AIA Group Limited 2016 Interim Results

Analyst Briefing Presentation – Transcript

28 July 2016

Mark Tucker, Group Chief Executive and President:

Good morning everyone. A very warm welcome to our first half investor presentation.

As you have seen, AIA has delivered another excellent set of results. Our progress reflects a strong operating performance and the financially disciplined execution of our growth strategy. Let me take you through our financial highlights.

In the first six months of 2016, VONB was up 37 per cent to 1.3 billion dollars and this is the first time we have delivered over a billion dollars in a first half. IFRS operating profit increased by 14 per cent to 2 billion, and underlying free surplus generation was up 12 per cent to 2 billion dollars. In addition, EV Equity increased to 41.7 billion dollars, and we maintained our robust solvency position at 381 per cent and have increased our interim dividend by 17 per cent. As you can see, against the backdrop of challenging and volatile financial markets, we continue to deliver a unique combination of superior profitable growth and strong cash flow generation.

We will follow our usual agenda this morning. Joining me are Garth Jones, our CFO, and our Regional Chief Executives Gordon Watson, Bill Lisle and Ng Keng Hooi.

Our strong results are the direct outcome of successfully executing our strategy and delivering 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, the strength of our balance sheet and the quality of our people, places us in a highly advantaged position from which to grow across our markets 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 29 per cent, achieved by a clear and disciplined focus on improving product standards, careful and selective recruitment, best-in-class training and industry-leading technology. Taken together, all these initiatives continue to drive our success in Million Dollar Round Table status; seven of our markets have registered members growth in membership by more than 50 per cent. MDRT qualification is just one measure of our agency success.

Our Premier Agency strategy will continue to drive growth in activity and productivity across the whole of our agency force. Our Premier Agency strategy places particular emphasis on the quality of our new hires, and our recruitment efforts have increased active new agents by 16 per cent over the first half.

In support of all of this, we continue to invest significantly in technology, and this is benefiting our agents and customers. We are constantly looking to take the best of digital and enable our distribution force, and enable it at scale. Our next generation Mobile Office platform enables our agents and agency leaders to manage all of their activities – from recruitment and lead generation to the face-to-face sales process and training – efficiently and on one single mobile device.

Our Partnership business delivered outstanding VONB growth of 50 per cent. Our bancassurance business has performed strongly, driven by successful execution in our strategic partnerships across the region and continued strong progress with Citibank across 12 markets. In addition, our IFA business grew strongly in the first half. The quality, breadth and scale of our multi-channel distribution platform represents a major competitive advantage for AIA.

As I just said, we have a very powerful distribution engine. Our balance of high quality agents and third party partners allows us to meet the growing needs for protection and long term savings in the region, which we do through an attractive and diversified mix of products and services. We also have a strong track record of launching new products, continually embedding protection cover throughout the portfolio. Traditional protection sales have continued to drive the majority of our new business growth since IPO, and you can see that they remain the largest proportion of our product mix. Taken together, the strength of our distribution platform with the right products in the right mix enables us to meet our customers' needs, and importantly provides us with resilient new business growth through all market cycles.

Our distribution platforms also place us in an advantaged position to expand the take-up of AIA Vitality, and the inclusion of AIA Vitality in turn enables us to deepen our customer relationships. AIA Vitality is the first and only comprehensive wellness platform across the region. It incentivises customers to actively engage in health and wellness activities by offering attractive discounts on insurance premiums, as well as providing exciting benefits from a range of third party providers.

As I mentioned at the full year, we planned to launch in three more markets this year, and I am pleased to report that two of these have already gone live, with recent launches in Thailand and Malaysia. This brings us up to six markets in the region, and we have plans to complete our regional rollout during the course of 2017. The enormous potential for changing the nature of life and health insurance is significant. Being healthier is good for our customers, good for our business and good for the communities and countries we operate in. All of which serves to further differentiate AIA.

At AIA we have many competitive advantages, from our longstanding history and great reputation in the region to our product and distribution platforms, brand and financial strength, all of which you hear me speak of time and time again. But our biggest competitive advantage, and one of the main reasons we are so excited about our future today in the region, is our people. AIA has the most experienced and proven management team, employees and agents in the region, all of whom are very execution-focused. We believe our people are second to none, and we are committed to keeping it that way.

As you know, in March this year we launched a dedicated, Group-wide AIA Leadership Centre based in Bangkok, Thailand, that provides the highest standard of training and continued professional development for AIA's senior executives and senior distribution leaders. This investment means we will continue to raise the bar in terms of regional leadership and our recruiting and development initiatives across Asia. These initiatives will ensure that we drive material increases in the depth, professionalism and productivity of our people, who will continue to serve AIA and the region for many, many years to come.

We were awarded the 2016 Best Employer for Asia Pacific region by Aon. This is not only a recognition, but also an external benchmark for the work we do in trying to provide the right environment for our people to thrive.

Through executing on our competitive advantages across geography, product, distribution and customer, we have delivered significant growth in profitable new business and invested substantial amounts of capital with greater efficiency at higher returns. This in turn is driving growth in earnings and higher shareholder dividends, as we have demonstrated yet 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 demonstrate that our strategy of driving long-term sustainable new business growth is working. This consistently strong performance has been delivered despite the uncertain outlook for global markets, with 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 to continue to deliver earnings growth, strong cash flow generation and ever-greater shareholder value.

At this point, let me hand over to Garth before I come back to summarise at the end. Garth.

Garth Jones, Group Chief Financial Officer:

Thanks Mark, and good morning everyone.

AIA has once again delivered an excellent set of results, with broad-based growth across all our key financial metrics. We achieved record growth in new business value, a strong increase in operating profit, significant underlying free surplus generation and a progressive increase in the interim dividend. VONB grew by 37 per cent, and for the first time exceeded 1 billion dollars in the first half.

EV operating profit was up 28 per cent to 2.9 billion – a significant uplift from last year – and IFRS operating profit after tax grew by 14 per cent to 2 billion dollars. Underlying free surplus increased by 12 per cent, and our solvency ratio remained very strong at 381 per cent after the payment for our increased shareholding in Tata AIA.

The Board has declared a 17 per cent increase in the interim dividend, reflecting the strong financial performance in the first half and our confidence in the future. We continue to benefit from our focus on the quality of the new business we write and the sources of earnings this generates. This is fundamental to our future ability to produce sustainable, high-quality growth and increasing returns to our shareholders.

I will now go through our results in more detail. We have continued to provide growth rates on constant exchange rates for our key operating metrics to give a clearer view of the underlying performance of the business.

VONB growth was 37 per cent, reflecting our focus on total value creation. New business sales had a strong start to the year, with ANP up 31 per cent to 2.4 billion dollars. VONB margin also increased by 2.4 percentage points to 52.7 per cent. This result was underpinned by the quality of our new business, with over 90 per cent of our ANP from regular premium sales, which were up 37 per cent. When combined with our very high persistency levels, the compounding of regular premiums further adds to the scale and quality of our IFRS earnings and cash flows over time. VONB is shown net of a deduction of 108 million dollars for the cost of holding additional capital and reserves under the Hong Kong solvency basis and unallocated Group Office expenses.

Our disciplined approach to the types of products we offer, combined with the capabilities of our distribution platforms, have continued to reinforce the attractive returns we achieve on new business. Margin on a PVNBP basis was 9 per cent, with each of the main product categories reporting a stable or higher margin in the first half. VONB margin at the Group level was higher from positive shifts in country mix, channel mix and other items. The change in product mix was due to writing more capital-efficient participating business.

Following the same approach that we have applied consistently at each interim results, long-term economic assumptions used in the embedded value calculations remain unchanged. We do not manage the business solely for volume or margin. Although reported margins may vary, we will write business if returns on capital are attractive and it is within our risk appetite, in order to drive absolute economic profit. You can see this coming through in the IRRs we achieve on new business, the reduction in the payback period and the 37 per cent overall growth in VONB. This is what optimises value for our shareholders.

As well as the quality of our distribution and disciplined product focus, the overall growth in VONB reflects AIA's broad regional presence and our long-established market-leading positions. Together, this provides a strong platform that enables us to consistently deliver new business growth today, and is a major factor in our confidence in the sustainability and resilience of the Group's performance. The strong growth in VONB was a major driver of the uplift in EV operating profit, as you can see on the next slide.

EV operating profit increased by 28 per cent to 2.9 billion dollars in the half. VONB accounted for 44 per cent of EV operating profit, up from 25 per cent in the first half of 2010. VONB growth, combined with a very strong operating experience, increased annualised ROEV by 3 percentage points to 16 per cent.

Looking further at our operating experience, persistency has been stable at around 94 per cent since IPO. This reflects the quality of our distribution and the long-term nature of the business we write. We continue to focus on prudent expense management, and have reduced our Group operating expense ratio by a further 20 basis points to 8 per cent, which we believe is one of the lowest expense ratios in the insurance world. Operating variances were once again positive at 293 million dollars, demonstrating the disciplined management of our in-force book. Overall operating variances now total more than a billion dollars since IPO.

Our very strong operating performance of 2.9 billion dollars has driven EV Equity to a new high of 41.7 billion after the payment of the rebased final dividend of 786 million dollars. The reduction for non-operating items was less than 300 million in total. Our closing EV Equity of 41.7 billion dollars is after a deduction of 5.2 billion for additional capital and reserves under the Hong Kong basis and the present value of future Group Office expenses.

As you know, we manage the business for the long term, and our EV methodology and long-term assumptions reflect this. We look to change our long-term EV economic assumptions once a year, at the year end, to help comparisons across periods, and we have followed this approach consistently since IPO.

I thought it is worth reiterating that current spot market yields are reflected in our EV calculations. We assume net new cash flows earn spot market yields, and we trend over time to our long-term assumptions. Our long-term assumptions therefore reflect market forward rates, which are above spot bond yields in our markets. If we were to assume long-term rates equal to current spot rates with the equivalent move in discount rates, then the overall effect on our EV would be not be material. Finally, we also have an independent actuarial firm assess our EV on a market consistent basis using spot risk free rates throughout, and they confirm that the results are not materially different to our reported EV. All of this demonstrates the prudence in our overall EV economic assumptions and calculation methodology.

These charts show the sensitivities of our embedded value to interest rate and equity market movements. The impact of a 50 basis point parallel reduction in interest rates for the whole yield curve including spot rates across each of our markets is just 118 million, or 0.3 per cent of the EV. The effect of a 10 per cent fall in equity market prices would be 2.2 per cent of the EV. While AIA is not immune to capital market movements, you can see from these sensitivities, as from the sources of earnings chart later, that we are resilient to short-term market volatility.

As I have said at previous presentations, we continue to match our assets and liabilities in local currencies to minimise the economic effects of foreign exchange. The sensitivity on this slide shows the translation effect into reported currency. Our sensitivity is reduced because close to 90 per cent of our business in Hong Kong is written in US dollars and backed by US dollar assets and in addition, 90 per cent of the capital held at the Group Corporate Centre is invested in US dollar assets.

As Mark said, our strong performance has continued through equity market volatility, falling interest rates and foreign exchange depreciation. Our deliberate actions of focusing on value and consistently looking to improve the quality of our portfolio has helped us to deliver a strong track record of growth. The sheer scale of the growth means that today the VONB is over four times the amount in the first half of 2010.

Turning now to our IFRS result. Operating profit after tax grew by 14 per cent to 2.0 billion dollars. Operating margin after tax continued to trend higher, from a combination of positive changes to product mix, increased scale, active management of the in-force book and focused management of expenses.

As I said at the beginning, our strategy has consistently focused on growth in long-term regular premium business with embedded protection. Since IPO, we have grown insurance-based earnings at more than twice the rate of spread-based earnings. As a result, our earnings have a high proportion of insurance and fee-based profits which are less dependent on interest rates and overall investment returns. Together with our geographically diverse portfolio, our high-quality source of profit underpins the resilience of our earnings and provides a foundation for growth across market cycles. This is a distinct advantage for AIA, and differentiates us both in the region and globally.

Each of our markets delivered positive OPAT growth and contributed materially to our Group profits. China and our Other Markets together delivered close to a quarter of Group OPAT, compared with just 13 per cent in the first half of 2010. China's OPAT increased by 24 per cent in the first half, and is now more than five times the amount reported in 2010. As I highlighted for VONB, this slide also shows the positive benefit of our diversified portfolio on the sustainability of our Group OPAT growth.

Investment return was 3.1 billion dollars from higher interest income, partially offset by lower expected equity returns. The book yield of our fixed income assets remained stable at 5 per cent, reflecting the long-term nature of our investment portfolio that has been built up over time. The total investment return of 4.9 per cent reflects the investment yield together with the mark-to-market performance of equities and investment property. Out of the 10 per cent of our asset mix shown here in equities, around 6 per cent relates to other policyholder and shareholder funds, with the balance in participating funds.

The investment mix and credit quality of both our overall portfolio and our corporate bond portfolio have remained stable over time at A-. Taken together, this demonstrates the high-quality nature of our fixed income portfolio.

We set out the movement of shareholders' allocated equity in our announcement each year. This provides a clearer reflection of the underlying drivers of the change in equity before the IFRS accounting treatment of AFS bonds. The increase in allocated shareholders' equity was mainly driven by higher operating profit after tax, less the payment for the rebased 2015 final dividend of 786 million dollars. Over the first half of 2016, allocated equity grew by 5 per cent to 28.2 billion. IFRS total equity at the end of the first half stood at 35.5 billion, up 14 per cent over the half.

Our disciplined strategy of focusing on value and consistently looking to improve the quality of our portfolio has delivered a strong track record of growth. You can see that OPAT in the first half of 2016 is greater than the whole of 2010. We have continued to deliver consistently strong and resilient performances during the past five and a half years under many different macroeconomic and market conditions.

Moving on to capital and dividends. The solvency ratio for AIA Co. has remained strong at 381 per cent. This is a result of growth in retained earnings offset by the effect of capital market movements on our investment portfolio and statutory reserves, and the cash payment for our increased shareholding in Tata AIA, which reduced the solvency ratio by around 20 percentage points.

After funding our 37 per cent VONB growth and our rebased final dividend payment, our stock of free surplus increased by 10 per cent over the half to 8.2 billion dollars. We generated 2.1 billion dollars of underlying free surplus in the first half, an increase of 12 per cent on constant exchange rates. From this, we invested close to 700 million dollars into profitable new business growth at an average IRR of over 20 per cent. Investment variances, exchange rates and other items in total amounted to just over 200 million dollars, and the payment for the rebased 2015 final dividend was 786 million. 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.

AIA has significant opportunities to invest capital in organic growth at attractive returns for shareholders. We have demonstrated this consistently over the past five and a half years. VONB is more than four times the figure in the first half of 2010, and while new business strain reduction by itself is not our objective, we are disciplined in how we deploy capital. We have been able to reduce new business strain as a percentage of VONB at the same time as achieving our strong growth since IPO. We have also consistently achieved IRRs of over 20 per cent, and with decreasing payback periods. With such attractive reinvestment economics, our ability to invest in new business growth remains an important priority and a differentiator for AIA.

Over time, this investment in profitable new business growth supports the generation of increasing amounts of free surplus and cash, which in turn allows us to finance further attractive new business growth and increased dividends; you can see that demonstrated in our results in the charts shown here. This has enabled the Board to declare an interim dividend of 21.9 Hong Kong cents per share, which is 17 per cent growth compared with 2015 and double our initial dividend in 2011.This reflects both the continued strength of the business and our confidence in the future of the Group. As we said back in February, the Board's dividend policy remains unchanged, maintaining a prudent, sustainable and progressive dividend allowing for future growth opportunities and the financial flexibility of the Group.

In closing, the Group has delivered another set of excellent financial results in the first half of 2016. We have generated substantial growth in the value of new business by following our financial principles of investing capital at attractive returns in quality new business and with 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 will now hand over to Gordon, Bill and Keng Hooi, who will share with you the excellent progress we have made in our businesses over the first half.

Gordon Watson, Regional Chief Executive:

Thank you Garth, and good morning everyone. As Mark mentioned, Bill, Keng Hooi, myself and our leadership teams throughout the region have focused on executing our strategic priorities to deliver the strong overall financial performance that you see here today. So let me start with our largest and home market, Hong Kong.

AIA Hong Kong extended its track record of excellent performance, with VONB growth of 60 per cent. ANP grew by 83 per cent as we benefited from both strong growth in the domestic Hong Kong market and a significant uplift in new business from mainland Chinese customers. New business sold to mainland Chinese customers accounted for just over 50 per cent of AIA Hong Kong's ANP in the first half, reflecting the overall industry trend. The change in VONB margin to 53 per cent resulted from stronger sales of participating business compared to the first half of 2015.

Agency remains our core distribution channel, and our high-quality agency force is a major competitive advantage for AIA in Hong Kong. Our recruitment initiatives, aimed at attracting top young talent, delivered excellent results as we grew our number of active new agents by 14 per cent. Enhancing the productivity of our agency force is also a strategic priority for our Hong Kong operation. In the first half of 2016, we also expanded the range of training programmes in our AIA Premier Academy. One such initiative worth mentioning here is aimed at selecting high-potential Agency Leaders, and equipping them with the leadership and agency management skills necessary for the next step in their careers. Our success with this new programme and other initiatives designed to uplift productivity delivered a 35 per cent increase in ANP per active agent in the first half.

Building on strong growth momentum from last year, AIA Hong Kong's Partnership Distribution once again delivered excellent VONB growth across both our bancassurance and our retail IFA channels. Our IFA channel produced a strong contribution to VONB growth as we deepened our relationships with selected broker partners through our ongoing commitment to high levels of service and support. We also saw excellent growth from our exclusive partnership with Citibank in Hong Kong, through successful customer campaigns, new product launches and higher productivity levels among in-branch specialists.

Our balanced product range enabled us to better capture the significant growth opportunities across the many different customer segments in the Hong Kong market. More than 90 per cent of our individual ANP came from regular premium long-term savings and protection products. This is in stark contrast to the lower margin short-term products often targeted at deposit replacement that make up a large part of the Hong Kong market. AIA Vitality, which was launched in Hong Kong at the end of last year, has also seen strong initial demand, with more than 50 per cent take-up on products integrated with the programme.

So, in summary, our Hong Kong business delivered excellent results and high-quality growth. Now moving on to Other Markets, our Other Markets segment delivered solid VONB growth of 10 per cent in the first half of 2016. ANP grew by 5 per cent, and VONB margin also increased as we upgraded our protection products and improved scale efficiencies in a number of markets across the region.

Turning to the key highlights, let me start with Australia. Our Australian operation once again delivered double-digit VONB growth in both our retail IFA and group insurance businesses. We continued to grow our number one position in the individual life market, as we further expanded our Premier IFA service model and upgraded our AIA Vitality programme with new partners and product features. We also successfully renewed a number of policies for our major corporate clients, which enabled us to achieve strong growth in our group insurance business.

Now moving on to Indonesia, our business delivered double-digit VONB growth in its agency channel, as ANP per active agent increased by 20 per cent. VONB margins were also higher in the channel following an increase in protection rider attachments on our new unit-linked products. In the bancassurance channel, we saw a positive shift in product mix after the launch of a new regular premium unit-linked product that targets more affluent customer segments.

In the Philippines, political uncertainty affected consumer sentiment ahead of the Presidential elections in May. This resulted in challenging market conditions and reduced premium income for the overall life insurance industry in the first part of the year. Despite these headwinds, we continued to focus on our Premier Agency strategy with the introduction of several new recruitment initiatives, including the roll-out of a new agency branch model. This helped our number of new recruits grow by 17 per cent. We also extended our AIA Vitality wellness proposition, and launched new protection products to the bancassurance channel through our joint venture with the Bank of the Philippine Islands.

Finally, Vietnam. Our business in Vietnam once again delivered excellent VONB growth. We extended our innovative agency branch model in the first half from Ho Chi Minh City to Hanoi. These serve as regional centres for training and professional development of our agency force. Along with other recruitment and training initiatives, these branches supported our 19 per cent growth in the number of active agents. Vietnam remains one of our fastest-growing businesses within the Group.

In closing, our CEOs and their teams remain highly focused on executing our key strategies to drive success and sustainable results. Thank you very much, and let me hand over to Bill.

Bill Lisle, Regional Chief Executive:

Thank you Gordon, and good morning everyone. I am pleased to be here this morning to update you on the progress in Malaysia and provide some background and highlights on India following the increase of our shareholding in our joint venture, Tata AIA.

Malaysia delivered excellent growth in the first half, with VONB up 30 per cent. ANP increased by 31 per cent, and VONB margin remained strong at 56 per cent. This excellent performance was the result of significant growth in agent productivity, and our sustained focus on regular premium unit-linked products with increased protection cover.

Our Premier Agency strategy continued to focus on quality recruitment and improving productivity. Our new long-term career programme has attracted high-calibre recruits, leading to a 30 per cent increase in the number of active new agents compared with the first half of 2015. Overall, higher agent productivity levels delivered a 27 per cent increase in ANP per active agent, including a 23 per cent increase in average case size. We have also made strong progress in our agency Takaful business, with individual ANP double the first half of 2015 and a 79 per cent increase in the number of active producing Takaful agents.

AIA's strategic partnership with Public Bank generated strong VONB growth, benefiting from higher productivity levels of our insurance specialists and increased average case size from new product launches. We have also successfully rolled out iPoS in all branches.

We recently launched AIA Vitality in Malaysia. This is a game-changing and innovative proposition for the Malaysian market. AIA is the first company globally to integrate health and wellness benefits with unit-linked life insurance and Takaful solutions. AIA Vitality allows us to play a more active role in empowering and motivating Malaysians to take better care of their health.

We continue to enhance customer experience through the use of technology, with over 90 per cent of our new business in Malaysia written through iPoS. We have enhanced this point-of-sale technology with the launch of our mobile underwriting system, following the launch in Singapore last year.

In summary, the AIA Malaysia team has continued to deliver an excellent performance, building on the strong results from prior years against a challenging economic backdrop.

Now let me update you on the progress of our joint venture in India. India is the second most populous country in the world, with a young and rapidly increasing urban population. There will be over 500 million people living in cities by 2025. With less than 3 per cent penetration, India has a significant protection gap of 8.6 trillion US dollars in 2014, and this is projected to increase more than 40 per cent by 2020.

Against the background of these strong economic and fundamental growth drivers, we are pleased that AIA has increased its shareholding in Tata AIA to 49 per cent in the first half of the year. This is the maximum level currently allowed under law. A new management team has been put in place within the last 12 months and is delivering well on our strategic priorities.

The strategy for agency distribution is aligned with AIA's Premier Agency model, focusing on high-quality recruitment and training. Our Indian business is also building a strong platform of strategic partners, in particular our partnerships with Citibank and also with IndusInd Bank – the 5th largest private sector bank in India.

We are committed to providing products that help our customers meet their protection needs, and will continue to improve the efficiency of the business through increasing automation and leveraging our mobile technology. We are highly selective in where we concentrate our efforts, and prioritise those cities that offer us the greatest opportunities. I am excited about the significant long-term growth potential in India, and look forward to sharing more news over time.

Thank you very much, and let me now hand over to Keng Hooi.

Ng Keng Hooi, Regional Chief Executive:

Thank you Bill, and good morning everyone. Let me now share with you the progress we have made in three of my largest markets, beginning with Singapore.

The disciplined execution of our strategic priorities has continued to deliver sustained profitable growth for AIA Singapore. VONB grew by 10 per cent as we continued our focus on the quality of the business we write, with VONB margin increasing by 8 percentage points.

Our market-leading agency delivered more than 20 per cent VONB growth in the first half. This was achieved through high-quality recruitment and professional career development, supported by the use of the latest mobile technology to enhance efficiency. As a result, ANP per active agent was up by 15 per cent compared with the first half of 2015.

Our bancassurance business delivered strong VONB growth from our strategic relationship with Citibank and increased engagement with our other bank partners in Singapore. As we highlighted in the Q1 release, single premium sales reduced following lower overall sales in the broker channel.

AIA continues to be the leader in Singapore's protection market. To complement our protection focus, we launched an innovative 2-in-1 long term savings product that combines smoothed returns from participating savings with a unit-linked investment portfolio to optimise overall returns. Our market-leading AIA Vitality wellness programme has continued to be positively received, with a customer take-up rate of more than 50 per cent on all eligible products.

Moving now to Thailand, VONB was up 4 per cent. We are committed to further improving the quality of our market-leading agency distribution. We continued our selective approach to hiring new agents, with results from our Financial Adviser recruitment programme demonstrating increased productivity levels.

At the same time, we have made a significant investment in expanding our training capabilities, including induction programmes and ongoing professional development for existing agents. As a result, our number of agents qualified to sell unit-linked insurance continued to grow strongly – up by 65 per cent compared with the first half of 2015 – with AIA accounting for over 80 per cent of total qualified agents in Thailand.

Our focus on product quality sets us apart from the broader market. We are the market leader for protection business, and we have just launched our AIA Vitality wellness programme to further differentiate our product proposition and strengthen engagement with our customers.

Now turning to China. AIA China once again delivered an excellent set of results. VONB grew by 56 per cent, driven by a significant increase in active agents, continued strength in agent productivity and our high-quality product mix.

We continued to recruit selectively with strict validation standards, and we have enhanced the professionalism of our agency force through rigorous development programmes. This has increased our number of active agents by more than 40 per cent in the first half.

Our strong distribution capabilities have driven the success of our All-in-One series of protection products. We continued to expand our product range in the first half with a new multi-pay critical illness rider, alongside a successful campaign to encourage existing customers to upgrade their coverage. We also launched new products to meet the needs of the fast-growing affluent customer segment in China.

The result of our differentiated growth strategy is clear, and sets AIA apart in the industry. Our focus on the provision of regular premium protection cover embedded across our product range, combined with the professionalism of our distribution, drives high-quality growth. Around two-thirds of our earnings came from insurance and fee-based profits. This high-quality source of earnings underpins our track record of growth across market cycles. VONB is up 9 times since the first half of 2010, and OPAT is up more than 5 times. We are very well-positioned to capture the significant upside from the vast protection gap and long-term saving needs of this large and growing market.

In closing, Gordon, Bill and I remain confident that we will continue to build on our track record of success to deliver sustainable profitable growth in each and every one of our markets.

Let me now hand back to Mark. Thank you.

Mark Tucker, Group Chief Executive and President:

Thanks, Keng Hooi.

Taken together, the strong fundamentals in the region, the resilience of our business model and our unrelenting management focus on shareholder value have enabled us to deliver consistent and sustainable results despite macroeconomic, political and financial market volatility.

As you can see here, over the last 6 years there have been many ups and downs – US monetary policy, growth in China or the continuing uncertainty over the future of the Eurozone. Throughout all of this, we have remained focused on managing the business and executing effectively.

Through aligning our strategy with the fundamental social and economic needs of the region and increasing our engagement with customers through new and innovative solutions, we are embedding our activities more deeply into the economic growth and prosperity of Asia.

AIA remains exceptionally well-positioned to benefit from and contribute to demographic, social, and economic progress right across the region. We play two important roles in helping to make this happen. We expand capital markets through directing more than 118 billion dollars of investment into local financial markets, and through pooling premiums at the rate of 20 billion dollars a year, all exclusively in Asia Pacific. We do this by providing the social benefits that Asia needs. While we insure over 1 trillion US dollars in total sums assured, there remains both a mortality protection gap and an infrastructure funding gap estimated to be 51 trillion and 8 trillion dollars respectively.

We are committed to helping millions of people across the region live longer, healthier and better lives. Most importantly, through creating shared value with the communities we serve, we believe that we can build even greater shareholder value, and we are truly only at the very beginning of this journey.

In closing, we have delivered an excellent set of interim results. Our objective is to achieve large-scale and profitable growth, generating superior and sustainable value, and increasing returns to our shareholders. We will do this by relentlessly focusing on the execution of our strategy. We are in the right place with the right people at the right time, and 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 now I’m very happy to take any questions.