AIA Group Limited 2015 Annual Results
Analyst Briefing Presentation – Transcript
25 February 2016

Mark Tucker, Group Chief Executive and President:

Good morning everyone, and welcome to our full year results presentation. I am delighted to report that AIA has delivered another very strong performance in 2015, reflecting the excellent progress we continue to make in executing our growth strategy.

I will begin today’s presentation with our financial highlights, and in 2015 you can see we have delivered another strong growth across our main financial metrics. VONB was up 26 per cent to 2.2 billion dollars, IFRS operating profit increased by 16 per cent to 3.2 billion dollars and underlying free surplus generation was 3.7 billion dollars, up by 10 per cent. In addition, EV equity was 39.8 billion dollars, and we maintained our robust solvency position at 428 per cent for AIA Co. In light of all of this, the Board has recommended an increase of 50 per cent in the final dividend, a significant upward rebasing on the prior year.

As you can see, against the backdrop of volatile financial markets, these excellent results are a direct outcome of the successful execution of the strategy that we set out and followed since IPO, a strategy that is focused on delivering superior profitable growth that in turn drives strong earnings and cash flow generation. AIA’s superb franchise, and a significant need for our savings and retention products remain resilient and enduring.

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

Our strong performance in 2015 is a direct result of our focus on the group’s strategic priorities, which are aligned with the substantial drivers of Asia’s long-term structural growth. These drivers include large and growing populations, accelerating urbanisation, rapidly rising incomes and wealth, and importantly for AIA, low levels of existing social welfare and private insurance cover.

AIA has been in the region for close to a century, and our senior management team has extensive experience in Asia through many market cycles. We have a resilient and diversified business model backed by a market-leading brand and financial strength, with the right distribution platforms and product portfolios in the right markets. It is the combination of these major competitive advantages, together with a track record of strong execution and AIA’s unique history and franchise, that gives us the confidence that we will continue to capture the very significant opportunities the region presents, remembering that this is a region that still remains, and will likely do so well into the future, the most attractive and dynamic for life insurance in the world.

I will now go through each of these areas in turn, beginning with distribution. Our Premier Agency strategy has generated excellent growth in 2015, with agency VONB up 25 per cent, agency contributing now 70 per cent of VONB growth since IPO. Our commitment to enhancing the quality of our agency distribution ensures that we develop and maintain deep and long-term relationships with our customers.

Since IPO, we have continued to invest significantly in the amount of in-house training we provide each year, and this has led to a 70 per cent increase in the number of active new agents joining AIA in 2015 compared to 2010. The growth in the number of our MDRT qualifiers has also been strong, with our operation in China in particular delivering an outstanding performance, with an increase of 71 per cent. We also announced earlier that AIA had become number one globally for MDRT members, a first for the group.

Our willingness and capacity to invest significant resources in developing our distribution at scale are unmatched, and will sustain the quality of our growth in the future.
The AIA Leadership Centre is a great example of this. We will launch, in a few weeks' time, a dedicated group-wide leadership centre based in Bangkok, Thailand, that provides best-in-class training and continued professional development for AIA agents, leaders and employees. We are partnered with the very best institutions worldwide for agency, industry and general management education, including LIMRA and GAMA, The American College, and INSEAD. With an area of well over 30,000 square feet, the AIA Leadership Centre is one of the largest technology-enabled and dedicated training and development facilities in Asia. It is truly world-class. Along with our many other training and development initiatives across the region, this will continue to ensure we drive material increases in the depth, productivity and professionalism of our people.

Partnership distribution grew by 29 per cent, and continues to provide an important and growing source of new business for AIA. Our bancassurance business again performed strongly, with VONB growth of 48 per cent. This excellent result was driven by the continued success of our local partnerships in the Philippines, in Indonesia and in Malaysia, and a significant step up in VONB from our exclusive regional partnership with Citibank. Our IFA business also continued to perform well in 2015, with VONB up by 25 per cent.

You can see on this slide that AIA has the right balance of distribution channels, geographies and products. We have a very powerful distribution engine and a diverse and strong portfolio of growth markets, with market-leading, scale positions across the region.

Protection sales are a significant proportion of our product mix, and really have been the main driver of our growth since IPO. This has been complemented by our move towards high quality long-term savings products with embedded protection across the product categories. It is our ability to sell the right products and the right mix that has enabled us to meet our customers’ needs and provide us with resilient new business growth through market cycles.

The high quality of our distribution and product platform is further enhanced by new ways of engaging with our customers, and here AIA continues to lead the way in Asia. AIA Vitality is a great example of this. AIA Vitality offers our customers access to valuable wellness activities, and incentivises them to participate by offering attractive discounts on their insurance premiums, as well as a wide variety of third party providers. The enormous potential for changing the way customers perceive life and health insurance, and the quality and frequency of engagement with our customers is significant, and further differentiates AIA. AIA Vitality is the first and only full-scale wellness platform in the region. We have launched in Hong Kong, Singapore, Australia and the Philippines, and plan to launch in three more countries over 2016.

Our focus on the provision of protection cover embedded across our product range, combined with the quality of our distribution, is driving high-quality earnings for AIA. As you can see on this slide, the first time we have disclosed, around two-thirds of our earnings come from insurance and fee-based profits. This is a distinct advantage for AIA, and differentiates us from our peers both in the region and globally. This high-quality source of profit underpins the resilience of our earnings across cycles.

Our strategy is to deliver significant growth in profitable new business, with strong returns and with improving capital efficiency over time. This in turn drives growth in earnings, cash flow generation, and ultimately increased shareholder dividends. The upward rebasing of the final dividend by 50 per cent is a direct outcome of the profitable growth strategy that we set out and have executed on since IPO. We are confident that we will continue to deliver significant growth – growth remains our top priority – and that more can be done in the future to optimise returns for shareholders.

2015 has been another year of strong execution. The headline figures you see today are further evidence of our success in driving long-term sustainable new business growth, and while we are not immune to capital market movements, our continued strong performance has been delivered through equity market volatility, falling interest rates, and foreign exchange depreciation. As a team we have achieved a great deal since our IPO, but as I have said many, many times before, we are still at a very early stage in a long, long journey, and we remain focused on realising AIA's full potential.

I would now like to hand over to Garth, who will take you through the detailed financials. Garth.
Garth Jones, Group Chief Financial Officer:

Thanks Mark. Good morning everyone.

AIA has delivered excellent growth across all of our key operating financial metrics, with record new business value, strong growth in earnings, and a step up in the final dividend. VONB grew by 26 per cent and was over 2 billion dollars for the first time. EV operating profit was up 17 per cent to over 5 billion dollars, a significant uplift from last year. IFRS operating profit after tax grew by 16 per cent to 3.2 billion dollars. Underlying free surplus grew by 10 per cent, and our solvency ratio remained very strong at 428 per cent.

The Board has recommended a substantial step up of 50 per cent in the final dividend, reflecting the quality of these results and the strength of the underlying business. As Mark said, this significant increase is a direct outcome of the profitable growth strategy that we set out clearly and have followed since IPO, combined with our focused operational delivery and our disciplined financial management. In particular, our strategic focus on growth in long-term regular premium new business has driven strong earnings and cash generation. You will see the benefits of this approach throughout our results, and it is fundamental to our past and future ability to produce sustainable and high-quality earnings growth.

I will now go through our full year results in more detail. We have provided growth rates for our key operating metrics on constant exchange rates, as this provides a clearer view of the underlying performance of the business.

VONB growth was 26 per cent for the full year, reflecting our focus on total value creation and consistent execution over time. VONB is shown net of a deduction of 192 million dollars for the cost of holding additional capital and reserves under the Hong Kong solvency basis and unallocated Group office expenses. ANP was up by 14 per cent to 4 billion dollars, and VONB margin increased by 4.6 percentage points to 54 per cent. The quality of our new business remains a top priority, with around 90 per cent from regular premium sales. When combined with our high persistency levels, this builds scale and high-quality earnings steadily over time.

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. We have delivered consistently strong and resilient performances during the past six years under many different macroeconomic and market conditions. You can see that VONB in 2015 is more than three times the amount in 2010, and is greater than the whole of 2011 and 2012 combined.

The PVNBP margin was 9 per cent, up from 8 per cent, and with an increase across the main product categories. You have heard us say many times before that we focus on total VONB growth rather than volume or margin alone, given the strong IRRs we achieve. This is what optimises value for our shareholders.

This slide shows a more detailed breakdown of the VONB margin change over the year. The main drivers of the increase were our active management of the product mix, ongoing repricing actions, and new product launches. This is again a direct result of our focus on long-term regular premium business. The influence from geographical mix was positive and benefited from strong growth in our higher margin markets. Channel mix, economic effects and others were neutral overall.

Our business has delivered strong growth across the board, and our growth is not dependent on any single market. Each of our markets other than Korea produced double-digit increases in VONB. Hong Kong had another very strong year and grew by 32 per cent, Thailand grew by 15 per cent, and China had another excellent year to become our third largest market, with VONB up by 45 per cent. Malaysia and Singapore also delivered strong performances, with VONB growth of 27 per cent and 24 per cent respectively, and our Other Markets delivered excellent results, with VONB up by 32 per cent. Our broad geographical reach allows us to meet the substantial customer needs for our products and services across the region; this diversification, and the consistency of the performances shown here, are major factors in our confidence in
the sustainability of our results.

Let me now turn to embedded value equity. EV equity was 39.8 billion dollars at the end of the year. EV operating profit was up by 17 per cent to 5.1 billion dollars. This substantial growth was due largely to the significant increase in VONB, which now contributes 43 per cent of EV operating profit. Operating variances were again positive at 248 million dollars, demonstrating the prudence in our assumptions and the active management of our in-force book. Investment return variances were negative 1.7 billion dollars – mostly from the significant movement in equity markets in the second half of 2015 – and foreign exchange and other movements were negative 1.8 billion. The total dividend paid in 2015, which includes the 2014 final plus the 2015 interim dividend, was up by 18 per cent to 814 million dollars. Our EV is shown after a significant deduction of 4.5 billion dollars for the cost of holding additional capital and reserves under the Hong Kong ICO basis and the present value of Group office expenses.

Looking further at our operating experience, persistency has been stable at around 94 per cent since IPO. This reflects the long-term nature of the products we write and the quality of our distribution. The Group has one of the lowest expense ratios in the industry, notwithstanding this, we continued the trend since IPO and reduced our expense ratio by a further 20 basis points to 8.3 per cent. Operating variances have been consistently positive, with the 2015 figure of 248 million arising mainly from better-than-assumed claims experience. This is the fifth consecutive year that our operating variances have been over 100 million, giving close to three-quarters of a billion dollars over the past five years.

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 and then trend over time to our long-term assumptions. On this slide, we have again shown a comparison since IPO between our weighted average long-term assumptions for 10-year government bonds and the corresponding market forward rates at each point in time. We also have an independent actuarial firm assess our EV on a market consistent basis using spot risk free rates, and they confirmed 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 this slide also shows the sensitivity of our embedded value to a 50 basis point parallel movement in interest rates across the whole yield curve, and equity movements of 10 per cent.

This slide illustrates the sensitivity of our reported EV and VONB to currency movements. We closely match our assets and liabilities 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 a large portion of our business is conducted in US dollars, and you can see this on the next slide.

90 per cent of the 7.8 billion dollars of capital held at the Group Corporate Centre is invested in US dollar assets. On the right-hand side you can also see the composition of the assets and liabilities of our Hong Kong business. Close to 90 per cent of our business in Hong Kong is written in US dollars, and this business is backed by US dollar assets. We therefore do not have a currency mismatch between our Hong Kong business assets and liabilities.

Turning now to our IFRS results. Operating profit after tax grew by 16 per cent to 3.2 billion dollars. Our operating margin also increased by 1.3 percentage points compared with 2014, and is up by over 3 percentage points since 2010 from positive changes to product mix and close management of expenses. We have provided a new disclosure today which shows the sources of our IFRS operating earnings. As I said at the beginning, our strategy has been 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 and therefore more resilient through market cycles. Together with our geographically diverse portfolio across the region, this slide clearly highlights the resilience of our earnings.

Another way of looking at this is through the breakdown of growth in our operating profit over the year. You can see from this slide that over 80 per cent of the increase in operating profit before tax came from insurance profits and fees. Given the external environment experienced during 2015, this reinforces and
demonstrates the points I made on the previous slide regarding the resilience and quality of our earnings.

Investment income increased to 5.6 billion dollars, and our investment yield remained stable at 4.6 per cent, reflecting the long-term nature of our investment portfolio. The total investment return of 4.1 per cent reflects the investment yield, together with the mark-to-market performance of equities. 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.

AIA has a conservative investment portfolio, with over 40 per cent of our bonds held in governments and agencies while 56 per cent are in corporates. The investment mix and credit quality of both our overall portfolio and our corporate bond portfolio has remained stable over time. The weighted average rating of our corporate bond portfolio is A-. You can see that we have less than 1 per cent of our bonds in structured credits and securitised debt. Eurozone banking sub-debt is just 56 million dollars, or 0.05 per cent of the fixed income portfolio. Exposure to high yield oil and gas is 0.9 per cent, of which over 90 per cent is in national oil companies, and of the remaining exposure the riskiest sectors of exploration and production, and also field services, are less than 45 million dollars, or 0.04 per cent of the portfolio. Exposure to China high yield real estate issuers is 58 million dollars. From these slides you can clearly see 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 before currency volatility and the IFRS accounting treatment of AFS bonds. The increase in allocated shareholders’ equity was mainly driven by operating profit after tax of 3.2 billion dollars, less the increased dividend payment. Over 2015, allocated equity grew by 8 per cent to 26.4 billion dollars.

In our previous results presentations, we indicated that we would review our definition of IFRS operating profit in comparison with our global peers. We have decided to make a simple presentational change starting from financial year 2016. The revised approach is consistent with how normalised earnings forecasts work, and will increase the comparability of our results with those of our global peers. The approach to fixed income remains unchanged. Investment returns on equities and properties will move from purely an income yield to include expected gains. This means that we adopt a long-term investment approach consistently across IFRS and EV operating profit. Importantly, this better reflects how we manage the business, particularly in the areas of investment management, pricing and policyholder bonus declaration. As I said earlier, this is purely a presentational change; it has no impact on IFRS net profit or any of the individual items in the P&L. It also has no impact on cash, remittances or free surplus generation. We have provided comprehensive historical disclosures in the packs.

Pro-forma IFRS operating profit after tax is 3.6 billion dollars under the new presentation. This includes the expected long-term investment return on equities and property, and is similar to the approach shown under EV reporting. The effect of the change in 2015 shown here of 347 million compares closely to the historic average net gains each year since IPO from equities of 333 million dollars. You can see that IFRS net profit remains unchanged.

Our strong track record of operating profit delivery has almost doubled over the last five years. We have also delivered growth with increasing scale; in particular, China’s OPAT is over five times what it was in 2010, and Other Markets has more than doubled. In 2015 alone, our Hong Kong business delivered over 1 billion US dollars of operating profit. As well as the quality of our sources of earnings, you can see that the substantial growth in OPAT since IPO has been diversified across our markets.

Moving on to capital and dividends. The solvency ratio for AIA Co. has remained stable at 428 per cent compared with the end of 2014. This is a result of growth in retained earnings and the benefits of a closer matching of our assets and statutory liabilities, offset by volatility in capital markets. The solvency ratio has remained robust since IPO, demonstrating the resilience of our balance sheet.

We generated 3.7 billion dollars of underlying free surplus during the year, which is an increase of 10 per cent on constant exchange rates. We invested close to 1.5 billion dollars into profitable new business growth.
at an average IRR of over 20 per cent. Investment variances were negative 1.4 billion dollars, compared with positive 800 million disclosed in 2014, from both equity market and interest rate movements. Foreign exchange movements were small given that most of our group working capital is held in US dollars, as explained in the previous slide. After funding our 26 per cent VONB growth, increased dividend payments, and allowing for capital market movements, our stock of free surplus was stable year on year at 7.5 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 five years, AIA has significant opportunities to invest capital in organic growth at attractive returns for shareholders. VONB is more than three times the figure in 2010. This growth has been achieved while reducing our new business strain as a percentage of VONB, resulting in a cumulative 76 percentage points reduction since IPO. We have consistently achieved IRRs of over 20 per cent, and with shorter payback periods. With such attractive reinvestment economics, our ability to invest in new business growth remains an important priority and differentiator for AIA. Over time, this 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 how all of this works in concert in the charts shown here.

You can also see this in the Board’s recommendation to rebase the final dividend through a step-up of 50 per cent to 51 Hong Kong cents per share. This material increase in final dividend reflects the strong financial results over the past five years, the continued strength of the business, and our confidence in the future prospects of the Group. At 2.3 times the first final dividend we declared in 2011, it is the result of continuing to execute the growth strategy we set out at IPO to capture the enormous opportunities available to us. The Board’s dividend policy remains unchanged post this step-up, maintaining AIA’s established prudent, sustainable and progressive dividend policy from this higher base, allowing for future growth opportunities and the financial flexibility of the Group.

In closing, the Group has delivered another set of excellent financial results for 2015. 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 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 2015.

Gordon Watson, Regional Chief Executive:

Thank you, Garth. Good morning everyone. As Mark said, Bill, Keng Hooi, myself and our country Chief Executives have remained very focused on executing our strategy. Let me start with our home market, Hong Kong.

AIA Hong Kong once again delivered excellent growth this year, with a 32 per cent increase in VONB. This strong performance was consistent across all our key distribution channels. ANP was up 33 per cent, while margins remained stable. This was the result of our balanced portfolio of protection and long-term participating savings products with embedded protection content. Agency continues to be our largest distribution channel, and our high-quality agency force remains a major competitive advantage for AIA in Hong Kong.

In 2015, we expanded our range of Gen Y recruitment initiatives aimed at attracting top young talent to AIA. This was to grow our next generation of Premier Agents and leaders. These initiatives, including the Gen Y Club that we spoke about at the half year, have contributed to a 21 per cent increase in the number of active new agents. More importantly, over 60 per cent of our new recruits are under the age of 35.
Enhancing productivity at the core of our agency business is also a strategic priority for our Hong Kong operation. In 2015, we increased the number of agents admitted to the AIA Premier Academy – our core leadership development programme – by over 30 per cent, and this was in spite of making the selection criteria more stringent. Our strong focus on raising the quality of our agents has resulted in a 21 per cent increase in ANP per active agent. Based on the latest rankings available, AIA Hong Kong is ranked 4th in the world in its own right by number of registered MDRT agents. This is really a strong testament to the very high quality of our agency force.

AIA Hong Kong’s Partnership Distribution saw significant VONB growth in both our bancassurance and IFA distribution channels. Throughout the year, we continued to make good progress with our exclusive partner, Citibank. We now have active insurance specialist coverage across all of Citibank’s branches in Hong Kong, and the partnership delivered strong growth in VONB.

As with our multi-channel approach to distribution, our balanced product range has enabled us to better capture the significant growth opportunities of the many different customer segments in the Hong Kong market. To give you an example, insurance policies sold to mainland Chinese customers in Hong Kong accounted for 35 per cent of AIA Hong Kong’s ANP. Around 90 per cent of this business is regular premium, with excellent persistency levels, and the vast majority comes from long-term savings and protection products. The quality and sustainability of our in-force portfolio is also critical to our success; regular premium policies with payment terms of five years or more accounted for nearly 90 per cent of our ANP.

So in summary, our Hong Kong business continues to deliver excellent and high-quality growth, while maintaining the right balance of multi-channel distribution and protection-orientated products.

So now, let’s move on to our Other Markets. Our Other Markets segment also delivered an excellent performance, with significant VONB growth totalling 32 per cent. ANP grew by 24 per cent and the VONB margin increased as we continued to enhance our multi-channel distribution capabilities and expand our product range.

Turning to the key highlights, let me start with Australia. Our Australian operation delivered double-digit growth in VONB, with strong performances in both our retail IFA and group insurance businesses. We further strengthened our number one position in the individual life market and continued to differentiate our protection products using AIA Vitality. Our resilient new business growth and continued efforts in proactive claims management have also enabled us to significantly increase OPAT by 30 per cent compared with 2014.

Moving on to Indonesia. Our Indonesian business also delivered strong double-digit VONB growth through executing our multi-channel distribution strategy. A new Premier Bank Consultant Programme launched in early 2015 has helped us better engage with our in-branch insurance specialists and delivered significant improvements in productivity. Continued focus on growing a Premier Agency force in Indonesia generated strong VONB growth in the second half, and also further built on our foundations for sustainable growth. As a result, we continued to outperform the market and are now the second largest life insurer by new business.

The Philippines … our business in the Philippines delivered excellent VONB growth for the year. Through execution of our Premier Agency strategy, we enhanced productivity and profitability of our agency channel, delivering double-digit growth in VONB per active agent. As part of this strategy, we implemented a new activity management system and significantly increased iPoS adoption for our agency force. In our bancassurance channel, we more than doubled the ANP productivity per branch, making BPI-Philam the leading bancassurance player in the market.

And finally, Vietnam. For the third consecutive year AIA Vietnam more than doubled its VONB compared with the prior year. Agency continues to be our primary distribution channel, and our success in this market is due to a strong execution focus on our core pillars of quality recruitment and productivity enhancement. We have also begun to pilot an innovative agency branch model aimed at attracting younger, full-time agents in the major metropolitan hubs of Vietnam. These branches and other recruitment initiatives enabled
us to grow the number of active new agents by more than 30 per cent. Vietnam has immense untapped potential, and we are very well-positioned to capture the opportunities in this market.

So in closing, both Hong Kong and Other Markets delivered excellent performances. Our country CEOs and their teams remain highly focused on executing our key strategies to drive success and sustainable results. 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 pleased to be here this morning to update you on the progress in Malaysia and Korea.

Malaysia delivered another year of excellent growth, with VONB up 27 per cent. ANP in the second half was up 22 per cent, and VONB margin increased by more than 8 percentage points over the year. Our Premier Agency strategy continued to focus on quality recruitment, particularly of Gen Y agents, and improving agent productivity through the use of technology. Our MDRT qualifiers increased more than 30 per cent, this demonstrates the quality and the professionalism of our agency. We also launched a new residential training programme during the year and this has helped increase activity levels, with the number of active new agents up by more than 20 per cent in the second half.

Malaysia is leading the way with iPoS. More than 90 per cent of new business applications were submitted through iPoS, and this has helped increase productivity by 18 per cent in the second half of the year. Our agency Takaful business made excellent progress, with a 40 per cent increase in active agents selling Takaful products in the second half, contributing to the strong agency VONB growth.

In bancassurance, our long-term partnership with Public Bank has delivered strong results. VONB margin increased by 12 percentage points as we continued to expand our range of products, focusing on savings and protection for Public Bank’s more than six million customers. In addition to sales through bank branches, we also worked closely with Public Bank and Citibank to generate high-quality leads for direct marketing. This led to VONB growth of 85 per cent from our direct marketing business.

Alongside the use of technology and training given to our agents, our new products helped strengthen our market-leading position in unit-linked business and increased rider attachment rates by 24 per cent compared with 2014. In summary, the AIA Malaysia team has delivered an excellent performance, building on the strong results of prior years.

Now let me move on to Korea. Korea accounted for only 2 per cent of the Group’s total VONB. Together with the rest of the industry, our direct marketing business is in the process of adapting to wide-ranging regulatory changes imposed over the past 18 months. We have maintained a disciplined approach to the hiring of telesales representatives, introducing new long-term retention and sales incentive schemes, and as such, we have increased our net TSR numbers in the fourth quarter. Our approach to tied agency in Korea is to differentiate ourselves from the mass agency models prevalent in the Korean market through targeted recruitment and the use of technology such as iPoS. This is to grow a professional and highly productive agency force that improves profitability in this channel.

We continue to focus on selective new business opportunities to meet the growing protection needs of our Korean customers. As a result of this disciplined approach, IFRS operating profit after tax grew by 15 per cent to 179 million dollars. Opportunities exist in Korea, with a population of 50 million people and less than 40 per cent of households having existing life cover.

Before I finish, let me give a quick update on India. As you are aware, our business in India is a joint venture with Tata Group, the country’s pre-eminent conglomerate. AIA and Tata have agreed that AIA will increase its shareholding in the joint venture company from the current level of 26 per cent to 49 per cent, subject to all necessary regulatory and government approvals. We are excited about the long-term growth opportunities in India, and as such, I look forward to updating you in the future.
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. Let me now share with you the excellent progress we have made in my three largest markets, beginning with Singapore.

Our Singapore operation delivered excellent VONB growth of 24 per cent. Growing our market-leading Premier Agency, expanding our partnership distribution and maintaining our group insurance leadership position has once again allowed AIA to sustain its profitable growth. We continued to focus on increasing the activity of our agents, using iPoS as the principal sales aid to drive agent productivity. The consistent execution of our Premier Agency strategy also delivered a 17 per cent increase in MDRT qualifiers.

In October 2015 we launched the industry’s first fully mobile and secure digital underwriting application. This allows instant underwriting at point of sale, leading to significantly improved turnaround times for our agents and our customers. Our partnership distribution also generated excellent growth as we continued to broaden our product offering for both IFAs and our bancassurance partners.

In 2015, AIA was the largest life insurer in Singapore in terms of both weighted new business premiums and new business sum assured, demonstrating our leadership in the protection market.

Moving now on to Thailand. In Thailand, VONB was up by 15 per cent and VONB margin increased by almost 13 percentage points. This was a direct result of providing our customers with regular premium long-term savings and protection products through our market-leading agency distribution. We launched a new financial adviser recruitment programme during the year, attracting young and motivated candidates by offering targeted training and mentoring. Early results have been very promising, with our new recruits being significantly more productive.

The number of agents licensed to sell unit-linked products continued to grow strongly, up by 77 per cent compared with 2014. AIA now has around 80 per cent of the total number of agents licensed to sell unit-linked products in Thailand. This puts us in an advantaged position to capture the growth in this new and rapidly expanding market, and our unit-linked VONB more than doubled in 2015.

96 per cent of our new business comes from regular premiums, with payment terms of at least ten years, which distinguishes us from the broader market. Our marketing campaigns to raise awareness of the substantial protection gap in Thailand has increased critical illness coverage on new policies by more than 60 per cent, extending our protection market leadership.

Now turning to China, AIA China had an excellent 2015, with VONB growth of 45 per cent. Our Premier Agency strategy has continued to deliver outstanding results. Selective recruitment with strict validation standards, intensive induction programmes and recruitment-focused training for our agency leaders have increased the number of new recruits by more than 50 per cent. Importantly, the activity levels of these new hires have grown significantly, demonstrating the success of our focus on quality. This contributed to the 33 per cent increase in total number of active agents, and places us in a strong position for 2016. The importance we place on ongoing training and professional development of our experienced agents is also fundamental to the quality of our business. This is demonstrated by the 71 per cent increase in our MDRT qualifiers.

AIA is a leader in the comprehensive protection insurance market in China. 98 per cent of our new business was from long-term regular premium products, and over 70 per cent of our earnings in 2015 came from insurance profits and fees, rather than from interest rate sensitive spread business. This sets us apart in the market, and the quality of our earnings underpins the sustainability of our growth.

We remain very optimistic about the future of AIA in China, with the significant upside from the substantial and growing protection gap combined with the quality focus and successful execution of our Premier Agency strategy.
In closing, my teams and I remain confident that we will continue to build on our track record of success by focusing on the execution within our businesses and the delivery of sustainable growth in each of our markets. Let me now hand back to Mark. Thank you.

**Mark Tucker, Group Chief Executive and President:**

You can see our Investor Relations team has a sense of humour. Next time they will put a league table up here. Thank you, Keng Hooi.

As Gordon, Bill and Keng Hooi have just shown, our businesses are executing strongly and continue to capture the significant structural growth opportunities present in our markets, the scale and resilience of which are truly unique and unmatched.

Asia’s economic progress over recent decades has been driven by large and growing young populations with rapid urbanisation and new wealth creation all coming together to create a vast middle class representing some 400 million households. The economic prosperity brought to the region has created, and will continue to create, an ever-growing mortality and morbidity protection gap. With just 5 trillion dollars of total life sums assured in the marketplace today, the protection gap stands at 51 trillion dollars, ten times the current level of provision. That gap has been expanding, despite the life industry more than doubling in the ten years to 2014. This speaks to both the resilience of the life insurance markets in Asia and the growth potential being far in excess of GDP growth. As you have just heard from our RCEs, we are ideally positioned to continue to capture this opportunity.

Taken together, the strong fundamentals in the region and the resilience of our business model have enabled us to deliver consistent and sustainable results despite macroeconomic and financial market volatility. As you can see here, over the last six years there have been many ups and downs, whether they are concerns over the state of the Eurozone, US monetary policy or growth in China. Throughout all of this, we have focused clearly on managing the business proactively and executing effectively.

In closing, we have delivered another excellent set of results in 2015. Our objective is to continue long-term, large-scale, and highly profitable growth, generating sustainable value for our shareholders. We will do this by relentlessly focusing on the execution of our strategy. I continue to believe that we are in the right place at the right time and with the right strategy to sustain the delivery of attractive financial returns to our shareholders for a long time to come.

Thank you for listening this morning, and now over to you for Q&A.