AIA Group Limited

2010 Annual Results Investor Briefing **25th February 2011**

Presentation Transcript

Mark Tucker, Group Chief Executive and President:

Good morning, and a very warm welcome to AIA Central. Thank you all for coming this morning and I am glad to see you on such beautiful day in Hong Kong. I know many of you were back here in September 2010 for the Analyst Presentation we gave ahead of the IPO. And what we like to talk about this morning is that we have achieved a great deal since then, as we intend to show you. Let me set out the next couple of slides as the agenda for today and what you will see and what you will hear: I'll first spend a few minutes summarising AIA's achievements in our 2010 financial year – which as you know ran from December 2009 through November 2010. And what a year it was! I have heard it referred to as "the ultimate stress test" – but notwithstanding that, as I shall show you in a moment, it was actually a very positive year financially for AIA ... and we ended 2010 with good momentum in our sales growth. I shall then hand you over to our Chief Financial Officer Marc de Cure. And Marc will present AIA's detailed financial results for 2010. I will then take this opportunity to introduce to you our three Regional Managing Directors, or RMDs, I think you will hear the phrase RMD mentioned, Regional Managing Directors mentioned throughout this presentation. The three RMDs, Gordon Watson, Ng Keng Hooi, and Huynh Thanh Phong, and I don't want to embarrass them here, but they are all very experienced and immensely successful executives who have been given line management accountability for all of our 15 country operations. They have a very exciting story to tell about AIA's recovery in 2010 and growth focus momentum in 2011. Finally, what I'll do is come back and return to summarise our overall priorities for 2011 before clear opening up the floor to questions.

The first presentation that we have as a public company, we want to give you a greater length in greater time, there are a lot of material to cover, estimated to 85 to 90 minutes in terms of the presentation. To ensure we stay on track, we will leave Q&A as normal and we'll be grateful to leave that till the end of the presentation. So, without further ado, let's begin.

We have a clear and compelling story to tell. As you all know well, the scene for AIA's return to profitable growth was set by our IPO on 29th October 2010. We have taken a series of decisive management actions in the fourth quarter of 2010 and since. And these ensured a strong financial close to last year and together with continuation of our action programme have given us positive momentum entering 2011. In short, AIA is getting back on track to delivering sustained profitable growth. We have already presented three quarters of our 2010 performance, in the pre-IPO presentation and in the subsequent third quarter results call, so you might think that there will not be a lot more to say about the full year picture. However this is not the case: our fourth quarter saw a significant performance uplift and ensured that we delivered a strong result for the full financial year. Of course, AIA's overall financial results are always driven by and dependent upon the performance of our 15 country / market operations, and the 2010 results is a reflection of their success. Each of our country teams has ambitious priorities, as you will hear, for 2011 and is already working hard to deliver those on the ground. At the group level our focus and priorities for 2011 are equally clear. We have a very full growth agenda, and the right team to deliver that, for this year and beyond. In short, our story is one of a new beginning for AIA. Let me now get into some of the detail.

While the story is familiar to most of you, it is worth reflecting for a moment on the backdrop to 2010. We entered the year still in the midst of the AIG Events and with AIA being readied for an IPO in the second quarter; Prudential's approach in March 2010 caused AIG to cancel the IPO process and created further uncertainty for our employees, distributors and customers; With the Prudential's withdrawal last June and my appointment in July, our focus once again turned towards an IPO; Following our successful IPO and listing on 29th October we ended the year as an independent, publicly listed company. I think you will agree that such disruption would be significant for any organisation to experience over a lifetime, let alone just in one year, and yet despite this disruption, let me show you just how financially resilient AIA has proved itself to be … in emerging with a very positive and successful set of results for 2010.

In 2010, AIA delivered a strong performance across all financial KPIs. And we are ready to present our results today in three categories: IFRS profit, shareholder value creation, and capital. Let me first spend a few seconds on IFRS profit: You will recall that in the prospectus we committed to delivering not less than $2 billion of operating profit before tax for the full year. We have achieved that with growth of 18%. Our net profit grew by almost $1 billion – by 54% on 2009 – helped by strong gains on equity investments – the benefit of a business geared to the economic recovery. Our shareholders' equity increased by almost a third during the year to close at $19.6 billion. Second, we cover the key drivers of AIA's profitable growth and shareholder value creation: Value of new business, or VONB, is on a strong trajectory, up 22% to $667 million. VONB Margin – that is, VONB divided by ANP – expanded by over 400 basis points as we shifted the focus of the business units from top-line to bottom-line performance. Embedded value was up 18% to almost $25 billion or $24.7 billion – an addition of $3.8 billion over the year – showing the size, strength and extraordinary resilience of our in-force book of business. And third, we cover capital, which I know is of great interest to you: We remitted almost $1.5 billion of cash from our country operations up to Group Office during 2010 due to improved fungibility post-IPO and strong cashflow generation at the business unit level. Our regulatory capital grew by $1.4 billion to $6.2 billion, giving AIA at Hong Kong ICO basis solvency ratio of 337% at year end. I think everyone will agree this is a very impressive set of full-year results for AIA.

That was the 12 month view; if you look at AIA's strong performance, it was not evenly distributed throughout 2010. Instead, it was really concentrated in the latter part of the year after AIA had successfully overcome the distractions I described earlier, and this was particularly noticeable in new business. These charts show the significant uplift in sales – and more importantly in the profitable sales registered via the VONB figures in the fourth quarter of 2010 – which you will recall covered September, October and November.   Even whilst AIA prepared for and successfully completed its IPO, the Company was delivering positive sales growth in all our markets. And this demonstrated the extent to which the prospect and achievement of the IPO, and the other changes we were making, had an immediate and powerful effect in re-energising our business, motivating our people and generating the beginning of the momentum that we needed to carry us forward. Marc will take you through our financial results in much more detail in a moment. But before I turn over to him, and just to give you a further context for our full-year results and future plans, let me take you through the key areas onto which we will be concentrating and focusing as a company.

When we presented to you on 10th September I described my plans for: stabilising and strengthening the organisation, and reorienting it towards profitable growth; and second we are putting in place the building blocks needed for future value creation. I am pleased to report material progress in both these areas today.

First, I am very proud to say that we have quickly put in place a world-class senior management team. The phrase 'world-class' is often overused in my opinion, but I truly believe that it is appropriate here. This team has an average of 21 years' experience in the life insurance sector, and an average of 19 years' experience in Asia. These are all in a nicest way possible battle-tested senior executives with a proven record of creating shareholder value … sustainably over time – whether in AIA or in other companies – both in Asia and around the world. You will hear from four of them presently and I will try to bring in as many of the others in as I can during the Q&A session. This is a truly exceptional team … which is very well-qualified to lead the new AIA. Unfortunately, what I cannot do today is introduce you to all our country CEOs, local leadership teams and all the staff and the agents of AIA: These are the people who have worked incredibly hard and stayed resolutely focused on our business through the events of the past years. They have done a terrific job and deserve full recognition for delivering AIA's impressive financial results in 2010. And rest assured that all our people have not relaxed in any way in 2011: as you will hear from the Regional Managing Directors a little later, our country CEOs are reinvigorated and already motivating and leading their teams, with the aim of delivering strong results this year.

I passionately believe that it is the people on the ground who are the key to differentiating AIA. We have already taken important de-centralizing steps to shift the focus and accountability for performance delivery from Group Office to our country operations. In September, I talked about empowering our Country CEOs, and we have gone some way down that path. We have materially raised delegated authorities so much fewer operating decisions get escalated to the Centre; We have clarified reporting lines to give CEOs clear authority and autonomy and remove most 'dotted lines'; We have replaced and focused the CEOs' performance scorecard – more of which in a moment. In parallel, and as a quid pro quo, we have significantly strengthened the central oversight and value-adding support provided to our country operations: Our Regional Managing Directors are already spending far more time with our local teams than I ever could … and are on the ground in our country operations for more than half their time; The RMDs are playing an active role in identifying, developing and managing our country-level talent, from the CEO on down; And we have set stretching but achievable targets for each country to focus the minds of the RMDs and the CEOs together. The new structure will be enormously powerful in facilitating the delivery of the ambitious targets we have set ourselves.

We believe that delivering consistent, high-value value of new business growth at the very attractive returns on capital generated by our new business sales, is the best way for AIA to create shareholder value sustainably over time. So as well as providing our line managers with greater accountability and delegated authorities, we have also focused their minds on the absolutely key performance measures. This slide shows the new 'scorecard' of KPIs for which we will hold our line executives – the RMDs, the country CEOs and their teams – fully accountable for performance delivery. Performance on these measures will also be aligned with corporate goals as the primary driver of incentive compensation, from the Group Exco down. While we only announced this new and much-simplified scorecard at the beginning of 2011, we had instructed our country teams to prioritize these measures early in forth quarter 2010.   This new scorecard is already generating a significant shift in focus and behavior wide across the company: Fully half of incentive compensation from this year will be driven by absolute VONB; An additional 20% will be driven by embedded value to keep the team focused on protecting and nurturing the in-force book, even as they pursue profitable new business growth; 15% will be driven by IFRS operating profit, so we maintain a tight grip on expenses, in-force management and near-term performance delivery; and the final 15% will be at my and the RMDs' discretion and will be customized to each country operation according to their local priorities.

I trust that gives you a sense and a feel for how we have worked to strengthen and refocus AIA over the past few months. Let me just spend a few minutes before handling to Marc, describe how we are also putting in place the building blocks needed for sustainable value creation. For all our focus on profitable new business growth, the AIA story is not just about new business. It is also about optimizing the value of our in force book and nurturing the customers who make up our individual policy base of 23 million. Our in-force book is a key strategic asset for AIA. It provides strong and stable cash flow to the Group and generates more than enough cash to fund our future profitable growth. This enormously strong and powerful book of business has continued to grow throughout the past two years. The value of our in-force book grew by 15% to over $15 billion during 2010 even after generating $2.1billion of free surplus for shareholders. Our fixed income and equity investments grew almost $8 billion from net inflows alone to over $72 billion at the end of 2010. Our customers remained loyal to AIA throughout the period 2008 to 09. Our persistency ratio, which dipped slightly following the financial crisis and AIG Events, rose in every quarter of the year to finish at 94% by year end. This level of persistency is exceptionally high by industry standards, and reflects the relationship management skills of our agency force as well as our in-house administration capabilities. As you would expect, we have a number of in-force optimization initiatives that should lead to improvements in the already impressive cashflow generation from the back book. Some examples of initiatives recently commenced across the Group include: Premium recapture programmes on our large in-force blocks of business in markets such as Thailand, Singapore and Hong Kong; Targeted cross-sell and up-sell programmes to existing Individual and Group policyholders in all markets using new customer segmentation techniques; Expense reduction and service quality improvement from the migration of back office processes from Hong Kong, Singapore and Australia to our shared service operations in Malaysia and in China.

The next few slides demonstrate the scale and quality of our distribution and the significant progress we have made in repositioning the business. You will hear more about this from the Regional Managing Directors shortly. Let me start with our core agency channel: We have achieved material increases in the productivity of our existing agency force across our markets during 2010. You will hear much more about our Premier Agency strategy as we go through this morning. We are elevating the whole sales experience for the customer by introducing enhanced agent training, upgrading IT sales tools and updating product selection. This is leading to far better needs identification for the consumer, higher up-sell ratios and larger average case sizes. In 2010 the average case size in Developed Markets was up over 27% over 2009. We also terminated the bottom layer of lowest-productivity agents, which allows us to focus our resources on supporting our higher producers. We have continued to expand our pool of high-performing agents across the Group. During the course of 2010 we added 500 MDRT-eligible agents – a 31% increase. All these changes are integral to our Premier Agency strategy. The initial productivity gains shown on the previous slide are encouraging but we are also in the process of realigning our agency incentives and product offering to promote the sale of higher-margin protection products within AIA's portfolio. As a result of these complementary programmes during 2010, AIA and we increased agency VONB by 21%, and expanded agency VONB margin by two percentage points, while growing overall agency ANP by 13% over the year. The majority of this margin uplift was due to changes in product mix. Overall, we still have scope for further margin expansion as we grow. This is a priority for AIA in 2011 and beyond. Before I move on to talk about other channels, let me share a brief anecdote that I think conveys the power and commitment of our agency force. On Tuesday this week I presented the Long Service Awards to 57 members of our agency force here in Hong Kong. 22 of them had served 20 years with AIA. 15 had been with us for 25 years. 17 were celebrating 30 years. And three had been selling AIA policies and servicing AIA clients for 35 years. That's 1,430 years of dedicated service to AIA. This collective experience, wisdom, knowledge and loyalty to my mind are an incredible source of competitive advantage.

Turning to the bancassurance channel: There are two simple areas to focus on here. Signing new profitable agreements and making sure the existing portfolio generates the required rate of return. In terms of material new agreements, during 2010 we added BPI in the Philippines, ICBC in China, China Construction Bank in Hong Kong and Alliance Bank in Malaysia. In addition, we very recently secured a distribution agreement with another bank covering six markets. To extract more value from our existing portfolio we are in the process of refocusing our bank sales on more sustainable Regular Premium products, which accounted for around 75% of our total sales in 2010. The shift to Regular Premium and protection products will provide better incentives and annuity income for our bank partners, which will help us deepen our relationships with them over time. As a result of these initiatives during 2010, we almost doubled total bancassurance VONB while raising VONB margins by four percentage points. And this was not just about profitability improvement: AIA's bancassurance ANP was up 58% over the year. Looking forward to 2011, we expect to add further positive developments in this channel. With plenty of growth to pursue, we shall only deploy our shareholder capital on bancassurance agreements which clearly generate our required rate of return.

We had similar success in the Direct Marketing, in the DM channel during 2010. We are refocusing our DM operations from volume to VONB, and refocusing our DM sales to simple-to-sell protection products. In key DM markets like Korea, we took the necessary decision to withdraw or re-price some low margin products and Gordon will talk about this little later. These remedial actions resulted in lower ANP from Direct Marketing, but significantly enhanced overall profitability: our VONB from DM increased 41% over 2009 and our DM margin rose a full 13 percentage points. Looking to 2011, we view DM as a source of strength for AIA … and we see further upside from this channel in many of our markets: While regulatory constraints on telemarketing are growing, we have the experience, the expertise and systems to navigate these changes. With bancassurance and DM together accounting for 13 % of AIA's VONB in 2010, we see many more opportunities to integrate our activities better across these channels. These include promoting standalone A&H products to banks' customer databases through targeted telemarketing, and expanding our non-bank DM activities with partners such as Tesco. We expect to see more innovation and profitable growth from AIA's DM channel in 2011 and beyond.

Before I hand you over to Marc, let me spend a few moments on our products. We showed a version of this slide in the Analyst Presentation in September, and we have made real progress since then. We increased our VONB margin in all product lines by up to ten percentage points in 2010. The margin figures on this slide are for standalone products only and do not include the positive impact of attaching riders to main policies. We are taking actions to enhance our margins further in 2011. These include: Redesigning products to raise unit VONB margins; Ensuring that our Product Team works closely with Distribution to manage product mix more proactively than in the past; and expanding our product proposition into higher-margin segments, with an even stronger weighting towards protection and A&H. As with distribution, the 2010 results really captures only the first few months of what will be a concerted ongoing effort to increase AIA's absolute VONB and margins – more of which in a moment.

Let me try to summarise this opening section before handing you over to Marc. We achieved a highly successful listing on the Hong Kong Stock Exchange at the end of October, and at that moment AIA became a fully independent company ... with no material dependency on AIG. AIA is a unique, financially strong and self-sufficient business based in the heart of, and entirely focused on, the dynamic Asia-Pacific region.

After a difficult period, we have undertaken significant corporate strengthening across the company: We have put in place for I believe a world-class leadership team; We have empowered our country CEOs – and made absolutely clear that with empowerment comes responsibility for results delivery; and We have put in place clear performance measures, priorities, and stretching but achievable growth targets – and have aligned management incentives with those. As an aside, and just as in the pre-IPO analyst meeting, these are all internal targets you can rest assured that they are ambitious and very demanding ... but consistent with our previous approach we shall not be sharing any specific financial targets with you today. In parallel we are putting in place the critical building blocks of sustained shareholder value growth: We are nurturing and enhancing our large in-force book, which generates the cash to fund our growth and is a major source of competitive advantage; We are increasing the size and productivity of our core agency channel and making parallel improvements to bancassurance and direct marketing; We are proactively managing product margins and mix for profitable growth; and We are investing to improve the quality of the customer experience. In summary, we believe that AIA is very well positioned – led as I have said by a truly excellent senior management team – to be a winner in our markets with a relentless focus on shareholder value creation. It really is a New Beginning for AIA. At this point, let me just hand you over to Marc to take you through the financials.

Marc de Cure, Group Chief Financial Officer:

Good morning everyone, and thank you, Mark. And good morning to all those on the line or on the web-cast. My name's Marc de Cure, I'm the AIA Group Chief Financial Officer. For those that don't know me, I've spent about 30 years in the industry, in fact a little bit more. I started off my career at PricewaterhouseCoopers or Coopers & Lybrand and then worked in the industry. I was very much involved in the floats of AXA Asia Pacific and AMP. I was Group CFO of the AMP Group and headed the international division – I was responsible for the restructuring of that group, and also the merger and then more recently I've been public company director and strategic advisor to some large international insurance groups.

I hope you can all hear me. But that's me. But today I'm very excited to be here. This is a great day – the first result of AIA's publicly listed company and it's certainly a very good one to announce.

In terms of my presentation, it will be divided into three sections: the first section dealing with the IFRS profit, the second section dealing with value creation, and in the third section I will talk about capital.

Before I do that I just want to recap on the results that Mark has gone through in terms of 2010. As will be documented, 2010 was a very challenging year both for AIA, but for others as well. But not withstanding the challenges we faced and all the distractions, we've managed to produce some extremely strong results. The operating profit of $2.1 billion is up 18% over the prior year - and compared with our IPO guidance of over $2 billion. The net profit of $2.7 billion is up 54% over the prior year, driven by equity gains and FX movements, it also affects a very strong operating profit.

Shareholder equity was up nearly $5 billion to almost $20 billion dollars, again reflecting the results as well as gains on bonds and FX. The value of our new business was up 22% to $667 million. The profit margin was up four percentage points to 32.6%. Embedded value increased 18% to $24.7

billion driven by embedded value operating profit gains of around about $2.4 billion and the rest being positive investment gains of around a billion in FX movements.

Net funds remitted to the Group reached $1.5 billion during the year largely in the fourth quarter. We've accumulated cash reserves or funds of the Group office level now of around $2 billion. The ICO regulatory capital increase 29% to $6.2 billion and our solvency ratio increased to a very healthy 337%. In short, we delivered profitable growth and improved capital position in a year full of distractions.

Let us turn now very quickly to total weighted premium income, or TWPI, as it's referred to internally. TWPI increased every quarter during 2010 both year-on-year and quarter-on-quarter, showing the resilience of this group, particularly when you just go back and look at what it was dealing with. The TWPI growth was particularly strong in the forth quarter and totaled nearly $3.7 billion, which is a good sign of things to come. This represented growth of 13% over the fourth quarter of 2009. And whilst it is aided by exchange gains during the period, the increase also reflects very strong gains in sales as well as improved persistency that Mark's alluded to. I think it's also important to bear in mind that TWPI is a measure that responds slowly to growth and turnaround. Because of the way it's accounted for, the TWPI includes both the renewal premiums coming through from prior periods as well as an earlier portion of the new business sales. So TWPI is not going to respond as quickly to the turning around of the business as VONB will or ANP or APE will. So I think it's just bearing in mind that that needs to be considered when you're looking at the result.

Another important element of our result is clearly investment income of $3.5 billion in 2010. Whilst 2010 was a year marked by low interest rates, we still managed to achieve interest income growth of 12% and an average market yield of over 5%. And despite the low interest rate environment with inflation expectations where they are and increasing growth across a lot of Asia, our expectation is, if this is the start of an upward trend in interest rates – if this upward trend continues, obviously that is positive news for AIA, it will improve our performance and results.

Dividend income was up over 80% due to increasing weighting to equities but also higher levels of dividends. And I think that it's important to point out at this point that what we include in investment income, in operating profit is interest, dividends and rental income but we exclude all market value movements – there's no normalised market value movements included in this investment income. So the investment income excludes about $3.3 billion worth of investment gains. That's about $1.4 billion in gains on equities – market value movements on equities that were traded as non-operating; it hits the net profit number but not the operating profit, and a further $1.5 billion in gains on bonds which go straight to equity, not to profit in any measure, and then a further half a billion on unrealised gains on profit. So in essence, the investment income you see included in operating profit of about $3.5 billion is only half of the story.

We’re going to now turn to expenses. The expense ratio for AIA is one of the lowest in the industry. And that’s across Asia, and it’s across the world. 8.8% for the year is an incredibly strong or positive expense ratio. It’s slightly up on 2009 but is broadly consistent with the historical norms of the company. 2009 was a particularly low year, we had very low levels of bonuses paid in that year. I think the other thing to remember is that 2009 expenses include the costs of us preparing for and becoming a listed company. Obviously as a listed company we have costs we didn’t have before, whether they be the share registry, the board, insurance, and other aspects that we didn’t have. But by and large, 8.8% is where we have historically been. Our focus will continue to be on operating expenses. And we will continue, nevertheless, to invest in people and systems to leverage our advantage.

But specifically around costs, we’re doing a number of things. Firstly as the Group Officer Mark has already mentioned, we’re focusing the Group Office primarily on governance, stewardship, and value creation for our shareholders. We’re eliminating any of the activities that [unintelligible] in the countries or which relate to us being a regional office of the AIG group.

Secondly, we have already commenced and will continue to explore the use of shared service centers across the region to fully leverage our scale advantage. As one of the largest insurance groups not only in the world but in the Asian region, we’ve got a tremendous ability to use that to our advantage and keep costs as a part of our competitive advantage.

And finally, within the countries themselves, we’re doing a lot to improve cost disciplines to leverage our scale advantage even within country and also to minimise the fixed element of our acquisition costs so that our costs are more variable at the front end, which is important both in reducing expense risk and also in eliminating acquisition cost overruns.

Let me just sum up on the operating profits of $2.1 billion, which as I said earlier is up 18% on the prior period and over our prospectus guidance of $2 billion. The results need to be set in the context of the significant largest things that have affected this year versus last year. Notably we had a $33 million change in lapse rate assumptions for some business written in Indonesia this year. Last year you may recall we had about $90 million in similar costs in relation to some lapse assumptions in Korea. The point I’ll to make about this is that both of these are related to products that would not get through our pricing disciplines today, although written not under the AIA management not even today but knowing the [past]… basically business that were controlled by other parts of the AIG group. And we’re certainly doing everything we can to manage those products to ensure that there is no further deterioration. And overall the lapse experience, in fact the persistence experience cost improvement is very strong. I also just want to reiterate again that the operating profit excludes all market value gains.

And as I mentioned with TWPI, operating profit is a normalised operating profit, but again because it’s done on an IFRS basis, it responds more slowly to changes in the business. The best reflection you'll get of how business in performing in the short term will be through the EV and VONB calculations rather than the operating profit, which by its nature will respond more slowly.

In short and without making excuses, I think this is a very, very good result.

Net profit of $2.7 billion is up 54%. That reflects a fantastic performance for the year. It includes the operating profits which have increased on the prior year of $261 million, or 18%, and also investment gains of $1.4 billion which were up $623 million over the prior year, largely due to equity gains, and a big portion of which were in Thailand. While these are not necessarily re-occurring, they are nevertheless good to have.

The groups return on equity was up 100 basis points to 15.7%

Now let me turn to shareholder equity which was up 31% to $19.6 billion. This obviously includes the net profit of $2.7 billion, as well as $1.4 billion of market value gains on bonds which don't go through profit, and foreign exchange movements of about $570 million.

Invested assets were up 21% to $75 billion, and the total investment assets increased to $91 billion which includes the shareholder and policy holder assets as well as $16 billion of assets backing investment-linked products. The net flow through in the year was almost $8 billion which is driving the majority of the increase in invested funds. The quality of our fixed income book remains consistent with prior years on any measure and we've had no credit issues. The only portfolio shift you may have noticed is in equities where there was a 3.5 percentage point increase. This in part reflects market value gains but also new purchases. This was a deliberate re-weighting strategy. Equities are an important element of our portfolio. They give us diversity as well as yield enhancement but nevertheless only represent about 12% or our total investment assets and is a fairly conservative positioning and reflects our strategy of using our capital to invest in the insurance business rather than in equities.

Now let me turn your attention to the significant value that's been delivered by AIA during the year. Particularly as reflected in embedded value and the EV.

Let me start by talking about annualized new premium which is the source of new business value that comes into this business. ANP for the year exceeded $2 billion which was up 8% on the prior year. Our forth quarter was the best quarterly ANP we've had since 2008 and one of the best ever. Our annualized new premiums in the forth quarter totaled $635 million and resulted in 15% growth over the comparable period and 26% growth over the 3rd quarter.

New business sales in 2010 were undoubtedly influenced by external events. And as expected, post-IPO we've seen that turn around very quickly with these results. The new business momentum that you see in ANP is good and it's important, but equally important is the fact that this growth has been achieved while maintaining pricing disciplines. And you will see that through what has happened to the value of new business throughout the year.

Let me turn to VONB. VONB was up 22% over 2009 to $667 million. And VONB was up in every quarter in every product group and in every channel for 2010 over 2009. And the important thing was that in the fourth quarter as I was mentioning earlier, the VONB was $204 million up 20% on the forth quarter of 2009 and 28% over the third quarter of 2010. You'll note the VONB margin did dip slightly in the third quarter. This was largely due to some short pay products sold in Singapore which were immediately discontinued and did not carry on into the fourth quarter. And in addition the overall performance in the second half was influenced by some product reworking. We reworked some more ILP business in Hong Kong for instance. And we had some adjustments as a result of the final review of VONB, for instance we wrote off about $8 million worth of expense overruns in relation to some DM cost overruns in Korea. So they've all flowed through in that final quarter.

I think it's also important to note that in terms of this VONB, the internal rate of return that we see, that we're generating from capital invested is in excess of 20% which we believe is a good return for shareholders and something worth doing.

I will also take the opportunity just to mention now that the assumptions underlining the VONB have basically remained consistent with prior years. If anything, they've slightly strengthened, but only marginally. And we're taking a rigorous look at expense overruns to ensure that either they are purely due to volume variances that we've already seen turn around or that we're taking measures to eliminate the expenses in the near term that have generated them. In addition, as I've mentioned earlier, we're seeking to variabilise our acquisition costs to minimise any future effects.

Let me now turn to EV. EV… sorry the VIF grew 15% to over $15 billion during the year and in the second half the additional VIF on an undiscounted basis was about $8.2 billion. A key element of AIA's value equation is this value-in-force. It will turn into cash and will provide us with the ability to grow new business for many years to come. A profile of protected cash flow that underpins this is also very attractive, with circa $10 billion on an undiscounted basis [that] will turn into cash over the next five years, or approx. $2 billion a year. So we expect this internally generated surplus to be sufficient to fund our organic growth, and our organic growth ambitions.

We're maintaining and optimizing the VIF through careful management and this includes not only expense control, but also very disciplined ALM management and persistency management. We believe that this Value in Force business give us an extremely advantaged positions as a self-financing growth stock.

Turning to EV. The EV grew 18% to $24.7 billion in 2010. And one of the most pleasing aspects of the EV is the EV operating profit growth of over $2.4 billion. This was driven by expected return on the EV as well as the VONB which I've already discussed. Good experience variances in the year of $105 million and there were other assumption changes which had a slight positive. The EV growth includes favorable investment gains of about around a billion dollars. And this is net of about $173 million of glide path adjustments. We've adjusted the interest rate assumptions down to the current levels with glide pathing up to the normalised assumptions over the years. We did a similar adjustment for the half year in relation to Thailand, and this year we've done it in relation to all other countries.

In addition we revised our long term investment rate and RDR assumptions down this year with a net impact of about $333 million reduction in the EV. We are very comfortable with these assumptions. And bear in mind that in calculating our EV, we used group level solvency and deduct all costs including the Group's operating costs.

Now let me turn to the important subject of capital. Pre-surplus up to the minimum solvency margin of 150% of the Hong Kong OCI for our branches and local requirements for our subsidiaries increased 24% during the year to $5 billion at the end of 2010. During the year our in-force book produced over $2.1 billion of free surplus of which $1.1 billion was used to invest in new business and also to cover the Group Office expenses.

This free surplus as I have already mentioned is a distinguishing feature of AIA and will enable us to grow with confidence right through economic cycles without requiring additional capital from our shareholders. We have the capital strength to pursue all economically profitable savings and risk products and we are not constrained to capital-light solutions.

Our success will be defined by our ability to reinvest this surplus and create even greater value for our shareholders. As previously noted, in 2010, we achieved a VONB IRR or 20% on new business.

Now let me cover total regulatory capital. We ended 2010 with over $6.2 billion of total available capital as measured by the Hong Kong Insurance Companies Ordinance, an increase of 29% or $1.4 billion over the prior year. This measure of capital is critical as it determines our ability to continue to write new business and invest in future growth. Our regulatory solvency ratio at the end of 2010 as we noted earlier was 337% up 26 percentage points from 311% a year earlier.

Another important measure of AIA's strength is the S&P AA- credit rating on our major operating subsidiary.

And finally let me turn to the money remitted to the Group Office. Up until the float there were constraints on the movement of capital between the subsidiary companies and the holding companies. But particularly during the latter part of the year we managed to remit $1.5 billion of capital up to the group. Most of this, as I said, was in the final quarter. And this was a result of the lifting of the regulatory constraints that were imposed on the business prior to the IPO. This repatriation of surplus will continue in future years, and we'll continue to redeploy that money where it's required.

Finally let me turn to the issue of how we're thinking about capital. Mark and I have both spoken about the capital strength as something that we see as very important to AIA. And that's something that's demonstrated by our S&P rating of AA-, a solvency ratio of 337%, IFRS capital of almost $20 billion. This is undoubtedly a competitive advantage for a company like ours. And we want to keep it so. We plan to maintain this strength, and we want to also improve our capital efficiencies so that all of the capital that we've got works harder. And together with the free surplus, we want to invest that in new business growth. Mark and the RMDs will talk about all the opportunities available. But we're constantly recognizing the need to make our capital work harder. And we need to do this and we will continue to focus on driving greater capital efficiency, better awareness of the link between risk and capital in our businesses, doing what we can to optimize that equation and being very proactive in our management of capital. And we have a number of initiatives which we're planning in both the structural products and distribution arenas to improve our capital efficiency this year and next.

In relation to dividends, post-IPO the board considered and endorsed AIA's dividend policy as proscribed in our prospectus. And the directors will plan to consider and announce a dividend in the first half with the first half results in July 2011. In this context investors can expect a prudent and sustainable level of dividends that allows our growth and capital strength to be maintained and objectives to be met. And it will be very much focused on making sure that the dividend is sustainable and that a smooth pattern of dividends can be paid linked to our long term earning growth.

Finally, let me summarise what I'm sure you'll agree is an excellent performance in an eventful year. We protected and nurtured the high value of our in-force book. We increased new business successfully, particularly in the final quarter. We strengthened our robust capital position and significantly increased cash flows for the Group. Looking towards 2011 we see substantial opportunities on the upside: Enhancing the quality of our new business, sales growth, maintaining a disciplined approach to product design and pricing, reducing our overheads and the fixed element of our acquisition costs, leveraging scale to improve our cost and operating efficiency, following a risk-based approach to investment management and asset allocation, further improving our capital flexibility, efficiency and strategic management and implementing incentive structures that reward value creation. All of these measures will contribute to sustainable future growth in shareholder value.

I'd like to thank you all for listening. And it's my pleasure to hand over now to Gordon Watson the first of our regional managing directors, who together with the other RMDs will take you through our country results and how they're going about those businesses. Thank you.

Gordon Watson, Regional Managing Director:

Thanks Mark. Good morning. By way of introduction, I have 25 years of affiliation with AIA. I first started in New York and I spent time in Europe, Africa and the Middle East before moving to Hong Kong in 1997 to set up the AIA MPF Company. I've been in Asia ever since stints in Korea and Japan. I was very excited when Mark asked me to come back and join the new leadership team at AIA. And I choose to come back because I truly believe that AIA is one of the greatest franchises across any business in Asia. We're really well positioned, with an unrivaled client base, both in size and scope, on which to accelerate our profitable growth. As you can see, we're coming off a very strong forth quarter and [have] great momentum coming into 2011.

We have an empowered management team here at AIA. And I along with my fellow RMDs, Keng Hooi & Phong have three very simple and clear focus areas, and If I could go through them… Firstly, we manage relentlessly to the bottom line, focusing on value creation, through growth in VONB and improving our persistency. Second, introducing innovation with consumer segmented products and services for both new but also existing customers. And core to it all is to continue to build "the Premier Agency force in Asia." Mark will talk about this later, but let me say, the premier agency strategy is defined in very specific terms. Our focus is on quality, we will maximize the number of quality active agents, not just the number of agents.

MDRT will be our benchmark. It's all about needs based selling and maximizing the share of wallet. It is protection and A&H focused, and technology enabled. We will provide the comprehensive training needed to achieve this and align compensation to match. We will be easy to do business with. We will also continue to expand look at other distribution platforms with likeminded partners.

So, let me now highlight the key 2010 results, and plans for 2011 across my region. In our home market, and our largest, led by Jackie Chan, Hong Kong is capitalizing on the momentum from the IPO. Hong Kong finished the year with $449 million in ANP, that's 16% up over 2009. VONB was up 2% year-on-year to $210 million, and 56% quarter-over-quarter. And Hong Kong recorded its largest monthly production ever last November.

Clearly the majority of this was Agency driven. For those of you who don't know, AIA in Hong Kong ranks 7th in number of MDRT members in the world. Yes, just AIA Hong Kong alone, is 7th in the world and of course we are number one in Hong Kong. On top of that, we also increased the number of eligible MDRT agents by 29% in 2010. This success is the winning culture of our Hong Kong's Agency team. I saw this a couple of weeks ago in Japan. I had the privilege to attend an awards ceremony in Japan. My family is still relocating, so I invited the top AT district directors over to my house and I was amazed by the passion and enthusiasm they had for the growth in the business, for our company going forward. So much so, that I have a 12 year-old son, Alex, and he signed up to be an AIA agent on the spot. He was really very happy. But, being the RMD I vetoed that because he is definitely not yet the quality we want. He's not yet good enough to be a premier agent.

So moving to other distribution outlets, in bancassurance we ended the year with over $16 million in ANP, up from nearly zero in 2009. Turning to expenses and expense management, being Scottish, in case you didn't realize I'm Scottish, expense management is very important to me. We recently cut expenses relocating our Hong Kong head quarter to a lower rent district and that reduced our rent and management fees by over 60%. Our overall VONB margin did decrease slightly, due to the increased contribution from our ILP sales. They accounted for 39% of sales in 2010 as opposed to 25% in 2009. As you know, ILP sales correlate to equity markets and it will continue to be a large contributor in 2011 as markets continue to recover. Managing our ILP margin is very critical to us. While our ILP product at the moment is quite investment orientated, we are designing our next generation products, with much more embedded protection and A&H cover, which will increase our margins going forward.

So talking of our plans for 2011, you've already heard what our three key priorities are: the Premier Agency, Profitable Growth, and Consumer-led innovation. In Hong Kong, we will execute on these priorities by further emphasizing MDRT as a benchmark of success. Providing the support needed with both training and technology enabled sales processes. We will be upgrading our iPad and iPhone applications, for example, for some of our most competitive products. The secret here really is to empower the customers to do business with us. There's a recent Swiss [Re] study that showed that in Hong Kong there is still a massive protection gap – and we calculated that: it equates to $800 million per annum in new business potential. As mentioned with our new protection and A&H-focused products they're designed to really target this gap and enhance our margins. Another key area for us here in Hong Kong is definitely brand. We want to create a pure brand for our face to face distribution. We have enormous potential with this and we need to capitalize on it. We really have no excuses in doing that. We just won the Benchmark Magazine's Brand of the Year Award for financial services companies.

If I could turn to another key country… that would be Korea. Korea has faced significant headwinds in the last two years but began taking action in 2010 to turn the corner. As you can see VONB was up 7% year-on-year to $64 million. Having spent time living and working in Korea myself, I am very familiar with the Korean market and believe there remain significant opportunities, although there are a few challenges. Again similar to other developed markets, there is a higher insurance penetration rate, some large domestic players and tightening regulation.

However, with the economics of an ageing population, a largely over-burdened and underfunded social welfare scheme and changing consumer preferences, I think this does make for an attractive market for us in the long-run for a nimble, can-do foreign insurer like AIA. There was a drop in ANP in 2010 in Korea, but VONB is up year-over-year.

We delivered a 7% increase in VONB in 2010 and a 500 basis points expansion of our VONB margin. To achieve this, what we did was we took proactive steps, we re-priced or withdrew 16 of our products. On the distribution side, we launched a branch management model to improve our agency and our productivity. While our number of agents did decrease, our net field force year-on-year, our productivity improved, which is consistent with our strategy. We also expanded into new, innovative partnerships. For example, what we call martassurance with Tesco, whose Home Plus subsidiary in Korea has 120 hypercenters across the country. In addition to these actions, AIA Korea capitalized on its rebranding. We were called AIG Life before and we didn't have any brand name. Now we're up to 70% brand recognition which I think is pretty good.

On our plans for 2011 in Korea. We will continue to reposition for growth. As previously mentioned, you can see we are obsessed over Premier Agency, profitable growth and consumer-led innovation. In Korea, how this will take shape is in the following ways: For distribution, we will rebuild our premier agency platform around the successful launch last year of our branch manager model. This places more emphasis on organic net field force growth through empowering agency managers and incentivising manager and agent recruiting. We will expand our distribution reach through both banks and retailers. We are rolling out what we call a "Select and Focus" bancassurance strategy to build closer strategic partnerships. On the direct sponsored marketing side we are now up to 34 sponsors and we have over 1,000 telemarketers and we're looking for both more sponsors and maximizing the business with those that we have currently. On product, we will continue to manage the bottom-line through focus on protection. Specifically, for Korea, this means opportunities in A&H in addition to the next generation ILP. As you know, A&H is really well represented through our DM channel in Korea and we're really going to continue to maximize the efficiency of spend in that channel. But where we have room to grow, also, is on the agency side. Our attachment rates in Korea are just below 40% which is way below the group average we have here at AIA. Also over the long run, I see supplemental health is being a really attractive market for us as we have an aging population and funding shortfalls that force the government to reduce benefits further. So while Korea remains a challenging market, I see some real opportunities to start to grow our business, and it will be getting a lot of my personal attention.

Moving to my other markets: the Philippines, Taiwan and Group Insurance. They are just as exciting, we tripled our VONB in the Philippines and we've doubled it in Taiwan. Let me highlight one success story quickly from the Philippines: based on unofficial statistics, our joint venture with BPI has achieved the number one position in bancassurance in total premium in the first nine months of operation which is quite remarkable. And this demonstrates at AIA we know how to work well with banks. BPI is an excellent partner and we see this venture having fast growth potential.

We do have a small and profitable business in Taiwan that sells mainly life and A&H products through DM channels. We have a full life licence in Taiwan and we have no material back book issues, and we are exploring our options for greater participation in this large life insurance market. And finally on Group Insurance, this historically is a strength of AIA. I started in group insurance business 25 years ago and I see significant opportunity for us in this space. Providing health and life to corporations in Asia really does have a great future. As a Hong Kong listed company, we're very well positioned to support both the local and international companies' growth.

On the SME area in particular I'm very excited about: we are developing aggressive plans to take this to the next level, particularly through our premier agency. And if I can give you an example: in Singapore, last year over 50% of our agents sold a group policy to an SME or a large multinational. In Hong Kong only 5% did. And in Thailand only 1% of our agents did. So there's lots of upside. So we're targeting to double the number of agents selling group insurance in the near future. In closing, I hope that you can see, and feel, that I have a lot of passion for AIA's business and growing it in Asia. As do we all. From Keng Hooi and Phong you will hear exactly the same from them.

So thank you very much. I will now pass over to my friend and colleague Keng Hooi. Thank you.

Ng Keng Hooi, Regional Managing Director:

Like Gordon, I too joined AIA many years ago – in fact exactly 30 years ago. After 6 years in AIA, I joined Prudential in Asia for 19 years as CEO for several years and several years as Regional Managing Director with a multi-market portfolio. In 2008, I joined Great Eastern in Singapore as the Group CEO. Having worked with Mark Tucker for many years, I share his passion for growing business and developing people. So when he called, I was truly excited to join and be part of the team leading the New AIA. Since joining in October last year, I spent a lot of time on the ground getting to know the business and the people and the team in the countries. Now, let me share some highlights about the two major markets in my portfolio: Thailand and China.

Thailand is AIA's 2nd largest market in terms of VONB --- a market where we have 4.6 million customers owning 7 million policies. VONB was up 44% year-on-year to $174 million. A key competitive strength for us in Thailand is our large and loyal agency force. Our Thai agents sell a large proportion of protection and A&H products with much higher margin than bancassurance products. Our focus in 2010 was on improving the margins of our products – we withdrew some low margin products, re-priced some key products, and launched new higher margin products. High margin riders and A&H increased by 2.6 percentage points to 28% of total new premiums.

We launched the first Investment Linked Product in Thailand. However, agents are required to pass a very stringent test at AIA before they can sell investment-linked products. So far, 500 of AIA's agents have already passed the exam to sell this product. The net results of all these actions in 2010 is our margin increased from 32% to 41%. We invested in state-of-the-art systems and technologies to serve our customers and agents in a fast and efficient way. Our agents submit over 95% - okay, over 95% - of new applications electronically and of these 65% are automatically approved using our auto-underwriting system. We have also implemented a workflow system to ultimately turn AIA Thailand into a paperless office. With a highly automated back office system, we are able to deliver underwriting and claim service standards which are unmatched by our competitors. This operational efficiency gives AIA Thailand a significant competitive advantage. We regularly share our best practices in the Group and just last month, several teams from our other countries went into Thailand and shared… learned from the Thai team in terms of the best practices in the bank office.

In 2011, our focus will be on strengthening and upgrading our agents. We have the largest agency force in Thailand. Our focus is, therefore, to create a culture of high productivity. We plan to grow our active agents significantly during 2011. This would translate into substantial sales. We have launched strategy to upgrade the active agents into Premier Agency, a top tier group of high performers. We will train these top tier agents to sell investment-linked products and also increase significantly the number of agents licenced to sell these products. We believe our focus on productivity and the increase in number of agents licenced to sell investment-linked products, will deliver significant sales increases in 2011. Our VONB from non-agency channels grew materially in Thailand last year. To further grow this business, we will seek new bancassurance partnerships. We will also invest and grow our Direct Marketing business, capitalizing on our huge customer base for cross-sell and up sell.

Now, turning to China. China is our fourth largest market in term of VONB and it is a very important growth market for AIA. With a 100% ownership of our China business, we have ambitious growth plans for our operations there. Therefore, we were very happy to obtain approval to open eight new Sales & Service Centers last November, after our successful IPO. VONB was up 43% year-on-year to $68 million.

More exciting is our upside potential. In addition to branch licences for Shanghai, Beijing, Guangzhou, Shenzhen and Suzhou, AIA has provincial licences for Guangdong and Jiangsu. With the highest and 2nd highest GDP in China respectively, these two provinces are leading economic forces in China. In a recent CIRC report, Guangdong remains the top insurance market in China in 2010, followed by Jiangsu, Beijing and Shanghai. AIA is operating in all four of these top insurance markets.

Therefore, in 2010 we strengthened the management team with new recruits as well as internal promotions. We signed an important bancassurance agreement with ICBC and have made significant progress on this partnership. We are already selling AIA products in a number of ICBC bank outlets. In terms of new products, we launched a high margin ‘All-in-One’ protection product covering death, disability, critical illness and long term care. It is a very successful product, embraced by agents, boosting their sales activity and also winning the Best Innovative Product in China.

We recently launched the Premier Agency strategy in China to strengthen agency leaders and agents; turning our top tier agents into the best in the market in terms of productivity and professionalism. Premier Agency will build a strong foundation for future growth. Our agents have responded enthusiastically to this new strategy throughout all our branches.

Our goal is to increase active agents materially this year. On bancassurance, we will expand the number of ICBC bank outlets selling our products. We will launch the Next Generation Linked Products with a focus on protection benefits. Gordon highlighted the importance of the Premier

Agency and good Protection Products for our business. Combined, these are two very powerful drivers of VONB growth. I had the experience of pioneering investment-linked products in Malaysia in the 90's and we saw a huge increase both in terms of driving the VONB and also agency productivity. I firmly believe that Next-Gen ILP together with Premier Agency will show similar success in AIA China.

In terms of growth potential, Guangdong, with a population of 96 million, is the largest province in China. Jiangsu with 77 million people is the 5th largest province. Both these provinces are like huge countries. We have penetrated only 19 of the 88 sizeable cities and counties in Guangdong and in Jiangsu, only in 18 of the 64 sizeable cities and counties. So there is still plenty of room to access more customers in these two large provinces. Therefore, in 2011, our plan is to continue our expansion into new cities in both Guangdong and Jiangsu provinces. In China, as you know, you need to apply for licences to open up a new SSC, so we will be working to apply for new SSCs in new cities in both of these provinces.

Our operations in Australia and New Zealand, were not as high profile as some of their Asian counterparts, are doing well.

Last year in Australia, we continued to diversify into alternative channels, IFAs and DM. We secured new five-year Direct Marketing distribution deals with Priceline, a leading pharmaceutical chain, and Citibank. AIA Australia will be offering A&H and protection products to Priceline's 3.2 million loyalty card holders and also to Citi's 750,000 credit card customers. In July 2011, AIA Australia will begin a substantial Group Insurance partnership with Sunsuper. Sunsuper is one of the largest super funds in Australia with more than one million customers. We will also continue to grow high margin direct marketing sales.

In New Zealand, under new leadership, we sustained our system, our business momentum with significant ANP over 2009 and also launched new products with higher margins. Our focus for 2011 in this market is to continue to improve the margins for the product by driving down acquisition costs in New Zealand.

Now some closing comments before I pass on over to Phong. As you can see, the markets in my portfolio are very diverse – from large markets like China and Thailand where face-to-face selling via tied agency is the dominant channel, to Australia, a developed market with IFAs and DM where we focus on serving our IFAs well and on leveraging our group insurance expertise to forge innovative strategic alliances.

Clearly not one size fits all, but AIA has the depth and breadth of experience and expertise in Asia-Pacific to customize our products and distribution to meet the needs of different markets.

Let me now hand over to Phong who will talk about his markets. Thank you.

Huynh Thanh Phong, Regional Managing Director:

Thank you Keng Hooi and good morning.

Unlike Gordon and Keng Hooi, I am very new to AIA. I just joined the company last October. I spent most of my 25 year career in insurance in Asia. Coming back to Hong Kong in 1992, first with Manulife and then Prudential, I competed against AIA in several markets including Hong Kong, Vietnam, India, and China. For the last couple of years, during my time at Fullerton Financial, I also had the chance to follow AIA's progress from another angle. I therefore had known and admired AIA from the outside for quite a number of years. So when Mark called and offered me the opportunity to be part of the new AIA, it was quite an easy decision for me to make. Today, I will cover the results for our key operations in Singapore and Malaysia as well as the fast growing markets of Vietnam, Indonesia, and India.

In 2010, our Singapore operation delivered a very strong second half result with good increases in VONB while weathering the pressure from our competitors. VONB was up 8% year-on-year to $104 million. Full year sales, measured in ANP terms, was up 30% over 2009. Part of this increase was due to the launch of a one-off short-pay product designed to restore agency momentum – hence a temporary dip in VONB margin. We stopped selling this tactical product in Q4 and margin has since rebounded. The regaining of momentum in the second half also helped boost our agency force's activity level in Singapore and delivered strong recruitment results.

On products, we made a strong push to protection and A&H. We launched several new products with high margin focusing on providing life, critical illness, and hospital coverage. As Gordon mentioned earlier in his presentation, the Group Insurance line in Singapore is doing very well with more than 50% or our agent selling a group policy. The line now accounted for more than 20% of our VONB in 2010. And we remain among the top three and were named the best group insurance provider by the Human Resources Magazine for the fifth consecutive year in Singapore. In the back office, we moved several administrative functions to our Shared Service Centre in KL in order to gain efficiency and realize additional expense savings.

Turning to 2011, our key focus for Singapore will be the implementation of the Premier Agency strategy that Gordon described earlier, and the relentless push for recruitment. With Premier Agency, we will concentrate our efforts on improving agency activity and productivity. We plan to increase the number of active agents materially in 2011. On the product side, Singapore will lead the regional effort in 2011. We will launch the next generation unit-linked product here. This product will provide our customers with higher protection addressing the issue of the protection gap that both Keng Hooi and Gordon talked about earlier in our major markets. For the group insurance line, we will continue to leverage our strength in distribution to build on our market leading position. With our Shared Service Centre in Kuala Lumpur, we have opportunities to further leverage long term cost savings. We will move additional back office tasks from Singapore and will monitor the progress closely. This will help free up resources in Singapore and enable us to provide better front end customer service.

In Malaysia, we delivered significant improvement in profitability in 2010 through our efforts to re-price the product and to change the product mix.

We withdrew several high-volume but low-margin products and directed our sales force to higher margin products. As a result, while ANP only increased by 8%, you can see that VONB increased by 39% to $39 million. Our investment linked product in Malaysia has a very high element of protection and has high margin. In 2010, we increased the sales level for this product significantly, which contributed to the 7% increase in our portfolio margin.

On distribution, our agency force needed to rebuild momentum after a period of slow growth. So firstly we reemphasized our Generation Next program in Malaysia, secondly we introduced the Agency Organizer system, and thirdly we changed the compensation structure to push up recruitment activities. As a result, new agent recruitment increased materially during 2010. 2010 also saw notable growth in our partnership channels in Malaysia. Successful direct marketing campaigns helped grow this channel by 29%.

In September of 2010, the regulator approved our application for a Family Takaful licence. Within 4 months, we completed all the requirements and launched the company. We started to accept new Takaful business on the 19th January this year. The Takaful segment holds very promising potential for us in Malaysia. According to Bank Negara statistics, in 2009 for example, while the conventional segment grew in single digits, the Takaful grew by over 47%.

In 2011, our focus in Malaysia will be to expand our distribution capability across all channels. To achieve this, we will firstly implement our Premier Agency strategy to enhance activities and productivity. We aim to increase the number of active agents significantly this year. Secondly, we will continue with our successful effort to re-energize the agency force and build on our strong recruitment momentum. Particular emphasis will be put on the recruitment of Muslim agents to help us move aggressively into the Takaful market. Thirdly, we will progress the development of new distribution partnerships to complement the growth of our agency channel. On product, while we had remarkable success so far improving profit margin, we will make further gains by re-pricing lower margin products and by selling more protection, A&H and investment-linked products. Our Malaysia operation is set to deliver profitable growth on a very strong platform in 2011.

The last countries I will cover today are Vietnam, Indonesia and India. These are amongst the fastest growing markets of Asia. And I have been involved with these three countries intimately for almost 20 years.

In Vietnam, we were severely impacted in the first half of 2010 by the Prudential approach. But we made a strong comeback in the second half, with both VONB and ANP showing significant growth.

To sustain this momentum, we will make strong push to grow our agency force in 2011 by rapidly recruiting both agents and agency leaders. We also aim to improve margins by launching the next generation of Universal Life products with higher front-end charge and by introducing an investment linked type of product in Vietnam.

In Indonesia, we experienced tremendous growth in both ANP and VONB even though the government introduced new restrictions for insurance agent licensing in 2010. This growth was achieved through better agency productivity and further successes in the bancassurance channel. We replaced several back-end-load products with higher margin front-end-load products in 2010 and will continue with this re-pricing effort. We will launch more Shariah-compliant products and riders in 2011. Similar to the situation in Malaysia, the Shariah compliant segment is expected to grow rapidly in Indonesia. It already accounts for more than 40% of our sales through the agency channel.

India is the only market where we operate with a JV partner. We hold a 26% [share] in the JV. In 2010 the company accomplished the objective of rationalising its branch network, and reduced headcount and expenses more than proportionally. This resulted in a much improved financial situation in India. We continue to be bullish on the long term potential for life insurance in India. And with a strong back office operation and a lean and efficient distribution platform in place, our JV is well positioned to take advantage of the country's potential.

Several of our Exco members, including Mark, Bill Lisle our Chief Distribution Officer, Keng Hooi, and myself, we all have built market leading companies in these three countries. We certainly have the successful track record, the required experience, and the strong relationship with the people on the ground. So we are very confident that the management team will lead AIA to a leadership position in the fast growing markets of Vietnam, Indonesia, and India.

Gordon talked earlier in details about our Premier Agency strategy and Keng Hooi discussed the importance of having the right products as the key success factors for AIA.

Across all markets in Asia, we are working very hard to execute the continuing transformation of our agency force and to launch the next generation of products. The success of these strategies will depend on the people we have on the ground. Building a strong team, both here in Hong Kong and in the countries, is therefore the key to our success. I am very privileged and extremely excited to be part of this team and of this new beginning for AIA. Thank you and now I will pass the podium back to Mark.

Mark Tucker, Group Chief Executive and President:

Thanks Phong. I think we've only got another hour and a half to go (laughter), so we're just passing halfway.

I think as you have just heard, the RMDs are wonderfully busy and absolutely aligned on where we need to go and how we intend to get there. Let me close this presentation over the next several minutes by summarising AIA's overall focus and priorities for this year, for the current year.

We presented a version of this slide to you back in September. I am pleased to say that we are now able to be more specific and selective about our priorities for this year.

Our strategy remains both simple and clear: a relentless focus on shareholder value creation through profitable growth. To do this, and as you have just heard, we are developing each of our distribution channels, product categories and customer segments. We are putting in place a new organisation and operating model that supports our strategy efficiently and we are continuing to strengthen our underlying financial discipline so we can make the most of every opportunity that we have. The right hand side of this slide lists some examples of initiatives we have already begun in the first quarter of 2011. And let me just spend a few seconds on one or two of these.

Starting again with our core agency distribution, here as each of the RMDs have mentioned we have set ourselves a bold ambition to build the Premier Agency in Asia. We have defined this ambition in specific terms, and will measure and manage our progress using quantifiable performance metrics. We will provide our agents with world-class training and development and upgrade our sales processes and upgraded customer service. We will set agent compensation to be aligned with sustainable value of new business delivery by offering propositions that suit customers' specific needs and we will equip our sales force with the technology it needs to be even more effective than it is today.

This is a journey and each of our country operations is at a different point on that journey. But this integrated set of agency initiatives has the potential to be truly transformational for AIA. Our new Chief Distribution Officer, Bill Lisle – Bill's sitting here in the front and I'm sure he'll be happy to answer questions – has a wealth of experience in this area. Bill also has the energy, skills, experience and he has the team to deliver.

As I mentioned earlier, we have already taken a number of actions to improve our product profitability through product mix and design and mix management. This slide describes some of the specific initiatives to which we have committed in 2011.

First, we are redesigning low-margin products to raise unit VONB margins. We have already stopped selling unprofitable products whose only purpose is to drive market share, and we will no longer offer low-margin short-pay deposit substitutes. Second, our Product Team is working closely with Distribution to manage product mix more proactively than in the past. This has an impact on product design – for example, by embedding A&H riders in traditional life products, and changing commission structures to align them better with sustainable VONB delivery. And we are beginning to share ideas, product platforms and people more proactively across all our markets. Third, we are refocusing our product proposition on higher-margin categories.

We continue to enhance our market-leading A&H portfolio for both standalone riders, products and riders on main policies. We are designing next-generation investment-linked propositions that better address protection needs whilst maintaining investment flexibility for customers. Last but not least - and as Gordon has said - we are reinforcing and expanding our regional leadership position in the Group Insurance sector.

In parallel with this, we are more focused than ever on the customer. As you have just heard from Phong, we have seen very encouraging early success in launching Islamic insurance businesses in both Indonesia and Malaysia. To distribute these new products, in addition to our existing agency force, we will establish a dedicated Islamic agency channel and engage bancassurance and DM partners. We will invest in product development and marketing to build consumer awareness of AIA's propositions in this fast-growing market segment.

Staying with the customer, let me introduce our new Group Chief Marketing Officer, Paul Groves. Paul has made a rapid start in his new role and already has a number of initiatives underway. We are taking actions to enhance the customer experience, and Paul is introducing a new, rigorous way of measuring and managing that. We are upgrading our customer management and segmentation capabilities. We have a renewed focus on premium recapture of maturing policies in our target markets. And we are upgrading our customer-facing technology to make interacting with AIA even easier than in the past.

Consistent with the major growth initiatives in train this year… as I've said, we need to realign AIA's organisation and operating model to support our future growth. And we are taking steps to leverage our superior scale at the country level. We are reducing expenses in our larger country operations. We are migrating some back office operations to our Shared Services Centers in Malaysia and China. And we are upgrading our life administration system and data center infrastructure to support the next phase of AIA's growth.

In parallel we are working to make AIA's Group Office more effective in supporting our country operations. We are cutting operating costs and headcount in the group functions in Hong Kong. We are slimming down our Group Strategic Initiatives Office and passing delivery accountabilities to the RMDs and to the CEOs. And we have raised delegated authorities to give our RMDs and CEOs more autonomy. These improvements represent significant changes to our organisation and operating model. They will make AIA more effective in delivering our growth ambitions. They will make AIA more nimble and they will empower those at the 'sharp end'.

Marc has already described our capital management process and dividend policy so I won't repeat it here. Suffice to say, and you've heard me day it before, we will take a highly disciplined and efficient approach to managing our capital in 2011 and beyond. As you have heard today, we see enormous profitable growth opportunities across all our markets. We will use our substantial VIF monetisation to invest in the most material value creation opportunities. We will preserve, protect and further enhance our exceptional financial strength. And we will work to improve our capital productivity both at the group level and in our country operations. And from this year on we will pay a prudent and sustainable dividend to our shareholders, beginning, as Marc said, with an interim payment for the first half this summer.

In short, you can be assured that we will use our advantaged capital and cash position to give us optionality and to deliver sustained profitable growth and shareholder value over time.

We have covered a lot of detail this morning and I think deliberately so to give you a sense in depth of the businesses and a sense for the feel of the team. But in closing this presentation, I would like to leave you with just six key messages.

First, AIA is in the right region at the right time. Asia's structural growth drivers make our markets the most exciting part of the world to do business in.

Second, AIA has a unique and advantaged franchise. We are an independent, publicly listed company with 100% exposure to Asia and we are diversified with significant scale right across the region. Our 100% ownership in 14 of the 15 markets allows us to capture the full economics for our shareholders.

Third, we have exceptional financial strength. We have the back book cash flow to self-fund our growth, the AA- rating from S&P, and 100% of our capital from equity.

Fourth, our senior management team has world class expertise and experience, and an enviable performance record in directly relevant operations. This team has deep relationships and experience right across the region.

Fifth, we have multiple opportunities to deliver sustained profitable growth. We will execute our Premier Agency strategy whilst developing bancassurance and DM channels. We will strengthen our market leadership in protection and A&H business, while developing and launching a new generation of investment-linked products. And we will continue to align our organisation and operating model to support our growth.

Last but not least, our recovery is well underway – as you have seen from today's results, we have made real progress, but we believe there is much more to come. Individually, each of these six points is a critical success driver in its own right. Taken together, and in the context of the recovery demonstrated by today's results, we believe that they combine to make AIA a highly investible proposition.

That concludes our presentation. Thank you.