TRANSCRIPT

AIA Group Limited First Quarter 2024 Update

Analyst Briefing Presentation

Lance Burbidge – *Chief Investor Relations Officer*

Good morning from AIA Central in Hong Kong, and welcome to our first quarter 2024 update Q&A. I'm Lance Burbidge, Chief Investor Relations Officer for AIA Group. Together with me today are Lee Yuan Siong, our Group CEO and President; and Garth Jones, our Group CFO. We also have other members of the group executive committee with us in the room or joining us remotely.

Before we start our Q&A, Yuan Siong and Garth will take you through a short presentation on our first quarter new business performance and our enhanced capital management policy. Yuan Siong, please.

Lee Yuan Siong – *Group Chief Executive and President*

Slide 3

Good morning, everyone. Today I am very pleased to announce both excellent new business growth and our enhanced capital management policy, clearly demonstrating the strength of AIA's business model and our financial discipline.

Value of new business for the Group grew by 31 per cent in the first quarter of 2024. We delivered AIA's highest ever quarterly new business result, building on our very strong VONB performance in 2023.

Our new capital management policy provides greater clarity as to how we will deliver higher annual capital returns to shareholders. Following this new policy, the Board has approved a further 2 billion dollar buy-back, which increases our existing share buy-back programme to a total of 12 billion dollars.

I am confident that AIA is exceptionally well positioned to capture the highly attractive opportunities available to us across the region. We continue to focus on driving high-quality profitable new business growth that delivers increased future earnings, free surplus generation and greater shareholder value.

Let me now take you through the first quarter new business highlights.

Slide 4

VONB was 1.3 billion dollars, a record high for a quarter, and up by 31 per cent. We delivered double-digit growth from all our reportable segments, with VONB margin increasing by 2.1 percentage points to 54.2 per cent.

AIA China was up 38 per cent, driven by very strong double-digit growth from our Premier Agency, supplemented by growth from our highly selective bancassurance partners where VONB margin increased to around 40 per cent. Growth was broad based across our established operations and new branches, and the VONB margin for AIA China increased further from the second half of 2023 to 54.6 per cent.

AIA Hong Kong grew by 43 per cent, with double-digit growth from both the domestic and Mainland Chinese visitor customer segments. New business from Mainland Chinese Visitors continued to build momentum, with VONB in the first quarter higher than in the fourth quarter of 2023.

Our three largest ASEAN markets, Thailand, Singapore and Malaysia all grew by double-digits, with combined VONB growth of 16 per cent and our Other Markets segment was up by 10 per cent, with excellent growth from Tata AIA Life in India and strong performances from Australia, the Philippines and South Korea.

Today's announcement clearly demonstrates the strength and diversification of AIA's businesses, which enables us to capture the significant growth opportunities across Asia and deliver capital returns to shareholders. I will now hand over to Garth to provide more details on our new capital management policy.

Garth Jones – *Group Chief Financial Officer*

Slide 5

Thank you, Yuan Siong.

There are two key components to our enhanced capital management policy announced today.

The first component is an annual payout ratio target, that supplements our progressive dividend policy with annual share buy-backs. The second component is a commitment to regularly review our capital position and return capital that is excess to our needs at least annually. As a result of this, we are adding 2 billion dollars to our existing share buy-back programme. We expect this to commence as soon as practicable and to complete in around twelve months.

Let me now explain how this policy works in practice and how we assess our capital position from a shareholder's perspective.

Slide 6

While the Group LCSM surplus is our principal regulatory solvency measure, we have always said that Free Surplus provides a more representative view of the capital position for shareholders.

Since the introduction of the LCSM framework, we have shown a reconciliation of the Group LCSM Surplus and Free Surplus consistently in our interim and annual results. Free surplus removes items included in the LCSM that are not available for distribution to shareholders, for example the surplus within par funds. We calculate the Group's total capital resources by adding Free Surplus to eligible Tier 2 debt and required capital. On this basis, the ratio of total capital resources to required capital was 269 per cent at the end of 2023.

Slide 7

The first priority within our capital management framework is to maintain a strong and resilient balance sheet.

While required capital includes the prescribed capital levels for our various businesses set by our regulators, we hold additional capital that allows us to withstand a range of extreme but plausible stress scenarios, whilst also ensuring we do not constrain organic new business growth. For example, we include a repeat of the GFC, pandemics, persistent high and low interest rate scenarios. We also allow for combinations of these scenarios at the same time. Based on our assessment of our current capital needs including these scenarios, we target for shareholder total capital resources to comfortably exceed 200 per cent of required capital.

On completion of the remaining 2.8 billion dollars from the existing share buy-back programme, together with the additional 2 billion dollar buy-back announced today, our Free Surplus on a pro-forma basis as at the end of 2023 reduces to 11.5 billion dollars. The pro-forma ratio of shareholder total capital resources to required capital reduces to 238 per cent.

Slide 8

Our new enhanced capital management policy provides greater clarity and will deliver higher annual capital returns to shareholders. Starting from our 2024 annual results, we will target a payout ratio of 75 per cent of annual net free surplus generation through dividends and share buy-backs.

Net free surplus generation is calculated as shown, using figures that we have consistently included in our results announcements. Net Free Surplus Generation is calculated before investment return variances. While investment return variances, foreign exchange and other non-operating items create free surplus volatility from year to year, they have averaged under 80 million dollars a year since our IPO.

This formulaic approach automatically adjusts for further organic investment in profitable new business. As we grow the business, the balance sheet and required capital will increase, driving the need to retain some net Free Surplus Generated. However, with a 75 per cent payout ratio, we expect the total capital resources to required capital ratio to fall over time from 238 per cent as we grow and regularly return capital to shareholders.

For clarity and completeness, our policy of delivering prudent, sustainable and progressive dividends remains unchanged. The balance of the payout above dividends, with a target 75 per cent aggregate payout ratio, will be provided by way of share buy-backs announced at the annual results each year.

Slide 9

Let me now illustrate how our capital management policy will work in practice, based on our 2023 Annual Results.

As I said, there are two components to the policy and it is important to consider these together. Net Free Surplus Generation was 3.9 billion dollars after new business investment of 1.3 billion. Under the first component of the policy, based on the 75 per cent payout ratio target, 2.9 billion would have been returned to shareholders. The 2023 interim and final dividends totalled 2.3 billion dollars. The 0.6 billion dollars balance would therefore have come in the form of an additional share buy-back. We will announce this year's Net FSG, final dividend and additional share buy-back at our 2024 Annual Results.

Under the second component of the policy, the regular review of our capital position, we have today added 2 billion dollars to our existing share buy-back programme. This is in addition to the 2.8 billion we will return in 2024 and the annual dividend payment. Together, these amount to roughly 10 per cent of our recent market capitalisation. In conclusion, you can see that overall our new capital management policy provides both greater clarity and higher capital returns to shareholders.

I will now hand back to Yuan Siong.

Lee Yuan Siong – *Group Chief Executive and President*

Slide 10

Thank you, Garth.

In closing, today's very strong new business growth combined with the clarity from our new capital management policy, clearly demonstrate the strength of AIA's significant competitive advantages, operational delivery and financial discipline.

We have the right strategic priorities and our consistent execution gives me great confidence that we can continue to deliver significant value creation for our shareholders.

Q&A

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 shown 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 Securities. Charles, please press the unmute button on your screen and ask your question.

Charles Zhou (UBS Securities): Good morning, everyone. Congratulations. I think it's a very strong set of results and also finally, we are glad to see some clarity about the enhanced capital management plan. So, I have got two questions for management.

First, you know, some of your peers have provided a long-term target for the underlying free surplus or maybe just free surplus. Does AIA have any targets or can you talk about any targets for the long term, otherwise, any color on a key consideration in thinking about net free surplus generation will be very helpful I guess. That's because, Garth, you know, we need to do some projection here.

And second, after the recent regulatory inspection on the MCV focus brokers in Hong Kong, I would like to hear from management, what do you think about the outlook for this channel in the second quarter and also beyond? And also AIA Hong Kong growth prospects as a whole. Do you think this is an individual event? Or does it indicate a wider clamp down, such as capital control on the MCV business? Thank you.

Garth Jones (AIA): Firstly, thanks, Charles. I understand the need to try to project this in some way forward. I think the important thing to remember is that, as with our metrics on earnings under IFRS17, similarly there are successive layers that we put on a profitable new business translate into underlying free surplus generation. As we explained, I think, at the full year. As you add further new business layers, those add to earnings, they improved the ROE and then also they add on to the free surplus generation going forward. This layering comes through. As suggested in terms of forecasting, it's probably better to talk to our Investor Relations team and get technical support.

A few elements to put in there. Why we thought of net free surplus generation was that then clearly, the best way we can create value for shareholders is by growing the business organically and then the higher the new business strain, and that will obviously impact net free surplus generation. That will indicate that we are growing the business very strongly and creating greater value for shareholders.

Lee Yuan Siong (AIA): And I'll just add that the underlying free surplus generation is a very key metric that the management is very focused on. It is one of the key metrics in our short-term incentive program and we intend to introduce it as an additional metric in our long-term incentive program as well. So it is a very important metric that the management is very focused on.

Jacky Chan (AIA): Hi Charles. Thank you for the question on the MCV broker. First of all, the investigation by the Hong Kong Insurance Authority and ICAC, is still under investigation and the identity of the broker has not been disclosed. First of all, I want to let you know that in fact since the border reopened last year, the Hong Kong life insurance industry has been in discussion with the Hong Kong Insurance Authority to keep reviewing and investigating the sales practice of certain sales intermediates to ensure full compliance of the MCV business and to ensure the long-term sustainability of the MCV business.

And in the case of AIA, you all know that AIA holds a very high standard on compliance of MCV policies. We require the MCV customer to be present in Hong Kong or Macau and our staff at the Wealth Select Center will meet with the customer, ensure all the proper documentation, etc. And also, we carry out welcome calls to check with the MCV customer on the sales process, etc. So, in fact, AIA welcomed the initiative taken by the Hong Kong Insurance Authority in this case, and as I said this is still under investigation. But in view of the heightened risk of this concerned broker, AIA Hong Kong has already suspended new business from this broker.

First of all, I really want to reiterate that the MCV business is a business in the Hong Kong insurance industry for almost more than two decades. And the MCV customer flow coming to Hong Kong remains very strong.

As in the case for AIA, we have a diversified distribution channel. Our core agency channel actually took up more than 60 per cent of the MCV business of AIA Hong Kong, and the rest is coming from our diversified bancassurance partnerships and more than 100 brokers. So, we see that the so-called short-term impact from this broker to AIA Hong Kong actually is minimal. And in fact, this will really help support the long-term sustainability of the MCV business through the broker channel.

Lee Yuan Siong (AIA): Yes. I agree with Jacky and I really welcome the actions taken by the Hong Kong IA because I believe it will support the long-term sustainability of MCV business in the Hong Kong market.

Lance Burbidge (AIA): Thanks Charles. Next question, please.

Operator: The next question comes from Thomas Wang of Goldman Sachs. Thomas, please press the unmute button on your screen and ask your question.

Thomas Wang (Goldman Sachs): Thank you management for this opportunity. A couple of questions. Firstly, I just want a little bit more detail on that total capital target of comfortably above 200 per cent. Can you sort of share a little bit more color on that and how you think about free surplus and eligible debt mix within that resource? How much sort of are you comfortable releasing that use of eligible debt as capital resources?

Sorry, the other thing is Mainland China. Can you talk about the bancassurance and agency mix in terms of sales of VONB in the first quarter, and then the role of bancassurance channel, and then have you kind of completed with the rollout of bancassurance and that sort of the major role of bancassurance channel and how do you see that mix evolve for the rest of the year and into next year? Thank you.

Garth Jones (AIA): Thanks Thomas. As we shared earlier, we're targeting a shareholder capital ratio that comfortably exceeds 200 per cent. When we look at reviewing our capital position regularly and looking at the capital that is in excess of our needs, that also includes optimising our overall capital structure, depending on debt market capacity and conditions.

Clearly, the Group retains additional financial flexibility from its debt capacity. And from a ratio perspective, based on our current credit ratings, our Moody's leverage ratio could go up from the current around 15 per cent to around 20 per cent. But we're comfortable with our current financial ratings. Clearly, our businesses is life insurance business. It’s retail. It’s not as sensitive to credit ratings as say, commercial non-life insurance. But we do look at both the amount of capital we need and the structure of that capital on an ongoing basis in order to optimise both.

Jacky Chan (AIA): Hi Thomas, let me take you through our very strong AIA China results in the first quarter. We are very pleased that the growth is broad-based across our both agency and also bancassurance channel. Furthermore, our protection VONB also grew double digits in the first quarter of this year. Our agency remains our core channel and the agency growth is driven by growth in a number of active agents and more than 20 per cent growth in a number of new recruits and number of new active agents. This is very broad-based and the ANP per active agent also grew strongly in the first quarter. So, our agency really continues to perform very well in both protection and long-term savings products.

As our differentiated bancassurance, we continue to focus on our strategic partners, banks, including China Postal Group, Bank of East Asia, Shanghai Pudong Development Bank and Bank of China. We've continued to focus on the affluent and above customer segments, and the average case size speaks for itself. It is a very, very strong average case size.

Our bancassurance profitability actually also improved from last year first quarter to this year first quarter, with a VONB margin of around 40 per cent. So, we're very pleased with this differentiated bancassurance channel. And in the first quarter, the bancassurance channel contributed roughly 15 per cent of our total VONB of AIA China. We continue to be very bullish about the outlook of our AIA China business in Mainland China.

Lance Burbidge (AIA): Thanks Jacky. Next question, please.

Operator: The next question comes from MW Kim of JP Morgan. MW, please press the unmute button on your screen and ask your question.

MW Kim (JP Morgan): Thank you so much for taking my question and really appreciate your quarterly management call. Following this announcement, as previously mentioned, the underlying free surplus generation, perhaps become more important figure to the shareholders and broader stakeholders. So, my first question is about the management, the KPI. Currently, the new business value has a larger weight in the management KPI, would you expect a potentially higher weight on the underlying free surplus generation in short-term incentive scheme moving forward?

And the next question is about India. As the company commented in the report, India joint venture seem to enjoy an excellent journey with a bigger scale. Would you expect more detailed numbers in India business in the foreseeable future? Thank you.

Lee Yuan Siong (AIA): Thank you Kim. In terms of the nature of our business, it is a long-term business. And as you know, writing profitable new business is key to supporting our future earnings and future free surplus generation. So, we will continue to be very focused on our VONB, and it will continue to be the most important metric in our incentive programs. Right. I've mentioned just now that we are very focused on operating profit. We are very focused on EV, the underlying free surplus generation. And as a result, we are introducing the underlying free surplus generation as a new metric to the LTI program. This will allow us to have additional focus on the UFSG number going forward.

Garth Jones (AIA): Just to add, we've always said that VONB is a leading indicator. And as I have just mentioned that leading indicator of VONB then translates into a stream of earnings and a stream of free surplus going forward. And so that leading indicator will continue to be important. What you'll then see is that the earnings and the free surplus will come through and it's important that we'll look at those, and that reflects the ongoing operating profit performance and management of the in-force. Clearly, we'll also look at managing the capital.

So we're managing the Equity as well as the Return in order to further improve our ROE over time.

On India, as you say, excellent growth in India. We're very excited about that business. It continues to perform very, very well. And I think you'll see increase in more information coming from that. Clearly, there's a lot of information in the local market that's available in addition to what we provide. And we'll look to keep people well-informed of our developments there because we think it's a key growth engine for the future.

Lance Burbidge (AIA): Thanks, Garth, any follow up, MW?

MW KIM (JP Morgan): That's very clear. Thank you.

Operator: The next question comes from Kailesh Mistry of HSBC. Kailash, please press the unmute button on your screen and ask your question.

Kailesh Mistry (HSBC): Morning, everyone. Thank you for the incremental disclosure today on capital management and your business. However, I've got three questions. The first set of questions are on capital management and the modeling of that. I guess one of the key assumptions is required capital debt grew by about 10 per cent per annum over the last five years. Is this a reasonable assumption going forward? Or should it be higher given the new business growth. On eligible debt, just to follow up on the previous answer, I think Garth mentioned you had additional capacity of five percentage points on Moody's calculation. Just to clarify, is that all eligible for LCSM basis, which I think is the number that's included in this calculation?

Secondly, just on China. What was the product mix in the first quarter versus 2023? I guess, split between pensions protection that the other savings business. And on the Hong Kong offshore, again, what was the product mix? Did we see a bounce back in protection and did the saving case sizes hold up? Thank you.

Garth Jones (AIA): Thanks Kailash. In terms of the required capital, you'd expect that to grow in line with the business. I think the important thing to look at is the free surplus overall rather than just being fixated on a ratio. Clearly, the free surplus will continue to grow. I think the key thing will be to sort of have a broad model of the business and maybe again, the best thing to do will be to talk to the IR team to work through how that might be best done.

But as we said, we expect that ratio of free surplus to require capital to continue to fall over time, based on the 75 per cent payout ratio of net free surplus generation and we'll continue to review that on an annual basis at least and see where we are.

In terms of the eligible debt, clearly, the room we have in terms of the ratings does vary by rating agency. We've quoted the Moody's number here. It does provide us with important financial flexibility for whatever purpose. And clearly, you also have to consider the capacity in debt markets and structuring and so on at the same time as well. So, a number of things to think about.

In terms of the LCSM, the LCSM clearly includes regulatory eligible debt. There are different conditions for that and for ratings agency eligible debt, though they are broadly similar. And each rating agency, as you know, has different criteria. So, we look to have debt that covers all of those different requirements and be eligible for both ratings and solvency, but there are differences between each basis.

Jacky Chan (AIA): On product mix in China, there are really some differences because AIA China always innovates product to keep pace in the competitive market. So last year, first quarter, we did not have the tax deferred personal pension benefit. Last year, first quarter, we only sold very small portion of participating business. And also last year, first quarter, we rolled out the first in the market, the so-called simplifying CI. So, it is quite different in the agency channel. So, this year, first quarter in the agency channel, the tax deferred personal pension plan, actually is one of our top selling products in the agency channel, and they also help our new agent and also our agents in general to acquire new customers.

And then secondly, we continue to focus on CI, our flagship “As You Wish”, critical illness product has growth in first quarter this year compared to the first quarter last year. And overall, our total potential VONB has strong double-digit growth as we also focused on renewable medical insurance business in the agency channel.

And lastly, in relation to channel, in this year, we rolled out our participating product. In the first quarter, it made up about 10 per cent of our agency VONB, so this gives you a feel of that difference. As a whole, the agency channel VONB margin, even though the interest rate comes down, we already adopt the China Actuarial Association’s interest rate in the VONB, and our agency VONB margin still held up at about 60 per cent in a similar level compared to our first quarter last year.

As to our bancassurance channel and our differentiated bancassurance channel, as I said, the margin increased to 40 per cent and the bancassurance channel continues to sell a lot of long-term saving product and long-term protection product. So that is about the product mix of AIA China in the first quarter.

As to Hong Kong, the MCV product mix roughly remain unchanged. The protection sales remain to contribute more than 50 per cent by new business policies. And the average case size of the MCV business roughly hold up at about US$19,000, a similar level as last year whole year. And our long-term saving product continue to be very welcomed by the MCV customer. So basically, I would say, in the case of AIA Hong Kong and Macau, the MCV product mix roughly is similar to last year.

Lance Burbidge (AIA): Thanks Kailash, any follow up questions?

Kailesh Mistry (HSBC): No follow up questions, but just sort of request, I guess, some of your peers do allow us to model that required capital, so additional information might be helpful. Similarly, on discounted profit margins, which I think you currently put in five-year buckets. But yes, those would be two requests for disclosure.

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 the opportunity. Again, very congrats on a very solid first quarter. Two questions for me. One is, obviously some of these strong numbers was still probably helped by the low base. For Hong Kong going forward, you know, for example, for second quarter was a high base last year and then going for forward for the full year on the current trends, what are some of the guidance expectations for growth for the first half? And then maybe, any guidance for a little bit further for that?

Second question is on China. Obviously, China is going through some transition. Certainly, we are seeing a more balancing of the economic development in China. Are you seeing any differential in growth from different regions, for example, you know, first tier cities versus some of the new locations, particularly any early indicators of growth in some of the new offices, like Hunan province, etc. Thank you very much.

Jacky Chan (AIA): Thank you Richard. I'm very happy to also continue to talk about Hong Kong and Mainland China. Firstly, although you say last year first quarter was a low base for Hong Kong, but if you look at our Hong Kong VONB in the first quarter this year, I want to say that the total first quarter VONB of Hong Kong actually surpassed the fourth quarter of last year. And within the MCV segment, actually it has a double-digit growth. The MCV VONB of the first quarter this year in Hong Kong and Macau has a double-digit growth over the fourth quarter last year. So I will say this is really growing strong, from strength to strength.

And if you look at the AIA Hong Kong VONB for the month of March, it was the highest ever monthly VONB since the border reopened last year. So, I want to give you this kind of color to see that our Hong Kong and Macau business really is going from strength to strength. And very importantly, is the underlying driver. I keep talking about underlying driver. So, the growth of first quarter of Hong Kong and Macau in this year is driven by the increase in number of active agents and very strong double-digit growth in a number of new recruit and number of active new agents.

And in respect to the MCV focused new recruit in the first quarter this year, actually the number doubled compared to the MCV-focused new recruit number in first quarter last year. So, this shows the underlying driver and the strength of the Hong Kong business. You know we don't give out forecast, but I want to say that with all these strong drivers, we have strong confidence about the long-term growth and sustainability of the Hong Kong business.

Now in the case of Mainland China, I also want to say that we continue to reiterate, our growth in Mainland China is broad-based. So, it is growth from both the so-called old geographies and new geographies. And we have five new provincial licenses since we got the authorisation in 2020. And those new provinces grew by 45 per cent in the first quarter this year, and the growth is driven by, as I'm going to say, it is a strong double-digit growth of number of new recruit, and number of active new agents across both the old geographies and the new geographies.

And as I keep talking about giving some color on the AIA China differentiated agency model, we really continue to see a good case size, average case size from our AIA China agency channel as well as our differentiated bancassurance channel because we're really focusing on the middle income and above customer segments. And those customer segments are more resilient to the current economic situation. So, this is what I want to say about Mainland China.

Lance Burbidge (AIA): Thanks Jacky, any other questions Richard?

Richard Xu (Morgan Stanley): Just one follow up question. I know the crackdown on some of the unlicensed brokers in Hong Kong is long-term positive. Any potential near-term impact in the second quarter? Are we expecting or we see no impact at all?

Jacky Chan (AIA): As I said, the so-called Hong Kong broker issue, actually, for the long-term is beneficial for the whole Hong Kong insurance industry and also for the broker channel for sustainable quality growth of MCV business. And in the case of AIA Hong Kong, you'll see our major MCV channel is still the agency, which is generating more than 60 per cent of the MCV VONB. So as a whole, we really don't see any significant impact to the AIA Hong Kong and Macau business.

Richard Xu (Morgan Stanley): Thank you very much.

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

Michael Chang (CGS International Securities): I have got two questions. So, first question was on the MCV recruit. So, Jacky actually mentioned that it's doubling YoY, and I recall last year, you had a chart in the full year presentation QoQ increasing every quarter. So, I'm assuming that means that it's still increasing QoQ in first quarter? But specifically, on the MCV new recruits, can I just check how long do they take to become productive? So, maybe how long do they take to reach average agent productivity levels for the new MCV recruits?

Then secondly on the capital, Garth just now mentioned the leverage ratio rising from 15 per cent to 20 per cent? Is there any timeframe for that and then maybe how much tolerance do you have seen the effect of doing any M&A in the future? Are you willing to go above that 20 per cent?

Just one final comment, absolutely love the transparency in terms of the numerical VONB growth rate you gave for some of the markets especially Hong Kong, China, can we get a commitment that given all this concern from investors about Hong Kong China growth rate, that we can expect such transparency on a quarterly basis going forward for Hong Kong, China? Thanks.

Jacky Chan (AIA): Yes Michael. Let me let me start with the MCV question. So actually, we see the new agent recruit, in particular, the MCV new recruit, actually, they are growing quarter-by-quarter since last year, since the border reopens. So, we do see continuous strong momentum in this new recruit. As when the new recruit will become effective, in AIA Hong Kong and Macau, we employ a very sophisticated kind of selection and interview. So, we have an AI-based aptitude test, and also AI-based interview before they come to see our in-person interview. And furthermore, in terms of the requirement on new agents, we have the so-called M3 and M6, meaning that the first three months they had to achieve something, the first six months, the new recruit has to achieve something otherwise, they will fail. I would expect on average the new recruit, they have to become active, able to contribute to a meaningful production in M3 and then continue to ramp up in M6. So this is what we are working on managing our new agents.

Garth Jones (AIA): Thanks Michael. And on the debt, clearly, as I said earlier, the debt capacity we have gives us additional financial flexibility. We're comfortable with our current financial ratings, and there is some capacity, within the current ratings to extend the debt capacity further. That financial flexibility is important to us. Clearly, we look at the capital structure, on a regular basis, as well as looking at the capital levels we need. So we keep assessing it on an ongoing basis.

Lance Burbidge (AIA): And then just on the disclosures. So, I'm glad you found it useful. Really what we wanted to do is to give you reassurance in terms of the growth that we're seeing, and our confidence in that growth. We don't manage the business quarter-to-quarter. So, we'll consider it for the future.

Michael Chang (CGS International Securities): Can I just follow up? On the capital management, can you just elaborate on what the considerations are for buy-back versus dividends? Under what condition would you actually raise, say, your dividends maybe relative to operating profit?

Garth Jones (AIA): I think the key thing within the framework we've set out is that firstly, we look at the underlying free surplus generation, net free surplus generation, as being the basis that is more representative of shareholder capital. Clearly, we have earnings as well as earnings growth. But earnings represent accounting profits, and we think that the underlying free surplus generation and net free surplus generation in particular after allowing for new business growth, is a better way to look at the shareholder capital position.

Lance Burbidge: Thanks Garth and thanks Michael. Next question please.

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

Edwin Liu (CLSA): Hi good morning, thank you for the opportunity to ask question and congratulation on a very good set of results. On Hong Kong, I noted the domestic segment also quite nicely at double- digit growth. Can we just talk about what is driving such growth given we are seeing that Hong Kong's local economy is not that great, any color will be appreciated whether it is volume driven or margin assumption, etc.

And if I can follow up on a previous question, on the new recruit for MCV. We are very positive on this trend, but just noticed that the Hong Kong government's talent visa that may be slowing down a bit, just from a longer-term perspective, would the recruitment be slowing down, if we look at say next two or three years in terms of the MCV focused agent recruitment? And just lastly, if I can squeeze one more question, I know you haven't disclosed it in the quarterly results in terms of the operating profit after tax, can we get a color on the trend, has it turned positive in the first quarter, on a year-on-year basis? Thank you.

Jacky Chan (AIA): Thank you, Edwin. Let me also give you some more color. I'm also very happy to say that our Hong Kong Macau business, actually have broad-based growth that you have already mentioned, domestic also grew strongly in the first quarter, and the growth is continuously supported by the underlying driver, which is the active new agent and the new recruit, actually we also have a good growth in the active new agent and also recruit in the domestic segment.

Furthermore, in fact, we don't see a so-called very strong correlation usually in the economic cycle in the life insurance industry, because under whatever cycle, customers still need long-term financial planning, and even in the so-called economic downturn, customers really need to assess their financial risk in terms of protection needs, etc. So, we continue to be able to penetrate the domestic customer segment. Because of the aging population, we continue to say that the need for retirement savings is great. And also, the need for health care and health insurance continue to be great. That's why at AIA, we have our integrated healthcare strategy, and at AIA Hong Kong we are also executing on the healthcare strategy. So, we do see these are the underlying drivers and they will continue to drive the growth of the domestic business. And in terms of the MCV record, and the sustainability, I think we have kept on talking about this. So, if you look at the number of daily average MCV visitors to Hong Kong in the first quarter, that was about 91,000, that has already increased, growing from the 2023 overall whole year daily average MCV visitors. And this number has not gone back to the pre-pandemic height.

And as I continued to mention, the demand for quality, USD long-term saving product for the MCV customer remains strong. And those MCV customer, in terms of new policy sales, over 50 per cent is protection, the critical illness policy, high end medical insurance policy continue to attract the attention of the MCV customer and this kind of strong underlying driver, I will say we remain very strong going forward. So, I really would like to say that we see the long-term sustainability of the MCV business in Hong Kong.

Lance Burbidge (AIA): Any follow up questions, Edwin?

Edwin Liu (CLSA): I just want to confirm or any, any color from you, in terms of the OPAT trend in the first quarter.

Garth Jones (AIA): As I mentioned a few times the VONB growth translates into OPAT growth and UFSG growth over time. I should say that we've noticed some recent volatility in the consensus forecast on OPAT on some of the financial platforms, but the current estimates seem to be much more sensible. And you'll see that come through when we announce the financial results.

Lance Burbidge (AIA): Thanks Garth. The next question please.

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

Michelle Ma (Citi): Thank you, management, for taking my question. This is Michelle from Citi. I have two questions. First, I'm trying to understand the pace of buyback because I observed in the past three weeks the pace of buy-back actually slowed down quite a lot, despite greater share price volatility in the past couple of weeks. I understand that is a fully automated program. So, could you shed some light on what's the key factors embedded in this automated buy-back program such as volatility or absolute share price level or the remaining quota left? So, what are the major factors determining the buy-back pace.

Second is on China. So, I think compared to other regions, China is quite unique because of the capital control and the decreasing interest rate, and also very limited supply of long duration assets available in the market. So, I think one concern is the potential mismatch between asset and liability. So, could you shed some light on the China research and the liability duration respectively and also, if we have 50 basis point cut in the investment assumption just for China EV what will be the sensitivity. Thank you!

Garth Jones (AIA): Thanks very much Michelle. On the first point, the buy-back, what we do is we provide an instruction to the broker to buy back a certain amount of shares over a certain amount of time. With that, we then hand that to the broker to execute. That enables us to continue to buy back the shares during the blackout periods, which we otherwise wouldn't be able to do. And that then is the decision of the broker each day to buy back how many shares. In terms of China, I should say that we, we've continued to focus on the protection business as Jacky just outlined.

And in terms of the investment, we've been buying long dated government bonds for many, many years now. And you see that in our asset mix, these produce healthy yields. And if you look at the investment portfolio, you'd find that the majority of it has a duration of more than 30 years. You'll also note that recently the government in China has been indicating that it will provide a greater supply of long-term bonds and indeed they are supportive of having interest rates higher than the current levels. So, with all of that we remain very comfortable with the asset side as well as, as you know, we start with the liabilities and then we look at the asset side, and we remain comfortable with both.

Jacky Chan (AIA): In the first quarter this year, in Mainland China, we have participating product sold through agency channel which make up about 10 per cent of the VONB of the first quarter and the participating product is priced at much lower interest rate levels. So, for example, you talked about decreasing interest rate, then AIA China will continue to reprice product and continue to roll out more participating products with much lower guaranteed interest rate.

Lance Burbidge (AIA): Any more question?

Operator: We don't have any more questions from the participants. I'll now pass back to Lance Burbidge to conclude today's session.

Lance Burbidge (AIA): Thank you. Thank you everyone, for listening and participating. If you have any follow up questions, which I think Garth has volunteered IR quite a few. Please come through to us at, Investor Relations. And thanks very much. And good morning.

Operator: Ladies and gentlemen, this concludes AIA's First Quarter 2024 Update Analyst Q&A. Thank you for your participation.