AIA Group Limited 2013 Interim Results

Analyst Briefing Presentation – Transcript

26 July 2013

Mark Tucker, Group Chief Executive and President:

Warm welcome to everyone this morning. I think the weather certainly gave challenges for those of you that managed to be here. We appreciate it.

Welcome to our 2013 Interim Results presentation. Let me take a step back, we said in February that we were confident about the opportunities to create sustainable value for our shareholders and that we would focus on those priorities that make a difference and that is exactly what we have done.

At the same time as delivering record new business and IFRS earnings, we maintained our advantaged capital position generating increasing amounts of free surplus, remitted close to one billion dollars of capital to the Group and grown our dividend strongly on the prior year.

Let me take you through the agenda. We will follow the usual structure this morning and I'll come back at the end to summarise before opening up again for questions.

We have delivered another record set of results and these results provide clear evidence that our profitable growth momentum has been sustained through the first half of 2013. We remain very focused on the execution of our organic growth strategy and on the key priorities of building ever more effective distribution, new product innovation and greater customer engagement. And we still feel that we have only just begun.

Alongside our focus on the right priorities and with the right people to implement our strategy, AIA is wonderfully well positioned to seize the immense growth opportunities that Asia offers.

Let me now just take you through the financial highlights. You can see on this slide that all of our key metrics VONB, Embedded Value Equity and IFRS earnings have maintained their positive momentum building on last year's record first half performance.

I will start with VONB, our most important value metric. VONB is up 26 per cent to a record, a new record high of 645 million dollars. It is important that I say it and I have mentioned it before, AIA focuses on creating sustainable growth in total VONB by optimising both volume and margin. The increase in VONB has been achieved with strong growth in ANP, up 29 per cent and sustaining VONB margin at around 42 per cent.

Our Embedded Value Equity which represents our Embedded Value plus goodwill increased by 5 per cent or 1.6 billion dollars to 33.3 billion dollars.

Turning now to our IFRS results: Our operating profit after tax grew by a strong 17 per cent. Total net profit increased by 34 per cent to 1.9 billion dollars in part reflecting higher equity market gains over the first half.

Net remittance to the Group grew by 15 per cent to close to one billion dollars and our solvency ratio remains very healthy and robust at 427 per cent under the prudent Hong Kong ICO basis. And today, as you saw, we announced an interim dividend of 13.93 Hong Kong cents per share, an increase of 13 per cent.

These excellent financials are a direct result of the significant progress we have made over the first half of 2013.

Our proprietary tied agency model is the foundation of AIA's growth with the continued development of our Premier Agency strategy being essential to sustaining and building AIA's outstanding franchise in the region. We have made excellent progress in our Profitable Partnerships model by deepening our relationships with existing partners and pursuing new growth opportunities. We have continued to broaden our product range, really to enable customers to grow their wealth while providing additional protection coverage. One good example of this is the successful roll-out of our next generation unit-linked products, with an increase in VONB of 80 per cent compared with last year. That's eight zero per cent. And as we have mentioned previously, our large in-force customer base is a substantial source of future value for AIA.

Another important driver of our success is the quality, commitment and professionalism of our employees and agents whom we continue to empower and engage. And finally, our robust balance sheet, capital strength and increasing cash flow generation places us in a very advantaged position. And of course, on this topic, one other milestone for AIA in the first half was our first, successful and timely debt issuance for a total of 1 billion dollars in 5 and 10 year senior notes.

I will now take you through some of these areas in greater detail starting with Distribution and Premier Agency. As I said, agency continues to be our core distribution channel representing 70 per cent of the total VONB of the Group. We have continued to deliver sustainable growth with further improvements in agency productivity and a double-digit increase in the number of active agents.

As you know, the number of Million Dollar Round Table, the MDRT qualifiers, remains an important external benchmark for Premier Agency performance. And as at July 2013, AIA is the number one Asian-based insurance company in terms of MDRT members and we are now third worldwide.

We continued to roll out iPoS, our industry-leading point-of-sale technology, to improve agency productivity and around half of all active agents in Singapore are using the system with nearly 100 per cent take-up in Taiwan.

An important focus for AIA is high-quality agent recruitment and the development of strong agency leaders to grow our next generation of Premier Agents. In addition to the development of agents through our AIA Premier Academy, we established a strategic partnership in April with GAMA International, a world leader in agency management training. Our new partnership enables the AIA Premier Academy to incorporate GAMA's proven training modules into our established curriculum.

Let me turn now to Partnerships. Our partnership business has again delivered excellent results in the first half of the year with VONB up 44 per cent. On the bancassurance side, we launched our new long-term relationship with Public Bank in Malaysia. And our joint teams have been working closely together to put in place business plans and introduce a new range of products. Overall, our bancassurance business has doubled in VONB terms compared with last year.

Direct marketing VONB increased substantially over the first half as our largest direct marketing platform in Korea continued to refocus its business and revamp its products and we also continued our investment in other profitable partnership channels, including IFAs. The VONB of our Group Insurance business increased by 32 per cent compared with the first half of 2012.

We can see from this slide how the execution of our product and distribution strategy has delivered over time. Now this is the 3 year time range. In the 3 years since IPO our total VONB has more than doubled. In distribution, our Premier Agency strategy has been the engine of our growth and our profitable partnerships model has also made significant progress. As you can see, higher production from agency and partnerships have together increased VONB by over 70 per cent since IPO. Our emphasis on improving product quality remains an on-going priority and since IPO this has contributed a further 37 per cent of VONB.

Macroeconomic uncertainty and volatility has existed since our IPO, so it is within this context, it is very important to recognise that the strong underlying performance of the business and the successful execution of our strategy remain the major drivers of growth.

AIA serves the holders of over 27 million individual policies and over 16 million group insurance scheme members.

Our scale across 16 markets in Asia places us in a unique and advantaged position to cross-sell and up-sell new products to our existing customers. The detailed research findings from our Customer Experience Programme have allowed us to segment and target customers in a more advanced and sophisticated way and we have seen very positive results from increased engagement levels with our customers.

The number of policies bought by our existing customers has increased by 22 per cent leading to an increase in VONB of 33 per cent compared with the same period last year. And clearly, the scale of our existing in-force base is a key competitive advantage and source of future VONB.

Today's headline shows that our strategy is working well. Sustained execution on the right priorities has again delivered record results. We have also maintained our strong solvency position, generated increasing amounts of free surplus remitted close to one billion dollars of capital to the Group and declared a dividend up 13 per cent on the prior year. And we will continue to build and leverage our unique and advantaged platform. We know there is a great deal more for us to go for.

We are definitely in the right Company at the right time and with the right people. Let me now hand over to Garth to take you through the detailed financials.

Garth Jones, Group Chief Financial Officer:

Thanks Mark. Good morning. Let me now take you through our first half results in detail. I will follow our usual format starting with value creation.

As Mark highlighted, we sustained the positive momentum built up in the past few years to deliver new highs in all of our key financial metrics for the first half, including as you can see here a 26 per cent increase in VONB. The chart also shows that we have consistently grown first half VONB over time. Our VONB results are shown on a net of tax basis after deducting 66 million dollars for the allocation of Group Office expenses and also the cost of holding capital and reserves on the Hong Kong ICO basis above local requirements. Our primary focus is driving sustainable growth in VONB by optimising both new business volumes and margins.

I will now go through this in more detail starting with ANP. ANP grew by 29 per cent to a new record level. This is an excellent result and it is the first time ANP has exceeded 1.5 billion dollars in the first half of the year. We benefitted from a combination of strong improvements in productivity and the consolidation of our newly-acquired businesses in Malaysia and Sri Lanka.

However, sales growth is only part of the story. It is also important to highlight the quality of the business written with over 90 per cent of our new business being regular premiums that when combined with our high levels of persistency builds scale and earnings steadily over time.

Higher volumes have made a very strong contribution to VONB in both agency and partnership channels, contributing 19 per cent and 10 per cent to the overall growth respectively. We continued to proactively improve our product mix and pricing in the first half is shown here.

A shift in geographical mix and the consolidation of ING Malaysia had a slight negative impact on margin, as we highlighted in the first quarter and changes to assumptions, mainly as a result of lower expected interest rates from the end of last year led to a small reduction.

The 26 per cent growth in VONB achieved demonstrates that AIA focuses on total value creation rather than purely volume or margin and that we are disciplined in writing business that meets our return targets. The next slide demonstrates how we are achieving this across all of our markets. VONB growth in the first half was both strong and broad-based. VONB in Hong Kong increased by 20 per cent maintaining our record of consistently strong growth rates.

Thailand was up by 11 per cent while Singapore increased by 13 per cent. China delivered a very strong performance with 27 per cent growth. Malaysia's VONB increased by 69 per cent after consolidation of our acquisition there. Korea's ongoing repositioning produced VONB growth of 36 per cent. Finally, our Other Markets delivered an excellent result with 67 per cent growth in total, with contributions from very strong performances in Australia, Indonesia and the Philippines in particular.

Let me now turn to Embedded Value Equity and the treatment of goodwill. EV equity is the total of embedded value, goodwill and other intangible assets consistent with the treatment under IFRS accounting. The left hand side of this chart shows the end 2012 composition of the EV equity for comparison purposes. On the right hand side you can see the effect of the acquisitions.

The opening EV Equity is first reduced by the purchase price we paid and is then increased by the EV we acquired. The difference between the two, as shown here, is the goodwill and other intangibles of 810 million dollars. The acquisitions, therefore, have no impact on the total EV Equity or on the movement in EV equity that you can see on the next slide. EV equity grew by 5 per cent to 33.3 billion dollars over the first half year. The main driver of the growth was EV Operating Profit, which was up 15 per cent to 1.9 billion dollars.

As we use a prudent discount rate in our calculations, our EV operating profit will continue to benefit from the significant unwind of the value of our in-force book each year. Operating variances also contributed 64 million dollars, mainly from favourable claims experience. This demonstrates our positive actual experience compared with that expected under the assumptions used in our EV calculations.

On the non-operating side capital market and foreign exchange movements were a net positive overall. The 2012 final dividend payment was 380 million dollars. I should note that economic assumptions are unchanged from those used at year end 2012.

Lastly, we have had some questions this week on our Australian group claims experience and as we are here today, I thought it might be worth making a few comments on the subject.

First, in the context of AIA Group’s earnings it is worth pointing out that the entire Other Markets’ segment Value of in-force is only 5 per cent of the Group total and their combined OPAT is just 10 per cent.

Second, over half of our Australian Group business is reinsured, therefore, looking at gross premiums significantly overstates our net risk exposures. It should also be noted that our retained experience is better than the experience on business ceded to our reinsurers. Having said that, following the claims fluctuations in Australia that we highlighted last year we commissioned an independent actuarial review which confirmed our current reserving methodology.

Finally, we have also stress tested a significant increase in claims and can confirm that the potential effect is expected to remain immaterial.

Gordon will talk later about the strong performance of our Australian business in the first half. Moving on to our Embedded Value sensitivities.

The capital market sensitivities shown here allow for movements in the net worth, including both our assets and liabilities and also the value of the in-force. You can see that the economic impacts on EV are small with rising interest rates having a positive effect. It is important to look at both interest rate assumptions and risk discount rates together in order to measure the risk premium and the overall level of prudence in our EV.

The difference between our average risk free rate and our average risk discount rate is equivalent to a risk premium of around 700 basis points allowing for the effect of Hong Kong reserves and capital. We regularly have an independent actuarial firm assess our EV methodology and assumptions against industry practice and confirm that these remain prudent by comparison. They have also confirmed that our approach would give no overall material differences compared to a market-consistent approach.

Another feature that differentiates AIA is the scale and profitability of our in-force business. You can see from this slide the after tax surplus which is projected to emerge from our in-force book over time. Our cash flow emergence profile is very attractive, with close to 12 billion dollars expected to be released between now and the end of 2017 on an undiscounted basis. This compares very favourably with the figure of 10 billion dollars that I presented this time last year.

Turning to our IFRS results. Operating profit before tax grew by 19 per cent to 1.6 billion dollars. Importantly this growth has been achieved with diversity and scale, with each of our market segments reporting a profit above 100 million dollars for the first half.

The contribution of Malaysia to the earnings mix doubled following the acquisition. Investment income increased to 2.5 billion dollars for the first half and our investment yield was 4.8 per cent in line with the full year 2012. The investment return, shown of 7.1 per cent, reflects the investment yield together with the mark-to-market performance of equities. Our total invested assets excluding unit-linked funds exceeded 100 billion dollars for the first time and the investment mix remained stable. Out of the 11 per cent shown here as held in equities, around 7 per cent relates to shareholder funds with the balance in participating funds.

The average credit quality of our portfolio is unchanged and remains strong. Operating Profit after Tax was up 17 per cent in the first half to 1.3 billion dollars. IFRS net profit increased by 34 per cent to 1.9 billion dollars including equity gains of 659 million dollars as at the end of May.

It is worth noting that AIA’s definition of operating profit does not include any normalised gains. In addition, our Net Profit does not reflect the market movements of AFS bonds as these are included in equity. The average annual non-operating gain reported over the 2009 to 2012 financial years was 460 million dollars.

Shareholders’ equity on an IFRS basis increased over the first half of 2013 to 27.2 billion dollars. The main drivers were: net profit of 1.9 billion dollars partially offset by 865 million dollars from the unrealised movement in AFS bonds that go through equity and 214 million dollars mainly from exchange rate movements. Lastly there was the payment of the final dividend for 2012 of 380 million dollars.

Let me end with capital and dividends. Our Hong Kong ICO basis solvency ratio remained very strong over the first half of 2013. This strengthening, as you can see, is a result of robust retained earnings and positive equity market gains.

It is worth noting that under the HKICO solvency regime the value of bond assets and insurance liabilities move in tandem with interest rate changes. Broadly speaking, rising interest rates reduce both assets and liabilities, with a net positive effect overall on the solvency ratio, as is the case for all our key metrics.

Our strong financial position enables us to self-finance our growing new business and to absorb capital market volatility. Our ability to consistently grow new business value at the same time as generating strong cash flows is a distinctive feature of AIA.

Back in February, I explained the mechanics of the free surplus calculation following the acquisitions. We do not include goodwill or debt in free surplus. We, therefore, deduct the difference between the purchase price paid for our acquisitions and the free surplus we acquired. You can see the effect of this included on the left hand side of the chart.

Post the effect of the acquisition, in the first half free surplus was up by 745 million dollars. We generated 1.9 billion dollars of free surplus as a direct result of the profits generated by our large and growing in-force book. This figure also includes positive market movements in the first half of 370 million dollars. We invested 684 million dollars in financing our growth in profitable new business, which has an IRR in excess of 20 per cent. Note that the dividend payment deducted here is two thirds of the total dividend for 2012.

The Board has declared an interim dividend of 13.93 Hong Kong cents per share in-line with our prudent, sustainable and progressive dividend policy. This represents growth of 13 per cent compared with the 2012 interim dividend.

Following the pattern that we have established in prior years, if trading conditions are in line with present expectations, the 2013 interim dividend will represent approximately one-third of the full-year total. Overall, AIA has again delivered another excellent set of results, recording a very strong performance across all key metrics whilst demonstrating financial strength and flexibility.

I shall now hand over to Keng Hooi who will share with you how these results have been delivered in the markets that he is responsible for.

Ng Keng Hooi, Regional Chief Executive:

Good morning. I will review the achievements of the four key markets in my portfolio – China, Thailand, Singapore and Malaysia while Gordon will share with you the impressive performance of his markets. As Mark said earlier, we have a clear strategy with clear priorities that we are all focused on executing well.

The common themes in Gordon's presentation and mine are, first, continuing to broaden and deepen our Premier Agency strategy and grow our profitable partnerships and second, enhancing our product mix to ensure we meet customers' needs and deliver profitable growth for AIA.

Let me begin with China. Our consistent execution of AIA's Premier Agency strategy has produced excellent financial results with VONB of up 27 per cent to 76 million dollars. In the first half of the year, we continued to implement our training and development programmes for agency leaders to drive quality recruitment. As a result, the number of active new agents in China grew by over 30 per cent compared with the prior year. We also continued to improve our product mix and AIA has reinforced its brand as a leader in protection insurance.

Through new product launches and effective sales promotions we increased sales of protection business by more than 20 per cent in the first half. We improved the features of our flagship All-in-One product and, as part of the Group's product strategy, we launched an updated version of the Next Generation Unit Linked Product at the end of last year. This offers higher levels of protection and provides the customers with the flexibility to meet both their protection and regular premium savings needs within one product.

Another area where we have made good progress is in group insurance where our VONB doubled over the prior year and we see significant potential for further growth.

Let me now review our performance in Thailand. The execution of our strategy in Thailand has delivered VONB growth of 11 per cent to US$146 million in the first half of 2013. AIA Thailand has enhanced the quality of its new recruits through the use of candidate profiling tools to target those who have the aptitude to succeed in a full-time career as a professional life insurance agent. This approach has helped increase the number of active new agents by over 20 per cent compared with the first half of 2012. We are also on track to deliver a significant increase in potential MDRT qualifiers to retain our number one MDRT ranking in Thailand this year.

While our agency force is a clear competitive advantage for AIA and remains our major distribution channel, our Partnership Distribution has shown good progress with VONB growth of 45 per cent in the first half of 2013. AIA continued to develop products aimed at helping our customers address their long term savings and protection goals.

AIA Health Lifetime, our innovative participating critical illness product, continued to be well-received and delivered strong growth in new sales. In April 2013, we also launched our Next Generation Unit-Linked Product, the first-of-its-kind in the Thai market and this is an important new step for AIA Thailand. We also continued to target our in-force customer base of over 7 million policyholders to cross-sell and up-sell new products.

I will now turn to Singapore. AIA in Singapore produced a solid performance in the first half of 2013 with VONB growth of 13 per cent on top of an outstanding prior year. Margin expansion was a result of strong growth in protection product sales combined with reduced demand for lower margin savings business within the product mix.

We introduced a new agency career structure in the second half of 2012 to better support and encourage recruitment. Together with the launch of targeted campaigns, we delivered 22 per cent more active new agents compared with the prior year. We continued to improve agent productivity through training from our Premier Academy and the successful implementation of iPoS, with around half of all active agents now using the system.

AIA has firmly established itself as a leader in protection insurance in Singapore. We aligned our HealthShield products with the Singapore Government's current upgrade of its hospitalisation insurance scheme. These redesigned products have been well received adding over 25,000 new customers with many of our existing HealthShield customers also choosing to upgrade their levels of cover with AIA.

Last week, we launched AIA Vitality in Singapore, a joint venture with Discovery from South Africa. AIA Vitality combines AIA's brand, distribution and product leadership with Discovery's wellness-based expertise and experience. AIA Vitality will enable us to offer protection products designed to encourage and reward healthy living and it represents a powerful and exciting new way of engaging with our customers while improving claims and persistency experience for AIA.

I would now like to invite Bill Lisle, CEO of AIA Malaysia, to give you a brief update on what we have achieved so far in terms of our integration of ING Malaysia, Bill.

Bill Lisle, CEO of AIA Malaysia:

Thanks Keng Hooi and good morning. I would like to share with you the significant progress that we have made regarding our integration in Malaysia.

This was a very large scale integration involving Malaysia's third and fourth largest life insurance companies. As you know, the deal completed on 18th of December last year. Within the first 60 days, we put in place a new Executive Committee and an integrated senior management team. We also set up 15 different task forces to integrate 5 distribution channels, 4 policy administration systems, 2,300 employees, 45 branches and 240 agency offices throughout the country.

When we spoke to you in February, we said that we aimed to establish a single brand under a single licence with a single new business platform and product range and we have. I am pleased to inform you that on the 17th of June we achieved a critical integration milestone of completing the legal merger of the two companies on schedule, hence we now operate under the single AIA brand. We are also providing a seamless customer service experience from all of our call centres, branches, agency offices right through to our web portal for all of our customers. As a result, we have consolidated the number 1 life insurance position. We are the number 1 group insurance company and the second largest bancassurance provider. We have a combined agency force of over 16,000 agents servicing the holders of more than 3.5 million policies.

The acquisition of ING has materially strengthened our distribution capabilities and channel mix while broadening our geographic coverage in Malaysia. Following the approval of our single licence in June, we launched a new, single product set under the AIA brand for our agency channel including a full range of protection and unit-linked products. The new product range is supported by our iPoS technology which is being rolled out to all of our agents. In terms of bancassurance, we have also made a strong start to our partnership with Public Bank.

As you can see, the team has done a terrific job in the past 6 months and more importantly we are very excited about the future. Now, I would like to hand back to Keng Hooi to talk about the first half performance of AIA Malaysia.

Ng Keng Hooi, Regional Chief Executive:

Thanks Bill. As Bill said, his team has done a terrific job of delivering a significant milestone in our ongoing integration.

Our Malaysian business reported a 69 per cent uplift in VONB to 54 million following the consolidation of ING Malaysia. VONB margin reduced to 35.3 per cent reflecting the mix of lower-margin products from this newly-acquired operation, as we highlighted in the first quarter announcement.

Throughout the integration process, we maintained our Premier Agency initiatives and focused on driving quality recruitment. We launched a new recruitment scheme in April with a nationwide marketing campaign targeting the younger generation of agents. The take-up of AIA's iPoS system in Malaysia has also been very positive. Finally, our enhanced product range, including next generation unit-linked, is now available under one brand and in both our agency and our bancassurance channels.

In closing, I want to say that my teams and I remain very excited by the enormous potential in all our markets. As Mark has said before, there is much, much more to come. Gordon, over to you.

Gordon Watson, Regional Chief Executive:

Thank you Keng Hooi and good morning everyone. I am excited to update you on an impressive performance, from a number of our largest markets and a set of excellent results from our other markets. So let me start with Hong Kong.

Hong Kong delivered strong results in the first half of 2013 with VONB growing 20 per cent. Our focus on delivering protection solutions remains at the forefront of our strategy, while also recognising the growing demand from Hong Kong customers for quality savings products to address their long-term financial needs. As a result, in the first half we saw higher new business, with ANP growing 34 per cent. The growth of this was partially offset by a reduction in margin due to the increased demand for savings products.

Now in Hong Kong, our Premier Agency remains a benchmark in today's marketplace. Maintaining this standard requires a rigorous focus on recruiting high potential candidates and having a development framework in place to ensure our agents maximise their productivity.

We achieved both in the first half of 2013, with the number of new recruits growing by 11 per cent and overall agency productivity rising by 25 per cent. In terms of recruitment, Hong Kong's Premier Academy programme continues to set the standard in the market for attracting and developing the best young high-potential candidates. To expand the value proposition of Premier Academy, in 2013 we launched our Agency Executive Development Program. This is a focus on recruiting and setting candidates on a career path to become an agency leader at AIA. As noted in our 2012 full year results, AIA Hong Kong was the undisputed leader in terms of MDRT qualifiers. Through the first half of 2013, the number of pro-rata MDRT qualifiers is already on track for another record year.

Also Group Insurance, this remains a key focus for us and the first half yielded strong results, with VONB up 50 per cent and the number of cases closed through brokers was up 170 per cent.

AIA Hong Kong is committed to becoming a more customer-centric organisation and develops solutions to address the financial needs of our diverse customer base. In the first half of the year, we launched products and propositions that successfully targeted two customer segments – young families and pre-retirees. For young families, we launched a product to help them save for their children's education. For pre-retirees, we introduced products specifically to help with their retirement savings and income distribution needs. We are very pleased with the progress in Hong Kong, as we continue to perform well in our home market.

So now, I would like to move onto Korea. At the full year, I mentioned that we made significant progress in repositioning our agency channel and had started our multi-year transformation of our direct marketing programme.

Early results from these initiatives helped AIA deliver a 36 per cent growth in VONB. This shift in production mix from the direct marketing channel towards agency resulted in a reduction in the overall VONB margin. We have come a long way in Agency in Korea and we believe the foundation is now in place for us to build a sustainable and quality business.

Growing agency is all about addressing the fundamentals, which starts with quality recruitment and training. Early signs in 2013 have been positive in both these areas, as the number of active new agents doubled and both the number of active agents and agency productivity grew by over 30 per cent. A milestone to announce the new culture that we have for agency in Korea was the first half launch of the Next AIA recruiting and development program. This is Korea's version of Hong Kong's Premier Academy. So with solid results in Agency, transforming our direct marketing channel remains a top priority and key to this strategy is our ability to recruit and develop our telesales reps.

Our efforts in 2012 to expand the number of new call centers is starting to show results, as the number of telesales reps grew by 30 per cent over the same time period last year. To complement our new set of call centers we are expanding our core set of direct marketing products. In the first quarter, we were successful in launching our first-to-market simplified issue protection product which exceeded initial sales expectations and contributed substantially to direct marketing sales in the first half of 2013. While this is still very much a work in progress, we continue to execute key initiatives to revitalise our Korean business.

Now to close with a very impressive set of results from AIA's Other Markets. Other Markets really did deliver an excellent performance in the first half with VONB up 67 per cent, ANP up 29 per cent and VONB margin up 7 percentage points. So I would like to highlight achievements in three of our larger Other Markets.

Starting with Australia. Building on a strong finish in 2012, Australia continues to produce excellent results led by our higher margin Independent Financial Advisor channel. Interesting to know that over 75 per cent of Australia's first half VONB was generated from this channel alone. And the roll-out of our Premier IFA model has been a significant driver of our growth by providing best-in-class service to advisers and launching competitive retail products that reinforce our position as an independent risk specialist. The growth has cemented our top three position in the retail IFA market.

Now in Indonesia, we delivered strong VONB growth through our multi-channel distribution strategy. In agency we continue to focus on delivering protection, and in the first half of 2013 we saw a significant rise in protection sales as a percentage of our new business. In addition, to enrich our product set, we introduced a new protection rider benefit for our higher margin Next Generation unit-linked product. Bancassurance also delivered very strong results as the number of active salespeople that sell insurance in bank branches increased by 30 per cent and VONB grew by more than 90 per cent over the prior year.

And in the Philippines, the Philippines saw a strong growth in the first half of 2013 as total VONB more than doubled. Our successful bank assurance joint venture with one of the largest banks in the Philippines, Bank of the Philippine Islands, continued to deliver strong returns. Philam Life's Premier Agency strategy is also starting to take hold. In the first half, the number of active agents grew by 21 per cent, thanks to the successful implementation of our Next Generation unit-linked product. The Philippines is also on a record pace for recruiting with the number of new recruits doubling over the prior year.

Overall an impressive set of results from our rapidly growing Other Markets, as AIA starts to tap into the great potential they offer. All of the remaining Other Markets have also continued to make good progress. In fact, I recently returned from our new acquisition in Sri Lanka and was extremely impressed with the quality of our team, the agents and our partners there.

There is much, much more to come in 2013 as we continue to enhance our business with more productive distribution, improved products and services and enhanced customer intelligence.

So thank you very much and I would like to now hand you back to Mark. Thank you.

Mark Tucker, Group Chief Executive and President:

Thanks Gordon. Gordon and Keng Hooi have shown you the strong progress that we have made over the first half of 2013 and what I would like to do is just close by summarising why we firmly believe that AIA is ideally positioned to create sustainable value for our shareholders.

First and, I have said many times before, that AIA operates in the right region and at exactly the right time. Rapid urbanisation and growing disposable incomes along with low levels of social welfare provision create substantial regular savings and protection needs for consumers. AIA's business is incredibly well supported by these major demographic drivers of growth.

Second, we are 100 per cent focused in this attractive region with a distinct and advantaged scale platform that allows us to capture fully the value that we create.

Third, AIA has a clear strategy. As you heard from Keng Hooi, Gordon and Bill, all of our local operations have delivered strong results by focusing on the key priorities that will make a material difference to their businesses. And with most of these initiatives still in their infancy our teams across the region will continue to drive significant upside well into the future.

Finally, quality and proven execution capabilities are key and you have seen solid evidence of this in today's results as well as from the team's track record since IPO.

All of these points taken together are a rare and powerful combination that makes AIA a unique and exciting growth company.

Thank you for listening this morning and very happy to hand over to you for any questions you may have.