AIA Group Limited

友邦保險控股有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 1299

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The Board is pleased to announce the Group's unaudited consolidated results for the six months ended 30 June 2019.

In February 2018, the Board resolved to change the Company's financial year-end date from 30 November to 31 December. The 2019 interim condensed consolidated financial statements covered the six-month period ended 30 June 2019 for the current period, as compared with the seven-month period ended 30 June 2018 for the prior period.

In conjunction with the financial year-end date change and for the purpose of enhancing the comparability of financial information, the Company has voluntarily presented the comparative financial information in respect of the Group's unaudited consolidated results for the six months ended 30 June 2019 for the current period and the corresponding six-month period ended 30 June 2018 in the prior year. Results highlights, financial summary, financial and operating review and supplementary embedded value information relating to the Group's unaudited consolidated results for the six-month period ended 30 June 2019, as compared with the corresponding six-month period ended 30 June 2018, have been set out in this announcement to facilitate a meaningful comparison of the Group's performance in the first half of 2019 and 2018.

AIA DELIVERS EXCELLENT RESULTS IN THE FIRST HALF OF 2019

VALUE OF NEW BUSINESS UP 20 PER CENT
OPERATING PROFIT UP 12 PER CENT; INTERIM DIVIDEND UP 14 PER CENT

AIA Group Limited ("AIA"; or the "Company"; stock code: 1299) delivered an excellent performance in the six months ended 30 June 2019 with double-digit growth across our main financial metrics. Value of new business (VONB) increased by 20 per cent on a constant exchange rate basis, compared with the corresponding six-month period ended 30 June 2018.

Growth rates are shown on a constant exchange rate basis below:

Very strong growth in value of new business

- 20 per cent growth in VONB to US$2,275 million
- Annualised new premiums (ANP) increased by 9 per cent to US$3,443 million
- VONB margin up 6.2 pps to 65.6 per cent

Robust operating profit generation and increased returns

- Operating profit after tax (OPAT) up by 12 per cent to US$2,898 million
- Embedded value (EV) operating profit increased by 11 per cent to US$4,523 million
- Operating return on EV (operating ROEV) up by 30 bps to 17.3 per cent

Strong cash flow and resilient capital position

- EV Equity of US$61.4 billion; EV of US$59.7 billion, up US$5.2 billion from 31 December 2018
- Underlying free surplus generation of US$2,804 million, up 15 per cent
- Free surplus of US$16.1 billion, up US$1.3 billion from 31 December 2018
- Solvency ratio for AIA Company Limited (AIA Co.) of 415 per cent on the HKIO basis

Strong increase in interim dividend

- 14 per cent growth in interim dividend to 33.30 Hong Kong cents per share

Ng Keng Hooi, AIA's Group Chief Executive and President, said:

"AIA has delivered double-digit increases in our main financial metrics in the first half of 2019, continuing our consistent track record of growth. Value of new business increased by 20 per cent to a record half-year result of US$2,275 million for the Group. We also generated a 12 per cent increase in operating profit after tax and 15 per cent growth in underlying free surplus generation.

"The Board has declared a 14 per cent increase in interim dividend for 2019. This reflects our continued strong financial performance and demonstrates our confidence in the outlook for the Group.

"AIA's wholly-owned business in China was our fastest growing market segment with excellent growth of 34 per cent in VONB. I am also pleased that our new sales and service centres in Tianjin and Shijiazhuang, Hebei commenced operations at the end of July. Our business in Hong Kong once again performed strongly with a 19 per cent increase in VONB, benefiting from broad-based growth across customer segments and distribution channels.

"VONB growth of our operations in Thailand and Malaysia was supported by our sustained focus on enhancing agent professionalism and developing our strategic bancassurance partnerships. Within our Other Markets, 17 per cent growth in VONB was driven by strong performances in Australia, the Philippines and Vietnam.

"AIA's proprietary agency distribution delivered 21 per cent growth in VONB as our Premier Agency strategy achieved a further increase in active agents and productivity. I am delighted that AIA continues to rank number one in the world for Million Dollar Round Table members with more than 12,000 registered members. VONB from our partnership business increased by 17 per cent, supported by excellent growth of our multiple bancassurance partnerships across the region.

"In June, AIA's brand was recognised as Asia's Number One Insurance Brand*. Our purpose-led brand promise, Healthier, Longer, Better Lives, exemplifies our commitment to become a lifelong partner to our customers. The ongoing success of AIA Vitality demonstrates our focus on customer centricity and membership of our wellness programmes exceeded 1.5 million at the end of June.

"AIA's excellent performance in the first half of 2019 is a clear reflection of our consistent focus on executing our strategic priorities and is underpinned by our significant competitive advantages in the Asia-Pacific region. While we are not immune to market volatility, our diversified, robust and high-quality business model continues to place AIA in an advantaged position in the Asian life insurance markets where growth fundamentals remain resilient.

"As we celebrate our centennial this year, we remain very confident about the long-term outlook for AIA. We will continue to focus on delivering long-term sustainable value for our shareholders and helping millions of our customers live Healthier, Longer, Better Lives."

About AIA

AIA Group Limited and its subsidiaries (collectively "AIA" or the "Group") comprise the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets in Asia-Pacific – wholly-owned branches and subsidiaries in Hong Kong, Thailand, Singapore, Malaysia, Mainland China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau, Brunei, Cambodia, a 97 per cent subsidiary in Sri Lanka and a 49 per cent joint venture in India. In April 2019, AIA was also granted approval as a preferred applicant to operate in Myanmar through a 100 per cent wholly-owned subsidiary.

The business that is now AIA was first established in Shanghai a century ago in 1919. 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$256 billion as of 30 June 2019.

AIA meets the long-term savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents, partners and employees across Asia-Pacific, AIA serves the holders of more than 34 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").

Contacts

Investment Community		**News Media**	
Lance Burbidge	+852 2832 1398	Stephen Thomas	+852 2832 6178
Evelyn Lam	+852 2832 1633	Mark Walters	+852 2832 1978
Feon Lee	+852 2832 4704	Emerald Ng	+852 2832 4720
Rachel Poon	+852 2832 4792		

*Source: *Campaign Asia*, a major regional marketing publication, June 2019

FINANCIAL SUMMARY

Performance Highlights

US$ millions, unless otherwise stated	Six months ended 30 Jun 2019	Six months ended 30 Jun 2018	YoY CER	YoY AER
New Business Value				
Value of new business (VONB)	**2,275**	1,954	**20%**	16%
VONB margin	**65.6%**	59.5%	**6.2 pps**	6.1 pps
Annualised new premiums (ANP)	**3,443**	3,252	**9%**	6%
EV Operating Profit				
Embedded value (EV) operating profit	**4,523**	4,152	**11%**	9%
Operating return on EV	**17.3%**	17.0%	**0.3 pps**	0.3 pps
Basic EV operating earnings per share (US cents)	**37.58**	34.55	**11%**	9%
IFRS Earnings				
Operating profit after tax (OPAT)	**2,898**	2,653	**12%**	9%
Operating return on shareholders' allocated equity	**14.6%**	14.2%	**0.7 pps**	0.4 pps
Total weighted premium income (TWPI)	**16,405**	14,429	**17%**	14%
Operating earnings per share (US cents)				
– Basic	**24.08**	22.08	**12%**	9%
– Diluted	**24.02**	22.02	**12%**	9%
Underlying Free Surplus Generation				
Underlying free surplus generation	**2,804**	2,497	**15%**	12%
Dividends				
Dividend per share (HK cents)	**33.30**	29.20	**n/a**	14%

US$ millions, unless otherwise stated	As at 30 Jun 2019	As at 31 Dec 2018	Change CER	Change AER
Embedded Value				
EV Equity	**61,418**	56,203	**8%**	9%
Embedded value	**59,746**	54,517	**9%**	10%
Free surplus	**16,077**	14,751	**9%**	9%
EV Equity per share (US cents)	**508.05**	465.37	**8%**	9%
Equity and Capital				
Shareholders' allocated equity	**40,271**	36,795	**8%**	9%
AIA Co. HKIO solvency ratio	**415%**	421%	**n/a**	(6) pps
Shareholders' allocated equity per share (US cents)	**333.12**	304.67	**8%**	9%

New Business Performance by Segment

	Six months ended 30 Jun 2019			Six months ended 30 Jun 2018			VONB Change	
US$ millions, unless otherwise stated	VONB	VONB Margin	ANP	VONB	VONB Margin	ANP	YoY CER	YoY AER
Hong Kong	**945**	**68.0%**	**1,367**	796	62.2%	1,252	**19%**	19%
Thailand	**215**	**66.8%**	**321**	204	71.0%	287	**5%**	5%
Singapore	**173**	**64.8%**	**267**	178	61.4%	290	**–**	(3)%
Malaysia	**130**	**65.4%**	**198**	124	60.3%	204	**10%**	5%
China	**702**	**93.2%**	**753**	556	91.0%	611	**34%**	26%
Other Markets	**224**	**41.8%**	**537**	201	32.8%	608	**17%**	11%
Subtotal	**2,389**	**68.9%**	**3,443**	2,059	62.7%	3,252	**19%**	16%
Adjustment to reflect consolidated reserving and capital requirements	**(39)**	**n/m**	**n/m**	(28)	n/m	n/m	**n/m**	n/m
After-tax value of unallocated Group Office expenses	**(75)**	**n/m**	**n/m**	(77)	n/m	n/m	**n/m**	n/m
Total	**2,275**	**65.6%**	**3,443**	1,954	59.5%	3,252	**20%**	16%

Notes:

(1) A presentation for analysts and investors, hosted by Ng Keng Hooi, 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://www.aia.com/en/investor-relations/results-presentations.html

(2) All figures are presented in actual reporting currency (US dollar) and based on actual exchange rates (AER) unless otherwise stated. Change on constant exchange rates (CER) is calculated using constant average exchange rates for the six months ended 30 June 2019 and for the six months ended 30 June 2018 other than for balance sheet items that use CER as at 30 June 2019 and as at 31 December 2018.

(3) Change is shown on a year-on-year basis compared with the corresponding six-month period ended 30 June 2018, unless otherwise stated.

(4) Long-term economic assumptions used in the EV basis for the interim results are the same as at 31 December 2018 as shown in the supplementary embedded value information in our Annual Report 2018. Non-economic assumptions used in the EV basis are based on those as at 31 December 2018, updated to reflect AIA's latest view of expected future experience.

(5) VONB is calculated based on assumptions applicable at the point of sale and before deducting the amount attributable to non-controlling interests. The amounts of VONB attributable to non-controlling interests in the six months ended 30 June 2019 and in the six months ended 30 June 2018 were US$15 million and US$13 million respectively.

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

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

(8) Operating return on EV and operating return on shareholders' allocated equity are measured on an annualised basis.

(9) Interim dividends for 2019 and 2018 were declared for the six months ended 30 June 2019 and the seven months ended 30 June 2018, respectively.

(10) In the context of our reportable market segments, Hong Kong refers to operations in Hong Kong Special Administrative Region and Macau Special Administrative Region; Singapore refers to operations in Singapore and Brunei; China refers to operations in Mainland China; and Other Markets refers to operations in Australia (including New Zealand), Cambodia, Indonesia, Korea, the Philippines, Sri Lanka, Taiwan, Vietnam and India. The results of our joint venture in India are accounted for using the equity method. For clarity, TWPI, ANP and VONB exclude any contribution from India.

(11) AIA's financial information in this Financial Summary is based on the unaudited interim condensed consolidated financial statements and supplementary embedded value information for the six months ended 30 June 2019.

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FINANCIAL AND OPERATING REVIEW

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

FINANCIAL REVIEW

Summary and Key Financial Highlights

AIA delivered excellent financial results with double-digit growth in our main financial metrics: value of new business (VONB), operating profit after tax (OPAT), embedded value (EV) operating profit and underlying free surplus generation. These results once again demonstrate the resilience of our business and our ability to deliver through market cycles as we continue to focus on our proven growth strategy. Strong free surplus generation has enabled us to finance both our organic growth and value-enhancing inorganic opportunities, while our solvency position remains strong, supported by favourable capital market conditions in the first half of 2019.

Our excellent financial performance in the first half of 2019 and our consistent track record are the direct outcomes of our disciplined financial management and our success in capturing the enormous growth opportunities in protection and long-term savings across our markets. The board of directors (Board) has declared an increase in the interim dividend reflecting our continued strong financial performance. AIA remains confident in our future prospects and ability to continue to deliver long-term value for our shareholders.

EMBEDDED VALUE

VONB grew by 20 per cent compared with the first half of 2018 to US$2,275 million driven by double-digit growth in Hong Kong, Malaysia, China and our Other Markets. Agency distribution remains our core distribution channel and accounted for 72 per cent of the Group's total VONB in the first half of 2019. The continued disciplined execution of our Premier Agency strategy supported VONB growth of 21 per cent and further increases in active agents and productivity. Our partnership distribution channel achieved 17 per cent growth in VONB as we continue to leverage our many long-term strategic partnerships across the region.

Annualised new premiums (ANP) grew by 9 per cent to US$3,443 million and VONB margin was up by 6.2 pps to 65.6 per cent. The present value of new business premium (PVNBP) margin increased to 11 per cent in the first half of 2019. The increases in VONB and PVNBP margin were driven by assumption changes, which include the positive effect of a tax rule change that increased the tax deductibility of commissions in China, as well as the benefit of positive shifts in both geographical and product mix.

EV operating profit increased by 11 per cent to US$4,523 million, reflecting the very strong VONB growth and positive operating variances of US$343 million resulting from the continued proactive management of our in-force portfolio. This led to an increase of 30 bps in our annualised operating return on EV (Operating ROEV) to 17.3 per cent compared with the first half of 2018.

Equity attributable to shareholders of AIA Group Limited (the Company) on the embedded value basis (EV Equity) grew by US$5,215 million in the first half to US$61,418 million. The increase was mainly driven by EV operating profit growth of 11 per cent and investment return variances of US$1,576 million that reflect the positive effect of short-term capital market movements on our investment portfolio and statutory reserves compared with long-term expected returns. The growth in EV Equity is reported after the payment of shareholder dividends of US$1,448 million.

IFRS EARNINGS

OPAT increased by 12 per cent to US$2,898 million with all reportable market segments delivering positive OPAT growth. This performance was the result of new business growth over time and the continued proactive management of our in-force portfolio. The expense ratio remained stable at 7.1 per cent in the first half of 2019.

Operating margin after tax was 17.8 per cent compared with 18.5 per cent in the first half of 2018 primarily reflecting strong total weighted premium income (TWPI) growth in the first half of 2019 and an increasing proportion of participating business in the in-force portfolio.

Annualised operating return on shareholders' allocated equity (Operating ROE) increased by 70 bps to 14.6 per cent reflecting the growth in OPAT. Average shareholders' allocated equity increased by US$2,256 million to US$39,730 million in the first half of 2019 compared with US$37,474 million in the first half of 2018 as a result of net profit and a positive opening adjustment of US$482 million resulting from the adoption of International Financial Reporting Standard (IFRS) 16.

At 30 June 2019, shareholders' allocated equity increased by US$3,476 million to US$40,271 million after the payment of shareholder dividends of US$1,448 million, reflecting net profits of US$3,864 million, which included positive mark-to-market movement from our equity portfolio, and the impact from the adoption of IFRS 16.

CAPITAL AND DIVIDENDS

Underlying free surplus generation grew by 15 per cent to US$2,804 million. Free surplus invested in writing new business reduced by 4 per cent to US$750 million, mainly driven by a shift in product mix and the positive effect of a tax rule change that increased the tax deductibility of commissions in China.

Free surplus increased by US$1,326 million in the first half to US$16,077 million at 30 June 2019 mainly reflecting strong underlying free surplus generation, net of new business investment, of US$2,054 million and positive investment return variances and other items of US$848 million, less the payment of shareholder dividends totalling US$1,448 million.

The solvency ratio of AIA Company Limited (AIA Co.), our principal operating company, was 415 per cent at 30 June 2019, compared with 421 per cent at 31 December 2018. The solvency ratio of AIA Co. remained very strong, driven by earnings offset by dividends to AIA Group Limited.

Our local businesses remitted US$1,853 million to the Group Corporate Centre in the first half of 2019 with each of our reportable market segments making positive capital remittances.

The Board has declared an interim dividend of 33.30 Hong Kong cents per share. This represents an increase of 14 per cent compared with the interim dividend in 2018 and reflects the strength of our financial results in the first half of 2019 and our confidence in the outlook for the Group.

The Board follows AIA's established prudent, sustainable and progressive dividend policy allowing for future growth opportunities and the financial flexibility of the Group.

OUTLOOK

The Asian region continues to deliver solid economic growth, driven by economic diversity and supported by proactive macro policy actions. Some markets are experiencing headwinds from recent market volatility, political and trade tensions, slowing economic growth and a lower interest rate environment. However, the structural drivers of demand for protection and long-term savings remain strong across our markets. A rapidly increasing middle-class population, progressive urbanisation, rising wealth and increasing longevity together will continue to widen the protection and retirement gaps, driving demand for life and health insurance products. AIA's 100-year history and regional presence, coupled with powerful distribution, product innovation and exceptional brand recognition, provide an unrivalled platform to continue creating long-term sustainable value.

New Business Performance

VONB, ANP AND MARGIN BY SEGMENT

US$ millions, unless otherwise stated	Six months ended 30 June 2019 VONB	VONB Margin	ANP	Six months ended 30 June 2018 VONB	VONB Margin	ANP	VONB Change YoY CER	YoY AER
Hong Kong	**945**	**68.0%**	**1,367**	796	62.2%	1,252	**19%**	19%
Thailand	**215**	**66.8%**	**321**	204	71.0%	287	**5%**	5%
Singapore	**173**	**64.8%**	**267**	178	61.4%	290	**–**	(3)%
Malaysia	**130**	**65.4%**	**198**	124	60.3%	204	**10%**	5%
China	**702**	**93.2%**	**753**	556	91.0%	611	**34%**	26%
Other Markets	**224**	**41.8%**	**537**	201	32.8%	608	**17%**	11%
Subtotal	**2,389**	**68.9%**	**3,443**	2,059	62.7%	3,252	**19%**	16%
Adjustment to reflect consolidated reserving and capital requirements	**(39)**	**n/m**	**n/m**	(28)	n/m	n/m	**n/m**	n/m
After-tax value of unallocated Group Office expenses	**(75)**	**n/m**	**n/m**	(77)	n/m	n/m	**n/m**	n/m
Total	**2,275**	**65.6%**	**3,443**	1,954	59.5%	3,252	**20%**	16%

VONB grew by 20 per cent compared with the first half of 2018 to US$2,275 million driven by double-digit growth in Hong Kong, Malaysia, China and our Other Markets.

ANP was higher by 9 per cent to US$3,443 million and VONB margin increased by 6.2 pps to 65.6 per cent. PVNBP margin increased to 11 per cent from 10 per cent in the first half of 2018. The increases in VONB and PVNBP margin were driven by assumption changes, which include the positive effect of a tax rule change that increased the tax deductibility of commissions in China, as well as the benefit of positive shifts in both geographical and product mix.

Agency distribution remains our core distribution channel and accounted for 72 per cent of the Group's total VONB in the first half of 2019. The continued disciplined execution of our Premier Agency strategy supported VONB growth of 21 per cent and further increases in active agents and productivity. Our partnership distribution channel achieved 17 per cent growth in VONB as we continue to leverage our many long-term strategic partnerships across the region.

Hong Kong delivered very strong VONB growth of 19 per cent to US$945 million in the first half of 2019 with broad-based growth across both agency and partnership channels and from our domestic and Mainland Chinese visitor customer segments. Our product mix continued to shift towards higher-margin long-term savings and protection products, representing the primary driver of the growth in VONB margin by 5.8 pps to 68.0 per cent.

AIA's wholly-owned operation in China remained our fastest-growing reportable market segment in the first half of 2019 with VONB growth of 34 per cent to US$702 million. We continue to focus on our Premier Agency strategy and delivered double-digit growth in active agents and further improvements in productivity. VONB margin increased by 2.1 pps to 93.2 per cent, as the positive effect of a tax rule change that increased the tax deductibility of commissions in China was partly offset by enhanced policyholder benefits within our protection products.

Thailand reported positive VONB growth of 5 per cent to US$215 million in the first half of 2019, supported by continued success in our Financial Adviser (FA) programme and our exclusive long-term partnership with Bangkok Bank Public Company Limited (Bangkok Bank). VONB margin decreased to 66.8 per cent mainly as a result of a higher proportion of bancassurance business with lower margin.

VONB in Singapore remained stable despite lower single premium sales following a regulatory change in October 2018 related to unit-linked business as previously highlighted. Agency remained our core distribution channel and our exclusive partnership with Citibank delivered solid growth in VONB in the first half of 2019.

Malaysia achieved double-digit VONB growth of 10 per cent to US$130 million in the first half of 2019. We delivered an increased number of active agents and improved agent productivity.

Other Markets reported strong growth in VONB of 17 per cent, supported by the inclusion of results from AIA Sovereign Limited (formerly ASB Group (Life) Limited) and its subsidiaries, including Sovereign Assurance Company Limited (subsequently renamed as AIA New Zealand Limited on 2 August 2019), a licensed insurer in New Zealand (Sovereign), which was acquired on 2 July 2018. Highlights included strong performances from Australia (including New Zealand), the Philippines and Vietnam. As previously highlighted, the reported results for Other Markets in the first half of 2018 were affected by the uneven timing of large group insurance schemes in Australia.

The VONB results for the Group are reported after a deduction of US$114 million for the consolidated reserving and capital requirements over and above local statutory requirements and for the present value of unallocated Group Office expenses.

EV Equity

EV OPERATING PROFIT

EV operating profit increased by 11 per cent to US$4,523 million compared with the first half of 2018.

This strong performance was the result of 20 per cent growth in VONB to US$2,275 million, a higher expected return on EV of US$2,008 million and strong overall positive operating variances of US$343 million. Operating variances since our initial public offering (IPO) in 2010 have added more than US$2.3 billion to EV.

The strength of our new business growth and operating performance delivered an increase in annualised Operating ROEV by 30 bps to 17.3 per cent compared with the first half of 2018.

EV OPERATING EARNINGS PER SHARE – BASIC

	Six months ended 30 June 2019	Six months ended 30 June 2018	**YoY CER**	YoY AER
EV operating profit (US$ millions)	**4,523**	4,152	**11%**	9%
Weighted average number of ordinary shares (millions)	**12,036**	12,018	**n/a**	n/a
Basic EV operating earnings per share (US cents)	**37.58**	34.55	**11%**	9%

EV OPERATING EARNINGS PER SHARE – DILUTED

	Six months ended 30 June 2019	Six months ended 30 June 2018	**YoY CER**	YoY AER
EV operating profit (US$ millions)	**4,523**	4,152	**11%**	9%
Weighted average number of ordinary shares(1) (millions)	**12,065**	12,050	**n/a**	n/a
Diluted EV operating earnings per share(1) (US cents)	**37.49**	34.46	**11%**	9%

Note:

(1) Diluted EV operating earnings per share including the dilutive effects, if any, of the awards of share options, restricted share units, restricted stock purchase units (RSPUs) and restricted stock subscription units (RSSUs) granted to eligible directors, officers, employees and agents under the share-based compensation plans as described in note 39 to the financial statements in our Annual Report 2018.

EV MOVEMENT

EV grew by US$5,229 million in the first half to US$59,746 million at 30 June 2019.

The increase was mainly driven by EV operating profit growth of 11 per cent to US$4,523 million and positive investment return variances of US$1,576 million that reflect the positive effect of short-term capital market movements on our investment portfolio and statutory reserves compared with long-term expected returns. The positive effect of foreign exchange translation movements was US$468 million.

The overall growth in EV is shown after the payment of shareholder dividends of US$1,448 million.

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

	Six months ended 30 June 2019		
US$ millions, unless otherwise stated	**ANW**	**VIF**	**EV**
Opening EV	**24,637**	**29,880**	**54,517**
Value of new business	**(339)**	**2,614**	**2,275**
Expected return on EV	**2,506**	**(498)**	**2,008**
Operating experience variances	**245**	**84**	**329**
Operating assumption changes	**(7)**	**21**	**14**
Finance costs	**(103)**	**–**	**(103)**
EV operating profit	**2,302**	**2,221**	**4,523**
Investment return variances	**1,484**	**92**	**1,576**
Other non-operating variances	**83**	**(63)**	**20**
Total EV profit	**3,869**	**2,250**	**6,119**
Dividends	**(1,448)**	**–**	**(1,448)**
Other capital movements	**90**	**–**	**90**
Effect of changes in exchange rates	**(10)**	**478**	**468**
Closing EV	**27,138**	**32,608**	**59,746**

	Six months ended 30 June 2018		
US$ millions, unless otherwise stated	ANW	VIF	EV
Opening EV	20,974	29,805	50,779
Value of new business	(357)	2,311	1,954
Expected return on EV	2,164	(234)	1,930
Operating experience variances	277	68	345
Operating assumption changes	8	(13)	(5)
Finance costs	(72)	–	(72)
EV operating profit	2,020	2,132	4,152
Investment return variances	(1,724)	278	(1,446)
Other non-operating variances	3,160	(2,784)	376
Total EV profit	3,456	(374)	3,082
Dividends	(1,140)	–	(1,140)
Other capital movements	45	–	45
Effect of changes in exchange rates	(360)	(394)	(754)
Closing EV	22,975	29,037	52,012

EV EQUITY

US$ millions, unless otherwise stated	**As at 30 June 2019**	As at 31 December 2018
EV	**59,746**	54,517
Goodwill and other intangible assets[1]	**1,672**	1,686
EV Equity	**61,418**	56,203

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

EV AND VONB SENSITIVITIES

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

US$ millions, unless otherwise stated	**EV as at 30 June 2019**	**VONB for the six months ended 30 June 2019**	EV as at 31 December 2018	VONB for the six months ended 30 June 2018
Central value	**59,746**	**2,275**	54,517	1,954
Impact of equity price changes				
10 per cent increase in equity prices	**859**	**n/a**	736	n/a
10 per cent decrease in equity prices	**(859)**	**n/a**	(731)	n/a
Impact of interest rate changes				
50 basis points increase in interest rates	**92**	**79**	158	91
50 basis points decrease in interest rates	**(424)**	**(107)**	(249)	(111)

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

IFRS Profit

OPAT[1] BY SEGMENT

US$ millions, unless otherwise stated	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**YoY CER**	YoY AER
Hong Kong	**997**	922	**8%**	8%
Thailand	**528**	496	**8%**	6%
Singapore	**281**	273	**5%**	3%
Malaysia	**167**	158	**10%**	6%
China	**537**	436	**32%**	23%
Other Markets	**414**	393	**11%**	5%
Group Corporate Centre	**(26)**	(25)	**n/m**	n/m
Total	**2,898**	2,653	**12%**	9%

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

OPAT grew by 12 per cent to US$2,898 million compared with the first half of 2018 with all reportable market segments delivering positive OPAT growth. This performance was the result of new business growth over time and the continued proactive management of our in-force portfolio.

Hong Kong delivered 8 per cent growth in OPAT, as strong underlying business growth was moderated by the growing proportion of participating products in our in-force portfolio and less favourable investment experience. China achieved excellent growth of 32 per cent, primarily driven by the growing scale of our wholly-owned business and positive claims experience.

Thailand reported an 8 per cent increase in OPAT, in line with business growth and supported by favourable claims and lapse experience. OPAT in Singapore increased by 5 per cent as a result of business growth, partly offset by lower profitability from our HealthShield business as previously highlighted. Malaysia achieved 10 per cent growth in OPAT driven by the increased scale of our business.

Other Markets delivered OPAT growth of 11 per cent in the first half of 2019. Highlights included strong growth from Australia (including New Zealand) and Vietnam.

Annualised Operating ROE increased by 70 bps to 14.6 per cent reflecting the growth in OPAT.

TWPI BY SEGMENT

US$ millions, unless otherwise stated	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**YoY CER**	YoY AER
Hong Kong	**6,104**	5,075	**20%**	20%
Thailand	**1,929**	1,803	**6%**	7%
Singapore	**1,456**	1,392	**7%**	5%
Malaysia	**1,063**	1,047	**6%**	2%
China	**2,561**	2,076	**31%**	23%
Other Markets	**3,292**	3,036	**15%**	8%
Total	**16,405**	14,429	**17%**	14%

TWPI increased by 17 per cent to US$16,405 million compared with the first half of 2018.

IFRS OPERATING PROFIT INVESTMENT RETURN

US$ millions, unless otherwise stated	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**YoY CER**	YoY AER
Interest income	**3,223**	3,009	**10%**	7%
Expected long-term investment return for equities and real estate	**1,102**	972	**15%**	13%
Total	**4,325**	3,981	**11%**	9%

IFRS operating profit investment return increased by 11 per cent to US$4,325 million compared with the first half of 2018. The growth was primarily driven by the increase in the size of our investment portfolio.

OPERATING EXPENSES

US$ millions, unless otherwise stated	Six months ended 30 June 2019	Six months ended 30 June 2018	YoY CER	YoY AER
Operating expenses	**1,168**	1,023	**18%**	14%

Operating expenses grew by 18 per cent to US$1,168 million with expense ratio remaining stable at 7.1 per cent in the first half of 2019.

NET PROFIT[1]

US$ millions, unless otherwise stated	Six months ended 30 June 2019	Six months ended 30 June 2018	YoY CER	YoY AER
OPAT	**2,898**	2,653	**12%**	9%
Short-term fluctuations in investment return related to equities and real estate, net of tax[2]	**1,173**	(675)	**n/m**	n/m
Reclassification of revaluation gain for property held for own use, net of tax[2]	**(125)**	(177)	**n/m**	n/m
Corporate transaction related costs, net of tax[3]	**(30)**	(106)	**n/m**	n/m
Implementation costs of new accounting standards, net of tax[3]	**(24)**	(15)	**n/m**	n/m
Other non-operating investment return and other items, net of tax[3]	**(28)**	(18)	**n/m**	n/m
Total	**3,864**	1,662	**156%**	132%

Notes:

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

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

(3) The comparative information has been adjusted to conform to current period presentation.

IFRS NON-OPERATING MOVEMENT

IFRS net profit was US$3,864 million in the first half of 2019, more than double the result in the first half of 2018. Our net profit definition includes mark-to-market movements from our equity portfolio and the result in the first half of 2019 included positive short-term fluctuations from equities and real estate of US$1,173 million, compared with negative movements of US$675 million in the first half of 2018. Other non-operating items in the first half of 2019 included corporate transaction related costs of US$30 million, associated with the acquisition of Sovereign and Commonwealth Bank of Australia's (CBA) life insurance business in Australia, and implementation costs of new accounting standards of US$24 million.

MOVEMENT IN SHAREHOLDERS' ALLOCATED EQUITY

US$ millions, unless otherwise stated	Six months ended 30 June 2019	Year ended 31 December 2018	Six months ended 30 June 2018
Opening shareholders' allocated equity	**36,795**	36,413	36,413
Opening adjustment on adoption of IFRS 16	**482**	–	–
Net profit	**3,864**	2,597	1,662
Purchase of shares held by employee share-based trusts	**(24)**	(11)	(5)
Dividends	**(1,448)**	(1,589)	(1,140)
Revaluation gains/(losses) on property held for own use	**132**	8	(9)
Foreign currency translation adjustments	**356**	(732)	(644)
Other capital movements	**114**	109	51
Total movement in shareholders' allocated equity	**3,476**	382	(85)
Closing shareholders' allocated equity	**40,271**	36,795	36,328
Average shareholders' allocated equity	**39,730**	36,604	37,474

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

Average shareholders' allocated equity increased by US$2,256 million to US$39,730 million in the first half of 2019 compared with US$37,474 million in the first half of 2018 as a result of net profit and a positive opening adjustment of US$482 million resulting from the adoption of IFRS 16.

At 30 June 2019, shareholders' allocated equity increased by US$3,476 million to US$40,271 million, after the payment of shareholder dividends of US$1,448 million, reflecting net profits of US$3,864 million, which included positive mark-to-market movement from our equity portfolio, and the impact from the adoption of IFRS 16.

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

IFRS Earnings per Share (EPS)

Basic EPS based on IFRS OPAT attributable to shareholders increased by 12 per cent to 24.08 US cents in the first half of 2019.

Basic EPS based on IFRS net profit attributable to shareholders, including mark-to-market movements from our equity and investment property portfolios, more than doubled to 32.10 US cents in the first half of 2019.

IFRS EPS – BASIC

	Net Profit[1]		OPAT[1]	
	Six months ended 30 June 2019	Six months ended 30 June 2018	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Profit (US$ millions)	**3,864**	1,662	**2,898**	2,653
Weighted average number of ordinary shares (millions)	**12,036**	12,018	**12,036**	12,018
Basic earnings per share (US cents)	**32.10**	13.83	**24.08**	22.08

IFRS EPS – DILUTED

	Net Profit[1]		OPAT[1]	
	Six months ended 30 June 2019	Six months ended 30 June 2018	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Profit (US$ millions)	**3,864**	1,662	**2,898**	2,653
Weighted average number of ordinary shares[2] (millions)	**12,065**	12,050	**12,065**	12,050
Diluted earnings per share[2] (US cents)	**32.03**	13.79	**24.02**	22.02

Notes:

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

(2) Diluted earnings per share including the dilutive effects, if any, of the awards of share options, restricted share units, RSPUs and RSSUs granted to eligible directors, officers, employees and agents under the share-based compensation plans as described in note 39 to the financial statements in our Annual Report 2018.

Capital

FREE SURPLUS GENERATION

The Group's free surplus represents the excess of adjusted net worth over required capital including the consolidated reserving and capital requirements.

Underlying free surplus generation, which excludes investment return variances and other items, increased by 15 per cent to US$2,804 million in the first half of 2019. This reflects the growing scale of our in-force business and our focus on writing quality new business with attractive returns on capital. Free surplus invested in writing new business reduced by 4 per cent to US$750 million, mainly driven by a shift in product mix and the positive effect of a tax rule change that increased the tax deductibility of commissions in China.

Free surplus increased by US$1,326 million in the first half to US$16,077 million at 30 June 2019 mainly reflecting strong underlying free surplus generation, net of new business investment, of US$2,054 million and positive investment return variances and other items of US$848 million, less the payment of shareholder dividends totalling US$1,448 million.

The following table summarises the change in free surplus:

US$ millions, unless otherwise stated	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Opening free surplus	**14,751**	12,586
Underlying free surplus generated	**2,804**	2,497
Free surplus used to fund new business	**(750)**	(807)
Investment return variances and other items	**848**	(1,208)
Unallocated Group Office expenses	**(115)**	(100)
Dividends	**(1,448)**	(1,140)
Finance costs and other capital movements	**(13)**	(27)
Release of free surplus through the subsidiarisation of AIA Korea on 1 January 2018	**–**	1,886
Closing free surplus	**16,077**	13,687

NET FUNDS TO GROUP CORPORATE CENTRE

Working capital comprises debt and equity securities, deposits and cash and cash equivalents held at the Group Corporate Centre. Working capital increased to US$12,031 million at 30 June 2019.

Net remittances from business units increased by US$665 million to US$1,853 million, mainly due to higher remittances from Hong Kong, China, Thailand and Other Markets. The higher remittances from Thailand included an additional US$319 million in January 2019 due to the timing of various required regulatory approvals in 2018 as previously highlighted. Borrowings increased by US$797 million from the net proceeds of the issuance of medium-term notes of US$1,301 million, partly offset by the redemption of medium-term notes of US$500 million upon maturity. The total increase in working capital is reported after the payment of shareholder dividends of US$1,448 million.

The movements in working capital are summarised as follows:

US$ millions, unless otherwise stated	**Six months ended 30 June 2019**	Six months ended 30 June 2018
Opening working capital	**10,296**	9,714
Group Corporate Centre operating results	**(26)**	(25)
Net remittance from business units		
Hong Kong	**636**	427
Thailand	**456**	145
Singapore	**25**	–
Malaysia	**3**	97
China	**572**	440
Other Markets	**161**	79
Net remittance to Group Corporate Centre	**1,853**	1,188
Increase in borrowings	**797**	1,463
Purchase of shares held by employee share-based trusts	**(24)**	(5)
Payment of dividends	**(1,448)**	(1,140)
Mark-to-market movements in debt securities and others	**583**	(548)
Closing working capital	**12,031**	10,647

IFRS Balance Sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$ millions, unless otherwise stated	As at 30 June 2019	As at 31 December 2018	Change AER
Assets			
Financial investments	**208,711**	186,142	12%
Investment property	**4,803**	4,794	–
Cash and cash equivalents	**2,869**	2,451	17%
Deferred acquisition and origination costs	**25,507**	24,626	4%
Other assets	**13,798**	11,793	17%
Total assets	**255,688**	229,806	11%
Liabilities			
Insurance and investment contract liabilities	**184,116**	172,649	7%
Borrowings	**5,817**	4,954	17%
Other liabilities	**15,437**	12,797	21%
Less total liabilities	**205,370**	190,400	8%
Equity			
Total equity	**50,318**	39,406	28%
Less non-controlling interests	**440**	400	10%
Total equity attributable to shareholders of AIA Group Limited	**49,878**	39,006	28%
Shareholders' allocated equity	**40,271**	36,795	9%

MOVEMENT IN SHAREHOLDERS' EQUITY

US$ millions, unless otherwise stated	Six months ended 30 June 2019	Year ended 31 December 2018	Six months ended 30 June 2018
Opening shareholders' equity	**39,006**	43,176	43,176
Opening adjustment on adoption of IFRS 16	**482**	–	–
Net profit	**3,864**	2,597	1,662
Fair value gains/(losses) on assets	**7,396**	(4,552)	(4,585)
Purchase of shares held by employee share-based trusts	**(24)**	(11)	(5)
Dividends	**(1,448)**	(1,589)	(1,140)
Revaluation gains/(losses) on property held for own use	**132**	8	(9)
Foreign currency translation adjustments	**356**	(732)	(644)
Other capital movements	**114**	109	51
Total movement in shareholders' equity	**10,872**	(4,170)	(4,670)
Closing shareholders' equity	**49,878**	39,006	38,506

TOTAL INVESTMENTS

US$ millions, unless otherwise stated	As at 30 June 2019	Percentage of total	As at 31 December 2018	Percentage of total
Total policyholder and shareholder	**192,053**	**88%**	171,337	88%
Total unit-linked contracts and consolidated investment funds	**26,341**	**12%**	23,938	12%
Total investments	**218,394**	**100%**	195,275	100%

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

UNIT-LINKED CONTRACTS AND CONSOLIDATED INVESTMENT FUNDS

US$ millions, unless otherwise stated	As at 30 June 2019	Percentage of total	As at 31 December 2018	Percentage of total
Unit-linked contracts and consolidated investment funds				
Debt securities	**4,940**	**19%**	4,765	20%
Loans and deposits	**170**	**1%**	81	–
Equities	**20,549**	**78%**	18,418	77%
Cash and cash equivalents	**681**	**2%**	672	3%
Derivatives	**1**	**–**	2	–
Total unit-linked contracts and consolidated investment funds	**26,341**	**100%**	23,938	100%

POLICYHOLDER AND SHAREHOLDER INVESTMENTS

US$ millions, unless otherwise stated	As at 30 June 2019	Percentage of total	As at 31 December 2018	Percentage of total
Participating funds and Other participating business with distinct portfolios[1]				
Government bonds[2]	**7,290**	**4%**	6,645	4%
Other government and government agency bonds[2]	**8,305**	**4%**	7,476	4%
Corporate bonds and structured securities	**35,294**	**19%**	30,183	18%
Loans and deposits	**2,172**	**1%**	2,179	1%
Subtotal – Fixed income investments	**53,061**	**28%**	46,483	27%
Equities	**17,316**	**9%**	13,892	8%
Investment property and property held for own use	**1,035**	**1%**	888	1%
Cash and cash equivalents	**617**	**–**	395	–
Derivatives	**101**	**–**	148	–
Subtotal Participating funds and Other participating business with distinct portfolios	**72,130**	**38%**	61,806	36%
Other policyholder and shareholder[1]				
Government bonds[2]	**39,248**	**20%**	35,821	21%
Other government and government agency bonds[2]	**14,462**	**8%**	13,496	8%
Corporate bonds and structured securities	**46,491**	**24%**	41,835	24%
Loans and deposits	**5,329**	**3%**	5,132	3%
Subtotal – Fixed income investments	**105,530**	**55%**	96,284	56%
Equities	**6,632**	**3%**	5,789	3%
Investment property and property held for own use	**5,779**	**3%**	5,794	4%
Cash and cash equivalents	**1,571**	**1%**	1,384	1%
Derivatives	**411**	**–**	280	–
Subtotal other policyholder and shareholder	**119,923**	**62%**	109,531	64%
Total policyholder and shareholder	**192,053**	**100%**	171,337	100%

Notes:

(1) Presentation of Participating funds and Other participating business with distinct portfolios and Other policyholder and shareholder is consistent with note 13 to the interim financial statements.

(2) Presentation of Government bonds and Other government and government agency bonds is consistent with note 13 to the interim financial statements. The comparative information has been adjusted to conform to current period presentation. Please refer to note 13 to the interim financial statements for additional information.

ASSETS

Participating business is written in a segregated statutory fund, with regulations governing the division of surplus between policyholders and shareholders. “Other participating business with distinct portfolios” is supported by segregated investment assets and explicit provisions for future surplus distribution though the division of surplus between policyholders and shareholders is not defined in regulations. Our investment disclosures were enhanced in 2018 to reflect the nature and greater size of this business by grouping its assets together with participating business.

Total assets increased by US$25,882 million to US$255,688 million at 30 June 2019, compared with US$229,806 million at 31 December 2018 due to positive net revenues, mark-to-market gains from our debt and equity securities and positive foreign exchange movements.

Total investments including financial investments, investment property, property held for own use, and cash and cash equivalents increased by US$23,119 million to US$218,394 million at 30 June 2019, compared with US$195,275 million at 31 December 2018.

Of the total US$218,394 million investments at 30 June 2019, US$192,053 million were held in respect of policyholders and shareholders and the remaining US$26,341 million were backing unit-linked contracts and consolidated investment funds.

Fixed income investments, including debt securities, loans and term deposits held in respect of policyholders and shareholders, totalled US$158,591 million at 30 June 2019 compared with US$142,767 million at 31 December 2018. The average credit rating of other government and government agency bonds of A+, and corporate bonds and structured securities of A- remained consistent with the position at 31 December 2018.

Government bonds, other government and government agency bonds represented 44 per cent of fixed income investments at 30 June 2019 and 31 December 2018. Corporate bonds and structured securities accounted for 52 per cent of fixed income investments at 30 June 2019, compared with 50 per cent at 31 December 2018.

Equity securities held in respect of policyholders and shareholders totalled US$23,948 million at 30 June 2019, compared with US$19,681 million at 31 December 2018. The US$4,267 million increase in carrying value was mainly attributable to new purchases and positive mark-to-market movements. Within this figure, equity securities of US$17,316 million were held in participating funds and other participating business with distinct portfolios.

Cash and cash equivalents increased by US$418 million to US$2,869 million at 30 June 2019 compared with US$2,451 million at 31 December 2018. The increase largely reflected positive net cash inflows from our operating business, net proceeds of the issuances of medium-term notes totalling US$1,301 million during the first half of 2019, partly offset by the redemption of medium-term notes of US$500 million upon maturity and the payment of shareholder dividends of US$1,448 million.

Investment property and property held for own use in respect of policyholders and shareholders totalled US$6,814 million at 30 June 2019 compared with US$6,682 million at 31 December 2018.

Deferred acquisition and origination costs increased to US$25,507 million at 30 June 2019 compared with US$24,626 million at 31 December 2018, largely reflecting new business growth.

Other assets increased to US$13,798 million at 30 June 2019 compared with US$11,793 million at 31 December 2018, reflecting an increase in property, plant and equipment, which was driven by the adoption of IFRS 16, reinsurance recoveries, accrued interest and prepayments.

LIABILITIES

Total liabilities increased to US$205,370 million at 30 June 2019 from US$190,400 million at 31 December 2018.

Insurance and investment contract liabilities grew to US$184,116 million at 30 June 2019 compared with US$172,649 million at 31 December 2018, reflecting the underlying growth of the in-force portfolio, positive mark-to-market movements on equities backing unit-linked and participating policies and positive foreign exchange translation.

Borrowings increased to US$5,817 million at 30 June 2019, due to the net proceeds of the issuances of medium-term notes of US$1,301 million during the first half of 2019, partly offset by the redemption of medium-term notes of US$500 million upon maturity. Leverage ratio, which is defined as borrowings expressed as a percentage of total borrowings and equity, remained stable at 10.4 per cent, compared with 11.2 per cent at 31 December 2018.

Other liabilities were US$15,437 million at 30 June 2019, compared with US$12,797 million at 31 December 2018, reflecting an increase in lease liabilities from the adoption of IFRS 16, deferred tax liabilities and investment-related payables.

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

Regulatory Capital

Our Group supervisor is the Hong Kong Insurance Authority (HKIA). The Group's principal operating company is AIA Co., a Hong Kong-domiciled insurer.

As at 30 June 2019, the total available capital for AIA Co., our main regulated entity, was US$11,238 million as measured under the Hong Kong Insurance Ordinance (HKIO) basis, resulting in a solvency ratio of 415 per cent of regulatory minimum capital compared with 421 per cent at 31 December 2018. The solvency ratio of AIA Co. remained very strong, driven by earnings offset by dividends to AIA Group Limited.

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

US$ millions, unless otherwise stated	**As at 30 June 2019**	As at 31 December 2018
Total available capital	**11,238**	9,208
Regulatory minimum capital (100%)	**2,706**	2,189
Solvency ratio (%)	**415%**	421%

The Group's individual branches and subsidiaries are also subject to supervision, including relevant capital requirements, in the jurisdictions in which they and their parent entity operate. The local operating units were in compliance with the capital requirements of their respective entity and local regulators in each of our geographical markets at 30 June 2019.

Regulatory Developments

The life insurance regulatory landscape continues to evolve. At a global level, the International Association of Insurance Supervisors (IAIS) is developing a common framework (ComFrame) for the supervision of Internationally Active Insurance Groups, including AIA. ComFrame will build and expand upon the high-level standards and guidance currently set out in the IAIS Insurance Core Principles which are being reviewed by the IAIS concurrently. The IAIS is scheduled to formally adopt ComFrame in November 2019.

The IAIS is also developing a risk-based, global Insurance Capital Standard (ICS) which will eventually be included within ComFrame. AIA is contributing to the field testing for the ICS through our group supervisor the HKIA. The 2018 field testing results were submitted to the HKIA in July 2019. Implementation of the ICS will be conducted in two phases:

- Under the first phase beginning in 2020, a "Reference ICS" will be assessed during a five-year Monitoring Period for reporting privately to group-wide supervisors. The Reference ICS is scheduled to be adopted at the IAIS annual meeting in November 2019.

- It is proposed that the second phase will include implementation of the ICS as part of prescribed group capital requirements.

National regulators across AIA's span of operations are in the midst of a variety of initiatives intended to align their respective regulatory frameworks with the broad principles recommended by the IAIS in the Insurance Core Principles and ComFrame. AIA is an active participant in the industry dialogue on a host of issues including:

- Hong Kong risk-based capital regime: A multi-year consultation process is being run by the HKIA to develop a risk-based capital regime for Hong Kong insurers which will replace the current Solvency 1 regime. AIA continues to be closely and constructively engaged with the HKIA on this development. AIA is participating in quantitative impact studies which will inform the final regime, which is expected to be effective from 1 January 2022.

- While Hong Kong's Group-wide Supervision (GWS) framework is not yet finalised, the HKIA is moving toward a GWS framework based on a "Summation Approach". This framework is expected to be effective from mid-2020. Under the proposed approach, AIA will publish the group available capital and the group required capital, calculated based on the local regulatory requirements for each entity.

- Singapore risk-based capital regime: The Monetary Authority of Singapore is currently finalising a revised risk-based capital regime for insurers. The revised regime will be effective from 1 January 2020 and is not expected to have a material impact on the Group.

- Equivalence Assessment Framework: The HKIA and the China Banking and Insurance Regulatory Commission signed the Equivalence Assessment Framework Agreement on the Solvency Regulatory Regime on 16 May 2017. As a transitional arrangement, AIA is reporting the capital position of its China branches under the HKIO based on the China local regulatory solvency basis progressively over a 4-year phase-in period to full implementation on 31 March 2022.

Accounting Standards Developments

The Group continues to prepare for the implementation of the IFRS 17, Insurance Contracts. Issued by the International Accounting Standards Board (IASB) in May 2017, IFRS 17 includes some fundamental differences to current accounting in insurance contract measurement, profit recognition, financial statement presentation and disclosures. The IASB published an Exposure Draft on 26 June 2019 which proposed targeted amendments to the requirements in IFRS 17. The proposed amendments include deferring the effective date of IFRS 17 by one year, to 1 January 2022, and extending the temporary exemption from applying IFRS 9 for insurers using IFRS standards to 1 January 2022. The final standard is expected to be published in mid-2020.

AIA Group has also recently implemented IFRS 15, Revenue from Contracts with Customers, and IFRS 16, Leases:

- IFRS 15 establishes revenue recognition principles for contracts with customers and enhances disclosure requirements. Adoption of the standard has had no financial impact to the Group's consolidated financial statements but requires additional disclosures.

- IFRS 16, Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group has elected to apply IFRS 16 to its leases retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

Global Medium-term Note (GMTN) and Securities Programme

In March 2019, we increased our GMTN and Securities programme from US$6 billion to US$8 billion.

Under the programme, on 16 January 2019, the Company issued unlisted Hong Kong dollar-denominated fixed rate medium-term notes, which consisted of HK$1,300 million of 3.5-year notes at an annual rate of 2.95 per cent and HK$1,100 million of 12-year notes at an annual rate of 3.68 per cent. In aggregate, the US dollar-equivalent issued is approximately US$307 million. On 9 April 2019, the Company issued US dollar-denominated fixed rate medium-term notes that are listed on The Stock Exchange of Hong Kong Limited. The offering comprised US$1,000 million of 10-year notes at an annual rate of 3.6 per cent.

The Company redeemed senior unsecured fixed rate notes with a nominal amount of US$500 million in March 2019. At 30 June 2019, the aggregate carrying amount of the debt issued under the GMTN and Securities programme was US$5,754 million.

Credit Ratings

At 30 June 2019, AIA Co. has financial strength ratings of Aa2 (Very Low Credit Risk) with a stable outlook from Moody's; AA (Very Strong) with a stable outlook from Fitch; and AA- (Very Strong) with a stable outlook from Standard & Poor's.

The Company has issuer credit ratings of A2 (Low Credit Risk) with a stable outlook from Moody's; AA- (Very High Credit Quality) with a stable outlook from Fitch; and A (Strong) with a stable outlook from Standard & Poor's.

On 7 August 2019, Standard & Poor's revised the outlook on the Company from stable to positive.

Dividends

The Board has declared an interim dividend of 33.30 Hong Kong cents per share. This represents an increase of 14 per cent compared with the interim dividend in 2018 and reflects the strength of our financial results in the first half of 2019 and our confidence in the outlook for the Group.

The Board follows AIA's established prudent, sustainable and progressive dividend policy allowing for future growth opportunities and the financial flexibility of the Group.

BUSINESS REVIEW

Distribution

AGENCY

AIA's core distribution platform is our proprietary agency network. Our agents are a key competitive advantage for AIA, providing professional advice and high-quality service to our customers as we meet the protection and long-term savings needs of the rapidly-growing middle class population across Asia.

In the first half of 2019, our continued execution of AIA's Premier Agency strategy delivered 21 per cent growth in VONB to US$1,708 million, accounting for 72 per cent of the Group total. ANP grew by 10 per cent to US$2,221 million and VONB margin increased to 76.9 per cent.

Our Premier Agency strategy is underpinned by quality recruitment platforms with targeted selection and comprehensive training programmes, which aim to further enhance professionalism and uplift the productivity of our agents across the Group. For example, our Financial Advisers (FA) programme in Thailand and a new programme in Malaysia that was launched at the beginning of the year have demonstrated success with significantly higher activity and productivity than standard new recruits. We also continued to review and increase our minimum standards to transform our existing agency force. Focused execution of these initiatives delivered solid growth in both the number of active agents and productivity for the Group in the first half of 2019.

Another key element of our Premier Agency strategy is investing in innovative technology and digital tools to support our agents, increase operational efficiency and improve customer experience. New advances include systematic talent profiling and selection within our digital recruitment platform, which manages the recruitment pipeline from end to end. Our Master Planner app in China provides comprehensive digital support for our agency leaders and enables efficient activity management.

In the first half of 2019, we further embedded our proprietary propensity models that can identify and highlight potential customer needs into our agency support applications. These models now support many of our customer campaigns and enable our agents to drive higher existing customer repurchases. In Hong Kong, more than 15 per cent of total agency VONB from existing customers in the first half of 2019 was generated from high propensity leads shared through our digital platform. Our online eLearning platform also includes live stream features that provides mobile product training to agents. We continued to drive greater adoption of our digital tools across the Group and over 95 per cent of total policies sold through agency in the first half of 2019 were submitted via our interactive Point of Sale (iPoS) technology.

In July 2019, Million Dollar Round Table (MDRT) announced its annual ranking of the world's top companies by registered members. AIA now has more than 12,000 members, representing 22 per cent growth over last year, and is the largest multinational company by members for the fifth year running. This achievement clearly demonstrates the quality, professionalism and scale of our agency.

PARTNERSHIPS

AIA's partnerships business is an important part of our differentiated distribution platform and a strategic priority for the Group. We have established long-term distribution partnerships with many prominent financial institutions and industry leaders across the region that extend our market reach and provide us with exclusive or preferred access to millions of potential new customers in the Asia-Pacific region. We also have many non-exclusive partnerships with banks and intermediaries where our strategy is to continually strengthen our relationships by providing dedicated support across the sales-to-service customer value chain and targeted propositions that meet the needs of our partners' specific customer segments.

In the first half of 2019, VONB from partnerships grew by 17 per cent to US$665 million and accounted for 28 per cent of the Group total. VONB margin increased to 54.4 per cent and ANP grew by 6 per cent to US$1,222 million.

Our extensive network of strategic bancassurance partnerships with leading domestic and multinational banks across the region delivered excellent VONB growth in the first half of 2019. Our partnerships with Bangkok Bank Public Company Limited (Bangkok Bank) in Thailand and ASB Bank Limited (ASB) in New Zealand have made strong progress to become material contributors to the Group's overall bancassurance VONB growth, as we leveraged our regional experience to accelerate implementation. We also worked closely with Citibank, N.A. (Citibank) in Hong Kong and Singapore to expand our propositions to their credit card customers and improve the quality of customer referrals by introducing analytics-enabled leads generation.

Our intermediated channels, including IFAs, brokers, private banks and specialist advisers, delivered double-digit growth in the first half of 2019 despite increasing competition in some of our larger IFA markets. Our bespoke support models and unique propositions, including AIA Vitality, continue to be key differentiators for AIA in these channels.

In direct marketing, VONB reduced as we continued to shift away from traditional telemarketing sales models. We are developing new capabilities for customer acquisition and leveraging data analytics to improve conversion. We also began to test new sales models for digital leads from non-traditional partners. For example, we piloted sales campaigns in Korea to offer integrated insurance propositions to AIA Vitality members who signed up through our strategic partnership with SK Telecom.

Marketing

All of our marketing activities focus on our purpose-led brand promise: Healthier, Longer, Better Lives, which underpins the power, relevance and resonance of AIA's brand. AIA was named the leading insurance brand in Asia in June by *Campaign Asia*, a major regional marketing publication.

Our partnership with Tottenham Hotspur (Spurs) is a powerful platform for promoting the AIA brand, as well as engaging with our customers and agents. We were delighted that Spurs reached the UEFA Champions League final in June, further increasing the visibility of AIA's brand. In July, we announced a further extension of our partnership with Spurs until 2027. AIA's Global Ambassador, David Beckham, continues to provide additional support for AIA's brand promise with in-market appearances and media campaigns that generate millions of views and encourage adoption of a healthy lifestyle.

CUSTOMER ENGAGEMENT

AIA Vitality continues to transform the way customers interact with AIA. On average we now receive data from 700,000 workouts each day and we register over 10,000 new fitness devices each week. To date, we have received over 5.4 million health assessments. Our behavioural data analysis shows a positive impact on our AIA Vitality members' health, with the proportion of members who have moved from an unhealthy to a healthy range in body mass index (BMI) and cholesterol level reaching 21 per cent and 40 per cent respectively.

Across the Group, we increasingly use research and analytics to better understand the evolving needs of our customers, helping to enhance our distribution with targeted communications and more relevant offerings for the customers. Data enrichment and enhanced customer marketing create more upselling opportunities and help to improve customer retention.

Customer analysis in some of our largest markets provides a better understanding of the key factors that deepen customer engagement, including optimal contact frequency and preferred communication channel. Ongoing collaboration with search engine providers has delivered dramatically higher online visibility in several of our markets.

PROPOSITION INNOVATION

Our aim is to become a lifetime partner to our customers, moving beyond the traditional insurer role as a simple claims payer with enhanced capabilities across all aspects of AIA's customer interaction. Our wellness programmes transform customer engagement, encourage healthy living and help to prevent illness. We have multiple partners across our markets that help us to provide enhanced access to medical diagnosis and deliver the best and most appropriate treatment for our customers. Also, we continue to help our customers through their treatment with personalised case management and ongoing support in recovery and rehabilitation.

In the first half of 2019, we made further enhancements to AIA Vitality, including sleep tracking, and we have begun the activation of our regional exclusive partnership with Medix, providing personal case management for customers beyond Hong Kong and Singapore.

We launched AIA Vitality in New Zealand in August and the overall membership of our wellness programmes across the Group exceeded 1.5 million members at the end of June 2019, an increase of 23 per cent since the end of 2018. The Group now offers 83 protection products integrated with AIA Vitality. Hong Kong and Singapore both launched a single customer portal combining policy and AIA Vitality wellness information, while Korea launched an AIA Vitality platform that offers a new digital experience and helps deepen customer engagement.

AIA Vitality has been instrumental in activating our non-traditional partnership with SK Telecom in Korea, helping attract younger customer segments with its focus on health and wellness. In Korea, we launched seven integrated products and recorded nearly 1.2 million AIA Vitality mobile app users through joint marketing programmes with SK Telecom.

AIA is developing new and enhanced product offerings to better meet customers' needs. In 2019, we launched a breast cancer product in China, designed in partnership with WeDoctor and incorporating end-to-end online and offline services including diagnosis, treatment, prescription delivery and rehabilitation. AIA Singapore introduced the first critical illness plan in the market to cover mental illness and we expanded our innovative health product to our Takaful and bancassurance customers in Malaysia.

Geographical Markets

HONG KONG

US$ millions, unless otherwise stated	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**YoY CER**	YoY AER
VONB[1]	**945**	796	**19%**	19%
VONB margin[2]	**68.0%**	62.2%	**5.8 pps**	5.8 pps
ANP	**1,367**	1,252	**9%**	9%
TWPI	**6,104**	5,075	**20%**	20%
OPAT	**997**	922	**8%**	8%

Financial Highlights

AIA Hong Kong reported strong VONB growth of 19 per cent in the first half of 2019, driven by a 9 per cent increase in ANP and higher VONB margins resulting from enhanced profitability in our long-term savings and protection products. This strong result from Hong Kong and Macau was broad-based with growth across both domestic and Mainland Chinese visitor customer segments, as well as our proprietary agency and partnership channels. OPAT grew by 8 per cent to US$997 million, as strong underlying business growth was moderated by the growing proportion of participating products in our in-force portfolio and less favourable investment experience.

Business Highlights

AIA Hong Kong's agency delivered very strong VONB growth as we continued to drive the execution of our Premier Agency strategy, which is underpinned by best-in-class recruitment and training platforms for both agents and leaders. The number of high-calibre recruits accepted into our AIA Premier Academy programme saw double-digit growth and we further enhanced our innovative digital support tools for our agency force. Overall, our agency delivered an increase in both the number of active agents and the productivity in the first half of 2019 with strong support from our Macau branch, which delivered double-digit growth in its number of active agents.

Our partnership distribution channels in Hong Kong also delivered double-digit growth in VONB. We continued to provide differentiated sales support and services to selected broker partners, while maintaining the channel's VONB margin despite increasing competitive pressure in the retail IFA market. In addition, we have seen some softening in sales from the retail IFA channel since the end of June. VONB from our exclusive partnership with Citibank continued to grow as we worked closely together to further integrate AIA's life insurance products into the bank's wealth management propositions and launched new targeted campaigns for the bank's key customer segments.

AIA Hong Kong is committed to being an active partner with our customers to meet their protection and long-term savings needs and help them live Healthier, Longer, Better Lives. In April 2019, the Hong Kong government launched new tax incentive programmes for residents purchasing certified health insurance, annuity and pension plans. AIA Hong Kong launched a series of qualifying products and a citywide customer awareness campaign that supported higher existing customer repurchases, which contributed nearly 30 per cent of AIA Hong Kong's total VONB in the first half of 2019. All our newly launched health insurance products that qualify for tax incentives are integrated with AIA Vitality, helping to grow VONB from products integrated with AIA Vitality by more than 40 per cent.

THAILAND

US$ millions	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**YoY CER**	YoY AER
VONB[1]	**215**	204	**5%**	5%
VONB margin[2]	**66.8%**	71.0%	**(4.3) pps**	(4.2) pps
ANP	**321**	287	**11%**	12%
TWPI	**1,929**	1,803	**6%**	7%
OPAT	**528**	496	**8%**	6%

Financial Highlights

AIA Thailand delivered 5 per cent growth in VONB to US$215 million, supported by continued success in our FA programme and our exclusive long-term partnership with Bangkok Bank. ANP increased by 11 per cent, while VONB margin decreased to 66.8 per cent due to a higher proportion of bancassurance business with lower margins. Regular premium business accounted for more than 95 per cent of ANP as we remained focused on providing protection and long-term savings products. OPAT increased by 8 per cent to US$528 million as a result of underlying business growth and improvements in persistency.

Business Highlights

The ongoing execution of our FA programme continues to transform the quality and professionalism of our market-leading agency force in Thailand. In the first half of 2019, agents in the FA programme represented 15 per cent of total agents and contributed 30 per cent of total agency VONB. Our focused training and development programmes enabled newly-recruited FAs to achieve significantly higher productivity and more than double the activity ratio of standard new agents. Strong VONB growth delivered by our FA programme was offset by our proactive efforts to reduce the numbers of less-productive agents.

We also continued to build strong momentum in our strategic bancassurance partnership with Bangkok Bank. In the first half of 2019, the contribution from the partnership to AIA Thailand's total VONB increased significantly as we activated in-branch insurance specialists across over 800 Bangkok Bank branches and developed new training programmes that are intended to drive higher productivity.

During the first half of 2019, we enhanced our digital propositions to increase customer engagement and improve service quality. We upgraded our e-payment tools that facilitate electronic premium payments and direct benefits payments to our customers' bank accounts with several new online payment options. As a result, the number of premium payments collected digitally and through banks increased by 18 per cent compared to the prior year, which was a key driver of the better persistency experience observed for our in-force portfolio.

SINGAPORE

US$ millions, unless otherwise stated	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**YoY CER**	YoY AER
VONB[1]	**173**	178	**0%**	(3)%
VONB margin[2]	**64.8%**	61.4%	**3.4 pps**	3.4 pps
ANP	**267**	290	**(6)%**	(8)%
TWPI	**1,456**	1,392	**7%**	5%
OPAT	**281**	273	**5%**	3%

Financial Highlights

AIA Singapore reported US$173 million of VONB in the first half of 2019. ANP was lower by 6 per cent at US$267 million, while VONB margin improved by 3.4 pps to 64.8 per cent, reflecting a higher proportion of regular premium business in the first half of 2019. OPAT increased by 5 per cent to US$281 million with underlying business growth partially offset by lower profitability in our HealthShield portfolio.

Business Highlights

AIA Singapore maintained its leading agency position through continued execution of our Premier Agency strategy. In the first half of 2019, we made further investments in our next generation integrated digital platforms to improve engagement with our customers. This supported an increase in the number of active agents, which was offset by lower productivity as volumes of single premium unit-linked business reduced following a regulatory change in the third quarter of last year.

Our exclusive partnership with Citibank delivered solid growth in VONB, supported by strong sales to the bank's mass affluent and retail customer segments. However, strong competitive pressures in our broker and non-exclusive bancassurance partnerships resulted in reduced VONB from the high net worth customer segment in these channels.

AIA continues to play a leading role in product innovation within the Singaporean life and health insurance market with an emphasis on helping our customers live Healthier, Longer, Better Lives. During the first half of 2019, we became the first insurance company to introduce an early detection screening benefit to our HealthShield products, which is part of our ongoing transformation journey to build a more sustainable healthcare business. We also launched an innovative, first-in-market critical illness plan that provides cover for mental illness and multiple claims for several major critical illnesses.

MALAYSIA

US$ millions, unless otherwise stated	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**YoY CER**	YoY AER
VONB[(1)]	**130**	124	**10%**	5%
VONB margin[(2)]	**65.4%**	60.3%	**5.1 pps**	5.1 pps
ANP	**198**	204	**2%**	(3)%
TWPI	**1,063**	1,047	**6%**	2%
OPAT	**167**	158	**10%**	6%

Financial Highlights

AIA Malaysia delivered 10 per cent growth in VONB to US$130 million in the first half of 2019. ANP increased by 2 per cent to US$198 million while VONB margin improved to 65.4 per cent due to a positive product mix shift towards protection. Underlying business growth and greater economies of scale drove a 10 per cent increase in OPAT to US$167 million.

Business Highlights

Agency delivered double-digit VONB growth in the first half of 2019 as we launched a new quality recruitment platform, which offers a suite of comprehensive training programmes and support to selected new recruits. Recruits from this programme accounted for nearly half of total new agents in the first half of 2019, and they delivered significantly higher productivity than standard new recruits. We continued to enhance our agency digital platforms as we added leads management functionality to the AIA Life Planner App and upgraded iPoS to enable real-time online payments. Our digital sales tools contributed to higher agency activity and productivity with the iPoS adoption rate exceeding 95 per cent.

AIA Malaysia's innovative new health rider first launched in the second half of 2018 was extended to our Takaful and bancassurance customers. The rider is integrated with AIA Vitality and offers first-in-market healthcare and wellness features designed to encourage healthy living and provide recovery support following treatment. We also enhanced our AIA Vitality programme with new features, including sleep tracking, to play a more active role in improving the physical and mental well-being of our customers. AIA Vitality membership increased by more than 20 per cent over the six months since December 2018, while member engagement also increased.

Our strategic partnership with Public Bank Berhad delivered VONB growth as we focused on increasing the number of active in-branch insurance specialists and introduced a new critical illness proposition for the bank's customers. We also continued to maintain our leadership position in the Malaysian group insurance market.

CHINA

US$ millions, unless otherwise stated	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**YoY CER**	YoY AER
VONB[1]	**702**	556	**34%**	26%
VONB margin[2]	**93.2%**	91.0%	**2.1 pps**	2.2 pps
ANP	**753**	611	**31%**	23%
TWPI	**2,561**	2,076	**31%**	23%
Operating profit after tax	**537**	436	**32%**	23%

Financial Highlights

AIA China delivered another excellent performance with VONB up by 34 per cent to US$702 million. ANP grew by 31 per cent to US$753 million in the first half of 2019 as we continued to execute our Premier Agency strategy. VONB margin remained strong at 93.2 per cent as we reflected the positive effect of a tax rule change that increased the tax deductibility of commissions in China partly offset by enhanced policyholder benefits within our protection products. Strong underlying business growth and favourable claims experience led to a 32 per cent increase in OPAT to US$537 million.

Business Highlights

Our China business is committed to developing Premier Agents through quality recruitment and advanced agent development programmes, which are supported by innovative digital platforms. In the first half of 2019, we drove greater adoption of Master Planner, our digital support tool for agency leaders, and launched a new leadership programme to enhance the management capabilities of recently promoted Premier Agency leaders. Our Premier Agency training curriculum encourages our agents to transform from "protection experts" into "lifelong trusted partners" to our customers with a greater emphasis on tailored advice across our range of protection and savings products, as well as our value added services such as our proprietary wellness programme. Through these initiatives, AIA China delivered strong double-digit growth in active agents and double-digit growth in agency productivity.

AIA China continued to enhance our protection-focused customer propositions. We upgraded our flagship All-in-One protection product with more critical illness benefits and higher protection coverage, and enhanced the benefit design for our main medical product. In June 2019, we launched a new breast cancer product that is integrated with services offered by our strategic partner, WeDoctor, and is AIA China's first product to provide support to customers across their entire medical journey from disease prevention to treatment and recovery. Membership of our wellness programme increased by more than 30 per cent over the first six months of 2019. We also launched a proprietary claims administrator and medical network with over 480 domestic and overseas healthcare providers that offers 24/7 service to our high net worth customers.

In February, we received approval from the China Banking and Insurance Regulatory Commission (CBIRC) Tianjin Bureau and Hebei Bureau to begin preparation for the establishment of sales and service centres in Tianjin and Shijiazhuang, Hebei. These centres have now received final regulatory approval and were officially launched at the end of July 2019. We are looking forward to further liberalisation of China's life insurance market from 2020 onwards, and have continued to make good progress on preparations in anticipation of the potential opportunity to expand into areas outside our current footprint.

OTHER MARKETS

US$ millions, unless otherwise stated	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**YoY CER**	YoY AER
VONB[(1)]	**224**	201	**17%**	11%
VONB margin[(2)]	**41.8%**	32.8%	**9.0 pps**	9.0 pps
ANP	**537**	608	**(7)%**	(12)%
TWPI	**3,292**	3,036	**15%**	8%
Operating profit after tax	**414**	393	**11%**	5%

AIA's Other Markets include Australia (including New Zealand), Cambodia, Indonesia, Korea, the Philippines, Sri Lanka, Taiwan, Vietnam and India.

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

Financial Highlights

Other Markets delivered 17 per cent VONB growth in the first half of 2019, led by strong performances in Australia, the Philippines and Vietnam. VONB margin increased to 41.8 per cent while ANP was lower by 7 per cent, primarily due to the uneven timing of large group insurance schemes in Australia. OPAT increased by 11 per cent to US$414 million due to underlying business growth and the inclusion of Sovereign in New Zealand.

Business Highlights

Australia: AIA Australia and New Zealand together delivered double-digit VONB growth, supported by the inclusion of Sovereign and the renewal of several large group insurance schemes previously highlighted in the 2018 Annual Report. AIA Australia remains one of the leading players in the protection market as we increased customer engagement through our differentiated AIA Vitality programme. We have also made significant progress in integrating the Sovereign business, which has enabled AIA to become the leading life insurer in the New Zealand protection market, as we began to adopt the AIA brand across our business operations in New Zealand.

Cambodia: Our business in Cambodia continued to increase scale through its multi-channel distribution strategy. In the agency channel, we more than doubled the number of active agents as we continued to focus on expanding our agency force. Partnership distribution also delivered a strong performance, mainly driven by a double-digit increase in the number of active insurance specialists with our strategic bancassurance partners.

Indonesia: VONB for our Indonesian business decreased compared to the first half of 2018 with lower sales across both agency and bancassurance. The reduction was moderated by strong VONB growth in our strategic partnership with Bank Central Asia (BCA), which was driven by a double-digit increase in the number of active in-branch insurance specialists.

Korea: Our Korean business delivered positive VONB growth in the first half of 2019. Growth in our agency and bancassurance channels was partially offset by lower VONB margins in the direct marketing channel due to a shift in the product mix. We also began to pilot sales campaigns offering integrated insurance products to AIA Vitality members acquired through our strategic partnership with SK Telecom.

Myanmar: In April, the Ministry of Planning and Finance in the Republic of the Union of Myanmar granted AIA the status of a Preferred Applicant to participate in the nation's life insurance industry through a 100% wholly-owned subsidiary.

Philippines: Our operation in the Philippines delivered double-digit VONB growth from both agency and bancassurance, supported by a positive shift to higher quality regular premium unit-linked business. We launched a new quality recruitment and training platform in the first half of 2019 as we continued to transform our agency force. Our joint venture with the Bank of the Philippine Islands (BPI) delivered very strong VONB growth as the number of active in-branch insurance specialists increased by more than 20 per cent.

Sri Lanka: Market conditions in Sri Lanka remained difficult as political tensions and economic volatility increased after a series of terrorist attacks in Colombo in the first half of 2019. AIA Sri Lanka's sales reduced as a result of the dampened consumer sentiment. In March 2019, AIA secured shareholder approval for our proposal to further invest in the market by purchasing the remaining listed minority stake in AIA Sri Lanka and delisting its shares from the Colombo Stock Exchange.

Taiwan: AIA Taiwan delivered excellent VONB growth, especially in the bancassurance channel, in the first half of 2019. We continued to focus on strengthening our relationships with key bank and broker partners by offering comprehensive sales support and insurance solutions that are tailored to meet specific customer needs.

Vietnam: Our Vietnamese business achieved excellent VONB growth in the first half of 2019. Agency delivered double-digit VONB growth and remained the primary distribution channel for AIA Vietnam as we continued to focus on enhancing the quality of our agents, which drove a double-digit increase in active agent productivity. VONB from our bancassurance channel more than trebled as we continued to deepen our exclusive partnership with VP Bank and other strategic bank partnerships.

India: Tata AIA deploys a diverse multi-channel distribution strategy with a differentiated Premier Agency force and strategic bancassurance partnerships with IndusInd Bank and Citibank. We are one of the leading players in the pure retail protection market and remain focused on building a sustainable and profitable business in India.

Notes:

Throughout the Distribution section:

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

Throughout the Geographical Markets section:

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

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

RISK MANAGEMENT

OVERVIEW

AIA recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. For our policyholders, it provides the security of knowing we will always be there for them. For investors, it is key to protecting and enhancing the long-term value of their investment. Finally, for regulators, sound risk management supports industry growth and enhances the public's trust in the industry.

The Group's approach to risk management is implemented through our Risk Management Framework ("**RMF**"), which allows management to identify, measure, report and manage AIA's risk profile whilst ensuring that risk management is integrated within our decision-making.

The Group's RMF is comprised of six components:

- Risk Culture;
- Risk Governance;
- Risk Strategy;
- Risk Underwriting;
- Risk Control; and
- Risk Disclosure.

EXECUTION OF THE RMF

AIA has embedded our RMF into key business processes and decision-making, with the following priority areas:

- Product lifecycle and approval: in evaluating the launch, revision and ongoing management of insurance products, the Group considers the potential financial and operational risks involved;
- Strategic planning: the Group undertakes an annual planning process to develop and set our strategy and corporate objectives. Risk & Compliance functions assess the impact of potential strategies on our risk profile and ensure that the strategies selected are in line with our risk appetite;
- Investment management: whilst the Group seeks to realise positive returns, we carefully manage risks arising from our asset portfolio to ensure AIA maintains the financial flexibility needed to fund new business growth opportunities, support its planned dividend policy, pay claims and withstand capital market (or other) stress conditions;
- Structural management: the timing and value of assets are matched with corresponding liabilities to ensure sufficient resources are available to meet liabilities as they fall due. Our asset allocation strategy is driven by the liability matching approach, which seeks to ensure that structural risks are managed carefully; and
- Internal Control: to ensure potential operational and compliance risk exposures arising from day-to-day business activities are subject to appropriate control and management within our risk appetite, the Group has embedded a robust approach to internal control as part of its Operational Risk and Control Framework.

CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2019, with the exception of Code Provision F.1.3, AIA Group Limited (Company) complied with all applicable code provisions set out in the Code on Corporate Governance Practices (Corporate Governance Code) set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules). Code Provision F.1.3 provides that the company secretary should report to the chairman of the board and/or the chief executive. The Company operates under a variant of this model whereby the Group Company Secretary reports to the Group General Counsel, who is ultimately accountable for the company secretarial function of the Company and who in turn reports directly to the Group Chief Executive.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own Directors' and Chief Executives' Dealing Policy (Dealing Policy) on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code) set out in Appendix 10 to the Listing Rules in respect of dealings by the directors of the Company (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 Dealing Policy throughout the six months ended 30 June 2019.

CHANGES IN DIRECTORS' INFORMATION

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

Name of Director	Change(s)
Mr. Ng Keng Hooi	• Resigned as a board member of Financial Services Professional Board in Kuala Lumpur with effect from 12 March 2019 • Appointed as a member of the Hong Kong Academy of Finance with effect from 2 August 2019
Mr. Cesar Velasquez Purisima	• Appointed as a director of Ikhlas Capital Singapore Pte. Ltd. with effect from 25 March 2019
Ms. Swee-Lian Teo	• Appointed as the chairman of the board and non-executive independent director of CapitaLand Mall Trust Management Limited (listed on the Singapore Exchange) with effect from 12 April 2019
Mr. Chung-Kong Chow	• Appointed as the chairman of the Urban Renewal Authority Board with effect from 1 May 2019
Mr. Edmund Sze-Wing Tse	• Appointed as a member of the membership committee and a fellow of the Hong Kong Academy of Finance with effect from 9 May 2019 and 26 June 2019 respectively
Mr. George Yong-Boon Yeo	• Ceased to act as the chairman and an executive director of Kerry Logistics Network Limited (listed on The Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange)) and a director of Kerry Holdings Limited, all with effect from 31 May 2019 • Appointed as senior adviser of Kerry Group Limited, its subsidiaries (including Kerry Logistics Network Limited) and affiliates with effect from 1 June 2019 (for a period of two years) • Appointed as a member of Global Advisory Board of Mitsubishi UFJ Financial Group, Inc. with effect from 1 July 2019
Professor Lawrence Juen-Yee Lau	• Appointed as a fellow of the Hong Kong Academy of Finance with effect from 26 June 2019 • Appointed as C. V. Starr distinguished fellow of China Development Research Foundation, Beijing with effect from 1 July 2019
Mr. Mohamed Azman Yahya	• Resigned as an independent non-executive director of Sime Darby Berhad with effect from 30 June 2019 • Resigned as a director of Ekuiti Nasional Berhad with effect from 30 June 2019

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

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

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

As at 30 June 2019, the Directors' and the Chief Executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (SFO)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, are as follows:

Interests in the shares and underlying shares of the Company:

Name of Director	Number of shares or underlying shares Long Position (L)	Class	Percentage of the total number of shares in issue[(1)]	Capacity
Mr. Ng Keng Hooi	9,417,027 (L)[(2)]	Ordinary	0.07	Beneficial owner
	61,200 (L)[(3)]	Ordinary	<0.01	Interest of spouse[(4)]
Mr. Edmund Sze-Wing Tse	3,360,400 (L)[(3)]	Ordinary	0.02	Beneficial owner
	200,000 (L)[(3)]	Ordinary	<0.01	Interest of controlled corporation[(5)]
Mr. Chung-Kong Chow	86,000 (L)[(3)]	Ordinary	<0.01	Beneficial owner
Mr. Jack Chak-Kwong So	130,000 (L)[(3)]	Ordinary	<0.01	Interest of controlled corporation[(6)]
Mr. John Barrie Harrison	80,000 (L)[(3)]	Ordinary	<0.01	Interests held jointly with another person[(7)]
Mr. George Yong-Boon Yeo	50,000 (L)[(3)]	Ordinary	<0.01	Beneficial owner
Professor Lawrence Juen-Yee Lau	60,000 (L)[(3)]	Ordinary	<0.01	Beneficial owner
	100,000 (L)[(3)]	Ordinary	<0.01	Interest of spouse[(8)]

Notes:

(1) Based on 12,088,629,242 shares of the Company in issue as at 30 June 2019.

(2) The interests included 2,665,796 shares of the Company, 5,424,788 share options under the Share Option Scheme (SO Scheme), 1,323,849 restricted share units under the Restricted Share Unit Scheme (RSU Scheme) and 2,594 matching Restricted Stock Purchase Units (RSPUs) under the Employee Share Purchase Plan (ESPP).

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

(4) The 61,200 shares were held by Ms. Leong Seet Lan, the spouse of Mr. Ng Keng Hooi, as beneficial owner.

(5) The 200,000 shares were held by Edmund & Peggy Tse Foundation Limited, one-third interest of which is beneficially held by Mr. Edmund Sze-Wing Tse.

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

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

(8) The 100,000 shares were held by Ms. Ayesha Abbas Macpherson, the spouse of Professor Lawrence Juen-Yee Lau, as beneficial owner.

Save as disclosed above, as at 30 June 2019, neither the Directors nor the Chief Executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 30 June 2019, the following persons, other than the Directors or the Chief Executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Number of shares or underlying shares[1] Long Position (L) Short Position (S) Lending Pool (P)	Class	Percentage of the total number of shares in issue[2] Long Position (L) Short Position (S) Lending Pool (P)	Capacity
The Bank of New York Mellon Corporation	1,090,306,734 (L) 277,570,960 (S) 768,611,933 (P)	Ordinary	9.01 (L) 2.29 (S) 6.35 (P)	Note 3
The Capital Group Companies, Inc.	1,078,254,680 (L)	Ordinary	8.91 (L)	Interest of controlled corporations
JPMorgan Chase & Co.	820,714,117 (L) 45,915,592 (S) 413,117,619 (P)	Ordinary	6.78 (L) 0.37 (S) 3.41 (P)	Note 4
Citigroup Inc.	750,076,897 (L) 2,147,975 (S) 733,848,475 (P)	Ordinary	6.20 (L) 0.01 (S) 6.07 (P)	Note 5
BlackRock, Inc.	629,705,868 (L) 2,007,714 (S)	Ordinary	5.20 (L) 0.01 (S)	Interest of controlled corporations

Notes:

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

	Long Position				Short Position				
Name of Shareholder	Physically settled listed equity derivatives	Cash settled listed equity derivatives	Physically settled unlisted equity derivatives	Cash settled unlisted equity derivatives	Physically settled listed equity derivatives	Cash settled listed equity derivatives	Physically settled unlisted equity derivatives	Cash settled unlisted equity derivatives	Listed derivatives- convertible instruments
The Bank of New York Mellon Corporation	–	–	–	–	–	–	277,570,960	–	–
The Capital Group Companies, Inc.	–	–	3,537,619	–	–	–	–	–	–
JPMorgan Chase & Co.	12,450,000	1,340,200	785,313	23,520,593	5,359,000	4,941,020	8,628,320	2,368,050	30
Citigroup Inc.	3,145,696	–	1,316,866	2,162,200	800,000	–	1,300,975	47,000	–
BlackRock, Inc.	–	–	–	182,000	–	–	–	818,114	–

(2) Based on 12,088,629,242 shares in issue as at 30 June 2019.

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

Capacity	Number of shares or underlying shares (Long Position)	Number of shares or underlying shares (Short Position)
Interest of controlled corporations	1,090,306,734	277,570,960

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

Capacity	Number of shares or underlying shares (Long Position)	Number of shares or underlying shares (Short Position)
Investment manager	349,204,335	–
Person having a security interest in shares	971,200	–
Interest of controlled corporations	56,520,993	45,915,592
Trustee	899,970	–
Approved lending agent	413,117,619	–

(5) Citigroup Inc. held the interests and short positions in the following capacities:

Capacity	Number of shares or underlying shares (Long Position)	Number of shares or underlying shares (Short Position)
Person having a security interest in shares	604,800	–
Interest of controlled corporations	15,623,622	2,147,975
Approved lending agent	733,848,475	–

Save as disclosed above, as at 30 June 2019, no person, other than the Directors or the Chief Executive of the Company whose interests are set out in the section entitled "Directors' and the Chief Executive's Interests and Short Positions in Shares and Underlying Shares", had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

Save for the purchase of 665,309 shares of the Company under the ESPP and 1,796,600 shares of the Company under the RSU Scheme on the Hong Kong Stock Exchange at a total consideration of approximately US$24 million, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019. The share purchases under the ESPP and the RSU Scheme were made by the scheme trustee on the Hong Kong Stock Exchange. These shares are held on trust for the relevant participants of the ESPP and the RSU Scheme, and therefore were not cancelled.

SHARE-BASED COMPENSATION

Long-term Incentive Plans

The RSU Scheme and the SO Scheme were both adopted by the Company on 28 September 2010 and are effective for a period of 10 years from the date of adoption. For further information regarding these schemes, please refer to pages 119 to 125 of the Company's Annual Report 2018. Under these schemes, the Company may award restricted share units and/or share options to employees, Directors (excluding Independent Non-executive Directors) or officers of the Company or any of its subsidiaries.

RESTRICTED SHARE UNIT SCHEME

During the six months ended 30 June 2019, the Company awarded 10,227,314 restricted share units under the RSU Scheme. The aggregate number of shares that may underlie all RSU awards granted by the Company (excluding RSU awards that have lapsed or been cancelled) pursuant to the RSU Scheme shall not exceed 2.5 per cent of the number of shares in issue on the Company's listing date. Since the adoption of the RSU Scheme on 28 September 2010 and up to 30 June 2019, a cumulative total of 88,006,277 restricted share units were vested under the RSU Scheme, representing approximately 0.731 per cent of the shares in issue as at the Company's listing date. No new shares have been issued under the RSU Scheme since its adoption.

For the restricted share units awarded during the six months ended 30 June 2019, the Company adopted the same performance measures as the restricted share units awarded in the year ended 31 December 2018. The 2019 restricted share unit award performance measures will be assessed over a three-year period starting 1 January 2019.

The table below summarises the movements in restricted share unit awards during the six months ended 30 June 2019.

Director, Group Chief Executive and President, Key Management Personnel and other eligible employees and participants	Date of grant (day/month/year)[2]	Date of vesting (day/month/year)[3]	Restricted share units outstanding as at 1 January 2019	Restricted share units awarded during the six months ended 30 June 2019	Restricted share units vested during the six months ended 30 June 2019	Restricted share units cancelled/ lapsed/ reclassified during the six months ended 30 June 2019[7]	Restricted share units outstanding as at 30 June 2019[8]
Director, Group Chief Executive and President	9/3/2016	9/3/2019[4]	320,071	–	(315,078)	(4,993)	–
Mr. Ng Keng Hooi	10/3/2017	10/3/2020[4]	267,659	–	–	–	267,659
	31/7/2017	1/6/2020[4]	213,164	–	–	–	213,164
	15/3/2018	15/3/2021[4]	439,258	–	–	–	439,258
	27/3/2019	27/3/2022[4]	–	403,768	–	–	403,768
Key Management Personnel (excluding the Director, Group Chief Executive and President)	9/3/2016	9/3/2019[4]	1,297,805	–	(1,277,564)	(20,241)	–
	1/8/2016	1/8/2019[4]	41,249	–	–	–	41,249
	10/3/2017	10/3/2020[4]	1,137,349	–	–	85,493	1,222,842
	31/7/2017	1/6/2020[4]	311,947	–	–	–	311,947
	15/3/2018	15/3/2021[4]	1,070,214	–	–	68,848	1,139,062
	12/9/2018	12/9/2021[4]	61,010	–	–	–	61,010
	27/3/2019	27/3/2022[4]	–	954,462	–	56,572	1,011,034
	15/5/2019	1/5/2022[4]	–	27,182	–	–	27,182
Other eligible employees and participants[1]	9/3/2016	9/3/2019[4]	12,002,223	–	(11,720,949)	(281,274)	–
	1/8/2016	1/8/2019[4]	34,621	–	–	–	34,621
	17/10/2016	1/8/2019[5]	101,217	–	–	–	101,217
	17/10/2016	See Note[6]	20,938	–	–	–	20,938
	10/3/2017	10/3/2020[4]	10,895,899	–	(3,885)	(347,616)	10,544,398
	31/7/2017	1/6/2020[4]	28,519	–	–	–	28,519
	15/3/2018	15/3/2021[4]	9,327,079	–	(7,679)	(361,739)	8,957,661
	29/6/2018	15/3/2021[4]	108,956	–	–	–	108,956
	12/9/2018	15/3/2021[4]	122,146	–	–	–	122,146
	27/3/2019	27/3/2022[4]	–	8,825,422	–	(121,684)	8,703,738
	15/5/2019	1/5/2022[4]	–	16,480	–	–	16,480

Notes:

(1) Include restricted share units outstanding as at 1 January 2019 for the retired Group Chief Executive and President, Mr. Mark Edward Tucker.

(2) The measurement dates (i.e. the dates used to determine the value of the awards for accounting purposes) for awards made during the year ended 30 November 2016 were determined to be 9 March 2016, 1 August 2016 and 17 October 2016. The measurement dates for awards made during the year ended 30 November 2017 were determined to be 10 March 2017 and 31 July 2017. The measurement dates for awards made during the thirteen months ended 31 December 2018 were determined to be 15 March 2018, 29 June 2018 and 12 September 2018. The measurement dates for awards made during the six months ended 30 June 2019 were determined to be 27 March 2019 and 15 May 2019. These measurement dates were determined in accordance with IFRS 2.

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

(4) The vesting of these restricted share units is subject to the achievement of performance measures shown on pages 120 and 121 of the Company's Annual Report 2018.

(5) The vesting of these restricted share units is service-based only (meaning there are no further conditions attached). All restricted share units will vest on 1 August 2019.

(6) The vesting of these restricted share units is service-based only (meaning there are no further conditions attached). One-third of restricted share units vested on 1 August 2017, one-third vested on 1 August 2018 and one-third (representing all of the outstanding restricted share units as at 1 January 2019) will vest on 1 August 2019.

(7) These restricted share units lapsed or were reclassified during the six months ended 30 June 2019. The reclassification of restricted share units was a result of an executive who was previously categorised as "Other eligible employees and participants" becoming "Key Management Personnel" during this period. There were no cancelled restricted share units during the six months ended 30 June 2019.

(8) Include restricted share units outstanding as at 30 June 2019 that, in accordance with the RSU Scheme rules, will lapse on or before the respective vesting date.

SHARE OPTION SCHEME

During the six months ended 30 June 2019, the Company awarded 4,412,153 share options under the SO Scheme. The aggregate number of shares that may be issued upon exercise of all SOs granted by the Company (excluding SOs that have lapsed) pursuant to the SO Scheme must not exceed 2.5 per cent of the number of shares in issue on the Company's listing date. Since the adoption of the SO Scheme on 28 September 2010 and up to 30 June 2019, a cumulative total of 39,195,808 new shares were issued under the SO Scheme, representing approximately 0.325 per cent of the shares in issue as at the Company's listing date. No share options have been awarded to substantial shareholders, or in excess of the individual limit.

Details regarding the valuation of the share options are set out in note 23 to the interim financial statements.

The table below summarises the movements in share option awards during the six months ended 30 June 2019.

Director, Group Chief Executive and President, Key Management Personnel and other eligible employees and participants	Date of grant (day/month/year)(2)	Period during which share options are exercisable (day/month/year)	Share options outstanding as at 1 January 2019	Share options awarded during the six months ended 30 June 2019	Share options vested during the six months ended 30 June 2019	Share options cancelled/lapsed/reclassified during the six months ended 30 June 2019(17)	Share options exercised during the six months ended 30 June 2019	Exercise price (HK$)	Share options outstanding as at 30 June 2019(18)	Weighted average closing price of shares immediately before the dates on which share options were exercised (HK$)
Director, Group Chief Executive and President Mr. Ng Keng Hooi	5/3/2014	5/3/2017 – 4/3/2024(3)	602,486	–	–	–	–	37.56	602,486	n/a
	12/3/2015	12/3/2018 – 11/3/2025(4)	541,692	–	–	–	–	47.73	541,692	n/a
	9/3/2016	9/3/2019 – 8/3/2026(5)	851,026	–	851,026	–	–	41.90	851,026	n/a
	10/3/2017	10/3/2020 – 9/3/2027(6)	732,574	–	–	–	–	50.30	732,574	n/a
	31/7/2017	1/6/2020 – 30/7/2027(7)	476,786	–	–	–	–	61.55	476,786	n/a
	15/3/2018	15/3/2021 – 14/3/2028(8)	1,105,066	–	–	–	–	67.15	1,105,066	n/a
	27/3/2019	27/3/2022 – 26/3/2029(9)	–	1,115,158	–	–	–	76.38	1,115,158	n/a
Key Management Personnel (excluding the Director, Group Chief Executive and President)	1/6/2011	1/4/2014 – 31/5/2021(10)	427,279	–	–	75,576	(327,279)	27.35	175,576	77.05
	1/6/2011	1/4/2014 – 31/5/2021(11)	440,918	–	–	–	(440,918)	27.35	–	77.03
	15/3/2012	15/3/2015 – 14/3/2022(12)	519,012	–	–	71,303	(45,978)	28.40	544,337	78.50
	11/3/2013	11/3/2016 – 10/3/2023(13)	563,167	–	–	76,937	(47,093)	34.35	593,011	78.50
	5/3/2014	5/3/2017 – 4/3/2024(3)	663,790	–	–	67,963	(204,169)	37.56	527,584	79.09
	14/4/2014	14/4/2017 – 13/4/2024(14)	332,282	–	–	–	(332,282)	39.45	–	78.30
	12/3/2015	12/3/2018 – 11/3/2025(4)	983,844	–	–	60,016	(570,601)	47.73	473,259	78.60
	9/3/2016	9/3/2019 – 8/3/2026(5)	2,769,436	–	2,769,436	254,789	(1,610,625)	41.90	1,413,600	80.55
	10/3/2017	10/3/2020 – 9/3/2027(6)	2,413,333	–	–	77,998	–	50.30	2,491,331	n/a
	31/7/2017	1/6/2020 – 30/7/2027(7)	697,732	–	–	–	–	61.55	697,732	n/a
	15/3/2018	15/3/2021 – 14/3/2028(8)	2,692,372	–	–	57,735	–	67.15	2,750,107	n/a
	12/9/2018	12/9/2021 – 11/9/2028(15)	161,951	–	–	–	–	63.64	161,951	n/a
	27/3/2019	27/3/2022 – 26/3/2029(9)	–	2,636,088	–	52,081	–	76.38	2,688,169	n/a
	15/5/2019	1/5/2022 – 14/5/2029(16)	–	72,856	–	–	–	78.70	72,856	n/a
Other eligible employees and participants(1)	1/6/2011	1/4/2014 – 31/5/2021(10)	668,366	–	–	(75,576)	–	27.35	592,790	n/a
	1/6/2011	1/4/2014 – 31/5/2021(11)	431,097	–	–	–	(106,820)	27.35	324,277	80.00
	15/3/2012	15/3/2015 – 14/3/2022(12)	677,692	–	–	(71,303)	(32,219)	28.40	574,170	80.00
	11/3/2013	11/3/2016 – 10/3/2023(13)	623,256	–	–	(76,937)	(62,990)	34.35	483,329	74.35
	5/3/2014	5/3/2017 – 4/3/2024(3)	2,837,839	–	–	(67,963)	(2,169,274)	37.56	600,602	79.05
	12/3/2015	12/3/2018 – 11/3/2025(4)	2,536,394	–	–	(60,016)	(1,974,898)	47.73	501,480	78.97
	9/3/2016	9/3/2019 – 8/3/2026(5)	3,202,674	–	3,202,674	(254,789)	(2,379,929)	41.90	567,956	78.92
	10/3/2017	10/3/2020 – 9/3/2027(6)	1,833,644	–	–	(88,739)	–	50.30	1,744,905	n/a
	15/3/2018	15/3/2021 – 14/3/2028(8)	618,236	–	–	(73,270)	–	67.15	544,966	n/a
	27/3/2019	27/3/2022 – 26/3/2029(9)	–	578,686	–	(52,081)	–	76.38	526,605	n/a
	15/5/2019	1/5/2022 – 14/5/2029(16)	–	9,365	–	–	–	78.70	9,365	n/a

Notes:

(1) Include share options outstanding as at 1 January 2019 for the retired Group Chief Executive and President, Mr. Mark Edward Tucker.

(2) The measurement date (i.e. the date used to determine the value of the awards for accounting purposes) for awards made during the year ended 30 November 2011 was determined to be 15 June 2011. The measurement date for awards made during the year ended 30 November 2012 was determined to be 15 March 2012. The measurement date for awards made during the year ended 30 November 2013 was determined to be 11 March 2013. The measurement dates for awards made during the year ended 30 November 2014 were determined to be 5 March 2014 and 14 April 2014. The measurement date for awards made during the year ended 30 November 2015 was determined to be 12 March 2015. The measurement date for awards made during the year ended 30 November 2016 was determined to be 9 March 2016. The measurement dates for awards made during the year ended 30 November 2017 were determined to be 10 March 2017 and 31 July 2017. The measurement dates for awards made during the thirteen months ended 31 December 2018 were determined to be 15 March 2018 and 12 September 2018. The measurement dates for awards made during the six months ended 30 June 2019 were determined to be 27 March 2019 and 15 May 2019. These measurement dates were determined in accordance with IFRS 2.

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

(4) The vesting of share options is service-based only. All share options vested on 12 March 2018.

(5) The vesting of share options is service-based only. All share options vested on 9 March 2019.

(6) The vesting of share options is service-based only. All share options will vest on 10 March 2020.

(7) The vesting of share options is service-based only. All share options will vest on 1 June 2020.

(8) The vesting of share options is service-based only. All share options will vest on 15 March 2021.

(9) The closing price of the Company's shares immediately before the date on which share options were awarded was HK$75.65. The vesting of share options is service-based only. All share options will vest on 27 March 2022.

(10) The vesting of share options is service-based only. All share options vested on 1 April 2014.

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

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

(13) The vesting of share options is service-based only. All share options vested on 11 March 2016.

(14) The vesting of share options is service-based only. All share options vested on 14 April 2017.

(15) The vesting of share options is service-based only. All share options will vest on 12 September 2021.

(16) The closing price of the Company's shares immediately before the date on which share options were awarded was HK$75.70. The vesting of share options is service-based only. All share options will vest on 1 May 2022.

(17) These share options lapsed or were reclassified during the six months ended 30 June 2019. The reclassification of share options was a result of an executive who was previously categorised as "Other eligible employees and participants" becoming "Key Management Personnel" during this period. There were no cancelled share options during the six months ended 30 June 2019.

(18) Include share options outstanding as at 30 June 2019 that, in accordance with the SO Scheme rules, will lapse on or before the end of the respective periods during which the share options are exercisable.

EMPLOYEE SHARE PURCHASE PLAN

The Company adopted the ESPP on 25 July 2011 ("**ESPP Adoption Date**"). Under the ESPP, eligible employees of the Group may elect to purchase the Company's shares and, after having been in the plan for a period of three years, receive one matching share for each two shares purchased through the award of matching RSPUs. Each eligible employee's participation level is capped at a maximum purchase in any plan year of 8 per cent of his or her base salary or HK$9,750 (or local equivalent) per calendar month, whichever is lower. Upon vesting of the matching RSPUs, those employees who are still in employment with the Group will receive one matching share for each RSPU which he or she holds. The matching shares can either be purchased on market by the trustee of the ESPP or provided to recipients through the issuance of new shares by the Company. The aggregate number of new shares which can be issued by the Company under the ESPP during the 10-year period shall not exceed 2.5 per cent of the number of shares in issue on the ESPP Adoption Date. No new shares have been issued under the ESPP since its adoption.

During the six months ended 30 June 2019, 665,312 matching RSPUs were awarded, 23,578 matching RSPUs were vested, and no new shares were issued for the RSPUs pursuant to the ESPP.

AGENCY SHARE PURCHASE PLAN

The Company adopted the Agency Share Purchase Plan ("**ASPP**") on 23 February 2012 ("**ASPP Adoption Date**"). Under the ASPP, certain agents and agency leaders of the Group are selected to participate in the plan. Those agents selected for participation may elect to purchase the Company's shares and, after having been in the plan for a period of three years, receive one matching share for each two shares purchased through the award of matching RSSUs. Each eligible agent's participation level is capped at a maximum purchase in any plan year of US$15,000 (or local equivalent). Upon vesting of the matching RSSUs, those agents who remain with the Group will receive one matching share for each RSSU which he or she holds. The aggregate number of new shares which can be issued by the Company under the ASPP during the 10-year period shall not exceed 2.5 per cent of the number of shares in issue on the ASPP Adoption Date. Since the ASPP Adoption Date and up to 30 June 2019, a cumulative total of 5,433,433 new shares were issued under the ASPP, representing approximately 0.045 per cent of the shares in issue as at the ASPP Adoption Date.

During the six months ended 30 June 2019, 619,253 matching RSSUs were awarded, 1,260,386 matching RSSUs were vested, and 1,260,386 new shares (Awarded Shares) were issued for RSSUs vested pursuant to the ASPP. The Awarded Shares were issued at the subscription price of US$1.00 each to Computershare Hong Kong Trustees Limited (being the scheme trustee) to hold the same on trust for certain eligible agents upon vesting of their matching RSSUs. The closing price of the Company's shares on 29 April 2019 (being the business day immediately following the date on which the aforesaid matching RSSUs were vested, which was a non-trading day) was HK$80.30. The proceeds received amounted to approximately US$1.26 million which were used to fund the administration expenses of the ASPP and to use as general working capital of the Company.

EMPLOYEES

As at 30 June 2019, AIA employed approximately 22,000 employees (30 June 2018: approximately 21,000 employees) and the total employee benefit expenses for the six months ended 30 June 2019 amounted to approximately US$780 million (for the seven months ended 30 June 2018: approximately US$780 million).

Using a combination of market competitive short-term and long-term financial and non-financial rewards, our policies and programmes are designed to attract, engage and retain high-calibre employees and motivate them to help AIA execute its short-term and long-term business goals. In terms of employee learning and development, we practice a holistic approach whereby skills and knowledge are accumulated from on-the-job experience and activities such as mentoring and coaching, collaborative projects, and classroom and digital learning.

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As the Company has changed the financial year end date from 30 November to 31 December with effect from 2018, this set of interim condensed consolidated financial statements of the Group is for the six months ended 30 June 2019 with comparative figures for the seven months ended 30 June 2018. In conjunction with the change, supplementary financial information covering the six months ended 30 June 2019 for the current period and the corresponding six months period ended 30 June 2018 in the prior year is disclosed in note 27 for the purpose of enhancing the comparability of financial information.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED
(incorporated in Hong Kong with limited liability)

羅兵咸永道

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 46 to 108, which comprise the interim consolidated statement of financial position of AIA Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34 and IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
23 August 2019

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

INTERIM CONSOLIDATED INCOME STATEMENT

US$m	Notes	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Revenue			
Premiums and fee income		**16,687**	17,511
Premiums ceded to reinsurers		**(1,069)**	(970)
Net premiums and fee income		**15,618**	16,541
Investment return	7	**8,510**	2,805
Other operating revenue		**148**	145
Total revenue		**24,276**	19,491
Expenses			
Insurance and investment contract benefits		**16,841**	13,716
Insurance and investment contract benefits ceded		**(951)**	(877)
Net insurance and investment contract benefits		**15,890**	12,839
Commission and other acquisition expenses		**2,037**	2,113
Operating expenses		**1,168**	1,218
Finance costs		**136**	100
Other expenses		**444**	395
Total expenses	8	**19,675**	16,665
Profit before share of profit from associates and joint ventures		**4,601**	2,826
Share of profit from associates and joint ventures		**–**	–
Profit before tax		**4,601**	2,826
Income tax (expenses)/credit attributable to policyholders' returns		**(115)**	26
Profit before tax attributable to shareholders' profits		**4,486**	2,852
Tax expense	9	**(719)**	(562)
Tax attributable to policyholders' returns		**115**	(26)
Tax expense attributable to shareholders' profits		**(604)**	(588)
Net profit		**3,882**	2,264
Net profit attributable to:			
Shareholders of AIA Group Limited		**3,864**	2,228
Non-controlling interests		**18**	36
Earnings per share (US$)			
Basic	10	**0.32**	0.19
Diluted	10	**0.32**	0.18

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US$m	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Net profit	**3,882**	2,264
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on available for sale financial assets (net of tax of: six months ended 30 June 2019: US$(552)m; seven months ended 30 June 2018: US$131m)	**7,530**	(4,154)
Fair value gains on available for sale financial assets transferred to income on disposal (net of tax of: six months ended 30 June 2019: US$14m; seven months ended 30 June 2018: US$12m)	**(125)**	(25)
Foreign currency translation adjustments	**351**	(442)
Cash flow hedges	**17**	–
Share of other comprehensive income/(expense)from associates and joint ventures	**19**	(25)
Subtotal	**7,792**	(4,646)
Items that will not be reclassified subsequently to profit or loss:		
Revaluation gains/(losses) on property held for own use (net of tax of: six months ended 30 June 2019: US$(6)m; seven months ended 30 June 2018: US$(2)m)	**132**	(6)
Subtotal	**132**	(6)
Total other comprehensive income/(expense)	**7,924**	(4,652)
Total comprehensive income/(expense)	**11,806**	(2,388)
Total comprehensive income/(expense) attributable to:		
Shareholders of AIA Group Limited	**11,765**	(2,398)
Non-controlling interests	**41**	10

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$m	Notes	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018
Assets			
Intangible assets	12	**1,953**	1,970
Investments in associates and joint ventures		**635**	610
Property, plant and equipment		**2,711**	1,233
Investment property		**4,803**	4,794
Reinsurance assets		**3,164**	2,887
Deferred acquisition and origination costs		**25,507**	24,626
Financial investments:	13, 15		
Loans and deposits		**7,671**	7,392
Available for sale			
Debt securities		**126,639**	112,485
At fair value through profit or loss			
Debt securities		**29,391**	27,736
Equity securities		**44,497**	38,099
Derivative financial instruments	14	**513**	430
		208,711	186,142
Deferred tax assets		**29**	26
Current tax recoverable		**252**	164
Other assets		**5,054**	4,903
Cash and cash equivalents	16	**2,869**	2,451
Total assets		**255,688**	229,806
Liabilities			
Insurance contract liabilities	17	**175,895**	164,764
Investment contract liabilities	17	**8,221**	7,885
Borrowings	18	**5,817**	4,954
Obligations under repurchase and securities lending agreements	19	**2,507**	1,683
Derivative financial instruments	14	**357**	243
Provisions		**190**	168
Deferred tax liabilities		**5,284**	4,187
Current tax liabilities		**376**	532
Other liabilities		**6,723**	5,984
Total liabilities		**205,370**	190,400

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

US$m	Notes	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018
Equity			
Share capital	20	**14,128**	14,073
Employee share-based trusts	20	**(224)**	(258)
Other reserves	20	**(11,926)**	(11,910)
Retained earnings		**38,101**	35,661
Fair value reserve	20	**9,607**	2,211
Foreign currency translation reserve	20	**(945)**	(1,301)
Property revaluation reserve	20	**1,128**	538
Others		**9**	(8)
Amounts reflected in other comprehensive income		**9,799**	1,440
Total equity attributable to:			
Shareholders of AIA Group Limited		**49,878**	39,006
Non-controlling interests		**440**	400
Total equity		**50,318**	39,406
Total liabilities and equity		**255,688**	229,806

Approved and authorised for issue by the Board of Directors on 23 August 2019.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$m	Note	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income: Fair value reserve	Other comprehensive income: Foreign currency translation reserve	Other comprehensive income: Property revaluation reserve	Other comprehensive income: Others	Non-controlling interests	Total equity
Balance at 1 January 2019, as previously reported		**14,073**	**(258)**	**(11,910)**	**35,661**	**2,211**	**(1,301)**	**538**	**(8)**	**400**	**39,406**
Opening adjustment on adoption of IFRS 16	2	–	–	–	–	–	–	482	–	–	482
Balance at 1 January 2019, as adjusted		**14,073**	**(258)**	**(11,910)**	**35,661**	**2,211**	**(1,301)**	**1,020**	**(8)**	**400**	**39,888**
Net profit		–	–	–	3,864	–	–	–	–	18	3,882
Fair value gains on available for sale financial assets		–	–	–	–	7,510	–	–	–	20	7,530
Fair value gains on available for sale financial assets transferred to income on disposal		–	–	–	–	(125)	–	–	–	–	(125)
Foreign currency translation adjustments		–	–	–	–	–	348	–	–	3	351
Cash flow hedge		–	–	–	–	–	–	–	17	–	17
Share of other comprehensive income from associates and joint ventures		–	–	–	–	11	8	–	–	–	19
Revaluation gains on property held for own use		–	–	–	–	–	–	132	–	–	132
Total comprehensive income for the period		–	–	–	3,864	7,396	356	132	17	41	11,806
Dividends	11	–	–	–	(1,448)	–	–	–	–	–	(1,448)
Shares issued under share option scheme and agency share purchase plan		55	–	–	–	–	–	–	–	–	55
Acquisition of non-controlling interests		–	–	(3)	–	–	–	–	–	(1)	(4)
Share-based compensation		–	–	45	–	–	–	–	–	–	45
Purchase of shares held by employee share-based trusts		–	(24)	–	–	–	–	–	–	–	(24)
Transfer of vested shares from employee share-based trusts		–	58	(58)	–	–	–	–	–	–	–
Revaluation reserve transferred to retained earnings on disposal		–	–	–	24	–	–	(24)	–	–	–
Balance at 30 June 2019 – Unaudited		**14,128**	**(224)**	**(11,926)**	**38,101**	**9,607**	**(945)**	**1,128**	**9**	**440**	**50,318**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

US$m	Note	Share capital	Employee share-based trusts	Other reserves	Retained earnings	Other comprehensive income: Fair value reserve	Foreign currency translation reserve	Property revaluation reserve	Others	Non-controlling interests	Total equity
Balance at 1 December 2017		14,065	(297)	(11,948)	34,087	6,336	(751)	527	(25)	378	42,372
Net profit		–	–	–	2,228	–	–	–	–	36	2,264
Fair value losses on available for sale financial assets		–	–	–	–	(4,136)	–	–	–	(18)	(4,154)
Fair value gains on available for sale financial assets transferred to income on disposal		–	–	–	–	(25)	–	–	–	–	(25)
Foreign currency translation adjustments		–	–	–	–	–	(434)	–	–	(8)	(442)
Share of other comprehensive income/(expense) from associates and joint ventures		–	–	–	–	3	(28)	–	–	–	(25)
Revaluation losses on property held for own use		–	–	–	–	–	–	(6)	–	–	(6)
Effect of remeasurement of net liability of defined benefit schemes		–	–	–	–	–	–	–	–	–	–
Total comprehensive income/ (expense) for the period		–	–	–	2,228	(4,158)	(462)	(6)	–	10	(2,388)
Dividends	11	–	–	–	(1,140)	–	–	–	–	(3)	(1,143)
Shares issued under share option scheme and agency share purchase plan		4	–	–	–	–	–	–	–	–	4
Share-based compensation		–	–	46	–	–	–	–	–	–	46
Purchase of shares held by employee share-based trusts		–	(7)	–	–	–	–	–	–	–	(7)
Transfer of vested shares from employee share-based trusts		–	50	(50)	–	–	–	–	–	–	–
Others		–	–	7	–	–	–	–	–	–	7
Balance at 30 June 2018 – Unaudited		14,069	(254)	(11,945)	35,175	2,178	(1,213)	521	(25)	385	38,891

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

US$m	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Cash flows from operating activities		
Profit before tax	**4,601**	2,826
Adjustments for:		
Financial investments	**(12,656)**	(7,919)
Insurance and investment contract liabilities, and deferred acquisition and origination costs	**9,546**	6,979
Obligations under repurchase and securities lending agreements	**820**	115
Other non-cash operating items, including investment income and the effect of exchange rate changes on certain operating items	**(4,235)**	(4,846)
Operating cash items:		
Interest received	**3,232**	3,654
Dividends received	**425**	448
Interest paid	**(22)**	(23)
Tax paid	**(476)**	(428)
Net cash provided by operating activities	**1,235**	806
Cash flows from investing activities		
Payments for intangible assets	**(73)**	(49)
Distribution or dividend from associates and joint ventures	**3**	–
Payments for increase in interest of an associate	**(4)**	–
Proceeds from sales of investment property and property, plant and equipment	**20**	1
Payments for investment property and property, plant and equipment	**(43)**	(90)
Net cash used in investing activities	**(97)**	(138)
Cash flows from financing activities		
Issuances of medium-term notes	**1,301**	991
Redemption of medium-term notes	**(500)**	(500)
Proceeds from other borrowings	**138**	975
Repayment of other borrowings	**(77)**	(5)
Acquisition of non-controlling interests	**(4)**	–
Payments for lease liabilities(1)	**(71)**	–
Interest paid on medium-term notes	**(97)**	(74)
Dividends paid during the period	**(1,448)**	(1,143)
Purchase of shares held by employee share-based trusts	**(24)**	(7)
Shares issued under share option scheme and agency share purchase plan	**55**	4
Net cash (used in)/provided by financing activities	**(727)**	241
Net increase in cash and cash equivalents	**411**	909
Cash and cash equivalents at beginning of the financial period	**2,146**	1,787
Effect of exchange rate changes on cash and cash equivalents	**20**	(38)
Cash and cash equivalents at end of the financial period	**2,577**	2,658

Note:
(1) The total cash outflow for leases for the six months ended 30 June 2019 was US$86m.

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

	Note	**As at 30 June 2019 (Unaudited)**	As at 30 June 2018 (Unaudited)
Cash and cash equivalents in the interim consolidated statement of financial position	16	**2,869**	3,013
Bank overdrafts		**(292)**	(355)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows		**2,577**	2,658

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

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

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

2. Basis of preparation and statement of compliance

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34, Interim Financial Reporting and International Accounting Standard (IAS) 34, Interim Financial Reporting. International Financial Reporting Standards (IFRS) is substantially consistent with Hong Kong Financial Reporting Standards (HKFRS) and the accounting policy selections that the Group has made in preparing these interim condensed consolidated financial statements are such that the Group is able to comply with both HKFRS and IFRS. References to IFRS, IAS and Interpretations developed by the IFRS Interpretations Committee (IFRS IC) in these interim condensed consolidated financial statements should be read as referring to the equivalent HKFRS, HKAS and Hong Kong (IFRIC) Interpretations (HK(IFRIC) – Int) as the case may be. Accordingly, there are no differences of accounting practice between HKFRS and IFRS affecting these interim condensed consolidated financial statements. The interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the thirteen months ended 31 December 2018. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

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

The following relevant new standards have been adopted for the first time for the financial year ending 31 December 2019:

- IFRS 15, Revenue from Contracts with Customers, establishes revenue recognition principles for contracts with customers and enhances disclosure requirements. Under IFRS 15, revenue is recognised when the Group satisfies a performance obligation by transferring a service to a customer. In addition, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. It also provides guidance related to the costs to obtain and to fulfil a contract. This standard replaces IAS 18, Revenue, and several related interpretations and provides a new five-step model to recognise revenue for contracts with customers other than insurance contracts, financial instruments and lease contracts. Given insurance contracts are scoped out of IFRS 15, the main impact of the new standard to the Group is on the revenue recognition of asset management contracts and service components of investment contracts without DPF. Adoption of the standard has no financial impact to the Group's consolidated financial statements but requires additional disclosures.

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

- IFRS 16, Leases, replaces the existing standard IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group has elected to apply IFRS 16 to its leases retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. Furthermore, as permitted by the standard the Group has elected to initially measure the right-of-use asset in relation to each lease at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. This approach results in no adjustment to the opening balance of retained earnings on 1 January 2019. However, due to the initial application of the revaluation model in measuring the right-of-use assets relating to the Group's interest in leasehold land and land use rights associated with property held for own use, the opening balance of property revaluation reserve has been adjusted by US$482m on 1 January 2019.

The following relevant new interpretations and amendments to standards have been adopted for the first time for the financial year ending 31 December 2019 and have no material impact to the Group:

- IFRIC 22, Foreign Currency Transactions and Advance Consideration;

- IFRIC 23, Uncertainty Over Income Tax Treatments;

- Amendments to IAS 12, Income Tax Consequences of Payments on Instruments Classified as Equity;

- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement;

- Amendments to IAS 23, Borrowing Costs Eligible for Capitalisation;

- Amendments to IAS 28, Measuring an Associate or Joint Venture at Fair Value;

- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures;

- Amendments to IAS 40, Transfers of Investment Property;

- Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions; and

- Amendments to IFRS 3, Business Combinations and IFRS 11, Joint Arrangements – Remeasurement of Previously Held Interests.

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

The following standard and amendments are effective for the financial year ending 31 December 2019, but the Group has elected to apply the temporary exemption described further below:

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss or in other comprehensive income and those measured at amortised cost. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. In addition, a revised expected credit losses model will replace the incurred loss impairment model in IAS 39. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies. The IASB made further changes to two areas of IFRS 9. Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if the cash flow represents solely payments of principal and interest. Non-substantial modifications or exchange of financial liabilities that do not result in derecognition will be required to be recognised in profit or loss. The Group is yet to fully assess the impact of the above new requirements and changes.

  The standard is mandatorily effective for financial periods beginning on or after 1 January 2018 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which will become effective for financial periods beginning on or after 1 January 2019), but the Group qualifies for a temporary exemption as explained below.

- On 12 September 2016, the IASB issued amendments to IFRS 4, Insurance Contracts, Applying IFRS 9 Financial Instruments with IFRS 4, which provides two alternative measures to address the different effective dates of IFRS 9 and IFRS 17, Insurance Contracts. These measures include a temporary option for companies whose activities are predominantly connected with insurance to defer the effective date of IFRS 9 until the earlier of the effective date of IFRS 17 and financial reporting periods beginning on or after 1 January 2021 (please note below that the IASB Board proposed to defer the effective date of IFRS 17 to 1 January 2022 in Exposure Draft amendments to IFRS 17 published in June 2019), as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before IFRS 17 is applied. Based on the amendments to IFRS 4, the Group is eligible for and will elect to apply the temporary option to defer the effective date of IFRS 9 in order to implement the changes in parallel with IFRS 17, Insurance Contracts.

The following relevant new amendments to standards have been issued but are not effective for the financial year ending 31 December 2019 and have not been early adopted (the financial years for which the adoption is required for the Group are stated in parentheses). The Group has assessed the impact of these new amendments 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:

- Amendments to IAS 1 and IAS 8, Definition of Material (2020); and

- Amendments to IFRS 3, Definition of a Business (2020).

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

The following relevant new standard has been issued but is not effective for the financial year ending 31 December 2019 and has not been early adopted:

- IFRS 17, Insurance Contracts (previously IFRS 4 Phase II) will replace the current IFRS 4, Insurance Contracts. IFRS 17 includes fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, IFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. On 12 December 2017, the Hong Kong Institute of Certified Public Accountants ("HKICPA") approved the issuance of HKFRS 17, Insurance Contracts. The standards are currently mandatorily effective for financial periods beginning on or after 1 January 2021. However, IASB proposed in June 2019 to defer IFRS 17 and extend the temporary IFRS 9 exemption available to insurers until the financial period beginning on or after 1 January 2022. The proposed deferral is published in the Exposure Draft amendments to IFRS 17 for public consultation until 25 September 2019. HKICPA has not yet made any announcements related to IASB proposed deferral for IFRS 17. The Group is in the midst of conducting a detailed assessment of the new standards.

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

The interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS and IFRS.

The interim condensed consolidated financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers in accordance with the Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers' independent review report to the Board of Directors is included on page 45. The interim condensed consolidated financial statements have also been reviewed by the Company's Audit Committee.

The financial statements relating to the financial period ended 31 December 2018 that are included in the interim condensed consolidated financial statements as comparative information does not constitute the Group's statutory financial statements for that financial period but is derived from those financial statements. The Group has delivered the financial statements for the thirteen months ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15 March 2019. Their report did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

3. Exchange rates

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

	US dollar exchange rates		
	Six months ended 30 June 2019 (Unaudited)	Thirteen months ended 31 December 2018	Seven months ended 30 June 2018 (Unaudited)
Hong Kong	**7.84**	7.84	7.83
Thailand	**31.61**	32.35	31.72
Singapore	**1.36**	1.35	1.32
Malaysia	**4.12**	4.04	3.95
China	**6.79**	6.61	6.39

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

	US dollar exchange rates		
	As at 30 June 2019 (Unaudited)	As at 31 December 2018	As at 30 June 2018 (Unaudited)
Hong Kong	**7.81**	7.83	7.85
Thailand	**30.71**	32.47	33.16
Singapore	**1.35**	1.36	1.36
Malaysia	**4.14**	4.14	4.04
China	**6.87**	6.88	6.62

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

4. Operating profit after tax

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

US$m	Note	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Operating profit after tax	6	**2,918**	3,062
Non-operating items, net of related changes in insurance and investment contract liabilities:			
Short-term fluctuations in investment return related to equities and real estate (net of tax of: six months ended 30 June 2019: US$(115)m; seven months ended 30 June 2018: US$74m)[(1)]		**1,173**	(498)
Reclassification of revaluation gain for property held for own use (net of tax of: six months ended 30 June 2019: nil; seven months ended 30 June 2018: US$2m)[(1)]		**(125)**	(177)
Corporate transaction related costs (net of tax of: six months ended 30 June 2019: US$12m; seven months ended 30 June 2018: US$(37)m)[(2)]		**(30)**	(106)
Implementation costs for new accounting standards (net of tax of: six months ended 30 June 2019: US$2m; seven months ended 30 June 2018: nil)[(2)]		**(24)**	(16)
Other non-operating investment return and other items (net of tax of: six months ended 30 June 2019: US$62m; seven months ended 30 June 2018: US$(9)m)[(2)]		**(30)**	(1)
Net profit		**3,882**	2,264
Operating profit after tax attributable to:			
Shareholders of AIA Group Limited		**2,898**	3,039
Non-controlling interests		**20**	23
Net profit attributable to:			
Shareholders of AIA Group Limited		**3,864**	2,228
Non-controlling interests		**18**	36

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

Notes:

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

(2) The comparative information has been adjusted to conform to current period presentation.

5. Total weighted premium income and annualised new premiums

For management decision-making and internal performance management purposes, the Group measures business volumes during the period using a performance measure referred to as total weighted premium income (TWPI). The Group measures new business activity using a performance measure referred to as annualised new premiums (ANP). The presentation of this note is consistent with our reportable segment presentation in note 6.

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

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

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

TWPI US$m	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
TWPI by geography		
Hong Kong	**6,104**	6,132
Thailand	**1,929**	2,140
Singapore	**1,456**	1,560
Malaysia	**1,063**	1,209
China	**2,561**	2,436
Other Markets	**3,292**	3,518
Total	**16,405**	16,995
First year premiums by geography		
Hong Kong	**1,237**	1,168
Thailand	**300**	294
Singapore	**181**	185
Malaysia	**163**	174
China	**734**	633
Other Markets	**480**	549
Total	**3,095**	3,003
Single premiums by geography		
Hong Kong	**1,074**	1,551
Thailand	**112**	148
Singapore	**562**	1,013
Malaysia	**102**	107
China	**87**	87
Other Markets	**370**	404
Total	**2,307**	3,310

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

TWPI (continued) US$m	Six months ended 30 June 2019 (Unaudited)	Seven months ended 30 June 2018 (Unaudited)
Renewal premiums by geography		
Hong Kong	**4,760**	4,809
Thailand	**1,618**	1,831
Singapore	**1,219**	1,274
Malaysia	**890**	1,024
China	**1,818**	1,794
Other Markets	**2,774**	2,929
Total	**13,079**	13,661

ANP US$m	Six months ended 30 June 2019 (Unaudited)	Seven months ended 30 June 2018 (Unaudited)
ANP by geography		
Hong Kong	**1,367**	1,348
Thailand	**321**	324
Singapore	**267**	305
Malaysia	**198**	218
China	**753**	642
Other Markets	**537**	675
Total	**3,443**	3,512

6. Segment information

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

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

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

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

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

6. Segment information (continued)

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2019 – Unaudited								
ANP	1,367	321	267	198	753	537	–	3,443
TWPI	6,104	1,929	1,456	1,063	2,561	3,292	–	16,405
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	6,666	1,891	1,640	922	2,439	2,179	31	15,768
Investment return	1,507	678	605	288	471	560	216	4,325
Total revenue	8,173	2,569	2,245	1,210	2,910	2,739	247	20,093
Net insurance and investment contract benefits	6,045	1,405	1,640	787	1,854	1,359	26	13,116
Commission and other acquisition expenses	736	372	182	123	200	428	4	2,045
Operating expenses	222	111	112	88	168	357	110	1,168
Finance costs and other expenses	79	27	16	8	26	31	94	281
Total expenses	7,082	1,915	1,950	1,006	2,248	2,175	234	16,610
Share of profit from associates and joint ventures	–	–	–	–	–	–	–	–
Operating profit before tax	1,091	654	295	204	662	564	13	3,483
Tax on operating profit before tax	(86)	(126)	(14)	(35)	(125)	(140)	(39)	(565)
Operating profit/(losses) after tax	1,005	528	281	169	537	424	(26)	2,918
Operating profit/(losses) after tax attributable to:								
Shareholders of AIA Group Limited	997	528	281	167	537	414	(26)	2,898
Non-controlling interests	8	–	–	2	–	10	–	20
Key operating ratios:								
Expense ratio	3.6%	5.8%	7.7%	8.3%	6.6%	10.8%	–	7.1%
Operating margin	16.5%	27.4%	19.3%	15.9%	21.0%	12.9%	–	17.8%
Operating return on shareholders' allocated equity	23.3%	15.6%	17.0%	18.8%	27.5%	11.5%	–	14.6%
Operating profit before tax includes:								
Finance costs	16	1	–	1	19	4	87	128
Depreciation and amortisation	36	11	14	12	38	41	11	163

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
30 June 2019 – Unaudited								
Total assets	82,987	35,214	38,684	15,471	26,974	41,462	14,896	255,688
Total liabilities	69,638	26,725	34,835	13,560	22,989	32,183	5,440	205,370
Total equity	13,349	8,489	3,849	1,911	3,985	9,279	9,456	50,318
Shareholders' allocated equity	8,576	6,797	3,224	1,786	3,721	7,036	9,131	40,271
Net capital (out)/in flows	(636)	(456)	(25)	(3)	(572)	(161)	502	(1,351)
Total assets include:								
Investments in associates and joint ventures	3	–	–	4	–	628	–	635

6. Segment information (continued)

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

US$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items [(1)]	Interim consolidated income statement	
Six months ended 30 June 2019 – Unaudited					
Net premiums, fee income and other operating revenue	**15,768**	**–**	**(2)**	**15,766**	Net premiums, fee income and other operating revenue
Investment return	**4,325**	**1,797**	**2,388**	**8,510**	Investment return
Total revenue	**20,093**	**1,797**	**2,386**	**24,276**	**Total revenue**
Net insurance and investment contract benefits	**13,116**	**509**	**2,265**	**15,890**	Net insurance and investment contract benefits
Other expenses	**3,494**	**–**	**291**	**3,785**	Other expenses
Total expenses	**16,610**	**509**	**2,556**	**19,675**	**Total expenses**
Share of profit from associates and joint ventures	**–**	**–**	**–**	**–**	Share of profit from associates and joint ventures
Operating profit before tax	**3,483**	**1,288**	**(170)**	**4,601**	**Profit before tax**

Note:
(1) Include unit-linked contracts.

6. Segment information (continued)

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
Seven months ended 30 June 2018 – Unaudited								
ANP	1,348	324	305	218	642	675	–	3,512
TWPI	6,132	2,140	1,560	1,209	2,436	3,518	–	16,995
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	7,081	2,110	1,768	1,063	2,332	2,319	11	16,684
Investment return	1,473	780	687	354	509	635	195	4,633
Total revenue	8,554	2,890	2,455	1,417	2,841	2,954	206	21,317
Net insurance and investment contract benefits	6,315	1,600	1,791	916	1,819	1,608	12	14,061
Commission and other acquisition expenses	780	439	191	157	157	383	1	2,108
Operating expenses	221	125	119	107	171	354	121	1,218
Finance costs and other expenses	74	30	18	6	18	34	70	250
Total expenses	7,390	2,194	2,119	1,186	2,165	2,379	204	17,637
Share of (losses)/profit from associates and joint ventures	–	–	(1)	–	–	2	(1)	–
Operating profit before tax	1,164	696	335	231	676	577	1	3,680
Tax on operating profit before tax	(90)	(134)	(21)	(46)	(171)	(126)	(30)	(618)
Operating profit/(losses) after tax	1,074	562	314	185	505	451	(29)	3,062
Operating profit/(losses) after tax attributable to:								
Shareholders of AIA Group Limited	1,066	562	314	183	505	438	(29)	3,039
Non-controlling interests	8	–	–	2	–	13	–	23
Key operating ratios:								
Expense ratio	3.6%	5.8%	7.6%	8.9%	7.0%	10.1%	–	7.2%
Operating margin	17.5%	26.3%	20.1%	15.3%	20.7%	12.8%	–	18.0%
Operating return on shareholders' allocated equity	21.6%	16.6%	17.7%	19.6%	24.1%	11.4%	–	14.1%
Operating profit before tax includes:								
Finance costs	17	1	–	–	11	2	60	91
Depreciation and amortisation	17	6	10	10	13	27	6	89

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
31 December 2018								
Total assets	71,898	31,632	36,064	14,526	24,228	39,095	12,363	229,806
Total liabilities	64,299	24,627	32,865	12,885	20,068	30,889	4,767	190,400
Total equity	7,599	7,005	3,199	1,641	4,160	8,206	7,596	39,406
Shareholders' allocated equity	7,508	6,181	3,116	1,600	3,565	6,901	7,924	36,795
Net capital (out)/in flows	(1,054)	(149)	(267)	(185)	(542)	(479)	1,172	(1,504)
Total assets include:								
Investments in associates and joint ventures	–	–	–	6	–	604	–	610

6. Segment information (continued)

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

US$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items[1]	Interim consolidated income statement	
Seven months ended 30 June 2018 – Unaudited					
Net premiums, fee income and other operating revenue	16,684	–	2	16,686	Net premiums, fee income and other operating revenue
Investment return	4,633	(880)	(948)	2,805	Investment return
Total revenue	21,317	(880)	(946)	19,491	**Total revenue**
Net insurance and investment contract benefits	14,061	(308)	(914)	12,839	Net insurance and investment contract benefits
Other expenses	3,576	–	250	3,826	Other expenses
Total expenses	17,637	(308)	(664)	16,665	**Total expenses**
Share of profit from associates and joint ventures	–	–	–	–	Share of profit from associates and joint ventures
Operating profit before tax	3,680	(572)	(282)	2,826	**Profit before tax**

Note:
(1) Include unit-linked contracts.

7. Investment return

US$m	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Interest income	**3,273**	3,612
Dividend income	**454**	451
Rental income	**89**	98
Investment income	**3,816**	4,161
Available for sale		
Net realised gains from debt securities	**139**	37
Net gains of available for sale financial assets reflected in the interim consolidated income statement	**139**	37
At fair value through profit or loss		
Net gains/(losses) of financial assets designated at fair value through profit or loss		
Net gains/(losses) of debt securities	**689**	(361)
Net gains/(losses) of equity securities	**4,074**	(1,395)
Net fair value movement on derivatives	**(110)**	(194)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	**4,653**	(1,950)
Net fair value movement of investment property	**89**	391
Net foreign exchange (losses)/gains	**(246)**	170
Other net realised gains/(losses)	**59**	(4)
Investment experience	**4,694**	(1,356)
Investment return	**8,510**	2,805

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

US$m	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Foreign exchange (losses)/gains	**(183)**	197

8. Expenses

US$m	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Insurance contract benefits	**6,493**	6,996
Change in insurance contract liabilities	**9,704**	6,707
Investment contract benefits	**644**	13
Insurance and investment contract benefits	**16,841**	13,716
Insurance and investment contract benefits ceded	**(951)**	(877)
Insurance and investment contract benefits, net of reinsurance ceded	**15,890**	12,839
Commission and other acquisition expenses incurred	**3,384**	3,458
Deferral and amortisation of acquisition costs	**(1,347)**	(1,345)
Commission and other acquisition expenses	**2,037**	2,113
Employee benefit expenses	**780**	780
Depreciation	**111**	42
Amortisation	**32**	28
Operating lease rentals	**28**	96
Other operating expenses	**217**	272
Operating expenses	**1,168**	1,218
Investment management expenses and others	**257**	269
Depreciation on property held for own use	**27**	14
Restructuring and other non-operating costs[(1)]	**98**	125
Change in third-party interests in consolidated investment funds	**62**	(13)
Other expenses	**444**	395
Finance costs	**136**	100
Total	**19,675**	16,665

Note:

(1) Restructuring costs represent costs related to restructuring programmes and are primarily comprised of redundancy and contract termination costs. Other non-operating costs primarily consist of corporate transaction related costs and implementation costs for new accounting standards.

8. Expenses (continued)

Finance costs may be analysed as:

US$m	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Repurchase agreements (see note 19 for details)	**23**	15
Medium-term notes	**100**	83
Lease liabilities	**10**	–
Other loans	**3**	2
Total	**136**	100

Employee benefit expenses consist of:

US$m	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Wages and salaries	**630**	634
Share-based compensation	**40**	41
Pension costs – defined contribution plans	**45**	46
Pension costs – defined benefit plans	**8**	7
Other employee benefit expenses	**57**	52
Total	**780**	780

9. Income tax

US$m	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Tax charged in the interim consolidated income statement		
Current income tax – Hong Kong Profits Tax	**99**	82
Current income tax – overseas	**133**	476
Deferred income tax on temporary differences	**487**	4
Total	**719**	562

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

The tax benefit or expense attributable to life insurance policyholder returns in Singapore, Brunei, Malaysia, Australia, Indonesia, New Zealand, the Philippines and Sri Lanka is included in the tax charge or credit and is analysed separately in the interim consolidated income statement in order to permit comparison of the underlying effective rate of tax attributable to shareholders from period to period. The tax expenses attributable to policyholders' returns included above is US$115m (seven months ended 30 June 2018: tax credit of US$26m).

10. Earnings per share

BASIC

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

	Six months ended 30 June 2019 (Unaudited)	Seven months ended 30 June 2018 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,864**	2,228
Weighted average number of ordinary shares in issue (million)	**12,036**	12,017
Basic earnings per share (US cents per share)	**32.10**	18.54

10. Earnings per share (continued)

DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As of 30 June 2019 and 2018, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 23.

	Six months ended 30 June 2019 (Unaudited)	Seven months ended 30 June 2018 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,864**	2,228
Weighted average number of ordinary shares in issue (million)	**12,036**	12,017
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded under share-based compensation plans (million)	**29**	33
Weighted average number of ordinary shares for diluted earnings per share (million)	**12,065**	12,050
Diluted earnings per share (US cents per share)	**32.03**	18.49

At 30 June 2019, 8,803,510 share options (30 June 2018: 5,613,880) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

OPERATING PROFIT AFTER TAX PER SHARE

Operating profit after tax (see note 4) per share is calculated by dividing the operating profit after tax attributable to shareholders of AIA Group Limited by the weighted average number of ordinary shares in issue during the period. As of 30 June 2019 and 2018, the Group has potentially dilutive instruments which are the share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded to eligible directors, officers, employees and agents under various share-based compensation plans as described in note 23.

	Six months ended 30 June 2019 (Unaudited)	Seven months ended 30 June 2018 (Unaudited)
Basic (US cents per share)	**24.08**	25.29
Diluted (US cents per share)	**24.02**	25.22

11. Dividends

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

US$m	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Interim dividend declared after the reporting date of 33.30 Hong Kong cents per share (seven months ended 30 June 2018: 29.20 Hong Kong cents per share)[1]	**514**	447

Note:

(1) Based upon shares outstanding at 30 June 2019 and 2018 that are entitled to a dividend, other than those held by employee share-based trusts.

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

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

US$m	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Final dividend in respect of the previous financial period, approved and paid during the interim period of 84.80 Hong Kong cents per share (seven months ended 30 June 2018: 74.38 Hong Kong cents per share)	**1,302**	1,140
Special dividend in respect of the previous financial period, approved and paid during the interim period of 9.50 Hong Kong cents per share (seven months ended 30 June 2018: nil)	**146**	–

12. Intangible assets

US$m	Goodwill	Computer software	Distribution and other rights	Total
Cost				
At 1 January 2019	976	598	888	2,462
Additions	–	24	3	27
Foreign exchange movements	2	5	2	9
At 30 June 2019 – Unaudited	**978**	**627**	**893**	**2,498**
Accumulated amortisation				
At 1 January 2019	(4)	(349)	(139)	(492)
Amortisation charge for the period	–	(32)	(20)	(52)
Foreign exchange movements	–	(4)	3	(1)
At 30 June 2019 – Unaudited	**(4)**	**(385)**	**(156)**	**(545)**
Net book value				
At 31 December 2018	972	249	749	1,970
At 30 June 2019 – Unaudited	**974**	**242**	**737**	**1,953**

The Group holds intangible assets for its long-term use and the annual amortisation charge of US$104m (31 December 2018: US$90m) approximates the amount that is expected to be recovered through consumption within 12 months after the end of the reporting period.

13. Financial investments

DEBT SECURITIES

Debt securities by type comprise the following:

	Policyholder and shareholder							
	Participating funds and Other participating business with distinct portfolios		Other policyholder and shareholder			Unit-linked	Consolidated investment funds[5]	
US$m	FVTPL	AFS	FVTPL	AFS	Subtotal	FVTPL	FVTPL	Total
30 June 2019 – Unaudited								
Government bonds[1]	**7,290**	**–**	**500**	**38,748**	**46,538**	**1,258**	**–**	**47,796**
Other government and government agency bonds[2]	**5,496**	**2,809**	**60**	**14,402**	**22,767**	**254**	**367**	**23,388**
Corporate bonds	**10,616**	**24,112**	**223**	**45,735**	**80,686**	**1,264**	**1,752**	**83,702**
Structured securities[3]	**251**	**315**	**15**	**518**	**1,099**	**45**	**–**	**1,144**
Total[4]	**23,653**	**27,236**	**798**	**99,403**	**151,090**	**2,821**	**2,119**	**156,030**
31 December 2018								
Government bonds[1][6]	6,645	–	385	35,436	42,466	1,249	–	43,715
Other government and government agency bonds[2][6]	5,351	2,125	51	13,445	20,972	255	338	21,565
Corporate bonds	10,110	19,536	194	41,186	71,026	1,225	1,698	73,949
Structured securities[3]	217	320	18	437	992	–	–	992
Total[4]	22,323	21,981	648	90,504	135,456	2,729	2,036	140,221

Notes:

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

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

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

(4) Debt securities of US$6,422m (31 December 2018: US$5,282m) are restricted due to local regulatory requirements.

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

(6) The comparative information has been adjusted to conform to the current period presentation.

In 2019, the Group has enhanced the financial investments disclosure to align with internal credit risk assessment. As a result of the enhancement, the presentation of government bonds has been refined.

13. Financial investments (continued)

EQUITY SECURITIES

Equity securities by type comprise the following:

US$m	Policyholder and shareholder: Participating funds and Other participating business with distinct portfolios FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Consolidated investment funds[1] FVTPL	Total
30 June 2019 – Unaudited						
Equity shares	**11,048**	**5,658**	**16,706**	**4,947**	**–**	**21,653**
Interests in investment funds	**6,268**	**974**	**7,242**	**15,602**	**–**	**22,844**
Total	**17,316**	**6,632**	**23,948**	**20,549**	**–**	**44,497**

US$m	Policyholder and shareholder: Participating funds and Other participating business with distinct portfolios FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVTPL	Subtotal	Unit-linked FVTPL	Consolidated investment funds[1] FVTPL	Total
31 December 2018						
Equity shares	9,225	5,042	14,267	4,516	–	18,783
Interests in investment funds	4,667	747	5,414	13,902	–	19,316
Total	13,892	5,789	19,681	18,418	–	38,099

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

DEBT AND EQUITY SECURITIES

US$m	As at 30 June 2019 (Unaudited)	As at 31 December 2018
Debt securities		
Listed	**124,544**	111,008
Unlisted	**31,486**	29,213
Total	**156,030**	140,221
Equity securities		
Listed	**23,420**	20,060
Unlisted[1]	**21,077**	18,039
Total	**44,497**	38,099

Note:
(1) Including US$19,270m (31 December 2018: US$16,495m) of investment funds which can be redeemed daily.

13. Financial investments (continued)

LOANS AND DEPOSITS

US$m	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018
Policy loans	**3,042**	2,896
Mortgage loans on residential real estate	**613**	613
Mortgage loans on commercial real estate	**48**	46
Other loans	**615**	742
Allowance for loan losses	**(13)**	(12)
Loans	**4,305**	4,285
Term deposits	**1,689**	1,521
Promissory notes[1]	**1,677**	1,586
Total	**7,671**	7,392

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$1,884m (31 December 2018: US$1,782m).

Other loans include receivables from reverse repurchase agreements under which the Group does not take physical possession of securities purchased under the agreements. Sales or transfers of securities are not permitted by the respective clearing house on which they are registered while the loan is outstanding. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities held by the clearing house. At 30 June 2019, the carrying value of such receivables is US$55m (31 December 2018: US$149m).

14. Derivative financial instruments

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

		Fair value	
US$m	Notional amount	Assets	Liabilities
30 June 2019 – Unaudited			
Foreign exchange contracts			
Cross-currency swaps	**7,825**	**289**	**(214)**
Forwards	**2,135**	**8**	**(20)**
Foreign exchange futures	**110**	**–**	**–**
Currency options	**3**	**–**	**–**
Total foreign exchange contracts	**10,073**	**297**	**(234)**
Interest rate contracts			
Interest rate swaps	**5,424**	**193**	**(123)**
Other			
Warrants and options	**122**	**2**	**–**
Forward contracts	**125**	**21**	**–**
Netting	**(110)**	**–**	**–**
Total	**15,634**	**513**	**(357)**
31 December 2018			
Foreign exchange contracts			
Cross-currency swaps	7,825	224	(159)
Forwards	4,456	11	(42)
Foreign exchange futures	105	–	–
Currency options	6	–	–
Total foreign exchange contracts	12,392	235	(201)
Interest rate contracts			
Interest rate swaps	4,730	122	(42)
Other			
Warrants and options	4,211	57	–
Forward contracts	275	16	–
Netting	(105)	–	–
Total	21,503	430	(243)

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

Of the total derivatives, US$1m (31 December 2018: US$6m) are listed in exchange or dealer markets and the rest are over-the-counter (OTC) derivatives. OTC derivative contracts are individually negotiated between contracting parties and not cleared through an exchange. OTC derivatives include forwards, swaps and options. Derivatives are subject to various risks including market, liquidity and credit risks, similar to those related to the underlying financial instruments.

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

14. Derivative financial instruments (continued)

FOREIGN EXCHANGE CONTRACTS

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

INTEREST RATE SWAPS

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

OTHER DERIVATIVES

Warrants and options are option agreements that give the owner the right to buy or sell securities at an agreed price and settlement date. Forward contracts are contractual obligations to buy or sell a financial instrument on a predetermined future date at a specified price.

NETTING ADJUSTMENT

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

COLLATERAL UNDER DERIVATIVE TRANSACTIONS

At 30 June 2019, the Group had posted cash collateral of US$24m (31 December 2018: US$20m) and pledged debt securities with carrying value of US$239m (31 December 2018: US$141m) for liabilities and held cash collateral of US$334m (31 December 2018: US$251m), debt securities collateral with carrying value of US$4m (31 December 2018: US$41m) 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.

15. Fair value measurement of financial instruments

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

US$m	Notes	Fair value				
		Fair value through profit or loss	Available for sale	Cost/ amortised cost	Total carrying value	Total fair value
30 June 2019 – Unaudited						
Financial investments	13					
Loans and deposits		**–**	**–**	**7,671**	**7,671**	**7,660**
Debt securities		**29,391**	**126,639**	**–**	**156,030**	**156,030**
Equity securities		**44,497**	**–**	**–**	**44,497**	**44,497**
Derivative financial instruments	14	**513**	**–**	**–**	**513**	**513**
Reinsurance receivables		**–**	**–**	**597**	**597**	**597**
Other receivables		**–**	**–**	**2,460**	**2,460**	**2,460**
Accrued investment income		**–**	**–**	**1,709**	**1,709**	**1,709**
Cash and cash equivalents	16	**–**	**–**	**2,869**	**2,869**	**2,869**
Financial assets		**74,401**	**126,639**	**15,306**	**216,346**	**216,335**

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	17	**7,311**	**512**	**7,823**	**7,823**
Borrowings	18	**–**	**5,817**	**5,817**	**6,225**
Obligations under repurchase agreements	19	**–**	**2,507**	**2,507**	**2,507**
Derivative financial instruments	14	**357**	**–**	**357**	**357**
Other liabilities		**1,162**	**5,561**	**6,723**	**6,723**
Financial liabilities		**8,830**	**14,397**	**23,227**	**23,635**

15. Fair value measurement of financial instruments (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

US$m	Notes	Fair value: Fair value through profit or loss	Fair value: Available for sale	Cost/ amortised cost	Total carrying value	Total fair value
31 December 2018						
Financial investments	13					
Loans and deposits		–	–	7,392	7,392	7,392
Debt securities		27,736	112,485	–	140,221	140,221
Equity securities		38,099	–	–	38,099	38,099
Derivative financial instruments	14	430	–	–	430	430
Reinsurance receivables		–	–	539	539	539
Other receivables		–	–	2,242	2,242	2,242
Accrued investment income		–	–	1,604	1,604	1,604
Cash and cash equivalents	16	–	–	2,451	2,451	2,451
Financial assets		66,265	112,485	14,228	192,978	192,978

	Notes	Fair value through profit or loss	Cost/ amortised cost	Total carrying value	Total fair value
Financial liabilities					
Investment contract liabilities	17	6,907	549	7,456	7,456
Borrowings	18	–	4,954	4,954	4,984
Obligations under repurchase and securities lending agreements	19	–	1,683	1,683	1,683
Derivative financial instruments	14	243	–	243	243
Other liabilities		1,153	4,831	5,984	5,984
Financial liabilities		8,303	12,017	20,320	20,350

The Group does not have assets or liabilities measured at fair value on a non-recurring basis during the six months ended 30 June 2019.

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

15. Fair value measurement of financial instruments (continued)

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

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

	Fair value hierarchy			
US$m	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2019 – Unaudited				
Recurring fair value measurement				
Financial assets				
Available for sale				
Debt securities				
Participating funds and Other participating business with distinct portfolios	**62**	**26,871**	**303**	**27,236**
Other policyholder and shareholder	**–**	**98,465**	**938**	**99,403**
At fair value through profit or loss				
Debt securities				
Participating funds and Other participating business with distinct portfolios	**7**	**23,109**	**537**	**23,653**
Unit-linked contracts and consolidated investment funds	**–**	**4,922**	**18**	**4,940**
Other policyholder and shareholder	**1**	**768**	**29**	**798**
Equity securities				
Participating funds and Other participating business with distinct portfolios	**15,235**	**871**	**1,210**	**17,316**
Unit-linked contracts and consolidated investment funds	**20,314**	**235**	**–**	**20,549**
Other policyholder and shareholder	**5,472**	**875**	**285**	**6,632**
Derivative financial instruments				
Foreign exchange contracts	**–**	**297**	**–**	**297**
Interest rate contracts	**–**	**193**	**–**	**193**
Other contracts	**1**	**22**	**–**	**23**
Total financial assets on a recurring fair value measurement basis	**41,092**	**156,628**	**3,320**	**201,040**
% of Total	***20.4***	***77.9***	***1.7***	***100.0***
Financial liabilities				
Investment contract liabilities	**–**	**–**	**7,311**	**7,311**
Derivative financial instruments				
Foreign exchange contracts	**–**	**234**	**–**	**234**
Interest rate contracts	**–**	**123**	**–**	**123**
Other liabilities	**–**	**1,162**	**–**	**1,162**
Total financial liabilities on a recurring fair value measurement basis	**–**	**1,519**	**7,311**	**8,830**
% of Total	–	***17.2***	***82.8***	***100.0***

15. Fair value measurement of financial instruments (continued)

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

	Fair value hierarchy			
US$m	Level 1	Level 2	Level 3	Total
31 December 2018				
Recurring fair value measurement				
Financial assets				
Available for sale				
Debt securities				
Participating funds and Other participating business with distinct portfolios	27	21,645	309	21,981
Other policyholder and shareholder	–	89,591	913	90,504
At fair value through profit or loss				
Debt securities				
Participating funds and Other participating business with distinct portfolios	7	21,785	531	22,323
Unit-linked contracts and consolidated investment funds	–	4,697	68	4,765
Other policyholder and shareholder	1	618	29	648
Equity securities				
Participating funds and Other participating business with distinct portfolios	12,124	710	1,058	13,892
Unit-linked contracts and consolidated investment funds	18,223	195	–	18,418
Other policyholder and shareholder	4,859	655	275	5,789
Derivative financial instruments				
Foreign exchange contracts	–	235	–	235
Interest rate contracts	–	122	–	122
Other contracts	2	71	–	73
Total financial assets on a recurring fair value measurement basis	35,243	140,324	3,183	178,750
% of Total	*19.7*	*78.5*	*1.8*	*100.0*
Financial liabilities				
Investment contract liabilities	–	–	6,907	6,907
Derivative financial instruments				
Foreign exchange contracts	–	201	–	201
Interest rate contracts	–	42	–	42
Other liabilities	–	1,153	–	1,153
Total financial liabilities on a recurring fair value measurement basis	–	1,396	6,907	8,303
% of Total	–	*16.8*	*83.2*	*100.0*

The Group's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the six months ended 30 June 2019, the Group transferred US$332m (thirteen months ended 31 December 2018: US$15m) of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. The Group transferred US$31m (thirteen months 31 December 2018: nil) of assets from Level 2 to Level 1 during the six months ended 30 June 2019.

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

15. Fair value measurement of financial instruments (continued)

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

The table below sets out a summary of changes in the Group's Level 3 financial assets and liabilities measured at fair value on a recurring basis for the six months ended 30 June 2019. The table reflects gains and losses, including gains and losses on financial assets and liabilities categorised as Level 3 as at 30 June 2019.

Level 3 financial assets and liabilities

US$m	Debt securities	Equity securities	Derivative financial assets/ (liabilities)	Investment contracts
At 1 January 2019	**1,850**	**1,333**	**–**	**(6,907)**
Net movement on investment contract liabilities	**–**	**–**	**–**	**(404)**
Total gains/(losses)				
Reported under investment return in the interim consolidated income statement	**8**	**(10)**	**–**	**–**
Reported under fair value reserve and foreign currency translation reserve in the interim consolidated statement of comprehensive income	**2**	**9**	**–**	**–**
Purchases	**175**	**211**	**–**	**–**
Sales	**(1)**	**(13)**	**–**	**–**
Settlements	**(209)**	**–**	**–**	**–**
Transfer out of Level 3	**–**	**(35)**	**–**	**–**
At 30 June 2019 – Unaudited	**1,825**	**1,495**	**–**	**(7,311)**
Change in unrealised gains or losses included in the interim consolidated income statement for assets and liabilities held at the end of the reporting period, under investment return	**3**	**–**	**–**	**–**

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

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

15. Fair value measurement of financial instruments (continued)

SIGNIFICANT UNOBSERVABLE INPUTS FOR LEVEL 3 FAIR VALUE MEASUREMENTS

As at 30 June 2019, the valuation techniques and applicable unobservable inputs used to measure the Group's Level 3 financial instruments are summarised as follows:

Description	Fair value at 30 June 2019 (Unaudited) (US$m)	Valuation techniques	Unobservable inputs	Range
Debt securities	844	Discounted cash flows	Risk adjusted discount rate	3.04% – 13.05%

VALUATION PROCESSES

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

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

16. Cash and cash equivalents

US$m	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018
Cash	**2,041**	1,657
Cash equivalents	**828**	794
Total(1)	**2,869**	2,451

Note:
(1) Of cash and cash equivalents, US$553m (31 December 2018: US$590m) are held to back unit-linked contracts and US$128m (31 December 2018: US$82m) are held by consolidated investment funds.

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

17. Insurance and investment contract liabilities

INSURANCE CONTRACT LIABILITIES

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

US$m	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018
Deferred profit	**9,171**	8,386
Unearned revenue	**2,333**	3,224
Policyholders' share of participating surplus	**8,608**	7,474
Liabilities for future policyholder benefits	**155,783**	145,680
Total	**175,895**	164,764

INVESTMENT CONTRACT LIABILITIES

Investment contract liabilities include deferred fee income of US$398m (31 December 2018: US$429m).

18. Borrowings

US$m	As at 30 June 2019 (Unaudited)	As at 31 December 2018
Other loans	**63**	–
Medium-term notes	**5,754**	4,954
Total	**5,817**	4,954

The following table summarises the Company's outstanding medium-term notes placed to the market at 30 June 2019:

Issue date	Nominal amount	Interest rate	Tenor at issue
13 March 2013(1)	US$500m	3.125%	10 years
11 March 2014(1)	US$500m	4.875%	30 years
11 March 2015(1)	US$750m	3.200%	10 years
16 March 2016(1)	US$750m	4.500%	30 years
23 May 2017(2)	US$500m	4.470%	30 years
6 April 2018(1)	US$500m	3.900%	10 years
12 April 2018	HK$3,900m	2.760%	3 years
20 September 2018(1)	US$500m	3M LIBOR + 0.52%	3 years
16 January 2019	HK$1,300m	2.950%	3.5 years
16 January 2019	HK$1,100m	3.680%	12 years
9 April 2019(1)	US$1,000m	3.600%	10 years

Notes:

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

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

The net proceeds from issuances during the six months ended 30 June 2019 and the seven months ended 30 June 2018 are used for general corporate purposes.

The Group has access to an aggregate of US$2,374m unsecured committed credit facilities, which includes a US$300m credit facility expiring in 2020, and a US$2,074m credit facility expiring in 2022. The credit facilities will be used for general corporate purposes. There were no outstanding borrowings under these credit facilities as of 30 June 2019 and 31 December 2018.

19. Obligations under repurchase and securities lending agreements

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

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

US$m	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018
Debt securities – AFS		
Repurchase agreements	**2,504**	1,748
Securities lending	**–**	340
Debt securities – FVTPL		
Repurchase agreements	**30**	16
Total	**2,534**	2,104

COLLATERAL

At 30 June 2019 and 31 December 2018, the Group had no pledged debt securities. No cash collateral (31 December 2018: US$5m) was held based on the market value of the securities transferred. In the absence of default, the Group does not sell or repledge the debt securities collateral received and they are not recognised in the interim consolidated statement of financial position.

The Group did not have any securities lending transactions outstanding as at 30 June 2019. The securities lending transactions outstanding as at 31 December 2018 were conducted with a national monetary authority on securities denominated in local currency issued by the same authority.

At 30 June 2019, the obligations under repurchase agreements were US$2,507m (31 December 2018: US$1,683m).

20. Share capital and reserves

SHARE CAPITAL

	As at 30 June 2019		As at 31 December 2018	
	Million shares (Unaudited)	**US$m (Unaudited)**	Million shares	US$m
At beginning of the financial period	**12,077**	**14,073**	12,074	14,065
Shares issued under share option scheme and agency share purchase plan	**12**	**55**	3	8
At end of the financial period	**12,089**	**14,128**	12,077	14,073

The Company issued 10,305,075 shares under share option scheme (thirteen months ended 31 December 2018: 1,355,304 shares) and 1,260,386 shares under agency share purchase plan (thirteen months ended 31 December 2018: 1,167,021 shares) during the six months ended 30 June 2019.

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2019 with the exception of 2,461,909 shares (thirteen months ended 31 December 2018: 1,409,735 shares) of the Company purchased by and nil shares (thirteen months ended 31 December 2018: nil) of the Company sold by the employee share-based trusts. These purchases were made by the relevant scheme trustees on the Hong Kong Stock Exchange. These shares are held on trust for participants of the relevant schemes and therefore were not cancelled.

During the six months ended 30 June 2019, 13,348,747 shares (seven months ended 30 June 2018: 11,750,286 shares) were transferred to eligible directors, officers and employees of the Group from the employee share-based trusts under share-based compensation plans as a result of vesting. As at 30 June 2019, 41,373,099 shares (31 December 2018: 52,259,936 shares) of the Company were held by the employee share-based trusts.

20. Share capital and reserves (continued)

RESERVES

Fair value reserve

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

Foreign currency translation reserve

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

Employee share-based trusts

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

Property revaluation reserve

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

Other reserves

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

21. Group capital structure

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 Insurance Authority (HKIA), which requires that AIA Co. and AIA International meet the solvency margin requirements of the Hong Kong Insurance Ordinance (HKIO). The HKIO (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.

On 16 May 2017, the HKIA and the China Banking and Insurance Regulatory Commission signed the Equivalence Assessment Framework Agreement on the Solvency Regulatory Regime. As a transitional arrangement, AIA is reporting under HKIO the capital position of its China branches under the HKIO based on the China local regulatory solvency basis progressively over a 4-year phase-in period to full implementation on 31 March 2022.

AIA has given an undertaking to the HKIA to maintain an excess of assets over liabilities for branches other than Hong Kong at no less than 100% of the Hong Kong statutory minimum solvency margin requirement in each of AIA Co. and AIA International.

The capital positions of the Group's two principal operating companies as of 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019 (Unaudited)			31 December 2018		
US$m	**Total available capital**	**Regulatory minimum capital**	**Solvency ratio**	Total available capital	Regulatory minimum capital	Solvency ratio
AIA Co.	**11,238**	**2,706**	**415%**	9,208	2,189	421%
AIA International	**8,625**	**2,163**	**399%**	6,772	1,855	365%

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

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

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

22. Risk management

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

CREDIT RISK

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

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

INTEREST RATE RISK

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

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

EQUITY PRICE RISK

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

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

22. Risk management (continued)

SENSITIVITY ANALYSIS

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

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

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

	30 June 2019 (Unaudited)			31 December 2018		
US$m	**Impact on profit before tax**	**Impact on total equity (before the effects of taxation)**	**Impact on allocated equity (before the effects of taxation)**	Impact on profit before tax	Impact on total equity (before the effects of taxation)	Impact on allocated equity (before the effects of taxation)
Equity price risk						
10 per cent increase in equity prices	**1,697**	**1,697**	**1,697**	1,369	1,369	1,369
10 per cent decrease in equity prices	**(1,697)**	**(1,697)**	**(1,697)**	(1,369)	(1,369)	(1,369)
Interest rate risk						
+ 50 basis points shift in yield curves	**(266)**	**(7,701)**	**(266)**	(258)	(6,504)	(258)
- 50 basis points shift in yield curves	**285**	**8,578**	**285**	274	7,231	274

FOREIGN EXCHANGE RATE RISK

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

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

22. Risk management (continued)

FOREIGN EXCHANGE RATE RISK (continued)

Foreign exchange rate net exposure

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi
30 June 2019 – Unaudited						
Equity analysed by original currency	**27,695**	**4,185**	**8,663**	**1,026**	**2,393**	**4,223**
Net notional amounts of currency derivative positions	**(8,282)**	**–**	**(459)**	**(114)**	**–**	**3**
Currency exposure	**19,413**	**4,185**	**8,204**	**912**	**2,393**	**4,226**
5% strengthening of original currency						
Impact on profit before tax	**137**	**(7)**	**(13)**	**17**	**3**	**8**
Impact on other comprehensive income	**(168)**	**164**	**422**	**28**	**117**	**203**
Impact on total equity	**(31)**	**157**	**409**	**45**	**120**	**211**
5% strengthening of the US dollar						
Impact on profit before tax	**137**	**47**	**16**	**–**	**(2)**	**(6)**
Impact on other comprehensive income	**(168)**	**(204)**	**(425)**	**(45)**	**(118)**	**(205)**
Impact on total equity	**(31)**	**(157)**	**(409)**	**(45)**	**(120)**	**(211)**

US$m	United States Dollar	Hong Kong Dollar	Thai Baht	Singapore Dollar	Malaysian Ringgit	China Renminbi
31 December 2018						
Equity analysed by original currency	19,278	2,527	3,819	(1,821)	2,153	4,380
Net notional amounts of currency derivative positions	(8,448)	595	3,209	2,806	–	(560)
Currency exposure	10,830	3,122	7,028	985	2,153	3,820
5% strengthening of original currency						
Impact on profit before tax	100	(36)	7	12	3	(21)
Impact on other comprehensive income	(125)	158	344	37	105	212
Impact on total equity	(25)	122	351	49	108	191
5% strengthening of the US dollar						
Impact on profit before tax	100	70	(5)	4	(2)	23
Impact on other comprehensive income	(125)	(192)	(346)	(53)	(106)	(214)
Impact on total equity	(25)	(122)	(351)	(49)	(108)	(191)

22. Risk management (continued)

LIQUIDITY RISK

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

Investment liquidity risk occurs in relation to the Group's ability to buy and sell investments. This is a function of the size of the Group's holdings relative to the availability of 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 are characterised by a relatively low need for liquidity to cover those of their liabilities which are directly linked to mortality and morbidity, this risk is nevertheless carefully managed by continuously assessing the relative liquidity of the Group's assets and managing the size of individual holdings through limits.

US$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
30 June 2019 – Unaudited						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	**7,501**	1,059	866	563	1,967	3,046
Other receivables	**2,084**	1,963	77	9	–	35
Debt securities	**151,090**	2,183	18,498	31,560	98,849	–
Equity securities	**23,948**	–	–	–	–	23,948
Reinsurance receivables	**597**	597	–	–	–	–
Accrued investment income	**1,654**	1,642	3	–	–	9
Cash and cash equivalents	**2,188**	2,188	–	–	–	–
Derivative financial instruments	**512**	110	155	106	141	–
Subtotal	**189,574**	9,742	19,599	32,238	100,957	27,038
Financial assets (Unit-linked contracts and consolidated investment funds)	**26,486**	–	–	–	–	26,486
Total	**216,060**	9,742	19,599	32,238	100,957	53,524
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	**130,583**	3,050	11,099	12,472	103,962	–
Borrowings	**5,817**	63	1,664(1)	2,232	1,858	–
Obligations under repurchase agreements	**2,507**	2,507	–	–	–	–
Other liabilities excluding lease liabilities	**4,935**	3,765	29	9	3	1,129
Lease liabilities	**502**	143	308	51	–	–
Derivative financial instruments	**360**	29	161	88	82	–
Subtotal	**144,704**	9,557	13,261	14,852	105,905	1,129
Financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds)	**26,495**	–	–	–	–	26,495
Total	**171,199**	9,557	13,261	14,852	105,905	27,624

Note:
(1) Includes amounts of US$1,164m falling due after 2 years through 5 years.

22. Risk management (continued)

LIQUIDITY RISK (continued)

US$m	Total	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	No fixed maturity
31 December 2018						
Financial assets (Policyholder and shareholder investments)						
Loans and deposits	7,311	1,011	708	270	2,422	2,900
Other receivables	1,913	1,788	68	5	–	52
Debt securities	135,456	2,683	17,352	30,450	84,971	–
Equity securities	19,681	–	–	–	–	19,681
Reinsurance receivables	539	539	–	–	–	–
Accrued investment income	1,546	1,537	–	–	–	9
Cash and cash equivalents	1,779	1,779	–	–	–	–
Derivative financial instruments	428	121	85	164	58	–
Subtotal	168,653	9,458	18,213	30,889	87,451	22,642
Financial assets (Unit-linked contracts and consolidated investment funds)	24,055	–	–	–	–	24,055
Total	192,708	9,458	18,213	30,889	87,451	46,697
Financial and insurance contract liabilities (Policyholder and shareholder investments)						
Insurance and investment contract liabilities (net of deferred acquisition and origination costs, and reinsurance)	122,563	2,914	10,824	11,965	96,860	–
Borrowings	4,954	500	1,496[1]	1,241	1,717	–
Obligations under repurchase and securities lending agreements	1,683	1,683	–	–	–	–
Other liabilities	4,754	3,526	126	5	2	1,095
Derivative financial instruments	243	54	98	53	38	–
Subtotal	134,197	8,677	12,544	13,264	98,617	1,095
Financial and insurance contract liabilities (Unit-linked contracts and consolidated investment funds)	24,073	–	–	–	–	24,073
Total	158,270	8,677	12,544	13,264	98,617	25,168

Note:
(1) These borrowings fall due after 2 years through 5 years.

23. Share-based compensation

SHARE-BASED COMPENSATION PLANS

During the six months ended 30 June 2019, the Group made further awards of share options, restricted share units (RSUs) and restricted stock purchase units (RSPUs) to certain directors, officers and employees of the Group under the Share Option Scheme (SO Scheme), the Restricted Share Unit Scheme (RSU Scheme) and the Employee Share Purchase Plan (ESPP). In addition, the Group made further awards of restricted stock subscription units (RSSUs) to eligible agents under the Agency Share Purchase Plan (ASPP).

VALUATION METHODOLOGY

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

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

	Share option awards	
	Six months ended 30 June 2019 (Unaudited)	Thirteen months ended 31 December 2018
Assumptions		
Risk-free interest rate	**1.44% – 1.59%**	1.87% – 2.33%
Volatility	**20%**	20%
Dividend yield	**1.50%**	1.50% – 1.80%
Exercise price (HK$)	**76.38 – 78.70**	63.64 – 67.15
Share option life (in years)	**10**	10
Expected life (in years)	**7.97**	7.89 – 7.95
Weighted average fair value per option/unit at measurement date (HK$)	**15.55**	13.69

The weighted average share price for share option valuation for awards made during the six months ended 30 June 2019 is HK$76.42 (thirteen months ended 31 December 2018: HK$67.03). The total fair value of share options awarded during the six months ended 30 June 2019 is US$9m (seven months ended 30 June 2018: US$8m).

RECOGNISED COMPENSATION COST

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards made under the RSU Scheme, SO Scheme, ESPP and ASPP by the Group for the six months ended 30 June 2019 is US$45m (seven months ended 30 June 2018: US$46m).

24. Remuneration of key management personnel

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

US$	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Key management compensation and other expenses		
Salaries and other short-term employee benefits	**14,325,664**	15,169,418
Post-employment benefits	**1,404,935**	377,096
Share-based payments	**8,767,011**	8,503,129
Total	**24,497,610**	24,049,643

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

US$	**Six months ended 30 June 2019 (Unaudited)**	Seven months ended 30 June 2018 (Unaudited)
Below 1,000,000	**2**	–
1,000,001 to 2,000,000	**11**	7
2,000,001 to 3,000,000	**–**	4
4,000,001 to 5,000,000	**–**	1
5,000,001 to 6,000,000	**1**	–

25. Commitments and contingencies

COMMITMENTS UNDER OPERATING LEASES

As indicated in note 2, the Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. Prior to the adoption of IFRS 16, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

US$m	As at 31 December 2018
Properties and others expiring	
Not later than one year	171
Later than one and not later than five years	301
Later than five years	41
Total	513

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

25. Commitments and contingencies (continued)

INVESTMENT AND CAPITAL COMMITMENTS

US$m	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018
Not later than one year	**1,327**	1,353
Later than one and not later than five years	**9**	5
Total	**1,336**	1,358

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

CONTINGENCIES

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

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

The Group is the reinsurer in a residential mortgage credit reinsurance agreement covering residential mortgages in Australia. The Group is exposed to the risk of losses in the event of the failure of the retrocessionaire, a subsidiary of American International Group, Inc., to honour its outstanding obligations which is mitigated by a trust agreement. The principal balance outstanding of mortgage loans to which the reinsurance agreement relates were approximately US$473m at 30 June 2019 (31 December 2018: US$486m). The liabilities and related reinsurance assets, which totalled US$2m (31 December 2018: US$2m), respectively, arising from these agreements are reflected and presented on a gross basis in these financial statements in accordance with the Group's accounting policies. The Group expects to fully recover amounts outstanding at the reporting date under the terms of this agreement from the retrocessionaire.

26. Events after the reporting period

In September 2017, the Group entered into an agreement to acquire Commonwealth Bank of Australia's (CBA) life insurance business in Australia, including a 20-year strategic bancassurance partnership with CBA in Australia (for more information please refer to note 44 of the Group's 2018 financial statements). The acquisition is pending the completion of all necessary regulatory and governmental approvals. The Group and CBA have been exploring alternative arrangements that aim to replicate the expected strategic outcomes of the originally planned acquisition. The Group expects to provide further details of these alternative arrangements in the second half of 2019.

On 23 August 2019, a Committee appointed by the Board of Directors declared an interim dividend of 33.30 Hong Kong cents per share (seven months ended 30 June 2018: 29.20 Hong Kong cents per share).

27. Supplementary financial information on a calendar year basis

In February 2018, the Board resolved to change the Company's financial year-end date from 30 November to 31 December with effect from 2018. Accordingly, the last interim condensed consolidated financial statements covered a 7-month period from 1 December 2017 to 30 June 2018. In conjunction with this change and for the purpose of enhancing the comparability of financial information, the following financial information covering the six months ended 30 June 2019 for the current period and the corresponding six months period ended 30 June 2018 in the prior year is voluntarily presented by the Company.

The accounting policies adopted to prepare the following supplementary financial information are consistent with those shown in note 2 of this 2019 interim condensed consolidated financial statements and note 2 of the 2018 consolidated financial statements.

(A) INTERIM CONSOLIDATED INCOME STATEMENT

US$m	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)
Revenue		
Premiums and fee income	**16,687**	14,901
Premiums ceded to reinsurers	**(1,069)**	(844)
Net premiums and fee income	**15,618**	14,057
Investment return	**8,510**	1,382
Other operating revenue	**148**	123
Total revenue	**24,276**	15,562
Expenses		
Insurance and investment contract benefits	**16,841**	10,965
Insurance and investment contract benefits ceded	**(951)**	(764)
Net insurance and investment contract benefits	**15,890**	10,201
Commission and other acquisition expenses	**2,037**	1,757
Operating expenses	**1,168**	1,023
Finance costs	**136**	84
Other expenses	**444**	334
Total expenses	**19,675**	13,399
Profit before share of profit from associates and joint ventures	**4,601**	2,163
Share of profit from associates and joint ventures	**–**	1
Profit before tax	**4,601**	2,164
Income tax (expense)/credit attributable to policyholders' returns	**(115)**	40
Profit before tax attributable to shareholders' profits	**4,486**	2,204
Tax expense	**(719)**	(467)
Tax attributable to policyholders' returns	**115**	(40)
Tax expense attributable to shareholders' profits	**(604)**	(507)
Net profit	**3,882**	1,697
Net profit attributable to:		
Shareholders of AIA Group Limited	**3,864**	1,662
Non-controlling interests	**18**	35
Earnings per share (US$)		
Basic	**0.32**	0.14
Diluted	**0.32**	0.14

27. Supplementary financial information on a calendar year basis (continued)

(B) EXCHANGE RATES

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

	US dollar exchange rates	
	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Hong Kong	**7.84**	7.84
Thailand	**31.61**	31.74
Singapore	**1.36**	1.33
Malaysia	**4.12**	3.94
China	**6.79**	6.37

27. Supplementary financial information on a calendar year basis (continued)

(C) OPERATING PROFIT AFTER TAX

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

US$m	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)
Operating profit after tax	**2,918**	2,674
Non-operating items, net of related changes in insurance and investment contract liabilities:		
Short-term fluctuations in investment return related to equities and real estate (net of tax of: six months ended 30 June 2019: US$(115)m; six months ended 30 June 2018: US$97m)	**1,173**	(653)
Reclassification of revaluation gain for property held for own use (net of tax of: six months ended 30 June 2019: nil; six months ended 30 June 2018: US$2m)(1)	**(125)**	(177)
Corporate transaction related costs (net of tax of: six months ended 30 June 2019: US$12m; six months ended 30 June 2018: US$(37)m)(2)	**(30)**	(106)
Implementation costs for new accounting standards (net of tax of: six months ended 30 June 2019: US$2m; six months ended 30 June 2018: nil)(2)	**(24)**	(15)
Other non-operating investment return and other items (net of tax of: six months ended 30 June 2019: US$62m; six months ended 30 June 2018: US$(19)m)(2)	**(30)**	(26)
Net profit	**3,882**	1,697
Operating profit after tax attributable to:		
Shareholders of AIA Group Limited	**2,898**	2,653
Non-controlling interests	**20**	21
Net profit attributable to:		
Shareholders of AIA Group Limited	**3,864**	1,662
Non-controlling interests	**18**	35

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

Notes:

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

(2) The comparative information has been adjusted to conform to current period presentation.

27. Supplementary financial information on a calendar year basis (continued)

(D) TOTAL WEIGHTED PREMIUM INCOME AND ANNUALISED NEW PREMIUMS

TWPI US$m	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
TWPI by geography		
Hong Kong	**6,104**	5,075
Thailand	**1,929**	1,803
Singapore	**1,456**	1,392
Malaysia	**1,063**	1,047
China	**2,561**	2,076
Other Markets	**3,292**	3,036
Total	**16,405**	14,429
First year premiums by geography		
Hong Kong	**1,237**	1,096
Thailand	**300**	259
Singapore	**181**	173
Malaysia	**163**	153
China	**734**	601
Other Markets	**480**	489
Total	**3,095**	2,771
Single premiums by geography		
Hong Kong	**1,074**	1,340
Thailand	**112**	133
Singapore	**562**	960
Malaysia	**102**	100
China	**87**	78
Other Markets	**370**	354
Total	**2,307**	2,965
Renewal premiums by geography		
Hong Kong	**4,760**	3,845
Thailand	**1,618**	1,531
Singapore	**1,219**	1,123
Malaysia	**890**	884
China	**1,818**	1,467
Other Markets	**2,774**	2,512
Total	**13,079**	11,362

ANP US$m	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
ANP by geography		
Hong Kong	**1,367**	1,252
Thailand	**321**	287
Singapore	**267**	290
Malaysia	**198**	204
China	**753**	611
Other Markets	**537**	608
Total	**3,443**	3,252

27. Supplementary financial information on a calendar year basis (continued)

(E) SEGMENT INFORMATION

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2019 – Unaudited								
ANP	1,367	321	267	198	753	537	–	3,443
TWPI	6,104	1,929	1,456	1,063	2,561	3,292	–	16,405
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	6,666	1,891	1,640	922	2,439	2,179	31	15,768
Investment return	1,507	678	605	288	471	560	216	4,325
Total revenue	8,173	2,569	2,245	1,210	2,910	2,739	247	20,093
Net insurance and investment contract benefits	6,045	1,405	1,640	787	1,854	1,359	26	13,116
Commission and other acquisition expenses	736	372	182	123	200	428	4	2,045
Operating expenses	222	111	112	88	168	357	110	1,168
Finance costs and other expenses	79	27	16	8	26	31	94	281
Total expenses	7,082	1,915	1,950	1,006	2,248	2,175	234	16,610
Share of profit from associates and joint ventures	–	–	–	–	–	–	–	–
Operating profit before tax	1,091	654	295	204	662	564	13	3,483
Tax on operating profit before tax	(86)	(126)	(14)	(35)	(125)	(140)	(39)	(565)
Operating profit/(losses) after tax	1,005	528	281	169	537	424	(26)	2,918
Operating profit/(losses) after tax attributable to:								
Shareholders of AIA Group Limited	997	528	281	167	537	414	(26)	2,898
Non-controlling interests	8	–	–	2	–	10	–	20
Key operating ratios:								
Expense ratio	3.6%	5.8%	7.7%	8.3%	6.6%	10.8%	–	7.1%
Operating margin	16.5%	27.4%	19.3%	15.9%	21.0%	12.9%	–	17.8%
Operating return on shareholders' allocated equity[(1)]	23.3%	15.6%	17.0%	18.8%	27.5%	11.5%	–	14.6%
Operating profit before tax includes:								
Finance costs	16	1	–	1	19	4	87	128
Depreciation and amortisation	36	11	14	12	38	41	11	163

Note:
(1) Operating return on shareholders' allocated equity was measured on an annualised basis.

27. Supplementary financial information on a calendar year basis (continued)

(E) SEGMENT INFORMATION (Continued)

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
30 June 2019 – Unaudited								
Total assets	**82,987**	**35,214**	**38,684**	**15,471**	**26,974**	**41,462**	**14,896**	**255,688**
Total liabilities	**69,638**	**26,725**	**34,835**	**13,560**	**22,989**	**32,183**	**5,440**	**205,370**
Total equity	**13,349**	**8,489**	**3,849**	**1,911**	**3,985**	**9,279**	**9,456**	**50,318**
Shareholders' allocated equity	**8,576**	**6,797**	**3,224**	**1,786**	**3,721**	**7,036**	**9,131**	**40,271**
Net capital (out)/in flows	**(636)**	**(456)**	**(25)**	**(3)**	**(572)**	**(161)**	**502**	**(1,351)**
Total assets includes:								
Investments in associates and joint ventures	**3**	**–**	**–**	**4**	**–**	**628**	**–**	**635**

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

US$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items [(1)]	Interim consolidated income statement	
Six months ended 30 June 2019 – Unaudited					
Net premiums, fee income and other operating revenue	**15,768**	**–**	**(2)**	**15,766**	Net premiums, fee income and other operating revenue
Investment return	**4,325**	**1,797**	**2,388**	**8,510**	Investment return
Total revenue	**20,093**	**1,797**	**2,386**	**24,276**	**Total revenue**
Net insurance and investment contract benefits	**13,116**	**509**	**2,265**	**15,890**	Net insurance and investment contract benefits
Other expenses	**3,494**	**–**	**291**	**3,785**	Other expenses
Total expenses	**16,610**	**509**	**2,556**	**19,675**	**Total expenses**
Share of profit from associates and joint ventures	**–**	**–**	**–**	**–**	Share of profit from associates and joint ventures
Operating profit before tax	**3,483**	**1,288**	**(170)**	**4,601**	**Profit before tax**

Note:
(1) Include unit-linked contracts.

27. Supplementary financial information on a calendar year basis (continued)

(E) SEGMENT INFORMATION (continued)

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
Six months ended 30 June 2018 – Unaudited								
ANP	1,252	287	290	204	611	608	–	3,252
TWPI	5,075	1,803	1,392	1,047	2,076	3,036	–	14,429
Net premiums, fee income and other operating revenue (net of reinsurance ceded)	5,892	1,786	1,587	924	1,989	1,990	10	14,178
Investment return	1,272	670	590	303	435	546	165	3,981
Total revenue	7,164	2,456	2,177	1,227	2,424	2,536	175	18,159
Net insurance and investment contract benefits	5,286	1,340	1,604	791	1,542	1,368	12	11,943
Commission and other acquisition expenses	626	368	164	138	130	329	1	1,756
Operating expenses	183	108	102	92	145	294	99	1,023
Finance costs and other expenses	63	26	15	5	15	30	60	214
Total expenses	6,158	1,842	1,885	1,026	1,832	2,021	172	14,936
Share of (losses)/profit from associates and joint ventures	–	–	(1)	–	–	3	(1)	1
Operating profit before tax	1,006	614	291	201	592	518	2	3,224
Tax on operating profit before tax	(77)	(118)	(18)	(41)	(156)	(113)	(27)	(550)
Operating profit/(losses) after tax	929	496	273	160	436	405	(25)	2,674
Operating profit/(losses) after tax attributable to:								
Shareholders of AIA Group Limited	922	496	273	158	436	393	(25)	2,653
Non-controlling interests	7	–	–	2	–	12	–	21
Key operating ratios:								
Expense ratio	3.6%	6.0%	7.3%	8.8%	7.0%	9.7%	–	7.1%
Operating margin	18.3%	27.5%	19.6%	15.3%	21.0%	13.3%	–	18.5%
Operating return on shareholders' allocated equity[(1)]	21.3%	16.8%	17.6%	19.3%	23.6%	11.7%	–	14.2%
Operating profit before tax includes:								
Finance costs	14	1	–	–	9	2	50	76
Depreciation and amortisation	15	5	8	8	12	22	5	75

Note:
(1) Operating return on shareholders' allocated equity was measured on an annualised basis.

27. Supplementary financial information on a calendar year basis (continued)

(E) SEGMENT INFORMATION (continued)

US$m	Hong Kong	Thailand	Singapore	Malaysia	China	Other Markets	Group Corporate Centre	Total
30 June 2018 – Unaudited								
Total assets	68,416	30,542	35,997	14,634	22,510	36,002	12,619	220,720
Total liabilities	59,189	24,026	33,029	13,076	18,901	28,621	4,987	181,829
Total equity	9,227	6,516	2,968	1,558	3,609	7,381	7,632	38,891
Shareholders' allocated equity	8,282	5,672	2,903	1,548	3,431	6,468	8,024	36,328
Net capital (out)/in flows	(427)	(145)	–	(97)	(440)	(79)	94	(1,094)
Total assets includes:								
Investments in associates and joint ventures	–	–	–	7	–	610	–	617

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

US$m	Segment information	Short-term fluctuations in investment return related to equities and real estate	Other non-operating items [(1)]	Interim consolidated income statement	
Six months ended 30 June 2018 – Unaudited					
Net premiums, fee income and other operating revenue	14,178	–	2	14,180	Net premiums, fee income and other operating revenue
Investment return	3,981	(1,092)	(1,507)	1,382	Investment return
Total revenue	18,159	(1,092)	(1,505)	15,562	**Total revenue**
Net insurance and investment contract benefits	11,943	(342)	(1,400)	10,201	Net insurance and investment contract benefits
Other expenses	2,993	–	205	3,198	Other expenses
Total expenses	14,936	(342)	(1,195)	13,399	**Total expenses**
Share of profit from associates and joint ventures	1	–	–	1	Share of profit from associates and joint ventures
Operating profit before tax	3,224	(750)	(310)	2,164	**Profit before tax**

Note:
(1) Include unit-linked contracts.

27. Supplementary financial information on a calendar year basis (continued)

(F) INVESTMENT RETURN

US$m	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)
Interest income	**3,273**	3,062
Dividend income	**454**	438
Rental income	**89**	85
Investment income	**3,816**	3,585
Available for sale		
Net realised gains from debt securities	**139**	14
Net gains of available for sale financial assets reflected in the interim consolidated income statement	**139**	14
At fair value through profit or loss		
Net gains/(losses) of financial assets designated at fair value through profit or loss		
Net gains/(losses) of debt securities	**689**	(371)
Net gains/(losses) of equity securities	**4,074**	(2,181)
Net fair value movement on derivatives	**(110)**	(279)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	**4,653**	(2,831)
Net fair value movement of investment property	**89**	391
Net foreign exchange (losses)/gains	**(246)**	226
Other net realised gains/(losses)	**59**	(3)
Investment experience	**4,694**	(2,203)
Investment return	**8,510**	1,382

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

US$m	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)
Foreign exchange (losses)/gains	**(183)**	212

27. Supplementary financial information on a calendar year basis (continued)

(G) EXPENSES

US$m	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)
Insurance contract benefits	**6,493**	5,892
Change in insurance contract liabilities	**9,704**	5,193
Investment contract benefits	**644**	(120)
Insurance and investment contract benefits	**16,841**	10,965
Insurance and investment contract benefits ceded	**(951)**	(764)
Insurance and investment contract benefits, net of reinsurance ceded	**15,890**	10,201
Commission and other acquisition expenses incurred	**3,384**	3,065
Deferral and amortisation of acquisition costs	**(1,347)**	(1,308)
Commission and other acquisition expenses	**2,037**	1,757
Employee benefit expenses	**780**	663
Depreciation	**111**	36
Amortisation	**32**	24
Operating lease rentals	**28**	81
Other operating expenses	**217**	219
Operating expenses	**1,168**	1,023
Investment management expenses and others	**257**	231
Depreciation on property held for own use	**27**	12
Restructuring and other non-operating costs[1]	**98**	107
Change in third-party interests in consolidated investment funds	**62**	(16)
Other expenses	**444**	334
Finance costs	**136**	84
Total	**19,675**	13,399

Note:

(1) Restructuring costs represent costs related to restructuring programmes and are primarily comprised of redundancy and contract termination costs. Other non-operating costs primarily consist of corporate transaction related costs and implementation costs for new accounting standards.

Finance costs may be analysed as:

US$m	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)
Repurchase agreements	**23**	12
Medium-term notes	**100**	70
Lease liabilities	**10**	–
Other loans	**3**	2
Total	**136**	84

27. Supplementary financial information on a calendar year basis (continued)

(H) EARNINGS PER SHARE

Basic

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,864**	1,662
Weighted average number of ordinary shares in issue (million)	**12,036**	12,018
Basic earnings per share (US cents per share)	**32.10**	13.83

Diluted

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Net profit attributable to shareholders of AIA Group Limited (US$m)	**3,864**	1,662
Weighted average number of ordinary shares in issue (million)	**12,036**	12,018
Adjustment for share options, restricted share units, restricted stock purchase units and restricted stock subscription units awarded under share-based compensation plans (million)	**29**	32
Weighted average number of ordinary shares for diluted earnings per share (million)	**12,065**	12,050
Diluted earnings per share (US cents per share)	**32.03**	13.79

At 30 June 2019, 8,803,510 share options (30 June 2018: 5,613,880) 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

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Basic (US cents per share)	**24.08**	22.08
Diluted (US cents per share)	**24.02**	22.02

REPORT ON REVIEW OF SUPPLEMENTARY EMBEDDED VALUE INFORMATION TO THE BOARD OF DIRECTORS OF AIA GROUP LIMITED
(incorporated in Hong Kong with limited liability)

羅兵咸永道

Introduction

We have reviewed the Supplementary Embedded Value Information (the "EV Information") set out on pages 110 to 129, which comprises the EV consolidated results of AIA Group Limited (the "Company") and its subsidiaries (together, the "Group") as at and for the six-month period ended 30 June 2019, sensitivity analysis and a summary of significant methodology and assumptions and other explanatory notes. The directors of the Company are responsible for the preparation of the EV Information in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information. Our responsibility is to express a conclusion on this EV Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the EV Information of the Group is not prepared, in all material respects, in accordance with the EV basis of preparation set out in Sections 4 and 5 of the EV Information.

Basis of Preparation

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
23 August 2019

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

SUPPLEMENTARY EMBEDDED VALUE INFORMATION

Cautionary statements concerning Supplementary Embedded Value Information

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

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

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

The Supplementary Embedded Value Information is unaudited, but has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers' independent review report to the Board of Directors is included on page 109.

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 an implicit overall level of allowance for risk including the cost of investment return guarantees and policyholder options, asset-liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and the economic cost of capital, through the use of a risk discount rate. 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 on the EV results, methodology and assumptions are covered in later sections of this report.

Summary of key metrics[1] (US$ millions)

	As at 30 June 2019 (Unaudited)	As at 31 December 2018	Change CER[2]	Change AER[3]
Equity attributable to shareholders of the Company on the embedded value basis (EV Equity)	**61,418**	56,203	8%	9%
Embedded value (EV)	**59,746**	54,517	9%	10%
Adjusted net worth (ANW)	**27,138**	24,637	10%	10%
Value of in-force business (VIF)	**32,608**	29,880	7%	9%

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)	YoY CER	YoY AER
Value of new business (VONB)	**2,275**	1,954	20%	16%
Annualised new premiums (ANP)	**3,443**	3,252	9%	6%
VONB margin	**65.6%**	59.5%	6.2 pps	6.1 pps
EV operating profit	**4,523**	4,152	11%	9%
Operating return on EV (Operating ROEV)[4]	**17.3%**	17.0%	0.3 pps	0.3 pps

Notes:

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

(2) Constant exchange rates (CER). Change on constant exchange rates is calculated using constant average exchange rates for the current period and for the prior period other than for EV Equity, EV, ANW and VIF that use constant exchange rates as at the end of the current period and as at the end of the prior year.

(3) Actual exchange rates (AER)

(4) On an annualised basis

2. Embedded Value Results

2.1 EMBEDDED VALUE BY BUSINESS UNIT

The EV as at 30 June 2019 is presented consistently with the segment information in the IFRS consolidated financial statements.

Summary of EV by Business Unit (US$ millions)

	As at 30 June 2019 (Unaudited)				
Business Unit	ANW[(1)]	VIF before CoC	CoC	VIF after CoC	**EV**
AIA Hong Kong	7,324	14,215	1,287	12,928	**20,252**
AIA Thailand	5,299	5,165	949	4,216	**9,515**
AIA Singapore	2,486	4,116	782	3,334	**5,820**
AIA Malaysia	1,313	1,720	222	1,498	**2,811**
AIA China	2,675	6,458	–	6,458	**9,133**
Other Markets	5,518	4,044	1,098	2,946	**8,464**
Group Corporate Centre	9,463	(137)	–	(137)	**9,326**
Subtotal	34,078	35,581	4,338	31,243	**65,321**
Adjustment to reflect consolidated reserving and capital requirements[(2)]	(6,940)	3,388	979	2,409	**(4,531)**
After-tax value of unallocated Group Office expenses	–	(1,044)	–	(1,044)	**(1,044)**
Total	27,138	37,925	5,317	32,608	**59,746**

	As at 31 December 2018				
Business Unit	ANW[(1)]	VIF before CoC	CoC	VIF after CoC	**EV**
AIA Hong Kong	6,608	12,617	867	11,750	**18,358**
AIA Thailand	4,787	4,861	808	4,053	**8,840**
AIA Singapore	2,376	3,968	665	3,303	**5,679**
AIA Malaysia	1,206	1,630	206	1,424	**2,630**
AIA China	2,938	5,248	–	5,248	**8,186**
Other Markets	4,873	3,833	985	2,848	**7,721**
Group Corporate Centre	7,870	(131)	–	(131)	**7,739**
Subtotal	30,658	32,026	3,531	28,495	**59,153**
Adjustment to reflect consolidated reserving and capital requirements[(2)]	(6,021)	3,284	936	2,348	**(3,673)**
After-tax value of unallocated Group Office expenses	–	(963)	–	(963)	**(963)**
Total	24,637	34,347	4,467	29,880	**54,517**

Notes:

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

(2) Adjustment to reflect consolidated reserving and capital requirements as described in Section 4.4 of the Supplementary Embedded Value Information in the Company's Annual Report 2018 and Section 4.1 of this report.

2. Embedded Value Results (continued)

2.2 RECONCILIATION OF ANW FROM IFRS EQUITY

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

	As at 30 June 2019 (Unaudited)	As at 31 December 2018
IFRS equity attributable to shareholders of the Company	**49,878**	39,006
Elimination of IFRS deferred acquisition and origination costs assets	**(25,507)**	(24,626)
Difference between IFRS policy liabilities and local statutory policy liabilities	**9,009**	15,587
Difference between net IFRS policy liabilities and local statutory policy liabilities	**(16,498)**	(9,039)
Mark-to-market adjustment for property and mortgage loan investments, net of amounts attributable to participating funds	**(13)**	523
Elimination of intangible assets	**(1,953)**	(1,970)
Recognition of deferred tax impacts of the above adjustments	**2,595**	2,075
Recognition of non-controlling interests impacts of the above adjustments	**69**	63
ANW (Business Unit)	**34,078**	30,658
Adjustment to reflect consolidated reserving requirements, net of tax	**(6,940)**	(6,021)
ANW (Consolidated)	**27,138**	24,637

2. Embedded Value Results (continued)

2.3 BREAKDOWN OF ANW

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

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

	As at 30 June 2019 (Unaudited)		As at 31 December 2018	
	Business Unit	**Consolidated**	Business Unit	Consolidated
Free surplus	**24,589**	**16,077**	22,093	14,751
Required capital	**9,489**	**11,061**	8,565	9,886
ANW	**34,078**	**27,138**	30,658	24,637

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

2. Embedded Value Results (continued)

2.4 EARNINGS PROFILE

The tables below show how the after-tax distributable earnings from the assets backing the statutory reserves and required capital of the in-force business of the Group are projected to emerge over future years. The projected values reflect the consolidated reserving and capital requirements.

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

	As at 30 June 2019 (Unaudited)	
Expected period of emergence	**Undiscounted**	**Discounted**
1 – 5 years	**19,622**	**16,163**
6 – 10 years	**16,520**	**9,040**
11 – 15 years	**17,229**	**6,324**
16 – 20 years	**17,171**	**4,304**
21 years and thereafter	**167,811**	**7,838**
Total	**238,353**	**43,669**

	As at 31 December 2018	
Expected period of emergence	Undiscounted	Discounted
1 – 5 years	18,922	15,668
6 – 10 years	15,095	8,280
11 – 15 years	14,753	5,440
16 – 20 years	14,312	3,588
21 years and thereafter	151,000	6,790
Total	**214,082**	**39,766**

The profile of distributable earnings is shown on an undiscounted and discounted basis. The discounted value of after-tax distributable earnings of US$43,669 million (31 December 2018: US$39,766 million) plus the free surplus of US$16,077 million (31 December 2018: US$14,751 million) shown in Section 2.3 of this report is equal to the EV of US$59,746 million (31 December 2018: US$54,517 million) shown in Section 2.1 of this report.

2. Embedded Value Results (continued)

2.5 VALUE OF NEW BUSINESS

The VONB for the Group for the six months ended 30 June 2019 is summarised in the table below. The VONB is defined as the present value, at the point of sale, of the projected after-tax statutory profits less the cost of required capital. Results are presented consistently with the segment information in the IFRS consolidated financial statements.

The Group VONB for the six months ended 30 June 2019 was US$2,275 million, an increase of US$321 million, or 16 per cent on AER, from US$1,954 million for the six months ended 30 June 2018.

Summary of VONB by Business Unit (US$ millions)

	Six months ended 30 June 2019 (Unaudited)			Six months ended 30 June 2018 (Unaudited)		
Business Unit	VONB before CoC	CoC	**VONB after CoC[1]**	VONB before CoC	CoC	VONB after CoC[1]
AIA Hong Kong	1,003	58	**945**	858	62	796
AIA Thailand	248	33	**215**	228	24	204
AIA Singapore	189	16	**173**	209	31	178
AIA Malaysia	139	9	**130**	133	9	124
AIA China	754	52	**702**	605	49	556
Other Markets	270	46	**224**	244	43	201
Total before unallocated Group Office expenses (Business Unit)	2,603	214	**2,389**	2,277	218	2,059
Adjustment to reflect consolidated reserving and capital requirements	(44)	(5)	**(39)**	(33)	(5)	(28)
Total before unallocated Group Office expenses (Consolidated)	2,559	209	**2,350**	2,244	213	2,031
After-tax value of unallocated Group Office expenses	(75)	–	**(75)**	(77)	–	(77)
Total	2,484	209	**2,275**	2,167	213	1,954

Note:

(1) VONB for the Group is calculated before deducting the amount attributable to non-controlling interests. The amounts of VONB attributable to non-controlling interests for the six months ended 30 June 2019 and 30 June 2018 were US$15 million and US$13 million respectively.

2. Embedded Value Results (continued)

2.5 VALUE OF NEW BUSINESS (continued)

The table below shows the breakdown of the VONB, ANP, VONB margin, and present value of new business premium (PVNBP) margin for the Group, by quarter, for business written in the six months ended 30 June 2019.

The VONB margin and PVNBP margin are defined as VONB, excluding pension business, expressed as a percentage of ANP and PVNBP, respectively. The VONB for pension business is excluded from the margin calculation to be consistent with the definition of ANP and PVNBP.

The Group VONB margin for the six months ended 30 June 2019 was 65.6 per cent compared with 59.5 per cent for the six months ended 30 June 2018. The Group PVNBP margin for the six months ended 30 June 2019 was 11 per cent compared with 10 per cent for the six months ended 30 June 2018.

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

	VONB after CoC	ANP	VONB Margin	PVNBP Margin
Half Year				
Values for 2019				
6 months ended 30 June 2019 (Unaudited)	**2,275**	**3,443**	**65.6%**	**11%**
Values for 2018				
6 months ended 30 June 2018 (Unaudited)	1,954	3,252	59.5%	10%
Quarter				
Values for 2019				
3 months ended 31 March 2019 (Unaudited)	**1,169**	**1,827**	**63.6%**	**11%**
3 months ended 30 June 2019 (Unaudited)	**1,106**	**1,616**	**67.9%**	**11%**
Values for 2018				
3 months ended 31 March 2018	1,021	1,696	59.7%	10%
3 months ended 30 June 2018	933	1,556	59.3%	10%

2. Embedded Value Results (continued)

2.5 VALUE OF NEW BUSINESS (continued)

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

Summary of VONB excluding pension, ANP and VONB margin by Business Unit (US$ millions)

	Six months ended 30 June 2019 (Unaudited)			Six months ended 30 June 2018 (Unaudited)		
Business Unit	VONB Excluding Pension	ANP	**VONB Margin**	VONB Excluding Pension	ANP	VONB Margin
AIA Hong Kong	929	1,367	**68.0%**	779	1,252	62.2%
AIA Thailand	215	321	**66.8%**	204	287	71.0%
AIA Singapore	173	267	**64.8%**	178	290	61.4%
AIA Malaysia	130	198	**65.4%**	123	204	60.3%
AIA China	702	753	**93.2%**	556	611	91.0%
Other Markets	224	537	**41.8%**	200	608	32.8%
Total before unallocated Group Office expenses (Business Unit)	2,373	3,443	**68.9%**	2,040	3,252	62.7%
Adjustment to reflect consolidated reserving and capital requirements	(39)	–		(28)	–	
Total before unallocated Group Office expenses (Consolidated)	2,334	3,443	**67.8%**	2,012	3,252	61.9%
After-tax value of unallocated Group Office expenses	(75)	–		(77)	–	
Total	2,259	3,443	**65.6%**	1,935	3,252	59.5%

2. Embedded Value Results (continued)

2.6 ANALYSIS OF EV MOVEMENT

Analysis of movement in EV (US$ millions)

	Six months ended 30 June 2019 (Unaudited)			Six months ended 30 June 2018 (Unaudited)			YoY AER
	ANW	VIF	**EV**	ANW	VIF	EV	EV
Opening EV	24,637	29,880	**54,517**	20,974	29,805	50,779	7%
Value of new business	(339)	2,614	**2,275**	(357)	2,311	1,954	16%
Expected return on EV	2,506	(498)	**2,008**	2,164	(234)	1,930	4%
Operating experience variances	245	84	**329**	277	68	345	(5)%
Operating assumption changes	(7)	21	**14**	8	(13)	(5)	n/m(1)
Finance costs	(103)	–	**(103)**	(72)	–	(72)	43%
EV operating profit	2,302	2,221	**4,523**	2,020	2,132	4,152	9%
Investment return variances	1,484	92	**1,576**	(1,724)	278	(1,446)	n/m
Effect of changes in economic assumptions	–	–	**–**	–	–	–	n/m
Other non-operating variances	83	(63)	**20**	3,160	(2,784)	376	n/m
Total EV profit	3,869	2,250	**6,119**	3,456	(374)	3,082	99%
Dividends	(1,448)	–	**(1,448)**	(1,140)	–	(1,140)	27%
Other capital movements	90	–	**90**	45	–	45	100%
Effect of changes in exchange rates	(10)	478	**468**	(360)	(394)	(754)	n/m
Closing EV	27,138	32,608	**59,746**	22,975	29,037	52,012	15%

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

2. Embedded Value Results (continued)

2.6 ANALYSIS OF EV MOVEMENT (continued)

EV operating profit grew by 9 per cent on AER to US$4,523 million (2018: US$4,152 million) compared with 2018. The growth reflected a combination of a higher VONB of US$2,275 million (2018: US$1,954 million) and a higher expected return on EV of US$2,008 million (2018: US$1,930 million). Overall operating experience variances and operating assumption changes were again positive at US$343 million (2018: US$340 million). Finance costs were US$103 million (2018: US$72 million).

The VONB is calculated at the point of sale for business written during the period before deducting the amount attributable to non-controlling interests. The expected return on EV is the expected change in the EV over the period plus the expected return on the VONB from the point of sale to 30 June 2019 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, of US$329 million (2018: US$345 million), comprised of:

- Expense variances of US$18 million (2018: US$68 million), offset by development costs of US$16 million (2018: nil);

- Mortality and morbidity claims variances of US$158 million (2018: US$141 million); and

- Persistency and other variances of US$169 million (2018: US$136 million) which included persistency variances of US$51 million (2018: US$6 million) and other variances arising from management actions of US$118 million (2018: US$130 million).

The effect of changes in operating assumptions during the period was US$14 million (2018: US$(5) million).

The EV profit of US$6,119 million (2018: US$3,082 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 reflecting short-term fluctuations in investment returns. This amounted to US$1,576 million (2018: US$(1,446) million) from the effect of short-term interest rate, equity market and other capital market movements on the Group's investment portfolio and statutory reserves compared with the expected returns.

The effect of changes in economic assumptions was nil (2018: nil).

Other non-operating variances amounted to US$20 million (2018: US$376 million) which comprised of the net effects of the transitional arrangement for equivalence and other adjustments as described in Section 4, the tax rule change in China as described in Section 5.4, and other items including modelling-related enhancements.

The final and special dividends paid in the first half of 2019 totaled US$1,448 million (2018: US$1,140 million).

Foreign exchange movements were US$468 million (2018: US$(754) million).

2. Embedded Value Results (continued)

2.6 ANALYSIS OF EV MOVEMENT (continued)

Operating ROEV (US$ millions)

Operating return on EV (operating ROEV) is calculated as EV operating profit expressed as a percentage of the opening EV and was 17.3 per cent (2018: 17.0 per cent) for the six months ended 30 June 2019.

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)	YoY CER	YoY AER
EV operating profit	**4,523**	4,152	11%	9%
Opening EV	**54,517**	50,779	10%	7%
Operating ROEV[1]	**17.3%**	17.0%	0.3 pps	0.3 pps

Note:
(1) On an annualised basis.

2.7 EV EQUITY

The EV Equity grew to US$61,418 million at 30 June 2019, an increase of 9 per cent on AER from US$56,203 million as at 31 December 2018.

Derivation of EV Equity from EV (US$ millions)

	As at 30 June 2019 (Unaudited)	As at 31 December 2018	Change CER	Change AER
EV	**59,746**	54,517	9%	10%
Goodwill and other intangible assets[1]	**1,672**	1,686	(1)%	(1)%
EV Equity	**61,418**	56,203	8%	9%

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

3. Sensitivity Analysis

The EV as at 30 June 2019 and the VONB for the six months ended 30 June 2019 have been recalculated to illustrate the sensitivity of the results to changes in certain central assumptions discussed in Section 5 of this report.

The sensitivities analysed were:

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

The EV as at 30 June 2019 has been further analysed for the following sensitivities:

- Equity prices increased proportionally by 10 per cent (i.e. 110 per cent of the prices at 30 June 2019); and
- Equity prices decreased proportionally by 10 per cent (i.e. 90 per cent of the prices at 30 June 2019).

For the interest rate sensitivities, the investment return assumptions and the risk discount rates were changed by 50 basis points per annum; the projected bonus rates on participating business, the statutory reserving bases at 30 June 2019 and the values of debt instruments held at 30 June 2019 were changed to be consistent with the interest rate assumptions in the sensitivity analysis, while all the other assumptions were unchanged.

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

For the equity price sensitivities, the projected bonus rates on participating business and the values of equity securities and equity funds held at 30 June 2019 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 analyses, the statutory reserving bases as at 30 June 2019 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.

3. Sensitivity Analysis (continued)

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

Sensitivity of EV (US$ millions)

	As at 30 June 2019 (Unaudited)		As at 31 December 2018	
Scenario	**EV**	**Ratio**	EV	Ratio
Central value	**59,746**		54,517	
Impact of:				
200 bps increase in risk discount rates	**(7,639)**	**(12.8)%**	(6,607)	(12.1)%
200 bps decrease in risk discount rates	**12,243**	**20.5%**	10,604	19.5%
10% increase in equity prices	**859**	**1.4%**	736	1.4%
10% decrease in equity prices	**(859)**	**(1.4)%**	(731)	(1.3)%
50 bps increase in interest rates	**92**	**0.2%**	158	0.3%
50 bps decrease in interest rates	**(424)**	**(0.7)%**	(249)	(0.5)%
5% appreciation in the presentation currency	**(1,860)**	**(3.1)%**	(1,711)	(3.1)%
5% depreciation in the presentation currency	**1,860**	**3.1%**	1,711	3.1%
10% increase in lapse/discontinuance rates	**(892)**	**(1.5)%**	(885)	(1.6)%
10% decrease in lapse/discontinuance rates	**992**	**1.7%**	984	1.8%
10% increase in mortality/morbidity rates	**(3,946)**	**(6.6)%**	(3,796)	(7.0)%
10% decrease in mortality/morbidity rates	**3,924**	**6.6%**	3,779	6.9%
10% decrease in maintenance expenses	**656**	**1.1%**	625	1.1%
Expense inflation set to 0%	**688**	**1.2%**	672	1.2%

Sensitivity of VONB (US$ millions)

	Six months ended 30 June 2019 (Unaudited)		Six months ended 30 June 2018 (Unaudited)	
Scenario	**VONB**	**Ratio**	VONB	Ratio
Central value	**2,275**		1,954	
Impact of:				
200 bps increase in risk discount rates	**(522)**	**(22.9)%**	(481)	(24.6)%
200 bps decrease in risk discount rates	**849**	**37.3%**	816	41.8%
50 bps increase in interest rates	**79**	**3.5%**	91	4.7%
50 bps decrease in interest rates	**(107)**	**(4.7)%**	(111)	(5.7)%
5% appreciation in the presentation currency	**(68)**	**(3.0)%**	(61)	(3.1)%
5% depreciation in the presentation currency	**68**	**3.0%**	61	3.1%
10% increase in lapse/discontinuance rates	**(108)**	**(4.7)%**	(100)	(5.1)%
10% decrease in lapse/discontinuance rates	**116**	**5.1%**	111	5.7%
10% increase in mortality/morbidity rates	**(183)**	**(8.0)%**	(185)	(9.5)%
10% decrease in mortality/morbidity rates	**175**	**7.7%**	179	9.2%
10% decrease in maintenance expenses	**51**	**2.2%**	50	2.6%
Expense inflation set to 0%	**30**	**1.3%**	33	1.7%

4. Methodology

The methodology used by the Group for determining the EV results for the period is consistent with that described in Section 4 of the Supplementary Embedded Value Information in the Company's Annual Report 2018 taking into account the regulatory capital requirements as set out in Section 4.1.

4.1 REQUIRED CAPITAL

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

Required Capital by Business Unit

Business Unit	Required Capital
AIA Australia	
• Australia	100% of regulatory capital adequacy requirement
• New Zealand	100% of regulatory capital adequacy requirement
AIA China	100% of required capital as specified under the CAA EV assessment guidance
AIA Hong Kong	150% of required minimum solvency margin
AIA Indonesia	120% of regulatory Risk-Based Capital requirement
AIA Korea	150% of regulatory Risk-Based Capital requirement
AIA Malaysia	170% of regulatory Risk-Based Capital requirement
AIA Philippines	100% of regulatory Risk-Based Capital requirement
AIA Singapore	180% of regulatory Risk-Based Capital requirement
AIA Sri Lanka	120% of regulatory Risk-Based Capital requirement
AIA Taiwan	250% of regulatory Risk-Based Capital requirement
AIA Thailand	140% of regulatory Risk-Based Capital requirement
AIA Vietnam	100% of required minimum solvency margin

Capital Requirements on Consolidation

The Group has an undertaking to the Hong Kong Insurance Authority (HKIA) to maintain required capital not less than the aggregate of 150% of the Hong Kong statutory minimum solvency margin requirement in respect of AIA Hong Kong and no less than 100% of the Hong Kong statutory minimum solvency margin requirement for branches other than Hong Kong.

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

On 16 May 2017, the HKIA and the China Banking and Insurance Regulatory Commission (formerly the China Insurance Regulatory Commission) signed the Equivalence Assessment Framework Agreement on the Solvency Regulatory Regime. As a transitional arrangement, the Group reports under the Hong Kong Insurance Ordinance the capital position of its China branches based on the China local regulatory solvency basis progressively over a 4-year phase-in period to full implementation on 31 March 2022.

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

5. Assumptions

5.1 INTRODUCTION

This section summarises the assumptions used by the Group to determine the EV as at 30 June 2019 and the VONB for the period ended 30 June 2019.

Long-term economic assumptions used in the EV basis for the interim results remain unchanged from those shown in Section 5.2 of the Supplementary Embedded Value Information in the Company's Annual Report 2018. This is consistent with the approach that has been followed since the IPO in 2010. Note that VONB results were calculated based on start-of-period economic assumptions consistent with measurement at the point of sale.

The non-economic assumptions used are based on those at 31 December 2018, updated to reflect the Group's latest view of expected future experience. A more detailed description of the assumptions can be found in Section 5 of the Supplementary Embedded Value Information in the Company's Annual Report 2018.

5.2 ECONOMIC ASSUMPTIONS

Investment returns

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

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

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

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

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

5. Assumptions (continued)

5.2 ECONOMIC ASSUMPTIONS (continued)

Risk discount rates

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

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

Business Unit	Current market 10-year government bond yields referenced in EV calculations (%)		
	As at 30 June 2019 (Unaudited)	As at 31 December 2018	As at 30 June 2018 (Unaudited)
AIA Australia			
• Australia	**1.32**	2.32	2.63
• New Zealand	**1.57**	2.37	2.85
AIA China	**3.24**	3.31	3.48
AIA Hong Kong(1)	**2.01**	2.68	2.86
AIA Indonesia	**7.37**	8.03	7.80
AIA Korea	**1.60**	1.96	2.56
AIA Malaysia	**3.64**	4.08	4.20
AIA Philippines	**5.07**	7.07	6.42
AIA Singapore	**2.00**	2.04	2.53
AIA Sri Lanka	**10.33**	11.87	10.62
AIA Taiwan	**0.68**	0.86	0.93
AIA Thailand	**2.16**	2.51	2.79
AIA Vietnam	**4.70**	5.10	4.85

Note:

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

5. Assumptions (continued)

5.2 ECONOMIC ASSUMPTIONS (continued)

Risk discount rates (continued)

The table below summarises the risk discount rates and long-term investment returns assumed in EV calculations. The same risk discount rates were used for all the EV results shown in Section 1 and Section 2 of this report. The present value of unallocated Group Office expenses was calculated using the AIA Hong Kong risk discount rate. The investment returns on existing fixed income assets were set consistently with the market yields on these assets. Note that the VONB results were calculated based on start-of-quarter economic assumptions consistent with the measurement at the point of sale. The investment returns shown are gross of tax and investment expenses.

Business Unit	Risk discount rates assumed in EV calculations (%)			Long-term investment returns assumed in EV calculations (%)					
				10-year government bonds			Local equities		
	As at 30 Jun 2019 (Unaudited)	As at 31 Dec 2018	As at 30 Jun 2018 (Unaudited)	**As at 30 Jun 2019 (Unaudited)**	As at 31 Dec 2018	As at 30 Jun 2018 (Unaudited)	**As at 30 Jun 2019 (Unaudited)**	As at 31 Dec 2018	As at 30 Jun 2018 (Unaudited)
AIA Australia									
• Australia	**7.35**	7.35	7.35	**3.00**	3.00	3.00	**7.50**	7.50	7.5
• New Zealand	**7.75**	7.75	7.75	**3.50**	3.50	3.50	**8.00**	8.00	n/a(2)
AIA China	**9.75**	9.75	9.75	**3.70**	3.70	3.70	**9.30**	9.30	9.30
AIA Hong Kong(1)	**7.50**	7.50	7.30	**3.00**	3.00	2.80	**7.80**	7.80	7.60
AIA Indonesia	**13.00**	13.00	13.00	**7.50**	7.50	7.50	**12.00**	12.00	12.00
AIA Korea	**8.60**	8.60	8.60	**2.70**	2.70	2.70	**7.20**	7.20	7.20
AIA Malaysia	**8.75**	8.75	8.75	**4.20**	4.20	4.20	**8.80**	8.80	8.80
AIA Philippines	**11.80**	11.80	11.30	**5.30**	5.30	4.80	**10.50**	10.50	10.00
AIA Singapore	**7.10**	7.10	6.90	**2.70**	2.70	2.50	**7.20**	7.20	7.00
AIA Sri Lanka	**15.70**	15.70	15.70	**10.00**	10.00	10.00	**12.00**	12.00	12.00
AIA Taiwan	**7.85**	7.85	7.85	**1.60**	1.60	1.60	**6.60**	6.60	6.60
AIA Thailand	**8.60**	8.60	8.60	**3.20**	3.20	3.20	**9.00**	9.00	9.00
AIA Vietnam	**11.80**	11.80	12.30	**6.00**	6.00	6.50	**11.30**	11.30	11.80

Notes:

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

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

5. Assumptions (continued)

5.3 EXPENSE INFLATION

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

Expense inflation assumptions by Business Unit (%)

Business Unit	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018
AIA Australia		
• Australia	**2.75**	2.75
• New Zealand	**2.00**	2.00
AIA China	**2.00**	2.00
AIA Hong Kong	**2.00**	2.00
AIA Indonesia	**6.00**	6.00
AIA Korea	**3.50**	3.50
AIA Malaysia	**3.00**	3.00
AIA Philippines	**3.50**	3.50
AIA Singapore	**2.00**	2.00
AIA Sri Lanka	**6.50**	6.50
AIA Taiwan	**1.20**	1.20
AIA Thailand	**2.00**	2.00
AIA Vietnam	**5.00**	5.00

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

5. Assumptions (continued)

5.4 TAXATION

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

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

Local corporate income tax rates by Business Unit (%)

Business Unit	**As at 30 June 2019 (Unaudited)**	As at 31 December 2018
AIA Australia		
• Australia	**30.0**	30.0
• New Zealand	**28.0**	28.0
AIA China	**25.0**	25.0
AIA Hong Kong	**16.5**	16.5
AIA Indonesia	**25.0**	25.0
AIA Korea[1]	**27.5**	27.5
AIA Malaysia	**24.0**	24.0
AIA Philippines	**30.0**	30.0
AIA Singapore	**17.0**	17.0
AIA Sri Lanka	**28.0**	28.0
AIA Taiwan	**20.0**	20.0
AIA Thailand	**20.0**	20.0
AIA Vietnam	**20.0**	20.0

Note:

(1) From fiscal years 2018 to 2020, AIA Korea is subject to an assumed corporate income tax of 27.5%, which includes an Accumulated Earnings Tax following the subsidiarisation of the branch in AIA Korea. Based on current regulations, the corporate income tax rate will revert to 24.2% from fiscal year 2021.

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

The EV of the Group as at 30 June 2019 is calculated after deducting any remittance taxes payable on the anticipated distribution of both the ANW and VIF.

On 28 May 2019, Public Announcement No.72 was issued by the Ministry of Finance and State Administration of Taxation of the People's Republic of China which raises the tax deduction limit for commissions paid from 10% to 18% of total premiums minus surrender benefits paid from 2018 tax year onwards. The effects of the tax rule change on policies issued in 2019 are reflected in VONB while those on policies issued prior to 2019 are reflected in EV as other non-operating variances.

6. Events After the Reporting Period

In September 2017, the Group entered into an agreement to acquire Commonwealth Bank of Australia's (CBA) life insurance business in Australia, including a 20-year strategic bancassurance partnership with CBA in Australia (for more information please refer to note 44 of the Group's 2018 financial statements). The acquisition is pending the completion of all necessary regulatory and governmental approvals. The Group and CBA have been exporting alternative arrangements that aim to replicate the expected strategic outcomes of the originally planned acquisition. The Group expects to provide further details of these alternative arrangements in the second half of 2019.

On 23 August 2019, a Committee appointed by the Board of Directors declared an interim dividend of 33.30 Hong Kong cents per share (six months ended 30 June 2018: 29.20 Hong Kong cents per share).

INFORMATION FOR SHAREHOLDERS

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019.

INTERIM DIVIDEND

The board of directors of the Company (Board) has declared an interim dividend of 33.30 Hong Kong cents per share for the six months ended 30 June 2019 (seven months ended 30 June 2018: 29.20 Hong Kong cents per share).

The interim dividend will be payable on Thursday, 26 September 2019 to Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 10 September 2019.

Relevant Dates for the 2019 Interim Dividend Payment

Ex-dividend date	9 September 2019
Record date	10 September 2019
Payment date	26 September 2019

RECORD DATE

In order to qualify for the entitlement of the interim dividend, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 10 September 2019.

SHARE REGISTRAR

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

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

ELECTRONIC COMMUNICATIONS

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

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

FORWARD-LOOKING STATEMENTS

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

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

By Order of the Board
Ng Keng Hooi
Executive Director
Group Chief Executive and President

Hong Kong, 23 August 2019

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

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

Executive Director, Group Chief Executive and President:
Mr. Ng Keng Hooi

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

GLOSSARY

active agent	An agent who sells at least one policy per month.
active market	A market in which all the following conditions exist: • the items traded within the market are homogeneous; • willing buyers and sellers can normally be found at any time; and • prices are available to the public. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
adjusted net worth or ANW	ANW is the market value of assets in excess of the assets backing the policy reserves and other liabilities of the life (and similar) business of AIA, plus the IFRS equity value of other activities, such as general insurance business, less the value of intangible assets. It excludes any amounts not attributable to shareholders of AIA Group Limited. ANW for AIA is stated after adjustment to reflect consolidated reserving requirements. ANW by market is stated before adjustment to reflect consolidated reserving requirements, and presented on a local statutory basis.
AER	Actual exchange rates.
AIA or the Group	AIA Group Limited and its subsidiaries.
AIA Co.	AIA Company Limited, a company incorporated in Hong Kong and a subsidiary of the Company.
AIA International	AIA International Limited, a company incorporated in Bermuda and an indirect subsidiary of the Company.
AIA Vitality	A science-backed wellness programme that provides participants with the knowledge, tools and motivation to help them achieve their personal health goals. The programme is a partnership between AIA and Discovery Limited, a specialist insurer headquartered in South Africa.

ALC	The AIA Leadership Centre located in Bangkok, Thailand.
amortised cost	The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.
annualised new premiums or ANP	ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded. It is an internally used measure of new business sales or activity for all entities within AIA. ANP excludes new business of pension business, personal lines and motor insurance. For group renewable business, it includes any premium payable on existing schemes that exceeds the prior year's premiums.
ASPP	Agency Share Purchase Plan, adopted by the Company on 23 February 2012, a share purchase plan with matching offer to facilitate and encourage AIA share ownership by agents.
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.
Board	The board of Directors.
CER	Constant exchange rates. Change on constant exchange rates is calculated for all figures for the current period and for the prior period, using constant average exchange rates, other than for balance sheet items as at the end of the current period and as at the end of the prior year, which is translated using the constant exchange rates.
ComFrame	The common framework for the supervision of Internationally Active Insurance Groups being developed by the International Association of Insurance Supervisors.
Company	AIA Group Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1299).

consolidated investment funds	Investment funds in which the Group has interests and power to direct their relevant activities that affect the return of the funds.
Corporate Governance Code	Corporate Governance Code set out in Appendix 14 to the Listing Rules.
cost of capital or CoC	CoC is calculated as the face value of the required capital as at the valuation date less the present value of the net-of-tax investment return on the shareholder assets backing the required capital and the present value of projected releases from the assets backing the required capital. Where the required capital may be covered by policyholder assets such as surplus assets in participating funds, there is no associated cost of capital included in the VIF or VONB. CoC for AIA is stated after adjustment to reflect consolidated capital requirements. CoC by market is stated before adjustment to reflect consolidated capital requirements, and presented on a local statutory basis.
Dealing Policy	Directors' and Chief Executives' Dealing Policy of the Company.
deferred acquisition costs or DAC	Acquisition costs are expenses of an insurer which are incurred in connection with the acquisition of new insurance contracts or the renewal of existing insurance contracts. They include commissions and other variable sales inducements and the direct costs of issuing the policy, such as underwriting and other policy issue expenses. These costs are deferred and expensed to the consolidated income statement on a systematic basis over the life of the policy. Such assets are tested for recoverability at least annually.
deferred origination costs or DOC	Origination costs are expenses which are incurred in connection with the origination of new investment contracts or the renewal of existing investment contracts. For contracts that involve the provision of investment management services, these include commissions and other incremental expenses directly related to the issue of each new contract. Origination costs on contracts with investment management services are deferred and recognised as an asset in the consolidated statement of financial position and expensed to the consolidated income statement on a systematic basis in line with the revenue generated by the investment management services provided. Such assets are tested for recoverability.
Director(s)	The director(s) of the Company.
embedded value or EV	An actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business. EV for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. EV by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.

EPS	Earnings per share.
equity attributable to shareholders of the Company on the embedded value basis or EV Equity	EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company.
ESPP	Employee Share Purchase Plan, adopted by the Company on 25 July 2011 (as amended), a share purchase plan with matching offer to facilitate and encourage AIA share ownership by employees.
ExCo	The Executive Committee of the Group.
fair value through profit or loss or 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 half	The six months from 1 January to 30 June.
first quarter	The three months from 1 January to 31 March.
first year premiums	First year premiums are the premiums received in the first year of a recurring premium policy. As such, they provide an indication of the volume of new policies sold.
free surplus	ANW in excess of the required capital. Free surplus for AIA is stated after adjustment to reflect consolidated reserving and capital requirements.
group insurance	An insurance scheme whereby individual participants are covered by a master contract held by a single group or entity on their behalf.
Group Office	Group Office includes the activities of the Group Corporate Centre segment consisting of the Group's corporate functions, shared services and eliminations of intragroup transactions.
HKFRS	Hong Kong Financial Reporting Standards.

HKIA	Insurance Authority established under the Insurance Companies (Amendment) Ordinance 2015 or prior to 26 June 2017, the Office of the Commissioner of Insurance.
HKICPA	Hong Kong Institute of Certified Public Accountants.
Hong Kong	The Hong Kong Special Administrative Region of the PRC; in the context of our reportable market segments, Hong Kong includes Macau.
Hong Kong Companies Ordinance	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time.
Hong Kong Insurance Ordinance or HKIO	Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), as amended from time to time. It provides a legislative framework for the prudential supervision of the insurance industry in Hong Kong.
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited.
IAIS	International Association of Insurance Supervisors.
IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
Insurance Capital Standard or ICS	The risk-based, global insurance capital standard being developed by the International Association of Insurance Supervisors.
IFA	Independent financial adviser.
IFRS	Standards and interpretations adopted by the IASB comprising: • International Financial Reporting Standards; • IAS; and • Interpretations developed by the IFRS Interpretations Committee (IFRS IC) or the former Standing Interpretations Committee (SIC).

interactive Mobile Office or iMO	iMO is a mobile office platform with a comprehensive suite of applications that allow agents and agency leaders to manage their daily activities from lead generation, sales productivity and recruitment activity through to development training and customer analytics.
interactive Point of Sale or 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. It is part of iMO.
investment experience	Realised and unrealised investment gains and losses recognised in the consolidated income statement.
investment income	Investment income comprises interest income, dividend income and rental income.
investment return	Investment return consists of investment income plus investment experience.
IPO	Initial Public Offering.
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
Million Dollar Round Table or MDRT	MDRT is a global professional trade association of life insurance and financial services professionals that recognises significant sales achievements and high service standards.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.
net funds to Group Corporate Centre	In presenting net capital in/(out) flows to reportable market segments, capital outflows consist of dividends and profit distributions to the Group Corporate Centre segment and capital inflows consist of capital injections into reportable market 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.
n/a	Not available.
n/m	Not meaningful.

operating profit after tax or OPAT	Operating profit is determined using, among others, expected long-term investment return for equities and real estate. Short-term fluctuations between expected long-term investment return and actual investment return for these asset classes are excluded from operating profit. The investment return assumptions used to determine expected long-term investment return are based on the same assumptions used by the Group in determining its embedded value and are disclosed in the Supplementary Embedded Value Information.
operating return on EV or operating ROEV	Operating return on EV is calculated as EV operating profit, expressed as a percentage of the opening embedded value.
operating return on shareholders' allocated equity or operating ROE	Operating return on shareholders' allocated equity is calculated as operating profit after tax attributable to shareholders of the Company, expressed as a percentage of the simple average of opening and closing shareholders' allocated equity.
OTC	Over-the-counter.
other participating business with distinct portfolios	Business where it is expected that the policyholder will receive, at the discretion of the insurer, additional benefits based on the performance of underlying segregated investment assets where this asset segregation is supported by an explicit statutory reserve and reporting in the relevant territory.
participating funds	Participating funds are distinct portfolios where the policyholders have a contractual right to receive, at the discretion of the insurer as to the timing, additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The allocation of benefits from the assets held in the participating funds is subject to minimum policyholder participation mechanisms established by regulation.
persistency	The percentage of insurance policies remaining in force from month to month in the past 12 months, as measured by premiums.
Philam Life	The Philippine American Life and General Insurance (PHILAM LIFE) Company, a subsidiary of AIA Co.
policyholder and shareholder investments	Investments other than those held to back unit-linked contracts as well as assets from consolidated investment funds.
pps	Percentage points.
PRC	The People's Republic of China.

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 interests in any such funds which have to be consolidated by AIA are treated as financial liabilities.
PVNBP margin	VONB excluding pension business, expressed as a percentage of present value of new business premiums (PVNBP). PVNBP margin for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses.
regulatory minimum capital	Net assets held to meet the minimum solvency margin requirement set by the HKIO that an insurer must meet in order to be authorised to carry on insurance business in or from Hong Kong.
renewal premiums	Premiums receivable in subsequent years of a recurring premium policy.
rider	A supplemental plan that can be attached to a basic insurance policy, typically with payment of additional premiums.
Risk-Based Capital or RBC	RBC represents an amount of capital based on an assessment of risks that a company should hold to protect customers against adverse developments.
RMF	Risk Management Framework.
RSPUs	Restricted stock purchase units.
RSSUs	Restricted stock subscription units.
RSU Scheme	Restricted Share Unit Scheme, adopted by the Company on 28 September 2010 (as amended), under which the Company may award restricted share units to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries.
second half	The six months from 1 July to 31 December.
second quarter	The three months from 1 April to 30 June.
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time.

share(s)	For the Company, shall mean ordinary share(s) in the capital of the Company.
Shareholder(s)	Holder(s) of shares of the Company.
shareholders' allocated equity	Shareholders' allocated equity is total equity attributable to shareholders of the Company less fair value reserve.
Singapore	The Republic of Singapore; in the context of our reportable market segments, Singapore includes Brunei.
single premium	A single payment that covers the entire cost of an insurance policy.
SO Scheme	Share Option Scheme, adopted by the Company on 28 September 2010 (as amended), under which the Company may award share options to employees, directors (excluding independent non-executive directors) or officers of the Company or any of its subsidiaries.
solvency	The ability of an insurance company to satisfy its policyholder benefits and claims obligations.
solvency ratio	The ratio of the total available capital to the regulatory minimum capital applicable to the insurer pursuant to relevant regulations.
Sovereign	ASB Group (Life) Limited (renamed AIA Sovereign Limited in July 2018) and its subsidiaries, including Sovereign Assurance Company Limited (subsequently renamed as AIA New Zeland Limited on 2 August 2019), a licensed insurer in New Zealand.
Takaful	Islamic insurance which is based on the principles of mutual assistance and risk sharing.
Tata AIA	Tata AIA Life Insurance Company Limited.
total weighted premium income or TWPI	TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded. As such it provides an indication of AIA's longer-term business volumes as it smoothes the peaks and troughs in single premiums.
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 in-force business or 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. VIF for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VIF by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
value of new business or VONB	VONB is the present value, measured at the point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding the required capital in excess of regulatory reserves to support this business. VONB for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
VONB margin	VONB excluding pension business, expressed as a percentage of ANP. VONB margin for AIA is stated after adjustments to reflect consolidated reserving and capital requirements and the after-tax value of unallocated Group Office expenses. VONB margin by market is stated before adjustments to reflect consolidated reserving and capital requirements and unallocated Group Office expenses, and presented on a local statutory basis.
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.