TRANSCRIPT

AIA Group Limited 2024 Interim Results

Analyst Briefing Presentation

Business Highlights by Lee Yuan Siong – *Group Chief Executive and President*

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Good morning from Hong Kong and welcome to AIA's 2024 interim results presentation.

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We have delivered excellent financial results with double-digit growth across our key operating financial metrics for new business, earnings and cash generation.

VONB grew 25 per cent to a record 2.5 billion dollars in the first half, driving a substantial uplift in operating return on EV to 16.5 per cent. AIA's ability to deliver successive layers of profitable new business has accelerated growth in earnings and cash generation with both OPAT and UFSG up by 10 per cent per share.

Higher earnings and proactive capital management supported an increase in operating ROE to 15.3 per cent. Our capital position remained very strong with free surplus of 14.6 billion dollars, and this is after returning 3.4 billion to shareholders in the first half through dividends and share buy-backs.

The Board continues to follow our prudent, sustainable and progressive dividend policy, and has declared a 5 per cent increase in the interim dividend per share.

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We are focused on growing profitable new business that compounds over time, allowing us to sustain growth in earnings and cashflow generation for longer, and drive attractive shareholder returns well into the future.

In April, we announced a new capital management policy that will deliver higher annual distributions. We target to pay out 75 per cent of annual net free surplus generation through a combination of dividends and additional share buy-backs. We will also regularly review our capital position and return excess capital to shareholders.

Following this new policy, the Board approved a 2 billion addition to our share buy-back programme in April, bringing the total programme to 12 billion dollars, with 3.1 billion remaining as at 30 June 2024.

Today, we are announcing an OPAT per share compound annual growth rate target of 9 to 11 per cent from 2023 to 2026.

We are confident in AIA's very strong financial position as well as our ability to continue delivering profitable new business that sustains earnings growth. Our belief in AIA's future delivery stems from the leading positions we hold in our markets, alongside the expansive headroom to grow in each of our operations.

Let me now take you through how we achieved today's results and are well-positioned to deliver our ambitions in 2024 and beyond.

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We have a clear growth strategy, focused on Asia, the world's most attractive region for life and health insurance.

High levels of private savings, low insurance penetration and limited welfare coverage fuel strong demand for our products. We target the resilient middle-class and affluent customers across the region with compelling propositions that meet their individual needs.

In the first half, we sold policies to close to one million brand new customers and repeat sales within our large existing customer base continued to grow as we nurture long-term relationships through our professional advice.

AIA's integrated product and services ecosystem is designed to address customers' needs as they evolve and our product mix is well balanced across traditional protection and long-term savings with attractive returns and rapid payback on capital invested.

This unique combination of growing middle-class customers, compelling propositions and high-quality advice has driven a strong increase in sales and profitability in the first six months of 2024.

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AIA's success is built on our proprietary Premier Agency that generated over 70 per cent of the Group's VONB in the first half.

The combination of growth in active agents and higher agent productivity drove a 19 per cent increase in VONB to 1.9 billion dollars. As we continued to build scale, new recruits were up by more than 20 per cent, with growth across most of our markets.

This strong performance reflects the confidence in our future growth opportunities, as well as the high levels of trust in our business model, as agency leaders persuade the best candidates to leave their existing careers and join AIA.

We are committed to the highest professional standards and recently retained our number one MDRT global ranking for a record ten years in a row. Our distribution is further strengthened by strategic partnerships with banks, brokers and digital platforms, bringing complementary access to large customer pools.

Partnership VONB increased by 43 per cent, with an excellent performance in the bancassurance channel as we grew active sellers and delivered a higher VONB margin. These twin engines drive growth across our markets, and you will now see how they performed and were further strengthened in our five largest businesses.

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AIA China's strategy is differentiated by its focus on meeting the needs of a more affluent customer base with professional advice and high-quality, personalised products. In the first half, VONB was up 36 per cent, supported by very strong sales and a higher VONB margin.

Long-term customer relationships help to support multiple repeat sales and a 23 per cent increase in the number of new customers in the first half provides significant additional future growth opportunities for our distribution.

Our Premier Agents target the evolving needs of Mainland China's growing middle-class consumers where demand remains robust. Growth in active agent numbers and increased productivity drove agency VONB up by 20 per cent overall and up by 44 per cent from our new geographies.

Our success is driven by young, dynamic and entrepreneurial agency leaders who ensure sustainable new business growth by attracting, developing and retaining the best agents. Recruitment momentum remained excellent with a 26 per cent increase in new recruits.

Demand for protection remained strong with a double-digit increase in VONB and we have continued to make good progress in shifting our mix of long-term savings more towards participating products and tax-deductible pensions.

In agency, we have a well-balanced product mix and VONB margin increased to over 60 per cent. Our highly-selective bancassurance partnerships achieved very strong VONB growth with VONB margin now exceeding 40 per cent.

Our geographical expansion remains on track, and in the first half we successfully launched operations in three new cities in Sichuan and Hubei provinces. AIA's differentiated positioning in Mainland China gives us confidence that we can continue to grow strongly through economic cycles.

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AIA Hong Kong was the largest contributor to the Group's VONB, delivering 858 million dollars in the first half, up 26 per cent. Demand was very strong across both domestic and Mainland Chinese visitor customer segments.

Our Premier Agency is the leader in Hong Kong and Macau and agency VONB was up 20 per cent, from growth in active agents and higher productivity. We continued to add greater capacity to our agency, with new recruits up 19 per cent, keeping us ready to meet the sustained demand for high-quality life and health insurance.

Our agency generated the majority of MCV business and more than 70 per cent of VONB in this segment was from customers new to AIA. Partnerships delivered 41 per cent VONB growth, with excellent performances in the IFA and broker channel as well as from bancassurance.

Overall, our market-leading traditional protection products contributed 15 per cent growth in VONB and, as we continue to launch, upgrade and reprice products, VONB margin increased to over 65 per cent.

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AIA Thailand is our largest ASEAN business where we have an excellent track record of consistent execution. VONB grew by 16 per cent in the first half and we remain the clear market leader.

Agency delivered 18 per cent VONB growth, as we continue to uplift quality and standards, including through our highly-productive financial adviser programme. Quality recruitment remains a key priority and we achieved a 20 per cent increase in the number of new recruits.

In bancassurance, VONB through Bangkok Bank was up 22 per cent as we raise productivity to unlock the significant potential from the bank's large retail customer base. Technology, Digital and Analytics is at the heart of AIA's strategy and enables every part of our business, helping us to deliver superior new business growth while realising significant operational efficiencies.

This is clearly evident in AIA Thailand, where our expense ratio reduced to 6.5 per cent and supported strong growth in earnings.

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In Singapore, 27 per cent VONB growth was driven by a 31 per cent increase from our Premier Agency and the IFA and broker channel was up 24 per cent.

Our agency is the most professional, most productive and largest tied distribution force in the market. One-in-four AIA agents are MDRT qualified and we ranked the clear number one again in Singapore.

In the first half, we continued growing our agency with new recruits up 13 per cent. Agent productivity increased by 24 per cent, as we expanded our propositions, targeting the affluent and high-net-worth segments.

New products and enhancements to AIA Altitude, our customer loyalty programme enable us to capture higher customer wallet share. As a result, VONB of long-term savings propositions was up 35 per cent and demand for our comprehensive suite of traditional protection products was also strong with VONB up 18 per cent.

In April, we successfully launched AIA International Wealth, which targets affluent and high-net-worth customers across the region. We see large potential for further growth from AIA Singapore as we tap into increasing domestic demand and leverage Singapore's position as a regional hub.

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AIA Malaysia continued to deliver strong new business results with VONB up 14 per cent, supported by our focus on protection, both traditional and unit-linked.

Overall, Premier Agency growth was the result of a 14 per cent increase from our conventional business as we continue to take proactive steps to strengthen our Takaful segment.

Our partnership business achieved a very strong performance including an 18 per cent VONB increase from Public Bank as well as excellent growth from the corporate solutions business.

As we leverage Amplify Health's powerful data and analytics capabilities, we are making good progress in targeted product design and repricing to make health insurance more affordable and sustainable for our customers.

These efforts supported a significant improvement in the medical loss ratio compared with the second half of 2023.

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Across our markets, the focused execution of AIA's growth strategy has delivered excellent new business results. Successive cohorts of new business add substantial layers of recurring earnings to our in-force portfolio, driving underlying CSM annualised growth of 9.1 per cent.

We actively manage the in-force portfolio and our TDA-led strategic priorities have supported expense efficiencies, effective claims management, increased customer loyalty and high persistency.

Our recent actions on medical claims have helped deliver a return to positive operating experience variances across EV and IFRS, with both improving by around 400 million dollars compared with the second half of 2023.

Compounding profitable new business and in-force management has led to 29 per cent per share growth in EV operating profit and a 10 per cent per share increase in OPAT. In turn, higher earnings and cash generation enable us to maintain our financial strength, drive further profitable growth and enhance shareholder returns.

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Our new capital management policy underlines our commitment to returning excess capital to shareholders.

In April, we announced an additional 2 billion to our existing share buy-back programme, which brought the total to 12 billion dollars. As at 30 June 2024, dividends and share buy-backs have totalled over 15 billion dollars since 2022 and we have a further 3.1 billion dollars remaining under the current buy-back programme.

Our proactive capital management optimises returns for shareholders and our financial discipline is a key differentiator and enabler of our future financial delivery.

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In summary, today's excellent results are the direct outcome of exceptional businesses operating in the right markets to execute our growth strategy.

I have every confidence in AIA's continuing ability to achieve profitable new business growth that compounds over time, enabling us to sustain higher earnings and cash-flow generation for longer, and deliver attractive returns well into the future.

Now over to Garth.

Financial Results by Garth Jones – *Group Chief Financial Officer*

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Thanks Yuan Siong, and good morning everyone.

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I will now take you through the financial results in more detail across Growth, Earnings and Capital and Cash.

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Our excellent VONB performance, with 25 per cent growth overall, was driven by significant increases across all of our reportable segments and double-digit growth in 11 markets.

Yuan Siong has already covered the very strong results in our five largest operating segments that you see here. These together made up over 90 per cent of the Group's VONB. Other Markets grew by 9 per cent to 224 million dollars, with an excellent performance in the Philippines in particular.

In Indonesia, our partnership with BCA delivered strong double-digit growth and we recently extended the partnership out to 2038.

India, the largest contributor to this segment, was lower against a very high base in 2023 as previously highlighted, however a strong performance from our Premier Agency has seen a return to growth in April to June this year.

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Our new business generates attractive returns, with an IRR on capital invested consistently above 20 per cent and with short payback periods.

We delivered improvements in new business capital efficiency and higher margins across our different product categories, supported by more favourable product mix, repricing actions and new product launches.

Overall PVNBP margin increased to 11 per cent and VONB margin grew by more than 300 basis points. Our ability to write large-scale, high-quality and profitable new business with a very attractive financial profile, is a key differentiator for AIA and a major factor in our confidence in the Group's future growth.

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EV operating profit per share grew by 29 per cent and operating return on EV stepped up to 16.5 per cent.

This was lifted by an additional half a billion dollars of VONB compared with the first half of 2023 and improved positive operating variances of 0.4 billion, supported by our proactive claims management initiatives.

Together with the expected return on EV, these led to a very strong increase in EV operating profit to 5.4 billion dollars in the first half.

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EV equity was up by 8 per cent over the first half to 74.2 billion dollars before shareholder returns, driven by EV Operating Profit.

Both operating and investment variances were positive and together added 0.9 billion over the first half. Our positive operating variances have now added 4.3 billion dollars to EV equity since IPO demonstrating the prudence in our assumptions.

In the first half, we returned 3.4 billion to shareholders through dividend and share buy-backs, resulting in closing EV equity of 70.9 billion dollars as at 30 June 2024.

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Our EV methodology uses spot market yields for bonds and trends over time to our long-term assumptions. Overall, you can see that our long-term assumptions are below market forward government bond yields.

You can also see on the right-hand side that the Group's EV continues to be highly resilient to interest rate movements. Our sensitivities assume a 50 basis points change across the whole yield curve and remain small. Some of you have raised questions about China and US interest rate movements.

If we were to use the spot yields on Chinese bonds as at 30 June throughout, instead of grading to long-term assumptions, AIA China's EV would be just 1 per cent lower. If we assumed a drop in Chinese bond yields by 50 basis points, then AIA China's EV reduces by 4 per cent.

AIA Hong Kong is largely invested in US dollar assets that currency match our liabilities. A 50 basis points fall in US yields results in a 3 per cent increase in Hong Kong's EV.

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Now moving to IFRS earnings.

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The contractual service margin represents our stock of future profits. In the first half, our underlying CSM growth after CSM release increased to 9.1 per cent annualised.

This growth in CSM came from 3.8 billion dollars of new business and 1.4 billion from expected in-force return. Variances and others were small, while exchange rate effects reflect the strengthening of our US dollar reporting currency relative to Asian currencies.

The CSM release rate of 9.5 per cent was stable while the resulting CSM release grew by 10 per cent and contributed 2.8 billion dollars to OPAT in the first half.

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The 10 per cent increase in CSM release drove growth in OPAT per share for the Group, also up by 10 per cent.

The CSM release forms the vast majority of the insurance service result, which increased by 9 per cent to 2.9 billion dollars. Within this, operating variances were positive, supported by proactive claims management initiatives and the repricing of our medical business.

The net investment result increased by around 6 per cent, after adjusting for the impact of the share buy-backs reducing the return on shareholder funds. Other revenue and expenses, finance costs and tax grew by 2 per cent. Overall, operating margin remained strong at 16.1 per cent.

The addition of large-scale profitable new business combined with active in-force management gives us confidence that we can continue to grow our stock of future profits through the CSM and in turn, deliver our OPAT growth target.

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The combination of strong OPAT of 3.4 billion and the ongoing share buy-back programme helped drive an increase in operating ROE to 15.3 per cent.

Net profit was 3.3 billion, similar to OPAT, with small overall non-operating movements. After returning 3.4 billion to shareholders during the first half, shareholders' allocated equity was 43.6 billion dollars.

We continue to seek to optimise ROE through OPAT growth and active capital management.

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Today's results have demonstrated how the return of strong new business momentum has helped accelerate growth in OPAT per share to 10 per cent.

Alongside our effective in-force management, we are confident in AIA's ability to continue delivering profitable new business that sustains earnings growth. We have therefore announced a compound annual growth target for OPAT per share of 9 to 11 per cent, from 2023 to 2026.

For clarity, our OPAT per share growth target already allows for an illustrative impact of the introduction of the OECD's global minimum tax rate, commonly known as BEPS 2.0.

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Finally, turning to capital and cash.

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The Group's financial position remained very strong with free surplus increasing by 12 per cent over the first half to 17.9 billion dollars, before capital returns to shareholders.

This increase was driven by underlying free surplus generation of 3.4 billion. After reinvesting 0.8 billion in new business at highly attractive returns, in the first half our net free surplus generation was 2.2 billion.

Investment return variances and other non-operating items mostly relate to the effect of exchange rate movements. After returning 3.4 billion of capital to shareholders through dividends and share buy-backs, free surplus was 14.6 billion dollars at 30 June.

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UFSG is our key operating measure of cash generation before investment in new business and central costs. Overall, UFSG grew by 10 per cent per share. There are four components that make up UFSG and these ongoing disclosures are intended to help with modelling this.

The first component is expected distributable earnings of 2.0 billion dollars from our in-force book. This figure is consistent with the expected emergence we have reported for many years in our EV report.

Next is the expected return on assets backing free surplus and medium-term notes that added 0.7 billion in the first half. Third, the addition of new business further diversifies our in-force portfolio and leads to a reduction in reserves and required capital. This recurring new business diversification benefit added 0.4 billion in the first half.

Finally, operating variances were positive 0.3 billion, reflecting better experience than our assumptions. Together these comprise the 3.4 billion of underlying free surplus generation we delivered in the first half.

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The key driver of future UFSG growth is successive cohorts of profitable new business, adding to the substantial distributable earnings from our large in-force book. We have illustrated this on the left-hand side of the slide.

Every dollar of new business we invested in the first half generated, on average, 4 additional dollars of discounted future distributable earnings, demonstrating the highly attractive returns we achieve on organic growth.

Over the next 10 years, our substantial in-force portfolio is expected to generate 45 billion dollars of distributable earnings. This assumes no other operating variances such as the 0.3 billion we delivered in the first half of this year.

This total increased by 2 billion dollars over the half, primarily as a result of new business added. This is why VONB growth is such an important focus for AIA.

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At our first quarter update, we provided a shareholder view of the Group's capital position.

Shareholder total capital resources includes free surplus plus eligible debt and required capital, as stated in our EV report. Required capital includes the prescribed capital levels for our various businesses as set out by our regulators.

In addition, we hold capital to withstand a range of stress scenarios, whilst ensuring we can fund our organic new business growth plans. Our shareholder capital ratio was 242 per cent at 30 June allowing for the remaining 3.1 billion from the existing share buy-back programme.

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Our new capital management policy, announced in April, provides greater clarity on how we will deliver higher annual capital returns to shareholders.

There are two key components. The first is an annual payout target of 75 per cent of annual net free surplus generation, that complements our well-established dividend policy.

The balance of the 75 per cent payout above dividends will come from additional share buy-backs, announced at the annual results each year. This target payout is set at a level which we expect will gradually reduce the Shareholder Capital Ratio.

The second component is a commitment to regularly review our capital position and return excess capital. Under this component, we announced an additional 2 billion to our existing buy-back programme in April, bringing the total to 12 billion dollars.

This policy underscores our commitment to systematically return capital in excess of our needs, while continuing to deliver organic growth at attractive returns.

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The Board has declared a 5 per cent increase in the interim dividend. As at 30 June 2024, dividends and share buy-backs totalled more than 15 billion dollars over the last 2.5 years. We will announce the final dividend and the results of the annual payout consistent with our capital management policy in our 2024 full year announcement next March.

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In conclusion, the Group has delivered an excellent financial performance in the first half of 2024.

VONB was up 25 per cent to a record level and both OPAT and UFSG were up by 10 per cent per share. In the first six months of 2024, we returned 3.4 billion dollars to shareholders in the form of dividends and share buy-backs.

Operating returns increased, with ROEV up to 16.5 per cent, and ROE up to 15.3 per cent.

As we actively seek to optimise returns to shareholders, we announced our new capital management policy in April to deliver higher annual distributions for shareholders.

We have further increased the dividend and our share buy-back programme is ongoing, with 3.1 billion remaining to be completed by April next year, and today we announced a 3-year growth target for OPAT per share.

There are substantial opportunities for AIA to continue to deliver attractive returns for shareholders well into the future and I have every confidence that we will do so.

Q&A

Lance Burbidge (AIA): Good morning from AIA Central in Hong Kong. And welcome to our 2024 Interim Results Analyst Briefing. I'm Lance Burbidge, Chief Investor Relations Officer for AIA Group. With me on stage, I have Lee Yuan Siong, our Group Chief Executive and President, Garth Jones, our Group Chief Financial Officer, and our three regional chief executives, Jacky, Hak Leh and Leo. Also in the room, I have other members of our executive committee who can answer questions in case needed. With that, I will move over to our operator and open to questions.

Operator: Ladies and gentlemen, we will now begin our Q&A session. If you wish to ask a question, you need to make sure that you are logged into the zoom webinar. Please click the hand raising button and wait for your name to be announced. After I call your name, please press the unmute button on your screen and ask your question. If at any time you need to cancel your request, please unclick the hand raising button. Let's proceed. And our first question comes from Charles Zhou of UBS. Charles, please press the unmute button on your screen and ask your question.

Charles Zhou (UBS Securities): Hello. Good morning. Congratulations. I think it's a very strong set of results not only about the value of new business. We are also glad to see 10 per cent growth, per share CER basis for OPAT and also the USFG. So I have three questions. The first question is related to OPAT and USFG, 10 per cent growth CER per share basis in the first half. So what are the reasons and drivers behind and I think for the first time for AIA, we're glad to see that you provide us a double-digit guidance for the OPAT 9 per cent to 11 per cent for the next three years. Can you maybe walk us through the drivers behind? And do you have any UFSG guidance? That's the first question.

Second question is related to China. I think previously you said you have a target of one new branch per year to open a new branch. Now, it's already late August. Do we have any update for this year new branch opening? And third question. We know in China we are seeing falling rates, equity market is also very challenging, macro environment is very challenging in Mainland China. How are you going to deal with this? Can you maybe answer from both assets and liability and if possible, can you also maybe give us sensitivities to quantify the impact. Thank you.

Lee Yuan Siong (AIA): Okay thank you Charles for your question. I guess I kick off by saying, as you know, we are a long-term business. Each year we write profitable new business, and this new business generates future streams of earnings, which is very predictable. And, as we add on profitable new business each year, we add on new layers of future earnings, and that actually is the primary driver of earnings growth. I will hand over to Garth to talk about it in more detail.

Garth Jones (AIA): Thanks for the question, Charles. And thanks for the congratulations again. A very strong performance as you noted. We're very pleased with the performance. Strong new business growth translating into earnings growth and UFSG growth as you can see. As Yuan Siong just mentioned, the primary driver is the new business growth. You see that coming through the new business CSM that's being added, again a substantial addition in the first half and active management of the in-force book, to ensure that the assumptions actually occur in practice. And these again, you saw positive variances in the first half that reflect that. I think that the target reflects our confidence in the future and confidence to deliver new business and to manage the in-force portfolio.

If you look forward, we set a target of 9 per cent to 11 per cent. I should stress the 11 per cent is not a cap. And I should also stress that it also includes allowance for the BEPS 2.0, the global minimum tax, at the illustrative level that we've shown today. So, with that, I think the UFSG driver is similar. Obviously UFSG reflects a shareholders view and it's free surplus generation, it's not earnings. The drivers are similar, new business and management of the In-force. I think the slides we've shown you will give you some guidance as to how you might project that going forward.

Lee Yuan Siong (AIA): On your second question on the China new territories. I'd like to just say that I'm very pleased with the progress that we are making in terms of the performance of the new geographies that we entered. In fact, this year I've visited Tianjin, Sichuan, Hubei province. And I'm very encouraged by what I saw, I think, they're making very good progress in terms of growing the agency force, you know, as for the progress with regards to new licenses, I'll hand over to Jacky.

Jacky Chan (AIA): Thank you Yuan Siong. Charles, I just want to begin by saying that we are very pleased with AIA China, a very strong performance in the first half, 46 per cent VONB growth and the growth is broad based across both existing and new geographies we open since year 2020 and across both agency and bancassurance channels as well as across both traditional protection and long-term savings products. And the reason why we are able to deliver such strong growth in view of this, as you said, economic challenge in China is because we focus on the middle income and above customer segment, and we have a differentiated premier professional agency force and the underlying driver of our agency, you see, 11 per cent growth in number of active agent, we continue to grow our recruitment by 26 per cent. And even our total agency manpower has grown in the first half and the new geographies, the growth of our 44 per cent VONB is supported by 37 per cent growth in the number of active agents. We continue to have dialogue with the regulators in both Beijing and also with the provincial bureau that we would like to open new license, and we are happy to say that the discussion has been very positive, and we continue to expect 1 to 2 new provincial licenses in a year.

Lee Yuan Siong (AIA): On your third question about the China interest rates and the macro environment, I just like to, you know, emphasise the fact that, we've been in the region for more than 100 years. We've, you know, grown in, built our business in various markets. And, and we have operated through many economic cycles. So, managing the assets and liability is something that we do, you know, as part of our, day-to-day business. I'll hand over to Garth to talk more about how we are handling the asset liability situation.

Garth Jones (AIA): Thanks Yuan Siong and thanks for the question, Charles. I think obviously we match our assets and liabilities as closely as we can. That's part of our active AML management. When we look at the assets, the first thing we look at is the liabilities. You'll see that our assets are predominantly in government bonds, and predominantly in long government bonds. That means our assets and liabilities are matched as closely as they can be. And you see that in the embedded value sensitivities that we gave out earlier, with, just a 1 per cent reduction if we move to spot, and if we move the rates down by 50 basis points, then you see a 4 per cent reduction in the embedded value and that reflects the ALM management. On an ongoing basis, we obviously reprice and redesign our products, and as interest rates have come down in China, we have, position in the portfolio more towards participating products in anticipation that if they move lower, we will again move more into participating products than the current product range.

Lance Burbidge (AIA): Thanks Garth. And Charles, does that answer your questions?

Charles Zhou (UBS Securities): Oh yes. Thanks.

Lance Burbidge (AIA): Thank you. Next question please.

Operator: The next question comes from Thomas Wang of Goldman Sachs. Thomas, please unmute yourself and start your question. Thank you.

Thomas Wang (Goldman Sachs): Thank you for the opportunity to ask a question. A few questions from me. I think firstly on the OPAT per share target. So it's great to see providing more medium-term target. I just want to clarify how much buy-backs and share count reduction have been reflected in that target? If we can sort of simply have maybe OPAT growth CAGR, what's the underlying assumption of OPAT growth CAGR, underlying that OPAT per share CAGR target. And secondly, on the CSM movements, we see that there's a change in the new business CSM to new business value multiple. So I think that comes to roughly 1.5/1.6, versus previous. I think couple of years back it was 1.9. I just want to get a sense of where this should land, I would say 2 or 3 years down the line. Thank you.

Garth Jones (AIA): Thanks. As far as the OPAT, we set the target per share CAGR. The reason for that, Thomas, is that part of the earnings is the earnings on the surplus capital. We will obviously, as we go forward following our new capital management policy, be providing returns to shareholders both through dividends and through buy-backs. And we will look at the position in terms of our shareholder capital ratio and so on, on an ongoing basis. So, by using a per share metric, we're saying that, well, if we use the capital to buy back more shares, then clearly the OPAT itself will reduce by the investment on that capital. But the per share will increase. So that's the reason for that. On the CSM, the new business to CSM, again, as I said earlier, one is an earning metric, one is a shareholder value metric and reflects not only the surplus that will be generated from the business, but also the cost of the capital, full expenses and so on, and uses much higher discount rates than the IFRS earnings. So they are quite different. I think the critical thing is that, you know, they're both very positive. and you can see that the new business CSM has added considerably to the existing CSM. And as you mentioned, the new business CSM is far above the VONB at 1.5 times, I think, it was Lance that said, it should remain stable. It does vary by product in geography. But I think the critical thing is that the new business CSM will add to the existing CSM, and that obviously reflected in our target that we gave out today.

Lance Burbidge (AIA): Thanks Garth. Any follow up question, Thomas?

Thomas Wang (Goldman Sachs): Just maybe if we can sort of get a sense on what's the driver of the changes year-on-year on the new business CSM to VONB model? Is that like, as I say, it's product mix or which geography or product segment that was driving that change?

Garth Jones (AIA): A sort of variety of factors. Within that, Thomas, it's perhaps easier to talk to Lance offline about more of the details. For example, if you look at the par and non-par products in China, they'll have different ratios and so on. So, I think it's one of those things where it's better to look at it holistically and say, well, how does it look holistically and not lose sight of the bigger picture?

Lance Burbidge (AIA): Okay. Thanks, Thomas. next question please.

Operator: The next question comes from MW Kim of JP Morgan. MW, please unmute yourself and start your question. Thank you.

MW Kim (JP Morgan): Good morning and thank you so much for taking my question and congratulations on the very good results. I have two questions. One is about India. So as the company communicated, the relatively weaker the India new business value growth in the first half was due to the last year, a high base. That said, the business looks very big scale, if the Indian government would allow the company license in the foreseeable future, how would we think about the product margin outlook in India operation? And also, would you share the possible timeline of a separate India business disclosure please?

The next question is about the CSM. If we assume that the bond rate starts to decline from here, would we have some potentially the lower new business CSM margin or multiple especially for the whole life? And also, under that such a big and good new business CSM growth, is it reasonable to assume roughly that the single-digit, the CSM balance growth outlook in the next few years? Thank you!

Lee Yuan Siong (AIA): Thank you for your question on India. India is obviously one of our growth engines, and is an exciting opportunity, a very large market that we have a strong presence. The business is performing very well. Our partnership with Tata, and you know, I think the relationship is excellent. We have a very high quality business and persistency, in fact, is market leading. And we are number three in terms of the private insurance in India. So, I'll hand over to Leo to talk about India a bit more.

Leo Grepin (AIA): Hi. Good morning MW. Thanks for your question on India. As Yuan Siong mentioned, the momentum is strong in India, if you look at the period April to June, following our one lag reported in the first half, which really covers October until March, where last year we had a strong first quarter because of a change in tax regulation in India, we had a comparable very strong last year. But the latest quarter that you've seen reported through industry disclosures was very strong and Tata AIA was stronger than industry. So, we continue to see very strong momentum, in particular from our agency and then our strengthening partnership distribution, partnerships. For example, we expanded IDFC and then added two new bank partnerships, so strong momentum. In terms of how this translates, if there's a change in regulation with the allowance of a composite license. I think there's still a lot of details to be figured out. This potential composite license has been in discussions now for a couple of years and has not come up yet, it's not been approved yet. The details of it also are changing quite a bit. So I think it's too early to really prognosticate on the impact that this would have on the industry dynamics or potential profit margins across the industry.

Lee Yuan Siong (AIA): Garth, on the CSM question?

Garth Jones (AIA): Thanks WM. On the CSM question, I'd refer you to the Financial and Operating review, which has the sensitivities in for interest rate movements. For the non-participating business that's largely locked in at issue. And then, for the participating business that flows through the CSM and is amortised. So you can see the sensitivities are small. As far as new business, clearly, we reprice and while the IFRS basis is more market consistent than value of new business, over time, that will fluctuate out. So, I think the sensitivities are small is the key thing to think about. And the new business, we can reprice and redesign and so on. And for India, I think it's a case of when it's big enough. So, my challenge to Leo is to make it big enough. Thanks.

Lance Burbidge (AIA): Thanks! MW, does that answer the question?

MW Kim (JP Morgan): Yes. Thank you!

Lance Burbidge (AIA): Thank you and on to the next question please.

Operator: The next question comes from Kailesh Mistry of HSBC. Kailesh, please unmute yourself and ask your question. Thank you.

Kailesh Mistry (HSBC): Morning everyone. Thank you for the additional disclosure on free surplus disclosures on slides 31 and 32. So I just wanted to clarify a couple of points. I guess just on the expected return, the base for that is the 14.5 billion free surplus plus 12 billion of medium-term notes. On the diversification benefit, has that always trended around that 400 million number or how has it grown historically? Just so I can think about how that goes forward.

Operating variances, are they consistent with the EV operating variances? And then on slide 32, the cash generation from the new business, I think, is the 3.4 billion number. Should we assume that breaks down into the five-year buckets, the same as the in-force, both for our projections?

Secondly, moving on to OPAT, obviously the target is welcomed. Just wanted to understand, is the interest rate assumption as interest rates currently are? Or are you assuming something different in setting that target? So, those two please.

Lee Yuan Siong (AIA): Garth, I guess the questions are for you?

Garth Jones (AIA): Yes, if I can remember all the questions. The expected return on free surplus and assets backing MTNs is indeed as it says on the tin. The diversification benefit from new business, that's something that occurs every year as we write new business, and it's broadly being similar to the value of new business. It clearly varies by product and by market. But it's been broadly similar to the value of new business growth.

For the rest of it, you asked about variances. The variances were similar. I think $0.3 is consistent with the EV and UFSG, that effectively both on the same basis. In terms of the buckets, I think you'll see each year how that's going forward and, I think the critical thing here is that we've illustrated the DE from the in-force is relatively stable. I think that's important.

Lee Yuan Siong (AIA): Interest rate assumption and OPAT target?

Garth Jones (AIA): Obviously, it's framed in the current environment, but we have run a range of scenarios. Going forward, we remain confident that the target that we've set, can be met.

Lance Burbidge (AIA): Sound everything okay, Kailesh? Anything we have missed?

Kailesh Mistry (HSBC): I think you answered it. I had one more that I forgot to ask, which is on the Hong Kong business. I guess two things. Firstly, I think it's the only one if I haven't missed it, that you haven't talked about active agent growth or not. So if you could update us on that, that would be great.

Secondly, on the offshore business, was the second quarter greater than the first quarter, which was greater than the quarters in the second half of last year, I think? And could you just update us on case sizes, and protection versus savings?

Lee Yuan Siong (AIA): I'll hand over to Jacky to talk about Hong Kong, but I just want to start by saying we're very pleased with the performance in Hong Kong because we saw very strong growth both from domestic and MCV segments. Thank you.

Jacky Chan (AIA): Thank you Yuan Siong. In fact, the Hong Kong growth is also driven by a very strong fundamentals of the premier agency in Hong Kong. Number of active agent growth and our new recruits also grew by 19 per cent. So adding more active manpower to both domestic and the MCV customer segment. And for the MCV, as you talked about on the second quarter, AIA Hong Kong has quarter to quarter growth, Q2 over last year Q2, double-digit growth in our VONB and we continue to see a strong demand from the MCV customers. And in fact, our MCV customer number, new business in the first half continued to have a double-digit growth compared to last year first half. So we continue to see that strong demand of our MCV offshore coming to Hong Kong remain unchanged.

Lance Burbidge (AIA): Thanks Jacky. Thanks, Kailesh for the questions. Next question, please.

Operator: The next question comes from Richard Xu of Morgan Stanley. Richard, please press the unmute button on your screen and ask your question.

Richard Xu (Morgan Stanley): Thank you for taking my question. Two questions for me. One is on China. Could you talk a little bit about the agent recruiting trends? Is the current environment actually better for agent recruitment given some of the challenges in China labour market at the moment? And what are the future plans?

And then also on China, for the product mix, could you talk a little bit on that as well? I mean, seems like both agents and products are the key contribution for the very impressive growth in China. So a little bit more color on that would be very helpful.

And then secondly, on the other markets, talk a little bit on India. Now it basically as a whole, it was lagging other markets. Any outlook on that? And for example, Vietnam or other markets, in addition to India, will there be rebound in other markets? Thank you.

Lee Yuan Siong (AIA): I'll hand over to Jacky to talk about the China recruitment and product mix, but I've visited China frequently and have many interactions with the local management plus the agency force, I'm very happy with the quality of the agency force. I think in terms of the quality of the recruitment, we are really very selective, even in the new geographies, it was commented to me by external parties that we recruit agents – the recruitment process for the new agents is as rigorous as the recruitment for a full-time employee in AIA.

Jacky Chan (AIA): Thank you Yuan Siong. I just want to reiterate this because the differentiation of AIA China is really our premier full time professional agency force. So, as you say, now is the economic challenge in mainland China, but we continue to be highly selective. All the new agents have to go through at least three rounds of interviews. Right now, our new recruits have growth of 26 per cent. And in fact, more than 94 per cent of those new recruits have a college degree or above. So we are really continuing to focus on increasing our quality of premier agents. And that's why you can see that we continue to drive a very strong growth of active agents from both the new recruits and also the existing agents.

And as to the product, that is also closely related to our premier agency, because we are targeting the middle income and above customer segment, which are more resilient under this so-called economic challenge and environment. And in terms of their product mix, you can also see that in the first half of this year, we also diversified more towards participating product. And our premier agency is more than capable to explain these more complicated participating products to our customers. So, in the first half, you can see that our product mix has, as I said, we have double-digit growth on our traditional protection products as well as very strong growth from the long-term savings product. And for the long-term savings product, we have diversified it with our participating long-term savings product. And our premier agency force also continues to sell quite a bit of those tax deductible personal pension benefits in the first half. That kind of retirement and personal pension benefit savings plan, make up of roughly 25 per cent of our new business in the first half. And I just want to let you know, in fact, in July this year, we continue to launch new products which are tax deductible, which in effect is a more critical illness product. So this really reflects how our premier agency force targeting the affluent customer segment work very well in the current situation.

Lee Yuan Siong (AIA): On other markets, I think Leo explained just now about, you know, the temporary fluctuation to the strong growth in India, as a result of the very high base in January to March last year due to the tax changes. But, you know, if you take out India, other markets actually grew by 21 per cent. We all know, in the past, we talked about the challenges that in the Vietnam market, but we've seen good recovery momentum in the Vietnam market. At the same time, you know, very pleased with the fact that we were able to extend our bancassurance partnership with BCA in Indonesia to 2038. So, very encouraged by the performance of other markets. And as I said, India is a temporary, you know, fluctuation in their growth. That's very specific to India.

Lance Burbidge (AIA): Does that get all the questions you had there, Richard?

Richard Xi (Morgan Stanley): Yes. Thank you.

Operator: The next question comes from Michelle Ma of Citi. Michelle, please press the unmute button on your screen and ask your question.

Michelle Ma (Citi): Thank you, management, for giving me this opportunity and a big congrats on the results with literally no weakness on this set of results. So I have two questions here. It's about Singapore and Thailand. For Singapore, actually, that's a true surprise for me, very strong growth, 27 per cent. And it's mentioned the growth can be attributable to the growing wealth opportunities. So, would you shed more light on this? I wonder whether, you know, this very strong growth, whether there is any one-off reason behind this or you guys seeing a very sustainable driver. What kind of on the ground observation you have so that you can share with us on this wealth opportunities you mentioned.

And second on Thailand. So, Thailand has experienced margin expansion with product mix shift towards higher margin products. But I think, this year we noticed Thailand economy, actually the growth has been a little bit soft. And also we noticed the political turmoil taking place in the third quarter. So, also on the ground, have you observed any change of product demand because of the economic development? Or is there anything like the political turmoil can deterred the business done by agents, especially in the Bangkok area? Thank you.

Lee Yuan Siong (AIA): Thank you Michelle. I'll let Hak Leh talk about Singapore and Thailand in more detail. But I'd just like to say that, you know, as a Singaporean, I'm very proud of the performance of AIA Singapore. Now, we have a great franchise in Singapore. We have an excellent, you know, very professional agency force. And as I mentioned in my speech, 1 in 4 agents in Singapore are MDRT qualified, you know, it shows the high levels of productivity and professionalism of our agency force in Singapore. And that really underpins the strong performance in Singapore. As for Thailand, I think it is, you know, after many, many years, really the foundation for our performance in Thailand is many years of hard work to reform the agency force. You may recall that ten years ago we started this process to reform and professionalise the agency force in Thailand to introduce the FA program to, you know, and after many, many years of hard work, you know, it's beginning to pay dividends. So I will handover to Hak Leh.

Tan Hak Leh (AIA): Thanks, Michelle for the questions. Let me start with Singapore. Yes. We are very pleased with the excellent performance of Singapore, 27 per cent VONB growth. I must stress that the growth was broad-based across multiple channels and all key product lines. We have a strong agency force as Yuan Siong mentioned. The VONB of agency was up 31 per cent from both increase in productivity as well as manpower. Now agency force in Singapore was very well supported by our superior ecosystem as well as very compelling competitive product propositions. From the product standpoint, the traditional protection business, which has been a key area of focus for us, continues to grow strongly in the first half, up 18 per cent, in the long-term savings business to deliver outstanding performance of 35 per cent in the first half, driven by the success of our bespoke long-term savings products for the affluent and high net worth individuals in Singapore. The product was backed by AIA unique regional fund platform managed by AIA IM. So, you see that while the excellent growth and long-term savings in Singapore lowered the overall portfolio VOBN margin, the growth has actually contributed significantly to the overall VONB growth, which has always been our key focus area. We continue to strengthen our competitive edge in serving the high net worth and the affluent segment in Singapore, both promising offshore. April this year, we introduced the first of its kind AIA International

Wealth, AIA Wealth Center in Singapore, as well as continue to strengthen and shape the customer proposition by our AIA Altitude. So with our market leading agency force and our deep expertise in product manufacturing capabilities and our superior ecosystem, we are optimistic. We are confident that Singapore is well-placed to capitalise on the future growth. Especially from the rapidly emerging affluent and high net worth segments. Hope that answered your question.

And in Thailand again, as Yuan Siong mentioned, we have a market leading agency force. Our agency force in Thailand, close to 45 per cent of the market share of the agency segment of the entire industry, it's also a massive progress built upon multiple years of hard work. We are very pleased to see that our FA programmes, continue to deliver excellent growth in the first half of this year, grew by 33 per cent. And from the product mix standpoint, we are the market leader in most key products: Number one in unit-link, number one in health insurance, number one in the whole range of protection riders. We do not see any major shift in product demand. We believe protection remains highly relevant to the large majority of the Thai population, to large majority of customers. And the bulk of our customers are the middle class and above. And because of that, the affordability for purchasing value for money, protection policies from us remain high. And of course, we've been in Thailand for 86/87 years, we have managed the business through multiple cycles of both economic and political turmoils and changes. So, I will say in summary, that with the strength that we have in Thailand. We remain very confident in the future growth opportunity and our ability to capitalise on them.

Lee Yuan Siong (AIA): One point about Singapore. Yes, we saw strong demand for long-term savings products in Singapore. I'd like to, you know, highlight the fact that two-third of the long-term savings products is unit-link, and the remaining is participating policies. And on Thailand, I think the near term economic challenges do not distract from the long-term attractiveness of the Thai market. The drivers for growth for the market which makes Thailand a highly attractive market for AIA remains intact. You know, young and growing population, the large protection gap, increasing savings, all that continue to make us pretty excited about the prospects in Thailand.

Lance Burbidge (AIA): Thanks. do you have a follow up there, Michelle?

Michelle Ma (Citi): Thank you, very clear. May I follow up on a bit on the Singapore business, onshore versus offshore business?

Tan Hak Leh (AIA): Thanks Michelle. The large majority of businesses in Singapore are still onshore business, although we are seeing the increasing contribution from offshore, they're capitalising on Singapore's status as a very important financial hub for the region.

Michelle Ma (Citi): Can we say more than 90 per cent?

Tan Hak Leh (AIA): I will say the large majority.

Michelle Ma (Citi): Okay. Thank you!

Lance Burbidge (AIA): Good try Michelle. Next question please.

Operator: The next question comes from Michael Chang of CGS-CIMB. Michael, please press the unmute button on your screen and ask your question.

Michael Chang (CGS-CIMB): Thanks for giving me the opportunity to ask questions. It's Michael Chang here. First question I have relates to the Hong Kong business. It's a very impressive result for the first half, but maybe, could you shed some light on a quarterly basis? Because the first quarter was up 45 per cent. The first half was up 26 per cent. In terms of forecasting, I would just like to understand the quarterly year-on-year growth rates.

And related to that, if I take a look at the domestic, domestic is extremely strong, up 28 per cent year-on-year, faster than the MCV portion of 24 per cent. Can you shed some light on what's driving the domestic Hong Kong business growth, you know, in terms of productivity and products.

Second question relates to the CSM movement. So, I noticed that the CSM movement, you had a negative variance of US$172 million in the first half. The reason given was higher US rates. But then if

I take a look at the CSM sensitivity to a 50 basis points fall in interest rates, it seems to be positive at 0.8 per cent. So, maybe you can just shed some light in terms of say, if US rates fall going forward, is that positive or negative?

And then maybe, lastly, on the mainland China business, it's a very impressive result. Could you shed some light on the bancassurance outlook? What kind of growth rates was that delivering in the first half? It's now a very material 16 per cent of VONB and maybe somewhat related to that, the product mix, because I see that the traditional protection mix for VONB in the first half was actually 45 per cent, and that was actually higher than the second half last year of 39 per cent. So, it seems that the protection demand is not really falling away in the current environment. It's quite resilient. Could you maybe shed some light on that? Thanks a lot.

Lee Yuan Siong (AIA): Jacky on Hong Kong?

Jacky Chan (AIA): Really want to say that we are pleased with AIA Hong Kong strong growth across both our domestic and MCV customer segments. So, it is not just MCV, it’s both customer segments. And I want to say that last year, Q1, the border just opened somehow in February. So last year, Q1, was comparatively a lower base. And therefore, our Q1 growth this year is much higher than the Q2 growth on a year-on-year basis. But we still have quarter two, as I said, it is a double-digit growth compared to last year Q2, and last year Q2 was a strong base because of this so-called pent up demand of MCV after the border opened. And you also see that this year, Q1 to Q2, we also have a quarter-to-quarter growth., And we remain very positive about the outlook of our AIA Hong Kong because we continue to see that this growth is driven by the strong underlying -- the increase in number of active agents, increase in the agency recruitment, which will continue to drive that sustainable business going forward.

Lee Yuan Siong (AIA): Yeah. And I think, also, I'd like to point out the fact that we don't actually manage our business on the quarterly basis. So, we are very pleased with the performance in the first half, from Hong Kong and from the rest of the business. On the MCV itself, you can also point to the fact that more and more cities are being allowed to have more freedom to travel to Hong Kong from the mainland. Now on the CSM. Garth?

Garth Jones (AIA): Firstly, just to say, Michael, I mean, obviously US$172 million is very small. So it's a small number on a big CSM. There is some of the movement in the par fund resulting from interest rates will get put into the CSM. But clearly, it's amortised by the release of the CSM. So that's what you see here.

Lee Yuan Siong (AIA): On China bancassurance, our strategy is very differentiated. We are focused on working with a very selective number of banks, and we are very focused on working with them to sell to the affluent customers of these banks as we then demonstrated in our presentation. Jacky?

Jacky Chan (AIA): In mainland China, our bancassurance is really differentiated. So, we are focusing on those really affluent and high net worth customer segment. You can see that the average case size is pretty large. It is US$19,000 average case size. And the product mix basically are mostly long-term savings product and also, some of the long-term protection product. And as you also point out, as a whole, our AIA China product mix, we continue to see a strong growth in the traditional protection products, which are mostly driven by our agency force.

Lance Burbidge (AIA): Thanks Jacky. I think we have one question left in the queue.

Operator: The last question comes from Edwin Liu of CLSA. Edwin, please press the unmute button on your screen and ask your question.

Edwin Liu (CLSA): Good morning. Thank you for the opportunity to ask a question. I'm Edwin from CLSA. Maybe three questions from me. Firstly, just to follow up on the previous analyst question, let's double click on the Hong Kong domestic market, because the growth is quite impressive at 28 per cent. I know from the supply side perspective, we know there’s growth in agent and growth in productivity. But could you share from a demand side perspective, from a customer perspective, any factors to drive such a high growth. So, that's my first question on the Hong Kong domestic market.

Second question, just on share buy-backs. Previously, I think you mentioned enhanced capital management framework. But just to ask, is the current share price a factor when you consider your capital management? So, I think you mentioned, you will consider your business needs, the current capital level. But I guess we expect that the current share price will be another important factor when you consider capital return?

Last question, given the new accounting, just curious, from a management perspective, any suggestion for the investment community? How we should value AIA going forward. Still on price to EV or maybe we could change to price to earnings, price to book or use CSM metrics, etc.? Thank you.

Lee Yuan Siong (AIA): Jacky, hand over to you to talk about Hong Kong domestic customer demand. What I found coming to Hong Kong is that Hong Kong people like to buy insurance.

Jacky Chan (AIA): Certainly! And I want to say that the protection gap in the domestic Hong Kong business remains very big, remains unfulfilled. And you also know that Hong Kong is also a fast-aging population. Therefore, the demand for a long-term savings, retirement and medical health insurance is big. I also want to add one thing because I have been talking to too many analysts about this. You can see that the Hong Kong population actually is growing. And why? Because we have new Hong Kong people adding to the Hong Kong population. And, I let you know, we also track that, where we may call them the new Hong-Kongers. And the Hong Kong government is really encouraging more migrants coming to Hong Kong through, for example, the top talent pass scheme, quality migrants scheme. And there are also many college graduates coming from overseas, they may stay in Hong Kong. And this actually adding to this Hong Kong population and I can tell you that we do track this Hong-Kongers as a percentage of our new business in domestic. And I just let you know they make up something like now is double-digit of our domestic new business. So, I continue to see a very, very strong demand to grow the domestic customer segment.

Garth Jones (AIA): On share buy-backs, I think, quite rightly, when you looked at our capital management framework, it's about capital management. How much we need for the balance sheet and how much net free surplus generation we have. We'll come back to you and talk more about that in March next year when we have the full year results.

Lee Yuan Siong (AIA): As you know, as explained before, our business is about writing profitable new business, growing our VONB, which ultimately translates to the growth, which translates to surplus that's distributable to the shareholders. And so, obviously, as we have demonstrated, there's a link from growing new business to increasing operating earnings. So, I think, you know, internally we really look at the EV and the VONB metric as the key drivers of the value of new business. Garth?

Garth Jones (AIA): I agree with that, Yuan Siong. And we think that the embedded value is a better reflection of the value to shareholders ultimately. It's based on distributable earnings that emerge over time and the value of the business we add each year. I think what the target does is give confidence that that will flow into earnings growth. And again, the capital management programme shows how that VONB will eventually turn into cash and be returned to shareholders, either through dividends or through share buy-backs. So, embedded value is the key.

Lance Burbidge (AIA): Thanks, Garth. Does that answered your questions Edwin?

Edwin Liu (CLSA): Yes. Thank you very much.

Operator: We don't have any more questions from the participants. I will now pass it back to Lance to conclude the session.

Lance Burbidge (AIA): Thanks, everyone for watching. And thanks everyone for participating, that asked questions. Obviously, the investor relations team is available to answer any more follow up questions. Thank you very much and have a good morning.

Operator: Ladies and gentlemen. This concludes AIA's 2024 interim results Q&A session. Thank you for your participation.

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