AIA Group Limited 2015 Interim Results

Analyst Briefing Presentation – Transcript

24 July 2015

Mark Tucker, Group Chief Executive and President:

A warm welcome to our first half investor presentation. I think as you've seen, AIA has delivered another excellent set of results. Our first-half progress reflects our strong operating performance and the financially disciplined execution of our growth strategy. Let me begin with our financial highlights.

In the first six months of 2015, our VONB was up by 21 per cent to 959 million dollars which is 25 per cent growth on constant exchange rates. IFRS operating profit increased by 12 per cent, or 15 per cent on constant exchange rates, to 1.6 billion dollars and our EV Equity increased to over 40 billion dollars. In addition, we delivered 2.1 billion dollars of free surplus generation, improved our solvency position and significantly increased our interim dividend by 17 per cent, building on the 15 per cent increase last year. Each of these financial metrics demonstrate the successful execution of our strategy, a strategy that is focused on delivering superior profitable growth, combined with strong cash flow generation.

We will follow our usual agenda this morning. Joining me on stage are Garth Jones, our CFO and our Regional Chief Executives Gordon Watson, Bill Lisle and Ng Keng Hooi. I would like to welcome Bill in as a new RCE -- back to the team, but in as a new RCE. He has worked as a chief executive in Korea and Malaysia and lived and worked in both India and Sri Lanka. As a Regional Chief Executive, Bill will have line management and P&L accountability for these markets.

The strong results that we announced this morning are the direct outcome of successfully executing our strategy and delivering on our priorities, priorities which are fully aligned with the huge growth opportunities the region presents. Our unequalled distribution and product platform, combined with the power of our brand and the strength of our balance sheet, places us in a highly advantaged position from which to grow across our market year after year. Let me now briefly review each of the key elements contributing to our success.

Our agency channel delivered excellent VONB growth of 21 per cent, or 24 per cent on constant exchange rates. As part of our ongoing Premier Agency strategy, we have introduced a series of medium and long-term initiatives to further enhance standards at the core of our agency distribution, including superior recruitment, ongoing professional development and a lot of time on activity management. I am very pleased to share today the news that AIA has just been confirmed as the number one in the world for MDRT, or Million Dollar Round Table members, for the first time in our history. Our efforts in providing high quality, in-house support to our top agents have seen us move from seventh to the number one position in just four years. We have more than doubled our registered MDRT members over this period.

While our top agents continue to deliver outstanding performance, MDRT qualification is just one measure of our agency's success and our Premier Agency strategy will continue to drive growth in activity and productivity across the whole of our agency force. Our agents and customers are also benefiting from our investment in new technology. We are integrating our interactive point of sale system, iPoS, with new functionality and evolving it into a next generation mobile office platform, or iMO. Our continued investment in technology is ensuring that we remain well ahead of our competition and importantly, we've seen agents who use iMO are 30 per cent more productive, with adoption rates growing as a result.

AIA's willingness and immense capacity to invest in supporting our distribution, our agency and bancassurance at scale is impossible to replicate. It is driving a material increase in the quality, profitability and sustainability of our powerful agency distribution.

Partnership VONB grew by 23 per cent, or 30 per cent on constant exchange rates. The strength of our partnership platform can be seen in the balance of our business across IFA, bancassurance and direct marketing channels. Our bancassurance business has performed strongly with VONB growth of more than 50 per cent in the first half of 2015, driven by successful execution in our strategic partnerships across the region. The performance was largely driven by the Philippines more than doubling VONB in the first half, our continued success in Indonesia and Malaysia and good progress in our partnership with Citibank across 11 markets. AIA's direct marketing business also delivered a strong performance in the first half with VONB growth of 27 per cent.

Taken together, the quality, breadth and scale of our multi-channel distribution platform represents a major competitive advantage for AIA.

This slide shows our current distribution and product mix. Looking at distribution first, agency remains our primary distribution channel, accounting for 63 per cent of ANP in the first half and it has driven more than 70 per cent of our growth since IPO. The significant growth of our partnership distribution has been material to the Group and is complementary to agency. The continued strong performance of our Premier Agency force and the enormous potential from our partnerships means that we have a very powerful distribution engine to drive further profitable growth.

Turning now to products, traditional protection sales remain the largest proportion of our product mix and have driven the majority of our new business growth since IPO. This has been enhanced by our move towards high-quality, long-term savings products with embedded protection across the product categories shown here. It is our ability to sell the right products in the right mix that has enabled us to meet our customers' needs and provide us with resilient new business growth through market cycles.

One of the strongest features of our quality distribution and product platforms is our ability to reach both new and existing customers. I highlighted previously that we had begun using the detailed findings from our Customer Experience Programs to cross-sell and upsell new products to our existing customers. Our specific campaigns have continued to be very successful with VONB growth of 33 per cent in the first half. Overall, VONB from these initiatives has trebled since we launched this program in the first half of 2012, generating more than 1 billion dollars over this period of time.

These ongoing initiatives represent a significant source of future value for AIA, having contributed 28 per cent of our Group VONB in the first half. We have a large and growing customer base with over 45 million individual policies and group members and as you might expect, our team is very focused, very concentrated on the enormous potential here.

We have delivered significant growth in profitable new business and invested increasing amounts of capital with greater efficiency and at higher returns. This, in turn, is driving growth in earnings and higher shareholder dividends as we have demonstrated again today. We remain confident that we can do even more in the future to optimise returns for our shareholders.

Today's headline figures and our consistent track record over time show that our strategy is working. This consistently strong performance has been delivered despite the headwinds of equity market volatility, falling interest rates and foreign exchange movements. In executing our growth strategy, our goal is to realise AIA's maximum potential. This will deliver increasing earnings growth, cash flow generation and shareholder value creation.

At this point, let me hand over to Garth to take you through the financials.

Garth Jones, Group Chief Financial Officer:

Thanks Mark and good morning everyone. Let me begin with our financial highlights. We have continued to make excellent progress in the first half of 2015 and delivered strong results across all our key financial metrics. VONB grew by 21 per cent to 959 million dollars, embedded value equity increased by 1.4 billion dollars over the half, exceeding 40 billion dollars for the first time. IFRS operating profit after tax grew by 12 per cent. Our solvency ratio remained strong at 453 per cent and the Board has declared a 17 per cent increase in the interim dividend.

As Mark has just said, our strong financial performance has been achieved against volatility in equity and currency markets and once again demonstrates our ability to deliver large-scale profitable growth and progressive dividends to shareholders.

We receive premiums in local currencies and we closely match our assets and liabilities to minimise the economic effects of foreign exchange movements. However, when reporting our Group consolidated financials, there is a translation effect, as we report in US dollars. During the first half of the year, a number of our markets saw significant currency depreciation against the US dollar. We have provided comparisons of growth rates on both actual and constant exchange rates in order to enable a clearer assessment of the underlying performance of the business.

VONB growth was 25 per cent on constant exchange rates, while ANP increased by 15 per cent. IFRS operating profit after tax also grew by 15 per cent and EV equity was up by 5 per cent over the first half of the year. You can see that we have delivered a strong financial performance in both actual and constant currency.

I will now go through our first half results in more detail. VONB growth was 25 per cent on constant exchange rates, reflecting our focus on total value creation. ANP was higher by 15 per cent and VONB margin increased by four percentage points to just over 50 per cent. The deduction from VONB for the cost of holding additional capital and reserves under the Hong Kong solvency basis and Group office expenses was 104 million dollars.

As Mark mentioned, VONB in the first half of 2015 is more than three times the amount in 2010 and it is greater than the whole of 2011. Our disciplined strategy of focusing on value creation and consistently looking to improve the quality of our portfolio has delivered a strong track record of growth over time and this has been achieved under many different macroeconomic and market conditions.

This slide shows a more detailed breakdown of the overall margin growth for the Group. The margin figure reported at the Group level is a product of a number of factors including channel and country mix. The influence from country mix was positive and benefited from the strong growth in China and Hong Kong compared with lower margin markets. Economic effects were small and reduced VONB margin by 40 basis points, reflecting lower interest rates at the end of last year. Economic assumptions remain unchanged at the half year from those shown in our 2014 Annual Report and we have followed this approach consistently since IPO.

PVNBP margin at 9 per cent for the first half of 2015 up from 8 per cent in the first half of 2014 with an increase across product categories. However, as we've said many times before, we do not manage the business solely for margins.

We will write business if returns on capital are attractive, although reported margins may vary in order to drive absolute economic profit. This is what optimises value for our shareholders. A key strength of AIA is the quality of the business we write and the breadth of our product range.

We're not reliant on a single product for our growth. We offer different types of life and health protection, as well as a variety of long term savings products, often in combination. You can see this from the composition of our Hong Kong users as shown here. The traditional protection category makes up a significant proportion of our product mix.

But, as Mark said earlier, we've imbedded protection across our product portfolio. This is especially true for Hong Kong where our market leading critical illness products are packaged with long term participating savings products. So they have high levels of protection built in. This means that 60 per cent of our VONB in Hong Kong during the first half came from sales of protection policies.

The growth we've delivered also highlights the geographical diversification of our portfolio of markets. As

I just explained for products, we're also not dependent on any single market for our growth.

Our broad reach allows us meet the substantial customer needs of our products and services across the region and gives us confidence in the sustainability of our overall financial results. I've highlighted the positive benefits of this portfolio effect previously. You can see these again in the first half of 2015 with VONB up 25 per cent overall on constant exchange rates.

Let me now turn to embedded value equity. EV equity grew to 40.5 billion dollars over the first half. The increase was mainly from 14 per cent growth in EV operating profit on constant exchange rates, 2.4 billion dollars. Operating variances and assumption changes once again contributed positively at 60 million dollars.

Investment return variances were 277 million dollars, mostly from equity market gains and foreign exchange and other movements were negative 658 million dollars. The 2014 final dividend of 525 million dollars was paid in the first half of 2015.

Note that our EV is shown after a deduction of 4.7 billion dollars for the cost of holding the additional Hong Kong reserving and capital requirements and Group Office expenses. As you know, we manage the business for the long term and our EV methodology and assumptions reflect this.

In the calculation of the EV we use spot market interest rates, we then trend overtime for our long term assumptions. On this slide we have again shown a comparison since IPO between our weighted average long term assumptions of 10-year government bonds with corresponding market forward rates at this point in time.

As I mentioned earlier, our economic assumptions remain unchanged from those shown in the 2014 annual report. Market interest rates are up over the first half and our long term assumptions remain below market rates.

We also have an independent actuarial firm assess our EV on a market consistent basis using spot risk free rates. They confirm that the results are not materially different to our traditional EV approach. This demonstrates the prudence in our overall EV calculation.

The right hand side of the slide also shows the sensitivity of our imbedded value to interest rates and equity movements. The economic impact on EV shown here are small, with rising interest rates having a positive effect overall. This slide demonstrates the sensitivity of our reported EV and VONB to currency movements.

As I said earlier, we closely match our assets and liabilities to minimise the economic effects of foreign exchange business. The currency sensitivity on this slide therefore shows clearly the translation effect in reported currency.

You can see that our sensitivity is reduced as the vast majority of our business in Hong Kong is written in US dollars and our working capital at the group corporate centre is also held mainly in US dollars. Heading now to our IFRS results. Operating profit after tax grew by 15 per cent constant exchange rate to 1.6 billion dollars in the first half.

This excellent performance was a direct result of the new business we are writing and the strong underlying growth we've delivered across our businesses, with our operating margin exceeding 20 per cent for the first time. Our expense ratio remains one of the lowest in the region, benefitting from the significant scale of our business.

Each of our markets delivered positive OPAT growth on constant exchange rates on the first half, as shown here. China and our other markets contributed 21 per cent of total OPAT, compared with just 13 per cent in the first half of 2010. China's OPAT increased by 27 per cent in the first half and is now four times the amount reported in 2010.

As I highlighted for VONB, this slide also shows the benefits of the portfolio effect on our overall OPAT growth, from our diversified geographical footprint. Investment income increase of 2.8 billion dollars and their investment yield remains stable at 4.6 per cent, reflecting the long term nature of our investment portfolio.

The total investment return of 6.4 per cent reflects the investment yield, together with the mark-to-market performance of equities over the first half of the year to May 31. Investment mix and credit quality of our portfolio has remained stable.

Out of the 11 per cent shown here in equities, around 7 per cent relates to other policyholder and shareholder funds, with the balance in participating funds. IFRS net profit was 2.2 billion dollars, up 41 per cent driven by strong OPAT growth with gains from mark-to-market performance of equities as at May 31.

As you know, our definition of operating profit excludes any actual or normalised gains and as I highlighted at the full year, we recognise this is different to the approach taken by some of our global peers. We will look to align our approach with these global peers over time.

Average operating gains reported over the past four full financial years were positive 378 million dollars. Our basis of reporting net profit also does not reflect the market movements of AFS bonds as these are included in equity.

This slide shows the movement in shareholders' equity over the first half. The increase in shareholders' equity was mainly from net profit of 2.2 billion dollars less the dividend payment. Foreign exchange movements reduced shareholders' equity by 421 million dollars.

We also set out the movement of shareholders' allocated equity in our announcements each year. This provides a clearer reflection of the underlying drivers of the movement in shareholders' equity before currency volatility and the IFRS accounting treatment of AFS bonds. Over the first half of 2015, allocated equity grew by 7 per cent to 26.1 billion dollars.

Moving on to capital and dividends. We generated 2.1 billion dollars of free surplus in the first half of the year from our large in-force business. This figure included overall positive market-related, currency and other movements of 120 million dollars compared with 280 million dollars in the first half last year.

We invested 878 million dollars of capital into profitable new business growth. After funding our 25 per cent VONB growth and the 2014 final dividend payment, our stock of free surplus increased by 7 per cent to 8.3 billion dollars. As with our VONB and EV numbers, it is worth noting that all of the figures shown here are after allowing for the prudent Hong Kong reserving and capital basis.

As we have demonstrated consistently over the past 4.5 years, AIA has significant opportunities to invest capital in organic growth at attractive returns for shareholders. We have invested 7.6 billion dollars of capital in writing new business from 2010 to 2015 with IRRs consistently above 20 per cent. Compared with the first half of 2014, we've also further reduced our new business strain as a percentage of VONB, making a cumulative 52 percentage points reduction since IPO.

The solvency ratio for AIA Co remained very strong over the first half as a result of growth in retained earnings and our disciplined approach to balance sheet management. Solvency ratios remain robust since IPO despite interest rate, equity market and currency volatility, demonstrating the resilience of our capital position and balance sheet.

The Board has declared an interim dividend of HKD0.1872 per share in line with our prudent, sustainable and progressive dividend policy. This represents growth of 17 per cent compared with the interim dividend in 2014 and is up 70 per cent since we began our dividends in 2011. This reflects both the continued strength of the business and our confidence in the future prospects of the Group.

In closing, the Group has delivered another set of excellent financial results in the first half of 2015. We have generated substantial growth in the volume of new business by following our financial principles of investing capital at attractive returns in quality new business with an increased capital efficiency.

Profitable new business growth, in turn, is driving strong increases in IFRS operating profit with scale and diversification across the region. We also generated substantial amounts of capital and free surplus from the management of our in-force book, maintained our resilient solvency position, financed our growth and progressively increased our dividends.

Our financial results in the first half have once again demonstrated our ability to deliver resilient performance through market cycles.

I'll now hand over to Gordon, Bill and Keng Hooi who will share with you the excellent progress we have made in our businesses to deliver these financial results.

Gordon Watson, Regional Chief Executive:

Thank you, Garth and good morning everyone. As Mark mentioned, we remain very focused on executing our clear strategic priorities in the first half of 2015. We will show each of the countries on a constant exchange rate basis to give you a clear picture of the underlying performances of the local businesses in the first half.

So, let me start with our largest operation and home market, Hong Kong. AIA Hong Kong had an excellent first half of the year, delivering 29 per cent growth in VONB. This growth was driven by strong performance from all our key distribution channels. ANP was up 35 per cent while margins and product mix remained broadly stable.

Our agency force continues to be a major differentiator and the quality of our agents remains one of our main competitive advantages. In the first half of 2015 we expanded our Gen Y Club, a program aimed at attracting the top talent among our next generation of younger agent leaders. The Gen Y Club and other recruitment initiatives have contributed to a 12 per cent increase in the number of total active agents compared with the first half of 2014.

We further improved the capabilities of the AIA Premier Academy, which supports our two strategic priorities of quality recruitment and increasing productivity. Our strong focus on providing our agents and leaders with comprehensive training regimes to develop their agents have resulted in a 17 per cent increase in ANP per active agent over the first half of 2014.

AIA Hong Kong's partnership distribution delivered excellent VONB growth through both Bancassurance and IFA channels. This strong growth was driven in part by our exclusive partnership with Citibank.

In Hong Kong, AIA offers a broad range of products supported by targeted marketing campaigns that aim to engage and educate customers on their personal protection gaps and long-term savings. As Garth showed you earlier, we package critical illness protection with many of our participating savings policies. This focus generated more than 48,000 new policies in the first of 2015. So in summary, our Hong Kong business continues to deliver high-quality and sustainable growth.

So let's move on to other markets, Korea and other markets. AIA Korea continues to face challenging market conditions in the first half of 2015. The tightening of regulations for the direct marketing industry that we spoke about at the full year continued to affect sales into the first half.

VONB was lower by 32 per cent to represent 2 per cent of total Group VONB as we maintained our strict focus on writing business that meets our profitability requirements. Despite the reduction in new business volumes, operating profit after tax increased by 20 per cent.

Our Other Markets segment delivered excellent performance in the first half of 2015 with VONB growth of 31 per cent. The strong growth was driven by both agency and bancassurance distribution.

Now turning to the key highlights, let's start with Australia. In the first half of 2015, we strengthened our leading position in the individual risk market as the overall industry contracted. We introduced a new version of a flagship protection product for our strategic IFA partnerships. This led to a positive shift in product mix and strong VONB growth for our retail IFA business. Our continued efforts in proactive claims management have also enabled us to drive significant growth in OPAT in the first half of 2015.

The Philippines. Our business in the Philippines delivered excellent VONB growth. As part of our Premier Agency strategy, we implemented a new activity management system for our agency force, and this improved ANP per active agent by 23 per cent compared with the first half of 2014.

Our Bancassurance channel more than doubled its VONB as we launched new initiatives to enhance sales productivity and increase engagement with the relationship managers of our market-leading joint venture BPI. These engagement and training initiatives have driven a 69 per cent increase in customer referrals, enabling us to achieve these excellent results.

Indonesia. Our Indonesian business reported strong, double-digit VONB growth in the first half. The growth was achieved through our multi-channel distribution strategy, targeting the large and rapidly-growing middle class population in Indonesia. We continued to execute our Premier Agency strategy with a strong emphasis on quality recruitment and training.

We launched a new Premier Bank Consultant program for our strategic bancassurance partners. This focuses on enhancing the productivity of our sales force, and as part of these initiatives we achieved close to 100 per cent adoption of iPoS for our in-branch specialists. We have also further strengthened our market position and we are number two by new business in the first quarter.

And finally, Vietnam. Our business in Vietnam once aFgain delivered excellent performance, with VONB more than double the first half of last year. The performance of our agency channel was the principal driver of growth with a 24 per cent increase in the number of total active agents and a significant uplift in agent productivity. Excellent growth in our agency channel enabled us to achieve a top 3 market position for new business in the first quarter.

As Mark said, our bancassurance business grew strongly in the first half, led by the success in our strategic partnerships. Let me give you more details on some of these achievements.

We have made significant progress in executing our partnership strategy and bancassurance is a key component of AIA's multi-channel distribution platform. Our bancassurance delivered excellent VONB growth of 61 per cent on constant exchange rates in the first half of this year.

Our long-term strategic partnerships are critical to this success, where a mutual focus on execution and a disciplined approach to the products we sell deliver strong value for both us and the bank partner. These partnerships, including CIMB and BCA in Indonesia, BPI in the Philippines and Public Bank in Malaysia contributed significantly to our growth in the first half.

Our regional exclusive partnership with Citibank has also continued to successfully gather VONB momentum, as you can see from the chart. This good progress was driven by a 30 per cent increase in the number of frontline sales people since the end of 2014. We have also developed over 100 different training programs with Citibank across the region.

Also in the first half we launched iPoS, Citibank's in-branch insurance specialists, and plan to continue the rollout. These highlights are evidence of the strong commitment from both AIA and Citibank to invest in the sustainable and mutual success of this important long-term partnership.

So in closing, we are all very focused on executing our key priorities and continue to leverage our many and diverse platforms to drive sustainable growth. So thank you very much and now let me hand over to Bill.

Bill Lisle, Group Chief Executive:

Thank you, Gordon and good morning everyone. I am delighted to be back in Hong Kong and very excited about the opportunities that lie ahead for the Group. I'm also pleased to be here this morning to update you on the progress we are making in Malaysia.

AIA Malaysia delivered another strong start to the year, with VONB growth of 22 per cent. VONB margins increased by 11.5 percentage points. This excellent result is a direct outcome of the execution of our distribution and product strategy. Our agency channel delivered 26 per cent growth in VONB compared to the first half of 2014. Our Premier Agency strategy continues to focus on quality recruitment, particularly in the under 35 age category. Our training program through the AIA Premier Academy has helped our agents move our new business mix toward the regular premium unit-linked business with more protection riders.

New technology is transforming the way our agents work in Malaysia. In the first half, around 90 per cent of our new business applications from our agents was submitted using iPoS. Our next generation system supports our agents and agent leaders in managing lead generation, sales productivity, recruitment activity and training, all performed on mobile devices. The changes we are making to our core technology platforms are increasing the quantity and quality of our interactions with our customers.

Our agency Takaful business continues to make excellent progress with VONB more than double the first half last year. This is driven by higher productivity from our qualified agents and a 35 per cent increase in our Takaful producing agents. In partnership distribution, our successful strategic bancassurance partnership with Public Bank and Citi have delivered strong results.

As Garth mentioned a little earlier, a key strength of AIA is our ability to offer a wide ranging portfolio of comprehensive protection and long term savings products to our customers. This year, we launched Lifestage Plan Option for unit-linked products which allows customers to choose protection riders and benefit levels appropriate to their changing needs and different life stages. This has helped lift our protection rider attachment rate by 27 per cent compared with the first half of 2014.

AIA Malaysia has delivered a strong performance over the last two and a half years since the ING acquisition and significantly grown its contribution to the Group. I'm very proud to be able to hand over to Anusha, our new CEO, who worked with me as a CFO in Malaysia and was previously the deputy CEO of ING Malaysia. I look forward to updating you on the continued strong progress of the business as it moves into its next phase of profitable growth. Thank you very much and let me pass on to Keng Hooi.

Ng Keng Hooi, Regional Chief Executive:

Thank you Bill and good morning everyone. Let me now share with you the excellent progress we have made in my three largest markets, beginning with Singapore. Our Singapore operation delivered strong VONB growth of 19 per cent in the first half. ANP increased by 13 per cent and VONB margin was up by 3.5 percentage points. The consistent execution of our Premier Agency delivered strong VONB growth in the second quarter of 2015.

As we previously highlighted, the first quarter comparison was affected by prior year sales following the completion of the HealthShield product upgrade. Despite this, our agency business continued to outperform the industry in the first quarter of 2015.

Financial distributions generated excellent VONB growth as we continued to broaden our product offering with both IFAs and our bancassurance partners including Citibank. Group insurance remains a competitive strength for us in Singapore where we maintained our leading position with 37 per cent VONB growth. We expanded our product range in the first half of 2015 with new participating products that provide cover for death, disability and critical illness alongside long term savings. We have made good progress with our innovative AIA Vitality program with Vitality continuing to be included in one out of every two targeted protection products sold. Our focus on promoting next generation unit-linked protection products led to a 20 per cent increase in unit-linked VONB in the first half of 2015.

Moving now to Thailand. Our business in Thailand delivered solid growth in the first half of this year. VONB was up 14 per cent and VONB margin increased by eight percentage points. This was a direct result of our core strategy, helping our agents provide regular premium long term savings and protection products to our customers. We continued to focus on enhancing the quality and professionalism of our agency force. This includes significant investment in incentive training for our new recruits as well as the ongoing professional development of our existing agents. We have launched a new recruitment program to attract young, educated and motivated candidates to join us as full-time agents.

Since AIA recently introduced unit-linked products in Thailand, in Thailand, in the Thai market, we have continued to support our agents in meeting the stringent licensing requirements. As a result, our number of licensed agents to sell unit-linked products continued to grow strongly, and it is up 73 per cent from the same period last year. This has helped us quadruple our unit-linked VONB in the first half of 2015.

AIA is a leader in protection products in Thailand and we focus on raising awareness of the significant critical illness protection gap that exists in Thailand. VONB from critical illness riders increased by more than 50 per cent compared with the first half 2014.

Let me now give you an update about China. AIA China delivered another excellent set of results in the first half of the year, achieving 58 per cent growth in VONB. These results were delivered through the sustained execution of our Premier Agency strategy, which enabled us to assess the protection and long-term savings market in China and set us apart from the industry. AIA's strategy of selectively recruiting and developing professional agents has delivered excellent results in the first half of 2015.

Our Premier Academy in China has produced more than a third of our new agents since its inception. This has helped drive the total number of active agents up by 28 per cent in the first half and it has also led to a 15 per cent increase in active agent productivity. Our focus on improving the activity and productivity levels of our agents has also increased MDRT members by 58 per cent. The average monthly income for our agents has trebled since IPO through better training and support, which in turn helps us to attract and retain high-quality professional recruits.

As we showed at the full year results, our agents generate much higher VONB, around three times the estimated industry average per agent. Our agents are well-trained to offer advice on a range of products that meet the needs of our customers. Regular premiums accounted for 99 per cent of ANP in the first half and the vast majority of our earnings are insurance based, demonstrating the quality and stability of our portfolio in China. We will continue to grow our business through clear and proactive agency management, delivering an even higher level of professionalism and delivering the right mix of long term products. This will allow AIA to capture the enormous growth opportunities we have in China.

In closing, my team and I remain very confident that we will continue to build on our track record of success in our markets through the consistent execution of our growth strategies. Now let me hand back to Mark.

Mark Tucker, Group Chief Executive and President:

Thanks Keng Hooi. I think -- just to say, Keng Hooi has come off his sick bed to make this presentation and I hope you show him more sympathy than I have. As Gordon, Bill and Keng Hooi have just showed, our local businesses are executing strongly and capturing the significant structural growth trends in our market. We are very familiar with these trends. Large and growing young populations, rapid urbanisation and new wealth creation all coming together.

That familiarity shouldn't undermine the power of these important structural drivers of growth -- you've given me something as well -- they create immense opportunities and potential for life insurance right across the region. As the leading pan-Asian life insurer, we not only benefit from these drivers but we look to actively harness them to bring about long term, sustainable economic growth. The economic growth in turn is contributing to fast growing life insurance sectors in all our markets. Indeed, as developing economies attain economic liftoff, there will be some 464 million households reaching 10,000 dollars in income across Asia by 2017.

We look to play two important roles in helping make this happen. First, we help expand capital markets, we direct more than 118 billion dollars of investments into local financial markets, and through the scale and reach of our distribution, we mobilise savings and pool premiums at the rate of 20 billion dollars a year, all exclusively in Asia.

Second, we provide social benefits. With more than 45 million individual policies and Group members, we have paid out some 50 million benefit payments since 2010 and insured 1.2 trillion dollars in total sums assured, again, all exclusively in Asia. It is the scale and reach of our distribution that provides the mechanism to create long-term, real money investments. With some of these countries, where savings rates are 40 per cent and nearly 50 per cent of the population lack bank accounts, our agents are often the very first point of contact people have with financial markets.

In the region where the mortality protection gap and the infrastructure funding gap sits at 51 trillion dollars and 8 trillion dollars respectively, the scale of the role we can play locally is clear and unmatched. That is why there is so much more for us to do in the region and why we are only at the very beginning of our journey.

In closing, we have delivered an excellent set of interim results. Our objective is to achieve large scale and profitable growth, thereby generating superior and sustainable value and cash flow for our shareholders. We are in the right place at the time with the right strategy to sustain the delivery of attractive financial return for our shareholders for a long, long time to come. We remain as confident and as excited by the opportunities for our business today as we have ever been.

Thank you for listening this morning, and it's now over to you for questions.