Mark Tucker, President and Chief Executive Officer:

Good morning and a very warm welcome back to AIA Central. Let me begin by setting out our agenda for today and the areas we intend to cover:

First of all, I will spend a few minutes going through AIA’s progress during the first half of the year to the end of May. As you will have seen from our announcement this morning, the business has performed very strongly. I shall then hand you over to our Chief Financial Officer, Garth Jones to go through the financials in much greater detail.

Garth recently joined AIA after 25 years working in the Asian life industry. He has valuable and broad based experience as a CFO and has worked in both actuarial and operations management roles. He is a very welcome addition to the executive team.

Garth will then take the opportunity to re-introduce our Regional Managing Directors whom you will recognise from the full year results presentation.

As I’m sure you will remember these seasoned and very experienced professionals together with the country chief executives have line management and P&L accountability for all of our 15 operations.

They will describe in more detail how our strategy is being successfully implemented… and provide further granularity on how the actions we have taken have driven the strong results we reported this morning. I will then wrap up with a summary before opening the floor to Questions.

We said at the full year that we have a clear and compelling story to tell about AIA. But before going into detail about AIA and our Results, I wanted to talk briefly about the macro economic context.

Asian economies continue to have substantially stronger fiscal management and significantly lower levels of household and corporate leverage than is the case for Japan, the U.S. or Europe.

This regional dynamic will help sustain the long-term trends that are characteristic of Asian economies and are very important drivers of our business through the ups and downs of the economic cycle.

Given the broad structural issues facing Japan, the U.S. and Europe increased vigilance is needed to manage the region’s economic and financial affairs. And we see many examples of this happening across Asia and our expectation is for this to continue. All these underpin our overall confidence in the dynamics of the region continuing to strongly support our business even more so, when looked at on a relative basis.

Turning from the macro picture to AIA itself, our teams have worked enormously hard to execute the strategic priorities we laid out to you six months ago. Today’s record results, in particular, reflect the quality growth that they have delivered

But this is not where we stop and put our feet up. We want to continue to capitalise on the incredible opportunities that we can derive from our unique Asian footprint. This will allow us to continue to deliver quality growth and quality earnings to create additional value for our shareholders.

Let me now take you through some of the details of our first half performance.

During the first half of 2011, AIA has delivered a strong performance across all its key financial measures. Starting with the key drivers of value creation these are the most important and a clear priority for us.

Value of new business or VONB is up 32% to 399 million dollars which is a record VONB result and builds strongly on the momentum we previously reported in Q1. VONB margin expanded by 2.3
percentage points also exceeding previously reported levels as the businesses focused on driving bottom line growth. Strong operating performance has supported strong balance sheet performance with Embedded Value up 11% to 27.4bn dollars an increase of 2.6 billion dollars over the first six months of the year.

Turning to our IFRS profits of operating profit growth is 8% up for the year. The important underlying growth in operating profit was 13% after adjusting for one-off items in 2010. This, as we’ve said before is in line with TWPI growth. It is worth noting that our operating profit definition unlike some other listed insurers does not include any investment gains.

Net Profit is up 24% compared to last year, at 1.3 billion dollars.

Shareholders’ equity has increased by 1.6 billion dollars over the first 6 months to 21 billion. We show an increase in our solvency ratio of 19 percentage points, mainly reflecting our strong retained earnings over the half and positive mark-to-market movements to the end of May.

Today, we declare our first interim dividend of 11 Hong Kong cents per share. And if conditions remain as expected, the 2011 interim dividend would represent approximately one-third of the 2011 full-year dividend.

As I am sure you will agree, the first half has seen an excellent financial performance from AIA. Let’s look at the new business breakdown.

As you know, VONB growth is driven by both top-line sales and margins, as shown here. The expansion in VONB margin reflects our focus on profitability. And it’s not just about margin across the region our new business premiums were up 23% year-on-year.

The chart on the left hand side with VONB up 32% shows the benefit we receive from broad margin expansion when it is applied to strong new business volume growth.

We will continue to optimise the VONB opportunities available to us at IRRs of 20% plus. You will recognise these 5 key focus areas from our IPO and full year results presentations. Let me summarise the progress we have made on each of these over the first half, the RMDs will go into country details later.

Our objective remains both simple and clear, a relentless focus on shareholder value creation through sustainable profitable growth. Over the past six months, we have made significant progress, on implementing Premier Agency and Profitable Partnerships as a core driver of our future growth; Designing products that meet consumer needs and our target rates of return; Leveraging our brand and improving the customer experience to enhance our share of customers’ minds and wallets; and putting in place the organisational and senior team changes needed to ensure top-quality execution; And we self-financed our growth and declared our first dividend.

Stepping back to all of these, it is important to remember that our transformation on these five key areas is an ongoing journey. While there has already been material progress, we are really just getting started on each of the initiatives you see here.

We said at the end of last year that our key distribution priority in 2011 would be to build the Premier Agency force in Asia. Supported by Bill Lisle, our Chief Distribution Officer the Chief Agency Officers for each local market have been driving performance using a set of clear and consistent key performance indicators.

We saw 42% growth in VONB in agency over the first half. To help you see where the growth has come from and demonstrate its sustainability, we have broken down these KPIs into two areas: active agent growth and active agent productivity.

Our number of active agents is up 9% across the region and productivity per active agent is up 17% year-on-year. For a strategic initiative still in its very early stages, this is a very strong performance. And you can see how activity and productivity have combined to drive the 28% volume growth for the Agency channel and ultimately, with margin expansion, the VONB growth of 42%.
Let me turn quickly to Partnership Distribution. Our focus has been on developing our major regional partnerships and improving the productivity of our existing domestic partnership over the first half of 2011. And in bancassurance, we launched successful regional operations with ANZ and Citibank in a number of new territories and we continue to roll-out new operations.

We have improved existing productivity by re-pricing lower margin legacy products and focusing on regular premium sales. This has driven bancassurance VONB up 18% for the half.

Direct marketing VONB increased over the first half, as our largest direct marketing platform in Korea continued to refocus its business and revamp its products.

We see many opportunities to integrate our activities across both bancassurance and DM. Across both Premier Agency and Partnership channels, we will continue to measure our success in terms of sustainable VONB growth as the lead indicator of future profitable growth for shareholders.

Another core part of our strategy and a major driver of profitability has been our approach to product management. We said at the year-end that in 2011 we would raise VONB margins; proactively manage product mix; and refocus on higher margin categories. During the first half we have done exactly these three things.

In order to show the drivers of the margin change for you we have broken down the increase in the Group’s new business margin on the slide.

First, it’s clear that changes to product profitability have been the most significant drivers of the increase in margins over the first-half. This is from our re-pricing actions, new product launches and changes to product mix. Second, country mix has contributed just under 1%. And finally, we have left the economic assumptions unchanged since the end of last year.

You will recall that we made our assumptions more prudent in the second half of 2010, so the negative number you see here is a result of the half on half comparison. Overall you can see how proactive product and channel management is having a profound impact on our VONB margin. And, just as with Premier Agency, this is an ongoing initiative with much more to come.

Having looked at distribution and products, I want to touch briefly on marketing and customer management. The “protection gap” between what consumers actually need and what they have in terms of protection insurance is enormous and still growing. We estimate it is around US$20 trillion across our markets. That’s an incredible opportunity for us.

Many of you will have seen our latest “Mind the Gap” campaign which we have launched in a number of our markets across the region. This campaign has been coordinated across all our countries to build on our protection focus and leverage our footprint and scale. It is designed to support multi-channel distribution.

In parallel, we are also investing heavily in improving the existing customer experience and deepening customer relationships still further. In the first half, we launched a Customer Experience Transformation programme, piloting first in HK and China, and then to be rolled out progressively across the majority of our markets. The programme evaluates the 40 million interactions customers have with AIA each year and allows us to focus on improving the critical contact points that make the most important difference to the success of the relationship.

By improving the experience our customers have with us, customer advocacy and referrals will increase over the long term and we will maintain the market-leading persistency of our in-force book.

Finally and as we have demonstrated today our priority for deploying our cash flow will continue to be new business growth with a clear focus on achieving attractive returns whilst maintaining our financial strength.

With that said, we also recognise that paying a dividend is important to our shareholders.
From this half on and under normal circumstances, we intend to pay a prudent, sustainable and progressive dividend out of our cash flow.

To this end, our Board of Directors has approved the payment of an interim dividend in the amount of 11 Hong Kong cents per share.

Before I hand you over to Garth to go through the financials in more detail, I would just like to summarise the first half delivery.

Even though we are at an early stage of development, the actions we are taking on our strategic priorities are positively influencing the performance of the business. We have demonstrated real progress over a short period of time and we can continue to focus on delivering quality growth and quality earnings for our shareholders.

I hope you can also see that, underlying the strong first half figures we have reported, the foundations for future value creation are in place and delivering well.

I shall come back to cover our second half priorities after Garth and the RMDs have spoken. In the meantime, let me hand over to Garth.

Garth Jones, Group Chief Financial Officer:

Thanks Mark. Good morning everyone. I am very excited about the opportunity to be a part of the AIA team. I have been competing against AIA for many years and know what incredible potential this business has. Let me now take you through our interim results for the first half of 2011.

This morning I will present our results in three interrelated parts, value creation, IFRS results, and then capital and dividends.

Let me start with VONB, our most important measure of value creation. As you have just heard from Mark, AIA achieved a set of record VONB results in the first half of 2011 through a combination of higher margin and higher sales volume. Before I go into more detail in the next few slides, it should be noted that the VONB numbers here are shown on a net of tax basis after deducting 53 million dollars for ICO capital and corporate expenses.

Looking first at our higher sales volume, ANP exceeded the $1 billion mark in the first half of 2011, on the back of our strongest ever first and second quarters, both of which were above half a billion dollars.

First half ANP grew 23% over the first half 2010, with sales momentum accelerating in the second quarter by 29% over the comparable period in 2010.

If you recall, the second quarter of 2010 was somewhat disrupted by Prudential’s approach in March and subsequent events. We have also benefited from favourable Forex movements.

The increased pace of sales growth is only part of the story. It is relatively easy to achieve sales growth without applying rigorous pricing discipline; however during the first half of 2011 we have not only grown sales volumes but at the same time improved margins. This is demonstrated by the growth rate of VONB at 32% significantly exceeding that of ANP at 23%.

This chart shows that we have been consistently improving VONB margin. The margin expansion of 2.3 percentage points achieved over the first half was a result of enhancing product mix and withdrawing or re-pricing lower margin products.

During the second quarter of 2011 VONB margin expanded 3.1 percentage points over the same period last year to 36.7%. Having said this, it is important to recognize that we manage the business on a year to year basis, not quarter to quarter.

This chart shows that consistently every quarter, we have continued to grow VONB compared with the same quarter during the previous year. In the second quarter of 2011 VONB grew 43% over the same period last year to $217million.
As well as absolute VONB growth, it is also important to take into account the high return on capital expected from our new business. Our IRR was in excess of 20%, even after allowing for group office expenses and the relatively high Hong Kong reserving and capital requirements.

As a reminder, we announced last year a new and very large group insurance policy in Australia which will have ANP of around US$ 160 million in the second half, a margin lower than the group average but an IRR above 20%.

The first half 2011 VONB growth was both strong and broad based as shown in the chart on the left, with a particularly impressive performance in our largest markets. With Hong Kong up 27%, Thailand up 51%, Singapore up 59% and China, now our fourth largest market, up 47%.

The chart on the right shows that at the same time margins expanded, with the margin expansion also being broad based. Gordon, Keng Hooi and Phong will go through each of the largest businesses in more detail; however it is worth noting that margins in China and Thailand improved 8 percentage points, while in Singapore they were up 6 percentage points. Higher projected tax as a result of remittances being earlier than expected reduced margins from Indonesia. Momentum continued to build steadily during the half year, with sales volumes, VONB growth and margin improvements all higher.

Let me now turn to Embedded Value, which reached $27.4 billion as at 31 May 2011, representing growth of 11% over the first 6 months of the year.

First half 2011 EV operating profit grew 25% over the same period last year to $1.5 billion. This strong operating EV growth was made up of the increased return on the opening EV, a higher VONB of $399 million and positive experience variances of $78 million.

The total EV growth includes $541 million of favourable investment return variances and $590 million of foreign exchange and other movements. Economic assumptions are unchanged from those used at year end 2010. We regularly have an independent actuarial firm assess our EV assumptions against industry practice. We can confirm that these remain prudent by comparison.

The risk premium between our average portfolio risk discount rate and risk free rate is over 500 basis points. It is worth noting that our EV is shown after ICO reserving and capital requirements. This is equivalent to adding a further 200 basis points on top of this risk premium.

A key element of AIA’s value equation is the value of the profits which will be generated by our in-force book or VIF, which is expected to provide cash for many years to come. Our VIF grew strongly by 10% or $1.6 billion over the first 6 months of 2011, from $15.2 billion to $16.8 billion even after transferring $1.1 billion to free surplus.

The profile of the projected cash flows underpinning the VIF is very attractive, with over $10 billion expected to turn into cash within the next five years on an undiscounted basis. The internally generated cash from our in-force business puts AIA in a highly advantaged position as a self-financing growth stock.

We are maintaining and optimising the value and cash flows emerging from our in-force book through careful management, including disciplined ALM, active management of persistency and tight control of expenses as you will see on the next slide.

At our full year results presentation we explained our focus on reducing our acquisition expense overrun position. This has taken effect, with our acquisition expense overrun falling by two-thirds from $60m in the first half of 2010 to $20m for the first half of 2011.

In addition, as you heard from Mark, persistency is a critical driver of value and cash flow. Our persistency has been maintained at a high level and has steadily improved since late 2009 to reach a level during May 2011 of an excellent 94.5%.

I hope you agree that our embedded value results in the first half were very strong. Now let’s turn our attention to the IFRS results.
Total weighted premium income, or TWPI, grew by 12% in the first half compared with last year to $6.8 billion. As you will recall, TWPI tends to lag the growth in new business premium due to our large in-force block of regular premium business which generates substantial renewal premiums and forms the majority of TWPI.

Operating profit before tax over the first half of the year grew by 7% to over $1.2 billion. For the first half of 2010 various one off adjustments were made to the underlying operating profit, including the release of a provision no longer required. Growth in underlying Operating profit before tax was 13%.

Operating margin, which is Operating Profit Before Tax divided by TWPI, was 17.9% for the first half. I have two points to note here that should assist your operating profit forecasting. One point to note is that Operating Margin tends to be higher in the first half because although Operating Profits are realised evenly over the whole year, TWPI is seasonally higher in the second half.

A further point to note is that for 2008, 2009 and 2010 Operating Margin was relatively stable or increasing slightly, a result of Operating Profit before tax being broadly proportional to TWPI. This reflects our IFRS accounting approach which is similar to US GAAP, whereby profits on traditional business accrue as premiums are recognised.

Investment income increased 14% to close to $2.0 billion. The investment yield and investment return continue to be strong at an annualised 5.0% and 6.5% respectively. The investment mix compared with end year 2010 remained stable with fixed income representing 84% of the non-ILP portfolio and equities 11%.

From the 11% held in equities, only 7% will fully impact net profits when their market value changes, while for the other 4% that is held in par funds only around 10% of the change will flow through to net profits. The average credit quality of the portfolio is unchanged and remains strong. Further details are included in the Preliminary Announcement.

Net profit in the first half of 2011 was up by 24% to $1.3 billion compared with 2010. An increase in non-operating investment return from $265 million to $462 million was driven by strong equity returns.

Let me now turn to capital and dividends.

Our total available regulatory capital, as measured under the ICO basis, increased 12% over the half year to almost $7 billion, raising our solvency ratio to 356%. The credit rating by S&P on AIA Co remains AA-.

Our strong capital position is viewed as an important advantage. It clearly demonstrates not only our financial strength, but also our ability to continue to write increasing volumes of profitable new business and invest in future growth.

During the first half of 2011 our net cash generation was over $800 million and free surplus generated was $1.4 billion, of which $1.1 billion was contributed by transfers from the in-force book into net worth and the remaining $300 million came mainly from mark to market gains.

From this we invested $515 million of free surplus into profitable new business that is expected to generate an IRR exceeding 20%. Our strong free surplus generation is a distinguishing feature of AIA and will enable us to grow with confidence.

As Mark said earlier our Board has approved the first dividend of the AIA Group, which is an interim dividend for the first half of 2011, of 11 Hong Kong cents per share. We believe that this is a prudent, sustainable and progressive dividend that enables our growth and capital strength objectives to be met.

The ex-dividend date is 11th August and the dividend will be paid on 2nd September. The payment of a full year dividend will be considered by the Board in early 2012.

So returning to our summary slide, I am sure you will agree that the first-half has seen a very strong performance for AIA across all key measures and that all the countries have worked very hard to deliver an excellent set of results. We remain confident going into the second half of the year.
I shall now hand over to the first of our Regional Managing Directors, Gordon Watson, who will share with you how the countries have achieved these strong results. Gordon.

**Gordon Watson, Regional Managing Director:**

Thank you Garth and Good Morning everyone. It's great to see you again. Let me start by reiterating a few things I said in February.

Firstly, I believe AIA is really well positioned, with an unrivalled existing client base, both in size and scope, from which we are accelerating profitable growth.

Secondly, we have continued to empower management teams across our group and country offices.

And thirdly, as RMDs Phong, Keng Hooi, and myself, we have 3 clear and simple priorities: firstly, manage relentlessly to create bottom line value; two, to introduce innovation with consumer focused products and services; and three, build “THE Premier Agency force in Asia”, maximizing the number of quality active agents, not just the number of agents.

On all of these, we are executing hard as you will see now in our country results. Today we are going to focus on updating you on our 6 largest operations. With that, here are the key first half highlights for 2011 across my markets. Let’s start with Hong Kong.

As our home market, and our largest, Hong Kong, led by Jacky Chan, has gained momentum from a very strong 2010 into 2011. VONB was up 27% year on year. And ANP volumes are up 35% over prior year.

The majority of this performance was Agency driven and AIA Hong Kong made significant inroads towards building the Premier Agency proposition.

As we have said, Premier Agency is about more productive active agents and in this regard our productivity rate has increased by 20% versus first half 2010. Very importantly, the number of active agents in Hong Kong has increased by 9% through quality recruitment.

We have also reactivated previously inactive agents, that are now producing 5 times their production over prior year. I think you know AIA Hong Kong is already ranked 7th in the World for the number of MDRT members, and the run-rate of eligible qualifiers during the first half of 2011 has exceeded the same period last year.

And you may recall that last time I cited AIA Singapore as a best practice for Group Insurance. We have transferred this best practice to AIA Hong Kong, and I am happy to say that the number of agents selling Group Insurance products is up 74% from the prior year.

Overall margin did decrease slightly versus first half 2010. Stronger demand for investment linked products, stemming from good equity market performance through the first quarter contributed to this. Our strategy this half has been to grow both ILP and Protection to maximize value creation resulting in the 27% growth in VONB and 35% in ANP I previously mentioned.

Second quarter was particularly strong with the margin up 2 percentage points versus same period last year and 5 percentage points versus first quarter 2011.

Sustaining this momentum through the second half is our goal. As Mark mentioned, we are leading the debate on engaging customers on the Asian Protection Gap and we have just launched our “Protection Gap” campaign.

As you can see, this is a fully fledged marketing campaign with teeth. Coordinated marketing efforts, product launches, distribution campaigns, all enable us to be known as the leading Protection Company in Hong Kong. Giving our clients the advice and protection they would expect of “Hong Kong’s most trusted insurance brand”.

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Clearly we have made some great progress in Hong Kong in the first half and are looking forward to a strong second half performance. So we move on to Korea.

In Korea we are setting strong foundations for growth. We have a new management team in place with Dan Costello as the CEO. Similar to Hong Kong, the team in Korea are also fully focused on: value creation, consumer innovation and Premier Agency.

VONB is up 8% over first half 2010; ANP is up 2%; and VONB margin is up 1 percentage point.

Premier Agency is beginning to take root. Agency productivity is up 22% in 2nd quarter over prior 2nd quarter. New recruit activity is one of the highest among the group with our enhanced selection and training criteria. Also the A&H sales are up 240% in the 2nd quarter through a smart reactivation program and sharp focus on protection. And the run-rate of eligible MDRT qualifiers during the first half of 2011 has exceeded the same period last year.

We are also continuing innovative partnership in Martassurance with Tesco, known locally as Home Plus and are seeing real signs of early success. Again similar to Hong Kong, through our integrated “Protection Gap” marketing program we are: shifting product mix through, compensation realignment, new product launches, continued re-pricing and withdrawal of less profitable products. We continue to maximize AIA Korea’s name focusing on proactively claiming the space of “The leading Protection company in Korea”

In addition to these results, we took very deliberate action to refocus the business in Korea. Through staff reduction and improvements in operational efficiency we have reduced Korea’s expense overrun by more than a third compared to the same period last year. Each of the actions we are taking in Korea are at an early stage with the new management team, but Korea has been getting a lot of my personal attention and will continue to do so over the second half to ensure we deliver solid results.

In closing, we are very excited about where we are with AIA and there is a lot more to come. Thank you.

I’d like to introduce you to my friend and colleague Keng-Hooi to update you on the next of the big 6 Markets.

Ng Keng Hooi, Regional Managing Director:

Thank you Gordon and Good morning everyone. I would like to focus on my two largest markets, Thailand and China. I am pleased to be able to say that both countries have delivered an excellent performance in the first half of the year. Let me begin with Thailand.

Thailand is one of AIA’s largest operations, a market where we have 4.7 million customers owning 7.1 million policies. VONB for AIA Thailand increased by an impressive 51% to US$101 million over the first half.

Our leadership position in Thailand is built on a number of strengths. Our large and powerful agency force, experienced in selling protection products, is our key competitive advantage. Building on this core strength we have launched new Premier Agency initiatives in Thailand.

Our training programmes have boosted active agent productivity by 20%. These initiatives helped AIA Thailand’s Agency sales to grow by 23% in the first-half of 2011. Sales are only part of the story. Thailand’s significant margin uplift has also been driven by product re-pricing, elimination of low margin products and further sales of protection products.

VONB margin increased by 8 percentage points to 45%. To help the people of Thailand bridge their Protection Gap, we have plans to launch more protection products in the second half of the year. We will also continue our Premier Agency initiatives to boost the activity levels and productivity of our agents and to leverage the significant competitive advantages we have.

Turning now to China. AIA China has grown VONB by 47% compared to last year. China is now AIA’s fourth largest market in terms of VONB. As you can clearly see, our China business has not been impacted by the industry-wide issues affecting our competitors. The key drivers of our growth are based
on a two-pronged strategy of intensive training of one, our agents as part of Premier Agency and two, a strong focus on Protection Product sales to meet consumer needs

Our first approach was to focus resources on implementing intensive programmes to train and motivate our agents; not just in a few cities but in every territory that we operate in. This increased the number of active agents by 38%.

Our second approach was to address the Protection Gap. The Protection Gap in China is immense - driven by a huge market with a rapidly growing middle class. We are very proud of our Award-winning “All In One” comprehensive protection product. This product is targeted at middle-income customers and has helped create demand and lifted margins materially.

VONB margin increased by 8 percentage points to 41%. The combination of increased activity of our agents, together with new product launches promoting protection products within the mix has transformed the performance in the first half of the year and generated the 47% VONB growth.

Going forward, we will continue our twin track strategy of intensive agent training to meet Premier Agency goals while also supporting them with a range of products to meet the significant protection needs of our customers in China.

Our 100% ownership structure and geographical presence in all four of the largest Chinese insurance markets means that China offers us significant upside growth potential, as demonstrated by the strong results in the first half of 2011.

Finally, I am very pleased with the excellent performance both countries have delivered in the first half of the year and this gives us a strong platform for second half growth. I would now like to introduce you to Phong who will complete the review of our Big 6.

Huynh Thanh Phong, Regional Managing Director:

Thank you Keng Hooi and good morning everyone. Now I will now cover the markets of Malaysia and Singapore.

In Malaysia, we have around 8,000 agents, a sizeable agency force which we are training and motivating further to enhance their productivity. Following the success of the Generation Next programme, we commenced to launch the foundation of our Premier Agency strategy this year. We have worked hard to remove the unproductive segment of the agency force and have increased the productivity of the remaining agents to grow VONB by 16% this year.

Since the majority of this VONB growth was in the second quarter, we see this as a build up of momentum as Premier Agency takes firmer roots within the agency force in the second half of this year. Another significant achievement of AIA Malaysia is the persistency of its in force portfolio. Statistics published by Bank Negara, show AIA’s lapse rate measured over the first 3 policy years is only 10% while the industry average is approximately 30%. This is an indicator of a very high quality book of business producing a strong operating profit stream.

Mark mentioned earlier about the protection gap across the region. In Malaysia, there is also a significant gap that we can help our customers fill. In 2011, we continue the shift to higher protection and higher margin Unit Linked policies. Unit Linked insurance now accounts for more than a third of our VONB.

Moving on to our Takaful JV with Alliance Bank in Malaysia that was launched at the beginning of this year, we are focused on building a strong operation to allow us to take full advantage of the growing and significant Takaful opportunity in the region.

Malaysia is one of AIA’s largest markets, a market where we began our operation 63 years ago. Today, we remain as confident as ever that we are very well positioned to meet the changing and growing customer needs of the Malaysian people.
Now let me share with you AIA Singapore’s tremendous achievements in the first half of this year. VONB has increased by 59% and ANP volumes are up by 46%. Similar to other markets, Singapore has a significant protection gap. The Life Insurance Association of Singapore has recently quantified this Gap to be over 430 billion US dollars.

We introduced products with strong protection benefits such as Solitaire PA and Health Shield Gold Max. These innovative products help our agents and bank partners to address our customers’ protection gap. Margins increased by 6 percentage points. Last week, AIA Singapore also launched a next generation ILP, Family First, championing protection for our customers.

AIA Singapore celebrates its 80th Anniversary this year. It is a country where we have a market leading agency force of more than 3,500 agents. These are impressive results and have been driven by the time and resources we have invested strengthening the foundation of our Premier Agency strategy. By significantly increasing agent productivity, AIA Singapore has reclaimed the Number 1 agency position in the first quarter and we are on track to double our MDRT qualifiers this year compared to 2010.

We have also made significant progress in bancassurance. Our bancassurance VONB in Singapore increased by more than 500% in the first 6 months and ANP improved by more than 200%. This was achieved without any new bank relationships but, as we said at the start of the year, by increasing the profitability and productivity of our existing agreements. On Group Insurance, AIA remains one of the top providers in Singapore. Around 40% of our agents have sold at least one group insurance policy to their customers in the first half of this year.

I hope you agree that all of our big 6 countries delivered quality growth in the first half of this year and have build strong momentum going into the second half. Now let me hand you back to Mark.

Mark Tucker, President and Chief Executive Officer:

Thanks Phong. We have spent a lot of time going over the progress we have made in the first half. Let me close by summarizing our priorities for the second half.

In Distribution, we are very focused on rolling out our progressive Premier Agency strategy right across the Company. We are early in this transformation journey and have much still to do. We will also continue to generate additional value from our existing Partnership distribution while looking to engage new profitable partners to expand our distribution platforms.

In Product, we are working to strengthen our protection proposition in every market and to enhance VONB margins through proactive management of margin and mix. As with distribution, we have just started this journey.

With respect to Customers, we recently launched a regional programme to help transform the customer experience in our key markets, while each local operation improves its management of existing customers. Both these initiatives will gather momentum in the second half.

On Organisation, with the regional leadership team now fully in place, we are shifting focus to capability enhancement in our countries and functions. As we do so we will continue to seek operational efficiencies at the centre that empower our line managers.

On the Financial side, we will maintain a highly disciplined approach to managing our performance, capital and risk. We will preserve and protect our financial strength as we grow, while paying a prudent, sustainable and progressive dividend to shareholders.

Building on our momentum the relentless execution of these priorities will remain our focus throughout the second half of 2011 and onwards.

I would like to finish by reminding you of the six key messages we left you with at the end of the full year.

First, AIA is in the right region at the right time. This is a key differentiator for us. Asia’s structural growth drivers make our markets the most exciting and highest potential part of the world in which to do business as a life company.
Second, AIA has a unique and advantaged franchise. We are the only independent listed life company with 100% exposure to Asia, we are diversified with significant scale across the region; our 100% ownership in 14 markets allows us to capture the full economics for our shareholders. We are the only 100% Asian, 100% retail financial services pure play.

Third, we have a self-funding growth model. We have the back book cash flow and the capital strength to self-fund our growth.

Fourth, our senior management team has extensive experience in Asia and an enviable performance record. We are all fully aligned on what we need to do.

Fifth, very importantly, as you have heard this morning we have many, many opportunities to deliver sustained profitable growth.

Sixth, and lastly, AIA’s growth momentum has continued as you have seen from these results, we have made real progress and we believe that there is much much more to come.

Each of these six points is a critical success driver in its own right. Taken together, we believe that they combine to make AIA a unique and highly investible proposition. That concludes our formal Presentation. We kept the number of slides to under 50 this time which has left you plenty of time for Q&A. Just to give your name and employee and start the question and let’s open up to questions.

Q&A

Q - Darwin Lam:

This is Darwin. I am from Citi Group. This is a very strong set of results, so congratulations. Two quick questions: first, could you give us a little bit more colour on why the VONB margin in Hong Kong declined whereas in most other markets it is up. And, secondly how many active agents do you have and how do you define active agents? Thanks.

A - Mark Tucker:

I think we can pass on to Gordon for the VONB markets in Hong Kong.

A - Gordon Watson:

Thanks for the question. In Hong Kong the main reason I mentioned was the strong demand for investment products in the first half. We are focused on both the margin expansion and volume expansion, and as you can see our VONB result, we were up 27% which I think is pretty good. Also in the second quarter, you can see we’re up two percentage points over the second quarter last year. But I would state that something that is very important, when we started in the fourth quarter last year our margin was 37.5% and we are now over 50, we are 52%, so I think definitely the trend is growing in the correct direction. But it is all about managing the product mix and the volume and that is the reason why. Thank you.

A - Mark Tucker:

I will just do the second part of the question. In terms of active agents, Phong do you want to just talk about active agents?

A - Huynh Thanh Phong:

In terms of managing the number of active agents, this is the key number that we manage and as Gordon mentioned in his speech, we do not, it is not about growing the number of agents per sale, but the number of agents that actually sell a policy every month. And the number that we measure and manage actively is the number of agents that sell a life policy, that create the level of income that they need to become a full-time, and give us a chance to develop them into a premier agent, a true premier agent. So that’s how we, in terms of the number agents I do not think that we disclose.
A - Mark Tucker:

We haven’t disclosed and we have no intention to at this point. Bill, is there anything else you want to say about the agency side, the active agents and what we are doing on some of the Premier Agency?

A - Bill Lisle:

I think, as my colleagues have said the key focus is on quality agents and increase in their productivity and activity, so there are a number of initiatives across the region. And again just to emphasize, it’s still at a very early stage but when you have 17% increase in productivity and a 9% increase on activity ratio, our active agents that has a multiplier effect when you are focusing on protection. So Premier Agency is about building a sustainable, predictable, profitable channel, and that’s where we are heading. And just to give one other key measure, it is also about recruiting better quality agents. To give you some highlights, if you look around one or two of our businesses, for example Singapore, they’ve increased their new agent activity ratio by 38%, Korea 32% and China 29%. What that tells us is the quality of our agents that we are recruiting will continue to drive that sustainable, predictable, profitable growth.

Q - Peter O’Brien:

Thank you. Peter O’Brien from Standard Chartered. Just one question, given the high level of expected future cash flows from your in force business, can we expect any initiatives over the next year to change the capital structure from virtually pure equity to having some debt capital which presumably could increase the return on equity.

A - Mark Tucker:

I think it is certainly something that we look at. I think at this point, Peter, our main focus is on the “R” rather than the “E”. we are focusing on building and maximising the return. I think there’re capabilities for us to do things on the “E” side and certainly with the fact that we have zero debt in the point in time. But there is no immediate plan for that and it is something that we are looking at and will continue to look at, and I think with these marketplaces we have enormous flexibility.

Q - Arjan van Veen:

Arjan van Veen, Credit Suisse. Two questions if I may. Firstly just following up on the agency productivity; it sounds from the commentary that you have had a lot of success reactivating dormant agents, so I was just curious as to how far through the process are you and ideally where you would like to be in terms of the agency and how far through you are. The second question is on Garth’s slide 18 around the margin by quarter and just the seasonality there, the second half was a bit weaker than the first half so I just wondered whether there is seasonality going forward or given the product mix changes whether that should be less going forward.

A - Mark Tucker:

Bill are you happy to talk about sort of the how we are with dormant agents across the group, I think we can get Gordon to talk about Hong Kong, but just on a wider basis first.

A - Gordon Watson:

Yeah maybe in Hong Kong. What we do is every quarter we take the bottom 5% of agents and we either manage them up or we manage them out. So the ones that we have managed up very successfully and they have produced five times the amount that they produced last year, and those that cannot be managed up are not premier agents and don’t have the capacity to become premier agents, so they would be better in another industry, and that’s what we do.

A - Bill Lisle:

I don’t think there is much more to that (laughter). Again you know this is a strategy that we put in across each and every one of our markets and it is about making sure that, while we are focusing on building a premier agency, we are also focusing on our bottom 5-10%, to either reactivate them to be part of that
journey or to take them out. So there is a rigorous focus on the maintenance on contracts for our inactive agents. But at the same time we are giving them very robust training to give the opportunity to reactivate.

A - Mark Tucker:

I can handle the second part of your question in terms of the seasonality of mix because of the expansion across the region you won’t see necessarily the seasonality there. I think it is individual countries as we look to build the portfolios and adjust the portfolios and the geographical mix together, there isn’t a seasonality effect that you would expect. Volumes you see seasonality because of targets, but you don’t see that in terms of margins.

Q - Tracy Yu:

Tracy Yu from Deutsche Bank. I have a follow up question on the new business margin. It seems that now the only market that has a bit of margin compression is Hong Kong. That is already recovering, and all other markets are actually having increase in “net interest” [new business] margins, so my question is how much more scope do you see the new business margin can increase and which markets will actually benefit more from that development. Apart from that, AIA had a very impressive increase in solvency margin, now it is over 350%, and what is the required solvency margin for the business in Asia? Thank you.

A - Mark Tucker:

I will get Garth to talk about the required solvency margin for Asia. In terms of new business margin, how much scope and which markets, you are not going to like this answer; there is a normal scope in all markets. I think anything else is giving forecasts. I think we look, and you have heard from the guys individually, in each market and each country that we go into we have defected down, we are looking at product, we are looking at distribution and enormous debt and we think the important thing to think about with AIA is that we are at the beginning of the journey. This is really very early and there are strategic initiatives where we are six months into. I think that if you think that these guys weren’t sitting here and six months ago hadn’t joined the company. I think that what we have done, or at least what these guys have done in six months, we are very optimistic about what we can do in the coming years. Garth, do you want to talk about solvency?

A - Garth Jones:

Yeah in terms of the solvency, obviously our solvency remains very strong. We’ve given a commitment that we will maintain our regulatory solvency above 150%, we’ve seen that before. We obviously internally have targets for solvency, but our focus is on profitable growth and employing that capital to grow the business. I think the first half you’ve seen strong growth in the business, you’ve seen we’ve used the capital well, getting our IRRs above 20%. So our main priority is to employ the capital in growing the business organically. Having said that these are volatile times and obviously we want to remain very strong. We want our customers, our agents, our staff all to be very confident that AIA will still be around and we want to have enough capital to withstand that volatility. I think thirdly we have mentioned potential bolt-on acquisitions, opportunistic acquisitions and we have the capital flexibility to do that if it comes about. And lastly we pay dividends, we pay cash for dividends. The main focus will remain growing the business organically and using the capital wisely.

Q - Mancy Sun:

Hi this is Mancy Sun from Goldman Sachs. Mark, first my congratulations to the management on a strong set of results. And I have two questions. First is that Mark you mentioned that the company will focus in the second quarter and maybe in the longer term, that they are looking to engage more in new partnerships. Would you give us more colours on that? i.e. in what channel and in what markets that we are going to see the biggest opportunities coming from. And my second question is regarding MDRT agents, would you give us comments, similarly as last time, on how much these are organic growth and much of these are form new hires. Thanks.
A - Mark Tucker:

I think Bill you can certainly take the first part of that about partnerships. My sense, and I will get the guys to double check, but in terms of the second part of the question, the significant large majority, if not all of it is organic and hasn’t been ‘acquired’ [acquired]. Bill says 99.9%, so I am 0.1% out I apologize. So about partnerships.

A - Bill Lisle:

Partnerships, I think we have been very consistent since February. Our focus on partnership is very specific, it is about profitable partnerships focusing on protection products and we are very pleased with the growth this year with some of our regional partners, Citi and ANZ and we will continue to look for those opportunities as and when, whether they be regional relationships or local country relationships, but it will be focused on profitable growth.

Q - Ben Lin:

Ben Lin from Morgan Stanley. Two questions: the first one is - I was particularly impressed with your growth in China. Particularly given that some of the domestic players are suggesting that the environment in first half is very difficult in terms of new business growth, now can you just throw some colour in terms of your key success factor there? What I am particularly interested in is have you seen evidence that you are retaking market share in some of the branches that you are in? And secondly is, within the numbers in the first half whether there was any contribution from the agreement you had with ICBC? My Second question relates to Slide 10.

A - Mark Tucker:

That was two questions. (Laughter)

Q - Ben Lin:

Ok that was the second part of the China question. My second unrelated question to China is you have shown changes in the margin, I would like to know what are the assumption changes that lead to a decrease in the margin. Thanks.

A - Mark Tucker:

Ok, Keng Hooi can you talk about China and our bancassurance relationships there.

A - Ng Keng Hooi:

I think basically what we have done in the first half is to spend a lot of time on training, motivating the agents. It is all going back to the basic. It’s going back to basic, it is about hard work. Agents sometimes, you know, after a while they think that they have a magic formula to better an all that, but it is about going back to the basic. So we spent a lot of time just creating a new culture and I think in China now, in most of our branches the agents will come early in the morning and there is a machine where you use a thumb print to tell whether you have attended, you know, and come to the office or not, so it is all basically back to the basic and all that. And that has worked I think it has motivated a lot of our agents to go out and do better.

I think on the second part, the bancassurance side is still very small. You can see that we have done very well on the agency side, 38% increase in the number of active agents and we see huge opportunity on the agency side. Bancassurance is still relatively small for our business in China. Any business that we get from bancassurance is a bonus and is an increment on whatever we are doing there.

A - Mark Tucker:

Yeah I think specifically with the ICBC, BOC, Construction Bank, BOCOM, we have relationships with all of them. I think the percentage increases are significant as Keng Hooi has said the absolute amount will
take time to grow. I think with ICBC we only signed this time last year, we only began this year. We've increased the number of branches significantly and we hope over time it will become material, but we are very early in that process. The second part is to Garth to talk about slide 10 and margin.

A - Garth Jones:

I think the change, if I start off by saying that the first half of this year, economic assumptions were unchanged and you’ll see in the EV Report there was no impact from either operating or economic assumption changes, so all of this relates to the second half of last year essentially. There is a table that shows that some of the economic assumptions have changed as a result of last year, I think that was explained in the full year results, but generally reflected lower interest rates.

A - Mark Tucker:

I think it is worth reiterating at this point, just in terms of the assumptions, I think as Garth noted in his speech, we did a review and we do a review every year with independent actuaries of our assumptions against the Asian market places. The independent consultants again came and said that we are more prudent and we certainly are more prudent than most of our competitors. They see the details that none of us have any access to, they can make those comments on an educated basis where the rest of us are effectively just guessing, because most of the information is not public. But I think they have come back and they have given us assurance that we are prudent amongst our competitors in terms of assumptions.

Q - Scott Russell:

Morning all, Scott Russell from Macquarie here. I have got two questions please. Six months ago, one of the strategic focuses was on the next generation of investment linked products. We have heard a lot about the new focus being on the protection gap, so I would just like to understand whether the unit-linked product focus is still indeed a focus for the company and looking backwards what happened to the relatively low margins that you were getting out of that.

A - Mark Tucker:

Ok I think I am happy to do so. I think that Phong probably is in the best situation because the generation of these products and the generation takes time. We launched the first major product last week and we have a significant roll-out over the coming months, but I think Phong just talk about Singapore particularly.

A - Huynh Thanh Phong:

As we say in the first quarter and in the full-year results last year the strategy for us is launching the next generation ILP. Number one because this addresses the protection gap we tried to help our customer and number two, like you say this is a protection side product and we have better margin for the company, so it will meet the customers' needs and help our agency force and deliver the profitability for the company. So in that strategy, we worked hard in the first half in Singapore to make sure that we come up with the right proposition for the customer, and we’ve launched as we mentioned earlier Family First just last week in Singapore. That was very well received by two of the customer focuses, group as well as the agency force so far. So this is the very first step in the region and if you look at the protection element of this, it is probably about five or six times the level of the old ILP in terms of protection versus investment, so that is our strategy and Singapore is only first country to do so. We are about to launch in Indonesia a similar Next Generation product and in my country in Vietnam we would be following that, and I believe in Thailand and China we will also be about to launch these Next Generation products.

Q - Scott Russell:

So did the margins go up? They were 10-15% last year.
A - Mark Tucker:

Significantly. I mean we are launching it because the margins will go up significantly and that is the main purpose. As Phong said the protection basis is that it is five or six times the previous level and therefore the margins will move up almost proportionately.

Q - Scott Russell:

If you don’t mind, just one other quick question. On area of the headline impact that is hard to forecast is on operating items. The equity gains in there were a factor this time around, can you just give us some indication of where the equities are currently invested in and what the strategy is for their allocation, and I mean geographically?

A - Mark Tucker:

I think actually John can you give a sense of that.

A - John Chu:

The portfolio is actually quite diversified, but it is actually linked very closely to the market where we have the liabilities. So in Thailand we use the Thai market to hedge the Thai liability; Malaysia, the same thing.

Q - Stephen Andrews:

Thanks, it is Stephen Andrews from UBS. Can I just come back to the capital question because six months ago we were talking about laying out a capital plan at entrance stage and you have given us the dividends today in terms of a third payout ratio, but your new business strain is only annualizing at about a billion a year so my maths would suggest that is almost impossible for you to use the capital you were generating organically, including some debt issuance on top of it. Is that true? And if so, why are you so reluctant to talk about a more solid capital plan over the next 12, 18 months. And then my second part of my question is that you seem much more willing today to talk about bolt-on acquisitions than you did six months ago. Does that fill the hole in my spreadsheet in terms of what you might be doing in terms of surplus capital? And if that is the case are we looking at market extension or are we looking at something that will be in your existing footprint?

A - Mark Tucker:

Let me answer the second question first. There’s no indication in a step up of us doing bolt-ons or any M&A. It is entirely opportunistic and will be entirely disciplined on the basis of value-added. Our focus is 99% on organic, if there are opportunities then we have the capability to do it, but it is not our focus and not where we spend our energy or time. So there has been no change in our stance at all and no signals that we are trying to give. If you look at the number of times we mentioned it last time and the number of times we mentioned it this time, it is exactly the same. We look at the detail of that so we are not giving any other messages.

In terms of capital plan, again what we focused on, I think as Garth has set out, we are just early in the journey and I think that there is significantly more opportunities for profitable growth. As I say these guys have been on board between 3 and 6 months and therefore it is early in their journey. We are getting to understand the businesses in significantly greater depth; we have got a number of new Chief Executives in place across the region, until we get to a position where we are entirely comfortable about it we won’t spell out the plan in any more depth. We will look at fundamentally new business growth. As Garth said given the volatility at the moment having a very strong capital base is a significant advantage for all our stakeholders. I won’t mention the third subject again, the M&A side and the bolt-ons and fourth clearly the dividend. So we have to look at it as a package and we have to come back and continue to refine this over time, but at this point in time we want to give ourselves some flexibility, and if we can we will use as much as we can to invest in new profitable business growth. That remains absolutely the priority.
Q - Francis Chan:

Hi Mark, this is Francis Chan from MF Global. Just on question. What are your competitors doing in the face of your very good success in terms of the product renovation and the rejuvenation of your agency force such as such? And can you give a comment, without naming any of them like how they are doing differently from AIA Group, especially in the markets where AIA has a leadership position, like Hong Kong, Singapore and Thailand? And how do you see AIA Group sit in the future competitive landscape in those markets? Thank you.

A - Mark Tucker:

Francis, again you are not going to be happy with this answer, so let me preface this by that. What the competitors do is what they'll do; we don't pay attention to any significant way. We know what this company is capable of doing, we know the potential in AIA and each of the individual market places that these guys work in we know in depth, and therefore we can do the things that we can control, we can do the things that we understand and have experienced. I think you will genuinely have to talk to our competitors about what they are doing. We are concentrating on leadership in these market places and that is really where our energy is.

Is the landscape changing considerably in any of those market places? My sense is no. I don't know if any of you guys feel there are any material changes to landscape of any of the market places you operate in. So I don’t think there are any material changes whether in product or distribution or necessarily in competitive behavior.

Is that the last question?

Q - Tracy Yu:

Mark, thank you very much for giving me the chance for the last question. A question on Thailand, if I may, Can you share with us further thoughts on how AIA is managing the FX risk regarding your Thai Baht earnings and what is your perspective of the Thailand election outcome? It seems that all the financial stocks in Thailand have done really well after the election. Thank you.

A - Mark Tucker:

This could be potentially the longest answer in history, because I have to ask my good friend Mr. Chu to talk about his favorite subject which is the Thai elections.

A - John Chu:

You folks have probably heard that the Red Shirts or the Pheu Thai Party actually has won the election and all of the votes, most of the votes have been confirmed by the constitutional committee. Kunjtingluk’s votes have also been confirmed and the cabinet will be formed soon. They are selecting the best qualified peopled to join the cabinet. We are very optimistic of the Thai political situation and if you look at the economic side, yesterday you saw the Thailand industrial production, it is up, beating expectation, and then you look at agricultural exports are also up. So we are very optimistic on the outlook of Thailand.

A - Mark Tucker:

It’s simple, thanks John. The simple explanation on the currency we don’t have exposure because we just match assets on liabilities, so effectively there is no exposure there. Is there perhaps one more question having said that. Arjan?

Q - Arjan van Veen:

Given the U.S. debt talks extension, what is your exposure to U.S. treasury?
A - Mark Tucker:

It’s negligible. There is almost no exposure at all.

Q - Arjan van Veen:

So even though in Hong Kong there is no exposure there? Ok, thank you.

A - Mark Tucker:

Guys, thanks very much for listening and coming this morning. We look forward to seeing you at the year end.