

AIA Group Limited 2013 Annual Results

Analyst Briefing Presentation – Transcript

21 February 2014

Mark Tucker, Group Chief Executive and President:

Good morning and welcome everyone to our full year results presentation. Last February we said that over the coming year we would focus on those priorities that would make a material difference to AIA's future growth, and that is exactly what we have done. In 2013, at the same time as delivering excellent growth in new business value of 25 per cent and a IFRS operating profit of 16 per cent, we have also produced a substantial increase in free surplus generation remitted over 1.7 billion dollars to the Group, improved our solvency position and increased our final dividend by 16 per cent. This is a very strong performance with continued growth momentum across all of our key metrics.

We will follow our familiar structure this morning, you will have the opportunity to hear from Garth, Keng Hooi and Gordon, and I'll then come back at the end to summarise the presentation before opening up to Q&A.

Our ability to achieve sustained growth year-on-year demonstrates the power of AIA's franchise and the consistent execution of our strategy. As well as delivering strong organic growth we were also able to complete two transactions at the beginning of the year. The first expanded our established presence in Malaysia, while the second secured our entry into the attractive Sri Lankan insurance market. Additionally, on the 19th of December last year, we signed an exclusive bancassurance agreement with Citibank. I think you can see overall that we have remained well positioned to continue to seize the immense growth opportunities that Asia offers, and the really exciting thing is that we are only at the very beginning of that journey. Let me now take you through the financial highlights.

All of our key metrics maintains their positive momentum. New business value, IFRS operating profit and embedded value have all reached new highs. I will begin with the VONB, our most important value metric. VONB is up 25 per cent to nearly 1.5 billion dollars, ANP volume increased by 24 per cent, totaling well over 3 billion dollars for the year and VONB margin increased to 44.1 per cent. Embedded value equity increased by 10 per cent to 34.8 billion which included operating profit of 4 billion dollars. Turning now to our IFRS results.

Operating profit after tax grew only by 16 per cent and the profit was 2.8 billion reflecting lower equity market gains compared with 2012 and in terms of capital in cash, we have remitted additional 1.7 billion dollars to the Group Corporate Centre over the year. The solvency ratio of AIA Co. increased by 80 percentage points to 433 per cent under the conservative Hong Kong ICO basis. I am pleased to say that the board has recommended an increase of 16 per cent in the final dividend, giving a total dividend of 42.55 Hong Kong cents per share.

This strong financial performance is a direct result of the successful delivery on each of the key priorities for AIA that I had set out at this time last year. In distribution, the execution of our Premier Agency strategy, with our focus on high quality recruitment and training, is essential for sustaining our significant competitive advantage. This was complimented by strong delivery in both our partnership and Group Insurance businesses. We continue to build our enhanced customer understanding to launch targeted new products and services, and in particular the value of new business, generated by our unit-link products which include high levels of protection cover, has increased by 64 per cent compared with last year. Through our customer engagement, our large existing customer base, we have additional and material source of growth. I'll now take you through these areas in more detail, starting with distribution and Premier Agency.

Agency delivered strong VONB growth of 24 per cent with further improvements in productivity and a

double digit increase in the number of active agents over the year. We have broadened our development programs through our AIA Premier Academy to include high potential agency leaders and reinforced our focus on recruiting the next generation of Premier Agents. As a result, the number of active new agents grew by 27 per cent compared with last year. Significant growth in Million Dollar Round Table qualifiers in 20 per cent demonstrates the depth and quality of our growth in our agency force and shows that the execution of our Premier Agency strategy is working well. I fully expect AIA to be the number one company in MDRT worldwide over the coming years. We also continue to roll out our iPoS, our industry-leading point-of-sale technology, which is now active in 8 markets. Importantly, we continue to attract top industry talent to help lead our Premier Agency strategy. Turning now to partnerships.

Partnership distribution delivered excellent results with VONB up 35 per cent in 2013. In the bancassurance channel, we maintained our strong track record of delivering profitable growth with VONB increasing by 57 per cent and a margin uplift of 4 percentage points. During the year we launched our long-term relationship with Public Bank of Malaysia and this has made a very successful start. I had mentioned a few moments ago that we signed a landmark distribution agreement with Citibank in December 2013, clearly after the year end. This is the widest-reach in bancassurance partnership deal ever signed in Asia and gives us access to 13 million banking and retail cardholders across 11 markets. The agreement is exclusive and it is for a 15 year period. The long-term nature of the agreement includes an upfront fee and Garth will provide more details on this shortly. In addition, future payments have been designed to align the partners' common interest by optimising new business value growth. Work is already well under way to implement the agreement with a progressive roll out across the region planned over the coming year. The launches in Hong Kong and Singapore are scheduled for the second quarter to be followed by the other markets over the remainder of 2014. As usual with these partnerships, and many of us have had a great deal of experience with these partnerships, we anticipate a gradual buildup of scale over time. Our direct marketing and other partnership channels include IFA's, private banks, achieved solid growth over the year and VONB for the Group Insurance business grew by 26 per cent.

The consistent execution of our distribution strategy has delivered substantial growth for AIA over the past 3 years. Our distribution focus will be on total VONB as we continue to achieve attractive returns for our shareholders. Agency VONB has doubled since IPO while partnership VONB is 2.7 times higher. To put this into further context, our active agents have increased by 30 per cent over the period. At the same time productivity has grown by 95 per cent and VONB margin has raised by 15 percentage points, reflecting improvements in product designs, mix and pricing. We have also achieved a 74 per cent increase in the number of MDRT qualifiers over that period. On the partnership side, margin has increased by 9 percentage points, highlighting our focus on mutually beneficial relationships with our partners and our disciplined approach to growth in this channel. Within partnership, bancassurance VONB is 3 times higher than it was in 2010.

AIA's advantaged and differentiated distribution platform enables us to deliver the right mix of products to our customers. This slide shows our current distribution and product mix, and their relative contribution to our growth since IPO. Looking at distribution first, agency remains our primary distribution channel, accounting for 71 per cent of VONB in 2013 and has driven two-thirds of our growth since IPO. This is clearly a major competitive advantage for us. The significant growth of our partnership distribution has been material to the Group and complimentary to agency and the combination of a continued performance of the Premier Agency and an enormous potential from our partnerships means we have a very powerful distribution platform to drive further, profitable growth. Turning now to products.

Protection sales as you know are a material proportion of our current product mix and have driven close to half of our sales growth since IPO. However, our approach to the provision of protection cover is not isolated to purely stand-alone products. We have seen significant margin improvements across and within each of these categories as we continue to embed protection throughout our portfolio, along with our move towards higher-quality savings products. There is a great deal more we can do here that will have a material and positive impact on future growth.

2013 was also a very important year for AIA, in terms of our brand and improving customer engagement. We launched our new brand positioning as The Real Life Company in the middle of the year. This was the

result of detailed and extensive research with customers, agents and employees and was rolled out across the region through a successful, comprehensive media campaign.

We also launched AIA Vitality in Singapore and Australia. This science-backed wellness proposition provides participants with the motivation to help achieve their personal health goals again resulting in improved customer engagement and a differentiated brand and product offering for AIA.

We were pleased to announce last week our enhanced partnership with Tottenham Hotspur football club, to be their official shirt partner in all competitions for the next 5 years. The English Premier League is broadcast to 4.7 billion people each season with a tremendous following in the region and really offers an unrivalled sponsorship opportunity in terms of frequency and scale of exposure. And with some 80 million fans across Asia, Spurs has a huge base of local support some of whom are in the room today. Just to be clear, that doesn't count me.

I have highlighted previously that we had begun using the detailed findings from our Customer Experience Programmes across the Group to cross-sell and upsell new products to our existing customers. AIA serves the holders of more than 28 million individual policies and 16 million group insurance scheme members. In 2013, we saw very positive results with an additional 1 million policies sold from existing customer marketing activity leading to an increase in VONB of 78 per cent compared with 2012. Our large-scale in-force customer base is a key competitive advantage for us and a significant potential source of future growth.

Today's headline figures and our strong track record demonstrate that we are continuing to execute our strategy well and we are managing the underlying business to create long-term sustainable growth and greater shareholder value. We have achieved this while substantially growing our free surplus generation, improving our solvency and increasing our dividend. This is a rare and powerful combination and there is much more to come.

At this point let me now hand over to Garth to give you a sense and to take you through the detailed financials.

Garth Jones, Group Chief Financial Officer:

Thanks Mark and good morning everyone. Let me now take you through the drivers of our full year financials in more detail. I will follow our usual order starting with value creation.

2013 was another very successful year for AIA. AIA's competitive advantages combined with the consistent execution of our strategy have delivered a year-on-year increase in VONB of 25 per cent. This high rate of growth has also been achieved at scale, 2012 was the first year we exceeded one billion dollars of VONB and during 2013 we have delivered close to one and a half billion dollars of new business value. Our VONB results are shown net of tax after the deduction of 163 million dollars for the allocation of Group Office expenses and the cost of holding capital and reserves on the prudent Hong Kong ICO basis. We continue to achieve sustainable growth in VONB by optimising both new business volume and margin. Let me take you through each of these in turn.

ANP grew by 24 per cent to a new high of 3.3 billion dollars. This increase resulted from a combination of strong growth in distribution scale and productivity combined with the successful consolidation of our newly-acquired businesses in Malaysia and Sri Lanka. The quality of business written remains a top priority with 90 per cent of our new business coming from sales of regular premium products. When combined with our high persistency levels, this builds scale and high-quality earnings steadily over time.

VONB margin for the year increased to 44.1 per cent with a strong performance in the second half. The increase was mainly a result of proactively managing the shift towards higher-quality products together with targeted pricing actions and new product launches. This slide demonstrates that our strong growth in production has been achieved while maintaining our disciplined approach to writing business that meets our return targets.

As you can see here, this strategy is working well with robust performances across each of our market segments and double digit growth across the board. Our largest business, Hong Kong, maintained its established track record of consistent high-quality growth with another excellent year in which VONB increased 28 per cent. Thailand delivered a solid performance with VONB growth of 11 per cent while Singapore delivered another strong year with growth of 22 per cent. China, Korea and Other Markets also reported excellent performances with growth in excess of 30 per cent compared with 2012. Finally, Malaysia reported an uplift in VONB of 74 per cent including the consolidation of ING. As well as the consistency and magnitude of the growth we achieved, it is also worth highlighting the broad diversity by geography as shown on the right hand side of the slide. These charts illustrate some of the many positive aspects of AIA's platform founded on its diverse portfolio of large and proven growth businesses. Let me now turn to Embedded Value Equity.

EV Equity grew by 10 per cent to 34.875 billion dollars. The main driver of this growth was our strong operating performance with EV Operating Profit of 4 billion dollars, up 14 per cent compared with 2012. Consistently positive operating variances of over 100 million dollars have been achieved in each of the past 3 years and in 2013 contributed 124 million dollars. This was mainly a result of continued favourable mortality and morbidity claims experience. Specifically, we continue to monitor our insurance claims experience in Australia closely and I can confirm that the actual experience variances for both group insurance and individual retail were immaterial for the Group in 2013. On the non-operating side capital market and foreign exchange movements combined were a negative 162 million dollars overall. Turning now to EV sensitivities.

The capital market sensitivities shown here allow for movements in the net worth including both our assets and liabilities and also the value of the in-force. The economic impacts on EV interest rate and equity market movements remain small with rising interest rates having a positive effect.

In terms of foreign exchange we closely match our assets and liabilities in local currencies so that we greatly reduce the economic effects of foreign exchange risk. However, we report in US dollars and there is an accounting translation effect from local currency into reported currency. The top of this slide shows the translation effect of a 5 per cent forex move against the US dollar for both our embedded value and our VONB. A few of you have also asked us to provide constant currency comparisons and in the table at the bottom of the slide these are shown for our three key metrics. You can see that currency movements reduced VONB growth by 1 per cent in 2013, mainly in the second half of the year in markets such as Indonesia and Australia. Both our largest business and our corporate centre are located in Hong Kong. As well as the Hong Kong dollar being pegged to the US dollar, a substantial majority of our policies sold in Hong Kong are written in US dollars.

As well as our strong growth and resilient balance sheet, another feature that differentiates AIA is the scale and profitability of our in-force business. This slide shows the after-tax surplus which is projected to emerge from our in-force book over time. The profile is very attractive with 14 billion dollars expected to be released between now and the end of 2018 on an undiscounted basis. This has grown substantially from the figure of 11 billion dollars we reported at IPO, demonstrating both the uplift from the surplus on new business written over the period and the considerable surplus we are successfully generating from our back book of existing business. Turning now to our IFRS results.

Operating profit after tax grew by 16 per cent to reach 2.5 billion dollars. Importantly, this strong growth has been achieved with both scale and diversity across our markets as shown here.

Our investment yield has remained stable over the year at 4.8 per cent. The total investment return of 4.9 per cent reflects the investment yield together with the mark-to-market performance of equities. The investment mix of our portfolio has remained stable and out of the 10 per cent shown here as held in equities, around 6 per cent relates to shareholder funds with the balance in policyholder participating funds. The average credit quality of our portfolio is unchanged and remains strong.

IFRS net profit was 2.8 billion dollars for the year. It is worth noting again that AIA's IFRS net profit definition includes the full mark-to-market value of our equities, while our operating profit excludes any actual or assumed gains. This is the main difference between operating profit and net profit, as is shown here, with equities contributing 424 million dollars in 2013 compared with 787 million dollars in 2012. Our Net Profit also does not reflect the market movements of AFS bonds as these are included in equity.

Closing Shareholders' equity on an IFRS basis was 24.7 billion dollars. The reduction of 8 per cent over the year was mainly due to the accounting treatment of the effect of rising interest rates on debt securities held as available for sale. This is an accounting rather than an economic effect, as you will see from the substantial cashflow generation and improvement in solvency that I will cover shortly.

This slide shows our strong track record of operating profit growth with a 50 per cent increase since IPO. An earlier slide showed that our IFRS earnings are diversified across the region, while the table here shows that our strong growth has also been replicated with increasing scale across each of our markets since 2010. Let me end with capital and dividends.

The ability to grow profitable new business at the same time as generating strong cash flows is a distinguishing feature of AIA and reflects the active financial management of our business combined with our scale and history in the region. On the left hand side of the chart you can see the effect of acquisitions during the year. I explained the mechanics of the free surplus calculation at the interim results in July. We do not include goodwill or debt in free surplus and deduct the difference between the purchase price paid for our acquisitions and the free surplus we acquired. After the effect of acquisitions, our stock of free surplus at the beginning of the year was 5.2 billion dollars.

On the right hand side you can see the net free surplus movement over the year. We generated 3.8 billion dollars of free surplus from our large and growing in-force book of business. This figure benefited from overall market and currency movements of around 700 million dollars during the year, including a positive effect of rising interest rates. We invested 1.5 billion dollars of capital in financing our 25 per cent growth in new business. The IRR on this investment in new business was higher in 2013 and was again over 20 per cent. While our priority remains to invest capital in growing new business as long as we are achieving very attractive IRRs, we also reduced our new business strain as a percentage of VONB by 15 per cent compared with 2012. As with our VONB, it is worth noting that all of the figures shown here are after allowing for the prudent Hong Kong reserving and solvency basis. The net movement after funding new business growth of 25 per cent, payment of interest costs, group office expenses and shareholder dividends during the year was 1.5 billion dollars. Our stock of free surplus stood at just over 6.7 billion dollars at the end of the year after the effect of the acquisitions.

As Mark mentioned, we signed a new regional bancassurance partnership with Citibank in December, after our year-end. The exclusive and long-term nature of the agreement includes an upfront fee of 800 million dollars and we thought it might be useful to show the pro-forma effect of this on free surplus as at the end of 2013. You can see from this slide that the free surplus position for end 2013 would have been 5.9 billion dollars.

Our Hong Kong ICO basis solvency ratio for AIA Co. has remained very strong over the year. This is a result of growth in retained earnings and positive moves in interest rates partially offset by the payment of dividends. It is worth noting that under the HKICO solvency regime the value of fixed income assets and insurance liabilities move in tandem with interest rate changes unlike IFRS accounting. Broadly speaking, rising interest rates reduce both assets and liabilities with a net positive solvency effect overall. Our solvency ratio has consistently been above 300 per cent over the last 4 years despite falling interest rates and equity market volatility demonstrating the resilience of our capital position. We also successfully completed our first public debt offering in March of two senior notes of 500 million dollars each. Included in our announcement this morning is a statement that we intend to broaden our Medium Term Note programme to access qualifying US based investors.

The board has recommended a final dividend of 28.62 Hong Kong cents per share subject to shareholder approval. This represents growth of 16 per cent compared with the final dividend in 2012. This brings the

total dividend for 2013 to 42.55 Hong Kong cents per share in-line with our prudent, sustainable and progressive dividend policy. The growth is above the level implied by our guidance at the half year reflecting the strength of the business across all key financial metrics and our confidence regarding the future prospects of the Group.

Overall, the Group has produced another set of excellent financial results in 2013 with strong headline figures and also significant improvements in the underlying drivers of the financials. We delivered substantial growth in new business profitability investing significant capital at higher IRRs and with increased efficiency. As well as profitable new business growth, we also delivered a strong increase in IFRS operating profit consistently across the region with scale and diversification by market. Finally, we generated substantial amounts of cash and capital from our in-force book maintained our healthy and resilient solvency position and grew our shareholder dividends. Our financial results were driven by a strong operating performance combined with disciplined financial management that underscores AIA's ability to continue to build sustainable value for our shareholders.

I shall now hand over to Keng Hooi who will share with you how these impressive results have been delivered in his markets. Keng Hooi.

Ng Keng Hooi, Regional Chief Executive:

Thanks Garth and good morning. In 2013, each of our markets focused on delivering the strategic and operational priorities that we set out at the start of the year. The common themes for Gordon and I are, firstly, broadening and deepening our successful Premier Agency strategy, secondly, expanding our partnerships business while maintaining our profit discipline and, thirdly, enhancing our product mix to provide financial security to our customers, while delivering profitable growth for AIA. I will now review the strong progress in my 4 largest markets beginning with China.

The consistent execution of our Premier Agency strategy has delivered 34 per cent growth in VONB and a margin increase of 8.9 percentage points to 66.4 per cent. Our strategy in China is to provide our agents and leaders with the right skills to enable them to build a long-term professional career with AIA. Our effective recruitment and training programmes were successful in growing our active new agents by 35 per cent and increasing our MDRT qualifiers by an impressive 30 per cent. AIA has established itself as a leader in the provision of protection products in China with our successful All-in-One product. We also broadened our product range with the successful launch of an innovative regular savings product designed to target the ageing population in China. Our next generation unit-linked product became one of our bestselling products for the year. Our highly differentiated strategy in the mainland life market means AIA China is well-placed to sustain its profitable growth. Now let me move on to Thailand.

Before covering the 2013 performance, I will just say a few words on the political situation. AIA has been in Thailand for over 75 years through many cycles including 17 changes of government. While the political situation continues to evolve and may have short-term effects on the country, the fundamentals underpinning the economy and our business remain strong. In 2013, we delivered solid results with VONB up 11 per cent to 319 million dollars. We launched our revised agency compensation and leadership structure towards the end of the year. Our aim is to reward performance aligned more closely with productivity and quality recruitment. We also fully implemented our candidate profiling tools to support the selection of high quality recruits. This helped increase our number of active new agents by 14 per cent over prior year. Agency remains our main distribution channel in Thailand and we retained our Number One position for MDRT members. We have also made strong progress in expanding our partnership distribution business with VONB up 27 per cent in the year. AIA Thailand continues to develop innovative ways to attract new customers while continuing to engage our large, current customer base. During the year, we launched our next generation unit-linked product, the first of its kind in Thailand. We also introduced a new health plan targeting the more affluent segment with higher rider attachments. Moving on to Singapore.

AIA Singapore sustained its strong growth momentum with an excellent performance in 2013. VONB grew by 22 per cent to \$269 million dollars and margin improved to 67 per cent. This growth has been

achieved on top of a 38 per cent increase in the prior year. The strong execution of our Premier Agency strategy increased the number of active new agents by 44 per cent compared with prior year. Overall, the number of active agents grew by 15 per cent year-on-year. Our partnership distribution through banks and IFAs continued to deliver strong growth and accounted for around a quarter of our new business profitability for the year. Our HealthShield plans were aligned with the Singapore government's latest upgrade of its insurance scheme at the beginning of 2013. These re-designed products were very well received and encouraged significant numbers of new and existing customers to upgrade their cover. We launched a new wellness programme in Singapore last July called "AIA Vitality". This innovative and science-backed programme offers protection products designed to reward sustained changes in behaviour toward a healthier lifestyle. Our overall aim is to create new ways of engaging with our customers and further differentiating AIA within the market. Let me close with Malaysia.

Our primary focus in 2013 was on the successful integration of our newly-acquired business, ING Malaysia. Our combined business delivered a strong performance with a 74 per cent uplift in VONB and ANP more than double AIA's standalone business in 2012. VONB margin was 37.8 per cent for the year reflecting the consolidation of a lower margin portfolio from ING Malaysia. Our integration progress continues ahead of schedule with realised expense synergies above our expected run rate. We rolled out iPoS, our industry leading point of sale technology, to our enlarged agency force. Over 70 per cent of our active agents are now submitting new business applications through it. Our new bancassurance partnership with Public Bank also made a very good start and accounted for around 18 per cent of our new business. As part of the integration, we introduced a new range of enhanced products administered on a single platform. Our new business margin improved in the second half of the year from a positive shift in product mix following the launch of our new product range in the middle of the year. And we have also maintained our clear market-leading position in group insurance post the integration. The new, combined team has done an excellent job in its first year and we remain very excited about building the leading business in Malaysia, one that will deliver many more opportunities for profitable growth.

In closing, many of our initiatives are already delivering strong results but we are still in the very early stages of their development. We believe they will continue to drive upside in our business for some time to come and my colleagues and I remain confident in the significant potential of each of our markets. Gordon, over to you.

Gordon Watson, Regional Chief Executive:

Thank you Keng Hooi and good morning everyone. I am very excited to update you on another set of excellent results from two of our largest operations and to highlight the key strong performances from our other markets. Let me start with our largest operation and home market, Hong Kong.

Over the years our Hong Kong operation has demonstrated a sustained track record for delivery executing a best-in-class Premier Agency model that has evolved and expanded with the market. The quality of this delivery is reflected, once again, in our 2013 results with VONB growing by 28 per cent and ANP by 29 per cent. Our principal distribution channel, Premier Agency, remains the benchmark in the marketplace for both quality and scale. While impressive in the short-term, maintaining this standard over the long-term requires us to have the dual focus of maximizing for today while, in parallel, building for tomorrow. We are pleased to have executed well on both fronts in 2013. To drive productivity, we introduced targeted activity management and improvements to our training programmes. These efforts resulted in active agency productivity rising by 19 per cent. The number of MDRT qualifiers also increased by 31 per cent as compared with 2012. To build for tomorrow, we executed a recruiting and marketing strategy targeting the Generation Y population. Overall, these efforts resulted in a rise in new recruits of 37 per cent, of which more than half were under the age of 30.

Our Premier Academy programme, now in its third year, continues to set the standard in the market for agency development. Since inception, this programme has graduated more than 1000 individuals, with 10 per cent of graduates qualifying for MDRT status in 2013 at an average age of 28. Premier Academy graduates have also consistently achieved productivity levels of twice the average of a new recruit.

In 2013, we also continue to enhance our product suite, upgrading our flagship critical illness products to further strengthen our market-leading position in this area. In addition, we extended our regular savings product range to target two customer segments in particular, young families and pre-retirees. As a strategic priority we continue to improve the analysis and segmentation of our large existing customer base. As a result we saw VONB from these campaigns to existing customers rise by over 80 per cent. Group insurance remains a key focus of ours and performed well in 2013 delivering VONB growth of 43 per cent. Overall, we are pleased with the results we have achieved in our Hong Kong business, and we are excited about how well we are positioned going forward. Moving on now to Korea.

Our Korean operations delivered a strong performance in 2013. This is an outcome of two years of business restructuring that has resulted in the repositioning of our agency channel and the start of a multi-year transformation programme in our direct marketing business. AIA Korea delivered 34 per cent growth in VONB and a 43 per cent rise in ANP as compared with 2012. Our Agency channel in Korea has made good progress over the years to reestablish itself to deliver quality growth. In 2013, we saw positive signs that reflect the foundation for a sustainable and quality agency business as the number of active agents grew by 17 per cent and agency productivity grew by 24 per cent.

We also launched the "Next AIA" recruiting and development program, Korea's version of Premier Academy we have here in Hong Kong. Over 200 agents have been recruited through this programme in the second half of 2013 and early results showed that activity levels were 20 per cent higher as compared with the average new recruit. Turning now to direct marketing.

In 2013 we continued to develop our next generation direct marketing platform. The expansion of our 4 new call centres in 2012 enabled us to launch new recruitment campaigns that increased the number of telesales representatives in 2013 by 30 per cent. Product development also made advances in 2013. We successfully launched our first-to-market simplified issue health product sold through our direct marketing channel and a new health product designed to reach the growing senior segment in Korea. We also continue to develop our digital and social media platform to better engage and market to our customers. For example we have more Facebook fans than any other life insurer in Korea.

On a closing note, as you will have heard, the Korean regulator recently suspended outbound telesales as a result of a data leak involving 3 major credit card companies. This incident did not involve any members of the insurance industry. This is a temporary suspension. AIA and other industry participants are working closely with the regulator to normalise this situation as quickly as possible. It will take some time to return to full production but we do expect to do so by mid-year. Overall, while we made good progress in developing the Korean business in 2013, there is still much to do in growing the business. Now to close with key highlights from AIA's Other Markets.

Other Markets delivered a strong performance in 2013 with VONB up 32 per cent, even allowing for reported growth in US dollar terms being affected by foreign currency exchange translation. I would like to highlight achievements in three of our larger 'Other Markets'. Starting with Australia.

Building on a strong 2012, Australia continues to produce solid results led by our higher margin Independent Financial Advisor channel. Key to the continued success of our IFA model remains our ability to deliver best-in-class services to advisers and launching competitive retail products that differentiates our position as the independent risk specialist. In 2013, AIA also led the way in restructuring the design of group insurance schemes by working closely with our corporate clients to introduce new profit sharing arrangements.

Turning to Indonesia, we delivered solid VONB growth through our multi-channel distribution strategy. bancassurance led the way and delivered good results. VONB grew by 67 per cent and the number of active insurance salespeople in bank branches increased by 26 per cent over the prior year. In addition, 2013 saw the successful implementation of our iPoS technology. We put this into the channel and we closed the year with adoption rates well over 90 per cent. Following the successful launch of our next generation unit-linked products in our agency channel in 2012, we introduced a similar range of products

with accident and health riders through our bank partners in 2013.

Moving onto the Philippines. In the Philippines, AIA remains a market leader and delivered another outstanding performance in 2013 with VONB growth of over 90 per cent. In agency, the launch of our new recruitment and activity management programmes resulted in a 79 per cent increase in the number of active new agents. Our joint venture with the Bank of Philippines Islands also had another strong year as a result of improved productivity levels of our in branch specialists. While overall our business in the Philippines performed exceedingly well, it was a very challenging year for the Filipino people. Last November, Typhoon Yolanda, one of the strongest typhoons ever recorded hit the Philippines, severely affecting the central parts of the country. The resilience of the Filipino people, and their efforts to regroup and rebuild are inspiring, and we were and are proud to stand by them through the rebuilding process and continued development of the country.

So in closing, we are excited about where we can take our business in 2014 and we deliver on our Real Life brand promise through expanded distribution capabilities, customer-centric product design, and a real focus on delivering a quality and differentiated experience to each and every one of our valuable customers. I would like to say thank and now hand it back to Mark.

Mark Tucker, Group Chief Executive and President:

Thanks Gordon. Keng Hooi and Gordon have shown you the strong progress that we have made over 2013 and the positive direction of our many initiatives that are happening throughout AIA. Let me finish by reminding you why AIA is ideally positioned to create sustainable value for our shareholders.

I have said on many occasions that AIA operates in the right region and at exactly the right time. Large-scale population growth is driving rapid urbanisation that is leading to significant increases in the number of households with disposable incomes above 10 thousand US dollars. This, in turn, is driving the purchase of life insurance products and when combined with very low levels of both existing social welfare provision and private cover provides enormous growth potential, really, of an unprecedented scale. This growth also comes with strong levels of profitability and superior margins. All of these factors are major drivers of growth and profitability in Asia and they remain both resilient and substantial.

The fundamental fact remains that Asian economic growth is both stable and strong as you can see here on the top left chart. Asia's recent economic trajectory also shows its strength and resilience through economic cycles as Asian policymakers have demonstrated the ability and the commitment to promote domestic sources of growth having learnt the lessons from the past. As a result, Asia is managing cycles increasingly well. They are shallower in depth shorter in duration, stronger and faster in recovery and longer in expansion than they ever have been before. Our business is very strongly supported by major economic and demographic drivers of growth as demonstrated by our long and successful history in the region. However, it's not just about being in the right region, you also need to have the right strategy to deliver the substantial growth that AIA has achieved. We will continue to focus on those initiatives that will make a material difference to AIA's future growth and profitability.

Strong and consistent execution has sustained our track record of growth since the IPO and delivered the results shown here. The quality and commitment of our people and their effective execution of our strategy over the last 3 years has more than doubled VONB, increased our embedded value equity by 10 billion dollars and grown IFRS operating profit by 50 per cent to more than 2.5 billion dollars. We have also delivered increasing amounts of cash generation and grown our dividends progressively for shareholders.

In closing, 2013 was another excellent year for AIA. As you have heard from the team, we are exceptionally well-positioned to capture these opportunities given. We have the scale, reach and strength of our distribution platforms and brand, the quality and breadth of our product offerings, our unrivalled financial strength and cash flow, a sustained track record of delivery since IPO and our depth of experience derived from our long history in Asia. Taken together this is a rare and powerful combination and we remain as confident and as excited as ever by the opportunities ahead.

Thank you again for listening this morning and we are now happy at this point to pass over to you for any questions you may have.