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**THE REAL LIFE  
COMPANY**

**AIA Group Limited**

**友邦保險控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**Stock Code: 1299**

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2016**

# **AIA DELIVERS EXCELLENT GROWTH IN THE FIRST HALF OF 2016**

## **VONB UP 37 PER CENT ON CONSTANT EXCHANGE RATES STRONG OPERATING PROFIT GROWTH AND PROGRESSIVE DIVIDEND**

The Board of Directors of AIA Group Limited (stock code: 1299) is pleased to announce the Group's unaudited consolidated results for the six months ended 31 May 2016.

### **Record growth in value of new business (VONB) (on a constant exchange rate basis)**

- 37 per cent growth in VONB to US\$1,260 million
- 31 per cent increase in annualised new premiums (ANP) to US\$2,355 million
- VONB margin up 2.4 pps to 52.7 per cent

### **Strong operating profit growth (on a constant exchange rate basis)**

- Embedded value (EV) operating profit up 28 per cent to US\$2,896 million
- IFRS operating profit after tax (OPAT) up 14 per cent to US\$1,956 million
- IFRS operating earnings per share up 14 per cent to 16.34 US cents

### **Robust cash flow and capital position**

- Underlying free surplus generation of US\$2,073 million, up 12 per cent on constant exchange rates
- Free surplus up 10 per cent in the first half to US\$8.2 billion, after payment of 2015 final dividend
- EV Equity of US\$41.7 billion; EV of US\$40.1 billion, up 5 per cent in the first half
- Solvency ratio for AIA Co. of 381 per cent on the HKICO basis after taking into account the payment for our increased shareholding in Tata AIA

### **Progressive interim dividend**

- 17 per cent increase in interim dividend to 21.90 Hong Kong cents per share

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

"AIA has delivered an excellent set of results with record VONB growth of 37 per cent on a constant exchange rate basis in the first half. The strength of this performance reflects the disciplined execution of our growth strategy, the resilience of our operating model and our commitment to building a high-quality, sustainable business for the long term. This has enabled us to deliver a strong and consistent track record of year-on-year growth notwithstanding an uncertain global macroeconomic and capital market environment.

"Asia is the most attractive and dynamic region in the world for life insurance. We are operating in markets that continue to offer sustainable economic growth, increased disposable incomes, powerful demographic and urbanisation trends and very low insurance penetration rates. AIA is exceptionally well placed to benefit directly from these significant and robust drivers of life insurance growth across our region. We have a highly-diversified and resilient business model underpinned by our market-leading brand and the financial strength to enable us to capture these opportunities.

"Our focus remains on executing our strategic priorities aimed at expanding the reach and increasing the effectiveness of our proprietary agency and partnership distribution channels. We shall continue to find innovative ways to broaden our range of products and provide customers with the critically important protection and savings support they need.

"The Board has declared a 17 per cent increase in the interim dividend for 2016. This demonstrates once again our strong financial performance and our confidence in the future outlook for the Group. The consistent execution of our strategy and the strong fundamentals in the region will enable us to continue to generate sustainable value for our shareholders."

## About AIA

AIA Group Limited and its subsidiaries (collectively “AIA” or the “Group”) comprise the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets in Asia-Pacific – wholly-owned branches and subsidiaries in Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau, Brunei, a 97 per cent subsidiary in Sri Lanka, a 49 per cent joint venture in India and representative offices in Myanmar and Cambodia.

The business that is now AIA was first established in Shanghai almost a century ago. It is a market leader in the Asia-Pacific region (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US\$181 billion as of 31 May 2016.

AIA meets the long-term savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents, partners and employees across Asia-Pacific, AIA serves the holders of more than 29 million individual policies and over 16 million participating members of group insurance schemes.

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

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## FINANCIAL SUMMARY

### Performance Highlights

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
<b>New Business Value</b>				
Value of new business (VONB)	1,260	959	37%	31%
VONB margin	52.7%	50.2%	2.4 pps	2.5 pps
Annualised new premiums (ANP)	2,355	1,878	31%	25%
<b>EV Operating Profit</b>				
Embedded value (EV) operating profit	2,896	2,352	28%	23%
EV operating earnings per share (US cents)	24.20	19.65	28%	23%
<b>IFRS Earnings</b>				
Operating profit after tax (OPAT)	1,956	1,798	14%	9%
Total weighted premium income (TWPI)	10,332	9,633	13%	7%
Operating earnings per share (US cents)				
– Basic	16.34	15.02	14%	9%
– Diluted	16.31	14.97	14%	9%
<b>Dividends</b>				
Dividend per share (HK cents)	21.90	18.72	n/a	17%

US\$ millions, unless otherwise stated	As at 31 May 2016	As at 30 Nov 2015	Change CER	Change AER
<b>Embedded Value</b>				
EV Equity	41,657	39,818	4%	5%
Embedded value	40,069	38,198	5%	5%
Free surplus	8,249	7,528	8%	10%
EV Equity per share (US cents)	345.72	330.49	4%	5%
<b>Equity and Capital</b>				
Shareholders' allocated equity	28,203	26,705	5%	6%
AIA Co. HKICO solvency ratio	381% <sup>(1)</sup>	428%	n/a	(47) pps

(1) After the payment for the increase in AIA's shareholding in Tata AIA to 49 per cent.

### New Business Performance by Segment

US\$ millions, unless otherwise stated	Six months ended 31 May 2016			Six months ended 31 May 2015			VONB Change	
	VONB	VONB Margin	ANP	VONB	VONB Margin	ANP	YOY CER	YOY AER
Hong Kong	537	52.9%	988	335	59.6%	540	60%	60%
Thailand	175	80.9%	216	183	71.5%	256	4%	(4)%
Singapore	152	71.1%	214	142	62.9%	225	10%	7%
Malaysia	90	55.7%	159	78	55.4%	138	30%	15%
China	278	86.8%	321	187	84.8%	220	56%	49%
Korea	16	16.7%	94	23	17.5%	132	(24)%	(30)%
Other Markets	120	32.5%	363	115	31.2%	367	10%	4%
<b>Subtotal</b>	<b>1,368</b>	<b>57.3%</b>	<b>2,355</b>	<b>1,063</b>	<b>55.8%</b>	<b>1,878</b>	<b>34%</b>	<b>29%</b>
Adjustment to reflect additional Hong Kong reserving and capital requirements	(35)	n/m	n/m	(48)	n/m	n/m	n/m	n/m
After-tax value of unallocated Group Office expenses	(73)	n/m	n/m	(56)	n/m	n/m	n/m	n/m
<b>Total</b>	<b>1,260</b>	<b>52.7%</b>	<b>2,355</b>	<b>959</b>	<b>50.2%</b>	<b>1,878</b>	<b>37%</b>	<b>31%</b>

Notes:

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

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

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

- (2) All figures are presented in actual reporting currency (US dollar) and based on actual exchange rates (AER) unless otherwise stated. Change on constant exchange rates (CER) is calculated using constant average exchange rates for the first half of 2016 and for the first half of 2015 other than for balance sheet items that use constant exchange rates as at 31 May 2016 and as at 30 November 2015.
- (3) Change is shown on a year-on-year basis unless otherwise stated.
- (4) Long-term economic assumptions used in the EV basis for the interim results are the same as those shown as at 30 November 2015 in our 2015 annual results preliminary announcement published on 25 February 2016. Non-economic assumptions used in the EV basis are based on those at 30 November 2015 updated to reflect AIA's view of the latest experience observed.
- (5) VONB is calculated based on assumptions applicable at the point of sale and before deducting the amount attributable to non-controlling interests. The amounts of VONB attributable to non-controlling interests in the first half of 2016 and in the first half of 2015 were US\$9 million and US\$11 million respectively.
- (6) VONB includes pension business. ANP and VONB margin exclude pension business.
- (7) IFRS operating profit after tax and operating earnings per share are shown after non-controlling interests unless otherwise stated.
- (8) Hong Kong refers to operations in Hong Kong and Macau; Singapore refers to operations in Singapore and Brunei; and Other Markets refers to operations in Australia, Indonesia, New Zealand, the Philippines, Sri Lanka, Taiwan, Vietnam and India. The results of our joint venture in India are accounted for using the equity method. For clarity, TWPI, ANP and VONB exclude any contribution from India.
- (9) 2015 financial information has been adjusted to reflect the changes in definition of operating profit and accounting policies for real estate with effect from 1 December 2015, as previously highlighted in notes 48 and 49 to the financial statements in our Annual Report 2015.
- (10) AIA's financial information in this document is based on the unaudited interim condensed consolidated financial statements and supplementary embedded value information for the first half of 2016.

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## **FINANCIAL AND OPERATING REVIEW**

AIA is the largest publicly listed pan-Asian life insurance group, with a presence across 18 markets in the Asia-Pacific region. We receive the vast majority of our premiums in local currencies and we closely match our local assets and liabilities to minimise the economic effects of foreign exchange movements. When reporting the Group's consolidated figures, there is a currency translation effect as we report in US dollars. We have provided growth rates and commentaries on our operating performance on constant exchange rates unless otherwise stated, since this provides a clearer picture of the year-on-year performance of the underlying businesses during the recent period of foreign exchange volatility.

### **FINANCIAL REVIEW**

#### **Summary**

AIA has delivered an excellent set of results with broad-based growth across all our main operating financial metrics. We achieved record growth in new business profitability, a significant increase in operating profit and strong underlying free surplus generation. Our first-half progress reflects our strong operating performance, resilient business model and the financially disciplined execution of our growth strategy.

Value of new business (VONB) increased by 37 per cent to US\$1,260 million. This is a direct result of the effectiveness of our Premier Agency strategy driving a significant improvement in active agent productivity and increased active agent numbers as well as an excellent performance in our partnership distribution channel. The profitable new business we have written in past years and our high-quality product mix, with our focus on insurance and fee-based earnings, has driven a 14 per cent increase in IFRS operating profit after tax (OPAT) to US\$1,956 million. Embedded value (EV) operating profit also increased by 28 per cent driven by excellent new business growth and positive operating experience from the proactive management of our in-force portfolio.

EV Equity grew by 5 per cent over the first half to US\$41,657 million and free surplus increased by 10 per cent to US\$8,249 million at 31 May 2016 after the payment of the increased 2015 final dividend to shareholders.

The solvency ratio of AIA Co. has remained strong at 381 per cent after taking into account the payment in the first half of 2016 for the increase from 26 per cent to 49 per cent in our shareholding in our Indian joint venture, Tata AIA Life Insurance Company Limited (Tata AIA).

The Board of Directors has declared an interim dividend of 21.90 Hong Kong cents per share in line with our prudent, sustainable and progressive dividend policy. This represents an increase of 17 per cent compared with the interim dividend in 2015 reflecting our strong financial performance as well as our confidence in the future of AIA.

Our financial performance in the first half of 2016 has once again demonstrated AIA's ability to deliver both profitable growth and progressive dividends through market cycles. While we are not immune to capital market volatility, we continued to benefit from our strategy of sustaining profitable growth by focusing on the quality of the new business we write and the sources of earnings we generate. This provides us with a strong foundation to continue to deliver profitable new business growth and increasing returns to our shareholders.

#### **VALUE GROWTH**

VONB increased by 37 per cent to US\$1,260 million in the first half of 2016. We focus on writing business with attractive returns on capital to optimise value for shareholders rather than managing the business solely for market share or margin. Each of our market segments, except for Thailand and Korea, delivered double-digit VONB growth compared with the first half of 2015 and this is the first time that AIA's VONB has exceeded US\$1 billion in the first half of the year.

Annualised new premiums (ANP) grew by 31 per cent to US\$2,355 million. New business regular premiums increased by 37 per cent and accounted for more than 90 per cent of overall ANP in the first half of 2016. VONB margin was higher by 2.4 pps to 52.7 per cent mainly due to positive shifts in country mix, channel mix and others. Protection sales represent a significant proportion of our product mix and have been complemented by our high-quality savings products with embedded protection cover. Each of our major product categories reported a stable or higher margin on a present value of new business premium (PVNBP) basis compared with the first half of 2015. Our disciplined strategy of focusing on value creation and consistently looking to improve the quality of our portfolio has maintained our strong track record of VONB growth.

EV operating profit grew by 28 per cent to US\$2,896 million, again reflecting the excellent growth in VONB and overall positive operating variances of US\$293 million. Operating return on EV (ROEV) was 16 per cent on an annualised basis.

EV Equity grew by US\$1,839 million in the first half to US\$41,657 million. The increase was driven by strong EV operating profit growth of 28 per cent partly offset by negative investment return variances of US\$379 million reflecting the impact of short-term capital market movements on our investment portfolio and statutory reserves compared with the expected returns. Other non-operating variances of US\$97 million included the negative effect from the value added tax (VAT) change in China and the positive effect of a revised undertaking provided to the Hong Kong Office of the Commissioner of Insurance (HKOCI) in the first half of 2016. The payment of the 2015 final dividend to shareholders was US\$786 million.

Long-term economic assumptions used in the EV basis for the interim results remained unchanged from those shown in our Annual Report 2015. This is consistent with the approach we have followed since our IPO in 2010.

## **IFRS EARNINGS**

OPAT increased by 14 per cent compared with the first half of 2015 to US\$1,956 million. Each of our market segments delivered positive OPAT growth compared with the first half of 2015. This strong performance was the result of growth in the scale of the business and the disciplined management of our in-force portfolio.

AIA's IFRS net profit definition includes mark-to-market movements from our equity and investment property portfolios. Consequently, IFRS net profit decreased by 2 per cent to US\$2,065 million reflecting the strong growth in OPAT and a lower corporate income tax rate in Thailand offset by negative mark-to-market movements in equities and real estate of US\$27 million compared with gains of US\$409 million in the first half of 2015.

Shareholders' allocated equity excludes the impact of mark-to-market movements of debt securities that are classified as available for sale and provides a better reflection of the underlying movements in shareholders' equity over the period. Shareholders' allocated equity increased by 6 per cent over the first half to US\$28,203 million at 31 May 2016 driven mainly by net profit of US\$2,065 million less the payment of the 2015 final dividend to shareholders of US\$786 million.

## **CAPITAL AND DIVIDENDS**

Underlying free surplus generation, which excludes investment return variances and other items, increased by 12 per cent to US\$2,073 million reflecting the growing scale of our in-force business and our focus on writing quality new business with attractive returns on capital and payback periods. Free surplus increased by 10 per cent to US\$8,249 million at 31 May 2016 from US\$7,528 million at 30 November 2015 after the payment of the higher rebased 2015 final dividend to shareholders of US\$786 million. The increase was mainly due to underlying free surplus generation of US\$2,073 million, non-operating items including investment return variances and a revised undertaking to the HKOCI totalling US\$242 million less investment in new business of US\$687 million.

AIA has given a revised undertaking to the HKOCI to maintain an excess of assets over liabilities for branches other than Hong Kong at no less than 100% of the Hong Kong statutory minimum solvency margin requirement (previously 150%) in each of AIA Co. and AIA International. For clarity there is no change in the undertaking in respect of the Hong Kong business or the Hong Kong statutory minimum solvency margin requirement for AIA.



At 31 May 2016, the total available capital for AIA Co., our main regulated entity, was US\$6,437 million as measured under the HKICO basis, resulting in a solvency ratio of 381 per cent of regulatory minimum capital compared with 428 per cent at the end of November 2015. The solvency ratio remained strong with growth in retained earnings offset by the impact of short-term capital market movements on our investment portfolio and statutory reserves and the payment for our increased shareholding in Tata AIA.

Our local businesses remitted US\$993 million to the Group Corporate Centre in the first half of 2016.

The Board of Directors has declared an interim dividend of 21.90 Hong Kong cents per share in line with our prudent, sustainable and progressive dividend policy. This represents an increase of 17 per cent compared with the interim dividend in 2015 reflecting our strong operating and financial performance as well as our confidence in the future of AIA.

## OUTLOOK

Asian economies have remained resilient and continued to deliver stronger growth than the major economies in other regions globally. Current accounts are robust and foreign currency debt levels have remained generally low ahead of any changes to the interest rate cycle in the US. While the outlook for the global economy remains increasingly unpredictable, domestic demand combined with proactive fiscal and monetary policy has continued to provide support to Asian economies in the face of capital market volatility associated with negative interest rate policies in the Eurozone and Japan as well as uncertainty following the results of the UK referendum to leave the EU.

AIA is exceptionally well placed to benefit from the resilient economic fundamentals, expanding middle classes, rapid urbanisation and favourable demographics that continue to drive the substantial and growing need for our products and services across the region. AIA's market-leading businesses, the quality of our proprietary distribution, our financial strength and the consistent execution of our strategy place us in an advantaged position to continue to build on AIA's long and successful history in the region. We remain confident in the prospects for the Group and our ability to generate further sustainable value for our shareholders as we help our customers live longer, healthier lives and plan for a brighter future.

## New Business Growth

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

US\$ millions, unless otherwise stated	Six months ended 31 May 2016 <sup>(1)</sup>			Six months ended 31 May 2015 <sup>(1)</sup>			VONB Change	
	VONB	VONB Margin	ANP	VONB	VONB Margin	ANP	YoY CER	YoY AER
Hong Kong	537	52.9%	988	335	59.6%	540	60%	60%
Thailand	175	80.9%	216	183	71.5%	256	4%	(4)%
Singapore	152	71.1%	214	142	62.9%	225	10%	7%
Malaysia	90	55.7%	159	78	55.4%	138	30%	15%
China	278	86.8%	321	187	84.8%	220	56%	49%
Korea	16	16.7%	94	23	17.5%	132	(24)%	(30)%
Other Markets	120	32.5%	363	115	31.2%	367	10%	4%
<b>Subtotal</b>	<b>1,368</b>	<b>57.3%</b>	<b>2,355</b>	<b>1,063</b>	<b>55.8%</b>	<b>1,878</b>	<b>34%</b>	<b>29%</b>
Adjustment to reflect additional Hong Kong reserving and capital requirements	(35)	n/m	n/m	(48)	n/m	n/m	n/m	n/m
After-tax value of unallocated Group Office expenses	(73)	n/m	n/m	(56)	n/m	n/m	n/m	n/m
<b>Total</b>	<b>1,260</b>	<b>52.7%</b>	<b>2,355</b>	<b>959</b>	<b>50.2%</b>	<b>1,878</b>	<b>37%</b>	<b>31%</b>

Note:

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

VONB grew by 37 per cent compared with the first half of 2015 to US\$1,260 million.

ANP was higher by 31 per cent to US\$2,355 million. New business regular premiums increased by 37 per cent and accounted for more than 90 per cent of total ANP in the first half of 2016. VONB margin was higher by 2.4 pps to 52.7 per cent mainly due to positive shifts in country mix, channel mix and others. Each of our major product categories reported a stable or higher margin on a PVNBP basis compared with the first half of 2015.

We continued to achieve strong results across both agency and partnership distribution channels. Agency delivered 29 per cent VONB growth to US\$931 million and partnership distribution VONB grew by 50 per cent to US\$419 million compared with the first half of 2015.

Hong Kong delivered excellent results in the first half of 2016 with VONB growth of 60 per cent to US\$537 million benefiting from both strong growth in the Hong Kong domestic market and a substantial uplift in new business from mainland Chinese customers. This outstanding performance was driven by a significant increase in agent productivity, growth in the number of active agents and an excellent performance from our partnership business.

China has once again delivered excellent VONB growth with an increase of 56 per cent compared with the first half of 2015 to US\$278 million. The consistent execution of our Premier Agency strategy and our focus on meeting the substantial and growing protection gap in China differentiates AIA and underpins the sustainability and quality of our growth.

Thailand delivered 4 per cent VONB growth driven by an increase in VONB margin as a result of an ongoing shift in product mix and a lower corporate income tax rate partly offset by lower new business volumes. Singapore and our Other Markets achieved 10 per cent VONB growth. In Singapore, reduced single premium sales following proactive product repricing and lower overall market sales were more than offset by strong performances from our agency and bancassurance distribution channels. In Other Markets, highlights included strong performances in Australia, Vietnam and Sri Lanka partly offset by weaker market conditions in the Philippines.

Malaysia maintained its strong momentum and delivered excellent VONB growth of 30 per cent to US\$90 million. The increase was driven by further improvements in the quality of our distribution and our sustained focus on regular premium unit-linked products combined with higher levels of protection cover.

VONB is reported after a US\$108 million deduction for additional Hong Kong reserving and capital requirements over and above local statutory requirements and unallocated Group Office expenses, representing the expenses incurred by the Group Office which are not allocated to business units.

## **Embedded Value (EV) Equity**

### **EV OPERATING PROFIT**

EV operating profit increased significantly by 28 per cent to US\$2,896 million compared with the first half of 2015.

This excellent growth was due to higher VONB of US\$1,260 million, an expected return on EV of US\$1,393 million and overall operating variances of US\$293 million mainly reflecting positive expense, claims, persistency and other experience including the effect of reinsurance. Overall operating variances have totalled more than US\$1 billion since our IPO in 2010.

## EV OPERATING PROFIT PER SHARE – BASIC

	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
<b>EV operating profit (US\$ millions)</b>	<b>2,896</b>	2,352	<b>28%</b>	23%
Weighted average number of ordinary shares (millions)	<b>11,969</b>	11,969	<b>n/a</b>	n/a
<b>Basic EV earnings per share (US cents)</b>	<b>24.20</b>	19.65	<b>28%</b>	23%

## EV OPERATING PROFIT PER SHARE – DILUTED

	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
<b>EV operating profit (US\$ millions)</b>	<b>2,896</b>	2,352	<b>28%</b>	23%
Weighted average number of ordinary shares <sup>(1)</sup> (millions)	<b>11,992</b>	12,012	<b>n/a</b>	n/a
<b>Diluted EV earnings per share<sup>(1)</sup> (US cents)</b>	<b>24.15</b>	19.58	<b>28%</b>	23%

Note:

- (1) Diluted EV earnings per share including the dilutive effects, if any, of the awards of share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under the share-based compensation plans as described in note 39 to the financial statements in our Annual Report 2015.

## EV NON-OPERATING MOVEMENT

Non-operating EV movements included negative investment return variances of US\$379 million reflecting the effect of short-term capital market movements on our investment portfolio and statutory reserves compared with the expected investment returns. Long-term economic assumptions used in the EV basis for the interim results remained unchanged from those shown in our Annual Report 2015. This is consistent with the approach we have followed since our IPO in 2010.

Other non-operating variances of US\$97 million included negative tax-related adjustments mainly due to the replacement of business tax in China with VAT and the positive effect of a revised undertaking provided to the HKOCI in the first half of 2016.

On 24 March 2016, the Ministry of Finance of the People's Republic of China released a VAT reform for insurance companies, effective from 1 May 2016. The VAT change has been assumed to apply to the projected cash flows from 1 May 2016 in both EV and VONB calculations.

Total EV movement also included positive foreign exchange translation of US\$43 million and the payment of the 2015 final dividend to shareholders of US\$786 million.

## ANALYSIS OF EV MOVEMENT

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

US\$ millions, unless otherwise stated	Six months ended 31 May 2016		
	ANW	VIF	EV
<b>Opening EV</b>	<b>15,189</b>	<b>23,009</b>	<b>38,198</b>
Value of new business	(367)	1,627	1,260
Expected return on EV	1,738	(345)	1,393
Operating experience variances	335	(34)	301
Operating assumption changes	(1)	(7)	(8)
Finance costs	(50)	–	(50)
<b>EV operating profit</b>	<b>1,655</b>	<b>1,241</b>	<b>2,896</b>
Investment return variances	(359)	(20)	(379)
Other non-operating variances	(86)	183	97
<b>Total EV profit</b>	<b>1,210</b>	<b>1,404</b>	<b>2,614</b>
Dividends	(786)	–	(786)
Other capital movements	–	–	–
Effect of changes in exchange rates	76	(33)	43
<b>Closing EV</b>	<b>15,689</b>	<b>24,380</b>	<b>40,069</b>

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

## EV EQUITY

US\$ millions, unless otherwise stated	As at	As at
	31 May 2016	30 November 2015
<b>EV</b>	<b>40,069</b>	38,198
Goodwill and other intangible assets <sup>(1)</sup>	<b>1,588</b>	1,620
<b>EV Equity</b>	<b>41,657</b>	39,818

Note:

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

EV Equity grew by US\$1,839 million in the first half to US\$41,657 million. The increase was mainly driven by strong EV operating profit growth of 28 per cent.

## EV AND VONB SENSITIVITIES

Sensitivities to EV and VONB arising from changes to central assumptions from equity price and interest rate movements are shown below and are consistent with the prior period.

US\$ millions, unless otherwise stated	Six months ended		EV as at 30 November 2015	Six months ended 31 May 2015 VONB
	EV as at 31 May 2016	31 May 2016 VONB		
<b>Central value</b>	<b>40,069</b>	<b>1,260</b>	38,198	959
<b>Equity price changes</b>				
10 per cent increase in equity prices	<b>40,943</b>	n/a	38,924	n/a
10 per cent decrease in equity prices	<b>39,179</b>	n/a	37,458	n/a
<b>Interest rate changes</b>				
50 basis points increase in interest rates	<b>40,147</b>	<b>1,357</b>	38,305	1,016
50 basis points decrease in interest rates	<b>39,951</b>	<b>1,144</b>	38,087	892

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

## IFRS Profit

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

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
Hong Kong	<b>670</b>	585	<b>15%</b>	15%
Thailand	<b>367</b>	343	<b>15%</b>	7%
Singapore	<b>211</b>	201	<b>8%</b>	5%
Malaysia	<b>125</b>	144	<b>2%</b>	(13)%
China	<b>221</b>	191	<b>24%</b>	16%
Korea	<b>96</b>	99	<b>4%</b>	(3)%
Other Markets	<b>228</b>	200	<b>21%</b>	14%
Group Corporate Centre	<b>38</b>	35	<b>9%</b>	9%
<b>Total</b>	<b>1,956</b>	1,798	<b>14%</b>	9%

Note:

(1) Attributable to shareholders of AIA Group Limited only excluding non-controlling interests.

OPAT grew by 14 per cent compared with the first half of 2015 to US\$1,956 million. Each of our market segments delivered positive OPAT growth compared with the first half of 2015. This strong performance was the result of growth in the scale of the business and the disciplined management of our in-force portfolio.

China reported excellent growth of 24 per cent reflecting the quality of our earnings and increased scale as we continued to benefit from sustained growth in profitable new business. Hong Kong also delivered a strong performance with an increase of 15 per cent primarily driven by underlying business growth and the disciplined management of our in-force portfolio.

In Thailand, OPAT increased by 15 per cent as a result of growth in the business and a lower corporate income tax rate. Singapore delivered solid growth of 8 per cent. Malaysia and Korea were up 2 per cent and 4 per cent respectively while Other Markets delivered growth of 21 per cent mainly attributable to strong results in Australia, Indonesia, the Philippines and Vietnam. The Group's persistency remained strong and stable at 94.5 per cent in the first half of 2016.

OPAT reported in the first half of 2016 and the comparative figures for the first half of 2015 reflected the revised definition of operating profit to include the expected long-term investment return for equities and real estate as previously highlighted in note 49 to the financial statements in our Annual Report 2015. Further details are shown in note 29 to the interim financial statements. The change does not affect net profit or shareholders' equity.

#### TOTAL WEIGHTED PREMIUM INCOME (TWPI) BY SEGMENT

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2016</b>	Six months ended 31 May 2015	<b>YoY CER</b>	YoY AER
Hong Kong	<b>2,991</b>	2,271	<b>32%</b>	32%
Thailand	<b>1,566</b>	1,632	<b>4%</b>	(4)%
Singapore	<b>1,114</b>	1,141	<b>1%</b>	(2)%
Malaysia	<b>870</b>	960	<b>4%</b>	(9)%
China	<b>1,187</b>	991	<b>25%</b>	20%
Korea	<b>944</b>	1,065	<b>(4)%</b>	(11)%
Other Markets	<b>1,660</b>	1,573	<b>13%</b>	6%
<b>Total</b>	<b>10,332</b>	9,633	<b>13%</b>	7%

TWPI increased by 13 per cent compared with the first half of 2015 to US\$10,332 million.

#### INVESTMENT RETURN

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2016</b>	Six months ended 31 May 2015	<b>YoY CER</b>	YoY AER
Interest income	<b>2,508</b>	2,412	<b>9%</b>	4%
Expected long-term investment return for equities and real estate	<b>629</b>	658	<b>-</b>	(4)%
<b>Total</b>	<b>3,137</b>	3,070	<b>7%</b>	2%

Investment return increased by 7 per cent compared with the first half of 2015 to US\$3,137 million. The growth was mainly driven by an increase in the level of fixed income investments partly offset by a reduction in expected return on the equity portfolio following a market decline in equities over the second half of 2015.

#### OPERATING EXPENSES

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2016</b>	Six months ended 31 May 2015	<b>YoY CER</b>	YoY AER
Operating expenses	<b>831</b>	791	<b>11%</b>	5%

Operating expenses grew by 11 per cent to US\$831 million and operational efficiency improved with a lower expense ratio of 8.0 per cent compared with 8.2 per cent in the first half of 2015.

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

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
OPAT	1,956	1,798	14%	9%
Short-term fluctuations in investment return related to equities and real estate, net of tax	(27)	409	n/m	n/m
Other non-operating investment return and other items, net of tax	136	(3)	n/m	n/m
<b>Total</b>	<b>2,065</b>	<b>2,204</b>	<b>(2)%</b>	<b>(6)%</b>

Note:

(1) Attributable to shareholders of AIA Group Limited only excluding non-controlling interests.

## IFRS NON-OPERATING MOVEMENT

AIA's IFRS net profit definition includes mark-to-market movements from our equity and investment property portfolios. Consequently, IFRS net profit decreased by 2 per cent to US\$2,065 million reflecting the strong growth in OPAT and a lower corporate income tax rate in Thailand offset by negative mark-to-market movements in equities and real estate of US\$27 million compared with gains of US\$409 million in the first half of 2015.

## MOVEMENT IN SHAREHOLDERS' ALLOCATED EQUITY

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Year ended 30 November 2015	Six months ended 31 May 2015
<b>Opening shareholders' allocated equity</b>	<b>26,705</b>	26,391	26,391
Opening adjustments on revaluation gains on property held for own use	259	–	–
Net profit	2,065	2,765	2,204
Purchase of shares held by employee share-based trusts	(84)	(98)	(94)
Dividends	(786)	(814)	(525)
Revaluation gains/(losses) on property held for own use	32	(2)	(1)
Foreign currency translation adjustments	(27)	(1,623)	(425)
Other capital movements	39	86	52
<b>Total movement in shareholders' allocated equity</b>	<b>1,498</b>	314	1,211
<b>Closing shareholders' allocated equity</b>	<b>28,203</b>	26,705	27,602

The movement in shareholders' allocated equity, which is shown before fair value reserve movements, is a better reflection of the underlying movement in shareholders' equity over the period. The increase of US\$1,498 million to US\$28,203 million at 31 May 2016 was mainly from net profit of US\$2,065 million less the payment of the 2015 final dividend to shareholders of US\$786 million.

Sensitivities to IFRS profit before tax and net assets arising from foreign exchange rate, interest rate and equity price movements are included in note 22 to the interim financial statements.

## IFRS Earnings per Share (EPS)

Basic EPS based on IFRS OPAT attributable to shareholders increased by 14 per cent to 16.34 US cents in the first half of 2016.

Basic EPS based on IFRS net profit attributable to shareholders, including mark-to-market movements from our equity and investment property portfolios, decreased by 2 per cent to 17.25 US cents in the first half of 2016.

### IFRS EARNINGS PER SHARE – BASIC

	Net Profit <sup>(1)</sup>		OPAT <sup>(1)</sup>	
	Six months ended 31 May 2016	Six months ended 31 May 2015	Six months ended 31 May 2016	Six months ended 31 May 2015
Profit (US\$ millions)	2,065	2,204	1,956	1,798
Weighted average number of ordinary shares (millions)	11,969	11,969	11,969	11,969
<b>Basic earnings per share (US cents)</b>	<b>17.25</b>	18.41	<b>16.34</b>	15.02

### IFRS EARNINGS PER SHARE – DILUTED

	Net Profit <sup>(1)</sup>		OPAT <sup>(1)</sup>	
	Six months ended 31 May 2016	Six months ended 31 May 2015	Six months ended 31 May 2016	Six months ended 31 May 2015
Profit (US\$ millions)	2,065	2,204	1,956	1,798
Weighted average number of ordinary shares <sup>(2)</sup> (millions)	11,992	12,012	11,992	12,012
<b>Diluted earnings per share<sup>(2)</sup> (US cents)</b>	<b>17.22</b>	18.35	<b>16.31</b>	14.97

Notes:

- (1) Attributable to shareholders of AIA Group Limited only excluding non-controlling interests.
- (2) Diluted earnings per share including the dilutive effects, if any, of the awards of share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under the share-based compensation plans as described in note 39 to the financial statements in our Annual Report 2015.

## Capital

### FREE SURPLUS GENERATION

The Group's free surplus at 31 May 2016 represented the excess of adjusted net worth over required capital calculated under Hong Kong reserving and capital regulations (HKICO basis).

Underlying free surplus generation, which excludes investment return variances and other items, increased by 12 per cent to US\$2,073 million reflecting the growing scale of our in-force business and our focus on writing quality new business with attractive returns on capital. The amount invested in writing new business reduced by 18 per cent to US\$687 million in the first half of 2016 alongside VONB growth of 37 per cent, mainly reflecting a positive shift in product and country mix as well as more capital efficient products.

Free surplus increased by 10 per cent to US\$8,249 million at 31 May 2016 from US\$7,528 million at 30 November 2015 after the payment of the 2015 final dividend to shareholders of US\$786 million. The increase was mainly due to underlying free surplus generation of US\$2,073 million, non-operating items including investment return variances and a revised undertaking to the HKOCI totalling US\$242 million less investment in new business of US\$687 million.



The following table shows the change in free surplus:

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2016</b>	Six months ended 31 May 2015
<b>Opening free surplus</b>	<b>7,528</b>	7,794
Underlying free surplus generated	<b>2,073</b>	1,923
Free surplus used to fund new business	<b>(687)</b>	(878)
Investment return variances and other items	<b>242</b>	178
Unallocated Group Office expenses	<b>(71)</b>	(68)
Dividends	<b>(786)</b>	(525)
Finance costs and other capital movements	<b>(50)</b>	(75)
<b>Closing free surplus</b>	<b>8,249</b>	8,349

#### **NET FUNDS TO GROUP CORPORATE CENTRE**

Working capital comprises debt and equity securities, deposits and cash and cash equivalents held at the Group Corporate Centre. Working capital increased by 17 per cent to US\$8,268 million at 31 May 2016 compared with US\$7,077 million at 31 May 2015. The increase was mainly due to the issuance of a medium term note in March 2016 with net proceeds of US\$733 million and net remittances from business units of US\$993 million, partly offset by the payment for the increase in our shareholding in Tata AIA, repayment of a bank loan of US\$323 million and the payment of the 2015 final dividend to shareholders of US\$786 million.

The movements in working capital are summarised as follows:

<b>US\$ millions, unless otherwise stated</b>	<b>Six months ended 31 May 2016</b>	Six months ended 31 May 2015
<b>Opening working capital</b>	<b>7,843</b>	6,614
Group Corporate Centre results	<b>16</b>	55
Capital flows from business units		
Hong Kong	<b>490</b>	420
Thailand	<b>280</b>	400
Malaysia	<b>186</b>	188
Korea	<b>39</b>	31
Other Markets	<b>(2)</b>	(21)
<b>Net funds remitted to Group Corporate Centre</b>	<b>993</b>	1,018
Payment for increase in interest of an associate (Tata AIA)	<b>(310)</b>	–
Increase in borrowings	<b>410</b>	177
Purchase of shares held by the employee share-based trusts	<b>(84)</b>	(94)
Payment of dividends	<b>(786)</b>	(525)
Change in fair value reserve and others	<b>186</b>	(168)
<b>Closing working capital</b>	<b>8,268</b>	7,077

## IFRS Balance Sheet

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US\$ millions, unless otherwise stated	As at 31 May 2016	As at 30 November 2015	Change AER
<b>Assets</b>			
Financial investments	148,117	139,083	6%
Investment property	3,917	3,659	7%
Cash and cash equivalents	1,722	1,992	(14)%
Deferred acquisition and origination costs	17,825	17,092	4%
Other assets	9,258	7,932	17%
<b>Total assets</b>	<b>180,839</b>	169,758	7%
<b>Liabilities</b>			
Insurance and investment contract liabilities	129,590	123,085	5%
Borrowings	3,610	3,195	13%
Other liabilities	11,758	12,056	(2)%
<b>Less total liabilities</b>	<b>144,958</b>	138,336	5%
<b>Equity</b>			
Total equity	35,881	31,422	14%
Less non-controlling interests	340	303	12%
<b>Total equity attributable to shareholders of AIA Group Limited</b>	<b>35,541</b>	31,119	14%
Shareholders' allocated equity	28,203	26,705	6%

### MOVEMENT IN SHAREHOLDERS' EQUITY

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Year ended 30 November 2015	Six months ended 31 May 2015
<b>Opening shareholders' equity</b>	<b>31,119</b>	32,467	32,467
Opening adjustments on revaluation gains on property held for own use	259	–	–
Net profit	2,065	2,765	2,204
Fair value gains/(losses) on assets	2,924	(1,662)	(246)
Purchase of shares held by employee share-based trusts	(84)	(98)	(94)
Dividends	(786)	(814)	(525)
Revaluation gains/(losses) on property held for own use	32	(2)	(1)
Foreign currency translation adjustments	(27)	(1,623)	(425)
Other capital movements	39	86	52
<b>Total movement in shareholders' equity</b>	<b>4,422</b>	(1,348)	965
<b>Closing shareholders' equity</b>	<b>35,541</b>	31,119	33,432

## TOTAL INVESTMENTS

<b>US\$ millions, unless otherwise stated</b>	<b>As at 31 May 2016</b>	<b>Percentage of total</b>	<b>As at 30 November 2015</b>	<b>Percentage of total</b>
Total policyholder and shareholder	<b>135,093</b>	<b>87%</b>	126,435	86%
Total unit-linked contracts and consolidated investment funds	<b>20,188</b>	<b>13%</b>	19,794	14%
<b>Total investments</b>	<b>155,281</b>	<b>100%</b>	146,229	100%

The investment mix remained stable during the year as set out below:

## UNIT-LINKED CONTRACTS AND CONSOLIDATED INVESTMENT FUNDS

<b>US\$ millions, unless otherwise stated</b>	<b>As at 31 May 2016</b>	<b>Percentage of total</b>	<b>As at 30 November 2015</b>	<b>Percentage of total</b>
<b>Unit-linked contracts and consolidated investment funds</b>				
Debt securities	<b>4,517</b>	<b>23%</b>	4,182	21%
Loans and deposits	<b>178</b>	<b>1%</b>	211	1%
Equities	<b>15,009</b>	<b>74%</b>	14,948	76%
Cash and cash equivalents	<b>481</b>	<b>2%</b>	450	2%
Derivatives	<b>3</b>	<b>-</b>	3	-
<b>Total unit-linked contracts and consolidated investment funds</b>	<b>20,188</b>	<b>100%</b>	19,794	100%

## POLICYHOLDER AND SHAREHOLDER INVESTMENTS

US\$ millions, unless otherwise stated	As at 31 May 2016	Percentage of total	As at 30 November 2015	Percentage of total
<b>Participating funds</b>				
Government and government agency bonds	7,921	6%	7,866	6%
Corporate bonds and structured securities	11,581	9%	11,190	9%
Loans and deposits	1,865	1%	1,917	2%
<b>Subtotal – Fixed income investments</b>	<b>21,367</b>	<b>16%</b>	20,973	17%
Equities	5,282	4%	4,915	4%
Investment property and property held for own use	443	–	436	–
Cash and cash equivalents	144	–	204	–
Derivatives	49	–	34	–
<b>Subtotal participating funds</b>	<b>27,285</b>	<b>20%</b>	26,562	21%
<b>Other policyholder and shareholder</b>				
Government and government agency bonds	39,475	29%	35,425	28%
Corporate bonds and structured securities	49,012	36%	45,977	36%
Loans and deposits	4,997	4%	5,083	4%
<b>Subtotal – Fixed income investments</b>	<b>93,484</b>	<b>69%</b>	86,485	68%
Equities	8,190	6%	7,296	6%
Investment property and property held for own use	4,999	4%	4,718	4%
Cash and cash equivalents	1,097	1%	1,338	1%
Derivatives	38	–	36	–
<b>Subtotal other policyholder and shareholder</b>	<b>107,808</b>	<b>80%</b>	99,873	79%
<b>Total policyholder and shareholder</b>	<b>135,093</b>	<b>100%</b>	126,435	100%

## ASSETS

Total assets of US\$180,839 million at 31 May 2016 increased by US\$11,081 million compared with US\$169,758 million at 30 November 2015 from positive net revenues and mark-to-market gains from our debt securities.

Total investments include financial investments, investment property, property held for own use, and cash and cash equivalents and increased by US\$9,052 million to US\$155,281 million at 31 May 2016 compared with US\$146,229 million at 30 November 2015.

Of the total US\$155,281 million investments at 31 May 2016, US\$135,093 million were held in respect of policyholders and shareholders and the remaining US\$20,188 million were backing unit-linked contracts and consolidated investment funds.

Fixed income investments, including debt securities, loans and term deposits held in respect of policyholders and shareholders, totalled US\$114,851 million at 31 May 2016 compared with US\$107,458 million at 30 November 2015. The average credit rating of the fixed income portfolio remained unchanged compared with the position at 30 November 2015.

Government and government agency bonds represented 41 per cent of fixed income investments at 31 May 2016 compared with 40 per cent at 30 November 2015. Corporate bonds and structured securities accounted for 53 per cent of fixed income investments at 31 May 2016 and 30 November 2015.

Equity securities held in respect of policyholders and shareholders totalled US\$13,472 million at 31 May 2016 compared with US\$12,211 million at 30 November 2015. The 10 per cent increase in carrying value was mainly attributable to new purchases partly offset by mark-to-market movements. Within this figure, equity securities of US\$5,282 million were held in participating funds.

Cash and cash equivalents decreased by 14 per cent to US\$1,722 million at 31 May 2016 compared with US\$1,992 million at 30 November 2015 reflecting increased investments in financial assets, payment for the increase in our shareholding in Tata AIA and the payment of the 2015 final dividend to shareholders of US\$786 million.

Investment property and property held for own use in respect of policyholders and shareholders totalled US\$5,442 million at 31 May 2016 compared with US\$5,154 million at 30 November 2015.

Deferred acquisition and origination costs increased to US\$17,825 million at 31 May 2016 compared with US\$17,092 million at 30 November 2015 largely reflecting new business growth.

Other assets increased to US\$9,258 million at 31 May 2016 compared with US\$7,932 million at 30 November 2015 reflecting the increase in our shareholding in Tata AIA and increased property, plant and equipment.

## **LIABILITIES**

Total liabilities increased to US\$144,958 million at 31 May 2016 from US\$138,336 million at 30 November 2015.

Insurance and investment contract liabilities grew to US\$129,590 million at 31 May 2016 compared with US\$123,085 million at 30 November 2015 reflecting the underlying growth of the in-force portfolio from new business partly offset by mark-to-market movements on equities backing unit-linked and participating policies and foreign exchange translation.

Borrowings increased to US\$3,610 million at 31 May 2016 due to the net proceeds of US\$733 million from the issuance of a medium term note in March 2016 less the repayment of a US\$323 million bank loan.

Other liabilities were US\$11,758 million at 31 May 2016 compared with US\$12,056 million at 30 November 2015.

Details of commitments and contingencies are included in note 25 to the interim financial statements.

## **Regulatory Capital**

The Group's lead insurance regulator is the Hong Kong Office of the Commissioner of Insurance (HKOCI). The Group's principal operating company is AIA Co., a Hong Kong-domiciled insurer.

At 31 May 2016, the total available capital for AIA Co., our main regulated entity, was US\$6,437 million as measured under the HKICO basis, resulting in a solvency ratio of 381 per cent of regulatory minimum capital compared with 428 per cent at the end of November 2015. The solvency ratio remained very strong with growth in retained earnings offset by the effect of short-term capital market movements on our investment portfolio and statutory reserves and the payment for our increased shareholding in Tata AIA.

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

<b>US\$ millions, unless otherwise stated</b>	<b>As at 31 May 2016</b>	As at 30 November 2015
Total available capital	<b>6,437</b>	6,761
Regulatory minimum capital (100%)	<b>1,688</b>	1,579
Solvency ratio (%)	<b>381%</b>	428%

The Group's individual branches and subsidiaries are also subject to supervision in the jurisdictions in which they operate. This means that local operating units, including branches and subsidiaries, must meet the regulatory capital requirements of their local prudential regulators. The various regulators overseeing the Group's branches and subsidiaries actively monitor their capital position. The local operating units were in compliance with the capital requirements of their respective local regulators in each of our geographical markets at 31 May 2016.

## Regulatory Developments

Internationally, the regulatory environment facing life insurers has continued to evolve. In particular, the International Association of Insurance Supervisors (IAIS) continues a multi-year consultation with the review of certain Insurance Core Principles and the longer-term aim of developing and implementing an updated common framework (ComFrame) for the international regulation of insurance companies.

Regulators across AIA's span of operations continued a variety of initiatives intended to align their respective regulatory frameworks with the broad principles recommended by the IAIS. AIA continues to be involved in these initiatives across the region, and is an active participant in the international industry dialogue on a host of relevant issues including formation of an international capital standard.

In Hong Kong, legislation was passed in July 2015 in support of the creation of an Independent Insurance Authority. A Governing Board has been appointed and it is anticipated that the Independent Insurance Authority will take over the responsibilities of the HKOCI and will also directly regulate intermediaries beginning in 2017. Work also continues towards the development of a risk-based capital regime. As previously disclosed, AIA is closely and constructively engaged in these developments.

## Global Medium Term Note Programme

Under our US\$5 billion Global Medium Term Note (GMTN) programme, AIA Group Limited issued a senior unsecured fixed rate note with nominal amount of US\$750 million in March 2016. The note will mature in 2046 and bears annual interest of 4.5 per cent. At 31 May 2016, the aggregate carrying amount of the debt issued under the GMTN programme was US\$3,607 million.

## Credit Ratings

At 31 May 2016, AIA Co. has financial strength ratings of AA- (Very Strong) and Aa3 (Very Low Credit Risk) with stable outlooks from Standard & Poor's and Moody's respectively. AIA Group Limited has issuer credit ratings of A (Strong) and A3 (Low Credit Risk) with stable outlooks from Standard & Poor's and Moody's respectively.

## Dividends

The Board of Directors has declared an interim dividend of 21.90 Hong Kong cents per share, an increase of 17 per cent compared with the interim dividend in 2015.

## **BUSINESS REVIEW**

### **Distribution**

#### **AGENCY**

AIA pioneered the development of agency distribution in Asia almost a century ago and our proprietary agency network remains fundamental to our success and to the sustainability of our growth. Our agents provide our customers with professional advice to help them meet their medium to long-term savings and protection needs. AIA's commitment to the training and professional development of our agents ensures that we maintain long-term relationships and high levels of engagement with our customers. Our strong position and our willingness and capacity to invest significant resources in developing large-scale and high-quality distribution places AIA in an advantaged position to capture the substantial growth opportunities from the significant demographic and economic changes taking place in Asia.

The disciplined execution of our Premier Agency strategy delivered 29 per cent growth in VONB to US\$931 million, representing 69 per cent of the Group's total VONB in the first half of 2016. ANP grew by 27 per cent to US\$1,434 million and VONB margin remained stable at 64.9 per cent. These excellent results were achieved by our clear and disciplined focus on improving performance standards through selective recruitment, best-in-class training and industry-leading technology. We remain committed to enhancing the professionalism, scale and productivity of our agents.

Our recruitment strategy places particular emphasis on the quality of our new hires through adopting a segmented approach to targeting high-calibre individuals and providing them with comprehensive in-house onboarding and development programmes. We ensure that our growing agency force is equipped with the required skills and knowledge to provide professional advice to our customers and to offer qualified and capable individuals the prospect of building a successful long-term career with AIA.

As well as providing our Premier Agents with ongoing development opportunities, we worked with our strategic partners GAMA International and LIMRA to tailor training programmes to strengthen the capabilities of our agency leaders. As a result of our focus on quality recruitment, the average number of active new agents joining AIA has increased by 85 per cent over the first half of 2016 compared with 2010.

Million Dollar Round Table (MDRT) status remains an important global industry standard for financial planners and we have supported our agents with tailored incentives and training to help increasing numbers of them achieve their aspirations of attaining MDRT membership. Seven of our markets have achieved a step-up in their number of 2016 registered members of more than 50 per cent.

While our top-tier agents continued to deliver outstanding performance, our broad range of long-term Premier Agency initiatives across our core group of agents has continued to drive growth in overall active agent numbers and a significant increase in productivity in terms of ANP per active agent in the first half of 2016.

Our Premier Agency strategy includes supporting our agents with industry-leading technology. AIA's interactive Point of Sale (iPoS) system is well established as the principal sales tool for our agents in many of our markets. This interactive technology allows us to enhance customer experience, reduce turnaround times and increase agent efficiency and productivity. Embedding iPoS in our second generation interactive Mobile Office (iMO) platform enables our agents and agency leaders to manage all of their activities, from recruitment and lead generation to the face-to-face sales process and training, efficiently on one single mobile device. We are making significant ongoing investments in our digital platforms, simplifying our communications with customers and helping our agents better serve them through innovative market-leading features such as on-the-spot digital underwriting.

## **PARTNERSHIPS**

AIA's partnership business complements our agency distribution and extends our multi-channel access to prospective customers across the Asia-Pacific region. In the first half of 2016, it accounted for 31 per cent of the Group's overall VONB and provides an important additional source of new business growth for AIA. Our partnership business delivered an excellent performance with 50 per cent growth in VONB to US\$419 million. ANP increased by 38 per cent to US\$921 million while VONB margin increased by 3.6 pps to 45.5 per cent compared with the first half of 2015.

### **Bancassurance**

Our strategy is to develop long-term collaborative partnerships with highly-regarded local and regional banks to deliver VONB growth through disciplined execution and a selective approach to the products we offer through this channel. In the first half of 2016, we worked alongside our bank partners on customised sales training, business development coaching and client events to improve the activity and productivity levels of our in-branch insurance specialists. Our bancassurance business has also benefited from increased sales to existing bank customers, using cross-selling and direct marketing to generate additional new business opportunities. This strategy has maintained our track record of delivering financially-disciplined growth in the bancassurance channel with a strong double-digit increase in VONB compared with the first half of 2015.

Our long-term exclusive partnership with Citibank, N.A. (Citibank) across the region continued to make strong progress and delivered an important contribution to VONB in our bancassurance channel. In the first half of 2016, we continued to enhance the sales activity and productivity of the bank's insurance specialists and relationship managers. One example is the development of a new training programme that was integrated into Citibank's own onboarding and continued professional development programmes in Hong Kong, which has shown excellent results and will be launched in other markets. We also implemented a number of strategic initiatives including the continued regional roll-out of insurance sales toolkits and the integration of iPoS with Citibank's sales platforms that provides customers and relationship managers with a seamless financial planning and insurance sales experience. We also launched a number of new products across the region that were supported by successful customer marketing campaigns, including a protection product integrated with AIA Vitality in Hong Kong and a new regular premium unit-linked product targeting the mass affluent segment in Indonesia.

### **Other Partnership Channels**

The overall performance of our direct marketing channel in the first half of 2016 continued to be constrained by the challenging market environment in Korea. The channel delivered double-digit VONB growth excluding Korea with strong performances in Malaysia and Taiwan and, in particular, we continued to benefit from the expansion of our telemarketing operations with Citibank in Hong Kong and Singapore.

Our other intermediated channels, including independent financial advisers (IFAs), brokers, private banks and specialist advisers, continued to deliver excellent VONB growth in the first half of 2016 as we provided differentiated products and leading support services for business planning, administration and technical advice to our selected partners.



## GROUP INSURANCE

The provision of group life and health insurance through local and multinational corporate schemes is an important part of AIA's strategy to meet the protection needs of more than 1.8 billion people in the working population across Asia-Pacific (ex-Japan). The need for group insurance continues to expand rapidly as Asian employers compete for an increasingly educated and mobile workforce and develop more sophisticated human resource capabilities. With over 16 million existing group insurance scheme members and more than 120,000 corporate clients, AIA is the leading provider of group insurance across the Asia-Pacific region with top-ranked market positions in Hong Kong, Thailand, Singapore, Malaysia and Australia.

Our group insurance corporate client base includes both multinational corporations and small-and-medium sized enterprises (SMEs). We offer flexible employee benefits to our corporate clients through our broad regional network of employee benefit consultants and brokers, as well as through our agency force. Sales from agents have become a material contributor to our group insurance VONB and are becoming increasingly important as SMEs evolve from small family-run operations into scalable businesses requiring more flexible employee benefits and higher levels of protection cover. Our work with our bank partners to provide solutions to their own SME and corporate clients is also an important and growing source of new business.

In the first half of 2016, our group insurance business delivered strong VONB growth as we improved operational efficiency and won a number of large employee benefits contracts in Australia. Our initiative to enable group scheme members to voluntarily supplement their group insurance cover with individual products and additional benefits has also made good progress since its launch in 2015. This new capability makes the most of our existing relationships with individual employees, combining a simplified underwriting process with products specifically designed to complement existing group scheme benefits. AIA is well placed to make the most of the significant growth potential in group insurance as we continue to introduce innovative products and enhance service levels for both employers and individual members.

## **Marketing**

AIA has built one of the most readily recognised and trusted brands in Asia over the course of our long history in the region. Our commitment to making a positive impact on our customers' lives by helping them meet the opportunities and challenges of real life is reinforced by AIA's brand positioning as "The Real Life Company". We have promoted our brand values through integrated campaigns on television, in print, at outdoor events and on social media. In the first half of 2016, digital-led campaigns remained a focus of our marketing efforts, following the successful debut of the mini-film "Love is in Every Moment" in Hong Kong last year. Another mini-film featuring the story of Hong Kong's first world champion bowler and his fight against cancer was launched in April with over four million views in the first month.

AIA Vitality has been a major theme of our marketing. This science-backed wellness programme differentiates our brand proposition as we play a more active role in motivating our customers to take better care of their health. Our approach began as a corporate initiative to promote Healthy Living as the core element in the Group's Corporate Social Responsibility programme and has expanded with a focus on the AIA Vitality principles of knowing your health, improving your health and enjoying the rewards. Most recently, in June 2016, we introduced AIA Vitality to Malaysia and Thailand, following launches in Australia, Hong Kong, Singapore and the Philippines.

Our partnership with Tottenham Hotspur Football Club (Spurs) highlights AIA's recognition of the vital role that active participation in sport plays in promoting a healthy lifestyle. The positive values of teamwork, discipline and sportsmanship were evidenced in the roll-out of AIA Championship, a regional five-a-side football tournament that has attracted over 700 participants across Asia. The final matches were played at White Hart Lane, Spurs' home ground in London.

## **CUSTOMER ENGAGEMENT**

Our in-force customer base with more than 29 million individual policies and over 16 million participating members of group insurance schemes is an important source of growth for AIA. We use customer data analysis to increase engagement with our existing customers and design insurance solutions that meet their evolving needs. As part of our ongoing Customer Understanding Programme, our online customer community platform launched last year more than doubled its membership size during the first half of 2016 to over 9,000 active customer members. This regional platform provides valuable feedback that enables us to keep improving customer experience and prioritise the development of products and services that matter the most to our customers. VONB generated by our existing customer marketing initiatives has more than trebled since the inception of these programmes in 2012.

## **PRODUCT DEVELOPMENT**

AIA is committed to expanding our comprehensive range of medium to long-term savings and protection products including an increased emphasis on healthcare and wellness in personal and family protection across the region. Our regular premium unit-linked products provide customers with the flexibility to personalise their mix of wealth accumulation and protection cover. These products play a leading role in many of our markets including Malaysia, Singapore, Indonesia and the Philippines. We were the first provider to launch these products in Thailand in 2013 and we continue to account for over 80 per cent of the total number of industry agents licensed to distribute such products. This innovation has been well received by Thai consumers with a significant increase in VONB from the products in the first half of 2016.

We expanded AIA China's flagship All-in-One protection range with the launch of a new multiple payment critical illness rider and a successful campaign to upgrade the cover levels of our existing customers. We also launched Singapore's first 2-in-1 Savest™ plan which adopts an innovative balanced approach to long-term savings by combining the stability of smoothed returns from participating savings with a unit-linked investment portfolio created in conjunction with a leading global investment consultancy.

## **Employee and Community Engagement**

### **EMPLOYEE ENGAGEMENT**

We strongly believe that to sustain our success we must continue to develop the next generation of leaders from within our organisation and attract top people both from within and outside of our industry.

As part of this broader strategy to nurture and develop future leaders, we opened the AIA Leadership Centre (ALC) in Bangkok on 16 March. The curriculum of this state-of-the-art custom-built regional training facility will support bespoke programmes for our employees, our agents and our partners. It will focus on providing Executive, Technical and Distribution Leadership development programmes. The ALC represents a powerful new resource for AIA as we develop our leaders to support both the growth of our business and the communities in which they operate.

Our comprehensive and robust Performance Development Dialogue is also critical to the development of our people. Our over 21,000 employees engage in such a dialogue annually with their managers to agree goals for the year ahead and discuss the support they need to achieve them. These conversations are designed to recognise the contributions of our people and help all employees to develop their capabilities and more broadly their careers. We have continued to refine our process in 2016 with the Development Dialogues helping employees focus increasingly on how things are done in addition to the achievement of results-oriented metrics.

Finally, to ensure that we provide the broadest possible opportunities for development, we continue to expand our Career Mobility Programme. Through this programme, select employees throughout the organisation benefit from the opportunity for cross-functional assignments as well as deployments across AIA's range of businesses and geographies. In the first half of the year, over 500 of our people benefited from assignments as part of this programme.

### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

AIA's commitment to a wide-ranging and impactful CSR programme is central to our Purpose of playing a leadership role in driving economic and social development across the region. The focus of our CSR programme is helping people around the region to live longer, healthier, better lives.

In May, approximately 12,000 runners took part in The Music Run™ by AIA in Shenzhen, including customers, employees, agents and partners of AIA China together with their friends and families. This event followed the second edition of The Music Run™ by AIA in Singapore, held in April, at which more than 10,000 people walked, ran and danced to their favourite music. These events built on the momentum achieved in 2015 when AIA sponsored Music Runs in Thailand, Malaysia and the Philippines.

Our partnership with Tottenham Hotspur Football Club (Spurs) continued to provide a host of opportunities to promote active participation in sport to our communities. Since its launch in 2014, the "AIA Sharing a Life Day" has become the biggest volunteering initiative on AIA Thailand's calendar. A range of charitable causes are supported under its umbrella, including schools, care homes, health centres and public spaces located in disadvantaged communities around Thailand. In April, Spurs' players wore special-edition "AIA Sharing a Life" shirts during their match against West Bromwich Albion, bringing this valuable initiative to the attention of millions of people around the world. The match-worn shirts were subsequently auctioned, raising funds for a leading Thai non-governmental organisation as well as Spurs Wishes, a charitable body established by Spurs to provide uplifting experiences to terminally ill fans and their families.

In the Philippines, the Philam Foundation continued to partner with the Department of Education to construct fully-furnished classrooms for calamity-stricken schools. After typhoons Lando and Nona left the province of Nueva Ecija in ruins, the Philam Foundation took action to ensure the students of Palayan City Central School maintain their hope for a brighter future, through the construction of two new classrooms in partnership with the Philippine Veterans Affairs Office and the Public Safety Savings and Loan Association, Inc. The Philam Foundation has continued to invest in this classroom construction initiative and is committed to begin building its 100th such classroom by July 2016.

In China, AIA volunteers participated in a “2016 Blue Ribbon Charity Cycling” event where they joined autistic children to cycle around Dishui Lake. A charity sale was also held to raise money in support of these children.

In Taiwan, AIA employees volunteered their time for an annual charitable event for the homeless and elderly, which attracted approximately 40,000 participants. The annual celebration provides these groups with a proper meal that symbolises the traditional reunion meal that people usually have with loved ones at Chinese New Year.

AIA will continue to support Healthy Living-related initiatives and we will continue to encourage our employees and agents to contribute actively their time, effort and energy, as we strive to support and improve our communities.

## Geographical Markets

### HONG KONG

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
VONB <sup>(1)</sup>	537	335	60%	60%
VONB margin <sup>(2)</sup>	52.9%	59.6%	(6.7) pps	(6.7) pps
ANP	988	540	83%	83%
TWPI	2,991	2,271	32%	32%
Operating profit after tax	670	585	15%	15%

### Financial Highlights

AIA's Hong Kong business delivered another excellent start to the year with 60 per cent growth in VONB to US\$537 million. This outstanding performance was driven by a significant increase in agent productivity, growth in the number of active agents and an excellent result from our partnership business. ANP increased by 83 per cent to US\$988 million as we benefited from both strong growth in the Hong Kong domestic market and a significant uplift in new business from mainland Chinese customers. VONB margin was 6.7 pps lower at 52.9 per cent reflecting the strong new business growth in more capital-efficient participating business compared with the first half of 2015. IFRS operating profit after tax increased by 15 per cent to US\$670 million due to strong growth in the scale of our business and the disciplined management of our in-force portfolio.

### Business Highlights

The consistent execution of our Premier Agency strategy drove the strong performance of our agency channel in the first half of 2016. We continued to expand our agency force by recruiting and training high-calibre candidates through our AIA Premier Academy. Our selective recruitment has contributed to a 14 per cent increase in the number of active new agents in the first half of 2016. We also launched a new Premier Agency Leader programme aimed at developing our next generation of agency leaders by equipping candidates with leadership and agency management skills. Our agents also benefit from in-house continuing professional development combined with new business incentives specifically designed to improve productivity levels, resulting in a 35 per cent increase in ANP per active agent compared with the first half of 2015.

Partnership distribution delivered excellent VONB growth in the first half of 2016 with strong performances in both bancassurance and retail IFA channels. Our long-term strategic partnership with Citibank has generated strong business growth from successful customer campaigns, new product launches and higher activity levels among in-branch specialists. We also created new training programmes integrated into Citibank's own training curriculum for relationship managers, which includes personalised coaching from AIA's experienced trainers. Nearly two-thirds of Citibank's relationship managers in Hong Kong have participated in the programme, resulting in ANP per seller more than double the amount in the first half of 2015.

AIA Hong Kong continues to offer a comprehensive range of protection and long-term savings products to meet the needs of our customers at different stages of their lives. Our "Health & Wealth Protection Solution" campaign was launched in January offering combined savings and critical illness protection around the theme of bringing customers good health and wealth over their lives. Our participating products also proved very popular in the first half of 2016 against a volatile market backdrop, as savers looked for products that offer smoothed investment returns over the long term. We also launched AIA Vitality in Hong Kong in October 2015 and, while it is early days, we have seen a strong positive take-up of our market-leading comprehensive wellness programme.

## THAILAND

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
VONB <sup>(1)</sup>	175	183	4%	(4)%
VONB margin <sup>(2)</sup>	80.9%	71.5%	9.4 pps	9.4 pps
ANP	216	256	(9)%	(16)%
TWPI	1,566	1,632	4%	(4)%
Operating profit after tax	367	343	15%	7%

### Financial Highlights

VONB in Thailand grew by 4 per cent to US\$175 million compared with the first half of 2015, driven by an increase of 9.4 pps in VONB margin to 80.9 per cent partially offset by lower new business volumes. The margin increase was a result of an ongoing shift in product mix towards regular premium unit-linked business with higher protection rider attachments and a lower corporate income tax rate. IFRS operating profit after tax increased by 15 per cent to US\$367 million as a result of underlying business growth and a lower tax rate.

### Business Highlights

AIA Thailand is committed to improving further the quality of its market-leading agency distribution through enhancing agent activity and productivity. Our focus is on executing our Premier Agency strategy to develop increasing numbers of highly-trained agents that can provide advice on a wider range of savings and protection products. This will include building on our market-leading position in the development and licensing of agents qualified to sell unit-linked insurance products.

We have continued our selective approach to hiring new agents with the new recruits from our recently-launched “Financial Adviser” agency recruitment programme more productive than average. We strictly enforce the validation of agency contracts and this has affected overall new business sales in the near term. At the same time, we have made a significant investment in expanding our training capabilities, including induction programmes and ongoing professional development training for existing agents.

Our commitment to capturing the growth potential of the unit-linked business in Thailand has continued to make meaningful progress in the first half of 2016. The number of licensed AIA agents qualified to distribute unit-linked products grew by 65 per cent, building on the significant increase achieved in 2015. AIA continued to account for over 80 per cent of the total number of agents licensed to distribute these products in the market. We have launched a new sales tool on our mobile sales platform that helps demonstrate the flexibility of unit-linked products in meeting customers’ needs. Combined with the increase in sales capability, this has generated significant VONB growth from unit-linked products for AIA Thailand, compared with the first half of 2015.

AIA is the market leader for protection business in Thailand. Our ongoing efforts to raise customer awareness of their critical illness protection gap through marketing campaigns and our focus on the distribution of critical illness rider products led to a 19 per cent increase in ANP for critical illness products and further strengthened our competitive advantage in this market.

## SINGAPORE

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
VONB <sup>(1)</sup>	152	142	10%	7%
VONB margin <sup>(2)</sup>	71.1%	62.9%	8.0 pps	8.2 pps
ANP	214	225	(2)%	(5)%
TWPI	1,114	1,141	1%	(2)%
Operating profit after tax	211	201	8%	5%

### Financial Highlights

AIA Singapore reported 10 per cent growth in VONB to US\$152 million in the first half of 2016. Strong performances from our agency and bancassurance distribution channels were partly offset by slower single premium sales through the broker channel. VONB margin increased by 8.0 pps to 71.1 per cent with ANP lower by 2 per cent following a shift towards regular premium business within the overall product mix. IFRS operating profit after tax increased by 8 per cent to US\$211 million.

### Business Highlights

Our agency channel delivered an excellent performance with more than 20 per cent VONB growth in the first half of 2016. Our commitment to developing our Premier Agents through high-quality recruitment and professional career development has continued to strengthen AIA's market-leading agency distribution in Singapore. In the first half of 2016, we focused on raising productivity levels at the core of our agency towards those of our top producing agents. New business submissions through iPoS have continued to increase and the expanded functionality of iMO to include automated mobile underwriting at point of sale has helped improve the efficiency of the sales process. Combined with other recruitment and training programmes, these initiatives have increased the number of active agents and improved productivity with ANP per active agent up by 15 per cent compared with the first half of 2015.

Our bancassurance business delivered strong VONB growth in the first half of 2016 from our strategic relationship with Citibank and increased engagement with our broader bank partners in Singapore. We continued to improve productivity through structured training and development programmes for Citibank's sales staff and expanded our telemarketing efforts to Citibank's credit card customer base with a focus on the sales of simplified protection products. Single premiums in the broker channel reduced in the first half of the year following our selective approach to writing this business and lower overall market sales. Our group insurance business delivered solid VONB growth from individual protection sales to existing group scheme members and an increase of more than 20 per cent in VONB generated by our agency distribution compared with the first half of 2015.

AIA is the leader in Singapore's protection market in terms of new business sum assured. We extended our range of long-term savings products to complement our protection focus by launching the first 2-in-1 Savest™ product combining the stability of smoothed returns from participating savings with a unit-linked investment portfolio created in conjunction with a leading global investment consultancy. Singapore was also our first market to launch AIA Vitality and our market-leading comprehensive wellness proposition continued to be well received by our customers with a take-up rate of greater than 50 per cent on eligible products.

## MALAYSIA

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
VONB <sup>(1)</sup>	90	78	30%	15%
VONB margin <sup>(2)</sup>	55.7%	55.4%	0.3 pps	0.3 pps
ANP	159	138	31%	15%
TWPI	870	960	4%	(9)%
Operating profit after tax	125	144	2%	(13)%

### Financial Highlights

AIA Malaysia delivered an excellent performance with VONB growth of 30 per cent to US\$90 million building on the strong results in 2015. The increase was driven by further improvements in the quality of our distribution and our sustained focus on regular premium unit-linked products combined with higher levels of protection cover. ANP grew by 31 per cent to US\$159 million with a VONB margin of 55.7 per cent mainly due to a significant increase in agent productivity and the successful launch of new protection products aimed at the mass affluent customer segment. IFRS operating profit after tax increased by 2 per cent to US\$125 million in the first half of 2016.

### Business Highlights

AIA's strategy of selectively recruiting and developing high-quality agents has once again produced excellent results. Our new long-term career programme has attracted high-calibre recruits leading to a 30 per cent increase in the number of active new agents compared with the first half of 2015. Higher agent productivity levels delivered a 27 per cent increase in ANP per active agent compared with the first half of 2015. Our agency Takaful business has continued to make strong progress with individual ANP around twice the result delivered in the first half of 2015 and a 79 per cent increase in the number of active Takaful-producing agents.

While agency distribution accounts for around two-thirds of our overall VONB in Malaysia, partnership distribution also delivered a solid performance. AIA's strategic bancassurance partnership with Public Bank, one of the leading retail banking groups in Malaysia, benefited from higher productivity levels and increased average case sizes from new product launches alongside the roll-out of iPoS to the in-branch insurance specialists. The introduction of new protection products specifically designed for leads generated from the existing customer base of our bank partners contributed to the continued VONB growth in direct marketing compared with the first half of 2015.

AIA Malaysia has continued to enhance customer experience through the use of technology. The adoption rate of iPoS remains high accounting for approximately 90 per cent of new business applications from our agents in the first half of 2016. We also launched our mobile underwriting system in Malaysia, featuring personalised application questions and on-the-spot underwriting to continue to enhance our iPoS system. Our marketing activities focused on raising awareness of the benefits of an active lifestyle and encouraging Malaysians to take control of their health, ahead of our AIA Vitality launch in June.



## CHINA

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
VONB <sup>(1)</sup>	278	187	56%	49%
VONB margin <sup>(2)</sup>	86.8%	84.8%	2.0 pps	2.0 pps
ANP	321	220	53%	46%
TWPI	1,187	991	25%	20%
Operating profit after tax	221	191	24%	16%

### Financial Highlights

AIA's sustained execution of our Premier Agency strategy in China delivered excellent results in the first half of 2016. VONB growth of 56 per cent to US\$278 million was driven by a significant increase in active agent numbers, continued strength in agent productivity and our high-quality product mix. ANP grew by 53 per cent to US\$321 million and VONB margin was higher by 2.0 pps to 86.8 per cent. The vast majority of AIA's earnings in China are from insurance profits rather than interest rate spread business, reflecting our strategy of operating a high-quality agency distribution to meet our customers' protection and long-term savings needs. The quality of our earnings combined with our increased scale has led to a 24 per cent increase in IFRS operating profit after tax to US\$221 million.

### Business Highlights

Agency accounted for more than 90 per cent of our VONB in China in the first half of 2016. Our Premier Agency strategy is fundamental to the sustainability of our growth and differentiates AIA in the Chinese life insurance market. We continued to focus on writing high-quality new business by ensuring that our customers receive professional advice tailored to their specific needs. In the first half of 2016, we strengthened our recruitment capabilities through the use of technology and best-in-class training. Our residential induction programmes are proving highly effective in raising the productivity and activity levels of our new hires. We also expanded the tools available on our next generation iMO platform to support our agency leaders in attracting high-quality new recruits. Selective recruitment, strict validation standards and the continuing professional development of our agents have enabled us to grow our active agent numbers by more than 40 per cent and at the same time raise productivity levels compared with the first half of 2015.

We continued to develop selective bancassurance relationships while maintaining our disciplined approach to pricing and emphasis on regular premium products. Our strategic partnership with Citibank focused on enhancing sales capabilities through joint activity management programmes including product training workshops, protection campaigns and a simpler sales process.

AIA is a leader in the comprehensive protection insurance market in China. We expanded our product range by adding a new high-end protection product to the range of services we provide to meet the estate planning and long-term retirement savings of the market's fast-growing affluent customer segment. We also launched a new multiple payment critical illness rider to our flagship All-in-One product alongside a successful campaign to encourage existing customers to upgrade their cover.

## KOREA

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
VONB <sup>(1)</sup>	16	23	(24)%	(30)%
VONB margin <sup>(2)</sup>	16.7%	17.5%	(0.8) pps	(0.8) pps
ANP	94	132	(23)%	(29)%
TWPI	944	1,065	(4)%	(11)%
Operating profit after tax	96	99	4%	(3)%

### Financial Highlights

Korea accounted for one per cent of the Group's total VONB in the first half of 2016. New business volumes reduced as we maintained our strict focus on selectively writing new business that meets our risk and return requirements. IFRS operating profit after tax increased by 4 per cent to US\$96 million in the first half of 2016.

### Business Highlights

Direct marketing of financial products and services in Korea has been affected by wide-ranging regulatory restrictions imposed over the past two years. New business sales have reduced in response to limitations on advertising and a decline in the number of telesales representatives operating within the industry. AIA's focus is on selling protection business through a high-quality telesales workforce and maintaining our disciplined approach to hiring and retention. We also launched a new simplified protection product for our inbound direct marketing business through home shopping channels in the first half of the year.

Industry new business figures for the tied agency channel continued to decline in the first half of 2016. AIA remains focused on improving the quality and profitability in this channel by selective recruitment and using technology to increase the productivity of our agents. We also work with some of the major general agencies in Korea selling protection products and continue to participate selectively in the bancassurance channel, when profitable opportunities arise.

AIA remains committed to capturing the protection and long-term savings opportunities in the Korean market by differentiating our multi-channel distribution model and disciplined product strategy from volume-based models prevalent in the Korean market.

## OTHER MARKETS

US\$ millions, unless otherwise stated	Six months ended 31 May 2016	Six months ended 31 May 2015	YoY CER	YoY AER
VONB <sup>(1)</sup>	120	115	10%	4%
VONB margin <sup>(2)</sup>	32.5%	31.2%	1.2 pps	1.3 pps
ANP	363	367	5%	(1)%
TWPI	1,660	1,573	13%	6%
Operating profit after tax	228	200	21%	14%

Other Markets include AIA's operations in Australia, Indonesia, New Zealand, the Philippines, Sri Lanka, Taiwan, Vietnam and India.

In April 2016, we increased our shareholding to 49 per cent in Tata AIA, our joint venture with the Tata Group in India. The financial results from this joint venture are accounted for using the equity method. For clarity, TWPI, ANP and VONB exclude any contribution from India.

### Financial Highlights

Other Markets delivered 10 per cent VONB growth compared with the first half of 2015 to US\$120 million. Highlights included strong performances in Australia, Vietnam and Sri Lanka partly offset by weaker market conditions in the Philippines. IFRS operating profit after tax grew strongly by 21 per cent to US\$228 million.

### Business Highlights

**Australia:** AIA's Australian business delivered excellent results with our market-leading retail IFA and group insurance businesses achieving double-digit VONB growth compared with the first half of 2015. We continued to expand our Premier IFA service model through our new technology platform that provides business planning, product support, administration and technical advice to our IFA partners. Our group insurance business achieved strong growth as a result of our clear focus on the retention of major corporate clients in the first half of 2016. AIA Vitality remains a critical component of our proposition as an independent protection specialist. We added a broad range of new partners and product features to our market-leading comprehensive wellness proposition to reinforce our high levels of customer engagement.

**Indonesia:** Our agency distribution in Indonesia delivered double-digit VONB growth in the first half of 2016. This was a direct result of significant productivity improvements with a 20 per cent increase in ANP per active agent and an uplift in VONB margin following increased protection rider attachments on our new unit-linked products. We focused on the distribution of protection products to more affluent customer segments which led to a positive shift in product mix in bancassurance and a higher VONB margin, but overall sales were lower due to the timing of product campaigns compared with the first half of 2015.

**New Zealand:** AIA New Zealand delivered excellent VONB growth, as we continued to strengthen engagement with our selected IFA partners and enhance the benefit design of our key protection products. The execution of this strategy saw a 44 per cent increase in the number of new policies issued and a 29 per cent increase in average case size with a higher VONB margin compared with the first half of 2015.

**Philippines:** Overall market conditions in the Philippines were challenging in the first half of 2016 with weaker consumer activity ahead of the national elections in May 2016. We launched several new recruitment initiatives including a programme aimed at educating potential agents on the long-term career opportunities available and a new agency branch model, building on our positive experience with the roll-out of this approach in Vietnam. New recruits increased by 17 per cent and approximately 80 per cent of our active agents submitted new business cases through iPoS in the first half of 2016. Together with our joint venture partner, the Bank of the Philippine Islands (BPI), we introduced our Vitality wellness proposition alongside new protection products in the first half of 2016, as part of our ongoing effort to improve protection cover levels and further increase engagement with the bank's customers.

**Sri Lanka:** Our Sri Lankan business delivered an excellent performance in the first half of 2016 following strong ANP growth in our bancassurance channel. We have continued to roll out our Premier Agency strategy to improve recruitment quality, while expanded training programmes and the ongoing implementation of iPoS have increased agent productivity. Our bancassurance channel delivered another strong performance, benefiting from higher-quality lead generation and improved productivity following the launch of our new sales activity management system. AIA has also become the first insurer in Sri Lanka to launch an e-payment platform that allows customers to pay their premiums electronically using their mobile phones, improving efficiency for both our customers and agents.

**Taiwan:** Our Taiwanese business continued to develop its multi-channel distribution platform in the first half of 2016. Strong VONB growth in our direct marketing channel supported by a 24 per cent increase in telesales representatives was partly offset by lower sales in our agency business. VONB margin improved compared with the first half of 2015.

**Vietnam:** AIA's business in Vietnam once again delivered excellent VONB growth with the ongoing execution of our Premier Agency strategy. Our innovative agency branch model launched in Ho Chi Minh City last year has been extended to Hanoi and these will serve as regional centres for the recruitment and professional development of our agency force. Early results have been positive with the number of active agents up by 19 per cent compared with the first half of 2015. VONB margin was higher from increased scale and greater levels of protection cover from rider products.

Notes:

Throughout the Distribution section:

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

Throughout the Geographical Markets section:

- (1) VONB figures shown in the tables are based on local statutory reserving and capital requirements and include pension business.
- (2) VONB margin excludes pension business to be consistent with the definition of ANP used within the calculation.

## RISK MANAGEMENT

AIA recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. For policyholders sound risk management provides the security of knowing that we will always be there to protect their interests; for regulators it helps underscore our stability as an important member of the industry; and for investors it represents a cornerstone in our ability to protect and enhance the long-term value of their investment.

The AIA Risk Management Framework (RMF) provides the structure for identifying, quantifying and mitigating risk across the Group.

AIA's RMF is built around supporting our business through the development of an appropriate culture at every level of the organisation. AIA has adopted a "Three Lines of Defence" model for risk management. Consistent with that approach, our Risk & Compliance function provides our business units with appropriate tools, processes and capabilities for the identification, quantification and management of risk.

We continue to adapt and improve our RMF to meet the evolving needs of our business in the face of an ever-changing business and regulatory environment. Recent enhancements to our framework include the following:

1. A direct reporting line has been established from business unit risk functions to the Group Chief Risk Officer.
2. The RMF has been updated to include Support, Accountability, Oversight and Assurance underpinned by four building blocks – Metrics, Risk & Compliance, Appetite and Governance.
3. The performance management system has been enhanced to place even greater emphasis on conduct as well as achievement consistent with our fundamental Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People... and the results will come", with all staff now explicitly measured on 'how' as well as 'what' they deliver.

AIA's RMF is described on pages 58 to 70 and notes 36 and 37 to the financial statements on pages 204 to 213 of the Company's Annual Report 2015.

## CORPORATE GOVERNANCE

### COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 31 May 2016, the Company has complied with all applicable code provisions set out in the Corporate Governance Code.

### COMPLIANCE WITH MODEL CODE

The Company has adopted its own Directors' and Chief Executives' Dealing Policy (Policy) on terms no less exacting than those set out in the Model Code in respect of dealings by the Directors in the securities of the Company. With a single exception based on an inadvertent omission on the part of a member of the Board to notify the Company in respect of a purchase of shares in the Company resulting in a late filing of a statutory Disclosure of Interests Notice (which has been reported to the Hong Kong Stock Exchange), all of the Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and the Policy throughout the six months ended 31 May 2016.

### CHANGES IN DIRECTORS' INFORMATION

Changes in the Directors' information which are required to be disclosed pursuant to the requirement of Rule 13.51B(1) of the Listing Rules are set out below:

<b>Name of Director</b>	<b>Change</b>
Chung-Kong Chow <i>Independent Non-executive Director</i>	Appointed as the Chairperson of the Advisory Committee on Admission of Quality Migrants and Professionals of the HKSAR with effect from 1 July 2016
John Barrie Harrison <i>Independent Non-executive Director</i>	The term as a council member, standing committee member and honorary treasurer of The Hong Kong University of Science and Technology will end on 31 July 2016
George Yong-Boon Yeo <i>Independent Non-executive Director</i>	Ceased to be the Vice-chairman of Kerry Group Limited on 30 June 2016 and appointed as a director of Kerry Holdings Limited with effect from 1 July 2016
Mohamed Azman Yahya <i>Independent Non-executive Director</i>	Appointed as a member of The Task Force on Turnaround Plan of PROTON under Ministry of International Trade and Industry (MITI) with effect from 18 April 2016
Narongchai Akrasanee <i>Independent Non-executive Director</i>	Appointed as the Chairman and an independent director of Thai-German Products Public Company Limited, a company listed on The Stock Exchange of Thailand, with effect from 9 March 2016

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

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

## OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 May 2016, the following are the persons, other than the Directors or Chief Executive of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Number of shares or underlying shares (Note 5) Long Position (L) Short Position (S) Lending Pool (P)	Class	Percentage of the total number of ordinary shares in issue (Note 6)		Capacity
			Long Position (L) Short Position (S) Lending Pool (P)		
JPMorgan Chase & Co.	1,140,955,379(L) 67,419,367(S) 775,293,224(P)	Ordinary	9.47(L) 0.56(S) 6.43(P)		Note 1
Citigroup Inc.	1,083,128,432(L) 6,083,940(S) 3,703,592(P)	Ordinary	8.99(L) 0.05(S) 0.03(P)		Note 2
Citigroup Financial Products Inc.	1,074,197,000(L) 856,100(S)	Ordinary	8.91(L) 0.01(S)		Note 3
Citigroup Global Markets Holdings Inc.	1,074,197,000(L) 856,100(S)	Ordinary	8.91(L) 0.01(S)		Note 3
Citigroup Global Markets (International) Finance AG	1,074,077,000(L) 856,100(S)	Ordinary	8.91(L) 0.01(S)		Note 4
Citigroup Global Markets Asia Limited	1,054,334,400(L)	Ordinary	8.75(L)		Interest of controlled corporation
Citigroup Global Markets Hong Kong Holdings Limited	1,054,334,400(L)	Ordinary	8.75(L)		Interest of controlled corporation
Citigroup Global Markets Overseas Finance Limited	1,054,334,400(L)	Ordinary	8.75(L)		Interest of controlled corporation
The Capital Group Companies, Inc.	860,799,987(L)	Ordinary	7.14(L)		Interest of controlled corporation

Notes:

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

Capacity	Number of shares (Long Position)	Number of shares (Short Position)
Beneficial owner	141,779,073	67,419,367
Investment manager	223,688,656	–
Trustee (other than a bare trustee)	194,426	–
Custodian corporation/approved lending agent	775,293,224	–

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

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

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

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

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

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

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

Name of Shareholder	Long Position				Short Position			
	Physically settled listed equity derivatives	Cash settled listed equity derivatives	Physically settled unlisted equity derivatives	Cash settled unlisted equity derivatives	Physically settled listed equity derivatives	Cash settled listed equity derivatives	Physically settled unlisted equity derivatives	Cash settled unlisted equity derivatives
JPMorgan Chase & Co.	5,335,972	230,200	3,251,131	43,286,053	5,363,000	7,112,200	4,965,606	49,488,961
Citigroup Inc.	–	–	1,059,562,240	–	–	–	5,227,840	–
Citigroup Financial Products Inc.	–	–	1,054,334,400	–	–	–	–	–
Citigroup Global Markets Holdings Inc.	–	–	1,054,334,400	–	–	–	–	–
Citigroup Global Markets (International) Finance AG	–	–	1,054,334,400	–	–	–	–	–
Citigroup Global Markets Asia Limited	–	–	1,054,334,400	–	–	–	–	–
Citigroup Global Markets Hong Kong Holdings Limited	–	–	1,054,334,400	–	–	–	–	–
Citigroup Global Markets Overseas Finance Limited	–	–	1,054,334,400	–	–	–	–	–
The Capital Group Companies, Inc.	2,828,748	–	–	–	–	–	–	–

- (6) Based on 12,049,448,703 ordinary shares in issue as at 31 May 2016.

Save as disclosed above, as at 31 May 2016, no person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section entitled “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares”, had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.



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

As at 31 May 2016, the Directors' and the Chief Executive's interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, are as follows:

Interests and short positions in the shares and underlying shares of the Company:

Name of Director	Number of shares or underlying shares	Class	Percentage of the total number of ordinary shares in issue <sup>(3)</sup>	Capacity
Mr. Mark Edward Tucker	25,510,577(L) <sup>(1)</sup>	Ordinary	0.21	Beneficial owner
Mr. Edmund Sze-Wing Tse	3,560,400(L) <sup>(2)</sup>	Ordinary	0.03	Beneficial owner
Mr. Chung-Kong Chow	86,000(L) <sup>(2)</sup>	Ordinary	< 0.01	Beneficial owner
Mr. Jack Chak-Kwong So	260,000(L) <sup>(2)</sup>	Ordinary	< 0.01	Interest of controlled corporation
Mr. John Barrie Harrison	50,000(L) <sup>(2)</sup>	Ordinary	< 0.01	Beneficial owner
Mr. George Yong-Boon Yeo	100,000(L) <sup>(2)</sup>	Ordinary	< 0.01	Beneficial owner

Notes:

- (1) The interests include 5,476,625 ordinary shares of the Company, 16,448,100 share options under the Share Option Scheme, 3,582,194 restricted share units under the Restricted Share Unit Scheme and 3,658 matching restricted stock purchase units under the Employee Share Purchase Plan.
- (2) The interests are ordinary shares of the Company.
- (3) Based on 12,049,448,703 ordinary shares in issue as at 31 May 2016.

Save as disclosed above, as at 31 May 2016, none of the Directors or Chief Executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO).

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

Save for the purchase of 16,261,031 shares of the Company in relation to the Restricted Share Unit Scheme and the Employee Share Purchase Plan in each case by the trustee thereof at a total consideration of approximately US\$85 million, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 May 2016. These purchases were made by the aforementioned trustees on the Hong Kong Stock Exchange. These shares are held on trust for participants of the relevant plans and therefore were not cancelled.

## SHARE-BASED COMPENSATION

### Long-term Incentive Plan

The Restricted Share Unit Scheme and the Share Option Scheme were adopted on 28 September 2010 and are effective for a period of 10 years from the date of adoption. For further information on these schemes, please refer to pages 110 to 114 of the Company's Annual Report 2015.

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

### RESTRICTED SHARE UNIT SCHEME

During the six months ended 31 May 2016, 18,644,989 restricted share units were awarded by the Company under the Restricted Share Unit Scheme. For restricted share units awarded during this period, the Company adopted the same performance measures and vesting scales as restricted share units awarded in 2015.

Movements in restricted share unit awards are summarised below:

Group Chief Executive & President, Key Management Personnel and other eligible employees and participants	Date of grant (day / month / year) <sup>(1)</sup>	Vesting date(s) (day / month / year)	Restricted share units outstanding as at 1 December 2015	Restricted share units awarded during the six months ended 31 May 2016	Restricted share units vested during the six months ended 31 May 2016	Restricted share units reclassified / cancelled / lapsed during the six months ended 31 May 2016 <sup>(9)</sup>	Restricted share units outstanding as at 31 May 2016
<b>Group Chief Executive &amp; President</b>	1/6/2011	See note <sup>(2)</sup>	268,717	–	(268,717)	–	–
	11/3/2013	11/3/2016 <sup>(3)</sup>	1,314,873	–	(825,083)	(489,790)	–
Mr. Mark Edward Tucker	5/3/2014	5/3/2017 <sup>(3)</sup>	1,261,874	–	–	–	1,261,874
	12/3/2015	12/3/2018 <sup>(4)</sup>	1,061,627	–	–	–	1,061,627
	9/3/2016	9/3/2019 <sup>(4)</sup>	–	1,258,693	–	–	1,258,693
<b>Key Management Personnel (excluding Group Chief Executive &amp; President)</b>	1/6/2011	See note <sup>(2)</sup>	1,491,032	–	(1,419,817)	(71,215)	–
	11/3/2013	11/3/2016 <sup>(3)</sup>	2,194,253	–	(1,158,740)	(1,035,513)	–
	5/3/2014	5/3/2017 <sup>(3)</sup>	1,901,799	–	–	(299,053)	1,602,746
	14/4/2014	14/4/2017 <sup>(3)</sup>	203,016	–	–	–	203,016
	14/4/2014	See note <sup>(5)</sup>	243,619	–	(243,619)	–	–
	12/3/2015	12/3/2018 <sup>(4)</sup>	1,634,469	–	–	(166,360)	1,468,109
	12/3/2015	12/3/2017 <sup>(6)</sup>	54,696	–	–	–	54,696
	1/9/2015	See note <sup>(7)</sup>	678,753	–	–	–	678,753
	9/3/2016	9/3/2019 <sup>(4)</sup>	–	1,848,365	–	–	1,848,365
<b>Other eligible employees and participants</b>	1/6/2011	See note <sup>(2)</sup>	603,710	–	(647,913)	44,203	–
	11/3/2013	11/3/2016 <sup>(3)</sup>	12,934,058	–	(8,111,538)	(4,822,520)	–
	1/8/2013	1/8/2016 <sup>(3)</sup>	237,040	–	–	(28,332)	208,708
	1/8/2013	11/3/2016 <sup>(3)</sup>	75,865	–	(47,606)	(28,259)	–
	5/3/2014	5/3/2017 <sup>(3)</sup>	13,565,011	–	(72,833)	(431,496)	13,060,682
	11/9/2014	11/9/2017 <sup>(3)</sup>	48,724	–	–	–	48,724
	11/9/2014	5/3/2017 <sup>(3)</sup>	4,193	–	–	–	4,193
	12/3/2015	12/3/2018 <sup>(4)</sup>	12,584,603	–	(28,762)	(455,333)	12,100,508
	12/3/2015	12/3/2017 <sup>(6)</sup>	1,268,530	–	(6,757)	(29,200)	1,232,573
	1/9/2015	1/9/2018 <sup>(4)</sup>	20,316	–	–	–	20,316
	9/3/2016	9/3/2019 <sup>(4)</sup>	–	15,224,179	–	(144,424)	15,079,755
	9/3/2016	See note <sup>(8)</sup>	–	313,752	–	–	313,752

Notes:

- (1) The measurement date (i.e. the date used to determine the value of the awards for accounting purposes) for awards made in 2011 was determined to be 15 June 2011. The measurement dates for awards made in 2013 were determined to be 11 March 2013 and 1 August 2013. The measurement dates for awards made in 2014 were determined to be 5 March 2014, 14 April 2014 and 11 September 2014. The measurement dates for awards made in 2015 were determined to be 12 March 2015 and 1 September 2015. The measurement date for awards made during the six months ended 31 May 2016 was determined to be 9 March 2016. The measurement dates were determined in accordance with IFRS 2.
- (2) The vesting of these restricted share units is service-based only (meaning there are no further performance conditions attached). One-third of restricted share units vested on 1 April 2014; one-third vested on 1 April 2015; and one-third vested on 1 April 2016.
- (3) The vesting of these restricted share units is subject to the achievement of performance conditions shown on pages 110 to 111 of the Company's Annual Report 2015.
- (4) The vesting of these restricted share units is subject to the achievement of performance conditions and the adjusted vesting scale applicable to the total shareholder return (TSR) metric shown on pages 110 to 111 of the Company's Annual Report 2015.
- (5) The vesting of these restricted share units is service-based only (meaning there are no further performance conditions attached). One-half of restricted share units vested on 14 April 2015; and one-half vested on 14 April 2016.
- (6) The vesting of these restricted share units is service-based only (meaning there are no further performance conditions attached). All restricted share units will vest on 12 March 2017.
- (7) The vesting of these restricted share units is service-based only (meaning there are no further performance conditions attached). Three-quarters of restricted share units will vest on 1 September 2017; and one-quarter will vest on 1 September 2018.
- (8) The vesting of these restricted share units is service-based only (meaning there are no further performance conditions attached). One-half of restricted share units will vest on 30 November 2016; and one-half will vest on 30 November 2017.
- (9) These restricted share units lapsed or were reclassified during the six months ended 31 May 2016. The reclassification of restricted share units was a result of an executive who was previously categorised as "Key Management Personnel" becoming "Other eligible employees and participants" during the six-month period. There were no cancelled restricted share units during the six months ended 31 May 2016.

## SHARE OPTION SCHEME

During the six months ended 31 May 2016, 9,550,232 share options were awarded by the Company under the Share Option Scheme. No share options have been awarded to substantial shareholders, or in excess of the individual limit. Details of the valuation of the share options are set out in note 23 to the interim financial statements.

Movements in share option awards are summarised below:

Group Chief Executive & President, Key Management Personnel and other eligible employees and participants	Date of grant (day / month / year) <sup>(1)</sup>	Period during which share options exercisable (day / month / year)	Share options outstanding as at 1 December 2015	Share options awarded during the six months ended 31 May 2016	Share options vested during the six months ended 31 May 2016	Share reclassified / cancelled / lapsed during the six months ended 31 May 2016 <sup>(10)</sup>	Share options exercised during the six months ended 31 May 2016	Exercise price (HK\$)	Share options outstanding as at 31 May 2016	Weighted average closing price of shares immediately before the dates on which share options were exercised (HK\$)
Group Chief Executive & President	1/6/2011	1/4/2014 – 31/5/2021 <sup>(2)</sup>	2,149,724	-	-	-	-	27.35	2,149,724	n/a
	1/6/2011	1/4/2014 – 31/5/2021 <sup>(3)</sup>	2,418,439	-	806,147	-	-	27.35	2,418,439	n/a
	15/3/2012	15/3/2015 – 14/3/2022 <sup>(4)</sup>	2,152,263	-	-	-	-	28.40	2,152,263	n/a
	11/3/2013	11/3/2016 – 10/3/2023 <sup>(5)</sup>	2,183,144	-	2,183,144	-	-	34.35	2,183,144	n/a
	5/3/2014	5/3/2017 – 4/3/2024 <sup>(6)</sup>	2,169,274	-	-	-	-	37.56	2,169,274	n/a
	12/3/2015	12/3/2018 – 11/3/2025 <sup>(6)</sup>	2,028,555	-	-	-	-	47.73	2,028,555	n/a
	9/3/2016	9/3/2019 – 8/3/2026 <sup>(6)</sup>	-	3,346,701	-	-	-	41.90	3,346,701	n/a
Key Management Personnel (excluding Group Chief Executive & President)	1/6/2011	1/4/2014 – 31/5/2021 <sup>(2)</sup>	3,220,349	-	-	(405,915)	-	27.35	2,814,434	n/a
	1/6/2011	1/4/2014 – 31/5/2021 <sup>(3)</sup>	4,954,656	-	1,746,510	(498,493)	-	27.35	4,456,163	n/a
	15/3/2012	15/3/2015 – 14/3/2022 <sup>(4)</sup>	3,243,832	-	-	(403,108)	-	28.40	2,840,724	n/a
	11/3/2013	11/3/2016 – 10/3/2023 <sup>(5)</sup>	3,489,345	-	2,912,103	(577,242)	-	34.35	2,912,103	n/a
	5/3/2014	5/3/2017 – 4/3/2024 <sup>(6)</sup>	3,133,429	-	-	(514,098)	-	37.56	2,619,331	n/a
	14/4/2014	14/4/2017 – 13/4/2024 <sup>(7)</sup>	332,282	-	-	-	-	39.45	332,282	n/a
	12/3/2015	12/3/2018 – 11/3/2025 <sup>(6)</sup>	3,003,103	-	-	(317,880)	-	47.73	2,685,223	n/a
	9/3/2016	9/3/2019 – 8/3/2026 <sup>(6)</sup>	-	4,914,557	-	-	-	41.90	4,914,557	n/a
Other eligible employees and participants	1/6/2011	1/4/2014 – 31/5/2021 <sup>(2)</sup>	482,848	-	-	405,915	-	27.35	888,763	n/a
	1/6/2011	1/4/2014 – 31/5/2021 <sup>(3)</sup>	2,058,072	-	972,933	417,457	(71,214)	27.35	2,404,315	44.80
	15/3/2012	15/3/2015 – 14/3/2022 <sup>(4)</sup>	744,422	-	-	403,108	-	28.40	1,147,530	n/a
	11/3/2013	11/3/2016 – 10/3/2023 <sup>(5)</sup>	911,433	-	1,274,541	363,108	(81,903)	34.35	1,192,638	45.67
	5/3/2014	5/3/2017 – 4/3/2024 <sup>(6)</sup>	915,443	-	36,815	190,053	(19,225)	37.56	1,086,271	44.90
	12/3/2015	12/3/2018 – 11/3/2025 <sup>(6)</sup>	867,491	-	17,139	47,302	-	47.73	914,793	n/a
		9/3/2016	9/3/2019 – 8/3/2026 <sup>(6)</sup>	-	1,288,974	-	-	-	41.90	1,288,974

### Notes:

- (1) The measurement date (i.e. the date used to determine the value of the awards for accounting purposes) for awards made in 2011 was determined to be 15 June 2011. The measurement date for awards made in 2012 was determined to be 15 March 2012. The measurement date for awards made in 2013 was determined to be 11 March 2013. The measurement dates for awards made in 2014 were determined to be 5 March 2014 and 14 April 2014. The measurement date for awards made in 2015 was determined to be 12 March 2015. The measurement date for awards made during the six months ended 31 May 2016 was determined to be 9 March 2016. The measurement dates were determined in accordance with IFRS 2.
- (2) The vesting of share options is service-based only. All share options vested on 1 April 2014.
- (3) The vesting of share options is service-based only. One-third of share options vested on 1 April 2014; one-third vested on 1 April 2015; and one-third vested on 1 April 2016.
- (4) The vesting of share options is service-based only. All share options vested on 15 March 2015.
- (5) The vesting of share options is service-based only. All share options vested on 11 March 2016.
- (6) The vesting of share options is service-based only. All share options will vest on 5 March 2017.
- (7) The vesting of share options is service-based only. All share options will vest on 14 April 2017.

- (8) The vesting of share options is service-based only. All share options will vest on 12 March 2018.
- (9) The closing price of the Company's shares immediately before the date on which share options were awarded was HK\$41.40. The vesting of share options is service-based only. All share options will vest on 9 March 2019.
- (10) These share options lapsed or were reclassified during the six months ended 31 May 2016. The reclassification of share options was a result of an executive who was previously categorised as "Key Management Personnel" becoming "Other eligible employees and participants" during the six-month period. There were no cancelled share options during the six months ended 31 May 2016.

## **Employee Share Purchase Plan**

The Employee Share Purchase Plan (ESPP) was adopted by the Company on 25 July 2011 (ESPP Adoption Date). Under the ESPP, eligible employees of the Group may elect to purchase the Company's shares (Shares) and receive one matching Share for each two Shares purchased after having been in the plan for a period of three years through the issuance of restricted stock purchase units (RSPUs). As at July 2016, each eligible employee's participation level is capped at a maximum purchase in any plan year of 5 per cent of his or her basic salary or approximately US\$15,000, whichever is lower. The matching RSPUs will be released to the employee at the time of vesting provided that they are still an employee of the Group. The aggregate number of Shares to be issued under the ESPP during the 10-year period commencing on the first date on which a matching RSPU vests shall not exceed 2.5 per cent of the number of Shares in issue on the ESPP Adoption Date. For further information on the ESPP, please refer to page 115 of the Company's Annual Report 2015.

During the six months ended 31 May 2016, 575,832 RSPUs were awarded by the Company, 5,997 matching RSPUs vested and no new Shares have been issued pursuant to the ESPP. Since the ESPP Adoption Date and up to 31 May 2016, a total of 1,208,791 matching RSPUs vested under the ESPP, representing 0.01 per cent of the Shares in issue as at the ESPP Adoption Date, and no new Shares have been issued under the ESPP.

## **Agency Share Purchase Plan**

The Agency Share Purchase Plan (ASPP) was adopted by the Company on 23 February 2012 (ASPP Adoption Date). Under the ASPP, certain agents of the Group were selected to participate in the plan. Those agents selected for participation may elect to purchase Shares and receive one matching Share for each two Shares purchased after having been in the plan for a period of three years through the issuance of restricted stock subscription units (RSSUs). Each eligible agent's participation level is capped at a maximum purchase in any plan year of US\$15,000 and each agent must remain an agent of the Group at the time of vesting in order to receive any matching Share entitlements. The aggregate number of Shares to be issued under the ASPP during the 10-year period commencing on the first date on which a matching RSSU vests shall not exceed 2.5 per cent of the number of Shares in issue on the ASPP Adoption Date.

During the six months ended 31 May 2016, 687,838 RSSUs were awarded by the Company, 927,042 matching RSSUs vested and 927,042 new Shares have been issued pursuant to the ASPP. The proceeds received amounted to approximately US\$1 million. Since the ASPP Adoption Date and up to 31 May 2016, a total of 1,968,732 new Shares were issued under the ASPP, representing 0.02 per cent of the Shares in issue as at the ASPP Adoption Date.

# FINANCIAL STATEMENTS

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(incorporated in Hong Kong with limited liability)



羅兵咸永道

#### Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 42 to 101, which comprise the interim consolidated statement of financial position of AIA Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 May 2016 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (HKAS 34) issued by the Hong Kong Institute of Certified Public Accountants or International Accounting Standard 34 “Interim Financial Reporting” (IAS 34) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34 and IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of Review

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

#### Conclusion

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

PricewaterhouseCoopers  
*Certified Public Accountants*

Hong Kong  
28 July 2016

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## INTERIM CONSOLIDATED INCOME STATEMENT

US\$m	Notes	Six months ended 31 May 2016 (Unaudited)	Six months ended 31 May 2015 (Unaudited and as adjusted)
<b>Revenue</b>			
<i>Turnover</i>			
Premiums and fee income		10,026	9,361
Premiums ceded to reinsurers		(630)	(585)
Net premiums and fee income		<u>9,396</u>	<u>8,776</u>
Investment return	7	3,364	5,070
Other operating revenue		<u>100</u>	<u>101</u>
<b>Total revenue</b>		<b><u>12,860</u></b>	<b><u>13,947</u></b>
<b>Expenses</b>			
Insurance and investment contract benefits		8,654	9,487
Insurance and investment contract benefits ceded		(523)	(477)
<b>Net insurance and investment contract benefits</b>		<u>8,131</u>	<u>9,010</u>
Commission and other acquisition expenses		1,296	1,168
Operating expenses		831	791
Finance costs		71	80
Other expenses		<u>199</u>	<u>209</u>
<b>Total expenses</b>	8	<b><u>10,528</u></b>	<b><u>11,258</u></b>
<b>Profit before share of losses from associates and joint venture</b>		<u>2,332</u>	<u>2,689</u>
Share of losses from associates and joint venture		(3)	–
<b>Profit before tax</b>		<b><u>2,329</u></b>	<b><u>2,689</u></b>
Income tax expense attributable to policyholders' returns		(50)	(60)
<b>Profit before tax attributable to shareholders' profits</b>		<b><u>2,279</u></b>	<b><u>2,629</u></b>
Tax expense	9	(234)	(471)
Tax attributable to policyholders' returns		50	60
Tax expense attributable to shareholders' profits		<u>(184)</u>	<u>(411)</u>
<b>Net profit</b>		<b><u>2,095</u></b>	<b><u>2,218</u></b>
<i>Net profit attributable to:</i>			
<b>Shareholders of AIA Group Limited</b>		<b>2,065</b>	2,204
Non-controlling interests		<b>30</b>	14
<b>Earnings per share (US\$)</b>			
Basic	10	<b>0.17</b>	0.18
Diluted	10	<b>0.17</b>	0.18

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US\$m	Six months ended 31 May 2016 (Unaudited)	Six months ended 31 May 2015 (Unaudited and as adjusted)
<b>Net profit</b>	<b>2,095</b>	2,218
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on available for sale financial assets (net of tax of: six months ended 31 May 2016: US\$(235)m; six months ended 31 May 2015: US\$(39)m)	<b>2,918</b>	(213)
Fair value losses/(gains) on available for sale financial assets transferred to income on disposal and impairment (net of tax of: six months ended 31 May 2016: US\$nil; six months ended 31 May 2015: US\$2m)	<b>2</b>	(46)
Foreign currency translation adjustments	<b>(18)</b>	(422)
Cash flow hedges	<b>2</b>	4
Share of other comprehensive income from associates and joint venture	<b>3</b>	9
Subtotal	<u><b>2,907</b></u>	<u>(668)</u>
Items that will not be reclassified subsequently to profit or loss:		
Revaluation gains/(losses) on property held for own use (net of tax of: six months ended 31 May 2016: US\$(62)m; six months ended 31 May 2015: US\$1m)	<b>291</b>	(1)
Effect of re-measurement of net liability of defined benefit schemes (net of tax of: six months ended 31 May 2016: US\$(3)m; six months ended 31 May 2015: US\$3m)	<b>(3)</b>	4
Subtotal	<u><b>288</b></u>	<u>3</u>
Total other comprehensive income/(expense)	<u><b>3,195</b></u>	<u>(665)</u>
<b>Total comprehensive income</b>	<u><b>5,290</b></u>	<u>1,553</u>
<i>Total comprehensive income attributable to:</i>		
<b>Shareholders of AIA Group Limited</b>	<b>5,252</b>	1,540
Non-controlling interests	<b>38</b>	13



## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US\$m	Notes	As at 31 May 2016 (Unaudited)	As at 30 November 2015 (As adjusted)
<b>Assets</b>			
Intangible assets	12	1,800	1,834
Investments in associates and joint venture		609	137
Property, plant and equipment		1,117	579
Investment property		3,917	3,659
Reinsurance assets		1,800	1,652
Deferred acquisition and origination costs		17,825	17,092
<b>Financial investments:</b>			
Loans and deposits	13, 15	7,040	7,211
Available for sale			
Debt securities		88,158	80,940
At fair value through profit or loss			
Debt securities		24,348	23,700
Equity securities		28,481	27,159
Derivative financial instruments	14	90	73
		<u>148,117</u>	<u>139,083</u>
Deferred tax assets		6	9
Current tax recoverable		49	45
Other assets		3,877	3,676
Cash and cash equivalents	16	1,722	1,992
<b>Total assets</b>		<b><u>180,839</u></b>	<b><u>169,758</u></b>
<b>Liabilities</b>			
Insurance contract liabilities	17	122,593	115,969
Investment contract liabilities	17	6,997	7,116
Borrowings	18	3,610	3,195
Obligations under repurchase agreements	19	2,554	3,085
Derivative financial instruments	14	620	695
Provisions		199	245
Deferred tax liabilities		3,422	3,109
Current tax liabilities		290	265
Other liabilities		4,673	4,657
<b>Total liabilities</b>		<b><u>144,958</u></b>	<b><u>138,336</u></b>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US\$m	Notes	As at 31 May 2016 (Unaudited)	As at 30 November 2015 (As adjusted)
<b>Equity</b>			
Share capital	20	13,973	13,971
Employee share-based trusts	20	(350)	(321)
Other reserves	20	(11,995)	(11,978)
Retained earnings		27,573	26,294
Fair value reserve	20	7,338	4,414
Foreign currency translation reserve	20	(1,416)	(1,389)
Property revaluation reserve	20	431	140
Others		(13)	(12)
Amounts reflected in other comprehensive income		6,340	3,153
<i>Total equity attributable to:</i>			
<b>Shareholders of AIA Group Limited</b>		35,541	31,119
Non-controlling interests		340	303
<b>Total equity</b>		<b>35,881</b>	<b>31,422</b>
<b>Total liabilities and equity</b>		<b>180,839</b>	<b>169,758</b>

Approved and authorised for issue by the Board of Directors on 28 July 2016.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$m	Note	Other comprehensive income									
		Share capital	Employee share-based trusts	Other reserves	Retained earnings	Fair value reserve	Foreign currency translation reserve	Property revaluation reserve	Others	Non-controlling interests	Total equity
<b>Balance at 1 December 2015, as previously reported</b>		13,971	(321)	(11,978)	24,708	4,414	(1,381)	-	(12)	139	29,540
Retrospective adjustments for IAS 40		-	-	-	1,586	-	(8)	140	-	164	1,882
<b>Balance at 1 December 2015, as adjusted</b>		13,971	(321)	(11,978)	26,294	4,414	(1,389)	140	(12)	303	31,422
Opening adjustments on revaluation gains on property held for own use		-	-	-	-	-	-	259	-	-	259
Net profit		-	-	-	2,065	-	-	-	-	30	2,095
Fair value gains on available for sale financial assets		-	-	-	-	2,911	-	-	-	7	2,918
Fair value losses on available for sale financial assets transferred to income on disposal and impairment		-	-	-	-	2	-	-	-	-	2
Foreign currency translation adjustments		-	-	-	-	-	(19)	-	-	1	(18)
Cash flow hedges		-	-	-	-	-	-	-	2	-	2
Share of other comprehensive income/(expense) from associates and joint venture		-	-	-	-	11	(8)	-	-	-	3
Revaluation gains on property held for own use		-	-	-	-	-	-	32	-	-	32
Effect of re-measurement of net liability of defined benefit schemes		-	-	-	-	-	-	-	(3)	-	(3)
<b>Total comprehensive income/ (expense) for the period</b>		-	-	-	2,065	2,924	(27)	291	(1)	38	5,290
Dividends	11	-	-	-	(786)	-	-	-	-	(1)	(787)
Shares issued under share option scheme and agency share purchase plan		2	-	-	-	-	-	-	-	-	2
Share-based compensation		-	-	44	-	-	-	-	-	-	44
Purchase of shares held by employee share-based trusts		-	(84)	-	-	-	-	-	-	-	(84)
Transfer of vested shares from employee share-based trusts		-	55	(55)	-	-	-	-	-	-	-
Others		-	-	(6)	-	-	-	-	-	-	(6)
<b>Balance at 31 May 2016 – Unaudited</b>		<b>13,973</b>	<b>(350)</b>	<b>(11,995)</b>	<b>27,573</b>	<b>7,338</b>	<b>(1,416)</b>	<b>431</b>	<b>(13)</b>	<b>340</b>	<b>35,881</b>

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

US\$m	Note	Other comprehensive income									
		Share capital	Employee share-based trusts	Other reserves	Retained earnings	Fair value reserve	Foreign currency translation reserve	Property revaluation reserve	Others	Non-controlling interests	Total equity
<b>Balance at 1 December 2014, as previously reported</b>		13,962	(286)	(11,994)	22,831	6,076	227	-	(10)	149	30,955
Retrospective adjustments for IAS 40		-	-	-	1,512	-	7	142	-	161	1,822
<b>Balance at 1 December 2014, as adjusted</b>		13,962	(286)	(11,994)	24,343	6,076	234	142	(10)	310	32,777
Net profit		-	-	-	2,204	-	-	-	-	14	2,218
Fair value losses on available for sale financial assets		-	-	-	-	(212)	-	-	-	(1)	(213)
Fair value gains on available for sale financial assets transferred to income on disposal		-	-	-	-	(46)	-	-	-	-	(46)
Foreign currency translation adjustments		-	-	-	-	-	(422)	-	-	-	(422)
Cash flow hedges		-	-	-	-	-	-	-	4	-	4
Share of other comprehensive income/(expense) from associates and joint venture		-	-	-	-	12	(3)	-	-	-	9
Revaluation losses on property held for own use		-	-	-	-	-	-	(1)	-	-	(1)
Effect of re-measurement of net liability of defined benefit schemes		-	-	-	-	-	-	-	4	-	4
<b>Total comprehensive income/ (expense) for the period</b>		-	-	-	2,204	(246)	(425)	(1)	8	13	1,553
Dividends	11	-	-	-	(525)	-	-	-	-	(15)	(540)
Shares issued under share option scheme and agency share purchase plan		5	-	-	-	-	-	-	-	-	5
Share-based compensation		-	-	39	-	-	-	-	-	-	39
Purchase of shares held by employee share-based trusts		-	(94)	-	-	-	-	-	-	-	(94)
Transfer of vested shares from employee share-based trusts		-	58	(58)	-	-	-	-	-	-	-
<b>Balance at 31 May 2015 – Unaudited and as adjusted</b>		<u>13,967</u>	<u>(322)</u>	<u>(12,013)</u>	<u>26,022</u>	<u>5,830</u>	<u>(191)</u>	<u>141</u>	<u>(2)</u>	<u>308</u>	<u>33,740</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

US\$m	Six months ended 31 May 2016 (Unaudited)	Six months ended 31 May 2015 (Unaudited and as adjusted)
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>2,329</b>	2,689
Adjustments for:		
Financial investments	<b>(5,697)</b>	(7,809)
Insurance and investment contract liabilities	<b>5,356</b>	5,854
Obligations under securities lending and repurchase agreements	<b>(534)</b>	173
Other non-cash operating items, including investment income	<b>(3,343)</b>	(3,127)
Operating cash items:		
Interest received	<b>2,563</b>	2,485
Dividends received	<b>292</b>	305
Interest paid	<b>(22)</b>	(49)
Tax paid	<b>(198)</b>	(176)
<b>Net cash provided by operating activities</b>	<b>746</b>	345
<b>Cash flows from investing activities</b>		
Payments for intangible assets	<b>(25)</b>	(34)
Payments for increase in interest of an associate	<b>(310)</b>	–
Payments for investment property and property, plant and equipment	<b>(122)</b>	(65)
<b>Net cash used in investing activities</b>	<b>(457)</b>	(99)
<b>Cash flows from financing activities</b>		
Issuance of medium term notes	<b>733</b>	745
Interest paid on medium term notes	<b>(45)</b>	(33)
Proceeds from other borrowings	<b>13</b>	–
Repayment of other borrowings	<b>(333)</b>	(487)
Dividends paid during the period	<b>(787)</b>	(540)
Purchase of shares held by employee share-based trusts	<b>(84)</b>	(94)
Shares issued under share option scheme and agency share purchase plan	<b>2</b>	5
<b>Net cash used in financing activities</b>	<b>(501)</b>	(404)
Net decrease in cash and cash equivalents	<b>(212)</b>	(158)
Cash and cash equivalents at beginning of the financial period	<b>1,750</b>	1,631
Effect of exchange rate changes on cash and cash equivalents	<b>–</b>	(58)
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,538</b>	1,415

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

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

	Note	Six months ended 31 May 2016 (Unaudited)	Six months ended 31 May 2015 (Unaudited)
Cash and cash equivalents in the interim consolidated statement of financial position	16	1,722	1,655
Bank overdrafts		<u>(184)</u>	<u>(240)</u>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows		<u><b>1,538</b></u>	<u><b>1,415</b></u>

## **NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Corporate information**

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

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

AIA Group Limited and its subsidiaries (collectively “AIA” or the “Group”) is a life insurance based financial services provider operating in 18 markets throughout the Asia-Pacific region. The Group’s principal activity is the writing of life insurance business, providing life insurance, accident and health insurance and savings plans throughout Asia, and distributing related investment and other financial services products to its customers.

### **2. Basis of preparation and statement of compliance**

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting and International Accounting Standard (IAS) 34, Interim Financial Reporting. International Financial Reporting Standards (IFRS) is substantially consistent with Hong Kong Financial Reporting Standards (HKFRS) and the accounting policy selections that the Group has made in preparing these interim condensed consolidated financial statements are such that the Group is able to comply with both HKFRS and IFRS. References to IFRS, IAS and Interpretations developed by the IFRS Interpretations Committee (IFRS IC) in these interim condensed consolidated financial statements should be read as referring to the equivalent HKFRS, HKAS and Hong Kong (IFRIC) Interpretations (HK(IFRIC) – Int) as the case may be. Accordingly, there are not any differences of accounting practice between HKFRS and IFRS affecting these interim condensed consolidated financial statements. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 November 2015.

The accounting policies adopted are consistent with those of the previous financial year, except as described in notes 28 and 29. There are no new standards, interpretation and amendments to standards that are mandatory for the Group to adopt for the financial year beginning 1 December 2015. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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

The following relevant new standards and amendments to standards have been issued but are not effective for the financial year ending 30 November 2016 and have not been early adopted (the financial years for which the adoption is required for the Group are stated in parentheses). The Group has assessed the full impact of these new standards on its financial position and results of operations and they are not expected to have a material impact on the financial position or results of operations of the Group but may require additional disclosures:

- Amendments to IAS 1, Disclosure Initiative (2017);
- Amendments to IAS 7, Disclosure Initiative (2018);
- Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses (2018);
- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation (2017);
- Amendments to IAS 19, Employee Benefits, Discount rate: regional market issue (2017);
- Amendments to IAS 27, Equity Method in Separate Financial Statements (2017);
- Amendments to IAS 34, Interim Financial Reporting, Disclosure of information 'elsewhere in the interim financial report' (2017);
- IFRS 15, Revenue from Contracts with Customers (2019);
- Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions (2019);
- Amendments to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, Changes in methods of disposal (2017);
- Amendments to IFRS 7, Financial Instruments: Disclosure, Servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements (2017);
- Amendments to IFRS 11, Acquisitions of Interests in Joint Operations (2017); and
- Amendments to IFRS 15, Revenue from Contracts with Customers (2019).



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

The following relevant new standards have been issued but are not effective for the financial year ending 30 November 2016 and have not been early adopted:

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, a revised expected credit losses model will replace the incurred loss impairment model in IAS 39. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies. The Group is yet to fully assess the impact of the standard on its financial position and results of operations. The standard is mandatorily effective for annual periods beginning on or after 1 January 2018.

The IASB has published an exposure draft on 9 December 2015 seeking public comment on two alternative measures to address the different effective dates of IFRS 9 and the forthcoming insurance contracts standard. These measures include a temporary option for companies predominantly issue insurance contracts to defer the effective date of IFRS 9 until the earlier of the effective date of the forthcoming insurance contracts standard and the annual reporting periods beginning on or after 1 January 2021, as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before the forthcoming insurance contracts standard is applied. The Group will monitor the development of this matter and evaluate available alternatives in determining the adoption date of the relevant standard.

- IFRS 16, Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is yet to assess the full impact of the standard on its financial position and results of operations. The standard is mandatorily effective for annual periods beginning on or after 1 January 2019.

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

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

The interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS and IFRS.

The interim condensed consolidated financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers in accordance with the Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers' independent review report to the Board of Directors is included on page 41. The interim condensed consolidated financial statements have also been reviewed by the Company's Audit Committee.

The financial statements relating to the financial year ended 30 November 2015 that are included in the interim condensed consolidated financial statements as being previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. The Group had delivered the financial statements for the year ended 30 November 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 February 2016. Their report did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

### 3. Exchange rates

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

	<b>US dollar exchange rates</b>		
	<b>Six months ended 31 May 2016 (Unaudited)</b>	Year ended 30 November 2015	Six months ended 31 May 2015 (Unaudited)
Hong Kong	7.77	7.75	7.75
Thailand	35.59	33.96	32.81
Singapore	1.39	1.37	1.34
Malaysia	4.13	3.82	3.60
China	6.51	6.26	6.22
Korea	1,183.43	1,124.86	1,097.69

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

	<b>US dollar exchange rates</b>		
	<b>As at 31 May 2016 (Unaudited)</b>	As at 30 November 2015	As at 31 May 2015 (Unaudited)
Hong Kong	7.77	7.75	7.75
Thailand	35.73	35.84	33.70
Singapore	1.38	1.41	1.35
Malaysia	4.13	4.25	3.66
China	6.58	6.40	6.20
Korea	1,191.80	1,156.49	1,109.25

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

#### 4. Operating profit after tax

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

US\$m	Note	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited and as adjusted)
<b>Operating profit after tax</b>	6	<b>1,974</b>	1,812
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Short-term fluctuations in investment return related to equities and real estate (net of tax of: six months ended 31 May 2016: US\$10m; six months ended 31 May 2015: US\$(66)m)		(27)	409
Other non-operating investment return and other items (net of tax of: six months ended 31 May 2016: US\$167m; six months ended 31 May 2015: US\$34m)		148	(3)
<b>Net profit</b>		<b><u>2,095</u></b>	<b><u>2,218</u></b>
<i>Operating profit after tax attributable to:</i>			
<b>Shareholders of AIA Group Limited</b>		<b>1,956</b>	1,798
Non-controlling interests		18	14
<i>Net profit attributable to:</i>			
<b>Shareholders of AIA Group Limited</b>		<b>2,065</b>	2,204
Non-controlling interests		30	14

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

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

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

TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded, and includes deposits and contributions for contracts that are accounted for as deposits in accordance with the Group's accounting policies.

Management considers that TWPI provides an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profits for shareholders. The amounts shown are not intended to be indicative of premiums and fee income recorded in the interim consolidated income statement.

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

<b>TWPI</b>	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited)
US\$m		
<b>TWPI by geography</b>		
Hong Kong	<b>2,991</b>	2,271
Thailand	<b>1,566</b>	1,632
Singapore	<b>1,114</b>	1,141
Malaysia	<b>870</b>	960
China	<b>1,187</b>	991
Korea	<b>944</b>	1,065
Other Markets	<b>1,660</b>	1,573
<b>Total</b>	<b>10,332</b>	9,633
<b>First year premiums by geography</b>		
Hong Kong	<b>885</b>	436
Thailand	<b>202</b>	233
Singapore	<b>125</b>	128
Malaysia	<b>139</b>	132
China	<b>301</b>	209
Korea	<b>83</b>	132
Other Markets	<b>358</b>	324
<b>Total</b>	<b>2,093</b>	1,594
<b>Single premiums by geography</b>		
Hong Kong	<b>834</b>	788
Thailand	<b>85</b>	104
Singapore	<b>780</b>	920
Malaysia	<b>73</b>	66
China	<b>90</b>	27
Korea	<b>45</b>	64
Other Markets	<b>221</b>	391
<b>Total</b>	<b>2,128</b>	2,360

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

<b>TWPI - continued</b>	<b>Six months ended 31 May 2016 (Unaudited)</b>	<b>Six months ended 31 May 2015 (Unaudited)</b>
US\$m		
<b>Renewal premiums by geography</b>		
Hong Kong	2,023	1,756
Thailand	1,355	1,389
Singapore	911	921
Malaysia	724	821
China	877	779
Korea	856	927
Other Markets	1,280	1,210
<b>Total</b>	<b>8,026</b>	<b>7,803</b>
	<b>Six months ended 31 May 2016 (Unaudited)</b>	<b>Six months ended 31 May 2015 (Unaudited)</b>
<b>ANP</b>		
US\$m		
<b>ANP by geography</b>		
Hong Kong	988	540
Thailand	216	256
Singapore	214	225
Malaysia	159	138
China	321	220
Korea	94	132
Other Markets	363	367
<b>Total</b>	<b>2,355</b>	<b>1,878</b>

## 6. Segment information

The Group's operating segments, based on the reports received by the ExCo, are each of the geographical markets in which the Group operates. Each of the reportable segments, other than the "Group Corporate Centre" segment, writes life insurance business, providing life insurance, accident and health insurance and savings plans to customers in its local market, and distributes related investment and other financial services products. The reportable segments are Hong Kong (including Macau), Thailand, Singapore (including Brunei), Malaysia, China, Korea, Other Markets and Group Corporate Centre. Other Markets includes the Group's operations in Australia, Indonesia, New Zealand, the Philippines, Sri Lanka, Taiwan, Vietnam and India. The activities of the Group Corporate Centre segment consist of the Group's corporate functions, shared services and eliminations of intragroup transactions.

Because each reportable segment other than the Group Corporate Centre segment focuses on serving the life insurance needs of its local market, there are limited transactions between reportable segments. The key performance indicators reported in respect of each segment are:

- ANP;
- TWPI;
- investment return;
- operating expenses;
- operating profit after tax attributable to shareholders of AIA Group Limited;
- expense ratio, measured as operating expenses divided by TWPI;
- operating margin, measured as operating profit after tax expressed as a percentage of TWPI; and
- operating return on shareholders' allocated equity measured on an annualised basis as operating profit after tax attributable to shareholders of AIA Group Limited expressed as a percentage of the simple average of opening and closing shareholders' allocated segment equity (being the segment assets less segment liabilities in respect of each reportable segment less non-controlling interests and fair value reserve).

In presenting net capital in/(out) flows to reportable segments, capital outflows consist of dividends and profit distributions to the Group Corporate Centre segment and capital inflows consist of capital injections into reportable segments by the Group Corporate Centre segment. For the Group, net capital in/(out) flows reflect the net amount received from shareholders by way of capital contributions less amounts distributed by way of dividends.

Business volumes in respect of the Group's five largest customers are less than 30 per cent of premiums and fee income.

## 6. Segment information (continued)

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
<b>Six months ended 31 May 2016 – Unaudited</b>									
ANP	988	216	214	159	321	94	363	–	2,355
TWPI	2,991	1,566	1,114	870	1,187	944	1,660	–	10,332
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	2,997	1,518	1,307	787	1,117	713	1,060	(3)	9,496
Investment return	856	515	502	268	325	220	284	167	3,137
<b>Total revenue</b>	<b>3,853</b>	<b>2,033</b>	<b>1,809</b>	<b>1,055</b>	<b>1,442</b>	<b>933</b>	<b>1,344</b>	<b>164</b>	<b>12,633</b>
Net insurance and investment contract benefits	2,621	1,162	1,321	729	967	619	630	(11)	8,038
Commission and other acquisition expenses	323	304	150	85	80	117	212	–	1,271
Operating expenses	141	91	83	78	105	67	179	87	831
Finance costs and other expenses	50	19	8	5	6	5	16	46	155
<b>Total expenses</b>	<b>3,135</b>	<b>1,576</b>	<b>1,562</b>	<b>897</b>	<b>1,158</b>	<b>808</b>	<b>1,037</b>	<b>122</b>	<b>10,295</b>
Share of losses from associates and joint venture	–	–	–	–	–	–	(3)	–	(3)
<b>Operating profit before tax</b>	<b>718</b>	<b>457</b>	<b>247</b>	<b>158</b>	<b>284</b>	<b>125</b>	<b>304</b>	<b>42</b>	<b>2,335</b>
Tax on operating profit before tax	(43)	(90)	(36)	(32)	(63)	(29)	(64)	(4)	(361)
<b>Operating profit after tax</b>	<b>675</b>	<b>367</b>	<b>211</b>	<b>126</b>	<b>221</b>	<b>96</b>	<b>240</b>	<b>38</b>	<b>1,974</b>
<i>Operating profit after tax attributable to:</i>									
Shareholders of AIA Group Limited	670	367	211	125	221	96	228	38	1,956
Non-controlling interests	5	–	–	1	–	–	12	–	18

### Key operating ratios:

Expense ratio	4.7%	5.8%	7.5%	9.0%	8.8%	7.1%	10.8%	–	8.0%
Operating margin	22.6%	23.4%	18.9%	14.5%	18.6%	10.2%	14.5%	–	19.1%
Operating return on shareholders' allocated equity	21.9%	18.1%	16.8%	17.6%	15.7%	10.3%	14.7%	–	13.8%

### Operating profit before tax includes:

Finance costs	13	2	6	1	10	–	–	39	71
Depreciation and amortisation	8	4	5	6	5	4	11	6	49

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
<b>31 May 2016 – Unaudited</b>									
Assets before investments in associates and joint venture	49,193	26,426	31,484	13,254	17,877	14,571	17,347	10,078	180,230
Investments in associates and joint venture	–	–	1	6	–	–	602	–	609
<b>Total assets</b>	<b>49,193</b>	<b>26,426</b>	<b>31,485</b>	<b>13,260</b>	<b>17,877</b>	<b>14,571</b>	<b>17,949</b>	<b>10,078</b>	<b>180,839</b>
<b>Total liabilities</b>	<b>40,789</b>	<b>20,614</b>	<b>28,504</b>	<b>11,874</b>	<b>14,532</b>	<b>11,759</b>	<b>13,262</b>	<b>3,624</b>	<b>144,958</b>
<b>Total equity</b>	<b>8,404</b>	<b>5,812</b>	<b>2,981</b>	<b>1,386</b>	<b>3,345</b>	<b>2,812</b>	<b>4,687</b>	<b>6,454</b>	<b>35,881</b>
<b>Shareholders' allocated equity</b>	<b>5,870</b>	<b>4,076</b>	<b>2,560</b>	<b>1,353</b>	<b>2,755</b>	<b>1,809</b>	<b>3,365</b>	<b>6,415</b>	<b>28,203</b>
Net capital (out)/in flows	(490)	(280)	–	(186)	–	(39)	312	(147)	(830)



## 6. Segment information (continued)

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

US\$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items <sup>(1)</sup>	Interim consolidated income statement	
<b>Six months ended 31 May 2016 – Unaudited</b>					
	Net premiums, fee income and other operating revenue	9,496	-	-	9,496
	Investment return	3,137	(195)	422	3,364
	<b>Total revenue</b>	<b>12,633</b>	<b>(195)</b>	<b>422</b>	<b>12,860</b>
	Net insurance and investment contract benefits	8,038	(158)	251	8,131
	Other expenses	2,257	-	140	2,397
	<b>Total expenses</b>	<b>10,295</b>	<b>(158)</b>	<b>391</b>	<b>10,528</b>
	Share of losses from associates and joint venture	(3)	-	-	(3)
	<b>Operating profit before tax</b>	<b>2,335</b>	<b>(37)</b>	<b>31</b>	<b>2,329</b>

Note:

(1) Include unit-linked contracts.

## 6. Segment information (continued)

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
<b>Six months ended 31 May 2015 – Unaudited and as adjusted</b>									
ANP	540	256	225	138	220	132	367	–	1,878
TWPI	2,271	1,632	1,141	960	991	1,065	1,573	–	9,633
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	2,170	1,623	1,540	892	919	775	960	(2)	8,877
Investment return	767	557	457	294	318	228	290	159	3,070
<b>Total revenue</b>	<b>2,937</b>	<b>2,180</b>	<b>1,997</b>	<b>1,186</b>	<b>1,237</b>	<b>1,003</b>	<b>1,250</b>	<b>157</b>	<b>11,947</b>
Net insurance and investment contract benefits	1,906	1,311	1,511	828	815	679	605	(3)	7,652
Commission and other acquisition expenses	239	303	163	91	77	118	177	–	1,168
Operating expenses	117	89	75	80	103	71	176	80	791
Finance costs and other expenses	45	19	8	6	4	5	17	41	145
<b>Total expenses</b>	<b>2,307</b>	<b>1,722</b>	<b>1,757</b>	<b>1,005</b>	<b>999</b>	<b>873</b>	<b>975</b>	<b>118</b>	<b>9,756</b>
Share of profit from associates and joint venture	–	–	–	–	–	–	–	–	–
<b>Operating profit before tax</b>	<b>630</b>	<b>458</b>	<b>240</b>	<b>181</b>	<b>238</b>	<b>130</b>	<b>275</b>	<b>39</b>	<b>2,191</b>
Tax on operating profit before tax	(40)	(115)	(39)	(36)	(47)	(31)	(67)	(4)	(379)
<b>Operating profit after tax</b>	<b>590</b>	<b>343</b>	<b>201</b>	<b>145</b>	<b>191</b>	<b>99</b>	<b>208</b>	<b>35</b>	<b>1,812</b>
<i>Operating profit after tax attributable to:</i>									
Shareholders of AIA Group Limited	585	343	201	144	191	99	200	35	1,798
Non-controlling interests	5	–	–	1	–	–	8	–	14

### Key operating ratios:

Expense ratio	5.2%	5.5%	6.6%	8.3%	10.4%	6.7%	11.2%	–	8.2%
Operating margin <sup>(1)</sup>	26.0%	21.0%	17.6%	15.1%	19.3%	9.3%	13.2%	–	18.8%
Operating return on shareholders' allocated equity <sup>(1)</sup>	19.1%	15.3%	15.5%	17.6%	15.5%	10.5%	14.4%	–	13.0%

### Operating profit before tax includes:

Finance costs	11	2	2	4	30	–	1	30	80
Depreciation and amortisation	6	5	5	4	5	4	10	6	45

US\$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
<b>30 November 2015 – As adjusted</b>									
Assets before investments in associates and joint venture	45,265	24,758	30,133	12,673	17,091	14,245	16,006	9,450	169,621
Investments in associates and joint venture	–	–	1	6	–	–	130	–	137
<b>Total assets</b>	<b>45,265</b>	<b>24,758</b>	<b>30,134</b>	<b>12,679</b>	<b>17,091</b>	<b>14,245</b>	<b>16,136</b>	<b>9,450</b>	<b>169,758</b>
<b>Total liabilities</b>	<b>38,135</b>	<b>20,124</b>	<b>27,693</b>	<b>11,307</b>	<b>14,032</b>	<b>11,683</b>	<b>12,402</b>	<b>2,960</b>	<b>138,336</b>
<b>Total equity</b>	<b>7,130</b>	<b>4,634</b>	<b>2,441</b>	<b>1,372</b>	<b>3,059</b>	<b>2,562</b>	<b>3,734</b>	<b>6,490</b>	<b>31,422</b>
<b>Shareholders' allocated equity</b>	<b>5,713</b>	<b>3,679</b>	<b>2,247</b>	<b>1,362</b>	<b>2,644</b>	<b>1,832</b>	<b>2,626</b>	<b>6,602</b>	<b>26,705</b>
Net capital (out)/in flows	(850)	(708)	(329)	(188)	(1)	(31)	(88)	1,371	(824)

### Note:

- (1) Operating margin and operating return on shareholders' allocated equity have been adjusted to conform to the current period presentation.

## 6. Segment information (continued)

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

US\$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items <sup>(1)</sup>	Interim consolidated income statement	
<b>Six months ended 31 May 2015 – Unaudited and as adjusted</b>					
Net premiums, fee income and other operating revenue	8,877	–	–	8,877	Net premiums, fee income and other operating revenue
Investment return	3,070	810	1,190	5,070	Investment return
<b>Total revenue</b>	<b>11,947</b>	<b>810</b>	<b>1,190</b>	<b>13,947</b>	<b>Total revenue</b>
Net insurance and investment contract benefits	7,652	335	1,023	9,010	Net insurance and investment contract benefits
Other expenses	2,104	–	144	2,248	Other expenses
<b>Total expenses</b>	<b>9,756</b>	<b>335</b>	<b>1,167</b>	<b>11,258</b>	<b>Total expenses</b>
Share of profit from associates and joint venture	–	–	–	–	Share of profit from associates and joint venture
<b>Operating profit before tax</b>	<b>2,191</b>	<b>475</b>	<b>23</b>	<b>2,689</b>	<b>Profit before tax</b>

Note:

(1) Include unit-linked contracts.

## 7. Investment return

US\$m	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited and as adjusted)
Interest income	2,615	2,545
Dividend income	305	334
Rental income	68	63
<b>Investment income</b>	<b>2,988</b>	<b>2,942</b>
<b>Available for sale</b>		
Net realised gains from debt securities	20	48
Impairment of debt securities	(22)	–
<b>Net (losses)/gains of available for sale financial assets reflected in the interim consolidated income statement</b>	<b>(2)</b>	<b>48</b>
<b>At fair value through profit or loss</b>		
<b>Net gains of financial assets designated at fair value through profit or loss</b>		
Net gains of debt securities	403	2
Net (losses)/gains of equity securities	(182)	2,134
Net fair value movement on derivatives	63	(202)
<b>Net gains in respect of financial instruments at fair value through profit or loss</b>	<b>284</b>	<b>1,934</b>
Net fair value movement of investment property	218	19
Net foreign exchange (losses)/gains	(116)	173
Other net realised losses	(8)	(46)
<b>Investment experience</b>	<b>376</b>	<b>2,128</b>
<b>Investment return</b>	<b>3,364</b>	<b>5,070</b>

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

US\$m	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited)
Foreign exchange gains	<b>52</b>	<b>52</b>

## 8. Expenses

US\$m	Six months ended 31 May 2016 (Unaudited)	Six months ended 31 May 2015 (Unaudited and as adjusted)
Insurance contract benefits	4,993	4,732
Change in insurance contract liabilities	3,738	4,366
Investment contract benefits	(77)	389
<b>Insurance and investment contract benefits</b>	<b>8,654</b>	<b>9,487</b>
Insurance and investment contract benefits ceded	(523)	(477)
<b>Insurance and investment contract benefits, net of reinsurance ceded</b>	<b>8,131</b>	<b>9,010</b>
Commission and other acquisition expenses incurred	2,203	1,897
Deferral and amortisation of acquisition costs	(907)	(729)
<b>Commission and other acquisition expenses</b>	<b>1,296</b>	<b>1,168</b>
Employee benefit expenses	559	542
Depreciation	31	31
Amortisation	18	14
Operating lease rentals	58	56
Other operating expenses	165	148
<b>Operating expenses</b>	<b>831</b>	<b>791</b>
Investment management expenses and others	164	161
Depreciation on property held for own use	10	10
Restructuring and other non-operating costs <sup>(1)</sup>	15	25
Change in third-party interests in consolidated investment funds	10	13
<b>Other expenses</b>	<b>199</b>	<b>209</b>
Finance costs	71	80
<b>Total</b>	<b>10,528</b>	<b>11,258</b>

Note:

- (1) Restructuring costs represent costs related to restructuring programmes and are primarily comprised of redundancy and contract termination costs. Other non-operating costs primarily consist of acquisition-related and integration expenses.

## 8. Expenses (continued)

Finance costs may be analysed as:

US\$m	Six months ended 31 May 2016 (Unaudited)	Six months ended 31 May 2015 (Unaudited)
Securities lending and repurchase agreements (see note 19 for details)	19	39
Medium term notes	50	33
Other loans	2	8
<b>Total</b>	<b>71</b>	<b>80</b>

Employee benefit expenses consist of:

US\$m	Six months ended 31 May 2016 (Unaudited)	Six months ended 31 May 2015 (Unaudited)
Wages and salaries	447	442
Share-based compensation	40	37
Pension costs – defined contribution plans	32	30
Pension costs – defined benefit plans	4	6
Other employee benefit expenses	36	27
<b>Total</b>	<b>559</b>	<b>542</b>

## 9. Income tax

US\$m	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited and as adjusted)
<b>Tax charged in the interim consolidated income statement</b>		
Current income tax – Hong Kong Profits Tax	<b>37</b>	35
Current income tax – overseas	<b>181</b>	330
Deferred income tax on temporary differences	<b>16</b>	106
<b>Total</b>	<b><u>234</u></b>	<b><u>471</u></b>

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

The tax benefit or expense attributable to life insurance policyholder returns in Singapore, Brunei, Malaysia, Indonesia, Australia, Sri Lanka and the Philippines is included in the tax charge or credit and is analysed separately in the interim consolidated income statement in order to permit comparison of the underlying effective rate of tax attributable to shareholders from period to period. The tax attributable to policyholders' returns included above is US\$50m (six months ended 31 May 2015: US\$60m).

During the period, Thailand enacted a permanent change in the corporate income tax rate from 30 per cent to 20 per cent from assessment year 2016 onwards. The decrease in tax rate resulted in a reduction in deferred tax liabilities of US\$314m, of which US\$181m is recognised in profit or loss and US\$133m is recognised in other comprehensive income.

## 10. Earnings per share

### BASIC

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

	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited and as adjusted)
Net profit attributable to shareholders of AIA Group Limited (US\$m)	<b>2,065</b>	2,204
Weighted average number of ordinary shares in issue (million)	<b>11,969</b>	11,969
<b>Basic earnings per share (US cents per share)</b>	<b><u>17.25</u></b>	<b><u>18.41</u></b>

## 10. Earnings per share (continued)

### DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As of 31 May 2016 and 2015, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 23.

	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited and as adjusted)
Net profit attributable to shareholders of AIA Group Limited (US\$m)	<b>2,065</b>	2,204
Weighted average number of ordinary shares in issue (million)	<b>11,969</b>	11,969
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded under share-based compensation plans (million)	<b>23</b>	43
Weighted average number of ordinary shares for diluted earnings per share (million)	<b>11,992</b>	12,012
<b>Diluted earnings per share (US cents per share)</b>	<b>17.22</b>	18.35

At 31 May 2016, 15,511,085 share options (31 May 2015: 6,270,153) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

### OPERATING PROFIT AFTER TAX PER SHARE

Operating profit after tax (see note 4) per share is calculated by dividing the operating profit after tax attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares in issue during the period. As of 31 May 2016 and 2015, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 23.

	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited and as adjusted)
Basic (US cents per share)	<b>16.34</b>	15.02
Diluted (US cents per share)	<b>16.31</b>	14.97



## 11. Dividends

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

US\$m	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited)
Interim dividend declared after the reporting date of 21.90 Hong Kong cents per share (six months ended 31 May 2015: 18.72 Hong Kong cents per share) <sup>(1)</sup>	<b><u>337</u></b>	<b><u>289</u></b>

Note:

- (1) Based upon shares outstanding at 31 May 2016 and 2015 that are entitled to a dividend, other than those held by employee share-based trusts.

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

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

US\$m	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period of 51.00 Hong Kong cents per share (six months ended 31 May 2015: 34.00 Hong Kong cents per share)	<b><u>786</u></b>	<b><u>525</u></b>

## 12. Intangible assets

US\$m	Goodwill	Computer software	Distribution and other rights	Total
<b>Cost</b>				
At 1 December 2015	808	405	870	2,083
Additions	–	17	–	17
Disposal	–	(2)	–	(2)
Foreign exchange movements and others	20	1	(40)	(19)
<b>At 31 May 2016 – unaudited</b>	<b>828</b>	<b>421</b>	<b>830</b>	<b>2,079</b>
<b>Accumulated amortisation</b>				
At 1 December 2015	(4)	(199)	(46)	(249)
Amortisation charge for the period	–	(17)	(13)	(30)
Disposal	–	1	–	1
Foreign exchange movements	–	(1)	–	(1)
<b>At 31 May 2016 – unaudited</b>	<b>(4)</b>	<b>(216)</b>	<b>(59)</b>	<b>(279)</b>
<b>Net book value</b>				
At 30 November 2015	804	206	824	1,834
<b>At 31 May 2016 – Unaudited</b>	<b>824</b>	<b>205</b>	<b>771</b>	<b>1,800</b>

Of the above, US\$1,740m (30 November 2015: US\$1,782m) is expected to be recovered more than 12 months after the end of the reporting period.

## 13. Financial investments

### DEBT SECURITIES

Debt securities by type comprise the following:

US\$m	Policyholder and shareholder			Subtotal	Unit-linked FVTPL	Consolidated investment funds <sup>(4)</sup> FVTPL	Total
	Participating funds FVTPL	Other policyholder and shareholder					
		FVTPL	AFS				
<b>31 May 2016 – Unaudited</b>							
Government bonds	4,716	73	30,431	35,220	1,032	–	36,252
Government agency bonds <sup>(1)</sup>	3,205	8	8,963	12,176	199	230	12,605
Corporate bonds	11,323	120	48,216	59,659	1,415	1,640	62,714
Structured securities <sup>(2)</sup>	258	128	548	934	1	–	935
<b>Total<sup>(3)</sup></b>	<b>19,502</b>	<b>329</b>	<b>88,158</b>	<b>107,989</b>	<b>2,647</b>	<b>1,870</b>	<b>112,506</b>
US\$m	Policyholder and shareholder			Subtotal	Unit-linked FVTPL	Consolidated investment funds <sup>(4)</sup> FVTPL	Total
	Participating funds FVTPL	Other policyholder and shareholder					
		FVTPL	AFS				
<b>30 November 2015</b>							
Government bonds	4,646	202	26,387	31,235	885	–	32,120
Government agency bonds <sup>(1)</sup>	3,220	8	8,828	12,056	188	239	12,483
Corporate bonds	10,894	101	45,192	56,187	1,265	1,599	59,051
Structured securities <sup>(2)</sup>	296	151	533	980	1	5	986
<b>Total<sup>(3)</sup></b>	<b>19,056</b>	<b>462</b>	<b>80,940</b>	<b>100,458</b>	<b>2,339</b>	<b>1,843</b>	<b>104,640</b>

Notes:

- (1) Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities; government-related entities; multilateral development banks and supranational organisations.
- (2) Structured securities include collateralised debt obligations, mortgage-backed securities and other asset-backed securities.
- (3) Debt securities of US\$3,738m (30 November 2015: US\$3,354m) are restricted due to local regulatory requirements.
- (4) Consolidated investment funds reflect 100 per cent of assets and liabilities held by such funds.

### 13. Financial investments (continued)

#### EQUITY SECURITIES

Equity securities by type comprise the following:

US\$m	Policyholder and shareholder			Unit-linked FVTPL	Consolidated investment funds <sup>(1)</sup> FVTPL	Total
	Participating funds FVTPL	Other policyholder and shareholder FVTPL	Subtotal			
<b>31 May 2016 – Unaudited</b>						
Equity shares	3,507	5,943	9,450	3,502	1	12,953
Interests in investment funds	1,775	2,247	4,022	11,504	2	15,528
<b>Total</b>	<b>5,282</b>	<b>8,190</b>	<b>13,472</b>	<b>15,006</b>	<b>3</b>	<b>28,481</b>

US\$m	Policyholder and shareholder			Unit-linked FVTPL	Consolidated investment funds <sup>(1)</sup> FVTPL	Total
	Participating funds FVTPL	Other policyholder and shareholder FVTPL	Subtotal			
<b>30 November 2015</b>						
Equity shares	3,285	5,484	8,769	3,234	1	12,004
Interests in investment funds	1,630	1,812	3,442	11,710	3	15,155
<b>Total</b>	<b>4,915</b>	<b>7,296</b>	<b>12,211</b>	<b>14,944</b>	<b>4</b>	<b>27,159</b>

Note:

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

#### DEBT AND EQUITY SECURITIES

US\$m	As at 31 May 2016 (Unaudited)	As at 30 November 2015
<b>Debt securities</b>		
Listed	83,947	76,490
Unlisted	28,559	28,150
<b>Total</b>	<b>112,506</b>	<b>104,640</b>
<b>Equity securities</b>		
Listed	14,921	13,878
Unlisted	13,560	13,281
<b>Total</b>	<b>28,481</b>	<b>27,159</b>

### 13. Financial investments (continued)

#### LOANS AND DEPOSITS

US\$m	As at 31 May 2016 (Unaudited)	As at 30 November 2015
Policy loans	2,430	2,383
Mortgage loans on residential real estate	567	538
Mortgage loans on commercial real estate	51	51
Other loans	677	781
Allowance for loan losses	(14)	(14)
<b>Loans</b>	<b>3,711</b>	<b>3,739</b>
Term deposits	1,888	2,035
Promissory notes <sup>(1)</sup>	1,441	1,437
<b>Total</b>	<b>7,040</b>	<b>7,211</b>

Note:

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

Certain term deposits with financial institutions and promissory notes are restricted due to local regulatory requirements or other pledge restrictions. The restricted balance held within term deposits and promissory notes is US\$1,627m (30 November 2015: US\$1,617m).

Other loans include receivables from reverse repurchase agreements under which the Group does not take physical possession of securities purchased under the agreements. Sales or transfers of securities are not permitted by the respective clearing house on which they are registered while the loan is outstanding. In the event of default by the counter-party to repay the loan, the Group has the right to the underlying securities held by the clearing house. At 31 May 2016, the carrying value of such receivables is US\$109m (30 November 2015: US\$155m).

## 14. Derivative financial instruments

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

US\$m	Notional amount	Fair value	
		Assets	Liabilities
<b>31 May 2016 – Unaudited</b>			
<b>Foreign exchange contracts</b>			
Cross-currency swaps	7,359	61	(591)
Forwards	1,061	3	(20)
Foreign exchange futures	201	–	–
Currency options	14	–	–
<b>Total foreign exchange contracts</b>	<b>8,635</b>	<b>64</b>	<b>(611)</b>
<b>Interest rate contracts</b>			
Interest rate swaps	944	13	(9)
<b>Other</b>			
Warrants and options	184	13	–
<b>Netting</b>	<b>(201)</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>9,562</b>	<b>90</b>	<b>(620)</b>
<b>30 November 2015</b>			
<b>Foreign exchange contracts</b>			
Cross-currency swaps	7,153	60	(671)
Forwards	1,547	4	(19)
Foreign exchange futures	119	–	–
Currency options	29	–	–
<b>Total foreign exchange contracts</b>	<b>8,848</b>	<b>64</b>	<b>(690)</b>
<b>Interest rate contracts</b>			
Interest rate swaps	629	2	(5)
<b>Other</b>			
Warrants and options	176	7	–
<b>Netting</b>	<b>(119)</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>9,534</b>	<b>73</b>	<b>(695)</b>

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

Of the total derivatives, US\$12m (30 November 2015: US\$6m) are listed in exchange or dealer markets and the rest are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

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

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

### **FOREIGN EXCHANGE CONTRACTS**

Foreign exchange forward and futures contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Currency options are agreements that give the buyer the right to exchange the currency of one country for the currency of another country at agreed prices and settlement dates. Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to gains and losses on the foreign exchange contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, implied volatilities of the underlying indices and the timing of payments.

### **INTEREST RATE SWAPS**

Interest rate swaps are contractual agreements between two parties to exchange periodic payments in the same currency, each of which is computed on a different interest rate basis, on a specified notional amount. Most interest rate swaps involve the net exchange of payments calculated as the difference between the fixed and floating rate interest payments.

### **OTHER DERIVATIVES**

Warrants and options are option agreements that give the owner the right to buy or sell securities at an agreed price and settlement date.

### **NETTING ADJUSTMENT**

The netting adjustment is related to futures contracts executed through clearing house where the settlement arrangement satisfied the netting criteria under IFRS.

### **COLLATERAL UNDER DERIVATIVE TRANSACTIONS**

At 31 May 2016, the Group had posted cash collateral of US\$176m (30 November 2015: US\$189m) and pledged debt securities with carrying value of US\$381m (30 November 2015: US\$439m) for liabilities and held cash collateral of US\$11m (30 November 2015: US\$8m), and no debt securities collateral (30 November 2015: carrying value of US\$2m) for assets in respect of derivative transactions. The Group did not sell or re-pledge the collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard securities lending and repurchase agreements.

## 15. Fair value measurement of financial instruments

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group classifies all financial assets as either at fair value through profit or loss, or as available for sale, which are carried at fair value, or as loans and receivables, which are carried at amortised cost. Financial liabilities are classified as either at fair value through profit or loss or at amortised cost, except for investment contracts with DPF which are accounted for under IFRS 4.

The following tables present the fair values of the Group's financial assets and financial liabilities:

US\$m	Notes	Fair value		Cost/ amortised cost	Total carrying value	Total fair value
		Fair value through profit or loss	Available for sale			
<b>31 May 2016 – Unaudited</b>						
Financial investments	13					
Loans and deposits		–	–	7,040	7,040	7,046
Debt securities		24,348	88,158	–	112,506	112,506
Equity securities		28,481	–	–	28,481	28,481
Derivative financial instruments	14	90	–	–	90	90
Reinsurance receivables		–	–	288	288	288
Other receivables		–	–	1,787	1,787	1,787
Accrued investment income		–	–	1,420	1,420	1,420
Cash and cash equivalents	16	–	–	1,722	1,722	1,722
<b>Financial assets</b>		<b>52,919</b>	<b>88,158</b>	<b>12,257</b>	<b>153,334</b>	<b>153,340</b>
	Notes	Fair value through profit or loss		Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities						
Investment contract liabilities	17	6,458		539	6,997	6,997
Borrowings	18	–		3,610	3,610	3,722
Obligations under repurchase agreements	19	–		2,554	2,554	2,554
Derivative financial instruments	14	620		–	620	620
Other liabilities		1,228		3,445	4,673	4,673
<b>Financial liabilities</b>		<b>8,306</b>		<b>10,148</b>	<b>18,454</b>	<b>18,566</b>





## 15. Fair value measurement of financial instruments (continued)

### FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS ON A RECURRING BASIS

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

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>31 May 2016 – Unaudited</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Available for sale				
Debt securities	–	87,120	1,038	88,158
At fair value through profit or loss				
Debt securities				
Participating funds	–	19,154	348	19,502
Unit-linked and consolidated investment funds	–	4,256	261	4,517
Other policyholder and shareholder	–	177	152	329
Equity securities				
Participating funds	4,822	206	254	5,282
Unit-linked and consolidated investment funds	14,971	33	5	15,009
Other policyholder and shareholder	7,314	455	421	8,190
Derivative financial instruments				
Foreign exchange contracts	–	64	–	64
Interest rate contracts	–	13	–	13
Other contracts	9	4	–	13
<b>Total financial assets on a recurring fair value measurement basis</b>	<b>27,116</b>	<b>111,482</b>	<b>2,479</b>	<b>141,077</b>
<i>% of Total</i>	<i>19.2</i>	<i>79.0</i>	<i>1.8</i>	<i>100.0</i>
<b>Financial liabilities</b>				
Investment contract liabilities	–	–	6,458	6,458
Derivative financial instruments				
Foreign exchange contracts	–	611	–	611
Interest rate contracts	–	9	–	9
Other liabilities	–	1,228	–	1,228
<b>Total financial liabilities on a recurring fair value measurement basis</b>	<b>–</b>	<b>1,848</b>	<b>6,458</b>	<b>8,306</b>
<i>% of Total</i>	<i>–</i>	<i>22.2</i>	<i>77.8</i>	<i>100.0</i>

## 15. Fair value measurement of financial instruments (continued)

### FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS ON A RECURRING BASIS (continued)

US\$m	Fair value hierarchy			Total
	Level 1	Level 2	Level 3	
<b>30 November 2015</b>				
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Available for sale				
Debt securities	–	79,927	1,013	80,940
At fair value through profit or loss				
Debt securities				
Participating funds	–	18,732	324	19,056
Unit-linked and consolidated investment funds	–	3,914	268	4,182
Other policyholder and shareholder	–	287	175	462
Equity securities				
Participating funds	4,537	127	251	4,915
Unit-linked and consolidated investment funds	14,918	26	4	14,948
Other policyholder and shareholder	6,448	429	419	7,296
Derivative financial instruments				
Foreign exchange contracts	–	64	–	64
Interest rate contracts	–	2	–	2
Other contracts	5	2	–	7
<b>Total financial assets on a recurring fair value measurement basis</b>	<b>25,908</b>	<b>103,510</b>	<b>2,454</b>	<b>131,872</b>
<i>% of Total</i>	<i>19.6</i>	<i>78.5</i>	<i>1.9</i>	<i>100.0</i>
<b>Financial liabilities</b>				
Investment contract liabilities	–	–	6,573	6,573
Derivative financial instruments				
Foreign exchange contracts	–	690	–	690
Interest rate contracts	–	5	–	5
Other liabilities	–	1,214	–	1,214
<b>Total financial liabilities on a recurring fair value measurement basis</b>	<b>–</b>	<b>1,909</b>	<b>6,573</b>	<b>8,482</b>
<i>% of Total</i>	<i>–</i>	<i>22.5</i>	<i>77.5</i>	<i>100.0</i>

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the six months ended 31 May 2016, the Group transferred US\$55m (30 November 2015: US\$29m) of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. The Group transferred US\$1,071m (30 November 2015: US\$985m) of assets from Level 2 to Level 1 during the six months ended 31 May 2016.

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

## 15. Fair value measurement of financial instruments (continued)

### FAIR VALUE HIERARCHY FOR FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS ON A RECURRING BASIS (continued)

The table below sets out a summary of changes in the Group's Level 3 financial assets and liabilities measured at fair value on a recurring basis for the six months ended 31 May 2016. The table reflects gains and losses, including gains and losses on financial assets and liabilities categorised as Level 3 as at 31 May 2016.

#### Level 3 financial assets and liabilities

US\$m	Debt securities	Equity securities	Derivative financial assets/ (liabilities)	Investment contracts
<b>At 1 December 2015</b>	<b>1,780</b>	<b>674</b>	<b>-</b>	<b>(6,573)</b>
Net movement on investment contract liabilities	-	-	-	115
Total gains/(losses)				
Reported under investment return in the interim consolidated income statement	(1)	(20)	-	-
Reported under fair value reserve and foreign currency translation reserve in the interim consolidated statement of comprehensive income	(32)	3	-	-
Purchases	250	48	-	-
Sales	(82)	(44)	-	-
Settlements	(35)	-	-	-
Transfer into Level 3	-	41	-	-
Transfer out of Level 3	(81)	(22)	-	-
<b>At 31 May 2016 – Unaudited</b>	<b><u>1,799</u></b>	<b><u>680</u></b>	<b><u>-</u></b>	<b><u>(6,458)</u></b>
<b>Change in unrealised gains or losses included in the interim consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return</b>	<b><u>(6)</u></b>	<b><u>(21)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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

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

There are not any differences between the fair values on initial recognition and the amounts determined using valuation techniques since the models adopted are calibrated using initial transaction prices.

## 15. Fair value measurement of financial instruments (continued)

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

As at 31 May 2016, the valuation techniques and applicable unobservable inputs used to measure the Group's Level 3 financial instruments are summarised as follows:

Description	Fair value at 31 May 2016 (US\$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	878	Discounted cash flows	Discount rate for liquidity	4.03% – 16.69%

### VALUATION PROCESSES

The Group has the valuation policies, procedures and analyses in place to govern the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. In determining the fair values of financial assets, the Group in general uses third-party pricing providers and, only in rare cases when third-party prices do not exist, will use prices derived from internal models. The Chief Investment Officers of each of the business units are required to review the reasonableness of the prices used and report price exceptions, if any. The Group Investment team analyses reported price exceptions and reviews price challenge responses from third-party pricing providers and provides the final recommendation on the appropriate price to be used. Any changes in valuation policies are reviewed and approved by the Group Pricing Committee (GPC) which is part of the Group's wider financial risk governance processes. Changes in Level 2 and 3 fair values are analysed at each reporting date.

The main Level 3 input used by the Group pertains to the discount rate for the fixed income securities and investment contracts. The unobservable inputs for determining the fair value of these instruments include the obligor's credit spread and/or the liquidity spread. A significant increase/(decrease) in any of the unobservable input may result in a significantly lower/(higher) fair value measurement. The Group has subscriptions to private pricing services for gathering such information. If the information from private pricing services is not available, the Group uses the proxy pricing method based on internally-developed valuation inputs.

## 16. Cash and cash equivalents

US\$m	As at 31 May 2016 (Unaudited)	As at 30 November 2015
Cash	1,089	1,493
Cash equivalents	633	499
<b>Total<sup>(1)</sup></b>	<b>1,722</b>	<b>1,992</b>

Note:

(1) Of cash and cash equivalents, US\$426m (30 November 2015: US\$428m) are held to back unit-linked contracts and US\$54m (30 November 2015: US\$22m) are held by consolidated investment funds.

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits and highly liquid short-term investments with maturities at acquisition of three months or less and money market funds. Accordingly, all such amounts are expected to be realised within 12 months after the end of the reporting period.

## 17. Insurance and investment contract liabilities

### INSURANCE CONTRACT LIABILITIES

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

US\$m	As at 31 May 2016 (Unaudited)	As at 30 November 2015 (Unaudited and as adjusted)
Deferred profit <sup>(1)</sup> and unearned revenue <sup>(2)</sup>	8,130	7,974
Policyholders' share of participating surplus	6,981	6,447
Liabilities for future policyholder benefits	107,482	101,548
<b>Total</b>	<b>122,593</b>	<b>115,969</b>

### INVESTMENT CONTRACT LIABILITIES

Investment contract liabilities include deferred fee income<sup>(2)</sup> of US\$600m (30 November 2015: US\$636m).

Notes:

- (1) Deferred profits arising from traditional insurance contracts represent excess profits that have been collected and released to the consolidated income statement over the estimated life of the business. A separate liability for future policy benefits is established.
- (2) Unearned revenues and deferred fee income represent upfront fees and other non-level charges that have been collected and released to the consolidated income statement over the estimated life of the business. A separate liability for accumulation value is established.

## 18. Borrowings

US\$m	<b>As at 31 May 2016 (Unaudited)</b>	As at 30 November 2015
Bank loans	<b>3</b>	323
Medium term notes	<b>3,607</b>	2,872
<b>Total</b>	<b><u>3,610</u></b>	<b><u>3,195</u></b>

As at 31 May 2016 and 30 November 2015, the Group did not have assets pledged as security with respect to amounts above.

The following table summarises the Group's outstanding medium term notes at 31 May 2016:

Issue date	Nominal amount	Interest rate	Tenor
13 March 2013 <sup>(1)</sup>	US\$500m	1.750%	5 years
13 March 2013 <sup>(1)</sup>	US\$500m	3.125%	10 years
4 November 2013	HK\$1,160m	based upon HIBOR	3 years
11 March 2014 <sup>(1)</sup>	US\$500m	2.250%	5 years
11 March 2014 <sup>(1)</sup>	US\$500m	4.875%	30 years
11 March 2015 <sup>(1)</sup>	US\$750m	3.200%	10 years
16 March 2016 <sup>(1)</sup>	US\$750m	4.500%	30 years

Note:

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

The net proceeds from issuance during the six months ended 31 May 2016 are used for general corporate purposes.

The Group has access to an aggregate of US\$2,050m unsecured committed credit facilities, which includes a US\$300m multi-currency revolving credit facility expiring in 2016 and a US\$1,750m five-year credit facility expiring in 2020. The credit facilities will be used for general corporate purposes. As at 31 May 2016, there was a total of US\$3m outstanding borrowings under these credit facilities (30 November 2015: nil).

## 19. Obligations under repurchase agreements

The Group has entered into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date.

The securities related to these agreements are not de-recognised from the Group's interim consolidated statement of financial position, but are retained within the appropriate financial asset classification. During the term of the repurchase agreements, the Group is restricted from selling or pledging the transferred debt securities. The following table specifies the amounts included within financial investments subject to repurchase agreements which do not qualify for de-recognition at each period end:

US\$m	As at 31 May 2016 (Unaudited)	As at 30 November 2015
Debt securities – AFS Repurchase agreements	2,461	2,522
Debt securities – FVTPL Repurchase agreements	227	677
<b>Total</b>	<b>2,688</b>	<b>3,199</b>

### COLLATERAL

At 31 May 2016, the Group had pledged debt securities with carrying value of US\$1m (30 November 2015: US\$7m) and cash of US\$2m (30 November 2015: nil), and held cash collateral of US\$1m (30 November 2015: US\$8m). Debt securities collateral of US\$1m (30 November 2015: nil) was held based on the initial market value of the securities transferred. In the absence of default, the Group does not sell or re-pledge the debt securities collateral received and they are not recognised in the interim consolidated statement of financial position.

The following table shows the obligations under repurchase agreements at each period end:

US\$m	As at 31 May 2016 (Unaudited)	As at 30 November 2015
Repurchase agreements	2,554	3,085



## 20. Share capital and reserves

### SHARE CAPITAL

	As at 31 May 2016		As at 30 November 2015	
	Million shares (Unaudited)	US\$m (Unaudited)	Million shares	US\$m
<b>At beginning of the financial period</b>	<b>12,048</b>	<b>13,971</b>	12,045	13,962
Shares issued under share option scheme and agency share purchase plan	1	2	3	9
<b>At end of the financial period</b>	<b>12,049</b>	<b>13,973</b>	12,048	13,971

The Company issued 172,342 shares under share option scheme (30 November 2015: 2,190,404 shares) and 927,042 shares under agency share purchase plan (30 November 2015: 1,041,690 shares) during the six months ended 31 May 2016.

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's shares during the six months ended 31 May 2016 with the exception of 16,261,031 shares (30 November 2015: 16,867,524 shares) of the Company purchased by and no share (30 November 2015: 204,295 shares) of the Company sold by the employee share-based trusts. These purchases were made by the relevant scheme trustees on the Hong Kong Stock Exchange. These shares are held on trust for participants of the relevant schemes and therefore were not cancelled.

During the six months ended 31 May 2016, 12,837,386 shares (six months ended 31 May 2015: 13,885,933 shares) were transferred to eligible directors, officers and employees of the Group from the employee share-based trusts under share-based compensation plans as a result of vesting. As at 31 May 2016, 78,571,183 shares (30 November 2015: 75,147,538 shares) of the Company were held by the employee share-based trusts.

## **20. Share capital and reserves (continued)**

### **RESERVES**

#### **Fair value reserve**

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

#### **Foreign currency translation reserve**

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

#### **Employee share-based trusts**

Trusts have been established to acquire shares of the Company for distribution to participants in future periods through the share-based compensation plans. Those shares acquired by the trusts, to the extent not transferred to the participants upon vesting, are reported as "Employee share-based trusts".

#### **Property revaluation reserve**

Property revaluation reserve comprises the cumulative net change in the revalued amounts of property held for own use at the end of the reporting period. Property revaluation surplus is not considered to be a realised profit available for distribution to shareholders.

#### **Other reserves**

Other reserves mainly include the impact of merger accounting for business combinations under common control and share-based compensation.

## 21. Group capital structure

The Group is in compliance with the solvency and capital adequacy requirements applied by its regulators. The Group's primary insurance regulator at the AIA Company Limited (AIA Co.) and AIA International Limited (AIA International) levels is the Hong Kong Office of the Commissioner of Insurance (HKOCI), which requires that AIA Co. and AIA International meet the solvency margin requirements of the Hong Kong Insurance Companies Ordinance (HKICO). The HKICO (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong. AIA has given a revised undertaking to the HKOCI to maintain an excess of assets over liabilities for branches other than Hong Kong at no less than 100% of the Hong Kong statutory minimum solvency margin requirement (previously 150%) in each of AIA Co. and AIA International. For clarity there is no change in the undertaking in respect of the Hong Kong business or the Hong Kong statutory minimum solvency margin requirement for AIA.

The capital positions of the Group's two principal operating companies as of 31 May 2016 and 30 November 2015 are as follows:

US\$m	31 May 2016 (Unaudited)			30 November 2015		
	Total available capital	Regulatory minimum capital	Solvency ratio	Total available capital	Regulatory minimum capital	Solvency ratio
AIA Co.	6,437	1,688	381%	6,761	1,579	428%
AIA International	6,852	1,940	353%	6,388	1,794	356%

For these purposes, the Group defines total available capital as the amount of assets in excess of liabilities measured in accordance with the HKICO and "regulatory minimum capital" as the required minimum margin of solvency calculated in accordance with the HKICO. The solvency ratio is the ratio of total available capital to regulatory minimum capital.

The Group's individual branches and subsidiaries are also subject to the supervision of government regulators in the jurisdictions in which those branches and subsidiaries operate and, in relation to subsidiaries, in which they are incorporated. The various regulators overseeing the Group actively monitor our local solvency positions. AIA Co. and AIA International submit annual filings to the HKOCI of their solvency margin position based on their annual audited financial statements, and the Group's other operating units perform similar annual filings with their respective local regulators.

The ability of the Company to pay dividends to shareholders and to meet other obligations depends ultimately on dividends and other payments being received from its operating subsidiaries and branches, which are subject to contractual, regulatory and other limitations. The various regulators overseeing the individual branches and subsidiaries of the Group have the discretion to impose additional restrictions on the ability of those regulated subsidiaries and branches to make payment of dividends or other distributions and payments to AIA Co., including increasing the required margin of solvency that an operating unit must maintain. For example, capital may not be remitted without the consent from regulators for certain individual branches or subsidiaries of the Group. The payment of dividends, distributions and other payments to shareholders is subject to the oversight of the HKOCI.

## **22. Risk management**

The risks that the Group is exposed to include, but are not limited to, credit risk, interest rate risk, equity price risk, foreign exchange rate risk and liquidity risk.

### **CREDIT RISK**

Credit risk is the risk that third parties fail to meet their obligations to the Group when they fall due. Although the primary source of credit risk is the Group's investment portfolio, such risk can also arise through reinsurance, procurement, distribution partnerships and treasury activities.

The Group's credit risk management starts with the assignment of an internal rating to each counter-party. The Group performs a detailed analysis of each counter-party and sets a proposed rating. The Group's Risk Management function manages the Group's internal ratings framework and reviews these ratings and, where appropriate, makes recommendations for revisions from time to time.

### **INTEREST RATE RISK**

The Group's exposure to interest rate risk predominantly arises from any differences between the duration of the Group's liabilities and assets. Since most markets do not have assets of sufficient tenor to match life insurance liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Group's insurance liabilities.

AIA manages interest rate risk primarily on an economic basis to determine the durations of both assets and liabilities. Interest rate risk on local solvency basis is also taken into consideration for business units where local solvency regimes deviate from economic basis. Furthermore, for products with discretionary benefits, additional modelling of interest rate risk is performed to guide determination of appropriate management actions. Management also takes into consideration the asymmetrical impact of interest rate movements when evaluating products with options and guarantees.

### **EQUITY PRICE RISK**

Equity price risk arises from changes in the market value of equity securities. Investments in equity securities on a long-term basis are expected to provide diversification benefits and enhance returns. The extent of exposure to equities at any time is subject to the terms of the Group's strategic asset allocations.

Equity price risk is managed in the first instance through the individual investment mandates which define benchmarks and any tracking error targets. Equity limits are also applied to contain individual exposures. Equity exposures are included in the aggregate exposure reports on each individual counter-party to ensure concentrations are avoided.

## 22. Risk management (continued)

### EQUITY PRICE RISK (continued)

#### Sensitivity analysis

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

Information is presented to illustrate the estimated impact on profits and net assets arising from a change in a single variable before taking into account the effects of taxation.

The impact of any impairments of financial assets has been ignored for the purpose of illustrating the sensitivity of profit before tax and net assets before the effects of taxation to changes in interest rates and equity prices on the grounds that default events reflect the characteristics of individual issuers. As the Group's accounting policies lock in interest rate assumptions on policy inception and the Group's assumptions incorporate a provision for adverse deviations, the level of movement illustrated in this sensitivity analysis does not result in loss recognition and so there is not any corresponding effect on liabilities.

US\$m	31 May 2016 (Unaudited)		30 November 2015	
	Impact on profit before tax	Impact on net assets (before the effects of taxation)	Impact on profit before tax	Impact on net assets (before the effects of taxation)
<b>Equity price risk</b>				
10 per cent increase in equity prices	886	886	792	792
10 per cent decrease in equity prices	(886)	(886)	(792)	(792)
<b>Interest rate risk</b>				
+ 50 basis points shift in yield curves	(131)	(4,683)	(127)	(4,115)
- 50 basis points shift in yield curves	131	4,683	127	4,115

#### FOREIGN EXCHANGE RATE RISK

The Group's foreign exchange rate risk arises mainly from the Group's operations in multiple geographical markets in the Asia-Pacific region and the translation of multiple currencies to US dollars for financial reporting purposes. The balance sheet values of our operating units and subsidiaries are not hedged to the Group's reporting currency, the US dollar.

However, assets, liabilities and all regulatory and stress capital in each business unit are generally currency matched with the exception of holdings of equities denominated in currencies other than the functional currency, or any expected capital movements due within one year which may be hedged. Bonds denominated in currencies other than the functional currency are commonly hedged with cross-currency swaps or foreign exchange forward contracts.

## 22. Risk management (continued)

### FOREIGN EXCHANGE RATE RISK (continued)

#### Foreign exchange rate net exposure

US\$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	Korean Won
<b>31 May 2016 – Unaudited</b>							
Equity analysed by original currency	20,574	2,176	3,240	(2,748)	1,993	3,835	2,188
Net notional amounts of currency derivative positions	(7,292)	600	2,301	2,773	–	(33)	1,001
<b>Currency exposure</b>	<b>13,282</b>	<b>2,776</b>	<b>5,541</b>	<b>25</b>	<b>1,993</b>	<b>3,802</b>	<b>3,189</b>
<b>5% strengthening of original currency</b>							
Impact on profit before tax	152	3	6	34	3	18	35
Impact on other comprehensive income	(176)	107	271	(33)	97	172	124
<b>Impact on total equity</b>	<b>(24)</b>	<b>110</b>	<b>277</b>	<b>1</b>	<b>100</b>	<b>190</b>	<b>159</b>
<b>5% strengthening of the US dollar</b>							
Impact on profit before tax	152	26	(5)	(18)	(2)	(14)	(25)
Impact on other comprehensive income	(176)	(136)	(272)	17	(98)	(176)	(134)
<b>Impact on total equity</b>	<b>(24)</b>	<b>(110)</b>	<b>(277)</b>	<b>(1)</b>	<b>(100)</b>	<b>(190)</b>	<b>(159)</b>
US\$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	Korean Won
<b>30 November 2015 – as adjusted</b>							
Equity analysed by original currency	18,958	2,070	2,281	(2,789)	1,913	3,539	1,876
Net notional amounts of currency derivative positions	(6,617)	601	1,818	2,698	(177)	(21)	986
<b>Currency exposure</b>	<b>12,341</b>	<b>2,671</b>	<b>4,099</b>	<b>(91)</b>	<b>1,736</b>	<b>3,518</b>	<b>2,862</b>
<b>5% strengthening of original currency</b>							
Impact on profit before tax	134	10	5	25	(7)	21	30
Impact on other comprehensive income	(157)	98	200	(30)	94	155	113
<b>Impact on total equity</b>	<b>(23)</b>	<b>108</b>	<b>205</b>	<b>(5)</b>	<b>87</b>	<b>176</b>	<b>143</b>
<b>5% strengthening of the US dollar</b>							
Impact on profit before tax	134	24	(4)	(10)	9	(15)	(21)
Impact on other comprehensive income	(157)	(132)	(201)	15	(96)	(161)	(122)
<b>Impact on total equity</b>	<b>(23)</b>	<b>(108)</b>	<b>(205)</b>	<b>5</b>	<b>(87)</b>	<b>(176)</b>	<b>(143)</b>

## 22. Risk management (continued)

### LIQUIDITY RISK

AIA identifies liquidity risk as occurring in two ways, financial liquidity risk and investment liquidity risk. Financial liquidity risk is the risk that insufficient cash is available to meet payment obligations to counter-parties as they fall due. One area of particular focus in the management of financial liquidity is collateral. AIA manages this exposure by determining limits for its activities in the derivatives and repurchase agreement markets based on the collateral available within the relevant fund or subsidiary to withstand extreme market events. More broadly AIA supports its liquidity through committed bank facilities, use of the bond repurchase markets and maintaining access to debt markets via the Group's Global Medium Term Note programme.

Investment liquidity risk occurs in relation to the Group's ability to buy and sell investments. This is a function of the size of the Group's holdings relative to the availability of counter-parties willing to buy or sell these holdings at any given time. In times of stress, market losses will generally be compounded by forced sellers seeking unwilling buyers.

While life insurance companies are characterised by a relatively low need for liquidity to cover those of their liabilities which are directly linked to mortality and morbidity, this risk is nevertheless carefully managed by continuously assessing the relative liquidity of the Group's assets and managing the size of individual holdings through limits.

US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
<b>31 May 2016 – Unaudited</b>						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	6,862	665	1,230	433	2,156	2,378
Other receivables	1,535	1,440	56	2	1	36
Debt securities	107,989	3,646	16,030	28,893	59,420	-
Equity securities	13,472	-	-	-	-	13,472
Reinsurance receivables	288	288	-	-	-	-
Accrued investment income	1,373	1,365	-	-	-	8
Cash and cash equivalents	1,242	1,242	-	-	-	-
Derivative financial instruments	87	46	19	9	13	-
Subtotal	132,848	8,692	17,335	29,337	61,590	15,894
Financial assets (Unit-linked contract and consolidated investment funds)						
	20,343	-	-	-	-	20,343
<b>Total</b>	<b>153,191</b>	<b>8,692</b>	<b>17,335</b>	<b>29,337</b>	<b>61,590</b>	<b>36,237</b>

## 22. Risk management (continued)

### LIQUIDITY RISK (continued)

US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	91,148	2,642	9,680	10,567	68,259	-
Borrowings	3,610	153	996 <sup>(1)</sup>	1,241	1,220	-
Obligations under repurchase agreements	2,554	2,554	-	-	-	-
Other liabilities	3,301	2,391	29	1	12	868
Derivative financial instruments	619	51	216	344	8	-
Subtotal	101,232	7,791	10,921	12,153	69,499	868
Financial and insurance contract liabilities (Unit-linked contract and consolidated investment funds)	20,335	-	-	-	-	20,335
<b>Total</b>	<b>121,567</b>	<b>7,791</b>	<b>10,921</b>	<b>12,153</b>	<b>69,499</b>	<b>21,203</b>

Note:

(1) Includes amounts of US\$498m falling due after 2 years through 5 years.



## 22. Risk management (continued)

### LIQUIDITY RISK (continued)

US\$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
<b>30 November 2015 – Unaudited and as adjusted</b>						
Financial assets (Policyholders and shareholder investments)						
Loans and deposits	7,000	784	1,344	445	2,112	2,315
Other receivables	1,613	1,511	48	2	1	51
Debt securities	100,458	3,369	14,869	27,174	55,046	–
Equity securities	12,211	–	–	–	–	12,211
Reinsurance receivables	257	257	–	–	–	–
Accrued investment income	1,309	1,300	1	–	–	8
Cash and cash equivalents	1,542	1,542	–	–	–	–
Derivative financial instruments	70	41	22	6	1	–
Subtotal	124,460	8,804	16,284	27,627	57,160	14,585
Financial assets (Unit-linked contract and consolidated investment funds)	19,863	–	–	–	–	19,863
<b>Total</b>	<b>144,323</b>	<b>8,804</b>	<b>16,284</b>	<b>27,627</b>	<b>57,160</b>	<b>34,448</b>
Financial and insurance contract liabilities (Policyholders and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)						
Borrowings	85,996	2,643	9,439	10,432	63,482	–
Obligations under repurchase agreements	3,195	150	1,318 <sup>(2)</sup>	1,240	487	–
Other liabilities	3,085	3,085	–	–	–	–
Derivative financial instruments	3,320	2,399	32	2	21	866
Subtotal	96,291	8,305	11,048	12,072	64,000	866
Financial and insurance contracts liabilities (Unit-linked contract and consolidated investment funds)	19,849	–	–	–	–	19,849
<b>Total</b>	<b>116,140</b>	<b>8,305</b>	<b>11,048</b>	<b>12,072</b>	<b>64,000</b>	<b>20,715</b>

Notes:

(1) The presentation of the above table has been adjusted to conform to current period presentation.

(2) Includes amounts of US\$995m falling due after 2 years through 5 years.

## 23. Share-based compensation

### SHARE-BASED COMPENSATION PLANS

During the six months ended 31 May 2016, the Group made further awards of share options, restricted share units (RSUs) and restricted stock purchase units to certain directors, officers and employees of the Group under the Share Option Scheme (SO Scheme), the Restricted Share Unit Scheme (RSU Scheme) and the Employee Share Purchase Plan (ESPP). In addition, the Group made further awards of restricted stock subscription units to eligible agents under the Agency Share Purchase Plan (ASPP).

### VALUATION METHODOLOGY

The Group utilises a binomial lattice model to calculate the fair value of the share option awards, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, ESPP and ASPP awards, taking into account the terms and conditions upon which the awards were made. The price volatility is estimated on the basis of implied volatility of the Company's shares which is based on an analysis of historical data since they are traded in the Hong Kong Stock Exchange. The expected life of the share options is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees. The estimate of market condition for performance-based RSUs is based on one-year historical data preceding the grant date. An allowance for forfeiture prior to vesting is not included in the valuation of the awards.

The fair value calculated for share options is inherently subjective due to the assumptions made and the limitations of the model utilised.

	Share option awards	
	Six months ended 31 May 2016 (Unaudited)	Year ended 30 November 2015
<b>Assumptions</b>		
Risk-free interest rate	1.25%	1.61%
Volatility	20%	20%
Dividend yield	1.8%	1.2%
Exercise price (HK\$)	41.90	47.73
Share option life (in years)	10	10
Expected life (in years)	8.03	7.94
Weighted average fair value per option/unit at measurement date (HK\$)	7.74	10.15

The weighted average share price for share option valuation for awards made during the six months ended 31 May 2016 is HK\$41.60 (30 November 2015: HK\$47.15). The total fair value of share options awarded during the six months ended 31 May 2016 is US\$10m (six months ended 31 May 2015: US\$8m).

### RECOGNISED COMPENSATION COST

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards made under the RSU Scheme, SO Scheme, ESPP and ASPP by the Group for the six months ended 31 May 2016 is US\$42m (six months ended 31 May 2015: US\$39m).

## 24. Remuneration of key management personnel

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

US\$	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited)
<b>Key management compensation and other expenses</b>		
Salaries and other short-term employee benefits	10,239,843	9,167,520
Post-employment benefits – defined contribution	275,266	221,647
Share-based payments	10,311,046	11,308,404
<b>Total</b>	<b>20,826,155</b>	<b>20,697,571</b>

The emoluments of the key management personnel are within the following bands:

US\$	<b>Six months ended 31 May 2016 (Unaudited)</b>	Six months ended 31 May 2015 (Unaudited)
Below 1,000,000	2	2
1,000,001 to 2,000,000	8	5
2,000,001 to 3,000,000	1	2
6,000,001 to 7,000,000	1	1

## 25. Commitments and contingencies

### COMMITMENTS UNDER OPERATING LEASES

Total future aggregate minimum lease payments under non-cancellable operating leases are as follows:

US\$m	<b>As at 31 May 2016 (Unaudited)</b>	As at 30 November 2015
<b>Properties and others expiring</b>		
Not later than one year	102	97
Later than one and not later than five years	137	121
Later than five years	51	42
<b>Total</b>	<b>290</b>	<b>260</b>

The Group is the lessee in respect of a number of properties and items of office equipment held under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually reviewed at the end of the lease term to reflect market rates. None of the leases include contingent rentals.

## 25. Commitments and contingencies (continued)

### INVESTMENT AND CAPITAL COMMITMENTS

US\$m	As at 31 May 2016 (Unaudited)	As at 30 November 2015
Not later than one year	563	523
Later than one and not later than five years	3	3
<b>Total</b>	<b>566</b>	<b>526</b>

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

### CONTINGENCIES

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

The Group is exposed to legal proceedings, complaints and other actions from its activities including those arising from commercial activities, sales practices, suitability of products, policies and claims. The Group believes that these matters are adequately provided for in these financial statements.

The Group is the reinsurer in a residential mortgage credit reinsurance agreement covering residential mortgages in Australia. The Group is exposed to the risk of losses in the event of the failure of the retrocessionaire, a subsidiary of American International Group, Inc., to honour its outstanding obligations which is mitigated by a trust agreement. The principal balance outstanding of mortgage loans to which the reinsurance agreement relates were approximately US\$623m at 31 May 2016 (30 November 2015: US\$684m). The liabilities and related reinsurance assets, which totalled US\$3m (30 November 2015: US\$4m), respectively, arising from these agreements are reflected and presented on a gross basis in these financial statements in accordance with the Group's accounting policies. The Group expects to fully recover amounts outstanding at the reporting date under the terms of this agreement from the retrocessionaire.

## 26. Change in composition of the Group

On 25 April 2016, the Group acquired 23 per cent of the share capital of Tata AIA Life Insurance Company Limited that increased its shareholding from 26 per cent as at 30 November 2015 to 49 per cent as at 31 May 2016.

## 27. Events after the reporting period

On 28 July 2016, the Board of Directors declared an interim dividend of 21.90 Hong Kong cents per share (six months ended 31 May 2015: 18.72 Hong Kong cents per share).

## 28. Effect of adoption of revised accounting policies

With effect from 1 December 2015, the Group revised its accounting policies as follows:

- Property held for own use is carried at fair value at last valuation date less accumulated depreciation. Previously, property held for own use was carried at historical cost less accumulated depreciation. When an asset is adjusted for the latest fair value, any accumulated depreciation at the date of valuation is eliminated against the gross carrying amount of the asset. The movement of fair values is generally recognised in other comprehensive income. When such properties are sold, the amounts accumulated in other comprehensive income are transferred to retained earnings. The revised accounting policy is applied prospectively from the date of adoption, resulting in increase of US\$450m and US\$259m in total assets and total equity, respectively, as of 1 December 2015.

Property held for own use is valued by independent professional valuation firm at least annually to ensure that fair value of the revalued asset does not differ materially from its carrying value. Changes in fair values are recognised in other comprehensive income and reported in the consolidated statement of financial position as property revaluation reserve.

In conjunction with the revised real estate accounting policies, depreciation expense for property held for own use is presented as 'other expenses' for IFRS reporting and this presentation change will be applied retrospectively. Operating leasehold land relating to property held for own use will continue to be carried at cost less accumulated amortisation and impairment losses (if any) and be reported as part of 'other assets' on the consolidated statement of financial position.

- Investment property, including land and buildings, is initially recognised at cost with changes in fair values in subsequent periods recognised in the consolidated income statement. Operating leasehold land relating to investment properties is reclassified from 'other assets' to 'investment properties' accordingly on the consolidated statement of financial position. The revised accounting policy has been applied retrospectively.

The Group believes measuring property held for own use and investment property in accordance with the revised accounting policies (based on guidance in IAS 16, Property, Plant and Equipment, and IAS 40, Investment Property, respectively) provide reliable and more relevant information to the users of the financial statements than that measured based on cost model under the previous accounting policy.

## 28. Effect of adoption of revised accounting policies (continued)

The tables below show the quantitative effect of the adoption of these revised accounting policies on the consolidated financial statements. The quantitative effect of the adoption of these revised accounting policies in other financial periods is provided in note 48 of 2015 annual financial statements.

### (a) Consolidated Income Statement

US\$m	Six months ended 31 May 2015 (Unaudited and as previously reported)	Reclassifications	Retrospective adjustments for IAS 40	Six months ended 31 May 2015 (Unaudited and as adjusted)
<b>Revenue</b>				
<i>Turnover</i>				
Premiums and fee income	9,361	–	–	9,361
Premiums ceded to reinsurers	(585)	–	–	(585)
Net premiums and fee income	8,776	–	–	8,776
Investment return	5,051	–	19	5,070
Other operating revenue	101	–	–	101
<b>Total revenue</b>	<b>13,928</b>	<b>–</b>	<b>19</b>	<b>13,947</b>
<b>Expenses</b>				
Insurance and investment contract benefits	9,486	–	1	9,487
Insurance and investment contract benefits ceded	(477)	–	–	(477)
<b>Net insurance and investment contract benefits</b>	<b>9,009</b>	<b>–</b>	<b>1</b>	<b>9,010</b>
Commission and other acquisition expenses	1,168	–	–	1,168
Operating expenses	801	(10)	–	791
Finance costs	80	–	–	80
Other expenses	212	10	(13)	209
<b>Total expenses</b>	<b>11,270</b>	<b>–</b>	<b>(12)</b>	<b>11,258</b>
<b>Profit before share of profit from associates and joint venture</b>	<b>2,658</b>	<b>–</b>	<b>31</b>	<b>2,689</b>
Share of profit from associates and joint venture	–	–	–	–
<b>Profit before tax</b>	<b>2,658</b>	<b>–</b>	<b>31</b>	<b>2,689</b>
Income tax expense attributable to policyholders' returns	(60)	–	–	(60)
<b>Profit before tax attributable to shareholders' profits</b>	<b>2,598</b>	<b>–</b>	<b>31</b>	<b>2,629</b>
Tax expense	(465)	–	(6)	(471)
Tax attributable to policyholders' returns	60	–	–	60
Tax expense attributable to shareholders' profits	(405)	–	(6)	(411)
<b>Net profit</b>	<b>2,193</b>	<b>–</b>	<b>25</b>	<b>2,218</b>
<i>Net profit attributable to:</i>				
<b>Shareholders of AIA Group Limited</b>	<b>2,180</b>	<b>–</b>	<b>24</b>	<b>2,204</b>
Non-controlling interests	13	–	1	14
<b>Earnings per share (US\$)</b>				
Basic	0.18	–	–	0.18
Diluted	0.18	–	–	0.18

## 28. Effect of adoption of revised accounting policies (continued)

### (b) Consolidated Statement of Financial Position

US\$m	As at 1 December 2014 (As previously reported)	Reclassifications	Retrospective adjustments for IAS 40	As at 1 December 2014 (As adjusted)
<b>Assets</b>				
Intangible assets	2,152	-	-	2,152
Investments in associates and joint venture	131	-	-	131
Property, plant and equipment	541	-	57	598
Investment property	1,384	264	1,991	3,639
Reinsurance assets	1,657	-	-	1,657
Deferred acquisition and origination costs	16,593	-	-	16,593
<b>Financial investments:</b>				
Loans and deposits	7,654	-	-	7,654
Available for sale				
Debt securities	77,744	-	-	77,744
At fair value through profit or loss				
Debt securities	24,319	-	-	24,319
Equity securities	28,827	-	-	28,827
Derivative financial instruments	265	-	-	265
	138,809	-	-	138,809
Deferred tax assets	10	-	-	10
Current tax recoverable	54	-	-	54
Other assets	3,753	(264)	22	3,511
Cash and cash equivalents	1,835	-	-	1,835
<b>Total assets</b>	166,919	-	2,070	168,989
<b>Liabilities</b>				
Insurance contract liabilities	113,097	-	105	113,202
Investment contract liabilities	7,937	-	-	7,937
Borrowings	2,934	-	-	2,934
Obligations under securities lending and repurchase agreements	3,753	-	-	3,753
Derivative financial instruments	211	-	-	211
Provisions	213	-	-	213
Deferred tax liabilities	3,079	-	143	3,222
Current tax liabilities	198	-	-	198
Other liabilities	4,542	-	-	4,542
<b>Total liabilities</b>	135,964	-	248	136,212
<b>Equity</b>				
Share capital	13,962	-	-	13,962
Employee share-based trusts	(286)	-	-	(286)
Other reserves	(11,994)	-	-	(11,994)
Retained earnings	22,831	-	1,512	24,343
Fair value reserve	6,076	-	-	6,076
Foreign currency translation reserve	227	-	7	234
Property revaluation reserve	-	-	142	142
Others	(10)	-	-	(10)
Amounts reflected in other comprehensive income	6,293	-	149	6,442
<i>Total equity attributable to:</i>				
<b>Shareholders of AIA Group Limited</b>	30,806	-	1,661	32,467
Non-controlling interests	149	-	161	310
<b>Total equity</b>	30,955	-	1,822	32,777
<b>Total liabilities and equity</b>	166,919	-	2,070	168,989

## 28. Effect of adoption of revised accounting policies (continued)

### (b) Consolidated Statement of Financial Position (continued)

US\$m	As at 30 November 2015 (As previously reported)	Reclassifications	Retrospective adjustments for IAS 40	As at 30 November 2015 (As adjusted)
<b>Assets</b>				
Intangible assets	1,834	-	-	1,834
Investments in associates and joint venture	137	-	-	137
Property, plant and equipment	500	-	79	579
Investment property	1,386	244	2,029	3,659
Reinsurance assets	1,652	-	-	1,652
Deferred acquisition and origination costs	17,092	-	-	17,092
<b>Financial investments:</b>				
Loans and deposits	7,211	-	-	7,211
Available for sale				
Debt securities	80,940	-	-	80,940
At fair value through profit or loss				
Debt securities	23,700	-	-	23,700
Equity securities	27,159	-	-	27,159
Derivative financial instruments	73	-	-	73
	139,083	-	-	139,083
Deferred tax assets	9	-	-	9
Current tax recoverable	45	-	-	45
Other assets	3,892	(244)	28	3,676
Cash and cash equivalents	1,992	-	-	1,992
<b>Total assets</b>	<b>167,622</b>	<b>-</b>	<b>2,136</b>	<b>169,758</b>
<b>Liabilities</b>				
Insurance contract liabilities	115,870	-	99	115,969
Investment contract liabilities	7,116	-	-	7,116
Borrowings	3,195	-	-	3,195
Obligations under securities lending and repurchase agreements	3,085	-	-	3,085
Derivative financial instruments	695	-	-	695
Provisions	245	-	-	245
Deferred tax liabilities	2,954	-	155	3,109
Current tax liabilities	265	-	-	265
Other liabilities	4,657	-	-	4,657
<b>Total liabilities</b>	<b>138,082</b>	<b>-</b>	<b>254</b>	<b>138,336</b>
<b>Equity</b>				
Share capital	13,971	-	-	13,971
Employee share-based trusts	(321)	-	-	(321)
Other reserves	(11,978)	-	-	(11,978)
Retained earnings	24,708	-	1,586	26,294
Fair value reserve	4,414	-	-	4,414
Foreign currency translation reserve	(1,381)	-	(8)	(1,389)
Property revaluation reserve	-	-	140	140
Others	(12)	-	-	(12)
Amounts reflected in other comprehensive income	3,021	-	132	3,153
<i>Total equity attributable to:</i>				
Shareholders of AIA Group Limited	29,401	-	1,718	31,119
Non-controlling interests	139	-	164	303
<b>Total equity</b>	<b>29,540</b>	<b>-</b>	<b>1,882</b>	<b>31,422</b>
<b>Total liabilities and equity</b>	<b>167,622</b>	<b>-</b>	<b>2,136</b>	<b>169,758</b>



## 29. Operating profit based upon long-term investment returns

Effective from 1 December 2015, the Group has revised its definition of operating profit to include the expected long-term investment returns for equities and real estate. The revised definition is as follows:

The long-term nature of much of the Group's operations means that, for management's decision-making and internal performance management purposes, the Group evaluates its results and its operating segments using a financial performance measure referred to as "operating profit". Operating profit includes the expected long-term investment returns for investments in equities and real estate based on the same assumptions used by the Group in the Supplementary Embedded Value Information.

The Group defines operating profit after tax as net profit excluding the following non-operating items:

- short-term fluctuations between expected and actual investment returns related to equities and real estate;
- other investment return (including short-term fluctuations due to market factors); and
- other significant items that management considers to be non-operating income and expenses.

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

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

The table below sets out the impacts of including the expected long-term investment returns in operating profit.

## 29. Operating profit based upon long-term investment returns (continued)

The impacts of the adoption of revised definition of operating profit in other financial periods are provided in note 49 of 2015 annual financial statements.

US\$m	Six months ended 31 May 2015 (Unaudited and as previously reported)	Impact of change in preparation basis	Six months ended 31 May 2015 (Unaudited and as adjusted)
<b>Operating profit before tax</b>	1,980	211	2,191
Tax on operating profit before tax	(340)	(39)	(379)
<b>Operating profit after tax</b>	<u>1,640</u>	<u>172</u>	<u>1,812</u>
<i>Operating profit after tax attributable to:</i>			
<b>Shareholders of AIA Group Limited</b>	1,630	168	1,798
Non-controlling interests	10	4	14
<b>Operating profit after tax per share (US\$)</b>			
Basic	0.14	0.01	0.15
Diluted	0.14	0.01	0.15

## **SUPPLEMENTARY EMBEDDED VALUE INFORMATION**

### **Willis Towers Watson Report on the Review of the Supplementary Embedded Value Information**

AIA Group Limited (the “Company”) and its subsidiaries (together, “AIA” or the “Group”) have prepared supplementary embedded value results (EV Results) for the interim period ended 31 May 2016 (the Period). These EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Supplementary Embedded Value Information section of this report.

Towers Watson Hong Kong Limited (trading as Willis Towers Watson), has been engaged to review the Group’s EV Results and prior year comparisons. The opinion set out below is made solely to the Company and, to the fullest extent permitted by applicable law, Willis Towers Watson does not accept nor assume any responsibility, duty of care or liability to any third party for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion.

### **Scope of Work**

Our scope of work covered:

- A review of the methodology used to calculate the embedded value and the equity attributable to shareholders of the Company on the embedded value basis as at 31 May 2016, and the value of new business for the six-month period ended 31 May 2016;
- A review of the economic and operating assumptions used to calculate the embedded value as at 31 May 2016 and the value of new business for the six-month period ended 31 May 2016; and
- A review of the results of AIA’s calculation of the EV Results.

In carrying out our review, we have relied on data and information provided by the Group.

### **Opinion**

We have concluded that:

- The methodology used to calculate the embedded value and value of new business is consistent with recent industry practice for publicly listed companies in Hong Kong as regards traditional embedded value calculations based on discounted values of projected deterministic after-tax cash flows. This methodology makes an overall allowance for risk for the Group through the use of risk discount rates which incorporate risk margins and vary by Business Unit, together with an explicit allowance for the cost of holding required capital;
- The economic assumptions are internally consistent and have been set with regard to current economic conditions; and
- The operating assumptions have been set with appropriate regard to past, current and expected future experience, taking into account the nature of the business conducted by each Business Unit.

We have performed a number of high-level checks on the models, processes and the results of the calculations, and have confirmed that no issues have been discovered that have a material impact on the disclosed embedded value and the equity attributable to shareholders of the Company on the embedded value basis as at 31 May 2016, the value of new business for the six-month period ended 31 May 2016, the analysis of movement in embedded value for the six-month period ended 31 May 2016, and the sensitivity analysis.

**Willis Towers Watson**  
28 July 2016

## **Cautionary statements concerning Supplementary Embedded Value Information**

This report includes non-IFRS financial measures and should not be viewed as a substitute for IFRS financial measures.

The results shown in this report are not intended to represent an opinion of market value and should not be interpreted in that manner. This report does not purport to encompass all of the many factors that may bear upon a market value.

The results shown in this report are based on a series of assumptions as to the future. It should be recognised that actual future results may differ from those shown, on account of changes in the operating and economic environments and natural variations in experience. The results shown are presented at the valuation dates stated in this report and no warranty is given by the Group that future experience after these valuation dates will be in line with the assumptions made.

## 1. Highlights

The embedded value (EV) is a measure of the value of shareholders' interests in the earnings distributable from assets allocated to the in-force business after allowance for the aggregate risks in that business. The Group uses a traditional deterministic discounted cash flow methodology for determining its EV and value of new business (VONB). This methodology makes implicit allowance for all sources of risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and for the economic cost of capital, through the use of a risk-adjusted discount rate. The equity attributable to shareholders of the Company on the embedded value basis (EV Equity) is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company. More details of the EV Results, methodology and assumptions are covered in later sections of this report.

### Summary of Key Metrics<sup>(1)</sup> (US\$ millions)

	<b>As at 31 May 2016</b>	As at 30 November 2015	Growth CER	Growth AER
Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	<b>41,657</b>	39,818	4%	5%
Embedded value (EV)	<b>40,069</b>	38,198	5%	5%
Adjusted net worth (ANW)	<b>15,689</b>	15,189	3%	3%
Value of in-force business (VIF)	<b>24,380</b>	23,009	6%	6%
	<b>Six months ended 31 May 2016</b>	Six months ended 31 May 2015	YoY CER	YoY AER
Value of new business (VONB) <sup>(2)</sup>	<b>1,260</b>	959	37%	31%
Annualised new premiums (ANP) <sup>(2), (3)</sup>	<b>2,355</b>	1,878	31%	25%
VONB margin <sup>(2)</sup>	<b>52.7%</b>	50.2%	2.4 pps	2.5 pps

Notes:

- (1) The results are after adjustments to reflect additional Hong Kong reserving and capital requirements and the after-tax value of unallocated Group Office expenses.
- (2) VONB includes pension business. ANP and VONB margin exclude pension business.
- (3) ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded.

## 2. EV Results

### 2.1 EMBEDDED VALUE BY BUSINESS UNIT

The EV as at 31 May 2016 is presented consistently with the segment information in the IFRS financial statements.

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

Business Unit	As at 31 May 2016				EV	As at
	ANW <sup>(1)</sup>	VIF before CoC <sup>(2)</sup>	CoC <sup>(2)</sup>	VIF after CoC <sup>(2)</sup>		30 November 2015
						EV
AIA Hong Kong	5,541	8,804	855	7,949	<b>13,490</b>	12,655
AIA Thailand	3,915	3,435	637	2,798	<b>6,713</b>	6,660
AIA Singapore	2,235	3,354	669	2,685	<b>4,920</b>	4,489
AIA Malaysia	1,039	1,316	202	1,114	<b>2,153</b>	2,129
AIA China	2,412	3,221	281	2,940	<b>5,352</b>	5,041
AIA Korea	1,738	707	617	90	<b>1,828</b>	1,672
Other Markets	3,041	1,785	367	1,418	<b>4,459</b>	4,130
Group Corporate Centre	6,473	(166)	–	(166)	<b>6,307</b>	5,971
<b>Subtotal</b>	<b>26,394</b>	<b>22,456</b>	<b>3,628</b>	<b>18,828</b>	<b>45,222</b>	<b>42,747</b>
Adjustment to reflect additional Hong Kong reserving and capital requirements <sup>(3)</sup>	(10,705)	6,236	(143)	6,379	<b>(4,326)</b>	(3,805)
After-tax value of unallocated Group Office expenses	–	(827)	–	(827)	<b>(827)</b>	(744)
<b>Total</b>	<b>15,689</b>	<b>27,865</b>	<b>3,485</b>	<b>24,380</b>	<b>40,069</b>	<b>38,198</b>

#### Notes:

- (1) ANW by Business Unit is after net capital flows between Business Units and Group Corporate Centre as reported in the IFRS financial statements.
- (2) CoC refers to the cost arising from holding the required capital as described in Section 4.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2015.
- (3) Adjustment to EV for the branches of AIA Co. and AIA International, as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's Annual Report 2015.

## 2. EV Results (continued)

### 2.2 RECONCILIATION OF ANW TO IFRS EQUITY

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

	As at 31 May 2016	As at 30 November 2015 <sup>(1)</sup>
<b>IFRS equity attributable to shareholders of the Company</b>	<b>35,541</b>	31,119
Elimination of IFRS deferred acquisition and origination costs assets	<b>(17,825)</b>	(17,092)
Difference between IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	<b>8,566</b>	10,201
Difference between net IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	<b>(9,259)</b>	(6,891)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds	<b>329</b>	545
Elimination of intangible assets	<b>(1,800)</b>	(1,834)
Recognition of deferred tax impacts of the above adjustments	<b>1,536</b>	1,404
Recognition of non-controlling interests impacts of the above adjustments	<b>47</b>	52
<b>Group ANW (local statutory basis)</b>	<b>26,394</b>	24,395
Adjustment to reflect additional Hong Kong reserving requirements, net of tax	<b>(10,705)</b>	(9,206)
<b>Group ANW (after additional Hong Kong reserving requirements)</b>	<b>15,689</b>	15,189

Note:

- (1) Amounts have been adjusted to reflect changes in accounting policies under IFRS in the Group's financial statements.

## 2. EV Results (continued)

### 2.3 BREAKDOWN OF ANW

The breakdown of the ANW for the Group between the required capital, as defined in Section 4.1 of this report, and the free surplus, which is the ANW in excess of the required capital, is set out below:

#### Free surplus and required capital for the Group (US\$ millions)

	As at 31 May 2016		As at 30 November 2015	
	Local statutory basis <sup>(1)</sup>	Hong Kong basis <sup>(1), (2), (3)</sup>	Local statutory basis	Hong Kong basis <sup>(2)</sup>
Free surplus	18,846	8,249	17,557	7,528
Required capital	7,548	7,440	6,838	7,661
<b>ANW</b>	<b>26,394</b>	<b>15,689</b>	<b>24,395</b>	<b>15,189</b>

#### Notes:

- (1) For consistency with the EV and VONB calculations as described in Section 4.1, these numbers were calculated without allowing for the implementation of the China Risk Oriented Solvency System (C-ROSS). Hong Kong reserving and capital requirements will continue to apply to AIA China hence there is no material impact to the Group's EV results.
- (2) Hong Kong basis for branches of AIA Co. and AIA International and local statutory basis for subsidiaries of AIA Co. and AIA International.
- (3) AIA has given a revised undertaking to the HKOCI to maintain an excess of assets over liabilities for branches other than Hong Kong at no less than 100% of the Hong Kong statutory minimum solvency margin requirement (previously 150%) in each of AIA Co. and AIA International. For clarity there is no change in the undertaking in respect of the Hong Kong business or the Hong Kong statutory minimum solvency margin requirement for AIA. This has been reflected in the calculation of the consolidated EV Results.

The Company's subsidiaries, AIA Co. and AIA International, are both subject to Hong Kong regulatory capital requirements. The business written in the branches of AIA Co. and AIA International is subject to both the local reserving and capital requirements in the relevant territory and the Hong Kong reserving and capital requirements applicable to AIA Co. and AIA International at the entity level. At 31 May 2016, the more onerous reserving and capital basis overall for both AIA Co. and AIA International was the Hong Kong basis.



## 2. EV Results (continued)

### 2.4 EARNINGS PROFILE

The table below shows how the after-tax distributable earnings from the assets backing the statutory reserves and required capital of the in-force business of the Group are projected to emerge over future years. The projected values reflect the Hong Kong reserving and capital requirements for the branches of AIA Co. and AIA International.

#### Profile of projected after-tax distributable earnings for the Group's in-force business (US\$ millions)

Financial year	As at 31 May 2016	
	Undiscounted	Discounted
2H16 – 2020	12,322	10,351
2021 – 2025	12,962	7,481
2026 – 2030	13,469	5,315
2031 – 2035	12,527	3,384
2036 and thereafter	71,227	5,289
<b>Total</b>	<b>122,507</b>	<b>31,820</b>

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US\$31,820 million (30 November 2015: US\$30,670 million) plus the free surplus of US\$8,249 million (30 November 2015: US\$7,528 million) shown in Section 2.3 of this report is equal to the EV of US\$40,069 million (30 November 2015: US\$38,198 million) shown in Section 2.1 of this report.

## 2. EV Results (continued)

### 2.5 VALUE OF NEW BUSINESS

The VONB for the Group for the six months ended 31 May 2016 is summarised in the table below. The VONB is defined as the present value, at the point of sale, of the projected after-tax statutory profits less the cost of required capital. Results are presented consistently with the segment information in the IFRS financial statements.

The Group VONB for the six months ended 31 May 2016 was US\$1,260 million, an increase of US\$301 million, or 31 per cent, from US\$959 million for the same period in 2015.

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

Business Unit	Six months ended 31 May 2016			Six months ended 31 May 2015
	VONB before CoC <sup>(1)</sup>	CoC <sup>(1)</sup>	VONB after CoC <sup>(1), (2)</sup>	VONB after CoC <sup>(1), (2)</sup>
AIA Hong Kong	662	125	<b>537</b>	335
AIA Thailand	197	22	<b>175</b>	183
AIA Singapore	170	18	<b>152</b>	142
AIA Malaysia	100	10	<b>90</b>	78
AIA China	308	30	<b>278</b>	187
AIA Korea	21	5	<b>16</b>	23
Other Markets	144	24	<b>120</b>	115
<b>Total before unallocated Group Office expenses (local statutory basis)</b>	<b>1,602</b>	<b>234</b>	<b>1,368</b>	<b>1,063</b>
Adjustment to reflect additional Hong Kong reserving and capital requirements <sup>(3)</sup>	<b>(48)</b>	<b>(13)</b>	<b>(35)</b>	<b>(48)</b>
<b>Total before unallocated Group Office expenses (after additional Hong Kong reserving and capital requirements)</b>	<b>1,554</b>	<b>221</b>	<b>1,333</b>	<b>1,015</b>
After-tax value of unallocated Group Office expenses	<b>(73)</b>	<b>–</b>	<b>(73)</b>	<b>(56)</b>
<b>Total</b>	<b>1,481</b>	<b>221</b>	<b>1,260</b>	<b>959</b>

Notes:

- (1) CoC refers to the cost arising from holding the required capital as described in Section 4.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2015.
- (2) VONB for the Group is calculated before deducting the amount attributable to non-controlling interests. The amounts of VONB attributable to non-controlling interests for the six months ended 31 May 2016 and 31 May 2015 were US\$9 million and US\$11 million respectively.
- (3) Adjustment to VONB for the branches of AIA Co. and AIA International, as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's Annual Report 2015.

## 2. EV Results (continued)

### 2.5 VALUE OF NEW BUSINESS (continued)

The table below shows the VONB margin for the Group. The VONB margin is defined as VONB, excluding pension business, expressed as a percentage of ANP. The VONB for pension business is excluded from the margin calculation to be consistent with the definition of ANP.

The Group VONB margin for the six months ended 31 May 2016 was 52.7 per cent compared with 50.2 per cent for the same period in 2015.

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

Business Unit	Six months ended 31 May 2016			Six months ended 31 May 2015
	VONB Excluding Pension	ANP <sup>(1)</sup>	VONB Margin <sup>(1)</sup>	VONB Margin <sup>(1)</sup>
AIA Hong Kong	522	988	52.9%	59.6%
AIA Thailand	175	216	80.9%	71.5%
AIA Singapore	152	214	71.1%	62.9%
AIA Malaysia	89	159	55.7%	55.4%
AIA China	278	321	86.8%	84.8%
AIA Korea	16	94	16.7%	17.5%
Other Markets	118	363	32.5%	31.2%
<b>Total before unallocated Group Office expenses (local statutory basis)</b>	<b>1,350</b>	<b>2,355</b>	<b>57.3%</b>	<b>55.8%</b>
Adjustment to reflect additional Hong Kong reserving and capital requirements <sup>(2)</sup>	(35)	–		
<b>Total before unallocated Group Office expenses (after additional Hong Kong reserving and capital requirements)</b>	<b>1,315</b>	<b>2,355</b>	<b>55.8%</b>	<b>53.2%</b>
After-tax value of unallocated Group Office expenses	(73)	–		
<b>Total</b>	<b>1,242</b>	<b>2,355</b>	<b>52.7%</b>	<b>50.2%</b>

Notes:

(1) ANP and VONB margin exclude pension business.

(2) Adjustment to VONB for the branches of AIA Co. and AIA International, as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's Annual Report 2015.

## 2. EV Results (continued)

### 2.5 VALUE OF NEW BUSINESS (continued)

The table below shows the breakdown of the VONB, ANP and VONB margin for the Group by quarter for business written in the six months ended 31 May 2016. For comparison purposes, the quarterly VONB, ANP and VONB margin for business written in the six months ended 31 May 2015 are also shown in the same table.

#### Summary of VONB, ANP and VONB Margin by quarter for the Group (US\$ millions)

Quarter	VONB after CoC <sup>(1), (2)</sup>	ANP <sup>(2)</sup>	VONB Margin <sup>(2)</sup>
<b>Values for 2016</b>			
3 months ended 29 February 2016	578	1,103	51.6%
3 months ended 31 May 2016	682	1,252	53.7%
<b>Values for 2015</b>			
3 months ended 28 February 2015	425	895	46.8%
3 months ended 31 May 2015	534	983	53.4%

Notes:

- (1) CoC refers to the cost arising from holding the required capital as described in Section 4.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2015.
- (2) VONB includes pension business. ANP and VONB margin exclude pension business.

## 2. EV Results (continued)

### 2.6 ANALYSIS OF EV MOVEMENT

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

	Six months ended 31 May 2016			Six months ended 31 May 2015	YoY
	ANW	VIF	EV	EV	EV
<b>Opening EV</b>	15,189	23,009	<b>38,198</b>	37,153	3%
Value of new business	(367)	1,627	<b>1,260</b>	959	31%
Expected return on EV	1,738	(345)	<b>1,393</b>	1,366	2%
Operating experience variances	335	(34)	<b>301</b>	189	59%
Operating assumption changes	(1)	(7)	<b>(8)</b>	(129)	n/m
Finance costs on medium term notes	(50)	–	<b>(50)</b>	(33)	52%
<b>EV operating profit</b>	1,655	1,241	<b>2,896</b>	2,352	23%
Investment return variances	(359)	(20)	<b>(379)</b>	277	n/m
Effect of changes in economic assumptions	–	–	<b>–</b>	–	n/m
Other non-operating variances	(86)	183	<b>97</b>	50	94%
<b>Total EV profit</b>	1,210	1,404	<b>2,614</b>	2,679	(2)%
Dividends	(786)	–	<b>(786)</b>	(525)	50%
Other capital movements	–	–	<b>–</b>	(42)	n/m
Effect of changes in exchange rates	76	(33)	<b>43</b>	(667)	n/m
<b>Closing EV</b>	<b>15,689</b>	<b>24,380</b>	<b>40,069</b>	<b>38,598</b>	<b>4%</b>

EV operating profit grew by 23 per cent to US\$2,896 million (2015: US\$2,352 million) compared with the first half of 2015. The growth reflected a combination of a higher VONB of US\$1,260 million (2015: US\$959 million) and a higher expected return on EV of US\$1,393 million (2015: US\$1,366 million). Overall operating experience variances and operating assumption changes were again positive at US\$293 million (2015: US\$60 million). Finance costs from the medium term notes were US\$50 million (2015: US\$33 million).

The VONB is calculated at the point of sale for business written during the Period before deducting the amount attributable to non-controlling interests. The expected return on EV is the expected change in the EV over the Period plus the expected return on the VONB from the point of sale to 31 May 2016 less the VONB attributable to non-controlling interests. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the Period and that expected based on the operating assumptions.

## 2. EV Results (continued)

### 2.6 ANALYSIS OF EV MOVEMENT (continued)

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

- Expense variances of US\$36 million (2015: US\$10 million) including non-recurring project expenses of US\$(4) million (2015: US\$(5) million);
- Mortality and morbidity claims variances of US\$110 million (2015: US\$87 million); and
- Persistency and other variances of US\$155 million (2015: US\$92 million) including the positive effect of a non-recurring reinsurance action.

The effect of changes to operating assumptions during the Period was US\$(8) million (2015: US\$(129) million).

The EV profit of US\$2,614 million (2015: US\$2,679 million) is the total of EV operating profit, investment return variances, the effect of changes in economic assumptions and other non-operating variances.

The investment return variances arise from the impact of differences between the actual investment returns in the Period and the expected investment returns. This amounted to US\$(379) million (2015: US\$277 million) from the effect of short-term capital market movements on the Group's investment portfolio and statutory reserves compared with the expected positions.

There were no changes in long-term economic assumptions used in the EV basis during the Period (2015: nil).

Other non-operating variances amounted to US\$97 million (2015: US\$50 million) which include an increase in the EV of US\$168 million mainly due to changes in regulatory capital requirements and taxation, comprising the revised undertaking to the HKOCI and the replacement of business tax with VAT in China, as described in section 5.4 of this report, and others including modelling adjustments.

The final dividend declared for 2015 was US\$786 million (2015: US\$525 million) and which was paid in the first half of 2016.

Foreign exchange movements were US\$43 million (2015: US\$(667) million).

## 2. EV Results (continued)

### 2.7 EV EQUITY

The EV Equity grew to US\$41,657 million at 31 May 2016, an increase of 5 per cent from US\$39,818 million as at 30 November 2015.

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

	<b>As at 31 May 2016</b>	As at 30 November 2015	Change
EV	<b>40,069</b>	38,198	5%
Goodwill and other intangible assets <sup>(1)</sup>	<b>1,588</b>	1,620	(2)%
<b>EV Equity</b>	<b><u>41,657</u></b>	<b><u>39,818</u></b>	<b><u>5%</u></b>

Note:

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

### 3. Sensitivity Analysis

The EV as at 31 May 2016 and the VONB for the six months ended 31 May 2016 have been recalculated to illustrate the sensitivity of the results to changes in certain central assumptions discussed in Section 5 of this report.

The sensitivities analysed were:

- Risk discount rates 200 basis points per annum higher than the central assumptions;
- Risk discount rates 200 basis points per annum lower than the central assumptions;
- Interest rates 50 basis points per annum higher than the central assumptions;
- Interest rates 50 basis points per annum lower than the central assumptions;
- The presentation currency (as explained below) appreciated by 5 per cent;
- The presentation currency depreciated by 5 per cent;
- Lapse and premium discontinuance rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Lapse and premium discontinuance rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Mortality/morbidity rates increased proportionally by 10 per cent (i.e. 110 per cent of the central assumptions);
- Mortality/morbidity rates decreased proportionally by 10 per cent (i.e. 90 per cent of the central assumptions);
- Maintenance expenses 10 per cent lower (i.e. 90 per cent of the central assumptions); and
- Expense inflation set to 0 per cent.

The EV as at 31 May 2016 has been further analysed for the following sensitivities:

- Equity prices increased proportionally by 10 per cent (i.e. 110 per cent of the prices at 31 May 2016); and
- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 31 May 2016).

For the interest rate sensitivities, the investment return assumptions and the risk discount rates were changed by 50 basis points per annum; the projected bonus rates on participating business, the statutory reserving bases at 31 May 2016 and the values of debt instruments held at 31 May 2016 were changed to be consistent with the interest rate assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

The EV Results of each entity are measured in the currency of the primary economic environment in which that entity operates (the functional currency) and presented in US dollars (the presentation currency). In order to provide sensitivity results for EV and VONB of the impact of foreign currency movements to the translation from functional currencies, a change of 5 per cent to the presentation currency is included. This sensitivity does not include the impact of currency movements on the translation of transactions denominated in a foreign currency of an entity into its functional currency (including any impacts on VIF).

For the equity price sensitivities, the projected bonus rates on participating business and the values of equity securities and equity funds held at 31 May 2016 were changed to be consistent with the equity price assumptions in the sensitivity analysis, while all the other assumptions were unchanged.



### 3. Sensitivity Analysis (continued)

For each of the remaining sensitivity analyses, the statutory reserving bases as at 31 May 2016 and the projected bonus rates on participating business were changed to be consistent with the sensitivity analysis assumptions, while all the other assumptions remain unchanged.

The sensitivities chosen do not represent the boundaries of possible outcomes, but instead illustrate how certain alternative assumptions would affect the results.

#### Sensitivity of EV as at 31 May 2016 (US\$ millions)

Scenario	EV
Central value	40,069
200 bps increase in risk discount rates	34,677
200 bps decrease in risk discount rates	48,136
10% increase in equity prices	40,943
10% decrease in equity prices	39,179
50 bps increase in interest rates	40,147
50 bps decrease in interest rates	39,951
5% appreciation in the presentation currency	39,039
5% depreciation in the presentation currency	41,099
10% increase in lapse/discontinuance rates	39,627
10% decrease in lapse/discontinuance rates	40,580
10% increase in mortality/morbidity rates	36,794
10% decrease in mortality/morbidity rates	43,273
10% decrease in maintenance expenses	40,590
Expense inflation set to 0%	40,569

#### Sensitivity of VONB for the six months ended 31 May 2016 (US\$ millions)

Scenario	VONB
Central value	1,260
200 bps increase in risk discount rates	914
200 bps decrease in risk discount rates	1,843
50 bps increase in interest rates	1,357
50 bps decrease in interest rates	1,144
5% appreciation in the presentation currency	1,220
5% depreciation in the presentation currency	1,300
10% increase in lapse rates	1,197
10% decrease in lapse rates	1,329
10% increase in mortality/morbidity rates	1,096
10% decrease in mortality/morbidity rates	1,420
10% decrease in maintenance expenses	1,296
Expense inflation set to 0%	1,286

## 4. Methodology

The methodology used by the Group for determining the EV results for the Period is materially unchanged from that described in Section 4 of the Supplementary Embedded Value Information in the Company's Annual Report 2015.

On 25 April 2016, the Group acquired 23 per cent of the share capital of Tata AIA Life Insurance Company Limited that increased its shareholding from 26 per cent as at 30 November 2015 to 49 per cent as at 31 May 2016.

### 4.1 REQUIRED CAPITAL

Each of the Business Units has a regulatory requirement to hold shareholder capital in addition to the assets backing the insurance liabilities. The Group's assumed levels of required capital for each Business Unit are set out in the table below. Further, the consolidated EV Results for the Group have been calculated reflecting the overall more onerous of the Hong Kong and branch level local regulatory reserving and capital requirements for AIA Co. and AIA International.

#### Required Capital by Business Unit

Business Unit	Required Capital
AIA Australia	100% of regulatory capital adequacy requirement
AIA China	100% of required minimum solvency margin <sup>(1)</sup>
AIA Hong Kong	150% of required minimum solvency margin <sup>(2)</sup>
AIA Indonesia	120% of regulatory Risk-Based Capital requirement
AIA Korea	150% of regulatory Risk-Based Capital requirement
AIA Malaysia	170% of regulatory Risk-Based Capital requirement
AIA New Zealand	100% of local regulatory requirement
Philam Life	100% of regulatory Risk-Based Capital requirement
AIA Singapore	180% of regulatory Risk-Based Capital requirement
AIA Sri Lanka	120% of regulatory Risk-Based Capital requirement <sup>(3)</sup>
AIA Taiwan	250% of regulatory Risk-Based Capital requirement
AIA Thailand	140% of regulatory Risk-Based Capital requirement
AIA Vietnam	100% of required minimum solvency margin

#### Notes:

- (1) C-ROSS has not been applied in EV and VONB calculations for AIA China. Hong Kong reserving and capital requirements will continue to apply to AIA China hence there is no material impact to the Group's EV and VONB results.
- (2) The required minimum solvency margin for AIA Hong Kong is unchanged under the revised undertaking to the HKOCI.
- (3) The Insurance Board of Sri Lanka has implemented the Risk-Based Capital requirement, effective 1 January 2016. The new requirements were applied from 1 December 2015 in EV and VONB calculations.

## **5. Assumptions**

### **5.1 INTRODUCTION**

This section summarises the assumptions used by the Group to determine the EV as at 31 May 2016 and the VONB for the six months ended 31 May 2016 and highlights certain differences in assumptions between the EV as at 30 November 2015 and the EV as at 31 May 2016.

Long-term economic assumptions used in the EV basis for the interim results remain unchanged from those shown in Section 5.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2015. This is consistent with the approach that has been followed since the IPO in 2010. Note that VONB results were calculated based on start-of-period economic assumptions consistent with measurement at the point of sale.

### **5.2 ECONOMIC ASSUMPTIONS**

#### **Investment returns**

The Group has set the assumed long-term future returns for fixed income assets to reflect its view of expected returns having regard to historical returns, estimates of long-term forward rates from yields available on government bonds and current bond yields. In determining returns on fixed income assets the Group allows for the risk of default, and this allowance varies by the credit rating of the underlying asset.

Where long-term views of investment return assumptions differ from current market yields on existing fixed income assets such that there would be a significant impact on value, an adjustment was made to make allowance for the current market yields. In these cases, in calculating the VIF, adjustments have been made to the investment return assumptions such that the investment returns on existing fixed income assets were set consistently with the current market yield on these assets for their full remaining term, to be consistent with the valuation of the assets backing the policy liabilities.

The Group has set the equity return assumptions by reference to the return on 10-year government bonds, allowing for an internal assessment of equity risk premia that vary by territory.

For each Business Unit, the non-linked portfolio is divided into a number of distinct product groups, and the returns for each of these product groups have been derived by considering current and future targeted asset allocations and associated investment returns for major asset classes.

For unit-linked business, fund growth assumptions have been determined based on actual asset mix within the funds at the valuation date and expected long-term returns for major asset classes.

#### **Risk discount rates**

The same risk discount rates were used for all the EV Results shown in Section 1 and Section 2 of this report. In particular, for the branches of AIA Co. and AIA International, the consolidated EV Results reflecting the Hong Kong reserving and capital requirements were calculated using the branch-specific risk discount rates shown in the table below. The present value of unallocated Group Office expenses was calculated using the AIA Hong Kong risk discount rate. The investment returns shown are gross of tax and investment expenses.

## 5. Assumptions (continued)

### 5.2 ECONOMIC ASSUMPTIONS (continued)

#### Risk discount rates (continued)

The table below summarises the current market 10-year government bond yields referenced in EV calculations and the risk discount rates assumed.

Business Unit	Current market 10-year government bond yields referenced in EV calculations (%)			Risk discount rates assumed in EV calculations (%)		
	As at	As at	As at	As at	As at	As at
	31 May 2016	30 Nov 2015	31 May 2015	31 May 2016	30 Nov 2015	31 May 2015
AIA Australia	<b>2.30</b>	2.86	2.73	<b>7.75</b>	7.75	7.75
AIA China	<b>2.97</b>	3.12	3.60	<b>9.75</b>	9.75	9.75
AIA Hong Kong <sup>(1)</sup>	<b>1.85</b>	2.21	2.12	<b>7.00</b>	7.00	7.00
AIA Indonesia	<b>7.87</b>	8.61	8.17	<b>13.50</b>	13.50	13.00
AIA Korea	<b>1.81</b>	2.25	2.31	<b>9.10</b>	9.10	9.50
AIA Malaysia	<b>3.93</b>	4.20	3.92	<b>8.75</b>	8.75	8.75
AIA New Zealand	<b>2.61</b>	3.54	3.63	<b>8.25</b>	8.25	8.25
Philam Life	<b>4.47</b>	4.07	4.35	<b>10.50</b>	10.50	10.50
AIA Singapore	<b>2.24</b>	2.51	2.42	<b>6.90</b>	6.90	6.75
AIA Sri Lanka	<b>13.62</b>	10.33	9.80	<b>15.70</b>	15.70	18.00
AIA Taiwan	<b>0.83</b>	1.15	1.53	<b>7.85</b>	7.85	7.75
AIA Thailand	<b>2.34</b>	2.74	2.77	<b>8.80</b>	8.80	9.00
AIA Vietnam	<b>6.95</b>	7.10	7.00	<b>13.80</b>	13.80	13.80

Note:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond yields shown above are those of US dollar-denominated bonds.

The table below summarises the long-term investment returns assumed in EV calculations.

Business Unit	Long-term investment returns assumed in EV calculations (%)					
	10-year government bonds			Local equities		
	As at	As at	As at	As at	As at	As at
31 May 2016	30 Nov 2015	31 May 2015	31 May 2016	30 Nov 2015	31 May 2015	
AIA Australia	<b>3.40</b>	3.40	3.37	<b>7.50</b>	7.50	7.15
AIA China	<b>3.70</b>	3.70	3.74	<b>9.50</b>	9.50	9.49
AIA Hong Kong <sup>(1)</sup>	<b>2.50</b>	2.50	2.50	<b>7.55</b>	7.55	7.55
AIA Indonesia	<b>8.00</b>	8.00	7.50	<b>12.80</b>	12.80	12.25
AIA Korea	<b>3.20</b>	3.20	3.60	<b>7.20</b>	7.20	6.94
AIA Malaysia	<b>4.20</b>	4.20	4.20	<b>8.75</b>	8.75	8.75
AIA New Zealand	<b>4.00</b>	4.00	3.99	<b>n/a<sup>(2)</sup></b>	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
Philam Life	<b>4.00</b>	4.00	4.00	<b>9.20</b>	9.20	9.16
AIA Singapore	<b>2.50</b>	2.50	2.23	<b>7.00</b>	7.00	7.00
AIA Sri Lanka	<b>10.00</b>	10.00	12.33	<b>11.70</b>	11.70	14.00
AIA Taiwan	<b>1.60</b>	1.60	1.48	<b>6.60</b>	6.60	6.62
AIA Thailand	<b>3.40</b>	3.40	3.62	<b>9.20</b>	9.20	9.37
AIA Vietnam	<b>8.00</b>	8.00	8.00	<b>13.80</b>	13.80	13.80

Notes:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond yields shown above are those of US dollar-denominated bonds.

(2) The assumed asset allocations do not include equities.

## 5. Assumptions (continued)

### 5.3 EXPENSE INFLATION

The assumed expense inflation rates are based on expectations of long-term consumer price and salary inflation.

#### Expense inflation assumptions by Business Unit (%)

Business Unit	As at 31 May 2016	As at 30 November 2015
AIA Australia	3.25	3.25
AIA China	2.0	2.0
AIA Hong Kong	2.0	2.0
AIA Indonesia	6.0	6.0
AIA Korea	3.5	3.5
AIA Malaysia	3.0	3.0
AIA New Zealand	2.5	2.5
Philam Life	3.5	3.5
AIA Singapore	2.0	2.0
AIA Sri Lanka	6.5	6.5
AIA Taiwan	1.2	1.2
AIA Thailand	2.0	2.0
AIA Vietnam	5.0	5.0

Unallocated Group Office expenses are assumed to inflate by the weighted average of the Business Unit expense inflation rates.

## 5. Assumptions (continued)

### 5.4 TAXATION

The projections of distributable earnings underlying the values presented in this report are net of corporate income tax, based on current taxation legislation and corporate income tax rates. The projected amount of tax payable in any year allows, where relevant, for the benefits arising from any tax loss carried forward.

The local corporate income tax rates used by each Business Unit are set out below:

#### Local corporate income tax rates by Business Unit (%)

Business Unit	As at 31 May 2016	As at 30 November 2015
AIA Australia	30.0	30.0
AIA China	25.0	25.0
AIA Hong Kong	16.5	16.5
AIA Indonesia	25.0	25.0
AIA Korea	24.2	24.2
AIA Malaysia <sup>(1)</sup>	24.0	25.0 for assessment year 2015; 24.0 thereafter
AIA New Zealand	28.0	28.0
Philam Life	30.0	30.0
AIA Singapore	17.0	17.0
AIA Sri Lanka	28.0	28.0
AIA Taiwan	17.0	17.0
AIA Thailand <sup>(2)</sup>	20.0	20.0
AIA Vietnam	20.0	22.0 for assessment year 2015; 20.0 thereafter

Notes:

- (1) The Malaysian Government announced a corporate income tax rate change in the Federal Government Budget 2014 which will be effective from assessment year 2016.
- (2) The Government of Thailand announced in the Royal Gazette on 4 March 2016 a change in corporate income tax rate from 30 per cent to 20 per cent from assessment year 2016 onward. This change had been approved by the cabinet of the Government of Thailand in October 2015. The reported EV has been determined using this revised corporate income tax rate from assessment year 2015 onwards. For clarity, VONB for the 2015 financial year was reported at point of sale during the 2015 financial year and was therefore determined assuming the higher 30 per cent corporate income tax rate from assessment year 2016 onwards.

The tax assumptions used in the valuation reflect the local corporate income tax rates set out above. Where applicable, tax payable on investment income has been reflected in projected investment returns.

The EV of the Group as at 31 May 2016 is calculated after deducting any remittance taxes payable on the anticipated distribution of both the ANW and VIF.

Where territories have an imputation credit system in place, e.g. Australia, no allowance has been made for the value of the imputation credits in the results shown in this report.

On 24 March 2016, the Ministry of Finance of the People's Republic of China released a VAT reform for insurance companies, effective from 1 May 2016, replacing the existing business tax system. The VAT change has been assumed to apply to the projected cash flows from 1 May 2016 in both EV and VONB calculations.

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

On 28 July 2016, the Board of Directors declared an interim dividend of 21.90 Hong Kong cents per share (six months ended 31 May 2015: 18.72 Hong Kong cents per share).

## **INFORMATION FOR SHAREHOLDERS**

### **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 31 May 2016.

### **INTERIM DIVIDEND**

The Board of Directors has declared an interim dividend of 21.90 Hong Kong cents per share (2015: 18.72 Hong Kong cents per share).

The interim dividend will be payable on Wednesday, 31 August 2016 to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 15 August 2016.

### **Relevant Dates for the 2016 Interim Dividend Payment**

Ex-dividend date	12 August 2016
Record date	15 August 2016
Payment date	31 August 2016

### **RECORD DATE**

In order to qualify for the entitlement of the interim dividend, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 15 August 2016.

### **SHARE REGISTRAR**

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

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong  
Telephone: 852 2862 8555  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk) (for general enquiries)  
[aia.ecom@computershare.com.hk](mailto:aia.ecom@computershare.com.hk) (for printed copies of the Company's corporate publications)  
Website: [www.computershare.com](http://www.computershare.com)

### **ELECTRONIC COMMUNICATIONS**

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

The Company makes every effort to ensure consistency between the Chinese and English version of this announcement. However, in the event of any inconsistency, the English version shall prevail.



## FORWARD-LOOKING STATEMENTS

This document may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to the Group's business prospects, future developments, trends and conditions in the industry and geographical markets in which the Group operates, its strategies, plans, objectives and goals, its ability to control costs, statements relating to prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

When used in this document, the words "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Group or the Group's management, are intended to identify forward-looking statements. These forward-looking statements reflect the Group's views as of the date hereof with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. Actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including any changes in the laws, rules and regulations relating to any aspects of the Group's business operations, general economic, market and business conditions, including capital market developments, changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, the actions and developments of the Group's competitors and the effects of competition in the insurance industry on the demand for, and price of, the Group's products and services, various business opportunities that the Group may or may not pursue, changes in population growth and other demographic trends, including mortality, morbidity and longevity rates, persistency levels, the Group's ability to identify, measure, monitor and control risks in the Group's business, including its ability to manage and adapt its overall risk profile and risk management practices, its ability to properly price its products and services and establish reserves for future policy benefits and claims, seasonal fluctuations and factors beyond the Group's control. Subject to the requirements of the Listing Rules, the Group does not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, forward-looking events and circumstances discussed in this document might not occur in the way the Group expects, or at all. Accordingly, you should not place reliance on any forward-looking information or statements. All forward-looking statements in this document are qualified by reference to the cautionary statements set forth in this section.

By Order of the Board  
**Mark Edward Tucker**  
*Executive Director*  
*Group Chief Executive and President*

Hong Kong, 28 July 2016

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

*Non-executive Chairman and Non-executive Director:*

Mr. Edmund Sze-Wing Tse

*Executive Director, Group Chief Executive and President:*

Mr. Mark Edward Tucker

*Independent Non-executive Directors:*

Mr. Jack Chak-Kwong So, Mr. Chung-Kong Chow, Mr. John Barrie Harrison, Mr. George Yong-Boon Yeo, Mr. Mohamed Azman Yahya, Professor Lawrence Juen-Yee Lau, Ms. Swee-Lian Teo and Dr. Narongchai Akrasanee

## GLOSSARY

Accident and health (A&H) insurance products	A&H insurance products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover. A&H insurance products are sold both as stand-alone policies and as riders that can be attached to our individual life insurance policies.
Active agent	An agent who sells at least one policy per month.
Active market	<p>A market in which all the following conditions exist:</p> <ul style="list-style-type: none"><li>• the items traded within the market are homogeneous;</li><li>• willing buyers and sellers can normally be found at any time; and</li><li>• prices are available to the public.</li></ul> <p>A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.</p>
Adjusted net worth (ANW)	ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of AIA, plus the IFRS equity value of other activities, such as general insurance business, less the value of intangible assets. It excludes any amounts not attributable to shareholders of AIA Group Limited. The market value of investment property and property held for own use that is used to determine the ANW is based on the fair value disclosed in AIA's IFRS financial statements as at the valuation date. It is AIA's policy to obtain external property valuations annually except in the case of a discrete event occurring in the interim that has a significant impact on the fair value of the properties.
AER	Actual exchange rates.
AIA or the Group	AIA Group Limited and its subsidiaries.
AIA Co.	AIA Company Limited, a subsidiary of the Company.
AIA International	AIA International Limited, a subsidiary of AIA Co.
AIA Vitality	A science-backed wellness programme that provides participants with the knowledge, tools and motivation to help them achieve their personal health goals. The programme is a partnership between AIA and Discovery Limited, a specialist insurer headquartered in South Africa.

Amortised cost	The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.
Annualised new premiums (ANP)	ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded. It is an internally used measure of new business sales or activity for all entities within AIA. ANP excludes new business of pension business, personal lines and motor insurance.
ASPP	Agency Share Purchase Plan.
Available for sale (AFS) financial assets	Financial assets that may be sold before maturity and that are used to back insurance and investment contract liabilities and shareholders' equity, and which are not managed on a fair value basis. Non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables or as at fair value through profit or loss. Available for sale financial instruments are measured at fair value, with movements in fair value recorded in other comprehensive income.
Bancassurance	The distribution of insurance products through banks or other financial institutions.
CER	Constant exchange rates. Change on constant exchange rates is calculated using constant average exchange rates for the current period and for the prior period other than for balance sheet items that use constant exchange rates as at the end of the current period and as at the end of the prior year.
Common control	A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination.
Consolidated investment funds	Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds.
Corporate Governance Code	Corporate Governance Code set out in Appendix 14 to the Listing Rules.
Cost of capital (CoC)	CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing the required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in participating funds, there is no associated cost of capital included in the VIF or VONB.
Credit risk	The risk that third parties fail to meet their obligations to the Group when they fall due.
C-ROSS	China Risk Oriented Solvency System.

Deferred acquisition costs (DAC)	DAC are expenses of an insurer which are incurred in connection with the acquisition of new insurance contracts or the renewal of existing insurance contracts. They include commissions and other variable sales inducements and the direct costs of issuing the policy, such as underwriting and other policy issue expenses. These costs are deferred and expensed to the consolidated income statement on a systematic basis over the life of the policy. DAC assets are tested for recoverability at least annually.
Deferred origination costs (DOC)	Origination costs are expenses which are incurred in connection with the origination of new investment contracts or the renewal of existing investment contracts. For contracts that involve the provision of investment management services, these include commissions and other incremental expenses directly related to the issue of each new contract. Origination costs on contracts with investment management services are deferred and recognised as an asset in the consolidated statement of financial position and expensed to the consolidated income statement on a systematic basis in line with the revenue generated by the investment management services provided. Such assets are tested for recoverability.
Defined benefit plans	Post-employment benefit plans under which amounts to be paid or services to be provided as post-retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service.
Defined contribution plans	Post-employment benefit plans under which amounts to be paid as post-retirement benefits are determined by contributions to a fund together with earnings thereon. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the post-retirement benefits.
Discretionary participation features (DPF)	<p>A contractual right to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:</p> <ul style="list-style-type: none"> <li>• that are likely to be a significant portion of the total contractual benefits;</li> <li>• whose amount or timing is contractually at the discretion of the Group; and</li> <li>• that are contractually based on: <ul style="list-style-type: none"> <li>– the performance of a specified pool of contracts or a specified type of contract;</li> <li>– realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or</li> <li>– the profit or loss of the Company, fund or other entity that issues the contract.</li> </ul> </li> </ul>

Effective interest method	A method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying value of the financial asset or financial liability.
Embedded value (EV)	An actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business.
EPS	Earnings per share.
Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company.
ESPP	Employee Share Purchase Plan.
ExCo	The Executive Committee of the Group.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Fair value through profit or loss (FVTPL)	Financial assets that are held to back unit-linked contracts and participating funds or financial assets and liabilities that are held for trading. A financial asset or financial liability that is measured at fair value in the statement of financial position with gains and losses arising from movements in fair value being presented in the consolidated income statement as a component of the profit or loss for the period.
Financial liquidity risk	The risk that insufficient cash is available to meet payment obligations to counterparties as they fall due.
First half	The six months from 1 December to 31 May.
First year premiums	First year premiums are the premiums received in the first year of a recurring premium policy. As such, they provide an indication of the volume of new policies sold.
Foreign exchange rate risk	The risk that the Company's value may be affected by changes in exchange rates.
Free surplus	ANW in excess of the required capital.
Functional currency	The currency of the primary economic environment in which the entity operates.
GAMA International	A worldwide association serving the professional development needs of field leaders in the insurance, investment and financial services industry.

Goodwill	Goodwill represents the excess of the purchase price of an acquisition over the fair value of the Group's share of the net identifiable assets including VOBA of the acquired subsidiary, associate or joint venture at the date of acquisition.
Group insurance	An insurance scheme whereby individual participants are covered by a master contract held by a single group or entity on their behalf.
Group Office	Group Office includes the activities of the Group Corporate Centre segment consisting of the Group's corporate functions, shared services and eliminations of intragroup transactions.
HIBOR	Hong Kong Interbank Offered Rate.
HKFRS	Hong Kong Financial Reporting Standards.
HKOCI	Hong Kong Office of the Commissioner of Insurance.
Hong Kong	The Hong Kong Special Administrative Region of the PRC; in the context of our reportable segments, Hong Kong includes Macau.
Hong Kong Companies Ordinance	Companies Ordinance (Laws of Hong Kong, Chapter 622).
Hong Kong Insurance Companies Ordinance (HKICO)	Insurance Companies Ordinance (Laws of Hong Kong, Chapter 41) (HKICO) provides a legislative framework for the prudential supervision of the insurance industry in Hong Kong. The objectives of the HKICO are to protect the interests of the insuring public and to promote the general stability of the insurance industry.
Hong Kong Stock Exchange (HKSE)	The Stock Exchange of Hong Kong Limited.
IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
IFA	Independent financial adviser.
IFRS	Standards and interpretations adopted by the International Accounting Standards Board (IASB) comprising: <ul style="list-style-type: none"> <li>• International Financial Reporting Standards;</li> <li>• International Accounting Standards; and</li> <li>• Interpretations developed by the IFRS Interpretations Committee (IFRS IC) or the former Standing Interpretations Committee (SIC).</li> </ul>
Insurance contract	A contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if specified uncertain future events adversely affect the policyholder.

Insurance risk	The potential loss resulting from mortality, morbidity, persistency, longevity and adverse expense experiences. Under IFRS, insurance risk means risk, other than financial risk, transferred from the holder of a contract to the issuer.
Interactive Mobile Office (iMO)	iMO is a mobile office platform with a comprehensive suite of applications that allow agents and agency leaders to manage their daily activities from lead generation, sales productivity and recruitment activity through to development training and customer analytics.
Interactive Point of Sale (iPoS)	iPoS is a secure, mobile point-of-sale technology that features a paperless sales process from the completion of the customer's financial-needs analysis to proposal generation with electronic biometric signature of life insurance applications on tablet devices.
Investment contract	An investment contract is an insurance policy that, whilst structured and regulated as a contract of insurance, does not meet the accounting definition of an insurance contract because it does not transfer significant insurance risk.
Investment experience	Realised and unrealised investment gains and losses recognised in the consolidated income statement.
Investment income	Investment income comprises interest income, dividend income and rental income.
Investment liquidity risk	The risk that the Group will be unable to buy and sell securities. This is a function of the size of the Group's holdings relative to the availability of counterparties willing to buy or sell these holdings at any given time. In times of stress, market losses will generally be compounded by forced sellers seeking unwilling buyers.
Investment property	Property (land and/or a building or part of a building) held to earn rentals or for capital appreciation or both rather than for use by AIA.
Investment return	Investment return consists of investment income plus investment experience.
IPO	Initial public offering.
Life Insurance and Market Research Association (LIMRA)	A worldwide research, consulting and professional development organisation, established to help its member companies from life insurance and financial services industries improve their marketing and distribution effectiveness.
Liquidity risk	A general term for the risks that companies may be unable to meet their obligations to counterparties as they fall due or to buy and sell securities as required. See also financial liquidity risk and investment liquidity risk.
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Million Dollar Round Table (MDRT)	MDRT is a global professional trade association of life insurance and financial services professionals that recognises significant sales achievements and high service standards.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.
Net book value	The net value of an asset. Equal to its original cost (its book value) minus depreciation and amortisation.
Net funds to Group Corporate Centre	In presenting net capital in/(out) flows to reportable segments, capital outflows consist of dividends and profit distributions to the Group Corporate Centre segment and capital inflows consist of capital injections into reportable segments by the Group Corporate Centre segment. For the Group, net capital in/(out) flows reflect the net amount received from shareholders by way of capital contributions less amounts distributed by way of dividends.
Net profit	Net profit is calculated by subtracting a company's total expenses from total revenue, including share of profit/(loss) from associates and joint venture and after tax.
Non-controlling interests	The equity in a subsidiary not attributable, directly or indirectly, to a parent. Also referred to as "minority interests".
n/a	Not available.
n/m	Not meaningful.
Operating profit after tax (OPAT)	The operating profit is determined using expected long-term investment return for equities and real estate. Short-term fluctuations between expected long-term investment return and actual investment returns for these asset classes are excluded from operating profit. The investment return assumptions used to determine expected long-term investment returns are based on the same assumptions used by the Group in determining its embedded value and are disclosed in the Supplementary Embedded Value information.
Operating return on EV (ROEV)	Operating return on EV is calculated as EV operating profit, expressed as a percentage of the opening embedded value.
Operating return on shareholders' allocated equity	Operating return on shareholders' allocated equity is calculated as operating profit after tax attributable to shareholders of the Company, expressed as a percentage of the simple average of opening and closing shareholders' allocated equity.
Operating segment	A component of an entity that: <ul style="list-style-type: none"> <li>• engages in business activities from which it may earn revenues and incur expenses;</li> <li>• whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance; and</li> <li>• for which discrete financial information is available.</li> </ul>



OTC	Over-the-counter.
Other comprehensive income	Items of income and expense that form part of total comprehensive income but, as required or permitted by IFRS, do not form part of profit or loss for the period, such as fair value gains and losses on available for sale financial assets.
Participating funds	Participating funds are distinct portfolios where the policyholders have a contractual right to receive at the discretion of the insurer additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The Group may either have discretion as to the timing of the allocation of those benefits to participating policyholders or may have discretion as to the timing and the amount of the additional benefits.
Persistency	The percentage of insurance policies remaining in force from month to month in the past 12 months, as measured by premiums.
Philam Life	The Philippine American Life and General Insurance (PHILAM LIFE) Company, a subsidiary of AIA Co.; in the context of the Supplementary Embedded Value Information, Philam Life includes BPI-Philam Life Assurance Corporation.
Policyholder and shareholder investments	Investments other than those held to back unit-linked contracts as well as assets from consolidated investment funds.
pps	Percentage points.
PRC	The People's Republic of China.
Property held for own use	Property held for own use in AIA's business.
Protection gap	The difference between the resources needed and resources available to maintain dependants' living standards after the death of the primary wage-earner.
Regulatory minimum capital	Net assets held to meet the minimum solvency margin requirement set by the HKICO that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong.
Renewal premiums	Premiums receivable in subsequent years of a recurring premium policy.
Repurchase agreements (repos)	A repurchase transaction involves the sale of financial investments by AIA to a counterparty, subject to a simultaneous agreement to repurchase those securities at a later date at an agreed price. Accordingly, for accounting purposes, the securities are retained on AIA's consolidated statement of financial position for the life of the transaction, valued in accordance with AIA's policy for assets of that nature. The proceeds of the transaction are reported in the caption "Obligations under securities lending and repurchase agreements". Interest expense from repo transactions is reported within finance costs in the consolidated income statement.

Reverse repurchase agreements (reverse repos)	A reverse repurchase transaction (reverse repo) involves the purchase of financial investments with a simultaneous obligation to sell the assets at a future date, at an agreed price. Such transactions are reported within “Loans and deposits” in the consolidated statement of financial position. The interest income from reverse repo transactions is reported within investment return in the consolidated income statement.
Rider	A supplemental plan that can be attached to a basic insurance policy, typically with payment of additional premiums.
Risk-Based Capital (RBC)	RBC represents an amount of capital based on an assessment of risks that a company should hold to protect customers against adverse developments.
RMF	Risk Management Framework.
RSPUs	Restricted stock purchase units.
RSSUs	Restricted stock subscription units.
RSU Scheme	Restricted Share Unit Scheme.
RSUs	Restricted share units.
Second half	The six months from 1 June to 30 November.
Securities lending	Securities lending consists of the loan of certain securities within the Group’s financial investments to third parties on a short-term basis. The loaned securities continue to be recognised within the appropriate financial investment classifications in the Group’s consolidated statement of financial position.
SFO	Securities and Futures Ordinance (Laws of Hong Kong, Chapter 571), as amended from time to time.
Shareholders’ allocated equity	Shareholders’ allocated equity is total equity attributable to shareholders of the Company less fair value reserve.
Singapore	The Republic of Singapore; in the context of our reportable segments, Singapore includes Brunei.
Single premium	A single payment that covers the entire cost of an insurance policy.
SME	Small-and-medium sized enterprise.
SO Scheme	Share Option Scheme.
Solvency	The ability of an insurance company to satisfy its policyholder benefits and claims obligations.
Solvency ratio	The ratio of the total available capital to the regulatory minimum capital applicable to the insurer pursuant to relevant regulations.

Statement of financial position	Formerly referred to as the balance sheet.
Strategic asset allocation (SAA)	SAA is the setting of strategic asset allocation targets, based on long-term capital market assumptions, to meet long-term requirements of the insurance business and shareholders.
Takaful	Islamic insurance which is based on the principles of mutual assistance and risk sharing.
Tata AIA	Tata AIA Life Insurance Company Limited.
The Company	AIA Group Limited.
Total weighted premium income (TWPI)	TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded. As such it provides an indication of AIA's longer-term business volumes as it smoothes the peaks and troughs in single premiums.
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.
Unit-linked investments	Financial investments held to back unit-linked contracts.
Unit-linked products	Unit-linked products are insurance products where the policy value is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investment or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of death of the insured or surrender or maturity of the policy, subject to surrender charges.
Value of business acquired (VOBA)	VOBA in respect of a portfolio of long-term insurance and investment contracts acquired is recognised as an asset, calculated using discounted cash flow techniques, reflecting all future cash flows expected to be realised from the portfolio. VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the additional value of the business acquired. The carrying value of VOBA is reviewed annually for impairment and any impairment is charged to the consolidated income statement.
Value of in-force business (VIF)	VIF is the present value of projected after-tax statutory profits emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business.

Value of new business (VONB)	VONB is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding the required capital in excess of regulatory reserves to support this business. VONB for AIA is stated after adjustments to reflect additional Hong Kong reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB by market is stated before adjustments to reflect additional Hong Kong reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
VONB margin	VONB excluding pension business, expressed as a percentage of ANP. VONB margin for AIA is stated after adjustments to reflect additional Hong Kong reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB margin by market is stated before adjustments to reflect additional Hong Kong reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
Working capital	Working capital comprises debt and equity securities, deposits and cash and cash equivalents held at the Group Corporate Centre. These liquid assets are available to invest in building the Group's business operations.