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## GLOSSARY

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**This glossary contains explanations of certain terms used in this prospectus in connection with the AIA Group and its business. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.**

“A&H”	accident and health 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 policies. A&H riders are presented together with their respective individual life insurance products for purposes of disclosure of financial information. Standalone A&H insurance includes any riders attached to such products. For purposes of disclosure of ANP, VONB and new business margin, A&H riders attached to traditional life insurance products, and investment-linked and universal life insurance products have been separately disclosed
“affinity customers”	a group of customers who share a common enterprise or social affinity or relationship
“agency leader”	an agent who manages a group of agents
“aided awareness”	in advertising research, the percentage of respondents who recognized advertisements for a specific product or brand in the past 30 days
“allocated equity”	equity attributable to shareholders of AIA Group Limited, less amounts reflected in other comprehensive income, consisting of the fair value reserve and the foreign currency translation reserve
“allocated segment equity”	segment assets less segment liabilities in respect of each reportable segment less fair value and foreign currency translation reserves and adjusted for subordinated intercompany debt
“annualised new premium” or “ANP”	a measure of new business activity that is calculated as the sum of 100% annualised first year premiums and 10% of single premiums, before reinsurance ceded, written during the period
“annuity”	a savings product where the accumulated amount can be paid out to the customer in a variety of income streams
“AUM”	assets under management
“bancassurance”	the distribution of insurance products through banks or other financial institutions
“CAGR”	compound annual growth rate, which is calculated at a constant exchange rate in the section headed “Our History and Reorganisation” in this prospectus

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“cash surrender value”	the amount of cash available to a policyholder on the surrender of or withdrawal from a life insurance policy or annuity contract
“cede”	the transfer of all or part of a risk written by an insurer to a reinsurer
“claim”	an occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Depending on the terms of the insurance policy, a claim may be covered, limited or excluded from coverage
“commission”	a fee paid to an agent or broker by an insurance company for services rendered in connection with the sale or maintenance of an insurance product
“controlling shareholder”	any person who is or group of persons who are together entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Merger as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the issuer or who is or are in a position to control the composition of a majority of the board of directors of the issuers; our controlling shareholders are AIA Aurora LLC and AIG
“credit risk”	the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation
“currency risk”	the risk that asset or liability values, cash flows, income or expenses will be affected by changes in exchange rates
“deferred acquisition costs” or “DAC”	deferred acquisition costs are expenses of an insurer which are incurred in connection with the acquisition of new insurance contracts or the renewal of existing insurance policies. They include commissions and other variable sales inducements and the direct costs of issuing the policy, such as underwriting and other policy issue expenses
“density rate”	life insurance premium per capita
“discretionary participation features” or “DPF”	<p>a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:</p> <ul style="list-style-type: none"><li>● that are likely to be a significant portion of the total contractual benefits;</li><li>● whose amount or timing is contractually at the discretion of the issuer; and</li><li>● that are contractually based on the performance of any of the following: a specified pool of contracts or a specified type of contract; a specified pool of assets; or the Company, fund or other entity that issues the contract as discussed in IFRS 4</li></ul>

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“duration”	the number of years required to receive the present value of a stream of future cash flow, which is often used as an indicator of a bond’s price volatility resulting from changes in interest rates
“embedded value”	an actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to future new business
“endowment product”	a traditional life insurance product that provides the insured party with various guaranteed benefits if it survives specific maturity dates or periods stated in the policy. Upon the death of the insured party within the coverage period, a designated beneficiary receives the face value of the policy
“equity securities and alternative investments”	equity securities (comprising private and public equities, securities held by consolidated mutual funds managed by AIG, interests in investment funds and the AIA Group’s holding of shares in AIG) and investment property
“expense ratio”	operating expenses expressed as a percentage of TWPI
“financial investments”	equity and fixed income securities plus receivables and derivative financial instruments classified as assets, excluding cash and cash equivalents
“first year premiums”	premiums received in the first year of a recurring premium policy. As such, they provide an indication of the volume of new policies sold
“fixed income securities”	debt securities (consisting of government and government agency bonds, corporate bonds and structured securities) as well as policy loans, mortgage loans on residential and commercial real estate, inter-company loans to fellow subsidiaries of AIG and other loans (less any allowance for loan losses) plus term deposits and cash and cash equivalents
“GDP”	gross domestic product
“high net worth individuals” or “HNWI”	individuals who have investable assets of US\$1.0 million or more
“individual life insurance”	comprises insurance policies offered to individuals, such as traditional life insurance, investment-linked and universal life insurance, and standalone A&H insurance
“IFA”	independent financial adviser
“in-force policy”	an insurance policy or contract reflected on records that has not expired, matured or otherwise been surrendered or terminated
“investment experience”	realised and unrealised investment gains and losses recognised in the consolidated income statements

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“investment funds”	pool of funds held for collective investment purposes
“investment grade”	“BBB-” or above for S&P “Baa3” or above for Moody’s
“investment income”	investment income comprises interest income, dividends and rental income
“investment-linked financial investments”	financial investments held to back investment-linked contracts
“investment-linked products”, “investment-linked contracts” or “investment-linked insurance 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 investment or indices. In general, the investment risk associated with these products is borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of surrender, death or the maturity of the policy, subject to surrender charges. Investment-linked products are presented together with pension products for purposes of disclosure of financial information
“investment property”	property (land and/or a building or part of a building) held to earn rentals or for capital appreciation or both rather than for use by the AIA Group
“investments”	fixed income securities plus equity securities and alternative investments. This may be further defined as financial investments excluding receivables, plus investment property and cash and cash equivalents
“lapse risk”	the risk that, having purchased an insurance policy from the AIA Group, customers either surrender the policy or cease paying premiums on it and so the expected stream of future premiums ceases. Lapse risk is taken into account in building projections of future premium revenues, for example when testing for liability adequacy and the recoverability of deferred acquisition costs
“life insurance premiums”	consideration received with respect to life insurance policies issued or reissued by an insurance company
“loans”	policy loans, mortgage loans on residential and commercial real estate and inter-company loans to subsidiaries of AIG and other loans
“morbidity rate”	incidence rates and period of disability, varying by such parameters as age, gender and period since disability, used in pricing and computing liabilities for accident and health insurance

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“mortality rate”	rate of death, varying by such parameters as age, gender, and health, used in pricing and computing liabilities for life and annuity products, which contain mortality risks
“net insurance and investment contract benefits”	life insurance investment contract benefits, claims and movements in contract liabilities net of amounts ceded to third-party reinsurers, excluding corresponding changes in insurance and investment contract liabilities from investment experience for investment-linked contracts and participating funds, and investment income related to investment-linked contracts
“net premiums”	life insurance premiums net of reinsurance premiums ceded to third-party reinsurers
“net profit attributable to shareholders of AIA Group Limited”	profit for the year after tax and deducting non-controlling interests
“net return on equity”	net return on equity measures our ability to generate returns for our shareholders. Net return on equity is calculated as net profit attributable to shareholders of AIA Group Limited, as a percentage of average total equity attributable to shareholders of AIA Group Limited, which is a simple average of the opening and closing balances
“new business margin”	new business margin is calculated as VONB expressed as a percentage of ANP. For the calculation of new business margin for our Hong Kong reporting segment and for the total for the AIA Group, VONB excludes VONB from our corporate pension business so that the numerator and denominator are expressed on a consistent basis
“new business premiums” or “NBP”	a measure of new business activity that is calculated as the sum of first year premiums on new business (without annualisation) and 10% of single premiums, before reinsurance ceded, written during the period
“new contributions”	a measure of new business activity in respect of our corporate pension business that is calculated as the sum of first year contributions and lump-sum contributions received during the period
“operating expenses”	the expenses of operations excluding restructuring and separation costs
“operating margin”	operating margin measures the operating profitability of our business relative to the volume of the business we generate; operating margin is calculated as operating profit as a percentage of TWPI
“operating profit”	profit before tax excluding investment experience; investment income related to investment-linked contracts; investment management expenses related to investment-linked contracts;

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	corresponding changes in insurance and investment contract liabilities in respect of investment-linked contracts, participating funds and changes in third-party interests in consolidated investment funds resulting from the above; policyholders' share of tax relating to changes in insurance and investment contract liabilities; and other significant items that management considers to be non-operating income and expenses
"operating return on allocated equity"	measures the efficiency of use of capital in our operations. Operating return on allocated equity is calculated as operating profit after tax attributable to shareholders of AIA Group Limited, expressed as a simple average of opening and closing total equity attributable to shareholders of AIA Group Limited, less the fair value and foreign currency translation reserves, and adjusted for subordinated intercompany debt
"participating funds"	distinct portfolios where the policyholders have a contractual right to receive at the discretion of the insurer additional benefits based on factors such as the performance of a pool of assets held within the fund, as a supplement to any guaranteed benefits. The insurer may either have discretion as to the timing of the allocation of those benefits to participating policyholders or as to the timing and the amount of the additional benefits
"participating policies" or "participating business"	contracts of insurance where the policyholders have a contractual right to receive, at the discretion of the insurer, additional benefits based on factors such as investment performance, as a supplement to any guaranteed benefits
"penetration rate"	life insurance premium as a percentage of GDP
"persistence"	the percentage of insurance policies remaining in force from month to month, as measured by premiums. Persistency data discussed in this prospectus, except for 1H 2010, excludes Philamlife which only joined the AIA Group in November 2009
"policy fees"	an annual charge to the policyholder collected in addition to the premium to cover the costs of policy administration and certain other costs
"policyholder and shareholder investments"	investments other than those held to back investment-linked contracts
"private equities"	ordinary shares in a company that are not publicly traded on a stock exchange
"public equities"	ordinary shares publicly traded on an exchange
"recapture"	the action of a ceding company to take back reinsured risks previously ceded to a reinsurer
"regular premium product"	a life insurance product with regular periodic premium payments

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“reinsurance”	the practice whereby a reinsurer, in consideration of a premium paid to it, agrees to indemnify another party for part or all of the liabilities assumed by the reinsured party under an insurance contract, which the reinsured party has issued
“renewal premiums”	premiums receivable in subsequent years of a multi-year insurance policy
“repurchase agreement”	a repurchase transaction involves the sale of financial investments by the AIA Group to a counterparty, subject to a simultaneous agreement to repurchase those securities at a later date at an agreed price
“reserves”	liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurance companies
“restructuring and separation costs”	restructuring costs represent costs related to restructuring programmes and are primarily comprised of redundancy and contract termination. Separation costs are those significant and identifiable costs related to the AIA Group’s separation from AIG. Restructuring and separation costs do not form part of operating expenses
“retail insurance”	the distribution of pre-packaged insurance products through retail outlets
“re-Takaful”	reinsurance of Takaful business compliant with Islamic principles
“reverse repurchase agreement”	a reverse repurchase transaction involves the purchase of financial investments with a simultaneous obligation to sell the assets at a future date, at an agreed price
“rider”	a supplemental plan that can be attached to a basic insurance policy, typically with payment of additional premium. Unless otherwise stated, riders include unit-deducting riders for which no premiums are received. The insurance coverage of unit-deducting riders is funded by deduction of units from account balances of the underlying investment-linked and universal life contracts
“securities lending”	securities lending consists of the loan of certain of the AIA Group’s financial investments in third parties’ securities on a short-term basis. See the section headed “Business — Investments — Securities Lending” in this prospectus for additional information. References to the effects of securities lending in the section headed Financial Information in this prospectus relate to the investment income, investment management expenses and finance costs and nonoperating investment return directly arising from securities lending and their consequent impact on operating profit, operating profit after tax and net profit attributable to shareholders of AIA Group Limited

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“single premiums”	single premium policies of insurance are those that require only a single lump sum payment from the policyholder
“solvency”	the ability of an insurance company to satisfy its policyholder benefits and claims obligations
“solvency margin”	a measure of an insurance company’s solvency
“sq.m.”	square metre
“strategic initiative expenses”	strategic initiative expenses are those operating expenses controlled by the AIA Group’s Strategic Initiatives Office, mainly comprising investment in distribution channel development and operational efficiency
“surrender”	the termination of a life insurance policy or annuity contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract
“surrender charge” or “surrender fee”	the fee charged to a policyholder when a life insurance policy or annuity contract is surrendered for its cash surrender value prior to the end of the surrender charge period
“Takaful”	insurance that is compliant with Islamic principles
“tied agency”, “tied agent”	an agency model which employs sales representatives who sell the products of one company exclusively; a sales representative who sells the products of one company exclusively
“total investment portfolio”	investment portfolio composed of cash and cash equivalents, investment property and financial investments but excluding receivables (consisting of amounts due from insurance and investment contract holders, amounts due from agents, brokers and intermediaries as well as insurance and intercompany receivables, receivables from sales of investments and other receivables)
“total premiums”	life insurance premiums for both in-force insurance policies and insurance policies sold during that year
“total weighted premium income” or “TWPI”	total weighted premium income consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums (which we refer to as weighted single premiums); it provides an indication of the AIA Group’s longer term business volumes as it smoothes the peaks and troughs in single premiums
“underwriting”	the process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk
“universal life”	an insurance product where the customer pays flexible premiums, subject to specified limits, that are accumulated in an account and are credited with an investment return. The customer may vary the death benefit and the contract may

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	permit the customer to withdraw the account balance, typically subject to a surrender charge
“value of new business” or “VONB”	the present value, measured at point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding required capital in excess of regulatory reserves to support this business
“weighted single premium”	10% of single premiums