Other expenses
Total expenses	12,435	396	2,369	15,200	Total expenses
Share of profit from associates and joint venture	3	–	–	3	Share of profit from associates and joint venture
Operating profit before tax	2,680	1,091	92	3,863	Profit before tax

Note:

(1) Include unit-linked contracts.

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Segment information (continued)

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
Twelve months ended 31 December 2017								
ANP	2,493	519	426	340	873	973	–	5,624
TWPI	9,535	3,559	2,435	1,848	3,118	5,898	–	26,393
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	10,972	3,567	2,840	1,622	3,011	3,921	8	25,941
Investment return	2,187	1,208	1,094	554	747	1,058	341	7,189
Total revenue	13,159	4,775	3,934	2,176	3,758	4,979	349	33,130
Net insurance and investment contract benefits	9,615	2,697	2,821	1,457	2,410	2,642	4	21,646
Commission and other acquisition expenses	1,232	747	352	209	183	748	1	3,472
Operating expenses	416	202	183	167	286	569	196	2,019
Finance costs and other expenses	119	49	28	11	30	43	126	406
Total expenses	11,382	3,695	3,384	1,844	2,909	4,002	327	27,543
Share of profit from associates and joint venture	–	–	–	–	–	–	–	–
Operating profit before tax	1,777	1,080	550	332	849	977	22	5,587
Tax on operating profit before tax	(138)	(212)	(37)	(56)	(206)	(214)	(54)	(917)
Operating profit/(losses) after tax	1,639	868	513	276	643	763	(32)	4,670
<i>Operating profit/(losses) after tax attributable to:</i>								
Shareholders of AIA Group Limited	1,627	868	513	274	643	742	(32)	4,635
Non-controlling interests	12	–	–	2	–	21	–	35
Key operating ratios:								
Expense ratio	4.4%	5.7%	7.5%	9.0%	9.2%	9.6%	–	7.6%
Operating margin	17.2%	24.4%	21.1%	14.9%	20.6%	12.9%	–	17.7%
Operating return on shareholders' allocated equity	23.1%	17.2%	18.6%	18.8%	20.3%	12.5%	–	14.0%
Operating profit before tax includes:								
Finance costs	29	7	–	–	18	2	106	162
Depreciation and amortisation	37	10	16	17	18	41	11	150

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Segment information (continued)

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
31 December 2017								
Total assets	66,710	31,299	36,175	14,546	20,470	37,913	11,533	218,646
Total liabilities	54,658	24,111	32,665	12,957	17,263	29,852	3,584	175,090
Total equity	12,052	7,188	3,510	1,589	3,207	8,061	7,949	43,556
Shareholders' allocated equity	8,122	5,656	3,019	1,566	3,511	6,539	8,000	36,413
Net capital (out)/in flows	(952)	(467)	(238)	(192)	(207)	17	799	(1,240)

Total assets includes:

Investments in associates and joint venture	-	-	1	7	-	635	-	643
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3 IFRS FINANCIAL INFORMATION (CONTINUED)

Segment information (continued)

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

US\$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items ⁽¹⁾	Consolidated income statement	
Twelve months ended 31 December 2017					
Net premiums, fee income and other operating revenue	25,941	–	–	25,941	Net premiums, fee income and other operating revenue
Investment return	7,189	2,713	4,005	13,907	Investment return
Total revenue	<u>33,130</u>	<u>2,713</u>	<u>4,005</u>	<u>39,848</u>	Total revenue
Net insurance and investment contract benefits	21,646	507	3,677	25,830	Net insurance and investment contract benefits
Other expenses	5,897	–	400	6,297	Other expenses
Total expenses	<u>27,543</u>	<u>507</u>	<u>4,077</u>	<u>32,127</u>	Total expenses
Share of profit from associates and joint venture	–	–	–	–	Share of profit from associates and joint venture
Operating profit before tax	<u>5,587</u>	<u>2,206</u>	<u>(72)</u>	<u>7,721</u>	Profit before tax

Note:

(1) Include unit-linked contracts.

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Investment return

US\$m	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Interest income	2,736	5,652
Dividend income	341	693
Rental income	74	152
Investment income	3,151	6,497
Available for sale		
Net realised gains from debt securities	83	202
Net gains of available for sale financial assets reflected in the consolidated income statement	83	202
At fair value through profit or loss		
Net gains of financial assets designated at fair value through profit or loss		
Net gains of debt securities	241	53
Net gains of equity securities	3,653	6,781
Net gains of financial instruments held for trading		
Net fair value movement on derivatives	467	743
Net gains in respect of financial instruments at fair value through profit or loss	4,361	7,577
Net fair value movement of investment property	200	367
Net foreign exchange losses	(415)	(709)
Other net realised losses	(3)	(27)
Investment experience	4,226	7,410
Investment return	7,377	13,907

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

US\$m	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Foreign exchange losses	(132)	(279)

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Expenses

US\$m	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Insurance contract benefits	5,155	11,735
Change in insurance contract liabilities	7,029	13,982
Investment contract benefits	764	1,395
Insurance and investment contract benefits	12,948	27,112
Insurance and investment contract benefits ceded	(606)	(1,282)
Insurance and investment contract benefits, net of reinsurance ceded	12,342	25,830
Commission and other acquisition expenses incurred	2,687	5,505
Deferral and amortisation of acquisition costs	(1,162)	(2,019)
Commission and other acquisition expenses	1,525	3,486
Employee benefit expenses	613	1,265
Depreciation	31	65
Amortisation	21	53
Operating lease rentals	72	148
Other operating expenses	212	488
Operating expenses	949	2,019
Investment management expenses and others	188	408
Depreciation on property held for own use	11	22
Restructuring and other non-operating costs ⁽¹⁾	73	153
Change in third-party interests in consolidated investment funds	24	24
Other expenses	296	607
Finance costs	88	185
Total	15,200	32,127

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.

Finance costs may be analysed as:

US\$m	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Repurchase agreements	24	47
Medium-term notes	62	134
Other loans	2	4
Total	88	185

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Earnings per share

Basic

	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Net profit attributable to shareholders of AIA Group Limited (US\$m)	3,241	6,496
Weighted average number of ordinary shares in issue (million)	11,995	12,002
Basic earnings per share (US cents per share)	27.02	54.12

Diluted

	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Net profit attributable to shareholders of AIA Group Limited (US\$m)	3,241	6,496
Weighted average number of ordinary shares in issue (million)	11,995	12,002
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded under share-based compensation plans (million)	23	37
Weighted average number of ordinary shares for diluted earnings per share (million)	12,018	12,039
Diluted earnings per share (US cents per share)	26.97	53.96

At 30 June 2017 and 31 December 2017, share options of 5,529,112 and 5,835,750 respectively 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

	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Basic (US cents per share)	18.62	38.62
Diluted (US cents per share)	18.58	38.50

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Deferred acquisition and origination costs

US\$m	As at 31 December 2017
Carrying amount	
Deferred acquisition costs on insurance contracts	21,451
Deferred origination costs on investment contracts	370
Value of business acquired	<u>129</u>
Total	<u><u>21,950</u></u>
US\$m	Twelve months ended 31 December 2017
Movements in the year	
At beginning of year	19,031
Deferral and amortisation of acquisition and origination costs	2,094
Foreign exchange movements	1,102
Impact of assumption changes	(75)
Other movements	<u>(202)</u>
At end of year	<u><u>21,950</u></u>

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Financial investments

Debt securities

Debt securities by type comprise the following:

US\$m	Policyholder and shareholder			Subtotal	Unit-linked FVTPL	Consolidated investment funds ⁽⁴⁾ FVTPL	Total
	Participating funds	Other policyholder and shareholder					
	FVTPL	FVTPL	AFS				
30 June 2017							
Government bonds	5,088	72	33,838	38,998	1,113	–	40,111
Government agency bonds ⁽¹⁾	3,478	13	9,566	13,057	227	270	13,554
Corporate bonds	10,807	175	54,616	65,598	1,386	1,690	68,674
Structured securities ⁽²⁾	238	46	727	1,011	1	–	1,012
Total⁽³⁾	19,611	306	98,747	118,664	2,727	1,960	123,351

US\$m	Policyholder and shareholder			Subtotal	Unit-linked FVTPL	Consolidated investment funds ⁽⁴⁾ FVTPL	Total
	Participating funds	Other policyholder and shareholder					
	FVTPL	FVTPL	AFS				
31 December 2017							
Government bonds	6,069	88	37,823	43,980	1,131	–	45,111
Government agency bonds ⁽¹⁾	3,942	13	9,228	13,183	212	344	13,739
Corporate bonds	10,841	187	59,116	70,144	1,365	1,668	73,177
Structured securities ⁽²⁾	179	42	621	842	–	–	842
Total⁽³⁾	21,031	330	106,788	128,149	2,708	2,012	132,869

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) As of 30 June 2017 and 31 December 2017, debt securities of US\$4,315m and US\$4,692m respectively are restricted due to local regulatory requirements.
- (4) Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Financial investments (continued)

Equity securities

Equity securities by type comprise the following:

US\$m	Policyholder and shareholder		Subtotal	Unit-linked FVTPL	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds FVTPL	Other policyholder and shareholder FVTPL				
30 June 2017						
Equity shares	4,425	9,218	13,643	4,307	–	17,950
Interests in investment funds	2,107	1,809	3,916	13,268	3	17,187
Total	6,532	11,027	17,559	17,575	3	35,137

US\$m	Policyholder and shareholder		Subtotal	Unit-linked FVTPL	Consolidated investment funds ⁽¹⁾ FVTPL	Total
	Participating funds FVTPL	Other policyholder and shareholder FVTPL				
31 December 2017						
Equity shares	4,716	9,797	14,513	4,832	–	19,345
Interests in investment funds	2,269	1,775	4,044	14,690	–	18,734
Total	6,985	11,572	18,557	19,522	–	38,079

Note:

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

Debt and equity securities

US\$m	As at 30 June 2017	As at 31 December 2017
Debt securities		
Listed	94,192	102,106
Unlisted	29,159	30,763
Total	123,351	132,869
Equity securities		
Listed	19,580	21,118
Unlisted ⁽¹⁾	15,557	16,961
Total	35,137	38,079

Note:

(1) As of 30 June 2017 and 31 December 2017, the balances include US\$14,558m and US\$15,804m of investment funds respectively which can be redeemed daily.

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Financial investments (continued)

Loans and deposits

US\$m	As at 30 June 2017	As at 31 December 2017
Policy loans	2,593	2,765
Mortgage loans on residential real estate	570	607
Mortgage loans on commercial real estate	51	44
Other loans	870	1,114
Allowance for loan losses	(12)	(12)
Loans	4,072	4,518
Term deposits	1,651	2,113
Promissory notes ⁽¹⁾	1,516	1,579
Total	7,239	8,210

Note:

(1) The promissory notes are issued by a government.

Insurance contract liabilities

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

US\$m	Twelve months ended 31 December 2017
At beginning of year	128,588
Valuation premiums and deposits	26,424
Liabilities released for policy termination or other policy benefits paid and related expenses	(15,994)
Fees from account balances	(1,834)
Accretion of interest	4,483
Foreign exchange movements	7,041
Change in net asset values attributable to policyholders	3,363
Other movements	(596)
At end of year	151,475

Insurance contract liabilities (including liabilities in respect of investment contracts with DPF) can also be analysed as follows:

US\$m	As at 30 June 2017	As at 31 December 2017
Deferred profit	6,408	7,213
Unearned revenue	2,719	2,605
Policyholders' share of participating surplus	7,630	8,117
Liabilities for future policyholder benefits	122,936	133,540
Total	139,693	151,475

3 IFRS FINANCIAL INFORMATION (CONTINUED)

Investment contract liabilities

US\$m	Twelve months ended 31 December 2017
At beginning of year	6,926
Effect of foreign exchange movements	178
Investment contract benefits	1,395
Fees charged	(144)
Net withdrawals and other movements	(145)
At end of year⁽¹⁾	8,210

Note:

(1) Of investment contract liabilities, US\$475m represented deferred fee income.

Group capital structure

Regulatory Solvency

The capital positions of the Group's two principal operating companies as of 30 June 2017 and 31 December 2017 are as follows:

US\$m	30 June 2017			31 December 2017		
	Total available capital	Regulatory minimum capital	Solvency ratio	Total available capital	Regulatory minimum capital	Solvency ratio
AIA Co.	7,596	1,755	433%	8,395	1,882	446%
AIA International	7,353	2,283	322%	7,883	2,511	314%

4 OTHER FINANCIAL INFORMATION

Net funds to Group Corporate Centre

The movements in working capital are summarised as follows:

US\$m	Six months ended 30 June 2017	Twelve months ended 31 December 2017
Opening working capital	8,404	8,404
Group Corporate Centre operating results	–	(32)
Capital flows from/(to) business units		
Hong Kong	602	952
Thailand	197	467
Singapore	–	238
Malaysia	192	192
China	206	207
Other Markets	(28)	(17)
Net funds remitted to Group Corporate Centre	<u>1,169</u>	<u>2,039</u>
Increase in borrowings	508	514
Purchase of shares held by the employee share-based trusts	(5)	(10)
Payment of dividends	(983)	(1,376)
Change in fair value reserve and others	45	175
Closing working capital	<u><u>9,138</u></u>	<u><u>9,714</u></u>