OVERVIEW

We are a leading life insurance organisation in the Asia Pacific region that traces its roots in the region back more than 90 years. We provide individuals and businesses with products and services for their evolving insurance, protection, savings, investment and retirement needs in 15 geographical markets in the region: Hong Kong, Korea, Thailand, Singapore, China, Malaysia, the Philippines, Australia, Indonesia, Vietnam, Taiwan, New Zealand, India, Macau and Brunei. We had TWPI of US$11,632 million in FY 2009 and US$6,022 million in 1H 2010. Our new business as measured by ANP in FY 2009 and 1H 2010 was US$1,878 million and US$887 million, respectively. The value of new business was US$545 million in FY 2009 and US$303 million in 1H 2010. As of 31 May 2010, we had total assets of US$95,738 million, total equity attributable to shareholders of AIA Group Limited of US$16,547 million and an embedded value of US$21,978 million.

We believe that we have a scale and scope in the Asia Pacific region that our competitors may find difficult to replicate, particularly in more developed markets. As of 31 May 2010, we had approximately 24,500 employees serving the holders of our more than 23 million in-force policies and more than 10 million participating members of our clients for group life, medical, credit life coverage and pension products.

We derive substantially all of our TWPI from our 15 geographical markets across the Asia Pacific region. Our individual local operating units are significant businesses in their own right, with Hong Kong, Singapore and Thailand each contributing more than US$300 million of operating profit in FY 2009. At the same time, no more than 25% of our TWPI came from any one geographical market in FY 2008 or FY 2009.

Our extensive book of in-force business has created a stable operating profit base, with high renewal premiums — for example, 84.1% of our TWPI consisted of renewal premium in FY 2009. In FY 2009, we had an operating profit of US$1,781 million and an operating margin of 15.3%. For the six months ended 31 May 2010, we had an operating profit of US$1,134 million and an operating margin of 18.8%. As of 31 May 2010, we had capital in excess of our requirements under relevant Hong Kong insurance regulatory guidance and we were in compliance with relevant capital adequacy requirements in each of our geographical markets.

We were a market leader in the Asia Pacific region based on life insurance premiums in 2009 and held number one positions in 6 of our 15 geographical markets, based on data classified and published by relevant regulatory and industry sources. We were also the largest foreign life insurer in China in terms of life insurance premiums during the same period. Due to our historic roots in the Asia Pacific region, we have built a network consisting almost entirely of wholly-owned businesses operating as branches or subsidiaries, in contrast with most other multi-national insurance companies that typically operate through joint ventures and partnerships with local companies. In addition, we believe that we possess a strong brand name and brand awareness in the markets we serve and that we have earned a reputation as an industry leader in quality and service excellence.

Our tied agency force consisted of more than 309,000 agents as of 31 May 2010 and spans the Asia Pacific region from developed urban centres to rural areas. Our tied agency force made up more than 25% of the total agents in the Hong Kong and Singapore insurance markets in 2009, as well as more than 20% of the total ordinary life agents in the Philippine insurance market and more than 15% of the total agents in the Thai insurance market in 2008, the respective periods of the latest available published market data.

In addition to building our tied agency force, we continue to develop our other distribution channels, particularly bancassurance and direct marketing, to create a multi-channel distribution platform tailored to the unique characteristics of our geographical markets. Our focus on creating a multi-channel distribution platform has significantly increased our exposure to our 15 geographical markets. For example, our more than 120 bancassurance relationships provide us with potential access to over 13,000 of our partners' bank branches.

We believe that our long track record in the Asia Pacific region has provided us with significant experience and know-how that enables us to provide insurance products and services across all classes of consumers, from the mass market to high net worth individuals in diverse geographical markets.

OUR COMPETITIVE STRENGTHS

The Asia Pacific life insurance market is one of the largest in the world and is supported by high historical GDP growth (GDP grew at a CAGR of 14.7% between 2004 and 2009) and high historical life insurance premium growth (life insurance premiums grew at a CAGR of 13.5% between 2004 and 2009). Many markets in the Asia Pacific region have experienced continued low penetration and density rates and remain underpenetrated by insurers. At the same time, many markets have a high household savings rate and favourable demographic trends, such as urbanisation and a growing commercially attractive population, are providing further opportunities for insurers in areas such as A&H, retirement and pension products.

We believe that the Asia Pacific life insurance market is and will continue to be a growing and attractive market. As a leading life insurer in the Asia Pacific region with a deep knowledge of the region, many market leading positions, significant scale, leading brand recognition, extensive distribution and product marketing expertise and financial strength, we believe that we are well positioned to take advantage of this market's potential future growth.

Our competitive strengths include:

Deep and historic roots in the Asia Pacific region

We trace our roots in the Asia Pacific region back more than 90 years. We were among the first insurers to establish operations in many of our Key Geographical Markets and in certain cases played a role in the development of the life insurance industry in these markets. In Hong Kong, Singapore and Thailand, we have sold life insurance products to our customers since the 1930's. We were also the first licensed foreign life insurer to establish operations in the PRC. Our early entry into many of our geographical markets has given us a historic advantage in establishing a network consisting almost entirely of wholly-owned businesses in a region in which most other multi-national insurance companies typically operate through joint ventures and partnerships with local companies. We believe that this allows us to exert control over our operations and strategy as well as minimise value leakage to third parties.

We believe that our long history of serving customers in the Asia Pacific region gives us an in-depth understanding of our geographical markets as they have evolved and has enabled us to leverage lessons learned decades ago in certain markets to grow our business across other markets. In addition, the experience that we have gained and proprietary data that we have gathered have helped us develop products that we believe remain profitable in many economic and market scenarios.

Through the years we have served successive generations of customers and offered them financial security through various crises in the Asia Pacific region. The AIA Group's reputation in the Asia Pacific region has helped us build long-term relationships with many of our customers and our tied agents. In some cases, our tied agents have worked with us for most of their careers and have passed their business relationships down to the next generation.

Market leading brand across the Asia Pacific region

For generations we have been building goodwill in our business as we offered customers financial security through various economic, social and political changes in the Asia Pacific region. Currently, the AIA Group has high brand recognition across the Asia Pacific region: a number one position in terms of brand awareness among major life insurance companies in Hong Kong, Malaysia, Singapore and Thailand and a number three position in China, according to consumer surveys conducted by Synovate Limited, an independent global market research company.

In 2009, we launched a high profile "We are ASIA" branding initiative across the region to communicate our renewed identity and to solidify a consistent branding across our local operating units, including some units that had previously also used the AIG brand. We followed this campaign with a customer-focused campaign "The Power of We" in 2010 where we highlighted our continued focus on meeting the needs of each of our customers. Today, all of our local operating units are consolidated under our core AIA brand and logo except for Philamlife and AIA India.

The strength and resiliency of the AIA brand through the AIG Events and recent financial market turmoil has been underscored by a number of recent branding awards. In Media Magazine's "Top 1000 Asia Pacific Brands 2010" report sponsored by the Wall Street Journal (Asia), AIA was named the leading brand in the insurance category, based on a survey of consumers in markets across the region. We also received the Gold Trust Award for Asia in the "Reader's Digest Trusted Brand Awards 2010" which surveyed consumers throughout the Asia Pacific region on such qualitative criteria as trustworthiness and credibility, quality, value, understanding of customer needs, innovation and social responsibility. In Hong Kong, we are also the only insurance company to have received the Economic Digest's "Outstanding Brand Award" in recognition of the success of our strategic brand building every year since the inception of the award in 2008.

A broad footprint and market leadership in the Asia Pacific region

We have a broad geographic footprint in the Asia Pacific region, with a business network stretching across 15 geographical markets. Upon completion of the Global Offering, we will be the only publicly-listed life insurance group that is based in, established throughout and exclusively focused on the Asia Pacific region. As of 31 May 2010, we had more than 309,000 agents and approximately 24,500 employees serving the holders of our more than 23 million in-force policies and more than 10 million participating members of our clients for group life, medical, credit life coverage and pension products.

We were a market leader in the Asia Pacific region based on life insurance premiums in 2009 and held number one market positions in 6 of our 15 geographical markets. We believe that our leadership positions in the region are evidence of our ability to successfully implement our customer-centric business model across varied geographical markets that are at different stages of development. We were also the largest foreign life insurer in China in terms of life insurance premiums in 2009. The following table shows our market position and market share in each of our geographical markets in 2009 unless otherwise indicated:

Market	Market Position*	Market Share (%)*
Our Key Geographical Markets		
Hong Kong(1)	1	15.9
Singapore(2)	1	24.9
Thailand(3)	1	35.6
Korea (Domestic and Foreign)(4)	12	3.1
Korea (Foreign Life Insurers)(4)	4	14.5
China (Domestic and Foreign)(5)	8	1.0
China (Foreign Life Insurers)(5)	1	18.9
Malaysia(6)	3	12.6
Our Other Geographical Markets		
The Philippines(7)	1	25.3
Australia(8)	6	8.5
Indonesia(9)	3	9.4
Taiwan(10)	25	0.3
Vietnam(11)	4	6.7
New Zealand(12)	7	5.2
Macau(13)	1	42.1
Brunei(14)	1	70
India(15)	9	1.2

* For information regarding our market position and market share in our individual geographical markets, see "— Our Primary Operating Units" in this section.

(1) Based on direct in-force individual and group business premiums, as classified and published by the OCI. Data excludes retirement scheme-related group business classes G and H as classified by the OCI.

(2) Based on total weighted premium income, published by the Monetary Authority of Singapore.

(3) Based on total weighted premiums, as classified and published by the Thai Life Assurance Association.

(4) Based on total premium income, as classified and published by the Korea Life Insurance Association, for the 12 months ended 31 March 2010.

(5) Based on total premiums, as classified and published by the CIRC.

(6) Based on total in-force annual premiums, as classified and published by the Life Insurance Association of Malaysia.

(7) Based on total premium income, as classified and published by the Philippine Insurance Commission, and includes BPI-Philam.

(8) Based on total risk premiums, as classified and published by Plan for Life, Actuaries and Researchers, Australia.

(9) Based on total weighted premiums, as classified and published by the Indonesian Life Insurance Association.

(10) Based on total premiums, as classified and published by the Taiwan Insurance Institute.

(11) Based on total premiums, as classified and published by the Association of Vietnamese Insurers.

(12) Based on total premiums, as classified and published by the Investment Saving and Insurance Association, New Zealand, for the 12 months ended 30 June 2010.

(13) Based on gross premiums, as classified and published by the Monetary Authority of Macau.

(14) Based on estimated share of the conventional life insurance market, as classified and published by Axco Insurance Information Services, in 2008.

(15) Based on total premiums, as classified and published by the Life Insurance Council, India, for the twelve months ended 31 March 2009.

An extensive tied agency network and an expanding multi-channel distribution platform

We have a large, long-standing tied agency force of more than 309,000 agents as of 31 May 2010 that is the cornerstone of our multi-channel distribution platform and product offering. In 1H 2010, our agency distribution channel contributed 69.3% of our ANP and 72.2% of our value of new business. For many decades, our agents have provided us with significant reach and face-to-face customer targeting and servicing capabilities, enabling us to build and maintain long-term relationships with our customers. Our tied agency force spans the Asia Pacific region from developed urban centres to rural areas. We believe that this established infrastructure and the scale of our agency force would be difficult for our competitors to replicate.

Our agency force made up more than 25% of the total agents in the Hong Kong and Singapore insurance markets in 2009, as well as more than 20% of the total ordinary life agents in the Philippine insurance market and more than 15% of the total agents in the Thai insurance market in 2008, the respective periods of the latest available published market data. Moreover, as of 1 August 2010, more than 1,300 of our tied agents were registered members of the Million Dollar Round Table, a global professional trade association of life insurance and financial services professionals that recognises significant sales achievements for insurance agents and financial advisers while working to develop professional and ethical sales practices. Our Million Dollar Round Table members are among the most productive tied agents in the AIA Group's agency force. We have a loyal agency force. In our Key Geographical Markets, approximately 42% of our agency leaders and approximately 16% of our total tied agency force, which includes our agency leaders, have been AIA agents for more than 10 years as of 31 May 2010. For additional information on our agency distribution channel, see "— Distribution — Agency" in this section.

In many of our geographical markets, we have built and continue to develop other distribution channels to increase market penetration, broaden access to potential customers and meet the evolving preferences of our current customers. For example, as of 31 May 2010, we have established more than 120 bank relationships, which provide us with potential access to over 13,000 of our partners' bank branches. We have also developed our direct marketing and IFA distribution channels across the region by drawing on well-established models in some of our key markets to capitalise on emerging direct marketing and IFA opportunities. For additional information on our bancassurance, direct marketing and IFA/Brokerage channels, see "—Distribution" in this section.

A diversified suite of products and innovative product capabilities

We have a broad and diversified suite of products that ranges from traditional to investment-oriented products and is designed to meet our customers' needs at different stages of their lives. We believe that our diversified product suite positions us well to capture shifting customer demand and cater our products to the varying stages of development of the life insurance industries in our geographical markets. We believe that our long track record in the region has provided us with significant experience and know-how that enables us to provide insurance products and services across all classes of consumers, from the mass market to high net worth individuals in diverse geographical markets. In addition, we believe the experience we have gained and proprietary data we have gathered have helped us develop products that are suitable for different economic and market scenarios.

We strive to identify and react quickly to market trends and be the market leader with differentiated products that target strong business opportunities. Our tied agents are trained to sell all of our product lines and this enables them to respond quickly to shifting market conditions and meet changing consumer demand. We believe that our product portfolio management capabilities help us meet evolving customer needs and bolsters our position as a customer-centric organisation. For example, we continue to focus on developing A&H products, which are key drivers of our profitability.

We believe that we are a market leader in terms of product development and that our strong product capabilities are based on a number of factors, including:

- a centralised regional infrastructure supported by local business know-how;
- disciplined underwriting standards and extensive experience data accumulated over a long history in the Asia Pacific region;
- a rigorous product development process to ensure that product features meet risk controls and are focused on long-term profitability; and
- an ability to enhance profitability via product mix optimisation and packaging.

Stable profitability and financial strength derived from a diversified base of geographical markets and products and economies of scale

We have a track record of stable and profitable growth, which we consider to be evidence of the success of our business model and market leadership. Our extensive book of in-force business has created a stable profit base, with high renewal premiums - for example 84.1% of our TWPI in FY 2009 consisted of renewal premiums. In FY 2009, we had an operating profit of US$1,781 million and an operating margin of 15.3%. For the six months ended 31 May 2010, we had an operating profit of US$1,134 million and an operating margin of 18.8%.

We derive our income from a diverse range of sources across our geographical markets, which we believe puts us in a strong position to maintain our financial strength and profitability, as we are not reliant on a single business line or geographical market. Three of our Key Markets, Hong Kong, Singapore and Thailand, each generated more than US$300 million of operating profit in FY 2009, while Malaysia, China, Korea and our Other Markets generated US$138 million, US$89 million, US$81 million and US$189 million, respectively, of operating profit in FY 2009. At the same time, no more than 25% of our TWPI came from any one geographical market in FY 2008, FY 2009 or 1H 2010, demonstrating the diversification of our geographical presence.

We believe the scale and efficiencies of our operations at the regional level, and in many of our geographical markets, give us a competitive advantage in pricing our products and investing in strategic initiatives, such as infrastructure and information technology. In particular, our scale has permitted us to manage our cost base more effectively. In 1H 2010, our group-wide operating expense ratio (relative to TWPI) was 8.7%, which we believe is lower than the expense ratios of most of our peers. We also believe that there are opportunities for greater efficiencies as we grow, as demonstrated by the fact that our largest operating units also have the lowest operating ratios. For example, AIA Hong Kong and AIA Thailand had an operating cost ratio in 1H 2010 of 6.2% and 5.8%, respectively.

In addition, we have a strong solvency position. As of 31 May 2010, we had capital significantly in excess of our requirements under relevant Hong Kong insurance regulatory guidance and we were in compliance with relevant capital adequacy requirements in each of our geographical markets.

Experienced management driving a comprehensive business growth strategy

We have a deep management team with extensive experience and know-how in the Asia Pacific life insurance industry as well as new stewardship by a widely-respected insurance industry leader. Mark Tucker, who recently joined us, served as the Group Chief Executive of Prudential plc from 2005 to 2009, and he spent significant time in Asia building Prudential's Asian operations. The other members of his global management team, as well as the local management teams in each of our key markets, have on average more than 20 years experience in the insurance and financial services industries. This combination of experience gained from working both within the AIA Group and for our competitors gives us a broad perspective on the industry that we believe will help us drive our business strategies and quickly respond to changes in the Asia Pacific life insurance market.

OUR STRATEGY

Our goal is to be the pre-eminent insurer in the Asia Pacific life insurance market by leveraging our deep knowledge of the region, many market leading positions, significant scale, extensive distribution and product marketing expertise and financial strength. We believe our competitive strengths position us to capture the significant growth potential in the region. Our overall corporate strategy is to continue to grow our business model and infrastructure to enable us to best meet the needs of, and challenges of operating in, life insurance markets that range in maturity from the early growth stage to the developed stage.

We plan to pursue the following strategies:

Continue to grow our tied agency distribution strength

We seek to continue to expand and strengthen our tied agency channel, which is the cornerstone of our distribution platform and product offering. We are focused on growing the size of our agency force, particularly in developing and emerging markets such as China, Indonesia and Vietnam, and enhancing agency productivity. Our agency growth strategy strives both to recruit new tied agents and retain existing productive tied agents. Our strategy to grow the number of new agents concentrates on geographic and sales office expansion supported by recruitment strategies such as utilisation of a consistent and systematic recruitment cycle, programmes aimed at recruiting younger agents and programmes that leverage our strong brand name, and enhanced agency compensation schemes, including the alignment of manager compensation with new tied agent recruitment.

To enhance agent retention, we are focused on increasing our agent training and support programmes as well as fostering career development through promotion opportunities and agent recognition programmes. We believe that our agency retention rate is evidence of the commitment our agents have to the AIA Group. Our 12-month agent retention rate increased to approximately 58% in FY 2009 from approximately 52% in FY 2008 and has further improved in 1H 2010. In the first and second quarter of FY 2010, our 12-month agent retention rates were approximately 58% and 60%, respectively. We believe that our successful track record, strong brand recognition and existing agency relationships will allow us to continue recruiting and retaining a high quality and productive tied agency force.

We are also focused on agent productivity, particularly in developed markets. Our strategies to enhance productivity include continuing to foster needs-based selling that anticipates and is responsive to customer needs with relevant products. We also support our agents with dedicated training resources, agent activity management, automation to improve efficiency and service levels and segmented agency management that matches incentive and levels of service to productivity. In addition, we are focused on developing our agents into Million Dollar Round Table members and pursuing our goal of building the most professional and profitable agency force in each of our geographical markets.

Expand and broaden our multi-channel distribution platform

In addition to our tied agency distribution channel, we will continue to develop other distribution channels to increase penetration in our geographical markets, to broaden our access to potential customers and to meet the evolving preferences of our current customers. We continue to expand our bancassurance, direct marketing, IFA and brokerage channels, all of which are targeted to contribute significantly to our premiums.

Bancassurance is a key part of our distribution channel diversification strategy and therefore we have established dedicated AIA Group level and local operating unit level teams to focus on bank relationships and expansion of this channel. Our bancassurance strategies include providing a wide range of bancassurance models that can be customised to meet our bank partners' needs, implementing bank branch and customer segmentation to provide enhanced services, developing product offerings tailored to customer segments and enhancing our bancassurance infrastructure to offer a greater range of services and support. We believe we are an attractive partner for banks and financial services companies given the wide recognition of the AIA brand, our broad product offering tailored to the customer segment specific to our partners, our product development capabilities, and our infrastructure and scale that enable us to offer a greater range of services and support than most of our competitors. In addition, we believe the strength of our tied agency force is an attractive feature to bancassurance partners seeking to sell banking services via our extensive tied agency network that often reaches areas that may be underserved by financial institutions. See "— Distribution — Bancassurance Channel" in this section.

We seek to enhance our direct marketing channel, including by strengthening our market position in markets that we believe are well-suited for the channel as well as by employing several direct marketing sub-channels. For example, we believe AIA Korea is a market leader in the direct marketing distribution channel in Korea, utilising 14 dedicated call centres and total staff of over 470 telemarketers as of 31 May 2010. AIA Korea utilises a variety of sub-channels within the direct marketing channel such as hybrid marketing, a distribution channel that relies on a phased sales approach consisting of telephone marketing followed by face-to-face meetings. In our other geographical markets, we employ several other direct marketing sub-channels, such as broad media advertising, database marketing, outbound calling to affinity customers and direct marketing firms. In addition, we have implemented digital marketing via the internet and mobile phones and are expanding our presence in newer channels, such as retailassurance. We believe that we can transfer the skills and experience we have gained in geographical markets like Korea to other geographical markets.

We are leveraging our direct marketing expertise to significantly enhance our relationships with bancassurance partners. We seek to develop additional direct marketing centers and expand our investment in direct marketing in Thailand, Australia, Indonesia, Malaysia, China and India, where we believe the regulatory and/or consumer environment is receptive to the channel. Moreover, we are striving to enhance customer service and sales and marketing efficiencies. See "— Distribution — Direct Marketing Channel" in this section. Moreover, we also seek to expand our IFA/brokerage distribution channel in our geographical markets, primarily Hong Kong, Singapore and Australia, where sophisticated customers, particularly HNWIs, often seek independent advice from advisers. We have established a dedicated team of IFA/brokerage distribution channel specialists at the AIA Group level to drive a "partnership model" to develop sustainable long-term and productive customer relationships.

Maximise cross-selling opportunities by leveraging our broad customer base and diverse product offerings to build our financial services platform

We have built a large customer base that includes the holders of our more than 23 million in-force policies. We believe that our large and varied customer base offers significant cross-selling opportunities. We intend to continue capitalising on this opportunity by offering our customers a broad range of complementary insurance and financial products and services, such as wealth and asset management and pension products, under our own brands. We are also focused on continuing to offer a product range that includes riders that can be effectively attached to our other insurance products.

Group insurance, which is typically marketed to corporations, government entities and associations, has been a driver of both our product volume and profitability growth. One of our key strategies in this area is to leverage our access to our approximately 100,000 corporate clients and more than 10 million participating members of our clients for group life, medical, credit life coverage and pension products as of 31 May 2010 to distribute additional individual life insurance and A&H insurance products that are tailored to improve the coverage provided by their employers. We believe that we are a leading provider of group insurance in the Asia Pacific region, and we aim to extend the success we have experienced in certain of our geographical markets, such as Australia and Hong Kong, to other geographical markets in the Asia Pacific region. We are increasing our agents' training on group insurance products to encourage greater sales and drive agency force productivity. We are also exploring alternative distribution models, and we believe that we are well positioned to leverage our experience database and benefit from certain of the regulatory reforms discussed in the section headed "Industry Overview" in this prospectus.

We believe that there are significant growth opportunities from increased cross-selling. We have a range of product penetration rates across our geographical markets. As of 31 May 2010, the AIA Group average number of in-force policies, excluding riders, per in-force customer in our geographical markets (excluding those from our operations in the geographical market of Australia, given the predominance of group business in this geographical market) was approximately 1.61. In general, this ratio is higher in our developed markets (2.33 and 2.11, respectively, in our Key Markets of Singapore and Hong Kong) than in our emerging markets (1.00 and 1.18, respectively, in India and Vietnam). We believe that the lower ratios in our emerging markets present a significant opportunity for growth through cross-selling, particularly if our emerging markets mature.

We believe we are well-positioned to capitalise on new growth opportunities in non-insurance related financial services with our well-recognised brand name, product development capabilities, large agency force with long-term customer relationships and expanding multi-channel distribution network and business infrastructure.

Increase the proportion of high margin products

We are focused on maximising the profitability of our new business. We intend to maintain our focus on agency distribution as our core distribution channel to shift our product sales to higher margin insurance products. Our tied agents are trained to sell all of our product lines and this enables them to respond quickly to shifting market conditions and meet changing consumer demand with an appropriate product. We believe that our broad product offering combined with a strong tied agency force trained to sell all of our product lines provide us with a strong distribution platform to pursue our strategy of increasing the proportion of high margin insurance products that we sell. To support this strategy we are also focused on proactively optimising our product mix to adapt to market conditions, continuing to drive the attachment of riders to our other insurance products, replacing less profitable products with higher margin products and targeting affluent customers and HNWIs.

We also aim to take advantage of opportunities presented by different product lines and geographical markets. The market for A&H products is expected to grow as healthcare costs are shifted from governments to citizens in certain markets. A&H products are key drivers of our profitability due to our extensive claims database, continuous experience tracking, proactive remedial actions and economies of scale in operations. We are focused on strengthening our A&H insurance product offering, including our offering of A&H riders. For example, as of 31 May 2010, excluding the Philippines and India and new riders sold on in-force policies, 73% of our regular premium traditional life insurance products and investment-linked and universal life insurance products distributed by our tied agency force are sold with one or more riders. We are also focused on creating a centralised A&H insurance product strategy with execution at our local operating units and expanding our distribution channels for A&H insurance products. In 2009, we had a number one market share in A&H insurance in Hong Kong (33%), Singapore (27%), Malaysia (17%) and Thailand (73%), based on data classified and published by relevant industry sources, and we intend to continue our focus on A&H products. In addition to focusing on maximising the profitability of our product lines such as A&H insurance products, we believe that many of our geographical markets present opportunities for the AIA Group to grow in the future. For example, we believe there are significant market opportunities in Malaysia and Indonesia to meet Takaful/Sharia market needs.

Maximise opportunities in China and India

AIA China currently operates in two provinces (Guangdong and Jiangsu) and three cities (Shanghai, Beijing and Shenzhen), representing a population of more than 219 million people. The markets accessible to AIA China represent approximately one-third of China's GDP and combined life insurance product and A&H insurance product premiums in 2009. We believe that China's economic and demographic characteristics coupled with its low penetration rate (2.3% in 2009) and density rate (approximately US$81 in 2009) suggest a significant growth opportunity for AIA China. We believe that we can increase our market share in China by increasing the geographical reach of AIA China, including by expanding to second- and third-tier Chinese cities, and focusing on China's affluent and HNWI customer segments. In addition, we are refreshing our agency recruitment strategy by focusing on agency management fundamentals. We believe that we are well-placed to maximise the new agent recruitment opportunities presented by our existing infrastructure to attract more tied agents, increase agent productivity and increase agency retention rates. In addition, we intend to enhance our bancassurance and direct marketing channels as well as diversify our product offering to include higher margin products.

We believe that our joint venture in India is another valuable opportunity for us. We have a strong joint venture partner, Tata, and significant operations in India, with approximately 148,100 agents as of 31 May 2010 and over 430 sales offices across 270 cities and towns in India as of 31 March 2010. In order to fully capitalise on the opportunities in India, we plan to expand our agency force and increase agent productivity. In addition, we will continue to leverage our successful bancassurance relationship with United Bank of India and pursue additional bancassurance partners to increase sales through bank branches. In order to capture changing market needs resulting from an evolving life insurance industry landscape and the introduction of new regulations, we also seek to diversify our product offering in India.

Drive operational efficiencies to further streamline our business and reduce costs

We are committed to improving profitability by reducing our operating expenses and continuing to enhance the efficiency of our operations. To this end, we are implementing a large number of strategic initiatives that are designed to reduce expenses across the region and to realise scale benefits, including further enhancement of shared-services centres, system and process standardisation that is tailored to our local operating units and local operating conditions, strategic outsourcing of non-core operations, empowerment of local operating units and rationalisation of operations. Employing technology also allows us to more effectively target and serve our customers while reducing the time-to-market of differentiated product and service strategies. We believe the simplification of our corporate structure and the consolidation of our operations throughout the Asia Pacific region will allow us to further invest and to grow our business.

Be an employer of choice

Our human resources strategy is to be an "employer of choice". To achieve this goal, we utilise five key strategies: foster a performance-based culture with innovative compensation practices; manage our talent and develop leaders through assessment of performance as well as through the implementation of employee resourcing and development initiatives that focus on tangible business outcomes; engineer a cohesive and engaged workforce through thematic programmes emphasising the "We" culture; enhance organisational capabilities and skills for mission-critical functions; and improve our organisational integration through standardised human resource and management reporting processes that relieve managers and human resources personnel from day-to-day administration and permit them to focus on developing human capital.

OUR PRODUCTS

To serve the evolving needs of our customers, we have developed and continue to expand a broad, diversified product suite that is designed to respond to our customer's needs at each stage of their lives. We typically develop and launch numerous new products across our multi-channel distribution platform annually.

We believe that our long history in the Asia Pacific region, broad product suite and product development know-how allow us to:

- respond swiftly and cater our products to changing customer preferences;

- adapt quickly to changing market environments; and

- capture opportunities in different markets and economic cycles.

Product Strategy and Development

The mission statement of our product strategy and development group is: "To proactively provide tailor-made solutions and expert knowledge-based support to our businesses in the development and marketing of innovative and relevant products that add real value for customers." A key element of our product development strategy is to provide relevant product solutions that meet our clients' evolving insurance, protection, savings, investment and retirement needs. In addition, we vary our product offerings by geographical market in order to respond to varying stages of economic and regulatory development and specific market trends.

Our group office in Hong Kong oversees a product development group consisting of three distinct teams: business intelligence, customer value management and product management. We are increasingly utilising sophisticated consumer research and analysis tools to identify trends and fill new product niches.

We believe that our long track record and extensive experience give us a competitive advantage when we price our products in many of our geographical markets. In particular, we have an extensive proprietary information database accumulated over our long history in the Asia Pacific region. In addition, we test our products to ensure that product features meet risk controls. The pricing of all products is overseen by our actuarial group which applies specific criteria so that all new products are vetted for profitability, capital efficiency and sustainability (i.e., that they are suitable for different economic and market scenarios). Existing products are also reviewed annually to ensure that they continue to meet our profitability, capital efficiency and sustainability requirements.

One of the goals of our product development process is to be a market leader with innovative and profitable products as demonstrated by the following products:

- In October 2008, we believe we were the first insurance company in Thailand to test a guaranteed issue whole life insurance product through direct marketing and were able to tap a market segment not covered by tied agency distribution. Encouraging test results led us to launch an enhanced guaranteed issue whole life insurance product in 1H 2010;

- In May 2009, we believe we were the first insurance company in the Philippines to successfully launch an investment-linked product with a high watermark feature on the net asset value of the underlying fund;

- In July 2009, we believe we were one of the first insurers in Hong Kong to launch an innovative product that embedded critical illness benefits into a limited pay participating whole life plan. We determined that customers were demanding even more protection elements as part of their overall financial planning needs due to the global economic downturn and therefore decided to integrate our critical illness benefits into our existing successful regular whole-life plan; and

- In December 2009, we believe we were the first insurance company in Singapore to offer a complete critical cover A&H insurance product that allowed customers to make severity-based multiple claims over the life of their policy with total payouts of up to 200% of the insured amount.

Our Key Product Lines

TWPI for our key products lines for the periods indicated is set forth in the table below.

	Year ended 30 November			Six months ended 31 May	
	2007	**2008**	**2009**	**2009**	**2010**
				Unaudited	
	(US$ millions)				
TWPI includes:					
Traditional life insurance[1]	6,789	7,073	6,983	3,183	3,502
Investment-linked and universal life insurance	2,763	3,000	2,423	1,114	1,231
Standalone A&H insurance	1,304	1,426	1,349	624	743
Individual life insurance (including riders)[2]	10,856	11,499	10,755	4,921	5,476
Group[3]	502	704	877	409	546
Total	**11,358**	**12,203**	**11,632**	**5,330**	**6,022**

(1) Includes TWPI in respect of incidental personal lines and motor insurance of US$23 million in FY 2007, US$29 million in FY 2008, US$27 million in FY 2009, of which US$12 million was in respect of 1H 2009, and US$15 million in 1H 2010.

(2) Excludes unit-deducting riders for which no premiums are received.

(3) Includes insured corporate pension schemes.

Beginning in FY 2009, we measured our new business using ANP, which consists of 100% of annualised first year premiums and 10% of single premiums, before reinsurance ceded. Prior to FY 2009, we measured our new business using NBP, which consists of first year premiums (without annualisation) and 10% of single premiums, before reinsurance ceded. NBP and ANP for our key product lines indicated is set forth in the table below.

	Year ended 30 November				Six months ended 31 May	
	2007	**2008**	**2009**	**2009**	**2009**	**2010**
	NBP[1]	**NBP[1]**	**NBP[1]**	**ANP[2]**	**ANP[2] Unaudited**	**ANP[2]**
	(US$ millions)					
New business includes:						
Traditional life insurance[3][4]	672	698	824	716	267	307
Investment-linked and universal life insurance[3]	1,287	1,129	456	429	141	261
Standalone A&H insurance[5]	397	349	261	281	136	116
Riders	N/A	N/A	N/A	163	74	73
Individual life insurance (including riders)[6]	2,356	2,176	1,541	1,589	618	757
Group insurance[7]	100	171	300	289	155	130
Total	**2,456**	**2,347**	**1,841**	**1,878**	**773**	**887**

(1) NBP has been presented excluding NBP in respect of PT. Asuransi AIA Indonesia, which we disposed in October 2009. If we had included new business of PT. Asuransi AIA Indonesia, NBP would have been US$2,484 million in FY 2007, US$2,377 million in FY 2008 and US$1,852 million in FY 2009.

(2) ANP has been presented excluding new business in respect of our corporate pension business and personal lines and motor insurance, as well as new business of PT. Asuransi AIA Indonesia, which we disposed in October 2009.

(3) NBP for traditional life insurance, and investment-linked and universal life insurance in FY 2007, FY 2008 and FY 2009 has been presented inclusive of their respective riders.

(4) Includes NBP in respect of incidental personal lines and motor insurance for FY 2007, FY 2008 and FY 2009.

(5) NBP and ANP for standalone A&H insurance includes riders.

(6) Excludes unit-deducting riders for which no premium is received.

(7) NBP in FY 2007, FY 2008 and FY 2009 includes new business in respect of our insured corporate pension schemes. ANP in FY 2009 and 1H 2010 excludes new business in respect of our corporate pension business.

The contributions of the following products to our ANP and value of new business, as well as their respective new business margins for the periods indicated are set forth below:

	Six months ended 31 May 2009			Six months ended 30 November 2009			Six months ended 31 May 2010		
	ANP(1)	VONB(2)	New Business Margin(3) (%)	ANP(1)	VONB(2)	New Business Margin(3) (%)	ANP(1)	VONB(2)	New Business Margin(3) (%)
	(US$ millions, except New Business Margin)								
Traditional life insurance(4)	267	49	18	449	100	22	307	99	32
Investment-linked and universal life insurance(4)	141	11	8	288	31	11	261	35	13
Standalone A&H insurance(5)	136	46	34	145	71	49	116	68	58
Riders	74	100	135	89	118	132	73	93	127
Individual life insurance (including riders)(6)	618	206	33	971	320	33	757	295	39
Group insurance	155	55	35	134	41	30	130	46	36
Total	**773**	**261**	**34**	**1,105**	**361**	**33**	**887**	**341**	**38**

(1) ANP excludes new business of our corporate pension business and personal lines and motor insurance, as well as new business of PT. Asuransi AIA Indonesia which we disposed in October 2009.

(2) VONB has been presented before group office expenses, on a local statutory basis, and excludes the contribution of our corporate pension business as well as PT. Asuransi AIA Indonesia, which we disposed in October 2009. The basis for determining VONB is different, and may differ in material respects, from the financial reporting basis used in preparing our audited consolidated financial information set forth in the Accountant's Report included in Appendix I to this prospectus.

(3) New business margin is calculated as VONB, before group office expenses, on a local statutory basis and excluding the contribution of our corporate pension business and PT. Asuransi AIA Indonesia, expressed as a percentage of ANP.

(4) ANP, VONB and new business margin for traditional life insurance, and investment-linked and universal life insurance has been presented exclusive of their respective riders.

(5) ANP, VONB and new business margin for standalone A&H insurance has been presented exclusive of riders.

(6) Excludes unit-deducting riders for which no premium is received.

Traditional life insurance products was our largest line of business and accounted for 34.5% of ANP in 1H 2009 and 34.6% of ANP in 1H 2010. Value of new business ("VONB") attributable to traditional life insurance products has more than doubled from US$49 million in 1H 2009 to US$99 million in 1H 2010, reflecting our efforts at margin enhancement. Our new business margin increased from 18% in 1H 2009 to 32% in 1H 2010, reflecting our increased focus on value generation.

New business as measured by ANP in respect of investment-linked and universal life insurance products increased 85.1% from US$141 million in 1H 2009 to US$261 million in 1H 2010. We believe that our sales of investment-linked and universal life insurance typically decrease in periods of protracted or steep declines in equity markets and the increase in new business in respect of these products reflects the more benign economic outlook in the latter part of FY 2009 and 1H 2010. We have increased our VONB attributable to investment-linked and universal life insurance products from US$11 million in 1H 2009 to US$35 million in 1H 2010, with new business margin increasing from 8% in 1H 2009 to 13% in 1H 2010.

New business as measured by ANP in respect of standalone A&H insurance products, including riders, was US$116 million in 1H 2010 compared with US$136 million in 1H 2009. The decrease was mainly due to lower sales of regular premium products, particularly in Korea, as we re-priced certain products and focused on enhancing value and margins, rather than volumes. In particular, in Korea, we temporarily withdrew our long term cancer protection products to new customers in the latter part of FY 2009 as we redesigned a range of more appropriately priced products. In addition, ANP in Korea was adversely impacted by changes in regulations governing direct marketing channel in Korea.

Riders mainly comprise A&H riders attached to our traditional life and investment-linked and universal life insurance products. ANP in respect of riders remained steady, at US$73 million in 1H 2010 compared with US$74 million in 1H 2009. ANP does not include sales of unit-deducting riders, for which no premiums are received. Riders have an important role to play in meeting customers' needs for insurance protection products. The attachment of riders enhances the margins on our individual life insurance products. The new business margin on our individual life products grew from 33% in 1H 2009 to 39% in 1H 2010.

New business as measured by ANP in respect of our group insurance products were US$130 million in 1H 2010 compared with US$155 million in 1H 2009, while VONB decreased from US$54 million in 1H 2009 to US$46 million in 1H 2010. Our ANP and VONB in 1H 2009 benefited from two significant corporate accounts acquired by our operations in Australia in 1H 2009. New business margins have increased from 35% in 1H 2009 to 36% in 1H 2010.

As a result of the foregoing, total VONB generated by us increased by 30.6% from US$261 million in 1H 2009 to US$341 million in 1H 2010, while ANP grew from US$773 million to US$887 million over the same period. As a result, new business margin improved from 34% in 1H 2009 to 38% in 1H 2010.

In addition, our corporate pension business reported new contributions as set forth below:

	Six months ended		
	31 May 2009	**30 November 2009**	**31 May 2010**
		(in US$ millions)	
Corporate pension — new contributions	430	127	162

We offer corporate pension products to customers in Hong Kong, Thailand and Indonesia as well as through our joint venture in India. New business in relation to our corporate pension business are measured in terms of new contributions. New contributions to our corporate pension business, excluding those in relation to our joint venture in India, were US$430 million and US$162 million in 1H 2009 and 1H 2010, respectively, reflecting the acquisition of the assets of a significant scheme in FY 2009.

Set forth below is a description of our key product lines. Each of the following key product lines is offered in each of our Key Markets.

Traditional Life Insurance

We offer a wide variety of traditional life insurance products for individuals in four principal categories: term life; traditional basic participating; traditional basic non-participating; and general personal lines insurance products. These products continue to be the major contributor to our TWPI, accounting for 63.5%, 61.0% and 62.6% in FY 2007, FY 2008 and FY 2009, respectively. These products include a significant portion of regular premium business and have contributed to our stable profits over time. Our traditional life products, except general personal lines insurance, are typically designed so that A&H and other protection riders can be attached to the basic policy.

Term Life

Term life insurance provides life insurance protection for a defined period. The sum assured under the policy is paid to the beneficiary if death occurs during the period of coverage.

Traditional Basic Participating Life Insurance

Participating policies are contracts of insurance where the policyholders have a contractual right to receive additional benefits based on investment return and/or other factors, as a supplement to any guaranteed benefits. In some markets, participating business is written in a participating fund that is distinct from the other assets of the insurer. In these markets, the allocation of benefits to participating policyholders from the assets held in the distinct participating fund is typically subject to minimum levels or other mechanisms established by applicable regulation. In markets where participating business is not written in a distinct fund, allocations to participating policyholders are based, at the insurer's discretion, on the investment performance of a group of assets or contracts and other factors. Whether participating policies are written in a distinct participating fund largely depends on local practice and regulation. The extent of policy participation may change over time.

Traditional Basic Non-Participating Life Insurance

Traditional basic non-participating life insurance products are contracts of insurance where the policyholder has a guaranteed right to the benefit, which is not at the contractual discretion of the insurer.

General Personal Lines Insurance Products

Our personal lines insurance business is comprised of private motor insurance, buildings and household contents insurance, accident and health insurance, pet insurance, travel insurance and insurance for domestic helpers. We underwrite selected personal lines insurance in Hong Kong, Singapore and Malaysia. Key products include travel, home contents, private motor, domestic helper and personal liability insurance.

Investment-Linked and Universal Life Insurance

This includes universal life products and other investment-linked products. Our investment-linked and universal life products are typically designed such that A&H and other protection riders may be attached to the basic policy.

Universal life products

Universal life products are insurance products where the customer pays flexible premiums that are accumulated in an account balance and is credited with an investment return. The customer may vary the death benefit and the contract may permit the customer to withdraw the account balance, typically subject to a surrender charge. Our universal life products fall into two broad groups, fixed universal life, where we determine the rate of interest credited to the account balance, and variable universal life, where the return credited to the customer's account balance is linked to the value of underlying investments or fluctuations in the value of underlying investments or indices. We include variable universal life products within investment-linked products.

Investment-linked Products

Investment-linked products are insurance products where the surrender value of the policy 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 investments or indices. Investment-linked products would include variable life insurance products, variable universal life insurance products, equity-linked products and unit-linked products, the classification of which would vary depending on local legal regulations. In general, the investment risk associated with such products is borne by the policyholder. Investment-linked products include variable universal life products, where the return credited to the policyholder's account balance is linked to the value of underlying investments or fluctuations in the value of underlying investment or indices. 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 surrender, death or the maturity of the policy, subject to surrender charges.

Annuity Products

Our annuity products are savings products where the accumulated amount could be paid out to the customer in a variety of income streams. The purpose of these products is to fund retirement for individuals. We have two main types of annuities products: a single premium product, where a customer can invest money in a deferred annuity by paying a single lump sum or a flexible premium product, where a customer can invest over a period of years. Customers may also generally purchase an immediate or income annuity with a single premium, where annuity payments continue during the lifetime of the annuitant or for a fixed period of time.

Accident & Health Insurance

We offer A&H insurance products, which provide morbidity or sickness benefits and include health, disability, critical illness and accident cover. A&H insurance products are sold both as standalone policies and as riders that can be attached to our individual life insurance products. A&H riders attached to traditional life insurance products, investment-linked and universal life insurance products are included within their respective product category for purposes of disclosure of TWPI and NBP, but are disclosed separately as "Riders" for purposes of disclosure of ANP, VONB and new business margin. Standalone A&H insurance products have been presented inclusive of their respective riders for purposes of disclosure of TWPI, NBP, ANP, VONB and new business margin. In addition, we also offer unit-deducting A&H riders that can be attached to our investment-linked and universal life insurance products, for which no premiums are received. The insurance coverage provided by such riders are funded by deduction of units from account balances of the underlying investment-linked and universal life contracts.

The market for A&H insurance products is expected to grow as healthcare costs are shifted from governments to citizens in certain markets. A&H insurance products are key drivers of our profitability due to our extensive claims database, continuous experience tracking, proactive remedial actions and economies of scale in operations. In 2009, we had a number one market share in A&H insurance in Hong Kong (33%), Singapore (27%), Malaysia (17%) and Thailand (73%), based on data classified and published by relevant regulatory and industry sources.

Group Insurance

Our group insurance business is operated through our Group Corporate Solutions division ("AIA GCS"), which provides employee benefits, credit insurance and pension products and services in the Asia Pacific region and serves approximately 100,000 corporate clients with more than 10 million participating members as of 31 May 2010. We distribute these products in all 15 of our geographical markets, generally by leveraging our multi-channel distribution network. Our most important geographical markets for these products and services are Australia, Hong Kong, Malaysia, Singapore and Thailand. We believe that we are a leading provider in the Asia Pacific region for these services. The AIA Group occupied the leading position in Australia (21.8% market share of group life business as of March 2010) and the second position in Hong Kong (16.7% market share of group medical insurance business in 2009) and Singapore (29.0% market share of group life business as of March 2010), based on data classified and published by relevant regulatory and industry sources.

One of our key strategies in this area is to leverage our access to our participating members to distribute additional individual life insurance and A&H insurance products that are tailored to improve the coverage provided by their employers. We are increasing our agents' training on AIA GCS products to encourage greater sales, drive agency force productivity and explore alternative distribution models. For example, we are working to increase IFA sales of corporate products to smaller and medium-sized local enterprises. Finally, we believe that our AIA GCS business is well positioned to benefit from certain regulatory reforms discussed in the section headed "Industry Overview" in this prospectus.

Group insurance, which is typically marketed to corporations, government entities and associations, has been a driver of both our product volume and profitability growth. Group insurance coverage is typically arranged by employers for employees of corporate or government entities. The employers typically pay premiums for basic policies, such as group term life and group medical coverage. Group credit life insurance products typically provide life insurance protection to the customers (borrowers) of financial lending institutions. The premium is usually built into the cost of the loans, which may cover mortgages, credit cards and auto loans. We have a significant in-force portfolio of group insurance policies with approximately 62,000 corporate policyholders and approximately seven million insured employees/members for group life insurance products, as well as approximately 1,500 corporate policyholders and approximately 2.6 million insured members for group credit life insurance products as of 31 May 2010. In addition, we believe that Korea, China and Vietnam represent largely untapped markets for this type of insurance product.

Corporate Pension Products

Our corporate pension products business is mainly operated by AIA-PT and AIA-T. AIA-PT and AIA-T serve as trustees of a multi-investment manager platform offering more than 50 constituent funds under Hong Kong's ORSO with respect to voluntary corporate pensions and MPFSO with respect to defined contribution plans. These products are distributed across a wide range of distribution channels. AIA Pension also acts as the trustee of other collective investment schemes.

Since 2000, there has been a substantial increase in our pension business due to the Hong Kong government requiring mandatory provident funds for employees. As of 31 May 2010, AIA Pension had a combined US$5.7 billion of AUM for its pension management business that covered more than 700,000 members of its approximately 37,000 ORSO and MPFSO clients in Hong Kong.

The AIA Group primarily utilises tied agency, brokerage and direct marketing channels to distribute pension products and our operations are supported by our proprietary Regional Pensions Administration System and other operational support programmes. We use a mixture of in-house managed funds and third-party managed funds. These funds are generally not held on the AIA Group balance sheet and, accordingly new business activities in respect of corporate pension products are not included within our new business measures (ANP and NBP) or TWPI in respect of our life insurance business.

DISTRIBUTION

We distribute our broad range of products through all major distribution channels, including tied agents, banks, direct marketing, IFAs and brokers. We believe that our experience with a broad range of distribution models across many geographical markets at different stages of economic development positions us well to respond to trends and effectively transfer successful distribution strategies across markets.

Over the course of our time in the Asia Pacific region, we have developed a tied agency force that spans across the region, from developed urban centres to rural areas. As of 31 May 2010, our tied agency force consisted of more than 309,000 agents.

We are expanding our other distribution channels to extend our exposure and reach. In particular, we strive to become a preferred partner of banks and financial service providers across the Asia Pacific region. We had more than 120 relationships with banks and financial institutions throughout the region as of 31 May 2010, and we utilise a range of partnership models to tailor our bancassurance programme to meet specific market needs and expand the breadth of our distribution network.

In Korea and Taiwan, we have used sophisticated direct marketing distribution (such as database marketing) to expand our distribution platform. In addition, our products are also increasingly sold on a non-exclusive basis by IFAs and brokers, particularly in more developed markets such as Hong Kong, Singapore and Australia.

The contributions of our five primary distribution channels to our ANP and value of new business as well as their respective new business margins for the periods indicated are set forth below:

	Six months ended 31 May 2009	*% Total*	Six months ended 30 November 2009	*% Total*	Six months ended 31 May 2010	*% Total*
	(US$ millions, except New Business Margin)					
Agency						
ANP(1)	506	*65.5*	801	*72.5*	614	*69.3*
Value of New Business(2)	201	*77.0*	279	*77.2*	246	*72.2*
New Business Margin(3) (%)	39.7	*N/A*	34.8	*N/A*	40.0	*N/A*
Bancassurance						
ANP(1)	44	*5.7*	64	*5.8*	71	*8.0*
Value of New Business(2)	5	*1.9*	14	*3.9*	17	*5.1*
New Business Margin(3) (%)	11.1	*N/A*	22.0	*N/A*	24.3	*N/A*
Direct Marketing						
ANP(1)	94	*12.2*	109	*9.9*	87	*9.8*
Value of New Business(2)	12	*4.5*	30	*8.4*	36	*10.5*
New Business Margin(3) (%)	12.5	*N/A*	27.7	*N/A*	41.1	*N/A*
Others						
ANP(1)	129	*16.6*	131	*11.9*	115	*12.9*
Value of New Business(2)	43	*16.6*	38	*10.5*	42	*12.2*
New Business Margin(3) (%)	33.7	*N/A*	29.0	*N/A*	36.3	*N/A*
Total						
ANP(1)	**773**	***100.0***	**1,105**	***100.0***	**887**	***100.0***
Value of New Business(2)	**261**	***100.0***	**361**	***100.0***	**341**	***100.0***
New Business Margin(3) (%)	**33.8**	**N/A**	**32.6**	**N/A**	**38.4**	**N/A**

(1) ANP excludes new business of our corporate pension business and personal lines and motor insurance, as well as new business of PT. Asuransi AIA Indonesia which we disposed in October 2009.

(2) VONB has been presented before group office expenses, on a local statutory basis, and excludes the contribution of our corporate pension business as well as PT. Asuransi AIA Indonesia, which we disposed in October 2009.

(3) New business margin is calculated as VONB, before group office expenses, on a local statutory basis and excluding the contribution of our corporate pension business and PT. Asuransi AIA Indonesia, expressed as a percentage of ANP.

Agency remained our most significant distribution channel as measured by ANP, generating 69.3% and 72.2% of our total ANP and VONB, respectively, in 1H 2010. In particular, our agency force accounted for more than 70% of ANP generated by each of our Key Markets, except for our operations in Korea, which derived 58.0% of ANP in 1H 2010 from agency distribution. Our distribution channels within our Other Markets reporting segment are more diversified, with our agency force contributing 23.0% of ANP in 1H 2010. Agency remains our most profitable channel, contributing 77.0% of total VONB in 1H 2009 and 72.2% in 1H 2010. Our new business margin on sales through our agency channel was 39.7% in 1H 2009 and 40.0% in 1H 2010.

Direct marketing contributed 9.8% and 10.5% of our total ANP and VONB, respectively, in 1H 2010. Our operations in Korea reported the highest ANP contribution from direct marketing amongst our operating units, generating 36.3% and 75.3% of ANP and VONB, respectively, in 1H 2010 compared with 47.6% and 53.2%, respectively, in 1H 2009. The decrease in the proportion of ANP contributed by Korea reflects increased regulation of the direct marketing channel in that market, which was more than offset by the growth in the VONB contribution driven by an increase in new business margin from 13.0% in 1H 2009 to 55.8% in 1H 2010, reflecting our focus on maximising the profitability of our new business.

Bancassurance was our fastest growing distribution channel by ANP in 1H 2010 and contributed 8.0% and 5.1% of our total ANP and VONB, respectively, during the period. We now have over 120 bancassurance relationships across the Asia Pacific region. Among our reporting segments, the ANP generated by our bancassurance distribution channel was most significant in our Other Markets reporting segment, particularly Indonesia, followed by our Thailand and China reporting segments. In Indonesia, ANP from bancassurance grew more than twofold between 1H 2009 and 1H 2010 as we continued to develop our relationship with our bancassurance partners in the market. In Thailand and China, ANP contribution from this distribution channel grew 5.1% and 31.3%, respectively, between 1H 2009 and 1H 2010 as we continued to seek new bancassurance partners. As a result of the foregoing, VONB generated by our bancassurance channel increased from US$5 million in 1H 2009 to US$17 million in 1H 2010, more than doubling our new business margin from 11.1% in 1H 2009 to 24.3% in 1H 2010.

Our other channels include the IFA/brokerage channel and our corporate sales centres, which in total contributed 12.9% and 12.2% of our total ANP and VONB, respectively, in 1H 2010 compared with 16.6% of total ANP and 16.6% of VONB in 1H 2009. The IFA/brokerage channel is primarily utilised in Hong Kong, Singapore and Australia, while corporate sales centres are mainly utilised in our operations in Hong Kong, Singapore and Indonesia.

Agency Channel

We believe that we have one of the strongest tied agency franchises in the Asia Pacific region. Our agency force made up more than 25% of the total agents in the Hong Kong and Singapore insurance markets in 2009, as well as more than 20% of the total ordinary life agents in the Philippines insurance market and more than 15% of the total agents in the Thailand insurance market in 2008, the respective periods of the latest available published market data. While our tied agents distribute almost all of our insurance products, they are a preferred distribution channel for many of our more complex, and generally more profitable, insurance products, such as our universal life products. We believe the scale and breadth of penetration of our agency channel results in cost efficiencies which may be difficult for our competitors to replicate, particularly in developed markets.

The tied nature of our agency model and our role in managing, training and motivating the agency force provide us with significant control over this distribution channel, allowing us to (i) drive the product strategy and development process to meet specific customer segments and demands; (ii) anticipate the needs of our customers and potential new customers; and (iii) create new products and disseminate best practices based on these needs.

We believe that we have a productive agency force. Our first year premium per Active Agent (i.e., an agent who sells at least one life insurance product per month) for both FY 2008 and FY 2009 was more than US$22,000 per year, or US$1,800 per month, across our 12 geographical markets where we utilise agency distribution. Each Active Agent on average sold more than 42 life insurance products per year during FY 2008 and FY 2009. The persistency of insurance products sold through our tied agency force for FY 2009 ranged from approximately 80% in most of our markets to around

95% in some developed markets. We are focused on increasing the productivity of our agency force, particularly in developed markets where agent productivity in 1H 2010 fell below FY 2008 and FY 2009 levels, partly as a result of the terminated Prudential Transaction. For example, in our Key Markets of Hong Kong, Singapore and Korea, our first year premium per tied agent per month was approximately US$5,000, US$4,300, US$2,500, US$3,700 and US$3,000 in 1H 2008, 2H 2008, 1H 2009, 2H 2009 and 1H 2010, respectively. We believe there is significant opportunity to restore agent productivity in these markets back to historical levels. We are also focused on further enhancing agent productivity in developing and emerging life insurance markets, some of which have shown more stable tied agent production. For example, in our Key Markets of Thailand, Malaysia and China, our first year premium per tied agent per month was approximately US$380, US$360, US$330, US$440 and US$380 in 1H 2008, 2H 2008, 1H 2009, 2H 2009 and 1H 2010, respectively.

We are also focused on developing our tied agents into Million Dollar Round Table members. In 2009, more than 1,300 of our tied agents were rewarded for their productivity by membership in the Million Dollar Round Table, an important measure of success in the life insurance industry. Fewer than 1% of life insurance agents industry-wide are registered Million Dollar Round Table members. The AIA Group was among the top five life insurance companies globally in terms of Million Dollar Round Table registered members as of 1 August 2010, and ranked third among all insurance companies in terms of Million Dollar Round Table members outside of the Americas in the same period.

The following table shows the approximate size of our tied agency force in each of our Key Geographical Markets and our Other Geographical Markets as of 31 May 2010:

Agency Size

Geographical Market	Number of Tied Agents
Hong Kong(1)	8,195
Thailand	81,670
Singapore	3,555
Korea	3,940
China	23,115
Malaysia	10,200
Other Geographical Markets(2)	178,610
Total	**309,285**

(1) Amount includes Macau.

(2) Amount includes all of the approximately 148,100 agents of AIA India.

We believe that we were among the first life insurers operating in the Asia Pacific region to pioneer the tied agency model, which is one of the most important legacies of our long-standing roots in the Asia Pacific region. Among other things, we believe that the history and track record of our agency network foster stability and agent retention, particularly among our agency leaders. As of 31 May 2010, 19.5% of our total agency leaders have been AIA agents for more than 10 years and 7.3% of our total tied agency force (which includes our agency leaders) have been AIA agents for more than 10 years. In our Key Geographical Markets, approximately 42% of our agency leaders and approximately 16% of our total tied agency force, which includes our agency leaders, have been AIA agents for more than 10 years as of 31 May 2010. The number of new agent leaders increased to 10,106 in 2H 2009 from 5,471 in 1H 2009. The number of new agent leaders in 1H 2010 was 10,284.

Our 12-month agent retention rate increased to approximately 58% in FY 2009 from approximately 52% in FY 2008, and has remained stable at approximately 58% in 1H 2010. We believe this retention rate is evidence of the commitment our agents have to the AIA Group. In some cases, our tied agents have worked with us for most of their careers and have passed their business relationships down to the next generation. We believe the stability of our agency force has enabled our agents to develop long-term relationships with our customers that are strengthened by face-to-face interaction and the convenience of the 24-hour-a-day, seven-day-a-week service that many of our agents provide.

We are focused on growing the number of new tied agents through geographic and sales office expansion supported by recruitment strategies, such as utilisation of a consistent and systematic recruitment cycle, programmes aimed at recruiting younger tied agents and that leverage our strong brand name and enhanced agency compensation schemes, including the alignment of manager compensation with new tied agent recruitment. We believe that the number of new tied agents we recruit reflects the success of our recruitment strategies. In particular, we recruited 167,637 and 143,766 new tied agents in FY 2008 and FY 2009, respectively, and we recruited 52,596 new tied agents in 1H 2010 and 33,446 new tied agents in the third quarter of FY 2010 despite the adverse impact of the terminated Prudential Transaction on new tied agent recruitment.

Agency Management

We have established a comprehensive agency training, compliance and compensation structure to ensure that our tied agency force operates effectively. Our tied agency force is led by a chief agency officer and a team of directors of agencies and agency executives. Each local operating unit has a team of employees dedicated to optimising that unit's agency force, which is structured as a hierarchy in which high achievers can advance to supervise and manage other agents. Our agency executives supervise our agency leaders who, in turn, supervise our tied agents. Agency staff monitor and audit the activities of our tied agency force. In order to supervise and motivate our agents, each local agency team has a wide range of responsibilities, including:

- developing and implementing strategic plans for agency expansion;
- providing advice to agency leaders on how to better manage their agencies;
- working with AIA Group agency to develop annual strategic plans and productivity goals;
- working with development teams to create agency incentive contests and award programmes; and
- overseeing training and development programmes for various levels of agents.

We find that our close relationship with our agents provides important feedback that assists us in meeting our customers' needs. For example, our agents employ our proprietary "Financial Health Check" questionnaire for customers, which we consider a valuable tool for identifying gaps in our customers' insurance coverage and other specific needs that we can match with one of our products or use to develop new products.

We have developed an agency business strategy reflecting the varying nature of the markets in which we operate. In more developed markets, such as Hong Kong and Singapore, we are focusing on greater market and agent segmentation to better serve the high net worth population, improving agent compensation schemes to incentivise sales of more profitable products and developing a "needs-based" selling approach. In addition, we have taken steps to rationalise tied agents that did not meet AIA Group productivity requirements under their agency contracts. In faster growing markets, such as China, our priority is to expand the agency force by aligning manager compensation with recruiting success.

Compensation

Our compensation system for tied agents aligns their incentives with our key objectives, such as sales of more profitable products, production and policy persistency. The core components of our agency compensation scheme are commissions, production bonuses and persistency bonuses. Reflecting the different operating environments in the Asia Pacific region, the specific terms and conditions regarding agent compensation vary from market to market. For example, in many of the markets that the AIA Group has entered relatively recently, compensation is designed to drive agent recruitment and growth of the agency force, while arrangements in established markets place greater emphasis on sales of more complex and profitable products. We constantly review our compensation arrangements in light of industry developments and have a well-defined internal approval process for any modifications to our compensation schemes.

Our tied agents are not employees of the AIA Group. We believe that our contracts with our tied agents provide terms and compensation structures that are customary and competitive for such contracts in our business. Our contractual arrangements with our tied agents are reviewed by our legal and compliance departments to ensure that they comply in all material respects with the requirements of applicable law.

An incentive plan for our top performing agents was implemented in early 2010 for agents in Brunei, Hong Kong, Indonesia, Macau, the Philippines, China, Singapore, Korea, Thailand and Vietnam (the "Agency Incentive Plan"). Incentive awards under the Agency Incentive Plan will be paid to participants in cash, or at the AIA Group's absolute discretion, in kind by substituting assets which have a value, as determined by the AIA Group, equal to the cash amount of the incentive award that would otherwise be payable to the participant. Incentive awards are based on each eligible agent's performance from 1 June 2010 to 30 November 2011, with payments staggered so that final awards will be paid out on or before 31 March 2013. Depending on the actual performance and turnover of eligible agents, the cost of the Agency Incentive Plan when recognised over future periods may have a material impact on the operating profit, embedded value movement and excess of acquisition expenses above acquisition expenses reflected in VONB. As the AIA Group considers the Agency Incentive Plan as a one-off initiative to improve agency activity and productivity, we do not expect any impact on VONB.

Training and Development

To enhance agent productivity and retention, we have developed a training programme designed for new agents, experienced agents, new agency leaders and experienced agency leaders. At all levels, training focuses on compliance with local licensing requirements and our conduct guidelines, as well as productivity and profitability, with an emphasis on understanding our product suite so as to permit our agents to respond to customer needs with the relevant product solutions. As of 31 May 2010, we had more than 600 agent trainers dedicated to the training of our tied agency force.

Bancassurance Channel

We have focused on extending our presence in bancassurance, through which we distribute all categories of our insurance products and which is an increasingly important distribution channel for our traditional and A&H insurance products. We utilise bancassurance in all of our geographical markets except New Zealand and, as of 31 May 2010, had more than 120 bancassurance relationships, the majority of which are pursuant to formal, stand-alone distribution agreements. Our bancassurance relationships range from exclusive agreements that generally have a term of five years or more, to open architecture agreements. Open architecture agreements are non-exclusive and typically allow our partners to sell the insurance products of two to four insurance companies and have open-ended or one-year renewable terms. Our bancassurance relationships typically include commission-based payment terms. Our bancassurance partners have a network of more than 13,000 bank branches, which we believe provide us with an opportunity to extend our reach and access our bancassurance partners' customers. In FY 2009, we entered into 10 bancassurance relationships, including an exclusive strategic joint venture in the Philippines that provides Philamlife with access to the distribution network of the more than 800 branches of the Bank of the Philippine Islands ("BPI"), a leading bank in the Philippines. In the six months ended 31 May 2010, we entered into 11 new bancassurance relationships. In addition, on 9 September 2010, we signed a long-term strategic partnership agreement with Industrial and Commercial Bank of China Limited ("ICBC"). Under the agreement, the AIA Group and ICBC intend to jointly develop a bancassurance business in China and work closely in a wide range of banking areas, including bank deposits, asset management, cash management, investment banking, e-banking, credit cards, customer services, fund raising, credit lending and staff training.

Bancassurance is attractive because it provides access to our partners' client base and branch infrastructure, and extends our market reach and exposure. Bancassurance distribution is also responsive to the evolving needs of customers who prefer a single point of entry for banking, insurance and other financial services.

We continue to pursue additional bancassurance opportunities and believe that we are an attractive partner for banks and financial services companies because of a number of unique attributes:

- we are open to and have significant experience with a wide range of bancassurance models that can be customised to meet our partner's needs from joint ventures and strategic alliances to non-exclusive distribution relationships for the supply of specific products or services;
- the AIA brand is widely recognised in most of our markets;
- we have a broad product offering tailored to the customer segment specific to our partners and related expertise resulting from our long track record in the region;
- our infrastructure and scale permit us to offer a greater range of services and support than most of our competitors; and
- our extensive agency force creates significant cross-selling opportunities for credit cards and other bank services.

Direct Marketing Channel

Direct marketing is an increasingly important distribution channel for us. We employ direct marketing teams in Taiwan for both direct-to-consumer sales and for sponsor arrangements where we market products to the customers of consumer lending partners. In Korea, we utilise hybrid marketing, a distribution channel that relies on a phased sales approach consisting of telephone marketing followed by face-to-face meetings. We typically establish sponsor partnerships on a market-by-market basis. Our approach to direct marketing is diverse, leveraging several sub-channels such as: broad media advertising; database marketing; outbound calling of affinity customers; and direct marketing agencies, which are external call centres that distribute our products. We are developing additional direct marketing centres in Thailand, Australia and Indonesia, where we believe the regulatory and consumer environment is also well-suited to the channel. In Thailand, we signed agreements with five new sponsor partners in FY 2008 and FY 2009. We also launched a broad marketing campaign in Thailand in the fourth quarter of 2008 for a guaranteed issue whole life product for senior citizens. In Indonesia, we set up a call centre in 2008 and extended a number of our bancassurance relationships to include a direct marketing component in 2009. We are typically responsible for the management and operation of our call centres and direct marketing centres, while our sponsor partners provide certain infrastructure such as office space. Our role in managing these centres enables us to ensure that AIA Group and sponsor partner sales staff have obtained relevant registrations and licences. Our agreements with our sponsor partners typically include sales targets for sales staff, an initial term of one to three years and payment terms tied to sales-based commissions for sales staff and fees for workstation usage. We typically manage the sales process to meet productivity targets. We are responsible for the provision of after-sales service to customers who are solicited by the sales staff at our call centres and direct marketing centres.

Other Distribution Channels

We utilise IFA and brokerage distribution channels primarily in Hong Kong, Singapore and Australia for retail insurance products. As of 31 May 2010, we had approximately 480 active relationships with business partners in this channel, including relationships with more than 280 broker-dealerships in Australia. Arrangements between the AIA Group and our IFA and brokerage partners are typically non-exclusive and include commission-based payment terms. We expect the IFA channel to become increasingly important in our more developed markets, to the extent that customers seek independent advice from advisers. We have established a dedicated team of channel specialists at the AIA Group to drive our “partnership model” to develop sustainable long-term and productive relationships in our geographical markets.

We also utilise broker intermediaries, as well as direct corporate sales teams to market our group insurance business, which provides employee benefits, credit insurance and pension products to corporate clients. The group sales teams deploy a proactive, disciplined and customer focused business model, whereby we regularly hold customer workshops to obtain feedback in order to enhance our operations. This is a specialised business and we believe the AIA Group has developed strong capabilities and proprietary technology solutions to offer a differentiated value proposition to our clients. Our group business also contributes to our other channels by helping the AIA Group attract new bancassurance partners and by providing the AIA Group with an opportunity to cross-sell and up-sell additional products and services to group members.

OUR PRIMARY OPERATING UNITS

We have local operating units in 15 geographical markets which give us a broad geographic footprint in the Asia Pacific region. We consider Hong Kong, Korea, Thailand, Singapore, China and Malaysia to be our Key Geographical Markets. We refer to our local operating units in the Philippines, Australia, Indonesia, Vietnam, Taiwan, New Zealand, India, Macau and Brunei as our Other Geographical Markets.

Within the Asia Pacific region, we consider Hong Kong (including Macau), Singapore (including Brunei), Taiwan, Korea, Australia and New Zealand to be developed life insurance markets, Thailand, Malaysia and China to be developing life insurance markets, and Indonesia, Vietnam, the Philippines and India to be emerging life insurance markets.

Key Geographical Markets

Hong Kong

Market Overview

The Hong Kong life insurance market was the sixth largest in the Asia Pacific region, with approximately US$20.3 billion in life insurance premiums in 2009. We consider Hong Kong to be a sophisticated and developed insurance market within the Asia Pacific region. The Hong Kong life insurance industry has experienced double-digit life insurance premium growth, with a CAGR of approximately 9.9% between 2004 and 2009. We believe this recent premium growth and Hong Kong’s recent economic growth (GDP grew at a CAGR of approximately 4.9% from 2004 and 2009), coupled with its penetration rate (9.6% in 2009) and density rate (over US$2,800 in 2009), suggest a developed life insurance market within the Asia Pacific region with a demonstrated customer demand for insurance products.

Our Business

We began conducting business in Hong Kong in 1931 when AIA established a branch in Hong Kong. We have maintained a presence in Hong Kong for over 70 years, except for limited interruptions. Hong Kong is the location of our group office. The AIA Group occupied the leading position in the Hong Kong life insurance market with a reported 15.9% market share of direct in-force individual and group business premiums in 2009, based on data classified and published by the OCI. AIA Hong Kong served more than one million individual customers as of 31 May 2010.

AIA Hong Kong maintains a multi-channel distribution network. AIA Hong Kong's primary distribution channel is its agency force. AIA Hong Kong had approximately 8,195 agents as of 31 May 2010. We believe that we have the largest agency force in the Hong Kong insurance market, and AIA Hong Kong's agency force is characterised by both its stability (more than 2,700 agents had over 10 years of service with AIA Hong Kong as of 31 May 2010) and its professionalism and productivity (more than 600 agents, the highest number in the Hong Kong market, were registered members of the Million Dollar Round Table in 2009). Through its IFA/brokerage distribution channel, AIA Hong Kong has partnered with approximately 520 broker firms and established approximately 35 significant business relationships as of 31 May 2010. AIA Hong Kong's relationships with its broker partners are pursuant to written agreements and are typically non-exclusive, include commission-based payment terms and automatically renew on an annual basis. In addition, AIA Hong Kong entered into a bancassurance relationship with a major retail bank in February 2010.

AIA Hong Kong is focused on the following key strategies:

- continue to expand and increase the productivity of its agency force, and implement a customer-centric agency delivery model to further enhance the productivity of its agency force through the use of customer value management tools and grow its agency force;

- expand and build its alternative distribution channels, including further development of its retail and high net worth customer bancassurance channels and its IFA/brokerage channel to further access high net worth customers; and

- build premium advisory capability for HNWIs to provide a broad range of financial and wealth planning solutions.

Thailand

Market Overview

Thailand's life insurance market was the eighth largest in the Asia Pacific region in 2009, with approximately US$6.2 billion of life insurance premiums. Life insurance premiums grew at a 15.0% CAGR between 2004 and 2009. We believe the relatively small size of the life insurance market and the relatively low penetration rate (2.4% in 2009) and density rate (approximately US$92 in 2009) suggests a developing life insurance market within the region with significant growth opportunities.

Our Business

We began conducting business in Thailand in 1938 when AIA established a branch in Thailand. We were one of the first international life insurance companies to operate in Thailand and, in part as a result of our long operating history, AIA Thailand is the only wholly-owned branch of a foreign life insurance company operating in the market. The AIA Group occupied the leading position in Thailand's life insurance market with a reported 35.6% market share of total weighted premiums in 2009, based on data classified and published by the Thai Life Assurance Association. AIA Thailand had the largest number (approximately 6.6 million based on data published by the Thai Life Assurance Association) of in-force insurance policies for life and personal accident products among Thai life insurance companies as of 30 November 2009.

The cornerstone of AIA Thailand's distribution strategy is its large network of approximately 81,670 agents as of 31 May 2010, which has historically accounted for a high proportion of AIA

Thailand's business. We believe our agency force is the largest in the Thailand insurance market. In addition, AIA Thailand had six bancassurance relationships, giving it access to more than 1,200 bank branches, as of 31 May 2010. AIA Thailand also had 11 direct marketing relationships as of 31 May 2010. Within the direct marketing channel, we believe AIA Thailand is a market leader in direct response distribution. Direct response distribution does not rely on customer databases, but instead involves the distribution of products to customers who respond to AIA Thailand newspaper, television and similar advertisements.

AIA Thailand is focused on the following key strategies:

- improve agency force productivity through (i) agency segmentation, (ii) improved customer service, (iii) cross-selling and maturing policy recapture programmes, (iv) leveraging AIA Thailand's extensive customer database and credible experience data and (v) the implementation of specialised recruitment programmes aimed at cultivating a greater number of agents;

- further enhance product and customer segmentation and agency training initiatives to extend our leading position in the growing rural market;

- capitalise on our dominant position in the health segment through offering innovative health and wellness product solutions; and

- expand our financial services footprint to include investment, wealth planning and retirement solutions.

Singapore

Market Overview

Singapore's life insurance market is the seventh largest in the Asia Pacific region, with approximately US$9.1 billion of life insurance premiums in 2009. Life insurance premiums grew at a 6.2% CAGR between 2004 and 2009. We believe Singapore is an attractive and developed life insurance market within the Asia Pacific region because of its status as a regional financial centre, its compulsory social security savings scheme (the CPF), penetration rate (5.1% in 2009) and density rate (approximately US$1,912 in 2009). We believe that the country's small population and significant wealth have created a market that presents unique growth opportunities for insurance companies.

Our Business

We began conducting business in Singapore in 1931 when AIA established a branch in Singapore. We have maintained a presence in Singapore for nearly 80 years, except for limited interruptions, and were one of the first international insurers to operate in the country. We are preparing to convert AIA Singapore into a subsidiary of AIA. The AIA Group occupied the leading life insurance position in Singapore's life insurance market with a reported 24.9% market share of total weighted life insurance premium income in 2009, based on data classified and published by the Monetary Authority of Singapore. AIA Singapore served more than 900,000 individual customers as of 31 May 2010.

AIA Singapore's agency channel has historically been the major contributor to AIA Singapore's sales production, although bancassurance is a growing distribution channel. AIA Singapore had approximately 3,555 agents and six bancassurance relationships as of 31 May 2010. Among other purposes, AIA Singapore's bancassurance channel is used to access Singapore's high net worth customer segment and distribute investment products.

AIA Singapore is focused on the following key strategies:

- continue to expand its distribution channels by (i) further strengthening its agency force and productivity as well as implementing maturing policy recapture programmes; (ii) scaling bancassurance relationships; and (iii) introducing a direct marketing model that leverages our existing customer database and business partners;
- develop customer segment specific marketing initiatives; and
- enhance operational capability to be "easy to do business with".

Malaysia

Market Overview

With life insurance premiums of approximately US$5.7 billion in the 12 months ended 31 March 2010, Malaysia's life insurance market is the ninth largest in the Asia Pacific region. Life insurance premiums grew at a CAGR of 6.2% from the 12 months ended 31 March 2005 to the 12 months ended 31 March 2010. We believe that Malaysia's recent economic growth (GDP grew at a CAGR of approximately 10.5% from 2004 to 2009), penetration rate (2.9% in 2009) and density rate (approximately US$206 in 2009) suggest a developing life insurance market within the Asia Pacific region with strong growth opportunities.

Our Business

We began conducting business in Malaysia in 1948. In 2008, our Malaysian branch operations were converted to a locally incorporated company. In 2008, AIA Malaysia became the first life insurance company in Malaysia to receive an international Takaful operator licence, and is one of few life insurance companies in Malaysia offering Takaful products in international currencies. AIA Takaful International Bhd. was formed to focus on foreign currency denominated Takaful insurance and re-Takaful business. On 1 September 2010, Bank Negara Malaysia announced that AIA Malaysia, along with its joint venture partner Alliance Bank Malaysia Berhad, had received a new Family Takaful operator licence. AIA Malaysia intends to establish a joint venture with Alliance Bank Malaysia Berhad whereby AIA Malaysia would hold 70% of the equity in the joint venture and Alliance Bank Malaysia Berhad would hold the remaining 30%. This joint venture would operate the Family Takaful licence and offer Family Takaful products in Malaysian Ringgit in the Malaysian market. The AIA Group occupied the third position in Malaysia's life insurance market with a reported 12.6% market share of total in-force annual premiums in 2009, based on data classified and published by the Life Insurance Association of Malaysia. AIA Malaysia had more than one million individual customers as of 31 May 2010.

A number of channels within AIA Malaysia's distribution network contribute to its sales, with its agency force constituting the majority of sales production. AIA Malaysia had approximately 10,200 agents and four bancassurance relationships as of 31 May 2010. We believe that AIA Malaysia's growing direct marketing distribution channel, with over 20 direct marketing relationships as of 31 May 2010, is one of the market leaders in the channel.

AIA Malaysia is focused on the following key strategies:

- expand its product suite to include Takaful, pension and mutual fund products;
- grow its financial services capabilities by capitalising on industry liberalisation initiatives resulting from Bank Negara Malaysia's Financial Sector Master Plan and inorganic growth opportunities; and

- further expand multi-channel distribution network through agency force expansion and leveraging the direct marketing channel and bancassurance to expand into other distribution channels.

China

Market Overview

With life insurance premiums of approximately US$109.2 billion in 2009, the Chinese life insurance market is the largest in the Asia Pacific region and the seventh largest in the world. China's life insurance market has recorded significant growth in recent years, with total premiums increasing at a CAGR of 26.0% between 2004 and 2009. We believe that China's large economy (the second largest in the world in terms of GDP), recent economic growth (GDP grew at a CAGR of approximately 23.4% from 2004 and 2009) and large population (approximately 20.5% of the world's total as of 31 December 2009) combined with the life insurance market's recent premium growth, penetration rate (2.3% in 2009) and density rate (approximately US$81 in 2009), suggest a large developing life insurance market with significant growth opportunities.

Our Business

We returned to the PRC in 1992 when we opened a branch in Shanghai, but the AIA Group has roots in China dating back to 1919. For more information on our history in China, see the section headed "Our History and Reorganisation" in this prospectus. AIA China currently operates in two provinces (Guangdong and Jiangsu) and three cities (Shanghai, Beijing and Shenzhen), representing a population of more than 219 million people. The markets accessible to AIA China represented approximately 32.0% of China's combined life insurance product and A&H insurance product premiums in 2008 and approximately 31.7% of China's GDP in 2009. AIA China, which operates through branches and sub-branches of AIA, our Hong Kong-based subsidiary, was the first foreign life insurance company to be licensed to operate in China and is currently the only wholly-owned foreign life insurance company operating in China.

The AIA Group occupied the leading market position among foreign life insurance companies, with approximately a 18.9% market share of total premiums earned by foreign life insurance companies in 2009, based on data classified and published by the CIRC. The AIA Group had a reported 1.0% market share of total premiums earned by both domestic and foreign life insurance companies in 2009, based on data classified and published by the CIRC. AIA China served approximately 1.8 million individual customers as of 31 May 2010.

AIA China maintains a multi-channel distribution network. Agency is the core distribution channel and AIA China had approximately 23,115 agents as of 31 May 2010. AIA China has a growing presence in both bancassurance and the direct marketing channels. AIA China had 17 bancassurance relationships, which provided it with access to more than 420 bank branches, as of 31 May 2010. In addition, on 9 September 2010, we signed a long-term strategic partnership agreement with ICBC. Under the agreement, the AIA Group and ICBC intend to jointly develop a bancassurance business in China and work closely in a wide range of banking areas, including bank deposits, asset management, cash management, investment banking, e-banking, credit cards, customer services, fund raising, credit lending and staff training. As of 31 May 2010, AIA China's direct marketing channel is supported by a sales force of approximately 680 licensed telesales representatives. These telesales representatives are typically the contract staff of third-party human resources firms. AIA China's agreements with these third-party human resources firms typically provide for payment of fees by AIA China for the recruiting and administration of licensed telesales representatives and often have an initial term of one to three years.

AIA China is focused on the following key strategies:

- seek continuous geographic expansion opportunities, including expanding into a range of new cities;
- grow the size and quality of its agency force through systematic recruiting and productivity improvement; and
- grow bancassurance and scale up its direct marketing channel, including by developing new products focused on the emerging high net worth customer segment.

Korea

Market Overview

With approximately US$57.4 billion in life insurance premiums in the 12 months ended 31 March 2010, the Korean life insurance market is the eighth largest in the world and the second largest in the Asia Pacific region. Life insurance premiums grew at a CAGR of approximately 3.4% between 2004 and 2009. We believe the size of the market, together with its penetration rate (6.5% in 2009) and density rate (over US$1,180 in 2009), suggest a developed life insurance market within the region with a demonstrated customer demand for insurance products.

Our Business

AIA Korea commenced operations in 1987, initially as a branch of ALICO. AIA Korea was reorganised as a branch of AIA-B in 1997, although ALICO continued to have certain management and reporting oversight over AIA Korea through 2008. In 2000, AIA Korea began operating under the name “AIG Life Korea”. In June 2009, AIA Korea initiated a comprehensive, and we believe successful, re-branding campaign and currently operates under the name “AIA Life”. The AIA Group occupied the fourth position among foreign life insurance companies (excluding those operating through joint venture arrangements), with approximately a 14.5% market share of total premium income earned by foreign life insurance companies for the year ended 31 March 2010, based on data classified and published by the Korea Life Insurance Association. In addition, the AIA Group held an 8.2% market share of statutory net profit realised by foreign life insurance companies in Korea in 2009. The AIA Group had a reported 3.1% market share of life insurance premiums earned by both domestic and foreign life insurance companies in 2009, based on data classified and published by the Korea Life Insurance Association. AIA Korea served more than two million individual customers and had approximately 3.1 million in-force policies as of 31 May 2010.

A number of channels within AIA Korea’s multi-channel distribution network contribute to its sales: in 1H 2010, agency, direct marketing and bancassurance accounted for 58.0%, 36.3% and 5.3%, respectively, of AIA Korea’s total ANP. AIA Korea’s agency force had approximately 3,940 agents as of 31 May 2010, and is one of the most productive agency forces in the AIA Group, with first year premiums of approximately 36 million Korean Won per agent in the first half of FY 2010. We believe AIA Korea is a strong participant in the direct marketing distribution channel, leveraging its 14 dedicated call centres and total staff of over 470 telemarketers as of 31 May 2010. In September 2006, AIA Korea launched hybrid marketing, a distribution channel that relies on a phased sales approach consisting of telephone marketing followed by face-to-face meetings. This channel had more than 360 master planners (i.e., personnel that work in the hybrid marketing channel) as of 31 May 2010 and is an important distribution channel. Bancassurance is also an important distribution channel, and AIA Korea had bancassurance relationships with 17 banks and seven securities companies as of 31 May 2010. AIA Korea’s goal is to equip each of its agency, bancassurance, direct and hybrid marketing channels with every insurance product category AIA Korea offers.

AIA Korea is focused on the following key strategies:

- grow its agency business by increasing the size of its agency force of tied and non-tied agents, enhance its branch management model and build quality financial advisory capability;
- further enhance its bancassurance and direct marketing operations, and continue its record of new distribution channel development;
- redesign and reposition its A&H insurance products as part of a diversified product offering aligned with its customer segmentation strategy; and
- further increase AIA brand awareness through re-branding activities and enhance capital and risk management capabilities.

Other Geographical Markets

Philippines

Market Overview

With life insurance premiums of approximately US$1.6 billion in 2009, the Philippines' life insurance market is the eleventh largest in the Asia Pacific region. Life insurance premiums grew at a CAGR of 15.5% from 2004 to 2009. We believe the market's low penetration rate (1.0% in 2009) and density rate (approximately US$17 in 2009) suggest an emerging life insurance market with significant growth opportunities.

Our Business

Philamlife was formed in 1947 and is one of only three life insurers in the Philippines with a composite insurer's licence. As described in greater detail in the section headed "Our History And Reorganisation" in this prospectus, Philamlife recently joined the AIA Group. Philamlife occupied the leading position in the Philippines' life insurance market with a 25.3% market share of total premium income in 2009, based on data classified and published by the Philippine Insurance Commission. Philamlife served more than 700,000 customers under individual and group insurance policies as of 31 May 2010. Although a part of the AIA Group, Philamlife will continue to use the "Philamlife" brand, the most recognised life insurance brands in the Philippines' life insurance market.

Philam Asset Management, Inc. ("PAMI"), established in 1992, provides asset management services. PAMI had more than US$348 million AUM as of June 2010, representing approximately 22%, or the second highest amount of AUM in the Philippines' asset management industry, based on data published by the Investment Company Association of the Philippines. PAMI leverages the distribution platform of Philamlife's agents, third-party banks and brokers together with its own wealth management force to distribute its broad line of investment products, including seven PAMI-managed mutual funds as of 30 June 2010.

Philamlife's agency force and bancassurance relationships constitute the majority of Philamlife's sales production. Philamlife had over 7,600 agents as of 31 May 2010, or over 20% of the total ordinary life agents in the Philippines' life insurance market, based on the latest available published market data. On 27 November 2009, the AIA Group acquired 51% of the share capital of Ayala Life Assurance Incorporated (subsequently renamed BPI-Philam Life Assurance Corporation ("BPI-Philam")), a company engaged in life insurance business in the Philippines, for consideration of US$50 million (including a purchase price adjustment that was finalised and settled in May 2010 and acquisition costs), and BPI-Philam entered a distribution agreement with BPI to distribute BPI-Philam products. Among other things, this strategic bancassurance joint venture provides Philamlife with access to BPI's network of over 800 bank branches. For further details on this strategic exclusive bancassurance joint venture, see the section headed "Connected Transactions — Exempt continuing connected transactions — Transactions between BPI-Philam and BPI" in this prospectus.

Philamlife is focused on the following key strategies:

- continue to build the leading agency force by recruiting dynamic agents and agency leaders and improve the productivity and geographic reach of the agency force;
- continue expanding new distribution channels, including by accelerating growth in bancassurance and the direct marketing channel; and
- focus on key customer segments through programmes tailored to the market such as its Overseas Filipino Workers business programme.

Australia

Market Overview

Australia's life insurance market is the fifth largest in the Asia Pacific region, with approximately US$32.5 billion of life insurance premiums in 2009. Life insurance premiums grew at a CAGR of 4.8% from 2004 and 2009. In 2009, Australia's penetration rate was 3.4% and its density rate was approximately US$1,525. AIA Australia focuses on the life risk insurance segment. This segment, which consists primarily of protection products (as opposed to wealth, investment and superannuation products), had total premiums of approximately 8.2 billion Australian Dollars in 2009. We view the Australian life insurance market as a developed market within the Asia Pacific region supported by a robust economic and regulatory framework, compulsory employer contributions to Australia's superannuation system (a pension system) and favourable tax treatment for individuals purchasing life insurance products through the superannuation system (group insurance). In addition, according to industry sources, it is estimated that the market is underinsured as a result of the market's dependence on superannuation life insurance coverage, and we believe this presents significant growth opportunities.

Our Business

AIA Australia, a wholly-owned subsidiary of AIA, was formed in 1970 and registered under relevant Australian life insurance legislation in 1972. AIA Australia has historically operated under the "AIA" brand, although from 2004 to June 2009 it operated under the "AIG" and related brands. In June 2009, AIA Australia re-branded back to the "AIA" brand.

Based on data classified and published by Plan for Life, Actuaries and Researchers, Australia, AIA Australia occupied the (i) sixth position in Australia's life risk insurance segment, with a reported 8.5% market share of total risk premiums in the 12 months ended 31 December 2009; (ii) fifth position in Australia's life risk insurance segment in terms of total new sales, with a reported 11.7% market share in the 12 months ended 31 December 2009; and (iii) leading position in the group life risk insurance segment, with a reported 20.4% market share of total premiums in the 12 months ended 31 December 2009.

The life risk group insurance channel and IFA channel have historically been the most important to AIA Australia's sales production. AIA Australia's life risk group insurance channel distributes products through its contracts with regulated superannuation funds as of 31 December 2009. AIA Australia had more than 2,150 IFA relationships as of 31 July 2010. AIA Australia served over two million customers as of 31 May 2010. In addition, AIA Australia recently entered into a series of direct marketing partnerships, including an agreement with Citigroup for a five-year arrangement, and a heads of agreement with Priceline for a five-year arrangement. Priceline, a division of Australian Pharmaceuticals Industries, has over 3.2 million loyalty club card members and is a leading retailer for health, beauty and pharmaceutical products in Australia.

AIA Australia is focused on the following key strategies:

- consolidate its market position as the leading group life risk insurance provider through enhanced business service capabilities to the superannuation market;
- outperform market growth in the IFA/brokerage channel, and expand its direct marketing and bancassurance distribution channels through alliances with Australian companies with high brand awareness and strong customer affinity; and
- expand its business by seeking inorganic growth opportunities in the life risk insurance market.

Indonesia

Market Overview

Indonesia's life insurance market is the tenth largest in the Asia Pacific region, with approximately US$5.1 billion of life insurance premiums in 2009. Indonesia's life insurance market has recorded significant growth in recent years, with life insurance premiums increasing at a CAGR of 21% between 2004 and 2009. We believe this recent premium growth coupled with the country's large population of approximately 243 million in 2009 (the fourth largest in the world) and low penetration rate (0.9% in 2009) and density rate (approximately US$22 in 2009) suggest an emerging life insurance market with strong growth opportunities.

Our Business

The AIA Group entered Indonesia in 1984 via a joint venture, PT. Asuransi AIA Indonesia. In order to simplify our operations in Indonesia and enable the AIA Group to focus on running one core, wholly-owned multi-channel life insurer under the AIA brand in Indonesia, we exited this joint venture by selling our 60% interest to our joint venture partner on 22 October 2009. Based on data classified and published by the Indonesia Life Insurance Association, PT. Asuransi AIA Indonesia had total premiums of approximately US$101 million, US$94 million and US$109 million in 2007, 2008 and 2009, respectively. Our current business in Indonesia operates through PT. AIA FINANCIAL, which is a successor to PT Asuransi Jiwa Lippo Utama, a separate company that we acquired in 1999, and is not related to our former joint venture. PT. AIA FINANCIAL is owned and operated by two AIA Group companies, AIA-B and PT. Asta Indah Abadi. Our subsidiary AIA-B owns 80% of the share capital of PT. AIA FINANCIAL. PT. Asta Indah Abadi, another AIA Group subsidiary, owns the remaining 20% of the share capital of PT. AIA FINANCIAL. Based on data classified and published by the Indonesia Life Insurance Association, PT. AIA FINANCIAL had total premiums of approximately US$285 million, US$311 million and US$322 million in 2007, 2008 and 2009, respectively. AIA Indonesia occupied the third position in Indonesia's life insurance market with a reported market share of total weighted premiums in 2009 of approximately 9.4%, based on data classified and published by the Indonesian Life Insurance Association.

AIA Indonesia maintains a multi-channel distribution network. AIA Indonesia had more than 11,000 agents as of 31 May 2010 and seven bancassurance relationships that provided it with access to over 1,000 bank branches as of 31 May 2010. AIA Indonesia had more than 660,600 in-force policies as of 31 May 2010. AIA Indonesia also utilises direct marketing and group distribution channels. In August 2009, AIA Indonesia received a Sharia life insurance licence. This new licence has given AIA Indonesia the opportunity to develop and recently launch Sharia products aimed at the substantial Muslim population in Indonesia.

AIA Indonesia is focused on the following key strategies:

- grow the size of its agency force and continue to focus on its bancassurance, direct marketing and group distribution channels; and
- further develop its Sharia business and provide innovative life, A&H, group and pension products.

Taiwan

Market Overview

With approximately US$52.2 billion of life insurance in 2009, Taiwan's life insurance market is the fourth largest in the Asia Pacific region and the tenth largest in the world. Life insurance premiums grew at a CAGR of 9.4% from 2004 to 2009. We believe the market's penetration rate (13.8% in 2009) and density rate (over US$2,250 in 2009) suggest that it is a developed market within the Asia Pacific region with a demonstrated customer demand for life insurance products.

Our Business

Our branch in Taiwan commenced business in 1990. As described in the section headed "Our History and Reorganisation" in this prospectus, on 1 June 2009, AIA-B acquired the business of the Taiwan branch of ALICO and changed the legal name of that business to American International Assurance Company (Bermuda) Limited — Taiwan Branch. AIA Taiwan served more than 110,000 individual customers as of 31 May 2010.

AIA Taiwan's multi-channel distribution network consists of bancassurance, direct marketing and broad marketing, a channel that utilises mass marketing through television, newspapers and the Internet. AIA Taiwan had nine bancassurance relationships and employed more than 350 licensed direct marketers in charge of selling our products by phone as of 31 May 2010. Direct marketing is an important distribution channel for AIA Taiwan, and accounted for 88.7% of AIA Taiwan's total ANP in 1H 2010 (bancassurance accounted for 11.3% of AIA Taiwan's total ANP in the same period). We believe AIA Taiwan currently occupies a leading position in the broad marketing distribution channel.

AIA Taiwan is focused on the following key strategies:

- become the leader in the direct marketing channel; and
- grow AIA Taiwan's customer database by further developing broad marketing campaigns and alternative distribution channels to reach under-served customer segments.

Vietnam

Market Overview

Vietnam's life insurance market had approximately US$0.7 billion of life insurance premiums in 2009. Life insurance premiums grew at a CAGR of 6.7% from 2004 to 2009. We believe the country's growing economy (GDP grew at a CAGR of approximately 15.4% from 2004 to 2009) and a population that is largely uninsured (0.7% penetration rate in 2009) suggest strong growth opportunities in an emerging life insurance market despite the challenges of distributing insurance products in a market in which only 29.6% of the population is urbanised.

Our Business

AIA Vietnam, a wholly-owned subsidiary of AIA-B, was formed in 2000 and was one of the first foreign-owned life insurers to operate in the country. AIA Vietnam has historically operated under the

"AIA" brand, although during a limited period between July 2008 and June 2009 it operated under the "AIG" brand. In June 2009, AIA Vietnam re-branded back to the "AIA" brand. AIA Vietnam occupied the fourth position in Vietnam's life insurance market with a reported 6.7% market share of total premiums in 2009, based on data classified and published by the Association of Vietnamese Insurers. AIA Vietnam had more than 240,000 in-force policies as of 30 June 2010.

AIA Vietnam's agency channel has historically dominated its sales production. AIA Vietnam had the third largest individual agency force in the Vietnamese life insurance market as of 31 December 2009, based on data published by the Association of Vietnamese Insurers, and AIA Vietnam had more than 11,330 agents as of 31 May 2010, based on data published by the same source. AIA Vietnam is focused on building multi-channel distribution capabilities and had distribution agreements with five bank partners and commercial agreements with three brokers as of 31 May 2010.

AIA Vietnam is focused on the following key strategies:

- develop its agency distribution channels by implementing programmes to recruit experienced agency leaders and improving its agency activity ratio and its agents' productivity, sales quality and volume; and

- extend its distribution reach by developing alternative distribution channels, including the bancassurance channel by entering into a long-term or exclusive partnership agreement with a major bank and increasing market penetration through partnerships with smaller banks.

New Zealand

Market Overview

New Zealand's life insurance market had approximately US$1.1 billion of life insurance premiums in 2009. We believe that the market is supported by a relatively developed economic framework and that it has a low penetration rate (0.9% in 2009).

Our Business

AIA New Zealand commenced business in 1981, initially as a branch of ALICO. Between 1993 and 1996, the business was transferred to AIA-B and began doing business under the "AIA New Zealand" brand. AIA New Zealand occupied the seventh position in New Zealand's life insurance market with a reported 5.2% market share of total premiums as of 30 June 2010, based on data classified and published by the Investment Savings and Insurance Association, New Zealand. AIA New Zealand served more than 46,000 individual customers and corporate clients as of 31 May 2010. AIA New Zealand actively participates in the group insurance market.

AIA New Zealand's IFA channel has historically dominated AIA New Zealand's sales production. AIA New Zealand had over 2,000 IFA relationships as of 31 May 2010. This distribution channel has been supplemented by a modest bancassurance channel.

AIA New Zealand is focused on the following key strategies:

- develop new products and services to support growth within IFA, bancassurance and group distribution channels; and

- develop a direct marketing distribution channel.

Macau

AIA Macau began its business in 1982. AIA Macau is managed and supported by AIA Hong Kong and is a branch of AIA-B. AIA Macau occupied the leading position in Macau's life insurance market with a reported 42.1% market share of gross premiums in 2009, based on data classified and published by the Monetary Authority of Macau.

AIA Macau had the largest agency force in the Macau life insurance market with more than 780 agents, representing over 35% of the total individual agents in the market as of 31 December 2009, based on data published by the Monetary Authority of Macau. AIA Macau is focused on the following key strategies:

- grow its agency force to 1,000 agents by 2011; and
- build alternative distribution channels, including bancassurance.

Brunei

AIA Brunei was registered for business in 1957, and we were one of the first international life insurance companies to operate in the country. AIA Brunei is managed and supported by AIA Singapore and is a branch of AIA. AIA Brunei occupied the leading position in Brunei's life insurance market with an estimated 70% market share of the conventional life insurance market in 2008, based on data classified and published by Axco Insurance Information Services.

AIA Brunei's main distribution channel is its network of approximately 205 agents as of 31 May 2010. Bancassurance is a growing distribution channel for AIA Brunei, and it has two distribution relationships with major financial institutions as of 31 May 2010.

AIA Brunei is focused on the following key strategies:

- grow its agency force through initiatives that include a recruitment project with Brunei's Department of Labour;
- expand its bancassurance channel by introducing more group, life and other products that meet the needs of its customers; and
- improve customer service by introducing initiatives such as "e-Care", an on-line policy services system for its customers to enquire about their policies.

AIA Pension

AIA-T was formed in 1987 and AIA-PT was formed in 1992. AIA-PT and AIA-T serve as trustees of a multi-investment manager pension platform offering more than 50 constituent funds under Hong Kong's ORSO with respect to voluntary corporate pensions and MPFSO with respect to defined contribution plans as of 31 May 2010. AIA Pension also acts as the trustee of other collective investment schemes. AIA Pension strives to provide a comprehensive investment platform to satisfy the spectrum of individual members' risk appetites as well as investment management needs.

There are 19 approved trustees in the Hong Kong MPFSO market and AIA Pension (together with JF Asset Management, with which it formed a strategic alliance in 1999) occupied the third position in the MPFSO market with approximately a 10% market share of AUM as of 31 March 2010, based on data published by the Gadbury Group Limited. As of 31 May 2010, AIA Pension had a combined US$5.7 billion of AUM for its pension management business that covered more than 700,000 members of its approximately 37,000 ORSO and MPFSO clients. AIA Pension's products are distributed across a range of distribution channels, including registered mandatory provident fund intermediaries in AIA Hong Kong's tied agency force and brokers, IFAs, consultants and bank partners. AIA Pension has received a number of awards from third parties in recognition of its products and services.

AIA Pension is focused on the following key strategies:

- continue to promote its products to corporate customers;
- implement strategies to satisfy the needs of the retail segment of the MPFSO market in the event of regulatory changes shift the MPFSO market from a pure corporate pension market to a retail pension market;
- expand and strengthen MPFSO-licensed agency force and alternative distribution channels; and
- further develop services to improve customer access to pension information.

Joint Ventures

India

Market Overview

India's life insurance market is the third largest in the Asia Pacific region, with approximately US$57.1 billion of life insurance premiums for the 12 months ended 31 March 2009. The market has experienced significant recent growth, with total premiums growing at a CAGR of approximately 26.7% between the 12 months ended 31 March 2004 and the 12 months ended 31 March 2009. We believe this recent premium growth, India's large population (approximately 1.2 billion people) and the success of non-state-owned insurance companies in increasing their market share suggest a large, growing life insurance market with significant growth opportunities.

Our Business

We commenced operations in India in 2001 through a joint venture established with Tata Sons Limited under the name Tata AIG Life Insurance Company Limited. The AIA Group has a 26% equity interest in AIA India. As described on Tata's internet web-site (www.tata.com), Tata companies operate in seven business sectors: communications and information technology, engineering, materials, services, energy, consumer products and chemicals. They are, by and large, based in India and have significant international operations. Tata Sons Limited was incorporated as a company in 1917. Tata Sons Limited is the promoter of all key Tata companies and holds the bulk of shareholding in these companies. The equity shares of Tata Sons Limited are not listed on any stock exchange and approximately two-thirds of the equity capital of Tata Sons Limited is held by philanthropic trusts endowed by members of the Tata family.

Based on data classified and published by the Life Insurance Council, India, AIA India's market share of total premiums generated by non-state-owned insurance companies was approximately 4.4% for the 12 months ended 31 March 2009. Based on data classified and published by the Life Insurance Council, AIA India's market share of total premiums generated by all life insurance companies was approximately 1.2% for the 12 months ended 31 March 2009.

While AIA India has developed a multi-channel distribution network, its agency force of approximately 148,100 agents as of 31 May 2010 contributes the majority of its sales production. AIA India has over 430 sales offices across 270 cities and towns in India as of 31 March 2010.

AIA India is focused on the following key strategies:

- calibrate growth in a changing financial services landscape and balancing scale, productivity, expenses and capital requirements;

- strengthen agency distribution and further expand its alternative distribution channels and products suite; and

- continue the successful bancassurance relationship with United Bank of India while continuing to pursue additional bank partners in India.

INVESTMENTS

Overview

The carrying value of our total investment portfolio was US$80 billion as of 31 May 2010, of which policyholder and shareholder investments (i.e., excluding Investment-linked Investments) ("Policyholder and Shareholder Investments") represented 83% and investments related to investment-linked business ("Investment-linked Investments") represented 17% of our total investment portfolio. Our investment management function is a key aspect of our business and can create significant value for our customers and shareholders. Our financial strength and ability to profitably underwrite insurance business depends significantly on the quality and performance of our investment portfolios. We invest the premiums and other income generated from our insurance business with an objective of meeting the future liabilities associated with the insurance products that we underwrite, as well as to generate a return for our business. Our success in investment management contributes to the competitiveness of our products, our financial strength and business reputation.

Our culture of disciplined investing, active management of investments and risk management has enabled us to maintain financial stability through many varied business and economic cycles, including global economic downturns. We believe that we have considerable investment expertise in managing our portfolios across our geographical markets, and we utilise both a centralised investment management function in Hong Kong and local investment teams in our local operating units. During the period of significant volatility and uncertainty that affected the markets in the second half of calendar year 2008 and the beginning of calendar year 2009, we preserved our capital and the value of our investments by reducing our exposure to riskier assets and increasing our fixed income investment allocation and cash balances. We believe that the scale of our investment portfolio well positions us to pursue various asset allocation and investment strategies that aim at managing our portfolio prudently and taking measured risks to enhance our portfolio returns. This is reflected in our increased allocation to riskier assets, primarily equities, in our investment portfolios since the second quarter of FY 2009.

Our Investment Objectives and Processes

Policyholder and Shareholder Investments

For our Policyholder and Shareholder Investments, our primary investment principle is to achieve optimal levels of risk-adjusted return for policyholders and shareholders over the long-term while: (i) preserving capital; (ii) maintaining adequate solvency and liquidity levels; (iii) remaining in line with our risk management and asset-liability management objectives; and (iv) ensuring full compliance with applicable regulations and internal policies. Our investment objective is to produce stable and consistent income and returns, mainly through investments in long duration fixed income instruments. We also invest a portion of our portfolio in other asset classes, such as public equities, private equities and real estate, to generate higher returns in line with our SAA (as defined below) guidelines.

To meet these objectives, we have established a structured investment management framework consisting of the following elements: (i) a strategic asset allocation ("SAA") framework designed to meet long-term liability requirements, along with five-year execution targets; (ii) a tactical asset allocation ("TAA") overlay designed to reduce risk and/or benefit from market opportunities in the near term; and (iii) a combination of internal and external investment management for individual asset classes where appropriate to enhance investment performance and risk characteristics.

The SAA framework sets our strategic asset allocation targets in the next five years, while the TAA defines a range around the SAA targets within which investment managers can operate to respond to market conditions. The SAA and TAA are designed with consideration given to liability characteristics, long-term investment return and risk expectations, capital market correlations and conditions, market supply assumptions, risk appetite defined by capital and solvency, regulatory and liquidity requirements at both an AIA Group and a local operating unit level, and an optimised risk-return profile through the use of a quantitative model with stress testing to ensure that our capital and solvency requirements are not compromised under adverse scenarios.

SAA and TAA are designed with close collaboration among various functions, including investment, actuarial, capital and risk management, at both an AIA Group and a local operating unit level, and they are governed by our asset liability management committees or their equivalent.

In addition, we set strategic duration targets for our major fixed income portfolios and, to the extent possible and practicable, lengthen the duration of our assets to better match that of our liabilities.

Investment-linked Investments

Investment-linked products are insurance products where the surrender value of the policy is linked to the value of underlying investments (collective investment schemes, internal investment pools or other investment instruments). Investment return associated with the product is usually passed through to the policyholder.

Our pension business predominantly consists of employer-sponsored defined-contribution arrangements. Employers use the AIA Group as their service provider and either select specific funds for investment or allow participating employees to choose their funds. Our pension business provides fund analysis, risk profiling and prevailing market condition outlooks from chosen third-party fund managers.

Investment Framework and Management

We have established a comprehensive and integrated investment framework to ensure that the AIA Group's investments are properly authorised, monitored and managed, and our investments are managed at both the AIA Group level and local operating unit level, with investment strategies tailored to the business needs of, and regulatory requirements applicable to, each of our local operating units.

The Board has delegated investment review and approval authority to the AIA Group's Investment Committee and to the investment committees of each of our local operating units. These investment committees and the AIA Group's investment officers determine the AIA Group's investment strategy, including the SAA target and TAA band for each of our local operating units, in conjunction with their responsibility of maintaining and monitoring the management of the assets included in Policyholder and Shareholder Investments. The setting of these SAA targets and TAA bands requires the approval of the asset-liability management committees of the relevant local operating units.

At our local operating units, investment transactions are carried out by our investment teams in accordance with the investment objectives and the guidelines established by the SAA targets and TAA bands. The investment committee of each local operating unit reviews and, to the extent within its authority, approves investment transactions.

We manage our investment portfolios using a combination of internal and external managers selected based on established criteria and approved by the investment committee of our operating units. As of 31 May 2010, approximately 80% of our Policyholder and Shareholders Investments is managed internally, and approximately 20% is managed externally and approximately 17% of our Investment-linked Investments is managed internally and approximately 83% is managed externally. We plan to increase the proportion of assets that we manage internally to leverage our competence in managing Asian fixed income and equity securities. The use of external managers serves to complement this core competency and to meet the varying needs of our customers.

Historically, AIGGIC was our primary investment manager for certain fixed income, equity and real estate investments, providing both back office and front office functions. On 29 March 2010, AIG announced that a portion of AIGGIC's business had been sold to Bridge Partners, L.P., an affiliate of the Pacific Century Group. That business has been renamed PineBridge Investments Asia Limited. AIG retained certain portions of the AIGGIC business through its subsidiary, AIG Asset Management (Asia) Limited ("AIG-AMG"). Certain front and back office services will continue to be provided to the AIA Group by PineBridge and AIG-AMG following the consummation of the Global Offering. PineBridge managed approximately 11% of our total investment portfolio as of 31 May 2010 relating to fixed income securities, public equities and private equities. AIG-AMG managed approximately 11% of our total investment portfolio as of 31 May 2010 primarily relating to non-Asian fixed income securities. For more information regarding our investment management arrangements with AIG-AMG, see the section headed "Connected Transactions — Investment Management Agreements with AIG's asset management group" in this prospectus.

To ensure the quality of third-party funds underlying our investment-linked products, we have in place a set of quantitative and qualitative criteria that enables us to select as well as monitor the underlying investment fund on an ongoing basis. We put underperforming funds on a closely-monitored watch list and replace those that do not demonstrate clear signs of improvement.

Our pension platform offers a wide range of funds managed by third parties where valuations are tied to the price of the unit of the underlying fund. The selection of asset management companies and their underlying funds is subject to a rigorous selection process and is reviewed in comparison to established benchmarks and relevant peer groups.

We believe that the limited amount of impairment losses on our financial assets reflects our investment competence. For example, we had total available for sale debt securities of US$30,955 million, US$29,934 million, US$37,722 million and US$40,853 million as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively, and we recognised impairment losses of nil in FY 2007, US$142 million in FY 2008, US$67 million in FY 2009 (of which US$31 million was recognised in 1H 2009) and US$1 million in 1H 2010.

Our Investment Portfolio

Overview

The AIA Group manages its financial investments in two distinct categories: Investment-linked Investments and Policyholder and Shareholder Investments. In general, the investment risk in respect of Investment-linked Investments is borne by holders of our investment-linked insurance products. Furthermore, investment-linked contract holders are responsible for allocation of their policy values among investment options offered by the AIA Group. Policyholder and Shareholder Investments include financial investments other than Investment-linked Investments. The investment risk in respect of Policyholder and Shareholder Investments is partially or wholly borne by the AIA Group. Policyholder and shareholder investments are not generally segregated from one another unless otherwise required by applicable laws, rules or regulations. The management of the different types of Policyholder and Shareholder Investments follows the same investment governance and process.

Our investment portfolio consists of two principal asset classes: (i) fixed income securities and (ii) equity securities and alternative investments. The following table sets forth the carrying value of our principal asset classes in our investment portfolio as of the dates indicated.

	As of 30 November 2007				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)			
Fixed income securities	49,184	84	2,202	17	51,386
Equity securities and alternative investments	9,289	16	11,040	83	20,329
Total	**58,473**	**100**	**13,242**	**100**	**71,715**

	As of 30 November 2008				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)			
Fixed income securities	46,845	93	2,691	32	49,536
Equity securities and alternative investments	3,282	7	5,682	68	8,964
Total	**50,127**	**100**	**8,373**	**100**	**58,500**

	As of 30 November 2009				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)			
Fixed income securities	56,640	91	2,598	19	59,238
Equity securities and alternative investments	5,342	9	11,080	81	16,422
Total	**61,982**	**100**	**13,678**	**100**	**75,660**

	As of 31 May 2010				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)			
Fixed income securities	60,051	90	2,562	19	62,613
Equity securities and alternative investments	6,536	10	11,105	81	17,641
Total	**66,587**	**100**	**13,667**	**100**	**80,254**

We generally allocate a large proportion of our investment portfolio to fixed income securities, which represented 84%, 93%, 91% and 90% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010 respectively. Equity securities and alternative investments, which accounted for 16%, 7%, 9%, and 10% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively, declined in FY 2008 primarily as a result of the AIA Group de-risking its investment portfolio in response to the global economic downturn and the AIG Events as well as the decline in fair value of AIG shares, which had a carrying value of US$2,520 million as of 30 November 2007. On 27 August 2010, all AIG shares in our investment portfolio were divested.

Fixed Income Investment Portfolio

Overview

The following table sets forth the carrying value of the subcategories of our fixed income securities in our investment portfolio as of the dates indicated.

	As of 30 November 2007				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Debt securities:					
Government bonds	15,811	27	286	2	16,097
Government agency bonds	6,862	12	164	1	7,026
Corporate bonds	18,210	31	1,020	8	19,230
Structured securities	2,033	4	18	—	2,051
Subtotal	42,916	74	1,488	11	44,404
Loans:					
Policy loans	1,327	2	—	—	1,327
Mortgage loans on residential real estate	609	1	—	—	609
Mortgage loans on commercial real estate	112	—	—	—	112
Inter-company loans to fellow subsidiaries of AIG	1,589	3	—	—	1,589
Other loans	120	—	62	1	182
Allowance for loan losses	(15)	—	—	—	(15)
Subtotal	3,742	6	62	1	3,804
Term deposits	557	1	38	—	595
Cash and cash equivalents	1,969	3	614	5	2,583
Total fixed income securities	**49,184**	**84**	**2,202**	**17**	**51,386**

	As of 30 November 2008				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Debt securities:					
Government bonds	14,663	29	261	3	14,924
Government agency bonds	7,295	14	220	3	7,515
Corporate bonds	17,956	36	971	12	18,927
Structured securities	942	2	15	—	957
Subtotal	40,856	81	1,467	18	42,323
Loans:					
Policy loans	1,437	3	—	—	1,437
Mortgage loans on residential real estate	587	1	—	—	587
Mortgage loans on commercial real estate	105	—	—	—	105
Inter-company loans to fellow subsidiaries of AIG	29	—	—	—	29
Other loans	182	1	60	—	242
Allowance for loan losses	(7)	—	—	—	(7)
Subtotal	2,333	5	60	—	2,393
Term deposits	608	1	48	1	656
Cash and cash equivalents	3,048	6	1,116	13	4,164
Total fixed income securities	**46,845**	**93**	**2,691**	**32**	**49,536**

	As of 30 November 2009				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Debt securities:					
Government bonds	17,690	28	280	2	17,970
Government agency bonds	7,641	12	256	2	7,897
Corporate bonds	24,147	39	1,170	9	25,317
Structured securities	997	2	20	—	1,017
Subtotal	50,475	81	1,726	13	52,201
Loans:					
Policy loans	1,644	3	—	—	1,644
Mortgage loans on residential real estate	527	1	—	—	527
Mortgage loans on commercial real estate	48	—	—	—	48
Inter-company loans to fellow subsidiaries of AIG	87	—	—	—	87
Other loans	371	1	75	—	446
Allowance for loan losses	(12)	—	—	—	(12)
Subtotal	2,665	5	75	—	2,740
Term deposits	859	1	33	—	892
Cash and cash equivalents	2,641	4	764	6	3,405
Total fixed income securities	**56,640**	**91**	**2,598**	**19**	**59,238**

	As of 31 May 2010				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Debt securities:					
Government bonds	19,742	30	318	3	20,060
Government agency bonds	7,932	12	269	2	8,201
Corporate bonds	25,243	38	1,245	9	26,488
Structured securities	1,064	1	21	—	1,085
Subtotal	53,981	81	1,853	14	55,834
Loans:					
Policy loans	1,670	2	—	—	1,670
Mortgage loans on residential real estate	476	1	—	—	476
Mortgage loans on commercial real estate	49	—	—	—	49
Inter-company loans to fellow subsidiaries of AIG	—	—	—	—	—
Other loans	508	1	46	—	554
Allowance for loan losses	(24)	—	—	—	(24)
Subtotal	2,679	4	46	—	2,725
Term deposits	804	1	28	—	832
Cash and cash equivalents	2,587	4	635	5	3,222
Total fixed income securities	**60,051**	**90**	**2,562**	**19**	**62,613**

Debt securities constitute the largest asset class in our Policyholder and Shareholder Investments, representing 74%, 81%, 81% and 81% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively. The remaining asset classes within the fixed income investments portion of our investment portfolio include loans, term deposits and cash and cash equivalents.

A large proportion of our investments in debt securities are in the form of government bonds and government agency bonds. Government agency bonds comprise bonds issued by government-sponsored institutions such as state owned enterprises, provincial and municipal authorities and supranational financial institutions, such as the Asian Development Bank. This allocation is driven primarily by asset-liability and capital management purposes as these assets tend to be capital efficient and provide longer maturities to enable us to better match our liability profiles. We maintain the principle of currency matching between assets and liabilities. We also hold a sizable portfolio of corporate bonds, comprising 31%, 36%, 39% and 38% of carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively. Our corporate bond investments are selected from a global pool on a relative value basis, and primarily consist of investment grade issues. We believe these bonds generally offer yield enhancement over government bonds, while also providing duration matching for our liabilities.

In conducting our credit risk assessment of potential investment opportunities, we use an internal risk rating system which is conceptually similar to systems used by external credit rating agencies, such as Moody's and S&P.

A portion of our investment in fixed income securities is composed of government agency bonds, corporate bonds and structured securities that are below investment grade or not rated by international credit rating agencies. These investments, and the rationales for our investments in such securities, principally consist of:

- Government and government agency bonds whose ratings are capped by the sovereign debt rating ceiling issued by rating agencies and our internal rating system. These fixed income securities are held primarily for asset-liability management purposes in countries that are rated below investment grade;

- Bonds and structured notes issued by issuers in local markets that do not seek credit ratings from international credit rating agencies. These fixed income securities are held for their credit spreads to enhance the yield of our portfolios;

- Bonds that were rated investment grade at time of purchase but have been subsequently downgraded. We reassess our holding of such securities upon a downgrade; and

- Certain below investment grade or non-rated emerging market bonds that offer yield enhancement opportunities.

Below investment grade or non-rated securities typically carry risks. Complementing our investment framework described above in "— Investment Objectives and Process" and the tools used in connection with our investment process, such as our internal risk rating system, certain aspects of our risk management framework help us manage the risks associated with such investments. These measures include the involvement of our Credit Risk Committee and the policies and procedures described under "— Credit Risk" and "— Market Risk" in "— Risk Management" in this section.

Government Bonds

Government bonds constituted 27%, 29%, 28% and 30% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively.

The following tables show the breakdown of government bonds issued in local and foreign currency by country. In order to enhance investment returns and diversify our investment risk, we maintain a portfolio of foreign currency denominated government bonds from a diverse range of countries outside our geographical markets which are set forth below, including a small portfolio of emerging markets debt securities.

	As of 30 November 2007					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
			(in US$ millions)			
Government bonds — issued by governments in their local currency						
Singapore	AAA	1,846	14	51	24	1,897
Thailand	A	5,826	44	—	—	5,826
Philippines	BB	1,200	9	30	14	1,230
Malaysia	A	1,374	10	1	—	1,375
China	A	895	7	30	14	925
Indonesia	BB	514	4	86	40	600
Korea	A	1,399	10	16	8	1,415
Other		313	2	—	—	313
Total		**13,367**	**100**	**214**	**100**	**13,581**

	As of 30 November 2008					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
			(in US$ millions)			
Government bonds — issued by governments in their local currency						
Singapore	AAA	1,713	13	69	32	1,782
Thailand	A	6,377	50	—	—	6,377
Philippines	BB	862	7	12	5	874
Malaysia	A	1,482	12	3	1	1,485
China	A	967	7	70	32	1,037
Indonesia	BB	315	2	59	27	374
Korea	A	857	7	6	3	863
Other		244	2	—	—	244
Total		**12,817**	**100**	**219**	**100**	**13,036**

	As of 30 November 2009					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
			(in US$ millions)			
Government bonds — issued by governments in their local currency						
Singapore	AAA	2,255	15	70	33	2,325
Thailand	A	7,374	48	—	—	7,374
Philippines	BB	1,309	8	22	10	1,331
Malaysia	A	1,149	7	1	—	1,150
China	A	1,107	7	3	1	1,110
Indonesia	BB	494	3	115	54	609
Korea	A	1,539	10	4	2	1,543
Other		317	2	—	—	317
Total		**15,544**	**100**	**215**	**100**	**15,759**

	As of 31 May 2010					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)				
Government bonds — issued by governments in their local currency						
Singapore	AAA	2,305	13	77	32	2,382
Thailand	A	8,714	49	—	—	8,714
Philippines	BB	1,551	9	26	11	1,577
Malaysia	A	1,199	7	6	2	1,205
China	A	1,163	6	8	3	1,171
Indonesia	BB	571	3	121	50	692
Korea	A	1,873	11	6	2	1,879
Other		285	2	—	—	285
Total		**17,661**	**100**	**244**	**100**	**17,905**

	As of 30 November 2007					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)				
Government bonds — issued by governments in foreign currency						
Mexico	BBB	168	7	—	—	168
South Africa	BBB	103	4	1	1	104
Philippines	BB	632	26	39	55	671
Malaysia	A	307	12	1	1	308
Indonesia	BB	360	15	17	24	377
Korea	A	365	15	1	1	366
China	A	53	2	1	1	54
Other		456	19	12	17	468
Total		**2,444**	**100**	**72**	**100**	**2,516**

	As of 30 November 2008					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)				
Government bonds — issued by governments in foreign currency						
Mexico	BBB	167	9	3	7	170
South Africa	BBB	116	6	2	5	118
Philippines	BB	465	25	18	43	483
Malaysia	A	266	14	2	5	268
Indonesia	BB	252	14	5	12	257
Korea	A	67	4	2	5	69
China	A	59	3	2	5	61
Other		454	25	8	18	462
Total		**1,846**	**100**	**42**	**100**	**1,888**

	As of 30 November 2009					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)				
Government bonds — issued by governments in foreign currency						
Mexico	BBB	159	7	2	3	161
South Africa	BBB	166	8	2	3	168
Philippines	BB	761	36	46	71	807
Malaysia	A	88	4	1	2	89
Indonesia	BB	268	13	—	—	268
Korea	A	222	10	2	3	224
China	A	46	2	2	3	48
Other		436	20	10	15	446
Total		**2,146**	**100**	**65**	**100**	**2,211**

	As of 31 May 2010					
	Rating	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)				
Government bonds — issued by governments in foreign currency						
Mexico	BBB	162	8	2	3	164
South Africa	BBB	197	9	2	3	199
Philippines	BB	577	28	51	69	628
Malaysia	A	86	4	1	1	87
Indonesia	BB	276	13	2	3	278
Korea	A	257	12	4	5	261
China	A	31	2	2	3	33
Other		495	24	10	13	505
Total		**2,081**	**100**	**74**	**100**	**2,155**

Government Agency Bonds

Government agency bonds constituted 12%, 14%, 12% and 12% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively. These securities are primarily issued by government-sponsored institutions largely in the geographical markets in which we operate.

We use the following conventions for the country credit ratings in the government bonds table set forth above and the breakdowns by credit rating below of (i) government agency bonds, (ii) corporate bonds and (iii) structured securities. For ease of reference, we use S&P ratings where available. For securities where S&P ratings are not immediately available, we use Moody's ratings as an alternative. Where S&P and Moody's ratings are not readily available, our internal rating methodology is used. The following conventions have been adopted to conform the various ratings.

Reported as:	S&P	Moody's	Internal Ratings
AAA	AAA	Aaa	1
AA	AA+ to AA-	Aa1 to Aa3-	2+ to 2-
A	A+ to A-	A1 to A3	3+ to 3-
BBB	BBB+ to BBB-	Baa1 to Baa3	4+ to 4-
Below investment grade	BB+ and below	Ba1 and below	5+ and below

The following tables show the breakdown of our government agency bond holdings by credit rating. 98%, 96%, 96% and 97% of total government agency bonds of Policyholder and Shareholder Investments were rated BBB or higher as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively. The credit ratings of government agency bonds are capped at the sovereign debt rating ceilings of the individual countries, some of which are rated below investment grade.

	As of 30 November 2007				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)			
Government agency bonds:					
AAA	1,336	20	31	19	1,367
AA	290	4	35	21	325
A	3,165	46	63	38	3,228
BBB	1,884	28	16	10	1,900
Below investment grade	85	1	3	2	88
Not rated	102	1	16	10	118
Total government agency bonds	**6,862**	**100**	**164**	**100**	**7,026**

	As of 30 November 2008				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)			
Government agency bonds:					
AAA	1,190	16	15	7	1,205
AA	395	5	65	30	460
A	3,069	42	100	45	3,169
BBB	2,377	33	6	3	2,383
Below investment grade	264	4	1	—	265
Not rated	—	—	33	15	33
Total government agency bonds	**7,295**	**100**	**220**	**100**	**7,515**

	As of 30 November 2009				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
		(in US$ millions)			
Government agency bonds:					
AAA	1,236	16	64	25	1,300
AA	195	3	64	25	259
A	3,408	45	116	45	3,524
BBB	2,456	32	4	2	2,460
Below investment grade	346	4	—	—	346
Not rated	—	—	8	3	8
Total government agency bonds	**7,641**	**100**	**256**	**100**	**7,897**

	As of 31 May 2010				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Government agency bonds:					
AAA	1,239	16	56	21	1,295
AA	186	2	65	24	251
A	3,513	44	123	46	3,636
BBB	2,799	35	9	3	2,808
Below investment grade	195	3	—	—	195
Not rated	—	—	16	6	16
Total government agency bonds	**7,932**	**100**	**269**	**100**	**8,201**

Corporate Bonds

Corporate bonds constituted 31%, 36%, 39% and 38% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively. In each of our geographical markets, our corporate bond investments include both local and foreign currency-denominated bonds. We invest in U.S. dollar-denominated bonds primarily to match the U.S. dollar-denominated liabilities of certain operating units, such as AIA Hong Kong, and to diversify the credit exposure of certain operating units' investment portfolios, such as AIA Singapore and AIA Thailand, where the supply of corporate debt in the local geographical markets in which they operate is limited. AIA Singapore and AIA Thailand use currency swaps to hedge their U.S. dollar exposure into local currencies.

Our corporate bond investments are diversified across markets, industries and issuers or obligors. During FY 2008, FY 2009 and 1H 2010, we recognised impairment losses of US$67 million, US$3 million and US$1 million, respectively, relating to bonds issued by Lehman Brothers. Sale of the defaulted bonds in 2009 resulted in recovery of US$19 million in FY 2009. As of 31 May 2010 the carrying value of these bonds was US$0.4 million based on relevant price quotes available from independent external price vendors.

The table below shows the carrying value of our corporate bonds invested in various industries as of the dates indicated.

	As of 30 November						As of 31 May	
	2007		2008		2009		2010	
	Policyholder and Shareholder Investments	%	Policyholder and Shareholder Investments	%	Policyholder and Shareholder Investments	%	Policyholder and Shareholder Investments	%
	(in US$ millions)							
Banks	5,470	30	6,090	34	6,864	28	6,752	27
Oil and Gas	1,859	10	2,168	12	3,089	13	3,281	13
Telecommunications	2,496	14	1,730	10	2,293	9	2,465	10
Diversified Financial Services	1,950	11	1,601	9	2,079	9	2,399	9
Electricity Power and Gas	1,288	7	1,329	7	2,359	10	2,587	10
Conglomerates	635	3	696	4	924	4	928	4
Real Estate	514	3	556	3	760	3	775	3
Insurance	580	3	440	3	543	2	561	2
Transport Marine	407	2	358	2	612	3	667	3
Mining	149	1	232	1	257	1	276	1
Others	2,862	16	2,756	15	4,367	18	4,552	18
Total	**18,210**	**100**	**17,956**	**100**	**24,147**	**100**	**25,243**	**100**

The banking sector represented our largest sector exposure in our Policyholder and Shareholder Investments corporate bond portfolio as of 31 May 2010 which includes bank hybrid capital securities. Bank hybrid capital securities generally provide better credit spreads as compared to senior debt securities, and generally are expected to enhance returns of our investment portfolio. A significant proportion of our holdings consists of securities issued by Asia Pacific banks and international banks whose business is largely focused on Asia. "Others" consists of exposures to various industries with no single industry accounting for more than 2% of total corporate bond investments.

The following tables show that 93%, 93%, 94% and 95% of total corporate bonds of Shareholder and Policyholder Investments were rated BBB or higher as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively.

The credit ratings of corporate bonds are also capped at the sovereign debt rating ceilings of the individual country, some of which are rated below investment grade.

	As of 30 November 2007				
	Shareholder and Policyholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Corporate bonds:					
AAA	301	2	59	6	360
AA	3,496	19	281	28	3,777
A	8,096	44	292	28	8,388
BBB	5,064	28	200	20	5,264
Below investment grade	1,171	6	151	15	1,322
Not rated	82	1	37	3	119
Total corporate bonds	**18,210**	**100**	**1,020**	**100**	**19,230**

	As of 30 November 2008				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Corporate bonds:					
AAA	225	1	78	8	303
AA	3,271	18	298	30	3,569
A	7,981	44	292	30	8,273
BBB	5,397	30	211	22	5,608
Below investment grade	997	6	45	5	1,042
Not rated	85	1	47	5	132
Total corporate bonds	**17,956**	**100**	**971**	**100**	**18,927**

	As of 30 November 2009				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Corporate bonds:					
AAA	533	2	34	3	567
AA	3,233	13	253	22	3,486
A	11,297	47	454	39	11,751
BBB	7,730	32	198	17	7,928
Below investment grade	1,106	5	41	3	1,147
Not rated	248	1	190	16	438
Total corporate bonds	**24,147**	**100**	**1,170**	**100**	**25,317**

	As of 31 May 2010				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Corporate bonds:					
AAA	912	4	41	3	953
AA	3,134	12	282	23	3,416
A	11,794	47	501	40	12,295
BBB	8,043	32	236	19	8,279
Below investment grade	1,254	5	50	4	1,304
Not rated	106	—	135	11	241
Total corporate bonds	**25,243**	**100**	**1,245**	**100**	**26,488**

Structured Securities

Our fixed income investment asset class also includes structured securities, which consist of asset-backed securities, mortgage-backed securities and collateralised debt obligations, constituting 4%, 2%, 2% and 1% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively. Structured securities issued by Asia Pacific entities represented 30%, 38%, 75% and 73% of the total carrying value of structured securities as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively.

During FY 2008, FY 2009 and 1H 2010, we recognised impairment losses of US$52 million, US$9 million and nil, respectively, relating to collateralised debt obligations.

The following tables show that 95%, 90%, 85% and 78% of our total structured securities of Policyholder and Shareholder Investments were rated BBB or higher as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively.

	As of 30 November 2007				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Structured securities:					
AAA	998	49	—	—	998
AA	268	13	—	—	268
A	440	22	—	—	440
BBB	220	11	3	17	223
Below investment grade	71	3	15	83	86
Not rated	36	2	—	—	36
Total structured securities	**2,033**	**100**	**18**	**100**	**2,051**

	As of 30 November 2008				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Structured securities:					
AAA	479	51	—	—	479
AA	72	8	—	—	72
A	78	8	—	—	78
BBB	218	23	1	7	219
Below investment grade	95	10	14	93	109
Not rated	—	—	—	—	—
Total structured securities	**942**	**100**	**15**	**100**	**957**

	As of 30 November 2009				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Structured securities:					
AAA	29	3	—	—	29
AA	—	—	—	—	—
A	463	46	—	—	463
BBB	357	36	5	25	362
Below investment grade	143	14	15	75	158
Not rated	5	1	—	—	5
Total structured securities	**997**	**100**	**20**	**100**	**1,017**

	As of 31 May 2010				
	Policyholder and Shareholder Investments	%	Investment-linked Investments	%	Total
	(in US$ millions)				
Structured securities:					
AAA	31	3	—	—	31
AA	—	—	—	—	—
A	442	41	—	—	442
BBB	357	34	6	29	363
Below investment grade	224	21	15	71	239
Not rated	10	1	—	—	10
Total structured securities	**1,064**	**100**	**21**	**100**	**1,085**

Loans

We extend loans to enhance yields on our fixed income investments asset class. Loans represented 6%, 5%, 5% and 4% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively. These loans principally consisted of policy loans, mortgage loans on residential and commercial real estate and intercompany loans to subsidiaries of AIG. The decrease in loans in FY 2008 was primarily due to the pay down of intercompany loans to subsidiaries of AIG.

We have lending policies that are based on a credit analysis process and underwriting guidelines that account for diverse factors, including market conditions, industry specific conditions, company cash flows and quality of collateral. We also have a monitoring programme in place whereby our credit teams review the status of the obligor on a regular basis to anticipate any credit issues. Policy loan amounts are restricted to the policy's cash surrender values and, as a result, we are not exposed to credit risk on policy loans. The loss on residential mortgage loans and other loans was insignificant in each of FY 2007, FY 2008, FY 2009 and 1H 2010.

Term Deposits and Cash and Cash Equivalents

Our term deposits and cash and cash equivalents constituted 4%, 7%, 5% and 5% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively. The increase in cash and cash equivalents in FY 2008 resulted from the AIA Group's de-risking of its investment portfolio as well as liquidity management initiative by shifting to cash, our results of operations, as well as capital contributions from AIG.

Equity Securities and Alternative Investments

We allocate a portion of our investments to equity securities and alternative investments for yield-enhancement and risk-return optimisation purposes. A significant proportion of our equity securities are held to match investment-linked products and products with participating features where investment returns are shared between AIA and policyholders. The asset allocation strategies used to match these products are generally consistent with the nature of the products.

In certain other Policyholder and Shareholder Investment portfolios that back other products and shareholder funds, we invest in equity securities in order to enhance overall investment portfolio returns. These investments are subject to the SAA and TAA, which seeks to optimise risk and return on such portfolios.

The following table sets forth the carrying value of the subcategories of our equity securities and alternative investments in our investment portfolio as of the date indicated.

	As of 30 November 2007				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Equity securities:					
Private equities	191	—	—	—	191
Public equities	4,255	8	2,268	17	6,523
Ordinary shares(1)	4,446	8	2,268	17	6,714
Securities held by consolidated mutual funds managed by AIG	1,154	2	1,558	12	2,712
Interests in investment funds:					
Private equity and alternative asset classes	288	1	—	—	288
Other	691	1	7,214	54	7,905
Subtotal	979	2	7,214	54	8,193
Shares in AIG	2,520	4	—	—	2,520
Equity securities-total	9,099	16	11,040	83	20,139
Investment property	190	0	—	—	190
Total equity securities and alternative investments	**9,289**	**16**	**11,040**	**83**	**20,329**

(1) Other than shares in AIG.

	As of 30 November 2008				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Equity securities:					
Private equities	86	—	—	—	86
Public equities	1,619	4	1,211	14	2,830
Ordinary shares[(1)]	1,705	4	1,211	14	2,916
Securities held by consolidated mutual funds managed by AIG	728	2	805	10	1,533
Interests in investment funds:					
Private equity and alternative asset classes	287	1	—	—	287
Other	258	—	3,666	44	3,924
Subtotal	545	1	3,666	44	4,211
Shares in AIG	87	—	—	—	87
Equity securities-total	3,065	7	5,682	68	8,747
Investment property	217	—	—	—	217
Total equity securities and alternative investments	**3,282**	**7**	**5,682**	**68**	**8,964**

(1) Other than shares in AIG.

	As of 30 November 2009				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Equity securities:					
Private equities	69	—	—	—	69
Public equities	3,624	6	2,738	20	6,362
Ordinary shares[(1)]	3,693	6	2,738	20	6,431
Securities held by consolidated investment funds managed by AIG	661	1	1,333	10	1,994
Interests in investment funds:					
Private equity and alternative asset classes	151	—	—	—	151
Other	531	1	7,009	51	7,540
Subtotal	682	1	7,009	51	7,691
Shares in AIG	62	—	—	—	62
Equity securities-total	5,098	8	11,080	81	16,178
Investment property	244	1	—	—	244
Total equity securities and alternative investments	**5,342**	**9**	**11,080**	**81**	**16,422**

(1) Other than shares in AIG.

	As of 31 May 2010				
	Policyholder and Shareholder Investments	% of Total Policyholder and Shareholder Investments	Investment-linked Investments	% of Total Investment-linked Investments	Total
	(in US$ millions)				
Equity securities:					
Private equities	85	—	—	—	85
Public equities	4,332	7	2,914	21	7,246
Ordinary shares(1)	4,417	7	2,914	21	7,331
Securities held by consolidated investment funds	691	1	1,238	9	1,929
Interests in investment funds:					
Private equity and alternative asset classes	138	—	—	—	138
Other	966	2	6,953	51	7,919
Subtotal	1,104	2	6,953	51	8,057
Shares in AIG	77	—	—	—	77
Equity securities-total	6,289	10	11,105	81	17,394
Investment property	247	—	—	—	247
Total equity securities and alternative investments	**6,536**	**10**	**11,105**	**81**	**17,641**

(1) Other than shares in AIG.

Our equities and alternative investment portfolio includes investments in public equities, private equities and investment funds that may invest in private equities and other alternative asset classes, and investment properties. Our equities and alternative investment portfolio represented 16%, 7%, 9% and 10% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively. The significant decrease in equities in FY 2008 was mainly due to the implementation of the de-risking strategy and the reduction in the carrying value of AIG shares.

Our portfolio of private equities is relatively small, constituting 0.3%, 0.2%, 0.1% and 0.1% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively. We have made investments in private equity in high growth economies, such as China and India, and diverse sectors, including manufacturing, services, retail and infrastructure.

Our investment funds portfolio represented 2%, 1%, 1% and 2% of the carrying value of total Policyholder and Shareholder Investments as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively. We own a portfolio of investment properties used strictly for investment purposes. We also own real estate for operational use but these are not reflected in our investment portfolio. Our investment property portfolio had a net book value of US$190 million, US$217 million, US$244 million and US$247 million as of 30 November 2007, 2008 and 2009 and 31 May 2010, respectively, excluding the carrying value of operating leases of leasehold land relating to long-term leaseholds. For more information, see the Accountant's Report set forth in Appendix I to this prospectus and the property valuation report set forth in Appendix IV to this prospectus.

Securities Lending

AIA-B, AIA Hong Kong and AIA Brunei began participating in AIG's global securities lending programme in 2002 to enhance portfolio return. AIG Global Securities Lending (Ireland) Ltd acted as an agent for AIG subsidiaries in this programme. The operating units that participated in the programme lent AIA Group assets from their Policyholder and Shareholder Investments in exchange for cash as collateral from the borrowers of the assets. The cash collateral was then used to reinvest generally in securities which were rated as investment grade at the date of purchase. Due to the deterioration of market conditions and liquidity issues in the securities lending programme at AIG, we began to restructure and wind down our participation in this programme and, as of 31 May 2010, we no longer participated in this programme.

RISK MANAGEMENT

Overview

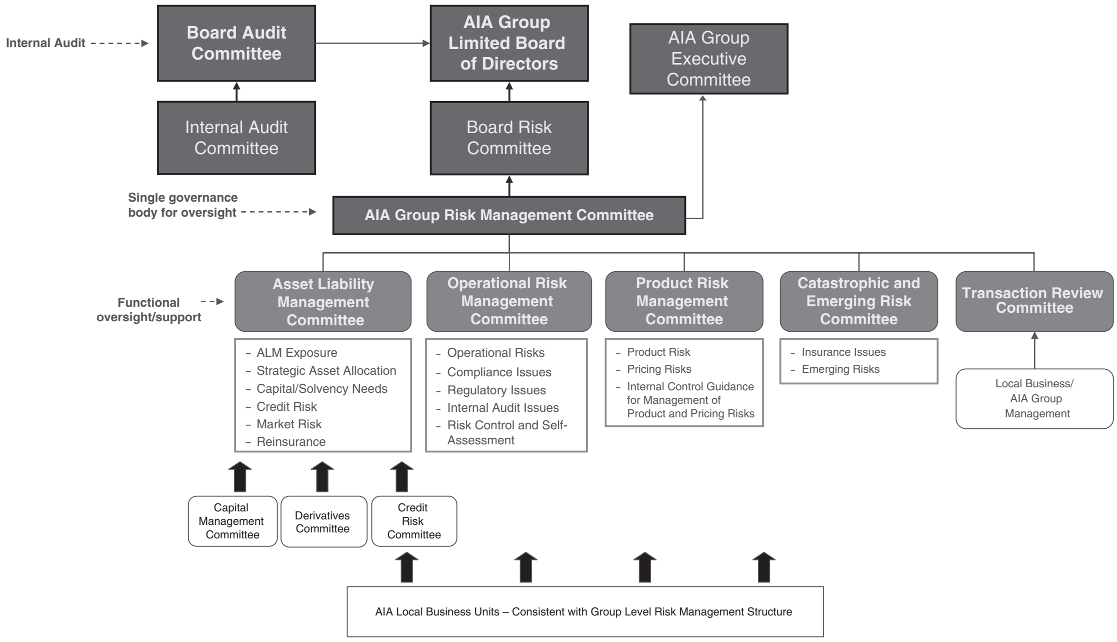
Risk management is fundamental to the AIA Group's business and its long-term growth. Our risk management framework is managed by a dedicated enterprise risk management team with an established risk management committee structure and risk control procedures across both an AIA Group level and a local operating unit level. Our risk management framework seeks to deliver:

- a consolidated risk oversight structure;
- enhanced reporting lines for functional aspects of enterprise risk management;
- strengthened risk management capabilities at our local operating units;
- promotion of effective oversight and internal controls; and
- effective allocation of resources.

This framework enables us to provide holistic oversight of our risk management, formulate risk management strategies on a collective basis, provide a platform for our management to determine our risk appetite, prioritise risk management deliverables and resources to support the business objectives of the AIA Group and drive management accountability and organisational behaviour to maximise risk-adjusted returns.

Our Risk Management Framework

Our day-to-day enterprise risk management team consists of a group of risk professionals that focus on integrated risk management and oversight at the AIA Group level and another group of risk professionals that focus on risk management matters at our local operating units. These risk professionals report, through our head of enterprise risk management, to our group chief risk officer. Our enterprise risk management team also provides support to various risk management committees and maintains risk management policies and control procedures at both an AIA Group level and a local operating unit level. The chart below outlines AIA Group's primary risk management committees as of the Latest Practicable Date.



Our primary risk management committee is the AIA Group risk management committee (the "Risk Management Committee"). This committee of AIA Group management oversees four principal supporting subcommittees: the asset-liability management committee (the "ALM Committee"); the operational risk management committee (the "ORM Committee"); the product risk management committee (the "PRM Committee"); and the catastrophic and emerging risk committee (the "CERC Committee"). Complementing these principal risk management committees is our transaction review committee (the "TR Committee").

In addition to the AIA Group level risk management committees outlined above, each of our local operating units has its own local risk management framework that is consistent with the regional AIA Group level risk management framework. Operating units in our larger markets, including those in each of our Key Geographical Markets, have their own local risk management committees overseeing local asset-liability management subcommittees, operational risk management subcommittees and product risk management subcommittees. Some of our operating units in our smaller markets do not require dedicated subcommittees and so have a single risk management committee. The local risk management committees and subcommittees report to the respective AIA Group level risk management committees and operate similarly to the comparable regional AIA Group committees described below, but their scope and operations are appropriately tailored to their particular geographical market. Risk management processes are managed within a framework defined by policies and control procedures that are transparent and consistent throughout the AIA Group.

Each of our committees, both at the AIA Group level and local operating unit level, meets every two months as well as on an as-needed basis.

Risk Management Committee

The Risk Management Committee is our primary risk management body and focuses on managing the AIA Group's overall risk exposure and overseeing our four principal subcommittees described below. The Risk Management Committee reports directly to the Board Risk Committee and the AIA Group Executive Committee.

The committee has nine members of AIA Group management and includes our group chief executive officer, group chief financial officer, group chief actuary, group chief investment officer, group chief administrative officer, group chief risk officer, group chief compliance officer, group general counsel and a member with product development, legal and compliance and enterprise risk management expertise.

ALM Committee

The ALM Committee focuses on asset-liability management exposure, major asset-liability proposals, solvency and capital management, strategic asset allocation, credit risk management, market risk management, financial mitigation programmes and reinsurance strategies. The objective of our asset-liability management is to manage the risk exposures of our assets and our liabilities and to ensure that our obligations arising from our liabilities are met. We identify material asset-liability management risks through regular stress-testing of our portfolio. We seek to measure the level of our risk exposures and assess the anticipated rewards and costs (e.g., on capital) associated with the particular risk exposure. Risk exposures are monitored and reported on regularly within the AIA Group's and local operating units' risk management structure. We also seek to formulate and implement appropriate risk control and mitigation plans and routinely review asset-liability management strategies. One aim of our asset-liability management is to focus on managing our assets with our liabilities on the basis of duration. Due to the wide spectrum of financial risk issues managed through the ALM Committee, we have established three sub-committees to assist the ALM Committee in providing oversight to achieve effective financial risk management: the Capital Management Committee, the Derivatives Committee and the Credit Risk Committee.

The committee has ten members, including our group chief actuary, group chief investment officer and members with finance, actuarial, investment, treasury, enterprise risk management and market risk management experience.

Capital Management Committee

The Capital Management Committee assists the ALM Committee in managing the capital and liquidity needs of the AIA Group. The Capital Management Committee is responsible for strategic capital and solvency management, stress testing and capital budgeting. The AIA Group's capital management function is managed out of our regional AIA Group office located in Hong Kong, and we also have professionals familiar with our capital management function in each of the geographical markets in which we operate.

Derivatives Committee

The Derivatives Committee supports the ALM Committee by helping to oversee and monitor the use of derivative instruments by the AIA Group. The Derivatives Committee develops policies and procedures regarding the use of derivatives by the AIA Group and monitors the personnel, processes and systems utilised in conducting derivatives activities. The Derivatives Committee is also responsible for reviewing derivatives transaction documentation and overseeing the execution of derivatives transactions, including ensuring that counterparties fall within AIA Group credit risk and related guidelines. Furthermore, the Derivatives Committee is responsible for measuring and monitoring the effectiveness of hedging through the use of derivatives, ensuring proper accounting of derivatives and reporting on derivatives, including, when appropriate, regulatory reporting.

Credit Risk Committee

The Credit Risk Committee is a credit oversight committee responsible for determining credit policy and monitoring credit risk undertaken by the AIA Group. The Credit Risk Committee is responsible for developing the AIA Group's credit risk framework, assisting the ALM Committee with determining acceptable credit risk tolerances for the AIA Group and ensuring that overall credit risks are managed within the AIA Group's risk appetite.

ORM Committee

The purpose of the ORM Committee is to provide oversight of the operational risk management activities within the AIA Group and ensure the related operational risk management policies and programmes are implemented appropriately and consistently within our local operating units. The ORM Committee is responsible for establishing priorities and coordination across the AIA Group's functional operational risk management activities, monitoring operational risk exposures and the status of action plans, developing guidelines for reporting on key operational risks, key risk indicators and risk event data capture. The ORM Committee is also responsible for the review and monitoring of the most significant operational deficiencies identified by the AIA Group's internal audit and compliance functions or through self-assessments to ensure appropriate management focus is being directed toward risk mitigation activities and the successful implementation of remediation measures. Management reports are created every two months by the ORM Committee to share information and to aggregate key risks for senior management.

The committee has nine members, including our group chief administration officer, group chief human resources officer and members with human resources, information technology, finance, legal, operations, compliance, investment operations and enterprise risk management experience.

PRM Committee

The PRM Committee focuses on the pricing of insurance product risks, the risk exposure of existing and new products and guidance for internal controls to manage product risks. The objective of the PRM Committee is to provide oversight of the product risk management activities within the AIA Group and ensure the related product risk management policies and programmes are implemented appropriately and consistently. The PRM Committee reviews and approves product pricing policies and guidelines, monitors products risks and develops product approval authority limits.

The committee has five members, including our group chief actuary and members with actuarial, product management, investment and enterprise risk management experience.

CERC Committee

The CERC Committee provides oversight and guidance with respect to catastrophic and emerging risks and their potential impact to the AIA Group. These risks include financial, operational and insurance related risks, and the CERC Committee is responsible for catastrophic and emerging risk assessments and related risk mitigation initiatives.

The CERC Committee has seven members, including our group chief underwriter and members with actuarial, product management, investment and enterprise risk management experience.

TR Committee

The TR Committee complements our risk management structure and plays an important role in our due diligence of certain business transactions. The TR Committee reviews our products and transactions with a business partner or among members of the AIA Group that may expose us to heightened legal, regulatory, accounting or reputational risk. These business partners may include our customers, brokers, employees, agents, government officials, consultants, financial advisers or other parties, and these transactions may include those related to certain of our products, distribution strategies, reinsurance programmes, mergers and acquisitions activity, investments and financing arrangements. The TR Committee is responsible for the effective review of all risks associated with the products or transactions presented to it, and it consults with, if appropriate, outside experts regarding legal, accounting, regulatory or related issues. The TR Committee is based in our regional AIA Group office in Hong Kong.

The committee has six members, including our group chief financial officer, group chief risk officer, group chief compliance officer and group general counsel.

Our Principal Risk Exposures

Insurance Risk

We consider life insurance risk to be a combination of the following component risks: (i) inadequate or inappropriate product design; (ii) inappropriate underwriting or pricing of policies; (iii) lapse risk; and (iv) variability of claims experience. We manage our exposure to insurance risk in many ways. We have significant underwriting and actuarial personnel resources and have implemented well-defined underwriting and actuarial guidelines and practices. We have accumulated a substantial volume of experience and data which assists in the evaluation, pricing and underwriting of our products. In addition, we have dedicated resources in our comprehensive risk management framework, such as our PRM Committee, to limit insurance risk. Our insurance risk exposure is also considered when our ALM Committee reviews our SAA Plan and asset-liability management strategy.

Product Design Risk

Product design risk refers to potential defects in the development of a particular insurance product. Our product development process is overseen by our PRM Committee, which provides direction on pricing guidelines, as well as a separate committee, the product development committee. We seek to manage this risk by completing pre-launch reviews of a new product by regional AIA Group and local operating unit functional departments, including product development and approval, actuarial, legal and underwriting. These departments have substantial experience and have developed significant expertise in identifying potential flaws in product development that could expose the AIA Group to risks that are not aligned with our risk appetite. We closely monitor the performance of our new products and focus on actively managing each part of the actuarial control cycle to minimise risk in both in-force and new products.

Pricing and Underwriting Risk

Pricing and underwriting risk refer to the possibility of product related income being inadequate to support future obligations arising from a product. We seek to manage pricing and underwriting risk by adhering to regional AIA Group underwriting guidelines. Each of our local operating units maintains a team of professional underwriters who review and select risks that are consistent with the risk appetite and underwriting strategy of the AIA Group. A second layer of underwriting review is conducted at the regional AIA Group for complex and large risks.

In certain circumstances, such as when we enter new lines of business, product or markets and do not have sufficient experience data, we make use of reinsurance to obtain product pricing expertise. The use of reinsurance subjects us to the risk that our reinsurers become insolvent or fail to make any payment when due to us. The ALM Committee oversees our reinsurance strategies, and we engage in limited outward reinsurance. Our premiums ceded to third-party reinsurers (i.e., neither AIA Group nor AIA Group members) in FY 2009 was US$316 million. Our reinsurance partners are also highly rated: our top five third-party reinsurers, who collectively accounted for 93% of our external reinsurance premiums in FY 2009, are all rated A+ or above by S&P as of the Latest Practicable Date. See "— Operations — Reinsurance" in this section.

Claims Risk

Claims risk refers to the possibility that the frequency or severity of claims arising from insurance products exceed the levels assumed when the products were priced. We seek to mitigate claims risk by conducting regular experience studies, including reviews of mortality and morbidity experience, reviewing internal and external data and considering the impact of such information on reinsurance needs and product design and pricing. We also seek to mitigate claims risk by adhering to the underwriting and claims management policies and procedures described in "— Underwriting and New Business" and "— Claims Management" in this section.

Claims risk also includes risk related to the possibility of significant financial losses arising from a lack of diversification, either geographical or by product type, of the risk insured by the AIA Group. We have a broad geographical footprint across the Asia Pacific region, providing a natural diversification of geographic concentrations of claims and other risks. Our broad product offering and in-force product portfolio also reduces our exposure to risks associated with claims concentration risk. In addition, we use catastrophe insurance to help minimise concentration risk.

Lapse Risk

Lapse risk refers to the possibility of actual lapse experience that diverges from the anticipated experience we assumed when products were priced as well as financial loss due to early termination of policies or contracts where the acquisition cost incurred may not be recoverable from future revenue. We carry out regular studies of persistency experience and the results are assimilated into new and in-force product management. In addition, many of our products include surrender charges that entitle us to additional fees upon early termination by policyholders, thereby reducing our exposure to lapse risk.

Concentration of Insurance Risk

Concentration of insurance risk refers to the possibility of significant financial losses arising from a lack of diversification, either geographical or by product type, of the AIA Group's portfolio. Certain events, such as viral pandemics, may give rise to higher levels of mortality or morbidity experience and exhibit geographical concentrations. The AIA Group has a broad geographical footprint across the Asia Pacific region and its results are not substantially dependent upon any one geographical market. This breadth provides a natural diversification of geographic concentrations of insurance and other risks (such as political risks). However, given the AIA Group's exposure to Asia, it may be relatively more exposed to pandemics localised in Asia than insurance groups with a world-wide presence.

The AIA Group has a range of product offerings, which vary in the extent and nature of risk coverage and thereby reduce exposures to concentrations of mortality or morbidity risk. As a result of the AIA Group's history and scale, a substantial volume of experience data has been accumulated, which assists in evaluation and pricing of insurance risk. The AIA Group's capital position combined with its broad product portfolio are factors in management's decision to retain (rather than reinsure) a high proportion of its written insurance risks. Concentrations of risk are managed within each geographical market through the monitoring of product sales and size of the in-force business by product group. Actuarial analyses are also performed to establish the impact of changes in mortality and morbidity experience for use in financial reporting, pricing and the AIA Group's assessment of reinsurance needs.

Credit Risk

Credit risk arises from the possibility of financial loss arising from default by borrowers and transactional counterparties and the decrease in value of financial instruments due to deterioration in credit quality. The key areas where we are exposed to credit risk include repayment risk in respect of cash and cash equivalents, investments in debt securities, loans and receivables (including insurance receivables) and reinsurance receivables.

Our approach to managing credit risk is a bottom-up process based on fundamental research. We maintain a team of credit analysts to analyse each obligor's financial and competitive position. The process typically includes a review of macroeconomic outlooks, industry trends and financial information, an analysis of issuer credit fundamentals, dialogue with issuers, third-party checks and on-going monitoring of fixed income and equity values. Internal credit ratings and credit limits are reviewed and approved by our credit risk management group on a regular basis. Each analyst is responsible for reviewing and revising internal ratings of his or her portfolio of assigned credits.

Market Risk

Market risk arises from the possibility of financial loss caused by changes in financial instruments' fair values or future cash flows due to fluctuations in key variables, including interest rates, foreign exchange rates, equity market prices and real estate property market prices. We manage our market risk exposure in a variety of ways. Our ALM Committee oversees activities to evaluate market risk exposure and considers each component of market risk when formulating our SAA. AIA Group enterprise risk management uses various quantitative models to assess market risks. These models include sensitivity analyses, value-at-risk models and stress test scenarios, which are common tools in the investment and insurance industries. We routinely conduct various sensitivity analyses on our fixed income and equity portfolios in an effort to estimate our exposure to broad movements in interest rates or equity indices. We also conduct stress test scenarios that are used by the Capital Management Committee to monitor compliance with internal targets for solvency and capital risk appetite and target credit ratings.

Interest Rate Risk

Our exposure to interest rate risk predominantly arises from investments in long-term fixed income debt securities, which are exposed to fluctuations in interest rates.

We manage our interest rate risk primarily by investing in fixed income assets in the same currencies as those of our liabilities, as well as investing in financial instruments with tenors that broadly match the duration of our liabilities. We also consider the effect of interest rate risk in our overall product strategy.

Foreign Exchange Rate Risk

At the AIA Group level, foreign exchange rate risk arises mainly from our operations in multiple geographical markets in the Asia Pacific region and the translation of multiple currencies to U.S. dollars for financial reporting purposes.

On a local operating unit level, to the extent possible and appropriate, we have invested in assets denominated in currencies that match the relevant liabilities to avoid currency mismatches. In certain portfolios we hold investments in currencies that are different from the underlying liabilities in order to achieve yield as well as diversification benefits. We hedge the related foreign exchange risk through derivatives such as swaps, futures and forwards.

Equity Risk

Equity price risk arises from changes in the market value of equity securities and equity funds. Equity securities form a small portion of our investment portfolio and SAA, and therefore we have relatively limited exposure to equity risk.

Property Price Risk

Property price risk arises from our interests in real estate assets which form a part of our investment portfolios and are subject to increases or decreases in market value. Our real estate investment sub-committee reviews and oversees all major real estate investment activity. Real estate assets form a small portion of our investment portfolio and SAA, and as a result, we have relatively limited exposure to property price risk.

Liquidity Risk

Liquidity risk primarily refers to the possibility that we have insufficient cash available to meet our payment obligations to counterparties as they become due. We are subject to liquidity risk on insurance products that permit surrender, withdrawal or other forms of early termination for a cash surrender value.

We seek to manage liquidity risk by emphasising flexible insurance product design and by matching, to the extent possible and appropriate, the duration of our investment assets with the duration of our insurance policies. Most of our assets are in the form of marketable securities, which we can typically convert to cash quickly should we have unexpected cash payment obligations arise. We develop cash flow forecasts and maturity gap analyses to quantify and monitor liquidity needs to minimise the risk that unexpected cash obligations arise.

For a detailed liquidity risk analysis, see note 37 to the Accountant's Report set forth in Appendix I to this prospectus.

Operational Risk

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

The primary tool to manage operational risk is risk and control self-assessment. The objective of risk and control self-assessment is to identify, evaluate, measure and monitor operational risks. This assessment is performed by each member of the AIA Group and is subject to oversight by each local business units' operational risk management subcommittees and the ORM Committee. Other tools utilised to manage operational risks are risk event data capture and analysis and key risk indicators. The ORM Committee and other operational risk management personnel share lessons learned as a result of operational incidents and losses, fraud and internal audit reporting issues with all local operating units to increase overall AIA Group risk awareness and proactively strengthen our control environment.

The ORM Committee and operational risk management personnel provide guidance, training and assistance to our local operating units in implementing risk management programmes and ongoing risk management.

COMPETITION

External competition

The competitive landscape across the Asia Pacific region differs widely by geographical market. Leading market participants are primarily either subsidiaries of large global life insurers or local domestic (including state-owned) entities. Subsidiaries of European and North American life insurance groups that operate in the Asia Pacific region tend to operate in all or nearly all of the major markets in the Asia Pacific region, and some currently have top 10 market shares in a few major markets. Almost all local domestic life insurers in the Asia Pacific region remain focused on their home market. Developed and liberalised markets such as Hong Kong and Singapore are dominated by subsidiaries and branches of foreign life insurance groups. In certain countries with continued foreign ownership restrictions (such as the PRC and Malaysia), the life insurance market is dominated by local domestic insurers or by joint venture entities with a local conglomerate. Our key competitors in the Asia Pacific region include Allianz, Aviva, AXA Asia Pacific, ING, Manulife and Prudential. Other competitors relevant in one or two of our Key Geographical Markets include HSBC Life in Hong Kong, Korea Life, Kyobo Life and Samsung Life in Korea, Thai Life in Thailand, Great Eastern in Singapore and Malaysia, and China Life, China Pacific and Ping An in China.

We expect that competition in the Asia Pacific region may increase if markets deregulate, allowing increased foreign competition as global life insurance groups expand their presence in the Asia Pacific region and local domestic insurers diversify their operations outside of their home markets.

Competition with AIG Group Companies and Affiliates

The AIA Group and the AIG Group have not made any undertakings to each other that would require them or any of their respective affiliates to not compete with each other. Therefore, neither the AIA Group nor the AIG Group is restricted from establishing competing businesses in the geographical markets in which the other operates.

Historically, we have not been subject to material competitive pressure from AIG Insurance Affiliates, and no AIG Insurance Affiliate has focused on life insurance business in our geographical markets except for Nan Shan. Nan Shan competes with AIA Taiwan in Taiwan, particularly with respect to group insurance and mortgage insurance products, and could seek to enter our other geographical markets in the future.

While the two businesses currently do compete in Taiwan, Nan Shan has a significantly larger scale of operations than AIA Taiwan. Based on data published by the Taiwan Insurance Institute, Nan Shan had approximately NT$257.0 billion (US$8.1 billion), NT$219.0 billion (US$6.9 billion) and NT$205.9 billion (US$6.5 billion) of total premiums in 2007, 2008 and 2009, respectively. According to the same source, these amounts represent market shares of total premiums in the Taiwan life insurance market of approximately 13.7% (the second position in the market), 11.4% (the third position in the market) and 10.3% (the third position in the market) in 2007, 2008 and 2009, respectively. In comparison, based on data from the same source, AIA Taiwan had approximately NT$4.9 billion (US$154.5 million), NT$5.1 billion (US$160.8 million) and NT$5.0 billion (US$158.0 million) of total premiums in 2007, 2008 and 2009, respectively. These amounts represent market shares of total premiums in the Taiwan life insurance market of approximately 0.3%, 0.3% and 0.3% in 2007, 2008 and 2009, respectively, and (ii) approximately 1.4%, 1.3% and 1.4% of our TWPI in FY 2007, FY 2008 and FY 2009, respectively. Based on publicly-available information, Nan Shan had net income of approximately NT$12,759 million in 2007 and NT$10,571 million in 2009, and a net loss of approximately NT$46,667 million and NT$12,742 million in 2008 and the first half of 2010. Based on publicly-available information, AIA Taiwan had net income of approximately NT$57 million in 2007 and a net loss of NT$126 million, NT$46 million and NT$36 million in 2008, 2009 and the first half of 2010, respectively. In this paragraph, amounts denominated in New Taiwan dollars have been translated to U.S. dollars at a rate of NT$31.75:US$1.00.

Nan Shan and AIA Taiwan also operate different business models. For example, Nan Shan and AIA Taiwan utilise different distribution channels. Agency is a substantial component of Nan Shan's distribution channels while AIA Taiwan relies on direct marketing and bancassurance distribution channels. In addition, Nan Shan offers a broader range of insurance products in Taiwan than AIA Taiwan. Based on Nan Shan's market position, the significant scale of the operations of Nan Shan as compared to AIA Taiwan (which has not been significant compared to the AIA Group as a whole during the Track Record Period), and the different business models that Nan Shan and AIA Taiwan have, we believe that there is limited competition between Nan Shan and AIA Taiwan.

Nan Shan has historically operated, to a significant degree, independently from the AIA Group. Following a careful review, AIG determined that it was in the best interests of both the AIA Group and Nan Shan for Nan Shan not to be included in the AIA Group as part of its Reorganisation. AIG entered into a share purchase agreement, dated as of 13 October 2009, as amended from time to time, to sell AIG's interest in Nan Shan, representing approximately 97.57% of the outstanding shares in Nan Shan to a consortium led by Primus. The share purchase agreement was terminated on 20 September 2010. AIG is currently reviewing various options and alternatives with respect to its Nan Shan business.

Except as disclosed in the paragraph immediately above, as of the Latest Practicable Date, neither AIG nor the AIA Group is aware of any definitive plans of any AIG Insurance Affiliate to sell life insurance products in any of the AIA Group's geographical markets. For these reasons (among others), none of the AIG Insurance Affiliates were included in the AIA Group as part of our Reorganisation, and there is currently no intention to include the AIG Insurance Affiliates in the AIA Group in the future. It is possible that certain AIG Insurance Affiliates may seek to offer life insurance products in some of our geographical markets in the future and compete with our life insurance business. In particular, AIG Star and AIG Edison have a significant presence in Japan, provide a range of insurance and savings products similar to our own and could seek to enter one of our geographical markets. On 30 September 2010, AIG announced a definitive agreement to sell AIG Star and AIG Edison to Prudential Financial, Inc., for a total purchase price of $4.8 billion, comprising $4.2 billion in cash and $0.6 billion in the assumption of third-party debt. The transaction is subject to the satisfaction of customary closing conditions, including receipt of regulatory approvals, and so there can be no assurance that the transaction will close. Prudential Financial, Inc., a financial services company with operations in the United States, Asia, Europe and Latin America, is not affiliated with Prudential plc. Similarly, ALICO has a significant presence in Japan and, on 7 March 2010, AIG entered into a definitive agreement with MetLife, Inc. for the sale of ALICO and Delaware American Life Insurance Company by AIG to MetLife, Inc. for approximately US$15.5 billion. The transaction is expected to close in the fourth quarter of 2010. However, the transaction is subject to customary closing conditions and so there can be no assurance that the transaction will close on schedule or at all. Following the closing of these transactions, ALICO, AIG Star and AIG Edison will cease to be members of the AIA Group and it is possible that they could seek to offer life insurance products in some of our geographical markets in the future and compete with our life insurance business.

In some of our geographical markets, we hold licences that permit us to offer general insurance products. Our general insurance business makes up a relatively small portion of our business. TWPI in respect of our incidental personal lines and motor insurance business was US$23 million, US$29 million, US$27 million and US$15 million in FY 2007, FY 2008, FY 2009 and 1H 2010, respectively. Based on the relatively small size of this business, we believe that the extent of competition between the AIA Group and the AIG Insurance Affiliates is not material to our business. If we were to seek to expand our offering of general insurance products in these or other geographical markets, we may encounter competitive pressure from AIG Insurance Affiliates that offer general insurance business in these markets. In addition, in some of our markets A&H insurance products are sold both by life insurance companies (both on a standalone basis and as riders) and general insurance companies (on a standalone basis only). Accordingly, we may be subject to competitive pressure from AIG Insurance Affiliates relating to the sale of A&H insurance products. In particular, Chartis currently offers a wide range of general insurance products for individuals, small businesses and multinational companies in many of our geographical markets, and their product offering includes A&H insurance and employee benefits products. See the section headed "Risk Factors — Risk Relating to Our Relationship With the AIG Group — We may face competition from the AIG Group" in this prospectus.

Mr. Edmund Tse, a non-executive Director of the Company, is also the chairman of Nan Shan which competes with AIA Taiwan in Taiwan and could seek to enter one or more of our other geographical markets in the future. Notwithstanding his position in Nan Shan, Mr. Edmund Tse does not have any beneficial interest in any shares in Nan Shan and serves only as the chairman of Nan Shan.

Mr. Jeffrey Hurd, a non-executive Director of the Company, is an employee of AIG, a director of AIG Life Holdings (US), Inc. and senior vice president of AIG. AIG Life Holdings (US), Inc., a subsidiary of AIG, is a holding company and the parent company of the American general life insurance companies which carry on the business of life insurance and retirement services to commercial, institutional, and individual customers in the U.S. To the extent that the subsidiaries of AIG Life Holdings (US), Inc. seek to enter any one of our geographical markets in the future, they may compete with the AIA Group in such geographical markets. Mr. Hurd receives AIG stock as part of his compensation for serving as an executive officer of AIG Group, but notwithstanding his position in AIG Life Holdings (US), Inc., he does not have any direct equity interest in AIG Life Holdings (US) Inc.

Mr. Jay Wintrob, a non-executive Director of the Company, is an employee of AIG, executive vice president of AIG, president and chief executive officer of SunAmerica Financial Group. Mr. Wintrob is the senior executive officer of AIG with management responsibility in respect of the life insurance and retirement services business of AIG Group, including those carried on by SunAmerica Financial Group, AIG Star Life Insurance Co. and AIG Edison Life Insurance Co. He serves as an officer and/or director of a number of the AIG subsidiaries involved in these businesses. The SunAmerica Financial Group is currently licensed to carry on the business of life insurance and retirement services in the U.S. only while AIG Star Life Insurance Co. and AIG Edison Life Insurance Co., carry on the business of life insurance and retirement services only in Japan. To the extent that the SunAmerica Financial Group, AIG Star Life Insurance Co. and AIG Edison Life Insurance Co., and their respective subsidiaries seek to enter any one of our geographical markets in the future, they may compete with the AIA Group in such geographical markets. Mr. Wintrob receives AIG stock as part of his compensation for serving as an executive officer of the AIG Group but notwithstanding his role in the business of the SunAmerica Financial Group, AIG Star Life Insurance Co. and AIG Edison Life Insurance Co., he does not have any direct equity interest in the SunAmerica Financial Group, AIG Star Life Insurance Co. and AIG Edison Life Insurance Co., or their respective subsidiaries.

The Articles require that a Director (including Mr. Tse, Mr. Hurd and Mr. Wintrob) shall not vote or be counted in the quorum present at the meeting in respect of any proposal in which he or his associate is materially interested. Save as disclosed in this paragraph, none of the Directors as of the Latest Practicable Date had any competing interest, which competes or is likely to compete, either directly or indirectly, with our business.

OPERATIONS

Our operations unit focuses on processing new business and servicing policies and policyholders across the AIA Group.

Operations are currently structured as three separate departments, representing various functional responsibilities:

- Underwriting and New Business;
- Claims Management; and
- Customer Service.

As part of an ongoing strategic initiative to rationalise our infrastructure and achieve greater operational efficiencies, the operations unit is currently engaged in several key strategic initiatives, including increasing automation, reducing the amount of paper-based processing and increasing the internet-based self-service capability that we can offer customers in developed markets.

For markets where operational costs are higher, the AIA Group has constructed a low-cost shared services centre in Malaysia. The centre provides information technology, human resources, finance and administration supports services.

For a discussion of our operating expenses ratios, see the section headed "Financial Information" in this prospectus.

Underwriting and New Business

Our underwriting operations involve the evaluation of our insurance products by a professional staff of underwriters and actuaries who determine the type and the amount of risk that we are willing to accept. We have established rigorous personnel qualification requirements and review procedures for our underwriting professionals. We also employ a certain level of automated rules-based systems in both medical and non-medical underwriting that is centrally managed by our regional AIA Group office. Underwriting is governed by detailed policies, guidelines and procedures centrally to assist our underwriters to assess and quantify risks before issuing an insurance policy or contract to a qualified customer. Based on regional approval, local personnel and underwriters in the business units in each of the geographical markets in which we operate customise the underwriting systems to serve their respective local markets. Our geographical reach also allows us to utilise our underwriting experience from more developed markets and apply it to developing markets with less historical underwriting data by sharing established best practice underwriting principles among markets. In this manner we are able to leverage our long history and experience in markets such as Thailand, and assess risk in geographical markets with limited statistical data, such as Vietnam.

Our underwriters evaluate the risk characteristics of each prospective insured risk and underwriting decisions are based on a group-wide model. Requests for coverage are reviewed based on their merits. An insurance policy or contract is not issued unless the particular risk has been examined and approved for underwriting or falls within certain pre-established criteria. We set authorisation limits and procedures depending on the size of the policy or contract and have pre-established authorisation limits for our underwriting personnel depending on their level of qualification.

In order to maintain high standards of underwriting quality and consistency, we engage on an ongoing basis in a multilevel series of internal underwriting audits. Our product pricing philosophy reflects our underwriting standards and is based on the expected payout of benefits, calculated through the use of assumptions for mortality, morbidity, persistency, expenses and investment returns, as well as certain macroeconomic factors such as inflation. These assumptions include a margin for expected profitability and the possibility that actual experience deviates from anticipated experience, and are based on our own extensive experience and internal data as well as data published by external sources in each of the geographical markets in which we operate.

For more information on regulation of our products, see the section headed "Supervision and Regulation" in this prospectus.

Claims Management

Claims that we receive on our products are processed and investigated in a structured manner by the claims team in each of the geographical markets in which we operate. Claims are typically received by our employees or agents who assist policyholders with claims for submission and forward them to our claims team for further review and verification. Major and unusual claims, such as early death claims, are elevated to senior assessors and sometimes will be referred to our regional AIA Group office. If a claim is verified, the amount payable is calculated and, if approved, is distributed to the customer or directly settled with the service provider. Claims policies, procedures and controls are determined by our regional AIA Group office. We manage claims management risk through organisational and computer systems controls. Our organisational controls include pre-established procedures, guidelines and authorisation limits for various operating levels as well as periodic and ad hoc inspections of the local operating units in each of the geographical markets in which we operate. Routine quality assurance control is part of our standard operating procedure to ensure that claim assessment quality and accuracy are in line with our expected loss ratio. We also impose specific requirements on the qualification and employment of our claims staff. We have service standards for claims processing and strive to resolve claims in a timely and structured manner with appropriate diligence.

We have established a claims assessment process to ensure the authenticity and quality of submitted claims, including those related to health and medical insurance. Our staff assess the submitted claims in accordance with detailed internal guidelines and checklists, which require comprehensive review and verification of key documents and events. Claimants are required to submit detailed documentation. For example, a typical reimbursement claim requires a full set of original, duly signed claims forms, receipts and, if applicable, hospital statements. Our staff check the authenticity of documents by, among other things, reviewing the signatures on the documents, checking that submitted documents are in the usual formats issued by the relevant authorities and reviewing the official stamps of the relevant clinic, hospital or authority. Our staff assess the appropriateness of submitted claims by reviewing the status of the relevant policies or benefits, as well as any limitations set forth in the relevant contracts, such as terms related to exclusions, pre-existing conditions and waiting periods. We verify the identities of the claimants or insured beneficiaries and collect and review documentation related to the events on which the claim is based. In addition, our staff conduct background checks of the hospitals and physicians or other health care providers referenced in the claims to ensure that they have the necessary authorisations and appropriate medical qualifications. Our claims assessment process also provides our staff with flexibility to properly assess the submitted claim. For example, our staff may accept a late claim if it determines that the reason for delay is reasonable or may conduct further investigations and fact findings if a submitted claim lacks critical information or appears fraudulent.

Customer Service and Contact Centre

We seek to provide quality services to our customers and potential customers and to be responsive to their needs, both before and after issuing a policy or contract, through an extensive customer service network. We deliver customer services primarily through our customer service units at each of our local operating units via our contact centres and offices, agency force, internet platform and telephone services based on guidelines established by AIA Group operations. We are continually enhancing our customer services through technology and innovation, such as innovation towards customer self-service through interactive voice response and other digital services, with a goal of transitioning to a platform that is efficient for customers and distribution channels at all interactive sites. Our customer services are also adapted based on geographic market needs. For example, our Korea's business emphasis is on internet- and website-based customer service, while our Singaporean business is testing a pilot programme that focuses on high value customers.

Our customer service network is managed by a specialised customer service department in each of our local operating units. The regional AIA Group office is responsible for setting uniform service standards and procedures for providing product-related services to customers, handling inquiries and complaints from customers and training customer services personnel. Our customer service is consistent and well rated in the markets in which we participate. We are a frequent recipient of various industry awards, including:

- Readers Digest Trust Brand Award for Insurance (Hong Kong 2004 – 2009; Singapore 2004 – 2009; Thailand 2004 – 2009; Australia 2007 – 2009; Malaysia 2006 – 2008); and
- Preferred Insurance Vendor of the Year 2008 — Singapore.

Reinsurance

We reinsure a portion of the risk that we assume under our insurance products to reduce our exposure to loss and protect our capital resources. In addition, we use reinsurance to obtain product pricing expertise when entering new lines of business, products or markets. Our reinsurance includes both arrangements with third-party reinsurers not affiliated with the AIA Group (i.e., external reinsurance) and arrangements between and among businesses entirely within the AIA Group (i.e., internal reinsurance). Until 2007, a significant portion of the AIA Group's reinsurance arrangements were placed with the AIG Group, mainly with AIRCO. In 2007, we began preparing to recapture our reinsurance arrangements with the AIG Group or to novate them to AIA companies. The largest of these recaptures became effective during the first three quarters of 2008, and the recaptured business was largely retained internally. A central component of our reinsurance strategy is to use internal reinsurance where applicable local regulations allow. As a result of our history and scale, we have accumulated a substantial volume of experience and data which assists in our reinsurance strategy. Where we do not have adequate data, such as when we insure a new type of risk, we may reinsure a substantial portion or all of such risk. As we develop experience data related to such new risk, we may gradually retain more of the risk and reduce the use of related external reinsurance over time.

When we use reinsurance, we cede to a reinsurer a portion of the risk that we assume under our insurance products in exchange for a portion of the premiums we receive with respect to these products.

Our criteria for selecting third-party reinsurers include financial strength, service, terms of coverage, claims settlement efficiency and price. We monitor the financial condition of our third-party reinsurers on an ongoing basis and review our reinsurance arrangements periodically. To reduce reinsurance concentration risk, we have established reinsurance programmes with various leading international third-party reinsurers and limit our exposure to any one third-party reinsurer. In some geographical markets in which we operate, local insurance regulations require us to use local third-party reinsurers for a portion of our reinsurance. We have clearly defined risk limits, tailored to our products and geographical markets in which we operate, related to both internal and external reinsurance.

When we use internal reinsurance, one of our operating subsidiaries or branches cedes to another member of the AIA Group, typically AIA-B, a portion of the risk that operating subsidiary or branch assumes under our insurance products. Under our internal reinsurance strategy, the member of the AIA Group that acts as reinsurer will typically obtain external reinsurance in order to cede to a third-party reinsurer risk above certain defined risk limits. We believe that our internal reinsurance arrangements comply in all material respects with the requirements of applicable law.

We engage in limited external reinsurance, and our premiums ceded to third-party reinsurers (i.e., neither AIG Group nor AIA Group members) in FY 2007, FY 2008 and FY 2009 were US$199 million, US$219 million and US$316 million, respectively. See the section headed "Financial Information" in this prospectus for additional information on premiums ceded to reinsurers. Our third-party reinsurance partners are highly rated, with our top five third-party reinsurers, who collectively accounted for 93% of our external reinsurance premiums in FY 2009, all rated A+ or above by S&P as of the Latest Practicable Date. From FY 2007 to FY 2009, we have not experienced any third-party reinsurer or broker default.

Information Technology

Our information technology group plays a significant role in supporting our business growth and providing reliable service to our customers, agents and business partners. We have adopted a shared services strategy and currently have three shared services centres to improve quality, service and cost-efficiency. The majority of our core application development and support is delivered through these shared services centres.

Our systems include applications related to e-business processes, sales and management support, sales illustration, underwriting, imaging and workflow, policy administration, actuarial, financial management and analysis and human resources. We are expanding our deployment of "straight through" process functions across the AIA Group to both expedite new business underwriting processes and significantly improve control, turnaround time and customer and business partner satisfaction. We are also in the process of implementing a uniform group-wide financial system with service providers through our financial transformation programme.

Our digital strategy includes the expansion of self-service functions to provide additional convenience to our customers, agents and business partners. We are also expanding the usage of the internet and other digital platforms (e.g., cell phones, PDA, etc.) to provide even more online functions.

We have expanded, and will continue to expand, our strategy of centralizing our information technology group to improve efficiency, quality and lower unit cost. Where permitted by local regulations, we intend to consolidate our existing infrastructure and data centres and outsource them to third-party vendors.

To minimise the impact of a partial or complete failure of any of our information technology or communications systems, we have implemented two programmes — the Business Continuity Plan and the Disaster Recovery Plan — which provide detailed processes and procedures to be applied in case of any such failure. In addition, we maintain a network of disaster recovery facilities designed to be activated in place of our primary facilities in case of failure and we have created a remote backup management system to limit potential losses of data resulting from system disruptions.

LEGAL AND COMPLIANCE

Compliance

We have policies and procedures to manage legal and compliance risks and address regulatory requirements and other compliance obligations. We have a centralised AIA Group legal department that sets legal policy for the AIA Group, supervises the AIA Group's overall legal function and provides legal management reporting to the Board. We have dedicated personnel focusing on legal areas, including applicable regulations, investments, pension and wealth management, information technology and intellectual property, securities regulation, corporate secretary and human resources. In addition, we generally have local legal departments located in each of our local operating units that report to the AIA Group's centralised legal department.

We have an AIA Group compliance department that sets compliance policy for the AIA Group and supervises the AIA Group's overall compliance function. We have personnel focusing on compliance matters related to our products, investments, wealth management and corporate affairs. Each of our local operating units has dedicated compliance personnel to address applicable regulatory requirements. The local compliance personnel and the AIA Group compliance department report directly to AIA's Chief Compliance Officer.

The AIA Group legal and compliance departments, together with aspects of our enterprise risk management framework, assist the AIA Group in monitoring its overall liability profile associated with legal and regulatory matters, including liabilities that may be associated with the AIA Group's historical activities.

Legal and Regulatory Proceedings

We are a party to legal actions and regulatory proceedings in most of our geographical markets arising out of our normal business operations, including as the plaintiff and defendant in arbitration and litigation matters related to contested insurance claims. While we cannot predict the outcome or impact of any pending or future arbitration, litigation or regulatory proceedings, we do not believe that any pending arbitration, litigation or regulatory proceedings will have a material adverse effect on our business, financial condition or results of operations. Two of our Directors, Mr. Tse and Mr. Wintrob, are also parties to certain legal actions arising out of the AIG Group's normal business operations, in their roles as senior executives/directors of certain AIG Group entities. The Company and the Directors consider that such legal actions are not expected to materially affect the operations or financial position of the AIA Group.

As of 31 May 2010, the aggregate amount of all outstanding claims against the AIA Group, in each case where the amount claimed exceeded US$1 million, was approximately US$14.8 million, of which approximately US$1.4 million related to claims litigation and approximately US$13.4 million related to all other litigation.

We make provisions for legal and regulatory proceedings and matters and litigation; these form part of our "other provisions" as described in note 32 to the Accountant's Report set forth in Appendix I to this prospectus. As of 31 May 2010, the aggregate amount of these other provisions, which also include provisions for certain reorganization and restructuring liabilities unrelated to regulatory matters and litigation, was US$115 million. The Company believes that adequate provisions have been made in respect of known legal and regulatory proceedings and matters.

See the section headed "Risk Factors — Litigation and regulatory investigations may result in significant financial losses and harm to our reputation" for more information regarding litigation and regulation-related risks.

Regulatory Matters

Our business is highly regulated. See the section headed "Supervision and Regulation" in this prospectus for more information regarding the regulatory framework pursuant to which our business operates. In many markets in which we operate, there have been significant changes in the legal and regulatory regimes relevant to our business during our tenure in these markets, and legal compliance and enforcement practices have varied widely across the region and over time. In addition, some of the laws, rules and regulations that we are subject to are relatively new and their interpretation and application remain uncertain. The Directors confirm that, as of the Latest Practicable Date, there were no material breaches or violations of laws or regulations applicable to us, including laws or regulations on reinsurance that apply to us, that would result in a material adverse effect on our business, financial condition or results of operations taken as a whole. As of the Latest Practicable Date, the AIA Group had obtained all material permits, licences and regulatory approvals that are required in connection with the Reorganisation or to operate its business. While we may require a significant period of time before we are able to achieve full compliance with certain laws and regulations in all of our geographical markets, during the period under review, we have taken a number of measures to implement more comprehensive compliance systems and to prevent breaches of applicable laws and regulations, including building a broad compliance team across our geographical markets.

PROPERTIES

Owned Properties

As of 31 August 2010, the AIA Group owned 133 properties, consisting of three properties in the PRC, four properties in Hong Kong, two properties in Indonesia, 21 properties in Malaysia, 89 properties in the Philippines, five properties in Singapore and nine properties in Thailand.

Completed Properties

As of 31 August 2010, the AIA Group owned 103 completed properties in total. The aggregate building floor area was approximately 444,651 sq.m., with the breakdown of 3,429 sq.m. in the PRC, 69,733 sq.m. in Hong Kong, 2,164 sq.m. in Indonesia, 53,546 sq.m. in Malaysia, 173,712 sq.m. in the Philippines, 58,392 sq.m. in Singapore and 83,675 sq.m. in Thailand. As of 31 August 2010, the AIA Group owned 29 parcels of land in total, consisting of an aggregate site area of approximately 214,997 sq.m., with the breakdown of 6,897 sq.m. in Malaysia, 185,644 sq.m. in the Philippines and 22,456 sq.m. in Thailand.

Properties under Construction

As of 31 August 2010, construction of one property in the PRC was in progress with a site area of 35,000 sq.m. with a maximum gross floor area above ground of approximately 138,070 sq.m. to be completed. The land use rights of the site expire on 4 May 2058.

Leased Properties

As of 31 August 2010, the AIA Group has 547 property leases located throughout Australia, Brunei, Hong Kong, Indonesia, Korea, Macau, Malaysia, New Zealand, the Philippines, the PRC, Singapore, Taiwan, Thailand and Vietnam.

In Australia, the AIA Group has five property leases with a total floor area of approximately 5,321 sq.m. The properties were leased from various landlords for offices and other uses for various terms.

In Brunei, the AIA Group has two property leases with a total floor area of approximately 1,086 sq.m. The properties were leased from various landlords for offices and other uses for various terms.

In Hong Kong, the AIA Group has 76 property leases with a total floor area of approximately 82,654 sq.m. The properties were leased from various landlords for offices, staff quarters and other uses for various terms.

In Indonesia, the AIA Group has 56 property leases with a total floor area of approximately 28,617 sq.m. The properties were leased from various landlords for offices, staff quarters and other uses for various terms.

In the Republic of Korea, the AIA Group has 70 property leases with a total floor area of approximately 91,585 sq.m. The properties were leased from various landlords for offices, staff quarters and other uses for various terms.

In Macau, the AIA Group has six property leases with a total floor area of approximately 6,001 sq.m. The properties were leased from various landlords for offices, staff quarters and other uses for various terms.

In Malaysia, the AIA Group has ten property leases with a total floor area of approximately 7,715 sq.m. The properties were leased from various landlords for offices, staff quarters and other uses for various terms.

In New Zealand, the AIA Group has seven property leases with a total floor area of approximately 1,753 sq.m. The properties were leased from various landlords for offices, staff quarters and other uses for various terms.

In the Philippines, the AIA Group has 64 property leases with a total floor area of approximately 9,908 sq.m. The properties were leased from various landlords for offices, staff quarters and other uses for various terms.

In the PRC, the AIA Group has 157 property leases with a total floor area of approximately 151,334 sq.m. located in Beijing, Changzhou, Dongguan, Foshan, Guangzhou, Huizhou, Jiangmen, Maoming, Nanjing, Nantong, Qingyuan, Shanghai, Shantou, Shenzhen, Suzhou, Taizhou, Wuxi, Xuzhou, Yangzhou, Zhanjiang, Zhaoqing, Zhongshan and Zhuhai. The properties were leased from various landlords for offices, staff quarters and other uses for various terms. A property ownership certificate or a certificate or other document evidencing sufficient rights for the landlord to lease to a tenant were not produced for our property valuation advisers CB Richard Ellis with respect to 34 commercial property leases and two residential property leases. The floor area of these concerned properties constitute a small percentage, approximately 24%, of the total floor area of the PRC's entire leased properties and these concerned properties, including some that are used as staff quarters, are not used for purposes that are critical to the PRC's operations; nor have the leases been attributed any commercial value by CB Richard Ellis.

In Singapore, the AIA Group has ten property leases with a total floor area of approximately 4,292 sq.m. The properties were leased from various landlords for offices, staff quarters and other uses for various terms.

In Taiwan, the AIA Group has three property leases with a total floor area of approximately 6,418 sq.m. The properties were leased from various landlords for offices and other uses located in Taipei and Kaohsiung for various terms.

In Thailand, the AIA Group has 55 property leases with a total floor area of approximately 80,676 sq.m. The properties were leased from various landlords for offices and other uses for various terms.

In Vietnam, the AIA Group has 26 property leases with a total floor area of approximately 15,300 sq.m. The properties are leased from various landlords for offices, staff quarters and other uses for various terms.

Property Valuation

CB Richard Ellis, an independent property valuer, has valued the property interests that we owned as of 31 August 2010 with commercial value of US$2,634,338,500. The text of the valuation letter, a summary of values and the valuation certificates issued by CB Richard Ellis for this prospectus are set out in Appendix IV.

No appraised commercial value is attributed to any leased properties which are based on market rent.

Waivers from the Hong Kong Stock Exchange and the SFC in relation to Property Valuation Report

The full version of the property valuation report, a summary of which is set forth in Appendix IV to this prospectus, includes a valuation report in full compliance with all applicable Listing Rules and Paragraph 34(2) of the Third Schedule to the Hong Kong Companies Ordinance of property interests held or to be acquired by us for our life insurance business. Due to the substantial number of properties that we own or lease, the full version of the property valuation runs to more than 300 pages. Accordingly, we have applied for and obtained a waiver from the Hong Kong Stock Exchange from strict compliance with Rule 5.01, Rule 5.06 in respect of the owned properties and the leased properties respectively and Paragraph 3(a) of Practice Note 16 of the Listing Rules, and an exemption has been granted by the SFC under section 38A of the Hong Kong Companies Ordinance from strict compliance with paragraph 34(2) of the Third Schedule of the Hong Kong Companies Ordinance to allow us to include instead a summary version of the full version of the property valuation report on the grounds that:

(a) it is impractical and unduly burdensome for us to list all of our properties and show their particulars and values individually in this prospectus in the traditional format as required by the Listing Rules and the Hong Kong Companies Ordinance; and

(b) for a life insurance business such as ours, to include in this prospectus excessive details in relation to properties would be irrelevant to potential investors and would not be material to a potential investor's investment decision.

For the reasons set out in paragraphs (a) and (b) above, the proposed waiver would not result in undue risks to potential investors.

The exemptions were granted with conditions which are set forth in the sections headed "Waivers from Compliance with the Listing Rules and exemptions from the Hong Kong Companies Ordinances" and "Statutory and General Information — Exemptions from the Hong Kong Companies Ordinance and Waivers from the Listing Rules" set forth in Appendix VII to this prospectus.

INTELLECTUAL PROPERTY

Most of our branches and wholly-owned subsidiaries conduct their businesses primarily under the "AIA" brand name and its derivatives and variants, with the notable exception of Philamlife which will continue to operate primarily under the "Philam Life" brand name. Consequently, we possess an extensive portfolio of domain names and trademarks relating to the businesses in the geographical markets in which our subsidiaries and branches operate. However, until recently, certain of our branches and subsidiaries, including AIA Australia, AIA Indonesia, AIA Korea, AIA New Zealand, AIA Taiwan and AIA Vietnam, used primarily AIG-derived trademarks in their businesses, and many of our businesses used AIG trademarks and domain names for certain products and purposes.

On 30 November 2009, AIG assigned and transferred to AIA substantially all of the trademarks and domain names owned by AIG that were used primarily in the businesses and operations of AIA and its subsidiaries, including without limitation, the AIA and AIA-related trademarks registered in our geographical markets. We also rebranded certain of our subsidiaries' businesses and generally transitioned the AIA Group from the use of trademarks and domain names that incorporated the AIG marks, to the use of trademarks and domain names derived exclusively from the "AIA" marks. This assignment agreement also contains provisions relating to the co-existence of the AIA and AIG brands. We are limited in our ability to adopt variations of the "AIA" initials and name and to object to AIG's name and certain other names based on "AIA" initials. Furthermore, except to a limited extent, we cannot use the "AIA" initials or "American International Assurance" name in North America or U.S. overseas territories, excluding Guam. We have also entered into a licence agreement with AIG, dated as of 30 November 2009, to facilitate the AIA Group's transition from the use of the AIG trademark and certain derivative marks and domain names. The transitional licence agreement will expire, subject to certain exceptions, on the later of (i) 30 November 2011, or (ii) one year from the date on which the AIG Group no longer either (a) beneficially owns, directly or indirectly, 50% of the total voting power represented by the ordinary issued shares of AIA, or (b) has the power to, directly or indirectly, direct or cause the direction of the management or policies of AIA. In the event of a change of control during the term of this licence, AIG will have additional termination rights in case of a non-cured material breach or in case of certain insolvency events. In light of the transitional nature of this licence, the relevant exceptions to the limitations imposed on AIA and its affiliates under the licence, and the fact that we are transitioning off the use of the AIG trademarks and domain names in our business, the Directors and the sponsors are of the opinion that the term of the transitional licence is sufficient. The underlying AIG trademarks covered by the licence agreement were not transferred to the AIA Group because they are not principally used by the AIA Group. The licence agreement may only be terminated unilaterally by AIG after an event of change of control in case of a non-cured material breach by AIA and in case of certain insolvency events. In light of the transition period and the limited ongoing use of the AIG marks by the AIA Group, we do not believe that such a termination would have an adverse impact on the AIA Group.

On 30 November 2009 and on 18 August 2010, we entered into licence agreements with AIG pursuant to which we were granted certain perpetual rights to continue using certain intellectual property (other than trademarks) used by the AIA Group or its affiliates prior to a change of control of the AIA Group on a worldwide, royalty-free basis. These licences can be terminated with respect to a particular intellectual property right in case of a non-cured material breach. For more information concerning these licences, see the section headed "Connected transactions — Intellectual Property Licence Transactions with AIG" in this prospectus.

See also the sections headed "Risk Factors — Our brand names and intellectual property are important to us and we may not be able to protect them" and "Risk Factors — Registration of the AIA Group's logo as a trademark is pending approval" in this prospectus.

EMPLOYEES

As of 31 May 2010, we had a total of approximately 24,500 permanent employees, employee agents and fixed term employees. The following table shows an approximate breakdown of our employees by function as of 31 May 2010:

	Approximate Number of Employees	% of Total
Sales & Marketing	13,350	54
Claims/Customer Services	2,300	9
Business Acquisition	2,250	9
General Services	1,600	7
Information Technology	1,500	6
Finance and Accounting	1,100	4
Actuarial/Product Development	500	2
Human Resources	350	2
Legal/Compliance/Internal Audit	350	2
Executive Management	200	1
Investment	250	1
Others	750	3
Total	**24,500**	**100**

The following table shows an approximate breakdown of our employees by market as of 31 May 2010:

Market	Approximate number of Employees
Hong Kong (including Macau)	1,120
Thailand	2,080
Singapore (including Brunei)	750
Malaysia	1,540
China	4,240
Korea	700
Indonesia	1,230
Philippines	1,620
Other Markets	10,280
Others	940
Total	**24,500**

As of 31 May 2010, we had a total of approximately 1,250 contract and temporary employees.

We enter into employment agreements with individual employees covering matters such as salary, employee benefits, confidentiality obligations and termination of employment. We generally formulate our employees' compensation to include one or more elements such as salaries, allowances, bonuses, long-term incentives and benefits subject to applicable rules and regulations. Our compensation programmes are designed to remunerate our employees based on their performance, roles and responsibilities, skills and competencies. We also perform market benchmarking with respect to our compensation programmes.

Our human resources goal is to be an "employer of choice". To achieve this goal, we utilise five key strategies: innovate compensation practices to sustain a performance-based culture; attract, develop and retain committed and competent employees through measurable assessment of their performance and employee resourcing and development initiatives that emphasize tangible business outcomes; engineer a cohesive and engaged workforce through thematic programmes emphasizing the "We" culture; build current and future competencies for mission critical functions; and achieve effective and efficient human resources processes that relieve managers and human resource personnel from day-to-day administration and permit them to focus on human capital.

Following the AIG events, we took a series of actions to retain our employees, including regular management feedback, career assignments and opportunities and retention award programmes. We believe that, in part as a result of these measures, our turnover of employees at the level of vice president and above was similar to historical levels (approximately 10% in FY 2009).

CUSTOMERS

Our five largest customers constituted in aggregate less than 30% of our total sales for each of FY 2007, 2008 and 2009.

RESERVES

In accordance with appropriate methodologies called for by applicable accounting and regulatory standards, we establish, and carry as liabilities, reserves which are actuarially determined amounts that are calculated to meet our obligations under our insurance products.

IFRS Reserves

In accordance with IFRS, our reserves for AIA Group financial reporting purposes are based on actuarially recognised methods for estimating future benefits and claims.

We establish liabilities for obligations for future benefits and claims on our products based on assumptions that are formulated with reference to experience and economic variables. Our assumptions include assumptions for mortality, morbidity, persistency, expenses and investment returns, as well as macroeconomic factors. Actual experience may deviate from these assumptions and, as a result, we cannot determine precisely the amounts which we will ultimately pay to settle the liabilities on our products or when these payments will need to be made. See the section headed "Risk Factors — Risks Relating to Our Overall Business — Differences between actual benefits and claims experience and underwriting and reserving assumptions, as well as deviations from the assumptions used in pricing our products, could have a material adverse effect on our financial condition and results of operations" in this prospectus. Actual amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future. We evaluate our liabilities regularly, based on applicable assumptions used to establish the liabilities, as well as our actual policy benefits and claims experience. We expense changes in our liabilities in the period the liabilities are established or re-estimated. To the extent that actual experience and trends are less favourable than our underlying assumptions used in establishing these reserves, we could be required to increase our reserves for such liabilities.

For more information on our reserves and reserving practices, see note 34 to our financial information included in the Accountant's Report set forth in Appendix I to this prospectus.

Statutory Reserves

We are required to report local operating unit reserves for regulatory purposes in many of the geographical markets in which we operate. These reserves are reported in accordance with the statutory reserve standards applicable to each of these geographical markets.

CREDIT RATINGS

Indicators of financial strength are an important factor affecting public confidence in our business and products. One measure is the financial strength ratings assigned by recognised rating agencies. AIA and AIA-B currently have published financial strength ratings of A+ from S&P and AIA-B has a published financial strength rating of Aa3 from Moody's. These ratings are characterised by the rating agencies as Strong and Excellent, respectively.

Our goal is to maintain or improve our credit rating. To this end, the AIA Group has implemented a rigorous product pricing policy and established specific criteria to ensure that all new products are carefully vetted for profitability, sustainability and capital efficiency. See "— Product Strategy and Development" in this section.

The foregoing ratings reflect each rating agency's independent opinion of our financial strength, operating performance and ability to meet our obligations to policyholders, and are not evaluations directed towards holders of our Shares, and do not in any way reflect evaluations of the safety and security of our Shares. You should not rely upon these ratings in making an investment decision regarding our Shares. The ratings set forth above are subject to revision or withdrawal at any time by the assigning rating agency. See the section headed "Risk Factors — Risks Relating To Our Overall Business — An actual or perceived reduction in our financial strength, or a downgrade in our credit ratings, could increase policy surrenders and withdrawals, damage our business relationships and negatively impact new sales of our products" in this prospectus.