THE REAL LIFE COMPANY

AIA Group Limited

友邦保險控股有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 1299

ANNUAL RESULTS FOR THE YEAR ENDED 30 NOVEMBER 2013

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AIA DELIVERS ANOTHER EXCELLENT SET OF RESULTS

The Board of Directors of AIA Group Limited (stock code: 1299) is pleased to announce the Group's consolidated results for the year ended 30 November 2013. The Group's financial information in this announcement is based on the audited consolidated financial statements and supplementary embedded value information for the year.

The main highlights are:

Record value of new business (VONB) – our key performance measure

- 25 per cent increase in VONB to US$1,490 million
- 24 per cent increase in annualised new premium (ANP) to US$3,341 million
- VONB margin increased to 44.1 per cent

Successful focus on sustainable value creation

- 14 per cent growth in embedded value (EV) operating profit to US$3,975 million
- EV Equity up 10 per cent to US$34.9 billion, including goodwill and other intangible assets
- EV up 8 per cent to US$33.8 billion after the effect of acquisitions in Malaysia and Sri Lanka that completed in the first quarter of the financial year

Strong IFRS operating profit, cash flow and capital position

- IFRS operating profit after tax (OPAT) up 16 per cent to US$2,504 million
- Net profit of US$2,822 million including mark-to-market valuation of equity investments
- IFRS operating earnings per share up 16 per cent to 20.91 US cents
- Solvency ratio for AIA Co. increased by 80 pps to 433 per cent on the prudent HKICO basis
- Net funds remitted to Group Corporate Centre of US$1,733 million

Recommended increase in final dividend

- 16 per cent growth in final dividend to 28.62 Hong Kong cents per share
- Total dividend of 42.55 Hong Kong cents per share, an increase of 15 per cent

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

"AIA had an excellent year in 2013. The strength of our financial results demonstrates our continuing growth momentum across all of our key performance metrics, including an increase in value of new business of 25 per cent. Our ability to achieve year-on-year growth of this magnitude demonstrates the power of AIA's franchise, the resilience of our operating model, the consistent execution of our well-established growth strategy and the advantages of our exclusive focus on the Asia-Pacific region.

"Asia continues to provide one of the most attractive and resilient life insurance markets in the world. The demographic drivers in the region coupled with low levels of social welfare provision and the rapid expansion in the numbers of middle- and high-income households provide enormous growth opportunities and all of this is happening on an unprecedented scale.

"AIA is exceptionally well-positioned to capitalise on these opportunities given the quality and scale of our distribution platform, our depth of experience derived from our long history in Asia and our unrivalled financial strength. Our focus remains on the provision of high-quality products and services to meet the rapidly-increasing regular savings and protection needs of our customers throughout the region.

"The excellent results we are announcing today demonstrate once again, the substantial progress we have made in delivering significant increases in long-term value for our shareholders. The Board has recommended a 16 per cent increase in our final dividend reflecting our strong performance and our prudent, sustainable and progressive dividend policy and we remain confident in AIA's outstanding prospects for 2014 and beyond."

About AIA

AIA Group Limited and its subsidiaries (collectively "AIA" or "the Group") comprise the largest independent publicly listed pan-Asian life insurance group. It has operations in 17 markets in Asia-Pacific – wholly-owned branches and subsidiaries in Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau, Brunei, a 97 per cent subsidiary in Sri Lanka, a 26 per cent joint venture in India and a representative office in Myanmar.

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$147 billion as of 30 November 2013.

AIA meets the savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents and employees across Asia-Pacific, AIA serves the holders of more than 28 million individual policies and over 16 million participating members of group insurance schemes.

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

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FINANCIAL SUMMARY

Performance Highlights

US$ millions, unless otherwise stated	2013	2012	YoY
New Business Value			
Value of new business (VONB)	**1,490**	1,188	25%
VONB margin	**44.1%**	43.6%	0.5 pps
Annualised new premium (ANP)	**3,341**	2,696	24%
Embedded Value			
Embedded value (EV) operating profit	**3,975**	3,491	14%
Value of in-force business (VIF)	**20,356**	18,238	12%
Adjusted net worth (ANW)	**13,466**	13,170	2%
Embedded value	**33,822**	31,408	8%
EV Equity[(1)]	**34,875**	31,657	10%
EV operating earnings per share (US cents)	**33.20**	29.10	14%
EV Equity per share (US cents)[(1)]	**289.56**	262.84	10%
IFRS			
Total weighted premium income (TWPI)	**17,808**	15,360	16%
Operating profit after tax (OPAT)	**2,504**	2,159	16%
Net profit	**2,822**	3,019	(7)%
Operating earnings per share (US cents)			
– Basic	**20.91**	18.00	16%
– Diluted	**20.86**	17.98	16%
Capital and Dividends			
AIA Co. HKICO solvency ratio	**433%**	353%	80 pps
Dividend per share (HK cents)			
– Final	**28.62**	24.67	16%
– Total	**42.55**	37.00	15%

(1) Includes goodwill and other intangible assets.

New Business Performance by Segment

US$ millions, unless otherwise stated	2013 VONB	2013 VONB Margin	2013 ANP	2012[(2)] VONB	2012[(2)] VONB Margin	2012[(2)] ANP	VONB Growth
Hong Kong	**468**	**57.6%**	**781**	366	58.4%	604	28%
Thailand	**319**	**56.3%**	**565**	287	53.9%	532	11%
Singapore	**269**	**67.3%**	**400**	220	65.1%	339	22%
Malaysia	**120**	**37.8%**	**319**	69	46.0%	151	74%
China	**166**	**66.4%**	**249**	124	57.5%	215	34%
Korea	**91**	**26.8%**	**338**	68	28.5%	237	34%
Other Markets	**220**	**32.0%**	**689**	167	27.0%	618	32%
Subtotal	**1,653**	**48.9%**	**3,341**	1,301	47.8%	2,696	27%
Adjustment to reflect additional Hong Kong reserving and capital requirements	**(67)**	**n/m**	**n/m**	(41)	n/m	n/m	n/m
After-tax value of unallocated Group Office expenses	**(96)**	**n/m**	**n/m**	(72)	n/m	n/m	n/m
Total	**1,490**	**44.1%**	**3,341**	1,188	43.6%	2,696	25%

(2) Certain segmental reclassifications have been made in the prior year VONB and VONB margin results to conform to current year presentation. The reclassification has no impact on the total VONB and VONB margin of the Group for the year ended 30 November 2012.

Notes:

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

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

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

(2) 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) AIA's previously-announced acquisitions of ING Management Holdings (Malaysia) Sdn. Bhd. (ING Malaysia) and Aviva NDB Insurance (ANI) completed in December 2012. The financial results of these two newly-acquired businesses are accounted for in the Group's 2013 annual results from the respective dates of completion.

(4) TWPI consists of 100 per cent of regular premiums and 10 per cent of single premiums, before reinsurance ceded.

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

(6) ANP and VONB margin exclude pension business.

(7) VONB includes pension business.

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

(9) Change is shown on a year-on-year basis unless otherwise stated and the Group's financial year ends on 30 November.

(10) 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, New Zealand and Sri Lanka.

(11) VONB is calculated based on assumptions applicable at the point of sale and before deducting the amount attributable to non-controlling interests. The amounts of VONB attributable to non-controlling interests in 2013 and 2012 were US$11 million and US$11 million respectively.

(12) IFRS operating profit after tax, net profit and operating earnings per share are shown after non-controlling interests unless otherwise stated.

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GROUP CHIEF EXECUTIVE AND PRESIDENT'S REPORT

It gives me great pleasure to report that 2013 was another very successful year for AIA.

Our ability to achieve large-scale growth year-on-year demonstrates the strength and diversity of AIA's franchise, our rigorous financial discipline and our ability to convert the considerable opportunities in the Asia-Pacific region into sustainable value for shareholders. It is this rare and powerful combination that differentiates AIA from its competitors and ensures that we remain well positioned for the future.

Our focus remains on executing our clear growth strategy to sustain our core competitive advantages, as we continue to build on AIA's unrivalled position as the leading pan-Asian life insurance company.

2013 PERFORMANCE HIGHLIGHTS

Value of new business (VONB) – our main performance measure – increased by 25 per cent to US$1,490 million – a result achieved by careful management of the mix of new business volume and margin. Annualised new premium (ANP) increased by 24 per cent compared with 2012 and margin remained healthy at 44.1 per cent. The Group continued to perform strongly across other key performance metrics with IFRS operating profit after tax up by 16 per cent to US$2,504 million and growth in EV Equity by 10 per cent to a new high of US$34,875 million.

We also achieved double-digit growth in VONB in each of our reported market segments highlighting the strength through geographical diversity of AIA's regional platform. At the same time as achieving strong growth in new business profitability, our free surplus generation increased substantially. This is another indication of the quality of our existing portfolio of businesses. The solvency ratio of our main operating company, AIA Co., on the prudent HKICO basis, improved by 80 pps to 433 per cent as at the end of November 2013. The increase reflected strong earnings and the benefit of rising interest rates.

Our focus continues to be on organic growth but our scale presence and financial strength also place us in a strong position to capture any value-enhancing inorganic opportunities that arise. To this end, we completed two transactions in December 2012 when we significantly expanded our presence in Malaysia with the acquisition of ING Malaysia and entered Sri Lanka as the second-largest life insurance company in the country.

ASIAN GROWTH OPPORTUNITY

Asia offers one of the most attractive and robust life insurance markets in the world and our business continues to be well positioned to take advantage of the major drivers of growth in the region. Asia has a comparatively young and upwardly mobile population and this is driving the rapidly-rising rates of urbanisation and growth in disposable incomes across the region. Coupled with relatively low levels of state-funded social welfare provision, the need for the private sector to provide regular savings and life and health protection coverage to ensure the social well-being of the people in our markets is substantial. Additionally, existing levels of private provision are recognised generally as being insufficient and a large proportion of the Asian population does not have adequate savings or protection cover in place.

These demographic trends and significant levels of underinsurance combine to create a vast latent need for life insurance – and one that can best be served and serviced by well-established companies with the distribution reach and the expertise across the broad spectrum of product design, investment management, policy administration and financial discipline to be able to deliver value consistently to the customer.

OUR ADVANTAGED PLATFORM

AIA's advantaged platform across our markets derives from our long history in Asia and provides us with a unique presence, scale and depth of experience. This experience combined with our exclusive focus on the dynamic Asia-Pacific region means that we are well placed to understand and respond to the needs of our customers locally.

AIA's trusted brand and large-scale proprietary distribution offer direct access to these customers enabling us to provide advice across our product range and to benefit from the significant growth opportunities our markets offer. Our financial strength also places us in a strong position to finance our growth while maintaining a prudent, sustainable and progressive dividend policy. Our 100 per cent ownership structures allow us to capture the full economics of this growth for our shareholders.

Our exceptional team of employees is fully committed to executing our strategy of developing ever more effective distribution channels, more targeted products and greater customer engagement to sustain the track record we have established.

Premier Agency and Partnership Distribution

Our core business as a life insurer is to protect the financial health and welfare of our customers through the provision of regular savings and protection products. High-quality, large-scale distribution is required to market these products effectively. We strive to reach as many people as possible to raise awareness of the need for adequate levels of savings and protection cover for the long term.

AIA's proprietary tied agency network has been built up over many years and remains the cornerstone of our distribution platform in the region. The scale and quality of our agency force allows AIA to develop long-term face-to-face relationships with our customers and their families with, in many cases, these relationships enduring from generation to generation. We remain committed to sustaining the highest standards of service and advice to our new and existing customers through high-quality agent recruitment combined with outstanding training and development programmes as part of the execution of our Premier Agency strategy. We continue to see this as one of AIA's fundamental strengths and critically important to sustaining our advantaged platform and business model in the region.

Our partnership distribution business has been very successful in further expanding our distribution reach through bancassurance, direct marketing and other intermediated channels while meeting our profitability requirements. These sources of growth complement our agency business and our aim is to build strong relationships with our new and existing partners that achieve the right returns for our customers, our partners and AIA. As part of our ongoing strategy, we signed a landmark distribution agreement with Citibank N.A. (Citibank) in December 2013. This exclusive 15-year agreement is the widest-reaching bancassurance distribution partnership ever secured in Asia covering 11 markets and 13 million customers in the region and builds on our established bancassurance capabilities.

Brand Management and The Real Life Company

AIA has the leading insurance brand in Asia and the introduction of our new brand positioning as The Real Life Company in June 2013 marked a significant milestone for us. The Real Life Company brand was the culmination of extensive analysis and research with customers, agents and employees across the region. It has been launched across 15 of our markets using a multi-channel media communication strategy including television, print, digital and social media. The Real Life Company brand communicates to our current and potential customers that we are genuinely engaged in their lives and that we will provide the right financial solutions and support for them and their families through life's ups and downs.

In August 2013, AIA completed its first major sponsorship deal when we announced our Cup Shirt partnership with English Premier League Football Club, Tottenham Hotspur. Our partnership continues to differentiate the AIA brand and offers another opportunity to engage with our customers, agents and employees through three major cup competitions in the United Kingdom and Europe, commanding over 1.5 billion television viewers across Asia.

Product Innovation

AIA offers a wide range of products to meet the life and health protection needs and long-term wealth creation goals of our customers. Consumers are looking for better healthcare services and deeper levels of protection. The general increase in longevity, inflation of living costs and a move away from long-standing family support relationships will also increase the importance of planning ahead for retirement. In 2013, we continued to promote the use of insurance cover as a more effective alternative to self-funding and we launched a number of new initiatives across our markets to help increase the levels of protection cover that people have in place. We also focused on the use of regular savings as a more disciplined and efficient way to accumulate funds while often addressing protection needs, for example, for education and retirement planning. Our next generation unit-linked products are playing an increasingly important role in this area.

Our approach to innovation goes beyond traditional product development. This year, we launched AIA Vitality, a science-backed wellness programme that provides participants with the knowledge, tools and motivation to help them achieve their personal health goals. The programme, which is part of AIA’s commitment to healthy living, is a joint venture between AIA and Discovery Limited, a specialist insurer headquartered in South Africa. AIA Vitality is a transformational initiative to support healthy-living practices, signalling AIA’s commitment to engaging with our customers in ways that both encourage and empower them to make real improvements in their health and to reward them for doing so.

ENGAGEMENT WITH PEOPLE

Employees and Agents

The diligence, professionalism and commitment of our employees and agents are essential to AIA’s continued success.

In 2012, we communicated our Operating Philosophy of “Doing the Right Thing, in the Right Way, with the Right People” and our Operating Principles that help guide and shape our employees’ actions and behaviours across all of AIA’s markets. Throughout 2013, we continued to build on these fundamental principles to refine and enhance the way in which we engage and empower our people to create a distinctive culture for AIA. We look to develop and reward employees and agents who not only meet or exceed their individual performance goals but who also exemplify our Operating Principles in the way they interact with each other and our external stakeholders. We listen to feedback from our employees to help shape our work practices and we have conducted an annual employee engagement survey each year since 2011 that is independently measured by Gallup. The survey had a participation rate of 96 per cent in 2013 and engagement scores have improved each year since its inception in 2011.

Our wide-ranging training and development programmes are designed to provide learning opportunities for our employees at all levels of seniority to increase their professionalism and broaden their skills. We continued to expand our mentoring programme in 2013 and also further accelerated both our secondment and transfer efforts to promote best practices by sharing of ideas and building closer relationships among employees in different business units and functional roles to develop our next generation of leaders.

Our compensation structure is designed to reward performance based on individual, business unit and group-wide delivery against defined goals and to do so without creating incentives to encourage employees to expose the business to inappropriate short-term risks. Employees also have the opportunity to participate in our Employee Share Purchase Plan that was launched in 2011. In 2013 we extended the opportunity for participation in this plan to 13 of the territories in which we operate. I was particularly pleased to report last year that we had introduced a share ownership scheme for agents equivalent to that for employees and this has been launched in seven locations by 2013. We are encouraged to see increasing numbers of employees and agents enrolling in the plans each year.

Customers and Communities

AIA actively supports our local communities in many ways that fit alongside our core business as a life insurer. Our business is about helping people achieve their goals to provide a better future for themselves and their families. Such aspirations include the desire to lead a longer, healthier life and encouraging people across the region to lead healthier lives is the main focus of AIA's corporate social responsibility strategy. Based on the results of AIA's Healthy Living Index Survey, which included more than 10,000 respondents across 15 markets in the Asia-Pacific region, our offices have implemented both internal initiatives to encourage healthy-living practices among our employees and external projects through a range of well-being and fundraising programmes.

Contributing to local communities and their well-being is therefore very much a core value of AIA and an integral part of our long-term commitment to the region. While Healthy Living is our main group-wide priority, we encourage and support our employees and agents to engage in charitable and community activities that connect our people and our businesses more closely to their local communities, as well as providing emergency aid in times of crises.

One example of this in 2013 was in response to the impact of Typhoon Haiyan across Southeast Asia, particularly in the Philippines. AIA acted both locally and across the region, led by our team in the Philippines, to aid immediate relief efforts and long-term reconstruction through numerous initiatives to raise funds for victims of the typhoon. To support this effort, our local business Philam Life donated US$500,000 to the Philam Foundation to provide food, shelter, medical care, clean water, safe sanitation, and kick-start the rebuilding process including the building of schools for those affected by the typhoon.

OUTLOOK

While debate over the timing of withdrawal of supportive U.S. monetary policy caused market volatility over 2013 and tested those countries running current account deficits, Asian central banks responded appropriately and successfully. They have the ability, capacity and resolve to respond proactively and effectively to contain any future global liquidity challenges. Exchange rates have begun to stabilise and macroeconomic fundamentals in Asia remain robust.

I have said many times that we at AIA are exceptionally well positioned by the quality and scale of our advantaged platform to capitalise on the opportunities that Asia offers. We also have a clear strategy in place and our dedicated team remains focused on the right priorities. We have established a strong track record of delivery as demonstrated by our financial performance in 2013 and our consistent execution since our IPO. The opportunities available to us are truly exceptional and I am confident of AIA's continued success in deriving growth in shareholders' value.

There is much more to come!

FINANCIAL AND OPERATING REVIEW

FINANCIAL REVIEW

AIA has delivered another year of excellent financial results, building on our track record of profitable growth, through the consistent execution of our strategy and prudent management of our balance sheet. The Group has achieved record results for each of our key performance metrics driven by strong operating performances against a backdrop of weaker Asian equity markets.

VONB grew by 25 per cent to US$1,490 million and IFRS OPAT increased by 16 per cent to US$2,504 million. EV Equity was up by US$3,218 million or 10 per cent to US$34,875 million. This large-scale growth was achieved while reducing our new business strain as a proportion of VONB. We also delivered an increase in free surplus generated over the year through the disciplined management of our in-force portfolio and a positive effect from rising interest rates. Our regulatory solvency ratio for AIA Co. stands at 433 per cent on the prudent Hong Kong Insurance Companies Ordinance basis, which is an increase of 80 pps compared with 2012.

Our financial performance in 2013 once again demonstrated the powerful combination of AIA's significant growth opportunities, the effective execution of our clear strategy and the rigorous financial discipline that underscores AIA's ability to continue to deliver sustainable value for our shareholders.

Summary

VALUE CREATION

VONB grew by 25 per cent compared with 2012 to US$1,490 million, net of tax, with each of our market segments delivering double-digit growth over the year.

We continued to focus on optimising the mix of volume and margin to deliver sustainable growth in new business profitability with an increase of 24 per cent in ANP compared with 2012 to US$3,341 million and VONB margin to 44.1 per cent from 43.6 per cent in 2012.

EV Equity is the total of embedded value, goodwill and other intangible assets. EV Equity grew by US$3,218 million to US$34,875 million at 30 November 2013, mainly as a result of strong EV operating profit. This represents an increase of 10 per cent from US$31,657 million at 30 November 2012.

EV Equity included goodwill and other intangible assets of US$1,053 million at 30 November 2013 compared with US$249 million at 30 November 2012, with the increase arising principally from acquisitions.

EV grew to US$33,822 million at 30 November 2013, an increase of 8 per cent over the year from US$31,408 million at 30 November 2012. The growth in EV of US$2,414 million was mainly driven by a strong operating performance and is shown after a deduction of US$808 million for the effect of acquisitions in the year.

EV operating profit grew by 14 per cent to US$3,975 million compared with 2012. The strong performance reflected a combination of a higher VONB of US$1,490 million, increased expected return on EV of US$2,387 million and positive operating experience variances and operating assumption changes which totalled US$124 million, less interest costs of US$26 million on medium term notes and an acquisition credit facility.

Non-operating EV movements included a positive contribution of US$620 million from investment return variances and changes in economic assumptions mainly due to an increase in interest rates and negative other non-operating variances. This was offset by the payment of total shareholder dividends of US$595 million, negative other capital movements of US$18 million and negative foreign exchange movements of US$760 million.

IFRS PROFIT

IFRS operating profit after tax (OPAT), grew by 16 per cent compared with 2012 to US$2,504 million. The increase was a result of strong business growth in each of our market segments, improvements in investment income and a positive contribution from acquisitions.

AIA's IFRS net profit definition includes mark-to-market movements from our equity portfolio. Net profit decreased by 7 per cent compared with 2012 to US$2,822 million, reflecting the decline in equity markets in the second half of 2013. Net gains from equities, net of tax, contributed US$424 million in 2013 compared with US$787 million in 2012.

Shareholders' equity reduced by 8 per cent to US$24,686 million at 30 November 2013 from US$26,697 million at 30 November 2012 mainly due to the accounting effect of rising interest rates on the treatment of debt securities that are classified as available for sale under the IFRS basis that AIA has adopted.

IFRS operating profit after tax exceeded US$2.5 billion for the first time and has increased by around half over the period since our IPO in 2010. This significant increase is a direct result of the strong underlying growth we have delivered across our businesses and our focus on improving operating margins through writing higher-quality new regular savings and protection business.

CAPITAL AND DIVIDENDS

At 30 November 2013, the total available regulatory capital for AIA Co., our main regulated entity, was US$6,057 million as measured under the HKICO basis. AIA Co. has a solvency ratio of 433 per cent of the minimum regulatory capital requirement, which is an increase of 80 pps compared with 353 per cent at the end of November 2012. The positive movement included retained earnings generated during the year and the effect of rising interest rates. Our local businesses remitted US$1,733 million to the Group Corporate Centre in 2013, which is an increase of 9 per cent compared with 2012.

The Board of Directors has recommended a final dividend of 28.62 Hong Kong cents per share in line with our prudent, sustainable and progressive dividend policy and subject to shareholders' approval at the Company's forthcoming AGM. This represents an increase of 16 per cent compared with the final dividend in 2012 reflecting the strength of our results and brings the total dividend for 2013 to 42.55 Hong Kong cents per share, an increase of 15 per cent compared with 2012.

Acquisitions

As previously announced, AIA's acquisitions of ING Malaysia and Aviva NDB Insurance (ANI) completed in December 2012, the first month of the Group's financial year. The financial results of the two newly-acquired businesses are therefore accounted for in the Group's 2013 financial results from the respective dates of completion. Further details are disclosed in note 5 to the financial statements.

New Business Growth

VALUE OF NEW BUSINESS (VONB) AND ANNUALISED NEW PREMIUM (ANP) BY SEGMENT

US$ millions, unless otherwise stated	2013 (1) VONB	2013 (1) VONB Margin	2013 (1) ANP	2012 (1) (3) VONB	2012 (1) (3) VONB Margin	2012 (1) (3) ANP	VONB Change	ANP Change
Hong Kong	**468**	**57.6%**	**781**	366	58.4%	604	28%	29%
Thailand	**319**	**56.3%**	**565**	287	53.9%	532	11%	6%
Singapore	**269**	**67.3%**	**400**	220	65.1%	339	22%	18%
Malaysia	**120**	**37.8%**	**319**	69	46.0%	151	74%	111%
China	**166**	**66.4%**	**249**	124	57.5%	215	34%	16%
Korea	**91**	**26.8%**	**338**	68	28.5%	237	34%	43%
Other Markets	**220**	**32.0%**	**689**	167	27.0%	618	32%	11%
Subtotal	**1,653**	**48.9%**	**3,341**	1,301	47.8%	2,696	27%	24%
Adjustment to reflect additional Hong Kong reserving and capital requirements (2)	**(67)**	**n/m**	**n/m**	(41)	n/m	n/m	n/m	n/m
After-tax value of unallocated Group Office expenses	**(96)**	**n/m**	**n/m**	(72)	n/m	n/m	n/m	n/m
Total	**1,490**	**44.1%**	**3,341**	1,188	43.6%	2,696	25%	24%

Notes:
(1) ANP and VONB margin exclude pension business.
(2) Adjustment to VONB for the branches of AIA Co. and AIA International, as described in Section 4.4 of the Supplementary Embedded Value Information.
(3) Certain segmental reclassifications have been made in the prior year VONB and VONB margin results to conform to current year presentation. The reclassification has no impact on the total VONB and VONB margin of the Group for the year ended 30 November 2012.

VONB grew by 25 per cent to US$1,490 million, an increase of US$302 million compared with 2012.

We achieved significant growth across both agency and partnership distribution channels in 2013 with agency VONB up by 24 per cent to US$1,166 million and VONB for partnership distribution growing by 35 per cent to US$469 million compared with 2012.

Each of our market segments delivered double-digit growth in VONB. China, Korea and Other Markets reported excellent VONB growth in excess of 30 per cent compared with 2012. Hong Kong and Singapore delivered strong performances with increases of 28 per cent and 22 per cent respectively driven by increased active agents and improved productivity. Thailand delivered a solid performance with VONB growth of 11 per cent, as our agency distribution adjusted to modifications made to their compensation structure over the year to align more closely with our long-term emphasis on productivity, quality recruitment and sales. Finally, Malaysia reported an uplift in VONB of 74 per cent including the consolidation of ING Malaysia.

ANP grew by 24 per cent to US$3,341 million compared with US$2,696 million in 2012. In particular, Hong Kong and Korea reported excellent growth of 29 per cent and 43 per cent respectively with ANP in Malaysia more than double the prior year figure reflecting the consolidation of ING Malaysia.

VONB margin increased to 44.1 per cent compared with 43.6 per cent in 2012. The positive change in margin was mainly due to product and channel mix improvements of 0.6 pps, offset by a reduction of 0.4 pps from geographical mix changes mainly reflecting the growth in our operations in Korea following the restructuring and the consolidation of our acquisition of ING Malaysia. Economic assumption changes and other items improved margin by 0.3 pps in total.

VONB is reported after a deduction of US$163 million of which US$67 million is for additional Hong Kong reserving and capital requirements above local statutory requirements and US$96 million is for unallocated Group Office expenses, representing the expenses incurred by the Group Office which are not already allocated by business unit.

Embedded Value (EV) Equity

EV EQUITY

US$ millions, unless otherwise stated	As at 30 November 2013	As at 30 November 2012	Change
EV	**33,822**	31,408	8%
Goodwill and other intangible assets[1]	**1,053**	249	323%
EV Equity	**34,875**	31,657	10%

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

EV Equity grew by US$3,218 million to US$34,875 million at 30 November 2013, an increase of 10 per cent over the year from US$31,657 million at 30 November 2012, mainly as a result of strong EV operating profit.

EV Equity included goodwill and other intangible assets of US$1,053 million at 30 November 2013 compared with US$249 million at 30 November 2012, with the increase arising principally from acquisitions.

ANALYSIS OF EV MOVEMENT

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

	2013		
US$ millions, unless otherwise stated	**ANW**	**VIF**	**EV**
Opening EV	**13,170**	**18,238**	**31,408**
Purchase price	**(1,865)**	**–**	**(1,865)**
Acquired EV	**683**	**374**	**1,057**
Effect of acquisitions	**(1,182)**	**374**	**(808)**
EV post acquisitions	**11,988**	**18,612**	**30,600**
Value of new business	**(957)**	**2,447**	**1,490**
Expected return on EV	**3,087**	**(700)**	**2,387**
Operating experience variances	**(255)**	**369**	**114**
Operating assumption changes	**(83)**	**93**	**10**
Interest costs on medium term notes and acquisition credit facility	**(26)**	**–**	**(26)**
EV operating profit	**1,766**	**2,209**	**3,975**
Investment return variances	**335**	**10**	**345**
Effect of changes in economic assumptions	**–**	**429**	**429**
Other non-operating variances	**361**	**(515)**	**(154)**
Total EV profit	**2,462**	**2,133**	**4,595**
Dividends	**(595)**	**–**	**(595)**
Other capital movements	**(18)**	**–**	**(18)**
Effect of changes in exchange rates	**(371)**	**(389)**	**(760)**
Closing EV	**13,466**	**20,356**	**33,822**

US$ millions, unless otherwise stated	2012 ANW	2012 VIF	2012 EV
Opening EV	10,906	16,333	27,239
Value of new business	(924)	2,112	1,188
Expected return on EV	2,807	(615)	2,192
Operating experience variances	(116)	256	140
Operating assumption changes	(20)	(9)	(29)
EV operating profit	1,747	1,744	3,491
Investment return variances	554	379	933
Effect of changes in economic assumptions	–	(105)	(105)
Other non-operating variances	410	(523)	(113)
Total EV profit	2,711	1,495	4,206
Dividends	(530)	–	(530)
Other capital movements	(42)	–	(42)
Effect of changes in exchange rates	125	410	535
Closing EV	13,170	18,238	31,408

EV grew to US$33,822 million at 30 November 2013, an increase of 8 per cent over the year from US$31,408 million at 30 November 2012. The growth in EV of US$2,414 million was mainly driven by a strong operating performance and is shown after a deduction of US$808 million for the effect of acquisitions in the year.

EV operating profit grew by 14 per cent to US$3,975 million compared with 2012. The strong performance reflected a combination of a higher VONB of US$1,490 million, increased expected return on EV of US$2,387 million and positive operating experience variances and operating assumption changes which totalled US$124 million, less interest costs of US$26 million on medium term notes and an acquisition credit facility.

Non-operating EV movements included a positive contribution of US$620 million from investment return variances and changes in economic assumptions mainly due to rising interest rates and negative other non-operating variances. This was offset by the payment of total shareholder dividends of US$595 million, negative other capital movements of US$18 million and negative foreign exchange movements of US$760 million.

EV includes the adjusted net worth (ANW) and value of in-force business (VIF). ANW increased by 2 per cent to US$13,466 million at 30 November 2013 from US$13,170 million at 30 November 2012 with an increase of US$1,478 million offset by the deduction of US$1,182 million for the effect of acquisitions. After deducting the cost of holding required capital, VIF increased by 12 per cent to US$20,356 million at 30 November 2013, compared with US$18,238 million at 30 November 2012.

Total undiscounted after-tax distributable earnings of US$14,132 million are expected to emerge from the VIF over the next five years compared with US$11,870 million reported in 2012.

EV AND VONB SENSITIVITIES

Sensitivities to EV and VONB arising from changes to central assumptions from equity market and interest rate movements are shown below.

US$ millions, unless otherwise stated	EV as at 30 November 2013	2013 VONB	EV as at 30 November 2012	2012 VONB
Central value	**33,822**	**1,490**	31,408	1,188
Equity market risk				
10 per cent increase in equity prices	**34,459**	**n/a**	31,961	n/a
10 per cent decrease in equity prices	**33,168**	**n/a**	30,846	n/a
Interest rate risk				
50 basis points increase in interest rates	**34,031**	**1,564**	31,605	1,261
50 basis points decrease in interest rates	**33,418**	**1,399**	31,007	1,099

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

IFRS Profit

IFRS OPERATING PROFIT AFTER TAX (OPAT) [1] BY SEGMENT

US$ millions, unless otherwise stated	2013	2012[2]	YoY
Hong Kong	**770**	732	5%
Thailand	**526**	471	12%
Singapore	**396**	345	15%
Malaysia	**250**	150	67%
China	**205**	151	36%
Korea	**150**	125	20%
Other Markets	**244**	207	18%
Group Corporate Centre	**(37)**	(22)	n/m
Total	**2,504**	2,159	16%

Notes:
(1) Attributable to shareholders of AIA Group Limited.
(2) Certain segmental reclassifications have been made in the prior year OPAT result to conform to current year presentation. The reclassification has no impact on the total OPAT of the Group for the year ended 30 November 2012. Further details are disclosed in note 8 to the financial statements.

OPAT grew by 16 per cent compared with 2012 to US$2,504 million. The increase was a result of strong business growth in each of our market segments, improvements in investment income and a positive contribution from acquisitions.

OPAT growth in Hong Kong of 5 per cent and in Thailand of 12 per cent was due to growth in the underlying businesses, partly offset by lower investment income following net funds remitted to the Group Corporate Centre. Singapore reported 15 per cent growth in OPAT mainly from strong investment income and Malaysia reported 67 per cent growth in OPAT including the consolidation of ING Malaysia. China achieved 36 per cent growth in OPAT from a combination of underlying growth in the business, strong investment income and a lower effective tax rate and Korea's OPAT grew by 20 per cent due to favourable claims experience. OPAT growth of 18 per cent in Other Markets was mainly attributable to strong results in Indonesia and the Philippines.

TOTAL WEIGHTED PREMIUM INCOME (TWPI) BY SEGMENT

US$ millions, unless otherwise stated	2013	2012	YoY
Hong Kong	**3,770**	3,372	12%
Thailand	**3,364**	3,119	8%
Singapore	**2,150**	2,035	6%
Malaysia	**2,036**	964	111%
China	**1,599**	1,446	11%
Korea	**2,049**	1,942	6%
Other Markets	**2,840**	2,482	14%
Total	**17,808**	15,360	16%

TWPI increased by 16 per cent to US$17,808 million, reflecting growth in each of our market segments and the consolidation of ING Malaysia. Persistency remained strong and stable at 94.3 per cent in 2013.

INVESTMENT INCOME[1]

US$ millions, unless otherwise stated	2013	2012	YoY
Interest income	**4,445**	3,864	15%
Dividend income	**398**	316	26%
Rental income	**115**	97	19%
Total	**4,958**	4,277	16%

Note:
(1) Excluding unit-linked contracts.

Investment income increased by 16 per cent to US$4,958 million compared with 2012, reflecting the higher level of invested assets at the start of 2013 and higher rental yields achieved over the year.

OPERATING EXPENSES

US$ millions, unless otherwise stated	2013	2012	YoY
Operating expenses	**1,577**	1,340	18%

Operating expenses increased by 18 per cent to US$1,577 million compared with 2012 mainly as a result of acquisitions. The expense ratio increased slightly to 8.9 per cent in 2013 from 8.7 per cent in 2012.

NET PROFIT[1]

US$ millions, unless otherwise stated	2013	2012	YoY
OPAT	**2,504**	2,159	16%
Net gains from equities, net of tax	**424**	787	(46)%
Other non-operating investment experience and other items, net of tax	**(106)**	73	n/m
Total	**2,822**	3,019	(7)%

Note:
(1) Attributable to shareholders of AIA Group Limited.

AIA's IFRS net profit definition includes mark-to-market movements from our equity portfolio. Following a decline in equity markets in the second half of 2013, net profit decreased by 7 per cent compared with 2012 to US$2,822 million with net gains from equities, net of tax, contributing US$424 million in 2013 compared with US$787 million in 2012. Negative other non-operating investment experience and other items, net of tax, of US$106 million primarily included a net realised loss from debt securities of US$46 million and integration and restructuring expenses of US$54 million.

Earnings Per Share (EPS)

OPAT earnings per share increased by 16 per cent to 20.91 US cents in 2013 from 18.00 US cents in 2012.

EPS based on net profit attributable to shareholders of AIA Group Limited decreased to 23.57 US cents in 2013 from 25.16 US cents in 2012 following mark-to-market movements in equity markets mentioned above.

EARNINGS PER SHARE – BASIC

	Net Profit[1]		OPAT[1]	
	2013	2012	**2013**	2012
Profit (US$ millions)	**2,822**	3,019	**2,504**	2,159
Weighted average number of ordinary shares (millions)	**11,974**	11,997	**11,974**	11,997
Basic earnings per share (US cents)	**23.57**	25.16	**20.91**	18.00

Note:
(1) Attributable to shareholders of AIA Group Limited.

EARNINGS PER SHARE – DILUTED

	Net Profit[1]		OPAT[1]	
	2013	2012	**2013**	2012
Profit (US$ millions)	**2,822**	3,019	**2,504**	2,159
Weighted average number of ordinary shares (millions)[2]	**12,006**	12,008	**12,006**	12,008
Diluted earnings per share (US cents)	**23.50**	25.14	**20.86**	17.98

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

Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$ millions, unless otherwise stated	As at 30 November 2013	As at 30 November 2012	Change
Assets			
Financial investments	**120,648**	111,581	8%
Investment property	**1,128**	1,035	9%
Cash and cash equivalents	**2,228**	2,948	(24)%
Invested assets	**124,004**	115,564	7%
Deferred acquisition and origination costs	**15,738**	14,161	11%
Other assets	**6,843**	4,714	45%
Total assets	**146,585**	134,439	9%
Liabilities			
Insurance and investment contract liabilities	**112,099**	99,439	13%
Borrowings	**2,126**	766	178%
Other liabilities	**7,529**	7,406	2%
Less total liabilities	**121,754**	107,611	13%
Equity			
Total equity	**24,831**	26,828	(7)%
Less non-controlling interests	**145**	131	11%
Total equity attributable to shareholders of AIA Group Limited	**24,686**	26,697	(8)%

ASSETS

Total assets grew by 9 per cent to US$146,585 million at 30 November 2013 compared with US$134,439 million at 30 November 2012 reflecting positive net flows from underlying growth in the business and from acquisitions.

Cash and cash equivalents decreased by 24 per cent to US$2,228 million at 30 November 2013 compared with US$2,948 million at 30 November 2012, reflecting increased investments in financial assets and the payment of shareholder dividends totalling US$595 million.

Deferred acquisition and origination costs increased by 11 per cent to US$15,738 million at 30 November 2013 compared with US$14,161 million at 30 November 2012 from growth in new business and acquisitions.

Other assets grew by 45 per cent to US$6,843 million mainly due to the addition of goodwill of US$1,009 million and other assets of US$335 million arising from acquisitions, and US$295 million associated with the acquisition of a property in Hong Kong in December 2012.

LIABILITIES

Total liabilities increased by 13 per cent to US$121,754 million at 30 November 2013 compared with US$107,611 million at 30 November 2012. Insurance and investment contract liabilities grew by 13 per cent to US$112,099 million at 30 November 2013 compared with US$99,439 million at 30 November 2012, reflecting the underlying growth of the in-force portfolio and from acquisitions.

Borrowings increased by 178 per cent to US$2,126 million at 30 November 2013 mainly from the issue in March 2013 of two medium term notes of a combined nominal amount of US$1.0 billion and the drawdown of a credit facility relating to the financing of a property acquisition in Hong Kong.

Details of commitments and contingencies are included in note 42 to the financial statements.

EQUITY – MOVEMENT IN SHAREHOLDERS' EQUITY OF AIA GROUP LIMITED

US$ millions, unless otherwise stated	2013	2012
Opening shareholders' equity	**26,697**	21,313
Net profit	**2,822**	3,019
Fair value (losses)/gains on assets	**(3,712)**	2,565
Foreign currency translation adjustments	**(508)**	372
Purchase of shares held by employee share-based trusts	**(87)**	(84)
Dividends	**(595)**	(530)
Other capital movements	**69**	42
Total movement in shareholders' equity	**(2,011)**	5,384
Closing shareholders' equity	**24,686**	26,697

Shareholders' IFRS equity excluding non-controlling interests reduced by 8 per cent to US$24,686 million at 30 November 2013 from US$26,697 million at 30 November 2012 mainly due to the accounting effect of rising interest rates on the treatment of debt securities that are classified as available for sale leading to a reduction in the fair value reserve of US$3,712 million. Other negative movements included foreign currency translation reserves of US$508 million and the payment of shareholder dividends of US$595 million.

Sensitivities to IFRS profit before tax and net assets arising from foreign exchange rate, interest rate and equity market risk are included in note 37 to the financial statements.

Invested Assets

The carrying value of invested assets, including financial investments, investment property and cash and cash equivalents, increased by 7 per cent to US$124,004 million at 30 November 2013 compared with US$115,564 million at 30 November 2012. Invested assets include total assets held in respect of policyholders and shareholders, and those backing unit-linked contracts.

TOTAL INVESTED ASSETS

US$ millions, unless otherwise stated	**As at 30 November 2013**	**Percentage of total**	As at 30 November 2012	Percentage of total
Total policyholder and shareholder	**105,174**	**85%**	98,240	85%
Total unit-linked contracts	**18,830**	**15%**	17,324	15%
Total invested assets	**124,004**	**100%**	115,564	100%

Details of the investment mix are as follows:

POLICYHOLDER AND SHAREHOLDER INVESTED ASSETS

US$ millions, unless otherwise stated	**As at 30 November 2013**	**Percentage of total**	As at 30 November 2012	Percentage of total
Participating funds				
Government and government agency bonds	**7,041**	**7%**	6,011	6%
Corporate bonds and structured securities	**11,150**	**11%**	9,842	10%
Loans and deposits	**1,944**	**2%**	1,303	2%
Subtotal – Fixed income investments	**20,135**	**20%**	17,156	18%
Equities	**4,569**	**4%**	3,534	4%
Cash and cash equivalents	**269**	**–**	316	–
Derivatives	**215**	**–**	317	–
Investment property	**95**	**–**	15	–
Subtotal participating funds	**25,283**	**24%**	21,338	22%
Other policyholder and shareholder				
Government and government agency bonds	**32,109**	**31%**	32,072	33%
Corporate bonds and structured securities	**33,283**	**32%**	30,893	31%
Loans and deposits	**5,393**	**5%**	5,047	5%
Subtotal – Fixed income investments	**70,785**	**68%**	68,012	69%
Equities	**6,315**	**6%**	5,656	6%
Cash and cash equivalents	**1,531**	**1%**	1,897	2%
Derivatives	**227**	**–**	317	–
Investment property	**1,033**	**1%**	1,020	1%
Subtotal other policyholder and shareholder	**79,891**	**76%**	76,902	78%
Total policyholder and shareholder	**105,174**	**100%**	98,240	100%

UNIT-LINKED CONTRACTS

US$ millions, unless otherwise stated	**As at 30 November 2013**	**Percentage of total**	As at 30 November 2012	Percentage of total
Unit-linked contracts				
Debt securities	**2,168**	**12%**	2,044	12%
Loans and deposits	**147**	**1%**	75	–
Equities[1]	**16,084**	**85%**	14,466	84%
Cash and cash equivalents	**428**	**2%**	735	4%
Derivatives	**3**	**–**	4	–
Total unit-linked contracts	**18,830**	**100%**	17,324	100%

Note:
(1) Including third-party interests in equities.

Invested assets held in respect of policyholders and shareholders increased by 7 per cent to US$105,174 million at 30 November 2013 compared with US$98,240 million at 30 November 2012. The increase was mainly a result of the investment of operating cash flows generated by the business over the year and acquisitions.

Fixed income investments, including debt securities, loans, and term deposits, held in respect of policyholders and shareholders, totalled US$90,920 million at 30 November 2013 compared with US$85,168 million at 30 November 2012. The increase was mainly from new purchases partly offset by increases in interest rates.

Government and government agency bonds represented 43 per cent of our fixed income investments at 30 November 2013 compared with 45 per cent held at 30 November 2012. Corporate bonds and structured securities accounted for 49 per cent of fixed income investments at 30 November 2013 compared with 48 per cent at 30 November 2012.

Total equity securities held in respect of policyholders and shareholders totalled US$10,884 million at 30 November 2013, compared with US$9,190 million at 30 November 2012. The increase in carrying value was attributable to new purchases as well as gains in market values. Equity securities totalling US$4,569 million were held in participating funds.

Cash and cash equivalents held in respect of policyholders and shareholders totalled US$1,800 million at 30 November 2013 compared with US$2,213 million at 30 November 2012 reflecting increased investments in financial assets and the payment of shareholder dividends totalling US$595 million.

Invested assets held in respect of unit-linked contracts totalled US$18,830 million at 30 November 2013 compared with US$17,324 million at 30 November 2012.

Capital

FREE SURPLUS GENERATION

The Group's free surplus at 30 November 2013 represented the excess of adjusted net worth over liabilities and required capital calculated on the HKICO basis.

Free surplus generated increased by 33 per cent compared with 2012 to US$3,784 million from strong growth in our in-force business and a positive effect from rising interest rates.

This was partially offset by investment in new business of US$1,510 million, which increased by 7 per cent compared with VONB growth of 25 per cent. Other deductions included unallocated Group Office expenses and interest costs of US$142 million, the payment of shareholder dividends of US$595 million and negative other capital movements of US$18 million.

Overall, free surplus before the effect of acquisitions and others increased by US$1,519 million over the year. Total free surplus increased by US$88 million to US$6,731 million at 30 November 2013 with the increase of US$1,519 million offset by the effect of acquisitions and others of US$1,431 million.

The following table shows the change in free surplus:

US$ millions, unless otherwise stated	**2013**	2012
Opening free surplus	**6,643**	5,930
Effect of acquisitions and others	**(1,431)**	–
Free surplus post acquisitions and others	**5,212**	5,930
Free surplus generated	**3,784**	2,845
Free surplus used to fund new business	**(1,510)**	(1,412)
Unallocated Group Office expenses (1)	**(142)**	(148)
Dividends	**(595)**	(530)
Other capital movements	**(18)**	(42)
Closing free surplus	**6,731**	6,643

Note:

(1) Unallocated Group Office expenses for the year ended 30 November 2013 included interest costs of US$26 million on medium term notes and an acquisition credit facility.

NET FUNDS TO GROUP CORPORATE CENTRE

Working capital comprises debt and equity securities, deposits and cash and cash equivalents held by Group Corporate Centre. Working capital, after payment of shareholder dividends, was US$5,556 million at 30 November 2013 compared with US$5,185 million at 30 November 2012. Our business units remitted US$1,733 million to the Group Corporate Centre, which was an increase of 9 per cent compared with 2012.

Movements over the year also included a reduction in working capital from payments made for acquisitions partially offset by an increase in borrowings mainly due to the issue of medium term notes as discussed before and the drawdown of a credit facility relating to the financing of a property acquisition in Hong Kong.

The movements in working capital are summarised as follows:

US$ millions, unless otherwise stated	2013	2012[(1)]
Opening working capital	**5,185**	3,912
Group Corporate Centre net losses	**(31)**	(14)
Capital flows from business units		
Hong Kong	**839**	1,104
Thailand	**700**	503
Singapore	**222**	23
Malaysia	**118**	98
China	**(101)**	(100)
Korea	**27**	–
Other Markets	**(72)**	(45)
Net funds remitted to Group Corporate Centre	**1,733**	1,583
Payment for acquisitions	**(1,865)**	–
Increase in borrowings	**1,441**	–
Change in fair value reserve	**(232)**	217
Payment of dividends	**(595)**	(530)
Purchase of shares held by the employee share-based trusts	**(87)**	(84)
Change in share-based compensation reserve	**75**	41
Other changes in working capital	**(68)**	60
Closing working capital	**5,556**	5,185

Note:
(1) Certain segmental reclassifications have been made in the prior year to conform to current year presentation. The reclassification has no impact on the closing working capital for the year ended 30 November 2012. Further details are disclosed in note 8 to the financial statements.

Regulatory Capital

The Group's lead insurance regulator is the Hong Kong Office of the Commissioner of Insurance (HKOCI). The Group's principal operating company is AIA Co., a Hong Kong-domiciled insurer. At 30 November 2013, the total available regulatory capital for AIA Co. amounted to US$6,057 million as measured under the HKICO basis. AIA Co. has a solvency ratio of 433 per cent of the minimum regulatory capital requirement, which is an increase of 80 pps compared with 353 per cent reported at the end of November 2012. The positive movement included retained earnings generated during the year and the effect of rising interest rates.

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

US$ millions, unless otherwise stated	As at 30 November 2013	As at 30 November 2012
Total Available Regulatory Capital	**6,057**	4,811
Regulatory Minimum Required Capital (100%)	**1,399**	1,362
Solvency ratio (%)	**433%**	353%

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 International. The Group's individual branches and subsidiaries are also subject to supervision in the jurisdictions in which they operate. This means that local operating units, including branches and subsidiaries, must meet the regulatory capital requirements of their local prudential regulators. The various regulators overseeing the Group's branches and subsidiaries actively monitor their capital position. The local operating units were in compliance with the capital requirements of their respective local regulators in each of our geographical markets at 30 November 2013.

Medium Term Note Programmes

AIA established a US$2 billion Medium Term Note (MTN) programme on 27 February 2013. A total nominal amount of US$1.21 billion has been drawn down through the programme including an inaugural public offering of two senior unsecured fixed rate notes that was successfully completed in March 2013. The notes are for terms of 5 years and 10 years at nominal amounts of US$500 million each and bear annual interest of 1.75 per cent and 3.125 per cent respectively. Additional notes were issued in November 2013 including a 3-year floating rate note at a nominal amount of HK$1,160 million (approximately US$150 million) that bears interest based upon HIBOR and a 10-year unsecured floating rate note at a nominal amount of US$60 million that bears interest based upon LIBOR.

We continue to evaluate various longer-term financing options for AIA. We intend to establish today an expanded Medium Term Note programme which enables us to access qualifying U.S.-based investors.

Credit Ratings

At 30 November 2013, AIA Co. had published financial strength ratings of AA- (Very Strong) with a stable outlook and the AIA Group Limited rating is A (Strong) with stable outlook from Standard & Poor's.

Dividends

The Board of Directors has recommended a final dividend of 28.62 Hong Kong cents per share in line with our prudent, sustainable and progressive dividend policy and subject to shareholders' approval at the Company's forthcoming AGM. This represents an increase of 16 per cent compared with the final dividend in 2012 reflecting the strength of our results and brings the total dividend for 2013 to 42.55 Hong Kong cents per share, an increase of 15 per cent compared with 2012.

BUSINESS REVIEW

Distribution

AGENCY

AIA's proprietary tied agency network is a major source of growth and competitive advantage for the Group. The combination of scale and quality across our markets is one of AIA's fundamental strengths and underpins our unique presence in the region.

In 2013, we continued to implement our successful Premier Agency strategy that helps AIA's agents provide our customers with professional, high-quality advice and products that serve their evolving needs. Our agency model is fundamentally aligned with our focus on developing regular savings and protection products, which require high-calibre and well-trained agents to distribute effectively to our customers. We remain committed to ensuring that the highest standards of knowledge, skills and best practices are developed, maintained and shared across our entire network of agents in order to provide the best available service to our customers.

The execution of our strategy has delivered excellent agency VONB growth of 24 per cent compared with 2012 to US$1,166 million and contributed 71 per cent of the Group's total VONB in 2013. ANP increased by 25 per cent with a sustained VONB margin of 53.9 per cent compared with 2012. Our growth was the result of an increased number of active agents and strong gains in agency productivity during the year. Our newly-acquired businesses in Malaysia and Sri Lanka also contributed to the overall performance following their successful integration into the Group.

The cornerstone of our strategy for sustained growth in our agency channel remains focused recruitment backed by best-in-class training programmes. Our high-quality agent selection is driving our recruitment of younger, highly-educated and dynamic candidates into our agency business. Dedicated recruitment teams have been established to identify and recruit people who fit this profile, alongside innovative selection tools and upgraded new agent induction programmes developed through our interaction with LIMRA, a global leader in insurance training and recruitment practices.

Our training programmes have been developed over time to improve our agency training competency through our AIA Premier Academies. In 2013, we entered into a new strategic partnership with GAMA International, an association dedicated to supporting the professional development of field leaders in the insurance and financial services industry. Our aim is to further extend our competitive advantage regionally by developing our agency leaders through skills-based professional development experience, peer-to-peer networking and enhancing our proven agency management practices. These initiatives have helped the number of active new agents in 2013 grow by 27 per cent compared with 2012.

Million Dollar Round Table (MDRT) qualification is an important external global industry measure of the top financial planners and advisers and remains a benchmark for our Premier Agency platform. We continue to promote qualification through regional events that recognise sales performance and inspire and encourage the highest possible levels of productivity and quality. AIA is the number one ranked Asia-based insurer for MDRT members and our MDRT qualifiers grew by 20 per cent compared with 2012 demonstrating the depth and quality of the growth in our agency force.

AIA continued to invest in iPoS, our industry-leading interactive point-of-sale technology. This pioneering technology enables our agents to reduce their administrative work and optimise their time spent advising existing and potential customers. iPoS has now been deployed to our agents in eight markets – Thailand, Singapore, Malaysia, Indonesia, the Philippines, Sri Lanka, Taiwan and Vietnam. Following the successful implementation of this first phase of the regional roll-out, we have begun the development of the second phase which incorporates additional tools that assist our agents and agency leaders to manage their agency teams still more effectively.

PARTNERSHIPS

AIA's partnership distribution business expands our distribution reach and creates additional growth opportunities through bancassurance, direct marketing and other intermediated distribution channels. Our partnership strategy is built around establishing mutually beneficial relationships with our partners that allow us to maintain our disciplined approach to the types of products we sell so that we can achieve the right returns for our customers, our partners and AIA.

This deliberate strategy of balancing growth in the breadth of our distribution channels while meeting our profitability targets has once again delivered excellent results, with partnership VONB growth of 35 per cent compared with 2012 to US$469 million. This growth was driven by increased ANP of 23 per cent and further VONB margin expansion of 3.4 pps to 39.8 per cent compared with 2012, as we improved our productivity and enhanced our business mix by achieving a higher proportion of protection product sales through our partners. Overall, our partnership business accounted for 29 per cent of the Group's total VONB in 2013.

Bancassurance

In recent years, we have transformed our bancassurance business through the ongoing development of collaborative partnerships with highly-regarded regional and local banks, so that it now represents a substantial part of our overall partnership distribution. We have continued to work closely with our bank partners to increase sales force productivity from the proactive management and expansion of our in-branch specialists, greater network coverage and improvements to our product mix. In 2013, we also began the roll-out of iPoS to partners to further enhance the productivity of our specialists and to broaden the product range available to bank customers.

The successful execution of our bancassurance strategy continued to produce excellent results in 2013, maintaining our strong track record of delivering financially-disciplined growth with an increase in VONB for this channel of 57 per cent compared with 2012 including a margin uplift of 4.0 pps.

Our new exclusive relationship with Public Bank provided an important contribution to bancassurance VONB in Malaysia. Public Bank is one of Malaysia's largest banking groups with over five million customers.

Direct Marketing

Our direct marketing business has continued to make good progress as a result of continuing investments in our people, products and processes. In Korea, we have progressively restructured our operations to target best-in-class direct marketing capabilities with successful recruitment campaigns to attract quality telesales representatives (TSRs). We continued to implement our training and development programmes during the year to bring newly-recruited TSRs up to required levels of productivity.

Other Partnership Channels

AIA's additional partnership channels include independent financial advisers (IFAs), brokers, private banks and specialist advisers. We delivered solid overall growth in these channels during 2013. We continued to develop our Premier IFA model in Australia and this has delivered strong sales growth combined with attractive margins in the individual retail protection market to supplement our group insurance business.

GROUP INSURANCE

For more than 60 years, AIA has operated in the group insurance market in the Asia-Pacific region with currently more than 120,000 existing corporate clients and 16 million insured members. Our market expertise and distribution relationships have enabled AIA to build long-standing partnerships with companies through our market-leading products, comprehensive advice and regional support provided to a wide range of local domestic and multinational corporations.

Our group insurance business is organised around two main channels. Our Regional Employee Benefits Partnership Platform provides the broad geographical footprint to work strategically with key specialist global brokers to deliver group insurance products and services to multinational organisations across the region. Our Premier Agency distribution channel continues to focus on increasing the penetration of group insurance in small-and-medium sized enterprises (SMEs) that are widespread across Asia.

The successful execution of our strategy has delivered group insurance VONB growth of 26 per cent compared with 2012 and established our market-leading positions in Singapore, Thailand, Hong Kong, Australia and Malaysia, while continuing to build our presence in other growth markets such as China, Indonesia and the Philippines.

We remain optimistic about the continuing success of our group insurance business and believe there is vast potential for the future growth of this segment. A combination of favourable demographic trends, increased urbanisation, rising income levels, increasing demand for labour and more sophisticated human resources practices will continue to drive an increasing need for group insurance cover. This is occurring against a market backdrop where overall coverage remains very low compared with that offered in more developed markets. AIA's advantaged platform combined with the market's potential scale and clear capacity for further expansion provide us with significant opportunities for profitable growth.

Marketing

AIA has the leading Asian insurance brand and is one of the most recognised and trusted insurance companies in the industry. Our aim is to lead in the evolving market for regular savings and protection products, through our unrivalled depth of understanding gained from our extensive customer experience programmes. This allows us to help inform and educate customers of the importance of planning for the future and tailor products to meet their evolving needs.

THE REAL LIFE COMPANY

Reflecting our aspiration to provide all stakeholders with a better understanding of what AIA stands for, we launched our new brand positioning as “The Real Life Company” in 2013. This was the most comprehensive branding programme in AIA’s history and was the culmination of extensive analysis and research with customers, agents and employees across the region.

Our new brand positioning reflects the wealth of customer insights gleaned from AIA’s long and remarkable history supporting millions of people in the Asia-Pacific region. The Real Life Company brand communicates that we are genuinely engaged in the lives of our customers allowing them to rely on AIA to provide them with the right financial solutions and support throughout their lives.

The Real Life Company brand has been launched internally and externally across 15 markets using a multi-channel media communication strategy including television, print, digital and social media. Our local markets have adapted and tailored our very successful regional campaign to reflect local context and culture, which has led to deeper engagement with our businesses, employees, customers and communities.

This year also marked AIA’s entry into major sponsorship promotion with the aim of increasing the profile and significance of the AIA brand across Asia and internationally. In August 2013, we announced our Cup Shirt partnership with English Premier League Football Club, Tottenham Hotspur (Spurs). The cup shirt sponsorship encompasses three major competitions in the United Kingdom and Europe that commands over 1.5 billion television viewers across Asia. Additionally, Spurs have around 80 million fans in the region. This major partnership provides AIA with a strong point of brand differentiation from our industry competitors and offers yet another opportunity to engage with a younger market segment alongside our other customer segments.

IMPROVING CUSTOMER EXPERIENCE AND ADVOCACY

Our customer experience programmes are designed to help us focus on the areas of service that matter most to our customers. Customer experience in each of our markets is monitored on an ongoing basis through customer assessments, mystery shopping and customer dashboards. We have used the insights gained from this detailed analysis to influence a number of major strategic and product initiatives. For example, our “Early Care” programme introduced simplified and integrated communications to build stronger relationships with our customers from their first contact with AIA. We also launched a “Customer Understanding” initiative in each of our markets to monitor and assess a number of specific areas including brand health and customer advocacy. This work has helped us generate tailored products for a range of customer segments including young families, women, overseas workers, high-net-worth individuals and seniors.

BETTER ENGAGEMENT WITH OUR CUSTOMERS

AIA’s large-scale existing customer base of over 28 million individual policies and 16 million group insurance scheme members places us in a unique and advantaged position to generate new business growth from meeting evolving customer needs through cross-selling and upselling new products.

Our marketing teams have introduced advanced customer data analytics to help our agents and employees improve their engagement with our existing customers. In 2013 we continued to realise this important source of new business growth and we have seen positive results with a 78 per cent increase in VONB from new sales to existing customers compared with 2012.

As part of our aim to create powerful new ways of actively engaging with our customers and making the benefits of life insurance products more tangible, we launched a new wellness programme in July 2013 called “AIA Vitality”. AIA Vitality is a strategic joint venture with Discovery Limited, a specialist insurer headquartered in South Africa, and combines AIA’s brand, distribution and product leadership with Discovery Limited’s wellness-based expertise and experience. This innovative and science-backed programme enables us to offer protection products designed to encourage and reward sustained changes in healthy living while improving claims and persistency experience for AIA to further differentiate our proposition in the market and enhance sustainable value creation.

ENGAGEMENT WITH SOCIAL MEDIA

One of the many ways our marketing teams increase customer engagement is through the use of digital and social media. Increasing our social media presence has been one of our main digital marketing objectives in 2013. AIA now has a substantial and growing presence across a range of global and regional social media platforms with over 5.2 million followers using LINE in Thailand, 600,000 followers on Facebook and over 500,000 fans on Kakao Talk in Korea.

DELIVERING THE RIGHT PRODUCTS

AIA’s core business is to offer our customers financial security through protection against life’s risks and efficient regular savings plans to build up funds for the future. AIA offers an extensive range of products to meet the medical and healthcare, life cover, long-term wealth accumulation, retirement and legacy planning needs of our customers, with insurance providing a more effective means of securing protection than reliance on self-funding and a more reliable route to wealth accumulation than casual savings.

Our primary focus in protection is on raising the awareness of the need for additional cover to address the significant shortfall that exists between the levels of cover people need to protect the wealth and income of their families and the amounts they currently have in place. This shortfall exists globally but it is particularly significant in many Asian countries because of the low level of state welfare provision. As well as encouraging the take-up of new policies, we have also adopted a systematic approach to advising our customers of the need to increase their existing levels of cover to keep pace with their changing financial circumstances.

We have developed and launched new products in this area, such as multiple-payment and early-payment comprehensive critical illness products in Hong Kong, simplified issue health products in Korea, enhanced critical illness rider covers in Singapore and a comprehensive protection product in China.

We also see a major aspect of our business as providing customers with products to meet their long-term wealth creation goals, sometimes combined with additional protection, such as pre-funding education and retirement planning. For example, the value of new business generated from our unit-linked product range, which includes higher levels of protection cover, increased by 64 per cent compared with 2012.

Technology and Operations

In 2013, we continued to drive further improvements in our technology systems and business processes across the Group. We introduced a series of strategic, organisational and operational initiatives to increase our operating efficiency, enhance the quality of our service and improve our engagement with customers, agents and distribution partners.

Major initiatives during the year included:

- Strengthening our technology and operations leadership by improving the structure and depth of expertise of our teams;
- Modernising our technology platforms with a focus on operating efficiency, business continuity and information security;
- Providing operational support to our local markets to improve business efficiency and enhancing the service quality of our shared service centres in China and Malaysia; and
- Increasing employee and agent productivity while at the same time improving customer experience.

IMPROVEMENTS IN TECHNOLOGY

The organisational changes undertaken in 2013 streamlined Group accountabilities for technology governance, applications and infrastructure. A number of senior appointments were made during the year to strengthen our expertise in each of these areas. AIA continued to invest in upgrading technology and infrastructure to support our growth ambitions while maintaining cost efficiency. Early in the year we launched a major programme to replace our core policy administration systems in Hong Kong, Malaysia and Singapore and to retire our remaining mainframe platforms. A number of applications and processes are being replaced and upgraded as part of the ongoing roll-out of the programme. We expect improvements in operating efficiency and customer service, while reducing time to market for new products as the new systems come on stream.

We accelerated the modernisation of our server infrastructure using a “virtualization” process that allows us to pool our hardware resources making IT more flexible and cost effective as part of the first phase of a group-wide data centre upgrade programme. Over 90 per cent of our servers were converted during the year delivering significant performance and efficiency gains. We also automated many of our technology security processes to enhance the monitoring of potential security risk and events.

ENHANCED OPERATIONAL SUPPORT

The purpose of our newly-formed Group Office business process transformation team is to support our local businesses by providing specialist expertise, experience and resources and working with them to apply shared best practices. During 2013, we supported a number of new initiatives from our local businesses, in particular those in Singapore and Thailand. As a result of the introduction of new service performance metrics and management information systems, turnaround times and staff productivity levels have significantly improved across these markets. For example, in Singapore average underwriting processing time for individual new business reduced by 25 per cent during the year and Thailand improved its average claims processing times for group insurance business by 84 per cent.

We continued to invest in proprietary shared service centres to improve operating efficiency and lower expenses where possible. During 2013, we continued to expand the capacity and scope of our shared service centres that provide finance, actuarial, information technology and insurance processing back-office support services to Group Office and local business units.

Our technology shared service centres in China supported enhancements to existing systems and the roll-out of new ones, such as iPoS, across all of AIA's markets during 2013. We continued to drive material productivity gains in both new business underwriting and claims processing from our operations shared service centre in Malaysia. This allowed us to meet the increasing business demands from the Group Office and our operations in Singapore, Hong Kong and Australia. Overall, more than 8 million transactions were processed at this centre in 2013 which is an increase of 10 per cent compared with 2012.

SUPPORTING EMPLOYEE AND AGENT PRODUCTIVITY

AIA's internal enterprise community network, "Wave", was launched in 2012. It has been extensively adopted in 2013 and it has become our principal platform for internal communication, collaboration and innovation. It allows employees to share documents, knowledge and ideas; participate in group discussions; manage projects; approach subject-matter experts and keep up with the latest company news. More than 10,000 employees across the Group are registered users of Wave making up more than 1,000 interest groups spanning a full range of business, technical and social subject areas across the region.

AIA's proprietary iPoS technology is a first-of-its-kind, industry-leading sales tool. Using iPad mobile devices as the host device, iPoS improves the sales experience and allows our agents and partners to provide customers with a comprehensive financial advisory process including needs analysis, preparation of quotations, proposal generation, electronic signature and the secure electronic submission of policy applications.

Designed to be highly interactive and intuitive, iPoS provides customers with an entirely new experience, enabling our agents to identify their needs and to help them explore and buy life insurance products on the spot. For our agents, iPoS is a tool that greatly enhances their productivity and reduces the administrative workload as they conduct client meetings and process client applications with the aid of digitised forms and pre-validated data, resulting in fewer branch visits and less iterations in the underwriting and sale process. It also enables straight-through processing with the ability to enhance the customer experience and reduce administrative work in the back office, thereby shortening turnaround times and lowering overall processing costs.

The iPoS development team began a series of additional functionality and updates for our agents and agency leaders during the year that will further improve customer experience at the point of sale and also assist our agency leaders in managing agency productivity.

iPoS was first implemented in Taiwan, Singapore, Malaysia and Indonesia with the majority of active agents now adopting the new technology. In the last quarter of 2013 alone, over 100,000 new insurance applications were submitted through iPoS.

Geographical Markets

HONG KONG

US$ millions, unless otherwise stated	2013	2012[3]	YoY
VONB[1]	**468**	366	28%
VONB margin[2]	**57.6%**	58.4%	(0.8) pps
ANP	**781**	604	29%
TWPI	**3,770**	3,372	12%
Operating profit after tax	**770**	732	5%

In 2013, AIA's Hong Kong business once again achieved excellent VONB growth as a result of the continuing execution of our Premier Agency strategy and the progress we have made in expanding partnership distribution. Our rigorous approach to agency development has delivered improvements in the quality of agent recruitment, activity and productivity which combined to drive profitable growth and sustain one of our main competitive advantages in Hong Kong. The efficient and effective service provided by our distribution was backed by new products and targeted marketing designed to deliver a combination of high-quality advice and tailored products to meet the growing needs of our customers.

Financial Highlights

VONB grew by 28 per cent compared with 2012 to US$468 million. ANP increased by 29 per cent from improved agency productivity, the launch of new participating products and increased sales of accident and health benefit riders during the year. VONB margin for the year reduced by 0.8 pps compared with 2012. This represented an improvement in margin from the first half, which was due, in part, to new critical illness and regular savings products launched in the second half of the year. IFRS operating profit after tax increased by 5 per cent to US$770 million compared with 2012. Hong Kong continued to be the largest contributor to the Group's VONB and IFRS profit in 2013, accounting for 28 per cent of overall VONB and 30 per cent of IFRS operating profit after tax.

Distribution

AIA's agency sales force is the largest in Hong Kong and the leader in terms of MDRT qualifiers with an increase of 31 per cent compared with 2012 and 13 per cent of our agents qualifying for MDRT status in 2013. Our Premier Agency strategy is predicated on the recruitment of high-quality candidates, comprehensive training, development and support for our agents and agency leaders.

Our "Road to MDRT" programme, designed by our AIA Premier Academy for high-potential recruits new to the insurance industry, continued to set the standard for agency development in Hong Kong with more than 1,000 graduates since inception. New business productivity levels were twice that of the average new recruit in Hong Kong and over 10 per cent of graduates qualified for MDRT in 2013. We also launched new programmes targeted at the middle tier of agents to reward activity levels and drive increases in productivity. Overall active agent productivity increased by 19 per cent compared with 2012.

We have built on this success by launching our "Executive Development Programme" and "Future Leader Programme" also through the AIA Premier Academy. These new programmes offer clear agency leader career paths to young professionals with a strong track record in sales management and who are committed to developing their own agency teams within the life insurance industry.

We introduced new manager training and assessment schemes that were highly successful in increasing the recruitment activity levels and in supporting the validation of newly-promoted unit managers. As a result of our initiatives, our number of active new agents increased by 18 per cent compared with 2012 and more than half of our new recruits in 2013 were below the age of 30.

While our agency network remained our major distribution channel in Hong Kong, our partnership business also delivered excellent growth as we improved our protection product mix in the IFA channel and continued to invest in our service proposition to brokers. Our group insurance business VONB grew by 43 per cent compared with 2012 through the ongoing development of our broker partnerships and a focus on driving group insurance sales through our experienced agency force.

Products and Customers

The success of our product strategy is built on our ability to innovate and deliver quality regular savings and protection products that meet the evolving needs of the Hong Kong market. Our primary focus remains on the integration of protection cover within our product range. We upgraded our flagship multiple-payment and early-payment critical illness products during the year to further extend our market-leading position in this area.

In 2013, we continued to improve the analysis and segmentation of our large-scale existing customer base to support our integrated marketing and product campaigns. As a result, we extended our product range to target two customer segments, in particular young families and pre-retirees. We introduced regular savings participating products specifically designed to help pre-fund education needs for young families and address retirement planning and income distribution needs for our pre-retiree customer segment.

THAILAND

US$ millions, unless otherwise stated	2013	2012[3]	YoY
VONB[1]	**319**	287	11%
VONB margin[2]	**56.3%**	53.9%	2.4 pps
ANP	**565**	532	6%
TWPI	**3,364**	3,119	8%
Operating profit after tax	**526**	471	12%

AIA has the market-leading life insurance business in Thailand, which is the result of our nationwide agency network, leading industry brand and product expertise that has been built up over our 75-year history in the country. We continued to build on our advantaged position through the execution of our Premier Agency strategy with our focus on high-quality recruitment and enhanced training to improve activity levels and productivity. We launched a revised agency compensation and leadership structure towards the end of 2013 to encourage and reward performance aligned more closely with our emphasis on productivity and quality recruitment. We extended our product range with the introduction of our first-to-market next generation unit-linked product and strengthened our brand awareness with the launch of our new brand positioning during the year. Our new Chief Executive Officer in Thailand joined in July 2013 and the execution of our strategy to reinforce AIA's significant competitive advantages in Thailand delivered a solid performance in 2013.

Financial Highlights

VONB grew by 11 per cent to US$319 million compared with 2012. VONB margin improved by 2.4 pps to 56.3 per cent following the launch of new products and the proactive management of our product portfolio. ANP increased by 6 per cent to US$565 million as the agency force adjusted to the design of a new compensation structure during the year. IFRS operating profit after tax grew by 12 per cent compared with 2012 to US$526 million from underlying growth in the business.

As previously disclosed in our Annual Report 2012, the corporate tax rate in Thailand is assumed to be 20 per cent for assessment year 2014 and we have assumed a return to 30 per cent from assessment year 2015 onward.

Distribution

Our main focus in 2013 was on transforming our approach to recruitment through improving the efficiency of our agency leaders and increased training of new agents to improve activity levels. We established a new specialist recruitment department to work closely with our AIA Premier Academy and we also completed the full-scale implementation of our candidate profiling tools during the year. These tools are designed to determine those candidates that are best suited for a full-time career as a professional life insurance agent. By the end of 2013, around 90 per cent of new hires were undertaking this process prior to joining AIA.

Changes in our agency compensation structure were launched towards the end of the year and we believe that these will be positive for the business in the longer term by encouraging higher quality and more consistent recruitment and sales productivity. We also changed the agency leadership structure at the middle management levels to encourage promotion by helping agents build their teams and transition to managers. Our number of active new agents increased by 14 per cent compared with 2012 contributing to AIA retaining its position as the number one ranked agency distribution for MDRT members in Thailand in 2013.

While agency remains our main distribution channel in Thailand and a clear competitive advantage, we made good progress in expanding partnership distribution in 2013. In particular, our bancassurance business delivered a strong result from the launch of new products and our direct marketing operation benefited from increased investment in call centre capacity. We maintained our market-leading position in group insurance in Thailand from our focus on sales through our broker relationships and our agency channel to the SME segment.

Products and Customers

AIA has continued to build on its product leadership position by developing innovative ways of attracting new customers and improving the level of protection cover for our large-scale existing customer base. In the first half of 2013, we launched our next generation unit-linked product, which was the first of its kind in Thailand and was well received by the market. We also introduced a new comprehensive health plan in October 2013. The new plan is an upmarket health product enabling our agents to target a more affluent segment of the Thai market, leading to higher rider attachment ratios. The launch was also accompanied by existing customer marketing campaigns to upgrade the amounts and types of cover for our in-force policyholders.

SINGAPORE

US$ millions, unless otherwise stated	2013	2012[3]	YoY
VONB[1]	**269**	220	22%
VONB margin[2]	**67.3%**	65.1%	2.2 pps
ANP	**400**	339	18%
TWPI	**2,150**	2,035	6%
Operating profit after tax	**396**	345	15%

Singapore sustained strong growth momentum with an excellent performance in 2013. Our Premier Agency platform is an important competitive advantage for AIA and the main driver of our growth. We achieved a significant increase in our number of active agents, new recruits and agency productivity levels from the strong execution of our Premier Agency strategy. We continued to build on the success of our partnership distribution model and market-leading position in group insurance to complement our agency growth. The strong progress we have made in our distribution channels was supported by the roll-out of our new brand positioning and targeted new products that reinforced our position as a leader in the protection insurance market in Singapore.

Financial Highlights

VONB grew by 22 per cent compared with 2012 to US$269 million. VONB margin expanded by 2.2 pps to 67.3 per cent as a result of strong sales of new health protection products that were weighted towards the first half of the year partially offset by a higher proportion of savings products in the second half. ANP increased by 18 per cent to US$400 million driven by excellent growth in our agency force and strongly supported by our partnership distribution channel. IFRS operating profit after tax increased by 15 per cent to US$396 million compared with 2012 due to underlying growth in the business and strong investment income.

Distribution

Our commitment to the recruitment of the next generation of Premier Agents to reinforce the strength of our distribution platform has delivered excellent results in 2013. The launch of new initiatives during the year included innovative agency referral and recruitment programmes and we continued to build on the success of our new agency leadership career structure that was introduced towards the end of 2012. Together, our recruitment programmes delivered a 44 per cent increase in the number of active new agents compared with 2012. Our successful recruitment strategy, alongside training programmes from our AIA Premier Academy and targeted sales campaigns, achieved higher active agent productivity levels and 15 per cent growth in the number of active agents during the year.

AIA also launched iPoS, a fully mobile and secure interactive point-of-sale system for iPad mobile devices. It has quickly become a valuable sales tool for our Premier Agents with well over half of our active agents submitting applications through the system. Our commitment to enhancing efficiency through adopting this new technology in Singapore earned AIA the “Innovation of the Year” award by *Asia Insurance Review*.

Our partnership distribution channel accounts for around a quarter of our new business profitability in Singapore and continued to deliver strong growth through our relationships with regional and domestic banking partners and brokers targeting the more affluent segment. We maintained our position as the market leader in group insurance business by focusing on developing our broker partnerships through our regional platform and targeting SMEs using our Premier Agency network. Our research shows that 89 per cent of Singaporeans believe that companies should do more to help employees lead healthier lives. To this end, we launched a new group insurance product through our agency channel in the second half of the year, which included a simple menu of comprehensive protection plans to continue to differentiate our proposition in this attractive market.

Products and Customers

We introduced a new range of products to help our customers meet their regular savings and protection needs and strengthen AIA's position as a market leader in protection insurance in Singapore. Our HealthShield plans were aligned with the Singaporean government's latest upgrade of its insurance scheme at the beginning of the year. These redesigned products were very well received and encouraged significant numbers of new and existing customers to upgrade their levels of cover.

We also launched AIA Vitality in Singapore in 2013. This innovative and science-backed programme enables us to offer protection products designed to encourage and reward sustained changes in healthy living. We offer premium discounts to participating customers as they progress against their own personal health goals, while improving claims and persistency experience for AIA. The programme is part of our aim of creating powerful new ways of actively engaging with our customers and further differentiating AIA within the market.

MALAYSIA

US$ millions, unless otherwise stated	2013	2012[3]	YoY
VONB[1]	**120**	69	74%
VONB margin[2]	**37.8%**	46.0%	(8.2) pps
ANP	**319**	151	111%
TWPI	**2,036**	964	111%
Operating profit after tax	**250**	150	67%

Our primary focus in 2013 was on the successful integration of our newly-acquired business, ING Malaysia, following the close of the transaction on 18 December 2012. We achieved a major milestone in June 2013 with the legal consolidation of the two businesses under a single licence and with the adoption of the AIA brand across the combined operation. We made further progress with the launch of a new, single unified range of products on a common new business administration platform and with the alignment of a single agency compensation structure in the second half of the year. While the work to complete the full integration continues, our progress in consolidating our leading position in the attractive Malaysian market is ahead of schedule and with realised expense synergies above our expectations. We remain committed to building a leading business in Malaysia that will deliver further opportunities for profitable growth.

Financial Highlights

Our Malaysian business reported a 74 per cent uplift in VONB to US$120 million following the consolidation of ING Malaysia's results with effect from the close of the transaction. We delivered ANP of US$319 million, which was more than double the amount of AIA's stand-alone business in 2012. The VONB margin on a combined basis was 37.8 per cent reflecting the mix of lower-margin products from ING Malaysia, as disclosed in our interim results announced on 26 July 2013. VONB margin in the second half of 2013 improved to 40.2 per cent from a positive shift in product mix following the launch of our new product range in June 2013. IFRS operating profit after tax increased by 67 per cent to US$250 million following the consolidation of our newly-acquired business.

Distribution

The acquisition of ING Malaysia has materially strengthened the scale and breadth of our distribution capabilities in Malaysia. The transaction broadened the geographical coverage of our agency distribution and doubled the size of our agency force. We extended our Premier Agency strategy to incorporate our enlarged sales force during the year with a focus on improving recruitment and productivity.

We introduced a number of recruitment schemes in conjunction with a nationwide marketing campaign that was successful in utilising AIA's new market leadership position to target young professionals. As a result, the number of new recruits trebled compared with 2012. We also increased active agent productivity at the same time as improving VONB margin with the introduction of our new range of products in June 2013.

Our Premier Agency strategy in Malaysia is strongly supported by our ongoing investment in industry-leading point-of-sale technology, as we continued to roll out iPoS to our enlarged agency force during the year. AIA launched the system in December 2012 to our agency in Malaysia. By the end of 2013, over 70 per cent of our active agents were submitting new business applications through iPoS, improving agency productivity while enhancing customer experience.

Our new bancassurance partnership with Public Bank, one of the leading retail banking groups in Malaysia, has also made a successful start. We introduced a new product range to this channel earlier in the year accompanied by the launch of training programmes for in-branch insurance sales specialists. As a result, the improvements in product mix combined with sustained increases in productivity has delivered a material contribution to the VONB performance of our Malaysian business in 2013 with bancassurance accounting for around 18 per cent of the total VONB generated.

Products and Customers

Our product development and customer campaigns during the year were in line with the overall group strategy and centred on raising customer awareness of the need for regular savings and protection cover. We withdrew existing products to enable us to introduce a new, single range of enhanced products under the AIA brand following the legal consolidation of the two businesses in June 2013. The new product range offers a comprehensive series of unit-linked and protection products administered on a single new business platform to help our agency distribution address the needs of our customers while improving the mix of our product portfolio.

We also launched our new “Empower” range of flexible unit-linked plans through our partnership with Public Bank. These products offer a combination of increased protection and rider attachments combined with regular savings and sales in the second half of the year have been encouraging.

We continued to engage the holders of our more than 3.9 million individual policies and launched a series of new paperless campaigns through our iPoS platform focused on cross-selling unit-linked products with higher protection content.

CHINA

US$ millions, unless otherwise stated	2013	2012[3]	YoY
VONB[1]	**166**	124	34%
VONB margin[2]	**66.4%**	57.5%	8.9 pps
ANP	**249**	215	16%
TWPI	**1,599**	1,446	11%
Operating profit after tax	**205**	151	36%

Our consistent strategy of improving the quality and professionalism of our agency distribution has delivered excellent financial results in 2013 with sustained profitable new business growth and a significant uplift in IFRS operating profit after tax. AIA has successfully positioned itself as a leader in the provision of comprehensive protection insurance products in China in addition to our established role as a provider of long-term savings products. The effective execution of our Premier Agency strategy has enabled us to recruit, develop and retain the high-calibre agents needed to provide the advice and service required to effectively distribute these products to our customers. Over the last three years, we have more than doubled our VONB and IFRS operating profit after tax in China and our differentiated approach has once again delivered profitable growth.

Financial Highlights

VONB grew by 34 per cent compared with 2012 to US$166 million. VONB margin increased by 8.9 pps to 66.4 per cent mainly driven by product mix improvements, lower expenses and a positive tax effect. ANP increased by 16 per cent to US$249 million from improved agency productivity combined with an increased number of active agents. IFRS operating profit after tax increased by 36 per cent compared with 2012 to US$205 million from strong business growth, improved investment income and a lower effective tax rate compared with 2012.

Distribution

Agency remained our core distribution channel and primary driver of growth in China. We continued to develop our Premier Agency leaders in 2013 with training designed to increase the effectiveness of our recruitment activities. We also launched a new induction programme for agents and agency leaders to provide better supervision and coaching of new agents. The number of active new agents grew by 35 per cent compared with 2012 reflecting both the increase in recruitment and improvement in activity levels as a result of these initiatives.

Our aim is to provide our agents with the advisory skills and product range to enable them to build a long-term career as professional agents. AIA's approach to agency training allows us to develop agents who can adapt to serve the evolving needs of our customers. It enables our agents to grow their incomes and increase productivity, which in turn enables AIA to recruit and retain Premier Agents. Average income levels and productivity per active agent increased notably in China in 2013, as demonstrated by the number of MDRT qualifiers growing by 30 per cent.

Our partnership distribution channel in China is an additional source of growth for AIA. Our bancassurance and direct marketing businesses delivered strong performances during the year with a significant improvement in VONB margin driven by our sales of protection and long-term regular premium savings products. We continue to focus on partnership business opportunities that generate appropriate returns for our customers, our partners and our shareholders.

Products and Customers

Since AIA re-entered China more than two decades ago, we have established a track record of offering innovative new products to match the developing sophistication and needs of our customers. The provision of advice and solutions focused on insurance protection has remained at the forefront of our strategy and is a clear advantage for AIA within the Chinese life insurance market. Adding to the success of our bestselling All-in-One product offering comprehensive cover to middle-income customers and our established regular premium savings products, we broadened our range to include a next generation unit-linked product with higher protection content, which became our third bestselling product in 2013. We also launched retirement savings products specifically designed to target the ageing population in China.

KOREA

US$ millions, unless otherwise stated	2013	2012[3]	YoY
VONB[1]	**91**	68	34%
VONB margin[2]	**26.8%**	28.5%	(1.7) pps
ANP	**338**	237	43%
TWPI	**2,049**	1,942	6%
Operating profit after tax	**150**	125	20%

The strategic decisions we have taken in our Korean business over the last two years have begun to lay a solid foundation for achieving our commitment of delivering quality growth in this market. While some other companies pursue market share through writing lower-margin business, our strategy is to focus on profitable growth by expanding the protection content of our products through our direct marketing and tied agency channels. AIA's Korean operation delivered strong growth in 2013, as a direct result of the execution of this strategy. We have made good progress in repositioning our agency channel over this period and the ongoing transformation of our direct marketing business has also delivered a positive result in 2013.

Financial Highlights

VONB increased by 34 per cent compared with 2012 to US$91 million. ANP grew by 43 per cent as a result of strong growth in active agent numbers and a solid performance in our direct marketing channel following successful product launches and increased recruitment. In the first quarter of the year, we also benefited from strong sales through selected bancassurance partners preceding a one-time change in the local tax law.

VONB margin reduced by 1.7 pps compared with 2012 but improved in the second half of 2013 as we benefited from the launch of a new unit-linked packaged product with greater accident and health rider attachments in the agency channel and an increased proportion of higher-margin direct marketing sales. IFRS operating profit after tax increased by 20 per cent compared with 2012 to US$150 million due to improved claims experience.

Distribution

AIA operates a multi-channel distribution strategy in Korea. The fundamental drivers of sustainable agency growth are quality recruitment and superior training and we have achieved good results in each of these areas in 2013. Our targeted approach to recruitment and improvements in training have delivered a 17 per cent increase in the number of active agents. We launched our "Next AIA" recruitment and development programme that builds on the success of the Hong Kong "Road to MDRT" initiative and demonstrates the new agency culture we are looking to embed in Korea. Over 200 agents were recruited through this programme in the second half of 2013 and early results showed that activity levels were 20 per cent higher than the average of our Korean business. The strong growth in active agents has been accompanied by improvements in productivity.

We delivered an improved performance in our direct marketing channel in 2013 from our strategy of growing distribution capacity while improving the productivity and retention levels of new recruits. The expansion of our four new call centres in 2012 enabled us to launch new recruitment campaigns that increased the number of telesales representatives (TSRs) in 2013 by 30 per cent compared with 2012. Our new training programmes have improved sales productivity levels and driven an improving trend in the retention rates of our TSRs, as we undertake stringent selection and better equip our sales leaders to train and coach new recruits.

While we have made positive progress during the year, we continue to prioritise improvements in our direct marketing operations, including our sales management systems to enhance the quality and allocation of our sales lead data and our performance management processes to improve productivity levels, in order to deliver a market-leading distribution platform.

Products and Customers

AIA remains focused on segments of the Korean market that are aligned with the Group's strategy of providing our customers with the ability to meet their long-term wealth creation goals while providing additional protection cover. AIA launched new products during the year including our simplified issue health product sold through our direct marketing channel and a new health product designed to reach the senior segment in Korea.

OTHER MARKETS

US$ millions, unless otherwise stated	2013	2012[3]	YoY
VONB[1]	**220**	167	32%
VONB margin[2]	**32.0%**	27.0%	5.0 pps
ANP	**689**	618	11%
TWPI	**2,840**	2,482	14%
Operating profit after tax	**244**	207	18%

Other Markets refers to AIA's operations in Australia, Indonesia, the Philippines, New Zealand, Sri Lanka, Taiwan and Vietnam. Our 26 per cent share of the financial results from our joint venture in India is included in IFRS operating profit after tax on an equity accounted basis.

Financial Highlights

Our Other Markets delivered another strong performance with VONB growth of 32 per cent compared with 2012 to US$220 million. The result was driven by excellent growth in the Philippines and Indonesia and strong performances in Australia and Vietnam. Sri Lanka also made a positive contribution after its successful integration into the Group during the year.

VONB margin expanded by 5.0 pps to 32.0 per cent and ANP grew by 11 per cent to US$689 million with the positive growth in US dollar terms moderated by foreign exchange translation effects particularly in Australia and Indonesia. IFRS operating profit after tax grew strongly by 18 per cent compared with 2012 mainly driven by business growth and margin improvements in Indonesia and the Philippines.

Business Unit Performance

Australia: AIA's Australian business delivered solid growth in VONB driven by the execution of our Premier IFA model and our prominent position as an independent risk specialist. The Australian life insurance market has one of the lowest protection penetration levels globally and a rapidly-growing protection gap. Our strategy is to drive future profitable growth by offering products that protect the financial health and welfare of our customers and to differentiate AIA by providing best-in-class service to our advisers.

In 2013, AIA also led the way in restructuring the design of group insurance schemes by working closely with our corporate clients to introduce new profit sharing arrangements. We continued to manage claims proactively and effectively over the year through our highly-experienced claims assessment and rehabilitation teams. These new arrangements enable us to work ever more closely with the human resources teams of our corporate clients to help claimants return to work efficiently benefiting the individuals concerned, the employers and AIA.

Indonesia: While reported growth in US dollar terms was affected by foreign currency exchange translation in the fourth quarter, AIA's business in Indonesia achieved solid results in 2013. AIA benefits from a multi-channel distribution strategy to target the large and growing working population in Indonesia. Following the successful launch of our next generation unit-linked products in our agency channel in 2012, we introduced a similar range of products with accident and health riders through our bank partners in 2013. Product mix improvements contributed to a substantial increase in VONB margin compared with 2012.

Our Premier Agency strategy continued to focus on quality recruitment and training including the development of a new 24-month comprehensive training roadmap for our agents and agency leaders. Our bancassurance business maintained its excellent track record of outstanding results with an increase in VONB of 67 per cent compared with 2012. The growth was driven by a 26 per cent increase in the number of active in-branch insurance specialists compared with 2012, new additional bank partnerships and a strong margin increase from product mix improvements.

Philippines: AIA's operations in the Philippines delivered another outstanding performance in 2013. The launch of new recruitment and activity management programmes as part of our overall Premier Agency strategy generated excellent results with a 79 per cent increase in the number of active new agents compared with 2012. As well as improvements in agency productivity and activity, the successful adoption of our next generation unit-linked products also significantly improved the new business margin in our agency channel. Our joint venture with the Bank of the Philippine Islands (BPI) also had another strong year. The introduction of new activity management and training programmes improved both the productivity and activity levels of our in-branch specialists driving strong ANP growth. The effective execution of our growth strategy across our distribution channels combined with the successful adoption of our next generation unit-linked products delivered growth in VONB exceeding 90 per cent compared with 2012.

New Zealand: AIA's New Zealand business delivered strong VONB growth in 2013 as a direct result of the extensive work undertaken over the last two years to refocus our core IFA proposition. Our strategy is based on the delivery of a targeted service model using adviser segmentation and a redesigned product portfolio to improve margins. As part of our efforts to continue to diversify our distribution capabilities, we further expanded our direct marketing business in 2013 and introduced a new agency channel designed to engage with the fast-growing Asian communities in New Zealand.

Sri Lanka: AIA entered Sri Lanka with the completion of the acquisition of a 92 per cent stake in Aviva NDB Insurance (ANI) in December 2012 (further increased to 97 per cent in April 2013). Through the acquisition, AIA became the second-largest life insurance company in Sri Lanka. Our high-quality agency force is our primary distribution channel and we have grown our active new agents by 69 per cent with 23 new branch locations opened compared with 2012. We also continued to roll out our bancassurance distribution with our exclusive partner National Development Bank PLC (NDB), one of the largest financial conglomerates in the country. The results in Sri Lanka also benefited from product innovation and best practice sharing as part of the Group which included the launch of a range of new protection products aligned with the wider group strategy.

Taiwan: Our Taiwanese operation continued to develop its distribution platform in 2013 with the aim of creating a modern multi-channel insurance business using technology to deliver improved service levels and efficiencies. We continued to make progress in agency with an increased number of active agents and material improvements in new business margin compared with 2012. We launched new critical illness and next generation unit-linked products in the year to replace an existing lower-margin product. AIA has also secured important relationships with a number of prominent brokers that has led to growth in this emerging channel. Our direct marketing business has made progress through the recruitment of high-quality telesales representatives and the launch of a new hospital income product towards the end of the year.

Vietnam: AIA's business in Vietnam delivered strong VONB growth compared with 2012. The training and recruitment programmes launched in 2013 have driven a material uplift in agency productivity leading to strong growth in ANP and higher new business margins. VONB from agency more than doubled compared with 2012 and the average case size per agent increased by 37 per cent. We also further expanded our product range with the first half launch of a new hospital benefit rider plan and a regular savings participating product meeting the rapidly-growing regular savings and protection needs of our customers in Vietnam.

Notes:

Throughout the Distribution section:

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

Throughout the Geographical Markets section:

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

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

(3) Certain segmental reclassifications have been made in the prior year VONB, VONB margin and IFRS operating profit after tax results to conform to current year presentation. The reclassification has no impact on the total VONB, VONB margin and IFRS operating profit after tax of the Group for the year ended 30 November 2012.

RISK MANAGEMENT

Overview

The core of AIA's business is accepting, pooling and managing risk for the benefit of policyholders, bondholders and shareholders. Effective risk management is vital in any organisation but especially in a life insurance business where it is a key driver of value. Accordingly, AIA does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits in order to create long-term value.

All business unit managers and executives are accountable for ensuring their businesses operate at all times within the Risk Appetite set by the Board. This is done by identifying the risks associated with their activities, understanding and seeking to manage and mitigate them effectively and achieving appropriate returns for the risks taken. In this they are supported at an operational level by specialist functions within each business and the Group's financial, actuarial, investment, legal, compliance, risk management and underwriting teams.

The Group operates a risk management framework (RMF) with Group Risk and Compliance providing assurance to the Board and executive management that this framework is appropriate and effective.

AIA manages risk using a "three lines of defence" governance model described in the Risk Governance and Reporting Structure section that follows.

The Company's Board retains overall responsibility for oversight of the Group's risk management activities.

All risks that are undertaken by the Group are backed by appropriate levels of capital to support the ongoing business and protect policyholders. While AIA seeks capital efficiency, we do so within acceptable levels of risk without compromising either financial strength or the requirement for appropriate returns. We discuss below the principal risks and how these are managed.

Risk Management Framework

An effective RMF is the key to avoiding the financial and reputational damage that arises from inadequate or ineffective control of the risks in the business.

AIA's RMF has the following components:

- Risk Appetite;
- Risk Governance;
- Risk Metrics;
- Local Risk Functions; and the
- Group Risk Function.

Risk Appetite

AIA's Risk Appetite is the foundation of its RMF. It establishes the risk boundaries within which the business will operate, sets stakeholder expectations in regard to the risks being run and assures policyholders, regulators, shareholders, bondholders and employees that the institution has a comprehensive approach to risk management and is thus well placed to deal with unexpected shocks.

Risk Appetite can be presented as a pyramid, with qualitative statements supported by quantitative metrics which are applied at each level within the business, as illustrated in the figure below:

- The Risk Appetite Statement (RAS) is an overarching comment on the enterprise's attitude to risk;
- Risk Principles are qualitative statements that expand the RAS;
- Risk Tolerances are quantitative statements that validate the Risk Principles and thus the RAS;
- Risk Allocations are the risk tolerances for each category of risk between specific risks, products or businesses;
- Risk Preferences define the enterprise's attitude to specific risks; and
- Limits and Controls reflect the risk allocations and preferences in the business.

AIA has adopted the following Risk Appetite Statement:

"The amount of risk taken by AIA in the ordinary course of its business will be sufficient to meet its customers' reasonable requirements for protection and benefits while ensuring that the level and volatility of shareholder returns are in line with a broadly-based risk profile appropriate to an Asia ex-Japan-focused life insurance company."

This statement is consistent with AIA's vision of being the pre-eminent life insurance provider in the Asia-Pacific region while contributing to the financial security of the people and the economic and social development of the region.

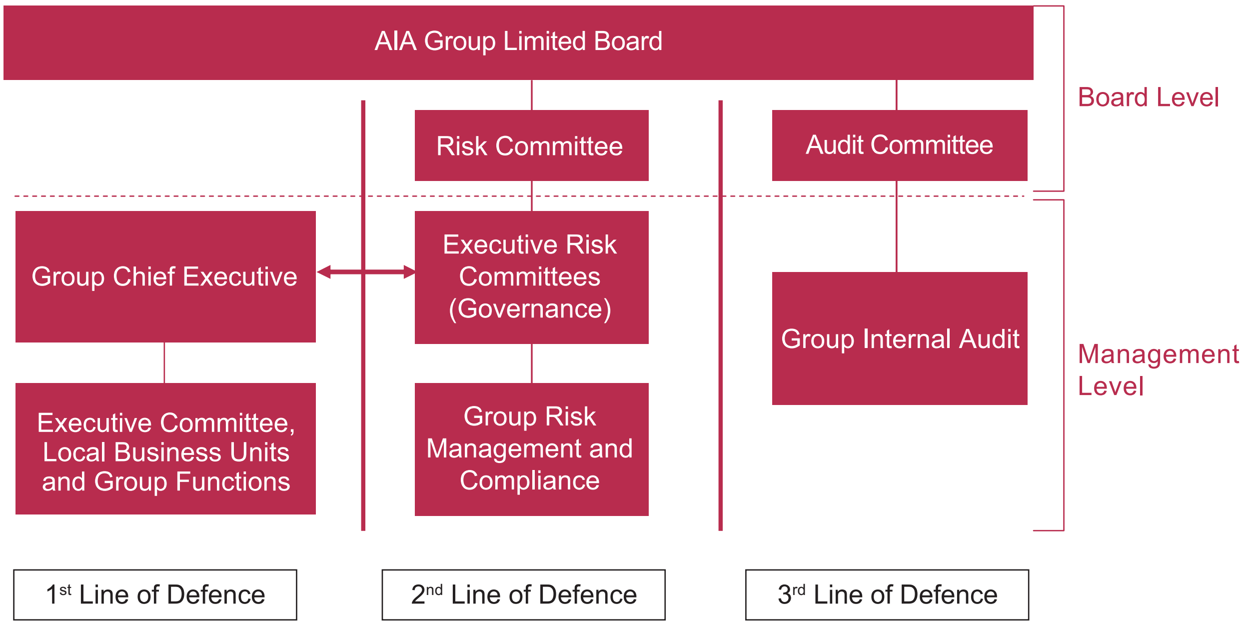
AIA supports its RAS with four Risk Principles, each addressing one of AIA's risk and capital management priorities.

Priority	Risk Principle
Regulatory Capital	*"We have no appetite for regulatory non-compliance and as such will ensure that we hold sufficient capital to meet our current statutory minimum solvency in all but the most extreme market conditions."*
Financial Strength	*"We will ensure the Group's ability to meet all future commitments to our customers, both financial obligations and in terms of the promises we make to them. We will maintain sufficient capital to support a Financial Strength Rating that meets our business needs."*
Liquidity	*"We will maintain sufficient liquidity to meet our expected financial commitments as they fall due."*
Earnings Volatility	*"We will seek to deliver reported operating earnings consistent with expectations and will implement policies, limits and controls to contain operational risks, risk concentrations and insurance risks within reasonable tolerances."*

Each of these Risk Principles is supported by a Risk Tolerance, a measurable financial benchmark that enables AIA to validate each of these principles such that assurance can be provided to the Board that AIA is operating within its Risk Appetite.

Risk Governance and Reporting Structure

The "three lines of defence" model is embodied in the Group's risk governance structure as illustrated in the chart below:

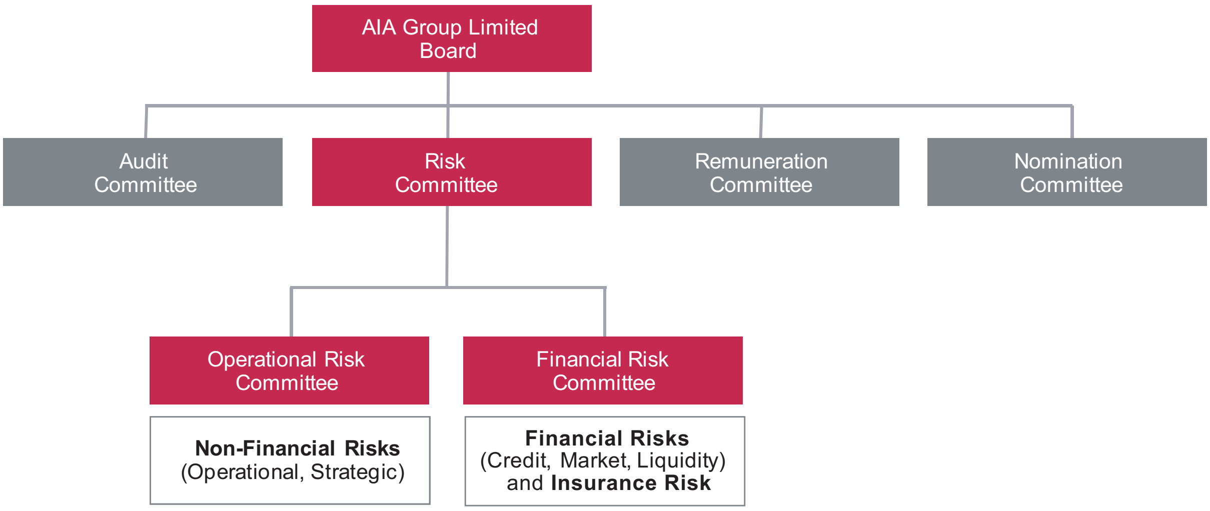


The "first line of defence" is made up of the business units and the Finance, Actuarial and Investment functions. Executive management of each business unit is required to put in place processes, limits and controls for the identification, management and mitigation of all risks. These must be consistent with the Group's policies so as to ensure that the business operates at all times within its Risk Appetite. All decisions at both a business unit and Group level are made by individual executives operating in the first line of defence under delegation from the Group Chief Executive. These executives are accountable for their decisions. Decisions regarding activities deemed to have significant risks attached or that are materially outside policy will be referred to the Group Chief Executive or, where appropriate, to the Board.

The "second line of defence" at Group level consists of two important functional areas, the Group's Compliance functions and Group Risk. Though separate functions, their combined role is to provide effective and objective oversight of all risks being managed in the Company and to give assurance to executive management and the Board that risks are being managed satisfactorily within AIA's Risk Appetite. The second line provides support to executive management through regular reporting to the executive risk committees described below, and to the Board via the Risk Committee. The Group Risk function manages the RMF, ensuring that consistent policies and processes are adopted across the Group and that all decisions are made within policies and risk appetite following a full assessment of all risks associated with a business or transaction. Compliance supports these efforts by providing oversight to the programmes that ensure adherence to the high standards set by the Group in its various policies and procedures, as well as the regulatory requirements to which the Group and the businesses of which it is comprised are subject.

The "third line of defence" comprises Group Internal Audit, which provides assurance to the Board, through the Audit Committee, and executive management as to the effectiveness of risk management processes and internal controls. This assists the Board in maintaining an international standard of corporate governance.

AIA's current risk governance and reporting structure was implemented in 2012 and is illustrated in the chart below:



THE BOARD

The Company's Board retains overall responsibility for oversight of the Group's risk management activities. In this regard the Board sets the Group's Risk Appetite, agrees the RMF and monitors group-wide risks. In fulfilling these responsibilities the Board is supported and advised by the Risk Committee.

RISK COMMITTEE

The Risk Committee advises the Board on all risk-related issues requiring Board attention. The Risk Committee is also responsible for approving risk metrics used in the context of the Group's Risk Appetite. The members of the Risk Committee are all Board directors, with the Chairman required to be an Independent Non-Executive Director. The Risk Committee meets at least four times a year.

The Risk Committee has oversight over all risk management activities in the Group. At each meeting it considers the general risk environment, reviews the activities of the Group's executive risk committees and the Group's financial position. The Risk Committee undertakes thorough reviews of the material risks undertaken by the Group and regularly conducts a more detailed review of both financial and operational risks. In 2013 the Risk Committee also reviewed, amongst other things, the Group's development of new risk measures, its fraud prevention programme and the impact, both actual and potential, of specific market events in Asia and globally on the Group's financial condition.

OPERATIONAL RISK COMMITTEE (ORC)

The ORC provides oversight of non-financial risk activities within the Group. These include any activity that has the potential to weaken the business, whether strategic or reputational, and may include issues related to human, physical or technology resources. The ORC approves Group policies, processes and metrics related to the management of Operational Risk. The members of the ORC are predominantly members of the Group Executive Committee and the ORC is chaired by the Group Chief Financial Officer. The ORC meets at least four times a year.

At each meeting the operational risk environment is reviewed based on the Group's defined key operating risks and the local business unit ORC reports with emerging risks deemed to have a Group dimension considered for inclusion on the Group Watch List. In 2013 the ORC discussed, amongst other things, the Group's arrangements for incident management and business resumption, changes in investment operations, the execution of integration plans for AIA in Malaysia and Sri Lanka and the Group's major IT projects.

FINANCIAL RISK COMMITTEE (FRC)

The FRC provides oversight of financial and insurance risk activities within the Group. These include market and insurance risks as well as the Group's balance sheet, liquidity and capital position. The FRC approves Group policies, processes and metrics related to the management of these risks. The members of the FRC include the Group Chief Investment Officer, Group Chief Financial Officer and Group General Counsel. The FRC is chaired by the Group Chief Executive. The FRC meets at least four times a year.

At each meeting the Group's capital and balance sheet position are reviewed as well as the risks in the Group's investment portfolio. Risk governance items, local business unit FRC reports and watch lists are standing agenda items with issues deemed to have a Group dimension placed on the Group Watch List. In addition, at each meeting a local risk officer leads a review of that country's risk profile. In 2013 the FRC discussed, amongst other things, risk tolerances to support the RAS, the risks associated with various investment diversification strategies, asset-liability management (ALM) and the Group's underwriting risk management.

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

Local and Group Risk Functions

The primary role of the local and Group risk functions (working together) is to provide effective and objective oversight of all risks being managed in the Company and to provide assurance to management and boards, both locally and at Group, that risks are being managed satisfactorily and contained within AIA's Risk Appetite. Oversight is the process of ensuring that appropriate controls and processes are in place for identifying and managing all risks and that through these processes emerging risks are being identified and, where appropriate, escalated.

AIA has adopted a local risk management structure consistent with its operating model with local risk functions reporting to local management. This also supports the direction being taken by local regulators and boards and holds local management accountable for risk management. While local risk functions report to local management, they operate and are benchmarked against standards set by the Group. Local risk functions work closely with Group Risk which is responsible for overseeing and ensuring their effectiveness.

Regulators and local Boards are demanding more from local risk functions and this, coupled with the increasing scale and complexity of the business, requires a broad and sophisticated risk function in all business units. We ensure that each business unit is appropriately resourced with the necessary experience and tools to oversee the risks detailed below.

Group Risk provides oversight of all risks across the Group. The identification and escalation of any risks that may be described as "having a Group dimension", i.e. are of sufficient materiality to constitute a financial or reputational threat to the wider AIA Group, is a critical part of AIA's RMF. This is achieved through:

- Close oversight of local risk committees whose activities and risk watch lists are reviewed by the Group Risk function and form standing items on the FRC and ORC agendas;

- A consistent process for escalating matters that fall outside existing policies, with a particular focus on materiality; and

- Regular and consistent consultation among local risk, Group Compliance and Internal Audit functions with regular reporting to Group Executive Committee members to identify emerging issues.

More generally the Group Risk function will be expected to take the lead on specific issues, provide general guidance as to best practice and to intervene where significant issues may potentially occur.

Risk Metrics

Fundamental to sound risk management is the need to quantify risks effectively. Group Risk has a dedicated risk modeling function that works closely with the Finance, Actuarial and Investment functions to assess the various risks in the balance sheet. There are four principal risk modeling activities:

- **Stress Testing:** Stress testing provides assurance that the Group and the business units are adequately capitalised to maintain regulatory solvency and withstand adverse financial risk events.

  We perform regular stress testing to monitor the potential impact of the changing investment and economic environment on the regulatory capital position of the Group and each of the business units. These tests show the financial impact the risks identified above are likely to have when considered individually and collectively. The ability to diversify risk is a key competitive advantage for a financial institution operating across a diverse set of economies. Accordingly, AIA closely monitors the correlations between risks across different countries.

- **Economic Capital:** Economic capital is widely used by large international financial services groups as a measure of financial strength and as a means of comparing the relative financial merits of different business strategies regardless of varying regulatory capital requirements.

  AIA is developing an economic capital model based on best estimates of its liabilities to an agreed confidence level. The model draws on global industry best practices and takes into account the environment in the Asia-Pacific region, in particular in relation to the economic and market-related parameters adopted within the model.

- **Market Risk:** Group Risk works closely with the Investment Analytics team to develop and implement quantitative techniques for measuring AIA's market risks. For example, duration and other related measures are used to quantify interest rate risk, peak exposure is used to determine credit and liquidity risk, and Value At Risk measures are used to assess different investment strategies. These measures are used in the regular updates on investments provided to the Financial Risk Committee and in setting limits and defining actions to mitigate market risk.

- **Operational Risk:** Where data is scarce, scenario modeling techniques are used to approximate the loss distribution associated with a particular event or set of circumstances.

  The operational risk team uses scenario modeling to estimate the potential for losses arising from major strategic and operational risks, and to quantify such losses.

Risk Categorisations

Under the RMF, the Group adopts a common language in the description of risks at both the Group and the local business unit levels to proactively manage a wide spectrum of financial and non-financial risks as summarised in the chart below:

PRINCIPAL RISKS

The principal risks and the Group's approach to managing them are discussed below with further information provided in note 37 to the financial statements.

Insurance Risk

Insurance risk is the potential loss resulting from mortality, morbidity, persistency, longevity and adverse expense experience. This includes the potential impacts from catastrophic events such as pandemics and natural disasters.

Note 27 to the financial statements details insurance contract liabilities, the nature of insurance products and their principal risks.

The Group manages its exposure to insurance risk at each stage of the process.

- **Product Design:** The Group manages product design risk through the New Product Approval Process where products are reviewed against pricing, design and operational risk benchmarks agreed by the Group Financial Risk Committee (FRC). Local business units work closely with a number of Group functions including product management, actuarial, legal, compliance, risk and underwriting. The Group monitors closely the performance of new products and focuses on actively managing each part of the actuarial control cycle to minimise risk in the in-force book as well as for new products.

- **Underwriting, Claims & Expense Discipline:** Professional underwriting together with active management of expenses reduces the risk of actual experience being adverse compared with the assumptions used in the pricing of products. We adhere to well-defined market-oriented underwriting and claims guidelines and practices that have been developed based on extensive historical experience. Daily operations also follow a disciplined budgeting and control process that allows for the management of expenses within pricing estimates based on the Group's very substantial experience within the markets in which we operate.

- **Sales Quality:** Ensuring customers buy products that meet their needs is central to the Group's operating philosophy. Through comprehensive sales training programmes and active monitoring and management of sales activities and persistency, the Group seeks to ensure that appropriate products are sold by sales representatives and that standards of service consistently meet or exceed our customers' reasonable expectations. This allows the Group to meet customer needs while also delivering sustainable value to shareholders through the consistent income derived from a large and predictable in-force book of business across a broad set of markets.

- **Experience Management:** The Group conducts regular experience studies of all the insurance risk factors in its in-force block. These internal studies together with external data are used to identify emerging trends which can then be used to inform product design, pricing, underwriting, claims management and reinsurance needs.

- **Research:** Through monitoring the development of both local and global trends in medical technology, health and wellness, the impact of legislation and general social, political and economic conditions the Group seeks to anticipate and respond promptly to potential adverse experience impacts on its products.

- **Reinsurance:** The Group uses reinsurance solutions to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophic events such as pandemics or natural disasters.

Financial Risks

Financial risk is the potential loss resulting from adverse movements in financial markets, changes in the financial condition of counterparties and in market liquidity to buy and sell investments. Financial risk is subdivided into credit risk, market risk (which includes interest rate, credit spread, equity price, property price and foreign exchange rate risk) and liquidity risk.

The Group manages its exposure to financial risk within tolerances agreed by the FRC. Risk metrics such as those described above are used to identify exposure to each of the major financial risks. "First line" management of financial risk is primarily conducted by the Investment and Treasury functions with oversight provided by a dedicated Investment Risk function in Group Risk and financial risk management units in all major business units.

The Group also manages financial risk by periodically running specific scenario modeling exercises to gauge the potential impact of macro political and economic events on financial strength and profitability.

Credit Risk

Credit risk is the risk that third parties fail to meet their obligations to the Group when they fall due. Credit risk occurs wherever reliance is placed on a third party to satisfy a financial obligation. Although the primary source of credit risk is the Group's investment portfolio, such risk can also arise through reinsurance, procurement and treasury activities.

Note 21 to the financial statements provides further details of the Group's financial investments in debt instruments, the credit quality of those instruments and the basis on which they are carried in the Financial Statements.

The management of all credit risk occurs on two levels within AIA. The Credit Research team in the Investment Department performs a detailed analysis of individual counterparties and recommends a rating within the internal ratings framework. The Group Risk function manages the Group's internal ratings framework and reviews these recommendations and where appropriate makes recommendations for revisions from time to time. Agreed internal ratings are then used to determine the Group's appetite for exposure to each counterparty.

A matrix of risk tolerances has been approved by the FRC that ensures that credit risk in the investment portfolio is contained within AIA's Risk Appetite. These tolerances cover individual counterparty, segmental concentration and cross-border exposures. The Investment Department has discretion to shape the portfolio within those risk tolerances, seeking further Group approvals through the risk governance framework where they wish to invest outside those tolerances. If certain investments are technically within risk tolerances but there is a specific concern, Group Risk brings these to the attention of the FRC for inclusion in the Group Watch List.

Market Risk

Market risk is the risk of financial 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 the spread of credit instruments to corresponding government bonds, "Credit Spread Risk", and in equity and property prices. Note 37 to the financial statements provides further detail relating to the market risks discussed below.

The FRC approves all policies and metrics associated with the evaluation of market risk exposures.

Interest Rate Risk

The Group's exposure to interest rate risk predominantly arises from any difference between the duration of the Group's liabilities and assets, in particular in relation to the reinvestment of maturing assets to meet the Group's commitments, predominantly its insurance liabilities. In insurance companies this is often known as ALM risk. This exposure can be heightened in products with inherent options or guarantees. Since the majority of the Group's investments are in fixed income securities interest rate risk is the Group's largest market risk.

Exposure to interest rate risk is summarised in note 37 to the financial statements, which shows the split of financial assets and liabilities between variable, fixed and non-interest bearing investments.

The Group manages interest rate risk by ensuring appropriate insurance product design and underlying assumptions as part of the product approval process and by matching, to the extent possible and appropriate, the duration of investment assets with the duration of insurance policies. For in-force policies, we regularly review the policyholder bonus payout and crediting rates applicable to policyholder account balances, considering amongst other things bond yields and policyholders' reasonable expectations.

Credit Spread Risk

Credit Spread Risk arises from changes in the market value of non-government securities as a result of a change in perception as to their likelihood of repayment. These price changes are distinct from those resulting from changes in interest rates. AIA invests in non-government securities in a number of its portfolios. Because these securities are mostly held to maturity, Credit Spread Risk is only taken to the extent that the Group may be forced to sell those securities before they mature.

AIA nonetheless manages its Credit Spread Risk carefully, focusing on overall portfolio quality and diversification and seeking to avoid excessive volatility in the mark-to-market value of its investment portfolios.

Equity Price Risk

Equity price risk arises from changes in the market value of equity securities and equity funds. Investment in equity assets on a long-term basis is expected to provide diversification benefits and enhance returns.

The extent of exposure to equities at any time is at the discretion of the Investment Department operating within the terms of the Group's and local business units' strategic asset allocations.

From a risk perspective, particular emphasis is placed on managing concentrations and volatility in the Group's equity exposures. The Group's "Margin of Safety Investment" approach is designed to target value in equity selection. Equity exposures are also included in the aggregate credit exposure reports on individual counterparties to ensure concentrations are avoided. Note 21 to the financial statements provides further details of the Group's financial investments in equity securities, including the basis on which they are carried in the Financial Statements. Note 37 to the financial statements indicates the sensitivity of profit and net assets to changes in equity prices.

Property Price Risk

Property price risk arises from interests in real estate assets, which form part of the Group's investment portfolios and are subject to market value changes due to general or specific factors. A considerable number of such real estate assets are self-occupied and used for operating purposes. Real estate assets are expected to provide useful diversification benefits and a long-term return with some inflation protection.

The price risk in property can be driven by broader economic and social factors, notably tenant supply and demand, liquidity of individual buildings, evolving infrastructure or government actions that may directly or indirectly influence the market. It can also be driven by the characteristics of specific holdings: their location within an area, the competitiveness of their facilities and their physical condition.

Foreign Exchange Rate Risk

At the Group level, foreign exchange rate risk arises mainly from the Group's operations in multiple geographical markets in the Asia-Pacific region and the translation of multiple currencies to US dollars for financial reporting purposes. Note 37 to the financial statements shows the Group's currency exposures and the sensitivity of shareholders' equity and profit to movements in those currencies.

Foreign exchange rate risk is managed at a Group level through modeling and monitoring the currency of earnings and business unit dividend remittances together with other earnings from operations. At a local level the Group seeks to match the currency applicable to its local liabilities and assets excluding foreign equity holdings. This includes the matching of US$ and HK$ assets and liabilities in the Hong Kong businesses. In this respect cross-currency swaps or foreign exchange forward contracts are sometimes used.

Generally, working capital at the Group level is held in US dollars and is not matched proportionally to the currency of the Group's risks.

Liquidity Risk

Liquidity risk occurs in two ways. In the first instance it is the risk that insufficient cash is available to meet payment obligations to counterparties as they fall due. This covers the need to ensure that cash or cash equivalent assets are available to cover expected insurance liabilities including any volatility in those liabilities arising from experience variance or from insurance products that permit surrender, withdrawal or other forms of early termination for a cash surrender value. Note 37 to the financial statements provides a maturity analysis of the Group's financial assets and its liabilities and insurance contracts.

The local business units seek to manage liquidity risk through insurance product design and by matching near-term expected cash flows from liabilities and assets. In this respect, the positive cash flows from the business provide an important source of liquidity.

At the Group level we hold sufficient cash and liquid assets to cover expected Group obligations and commitments.

In order to maximise returns to policyholders and shareholders the Group seeks to remain as fully invested as prudent. A US$300 million committed bank facility has therefore been put in place and bond repurchase markets will also be used to manage short-term liquidity needs where it is in the Group's interest to remain fully invested. This can be used in conjunction with the Group's Medium Term Note (MTN) programme which provides ready access to the capital markets subject to market conditions.

Liquidity risk also occurs more generally in relation to the ability to buy and sell investments. This is a function of the size of the Group's holdings relative to the availability of counterparties willing to buy or sell these holdings at any given time. In times of stress, market losses will generally be compounded by forced sellers seeking unwilling buyers. While life insurance companies benefit from the relatively low need for liquidity to cover those of their liabilities which are directly linked to mortality and morbidity, this risk is managed by regularly assessing the relative liquidity of the Group's assets and managing the size of individual holdings through risk tolerances. As disclosed in note 21 to the financial statements, most assets are in the form of marketable securities, which can typically be converted to cash quickly should the need arise.

Non-Financial Risks

Non-financial risks cover the potential for AIA's business to suffer through either key control failures, changes in the business environment or inadequate planning or management of infrastructure. While ultimately all losses are financial, in the case of non-financial risks the loss may initially take the form of damage to the Group's reputation. The risk of such damage, or reputational risk, is that negative publicity regarding a company's business practices, whether true or not, could have adverse consequences, including but not limited to a loss of customers, financial loss, sanction by regulators, damage to the brand and litigation.

Consideration of reputational risk is a key element in the Group's operational risk checklists and is actively monitored by the operational risk teams working closely with Group Law, Group Compliance, Group Corporate Communications and business unit management.

The Group's non-financial risks comprise operational risk and strategic risk.

Operational Risk

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

Operational risk is broken down into a common classification which is used across the Group. At the Group level, operational risk is overseen through 11 defined risk areas or Key Operational Risks (KORs). Each KOR is measured using Key Risk Indicators (KRIs), with a designated "first line" owner for each KOR. The ORC reviews these risks regularly, placing items that are seen to have a Group dimension on the Group Watch List for further action and heightened review.

The ORC also reviews new activities where there is deemed to be the potential for material operational risk. For all new products, derivative instruments, large property projects and "Restricted Investments"(generally non-generic or illiquid traded investments such as hedge funds, structured credits or instruments containing embedded derivatives) an operational risk checklist is completed including potential reputational issues, operational readiness and technical dependencies.

The Group's Risk and Control Self-Assessment (RCSA) process is used to identify and assess the impact of operational risks. The RCSA is an exercise whereby management considers possible or actual risk events, ascribes likelihood of occurrence and potential severity, and then agrees mitigation strategies to reduce these risks. These strategies are then monitored and the exercise repeated, with the results stored in a dedicated operational risk database.

AIA protects itself against financial losses by purchasing insurance coverage against a range of operational loss events including business disruption, property damage and internal fraud. The excess amounts and extent of coverage are determined taking into consideration the results of scenario modeling.

Strategic Risk

Strategic risk refers to adverse impacts from unexpected changes to the Group's operating and market environment. Strategic risk is addressed as part of the business planning process and ongoing monitoring of and response to economic, political, regulatory, competitive and technical changes that may impact AIA's business.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AIA GROUP LIMITED

(incorporated in Hong Kong with limited liability)

pwc 羅兵咸永道

We have audited the consolidated financial statements of AIA Group Limited (the Company) and its subsidiaries (together, "the Group") set out on pages 56 to 167, which comprise the consolidated and company statements of financial position as at 30 November 2013 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), and with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 November 2013 and of the Group's profit and cash flows for the year then ended in accordance with both Hong Kong Financial Reporting Standards issued by the HKICPA and with International Financial Reporting Standards issued by the IASB and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

21 February 2014

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

CONSOLIDATED INCOME STATEMENT

US$m	Notes	Year ended 30 November 2013	Year ended 30 November 2012
Revenue			
Turnover			
Premiums and fee income		**16,666**	13,816
Premiums ceded to reinsurers		**(959)**	(762)
Net premiums and fee income		**15,707**	13,054
Investment return	*9*	**6,064**	7,206
Other operating revenue	*9*	**155**	127
Total revenue		**21,926**	20,387
Expenses			
Insurance and investment contract benefits		**15,303**	14,077
Insurance and investment contract benefits ceded		**(816)**	(703)
Net insurance and investment contract benefits		**14,487**	13,374
Commission and other acquisition expenses		**1,934**	1,641
Operating expenses		**1,577**	1,340
Finance costs		**71**	19
Other expenses		**333**	315
Total expenses	*10*	**18,402**	16,689
Profit before share of profit from associates and joint venture		**3,524**	3,698
Share of profit from associates and joint venture	*15*	**14**	16
Profit before tax		**3,538**	3,714
Income tax expense attributable to policyholders' returns		**(47)**	(104)
Profit before tax attributable to shareholders' profits		**3,491**	3,610
Tax expense	*11*	**(691)**	(685)
Tax attributable to policyholders' returns		**47**	104
Tax expense attributable to shareholders' profits		**(644)**	(581)
Net profit		**2,847**	3,029
Net profit attributable to:			
Shareholders of AIA Group Limited		**2,822**	3,019
Non-controlling interests		**25**	10
Earnings per share (US$)			
Basic	*12*	**0.24**	0.25
Diluted	*12*	**0.24**	0.25

Dividends to shareholders of the Company attributable to the year:

US$m	*Notes*	**Year ended 30 November 2013**	Year ended 30 November 2012
Interim dividend declared and paid of 13.93 Hong Kong cents per share (2012: 12.33 Hong Kong cents per share)	*13*	**215**	191
Final dividend proposed after the reporting date of 28.62 Hong Kong cents per share (2012: 24.67 Hong Kong cents per share)	*13*	**442**	382
		657	573

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Net profit	**2,847**	3,029
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on available for sale financial assets (net of tax of: 2013: US$555m; 2012: US$(211)m)	**(3,671)**	2,617
Fair value gains on available for sale financial assets transferred to income on disposal (net of tax of: 2013: US$2m; 2012: US$3m)	**(23)**	(47)
Foreign currency translation adjustments	**(505)**	377
Share of other comprehensive (expense)/income from associates and joint venture	**(23)**	12
Subtotal	**(4,222)**	2,959
Total comprehensive (expense)/income	**(1,375)**	5,988
Total comprehensive (expense)/income attributable to:		
Shareholders of AIA Group Limited	**(1,398)**	5,956
Non-controlling interests	**23**	32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	Notes	As at 30 November 2013	As at 30 November 2012
Assets			
Intangible assets	*14*	**1,321**	272
Investments in associates and joint venture	*15*	**93**	91
Property, plant and equipment	*16*	**480**	412
Investment property	*17,18*	**1,128**	1,035
Reinsurance assets	*19*	**1,379**	1,153
Deferred acquisition and origination costs	*20*	**15,738**	14,161
Financial investments:	*21,23*		
Loans and deposits		**7,484**	6,425
Available for sale			
Debt securities		**64,763**	62,268
At fair value through profit or loss			
Debt securities		**20,988**	18,594
Equity securities		**26,968**	23,656
Derivative financial instruments	*22*	**445**	638
		120,648	111,581
Deferred tax assets	*11*	**6**	5
Current tax recoverable		**44**	46
Other assets	*24*	**3,520**	2,735
Cash and cash equivalents	*26*	**2,228**	2,948
Total assets		**146,585**	134,439
Liabilities			
Insurance contract liabilities	*27*	**103,401**	90,574
Investment contract liabilities	*28*	**8,698**	8,865
Borrowings	*30*	**2,126**	766
Obligations under securities lending and repurchase agreements	*31*	**1,889**	1,792
Derivative financial instruments	*22*	**89**	41
Provisions	*32*	**169**	204
Deferred tax liabilities	*11*	**2,036**	2,229
Current tax liabilities		**242**	328
Other liabilities	*33*	**3,104**	2,812
Total liabilities		**121,754**	107,611

US$m	*Notes*	**As at 30 November 2013**	As at 30 November 2012
Equity			
Issued share capital	*34*	**12,044**	12,044
Share premium	*34*	**1,914**	1,914
Employee share-based trusts	*34*	**(274)**	(188)
Other reserves	*34*	**(11,995)**	(12,060)
Retained earnings		**20,070**	17,843
Fair value reserve	*34*	**2,270**	5,979
Foreign currency translation reserve	*34*	**657**	1,165
Amounts reflected in other comprehensive income		**2,927**	7,144
Total equity attributable to:			
Shareholders of AIA Group Limited		**24,686**	26,697
Non-controlling interests	*35*	**145**	131
Total equity		**24,831**	26,828
Total liabilities and equity		**146,585**	134,439

Approved and authorised for issue by the Board of Directors on 21 February 2014.

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 2011		13,958	(105)	(12,101)	15,354	3,414	793	102	21,415
Net profit		–	–	–	3,019	–	–	10	3,029
Fair value gains on available for sale financial assets		–	–	–	–	2,599	–	18	2,617
Fair value gains on available for sale financial assets transferred to income on disposal		–	–	–	–	(47)	–	–	(47)
Foreign currency translation adjustments		–	–	–	–	–	373	4	377
Share of other comprehensive income/(expense) from associates		–	–	–	–	13	(1)	–	12
Total comprehensive income for the year		–	–	–	3,019	2,565	372	32	5,988
Dividends	*13*	–	–	–	(530)	–	–	(3)	(533)
Share-based compensation		–	–	41	–	–	–	–	41
Purchase of shares held by employee share-based trusts		–	(84)	–	–	–	–	–	(84)
Transfer of vested shares from employee share-based trusts		–	1	–	–	–	–	–	1
Balance at 30 November 2012		**13,958**	**(188)**	**(12,060)**	**17,843**	**5,979**	**1,165**	**131**	**26,828**
Net profit		**–**	**–**	**–**	**2,822**	**–**	**–**	**25**	**2,847**
Fair value (losses)/gains on available for sale financial assets		**–**	**–**	**–**	**–**	**(3,676)**	**–**	**5**	**(3,671)**
Fair value gains on available for sale financial assets transferred to income on disposal		**–**	**–**	**–**	**–**	**(23)**	**–**	**–**	**(23)**
Foreign currency translation adjustments		**–**	**–**	**–**	**–**	**–**	**(498)**	**(7)**	**(505)**
Share of other comprehensive expense from associates and joint venture		**–**	**–**	**–**	**–**	**(13)**	**(10)**	**–**	**(23)**
Total comprehensive income/(expense) for the year		**–**	**–**	**–**	**2,822**	**(3,712)**	**(508)**	**23**	**(1,375)**
Dividends	*13*	**–**	**–**	**–**	**(595)**	**–**	**–**	**(9)**	**(604)**
Acquisition of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**16**	**16**
Acquisition of non-controlling interests		**–**	**–**	**(8)**	**–**	**3**	**–**	**(16)**	**(21)**
Share-based compensation		**–**	**–**	**75**	**–**	**–**	**–**	**–**	**75**
Purchase of shares held by employee share-based trusts		**–**	**(87)**	**–**	**–**	**–**	**–**	**–**	**(87)**
Transfer of vested shares from employee share-based trusts		**–**	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Others		**–**	**–**	**(2)**	**–**	**–**	**–**	**–**	**(2)**
Balance at 30 November 2013		**13,958**	**(274)**	**(11,995)**	**20,070**	**2,270**	**657**	**145**	**24,831**

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*	**Year ended 30 November 2013**	Year ended 30 November 2012
Cash flows from operating activities			
Profit before tax		**3,538**	3,714
Adjustments for:			
Financial investments		**(10,219)**	(13,856)
Insurance and investment contract liabilities		**8,346**	8,613
Obligations under securities lending and repurchase agreements	*31*	**121**	1,081
Other non-cash operating items, including investment income		**(5,175)**	(3,665)
Operating cash items:			
Interest received		**4,330**	3,848
Dividends received		**472**	387
Interest paid		**(47)**	(24)
Tax paid		**(451)**	(510)
Net cash provided by/(used in) operating activities		**915**	(412)
Cash flows from investing activities			
Payments for intangible assets	*14*	**(65)**	(58)
Contribution to a joint venture	*15*	**(30)**	–
Distribution from investments in associates	*15*	**1**	4
Payments for investment property and property, plant and equipment	*16, 17*	**(176)**	(302)
Payments for leasehold land	*24*	**(296)**	(104)
Proceeds from sale of investment property and property, plant and equipment		**82**	–
Acquisition of subsidiaries, net of cash acquired	*5*	**(1,802)**	–
Net cash used in investing activities		**(2,286)**	(460)
Cash flows from financing activities			
Issuance of medium term notes and drawdown of acquisition credit facility	*30*	**2,868**	–
Repayment of acquisition credit facility	*30*	**(1,725)**	–
Interest paid on medium term notes and acquisition credit facility		**(23)**	–
Proceeds from other borrowings	*30*	**324**	490
Repayment of other borrowings	*30*	**(8)**	(453)
Dividends paid during the year		**(604)**	(533)
Purchase of shares held by employee share-based trusts		**(87)**	(84)
Acquisition of non-controlling interests		**(21)**	–
Net cash provided by/(used in) financing activities		**724**	(580)
Net decrease in cash and cash equivalents		**(647)**	(1,452)
Cash and cash equivalents at beginning of the financial year		**2,948**	4,303
Effect of exchange rate changes on cash and cash equivalents		**(73)**	97
Cash and cash equivalents at end of the financial year	*26*	**2,228**	2,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

1. Corporate information

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

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

AIA Group Limited and its subsidiaries (collectively “AIA” or “the Group”) is a life insurance based financial services provider operating in 17 jurisdictions throughout the Asia-Pacific region. The Group’s principal activity is the writing of life insurance business, providing life insurance, accident and health insurance and savings plans throughout Asia, and distributing related investment and other financial services products to its customers.

2. Significant accounting policies

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Hong Kong Financial Reporting Standards (HKFRS) and the Hong Kong Companies Ordinance. HKFRS is substantially consistent with IFRS and the accounting policy selections that the Group has made in preparing these consolidated financial statements are such that the Group is able to comply with both IFRS and HKFRS. References to IFRS, International Accounting Standards (IAS) and Interpretations developed by the IFRS Interpretations Committee (IFRS IC) in these consolidated financial statements should be read as referring to the equivalent HKFRS, Hong Kong Accounting Standards (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 consolidated financial statements.

The consolidated financial statements have been approved for issue by the Board of Directors on 21 February 2014.

The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of available for sale financial assets, certain financial assets and liabilities designated at fair value through profit or loss and derivative financial instruments, all of which are carried at fair value.

Items included in the 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 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.

The accounting policies adopted are consistent with those of the previous financial year, except as described below.

(a) The following amendments to standards are mandatory for the first time for the financial year beginning 1 December 2012 and have no material impact for the Group:

- Amendment to IAS 1, Presentation of Items of Other Comprehensive Income; and
- Amendments to IAS 12, Income Taxes, Recovery of underlying assets.

(b) The following relevant new standards, interpretation and amendments to standards have been issued but are not effective for the financial year ended 30 November 2013 and have not been early adopted (the financial years for which the adoption is planned and required are stated in parentheses). The Group has assessed the full impact of these new standards on its financial position and results of operations and they are not expected to have a material impact on the financial position or results of operations of the Group but may require additional disclosures:

- IFRS 11, Joint Arrangements (2014);
- IFRS 12, Disclosure of Interests in Other Entities (2014);
- IFRS 13, Fair Value Measurement (2014);
- IAS 27, Separate Financial Statements (as revised in 2011) (2014);
- IAS 28, Investments in Associates and Joint Ventures (as revised in 2011) (2014);
- IFRIC 21, Levies (2015);
- Amendments to IAS 1, Presentation of Financial Statements, Clarification of the requirements for comparative information (2014);
- Amendment to IAS 24, Related Parties Disclosures, Key management personnel (2015);
- 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 36, Recoverable Amount Disclosures for Non-Financial Assets (the Group plans to early adopt in 2014);
- Amendment to IAS 40, Investment Property, Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property (2015);
- Amendment to IFRS 2, Share-based Payment, Definition of vesting condition (2015);
- Amendment to IFRS 3, Business Combinations, Accounting for contingent consideration in a business combination (2015);
- Amendments to IFRS 7, Financial Instruments: Disclosures on offsetting financial assets and financial liabilities (2014);
- Amendments to IFRS 8, Operating Segments, Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets (2015);
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (2014);

- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities (2015);

- Amendment to IFRS 13, Fair Value Measurement, Scope of portfolio exception (2014); and

- Amendment to IFRS 13, Fair Value Measurement, Short-term receivables and payables (2014).

(c) The following relevant new standards and amendments to standards have been issued but are not effective for the financial year ended 30 November 2013 and have not been early adopted (the financial years for which the adoption is planned and required are stated in parentheses).

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies. The Group is yet to assess the full impact of the standard on its financial position and results of operations given the likely amendments and uncertain implementation date.

- IFRS 10, Consolidated Financial Statements (2014), replaces the consolidation guidance in IAS 27, Consolidated and separate financial statements and SIC 12, Consolidation – Special purpose entities. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. In the 2014 Group's financial statements, the adoption of IFRS 10 will require a restatement of comparatives in respect of the 2013 period. It is expected that the application of the standard would result in the consolidation of certain funds and deconsolidation of certain others which would lead to a net increase of US$806m in total assets and total liabilities with no impact on shareholders' equity as at 30 November 2013.

- IAS 19, Employee Benefits (as revised in 2011) (2014), eliminates the corridor approach and calculates finance costs on a net funding basis. It would also require recognition of all actuarial gains and losses in other comprehensive income as they occur and of all past service costs in profit or loss. The amendments replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). As at 30 November 2013, the Group has an unrecognised actuarial loss of US$7m and an unrecognised past service cost of US$3m which will be recognised in other comprehensive income and retained earnings respectively upon adoption of the amendments.

All key items are defined upon the first time they are used and included in the glossary.

The significant accounting policies adopted in the preparation of the Group's consolidated financial statements are set out below. These policies have been applied consistently in all periods presented.

2.2 OPERATING PROFIT

The long-term nature of much of the Group's operations means that, for management's decision-making and internal performance management purposes, the Group evaluates its results and its operating segments using a financial performance measure referred to as "operating profit". The Group defines operating profit before and after tax respectively as profit excluding the following non-operating items:

- investment experience (which consists of realised gains and losses, foreign exchange gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss);

- investment income related to unit-linked contracts (consisting of dividends, interest income and rental income);

- investment management expenses related to unit-linked contracts;

- corresponding changes in insurance and investment contract liabilities in respect of unit-linked contracts and participating funds (see note 2.4) and changes in third-party interests in consolidated investment funds;

- policyholders' share of tax relating to changes in insurance and investment contract liabilities; and

- other significant items that management considers to be non-operating income and expenses.

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

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

2.3 BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those entities (including special purpose entities) over which the Group, directly or indirectly, has power to exercise control over financial and operating policies in order to gain economic benefits. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date at which the Group no longer has control. Intercompany transactions are eliminated.

The Group utilises the acquisition method of accounting to account for the acquisition of subsidiaries, unless the acquisition forms part of the Group reorganisation of entities under common control. Under this method, the cost of an acquisition is measured as the fair value of consideration payable, shares issued or liabilities assumed at the date of acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (see note 2.10 below). The Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the subsidiary. Any surplus of the acquirer's interest in the subsidiary's net assets over the cost of acquisition is credited to the consolidated income statement.

The consolidated financial statements of the Group include the assets, liabilities and results of the Company and subsidiaries in which AIA Group Limited has a controlling interest, using accounts drawn up to the reporting date.

Investment funds

In several countries, the Group has invested in investment funds, such as mutual funds and unit trusts. These invest mainly in equities, debt securities and cash and cash equivalents. The Group's percentage ownership in these funds can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such funds, with control determined based on an analysis of the guidance in IAS 27 and SIC 12, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the issuer to repurchase or redeem units in such funds for cash. These are presented as "Third-party interests in consolidated investment funds" within other liabilities in the consolidated statement of financial position. In instances where the Group's ownership of investment funds declines marginally below 50 per cent and, based on historical analysis and future expectations, the decline in ownership is expected to be temporary, the funds continue to be consolidated as subsidiaries under IAS 27. Likewise, marginal increases in ownership of investment funds above 50 per cent which are expected to be temporary are not consolidated. Where the Group does not control such funds, they are not accounted for as associates and are, instead, carried at fair value through profit or loss within financial investments in the consolidated statement of financial position.

Employee share-based trusts

Trusts are set up to acquire shares of the Company for distribution to participants in future periods through the share-based compensation schemes. The consolidation of these trusts is evaluated in accordance with SIC 12; where the Group is deemed to control the trusts, they are consolidated. Shares acquired by the trusts to the extent not provided to the participants upon vesting are carried at cost and reported as "employee share-based trusts" in the consolidated statement of financial position, and as a deduction from the equity in the consolidated statement of changes in equity.

Non-controlling interests

Non-controlling interests are presented within equity except when they arise through the minority's interest in puttable liabilities such as the unit holders' interest in consolidated investment funds, when they are recognised as a liability, reflecting the net assets of the consolidated entity.

Acquisitions and disposals of non-controlling interests, except when they arise through the minority's interest in puttable liabilities, are treated as transactions between equity holders. As a result, any difference between the acquisition cost or sale price of the non-controlling interest and the carrying value of the non-controlling interest is recognised as an increase or decrease in equity.

Associates and joint ventures

Associates are entities over which the Group has significant influence, but which it does not control. Generally, it is presumed that the Group has significant influence if it has between 20 per cent and 50 per cent of voting rights. Joint ventures are entities whereby the Group and other parties undertake an economic activity which is subject to joint control arising from a contractual agreement.

Gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Losses are also eliminated, unless the transaction provides evidence of an impairment of an asset transferred between entities.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under this method, the cost of the investment in an associate or joint venture, together with the Group's share of that entity's post-acquisition changes to equity, is included as an asset in the consolidated statement of financial position. Cost includes goodwill arising on acquisition. The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement and its share of post-acquisition movement in equity is recognised in other comprehensive income. Equity accounting is discontinued when the Group no longer has significant influence over the investment. If the Group's share of losses in an associate or joint venture equals or exceeds its interest in the undertaking, additional losses are provided for, and a liability recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. The Group also accounts for investments in joint ventures that are subject to joint control using the equity method of accounting.

The Company's investments

In the Company's statement of financial position, subsidiaries, associates and joint ventures are stated at cost, unless impaired. The Company's interests in investment funds such as mutual funds and unit trusts are designated at fair value through profit or loss.

2.4 INSURANCE AND INVESTMENT CONTRACTS

Consistent accounting policies for the measurement and recognition of insurance and investment contracts have been adopted throughout the Group to substantially all of its business.

In a limited number of cases, the Group measures insurance contract liabilities with reference to statutory requirements in the applicable jurisdiction, without deferral of acquisition costs.

Product classification

The Group classified its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. Some insurance and investment contracts, referred to as participating business, have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses. The Group applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Group to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. For investment contracts that do not contain DPF, IAS 39, *Financial Instruments: Measurement and Recognition*, and, if the contract includes an investment management element, IAS 18, *Revenue Recognition*, are applied. IFRS 4 permits the continued use of previously applied accounting policies for insurance contracts and investment contracts with DPF, and this basis has been adopted by the Group in accounting for such contracts. Once a contract has been classified as an insurance or investment contract, no reclassification is subsequently performed unless the terms of the agreement are later amended.

Certain contracts with DPF supplement the amount of guaranteed benefits due to policyholders. These contracts are distinct from other insurance and investment contracts as the Group has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders. Customers may be entitled 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.

The Group applies the same accounting policies for the recognition and measurement of obligations and the deferral of acquisition costs arising from investment contracts with DPF as it does to insurance contracts. The Group refers to such contracts as participating business.

In some jurisdictions participating business is written in a participating fund which is distinct from the other assets of the Company or branch. The allocation of benefits from the assets held in such participating funds is subject to minimum policyholder participation mechanisms which are established by regulation. The extent of such policy participation may change over time. The current policyholder participation in declared dividends for locations with participating funds is set out below:

Country	**Current policyholder participation**
Singapore	90%
Malaysia	90%
China	70%
Australia	80%
Brunei	80%

In some jurisdictions participating business is not written in a distinct fund and the Group refers to this as other participating business.

The Group's products may be divided into the following main categories:

			Basis of accounting for:	
Policy type		**Description of benefits payable**	**Insurance contract liabilities**	**Investment contract liabilities**
Traditional participating life assurance with DPF	Participating funds	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities The timing of dividend and bonus declarations is at the discretion of the insurer. Local regulations generally prescribe a minimum proportion of policyholder participation in declared dividends	Insurance contract liabilities make provision for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating fund that would be allocated to policyholders, assuming all performance would be declared as a dividend based upon local regulations	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
	Other participating business	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the timing or amount of which are at the discretion of the insurer taking into account factors such as investment experience	Insurance contract liabilities make provision for the present value of guaranteed benefits and non-guaranteed participation less estimated future net premiums to be collected from policyholders	Not applicable, as IFRS 4 permits contracts with DPF to be accounted for as insurance contracts
Non-participating life assurance, annuities and other protection products		Benefits payable are not at the discretion of the insurer	Insurance contract liabilities reflect the present value of future policy benefits to be paid less the present value of estimated future net premiums to be collected from policyholders. In addition, deferred profit liabilities for limited payment contracts are recognised	Investment contract liabilities are measured at amortised cost

		Basis of accounting for:	
Policy type	**Description of benefits payable**	**Insurance contract liabilities**	**Investment contract liabilities**
Universal life	Benefits are based on an account balance, credited with interest at a rate set by the insurer, and a death benefit, which may be varied by the customer	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment return credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded	Not applicable as such contracts generally contain significant insurance risk
Unit-linked	These may be primarily savings products or may combine savings with an element of protection	Insurance contract liabilities reflect the accumulation value, representing premiums received and investment return credited, less deductions for front-end loads, mortality and morbidity costs and expense charges. In addition, liabilities for unearned revenue and additional insurance benefits are recorded	Investment contract liabilities are measured at fair value (determined with reference to the accumulation value)

In the notes to the financial statements, unit-linked contracts are presented together with pension contracts for disclosure purposes.

The basis of accounting for insurance and investment contracts is discussed in notes 2.4.1 and 2.4.2 below.

2.4.1 Insurance contracts and investment contracts with DPF

Premiums

Premiums from life insurance contracts, including participating policies and annuity policies with life contingencies, are recognised as revenue when due from the policyholder. Benefits and expenses are provided in respect of such revenue so as to recognise profits over the estimated life of the policies. For limited pay contracts, premiums are recognised in profit or loss when due, with any excess profit deferred and recognised in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from insurance contracts with investment features but with sufficient insurance risk to be considered insurance contracts, such as universal life, and certain unit-linked contracts, are accumulated as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration, and surrenders during the period.

Upfront fees are recognised over the estimated life of the contracts to which they relate. Policy benefits and claims that are charged to expenses include benefit claims incurred in the period in excess of related policyholder contract deposits and interest credited to policyholder deposits.

Unearned revenue liability

Unearned revenue liability arising from insurance contracts representing upfront fees and other non-level charges is deferred and released to the consolidated income statement over the estimated life of the business.

Deferred acquisition costs

The costs of acquiring new insurance contracts, including commissions and distribution costs, underwriting and other policy issue expenses which vary with and are primarily related to the production of new business or renewal of existing business, are deferred as an asset. Deferred acquisition costs are assessed for recoverability in the year of policy issue to ensure that these costs are recoverable out of the estimated future margins to be earned on the policy. Deferred acquisition costs are assessed for recoverability at least annually thereafter. Future investment income is also taken into account in assessing recoverability. To the extent that acquisition costs are not considered to be recoverable at inception or thereafter, these costs are expensed in the consolidated income statement.

Deferred acquisition costs for life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are consistently applied throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing (see below).

Deferred acquisition costs for universal life and unit-linked contracts are amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits expected to be realised over the life of the contract or on a straight-line basis. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrenders, less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly. The interest rate used to compute the present value of revised estimates of expected gross profits is the latest revised rate applied to the remaining benefit period. Deviations of actual results from estimated experience are reflected in earnings.

Deferred sales inducements

Deferred sales inducements, consisting of day one bonuses, persistency bonuses and enhanced crediting rates are deferred and amortised using the same methodology and assumptions used to amortise acquisition costs when:

- the sales inducements are recognised as part of insurance contract liabilities;
- they are explicitly identified in the contract on inception;
- they are incremental to amounts credited on similar contracts without sales inducements; and
- they are higher than the expected ongoing crediting rates for periods after the inducement.

Unbundling

The deposit component of an insurance contract is unbundled when both of the following conditions are met:

- the deposit component (including any embedded surrender option) can be measured separately (i.e. without taking into account the insurance component); and
- the Group’s accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component.

Bifurcation

To the extent that certain of the Group’s insurance contracts include embedded derivatives that are not clearly and closely related to the host contract, these are bifurcated from the insurance contracts and accounted for as derivatives.

Benefits and claims

Insurance contract benefits reflect the cost of all maturities, surrenders, withdrawals and claims arising during the year, as well as policyholder dividends accrued in anticipation of dividend declarations.

Accident and health claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims, and are included in operating expenses.

Insurance contract liabilities (including liabilities in respect of investment contracts with DPF)

Insurance contract liabilities represent the estimated future policyholder benefit liability for life insurance policies.

Future policy benefits for life insurance policies are calculated using a net level premium valuation method which represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders.

For contracts with an explicit account balance, such as universal life and unit-linked contracts, insurance contract liabilities are equal to the accumulation value, which represents premiums received and investment returns credited to the policy less deductions for mortality and morbidity costs and expense charges.

Settlement options are accounted for as an integral component of the underlying insurance or investment contract unless they provide annuitisation benefits, in which case an additional liability is established to the extent that the present value of expected annuitisation payments at the expected annuitisation date exceeds the expected account balance at that date. Where settlement options have been issued with guaranteed rates less than market interest rates, the insurance or investment contract liability does not reflect any provision for subsequent declines in market interest rates unless a deficiency is identified through liability adequacy testing.

The Group accounts for participating policies within participating funds by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating fund that would be allocated to policyholders assuming all performance were to be declared as a dividend based upon local regulations. The Group accounts for other participating business by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation, less estimated future net premiums to be collected from policyholders.

Liability adequacy testing

The adequacy of liabilities is assessed by portfolio of contracts, in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts. Liability adequacy testing is performed for each geographical market.

For traditional life insurance contracts, insurance contract liabilities reduced by deferred acquisition costs and value of business acquired on acquired insurance contracts, are compared to the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the unamortised balance of deferred acquisition cost and value of business acquired on acquired insurance contracts are written down to the extent of the deficiency. If, after writing down the unamortised balance for the specific portfolio of contracts to nil, a deficiency still exists, the net liability is increased by the amount of the remaining deficiency.

For universal life and investment contracts, deferred acquisition costs, net of unearned revenue liabilities, are compared to estimated gross profits. If a deficiency exists, deferred acquisition costs are written down.

Financial guarantees

Financial guarantees are regarded as insurance contracts. Liabilities in respect of such contracts are recognised as loss is incurred by a holder.

2.4.2 Investment contracts

Investment contracts do not contain sufficient insurance risk to be considered insurance contracts and are accounted for as a financial liability, other than investment contracts with DPF which are excluded from the scope of IAS 39 and are accounted for as insurance contracts.

Revenue from these contracts consists of various charges (policy fees, handling fees, management fees and surrender charges) made against the contract for the cost of insurance, expenses and early surrender. First year charges are amortised over the life of the contract as the services are provided.

Investment contract fee revenue

Customers are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's account balance. The fees are recognised as revenue in the period in which they are received unless they relate to services to be provided in future periods, in which case they are deferred and recognised as the service is provided.

Origination and other "upfront" fees (fees that are assessed against the account balance as consideration for origination of the contract) are charged on some non-participating investment and pension contracts. Where the investment contract is recorded at amortised cost, these fees are amortised and recognised over the expected term of the policy as an adjustment to the effective yield. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are amortised and recognised as the services are provided.

Deferred origination costs

The costs of acquiring investment contracts with investment management services, including commissions and other incremental expenses directly related to the issue of each new contract, are deferred and amortised over the period that services are provided. Deferred origination costs are tested for recoverability at each reporting date.

The costs of acquiring new investment contracts without investment management services are included as part of the effective interest rate used to calculate the amortised cost of the related investment contract liabilities.

Investment contract liabilities

Deposits received in respect of investment contracts are not accounted for through the consolidated income statement, except for the investment income and fees attributable to those contracts, but are accounted for directly through the consolidated statement of financial position as an adjustment to the investment contract liability, which reflects the account balance.

The majority of the Group's contracts classified as investment contracts are unit-linked contracts, with measurement directly linked to the underlying investment assets. These represent investment portfolios maintained to meet specific investment objectives of policyholders who generally bear the credit and market risks on those investments. The liabilities are carried at fair value determined with reference to the accumulation value (current unit value) with changes recognised in profit or loss. The costs of policy administration, investment management, surrender charges and certain policyholder taxes assessed against customers' account balances are included in revenue, and accounted for as described under "Investment contract fee revenue" above.

Non unit-linked investment contract liabilities are carried at amortised cost, being the fair value of consideration received at the date of initial recognition, less the net effect of principal payments such as transaction costs and front-end fees, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity value, and less any write- down for surrender payments. The effective interest rate equates the discounted cash payments to the initial amount. At each reporting date, the unearned revenue liability is determined as the value of the future best estimate cash flows discounted at the effective interest rate. Any adjustment is immediately recognised as income or expense in the consolidated income statement.

The amortised cost of the financial liability is never recorded at less than the amount payable on surrender, discounted for the time value of money where applicable, if the investment contract is subject to a surrender option.

2.4.3 Insurance and investment contracts

Reinsurance

The Group cedes reinsurance in the normal course of business, with retentions varying by line of business. The cost of reinsurance is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for such policies.

Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated income statement and statement of financial position.

Reinsurance assets consist of amounts receivable in respect of ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured insurance or investment contract liabilities or benefits paid and in accordance with the relevant reinsurance contract.

To the extent that reinsurance contracts principally transfer financial risk (as opposed to insurance risk) they are accounted for directly through the consolidated statement of financial position and are not included in reinsurance assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment loss in the consolidated income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Group will receive from the reinsurer can be reliably measured.

Value of business acquired (VOBA)

The VOBA in respect of a portfolio of long-term insurance and investment contracts, either directly or through the purchase of a subsidiary, is recognised as an asset. If this results from the acquisition of an investment in a joint venture or an associate, the VOBA is held within the carrying amount of that investment. In all cases, the VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the value of in-force business acquired. The carrying value of VOBA is reviewed annually for impairment and any reduction is charged to the consolidated income statement.

Shadow accounting

Shadow accounting is applied to insurance and certain investment contracts with discretionary participation feature where financial assets backing insurance and investment contract liabilities are classified as available for sale. Shadow accounting is applied to deferred acquisition costs, VOBA, deferred origination costs and the contract liabilities for investment contracts with DPF to take into account the effect of unrealised gains or losses on insurance liabilities or assets that are recognised in other comprehensive income in the same way as for a realised gain or loss recognised in the consolidated income statement. Such assets or liabilities are adjusted with corresponding charges or credits recognised directly in shareholders' equity as a component of the related unrealised gains and losses.

Other assessments and levies

The Group is potentially subject to various periodic insurance-related assessments or guarantee fund levies. Related provisions are established where there is a present obligation (legal or constructive) as a result of a past event. Such amounts are not included in insurance or investment contract liabilities but are included under "Provisions" in the consolidated statement of financial position.

2.5 FINANCIAL INSTRUMENTS

2.5.1 Classification of and designation of financial instruments

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss comprise two categories:

- financial assets or liabilities designated at fair value through profit or loss upon initial recognition; and
- financial assets or liabilities classified as held for trading.

Management designates financial assets and liabilities at fair value through profit or loss if this eliminates a measurement inconsistency or if the related assets and liabilities are actively managed on a fair value basis, including:

- financial assets held to back unit-linked contracts and participating funds;
- other financial assets managed on a fair value basis; consisting of the Group's equity portfolio and investments held by the Group's fully consolidated investment funds; and
- compound instruments containing an embedded derivative, where the embedded derivative would otherwise require bifurcation.

Financial assets and liabilities classified as held for trading include financial assets acquired principally for the purpose of selling them in the near future and those that form part of a portfolio of financial assets in which there is evidence of short-term profit taking, as well as derivative assets and liabilities.

Dividend income from equity instruments designated at fair value through profit or loss is recognised in investment income in the consolidated income statement, generally when the security becomes ex-dividend. Interest income is recognised on an accrued basis. For all financial assets designated at fair value through profit or loss, changes in fair value are recognised in investment experience.

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

Available for sale financial assets

Financial assets, other than those at fair value through profit or loss, and loans and receivables, are classified as available for sale.

The available for sale category is used where the relevant investments backing insurance and investment contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consist of the Group's debt securities (other than those backing participating funds and unit-linked contracts). Available for sale financial assets are initially recognised at fair value plus attributable transaction costs. For available for sale debt securities, the difference between their cost and par value is amortised. Available for sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available for sale is recognised in investment income in the consolidated income statement using the effective interest method.

Unrealised gains and losses on securities classified as available for sale are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences on monetary available for sale investments, such as debt securities are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statement as investment experience. For impairments of available for sale financial assets, reference is made to the section "Impairment of financial assets".

Changes in the fair value of securities classified as available for sale, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income and accumulated in a separate fair value reserve within equity. Impairment losses and relevant foreign exchange gains and losses are recognised in the income statement.

Realised gains and losses on financial assets

Realised gains and losses on available for sale financial assets are determined as the difference between the sale proceeds and amortised cost. Cost is determined by specific identification.

Recognition of financial instruments

Purchases and sales of financial instruments are recognised on the trade date, which is the date at which the Group commits to purchase or sell the assets.

Derecognition and offset of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Group is exposed to changes in the fair value of the asset.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans and receivables is recognised in investment income in the consolidated income statement using the effective interest method.

Term deposits

Deposits include time deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months. Certain of these balances are subject to regulatory or other restriction as disclosed in note 21 Loans and Deposits. Deposits are stated at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities at acquisition of three months or less, which are held for cash management purposes. Cash and cash equivalents also include cash received as collateral for securities lending as well as cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products. Cash and cash equivalents are measured at amortised cost using the effective interest method.

2.5.2 Fair values of non-derivative financial assets

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Group has access. The fair values of financial instruments traded in active markets (such as financial instruments at fair value through profit or loss and available for sale securities) are based on quoted market prices at the date of the consolidated statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions at the date of each consolidated statement of financial position. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the consolidated statement of financial position.

Financial instruments carried at fair value are measured using a fair value hierarchy described in note 23.

2.5.3 Impairment of financial assets

General

Financial assets are assessed for impairment on a regular basis. The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Available for sale financial instruments

When a decline in the fair value of an available for sale asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss already recognised directly in other comprehensive income is recognised in current period profit or loss.

If the fair value of a debt instrument classified as available for sale increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss. Where, following the recognition of an impairment loss in respect of an available for sale debt security, the asset suffers further falls in value, such further falls are recognised as an impairment only in the case when objective evidence exists of a further impairment event to which the losses can be attributed.

Loans and receivables

For loans and receivables, impairment is considered to have taken place if it is probable that the Group will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount is decreased through a charge to profit or loss. The carrying amount of mortgage loans or receivables is reduced through the use of an allowance account, and the amount of any allowance is recognised as an impairment loss in profit or loss.

2.5.4 Derivative financial instruments

Derivative financial instruments primarily include foreign exchange contracts and interest rate swaps that derive their value mainly from underlying foreign exchange rates and interest rates. All derivatives are initially recognised in the consolidated statement of financial position at their fair value, which represents their cost excluding transaction costs, which are expensed, giving rise to a day one loss. They are subsequently remeasured at their fair value, with movements in this value recognised in profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Derivative instruments for economic hedging

Whilst the Group enters into derivative transactions to provide economic hedges under the Group's risk management framework, it does not currently apply hedge accounting to these transactions. This is either because the transactions would not meet the specific IFRS rules to be eligible for hedge accounting or the documentation requirements to meet hedge accounting criteria would be unduly onerous. These transactions are therefore treated as held for trading and fair value movements are recognised immediately in investment experience.

Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with IAS 39.

2.6 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activity from which it earns revenues and incurs expenses and, for which, discrete financial information is available, and whose operating results are regularly reviewed by the Group's chief operating decision-maker, considered to be the Executive Committee of the Group (ExCo).

2.7 FOREIGN CURRENCY TRANSLATION

Income statements and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the year as this approximates to the exchange rates prevailing at the transaction date. Their statements of financial position are translated at year or period end exchange rates. Exchange differences arising from the translation of the net investment in foreign operations, are taken to the currency translation reserve within equity. On disposal of a foreign operation, such exchange differences are transferred out of this reserve and are recognised in the consolidated income statement as part of the gain or loss on sale.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency, are recognised in the consolidated income statement.

Translation differences on financial assets designated at fair value through profit or loss are included in investment experience. For monetary financial assets classified as available for sale, translation differences are calculated as if they were carried at amortised cost and so are recognised in the consolidated income statement. Foreign exchange movements on non-monetary equities that are accounted for as available for sale are included in the fair value reserve.

2.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, generally:

Furniture, fixtures and office equipment	5 years
Buildings	20-40 years
Other assets	3-5 years
Freehold land	No depreciation

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits will flow to the Group. Repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Residual values and useful lives are reviewed and adjusted, if applicable, at each reporting date. An asset is written down to its recoverable amount if the carrying value is greater than the estimated recoverable amount.

Any gain and loss arising on disposal of property, plant and equipment is measured as the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

Where the cost of the Group's leasehold land is known, or can be reliably determined at the inception of the lease, the Group records its interest in leasehold land and land use rights separately as operating leases or finance leases depending on whether substantially all the risks and rewards incidental to ownership of the land are transferred to the Group. These leases are recorded at original cost and amortised over the term of the lease (see note 2.19).

2.9 INVESTMENT PROPERTY

Property held for long-term rental that is not occupied by the Group is classified as investment property, and is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property comprises freehold or leasehold land and buildings. Buildings located on leasehold land are classified as investment property if held for long-term rental and not occupied by the Group. Where the cost of the land is known, or can be reliably determined at the inception of the lease, the Group records its interest in leasehold land and land use rights separately as operating leases or finance leases depending on whether substantially all the risks and rewards incidental to ownership of the land are transferred to the Group (see note 2.19). These leases are recorded at original cost and amortised over the term of the lease. Buildings that are held as investment properties are amortised on a straight-line basis over their estimated useful lives of 20 to 40 years.

If an investment property becomes held for use, it is reclassified as property, plant and equipment. Where a property is partly used as an investment property and partly for the use of the Group, these elements are recorded separately within property, plant and equipment and investment property respectively, where the component used as investment property would be capable of separate sale or finance lease.

The fair value of investment property and property held for use is disclosed under note 18. It is the Group's policy to obtain external property valuations annually except in the case of a discrete event occurring in the interim that has a significant impact on the fair value of the properties.

2.10 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions prior to 1 December 2006 (the date of transition to IFRS) is carried at book value (original cost less cumulative amortisation) on that date, less any impairment subsequently incurred. Goodwill arising on the Group's investment in subsidiaries since that date is shown as a separate asset and is carried at cost less any accumulated impairment losses, whilst that on associates and joint ventures is included within the carrying value of those investments. All acquisition-related costs are expensed as incurred.

Other intangible assets

Other intangible assets consist primarily of acquired computer software and contractual relationships, such as access to distribution networks, and are amortised over their estimated useful lives. The amortisation charge for rights to access distribution networks is included in the consolidated income statement under "Commission and other acquisition expenses".

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs directly associated with the internal production of identifiable and unique software by the Group that will generate economic benefits exceeding those costs over a period greater than a year, are recognised as intangible assets. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs of acquiring computer software licences and incurred in the internal production of computer software are amortised using the straight-line method over the estimated useful life of the software, which does not generally exceed a period of 3 to 15 years. The amortisation charge for the year is included in the consolidated income statement under "Operating expenses".

2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment, goodwill and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of the asset less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped into cash-generating units at the level of the Group's operating segments, the lowest level for which separately identifiable cash flows are reported. The carrying values of goodwill and intangible assets with indefinite useful lives are reviewed at least annually or when circumstances or events indicate that there may be uncertainty over this value.

The Group assesses at the end of each reporting period whether there is any objective evidence that its investments in associates and joint ventures are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the associates and joint ventures operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or a joint venture is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

Impairment testing of the investments in subsidiaries, associates and joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, associates or joint ventures in the period the dividend is declared or if the carrying amount of the relevant investment in the Company's statement of financial position exceeds its carrying amount in the consolidated financial statements of the investees' net assets including goodwill.

2.12 SECURITIES LENDING INCLUDING REPURCHASE AGREEMENTS

The Group has been a party to various securities lending agreements under which securities are loaned to third parties on a short-term basis. The loaned securities are not derecognised and so they continue to be recognised within the appropriate investment classification.

Assets sold under repurchase agreements (repos)

Assets sold under repurchase agreements continue to be recognised and a liability is established for the consideration received. The Group may be required to provide additional collateral based on the fair value of the underlying assets, and such collateral assets remain on the consolidated statement of financial position.

Assets purchased under agreements to resell (reverse repos)

The Group enters into purchases of assets under agreements to resell (reverse repos). Reverse repos are initially recorded at the cost of the loan or collateral advanced within the caption "Loans and deposits" in the consolidated statement of financial position. In the event of failure by the counterparty to repay the loan, the Group has the right to the underlying assets.

2.13 COLLATERAL

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of derivative transactions, securities lending transactions, and repo and reverse repo transactions, in order to reduce the credit risk of these transactions. The amount and type of collateral depends on an assessment of the credit risk of the counterparty. Collateral received in the form of cash, which is not legally segregated from the Group, is recognised as an asset in the consolidated statement of financial position with a corresponding liability for the repayment. Non-cash collateral received is not recognised on the consolidated statement of financial position unless the Group either sells or repledges these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability. To further minimise credit risk, the financial condition of counterparties is monitored on a regular basis.

Collateral pledged in the form of cash which is legally segregated from the Group is derecognised from the consolidated statement of financial position and a corresponding receivable established for its return. Non-cash collateral pledged is not derecognised (except in the event of default) and therefore continues to be recognised in the consolidated statement of financial position within the appropriate financial instrument classification.

2.14 BORROWINGS

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. All borrowing costs are expensed as they are incurred, except for borrowing costs directly attributable to the development of investment properties and other qualifying assets, which are capitalised as part of the cost of the asset.

2.15 INCOME TAXES

The current tax expense is based on the taxable profits for the year, including any adjustments in respect of prior years. Tax is allocated to profit or loss before taxation and amounts charged or credited to equity as appropriate.

Deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except as described below.

The principal temporary differences arise from the basis of recognition of insurance and investment contract liabilities, revaluation of certain financial assets and liabilities including derivative contracts, deferred acquisition costs and the future taxes arising on the surplus in life funds where the relevant local tax regime is distributions-based. The rates enacted or substantively enacted at the date of the consolidated statement of financial position are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In countries where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is evidence that future profits will be available.

Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of goodwill or from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and which affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred tax related to fair value remeasurement of available for sale investments and other amounts taken directly to equity, is recognised initially within the applicable component of equity. It is subsequently recognised in the consolidated income statement, together with the gain or loss arising on the underlying item.

In addition to paying tax on shareholders' profits, certain of the Group's life insurance businesses pay tax on policyholders' investment returns (policyholder tax) at policyholder tax rates. Policyholder tax is accounted for as an income tax and is included in the total tax expense and disclosed separately.

2.16 REVENUE

Investment return

Investment income consists of dividends, interest and rents receivable for the reporting period. Investment experience comprises realised gains and losses, impairments and unrealised gains and losses on investments held at fair value through profit or loss. Interest income is recognised as it accrues, taking into account the effective yield on the investment. Rental income on investment property is recognised on an accrual basis. Investment return consists of investment income and investment experience.

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase price if purchased during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

Other fee and commission income

Other fee and commission income consists primarily of fund management fees, income from any incidental non-insurance activities, distribution fees from mutual funds, commissions on reinsurance ceded and commission revenue from the sale of mutual fund shares. Reinsurance commissions receivable are deferred in the same way as acquisition costs. All other fee and commission income is recognised as the services are provided.

2.17 EMPLOYEE BENEFITS

Annual leave and long service leave

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Post-retirement benefit obligations

The Group operates a number of funded and unfunded post-retirement employee benefit schemes, whose members receive benefits on either a defined benefit basis (generally related to salary and length of service) or a defined contribution basis (generally related to the amount invested, investment return and annuity rates), the assets of which are generally held in separate trustee-administered funds. The defined benefit plans provide life and medical benefits for employees after retirement and a lump sum benefit on cessation of employment, and the defined contribution plans provide post-retirement pension benefits.

For defined benefit plans, the costs are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the consolidated income statement so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related liability. The resulting scheme surplus or deficit appears as an asset or liability in the consolidated statement of financial position.

For each plan, the Group recognises a portion of its actuarial gains and losses in income or expense if the unrecognised actuarial net gain or loss at the end of the previous reporting period exceeds the greater of:

- 10 per cent of the projected benefit obligations at that date; or
- 10 per cent of the fair value of any plan assets at that date.

Any recognised actuarial net gain or loss exceeding the greater of these two values is generally recognised in the consolidated income statement over the expected average remaining service periods of the employees participating in the plans.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans. Once the contributions have been paid, the Group, as employer, has no further payment obligations. The Group's contributions are charged to the consolidated income statement in the reporting period to which they relate and are included in staff costs.

Share-based compensation and cash incentive plans

Following the public listing of the Group on The Stock Exchange of Hong Kong Limited and the divestiture by AIG of more than 50 per cent of the Group on 29 October 2010, the Group launched a number of share-based compensation plans, under which the Group receives services from the agents, employees, directors and officers as consideration for the shares and/or share options of the Company. These share-based compensation plans comprise the Share Option Scheme (SO Scheme), the Restricted Share Unit Scheme (RSU Scheme), the Employee Share Purchase Plan (ESPP) and the Agency Share Purchase Plan (ASPP).

The Group's share-based compensation plans are predominantly equity-settled plans. Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of shares and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share and/or share options awarded. Non-market vesting conditions are included in assumptions about the number of shares and/or share options that are expected to be vested. At each period end, the Group revises its estimates of the number of shares and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

The Group estimates the fair value of share options using a binomial lattice model. This model requires inputs such as share price, implied volatility, risk-free interest rate, expected dividend rate and the expected life of the share option.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

For cash-settled share-based compensation plans, the fair value of the employee services in exchange for the grant of cash-settled award is recognised as an expense in profit or loss, with a corresponding amount recognised in liability. At the end of each reporting period, any unsettled award is remeasured based on the change in fair value of the underlying asset and the liability and expense are adjusted accordingly.

2.18 PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract held, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingencies are disclosed if material and if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event, but either a payment is not probable or the amount cannot be reliably estimated.

2.19 LEASES

Leases, where a significant portion of the risks and rewards of ownership is retained by the Group as a lessor, are classified as operating leases. Assets subject to such leases are included in property, plant and equipment or investment property, and are depreciated to their residual values over their estimated useful lives. Rentals from such leases are credited to the consolidated income statement on a straight-line basis over the period of the relevant lease. Payments made by the Group as lessee under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the relevant lease. The Group classifies amounts paid to acquire leasehold land either as an operating lease prepayment or as a component of property, plant and equipment or investment property depending on whether substantially all the risks and rewards incidental to the ownership of the land are transferred to the Group.

There are no freehold land interests in Hong Kong. The Group classifies the amounts paid to acquire leasehold land under operating leases and finance leases as operating lease prepayments and property, plant and equipment or investment property respectively. Operating lease prepayments are included within “Other assets”. Amortisation is calculated to write off the cost of the land on a straight-line basis over the terms of the lease.

2.20 SHARE CAPITAL

Issued capital represents the nominal value of shares issued plus any share premium received from the issue of share capital.

Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

Dividends

Interim dividends on ordinary shares are recognised when they have been paid. Final dividends on ordinary shares are recognised when they have been approved by shareholders.

2.21 PRESENTATION OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group's insurance and investment contract liabilities and related assets are realised and settled over periods of several years, reflecting the long-term nature of the Group's products. Accordingly, the Group presents the assets and liabilities in its consolidated statement of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Group regards its intangible assets, investments in associates and joint ventures, property, plant and equipment, investment property and deferred acquisition and origination costs as non-current assets as these are held for the longer-term use of the Group.

2.22 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Earnings per share has also been calculated on the operating profit before adjusting items, attributable to ordinary shareholders, as the Directors believe this figure provides a better indication of operating performance.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as share options granted to employees.

Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

2.23 FIDUCIARY ACTIVITIES

Assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, are excluded from these consolidated financial statements where the Group has no contractual rights to the assets and acts in a fiduciary capacity such as nominee, trustee or agent.

2.24 CONSOLIDATED STATEMENT OF CASH FLOW

The consolidated statement of cash flow presents movements in cash and cash equivalents as shown in the consolidated statement of financial position.

Purchases and sales of financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims. Purchases and sales of investment property are included within cash flows from investing activities.

2.25 RELATED PARTY TRANSACTIONS

Transactions with related parties are recorded at amounts mutually agreed and transacted between the parties to the arrangement.

3. Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, and revenue and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results can always differ from those estimates, possibly significantly.

Items that are considered particularly sensitive to changes in estimates and assumptions, and the relevant accounting policies are those which relate to product classification, insurance contract liabilities (including liabilities in respect of investment contracts with DPF), deferred acquisition and origination costs, liability adequacy testing, fair value of financial assets, impairment of financial assets, impairment of goodwill and other intangible assets and share-based compensation.

3.1 PRODUCT CLASSIFICATION

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Group exercises significant judgement to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Group to pay significant additional benefits to its customers. In the event the Group has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. The judgements exercised in determining the level of insurance risk in product classification affect the amounts recognised in the consolidated financial statements as insurance and investment contract liabilities and deferred acquisition and origination costs. The accounting policy on product classification is described in note 2.4.

3.2 INSURANCE CONTRACT LIABILITIES (INCLUDING LIABILITIES IN RESPECT OF INVESTMENT CONTRACTS WITH DPF)

The Group calculates the insurance contract liabilities for traditional life insurance using a net level premium valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses best estimate assumptions at inception adjusted for a provision for the risk of adverse deviation for mortality, morbidity, expected investment yields, policyholder dividends (for other participating business), surrenders and expenses set at the policy inception date. These assumptions remain locked in thereafter, unless a deficiency arises on liability adequacy testing. Interest rate assumptions can vary by geographical market, year of issuance and product. Mortality, surrender and expense assumptions are based on actual experience by each geographical market, modified to allow for variations in policy form. The Group exercises significant judgement in making appropriate assumptions.

For contracts with an explicit account balance, such as universal life and unit-linked contracts, insurance contract liabilities represent the accumulation value, which represents premiums received and investment returns credited to the policy less deductions for mortality and morbidity costs and expense charges. Significant judgement is exercised in making appropriate estimates of gross profits which are based on historical and anticipated future experiences, these estimates are regularly reviewed by the Group.

The Group accounts for insurance contract liabilities for participating business written in participating funds by establishing a liability for the present value of guaranteed benefits less estimated future net premiums to be collected from policyholders. In addition, an insurance liability is recorded for the proportion of the net assets of the participating fund that would be allocated to policyholders assuming all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based upon applicable regulations. Establishing these liabilities requires the exercise of significant judgement. In addition, the assumption that all relevant performance is declared as a policyholder dividend may not be borne out in practice. The Group accounts for other participating business by establishing a liability for the present value of guaranteed benefits and non-guaranteed participation, less estimated future net premiums to be collected from policyholders.

The judgements exercised in the valuation of insurance contract liabilities (including contracts with DPF) affect the amounts recognised in the consolidated financial statements as insurance contract benefits and insurance contract liabilities. Further details of the related accounting policy, key risk and variables, and the sensitivities of assumptions to the key variables in respect of insurance contract liabilities are provided in notes 2.4, 27 and 29.

3.3 DEFERRED ACQUISITION AND ORIGINATION COSTS

The judgements exercised in the deferral and amortisation of acquisition and origination costs affect amounts recognised in the consolidated financial statements as deferred acquisition and origination costs and insurance and investment contract benefits.

As noted in note 2.4.1, deferred acquisition costs for traditional life insurance and annuity policies are amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are applied consistently throughout the life of the contract unless a deficiency occurs when performing liability adequacy testing.

As noted in note 2.4.1, deferred acquisition costs for universal life and unit-linked contracts are amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits to be realised over the life of the contract or on a straight-line basis. As noted in note 3.2, significant judgement is exercised in making appropriate estimates of gross profits. The expensing of acquisition costs is accelerated following adverse investment performance. Likewise, in periods of favourable investment performance, previously expensed acquisition costs are reversed, not exceeding the amount initially deferred.

Additional details of deferred acquisition and origination costs are provided in notes 2.4 and 20.

3.4 LIABILITY ADEQUACY TESTING

The Group evaluates the adequacy of its insurance and investment contract liabilities with DPF at least annually. Significant judgement is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Liability adequacy is assessed by portfolio of contracts in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts. The Group performs liability adequacy testing separately for each geographical market in which it operates.

The judgements exercised in liability adequacy testing affect amounts recognised in the consolidated financial statements as commission and other acquisition expenses, deferred acquisition costs, insurance contract benefits and insurance and investment contract liabilities.

3.5 FAIR VALUES OF FINANCIAL ASSETS

The Group determines the fair values of financial assets traded in active markets using quoted bid prices as of each reporting date. The fair values of financial assets that are not traded in active markets are typically determined using a variety of other valuation techniques, such as prices observed in recent transactions and values obtained from current bid prices of comparable investments. More judgement is used in measuring the fair value of financial assets for which market observable prices are not available or are available only infrequently.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

Changes in the fair value of financial assets held by the Group's participating funds affect not only the value of financial assets, but are also reflected in corresponding movements in insurance and investment contract liabilities. This is due to an insurance liability being recorded for the proportion of the net assets of the participating funds that would be allocated to policyholders if all relevant surplus at the date of the consolidated statement of financial position were to be declared as a policyholder dividend based on current local regulations. Both of the foregoing changes are reflected in the consolidated income statement.

Changes in the fair value of financial assets held to back the Group's unit-linked contracts result in a corresponding change in insurance and investment contract liabilities. Both of the foregoing changes are also reflected in the consolidated income statement.

Further details of the fair value of financial assets and the sensitivity analysis to interest rates and equity prices are provided in notes 23 and 37.

3.6 IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at fair value through profit or loss, are assessed for impairment regularly. This requires the exercise of significant judgement. The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Objective evidence that a financial asset, or group of assets, is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data, including market prices, indicating that there is a potential decrease in the estimated future cash flows since the initial recognition of those assets, including:
  - adverse changes in the payment status of issuers; or
  - national or local economic conditions that correlate with increased default risk.

For loans and receivables, impairment loss is determined using an analytical method based on knowledge of each loan group or receivable. The method is usually based on historical statistics, adjusted for trends in the group of financial assets or individual accounts.

Further details of the impairment of financial assets during the year are provided in note 25.

3.7 IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

For the purposes of impairment testing, goodwill and other intangible assets are grouped into cash generating units. These assets are tested for impairment by comparing the carrying amount of the cash generating unit, including goodwill, to the recoverable amount of that cash generating unit. The determination of the recoverable amount requires significant judgement regarding the selection of appropriate valuation techniques and assumptions. Further details of the impairment of goodwill during the year are provided in note 14.

3.8 SHARE-BASED COMPENSATION

The Group has adopted a number of share-based compensation plans to retain, motivate and align the interests of eligible employees, directors, officers and agents with those of the Group. These share-based compensation plans are predominantly accounted for as equity-settled plans under which shares or options to purchase shares are awarded. 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 other share awards. These models require assumption inputs that may differ from actual results due to changes in economic conditions. Further details of share-based compensation are provided in notes 2.17 and 39.

4. 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	
	Year ended 30 November 2013	Year ended 30 November 2012
Hong Kong	**7.76**	7.76
Thailand	**30.58**	31.12
Singapore	**1.25**	1.26
Malaysia	**3.13**	3.10
China	**6.16**	6.32
Korea	**1,095.29**	1,132.50

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

	US dollar exchange rates	
	As at 30 November 2013	As at 30 November 2012
Hong Kong	**7.75**	7.75
Thailand	**32.10**	30.68
Singapore	**1.25**	1.22
Malaysia	**3.22**	3.04
China	**6.09**	6.23
Korea	**1,058.51**	1,082.25

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

5. Changes in group composition

This note provides details of the acquisitions of subsidiaries that the Group has made during the year ended 30 November 2013.

ACQUISITIONS

On 5 December 2012, the Group completed the acquisition of 92.3 per cent of the issued share capital in Sri Lankan insurer Aviva NDB Insurance (ANI). In addition, ANI has entered into an exclusive 20-year bancassurance agreement with the National Development Bank in Sri Lanka. The acquisition positions the Group to develop a significant operation in the expanding Sri Lankan market. The price, including purchase price adjustment, with respect to the transaction of US$111m was paid from existing cash resources.

In April 2013, the Group acquired a further 4.9 per cent of the share capital of ANI from the remaining shareholders by way of a voluntary offering for an aggregate price of US$4m.

On 18 December 2012, the Group acquired 100 per cent of the share capital of ING Management Holdings (Malaysia) Sdn. Bhd. (ING Malaysia). ING Malaysia was the third largest life insurer in Malaysia based upon gross premiums earned for the year ended 31 December 2011. The acquisition presents the Group with a high calibre distribution force of over 9,000 agents and a long-term bancassurance partnership with a leading Malaysian banking group, Public Bank. The price with respect to this transaction was EUR1,332m or US$1,754m at exchange rates on the date of the transaction, and was paid from cash financed initially through an acquisition credit facility which was subsequently largely repaid with a combination of internal cash resources and medium term notes. The Group utilised a foreign currency forward contract to economically hedge the purchase price.

The Group has the ability to exercise control over ANI and ING Malaysia through control of their voting rights. The Group incurred US$17m of acquisition-related costs which were recognised as “other expenses” in the Group’s consolidated income statement for the year ended 30 November 2013.

Details of the finalised fair values of the assets and liabilities acquired and the goodwill arising from the acquisition of ANI and ING Malaysia are set out as follows:

US$m	Provisional fair values as at the date of acquisition	Adjustments	Finalised fair values as at the date of acquisition
Intangible assets	51	–	51
Deferred acquisition costs (value of business acquired)	318	4	322
Property, plant and equipment	38	–	38
Investment property	115	–	115
Loans and deposits[(1)]	900	–	900
Investment securities	4,876	–	4,876
Other assets	245	1	246
Cash and cash equivalents	63	–	63
Insurance contract liabilities	(5,371)	(25)	(5,396)
Deferred tax liabilities	(125)	7	(118)
Other liabilities	(224)	(1)	(225)
Total net assets acquired	886	(14)	872
Less: non-controlling interests	(16)	–	(16)
Net assets acquired	870	(14)	856
Goodwill arising on acquisition	995	14	1,009
Fair value of purchase price	1,865	–	1,865
Less: cash and cash equivalents in acquired subsidiaries	(63)	–	(63)
Net cash outflow	1,802	–	1,802

Note:

(1) Fair value approximates the gross contractual amount.

In March 2013, the Group acquired the remaining 30 per cent of the share capital of AIA AFG Takaful Bhd. from the remaining shareholder for an aggregate price of US$14m. The business of AIA AFG Takaful Bhd. and the acquired AIA PUBLIC Takaful Bhd. (formerly known as ING PUBLIC Takaful Ehsan Berhad, a subsidiary of ING Malaysia) is in the process of integration. The integration is expected to be completed in the first half of 2014.

During the year ended 30 November 2013, the Group acquired 0.22 per cent of the share capital of Philam Life from the remaining shareholders for an aggregate price of US$3m.

GOODWILL

The goodwill recognised is mainly attributable to the distribution strength and synergies and other benefits from combining ING Malaysia with the Group's Malaysian business. The goodwill is not expected to be deductible for tax purposes.

IMPACT OF ACQUISITIONS ON THE RESULTS OF THE GROUP

As the acquired ING Malaysian business has been integrated into the Group's Malaysian business, the post-acquisition stand-alone results of the acquired ING Malaysian business are not available.

The acquired ANI contributed revenue of US$106m and profit before tax of US$9m to the Group's consolidated income statement for the year ended 30 November 2013; the impact of the acquisition would not be materially different had the acquisitions been completed at the beginning of the reporting period.

6. Operating profit after tax

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

US$m	*Note*	**Year ended 30 November 2013**	Year ended 30 November 2012
Operating profit after tax	*8*	**2,514**	2,169
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Net gains from equity securities, net of tax		**424**	787
Other non-operating investment experience and other items, net of tax		**(91)**	73
Net profit		**2,847**	3,029
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited		**2,504**	2,159
Non-controlling interests		**10**	10
Net profit attributable to:			
Shareholders of AIA Group Limited		**2,822**	3,019
Non-controlling interests		**25**	10

7. Total weighted premium income and annualised new premium

For management decision-making and internal performance management purposes, the Group measures business volumes during the year 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 per cent of regular premiums and 10 per cent of single premiums, before reinsurance ceded, and includes deposits and contributions for contracts that are accounted for as deposits in accordance with the Group's accounting policies.

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

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

TWPI US$m	Year ended 30 November 2013	Year ended 30 November 2012
TWPI by geography		
Hong Kong	**3,770**	3,372
Thailand	**3,364**	3,119
Singapore	**2,150**	2,035
Malaysia	**2,036**	964
China	**1,599**	1,446
Korea	**2,049**	1,942
Other Markets	**2,840**	2,482
Total	**17,808**	15,360
Regular premiums by geography		
Hong Kong	**3,680**	3,304
Thailand	**3,335**	3,101
Singapore	**2,042**	1,947
Malaysia	**2,017**	952
China	**1,596**	1,442
Korea	**2,029**	1,937
Other Markets	**2,776**	2,438
Total	**17,475**	15,121
Single premiums by geography		
Hong Kong	**897**	678
Thailand	**285**	187
Singapore	**1,079**	881
Malaysia	**193**	123
China	**29**	39
Korea	**201**	45
Other Markets	**641**	445
Total	**3,325**	2,398

ANP US$m	Year ended 30 November 2013	Year ended 30 November 2012
ANP by geography		
Hong Kong	**781**	604
Thailand	**565**	532
Singapore	**400**	339
Malaysia	**319**	151
China	**249**	215
Korea	**338**	237
Other Markets	**689**	618
Total	**3,341**	2,696

8. 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, pension and accident and health products to customers in its local market, and distributes related investment and other financial services products. The reportable segments are Hong Kong (including Macau), Thailand, Singapore (including Brunei), Malaysia, China, Korea, Other Markets and Group Corporate Centre. Other Markets includes the Group's operations in Australia, the Philippines, Indonesia, Vietnam, Taiwan, New Zealand, Sri Lanka and India. The activities of the Group Corporate Centre segment consist of the Group's corporate functions, shared services and eliminations of intragroup transactions.

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

- ANP;
- TWPI;
- investment income (excluding investment income in respect of unit-linked contracts);
- operating expenses;
- operating profit after tax attributable to shareholders of AIA Group Limited;
- expense ratio, measured as operating expenses divided by TWPI;
- operating margin, measured as operating profit 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 the 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 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.

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
Year ended 30 November 2013									
ANP	781	565	400	319	249	338	689	–	3,341
TWPI	3,770	3,364	2,150	2,036	1,599	2,049	2,840	–	17,808
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	3,344	3,498	2,369	1,899	1,498	1,504	1,740	10	15,862
Investment income(1)	1,121	943	791	525	437	389	564	188	4,958
Total revenue	4,465	4,441	3,160	2,424	1,935	1,893	2,304	198	20,820
Net insurance and investment contract benefits(2)	2,959	2,959	2,345	1,768	1,342	1,345	1,286	(2)	14,002
Commission and other acquisition expenses	381	559	191	144	145	206	308	–	1,934
Operating expenses	231	188	153	172	194	138	356	145	1,577
Investment management expenses and finance costs(3)	55	45	17	19	19	6	35	46	242
Total expenses	3,626	3,751	2,706	2,103	1,700	1,695	1,985	189	17,755
Share of profit/(loss) from associates and joint venture	–	–	–	1	–	–	19	(6)	14
Operating profit before tax	839	690	454	322	235	198	338	3	3,079
Tax on operating profit before tax	(65)	(164)	(58)	(72)	(30)	(48)	(88)	(40)	(565)
Operating profit/(loss) after tax	774	526	396	250	205	150	250	(37)	2,514
Operating profit/(loss) after tax attributable to:									
Shareholders of AIA Group Limited	770	526	396	250	205	150	244	(37)	2,504
Non-controlling interests	4	–	–	–	–	–	6	–	10
Key operating ratios:									
Expense ratio	6.1%	5.6%	7.1%	8.4%	12.1%	6.7%	12.5%	–	8.9%
Operating margin	22.3%	20.5%	21.1%	15.8%	14.7%	9.7%	11.9%	–	17.3%
Operating return on allocated equity	20.0%	12.9%	22.9%	16.1%	17.4%	8.9%	11.7%	–	12.1%
Operating profit before tax includes:									
Finance costs	16	10	2	2	12	–	3	26	71
Depreciation and amortisation	10	12	13	16	9	6	26	15	107

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.

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

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
Year ended 30 November 2013									
Operating profit before tax	839	690	454	322	235	198	338	3	3,079
Non-operating items	167	169	(56)	(27)	50	18	122	16	459
Profit before tax	1,006	859	398	295	285	216	460	19	3,538
Tax on operating profit before tax	(65)	(164)	(58)	(72)	(30)	(48)	(88)	(40)	(565)
Policyholders' tax on operating profit before tax	–	–	(41)	(25)	–	–	(4)	–	(70)
Non-operating tax expense	(10)	(80)	43	46	(12)	(5)	(28)	(10)	(56)
Tax expense	(75)	(244)	(56)	(51)	(42)	(53)	(120)	(50)	(691)
Net profit/(loss)	931	615	342	244	243	163	340	(31)	2,847
Net profit/(loss) attributable to:									
Shareholders of AIA Group Limited	927	615	342	244	243	163	319	(31)	2,822
Non-controlling interests	4	–	–	–	–	–	21	–	25

Allocated equity may be analysed as follows:

US$m	Hong Kong	Thailand(4)	Singapore	Malaysia	China	Korea	Other Markets(4)	Group Corporate Centre(4)	Total
30 November 2013									
Assets before investments in associates and joint venture	34,260	24,026	27,547	15,774	11,728	12,631	14,352	6,174	146,492
Investments in associates and joint venture	–	–	1	7	–	–	81	4	93
Total assets	34,260	24,026	27,548	15,781	11,728	12,631	14,433	6,178	146,585
Total liabilities(4)	29,282	19,419	25,314	13,269	10,601	10,676	10,942	2,251	121,754
Total equity	4,978	4,607	2,234	2,512	1,127	1,955	3,491	3,927	24,831
Non-controlling interests	13	–	–	9	–	–	123	–	145
Amounts reflected in other comprehensive income:									
Fair value reserve	1,076	326	119	(8)	(378)	229	1,112	(206)	2,270
Foreign currency translation reserve	–	245	323	17	158	(27)	(85)	26	657
Allocated equity	3,889	4,036	1,792	2,494	1,347	1,753	2,341	4,107	21,759
Net capital (out)/in flows	(839)	(700)	(222)	1,636	101	(27)	183	(748)	(616)
Total assets include:									
Additions to non-current assets(5)	338	17	27	1,170	19	8	83	27	1,689

Notes:

(4) Group Corporate Centre segment, Thailand segment and Other Markets segment adjusted for intercompany debt provided to Thailand segment and Other Markets segment of US$13m and US$25m, respectively.

(5) The non-current assets comprise intangible assets, property, plant and equipment, investment property and operating leases of leasehold land.

Segment information may be reconciled to the 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	Other non-operating items	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	Consolidated income statement	
Year ended 30 November 2013										
Total revenue	**20,820**	**903**	**203**	**–**	**–**	**–**	**–**	**–**	**21,926**	**Total revenue**
Of which:										Of which:
Net premiums, fee income and other operating revenue	**15,862**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**15,862**	Net premiums, fee income and other operating revenue
Investment return	**4,958**	**903**	**203**	**–**	**–**	**–**	**–**	**–**	**6,064**	Investment return
Total expenses	**17,755**	**–**	**–**	**89**	**(16)**	**861**	**(306)**	**19**	**18,402**	**Total expenses**
Of which:										Of which:
Net insurance and investment contract benefits	**14,002**	**–**	**–**	**–**	**(70)**	**861**	**(306)**	**–**	**14,487**	Net insurance and investment contract benefits
Restructuring and other non-operating costs	**–**	**–**	**–**	**–**	**54**	**–**	**–**	**–**	**54**	Restructuring and other non-operating costs
Investment management expenses and finance costs	**242**	**–**	**–**	**89**	**–**	**–**	**–**	**–**	**331**	Investment management expenses and finance costs
Change in third-party interests in consolidated investment funds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19**	**19**	Change in third-party interests in consolidated investment funds
Share of profit from associates and joint venture	**14**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14**	Share of profit from associates and joint venture
Operating profit before tax	**3,079**	**903**	**203**	**(89)**	**16**	**(861)**	**306**	**(19)**	**3,538**	**Profit before tax**

Other non-operating items in 2013 consist of restructuring and other non-operating costs of US$54m (see note 10).

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
Year ended 30 November 2012									
ANP	604	532	339	151	215	237	618	–	2,696
TWPI	3,372	3,119	2,035	964	1,446	1,942	2,482	–	15,360
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	2,818	3,205	1,967	855	1,352	1,443	1,539	2	13,181
Investment income(1)	999	885	718	292	364	355	522	142	4,277
Total revenue	3,817	4,090	2,685	1,147	1,716	1,798	2,061	144	17,458
Net insurance and investment contract benefits(2)	2,476	2,808	1,930	778	1,217	1,304	1,184	(1)	11,696
Commission and other acquisition expenses	299	451	196	88	127	199	281	–	1,641
Operating expenses	212	173	139	81	180	127	299	129	1,340
Investment management expenses and finance costs(3)	34	34	14	6	12	4	31	11	146
Total expenses	3,021	3,466	2,279	953	1,536	1,634	1,795	139	14,823
Share of profit/(loss) from associates	–	(1)	–	–	–	–	17	–	16
Operating profit before tax(4)	796	623	406	194	180	164	283	5	2,651
Tax on operating profit before tax	(60)	(152)	(61)	(45)	(29)	(39)	(69)	(27)	(482)
Operating profit/(loss) after tax(4)	736	471	345	149	151	125	214	(22)	2,169
Operating profit/(loss) after tax attributable to:									
Shareholders of AIA Group Limited	732	471	345	150	151	125	207	(22)	2,159
Non-controlling interests	4	–	–	(1)	–	–	7	–	10
Key operating ratios:									
Expense ratio	6.3%	5.5%	6.8%	8.4%	12.4%	6.5%	12.0%	–	8.7%
Operating margin	23.6%	20.0%	20.0%	20.1%	12.4%	8.4%	11.4%	–	17.3%
Operating return on allocated equity	18.9%	12.2%	23.6%	25.4%	16.7%	8.0%	12.3%	–	11.8%
Operating profit before tax includes:									
Finance costs	6	3	2	1	7	–	3	(3)	19
Depreciation and amortisation	9	9	12	8	10	6	21	13	88

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) Certain segmental reclassifications have been made from Group Corporate Centre segment to key segments to conform to current year presentation. For the year ended 30 November 2012, operating profit before and after tax of Thailand segment have been increased by US$19m, Singapore segment have been increased by US$13m, Malaysia segment have been increased by US$8m and Group Corporate Centre segment have been decreased by US$40m. The reclassification has no impact to the operating profit before and after tax, allocated equity and net capital outflow of the Group for the year ended 30 November 2012.

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

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Korea	Other Markets	Group Corporate Centre	Total
Year ended 30 November 2012									
Operating profit before tax	796	623	406	194	180	164	283	5	2,651
Non-operating items	215	656	167	19	(70)	4	59	13	1,063
Profit before tax	1,011	1,279	573	213	110	168	342	18	3,714
Tax on operating profit before tax	(60)	(152)	(61)	(45)	(29)	(39)	(69)	(27)	(482)
Policyholders' tax on operating profit before tax	–	–	(29)	(14)	–	–	(4)	–	(47)
Non-operating tax expense	–	(91)	(36)	(12)	17	(17)	(12)	(5)	(156)
Tax expense	(60)	(243)	(126)	(71)	(12)	(56)	(85)	(32)	(685)
Net profit/(loss)	951	1,036	447	142	98	112	257	(14)	3,029
Net profit/(loss) attributable to:									
Shareholders of AIA Group Limited	947	1,036	447	143	98	112	250	(14)	3,019
Non-controlling interests	4	–	–	(1)	–	–	7	–	10

Allocated equity may be analysed as follows:

US$m	Hong Kong	Thailand(5)	Singapore	Malaysia	China	Korea	Other Markets(5)	Group Corporate Centre(5)	Total
30 November 2012									
Assets before investments in associates	32,869	24,216	27,247	8,597	10,587	11,615	13,598	5,619	134,348
Investments in associates	–	–	1	8	–	–	82	–	91
Total assets	32,869	24,216	27,248	8,605	10,587	11,615	13,680	5,619	134,439
Total liabilities(5)	26,121	18,834	24,724	7,844	9,511	9,539	10,315	723	107,611
Total equity(6)	6,748	5,382	2,524	761	1,076	2,076	3,365	4,896	26,828
Non-controlling interests	11	–	–	9	–	–	107	4	131
Amounts reflected in other comprehensive income:									
Fair value reserve	2,936	798	463	42	(59)	524	1,274	1	5,979
Foreign currency translation reserve	–	463	389	96	132	(65)	145	5	1,165
Allocated equity	3,801	4,121	1,672	614	1,003	1,617	1,839	4,886	19,553
Net capital (out)/in flows	(1,104)	(503)	(23)	(98)	100	–	45	1,011	(572)
Total assets include:									
Additions to non-current assets(7)	176	16	20	15	10	11	28	164	440

Notes:

(5) Group Corporate Centre segment, Thailand segment and Other Markets segment adjusted for intercompany debt provided to Thailand segment and Other Markets segment of US$13m and US$29m, respectively.

(6) Certain segmental reclassifications have been made from Group Corporate Centre segment to key segments to conform to current year presentation. As at 30 November 2012, total equity of Thailand segment has been increased by US$19m, Singapore segment has been increased by US$13m, Malaysia segment has been increased by US$8m, and Group Corporate Centre segment has been decreased by US$40m. The reclassification has no impact to the total equity, allocated equity and net capital outflow of the Group as of 30 November 2012.

(7) The non-current assets comprise intangible assets, property, plant and equipment, investment property and operating leases of leasehold land.

Segment information may be reconciled to the 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	Other non-operating items	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	Consolidated income statement	
Year ended 30 November 2012										
Total revenue	17,458	2,743	186	–	–	–	–	–	20,387	**Total revenue**
Of which:										Of which:
Net premiums, fee income and other operating revenue	13,181	–	–	–	–	–	–	–	13,181	Net premiums, fee income and other operating revenue
Investment return	4,277	2,743	186	–	–	–	–	–	7,206	Investment return
Total expenses	14,823	–	–	86	53	1,147	578	2	16,689	**Total expenses**
Of which:										Of which:
Net insurance and investment contract benefits	11,696	–	–	–	(47)	1,147	578	–	13,374	Net insurance and investment contract benefits
Restructuring and other non-operating costs	–	–	–	–	80	–	–	–	80	Restructuring and other non-operating costs
Investment management expenses and finance costs	146	–	–	86	20	–	–	–	252	Investment management expenses and finance costs
Change in third-party interests in consolidated investment funds	–	–	–	–	–	–	–	2	2	Change in third-party interests in consolidated investment funds
Share of profit from associates	16	–	–	–	–	–	–	–	16	Share of profit from associates
Operating profit before tax	2,651	2,743	186	(86)	(53)	(1,147)	(578)	(2)	3,714	**Profit before tax**

Other non-operating items in 2012 consist of restructuring and other non-operating costs of US$80m (see note 10).

9. Revenue

INVESTMENT RETURN

US$m	Year ended 30 November 2013	Year ended 30 November 2012
Interest income	**4,539**	3,957
Dividend income	**506**	409
Rental income	**115**	97
Investment income	**5,160**	4,463
Available for sale		
Net realised gains from debt securities	**25**	50
Net gains of available for sale financial assets reflected in the consolidated income statement	**25**	50
At fair value through profit or loss		
Net gains/(losses) of financial assets designated at fair value through profit or loss		
Net (losses)/gains of debt securities	**(903)**	579
Net gains of equity securities	**1,623**	2,328
Net gains/(losses) of financial instruments held for trading		
Net gains of debt investments	**1**	1
Net fair value movement on derivatives	**(81)**	140
Net gains in respect of financial instruments at fair value through profit or loss	**640**	3,048
Net foreign exchange gains/(losses)	**167**	(287)
Other net realised gains/(losses)	**72**	(68)
Investment experience	**904**	2,743
Investment return	**6,064**	7,206

INVESTMENT INCOME

US$m	Year ended 30 November 2013	Year ended 30 November 2012
Income from listed investments	**3,248**	2,867
Income from unlisted investments	**1,912**	1,596
Total	**5,160**	4,463

Other net realised gains/(losses) include impairment of intangible assets of US$nil (2012: US$62m) and gains on disposal of properties of US$114m (2012: US$nil).

Foreign currency movements resulted in the following gains/(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	Year ended 30 November 2013	Year ended 30 November 2012
Foreign exchange gains/(losses)	**94**	(55)

OTHER OPERATING REVENUE

The balance of other operating revenue largely consists of asset management fees.

10. Expenses

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Insurance contract benefits	**9,067**	7,879
Change in insurance contract liabilities	**5,935**	5,658
Investment contract benefits	**301**	540
Insurance and investment contract benefits	**15,303**	14,077
Insurance and investment contract benefits ceded	**(816)**	(703)
Insurance and investment contract benefits, net of reinsurance ceded	**14,487**	13,374
Commission and other acquisition expenses incurred	**3,357**	2,840
Deferral and amortisation of acquisition costs	**(1,423)**	(1,199)
Commission and other acquisition expenses	**1,934**	1,641
Employee benefit expenses	**1,018**	858
Depreciation	**70**	64
Amortisation	**27**	24
Operating lease rentals	**103**	99
Other operating expenses	**359**	295
Operating expenses	**1,577**	1,340
Investment management expenses and others	**260**	233
Restructuring and other non-operating costs(1)	**54**	80
Change in third-party interests in consolidated investment funds	**19**	2
Other expenses	**333**	315
Finance costs	**71**	19
Total	**18,402**	16,689

Other operating expenses include auditors' remuneration of US$13m (2012: US$14m).

Note:

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

Investment management expenses and others may be analysed as:

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Investment management expenses	**244**	224
Depreciation on investment property	**16**	9
Total	**260**	233

Finance costs may be analysed as:

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Securities lending and repurchase agreements (see note 31 for details)	**30**	14
Bank and other loans	**41**	5
Total	**71**	19

Finance costs include interest expense of US$29m (2012: US$5m) on bank loans, overdrafts and other loans wholly repayable within five years and US$12m (2012: US$nil) on bank loans, overdrafts and other loans not wholly repayable within five years.

Employee benefit expenses consist of:

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Wages and salaries	**813**	682
Share-based compensation	**75**	45
Pension costs – defined contribution plans	**54**	46
Pension costs – defined benefit plans	**15**	16
Other employee benefit expenses	**61**	69
Total	**1,018**	858

11. Income tax

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Tax charged in the consolidated income statement		
Current income tax – Hong Kong Profits Tax	**67**	54
Current income tax – overseas	**311**	479
Deferred income tax on temporary differences	**313**	152
Total	**691**	685

The tax benefit or expense attributable to Singapore, Brunei, Malaysia, Indonesia, Australia, Sri Lanka and the Philippines 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$47m (2012: US$104m).

The provision for Hong Kong Profits Tax is calculated at 16.5 per cent. Taxation for overseas subsidiaries and branches is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions of which the most significant jurisdictions are outlined below.

	Year ended 30 November 2013	Year ended 30 November 2012
Thailand	**20%**	23%
Singapore	**17%**	17%
Korea	**24.2%**	24.2%
Malaysia	**25%**	25%
China	**25%**	25%
Hong Kong	**16.5%**	16.5%
Others	**12% – 30%**	12% – 30%

The table above reflects the principal rate of corporate income taxes, as at the end of each year. The rate changes reflect changes to the enacted or substantively enacted corporate tax rates throughout the year in each jurisdiction. For Thailand, the corporate income tax rate is assumed to be 20 per cent in assessment year 2014 and 30 per cent from assessment year 2015 onward.

During the year, Malaysia and Vietnam announced changes in corporate income tax rates. The corporate income tax rate for Malaysia will reduce to 24 per cent from assessment year 2016 onward. This resulted in a reduction of deferred tax liabilities of US$10m, of which US$9m is recognised as a non-operating item and US$1m is recognised in other comprehensive income.

For Vietnam, the corporate income tax rate will reduce to 22 per cent for the assessment years 2014 and 2015 and 20 per cent from assessment year 2016 onward. This resulted in a reduction of deferred tax liabilities of US$1m, which is recognised as a non-operating item.

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Income tax reconciliation		
Profit before income tax	**3,538**	3,714
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective jurisdictions	**671**	720
Reduction in tax payable from:		
Life insurance tax [(1)]	**(25)**	–
Exempt investment income	**(76)**	(66)
Amount over-provided in prior years	**–**	(6)
Changes in tax rate and law	**(10)**	(56)
Others	**–**	(93)
	(111)	(221)
Increase in tax payable from:		
Life insurance tax [(1)]	**–**	35
Withholding taxes	**37**	31
Disallowed expenses	**27**	18
Amounts under-provided in prior years	**1**	–
Unrecognised deferred tax assets	**10**	40
Provisions for uncertain tax positions	**7**	62
Others	**49**	–
	131	186
Total income tax expense	**691**	685

Note:

(1) Life insurance tax refers to the permanent differences which arise where the tax regime specific to the life insurance business does not adopt net income as the basis for calculating taxable profit, for example Hong Kong, where life business taxable profit is derived from life premiums.

The movement in net deferred tax liabilities in the period may be analysed as set out below:

US$m	Net deferred tax asset/(liability) at 1 December	Acquisition of subsidiaries[3]	Credited/ (charged) to the income statement	Credited/(charged) to other comprehensive income: Fair value reserve[2]	Credited/(charged) to other comprehensive income: Foreign exchange	Net deferred tax asset/(liability) at year end
30 November 2013						
Revaluation of financial instruments	**(1,210)**	**(21)**	**57**	**557**	**24**	**(593)**
Deferred acquisition costs	**(2,099)**	**(3)**	**(277)**	**–**	**83**	**(2,296)**
Insurance and investment contract liabilities	**1,678**	**–**	**(37)**	**–**	**(73)**	**1,568**
Withholding taxes	**(115)**	**–**	**(37)**	**–**	**13**	**(139)**
Provision for expenses	**119**	**3**	**10**	**–**	**(3)**	**129**
Losses available for offset against future taxable income	**25**	**–**	**(10)**	**–**	**–**	**15**
Life surplus [1]	**(517)**	**(97)**	**10**	**–**	**25**	**(579)**
Others	**(105)**	**–**	**(29)**	**–**	**(1)**	**(135)**
Total	**(2,224)**	**(118)**	**(313)**	**557**	**68**	**(2,030)**
30 November 2012						
Revaluation of financial instruments	(924)	–	(73)	(208)	(5)	(1,210)
Deferred acquisition costs	(1,836)	–	(209)	–	(54)	(2,099)
Insurance and investment contract liabilities	1,495	–	146	–	37	1,678
Withholding taxes	(95)	–	(15)	–	(5)	(115)
Provision for expenses	99	–	18	–	2	119
Losses available for offset against future taxable income	6	–	19	–	–	25
Life surplus [1]	(441)	–	(48)	–	(28)	(517)
Others	(110)	–	10	–	(5)	(105)
Total	(1,806)	–	(152)	(208)	(58)	(2,224)

Notes:

(1) Life surplus relates to the temporary difference which arises where the taxable profits are based on actual distributions from the long-term fund. This primarily relates to Singapore and Malaysia.

(2) Of the fair value reserve deferred tax (credit)/charge of US$(557)m (2012: US$208m) for 2013, US$(555)m (2012: US$211m) relates to fair value gains and losses on available for sale financial assets and US$(2)m (2012: US$(3)m) relates to fair value gains and losses on available for sale financial assets transferred to income on disposal.

(3) The amount of US$118m represents a one-time adjustment in respect of the acquisition of ING Malaysia and ANI.

Deferred tax assets are recognised to the extent that sufficient future taxable profits will be available for realisation. The Group has not recognised deferred tax assets on tax losses and the temporary difference on insurance and investment contract liabilities arising from different accounting and statutory/tax reserving methodology for certain branches and subsidiaries on the basis that they have histories of tax losses and there is insufficient evidence that future profits will be available.

Temporary differences not recognised in the consolidated statement of financial position are:

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Tax losses	**105**	100
Insurance and investment contract liabilities	**21**	32
Total	**126**	132

The Group has not provided deferred tax liabilities of US$47m (2012: US$51m) in respect of unremitted earnings of operations in two jurisdictions from which a withholding tax charge would be incurred upon distribution as the Group does not consider it probable that this portion of accumulated earnings will be remitted in the foreseeable future.

The Group has unused income tax losses carried forward in Hong Kong, Malaysia, New Zealand, Macau, the Philippines, Thailand, Korea and Taiwan. The tax losses of Hong Kong, Malaysia and New Zealand can be carried forward indefinitely. The tax losses of the remaining branches and subsidiaries are due to expire within the periods ending 2016 (Macau and the Philippines), 2018 (Thailand), and 2023 (Korea and Taiwan).

12. 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 year. 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.

	Year ended 30 November 2013	Year ended 30 November 2012
Net profit attributable to shareholders of AIA Group Limited (US$m)	**2,822**	3,019
Weighted average number of ordinary shares in issue (million)	**11,974**	11,997
Basic earnings per share (US cents per share)	**23.57**	25.16

DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As of 30 November 2013 and 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 39.

	Year ended 30 November 2013	Year ended 30 November 2012
Net profit attributable to shareholders of AIA Group Limited (US$m)	**2,822**	3,019
Weighted average number of ordinary shares in issue (million)	**11,974**	11,997
Adjustment for restricted share units, restricted stock purchase units and restricted stock subscription units granted under share-based compensation plans	**32**	11
Weighted average number of ordinary shares for diluted earnings per share (million)	**12,006**	12,008
Diluted earnings per share (US cents per share)	**23.50**	25.14

At 30 November 2013, 6,919,294 share options (2012: 28,171,257) 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 6) 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 year. As of 30 November 2013 and 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 39.

	Year ended 30 November 2013	Year ended 30 November 2012
Basic (US cents per share)	**20.91**	18.00
Diluted (US cents per share)	**20.86**	17.98

13. Dividends

Dividends to shareholders of the Company attributable to the year:

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Interim dividend declared and paid of 13.93 Hong Kong cents per share (2012: 12.33 Hong Kong cents per share)	**215**	191
Final dividend proposed after the reporting date of 28.62 Hong Kong cents per share (2012: 24.67 Hong Kong cents per share)[1]	**442**	382
	657	573

Note:

(1) Based upon shares outstanding at 30 November 2013 and 2012 that are entitled to a dividend, other than those held by employee share-based trusts.

The above final dividend was proposed by the Board on 21 February 2014 subject to shareholders' approval at the AGM to be held on 9 May 2014. The proposed final dividend has not been recognised as a liability at the reporting date.

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

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Final dividend in respect of the previous financial year, approved and paid during the year of 24.67 Hong Kong cents per share (2012: 22.00 Hong Kong cents per share)	**380**	339

14. Intangible assets

US$m	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 December 2011	126	193	54	373
Additions	–	67	10	77
Disposals	–	(4)	–	(4)
Foreign exchange movements	–	7	2	9
At 30 November 2012	**126**	**263**	**66**	**455**
Additions	**–**	**33**	**2**	**35**
Acquisition of subsidiaries	**1,009**	**3**	**48**	**1,060**
Disposals	**–**	**(1)**	**(5)**	**(6)**
Foreign exchange movements	**–**	**(9)**	**(7)**	**(16)**
At 30 November 2013	**1,135**	**289**	**104**	**1,528**
Accumulated amortisation and impairment				
At 1 December 2011	(6)	(84)	(7)	(97)
Amortisation charge for the year	–	(22)	(2)	(24)
Impairment	–	(57)	(5)	(62)
Disposals	–	3	–	3
Foreign exchange movements	–	(3)	–	(3)
At 30 November 2012	**(6)**	**(163)**	**(14)**	**(183)**
Amortisation charge for the year	**–**	**(26)**	**(11)**	**(37)**
Disposals	**–**	**1**	**5**	**6**
Foreign exchange movements	**–**	**7**	**–**	**7**
At 30 November 2013	**(6)**	**(181)**	**(20)**	**(207)**
Net book value				
At 30 November 2012	120	100	52	272
At 30 November 2013	**1,129**	**108**	**84**	**1,321**

Of the above, US$1,284m (2012: US$248m) is expected to be recovered more than 12 months after the end of the reporting period.

IMPAIRMENT TESTS FOR GOODWILL

Goodwill arises primarily in respect of the Group's insurance business in Malaysia. Goodwill is tested for impairment by comparing the carrying amount of the cash generating unit, including goodwill, to the recoverable amount of that cash generating unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the goodwill allocated to that unit shall be regarded as not impaired. The recoverable amount is the value in use of the cash generating unit unless otherwise stated. The value in use is determined by calculating the present value of expected future cash flows plus a multiple of the present value of the new business generated.

Value in use is calculated as an actuarially determined appraisal value, based on the embedded value of the business and the value from future new business.

The key assumptions used in the embedded value calculations include investment returns, mortality, morbidity, persistency, expenses, and inflation. The value from future new business is calculated based on a combination of indicators which include, among others, a multiple of the projected one-year value of new business (VONB), taking into account recent production mix, business strategy and market trends. The Group may apply alternative method to estimate the value of future new business if the described method is not appropriate under the circumstances.

15. Investments in associates and joint venture

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Group		
At beginning of financial year	**91**	61
Additions	**30**	–
Distribution from associates	**(1)**	(4)
Share of net profit	**14**	16
Others	**(31)**	19
Foreign exchange movements	**(10)**	(1)
At end of financial year	**93**	91

The Group's interest in its principal associates and joint venture is as follows:

	Place of incorporation	**Principal activity**	**Type of shares held**	**Group's interest % As at 30 November 2013**	Group's interest % As at 30 November 2012
Tata AIA Life Insurance Company Limited	India	Insurance	– Ordinary	**26%**	26%
AIA Vitality Company Limited[(1)]	Hong Kong	Development of wellness programmes	– Ordinary	**50%**	100%
			– Preference	**100%**	–

Note:

(1) The economic interest is 35%.

All associates and joint venture are unlisted.

Aggregated financial information of associates and joint venture

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
Share of income	**157**	144
Share of expenses	**(143)**	(128)
Share of net profit	**14**	16

	As at 30 November 2013	As at 30 November 2012
Share of total assets	**843**	854
Share of total liabilities	**(750)**	(763)
Share of net assets	**93**	91

Investments in associates and joint venture are held for their long-term contribution to the Group's performance and so all amounts are expected to be realised more than 12 months after the end of the reporting period. The amount due from joint venture amounted to US$3m (2012: US$nil) is unsecured, non-interest bearing which is expected to be settled within one year.

16. Property, plant and equipment

US$m	Property held for use	Computer hardware	Fixtures and fittings and others	Total
Cost				
At 1 December 2011	438	190	298	926
Additions	25	25	76	126
Disposals	(12)	(14)	(57)	(83)
Net transfers to investment property	(12)	–	–	(12)
Foreign exchange movements	18	6	8	32
At 30 November 2012	**457**	**207**	**325**	**989**
Additions	**13**	**29**	**59**	**101**
Acquisition of subsidiaries	**33**	**4**	**1**	**38**
Disposals	**(28)**	**(17)**	**(32)**	**(77)**
Net transfers from investment property	**35**	**–**	**–**	**35**
Foreign exchange movements	**(17)**	**(7)**	**(4)**	**(28)**
At 30 November 2013	**493**	**216**	**349**	**1,058**
Accumulated depreciation				
At 1 December 2011	(186)	(149)	(232)	(567)
Depreciation charge for the year	(14)	(20)	(30)	(64)
Disposals	7	11	50	68
Net transfers to investment property	7	–	–	7
Foreign exchange movements	(9)	(6)	(6)	(21)
At 30 November 2012	**(195)**	**(164)**	**(218)**	**(577)**
Depreciation charge for the year	**(15)**	**(23)**	**(32)**	**(70)**
Disposals	**15**	**10**	**30**	**55**
Net transfers from investment property	**(2)**	**–**	**–**	**(2)**
Foreign exchange movements	**7**	**6**	**3**	**16**
At 30 November 2013	**(190)**	**(171)**	**(217)**	**(578)**
Net book value				
At 30 November 2012	262	43	107	412
At 30 November 2013	**303**	**45**	**132**	**480**

The Group holds freehold land outside Hong Kong and leasehold land under finance lease in the form of property, plant and equipment. An analysis of the carrying value of the Group's interest in those land and land use rights is set out in note 24.

The Group holds property, plant and equipment for its long-term use and, accordingly, the annual depreciation charge approximates to the amount expected to be recovered through consumption within 12 months after the end of the reporting period.

17. Investment property

US$m	
Cost	
At 1 December 2011	942
Additions	133
Disposals	(1)
Net transfers from property, plant and equipment	12
Foreign exchange movements	14
At 30 November 2012	**1,100**
Additions	**42**
Acquisition of subsidiaries	**115**
Disposals	**(3)**
Net transfers to property, plant and equipment	**(35)**
Foreign exchange movements	**(18)**
At 30 November 2013	**1,201**
Accumulated depreciation	
At 1 December 2011	(46)
Charge for the year	(9)
Disposals	–
Net transfers from property, plant and equipment	(7)
Foreign exchange movements	(3)
At 30 November 2012	**(65)**
Charge for the year	**(16)**
Disposals	**2**
Net transfers to property, plant and equipment	**2**
Foreign exchange movements	**4**
At 30 November 2013	**(73)**
Net book value	
At 30 November 2012	1,035
At 30 November 2013	**1,128**

The Group holds investment property for long-term use, and so the annual amortisation charge approximates to the amount expected to be recovered within 12 months after the reporting period.

The Group leases out its investment property under operating leases. The leases typically run for an initial period of one to twelve years, with an option to renew the lease based on future negotiations. Lease payments are usually negotiated every one to three years to reflect market rentals. There were no material contingent rentals earned as income for the year. Rental income generated from investment properties amounted to US$115m (2012: US$97m). Direct operating expenses (including repair and maintenance) on investment property that generates rental income amounted to US$25m (2012: US$15m).

The Group owns investment property in the form of freehold land outside Hong Kong and leasehold land under finance lease. The Group does not hold freehold land in Hong Kong. An analysis of the carrying value of the Group's interest in those land and land use right is set out in note 24.

The future minimum operating lease rental income under non-cancellable operating leases that the Group expects to receive in future periods may be analysed as follows:

US$m	**As at 30 November 2013**	As at 30 November 2012
Leases of investment property		
Expiring no later than one year	**86**	78
Expiring later than one year and no later than five years	**100**	78
Expiring after five years or more	**5**	2
Total	**191**	158

18. Fair value of investment property and property held for use

US$m	**As at 30 November 2013**	As at 30 November 2012
Carrying value(1)		
Investment property	**1,128**	1,035
Property held for use (classified as property, plant and equipment)	**303**	262
Leasehold land under operating lease (classified as prepayments in other assets)	**453**	168
Total	**1,884**	1,465
Fair value(1)		
Investment property (including land)	**3,180**	2,773
Property held for use (including land)	**1,388**	1,153
Total	**4,568**	3,926

Note:

(1) Carrying and fair values are presented before non-controlling interests and, for assets held in participating funds, before allocation to policyholders.

19. Reinsurance assets

US$m	**As at 30 November 2013**	As at 30 November 2012
Amounts recoverable from reinsurers	**141**	95
Ceded insurance and investment contract liabilities	**1,238**	1,058
Total	**1,379**	1,153

20. Deferred acquisition and origination costs

US$m	**As at 30 November 2013**	As at 30 November 2012
Carrying amount		
Deferred acquisition costs on insurance contracts	**14,836**	13,465
Deferred origination costs on investment contracts	**603**	677
Value of business acquired	**299**	19
Total	**15,738**	14,161

	Year ended 30 November 2013	Year ended 30 November 2012
Movements in the year		
At beginning of financial year	**14,161**	12,818
Deferral and amortisation of acquisition and origination costs	**1,432**	1,210
Acquisition of subsidiaries	**322**	–
Foreign exchange movements	**(414)**	356
Impact of assumption changes	**(9)**	(11)
Other movements	**246**	(212)
At end of financial year	**15,738**	14,161

Deferred acquisition and origination costs are expected to be recoverable over the mean term of the Group's insurance and investment contracts, and liability adequacy testing is performed at least annually to confirm their recoverability. Accordingly, the annual amortisation charge, which varies with investment performance for certain universal life and unit-linked products, approximates to the amount which is expected to be realised within 12 months of the end of the reporting period.

21. Financial investments

The following tables analyse the Group's financial investments by type and nature. The Group manages its financial investments in two distinct categories: Unit-linked Investments and Policyholder and Shareholder Investments. The investment risk in respect of Unit-linked Investments is generally wholly borne by our customers, and does not directly affect the profit for the year before tax. Furthermore, unit-linked contract holders are responsible for allocation of their policy values amongst investment options offered by the Group. Although profit for the year before tax is not affected by Unit-linked Investments, the investment return from such financial investments is included in the Group's profit for the year before tax, as the Group has elected the fair value option for all Unit-linked Investments with corresponding changes in insurance and investment contract liabilities for unit-linked contracts. Policyholder and Shareholder Investments include all financial investments other than Unit-linked Investments. The investment risk in respect of Policyholder and Shareholder Investments is partially or wholly borne by the Group.

Policyholder and Shareholder Investments are further categorised as Participating Funds and Other Policyholder and Shareholder. The Group has elected to separately analyse financial investments held by Participating Funds within Policyholder and Shareholder Investments as they are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends. The Group has elected the fair value option for debt and equity securities of Participating Funds. The Group's accounting policy is to record an insurance liability for the proportion of net assets of the Participating Fund that would be allocated to policyholders assuming all performance would be declared as a dividend based upon local regulations as at the date of the statement of financial position. As a result the Group's net profit for the year before tax is impacted by the proportion of investment return that would be allocated to shareholders as described above.

Other Policyholder and Shareholder Investments are distinct from Unit-linked Investments and Participating Funds as there is no direct contractual or regulatory requirement governing the amount, if any, for allocation to policyholders. The Group has elected to apply the fair value option for equity securities in this category and the available for sale classification in respect of the majority of debt securities in this category. The investment risk from investments in this category directly impacts the Group's financial statements. Although a proportion of investment return may be allocated to policyholders through policyholder dividends, the Group's accounting policy for insurance and certain investment contract liabilities utilises a net level premium methodology that includes best estimates as at the date of issue for non-guaranteed participation. To the extent investment return from these investments either is not allocated to participating contracts or varies from the best estimates, it will impact the Group's profit before tax.

In the following tables, "FVTPL" indicates financial investments classified at fair value through profit or loss and "AFS" indicates financial investments classified as available for sale.

DEBT SECURITIES

In compiling the tables, external ratings have been used where available. Where external ratings are not readily available an internal rating methodology has been adopted. The following conventions have been adopted to conform the various ratings.

External ratings		**Internal ratings**	**Reported as**
Standard and Poor's	**Moody's**		
AAA	Aaa	1	AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-	AA
A+ to A-	A1 to A3	3+ to 3-	A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-	BBB
BB+ and below	Ba1 and below	5+ and below	Below investment grade[1]

Note:

(1) Unless otherwise identified individually.

Debt securities by type comprise the following:

US$m	Rating	Policyholder and shareholder Participating funds FVTPL	Other policyholder and shareholder FVTPL	 AFS	Subtotal	Unit-linked FVTPL	Total
30 November 2013							
Government bonds							
– issued in local currency							
Singapore	*AAA*	1,694	–	1,305	2,999	281	3,280
Thailand	*A*	–	–	10,217	10,217	–	10,217
Philippines	*BBB*	–	–	3,016	3,016	57	3,073
Malaysia	*A*	2,288	–	674	2,962	5	2,967
China	*AA*	390	–	2,072	2,462	10	2,472
Indonesia	*BB*	2	–	555	557	99	656
Korea	*AA*	–	–	3,189	3,189	154	3,343
Other(1)		13	5	552	570	4	574
Subtotal		4,387	5	21,580	25,972	610	26,582
Government bonds							
– foreign currency							
Mexico	*BBB*	7	12	171	190	–	190
South Africa	*BBB*	–	8	131	139	–	139
Philippines	*BBB*	–	16	409	425	81	506
Malaysia	*A*	75	–	98	173	2	175
Indonesia	*BB*	71	8	296	375	4	379
Korea	*A*	17	–	219	236	8	244
China	*AA*	–	–	15	15	1	16
Other(1)		20	134	504	658	15	673
Subtotal		190	178	1,843	2,211	111	2,322
Government agency bonds(2)							
AAA		1,112	–	914	2,026	120	2,146
AA		486	–	1,597	2,083	57	2,140
A		574	–	4,597	5,171	22	5,193
BBB		275	–	1,247	1,522	10	1,532
Below investment grade		17	–	148	165	2	167
Not rated		–	–	–	–	2	2
Subtotal		2,464	–	8,503	10,967	213	11,180

Notes:

(1) Of the total government bonds listed as "Other" at 30 November 2013, 78 per cent are rated as investment grade and a further 10 per cent are rated BB- and above. The balance is rated below BB- or not rated.

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

	Policyholder and shareholder					
	Participating funds	Other policyholder and shareholder			Unit-linked	
US$m	FVTPL	FVTPL	AFS	Subtotal	FVTPL	Total
30 November 2013						
Corporate bonds						
AAA	108	–	115	223	5	228
AA	806	8	2,799	3,613	7	3,620
A	4,857	190	14,018	19,065	677	19,742
BBB	4,184	71	12,953	17,208	348	17,556
Below investment grade	653	–	2,050	2,703	51	2,754
Not rated	64	10	104	178	141	319
Subtotal	10,672	279	32,039	42,990	1,229	44,219
Structured securities(3)						
AAA	–	–	–	–	–	–
AA	16	–	15	31	–	31
A	43	19	581	643	–	643
BBB	328	–	157	485	3	488
Below investment grade	51	108	–	159	–	159
Not rated	40	40	45	125	2	127
Subtotal	478	167	798	1,443	5	1,448
Total(4)	18,191	629	64,763	83,583	2,168	85,751

Notes:

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

(4) Debt securities of US$2,067m are restricted due to local regulatory requirements or other pledge restrictions.

US$m	Rating	Policyholder and shareholder Participating funds FVTPL	Other policyholder and shareholder FVTPL	AFS	Subtotal	Unit-linked FVTPL	Total
30 November 2012							
Government bonds – issued in local currency							
Singapore	AAA	1,864	–	1,230	3,094	216	3,310
Thailand	A	–	–	10,568	10,568	–	10,568
Philippines	BB	–	–	2,901	2,901	43	2,944
Malaysia	A	1,352	–	288	1,640	–	1,640
China	AA	407	–	2,325	2,732	–	2,732
Indonesia	BB	2	–	870	872	145	1,017
Korea	AA	–	–	3,044	3,044	128	3,172
Other(1)		15	10	406	431	3	434
Subtotal		3,640	10	21,632	25,282	535	25,817
Government bonds – foreign currency							
Mexico	BBB	8	19	203	230	2	232
South Africa	BBB	–	5	180	185	2	187
Philippines	BB	7	14	474	495	115	610
Malaysia	A	77	–	105	182	2	184
Indonesia	BB	68	18	293	379	2	381
Korea	A	20	–	232	252	4	256
China	AA	–	–	18	18	2	20
Other(1)		51	135	456	642	7	649
Subtotal		231	191	1,961	2,383	136	2,519
Government agency bonds(2)							
AAA		1,238	–	1,000	2,238	118	2,356
AA		358	–	1,147	1,505	46	1,551
A		433	–	4,731	5,164	24	5,188
BBB		111	–	1,313	1,424	2	1,426
Below investment grade		–	–	87	87	–	87
Not rated		–	–	–	–	–	–
Subtotal		2,140	–	8,278	10,418	190	10,608

Notes:

(1) Of the total government bonds listed as "Other" at 30 November 2012, 86 per cent are rated as investment grade and a further 11 per cent are rated BB- and above. The balance is rated below BB- or not rated.

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

US$m	Policyholder and shareholder: Participating funds FVTPL	Other policyholder and shareholder FVTPL	Other policyholder and shareholder AFS	Subtotal	Unit-linked FVTPL	Total
30 November 2012						
Corporate bonds						
AAA	80	–	128	208	16	224
AA	905	38	2,583	3,526	117	3,643
A	3,810	224	13,273	17,307	495	17,802
BBB	4,171	102	12,171	16,444	389	16,833
Below investment grade	455	2	1,349	1,806	48	1,854
Not rated	19	14	87	120	113	233
Subtotal	9,440	380	29,591	39,411	1,178	40,589
Structured securities(3)						
AAA	4	–	–	4	–	4
AA	–	–	7	7	–	7
A	43	18	657	718	–	718
BBB	285	–	131	416	3	419
Below investment grade	34	73	–	107	–	107
Not rated	36	25	11	72	2	74
Subtotal	402	116	806	1,324	5	1,329
Total(4)	15,853	697	62,268	78,818	2,044	80,862

Notes:

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

(4) Debt securities of US$1,967m are restricted due to local regulatory requirements or other pledge restrictions.

The Group's debt securities classified at fair value through profit or loss can be analysed as follows:

US$m	**As at 30 November 2013**	As at 30 November 2012
Debt securities – FVTPL		
Designated at fair value through profit or loss	**20,944**	18,545
Held for trading	**44**	49
Total	**20,988**	18,594

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
30 November 2013						
Equity shares	**3,032**	**5,026**	**8,058**	**3,325**	**–**	**11,383**
Interests in investment funds	**1,537**	**1,289**	**2,826**	**12,333**	**426**	**15,585**
Total	**4,569**	**6,315**	**10,884**	**15,658**	**426**	**26,968**

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 2012						
Equity shares	2,246	4,708	6,954	3,077	–	10,031
Interests in investment funds	1,288	948	2,236	11,157	232	13,625
Total	3,534	5,656	9,190	14,234	232	23,656

DEBT AND EQUITY SECURITIES

US$m	**As at 30 November 2013**	As at 30 November 2012
Debt securities		
Listed		
Hong Kong	**5,150**	3,345
Overseas	**55,122**	55,051
	60,272	58,396
Unlisted	**25,479**	22,466
Total	**85,751**	80,862
Equity securities		
Listed		
Hong Kong	**1,225**	815
Overseas	**11,991**	10,749
	13,216	11,564
Unlisted	**13,752**	12,092
Total	**26,968**	23,656

LOANS AND DEPOSITS

US$m	**As at 30 November 2013**	As at 30 November 2012
Policy loans	**2,384**	1,998
Mortgage loans on residential real estate	**650**	433
Mortgage loans on commercial real estate	**15**	16
Other loans	**718**	674
Allowance for loan losses	**(14)**	(7)
Loans	**3,753**	3,114
Term deposits	**2,127**	1,632
Promissory notes[1]	**1,604**	1,679
Total	**7,484**	6,425

Note:

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

Certain term deposits with financial institutions and promissory notes are restricted due to local regulatory requirements or other pledge restrictions. The restricted balance held within term deposits and promissory notes is US$1,772m (2012: US$1,073m).

Other loans include receivables from reverse repurchase agreements under which the Group does not take physical possession of securities purchased under the agreements. Sales or transfers of securities are not permitted by the respective clearing house on which they are registered while the loan is outstanding. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities held by the clearing house. At 30 November 2013, the carrying value of such receivables is US$81m.

22. Derivative financial instruments

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

US$m	Notional amount	Fair value Assets	Fair value Liabilities
30 November 2013			
Foreign exchange contracts			
Forwards	**1,329**	**4**	**(3)**
Cross-currency swaps	**10,971**	**428**	**(86)**
Foreign exchange futures	**364**	**–**	**–**
Currency options	**38**	**1**	**–**
Total foreign exchange contracts	**12,702**	**433**	**(89)**
Interest rate contracts			
Interest rate swaps	**640**	**5**	**–**
Other			
Warrants and options	**140**	**7**	**–**
Equity index futures	**5**	**–**	**–**
Netting	**(369)**	**–**	**–**
Total	**13,118**	**445**	**(89)**
30 November 2012			
Foreign exchange contracts			
Forwards	5,038	15	–
Cross-currency swaps	8,371	596	(41)
Currency options	26	–	–
Total foreign exchange contracts	13,435	611	(41)
Interest rate contracts			
Interest rate swaps	666	18	–
Other			
Warrants and options	125	9	–
Equity index futures	183	–	–
Netting	(183)	–	–
Total	14,226	638	(41)

Both pay and receive legs of the transaction have been disclosed in the column "notional amount", as applicable.

Of the total derivatives, US$3m (2012: US$3m) are listed in exchange or dealer markets and the rest are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps, and options. Derivatives are subject to various risks including market, liquidity and credit 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.

FOREIGN EXCHANGE CONTRACTS

Foreign exchange forward and futures contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date. Currency options are agreements that give the buyer the right to exchange the currency of one country for the currency of another country at agreed prices and settlement dates. Currency swaps are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Exposure to 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 options are option agreements that give the owner the right to buy or sell securities at an agreed price and settlement date. 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.

NETTING ADJUSTMENT

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

COLLATERAL UNDER DERIVATIVE TRANSACTIONS

At 30 November 2013, the Group had posted cash collateral of US$21m (2012: US$nil) and pledged debt securities with carrying value of US$31m (2012: US$12m) for liabilities and held cash collateral of US$230m (2012: US$321m), deposit collateral of US$6m (2012: US$nil) and debt securities collateral with carrying value of US$24m (2012: US$nil) for assets in respect of derivative transactions. The Group did not sell or repledge the collateral received. These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard securities lending and repurchase agreements.

23. Fair value of financial instruments

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

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

US$m	*Notes*	Fair value: Fair value through profit or loss	Fair value: Available for sale	Cost/ amortised cost	Total carrying value	Total fair value
30 November 2013						
Financial investments	*21*					
Loans and deposits		**–**	**–**	**7,484**	**7,484**	**7,517**
Debt securities		**20,988**	**64,763**	**–**	**85,751**	**85,751**
Equity securities		**26,968**	**–**	**–**	**26,968**	**26,968**
Derivative financial instruments	*22*	**445**	**–**	**–**	**445**	**445**
Reinsurance receivables	*19*	**–**	**–**	**141**	**141**	**141**
Other receivables	*24*	**–**	**–**	**1,472**	**1,472**	**1,472**
Accrued investment income	*24*	**–**	**–**	**1,354**	**1,354**	**1,354**
Cash and cash equivalents	*26*	**–**	**–**	**2,228**	**2,228**	**2,228**
Financial assets		**48,401**	**64,763**	**12,679**	**125,843**	**125,876**

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	*28*	**7,429**	**1,269**	**8,698**	**8,698**
Borrowings	*30*	**–**	**2,126**	**2,126**	**2,091**
Obligations under securities lending and repurchase agreements	*31*	**–**	**1,889**	**1,889**	**1,889**
Derivative financial instruments	*22*	**89**	**–**	**89**	**89**
Other liabilities	*33*	**426**	**2,678**	**3,104**	**3,104**
Financial liabilities		**7,944**	**7,962**	**15,906**	**15,871**

US$m	Notes	Fair value: Fair value through profit or loss	Fair value: Available for sale	Cost/ amortised cost	Total carrying value	Total fair value
30 November 2012						
Financial investments	*21*					
Loans and deposits		–	–	6,425	6,425	6,455
Debt securities		18,594	62,268	–	80,862	80,862
Equity securities		23,656	–	–	23,656	23,656
Derivative financial instruments	*22*	638	–	–	638	638
Reinsurance receivables	*19*	–	–	95	95	95
Other receivables	*24*	–	–	1,231	1,231	1,231
Accrued investment income	*24*	–	–	1,196	1,196	1,196
Cash and cash equivalents	*26*	–	–	2,948	2,948	2,948
Financial assets		42,888	62,268	11,895	117,051	117,081

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	*28*	7,533	1,332	8,865	8,865
Borrowings	*30*	–	766	766	766
Obligations under securities lending and repurchase agreements	*31*	–	1,792	1,792	1,792
Derivative financial instruments	*22*	41	–	41	41
Other liabilities	*33*	232	2,580	2,812	2,812
Financial liabilities		7,806	6,470	14,276	14,276

The carrying amount of assets included in the above tables represents the maximum credit exposure.

Foreign currency exposure, including the net notional amount of foreign currency derivative positions, is shown in note 37 for the Group's key foreign exchange exposures.

The fair value of investment contract liabilities measured at amortised cost is not considered to be materially different from the amortised cost carrying value.

The carrying value of financial instruments expected to be settled within 12 months (after taking into account valuation allowances, where applicable) is not considered to be materially different from the fair value.

FAIR VALUE MEASUREMENTS ON A RECURRING BASIS

The Group measures at fair value financial instruments classified at fair value through profit or loss, available for sale securities portfolios, derivative assets and liabilities, investments held by investment funds which are consolidated, investments in non-consolidated investment funds and certain investment contract liabilities on a recurring basis. The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments.

FINANCIAL ASSETS AND LIABILITIES

Loans and receivables

For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of fair values. The fair values of other loans are estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings.

The fair values of mortgage loans are estimated by discounting future cash flows using interest rates currently being offered in respect of similar loans to borrowers with similar credit ratings. The fair values of fixed rate policy loans are estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for purposes of the calculations. The carrying values of policy loans with variable rates approximate to their fair values.

Debt securities and equity securities

The fair values of equity securities are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor's credit spreads, foreign exchange rates, and credit default rates. For holdings in hedge funds and limited partnerships, fair values are determined based on the net asset values provided by the general partner or manager of each investment, the accounts of which are generally audited on an annual basis. The transaction price is used as the best estimate of fair value at inception.

Derivative financial instruments

The Group values its derivative financial assets and liabilities using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contract terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Group generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgement. Examples of inputs that are generally observable include foreign exchange spot and forward rates, benchmark interest rate curves and volatilities for commonly traded option products. Examples of inputs that may be unobservable include volatilities for less commonly traded option products and correlations between market factors.

Cash and cash equivalents

The carrying amount of cash approximates its fair value.

Reinsurance receivables

The carrying amount of amounts receivable from reinsurers is not considered materially different to their fair value.

Fair value of securities sold under repurchase agreements and the associated payables

The contract values of payables under repurchase agreements approximate their fair value as these obligations are short-term in nature.

Other assets

The carrying amount of other assets is not materially different to their fair value. The fair values of deposits with banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

Investment contract liabilities

For investment contract liabilities, the fair values have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts where the investment risk is borne by the policyholder, the fair value generally approximates to the fair value of the underlying assets.

Investment contracts with DPF enable the contract holder to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating business and are measured and classified according to the Group practice for insurance contract liabilities and hence are disclosed within note 27. These are not measured at fair value as there is currently no agreed definition of fair value for investment and insurance contracts with DPF under IFRS. In the absence of any agreed methodology, it is not possible to provide a range of estimates within which fair value is likely to fall. The IASB is expecting to address this issue in Phase II of its insurance contracts project.

Borrowings

The fair values of borrowings with stated maturities have been estimated based on discounting future cash flows using the interest rates currently applicable to deposits of similar maturities or prices obtained from brokers.

Other liabilities

The fair values of other unquoted liabilities is estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those with no stated maturity, where the carrying value approximates to fair value.

FAIR VALUE HIERARCHY

Assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the marketplace used to measure their fair values as discussed below:

- **Level 1**: Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Group does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded listed equities. The Group considers that government debt securities issued by G7 countries (the United States, Canada, France, Germany, Italy, Japan, the United Kingdom) and traded in a dealer market to be Level 1, until they no longer trade with sufficient frequency and volume to be considered actively traded.

- **Level 2**: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include government securities issued by non-G7 countries, most investment grade corporate bonds, hedge fund investments and derivative contracts.

- **Level 3**: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 include certain classes of structured securities, certain derivative contracts, private equity and real estate fund investments, and direct private equity investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Group considers factors specific to the asset or liability.

A summary of investments carried at fair value according to fair value hierarchy is given below:

	Fair value hierarchy			
US$m	**Level 1**	**Level 2**	**Level 3**	**Total**
30 November 2013				
Financial assets				
Available for sale				
Debt securities	**–**	**63,983**	**780**	**64,763**
At fair value through profit or loss				
Debt securities				
Participating funds	**–**	**17,826**	**365**	**18,191**
Unit-linked	**–**	**1,777**	**391**	**2,168**
Other policyholder and shareholder	**–**	**399**	**230**	**629**
Equity securities				
Participating funds	**4,359**	**11**	**199**	**4,569**
Unit-linked	**14,369**	**1,715**	**–**	**16,084**
Other policyholder and shareholder	**5,965**	**86**	**264**	**6,315**
Derivative financial instruments	**1**	**442**	**2**	**445**
Total	**24,694**	**86,239**	**2,231**	**113,164**
Total %	***21.8***	***76.2***	***2.0***	***100.0***
Financial liabilities				
Investment contract liabilities	**–**	**–**	**7,429**	**7,429**
Derivative financial instruments	**–**	**89**	**–**	**89**
Other liabilities	**426**	**–**	**–**	**426**
Total	**426**	**89**	**7,429**	**7,944**
Total %	***5.4***	***1.1***	***93.5***	***100.0***

US$m	Fair value hierarchy Level 1	Level 2	Level 3	Total
30 November 2012				
Financial assets				
Available for sale				
Debt securities	–	61,750	518	62,268
At fair value through profit or loss				
Debt securities				
Participating funds	–	15,544	309	15,853
Unit-linked	–	1,757	287	2,044
Other policyholder and shareholder	–	474	223	697
Equity securities				
Participating funds	3,331	72	131	3,534
Unit-linked	12,700	1,534	–	14,234
Other policyholder and shareholder	5,461	152	275	5,888
Derivative financial instruments	3	631	4	638
Total	21,495	81,914	1,747	105,156
Total %	*20.4*	*77.9*	*1.7*	*100.0*
Financial liabilities				
Investment contract liabilities	–	–	7,533	7,533
Derivative financial instruments	–	41	–	41
Other liabilities	232	–	–	232
Total	232	41	7,533	7,806
Total %	*3.0*	*0.5*	*96.5*	*100.0*

The tables below set out a summary of changes in the Group's Level 3 financial assets and liabilities for the year ended 30 November 2013 and 2012. The tables reflect gains and losses, including gains and losses on financial assets and liabilities categorised as Level 3 as at 30 November 2013 and 2012.

Level 3 financial assets and liabilities

US$m	Debt securities	Equity securities	Derivative financial assets	Derivative financial liabilities	Investment contracts
At 1 December 2012	**1,337**	**406**	**4**	**–**	**(7,533)**
Realised gains	**1**	**5**	**–**	**–**	**–**
Net movement on investment contract liabilities	**–**	**–**	**–**	**–**	**104**
Total gains/(losses) relating to instruments still held at the reporting date					
Reported in the consolidated income statement	**64**	**4**	**2**	**–**	**–**
Reported in the consolidated statement of comprehensive income	**(25)**	**(8)**	**–**	**–**	**–**
Acquisition of subsidiaries	**133**	**48**	**–**	**–**	**–**
Purchases	**450**	**42**	**1**	**–**	**–**
Sales	**(23)**	**(34)**	**–**	**–**	**–**
Settlements	**(70)**	**–**	**(5)**	**–**	**–**
Transfer into Level 3	**26**	**–**	**–**	**–**	**–**
Transfer out of Level 3	**(127)**	**–**	**–**	**–**	**–**
At 30 November 2013	**1,766**	**463**	**2**	**–**	**(7,429)**

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/(losses)	34	(1)	–	–	–
Net movement on investment contract liabilities	–	–	–	–	(485)
Total gains/(losses) relating to instruments still held at the reporting date					
Reported in the consolidated income statement	100	(12)	1	–	–
Reported in the consolidated statement of comprehensive income	41	12	–	–	–
Purchases	517	73	3	–	–
Sales	(18)	(33)	–	–	–
Settlements	(78)	(1)	–	–	–
Transfer into Level 3	88	4	–	–	–
Transfer out of Level 3	(208)	(11)	(1)	–	–
At 30 November 2012	1,337	406	4	–	(7,533)

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. Details of the movement in investment contract liabilities are provided in note 28.

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 year, there were no material transfers between Level 1 and Level 2 fair value measurements.

24. Other assets

US$m	**As at 30 November 2013**	As at 30 November 2012
Prepayments		
Operating leases of leasehold land	**453**	168
Other	**227**	129
Accrued investment income	**1,354**	1,196
Pension scheme assets		
Defined benefit pension scheme surpluses	**14**	11
Insurance receivables		
Due from insurance and investment contract holders	**870**	725
Due from agents, brokers and intermediaries	**56**	38
Receivables from sales of investments	**155**	80
Other receivables	**391**	388
Total	**3,520**	2,735

All amounts other than prepayments in respect of operating leases of leasehold land are expected to be recovered within 12 months after the end of the reporting period. Prepayments in respect of operating leases of land are expected to be recovered over the period of the leases shown below.

Below sets out an analysis of the Group's interest in land and land use rights:

	As at 30 November 2013				As at 30 November 2012			
US$m	**Property, plant and equipment**	**Investment property**	**Prepayments of operating leases**	**Total**	Property, plant and equipment	Investment property	Prepayments of operating leases	Total
Land held in Hong Kong								
Long-term leases (>50 years)	**43**	**589**	**292**	**924**	43	590	–	633
Medium-term leases (10 to 50 years)	**–**	**–**	**–**	**–**	–	–	–	–
Short-term leases (<10 years)	**–**	**–**	**–**	**–**	–	–	–	–
Land held outside Hong Kong								
Freehold	**75**	**157**	**–**	**232**	81	114	–	195
Long-term leases (>50 years)	**2**	**–**	**56**	**58**	1	–	58	59
Medium-term leases (10 to 50 years)	**–**	**–**	**105**	**105**	–	–	110	110
Short-term leases (<10 years)	**–**	**–**	**–**	**–**	–	–	–	–
Total	**120**	**746**	**453**	**1,319**	125	704	168	997

25. Impairment of financial assets

In accordance with the Group's accounting policies, impairment reviews were performed for available for sale securities and loans and receivables.

AVAILABLE FOR SALE DEBT SECURITIES

During the year ended 30 November 2013, no impairment losses (2012: US$nil) were recognised in respect of available for sale debt securities.

The carrying amounts of available for sale debt securities that are individually determined to be impaired at 30 November 2013 was US$66m (2012: US$64m).

LOANS AND RECEIVABLES

The Group's primary potential credit risk exposure in respect of loans and receivables arises in respect of policy loans and a portfolio of mortgage loans on residential and commercial real estate (see note 21 Financial investments for further details). The Group's credit exposure on policy loans is mitigated because, if and when the total indebtedness on any policy, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Group has a first lien on all policies which are subject to policy loans.

The carrying amounts of loans and receivables that are individually determined to be impaired at 30 November 2013 was US$22m (2012: US$17m).

The Group has a portfolio of residential and commercial mortgage loans which it originates. To the extent that any such loans are past their due dates specific allowance is made, together with a collective allowance, based on historical delinquency. Insurance receivables are short-term in nature and cover is not provided if consideration is not received. An ageing of accounts receivable is not provided as all amounts are due within one year and cover is cancelled if consideration is not received.

26. Cash and cash equivalents

US$m	**As at 30 November 2013**	As at 30 November 2012
Cash	**1,205**	1,581
Cash equivalents	**1,023**	1,367
Total[(1)]	**2,228**	2,948

Note:

(1) Of cash and cash equivalents, US$428m (2012: US$735m) 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.

27. Insurance contract liabilities

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

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
At beginning of financial year	**90,574**	78,752
Valuation premiums and deposits	**17,755**	15,213
Liabilities released for policy termination or other policy benefits paid and related expenses	**(10,917)**	(9,906)
Fees from account balances	**(843)**	(702)
Accretion of interest	**3,288**	2,875
Foreign exchange movements	**(2,674)**	2,620
Change in net asset values attributable to policyholders	**706**	1,728
Acquisition of subsidiaries	**5,396**	–
Other movements	**116**	(6)
At end of financial year	**103,401**	90,574

BUSINESS DESCRIPTION

The table below summarises the key variables on which insurance and investment contract cash flows depend.

Type of contract		Material terms and conditions	Nature of benefits and compensation for claims	Factors affecting contract cash flows	Key reportable segments
Traditional participating life assurance with DPF	Participating funds	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing of dividend declarations is at the discretion of the insurer. Local regulations generally prescribe a minimum proportion of policyholder participation in declared dividends	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations	• Investment performance • Expenses • Mortality • Surrenders	Singapore, China, Malaysia
	Other participating business	Participating products combine protection with a savings element. The basic sum assured, payable on death or maturity, may be enhanced by dividends, the timing or amount of which is at the discretion of the insurer taking into account factors such as investment experience	Minimum guaranteed benefits may be enhanced based on investment experience and other considerations	• Investment performance • Expenses • Mortality • Surrenders	Hong Kong, Thailand, Other Markets
Traditional non-participating life		Benefits paid on death, maturity, sickness or disability that are fixed and guaranteed and not at the discretion of the insurer	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole	• Mortality • Morbidity • Lapses • Expenses	All(1)
Accident and health		These products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover	Benefits, defined in the insurance contract, are determined by the contract and are not affected by investment performance or the performance of the contract as a whole	• Mortality • Morbidity • Lapses • Expenses • Claims experience	All(1)
Unit-linked		Unit-linked contracts combine savings with protection, the cash value of the policy depending on the value of unitised funds	Benefits are based on the value of the unitised funds and death benefits	• Investment performance • Lapses • Expenses • Mortality	All(1)
Universal life		The customer pays flexible premiums subject to specified limits accumulated in an account balance which are credited with interest at a rate set by the insurer, and a death benefit which may be varied by the customer	Benefits are based on the account balance and death benefit	• Investment performance • Crediting rates • Lapses • Expenses • Mortality	All(1)

Note:

(1) Other than the Group Corporate Centre segment.

METHODOLOGY AND ASSUMPTIONS

The most significant items to which profit for the year and shareholders' equity are sensitive are market, insurance and lapse risks which are shown in the table below. Indirect exposure indicates that there is a second order impact. For example, whilst the profit for the year attributable to shareholders is not directly affected by investment income earned where the investment risk is borne by policyholders (for example, in respect of unit-linked contracts), there is a second-order effect through the investment management fees which the Group earns by managing such investments. The distinction between direct and indirect exposure is not intended to indicate the relative sensitivity to each of these items. Where the direct exposure is shown as being "net neutral", this is because the exposure to market and credit risk is offset by a corresponding movement in insurance contract liabilities.

		Market and credit risk			
		Direct exposure			
Type of contract		Insurance and investment contract liabilities	Risks associated with related investment portfolio	Indirect exposure	Significant insurance and lapse risks
Traditional participating life assurance with DPF	Participating funds	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Investment performance subject to smoothing through dividend declarations	• Impact of persistency on future dividends • Mortality
	Other participating business	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Net neutral except for the insurer's share of participating investment performance • Guarantees	• Investment performance	• Impact of persistency on future dividends • Mortality
Traditional non-participating life assurance		• Investment performance • Credit risk • Asset-liability mismatch risk	• Guarantees • Asset-liability mismatch risk	• Not applicable	• Mortality • Persistency • Morbidity
Accident and health		• Loss ratio • Asset-liability mismatch risk	• Investment performance • Credit risk • Asset-liability mismatch risk	• Not applicable	• Claims experience • Morbidity • Persistency
Pension		• Net neutral • Asset-liability mismatch risk	• Net neutral • Asset-liability mismatch risk	• Performance-related investment management fees	• Persistency
Unit-linked		• Net neutral	• Net neutral	• Performance-related investment management fees	• Persistency • Mortality
Universal life		• Guarantees • Asset-liability mismatch risk	• Investment performance • Credit risk • Asset-liability mismatch risk	• Spread between earned rate and crediting rate to policyholders	• Mortality • Persistency • Withdrawals

The Group is also exposed to currency risk in respect of its operations, and to interest rate risk, credit risk and equity price risk on assets representing net shareholders' equity, and to expense risk to the extent that actual expenses exceed those that can be charged to insurance and investment contract holders on non-participating business. Expense assumptions applied in the Group's actuarial valuation models assume a continuing level of business volumes.

Valuation interest rates

As at 30 November 2013 and 2012, the ranges of applicable valuation interest rates for traditional insurance contracts, which vary by territory, year of issuance and products, within the first 20 years are as follows:

	As at 30 November 2013	As at 30 November 2012
Hong Kong	**3.50% – 7.50%**	3.50% – 7.50%
Thailand	**3.25% – 9.00%**	3.25% – 9.00%
Singapore	**2.00% – 7.25%**	2.00% – 7.25%
Malaysia	**3.70% – 8.90%**	3.14% – 8.90%
China	**2.75% – 7.00%**	2.75% – 7.00%
Korea	**3.33% – 6.50%**	3.33% – 6.50%
Philippines	**2.20% – 9.20%**	2.20% – 9.20%
Indonesia	**3.10% – 10.80%**	3.05% – 10.80%
Vietnam	**5.07% – 12.25%**	5.07% – 12.25%
Australia	**3.83% – 7.11%**	3.83% – 7.11%
New Zealand	**3.83% – 5.75%**	3.83% – 5.75%
Taiwan	**1.75% – 6.50%**	1.75% – 6.50%
Sri Lanka	**9.69% – 12.69%**	–

28. Investment contract liabilities

US$m	**Year ended 30 November 2013**	Year ended 30 November 2012
At beginning of financial year	**8,865**	8,360
Effect of foreign exchange movements	**(83)**	107
Investment contract benefits	**301**	540
Fees charged	**(187)**	(189)
Net (withdrawals)/deposits and other movements	**(198)**	47
At end of financial year	**8,698**	8,865

29. Effect of changes in assumptions and estimates

The table below sets out the sensitivities of the assumptions in respect of insurance and investment contracts with DPF to key variables. This disclosure only allows for the impact on liabilities and related assets, such as reinsurance, and deferred acquisition costs and does not allow for offsetting movements in the fair value of financial assets backing those liabilities.

US$m	**As at 30 November 2013**	As at 30 November 2012
(Increase)/decrease in insurance contract liabilities, increase/(decrease) in equity and profit before tax		
0.5 pps increase in investment return	**12**	8
0.5 pps decrease in investment return	**(15)**	(10)
10% increase in expenses	**(3)**	(2)
10% increase in mortality rates	**(19)**	(16)
10% increase in lapse/discontinuance rates	**(18)**	(19)

Future policy benefits for traditional life insurance policies (including investment contracts with DPF) are calculated using a net level premium valuation method with reference to best estimate assumptions set at policy inception date unless a deficiency arises on liability adequacy testing. There is no impact of the above assumption sensitivities on the carrying amount of traditional life insurance liabilities as the sensitivities presented would not have triggered a liability adequacy adjustment. During the years presented there was no effect of changes in assumptions and estimates on the Group's traditional life products.

For interest sensitive insurance contracts, such as universal life products and unit-linked contracts, assumptions are made at each reporting date including mortality, persistency, expenses, future investment earnings and future crediting rates.

The impact of changes in assumptions on the valuation of insurance and investment contracts with DPF was US$9m decrease in profit (2012: US$9m decrease).

30. Borrowings

US$m	**As at 30 November 2013**	As at 30 November 2012
Bank loans and bank credit facilities	**809**	493
Bank overdrafts	**176**	273
Medium term notes	**1,141**	–
Total	**2,126**	766

Properties with a book value of US$882m at 30 November 2013 (2012: US$893m) and a fair value of US$2,020m at 30 November 2013 (2012: US$2,008m) and cash and cash equivalents with a book value of US$19m (2012: US$2m) are pledged as security with respect to amounts disclosed as bank loans and bank credit facilities above. Interest on loans reflects market rates of interest. Interest expense on borrowings is shown in note 10. Further information relating to interest rates and the maturity profile of borrowings is presented in note 37.

On 30 November 2012, the Group obtained a 12-month bank loan facility of HK$2,507m (approximately US$323m). The loan bore interest based upon HIBOR. Subsequently on 9 July 2013, the Group entered into a 3-year multicurrency bank facility in an aggregate amount equal to US$323m with floating rate interest for refinancing the existing loan.

On 10 December 2012, the Group obtained an 18-month acquisition credit facility of US$1,725m. The loan bore interest based upon LIBOR and was fully repaid during the year ended 30 November 2013.

On 13 March 2013, the Group issued a 5-year and a 10-year fixed rate medium term notes at nominal amount of US$500m each; these notes bear annual interest of 1.75 per cent and 3.125 per cent respectively. On 4 November 2013, the Group issued a 3-year floating rate medium term note at nominal amount of HK$1,160m (approximately US$150m); the note bears interest based upon HIBOR. These medium term notes are listed on The Stock Exchange of Hong Kong Limited. The net proceeds from these notes are used for general corporate purposes and to refinance the unsecured credit facility associated with the acquisition.

On 8 October 2013, the Group entered into a committed multicurrency revolving credit facility in an aggregate amount equal to US$300m. The revolving credit facility bears floating rate interest.

31. 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. During the term of the securities lending and repurchase agreements, the Group is restricted from selling or pledging the transferred debt securities. The following table specifies the amounts included within financial investments subject to securities lending or repurchase agreements which do not qualify for derecognition at each year end:

US$m	**As at 30 November 2013**	As at 30 November 2012
Debt securities – AFS		
Repurchase agreements	**1,552**	1,799
Debt securities – FVTPL		
Securities lending	**312**	–
Repurchase agreements	**332**	47
Total	**2,196**	1,846

COLLATERAL

The securities lending transactions outstanding as at 30 November 2013 are conducted with a national monetary authority on securities denominated in local currency issued by the same authority.

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

US$m	**As at 30 November 2013**	As at 30 November 2012
Repurchase agreements	**1,889**	1,792

32. Provisions

US$m	Employee benefits	Other	Total
At 1 December 2011	84	96	180
Charged to the consolidated income statement	16	78	94
Exchange differences	1	3	4
Released during the year	(5)	(7)	(12)
Utilised during the year	(10)	(52)	(62)
At 30 November 2012	**86**	**118**	**204**
Charged to the consolidated income statement	**15**	**59**	**74**
Acquisition of subsidiaries	**2**	**10**	**12**
Exchange differences	**(3)**	**(2)**	**(5)**
Released during the year	**(11)**	**(15)**	**(26)**
Utilised during the year	**(1)**	**(89)**	**(90)**
At 30 November 2013	**88**	**81**	**169**

OTHER PROVISIONS

Other provisions comprise provisions in respect of regulatory matters, litigation, reorganisation and restructuring. In view of the diverse nature of the matters provided for and the contingent nature of the matters to which they relate, the Group is unable to provide an accurate assessment of the term over which provisions are expected to be utilised.

33. Other liabilities

US$m	**As at 30 November 2013**	As at 30 November 2012
Trade and other payables	**2,138**	1,949
Third-party interests in consolidated investment funds	**426**	232
Payables from purchases of investments	**239**	449
Reinsurance payables	**301**	182
Total	**3,104**	2,812

Third-party interests in consolidated investment funds consist of third-party unit holders' interests in consolidated investment funds which are reflected as a liability since they can be put back to the Group for cash.

Trade and other payables are all expected to be settled within 12 months after the end of the reporting period. The realisation of third-party interests in investment funds cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds held to back insurance and investment contract liabilities and are subject to market risk and the actions of third-party investors.

34. Share capital and reserves

SHARE CAPITAL

	As at 30 November 2013		As at 30 November 2012	
	Million shares	**US$m**	Million shares	US$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 year	**12,044**	**12,044**	12,044	12,044
Share premium		**1,914**		1,914

There were no shares issued under share option schemes during the year ended 30 November 2013 (2012: nil).

Except for 74,598,995 shares (2012: 53,653,843 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 year ended 30 November 2013. 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. Please refer to note 39 for details.

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.

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.

35. Non-controlling interests

US$m	As at 30 November 2013	As at 30 November 2012
Equity shares in subsidiaries	**63**	60
Share of earnings	**45**	29
Share of other reserves	**37**	42
Total	**145**	131

36. Group capital structure

CAPITAL MANAGEMENT APPROACH

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

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

REGULATORY SOLVENCY

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

The capital positions of the Group's two principal operating companies as of 30 November 2013 and 2012 are as follows:

	30 November 2013			30 November 2012		
US$m	**Total available capital**	**Required capital**	**Solvency ratio**	Total available capital	Required capital	Solvency ratio
AIA Co.	**6,057**	**1,399**	**433%**	4,811	1,362	353%
AIA International	**4,752**	**1,422**	**334%**	3,108	1,415	220%

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

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

CAPITAL AND REGULATORY ORDERS SPECIFIC TO THE GROUP

As of 30 November 2013, the requirements and restrictions summarised below may be considered material to the Group and remain in effect unless otherwise stated.

Hong Kong Office of the Commissioner of Insurance

AIA Group Limited has given to the Insurance Authority an undertaking that AIA Group Limited will:

(i) ensure that (a) AIA Co. and AIA International will at all times maintain a solvency ratio of not less than 150 per cent, both on an individual insurer basis and on an AIA Co./AIA International consolidated basis; (b) it will not withdraw capital or transfer any funds or assets out of either AIA Co. or AIA International that will cause AIA Co.'s or AIA International's solvency ratio to fall below 150 per cent, except with, in either case, the prior written consent of the Insurance Authority; and (c) should the solvency ratio of either AIA Co. or AIA International fall below 150 per cent, AIA Group Limited will take steps as soon as possible to restore it to at least 150 per cent in a manner acceptable to the Insurance Authority;

(ii) notify the Insurance Authority in writing as soon as the Company becomes aware of any person (a) becoming a controller (within the meaning of Section 9(1)(c)(ii) of the HKICO) of AIA Co. and AIA International through the acquisition of our shares traded on the HKSE; or (b) ceasing to be a controller (within the meaning of Section 9(1)(c)(ii) of the HKICO) of AIA Co. and AIA International through the disposal of our shares traded on the HKSE;

(iii) be subject to the supervision of the Insurance Authority and AIA Group Limited will be required to continually comply with the Insurance Authority's guidance on the "fit and proper" standards of a controller pursuant to Section 8(2) of the HKICO. The Insurance Authority is empowered by the HKICO to raise objection if it appears to it that any person is not fit and proper to be a controller or director of an authorised insurer. These standards include the sufficiency of a holding company's financial resources; the viability of a holding company's business plan for its insurance subsidiaries which are regulated by the Insurance Authority; the clarity of the Group's legal, managerial and operational structures; the identities of any other holding companies or major regulated subsidiaries; whether the holding company, its directors or controllers is subject to receivership, administration, liquidation or other similar proceedings or failed to satisfy any judgement debt under a court order or the subject of any criminal convictions or in breach of any statutory or regulatory requirements; the soundness of the Group's corporate governance; the soundness of the Group's risk management framework; the receipt of information from its insurance subsidiaries which are regulated by the Insurance Authority to ensure that they are managed in compliance with applicable laws, rules and regulation; and its role in overseeing and managing the operations of its insurance subsidiaries which are regulated by the Insurance Authority; and

(iv) fulfil all enhancements or improvements to the guidance referred to in subparagraph (iii) above, as well as administrative measures issued from time to time by the Insurance Authority or requirements that may be prescribed by the Insurance Authority in accordance with the HKICO, regulations under the HKICO or guidance notes issued by the Insurance Authority from time to time.

37. Risk management

RISK MANAGEMENT FRAMEWORK

The managed acceptance of risk is fundamental to the Group's insurance business model. The Group's Risk Management Framework seeks to effectively manage, rather than eliminate, the risks the Group faces.

The Group's Risk Management Framework has been established for the identification, evaluation and management of the key risks faced by the organisation within stated Risk Appetite. The framework includes an established risk governance structure with clear oversight and assignment of responsibility for monitoring and management of financial and non-financial risks.

INSURANCE RISK

The Group considers insurance risk to be a combination of the following component risks:

- Product design risk;
- Underwriting and expense overrun risk;
- Lapse risk; and
- Claims risk

Product design risk

Product design risk refers to potential defects in the development of a particular insurance product. The Group manages product design risk through the New Product Approval Process where products are reviewed against pricing, design and operational risk benchmarks agreed by the Group Financial Risk Committee (FRC). Local business units work closely with a number of Group functions including product management, actuarial, legal, compliance, risk and underwriting.

The Group monitors closely the performance of new products and focuses on actively managing each part of the actuarial control cycle to minimise risk in the in-force book as well as for new products. A significant component of the Group's long-term insurance business is participating in nature where the Group has the ability to adjust dividends to reflect market conditions. This reduces the Group's exposure to changes in circumstances, in particular investment returns, that may arise during the life of long-term insurance policies.

Underwriting and expense overrun risk

Underwriting and expense overrun risk refers to the possibility of product-related income being inadequate to support future obligations arising from an insurance product.

The Group manages underwriting risk by adhering to the Group underwriting guidelines. Each operating unit maintains a team of professional underwriters who review and select risks that are consistent with the underwriting strategy of the Group. A second layer of underwriting review is conducted at the Group level for complex and large risks. Any exceptions require specific approval and may be subject to separate risk management actions.

In certain circumstances, such as when entering a new line of business, products or markets for which insufficient experience data is available the Group makes use of reinsurance to obtain product pricing expertise.

In pricing insurance products the Group manages expense overrun risk by allowing for an appropriate level of expenses that reflects a realistic medium- to long-term view of the underlying cost structure. A disciplined expense budgeting and management process is followed that controls expenses within product pricing allowances over the medium to long term.

Lapse risk

Lapse risk refers to the possibility that lapse experience diverges from that assumed when products were priced. It includes potential financial loss due to early termination of contracts where the acquisition cost incurred may not be recoverable from future revenue.

The Group carries out regular reviews of persistency experience. The results are assimilated into new and in-force business management. Target payback periods that form part of the product pricing controls enable monitoring of the Group's exposure to lapse risk. In addition, many of the Group's products include surrender charges that entitle the Group to additional fees on early termination by the policyholder, thereby reducing exposure to lapse risk.

Claims risk

Claims risk refers to the possibility that the frequency or severity of claims arising from insurance contracts exceeds the level assumed when the products were priced.

The Group seeks to mitigate claims risk by conducting regular experience studies, including reviews of mortality and morbidity experience, reviewing internal and external data, and considering the impact of these on product design, pricing and reinsurance needs. As a result of the Group's history and scale, a substantial volume of experience data has been accumulated which assists in the evaluation and pricing of insurance risk.

Mortality and morbidity risk in excess of the respective retention limits are ceded to reduce volatility in claims experience for the Group. The Group's capital position combined with its profitable product portfolio and diversified geographical presence are factors in management's decision to retain (rather than reinsure) a high proportion of its written insurance risks.

The Group has a broad geographical footprint across the Asia-Pacific region which provides a degree of natural geographical diversification of claims experience. We mitigate and manage this risk by adhering to the underwriting and claims management policies and procedures that have been developed based on our extensive historical experience. Our broad product offering and large in-force product portfolio also reduce our exposure to concentration risk. Finally, we use reinsurance solutions to help reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophes.

FINANCIAL RISK EXPOSURES

The Group is exposed to a range of financial risks, including credit risk, market risk, and liquidity risk. The Group applies a consistent risk management philosophy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed.

The following section summarises the Group's key risk exposures and the primary policies and processes used by the Group to manage its exposures to these risks.

Credit risk

Credit risk occurs wherever we are relying on a third party to satisfy their financial obligation to us. Although the primary source of credit risk is the Group's investment portfolio, credit risk also arises in our reinsurance, settlement and treasury activities.

The management of credit risk occurs on two levels in AIA.

The Investment Credit Research team performs a detailed analysis of individual counterparties and recommends a rating within the internal ratings framework. The Group Risk function manages the Group's internal ratings framework and agrees these recommendations. Internal ratings are then used to determine our appetite for exposure to each counterparty.

A matrix of risk tolerances has been approved by the FRC that ensures that credit risk in the investment portfolio is contained within AIA's risk appetite. These tolerances cover individual counterparty, segmental concentration and cross-border exposures. The Investment function has discretion to shape the portfolio within those risk tolerances. If certain investments are technically within risk tolerances but there is a specific concern, Group Risk may bring these to the attention of the FRC.

Market risk

Market risk arises from the possibility of financial loss caused by changes in financial instruments' fair values or future cash flows due to fluctuations in key variables, including interest rates, equity market prices, foreign exchange rates and real estate property market prices.

The FRC approves all policies and metrics associated with the evaluation of market risk exposures.

Interest rate risk

The Group's exposure to interest rate risk predominantly arises from any difference between the tenor of the Group's liabilities and assets, or any difference between the return on investments and the return required to meet the Group's commitments, predominantly its insurance liabilities. This exposure can be heightened in products with inherent interest rate options or guarantees.

We seek to manage interest rate risk by ensuring appropriate insurance product design and underlying assumptions as part of the product approval process and by matching, to the extent possible and appropriate, the duration of our investment assets with the duration of our insurance policies. For in-force policies, we regularly adjust the policyholder bonus payout and crediting rates applicable to policyholder account balances considering, amongst other things, the earned yields and policyholders' reasonable expectations.

Exposure to interest rate risk

The table below summarises the nature of the interest rate risk associated with financial assets and financial liabilities. In preparing this analysis, fixed rate interest bearing instruments that mature or reprice within 12 months of the reporting date have been disclosed as variable rate instruments.

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
30 November 2013				
Financial assets				
Loans and deposits	**1,258**	**6,198**	**28**	**7,484**
Other receivables	**3**	**29**	**1,440**	**1,472**
Debt securities	**7,202**	**78,549**	**–**	**85,751**
Equity securities	**–**	**–**	**26,968**	**26,968**
Reinsurance receivables	**–**	**–**	**141**	**141**
Accrued investment income	**–**	**114**	**1,240**	**1,354**
Cash and cash equivalents	**2,077**	**–**	**151**	**2,228**
Derivative financial instruments	**–**	**–**	**445**	**445**
Total financial assets	**10,540**	**84,890**	**30,413**	**125,843**
Financial liabilities				
Investment contract liabilities	**–**	**–**	**8,698**	**8,698**
Borrowings	**962**	**1,000**	**164**	**2,126**
Obligations under securities lending and repurchase agreements	**1,889**	**–**	**–**	**1,889**
Other liabilities	**–**	**–**	**3,104**	**3,104**
Derivative financial instruments	**–**	**–**	**89**	**89**
Total financial liabilities	**2,851**	**1,000**	**12,055**	**15,906**

US$m	Variable interest rate	Fixed interest rate	Non-interest bearing	Total
30 November 2012				
Financial assets				
Loans and deposits	995	5,386	44	6,425
Other receivables	66	1	1,164	1,231
Debt securities	5,932	74,930	–	80,862
Equity securities	–	–	23,656	23,656
Reinsurance receivables	–	–	95	95
Accrued investment income	–	92	1,104	1,196
Cash and cash equivalents	2,767	–	181	2,948
Derivative financial instruments	–	–	638	638
Total financial assets	9,760	80,409	26,882	117,051
Financial liabilities				
Investment contract liabilities	–	–	8,865	8,865
Borrowings	492	–	274	766
Obligations under securities lending and repurchase agreements	1,792	–	–	1,792
Other liabilities	–	–	2,812	2,812
Derivative financial instruments	–	–	41	41
Total financial liabilities	2,284	–	11,992	14,276

Foreign exchange rate risk

At the Group level, foreign exchange rate risk arises mainly from our operations in multiple geographical markets in the Asia-Pacific region and the translation of multiple currencies to US dollars for financial reporting purposes. Foreign currency risk associated with assets and liabilities denominated in non-functional currencies results in gains and losses being recognised in the consolidated income statement. Foreign currency risk associated with the translation of the net assets of operations with non-US dollar functional currencies results in gains or losses being recorded directly in other comprehensive income.

On a local operating unit level, we invest in assets denominated in currencies that match the related liabilities to the extent possible and appropriate in order to avoid currency mismatches.

The Group's net foreign currency exposures and the estimated impact of changes in foreign exchange rates are set out in the tables 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 per cent strengthening of original currency is stated relative to the functional currency of the relevant operation of the Group. The impact of a 5 per cent 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
30 November 2013							
Equity analysed by original currency	**14,867**	**200**	**2,894**	**(2,380)**	**1,495**	**1,533**	**2,327**
Net notional amounts of currency derivative positions	**(5,683)**	**401**	**1,830**	**3,566**	**–**	**19**	**162**
Currency exposure	**9,184**	**601**	**4,724**	**1,186**	**1,495**	**1,552**	**2,489**
5% strengthening of original currency							
Impact on profit before tax	**78**	**(13)**	**5**	**28**	**4**	**24**	**30**
5% strengthening of the US dollar							
Impact on other comprehensive income	**(78)**	**10**	**(218)**	**(38)**	**(59)**	**(53)**	**(101)**

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi	Korean Won
30 November 2012							
Equity analysed by original currency	15,990	153	3,713	(1,963)	837	1,377	2,567
Net notional amounts of currency derivative positions	(6,177)	301	1,609	3,149	–	2	–
Currency exposure	9,813	454	5,322	1,186	837	1,379	2,567
5% strengthening of original currency							
Impact on profit before tax	107	(9)	4	29	5	20	29
5% strengthening of the US dollar							
Impact on other comprehensive income	(107)	11	(252)	(36)	(34)	(46)	(98)

Equity market and interest rate risk

Equity market risk arises from changes in the market value of equity securities and equity funds. 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. Information relating to sensitivity of insurance and investment contracts with DPF is provided in note 29. The carrying values of other financial assets are not subject to changes in response to movements in interest rates or equity prices. In calculating the sensitivity of debt and equity instruments to changes in interest rates and equity prices, the Group has made assumptions about the corresponding impact of asset valuations on liabilities to policyholders. Assets held to support unit-linked contracts have been excluded on the basis that changes in fair value are wholly borne by policyholders. Sensitivity analysis for assets held in participating funds has been calculated after allocation of returns to policyholders using the applicable minimum policyholders' participation ratios described in note 2. 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.

	30 November 2013		30 November 2012	
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	**691**	**691**	630	630
10 per cent decrease in equity prices	**(691)**	**(691)**	(630)	(630)
Interest rate risk				
+ 50 basis points shift in yield curves	**(98)**	**(2,827)**	(92)	(2,770)
- 50 basis points shift in yield curves	**98**	**2,827**	92	2,770

Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet payment obligations to counterparties when they become due. The Group is exposed to liquidity risk in respect of insurance and investment policies that permit surrender, withdrawal or other forms of early termination for a cash surrender value specified in the contractual terms and conditions.

To manage liquidity risk the Group has implemented a variety of measures, including emphasising flexible insurance product design, so that it can retain the greatest flexibility to adjust contract pricing or crediting rates. The Group also seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of insurance policies issued.

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 assumption 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.

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
30 November 2013						
Financial assets						
Loans and deposits	**7,484**	**2,387**	**952**	**1,139**	**818**	**2,188**
Other receivables	**1,472**	**70**	**1,296**	**97**	**2**	**7**
Debt securities	**85,751**	**–**	**3,544**	**16,522**	**24,068**	**41,617**
Equity securities	**26,968**	**26,968**	**–**	**–**	**–**	**–**
Reinsurance receivables	**141**	**–**	**141**	**–**	**–**	**–**
Accrued investment income	**1,354**	**–**	**1,244**	**43**	**67**	**–**
Cash and cash equivalents	**2,228**	**–**	**2,228**	**–**	**–**	**–**
Derivative financial instruments	**445**	**–**	**124**	**311**	**10**	**–**
Total	**125,843**	**29,425**	**9,529**	**18,112**	**24,965**	**43,812**
Financial and insurance contract liabilities						
Insurance and investment contract liabilities (net of reinsurance)	**110,861**	**–**	**(699)**	**694**	**9,075**	**101,791**
Borrowings	**2,126**	**176**	**322**	**1,130**[1]	**498**	**–**
Obligations under securities lending and repurchase agreements	**1,889**	**–**	**1,889**	**–**	**–**	**–**
Other liabilities	**3,104**	**426**	**2,678**	**–**	**–**	**–**
Derivative financial instruments	**89**	**–**	**–**	**29**	**54**	**6**
Total	**118,069**	**602**	**4,190**	**1,853**	**9,627**	**101,797**

Note:

(1) Includes amounts of US$719m falling due after 2 years through 5 years.

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 2012						
Financial assets						
Loans and deposits	6,425	1,949	475	1,203	728	2,070
Other receivables	1,231	65	1,065	89	4	8
Debt securities	80,862	–	2,413	15,974	22,089	40,386
Equity securities	23,656	23,656	–	–	–	–
Reinsurance receivables	95	–	95	–	–	–
Accrued investment income	1,196	–	1,104	36	56	–
Cash and cash equivalents	2,948	–	2,948	–	–	–
Derivative financial instruments	638	–	146	415	79	(2)
Total	117,051	25,670	8,246	17,717	22,956	42,462
Financial and insurance contract liabilities						
Insurance and investment contract liabilities (net of reinsurance)	98,381	–	(871)	784	8,553	89,915
Borrowings	766	273	7	486[(1)]	–	–
Obligations under securities lending and repurchase agreements	1,792	–	1,792	–	–	–
Other liabilities	2,812	232	2,580	–	–	–
Derivative financial instruments	41	–	4	16	21	–
Total	103,792	505	3,512	1,286	8,574	89,915

Note:

(1) Includes amounts of US$486m falling due after 2 years through 5 years.

38. Employee benefits

DEFINED BENEFIT PLANS

The Group operates funded and unfunded defined benefit plans that provide life and medical benefits for participating employees after retirement and a lump sum benefit on cessation of employment. The locations covered by these plans include Hong Kong, Singapore, Malaysia, Thailand, Taiwan, Indonesia, the Philippines, Sri Lanka and Korea. The latest independent actuarial valuations of the plans were at 30 November 2013 and were prepared by credentialed actuaries of Mercer (Hong Kong) Limited. All the actuaries are qualified members of professional actuarial organisations to render the actuarial opinions. The actuarial valuations indicate that the Group's obligations under these defined benefit retirement plans are 51 per cent (2012: 34 per cent) covered by the plan assets held by the trustees. The fair value of plan assets as at year end at the date of valuation was US$87m (2012: US$60m). The total expenses relating to these plans recognised in the consolidated income statement was US$15m (2012: US$16m).

DEFINED CONTRIBUTION PLANS

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was US$54m (2012: US$46m). Employees and the employer are required to make monthly contributions equal to 2 per cent to 21 per cent of the employees' monthly basic salaries, depending on years of service and subject to any applicable caps of monthly relevant income in different jurisdictions. For defined contribution pension plans with vesting conditions, any forfeited contributions by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions are used by the employer to reduce any future contributions. The amount of forfeited contributions used to reduce the existing level of contributions is not material.

39. Share-based compensation

SHARE-BASED COMPENSATION PLANS

During the year ended 30 November 2013, the Group made further grants of share options, restricted share units (RSUs) and restricted stock purchase units to certain employees, directors and officers of the Group under the Share Option Scheme (SO Scheme), the Restricted Share Unit Scheme (RSU Scheme) and the Employee Share Purchase Plan (ESPP). As well, the Group made further grants of restricted stock subscription units to eligible agents under the Agency Share Purchase Plan (ASPP).

RSU Scheme

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period. For RSU grants that are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. For certain RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the participants at the end of the vesting period depending on the actual achievement of the performance conditions. During the vesting period, the participants are not entitled to dividends of the underlying shares. Except in jurisdictions where restrictions apply, the granted RSUs are expected to be settled in equity; grants that the Group has the legal or constructive obligation to settle in cash are insignificant to the Group. The maximum number of shares that can be granted under this scheme is 301,100,000 (2012: 301,100,000), representing 2.5 per cent (2012: 2.5 per cent) of the number of shares in issue at 30 November 2013.

	Year ended 30 November 2013 Number of shares	Year ended 30 November 2012 Number of shares
Restricted Share Units		
Outstanding at beginning of financial year	**50,450,631**	31,202,819
Granted	**20,645,534**	22,348,056
Forfeited	**(6,767,954)**	(2,733,564)
Vested	**(326,125)**	(366,680)
Outstanding at end of financial year	**64,002,086**	50,450,631

SO Scheme

The objectives of the SO Scheme are to align eligible participants' interests with those of the shareholders of the Company by allowing eligible participants to share in the value created at the point they exercise their options. Share option (SO) grants are vested either entirely after a specific period of time or in tranches over the vesting period approximately three to five years, during which, the eligible participants are required to remain in employment with the Group. For SO grants vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. The granted share options expire 10 years from the date of grant and each share option entitles the eligible participant to subscribe for one ordinary share. Except in jurisdictions where restrictions apply, the granted share options are expected to be settled in equity; grants that the Group has the legal or constructive obligation to settle in cash are insignificant to the Group. The total number of shares under options that can be granted under the scheme is 301,100,000 (2012: 301,100,000), representing 2.5 per cent (2012: 2.5 per cent) of the number of shares in issue at 30 November 2013. The measurement dates for share option grants made in June 2011, March 2012 and March 2013 were determined to be 15 June 2011, 15 March 2012 and 11 March 2013 respectively, in accordance with IFRS 2.

Information about share options outstanding and share options exercisable by the Group's employees and directors as at the end of the reporting period is as follows:

	Year ended 30 November 2013		Year ended 30 November 2012	
	Number of share options	**Weighted average exercise price (HK$)**	Number of share options	Weighted average exercise price (HK$)
Share options				
Outstanding at beginning of financial year	**28,171,257**	**27.64**	20,426,519	27.35
Granted	**7,490,459**	**34.35**	7,816,367	28.40
Forfeited or expired	**(3,370,595)**	**28.77**	(71,629)	27.35
Outstanding at end of financial year	**32,291,121**	**29.08**	28,171,257	27.64
Share options exercisable at end of financial year	**–**	**–**	–	–
Weighted average remaining contractual life (years)	**8.05**		8.72	

The share options outstanding as of 30 November 2013 have an exercise price of between HK$27.35 and HK$34.35 (2012: between HK$27.35 and HK$28.40).

ESPP

Under the plan, eligible employees of the Group can purchase ordinary shares of the Company with qualified employee contributions and the Company will award one matching restricted stock purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the Group. The level of qualified employee contribution is limited to not more than 5 per cent of the annual basic salary subject to a maximum of US$15,000 per annum. The granted matching restricted stock purchase units are expected to be settled in equity. For the year ended 30 November 2013, eligible employees paid US$8m (2012: US$6m) to purchase 1,745,775 ordinary shares (2012: 1,630,722 ordinary shares) of the Company.

ASPP

The structure of the ASPP generally follows that of the ESPP, the key difference being that the eligible agents are required to pay a subscription price of US$1 to subscribe for each new share in the Company at the end of the vesting period. Under the plan, eligible agents of the Group can purchase ordinary shares of the Company with qualified agent contributions and the Company will award one matching restricted stock subscription unit to them at the end of the vesting period for each two shares purchased through the qualified agent contributions (agent contribution shares). Each restricted stock subscription unit entitles eligible agents to subscribe for one new share of the Company. Agent contribution shares are purchased from the open market. During the vesting period, the eligible agents must hold the contribution shares purchased during the plan cycle and maintain their agent contracts with the Group. The granted matching restricted stock subscription units are expected to be settled in equity. The level of qualified agent contribution is subject to a maximum of US$15,000 per annum. For the year ended 30 November 2013, eligible agents paid US$11m (2012: US$4m) to purchase 2,365,707 ordinary shares (2012: 1,130,720 ordinary shares) of the Company.

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 30 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 is inherently subjective due to the assumptions made and the limitations of the model utilised.

	Year ended 30 November 2013			
	Share options	**Restricted share units**	**ESPP Restricted stock purchase units**	**ASPP Restricted stock subscription units**
Assumptions				
Risk-free interest rate	**1.26%**	**0.25% – 0.37%***	**0.12% – 0.66%**	**0.34%**
Volatility	**30%**	**30%**	**26% – 30%**	**30%**
Dividend yield	**1.1%**	**1.1%**	**1.1% – 1.3%**	**1.1%**
Exercise price (HK$)	**34.35**	**n/a**	**n/a**	**n/a**
Share option life (in years)	**10**	**n/a**	**n/a**	**n/a**
Expected life (in years)	**7.41**	**n/a**	**n/a**	**n/a**
Weighted average fair value per option/unit at measurement date (HK$)	**10.54**	**28.94**	**35.69**	**24.51**

	Year ended 30 November 2012			
	Share options	**Restricted share units**	**ESPP Restricted stock purchase units**	**ASPP Restricted stock subscription units**
Assumptions				
Risk-free interest rate	1.44%	0.20% – 0.36%*	0.19% – 0.49%	0.16% – 0.40%
Volatility	30%	30%	25% – 30%	30%
Dividend yield	1.2%	1.2% – 1.3%	1.2% – 1.3%	1.2% – 1.3%
Exercise price (HK$)	28.40	n/a	n/a	n/a
Share option life (in years)	10	n/a	n/a	n/a
Expected life (in years)	7.40	n/a	n/a	n/a
Weighted average fair value per option/unit at measurement date (HK$)	8.71	23.74	27.43	18.96

* Applicable to RSU with market conditions.

The weighted average share price for share option valuation for grants made during the year ended 30 November 2013 is HK$34.35 (2012: HK$28.40). The total fair value of share options granted during the year ended 30 November 2013 is US$9m (2012: US$9m).

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 year ended 30 November 2013 is US$77m (2012: US$45m).

40. Remuneration of directors and key management personnel

DIRECTORS' REMUNERATION

The Executive Director receives compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives, housing and other allowances, and benefits in kind subject to applicable laws, rules and regulations. Bonuses and long-term incentives represent the variable components in the Executive Directors' compensation and are linked to the performance of the Group and the Executive Director. Details of share-based payment schemes are described in note 39.

US$	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Post-employment benefits	Share-based payments(1)	Inducement fees	Termination fees	Total
Year ended 30 November 2013									
Executive Director									
Mr. Mark Edward Tucker	**–**	**1,943,664**	**4,042,000**	**80,250**	**–**	**7,423,415(2)**	**–**	**–**	**13,489,329**
Total	**–**	**1,943,664**	**4,042,000**	**80,250**	**–**	**7,423,415**	**–**	**–**	**13,489,329**

Notes:

(1) Include SOs and RSUs awarded based upon the fair value at grant date assuming maximum performance levels are achieved.

(2) Share–based payments exclude a one–off adjustment of US$2,747,462 relating to a change in recognition of expense for accounting purposes.

US$	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Post-employment benefits	Share-based payments(1)	Inducement fees	Termination fees	Total
Year ended 30 November 2012									
Executive Director									
Mr. Mark Edward Tucker	–	1,905,036	3,924,300	77,732	15,994	5,646,971(2)	–	–	11,570,033
Total	–	1,905,036	3,924,300	77,732	15,994	5,646,971	–	–	11,570,033

Notes:

(1) Include SOs and RSUs awarded based upon the fair value at grant date assuming maximum performance levels are achieved.

(2) Share-based payments exclude a one-off adjustment of US$1,509,697 relating to a change in recognition of expense for accounting purposes.

The remuneration of Non-executive Directors and Independent Non-executive Directors of the Company at 30 November 2013 and 2012 are included in the tables below:

US$	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Post-employment benefits	Share-based payments	Inducement fees	Termination fees	Total
Year ended 30 November 2013									
Non-executive Director									
Mr. Edmund Sze-Wing Tse[(1)]	**564,922**	**81,615**	**-**	**-**	**-**	**-**	**-**	**-**	**646,537**
Independent Non-executive Directors									
Mr. Jack Chak-Kwong So	**220,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**220,000**
Mr. Chung-Kong Chow	**205,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**205,000**
Dr. Qin Xiao	**190,890**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**190,890**
Mr. John Barrie Harrison	**235,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**235,000**
Mr. George Yong-Boon Yeo	**190,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**190,000**
Dr. Narongchai Akrasanee	**190,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**190,000**
Mr. Barry Chun-Yuen Cheung[(2)]	**100,685**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100,685**
Total	**1,896,497**	**81,615**	**-**	**-**	**-**	**-**	**-**	**-**	**1,978,112**

Notes:

(1) US$19,813 which represents remuneration to Mr. Edmund Sze-Wing Tse in respect of his services as director of a subsidiary of the Company is included in his fees.

(2) Mr. Barry Chun-Yuen Cheung resigned as Independent Non-executive Director of the Company with effect from 25 May 2013.

US$	Directors' fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Post-employment benefits	Share-based payments	Inducement fees	Termination fees	Total
Year ended 30 November 2012									
Non-executive Directors									
Mr. Edmund Sze-Wing Tse[(1)]	535,541	75,168	–	–	–	–	–	–	610,709
Mr. Jeffrey Joy Hurd[(3)]	–	–	–	–	–	–	–	–	–
Mr. Jay Steven Wintrob[(3)]	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors									
Mr. Jack Chak-Kwong So[(4)]	215,301	–	–	–	–	–	–	–	215,301
Mr. Chung-Kong Chow	233,197	–	–	–	–	–	–	–	233,197
Dr. Qin Xiao	233,142	–	–	–	–	–	–	–	233,142
Mr. John Barrie Harrison	225,601	–	–	–	–	–	–	–	225,601
Mr. Barry Chun-Yuen Cheung[(2)]	33,798	–	–	–	–	–	–	–	33,798
Mr. George Yong-Boon Yeo[(2)]	14,385	–	–	–	–	–	–	–	14,385
Dr. Narongchai Akrasanee[(2)]	5,191	–	–	–	–	–	–	–	5,191
Mr. Rafael Si-Yan Hui[(3)]	71,530	–	–	–	–	–	–	–	71,530
Total	1,567,686	75,168	–	–	–	–	–	–	1,642,854

Notes:

(1) US$18,940 which represents remuneration to Mr. Edmund Sze-Wing Tse in respect of his services as director of a subsidiary of the Company is included in his fees.

(2) Mr. Barry Chun-Yuen Cheung, Mr. George Yong-Boon Yeo and Dr. Narongchai Akrasanee were appointed as Independent Non-executive Directors of the Company on 20 September 2012, 2 November 2012 and 21 November 2012, respectively.

(3) Mr. Jeffrey Joy Hurd and Mr. Jay Steven Wintrob resigned as Non-executive Directors of the Company on 8 March 2012 and Mr. Rafael Si-Yan Hui resigned as Independent Non-executive Director of the Company on 29 March 2012.

(4) Mr. Jack Chak-Kwong So was re-designated as Independent Non-executive Director of the Company with effect from 26 September 2012.

REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

The aggregate remuneration of the five highest paid individuals employed by the Group in each of the years ended 30 November 2013 and 2012 is presented in the table below:

US$	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Post-employment benefits	Share-based payments[(1)]	Inducement fees	Termination fees	Total
Year ended								
30 November 2013	**6,371,858**	**8,281,530**	**189,753**	**–**	**16,521,742**[(2)]	**–**	**–**	**31,364,883**
30 November 2012	6,307,954	8,359,300	199,762	47,438	12,731,677[(3)]	–	–	27,646,131

Notes:

(1) Include SOs and RSUs awarded to the five highest paid individuals based upon the fair value at grant date assuming maximum performance levels are achieved.

(2) Share-based payments exclude a one-off adjustment of US$5,941,198 relating to a change in recognition of expense for accounting purposes.

(3) Share-based payments exclude a one-off adjustment of US$3,362,577 relating to a change in recognition of expense for accounting purposes.

The emoluments of the five individuals with the highest emoluments are within the following bands:

HK$	**Year ended 30 November 2013**	Year ended 30 November 2012
25,000,001 to 25,500,000	**–**	1
26,000,001 to 26,500,000	**1**	–
28,500,001 to 29,000,000	**–**	1
29,500,001 to 30,000,000	**1**	–
32,500,001 to 33,000,000	**–**	1
37,000,001 to 37,500,000	**1**	–
38,000,001 to 38,500,000	**–**	1
45,500,001 to 46,000,000	**1**	–
89,500,001 to 90,000,000	**–**	1
104,500,001 to 105,000,000	**1**	–

KEY MANAGEMENT PERSONNEL REMUNERATION

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

US$	**Year ended 30 November 2013**	Year ended 30 November 2012
Key management compensation and other expenses		
Salaries and other short-term employee benefits	**21,695,497**	23,356,919
Post-employment benefits – defined contribution	**397,034**	395,984
Post-employment benefits – medical & life	**–**	100,397
Other long-term benefits	**180,911**	468,426
Share-based payments(1)	**18,272,355**(2)	17,730,158(3)
Total	**40,545,797**	42,051,884

Notes:

(1) Include SOs and RSUs awarded to the key management personnel based upon the fair value at grant date assuming maximum performance levels are achieved.

(2) Share-based payments exclude a one-off adjustment of US$7,761,839 relating to a change in recognition of expense for accounting purposes.

(3) Share-based payments exclude a one-off adjustment of US$4,858,875 relating to a change in recognition of expense for accounting purposes.

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

US$	**Year ended 30 November 2013**	Year ended 30 November 2012
1,000,001 to 1,500,000	**–**	1
1,500,001 to 2,000,000	**2**	1
2,000,001 to 2,500,000	**1**	–
2,500,001 to 3,000,000	**–**	2
3,000,001 to 3,500,000	**3**	3
3,500,001 to 4,000,000	**1**	1
4,000,001 to 4,500,000	**–**	1
4,500,001 to 5,000,000	**1**	1
5,500,001 to 6,000,000	**1**	–
11,500,001 to 12,000,000	**–**	1
13,000,001 to 13,500,000	**1**	–

41. Related party transactions

The amount due from joint venture is disclosed in note 15. Remuneration of directors and key management personnel is disclosed in note 40.

42. 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 30 November 2013**	As at 30 November 2012
Properties and others expiring		
Not later than one year	**86**	79
Later than one and not later than five years	**125**	103
Later than five years	**31**	32
Total	**242**	214

The Group is the lessee in respect of a number of properties and items of office equipment held under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually 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 30 November 2013**	As at 30 November 2012
Not later than one year	**693**	641
Later than one and not later than five years	**14**	63
Later than five years	**1**	4
Total	**708**	708

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

CONTINGENCIES

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

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

The Group is the reinsurer in a residential mortgage credit reinsurance agreement covering residential mortgages in Australia. Due to a change in law, further cessions under this contract ended in July 2008. This reinsurance was fully retroceded to a subsidiary of AIG and this retrocession was terminated in February 2012 on a run-off basis. The Group is exposed to the risk of losses in the event of the failure of the counterparty retrocessionaire to honour its outstanding obligations which is mitigated by a trust agreement put in place after the aforesaid termination. The principal balance outstanding of mortgage loans to which the reinsurance agreement relates were approximately US$1,248m at 30 November 2013 (2012: US$1,877m). The liabilities and related reinsurance assets, which totalled US$6m (2012: 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 reporting date under the terms of this agreement from the retrocessionaire.

At 30 November 2013, the Group has issued capital guarantees and guarantees of indebtedness and minimum guaranteed rates of return ranging from 0 per cent to 5 per cent to holders of units of pension funds that have an accumulation value of approximately US$1,640m (2012: US$1,477m). The Group has the ability to reduce the guaranteed rates of return, subject to obtaining approvals of applicable regulators.

43. Subsidiaries

The principal subsidiary companies which materially contribute to the net income of the Group or hold a material element of its assets and liabilities are:

	Place of incorporation and operation	Principal activity	Issued share capital	Group's interest % As at 30 November 2013	Group's interest % As at 30 November 2012
AIA Company Limited[1] (formerly known as American International Assurance Company, Limited)	Hong Kong	Insurance	1,151,049,861 ordinary shares of US$5 each	**100%**	100%
AIA International Limited (formerly known as American International Assurance Company (Bermuda) Limited)	Bermuda	Insurance	3,000,000 ordinary shares of US$1.20 each	**100%**	100%
AIA Australia Limited	Australia	Insurance	112,068,300 ordinary shares of A$1 each	**100%**	100%
AIA Pension and Trustee Co. Ltd.	British Virgin Islands	Trusteeship	1,300,000 ordinary shares of US$1 each	**100%**	100%
AIA Bhd. (formerly known as American International Assurance Berhad)	Malaysia	Insurance	767,438,174 ordinary shares of RM1 each	**100%**	100%
AIA Singapore Private Limited	Singapore	Insurance	1,374,000,001 ordinary shares of S$1 each	**100%**	100%
PT. AIA Financial	Indonesia	Insurance	477,711,032 ordinary shares of Rp1,000 each	**100%**	100%
The Philippine American Life and General Insurance Company	Philippines	Insurance	199,560,671 ordinary shares of PHP10 each and 439,329 treasury shares	**100%**	99.78%
AIA (Vietnam) Life Insurance Company Limited	Vietnam	Insurance	Contributed capital of VND1,243,116,791,693	**100%**	100%
AIA Insurance Lanka PLC (formerly known as Aviva NDB Insurance)	Sri Lanka	Insurance	Contributed capital of LKR 300,000,000	**97.15%**	–
Bayshore Development Group Limited	British Virgin Islands	Investment holding company	100 ordinary shares of US$1 each	**90%**	90%
BPI-Philam Life Assurance Corporation	Philippines	Insurance	749,993,979 ordinary shares of PHP1 each and 6,000 treasury shares	**51%**	51%
AIA Reinsurance Limited	Bermuda	Reinsurance	250,000 ordinary shares of US$1 each	**100%**	100%

Notes:

(1) The Company's subsidiary.
(2) All of the above subsidiaries are audited by PricewaterhouseCoopers.

All subsidiaries are unlisted except AIA Insurance Lanka PLC which is listed on the Main Board of the Colombo Stock Exchange.

44. Events after the reporting period

On 19 December 2013, the Group entered into an agreement with Citibank to enter into an exclusive, long-term bancassurance partnership for a 15-year period that encompasses 11 markets in the Asia-Pacific region. The markets covered are: Hong Kong, Singapore, Thailand, China, Indonesia, the Philippines, Vietnam, Malaysia, Australia, India and Korea. The agreement provided for a payment of US$800m to Citibank upon signing, together with future payments during the contract term.

On 21 February 2014, the Board of Directors proposed a final dividend of 28.62 Hong Kong cents per share (2012: 24.67 Hong Kong cents per share).

FINANCIAL STATEMENTS OF THE COMPANY

Statement of financial position as at 30 November 2013

US$m	Notes	As at 30 November 2013	As at 30 November 2012
Assets			
Investment in a subsidiary	*2*	**15,741**	13,994
Amount due from subsidiary	*3*	**910**	1,040
Derivative financial instruments	*4*	**–**	8
Other assets		**22**	18
Cash and cash equivalents	*5*	**10**	86
Total assets		**16,683**	15,146
Liabilities			
Borrowings	*6*	**1,201**	–
Other liabilities		**11**	13
Total liabilities		**1,212**	13
Equity			
Issued share capital	*7*	**12,044**	12,044
Share premium	*7*	**1,914**	1,914
Employee share-based trusts	*7*	**(274)**	(188)
Retained earnings		**1,652**	1,303
Other reserves	*8*	**135**	60
Total equity		**15,471**	15,133
Total liabilities and equity		**16,683**	15,146

Notes:

(1) The financial information of the Company should be read in conjunction with the consolidated financial statements of the Group.
(2) Net profit of the Company for the years ended 30 November 2013 and 2012 were US$944m and US$1,240m, respectively.

Approved and authorised for issue by the Board of Directors on 21 February 2014.

NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

1. Accounting policies

Where applicable, the accounting policies of the Company are the same as for the Group as set out on pages 63 to 86. The Company's financial statements comply with both IFRS and HKFRS.

2. Investment in a subsidiary

US$m	**As at 30 November 2013**	As at 30 November 2012
Unlisted shares, at cost	**15,741**	13,994

See note 43 to the Group's consolidated financial statements for further information of the Company's subsidiary.

3. Amount due from subsidiary

The balance is unsecured, interest-free and repayable on demand.

4. Derivative financial instruments

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

US$m	**Notional amount**	**Fair value**
30 November 2012		
Foreign exchange contracts		
Forwards	3,468	8
Total	3,468	8

The Company did not have any derivative exposure as of 30 November 2013.

Details of derivative financial instruments are presented in note 22 to the Group's consolidated financial statements.

5. Cash and cash equivalents

The cash and cash equivalents balance consists of cash of US$10m (2012: US$86m).

6. Borrowings

Details of the borrowings of the Company are provided in note 30 to the Group's consolidated financial statements. On 22 November 2013, the Company issued a 10-year unsecured floating rate medium term note to a subsidiary at a nominal value of US$60m; the medium term note bears interest upon LIBOR. The medium term note has been eliminated in the Group's consolidated financial statements.

7. Share capital, share premium and employee share-based trusts

Details of share capital, share premium and employee share-based trusts are presented in note 34 to the Group's consolidated financial statements.

8. Other reserves

Other reserves comprise share-based compensation recognised under the RSU Scheme, ESPP, ASPP and Share Option Scheme.

9. Risk management

Risk management in the context of the Group is discussed in note 37 to the Group's consolidated financial statements.

The business of the Company is managing its investments in subsidiaries, associates and joint venture operations. Its risks are considered to be the same as those described in the context of the consolidated group. Such investments are held by the Company at cost in accordance with accounting policy discussed in note 2.3 to the Group's consolidated financial statements.

Financial assets, other than investment in a subsidiary, largely consist of cash and cash equivalents.

10. Related party transactions

The Company receives dividend from subsidiaries and pays interest and expenses to those subsidiaries in the normal course of business.

Except as disclosed elsewhere in the financial statements, there are no other material related party transactions.

11. Contingencies

The Company has issued a guarantee to financial institutions in respect of a 3-year multicurrency bank facility of HK$2,507m (approximately US$323m) borrowed by its subsidiary. The Company is exposed to the risk in the event of default payment by its subsidiary.

12. Events after the reporting period

Details of the events after the reporting period of the Company are presented in note 44 to the Group's consolidated financial statements.

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 year ended 30 November 2013 (the Period). These EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Supplementary Embedded Value Information section of this report.

Towers Watson Hong Kong Limited, trading as 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 and the equity attributable to shareholders of the Company on the embedded value basis as at 30 November 2013, and the value of new business for the 12-month period 1 December 2012 to 30 November 2013;

- A review of the economic and operating assumptions used to calculate the embedded value as at 30 November 2013 and the value of new business for the 12-month period 1 December 2012 to 30 November 2013; 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 to calculate the embedded value and value of new business is consistent with recent industry practice for publicly listed companies in Hong Kong as regards traditional embedded value calculations based on discounted values of projected deterministic after-tax cash flows. This methodology makes an overall allowance for risk for the Group through the use of risk discount rates which incorporate risk margins and vary by Business Unit, together with an explicit allowance for the cost of holding required capital;

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

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

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 and the equity attributable to shareholders of the Company on the embedded value basis as at 30 November 2013, the value of new business for the 12-month period 1 December 2012 to 30 November 2013, the analysis of movement in embedded value for the 12-month period ended 30 November 2013, and the sensitivity analysis.

Towers Watson
21 February 2014

Cautionary statements concerning Supplementary Embedded Value Information

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

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

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

1. Highlights

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

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

Table 1.1

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

	As at 30 November 2013	As at 30 November 2012	Growth
Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	**34,875**	31,657	10%
Embedded value (EV)	**33,822**	31,408	8%
Adjusted net worth (ANW)	**13,466**	13,170	2%
Value of in-force business (VIF)	**20,356**	18,238	12%
	12 months ended 30 November 2013	12 months ended 30 November 2012	YoY
Value of new business (VONB)	**1,490**	1,188	25%
Annualised new premium (ANP) (2) (3)	**3,341**	2,696	24%
VONB margin (3)	**44.1%**	43.6%	0.5 pps

Notes:

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

(2) 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 pension business.

VONB grew by 25 per cent compared with 2012 to US$1,490 million, net of tax, with each of our market segments delivering double-digit growth over the year. ANP grew by 24 per cent compared with 2012 to US$3,341 million and VONB margin increased to 44.1 per cent from 43.6 per cent in 2012.

EV Equity grew by US$3,218 million to US$34,875 million at 30 November 2013. This represents an increase of 10 per cent from US$31,657 million at 30 November 2012. EV Equity included goodwill and other intangible assets of US$1,053 million at 30 November 2013 compared with US$249 million at 30 November 2012.

EV grew to US$33,822 million at 30 November 2013, an increase of 8 per cent over the year from US$31,408 million at 30 November 2012. The growth in EV of US$2,414 million is shown after a deduction of US$808 million for the effect of acquisitions in the year.

EV operating profit grew by 14 per cent to US$3,975 million compared with 2012. The growth reflected a combination of a higher VONB of US$1,490 million, increased expected return on EV of US$2,387 million and positive operating experience variances and operating assumption changes which totalled US$124 million, less interest costs of US$26 million on medium term notes and an acquisition credit facility.

Non-operating EV movements included positive contribution of US$620 million from investment return variances and changes in economic assumptions and negative other non-operating variances. This was offset by the payment of total shareholder dividends of US$595 million, negative other capital movements of US$18 million and negative foreign exchange movements of US$760 million.

EV as at 30 November 2013 included ANW of US$13,466 million and VIF of US$20,356 million, up 2 per cent and 12 per cent respectively compared with 30 November 2012.

2. EV Results

2.1 EMBEDDED VALUE BY BUSINESS UNIT

The EV as at 30 November 2013 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 this 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 EV by Business Unit (US$ millions)

	As at 30 November 2013					As at 30 November 2012
Business Unit	**ANW[(1)]**	**VIF before CoC[(2)]**	**CoC[(2)]**	**VIF after CoC[(2)]**	**EV**	EV[(4)]
AIA Hong Kong	4,438	6,714	436	6,278	**10,716**	10,059
AIA Thailand	4,884	2,604	620	1,984	**6,868**	6,750
AIA Singapore	1,520	2,936	449	2,487	**4,007**	3,746
AIA Malaysia	1,318	1,359	234	1,125	**2,443**	1,286
AIA China	509	2,757	160	2,597	**3,106**	2,192
AIA Korea	1,292	972	358	614	**1,906**	1,731
Other Markets	3,040	1,190	266	924	**3,964**	3,929
Group Corporate Centre	4,469	(67)	–	(67)	**4,402**	5,348
Subtotal	21,470	18,465	2,523	15,942	**37,412**	35,041
Adjustment to reflect additional Hong Kong reserving and capital requirements[(3)]	(8,004)	5,196	132	5,064	**(2,940)**	(3,031)
After-tax value of unallocated Group Office expenses	–	(650)	–	(650)	**(650)**	(602)
Total	13,466	23,011	2,655	20,356	**33,822**	31,408

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 this report.

(3) Adjustment to EV for the branches of AIA Co. and AIA International, as described in Section 4.4 of this report.

(4) Certain segmental reclassifications have been made in the prior year, mainly within VIF, to conform to current period presentation. The reclassification has no impact on the total EV of the Group as of 30 November 2012.

2.2 RECONCILIATION OF ANW TO IFRS EQUITY

Table 2.2 sets out the derivation of ANW from IFRS equity as at 30 November 2013.

Table 2.2

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

	As at 30 November 2013	As at 30 November 2012
IFRS equity attributable to shareholders of the Company	**24,686**	26,697
Elimination of IFRS deferred acquisition and origination costs assets	**(15,738)**	(14,161)
Difference between IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	**10,725**	6,659
Difference between net IFRS policy liabilities and local statutory policy liabilities (for entities included in the EV Results)	**(5,013)**	(7,502)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds	**2,250**	2,163
Elimination of intangible assets	**(1,321)**	(292)
Recognition of deferred tax impacts of the above adjustments	**1,006**	795
Recognition of non-controlling interests impacts of the above adjustments	**(138)**	(113)
Group ANW (local statutory basis)	**21,470**	21,748
Adjustment to reflect additional Hong Kong reserving requirements, net of tax	**(8,004)**	(8,578)
Group ANW (after additional Hong Kong reserving requirements)	**13,466**	13,170

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 this 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)

	As at 30 November 2013		As at 30 November 2012	
	Local statutory basis	**Hong Kong basis for branches of AIA Co. and AIA International**	Local statutory basis	Hong Kong basis for branches of AIA Co. and AIA International
Free surplus	**15,648**	**6,731**	16,082	6,643
Required capital	**5,822**	**6,735**	5,666	6,527
ANW	**21,470**	**13,466**	21,748	13,170

The Company's subsidiaries, AIA Co. and AIA International, are both Hong Kong-regulated entities subject to Hong Kong statutory requirements. The business written in the branches of AIA Co. and AIA International 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 International at the entity level.

At 30 November 2013, the more onerous reserving basis for both AIA Co. and AIA International was the Hong Kong basis. Therefore, the Group's free surplus at 30 November 2013 reduced by US$8,917 million (2012: US$9,439 million) under the Hong Kong basis compared with the local statutory basis, reflecting US$8,004 million (2012: US$8,578 million) higher reserving requirements and US$913 million (2012: US$861 million) higher required capital under the Hong Kong basis for branches of AIA Co. and AIA International.

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 International.

Table 2.4

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

	As at 30 November 2013	
Financial year	**Undiscounted**	**Discounted**
2014 – 2018	14,132	11,660
2019 – 2023	11,948	6,452
2024 – 2028	10,180	3,689
2029 – 2033	8,946	2,199
2034 and thereafter	36,051	3,091
Total	**81,257**	**27,091**

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US$27,091 million (2012: US$24,765 million) plus the free surplus of US$6,731 million (2012: US$6,643 million) shown in Table 2.3 is equal to the EV of US$33,822 million (2012: US$31,408 million) shown in Table 2.1.

2.5 VALUE OF NEW BUSINESS

The VONB for the Group for the 12-month period from 1 December 2012 to 30 November 2013 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 this 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 12 months ended 30 November 2013 was US$1,490 million, an increase of US$302 million, or 25 per cent, from US$1,188 million for the same period in 2012.

Table 2.5

Summary of VONB by Business Unit (US$ millions)

	12 months ended 30 November 2013			12 months ended 30 November 2012
Business Unit	**VONB before CoC(1)**	**CoC(1)**	**VONB after CoC(1) (3)**	VONB after CoC(1) (3) (4)
AIA Hong Kong	548	80	**468**	366
AIA Thailand	381	62	**319**	287
AIA Singapore	297	28	**269**	220
AIA Malaysia	138	18	**120**	69
AIA China	187	21	**166**	124
AIA Korea	104	13	**91**	68
Other Markets	255	35	**220**	167
Total before unallocated Group Office expenses (local statutory basis)	1,910	257	**1,653**	1,301
Adjustment to reflect additional Hong Kong reserving and capital requirements(2)	(77)	(10)	**(67)**	(41)
Total before unallocated Group Office expenses (after additional Hong Kong reserving and capital requirements)	1,833	247	**1,586**	1,260
After-tax value of unallocated Group Office expenses	(96)	–	**(96)**	(72)
Total	1,737	247	**1,490**	1,188

Notes:

(1) CoC refers to the cost arising from holding the required capital as defined in Section 4.2 of this report.

(2) Adjustment to VONB for the branches of AIA Co. and AIA International, as described in Section 4.4 of this report.

(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 12 months ended 30 November 2013 and 30 November 2012 were US$11 million and US$11 million respectively.

(4) Certain segmental reclassifications have been made in the prior period to conform to current period presentation. The reclassification has no impact on the total VONB of the Group for the 12 months ended 30 November 2012.

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

The Group VONB margin for the 12 months ended 30 November 2013 was 44.1 per cent compared with 43.6 per cent for the same period in 2012.

Table 2.6

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

	12 months ended 30 November 2013			12 months ended 30 November 2012
Business Unit	**VONB Excluding Pension**	**ANP[1]**	**VONB Margin[1]**	VONB Margin[1] [3]
AIA Hong Kong	449	781	**57.6%**	58.4%
AIA Thailand	318	565	**56.3%**	53.9%
AIA Singapore	269	400	**67.3%**	65.1%
AIA Malaysia	121	319	**37.8%**	46.0%
AIA China	166	249	**66.4%**	57.5%
AIA Korea	91	338	**26.8%**	28.5%
Other Markets	221	689	**32.0%**	27.0%
Total before unallocated Group Office expenses (local statutory basis)	1,635	3,341	**48.9%**	47.8%
Adjustment to reflect additional Hong Kong reserving and capital requirements[2]	(67)	–		
Total before unallocated Group Office expenses (after additional Hong Kong reserving and capital requirements)	1,568	3,341	**46.9%**	46.2%
After-tax value of unallocated Group Office expenses	(96)	–		
Total	1,472	3,341	**44.1%**	43.6%

Notes:

(1) ANP and VONB margin exclude pension business.

(2) Adjustment to VONB for the branches of AIA Co. and AIA International, as described in Section 4.4 of this report.

(3) Certain segmental reclassifications have been made in the prior period to conform to current period presentation. The reclassification has no impact on the total VONB and VONB margin of the Group for the 12 months ended 30 November 2012.

Table 2.7 shows the breakdown of the VONB, ANP and VONB margin for the Group by quarter for business written in the 12 months to 30 November 2013. For comparison purposes, the quarterly VONB, ANP and VONB margin for business written in the 12 months to 30 November 2012 are also shown in the same table.

Table 2.7

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

Quarter	**VONB after CoC(1)**	**ANP(2)**	**VONB Margin(2)**
Values for 2013			
3 months ended 28 February 2013	**291**	**745**	**38.4%**
3 months ended 31 May 2013	**354**	**782**	**44.7%**
3 months ended 31 August 2013	**379**	**839**	**44.7%**
3 months ended 30 November 2013	**466**	**975**	**47.3%**
Values for 2012			
3 months ended 29 February 2012	232	543	42.1%
3 months ended 31 May 2012	280	644	43.1%
3 months ended 31 August 2012	300	696	42.6%
3 months ended 30 November 2012	376	813	45.8%

Notes:

(1) CoC refers to the cost arising from holding the required capital as defined in Section 4.2 of this report.

(2) ANP and VONB margin exclude pension business.

2.6 ANALYSIS OF EV MOVEMENT

Table 2.8 shows the analysis of movement in EV from 30 November 2012 to 30 November 2013.

Table 2.8

Analysis of movement in EV (US$ millions)

	12 months ended 30 November 2013			12 months ended 30 November 2012	YoY
	ANW	**VIF**	**EV**	EV	EV
Opening EV	13,170	18,238	**31,408**	27,239	15%
Purchase price	(1,865)	–	**(1,865)**	–	n/m
Acquired EV	683	374	**1,057**	–	n/m
Effect of acquisitions	(1,182)	374	**(808)**	–	n/m
EV post acquisitions	11,988	18,612	**30,600**	27,239	12%
Value of new business	(957)	2,447	**1,490**	1,188	25%
Expected return on EV	3,087	(700)	**2,387**	2,192	9%
Operating experience variances	(255)	369	**114**	140	(19)%
Operating assumption changes	(83)	93	**10**	(29)	n/m
Interest costs on medium term notes and acquisition credit facility	(26)	–	**(26)**	–	n/m
EV operating profit	1,766	2,209	**3,975**	3,491	14%
Investment return variances	335	10	**345**	933	(63)%
Effect of changes in economic assumptions	–	429	**429**	(105)	n/m
Other non-operating variances	361	(515)	**(154)**	(113)	36%
Total EV profit	2,462	2,133	**4,595**	4,206	9%
Dividends	(595)	–	**(595)**	(530)	12%
Other capital movements	(18)	–	**(18)**	(42)	(57)%
Effect of changes in exchange rates	(371)	(389)	**(760)**	535	n/m
Closing EV	13,466	20,356	**33,822**	31,408	8%

EV grew to US$33,822 million at 30 November 2013, an increase of 8 per cent over the year from US$31,408 million at 30 November 2012. The growth in EV of US$2,414 million is shown after a deduction of US$808 million for the effect of acquisitions in the year. The purchase price of US$1,865 million is in respect of the acquisitions of Sri Lankan insurer Aviva NDB Insurance (ANI) and ING Management Holdings (Malaysia) Sdn. Bhd. (ING Malaysia) completed on 5 December 2012 and 18 December 2012 respectively per note 5 to the IFRS financial statements. The acquired EV of US$1,057 million represents the EV of these two businesses at the respective completion dates of acquisition.

EV operating profit grew by 14 per cent to US$3,975 million in 2013 (2012: US$3,491 million). The increase reflected a higher VONB of US$1,490 million (2012: US$1,188 million), US$2,387 million (2012: US$2,192 million) from the expected return on the higher opening EV, positive operating experience variances of US$114 million (2012: US$140 million), positive operating assumption changes of US$10 million (2012: US$(29) million) offset by interest costs of US$26 million (2012: nil) on medium term notes and an acquisition credit facility.

The VONB shown in Table 2.8 is calculated at the point of sale for business written during the Period before deducting the amount attributable to non-controlling interests. The expected return on EV is the expected change in the EV over the Period plus the expected return on the VONB from the point of sale to 30 November 2013 less the VONB attributable to non-controlling interests. Operating experience variances reflect the impact on the ANW and VIF from differences between the actual experience over the Period and that expected based on the operating assumptions.

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

- Expense variances of US$1 million (2012: US$(23) million) including non-recurring project expenses of US$(9) million (2012: US$(27) million);

- Mortality and morbidity claims variances of US$116 million (2012: US$152 million); and

- Persistency and other variances of US$(3) million (2012: US$11 million).

The overall effect of changes to operating assumptions during the Period was US$10 million (2012: US$(29) million).

The EV profit of US$4,595 million (2012: US$4,206 million) is the total of EV operating profit, investment return variances, the effect of changes in economic assumptions and other non-operating variances.

The investment return variances arise from the impact of differences between the actual investment returns in the Period and the expected investment returns. This includes the impact on the EV of changes in the market values and market yields 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$345 million (2012: US$933 million) were largely caused by positive statutory reserve movements offset by negative market movements compared with the assumptions used in the EV calculation at the start of the Period.

The effect of changes in economic assumptions of US$429 million (2012: US$(105) million) includes the impact of changes in long-term investment return assumptions of US$161 million (2012: US$(893) million) and the impact of changes in risk discount rates of US$268 million (2012: US$788 million).

Other non-operating variances amounted to US$(154) million (2012: US$(113) million) and included:

- Tax adjustments resulting in a gain of US$195 million (2012: US$256 million);

- Restructuring and other non-operating costs of US$44 million (2012: US$75 million), plus the current Period effect of US$(32) million (2012: US$(29) 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; and

- Modelling enhancements, accounting for the majority of the balance.

The Group paid total shareholder dividends of US$595 million (2012: US$530 million). Other capital movements of US$(18) million (2012: US$(42) million) were mainly due to the purchase of shares held by employee share-based trusts.

The US$(760) million (2012: US$535 million) effect of changes in exchange rates reflects the translation gains and losses in respect of exchange rate movements over the Period.

2.7 EV EQUITY

The EV as at 30 November 2013 included a deduction of US$808 million (2012: nil) for the effect of acquisitions in the year. The EV Equity grew to US$34,875 million at 30 November 2013, an increase of 10 per cent from US$31,657 million at 30 November 2012. Table 2.9 sets out the derivation of EV Equity from EV as at 30 November 2013.

Table 2.9

Derivation of EV Equity form EV (US$ millions)

	As at 30 November 2013	As at 30 November 2012	Growth
EV	**33,822**	31,408	8%
Goodwill and other intangible assets[1]	**1,053**	249	323%
EV Equity	**34,875**	31,657	10%

Note:

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

3. Sensitivity Analysis

The EV as at 30 November 2013 and the VONB for the 12-month period 1 December 2012 to 30 November 2013 have been recalculated to illustrate the sensitivity of the results to changes in certain central assumptions discussed in Section 5.

The sensitivities analysed were:

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

The EV as at 30 November 2013 has been further analysed for the following sensitivities:

- Equity prices held increased proportionally by 10 per cent (i.e. 110 per cent of the prices at 30 November 2013); and

- Equity prices held decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 30 November 2013).

For the interest rate sensitivities, the investment return assumptions and the risk discount rates were changed by 50 basis points per annum; the projected bonus rates on participating business, the statutory reserving bases at 30 November 2013 and the values of debt instruments held at 30 November 2013 were changed to be consistent with the interest rate assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

The EV Results of each entity in Section 4.1 are measured in the currency of the primary economic environment in which that entity operates (the functional currency) and presented in US dollar (the presentation currency). In order to provide a sensitivity to EV and VONB of foreign currency movements to the translation from functional currencies, a change of 5 per cent to the presentation currency is included. This sensitivity does not include the impact of currency movements on the translation of transactions denominated in a foreign currency of an entity into its functional currency (including any impacts on VIF).

For the equity price sensitivities, the projected bonus rates on participating business and the values of equity securities and equity funds held at 30 November 2013 were changed to be consistent with the equity price assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

For each of the remaining sensitivity analysis, the statutory reserving bases at 30 November 2013 and the projected bonus rates on participating business were changed to be consistent with the sensitivity analysis assumptions, while all the other assumptions remain unchanged.

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

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 EV as at 30 November 2013 (US$ millions)

Scenario	**EV**
Central value	33,822
200 bps increase in risk discount rates	29,976
200 bps decrease in risk discount rates	39,314
10% increase in equity prices	34,459
10% decrease in equity prices	33,168
50 bps increase in interest rates	34,031
50 bps decrease in interest rates	33,418
5% appreciation in the presentation currency	32,874
5% depreciation in the presentation currency	34,770
10% increase in lapse/discontinuance rates	33,440
10% decrease in lapse/discontinuance rates	34,275
10% increase in mortality/morbidity rates	31,226
10% decrease in mortality/morbidity rates	36,497
10% decrease in maintenance expenses	34,280
Expense inflation set to 0%	34,217

Table 3.2

Sensitivity of VONB for the 12 months ended 30 November 2013 (US$ millions)

Scenario	**VONB**
Central value	1,490
200 bps increase in risk discount rates	1,068
200 bps decrease in risk discount rates	2,104
50 bps increase in interest rates	1,564
50 bps decrease in interest rates	1,399
5% appreciation in the presentation currency	1,434
5% depreciation in the presentation currency	1,546
10% increase in lapse rates	1,378
10% decrease in lapse rates	1,614
10% increase in mortality/morbidity rates	1,213
10% decrease in mortality/morbidity rates	1,766
10% decrease in maintenance expenses	1,551
Expense inflation set to 0%	1,540

4. Methodology

4.1 ENTITIES INCLUDED IN THIS REPORT

The Group operates through a number of subsidiaries and branches. Its two main operating subsidiaries are AIA Company Limited (AIA Co., formerly known as American International Assurance Company, Limited), a subsidiary of the Company, and AIA International Limited (AIA International, formerly known as American International Assurance Company (Bermuda) Limited), a subsidiary of AIA Co. Furthermore, AIA Co. has branches located in Brunei, China and Thailand and AIA International has branches located in Hong Kong, Korea, Macau, New Zealand and Taiwan.

The following is a full list of the entities and their mapping to "Business Units" for the purpose of this report.

- AIA Australia refers to AIA Australia Limited, a subsidiary of AIA Co.;
- AIA China refers to the Chinese branches of AIA Co.;
- AIA Hong Kong refers to the total of the following three entities:
    - the Hong Kong and Macau branches of AIA International;
    - the Hong Kong and Macau business written by AIA Co.; and
    - AIA Pension and Trustee Co. Ltd., a subsidiary of AIA Co.
- AIA Indonesia refers to PT. AIA Financial, a subsidiary of AIA International;
- AIA Korea refers to the Korean branch of AIA International;
- AIA New Zealand refers to the New Zealand branch of AIA International;
- AIA Malaysia refers to AIA Bhd. (formerly known as American International Assurance Bhd.), a subsidiary of AIA Co., its subsidiary AIA AFG Takaful Bhd., and AIA PUBLIC Takaful Bhd. (formerly known as ING PUBLIC Takaful Ehsan Berhad), a 60 per cent owned subsidiary of AIA Co.;
- Philam Life refers to The Philippine American Life and General Insurance Company, a subsidiary of AIA Co. and its 51 per cent owned subsidiary BPI-Philam Life Assurance Corporation;
- AIA Singapore refers to AIA Singapore Private Limited, a subsidiary of AIA Co., and Brunei branch of AIA Co.;
- AIA Thailand refers to the Thailand branches of AIA Co.;

- AIA Taiwan refers to the Taiwanese branch of AIA International;
- AIA Vietnam refers to AIA (Vietnam) Life Insurance Company Limited, a subsidiary of AIA International; and
- AIA Sri Lanka refers to AIA Insurance Lanka PLC (formerly known as Aviva NDB Insurance), a 97.15 per cent owned subsidiary of AIA Co.

The Group completed the acquisitions of Aviva NDB Insurance and ING Management Holdings (Malaysia) Sdn. Bhd. on 5 December 2012 and 18 December 2012 respectively. The financial results of these two newly-acquired businesses are accounted for in the Group's 2013 results from the respective dates of completion. The business of ING Management Holdings (Malaysia) Sdn. Bhd. has been integrated into AIA Malaysia. See note 5 to the IFRS financial statements for more details.

In addition, the entity Tata AIA Life Insurance Company Limited, which is 26 per cent owned by AIA International, has been included in the Group ANW presented in this report on an equity method accounting basis.

The summary of the EV of the Group by Business Unit in this report also includes a segment for "Group Corporate Centre" results. The results shown for this segment consist of the ANW for the Group's corporate functions and the present value of remittance taxes payable on distributable profits to Hong Kong. The ANW has been derived as the IFRS equity for this segment plus mark-to-market adjustments less the value of excluded intangible assets.

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. For the VONB, "Other Markets" includes the present value of allowance for remittance taxes payable on distributable profits to Hong Kong.

4.2 EMBEDDED VALUE AND VALUE OF NEW BUSINESS

The Group uses a traditional deterministic discounted cash flow methodology for determining its EV and 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. Typically, the higher the risk discount rate, the greater the allowance for these factors. This is a common methodology used by life insurance companies in Asia currently. Alternative valuation methodologies and approaches continue to emerge and may be considered by AIA.

The business included in the VIF and VONB calculations includes all life business written by the Business Units of the Group, plus other lines of business which may not be classified as life business but have similar characteristics. These include accident and health, group and pension businesses. The projected in-force business included in the VIF also incorporates expected renewals on short-term business with a term of one year or less.

The EV is the sum of the ANW and VIF. The 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 the Group, 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 the Company. The market value of investment property and property held for use used to determine the ANW is based on the fair value disclosed in the Group's IFRS financial statements as at the valuation date. It is the Group's policy to obtain external property valuations annually except in the case of a discrete event occurring in the interim that has a significant impact on the fair value of the properties.

The 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. 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 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.

EV Equity is the total of EV, goodwill and other intangible assets attributable to shareholders of the Company.

The 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. The VONB for the Group is calculated based on assumptions applicable at the point of measurement and before deducting the amount attributable to non-controlling interests. The VONB attributable to non-controlling interests was US$11 million for the 12-month period ended 30 November 2013 (2012: US$11 million).

A deduction has been made from the EV and VONB for the present value of future after-tax unallocated Group Office expenses, representing the expenses incurred by the Group Office which are not allocated to the Business Units. These unallocated Group Office expenses have been allocated to acquisition and maintenance activities, and a deduction made from the VONB and VIF respectively.

4.3 DEFINITION OF NEW BUSINESS

New business includes the sale of new contracts during the period, additional single premium payments on recurrent single premium contracts and increments to existing contracts where these are not variations allowed for in the calculation of the VIF. The VONB also includes the present value of cash flows associated with new policies written during the reporting period but subsequently terminated before the valuation date.

For group renewable business including group yearly renewable term business, new business is composed of new schemes set up during the period plus any premium payable on existing schemes that exceeds the prior year's premium.

For short-term accident and health business with a term of one year or less, renewals of existing contracts are not considered new business, and the value of expected renewals on this business is included in the VIF.

For pension business, sale of new contracts during the period and any new contribution, including assets transferred in, are considered as new business for the calculation of the VONB.

New business volumes shown in this report are measured using annualised new premium (ANP), which is an internal measure of new business sales. This represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded. It excludes new business sales for pension business.

4.4 CONSOLIDATION OF HONG KONG BRANCHES

The Group's subsidiaries, AIA Co. and AIA International, are both Hong Kong-regulated entities. AIA operates in a number of territories as branches of these entities. Therefore, the business written in these branches 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 International at the entity level.

For these branches, the EV Results shown in Section 2 have been calculated reflecting the more onerous of the Hong Kong and branch level regulatory reserving and capital requirements. This was done because the ultimate distribution of profits to shareholders of the Company from AIA Co. and AIA International will depend on both the Hong Kong and the local regulatory reserving and capital requirements. At the end of November 2013, the more onerous reserving basis for both AIA Co. and AIA International was the Hong Kong regulatory basis. This impact is shown as a Group-level adjustment to the EV and VONB. The EV and VONB for each Business Unit reflect only the local reserving and capital requirements, as discussed in Section 4.6.

4.5 VALUATION OF FUTURE STATUTORY LOSSES

For certain lines of business, projected future statutory profits are negative due to the local statutory reserves being insufficient to meet the value of future policyholder cash flows. Within a traditional embedded value framework, there are a number of acceptable methods for determining the value of a combination of positive and negative statutory profits for different lines of business.

For the purposes of this valuation, future projected statutory losses have been valued by discounting them at the risk discount rate for the relevant Business Unit. This has been done because the allowance for risk in the range of selected risk discount rates for each Business Unit has been set taking into account the presence of any such business lines with projected statutory losses. Also, the currently more onerous Hong Kong regulatory reserving requirements for the branches of AIA Co. and AIA International have the effect of reducing the level of any future projected statutory losses for these Business Units. Based on the assumptions described in Section 5, and allowing for the Hong Kong statutory reserving and capital requirements for the branches of AIA Co. and AIA International, the overall projected annual distributable profits from the current in-force business and the assets backing the required capital of the Group are positive over the remaining lifetime of the business. Therefore, it is not considered necessary to change the discounting approach described above.

4.6 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 International.

Table 4.1

Required Capital by Business Unit

Business Unit	Required Capital
AIA Australia	100% of the regulatory capital adequacy requirement(1)
AIA China	100% of required minimum solvency margin
AIA Hong Kong	150% of required minimum solvency margin(2)
AIA Indonesia	120% of regulatory Risk-Based Capital requirement(3)
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
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 Sri Lanka	120% of proposed Risk-Based Capital requirement
AIA Taiwan	250% of regulatory Risk-Based Capital requirement(4)
AIA Thailand	140% of regulatory Risk-Based Capital requirement
AIA Vietnam	100% of required minimum solvency margin

Notes:

(1) The Australian Prudential Regulatory Authority has implemented new capital standards which are effective 1 January 2013. The new requirements have been assumed to apply from 30 November 2012 in EV and VONB calculations.

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

(3) The Ministry of Finance of Indonesia has implemented new capital standards which are effective 1 January 2013. The new requirements have been assumed to apply from 1 December 2012 in EV and VONB calculations.

(4) Following an announcement by the Financial Supervisory Commission on 8 February 2013, the required capital assumed in EV and VONB calculations has been changed from 200% to 250% of regulatory Risk-Based Capital requirement effective 1 December 2012.

5. Assumptions

5.1 INTRODUCTION

This section summarises the assumptions used by the Group to determine the EV as at 30 November 2013 and the VONB for the 12 months to 30 November 2013 and highlights certain differences in assumptions between the EV as at 30 November 2012 and the EV as at 30 November 2013.

5.2 ECONOMIC ASSUMPTIONS

Investment returns

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

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

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

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

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

Risk discount rates

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

The Group has generally set the risk discount rates to be equal to the estimated cost of equity capital for each Business Unit within the Group. The cost of equity capital is derived using an estimated long-term risk-free interest rate, an equity risk premium and a market risk factor. In some cases, adjustments have been made to reflect territorial or Business Unit-specific factors.

Table 5.1 summarises the risk discount rates and assumed long-term investment returns for the major asset classes for each Business Unit as at 30 November 2013. The investment returns on existing fixed income assets were set consistently with the market yields 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 International, the consolidated EV Results reflecting the Hong Kong reserving and capital requirements were calculated using the branch-specific risk discount rates shown in the table. 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 5.1

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

Business Unit	**Risk discount rates**		**10-year government bonds**		**Local equities**	
	As at 30 Nov 2013	As at 30 Nov 2012	**As at 30 Nov 2013**	As at 30 Nov 2012	**As at 30 Nov 2013**	As at 30 Nov 2012
AIA Australia	**7.75**	7.75	**3.37**	3.37	**7.15**	7.15
AIA China	**9.75**	10.00	**3.74**	3.74	**9.49**	9.74
AIA Hong Kong(1)	**7.25**	7.25	**2.68**	2.43	**7.73**	7.73
AIA Indonesia (Rupiah-denominated business)	**13.00**	13.50	**6.50**	6.50	**11.25**	11.25
AIA Korea	**9.75**	9.75	**3.85**	3.85	**7.19**	7.19
AIA Malaysia	**8.75**	8.75	**4.20**	4.20	**8.75**	8.09
AIA New Zealand	**8.25**	8.25	**3.99**	3.99	**n/a(2)**	n/a(2)
Philam Life (Peso-denominated business)	**11.50**	12.25	**4.00**	5.25	**9.16**	10.41
AIA Singapore – Brunei business	**6.75**	7.00	**2.23**	1.93	**7.00**	7.25
AIA Singapore – Singapore business	**6.75**	7.00	**2.23**	1.93	**7.00**	7.25
AIA Sri Lanka	**19.00**	n/a(3)	**13.33**	n/a(3)	**15.00**	n/a(3)
AIA Taiwan	**7.75**	7.75	**1.48**	1.48	**6.62**	6.62
AIA Thailand	**9.25**	9.50	**3.87**	3.87	**9.62**	9.87
AIA Vietnam	**14.80**	16.00	**9.00**	10.20	**14.80**	16.00

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.

(3) The Business Unit results have been included in the EV Results since the acquisition completion date of 5 December 2012.

5.3 PERSISTENCY

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, partial withdrawals and retirement rates for pension products.

Assumptions have been developed by each of the Business Units based on their recent historical experience, and their best estimate expectations of current and expected future experience. Persistency assumptions vary by policy year and product type with different rates for regular and single premium products.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

5.4 EXPENSES

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate firstly total expenses between acquisition and maintenance activities, and then to allocate these acquisition and maintenance expenses to various product categories to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expense assumptions have been determined for acquisition and maintenance activities, split by product type, and unit costs expressed as a percentage of premium, sum assured and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

Group Office expenses

Group Office expense assumptions have been set, after excluding non-recurring expenses, based on actual acquisition and maintenance expenses in the 12-month period to 30 November 2013. The Group Office acquisition expenses have been deducted from the VONB. The present value of the projected future Group Office maintenance expenses has been deducted from the Group EV. The maintenance expense assumptions in the VONB also allow for the allocation of Group Office expenses.

5.5 EXPENSE INFLATION

The assumed expense inflation rates are based on expectations of long-term consumer price and salary inflation. The expense inflation assumptions are shown in Table 5.2 below.

Table 5.2

Expense inflation assumptions by Business Unit (%)

Business Unit	**As at 30 November 2013**	As at 30 November 2012
AIA Australia	**3.25**	3.25
AIA Brunei	**2.0**	2.0
AIA China	**2.0**	2.0
AIA Hong Kong	**2.0**	2.0
AIA Indonesia	**6.0**	6.0
AIA Korea	**3.5**	3.5
AIA Malaysia	**3.0**	3.0
AIA New Zealand	**2.5**	2.5
Philam Life	**3.5**	4.5
AIA Singapore	**2.0**	2.0
AIA Sri Lanka	**6.5**	n/a(1)
AIA Taiwan	**1.0**	1.0
AIA Thailand	**2.5**	2.5
AIA Vietnam	**5.0**	5.0

Note:

(1) The Business Unit results have been included in the EV Results since the acquisition completion date of 5 December 2012.

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

5.6 MORTALITY

Assumptions have been developed by each Business Unit based on their recent historical experience, and their expectations of current and expected future experience. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Group.

For products that are exposed to longevity risk, an allowance has been made for expected improvements in mortality; otherwise no allowance has been made for mortality improvements.

5.7 MORBIDITY

Assumptions have been developed by each Business Unit based on their recent historical experience, and their expectations of current and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

5.8 REINSURANCE

Reinsurance assumptions have been developed by each Business Unit based on the reinsurance arrangements in force as at the valuation date and the recent historical and expected future experience.

5.9 POLICYHOLDER DIVIDENDS, PROFIT SHARING AND INTEREST CREDITING

The projected policyholder dividend, profit sharing and interest crediting assumptions set by each Business Unit that have been used in calculating the EV Results presented in this report, reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each Business Unit's best estimate of future policies, strategies and operations consistent with the investment return assumptions used in the EV Results.

Participating fund surpluses have been assumed to be distributed between policyholders and shareholders via future final bonuses or at the end of the projection period so that there are no residual assets at the end of the projection period.

5.10 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 5.3 below.

Table 5.3

Local corporate tax rates by Business Unit (%)

Business Unit	**As at 30 November 2013**	As at 30 November 2012
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
AIA Malaysia	**25.0 for assessment years 2013 to 2015; 24.0 thereafter[(1)]**	25.0
AIA New Zealand	**28.0**	28.0
Philam Life	**30.0**	30.0
AIA Singapore – Brunei business	**20.0**	20.0
AIA Singapore – Singapore business	**17.0**	17.0
AIA Sri Lanka	**28.0**	n/a[(2)]
AIA Taiwan	**17.0**	17.0
AIA Thailand[(3)]	**20.0 for assessment years 2013 and 2014; 30.0 thereafter**	23.0 for assessment year 2012; 20.0 for assessment years 2013 and 2014; 30.0 thereafter
AIA Vietnam	**25.0 for assessment year 2013; 22.0 for assessment years 2014 and 2015; 20.0 thereafter[(4)]**	25.0

Notes:

(1) The Malaysian Government announced a corporate tax rate change in the Federal Government Budget 2014 which will be effective from assessment year 2016.

(2) The Business Unit results have been included in the EV Results since the acquisition completion date of 5 December 2012.

(3) An extension of the current tax rate reduction beyond the 2014 assessment year remains uncertain upon expiry of the 2011 Royal Decree. The best estimate corporate tax rates for future assessment years will continue to be evaluated.

(4) The amended law on corporate income tax has been passed and will be effective 1 January 2014.

The tax assumptions used 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 30 November 2013 is calculated after deducting any remittance taxes payable on the anticipated distribution of both the ANW and VIF.

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

5.11 STATUTORY VALUATION BASES

The projection of regulatory liabilities at future points in time assumes the continuation of the reserving methodologies used to value policyholder liabilities as at the valuation date.

5.12 PRODUCT CHARGES

Management fees and product charges reflected in the VIF and VONB have been assumed to follow existing scales.

5.13 FOREIGN EXCHANGE

The EV as at 30 November 2013 and 30 November 2012 have been translated into US dollar using exchange rates as at each valuation date. The VONB results shown in this report have been translated into US dollar using the corresponding average exchange rates for each quarter. The other components of the EV profit shown in the analysis of movement in EV have been translated using average exchange rates for the period.

6. Events after the Reporting Period

On 19 December 2013, the Group entered into an agreement with Citibank to enter into an exclusive, long-term bancassurance partnership for a 15-year period that encompasses 11 markets in the Asia-Pacific region. The markets covered are: Hong Kong, Singapore, Thailand, China, Indonesia, the Philippines, Vietnam, Malaysia, Australia, India and Korea. The agreement provided for a payment of US$800 million to Citibank upon signing, together with future payments during the contract term.

On 21 February 2014, the Board of Directors proposed a final dividend of 28.62 Hong Kong cents per share (2012: 24.67 Hong Kong cents per share).

INFORMATION FOR SHAREHOLDERS

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 30 November 2013, including the accounting principles and practices adopted by the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 30 November 2013, the Company complied with all the applicable code provisions set out in the Corporate Governance Code except for Code Provision F.1.3. Code Provision F.1.3 provides that the company secretary should report to the chairman of the board and/or the chief executive. The Company operates under a variant of this model whereby the Group Company Secretary reports to the Group General Counsel who is ultimately accountable for the company secretarial function 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 standards set out in the Model Code and the Directors' and Chief Executives' Dealing Policy throughout the year ended 30 November 2013.

PURCHASE, SALE AND REDEMPTION OF THE SECURITIES OF THE COMPANY

Save for the purchase of 21,274,914 shares of the Company under the Restricted Share Unit Scheme and the Employee Share Purchase Plan at a total consideration of approximately US$87 million, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 November 2013. 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. Please refer to note 39 to the financial statements for details.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the year ended 30 November 2013 are set out in note 44 to the financial statements.

PUBLICATION OF CERTAIN FINANCIAL AND OTHER DATA PURSUANT TO LOCAL REGULATORY REQUIREMENTS

The Company and its subsidiaries or their respective branches are subject to local regulatory oversight in each of the countries or jurisdictions in which they operate. In a number of these jurisdictions, local insurance and other regulations require the publication of certain financial and other data primarily for policyholders' information and prudential supervisory purposes. The Local Statutory Data is often produced pursuant to regulations that are not designed with the protection or requirements of public shareholders as a primary objective. The Local Statutory Data that we expect to be published in 2014 includes the following:

Location	**Expected Time of Publication**
People's Republic of China	Monthly
Hong Kong	April, June, September, October and December
Malaysia	February, May, July, August and November
Singapore	May and June
Korea	February, June, August and November
Thailand	April, May, August and November

The Company uses IFRS to prepare its consolidated financial information. Local Statutory Data may be prepared on bases different from IFRS and may be substantially different from the Company's audited IFRS financial information.

Accordingly, our shareholders and potential investors are advised that the Local Statutory Data should not be relied on for an assessment of the Company's financial performance.

FINAL DIVIDEND

The Board has recommended a final dividend of 28.62 Hong Kong cents per share (2012: 24.67 Hong Kong cents per share) in respect of the year ended 30 November 2013. If approved, the proposed final dividend together with the interim dividend will represent a total dividend of 42.55 Hong Kong cents per share (2012: 37.00 Hong Kong cents per share) in respect of the year ended 30 November 2013.

Subject to shareholders' approval at the AGM, the final dividend will be payable on Thursday, 29 May 2014 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 14 May 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 May 2014 to Friday, 9 May 2014, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, 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 by no later than 4:30 p.m., Friday, 2 May 2014.

In order to qualify for the final 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 by no later than 4:30 p.m., Wednesday, 14 May 2014.

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting will be held at 11:00 a.m. Hong Kong time on Friday, 9 May 2014 at the Grand Ballroom, 2/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong. The notice of the AGM will be published on the website of the Hong Kong Stock Exchange and the Company's website.

Details of voting results at the AGM can be found on the website of the Hong Kong Stock Exchange at www.hkex.com.hk and the Company's website at www.aia.com on Friday, 9 May 2014.

FORWARD-LOOKING STATEMENTS

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

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

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

Hong Kong, 21 February 2014

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

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

Executive Director, Group Chief Executive and President:
Mr. Mark Edward Tucker

Independent Non-executive Directors:
Mr. Jack Chak-Kwong So, Mr. Chung-Kong Chow, Dr. Qin Xiao, Mr. John Barrie Harrison, Mr. George Yong-Boon Yeo and Dr. Narongchai Akrasanee

GLOSSARY

Accident and health (A&H) insurance products	A&H insurance products provide morbidity or sickness benefits and include health, disability, critical illness and accident cover. A&H insurance products are sold both as stand-alone policies and as riders that can be attached to our individual life insurance policies.
Acquisition cost (of a financial instrument)	The amount of cash or cash equivalents paid or the fair value of other consideration provided, in order to acquire an asset at the date of its acquisition.
Active agent	An agent who sells at least one life insurance policy per month.
Active market	A market in which all the following conditions exist: • the items traded within the market are homogeneous; • willing buyers and sellers can normally be found at any time; and • prices are available to the public. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
Adjusted net worth (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.
AGM	2014 Annual General Meeting of the Company to be held at 11:00 a.m. Hong Kong time on Friday, 9 May 2014.
AIA or the Group	AIA Group Limited and its subsidiaries.
AIA Co.	AIA Company Limited (formerly known as American International Assurance Company, Limited), a subsidiary of the Company.
AIA International	AIA International Limited (formerly known as American International Assurance Company (Bermuda) Limited), a subsidiary of AIA Co.
AIA Vitality	A science-backed wellness programme that provides participants with the knowledge, tools and motivation to help them achieve their personal health goals. The programme is a joint venture between AIA and Discovery Limited, a specialist insurer headquartered in South Africa.
AIG	American International Group, Inc.

Amortised cost	The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.
ANI	Aviva NDB Insurance.
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 pension business, personal lines and motor insurance.
Annuity	A savings product where the accumulated amount can be paid out to the customer in a variety of income streams.
ASPP	Agent Share Purchase Plan.
Asset-liability management (ALM)	ALM is the management of the relative risk profiles of assets and liabilities.
Available for sale (AFS) financial assets	Financial assets that may be sold before maturity and that are used to back insurance and investment contract liabilities and shareholders' equity, and which are not managed on a fair value basis. Non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables or as at fair value through profit or loss. Available for sale financial instruments are measured at fair value, with movements in fair value recorded in other comprehensive income.
Bancassurance	The distribution of insurance products through banks or other financial institutions.
Claims risk	The possibility that the frequency or severity of claims arising from insurance products exceeds the levels assumed when the products were priced.
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 set out in Appendix 14 to the Listing Rules.
Cost of capital (CoC)	CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing the required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in 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 contracts. They include commissions and other variable sales inducements and the direct costs of issuing the policy, such as underwriting and other policy issue expenses. These costs are deferred and expensed to the consolidated income statement on a systematic basis over the life of the policy. DAC assets are tested for recoverability at least annually.
Deferred origination costs (DOC)	Origination costs are expenses which are incurred in connection with the origination of new investment contracts or the renewal of existing investment contracts. For contracts that involve the provision of investment management services, these include commissions and other incremental expenses directly related to the issue of each new contract. Origination costs on contracts with investment management services are deferred and recognised as an asset in the consolidated statement of financial position and expensed to the consolidated income statement on a systematic basis in line with the revenue generated by the investment management services provided. Such assets are tested for recoverability.
Defined benefit plans	Post-employment benefit plans under which amounts to be paid or services to be provided as post-retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service.
Defined contribution plans	Post-employment benefit plans under which amounts to be paid as post-retirement benefits are determined by contributions to a fund together with earnings thereon. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the post-retirement benefits.
Discretionary participation features (DPF)	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.

Effective interest method	A method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying value of the financial asset or financial liability.
Embedded value (EV)	An actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business.
EPS	Earnings per share.
Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company.
ESPP	Employee Share Purchase Plan.
ExCo	The Executive Committee of the Group.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Fair value through profit or loss (FVTPL)	Financial assets that are held to back unit-linked contracts and participating funds or financial assets and liabilities that are held for trading. A financial asset or financial liability that is measured at fair value in the statement of financial position with gains and losses arising from movements in fair value being presented in the consolidated income statement as a component of the profit or loss for the year.
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.
GAMA International	A worldwide association serving the professional development needs of field leaders in the insurance, investment and financial services industry.
Goodwill	Goodwill represents the excess of the purchase price of an acquisition over the fair value of the Group's share of the net identifiable assets including VOBA of the acquired subsidiary, associate or joint venture at the date of acquisition.
Group insurance	An insurance scheme whereby individual participants are covered by a master contract held by a single group or entity on their behalf.

Group Office	Group Office includes the activities of the Group Corporate Centre segment consisting of the Group's corporate functions, shared services and eliminations of intragroup transactions.
HIBOR	Hong Kong Interbank Offered Rate.
High-net-worth (HNW) individuals	Individuals who have investable assets of US$1.0 million or more.
HKFRS	Hong Kong Financial Reporting Standards.
HKOCI	Hong Kong Office of the Commissioner of Insurance.
Hong Kong	The Hong Kong Special Administrative Region of the PRC; in the context of our reportable segments, Hong Kong includes Macau.
Hong Kong 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.
IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
IFA	Independent financial adviser.
IFRS	Standards and interpretations adopted by the International Accounting Standards Board (IASB) comprising: • 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).
ING Malaysia	ING Management Holdings (Malaysia) Sdn. Bhd.
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. Under IFRS, insurance risk means risk, other than financial risk, transferred from the holder of a contract to the issuer.
Interactive Point of Sales (iPoS)	iPoS is a secure, mobile point-of-sale technology that features a paperless sales process from the completion of the customer's financial-needs analysis to proposal generation with electronic biometric signature of life insurance applications on tablet devices.

Investment contract	An investment contract is an insurance policy that, whilst structured and regulated as a contract of insurance, does not meet the accounting definition of an insurance contract because it does not transfer significant insurance risk.
Investment experience	Realised and unrealised investment gains and losses recognised in the consolidated income statement.
Investment income	Investment income comprises interest income, dividend income and rental income.
Investment 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.
Lapse risk	The risk that, having purchased an insurance policy from AIA, customers either surrender the policy or cease paying premiums on it and so the expected stream of future premiums ceases. Lapse risk is taken into account in formulating projections of future premium revenues, for example when testing for liability adequacy and the recoverability of deferred acquisition and origination costs.
Liability adequacy testing	An assessment of whether the carrying amount of an insurance liability needs to be increased or the carrying amount of related deferred acquisition and origination costs or related intangible assets decreased based on a review of future cash flows.
LIBOR	London Interbank Offered Rate.
Life Insurance and Market Research Association (LIMRA)	A worldwide research, consulting and professional development organisation, established to help its member companies from life insurance and financial services industries improve their marketing and distribution effectiveness.
Liquidity risk	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.
Local Statutory Data	Certain financial and other data required to be published under local insurance and other regulations, primarily for policyholders' information and prudential supervisory purposes.
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.
Monetary items	Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.
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.
Net profit	Net profit is calculated by subtracting a company's total expenses from total revenue, including share of loss from associates and after tax.
Non-controlling interests	The equity in a subsidiary not attributable, directly or indirectly, to a parent. Also referred to as "minority interests".
Non-participating life assurance	Contracts of insurance with no DPF.
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 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 year, 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 policies	Participating policies are contracts with DPF. Participating policies may either be written within participating funds or may be written within the Company's general account, whereby the investment performance is determined for a group of assets or contracts, or by reference to the Company's overall investment performance and other factors. The latter is referred to by the Group as "other participating business". Whether participating policies are written within a separate participating fund or not largely depends on matters of local practice and regulation.
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.
Policyholder dividends	Policyholder dividends are the means of participating policyholders receiving the non-guaranteed element of the discretionary benefits, through which they participate in the investment return of the reference portfolio or pool of assets.
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.

Puttable liabilities	A puttable financial instrument is one in which the holder of the instrument has the right to put the instrument back to the issuer for cash (or another financial asset). Units in investment funds such as mutual funds and open-ended investment companies are typically puttable instruments. As these can be put back to the issuer for cash, the non-controlling interest in any such funds which have to be consolidated by AIA are treated as financial liabilities.
RCSA	Risk and Control Self-Assessment.
Regular premiums	Regular premiums represent the total of first year premiums and renewal 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. Renewal premiums are the premiums receivable in subsequent years of a recurring premium policy.
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.
Repurchase agreements (repos)	A repurchase transaction involves the sale of financial investments by AIA to a counterparty, subject to a simultaneous agreement to repurchase those securities at a later date at an agreed price. Accordingly, for accounting purposes, the securities are retained on AIA's consolidated statement of financial position for the life of the transaction, valued in accordance with AIA's policy for assets of that nature. The proceeds of the transaction are reported in the caption "Obligations under securities lending and repurchase agreements". Interest expense from repo transactions is reported within finance costs in the consolidated income statement.
Reverse repurchase agreements (reverse repos)	A reverse repurchase transaction (reverse repo) involves the purchase of financial investments with a simultaneous obligation to sell the assets at a future date, at an agreed price. Such transactions are reported within "Loans and deposits" in the consolidated statement of financial position. The interest income from reverse repo transactions is reported within investment return in the consolidated income statement.
Rider	A supplemental plan that can be attached to a basic insurance policy, typically with payment of additional premium.

Risk-adjusted return	The return produced by an investment after accounting for the risks involved in producing that return.
Risk appetite	Risk appetite is the amount of risk that companies are willing to take in order to achieve their business targets.
RAS	Risk Appetite Statement.
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.
Securities lending	Securities lending consists of the loan of certain securities within the Group's financial investments to third parties on a short-term basis. The loaned securities continue to be recognised within the appropriate financial investment classifications in the Group's consolidated statement of financial position.
Shadow accounting	Investment experience (realised and unrealised investment gains and losses) has a direct effect on the measurement of insurance contract liabilities and related deferred acquisition costs and intangible assets, such as VOBA (see below). Shadow accounting permits adjustments to insurance contract liabilities and the related assets to be reflected in other comprehensive income to match the extent to which unrealised investment gains and losses are recognised in other comprehensive income.
Singapore	The Republic of Singapore; in the context of our reportable segments, Singapore includes Brunei.
Single premium	Single lump sum payment from a 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.
Statement of financial position	Formerly referred to as the balance sheet.
Strategic asset allocation (SAA)	SAA is the setting of strategic asset allocation targets, based on long-term capital market assumptions, to meet long-term requirements of the insurance business and shareholders.
Strategic risk	The risk of unexpected changes in the regulatory, market and competitive environment in which the Group operates.
Stress tests	The application of shocks to the assumptions underlying valuations. Stress tests are used to observe the resilience of the Company to stress events and the volatility of those valuations.

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 regular premiums and 10 per cent of single premiums, before reinsurance ceded. As such it provides an indication of AIA's longer-term business volumes as it smoothes the peaks and troughs in single premiums.
Underwriting	The process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.
Unit-linked investments	Financial investments held to back unit-linked contracts.
Unit-linked products	Unit-linked products are insurance products where the policy value is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investment or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of death of the insured or surrender or maturity of the policy, subject to surrender charges.
Universal life	A type of insurance product where the customer pays flexible premiums, subject to specified limits, which are accumulated in an account balance which are credited with interest at a rate either set by the insurer or reflecting returns on a pool of matching assets. The customer may vary the death benefit and the contract may permit the policyholder to withdraw the account balance, typically subject to a surrender charge.
Value of business acquired (VOBA)	VOBA in respect of a portfolio of long-term insurance and investment contracts acquired is recognised as an asset, calculated using discounted cash flow techniques, reflecting all future cash flows expected to be realised from the portfolio. VOBA is amortised over the estimated life of the contracts in the acquired portfolio on a systematic basis. The rate of amortisation reflects the profile of the additional value of the business acquired. The carrying value of VOBA is reviewed annually for impairment and any impairment is charged to the consolidated income statement.
Value of in-force business (VIF)	VIF is the present value of projected after-tax statutory profits emerging in the future from the current in-force business less the cost arising from holding the required capital (CoC) to support the in-force business.
Value of new business (VONB)	VONB is the present value, measured at 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 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.
Withholding tax	When a payment is made to a party in another country, the laws of the payer's country may require withholding tax to be applied to the payment. International withholding tax may be required for payments of dividends or interest. A double tax treaty may reduce the amount of withholding tax required, depending upon the jurisdiction in which the recipient is tax resident.
Working capital	Working capital comprises debt and equity securities, deposits and cash and cash equivalents held at the Group Corporate Centre. These liquid assets are available to invest in building the Group's business operations.