For the purposes of reading this section of this listing document, investors should refer to the list of explanations set out in the section headed "Financial Information of the AIA Group — List of explanations" which contains explanations of certain terms used only in the sections "Information about the AIA Group" and "Financial Information of the AIA Group" of this listing document. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

Unless otherwise indicated, the financial data relating to the AIA Group in this section has been extracted without material adjustment from the historical financial information of the AIA Group as reported on by PricewaterhouseCoopers set out at Appendix II "Accountants' Report of the AIA Group" to this listing document or from AIA Group's unaudited accounting records, operating systems and other information prepared by AIA or Prudential.

OVERVIEW

The AIA Group is a leading life insurance organisation in Asia Pacific that traces its roots in the region back more than 90 years. It provides individuals and businesses with products and services for their evolving insurance, protection, savings, investments and retirement needs in 15 geographical markets in the region: Hong Kong, Korea, Thailand, Singapore, China, Malaysia, the Philippines, Australia, Indonesia, Vietnam, Taiwan, New Zealand, India, Macau and Brunei. In FY 2009, the AIA Group had US$11,632 million in total weighted premium income ("TWPI"). As of 30 November 2009, it had US$91.5 billion in total assets and total equity attributable to shareholders of AIA of US$15.3 billion.

As of 30 November 2009, the AIA Group (excluding AIA India, a joint venture in which the AIA Group has a 26% equity interest) had approximately 15,500 employees serving the holders of its approximately 21.3 million in-force policies and approximately 9 million participating members of its clients for group life, medical, credit life coverage and pension products.

The AIA Group derives substantially all of its premiums from its 15 geographical markets across the Asia Pacific region. The AIA Group's individual local operating units are significant businesses in their own right, with Hong Kong, Singapore and Thailand each contributing more than US$350 million of operating profit in FY 2009. At the same time, in FY 2008 and FY 2009, no more than 25% of the AIA Group's TWPI came from any one geographical market.

The AIA Group's extensive book of in-force business has created (i) a stable operating profit base, with (ii) high renewal premiums (84.1% of its TWPI consisted of renewal premium in 2009). In FY 2009, the AIA Group had an operating profit of US$1,835 million and an AIA operating margin of 15.8%. In addition, as of 30 November 2009, it had capital in excess of its requirements under relevant Hong Kong insurance regulatory guidance and it complied with relevant capital adequacy requirements in each of its geographical markets.

The AIA Group was a market leader in the Asia Pacific region based on life insurance premiums in 2008, according to regulatory and industry sources in the relevant market. Owing to its historic roots in the Asia Pacific region, the AIA Group has built a network made up almost entirely of wholly-owned businesses operating as branches or subsidiaries.

As of 30 November 2009, the AIA Group's tied agency force consisted of approximately 162,720 agents (excluding those who serve AIA India). In each of Hong Kong, Singapore, and Thailand, the AIA Group's agency force made up more than 15% of the total agents in that market in 2008.

More recently, the AIA Group has developed its other distribution channels, particularly bancassurance and direct marketing. Bancassurance relationships, in the AIA Group's geographical markets excluding India, provide potential access to approximately 12,000 of its partners' bank branches.

HISTORY

Origins and development

The AIA Group traces its roots in Asia to 1919 when Cornelius Vander Starr, a young American entrepreneur, established a fire and marine insurance agency in Shanghai.

In 1931, the AIA Group's principal operating subsidiary, AIA Co, was initially registered in Shanghai as a Hong Kong company under the name International Assurance Company, Limited (later changed to American International Assurance Company, Limited). Within 7 years, the business had expanded into several other markets in Asia Pacific through the establishment of branches in Singapore (1931), Hong Kong (1931), Malaysia (1934) and Thailand (1938, in respect of life insurance business), all of which remain key markets for the AIA Group today.

In the late 1940s, events in China led to the transfer of AIA Co's regional office to Hong Kong and, in 1950, the suspension of operations in the PRC. AIA Co's new Hong Kong base became the platform for a programme of post-war expansion with the geographical footprint of the AIA Group companies and branches expanding to include Brunei (1957), Australia (1972, in respect of life insurance business), New Zealand (1981), Macau (1982), Indonesia (1984), Korea (1987), Taiwan (1990), Vietnam (2000) and India (2001). Hong Kong was also the gateway back to mainland China in 1992 when AIA Co became the first foreign insurer to receive a licence to sell life insurance in the PRC and opened a branch office in Shanghai. Today, the AIA Group operates in China with licensed sales offices in 2 provinces (Guangdong and Jiangsu) and 3 cities (Shanghai, Beijing and Shenzhen).

Today, the AIA Group's Hong Kong base is the hub of an insurance network that spans the following 15 geographical markets:

Geographical Market	Commencement of Life Insurance Operations	Ownership Structure
Singapore	1931	Branch
Hong Kong	1931	Branch
Malaysia	1934	Wholly-owned subsidiary (transferred from a branch in 2008)
Thailand	1938	Branch
Philippines	1947	Subsidiary (owned 99.78%)
Brunei	1957	Branch
Australia	1972	Wholly-owned subsidiary
New Zealand	1981	Branch
Macau	1982	Branch
Indonesia	1984	Joint venture*
Indonesia	1999	Wholly-owned subsidiary**
Korea	1987	Branch
Taiwan	1990	Branch
China	1992	Branches
Vietnam	2000	Wholly-owned subsidiary
India	2001	Joint venture

* Initial operation was via a joint venture that was divested on 22 October 2009.

** The current Indonesian business is operated through PT AIA Financial. See "Primary operating units" below.

The AIG Events

In the second half of 2008, the AIA Group's parent, AIG, experienced an unprecedented strain on liquidity. The two principal causes of the liquidity strain were demands for the return of cash collateral under AIG's US securities lending programme and collateral calls on AIG Financial Product Corp.'s super senior multi-sector collateralised debt obligations ("CDO") credit default swap portfolio. Both of these liquidity strains were significantly exacerbated by the downgrades of AIG's long-term debt ratings by S&P, Moody's and Fitch on 15 September 2008.

As a result of AIG's liquidity requirements and certain other events (collectively, the "AIG Events") and AIG's inability to find a viable private sector solution to its liquidity issues, AIG entered into the FRBNY Credit Agreement with FRBNY on 22 September 2008.

In March 2009, AIG announced that it had agreed to transfer its equity ownership of AIA Co to a special purpose vehicle in return for a reduction of the debt owed by AIG under the FRBNY Credit Agreement.

In May 2009, AIG announced that it would take additional steps to position the AIA Group as a separate entity and seek a public listing.

Impact of the AIG Events on the AIA Group

The impact of the AIG Events on AIA Co included reputational damage, a decline in the value of new business, an increase in surrendered policies and the adverse impact on its capitalisation resulting from the decline in the value of AIG stock owned by AIA Co. Throughout this period, AIA Co worked closely with its regulators to ensure that policyholders were not adversely impacted by the AIG Events and to comply with regulatory requirements (including regulatory orders designed to protect the AIA Group's assets in several of its geographical markets). Subsequent to the AIG Events, AIA Group management took steps to enhance the capital adequacy of the AIA Group by unwinding certain arrangements with the AIG Group. For more information concerning the financial performance of the AIA Group, see "Financial Information of the AIA Group".

Reorganisation

In 2009, the AIA Group was reorganised in order to improve operational and financial efficiency, respond to the AIG Events and better position the AIA Group for a public offering or a sale (collectively, the "Reorganisation"). The Reorganisation consisted of three phases: (1) rationalisation of the AIA Group structure; (2) reorganisation driven by the AIG Events; and (3) preparation for a public offering or a sale.

Phase I — Rationalisation of the AIA Group Structure

For historical reasons, a number of the life insurance businesses that worked closely with AIA Co, and now form part of the AIA Group, were held directly by AIRCO, rather than as subsidiaries of AIA Co, the principal operating entity within the AIA Group. To rationalise the group's structure, and simplify corporate governance, regulatory management, tax planning and legal and compliance functions, a reorganisation was initiated to transfer legal ownership of these entities, and of the Taiwan branch of ALICO, to create the AIA Group. On 28 February 2009, pursuant to the terms of a series of share swap agreements, this reorganisation was completed and AIA-B, AIA Australia and AIA-PT were transferred by AIRCO to AIA Co. On 1 June 2009, AIA-B acquired the business of the Taiwan branch of ALICO (now known as American International Assurance Company (Bermuda) Limited — Taiwan Branch).

The first phase of the restructuring brought within a single corporate group the Asia Pacific business that had been historically managed together from a regional office in Hong Kong.

Phase II — Reorganisation Driven by the AIG Events

As a consequence of the AIG Events, on 2 March 2009, AIG and the FRBNY announced their intention to enter into certain transactions that would reduce AIG's obligations under the FRBNY Credit Agreement and more clearly separate the AIA Group from the AIG Group.

On 25 June 2009, AIG, AIRCO and FRBNY entered into a purchase agreement (the "June 09 Purchase Agreement") relating to AIA Co and Philamlife. Pursuant to the June 09 Purchase Agreement, AIG agreed to contribute the equity of AIA Co to a special purpose vehicle, AIA Aurora LLC, in exchange for the common interests in AIA Aurora LLC, and the FRBNY agreed to receive preferred interests in AIA Aurora LLC. As a result of the transactions contemplated by the June 09 Purchase Agreement, AIRCO transferred 100% of the common stock of AIA Co to AIA, a newly formed holding company wholly-owned by AIA Aurora LLC, on 30 November 2009. The June 09 Purchase Agreement also provided for Philamlife to be transferred to AIA Co as further described in " Reorganisation — Phase III — Preparation for a public offering or a sale— Transfer of Philamlife" in this section.

Phase III — Preparation for a public offering or a sale

In the second half of 2009, the AIA Group acquired certain AIG life insurance businesses that had previously worked closely with AIA Co and divested certain businesses that were owned by members of the AIA Group for historical reasons but were more aligned with other entities and business lines in the AIG Group. The key transactions resulting from this reorganisation were as follows:

Transfer of Philamlife

In August 2009, ALICO and AIG entered into an agreement with AIA Co to transfer all of their legal and beneficial interests in Philamlife to AIA Co in exchange for an AIA Co promissory note equal to the net book value of Philamlife. In conjunction with the transactions carried out under the June 09 Purchase Agreement, this promissory note was indirectly contributed by AIG to AIA Co and cancelled.

Sale of AIGGIC(A)

AIG determined that AIG Global Investment Corporation (Asia) Ltd. ("AIGGIC(A)"), the asset management business owned by AIA-B (but managed by the AIG Group separately from AIA-B's life insurance business), would be consolidated with AIG's global asset management business, which was in the process of being sold to a third party as part of AIG's global restructuring plan. Consequently, on 13 August 2009, AIG and AIA-B entered into a purchase agreement to transfer AIGGIC(A) and its subsidiaries, consisting of asset management and related entities, from AIA-B to AIG in exchange for a promissory note from AIG to AIA-B of US$86,660,000. Prior to closing of that sale, AIGGIC(A) was renamed PineBridge Investments Asia Limited. At the closing of the sale transaction, which occurred on 25 November 2009, AIGGIC(A) and certain of its asset management affiliates (collectively, "AIGGIC") on the one hand and AIA Co, on the other hand, entered into agreements providing for certain services and transitional arrangements including the provision of investment management services by AIGGIC to the AIA Group. On 29 March 2010, AIG announced that AIGGIC was sold by AIG to Bridge Partners, L.P., an entity affiliated with the Pacific Century Group.

Sale of ALICO

In March 2010, AIG and ALICO Holdings LLC ("ALICO Holdings") entered into a definitive agreement with MetLife, Inc. ("MetLife") for the sale of ALICO by ALICO Holdings to MetLife, and the sale of Delaware American Life Insurance Company by AIG to MetLife, for approximately US$15.5 billion, including US$6.8 billion in cash and the remainder in equity securities of MetLife, subject to closing adjustments. According to AIG's public announcement dated 8 March 2010, the sale of ALICO is expected to be completed by the end of 2010. ALICO was transferred by AIG to ALICO Holdings as part of the reorganisation driven by the AIG Events and has historically operated as a separate group.

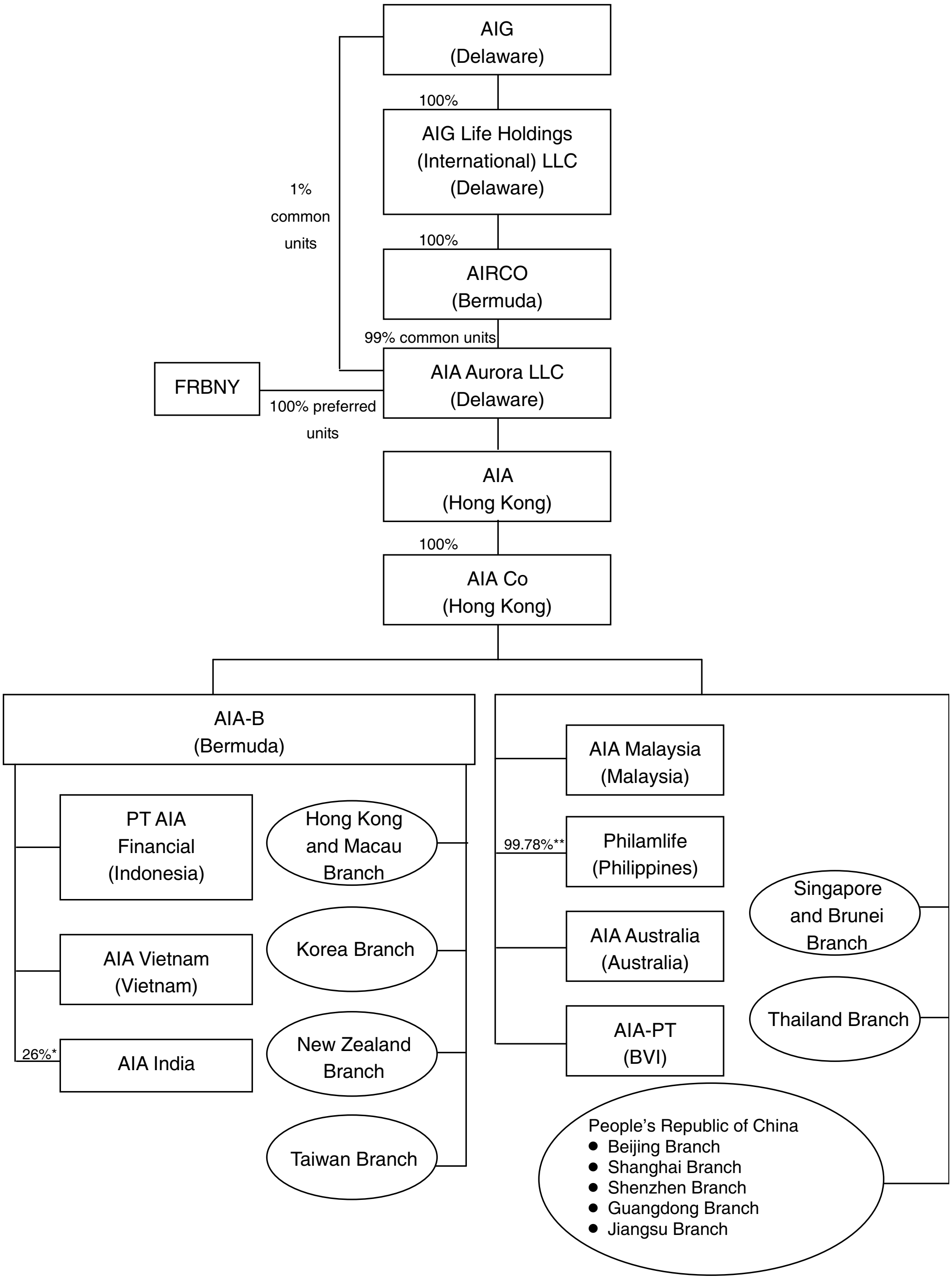
The AIA Group's next chapter

The AIA Group's profitable businesses have permitted the AIA Group to finance and construct an operating infrastructure in the region that permits it to operate on a largely standalone basis from AIG. The AIA Group has been engaged in a series of separation initiatives since 2007. In 2009, the AIA Group launched a new branding initiative throughout the Asia Pacific region to communicate its new identity and to transition branding in certain markets that have historically used the AIG brand.

The Acquisition

In March 2010, Prudential, AIA Aurora LLC and New Prudential entered into the Acquisition Agreement under which, subject to the terms and conditions of that agreement, New Prudential has agreed to acquire the entire issued share capital of AIA.

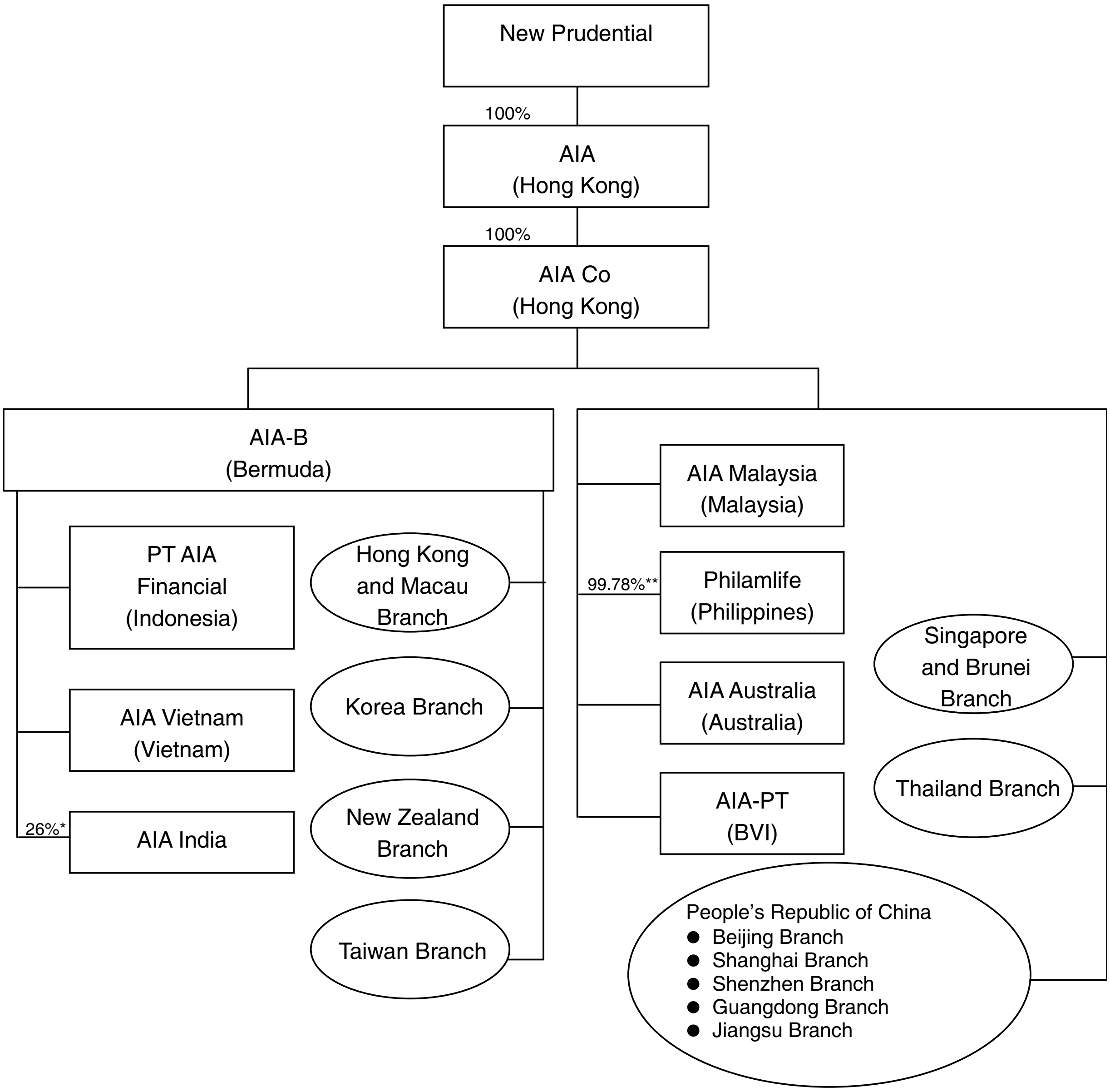
The following chart is a simplified representation of the principal operating subsidiaries and branches of the AIA Group following the Reorganisation but prior to the Acquisition. All subsidiaries are wholly-owned by AIA unless otherwise indicated.



* The remaining interests in AIA India are held by Tata Sons Limited, AIA's joint venture partner.

** Approximately 0.22% of Philamlife's shares are owned by 13 separate independent third parties consisting of 11 natural persons and the estate of two natural persons.

The following chart is a simplified representation of the principal operating subsidiaries and branches of the AIA Group following completion of the Acquisition. All subsidiaries are wholly-owned by AIA unless otherwise indicated.



From completion of the Acquisition, AIA will no longer be a subsidiary of AIG, the agreements previously entered into by AIG and the FRBNY will cease to have effect in relation to the AIA Group and the FRBNY will cease to have any special rights with respect to AIA.

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* The remaining interests in AIA India are held by Tata Sons Limited, AIA's joint venture partner.

** Approximately 0.22% of Philamlife's shares are owned by 13 separate independent third parties consisting of 11 natural persons and the estate of two natural persons.

AIA GROUP STRENGTHS

The AIA Group's competitive strengths include:

Deep and historic roots in the Asia Pacific region

The AIA Group traces its roots in the Asia Pacific region back more than 90 years. It was among the first insurers to establish operations in many of its Key Geographical Markets and in certain cases played a role in the development of the life insurance industry in these markets. In Hong Kong, Singapore, Thailand and Malaysia, the AIA Group has sold life insurance products to its customers since the 1930s. It was also the first licensed foreign life insurer to establish operations in the PRC. The AIA Group's early entry into many of its geographical markets has given it a historic advantage in establishing a network made up almost entirely of wholly-owned businesses.

AIA has grown to become a household name with high brand recognition in its key geographical markets.

A broad footprint across the Asia Pacific region

Within the Asia Pacific region, the AIA Group has a broad geographical footprint, with a network stretching across 15 geographical markets. As of 30 November 2009, the AIA Group, excluding AIA India, had approximately 162,720 agents and approximately 15,500 employees serving the holders of its approximately 21.3 million in-force policies and its approximately 9 million participating members of its clients for group life, medical, credit life coverage and pension products.

Additional information on total weighted premium income and operating profits/(loss) by market is provided in the section "Financial Information of the AIA Group" of this listing document.

An extensive tied agency network and an expanding multi-channel distribution platform

The AIA Group had a large, long-standing tied agency force of approximately 162,720 agents, excluding those who serve AIA India, as of 30 November 2009, that is the cornerstone of its distribution platform. For many decades, the AIA Group's agents have provided it with significant reach and access in terms of face-to-face customer targeting and servicing capabilities, enabling it to build and maintain long-term relationships with its customers. The AIA Group's tied agency force spans the Asia Pacific region.

In each of Hong Kong, Singapore and Thailand, the AIA Group's tied agency force made up more than 15% of the total agents in that market in 2008. As of 1 August 2009, more than 1,300 of the AIA Group's agents, including those that serve AIA India, were members of the Million Dollar Round Table ("MDRT"), a global professional trade association that recognises significant sales achievements while working to develop professional and ethical sales practices.

In many of its geographical markets, the AIA Group has built and continues to develop other distribution channels to increase penetration and broaden its access to potential customers and to meet the evolving preferences of its current customers. For example, as of 30 November 2009, the AIA Group, excluding AIA India, has established approximately 80 bank relationships, giving it access to its partners' customers across approximately 12,000 bank branches. The AIA Group has also developed its direct marketing and IFA distribution channels across the region by drawing on well-established models in some of its key markets to capitalise on emerging direct marketing and IFA opportunities.

A diversified suite of products and innovative product capabilities

The AIA Group has a broad and diversified suite of products, ranging from traditional to investment-oriented products, that are designed to meet its customers' needs at different stages of their lives. This diversified product suite is intended to position the AIA Group to capture shifting demand across its geographical markets and cater to differences in such markets due to the varying stages of development of the life insurance industry. The AIA Group is continuing its focus on developing Takaful and Shariah-compliant products and services by actively pursuing Takaful opportunities in the region.

Stable profitability and financial strength derived from a diversified base of geographical markets and products

The AIA Group's extensive book of in-force business has created a stable profit base, with high renewal premiums (84.1% of the AIA Group's TWPI in FY 2009 consisted of renewal premiums). In FY 2009, the AIA Group had an operating profit of US$1,835 million and an AIA operating margin of 15.8%.

The AIA Group derives its income from a diverse range of sources across its geographical markets. Three of the AIA Group's Key Markets, Hong Kong, Singapore and Thailand, each generated more than US$350 million of operating profit in FY 2009, and Malaysia, China, Korea and its Other Markets produced US$150 million, US$89 million, US$81 million and US$191 million, respectively. At the same time, no more than 25% of TWPI in FY 2009 was derived from any one geographical market.

In addition, the AIA Group has a strong AIA solvency position on both a regional and individual geographical market basis. As of 30 November 2009, it had capital in excess of its requirements under relevant Hong Kong insurance regulatory guidance and it complied with relevant capital adequacy requirements in each of its geographical markets.

PRODUCTS

To serve the evolving needs of its customers, the AIA Group has developed and continues to expand a broad, diversified product suite that is designed to respond to its customers' needs at each stage of their lives. The AIA Group typically develops and launches numerous new products across its multi-channel distribution platform annually.

Product strategy and development

A key element of the AIA Group's product development strategy is to provide relevant product solutions that meet its clients' evolving insurance, protection, savings, investment and retirement needs. In addition, the AIA Group varies its product offerings by geographical market in order to respond to both their varying stages of economic and regulatory development and specific market trends.

The AIA Group head office oversees a product development group consisting of three distinct teams: strategic marketing; target marketing and customer relationship management; and product management. The AIA Group head office is increasingly utilising sophisticated consumer research and analysis tools to identify trends and fill new product niches.

The AIA Group has an extensive proprietary information database accumulated over its long history in the Asia Pacific region. In addition, the AIA Group tests its products to ensure product features meet risk controls. The pricing of all products is overseen by the actuarial group which applies specific criteria so that all new products are vetted for profitability, capital efficiency and sustainability (i.e. that they remain profitable under various economic and market scenarios). Existing products are also reviewed annually to ensure that they continue to meet the AIA Group's profitability and capital efficiency requirements.

Key product lines

TWPI and other information for the AIA Group's key products lines for the periods indicated is set forth in the table below:

	Year Ended 30 November		
	2007	2008	2009
	(in US$ millions)		
Ordinary individual life insurance	7,216	7,439	7,285
AIA investment-linked products	2,223	2,532	2,069
Standalone health and protection	1,304	1,426	1,349
Group insurance	502	704	877
Other	113	102	52
Total	**11,358**	**12,203**	**11,632**

Ordinary individual life insurance

The AIA Group offers a wide variety of life insurance products for individuals in four principal categories: term life; traditional basic participating; traditional basic non-participating; and universal life products. These products continue to be the major contributor to the AIA Group's TWPI, accounting for 63.5%, 61.0% and 62.6% in FY 2007, FY 2008 and FY 2009, respectively.

Term life

Term life insurance provides life insurance protection for a defined period. The sum assured under the policy is paid to the beneficiary if death occurs during the period of coverage.

Traditional basic participating life insurance

Participating policies are contracts of insurance where the policyholders have a contractual right to receive additional benefits based on investment return and/or other factors, as a supplement to any guaranteed benefits. In some markets, participating business is written in a participating fund that is distinct from the other assets of the insurer. In these markets, the allocation of benefits to participating policyholders from the assets held in the distinct participating fund is typically subject to minimum levels or other mechanisms established by applicable regulation. In markets where participating business is not written in a distinct fund, allocations to participating policyholders are based, at the insurer's discretion, on the investment performance of a group of assets or contracts and other factors. Whether participating policies are written in a distinct participating fund largely depends on local practice and regulation. The extent of policy participation may change over time.

Traditional basic non-participating life insurance

Traditional basic non-participating life insurance products are contracts of insurance where the policyholder has a guaranteed right to the benefit, which is not at the contractual discretion of the insurer.

Universal life products

Universal life products are insurance products where the customer pays flexible premiums that are accumulated in an account and are credited with interest at a rate set by the insurer. The customer may vary the death benefit and the contract may permit the customer to withdraw the account balance, typically subject to a surrender charge.

AIA investment-linked products

AIA investment-linked products, including variable universal life products, are insurance products where the surrender value of the policy 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 investments or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of surrender, death or the maturity of the policy, subject to surrender charges. AIA investment-linked products are presented together with pension products for purposes of disclosure of financial information.

Health and protection

The AIA Group offers health and protection and personal accident insurance products, which provide morbidity or sickness benefits and include health, disability, critical illness and accident cover. Health and protection insurance products are sold both as standalone policies and as riders that can be attached to the AIA Group's life insurance products. Health and protection riders are presented together with ordinary individual life insurance products for purposes of disclosure of financial information.

The market for health and protection is expected to grow as healthcare costs are shifted from governments to citizens in certain of the AIA Group's geographical markets. These products are key drivers of the AIA Group's profitability due to its extensive claims database; continuous experience tracking; proactive remedial actions; and economies of scale in operations.

Group insurance

The group insurance business is operated through the Group Corporate Solutions division ("AIA GCS"), which provides employee benefits, credit insurance and pension products and services in the Asia Pacific region, serving approximately 99,000 corporate clients with approximately nine million participating members as of 30 November 2009, excluding corporate clients and participating members relating to AIA India's business. According to regulatory and industry sources in the relevant market, the AIA Group occupied the leading position in terms of market share of group life insurance premiums in 2008 in Hong Kong (17.9% of group medical insurance business) and Singapore (32%), for the year ended June 2009, in Thailand (23.5%) and for the year ended September 2009, in Australia (20.2%). The AIA Group distributes these products in all 15 of its geographical markets, generally by leveraging off its multi-channel distribution network. The AIA Group's most important geographical markets for these products and services, in terms of annual premiums, are Australia, Hong Kong, Malaysia, Singapore and Thailand.

One of the AIA Group's key strategies in this area is to leverage off its access to its participating members to distribute additional individual life insurance and health and protection insurance products that are tailored to improve the coverage provided by their employers. The AIA Group is increasing its agents' training on AIA GCS products to encourage greater sales, drive agency force productivity and explore alternative distribution models. For example, it is working to increase IFA sales of corporate products to smaller and medium-sized enterprises.

Group insurance, which is typically marketed to corporations, government entities and associations, has been a driver of both the AIA Group's product volume and profitability growth. Group insurance coverage is typically arranged by employers for employees of corporate or government entities. The employers typically pay premiums for basic policies, such as group term life and group medical coverage. Group credit life insurance products typically provide life insurance protection to the customers (borrowers) of financial lending institutions. The premium is usually built into the cost of the loans, which may cover mortgages, credit cards and auto loans. The AIA Group, excluding AIA India, has a significant in-force portfolio of group insurance policies with approximately 61,000 corporate policyholders and approximately eight million insured employees/members for group life insurance products, as well as approximately 1,500 corporate policyholders and approximately 1.8 million insured members for group credit life insurance products as of 30 November 2009.

Corporate pension products

The AIA Group's corporate pension products business is mainly operated by AIA Pension and Trustee Co. Ltd., a British Virgin Islands company ("AIA-PT") and American International Assurance Company (Trustee) Limited, a Hong Kong company ("AIA-T"). AIA-PT and AIA-T serve as trustees of a multi-investment manager platform offering more than 50 constituent funds under Hong Kong's Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) ("ORSO") with respect to voluntary corporate pensions and Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("MPFSO") with respect to defined contribution plans. These products are distributed across a range of distribution channels. AIA Pension also acts as the trustee of other collective investment schemes.

Since 2000, there has been a substantial increase in the AIA Group's pension business due to the Hong Kong government requiring mandatory provident funds for employees. As of 30 November 2009, AIA Pension had a combined US$6.6 billion of assets under management for its pension management business that covers more than 1.1 million members of its approximately 38,000 ORSO and MPFSO clients in Hong Kong.

The AIA Group utilises mainly tied agency, brokerage and direct marketing channels to distribute pension products and its operations are supported by its proprietary Regional Pensions Administration System. The AIA Group uses a mixture of in-house managed funds and third party managed funds.

Other products

Annuity products

The AIA Group's annuities products are savings products where the accumulated amount can be paid out to the customer in a variety of income streams. The purpose of these products is to fund retirement. The AIA Group generally has two main types of annuities product: a single premium product where a customer can invest money in a deferred annuity by paying a single lump sum or a flexible premium product where a customer can invest over a period of years. Customers can also generally purchase an immediate or income annuity with a single premium where annuity payments continue during the lifetime of the annuitant or for a fixed period.

General insurance (personal lines) products

The AIA Group's personal lines insurance business comprises private motor insurance, buildings and household contents insurance, health and protection insurance, pet insurance, travel insurance and insurance for domestic helpers. It underwrites selected personal lines insurance in Hong Kong, Singapore and Malaysia. Key products include travel, home contents, private motor, domestic helper and personal liability insurance.

DISTRIBUTION

The AIA Group distributes its products through all major distribution channels, including tied agents, banks, direct marketing, IFAs and brokers.

Since 1931, the AIA Group has been developing a tied agency force that spans the Asia Pacific region. As of 30 November 2009, its tied agency force consisted of approximately 162,720 agents (excluding those who serve AIA India).

The AIA Group is expanding its other distribution channels to extend its exposure and reach. As of 30 November 2009, it had approximately 80 relationships with banks throughout the Asia Pacific region.

In Korea and Taiwan, the AIA Group has used sophisticated direct marketing distribution (such as database marketing) to expand its distribution platform. In addition, its products are also increasingly sold on a non-exclusive basis by IFAs and brokers, particularly in more developed markets such as Hong Kong, Singapore and Australia.

Agency channel

The AIA Group had agents accounting for more than 15% of the total tied agency force in Hong Kong, Singapore and Thailand in 2008. While these tied agents distribute almost all of the insurance products in the product range, they are a preferred distribution channel for many of the more complex, and generally more profitable, insurance products offered by the AIA Group, such as its universal life products. The tied agents are not employees of the AIA Group. The AIA Group's contractual arrangements with tied agents are reviewed by its legal and compliance departments to ensure that they comply in all material respects with the requirements of applicable law.

The tied nature of the agency model and the AIA Group's role in managing, training and motivating the agency force provides it with significant control over this distribution channel, allowing it to (i) drive the product strategy and development process to meet specific customer segments and demands; (ii) anticipate the needs of customers and potential new customers; and (iii) create new products and disseminate best practice based on those needs.

In 2009, more than 1,300 of the AIA Group's tied agents, including those that serve AIA India, were rewarded for their productivity by membership in the MDRT, a global trade association that recognises significant sales achievements and works to develop professional and ethical sales practices. MDRT membership is an important measure of success in the life insurance industry. Fewer than 1% of life insurance agents industry-wide are registered MDRT members.

The following table shows the approximate size of the AIA Group's tied agency force in each of its 'Key Geographical Markets' and its 'Other Geographical Markets' as of 30 November 2009:

Agency Size

Geographical Market	Approximate Number of Tied Agents
Hong Kong(1)	8,600
Thailand	80,780
Singapore(2)	3,950
Malaysia	10,710
China	25,840
Korea	4,370
Other Geographical Markets(3)	28,470
Total	**162,720**

(1) Amount includes Macau as of 31 October 2009.

(2) Amount includes Brunei.

(3) Amount excludes the agents that are part of the agency force of AIA India.

In its Key Geographical Markets, approximately 40.8% of the AIA Group's agency leaders and approximately 15.1% of the AIA Group's total tied agency force (which includes its agency leaders) have been AIA Group agents for more than 10 years as of 31 January 2010. In certain of the AIA Group's markets, tied agents have passed their agency businesses on to succeeding generations.

Agency management

The AIA Group's tied agency force is led by a chief agency officer and a team of directors of agencies and agency executives. Each local operating unit has a team of employees dedicated to optimising that unit's agency force, which is structured as a hierarchy in which high achievers can advance to supervise and manage other agents. The agency executives supervise the agency leaders who, in turn, supervise the tied agents. As of 30 November 2009, there were approximately 400 agent trainers dedicated to the training of the tied agency force of the AIA Group, excluding AIA India. Agency staff monitor and audit the activities of the tied agency force. In order to supervise and motivate its agents, each local agency team has a wide range of responsibilities, including:

- developing and implementing strategic plans for agency expansion;
- providing advice to agency leaders on how to better manage their agencies;
- working with AIA Group agency to develop annual strategic plans and productivity goals;
- working with development teams to create agency incentive contests and award programmes; and
- overseeing training and development programmes for various levels of agents.

The AIA Group has developed an agency business strategy reflecting the varying nature of the markets in which it operates. In more developed markets, such as Hong Kong and Singapore, it is focusing on greater market and agent segmentation to serve better the high net worth population, improving agent compensation schemes to incentivise sales of more profitable products and developing a "needs-based" selling approach. In addition, it has taken steps to rationalise less productive agents in certain geographical markets. In faster growing markets, such as China, the priority is to expand the agency force by aligning manager compensation with recruiting success.

Compensation

The compensation system for tied agents aligns their incentives with the AIA Group's key objectives, such as sales of more profitable products, production and policy persistency. The core components of the agency compensation scheme are commissions, production bonuses and persistency bonuses. Reflecting the different operating environments in the Asia Pacific region, the specific terms and conditions regarding agent compensation vary from geographical market to market. For example, in many of the markets that the AIA Group has entered relatively recently, compensation is designed to drive agent recruitment and growth of the agency force, while arrangements in established markets place greater emphasis on sales of more complex and profitable products. The AIA Group constantly reviews its compensation arrangements in light of industry developments and has a well-defined internal approval process for any modifications to its compensation schemes.

Training and development

To enhance agent productivity and retention, the AIA Group has developed a training programme designed for new agents, experienced agents, new agency leaders and experienced agency leaders. At all levels, training focuses on compliance with local licensing requirements and the AIA Group's conduct guidelines, as well as productivity and profitability, with an emphasis on understanding the AIA Group's product suite so as to permit its agents to respond to customer needs with the relevant product solutions.

Bancassurance channel

The AIA Group has focused on extending its presence in bancassurance, which is an increasingly important distribution channel for its ordinary life and health and protection insurance products. As of 30 November 2009, the AIA Group, excluding AIA India, had approximately 80 bancassurance relationships, which range from exclusive agreements, which generally have a term of five years or more, to open architecture agreements. Open architecture agreements are non-exclusive and typically allow the AIA Group's partners to sell the insurance products of 2 to 4 insurance companies and have open-ended or one-year renewable terms. The AIA Group's (excluding AIA India) bancassurance partners have a network of approximately 12,000 bank branches, which provide the AIA Group with an opportunity to extend its reach and access its bancassurance partners' customers. In FY 2008, the AIA Group, excluding AIA India, entered into 15 new bank relationships, and in FY 2009, the AIA Group, excluding AIA India, added another 8 relationships, including an exclusive strategic joint venture in the Philippines in which Philamlife acquired a 51% stake in Ayala Life Insurance, Inc. ("Ayala Life"), the life insurance subsidiary of the Bank of the Philippine Islands ("BPI"), a leading bank in the Philippines, giving the AIA Group access to a distribution network with more than 750 branches.

Bancassurance is attractive because it provides access to the AIA Group's partners' client base and branch infrastructure, and extends the AIA Group's market reach and exposure. Bancassurance distribution is also responsive to the evolving needs of customers who prefer a single point of entry for banking, insurance and other financial services.

Direct marketing channel

Direct marketing is an increasingly important distribution channel for the AIA Group. The AIA Group employs direct marketing teams in Taiwan for both direct-to-consumer sales and for sponsor arrangements where it markets products to the customers of consumer lending partners. In Korea, the AIA Group utilises hybrid marketing, a distribution channel that relies on a phased sales approach consisting of telephone marketing followed by face-to-face meetings. It typically establishes sponsor partnerships on a market-by-market basis. The AIA Group's approach to direct marketing is diverse, leveraging several sub-channels such as broad media advertising; database marketing; outbound calling of affinity customers; and direct marketing agencies, which are external call centres that distribute its products. The AIA Group is developing additional direct marketing centres in Thailand, Australia and Indonesia. In Thailand, the AIA Group signed agreements with 5 new sponsor partners in 2008 and 2009. It also launched a broad marketing campaign in Thailand in the fourth quarter of 2008 for a guaranteed issue whole life product for senior citizens. In Indonesia, it set up a call centre in 2008 and extended a number of its bancassurance relationships to include a direct marketing component in 2009.

IFA brokerage channel

The AIA Group utilises IFA/brokerage distribution channels primarily in Hong Kong, Singapore and Australia. As of 30 November 2009, it had approximately 400 active relationships (i.e. the business partner regularly submits new business to the AIA Group) with business partners in this channel, including relationships with approximately 270 broker-dealerships in Australia, 123 IFAs in Hong Kong and 8 financial advisers in Singapore. Arrangements between the AIA Group and its IFA/brokerage partners are typically non-exclusive and include commission-based payment terms. As of 30 November 2009, the average duration of AIA Group's IFA/brokerage relationships in Hong Kong, Australia and Singapore was approximately 10.6, 5.5 and 2.5 years, respectively.

IFA/brokerage distribution may become increasingly important in the AIA Group's more developed markets, to the extent that sophisticated customers, particularly high net worth individuals, seek independent advice from advisers. For this reason, the AIA Group has established a dedicated team of channel specialists at the AIA Group level to drive its "partnership model" to develop sustainable long-term and productive relationships in its existing markets. The establishment of a robust platform is designed to position it to expand this channel presence into new markets as prevailing conditions and regulations allow.

PRIMARY OPERATING UNITS

The AIA Group has local operating units in 15 geographical markets which gives it a broad geographic footprint in the Asia Pacific region and access to both high growth emerging markets and more developed markets like Hong Kong, Singapore and Malaysia. The AIA Group classifies Hong Kong, Korea, Thailand, Singapore, China and Malaysia as its Key Geographical Markets, and the Philippines, Australia, Indonesia, Vietnam, Taiwan, New Zealand, India, Macau and Brunei, taken together, as its Other Geographical Markets.

Key geographical markets

Hong Kong

The AIA Group began conducting business in Hong Kong in 1931 when AIA Co established a branch in Hong Kong. The AIA Group has maintained a presence in Hong Kong for over 70 years, except for limited interruptions. Hong Kong is the location of the AIA Group's head office. The AIA Group occupied the leading position in the Hong Kong life insurance market with a reported 14.6% market share of total premiums (excluding certain retirement scheme-related group business classes) in 2008, based on data published by the OCI. AIA Hong Kong served more than 1 million individual customers as of 30 November 2009.

AIA Hong Kong maintains a multi-channel distribution network. Its primary distribution channel is its agency force. Based on data published by the Hong Kong Federation of Insurers, AIA Hong Kong had the largest agency force in the Hong Kong life insurance market with approximately 7,800 agents, which represents more than 25% of the total individual agents in the market as of 30 November 2009. AIA Hong Kong's agency force is characterised by both its stability (more than 2,500 agents had over 10 years of service with AIA Hong Kong as of 31 July 2009) and its professionalism and productivity (more than 660 agents, the highest number in the Hong Kong market, were MDRT members as of August 2009). Through its IFA/brokerage distribution channel, AIA Hong Kong has partnered with approximately 480 broker firms and established approximately 40 significant business relationships as of 30 November 2009.

Thailand

The AIA Group began conducting business in Thailand in 1938 when AIA Co established a branch there. AIA Co was one of the first international life insurance companies to operate in Thailand. The AIA Group occupied the leading position in Thailand's life insurance market with a reported 37.5% market share of total premiums in 2008, based on data published by the Thai Life Assurance Association. AIA Thailand had the largest number (approximately 6.4 million based on data published by the Thai Life Assurance Association) of in-force insurance policies for life and personal accident products among life insurance companies operating in the country as of 31 December 2008.

The cornerstone of AIA Thailand's distribution strategy is its large network of approximately 80,780 agents as of 30 November 2009. This distribution channel has historically accounted for a high proportion of AIA Thailand's business. In addition, AIA Thailand had 7 bancassurance relationships, giving it access to more than 1,300 bank branches, as of 30 November 2009. AIA Thailand also had approximately 8 active direct marketing relationships as of 30 November 2009.

Singapore

The AIA Group began conducting business in Singapore in 1931 when AIA Co established a branch in Singapore. It has maintained a presence in Singapore for nearly 80 years, except for limited interruptions, and was one of the first international insurers to operate in the country. The AIA Group occupied the leading position in Singapore's life insurance market with a reported 20.2% market share of total premiums in 2008, based on data published by the Monetary Authority of

Singapore. AIA Singapore served more than 900,000 individual customers as of 30 November 2009, which represents approximately 25% of Singapore's residents (calculated as at 28 September 2009).

AIA Singapore's agency channel has historically been the major contributor to AIA Singapore's sales production, although bancassurance is a growing distribution channel. AIA Singapore had approximately 3,760 agents as of 30 November 2009. AIA Singapore had approximately 4 bancassurance relationships as of 30 November 2009. Among other purposes, AIA Singapore's bancassurance channel is used to access Singapore's high net worth customer segment and to distribute investment products.

Malaysia

The AIA Group began conducting business in Malaysia in 1934 as a branch of AIA Co. In 2008, its Malaysian branch operations were converted to a locally incorporated company. In 2008, AIA Malaysia became the first life insurance company in Malaysia to receive an international Takaful operator licence, and is one of few life insurance companies in Malaysia offering Takaful products in international currencies. AIA Takaful International Bhd was then formed to focus on foreign currency denominated Takaful insurance and re-Takaful business. The AIA Group occupied the third position in Malaysia's life insurance market with a reported 13.3% market share of premiums in 2008, based on data published by the Life Insurance Association of Malaysia. AIA Malaysia had an in-force book of business in excess of 2 million policies as of 30 November 2009.

A number of channels within AIA Malaysia's multi-channel distribution network contribute to its sales, with its agency force constituting the majority of sales production. AIA Malaysia had the second largest agency force in the Malaysian life insurance market with approximately 10,710 agents as of 30 November 2009, based on data published by the Life Insurance Association of Malaysia. AIA Malaysia had approximately 6 bancassurance relationships as of 30 November 2009. AIA Malaysia's growing direct marketing distribution channel had over 20 direct marketing relationships as of 30 June 2009.

China

The AIA Group returned to the PRC in 1992 when it opened a branch in Shanghai, but the AIA Group has roots in China dating back to 1919. AIA China currently operates in 2 provinces (Guangdong and Jiangsu) and 3 cities (Shanghai, Beijing and Shenzhen), representing a population of more than 200 million people. AIA China was the first foreign life insurance company to be licensed to operate in China.

The AIA Group occupied the leading market position among foreign life insurance companies, with approximately a 21% market share of total premiums earned by foreign life insurance companies in 2008, based on data published by the China Insurance Regulatory Commission ("CIRC"). The AIA Group had a reported 1.0% market share of life insurance premiums earned by both domestic and foreign life insurance companies in 2008, based on data published by the CIRC.

AIA China maintains a multi-channel distribution network. Agency is the core distribution channel and AIA China had approximately 25,840 agents as of 30 November 2009. AIA China has a growing presence in both bancassurance and the direct marketing channels. AIA China had approximately 17 bancassurance relationships, which provided it with access to more than 1,100 bank branches, as of 30 November 2009. AIA China's direct marketing channel is supported by a sales force of approximately 460 telesales representatives as of 30 November 2009.

Korea

AIA Korea commenced operations in 1987, initially as a branch of ALICO. AIA Korea was reorganised as a branch of AIA-B in 1997, although ALICO continued to have some management and reporting oversight over AIA Korea through 2008. In 2000, AIA Korea began operating under the name "AIG Life Korea". In May 2009, AIA Korea initiated a re-branding campaign and currently operates under the name "AIA Life". The AIA Group occupied the third position among foreign life insurance companies (excluding those operating through joint venture arrangements), with an approximate 16.6% market share of total premiums earned by foreign life insurance companies for the year ended 31 March 2009, based on data published by the Korea Life Insurance Association. The AIA Group had a reported 3.5% market share of life insurance premiums earned by both domestic and foreign life insurance companies in 2008, based on data published by the Korea Life Insurance Association. AIA Korea served more than two million individual customers and had approximately 3.1 million in-force policies as of 30 November 2009.

A number of channels within AIA Korea's multi-channel distribution network contribute to its sales. AIA Korea's agency force had approximately 4,370 agents as of 30 November 2009, and is one of the most productive agency forces in the AIA Group, with first year premiums of approximately 111 million Korean Won per agent in 2008. In the direct marketing distribution channel, AIA Korea has 15 dedicated call centres and total staff of approximately 620 telemarketers as of 30 November 2009. In September 2006, AIA Korea launched hybrid marketing, a distribution channel that relies on a phased sales approach consisting of telephone marketing followed by face-to-face meetings. This channel had more than 450 master planners (i.e. personnel that work in the hybrid marketing channel) as of 30 November 2009 and is an important distribution channel for AIA Korea. Bancassurance is also an important distribution channel, and AIA Korea had bancassurance relationships with approximately 17 banks and 7 securities companies as of 30 November 2009.

Other geographical markets

Philippines

Philamlife was formed in 1947 and is one of only three life insurers in the Philippines with a composite insurer's licence. Philamlife recently joined the AIA Group. Philamlife occupied the leading position in the Philippines' life insurance market with approximately a 24% market share of total premiums (as classified by the Philippine Insurance Commission) in 2008, based on data published by the Philippine Insurance Commission. Philamlife served more than one million individual customers and corporate clients as of 31 December 2008.

Philam Asset Management, Inc. ("PAMI"), established in 1992, provides asset management services. PAMI had more than US$330 million assets under management, representing approximately 23%, or the second highest amount, of assets under management in the Philippines' asset management industry as of October 2009, based on data published by the Investment Company Association of the Philippines. PAMI leverages the distribution platform of Philamlife to distribute its broad line of investment products, including 6 PAMI-managed mutual funds.

Philamlife's agency force and bancassurance relationships constitute the majority of Philamlife's sales production. Philamlife had the largest agency force in the Philippines' life insurance market with approximately 5,920 agents as of 30 November 2009. Philamlife entered into a strategic exclusive bancassurance joint venture in the second half of 2009 with BPI, as part of which Philamlife acquired a 51% stake in Ayala Life Assurance Inc. (subsequently re-named BPI-Philam Life Assurance Corporation), the life insurance subsidiary of BPI and entered into a bancassurance distribution agreement with BPI. The total consideration payable by Philamlife was US$39 million. This amount is subject to purchase price adjustment, estimated to be US$7 million, based on the final adjusted net worth of Ayala Life as at the date of acquisition. Among other things, this strategic bancassurance joint venture provides Philamlife with access to BPI's network of over 750 bank branches.

Australia

AIA Australia, a wholly-owned subsidiary of AIA Co, was formed in 1970 and registered under relevant Australian life insurance legislation in 1972. AIA Australia has historically operated under the "AIA" brand, although from 2004 to June 2009 it operated under the "AIG" and related brands. In June 2009, AIA Australia re-branded back to the "AIA" brand.

Based on data published by Plan for Life, AIA Australia occupied (i) the sixth position in Australia's life risk insurance segment, with a reported 8.4% market share of total premiums in the 12 months ended 30 June 2009; (ii) the second position in Australia's life risk insurance segment in terms of total new sales, with a reported 14.7% market share in the 12 months ended 30 June 2009; and (iii) the leading position in the group life risk insurance segment, with a reported 20.0% market share of total premiums in the 12 months ended 30 June 2009.

The life risk group insurance channel and IFA channel have historically been the most important to AIA Australia's sales production. AIA Australia's life risk group insurance channel distributes products through its approximately 20 contracts with regulated superannuation funds. AIA Australia had more than 2,200 IFA relationships as of 30 November 2009. AIA Australia served approximately 1.8 million customers as of 30 November 2009.

Indonesia

The AIA Group entered Indonesia in 1984 via a joint venture, PT Asuransi AIA Indonesia. In order to simplify its operations in Indonesia and enable the AIA Group to focus on running one core, wholly-owned multi-channel life insurer under the AIA brand in Indonesia, the AIA Group exited this joint venture by selling its 60% interest to its joint venture partner on 22 October 2009. The AIA Group's current business in Indonesia is not related to its former joint venture and operates through PT AIA Financial. AIA Indonesia was granted a Shariah life insurance licence in August 2009. AIA Indonesia occupied third position in Indonesia's life insurance market with a reported approximate 12.6% market share of premiums (as classified by the Indonesian Life Insurance Association) in 2008, based on data published by the Indonesian Life Insurance Association.

AIA Indonesia maintains a multi-channel distribution network. AIA Indonesia had approximately 10,760 agents as at 30 November 2009 and approximately 8 bancassurance relationships that provided it with access to over 1,000 bank branches as of 30 November 2009. AIA Indonesia served approximately 600,000 in-force policies as of 30 November 2009. AIA Indonesia also utilises direct marketing and group distribution channels.

Taiwan

The AIA Group's branch in Taiwan commenced business in 1990. On 1 June 2009, AIA-B acquired the business of the Taiwan branch of ALICO and changed the legal name of that business to American International Assurance Company (Bermuda) Limited — Taiwan Branch. AIA Taiwan served more than 110,000 individual customers as of 30 November 2009.

AIA Taiwan's multi-channel distribution network consists of bancassurance, direct marketing and broad marketing, a channel that utilises mass marketing through television, newspapers and magazines. AIA Taiwan had 7 bancassurance relationships as of 30 November 2009 and, as of 31 October 2009, employed more than 200 direct marketers in charge of selling its products by phone.

Vietnam

AIA Vietnam, a wholly-owned subsidiary of AIA-B, was formed in 2000 and was one of the first foreign-owned life insurers to operate in the country. AIA Vietnam has historically operated under the "AIA" brand, although during a limited period between August 2008 and June 2009 it operated under the "AIG" brand. In June 2009, AIA Vietnam re-branded back to the "AIA" brand. AIA Vietnam occupied the fourth position in Vietnam's life insurance market with a reported 6.7% market share of total premiums in the 12 months ended 31 December 2009, based on data published by the Association of Vietnamese Insurers. AIA Vietnam had approximately 230,000 in-force policies as of 30 November 2009.

AIA Vietnam's agency channel has historically dominated its sales production. AIA Vietnam had the third largest individual agency force in the Vietnamese life insurance market with approximately 11,790 agents as of 30 September 2009, based on data published by the Association of Vietnamese Insurers. AIA Vietnam is focused on building multi-channel distribution capabilities and has entered into distribution agreements with 4 bank partners.

New Zealand

AIA New Zealand commenced business in 1981, initially as a branch of ALICO. Between 1993 and 1996, the business was transferred to AIA-B and began doing business under the "AIA New Zealand" brand. AIA New Zealand occupied the sixth position in New Zealand's life insurance market with a reported 6.2% market share of total premiums as of 30 June 2009, based on data published by the Investment Savings and Insurance Association of New Zealand. AIA New Zealand served more than 48,000 individual customers and corporate clients as of 30 November 2009. AIA New Zealand actively participates in the group insurance market.

AIA New Zealand's IFA channel has historically dominated AIA New Zealand's sales production. AIA New Zealand had over 2,500 IFA relationships as of 30 November 2009. This distribution channel has been supplemented by a modest bancassurance channel.

Macau

AIA Macau began its business in 1982. AIA Macau is managed and supported by AIA Hong Kong and is a branch of AIA-B. AIA Macau occupied the leading position in Macau's life insurance market with a reported 36.1% market share of premiums (as classified by the Monetary Authority of Macau) in 2008, based on data published by the Monetary Authority of Macau.

AIA Macau had the largest agency force in the Macau life insurance market with more than 800 agents, representing over 35% of the total individual agents in the market as of 31 October 2009, based on data published by the Monetary Authority of Macau.

Brunei

AIA Brunei was registered for business in 1957, and the AIA Group was one of the first international life insurance companies to operate in the country. AIA Brunei is managed and supported by AIA Singapore and is a branch of AIA Co. The AIA Group occupied the leading position in Brunei's life insurance market with an estimated 70% market share of the life insurance market (excluding life Takaful products) as at October 2009, based on data published by Axco Insurance Information Services.

AIA Brunei's main distribution channel is its network of an estimated 190 agents as of 30 November 2009. Bancassurance is a growing distribution channel for AIA Brunei, and it currently has 3 distribution relationships with major financial institutions.

AIA Pension

AIA-PT was formed in 1992 and AIA-T was formed in 1987. AIA-PT and AIA-T serve as trustees of a multi-investment manager pension platform offering more than 50 constituent funds under Hong Kong's ORSO with respect to voluntary corporate pensions and Mandatory Provident Funds Scheme Ordinance with respect to defined contribution plans. AIA Pension also acts as the trustee of other collective investment schemes. AIA Pension strives to provide a comprehensive investment platform to satisfy the spectrum of individual member's risk appetites as well as investment management needs.

There are approximately 19 approved trustees in the mandatory provident fund market and AIA Pension (together with JF Asset Management, with which it formed a strategic alliance in 1999) occupied third position in the mandatory provident fund market with approximately a 10.1% market share of assets under management as of 30 June 2009, based on the Gadbury Group Limited report on MPF Market Shares and Estimated New Fund Inflows in the Mandatory Provident Fund System, Hong Kong. As of 30 November 2009, AIA Pension had a combined US$6.6 billion of assets under management for its pension management business that covered more than 1.1 million members of its approximately 38,000 ORSO and mandatory provident fund clients. AIA Pension's products are distributed across a range of distribution channels, including registered mandatory provident fund intermediaries in AIA Hong Kong's tied agency force and brokers, IFAs, consultants and bank partners.

Joint ventures

India

The AIA Group commenced operations in India in 2001 through a joint venture established with Tata Sons Limited under the name Tata AIG Life Insurance Company Limited. The AIA Group has a 26% equity interest in AIA India.

It is currently intended that the AIA Group's equity interest in AIA India will be disposed of at fair-market value either before or around the time of completion of the Acquisition.

INVESTMENTS

The carrying value of AIA total investment portfolio was US$77 billion as of 30 November 2009, of which policyholder and shareholder investments (i.e. excluding investment-linked investments) ("Policyholder and Shareholder Investments") represented 82% and investments related to investment-linked and pension business ("Investment-linked Investments") represented 18% of AIA total investment portfolio. Investment return associated with investment-linked, including pension products, is generally passed through to policyholders. The AIA Group's investments and investment management functions are key aspects of the AIA Group's business and can create significant value for the AIA Group's customers and shareholders. The AIA Group's financial strength and ability to profitably underwrite insurance business depends significantly on the quality and performance of its investment portfolios. The AIA Group invests the premiums and other income generated from its insurance business with an objective of meeting the future liabilities associated with the insurance products that it underwrites, as well as to generate desired return for its business. The AIA Group's success in investment management contributes to the competitiveness of its products, its financial strength and business reputation.

The AIA Group's long-standing culture of disciplined investing, active management of investments and risk management have enabled it to maintain financial stability through many varied business and economic cycles, including the global economic downturn. The AIA Group has the investment expertise with which to manage its portfolios across its geographical markets. During the period of significant volatility and uncertainty which affected the markets in the second half of calendar year 2008 and the earlier part of calendar year 2009, the AIA Group preserved its capital and the value of its investments by reducing its exposure to riskier assets and increasing its fixed income investment allocation and cash balances.

Investment objectives and processes

Policyholder and shareholder investments

For the AIA Group's Policyholder and Shareholder Investments, the primary investment principle is to achieve optimal levels of risk-adjusted return for policyholders and shareholders over the long-term while: (i) preserving capital; (ii) maintaining adequate solvency and liquidity levels; (iii) remaining in line with risk management and asset-liability management objectives; and

(iv) ensuring full compliance with applicable regulations and internal policies. The AIA Group's investment objective is to produce stable and consistent income and returns, mainly through investments in long duration fixed income instruments. The AIA Group also invests a portion of its portfolio in other asset classes, such as public equities, private equities and real estate, to generate higher returns.

To meet these objectives, the AIA Group has established a structured investment management framework including: (i) a liability-driven strategic asset allocation ("SAA") benchmark designed to match its long-term liability requirements (i.e. one to five year horizon); (ii) a market-driven tactical asset allocation ("TAA") overlay designed to reduce risk and benefit from market opportunities in the near term; and (iii) a combination of internal and external investment management for individual asset class management designed to create value from optimising the mix of managers.

Investment-linked investments

AIA investment-linked products are insurance products where the surrender value of the policy is linked to the value of underlying investments (collective investment schemes, internal investment pools or other investment instruments). Investment return associated with the product is usually passed through to the policyholder. The AIA Group's pension business predominantly consists of employer-sponsored defined-contribution arrangements. Employers use the AIA Group as their service provider and either select specific funds for investment or allow participating employees to choose their own funds. The AIA Group's pension business provides fund analysis, risk profiling and prevailing market condition outlooks to policyholders from chosen third party fund managers.

Investment management

The AIA Group manages its investment portfolio using a combination of internal and external managers. The AIA Group's Policyholder and Shareholder Investments are primarily managed internally, while Investment-linked Investments are primarily managed by third parties.

Historically, AIG Global Investment Corporation was the AIA Group's primary investment manager for certain fixed income, equity and real estate investments, providing both back office and front office functions. On 29 March 2010, AIG announced that AIGGIC (A) and certain of its affiliates had been sold to Bridge Partners, L.P., an affiliate of the Pacific Century Group. That business is now known as PineBridge Investments Asia Limited ("PineBridge"). AIG retained certain portions of the business through its subsidiary, AIG Asset Management (Asia) Limited ("AIG-AMG"). Certain front and back office services will continue to be provided to the AIA Group by PineBridge and AIG-AMG. PineBridge managed approximately 15% of AIA total investment portfolio as of 30 November 2009 relating to fixed income securities, public equities and private equities. AIG-AMG managed approximately 11% of AIA total investment portfolio as of 30 November 2009 primarily relating to non-Asian fixed income securities.

To ensure the quality of third party funds underlying AIA investment-linked products, the AIA Group has in place a set of quantitative and qualitative criteria that enables it to select as well as monitor the underlying investment fund on an ongoing basis. Other geographical markets where AIA investment-linked products are sold may adopt a different selection and monitoring framework due to specific local regulatory requirements and varied degree of product maturity.

The AIA Group's pension platform offers a wide range of funds managed by third parties where valuations are tied to the price of the unit of the underlying fund. The selection of asset management companies and their underlying funds is subject to a rigorous selection process and is reviewed in comparison to established benchmarks and relevant peer groups. The AIA Group puts underperforming funds on a closely monitored watch list and replaces those that do not demonstrate clear signs of improvement.

Investment portfolio

Overview

The AIA Group manages its financial investments in two distinct categories: Investment-linked Investments and Policyholder and Shareholder Investments. The investment risk in respect of Investment-linked Investments is generally borne by customers. Furthermore, investment-linked contract holders are responsible for allocation of their policy values among investment options offered by the AIA Group. Policyholder and Shareholder Investments include all financial investments other than Investment-linked Investments. The investment risk in respect of Policyholder and Shareholder Investments is partially or wholly borne by the AIA Group.

The AIA Group's investment portfolio consists of two principal asset classes: (i) fixed income securities and (ii) equity securities and alternative investments. The following table sets forth the carrying value of the AIA Group's principal asset classes in its investment portfolio as of the dates indicated:

	As of 30 November 2007				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Fixed income securities	49,184	82	2,202	17	51,386
Equity securities and alternative investments	10,557	18	11,040	83	21,597
Total	**59,741**	**100**	**13,242**	**100**	**72,983**

	As of 30 November 2008				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Fixed income securities	46,845	91	2,691	32	49,536
Equity securities and alternative investments	4,475	9	5,682	68	10,157
Total	**51,320**	**100**	**8,373**	**100**	**59,693**

	As of 30 November 2009				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Fixed income securities	56,640	89	2,598	19	59,238
Equity securities and alternative investments	6,690	11	11,080	81	17,770
Total	**63,330**	**100**	**13,678**	**100**	**77,008**

The AIA Group generally allocates a large proportion of its investment portfolio to fixed income securities, which represented 82%, 91% and 89% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009, respectively. Equity securities and alternative investments, which totalled 18%, 9% and 11% of the carrying value of total Policyholder and Shareholder Investments as of 30 November, 2007, 2008 and 2009, respectively, declined in FY 2008 primarily as a result of the AIA Group de-risking its investment portfolio as a result of the global economic downturn and the AIG Events as well as the decline in fair value of AIG shares, which made up approximately 25% of its total equity portfolio as of 30 November 2007.

Fixed income investment portfolio

The following table sets forth the carrying value of the subcategories of fixed income securities in the AIA Group's investment portfolio as of the dates indicated.

	As of 30 November 2007				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Debt securities:					
Government bonds	15,811	26	286	2	16,097
Government agency bonds	6,862	12	164	1	7,026
Corporate bonds	18,210	31	1,020	8	19,230
Structured securities	2,033	3	18	—	2,051
Subtotal	42,916	72	1,488	11	44,404
Loans:					
Policy loans	1,327	2	—	—	1,327
Mortgage loans on residential real estate	609	1	—	—	609
Mortgage loans on commercial real estate	112	—	—	—	112
Inter-company loans to fellow subsidiaries of AIG	1,589	3	—	—	1,589
Other loans	120	—	62	—	182
Allowance for loan losses	(15)	—	—	—	(15)
Subtotal	3,742	6	62	—	3,804
Term deposits	557	1	38	—	595
Cash and cash equivalents	1,969	3	614	5	2,583
Total fixed income securities	**49,184**	**82**	**2,202**	**16**	**51,386**

	As of 30 November 2008				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Debt securities:					
Government bonds	14,663	29	261	3	14,924
Government agency bonds	7,295	14	220	3	7,515
Corporate bonds	17,956	35	971	12	18,927
Structured securities	942	2	15	—	957
Subtotal	40,856	80	1,467	18	42,323
Loans:					
Policy loans	1,437	3	—	—	1,437
Mortgage loans on residential real estate	587	1	—	—	587
Mortgage loans on commercial real estate	105	—	—	—	105
Inter-company loans to fellow subsidiaries of AIG	29	—	—	—	29
Other loans	182	—	60	—	242
Allowance for loan losses	(7)	—	—	—	(7)
Subtotal	2,333	5	60	—	2,393
Term deposits	608	1	48	1	656
Cash and cash equivalents	3,048	6	1,116	13	4,164
Total fixed income securities	**46,845**	**91**	**2,691**	**32**	**49,536**

	As of 30 November 2009				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Debt securities:					
Government bonds	17,690	28	280	2	17,970
Government agency bonds	7,641	12	256	2	7,897
Corporate bonds	24,147	38	1,170	9	25,317
Structured securities	997	2	20	—	1,017
Subtotal	50,475	80	1,726	13	52,201
Loans:					
Policy loans	1,644	3	—	—	1,644
Mortgage loans on residential real estate	527	1	—	—	527
Mortgage loans on commercial real estate	48	—	—	—	48
Inter-company loans to fellow subsidiaries of AIG	87	—	—	—	87
Other loans	371	1	75	1	446
Allowance for loan losses	(12)	—	—	—	(12)
Subtotal	2,665	4	75	1	2,740
Term deposits	859	1	33	—	892
Cash and cash equivalents	2,641	4	764	6	3,405
Total fixed income securities	**56,640**	**89**	**2,598**	**19**	**59,238**

Debt securities constitute the largest asset class in the AIA Group's Policyholder and Shareholder Investments, representing 72%, 80% and 80% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009, respectively. The remaining asset classes within the fixed income investments portion of the AIA Group's investment portfolio include loans, term deposits and cash and cash equivalents.

A large proportion of the AIA Group's investments in debt securities are in the form of government bonds and government agency bonds. Government agency bonds comprise bonds issued by government-sponsored institutions such as state owned enterprises, provincial and municipal authorities and supranational financial institutions, such as the Asian Development Bank. This allocation is driven primarily by asset-liability and capital management purposes as these assets tend to be capital efficient and provide longer maturities to enable the AIA Group to better match its liability profiles. The AIA Group maintains currency matching between assets and liabilities to the extent appropriate. The AIA Group also holds a large portfolio of corporate bonds, comprising 31%, 35% and 38% of carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009, respectively. The AIA Group's corporate bond investments are primarily investment grade issues in their respective geographical markets and generally offer yield enhancement as compared to government bonds, and also provide duration matching for the AIA Group's liabilities.

In conducting its credit risk assessment of potential investment opportunities, the AIA Group uses an internal risk rating system which is conceptually similar to systems used by external credit rating agencies, such as Moody's and S&P.

A portion of the AIA Group's investment in fixed income securities is composed of government agency bonds, corporate bonds and structured securities that are below investment grade or not rated by international credit rating agencies. These investments principally consist of:

- Government and government agency bonds whose ratings are capped by the sovereign debt rating ceiling issued by rating agencies and the AIA Group's internal rating system.
- Bonds and structured notes issued by infrequent issuers in local markets that do not seek credit ratings from international credit rating agencies.
- Bonds that were rated investment grade at time of purchase but have been subsequently downgraded. The AIA Group reassesses its holding of such securities upon a downgrade.
- Certain below investment grade or non-rated emerging market bonds that offer yield enhancement opportunities.

Below investment grade or non-rated securities typically carry risks. Complementing the AIA Group's investment framework described above in "Investment objectives and process" and the tools used in connection with its investment process, such as its internal risk rating system, certain aspects of its risk management framework help it to manage the risks associated with such investments.

Government bonds

Government bonds constituted 26%, 29% and 28% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009, respectively.

The following tables show the breakdown of government bonds issued in local and foreign currency by country. In order to diversify investment risk, the AIA Group maintains a portfolio of foreign currency denominated government bonds from a diverse range of countries outside its geographical markets which are set forth below, including a small portfolio of emerging markets debt securities.

	As of 30 November 2007					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)					
Government bonds — issued by governments in their local currency						
Singapore	AAA	1,846	14	51	24	1,897
Thailand	A	5,826	44	—	—	5,826
Philippines	BB	1,200	9	30	14	1,230
Malaysia	A	1,374	10	1	—	1,375
China	A	895	7	30	14	925
Indonesia	BB	514	4	86	40	600
Korea	A	1,399	10	16	8	1,415
Other		313	2	—	—	313
Total		13,367	100	214	100	13,581

	As of 30 November 2008					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)				
Government bonds — issued by governments in their local currency						
Singapore	AAA	1,713	13	69	32	1,782
Thailand	A	6,377	50	—	—	6,377
Philippines	BB	862	7	12	5	874
Malaysia	A	1,482	12	3	1	1,485
China	A	967	7	70	32	1,037
Indonesia	BB	315	2	59	27	374
Korea	A	857	7	6	3	863
Other		244	2	—	—	244
Total		**12,817**	**100**	**219**	**100**	**13,036**

	As of 30 November 2009					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)				
Government bonds — issued by governments in their local currency						
Singapore	AAA	2,255	15	70	33	2,325
Thailand	A	7,374	48	—	—	7,374
Philippines	BB	1,309	8	22	10	1,331
Malaysia	A	1,149	7	1	—	1,150
China	A	1,107	7	3	1	1,110
Indonesia	BB	494	3	115	54	609
Korea	A	1,539	10	4	2	1,543
Other		317	2	—	—	317
Total		**15,544**	**100**	**215**	**100**	**15,759**

	As of 30 November 2007					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)				
Government bonds — issued by governments in foreign currency						
Mexico	BBB	168	7	—	—	168
South Africa	BBB	103	4	1	1	104
Philippines	BB	632	26	39	54	671
Malaysia	A	307	12	1	1	308
Indonesia	BB	360	15	17	24	377
Korea	A	365	15	1	1	366
China	A	53	2	1	1	54
Other		456	19	12	17	468
Total		**2,444**	**100**	**72**	**100**	**2,516**

	As of 30 November 2008					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)				
Government bonds — issued by governments in foreign currency						
Mexico	BBB	167	9	3	7	170
South Africa	BBB	116	6	2	5	118
Philippines	BB	465	25	18	43	483
Malaysia	A	266	14	2	5	268
Indonesia	BB	252	14	5	12	257
Korea	A	67	4	2	5	69
China	A	59	3	2	5	61
Other		454	25	8	18	462
Total		**1,846**	**100**	**42**	**100**	**1,888**

	As of 30 November 2009					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)				
Government bonds — issued by governments in foreign currency						
Mexico	BBB	159	7	2	3	161
South Africa	BBB	166	8	2	3	168
Philippines	BB	761	36	46	71	807
Malaysia	A	88	4	1	2	89
Indonesia	BB	268	13	—	—	268
Korea	A	222	10	2	3	224
China	A	46	2	2	3	48
Other		436	20	10	15	446
Total		**2,146**	**100**	**65**	**100**	**2,211**

Government agency bonds

Government agency bonds constituted 12%, 14% and 12% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009, respectively. These securities are primarily issued by government-sponsored institutions largely in the geographical markets in which the AIA Group operates.

The following tables show the breakdown of the AIA Group's government agency bond holdings by credit rating. 97%, 96% and 95% of total government agency bonds were rated BBB or higher as of 30 November 2007, 2008 and 2009, respectively. The credit ratings of government agency bonds are capped at the ratings of the individual country, some of which are below investment grade (BB+ or below).

	As of 30 November 2007				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Government agency bonds:*					
AAA	1,336	20	31	19	1,367
AA	290	4	35	21	325
A	3,165	46	63	38	3,228
BBB	1,884	28	16	10	1,900
Below investment grade	85	1	3	2	88
Not rated	102	1	16	10	118
Total government agency bonds	**6,862**	**100**	**164**	**100**	**7,026**

	As of 30 November 2008				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Government agency bonds:*					
AAA	1,190	16	15	7	1,205
AA	395	5	65	30	460
A	3,069	42	100	45	3,169
BBB	2,377	33	6	3	2,383
Below investment grade	264	4	1	—	265
Not rated	—	—	33	15	33
Total government agency bonds	**7,295**	**100**	**220**	**100**	**7,515**

	As of 30 November 2009				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Government agency bonds:*					
AAA	1,236	16	64	25	1,300
AA	195	3	64	25	259
A	3,408	45	116	45	3,524
BBB	2,456	32	4	2	2,460
Below investment grade	346	4	—	—	346
Not rated	—	—	8	3	8
Total government agency bonds	**7,641**	**100**	**256**	**100**	**7,897**

* *For ease of reference, the AIA Group uses S&P ratings where available. For securities where S&P ratings are not immediately available, it uses Moody's ratings as an alternative. Where S&P and Moody's ratings are not readily available, the AIA Group's internal rating methodology is used. The following conventions have been adopted to conform with the various ratings.*

Reported Above As:	S&P	Moody's	Internal Ratings
AAA	AAA	Aaa	1
AA	AA+ to AA−	Aa1 to Aa3−	2+ to 2−
A	A+ to A−	A1 to A3	3+ to 3−
BBB	BBB+ to BBB−	Baa1 to Baa3	4+ to 4−
Below investment grade	BB+ and below	Ba1 and below	5+ and below

Corporate bonds

Corporate bonds constituted 31%, 35% and 38% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009, respectively. In each of the AIA Group's geographical markets, its corporate bond investments include both local and foreign currency denominated bonds. The AIA Group invests in US dollar denominated bonds primarily to match the US dollar liabilities of certain operating units, such as AIA Hong Kong, and to enhance yields of investment portfolios of certain operating units, such as AIA Singapore and AIA Thailand, where the supply of corporate debt in the local geographical markets in which they operate is limited. AIA Singapore and AIA Thailand use currency swaps and foreign exchange forwards to hedge the US dollar exposure under their US dollar bond investments.

AIA Group's corporate bond investments are diversified across markets, industries and issuers or obligors. During FY 2008 and 2009, it recognised impairment losses of US$67 million and US$3 million, respectively, relating to bonds issued by Lehman Brothers. Sale of the defaulted bonds in 2009 resulted in a gain of US$19 million in 2009.

The table below shows the carrying value of the AIA Group's corporate bonds invested in various industries as of the dates indicated.

	As of 30 November					
	2007		2008		2009	
	Policyholder and Shareholder Investments	%	Policyholder and Shareholder Investments	%	Policyholder and Shareholder Investments	%
	(in US$ millions)					
Banks	5,470	30	6,090	34	6,864	28
Oil and Gas	1,859	10	2,168	12	3,089	13
Telecommunications	2,496	14	1,730	10	2,293	9
Diversified Financial Services	1,950	11	1,601	9	2,079	9
Electricity Power and Gas	1,288	7	1,329	7	2,359	10
Conglomerates	635	3	696	4	924	4
Real Estate	514	3	556	3	760	3
Insurance	580	3	440	3	543	2
Transport Marine	407	2	358	2	612	3
Mining	149	1	232	1	257	1
Others	2,862	16	2,756	15	4,367	18
Total	**18,210**	**100**	**17,956**	**100**	**24,147**	**100**

The banking sector represented the AIA Group's largest sector exposure in its Policyholder and Shareholder Investments corporate bond portfolio as of 30 November 2009, which includes bank hybrid capital securities. Bank hybrid capital securities generally provide better spreads as compared to senior debt securities, and also serve to enhance returns of the AIA Group's investment portfolio. A significant proportion of the AIA Group's holdings consists of securities issued by Asia Pacific banks and international banks whose business is largely focused on Asia.

The following tables show that 93%, 94% and 94% of total corporate bonds were rated BBB or higher as of 30 November 2007, 2008 and 2009, respectively.

	As of 30 November 2007				
	Shareholder and Policyholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Corporate bonds:*					
AAA	301	2	59	6	360
AA	3,496	19	281	28	3,777
A	8,096	44	292	28	8,388
BBB	5,064	28	200	20	5,264
Below investment grade	1,171	6	151	15	1,322
Not rated	82	1	37	3	119
Total corporate bonds	**18,210**	**100**	**1,020**	**100**	**19,230**

	As of 30 November 2008				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Corporate bonds:*					
AAA	225	1	78	8	303
AA	3,271	18	298	30	3,569
A	7,981	44	292	30	8,273
BBB	5,397	30	211	22	5,608
Below investment grade	997	6	45	5	1,042
Not rated	85	1	47	5	132
Total corporate bonds	**17,956**	**100**	**971**	**100**	**18,927**

	As of 30 November 2009				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Corporate bonds:*					
AAA	533	2	34	3	567
AA	3,233	13	253	22	3,486
A	11,297	47	454	39	11,751
BBB	7,730	32	198	17	7,928
Below investment grade	1,106	5	41	3	1,147
Not rated	248	1	190	16	438
Total corporate bonds	**24,147**	**100**	**1,170**	**100**	**25,317**

* *For ease of reference, the AIA Group uses S&P ratings where available. For securities where S&P ratings are not immediately available, it uses Moody's ratings as an alternative. Where S&P and Moody's ratings are not readily available, the AIA Group's internal rating methodology is used. The following conventions have been adopted to conform with the various ratings.*

Reported Above As:	S&P	Moody's	Internal Ratings
AAA	AAA	Aaa	1
AA	AA+ to AA−	Aa1 to Aa3−	2+ to 2−
A	A+ to A−	A1 to A3	3+ to 3−
BBB	BBB+ to BBB−	Baa1 to Baa3	4+ to 4−
Below investment grade	BB+ and below	Ba1 and below	5+ and below

Structured securities

The AIA Group's fixed income investment asset class also includes structured securities, which consist of asset-backed securities, mortgage-backed securities and collateralised debt obligations, constituting 3%, 2% and 2% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009, respectively. Structured securities issued by Asia Pacific entities represented 30%, 38% and 75% of the total carrying value of structured securities as of 30 November 2007, 2008 and 2009, respectively.

During 2008 and 2009, the AIA Group recognised impairment losses of US$52 million and US$9 million respectively relating to collateralised debt obligations.

The following tables show that 94%, 89% and 84% of the AIA Group's total structured securities were rated BBB or higher as of 30 November 2007, 2008 and 2009, respectively.

	As of 30 November 2007				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Structured securities:*					
AAA	998	49	—	—	998
AA	268	13	—	—	268
A	440	22	—	—	440
BBB	220	11	3	17	223
Below investment grade	71	3	15	83	86
Not rated	36	2	—	—	36
Total structured securities	**2,033**	**100**	**18**	**100**	**2,051**

	As of 30 November 2008				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Structured securities:*					
AAA	479	51	—	—	479
AA	72	8	—	—	72
A	78	8	—	—	78
BBB	218	23	1	7	219
Below investment grade	95	10	14	93	109
Not rated	—	—	—	—	—
Total structured securities	**942**	**100**	**15**	**100**	**957**

	As of 30 November 2009				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Structured securities:*					
AAA	29	3	—	—	29
AA	—	—	—	—	—
A	463	46	—	—	463
BBB	357	36	5	25	362
Below investment grade	143	14	15	75	158
Not rated	5	1	—	—	5
Total structured securities	**997**	**100**	**20**	**100**	**1,017**

* *For ease of reference, the AIA Group uses S&P ratings where available. For securities where S&P ratings are not immediately available, it uses Moody's ratings as an alternative. Where S&P and Moody's ratings are not readily available, the AIA Group's internal rating methodology is used. The following conventions have been adopted to conform with the various ratings.*

Reported Above As:	S&P	Moody's	Internal Ratings
AAA	AAA	Aaa	1
AA	AA+ to AA−	Aa1 to Aa3−	2+ to 2−
A	A+ to A−	A1 to A3	3+ to 3−
BBB	BBB+ to BBB−	Baa1 to Baa3	4+ to 4−
Below investment grade	BB+ and below	Ba1 and below	5+ and below

Loans

The AIA Group extends loans to enhance yields on its fixed income investments asset class. Loans represented 6%, 5% and 4% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009, respectively. These loans principally consisted of policy loans, mortgage loans on residential and commercial real estate properties and intercompany loans to subsidiaries of AIG. The decrease in loans in FY 2008 is primarily due to the pay down of inter-company loans to subsidiaries of AIG.

The AIA Group follows lending policies that are based on a credit analysis process and underwriting guidelines that account for diverse factors, including market conditions, industry specific conditions, company cash flows and quality of collateral. It also has a monitoring programme in place whereby its credit teams review the status of the obligor on a regular basis to anticipate any credit issues. Policy loan amounts are restricted to the policy's cash surrender values and, as a result, the AIA Group is not exposed to credit risk on policy loans. The loss on residential mortgage loans and other loans was insignificant in each of FY 2007, 2008 and 2009.

Term deposits and cash and cash equivalents

The AIA Group's term deposits and cash and cash equivalents constituted 4%, 7% and 5% of the carrying value of total Policyholder and Shareholder Investments as of 30 November, 2007, 2008 and 2009, respectively. The increase in cash and cash equivalents in FY 2008 resulted from the AIA Group's de-risking of its investment portfolio as well as liquidity management initiative by shifting to cash, the results of operations and capital contributions from AIG.

Equity securities and alternative investments

The AIA Group allocates a portion of its investments to equity securities and alternative investments for yield-enhancement and risk-return optimisation purposes. A significant proportion of its equity securities are held to match AIA investment-linked products and products with participating features where investment returns are shared between it and policyholders. The asset allocation strategies used to match these products are generally consistent with the nature of the products.

In certain other Policyholder and Shareholder Investment portfolios that back other products and shareholder funds, the AIA Group invests in equity securities in order to enhance overall investment portfolio returns. These investments are subject to the SAA and TAA, which seeks to optimise risk and return on such portfolios.

The following table sets forth the carrying value of the subcategories of the AIA Group's equity securities and alternative investments in its investment portfolio as of the date indicated.

	As of 30 November 2007				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)			
Equity securities:					
Private equities	191	—	—	—	191
Public equities	4,255	7	2,268	17	6,523
Ordinary shares(1)	4,446	7	2,268	17	6,714
Securities held by consolidated mutual funds managed by AIG	1,154	2	1,558	12	2,712
Interests in investment funds:					
Private equity and alternative asset classes	288	—	—	—	288
Other	691	1	7,214	55	7,905
Subtotal	979	2	7,214	55	8,193
Shares in AIG	2,520	4	—	—	2,520
Equity securities - total	9,099	15	11,040	84	20,139
Investment property	1,458	2	—	—	1,458
Total equity securities and alternative investments	**10,557**	**17**	**11,040**	**84**	**21,597**

(1) Other than shares in AIG.

	As of 30 November 2008				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)			
Equity securities:					
Private equities	86	—	—	—	86
Public equities	1,619	3	1,211	15	2,830
Ordinary shares(1)	1,705	3	1,211	15	2,916
Securities held by consolidated mutual funds managed by AIG	728	1	805	10	1,533
Interests in investment funds:					
Private equity and alternative asset classes	287	1	—	—	287
Other	258	1	3,666	44	3,924
Subtotal	545	1	3,666	44	4,211
Shares in AIG	87	—	—	—	87
Equity securities - total	3,065	6	5,682	68	8,747
Investment property	1,410	3	—	—	1,410
Total equity securities and alternative investments	**4,475**	**9**	**5,682**	**68**	**10,157**

(1) Other than shares in AIG.

	As of 30 November 2009				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
			(in US$ millions)		
Equity securities:					
Private equities	69	—	—	—	69
Public equities	3,624	6	2,738	20	6,362
Ordinary shares(1)	3,693	6	2,738	20	6,431
Securities held by consolidated investment funds	661	1	1,333	10	1,994
Interests in investment funds:					
Private equity and alternative asset classes	151	—	—	—	151
Other	531	1	7,009	51	7,540
Subtotal	682	1	7,009	51	7,691
Shares in AIG	62	—	—	—	62
Subtotal	5,098	8	11,080	81	16,178
Investment property	1,592	3	—	—	1,592
Total equity and alternative investments	**6,690**	**11**	**11,080**	**81**	**17,770**

(1) Other than shares in AIG.

The AIA Group's equities and alternative investment portfolio includes investments in public equities, private equities and investment funds that may invest in public equities and other alternative asset classes. Its equities and alternative investment portfolio represented 17%, 9%

and 11% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009, respectively. The significant decrease in equities in FY 2008 was due to the implementation of the de-risking strategy and the reduction in the carrying value of AIG shares.

The AIA Group's portfolio of private equities is relatively small, constituting 0.2%, 0.2% and 0.1% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009, respectively. The AIA Group has made investments in private equity in high growth economies, such as China and India, and diverse sectors, including manufacturing, services, retail and infrastructure.

The AIA Group's investment funds portfolio represented 4%, 3% and 2% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009, respectively. The AIA Group owns a portfolio of investment properties used strictly for investment purposes. It also owns real estate for operational use but these are not reflected in its investment portfolio. The AIA Group's investment property portfolio had a net book value of US$1,458 million, US$1,410 million and US$1,592 million as of 30 November 2007, 2008 and 2009, respectively, excluding the carrying value of operating leases of leasehold land relating to long-term leaseholds.

Securities lending

AIG established a global securities lending programme in the late 1990s, in which AIA-B, AIA Hong Kong and AIA Brunei participated to enhance portfolio return. AIG Global Securities Lending (Ireland) Ltd acted as an agent for AIG subsidiaries in this programme. The operating units that participated in the programme lent AIA Group assets in exchange for cash as collateral from the borrowers of the assets. The cash collateral was then used to reinvest generally in securities which were rated as investment grade at the date of purchase. Due to the deterioration of market conditions and liquidity issues in the securities lending programme at AIG, the AIA Group began to restructure and wind down its participation in this programme, which was largely completed by 30 November 2009. For further information, see "Financial Information of the AIA Group — Significant events affecting FY 2009".

OPERATIONS

The AIA Group's operations unit focuses on processing new business and servicing policies and policyholders across the group.

Operations are currently structured as three separate departments, representing various functional responsibilities:

- Underwriting and New Business;
- Claims Management; and
- Customer Service.

As part of an ongoing strategic initiative to rationalise the AIA Group's infrastructure and achieve greater operational efficiencies, the operations unit is currently engaged in several key strategic initiatives, including increasing automation, reducing the amount of paper-based processing and increasing the internet-based self-service capability that the AIA Group can offer customers in developed markets.

For markets where operational costs are higher, the AIA Group has constructed a low-cost shared services centre in Malaysia. The centre provides information technology, human resources, finance and administration support services.

Underwriting and new business

The AIA Group's underwriting operations involve the evaluation of its insurance products by a professional staff of underwriters and actuaries who determine the type and the amount of risk that it is willing to accept. It also employs a certain level of automated rules-based systems in both medical and non-medical underwriting that is centrally managed by its regional AIA Group office. Underwriting is governed by detailed policies, guidelines and procedures to assist the AIA Group's underwriters to assess and quantify risks before issuing an insurance policy or contract to a qualified customer. The AIA Group's geographical reach also allows it to utilise its underwriting experience from more developed markets and apply it to developing markets with less historical underwriting data by sharing established best practice underwriting principles among markets.

The AIA Group's product pricing philosophy reflects its underwriting standards and is based on the expected payout of benefits, calculated through the use of assumptions for mortality, morbidity, AIA persistency, expenses and investment returns, as well as certain macroeconomic factors such as inflation. These assumptions include a margin for expected profitability and the possibility that actual experience deviates from anticipated experience, and are based on the AIA Group's own extensive experience and internal data as well as data published by external sources in each of the geographical markets in which it operates.

Claims management

Claims that the AIA Group receives on its products are processed and investigated by the claims team in each of the geographical markets in which the AIA Group operates. Major and unusual claims are elevated to senior assessors and sometimes will be referred to the regional group office. Claims policies, procedures and controls are determined by the regional group office.

The AIA Group manages claims management risk through organisational and computer systems controls. These organisational controls include pre-established procedures, guidelines and authorisation limits for various operating levels as well as periodic and *ad hoc* inspections of the local operating units in each of the geographical markets in which it operates. Routine quality assurance control is part of its standard operating procedure to ensure that claim assessment quality and accuracy are in line with its expected loss ratio.

Customer service and contact centre

The AIA Group seeks to provide quality services to its customers and potential customers and to be responsive to their needs, both before and after issuing a policy or contract, through an extensive customer service network. It delivers customer services primarily through its customer service units at each of its local operating units via its contact centres and offices, agency force, internet platform and telephone services based on guidelines established by group operations.

The AIA Group is a frequent recipient of various industry awards, including:

- Readers Digest Trust Brand Award for Insurance (Hong Kong 2004 - 2009; Singapore 2004 - 2009; Thailand 2004 - 2009; Malaysia 2006 - 2008); and
- Preferred Insurance Vendor of the Year 2008 - Singapore.

Reinsurance

The AIA Group reinsures a portion of the risk that it assumes under its insurance products to reduce its exposure to loss and protect its capital resources. In addition, it makes use of reinsurance to obtain product pricing expertise when entering new lines of business, products or markets. The AIA Group's reinsurance includes both arrangements with third party reinsurers not affiliated with it (i.e. external reinsurance) and arrangements between and among businesses entirely within the AIA Group (i.e. internal reinsurance). A central component of the AIA Group's reinsurance strategy is to use internal reinsurance where applicable local regulations allow. As a result of its history and scale, the AIA Group has accumulated a substantial volume of experience and data which assists in its reinsurance strategy. Where it does not have adequate data, such as when it insures a new type of risk, it may reinsure a substantial portion or all of such risk. As it develops experience data related to such new risk, it may gradually retain more of the risk and reduce the use of related external reinsurance over time.

When the AIA Group uses reinsurance, it cedes to a reinsurer a portion of the risk that it assumes under its insurance products in exchange for a portion of the premiums it receives with respect to these products.

The AIA Group's criteria for selecting third party reinsurers include financial strength, service, terms of coverage, claims settlement efficiency and price. It monitors the financial condition of its third party reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. To reduce reinsurance concentration risk, it has established reinsurance programmes with various international third party reinsurers and limits exposure to any one third party reinsurer. In some geographical markets in which it operates, local insurance regulations require it to use local third party reinsurers for a portion of its reinsurance. The AIA Group has clearly defined risk limits, tailored to its products and the geographical markets in which it operates, related to both internal and external reinsurance.

When the AIA Group uses internal reinsurance, one of its operating subsidiaries or branches cedes to another member of the group a portion of the risk that operating subsidiary or branch assumes under the AIA Group's insurance products. Under the AIA Group's internal reinsurance strategy, the member of the group that acts as reinsurer will typically obtain external reinsurance in order to cede to a third party reinsurer risk above certain defined risk limits.

Information technology

The AIA Group's information technology group plays a significant role in supporting its business growth and providing reliable service to its customers, agents and business partners. The AIA Group has adopted a shared services strategy and currently has 3 shared services centres to improve quality, service and cost-efficiency. The majority of its core application development and support is delivered through these shared services centres.

The AIA Group's systems include applications related to e-business processes, sales and management support, sales illustration, underwriting, imaging and workflow, policy administration, actuarial, financial management and analysis and human resources. The AIA Group is expanding its deployment of "straight through" process functions across the group to both expedite new business underwriting processes and significantly improve control, turnaround time and customer and business partner satisfaction. It is also in the process of implementing a uniform group-wide financial system with service providers through its financial transformation programme.

The AIA Group's digital strategy includes the expansion of self-service functions to provide additional convenience to customers, agents and business partners. The AIA Group is also expanding the usage of the internet and other digital platforms (e.g. cell phones, PDAs, etc.) to provide even more online functions.

To minimise the impact of a partial or complete failure of any of its information technology or communications systems, the AIA Group has implemented two programmes — the Business Continuity Plan and the Disaster Recovery Plan — which provide detailed processes and procedures to be applied in case of any such failure. In addition, it maintains a network of disaster recovery facilities designed to be activated in place of its primary facilities in case of failure and it has created a remote backup management system to limit potential losses of data resulting from system disruptions.

Employees

As of 30 November 2009, the AIA Group (excluding AIA India) had a total of approximately 15,500 employees. The following table shows an approximate breakdown of its employees by function as of 30 November 2009:

	Number of Employees	% of Total
Sales & Marketing	5,760	37
Claims / Customer Services	2,270	15
Finance and Accounting	1,650	11
Business Acquisition	1,440	9
General Services	1,170	8
Information Technology	1,020	6(1)
Actuarial / Product Development	440	3
Investment	350	2
Human Resources	290	2
Legal / Compliance / Internal Audit	170	1
Executive Management	170	1
Others	770	5
Total	**15,500**	**100**

(1) This figure has been rounded down — actual figure is 6.58%.

The AIA Group enters into employment agreements with individual employees covering matters such as salary, employee benefits, confidentiality obligations and termination of employment. It generally formulates its employees' compensation to include one or more elements such as salaries, allowances, bonuses, long-term incentives and benefits subject to applicable rules and regulations. The AIA Group's compensation programmes are designed to remunerate its employees based on their performance, roles and responsibilities, skills and competencies. The AIA Group also performs market benchmarking with respect to its compensation programmes.

Services provided to AIA

In addition to the ALICO reinsurance contract referenced at "— Group employee benefit reinsurance agreements with ALICO" in the "Connected transactions" section below, certain low value services (including management and back office services; insurance services (including an insurance marketing service); and reinsurance services) will be provided by the AIG Group to the AIA Group following completion of the Transactions. The majority of these services are provided on short or rolling one-year terms. In addition, certain IT services may also be provided by the AIG Group following completion of the Transactions if the planned transition to a third party provider does not occur on the envisaged timetable. Certain investment management/advisory services and insurance services are currently provided to the AIA Group by the AIG Group and the strategy in respect of these services following completion of the Transactions has not yet been determined.

INTELLECTUAL PROPERTY

Most of the AIA Group's branches and wholly-owned subsidiaries conduct their businesses primarily under the "AIA" brand name and its derivatives and variants, with the notable exception of the Philamlife business in the Philippines, which will continue to operate primarily under the "Philamlife" brand name. The AIA Group possesses an extensive portfolio of domain names and trade marks relating to its businesses in the geographical markets in which its subsidiaries and branches operate. However, until recently, certain of the AIA Group's branches and subsidiaries, including AIA Australia, AIA Indonesia, AIA Korea, AIA New Zealand, AIA Taiwan and AIA Vietnam, used primarily AIG derived trade marks in their businesses, and many of its businesses used AIG trade marks and domain names for certain products and purposes.

On 30 November 2009, AIG assigned and transferred to AIA Co substantially all of the trade marks and domain names owned by AIG that were used primarily in the businesses and operations of AIA Co and its subsidiaries, including without limitation, the AIA and AIA-related trade marks registered in its geographical markets. Around the same time, the AIA Group also rebranded certain of its subsidiaries' businesses and generally began to transition the AIA Group from the use of trade marks and domain names that incorporated the AIG trade marks to the use of trade marks and domain names derived exclusively from the "AIA" trade marks. This assignment agreement also contains provisions relating to the co-existence of the AIA and AIG brands. AIA is limited in its ability to adopt variations of the AIA initials and name and to object to AIG's name and certain other names based on "AI" initials. Further, except to a limited extent, AIA cannot use the AIA initials or American International Assurance name in North America or US overseas territories.

AIA Co also entered into a licence agreement with AIG on 30 November 2009 in order to facilitate the AIA Group's smooth transition from using the AIG trade mark and certain derivative marks and domain names. The licence will remain in place until 30 November 2011 or, if later, it will expire one year from a change of control of AIA Co. The underlying AIG trade marks covered by the licence agreement were not transferred to the AIA Group because they are not principally used by the AIA Group. AIG may terminate the agreement unilaterally with respect to a particular intellectual property right only in the case of a non-cured material breach or on the occurrence of certain insolvency events, such rights to arise only after a change of control event.

On 30 November 2009, AIA Co also entered into a licence agreement with AIG pursuant to which it was granted rights to continue using certain intellectual property (other than trade marks) used by the AIA Group or its affiliates prior to the closing of the transactions contemplated by the June 09 Purchase Agreement on a perpetual, worldwide, royalty-free basis. This licence can be terminated by AIG with respect to a particular intellectual property right in the event of a non-cured material breach, such right to arise only after a change of control event.

CUSTOMERS

The AIA Group's five largest customers constituted in aggregate less than 30% of its total sales for each of FY 2007, FY 2008 and FY 2009.

RESERVES

In accordance with appropriate methodologies called for by applicable accounting and regulatory standards, the AIA Group establishes, and carries as liabilities, reserves which are actuarially determined amounts that are calculated to meet its obligations under its insurance products.

IFRS reserves

In accordance with IFRS the reserves for AIA Group financial reporting purposes are based on actuarially recognised methods for estimating future benefits and claims.

The AIA Group establishes liabilities for obligations for future benefits and claims on its products based on assumptions that are formulated with reference to experience and economic variables. These assumptions include assumptions for mortality, morbidity, AIA persistency, expenses and investment returns, as well as macroeconomic factors. Actual experience may deviate from these assumptions and, as a result, AIA cannot determine precisely the amounts which it will ultimately pay to settle the liabilities on its products or when these payments will need to be made. See "Risk Factors" of this listing document. The AIA Group may experience sudden and unexpected claims and investment losses due to catastrophic events. Actual amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future. The AIA Group values its liabilities regularly, based on applicable assumptions used to establish the liabilities, as well as its actual policy benefits and claims experience. The AIA Group expenses changes in its liabilities in the period the liabilities are established or re-estimated. To the extent that actual experience and trends are less favourable than the AIA Group's underlying assumptions used in establishing these reserves, it could be required to increase its reserves for such liabilities.

Statutory reserves

The AIA Group is required to report local operating unit reserves for regulatory purposes in many of the geographical markets in which it operates. These reserves are reported in accordance with the statutory reserve standards applicable to each of these geographical markets.

CONNECTED TRANSACTIONS

The AIA Group has entered into certain transactions with parties who are its connected persons (as defined in the Listing Rules) and, to the extent that these transactions continue following the Acquisition, they will constitute continuing connected transactions of Prudential under the Listing Rules.

The historical values disclosed for FY 2007, FY 2008 and FY 2009 in respect of the continuing connected transactions in this section that were effective during FY 2007 to FY 2009 constitute a portion of the values disclosed in respect of related party transactions for FY 2007, FY 2008 and FY 2009 at Note 41 of the historical financial information of the AIA Group set out in "Appendix II — Accountants' Report of the AIA Group" to this listing document.

A further portion of the amounts disclosed in respect of related party transactions for FY 2007, FY 2008 and FY 2009 at Note 41 of the historical financial information of the AIA Group set out in "Appendix II — Accountants' Report of the AIA Group" to this listing document is attributable to: (i) those continuing connected transactions disclosed in this section that were effective during FY 2007, FY 2008, FY 2009, constitute shared administrative services exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(2) of the Listing Rules and for which historical values have not been disclosed; and (ii) transactions between the AIA Group and members of the AIG Group that will not continue following the Acquisition and which therefore do not constitute continuing connected transactions requiring disclosure in this section. Further details of related party transactions are set forth in the historical financial information of the AIA Group set out in "Appendix II — Accountants' Report of the AIA Group" to this listing document.

Non-exempt continuing connected transactions

Following the Acquisition (and subject (i) to AIA Aurora being a substantial shareholder of New Prudential and (ii) to ALICO being an associate of AIG), the following transactions will, unless terminated, be regarded as continuing connected transactions subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Rule 14A.34(1) of the Listing Rules. As referenced in "Reorganisation — Phase III — Preparation for a public offering or sale — Sale of ALICO" in the "History" section of this document, AIG has announced that a sale of ALICO to MetLife is expected to be completed by the end of 2010.

Group employee benefit reinsurance agreements with ALICO

The AIA Group has entered into reinsurance transactions with ALICO, a member of the AIG Group, under which ALICO will reinsure risks relating to group employee benefit insurance policies issued by branches or subsidiaries of the AIA Group in Hong Kong, Singapore, Australia and New Zealand in the ordinary and usual course of business of the AIA Group following the Acquisition.

These transactions were intended to replace previous arrangements in place between the parties under which subsidiaries of the AIA Group in certain countries and other insurance companies in the AIG Group were introduced via ALICO's sales network to multinational corporate clients to whom they issued group employee benefit policies for each multinational's local operations in their respective countries, and the insured risks under these policies were then pooled and shared between ALICO and the insurance companies. These transactions are based on a reinsurance model under which ALICO commits to reinsure a fixed percentage of the risk under each group employee benefit policy written by the AIA Group. For Hong Kong and Singapore the percentage reinsured by ALICO is 90% and for Australia and New Zealand it is 100%. For each underlying group employee benefit policy, ALICO reinsures the risk up to an agreed claim limit. This will be continuing business between the AIA Group and ALICO replacing the previous arrangements. Such transactions will be conducted in the ordinary and usual course of the AIA Group's business on normal commercial terms.

As these reinsurance transactions were intended to replace the previous arrangements in place prior to the Reorganisation that involved the AIA Group and ALICO obtaining leverage from scale by combining the parties' respective insurance liabilities, rather than ALICO acting as a reinsurer, there is no comparable historical value information available for these transactions.

It is expected that the aggregate annual value of the commissions and fees payable by ALICO to the AIA Group under these reinsurance transactions will not exceed £10 million on a gross basis and therefore the highest percentage ratio under the Listing Rules will be, on an annual basis, less than 0.1%. Accordingly, payment of commissions and fees in these reinsurance transactions constitute in aggregate a de minimis continuing connected transaction exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

It is expected that the aggregate annual value of reinsurance premiums and fees payable by the AIA Group to ALICO under these transactions will be at least US$52.4 million on a gross basis in each of financial year 2010, financial year 2011 and financial year 2012 and, therefore, the highest applicable percentage ratio calculated based on the latest audited financial statements of the Prudential Group under the Listing Rules will be, on an annual basis, more than 0.1% and less than 2.5%. Accordingly, payment of reinsurance premiums and fees in these transactions between the AIA Group and ALICO will constitute a continuing connected transaction subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Rule 14A.34(1) of the Listing Rules.

To comply with Rules 14A.35(1) and 14A.35(2) of the Listing Rules and to document the relationship between the AIA Group and ALICO in relation to the ongoing payment of reinsurance premiums and fees in reinsurance transactions, the AIA Group entered into quota share reinsurance agreements in Hong Kong, Singapore, Australia and New Zealand with ALICO (the "ALICO Reinsurance Agreements"), which became effective on 1 January 2010. The ALICO Reinsurance Agreements were negotiated between the AIA Group and ALICO on arm's length terms with the advice of external counsel.

Pursuant to the ALICO Reinsurance Agreements, the AIA Group and ALICO have agreed on rates of reinsurance premiums which are comparable to those available under similar reinsurance contracts with independent third party reinsurers, and to conduct all reinsurance transactions in accordance with applicable normal market practices and on normal commercial terms.

The ALICO Reinsurance Agreements will be effective for a period of three years from 1 January 2010. The Enlarged Group will comply with the applicable provisions of the Listing Rules in respect of any renewal of these agreements.

Annual Caps

Pursuant to Rule 14A.35(2) of the Listing Rules, the AIA Group has set annual caps for the maximum aggregate amount of premiums, commissions and fees payable on a gross basis under the ALICO Reinsurance Agreements in financial year 2010, financial year 2011 and financial year 2012 as follows:

Premiums and fees payable by the AIA Group to ALICO

Annual Cap for Year Ending 30 November		
2010	2011	2012
US$52.4m	US$64.3m	US$80.8m

The annual caps above have been estimated primarily on the basis of: (i) the AIA Group's projection of the normal rate of growth in premium income from its group employee benefit insurance business in each of the countries covered by the agreements; and (ii) the AIA Group's expectation that it will continue to reinsure the same portion of this new business to ALICO throughout the term of the ALICO Reinsurance Agreements as it does at present. Due to the fact that a fixed share of premiums will be paid by the AIA Group to ALICO, and a fixed proportion of those premiums will be paid as commission by ALICO to the AIA Group during the full term of the ALICO Reinsurance Agreements, the total amounts that will be payable by the parties is directly determined by insurance premium growth.

Waiver application for non-exempt continuing connected transactions

In respect of the non-exempt continuing connected transactions described in "Connected transactions — Non-exempt continuing connected transactions" in this section, as the highest applicable ratio as set out in Rule 14A.07 of the Listing Rules is, on an annual basis, in each case expected to be more than 0.1% but less than 2.5%, such transactions are exempt from the independent shareholders' approval requirements but are subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

As described above, it is expected that these non-exempt continuing connected transactions to be carried out on a continuing and recurring basis and to extend over a period. Strict compliance with the announcement requirements under the Listing Rules would, accordingly, be impractical, unduly burdensome and would create unnecessary administrative costs.

Accordingly, Prudential has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement relating to continuing connected transactions under Rule 14A.35 of the Listing Rules in respect of the non-exempt continuing connected transactions.

The Enlarged Group will, however, comply at all times with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules in respect of these non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this listing document on the continuing connected transactions referred to in this section, the Enlarged Group will take immediate steps to ensure compliance with such new requirements.

Confirmation from the Sponsor

The Sponsor is of the view that the above transactions are in the ordinary and usual course of business of AIA, on normal commercial terms and are fair and reasonable and will upon completion of the Transactions be in the interests of the shareholders of Prudential as a whole, and that the proposed annual caps for the transactions set out above are fair and reasonable.

Investments in the AIG Products

The Prudential Group, through its subsidiaries, runs a number of funds on behalf of its clients. The funds invest in a variety of financial products. As part of this, the funds may, from time to time, hold financial products of the AIG Group including debt securities in the form of bonds or notes (including convertible bonds, exchangeable bonds, fixed or floating rate notes or structured notes such as credit or equity linked notes) (the "AIG Products"). These investments are documented and the term of the AIG Products may be longer than 3 years.

As AIA will, at completion of the Acquisition, become a connected person of the Prudential Group, investments in the AIG Products may constitute connected transactions under Rule 14A.13(1) of the Listing Rules. The value of the AIG Products held by the Prudential Group's funds as at 31 December 2009 constituted less than 0.1% of the total assets of the Prudential Group as at 31 December 2009. The aggregate value of this percentage may be further reduced when the Prudential Group completes the Acquisition. The investments in the AIG Products would constitute an exempt connected transaction under Rule 14A.31(2) of the Listing Rules and from the reporting, announcement and independent shareholders' approval requirements.

Prudential will continue to discuss with the Stock Exchange the implications of such transactions under the Listing Rules with a view to seeking any necessary waivers in respect of such transactions after the Listing if necessary.

Related party transactions after FY 2009

Transactions after 30 November 2009 which, had they occurred in FY 2009, would have been within the scope of the transactions referred to in Note 41 of the historical financial information of the AIA Group set out in Appendix II to this listing document, relate to (i) payments and receipts under arrangements that were in existence as at 30 November 2009 (including payments made in connection with the termination of certain of such arrangements with members of the AIG Group as part of the ongoing separation of the AIA Group from the AIG Group); (ii) new arrangements entered into since 30 November 2009 of a similar type of those in existence as at 30 November 2009; and (iii) obligations contracted to directors after 30 November 2009 (in an amount, including the amounts referred to in the note within Note 40 of the historical financial information of the AIA Group set out in Appendix II to this listing document, not greater than US$6.1 million).

RISK MANAGEMENT

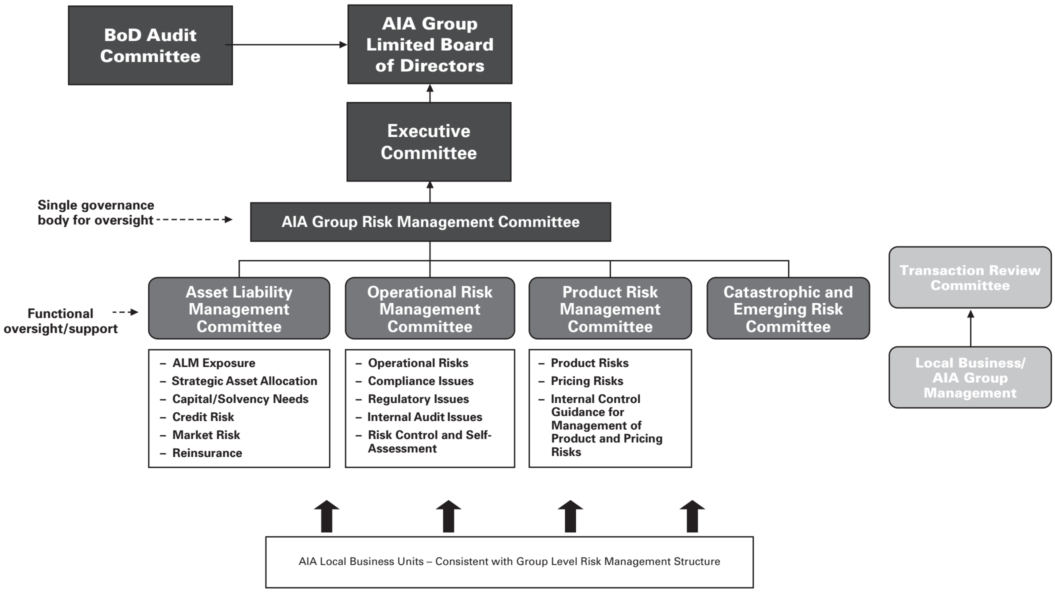
Overview

AIA's risk management framework is managed by a dedicated enterprise risk management team and includes a variety of risk management committees and control procedures at both a regional AIA Group level and local operating unit level. The risk management framework seeks to deliver:

- a consolidated risk oversight structure;
- enhanced reporting lines for functional aspects of enterprise risk management;
- embedded risk management at local operating units;
- promotion of effective oversight and internal controls; and
- effective allocation of resources.

Risk management framework

The AIA Group's enterprise risk management team consists of a group of professionals that focus on comprehensive AIA Group risk management and oversight and a group of professionals that focus on risk management matters at local operating units. These professionals report, through the head of enterprise risk management, to the chief risk officer of the AIA Group. The enterprise risk management team manages various risk management committees and control procedures at both a regional AIA Group level and local operating unit level. The chart below outlines AIA Group's primary risk management committees as of the Latest Practicable Date.



The AIA Group's primary risk management committee is the AIA Group risk management committee (the "Risk Management Committee"). This committee oversees four principal supporting subcommittees: the asset-liability management committee (the "ALM Committee"); the operational risk management committee (the "ORM Committee"); the product risk management committee (the "PRM Committee"); and the catastrophic and emerging risk committee (the "CERC Committee"). Complementing these principal risk management committees is a transaction review committee (the "TR Committee").

In addition to the regional AIA Group level risk management committees outlined above, each local operating unit has a local risk management framework that is consistent with the regional AIA Group level risk management framework. Operating units in larger markets, including in each of the Key Geographical Markets, have their own local risk management committees overseeing local asset-liability management subcommittees, operational risk management subcommittees and product risk management subcommittees. Some operating units in smaller markets do not require dedicated subcommittees and so have a single risk management committee.

Risk management committee

The Risk Management Committee is the AIA Group's primary risk management body and focuses on managing the AIA Group's overall risk exposure and overseeing the 4 principal subcommittees described below. The Risk Management Committee reports directly to the Executive Committee, which is a subcommittee of the AIA Group's Board.

ALM Committee

The ALM Committee focuses on asset-liability management exposure, major asset-liability proposals, solvency and capital management, strategic asset allocation, credit risk management, market risk management, financial mitigation programmes and reinsurance strategies. The objective of the AIA Group's asset-liability management is to manage the risk exposures of assets to liabilities and to ensure that the AIA Group's obligations arising from its liabilities are met.

ORM Committee

The purpose of the ORM Committee is to provide oversight of the operational risk management activities within the AIA Group and ensure the related operational risk management policies and programmes are implemented appropriately and consistently within local operating units. The ORM Committee is responsible for establishing priorities and coordination across the AIA Group's functional operational risk management activities, monitoring operational risk exposures and the status of action plans, developing guidelines for reporting on key operational risks, key risk indicators and risk event data capture. The ORM Committee is also responsible for the review and monitoring of the most significant operational deficiencies identified by the AIA Group's internal audit and compliance functions or through self assessments and internal controls testing to ensure appropriate management focus is being directed toward risk mitigation activities and the successful implementation of remediation measures.

PRM Committee

The PRM Committee focuses on the pricing of risks, the risk exposure of existing products and guidance for internal controls. The PRM Committee reviews and approves product pricing policies and guidelines, monitors product risks and develops product approval authority limits.

CERC Committee

The CERC Committee provides oversight and guidance with respect to catastrophic and emerging risks and their potential impact on the AIA Group.

TR Committee

The TR Committee complements the AIA Group's risk management structure and plays an important role in due diligence of certain business transactions. The TR Committee reviews the AIA Group's products and transactions with a business partner or among members of the AIA Group that may expose the AIA Group to heightened legal, regulatory, accounting or reputational risk.

Principal risk exposures

Insurance risk

Life insurance risk can be described as a combination of the following component risks: (i) inadequate or inappropriate product design; (ii) inappropriate underwriting or pricing of policies; (iii) lapse risk; and (iv) variability of claims experience. The AIA Group manages its exposure to insurance risk in many ways. It has significant underwriting and actuarial personnel resources and has implemented well-defined underwriting and actuarial guidelines and practices. The AIA Group has accumulated a substantial volume of experience and data which assists it in the evaluation, pricing and underwriting of its products.

Product design risk

Product design risk refers to potential defects in the development of a particular insurance product. The AIA Group's product development process is overseen by the PRM Committee, which provides direction on pricing guidelines, as well as a separate committee, the product development committee. The AIA Group seeks to manage this risk by completing pre-launch reviews of a new product by regional AIA Group and local operating unit functional departments, including product development and approval, actuarial, legal and underwriting.

Pricing and underwriting risk

Pricing and underwriting risk refers to the possibility of product-related income being inadequate to support future obligations arising from a product. The AIA Group seeks to manage pricing and underwriting risk by adhering to regional AIA Group underwriting guidelines. Each local operating unit maintains a team of professional underwriters who review and select risks that are consistent with the risk appetite and underwriting strategy of the AIA Group. A second layer of underwriting review is conducted at the regional AIA Group for complex and large risks.

Claims risk

Claims risk refers to the possibility that the frequency or severity of claims arising from insurance products exceeds the levels assumed when the products were priced. The AIA Group seeks to mitigate claims risk by conducting regular experience studies, including reviews of mortality and morbidity experience, reviewing internal and external data and considering the impact of such information on reinsurance needs and product design and pricing.

Claims risk also includes risk related to the possibility of significant financial losses arising from a lack of diversification, either geographical or by product type, of the risks insured. The AIA Group has a broad geographical footprint across the Asia Pacific region, providing a natural diversification of geographic concentrations of claims and other (such as political) risks. The broad product offering and in-force product portfolio of the AIA Group also reduces exposure to risks associated with claims concentration risk. In addition, the AIA Group uses catastrophe insurance to help minimise concentration risk.

Lapse risk

Lapse risk refers to the possibility of actual lapse experience that diverges from the anticipated experience that was assumed when products were priced, as well as financial loss due to early termination of policies or contracts where the acquisition cost incurred may not be recoverable from future revenue. The AIA Group carries out regular studies of persistency experience and the results are assimilated into new and in-force product management.

Concentration of insurance risk

Concentration of insurance risk refers to the possibility of significant financial losses arising from a lack of diversification, either geographical or by product type, of the AIA Group's portfolio. Certain events, such as viral pandemics, may give rise to higher levels of mortality or morbidity experience and exhibit geographical concentrations. The AIA Group has a broad geographical footprint across Asia and its results are not substantially dependent upon any one geographical market. This breadth provides a natural diversification of geographic concentrations of insurance and other risks (such as political risks). However, given the AIA Group's exposure to Asia, it may be relatively more exposed to pandemics localised in Asia than insurance groups with a worldwide presence.

Credit risk

Credit risk arises from the possibility of financial loss arising from default by borrowers and transactional counterparties and the decrease in value of financial instruments due to deterioration in credit quality. The key areas where the AIA Group is exposed to credit risk include repayment risk in respect of cash and cash equivalents; investments in debt securities; loans and receivables (including insurance receivables); and reinsurance receivables.

The AIA Group's approach to managing credit risk is a bottom-up process based on fundamental research. A team of analysts analyses each obligor's financial and competitive position, typically including a review of macroeconomic outlooks, industry trends and financial information, an analysis of issuer credit fundamentals, dialogue with issuers, third party checks and ongoing monitoring of fixed income and equity values.

Market risk

Market risk arises from the possibility of financial loss caused by changes in financial instruments' fair values or future cash flows due to fluctuations in key variables, including interest rates, foreign exchange rates, equity market prices and real estate property market prices. The AIA Group seeks to manage its market risk exposure in a variety of ways. The ALM Committee oversees activities to evaluate market risk exposure and considers each component of market risk when formulating the SAA. AIA Group enterprise risk management uses various quantitative models to assess market risks. These models include sensitivity analyses, value-at-risk models and stress test scenarios, which are common tools in the investment and insurance industries.

Interest rate risk

The AIA Group's exposure to interest rate risk predominantly arises from the AIA Group's investments in long-term fixed income debt securities, which are exposed to fluctuations in interest rates.

The AIA Group seeks to manage its interest rate risk by generally investing in fixed income assets in the same currencies as those of its liabilities as well as investing in financial instruments with tenors that broadly match the duration of its liabilities.

The AIA Group also considers the effect of interest rate risk in its overall product strategy. Certain products such as investment-linked, universal life and participating business, inherently have lower interest rate risk as their design provides flexibility as to crediting rates and policyholder dividend scales.

Foreign exchange rate risk

At the AIA Group level, foreign exchange rate risk arises mainly from operations in multiple geographical markets in the Asia Pacific region and the translation of multiple currencies to US dollars for financial reporting purposes.

On a local operating unit level, to the extent possible and appropriate, investments are made in assets denominated in currencies that match the relevant liabilities to avoid currency mismatches. In certain portfolios, investments are made in currencies that are different from the underlying liabilities in order to achieve yield as well as diversification benefits. The related foreign exchange risk is hedged through standard derivatives such as swaps, futures and forwards.

Equity risk

Equity price risk arises from changes in the market value of equity securities and equity funds. Equity securities form a small portion of the AIA Group's investment portfolio and SAA, and therefore the AIA Group has relatively limited exposure to equity risk.

Property price risk

Property price risk arises from the AIA Group's interests in real estate assets which form a part of its investment portfolios and are subject to increases or decreases in market value. The AIA Group's real estate investment sub-committee reviews and oversees all major real estate investment activity. Real estate assets form a small portion of the AIA Group's investment portfolio and SAA, and therefore, it has relatively limited exposure to property price risk.

Liquidity risk

Liquidity risk primarily refers to the possibility that the AIA Group has insufficient cash available to meet its payment obligations to counterparties as they become due. The AIA Group is subject to liquidity risk on insurance products that permit surrender, withdrawal or other forms of early termination for a cash surrender value.

The AIA Group seeks to manage liquidity risk by emphasising flexible insurance product design and by matching, to the extent possible and appropriate, the duration of its investment assets with the duration of its insurance policies. Most of the AIA Group's assets are in the form of marketable securities, which can typically be converted to cash quickly should unexpected cash payment obligations arise. The AIA Group develops cash flow forecasts and maturity gap analyses to quantify and monitor liquidity needs to minimise the risk that unexpected cash obligations arise.

For a detailed liquidity risk analysis, see note 37 to the AIA Group historical financial information set out in "Appendix II — Accountants' Report of the AIA Group" to this listing document.

Operational risk

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

The primary tool to manage operational risk is risk and control self assessment. The objective of risk and control self assessment is to identify, evaluate, measure and monitor operational risks. This assessment is performed by each member of the AIA Group and is subject to oversight by each local business unit's operational risk management subcommittees and the ORM Committee. Other tools utilised to manage operational risks are risk event data capture and analysis and key risk indicators. The ORM Committee and other operational risk management personnel share lessons learned as a result of operational incidents and losses, fraud and internal audit reporting issues with all local operating units to increase overall AIA Group risk awareness and proactively strengthen the AIA Group's control environment.