

2014 INTERIM RESULTS PRESENTATION

STRONG PERFORMANCE, CONSISTENT EXECUTION

25 July 2014

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**THE REAL LIFE
COMPANY**

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Mark Tucker
GROUP CHIEF EXECUTIVE

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NEVER
STOPS**

No matter what happens in life, we believe in never giving up on what's important to you.



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Financial Highlights



- **Value of new business up 23% to \$792m**
- **Operating profit up 15% to \$1,457m**
- **EV Equity up by \$2b to \$36.9b**
- **Free surplus generation up 9% to \$2.1b**
- **Solvency ratio of 448%, up 15 pps**
- **Interim dividend increase of 15%**

Agenda



Presenter	Position	Topic
Mark Tucker	Group Chief Executive	1H2014 Group Review
Garth Jones	Group Chief Financial Officer	1H2014 Financial Results
Gordon Watson	Regional Chief Executive	Hong Kong, Korea, Other Markets, Citibank
Ng Keng Hooi	Regional Chief Executive	Singapore, Malaysia, Thailand, China
Mark Tucker	Group Chief Executive	Strong Performance, Consistent Execution
All Presenters	ExCo Members	Q&A

Right Growth Strategy Executed Well



	2010	Since IPO
	A New Beginning	Strong Performance, Consistent Execution
Strategic Progress	<ul style="list-style-type: none"> Corporate strengthening and reorientation Building blocks of sustained value creation 	<ul style="list-style-type: none"> Premier Agency strategy delivery Profitable partnership expansion Integrating savings and protection Transforming customer experience
Corporate Actions	<ul style="list-style-type: none"> Largest-ever insurance IPO 	<ul style="list-style-type: none"> AIA fully independent Transformational acquisitions (Malaysia, Sri Lanka) Inaugural Global MTN programme Landmark regional bancassurance agreement
Financial Outcomes	<ul style="list-style-type: none"> VONB \$667m OPAT \$1.7b FS Generated \$2.1b EV Equity \$24.9b 	<ul style="list-style-type: none"> VONB generated \$4.4b to date OPAT delivered \$8.0b to date FS Generation of \$11.2b to date EV Equity added \$12.0b to date

Right Priorities for 2014



Distribution

- Sustain competitive advantages in Premier Agency
- Recruit, develop and promote next generation of agents
- Deliver profitable partnership growth

Product

- Maintain protection-focused portfolio
- Expand integrated savings and protection cover
- Capture incremental high-quality savings opportunities

Customer

- Transform customer experience
- Increase existing customer engagement levels
- Enhance analytics and segmentation

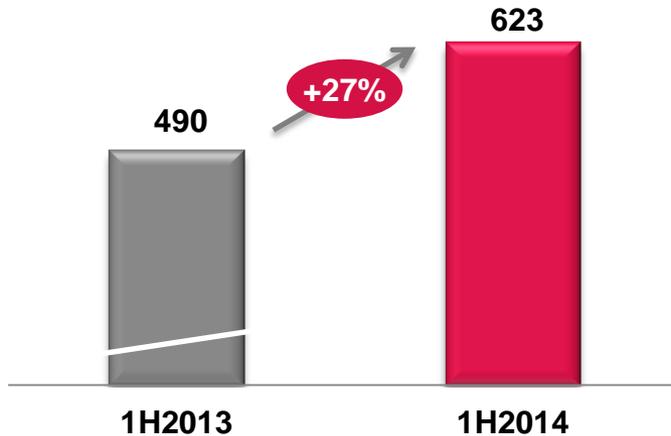
Financials

- Support strong new business growth and returns
- Maintain strong capital and cash flow
- Prudent, sustainable and progressive dividend

Delivering Distribution Quality and Expansion



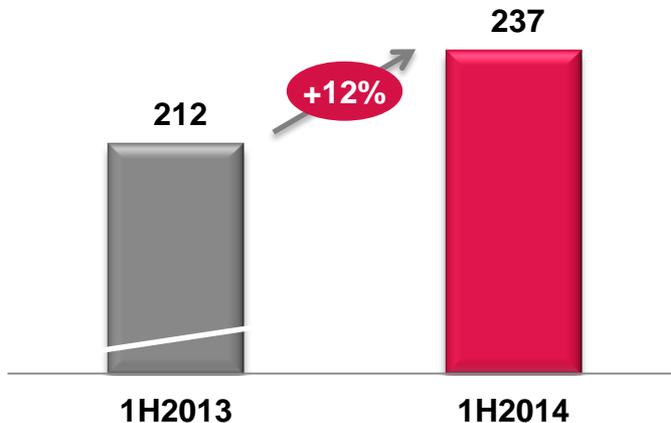
Premier Agency VONB (\$m)



Premier Agency Delivery

- VONB up 27%
- Quality recruitment focus
- AIA Premier Academy training
- Active new agents up 18%
- iPoS in 10 markets; new submissions up 4x
- No. 2 MDRT worldwide; up 35%

Partnership Distribution VONB (\$m)



Profitable Partnership Expansion

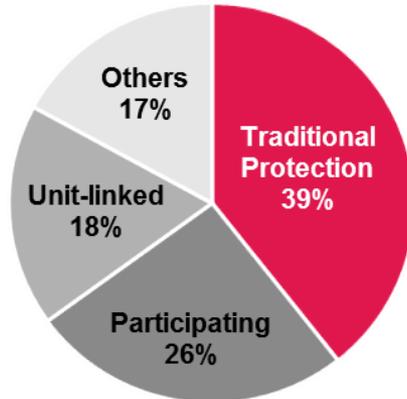
- VONB up 12%
- DM affected by Korean industry suspension
- VONB up over 30% ex Korea DM on CER
- Citibank launched in 7 markets
- Expanded relationships with IFAs

Product and Customer Growth Drivers



1H2014 Product Mix⁽¹⁾

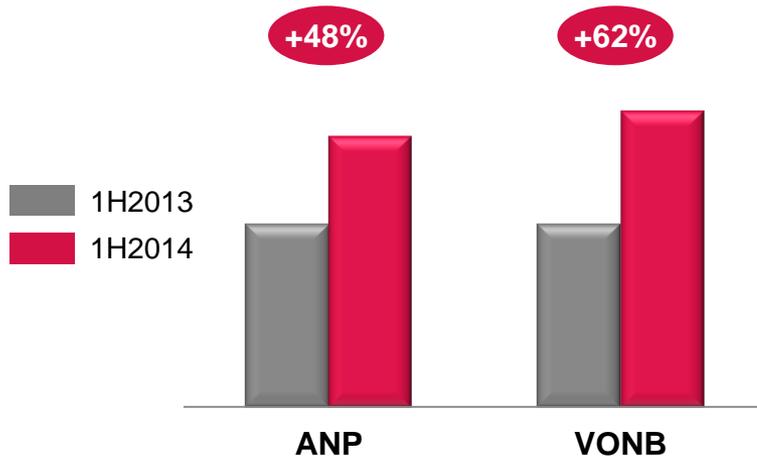
% of Total



Diversified, Value-oriented Portfolio

- Product mix driving margin improvement
- Protection focused across the portfolio
- Significant margin enhancement within each product category
- 90% of ANP from regular premium

Existing Customer Marketing Results



Significant Growth Opportunity

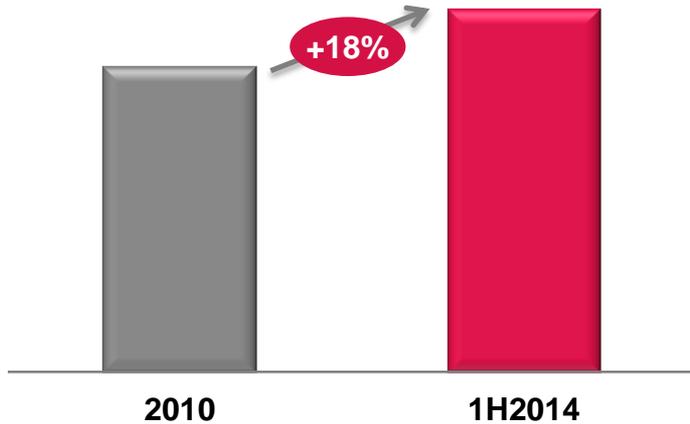
- Over 28m individual policies in-force and over 16m group members
- Active marketing initiatives targeting existing customers across the region
- More than 400,000 additional policies sold to existing customers in the first half
- Large-scale, and growing existing customer base – a significant source of future growth

Note:
(1) Mix based on 1H2014 ANP

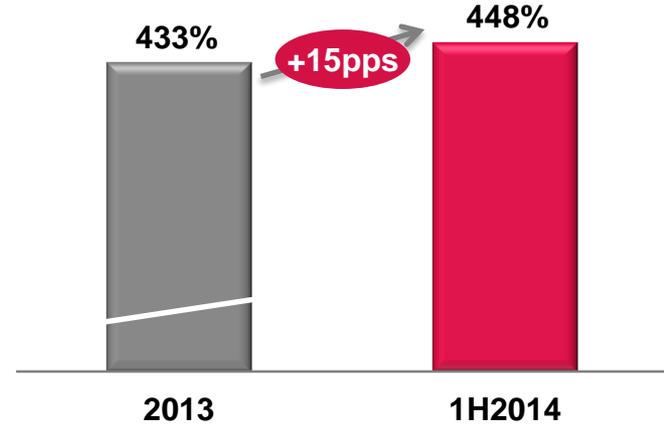
New Business Growth with Increasing Returns



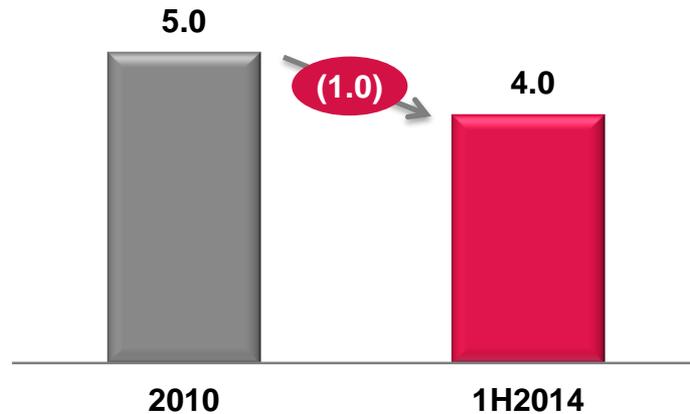
Increasing IRRs Consistently above 20%



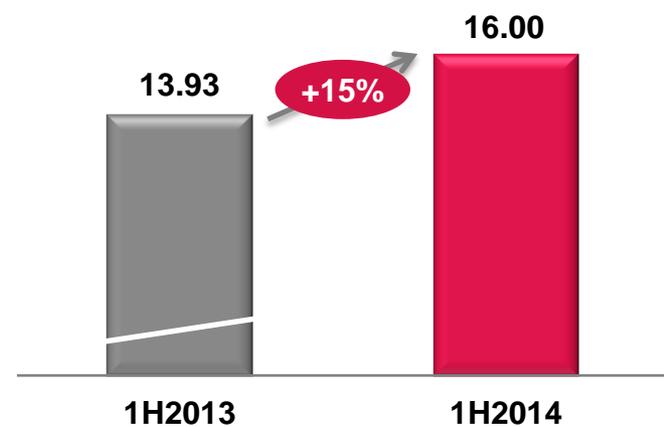
Solvency Ratio HKICO Basis for AIA Co.



Decreasing Payback Periods (Years)



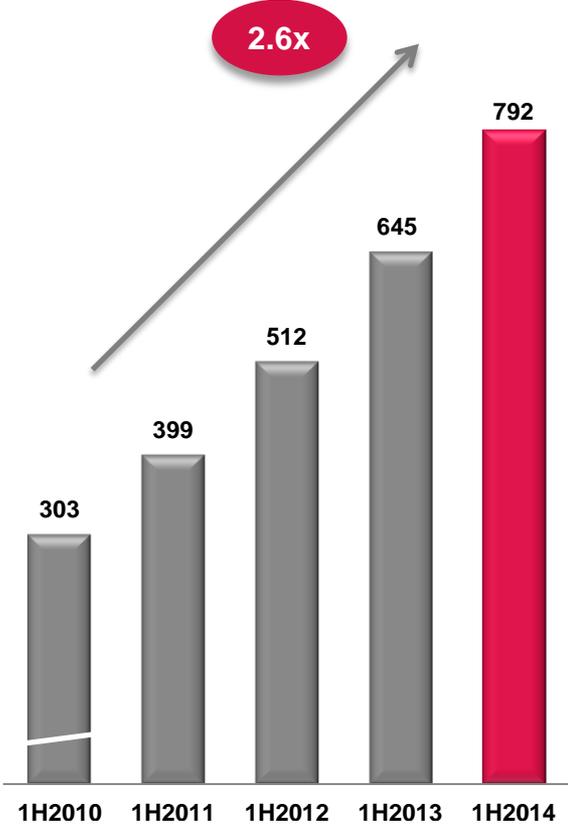
Interim Dividend Per Share (HK cents)



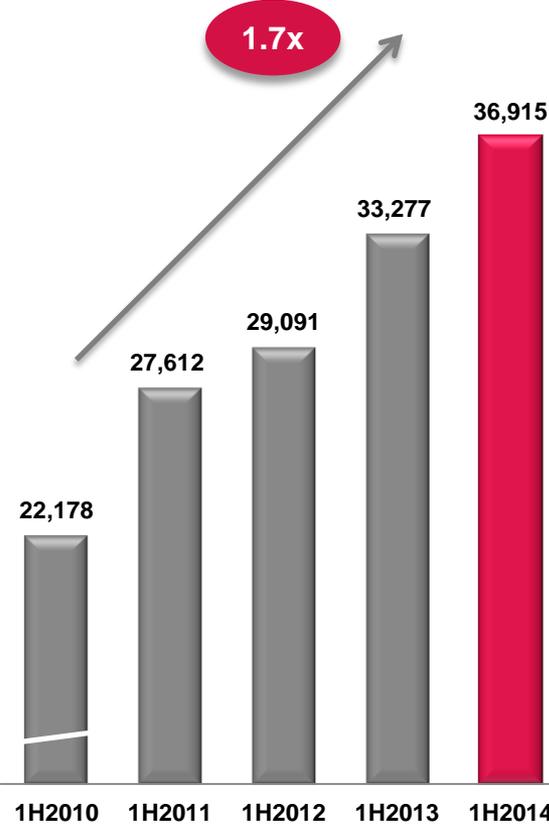
Sustained Growth Momentum



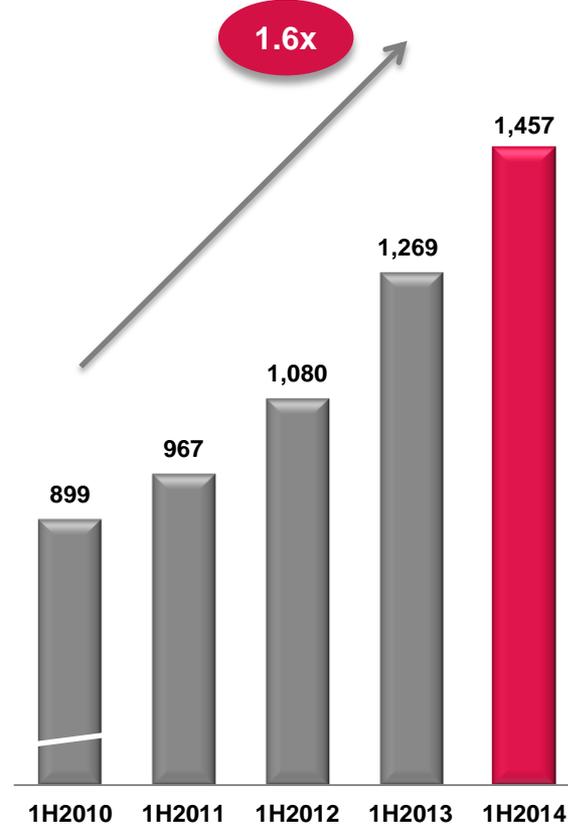
VONB (\$m)



EV Equity (\$m)



OPAT (\$m)



Garth Jones

GROUP CHIEF FINANCIAL OFFICER

No matter what happens in life,
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on what's important to you.

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Excellent Financial Results – Across All Key Metrics



	(\$m)	1H2014	1H2013	GROWTH
Growth	VONB	792	645	23% ↑
	VONB Margin	46.2%	41.6%	4.6 pps ↑
	ANP	1,690	1,527	11% ↑
	EV Equity ⁽¹⁾	36,915	34,871	6% ↑
Earnings	Operating Profit After Tax	1,457	1,269	15% ↑
	TWPI	9,004	8,495	6% ↑
	Operating Margin	19.5%	18.4%	1.1 pps ↑
Capital & Dividends	Free Surplus Generation	2,117	1,940	9% ↑
	AIA Co. HKICO Solvency Ratio ⁽¹⁾	448%	433%	15 pps ↑
	Dividend per Share (HK cents)	16.00	13.93	15% ↑

Note:

(1) Comparison for balance sheet items are shown against the position as at the end of the 2013 financial year

Key Metrics on Constant Exchange Rates



	(\$m)	1H2014	1H2013	AER Growth	CER Growth
VONB		792	645	23% ↑	28% ↑
ANP		1,690	1,527	11% ↑	16% ↑
Operating Profit After Tax		1,457	1,269	15% ↑	19% ↑

Growth

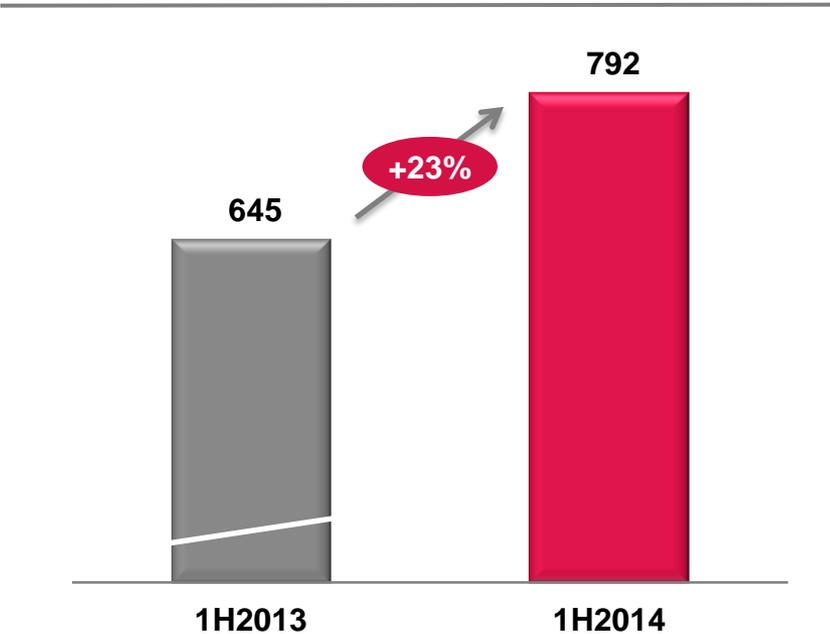
Earnings

Capital and Dividends

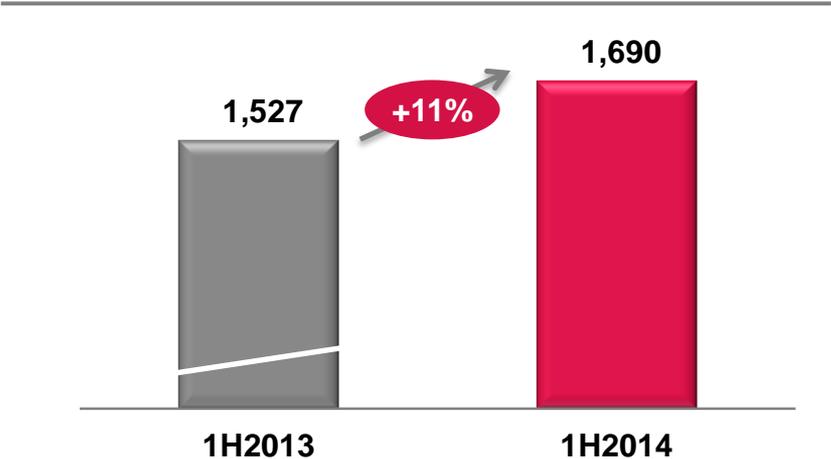
Sustained Growth, Optimising Volume & Margin



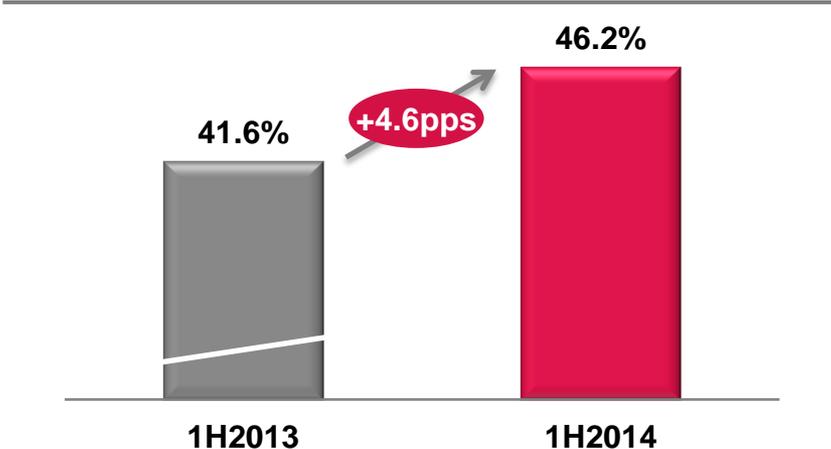
VONB (\$m)



ANP (\$m)



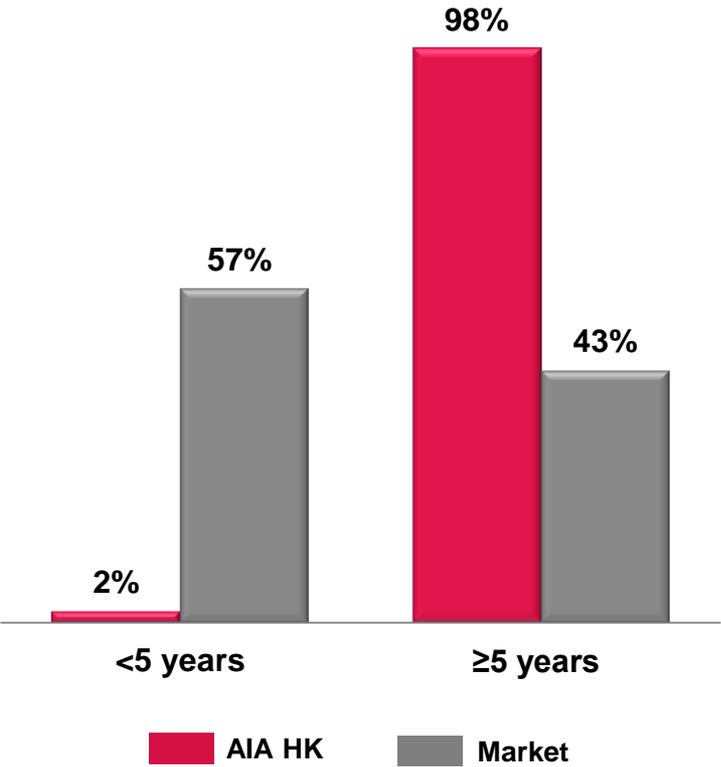
VONB Margin



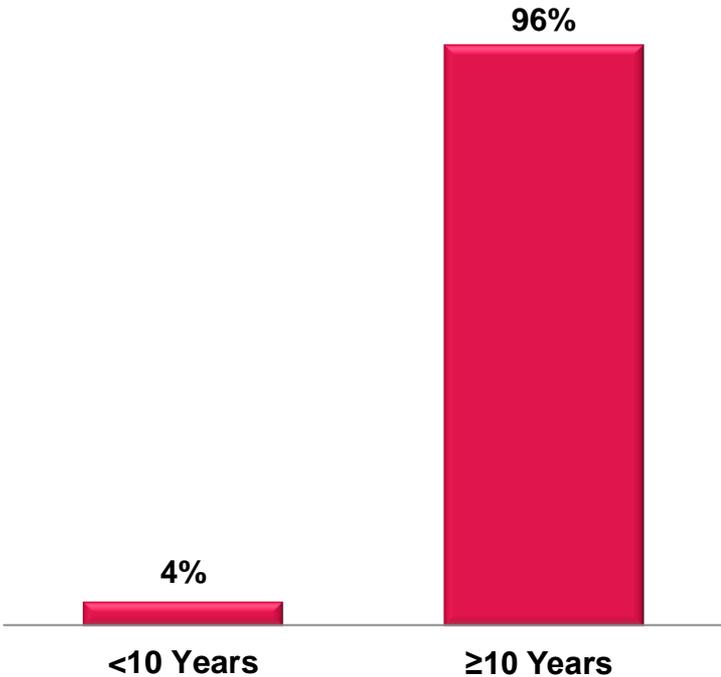
High Quality New Business – AIA Hong Kong



New Regular Premium Split by Payment Term⁽¹⁾



Single Premium Split by Benefit Term

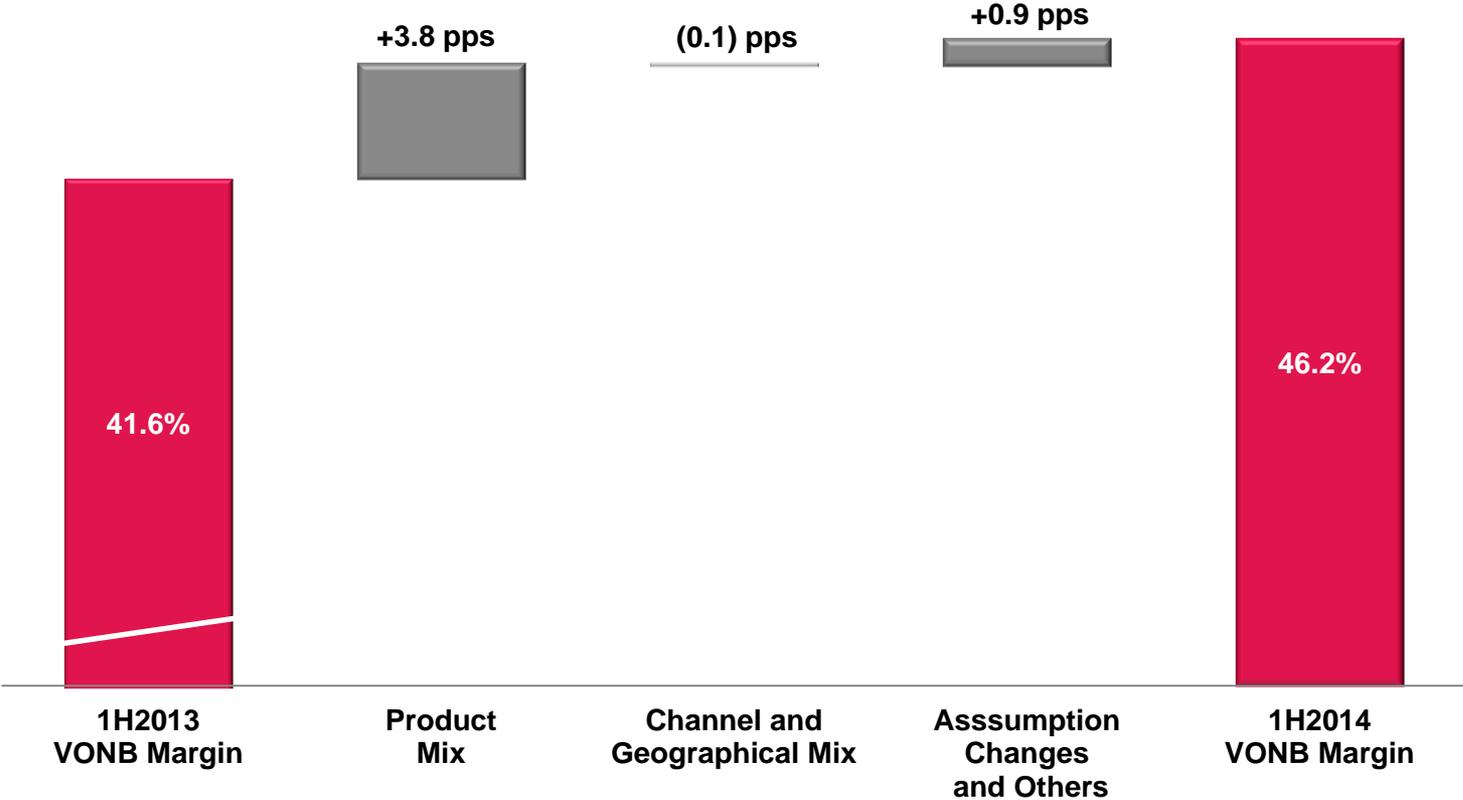


Note:
(1) Source: HK OCI; 1Q2014 annualised new regular premium

1H2014: Margin Movement



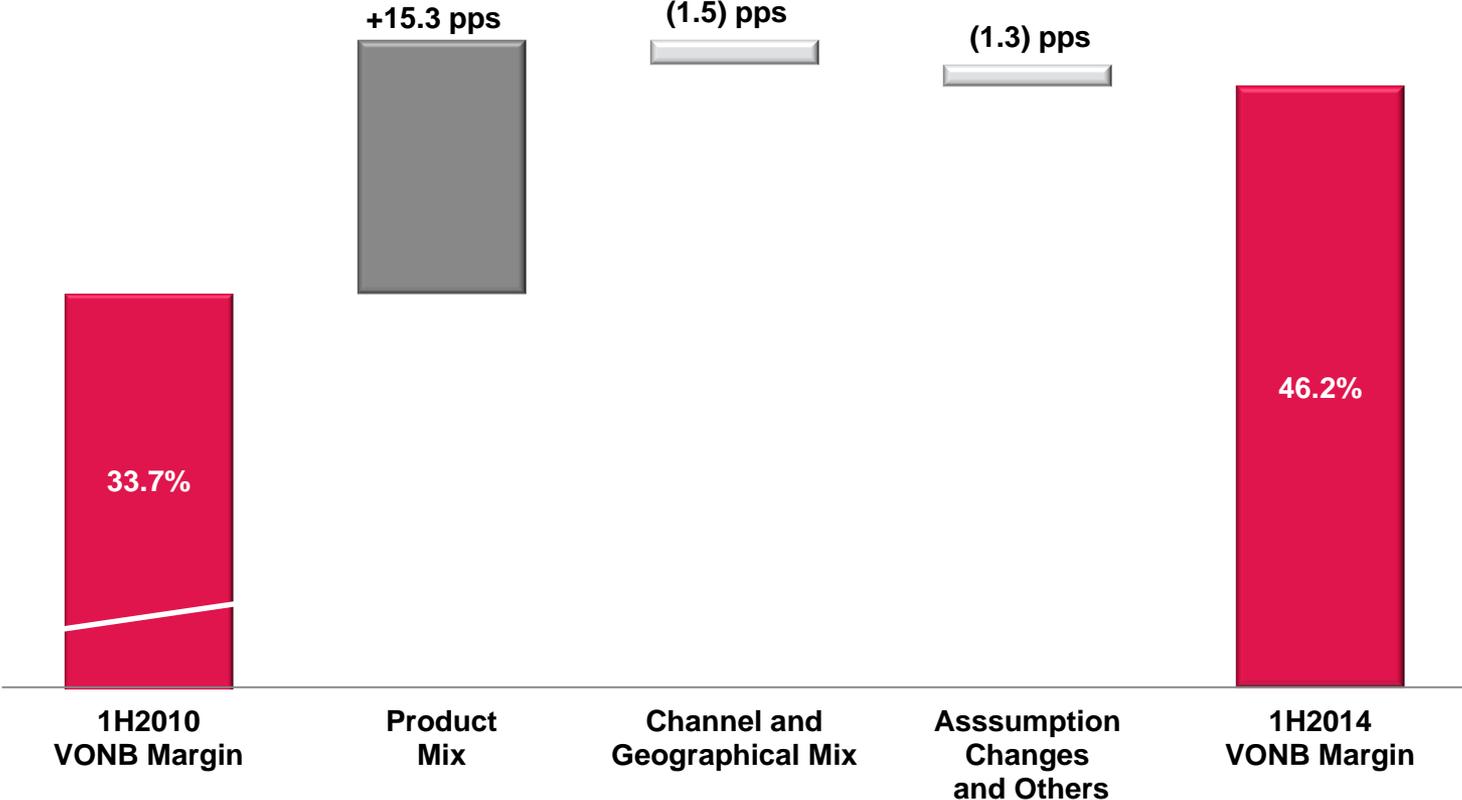
4.6 pps Increase in VONB Margin



Product Mix Driving Margin Improvement



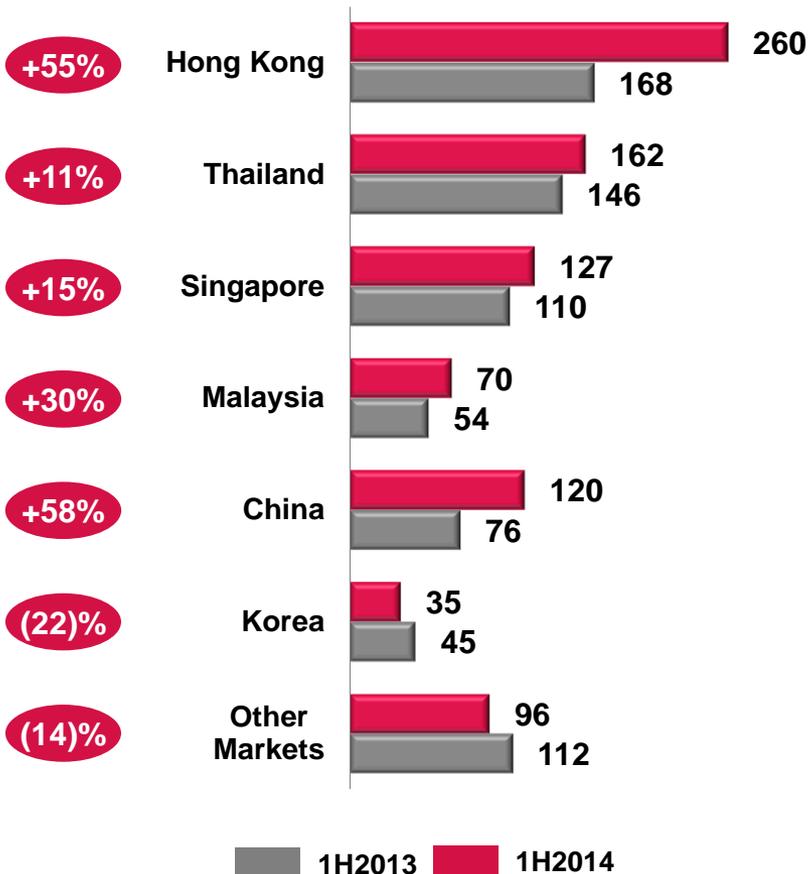
12.5 pps Increase in VONB Margin since IPO



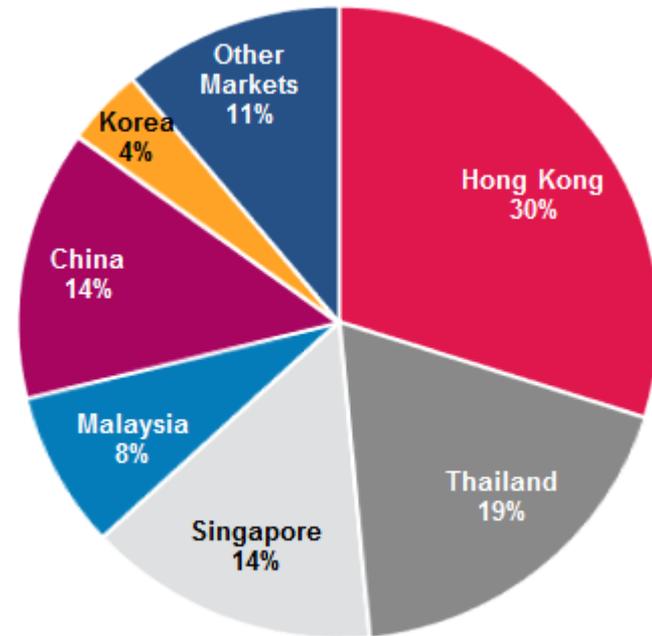
Diversified Growth Portfolio



VONB (\$m)



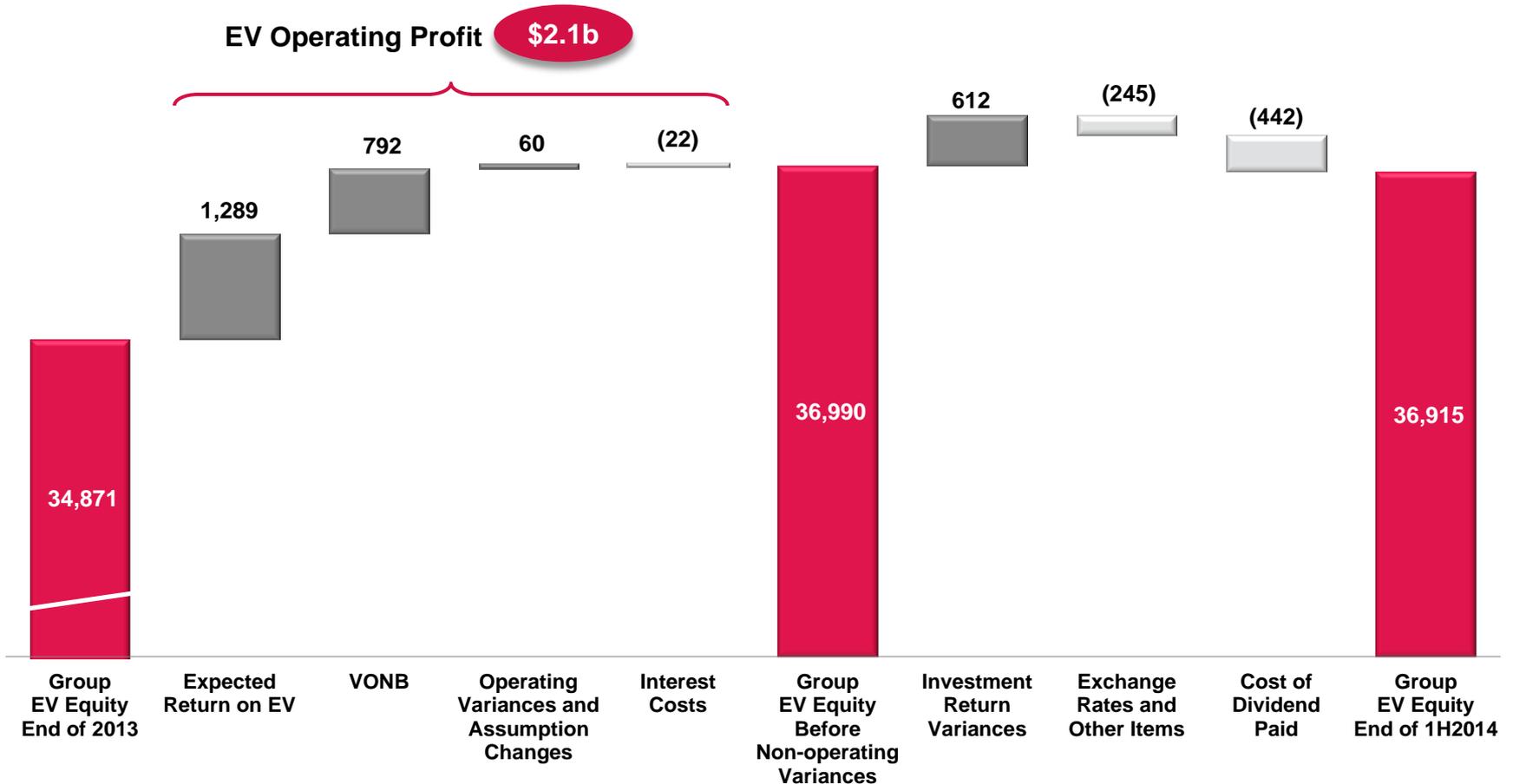
1H2014 VONB by Market Segment



EV Equity of \$36.9b – Strong Operating Performance



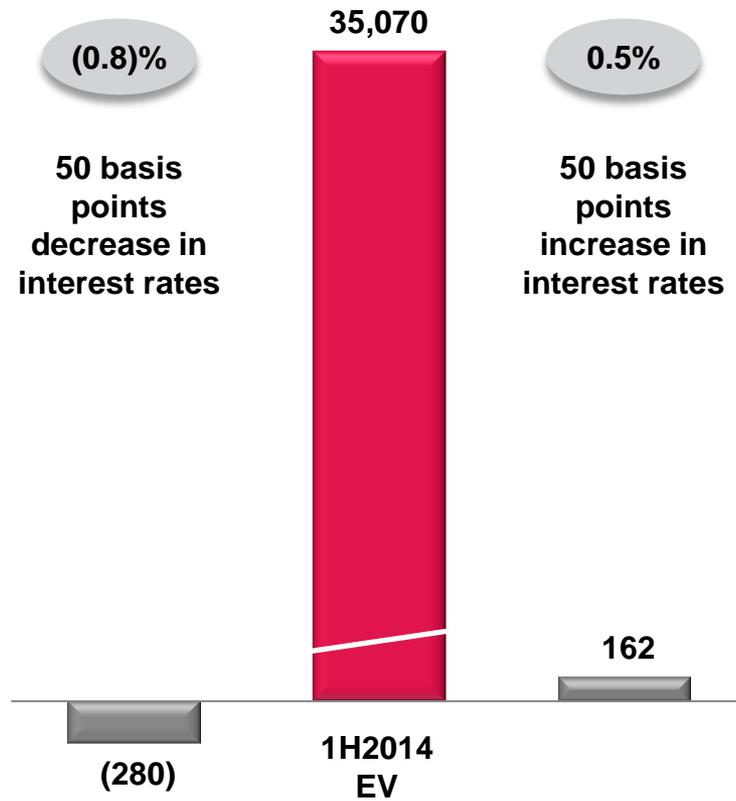
1H2014 EV Equity Movement (\$m)



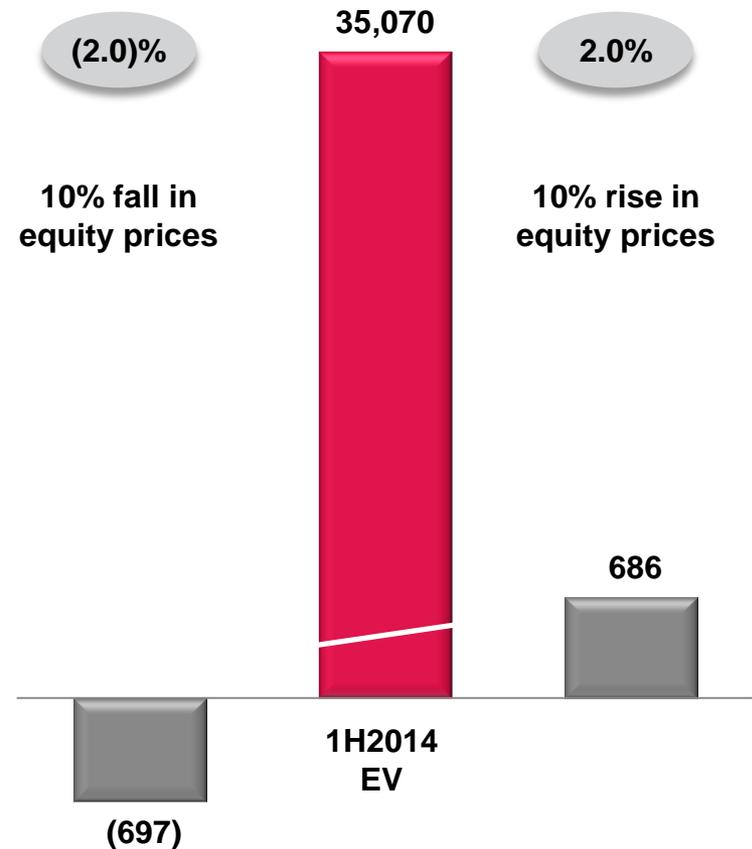
EV Sensitivity to Capital Market Movements



Interest Rates (\$m)



Equities (\$m)

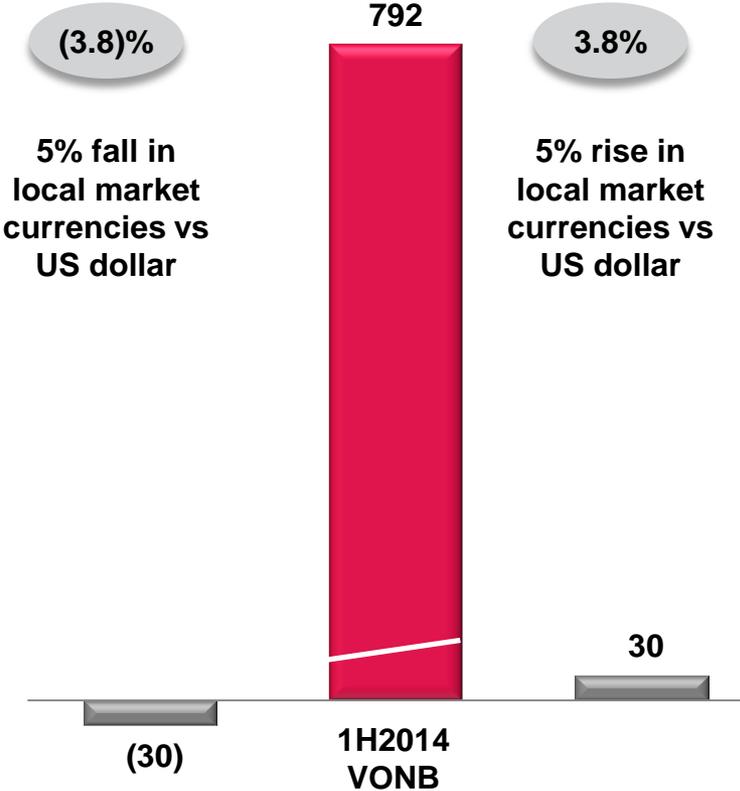
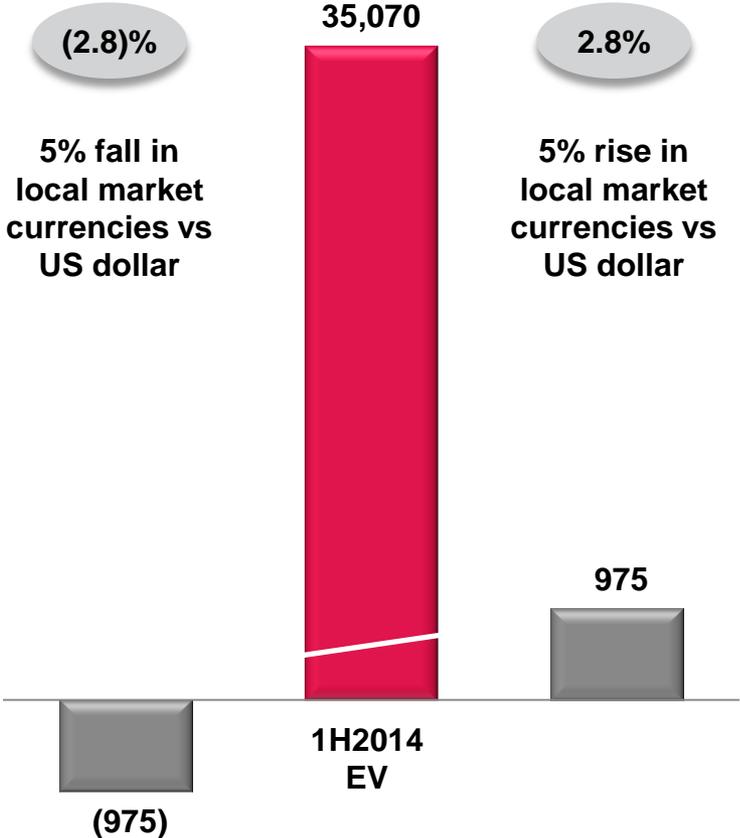


Sensitivity to Currency Translation



EV (\$m)

VONB (\$m)



Note: The translation sensitivities shown assume a constant Hong Kong dollar and US dollar exchange rate.

Growth

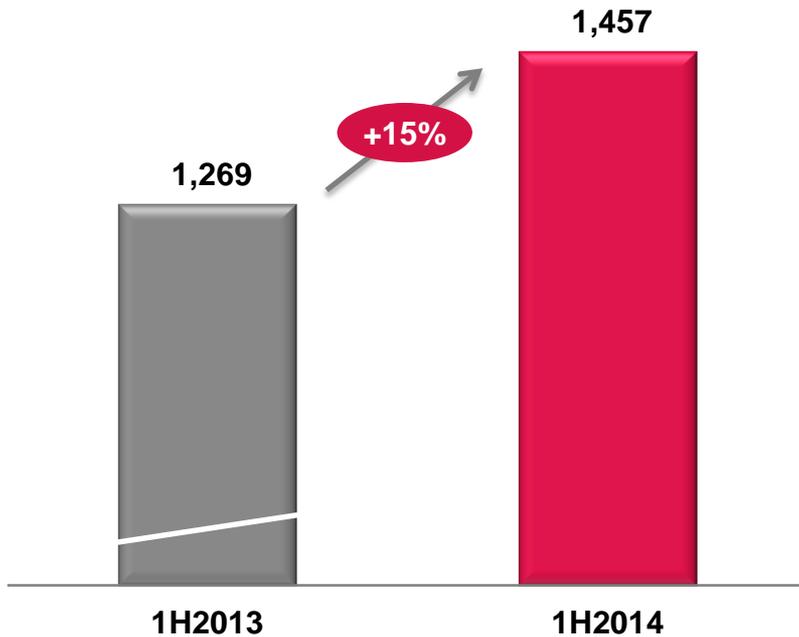
Earnings

Capital and Dividends

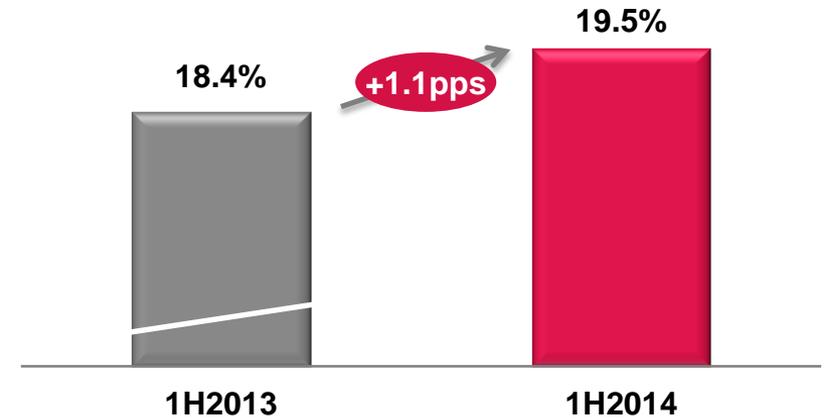
IFRS Operating Profit up 15%



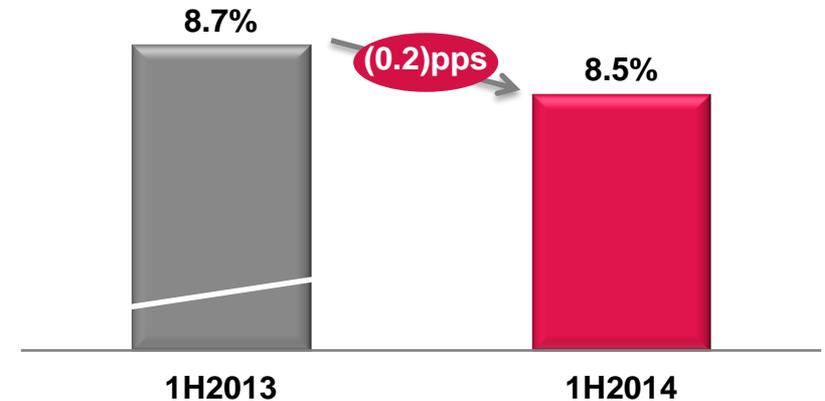
Operating Profit After Tax (\$m)



Operating Margin



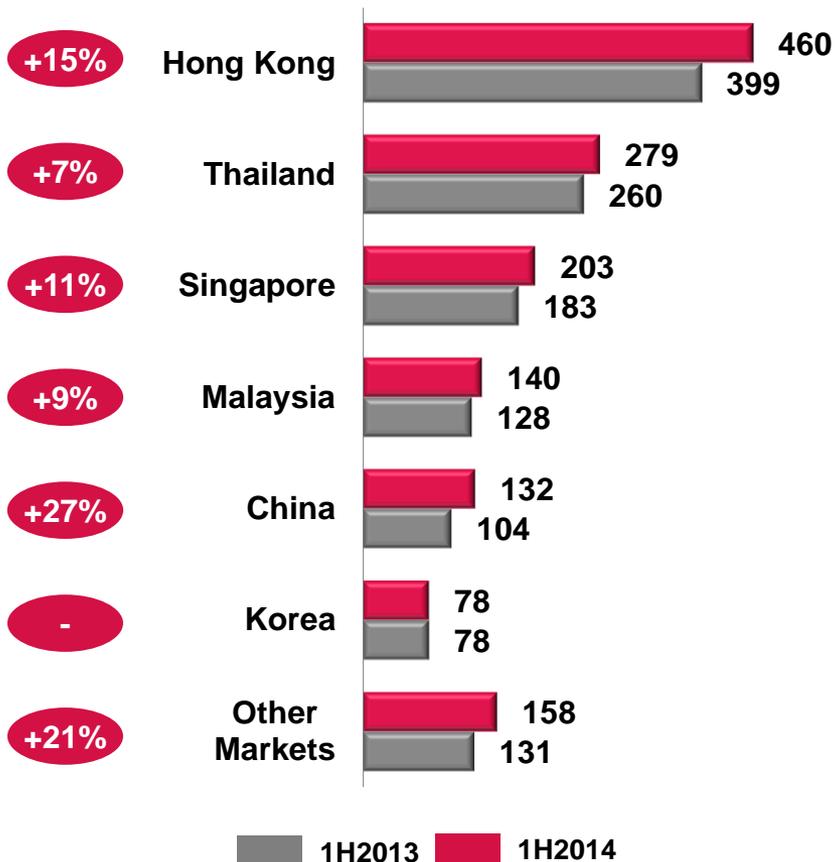
Expense Ratio



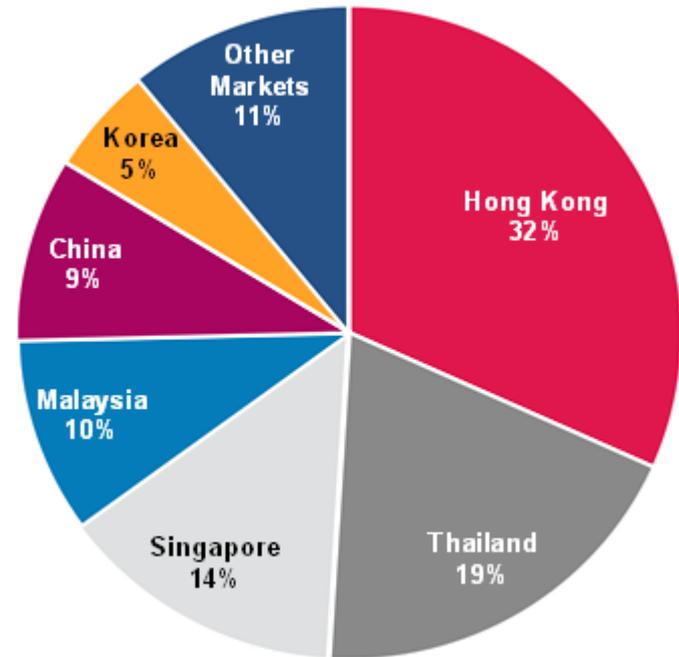
Diversified Earnings



OPAT (\$m)



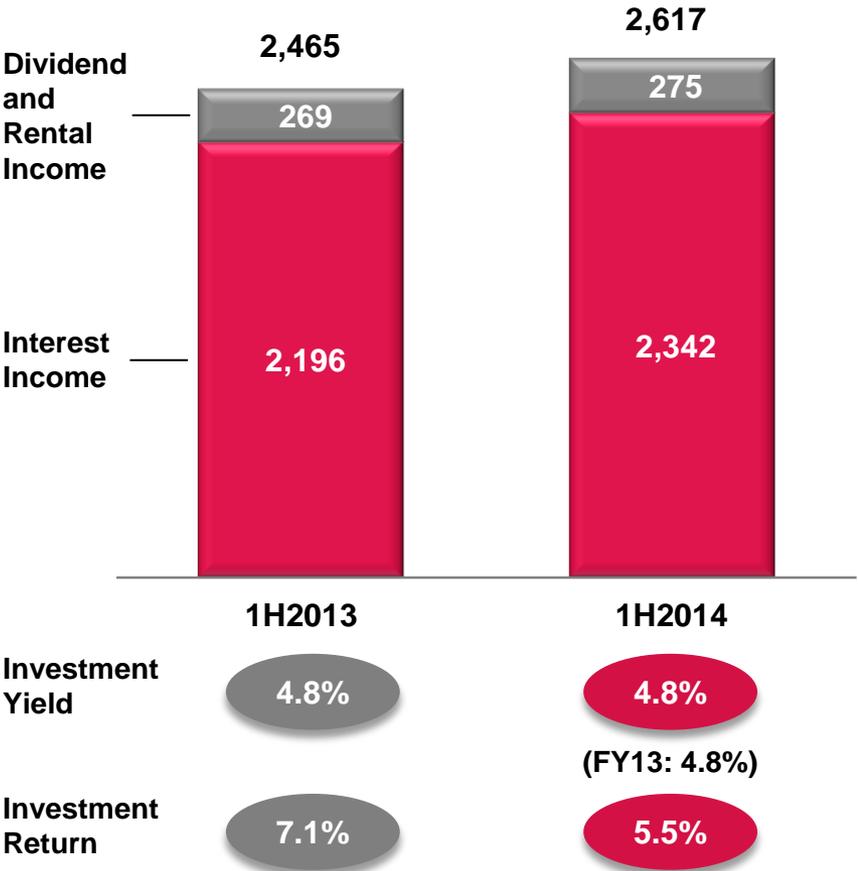
1H2014 OPAT by Market Segment



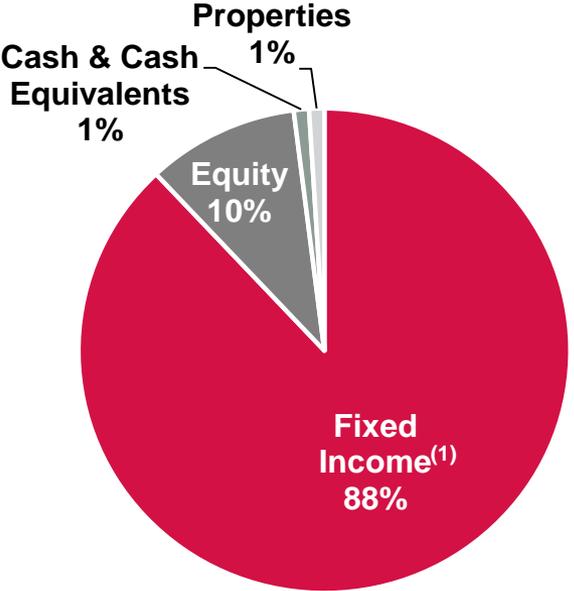
Stable Investment Yield



Investment Income (\$m)



Invested Assets Composition



1H2014 Total Invested Assets **\$113.6b**

Note:
 (1) Includes debt securities, loans and term deposits.

Net Profit of \$1.5b



Net Profit (\$m)

	<u>1H2014</u>	<u>1H2013</u>	
Operating Profit After Tax	1,457	1,269	15%
Net gains from equities	47	659	
Other non-operating items	42	7	
Net Profit	1,546	1,935	(20)%

- Net profit includes mark-to-market of equities
- Operating profit excludes any actual or assumed gains
- Average non-operating gains of \$465m from past four full financial years
- Net profit excludes unrealised gains and losses on AFS bonds

Growth

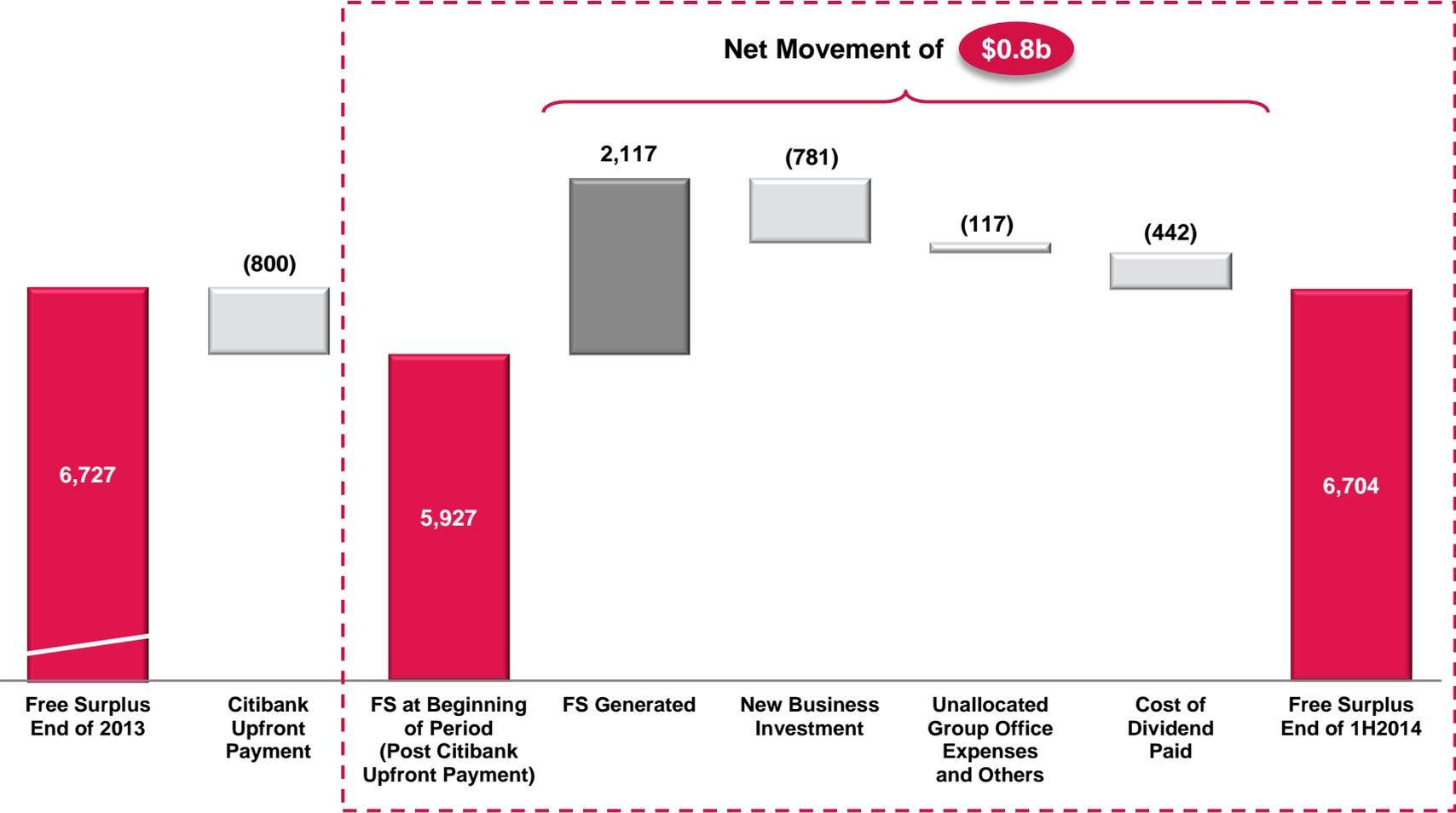
Earnings

Capital and Dividends

Self-financed Growth at High Returns



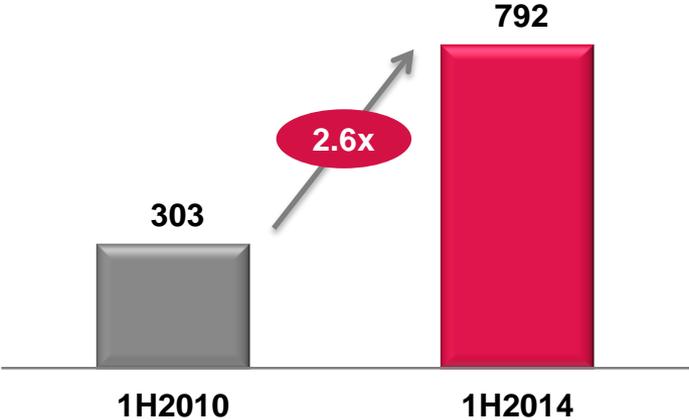
Free Surplus on the HKICO Solvency Basis (\$m)



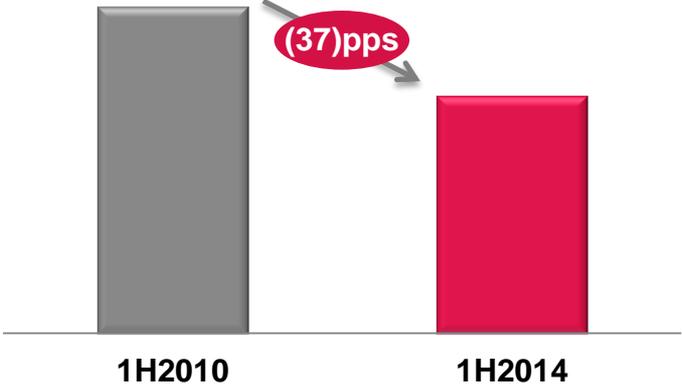
Increasing Returns and Capital Efficiency



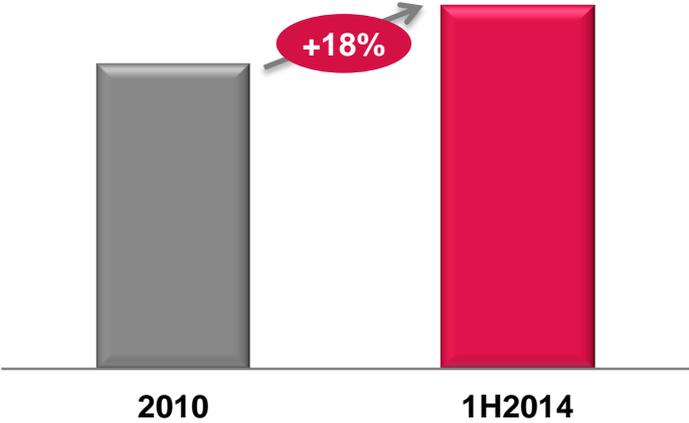
VONB Growth



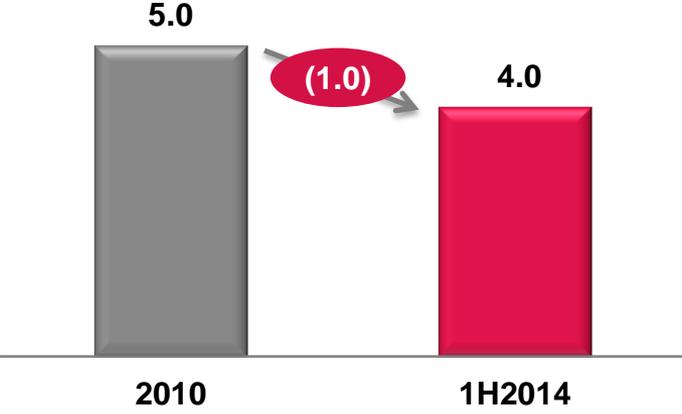
New Business Strain as % of VONB



Increasing IRRs Consistently above 20%



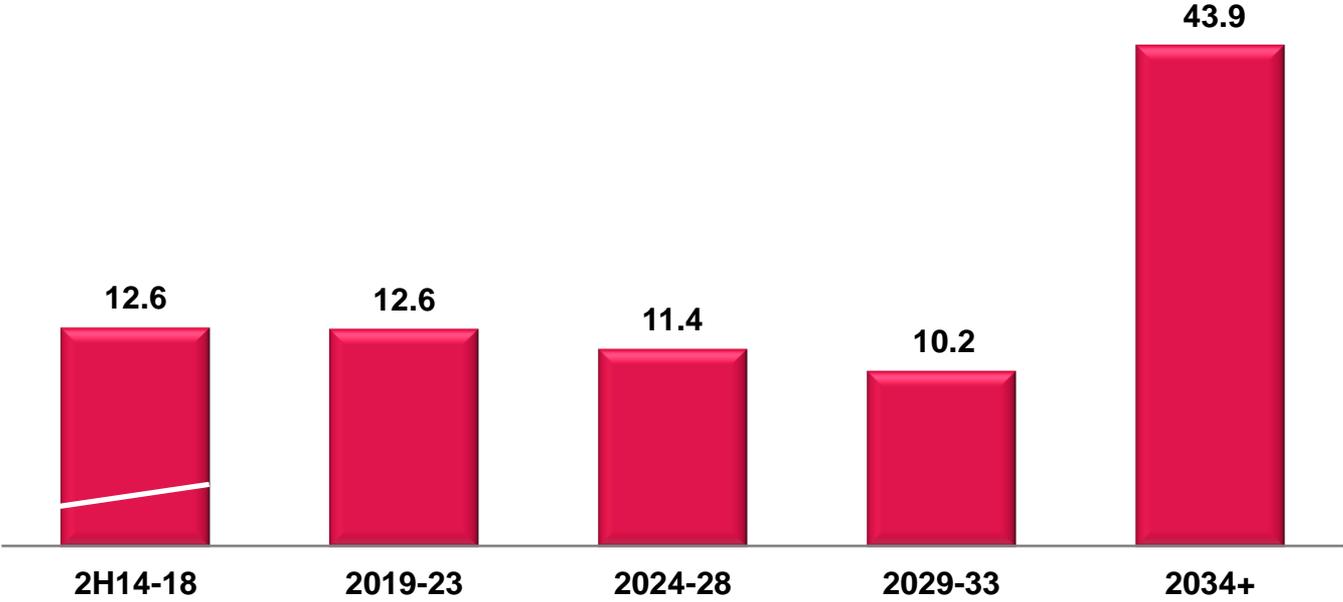
Decreasing Payback Periods (Years)



Substantial Cash Flow Generation



Undiscounted Net Cash Flows (\$b)

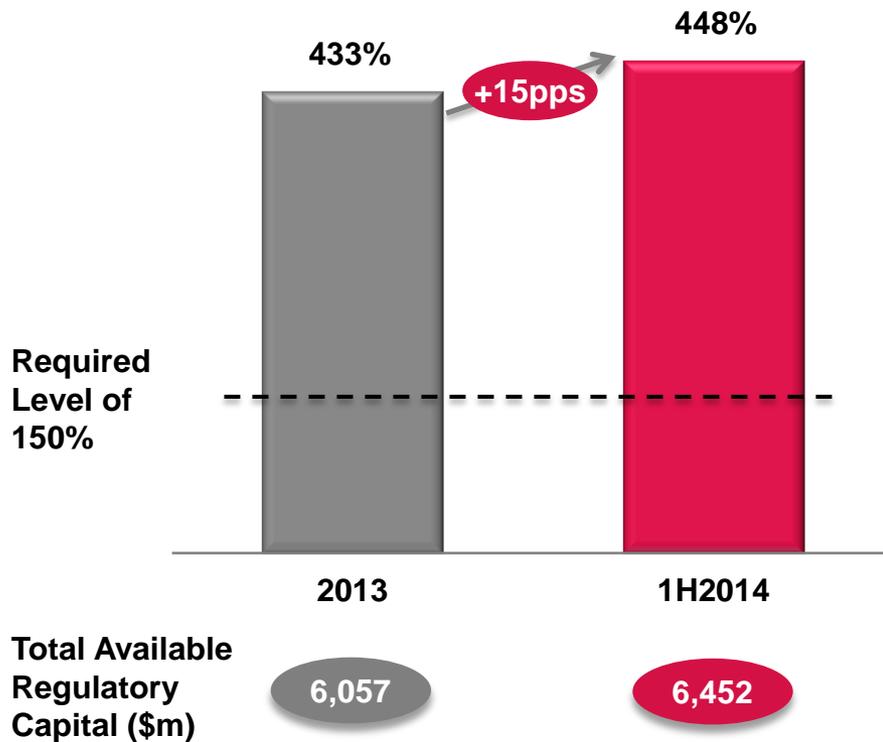


Period	% of Total
2H14-18	14%
2019-23	14%
2024-28	13%
2029-33	11%
2034+	48%

Regulatory Solvency Ratio of 448%



Solvency Ratio on HKICO Basis for AIA Co.



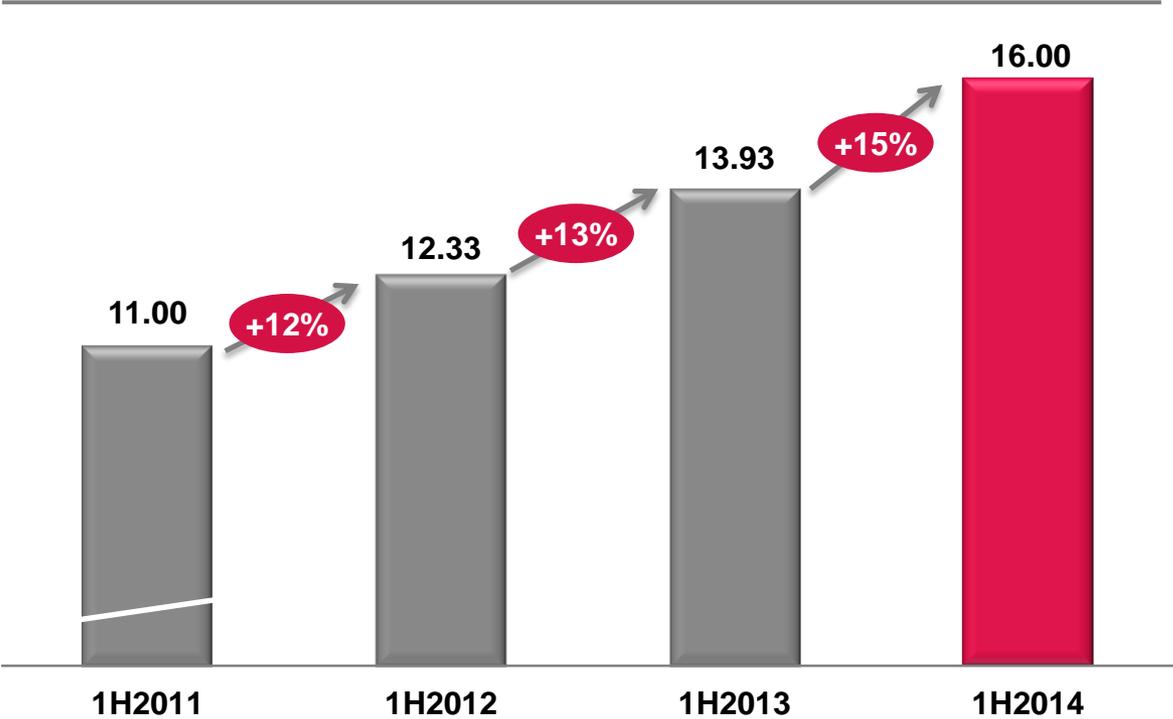
Ongoing Capital Strength

- Rigorous approach to capital management
- Resilient solvency position
- Prudent HKICO reserves and capital
- Growth driven by retained earnings
- Includes Citibank upfront payment
- AIA Co. S&P Rating of AA- (Very Strong)
- Completed \$1b senior debt offering in March 2014

Prudent, Sustainable and Progressive Dividend



Interim Dividend Per Share (HK cents)



1H2014 Financial Results Summary



Growth

- Considerable growth in profitable new business
 - Significant capital investment at high returns
 - Improvement in new business capital efficiency
-

Earnings

- Strong increase in IFRS operating profit
 - Consistent growth across the region
 - Diversified and scale source of earnings
-

Capital & Dividends

- Substantial cash and capital generation
- Resilient solvency position
- Prudent, sustainable and progressive dividend

Gordon Watson

REGIONAL CHIEF EXECUTIVE

no matter what happens in life,
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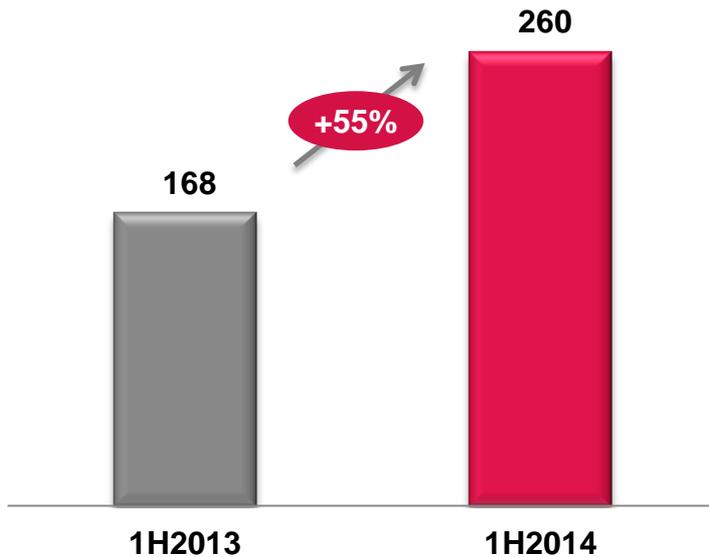


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Hong Kong: Delivering Excellent Growth



VONB (\$m)



ANP (\$m)

326

401

VONB
Margin

48.7%

62.4%

▪ Premier Agency

- Delivered excellent VONB growth
- Active new agents up 23%
- Increased productivity levels
- Strong growth in MDRT qualifiers

▪ Profitable Partnerships

- Strong performance in IFA market

▪ Group Insurance VONB up 25%

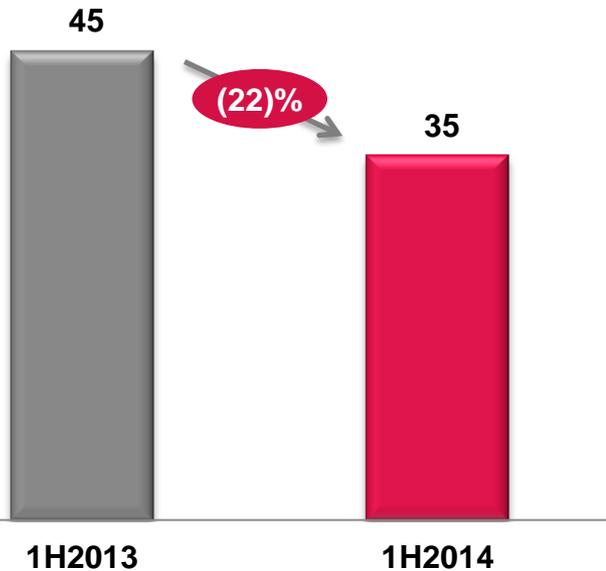
▪ Products and Customers

- Expanded critical illness product range
- Launched retirement planning campaigns

Korea: Stabilising DM, Strong Agency Growth



VONB (\$m)



ANP (\$m)

182

189

VONB
Margin

24.9%

18.6%

▪ Direct Marketing

- Industry-wide temporary suspension
- Positive and timely management response
- Costs incurred included in VONB
- Production returned to pre-suspension levels

▪ Premier Agency

- Strong VONB growth
- Focus on recruitment and productivity

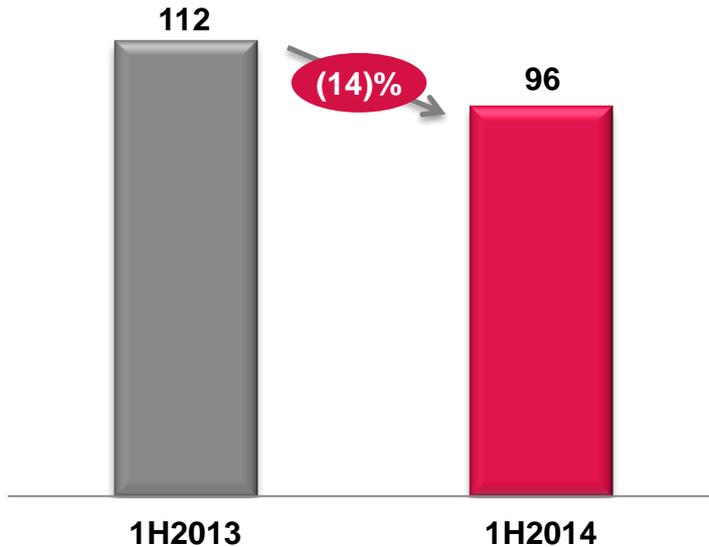
▪ Bancassurance

- Solid VONB growth

Other Markets: Challenging Macro Environment



VONB (\$m)



ANP (\$m)

335

317

VONB Margin

33.3%

29.9%

Australia

- Expanded Premier IFA model
- Independent risk specialist
- Launched *AIA Vitality*

Indonesia

- Significant local currency depreciation
- Bancassurance affected by macro conditions
- Active new agents more than doubled

Philippines

- Solid underlying growth in agency
- Active new agents up 64%
- Bancassurance branch specialists up 28%

Citibank Partnership: Laying the Foundations



Leveraging Two Iconic Brands



Progress to date

- Launched in 7 markets in the first half
- Regional and local joint governance committees overseeing implementation
- Mix of new and replacement products launched
- Smooth transition from existing Citi partners
- Second half work well underway

Ng Keng Hooi

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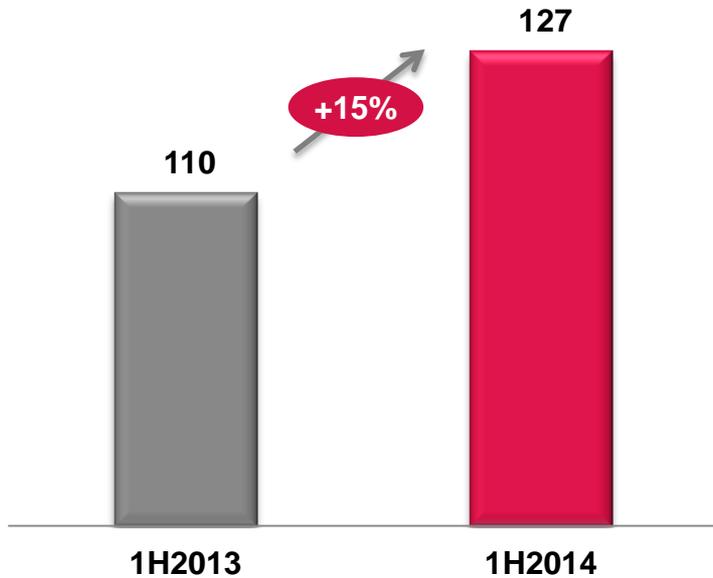


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Singapore: Strong Execution



VONB (\$m)



ANP (\$m)

147

214

VONB Margin

74.8%

59.3%

- **Premier Agency**

- Execution of Premier Agency strategy
 - Active agents up 19%
 - Double-digit growth in productivity

- **Profitable Partnerships**

- Strong bancassurance and IFA performance

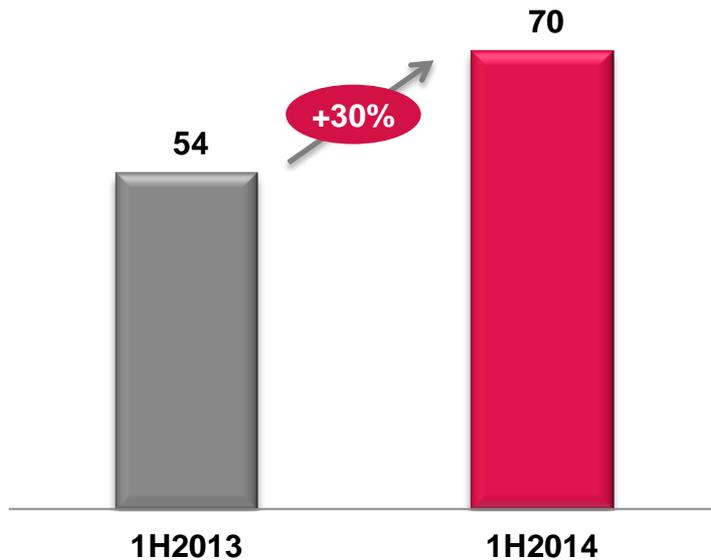
- **Products and Customers**

- HealthShield upgrade phased out in 1Q14
- More balanced product mix between protection and savings
- *AIA Vitality* gaining traction

Malaysia: Strengthening our Growth Platform



VONB (\$m)



ANP (\$m)

152

161

VONB
Margin

35.3%

43.9%

■ Premier Agency

- New unified agency compensation structure and targeted recruitment program
 - Active new agents up 54%
 - Active agent productivity up 15%
- iPoS adoption of over 90%

■ Profitable Partnerships

- Solid ULP sales with Public Bank

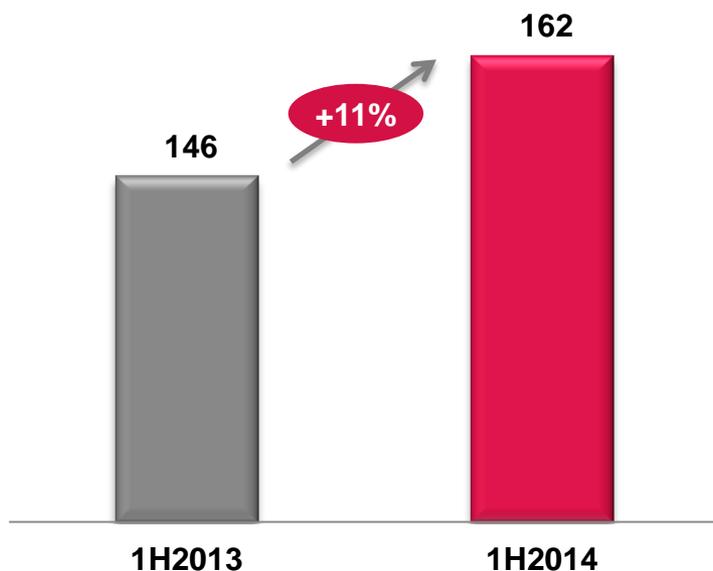
■ Products and Customers

- Continue shift towards regular premium ULP
- New unit-linked riders positioned to target two segments – women and young adults
- Strong growth in individual Takaful business

Thailand: Resilient Growth



VONB (\$m)



ANP (\$m)

265

256

VONB
Margin

55.1%

63.3%

■ Premier Agency

- Strong VONB growth
- Resilient nationwide agency network
- Revised agency compensation
- Increased productivity levels
- ULP licensed agents up 33%

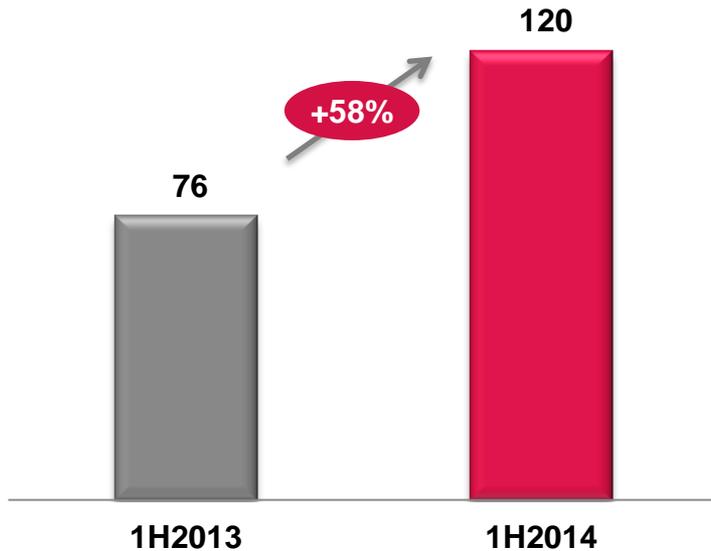
■ Products and Customers

- Large customer base for existing customer marketing campaigns
- Upmarket comprehensive health plan driving margin expansion
- Higher rider attachment ratio

China: Sustained Outperformance



VONB (\$m)



■ Premier Agency

- Focus on quality recruitment
- Active new agents up 46%
- Active agent productivity up 9%
- Growth in agent incomes

■ Products and Customers

- Further success in product innovation
- New protection and savings products targeting young family segment
- Strong demand for new long-term savings product

ANP (\$m)

120

152

VONB
Margin

63.7%

78.7%

Mark Tucker

GROUP CHIEF EXECUTIVE



**REAL SUPPORT
NEVER STOPS**

AIA Proud Partner of Tottenham Hotspur

Long-term Structural Growth Drivers



Large Population Growth	<ul style="list-style-type: none">▪ 4.1 billion people by 2020; increase of 700 million people since 2000▪ Youthful long-term demographics with 76% under the age of 40 in 2020
Rapid Urbanisation	<ul style="list-style-type: none">▪ 1.7 billion urban dwellers by 2020, an additional 720 million in 20 years▪ Accounting for only 49% of the population vs 84% in G7 countries
Rising Income & Wealth	<ul style="list-style-type: none">▪ 464 million households by 2017 with disposable incomes >\$10,000▪ \$3.8 trillion of new spending power since 2000
Low Social Welfare	<ul style="list-style-type: none">▪ Social spending in Asia is only 15% of G7 countries▪ Government support for private insurance to provide social protection
Low Private Cover	<ul style="list-style-type: none">▪ Private cover is 8% of the penetration level of western markets▪ Substantial and growing life protection gap of \$33 trillion

Aligned Growth Platforms and Priorities



Growth Drivers	Growth Platforms	Growth Priorities
Large Population Growth	Premier Agency	<ul style="list-style-type: none"> Sustain competitive advantages in Premier Agency Recruit, develop and promote next generation of agents Enhanced productivity and service through technology
Rapid Urbanisation	Profitable Partnerships	<ul style="list-style-type: none"> Expand distribution platform reach Optimise new and existing partnerships Additional sources of profitable and sustainable growth
Rising Income & Wealth	Protection & Savings	<ul style="list-style-type: none"> Maintain protection-focused portfolio Expand integrated savings and protection cover Capture incremental high-quality savings opportunities
Low Social Welfare	Brand & Marketing	<ul style="list-style-type: none"> Transform customer experience Increase existing customer engagement levels Enhance analytics and segmentation
Low Private Cover	Financial Strength	<ul style="list-style-type: none"> Support strong new business growth and returns Maintain strong capital and cash flow Prudent, sustainable and progressive dividend

Strong Performance, Consistent Execution



- **Value of new business up 23% to \$792m**
- **Operating profit up 15% to \$1,457m**
- **EV Equity up by \$2b to \$36.9b**
- **Free surplus generation up 9% to \$2.1b**
- **Solvency ratio of 448%, up 15 pps**
- **Interim dividend increase of 15%**

REAL LIFE NEVER STOPS

No matter what happens in life, we believe in never giving up on what's important to you.



THE REAL LIFE
COMPANY

Definitions and Notes



- 2013 figures include the financial and operational results of AIA's acquisitions from the respective dates of completion.
- Annualised new premium (ANP) excludes pension business.
- Certain prior year figures have been restated due to the Group's adoption of IFRS 10 and IAS 19 (revised) standards. Further details are disclosed in note 27 to the interim financial statements and Section 2 of the Supplementary Embedded Value Information in our 2014 interim results preliminary announcement published on 25 July 2014.
- Comparison for balance sheet items are shown against the position as at the end of the 2013 financial year.
- EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company.
- Free surplus is the excess of the market value of AIA's assets over the sum of the statutory liabilities and the minimum regulatory required capital. For branches of AIA Co. and AIA International, the statutory liabilities are based on HKICO statutory accounting and the required capital based on 150% HKICO minimum solvency margin.
- Hong Kong market includes Macau; Singapore market includes Brunei; Other Markets includes Australia, the Philippines, Indonesia, Vietnam, Taiwan, New Zealand and Sri Lanka.
- Investment income and invested assets composition exclude unit-linked contracts and consolidated investment funds.
- Investment return is defined as investment income with the addition of realised and unrealised gains and losses as a percentage of average invested assets.
- Investment yield is defined as net investment income as a percentage of average policyholder and shareholder invested assets for the relevant periods (i.e. excluding unit-linked investments and consolidated investment funds); AIA's net investment income does not include realised or unrealised gains and losses.
- IFRS operating profit after tax (OPAT), net profit and IFRS shareholders' equity are shown post minorities.
- Operating profit before tax excludes non-operating items such as investment experience, investment income and investment management expenses related to unit-linked contracts and consolidated investment funds, corresponding changes in insurance and investment contract liabilities in respect of unit-linked contracts and consolidated investment funds and participating funds and other significant items considered to be non-operating income and expenses.
- TWPI consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums, before reinsurance ceded.
- Undiscounted net cash flows are defined as the after-tax surplus generated from the assets backing the statutory reserves and required capital of the in-force business of AIA on the embedded value basis.
- VONB is after unallocated Group Office expenses and adjustment to reflect additional Hong Kong reserving and capital requirements; includes pension business and is shown before minorities.
- VONB margin = VONB / ANP. VONB for the margin calculations exclude pension business to be consistent with the definition of ANP.
- VONB and VONB margin by distribution channel are based on local statutory reserving and capital requirements, before the deduction of unallocated Group Office expenses and exclude pension business.
- VONB and VONB margin by geographical market are based on local statutory reserving and capital requirements, before the deduction of unallocated Group Office expenses.

APPENDIX

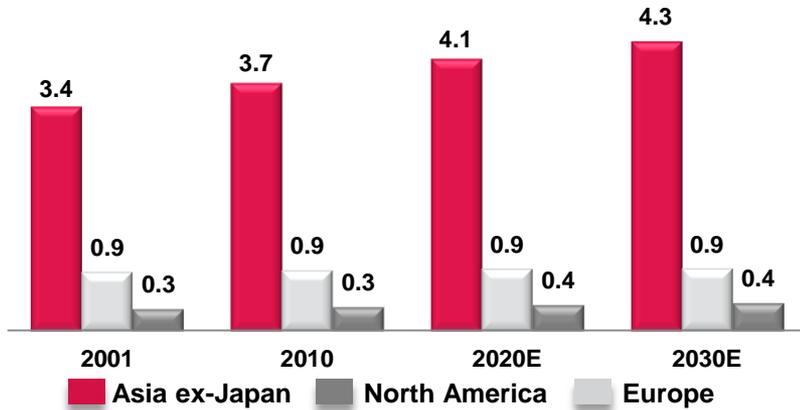


Asia's Significant Growth Opportunity



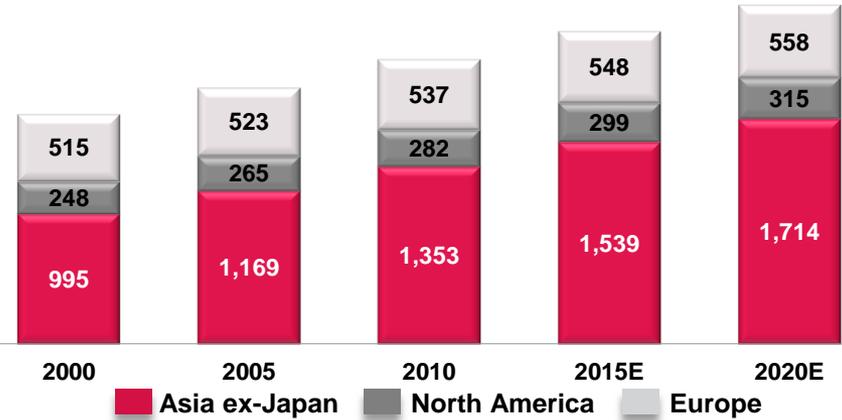
Population by Region

(Billions)



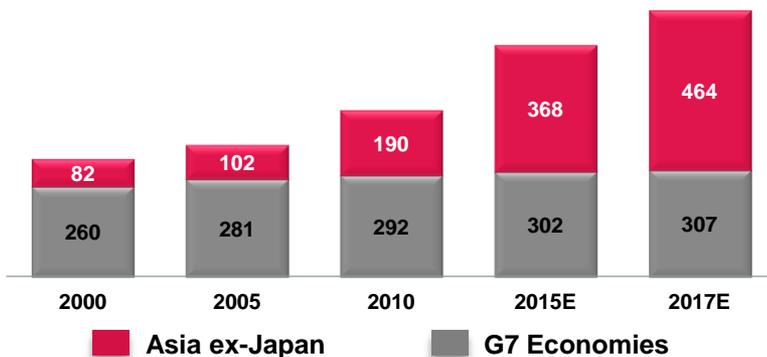
Rapid Urbanisation

Urban population (Millions)



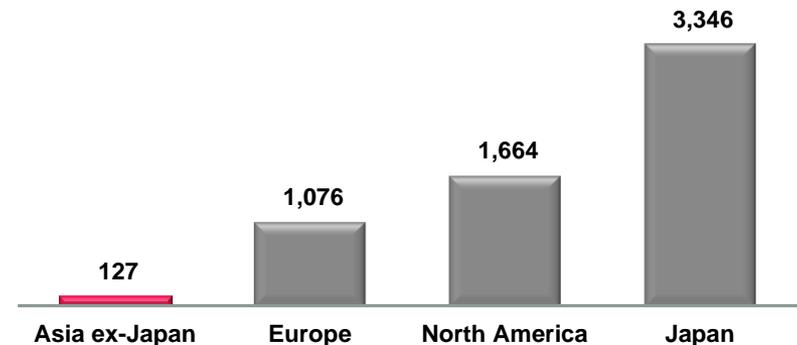
Growth in Disposable Incomes

No. of households with disposable income above US\$10k (Millions)



Underpenetrated Asian Life Insurance

2013 Density Rate (US\$)

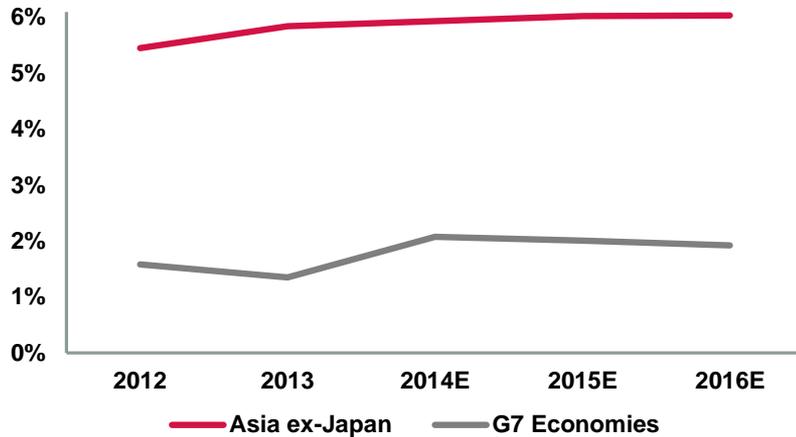


Asia's Macroeconomic Stability



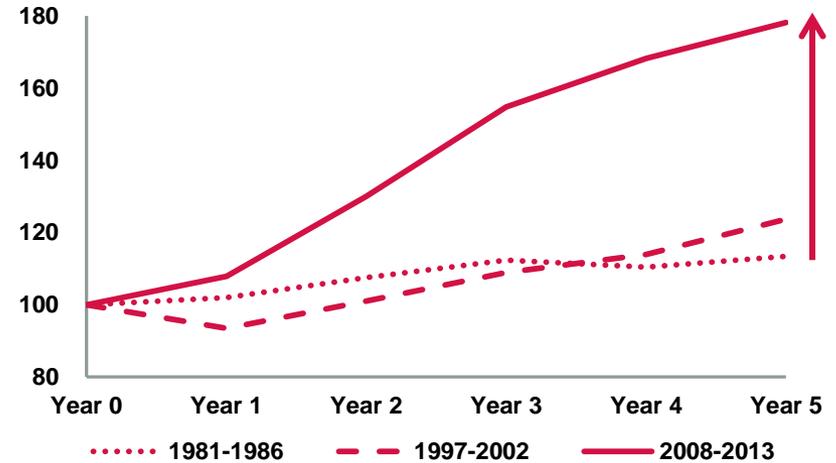
Asia's Stable Growth Outlook

Real GDP Growth Rates



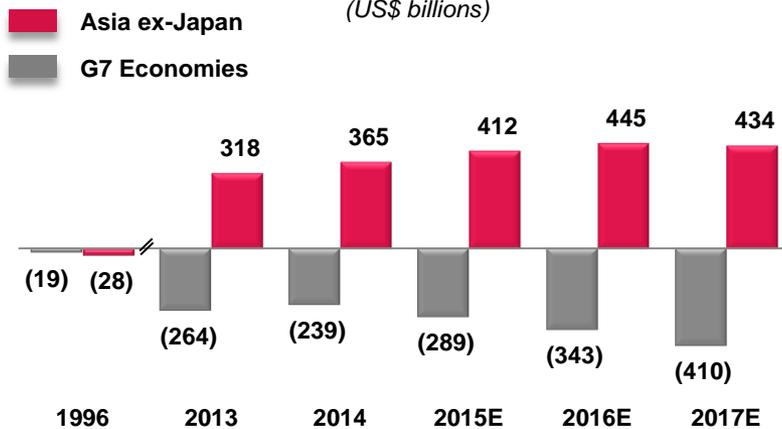
Asia ex-Japan Macroeconomic Resilience

GDP at Current Prices (Rebased to 100)



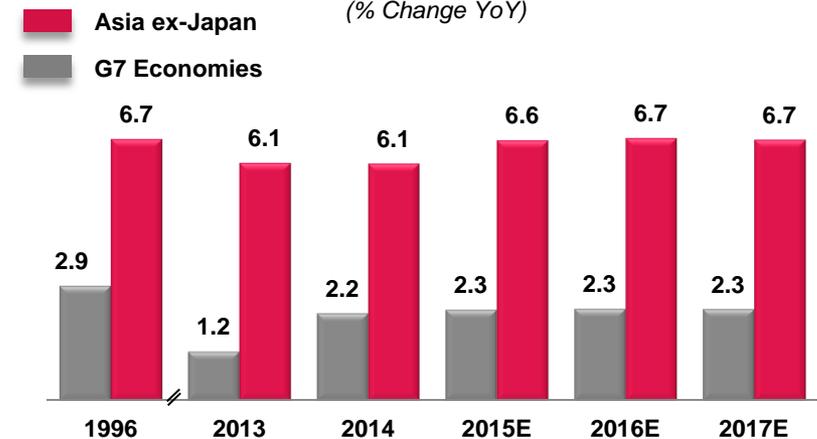
Current Accounts⁽¹⁾

(US\$ billions)



Domestic Demand⁽¹⁾

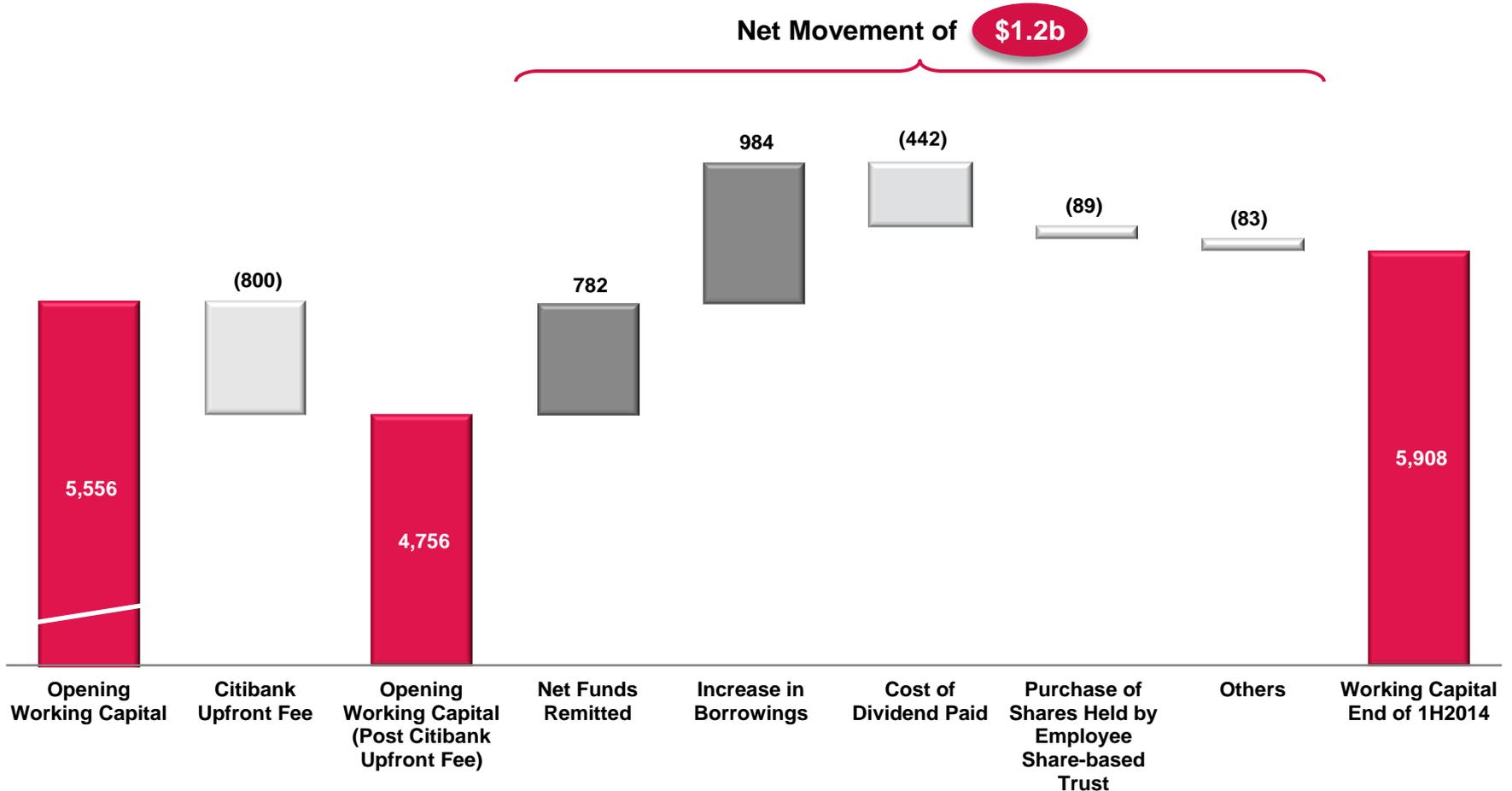
(% Change YoY)



1H2014 Working Capital Movement



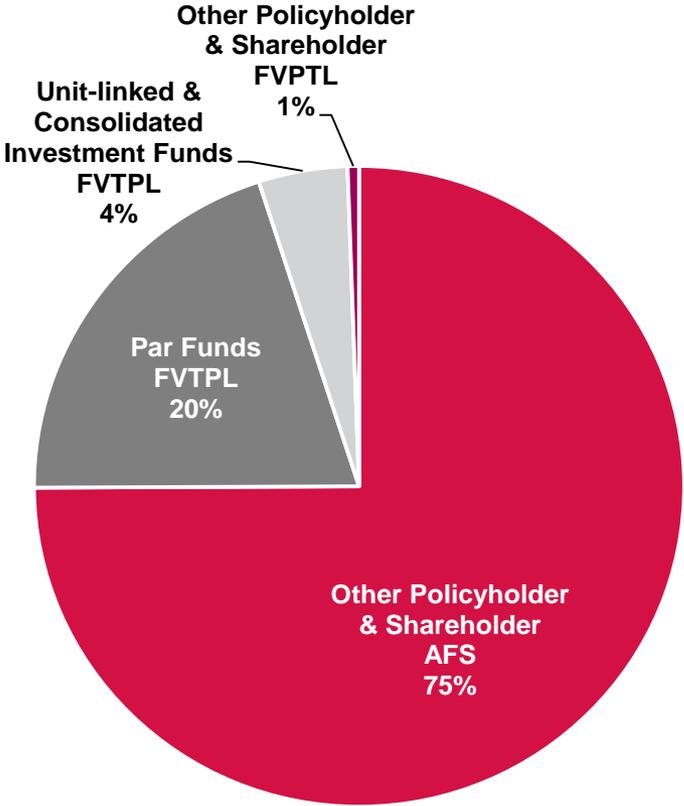
Working Capital Movement (\$m)



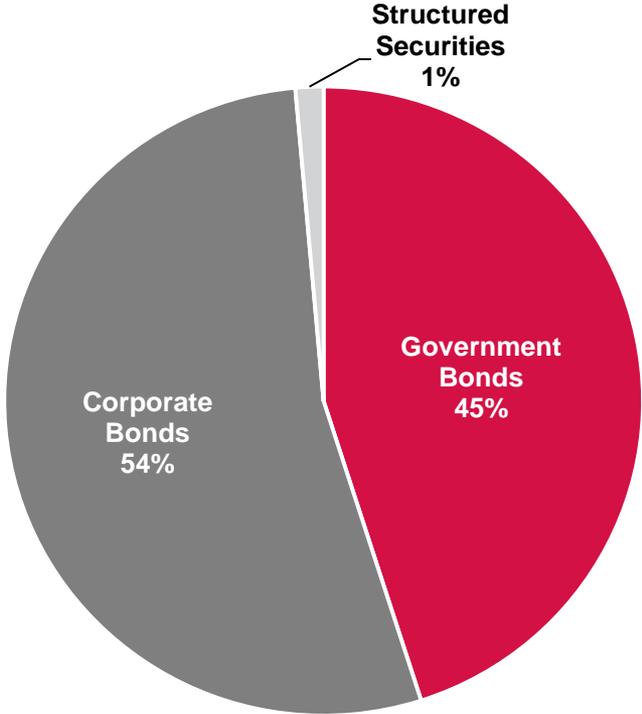
Fixed Income Portfolio



Debt Securities by Accounting Classification⁽¹⁾



Debt Securities by Type

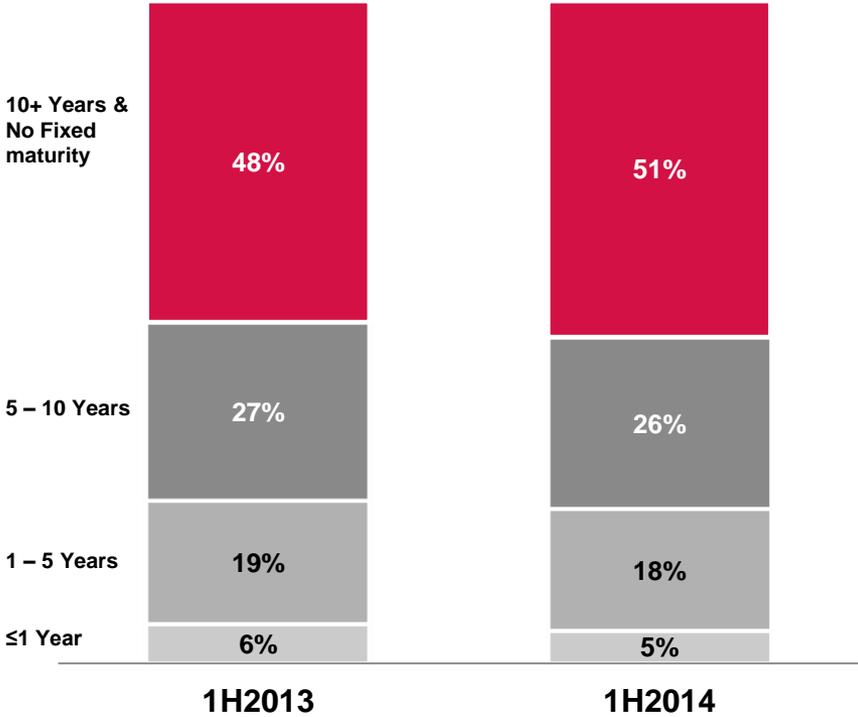


Note: As of 31 May 2014
 (1) AFS refers to available for sale; FVTPL refers to fair value through profit or loss

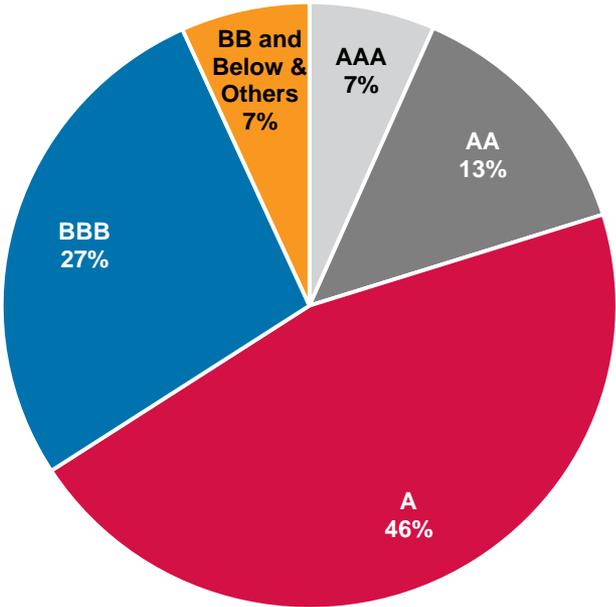
High-Quality and Long Duration Asset Base



Fixed Income Portfolio Duration



Fixed Income Portfolio by Rating⁽¹⁾

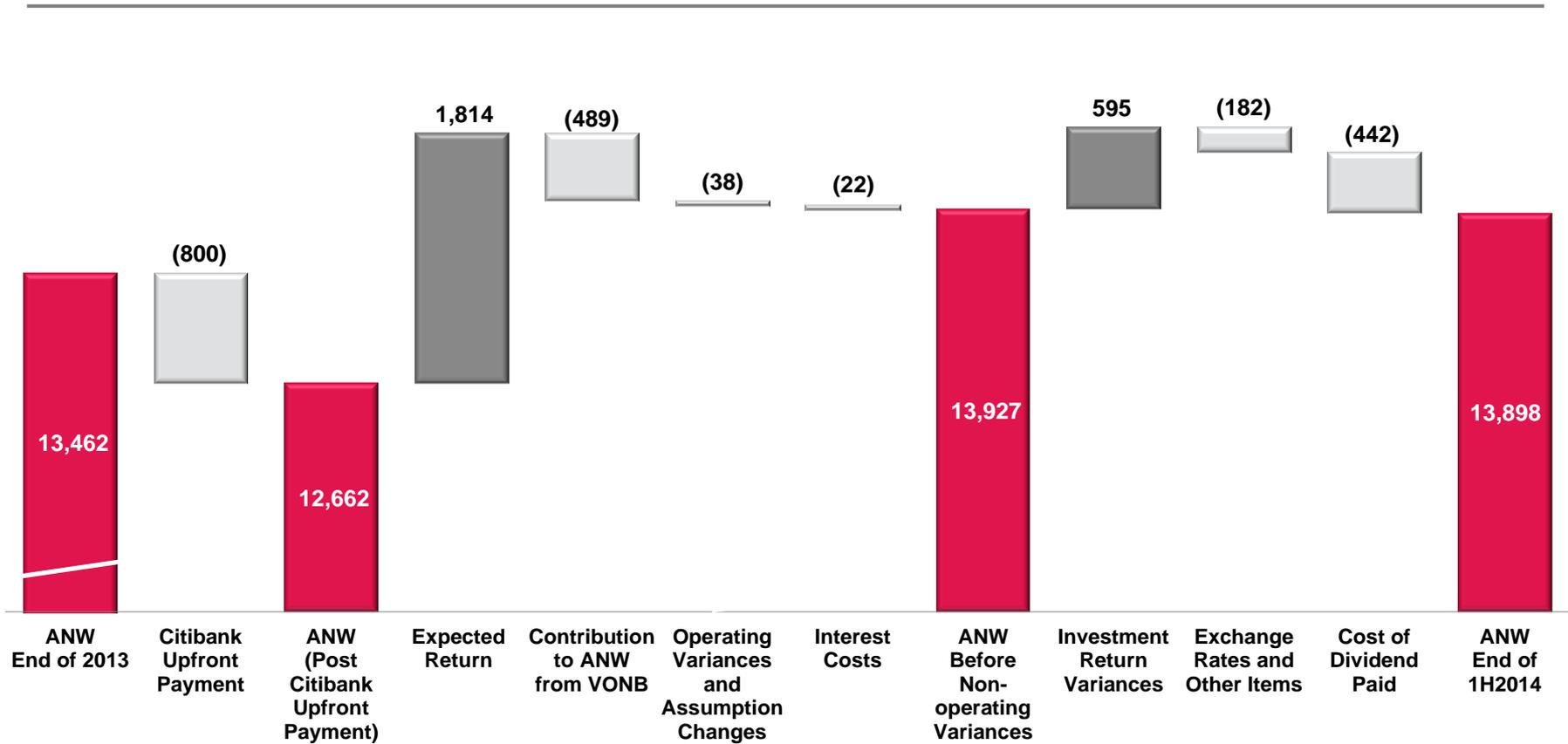


Note:
 (1) As of 30 November 2013

1H2014 ANW Movement



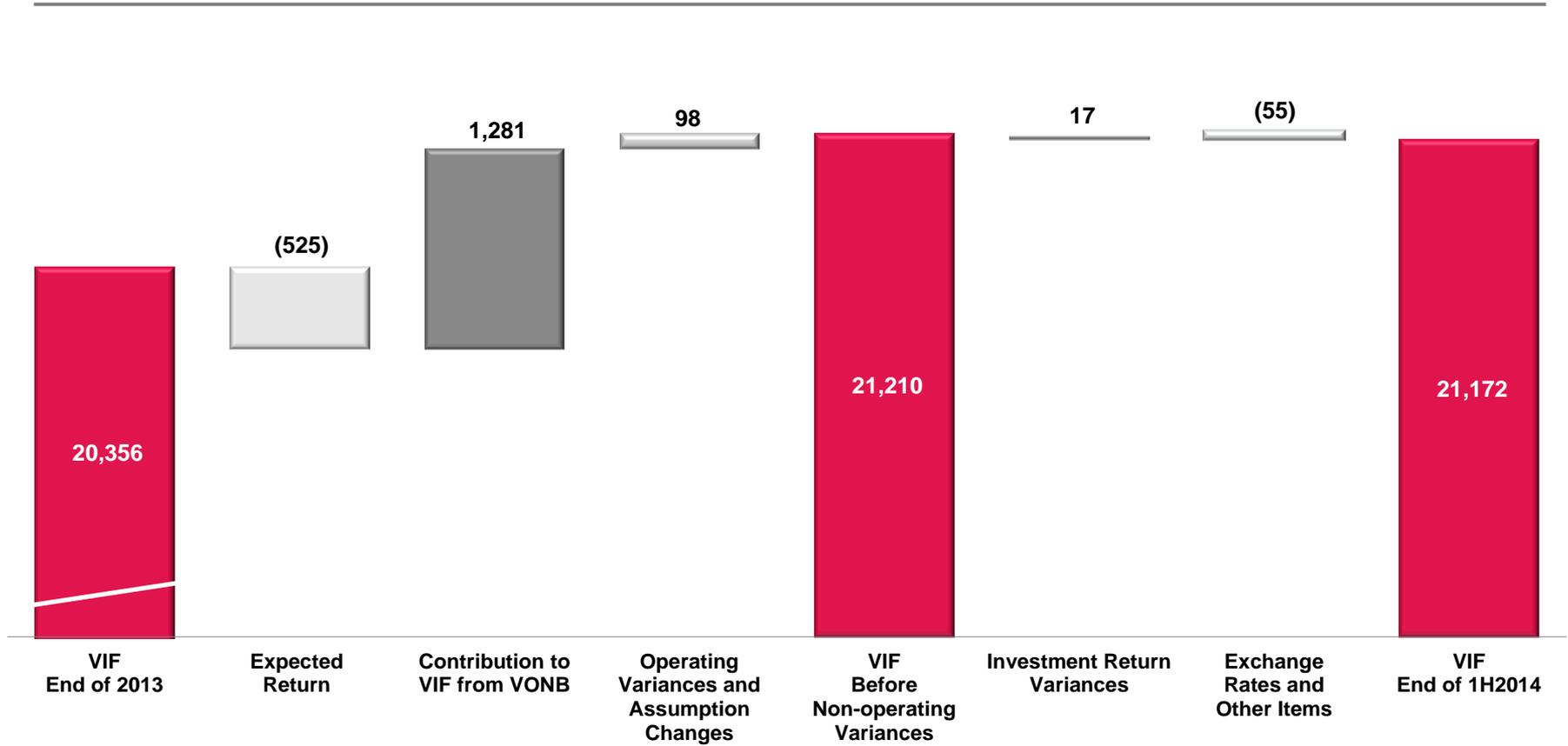
ANW Movement (\$m)



1H2014 VIF Movement



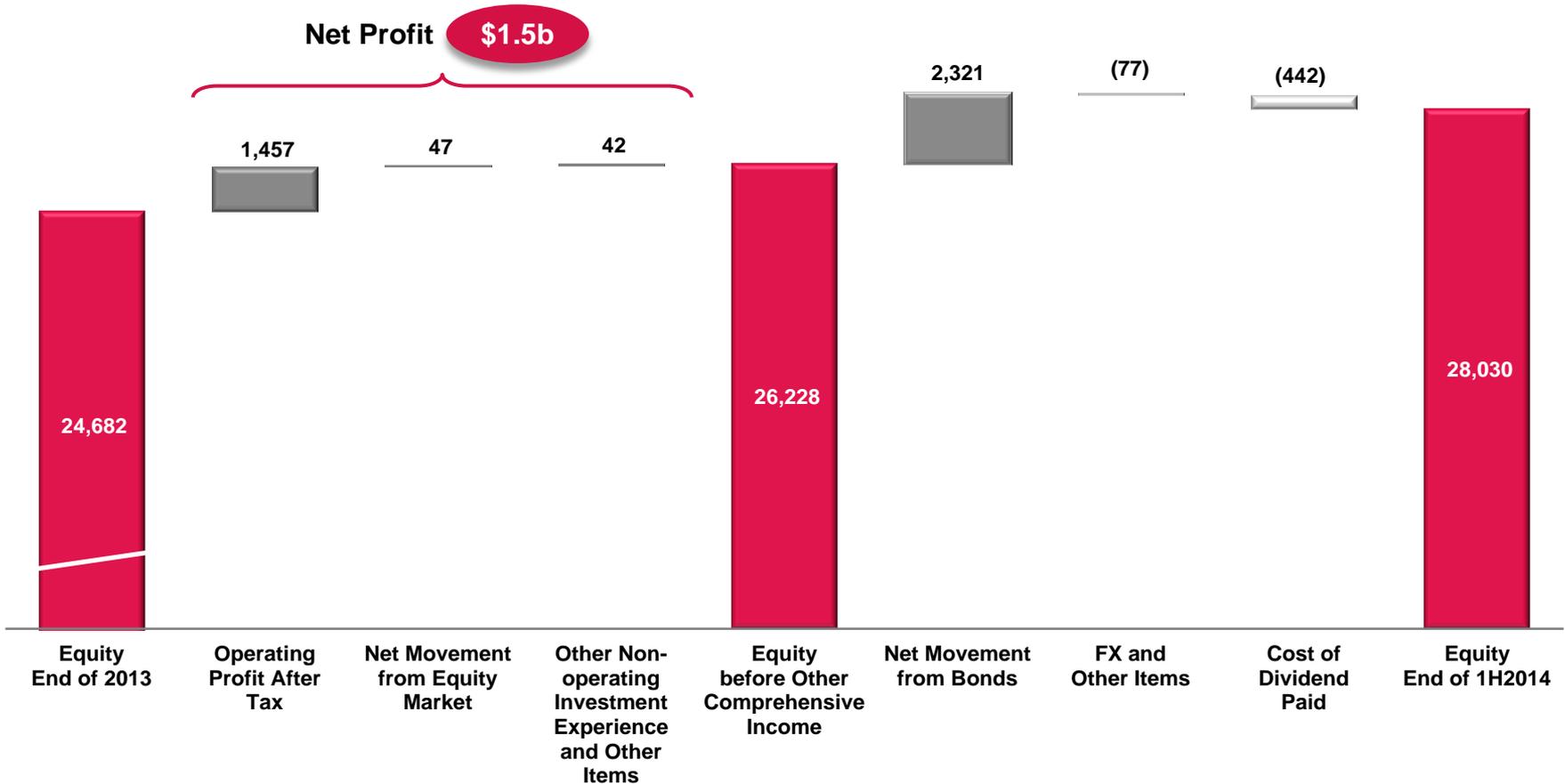
VIF Movement (\$m)



1H2014 Shareholders' Equity Movement



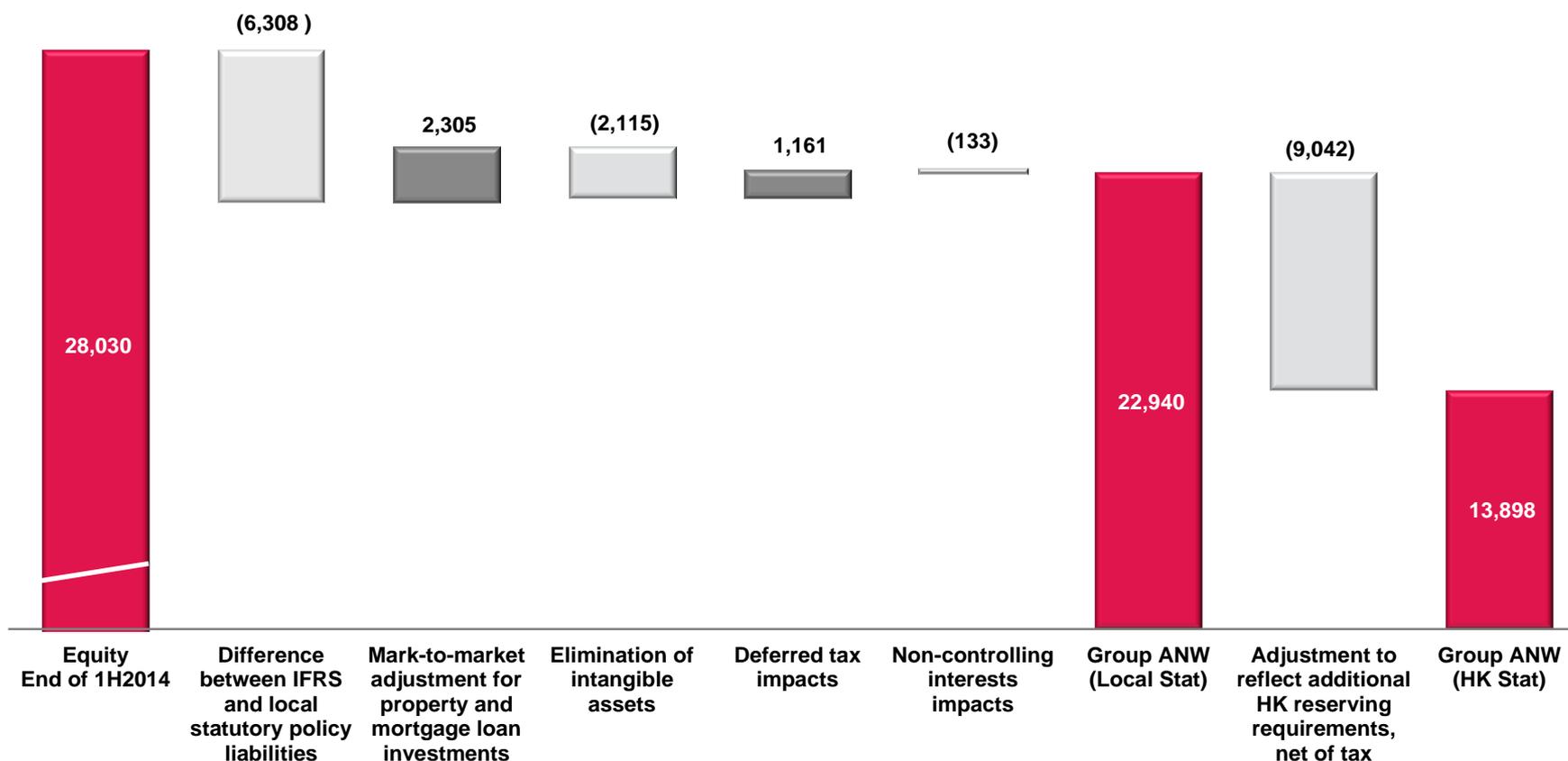
Shareholders' Equity Movement (\$m)



IFRS Shareholders' Equity and ANW



Reconciliation of IFRS Shareholders' Equity to ANW (\$m)

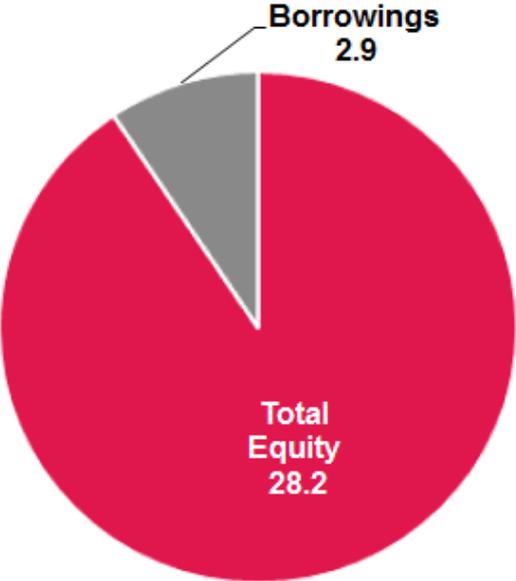


Robust Capital Structure

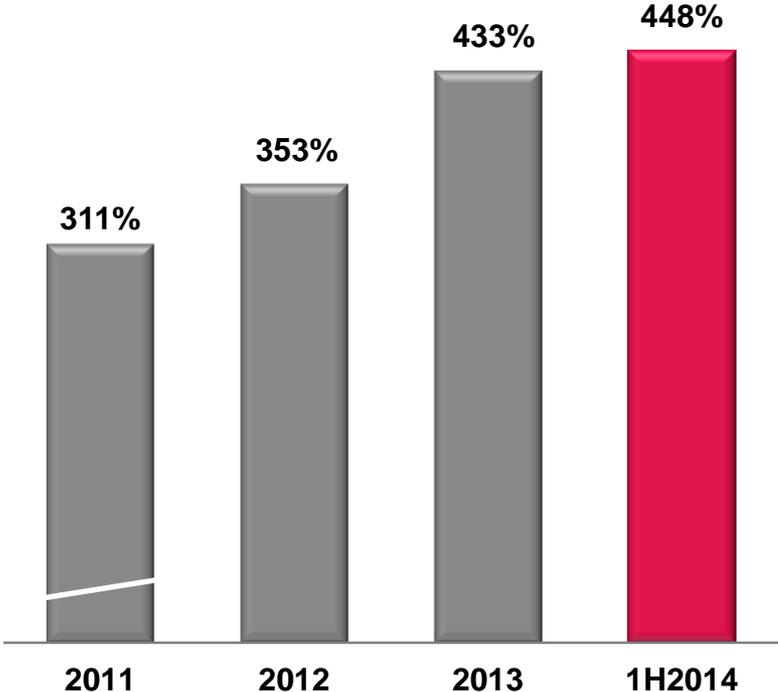


AIA Capital Structure (\$b)

1H2014 Leverage Ratio⁽¹⁾ **9.4%**



Solvency Ratio on HKICO Basis for AIA Co.

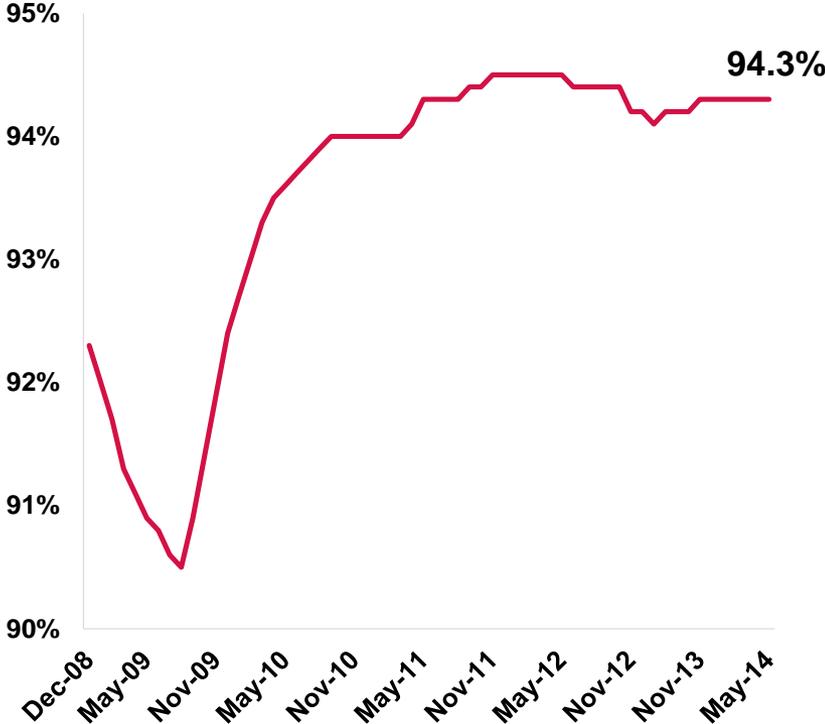


Note:
 (1) Leverage ratio defined as Borrowings / (Borrowings + Total Equity)

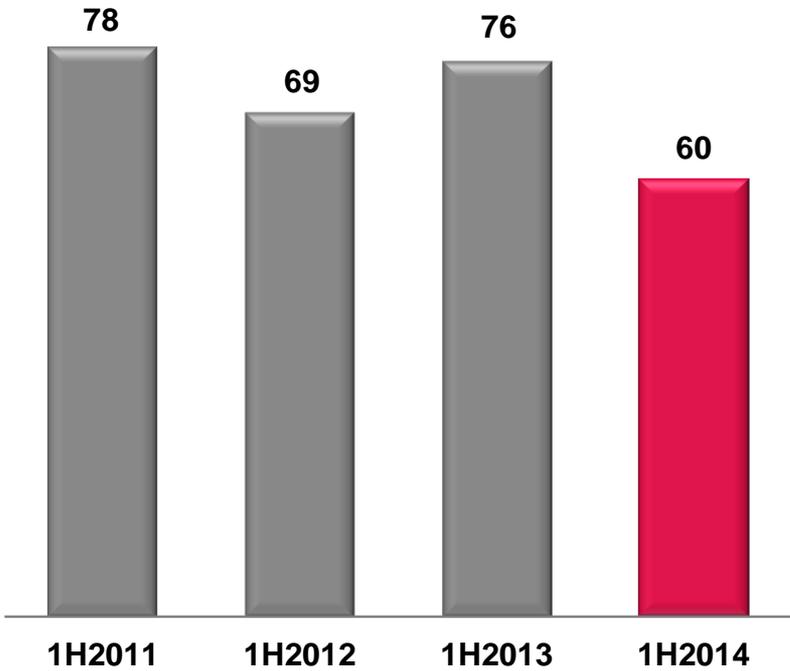
Operational Efficiency



Persistency Since IPO



Operating Variances & Assumption Changes (\$m)



Risk Discount Rate and Risk Premium



	Risk Premium ⁽¹⁾		
	As at 30 Nov 2010	As at 30 Nov 2013	As at 31 May 2014
Australia	3.10	4.38	4.38
China	6.26	6.01	6.01
Hong Kong⁽²⁾	4.47	4.57	4.57
Indonesia	7.10	6.50	6.50
Korea	5.68	5.90	5.90
Malaysia	4.55	4.55	4.55
New Zealand	2.87	4.26	4.26
Philam Life	7.00	7.50	7.50
Singapore	4.82	4.52	4.52
Sri Lanka	n/a	5.67	5.67
Taiwan	6.27	6.27	6.27
Thailand	5.63	5.38	5.38
Vietnam	5.80	5.80	5.80

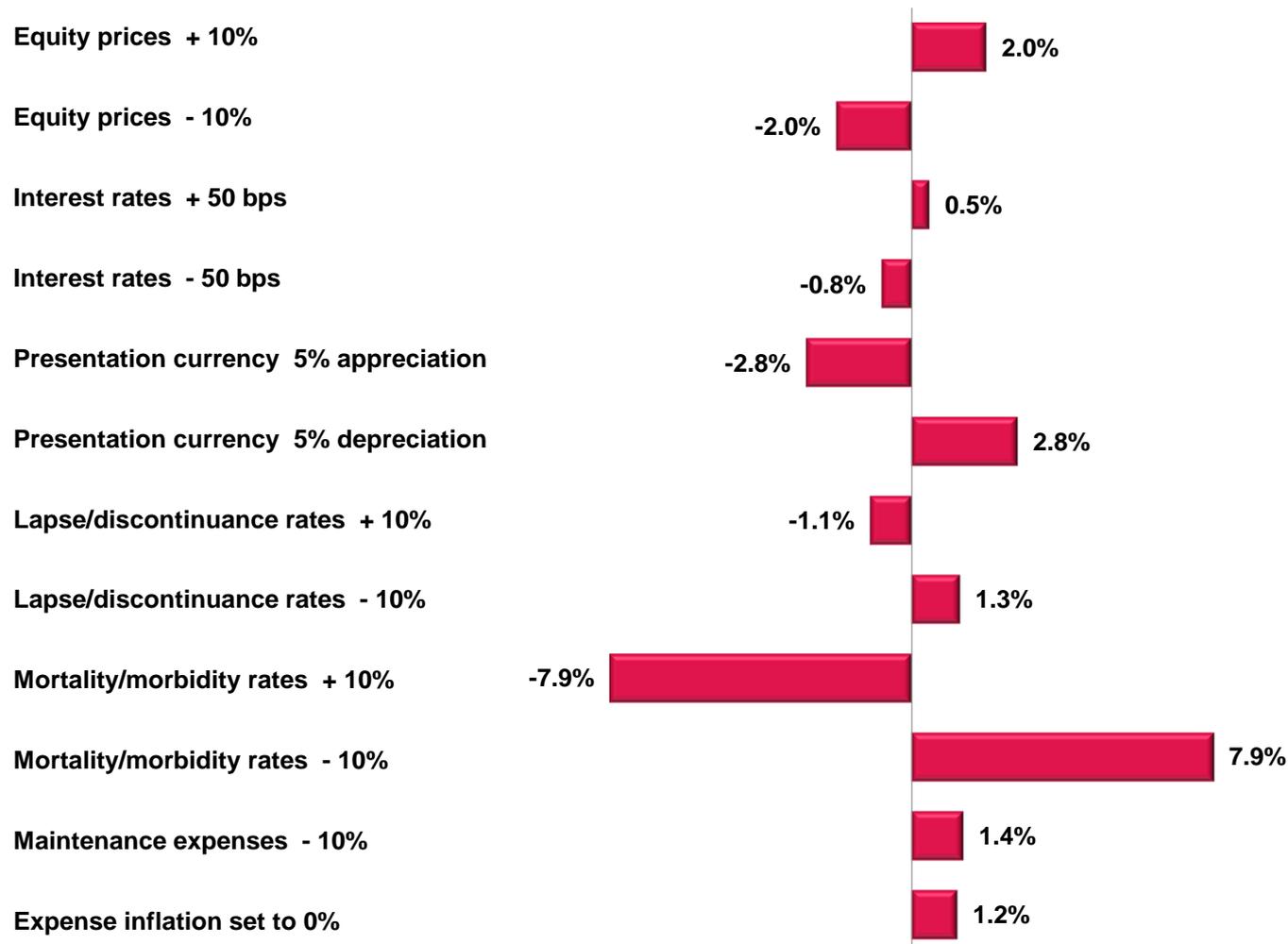
Notes:

- (1) Risk premium refers to the difference between risk discount rate and investment return assumption for 10-year government bond of respective periods
 (2) The majority of AIA Hong Kong's assets and liabilities are denominated in US dollars. The 10-year government bond assumption is for US dollar-denominated bonds.

Sensitivity Analysis – EV



Sensitivity of EV as at 31 May 2014



Sensitivity Analysis – VONB



Sensitivity of VONB as at 31 May 2014

