

AIA Group Limited 2017 Interim Results

Analyst Briefing Presentation – Transcript

28 July 2017

Ng Keng Hooi, Group Chief Executive and President:

Good morning and welcome. I'm very honoured to be here today for the first time as Group Chief Executive of AIA. I am also delighted to be presenting an excellent set of results for the first half of 2017. AIA is an exceptional company with unique culture. We have a strong management team, a great business model and tremendous opportunities for growth across our markets. And, importantly we have a clear strategy that is working well with a strong track record of execution and we have ambitious priorities for the future growth of the business.

Our teams are already working hard on our priorities and you will have seen this morning that we have again delivered strong double-digit growth across all of our main operating financial metrics. Let me share some of the highlights with you. In the first half of 2017, VONB grew by 42 per cent to nearly 1.8 billion dollars. IFRS operating profit increased by 16 per cent to 2.3 billion, and underlying free surplus generation was up by 13 per cent also to 2.3 billion dollars as well as an excellent operating performance, EV Equity increased to 47.8 billion dollars. Our solvency ratio for AIA Co. was very strong at 427 per cent, and we increased our interim dividend by 17 per cent. We have achieved a number of milestones in this first half, VONB has exceeded 1.5 billion dollars, IFRS operating profit is above 2 billion and EV operating profit is more than 3 billion dollars for the first time.

Today's results are the direct outcome of exceptional businesses operating in the right markets with our excellent people working closely together to execute our strategy. This is a unique combination and one that has delivered superior profitable growth, strong earnings and free surplus generation.

We are going to divide the rest of the morning as follows:

Garth Jones our Group CFO will present our financial results in detail. Our Regional Chief Executives will take you through the performances of our local markets. I will then come back at the end to talk about our outlook and priorities before Q&A. But first, let me introduce our three Regional Chief Executives - Jacky Chan, Bill Lisle and John Cai. All three are very experienced in the industry with more than 80 years in total and have played a significant role in AIA's success to date. Most of you already know Bill. He has been an RCE for the past two years and was previously Chief Executive of AIA Malaysia. Jacky and John have successfully led our businesses in Hong Kong and China through a period of very impressive growth and have been appointed as RCEs from the first of June. The fact that they are both internal appointments highlights the quality and depth of AIA's leadership teams across the region and our commitment to developing internal talent. Our strong track record of value creation has been built collectively by our exceptional teams executing our strategy through many cycles. One of AIA's key competitive advantages is our people and our senior leaders are energising their teams across the region to deliver a strong 2017 and beyond. Now, let me hand over to Garth.

Garth Jones, Group Chief Financial Officer:

Thanks Keng Hooi and good morning everyone. I am very pleased to report that AIA has delivered another excellent start to the year with record value of new business growth, a strong increase in IFRS earnings and a higher interim dividend.

VONB grew by 42% to close to 1.8 billion dollars. EV operating profit increased by 21% to 3.5 billion dollars driven by profitable new business growth and the prudent management of our in-force portfolio. This in turn has generated IFRS earnings growth, with OPAT up by 16% and an increased ROE to over 14%.

Underlying free surplus generation increased by 13% and the solvency ratio for AIA Co. was 427%, benefiting from growth in earnings and positive mark-to-market movements.

The Board has declared a 17% increase in the interim dividend, reflecting the strength of our financial results as well as our confidence in the future. Our overall financial performance in the first half of 2017 has once again demonstrated AIA's ability to deliver strong and consistent results across all of our main financial metrics.

I will now go through each of these areas in more detail. VONB was up 42% reflecting the value of our focus on achieving large scale profitable growth through investing capital with financial discipline. New business sales volumes had a very strong start to the year with ANP up by 37% to 3.2 billion dollars, exceeding 3 billion dollars in a half year for the first time. VONB margin also increased by 1.8 percentage points to 54.2%. VONB includes a deduction of 105 million for group office expenses and the cost of additional reserving and capital requirements under the Group's Hong Kong consolidated basis.

The continued execution of our Premier Agency strategy has once again been an important driver of our growth. Agency VONB increased by 35% to over 1 billion dollars accounting for two-thirds of the Group's total VONB in the first half. We have recently announced that AIA has once again been ranked as the number one company for MDRT members globally.

AIA is the only company to have achieved this for three consecutive years. We saw significant growth of 46% in MDRT membership compared with the prior year and each of our agency markets achieved at least double-digit growth in MDRT once again reflecting the depth of professionalism of our agents across Asia. Our Partnership business had an excellent start to the year with 45% growth in VONB and continues to provide an important and growing source of new business for AIA. This was driven by the successful execution of our strategic bancassurance partnerships together with an exceptional performance from our retail IFA business particularly in Hong Kong. You can see that the excellent growth we have delivered is the outcome of strong and consistent performances across each of our distribution platforms.

AIA has significant opportunities to deliver organic growth at attractive returns for shareholders. We are disciplined in how we deploy capital, focusing on value and returns rather than purely managing the top line. The IRR on new business was up by 21% in the first half reflecting increased participating business within the product mix. New business margin on a PVNBP basis increased to 10% with largely positive movements across the different product categories, and VONB margin was higher by 1.8 percentage points overall to 54.2%. We do not have a specific objective of growing the absolute levels of IRR each year given the strong returns we are already achieving but we do continue to focus on selectively writing new business if risk adjusted returns on capital are attractive. This is what optimises value for our shareholders.

Our strong platform and our broad regional presence allow us to meet the substantial need for our products and services across the region. Each of our markets shown here delivered first half VONB of more than 100 million dollars for the first time. Our Other Markets delivered growth of 36% and moved up to be the third largest VONB contributor in the first half, with all 8 countries in our Other Markets segment delivering positive VONB growth. The strength of our performance in the first half demonstrates the benefit of AIA's broad portfolio of growth markets. You can see the positive benefits of this effect with the Group VONB result up by 42% overall.

Our positive operating experience reflects the quality of our distribution and the long-term nature of our business. Persistency has remained strong since IPO and was around 95% in the first half of 2017. Mortality and morbidity claims variances were once again positive at 126 million dollars demonstrating our pricing discipline and the proactive management of our in-force book.

In addition to investing in our significant opportunities for growth, we continue to focus on prudent expense management and have reduced our Group expense ratio by a further 40 basis points to 7.6%. Overall operating variances since our IPO now total close to 1.3 billion dollars in aggregate.

EV Equity increased by 4.2 billion dollars over the first half to 47.8 billion. The combination of excellent VONB growth and strong operating performance generated a 21% increase in EV operating profit to 3.5 billion dollars. We benefited from investment return variances of 1.2 billion reflecting positive capital market movements over the first half. And half a billion dollars of other non-operating items included the positive effect of foreign exchange movements compared with the start of the year. The dividend cost of 983 million shown here represents the payment following the 25% increase in the final dividend in 2016. Our closing EV Equity of 47.8 billion dollars is after a deduction of 3.9 billion for the present value of group office expenses and the cost of additional reserving and capital requirements under the Hong Kong basis.

Growth in new business profitability is an important driver of EV operating profit which is up by 2.9 times since the first half of 2010. This has generated significant growth in return on EV up by 520 basis points to 17.1% from 11.9% and this is with the EV increasing by more than 24 billion dollars over the same period.

In calculating EV, we use spot market interest rates and trend over time to our long-term assumptions, which reflect market forward rates. 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. As you can see on the left hand side our long-term assumptions have remained prudent over time. Cumulative investment variances have exceeded 1 billion dollars since 2010. And you can see from the sensitivities that we continue to be resilient against short-term market volatility.

We have said many times that we manage business delivery year-on-year rather than month by month or quarter by quarter and in this way, we continue to drive long-term sustainable growth and shareholder value creation. You can see that the scale of the absolute levels of growth and the compounding effect of consistent year-on-year performance has delivered a strong track record of growth over time.

Turning now to our IFRS results. Operating profit after tax grew by 16% to 2.3 billion dollars building on the 14% growth in the first half of last year. TWPI increased by 21% reflecting the strong underlying growth we have delivered across our businesses and our expense ratio was lower at 7.6% as previously highlighted. Our operating margin continued to be very strong at 18.4%.

AIA's earnings benefit from a high proportion of insurance and fee-based profits which are less dependent on interest rates and overall investment returns and therefore more resilient through market cycles. Since IPO we have grown insurance based earnings at more than twice the rate of spread based earnings. This attractive profile of sources of profit continues to reflect the quality of the new business we are writing and the active management of our in-force book.

This slide clearly highlights the scale of our operations with each market segment contributing more than 100 million dollars of earnings in the first half. Together with our high-quality sources of earnings this slide clearly highlights the scale and diversification underpinning the resilience of our strong earnings growth. Strong profitable new business growth over time supports corresponding IFRS earnings growth and this has begun to translate into an increased ROE. You can see the lagged effect of this dynamic coming through since 2012 on the bottom right hand chart with ROE currently standing above 14%. Our objective is to continue to drive profitable new business growth, strong earnings and free surplus generation. This progress is ongoing as we deploy capital to fund increasing levels of profitable new business driving earnings higher and increasing ROE.

Shareholders' allocated equity provides a clearer reflection of the underlying drivers of the change in equity before the IFRS accounting treatment of AFS bonds. The increase in shareholders' allocated equity to 32.2 billion dollars was mainly driven by strong operating profit after tax growth and positive investment variances less the payment for shareholder dividends of close to 1 billion dollars.

As I said earlier, the high-quality sources of earnings that AIA generates together with our geographically diverse portfolio underpins the resilience and sustainability of our earnings growth. Our disciplined strategy of focusing on value and consistently looking to improve the quality of our portfolio has delivered a strong track record of sustained growth in earnings since IPO. This, in turn, has begun to translate into higher ROEs.

Before I move on to the next slide, I wanted to take a moment to update you that we have been working on aligning our current November financial year end with the calendar year. This will reduce the duplication of

effort for statutory reporting, help comparability with global peers, and better position us for IFRS17 implementation. We will not make any changes this financial year but are considering doing so as early as the 2018 financial year. Now moving on to capital and dividends.

The Hong Kong solvency ratio for AIA Co. our principal regulated operating company has remained strong at 427%. The increase was largely driven by growth in retained earnings and positive capital market movements partly offset by dividends to the holding company, AIA Group Limited. We also recently received a ratings upgrade from Moody's and a rating from Fitch for the first time, at AA.

Our asset allocation strategy is driven by our liability cash flow matching approach. We also match our assets and liabilities in local currencies. We have a prudent investment portfolio. The investment mix and the credit quality of our bond portfolio has remained stable over time with an average credit rating of single A. Taken together, this demonstrates the high-quality nature of our investment portfolio and differentiates AIA from many others in the industry.

China is a good example of this. As you will hear from John later, 80% of our IFRS operating earnings in China come from insurance profits and fees. Our asset allocation in China is again driven by our liability cash flow matching principles. You can see that 90% of our assets are in fixed income – with 84% of the bond portfolio in governments or government agency bonds. The overall asset portfolio is well diversified with insignificant investments in alternative assets.

Our aim is to maintain a prudent balance sheet taking into consideration the financial flexibility needed to fund our significant new business growth opportunities and support our prudent, sustainable and progressive dividend policy and we look to do this through capital market stress conditions. We generated 2.3 billion dollars of underlying free surplus and we invested 621 million into new business growth. Investment variances, exchange rates and other items in total were positive and amounted to around half a billion dollars. As with our VONB and EV numbers, it is worth noting that all of the figures shown here are after allowing for additional reserving and capital requirements under the Hong Kong basis.

As I said earlier, AIA has significant opportunities to invest capital in organic growth at attractive returns for shareholders. We have demonstrated this consistently over the past six and a half years. New business strain has reduced as a percentage of VONB, at the same time as achieving strong growth in profitability. While we have been clear that new business strain reduction in itself is not our objective we are disciplined in how we choose to deploy capital.

The Board has declared an interim dividend of 25.62 Hong Kong cents per share a 17% increase compared with 2016 and 2.3 times our initial interim dividend in 2011. The increase reflects both the strength of our financial results and our confidence in the future prospects of the Group. The Board intends to follow our established prudent, sustainable and progressive dividend policy allowing for future growth opportunities and the financial flexibility of the Group.

In closing, the Group has delivered another excellent start to the year. We have followed our principles of investing capital at attractive returns to generate substantial growth in new business value. In turn, this is driving strong increases in IFRS operating profit and a higher ROE. We also generated increased capital and free surplus from the management of our in-force book, maintained our resilient solvency position, financed our growth and increased our dividends once again. Our results have consistently demonstrated our ability to deliver strong and resilient performances through market cycles.

I will now hand over to Jacky, Bill and John who will share with you the excellent progress.

Jacky Chan, Regional Chief Executive

Thank you Garth. Good morning everyone. I am very pleased to be here today for the first time presenting the performance of our markets in Hong Kong and Singapore. By way of introduction, I have been with AIA for 29 years with the past 8 years as CEO of Hong Kong before becoming a Regional Chief Executive in

June. AIA is an exceptional company and has an unparalleled platform across Asia. I am looking forward to working with all of the local teams across my markets to share best practices and to continue our discipline of managing our businesses for profitable growth. Let me now take you through the first half results of Hong Kong.

AIA Hong Kong delivered another excellent performance with VONB up by 54 per cent. ANP grew by 72 per cent, as we benefited from strong growth across a number of different customer segments and all distribution channels. VONB margin remained strong at around 48 per cent, in line with the margin reported in the 2016 full year results. Agency delivered excellent growth, benefiting from consistent execution of our Premier Agency strategy focused on quality recruitment and improving productivity. This has contributed to a 17 per cent increase in the number of new recruits in the first half with two-thirds aged 35 years or under. We also made significant progress in raising agent productivity with ANP per active agent growing by 30 per cent. Our registered MDRT members increased by more than 40 per cent to over 3,700 MDRT members. In addition, Partnership Distribution generated significant VONB growth. Our retail IFA channel had an exceptionally strong first half and, as such, we would expect some normalisation of growth rates in the full year for the channel. Our bancassurance partnership with Citibank also delivered a strong performance with high double-digit VONB growth. AIA is the market leader in protection insurance in Hong Kong and our position has been further strengthened since the launch of AIA Vitality. We have also extended this wellness programme to our group insurance clients to help their employees lead a healthy lifestyle. In summary, our Hong Kong business delivered excellent results and high-quality growth. Now, moving on to Singapore.

AIA Singapore delivered VONB of 135 million US dollars in the first half. Growth in regular premium protection business was offset by lower single premium sales through the broker channel. This reflects our decision not to chase market share but proactively manage our product mix in this channel with financial discipline, as we previously reported. IFRS operating profit grew by 12 per cent, reflecting growth in our in-force portfolio. AIA has the leading agency business in Singapore in terms of weighted new business premiums. We will continue our focus on executing our Premier Agency strategy and using technology to support our agents. More than 85 per cent of new business applications were submitted through iPoS in the first half. We delivered double-digit VONB growth in our strategic partnership with Citibank, and we see significant potential from the bank's affluent customer segment that is largely untapped. AIA is the industry leader in protection in terms of both new business and in-force sums assured. AIA Vitality has gained further traction in the market with VONB from integrated protection products up more than three times this year.

In closing, I look forward to executing our strategy to drive strong performances and deliver sustainable results. Thank you very much and now let me hand over to Bill.

Bill Lisle, Regional Chief Executive

Thank you Jacky and good morning everyone. Today, I am going to update you on the progress we have made in Thailand and also our Other Markets. Before going into the details of Thailand, this photo shows AIA Cambodia's public launch concert in May which was attended by over 18 thousand people. In addition, more than 2 million people viewed the launch related videos on our local Facebook page. This market is AIA's first green field launch since our IPO. We look forward to updating you further as we build scale in this exciting new market. Now let me move to Thailand.

AIA Thailand reported VONB of 173 million dollars. Our Premier Agency strategy maintains a clear and consistent focus on enhancing the professionalism and productivity of our agents. This is driven by our Financial Advisor programme, encompassing selective recruitment of young, highly educated candidates supported by best-in-class training while we proactively reduce the number of inactive agents. New recruits through the programme grew by 34 per cent in the first half and they were 25 per cent more productive than the average recruit. AIA Thailand continues to rank first in the number of registered MDRT members in the country, reflecting our focus on quality and the market-leading position in Agency distribution. In summary, transforming an Agency of this scale takes time however as we have done before, I will ensure the execution of this key strategy will be relentless. Now turning to our other markets.

Our Other Markets delivered excellent VONB growth of 36 per cent in the first half. Let's look at the key highlights, starting with Australia.

AIA's Australian business continued to deliver strong double-digit growth. We maintained our leadership position in the retail IFA market, and delivered excellent growth in the group insurance business as we focused on the profitable retention of our major clients. We also expanded our business scope through a new joint venture with an Australian health insurance provider and Discovery Limited, our AIA Vitality partner. A new health brand myOwn was launched under this JV that offers health and life insurance products integrated with AIA Vitality. This enables us to bring Life, Health and Vitality together which would be a first in the market to financially protect and improve the health and well-being of Australians. Moving on to Indonesia.

Our Agency business in Indonesia delivered strong double-digit VONB growth in the first half. Agency VONB margin was higher due to a positive shift in product mix, driven by our focus on protection sales to affluent customers. Since renewing our long-standing partnership with BCA in February, we have launched new products and focused on the recruitment of additional in-branch insurance specialists across the bank's distribution network. Turning to Korea.

Our Korean business delivered VONB more than double the first half of 2016, from strong performances in both our Direct Marketing and Agency channels. VONB margin has also increased with a positive shift in product mix with excellent growth in protection riders. Our Direct Marketing business has benefited from the recruitment of telesales representatives, which increased 37 per cent since last year and improved retention and productivity of our TSRs along with the addition of new sponsors. We also continued to focus on quality recruitment and improving the product mix of our Agency distribution. There is now strong momentum in the business with a number of initiatives being progressed to further improve distribution and operating efficiency. Moving to the Philippines.

Our business in the Philippines delivered strong VONB growth. The successful implementation of our Premier Agency strategy has increased the number of active new agents by more than 30 per cent through our focus on quality recruitment. Our joint venture with the Bank of the Philippine Islands continued to rank first in the Bancassurance market and also delivered strong VONB growth in the first half. Now, turning to India.

Tata AIA Life delivered excellent results through its multi-channel distribution platform and continued to focus on capturing significant market opportunities from the protection gap in India. As a result we have moved from number 17 in the market by new business two years ago, to number 6. We further grew our business through building a differentiated Agency platform with an emphasis on selective recruitment, high-quality training and the use of our iPoS technology. By focusing on strategic partnerships with Indusind Bank and Citibank, our profitable Bancassurance business grew strongly now accounting for more than half of our production in India. And finally, Vietnam.

AIA Vietnam continued to generate excellent VONB growth in the first half. VONB margin was higher as a result of increased sales of protection riders. We achieved further success in the execution of our Premier Agency strategy, which delivered more than 30 per cent increase in Active Agents. Our sustained, strong delivery over the last few years has enabled AIA Vietnam to grow its VONB by more than 12 times since IPO.

Thank you very much and now let me hand over to John.

John Cai, Regional Chief Executive

Thank you Bill and good morning everyone. I'm very pleased to be here again. Let me now share with you the excellent results from my two larger markets beginning with Malaysia. AIA Malaysia once again delivered excellent VONB growth, up by 24 per cent. Premier Agency remains an important driver of our results. Our career development programme continued to attract high-calibre recruits contributing to a 26

per cent growth in the number of active new agents in the first half. Our active Takaful agents increased by 50 per cent and AIA is now a leading provider in this market since our launch three years ago. Partnership distribution business delivered another strong result with double-digit VONB growth from our strategic bancassurance relationship with Public Bank. AIA was the first company globally to integrate health and wellness benefits with unit-linked life insurance and Takaful solutions through AIA Vitality. We expanded our programme in the first half to selected corporate clients to further differentiate our leadership position in the group insurance market in Malaysia. Moving now to China.

AIA China has delivered another excellent performance with VONB up by 65 per cent. It is also worth highlighting that first-half earnings exceeded 300 million dollars for the first time and we remitted close to 150 million dollars to the Group. Our continued focus on quality recruitment has led to an increase of more than 40 per cent in our number of active agents. The latest version of iPoS launched in the first half has reduced the time taken for a full face-to-face sales process – including underwriting and issuance of policy – from days to minutes. Together with our best-in-class training, this has helped our active new agents achieve a 28 per cent increase in productivity in the first half. We launched our new wellness programme in China earlier this year. The initial take-up has been strong and this will reinforce our position as the protection provider of choice in the Chinese market.

Before I hand back to Keng Hooi, let me remind you of AIA's significant growth potential in China and what makes us different to the industry. The 5 regions we operate in represent more than 3 trillion dollars of GDP. We estimate there will be a total of 225 million middle class customers in our footprint by 2030 this is equal to the total population of the world's 5th largest country today. And life insurance penetration in China remains very low, it is set to double in 2020 and double again by 2030. AIA is uniquely placed to capture the enormous opportunity this provides.

I showed you our track record in Guangdong at the full year – and you can see the same dynamics happening to our Jiangsu business. With GDP of more than 1.1 trillion dollars, Jiangsu is the second-largest economy in China – just behind Guangdong. GDP per capita has grown sharply to stand at 14,000 dollars, the highest average level amongst all provinces in China. This economic growth has been led by the largest urban centres of Suzhou and Nanjing. As you can see in the chart on the left hand side, these two cities generated nearly all of our VONB in Jiangsu in 2010 and have grown substantially since then. As other cities reach economic lift off, their growth follows a similar pattern and contributed to one quarter of Jiangsu's VONB in the first half. Together all of these cities have driven an increase in VONB of 16 times since the full year 2010. And as I showed you on the previous slide, this wealth effect is happening right across our footprint in China.

Our Premier Agency strategy enables us to continue to capture this enormous opportunity. We have the most productive agency force in the industry – VONB per agent is more than 3 times industry average with average incomes growing more than 5 times since IPO. Our full-time professional agents provide high-quality advice and are better able to serve the needs of our customers. This provides AIA with a higher-quality mix of business. You can see that 86 per cent of our VONB in the first half came from traditional protection business. This is driving a high-quality source of earnings with 80 per cent from insurance and fees rather than interest-rate sensitive spread business. This sets AIA apart in the market enabling us to access the significant opportunities for growth, for many years to come.

In closing, Jacky, Bill and I are confident that we will continue to build on our strong track record of success and deliver sustainable growth in each of our markets. Let me now hand back to Keng Hooi.

Ng Keng Hooi, Group Chief Executive and President

Thank you John. As you have just seen, our Regional Chief Executives have very demanding agendas and are clear on what they need to do. Let me close by reminding you why AIA is such an exceptional company and share my views on our capabilities and priorities. I will cover four key points here.

The first is the scale and resilience of AIA's extraordinary growth opportunities in Asia. The second is the strength of the Group and why we are uniquely positioned to capture these opportunities. The third is to share our strategic priorities. You will see consistency of strategy strong execution and financial discipline as key takeaways. And finally, I will talk about sustainability and our track record which is the direct outcome of all of the above combined.

AIA has tremendous future growth opportunities. Asian economic growth remains strong and resilient. By 2020 the cumulative new GDP in Asia is expected to be 5 times larger than the growth in the US, 21 trillion dollars in total and exceeding the size of the entire US economy today. What is even more important is how the pattern of spending changes with wealth creation. Spending doesn't rise linearly with increasing incomes, there is a step change when it crosses certain levels. This is why expenditure on financial services in an economy accelerates as people become wealthier. This shift is well under way across our markets. And what makes this so compelling for Asia and for AIA is the sheer size of the populations where this is happening. The urban population across the region is close to 2 billion people and the total population exceeds 4 billion. This compounding effect of increasing affluence and changes in spending pattern is leading to a step change in life insurance penetration and creating a potential life market 17 times the size of Asia today and 7 times larger than the G7. This highlights the significant growth potential for Asian life insurance and particularly for AIA with our 100% focus in the region.

So how do we capture these huge growth opportunities? AIA is uniquely placed in the right markets with a diverse and strong platform for growth. We have built significant capabilities over our long history in the region from our distribution and product platforms to our leading brand and strong financial position. The scale, quality and breadth of our broad portfolio allows us to make deliberate strategic choices in how we manage the Group. We focus on the growth, capital allocation and risk reward trade-offs in each of our markets. This approach drives stronger levels of growth and profitability so that we continue to deliver value over the long term.

Our focus is on those strategic priorities that will sustain and build on our competitive advantages and make a material difference to AIA's future. The senior team has worked closely to shape AIA's strategic direction over the past 7 years and our track record of value creation has been built collectively. Over this period, we have been consistent in our focus on delivering superior, profitable growth by leveraging our platforms and leading market positions across the region. This approach will not change. However, we will continue to challenge ourselves and our strategy. Some of the priorities you see here will be the evolution of familiar themes where there is still a lot to do to take them to the next level and some are new. I'm not going to go through each point shown here but I will highlight some areas and we will update you as we make further progress.

First and foremost, we are investing in scaling up Premier Agency across our markets. There is a substantial and growing need as well as a strong customer preference for face-to-face professional advice in Asia. And there are high barriers to entry. Building on the tremendous success of our Premier Agency to date, we will continue to grow our capacity to meet this need but always with a focus on quality. We will provide our new generation of Premier Agents with state-of-the-art digital tools to help us serve our customers better and meet a greater share of their financial needs. The next major phase of iMO – our interactive mobile office – will be launched later this year. This will provide a step change in support for our agents and customers from online recruitment and training to digital leads generation as well as remote face-to-face sales. Along with our many other initiatives, this will ensure that we continue to drive material increases in the professionalism and productivity of our agents. And importantly, all of this will continue to attract the top talent to help lead our Premier Agency strategy to the next level.

We will also expand our distribution partnerships selectively and it is still very early days for a lot of our existing relationships. Many of our largest partnerships are in high-growth emerging markets and are often with the most prominent financial institutions in their respective countries. As well as having large customer bases, penetration rates are still incredibly low at around 2%. We will also continue to broaden our access to customers through non-traditional partnerships. By more deeply integrating our processes with those of our partners from in-branch insurance specialists to further building our capabilities in customer analytics.

We will drive additional growth and sustain our relationships. The upside for value creation here is significant.

In terms of product and customer, we will continue our transformation from being a product provider to a partner over time. The key to this is developing products that are relevant, personalised and reflect an individual's needs and lifestyle. This changes the way life insurance is perceived and provides a strong basis for developing a long-term relationship with our customers. Our leadership position in health and protection integrated with wellness and long-term savings is at the forefront of these developments and will continue to be our primary focus. This approach also provides opportunities to bring additional high-value products to that relationship over time as needs change. We will also support our products and services with digital technology where it can make a material difference to customer experience. From back office operations and servicing to communications and engagement with existing and prospective customers. All areas of our business will continue to benefit from our significant investments in new and more effective technology.

I passionately believe that it is our people who are key to sustaining AIA's performance. We will continue to invest in training and professional development to attract and retain the best people and drive further increases in our capabilities.

As we execute our many initiatives, we will continue our highly-disciplined approach to financial management. Our focus is on investing capital in the significant profitable growth opportunities we have and delivering prudent, sustainable and progressive dividends over time.

Many of our initiatives are already delivering strong results. This is about evolving our capabilities developing our people building on our competitive advantages and above all executing successfully. The quality of our results demonstrates the financial discipline underpinning our approach. Our focus will continue to be on delivering profitable growth using our competitive advantages to invest capital where we see attractive opportunities. You can see this has generated strong growth in IFRS profits and created a high-quality mix of earnings which in turn is driving shareholder dividends. This is a distinct advantage for AIA and the resilience of our returns over time is clear.

Our consistent track record and today's results show how we are executing our strategy. We have delivered VONB in the first half which is close to 6 times the figure before IPO. Over the same period our embedded value equity has increased by more than 25 billion dollars. Importantly our profitable new business growth is in turn driving strong earnings and free surplus generation. We have more than doubled earnings financed our growth and delivered a prudent, sustainable and progressive dividend policy as we have again demonstrated today. Throughout all these years, our people have remained focused on managing the business and executing our strategy effectively.

In closing, we have delivered another excellent set of results in the first half of 2017. AIA has immense growth opportunities and an exceptional platform. We have a clear strategy that is working extremely well. We still have a lot to do and I am tremendously excited about the future. Together we remain clear and focused on realising AIA's full potential. Thank you for listening, and over to you for questions.