AIA Group Limited 2014 Annual Results

Analyst Briefing Presentation – Transcript

26 February 2015

Mark Tucker, Group Chief Executive and President:

Okay, good morning and welcome. Let me begin today's presentation. I give a warm welcome to all of you for our 2014 full year results presentation and I think as you'll see, I'm delighted to report that AIA has delivered another very strong performance reflecting the excellent focus we have continued to make in executing our key strategic priorities.

I will begin today's presentation with our financial highlights. In 2014, we have delivered double-digit growth across all our main financial metrics. VONB was up 24 per cent to over 1.8 billion dollars, IFRS operating profit increased by 16 per cent to 2.9 billion dollars and EV Equity was up by 4 billion, or 12 per cent, to 39 billion dollars.

In addition, we achieved substantial fee surplus generation of 4.4 billion dollars, up 16 per cent. As you have seen, the Board has recommended an increase of 19 per cent in our final dividend, which is a significant uplift on the prior year, including and I think indicating our confidence in the future. Each of our key financial metrics again reached new highs, demonstrating AIA's exceptional ability to combine profitable growth with strong cash flow generation.

We will follow our usual agenda this morning. Joining me on stage are Garth Jones, our CFO and our two Regional Chief Executives, Gordon Watson and Ng Keng Hooi.

The excellent performance we've announced this morning is the direct result of aligning our strategic platforms and priorities with the substantial drivers of Asia long-term structural growth. These drivers include large and growing populations, accelerating urbanisation, rapidly rising incomes and wealth and low levels of existing social welfare and private insurance cover. AIA is uniquely positioned to seize the opportunity the region presents. We believe that we have the right distribution and product capabilities in the right markets with the right brand and financial strength to enable us to continue to be highly successful over the long term.

I'll now take you through our full year results, looking briefly at each major area in turn, beginning with distribution. Our agency channel delivered VONB growth of 21 per cent in 2014. Our Premier Agency strategy is to elevate standards at the core of our agency force to best-in-class. This begins with quality training and recruitment. Our expanded training programmes and focus on selective recruitment have increased the number of active new agents by 14 per cent over the year. Since IPO, we have doubled the amount of mandatory training we provide each year, which has led to a 57 per cent increase in the number of active new agents.

Today, AIA is ranked second in the world for Million Dollar Round Table members with an increase of 24 per cent compared with the previous year. We're also committed to investing in technology to support our agents. Our market-leading interactive point-of-sales system is now available in 11 of our markets. ANP delivered through this platform trebled over the last 12 months. The new technology is transforming the way our agents work and importantly, agents who use iPoS are 34 per cent more productive and adoption rates have accelerated as a result. As you can see, these initiatives and many others have led to a material increase in both the quality and sustainability of our agency distributions.

Partnership VONB grew by 17 per cent. This was achieved despite the industry headwind in Korea in the first half of the year. Excluding this and foreign exchange movement, the underlying Partnership VONB was up over 30 per cent. We've also made significant progress in rolling out our Citibank partnership in its first year and Gordon will provide you with more details on this shortly.

The high quality of our distribution is matched by the strength of our product portfolio. AIA's powerful distribution platform enables us to deliver an attractive and diversified mix of products and solutions to our customers. It is our ability to sell the right products in the right mix that has enabled us to meet our customers' needs and provide us with resilient new business growth through all market cycles.

Protection sales are a material part of our mix and we have also continued our move towards higher quality, long-term business. We are sometimes asked about the absolute level of our margins, so we have provided additional disclosure on the present value of premium basis by product category. However, as I have said many, many times before, we do not manage the business solely for margin. Our objective is to drive absolute economic profit and generating returns above our hurdle rate. This is what optimises value for our shareholders.

One of the strongest features of our quality distribution and product platforms is our ability to access new and existing customers. We have a large and growing customer base, with more than 6 million new customers since IPO. Marketing campaigns to existing customers has continued to be very successful with VONB up 39 per cent in 2014. This represents a significant source of future value for AIA. And there is still a great deal more to do across both products and customer engagement and our team is very focused on the enormous potential here.

We have delivered significant growth in profitable new business and invested substantial amount of capital with increasing efficiency. You have seen how our fee surplus generation has enabled us to finance strong growth that in itself is driving increased earnings and higher shareholder dividends. While we've delivered a strong financial performance to date, we are confident that much more can be done in the future to continue to optimise returns for shareholders.

We're proud that 2014 has been another year of consistent execution, further demonstrating the momentum in our business across all of our key performance metrics. The headline figures that you see today are further evidence of our success in driving long-term sustainable growth. At the same time, we have ensured that new business growth has been translated into many things, into in-force value creation, earnings growth and cash flow generation. Importantly, very importantly, this has been delivered with increasing scale.

As a team, we have achieved a great deal since our IPO, but as I have said many, many times before, we are at an early stage in a long, long journey. Together we will remain very focused and very clear on realising AIA's full potential.

Let me now hand over to Garth who will take you through the detailed financials. Garth.

Garth Jones, Group Chief Financial Officer:

Thanks Mark and good morning everyone. As Mark just highlighted, we've delivered a very strong and consistent performance across all of our financial metrics. VONB grew by 24 per cent to over 1.8 billion dollars. Embedded Value Equity increased by more than 4 billion over the year to 39 billion dollars. IFRS operating profit after tax grew by 16 per cent with improved operating margin. Our solvency ratio remained strong at 427 per cent after the upfront payment to Citibank and the Board has recommended a 19 per cent increase in the final dividend to 34 Hong Kong cents per share, bringing the total for the year to 50 cents per share.

The 2014 results have demonstrated that AIA is exceptionally well-placed to generate substantial profitable growth with attractive shareholder returns and deliver progressive dividends. We closely match our assets and liabilities in local currencies to reduce the economic effects of foreign exchange movements. However, when showing our consolidated figures, there is a translation effect as we report in US dollars.

VONB, ANP and Operating Profit are translated at average exchange rates during the year, whereas EV

Equity is translated using spot rates. You can see that underlying VONB growth on a constant exchange rate basis was 27 per cent, while ANP increased by 14 per cent. IFRS operating profit after tax grew by 18 per cent and EV Equity increased by 14 per cent. For clarity, the figures throughout today's presentation are shown on actual exchange rates. You can see that we have again delivered a very strong performance in both actual and constant currency.

I'll now take you through each section in more detail. You've heard us say many times that we focus on growing total VONB, rather than volume or margin alone, given the strong IRRs we achieve. This is simply good financial discipline - if returns on capital are attractive, we'll write the business, though reported margins may vary, and in this way, we optimise total value creation for shareholders. 24 per cent growth in VONB in 2014 reflects this focus and our consistent execution over time.

We delivered over 1 billion dollars of VONB in the second half of the year for the first time and the full year figure is now greater than the whole of 2010 and 2011 combined. VONB also includes a deduction of 147 million for group office expenses and the cost of additional capital we hold under the Hong Kong solvency basis. ANP increased by 11 per cent in reported currency with VONB margin growing by 5.0 percentage points to 49 per cent. As Mark said earlier, the margin on a PVNBP basis was just over 8 per cent. This overall performance reflects the quality and long-term nature of our business, which is shown on the next slide.

These charts show a breakdown of new business premium for our two largest markets: Hong Kong and Thailand. We've updated the chart on the left hand side for Hong Kong, which we showed you at the half year. 97 per cent of our new regular premium business in Hong Kong has a premium payment term of at least 5 years. This is in stark contrast to the market average, where lower margin short-term products, often targeted at deposit replacement, make up more than half of the regular premium market.

We've also added two charts on Thailand for comparison. You can see that 99 per cent of AIA Thailand's new regular premium business has a premium payment term of at least 5 years, a similar picture to Hong Kong. Overall, our long-term strategic approach to writing new business has led to 96 per cent of our ANP in Thailand coming from regular premium products. Our focus on quality business provides the foundation for our track record of VONB growth since IPO.

The main drivers of our margin increase in 2014 were product mix, ongoing repricing actions and new product launches. Geographic mix was positive, mainly as a result of China and Hong Kong growing faster than lower margin markets such as Korea. Economic effects accounted for 1.2 percentage points of the change in margin in 2014.

The sustained growth we've delivered also highlights the benefits of our large and balanced portfolio of businesses. Not only does this allow us to meet the substantial need for our products and services across our markets, our broad reach and diversification also increase the resilience of our results and ensured that we are less reliant on any one market for our growth. I've highlighted the positive benefits of this portfolio effect previously and you can see these again in 2014, with VONB up 24 per cent overall, despite currency movements.

Let me now turn to Embedded Value Equity. Our strong operating profit performance was the main driver of the 12 per cent increase in EV Equity over the year. Operating profit was 4.5 billion dollars overall, up 14 per cent compared with 2013. Positive operating variances contributed 108 million dollars from favorable experience compared with our assumptions. Operating variances have been consistently positive and over 100 million in each of the past 4 years.

Investment return variances contributed 842 million from market gains and were partially offset by other items and foreign exchange movements of 517 million. Note that our EV is shown after a deduction of 4.8 billion dollars for holding the additional Hong Kong reserving and capital requirements and Group Office expenses.

It is important to look at risk free interest rates and risk discount rates together to determine the average risk premium and measure the overall level of prudence within the embedded value calculations. Both the size of the risk premium and our EV methodology have remained unchanged from 2010 to today. We have an independent actuarial firm assess our EV on a market consistent basis and can confirm that the results are not materially different. This demonstrates the prudence in all our EV calculations.

Given recent short term volatility in interest rates, I wanted to provide some further context regarding the interest rate basis we use and the impacts on our EV results of interest rate movements. As you know, we manage the business for the long-term and our EV methodology and assumptions reflect this. In the calculation of the EV, we use spot market interest rates and then trend over time to our long-term assumptions. On this slide, we have shown a comparison since IPO between our weighted average long-term assumptions for 10-year government bonds and the corresponding market forward rates at each point in time. As at the end of our financial year in November, you can see that our long-term assumptions remain below market rates. In addition, you can also see that our long-term approach to assumption setting during periods of interest rate volatility - most recently during the spike in rates during 2013.

The right hand side of this slide shows our embedded value interest rate sensitivity. In particular, if we reduced our economic assumptions by 50 bps across each of our markets, the impact would be just 139 million or 0.4 per cent of the EV. While AIA is not immune to interest rate movements, you can see from the sensitivities that the short-term economic impacts are small.

Turning now to currency, as I said earlier we closely match our assets and liabilities in local currencies. The sensitivity on this slide shows the accounting translation effect into reported currency. Our exposure to these translation effects is reduced due to a number of key factors. Our business is diversified across the region. Many Asian currencies are broadly correlated with the US dollar, such as the RMB. Furthermore, our largest business and corporate centre is in Hong Kong with its peg to the US dollar and the vast majority of our business in Hong Kong is written and matched in US dollars.

On the previous slides, I talked about our balanced portfolio of businesses increasing the resilience of our results. On this chart you can see 10 year US treasury yields since IPO. These range from 1.4 per cent to 3.5 per cent. Against a backdrop of significant currency, interest rate and equity market volatility, we've delivered consistently strong growth.

Turning now to our IFRS results. Operating profit after tax grew by 16 per cent to reach 2.9 billion dollars in 2014, building on and sustaining the 16 per cent growth we delivered in 2013. This excellent performance was the direct result of the strong underlying growth we've delivered across our businesses, the quality of the new business we are writing, and the active management of our in-force book.

Investment income increased to 5.4 billion dollars, and our investment yield remains stable at 4.7 per cent, reflecting the long-term nature of our investment portfolio. The total investment return of 6 per cent reflects the investment yield, together with the mark-to-market performance of equities. The investment mix of our portfolio has remained stable and out of the 11 per cent shown here in equities, around 7 per cent relates to other policyholder and shareholder funds, with the balance in policy holder funds. The average credit quality is both unchanged and strong.

IFRS net profit was 3.5 billion dollars, up 22 per cent. Our definition of operating profit excludes any actual or normalised gains. We recognise that this is different to the approach taken by some of our global peers, and we may look to align our approach over time. Average non-operating gains reported over the past five full financial years were positive 473 million dollars. Our basis of reporting Net Profit also does not reflect the market movements of AFS bonds, as these are included in equity.

All of our market segments delivered strong underlying OPAT growth. These results are shown in reported currency on actual exchange rates, as I mentioned earlier. This slide highlights the significant benefits of the portfolio effect from AIA's diversification by market.

In addition to diversification our strong track record of operating profit growth of over 70 per cent in the last 4 years has been delivered with scale across our markets. In particular, China is 4 times higher over the period, and Other Markets has doubled. Each of our market segments are now generating more than 150 million dollars of OPAT a year.

The link between the scale of our in-force book of business and growth in IFRS operating profit can be seen on this slide. We've achieved over 20 billion dollars of gross inflows from across our Asian businesses for the first time in 2014. This is more than double the figure in 2010. Importantly the high proportion of regular premium business, combined with our strong persistency levels of over 94 per cent, builds up layer upon layer of in-force business steadily over time.

The consistent increase in revenue scale and high-quality business mix drives operating margin, which has reached over 18 per cent for the first time, and provides a foundation of both stability and predictability in our cash flows that supports our OPAT growth, as you can see here.

I'll now end with capital and dividends. One of the differentiated features of AIA is our ability to invest capital in significant new business growth opportunities at highly attractive returns, at the same time as generating increasing amounts of free surplus and progressively growing dividends. On the left hand side of the chart you can see the reduction because of the Citibank upfront payment, which is not included as an intangible asset in free surplus. After this payment, our stock of free surplus at the start of the year was 5.9 billion dollars. We generated 4.4 billion dollars of free surplus from our large and growing in-force book of business. This figure benefited from overall market related currency and other movements of around 800 million dollars, compared with 700 million in the previous year. We invested just under 1.7 billion dollars in new business growth, and our stock of free surplus was at 7.8 billion dollars at the end of the year.

As I mentioned on the previous slide, AIA has significant opportunities to invest capital in organic growth at very attractive returns for shareholders. And we invested 1.7 billion dollars of capital in new business during the year up from just under 1 billion dollars in 2010. The average IRR on our investment in new business was again over 20 per cent in 2014, and with shorter payback periods. Through the ongoing active management of our business we have steadily improved both the returns on capital and the capital efficiency of the business we are writing.

We also reduced our new business strain as a percentage of VONB by a further 12 percentage points over 2013, a cumulative 54 percentage points since IPO. As with our VONB, EV and free surplus numbers in earlier charts, it is worth noting that all of the figures shown here are after allowing for the prudent Hong Kong reserving and solvency basis. Our priority remains to invest capital in growing new business at attractive IRRs, as we've done once again in 2014.

The solvency ratio for AIA Co. has remained very strong. This is a result of growth in retained earnings, offset by the Citibank upfront payment. The solvency ratio has remained robust since IPO despite interest rate and equity market volatility, demonstrating the resilience of our capital position and balance sheet.

The Board has recommended a final dividend of 34 cents per share. This brings the total dividend to 50 Hong Kong cents per share, a full-year increase of 18 per cent, and up 50 per cent since we began our dividend in 2011. This reflects the strength of the business and our confidence in the future prospects of the Group.

In closing, the Group has delivered another set of excellent financial results. We've generated substantial growth in new business profits by following our financial principles of investing capital at attractive returns in quality new business, and with increased capital efficiency. Profitable new business growth, in turn, is driving strong increases in our IFRS operating profit, with scale and diversification across the region.

Finally, we generated substantial amounts of capital and free surplus from the management of our in-force book, maintained our resilient solvency position, financed our growth, and progressively increased our dividends. Our financial performance in 2014 has once again demonstrated the substantial opportunities that AIA has to generate value for our shareholders.

I'll now hand over to Gordon and Keng Hooi who will share with you how these results have been delivered.

Gordon Watson, Regional Chief Executive:

Thank you Garth, and good morning everyone. As Mark mentioned, Keng Hooi and I remain very focused on executing our strategic priorities in each of our markets. Now, allow me to share with you the excellent results delivered by our largest operation and home market, Hong Kong, as well as the performance of Korea and Other Markets.

In 2014, AIA Hong Kong built a strong first half, delivering 32 per cent growth in VONB. VONB has nearly tripled since 2010, with a compound annual growth rate of over 30 per cent. Jacky Chan, our Hong Kong CEO, and his team have done a tremendous job in driving strong performance across all distribution channels. Agency, our principle distribution channel in Hong Kong, remains one of our biggest competitive advantages, where we lead the market in both quality and professionalism.

A key component of our Premier Agency strategy is the AIA Premier Academy, which supports our strategic focus in two areas: quality recruitment and increased productivity, particularly among our younger agents. In 2014, our Premier Academy provided Agency Leaders with better recruitment tools, which enabled us to grow the number of active new agents by 15 per cent. Through new training and development programmes aimed at our younger agents, we increased the number of MDRT qualifiers in our Hong Kong agency by 18 per cent, and also maintained our leadership position in number of MDRT registered agents in 2014.

AIA Hong Kong's Partnership Distribution delivered excellent VONB growth through both bancassurance and IFA channels. Group insurance also delivered a strong VONB growth of 26 per cent. This shows the value of strengthening our relationships with key multinational brokers, and more active targeting of the SME market through our Premier Agency.

AIA Hong Kong is a market leader in the protection product segment, and we have strengthened our long-term savings proposition as well. Extensive upgrades to our core products and a new critical illness plan have helped differentiate us further in this protection market. At the same time, raising market awareness of the importance of retirement planning, and this is an ongoing priority, and we have launched a new total retirement solution in 2014. We are confident that our Hong Kong operation will continue to deliver high-quality and sustainable growth.

So let me move on to Korea. 2014 was a challenging year for our Direct Marketing business in Korea. As you will recall, in January, the regulator imposed an industry-wide suspension on outbound telesales in response to a customer data leak, which was unrelated to the life insurance industry. Following the lifting of the suspension in March, the regulator continues to tighten sales and advertising requirements that have resulted in a more challenging sales process. We are adapting our distribution model to the new rules with an aim to restoring stability in the channel amidst these ongoing changes.

Despite the challenges in Direct Marketing, our multi-channel capabilities in Korea have enabled us to outperform the market: AIA Korea delivered 12 per cent ANP growth, while new business premiums declined for the Korean life insurance market as a whole in 2014. Agency delivered positive VONB growth, and we launched several new products that captured selective opportunities in the bancassurance channel. AIA Korea continued to innovate in marketing, launching a popular online video that has attracted nearly 6 million views. This has also helped to drive leads to our inbound Direct Marketing channel. So our Korean operation delivered solid OPAT of 165 million dollars, which was up by 10 per cent in 2014.

If you move on to the other markets, our Other Markets segment delivered double-digit VONB growth in the second half of the year on constant exchange rates. As I noted previously, the first half results were affected by the depreciation of local currencies against our US dollar reporting currency, and the effect of liquidity tightening in the banking sector.

New, let me share with you a few highlights from our three larger “Other Markets”. Let me start with Australia. In 2014, we continued to expand our Premier IFA strategy, solidifying our leading position in the individual risk market, despite new business volumes contracting across the industry. We added several new platform partnerships, which gave us access to over 1,100 additional advisers. We also strengthened our leadership in group insurance as we continued to review the benefit design, and proactively manage our claims experience through a highly-disciplined and leading claims assessment process. In the second half, we extended AIA Vitality, our innovative wellness programme, to our IFA and wealth management platform partners. Early take-up for AIA Vitality has been very encouraging, and we have received multiple industry awards for innovation.

Now let's move on to Indonesia. Our Indonesian business reported double-digit VONB growth in the second half on constant exchange rates, and achieved a top 3 market position based on weighted new business premiums. This result was built on solid performance from our core agency and bancassurance channels.

Quality recruitment and training continued to be the key areas of focus for our Premier Agency strategy in Indonesia, resulting in excellent growth in a number of active new agents. We also continued to increase support and expanded the footprint of in-branch bancassurance specialist for our key strategic partners. Group insurance delivered a strong performance in 2014, as we further developed our broker service proposition and launched a major initiative to train agency specialists.

Now turning to the Philippines. Our business in the Philippines delivered solid year on year VONB growth in 2014 with a strong performance in the second half of the year. Our Agency channel delivered positive VONB growth through quality recruitment, evidenced by strong double-digit growth in the number of active new agents. Our bancassurance channel performed well in the second half of 2014, reporting strong VONB growth as we worked very closely with our joint venture partner, BPI. We expanded the footprint of our in-branch insurance specialists, supported by enhanced training and sales activity management. As a result, the number of active specialists grew by 49 per cent in 2014.

Now before I hand over to Keng Hooi, let me update you on the key achievements in the first year of our 15 year exclusive bancassurance partnership with Citibank. The focus of 2014 was on laying the foundations and building a sustainable platform for mutual profitable growth with Citibank. This process includes hiring and training the Right People and setting up technology and service infrastructure in each of the markets.

Our joint efforts have delivered a very strong start on the strategic priorities that we set out for the first year of our partnership. We have launched and now are selling in all of the 11 markets. We engaged with and trained over 2,000 dedicated in-branch insurance specialists and relationship managers, emphasising our focus on protection. We now receive more than 150,000 high potential customer leads each month, identified by Citibank's customer analytics system for Direct Marketing offers through our dedicated call centres. We have also launched over 80 products to ensure that Citibank has a comprehensive suite of products available to customers in each market.

These are areas that are supported by close collaboration with Citibank on driving higher insurance penetration across all of Citibank's diverse customer segments. As we have emphasised before, this is the beginning of a 15 year shared journey, and we are confident that the right strategic focus and execution are in place to deliver this extremely exciting opportunity.

So in closing, we are focused on executing on our key priorities and continue to enhance our core growth platforms. Thank you very much and let me hand over to Keng Hooi.

Ng Keng Hooi, Regional Chief Executive:

Thanks Gordon and good morning. I will now review the excellent progress we have made across my 4 largest markets, beginning with Singapore. AIA Singapore delivered a solid performance with double-digit

VONB growth to 299 million dollars. ANP increased by 22 per cent to 489 million dollars and VONB margin was 61 per cent. This was due to a more balanced mix of savings and protection products, compared with the prior year, where the HealthShield upgrade boosted protection sales.

The successful execution of our Premier Agency strategy is strengthening our market-leading position, increasing the number of active agents by 16 per cent. Technology is playing its part, with iPoS now established as the primary sales tool for our agents in Singapore. We have also implemented a new policy administration system, which allows us greater flexibility in product design and reduces our time to market when launching new products. Partnership distribution delivered solid growth in VONB as we expand our relationships with our IFAs and bancassurance partners. As Gordon has just mentioned, we also began the rollout of our 15-year exclusive bancassurance partnership with Citibank in March 2014 with good progress.

We are always looking for new ways to engage with our customer to meet their savings and protection needs. We expanded our product range with the addition of a new unit-linked product which offers customers more flexibility in adjusting their benefits as their needs change over time. This has driven excellent sales growth in unit-linked VONB. Our innovative ‘AIA Vitality’ programme, launched last year, offers protection products designed to encourage and reward sustained changes in lifestyle that promote healthy living and further differentiates AIA's protection proposition. We are making good progress, with Vitality chosen by our customer in one out of every two targeted new protection products sold.

Moving now to Malaysia. Our business in Malaysia delivered an excellent performance in 2014. VONB growth was 34 per cent, following our successful shift towards protection and unit-linked products, a key part of our product strategy we set out when we acquired ING Malaysia in 2012.

Our strategy for agency continues to focus on quality recruitment, particularly in the under-35 age group. Around 90 per cent of our active agents in Malaysia have now adopted iPoS. We launched a new, unified agency compensation system at the end of 2013, and increased active new agents by 29 per cent. In partnership distribution, our bancassurance tie-up with Public Bank again delivered strong results, strong growth, particularly in regular premium unit-linked products.

To broaden our coverage of the Malaysian market, we introduced new riders for our flagship regular premium unit-linked product, offering protection cover and benefit levels tailored specifically for different market segments. The VONB from our unit-linked products grew strongly at 38 per cent. On the Takaful front, our VONB increased by over 50 per cent as we continue to make good progress in penetrating this large and growing market segment.

Now let me move onto Thailand. Our business in Thailand delivered a strong performance in 2014. VONB rose by 13 per cent to 361 million dollars, despite a significant depreciation of the Thai Baht against the US dollar. This result demonstrates the resilience of our longstanding and significant business in Thailand. Our market-leading agency delivered excellent VONB growth of more than 20 per cent on constant exchange rate basis. We increased the number of licensed agents who can sell unit-linked products by 60 per cent, helping to double our unit-linked VONB. Our number of MDRT qualifiers increased by 45 per cent. We continue to focus on protection and long term savings products that meet our customers' needs.

The upmarket health product launched in late 2013 helped to drive growth throughout 2014. We also enhanced the flexibility of our products by expanding our range of protection riders, resulting in a significant increase in our rider attachment ratio.

Now, let me close with the update on China. AIA China had an outstanding 2014, achieving 55 per cent growth in VONB. The combination of selective recruitment and best-in-class training has delivered a 58 per cent increase in MDRT qualifiers and grown the number of active new agents by 42 per cent. Building on the successful product innovation in China, we launched new products aimed at protecting the financial position of young families, which made a strong contribution to our growth last year. The excellent performance of AIA China in recent years is the direct result of the consistent execution of our growth strategy by John Cai, our CEO, and his team.

I would like to invite John to give you a brief update on how we have positioned our business in China to deliver sustained outperformance. John.

John Cai, AIA China Chief Executive Officer:

Thanks Keng Hooi and good morning. AIA China began transformation 5 years ago. After IPO, we launched our Premier Agency strategy to develop professional agents that can provide advice on more sophisticated savings and protection products. Our approach to training, recruitment and career development has transformed our agency force.

The annual growth in our number of active agents has been mid-teens since IPO. Our agents now generate much higher VONB, around 3 times the estimated industry average per agent. At the same time, the average monthly income for our agents is 2.8 times higher since 2010, which in turn helps us attract and retain quality recruits. For example, two-thirds of our new agents in 2014 were university-educated. Our agents are better able to serve the needs of our customers and sell a high quality mix of business. This allows us to access the opportunity for growth in the Chinese life insurance market, and sets AIA apart in the industry, both to our customers and to our new agents.

You can see that regular premiums account for 89 per cent of AIA new business, compared with 29 per cent for the industry. Also, the majority of our earnings in 2014 were insurance and fee-based, which compares very favorably to the market in China. As a result of our growth strategy, AIA China has increased VONB by 3.8 times, or a compound annual growth rate of 40 per cent since 2010. OPAT is up 4 times over the same period, led by improvements in scale from very strong underlying business growth and increasing profitability from our product mix. We will continue to build on our track record of success in Premier Agency and product development to capture the enormous growth opportunities in China in a sustainable way for shareholders.

Thank you for listening, and now I will hand back to Keng Hooi.

Ng Keng Hooi, Regional Chief Executive:

Thank you, John. My teams and I remain very confident that we will continue to deliver strong performances in our markets across the region through the consistent execution of our growth strategy. Now let me hand back to Mark for his closing remark. Thank you.

Mark Tucker, Group Chief Executive and President:

Thank you, Keng Hooi, and thanks John. As Gordon, Keng Hooi and John have just shown, our local businesses are executing strongly in the most exciting and dynamic region in the world.

The scale and resilience of the region's economic drivers and underlying demographics are truly unique and unmatched. It's interesting to note that by 2020, AIA's markets will have four times the total population, twice the urban population, and will have created eight times the spending power of the G7 countries, some 3.8 trillion dollars. Together with low levels of government social spending and private insurance cover, which stand at just 1/6th and 1/17th of G7 levels respectively, the immense opportunities and potential for our long-term savings and protection products in Asia is both very clear and very exciting.

It is the alignment of our unique growth platforms with these long-term structural trends that has enabled us to sustain our strong performance since IPO. The evidence is in the tremendous growth that has been created. Since IPO, we have now delivered 5.5 billion dollars in value of new business, 9.5 billion dollars of operating profit, 13.5 billion dollars of fee surplus generation, and 14.1 billion dollars of additional EV equity. These are strong results, but even more importantly, we have put in place the foundations for growth, growth well into the future.

In closing, we have delivered an excellent set of results in 2014. Our objective is to continue to deliver large-scale profitable growth and attractive returns through the execution of our clear strategy, at the same time generating superior and sustainable value and cash flow generation for our shareholders. We remain as confident and as excited by the opportunities for our business today as we have ever been. We're in the right place, at the right time, with the right strategy.

Thank you for listening, and over to you for Q&A. I think let me begin, before Q&A, just to avoid any questions, I will break all previous statements that I've made and I will make a forecast. The question is going to come and I want to just be able to anticipate it. Chelsea will win on Sunday. Questions, please.