AIA Group Limited
友邦保險控股有限公司

Interim Report 2012

Stock code: 1299

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MAY 2012
AIA DELIVERS RECORD FIRST-HALF NEW BUSINESS PERFORMANCE

The Board of Directors of AIA Group Limited (stock code: 1299) is pleased to announce the Group's unaudited consolidated results for the six months ended 31 May 2012.

The main highlights are:

Strong growth in value of new business (VONB) – our key performance measure

- 28 per cent growth in VONB to US$512 million
- 42.6 per cent VONB margin, up 6.6 pps
- Annualised new premium (ANP) up 9 per cent to US$1,187 million

Sustained focus on value creation

- Embedded value (EV) of US$28,840 million, up by US$1,601 million over the first half from US$27,239 million as at 30 November 2011
- EV operating profit up 9 per cent to US$1,655 million

Robust IFRS operating profit and capital position

- Operating profit after tax (OPAT) up 12 per cent to US$1,080 million
- Net profit up 10 per cent to US$1,444 million
- Total shareholders' equity increased by 8 per cent over the first half to US$23,012 million from US$21,313 million as at 30 November 2011
- Solvency ratio of 456 per cent as at 31 May 2012, on the Hong Kong Insurance Companies Ordinance (HKICO) basis and following the subsidiarisation of our branch operation in Singapore

Interim dividend payment

- Interim dividend of 12.33 Hong Kong cents per share, an increase of 12 per cent
- If trading conditions continue in line with present expectations, the 2012 interim dividend will represent approximately one-third of the 2012 full-year dividend. Any final dividend remains subject to Board recommendation and shareholder approval at the Annual General Meeting.

Commenting on the results, Mark Tucker, AIA's Group Chief Executive and President, said:

"AIA has delivered another excellent set of results with a record first-half value of new business, our key performance measure, and a healthy increase in our margin. The continuing momentum and strong growth are a testament to the effective execution of the clear strategic objectives we have put in place since our listing. We will continue to focus on delivering quality new business growth through our Premier Agency sales force and profitable partnerships.

"We are pleased to declare an interim dividend of 12.33 Hong Kong cents per share, which is in line with our prudent and progressive dividend policy.

"We are proud of having successfully operated in the region for over ninety years and we continue to be excited and optimistic about the opportunities presented by the continued dynamic economic growth and strong underlying demand for long-term savings, accident and health and other protection products in Asia.

"Our unique combination of extensive brand reach, powerful agency distribution franchise, broad product range and balance sheet strength means we remain in an excellent position to capture these growth opportunities and to generate sustainable value for our shareholders."

About AIA

AIA Group Limited and its subsidiaries (collectively "AIA" or "the Group") comprise the largest independent publicly listed pan-Asian life insurance group in the world. It has wholly-owned main operating subsidiaries or branches in 14 markets in Asia Pacific – Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau and Brunei and a 26 per cent joint venture shareholding in India.

The business that is now AIA was first established in Shanghai over 90 years ago. It is a market leader in the Asia Pacific region (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US$119,494 million as of 31 May 2012.

AIA meets the savings and protection needs of individuals by offering a range of products and services including retirement planning, life insurance and accident and health insurance. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents and employees across Asia Pacific, AIA serves the holders of more than 24 million individual policies and over 10 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").

FINANCIAL HIGHLIGHTS

Key Performance Metrics

US$ millions, unless otherwise stated	Six months ended 31 May 2012	Six months ended 31 May 2011	YoY
New Business Value			
Value of new business (VONB)	**512**	399	28%
VONB margin	**42.6%**	36.0%	6.6 pps
Annualised new premium (ANP)	**1,187**	1,094	9%
Embedded Value			
EV operating profit	**1,655**	1,515	9%
Value of in-force business(1)	**16,969**	16,333	4%
Adjusted net worth(1)	**11,871**	10,906	9%
Embedded value(1)	**28,840**	27,239	6%
Operating EV earnings per share (US cents)	**13.8**	12.6	9%
EV per share (US cents)(1)	**239**	226	6%
IFRS			
Total weighted premium income (TWPI)	**7,305**	6,765	8%
Operating profit after tax (OPAT)(2)	**1,080**	967	12%
Net profit(2)	**1,444**	1,314	10%
Shareholders' equity(1)(2)	**23,012**	21,313	8%
IFRS Operating Earnings per Share (US cents)			
– Basic(2)	**9.0**	8.0	12%
– Diluted(2)	**9.0**	8.0	12%
Dividend per Share (HK cents)	**12.33**	11.00	12%
HKICO Solvency Ratio(1)(3)	**456%**	446%	10 pps

(1) Comparatives for balance sheet items are shown at 30 November 2011.
(2) Attributable to shareholders of AIA Group Limited.
(3) The HKICO solvency ratio as at 30 November 2011 is shown on a pro forma basis after allowing for the effect of the subsidiarisation of our branch operation in Singapore.

Value of New Business (VONB) by Market

	Six months ended 31 May 2012		Six months ended 31 May 2011		
US$ millions, unless otherwise stated	**VONB**	**VONB Margin**	VONB	VONB Margin	VONB Change
Hong Kong	**140**	**55.2%**	121	52.2%	16%
Thailand(1)	**131**	**53.5%**	101	45.4%	30%
Singapore	**99**	**65.0%**	78	65.1%	27%
Malaysia	**31**	**41.4%**	22	32.5%	41%
China	**60**	**55.9%**	44	40.6%	36%
Korea	**33**	**31.9%**	42	28.0%	(21)%
Other Markets	**66**	**25.3%**	44	21.7%	50%
Subtotal	**560**	**46.7%**	452	40.9%	24%
Adjustment to reflect additional Hong Kong reserving and capital requirements	**(16)**	**n/m**	(24)	n/m	n/m
After-tax value of unallocated Group Office expenses	**(32)**	**n/m**	(29)	n/m	n/m
Total	**512**	**42.6%**	399	36.0%	28%

(1) VONB of Thailand for 2012 was calculated using the regulatory Risk-Based Capital basis. VONB for 2011 was calculated using the statutory reserving and solvency basis applicable prior to the implementation of the Risk-Based Capital requirements. The difference arising from the change in methodologies was not material.

Notes:

(1) A presentation for analysts and investors, hosted by Mark Tucker, Group Chief Executive and President, was held on 27 July 2012. An audio cast of the presentation and presentation slides are available on AIA's website:

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

(2) The results of our joint venture in India are accounted for using the equity method. For clarity, TWPI, ANP and VONB exclude any contribution from India.

(3) TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums.

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

(5) ANP and VONB margin exclude corporate pension business.

(6) VONB includes corporate pension business.

(7) All figures are presented in actual reported currency (US dollar) unless otherwise stated.

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

(9) Hong Kong refers to operations in Hong Kong and Macau; Singapore refers to operations in Singapore and Brunei; and Other Markets refers to operations in Australia, the Philippines, Indonesia, Vietnam, Taiwan and New Zealand.

(10) The amounts of VONB attributable to non-controlling interests in the first half of 2012 and the first half of 2011 were US$5 million and US$2 million respectively.

(11) IFRS operating profit after tax, net profit and shareholders' equity are shown after non-controlling interests unless otherwise stated.

TABLE OF CONTENTS

FINANCIAL AND OPERATING REVIEW

FINANCIAL REVIEW

AIA has reported a record new business performance for the first half of 2012 with VONB, our main measure of value creation, up 28 per cent. The Group has continued to deliver growth across all of its key metrics including a significant further improvement in new business margin, IFRS earnings growth and a strong first-half embedded value (EV) performance. We have maintained our very strong capital position during a period of economic uncertainty for capital markets and at the same time financed our new business growth and dividends out of cash flow generation.

Summary

VALUE CREATION

VONB grew by 28 per cent to US$512 million net of tax compared with the first half of 2011. This excellent performance was driven by increases in both volume and margin. VONB margin increased by 6.6 percentage points (pps) to 42.6 per cent and ANP grew by 9 per cent to US$1,187 million compared with the first half of 2011.

The strong growth in VONB reflected our strategic focus on writing business that meets our profitability targets, while providing customers with innovative products that satisfy their increasing long-term savings and protection needs. All of our major markets shared this continued profitable growth momentum, with the exception of our Korean business, which as discussed previously, we continued to reposition.

EV grew to US$28,840 million at 31 May 2012, an increase of 6 per cent over the first half from US$27,239 million at 30 November 2011.

EV operating profit grew by 9 per cent to US$1,655 million compared with the first half of 2011. The increase reflected a higher VONB of US$512 million, a higher expected return of US$1,074 million on the higher opening EV, as well as positive total operating experience variances and operating assumption changes of US$69 million.

Non-operating EV movements included positive investment return variances of US$497 million and positive other non-operating variances of US$14 million. These positive movements were partly offset by the payment of the 2011 final dividend of US$339 million, negative foreign exchange movements of US$161 million and negative other capital movements of US$65 million.

IFRS PROFIT

Operating profit after tax (OPAT) increased by 12 per cent to US$1,080 million compared with the first half of 2011. The increase was a result of business growth, effective expense management and a lower effective tax rate. The Group achieved a reduction in the expense ratio to 8.7 per cent from 9.1 per cent in the first half of 2011.

Net profit attributable to shareholders of AIA Group Limited increased by 10 per cent to US$1,444 million compared with the first half of 2011. Shareholders' equity attributable to shareholders of AIA Group Limited increased by 8 per cent over the first half to US$23,012 million at 31 May 2012 from US$21,313 million at 30 November 2011.

CAPITAL AND DIVIDENDS

At 31 May 2012, the total available regulatory capital for AIA Co., our main regulated entity, was US$5,733 million, resulting in a solvency ratio of 456 per cent under the HKICO basis. This compares with 446 per cent at the end of November 2011 on a pro forma basis after allowing for the effect of the subsidiarisation of our branch operation in Singapore. The increase in solvency ratio was a result of retained earnings in the first half less the payment of the 2011 final dividend. The individual businesses remitted a net US$844 million of dividends to the Group Corporate Centre during the first half of 2012.

The Board of Directors has declared an interim dividend of 12.33 Hong Kong cents per share. If trading conditions continue in line with present expectations, the 2012 interim dividend will represent approximately one-third of the 2012 full-year dividend. Any final dividend remains subject to Board recommendation and shareholder approval at the Annual General Meeting.

OUTLOOK

AIA's strong financial performance over the first half of the year has demonstrated the advantages of operating exclusively in the dynamic Asia Pacific region; the resilience of our agency-based business model; and the benefits that flow from the consistent implementation of our clear strategy of focusing on delivering quality new business growth for shareholders.

Global macroeconomic uncertainty has the potential to affect Asian economic growth rates, particularly the impact of Eurozone challenges on business confidence in some of Asia's main trading partners. Despite this uncertainty, we continue to be optimistic about the significant growth opportunities presented by the strong inherent demand for long-term savings, accident and health (A&H) and other protection products in our core markets in Asia and our ability to offer the product innovation, first-rate customer service and high-quality advice that will meet these needs.

New Business Growth

VALUE OF NEW BUSINESS (VONB) AND VONB MARGIN BY SEGMENT

US$ millions, unless otherwise stated	Six months ended 31 May 2012 VONB	Six months ended 31 May 2012 VONB Margin	Six months ended 31 May 2011 VONB	Six months ended 31 May 2011 VONB Margin	VONB Change
Hong Kong	**140**	**55.2%**	121	52.2%	16%
Thailand[1]	**131**	**53.5%**	101	45.4%	30%
Singapore	**99**	**65.0%**	78	65.1%	27%
Malaysia	**31**	**41.4%**	22	32.5%	41%
China	**60**	**55.9%**	44	40.6%	36%
Korea	**33**	**31.9%**	42	28.0%	(21)%
Other Markets	**66**	**25.3%**	44	21.7%	50%
Subtotal	**560**	**46.7%**	452	40.9%	24%
Adjustment to reflect additional Hong Kong reserving and capital requirements	**(16)**	**n/m**	(24)	n/m	n/m
After-tax value of unallocated Group Office expenses	**(32)**	**n/m**	(29)	n/m	n/m
Total	**512**	**42.6%**	399	36.0%	28%

(1) VONB of Thailand for 2012 was calculated using the regulatory Risk-Based Capital basis. VONB for 2011 was calculated using the statutory reserving and solvency basis applicable prior to the implementation of the Risk-Based Capital requirements. The difference arising from the change in methodologies was not material.

VONB grew by 28 per cent to US$512 million, an increase of US$113 million compared with the first half of 2011.

All major markets delivered very strong double-digit growth in VONB with the exception of Korea. Other Markets were particularly strong with 50 per cent growth, followed by Malaysia at 41 per cent, China at 36 per cent and Thailand at 30 per cent.

VONB margin improved by 6.6 pps to 42.6 per cent compared with the first half of 2011.

Product and portfolio mix improvements contributed 7.1 pps of the increase and 0.4 pps came from positive changes in geographical mix. Assumption changes and other items reduced the margin by 0.9 pps. Economic assumptions are unchanged since 30 November 2011. The main drivers of the margin improvement were our focus on pricing discipline, new product launches and the continued shift in product mix across our distribution channels towards higher-margin long-term savings, A&H and other protection business.

VONB of US$512 million is shown after deductions of US$16 million for additional HKICO reserving and capital requirements and US$32 million for unallocated Group Office expenses.

ANNUALISED NEW PREMIUM (ANP) BY SEGMENT

US$ millions, unless otherwise stated	Six months ended 31 May 2012	Six months ended 31 May 2011	YoY
Hong Kong	**243**	223	9%
Thailand	**244**	223	9%
Singapore	**152**	120	27%
Malaysia	**76**	67	13%
China	**108**	109	(1)%
Korea	**104**	149	(30)%
Other Markets	**260**	203	28%
Total	**1,187**	1,094	9%

ANP grew by 9 per cent to US$1,187 million compared with the first half of 2011. Our focus on VONB growth has shifted our product mix towards higher-margin A&H covers and other protection products that meet the needs of our insurance customers and typically have lower average ANP case sizes. This was particularly evident in China where the reduction in ANP of 1 per cent was a result of replacing lower-margin single premium business. The Group's overall ANP growth rate was also reduced by the continued repositioning of our distribution model in our Korean business towards sales of higher-margin products.

Embedded Value (EV)

An analysis of the movements in EV is as follows:

US$ millions, unless otherwise stated	Six months ended 31 May 2012		
	ANW	**VIF**	**EV**
Opening embedded value	**10,906**	**16,333**	**27,239**
Value of new business	**(413)**	**925**	**512**
Expected return on EV	**1,362**	**(288)**	**1,074**
Operating experience variances	**9**	**73**	**82**
Operating assumption changes	**–**	**(13)**	**(13)**
EV operating profit	**958**	**697**	**1,655**
Investment return variances	**(133)**	**630**	**497**
Effect of changes in economic assumptions	**–**	**–**	**–**
Other non-operating variances	**543**	**(529)**	**14**
Total EV profit	**1,368**	**798**	**2,166**
Dividends	**(339)**	**–**	**(339)**
Other capital movements	**(65)**	**–**	**(65)**
Effect of changes in exchange rates	**1**	**(162)**	**(161)**
Closing embedded value	**11,871**	**16,969**	**28,840**

US$ millions, unless otherwise stated	Six months ended 31 May 2011 ANW	VIF	EV
Opening embedded value	9,524	15,224	24,748
Value of new business	(371)	770	399
Expected return on EV	1,297	(259)	1,038
Operating experience variances	(28)	106	78
Operating assumption changes	–	–	–
EV operating profit	898	617	1,515
Investment return variances	174	367	541
Effect of changes in economic assumptions	–	–	–
Other non-operating variances	5	92	97
Total EV profit	1,077	1,076	2,153
Dividends	–	–	–
Other capital movements	–	–	–
Effect of changes in exchange rates	40	453	493
Closing embedded value	10,641	16,753	27,394

EV grew to US$28,840 million at 31 May 2012, an increase of 6 per cent over the first half from US$27,239 million at 30 November 2011.

EV operating profit was US$1,655 million, which is an increase of 9 per cent compared with the first half of 2011. The increase reflected a higher VONB of US$512 million, a higher expected return of US$1,074 million on the higher opening EV, as well as positive operating experience variances of US$82 million and operating assumption changes of US$(13) million.

The positive operating experience variances of US$82 million have arisen as a result of favourable actual experience in mortality, morbidity and persistency of US$100 million compared with the assumptions used in the EV calculation. This was partly offset by an expense variance of US$(18) million.

Non-operating EV movements included positive investment return variances of US$497 million and positive other non-operating variances of US$14 million. These positive movements were partly offset by payment of the 2011 final dividend of US$339 million, negative foreign exchange movements of US$161 million and negative other capital movements of US$65 million.

EV includes adjusted net worth (ANW) and value of in-force business (VIF). The ANW increased by 9 per cent to US$11,871 million at 31 May 2012 from US$10,906 million at 30 November 2011. The ANW figure provides for US$7,206 million of additional reserves for the HKICO basis above local statutory requirements.

After the cost of holding required capital, VIF increased by 4 per cent over the first half to US$16,969 million at 31 May 2012, compared with US$16,333 million at 30 November 2011. Total undiscounted after-tax distributable earnings of US$10,263 million are expected to emerge from the VIF from the second half of 2012 through to 2016.

The total EV includes a deduction of US$2,980 million to reflect the effect of the additional HKICO reserving and capital requirements above local statutory requirements and the after-tax value of unallocated Group Office expenses.

IFRS Profit

IFRS OPERATING PROFIT BEFORE TAX (OPBT)

US$ millions, unless otherwise stated	**Six months ended 31 May 2012**	Six months ended 31 May 2011	YoY
Hong Kong(1)	**386**	374	3%
Thailand	**298**	293	2%
Singapore	**195**	186	5%
Malaysia	**88**	82	7%
China	**88**	66	33%
Korea	**87**	85	2%
Other Markets	**132**	142	(7)%
Group Corporate Centre(1)	**35**	(18)	n/m
Total	**1,309**	1,210	8%

(1) Results of certain internal reinsurance have been reclassified from the Hong Kong segment to the Group Corporate Centre in the prior year to conform to the current period presentation. As a result, operating profit before tax for the Hong Kong segment for the first half of 2011 has decreased by US$24 million and the Group Corporate Centre has increased by US$24 million. The reclassification has no impact on the total operating profit of the Group.

The Group's OPBT increased by 8 per cent to US$1,309 million compared with the first half of 2011, in line with TWPI growth. OPBT growth in Hong Kong, Thailand, Singapore and Malaysia was reduced by lower investment income following dividends remitted to the Group Corporate Centre with a consequent increase shown in the Group Corporate Centre. China's OPBT increased by 33 per cent to US$88 million as a result of underlying business growth, effective expense control and increased interest income. Other Markets' OPBT decreased by 7 per cent to US$132 million. The decrease was due to higher expenses incurred in the course of achieving the 50 per cent year-on-year growth in VONB and adverse claims experience in Australia.

The OPBT for the Group Corporate Centre has increased to US$35 million compared with US$(18) million in the first half of 2011 as a result of higher investment income on increased dividends remitted from the local business units, as discussed above, and effective expense control.

IFRS OPERATING PROFIT AFTER TAX (OPAT)

US$ millions, unless otherwise stated	**Six months ended 31 May 2012**	Six months ended 31 May 2011	YoY
Hong Kong(1)	**358**	348	3%
Thailand	**227**	205	11%
Singapore	**168**	155	8%
Malaysia	**68**	65	5%
China	**72**	58	24%
Korea	**66**	64	3%
Other Markets	**98**	101	(3)%
Group Corporate Centre(1)	**23**	(29)	n/m
Total	**1,080**	967	12%

(1) Results of certain internal reinsurance have been reclassified from the Hong Kong segment to the Group Corporate Centre in the prior year to conform to the current period presentation. As a result, operating profit after tax for the Hong Kong segment for the first half of 2011 has decreased by US$24 million and the Group Corporate Centre has increased by US$24 million. The reclassification has no impact on the total operating profit of the Group.

The Group's OPAT for the first half of 2012 increased by 12 per cent to US$1,080 million compared with the first half of 2011, largely attributable to the growth in OPBT as discussed above, as well as a lower effective tax rate primarily from a reduction in the corporate tax rate in Thailand from 30 per cent to 23 per cent. The corporate tax rate in Thailand is expected to further reduce to 20 per cent for assessment years 2013 and 2014; we have assumed a return to 30 per cent for assessment year 2015 onwards.

TOTAL WEIGHTED PREMIUM INCOME (TWPI)

US$ millions, unless otherwise stated	Six months ended 31 May 2012	Six months ended 31 May 2011	YoY
Hong Kong	**1,552**	1,431	8%
Thailand	**1,460**	1,397	5%
Singapore	**998**	910	10%
Malaysia	**486**	454	7%
China	**683**	609	12%
Korea	**967**	1,016	(5)%
Other Markets	**1,159**	948	22%
Total	**7,305**	6,765	8%

TWPI increased by 8 per cent to US$7,305 million, reflecting growth in all our markets except in Korea where we continued to reposition the business. Persistency remained strong and stable at 94.5 per cent in the first half of 2012.

Management believes that TWPI provides a useful indicative measure of the pattern of potential emergence of IFRS operating profits for traditional business.

INVESTMENT INCOME[1]

US$ millions, unless otherwise stated	Six months ended 31 May 2012	Six months ended 31 May 2011	YoY
Interest income	**1,883**	1,770	6%
Dividend income	**160**	159	1%
Rental income	**46**	37	24%
Total	**2,089**	1,966	6%

(1) Excluding unit-linked contracts.

Investment income increased by 6 per cent to US$2,089 million compared with the first half of 2011, reflecting the higher level of invested assets at the start of the 2012 financial year. Dividend income increased marginally by 1 per cent to US$160 million compared with the first half of 2011, reflecting a reduction in the level of equities held at the beginning of 2012 compared with the beginning of 2011. Rental income increased by 24 per cent as a result of the 12 per cent increase in the investment property held at the beginning of 2012 and higher rental yields achieved over the first half.

OPERATING EXPENSES

US$ millions, unless otherwise stated	Six months ended 31 May 2012	Six months ended 31 May 2011	YoY
Operating expenses	**634**	617	3%

Operating expenses increased by 3 per cent to US$634 million compared with the first half of 2011. The expense ratio decreased to 8.7 per cent from 9.1 per cent in the first half of 2011, reflecting effective expense management across all regions.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF AIA GROUP LIMITED

US$ millions, unless otherwise stated	Six months ended 31 May 2012	Six months ended 31 May 2011	YoY
OPAT	**1,080**	967	12%
Net gains from equities, net of tax	**329**	300	10%
Other non-operating investment experience and items, net of tax	**35**	47	(26)%
Total	**1,444**	1,314	10%

Net profit for the first half of 2012 increased by 10 per cent to US$1,444 million compared with the first half of 2011, reflecting the growth in OPAT described above and the 10 per cent increase in net gains from equities to US$329 million from US$300 million over the same period in 2011.

SENSITIVITIES

Sensitivities to profit before tax and net assets for foreign exchange rate, interest rate, and equity market risk are included in note 20 to the interim financial statements.

Earnings Per Share (EPS)

EPS based on net profit increased to 12.0 US cents per share from 10.9 US cents per share compared with the first half of 2011.

OPAT EPS increased to 9.0 US cents per share from 8.0 US cents per share compared with the first half of 2011.

EARNINGS PER SHARE – BASIC

	Net Profit[(1)]		OPAT[(1)]	
	Six months ended 31 May 2012	Six months ended 31 May 2011	**Six months ended 31 May 2012**	Six months ended 31 May 2011
Profit (US$m)	**1,444**	1,314	**1,080**	967
Weighted average number of shares (millions)[(2)]	**12,003**	12,044	**12,003**	12,044
Basic earnings per share (US cents)	**12.0**	10.9	**9.0**	8.0

(1) Attributable to shareholders of AIA Group Limited.
(2) The decrease in weighted average number of shares outstanding compared with the first half of 2011 was primarily a result of the purchase of shares held by employee share-based trusts.

EARNINGS PER SHARE – DILUTED

	Net Profit[(1)]		OPAT[(1)]	
	Six months ended 31 May 2012	Six months ended 31 May 2011	**Six months ended 31 May 2012**	Six months ended 31 May 2011
Profit (US$m)	**1,444**	1,314	**1,080**	967
Weighted average number of shares (millions)[(2)(3)]	**12,010**	12,044	**12,010**	12,044
Diluted earnings per share (US cents)[(3)]	**12.0**	10.9	**9.0**	8.0

(1) Attributable to shareholders of AIA Group Limited.
(2) The decrease in weighted average number of shares outstanding compared with the first half of 2011 was primarily a result of the purchase of shares held by employee share-based trusts.
(3) Diluted earnings per share including the dilutive effect, if any, of the grants of share options, restricted share units and restricted share purchase units to eligible employees under the share-based compensation plans as described in note 21 to the interim financial statements.

Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$ millions, unless otherwise stated	As at 31 May 2012	As at 30 November 2011
Assets		
Financial investments	**97,888**	92,254
Investment property	**1,007**	896
Cash and cash equivalents	**3,110**	4,303
Invested assets	**102,005**	97,453
Deferred acquisition and origination costs	**13,125**	12,818
Other assets	**4,364**	4,190
Total assets	**119,494**	114,461
Liabilities		
Insurance and investment contract liabilities	**90,213**	87,112
Borrowings	**622**	559
Other liabilities	**5,536**	5,375
Less total liabilities	**96,371**	93,046
Equity		
Total equity	**23,123**	21,415
Less: non-controlling interests	**111**	102
Total equity attributable to shareholders of AIA Group Limited	**23,012**	21,313

ASSETS

Total assets grew by 4 per cent over the first half to US$119,494 million at 31 May 2012 compared with US$114,461 million at 30 November 2011, reflecting the growth in the business portfolio and overall positive capital market returns offset by negative currency movements.

Cash and cash equivalents decreased to US$3,110 million at 31 May 2012 compared with US$4,303 million at 30 November 2011, reflecting increased investments in financial assets and the payment of the 2011 final dividend of US$339 million.

Deferred acquisition and origination costs increased to US$13,125 million at 31 May 2012 compared with US$12,818 million at 30 November 2011.

LIABILITIES

Total liabilities increased by 4 per cent to US$96,371 million at 31 May 2012 compared with US$93,046 million at 30 November 2011. Insurance and investment contract liabilities increased to US$90,213 million at 31 May 2012 compared with US$87,112 million at 30 November 2011, reflecting the growth of the in-force portfolio offset by foreign exchange movements.

Details of contingencies are included in note 23 to the interim financial statements.

EQUITY – MOVEMENT IN SHAREHOLDERS' EQUITY OF AIA GROUP LIMITED

US$ millions, unless otherwise stated	Six months ended 31 May 2012	Twelve months ended 30 November 2011	Six months ended 31 May 2011
Opening shareholders' equity	**21,313**	19,555	19,555
Net profit	**1,444**	1,600	1,314
Fair value gains/(losses) on assets	**814**	500	(69)
Foreign currency translation	**(155)**	(83)	341
Purchase of shares held by employee share-based trusts	**(82)**	(105)	–
Dividends	**(339)**	(170)	–
Other	**17**	16	–
Total movement in shareholders' equity	**1,699**	1,758	1,586
Closing shareholders' equity	**23,012**	21,313	21,141

Shareholders' equity excluding non-controlling interests increased by 8 per cent over the first half to US$23,012 million at 31 May 2012 compared with US$21,313 million at 30 November 2011. This increase was mainly made up of retained earnings of US$1,444 million, higher fair value reserves of US$814 million primarily reflecting increased fixed income asset values, a reduction in foreign currency translation reserves of US$155 million and the payment of the 2011 final dividend of US$339 million.

Invested Assets

The carrying value of our invested assets, including financial investments, investment property and cash and cash equivalents, increased by 5 per cent over the first half to US$102,005 million at 31 May 2012 compared with US$97,453 million at 30 November 2011. Invested assets include total assets held in respect of shareholders and policyholders, including unit-linked contracts.

TOTAL INVESTED ASSETS

US$ millions, unless otherwise stated	As at 31 May 2012	%	As at 30 November 2011	%
Total policyholder and shareholder	**86,690**	**85%**	82,284	84%
Total unit-linked contracts	**15,315**	**15%**	15,169	16%
Total invested assets	**102,005**	**100%**	97,453	100%

Details of the investment mix are as follows:

POLICYHOLDER AND SHAREHOLDER INVESTED ASSETS

US$ millions, unless otherwise stated	As at 31 May 2012	%	As at 30 November 2011	%
Participating funds				
Government and government agency bonds	**5,880**	**7%**	5,640	7%
Corporate bonds and structured securities	**8,498**	**10%**	8,097	10%
Loans and deposits	**1,137**	**1%**	1,026	1%
Subtotal – Fixed income investments	**15,515**	**18%**	14,763	18%
Equities	**3,096**	**4%**	2,777	3%
Cash and cash equivalents	**265**	**–**	481	1%
Derivatives	**250**	**–**	367	–
Investment property	**10**	**–**	11	–
Subtotal participating funds	**19,136**	**22%**	18,399	22%
Other policyholder and shareholder				
Government and government agency bonds	**28,373**	**33%**	27,379	33%
Corporate bonds and structured securities	**26,353**	**30%**	24,445	30%
Loans and deposits	**4,156**	**5%**	3,396	4%
Subtotal – Fixed income investments	**58,882**	**68%**	55,220	67%
Equities	**5,222**	**6%**	4,388	6%
Cash and cash equivalents	**2,199**	**3%**	3,034	4%
Derivatives	**254**	**–**	358	–
Investment property	**997**	**1%**	885	1%
Subtotal other policyholder and shareholder	**67,554**	**78%**	63,885	78%
Total policyholder and shareholder	**86,690**	**100%**	82,284	100%

UNIT-LINKED CONTRACTS

US$ millions, unless otherwise stated	As at 31 May 2012	%	As at 30 November 2011	%
Unit-linked contracts				
Debt securities	**1,807**	**12%**	2,391	16%
Loans and deposits	**118**	**1%**	143	1%
Equities	**12,744**	**83%**	11,847	78%
Cash and cash equivalents	**646**	**4%**	788	5%
Total unit-linked contracts	**15,315**	**100%**	15,169	100%

Invested assets held in respect of policyholders and shareholders increased to US$86,690 million at 31 May 2012 compared with US$82,284 million at 30 November 2011.

Fixed income investments, including debt securities, loans and term deposits, held in respect of policyholders and shareholders, totalled US$74,397 million at 31 May 2012 compared with US$69,983 million at 30 November 2011.

Consistent with prior periods, government and government agency bonds represented 46 per cent of our fixed income investments at 31 May 2012 compared with 47 per cent at 30 November 2011. Corporate bonds and structured securities accounted for 47 per cent of fixed income investments at 31 May 2012, compared with 46 per cent at 30 November 2011.

Total equity securities held in respect of policyholders and shareholders totalled US$8,318 million at 31 May 2012, compared with US$7,165 million at 30 November 2011. The increase in carrying value was attributable to new purchases as well as an increase in market value. Equity securities totalling US$3,096 million were held in participating funds.

Cash and cash equivalents held in respect of policyholders and shareholders totalled US$2,464 million at 31 May 2012 compared with US$3,515 million at 30 November 2011.

Invested assets held in respect of unit-linked contracts totalled US$15,315 million at 31 May 2012 compared with US$15,169 million at 30 November 2011.

Capital

FREE SURPLUS GENERATION

The Group's free surplus at 31 May 2012 represented the excess of adjusted net worth over the required capital. Free surplus was US$6,058 million at 31 May 2012, reflecting free surplus generation of US$1,200 million, US$614 million of investment in new business growth, and US$54 million of unallocated Group Office expenses over the first half; payment of the 2011 final dividend of US$339 million, which represented two-thirds of the full-year dividend; and negative other capital movements of US$65 million.

The following table shows the change in free surplus:

US$ millions, unless otherwise stated	**Six months ended 31 May 2012**	Six months ended 31 May 2011
Opening free surplus	**5,930**	4,992
Free surplus generated	**1,200**	1,414
Free surplus used to fund new business	**(614)**	(515)
Unallocated Group Office expenses	**(54)**	(70)
Dividends	**(339)**	–
Other capital movements	**(65)**	–
Closing free surplus	**6,058**	5,821

NET FUNDS TO GROUP CORPORATE CENTRE

Business units remitted US$844 million of net dividends to the Group Corporate Centre. The figure for the first half of 2011 was US$964 million. Working capital comprises debt and equity securities, dividends receivable from subsidiaries, deposits and cash and cash equivalents held by Group Corporate Centre. Working capital, after payment of the 2011 final dividend, was US$4,290 million at 31 May 2012 compared with US$3,912 million at 30 November 2011.

The movements in working capital are summarised as follows:

US$ millions, unless otherwise stated	**Six months ended 31 May 2012**	Six months ended 31 May 2011
Opening working capital	**3,912**	2,180
Group Corporate Centre net loss	**(6)**	(23)
Capital flows from business units:		
Hong Kong	**572**	571
Thailand	**181**	204
Singapore	**7**	–
Malaysia	**98**	115
China	**–**	–
Other Markets	**(14)**	74
Net funds remitted to Group Corporate Centre	**844**	964
Payment of dividend	**(339)**	–
Purchase of shares held by employee share-based trusts	**(82)**	–
Other changes in working capital	**(39)**	(33)
Closing working capital	**4,290**	3,088

Regulatory Capital

The Group's lead insurance regulator is the Hong Kong Office of the Commissioner of Insurance (HKOCI). The Group's principal operating company is AIA Co., a Hong Kong domiciled insurer. At 31 May 2012, the total available regulatory capital of AIA Co. amounted to US$5,733 million as measured under the HKICO. AIA Co. has a solvency ratio of 456 per cent of the minimum regulatory capital requirement.

The increase in solvency ratio was a result of retained earnings during the first half less the payment of the 2011 final dividend.

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

US$ millions, unless otherwise stated	**As at 31 May 2012**	Pro forma[1] at 30 November 2011	As at 30 November 2011
Total Available Regulatory Capital	**5,733**	5,575	6,168
Regulatory Minimum Required Capital (100%)	**1,256**	1,249	1,984
Solvency Ratio (%)	**456%**	446%	311%

(1) The HKICO solvency ratio as at 30 November 2011 is shown on a pro forma basis after allowing for the effect of the subsidiarisation of our branch operation in Singapore.

AIA has given an undertaking to the HKOCI that it will maintain a solvency ratio of not less than 150 per cent in each of AIA Co. and AIA-B. The Group's individual branches and subsidiaries are also subject to supervision. This means that local operating units, including branches and subsidiaries, must meet the regulatory capital requirements of their local prudential regulators. The various regulators overseeing the Group's branches and subsidiaries actively monitor their capital position. The local operating units were in compliance with the capital requirements of their respective local regulators in each of our geographical markets at 31 May 2012.

Credit Ratings

At 31 May 2012, AIA Co. had published financial strength ratings of AA- (Very Strong) from Standard & Poor's with a stable outlook.

Dividends

The Board of Directors has declared an interim dividend of 12.33 Hong Kong cents per share.

BUSINESS REVIEW

AIA has maintained strong growth momentum and delivered a record value of new business (VONB) in the first half of 2012, through relentless execution of the clear strategic priorities we laid out at the beginning of the year. We remain focused on delivering quality new business growth for our shareholders and value for money products to our customers through our Premier Agency sales force and profitable partnerships.

Distribution

AGENCY

AIA's proprietary tied agency channel is our primary region-wide distribution platform and a major source of competitive advantage for the Group. The ongoing relationships between our advisers and our customers ensure a high level of face-to-face advice and service that offers AIA the opportunity to help our customers understand and meet their long-term savings and financial protection goals. This close interaction has resulted in a strong and sustained persistency level for the Group at 94.5 per cent for the first half of 2012.

Our agency channel accounted for 73 per cent of the Group's total VONB and generated US$407 million of VONB in the first half of 2012. This growth reflected our strategy of writing business that meets our profitability targets, as demonstrated by the 7.4 pps improvement in agency new business margin to 52 per cent compared with the first half of 2011.

We continued to develop and implement our Premier Agency strategy by focusing on quality recruitment, agent activity and productivity and by developing strong future leaders.

Through our agency segmentation initiatives, we continued our focus on developing Million Dollar Round Table (MDRT) qualifiers, while at the same time reactivating inactive agents and parting company with those with consistently poor performance. As a result, our number of active agents grew by 7 per cent compared with the first half of 2011. The planned growth of potential MDRT qualifiers remains on track over the first half of 2012 with a number of markets showing very strong growth, in particular China and the Philippines.

Building on the regional roll-out of the AIA Premier Academy launched in 2011, we strengthened the effectiveness of our training initiatives across the Group with particular emphasis on providing market-leading new agent induction programmes. The objective of these programmes is to equip new agents with the necessary skills and knowledge to provide quality service at high levels of productivity. We also continued to strengthen our agency selection processes through various new initiatives, including candidate profiling and psychometric testing to drive quality recruitment.

Our Group Office continued to provide functional leadership, supporting the design, promotion and roll-out of new initiatives that share best practices and help to achieve the Group's overall Premier Agency objectives. We have also focused our agents on meeting the increasing long-term savings and protection needs of existing customers where coverage may no longer be sufficient.

AIA PARTNERS

The Group's partnership team, AIA Partners, is responsible for creating value by optimising the Group's distribution through bancassurance, direct marketing and other non-agency channels, provided we can meet clients' needs while generating appropriate rates of return for our shareholders and our partners.

In the first half of 2012, we continued to enhance the quality of our service to our customers through changes in product mix while achieving improved rates of return. We have deepened our existing partner relationships and looked to identify new opportunities that meet our profitability criteria. The results have been excellent with total partnership VONB growth of 52 per cent to US$147 million compared with the first half of 2011. This performance was driven by robust margin expansion of 5.0 pps to 36 per cent combined with very strong growth in new business volumes with ANP up 31 per cent.

Bancassurance

We continued to build on our strategic regional relationships with Citibank and ANZ and worked alongside our domestic partners, such as Bank of Central Asia (BCA) and CIMB Bank in Indonesia, and Bank of the Philippine Islands (BPI) in the Philippines. Alliance Bank selected AIA for a long-term distribution arrangement earlier this year, which helped to diversify our distribution portfolio within Malaysia. We also added a partnership with PT Bank Negara Indonesia (Persero) Tbk, the fourth largest bank in Indonesia, to distribute products through its priority banking arm, BNI Emerald.

We remain financially disciplined in our approach to bancassurance business. The deepening of our footprint combined with a strong improvement in margins saw our bancassurance business VONB grow by 75 per cent compared with the first half of 2011.

Other Partnership Channels

Other partnerships, including private banks, IFAs, brokers and specialist advisers, showed strong growth, particularly in respect of group insurance and the high-net-worth (HNW) customer segment.

AIA also continued to invest in direct marketing talent and technology to support growth in our direct channel distribution. A major part of this investment has been the planned restructuring of our direct marketing operation in Korea, which forms a material part of our distribution in that country. The process is well underway and we believe will position us well for future high-quality new business growth from this channel. However, it has had the expected dampening effect on growth during the first half of 2012. Elsewhere, we have seen growth in our direct operations throughout the region, such as in China, Malaysia and Taiwan.

GROUP INSURANCE

Within the group insurance sector, AIA focused on providing group life and group accident and health (A&H) benefits to employees of small-and-medium sized enterprises (SMEs) and larger domestic and multinational companies. AIA is a leading provider of group insurance across the region and currently serves more than 100,000 corporate clients with more than 10 million members.

AIA's unrivalled pan-Asian footprint and considerable group insurance experience developed over six decades give us a significant strategic advantage in the multinational company segment of the group insurance market. The scale of AIA's mainstream agency distribution also gives us an advantaged position in the SME market.

The focus in the first half has centred on initiatives to strengthen group insurance capabilities within the agency force in key markets, while simultaneously transforming the basis for our global and regional broker relationships to give more effective regional account management and enhance direct relationships with key suppliers and business partners.

Marketing

BRAND STRENGTH

The AIA brand is the most recognised insurance brand in Asia according to *Campaign Asia-Pacific* and once again we received the Gold Award from *Reader's Digest* as the most trusted insurance brand in Asia. We take great pride in the trust placed in us by our customers and continue to strive to meet their needs with products that offer value for money and generate appropriate returns for our shareholders.

FOCUS ON CUSTOMERS' NEEDS

As part of our broader marketing strategy across the region, we have targeted underinsured customers to ensure that their levels of protection cover increase in line with their needs. Our businesses have launched campaigns that range in size and scope to target a variety of customer segments.

We strengthened our leadership in the provision of living benefits protection insurance through systematic use of market research to determine what matters most to our consumers and promoting products more closely aligned with customers' needs. This has enabled us to customise our product and service offerings to combine improved protection coverage that matches the needs of our customers and their families. We also see the role of marketing in the development of our existing customer base, which accounts for over 24 million individual policies. We view this as a competitive advantage and as a critical driver of long-term success alongside our development of new customer relationships.

PRODUCT EXCELLENCE

In the first half of 2012, as in the past, we have worked to help safeguard the financial security of our customers through both protection insurance products and regular premium long-term savings plans. We continued to emphasise the need for insurance to provide protection against the financial consequences of accident, illness and premature death. In particular, we have focused on ensuring our customers are provided with adequate levels of cover for benefits such as health care and critical illness to provide support, when it is most needed, during their lifetimes.

In the first half of 2012, we launched a new critical illness plan in Thailand backed by a successful marketing campaign and enhanced our leading critical illness plans in Hong Kong and Singapore. Building on last year's launch of our next generation unit-linked product series in Singapore, we introduced a similar offering in Indonesia. These products, which incorporate attractive savings elements as well as higher levels of protection, are making a significant contribution to VONB growth.

HARNESSING NEW TECHNOLOGY

We are also mindful of the ways in which technology plays an increasingly important role in the everyday life of our customers through the Internet and various forms of social media. Our launch of AIA on Facebook in Singapore and in the Philippines provides customers with the opportunity to engage instantly with us and has already attracted thousands of "friends" of the AIA brand. We believe we are well-positioned to align customers' increasing use of social media with the all-important and continuing needs for face-to-face advice and support that we provide to customers through our agency sales channel.

Employee and Community Engagement

Through our extensive network of agents and around 19,000 employees across the Asia Pacific region, AIA serves the long-term savings and protection needs of the holders of more than 24 million individual policies and over 10 million participating members of group insurance schemes. As a life insurer, our core business activities have a significant impact upon the well-being of the societies and communities in which we operate. To serve our customers effectively, the professionalism of our employees and agents is paramount and is the focus of much of our management time and investment in the business.

Helping to improve the health of the people of Asia is our primary social ambition alongside supporting poorer communities and societies impacted by natural disasters. Our response to natural disasters is one that typically continues through the reconstruction period, when the need for support remains but attention has moved elsewhere. A further and growing aspect of our community engagement is our drive to improve the health of our communities: our operations in all of our markets encourage and promote preventative initiatives such as regular medical check-ups, exercise and healthy eating.

In addition, we remain committed to reducing the impact of our operations on the environment. In 2012, our AIA Central building in Hong Kong was awarded a silver certification in Leadership in Energy and Environmental Design by the U.S. Green Building Council, for operating along sustainable standards.

Geographical Markets

HONG KONG

US$ millions, unless otherwise stated	**Six months ended 31 May 2012**	Six months ended 31 May 2011	YoY
VONB[1]	**140**	121	16%
VONB margin[2]	**55.2%**	52.2%	3.0 pps
ANP	**243**	223	9%
TWPI	**1,552**	1,431	8%
Operating profit after tax	**358**	348	3%

AIA's Hong Kong operation continued to be the largest contributor of value and profits to the Group, accounting for 25 per cent of VONB and 33 per cent of operating profit after tax. Our strategy in Hong Kong remains consistent: a relentless focus on Premier Agency to improve agents' activity and profitability levels, combined with the delivery of value for money products that meet customers' growing needs for long-term savings, A&H and other living benefits protection. The execution of this strategy has continued to deliver strong VONB results over the first half.

VONB and VONB Margin

VONB grew by 16 per cent to US$140 million, compared with the first half of 2011, reflecting the strong momentum in protection sales that helped drive an overall increase in margin of 3.0 pps. ANP grew by 9 per cent with the strong performance in protection business partially offset by a reduction in sales of lower-margin products.

Distribution

We continued to implement our Premier Agency strategy with a focus on the activity and profitability levels of existing and newly-recruited agents.

Our recruitment programmes combine selective recruitment with first-class training through the AIA Premier Academy to give our new agents a head start in their chosen career. One programme, "The Road to MDRT", targets entrepreneurial, young recruits from outside the industry. The additional training and mentoring opportunities available to these high potential recruits are increasing our future pool of MDRT candidates to expand our leading market position in Hong Kong. As a result of these initiatives, the number of active new recruits has grown by 35 per cent compared with the first half of 2011. We expect to have remained the number one agency channel for MDRT qualifiers in Hong Kong over the first half of 2012.

Our agency revitalisation programme, targeted at reactivating underperforming agents and newly expanded to support the growth of agency leaders, has helped to increase the number of active agents by 7 per cent compared with the first half of 2011.

The sale of group insurance products through agents continued to perform well, building on the significant achievements reported last year, with an increase in the number of agents selling a group insurance case of over 80% compared with the first half of 2011.

While the agency channel remains the dominant distribution platform for the Hong Kong operation, partnership distribution reported impressive growth, primarily in the HNW customer segment. A key driver of the performance was the investment in service platform improvements that complemented our product offering.

Products and Customers

Our award-winning “Mind the Gap” campaign highlighted the protection gap in Hong Kong and our marketing, product development and customer initiatives are aimed at helping customers to understand and provide for the gaps in their protection and long-term savings needs.

In response to this customer need, we expanded our flagship critical illness product range and combined the launch with agency workshops and targeted campaigns to offer existing customers the opportunity to enhance their coverage.

We have also deployed a number of new electronic program applications for our agents to enhance their customer-servicing capabilities at the point of sale by facilitating customer applications and payments.

Operating Profit after Tax

Operating profit after tax increased by 3 per cent to US$358 million compared with the first half of 2011. Growth from profitable new business was partly offset by lower investment income following dividends remitted to the Group Corporate Centre.

THAILAND

US$ millions, unless otherwise stated	**Six months ended 31 May 2012**	Six months ended 31 May 2011	YoY
VONB[(1)]	**131**	101	30%
VONB margin[(2)]	**53.5%**	45.4%	8.1 pps
ANP	**244**	223	9%
TWPI	**1,460**	1,397	5%
Operating profit after tax	**227**	205	11%

AIA's Thai operation has recovered well from the severe flooding that impacted the country late last year and affected our first quarter's sales growth. We continued to pursue our sustainable VONB growth strategy focused on improving the activity and productivity of Thailand's leading agency force and extending our leadership position in the protection market. Despite the disruption, this strategy has continued to deliver a very strong VONB performance over the first half of 2012.

VONB and VONB Margin

VONB growth of 30 per cent was driven in part by an excellent margin improvement of 8.1 pps, as we remained focused on promoting the sales of protection covers and on expanding margins on existing products. We also continued to increase levels of rider attachments as a percentage of total premiums. ANP growth was 9 per cent for the first half as business momentum resumed after the floods.

Distribution

AIA has the leading agency sales force in Thailand and this accounts for the great majority of our business. We are committed to pursuing our Premier Agency strategy, with emphasis on improving the professionalism and productivity of active agents, while taking action to reactivate or manage out agents who do not meet our productivity standards. Training programmes are segmented to ensure that agents receive training appropriate to meet their needs and their customers' needs. We improved productivity levels and increased the number of inactive agents returning to active status over the first half of the year. At the same time, we have strengthened our recruitment processes through the use of candidate profiling and psychometric testing, which have improved the quality and productivity of our new agents.

Group insurance represents a significant growth opportunity for our agency force through their access to SMEs. We have already begun to realise this potential in the first half of 2012, with group insurance VONB more than double the figure in the first half of 2011.

Products and Customers

Recent studies by AIA in Thailand showed that 76 per cent of the Thai population were without any form of life insurance – with many of the remainder having insufficient coverage. This underlines the significant level of underinsurance and the scale of the opportunity in the country. We have termed 2012 as the "Year of Protection" with an aim to increase awareness and understanding of the need for adequate protection coverage and demonstrate how AIA can help to meet this need as a leader in protection provision.

We have launched new products to attract new customers and improve the level of protection cover in place for our large existing customer base of over 7 million in-force policies. In April 2012, we launched AIA Health Lifetime, an industry-leading critical illness product providing whole of life coverage. We also mounted a campaign – "Double Sum Assured" – to target the needs of existing customers whose coverage was lower than average.

Operating Profit after Tax

Operating profit after tax grew by 11 per cent to US$227 million compared with the first half of 2011. The result benefited from a reduction in the effective corporate tax rate in Thailand from 30 per cent to 23 per cent. The corporate tax rate in Thailand is expected to further reduce to 20 per cent for assessment years 2013 and 2014; we have assumed a return to 30 per cent for assessment year 2015 onwards.

SINGAPORE

US$ millions, unless otherwise stated	**Six months ended 31 May 2012**	Six months ended 31 May 2011	YoY
VONB[1]	**99**	78	27%
VONB margin[2]	**65.0%**	65.1%	(0.1) pps
ANP	**152**	120	27%
TWPI	**998**	910	10%
Operating profit after tax	**168**	155	8%

Singapore's focus on Premier Agency, protection products and profitable partnership distribution delivered strong growth in both VONB and ANP, building on the significant progress made last year. In January 2012, our Singapore business became a subsidiary of AIA Co. with an inaugural AA- financial strength rating and stable outlook from Standard & Poor's.

VONB and VONB Margin

VONB increased by 27 per cent to US$99 million compared with the first half of 2011, reflecting a stable VONB margin on an increased ANP volume as we continued to focus on the sale of profitable products that meet customers' needs.

Distribution

Agency is our major distribution channel and we continued to implement our Premier Agency strategy in the first half. In March 2012, we launched a new training programme designed to improve the productivity of new agents and promote retention. The eight-week course includes training on products and sales techniques and is expected to help increase the sales activity of new recruits in their first year.

Partnership distribution showed impressive growth, notably through the bancassurance and broker channels where sales of our long-term savings products have been strong. Existing bancassurance partnerships with ANZ and Citibank continued to develop with a focus on HNW customers.

Group insurance remains a key strength in Singapore as we focus on large accounts through our broker partnerships and the SME market through our Premier Agency. VONB from group insurance increased strongly while business mix has experienced a favourable shift towards more profitable group life insurance products.

Products and Customers

In the first half of 2012, we remained focused on bridging the protection gap for Singaporean families, making insurance accessible and easy to understand. Our efforts have met with great success as evidenced by the significant VONB growth among our key products, including our flagship protection products: Complete Critical Cover and Secure Term Plus. Our next generation unit-linked product continued to be well received by the market. As we are focused on ensuring our customers' levels of protection cover increase in line with their needs, we saw the average sum assured per individual case grow by 26 per cent compared with the first half of 2011.

To further enhance customer experience, we implemented a fully mobile sales quotation system on the iPad in February 2012. The iPad Sales Quotation System is aimed at simplifying the insurance-purchasing process by enabling our agents to generate quotations instantaneously at the point of sale. This followed the successful launch of our Protection Calculator which allows customers to use a simple online questionnaire to calculate their protection gap.

Operating Profit after Tax

Operating profit after tax increased by 8 per cent to US$168 million compared with the first half of 2011, broadly in line with the increase in TWPI.

MALAYSIA

US$ millions, unless otherwise stated	**Six months ended 31 May 2012**	Six months ended 31 May 2011	YoY
VONB[(1)]	**31**	22	41%
VONB margin[(2)]	**41.4%**	32.5%	8.9 pps
ANP	**76**	67	13%
TWPI	**486**	454	7%
Operating profit after tax	**68**	65	5%

AIA's Malaysian operation maintained the momentum from last year's record performance with an excellent new business result over the first half of 2012. This was driven by the successful execution of our strategy of promoting regular premium unit-linked sales with high protection content and upgrading the activity and productivity of our agents.

VONB and VONB Margin
VONB grew by 41 per cent to US$31 million compared with the first half of 2011. This significant growth was achieved with increases in both margin and volume. VONB margin increased by 8.9 pps to 41.4 per cent, reflecting our positive shift in product mix. This was combined with increased agent activity as ANP increased by 13 per cent to US$76 million compared with the first half of 2011.

Distribution
AIA's recruitment priorities in 2012 are to develop the next generation of quality Premier Agents. In order to achieve our objectives, we launched an improved recruitment and selection process to attract new agents with additional training programmes through the AIA Premier Academy to provide new joiners with a fast start on the road towards MDRT qualification.

We have built on the positive performance of the agent reactivation programmes launched in 2011 by managing agents on a segmented approach with differentiated training and support, targeted according to levels of experience, activity and productivity. These initiatives have driven an increase in the number of active agents, a significant improvement in the productivity of protection sales and strong growth in VONB from unit-linked products.

While agency remained our major distribution channel, we continued to expand other forms of distribution. Our direct marketing and bancassurance channels continued to perform strongly compared with the first half of 2011. We have made good inroads with the sale of Takaful and A&H products through our direct channel and, in March 2012, we signed a long-term bancassurance distribution arrangement with Alliance Bank. We intend to offer a range of regular premium savings and insurance protection products through insurance specialists located within Alliance Bank branches.

Products and Customers
In December 2011, we launched an enhanced unit-linked product targeting customers seeking flexible protection covers at the same time as providing regular premium savings. Through coordinated distribution training and targeted sales campaigns, the VONB from regular premium unit-linked business grew by 32 per cent compared with the first half of 2011.

As part of our ongoing strategy to promote increased recognition of the importance of maintaining adequate protection to our existing policyholders, we launched a specially-designed customer marketing programme in the second quarter of 2012 targeting our large in-force customer base following on from the successful campaigns in the second half of 2011. This programme has generated strong positive responses from both agents and customers with over 30,000 new policies issued in the quarter.

Our Takaful business, which was launched in 2011, has continued to gain traction in the first half of 2012 with increased contributions from our multi-distribution channel approach contributing around 10 per cent of Malaysia's VONB.

In line with the Malaysian government's effort to develop a long-term sustainable private retirement industry, AIA was the only life insurance company approved as one of the eight Private Retirement Scheme (PRS) Providers in Malaysia. It is early days, but work is in progress to develop the business venture in order to address the immense opportunity to serve Malaysia's growing retirement needs.

Operating Profit after Tax

Operating profit after tax increased by 5 per cent to US$68 million compared with the first half of 2011. The growth rate was slightly below the increase in TWPI, reflecting lower investment income following dividends remitted to the Group Corporate Centre.

CHINA

US$ millions, unless otherwise stated	**Six months ended 31 May 2012**	Six months ended 31 May 2011	YoY
VONB[1]	**60**	44	36%
VONB margin[2]	**55.9%**	40.6%	15.3 pps
ANP	**108**	109	(1)%
TWPI	**683**	609	12%
Operating profit after tax	**72**	58	24%

2012 marks the twentieth anniversary of AIA's re-entry into the mainland Chinese life insurance market. As the first non-mainland life insurer entering China, AIA led the development of the professional agency distribution channel and product modernisation, being the first insurer granted approval to launch participating products.

Since IPO, our strategy has been to take this to the next level and develop the Premier Agency force in the market by focusing on delivering innovative products and high-quality advice designed to provide consumers with the insurance coverage they need to protect themselves and their families. This strategy has produced another set of strong financial results.

VONB and VONB Margin

VONB increased by 36 per cent to US$60 million compared with the first half of 2011. The strong growth was achieved by increased agent activity levels as a result of the continued execution of our Premier Agency strategy and a series of successful integrated campaigns to promote protection products across all channels. VONB margin increased by 15.3 pps from 40.6 per cent to 55.9 per cent with positive contributions across all product categories. Our ongoing managed shift in product mix resulted in a significant increase in ANP volumes for protection business offset by a reduction in lower-margin products. ANP reduced overall by 1 per cent as we continued to maintain our focus on writing only quality business that meets our profitability targets.

Distribution

Agency is our dominant distribution channel in China. Our focus, through our Premier Agency strategy, has been on increasing the number of active producers, while expanding our efforts to recruit quality agents better able to provide advice on more sophisticated long-term savings and protection products. By providing agents with best-in-class training and a dual career progression to agency leader or MDRT qualification, we achieved double-digit growth in the number of active agents compared with the first half of 2011. We increased new business profitability per active agent and, at the same time, grew average income levels. Consequently, we are on track to deliver a material increase in the number of potential MDRT qualifiers this year.

While agency is our major distribution channel, bancassurance and direct marketing performance have improved significantly in the first half of 2012. In particular, bancassurance margins more than doubled as we cut back on less profitable single premium products and began selling the All-in-One comprehensive protection product through selected wealth management outlets.

Products and Customers

AIA has high brand awareness across the provinces and cities in which we operate and we reinforced our position as a leading provider of comprehensive protection cover as evidenced by the continued strong sales of our flagship All-in-One product. In addition to raising consumer awareness of the insurance protection gap, we have increased our use of customer segmentation, which allows us to provide products that are tailored to the needs of distinct customer groups.

Operating Profit after Tax

Operating profit after tax grew by 24 per cent to US$72 million compared with the first half of 2011 mainly due to the positive underlying business growth, improved expense control and higher interest income.

KOREA

US$ millions, unless otherwise stated	Six months ended 31 May 2012	Six months ended 31 May 2011	YoY
VONB[1]	**33**	42	(21)%
VONB margin[2]	**31.9%**	28.0%	3.9 pps
ANP	**104**	149	(30)%
TWPI	**967**	1,016	(5)%
Operating profit after tax	**66**	64	3%

The repositioning of our Korean business continued apace over the first half of 2012 with our focus on improving the quality of our multi-channel distribution platform to facilitate the provision of protection and long-term savings products that offer good value to customers and that meet our profitability targets for shareholders. We do not compete for low-margin business and this, together with the changes we have been making in distribution, has reduced our ANP production compared with the first half of 2011. VONB margin has continued to improve and we are seeing early signs that we are making progress in transforming the business. We believe the positive actions we have put in place will flow through into sustainable VONB growth over time.

VONB and VONB Margin

VONB margin increased by 3.9 pps to 31.9 per cent as we continued to reprice existing products and shifted the business mix increasingly towards protection business. The overall reduction in ANP was driven by a reduction in lower-margin business while ANP from protection business remained relatively flat compared with the first half of 2011, despite the changes we made to distribution. The decrease in new business volumes, which was only partially offset by margin increases, reduced VONB by 21 per cent compared with the first half of 2011.

Distribution

We continued to build on the progress made over 2011 in implementing our Premier Agency strategy. Our focus for the first half of 2012 has been on providing the right training and support to grow the agency force and increase the recruitment of quality agents that fit with our Premier Agency culture. As a result, we have successfully arrested the contraction in active agents in the second quarter of 2012. We have also introduced a dedicated agency team to focus on marketing to policyholders whose original agents are no longer with us as a result of the changes made to distribution.

The restructuring of our direct marketing channel remains a key priority for 2012. We have undertaken a comprehensive review of our business model and made a number of changes to rebuild our value proposition, including the appointment of a new Chief Marketing Officer. Compensation plans and recruitment packages have been revised and the training programme and recruitment process overhauled, in order to attract and retain quality telesales representatives. In addition, four new call centres were opened in the first half of 2012.

Products and Customers

In the first half, we launched our new health care and unit-linked products. To support this move and the needs-based sales skills approach required in Premier Agency, we launched an initiative focused on providing total protection solutions for our customers. This included the development of compelling products, including comprehensive packaged solutions, tailored to specific market segments.

Operating Profit after Tax

Operating profit after tax increased by 3 per cent to US$66 million compared with the first half of 2011. The increase was due to improved expense management offsetting the reduction in TWPI.

OTHER MARKETS

US$ millions, unless otherwise stated	**Six months ended 31 May 2012**	Six months ended 31 May 2011	YoY
VONB[1]	**66**	44	50%
VONB margin[2]	**25.3%**	21.7%	3.6 pps
ANP	**260**	203	28%
TWPI	**1,159**	948	22%
Operating profit after tax	**98**	101	(3)%

Other Markets collectively refers to AIA's operations in Australia, the Philippines, Indonesia, Vietnam, Taiwan and New Zealand. Our 26 per cent share in India's financial results is included in operating profit on an equity accounted basis.

VONB and VONB Margin

VONB grew by 50 per cent to US$66 million compared with the first half of 2011. Very strong growth in ANP volumes and a healthy expansion in margins reflected our continued focus on implementing our Premier Agency strategy region-wide and leveraging our profitable partnerships. New product launches including next generation unit-linked and a shift in product mix towards higher-quality long-term savings and protection business contributed towards an excellent first half.

Market Performance

- **Australia:** AIA's Australian business performed strongly in terms of new business gains in both group insurance and our retail independent financial adviser (IFA) business. Growth in new business production was accompanied by margin expansion, as the business leveraged its position as an independent risk specialist.

  The successful implementation of our Premier IFA model, targeting higher-margin retail life insurance business by combining competitive products and best-in-class adviser services, was a key driver of improved margins. AIA continues to monitor the progress of this initiative and expects to benefit from the potential it offers to expand insurance coverage through superannuation funds and reach additional segments of the retail market, alongside our ongoing focus on the significant group insurance market opportunity.

- **Indonesia:** Our Indonesian business has delivered excellent results over the first half of 2012. We have seen considerable VONB and VONB margin growth in both agency and bancassurance channels compared with the first half of 2011.

  The introduction of our next generation unit-linked product in February 2012, allowing a more flexible allocation of premium to protection covers, has been a major driver of our growth. At the same time, a new branding initiative, consistent with the Group's protection themes, has been introduced to position AIA as a market leader in protection in Indonesia. This has been reinforced by a change in the compensation structure for agency to reward both higher protection content and regular premium business. Strong operational experience, in particular around lapses and mortality, has also been a key driver of improved profitability.

  Execution of our Premier Agency strategy has continued to generate strong results, with the number of active agents increasing by around 70 per cent compared with the first half of 2011 and almost double the number of active new recruits.

  We have expanded our footprint with existing bancassurance partnerships and continued to embed our insurance specialist model within the bank branches.

  Our focus on productivity improvements has increased the average productivity per active salesperson by over one-third compared with the previous year. As well as our existing relationships with Bank of Central Asia (BCA) and CIMB Bank, we added a partnership with PT Bank Negara Indonesia (Persero) Tbk, the fourth largest bank in Indonesia to distribute products through its priority banking arm, BNI Emerald.

- **Philippines:** AIA's business in the Philippines maintained the strong momentum delivered in 2011. The Premier Agency strategy is taking hold, demonstrated by a significant increase in the number of active agents with higher productivity levels leading to strong VONB growth. Our bancassurance joint venture with Bank of the Philippine Islands (BPI) achieved an excellent performance over the first half of the year. Growth in both long-term savings and regular premium protection products has increased our penetration of the bank's customer base.

- **New Zealand:** Our strategy continued to focus on reinvigorating relationships with our IFA partners and broadening our distribution footprint. This has led to meaningful growth in the number of IFA partners with whom we are actively engaged.

- **Taiwan:** Our Taiwanese operation has achieved excellent VONB growth in the first half of 2012 across all distribution channels. Our Premier Agency model, launched in October last year, has started well and we see a significant opportunity to develop a profitable modern agency distribution force in Taiwan focused on the latest point-of-sale technology. Our bancassurance business has also performed strongly on the back of our regional relationship with ANZ and our direct marketing operation has seen strong growth in VONB due to product repricing and margin enhancements.

- **Vietnam:** In line with the Group's strategy, our business in Vietnam has focused primarily on three areas over the first half: enhancing agency quality and productivity via Premier Agency strategy implementation; improving customer experience through a better service provision; and promoting innovative products with an emphasis on protection and long-term savings.

Operating Profit after Tax

Operating profit after tax reduced by 3 per cent compared with the first half of 2011. This decrease was due to higher expenses incurred in the course of achieving the 50 per cent year-on-year growth in VONB and adverse claims experience in Australia.

Notes:
Throughout the Geographical Markets section:

(1) VONB figures shown in the tables are based on local statutory reserving and capital requirements and include corporate pension business.

(2) VONB margin excludes corporate pension business to be consistent with the definition of ANP used within the calculation.

RISK MANAGEMENT

Risk Governance

In February 2012, the Board Risk Committee established two new Group-level executive risk management committees: the Operational Risk Committee (ORC) and the Financial Risk Committee (FRC) which together with the Board Risk Committee (BRC) comprise the Group Risk Governance structure. The objective of the changes was to simplify the risk governance framework and improve efficiency and effectiveness of risk oversight.

The new governance structure was created after a review of the roles and responsibilities of each of the former risk committees and the transition was focused on ensuring there were no gaps in governance.

BOARD RISK COMMITTEE

The BRC remains primarily responsible for:

- Evaluating the effectiveness of the Risk Management Framework (RMF);
- Assisting the Board in the review and approval of the Group's RMF, Risk Appetite and the Risk Management Statement;
- Reviewing the financial and operational risks arising from material events or potential transactions, and significant changes in capital structure; and
- Addressing matters escalated by the executive risk management committees.

OPERATIONAL RISK COMMITTEE

The ORC's primary responsibilities are:

- Providing oversight of Operational and Strategic Risk (Non-Financial Risk);
- Ensuring Non-Financial Risk management policies and programmes are implemented appropriately and consistently within our local business units;
- Establishing Non-Financial Risk management priorities and coordinating the Group's functional operational risk management activities; and
- Reviewing Non-Financial Risk issues requiring the approval of the Group Chief Executive or the Board.

This committee currently has eight members, including our Group Chief Financial Officer, Group Chief Distribution Officer, Regional Director of Investment Management, Group General Counsel, Group Head of Risk and Capital Management, Group Human Resources Director, Group Chief Compliance Officer and Group Director of Technology and Operations.

FINANCIAL RISK COMMITTEE

The FRC's primary responsibilities include:

- Providing oversight of Insurance, Credit, Market and Liquidity Risk (Financial Risk);
- Proposing to the BRC the RMF, Risk Appetite and Risk Management Statements as well as any Risk metrics to be used by the Board in its oversight of risk management;
- Approving Financial Risk policies and capital strategy;
- Monitoring the implementation of local RMFs as they relate to Financial Risk, emerging and current balance sheet risks as well as capital adequacy and financial flexibility; and
- Reviewing Financial Risk issues requiring the approval of the Group Chief Executive or the Board.

This committee currently has seven members, including our Group Chief Executive, Group Chief Financial Officer, Group Chief Investment Officer, Group Chief Actuary, Group General Counsel, Group Head of Risk and Capital Management and Regional Chief Financial Officer.

Where activities, proposals, and/or reports are relevant to both the FRC and the ORC, the FRC is responsible for coordination.

LOCAL RISK COMMITTEES

In addition to the Group-level risk committee structure outlined above, each of our local business units has its own risk governance framework that is locally owned but whose activities and effectiveness are reviewed by Group Risk and Capital Management.

Further Information

For further information on Risk Management, please refer to pages 57 to 61 and note 35 to the financial statements on pages 189 to 197 of our 2011 Annual Report.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 31 May 2012, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code save as disclosed below:

(i) Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Jeffrey Joy Hurd and Mr. Jay Steven Wintrob, who had resigned as Non-executive Directors of the Company with effect from 8 March 2012, were not appointed for a specific term but were subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company. Subsequent to the resignation of Mr. Jeffrey Joy Hurd and Mr. Jay Steven Wintrob on 8 March 2012, the Company has been in compliance with Code Provision A.4.1.

(ii) Code Provision A.5.1 provides that the Nomination Committee should comprise a majority of independent non-executive directors. As a result of the resignation of Mr. Rafael Si-Yan Hui as Independent Non-executive Director of the Company who was also a member of the Nomination Committee on 29 March 2012, the Nomination Committee now comprises four members: two Independent Non-executive Directors, being Mr. Chung-Kong Chow, who serves as chairman of the committee, and Dr. Qin Xiao; and two Non-executive Directors, being Mr. Jack Chak-Kwong So and Mr. Edmund Sze Wing Tse.

(iii) Code Provision A.6.7 provides that independent non-executive directors should attend general meetings of the company. Due to an unexpected business engagement external to the Company, Dr. Qin Xiao was unable to attend the 2012 Annual General Meeting of the Company held on 8 May 2012.

(iv) 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 Company Secretary reports to the Group General Counsel who is ultimately accountable for the Company Secretarial function and who in turn reports directly to the Group Chief Executive.

The Company has also adopted its own Directors' and Chief Executives' Dealing Policy on terms no less exacting than those set out in the Model Code in respect of dealings by the Directors in the securities of the Company. All of the Directors confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Directors' and Chief Executives' Dealing Policy throughout the six months ended 31 May 2012.

UPDATED INFORMATION OF DIRECTORS

Changes in the Directors' information since the date of the Company's 2011 Annual Report are set out below:

Name of Director	Change
Mr. Edmund Sze Wing Tse *Non-executive Chairman and Non-executive Director*	Appointed as Non-executive Director of PineBridge Investments Limited with effect from 17 May 2012.
Mr. Mark Edward Tucker *Executive Director, Group Chief Executive and President*	Retired as Non-executive Director of the Court of the Bank of England with effect from 31 May 2012.
Dr. Qin Xiao *Independent Non-executive Director*	Appointed as a member and the Chairman of the Remuneration Committee of the Company with effect from 29 March 2012 and entitled to an additional annual fee of US$30,000. The additional fee is not covered by the service contract. Appointed as Non-executive Chairman of Amex Resources Limited with effect from 2 April 2012.
Mr. Chung-Kong Chow *Independent Non-executive Director*	Appointed as Independent Non-executive Director and Chairman of Hong Kong Exchanges and Clearing Limited with effect from 23 April 2012 and 27 April 2012, respectively. Elected as Chairman of the Hong Kong General Chamber of Commerce with effect from 24 May 2012. Appointed as non-official member of the Executive Council of Hong Kong with effect from 1 July 2012.
Mr. John Barrie Harrison *Independent Non-executive Director*	Appointed as member of the Asian Advisory Committee to AustralianSuper Pty Ltd with effect from 30 June 2012.

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 May 2012, the following are the persons, other than the Directors or Chief Executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of shareholder	**Number of shares** Long Position (L) Short Position (S) Lending Pool (P)	**Class**	**Percentage of the total number of shares in issue** Long Position (L) Short Position (S) Lending Pool (P)	**Capacity**
AIA Aurora LLC	2,121,620,951(L)	Ordinary	17.62(L)	Beneficial owner Note 1
American International Group, Inc.	2,240,769,201(L)	Ordinary	18.60(L)	Interest of controlled corporation Note 1
United States Department of the Treasury	2,240,769,201(L)	Ordinary	18.60(L)	Interest of controlled corporation Note 1
Citigroup Inc.	1,083,128,432(L) 6,083,940(S) 3,703,592(P)	Ordinary	8.99(L) 0.05(S) 0.03(P)	Note 2
Citigroup Financial Products Inc.	1,074,197,000(L) 856,100(S)	Ordinary	8.92(L) 0.01(S)	Note 3
Citigroup Global Markets Holdings Inc.	1,074,197,000(L) 856,100(S)	Ordinary	8.92(L) 0.01(S)	Note 3
Citigroup Global Markets (International) Finance AG	1,074,077,000(L) 856,100(S)	Ordinary	8.92(L) 0.01(S)	Note 4
Citigroup Global Markets Asia Limited	1,054,334,400(L)	Ordinary	8.75(L)	Interest of controlled corporation
Citigroup Global Markets Hong Kong Holdings Limited	1,054,334,400(L)	Ordinary	8.75(L)	Interest of controlled corporation
Citigroup Global Markets Overseas Finance Limited	1,054,334,400(L)	Ordinary	8.75(L)	Interest of controlled corporation
JPMorgan Chase & Co.	734,824,696(L) 37,322,050(S) 454,394,449(P)	Ordinary	6.10(L) 0.31(S) 3.77(P)	Note 5

Notes:

(1) AIA Aurora LLC (Aurora) is an entity controlled by American International Group, Inc. (AIG), which is in turn controlled by the United States Department of the Treasury (USDT). Accordingly, each of AIG and USDT is deemed to have an interest in the shares held by Aurora.

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

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

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

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

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

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

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

Capacity	**Number of shares** (Long position)	**Number of shares** (Short position)
Beneficial owner	50,389,061	37,322,050
Investment manager	230,041,186	–
Custodian corporation/approved lending agent	454,394,449	–

Save as disclosed above, as at 31 May 2012, no other person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares” below, was recorded to hold any interests or short positions in the shares or underlying shares of the Company in the register required to be kept pursuant to Section 336 of the SFO.

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

As of 31 May 2012, the Directors' and the Chief Executive's interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code, are as follows:

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

Name of Director	Number of shares	Class	Percentage of the total number of shares in issue	Capacity
Mr. Mark Edward Tucker	11,835,062(L)	Ordinary	0.10	Beneficial owner
Mr. Edmund Sze Wing Tse	3,560,400(L)	Ordinary	0.03	Interest of controlled corporation
Mr. Chung-Kong Chow	86,000(L)	Ordinary	< 0.01	Beneficial owner

(ii) Interests and short positions in the shares and underlying shares of associated corporations:

Name of Director	Associated Corporation	Number of shares	Class	Percentage of the total number of shares in issue	Capacity
Mr. Edmund Sze Wing Tse	Philam Life	1(L)	Ordinary	< 0.01	Trustee

Save as disclosed above, as at 31 May 2012, none of the Directors and Chief Executive of the Company was recorded to hold any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

PURCHASE, SALE AND REDEMPTION OF THE SECURITIES OF THE COMPANY

Save for the purchase of 23,134,502 shares of the Company under the Restricted Share Unit Scheme and Employee Share Purchase Plan at a total consideration of approximately US$82 million, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 May 2012. 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.

SHARE-BASED COMPENSATION

Long-term Incentive (LTI) Plans

APPROVED AIA LTI PLANS

The Company adopted the Restricted Share Unit Scheme and the Share Option Scheme on 28 September 2010. For further information on these schemes, please refer to pages 93 to 95 of the Company's 2011 Annual Report.

Under these schemes, which have a life of 10 years from the date of adoption, the Company may award restricted share units and/or share options to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries.

RESTRICTED SHARE UNIT SCHEME

During the six months ended 31 May 2012, 22,129,392 restricted share units were awarded by the Company under the Restricted Share Unit Scheme.

The restricted share unit awards as at 31 May 2012 are summarised below:

Executive Director, key management personnel, and other eligible employees	Date of grant (day/month/year)[1]	Vesting date(s) (day/month/year)	Restricted share units outstanding as at 1 December 2011	Restricted share units awarded during the six months ended 31 May 2012	Restricted share units vested during the six months ended 31 May 2012	Restricted share units cancelled/lapsed during the six months ended 31 May 2012[7]	Restricted share units outstanding as at 31 May 2012
Executive Director	1/6/2011	See note[2]	984,087	–	–	–	984,087
Mr. Mark Edward Tucker	1/6/2011	1/4/2014[3]	1,433,149	–	–	–	1,433,149
	1/6/2011	See note[4]	806,147	–	–	–	806,147
	15/3/2012	15/3/2015[3]	–	1,434,842	–	–	1,434,842
Key Management Personnel (excluding Executive Director)	1/6/2011	1/4/2014[3]	2,958,575	–	–	–	2,958,575
	1/6/2011	See note[4]	5,246,778	–	–	–	5,246,778
	15/3/2012	15/3/2015[3]	–	2,645,704	–	–	2,645,704
Other Eligible Employees	1/6/2011	See note[4]	1,989,145	–	–	–	1,989,145
	1/6/2011	See note[5]	151,738	–	48,812	–	102,926
	1/6/2011	1/4/2014[3]	16,292,777	–	–	1,128,143	15,164,634
	18/10/2011	1/8/2014[3]	146,193	–	–	–	146,193
	18/10/2011	18/10/2014[3]	1,134,649	–	–	103,180	1,031,469
	18/10/2011	18/10/2014[6]	59,581	–	–	–	59,581
	15/3/2012	15/3/2015[3]	–	17,967,015	–	96,129	17,870,886
	15/3/2012	15/3/2015[6]	–	81,831	–	–	81,831

Notes:

(1) The measurement dates for awards made in 2011 were determined to be 15 June 2011 and 2 November 2011. The measurement date for awards made in the first half of 2012 was determined to be 15 March 2012. The measurement dates were determined in accordance with IFRS 2.

(2) The vesting of these restricted share units is service-based only (meaning there are no further performance conditions attached). 25 per cent of restricted share units (246,021 restricted share units) vested on 1 June 2012; 25 per cent vest on 1 June 2013; 50 per cent vest on 1 June 2014.

(3) The vesting of these restricted share units is subject to the achievement of performance conditions discussed in the Company's 2011 Annual Report.

(4) The vesting of these restricted share units is service-based only. One-third of restricted share units vests on 1 April 2014; one-third vests on 1 April 2015; one-third vests on 1 April 2016.

(5) The vesting of these restricted share units is service-based only. 48,812 restricted share units vested on 1 April 2012 and the remaining vest on 1 August 2012 and 1 April 2013.

(6) The vesting of these restricted share units is service-based only.

(7) These restricted share units lapsed during the six months ended 31 May 2012. There are no cancelled restricted share units during this period.

SHARE OPTION SCHEME

During the six months ended 31 May 2012, 7,816,367 share options were awarded by the Company under the Share Option Scheme. No share options have been awarded to substantial shareholders, or in excess of the individual limit. Details of the valuation of the share options are set out in note 21 to the interim financial statements.

The share option awards movements are summarised below:

Executive Director, key management personnel, and other eligible employees	Date of grant (day/month/year)[1]	Period during which share options exercisable (day/month/year)	Share options outstanding as at 1 December 2011	Share options awarded during the six months ended 31 May 2012	Share options vested during the six months ended 31 May 2012	Share options cancelled/lapsed during the six months ended 31 May 2012[5]	Share options exercised during the six months ended 31 May 2012	Exercise price (HK$)	Share options outstanding as at 31 May 2012	Closing price of shares immediately before the date on which share options were awarded (HK$)
Executive Director Mr. Mark Edward Tucker	1/6/2011	1/4/2014 – 31/5/2021[2]	2,149,724	–	–	–	–	27.35	2,149,724	27.45
	1/6/2011	1/4/2014 – 31/5/2021[3]	2,418,439	–	–	–	–	27.35	2,418,439	27.45
	15/3/2012	15/3/2015 – 14/3/2022[4]	–	2,152,263	–	–	–	28.40	2,152,263	27.95
Key Management Personnel (excluding Executive Director)	1/6/2011	1/4/2014 – 31/5/2021[2]	4,437,861	–	–	–	–	27.35	4,437,861	27.45
	1/6/2011	1/4/2014 – 31/5/2021[3]	6,831,120	–	–	–	–	27.35	6,831,120	27.45
	15/3/2012	15/3/2015 – 14/3/2022[4]	–	3,968,554	–	–	–	28.40	3,968,554	27.95
Other Eligible Employees	1/6/2011	1/4/2014 – 31/5/2021[2]	1,534,327	–	–	41,354	–	27.35	1,492,973	27.45
	1/6/2011	1/4/2014 – 31/5/2021[3]	3,055,048	–	–	–	–	27.35	3,055,048	27.45
	15/3/2012	15/3/2015 – 14/3/2022[4]	–	1,695,550	–	–	–	28.40	1,695,550	27.95

Notes:

(1) The measurement date for awards made in 2011 was determined to be 15 June 2011. The measurement date for awards made in the first half of 2012 was determined to be 15 March 2012. The measurement dates were determined in accordance with IFRS 2.

(2) The vesting of share options is service-based only and has no further performance conditions. All share options vest on 1 April 2014.

(3) The vesting of share options is service-based only and has no further performance conditions. One-third of share options vests on 1 April 2014; one-third vests on 1 April 2015; one-third vests on 1 April 2016.

(4) The vesting of share options is service-based only and has no further performance conditions. All share options vest on 15 March 2015.

(5) These options lapsed during the six months ended 31 May 2012. There are no cancelled options during this period.

Employee Share Purchase Plan

For information on Employee Share Purchase Plan, please refer to page 97 of the Company's 2011 Annual Report.

FINANCIAL STATEMENTS

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
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 interim condensed consolidated financial information set out on pages 40 to 80, which comprises the interim consolidated statement of financial position of AIA Group Limited (the Company) and its subsidiaries (together, "the Group") as at 31 May 2012 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" (HKAS 34) issued by the Hong Kong Institute of Certified Public Accountants or International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34 and IAS 34. Our responsibility is to express a conclusion on this interim financial 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 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 information is not prepared, in all material respects, in accordance with HKAS 34 and IAS 34.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 July 2012

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INTERIM CONSOLIDATED INCOME STATEMENT

US$m	Notes	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Revenue			
Turnover			
Premiums and fee income		**6,543**	6,058
Premiums ceded to reinsurers		**(364)**	(280)
Net premiums and fee income		**6,179**	5,778
Investment return	7	**2,711**	3,120
Other operating revenue		**63**	54
Total revenue		**8,953**	8,952
Expenses			
Insurance and investment contract benefits		**5,953**	5,984
Insurance and investment contract benefits ceded		**(322)**	(222)
Net insurance and investment contract benefits		**5,631**	5,762
Commission and other acquisition expenses		**808**	770
Operating expenses		**634**	617
Restructuring and other non-operating costs		**9**	18
Investment management expenses		**120**	93
Finance costs		**5**	7
Change in third-party interests in consolidated investment funds		**(23)**	(1)
Total expenses	8	**7,184**	7,266
Profit before share of profit from associates		**1,769**	1,686
Share of profit from associates		**11**	5
Profit before tax		**1,780**	1,691
Income tax expense attributable to policyholders' returns		**(62)**	(57)
Profit before tax attributable to shareholders' profits		**1,718**	1,634
Tax expense	9	**(332)**	(372)
Tax attributable to policyholders' returns		**62**	57
Tax expense attributable to shareholders' profits		**(270)**	(315)
Net profit		**1,448**	1,319
Net profit attributable to:			
Shareholders of AIA Group Limited		**1,444**	1,314
Non-controlling interests		**4**	5
Earnings per share (US$)			
Basic	10	**0.12**	0.11
Diluted	10	**0.12**	0.11
Dividends payable to shareholders of the Company attributable to the interim period:			
US$m			
Interim dividend declared after the reporting period of 12.33 Hong Kong cents per share (six months ended 31 May 2011: 11.00 Hong Kong cents per share)(1)	11	**190**	170

Note:

(1) Based upon shares outstanding at 31 May 2012 and 2011 that are entitled to a dividend, other than those held by employee share-based trusts.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Net profit	**1,448**	1,319
Fair value gains/(losses) on available for sale financial assets (net of tax of: six months ended 31 May 2012: US$9m; six months ended 31 May 2011: US$67m)	**845**	(51)
Fair value gains on available for sale financial assets transferred to income on disposal (net of tax of: six months ended 31 May 2012: US$2m; six months ended 31 May 2011: US$1m)	**(25)**	(23)
Foreign currency translation adjustments	**(155)**	342
Other comprehensive income	**665**	268
Total comprehensive income	**2,113**	1,587
Total comprehensive income attributable to:		
Shareholders of AIA Group Limited	**2,103**	1,586
Non-controlling interests	**10**	1

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	Notes	**As at 31 May 2012 (Unaudited)**	As at 30 November 2011
Assets			
Intangible assets		**297**	276
Investments in associates		**67**	61
Property, plant and equipment		**391**	359
Investment property		**1,007**	896
Reinsurance assets		**926**	858
Deferred acquisition and origination costs		**13,125**	12,818
Financial investments:	12, 14		
Loans and deposits		**5,411**	4,565
Available for sale			
Debt securities		**54,040**	51,018
At fair value through profit or loss			
Debt securities		**16,871**	16,934
Equity securities		**21,062**	19,012
Derivative financial instruments	13	**504**	725
		97,888	92,254
Deferred tax assets		**4**	4
Current tax recoverable		**38**	44
Other assets		**2,641**	2,588
Cash and cash equivalents	15	**3,110**	4,303
Total assets		**119,494**	114,461
Liabilities			
Insurance contract liabilities		**81,959**	78,752
Investment contract liabilities		**8,254**	8,360
Borrowings	16	**622**	559
Obligations under securities lending and repurchase agreements	17	**637**	670
Derivative financial instruments	13	**63**	38
Provisions		**172**	180
Deferred tax liabilities		**1,866**	1,810
Current tax liabilities		**319**	290
Other liabilities		**2,479**	2,387
Total liabilities		**96,371**	93,046

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US$m	Notes	**As at 31 May 2012 (Unaudited)**	As at 30 November 2011
Equity			
Issued share capital	18	**12,044**	12,044
Share premium	18	**1,914**	1,914
Employee share-based trusts	18	**(187)**	(105)
Other reserves	18	**(12,084)**	(12,101)
Retained earnings		**16,459**	15,354
Fair value reserve		**4,228**	3,414
Foreign currency translation reserve		**638**	793
Amounts reflected in other comprehensive income		**4,866**	4,207
Total equity attributable to:			
Shareholders of AIA Group Limited		**23,012**	21,313
Non-controlling interests		**111**	102
Total equity		**23,123**	21,415
Total liabilities and equity		**119,494**	114,461

Approved and authorised for issue by the Board of Directors on 27 July 2012.

Mark Edward Tucker
Director

Edmund Sze Wing Tse
Director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$m	Notes	Issued share capital and share premium	Employee share-based trusts	Other reserves	Retained earnings	Fair value reserve	Foreign currency translation reserve	Non-controlling interests	Total equity
Balance at 1 December 2010		13,958	–	(12,117)	13,924	2,914	876	80	19,635
Net profit		–	–	–	1,314	–	–	5	1,319
Fair value losses on available for sale financial assets		–	–	–	–	(46)	–	(5)	(51)
Fair value gains on available for sale financial assets transferred to income on disposal		–	–	–	–	(23)	–	–	(23)
Foreign currency translation adjustments		–	–	–	–	–	341	1	342
Total comprehensive income for the period		–	–	–	1,314	(69)	341	1	1,587
Dividends		–	–	–	–	–	–	(2)	(2)
Capital contributions		–	–	–	–	–	–	10	10
Balance at 31 May 2011 – Unaudited		13,958	–	(12,117)	15,238	2,845	1,217	89	21,230
Balance at 1 December 2011		**13,958**	**(105)**	**(12,101)**	**15,354**	**3,414**	**793**	**102**	**21,415**
Net profit		**–**	**–**	**–**	**1,444**	**–**	**–**	**4**	**1,448**
Fair value gains on available for sale financial assets		**–**	**–**	**–**	**–**	**839**	**–**	**6**	**845**
Fair value gains on available for sale financial assets transferred to income on disposal		**–**	**–**	**–**	**–**	**(25)**	**–**	**–**	**(25)**
Foreign currency translation adjustments		**–**	**–**	**–**	**–**	**–**	**(155)**	**–**	**(155)**
Total comprehensive income for the period		**–**	**–**	**–**	**1,444**	**814**	**(155)**	**10**	**2,113**
Dividends	11	**–**	**–**	**–**	**(339)**	**–**	**–**	**(1)**	**(340)**
Share-based compensation		**–**	**–**	**17**	**–**	**–**	**–**	**–**	**17**
Purchase of shares held by employee share-based trusts		**–**	**(82)**	**–**	**–**	**–**	**–**	**–**	**(82)**
Balance at 31 May 2012 – Unaudited		**13,958**	**(187)**	**(12,084)**	**16,459**	**4,228**	**638**	**111**	**23,123**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows presented in this statement cover all the Group's activities and include flows from unit-linked contracts, participating funds, and other policyholder and shareholder activities.

US$m	Notes	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Cash flows from operating activities			
Profit before tax		**1,780**	1,691
Financial instruments		**(5,355)**	(3,361)
Insurance and investment contract liabilities		**3,191**	2,992
Adjustments for other operating items		**32**	(130)
Tax paid		**(218)**	(298)
Net cash (used in)/provided by operating activities		**(570)**	894
Cash flows from investing activities			
Payment for intangible assets		**(35)**	(21)
Payment for investment property and property, plant and equipment		**(189)**	(34)
Net cash used in investing activities		**(224)**	(55)
Cash flows from financing activities			
Dividends paid during the period		**(340)**	(2)
Purchase of shares held by employee share-based trusts		**(82)**	–
Other financing activities		**39**	(27)
Net cash used in financing activities		**(383)**	(29)
Net (decrease)/increase in cash and cash equivalents		**(1,177)**	810
Cash and cash equivalents at beginning of the financial period		**4,303**	2,595
Effect of exchange rate changes on cash and cash equivalents		**(16)**	60
Cash and cash equivalents at the end of the financial period	15	**3,110**	3,465

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, 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 15 jurisdictions throughout the Asia Pacific region. The Group's principal activity is the writing of life insurance business, providing life, pensions and accident and health insurance 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 International Accounting Standard (IAS) 34, Interim Financial Reporting and Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting. Hong Kong Financial Reporting Standards (HKFRS) is substantially consistent with International Financial Reporting Standards (IFRS) 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 IFRS and HKFRS. References to IFRS, IAS and Interpretation developed by the International Financial Reporting Interpretation Committee (IFRIC) in these interim condensed consolidated financial statements should be read as referring to the equivalent HKFRS, HKAS and Hong Kong (IFRIC) Interpretations (HK (IFRIC) – Int) as the case may be. Accordingly, there are no differences of accounting practice between IFRS and HKFRS affecting these interim condensed consolidated financial statements. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 November 2011.

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

(a) The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 December 2011 and have no material impact for the Group:

- IAS 24, Related Party Disclosures, Revised definition of related parties (as revised in 2009);
- Amendment to IAS 1, Presentation of Financial Statements, Clarification of statement of changes in equity;
- Amendments to IAS 34, Interim Financial Reporting, Significant Events and Disclosure;
- Amendments to IFRS 7, Financial Instruments: Disclosures, Clarification of disclosures;
- Amendments to IFRS 7, Financial Instruments: Disclosures, Enhancing disclosures about transfers of financial assets; and
- Amendment to IFRIC Int – 14, Prepayments of a minimum funding requirement.

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

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year ending 30 November 2012 and have not been early adopted (the financial years for which the adoption is planned and required are stated in parenthesis). The Group is yet to assess the full impact of these new standards on its financial position and results of operations; however, they are not expected to have a material impact on the financial position or results of operations of the Group but may require additional disclosures:

- IFRS 11, Joint Arrangements (2014);
- IFRS 12, Disclosure of Interests in Other Entities (2014);
- IAS 27, Separate Financial Statements (as revised in 2011) (2014);
- IAS 28, Investments in Associates and Joint Ventures (as revised in 2011) (2014);
- Amendment to IAS 1, Presentation of Items of Other Comprehensive Income (2013);
- Amendments to IAS 1, Presentation of Financial Statements, Clarification of the requirements for comparative information (2014);
- Amendments to IAS 12, Income Taxes, Recovery of underlying assets (2013);
- Amendments to IAS 32, Financial Instruments: Presentation on offsetting financial assets and financial liabilities (2015);
- Amendments to IAS 32, Financial Instruments: Presentation, Tax effect of distributions to holders of equity instruments (2014);
- Amendments to IAS 34, Interim Financial Reporting, Interim financial reporting and segment information for total assets and liabilities (2014); and
- Amendments to IFRS 7, Financial Instruments: Disclosures on offsetting financial assets and financial liabilities (2014).

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year ending 30 November 2012 and have not been early adopted (the financial years for which the adoption is planned and required are stated in parenthesis). The Group is yet to assess the full impact of these new standards on its financial position and results of operations; however, they may have a material impact on the financial position or results of operations of the Group and require additional disclosures:

- IFRS 9, Financial Instruments (2016);
- IFRS 10, Consolidated Financial Statements (2014);
- IFRS 13, Fair Value Measurement (2014); and
- IAS 19, Employee Benefits (as revised in 2011) (2014).

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 2011 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 IFRSs and HKFRSs.

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

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 39. The interim condensed consolidated financial statements have also been reviewed by the Company's Audit Committee.

The financial statements relating to the financial year ended 30 November 2011 that is included in the interim condensed consolidated financial statements as being previously reported information does not constitute the Group's statutory financial statements for this financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 February 2012.

The interim condensed consolidated financial statements have been approved for issue by the Board of Directors on 27 July 2012.

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

3. Exchange rates

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

	US dollar exchange rates		
	Six months ended 31 May 2012	Year ended 30 November 2011	Six months ended 31 May 2011
Hong Kong	**7.76**	7.78	7.78
Thailand	**31.05**	30.40	30.25
Singapore	**1.27**	1.26	1.24
Malaysia	**3.08**	3.06	3.02
China	**6.32**	6.49	6.50
Korea	**1,139.11**	1,107.01	1,084.60

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

	US dollar exchange rates		
	As at 31 May 2012	As at 30 November 2011	As at 31 May 2011
Hong Kong	**7.76**	7.79	7.78
Thailand	**31.89**	31.21	30.31
Singapore	**1.29**	1.30	1.23
Malaysia	**3.18**	3.18	3.01
China	**6.37**	6.37	6.48
Korea	**1,180.64**	1,145.48	1,078.75

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

4. Operating profit before tax

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

US$m	Note	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Operating profit before tax	6	**1,309**	1,210
Non-operating investment return:			
Investment experience		**529**	1,076
Investment income related to unit-linked contracts		**93**	78
Investment management expenses related to unit-linked contracts		**(43)**	(24)
Other investment management expenses		**(15)**	(12)
Corresponding changes in insurance and investment contract liabilities for unit-linked contracts		**36**	(556)
Corresponding changes in insurance contract liabilities for participating funds		**(173)**	(101)
Corresponding changes in third-party interests in consolidated investment funds		**23**	1
Non-operating investment return		**450**	462
Other non-operating items:			
Changes in insurance and investment contract liabilities for policyholders' tax on operating profit before tax		**30**	37
Restructuring and other non-operating costs		**(9)**	(18)
Non-operating items		**471**	481
Profit before tax		**1,780**	1,691
Tax on operating profit before tax		**(222)**	(238)
Non-operating tax expense		**(80)**	(97)
Policyholders' tax on operating profit before tax		**(30)**	(37)
Tax expense		**(332)**	(372)
Net profit		**1,448**	1,319
Net profit attributable to:			
Shareholders of AIA Group Limited		**1,444**	1,314
Non-controlling interests		**4**	5
Operating profit before tax		**1,309**	1,210
Tax on operating profit before tax		**(222)**	(238)
Operating profit after tax		**1,087**	972
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited		**1,080**	967
Non-controlling interests		**7**	5

Restructuring costs represent costs related to restructuring programmes and are primarily comprised of redundancy and contract termination costs.

5. Total weighted premium income and annualised new premium

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

TWPI consists of 100% of renewal premiums, 100% of first year premiums and 10% 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 premium and fee income recorded in the consolidated income statement.

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

TWPI US$m	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
TWPI by geography		
Hong Kong	**1,552**	1,431
Thailand	**1,460**	1,397
Singapore	**998**	910
Malaysia	**486**	454
China	**683**	609
Korea	**967**	1,016
Other Markets	**1,159**	948
Total	**7,305**	6,765
First year premiums by geography		
Hong Kong	**213**	207
Thailand	**218**	203
Singapore	**93**	93
Malaysia	**63**	59
China	**106**	99
Korea	**102**	122
Other Markets	**290**	189
Total	**1,085**	972
Single premiums by geography		
Hong Kong	**213**	83
Thailand	**79**	70
Singapore	**359**	251
Malaysia	**36**	15
China	**20**	61
Korea	**19**	76
Other Markets	**201**	118
Total	**927**	674

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

TWPI US$m	Six months ended 31 May 2012 (Unaudited)	Six months ended 31 May 2011 (Unaudited)
Renewal premiums by geography		
Hong Kong	**1,317**	1,216
Thailand	**1,234**	1,187
Singapore	**869**	792
Malaysia	**420**	393
China	**575**	504
Korea	**863**	887
Other Markets	**849**	747
Total	**6,127**	5,726

ANP US$m	Six months ended 31 May 2012 (Unaudited)	Six months ended 31 May 2011 (Unaudited)
ANP by geography		
Hong Kong	**243**	223
Thailand	**244**	223
Singapore	**152**	120
Malaysia	**76**	67
China	**108**	109
Korea	**104**	149
Other Markets	**260**	203
Total	**1,187**	1,094

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, pensions and accident and health products to customers in its local market, and distributes related investment and other financial services products. The reportable segments, as required to be disclosed separately under IFRS 8, are Hong Kong, Thailand, Singapore, Malaysia, China, Korea, Other Markets and Group Corporate Centre. The Group's Hong Kong reportable segment includes Macau. The Group's Singapore reportable segment includes Brunei. Other Markets primarily includes the Group's operations in the Philippines, Indonesia, Vietnam, India, Australia, New Zealand and Taiwan. The activities of the Group Corporate Centre segment consist of the Group's corporate functions, shared services, certain internal reinsurance and eliminations of intragroup transactions.

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

- ANP;
- TWPI;
- investment income (excluding investment income in respect of unit-linked contracts);
- operating expenses;
- operating profit before tax (see note 4);
- expense ratio, measured as operating expenses divided by TWPI;
- operating margin, measured as operating profit before tax (see above) expressed as a percentage of TWPI; and
- operating return on allocated equity, measured as operating profit after tax attributable to shareholders of AIA Group Limited expressed as a percentage of a simple average of opening and closing allocated segment equity (being the segment assets less segment liabilities in respect of each reportable segment less non-controlling interests, fair value and foreign currency translation reserves, and adjusted for subordinated intercompany debt).

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

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

6. Segment information (continued)

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
	Key markets								
Six months ended 31 May 2012 – Unaudited									
ANP	243	244	152	76	108	104	260	–	1,187
TWPI	1,552	1,460	998	486	683	967	1,159	–	7,305
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	1,276	1,476	969	420	629	715	726	31	6,242
Investment income(1)	483	445	354	142	171	173	256	65	2,089
Total revenue	1,759	1,921	1,323	562	800	888	982	96	8,331
Net insurance and investment contract benefits(2)	1,120	1,308	934	383	562	648	563	6	5,524
Commission and other acquisition expenses	137	215	113	47	56	96	142	2	808
Operating expenses	102	83	71	42	89	55	142	50	634
Investment management expenses and finance costs(3)	14	17	10	2	5	2	14	3	67
Total expenses	1,373	1,623	1,128	474	712	801	861	61	7,033
Share of profit from associates	–	–	–	–	–	–	11	–	11
Operating profit before tax	386	298	195	88	88	87	132	35	1,309
Tax on operating profit before tax	(26)	(71)	(27)	(20)	(16)	(21)	(29)	(12)	(222)
Operating profit after tax	360	227	168	68	72	66	103	23	1,087
Operating profit after tax attributable to:									
Shareholders of AIA Group Limited	358	227	168	68	72	66	98	23	1,080
Non-controlling interests	2	–	–	–	–	–	5	–	7
Key operating ratios:									
Expense ratio	6.6%	5.7%	7.1%	8.6%	13.0%	5.7%	12.3%	–	8.7%
Operating margin	24.9%	20.4%	19.5%	18.1%	12.9%	9.0%	11.4%	–	17.9%
Operating return on allocated equity(4)	18.6%	12.0%	24.8%	24.4%	17.1%	8.7%	12.2%	–	12.3%
Operating profit before tax includes:									
Finance costs	2	–	1	–	2	–	1	(1)	5
Depreciation and amortisation	4	5	5	4	5	3	10	7	43

Notes:

(1) Excludes investment income related to unit-linked contracts.

(2) Excludes corresponding changes in insurance and investment contract liabilities from investment experience for unit-linked contracts and participating funds and investment income and investment management expenses related to unit-linked contracts. It also excludes policyholders' share of tax relating to the change in insurance and investment contract liabilities.

(3) Excludes investment management expenses related to unit-linked contracts.

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

6. Segment information (continued)

Operating profit before tax may be reconciled to net profit/(loss) as follows:

	Key markets								
US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
Six months ended 31 May 2012 – Unaudited									
Operating profit before tax	**386**	**298**	**195**	**88**	**88**	**87**	**132**	**35**	**1,309**
Non-operating items	(3)	359	97	24	(1)	(14)	35	(26)	471
Profit before tax	**383**	**657**	**292**	**112**	**87**	**73**	**167**	**9**	**1,780**
Tax on operating profit before tax	(26)	(71)	(27)	(20)	(16)	(21)	(29)	(12)	(222)
Policyholders' tax on operating profit before tax	–	–	(21)	(7)	–	–	(2)	–	(30)
Non-operating tax expense	–	(22)	(18)	(9)	–	(12)	(16)	(3)	(80)
Tax expense	(26)	(93)	(66)	(36)	(16)	(33)	(47)	(15)	(332)
Net profit/(loss)	**357**	**564**	**226**	**76**	**71**	**40**	**120**	**(6)**	**1,448**
Net profit/(loss) attributable to:									
Shareholders of AIA Group Limited	**355**	**564**	**226**	**76**	**71**	**40**	**118**	**(6)**	**1,444**
Non-controlling interests	2	–	–	–	–	–	2	–	4

Allocated equity may be analysed as follows:

	Key markets								
US$m	Hong Kong	Thailand(5)	Singapore	Malaysia	China	Korea	Other Markets(5)	Group Corporate Centre(5)	Total
31 May 2012 – Unaudited									
Assets before investments in associates	29,502	22,016	24,036	7,903	9,623	9,930	11,670	4,747	119,427
Investments in associates	–	1	1	7	–	–	58	–	67
Total assets	**29,502**	**22,017**	**24,037**	**7,910**	**9,623**	**9,930**	**11,728**	**4,747**	**119,494**
Total liabilities(5)	**23,667**	**17,120**	**21,970**	**7,247**	**8,648**	**8,237**	**8,972**	**510**	**96,371**
Total equity	**5,835**	**4,897**	**2,067**	**663**	**975**	**1,693**	**2,756**	**4,237**	**23,123**
Non-controlling interests	10	–	–	9	–	–	89	3	111
Amounts reflected in other comprehensive income:									
Fair value reserve	2,085	623	322	40	(8)	341	924	(99)	4,228
Foreign currency translation reserve	(1)	303	278	67	107	(193)	73	4	638
Allocated equity	**3,741**	**3,971**	**1,467**	**547**	**876**	**1,545**	**1,670**	**4,329**	**18,146**
Net capital (out)/in flows	(572)	(181)	(7)	(98)	–	–	14	440	(404)

Notes:

(5) Group Corporate Centre, Thailand and Other Markets adjusted for subordinated intercompany debt provided to Thailand and Other Markets of US$13m and US$27m, respectively.

6. Segment information (continued)

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

US$m	Segment information	Investment experience	Investment income related to unit-linked contracts	Investment management expenses related to unit-linked contracts	Related changes in insurance and investment contract benefits: Unit-linked contracts	Related changes in insurance and investment contract benefits: Participating funds	Third-party interests in consolidated investment funds	Other non-operating items	Interim consolidated income statement	
Six months ended 31 May 2012 – Unaudited										
Total revenue	**8,331**	**529**	**93**	**–**	**–**	**–**	**–**	**–**	**8,953**	**Total revenue**
Of which:										Of which:
Net premiums, fee income and other operating revenue	**6,242**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,242**	Net premiums, fee income and other operating revenue
Investment return	**2,089**	**529**	**93**	**–**	**–**	**–**	**–**	**–**	**2,711**	Investment return
Total expenses	**7,033**	**–**	**–**	**43**	**(36)**	**173**	**(23)**	**(6)**	**7,184**	**Total expenses**
Of which:										Of which:
Net insurance and investment contract benefits	**5,524**	**–**	**–**	**–**	**(36)**	**173**	**–**	**(30)**	**5,631**	Net insurance and investment contract benefits
Restructuring and other non-operating costs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9**	**9**	Restructuring and other non-operating costs
Investment management expenses and finance costs	**67**	**–**	**–**	**43**	**–**	**–**	**–**	**15**	**125**	Investment management expenses and finance costs
Change in third-party interests in consolidated investment funds	**–**	**–**	**–**	**–**	**–**	**–**	**(23)**	**–**	**(23)**	Change in third-party interests in consolidated investment funds
Share of profit from associates	**11**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11**	Share of profit from associates
Operating profit before tax	**1,309**	**529**	**93**	**(43)**	**36**	**(173)**	**23**	**6**	**1,780**	**Profit before tax**

Other non-operating items in 2012 consist of restructuring and other non-operating costs of US$9m (see note 4).

6. Segment information (continued)

US$m	Key markets: Hong Kong[5]	Thailand	Singapore	Malaysia	China[6]	Korea	Other Markets	Group Corporate Centre[5][6]	Total
Six months ended 31 May 2011 – Unaudited									
ANP	223	223	120	67	109	149	203	–	1,094
TWPI	1,431	1,397	910	454	609	1,016	948	–	6,765
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	1,104	1,417	908	409	589	759	614	32	5,832
Investment income[1]	447	425	369	144	145	165	240	31	1,966
Total revenue	1,551	1,842	1,277	553	734	924	854	63	7,798
Net insurance and investment contract benefits[2]	946	1,243	919	384	528	649	468	5	5,142
Commission and other acquisition expenses	132	210	97	48	45	123	112	3	770
Operating expenses	96	81	65	37	88	65	123	62	617
Investment management expenses and finance costs[3]	3	15	10	3	7	2	13	11	64
Total expenses	1,177	1,549	1,091	472	668	839	716	81	6,593
Share of profit from associates	–	–	–	1	–	–	4	–	5
Operating profit/(loss) before tax	374	293	186	82	66	85	142	(18)	1,210
Tax on operating profit/(loss) before tax	(24)	(88)	(31)	(18)	(8)	(21)	(37)	(11)	(238)
Operating profit/(loss) after tax	350	205	155	64	58	64	105	(29)	972
Operating profit/(loss) after tax attributable to:									
Shareholders of AIA Group Limited	348	205	155	65	58	64	101	(29)	967
Non-controlling interests	2	–	–	(1)	–	–	4	–	5
Key operating ratios:									
Expense ratio	6.7%	5.8%	7.1%	8.1%	14.4%	6.4%	13.0%	–	9.1%
Operating margin	26.1%	21.0%	20.4%	18.1%	10.8%	8.4%	15.0%	–	17.9%
Operating return on allocated equity[4]	15.5%	11.4%	19.0%	24.3%	16.2%	8.9%	14.4%	–	11.8%
Operating profit/(loss) before tax includes:									
Finance costs	2	1	4	–	1	–	–	(1)	7
Depreciation and amortisation	6	4	6	6	6	10	6	3	47

Notes:

(1) Excludes investment income related to unit-linked contracts.

(2) Excludes corresponding changes in insurance and investment contract liabilities from investment experience for unit-linked contracts and participating funds and investment income and investment management expenses related to unit-linked contracts. It also excludes policyholders' share of tax relating to the change in insurance and investment contract liabilities.

(3) Excludes investment management expenses related to unit-linked contracts.

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

(5) Results of certain internal reinsurance have been reclassified from Hong Kong segment to Group Corporate Centre segment to conform to current period presentation. As a result, operating profit before and after tax of Hong Kong segment have been decreased by US$24m. The reclassification has no impact to the operating profit before and after tax, allocated equity and net capital outflow of the Group as of 31 May 2011.

(6) Results of a subsidiary have been reclassified from China segment to Group Corporate Centre segment to conform to current period presentation. As a result, operating profit before and after tax of China segment have been decreased by US$1m. The reclassification has no impact to the operating profit before and after tax, allocated equity and net capital outflow of the Group as of 31 May 2011.

6. Segment information (continued)

Operating profit/(loss) before tax may be reconciled to net profit/(loss) as follows:

US$m	Key markets: Hong Kong[(5)]	Key markets: Thailand	Key markets: Singapore	Key markets: Malaysia	Key markets: China[(6)]	Key markets: Korea	Other Markets	Group Corporate Centre[(5)(6)]	Total
Six months ended 31 May 2011 – Unaudited									
Operating profit/(loss) before tax	374	293	186	82	66	85	142	(18)	1,210
Non-operating items	169	188	84	19	(57)	44	24	10	481
Profit/(loss) before tax	543	481	270	101	9	129	166	(8)	1,691
Tax on operating profit/(loss) before tax	(24)	(88)	(31)	(18)	(8)	(21)	(37)	(11)	(238)
Policyholders' tax on operating profit before tax	–	–	(28)	(7)	–	(2)	–	–	(37)
Non-operating tax expense	1	(57)	(16)	(6)	15	(9)	(21)	(4)	(97)
Tax expense	(23)	(145)	(75)	(31)	7	(32)	(58)	(15)	(372)
Net profit/(loss)	520	336	195	70	16	97	108	(23)	1,319
Net profit/(loss) attributable to:									
Shareholders of AIA Group Limited	518	336	195	71	16	97	104	(23)	1,314
Non-controlling interests	2	–	–	(1)	–	–	4	–	5

Allocated equity may be analysed as follows:

US$m	Key markets: Hong Kong	Key markets: Thailand	Key markets: Singapore	Key markets: Malaysia	Key markets: China	Key markets: Korea	Other Markets[(7)]	Group Corporate Centre[(7)]	Total
30 November 2011									
Assets before investments in associates	28,030	21,519	23,215	7,601	8,850	9,827	11,021	4,337	114,400
Investments in associates	–	1	1	12	–	–	47	–	61
Total assets	28,030	21,520	23,216	7,613	8,850	9,827	11,068	4,337	114,461
Total liabilities[(7)]	22,700	16,724	21,449	6,931	8,000	8,137	8,518	587	93,046
Total equity	5,330	4,796	1,767	682	850	1,690	2,550	3,750	21,415
Non-controlling interests	9	–	–	9	–	–	81	3	102
Amounts reflected in other comprehensive income:									
Fair value reserve	1,364	815	250	38	(61)	334	827	(153)	3,414
Foreign currency translation reserve	(1)	393	269	66	106	(149)	104	5	793
Allocated equity	3,958	3,588	1,248	569	805	1,505	1,538	3,895	17,106
Net capital (out)/in flows	(1,100)	(401)	(618)	(120)	80	–	(26)	1,926	(259)

Notes:

(5) Results of certain internal reinsurance have been reclassified from Hong Kong segment to Group Corporate Centre segment to conform to current period presentation. As a result, operating profit before and after tax of Hong Kong segment have been decreased by US$24m. The reclassification has no impact to the operating profit before and after tax, allocated equity and net capital outflow of the Group as of 31 May 2011.

(6) Results of a subsidiary have been reclassified from China segment to Group Corporate Centre segment to conform to current period presentation. As a result, operating profit before and after tax of China segment have been decreased by US$1m. The reclassification has no impact to the operating profit before and after tax, allocated equity and net capital outflow of the Group as of 31 May 2011.

(7) Group Corporate Centre and Other Markets adjusted for subordinated intercompany debt provided to Other Markets of US$27m.

6. Segment information (continued)

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

US$m	Segment information	Investment experience	Investment income related to unit-linked contracts	Investment management expenses related to unit-linked contracts	Related changes in insurance and investment contract benefits: Unit-linked contracts	Related changes in insurance and investment contract benefits: Participating funds	Third-party interests in consolidated investment funds	Other non-operating items	Interim consolidated income statement	
Six months ended 31 May 2011 – Unaudited										
Total revenue	7,798	1,076	78	–	–	–	–	–	8,952	**Total revenue**
Of which:										Of which:
Net premiums, fee income and other operating revenue	5,832	–	–	–	–	–	–	–	5,832	Net premiums, fee income and other operating revenue
Investment return	1,966	1,076	78	–	–	–	–	–	3,120	Investment return
Total expenses	6,593	–	–	24	556	101	(1)	(7)	7,266	**Total expenses**
Of which:										Of which:
Net insurance and investment contract benefits	5,142	–	–	–	556	101	–	(37)	5,762	Net insurance and investment contract benefits
Restructuring and other non-operating costs	–	–	–	–	–	–	–	18	18	Restructuring and other non-operating costs
Investment management expenses and finance costs	64	–	–	24	–	–	–	12	100	Investment management expenses and finance costs
Change in third-party interests in consolidated investment funds	–	–	–	–	–	–	(1)	–	(1)	Change in third-party interests in consolidated investment funds
Share of profit from associates	5	–	–	–	–	–	–	–	5	Share of profit from associates
Operating profit before tax	1,210	1,076	78	(24)	(556)	(101)	1	7	1,691	**Profit before tax**

Other non-operating items in 2011 consist of restructuring and other non-operating costs of US$18m (see note 4).

7. Investment return

US$m	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Interest income	**1,930**	1,816
Dividend income	**206**	191
Rental income	**46**	37
Investment income	**2,182**	2,044
Available for sale		
Net realised gains from debt securities	**27**	24
Net gains of available for sale financial assets reflected in the consolidated income statement	**27**	24
At fair value through profit or loss		
Net gains of debt securities	**197**	100
Net gains of equity securities	**430**	1,018
Net fair value movement on derivatives	**(34)**	191
Net gains in respect of financial assets at fair value through profit or loss	**593**	1,309
Net foreign exchange losses	**(84)**	(258)
Other net realised (losses)/gains	**(7)**	1
Investment experience	**529**	1,076
Investment return	**2,711**	3,120

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

US$m	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Foreign exchange losses	**(9)**	(99)

8. Expenses

US$m	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Insurance contract benefits	**3,565**	3,195
Change in insurance contract liabilities	**2,448**	2,528
Investment contract benefits	**(60)**	261
Insurance and investment contract benefits	**5,953**	5,984
Insurance and investment contract benefits ceded	**(322)**	(222)
Insurance and investment contract benefits, net of ceded reinsurance	**5,631**	5,762
Commission and other acquisition expenses incurred	**1,283**	1,150
Deferral and amortisation of acquisition costs	**(475)**	(380)
Commission and other acquisition expenses	**808**	770
Employee benefit expenses	**411**	412
Depreciation	**31**	36
Amortisation	**12**	11
Operating lease rentals	**49**	52
Other operating expenses	**131**	106
Operating expenses	**634**	617
Restructuring and other non-operating costs	**9**	18
Investment management expenses	**120**	93
Finance costs	**5**	7
Change in third-party interests in consolidated investment funds	**(23)**	(1)
Total	**7,184**	7,266

8. Expenses (continued)

Investment management expenses may be analysed as:

US$m	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Investment management expenses including fees paid to related parties	**116**	92
Depreciation on investment property	**4**	1
Total	**120**	93

Finance costs may be analysed as:

US$m	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Securities lending and repurchase agreements (see note 17 for details)	**3**	4
Bank and other loans	**2**	3
Total	**5**	7

Finance costs include interest expense of US$2m (six months ended 31 May 2011: US$3m) on bank loans, overdrafts and related party loans wholly repayable within five years.

Employee benefit expenses consist of:

US$m	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Wages and salaries	**331**	350
Share-based compensation	**17**	–
Pension costs – defined contribution plans	**21**	20
Pension costs – defined benefit plans	**8**	6
Other employee benefit expenses	**34**	36
Total	**411**	412

9. Income tax

US$m	Six months ended 31 May 2012 (Unaudited)	Six months ended 31 May 2011 (Unaudited)
Tax charged in the consolidated income statement		
Current income tax – Hong Kong Profits Tax	**23**	30
Current income tax – overseas	**235**	284
Deferred income tax on temporary differences	**74**	58
Total	**332**	372

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

The tax benefit or expense attributable to Singapore, Malaysia, Indonesia and Australia life insurance policyholder returns is included in the tax charge or credit and is analysed separately in the consolidated income statement in order to permit comparison of the underlying effective rate of tax attributable to shareholders from year to year. The tax attributable to policyholders' returns included above is US$62m charge (six months ended 31 May 2011: US$57m charge).

During the period, Thailand and Korea enacted changes in corporate tax rates. For Thailand, the corporate income tax rate reduced to 23% for assessment year 2012 and will reduce to 20% for assessment years 2013 and 2014 and will return to 30% for assessment year 2015 onwards. This change resulted in a reduction in deferred tax liabilities of US$72m, which is recognised as a non-operating item.

For Korea, the corporate income tax rate was previously reduced to 22% for the assessment years beginning April 2012. After the change in tax rate, the corporate tax rate on the portion of assessable profits exceeding 20 billion Korean Won increased from 22% to 24.2% for the assessment years beginning April 2012. The increase in tax rate resulted in an increase of deferred tax liability of US$25m, of which US$16m is recognised as a non-operating item and US$9m is recognised in other comprehensive income.

10. Earnings per share

BASIC

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

	Six months ended 31 May 2012 (Unaudited)	Six months ended 31 May 2011 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**1,444**	1,314
Weighted average number of ordinary shares in issue (million)	**12,003**	12,044
Basic earnings per share (US cents per share)	**12.0**	10.9

10. Earnings per share (continued)

DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As of 31 May 2012, 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 employees, directors, officers and agents under various share-based compensation plans as described in note 21. As of 31 May 2011, the Group had no potential dilutive instruments in issue.

	Six months ended 31 May 2012 (Unaudited)	Six months ended 31 May 2011 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**1,444**	1,314
Weighted average number of ordinary shares in issue (million)	**12,003**	12,044
Adjustment for restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans	**7**	–
Weighted average number of ordinary shares for diluted earnings per share (million)	**12,010**	12,044
Diluted earnings per share (US cents per share)	**12.0**	10.9

At 31 May 2012, 28,201,532 share options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

OPERATING PROFIT AFTER TAX PER SHARE

Operating profit after tax (see note 4) per share is calculated by dividing the operating profit after tax attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares in issue during the period. As of 31 May 2012, 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 employees, directors, officers and agents under various share-based compensation plans as described in note 21. As of 31 May 2011, the Group had no potential dilutive instruments in issue.

	Six months ended 31 May 2012 (Unaudited)	Six months ended 31 May 2011 (Unaudited)
Basic (US cents per share)	**9.0**	8.0
Diluted (US cents per share)	**9.0**	8.0

11. Dividends

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

US$m	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Interim dividend declared after the balance sheet date of 12.33 Hong Kong cents per share (six months ended 31 May 2011: 11.00 Hong Kong cents per share) [(1)]	**190**	170

Note:
(1) Based upon shares outstanding at 31 May 2012 and 2011 that are entitled to a dividend, other than those held by employee share-based trusts.

The above interim dividend was declared after the balance sheet date and has not been recognised as liabilities at the balance sheet date.

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

US$m	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period of 22.00 Hong Kong cents per share (six months ended 31 May 2011: nil)	**339**	–

12. Financial investments

DEBT SECURITIES

Debt securities by type comprise the following:

US$m	Policyholder and shareholder – Participating funds FVTPL	Policyholder and shareholder – Other policyholder and shareholder FVTPL	Policyholder and shareholder – Other policyholder and shareholder AFS	Subtotal	Unit-linked FVTPL	Total
31 May 2012 – Unaudited						
Government bonds	**3,836**	**167**	**20,666**	**24,669**	**575**	**25,244**
Government agency bonds(1)	**2,044**	**–**	**7,540**	**9,584**	**140**	**9,724**
Corporate bonds	**8,110**	**416**	**25,215**	**33,741**	**1,087**	**34,828**
Structured securities(2)	**388**	**103**	**619**	**1,110**	**5**	**1,115**
Total	**14,378**	**686**	**54,040**	**69,104**	**1,807**	**70,911**

US$m	Policyholder and shareholder – Participating funds FVTPL	Policyholder and shareholder – Other policyholder and shareholder FVTPL	Policyholder and shareholder – Other policyholder and shareholder AFS	Subtotal	Unit-linked FVTPL	Total
30 November 2011						
Government bonds	3,637	208	20,127	23,972	553	24,525
Government agency bonds(1)	2,003	3	7,041	9,047	327	9,374
Corporate bonds	7,727	504	23,218	31,449	1,503	32,952
Structured securities(2)	370	91	632	1,093	8	1,101
Total	13,737	806	51,018	65,561	2,391	67,952

Notes:

(1) Government agency bonds comprise bonds issued by government-sponsored institutions such as provincial and municipal authorities and supranational financial institutions, such as the Asian Development Bank.

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

EQUITY SECURITIES

Equity securities by type comprise the following:

US$m	Policyholder and shareholder – Participating funds FVTPL	Policyholder and shareholder – Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Third-party interest FVTPL	Total
31 May 2012 – Unaudited						
Ordinary shares	**2,068**	**4,477**	**6,545**	**2,788**	**–**	**9,333**
Interests in investment funds	**1,028**	**745**	**1,773**	**9,741**	**215**	**11,729**
Total	**3,096**	**5,222**	**8,318**	**12,529**	**215**	**21,062**

US$m	Policyholder and shareholder – Participating funds FVTPL	Policyholder and shareholder – Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Third-party interest FVTPL	Total
30 November 2011						
Ordinary shares	1,972	3,216	5,188	2,625	–	7,813
Interests in investment funds	805	1,172	1,977	8,963	259	11,199
Total	2,777	4,388	7,165	11,588	259	19,012

12. Financial investments (continued)

DEBT AND EQUITY SECURITIES

US$m	As at 31 May 2012 (Unaudited)	As at 30 November 2011
Debt securities		
Listed		
Hong Kong	**2,382**	1,877
Overseas	**45,664**	43,228
	48,046	45,105
Unlisted	**22,865**	22,847
Total	**70,911**	67,952
Equity securities		
Listed		
Hong Kong	**654**	276
Overseas	**9,585**	8,373
	10,239	8,649
Unlisted	**10,823**	10,363
Total	**21,062**	19,012

LOANS AND DEPOSITS

US$m	As at 31 May 2012 (Unaudited)	As at 30 November 2011
Policy loans	**1,862**	1,837
Mortgage loans on residential real estate	**419**	427
Mortgage loans on commercial real estate	**16**	17
Other loans	**661**	683
Allowance for loan losses	**(24)**	(21)
Loans	**2,934**	2,943
Term deposits	**2,477**	1,622
Total	**5,411**	4,565

13. Derivative financial instruments

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

US$m	Notional amount	Fair value Assets	Fair value Liabilities
31 May 2012 – Unaudited			
Foreign exchange contracts			
Forwards	**1,157**	**1**	**(11)**
Cross-currency swaps	**7,957**	**482**	**(52)**
Currency options	**22**	**–**	**–**
Total foreign exchange contracts	**9,136**	**483**	**(63)**
Interest rate contracts			
Interest rate swaps	**848**	**16**	**–**
Other			
Warrants and call options	**77**	**5**	**–**
Equity index futures	**1**	**–**	**–**
Netting	**(1)**	**–**	**–**
Total	**10,061**	**504**	**(63)**
30 November 2011			
Foreign exchange contracts			
Forwards	846	1	(8)
Cross-currency swaps	8,875	706	(30)
Currency options	7	–	–
Total foreign exchange contracts	9,728	707	(38)
Interest rate contracts			
Interest rate swaps	1,114	14	–
Other			
Warrants and call options	81	4	–
Credit default swap	59	–	–
Total	10,982	725	(38)

For swap transactions, both pay and receive legs of the transaction have been disclosed in the column "notional amount".

Of the total derivatives, US$1m (30 November 2011: US$1m) 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 include forwards and swaps. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments.

Derivative assets and derivative liabilities are recognised in the consolidated statement of financial position as financial assets at fair value through profit or loss and derivative financial liabilities respectively. The Group does not employ hedge accounting, although most of its derivative holdings may have the effect of an economic hedge of other exposures. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in the 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.

13. Derivative financial instruments (continued)

FOREIGN EXCHANGE CONTRACTS

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

INTEREST RATE SWAPS

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

OTHER DERIVATIVES

Warrants and call options are option agreements that give the owner the right to buy shares at an agreed price and settlement date. Credit default swaps (CDS) represent agreements that allow the transfer of third-party credit risk from the protection buyer to the seller. The Group purchased the CDS as a protection on the specific corporate debt portfolio by making a series of payments to the seller of the CDS. The Group will be compensated if the reference corporate debt defaults during the CDS contract period. Equity index futures contracts are exchange-traded cash-settled contracts on the value of particular stock market index. The Group entered into equity index futures contracts to manage its equity market exposure. The netting adjustment is related to futures contracts executed through clearing house where the settlement arrangement satisfied the IFRS netting criteria.

14. Fair value of financial instruments

The table below sets out a summary of changes in the Group's Level 3 financial assets and liabilities for the six months ended 31 May 2012. The table reflects gains and losses, including gains and losses on financial assets and liabilities categorised as Level 3 as at 31 May 2012.

LEVEL 3 FINANCIAL ASSETS AND LIABILITIES

US$m	Debt securities	Equity securities	Derivative financial assets	Derivative financial liabilities	Investment contracts
At 1 December 2011	**861**	**375**	**1**	**–**	**(7,048)**
Realised gains	–	–	–	–	–
Net movement on investment contract liabilities	–	–	–	–	105
Total gains/(losses) relating to instruments still held at the reporting date					
Reported in the consolidated income statement	43	(22)	(1)	–	–
Reported in the consolidated statement of comprehensive income	4	(1)	–	–	–
Purchases	188	20	1	–	–
Sales	(22)	(14)	–	–	–
Settlements	–	(2)	–	–	–
Transfers into/(out of) Level 3	346	(9)	–	–	–
At 31 May 2012 – Unaudited	**1,420**	**347**	**1**	**–**	**(6,943)**

Realised gains and losses arising from the disposal of the Group's Level 3 financial assets and liabilities are presented in the consolidated income statement.

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

There are no differences between the fair values on initial recognition and the amounts determined using valuation techniques since the models adopted are calibrated using initial transaction prices.

During the period, there were no material transfers between Level 1 and Level 2 fair value measurements.

15. Cash and cash equivalents

US$m	**As at 31 May 2012 (Unaudited)**	As at 30 November 2011
Cash	**1,766**	1,636
Cash equivalents	**1,344**	2,667
Total[1]	**3,110**	4,303

Note:
(1) Of cash and cash equivalents, US$646m (30 November 2011: US$788m) are held to back unit-linked contracts.

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

16. Borrowings

US$m	As at 31 May 2012 (Unaudited)	As at 30 November 2011
Bank loans	**495**	456
Bank overdrafts	**123**	99
Other loans	**4**	4
Total	**622**	559

Properties with a book value of US$896m at 31 May 2012 (30 November 2011: US$762m) and a fair value of US$1,957m at 31 May 2012 (30 November 2011: US$1,809m) and cash and cash equivalents with a book value of US$67m (30 November 2011: US$66m) are pledged as security with respect to amounts disclosed as bank loans above. Interest on loans reflects market rates of interest. Interest expense on borrowings is shown in note 8.

17. Obligations under securities lending and repurchase agreements

The Group has entered into securities lending agreement whereby securities are loaned to a national monetary authority. In addition, the Group has entered into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date.

The securities related to these agreements are not derecognised from the Group's consolidated statement of financial position but are retained within the appropriate financial asset classification. The following table specifies the amounts included within financial investments subject to securities lending or repurchase agreements at each period end:

US$m	As at 31 May 2012 (Unaudited)	As at 30 November 2011
Debt securities		
Securities lending	**902**	321
Repurchase agreements	**653**	663
Total	**1,555**	984

COLLATERAL

The Group received collateral based on the initial market value of the securities lent in the form of promissory notes issued by the national monetary authority; both the securities lent and the collateral are denominated in local currency. In the absence of default, the Group cannot sell or repledge the collateral and it is not recognised in the consolidated statement of financial position.

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

US$m	As at 31 May 2012 (Unaudited)	As at 30 November 2011
Repurchase agreements	**637**	670
Total	**637**	670

18. Share capital and reserves

SHARE CAPITAL

	As at 31 May 2012		As at 30 November 2011	
	Million shares (Unaudited)	US$m (Unaudited)	Million shares	US$m
Authorised				
Ordinary shares of US$1 each	**20,000**	**20,000**	20,000	20,000
Issued and fully paid				
At beginning and end of the financial period	**12,044**	**12,044**	12,044	12,044
Share premium		**1,914**		1,914

There were no shares issued under share option schemes in the period.

Except for 53,626,489 shares (30 November 2011: 30,540,802 shares) of the Company held by the employee share-based trusts, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 May 2012. 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.

Share premium of US$1,914m represents the difference between the net book value of the Group on acquisition by the Company of US$13,958m and the nominal value of the share capital issued of US$12,044m.

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.

Shares held by employee share-based trusts

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

Other reserves

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

19. Group capital position

The Group is in compliance with the solvency and capital adequacy requirements applied by its regulators. The Group's primary insurance regulator at the AIA Co. and AIA-B levels is the Hong Kong Office of the Commissioner of Insurance (HKOCI), which requires that AIA Co. and AIA-B meet the solvency margin requirements of the Hong Kong Insurance Companies Ordinance. The Hong Kong Insurance Companies Ordinance (among other matters) sets minimum solvency margin requirements that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong. The HKOCI requires AIA Co. and AIA-B to maintain an excess of assets over liabilities of not less than the required minimum solvency margin. The amount required under the Hong Kong Insurance Companies Ordinance is 100% of the required minimum solvency margin. The excess of assets over liabilities to be maintained by AIA Co. and AIA-B required by the HKOCI is not less than 150% of the required minimum solvency margin.

The capital positions of the Group's two principal operating companies as of 31 May 2012 and 30 November 2011 are as follows:

	31 May 2012 (Unaudited)			30 November 2011		
US$m	**Total available capital**	**Required capital**	**Solvency ratio**	Total available capital	Required capital	Solvency ratio
AIA Co.	**5,733**	**1,256**	**456%**	6,168	1,984	311%
AIA-B	**2,898**	**1,246**	**233%**	3,419	1,150	297%

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

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

20. Risk management

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

CREDIT RISK

Credit risk arises from the possibility of financial loss arising from default by borrowers and transactional counterparties and the decrease in the value of financial instruments due to deterioration in credit quality.

The maximum exposure to credit risk for loans and receivables, debt securities, derivative assets and cash and cash equivalents is the carrying value (net of allowances) in the consolidated statement of financial position.

FOREIGN EXCHANGE RATE RISK

The Group's net foreign currency exposures and the estimated impact of changes in foreign exchange rates are set out in the table below after taking into account the effect of economic hedges of currency risk. Whilst providing economic hedges that reduce the Group's net exposure to foreign exchange risk, hedge accounting is not applied. Currencies for which net exposure is not significant are excluded from the analysis below. In compiling the table below the impact of a 5% strengthening of original currency is stated relative to the functional currency of the relevant operation of the Group. The impact of a 5% strengthening of the US dollar is also stated relative to functional currency. Currency exposure reflects the net notional amount of currency derivative positions as well as net equity by currency.

Net exposure

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	Korean Won
31 May 2012 – Unaudited							
Equity analysed by original currency	**13,452**	**427**	**3,610**	**(1,488)**	**695**	**1,197**	**2,071**
Net notional amounts of currency derivative positions	**(4,051)**	**301**	**1,448**	**2,711**	**–**	**6**	**–**
Currency exposure	**9,401**	**728**	**5,058**	**1,223**	**695**	**1,203**	**2,071**
5% strengthening of original currency							
Impact on profit before tax	**87**	**6**	**15**	**27**	**2**	**13**	**23**
5% strengthening of the US dollar							
Impact on shareholders' equity	**(87)**	**17**	**(229)**	**(39)**	**(28)**	**(45)**	**(78)**
30 November 2011							
Equity analysed by original currency	13,714	(17)	3,496	(2,068)	677	861	1,648
Net notional amounts of currency derivative positions	(4,331)	300	1,399	3,195	–	47	–
Currency exposure	9,383	283	4,895	1,127	677	908	1,648
5% strengthening of original currency							
Impact on profit before tax	90	(16)	10	28	–	11	2
5% strengthening of the US dollar							
Impact on shareholders' equity	(90)	9	(224)	(28)	(29)	(37)	(80)

20. Risk management (continued)

EQUITY MARKET AND INTEREST RATE RISK

Equity market risk arises from changes in the market value of equity securities and equity funds. The investment in equity assets on a long-term basis is expected to provide diversification benefits and return enhancements which can improve the risk-adjusted return of the portfolios.

Sensitivity analysis

Sensitivity analysis to the key variables affecting financial assets and liabilities is set out in the table below. 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 policyholders' participation ratios. Information is presented to illustrate the estimated impact on profits and net assets arising from a change in a single variable before taking into account the effects of taxation.

For the purpose of illustrating the sensitivity of profit before tax and net assets before the effects of taxation to changes in interest rates and equity prices, the impact of possible impairments of financial investments classified as available for sale which may arise in times of economic stress has been ignored, since default events reflect the characteristics of individual issuers. Because the Group's accounting policies lock in interest rate assumptions on policy inception and the Group's assumptions incorporate a provision for adverse deviations, the level of movement illustrated in this sensitivity analysis does not result in loss recognition and so there is no corresponding effect on liabilities.

	31 May 2012 (Unaudited)		30 November 2011	
US$m	**Impact on profit before tax**	**Impact on net assets (before the effects of taxation)**	Impact on profit before tax	Impact on net assets (before the effects of taxation)
Equity market risk				
10 per cent increase in equity prices	**582**	**582**	497	497
10 per cent decrease in equity prices	**(582)**	**(582)**	(497)	(497)
Interest rate risk				
+ 50 basis points shift in yield curves	**(80)**	**(2,320)**	(80)	(2,120)
- 50 basis points shift in yield curves	**80**	**2,320**	80	2,120

LIQUIDITY RISK

The maturity analysis presented in the tables below presents the estimated maturity of carrying amounts in the consolidated statement of financial position. The estimated maturity for insurance and investment contracts, is proportionate to their carrying values based on projections of estimated undiscounted cash flows arising from insurance and investment contracts in force at that date. The Group has made significant assumptions to determine the estimated undiscounted cash flows of insurance benefits and claims and investment contract benefits, which include assumptions in respect of mortality, morbidity, future lapse rates, expenses, investment returns and interest crediting rates, offset by expected future deposits and premiums on in-force policies. The maturity profile of the Group's borrowings is presented on the presumption that the Group will continue to satisfy loan covenants which, if breached, would cause the borrowings to be repayable on demand. The Group regularly monitors its compliance with these covenants and was in compliance with them at the date of the consolidated statement of financial position and throughout each of the periods presented. Due to the significance of the assumptions used, the maturity profiles presented below could be materially different from actual payments.

20. Risk management (continued)

LIQUIDITY RISK (continued)

A maturity analysis based on the earliest contractual repayment date would present the insurance and investment contract liabilities as falling due in the earliest period in the table because of the ability of policyholders to exercise surrender options. Financial assets and liabilities other than investment contract liabilities are presented based on their respective contractual maturities.

US$m	Total	No fixed maturity	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
31 May 2012 – Unaudited						
Financial assets						
Loans and deposits	**5,411**	**1,852**	**698**	**758**	**814**	**1,289**
Other receivables	**1,216**	**131**	**1,032**	**49**	**3**	**1**
Debt securities	**70,911**	**–**	**2,021**	**15,392**	**18,824**	**34,674**
Equity securities	**21,062**	**21,062**	**–**	**–**	**–**	**–**
Reinsurance receivables	**97**	**–**	**97**	**–**	**–**	**–**
Cash and cash equivalents	**3,110**	**–**	**3,110**	**–**	**–**	**–**
Derivative financial instruments	**504**	**–**	**33**	**397**	**78**	**(4)**
Total	**102,311**	**23,045**	**6,991**	**16,596**	**19,719**	**35,960**
Financial liabilities and insurance contracts						
Insurance and investment contract liabilities (net of reinsurance)	**89,384**	**–**	**(765)**	**1,179**	**7,990**	**80,980**
Borrowings	**622**	**127**	**420**	**75**	**–**	**–**
Obligations under securities lending and repurchase agreements	**637**	**–**	**637**	**–**	**–**	**–**
Other liabilities	**2,264**	**–**	**2,264**	**–**	**–**	**–**
Derivative financial instruments	**63**	**–**	**15**	**28**	**20**	**–**
Total	**92,970**	**127**	**2,571**	**1,282**	**8,010**	**80,980**

20. Risk management (continued)

LIQUIDITY RISK (continued)

US$m	Total	No fixed maturity	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
30 November 2011						
Financial assets						
Loans and deposits	4,565	1,863	547	691	762	702
Other receivables	1,298	96	1,155	46	1	–
Debt securities	67,952	–	2,638	15,174	18,595	31,545
Equity securities	19,012	19,012	–	–	–	–
Reinsurance receivables	100	–	100	–	–	–
Cash and cash equivalents	4,303	–	4,303	–	–	–
Derivative financial instruments	725	–	204	392	134	(5)
Total	97,955	20,971	8,947	16,303	19,492	32,242
Financial liabilities and insurance contracts						
Insurance and investment contract liabilities (net of reinsurance)	86,354	–	(521)	1,955	8,161	76,759
Borrowings	559	103	456	–	–	–
Obligations under securities lending and repurchase agreements	670	–	670	–	–	–
Other liabilities	2,128	–	2,128	–	–	–
Derivative financial instruments	38	–	8	20	10	–
Total	89,749	103	2,741	1,975	8,171	76,759

21. Share-based compensation

SHARED-BASED COMPENSATION PLANS

During the period, the Group made further grants of share options and restricted share units (RSUs) to certain employees, directors and officers of the Group under the Share Option Scheme (SO Scheme) and the Restricted Share Unit Scheme (RSU Scheme). In addition to the existing Employee Share Purchase Plan (ESPP), the Group has launched an Agent Share Purchase Plan (ASPP) during 2012 under which eligible agents will be awarded one matching restricted stock subscription unit (RSSU) for each two shares purchased through the qualified contributions. At the end of the vesting period upon paying subscription price of US$1 and subject to conditions being met, each RSSU will entitle eligible agents to subscribe for one new share in the Company.

21. Share-based compensation (continued)

VALUATION METHODOLOGY

The Group utilises a binomial lattice model to calculate the fair value of the share option grants, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, ESPP and ASPP awards, taking into account the terms and conditions upon which the awards were granted. The price volatility is estimated on the basis of implied volatility of the Company's shares which is based on an analysis of historical data since they are traded in the Hong Kong Stock Exchange and takes into consideration the historical volatility of peer companies (the constituent companies in Dow Jones Insurance Titans Index) in view of the short trading history of the Company's shares on the measurement date. The expected life of the share options is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees. The estimate of market condition for performance-based RSUs is based on one-year historical data preceding the grant date. No allowance for forfeiture prior to vesting is included in the valuation of the awards.

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

	Share options grants	
	Six months ended 31 May 2012 (Unaudited)	Year ended 30 November 2011
Assumptions		
Risk-free interest rate	**1.44%**	2.28%
Volatility	**30%**	25%
Dividend yield	**1.2%**	1.2%
Exercise price (HK$)	**28.40**	27.35
Share option life (in years)	**10**	9.96
Expected life (in years)	**7.40**	7.42 – 7.87
Weighted average fair value per option at measurement date (HK$)	**8.71**	7.68

The measurement dates for share option grants made in June 2011 and March 2012 were determined to be 15 June 2011 and 15 March 2012 respectively, in accordance with IFRS 2.

The weighted average share price for share option valuation for grants made during the period ended 31 May 2012 is HK$28.40 (30 November 2011: HK$27.25). The total fair value of share options granted during the period ended 31 May 2012 is US$9m (30 November 2011: US$20m).

RECOGNISED COMPENSATION COST

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU Scheme, SO Scheme, ESPP and ASPP by the Group for the period ended 31 May 2012 is US$20m (six months ended 31 May 2011: nil).

22. Key management personnel remuneration

Key management personnel have been identified as the members of the Company's Executive Committee and Executive Director of the Company's Board.

US$	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
Key management compensation and other expenses		
Salaries and other short-term employee benefits	**8,131,203**	8,360,615
Post-employment benefits – defined contribution	**193,921**	185,288
Post-employment benefits – medical & life	**45,024**	26,311
Other long-term benefits	**234,213**	669,178
Share-based payments	**8,325,698**	–
Total	**16,930,059**	9,241,392

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

US$	**Six months ended 31 May 2012 (Unaudited)**	Six months ended 31 May 2011 (Unaudited)
100,001 to 200,000	**–**	1
200,001 to 300,000	**–**	1
400,001 to 500,000	**–**	3
500,001 to 1,000,000	**3**	6
1,000,001 to 1,500,000	**4**	1
1,500,001 to 2,000,000	**2**	1
2,000,001 to 2,500,000	**1**	–
4,500,001 to 5,000,000	**1**	–

23. Commitments and contingencies

COMMITMENTS UNDER OPERATING LEASES

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

US$m	**As at 31 May 2012 (Unaudited)**	As at 30 November 2011
Properties and others expiring		
Not later than one year	**75**	80
Later than one and not later than five years	**90**	102
Later than five years	**33**	36
Total	**198**	218

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

INVESTMENT AND CAPITAL COMMITMENTS

US$m	**As at 31 May 2012 (Unaudited)**	As at 30 November 2011
Not later than one year	**329**	396
Later than one and not later than five years	**65**	31
Later than five years	**6**	2
Total	**400**	429

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

CONTINGENCIES

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

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

23. Commitments and contingencies (continued)

CONTINGENCIES (continued)

The Group is the reinsurer in a residential mortgage credit reinsurance agreement covering residential mortgages in Australia. Due to a change in law, further cessions under this contract ended in July 2008. This reinsurance is fully retroceded to a subsidiary of AIG. The Group is exposed to the risk of losses in the event of the failure of the counterparty retrocessionaire to honour its obligations. The principal balance outstanding of mortgage loans to which the reinsurance agreement relates were approximately US$2,253m at 31 May 2012 (30 November 2011: US$2,525m). The liabilities and related reinsurance assets, which totalled US$10m (30 November 2011: US$11m), 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 balance sheet date under the terms of this agreement from the retrocessionaire.

At 31 May 2012, the Group has issued capital guarantees and guarantees of indebtedness and minimum guaranteed rates of return ranging from 0% to 5% to holders of units of pension funds that have an accumulation value of approximately US$1,427m (30 November 2011: US$1,336m). The Group has the ability to reduce the guaranteed rates of return, subject to obtaining approvals of applicable regulators.

The status of the licences of the Group is reviewed from time to time by the Group's regulators in light of a number of factors including the legal structure of the Group.

24. Events after the reporting period

On 27 July 2012, the Board of Directors declared an interim dividend of 12.33 Hong Kong cents per share (six months ended 31 May 2011: 11.00 Hong Kong cents per share).

SUPPLEMENTARY EMBEDDED VALUE INFORMATION

Towers Watson report on the review of the Supplementary Embedded Value Information

AIA Group Limited (the Company) and its subsidiaries (together, "AIA" or "the Group") have prepared supplementary embedded value results (EV Results) for the interim period ended 31 May 2012 (the Period). These EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Supplementary Embedded Value Information section of this report.

Towers Watson Pennsylvania Inc., trading as Towers Watson (Towers Watson) has been engaged to review the Group's EV Results and prior year comparisons. This opinion is made solely to the Company and, to the fullest extent permitted by applicable law, Towers Watson does not accept or assume any responsibility, duty of care or liability to any third party for or in connection with its review work, the opinions it has formed, or for any statement set forth in this opinion.

Scope of work

Our scope of work covered:

- A review of the methodology used to calculate the embedded value as at 31 May 2012 and the value of new business for the six-month period 1 December 2011 to 31 May 2012;

- A review of the economic and operating assumptions used to calculate the embedded value as at 31 May 2012 and the value of new business for the six-month period 1 December 2011 to 31 May 2012; and

- A review of the results of AIA's calculation of the EV Results.

In carrying out our review, Towers Watson has relied on data and information provided by the Group.

Opinion

Towers Watson has concluded that:

- The methodology used is consistent with recent industry practice for publicly listed companies in Hong Kong as regards traditional embedded value calculations based on discounted values of projected deterministic after-tax cash flows. This methodology makes an overall allowance for risk for the Group through the use of risk discount rates which incorporate risk margins and vary by Business Unit, together with an explicit allowance for the cost of holding required capital;

- The economic assumptions are internally consistent and have been set with regard to current economic conditions; and

- The operating assumptions have been set with appropriate regard to past, current and expected future experience, taking into account the nature of the business conducted by each Business Unit.

Towers Watson has performed a number of high-level checks on the models, processes and the results of the calculations, and has confirmed that no issues have been discovered that have a material impact on the disclosed embedded value as at 31 May 2012, the value of new business for the six-month period 1 December 2011 to 31 May 2012, the analysis of movement in embedded value for the six-month period ended 31 May 2012, and the sensitivity analysis.

Towers Watson
27 July 2012

Cautionary statements concerning EV

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

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

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

1. Highlights

The embedded value (EV) is a measure of the value of shareholders' interests in the earnings distributable from assets allocated to the in-force business after allowance for the aggregate risks in that business. The Group uses a traditional deterministic discounted cash flow methodology for determining its EV and value of new business (VONB).

This methodology makes implicit allowance for all sources of risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and for the economic cost of capital, through the use of a risk-adjusted discount rate. More details of the EV Results, methodology and assumptions are covered in later sections of this report.

Table 1.1 summarises the key results including the adjusted net worth (ANW) and value of in-force business (VIF).

Table 1.1

Summary Key Metrics (1) (US$ millions)

	At 31 May 2012	At 30 November 2011	Growth
Embedded value (EV)	**28,840**	27,239	6%
Adjusted net worth (ANW)	**11,871**	10,906	9%
Value of in-force business (VIF)	**16,969**	16,333	4%
	Six months ended 31 May 2012	Six months ended 31 May 2011	YoY
Annualised new premium (ANP) (2) (3)	**1,187**	1,094	9%
Value of new business (VONB)	**512**	399	28%
VONB margin (3)	**42.6%**	36.0%	6.6 pps

Notes:

(1) The results are after adjustments to reflect additional Hong Kong reserving and capital requirements and the after-tax value of unallocated Group Office expenses.

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

(3) ANP and VONB margin exclude corporate pension business.

1. Highlights (continued)

VONB grew by 28 per cent to US$512 million net of tax compared with the first half of 2011. This performance was driven by increases in both volume and margin. VONB margin increased by 6.6 percentage points to 42.6 per cent and ANP grew by 9 per cent to US$1,187 million compared with the first half of 2011.

EV grew to US$28,840 million at 31 May 2012, an increase of 6 per cent over the first half from US$27,239 million at 30 November 2011.

EV operating profit grew by 9 per cent to US$1,655 million compared with the first half of 2011. This was the result of a higher expected return of US$1,074 million on the higher opening EV, a higher VONB of US$512 million and positive total operating experience variances and operating assumption changes of US$69 million.

Non-operating EV movements included positive investment return variances of US$497 million and positive other non-operating variances of US$14 million. These positive movements were partly offset by the payment of the 2011 final dividend of US$339 million, negative foreign exchange movements of US$161 million and negative other capital movements of US$65 million.

The EV as at 31 May 2012 includes ANW of US$11,871 million and VIF of US$16,969 million up 9 per cent and 4 per cent respectively over the Period.

2. EV Results

2.1 EMBEDDED VALUE BY BUSINESS UNIT

The EV as at 31 May 2012 is detailed in Table 2.1 below. Results are presented separately for the six largest Business Units, with those for the remaining Business Units presented together under the category "Other Markets". This is consistent with the segment information in the IFRS financial statements. Section 4.1 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report contains a full list of the entities included in the report and the mapping of these entities to "Business Units" for the purpose of the report.

Table 2.1

Summary of the EV by Business Unit (US$ millions)

	At 31 May 2012					At 30 Nov 2011
Business Unit	**ANW (1)**	**VIF before CoC (2)**	**CoC (2)**	**VIF after CoC (2)**	**EV**	EV (4)
AIA Hong Kong	**3,267**	**6,697**	**392**	**6,305**	**9,572**	9,536
AIA Thailand	**4,984**	**1,686**	**552**	**1,134**	**6,118**	5,747
AIA Singapore	**1,386**	**2,414**	**498**	**1,916**	**3,302**	2,969
AIA Malaysia	**544**	**634**	**137**	**497**	**1,041**	1,046
AIA China	**489**	**1,603**	**139**	**1,464**	**1,953**	1,765
AIA Korea	**1,171**	**756**	**333**	**423**	**1,594**	1,659
Other Markets	**2,503**	**1,001**	**238**	**763**	**3,266**	3,050
Group Corporate Centre	**4,733**	**244**	**3**	**241**	**4,974**	4,495
Subtotal	**19,077**	**15,035**	**2,292**	**12,743**	**31,820**	30,267
Adjustment to reflect additional Hong Kong reserving and capital requirements (3)	**(7,206)**	**4,925**	**116**	**4,809**	**(2,397)**	(2,432)
After-tax value of unallocated Group Office expenses	**–**	**(583)**	**–**	**(583)**	**(583)**	(596)
Total	**11,871**	**19,377**	**2,408**	**16,969**	**28,840**	27,239

2. EV Results (continued)

2.1 EMBEDDED VALUE BY BUSINESS UNIT (continued)

Notes:

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

(2) CoC refers to the cost arising from holding the required capital as defined in Section 4.2 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report.

(3) Adjustment to EV for the branches of AIA Co. and AIA-B, as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report. Following the subsidiarisation of AIA Singapore in January 2012, the adjustment was no longer made for AIA Singapore as of 31 May 2012. The adjustment for AIA Singapore was US$147 million as of 30 November 2011.

(4) Results of certain internal reinsurance have been reclassified from AIA Hong Kong to Group Corporate Centre to conform to current period presentation. As a result, the EV of AIA Hong Kong has decreased by US$289 million. The reclassification has no impact on the EV of the Group as of 30 November 2011.

2.2 RECONCILIATION OF ANW TO IFRS EQUITY

Table 2.2 sets out the derivation of ANW from IFRS equity as at 31 May 2012.

Table 2.2

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

	At 31 May 2012	At 30 November 2011
IFRS equity attributable to shareholders of the Company	**23,012**	21,313
Elimination of IFRS deferred acquisition and origination costs asset	**(13,125)**	(12,818)
Difference between IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	**6,872**	7,961
Difference between net IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	**(6,253)**	(4,857)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds	**1,939**	2,003
Elimination of intangible assets	**(314)**	(276)
Recognition of deferred tax impacts of the above adjustments	**800**	652
Recognition of non-controlling interests impacts of the above adjustments	**(107)**	(93)
Group ANW (local statutory basis)	**19,077**	18,742
Adjustment to reflect additional Hong Kong reserving requirements, net of tax	**(7,206)**	(7,836)
Group ANW (after additional Hong Kong reserving requirements)	**11,871**	10,906

2. EV Results (continued)

2.3 BREAKDOWN OF ANW

Table 2.3 shows the breakdown of the ANW for the Group between the required capital, as defined in Section 4.6 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report, and the free surplus, which is the ANW in excess of the required capital.

Table 2.3

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

	At 31 May 2012		At 30 November 2011	
	Local statutory basis	**Hong Kong basis for branches of AIA Co. and AIA-B**	Local statutory basis	Hong Kong basis for branches of AIA Co. and AIA-B
Free surplus	**13,940**	**6,058**	14,089	5,930
Required capital	**5,137**	**5,813**	4,653	4,976
ANW	**19,077**	**11,871**	18,742	10,906

The Company's subsidiaries, AIA Co. and AIA-B, are both Hong Kong regulated entities subject to Hong Kong statutory requirements. The business written in the branches of AIA Co. and AIA-B is subject to the local reserving and capital requirements in the relevant territory and the Hong Kong reserving and capital requirements applicable to AIA Co. and AIA-B at the entity level.

At 31 May 2012, the more onerous reserving basis for both AIA Co. and AIA-B was the Hong Kong basis. Therefore, the Group's free surplus at 31 May 2012 reduced by US$7,882 million under the Hong Kong basis compared to the local statutory basis, reflecting US$7,206 million higher reserving requirements and US$676 million higher required capital under the Hong Kong basis for branches of AIA Co. and AIA-B.

2. EV Results (continued)

2.4 EARNINGS PROFILE

Table 2.4 shows how the after-tax distributable earnings from the assets backing the statutory reserves and required capital of the in-force business of the Group are projected to emerge over future years. The projected values reflect the Hong Kong reserving and capital requirements for the branches of AIA Co. and AIA-B.

Table 2.4

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

	At 31 May 2012	
Financial year	**Undiscounted**	**Discounted**
2H12 – 2016	10,263	8,584
2017 – 2021	10,077	5,533
2022 – 2026	9,660	3,556
2027 – 2031	8,586	2,117
2031+	38,217	2,992
Total	**76,803**	**22,782**

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US$22,782 million plus the free surplus of US$6,058 million shown in Table 2.3 is equal to the EV of US$28,840 million shown in Table 2.1.

2. EV Results (continued)

2.5 VALUE OF NEW BUSINESS

The VONB for the Group for the six-month period from 1 December 2011 to 31 May 2012 is summarised in Table 2.5 below. The VONB is defined as the present value, at the point of sale, of the projected after-tax statutory profits less the cost of required capital. Results are presented separately for the six largest Business Units, with those for the remaining Business Units presented together under the category "Other Markets". This is consistent with the segment information in the IFRS financial statements. Section 4.1 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report contains a full list of the entities included in the report and the mapping of these entities to "Business Units" for the purpose of the report.

The Group VONB for the six months ended 31 May 2012 was US$512 million, an increase of US$113 million, or 28 per cent, from US$399 million in the same period in 2011. VONB growth benefited from an expansion of the VONB margin, which increased from 36.0 per cent for the six months ended 31 May 2011 to 42.6 per cent for the six months ended 31 May 2012, and 9 per cent growth in ANP.

Table 2.5

Summary of VONB by Business Unit (US$ millions)

	Six months ended 31 May 2012			Six months ended 31 May 2011
Business Unit	**VONB before CoC (1)**	**CoC (1)**	**VONB after CoC (1) (3)**	VONB after CoC (1) (3)
AIA Hong Kong	**158**	**18**	**140**	121
AIA Thailand(4)	**160**	**29**	**131**	101
AIA Singapore	**119**	**20**	**99**	78
AIA Malaysia	**37**	**6**	**31**	22
AIA China	**71**	**11**	**60**	44
AIA Korea	**38**	**5**	**33**	42
Other Markets	**80**	**14**	**66**	44
Total before unallocated Group Office expenses (local statutory basis)	**663**	**103**	**560**	452
Adjustment to reflect additional Hong Kong reserving and capital requirements (2)	**(24)**	**(8)**	**(16)**	(24)
Total before unallocated Group Office expenses (after additional Hong Kong reserving and capital requirements)	**639**	**95**	**544**	428
After-tax value of unallocated Group Office expenses	**(32)**	**–**	**(32)**	(29)
Total	**607**	**95**	**512**	399

Notes:

(1) CoC refers to the cost arising from holding the required capital as defined in Section 4.2 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report.

(2) Adjustment to VONB for the branches of AIA Co. and AIA-B, as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report. Following the subsidiarisation of AIA Singapore in January 2012, the adjustment was no longer made for AIA Singapore for consistency over the whole six-month period from 1 December 2011 to 31 May 2012. The adjustment for AIA Singapore was US$(8) million for the six-month period ended 31 May 2011.

(3) VONB for the Group is calculated before deducting the amount attributable to non-controlling interests. The amounts of VONB attributable to non-controlling interests for the six months ended 31 May 2012 and 2011 were US$5 million and US$2 million respectively.

(4) For AIA Thailand, VONB for the six-month period ended 31 May 2012 was calculated using the regulatory Risk-Based Capital basis. VONB for the six-month period ended 31 May 2011 was calculated using the statutory reserving and solvency basis applicable prior to the implementation of the Risk-Based Capital requirements. The difference arising from the change in methodologies was not material.

2. EV Results (continued)

2.5 VALUE OF NEW BUSINESS (continued)

Table 2.6 shows the VONB margin for the Group. The VONB margin is defined as VONB, excluding corporate pension business, expressed as a percentage of ANP. The VONB for corporate pension business is excluded from the margin calculation to be consistent with the definition of ANP.

Table 2.6

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

	Six months ended 31 May 2012			Six months ended 31 May 2011
Business Unit	**VONB Excluding Corporate Pension**	**ANP [(1)]**	**VONB Margin [(1)]**	VONB Margin [(1)]
AIA Hong Kong	**134**	**243**	**55.2%**	52.2%
AIA Thailand[(3)]	**131**	**244**	**53.5%**	45.4%
AIA Singapore	**99**	**152**	**65.0%**	65.1%
AIA Malaysia	**31**	**76**	**41.4%**	32.5%
AIA China	**60**	**108**	**55.9%**	40.6%
AIA Korea	**33**	**104**	**31.9%**	28.0%
Other Markets	**66**	**260**	**25.3%**	21.7%
Total before unallocated Group Office expenses (local statutory basis)	**554**	**1,187**	**46.7%**	40.9%
Adjustment to reflect additional Hong Kong reserving and capital requirements [(2)]	**(16)**	**–**		
Total before unallocated Group Office expenses (after additional Hong Kong reserving and capital requirements)	**538**	**1,187**	**45.3%**	38.7%
After-tax value of unallocated Group Office expenses	**(32)**	**–**		
Total	**506**	**1,187**	**42.6%**	36.0%

Notes:

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

(2) Adjustment to VONB for the branches of AIA Co. and AIA-B, as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report. Following the subsidiarisation of AIA Singapore in January 2012, the adjustment was no longer made for AIA Singapore for consistency over the whole six-month period from 1 December 2011 to 31 May 2012. The adjustment for AIA Singapore was US$(8) million for the six-month period ended 31 May 2011.

(3) For AIA Thailand, VONB for the six-month period ended 31 May 2012 was calculated using the regulatory Risk-Based Capital basis. VONB for the six-month period ended 31 May 2011 was calculated using the statutory reserving and solvency basis applicable prior to the implementation of the Risk-Based Capital requirements. The difference arising from the change in methodologies was not material.

2. EV Results (continued)

2.5 VALUE OF NEW BUSINESS (continued)

Table 2.7 shows the breakdown of the VONB and the VONB margin for the Group by quarter for business written in the six months to 31 May 2012. For comparison purposes, the quarterly VONB and the VONB margin for business written in the six months to 31 May 2011 are also shown in the same table.

Table 2.7

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

Quarter	VONB after CoC (1)	ANP (2)	VONB Margin (2)
Values for 2012			
3 months ended 29 February 2012	**232**	**543**	**42.1%**
3 months ended 31 May 2012	**280**	**644**	**43.1%**
Values for 2011			
3 months ended 28 February 2011	182	512	35.2%
3 months ended 31 May 2011	217	582	36.7%

Notes:

(1) CoC refers to the cost arising from holding the required capital as defined in Section 4.2 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report.

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

2. EV Results (continued)

2.6 ANALYSIS OF EV MOVEMENT

Table 2.8 shows the analysis of movement in the EV from 30 November 2011 to 31 May 2012.

Table 2.8

Analysis of movement in EV (US$ millions)

	Six months ended 31 May 2012			Six months ended 31 May 2011	YoY
	ANW	**VIF**	**EV**	EV	EV
Opening EV	**10,906**	**16,333**	**27,239**	24,748	10%
Value of new business	**(413)**	**925**	**512**	399	28%
Expected return on EV	**1,362**	**(288)**	**1,074**	1,038	3%
Operating experience variances	**9**	**73**	**82**	78	5%
Operating assumption changes	**–**	**(13)**	**(13)**	–	n/m
EV operating profit	**958**	**697**	**1,655**	1,515	9%
Investment return variances	**(133)**	**630**	**497**	541	(8)%
Effect of changes in economic assumptions	**–**	**–**	**–**	–	n/m
Other non-operating variances	**543**	**(529)**	**14**	97	(86)%
Total EV profit	**1,368**	**798**	**2,166**	2,153	1%
Dividends	**(339)**	**–**	**(339)**	–	n/m
Other capital movements	**(65)**	**–**	**(65)**	–	n/m
Effect of changes in exchange rates	**1**	**(162)**	**(161)**	493	n/m
Ending EV	**11,871**	**16,969**	**28,840**	27,394	5%

The EV operating profit grew by 9 per cent to US$1,655 million in 2012 (2011: US$1,515 million). The increase reflected a higher VONB of US$512 million (2011: US$399 million), US$1,074 million (2011: US$ 1,038 million) from the expected return on the higher opening EV as well as positive operating experience variances of US$82 million (2011: US$ 78 million) and operating assumption changes of US$(13) million (2011: nil).

The VONB shown in Table 2.8 is 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 from the point of sale to 31 May 2012. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the Period and that expected based on the operating assumptions.

2. EV Results (continued)

2.6 ANALYSIS OF EV MOVEMENT (continued)

The main operating experience variances (net of tax) are:

- Expense variances of US$(18) million (2011: US$(36) million) including non-recurring project expenses of US$(7) million;

- Mortality and morbidity claims variances of US$83 million (2011: US$97 million); and

- Persistency and other variances of US$17 million (2011: US$17 million).

The overall effect of changes to operating assumptions during the Period was US$(13) million (2011: nil).

The EV profit of US$2,166 million (2011: US$2,153 million) is the total of EV operating profit plus investment return variances, the effect of changes in economic assumptions and other non-operating variances.

The investment return variances arise from the impact of differences between the actual investment returns in the Period and the expected investment returns. This includes the impact on the EV of the change in the market value and market yield on existing fixed income assets, and the impact on the EV of changes in the economic assumptions used in the statutory reserving bases for the Group. The investment return variances of US$497 million (2011: US$541 million) were largely caused by positive market movements compared with the assumptions used in the EV calculation at the start of the Period.

There were no changes in economic assumptions during the Period (2011: nil).

Other non-operating variances amounted to US$14 million (2011: US$97 million) and included:

- Tax adjustments resulting in a gain of US$255 million (2011: US$ (7) million), primarily from a change in the corporate tax rate in Thailand from 30 per cent to 23 per cent for assessment year 2012, 20 per cent for assessment years 2013 and 2014, and 30 per cent for assessment year 2015 onwards;

- A change to opening EV of US$ (147) million due to the transfer of insurance business in Singapore of AIA Co. from a branch to a wholly-owned subsidiary on 1 January 2012;

- Restructuring and other non-operating costs of US$8 million (2011: US$13 million), plus the current Period effect of US$(14) million (2011: US$(20) million) for the Agency Incentive Plan which was a one-off initiative to improve agent activity and productivity prior to the IPO of the Company. The remaining balance of the Agency Incentive Plan, estimated to be not more than US$(128) million (2011: US$(160) million), will be recognised if and when the performance requirements for the incentive awards are fulfilled in future;

- Modelling enhancements accounting for the majority of the balance.

The Group paid a final dividend of US$339 million (2011: nil) representing two-thirds of the full-year dividend. Other capital movements of US$(65) million (2011: nil) were mainly due to the purchase of shares held by employee share-based trusts.

The US$(161) million (2011: US$493 million) effect of changes in exchange rates reflects the translation gains and losses in respect of exchange rate movements over the Period.

3. Sensitivity Analysis

The EV as at 31 May 2012 and the VONB for the six-month period 1 December 2011 to 31 May 2012 have been recalculated to illustrate the sensitivity of the results to changes in certain central assumptions discussed in Section 4.3.

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.
- 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).
- Expense inflation set to 0 per cent.

The EV as at 31 May 2012 has been further analysed for the following sensitivities:

- Prices of equity securities held increased proportionally by 10 per cent (i.e. 110 per cent of the prices at 31 May 2012).
- Prices of equity securities held decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 31 May 2012).

For the interest rate sensitivities, the investment return assumptions and the risk discount rates were changed by 50 basis points per annum; the projected bonus rates on participating business, the statutory reserving bases at 31 May 2012 and the values of debt instruments held at 31 May 2012 were changed to be consistent with the interest rate assumptions in the sensitivity analysis, while all of the other assumptions were unchanged.

For the equity price sensitivities, the projected bonus rates on participating business and the values of equity securities held at 31 May 2012 were changed to be consistent with the equity price assumptions in the sensitivity analysis, while all of the other assumptions were unchanged.

For each of the remaining sensitivity analysis, the statutory reserving bases at 31 May 2012 and the projected bonus rates on participating business were changed to be consistent with the sensitivity analysis assumptions, while all of the other assumptions remain unchanged.

The results of the above sensitivity analysis are shown below in Table 3.1 for the EV and in Table 3.2 for the VONB.

3. Sensitivity Analysis (continued)

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

Table 3.1

Sensitivity of the EV as at 31 May 2012 (US$ millions)

Scenario	EV
Central value	28,840
200 bps increase in risk discount rates	25,490
200 bps decrease in risk discount rates	33,667
10% increase in equity prices	29,395
10% decrease in equity prices	28,288
50 bps increase in interest rates	29,105
50 bps decrease in interest rates	28,431
10% increase in lapse/discontinuance rates	28,594
10% decrease in lapse/discontinuance rates	29,134
10% increase in mortality/morbidity rates	26,862
10% decrease in mortality/morbidity rates	30,794
10% decrease in maintenance expenses	29,205
Expense inflation set to 0%	29,147

Table 3.2

Sensitivity of the VONB for the six months ended 31 May 2012 (US$ millions)

Scenario	VONB
Central value	512
200 bps increase in risk discount rates	367
200 bps decrease in risk discount rates	718
50 bps increase in interest rates	538
50 bps decrease in interest rates	479
10% increase in lapse rates	469
10% decrease in lapse rates	559
10% increase in mortality/morbidity rates	412
10% decrease in mortality/morbidity rates	610
10% decrease in maintenance expenses	535
Expense inflation set to 0%	527

4. Methodology and Assumptions

4.1 METHODOLOGY

The methodology used by the Group for determining the EV Results for the Period is materially unchanged from that described in Section 4 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report.

On 1 January 2012, AIA Co. completed the transfer of its insurance business in Singapore from a branch to its wholly-owned subsidiary, AIA Singapore Private Limited (AIA Singapore). As a result, the adjustment to EV and VONB for the branches of AIA Co. and AIA-B as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report was not applied to the EV of AIA Singapore at 31 May 2012 and, for consistency over the whole six-month period from 1 December 2011 to 31 May 2012, to the VONB of AIA Singapore for that six-month period. The impact to the Group EV Results from this change is shown in Sections 2.1 and 2.5.

4.2 REQUIRED CAPITAL

Each of the Business Units has a regulatory requirement to hold shareholder capital in addition to the assets backing the insurance liabilities. The Group's assumed levels of required capital for each Business Unit are set out in Table 4.1 below. Further, the consolidated EV Results for the Group have been calculated reflecting the more onerous of the Hong Kong and branch level local regulatory reserving and capital requirements for AIA Co. and AIA-B.

Table 4.1

Required Capital by Business Unit

Business Unit	Required Capital
AIA Australia	100% of the regulatory capital adequacy requirement
AIA China	100% of required minimum solvency margin
AIA Hong Kong	150% of required minimum solvency margin (1)
AIA Indonesia	120% of regulatory Risk-Based Capital requirement (standard basis)
AIA Korea	150% of regulatory Risk-Based Capital requirement
AIA Malaysia	170% of regulatory Risk-Based Capital requirement
AIA New Zealand	100% of the local regulatory requirement (2)
Philam Life	100% of regulatory Risk-Based Capital requirement
AIA Singapore – Brunei business	100% of the local regulatory requirement
AIA Singapore – Singapore business	180% of regulatory Risk-Based Capital requirement
AIA Taiwan	200% of regulatory Risk-Based Capital requirement
AIA Thailand	140% of regulatory Risk-Based Capital requirement
AIA Vietnam	100% of required minimum solvency margin

Notes:

(1) The assumed level of required capital for AIA Hong Kong is also used for the branches of AIA Co. and AIA-B in the calculation of the consolidated EV Results.

(2) The assumed level of required capital for AIA New Zealand at 30 November 2011 was based on the Professional Standards of the New Zealand Society of Actuaries. The Reserve Bank of New Zealand has issued a new solvency standard effective 1 January 2012. The impact to the Group EV Results from this change was immaterial.

4. Methodology and Assumptions (continued)

4.3 ASSUMPTIONS

Introduction

Section 5 of the Supplementary Embedded Value Information in the Company's 2011 Annual Report outlines the basis and considerations for determining the assumptions used by the Group for calculating the EV and VONB. In summary, the economic assumptions used to determine the EV as at 31 May 2012 are the same as those for determining the EV as at 30 November 2011. The non-economic assumptions used are based on those at 30 November 2011 updated to reflect the latest experience observed.

Economic assumptions

Table 4.2 summarises the risk discount rates and assumed long-term investment returns for the major asset classes for each Business Unit as at 31 May 2012. The investment returns on existing fixed income assets were set consistently with the market yield on these assets. Note that VONB results were calculated based on start-of-quarter economic assumptions consistent with the measurement at point of sale. The same risk discount rates were used for all the EV results shown in Section 1 and Section 2 of this report. In particular, for the branches of AIA Co. and AIA-B, the consolidated EV results reflecting the Hong Kong reserving and capital requirements were calculated using the branch-specific risk discount rates shown in the table. The present value of unallocated Group Office expenses was calculated using the AIA Hong Kong risk discount rate. The investment returns shown are gross of tax and investment expenses.

Table 4.2

Risk discount rates and long-term investment return assumptions by Business Unit (%)

Business Unit	Risk discount rates			10-year government bonds			Local equities		
	At 31 May 2012	At 30 Nov 2011	At 31 May 2011	**At 31 May 2012**	At 30 Nov 2011	At 31 May 2011	**At 31 May 2012**	At 30 Nov 2011	At 31 May 2011
AIA Australia	**8.25**	8.25	8.75	**4.37**	4.37	5.65	**7.65**	7.65	8.15
AIA China	**10.00**	10.00	10.00	**3.74**	3.74	3.74	**9.74**	9.74	9.74
AIA Hong Kong (1)	**7.75**	7.75	8.00	**2.93**	2.93	3.53	**8.23**	8.23	8.48
AIA Indonesia (Rupiah-denominated business)	**13.50**	13.50	15.00	**7.00**	7.00	7.90	**11.75**	11.75	12.86
AIA Korea	**10.25**	10.25	10.50	**4.57**	4.57	4.82	**7.91**	7.91	8.16
AIA Malaysia	**9.00**	9.00	9.00	**4.45**	4.45	4.45	**8.34**	8.34	8.34
AIA New Zealand	**8.50**	8.50	9.00	**4.49**	4.49	6.13	**n/a (2)**	n/a (2)	n/a (2)
Philam Life (Peso-denominated business)	**13.00**	13.00	13.00	**6.00**	6.00	6.00	**11.16**	11.16	11.16
AIA Singapore – Brunei business	**7.50**	7.50	7.75	**2.43**	2.43	2.93	**7.75**	7.75	8.00
AIA Singapore – Singapore business	**7.50**	7.50	7.75	**2.43**	2.43	2.93	**7.75**	7.75	8.00
AIA Taiwan	**8.00**	8.00	8.00	**1.73**	1.73	1.73	**6.87**	6.87	6.87
AIA Thailand	**9.50**	9.50	9.50	**3.87**	3.87	3.87	**10.16**	10.16	10.16
AIA Vietnam	**16.00**	16.00	16.00	**10.20**	10.20	10.20	**n/a (2)**	n/a (2)	n/a (2)

Notes:

(1) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond assumption is for US dollar-denominated bonds.

(2) The assumed asset allocations do not include equities for these Business Units.

4. Methodology and Assumptions (continued)

4.3 ASSUMPTIONS (continued)

Taxation

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

The local corporate tax rates used by each Business Unit are set out in Table 4.3 below.

Table 4.3

Local corporate tax rates by Business Unit (%)

Business Unit	**At 31 May 2012**	At 30 November 2011
AIA Australia	**30.0**	30.0
AIA China	**25.0**	25.0
AIA Hong Kong – Hong Kong business	**16.5**	16.5
AIA Hong Kong – Macau business	**12.0**	12.0
AIA Indonesia	**25.0**	25.0
AIA Korea	**24.2**	24.2 until 31 March 2012; 22.0 thereafter
AIA Malaysia	**25.0**	25.0
AIA New Zealand	**28.0**	28.0
Philam Life	**30.0**	30.0
AIA Singapore – Brunei business	**20.0**	22.0
AIA Singapore – Singapore business	**17.0**	17.0
AIA Taiwan	**17.0**	17.0
AIA Thailand	**23.0 for assessment year 2012; 20.0 for assessment years 2013 and 2014; 30.0 thereafter**	30.0
AIA Vietnam	**25.0**	25.0

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

The EV of the Group as at 31 May 2012 is calculated after deducting any remittance taxes payable on both the distribution of the ANW and VIF.

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

5. Events after the Reporting Period

On 27 July 2012, the Board of Directors declared an interim dividend of 12.33 Hong Kong cents per share (six months ended 31 May 2011: 11.00 Hong Kong cents per share).

INFORMATION FOR SHAREHOLDERS

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's interim condensed consolidated financial statements for the six months ended 31 May 2012.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 12.33 Hong Kong cents per share (2011: 11.00 Hong Kong cents per share).

The interim dividend will be payable on Friday, 31 August 2012 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 15 August 2012.

Relevant Dates for the Interim Dividend Payment

Ex-dividend date	9 August 2012
Book close period	13 August – 15 August 2012 (both dates inclusive)
Record date	15 August 2012
Payment date	31 August 2012

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 August 2012 to Wednesday, 15 August 2012, both dates inclusive, for the purpose of determining shareholders' entitlements to the interim dividend. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m., Friday, 10 August 2012.

SHARE REGISTRAR

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

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

FINANCIAL CALENDAR

Announcement of First Quarter 2012 New Business Highlights	20 April 2012
2012 Annual General Meeting	8 May 2012
Announcement of 2012 Interim Results	27 July 2012
Payment of Interim Dividend	31 August 2012

ELECTRONIC COMMUNICATIONS

Shareholders are encouraged to elect to receive shareholder documents electronically. You may at any time send written notice to the Company c/o the Company's share registrar or via email at aia.ecom@computershare.com.hk specifying your name, address and request to change your choice of language or means of receipt of all shareholder documents. This will save printing and distribution costs and create environmental benefits.

INTERIM REPORT

This Interim Report is printed in English and Chinese and is available at 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 at the contact given below:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Email: aia.ecom@computershare.com.hk

If there is any inconsistency between the Chinese and English version of this Interim Report, the English version shall prevail.

INVESTMENT COMMUNITY AND NEWS MEDIA

Enquiries may be directed to:

Investment Community		News Media	
Paul Lloyd	+852 2832 6160	Stephen Thomas	+852 2832 6178
Angela Chang	+852 2832 5480	Sonia Tsang	+852 2832 1868
Feon Lee	+852 2832 4704	Emerald Ng	+852 2832 4720

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our 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 our business prospects, future developments, trends and conditions in the industry and geographical markets in which we operate, our strategies, plans, objectives and goals, our 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 us or our management, are intended to identify forward-looking statements. These forward-looking statements reflect our 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 our 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 our competitors and the effects of competition in the insurance industry on the demand for, and price of, our products and services, various business opportunities that we may or may not pursue, changes in population growth and other demographic trends, including mortality, morbidity and longevity rates, persistency levels, our ability to identify, measure, monitor and control risks in our business, including our ability to manage and adapt our overall risk profile and risk management practices, our ability to properly price our products and services and establish reserves for future policy benefits and claims, seasonal fluctuations, and factors beyond our control. Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this document are qualified by reference to the cautionary statements set forth in this section.

GLOSSARY

Accident and health (A&H) insurance products	Accident and health insurance products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover. A&H insurance products are sold both as standalone policies and as riders that can be attached to our individual life insurance policies.
Active agent	An agent who sells at least one life insurance policy per month.
Adjusted net worth (ANW)	ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of AIA, plus the IFRS equity value (excluding the value of intangible assets) of other activities, such as general insurance business. It excludes any amounts not attributable to shareholders of AIA Group Limited. The market value of investment properties and property held for use used to determine the ANW is based on the fair value disclosed in AIA's IFRS financial statements as at the valuation date. It is AIA's policy to obtain external property valuations annually except in the event of a discrete event occurring in the interim that has significant impact on the fair value of the properties.
AIA or the Group	AIA Group Limited and its subsidiaries.
AIA-B	American International Assurance Company (Bermuda) Limited, a subsidiary of AIA Co.
AIA Central	The building located at No. 1 Connaught Road Central, Hong Kong.
AIA Co.	American International Assurance Company, Limited, a subsidiary of the Company.
AIG	American International Group, Inc.
Annualised new premium (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 corporate pension business and personal lines and motor insurance.
ASPP	Agent Share Purchase Plan.
Available for sale financial assets	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.
BRC	Board Risk Committee.
CDS	Credit default swap.
Common control	A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination.
The Company	AIA Group Limited.
Corporate Governance Code	Corporate Governance Code contained in Appendix 14 to the Listing Rules.
Cost of capital (CoC)	CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing the required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in a participating fund, there is no associated cost of capital included in the VIF or VONB.
Credit risk	The risk that third parties fail to meet their obligations to the Group when they fall due.
Currency risk	The risk that asset or liability values, cash flows, income or expenses will be affected by changes in exchange rates.
Deferred acquisition costs (DAC)	DAC are expenses of an insurer which are incurred in connection with the acquisition of new insurance contracts or the renewal of existing insurance policies. They include commissions and other variable sales inducements and the direct costs of issuing the policy, such as underwriting and other policy issue expenses. These costs are deferred and expensed to the consolidated income statement on a systematic basis over the life of the policy. DAC assets are tested for recoverability at least annually.
Deferred origination costs (DOC)	Origination costs are expenses which are incurred in connection with the origination of new investment contracts or the renewal of existing investment contracts. For contracts that involve the provision of investment management services, these include commissions and other incremental expenses directly related to the issue of each new contract. Origination costs on contracts with investment management services are deferred and recognised as an asset in the consolidated statement of financial position and expensed to the consolidated income statement on a systematic basis in line with the revenue generated by the investment management services provided. Such assets are tested for recoverability.

Defined benefit plans	Post-employment benefit plans under which amounts to be paid or services to be provided as post-retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service.
Defined contribution plans	Post-employment benefit plans under which amounts to be paid as post-retirement benefits are determined by contributions to a fund together with earnings thereon. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the post-retirement benefits.
Discretionary participation features (DPF)	A contractual right to receive, as a supplement to guaranteed benefits, additional benefits or bonuses: • that are likely to be a significant portion of the total contractual benefits; • whose amount or timing is contractually at the discretion of the Group; and • that are contractually based on: – the performance of a specified pool of contracts or a specified type of contract; – realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or – the profit or loss of the company, fund or other entity that issues the contract.
Embedded value (EV)	An actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business.
EPS	Earnings per share.
ESPP	Employee Share Purchase Plan.
Exco	The Executive Committee of the Group.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Fair value through profit or loss (FVTPL)	A financial asset or financial liability that is measured at fair value in the statement of financial position with gains and losses arising from movements in fair value being presented in the consolidated income statement as a component of the profit or loss for the period.
First half	The six months from 1 December to 31 May.

First year premiums	First year premiums are 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.
FRC	Financial Risk Committee.
Free surplus	ANW in excess of the required capital.
Functional currency	The currency of the primary economic environment in which the entity operates.
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, certain internal reinsurance and eliminations of intragroup transactions.
High-net-worth (HNW) customers	Customers who have investable assets of US$1.0 million or more.
HKFRS	Hong Kong Financial Reporting Standards.
Hong Kong	The Hong Kong Special Administrative Region of the PRC; in the context of our reportable segments, Hong Kong includes Macau.
Hong Kong Insurance Companies Ordinance (HKICO)	The Insurance Companies Ordinance (Laws of Hong Kong, Chapter 41) (HKICO) provides a legislative framework for the prudential supervision of the insurance industry in Hong Kong. The objectives of the HKICO are to protect the interests of the insuring public and to promote the general stability of the insurance industry.
Hong Kong Stock Exchange (HKSE)	The Stock Exchange of Hong Kong Limited.
HKOCI	Hong Kong Office of the Commissioner of Insurance.
IAS	International Accounting Standards.
IFA	Independent financial adviser.
IFRS	Standards and interpretations adopted by the International Accounting Standards Board (IASB) comprising: • International Financial Reporting Standards; • International Accounting Standards; and • Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Inactive agent	An agent who sells less than one life insurance policy per month.
Insurance contract	A contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if specified uncertain future events adversely affect the policyholder.
Insurance risk	The potential loss resulting from inappropriate underwriting, mispricing, adverse expense, lapse, mortality and morbidity experiences.
Investment contract	An investment contract is an insurance policy that, whilst structured and regulated as a contract of insurance, does not meet the accounting definition of an insurance contract because it does not transfer significant insurance risk.
Investment experience	Realised and unrealised investment gains and losses recognised in the consolidated income statement.
Investment income	Investment income comprises interest income, dividend income and rental income.
Investment property	Property (land and/or a building or part of a building) held to earn rentals or for capital appreciation or both rather than for use by AIA.
Investment return	Investment return consists of investment income plus investment experience.
IPO	Initial public offering.
Liquidity risk	The risk of having insufficient cash available to meet payment obligations to counterparties when they fall due.
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
LTI	Long-term incentive.
Market risk	The risk of loss from adverse movements in the value of assets owing to market factors, including changes in interest and foreign exchange rates, as well as movements in credit, equity and property prices.
Million Dollar Round Table (MDRT)	MDRT is a global professional trade association of life insurance and financial services professionals that recognises significant sales achievements and high service standards.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules in respect of dealings by the Directors in the securities of the Company.
Net book value	The net value of an asset. Equal to its original cost (its book value) minus depreciation and amortisation.

Net funds to Group Corporate Centre	In presenting net capital in/(out) flows to reportable segments, capital outflows consist of dividends and profit distributions to the Group Corporate Centre segment and capital inflows consist of capital injections into reportable segments by the Group Corporate Centre segment. For the Company, net capital in/(out) flows reflect the net amount received from shareholders by way of capital contributions less amounts distributed by way of dividends.
Non-controlling interests	The equity in a subsidiary not attributable, directly or indirectly, to a parent. Also referred to as “minority interests”.
n/a	Not available.
n/m	Not meaningful.
OPAT	Operating profit after tax attributable to shareholders of AIA Group Limited.
Operating profit before tax and after tax	The Group defines operating profit before and after tax excluding investment experience; investment income and investment management expenses related to unit-linked contracts; corresponding changes in insurance and investment contract benefits in respect of unit-linked contracts and participating fund; changes in third-party interests in consolidated investment funds, policyholders’ share of tax relating to the change in insurance and investment contract liabilities and other significant items of non-operating income and expenditure.
Operating return on allocated equity	Operating return on 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 total equity attributable to shareholders of the Company, less the fair value and foreign currency translation reserves, and adjusted for subordinated intercompany debt.
Operating segment	A component of an entity that: • engages in business activities from which it may earn revenues and incur expenses; • whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and • for which discrete financial information is available.
Operational risk	The potential direct or indirect loss (including reputational loss) resulting from inadequate or failed internal processes, personnel and systems; or from external events.
ORC	Operational Risk Committee.
OTC	Over-the-counter.

Other comprehensive income	Items of income and expense that form part of total comprehensive income but, as required or permitted by IFRS, do not form part of profit or loss for the period, such as fair value gains and losses on available for sale financial assets.
Participating funds	Participating funds are distinct portfolios where the policyholders have a contractual right to receive at the discretion of the insurer additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The Group may either have discretion as to the timing of the allocation of those benefits to participating policyholders or may have discretion as to the timing and the amount of the additional benefits.
Participating product	Contracts of insurance with DPF (see above).
Persistency	The percentage of insurance policies remaining in force from month to month in the past 12 months, as measured by premiums.
Philam Life	The Philippine American Life and General Insurance Company, a subsidiary of AIA Co.
Policyholder and shareholder investments	Investments other than those held to back unit-linked contracts.
pps	Percentage points.
PRC	The People's Republic of China.
Property held for use	Property held for use in AIA's business.
Protection gap	The difference between the resources needed and resources available to maintain dependants' living standards after the death of the primary wage earner.
Regulatory capital	A minimum solvency margin requirement set by the HKICO that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong.
Related parties	Related parties may be related to AIA for any of the following reasons: • they are directly or indirectly controlled by an AIA entity; • an AIA entity has significant influence on the party; • they are in a joint venture arrangement with an AIA entity; • they are part of AIA's key management or a close member of the family of any key management or any entity that is controlled by these persons; or • they are a post-retirement benefit plan for the employees of AIA.
Renewal premiums	Premiums receivable in subsequent years of a recurring premiums policy.

Repurchase agreements (repos)	A repurchase transaction involves the sale of financial investments by AIA to a counterparty, subject to a simultaneous agreement to repurchase those securities at a later date at an agreed price. Accordingly, for accounting purposes, the securities are retained on AIA's consolidated statement of financial position for the life of the transaction, valued in accordance with AIA's policy for assets of that nature. The proceeds of the transaction are reported in the caption "Obligations under securities lending and repurchase agreements". Interest expense from repo transactions is reported within finance costs in the consolidated income statement.
Rider	A supplemental plan that can be attached to a basic insurance policy, typically with payment of additional premium.
Risk-adjusted return	A measure of how much an investment returned in relation to the amount of risk it took on.
Risk appetite	Risk appetite is the level of risk that companies are willing to take in the process of achieving their business targets.
Risk-Based Capital (RBC)	RBC represents an amount of capital based on an assessment of risks that a company should hold to protect customers against adverse developments.
RMF	Risk Management Framework.
RSUs	Restricted share units.
RSU Scheme	Restricted Share Unit Scheme.
Second half	The six months from 1 June to 30 November.
Securities lending	Securities lending consists of the loan of certain of the Group's financial investments to third parties securities on a short-term basis. The loaned securities continue to be recognised within the appropriate financial investment classifications in the Group's consolidated statement of financial position.
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time.
Singapore	The Republic of Singapore; in the context of our reportable segments, Singapore includes Brunei.
Single premiums	Single premium policies of insurance are those that require only a single lump sum payment from the policyholder.
SME	Small-and-medium sized enterprise.
SO Scheme	Share Option Scheme.
Solvency	The ability of an insurance company to satisfy its policyholder benefits and claims obligations.
Solvency ratio	The ratio of actual capital to the minimum capital requirement applicable to the insurer pursuant to relevant regulations.

Strategic risk	The risk of unexpected changes in the regulatory, market and competitive environment in which the Group operates.
Takaful	Islamic insurance which is based on the principles of mutual assistance and risk sharing.
Total weighted premium income (TWPI)	TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums. As such it provides an indication of AIA's longer-term business volumes as it smoothes the peaks and troughs in single premiums.
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.
Unit-linked Investments	Financial investments held to back unit-linked contracts.
Unit-linked products	Unit-linked products are insurance products where the policy value is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investment or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of death of the insured or surrender or maturity of the policy, subject to surrender charges.
Value of in-force business (VIF)	VIF is the present value of projected after-tax statutory profits emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business.
Value of new business (VONB)	VONB is the present value, measured at 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 required capital in excess of regulatory reserves to support this business. VONB for AIA is stated after adjustments to reflect applicable Hong Kong reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB by market is stated before adjustments to reflect applicable Hong Kong reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
VONB margin	VONB excluding corporate pension business, expressed as a percentage of ANP. VONB margin for AIA is stated after adjustments to reflect applicable Hong Kong reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB margin by market is stated before adjustments to reflect applicable Hong Kong reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
Working capital	Working capital comprises debt and equity securities and cash and cash equivalents held at the Group Corporate Centre. These liquid assets are available to invest in building the Group's business operations.

AIA Group Limited
友邦保險控股有限公司

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