TRANSCRIPT

AIA Group Limited 2024 Annual Results

Analyst Briefing Presentation

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

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Good morning and a warm welcome to AIA's annual results presentation. I am delighted to report that AIA has delivered an excellent financial performance in 2024. We achieved double-digit growth across our key metrics for new business, earnings and cash generation, demonstrating the benefits of our growth strategy. Let me now take you through the highlights.

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Value of New Business was up by 18 per cent to a record high of US$4.7 billion, building on the strong momentum we have generated in previous years. EV Equity increased to US$71.6 billion, up by 9 per cent per share after returning US$6.5 billion to shareholders.

Operating Profit After Tax also reached a record high, up by 12 per cent per share and Underlying Free Surplus Generation, our key operating measure of cash generation, grew by 10 per cent per share. Following our capital management policy, the Board has recommended an increase of 10 per cent in the final dividend per share and announced a new share buy-back of US$1.6 billion.

As you can see, we are delivering profitable new business growth which is driving both strong earnings and cash flow generation. In this way, we create a virtuous circle, funding further capital investment in organic new business, growing our large stock of future earnings and delivering cash returns to shareholders.

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Premier agency is the main driver of profitable growth for the Group, contributing 74 per cent of our VONB. We have the world's leading agency, which has ranked number one globally by MDRT members for the last ten years and we hold the top position in nine markets. In 2024, agency delivered 16 per cent VONB growth driven by higher activity and productivity combined with an increase in VONB margin.

Recruitment was also up by 18 per cent with positive growth across the vast majority of our markets. These strong results are the direct outcome of AIA's Premier Agency strategy, designed to enhance both customer satisfaction and agent performance. We attract high-quality and motivated individuals, equipping them with extensive training and leading digital tools to support their long-term career growth with AIA.

A highly professional agency enables AIA to advise sophisticated and affluent customers on their more complex needs, improving customer experience and increasing demand for our services. In turn, this attracts more high-calibre agents to join AIA, creating a self-reinforcing cycle, contributing to our industry leadership and delivering high-quality new business growth at attractive returns for shareholders.

This is what sets AIA apart.

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Our fast-growing profitable partnerships also present a valuable growth opportunity for AIA and our partners. In 2024, VONB was up by 28 per cent to US$1.3 billion driven by an excellent performance in bancassurance, which grew by 39 per cent. We have a proven model of partnering with leading banks for the long-term, reflecting the aligned growth ambitions of both partners.

Integrating AIA's leading technology enables us to run advanced analytics models that better target customers, making our professional insurance specialists even more productive. In this way, we drive long-term regular premium business with attractive margins and returns. As a result, over the last 3 years VONB through our bancassurance channel has more than doubled with an increase in margin to more than 40 per cent.

AIA's extensive network of high-quality strategic partners significantly extends our reach, creating opportunities to engage with more than a hundred million target customers across Asia, providing a growing source of profitable new business.

Our twin distribution engines drive growth across the Group and I will now take you through the highlights of our performance by market segment.

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AIA Hong Kong was again the largest contributor to the Group's VONB in 2024, delivering a record US$1.8 billion, up 23 per cent. Demand was very strong across both domestic and Mainland Chinese visitor customer segments with broadly equal VONB contributions from each, reflecting our diversified and growing customer base.

AIA's Premier Agency is the leader in Hong Kong and Macau and our main source of new business in this market. The 23 per cent increase in VONB from agency was supported by both growth in active agents and higher productivity. New recruits were up by 16 per cent as we add greater capacity to meet the growing demand for AIA's products and services.

Our agency also achieved strong sales from Mainland Chinese Visitors, with the fourth quarter recording the highest VONB since cross-border travel resumed in early 2023. VONB from our partnerships grew by 25 per cent, following double-digit growth in our bancassurance as well as IFA and broker channels.

Overall, the combination of our leading distribution platform and attractive products keeps us well-positioned for future growth in this important market.

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AIA China achieved 20 per cent growth in VONB to over US$1.2 billion, driven by higher volumes and profitability. Our ability to achieve substantial growth in a challenging local environment marked by low interest rates, demonstrates the resilience of our strategy and the quality of our business model.

AIA China's Premier Agency is the world leader in MDRT members and at the heart of our growth strategy. Our agents are highly professional with incomes double the industry average, enabling us to attract and retain the best candidates. As a result, new recruits grew by 18 per cent and active agent numbers increased by 9 per cent demonstrating the health of our business.

AIA is uniquely focused on meeting the needs of middle-class and affluent customers in Mainland China with professional advice and high-quality personalised products. Long-term customer relationships help sustain full-time careers for our agents and in turn, help more customers to achieve their protection, long-term savings and retirement goals. This is demonstrated by our middle-class customers holding over 6 policies on average and a 9 per cent increase in the number of new customers in 2024, providing additional future growth opportunities for our agency.

Highly-selective bancassurance partnerships accelerate AIA China's growth and we delivered a significant uplift in new business and VONB margin in 2024. This was achieved through our focus on meeting the needs of the most affluent customers, with average case sizes above 20 thousand US dollars. Taken in combination with our world-leading Premier Agency, we have the right model to capture future value in this market.

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The high-quality new business that we are able to generate through our Premier Agency differentiates AIA in Mainland China. We have a well-balanced product mix with traditional protection delivering close to half of our agency VONB. Nearly all our agents sold a protection policy in 2024 and demand remains strong with a 26 per cent year-on-year VONB increase.

Protection is an essential part of financial planning and provides an important source of diversified earnings. AIA also leads the market in tax-incentivised products, targeted at affluent customers and we broadened our range of products further during the year. By repricing our long-term savings products, withdrawing certain products early and shifting our focus towards participating products, we are proactively navigating the low-interest rate environment.

In the first two months of the year, our agency has already successfully shifted the vast majority of our new business savings portfolio to par products, as shown here. These offer policyholders a higher expected return from a broader range of assets and are more resilient to interest rate movements.

Our comprehensive suite of products, supported by a powerful ecosystem of value-added services and leveraging our distribution strength, enables us to deepen customer engagement, expand our potential customer base and drive long-term growth.

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And there is significant headroom for AIA to grow in Mainland China. We continue to deepen our reach within our established geographies of Beijing, Shanghai, Jiangsu, Guangdong and Shenzhen where just 3 per cent of our target base of 140 million are existing AIA customers.

Since 2019, we have established branches in five additional regions, bringing a further 100 million accessible customers within our reach. We are rapidly growing these operations and in 2024, we launched in three new major cities in Sichuan and Hubei provinces. As we replicate our premier agency model in these recently established geographies, growth remains strong with VONB up by 27 per cent.

In the fourth quarter of 2024, we received approvals for four new branches in Anhui, Shandong, Chongqing and Zhejiang. These add another 100 million to our addressable market and all four regions have now received approval to commence operations.

As you can see, our geographical expansion has more than doubled our target customers to over 340 million across 14 geographies in Mainland China. We are still in the early stages of replicating our platform and I am confident that AIA's scalable model ensures that we will capitalise on growth opportunities while maintaining our business resilience through changing economic conditions.

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Turning now to ASEAN, where AIA is the leading Life and Health insurer. This region is an important growth engine and generated more than one third of the Group's VONB. In aggregate, ASEAN delivered over US$1.7 billion of VONB in 2024, up 15 per cent.

Our performance was broad-based with double-digit growth from Thailand, Singapore and Malaysia and the other ASEAN operations grew by 30 per cent. Across ASEAN, AIA's powerful multi-channel distribution is exceptionally placed to meet the growing customer needs across the region.

We have the world's leading agency and our long-term strategic partnerships are a key asset helping AIA bridge the huge protection gap for a growing population of more than 600 million people.

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Finally, onto our joint venture in India, Tata AIA Life. As you will recall, new business in the first quarter of 2023 was distorted by strong sales ahead of personal tax changes. VONB was up by over 20 per cent excluding the first quarter of 2024 and reported VONB growth was still positive with this tax effect.

Our leading agency contributes more than half of our VONB and we are the most productive in the market. We were again the number one MDRT company and our focus on agency quality has delivered consistent outperformance compared with the industry.

Our agency is complemented by high-quality bank and broker partners extending our customer reach. Through its multi-distribution platform, Tata AIA Life has cemented its position as the market leader in retail protection. We also rank number one for persistency and we are the third largest private life insurer in the industry.

Our protection-focused strategy, quality distribution and proven execution ensure that Tata AIA Life is well on its way to capturing India's vast potential.

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Today's excellent results are the outcome of executing a clear growth strategy that plays to our core strengths. We are uniquely positioned in Asia, the world's most dynamic insurance market and the fastest growing region globally.

Our focus is clear: capturing the immense opportunities from rising populations, increasing wealth and an ageing demographic, with limited social welfare coverage. Despite strong economic expansion, private insurance remains low, driving an urgent and growing demand for quality life and health insurance.

AIA is at the forefront of meeting these evolving needs backed by the right products, services and distribution capabilities. In 2024, we welcomed over two million new customers to AIA and repeat sales within our existing customer base grew by 15 per cent as we continue to nurture long-term relationships through professional advice and best-in-class service.

Our integrated product ecosystems are a key differentiator, empowering consumers to achieve their financial security, health, and wellness goals in ways that are more relevant, personalised and impactful than ever before.

At the core of our success is AIA's highly-productive and growing distribution platform, bringing unrivalled expertise and a scalable way to address individual customer needs with compelling propositions. These strengths enable us to generate high-quality new business, deliver sustainable earnings growth and generate strong surplus cashflows, creating long-term value for shareholders.

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The execution of our strategy is powered by market-leading technology, digital capabilities and advanced analytics that enhance efficiency, scalability and customer engagement.

Modern infrastructure, applications and high automation accelerate the adoption of digital tools and emerging technologies, boosting productivity while strengthening risk management. Rich and structured data provides the foundation for deploying advanced analytics and AI enabling better decision-making and deeper insights.

Our investment in TDA has already achieved recurring expense and claims efficiencies of more than US$180 million. Digital tools power our unrivalled distribution, expanding our reach and bringing high-quality advice and services across Asia. More than 21 million customers actively engage with AIA through digital channels, including AIA+, our flagship customer app, contributing to higher Net Promoter Scores.

Amplify Health achieved major milestones in 2024 including the launch of AI powered solutions transforming health claims management, payment integrity and provider management, reinforcing our Integrated Healthcare Strategy.

AIA has invested heavily in foundational technology upgrades, process optimisation and data integrity, ensuring that, as we integrate AI, it delivers maximum impact and seamless functionality across the business.

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I firmly believe that Gen AI will reshape the future of insurance, achieving better outcomes for customers, agents and our business. To date, we have already deployed over 50 use cases and we are realising significant gains in key parts of our operations.

In distribution, our AI-driven training tool simulates real customer interactions, sharpening our agents' engagement skills and boosting productivity. In our contact centres, AI-powered co-pilots summarise customer enquiries, reducing response times by over 50 per cent and streamlining service.

Gen AI document processing cuts review times in half, enhancing both customer satisfaction and operational efficiency. More than 3,000 software developers benefit from our proprietary Software Engineering AI Platform reducing development time by 55 per cent and accelerating speed to market.

Our investment in Gen AI is not just about operational efficiency, it's about delivering substantial benefits across the business, building on the significant claims savings and productivity uplifts already achieved through our TDA programme.

I am confident that our continued expansion of Gen AI will strengthen our market leadership and accelerate AIA's growth strategy in the years ahead.

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In closing, today's financial performance reiterates our confidence in AIA's strategy and business model. With our clear priorities and strong competitive advantages, we are well-placed to fully capture the immense opportunities ahead.

Our excellent VONB growth builds on the momentum generated in prior years, with successive layers of profitable new business growing our large stock of future earnings and delivering future cash to shareholders.

AIA's enhanced capital management policy and OPAT per share growth target introduced in 2024, reflect both our ambition and our proven ability to execute. Importantly, our financial flexibility provides the resilience to navigate market challenges and support long-term value creation.

I am certain that AIA is exceptionally well-positioned to achieve our objectives in 2025 and beyond.

Thank you.

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

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Good morning everyone. I'll now take you through the highlights of our financial performance.

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As you've heard, AIA has delivered an excellent set of results across growth, earnings, and capital and cash.

VONB was up 18 per cent to a record US$4.7 billion which drove EV Operating Profit to more than US$10 billion and Operating ROEV up to 14.9 per cent. EV Equity increased by 9 per cent per share and ended the year at US$71.6 billion after we returned US$6.5 billion to shareholders.

OPAT grew by 12 per cent per share, supporting an increase in Operating ROE of 130 basis points and Comprehensive Equity of US$87.6 billion, was up 10 per cent per share.

UFSG, our key operating measure of cash generation, increased by 10 per cent per share.

Given these excellent results, the Board has recommended a 10 per cent increase in the final dividend per share. The Board has also announced a new share buy-back of US$1.6 billion, following our capital management policy.

This increased dividend and new share buy-back reflects our confidence in the future prospects of the Group.

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Let me now take you through more details beginning with Growth.

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Our excellent VONB performance, with 18 per cent growth overall, was driven by double-digit increases across all of our reportable segments.

Hong Kong delivered 23 per cent VONB growth to a record US$1.8 billion. AIA China was up 20 per cent from growth in active agents, a step-up in bancassurance VONB, and a 4.9 percentage point increase in VONB margin.

I would remind you that the first quarter of 2024 AIA China saw 38 per cent growth, which is a very high comparative for the first quarter of this year. And, as Yuan Siong mentioned, our agency has successfully shifted the vast majority of our new business savings portfolio to par products.

While the reported VONB margin for par products is lower, they are more resilient to lower interest rates, and we expect AIA China's VONB margin to remain over 50 per cent in the first quarter.

Thailand grew VONB by 15 per cent to US$816 million, driven by both our market-leading agency and our strategic partnership with Bangkok Bank.

AIA Singapore was also up by 15 per cent, with strong performances across both our agency and partnership channels while Malaysia was 10 per cent higher.

Other Markets grew by 18 per cent to US$467 million, with all markets delivering positive growth and Tata AIA Life contributing more than a quarter of the total.

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

We delivered improvements in new business capital efficiency and higher margins overall, supported by a more favourable product mix and repricing actions.

Overall, PVNBP margin increased to 11 per cent and VONB margin grew to 54.5 per cent. 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 19 per cent. The increase in operating profit included US$700 million of VONB compared above the 2023 level.

Operating variances improved by US$171 million, supported by disciplined expense control, improved persistency variances and our proactive medical business management.

Since IPO, we have achieved positive operating variances every single year and in total, these have added US$4.1 billion to EV Equity, demonstrating the ongoing prudence in our assumptions.

Together with a higher expected return that reflects higher US interest rates, EV Operating Profit exceeded US$10 billion for the first time.

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EV Operating Profit is a key driver of the increase in EV Equity over the year and resulted in a 200 basis points increase in Operating Return on EV to 14.9 per cent.

Investment return variances were small, as favourable equity market movements broadly offset lower Chinese and Thai interest rates. Currency translation into a stronger US dollar for reporting purposes and other non-operating items reduced EV Equity by US$2 billion.

After returns to shareholders through dividends and share buy-back, EV Equity finished the year at US$71.6 billion, up 9 per cent per share.

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A direct result of AIA's financial discipline is our resilience to market movements.

As you can see on the left hand side, Embedded Value sensitivities to equity and interest rate movements remained small for the Group. And for AIA China, a further 50 basis point reduction in Chinese Government Bond yields is just 0.8 per cent reduction to the Group EV.

I'll now explain the prudence within our EV methodology, as it is important to understand some crucial differences when comparing with peers.

First, we use actual yields to maturity on existing fixed income assets. This is in line with how we invest in practice using an ALM-driven investment strategy and holding long-dated fixed income assets to match our insurance liabilities.

The second difference is the treatment of new investments. Here the assumed yield varies according to when the investment is made. We start at current spot market rates in year 1 and grade over many years to our ultimate long-term assumption. This approach is applied across each of our businesses.

For example, new investments into 10-year Chinese government bonds start at earning 1.68 per cent, the current market spot yield. Only by year 30 do we invest at our long-term assumption of 2.7 per cent and we have reduced this assumption by 80 basis points at the end of 2024.

An important point to note is that, after reflecting current market conditions and assumption changes, and post remittances to the Group, AIA China's EV continued to grow in 2024. We believe this prudent and realistic approach sets AIA apart from the industry and provides confidence in the robustness of our VONB and Embedded Value.

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Now moving to IFRS earnings.

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Operating Profit After Tax was up 12 per cent per share. The main driver of this was the 12 per cent increase in the Insurance Service Result.

The CSM release was up by 7 per cent to US$5.6 billion, reflecting the compounding of large scale profitable new business each year. Operating variances improved by US$172 million, benefitting from management actions on our medical business. Adjusting for the impact of the share buy-back, the net investment result increased by 6 per cent on an underlying basis.

Other revenue and expenses, including finance costs, remained broadly stable compared with 2023.

Overall, operating margin remained strong at 16 per cent.

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The Contractual Service Margin represents our stock of expected future IFRS earnings. This growth in CSM came from US$7.7 billion added by new business and US$2.8 billion from expected return on in-force.

The CSM release rate was stable at 9.4 per cent with the resulting CSM release up by 7 per cent, providing a US$5.6 billion contribution to OPAT. Variances and others were mainly driven by the effect of higher US interest rates on our Hong Kong participating business, and some modelling refinements.

Exchange rates reflect the strengthening of our US dollar reporting currency relative to Asian currencies.

Ending CSM was US$56.2 billion, with a strong underlying growth rate of 9.1 per cent.

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Shareholders' allocated equity remained broadly flat over the year as US$6.5 billion in returns to shareholders balanced out our strong net profit. Higher OPAT helped drive a 130 basis points increase in operating ROE to 14.8 per cent.

Net Profit was slightly higher than OPAT at US$6.8 billion, with a small impact from non-operating items.

Comprehensive Equity, which provides a more economic view of equity by including net CSM, increased to US$87.6 billion, up by 10 per cent per share.

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I have great confidence that we are on track to achieve our earnings target. As I said earlier, the strong new business performance in 2024 builds on the momentum from prior years and adds another substantial layer of recurring earnings to our in-force business and the CSM.

Underlying CSM growth, after the release into earnings, was 9.1 per cent. Combined with our effective management of the in-force portfolio, this supported strong growth in the Insurance Service Result and OPAT per share, both up 12 per cent.

We have made an excellent start towards our 3-year OPAT per share growth target. Our confidence in delivering this target is underpinned by our strong business fundamentals, consistent execution and financial discipline.

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Finally, turning to capital and cash.

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UFSG is our key operating measure of cash generation after tax and is shown before reinvestment in new business and central costs. There are four components that make up UFSG.

First, US$4.3 billion of expected distributable earnings from our large in-force book that delivers recurring releases year on year. Next is the expected return on assets backing free surplus and medium-term notes, which added US$1.4 billion. Third, the addition of new business further diversifies our in-force portfolio, leading to a reduction in reserves and required capital. This item recurs each year and increased broadly in line with VONB growth.

Other Operating variances improved by more than US$350 million compared to 2023 levels due to effective management of our in-force business.

Overall, UFSG grew to US$6.3 billion, up by 10 per cent per share in 2024.

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Over the next 10 years, our large in-force portfolio is expected to generate close to US$47 billion of distributable earnings before allowing for any future new business.

During 2024, the profitable new business we added supported an increase in the 10 year total of US$3.7 billion. Since these projections are consistent with EV, they already reflect current market spot yields in Mainland China.

The key driver of future UFSG growth is successive cohorts of profitable new business, adding to our large in-force book. You can see this on the right of the slide, as layers of profitable new business compound over time to drive UFSG growth. This is why VONB growth is such an important focus for AIA.

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The Group's financial position remained very strong with Free Surplus increasing by 19 per cent over the year to US$19 billion, before returns to shareholders. We reinvested US$1.5 billion of UFSG into profitable new business, up by 17 per cent.

After deducting central costs, Net Free Surplus Generation was US$4.0 billion. Investment return variances and other non-operating items include interest rate and foreign exchange movements as well as changes to regulatory capital requirements in South Korea.

After returning US$6.5 billion of capital to shareholders, closing Free Surplus was US$12.6 billion.

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This is the first year that we have applied our enhanced capital management policy.

The annual payout target based on Net Free Surplus Generation amounts to US$3 billion for 2024. Based on our excellent financial performance, the Board has declared a 10 per cent increase in the final dividend per share, which results in total dividends of US$2.4 billion for the year.

This leaves a balance of US$600 million in the form of a share buy-back. Following a review of our capital position, the Board has announced an additional US$1 billion share buy-back. In aggregate, this will result in US$4 billion dollars returned to shareholders in respect of 2024's financial results.

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Our enhanced capital management policy introduced a shareholder view of the Group's capital.

Shareholder total capital resources comprises 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.

Allowing for the new share buy-back announced today, the pro forma Free Surplus was US$10.3 billion and Shareholder Capital Ratio was 223 per cent at 31 December, comfortably above 200 per cent.

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AIA's financial discipline and commitment to shareholder value creation set us apart.

Our prudent, sustainable and progressive dividend policy has seen total dividend per share increase progressively over time to more than 5 times the 2011 level. And through proactive capital management we have returned US$12 billion in the form of share buy-back since March 2022, reducing the share count by 11.7 per cent.

Over 2022 to 2024, through our capital management actions and dividends, we have returned a total US$18.2 billion.

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In summary, the Group delivered an excellent financial performance in 2024 with double-digit growth in our key financial metrics. EV Equity of US$71.6 billion was up by 9 per cent per share after returning US$6.5 billion to shareholders, powered by VONB growth of 18 per cent.

Our performance in 2024 and AIA's unparalleled competitive advantages provide us with confidence in meeting our OPAT per share growth target. Operating returns increased, with ROEV up to 14.9 per cent, and ROE up to 14.8 per cent.

Our capital management policy delivers a total yield of 6 per cent with a 10 per cent increase in the final dividend per share and a new US$1.6 billion share buy-back. 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.

Thank you.

Q&A session

Lance Burbidge (AIA): Good morning from AIA Central in Hong Kong, and welcome to our 2024 Annual Results Analyst briefing. I'm Lance Burbidge, Chief Investor Relations Officer. Together with me on stage, we have Lee Yuan Siong, our Group Chief Executive and President, Garth Jones, our Group Chief Financial Officer and our Regional Chief Executives, Jacky Chan, Fisher Zhang, Hak Leh Tan and Leo Grepin. And last but not least, our Group Technology Officer Biswa Misra. We also have the other members of our group executive committee with us in the room. With that, we will now begin our Q&A session. So, if you want to ask a question, please make sure that you are logged into the zoom call. Operator, over to you.

Operator: Ladies and gentlemen, if you wish to ask a question, 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 shown on your screen and ask your questions.

Charles Zhou (UBS Securities): Okay, thanks. This is Charles Zhou from UBS. Hi and good morning, everyone. Congratulations, I think it's a very good results as expected, and OPAT is also well on track. So, I have three questions.

First, it’s about China. The reported value of new business growth was 20 per cent last year, and on a like-for-like basis, what's the growth rate? Is this significantly higher? And also, with the strong growth in the past two years, what would be the sustainability? And I also noticed that you obtained four new licenses last year versus your target, about one to two licenses per year. What is the pace going forward?

The second question I want to talk about the technology. I think Yuan Siong just mentioned about that one during the presentation. So, what is your technology, especially AI Capex over the past three to five years? And how much will your investment be for the next three to five years? And I think Yuan Siong mentioned about the AI use cases which is 50? So, can you maybe elaborate this a little bit, and can you maybe also quantify the financial outcome and the ROI for tech investments?

And lastly, I have a question for Garth. I know that your shareholder capital ratio is 236 per cent at the end of last year, and I remember you showed a shareholder capital ratio of 242 per cent on a pro forma basis in the first half results after the US$3.1 billion buy-back. I think the actual buy-back in the second half of last year is smaller than US$3.1 billion and also, the equity market was doing well in China and Thailand. So, what is causing this lower than expected ratio? I also noticed the required capital increased very rapidly. I think 12 per cent half-on-half. What's the reason? And what caused this reduced free surplus. Thank you.

Lee Yuan Siong (AIA): Okay. Thank you, Charles, for your three very probing questions. First on China. China is a huge growth opportunity for AIA, and we are uniquely positioned to capture this opportunity. Our headroom for growth in the original five geographies, the new provincial operations and future new provinces is tremendous. Our differentiated model ensures that we are best placed to service the needs of affluent families in the major cities, and the demand for our products and services remain robust. You know, I will hand over to Fisher, who is here with us today to elaborate.

Fisher Zhang (AIA): Okay. Thanks, Yuan Siong for giving me a chance. Yeah. Regarding the like-for-like basis, I think as you already expected, it will be significantly higher than the current reporting basis of 20 per cent. So that's the answer for the first question. You're talking about the growth potential, I think again, Yuan Siong pointed out we are quite confident in the long-term growth.

Let me elaborate a little bit about the agent channel. For agency, as you can see from the result, our growth momentum and recruitment momentum are very good. Number of recruits increased by 18 per cent. Number of active agents increased by 9 per cent. I think it's quite sustainable. Normally, the recruitment is driven by three key things. You know, if we talk about the supply, actually the supply is often from very good quality talent in Mainland China, is not an issue. The demand side, I think, is mainly driven by three key factors: the willingness of the leader, the capability of the leader, and the confidence of the leader.

For willingness of the leader. I think we have a very young and energetic leader group. Our average age of the leader is only early 40. So that is a very demanding group. Secondly, for the capability of the leader, I think we are quite capable of leveraging our leading digital platform. As for the confidence of the leader, we give a very special focus on the new agent development. We have additional resources, additional capability building up for the new agent groups. The new agent development and the quality has gradually returned back to the pre-COVID level. So, in summary, we think our premier agency is well positioned in this market and has lots of the growth potential for AIA China.

As for bancassurance, I think our model is a highly selective model. We cooperate with selected partners, focusing on the affluent and high net worth segment, leveraging our digital capability and also the customer relationship management capability. I think so far we have viewed a lot of new innovation in this channel. We have saw early success, but it’s still at early stage. I'm sure it has very high growth potential. So, that's about the two channels. I'm very confident we can deliver long-term sustainable growth.

For the expansion, we are very pleased to have four new licenses in this year. I think there is a couple of factors. Number one, this is a good demonstration by the government, to the high quality opening up. And number two, this is also the demonstration of the government's high recognition to AIA China. But I also want to point out, in 2023, there is suspension in the approval of the new, provincial license and also the subbranch in a certain period. I think that that's also one of the reasons, we can have four new licenses in 2024. Our expectation of the expansion remains unchanged, one to two new provincial licenses per year.

Lee Yuan Siong (AIA): Thank you Fisher. On your second question about technology and digital analytics, I recalled in my first term, we invested close to US$1 billion in TDA, over and above normal technology spent. We delivered a cloud based, modernised, scalable, highly digital, and data-rich technology platform. The investment has paid dividends and delivered material benefits as we reported previously. It is also essential for our next phase, which is to leverage AI and other new emerging technologies to transform our business. I'm excited about the potential benefits we can unlock through the use of this technology. I'll hand over to Biswa to elaborate.

Biswa Misra (AIA): Yes, thank you. Good morning Charles, and thank you for the question. Firstly, I am happy and excited about how our significant TDA investments over the last four years have helped transformed our business. Our cloud adoption today is at 90 per cent, straight through processing over 85 per cent. Same-day turnaround of transactions over 85 per cent. The data richness and data availability has grown tenfold over the last four years, and we have delivered more than 330 analytics use cases over this period. All of this has also powered digital adoption of our platforms, and today we have 21 million members who are using our digital platforms. As a result of all this, we have provided excellent experience to our consumers, customers and distribution. Our number one NPS ranking in multiple markets, our average in-app rating for agents who use our platforms was just 4.7 on 5, are a testament to the deliberate focus that we have put on providing the world class experience using our powerful technology. On efficiency, we are realising annual benefits to the tune of US$180 million on claims and operational efficiencies. And as a result of this, our unit costs over the period of last four years have significantly reduced to the tune of 43 per cent. This robust cloud infrastructure, high level of automation, performing platforms and huge quality data set that we have, sets us up to use the immense potential that generative AI presents. We moved seamlessly to the use of generative AI last year, and today we deliver more than 50 use cases. I'm just going to walk you through four selected use cases, which will give you an idea of the breadth of usage of generative AI within AIA and the different facets of our business that we are looking to address using this potential power.

The first one, we have used the Alibaba LLM to launch a personalised training tool for agents, which simulates customer interaction scenarios, enhancing the agents' customer engagement skills. And initial results show an uplift of ten points on assessment scores for the agents who are using this tool. We have implemented customer servicing Copilot using openAI LLM, which helps our customer services representatives answer queries seamlessly and summarising interactions, and we have seen a decrease in 50 per cent in wrap up times. We have also the third example. We have implemented an extraction solution for medical documents using again openAI LLM saving up to 55 per cent time for claims assessors and underwriters while analysing the documents that come through. Last but not least, which is quite fascinating and useful. I mean, this is the deep seek evolution, that we all are on the cusp of. Actually, we have been using this since March 2024, the earlier version of Deep Seek. We have developed a proprietary software engineering platform using the earlier versions of Deep Seek and now migrated to R1, which significantly reduces our coding time and code review time by up to 55 per cent. And you can imagine, you touched upon our massive investments today, a lot of this, the workhorse of a lot of these systems and platforms that we have placed in over the years is a result of this significant benefits that we are seeing from these platforms. As you can see through this sprinkling of examples, our approach to implementing generative AI spans across new business underwriting, claims and software development, and many other areas.

Over the next three years, a significant part of our technology investment will be focused on embedding generative AI across all aspects of our business and help us scale our business further. Thank you.

Lee Yuan Siong (AIA): Thank you Biswa. On capital, previously we have clearly communicated our capital management framework. We have acted in accordance with this framework. Since 2022, We have returned over $18 billion to shareholders and bought back more than 11 per cent of outstanding shares. We will continue to implement this framework. On your detailed questions, I'll hand over to Garth.

Garth Jones (AIA): Yes thanks, Yuan Siong. Thank you Charles. Good morning. Clearly the biggest change in the shareholder capital ratio was the buy-back program that that reduced the ratio by 38 points, so that was the most significant. The rest of it was largely due to the required capital increase as you noted. More than half of that is due to the increased new business and the increase was proportionate. So, that's part of it. And obviously on that new business, we are getting returns of over 20 per cent. So it remains a very attractive investment. There is some, in the second half compared with the first half, there are some forex and interest rate differences that come through. That's probably where your, your numbers a little different.

Lance Burbidge (AIA): Okay. Thanks Garth. That answers your questions hopefully, Charles.

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

MW Kim (JP Morgan): Good morning everyone. This is MW Kim at J.P. Morgan, and congratulations on the good result and thank you for taking my question. I have three questions. Firstly, on the company that enhance the capital management policy, I guess net free surplus generation has become a more important metric to wider stakeholders. Do you have any plans to adjust the weighting over short-term management KPIs to place a greater emphasis on the net free surplus generation? Secondly, the Hong Kong business continues to perform strongly. Could you elaborate on the potential implications of new guidance related to the par policies in Hong Kong, including GL34, for both for the industry and the company? Lastly, it appears that the India business is doing very well. However, we still lack separate disclosure for this segment. When can you expect to see the separate disclosure for the India operation, even without the composite license progress? Please.

Lee Yuan Siong (AIA): Okay. Thank you, MW. On the question of net free surplus generation, now net free surplus generation is UFSG less new business investment. Clearly, in terms of new business investment, because of the attractive returns that we can generate from new business, clearly I think our shareholders would appreciate if we invest more and more, even more in new business. So, the metric that we reflect in our incentive schemes is the UFSG for each year. And the UFSG metric is actually, in the STI, which is the short-term incentive program, and also incorporated in the LTI of the management. So, that shows the emphasis that we placed on UFSG, and that is very aligned with the interests of our shareholders. Garth do you want to add anything?

Garth Jones (AIA): No, you covered it well, Yuan Siong.

Lee Yuan Siong (AIA): Okay, now on Hong Kong. I think in Hong Kong, we are the most respected insurance brand in Hong Kong. Our loyal customer base stays with us through their lifetimes, because of the trust they have in our professional agents, and the advice they get from our professional agency force. And our premier agents in Hong Kong, we are the most productive. We've been MDRT for 22 years already. And in 2024, we delivered very strong growth both in the domestic and MCV segments. I'll hand over to Jacky to elaborate.

Jacky Chan (AIA): Yes, I'm very pleased to report that Hong Kong and Macau delivered a set of excellent result in the year 2024, VONB growth by 23 per cent, and it's a broad-based growth across both the agency channel and the partnership distribution channel, and also broad-based growth across both domestic customer segment and the Mainland Chinese visitor customer segment. And as you know, Hong Kong has been very innovative in rolling out leading innovative, long-term protection and long-term saving products for our customers. Most of their products sold in Hong Kong market, are participating products.

And you mentioned two recent guidance notes from the Insurance Authority. In fact, AIA Hong Kong we are very supportive of those guidance notes. On the first one, it is about par product illustration guidelines, it put a cap on HKD par product on the IRR to the customer at 6 per cent; non Hong Kong dollar product, the cap is 6.5 per cent. We are supportive, and we believe a healthy competition in the market actually is beneficial to the customer. And this par guideline product will be well implemented effective from July 1st, and we believe it has no major impact to the business. And in fact, as Hong Kong is selling majority USD product, we invest globally. Our product in Hong Kong remain very attractive with very flexible features and benefits to both domestic and MCV customers.

As to the 2nd guidance note which was, you mentioned, is GL34. In fact, AIA Hong Kong has been employing a very robust par product management policy well before this issuance of the guidelines GL34. we have clearly identified and also segregated asset investment for par product. We have been doing this for years, and we have a robust ALM on the par product. And we have also a very robust, dividend and bonus declaration policy over the years. And we put policyholder reasonable expectation in an important principle in our policy. And we always keep a very fair treatment of our customers. And over the years, our participating product dividend bonus fulfilment ratio has been on average between 90 per cent to 110 per cent. So we are well positioned to implement this GL34.

Lee Yuan Siong (AIA): Yes on your third question, I think I just remind you we have a diversified pan-Asian platform and our key growth markets are the best markets for life and health insurance, offering ample growth, headroom at attractive new business returns. Our portfolio of businesses is well balanced with Hong Kong, which is USD based as Jacky mentioned, contributing one third; Mainland China, one quarter; Southeast Asia 35 per cent; and India is growing rapidly. And I'll hand over to Leo to talk about, India.

Leo Grepin (AIA): Good morning, MW. As you've mentioned, we're very pleased with the performance of Tata AIA. As you know, we've got tremendous partnership with Tata Sons and that partnership has delivered very strong performance. Last year, we delivered growth in both ANP and VONB, and if you look at the last two year CAGR growth, Tata AIA delivered over 20 per cent over that period in both ANP and VONB. That now places us as the third largest private insurer in India, and that's on the back of a strong strategy with multi distribution channel. Distribution in particular, we've got a strong focus on our agency distribution, which is now the number one MDRT agency in the country. That's also complemented with very strong partnership distribution where we are associated with the highest quality banks and brokers in the country. We're very pleased with that performance in terms of growth, but we've also got a very strong focus on quality. We've been focused on protection, in particular. And, we now ranked number one in the country in terms of retail sum assured across both public and private insurance companies. That's also resulted in very high persistency where we have the leading persistency in the country across four of five persistency cohorts. So, as you can see and as you've highlighted, very strong performance for Tata AIA, and we've got great confidence in the performance of that business going forward.

Lance Burbidge (AIA): Okay. Thanks. Next question please.

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

Thomas Wang (Goldman Sachs): Hi morning, this is Thomas here. Thank you for taking my questions, a couple of questions. I think first, if I can just follow up on that free surplus generation, there's a US$1.3 billion negative investment return variances and other items. I think there's a few drivers that mentioned: Hong Kong eMPF, Korea and China. Is it possible to give a little bit more colour in terms of what the size of each of those factors that contributed to this US$1.3 billion negative variance item. And then the second question, if I kind of looking forward to 2025 VONB growth. Just thinking about how you calculate your VONB, this is mainly for Mainland China. My understanding is that the bond yield at December 31st will be used in the 2025, at least part of the 2025 VONB. How should we think about that? Is that going to be a headwind on VONB growth just because of the way it's calculated? Thank you.

Lee Yuan Siong (AIA): Okay. Garth, do you want to take the first question?

Garth Jones (AIA): Thanks, Thomas. On the free surplus, there's a reduction because of the Chinese and Thai interest rates, that's about US$1.5 billion. And then there's equities performance, was strong actually. And the strong equity performance is about half a billion the other way. And then there was the regulatory changes in Korea, they updated the ICS factors, that's about US$200 million. So, and then there's some FX effects which is the balance.

Lee Yuan Siong (AIA): Okay. On your question about China VONB growth. Before I hand over to Fisher, I just again reiterate that China presents a huge opportunity for AIA. I elaborated just now. I think any short term headwinds should be looked at, in the context of the huge opportunity for growth in the long-term that we have in China.

Fisher Zhang (AIA): Yes, thanks Yuan Siong. Good morning, Thomas. So I think, as Yuan Siong points out, we are very confident in the long-term sustainable growth. I think, you know, premier agency force, our target segment at the middle class and affluent, our leading digital technology, and also the geographical expansion opportunity, I think, let AIA China well-placed to capture the growth opportunity in Mainland China. So, considering the low interest rate, we have revised assumption for the 2025 VONB. And we also proactively reprice our product and shift our long-term saving to the participating product. I think with all of these, although there are some margin pressure, we are still very confident in our growth driver, growth potential, our unique agency, and also the complimentary, bancassurance growth potential. Thank you.

Lance Burbidge (AIA): Thanks, Thomas. Any follow ups on those? No? Okay, next question please.

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

Richard Xu (Morgan Stanley): Hi this is Richard, can you hear me okay?

Operator: Yes, we can hear it.

Richard Xu (Morgan Stanley): Hi. This is Richard Xu from Morgan Stanley, a couple of questions. First of all on China, seems like the VONB growth has slowed a little bit, we've done our calculation. Obviously, there's probably a number of impacts in fourth quarter. Just wondering whether there is any breakdown or details on some of the, you know, basically fourth quarter trends? In China, going forward, obviously there are a lot of opportunities, but what I see, any of the headwinds are still going to be persist in first quarter? When do we expect some improvement from that in China? Secondly, maybe on Hong Kong a little bit, if there's any guidance on the competitive landscape at the moment? Obviously, AIA has continued to be doing well in Hong Kong but competition continue to increase. What are some of the outlook, you know, maybe pricing as well as competitive landscape for Hong Kong in 2025? Thank you.

Lee Yuan Siong (AIA): Okay. Yes, Fisher?

Fisher Zhang (AIA): Thanks, Yuan Siong. Talking about last year, the fourth quarter, the second half, I think you know from the reporting basis so you may notice, lower. I think a couple of factors. Firstly, it’s because in 2023, there was a surge of business because of the first round of the PIR cut. But in 2024, we early withdraw the product trying to avoid those unhealthy firesales. So, secondly, it's also because last year the bancassurance contribute a lot to the growth, but mainly, it comes in the first half which is in line with the market practice. And thirdly, I think very importantly in the second half, especially the fourth quarter, we shifted our focus to the customer acquisition, to the recruitment and very importantly, train the agents sell more participating product, shift more to the par development. So, I think that's a key reason. Another reason is also, you know, we use a reported basis. If like-for-like basis, it will be more positive and it will look much better. So, that is about the fourth quarter in the last year.

As for this year, the first quarter, as usual, we launched the jump start in last November, and also we began to receive the premium in January. I think for agency, the momentum is quite good. We maintained a good momentum in both sales and recruitment. I think we maintain our well balanced product strategy. Our strategy actually is to fulfill the customer needs at the different life stages. So, we sell protection, we sell the tax incentive products, and also the long-term savings. But in the jump start stage, our top priority is still try to shift to more participating products in the long-term savings. So, so far the momentum is quite good. For bancassurance, we saw the increased competition in the market because of the relaxation of the 1 to 3, and also the increase emphasis from the competitors in the bancassurance. Please note, we obviously said, we are not managing the business quarter by quarter. We manage the business in the long-term view. As we said, we have full confidence in the long-term potential of the China market. And we think, AIA China is well positioned to capture the great opportunity in Mainland China. And also, we have full confidence in delivering the long-term sustainable growth. Thank you.

Lee Yuan Siong (AIA): Okay. Thank you, Fisher.

Jacky Chan (AIA): And Richard, your question on Hong Kong competition. Yes, this is a very competitive market, but I have to say, AIA always welcomes competition if it really works out beneficial to the customers. And therefore at the same time, AIA always employs sound financial discipline. And let me address this competition through the channel lens. Because in AIA, we are always very proud of our premier agency. AIA Hong Kong and Macau is a good example. We are MDRT number one in the last 22 years out of 24 years. And we have very high-quality agents. You can see our MCV business growth since the border reopened. It grows quarter by quarter. And our premier well-trained professional agency force is a key differentiation for AIA Hong Kong, to address the competition issue. And our partnership channel also grew by 25 per cent in the year 2024. And we have very good exclusive bank partners, Citibank and BEA. Both of them actually achieved very excellent growth in last year. The IFA/broker channel might be the channel that are more open to competition because it is not proprietary, but you see, we also delivered double-digit growth in our IFA/broker channel in last year. While it is very competitive in the broker channel, but AIA as I said, we really want to write quality sustainable business. Therefore, we partner with selected brokers who really align with our way of quality business. We launch a more stringent compliance requirement, inviting MCV business from the broker channel. And those IFA/brokers partner with us, they employ/implement the same to ensure a quality business going forward. And we continue to employ our financial discipline in driving sustainable quality business. While yes there is competition, we continue to innovate our products and services, etc.

Lance Burbidge (AIA): Thanks, Jacky. You got any follow-ups there, Richard?

Richard Xu (Morgan Stanley): We're good. Thank you.

Lance Burbidge (AIA): Next question is probably Kailesh.

Operator: Yes. The next question comes from Kailesh Mistry of HSBC. Kailash, please unmute yourself and ask your questions.

Kailesh Mistry (HSBC): Hi. Good morning everyone. Thanks for taking my questions. Second time lucky, I guess. The first one is on slide 31. Within the UFSG roll forward, there's a negative variance of US$127 million. I think there was a positive 310 in the first half. So just wanted to understand what's happened there? Second question is on required capital, just a follow up from Charles' question. So in your model, is it fair to say that you assume a required capital growth rate of around 5 to 6 per cent, given 13 per cent growth this year, half of which was new business, half was market movements, basically? So just if you could confirm that. Third question is on the medical provision, how much of the US$400 million is remaining at the end of this year? And then the last one, just coming back to Hong Kong if I may. Some of my colleagues internally and also some of the clients, are very excited about the Hong Kong offshore market, in particular the wealth management flows, etc.. Could you just talk about the type of business you're willing to not do and the business that you have raised your focus on? I guess to sort of cover that point. Thank you.

Lee Yuan Siong (AIA): Okay. Thank you. Garth, can you take the first three questions and Jacky take the Hong Kong one?

Garth Jones (AIA): Yes the US$1.3 billion Kailesh, is mainly due to the interest rate movements and equities, as I described earlier. And that impacts free surplus more than embedded value because you have the dollar for dollar in the free surplus. And then it's that money comes back, the required capital comes back. So it's the time value of money that you see in the embedded value. The second question was on UFSG, the 5 or 6 per cent. I think, you know, that depends on the reserves, but typically they would be around that level. Some of that is the business that is participating and so on. It's not just guaranteed parts of the reserves and so on. And then you have the diversification benefit as well coming in of course. So, I think you can sort of project that out based on the past history. That will give you a good idea of how that will move.

Lance Burbidge (AIA): I would look at these things, on the annual basis rather than on the first half or second half split. There's some seasonality in the way things emerge, particularly in UFSG.

Garth Jones (AIA): Yes and that diversification benefit. Really you can see that's roughly proportionate to the new business.

Lee Yuan Siong (AIA): Required capital growth?

Garth Jones (AIA): The required capital growth, again, we said that was due to the new business increase, that you saw. The majority was due to the new business increase. Some of it was due to forex and interest rate movements. The majority was due to the increase in the new business.

Lee Yuan Siong (AIA): And then the third question is on medical provision.

Garth Jones (AIA): The medical provisions, we've used a substantial amount of the medical provisions. So, you saw that the experience and the variances improved over the year. It was broadly in line with what we expected. We did keep some back for Thailand where we saw an extended flu season. And a little bit for Malaysia given the regulatory movements, but the majority of it has been used as we expected, and is broadly in line with our expectations when we set the provision up.

Lee Yuan Siong (AIA): Jacky?

Jacky Chan (AIA): Yes. Hong Kong obviously is an international financial hub. And of course, the wealth management business in Hong Kong is flourishing so many high net worth customers who come to Hong Kong. In fact, AIA pioneer to launch our Club Alta and we established high net worth wealth center, and also a wellness center for our customers. So it is both health and wellness. And right now, we really are doing a lot of high net worth business. But we are only issuing onshore policies, meaning those policies are issued by AIA in Hong Kong. We continue to have our options open to review the development of this high net worth market. And also let me remind you, in fact, Singapore is also one of the major financial hub in Asia, and in Singapore, we are also writing a lot of high end policies.

Lee Yuan Siong (AIA): Kailash, did, Garth address your three questions on UFSG, required capital and the medical provision, if not, you want to follow up?

Kailesh Mistry (HSBC): Yes, just one outstanding on slide 31. I think it's the 4th column along the US$-0.1 billion. That was the one that was US$+0.3 billion at the first half. Just trying to understand what moved in the second half there.

Lance Burbidge (AIA): Yes, I think that was my point that I was trying to say. Maybe I wasn't clear enough: that you should look at this more on an annual basis rather than a half on half, because these things like expenses that are quite seasonal between the first and the second half. So, we tend to have a positive expense variance in the first half, and that turned negative in the second half. So, some quite a lot of that is actually that happening. So, if you look at it more over the year, that gives you a better impression as to what has been happening, and so the US$+355 million year-on-year is more about the improvement in managing the claims.

Kailesh Mistry (HSBC): Okay. Thank you.

Lance Burbidge (AIA): Next question please.

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

Michelle Ma (Citi): Hi, this is Michelle from Citi. I have three questions. And the first on China. China again. So, it's nice to have another four new licenses last year. So I wonder, you know, this is kind of non-COVID period new licenses, just wonder how will we handle those new regions differently to build up the team, because we notice AIA China actually start to hire some top managers, top agents from some competitors and, just wondering like this time, is it different, to build up a new branch. So, this is the first question.

The second question is on the way of thinking shareholders' view of capital. Because in the presentation, we basically have a static view, so we deduct the newly announced share buy-back from last year's capital position. Just wondering whether this is too conservative because the new buy-back will actually be conducted in 2025, and so there will be new free surplus generation in 2025. If we just use, like the end of the 2024 position to think about the capital position, it will be very low like, 223 per cent. But if we also consider the new generation during 2025, it should be much higher, so should we think about the shareholders capital from a more dynamic way. So, that's my second question to discuss with the management team.

The third question is on the total shareholder return. I think we already offer very generous shareholders return: US$600 million already completed in buy-back year-to-date, newly added US$1.6 billion and, another US$2.4 billion in terms of the dividends. So, my question is, given currently the trading valuation is already above 1x P/EV, should we consider actually more dividend from here and less buy-back, given some domestic funds, especially southbound funds, most of them, they value the dividend yield as a critical threshold for stock picking. So, if we all do it in the form of the dividend, that will bring our dividend yield like 5.5 per cent which is really attractive. Just want to discuss the format of shareholders return, to hear about management thoughts. Thank you.

Lee Yuan Siong (AIA): Okay. Thank you Michelle for your question. On China one, I am not surprised. Now I want to just start off by saying that, myself and actually the whole group, the board of directors are very pleased with the fact that we received approvals for four new provinces in October last year, and also for the fact that we received approval to launch all four provinces within the first quarter of 2025. I think, that is really in record time. So, we are very pleased with the local team led by Fisher in delivering this excellent result for us. Just a reminder that, since 2019, we have expanded our geography in China from five geographies: Beijing, Shanghai, Jiangsu, Guangdong and Shenzhen, now to 14 geographies. So, we are definitely very excited about opportunities there in China. And hand over to Fisher to talk about how we are progressing when it comes to new operations.

Fisher Zhang (AIA): Okay. Thanks Yuan Siong. Morning, Michelle. As Yuan Siong said, we are very pleased to get four new licenses. As you said, there was some disruption there in the COVID period. But after the COVID period, we saw very good progress and for the new five regions, normally for the expansion, we see that there are three key success factors. The first one is a proven business model, which is our premier agency. I think we have quite a lot of successful stories and accumulate very good experience in the past two years, and actually we can leverage in our current very high-quality agency force. Just to give you some color, like in Zhejiang, quite a lot of our agent leaders in Jiangsu and in Shanghai, are willing to refer their friends in Zhejiang, and some of them are actually from Zhejiang. They can consider to relocate back to Zhejiang. And so, I think we are quite confident in this business model. We can definitely replicate the success in the new regions. And the second success factor is scalable operating model. Since subsidisation in 2020, we have established two share service offices in Guangdong and in Jiangsu. They are working very well to support the nationwide operation, and we have leading digital technology. So, I think that is very helpful. The third one is a key, the talents. We need to have enough talents: fit our culture; understand our model; following our operating principle. I think that that's a key for their success. Since 2019, we have built a solid pipeline of the talents. So I think, to combine all these three key success factors, and also we have accumulated very good experience in the past years, for the five establishing a new branches. We are very confident, that we can ensure the long-term success of the new BUs. By the way, we are also very strategic and disciplined in the pace of the development. We need to ensure, the initial staff, the first batch of the leaders and agents are very solid, adding that they are key for the future success. There's a quick introduction of our expansion.

Lee Yuan Siong (AIA): Your two questions around capital and shareholder return, We have communicated our capital management framework. We are implementing it. We've returned significant amounts of capital to shareholders over the past three years. We've improved our metrics significantly. Our return on equity has increased significantly, now close to 15 per cent. We have also increased our final dividend per share to 10 per cent. So, I'll hand over to Garth.

Garth Jones (AIA): Yes thanks Yuan Siong. We set out the capital management policy, Michelle, as you know. And we target to return 75 per cent of net free surplus generation, and the other element of this really, is the prudent, sustainable, progressive dividend policy that we have. You saw, again, a substantial increase in the final dividend, 10 per cent increase, but I think it's also important to remember that we've increased the dividend during COVID. And you can see that progressively over the years, we've increased the dividend. So, it's not just about the level. It's the prospects for future growth in that dividend that I think, are also very important. In terms of the yields, quite rightly you say 6 per cent, and we think that's very compelling proposition for shareholders. In terms of the shareholder capital ratio, as we set out in the capital management policy, we expect that will, reduce progressively over time due to the 75 per cent of net free surplus generation plus anything additions that we had above that. You saw the additional US$1 billion of buy-back that we announced today. So making US$1.6 billion in total, we see tremendous growth opportunities for the business. Fisher has outlined the growth opportunities in China, but we have growth opportunities right across the portfolio. We saw that in the results in ASEAN, for example, very strong growth, and in India. So, we think that the prospects are very good and we don't want the business to ever be constrained in terms of its organic growth in particular. There is a slide in the appendix. I don't know if you know.

Lance Burbidge (AIA): This also goes back to one of Charles's questions on the movement in this shareholder capital ratio. We understand that it's hard to see, perhaps, from some of the disclosures. So slide 57 gives you the numerator and the denominator movements, and this hopefully confirms what we said earlier, in terms of, it's actually the new business growth, the US$1.3 billion you can see in terms of the required capital at the bottom, and that you would expect to continue. And then don't forget that we hold currently 236 per cent of it, so it gets multiplied in terms of how it impacts on the shareholder capital ratio. The generation of in-force capital is more than sufficient to cover that growth, as you can see, but that may be helpful in terms of understanding, and you can see that investment variance and other, which includes the interest rate movement and the FX across the year. So hopefully, that will answer more of your questions in terms of the movement, but come back to me and investor relations if you want any more on it, hopefully that gets all of your questions, Michelle?

Michelle Ma (Citi): Also on the format of the buy-back versus dividend?

Garth Jones (AIA): I think importantly, Michelle, is we've targeted 75 per cent of net free surplus generation. You've seen the dividend increase by 10 per cent and as I said, we increased the dividend during COVID at a faster rate than OPAT growth. I think it's not only about the level of dividend. It's also the prospects for future growth in the dividend that are important, and then we also have the additional buy-back to top up. So in some ways, looking at 75 per cent of net free surplus generation may be a more appropriate way to look at it.

Lance Burbidge (AIA): Okay. Next question please.

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

Michael Chang (CGSI): Hi and thanks for giving me the opportunity to ask questions. I've got a few questions on my side. Firstly, appreciate the buy-back program, the US$1.6 billion. But, taking a look at some of your peers, maybe investors are a bit greedy here. Some of your peers have announced reinsurance or potential spinoffs to return more capital to shareholders and capital management is clearly the flavour of the month. I was actually wondering on a slightly different topic, for leverage ratios, because some debt actually is a component, or tier-2 debt is a component of your capital. What are your target leverage ratios? And, you know, in terms of your credit rating, how much are you willing to expand that, and if you were to do more on that front, whether more capital could be returned to shareholders?

Second question is, while we appreciate that you do have a very strong confidence on the long-term outlook for Mainland China. I think it's fair to say that a lot of the global investors, of which AIA does have a fairly high mix of shareholders, some of them are probably a bit more uncertain about the outlook. So, as AIA did in the first quarter and the second quarter last year, which investors highly appreciated based on the share price reaction, would management feel confident about, you know, say giving more clarity into the future by giving outlook statements or at least target, say like new business CSM growth rates or VONB growth rates like some of your peers do, because that will actually help reduce uncertainties.

The third one is possibly on the new business CSM because that grew by 11 per cent year-on-year on a CER basis, VONB was up 18 per cent year-on-year. Now we do appreciate that, obviously, these are different metrics. One is accounting, one is actuarial, different things that go into it, tax, critical illness and so on. But I try to actually understand why has it been consistently slower over the last one to two years compared to VONB growth, and you know, how should we think about this, if interest rates move or given where your product mix is shifting, say in the case of Mainland China, more towards par, does that mean we should, under such a situation, given those assumptions, therefore expect slower new business CSM versus VONB.

And maybe just lastly, I think it was asked by Thomas indirectly just now, but in so far that Garth did say that 1Q had very strong growth in Mainland China last year, so take that into account, when considering the near term prospects for Mainland China, Hong Kong also showed high growth, but it was seemingly, only was that Mainland China was singled out as having a high base. And one thing that's different about Mainland China is the assumption changes. So I know AIA will not disclose like for like, but in terms of setting expectations, how should we think about the assumption changes and how it by itself just impacts, FY 2025 growth numbers for VONB, thanks a lot.

Lee Yuan Siong (AIA): Okay. I think if I can summarise your first three questions. I think your first question is about target leverage ratio. Your second question is about whether we should be giving new business growth targets. And your third question is about, the trajectory of new business CSM growth, so I'll just hand over to Garth to talk about it.

Garth Jones (AIA): Yes. Thanks Michael. Yes on leverage, clearly, we look at ways that we can optimise returns for shareholders on a long-term basis. We do look at our capital management, we do look at the structure of the balance sheet and so on, and we look to continue to optimise our balance sheet. We do have capacity and financial flexibility from the debt capacity we have. And clearly, if you look at our leverage ratios within our ratings, we could increase our leverage, that also gives us great flexibility and we're very comfortable with the ratings where they are. So we continue to look at that on an ongoing basis. In terms of the new business CSM and so on, I think you should remember that the Group business has a different CSM from the individual business because it's one year business and so on and that goes into PAA profits. As you know, we would broadly expect that they move in line with each other over time. And, and I think if you look at our target of 9 to 11 per cent growth that we expect to meet or beat, particularly given the excellent performance in 2024, then there's a level of new business CSM growth that you might expect within that.

In terms of China, the margin in China, we highlighted the strong new business growth in China in Q1 last year. In Q1 last year, China was around 40 per cent of the value of new business. As was said earlier, we will be using our revised economic assumptions for China. You know, going into Q1, and that will have an impact on margin. But we do expect our margins to be above 50 per cent overall for Q1, so hopefully that gives you enough guidance.

Lee Yuan Siong (AIA): Again, I like to reiterate my point that at the beginning, you know, well, any short term headwinds, we should really look at it in the context of the tremendous growth opportunity that we see for AIA in Mainland China over the medium and long-term.

Lance Burbidge (AIA): So I get all of those questions, Michael?

Michael Chang (CGSI): Thanks a lot.

Lance Burbidge (AIA): Great. Thank you. Next question. So I think maybe the last question.

Operator: Yes, the last question comes from Michael Li of BofA Securities. Michael, please press the unmute button show on your screen and ask your question.

Michael Li (BofA): Thank you. This is Michael Li from Bank of America Securities. Thank you for giving me this chance to ask last question. Three questions from me. The first question is about ASEAN markets. So we saw strong margin in Thailand. We saw strong volume growth in Singapore. So could you talk about your strategy on some other markets in ASEAN countries, whether you could follow the example of Thailand or the example of Singapore to boost the VONB growth in 2025 or 2026? Second question is about India. So we saw news about Tata AIA life. It's not keen to get listed in India. So any rationale you could explain to investors why you made this decision. And the third question is about the long-term outlook of the company growth. So, some investors say that AIA now is a 10 per cent company, so everything is about 10 per cent growth, OPAT, EV before buy-back, EPS. So any kind of game changers or drivers that could make AIA a 15 per cent growth in the next five years. Thank you.

Lee Yuan Siong (AIA): Okay. Thank you for your question on ASEAN, I'll hand over to Hak Leh to talk about the opportunities in ASEAN.

Hak Leh Tan (AIA): Thank you, Yuan Siong. Thanks, Michael for the question. AIA Thailand continued to achieve excellent growth. In 2024, we achieved 15 per cent VONB growth, supported by both our agency and bancassurance channels. As you're probably aware, we are the clear market leader in Thailand, we're number one in most major product lines: number one unit-linked, critical illness, health, corporate solution, and overall protection business. And because our focus on protection business, we are able to sustain the high margin while delivering valuable solutions to our customers. Our agency force is our single biggest distribution channel, agency force grew by 17 per cent last year, both in productivity gains as well as head count, and the growth of our agency force in Thailand was supported by the excellent contribution from our financial advisor programme, where the number of new recruits of FA increased by 21 per cent, and we've been able to obtain number one MDRT position in Thailand every year since IPO. In addition, we also saw very strong growth from our strategy partner, Bangkok Bank, largely from the success of our more segmented approach in serving the large and diverse market segment of Bangkok Bank. With our strong track record of execution in Thailand, as well as our market leading distribution channel proposition and digital platform, we believe AIA Thailand is well placed to continue the growth into the future. Singapore, in 2024, achieved 15 per cent growth supported by both agency and partnership channels. Our strategic focus in the wealth opportunity in Singapore contributed to very strong growth in long-term savings products in Singapore. However, our overall product mix remain diverse. Traditional product is our largest and growing product segment, accounting for about 41 per cent of our VONB. Sales momentum in Singapore continued throughout the year, which is more than offset the lower overall portfolio margin. Singapore continues to grow our agency force very strongly; the number of new active recruits grew by 15 per cent. The number one MDRT in Singapore for 10 years. And our focus on the affluent and high net worth segment through our partnership distribution has yielded a very strong growth in 2024. And we also retain our clear market leading position in the corporate solution business. So, as you can see, in each market, we always strive to deliver the best solution to the respective segment. In Singapore, we are seeing a lot more growth from the wealth segment, which has generated huge increase in ANP, while the margin has gone down in 2024, the VONB continued to grow very strongly. Whereas in Thailand, the opportunity for protection, especially critical illness, life protection and health protection remain extremely strong, and that continue to support the significantly higher VONB margin that we have in Thailand.

Lee Yuan Siong (AIA): Thank you. I think it really reflects our very customer focused approach to our propositions development in our markets. Leo, Tata AIA?

Leo Grepin (AIA): Good morning, Michael, on your question on India, what I would say simply is, obviously we won't comment on market rumours, but as you know, we've got an outstanding partnership with Tata Sons that has delivered very strong performance for our joint venture, Tata AIA. And the partners are consistently reviewing all of our options to maximise shareholder value, and we will continue to do so in the future.

Lee Yuan Siong (AIA): On your final question regarding the growth prospects of AIA, I'll take this question. As I said, we are in the best region for life and health insurance globally. I think there's no better region to be in for life and health insurance than in the markets that we currently operate in. We are also in the best position with our quality sales force, our very differentiated model to capture the growth opportunities in this region. So, I really don't see that we are a 10 per cent growth company. Thank you.

Lance Burbidge (AIA): Thanks, Yuan Siong, and thanks Michael. Thanks for everybody who participated on the call and for your questions. And if you have any follow ups, obviously come through to investor relations during the day, and I think we'll see some of you later on today. Thank you very much.

Operator: Ladies and gentlemen. This concludes AIA's 2024 Annual Results Q&A Session. Thank you for your participation.

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