AIA Group Limited
友邦保險控股有限公司

Interim Report 2021

Stock code: 1299

AIA DELIVERS STRONG RESULTS IN THE FIRST HALF OF 2021

VALUE OF NEW BUSINESS UP 22 PER CENT
EV EQUITY RECORD HIGH OF US$70.1 BILLION; FREE SURPLUS OF US$17.9 BILLION
INTERIM DIVIDEND UP 8.6 PER CENT

The Board of AIA Group Limited (the "Company"; stock code: 1299) is pleased to announce the Group's financial results for the six months ended 30 June 2021.

Growth rates are shown on a constant exchange rate basis:

New business performance

- 22 per cent growth in value of new business (VONB) to US$1,814 million
- VONB exceeded pre-pandemic levels in all reportable segments except Hong Kong
- Annualised new premiums (ANP) up 13 per cent to US$3,060 million
- VONB margin up 4.2 pps to 59.0 per cent

Earnings and capital

- Operating profit after tax (OPAT) increased by 5 per cent to US$3,182 million
- US$3,374 million underlying free surplus generation (UFSG), up 6 per cent
- Free surplus of US$17.9 billion, up US$4.4 billion from 31 December 2020
- EV Equity of US$70.1 billion, up 5 per cent from 31 December 2020
- Shareholders' allocated equity reached a new high of US$48.9 billion
- Group Local Capital Summation Method (LCSM) cover ratio(1) of 412 per cent

Interim dividend

- Interim dividend increased by 8.6 per cent to 38.00 Hong Kong cents per share

Lee Yuan Siong, AIA's Group Chief Executive and President, said:

"AIA has delivered very strong VONB growth of 22 per cent and an increase in all of our key financial metrics. I am very pleased that VONB exceeded the pre-pandemic levels of the first half of 2019 for each of our reportable segments except Hong Kong, where travel restrictions continue to affect sales to Mainland Chinese visitors.

"Our growing high-quality in-force portfolio supported growth in both OPAT and UFSG. EV Equity and shareholders' allocated equity reached record highs and our very strong financial position is reflected in a significant increase in free surplus and a Group LCSM cover ratio of 412 per cent.

"The Board has declared an 8.6 per cent increase in interim dividend to 38.00 Hong Kong cents per share. This follows AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

"VONB growth was broad-based with all of our reportable segments achieving double-digit growth on a like-for-like basis(2), driven by the excellent performance of our agency distribution and increased demand for our protection products. The strong performance of our leading local bancassurance partners supported VONB growth(3) in our partnership channel.

"Our focus on further enabling our business with technology has significantly improved resilience in the face of ongoing pandemic containment measures. Compared to the first half of 2020, our Premier Agency has increased both agent productivity and our number of active agents. We have delivered a 25 per cent increase in our registered Million Dollar Round Table (MDRT) members to more than 16,000. This is our seventh consecutive year of achieving the largest number of registered MDRT members globally.

"AIA China remained the largest contributor to the Group's VONB and delivered a very strong 20 per cent increase in VONB on a like-for-like basis(4). We have also made rapid progress in our geographical expansion in Mainland China with the launch of our new operation in Sichuan Province and the regulatory approval to prepare for a new branch in Hubei Province.

"While travel restrictions continue to limit sales to Mainland Chinese visitors, our Hong Kong business achieved 16 per cent VONB growth in the domestic customer segment, benefiting from our targeted propositions and new growth initiatives. In our Macau branch, Mainland Chinese visitor sales contributed over one-third of total ANP in the first half of 2021, supported by the resumption of the Individual Visit Scheme.

"Our business in Thailand achieved excellent VONB growth of 52 per cent compared to the first half of 2020, driven by our successful shift in product mix towards protection and unit-linked products. AIA Singapore's VONB was 32 per cent higher year-on-year despite a tightening of containment measures from May. AIA Malaysia delivered the highest VONB growth among our reportable segments of 89 per cent. While we continued to see ongoing effects of the pandemic in many of our markets, Other Markets reported double-digit VONB growth(3).

"We have continued to make excellent progress with our strategic priorities as we embrace the transformation that will further extend our competitive advantages and enable AIA to capture the significant growth opportunities available to us across Asia. The upgrading of our technology to world-class modern architecture and systems has gathered pace as we make targeted investments in digital tools and embed data analytics at scale into our businesses. This transformation is enabling us to significantly enhance the experience of our customers, distributors, partners and employees while achieving greater growth and efficiency.

"AIA's Purpose of helping people live Healthier, Longer, Better Lives comes to life through our compelling propositions which integrate our Health and Wellness Ecosystem and long-term savings solutions. We continue to focus on advancing the key components of our ecosystem to deliver improved health outcomes for our customers.

"We believe that creating distinctive, personalised and meaningful experiences for our customers will generate a range of business benefits. Transforming AIA into a simpler, faster, more connected organisation will support the delivery of our strategic ambitions for the next era of growth, building on the powerful demographic trends and immense opportunities in the life insurance market in Asia. I am confident that the continued execution of our strategic priorities will enable us to generate long-term 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 – wholly-owned branches and subsidiaries in Mainland China, Hong Kong SAR[5], Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei and Macau SAR[6], and a 49 per cent joint venture in India.

The business that is now AIA was first established in Shanghai more than a century ago in 1919. It is a market leader in Asia (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US$330 billion as of 30 June 2021.

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, AIA serves the holders of more than 39 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").

Notes:

(1) In 2021, the Hong Kong Insurance Authority implemented the new group-wide supervision (GWS) framework. On 14 May 2021, AIA Group Limited became a designated insurance holding company and is now subject to the GWS framework in Hong Kong including the Insurance (Group Capital) Rules. The Group LCSM cover ratio is the ratio of group available capital to group minimum capital requirement based on the Local Capital Summation Method (LCSM).

(2) Excluding Mainland Chinese visitor customer segment in our Hong Kong business and the one-off contribution to VONB in Australia from the purchase of mortality cover by Commonwealth Bank of Australia (CBA) on behalf of its existing home loan customers in the first half of 2020, as previously reported.

(3) Excluding the one-off contribution to VONB in Australia in the first half of 2020, as previously reported.

(4) The like-for-like basis compares the results for AIA China in both periods gross of 5 per cent withholding tax which has been applied since July 2020 following subsidiarisation.

(5) Hong Kong SAR refers to Hong Kong Special Administrative Region.

(6) Macau SAR refers to Macau Special Administrative Region.

FINANCIAL SUMMARY

Performance Highlights

US$ millions, unless otherwise stated	**Six months ended 30 Jun 2021**	Six months ended 30 Jun 2020	**YoY CER**	YoY AER
New Business Value				
Value of new business (VONB)	**1,814**	1,410	**22%**	29%
VONB margin	**59.0%**	54.4%	**4.2 pps**	4.6 pps
Annualised new premiums (ANP)	**3,060**	2,579	**13%**	19%
EV Operating Profit				
Embedded value (EV) operating profit	**4,092**	3,878	**1%**	6%
Operating return on EV	**12.9%**	12.9%	**(0.3) pps**	–
Basic EV operating earnings per share (US cents)	**33.92**	32.17	**1%**	5%
IFRS Earnings				
Operating profit after tax (OPAT)	**3,182**	2,933	**5%**	8%
Operating return on shareholders' allocated equity	**12.8%**	13.2%	**(0.5) pps**	(0.4) pps
Total weighted premium income (TWPI)	**18,511**	16,926	**5%**	9%
Operating earnings per share (US cents)				
– Basic	**26.37**	24.33	**5%**	8%
– Diluted	**26.33**	24.29	**5%**	8%
Underlying Free Surplus Generation				
Underlying free surplus generation	**3,374**	3,049	**6%**	11%
Dividends				
Dividend per share (HK cents)	**38.00**	35.00	**n/a**	8.6%

US$ millions, unless otherwise stated	**As at 30 Jun 2021**	As at 31 Dec 2020	**Change CER**	Change AER
Embedded Value				
EV Equity	**70,102**	67,185	**5%**	4%
Embedded value	**68,179**	65,247	**5%**	4%
Free surplus	**17,907**	13,473	**28%**	33%
EV Equity per share (US cents)	**579.50**	555.48	**5%**	4%
Equity and Capital				
Shareholders' allocated equity	**48,871**	48,030	**3%**	2%
Group LCSM cover ratio*	**412%**	374%	**n/a**	38 pps
Shareholders' allocated equity per share (US cents)	**403.99**	397.11	**3%**	2%

* Please refer to Note 8.

New Business Performance by Segment

US$ millions, unless otherwise stated	Six months ended 30 Jun 2021 VONB	VONB Margin	ANP	Six months ended 30 Jun 2020 VONB	VONB Margin	ANP	VONB Change YoY CER	YoY AER
Mainland China**	**738**	**82.1%**	**899**	594	81.8%	726	**15%**	24%
Hong Kong	**313**	**57.5%**	**505**	306	51.0%	565	**2%**	2%
Thailand	**312**	**93.5%**	**333**	199	63.9%	312	**52%**	57%
Singapore	**176**	**63.2%**	**279**	127	59.3%	214	**32%**	39%
Malaysia	**157**	**61.7%**	**253**	81	50.5%	159	**89%**	94%
Other Markets	**253**	**32.1%**	**791**	240	39.7%	603	**(1)%**	5%
Subtotal	**1,949**	**62.9%**	**3,060**	1,547	59.3%	2,579	**20%**	26%
Adjustment to reflect consolidated reserving and capital requirements	**(31)**	**n/m**	**n/m**	(50)	n/m	n/m	**n/m**	n/m
After-tax value of unallocated Group Office expenses	**(88)**	**n/m**	**n/m**	(77)	n/m	n/m	**n/m**	n/m
Total before non-controlling interests	**1,830**	**59.0%**	**3,060**	1,420	54.4%	2,579	**22%**	29%
Non-controlling interests	**(16)**	**n/m**	**n/m**	(10)	n/m	n/m	**n/m**	n/m
Total	**1,814**	**59.0%**	**3,060**	1,410	54.4%	2,579	**22%**	29%

** Please refer to Note 10.

Notes:

(1) A presentation for analysts and investors, hosted by Lee Yuan Siong, Group Chief Executive and President, was held on 17 August 2021.

The webcast of the presentation and presentation slides are available on AIA's website:

http://www.aia.com/en/investor-relations/results-presentations.html

(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 2021 and for the first half of 2020, other than for balance sheet items that use CER as at 30 June 2021 and as at 31 December 2020.

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

(4) VONB is calculated based on assumptions applicable at the point of sale.

VONB for the Group excludes VONB attributable to non-controlling interests.

ANP and VONB for Other Markets included the results from our 49 per cent shareholding in Tata AIA Life Insurance Company Limited (Tata AIA Life).

(5) VONB includes pension business. ANP and VONB margin exclude pension business and are reported before deduction of non-controlling interests.

(6) OPAT and operating earnings per share are shown after non-controlling interests unless otherwise stated.

(7) 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 is calculated 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 equity. Both are measured on an annualised basis.

(8) In 2021, the Hong Kong Insurance Authority implemented the new group-wide supervision (GWS) framework. On 14 May 2021, AIA Group Limited became a designated insurance holding company and is now subject to the GWS framework in Hong Kong including the Insurance (Group Capital) Rules. The Group LCSM cover ratio is the ratio of group available capital to group minimum capital requirement based on the Local Capital Summation Method (LCSM).

The comparative figure as at 31 December 2020, as previously disclosed in our Annual Report 2020, was based on our understanding of the likely application of the GWS framework to the Group at the time, the key difference being the exclusion of US$5,810 million of senior notes not then approved as contributing to Group available capital.

(9) In the context of our reportable segments, Hong Kong refers to operations in Hong Kong Special Administrative Region (SAR) and Macau SAR; Singapore refers to operations in Singapore and Brunei; and Other Markets refers to operations in Australia, Cambodia, India, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam.

(10) Following the conversion of AIA Company Limited's Shanghai branch into a wholly-owned subsidiary, VONB from AIA China is reported after the deduction of 5 per cent withholding tax since July 2020. For clarity, the comparative figure for the first half of 2020 has not been adjusted.

(11) The results of Tata AIA Life are accounted for the six-month period ended 31 March 2021 and the six-month period ended 31 March 2020 in AIA's consolidated results for the first half of 2021 and the first half of 2020, respectively.

The IFRS results of Tata AIA Life are accounted for using the equity method. For clarity, TWPI does not include any contribution from Tata AIA Life.

(12) AIA's financial information in this Financial Summary is based on the unaudited interim condensed consolidated financial statements and supplementary embedded value information for the first half of 2021, unless otherwise stated.

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GROUP CHIEF EXECUTIVE AND PRESIDENT'S REPORT

As communities everywhere accept and adjust to changing their ways of living, 2021 is proving to be a year of transition. Around the world, the deployment of COVID-19 vaccination programmes has met with diverse challenges, but they have also brought a sense of renewed hope. We are cautiously optimistic that, with a wider roll-out of vaccines and new therapeutics, severity of illness will reduce further, health systems cope better, mortality rates significantly improve and ultimately, the worst effects of the pandemic will be curtailed.

Throughout this time our people have been outstanding, ensuring the continued safety and well-being of our staff, adapting to new ways of working and providing uninterrupted support for our customers. We continue to extend wide-ranging COVID-19 relief measures across our markets including free protection cover, financial assistance, access to health resources, donations of vaccines and use of our facilities for medical services.

The increasing demand for our products and strong business momentum that has been building since last year continued into the first half of 2021, driving growth in all our key financial metrics. Value of new business (VONB) of US$1,814 million was up by 22 per cent compared to the first half of 2020. Our geographical diversification is a primary competitive advantage and VONB growth was broad-based. All reportable segments exceeded pre-pandemic levels of the first half of 2019, except Hong Kong, where ongoing travel restrictions have affected new business sales to Mainland Chinese visitors. Our proprietary Premier Agency delivered excellent VONB growth of 25 per cent and we have also seen a greater demand for protection products which accounted for more than 60 per cent of VONB.

AIA China was once again the largest contributor to the Group's VONB with very strong growth of 20 per cent on a like-for-like basis[(1)]. I am delighted that we have made excellent progress with our geographical expansion plans and received approval for our newest operations in Sichuan province in March 2021, launching with more than 400 new Premier Agents. Just three months later, we received approval from the China Banking and Insurance Regulatory Commission (CBIRC) to begin preparations for our first branch in Hubei province.

The Group's large and growing in-force portfolio with high-quality, recurring sources of earnings supported an increase of 5 per cent in operating profit after tax (OPAT) to US$3,182 million and underlying free surplus generation (UFSG) grew by 6 per cent to US$3,374 million. We also achieved a record high for EV Equity which exceeded US$70 billion. Our capital position is very strong with free surplus of US$17.9 billion and Group LCSM cover ratio of 412 per cent.

We expect that the new Hong Kong Risk-based Capital regime (HKRBC) rules will be finalised in 2021 and anticipate that our regulatory capital position will remain very strong on this basis. Subject to finalisation, we intend to provide an update on the Group's capital position including the new HKRBC rules, together with our capital management plans, at our 2021 annual results announcement.

The board of Directors (Board) has declared an increase in interim dividend of 8.6 per cent to 38.00 Hong Kong cents per share. This reflects the Group's strong business performance and financial position. The Board follows AIA's established prudent, sustainable and progressive dividend policy, allowing for the significant future growth opportunities and financial flexibility of the Group.

AIA's strong performance in the first half of 2021 demonstrates the resilience of the Group's operations and that we are executing the right strategic priorities to build on our strong competitive advantages. A step change in technology, digital and analytics is at the heart of our strategy. Since the beginning of the year, we have made impressive progress with our adoption of cloud technology and more than 50 per cent of our infrastructure is now hosted in the cloud, outpacing the global financial services and insurance industry average of 16 per cent. This has supported a substantial improvement in straight-through-processing rates for purchases and other customer services. I am confident that we will achieve our ambition to be a global leader in the use of technology, enabling us to transform AIA's customer experience, distribution and operational efficiency.

Our investments in analytics-powered digital tools to support our unrivalled distribution are helping us to engage with customers in new ways as we meet their evolving needs for long-term financial protection. We have embedded social media connectivity directly into our agency digital platforms, expanding customer outreach and generating more than one million customer leads in the first half. We have over 100 major projects in 2021 that employ artificial intelligence and analytics, enhancing every aspect of our business, including recruitment, training, underwriting and claims.

AIA's growing analytics capabilities also improve our understanding of customer needs and inform the design of our compelling propositions. Our Health and Wellness Ecosystem brings together AIA Vitality, customised incentive-based rewards and access to leading health services that keep our customers healthier for longer. Since the beginning of the pandemic, the importance of good health has been top-of-mind for consumers, driving increased demand for our protection products, including exceptional VONB growth from AIA Vitality integrated products of more than 70 per cent.

Strategic investments enhance the reach of our business and create additional opportunities for growth. In July 2021, we launched our exclusive 15-year bancassurance partnership with The Bank of East Asia, Limited (BEA) covering Hong Kong and Mainland China. This new partnership provides access to more than 1.2 million domestic customers in Hong Kong, a top-three foreign bank franchise in Mainland China and additional capabilities to harness the immense potential for AIA across the Greater Bay Area.

In June 2021, we also announced an agreement to acquire a 24.99 per cent equity stake in China Post Life Insurance Co., Ltd. (China Post Life), subject to securing all necessary regulatory approvals. China Post Life has access to around 40,000 financial outlets nationwide and more than 600 million retail customers through the largest retail financial distribution network in Mainland China. AIA's investment in China Post Life increases the Group's exposure to the growth opportunities in the Chinese life insurance market and enables AIA to capture the significant value available from distribution channels and customer segments that are complementary to our existing strategy in Mainland China.

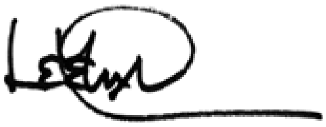
AIA has many significant advantages that distinguish us from our competitors and these would not be possible without our 23,000 employees who embody our Purpose of helping people live Healthier, Longer, Better Lives. As we transform AIA into a simpler, faster and more connected organisation, we are creating an empowered organisation of the future that further strengthens our competitive advantages and leadership position in the region. By combining our existing strengths with the best talent, I am certain that we will deliver our clear and ambitious growth strategy.

The global impacts of Environmental, Social and Governance (ESG) issues are of enormous importance and we continue to incorporate ESG considerations that drive tangible and measurable outcomes within our operations. I am very proud that AIA is a recent signatory to the United Nations Environment Programme Finance Initiative's Principles for Sustainable Insurance. I am certain that the execution of our five strategic focus areas of improving health and wellness, green operations, sustainable investment, people and culture, and effective governance will enable us to play our part in shaping a brighter and more sustainable future.

OUTLOOK

After the strong rebound in the second half of last year, global economic activity gained further traction in the first half of 2021. While low vaccination rates in some countries have contributed to a rise in COVID-19 infections and the threat of more highly transmissible variants emerging persists, early evidence suggests that achieving widespread vaccination has the potential to be a crucial turning point in the fight against the disease. Although the lasting effects of the pandemic are far from over, I am confident that our businesses are equipped with innovative technologies and digital tools that enable them to navigate disruption better than before.

The long-term prospects for AIA's businesses remain exceptional despite the near-term uncertainty. The strong domestic drivers of demand and major demographic trends in Asia will continue to drive an increasing need for our products. As we focus on delivering our strategic priorities, we will build on AIA's substantial competitive advantages and strong track record of growth while creating shared value for all our stakeholders.



Lee Yuan Siong
Group Chief Executive and President
17 August 2021

Growth rates are shown on constant exchange rates as management believes this provides a clearer picture of the year-on-year performance of the underlying business.

Note:
(1) The like-for-like basis compares the results for AIA China gross of 5 per cent withholding tax which has been applied since July 2020 following subsidiarisation.

FINANCIAL AND OPERATING REVIEW

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

Growth rates and commentaries are provided on a constant exchange rate (CER) basis.

Summary and Key Financial Highlights

AIA has delivered strong financial results with growth across all our key metrics of value of new business (VONB), operating profit after tax (OPAT), embedded value (EV) operating profit and underlying free surplus generation (UFSG). This broad-based performance demonstrates the resilience and diversity of our business with VONB exceeding the pre-pandemic levels of the first half of 2019 for each of our reportable segments except Hong Kong. Free surplus has grown significantly and EV Equity reached a record high. Our very strong financial position, reflected in the Group Local Capital Summation Method (LCSM) cover ratio of 412 per cent, allowed us to finance our organic new business growth and shareholder value-enhancing inorganic opportunities, as well as to deliver a progressive increase in interim dividend. We expect that the new Hong Kong Risk-based Capital regime (HKRBC) rules will be finalised in 2021 and anticipate that our regulatory capital position will remain very strong on this basis. Subject to finalisation, we intend to provide an update on the Group's capital position including the new HKRBC rules, together with our capital management plans, at our 2021 annual results announcement.

VONB grew by 22 per cent to US$1,814 million, reflecting our geographical diversification across Asia, our market-leading positions and the strength of our unrivalled, multi-channel distribution. Growth in VONB was broad-based with 11 markets delivering a double-digit increase and all of our reportable segments except Hong Kong exceeding pre-pandemic levels of the first half of 2019.

VONB from our agency channel grew by 25 per cent and accounted for 82 per cent of the Group's total VONB. While travel restrictions continue to limit sales to Mainland Chinese visitors, resulting in reduced business from our retail independent financial adviser (IFA) channel in Hong Kong, VONB from our partnership distribution channel remained broadly stable compared with the first half of 2020.

ANP of US$3,060 million grew by 13 per cent, and VONB margin increased by 4.2 pps to 59.0 per cent driven by a positive shift in product mix towards protection and unit-linked business, higher government bond yields and a reduction in acquisition expense overruns reflecting the strong recovery in new business volumes.

EV Equity reached US$70,102 million, driven by EV operating profit of US$4,092 million and positive investment return variances of US$1,019 million, which reflected a rise in government bond yields and a strong equity market performance. Long-term economic assumptions remained unchanged from those reported at the end of 2020. EV operating profit included US$363 million from positive operating variances as our overall experience has continued to be positive compared with our EV assumptions. The growth in EV Equity is reported after the payment of the final shareholder dividend for 2020 of US$1,558 million.

Our high-quality, recurring sources of earnings and proactive management of our growing in-force portfolio delivered OPAT of US$3,182 million and a stable operating margin of 17.3 per cent. OPAT growth of 5 per cent included the effect of 5 per cent withholding tax for AIA China post subsidiarisation and a normalisation of claims compared with the exceptionally low levels reported in the first half of 2020 as previously disclosed. Underlying OPAT growth was 8 per cent excluding these items. Renewal premiums received increased by 9 per cent and total recurring premiums accounted for over 90 per cent of premiums received in the first half of 2021.

The Group's financial position remained very strong with free surplus growing to US$17,907 million at 30 June 2021, supported by strong UFSG of US$3,374 million and positive investment return variances from higher government bond yields.

On 14 May 2021, AIA Group Limited became a designated insurance holding company and subject to the group-wide supervision (GWS) framework in Hong Kong including the Insurance (Group Capital) Rules (GWS Capital Rules). Under the GWS framework, the Group LCSM cover ratio was very strong at 412 per cent as at 30 June 2021.

The board of directors (Board) has declared an increase of 8.6 per cent in the interim dividend to 38.00 Hong Kong cents per share. This follows AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

The Group announced in March 2021 that it had reached an agreement to enter into a new exclusive 15-year strategic bancassurance partnership with The Bank of East Asia, Limited (BEA) covering Hong Kong and Mainland China. As part of the agreement, the Group also agreed to acquire 100 per cent of BEA Life Limited, a wholly-owned subsidiary of BEA, and a closed portfolio of life insurance policies underwritten by Blue Cross (Asia-Pacific) Insurance Limited. The total gross consideration with respect to these transactions is HK$5,070 million (approximately US$650 million). As at 17 August 2021, the necessary regulatory approval for the acquisition of the shares of BEA Life Limited has been obtained and the completion of that acquisition is expected to take place shortly.

The Group announced in June 2021 that it had reached an agreement to invest RMB12,033 million (approximately US$1,860 million) through AIA Company Limited (AIA Co.) for a 24.99 per cent equity stake (post investment) in China Post Life Insurance Co., Ltd. The completion of this transaction remains subject to securing all necessary regulatory approvals.

New Business Performance

VONB, ANP AND MARGIN BY SEGMENT

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**			Six months ended 30 June 2020			**VONB Change**	
	VONB	**VONB Margin**	**ANP**	VONB	VONB Margin	ANP	**YoY CER**	YoY AER
Mainland China	**738**	**82.1%**	**899**	594	81.8%	726	**15%**	24%
Hong Kong	**313**	**57.5%**	**505**	306	51.0%	565	**2%**	2%
Thailand	**312**	**93.5%**	**333**	199	63.9%	312	**52%**	57%
Singapore	**176**	**63.2%**	**279**	127	59.3%	214	**32%**	39%
Malaysia	**157**	**61.7%**	**253**	81	50.5%	159	**89%**	94%
Other Markets	**253**	**32.1%**	**791**	240	39.7%	603	**(1)%**	5%
Subtotal	**1,949**	**62.9%**	**3,060**	1,547	59.3%	2,579	**20%**	26%
Adjustment to reflect consolidated reserving and capital requirements	**(31)**	**n/m**	**n/m**	(50)	n/m	n/m	**n/m**	n/m
After-tax value of unallocated Group Office expenses	**(88)**	**n/m**	**n/m**	(77)	n/m	n/m	**n/m**	n/m
Total before non-controlling interests	**1,830**	**59.0%**	**3,060**	1,420	54.4%	2,579	**22%**	29%
Non-controlling interests	**(16)**	**n/m**	**n/m**	(10)	n/m	n/m	**n/m**	n/m
Total	**1,814**	**59.0%**	**3,060**	1,410	54.4%	2,579	**22%**	29%

VONB grew by 22 per cent to US$1,814 million, reflecting our geographical diversification across Asia, our market-leading positions and the strength of our unrivalled, multi-channel distribution. Growth in VONB was broad-based with 11 markets delivering a double-digit increase and all of our reportable segments except Hong Kong exceeding pre-pandemic levels of the first half of 2019.

VONB from our agency channel grew by 25 per cent and accounted for 82 per cent of the Group's total VONB. While travel restrictions continue to limit sales to Mainland Chinese visitors, resulting in reduced business from our retail IFA channel in Hong Kong, VONB from our partnership distribution channel remained broadly stable compared with the first half of 2020.

ANP of US$3,060 million grew by 13 per cent, and VONB margin increased by 4.2 pps to 59.0 per cent driven by a positive shift in product mix towards protection and unit-linked business, higher government bond yields and a reduction in acquisition expense overruns reflecting the strong recovery in new business volumes.

AIA China delivered VONB growth of 20 per cent on a like-for-like basis that excludes the impact of 5 per cent withholding tax applied since July 2020 (15 per cent on a reported basis) and exceeded the pre-pandemic level of the first half of 2019. Our agency force remains a key competitive advantage, as a high adoption level for our comprehensive suite of digital tools supported a strong improvement in productivity in the first half of 2021. We continued to expand our geographical footprint in Mainland China with the launch of our newest operation in Sichuan province. In June 2021, we also received approval to begin preparations to establish a new branch in Hubei province.

AIA Hong Kong's domestic customer segment saw VONB growth of 16 per cent in the first half of 2021. VONB for the business overall increased by 2 per cent as the domestic customer segment growth was partly offset by reduced sales to the Mainland Chinese visitor customer segment. Our Premier Agency remained the clear market leader in agency distribution, which was supported by a double-digit increase in new recruits. Sales to Mainland Chinese visitors in our Macau branch increased progressively and contributed over one-third of AIA Macau's total ANP in the first half of 2021.

AIA Thailand delivered VONB growth of 52 per cent compared to the first half of 2020, which represented a substantial increase from the pre-pandemic level of 2019. VONB margin increased to 93.5 per cent, supported by a significant shift in product mix towards traditional protection and regular premium unit-linked products.

AIA Singapore achieved excellent VONB growth of 32 per cent compared to the first half of 2020. This was driven by very strong improvements in agent productivity, as we continued to support our Premier Agency by enhancing our digital tools and platforms.

AIA Malaysia reported excellent VONB growth of 89 per cent with the absolute level of VONB 20 per cent higher than the first half of 2019. We continued to focus on executing our Premier Agency strategy and delivered a strong double-digit increase in active agents, while our partnership with Public Bank Berhad delivered a very strong performance.

In Other Markets, we delivered 10 per cent VONB growth after excluding the one-off contribution from Commonwealth Bank of Australia (CBA) in the first half of 2020. This result was supported by double-digit VONB growth from Indonesia, South Korea and Vietnam.

EV Equity

EV OPERATING PROFIT

EV operating profit was US$4,092 million for the first half of 2021. The strong growth in VONB was partially offset by a lower expected return on EV due to the reduction in government bond yields and long-term economic assumptions in 2020. Annualised operating return on EV (operating ROEV) was 12.9 per cent. Operating variances were positive at US$363 million and cumulatively, since our initial public offering (IPO) in 2010, have added more than US$3.5 billion to EV Equity.

EV OPERATING EARNINGS PER SHARE – BASIC

	Six months ended 30 June 2021	Six months ended 30 June 2020	**YoY CER**	YoY AER
EV operating profit (US$ millions)	**4,092**	3,878	**1%**	6%
Weighted average number of ordinary shares (millions)	**12,065**	12,055	**n/a**	n/a
Basic EV operating earnings per share (US cents)	**33.92**	32.17	**1%**	5%

EV OPERATING EARNINGS PER SHARE – DILUTED

	Six months ended 30 June 2021	Six months ended 30 June 2020	**YoY CER**	YoY AER
EV operating profit (US$ millions)	**4,092**	3,878	**1%**	6%
Weighted average number of ordinary shares(1) (millions)	**12,087**	12,074	**n/a**	n/a
Diluted EV operating earnings per share(1) (US cents)	**33.85**	32.12	**1%**	5%

Note:
(1) Diluted EV operating earnings per share including the dilutive effects, if any, of the awards of share options, restricted share units, restricted stock purchase units (RSPUs) and restricted stock subscription units (RSSUs) granted to eligible directors, officers, employees and agents under the share-based compensation plans as described in note 40 to the consolidated financial statements in our Annual Report 2020.

EV MOVEMENT

EV grew to US$68,179 million at 30 June 2021. The growth in EV is reported after the payment of the final shareholder dividend for 2020 of US$1,558 million. The increase was mainly driven by EV operating profit of US$4,092 million and positive investment return variances of US$1,019 million, which reflected a rise in government bond yields and a strong equity market performance. Long-term economic assumptions remained unchanged from those reported at the end of 2020. The effect of foreign exchange translation movements was negative US$612 million.

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

US$ millions, unless otherwise stated	Six months ended 30 June 2021 ANW	VIF	EV
Opening EV	**28,503**	**36,744**	**65,247**
Value of new business	**(400)**	**2,214**	**1,814**
Expected return on EV	**2,456**	**(391)**	**2,065**
Operating experience variances	**471**	**(85)**	**386**
Operating assumption changes	**42**	**(65)**	**(23)**
Finance costs	**(150)**	**–**	**(150)**
EV operating profit	**2,419**	**1,673**	**4,092**
Investment return variances	**1,482**	**(463)**	**1,019**
Other non-operating variances	**833**	**(794)**	**39**
Total EV profit	**4,734**	**416**	**5,150**
Dividends	**(1,558)**	**–**	**(1,558)**
Other capital movements	**(48)**	**–**	**(48)**
Effect of changes in exchange rates	**(86)**	**(526)**	**(612)**
Closing EV	**31,545**	**36,634**	**68,179**

US$ millions, unless otherwise stated	Six months ended 30 June 2020 ANW	VIF	EV
Opening EV	28,241	33,744	61,985
Value of new business	(363)	1,773	1,410
Expected return on EV	2,844	(654)	2,190
Operating experience variances	494	(69)	425
Operating assumption changes	(152)	116	(36)
Finance costs	(111)	–	(111)
EV operating profit	2,712	1,166	3,878
Investment return variances	(3,076)	(302)	(3,378)
Effect of changes in economic assumptions	33	(968)	(935)
Other non-operating variances	426	(91)	335
Total EV profit	95	(195)	(100)
Dividends	(1,452)	–	(1,452)
Other capital movements	61	–	61
Effect of changes in exchange rates	(323)	(597)	(920)
Closing EV	26,622	32,952	59,574

EV EQUITY

US$ millions, unless otherwise stated	**As at 30 June 2021**	As at 31 December 2020
EV	**68,179**	65,247
Goodwill and other intangible assets[1]	**1,923**	1,938
EV Equity	**70,102**	67,185

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

EV AND VONB SENSITIVITIES

Sensitivities to EV and VONB arising from changes to central assumptions from equity price and interest rate movements, and including the impacts of management actions, are shown below. The interest rate sensitivities apply a 50 basis points movement in current government bond yields, our long-term investment return assumptions and risk discount rates. The interest rate sensitivities are small as at 30 June 2021, and primarily driven by the market interest rate level and the characteristics of the underlying assets and liabilities by business unit.

	As at 30 June 2021		As at 31 December 2020	
US$ millions, unless otherwise stated	**EV**	**% Change**	EV	% Change
Central value	**68,179**		65,247	
Impact of equity price changes				
10 per cent increase in equity prices	**1,312**	**1.9%**	1,099	1.7%
10 per cent decrease in equity prices	**(1,307)**	**(1.9)%**	(1,095)	(1.7)%
Impact of interest rate changes				
50 basis points increase in interest rates	**90**	**0.1%**	652	1.0%
50 basis points decrease in interest rates	**(533)**	**(0.8)%**	(1,294)	(2.0)%

	Six months ended 30 June 2021		Six months ended 30 June 2020	
US$ millions, unless otherwise stated	**VONB**	**% Change**	VONB	% Change
Central value	**1,814**		1,410	
Impact of interest rate changes				
50 basis points increase in interest rates	**50**	**2.8%**	102	7.2%
50 basis points decrease in interest rates	**(66)**	**(3.6)%**	(159)	(11.3)%

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

IFRS Profit

OPAT[1] BY SEGMENT

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
Mainland China	**722**	640	**4%**	13%
Hong Kong	**1,055**	1,005	**5%**	5%
Thailand	**485**	478	**(1)%**	1%
Singapore	**339**	303	**8%**	12%
Malaysia	**194**	148	**25%**	31%
Other Markets	**391**	333	**12%**	17%
Group Corporate Centre	**(4)**	26	**n/m**	n/m
Total	**3,182**	2,933	**5%**	8%

Note:
(1) Attributable to shareholders of the Company only, excluding non-controlling interests.

Our high-quality, recurring sources of earnings and proactive management of our growing in-force portfolio delivered OPAT of US$3,182 million and a stable operating margin of 17.3 per cent. OPAT growth of 5 per cent included the effect of 5 per cent withholding tax for AIA China post subsidiarisation and a normalisation of claims compared with the exceptionally low levels reported in the first half of 2020 as previously disclosed. Underlying OPAT growth was 8 per cent excluding these items. Renewal premiums received increased by 9 per cent and total recurring premiums accounted for over 90 per cent of premiums received in the first half of 2021.

Mainland China achieved a 4 per cent increase in OPAT, including the introduction of withholding tax following subsidiarisation. Excluding this item, OPAT growth was 10 per cent. Higher earnings from our growing in-force portfolio more than offset the normalisation of medical claims relative to the first half of 2020.

Hong Kong reported OPAT growth of 5 per cent, supported by underlying business growth and higher investment returns. Claims experience for the first half of 2021 was not as positive as the exceptional experience in the first half of 2020.

Thailand's OPAT remained broadly stable as strong earnings from new business was offset by adverse lapse experience and lower investment returns.

Singapore's OPAT increased by 8 per cent as a result of growth in our in-force portfolio and increased returns on investments.

Malaysia delivered OPAT growth of 25 per cent in the first half of 2021. As previously highlighted, a one-off provision due to an industry-wide initiative to identify and pay accumulated unreported death claims significantly reduced OPAT in the first half of 2020. Excluding this provision, Malaysia's OPAT grew by 7 per cent.

OPAT in Other Markets increased by 12 per cent, mainly driven by underlying business growth and positive claims experience from disability insurance policies in Australia.

Annualised operating ROE reduced slightly to 12.8 per cent as higher average shareholders' allocated equity offset OPAT growth.

TWPI BY SEGMENT

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
Mainland China	**3,961**	3,001	**22%**	32%
Hong Kong	**5,773**	6,136	**(6)%**	(6)%
Thailand	**2,089**	1,981	**3%**	5%
Singapore	**1,730**	1,502	**10%**	15%
Malaysia	**1,200**	1,049	**10%**	14%
Other Markets	**3,758**	3,257	**6%**	15%
Total	**18,511**	16,926	**5%**	9%

TWPI increased by 5 per cent to US$18,511 million compared with the first half of 2020. In Hong Kong, TWPI reduced as a cohort of long-term participating policies issued in 2016 reached the end of the premium payment term, while remaining in force and continuing to generate OPAT. Renewal premiums received increased by 9 per cent, and total recurring premiums accounted for over 90 per cent of premiums received in the first half of 2021.

IFRS OPERATING PROFIT INVESTMENT RETURN

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
Interest income	**3,754**	3,420	**6%**	10%
Expected long-term investment return for equities and real estate	**1,427**	1,129	**23%**	26%
Total	**5,181**	4,549	**10%**	14%

International Financial Reporting Standards (IFRS) operating profit investment return increased by 10 per cent to US$5,181 million compared with the first half of 2020. The growth was primarily driven by the increase in the size of our investment portfolio.

OPERATING EXPENSES

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
Operating expenses	**1,439**	1,242	**10%**	16%

The expense ratio was 7.8 per cent compared with 7.3 per cent in the first half of 2020 as a result of a geographical mix shift in TWPI away from Hong Kong, the reportable segment with the lowest expense ratio in the Group.

NET PROFIT(1)

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
OPAT	**3,182**	2,933	**5%**	8%
Short-term fluctuations in investment return related to equities and real estate, net of tax(2)	**199**	(1,290)	**n/m**	n/m
Reclassification of revaluation (gains)/losses for property held for own use, net of tax(2)	**(37)**	61	**n/m**	n/m
Corporate transaction related costs, net of tax	**(19)**	(37)	**n/m**	n/m
Implementation costs of new accounting standards, net of tax	**(28)**	(22)	**n/m**	n/m
Other non-operating investment return and other items, net of tax	**(52)**	552	**n/m**	n/m
Total	**3,245**	2,197	**47%**	48%

Notes:

(1) Attributable to shareholders of the Company only, excluding non-controlling interests.

(2) Short-term fluctuations in investment return include the revaluation gains and losses for property held for own use. This amount is then reclassified out of net profit to conform to IFRS measurement and presentation.

IFRS NON-OPERATING MOVEMENT

IFRS net profit increased by 47 per cent to US$3,245 million compared with the first half of 2020. AIA's net profit definition includes mark-to-market movements from equity and investment property portfolios. The result in the first half of 2021 included positive short-term fluctuations from long-term assumptions for equities and real estate of US$199 million, compared with negative movements of US$1,290 million in the first half of 2020. Other non-operating investment return and other items of US$552 million in the first half of 2020 largely consisted of realised gains from our available for sale debt securities.

MOVEMENT IN SHAREHOLDERS' ALLOCATED EQUITY

US$ millions, unless otherwise stated	Six months ended 30 June 2021	Year ended 31 December 2020	Six months ended 30 June 2020
Opening shareholders' allocated equity	**48,030**	43,278	43,278
Net profit	**3,245**	5,779	2,197
Purchase of shares held by employee share-based trusts	**(97)**	(16)	(6)
Dividends	**(1,558)**	(1,997)	(1,452)
Revaluation gains/(losses) on property held for own use	**22**	(46)	(65)
Foreign currency translation adjustments	**(819)**	931	(710)
Other capital movements	**48**	101	67
Total movement in shareholders' allocated equity	**841**	4,752	31
Closing shareholders' allocated equity	**48,871**	48,030	43,309
Average shareholders' allocated equity	**49,747**	45,654	44,488

The movement in shareholders' allocated equity is shown before fair value reserve movements. We believe this provides a clearer reflection of the underlying movement in shareholders' equity over the period, before the IFRS accounting treatment of market value movements in available for sale debt securities.

Shareholders' allocated equity increased by 3 per cent to US$48,871 million over the first half of 2021. Net profit of US$3,245 million was partly offset by the depreciation of local currencies against our US dollar reporting currency of US$819 million and the payment of the final shareholder dividend for 2020 of US$1,558 million.

Average shareholders' allocated equity was US$49,747 million, which was 10 per cent higher than the same period last year, reflecting strong equity portfolio gains and local currency appreciation in the second half of 2020.

Sensitivities to foreign exchange rate, interest rate and equity price movements are included in note 22 to the interim condensed consolidated financial statements.

IFRS Earnings per Share (EPS)

Basic EPS based on OPAT attributable to shareholders increased by 5 per cent to 26.37 US cents.

Basic EPS based on IFRS net profit attributable to shareholders, including mark-to-market movements from our equity and investment property portfolios, increased by 46 per cent to 26.90 US cents.

IFRS EPS – BASIC

	Net Profit[1]		OPAT[1]	
	Six months ended 30 June 2021	Six months ended 30 June 2020	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Profit (US$ millions)	**3,245**	2,197	**3,182**	2,933
Weighted average number of ordinary shares (millions)	**12,065**	12,055	**12,065**	12,055
Basic earnings per share (US cents)	**26.90**	18.22	**26.37**	24.33

IFRS EPS – DILUTED

	Net Profit[1]		OPAT[1]	
	Six months ended 30 June 2021	Six months ended 30 June 2020	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Profit (US$ millions)	**3,245**	2,197	**3,182**	2,933
Weighted average number of ordinary shares[2] (millions)	**12,087**	12,074	**12,087**	12,074
Diluted earnings per share[2] (US cents)	**26.85**	18.20	**26.33**	24.29

Notes:

(1) Attributable to shareholders of the Company 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, RSPUs and RSSUs granted to eligible directors, officers, employees and agents under the share-based compensation plans as described in note 40 to the consolidated financial statements in our Annual Report 2020.

IFRS Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$ millions, unless otherwise stated	**As at 30 June 2021**	As at 31 December 2020	Change AER
Assets			
Financial investments	**272,619**	271,467	–
Investment property	**4,579**	4,639	(1)%
Cash and cash equivalents	**7,149**	5,619	27%
Deferred acquisition and origination costs	**28,374**	27,915	2%
Other assets	**17,170**	16,481	4%
Total assets	**329,891**	326,121	1%
Liabilities			
Insurance and investment contract liabilities	**241,135**	235,952	2%
Borrowings	**9,182**	8,559	7%
Other liabilities	**20,157**	17,942	12%
Less total liabilities	**270,474**	262,453	3%
Equity			
Total equity	**59,417**	63,668	(7)%
Less non-controlling interests	**473**	468	1%
Total equity attributable to shareholders of AIA Group Limited	**58,944**	63,200	(7)%
Shareholders' allocated equity	**48,871**	48,030	2%

MOVEMENT IN SHAREHOLDERS' EQUITY

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Year ended 31 December 2020	Six months ended 30 June 2020
Opening shareholders' equity	**63,200**	54,947	54,947
Net profit	**3,245**	5,779	2,197
Fair value (losses)/gains on assets	**(5,097)**	3,501	1,826
Purchase of shares held by employee share-based trusts	**(97)**	(16)	(6)
Dividends	**(1,558)**	(1,997)	(1,452)
Revaluation gains/(losses) on property held for own use	**22**	(46)	(65)
Foreign currency translation adjustments	**(819)**	931	(710)
Other capital movements	**48**	101	67
Total movement in shareholders' equity	**(4,256)**	8,253	1,857
Closing shareholders' equity	**58,944**	63,200	56,804

TOTAL INVESTMENTS

US$ millions, unless otherwise stated	**As at 30 June 2021**	**Percentage of total**	As at 31 December 2020	Percentage of total
Total policyholder and shareholder	**248,386**	**87%**	247,408	87%
Total unit-linked contracts and consolidated investment funds	**37,990**	**13%**	36,302	13%
Total investments	**286,376**	**100%**	283,710	100%

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

UNIT-LINKED CONTRACTS AND CONSOLIDATED INVESTMENT FUNDS

US$ millions, unless otherwise stated	**As at 30 June 2021**	**Percentage of total**	As at 31 December 2020	Percentage of total
Unit-linked contracts and consolidated investment funds				
Debt securities	**6,779**	**18%**	6,403	18%
Loans and deposits	**580**	**2%**	395	1%
Equities	**29,614**	**78%**	28,232	78%
Cash and cash equivalents	**973**	**2%**	1,219	3%
Derivatives	**44**	**–**	53	–
Total unit-linked contracts and consolidated investment funds	**37,990**	**100%**	36,302	100%

POLICYHOLDER AND SHAREHOLDER INVESTMENTS

US$ millions, unless otherwise stated	As at 30 June 2021	Percentage of total	As at 31 December 2020	Percentage of total
Participating funds and Other participating business with distinct portfolios[1]				
Government bonds	**10,330**	**4%**	9,324	4%
Other government and government agency bonds	**10,870**	**5%**	11,701	5%
Corporate bonds and structured securities	**53,960**	**22%**	54,947	22%
Loans and deposits	**2,650**	**1%**	2,519	1%
Subtotal – Fixed income investments	**77,810**	**32%**	78,491	32%
Equities	**28,520**	**12%**	23,892	10%
Investment property and property held for own use	**1,069**	**–**	1,054	–
Cash and cash equivalents	**759**	**–**	565	–
Derivatives	**522**	**–**	335	–
Subtotal Participating funds and Other participating business with distinct portfolios	**108,680**	**44%**	104,337	42%
Other policyholder and shareholder				
Government bonds	**45,107**	**18%**	46,939	19%
Other government and government agency bonds	**17,887**	**7%**	18,918	7%
Corporate bonds and structured securities	**52,096**	**21%**	53,649	22%
Loans and deposits	**6,339**	**3%**	6,421	3%
Subtotal – Fixed income investments	**121,429**	**49%**	125,927	51%
Equities	**6,972**	**3%**	7,058	3%
Investment property and property held for own use	**5,539**	**2%**	5,570	2%
Cash and cash equivalents	**5,417**	**2%**	3,835	2%
Derivatives	**349**	**–**	681	–
Subtotal other policyholder and shareholder	**139,706**	**56%**	143,071	58%
Total policyholder and shareholder	**248,386**	**100%**	247,408	100%

Note:

(1) Participating business is written in a segregated statutory fund, with regulations governing the division of surplus between policyholders and shareholders. "Other participating business with distinct portfolios", which represents the Hong Kong participating business, is supported by segregated investment assets and explicit provisions for future surplus distribution, though the division of surplus between policyholders and shareholders is not defined in regulations.

ASSETS

Total assets increased by US$3,770 million to US$329,891 million at 30 June 2021, compared with US$326,121 million at 31 December 2020 due to net cash inflows and mark-to-market gains on equities in the first half of 2021, partly offset by negative fair value movements from our debt securities.

Total investments including financial investments, investment property, property held for own use, and cash and cash equivalents increased by US$2,666 million to US$286,376 million at 30 June 2021, compared with US$283,710 million at 31 December 2020.

Of the total US$286,376 million investments at 30 June 2021, US$248,386 million were held in respect of policyholders and shareholders and the remaining US$37,990 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$199,239 million at 30 June 2021 compared with US$204,418 million at 31 December 2020.

Government bonds and other government and government agency bonds represented 42 per cent of fixed income investments at 30 June 2021, compared with 43 per cent at 31 December 2020. Corporate bonds and structured securities accounted for 53 per cent of fixed income investments at 30 June 2021 and 31 December 2020. The average credit rating of our fixed income portfolio excluding government bonds remained stable at A- compared to the position at 31 December 2020. Our corporate bond portfolio is well diversified with over 1,700 issuers with an average holding size of US$59 million. At 30 June 2021, we held US$4.0 billion of bonds rated below investment grade or not rated, representing 2 per cent of our total bond portfolio. Approximately US$30 million of our bonds, representing less than 0.1 per cent of our total bond portfolio, were downgraded to below investment grade and we did not experience any impairments in the first half of 2021, reflecting the overall quality of our investment portfolio.

Equity securities held in respect of policyholders and shareholders totalled US$35,492 million at 30 June 2021, compared with US$30,950 million at 31 December 2020. The US$4,542 million increase in carrying value was mainly attributable to new purchase driven by underlying business growth and positive mark-to-market movements. Within this figure, equity securities of US$28,520 million were held in participating funds and other participating business with distinct portfolios.

Cash and cash equivalents increased by US$1,530 million to US$7,149 million at 30 June 2021 compared with US$5,619 million at 31 December 2020. The increase largely reflected funds being held for purchase considerations of recently announced transactions.

Investment property and property held for own use in respect of policyholders and shareholders totalled US$6,608 million at 30 June 2021 compared with US$6,624 million at 31 December 2020.

Deferred acquisition and origination costs increased by US$459 million to US$28,374 million at 30 June 2021 compared with US$27,915 million at 31 December 2020.

Other assets increased to US$17,170 million at 30 June 2021 compared with US$16,481 million at 31 December 2020, reflecting an increase in investment-related receivables and reinsurance recoveries.

LIABILITIES

Total liabilities increased to US$270,474 million at 30 June 2021 from US$262,453 million at 31 December 2020.

Insurance and investment contract liabilities increased to US$241,135 million at 30 June 2021 compared with US$235,952 million at 31 December 2020, reflecting the underlying growth of the in-force portfolio and positive mark-to-market movements on equities backing unit-linked and participating policies, partially offset by negative foreign exchange translation.

Borrowings increased to US$9,182 million at 30 June 2021, due to the net proceeds from the issuances of medium-term notes and securities totalling US$1,121 million less the redemption of medium-term notes of US$502 million upon maturity. The leverage ratio, which is defined as borrowings expressed as a percentage of total borrowings and equity, was at 13.4 per cent at 30 June 2021, compared with 11.9 per cent at 31 December 2020.

Other liabilities were US$20,157 million at 30 June 2021, compared with US$17,942 million at 31 December 2020, reflecting an increase in repurchase agreements, investment-related payables and derivative financial liabilities, partly offset by a decrease in deferred tax liabilities.

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

EQUITY

Total equity attributable to shareholders was US$58,944 million at 30 June 2021, compared with US$63,200 million at 31 December 2020, as earnings for the first half of 2021 were more than offset by the decrease in fair value reserve driven by the increase in government bond yields in the first half of 2021. The fair value reserve reflects unrealised gains on our available for sale debt securities and is excluded from shareholders' allocated equity to represent the underlying position more clearly.

Capital

REGULATORY CAPITAL REQUIREMENTS

AIA is subject to both Group and local level regulatory capital requirements and met all of these fully as at 30 June 2021.

From 14 May 2021, the Group is subject to the new GWS framework implemented by the Hong Kong Insurance Authority (HKIA), under which the HKIA has direct regulatory powers over Hong Kong incorporated holding companies of designated insurance groups. The framework includes the Local Capital Summation Method (LCSM) assessment of the regulatory capital of the Group based on a summation of local level capital requirements.

The Group's various regulated branches and subsidiaries are also subject to local supervision, including relevant capital requirements, in the jurisdictions in which they and their parent entity operate. The vast majority of the jurisdictions in which the Group operates have enacted regulatory capital regimes for insurers that are risk-based and better reflect underlying economics than the earlier Solvency 1 regulatory regimes that they replaced.

AIA continues to be closely and constructively engaged with the HKIA and the industry on the multi-year consultation process toward a risk-based capital regime in Hong Kong applicable to Hong Kong licensed insurance companies (distinct from the GWS framework applicable at the group level). This risk-based capital regime will replace the current Solvency 1 regime. We expect the regulatory capital rules of the new HKRBC to be finalised during 2021 and anticipate that our regulatory capital position will remain very strong on this basis.

Based on the most recently available information, our expectation is that the regime will become effective from 1 January 2024, however we understand that the HKIA is currently developing plans to allow early adoption.

Subject to finalisation, we intend to provide an update on the Group's capital position including the new HKRBC rules, together with our capital management plans, at our 2021 annual results announcement.

FREE SURPLUS

The Group's free surplus is the excess of adjusted net worth over required capital including consolidated reserving and capital requirements. The Group holds free surplus to enable it to invest in organic new business growth, take advantage of inorganic opportunities and absorb the effects of capital market stress conditions.

UFSG is an operating metric that measures the expected amount of free surplus generated from in-force business over the period before investment in new business, unallocated Group Office expenses, finance costs, investment return variances and other non-operating items.

UFSG of US$3,374 million increased by 6 per cent, driven by the continued growth and active management of our in-force portfolio, partly offset by less positive claims experience compared to the first half of 2020. Free surplus invested in writing new business of US$921 million increased by 25 per cent, in line with the pace of VONB growth.

The Group's financial position remained very strong with free surplus growing to US$17,907 million at 30 June 2021 after the payment of the final shareholder dividend for 2020 of US$1,558 million. The overall effect of investment return variances and other items was US$3,919 million, reflecting positive capital market movements, in particular the effect of higher government bond yields.

The following table summarises the change in free surplus:

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Opening free surplus	**13,473**	14,917
Underlying free surplus generation	**3,374**	3,049
Free surplus used to fund new business	**(921)**	(703)
Unallocated Group Office expenses	**(182)**	(91)
Finance costs and other capital movements	**(198)**	(50)
Free surplus before investment return variances and dividends	**15,546**	17,122
Investment return variances and other items	**3,919**	(3,899)
Free surplus before dividends	**19,465**	13,223
Dividends	**(1,558)**	(1,452)
Closing free surplus	**17,907**	11,771

GROUP LCSM SOLVENCY POSITION

Our Group supervisor is the HKIA. The Group is in compliance with the group capital adequacy requirements as applied to it. In 2021, the HKIA implemented the new GWS framework, under which the HKIA has direct regulatory powers over Hong Kong incorporated holding companies of designated insurance groups. On 14 May 2021, AIA Group Limited became a designated insurance holding company and is now subject to the GWS framework in Hong Kong including the GWS Capital Rules. The GWS Capital Rules set out the capital requirements of the Group under the GWS framework that define the Group's overall solvency position. These requirements are based on a "summation approach" and are referred to as the LCSM.

Under the LCSM, AIA's published group-level total available capital and minimum capital requirement are calculated as the sum of the available and applicable required capital according to the respective regulatory requirements for each entity within the Group, subject to any variation the HKIA considers necessary. The Group LCSM surplus is the difference between the Group available capital and the Group minimum capital requirement. The Group LCSM cover ratio is the ratio of the Group available capital to the Group minimum capital requirement.

At 30 June 2021, the Group LCSM surplus was US$51,231 million, with a very strong Group LCSM cover ratio of 412 per cent. Group available capital within these figures includes:

(i) US$2,858 million(1) of subordinated securities. Subordinated securities with a fixed maturity receive full capital credit up to the date that is 5 years prior to the date of maturity, with the capital credit then reducing at the rate of 20 per cent per annum until maturity. Perpetual subordinated securities receive full capital credit unless they are redeemed; and

(ii) US$5,810 million(1) of senior notes issued before designation that have been approved by the HKIA. Prior to maturity, the approved senior notes receive full capital credit until 14 May 2031, after which the capital credit reduces at the rate of 20 per cent per annum until 14 May 2036.

The comparative figures as at 31 December 2020 were based on the Group's understanding of the likely application of the GWS framework to the Group at the time and included US$1,735 million of subordinated securities, while excluding US$5,810 million of senior notes not then approved as contributing to Group available capital. This is largely consistent with the basis of calculation of the Group LCSM solvency position as at 30 June 2021 with the key difference being the treatment of senior notes.

Note:
(1) The amounts represented the net cash proceeds from the issuances of medium-term notes and securities contributing to Group available capital. These are counted as tier 2 group capital under the GWS Capital Rules.

A summary of the Group LCSM solvency position is as follows:

US$ millions, unless otherwise stated	**As at 30 June 2021**	As at 31 December 2020
Group available capital	**67,675**	59,830
Group minimum capital requirement	**16,444**	16,013
Group LCSM surplus	**51,231**	43,817
Group LCSM cover ratio	**412%**	374%
Senior notes approved as contributing to Group available capital[(1)]	**5,810**	–

The following table summarises the movement in Group LCSM surplus:

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**
Opening Group LCSM surplus	**43,817**
Senior notes approved as contributing to Group available capital[(1)]	**5,810**
Group LCSM surplus generation	**3,021**
Group LCSM surplus used to fund new business	**(89)**
Unallocated Group Office expenses	**(182)**
Finance costs and other capital movements	**(198)**
Group LCSM surplus before net increase in borrowings, investment return variances and dividends	**52,179**
New issuances of borrowings[(1)]	**1,121**
Redemption and maturity of borrowings	**–**
Group LCSM surplus before investment return variances and dividends	**53,300**
Investment return variances and other items	**(511)**
Group LCSM surplus before dividends	**52,789**
Dividends	**(1,558)**
Closing Group LCSM surplus	**51,231**

Note:

(1) The amounts represented the net cash proceeds from the issuances of medium-term notes and securities contributing to Group available capital. These are counted as tier 2 group capital under the GWS Capital Rules.

GROUP LCSM COVER RATIO SENSITIVITIES

Group LCSM cover ratio sensitivities arising from changes to the central assumptions from equity price and interest rate movements and applied consistently with those in EV, are shown below. The interest rate sensitivities apply a 50 basis points movement in current bond yields and the corresponding movement on discount rates applied to the calculation of liabilities. The amount of eligible debt capital is equal to the net cash proceeds at issuance and is unchanged in the sensitivity calculations.

	As at 30 June 2021	As at 31 December 2020
Central value	**412%**	374%
Impact of equity price changes		
10 per cent increase in equity prices	**2 pps**	1 pps
10 per cent decrease in equity prices	**(2) pps**	(2) pps
Impact of interest rate changes		
50 basis points increase in interest rates	**12 pps**	13 pps
50 basis points decrease in interest rates	**(22) pps**	(18) pps

RECONCILIATION BETWEEN GROUP LCSM SURPLUS AND FREE SURPLUS

We believe that the free surplus on a consolidated basis provides a more representative view of the capital position of the Group from a shareholder perspective. The table below shows a reconciliation between the Group LCSM surplus and free surplus.

US$ millions, unless otherwise stated	**As at 30 June 2021**	As at 31 December 2020
Group LCSM surplus	**51,231**	43,817
Adjustments for:		
Eligible debt capital	**(8,668)**	(1,735)
Different capital requirements under EV for AIA China(1)	**(8,084)**	(7,675)
Reflecting shareholders' view of capital(2)	**(9,888)**	(10,314)
Free surplus on business unit basis	**24,591**	24,093
Adjustment to reflect consolidated reserving and capital requirements	**(6,684)**	(10,620)
Free surplus on consolidated basis	**17,907**	13,473

Notes:

(1) Adjustment from C-ROSS solvency basis to China Association of Actuaries (CAA) EV basis in line with local requirements.

(2) Reflects change from Group minimum capital requirement to EV required capital and the removal of participating fund surplus.

LOCAL SOLVENCY REQUIREMENTS

The Group's individual branches and subsidiaries are also subject to supervision, including relevant capital requirements, in the jurisdictions in which they and their parent entity operate. The local operating units were in compliance with the capital requirements of their respective entity and local regulators in each of our geographical markets at 30 June 2021.

HOLDING COMPANY FINANCIAL RESOURCES

At 30 June 2021, holding company financial resources were US$12,919 million compared with US$12,388 million at 31 December 2020. The increase of US$531 million resulted primarily from net capital flows to the holding company from subsidiaries of US$1,908 million, net proceeds from the issuances and redemption of medium-term notes and securities of US$619 million, and the payment of the final shareholder dividend for 2020 of US$1,558 million. Issuances of medium-term notes and securities totalled US$1,121 million while US$502 million were redeemed upon maturity. As previously highlighted, capital flows from business units for 2020 were heavily weighted to the second half of the year reflecting the timing of regulatory reporting and board governance cycles in that year.

The movements in holding company financial resources are summarised as follows:

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Opening holding company financial resources	**12,388**	8,630
Net capital flows to holding company	**1,908**	24
Increase in borrowings[1]	**619**	1,055
Interest payments on borrowings[1]	**(157)**	(115)
Investment income, mark-to-market movements in debt securities and others	**(281)**	672
Closing holding company financial resources before dividends	**14,477**	10,266
Dividends paid	**(1,558)**	(1,452)
Closing holding company financial resources	**12,919**	8,814

Assets recoverable and liabilities repayable within 12 months as follows:

US$ millions, unless otherwise stated	**As at 30 June 2021**	As at 30 June 2020
Loans to/amounts due from subsidiaries[2]	**85**	92
Medium-term notes and securities[3]	**(500)**	(503)
Net other assets and other liabilities	**(65)**	(30)

Notes:

(1) Borrowings principally include medium-term notes and securities; other intercompany loans; and amounts outstanding, if any, from the Company's US$2,290 million unsecured committed credit facilities.

(2) As at 30 June 2021, loans to/amounts due from subsidiaries was US$1,899 million (31 December 2020: US$1,904 million). US$85 million was recoverable within the 12 months after the period ended 30 June 2021 (30 June 2020: US$92 million).

(3) As at 30 June 2021, medium-term notes and securities placed to the market was US$9,171 million (31 December 2020: US$8,559 million). US$500 million was repayable within the 12 months after the period ended 30 June 2021 (30 June 2020: US$503 million). Details of the medium-term notes and securities placed to the market are included in note 18 to the interim condensed consolidated financial statements.

Global Medium-term Note and Securities Programme

In March 2021, we increased our Global Medium-term Note (GMTN) and Securities Programme from US$10 billion to US$12 billion.

Under the programme, the Company issued two fixed rate resettable subordinated perpetual securities. On 7 April 2021, the Company issued US$750 million of resettable subordinated perpetual securities at an annual rate of 2.7 per cent. On 11 June 2021, the Company issued Singapore dollar (SGD) 500 million of resettable subordinated perpetual securities at an annual rate of 2.9 per cent. Both securities are listed on The Stock Exchange of Hong Kong Limited.

At 30 June 2021, the aggregate carrying amount of the debt issued to the market under the GMTN and Securities Programme was US$9,171 million.

Credit Ratings

At 30 June 2021, AIA Co. had financial strength ratings of Aa2 (Very Low Credit Risk) with a stable outlook from Moody's; AA (Very Strong) with a stable outlook from Fitch; and AA- (Very Strong) with a stable outlook from S&P Global Ratings.

Moody's upgraded its issuer credit rating on the Company from A2 (Low Credit Risk) to A1 (Low Credit Risk) on 14 May 2021. S&P Global Ratings upgraded its issuer credit rating on the Company from A (Strong) to A+ (Strong), and revised the outlook on the Company from positive to stable on 29 April 2021.

At 30 June 2021, the Company had issuer credit ratings of A1 (Low Credit Risk) with a stable outlook from Moody's; AA- (Very High Credit Quality) with a stable outlook from Fitch; and A+ (Strong) with a stable outlook from S&P Global Ratings.

Dividends

The Board has declared an increase of 8.6 per cent in the interim dividend to 38.00 Hong Kong cents per share. This follows AIA's established prudent, sustainable and progressive dividend policy, allowing for future growth opportunities and the financial flexibility of the Group.

Regulatory and International Developments

The International Association of Insurance Supervisors (IAIS), a standard-setting body for insurers, adopted ComFrame, the Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs) at its annual general meeting on 14 November 2019. Many of the regulators of the Group's business units, including the HKIA, are members of the IAIS. IAIGs are identified under ComFrame as insurance groups which meet certain minimum requirements with regards to the size and geographical footprint of their business. The Group has been designated an IAIG in accordance with these criteria as previously disclosed.

In addition, as part of ComFrame, in 2020 the IAIS began the first of two phases in the development and implementation of the Insurance Capital Standard (ICS). Under the first phase, a "Reference ICS" is being assessed during a five-year Monitoring Period for reporting privately to group-wide supervisors. It is proposed that the second phase, beginning in 2025, will include implementation of the ICS as part of prescribed group capital requirements. The IAIS is also collecting data on the "aggregation method" (AM), an alternative proposed by US regulators, that would define group solvency by referencing the local regimes to which a group is subject. The IAIS will make a determination by the end of the Monitoring Period whether the AM can be considered to produce "comparable outcomes" to the Reference ICS and therefore be used in its place.

In addition to the above, AIA is an active participant in the industry dialogue on prudential, market conduct and other related matters including the following:

- Hong Kong Risk-based Capital regime: AIA continues to be closely and constructively engaged with the HKIA on the multi-year consultation process toward a risk-based capital regime in Hong Kong applicable to Hong Kong licensed insurance companies (distinct from the GWS framework applicable at the group level). This risk-based capital regime will replace the current Solvency 1 regime. Based on the most recently available information, our expectation is that the regime will become effective from 1 January 2024.

- AIA continues to closely monitor developments in respect of the Organisation for Economic Co-operation and Development's (OECD) recent work on tax policy, commonly referred to as "Base erosion and profit shifting 2.0" (BEPS 2.0), and constructively engages with governments and the OECD. The first pillar of BEPS 2.0 focuses on changes to the international tax system to allocate more taxing rights to sales and market jurisdictions and to ensure a taxable presence in jurisdictions where enterprises have no physical presence but still have a significant economic presence. The second pillar focuses on the development of rules that seek to apply a global minimum tax rate to multinational enterprises and their cross-border transactions. 133 of the 139 members of the OECD/G20 Inclusive Framework that have signed up to the BEPS 2.0 initiative (including Hong Kong) issued a statement, which sets out, at a high level, certain agreed elements of the initiative.

  Pillar One (which is now limited to changes to the international tax system that target the "largest and most profitable" multinational groups) includes an exclusion for regulated financial services businesses. The details of the exclusion are still to be determined but are expected to apply to the Group. Pillar Two will introduce a minimum tax rate of "at least 15 per cent" on a jurisdiction-by-jurisdiction basis. Specific details on the operation of these rules, such as how the effective tax rate (ETR) will be calculated for the purposes of comparing the ETR in a particular jurisdiction with the 15 per cent minimum rate, are still unclear. However, based on publicly available information, the rules that the OECD is proposing are likely to impact AIA's effective tax rate. A commitment has been made by the Inclusive Framework to continue discussions in order to reach a "final decision" on the "design elements" of both pillars by October 2021 and that jurisdictions should bring the rules on Pillar Two into law in 2022, to be effective from 2023.

BUSINESS REVIEW

Summary and Key Business Highlights

In the first half of 2021, AIA delivered a strong and broad-based business performance with 22 per cent growth in VONB and all of our reportable segments reported double-digit growth on a like-for-like basis. To maintain sales momentum, we worked tirelessly to ensure the safety of our staff while continuing to provide uninterrupted service to our customers, agents and partners. Although many of our markets experienced new outbreaks of COVID-19 and authorities around the region reinstated containment measures, remote sales capabilities in all our markets and other key strategic initiatives have enhanced our resilience during periods of disruption.

DISTRIBUTION

Agency VONB grew by 25 per cent in the first half of 2021 as we continued to digitalise the entire agency value chain. We increased our number of active agents and productivity for the Group overall. In July 2021, AIA was named the number one Million Dollar Round Table (MDRT) company in the world, which marks our seventh consecutive year of achieving the largest number of registered members.

VONB for our **partnership** channels grew by 8 per cent after excluding the impact of the one-off contribution from CBA's purchase of mortality cover in the first half of last year. Our bancassurance channel delivered double-digit growth on the same like-for-like basis. This growth was driven by excellent performances from our long-term strategic bank partnerships in Thailand and Malaysia.

GEOGRAPHICAL MARKETS

AIA China delivered VONB growth of 20 per cent on a like-for-like basis (15 per cent on a reported basis) and exceeded the pre-pandemic level of the first half of 2019. Our agency force remains a key competitive advantage, as a high adoption level for our comprehensive suite of digital tools supported a strong improvement in productivity in the first half of 2021. We continued to expand our geographical footprint in Mainland China with the launch of our newest operation in Sichuan province. In June 2021, we also received approval to begin preparations to establish a new branch in Hubei province.

AIA Hong Kong's domestic customer segment saw VONB growth of 16 per cent in the first half of 2021. VONB for the business overall increased by 2 per cent as the domestic customer segment growth was partly offset by reduced sales to the Mainland Chinese visitor customer segment. Our Premier Agency remained the clear market leader in agency distribution, which was supported by a double-digit increase in new recruits. Sales to Mainland Chinese visitors in our Macau branch increased progressively and contributed over one-third of AIA Macau's total ANP in the first half of 2021.

AIA Thailand delivered VONB growth of 52 per cent compared to the first half of 2020, which represented a substantial increase from the pre-pandemic level of 2019. VONB margin increased to 93.5 per cent, supported by a significant shift in product mix towards traditional protection and regular premium unit-linked products.

AIA Singapore achieved excellent VONB growth of 32 per cent compared to the first half of 2020. This was driven by very strong improvements in agent productivity, as we continued to support our Premier Agency by enhancing our digital tools and platforms.

AIA Malaysia reported excellent VONB growth of 89 per cent with the absolute level of VONB 20 per cent higher than the first half of 2019. We continued to focus on executing our Premier Agency strategy and delivered a strong double-digit increase in active agents, while our partnership with Public Bank Berhad delivered a very strong performance.

In **Other Markets**, we delivered 10 per cent VONB growth on a like-for-like basis. This result was supported by double-digit VONB growth from Indonesia, South Korea and Vietnam.

Distribution

AGENCY

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**1,574**	1,194	**25%**	32%
VONB margin	**76.0%**	69.9%	**5.6 pps**	6.1 pps
ANP	**2,069**	1,708	**16%**	21%

AIA's proprietary agency network is our primary distribution channel and sits at the heart of our relationships with our customers. Our Premier Agents are well equipped to provide professional advice and value-added services that help our customers meet their evolving protection and long-term savings needs.

VONB from our agency channel grew by 25 per cent compared to the first half of 2020. ANP grew by 16 per cent to US$2,069 million and VONB margin increased to 76.0 per cent, driven by product mix shift and lower acquisition expense overruns. Our ongoing efforts to digitalise activities across the value chain has helped to build greater resilience in our agency. For example, in Singapore, the proportion of cases closed through remote sales technology more than doubled in June compared to the beginning of the year after local containment measures were tightened. For the Group overall, over one-third of all policies sold by our agency during the first half of 2021 used remote capabilities that did not exist before the pandemic. These initiatives supported an increase in the number of active new agents and productivity in the first half of 2021, despite periodic disruptions from the resurgence of COVID-19 in our markets.

In the first half of 2021, we continued to enhance our digital platforms and embedded new features that industrialise our use of social media presence for leads generation and campaign marketing. These features are now live in six markets: Mainland China, Hong Kong, Singapore, Malaysia, India and the Philippines. Early results from social media integration are encouraging as these new features generated over one million customer leads for our agents and helped deliver over US$100 million of ANP in the first half of 2021.

Our next-generation agency leaders are critical in achieving sustainable growth of our Premier Agency. In the first half of 2021, we increased the number of agency leaders, further enhanced our digital recruitment platforms and improved our leader development programmes.

In July 2021, AIA was named the number one Million Dollar Round Table (MDRT) company in the world, our seventh consecutive year of achieving the largest number of registered members. Our total of more than 16,000 registered MDRT members in 2021 is an increase of 25 per cent over 2020.

PARTNERSHIPS

US$ millions, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	YoY CER	YoY AER
VONB	**352**	335	**(1)%**	5%
VONB margin	**35.5%**	38.4%	**(3.2) pps**	(2.9) pps
ANP	**991**	871	**8%**	14%

AIA's long-term distribution partnerships with market-leading financial institutions and other corporate partners provide us with the opportunity to engage with and meet the protection and long-term savings needs of hundreds of millions of potential customers in Asia. Our focus is to deliver new, digitally-led and personalised propositions to customers of our partners.

VONB for partnerships grew by 8 per cent in the first half of 2021 on a like-for-like basis after excluding the impact of the one-off purchase by CBA in the first half of 2020, as previously reported. On a reported basis, ANP increased by 8 per cent and VONB margin reduced, driven by a higher contribution from group insurance business in Australia.

BANCASSURANCE

Our bancassurance channel delivered double-digit VONB growth on a like-for-like basis. We achieved excellent VONB growth through our long-term strategic bank partnerships in Thailand and Malaysia.

In the first half of 2021, we continued to work with our partners to strengthen activity management of insurance specialists and enhance customer segmentation, resulting in an improvement in new business momentum. In particular, we saw double-digit growth in productivity in Bangkok Bank Public Company Limited (Bangkok Bank) in Thailand, Public Bank Berhad in Malaysia and Bank Central Asia (BCA) in Indonesia. Our evolving digital capabilities enable us to engage, connect and service the customers of our partners with seamless end-to-end experiences. For example, in the first half of 2021, we launched a new product proposition with Citibank, N.A. (Citibank) in Hong Kong and Singapore that provides customers with an efficient online sales process linked to their mobile banking application. We are also driving integration with our partners' data and digital platforms to enable us to deliver the right propositions for different customer segments through an omnichannel experience. Our bank partnerships are increasingly using social media, customer analytics and digital marketing to generate leads that can be closed through different channels from fully online through to face-to-face sales in-branch.

In April 2021, Citibank announced publicly that it will pursue an exit from its consumer banking business in the markets covered by our bancassurance partnership except for Hong Kong and Singapore, which have been the largest contributing markets to the total VONB of our regional partnership. We are in discussions with Citibank on the future arrangement of the bancassurance partnership.

DIGITAL PLATFORMS

AIA's strategy is to form strategic partnerships with technology companies that have significant active user bases and leading consumer companies that have widely-used digital platforms. Through these next-generation partnerships, we attract and engage customers with online purchases of simple products, while applying new analytical models to identify customers with unmet needs for more comprehensive advice-driven life insurance propositions. In addition to existing partnerships with Practo Pte Ltd in India, Gojek in Indonesia and SK Telecom in South Korea, we have launched several new partnerships in 2021, including with TNG Digital Sdn. Bhd., Malaysia's largest e-wallet, and Tiki Corporation, Vietnam's leading e-commerce retailer.

Geographical Market Highlights

MAINLAND CHINA

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**738**	594	**15%**	24%
VONB margin	**82.1%**	81.8%	**0.3 pps**	0.3 pps
ANP	**899**	726	**14%**	24%
TWPI	**3,961**	3,001	**22%**	32%
OPAT	**722**	640	**4%**	13%

AIA China delivered very strong VONB growth of 20 per cent compared to the first half of 2020 on a like-for-like basis that excludes the impact of 5 per cent withholding tax applied since July 2020. VONB on a reported basis grew strongly at 15 per cent compared to the first half of 2020 and exceeded the pre-pandemic level of the first half of 2019. ANP grew by 14 per cent to US$899 million and VONB margin remained broadly stable as the effect of withholding tax was more than offset by enhanced profitability in our long-term savings products.

Our high-quality, professional agency force is a key competitive advantage for AIA China and we continue to strengthen its capabilities with enhanced digital tools. In July 2021, we launched a powerful needs-based-selling application that analyses a customer’s existing insurance coverage in real time, generates a personal needs analysis and enables our agents to provide tailored product recommendations. High adoption levels of our comprehensive suite of advanced digital tools in our agents’ daily activities has supported a strong increase in agent productivity.

Our new innovative modular critical illness proposition, *You Ru Yi*, provides bespoke coverage and includes an upgraded personal case management service and a nutrition programme. Since launch, *You Ru Yi* has become our primary protection proposition. We also recently expanded our long-term savings offerings with the launch of a suite of new products that are designed to help us meet evolving customer needs and deepen our share of wallet in our expanding customer base. We have formed new partnerships with hospitals to provide value-added services to our customers, including online direct billing and prescription services.

Mainland China delivered a 4 per cent increase in OPAT, including the introduction of withholding tax following subsidiarisation. Excluding this item, OPAT increased by 10 per cent compared to the first half of last year, as higher earnings from our growing in-force portfolio more than offset the normalisation of medical claims relative to the first half of 2020.

In March 2021, we launched our new operation in Sichuan province. By the end of June 2021, we had more than 400 full-time high-quality new agents in Chengdu, 70 per cent of whom are university graduates. Leveraging our successful model of geographical expansion, AIA China received approval from the China Banking and Insurance Regulatory Commission to begin preparations to establish a new branch in Hubei province in June 2021. Hubei has a fast-growing economy and ranks eighth in terms of GDP by province within Mainland China. The Hubei branch approval was received less than three months after the launch of our operations in Sichuan province and is a further step in our geographical expansion strategy in Mainland China.

HONG KONG

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**313**	306	**2%**	2%
VONB margin	**57.5%**	51.0%	**6.5 pps**	6.5 pps
ANP	**505**	565	**(11)%**	(11)%
TWPI	**5,773**	6,136	**(6)%**	(6)%
OPAT	**1,055**	1,005	**5%**	5%

AIA Hong Kong achieved 16 per cent growth in VONB for its domestic customer segment in the first half of 2021. Overall VONB grew by 2 per cent as the domestic customer segment growth was partly offset by reduced sales to the Mainland Chinese visitor customer segment. While the Individual Visit Scheme with Mainland China remained suspended for Hong Kong, quarantine requirements for cross-border visitors have been lifted for Macau. In the first half of 2021, sales to Mainland Chinese visitors in our Macau branch progressively increased and contributed over one-third of AIA Macau's total ANP. VONB margin increased by 6.5 pps to 57.5 per cent as product mix shifted towards protection products.

Our Premier Agency remained the clear market leader in agency distribution in Hong Kong and our continued focus on quality recruitment delivered a double-digit increase in new recruits in the first half of 2021. We also launched a series of new customer-centric and innovative propositions, including enhanced Voluntary Health Insurance Scheme products, which offer top-tier medical protection, and AIA One Absolute, our innovative severity-based health protection proposition.

TWPI reduced as a cohort of long-term participating policies issued in 2016 reached the end of the premium paying term while remaining in force and continuing to generate OPAT. OPAT grew by 5 per cent, supported by underlying business growth and higher investment returns. Claims experience for the first half of 2021 was not as positive as the exceptional experience in the first half of 2020.

In March 2021, we announced a 15-year bancassurance partnership with The Bank of East Asia (BEA). The partnership was launched in early July 2021, providing AIA with exclusive access to the bank's customer base and further expanding our distribution capabilities.

THAILAND

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**312**	199	**52%**	57%
VONB margin	**93.5%**	63.9%	**29.6 pps**	29.6 pps
ANP	**333**	312	**4%**	7%
TWPI	**2,089**	1,981	**3%**	5%
OPAT	**485**	478	**(1)%**	1%

AIA Thailand delivered an excellent performance with VONB growth of 52 per cent compared to the first half of 2020, which was also a substantial increase from the pre-pandemic level of 2019. VONB margin increased substantially to 93.5 per cent, as we drove a significant product mix shift towards traditional protection and regular premium unit-linked products. This change in product mix was supported by greater consumer awareness of individual protection needs.

Our market-leading agency business continued to focus on quality recruitment and achieved double-digit growth in the number of new recruits in the first half of 2021. We further developed the functionality of our agency digital tools and launched AIA iSign, an enhanced remote sales tool that improves customer experience with a smoother sales process and enables our agents to remotely complete sales of unit-linked products. Our strategic bancassurance partner Bangkok Bank delivered double-digit VONB growth, primarily driven by strategic initiatives to increase the productivity of insurance specialists.

AIA Thailand's OPAT remained broadly stable, as strong earnings from new business was offset by adverse lapse experience and lower investment returns.

SINGAPORE

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**176**	127	**32%**	39%
VONB margin	**63.2%**	59.3%	**3.9 pps**	3.9 pps
ANP	**279**	214	**25%**	30%
TWPI	**1,730**	1,502	**10%**	15%
OPAT	**339**	303	**8%**	12%

AIA Singapore delivered excellent VONB growth of 32 per cent compared to the first half of 2020, driven by double-digit growth in both our agency and partnership distribution channels. VONB margin increased by 3.9 pps to 63.2 per cent, supported by reduced acquisition expense overruns that reflect the strong ANP growth of 25 per cent.

Our differentiated Premier Agency strategy delivered very strong improvements in agent productivity in the first half of 2021. In the second quarter of 2021, we launched a new mobile-enabled recruitment platform that has been widely adopted with over 60 per cent of new recruits recruited digitally since the platform's launch. We also enhanced iSmart, our mobile application enabling our agents to leverage their individual social media presence for leads generation; this helped generate over 150,000 leads that produced over 10 per cent of our agency sales.

OPAT increased by 8 per cent as a result of growth in our in-force portfolio and increased investment returns.

MALAYSIA

US$ millions, unless otherwise stated	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**YoY CER**	YoY AER
VONB	**157**	81	**89%**	94%
VONB margin	**61.7%**	50.5%	**11.3 pps**	11.2 pps
ANP	**253**	159	**54%**	59%
TWPI	**1,200**	1,049	**10%**	14%
OPAT	**194**	148	**25%**	31%

AIA Malaysia achieved excellent VONB growth of 89 per cent to US$157 million, which is 20 per cent higher than the pre-pandemic level of the first half of 2019. VONB margin improved by 11.3 pps to 61.7 per cent, reflecting a favourable product mix shift and reduced acquisition expense overruns from higher sales volumes.

Agency delivered an excellent performance in the first half of 2021, as our focus on quality recruitment and agency management helped deliver excellent growth in new recruits and a strong double-digit increase in active agents. Our partnership channel achieved a very strong increase in VONB, primarily through Public Bank Berhad where we have worked to drive higher adoption of remote sales tools and execute cross-selling strategies.

Malaysia delivered OPAT growth of 25 per cent in the first half of 2021. As previously highlighted, a one-off provision due to an industry-wide initiative to identify and pay accumulated unreported death claims significantly reduced OPAT in the first half of 2020. Excluding this provision, Malaysia's OPAT grew by 7 per cent.

OTHER MARKETS

US$ millions, unless otherwise stated	Six months ended 30 June 2021	Six months ended 30 June 2020	YoY CER	YoY AER
VONB	**253**	240	**(1)%**	5%
VONB margin	**32.1%**	39.7%	**(8.0) pps**	(7.6) pps
ANP	**791**	603	**24%**	31%
TWPI	**3,758**	3,257	**6%**	15%
OPAT	**391**	333	**12%**	17%

Overview

Our Other Markets segment reported VONB of US$253 million in the first half of 2021, above the pre-pandemic level of 2019. Excluding the one-off contribution from CBA in the first half of 2020, the segment delivered 10 per cent VONB growth, as 7 of 11 markets within the segment reported VONB growth on a like-for-like basis. This result was mainly driven by double-digit growth in Indonesia, South Korea and Vietnam. OPAT increased by 12 per cent, mainly due to underlying business growth and positive claims experience from disability insurance policies in Australia.

Geographical Market Highlights

Australia and **New Zealand:** AIA Australia delivered double-digit VONB growth on a like-for-like basis. Our group insurance business delivered double-digit growth as we benefitted from the renewal of several large group insurance schemes.

Our New Zealand business reported very strong VONB growth, supported by a reduction in acquisition expense overruns. Our IFA channel delivered an excellent performance as we focused on providing strong support to advisers.

Cambodia: AIA Cambodia continued to execute its multi-channel strategy and delivered double-digit ANP growth in the first half of 2021. This was driven by a strong performance in partnership distribution, despite disruptions from COVID-19 containment measures imposed in the first half of 2021.

India: Tata AIA Life Insurance Company Limited (Tata AIA Life) delivered positive VONB growth and maintained its leading position in the pure retail protection market. Our high quality, differentiated Premier Agency continued to drive productivity improvements and achieved strong ANP growth, even as COVID-19 infection rates within the country increased. During this period, we completed close to 100 per cent of new cases using remote sales technology. Our bancassurance channel also delivered excellent growth in VONB compared to the same period last year, as we worked closely with our partners to improve productivity through our enhanced online purchase journeys. Our comprehensive suite of digital and remote selling tools has enabled business continuity and growth throughout the first half of 2021, including agent recruitment processed through iRecruit and online training for our distribution partners and employees.

Indonesia: AIA Indonesia achieved double-digit VONB growth in both our agency and partnership distribution channels, driven by a significant increase in the number of active agents and an improvement in insurance specialist productivity for our strategic bancassurance partnerships.

Myanmar: Throughout the first half of 2021, our Myanmar business has been focused on ensuring the safety of our employees and agents and continuing to meet the needs of our customers.

Philippines: Our operations in the Philippines reported a double-digit decline in VONB as year-on-year growth in the second quarter was offset by a decline in the first quarter. We have continued to focus on increased adoption of remote selling tools among our agency and bank insurance specialists, as our business was affected by containment measures that have largely remained in place since March 2020.

South Korea: AIA Korea delivered double-digit VONB growth, driven by an excellent performance in our direct marketing business and a higher VONB margin resulting from the repricing of several key products in 2020. We continued to enhance our omnichannel distribution model with SK Telecom, SK Inc. C&C and Samsung Card.

Sri Lanka: AIA Sri Lanka reported excellent VONB growth in the first half of 2021, driven by an increase in the number of active agents and improved productivity in our strategic bancassurance partnerships. We delivered double-digit growth in new recruits and continued to support our agency force by enhancing digital support tools, including the launch of a digital customer portal and enhanced remote sales capabilities.

Taiwan (China): AIA Taiwan recorded a double-digit decline in VONB against an exceptional performance in the first half of 2020 ahead of an industry-wide repricing exercise, as previously reported. In May 2021, stringent containment measures were implemented for the first time since the start of the pandemic.

Vietnam: AIA Vietnam delivered double-digit growth in VONB, driven by a very strong performance from our agency channel. We achieved a double-digit increase in the number of active agents as well as improved agent productivity. Our strategic bancassurance partnership with VPBank delivered excellent VONB growth, partly due to a favourable shift in product mix. In July 2021, we announced a new 10-year exclusive life and health insurance partnership with Tiki Corporation, a leading all-in-one e-commerce platform.

Notes:

(1) Throughout all sections of the Business Review, growth on a "like-for-like basis" refers to the exclusion of the 5 per cent withholding tax applied since July 2020 for AIA China, the exclusion of the Mainland Chinese visitor customer segment for AIA Hong Kong and the exclusion of the one-off contribution from CBA in the first half of 2020 for Partnership Distribution and Other Markets.

(2) Throughout the Distribution section, VONB and VONB margin by distribution channel are based on local statutory reserving and capital requirements and exclude pension business.

(3) AIA's Other Markets VONB and ANP results include the results from our 49 per cent shareholding of Tata AIA Life. The IFRS results for Tata AIA Life are accounted for using the equity method. For clarity, TWPI does not include any contribution from Tata AIA Life. The results of Tata AIA Life are accounted for the six-month period ended 31 March 2021 and the six-month period ended 31 March 2020 in AIA's consolidated results for the first half of 2021 and the first half of 2020, respectively.

(4) Growth rates and commentaries are provided on a constant exchange rate (CER) basis.

CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2021, with the exception of Code Provision F.1.3, AIA Group Limited (Company) complied with all applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules). Code Provision F.1.3 provides that the company secretary should report to the chairman of the board and/or the chief executive. The Company operates under a variant of this model whereby the Group Company Secretary reports to the Group General Counsel, who is ultimately accountable for the company secretarial function of the Company and who in turn reports directly to the Group Chief Executive.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own Directors' and Chief Executives' Dealing Policy (Dealing Policy) on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code) contained in Appendix 10 to the Listing Rules in respect of dealings by the directors of the Company (Directors) and Group Chief Executive in the securities of the Company. All of the Directors (including the Group Chief Executive) confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and the Dealing Policy throughout the six months ended 30 June 2021.

CHANGES IN DIRECTORS' INFORMATION

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

Name of Directors	Details of Changes
Mr. Chung-Kong CHOW	Awarded the Grand Bauhinia Medal by the Hong Kong Government on 1 July 2021
Mr. George Yong-Boon YEO	• Resigned as a director of New Yangon Development Company Limited with effect from 3 May 2021 • Ceased to be senior advisor of Kerry Logistics Network Limited (listed on the Hong Kong Stock Exchange) and Kerry Group Limited with effect from 31 May 2021
Professor Lawrence Juen-Yee LAU	• Ceased to be a member and Chairman of the Prize Recommendation Committee of the LUI Che Woo Prize Limited with effect from 30 April 2021 • Appointed as a non-official member of the Candidate Eligibility Review Committee of Hong Kong with effect from 6 July 2021
Mr. Cesar Velasquez PURISIMA	Appointed as independent director of Bank of the Philippine Islands (BPI) (listed on The Philippine Stock Exchange) and BPI Capital Corporation, a wholly-owned subsidiary of BPI, with effect from 20 January 2021 and 16 June 2021 respectively

Directors' biographies are available on the Company's website at www.aia.com.

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

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

As at 30 June 2021, the Directors' and the Chief Executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (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 in the shares and underlying shares of the Company:

Name of Directors	**Number of shares or underlying shares** Long Position (L)	**Class**	**Percentage of the total number of shares in issue**[(1)]	**Capacity**
Mr. LEE Yuan Siong	633,095(L)[(2)]	Ordinary	<0.01	Beneficial owner
	2,318,686(L)[(3)]		0.02	Beneficial owner
	1,661,659(L)[(4)]		0.01	Beneficial owner
	974(L)[(5)]		<0.01	Beneficial owner
Mr. Edmund Sze-Wing TSE	3,330,400 (L)[(2)]	Ordinary	0.02	Beneficial owner
	230,000 (L)[(2)]		<0.01	Interest of controlled corporation[(6)]
Mr. Jack Chak-Kwong SO	130,000 (L)[(2)]	Ordinary	<0.01	Interest of controlled corporation[(7)]
Mr. Chung-Kong CHOW	126,000 (L)[(2)]	Ordinary	<0.01	Beneficial owner
Mr. John Barrie HARRISON	80,000 (L)[(2)]	Ordinary	<0.01	Interests held jointly with another person[(8)]
Mr. George Yong-Boon YEO	50,000 (L)[(2)]	Ordinary	<0.01	Beneficial owner
Professor Lawrence Juen-Yee LAU	160,000 (L)[(2)]	Ordinary	<0.01	Interest of spouse[(9)]

Notes:

(1) Based on 12,096,637,078 shares of the Company in issue as at 30 June 2021.

(2) The interests were in the shares of the Company.

(3) The interests were in restricted share units (RSUs) granted to Mr. Lee Yuan Siong under the restricted share unit schemes adopted by the Company from time to time, of which 1,468,714 RSUs were awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employment as also disclosed in the Company announcement dated 22 November 2019.

(4) The interests were in share options (SOs) granted to Mr. Lee Yuan Siong under the share option schemes adopted by the Company from time to time.

(5) The interests were in matching restricted stock purchase units (RSPUs) granted under the employee share purchase plans adopted by the Company from time to time.

(6) The 230,000 shares were held by Edmund & Peggy Tse Foundation Limited, one-third interest of which is beneficially held by Mr. Edmund Sze-Wing Tse.

(7) The 130,000 shares were held by Cyber Project Developments Limited, a company beneficially wholly-owned by Mr. Jack Chak-Kwong So.

(8) The 80,000 shares were jointly held by Mr. John Barrie Harrison and his spouse, Ms. Rona Irene Harrison, as beneficial owners.

(9) The 160,000 shares were held by Ms. Ayesha Abbas Macpherson, the spouse of Professor Lawrence Juen-Yee Lau, as beneficial owner.

Save as disclosed above, as at 30 June 2021, neither the Directors nor the Chief Executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or 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.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF PERSONS OTHER THAN THE DIRECTORS OR THE CHIEF EXECUTIVE

As at 30 June 2021, the following persons, other than the Directors or the Chief Executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	**Number of shares or underlying shares**[1] Long Position (L) Short Position (S) Lending Pool (P)	Class	**Percentage of the total number of shares in issue**[2] Long Position (L) Short Position (S) Lending Pool (P)	Capacity
JPMorgan Chase & Co.	1,110,600,642 (L) 22,351,209 (S) 766,775,471 (P)	Ordinary	9.18 (L) 0.18 (S) 6.33 (P)	Note 3
The Bank of New York Mellon Corporation	1,096,258,164 (L) 301,796,828 (S) 769,295,915 (P)	Ordinary	9.06 (L) 2.49 (S) 6.35 (P)	Note 4
The Capital Group Companies, Inc.	1,087,914,261 (L)	Ordinary	8.99 (L)	Interest of controlled corporations
BlackRock, Inc.	629,705,868 (L) 2,007,714 (S)	Ordinary	5.20 (L) 0.01 (S)	Interest of controlled corporations

Notes:

(1) Amongst the interests and short positions in the shares and underlying shares of the Company set out in the table above, the following interests and short positions were related to derivative interests held by the shareholders of the Company (Shareholders):

	Long Position				Short Position			
Name of Shareholders	Physically settled listed derivatives	Cash settled listed derivatives	Physically settled unlisted derivatives	Cash settled unlisted derivatives	Physically settled listed derivatives	Cash settled listed derivatives	Physically settled unlisted derivatives	Cash settled unlisted derivatives
JPMorgan Chase & Co.	3,105,000	136,200	448,162	8,309,400	5,786,000	2,407,400	9,930,658	1,751,609
The Bank of New York Mellon Corporation	–	–	–	–	–	–	301,796,828	–
The Capital Group Companies, Inc.	–	–	21,983,176	–	–	–	–	–
BlackRock, Inc.	–	–	–	182,000	–	–	–	818,114

(2) Based on 12,096,637,078 shares of the Company in issue as at 30 June 2021.

(3) JPMorgan Chase & Co. held the interests and short positions in the following capacities:

Capacity	**Number of shares or underlying shares** (Long Position)	**Number of shares or underlying shares** (Short Position)
Approved lending agent	766,775,471	–
Investment manager	315,614,262	–
Interest of controlled corporations	26,704,056	22,351,209
Trustee	1,486,491	–
Person having a security interest in shares	20,362	–

(4) The Bank of New York Mellon Corporation held the interests and short positions in the following capacity:

Capacity	**Number of shares or underlying shares** (Long Position)	**Number of shares or underlying shares** (Short Position)
Interest of controlled corporations	1,096,258,164	301,796,828

Save as disclosed above, as at 30 June 2021, no person, other than the Directors or the Chief Executive of the Company whose interests are set out in the section entitled "Directors' and the Chief Executive's Interests and Short Positions in Shares and Underlying Shares", had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the purchases on the Hong Kong Stock Exchange of 738,388 shares of the Company under the employee share purchase plan adopted on 1 August 2020 and 6,719,800 shares of the Company under the restricted share unit scheme adopted on 1 August 2020 for a total consideration of approximately US$96 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 30 June 2021. These share purchases were made by the relevant plan/scheme trustee on the Hong Kong Stock Exchange and the shares are held on trust for the participants of the relevant plan/scheme and therefore were not cancelled.

SHARE-BASED COMPENSATION

LONG-TERM INCENTIVE PLAN

The restricted share unit scheme (2010 RSU Scheme) and the share option scheme (2010 SO Scheme) adopted by the Company on 28 September 2010, each with a term of 10 years from the date of adoption, were terminated in 2020 and no further grants may be made under these schemes upon their termination.

The restricted share unit scheme (2020 RSU Scheme) and the share option scheme (2020 SO Scheme), with substantially the same terms as the 2010 RSU Scheme and 2010 SO Scheme, respectively, were adopted by the Company on 1 August 2020 (2020 RSU Scheme Adoption Date) and 29 May 2020 (2020 SO Scheme Adoption Date), respectively. Both the 2020 RSU Scheme and the 2020 SO Scheme are effective for a period of 10 years from the respective date of adoption and will expire in 2030.

During the six months ended 30 June 2021, the Company granted RSUs under the 2020 RSU Scheme and SOs under the 2020 SO Scheme to employees, Directors (excluding Independent Non-executive Directors) and officers of the Company and/or its subsidiaries. For further information regarding the 2020 RSU Scheme and the 2020 SO Scheme, please refer to pages 90 to 93 and pages 115 to 121 of the Company's Annual Report 2020, and Appendix III of the shareholders' circular of the Company's 2020 annual general meeting.

RESTRICTED SHARE UNIT SCHEME

During the six months ended 30 June 2021, the Company granted 9,373,814 RSUs under the 2020 RSU Scheme. Notwithstanding the termination of the 2010 RSU Scheme, it shall remain in full force and effect for all RSUs granted prior to its termination, and the vesting of such RSUs shall be subject to and made in accordance with the terms on which they were granted under the 2010 RSU Scheme.

The aggregate number of shares that may underlie all RSUs granted by the Company (excluding RSUs that have lapsed or been cancelled) pursuant to the 2020 RSU Scheme and any other restricted share unit scheme of the Company (i.e., the 2010 RSU Scheme) shall not exceed 2.5 per cent of the number of shares in issue on 29 May 2020 (RSU Reference Date).

Since 2020 RSU Scheme Adoption Date and up to 30 June 2021, a cumulative total of 5,880,863 RSUs vested under the 2010 RSU Scheme and the 2020 RSU Scheme, underlying shares of which represent 0.049 per cent of the shares in issue as at the RSU Reference Date. During the same period, no new shares have been issued either under the 2010 RSU Scheme or the 2020 RSU Scheme.

The table below summarises the movements in RSUs under the 2010 RSU Scheme during the six months ended 30 June 2021.

Group Chief Executive and President, Key Management Personnel and other eligible employees and participants	Date of grant (day/month/ year)[2]	Date of vesting (day/month/ year)[3]	RSUs outstanding as at 1 January 2021	RSUs granted during the six months ended 30 June 2021	RSUs vested during the six months ended 30 June 2021	RSUs cancelled/ lapsed/ reclassified during the six months ended 30 June 2021	RSUs outstanding as at 30 June 2021[7]
Group Chief Executive and President	13/03/2020	See Note[4]	1,784,275	–	(315,561)	–	1,468,714
Mr. LEE Yuan Siong	25/03/2020	25/03/2023[5]	420,426	–	–	–	420,426
Key Management Personnel (excluding the Group Chief Executive and President)	15/03/2018	15/03/2021[5]	980,440	–	(542,483)	(437,957)	–
	27/03/2019	27/03/2022[5]	832,594	–	–	–	832,594
	15/05/2019	01/05/2022[5]	27,182	–	–	–	27,182
	30/12/2019	30/12/2022[6]	445,308	–	–	–	445,308
	25/03/2020	25/03/2023[5]	963,062	–	–	–	963,062
Other eligible employees and participants[1]	15/03/2018	15/03/2021[5]	8,443,189	–	(4,581,525)	(3,861,664)	–
	29/06/2018	15/03/2021[5]	108,956	–	(60,287)	(48,669)	–
	27/03/2019	27/03/2022[5]	8,131,419	–	(24,052)	(328,688)	7,778,679
	15/05/2019	01/05/2022[5]	16,480	–	–	–	16,480
	25/03/2020	25/03/2023[5]	9,602,594	–	(9,665)	(312,412)	9,280,517
	10/06/2020	10/06/2023[5]	31,142	–	–	–	31,142

Notes:

(1) Includes the RSUs of the retired Group Chief Executive and President, Mr. Ng Keng Hooi, that were outstanding as at 1 January 2021.

(2) The measurement dates (i.e. the dates used to determine the value of the grants for accounting purposes) for grants made during the thirteen months ended 31 December 2018 were determined to be 15 March 2018 and 29 June 2018. The measurement dates for grants made during the financial year ended 31 December 2019 were determined to be 27 March 2019, 15 May 2019 and 30 December 2019. The measurement dates for grants made during the financial year ended 31 December 2020 were determined to be 13 March 2020, 25 March 2020 and 10 June 2020. These measurement dates were determined in accordance with IFRS 2.

(3) The date of vesting is subject to applicable dealing restrictions.

(4) Reference is made to the Company's announcement dated 22 November 2019. These RSUs relate to the awarded compensation for unvested long-term incentives and deferred payments that Mr. Lee Yuan Siong forfeited on leaving his prior employment. The vesting of these RSUs is service-based only (i.e. there are no further performance conditions attached except for continued employment). The first two tranches of 315,561 RSUs each had vested on 13 September 2020 and 21 February 2021 respectively. Subject to continued employment, the remaining tranches of 315,561 RSUs each are scheduled to vest on 21 February 2022, 21 February 2023, and 21 February 2024 respectively and 522,031 RSUs are scheduled to vest on 21 February 2025.

(5) The vesting of these RSUs is subject to service requirements and the achievement of performance measures shown on page 117 of the Company's Annual Report 2020.

(6) The vesting of these RSUs is service-based only (i.e. there are no further performance conditions attached except for continued employment). Subject to continued employment, all RSUs will vest on 30 December 2022.

(7) Includes RSUs outstanding as at 30 June 2021 that, in accordance with the 2010 RSU Scheme rules, will lapse on or before the respective vesting date.

The table below summarises the movements in RSUs under the 2020 RSU Scheme during the six months ended 30 June 2021.

Group Chief Executive and President, Key Management Personnel and other eligible employees and participants	Date of grant (day/ month/ year)(1)	Date of vesting (day/ month/ year)(2)	RSUs outstanding as at 1 January 2021	RSUs granted during the six months ended 30 June 2021	RSUs vested during the six months ended 30 June 2021	RSUs cancelled/ lapsed/ reclassified during the six months ended 30 June 2021	RSUs outstanding as at 30 June 2021(7)
Group Chief Executive and President Mr. LEE Yuan Siong	24/03/2021	24/03/2024(3)	–	429,546	–	–	429,546
Key Management Personnel (excluding the Group Chief Executive and President)	24/03/2021	24/03/2022(4)	–	88,071	–	–	88,071
	24/03/2021	24/03/2024(3)	–	1,041,558	–	–	1,041,558
Other eligible employees and participants	24/03/2021	24/03/2022(4)	–	379,400	–	(1,240)	378,160
	24/03/2021	24/03/2024(3)	–	7,226,928	(187)	(122,323)	7,104,418
	24/03/2021	24/03/2024(5)	–	77,480	–	–	77,480
	30/03/2021	24/03/2022(4)	–	43,723	–	(409)	43,314
	02/06/2021	02/06/2024(3)	–	82,624	–	–	82,624
	02/06/2021	02/06/2024(6)	–	4,484	–	–	4,484

Notes:

(1) The measurement dates (i.e. the dates used to determine the value of the grants for accounting purposes) for grants made during the six months ended 30 June 2021 were determined to be 24 March 2021, 30 March 2021 and 2 June 2021. These measurement dates were determined in accordance with IFRS 2.

(2) The date of vesting is subject to applicable dealing restrictions.

(3) The vesting of these RSUs is subject to service requirements and the achievement of performance measures shown on page 117 of the Company's Annual Report 2020.

(4) The vesting of these RSUs is service-based only (i.e. there are no further performance conditions attached except for continued employment). Subject to continued employment, all RSUs will vest on 24 March 2022.

(5) The vesting of these RSUs is service-based only (i.e. there are no further performance conditions attached except for continued employment). Subject to continued employment, all RSUs will vest on 24 March 2024.

(6) The vesting of these RSUs is service-based only (i.e. there are no further performance conditions attached except for continued employment). Subject to continued employment, all RSUs will vest on 2 June 2024.

(7) Includes RSUs outstanding as at 30 June 2021 that, in accordance with the 2020 RSU Scheme rules, will lapse on or before the respective vesting date.

SHARE OPTION SCHEME

During the six months ended 30 June 2021, the Company granted 1,849,222 SOs under the 2020 SO Scheme. Notwithstanding the termination of the 2010 SO Scheme, it shall remain in full force and effect for all SOs granted prior to its termination, and the exercise of such SOs shall be subject to and made in accordance with the terms on which they were granted under the 2010 SO Scheme and the Listing Rules.

The aggregate number of shares that may be issued upon exercise of all SOs granted by the Company (excluding SOs that have lapsed) pursuant to 2020 SO Scheme and any other share option scheme of the Company (i.e., the 2010 SO Scheme) must not exceed 2.5 per cent of the number of shares in issue on 29 May 2020, being the 2020 SO Scheme Adoption Date.

Since 2020 SO Scheme Adoption Date and up to 30 June 2021, a cumulative total of 4,845,602 new shares were issued under the 2010 SO Scheme, representing approximately 0.04 per cent of the shares in issue as at the 2020 SO Scheme Adoption Date. During the same period, no new shares were issued under the 2020 SO Scheme.

As at the date of this report, the total number of shares which will be available for issue upon vesting of all outstanding SOs and SOs that can be granted under the SO Schemes is 297,419,376 shares, representing approximately 2.46 per cent of the number of shares in issue as at the date of this report and as at the 2020 SO Scheme Adoption Date.

Details regarding the valuation of the SOs are set out in note 23 to the interim condensed consolidated financial statements.

The table below summarises the movements in SOs under the 2010 SO Scheme during the six months ended 30 June 2021.

Group Chief Executive and President, Key Management Personnel and other eligible employees and participants	Date of grant (day/month/year)[2]	Period during which SOs are exercisable (day/month/year)	SOs outstanding as at 1 January 2021	SOs granted during the six months ended 30 June 2021	SOs vested during the six months ended 30 June 2021	SOs cancelled/lapsed/reclassified during the six months ended 30 June 2021	SOs exercised during the six months ended 30 June 2021	Exercise price (HK$)	SOs outstanding as at 30 June 2021[16]	Weighted average closing price of shares immediately before the dates on which SOs were exercised (HK$)
Group Chief Executive and President Mr. LEE Yuan Siong	25/03/2020	25/03/2023 – 24/03/2030[3]	1,197,133	–	–	–	–	68.10	1,197,133	n/a
Key Management Personnel (excluding Group Chief Executive and President)	11/03/2013	11/03/2016 – 10/03/2023[4]	76,937	–	–	–	–	34.35	76,937	n/a
	05/03/2014	05/03/2017 – 04/03/2024[5]	527,584	–	–	–	–	37.56	527,584	n/a
	12/03/2015	12/03/2018 – 11/03/2025[6]	473,259	–	–	–	–	47.73	473,259	n/a
	09/03/2016	09/03/2019 – 08/03/2026[7]	1,413,600	–	–	–	–	41.90	1,413,600	n/a
	10/03/2017	10/03/2020 – 09/03/2027[8]	1,499,764	–	–	–	–	50.30	1,499,764	n/a
	31/07/2017	01/06/2020 – 30/07/2027[9]	353,650	–	–	–	–	61.55	353,650	n/a
	15/03/2018	15/03/2021 – 14/03/2028[10]	2,351,059	–	2,351,059	–	–	67.15	2,351,059	n/a
	27/03/2019	27/03/2022 – 26/03/2029[11]	2,195,342	–	–	–	–	76.38	2,195,342	n/a
	15/05/2019	01/05/2022 – 14/05/2029[12]	72,856	–	–	–	–	78.70	72,856	n/a
	25/03/2020	25/03/2023 – 24/03/2030[3]	2,742,235	–	–	–	–	68.10	2,742,235	n/a
Other eligible employees and participants[1]	01/06/2011	01/04/2014 – 31/05/2021[13]	235,861	–	–	–	(235,861)	27.35	–	101.02
	01/06/2011	01/04/2014 – 31/05/2021[14]	217,457	–	–	–	(217,457)	27.35	–	99.10
	15/03/2012	15/03/2015 – 14/03/2022[15]	574,170	–	–	–	–	28.40	574,170	n/a
	11/03/2013	11/03/2016 – 10/03/2023[4]	438,536	–	–	–	–	34.35	438,536	n/a
	05/03/2014	05/03/2017 – 04/03/2024[5]	280,952	–	–	–	–	37.56	280,952	n/a
	12/03/2015	12/03/2018 – 11/03/2025[6]	1,026,353	–	–	–	–	47.73	1,026,353	n/a
	09/03/2016	09/03/2019 – 08/03/2026[7]	411,586	–	–	–	(5,005)	41.90	406,581	103.70
	10/03/2017	10/03/2020 – 09/03/2027[8]	2,109,430	–	–	–	(5,000)	50.30	2,104,430	95.00
	31/07/2017	01/06/2020 – 30/07/2027[9]	476,786	–	–	–	–	61.55	476,786	n/a
	15/03/2018	15/03/2021 – 14/03/2028[10]	1,551,311	–	1,492,908	(58,403)	(42,261)	67.15	1,450,647	98.54
	27/03/2019	27/03/2022 – 26/03/2029[11]	1,551,283	–	–	(54,961)	–	76.38	1,496,322	n/a
	15/05/2019	01/05/2022 – 14/05/2029[12]	9,365	–	–	–	–	78.70	9,365	n/a
	25/03/2020	25/03/2023 – 24/03/2030[3]	1,917,300	–	–	–	–	68.10	1,917,300	n/a

Notes:

(1) Includes SOs of the retired Group Chief Executive and Presidents, Mr. Mark Edward Tucker and Mr. Ng Keng Hooi, that were outstanding as at 1 January 2021.

(2) The measurement date (i.e. the date used to determine the value of the grants for accounting purposes) for grants made during the year ended 30 November 2011 was determined to be 15 June 2011. The measurement date for grants made during the year ended 30 November 2012 was determined to be 15 March 2012. The measurement date for grants made during the year ended 30 November 2013 was determined to be 11 March 2013. The measurement date for grants made during the year ended 30 November 2014 was determined to be 5 March 2014. The measurement date for grants made during the year ended 30 November 2015 was determined to be 12 March 2015. The measurement date for grants made during the year ended 30 November 2016 was determined to be 9 March 2016. The measurement dates for grants made during the year ended 30 November 2017 were determined to be 10 March 2017 and 31 July 2017. The measurement date for grants made during the thirteen months ended 31 December 2018 was determined to be 15 March 2018. The measurement dates for grants made during the year ended 31 December 2019 were determined to be 27 March 2019 and 15 May 2019. The measurement date for grant made during the year ended 31 December 2020 was determined to be 25 March 2020. These measurement dates were determined in accordance with IFRS 2.

(3) The vesting of SOs is service-based only. Subject to continued employment, all SOs will vest on 25 March 2023.

(4) The vesting of SOs is service-based only. All SOs vested on 11 March 2016.

(5) The vesting of SOs is service-based only. All SOs vested on 5 March 2017.

(6) The vesting of SOs is service-based only. All SOs vested on 12 March 2018.

(7) The vesting of SOs is service-based only. All SOs vested on 9 March 2019.

(8) The vesting of SOs is service-based only. All SOs vested on 10 March 2020.

(9) The vesting of SOs is service-based only. All SOs vested on 1 June 2020.

(10) The vesting of SOs is service-based only. All SOs vested on 15 March 2021.

(11) The vesting of SOs is service-based only. Subject to continued employment, all SOs will vest on 27 March 2022.

(12) The vesting of SOs is service-based only. Subject to continued employment, all SOs will vest on 1 May 2022.

(13) The vesting of SOs is service-based only. All SOs vested on 1 April 2014.

(14) The vesting of SOs is service-based only. One-third of SOs vested on 1 April 2014, one-third vested on 1 April 2015, and one third vested on 1 April 2016.

(15) The vesting of SOs is service-based only. All SOs vested on 15 March 2015.

(16) Includes SOs outstanding as at 30 June 2021 that, in accordance with the 2010 SO Scheme rules, will lapse on or before the end of the respective periods during which the SOs are exercisable.

The table below summarises the movements in SOs under the 2020 SO Scheme during the six months ended 30 June 2021.

Group Chief Executive and President, Key Management Personnel and other eligible employees and participants	Date of grant (day/month/year)[1]	Period during which SOs are exercisable (day/month/year)	SOs outstanding as at 1 January 2021	SOs granted during the six months ended 30 June 2021	SOs vested during the six months ended 30 June 2021	SOs cancelled/ lapsed/ reclassified during the six months ended 30 June 2021	SOs exercised during the six months ended 30 June 2021	Exercise price (HK$)	SOs outstanding as at 30 June 2021[3]	Weighted average closing price of shares immediately before the dates on which SOs were exercised (HK$)
Group Chief Executive and President Mr. LEE Yuan Siong	24/03/2021	24/03/2024 – 23/03/2031[2]	–	464,526	–	–	–	97.33	464,526	n/a
Key Management Personnel (excluding Group Chief Executive and President)	24/03/2021	24/03/2024 – 23/03/2031[2]	–	1,126,373	–	–	–	97.33	1,126,373	n/a
Other eligible employees and participants	24/03/2021	24/03/2024 – 23/03/2031[2]	–	258,323	–	–	–	97.33	258,323	n/a

Notes:

(1) The measurement date (i.e. the date used to determine the value of the grants for accounting purposes) for grant made during the six months ended 30 June 2021 was determined to be 24 March 2021. This measurement date was determined in accordance with IFRS 2.

(2) The closing price of the Company's shares immediately before the date on which SOs were granted was HK$96.35. The vesting of SOs is service-based only. Subject to continued employment, all SOs will vest on 24 March 2024.

(3) Includes SOs outstanding as at 30 June 2021 that, in accordance with the 2020 SO Scheme rules, will lapse on or before the end of the respective periods during which the SOs are exercisable.

EMPLOYEE SHARE PURCHASE PLAN

The employee share purchase plan (2011 ESPP) adopted by the Company on 25 July 2011 with a term of 10 years was terminated in 2020. The Company adopted a new employee share purchase plan (2020 ESPP) on 1 August 2020 (2020 ESPP Adoption Date) in place of and with substantially the same terms as the 2011 ESPP. The 2020 ESPP is effective for a period of 10 years from the date of adoption.

Upon the termination of the 2011 ESPP, no further RSPUs can be granted thereunder. However, the 2011 ESPP shall remain in full force and effect for all RSPUs granted prior to its termination, and the vesting of such RSPUs shall be subject to and made in accordance with the terms on which they were granted under the 2011 ESPP.

Under the 2020 ESPP, eligible employees of the Group may elect to purchase the Company's shares and, through the grant of matching RSPUs, receive one matching share for every two shares purchased and held until the end of the vesting period. Each eligible employee's participation level is capped at the lower of 10 per cent of his or her base salary or HK$12,500 (or local currency equivalent) per calendar month.

Upon vesting of the matching RSPUs (i.e., three years from the first share purchase date in a plan year), those employees who are still employed with the Group will receive one matching share for each RSPU granted to him or her. The matching shares can either be provided to recipients through the issuance of new shares by the Company or be purchased on market by the trustee of the 2020 ESPP.

The aggregate number of new shares which can be issued by the Company pursuant to the 2020 ESPP and any other employee share purchase plan (i.e., the 2011 ESPP) during the 10-year period from the 2020 ESPP Adoption Date shall not exceed 2.5 per cent of the number of shares in issue on 29 May 2020 (ESPP Reference Date). Since 2020 ESPP adoption date and up to 30 June 2021, no new shares have been issued under the 2011 ESPP nor the 2020 ESPP.

During the six months ended 30 June 2021, no matching RSPUs were granted, 31,510 matching RSPUs were vested and no new shares were issued under the 2010 ESPP. During the same period, 738,389 matching RSPUs were granted, 5,345 matching RSPUs were vested and no new shares were issued under the 2020 ESPP. Since 2020 ESPP Adoption Date and up to 30 June 2021, a cumulative total of 1,100,058 matching RSPUs were vested under ESPPs and no new shares were issued for the RSPUs.

AGENCY SHARE PURCHASE PLAN

The agency share purchase plan (2012 ASPP) adopted by the Company on 23 February 2012 (2012 ASPP Adoption Date) has a term of 10 years. In view of the upcoming expiry of the 2012 ASPP, the Company adopted a new agency share purchase plan (2021 ASPP) on 1 February 2021 (2021 ASPP Adoption Date) in place of and with substantially the same terms as the 2012 ASPP. The 2021 ASPP is effective for a period of 10 years from the date of adoption.

Upon the termination of the 2012 ASPP, no further RSSUs can be granted thereunder. However, the 2012 ASPP shall remain in full force and effect for all RSSUs granted prior to its termination, and the vesting of such RSSUs shall be subject to and made in accordance with the terms on which they were granted under 2012 ASPP.

Under the 2012 ASPP and 2021 ASPP, certain agents and agency leaders of the Group are selected to participate in the plans. Those agents selected for participation may elect to purchase the Company's shares and, after having been in the plan for a period of three years, receive one matching share for each two shares purchased through the grant of matching RSSUs. Each eligible agent's participation level is capped at HK$9,750 (or local equivalent) per calendar month under 2012 ASPP and capped at HK$12,500 (or local equivalent) per calendar month under 2021 ASPP. Upon vesting of the matching RSSUs, those agents who remain with the Group will receive one matching share for each RSSU which he or she holds.

The aggregate number of new shares which can be issued by the Company pursuant to the 2021 ASPP and any other agency share purchase plan (i.e., the 2012 ASPP) during the 10-year period from the 2021 ASPP Adoption Date shall not exceed 2.5 per cent of the number of shares in issue on 29 May 2020 (ASPP Reference Date).

During the six months ended 30 June 2021, 229,320 matching RSSUs were granted, 1,192,355 matching RSSUs were vested, and 1,192,355 new shares (Awarded Shares) were issued for RSSUs vested pursuant to the 2012 ASPP. During the same period, 146,711 matching RSSUs were granted, no matching RSSUs were vested, and no new shares (Awarded Shares) were issued accordingly pursuant to the 2021 ASPP. The Awarded Shares were issued at the subscription price of US$1.00 each to Computershare Hong Kong Trustees Limited (being the plan trustee) to hold the same on trust for certain eligible agents upon vesting of their matching RSSUs. The closing price of the Company's shares on 27 April 2021 was HK$99.55. The proceeds received amounted to approximately US$1.19 million, which were used to fund the administration expenses of the 2012 ASPP and as general working capital of the Company. Since 2021 ASPP Adoption Date and up to 30 June 2021, a cumulative total of 1,192,355 matching RSSUs were vested under the ASPPs and 1,192,355 new shares were issued for the RSSUs, representing approximately 0.01 per cent of the shares in issue as at the ASPP Reference Date.

EMPLOYEES

As at 30 June 2021, there has been no material change to the information disclosed in the Company's Annual Report 2020 relating to the number and remuneration of employees of the Group, its remuneration policies, share incentive schemes and training programmes.

CONTENTS

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 51 to 105, which comprise the interim consolidated statement of financial position of AIA Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim 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 and 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 of the Group are not prepared, in all material respects, in accordance with HKAS 34 and IAS 34.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
17 August 2021

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

INTERIM CONSOLIDATED INCOME STATEMENT

US$m	Notes	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Revenue			
Premiums and fee income		**18,609**	17,268
Premiums ceded to reinsurers		**(1,361)**	(1,135)
Net premiums and fee income		**17,248**	16,133
Investment return	7	**6,780**	3,381
Other operating revenue		**166**	150
Total revenue		**24,194**	19,664
Expenses			
Insurance and investment contract benefits		**17,272**	13,930
Insurance and investment contract benefits ceded		**(1,202)**	(899)
Net insurance and investment contract benefits		**16,070**	13,031
Commission and other acquisition expenses		**2,267**	2,157
Operating expenses		**1,439**	1,242
Finance costs		**176**	143
Other expenses		**530**	519
Total expenses	8	**20,482**	17,092
Profit before share of profit from associates and joint ventures		**3,712**	2,572
Share of profit from associates and joint ventures		**2**	2
Profit before tax		**3,714**	2,574
Income tax credit/(expense) attributable to policyholders' returns		**72**	(23)
Profit before tax attributable to shareholders' profits		**3,786**	2,551
Tax expense	9	**(445)**	(391)
Tax attributable to policyholders' returns		**(72)**	23
Tax expense attributable to shareholders' profits		**(517)**	(368)
Net profit		**3,269**	2,183
Net profit attributable to:			
Shareholders of AIA Group Limited		**3,245**	2,197
Non-controlling interests		**24**	(14)
Earnings per share (US$)			
Basic	10	**0.27**	0.18
Diluted	10	**0.27**	0.18

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Net profit	**3,269**	2,183
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on available for sale financial assets (net of tax of: six months ended 30 June 2021: US$739m; six months ended 30 June 2020: US$(84)m)[2]	**(4,092)**	2,742
Fair value gains on available for sale financial assets transferred to income on disposal (net of tax of: six months ended 30 June 2021: US$42m; six months ended 30 June 2020: US$61m)[2]	**(1,061)**	(865)
Foreign currency translation adjustments	**(813)**	(679)
Cash flow hedges	**–**	12
Share of other comprehensive income/(expense) from associates and joint ventures	**33**	(65)
Subtotal	**(5,933)**	1,145
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 30 June 2021: nil; six months ended 30 June 2020: US$5m)	**22**	(65)
Effect of remeasurement of net liability of defined benefit schemes (net of tax of: six months ended 30 June 2021: nil; six months ended 30 June 2020: US$(1)m)	**4**	2
Subtotal	**26**	(63)
Total other comprehensive (expense)/income	**(5,907)**	1,082
Total comprehensive (expense)/income	**(2,638)**	3,265
Total comprehensive (expense)/income attributable to:		
Shareholders of AIA Group Limited	**(2,646)**	3,262
Non-controlling interests	**8**	3

Notes:

(1) Where applicable, amounts are presented net of tax, policyholders' participation and other shadow accounting related movements.

(2) Gross of tax, policyholders' participation and other shadow accounting related movements, US$(7,246)m relates to the fair value losses (six months ended 30 June 2020: US$4,709m relates to the fair value gains) on available for sale financial assets and US$1,103m (six months ended 30 June 2020: US$926m) relates to the fair value gains on available for sale financial assets transferred to income on disposal during the period.

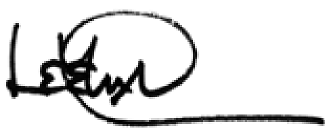
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	Notes	As at 30 June 2021 (Unaudited)	As at 31 December 2020
Assets			
Intangible assets	12	**2,569**	2,634
Investments in associates and joint ventures		**676**	606
Property, plant and equipment		**2,703**	2,722
Investment property		**4,579**	4,639
Reinsurance assets		**4,830**	4,560
Deferred acquisition and origination costs		**28,374**	27,915
Financial investments:	13, 15		
Loans and deposits		**9,569**	9,335
Available for sale			
Debt securities		**159,298**	165,106
At fair value through profit or loss			
Debt securities		**37,731**	36,775
Equity securities		**65,106**	59,182
Derivative financial instruments	14	**915**	1,069
		272,619	271,467
Deferred tax assets		**32**	23
Current tax recoverable		**89**	103
Other assets		**6,271**	5,833
Cash and cash equivalents	16	**7,149**	5,619
Total assets		**329,891**	326,121
Liabilities			
Insurance contract liabilities	17	**228,276**	223,071
Investment contract liabilities	17	**12,859**	12,881
Borrowings	18	**9,182**	8,559
Obligations under repurchase agreements	19	**3,447**	1,664
Derivative financial instruments	14	**1,836**	1,003
Provisions		**225**	230
Deferred tax liabilities		**5,835**	6,902
Current tax liabilities		**446**	346
Other liabilities		**8,368**	7,797
Total liabilities		**270,474**	262,453

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US$m	Notes	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Equity			
Share capital	20	**14,159**	14,155
Employee share-based trusts	20	**(225)**	(155)
Other reserves	20	**(11,877)**	(11,891)
Retained earnings		**46,391**	44,704
Fair value reserve	20	**10,073**	15,170
Foreign currency translation reserve	20	**(586)**	233
Property revaluation reserve	20	**1,048**	1,027
Others		**(39)**	(43)
Amounts reflected in other comprehensive income		**10,496**	16,387
Total equity attributable to:			
Shareholders of AIA Group Limited		**58,944**	63,200
Non-controlling interests		**473**	468
Total equity		**59,417**	63,668
Total liabilities and equity		**329,891**	326,121

Approved and authorised for issue by the Board of Directors on 17 August 2021.



Lee Yuan Siong
Director

Edmund Sze-Wing Tse
Director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$m	Note	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income: Fair value reserve	Foreign currency translation reserve	Property revaluation reserve	Others	Non-controlling interests	Total equity
Balance at 1 January 2021		**14,155**	**(155)**	**(11,891)**	**44,704**	**15,170**	**233**	**1,027**	**(43)**	**468**	**63,668**
Net profit		-	-	-	3,245	-	-	-	-	24	3,269
Fair value losses on available for sale financial assets(2)		-	-	-	-	(4,081)	-	-	-	(11)	(4,092)
Fair value gains on available for sale financial assets transferred to income on disposal(2)		-	-	-	-	(1,061)	-	-	-	-	(1,061)
Foreign currency translation adjustments		-	-	-	-	-	(808)	-	-	(5)	(813)
Share of other comprehensive income/(expense) from associates and joint ventures		-	-	-	-	45	(11)	(1)	-	-	33
Revaluation gains on property held for own use		-	-	-	-	-	-	22	-	-	22
Effect of remeasurement of net liability of defined benefit schemes		-	-	-	-	-	-	-	4	-	4
Total comprehensive income/ (expense) for the period		-	-	-	3,245	(5,097)	(819)	21	4	8	(2,638)
Dividends	11	-	-	-	(1,558)	-	-	-	-	(14)	(1,572)
Shares issued under share option scheme and agency share purchase plan		4	-	-	-	-	-	-	-	-	4
Capital contributions from non-controlling interests		-	-	-	-	-	-	-	-	11	11
Share-based compensation		-	-	41	-	-	-	-	-	-	41
Purchase of shares held by employee share-based trusts		-	(97)	-	-	-	-	-	-	-	(97)
Transfer of vested shares from employee share-based trusts		-	27	(27)	-	-	-	-	-	-	-
Balance at 30 June 2021 – Unaudited		**14,159**	**(225)**	**(11,877)**	**46,391**	**10,073**	**(586)**	**1,048**	**(39)**	**473**	**59,417**

Notes:

(1) Where applicable, amounts are presented net of tax, policyholders' participation and other shadow accounting related movements.

(2) Gross of tax, policyholders' participation and other shadow accounting related movements, US$(7,246)m relates to the fair value losses on available for sale financial assets and US$1,103m relates to the fair value gains on available for sale financial assets transferred to income on disposal during the six months ended 30 June 2021.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

US$m	Note	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income: Fair value reserve	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Property revaluation reserve	Others	Non-controlling interests	Total equity
Balance at 1 January 2020		14,129	(220)	(11,887)	40,922	11,669	(698)	1,073	(41)	448	55,395
Net profit		–	–	–	2,197	–	–	–	–	(14)	2,183
Fair value gains on available for sale financial assets[2]		–	–	–	–	2,727	–	–	–	15	2,742
Fair value gains on available for sale financial assets transferred to income on disposal[2]		–	–	–	–	(865)	–	–	–	–	(865)
Foreign currency translation adjustments		–	–	–	–	–	(681)	–	–	2	(679)
Cash flow hedges		–	–	–	–	–	–	–	12	–	12
Share of other comprehensive expense from associates and joint ventures		–	–	–	–	(36)	(29)	–	–	–	(65)
Revaluation losses on property held for own use		–	–	–	–	–	–	(65)	–	–	(65)
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	2	–	2
Total comprehensive income/ (expense) for the period		–	–	–	2,197	1,826	(710)	(65)	14	3	3,265
Dividends	11	–	–	–	(1,452)	–	–	–	–	–	(1,452)
Shares issued under share option scheme and agency share purchase plan		6	–	–	–	–	–	–	–	–	6
Share-based compensation		–	–	47	–	–	–	–	–	–	47
Purchase of shares held by employee share-based trusts		–	(6)	–	–	–	–	–	–	–	(6)
Transfer of vested shares from employee share-based trusts		–	71	(71)	–	–	–	–	–	–	–
Balance at 30 June 2020 – Unaudited		14,135	(155)	(11,911)	41,667	13,495	(1,408)	1,008	(27)	451	57,255

Notes:

(1) Where applicable, amounts are presented net of tax, policyholders' participation and other shadow accounting related movements.

(2) Gross of tax, policyholders' participation and other shadow accounting related movements, US$4,709m relates to the fair value gains on available for sale financial assets and US$926m relates to the fair value gains on available for sale financial assets transferred to income on disposal during the six months ended 30 June 2020.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Cash flows from operating activities		
Profit before tax	**3,714**	2,574
Adjustments for:		
Financial investments	**(12,101)**	(7,459)
Insurance and investment contract liabilities, and deferred acquisition and origination costs	**10,139**	9,053
Obligations under repurchase agreements	**1,774**	(314)
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items	**(4,193)**	(4,024)
Operating cash items:		
Interest received	**3,712**	3,377
Dividends received	**519**	460
Interest paid	**(24)**	(24)
Tax paid	**(446)**	(377)
Net cash provided by operating activities	**3,094**	3,266
Cash flows from investing activities		
Payments for intangible assets	**(120)**	(81)
Distribution or dividend from an associate	**–**	2
Payments for increase in interest of joint ventures	**(27)**	(2)
Proceeds from sales of investment property and property, plant and equipment	**1**	–
Payments for investment property and property, plant and equipment	**(51)**	(51)
Acquisition of subsidiaries	**–**	(536)
Net cash used in investing activities	**(197)**	(668)
Cash flows from financing activities		
Issuances of medium-term notes and securities	**1,121**	1,055
Redemption of medium-term notes	**(502)**	–
Proceeds from other borrowings	**94**	911
Repayment of other borrowings	**(83)**	(841)
Capital contributions from non-controlling interests	**11**	–
Payments for lease liabilities[(1)]	**(95)**	(96)
Interest paid on medium-term notes and securities	**(148)**	(107)
Dividends paid during the period	**(1,572)**	(1,452)
Purchase of shares held by employee share-based trusts	**(97)**	(6)
Shares issued under share option scheme and agency share purchase plan	**4**	6
Net cash used in financing activities	**(1,267)**	(530)
Net increase in cash and cash equivalents	**1,630**	2,068
Cash and cash equivalents at beginning of the financial period	**5,393**	3,753
Effect of exchange rate changes on cash and cash equivalents	**(94)**	(59)
Cash and cash equivalents at end of the financial period	**6,929**	5,762

Note:
(1) The total cash outflow for leases for the six months ended 30 June 2021 was US$98m (six months ended 30 June 2020: US$100m).

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

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

	Note	**As at 30 June 2021 (Unaudited)**	As at 30 June 2020 (Unaudited)
Cash and cash equivalents in the interim consolidated statement of financial position	16	**7,149**	5,950
Bank overdrafts		**(220)**	(188)
Cash and cash equivalents in the interim consolidated statement of cash flows		**6,929**	5,762

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. 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 31 December 2020.

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

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

(a) The following relevant new amendments to standards have been adopted for the first time for the financial year ending 31 December 2021 and have no material impact to the Group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2; and

- Amendment to IFRS 16, COVID-19-Related Rent Concessions.

(b) The following relevant new amendments to standards have been issued since the release of the Group's 2020 consolidated financial statements, but are not effective for the financial year ending 31 December 2021 and have not been early adopted (the financial years for which the adoption is required for the Group is stated in parentheses). The Group has assessed the impact of the new amendment on its financial position and results of operations and it is not expected to have a material impact on the financial position or results of operations of the Group:

- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2023).

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 2020 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 50. 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 31 December 2020 that are included in the interim condensed consolidated financial statements as comparative information does not constitute the Group's statutory financial statements for that financial period but is derived from those financial statements. The Group has delivered the financial statements for the year ended 31 December 2020 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 12 March 2021. 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 Asia. The results and cash flows of these operations have been translated into US dollars at the following average rates:

	US dollar exchange rates		
	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020	Six months ended 30 June 2020 (Unaudited)
Mainland China	**6.47**	6.90	7.03
Hong Kong	**7.76**	7.76	7.76
Thailand	**30.82**	31.27	31.60
Singapore	**1.33**	1.38	1.40
Malaysia	**4.10**	4.20	4.25

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

	US dollar exchange rates		
	As at 30 June 2021 (Unaudited)	As at 31 December 2020	As at 30 June 2020 (Unaudited)
Mainland China	**6.46**	6.53	7.07
Hong Kong	**7.77**	7.75	7.75
Thailand	**32.03**	29.95	30.88
Singapore	**1.34**	1.32	1.40
Malaysia	**4.15**	4.02	4.28

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	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Operating profit after tax	6	**3,206**	2,958
Non-operating items, net of related changes in insurance and investment contract liabilities and taxes:			
Short-term fluctuations in investment return related to equities and real estate(1)		**196**	(1,309)
Reclassification of revaluation (gains)/losses for property held for own use(1)		**(37)**	61
Corporate transaction related costs		**(19)**	(37)
Implementation costs for new accounting standards		**(28)**	(22)
Other non-operating investment return and other items		**(49)**	532
Subtotal(2)		**63**	(775)
Net profit		**3,269**	2,183
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited		**3,182**	2,933
Non-controlling interests		**24**	25
Net profit attributable to:			
Shareholders of AIA Group Limited		**3,245**	2,197
Non-controlling interests		**24**	(14)

Notes:

(1) Short-term fluctuations in investment return include the revaluation gains and losses for property held for own use. This amount is then reclassified out of net profit to conform to IFRS measurement and presentation.

(2) The amount is net of tax credit of US$13m (six months ended 30 June 2020: US$91m). The gross amount before tax is US$50m (six months ended 30 June 2020: US$(866)m).

Operating profit is determined using, among others, expected long-term investment return for equities and real estate. Short-term fluctuations between expected long-term investment return and actual investment return for these asset classes are excluded from operating profit. The assumptions used to determine expected long-term investment return are the same, in all material respects, as those 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). The Group measures new business activity using a performance measure referred to as annualised new premiums (ANP). The presentation of this note is consistent with our reportable segment presentation in note 6.

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.

TWPI US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
TWPI by geography		
Mainland China	**3,961**	3,001
Hong Kong	**5,773**	6,136
Thailand	**2,089**	1,981
Singapore	**1,730**	1,502
Malaysia	**1,200**	1,049
Other Markets	**3,758**	3,257
Total	**18,511**	16,926
First year premiums by geography		
Mainland China	**872**	693
Hong Kong	**357**	462
Thailand	**291**	282
Singapore	**188**	145
Malaysia	**186**	141
Other Markets	**518**	439
Total	**2,412**	2,162
Single premiums by geography		
Mainland China	**92**	234
Hong Kong	**1,376**	876
Thailand	**256**	91
Singapore	**711**	521
Malaysia	**163**	87
Other Markets	**448**	440
Total	**3,046**	2,249

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

TWPI (continued) US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Renewal premiums by geography		
Mainland China	**3,080**	2,285
Hong Kong	**5,278**	5,586
Thailand	**1,772**	1,690
Singapore	**1,471**	1,305
Malaysia	**998**	899
Other Markets	**3,195**	2,774
Total	**15,794**	14,539

ANP US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
ANP by geography		
Mainland China	**899**	726
Hong Kong	**505**	565
Thailand	**333**	312
Singapore	**279**	214
Malaysia	**253**	159
Other Markets	**791**	603
Total	**3,060**	2,579

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 Mainland China, Hong Kong (including Macau), Thailand, Singapore (including Brunei), Malaysia, Other Markets and Group Corporate Centre. Other Markets includes the Group's operations in Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), 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.

As 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).

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

The Group provides deferred tax liabilities in respect of unremitted earnings in jurisdictions where withholding tax charge would be incurred upon dividend distribution. On 1 October 2020, AIA Company Limited (AIA Co.) converted its Mainland China business to a wholly-owned subsidiary, AIA Life Insurance Company Limited, which was incorporated in Shanghai on 9 July 2020. Upon the conversion of the Mainland China business to AIA Life Insurance Company Limited, any future dividends to the Group from this subsidiary are subject to withholding tax at the applicable tax rate in Mainland China (currently at 5 per cent). Consequently, deferred tax liability in respect of unremitted earnings of this subsidiary was provided for in the period ended 30 June 2021 and year ended 31 December 2020.

6. Segment information (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2021 – Unaudited								
ANP	899	505	333	279	253	791	–	3,060
TWPI	3,961	5,773	2,089	1,730	1,200	3,758	–	18,511
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	3,776	6,192	1,968	1,877	999	2,535	63	17,410
Investment return	658	1,993	614	709	298	610	299	5,181
Total revenue	4,434	8,185	2,582	2,586	1,297	3,145	362	22,591
Net insurance and investment contract benefits	2,978	5,985	1,415	1,918	807	1,627	57	14,787
Commission and other acquisition expenses	303	747	421	185	123	480	8	2,267
Operating expenses	232	209	128	111	109	509	141	1,439
Finance costs and other expenses	29	92	28	22	8	45	140	364
Total expenses	3,542	7,033	1,992	2,236	1,047	2,661	346	18,857
Share of (losses)/profit from associates and joint ventures	–	(1)	–	–	–	3	–	2
Operating profit before tax	892	1,151	590	350	250	487	16	3,736
Tax on operating profit before tax	(170)	(89)	(105)	(11)	(51)	(84)	(20)	(530)
Operating profit/(losses) after tax	722	1,062	485	339	199	403	(4)	3,206
Operating profit/(losses) after tax attributable to:								
Shareholders of AIA Group Limited	722	1,055	485	339	194	391	(4)	3,182
Non-controlling interests	–	7	–	–	5	12	–	24
Key operating ratios:								
Expense ratio	5.9%	3.6%	6.1%	6.4%	9.1%	13.5%	–	7.8%
Operating margin	18.2%	18.4%	23.2%	19.6%	16.6%	10.7%	–	17.3%
Operating return on shareholders' allocated equity	31.4%	16.3%	14.5%	16.0%	17.9%	8.6%	–	12.8%
Operating profit before tax includes:								
Finance costs	18	15	–	1	1	4	133	172
Depreciation and amortisation	49	46	11	14	12	50	16	198

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
30 June 2021 – Unaudited								
Total assets	38,567	118,329	35,116	46,851	17,265	53,636	20,127	329,891
Total liabilities	33,847	100,647	26,746	41,640	15,069	43,230	9,295	270,474
Total equity	4,720	17,682	8,370	5,211	2,196	10,406	10,832	59,417
Shareholders' allocated equity	4,066	12,828	6,492	4,222	2,082	8,840	10,341	48,871
Total assets include:								
Investments in associates and joint ventures	–	3	–	–	2	671	–	676

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[(1)]	Interim consolidated income statement	
Six months ended 30 June 2021 – Unaudited					
Net premiums, fee income and other operating revenue	**17,410**	**–**	**4**	**17,414**	Net premiums, fee income and other operating revenue
Investment return	**5,181**	**741**	**858**	**6,780**	Investment return
Total revenue	**22,591**	**741**	**862**	**24,194**	**Total revenue**
Net insurance and investment contract benefits	**14,787**	**503**	**780**	**16,070**	Net insurance and investment contract benefits
Other expenses	**4,070**	**–**	**342**	**4,412**	Other expenses
Total expenses	**18,857**	**503**	**1,122**	**20,482**	**Total expenses**
Share of profit from associates and joint ventures	**2**	**–**	**–**	**2**	Share of profit from associates and joint ventures
Operating profit before tax	**3,736**	**238**	**(260)**	**3,714**	**Profit before tax**

Note:
(1) Include unit-linked contracts.

6. Segment information (continued)

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2020 – Unaudited								
ANP	726	565	312	214	159	603	–	2,579
TWPI	3,001	6,136	1,981	1,502	1,049	3,257	–	16,926
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	3,039	6,631	1,909	1,596	901	2,151	57	16,284
Investment return	509	1,695	631	616	279	573	246	4,549
Total revenue	3,548	8,326	2,540	2,212	1,180	2,724	303	20,833
Net insurance and investment contract benefits	2,388	6,155	1,415	1,619	770	1,304	47	13,698
Commission and other acquisition expenses	222	770	397	170	127	463	8	2,157
Operating expenses	185	220	113	96	90	445	93	1,242
Finance costs and other expenses	22	88	26	28	7	39	111	321
Total expenses	2,817	7,233	1,951	1,913	994	2,251	259	17,418
Share of profit from associates and joint ventures	–	–	–	–	–	2	–	2
Operating profit before tax	731	1,093	589	299	186	475	44	3,417
Tax on operating profit before tax	(91)	(80)	(111)	4	(36)	(127)	(18)	(459)
Operating profit after tax	640	1,013	478	303	150	348	26	2,958
Operating profit after tax attributable to:								
Shareholders of AIA Group Limited	640	1,005	478	303	148	333	26	2,933
Non-controlling interests	–	8	–	–	2	15	–	25
Key operating ratios:								
Expense ratio	6.2%	3.6%	5.7%	6.4%	8.6%	13.7%	–	7.3%
Operating margin	21.3%	16.5%	24.1%	20.2%	14.3%	10.7%	–	17.5%
Operating return on shareholders' allocated equity	28.7%	18.8%	14.4%	16.9%	15.8%	7.8%	–	13.2%
Operating profit before tax includes:								
Finance costs	16	16	–	1	1	5	102	141
Depreciation and amortisation	43	51	11	15	10	57	18	205

US$m	Mainland China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Group Corporate Centre	Total
31 December 2020								
Total assets	34,919	113,933	38,640	45,994	17,715	55,644	19,276	326,121
Total liabilities	29,989	95,598	28,730	40,640	15,445	44,369	7,682	262,453
Total equity	4,930	18,335	9,910	5,354	2,270	11,275	11,594	63,668
Shareholders' allocated equity	4,407	11,999	6,421	3,916	2,060	8,936	10,291	48,030
Total assets include:								
Investments in associates and joint ventures	–	3	–	–	2	601	–	606

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[1]	Interim consolidated income statement	
Six months ended 30 June 2020 – Unaudited					
Net premiums, fee income and other operating revenue	16,284	–	(1)	16,283	Net premiums, fee income and other operating revenue
Investment return	4,549	(2,886)	1,718	3,381	Investment return
Total revenue	20,833	(2,886)	1,717	19,664	**Total revenue**
Net insurance and investment contract benefits	13,698	(1,384)	717	13,031	Net insurance and investment contract benefits
Other expenses	3,720	–	341	4,061	Other expenses
Total expenses	17,418	(1,384)	1,058	17,092	**Total expenses**
Share of profit from associates and joint ventures	2	–	–	2	Share of profit from associates and joint ventures
Operating profit before tax	3,417	(1,502)	659	2,574	**Profit before tax**

Note:

(1) Include unit-linked contracts.

7. Investment return

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Interest income	**3,681**	3,443
Dividend income	**539**	459
Rental income	**84**	87
Investment income	**4,304**	3,989
Available for sale		
Net realised gains from debt securities	**1,103**	926
Net gains of available for sale financial assets reflected in the interim consolidated income statement	**1,103**	926
At fair value through profit or loss		
Net (losses)/gains of debt securities	**(907)**	719
Net gains/(losses) of equity securities	**2,798**	(3,165)
Net fair value movement on derivatives	**(864)**	843
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	**1,027**	(1,603)
Net fair value movement of investment property	**(2)**	(276)
Net foreign exchange gains	**395**	363
Other net realised losses	**(47)**	(18)
Investment experience	**2,476**	(608)
Investment return	**6,780**	3,381

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

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Foreign exchange gains	**261**	111

8. Expenses

US$m	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Insurance contract benefits	**7,596**	6,878
Change in insurance contract liabilities	**9,004**	7,207
Investment contract benefits	**672**	(155)
Insurance and investment contract benefits	**17,272**	13,930
Insurance and investment contract benefits ceded	**(1,202)**	(899)
Insurance and investment contract benefits, net of reinsurance ceded	**16,070**	13,031
Commission and other acquisition expenses incurred	**2,857**	2,725
Deferral and amortisation of acquisition costs	**(590)**	(568)
Commission and other acquisition expenses	**2,267**	2,157
Employee benefit expenses	**932**	817
Depreciation	**135**	132
Amortisation	**43**	49
Other operating expenses	**329**	244
Operating expenses	**1,439**	1,242
Investment management expenses and others	**297**	283
Depreciation on property held for own use	**16**	16
Restructuring and other non-operating costs(1)	**207**	190
Change in third-party interests in consolidated investment funds	**10**	30
Other expenses	**530**	519
Finance costs	**176**	143
Total	**20,482**	17,092

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 corporate transaction related costs, implementation costs for new accounting standards and other items that are not expected to be recurring in nature.

8. Expenses (continued)

Finance costs may be analysed as:

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Repurchase agreements	**19**	15
Medium-term notes and securities	**147**	111
Lease liabilities	**7**	8
Other loans	**3**	9
Total	**176**	143

Employee benefit expenses consist of:

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Wages and salaries	**751**	664
Share-based compensation	**39**	48
Pension costs – defined contribution plans	**60**	46
Pension costs – defined benefit plans	**7**	7
Other employee benefit expenses	**75**	52
Total	**932**	817

9. Income tax

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Tax charged in the interim consolidated income statement		
Current income tax – Hong Kong Profits Tax	**86**	77
Current income tax – overseas	**595**	213
Deferred income tax on temporary differences	**(236)**	101
Total	**445**	391

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, Australia, Indonesia, New Zealand, the Philippines and Sri Lanka 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 credit attributable to policyholders' returns included above is US$72m (six months ended 30 June 2020: tax expense of US$23m).

During the period ended 30 June 2021, changes in the corporate income tax rates have been enacted in the Philippines and Sri Lanka. For the Philippines, the corporate income tax rate changed from 30 per cent to 25 per cent effective from 1 July 2020. For Sri Lanka, the corporate income tax rate changed from 28 per cent to 24 per cent effective from 1 January 2020.

In 2020, a change in the corporate income tax rate was enacted in Indonesia from 25 per cent to 22 per cent for fiscal years 2020 and 2021 and to 20 per cent from fiscal year 2022 onwards.

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 the purpose of computing basic and diluted earnings per share.

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,245**	2,197
Weighted average number of ordinary shares in issue (million)	**12,065**	12,055
Basic earnings per share (US cents per share)	**26.90**	18.22

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 30 June 2021 and 2020, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 23.

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,245**	2,197
Weighted average number of ordinary shares in issue (million)	**12,065**	12,055
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans (million)	**22**	19
Weighted average number of ordinary shares for diluted earnings per share (million)	**12,087**	12,074
Diluted earnings per share (US cents per share)	**26.85**	18.20

At 30 June 2021, 1,849,222 share options (30 June 2020: 9,824,311) 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 30 June 2021 and 2020, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units granted to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 23.

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Basic (US cents per share)	**26.37**	24.33
Diluted (US cents per share)	**26.33**	24.29

11. Dividends

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

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Interim dividend declared after the reporting date of 38.00 Hong Kong cents per share (six months ended 30 June 2020: 35.00 Hong Kong cents per share)[1]	**590**	545

Note:

(1) Based upon shares outstanding at 30 June 2021 and 2020 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 period, approved and paid during the interim period:

US$m	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Final dividend in respect of the previous financial period, approved and paid during the interim period of 100.30 Hong Kong cents per share (six months ended 30 June 2020: 93.30 Hong Kong cents per share)	**1,558**	1,452

12. Intangible assets

US$m	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 January 2021	1,659	823	911	3,393
Additions	–	54	–	54
Disposals	–	(18)	–	(18)
Foreign exchange movements	(48)	(13)	(8)	(69)
At 30 June 2021 – Unaudited	**1,611**	**846**	**903**	**3,360**
Accumulated amortisation				
At 1 January 2021	(4)	(512)	(243)	(759)
Amortisation charge for the period	–	(43)	(20)	(63)
Disposals	–	18	–	18
Foreign exchange movements	–	8	5	13
At 30 June 2021 – Unaudited	**(4)**	**(529)**	**(258)**	**(791)**
Net book value				
At 31 December 2020	1,655	311	668	2,634
At 30 June 2021 – Unaudited	**1,607**	**317**	**645**	**2,569**

The Group holds intangible assets for its long-term use and the annual amortisation charge of US$126m (31 December 2020: US$142m) approximates the amount that is expected to be recovered through consumption within 12 months after the end of the reporting period.

The carrying amount of distribution and other rights is US$645m (31 December 2020: US$668m), a significant proportion of which is related to the bancassurance partnership with Citibank, N.A. (Citibank).

In April 2021, Citibank announced publicly that it will pursue an exit from its consumer banking business in the markets covered by the bancassurance partnership except for Hong Kong and Singapore. The Group is in discussions with Citibank on the future arrangement of the bancassurance partnership.

The Group determined that there was no impairment of the Group's intangible assets as at 30 June 2021.

13. Financial investments

DEBT SECURITIES

Debt securities by type comprise the following:

	Policyholder and shareholder							
	Participating funds and other participating business with distinct portfolios		Other policyholder and shareholder			Unit-linked	Consolidated investment funds[5]	
US$m	FVTPL	AFS	FVTPL	AFS	Subtotal	FVTPL	FVTPL	Total
30 June 2021 – Unaudited								
Government bonds[1]	**10,330**	**–**	**1,185**	**43,922**	**55,437**	**1,669**	**–**	**57,106**
Other government and government agency bonds[2]	**6,615**	**4,255**	**70**	**17,817**	**28,757**	**548**	**678**	**29,983**
Corporate bonds	**10,926**	**42,699**	**1,058**	**49,663**	**104,346**	**1,361**	**2,301**	**108,008**
Structured securities[3]	**335**	**–**	**433**	**942**	**1,710**	**222**	**–**	**1,932**
Total[4]	**28,206**	**46,954**	**2,746**	**112,344**	**190,250**	**3,800**	**2,979**	**197,029**
31 December 2020								
Government bonds[1]	9,324	–	1,189	45,750	56,263	1,846	–	58,109
Other government and government agency bonds[2]	6,767	4,934	75	18,843	30,619	508	332	31,459
Corporate bonds	11,922	42,668	264	51,975	106,829	1,459	2,063	110,351
Structured securities[3]	357	–	474	936	1,767	195	–	1,962
Total[4]	28,370	47,602	2,002	117,504	195,478	4,008	2,395	201,881

Notes:

(1) Government bonds include bonds issued in local or foreign currencies by the government of the country where respective business unit operates.

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

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

(4) Debt securities of US$8,490m (31 December 2020: US$9,188m) are restricted due to local regulatory requirements.

(5) 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: Participating funds and other participating business with distinct portfolios FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Consolidated investment funds[1] FVTPL	Total
30 June 2021 – Unaudited						
Equity shares	**17,083**	**5,044**	**22,127**	**7,193**	**1,806**	**31,126**
Interests in investment funds	**11,437**	**1,928**	**13,365**	**20,603**	**12**	**33,980**
Total	**28,520**	**6,972**	**35,492**	**27,796**	**1,818**	**65,106**

US$m	Policyholder and shareholder: Participating funds and other participating business with distinct portfolios FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Consolidated investment funds[1] FVTPL	Total
31 December 2020						
Equity shares	15,596	6,302	21,898	7,185	1,073	30,156
Interests in investment funds	8,296	756	9,052	19,974	–	29,026
Total	23,892	7,058	30,950	27,159	1,073	59,182

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

DEBT AND EQUITY SECURITIES

US$m	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Debt securities		
Listed	**154,261**	160,062
Unlisted	**42,768**	41,819
Total	**197,029**	201,881
Equity securities		
Listed	**33,166**	31,050
Unlisted[1]	**31,940**	28,132
Total	**65,106**	59,182

Note:
(1) Including US$27,002m (31 December 2020: US$25,806m) of investment funds which can be redeemed daily.

13. Financial investments (continued)

LOANS AND DEPOSITS

US$m	As at 30 June 2021 (Unaudited)	As at 31 December 2020
Policy loans	**3,559**	3,547
Mortgage loans on residential real estate	**549**	590
Mortgage loans on commercial real estate	**46**	49
Other loans	**597**	760
Allowance for loan losses	**(15)**	(14)
Loans	**4,736**	4,932
Term deposits	**3,225**	2,683
Promissory notes[1]	**1,608**	1,720
Total	**9,569**	9,335

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$1,953m (31 December 2020: US$2,057m).

Other loans include receivables from reverse repurchase agreements under which the Group does not take physical possession of securities purchased under the agreements. Sales or transfers of securities are not permitted by the respective clearing house on which they are registered while the loan is outstanding. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities held by the clearing house. At 30 June 2021, the carrying value of such receivables is US$294m (31 December 2020: US$271m).

Effect of Inter-bank offered rate (IBOR) reform

The International Accounting Standards Board (IASB) published *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2* to address the implications on financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate. These amendments have been adopted for the first time for the year ending 31 December 2021 and have no material impact to the Group.

The Group currently holds a number of financial instrument contracts which reference USD London Interbank Offered Rate (LIBOR), Singapore Swap Offer Rate (SOR) and Thai Baht Interest Rate Fixing (THBFIX), that extend beyond 2021 (collectively "Original Benchmark Interest Rates") and have not yet transitioned to replacement benchmark interest rates.

The Group monitors the exposure to instruments subject to such reform and is in the process of implementing changes to systems, processes, risk management procedures and valuation models that may arise as a consequence of the reform. Such reform has no impact on the Group's risk management strategy. Risks arising from instruments that are subject to such transition are not considered significant.

While the impact of IBOR reform on profit or loss and other comprehensive income is not considered significant to the Group, the following table contains the carrying value of relevant financial instruments that the Group holds at 30 June 2021.

	Carrying value at 30 June 2021 and have yet to transition to a replacement benchmark interest rate		
US$m	**USD LIBOR**	**SOR**	**THBFIX**
Non-derivative financial assets	**1,518**	**904**	**–**
Non-derivative financial liabilities	**–**	**(371)**	**–**
Net derivative financial assets/(liabilities)	**(73)**	**23**	**45**

14. Derivative financial instruments

The Group's derivative exposure is as follows:

US$m	Notional amount	Fair value Assets	Fair value Liabilities
30 June 2021 – Unaudited			
Foreign exchange contracts			
Cross-currency swaps	**8,086**	**101**	**(310)**
Forwards	**3,971**	**72**	**(22)**
Foreign exchange futures	**91**	**–**	**–**
Total foreign exchange contracts	**12,148**	**173**	**(332)**
Interest rate contracts			
Interest rate swaps	**8,879**	**415**	**(249)**
Other			
Warrants and options	**147**	**9**	**–**
Forward contracts	**17,004**	**310**	**(1,252)**
Swaps	**1,787**	**8**	**(3)**
Netting	**(91)**	**–**	**–**
Total	**39,874**	**915**	**(1,836)**
31 December 2020			
Foreign exchange contracts			
Cross-currency swaps	8,172	313	(158)
Forwards	2,694	121	(17)
Foreign exchange futures	100	–	–
Total foreign exchange contracts	10,966	434	(175)
Interest rate contracts			
Interest rate swaps	8,510	561	(308)
Other			
Warrants and options	1,342	51	(45)
Forward contracts	10,658	18	(469)
Swaps	1,267	5	(6)
Netting	(100)	–	–
Total	32,643	1,069	(1,003)

The column "notional amount" in the above table represents the pay leg of derivative transactions other than equity-index option. For certain equity-index call and put options with the same notional amount that are purchased to hedge the downside risk of the underlying equities by means of a collar strategy, the notional amount represents the exposure of the hedged equities.

Of the total derivatives, US$25m (31 December 2020: US$25m) 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 provide an economic hedge to 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. Forward contracts are contractual obligations to buy or sell a financial instrument on a predetermined future date at a specified price. Swaps are OTC contractual agreements between the Group and a third party to exchange a series of cash flows based upon an index, rates or other variables applied to a notional amount.

NETTING ADJUSTMENT

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

COLLATERAL UNDER DERIVATIVE TRANSACTIONS

At 30 June 2021, the Group had posted cash collateral of US$170m (31 December 2020: US$86m) and pledged debt securities with carrying value of US$1,489m (31 December 2020: US$696m) for liabilities and held cash collateral of US$288m (31 December 2020: US$500m), debt securities collateral with carrying value of US$20m (31 December 2020: US$17m) for assets in respect of derivative transactions. The Group did not sell or repledge the collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard 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 discretionary participation features (DPF) which are accounted for under IFRS 4.

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

		Fair value				
US$m	Notes	Fair value through profit or loss	Available for sale	Cost/ amortised cost	Total carrying value	Total fair value
30 June 2021- Unaudited						
Financial investments	13					
Loans and deposits		**–**	**–**	**9,569**	**9,569**	**9,565**
Debt securities		**37,731**	**159,298**	**–**	**197,029**	**197,029**
Equity securities		**65,106**	**–**	**–**	**65,106**	**65,106**
Derivative financial instruments	14	**915**	**–**	**–**	**915**	**915**
Reinsurance receivables		**–**	**–**	**816**	**816**	**816**
Other receivables		**–**	**–**	**3,423**	**3,423**	**3,423**
Accrued investment income		**–**	**–**	**1,838**	**1,838**	**1,838**
Cash and cash equivalents	16	**–**	**–**	**7,149**	**7,149**	**7,149**
Financial assets		**103,752**	**159,298**	**22,795**	**285,845**	**285,841**

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	17	**12,016**	**556**	**12,572**	**12,572**
Borrowings	18	**–**	**9,182**	**9,182**	**10,020**
Obligations under repurchase agreements	19	**–**	**3,447**	**3,447**	**3,447**
Derivative financial instruments	14	**1,836**	**–**	**1,836**	**1,836**
Other liabilities		**1,004**	**7,364**	**8,368**	**8,368**
Financial liabilities		**14,856**	**20,549**	**35,405**	**36,243**

15. Fair value measurement of financial instruments (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

US$m	Notes	Fair value: Fair value through profit or loss	Fair value: Available for sale	Cost/ amortised cost	Total carrying value	Total fair value
31 December 2020						
Financial investments	13					
Loans and deposits		–	–	9,335	9,335	9,333
Debt securities		36,775	165,106	–	201,881	201,881
Equity securities		59,182	–	–	59,182	59,182
Derivative financial instruments	14	1,069	–	–	1,069	1,069
Reinsurance receivables		–	–	671	671	671
Other receivables		–	–	3,053	3,053	3,053
Accrued investment income		–	–	1,822	1,822	1,822
Cash and cash equivalents	16	–	–	5,619	5,619	5,619
Financial assets		97,026	165,106	20,500	282,632	282,630

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	17	12,026	543	12,569	12,569
Borrowings	18	–	8,559	8,559	9,555
Obligations under repurchase agreements	19	–	1,664	1,664	1,664
Derivative financial instruments	14	1,003	–	1,003	1,003
Other liabilities		1,025	6,772	7,797	7,797
Financial liabilities		14,054	17,538	31,592	32,588

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the six months ended 30 June 2021.

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

15. Fair value measurement 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 according to fair value hierarchy is given below:

	Fair value hierarchy			
US$m	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2021 – Unaudited				
Financial assets				
Available for sale				
Debt securities				
Participating funds and other participating business with distinct portfolios	**–**	**46,946**	**8**	**46,954**
Other policyholder and shareholder	**–**	**111,151**	**1,193**	**112,344**
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	**–**	**27,368**	**838**	**28,206**
Unit-linked and consolidated investment funds	**22**	**6,757**	**–**	**6,779**
Other policyholder and shareholder	**1**	**2,434**	**311**	**2,746**
Equity securities				
Participating funds and other participating business with distinct portfolios	**23,742**	**999**	**3,779**	**28,520**
Unit-linked and consolidated investment funds	**28,991**	**302**	**321**	**29,614**
Other policyholder and shareholder	**5,290**	**1,063**	**619**	**6,972**
Derivative financial instruments				
Foreign exchange contracts	**–**	**173**	**–**	**173**
Interest rate contracts	**–**	**415**	**–**	**415**
Other contracts	**12**	**315**	**–**	**327**
Total financial assets on a recurring fair value measurement basis	**58,058**	**197,923**	**7,069**	**263,050**
% of Total	***22.1***	***75.2***	***2.7***	***100.0***
Financial liabilities				
Investment contract liabilities	**–**	**11,704**	**312**	**12,016**
Derivative financial instruments				
Foreign exchange contracts	**–**	**332**	**–**	**332**
Interest rate contracts	**–**	**249**	**–**	**249**
Other contracts	**9**	**1,246**	**–**	**1,255**
Other liabilities	**–**	**1,004**	**–**	**1,004**
Total financial liabilities on a recurring fair value measurement basis	**9**	**14,535**	**312**	**14,856**
% of Total	***0.1***	***97.8***	***2.1***	***100.0***

15. Fair value measurement of financial instruments (continued)

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

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2020				
Financial assets				
Available for sale				
Debt securities				
Participating funds and other participating business with distinct portfolios	–	47,594	8	47,602
Other policyholder and shareholder	69	116,178	1,257	117,504
At fair value through profit or loss				
Debt securities				
Participating funds and other participating business with distinct portfolios	14	27,426	930	28,370
Unit-linked and consolidated investment funds	14	6,386	3	6,403
Other policyholder and shareholder	1	1,697	304	2,002
Equity securities				
Participating funds and other participating business with distinct portfolios	20,272	877	2,743	23,892
Unit-linked and consolidated investment funds	27,640	285	307	28,232
Other policyholder and shareholder	5,481	1,077	500	7,058
Derivative financial instruments				
Foreign exchange contracts	–	434	–	434
Interest rate contracts	–	561	–	561
Other contracts	13	61	–	74
Total financial assets on a recurring fair value measurement basis	53,504	202,576	6,052	262,132
% of Total	*20.4*	*77.3*	*2.3*	*100.0*
Financial liabilities				
Investment contract liabilities	–	–	12,026	12,026
Derivative financial instruments				
Foreign exchange contracts	–	175	–	175
Interest rate contracts	–	308	–	308
Other contracts	12	508	–	520
Other liabilities	–	1,025	–	1,025
Total financial liabilities on a recurring fair value measurement basis	12	2,016	12,026	14,054
% of Total	*0.1*	*14.3*	*85.6*	*100.0*

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the six months ended 30 June 2021, the Group transferred US$312m (year ended 31 December 2020: US$127m) 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$202m (year ended 31 December 2020: US$9m) of assets from Level 2 to Level 1 during the six months ended 30 June 2021.

The Group's Level 2 financial instruments include debt securities, equity securities, derivative instruments and other liabilities. 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 private 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 30 June 2021. The table reflects gains and losses, including gains and losses on financial assets and liabilities categorised as Level 3 as at 30 June 2021.

Level 3 financial assets and liabilities

US$m	Debt securities	Equity securities	Derivative financial assets/ (liabilities)	Investment contracts
At 1 January 2021	**2,502**	**3,550**	**–**	**(12,026)**
Net movement on investment contract liabilities	–	–	–	(5)
Total gains/(losses)				
Reported under investment return in the interim consolidated income statement	(2)	346	–	–
Reported under fair value reserve and foreign currency translation reserve in the interim consolidated statement of comprehensive income	12	(35)	–	–
Purchases	172	895	–	–
Sales	(14)	(37)	–	–
Settlements	(320)	–	–	–
Transfer out of Level 3	–	–	–	11,719
At 30 June 2021 – Unaudited	**2,350**	**4,719**	**–**	**(312)**
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	**(36)**	**332**	**–**	**–**

Movements in investment contract liabilities at fair value are offset by movements in the underlying portfolio of matching assets. In 2021, the Group has revisited the fair value hierarchy disclosure of its investment contract liabilities. Of the total investment contract liabilities reported, US$11,719m have been valued based on quoted prices of the underlying investments hence they are classified as Level 2.

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 30 June 2021, the valuation techniques and applicable unobservable inputs used to measure the Group's Level 3 financial instruments are summarised as follows:

Description	Fair value at 30 June 2021 (Unaudited) (US$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	907	Discounted cash flows	Risk adjusted discount rate	3.71% – 10.79%

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 private 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 private 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 Valuations Advisory Committee 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 debt 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 30 June 2021 (Unaudited)	As at 31 December 2020
Cash	**4,260**	2,877
Cash equivalents	**2,889**	2,742
Total[1]	**7,149**	5,619

Note:
(1) US$931m (31 December 2020: US$1,111m) are held to back unit-linked contracts and US$42m (31 December 2020: US$108m) 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 that are convertible into known amounts of cash and subject to insignificant risk of changes in value. 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 30 June 2021 (Unaudited)	As at 31 December 2020
Deferred profit	**27,166**	24,972
Unearned revenue	**2,039**	1,751
Policyholders' share of participating surplus	**30,259**	31,151
Liabilities for future policyholder benefits	**168,812**	165,197
Total	**228,276**	223,071

INVESTMENT CONTRACT LIABILITIES

Investment contract liabilities include deferred fee income of US$287m (31 December 2020: US$312m).

18. Borrowings

US$m	As at 30 June 2021 (Unaudited)	As at 31 December 2020
Other loans	**11**	–
Medium-term notes and securities		
Senior notes	**6,321**	6,824
Subordinated securities	**2,850**	1,735
Total	**9,182**	8,559

18. Borrowings (continued)

The following table summarises the Company's outstanding medium-term notes and securities placed to the market at 30 June 2021:

SENIOR NOTES

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
13 March 2013(1)	US$500m	3.125%	10 years	13 March 2023
11 March 2014(1)	US$500m	4.875%	30 years	11 March 2044
11 March 2015(1)	US$750m	3.200%	10 years	11 March 2025
16 March 2016(1)	US$750m	4.500%	30 years	16 March 2046
23 May 2017(2)	US$500m	4.470%	30 years	23 May 2047
6 April 2018(1)	US$500m	3.900%	10 years	6 April 2028
20 September 2018(1)	US$500m	3M LIBOR + 0.52%	3 years	20 September 2021
16 January 2019	HK$1,300m	2.950%	3.5 years	16 July 2022
16 January 2019	HK$1,100m	3.680%	12 years	16 January 2031
9 April 2019(1)	US$1,000m	3.600%	10 years	9 April 2029
7 April 2020(1)	US$1,000m	3.375%	10 years	7 April 2030
24 June 2020	A$90m	2.950%	10 years	24 June 2030

SUBORDINATED SECURITIES

Issue date	Nominal amount	Interest rate	Tenor at issue	Maturity
16 September 2020(1)(3)	US$1,750m	3.200%	20 years	16 September 2040
7 April 2021(1)(3)(4)	US$750m	2.700%	Perpetual	n/a
11 June 2021(1)(3)(4)	SG$500m	2.900%	Perpetual	n/a

Notes:

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

(2) These medium-term notes are listed on The Taipei Exchange, Taiwan. The Company has the right to redeem these notes at par on 23 May of each year beginning on 23 May 2022.

(3) The Company has the right to redeem these securities, in whole, at par on predetermined dates as set out within the terms and conditions of the securities.

(4) The coupon rate of these securities is fixed for a predetermined period as set out within the terms and conditions of the securities, and then resets to the initial spread plus a then prevailing benchmark rate if the securities have not been redeemed.

The net proceeds from issuance during the six months ended 30 June 2021 are used for general corporate purposes.

The Group has access to an aggregate of US$2,290m unsecured committed credit facilities, which includes a US$100m revolving three-year credit facility expiring in 2024 and a US$2,190m five-year credit facility expiring in 2026, following extension of both facilities by one year effective 28 July 2021. The credit facilities will be used for general corporate purposes. There were no outstanding borrowings under these credit facilities as of 30 June 2021 and 31 December 2020.

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 derecognised from the Group's interim consolidated statement of financial position, but are retained within the appropriate financial asset classification. During the term of the 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 derecognition at each period end:

US$m	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Debt securities – AFS		
Repurchase agreements	**3,200**	1,444
Debt securities – FVTPL		
Repurchase agreements	**248**	232
Total	**3,448**	1,676

COLLATERAL

At 30 June 2021, the Group had pledged debt securities of US$16m (31 December 2020: US$1m). Cash collateral of US$26m (31 December 2020: nil) was held based on the market value of the securities transferred. In the absence of default, the Group did not sell or repledge the collateral received.

At 30 June 2021, the obligations under repurchase agreements were US$3,447m (31 December 2020: US$1,664m).

20. Share capital and reserves

SHARE CAPITAL

	As at 30 June 2021		As at 31 December 2020	
	Million shares (Unaudited)	**US$m (Unaudited)**	Million shares	US$m
Ordinary shares[1], issued and fully paid				
At beginning of the financial period	**12,095**	**14,155**	12,089	14,129
Shares issued under share option scheme and agency share purchase plan	**2**	**4**	6	26
At end of the financial period	**12,097**	**14,159**	12,095	14,155

Note:
(1) Ordinary shares have no nominal value.

The Company issued 505,584 shares under share option scheme (year ended 31 December 2020: 4,876,916 shares) and 1,192,355 shares under agency share purchase plan (year ended 31 December 2020: 1,185,442 shares) during the six months ended 30 June 2021.

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2021 with the exception of 7,458,188 shares (year ended 31 December 2020: 1,552,886 shares) of the Company purchased by and nil share (year ended 31 December 2020: nil share) 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 30 June 2021, 5,570,654 shares (six months ended 30 June 2020: 11,233,639 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 30 June 2021, 30,635,796 shares (31 December 2020: 28,748,261 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 amount 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

Capital Management Approach

The Group's capital management objectives focus on maintaining a strong capital base to support the development of its business, maintaining the ability to move capital freely among Group members and satisfying regulatory capital requirements at all times.

The Group's capital management function oversees all capital-related activities of the Group and assists senior management in making capital decisions. The capital management function participates in decisions concerning asset-liability management, strategic asset allocation and ongoing solvency management. This includes ensuring capital considerations are paramount in the strategy and business planning processes and when determining AIA's capacity to pay dividends to shareholders.

Group-wide Supervision Framework and the Local Capital Summation Method

The group supervisor of the Group is the Hong Kong Insurance Authority (HKIA). The Group is in compliance with the group capital adequacy requirements as applied to it.

In 2021, the HKIA implemented the new Group-wide Supervision (GWS) framework, under which the HKIA has direct regulatory powers over Hong Kong incorporated holding companies of insurance groups that are designated. On 14 May 2021, the Company became a designated insurance holding company and is now subject to the GWS framework including the Insurance (Group Capital) Rules (GWS Capital Rules). Under the GWS Capital Rules, the Group available capital and the Group minimum capital requirement are based on a "summation approach", and are referred to as the Local Capital Summation Method (LCSM).

Under the LCSM, the Group available capital and the Group minimum capital requirement are calculated based on summing up of the available capital and applicable required capital according to the respective regulatory requirements for each entity within the Group, subject to any variation the HKIA considers necessary. The Group LCSM surplus is the difference between the Group available capital and the Group minimum capital requirement. The Group LCSM cover ratio is the ratio of the Group available capital to the Group minimum capital requirement.

At 30 June 2021, the Group available capital includes:

(i) US$2,858m[1] of subordinated securities. Subordinated securities with a fixed maturity receive full capital credit up to the date that is 5 years prior to the date of maturity, with the capital credit then reducing at the rate of 20 per cent per annum until maturity. Perpetual subordinated securities receive full capital credit unless they are redeemed; and

(ii) US$5,810m[1] of senior notes issued before designation that have been approved by the HKIA. Prior to maturity, the approved senior notes receive full capital credit until 14 May 2031, after which the capital credit reduces at the rate of 20 per cent per annum until 14 May 2036.

The comparative figures as at 31 December 2020 were based on the Group's understanding of the likely application of the GWS framework to the Group at the time and included US$1,735m of subordinated securities, while excluding US$5,810m of senior notes not then approved as contributing to Group available capital. This is largely consistent with the basis of calculation of the Group LCSM solvency position as at 30 June 2021 with the key difference being the treatment of senior notes.

Note:

(1) The amounts represent the net cash proceeds from the issuances of medium-term notes and securities contributing to Group available capital. These are counted as tier 2 group capital under the GWS Capital Rules.

21. Group capital structure (continued)

Group-wide Supervision Framework and the Local Capital Summation Method (continued)

A summary of the Group LCSM solvency position is as follows:

US$m	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020 (Unaudited)
Group available capital	**67,675**	59,830
Group minimum capital requirement	**16,444**	16,013
Group LCSM surplus	**51,231**	43,817
Group LCSM cover ratio	**412%**	374%

Local Regulatory Solvency

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 and their parent entity operate and, in relation to subsidiaries, in which they are incorporated. The various regulators overseeing the Group actively monitor our local solvency positions.

The Group's principal operating companies AIA Co. and AIA International Limited (AIA International), as authorised insurers in Hong Kong, are required by the HKIA to meet the solvency margin requirements of the Hong Kong Insurance Ordinance. During the six months ended 30 June 2021 and the year ended 31 December 2020, these two principal operating companies were in compliance with these solvency requirements.

Dividends, remittances and other payments from individual branches and subsidiaries

The ability of the Company to pay dividends to shareholders and to meet other obligations depends ultimately on dividends, remittances and other payments being received from its operating branches and subsidiaries, 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 branches and subsidiaries to make payment of dividends, remittances and other 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.

Capital and Regulatory Orders Specific to the Group

On 14 May 2021, AIA Group Limited became a designated insurance holding company and is now subject to the GWS framework. The HKIA has confirmed that the undertaking as previously disclosed in note 37 to the Group's consolidated financial statements as at and for the year ended 31 December 2020 has ceased to apply as of 14 May 2021.

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, and treasury activities.

The Group's credit risk management oversight process is governed centrally, but provides for decentralised management and accountability by our lines of defence. A key to AIA's credit risk management is adherence to a well-controlled underwriting process. The Group's credit risk management starts with the assignment of an internal rating to all counterparties. A detailed analysis of each counterparty is performed and a rating determined by the investment teams. The Group's Risk Management function manages the Group's internal ratings framework and conducts periodic rating reviews. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

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.

22. Risk management (continued)

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 align policyholders expectations, 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 counterparty to ensure concentrations are avoided.

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. Sensitivity analysis for assets held in participating funds has been calculated after allocation of returns to policyholders using the applicable minimum policyholder participation ratios.

Information is presented to illustrate the estimated impact on profits and total equity 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 total equity 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.

	30 June 2021 (Unaudited)			31 December 2020		
US$m	**Impact on profit before tax**	**Impact on total equity (before the effects of taxation)**	**Impact on allocated equity (before the effects of taxation)**	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)
Equity price risk						
10 per cent increase in equity prices	**1,158**	**1,158**	**1,158**	1,091	1,091	1,091
10 per cent decrease in equity prices	**(1,158)**	**(1,158)**	**(1,158)**	(1,091)	(1,091)	(1,091)
Interest rate risk						
+ 50 basis points shift in yield curves	**(690)**	**(8,000)**	**(690)**	(550)	(8,403)	(550)
- 50 basis points shift in yield curves	**728**	**8,910**	**728**	584	9,356	584

22. Risk management (continued)

FOREIGN EXCHANGE RATE RISK

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

However, assets, liabilities and local 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.

FOREIGN EXCHANGE RATE NET EXPOSURE

US$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
30 June 2021 – Unaudited						
Equity analysed by original currency	**30,501**	**6,891**	**5,735**	**5,137**	**(5,526)**	**2,384**
Net positions of currency derivatives	**(8,908)**	**(13)**	**332**	**3,033**	**3,711**	**(38)**
Currency exposure	**21,593**	**6,878**	**6,067**	**8,170**	**(1,815)**	**2,346**
5% strengthening of original currency						
Impact on profit before tax	**356**	**98**	**113**	**4**	**11**	**(1)**
Impact on other comprehensive income	**(381)**	**246**	**140**	**404**	**(101)**	**118**
Impact on total equity	**(25)**	**344**	**253**	**408**	**(90)**	**117**
5% strengthening of the US dollar						
Impact on profit before tax	**356**	**(95)**	**(71)**	**(2)**	**6**	**1**
Impact on other comprehensive income	**(381)**	**(249)**	**(182)**	**(406)**	**84**	**(118)**
Impact on total equity	**(25)**	**(344)**	**(253)**	**(408)**	**90**	**(117)**

US$m	United States Dollar	China Renminbi	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit
31 December 2020						
Equity analysed by original currency	35,400	5,862	4,617	6,445	(4,644)	2,516
Net positions of currency derivatives	(9,942)	–	650	3,457	4,239	135
Currency exposure	25,458	5,862	5,267	9,902	(405)	2,651
5% strengthening of original currency						
Impact on profit before tax	260	41	71	9	25	5
Impact on other comprehensive income	(286)	252	141	485	(45)	128
Impact on total equity	(26)	293	212	494	(20)	133
5% strengthening of the US dollar						
Impact on profit before tax	260	(34)	(5)	(6)	(9)	(4)
Impact on other comprehensive income	(286)	(259)	(207)	(488)	29	(129)
Impact on total equity	(26)	(293)	(212)	(494)	20	(133)

22. Risk management (continued)

LIQUIDITY RISK

The liquidity principle adopted by the Group Board is "*We will maintain sufficient liquidity to meet our expected financial commitments as they fall due*" and as such AIA has defined liquidity risk as the risk of failure to meet current and future financial commitments as they fall due. This incorporates the risks arising from the timing mismatch of cash inflows and outflows in day-to-day operations, including collateral requirements, as well as the market liquidity of assets required for policyholder liabilities.

AIA manages liquidity risk in accordance with the Group's liquidity framework. This framework contains the standards, procedures, and tools used by the Group to monitor and manage liquidity risk in base and stressed conditions across multiple time horizons from daily to twelve months. AIA further supports its liquidity by maintaining access to committed credit facilities, use of bond repurchase markets and debt markets via the Group's Global Medium-term Note and Securities Programme.

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(2)
30 June 2021 – Unaudited						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	**8,989**	**2,117**	**1,108**	**516**	**1,679**	**3,569**
Other receivables	**2,661**	**2,544**	**66**	**14**	**–**	**37**
Debt securities	**190,250**	**4,783**	**20,719**	**28,916**	**135,832**	**–**
Equity securities	**35,492**	**–**	**–**	**–**	**–**	**35,492**
Reinsurance receivables	**816**	**816**	**–**	**–**	**–**	**–**
Accrued investment income	**1,768**	**1,759**	**2**	**–**	**–**	**7**
Cash and cash equivalents	**6,176**	**6,176**	**–**	**–**	**–**	**–**
Derivative financial instruments	**872**	**55**	**395**	**125**	**297**	**–**
Subtotal	**247,024**	**18,250**	**22,290**	**29,571**	**137,808**	**39,105**
Financial assets (Unit-linked contracts and consolidated investment funds)	**38,481**	**–**	**–**	**–**	**–**	**38,481(3)**
Total	**285,505**	**18,250**	**22,290**	**29,571**	**137,808**	**77,586**
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	**172,777**	**4,280**	**15,530**	**17,510**	**135,457**	**–**
Borrowings	**9,182**	**511**	**1,413(1)**	**2,689**	**3,454**	**1,115**
Obligations under repurchase agreements	**3,447**	**3,447**	**–**	**–**	**–**	**–**
Other liabilities excluding lease liabilities	**7,816**	**6,107**	**262**	**168**	**188**	**1,091**
Lease liabilities	**497**	**168**	**299**	**29**	**1**	**–**
Derivative financial instruments	**1,808**	**396**	**1,079**	**126**	**207**	**–**
Subtotal	**195,527**	**14,909**	**18,583**	**20,522**	**139,307**	**2,206**
Financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds)	**35,798**	**–**	**–**	**–**	**–**	**35,798**
Total	**231,325**	**14,909**	**18,583**	**20,522**	**139,307**	**38,004**

Note:
(1) Including US$747m which fall 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(2)
31 December 2020						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	8,940	1,997	1,013	580	1,793	3,557
Other receivables	2,574	2,477	50	13	–	34
Debt securities	195,478	3,973	21,353	31,072	139,080	–
Equity securities	30,950	–	–	–	–	30,950
Reinsurance receivables	671	671	–	–	–	–
Accrued investment income	1,757	1,756	1	–	–	–
Cash and cash equivalents	4,400	4,400	–	–	–	–
Derivative financial instruments	1,016	189	189	249	389	–
Subtotal	245,786	15,463	22,606	31,914	141,262	34,541
Financial assets (Unit-linked contracts and consolidated investment funds)	36,499	–	–	–	–	36,499(3)
Total	282,285	15,463	22,606	31,914	141,262	71,040
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	169,477	4,316	15,559	17,309	132,293	–
Borrowings	8,559	1,002	1,414(4)	2,548	3,595	–
Obligations under repurchase agreements	1,664	1,664	–	–	–	–
Other liabilities excluding lease liabilities	4,025	2,305	240	150	171	1,159
Lease liabilities	539	177	325	35	2	–
Derivative financial instruments	991	135	534	109	213	–
Subtotal	185,255	9,599	18,072	20,151	136,274	1,159
Financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds)	35,125	–	–	–	–	35,125
Total	220,380	9,599	18,072	20,151	136,274	36,284

Notes:

(2) Financial assets with no fixed maturity are equities or receivables on demand which the Group has the choice to call. Borrowings with no fixed maturity are resettable subordinated perpetual securities issued by the Company. Other financial liabilities with no fixed maturity are payables on demand as the counterparty has a choice of when the amount is paid.

(3) The total value of amounts within financial assets (Unit-linked contracts and consolidated investment funds) is included within the no fixed maturity category to facilitate comparison with the corresponding total value of amounts within financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds). Included within financial assets (Unit-linked contracts and consolidated investment funds) are debt securities of US$553m (31 December 2020: US$433m) due in one year or less, US$2,961m (31 December 2020: US$2,622m) due after 1 year through 5 years, US$2,001m (31 December 2020: US$1,934m) due after 5 years through 10 years and US$1,264m (31 December 2020: US$1,414m) due after 10 years, in accordance with the contractual terms of the financial investments.

(4) Including US$1,246m which fall due after 2 years through 5 years.

23. Share-based compensation

SHARE-BASED COMPENSATION PLANS

During the six months ended 30 June 2021, the Group made further grants of share options (SOs), restricted share units (RSUs) and restricted stock purchase units (RSPUs) to certain directors, officers and employees of the Group under the Share Option Scheme (2020 SO Scheme) and the Restricted Share Unit Scheme (2020 RSU Scheme) and the Employee Share Purchase Plan (2020 ESPP). In addition, the Group made further grants of restricted stock subscription units (RSSUs) to eligible agents under the Agency Share Purchase Plan (2021 ASPP and 2012 ASPP).

Due to the expiry of the 2010 SO Scheme in 2020, the Company obtained the approval from its shareholders at the annual general meeting of the Company held on 29 May 2020 (2020 AGM) for the termination of the 2010 SO Scheme and the adoption of a new share option scheme (2020 SO Scheme), each as of 29 May 2020. The 2020 SO Scheme is also effective for a period of 10 years from the date of adoption. Following the termination of the 2010 SO Scheme and adoption of the 2020 SO Scheme, no further SOs can be granted thereunder. However, the 2010 SO Scheme shall remain in full force and effect for all SOs granted prior to its termination, and the exercise of such SOs shall be subject to and in accordance with the terms on which they were granted under the provisions of the 2010 SO Scheme and the Listing Rules.

VALUATION METHODOLOGY

The Group utilises a binomial lattice model to calculate the fair value of the SO grants, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, RSPU and RSSU grants, taking into account the terms and conditions upon which the grants 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 SOs 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 grants.

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

	Share options	
	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020
Assumptions		
Risk-free interest rate	**1.24%**	0.85%
Volatility	**26%**	24%
Dividend yield	**1.60%**	1.60%
Exercise price (HK$)	**97.33**	68.10
Share option life (in years)	**10**	10
Expected life (in years)	**7.82**	7.84
Weighted average fair value per option/unit at measurement date (HK$)	**22.26**	15.51

The weighted average share price for SO valuation for grants made during the six months ended 30 June 2021 is HK$92.75 (year ended 31 December 2020: HK$68.10). The total fair value of SO granted during the six months ended 30 June 2021 is US$5m (six months ended 30 June 2020: US$12m).

23. Share-based compensation (continued)

RECOGNISED COMPENSATION COST

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation grants made by the Group for the six months ended 30 June 2021 is US$44m (six months ended 30 June 2020: US$52m).

24. Remuneration of key management personnel

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

US$	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Key management compensation and other expenses		
Salaries and other short-term employee benefits	**12,829,872**	14,490,699
Post-employment benefits	**343,746**	802,167
Termination benefits	**–**	1,708,678
Share-based payments[1]	**7,182,450**	16,371,764
Total	**20,356,068**	33,373,308

Note:
(1) Includes amortised expenses for unvested SOs, RSUs and matching shares under ESPP to the key management personnel based on the fair value at the respective grant dates.

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

US$	**Six months ended 30 June 2021 (Unaudited)**	Six months ended 30 June 2020 (Unaudited)
Below 1,000,000	**3**	4
1,000,001 to 2,000,000	**8**	7
2,000,001 to 3,000,000	**–**	1
6,000,001 to 7,000,000	**–**	1
7,000,001 and above	**1**	1

25. Commitments and contingencies

INVESTMENT AND CAPITAL COMMITMENTS

The Group announced in March 2021 that it had reached an agreement to enter into a new exclusive 15-year strategic bancassurance partnership with The Bank of East Asia, Limited (BEA) covering Hong Kong and Mainland China. As part of the agreement, the Group also agreed to acquire 100 per cent of BEA Life Limited, a wholly-owned subsidiary of BEA, and a closed portfolio of life insurance policies underwritten by Blue Cross (Asia-Pacific) Insurance Limited. The total gross consideration with respect to these transactions is HK$5,070m (approximately US$650m). As at 17 August 2021, the necessary regulatory approval for the acquisition of the shares of BEA Life Limited has been obtained and the completion of that acquisition is expected to take place shortly.

The Group announced in June 2021 that it had reached an agreement to invest RMB12,033m (approximately US$1,860m) through AIA Co. for a 24.99 per cent equity stake (post investment) in China Post Life Insurance Co., Ltd. The completion of this transaction remains subject to securing all necessary regulatory approvals.

Other investment and capital commitments, consisting of commitments to invest in private equity partnerships and other assets, were as follows:

US$m	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Not later than one year	**3,956**	2,504
Later than one and not later than five years	**218**	174
Later than five years	**9**	16
Total	**4,183**	2,694

25. Commitments and contingencies (continued)

CONTINGENCIES

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

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

The Group operates in many jurisdictions across Asia and in certain of those jurisdictions, the Group's interpretation of the relevant law or regulation may differ from that of the tax authorities, which can result in disputes arising. The Group has made provisions to cover the potential tax implications, based on management's judgement and best estimate in relation to the probability or likelihood of the potential outcomes, which is subject to periodic re-assessment. Due to the uncertainty associated with these items, there remains a possibility that the final outcomes may differ on conclusion of the relevant tax matters at a future date.

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$456m at 30 June 2021 (31 December 2020: US$479m). The liabilities and related reinsurance assets, which totalled US$3m (31 December 2020: US$3m), 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. Events after the reporting period

On 17 August 2021, a Committee appointed by the Board of Directors declared an interim dividend of 38.00 Hong Kong cents per share (six months ended 30 June 2020: 35.00 Hong Kong cents per share).

27. Interim statement of financial position of the Company

US$m	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
Assets		
Investment in subsidiaries at cost[4]	**17,202**	17,341
Financial investments:		
At fair value through other comprehensive income		
Debt securities[2]	**8,817**	9,871
At fair value through profit or loss		
Debt securities	**34**	37
Equity securities[4]	**1,174**	227
Derivative financial instruments	**5**	–
	10,030	10,135
Loans to/amounts due from subsidiaries	**1,899**	1,904
Other assets	**85**	78
Promissory notes from subsidiaries[3]	**3,166**	1,844
Cash and cash equivalents	**728**	409
Total assets	**33,110**	31,711
Liabilities		
Borrowings	**9,764**	9,152
Obligations under repurchase agreements	**1,000**	–
Derivative financial instruments	**9**	12
Other liabilities	**150**	92
Total liabilities	**10,923**	9,256
Equity		
Share capital	**14,159**	14,155
Employee share-based trusts	**(225)**	(155)
Other reserves	**273**	259
Retained earnings	**7,727**	7,360
Amounts reflected in other comprehensive income	**253**	836
Total equity	**22,187**	22,455
Total liabilities and equity	**33,110**	31,711

Notes:

(1) The financial information of the Company should be read in conjunction with the interim condensed consolidated financial statements of the Group.

(2) Includes United States Treasury securities of US$3,248m as at 30 June 2021 (31 December 2020: US$3,372m).

(3) The promissory notes from subsidiaries are repayable on demand.

(4) The Company's interests in investment funds such as mutual funds and unit trusts, including funds controlled by the Group, are measured at fair value through profit or loss. Interests in other entities controlled by the Group are measured at cost, unless impaired, and presented as investment in subsidiaries at cost.

Approved and authorised for issue by the Board of Directors on 17 August 2021.

Lee Yuan Siong
Director

Edmund Sze-Wing Tse
Director

28. Interim statement of changes in equity of the Company

US$m	**Share capital**	**Employee share-based trusts**	**Other reserves**	**Retained earnings**	**Amounts reflected in other comprehensive income**	**Total equity**
Balance at 1 January 2021	**14,155**	**(155)**	**259**	**7,360**	**836**	**22,455**
Net profit	**–**	**–**	**–**	**1,925**	**–**	**1,925**
Fair value losses on debt securities at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(404)**	**(404)**
Fair value gains on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	**–**	**–**	**–**	**–**	**(179)**	**(179)**
Dividends	**–**	**–**	**–**	**(1,558)**	**–**	**(1,558)**
Shares issued under share option scheme and agency share purchase plan	**4**	**–**	**–**	**–**	**–**	**4**
Share-based compensation	**–**	**–**	**41**	**–**	**–**	**41**
Purchase of shares held by employee share-based trusts	**–**	**(97)**	**–**	**–**	**–**	**(97)**
Transfer of vested shares from employee share-based trusts	**–**	**27**	**(27)**	**–**	**–**	**–**
Balance at 30 June 2021 – Unaudited	**14,159**	**(225)**	**273**	**7,727**	**253**	**22,187**

US$m	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Amounts reflected in other comprehensive income	Total equity
Balance at 1 January 2020	14,129	(220)	260	7,079	395	21,643
Net profit	–	–	–	86	–	86
Fair value gains on debt securities at fair value through other comprehensive income	–	–	–	–	492	492
Fair value gains on debt securities at fair value through other comprehensive income transferred to profit or loss on disposal	–	–	–	–	(47)	(47)
Dividends	–	–	–	(1,452)	–	(1,452)
Shares issued under share option scheme and agency share purchase plan	6	–	–	–	–	6
Share-based compensation	–	–	47	–	–	47
Purchase of shares held by employee share-based trusts	–	(6)	–	–	–	(6)
Transfer of vested shares from employee share-based trusts	–	71	(71)	–	–	–
Balance at 30 June 2020 – Unaudited	14,135	(155)	236	5,713	840	20,769

REPORT ON REVIEW OF SUPPLEMENTARY EMBEDDED VALUE INFORMATION AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)

pwc

羅兵咸永道

Introduction

We have reviewed the Supplementary Embedded Value Information ("the EV Information") set out on pages 107 to 130, which comprises the EV consolidated results of AIA Group Limited (the "Company") and its subsidiaries (together, the "Group") as at and for the six-month period ended 30 June 2021, sensitivity analysis and a summary of significant methodology and assumptions and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of the EV Information in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information. Our responsibility is to express a conclusion on this EV Information 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 the EV Information, including the summary of significant methodology and assumptions, 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 EV Information of the Group is not prepared, in all material respects, in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information.

Basis of Preparation

Without modifying our conclusion, we draw attention to Sections 4 and 5 of the EV Information, which describes the EV basis of preparation. As a result, the EV Information may not be suitable for another purpose. This report does not extend to any financial statements of the Company.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 August 2021

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SUPPLEMENTARY EMBEDDED VALUE INFORMATION

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 the 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.

The Supplementary Embedded Value Information is unaudited, but has been reviewed by PricewaterhouseCoopers 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. PricewaterhouseCoopers' independent review report to the Board of Directors is included on page 106.

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. AIA Group Limited (the "Company"), together with its subsidiaries (collectively the "Group") use a traditional deterministic discounted cash flow methodology for determining its EV and value of new business (VONB) for all entities other than Tata AIA Life Insurance Company Limited (Tata AIA Life). This methodology makes an implicit overall level of allowance for 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 the economic cost of capital, through the use of a risk discount rate. For Tata AIA Life, the Group uses the Indian Embedded Value (IEV) methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, consistent with local practice in India.

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, after allowing for taxes. More details on the EV results, methodology and assumptions are covered in later sections of this report.

The Supplementary Embedded Value Information in this report should be read in conjunction with the Supplementary Embedded Value Information of the Group in the Company's Annual Report 2020.

Unless otherwise stated, the growth rates provided in the commentaries are shown on a constant exchange rate (CER) basis.

1. HIGHLIGHTS (continued)

Summary of Key Metrics[1] (US$ millions)

	As at 30 June 2021 (Unaudited)	As at 31 December 2020	Change CER	Change AER
EV Equity	**70,102**	67,185	5%	4%
EV	**68,179**	65,247	5%	4%
Adjusted net worth (ANW)	**31,545**	28,503	10%	11%
Value of in-force business (VIF)	**36,634**	36,744	2%	–

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)	YoY CER	YoY AER
VONB	**1,814**	1,410	22%	29%
Annualised new premiums (ANP)	**3,060**	2,579	13%	19%
VONB margin	**59.0%**	54.4%	4.2 pps	4.6 pps
EV operating profit	**4,092**	3,878	1%	6%
Operating return on EV (Operating ROEV)[2]	**12.9%**	12.9%	(0.3) pps	–
Underlying free surplus generation (UFSG)	**3,374**	3,049	6%	11%

Notes:

(1) The results are after adjustment to reflect the consolidated reserving and capital requirements and the present value of future after-tax unallocated Group Office expenses.

(2) On an annualised basis.

2. EMBEDDED VALUE RESULTS

2.1 Embedded Value by Business Unit

The EV as at 30 June 2021 is presented consistently with the segment information in the IFRS interim condensed consolidated financial statements.

Summary of EV by Business Unit (US$ millions)

	As at 30 June 2021 (Unaudited)				
Business Unit	ANW[(1)]	VIF before CoC	CoC	VIF after CoC	**EV**
AIA China	3,221	8,996	2	8,994	**12,215**
AIA Hong Kong	8,589	17,195	1,673	15,522	**24,111**
AIA Thailand	3,841	4,357	929	3,428	**7,269**
AIA Singapore	3,172	4,581	827	3,754	**6,926**
AIA Malaysia	1,272	2,166	241	1,925	**3,197**
Other Markets	5,334	5,175	1,422	3,753	**9,087**
Group Corporate Centre	10,724	–	–	–	**10,724**
Subtotal	36,153	42,470	5,094	37,376	**73,529**
Adjustment to reflect consolidated reserving and capital requirements[(2)]	(4,247)	1,703	1,039	664	**(3,583)**
After-tax value of unallocated Group Office expenses	–	(1,217)	–	(1,217)	**(1,217)**
Total (before non-controlling interests)	31,906	42,956	6,133	36,823	**68,729**
Non-controlling interests	(361)	(199)	(10)	(189)	**(550)**
Total	31,545	42,757	6,123	36,634	**68,179**

2. EMBEDDED VALUE RESULTS (continued)

2.1 Embedded Value by Business Unit (continued)

	As at 31 December 2020				
Business Unit	ANW[1]	VIF before CoC	CoC	VIF after CoC	EV
AIA China	3,439	8,409	4	8,405	11,844
AIA Hong Kong	7,735	17,319	2,159	15,160	22,895
AIA Thailand	3,008	5,145	1,096	4,049	7,057
AIA Singapore	2,984	4,416	814	3,602	6,586
AIA Malaysia	1,293	2,084	233	1,851	3,144
Other Markets	5,983	5,018	1,561	3,457	9,440
Group Corporate Centre	11,472	–	–	–	11,472
Subtotal	35,914	42,391	5,867	36,524	72,438
Adjustment to reflect consolidated reserving and capital requirements[2]	(7,064)	3,115	1,596	1,519	(5,545)
After-tax value of unallocated Group Office expenses	–	(1,138)	–	(1,138)	(1,138)
Total (before non-controlling interests)	28,850	44,368	7,463	36,905	65,755
Non-controlling interests	(347)	(173)	(12)	(161)	(508)
Total	28,503	44,195	7,451	36,744	65,247

Notes:

(1) ANW by Business Unit is after net capital flows between Business Units and Group Corporate Centre.

(2) Adjustment to reflect consolidated reserving and capital requirements as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's Annual Report 2020 and Section 4.1 of this report.

2. EMBEDDED VALUE RESULTS (continued)

2.2 Reconciliation of ANW from IFRS Equity

Derivation of the Consolidated ANW from IFRS Equity (US$ millions)

	As at 30 June 2021 (Unaudited)	As at 31 December 2020
IFRS equity attributable to shareholders of the Company	**58,944**	63,200
Elimination of IFRS deferred acquisition and origination costs assets	**(28,374)**	(27,915)
Difference between IFRS policy liabilities and local statutory policy liabilities	**4,203**	(937)
Difference between net IFRS policy liabilities and local statutory policy liabilities	**(24,171)**	(28,852)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds	**(1)**	(3)
Elimination of intangible assets	**(2,569)**	(2,634)
Recognition of deferred tax impacts of the above adjustments	**3,476**	3,735
Recognition of non-controlling interests impacts of the above adjustments	**113**	121
ANW (Business Unit)	**35,792**	35,567
Adjustment to reflect consolidated reserving requirements, net of tax	**(4,247)**	(7,064)
ANW (Consolidated)	**31,545**	28,503

2. EMBEDDED VALUE RESULTS (continued)

2.3 Breakdown of ANW

The breakdown of 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 30 June 2021 (Unaudited)		As at 31 December 2020	
	Business Unit	**Consolidated**	Business Unit	Consolidated
Free surplus	**24,591**	**17,907**	24,093	13,473
Required capital	**11,201**	**13,638**	11,474	15,030
ANW	**35,792**	**31,545**	35,567	28,503

The Company's subsidiaries, AIA Company Limited (AIA Co.) and AIA International Limited (AIA International), are both subject to the Hong Kong reserving and capital requirements. In addition, AIA International, which is incorporated in Bermuda, is subject to the Bermuda Monetary Authority (BMA) reserving and capital requirements. These regulatory reserving and capital requirements, and other consolidated reserving and capital requirements as determined by the Group, apply in addition to the relevant local requirements applicable to our Business Units.

2. EMBEDDED VALUE RESULTS (continued)

2.4 Earnings Profile

The tables below show 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 consolidated reserving and capital requirements.

Profile of Projected After-Tax Distributable Earnings for the Group's In-force Business (US$ millions)

	As at 30 June 2021 (Unaudited)	
Expected period of emergence	**Undiscounted**	**Discounted**
1 – 5 years	**20,409**	**16,990**
6 – 10 years	**19,201**	**10,807**
11 – 15 years	**21,235**	**8,169**
16 – 20 years	**19,558**	**5,224**
21 years and thereafter	**146,764**	**9,082**
Total	**227,167**	**50,272**

	As at 31 December 2020	
Expected period of emergence	Undiscounted	Discounted
1 – 5 years	21,452	17,845
6 – 10 years	19,489	10,980
11 – 15 years	22,452	8,615
16 – 20 years	20,070	5,356
21 years and thereafter	143,817	8,978
Total	227,280	51,774

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US$50,272 million (31 December 2020: US$51,774 million) plus the free surplus of US$17,907 million (31 December 2020: US$13,473 million) shown in Section 2.3 of this report is equal to the EV of US$68,179 million (31 December 2020: US$65,247 million) shown in Section 2.1 of this report.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business

The VONB for the Group for the six months ended 30 June 2021 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 interim condensed consolidated financial statements.

The Group VONB for the six months ended 30 June 2021 was US$1,814 million, an increase of US$404 million, or 22 per cent, from US$1,410 million for the six months ended 30 June 2020.

Summary of VONB by Business Unit (US$ millions)

	Six months ended 30 June 2021 (Unaudited)			Six months ended 30 June 2020 (Unaudited)		
Business Unit	VONB before CoC	CoC	**VONB after CoC**	VONB before CoC	CoC	VONB after CoC
AIA China[1]	782	44	**738**	629	35	594
AIA Hong Kong	346	33	**313**	359	53	306
AIA Thailand	329	17	**312**	222	23	199
AIA Singapore	185	9	**176**	134	7	127
AIA Malaysia	168	11	**157**	88	7	81
Other Markets	302	49	**253**	295	55	240
Total before unallocated Group Office expenses and non-controlling interests (Business Unit)	2,112	163	**1,949**	1,727	180	1,547
Adjustment to reflect consolidated reserving and capital requirements	(29)	2	**(31)**	(20)	30	(50)
Total before unallocated Group Office expenses and non-controlling interests (Consolidated)	2,083	165	**1,918**	1,707	210	1,497
After-tax value of unallocated Group Office expenses	(88)	–	**(88)**	(77)	–	(77)
Total before non-controlling interests (Consolidated)	1,995	165	**1,830**	1,630	210	1,420
Non-controlling interests	(16)	–	**(16)**	(11)	(1)	(10)
Total	1,979	165	**1,814**	1,619	209	1,410

Note:

(1) Following the subsidiarisation of AIA China in July 2020 as described in section 4.1 of the Supplementary Embedded Value Information in the Company's Annual Report 2020, the VONB for AIA China in the six months ended 30 June 2021 is presented after deducting withholding tax at the applicable rate in Mainland China (currently set at 5 per cent). The VONB for AIA China in the six months ended 30 June 2020 is presented before deducting withholding tax.

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the breakdown of the VONB, ANP, VONB margin, and present value of new business premium (PVNBP) margin for the Group, by quarter, for business written in the six months ended 30 June 2021.

The VONB margin and PVNBP margin are defined as VONB, gross of non-controlling interests and excluding pension business, expressed as a percentage of ANP and PVNBP, respectively. The VONB used in the margin calculation is gross of non-controlling interests and excludes pension business to be consistent with the definition of ANP and PVNBP.

The Group VONB margin for the six months ended 30 June 2021 was 59.0 per cent compared with 54.4 per cent for the six months ended 30 June 2020. The Group PVNBP margin for the six months ended 30 June 2021 was 10 per cent compared with 9 per cent for the six months ended 30 June 2020.

Breakdown of VONB, ANP, VONB Margin and PVNBP Margin (US$ millions)

	VONB after CoC	ANP	VONB Margin	PVNBP Margin
Half Year				
Values for 2021				
Six months ended 30 June 2021 (Unaudited)	**1,814**	**3,060**	**59.0%**	**10%**
Values for 2020				
Six months ended 30 June 2020 (Unaudited)	1,410	2,579	54.4%	9%
Quarter				
Values for 2021				
Three months ended 31 March 2021 (Unaudited)	**1,052**	**1,703**	**61.6%**	**10%**
Three months ended 30 June 2021 (Unaudited)	**762**	**1,357**	**55.7%**	**9%**
Values for 2020				
Three months ended 31 March 2020 (Unaudited)	841	1,483	56.6%	10%
Three months ended 30 June 2020 (Unaudited)	569	1,096	51.4%	9%

2. EMBEDDED VALUE RESULTS (continued)

2.5 Value of New Business (continued)

The table below shows the VONB (excluding pension business), ANP and VONB margin by Business Unit.

Summary of VONB Excluding Pension, ANP and VONB Margin by Business Unit (US$ millions)

	Six months ended 30 June 2021 (Unaudited)			Six months ended 30 June 2020 (Unaudited)		
Business Unit	VONB excluding pension	ANP	**VONB margin**	VONB excluding pension	ANP	VONB margin
AIA China[1]	738	899	**82.1%**	594	726	81.8%
AIA Hong Kong	290	505	**57.5%**	289	565	51.0%
AIA Thailand	312	333	**93.5%**	199	312	63.9%
AIA Singapore	176	279	**63.2%**	127	214	59.3%
AIA Malaysia	156	253	**61.7%**	80	159	50.5%
Other Markets	254	791	**32.1%**	240	603	39.7%
Total before unallocated Group Office expenses (Business Unit)	1,926	3,060	**62.9%**	1,529	2,579	59.3%
Adjustment to reflect consolidated reserving and capital requirements	(32)	–		(50)	–	
Total before unallocated Group Office expenses (Consolidated)	1,894	3,060	**61.9%**	1,479	2,579	57.3%
After-tax value of unallocated Group Office expenses	(88)	–		(77)	–	
Total	1,806	3,060	**59.0%**	1,402	2,579	54.4%

Note:

(1) Following the subsidiarisation of AIA China in July 2020 as described in section 4.1 of the Supplementary Embedded Value Information in the Company's Annual Report 2020, the VONB for AIA China in the six months ended 30 June 2021 is presented after deducting withholding tax at the applicable rate in Mainland China (currently set at 5 per cent). The VONB for AIA China in the six months ended 30 June 2020 is presented before deducting withholding tax.

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement

Analysis of Movement in EV (US$ millions)

	Six months ended 30 June 2021 (Unaudited)			Six months ended 30 June 2020 (Unaudited)			YoY AER
	ANW	VIF	**EV**	ANW	VIF	EV	EV
Opening EV	28,503	36,744	**65,247**	28,241	33,744	61,985	5%
VONB	(400)	2,214	**1,814**	(363)	1,773	1,410	29%
Expected return on EV	2,456	(391)	**2,065**	2,844	(654)	2,190	(6)%
Operating experience variances	471	(85)	**386**	494	(69)	425	n/m[1]
Operating assumption changes	42	(65)	**(23)**	(152)	116	(36)	n/m
Finance costs	(150)	–	**(150)**	(111)	–	(111)	35%
EV operating profit	2,419	1,673	**4,092**	2,712	1,166	3,878	6%
Investment return variances	1,482	(463)	**1,019**	(3,076)	(302)	(3,378)	n/m
Effect of changes in economic assumptions	–	–	**–**	33	(968)	(935)	n/m
Other non-operating variances	833	(794)	**39**	426	(91)	335	n/m
Total EV profit	4,734	416	**5,150**	95	(195)	(100)	n/m
Dividends	(1,558)	–	**(1,558)**	(1,452)	–	(1,452)	7%
Other capital movements	(48)	–	**(48)**	61	–	61	(179)%
Effect of changes in exchange rates	(86)	(526)	**(612)**	(323)	(597)	(920)	n/m
Closing EV	31,545	36,634	**68,179**	26,622	32,952	59,574	14%

Note:

(1) Not meaningful (n/m).

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

EV operating profit was US$4,092 million (2020: US$3,878 million), reflecting VONB of US$1,814 million (2020: US$1,410 million), an expected return on EV of US$2,065 million (2020: US$2,190 million), operating experience variances and operating assumption changes which were again positive and amounted to US$363 million (2020: US$389 million), net of finance costs of US$150 million (2020: US$111 million).

The VONB is calculated at the point of sale for business written during the period. The expected return on EV is the expected change in the EV over the period plus the expected return on the VONB up to 30 June 2021. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the period and that expected based on the operating assumptions.

The operating experience variances, net of tax, increased EV by US$386 million (2020: US$425 million), driven by:

- Expense variances of US$115 million (2020: US$68 million), partly offset by development costs of US$4 million (2020: US$3 million);

- Mortality and morbidity claims variances of US$195 million (2020: US$273 million); and

- Persistency and other variances of US$80 million (2020: US$87 million) which included persistency variances of US$(109) million (2020: US$(82) million) and other variances arising from management actions of US$189 million (2020: US$169 million).

The effect of changes in operating assumptions during the period was a decrease in EV of US$23 million (2020: decrease in EV of US$36 million).

The EV profit of US$5,150 million (2020: US$(100) 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, reflecting short-term fluctuations in investment returns, arise from the impact of differences between the actual investment returns in the period and the expected investment returns. This amounted to an increase in EV of US$1,019 million (2020: decrease in EV of US$3,378 million) driven by the effect of short-term fluctuations in interest rates and equity markets, and other capital market movements, on the Group's investment portfolio and the reserves and capital requirements compared with the expected returns.

The effect of changes in economic assumptions was nil (2020: decrease in EV of US$935 million).

Other non-operating variances increased EV by US$39 million (2020: increased EV by US$335 million) which comprised positive impacts from adjustments to capital requirements on consolidation, partly offset by negative impacts from certain non-operating expenses and modelling-related enhancements.

The final shareholder dividend for 2020 paid in the first half of 2021 totalled US$1,558 million (2020: US$1,452 million). Other capital movements decreased EV by US$48 million (2020: increased EV by US$61 million).

Foreign exchange movements decreased EV by US$612 million (2020: decreased EV by US$920 million).

2. EMBEDDED VALUE RESULTS (continued)

2.6 Analysis of EV Movement (continued)

Operating ROEV (US$ millions)

Operating return on EV (operating ROEV) is calculated as EV operating profit expressed as a percentage of the opening EV and was 12.9 per cent (2020: 12.9 per cent) for the six months ended 30 June 2021.

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)	YoY CER	YoY AER
EV operating profit	**4,092**	3,878	1%	6%
Opening EV	**65,247**	61,985	3%	5%
Operating ROEV[1]	**12.9%**	12.9%	(0.3) pps	–

Note:
(1) On an annualised basis.

2.7 EV Equity

The EV Equity increased to US$70,102 million at 30 June 2021, an increase of 5 per cent from US$67,185 million as at 31 December 2020.

Derivation of EV Equity from EV (US$ millions)

	As at 30 June 2021 (Unaudited)	As at 31 December 2020	Change CER	Change AER
EV	**68,179**	65,247	5%	4%
Goodwill and other intangible assets[1]	**1,923**	1,938	1%	(1)%
EV Equity	**70,102**	67,185	5%	4%

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

2. EMBEDDED VALUE RESULTS (continued)

2.8 Free Surplus Generation

Free Surplus Generation (US$ millions)

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)	YoY CER (Unaudited)	YoY AER (Unaudited)
Opening free surplus	**13,473**	14,917	(11)%	(10)%
UFSG	**3,374**	3,049	6%	11%
Free surplus used to fund new business	**(921)**	(703)	25%	31%
Investment return variances and other items	**3,919**	(3,899)	n/m[1]	n/m
Unallocated Group Office expenses	**(182)**	(91)	100%	100%
Dividends	**(1,558)**	(1,452)	7%	7%
Finance costs and other capital movements	**(198)**	(50)	n/m	n/m
Closing free surplus	**17,907**	11,771	46%	52%

Free surplus increased by US$4,434 million to US$17,907 million (31 December 2020: US$13,473 million) as at 30 June 2021.

UFSG, as defined in Section 4.8 of the Supplementary Embedded Value Information in the Company's Annual Report 2020, increased by 6 per cent to US$3,374 million (2020: US$3,049 million). Investment in writing new business reduced free surplus by US$921 million (2020: US$703 million).

Investment return variances and other items amounted to US$3,919 million (2020: US$(3,899) million), reflecting the effect of short-term fluctuations in interest rates and equity markets, and other capital market movements, on the Group's investment portfolio and the reserves and capital requirements compared with the expected returns, and other items, including the free surplus impacts arising from other non-operating variances as described in Section 2.6.

Unallocated Group Office expenses amounted to US$182 million (2020: US$91 million).

Note:
(1) Not meaningful (n/m).

3. SENSITIVITY ANALYSIS

The EV as at 30 June 2021 and the VONB for the six months ended 30 June 2021 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 30 June 2021 has been further analysed for the following sensitivities:

- Equity prices increased proportionally by 10 per cent (i.e. 110 per cent of the prices at 30 June 2021); and
- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 30 June 2021).

For the interest rate sensitivities, the investment return assumptions and the risk discount rates were changed by 50 basis points per annum; the projected bonus rates on participating business, the statutory reserving bases at 30 June 2021 and the values of debt instruments and derivatives held at 30 June 2021 were changed to be consistent with the interest rate assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

As the Group operates in multiple geographical markets, the EV results for the Group are translated from multiple currencies to US dollar which is the Group's presentation currency. In order to provide sensitivity results for EV and VONB of the impact of foreign currency movements, a change of 5 per cent to the US dollar is included.

For the equity price sensitivities, the projected bonus rates on participating business and the values of equity securities and equity funds held at 30 June 2021 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 30 June 2021 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 (US$ millions)

	As at 30 June 2021 (Unaudited)		As at 31 December 2020	
Scenario	**EV**	**% Change**	EV	% Change
Central value	**68,179**		65,247	
Impact of:				
200 bps increase in risk discount rates	**(9,176)**	**(13.5)%**	(9,098)	(13.9)%
200 bps decrease in risk discount rates	**14,403**	**21.1%**	14,409	22.1%
10% increase in equity prices	**1,312**	**1.9%**	1,099	1.7%
10% decrease in equity prices	**(1,307)**	**(1.9)%**	(1,095)	(1.7)%
50 bps increase in interest rates	**90**	**0.1%**	652	1.0%
50 bps decrease in interest rates	**(533)**	**(0.8)%**	(1,294)	(2.0)%
5% appreciation in the presentation currency	**(1,963)**	**(2.9)%**	(1,906)	(2.9)%
5% depreciation in the presentation currency	**1,963**	**2.9%**	1,906	2.9%
10% increase in lapse/discontinuance rates	**(1,007)**	**(1.5)%**	(891)	(1.4)%
10% decrease in lapse/discontinuance rates	**1,126**	**1.7%**	1,049	1.6%
10% increase in mortality/morbidity rates	**(4,851)**	**(7.1)%**	(4,556)	(7.0)%
10% decrease in mortality/morbidity rates	**4,766**	**7.0%**	4,665	7.1%
10% decrease in maintenance expenses	**841**	**1.2%**	882	1.4%
Expense inflation set to 0%	**1,034**	**1.5%**	1,063	1.6%

Sensitivity of VONB (US$ millions)

	Six months ended 30 June 2021 (Unaudited)		Six months ended 30 June 2020 (Unaudited)	
Scenario	**VONB**	**% Change**	VONB	% Change
Central value	**1,814**		1,410	
Impact of:				
200 bps increase in risk discount rates	**(393)**	**(21.7)%**	(324)	(23.0)%
200 bps decrease in risk discount rates	**590**	**32.5%**	492	34.9%
50 bps increase in interest rates	**50**	**2.8%**	102	7.2%
50 bps decrease in interest rates	**(66)**	**(3.6)%**	(159)	(11.3)%
5% appreciation in the presentation currency	**(79)**	**(4.4)%**	(53)	(3.8)%
5% depreciation in the presentation currency	**79**	**4.4%**	53	3.8%
10% increase in lapse/discontinuance rates	**(110)**	**(6.1)%**	(81)	(5.7)%
10% decrease in lapse/discontinuance rates	**123**	**6.8%**	85	6.0%
10% increase in mortality/morbidity rates	**(214)**	**(11.8)%**	(159)	(11.3)%
10% decrease in mortality/morbidity rates	**214**	**11.8%**	153	10.9%
10% decrease in maintenance expenses	**54**	**3.0%**	41	2.9%
Expense inflation set to 0%	**47**	**2.6%**	23	1.6%

4. METHODOLOGY

The methodology used by the Group for determining the EV results for the period is consistent with that described in Section 4 of the Supplementary Embedded Value Information in the Company's Annual Report 2020 taking into account the capital requirements as set out in Section 4.1.

4.1 Capital Requirements

Each of the Business Units has a regulatory requirement to hold shareholder capital in addition to the assets backing the insurance liabilities. The table below sets out the Group's assumed level of capital requirement for each Business Unit:

Business Unit	Capital requirements
AIA Australia[1]	100% of regulatory capital adequacy requirement
AIA China	100% of required capital as specified under the CAA EV assessment guidance
AIA Hong Kong	150% of required minimum solvency margin
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[2]	100% of regulatory capital adequacy requirement
AIA Philippines	100% of regulatory Risk-Based Capital requirement
AIA Singapore	Higher of 135% of capital adequacy requirement and 80% of Tier 1 capital requirement under the regulatory Risk-Based Capital framework
AIA Sri Lanka	120% of regulatory Risk-Based Capital requirement
AIA Taiwan	250% of regulatory Risk-Based Capital requirement
AIA Thailand	140% of regulatory Risk-Based Capital requirement[3]
AIA Vietnam	100% of required minimum solvency margin
Tata AIA Life	175% of required minimum solvency margin

Notes:

(1) AIA Australia refers to AIA Australia Limited, a subsidiary of AIA Co., and the business acquired by the Group from Commonwealth Bank of Australia (CBA) upon the completion of the portfolio transfer of CBA's life insurance business conducted through The Colonial Mutual Life Assurance Society Limited (CMLA) under Part 9 of the Life Insurance Act 1995 (Cth) of Australia.

(2) AIA New Zealand refers to AIA Sovereign Limited, a wholly-owned subsidiary of AIA International and the holding company of AIA New Zealand Limited to which the above capital requirement applies.

(3) The Capital Requirement ratio assumed in the EV calculation is 120% up to year-end of 2021, and 140% thereafter, in line with the regulatory requirement under Thailand RBC 2.

Capital Requirements on Consolidation

The non-Hong Kong branches of AIA Co. and AIA International hold required capital of no less than 100% of the Hong Kong statutory minimum solvency margin requirement.

AIA International and its subsidiaries hold required capital of no less than 120% of the BMA regulatory capital requirement.

In addition to the above, the reserving and capital requirements for the purpose of consolidation allow for the local regulatory requirements outlined above and other reserving and capital requirements as determined by the Group.

5. ASSUMPTIONS

5.1 Introduction

This section summarises the assumptions used by the Group to determine the EV as at 30 June 2021 and the VONB for the period ended 30 June 2021.

Long-term investment return 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 2020, while risk discount rates were updated to reflect the risks associated with new business written during the reporting period as disclosed in Section 5.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2020.

The non-economic assumptions used are based on those at 31 December 2020, updated to reflect the Group's latest view of expected future experience. A more detailed description of the assumptions can be found in Section 5 of the Supplementary Embedded Value Information in the Company's Annual Report 2020.

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 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 and property return assumptions by reference to the return on 10-year government bonds, allowing for an internal assessment of risk premia that vary by asset class and 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.

For Tata AIA Life, the Group uses the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India for determining its EV and VONB. This methodology uses investment returns and risk discount rates that reflect the market-derived government bond yield curve. Therefore, the risk discount rate and long-term investment returns are not provided for Tata AIA Life.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates

The risk discount rates can be considered as the sum of the appropriate risk-free interest rate, to reflect the time value of money, and a risk margin to make an implicit allowance for risk.

The table below summarises the current market 10-year government bond yields referenced in EV calculations.

	Current market 10-year government bond yields referenced in EV calculations (%)		
Business Unit	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020	As at 30 June 2020 (Unaudited)
AIA Australia	**1.53**	0.97	0.87
AIA China	**3.09**	3.15	2.85
AIA Hong Kong(1)	**1.47**	0.91	0.66
AIA Indonesia	**6.59**	5.89	7.21
AIA Korea	**2.10**	1.72	1.39
AIA Malaysia	**3.29**	2.65	2.87
AIA New Zealand	**1.77**	0.99	0.93
AIA Philippines	**3.92**	3.00	2.80
AIA Singapore	**1.58**	0.84	0.90
AIA Sri Lanka	**8.20**	7.55	7.20
AIA Taiwan	**0.42**	0.32	0.45
AIA Thailand	**1.78**	1.28	1.28
AIA Vietnam	**2.21**	2.60	2.99

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.

5. ASSUMPTIONS (continued)

5.2 Economic Assumptions (continued)

Risk Discount Rates (continued)

The table below summarises the risk discount rates and long-term investment returns assumed in EV calculations. The risk discount rates as at 30 June 2021 reflect the weighted average of the risk margins of the in-force business at the start of 2021, and those of the new business written during the first half of 2021 which, as disclosed in the Company's Annual Report 2020, are determined at a product level starting from 2021 to better reflect the market and non-market risks associated with the mix of products sold during the reporting period. In addition, the VONB results are calculated based on start-of-quarter long-term investment return assumptions consistent with the measurement at the point of sale. The present value of unallocated Group Office expenses was calculated using the AIA Hong Kong risk discount rate. The investment returns on existing fixed income assets were set consistently with the market yields on these assets. The investment returns shown are gross of tax and investment expenses.

	Risk discount rates assumed in EV calculations (%)			Long-term investment returns assumed in EV calculations (%)					
				10-year government bonds			Local equities		
Business Unit	**As at 30 Jun 2021 (Unaudited)**	As at 31 Dec 2020	As at 30 Jun 2020 (Unaudited)	**As at 30 Jun 2021 (Unaudited)**	As at 31 Dec 2020	As at 30 Jun 2020 (Unaudited)	**As at 30 Jun 2021 (Unaudited)**	As at 31 Dec 2020	As at 30 Jun 2020 (Unaudited)
AIA Australia	**6.43**	6.45	6.45	**2.30**	2.30	2.30	**6.60**	6.60	6.60
AIA China	**9.73**	9.75	9.75	**3.70**	3.70	3.70	**9.30**	9.30	9.30
AIA Hong Kong(1)	**7.00**	7.00	7.00	**2.20**	2.20	2.20	**7.00**	7.00	7.00
AIA Indonesia	**12.99**	13.00	13.00	**7.50**	7.50	7.50	**12.00**	12.00	12.00
AIA Korea	**8.10**	8.10	8.10	**2.20**	2.20	2.20	**6.50**	6.50	6.50
AIA Malaysia	**8.55**	8.55	8.55	**4.00**	4.00	4.00	**8.60**	8.60	8.60
AIA New Zealand	**6.53**	6.55	6.85	**2.30**	2.30	2.60	**6.80**	6.80	7.10
AIA Philippines	**11.80**	11.80	11.80	**5.30**	5.30	5.30	**10.50**	10.50	10.50
AIA Singapore	**6.60**	6.60	6.60	**2.20**	2.20	2.20	**6.70**	6.70	6.70
AIA Sri Lanka	**15.70**	15.70	15.70	**10.00**	10.00	10.00	**12.00**	12.00	12.00
AIA Taiwan	**7.25**	7.25	7.55	**1.00**	1.00	1.30	**5.60**	5.60	5.90
AIA Thailand	**7.75**	7.80	7.90	**2.70**	2.70	2.70	**7.70**	7.70	7.70
AIA Vietnam	**9.71**	9.80	9.80	**4.00**	4.00	4.00	**9.30**	9.30	9.30

Note:

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

5. ASSUMPTIONS (continued)

5.3 Expense Inflation

The expected long-term expense inflation rates used by each Business Unit are set out below:

Expense Inflation Assumptions by Business Unit (%)

Business Unit	**As at 30 June 2021 (Unaudited)**	As at 31 December 2020
AIA Australia	**2.05**	2.05
AIA China	**2.00**	2.00
AIA Hong Kong	**2.00**	2.00
AIA Indonesia	**3.50**	3.50
AIA Korea	**3.50**	3.50
AIA Malaysia	**3.00**	3.00
AIA New Zealand	**2.00**	2.00
AIA Philippines	**3.50**	3.50
AIA Singapore	**2.00**	2.00
AIA Sri Lanka	**6.50**	6.50
AIA Taiwan	**1.20**	1.20
AIA Thailand	**2.00**	2.00
AIA Vietnam	**4.00**	4.00
Tata AIA Life[(1)]	**5.60**	5.60

Note:

(1) For Tata AIA Life, in accordance with the IEV methodology as defined in Actuarial Practice Standard 10 issued by the Institute of Actuaries of India, the inflation assumption is derived by applying a spread to the reference interest rate.

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 EV and VONB presented in this report are net of tax based on current taxation legislation. The projected corporate income tax payable in any year allows for the benefits arising from any tax loss carried forward where relevant. Where applicable, tax payable on investment income has been reflected in the projected investment returns. Any withholding tax payable on future remittances from local business units are also reflected under the appropriate operating segment.

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 30 June 2021 (Unaudited)**	As at 31 December 2020
AIA Australia	**30.0**	30.0
AIA China	**25.0**	25.0
AIA Hong Kong	**16.5**	16.5
AIA Indonesia(1)	**22.0**	22.0
AIA Korea(2)	**27.5**	27.5
AIA Malaysia	**24.0**	24.0
AIA New Zealand	**28.0**	28.0
AIA Philippines(3)	**25.0**	30.0
AIA Singapore	**17.0**	17.0
AIA Sri Lanka(4)	**24.0**	28.0
AIA Taiwan	**20.0**	20.0
AIA Thailand	**20.0**	20.0
AIA Vietnam	**20.0**	20.0
Tata AIA Life	**14.6**	14.6

Notes:

(1) During 2020, a change in corporate income tax rate was enacted in Indonesia from 25% to 22% for fiscal years 2020 and 2021 and to 20% from fiscal year 2022 onwards.

(2) AIA Korea is subject to an assumed corporate income tax of 27.5% up to fiscal year 2022, which includes an Accumulated Earnings Tax following the subsidiarisation of the branch in AIA Korea. Based on current regulations, the corporate income tax rate will revert to 24.2% from fiscal year 2023.

(3) During the reporting period, a change in corporate income tax rate has been enacted in the Philippines from 30% to 25%, and this was effective from 1 July 2020 onwards.

(4) During the reporting period, a change in corporate income tax rate has been enacted in Sri Lanka from 28% to 24%, and this was effective from 1 January 2020 onwards.

6. COMMITMENTS AND EVENTS AFTER THE REPORTING PERIOD

The Group announced in March 2021 that it had reached an agreement to enter into a new exclusive 15-year strategic bancassurance partnership with The Bank of East Asia, Limited (BEA) covering Hong Kong and Mainland China. As part of the agreement, the Group also agreed to acquire 100 per cent of BEA Life Limited, a wholly-owned subsidiary of BEA, and a closed portfolio of life insurance policies underwritten by Blue Cross (Asia-Pacific) Insurance Limited. The total gross consideration with respect to these transactions is HK$5,070 million (approximately US$650 million). As at 17 August 2021, the necessary regulatory approval for the acquisition of the shares of BEA Life Limited has been obtained and the completion of that acquisition is expected to take place shortly.

The Group announced in June 2021 that it had reached an agreement to invest RMB12,033 million (approximately US$1,860 million) through AIA Co. for a 24.99 per cent equity stake (post investment) in China Post Life Insurance Co., Ltd. The completion of this transaction remains subject to securing all necessary regulatory approvals.

Refer to note 25 to the IFRS interim condensed consolidated financial statements for details of investment and capital commitments.

On 17 August 2021, a Committee appointed by the Board of Directors declared an interim dividend of 38.00 Hong Kong cents per share (six months ended 30 June 2020: 35.00 Hong Kong cents per share).

INFORMATION FOR SHAREHOLDERS

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board has declared an interim dividend of 38.00 Hong Kong cents per share for the six months ended 30 June 2021 (six months ended 30 June 2020: 35.00 Hong Kong cents per share).

The interim dividend will be payable on Tuesday, 21 September 2021 to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 3 September 2021.

RELEVANT DATES FOR THE 2021 INTERIM DIVIDEND

Ex-dividend date	Thursday, 2 September 2021
Record date	Friday, 3 September 2021
Payment date	Tuesday, 21 September 2021

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, no later than 4:30 p.m. on Friday, 3 September 2021.

SHARE REGISTRAR

If you have any enquiries relating to your shareholding, please contact the Company's share registrar with the contact details set out below:

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

INTERIM REPORT

This Interim Report is printed in English and Chinese and is available on the website of the Company. If you would like to have a printed version of this Interim Report, please contact the Company's share registrar using the contact details provided in this Interim Report.

The Company makes every effort to ensure consistency between the English and Chinese versions of this Interim Report. In the event of any inconsistency, the English version shall prevail.

For environmental and cost reasons, Shareholders are encouraged to elect to receive the Company's corporate communications (as defined in the Listing Rules) by electronic means through the Company's website at www.aia.com and Hong Kong Exchanges and Clearing Limited's website at www.hkexnews.hk. You may at any time send a written notice to the Company c/o the Company's share registrar or via email at aia.ecom@computershare.com.hk specifying your name, address and request to change your choice of language and/or means of receipt of all corporate communications.

INVESTMENT COMMUNITY AND NEWS MEDIA

Enquiries may be directed to:

Investment Community			
Lance Burbidge	+852 2832 1398	Evelyn Lam	+852 2832 1633
Feon Lee	+852 2832 4704	Rachel Poon	+852 2832 4792
News Media			
Cecilia Ma Zecha	+852 2832 5666		

BOARD OF DIRECTORS

The Board comprises:

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

Executive Director, Group Chief Executive and President:
Mr. LEE Yuan Siong

Independent Non-executive Directors:
Mr. Jack Chak-Kwong SO, Mr. Chung-Kong CHOW, Mr. John Barrie HARRISON, Mr. George Yong-Boon YEO, Professor Lawrence Juen-Yee LAU, Ms. Swee-Lian TEO, Dr. Narongchai AKRASANEE, Mr. Cesar Velasquez PURISIMA and Ms. SUN Jie (Jane)

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.

GLOSSARY

2010 RSU Scheme	Restricted Share Unit Scheme of the Company adopted on 28 September 2010 (as amended) under which the Company granted restricted share units to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries. It was terminated with effect from 31 July 2020 prior to the adoption of the 2020 RSU Scheme.
2010 SO Scheme	Share Option Scheme of the Company adopted on 28 September 2010 (as amended), under which the Company granted share options to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries. It was terminated with effect from 29 May 2020 upon the adoption of the 2020 SO Scheme.
2011 ESPP	Employee Share Purchase Plan of the Company adopted on 25 July 2011 (as amended), a voluntary share purchase plan with matching offer to facilitate and encourage AIA share ownership by employees. It was terminated with effect from 31 October 2020 (being the last day of the 2019/2020 plan year).
2012 ASPP	Agency Share Purchase Plan of the Company adopted on 23 February 2012, a share purchase plan with matching offer to facilitate and encourage AIA share ownership by agents. It was terminated with effect from 31 March 2021 (being the last day of the 2020/2021 plan year).
2020 ESPP	Employee Share Purchase Plan of the Company adopted on 1 August 2020, a voluntary share purchase plan with matching offer to facilitate and encourage AIA share ownership by employees, and is effective for a period of 10 years from the date of adoption.
2020 RSU Scheme	Restricted Share Unit Scheme of the Company adopted on 1 August 2020, under which the Company may grant restricted share units to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries, and is effective for a period of 10 years from the date of adoption.
2020 SO Scheme	Share Option Scheme of the Company adopted on 29 May 2020, under which the Company may grant share options to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries, and is effective for a period of 10 years from the date of adoption.
2021 ASPP	Agency Share Purchase Plan of the Company adopted on 1 February 2021, a share purchase plan with matching offer to facilitate and encourage AIA share ownership by agents, and is effective for a period of 10 years from the date of adoption.
active agent	An agent who sells at least one policy per month.

active market	A market in which all the following conditions exist: • the items traded within the market are homogeneous; • willing buyers and sellers can normally be found at any time; and • prices are available to the public. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
adjusted net worth or 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. ANW for AIA is stated after adjustment to reflect consolidated reserving requirements. ANW by market is stated before adjustment to reflect consolidated reserving requirements, and presented on a local statutory basis.
AER	Actual exchange rates.
AIA or the Group	AIA Group Limited and its subsidiaries.
AIA Co.	AIA Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company.
AIA International	AIA International Limited, a company incorporated in Bermuda and an indirect wholly-owned subsidiary of the Company.
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 or 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. For group renewable business, it includes any premium payable on existing schemes that exceeds the prior year's premiums.
Asia	Mainland China, Hong Kong SAR, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei, Macau SAR and India.
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.
BEA	The Bank of East Asia, Limited.
BEPS 2.0	The common name for the Organisation for Economic Co-operation and Development's programme of work originally aimed at developing a consensus-based solution among the 139 jurisdictions that are members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting. This work contains two pillars. The first pillar deals with the allocation of taxing rights between jurisdictions, while the second pillar focuses on introducing a global minimum tax rate for multinational enterprises.
Board	The board of Directors.
CBA	Commonwealth Bank of Australia.
CER	Constant exchange rates. Change on constant exchange rates is calculated for all figures for the current period and for the prior period, using constant average exchange rates, other than for balance sheet items as at the end of the current period and as at the end of the prior year, which is translated using the constant exchange rates.
CMLA	The Colonial Mutual Life Assurance Society Limited (including its affiliated companies), one of the largest life insurance providers in Australia.
Company	AIA Group Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1299).

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, as amended from time to time.
cost of capital or 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. CoC for AIA is stated after adjustment to reflect consolidated capital requirements. CoC by market is stated before adjustment to reflect consolidated capital requirements, and presented on a local statutory basis.
COVID-19	COVID-19 is the disease caused by the coronavirus called SARS-CoV-2.
Dealing Policy	Directors' and Chief Executives' Dealing Policy of the Company.
deferred acquisition costs or DAC	Acquisition costs 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. Such assets are tested for recoverability at least annually.
deferred origination costs or 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.
Director(s)	The director(s) of the Company.

embedded value or 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. EV for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. EV by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
EPS	Earnings per share.
equity attributable to shareholders of the Company on the embedded value basis or EV Equity	EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company, after allowing for taxes.
ExCo	The Executive Committee of the Group.
fair value through profit or loss or FVTPL	Under IAS 39, Financial Instruments: Recognition and Measurement, financial assets that are held to back unit-linked contracts and participating funds or financial assets and liabilities that are held for trading. A financial asset or financial liability that is measured at fair value in the statement of financial position with gains and losses arising from movements in fair value being presented in the consolidated income statement as a component of the profit or loss for the period.
first 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.
free surplus	ANW in excess of the required capital. Free surplus for AIA is stated after adjustment to reflect consolidated reserving and capital requirements.
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.
GWS Capital Rules	Insurance (Group Capital) Rules (Chapter 41O of the Laws of Hong Kong).

HKFRS	Hong Kong Financial Reporting Standards.
Holding company financial resources	Debt and equity securities, deposits, cash and cash equivalents and dividends paid but not settled by subsidiaries, net of obligations under repurchase agreements, at the Group's listed holding company, AIA Group Limited.
Hong Kong	The Hong Kong Special Administrative Region (SAR) of the PRC; in the context of our reportable market segments, Hong Kong includes Macau SAR.
Hong Kong Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time.
Hong Kong Insurance Authority or HKIA	Insurance Authority established under the Insurance Companies (Amendment) Ordinance 2015 or prior to 26 June 2017, the Office of the Commissioner of Insurance.
Hong Kong Insurance Ordinance or HKIO	Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), as amended from time to time. It provides a legislative framework for the prudential supervision of the insurance industry in Hong Kong.
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited.
IAIG	Internationally Active Insurance Group.
IAIS	International Association of Insurance Supervisors.
IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
IFA	Independent financial adviser.
IFRS	Standards and interpretations adopted by the IASB comprising: • International Financial Reporting Standards; • IAS; and • Interpretations developed by the IFRS Interpretations Committee (IFRS IC) or the former Standing Interpretations Committee (SIC).
Insurance Capital Standard or ICS	A risk-based global insurance capital standard being developed by the IAIS.

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 return	Investment return consists of investment income plus investment experience.
IPO	Initial Public Offering.
LIBOR	London Interbank Offered Rate.
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time.
Local Capital Summation Method or LCSM	Local Capital Summation Method is the method to be used by the HKIA as a measure of group capital under the new group-wide supervision (GWS) framework. Group available capital is the sum of available capital of each relevant entity within the Group. Group minimum capital requirement (MCR) is the sum of the minimum required capital of those same entities. Adjustments are made to eliminate double counting. Group LCSM surplus is the excess of Group available capital over the Group MCR. The Group LCSM cover ratio is the ratio of Group available capital to the Group MCR.
Million Dollar Round Table or 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, as amended from time to time.
n/a	Not available.
n/m	Not meaningful.
operating profit after tax or OPAT	Operating profit is determined using, among others, expected long-term investment return for equities and real estate. Short-term fluctuations between expected long-term investment return and actual investment return for these asset classes are excluded from operating profit. The assumptions used to determine expected long-term investment return are the same, in all material respects, as those used by the Group in determining its embedded value and are disclosed in the Supplementary Embedded Value Information.

operating return on EV or operating 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 or operating ROE	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.
OTC	Over-the-counter.
Other Markets	AIA's Other Markets are Australia, Cambodia, India, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam.
other participating business with distinct portfolios	Business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory.
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 allocation of benefits from the assets held in the participating funds is subject to minimum policyholder participation mechanisms established by regulation.
persistency	The percentage of insurance policies remaining in force from month to month in the past 12 months, as measured by premiums.
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	People's Republic of China.
protection gap	The difference between the resources needed and resources available to maintain dependants' living standards after the death of the primary wage-earner.
PVNBP margin	VONB gross of non-controlling interests excluding pension business, expressed as a percentage of present value of new business premiums (PVNBP). PVNBP margin for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses.

renewal premiums	Premiums receivable in subsequent years of a recurring premium policy.
Risk-Based Capital or RBC	RBC represents an amount of capital based on an assessment of risks that a company should hold to protect customers against adverse developments.
RSPUs	Restricted stock purchase units.
RSSUs	Restricted stock subscription units.
RSU	Restricted share units.
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time.
share(s)	For the Company, shall mean ordinary share(s) in the capital of the Company.
Shareholder(s)	Holder(s) of shares of the Company.
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 market segments, Singapore includes Brunei.
single premium	A single payment that covers the entire cost of an insurance policy.
solvency	The ability of an insurance company to satisfy its policyholder benefits and claims obligations.
SOR	Singapore Swap Offer Rate.
SOs	Share options.
Tata AIA Life	Tata AIA Life Insurance Company Limited.
THBFIX	Thai Baht Interest Rate Fixing.
total weighted premium income or 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.

underlying free surplus generation or UFSG	Underlying free surplus generation represents free surplus generated from the in-force business, adjusted for certain non-recurring items, and before free surplus used to fund new business, unallocated Group Office expenses, finance costs, investment return variances and other non-operating items. The underlying free surplus generation is also calculated after reflecting consolidated reserving and capital requirements.
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 in-force business or VIF	VIF is the present value of projected after-tax statutory profits emerging by Business Units 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. VIF for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VIF by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
value of new business or 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 consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
VONB margin	VONB gross of non-controlling interests excluding pension business, expressed as a percentage of ANP. VONB margin for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB margin by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.

AIA Group Limited
友邦保險控股有限公司

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