AIA Group Limited 2011 Annual Results
Analyst Briefing Presentation – Transcript
24 February 2012

Mark Tucker, Chief Executive Officer and President:

Good morning and a warm welcome to you all. It really doesn't seem like a year has passed since we presented our first full set of results. AIA has achieved a great deal over the last year. At the same time as producing very strong financials, we have put in place a clear strategy for the future; as well as a first class team to execute it. And we remain confident that the momentum we have generated will be sustained in future years.

Let me begin with a quick overview of our agenda for today and the areas we intend to cover. We'll start with a quick overview of the highlights of AIA's progress in 2011 both operationally and financially. I'll then hand you over to Garth Jones, our CFO who will take you through the numbers in greater detail. Garth will then introduce our Regional Chief Executives who will cover how our product, customer and distribution strategies are being successfully implemented across our operations. I will then come back to talk about our priorities for 2012 before opening the floor to Questions.

We said at the start of last year that we were getting AIA back on track to deliver high quality and sustainable growth. And that is exactly what we have done in 2011. The economic environment in the second-half of the year was challenging with capital markets reacting badly to the problems and policy ambiguities of the Eurozone and closer to home, concerns about the short-term prospects for China's economy led the Hang Seng Index down 22% over the year.

Happily, however demand for our savings and protection products is much more resilient than these short term market indicators. For us and in particular our RCE's and country CEOs, our focus has been exclusively on executing our growth strategy and delivering the strong results we see today. Looking to the future, you will hear three recurring themes throughout today's presentation. First, we have the Right Platform. AIA has an outstanding pan-Asian business with wholly owned market leading operations in 14 markets and with no exposure outside Asia Pacific to dilute our performance or distract attention. Second, we have the Right Priorities. We are focused on a high margin product set that meets our customers' needs delivered via first class distribution and excellent customer service. Third, we have the Right People not just at senior management level but in depth throughout our company. Together, these make for a very powerful and compelling combination which has delivered quality, sustainable growth in 2011 and will continue to do so in the years ahead.

Now let me take you through our 2011 highlights. AIA has delivered a very strong financial performance for 2011. You will recall the Key Performance Indicators that we are primarily focussed on and manage to are VONB growth, EV and OPAT. Value of new business or VONB is up 40% to 932 million dollars - this is a record result. Our growth in the first half of 2011 was 32% and accelerated to 46% in the second half with a very strong performance in the final quarter. VONB margin expanded by 4.6 percentage points. This figure is net of a reduction of 1.8 percentage points from prudent assumption changes. Strong EV operating profit, up 29%, was the main factor driving the 10% increase in Embedded Value, to 27.2bn dollars; with full allowance for mark-to-market and foreign exchange movements.

Turning to our IFRS profits. Operating profit grew by 13% for the year. The underlying growth in operating profit was 16% after adjusting for certain one-off items in 2010. Our operating profit definition does not include any normalised or realised investment gains. It is therefore more prudent and conservative than other listed insurers. We reported a Net Profit of 1.6 billion dollars. That reflects the full mark-to-market movement of equities to our 30th November year end. It is worth noting that, as of today, we estimate that the negative mark-to-market movement would have been fully reversed.

Shareholders equity is up 9% at 21.3 billion dollars. This includes positive bond market gains of 500 million dollars which are not included in net profit but go straight to shareholders' equity. And we have a very healthy and robust solvency ratio of 311%. The Board has recommended a final dividend of 22 HK cents - bringing the full year dividend to 33 HK cents and in line with the guidance we gave you at the half-year.

I said a year ago that we would sustain the momentum built up in the second half of 2010. We have done exactly this, and, at the risk of repeating what we said at the interim presentation; there is much, much more to come.

Now, let me briefly highlight what we have been doing over the last year. You will keep hearing about these five areas from us. They are fundamental to our business and how we deliver results. We said previously that Premier Agency is at the heart of our plans for future growth. As we will show you shortly, excellent progress is being made. And we have put in place the right platform to build our Premier Agency force across the region. This will be complemented by Partnership Distribution. We have broadened our definition to include all non-agency distribution. We have brought in a new management team and set up a dedicated unit called AIA Partners to increase our focus on this channel where we will remain financially disciplined and write business only on the right terms. We have redesigned our product portfolio and launched a new generation of unit linked products with higher levels of protection content. We have also continued to eliminate lower margin products. Both are ongoing initiatives. The customer is central to what we do. We leveraged our brand awareness across Asia with a series of "Mind The Gap" campaigns targeted at each individual market to help educate consumers on the need for more protection and to create a strong brand franchise for AIA as a leader in meeting protection and savings needs. We have put in place the organisational and senior team changes needed to increase the empowerment of our country managers recognising that the success of all of our key strategic initiatives relies on top-quality execution at the local level. Finally, the strength of our financial position is a key point of differentiation for AIA and a competitive advantage we value highly. We ensured the cash and capital we invested met our return targets and we were able to sustain our strong capital position through very volatile markets.

As I have said before - and it is very important to remember - the changes we have needed to make cannot be made overnight. They involve sustained long term programmes to enhance capabilities and promote changes in corporate culture. Some of the benefits are instant as we have seen from our 2011 results. However the process is on-going and shareholders shall continue to reap the rewards for many years to come. Let me now take you through a few of these areas in little bit more detail.

Agency remains our cornerstone distribution channel representing 78% of the total VONB of the Group. It is another key differentiator for AIA as it gives us greater control and greater ownership of the customer and allows us to leverage our sales performance. You can see this with VONB up 40% last year. This was driven by a combination of higher volumes, up 11% and improved margins, up 10 percentage points. Our enhancement of Premier Agency standards continued throughout the year, as we began to implement agent reactivation programmes eliminated inactive agents targeted training and focused our agents on selling products that combined profitability with meeting customers' needs. To build the Premier Agency force for the future, we launched the AIA Premier Academy towards the end of 2011 to promote quality recruitment and agency career development. You will hear more about our progress from Gordon, Phong and Keng Hooi later. Our large Hong Kong and Singapore businesses really led the wayand provided a great example to our other markets of what can be achieved in terms of both activity and margins. For example, margins in Singapore are over 40% higher than the Group average and over 10% of our market leading Hong Kong sales force are Million Dollar Round Table qualifiers. Membership of the MDRT remains a benchmark for Premier Agency performance and for 2011, our number of MDRT qualifiers was up 25% which ranks AIA Number One in Asia-Pacific for MDRT registered members, ex India.

It is valuable to look at the drivers of growth in some more detail.

Agent quality is our main area of focus. And this slide reinforces this by showing the change in active agents the increase in sales of more sophisticated products and at the same time, the margin enhancement achieved. We focus on the growth in Active agents because they are a key driver of VONB growth and during the year, we achieved absolute growth in active agents of 7%. This growth was of course negatively impacted by the Thai floods but you can see clearly from the chart how the overall agency force is turning around. We have spoken about our focus on protection on a number of occasions. The point of the second chart is not only to show the productivity increase in this area but together with the third chart demonstrate the positive quality shift that is happening in the agency force. On the next slide, we can see how this drives agency VONB growth.

As you can see, the “quality” effect is coming through the VONB growth in a balanced way. Higher production accounted for 11% of the improvement in VONB. The pure mix effect between protection and non-protection products – shown on this slide as the “Product Mix Improvement” - contributed to 9% and Margin Enhancement from product quality which includes repricing and new product design contributed 15% of the increase. Each of the Premier Agency initiatives I spoke about are aimed at improving each of the drivers shown here and together they form a positive multiplier effect leading to compound growth in VONB. It is still early days from our Premier Agency initiatives but as you can see the results are very positive and encouraging.

Turning now to Partnerships, the focus here is on creating value through profitable channel diversification and growth. As I mentioned earlier, we launched a new dedicated unit, AIA Partners and recruited new management. Our operating model strengthens our commitment to developing new partnership income streams by increasing the expertise we have in this area and positions us well to take full advantage of opportunities as they arise. We have made good progress in expanding our partnership channels during 2011, with 28% growth in VONB. The overall margin for Partnerships reduced by 5 percentage points reflecting the impact of a very large, Australian Group Insurance scheme we told you about in Q3 and also from tax changes in Indonesia that we spoke about at the half-year.

Bancassurance commonly represents a small part of our overall business at present but a large proportion of our business in the Philippines and also in Indonesia where we renewed our long-term agreement with BCA during the year. Bancassurance margins were strong at 23% with VONB up 16%. The Group continued to develop the direct marketing channel during 2011 by expanding the scope of DM operations with bank partners and launching new direct marketing channels in AIA’s existing markets. For example, our agreement with Tune Money in Malaysia offers a range of insurance products to AirAsia customers.

Last but not least, we see an immense opportunity in Group Insurance and Employee Benefits across the region , particularly through systematic development of the SME sector. We will look to build further on our existing expertise and relationships based on our experience servicing the needs of more than 100,000 corporate clients and more than 10 million group members.

A key driver of our growth has been and will continue to be expanding our product profitability and margins. You saw on an earlier slide how volume increases improvements in product mix and product margin uplift combine to drive VONB growth for Agency. This slide shows a more detailed breakdown of the margin movement for the Group. You can see here that the influence from country mix was small – what this shows is that VONB margin grew fairly consistently across the region. And you will hear more from Garth later.

Changes to assumptions, mainly reflecting the economic environment, have reduced the margin by 1.8 percentage points. The majority of the profitability improvement has come from a combination of product mix and margin improvements. And, just as with Premier Agency our focus on improving product quality is much more an on-going initiative and there is more to come.

Turning now to cashflow and capital movements. We demonstrated again in 2011 that we are able to self-fund our new business growth ambitions. We are very disciplined in how we deploy our on-going cash flow advantage. As these results demonstrate, our clear focus for the business is achieving sustainable and high quality growth attractive margins strong cash flow and a very robust balance sheet. And this has served us well during the turbulent markets we saw during 2011. We increased free surplus generation by 18% over the year from a strong starting point. We also up-streamed $2.2 billion of capital from our operating units to the Group clearly demonstrating the fungibility of our capital. This ability to self-fund these high levels of growth through strong cash flows and our robust capital position are very important and distinguishing features of AIA.

Before handing over to Garth to go through the financials in more detail let me summarise the key points. There is and has been a real transformation underway at AIA. Today's headline figures and, more importantly, the underlying drivers that I showed you demonstrate that the delivery of our clear strategy is progressing to plan. We will continue to execute the right strategy with the right people to leverage the excellent platform we have to drive future sustainable growth in this business in 2012 and well beyond. Let me now hand over to Garth to take you through the financials in more details.

Garth Jones, Group Chief Financial Officer:

Good morning. Thanks Mark. Let me now take you through the financial results of AIA's first full year as a listed company. As usual, I will present our results in three interrelated parts - Value creation, IFRS Results, and then Capital and Dividends. Let me start with our key measures of value creation.

As Mark just mentioned, in 2011 we achieved record absolute VONB of 932 million dollars and record year on year growth in VONB of 40%. As you know, VONB growth is the product of growth in top-line sales and improvement in margins, as shown here. The momentum I spoke to you about at the interim results continued to build steadily throughout the year, with strong expansion in ANP sales volumes and a step up in VONB margins combining to produce high VONB growth. Before I go into more detail in the next few slides, I should note that the VONB numbers shown here are on a net of tax basis. The results are also after deducting 110 million dollars for Group Office expenses and additional capital above local requirements under the Hong Kong ICO basis.

Looking now at our higher sales volumes, the second half of 2011 saw a very strong half year for ANP contributing to a record full year total of close to two and a half billion dollars, which represents ANP growth of 22% year on year. When looking at our ANP figures it is important to bear in mind that well over 90% of our ANP comes from regular premium business, which adds layer upon layer of stable revenue over time as new business is added. Whilst sales volumes have increased significantly, throughout the business you can see from today's numbers that we do not focus purely on top line growth, without having regard to profitability and value creation.

We adopt a rigorous pricing discipline focused on improving margins, short payback periods and IRRs well above our cost of capital.

This slide shows that we have consistently improved profitability, particularly since IPO. As a reminder, the margin here is shown after including a large but lower margin group insurance scheme in Australia which came into effect in July. The margin in the second half of the year was up 6.5 percentage points compared to the same period last year.

This chart clearly demonstrates a steadily growing VONB trend to reach a new high in the second half of 2011 of 533 million dollars. VONB growth was particularly strong in the second half of 2011, up 46% compared with the second half of 2010. These growth rates are on a like for like year on year basis. It should be remembered that there is seasonality in the final quarter of the year. As well as absolute VONB and VONB growth rates, it is also important to take into account the high return on capital we are achieving from our new business.

Our average IRR on new business was in excess of 20%, even after allowing for group office expenses and the relatively high Hong Kong reserving and capital requirements.

2011 VONB growth across our businesses was strong and broad based as shown in the chart on the left with each of the geographies showing an increase. Our largest markets have all reached record VONB levels and growth rates during the year, with Hong Kong up 45%, Singapore up 58% and China, our fourth largest market, up 50%. Our Thailand business was adversely affected by severe flooding in the final quarter but still managed to increase 2011 full year VONB by 30% over 2010. Korea reported mid teens growth at 16% and Malaysia grew strongly by 49%, picking up pace in the second half.

The right hand side of the chart shows that margin expansion was also broad based, with our highest margins being achieved in Hong Kong and Singapore. Of particular note were double digit margin improvements of 14 percentage points in China, 13 percentage points in Singapore and in Hong Kong where they were up 11 percentage points. Margins in Other Markets fell due to a combination of the large Australian group scheme and the tax impact in Indonesia… both of which I talked about at the half year.

Gordon, Phong and Keng Hooi will provide greater detail about the wider business achievements of individual markets later.

Let me now turn to Embedded Value, which reached $27.2 billion as at 30 November 2011, up $2.5 billion over the year. This is a robust result given adverse market conditions and returns experienced during the year, particularly in the second half given our 31 May half year date. The main driver of the increase was EV operating profit of $3.1 billion, representing growth of 29% over the same period last year. On the non-operating side, market movements and economic assumption changes during 2011 resulted in negative investment return variances of $323 million. Assumed long term risk free rates in our major markets were reduced by up to 60bps. The risk premium between the average assumed risk discount rate and risk free rate remains over 500 basis points.

It is worth noting that our EV is shown after ICO reserving and capital requirements. This is equivalent to using a total risk premium of around 700 basis points. As part of our reporting process we have an independent actuarial firm assess both our economic and operating EV assumptions and confirm that these remain appropriate.

As I showed on the previous slide, the main driver of EV growth was the EV operating profit, which was up 29%. The three components of this growth were expected returns up 10%, VONB up 40% and a turnaround in operating variances, which were strongly positive in 2011 after being negative in 2010. The current year $144m positive operating variances show that actual experience has been better than the operating assumptions underlying the EV. Experience improved across all three major operating assumptions claims, persistency and expenses

Our expense ratio for 2011 also improved, showing a slight reduction to 8.7%, despite rapid business expansion and material investment to strengthen our foundation for future growth, particularly in distribution, technology and training. The decline in, and absolute level of the 2011 expense ratio is all the more noteworthy as it includes the impact of introducing long-term incentive plans for staff. As you can see from the comparison on the right our expense ratio is one of the lowest in the region.

The acquisition expense overrun continued to reduce from $ 105 million in 2010 to $27 million in 2011, representing a decrease of 74%. Persistency, a critical driver of value and cash flow, has steadily improved since late 2009 to reach an excellent level at end November 2011 of 94.5%.

We are including new disclosures on EV sensitivities to capital market movements. These now include equity price movements and a comprehensive interest rate change. The sensitivities allow both for movements in the net worth and also the value of in-force. As you can see, the impacts to EV either resulting from change in interest rates or from changes in equity prices are small relative compare with the total EV.

A distinguishing feature of AIA's overall value equation is the profits which will be generated by our in-force book, or VIF, which are expected to provide cash for many years to come. The profile of the projected cash flows underpinning our VIF is very attractive, with over $10 billion expected to turn into cash within the next five years on an undiscounted basis.

The internally generated cash from our in-force business and continuing investment in new business at attractive IRRs puts AIA in a highly advantaged position as a self-financing growth company. We are continuously seeking to create value by growing and optimising the cash flows emerging from our in-force book and applying cash to finance increasing volumes of profitable new business.

Now let's turn our attention to the IFRS results.

Total weighted premium income, or TWPI, grew by 11% in 2011 to $14.4 billion. The layer upon layer effect that I mentioned in the slide on ANP can be seen in the steady increase in TWPI. As you will recall, TWPI growth tends to lag the growth in new business premium due to our large in-force block of regular premium business, which generates substantial renewal premiums and cashflow.

Operating profit before tax over for the year grew by 13% to $2.4 billion. As I mentioned at the half year, various one off adjustments were made in 2010. Looking at the underlying figures a strong result was achieved in 2011 with 16% growth. This growth rate compares favourably with the TWPI growth rate of 11%. Consequently, operating margin, which is Operating Profit before Tax divided by TWPI, was 16.5% for 2011 up from 16.2% in 2010.

This further summary slide shows the scale and diversity of operating profit across our countries. There are three highlights in particular to mention. First, the magnitude of contributions from particular market categories can be seen, with all of these now generating over $100 million of operating profit. Second the chart shows the step up in operating profit compared with 2010. China in particular has now surpassed the $100 million mark, whilst Hong Kong and Thailand are now each contributing over half a billion dollars of operating profit per annum to the Group. Third, the geographic diversity of our sources of operating profit across the different businesses is evident; thereby providing greater stability in the aggregate Group operating profit result.

Investment Income increased 13% to $3.9 billion. The investment yield remained stable at 5% compared to 5.1% last year. The investment return reflects the investment yield together with the mark-to-market performance of equities over the year. Despite the heightened volatility in the global economy and poor market performance, the total investment return only fell moderately. The investment mix remains conservative and stable, being predominantly invested in high quality Asian fixed income assets. From the 9% held in equities, only 5% will fully impact net profits when their market value changes, while for the other 4% that is held in par funds only around 10% of the change will flow through to net profits. The sensitivities provided in the accounts are also shown on this basis. The average credit quality of the portfolio is unchanged and remains strong.

Our exposure to peripheral European sovereign and agency bonds represents .05% of invested assets or $ 33m, including the shareholders' share of participating funds. Eurozone sovereign and agency bonds represent 0.07% or $ 44m.

The net profit result was $1.6 billion. As noted on the previous slide, market movements, particularly after May 2011, resulted in a reduction in the investment return. Our IFRS net profit, unlike some others, includes the full change in the mark-to-market value of equities which boosted last year's very high figure and took around $207m off this year. As Mark said earlier, we estimate that the negative mark-to-market movement would have been fully reversed as at today. Non-operating gains have averaged around $331million over the past 3 years. Our Net Profit also does not include $500 million of bond gains which go through Shareholders' equity. You can see how this works on the next slide.

Shareholders' equity at end November 2011 increased 9% to reach $21.3 billion. The main driver was the 13% increase in operating profit less the payment of the interim dividend of $170m. Changes to shareholders equity that are not included in operating profit comprise two components that are principally investment related.

First the negative equity market experience that is included in the calculation of net profit; and second positive bond market gains and forex movements that are not included in net profit. The overall impact of these two items, even in as challenging year for markets as 2011, was positive 6 million dollars overall.

Let me now turn to capital and dividends.

The financial position of AIA has remained very strong throughout 2011 and remains very strong today. Our base liabilities are calculated on the relatively conservative Hong Kong ICO basis whilst at the same time our capital structure contains no Tier 2 debt. Total available regulatory capital as measured under the ICO basis, remained steady at $6.2 billion; our solvency ratio remains very strong at 311%, with the change during the year arising mainly from market movements. The credit rating by S&P on AIA Co was recently reaffirmed as AA- with stable outlook.

During 2011 we generated $2.5bn of cash from the in-force book. After allowing for new business strain, Group Office expenses, and dividend payments, net free surplus generation was $1bn. As Mark said, our strong free surplus generation is a distinguishing feature of AIA and will enable us to continue to grow and invest in the business with confidence.

AIA aims to pay a prudent, sustainable and progressive dividend. In line with our dividend policy, and reflecting our continued strong performance throughout the year, the board has recommended a final dividend of 22 Hong Kong cents per share, subject to shareholders' approval.

This is in-line with the guidance I provided at the half-year and brings the total dividend for 2011 to 33 Hong Kong cents per share.

I am certain you will agree that these are an excellent set of financial results.

I shall now hand over to the first of our Regional Chief Executives Gordon Watson, who will share with you how these excellent results have been achieved in our largest markets.

Gordon.

Gordon Watson, Regional Chief Executive Officer:

Thanks Garth. Good Morning. For those of you, who have attended the last couple of analyst meetings, the story is going to sound reassuringly familiar.

This year, Keng Hooi, Phong and I have worked with each of our markets, with three simple priorities: One, relentless management to create bottom line value and profitable growth. Two, build "THE Premier Agency force in Asia", maximizing the number of quality active agents (not just the number of agents). Three, introduce innovation with consumer focused products and services.

In 2011 we have leveraged AIA's unrivalled existing client base — both in size and scope — this provides a strong platform for profitable growth. We have made the most of this opportunity with the right people by EMPOWERING our management teams across our group and country offices. On all of these, we are delivering hard as you will see now in our country results

Today we are going to focus on updating you on our largest 6 operations. Let me start with the largest – Hong Kong.

Led by Jacky Chan, he has taken our 3 priorities and turned them into reality in 2011. On the strength of our Premier Agency initiative, we have seen record VONB growth of 45% last year. And just to put that in perspective that is an increase of US$95 million. Given the 2% growth in 2010, I think we exceeded everyone's expectations…well may be apart from Mr. Tucker's of course.

Anyway, one key driver of the result was getting activity up. By segmenting our agency force, we achieved a 12% increase in the number of active agents over the prior year. For those who have not been performing up to our standards, we put a "Reactivation program in place". We either manage them up or out. For agents we have managed up, their ANP tripled.

For the very top agents, we helped make them stronger and increased the number of MDRT qualifiers by 16%, our true measure of a premier agency force.

With this growth, AIA Hong Kong on a standalone basis has the 6th largest number of MDRT qualifiers "in the world", this is up from 7th last year. And naturally is number 1 in Hong Kong by a very large margin. We have also seen the number of agents selling group insurance triple in 2011. With these improvements in our productivity and our focus on protection, which I will talk about later, AIA Hong Kong was able to improve the VONB Margin for our portfolio by 11 percentage points, from 45% to over 56%.

Now, we are really excited about our accomplishments in 2011. In order to ensure that we continue to deliver exceptional results in the future, we will continue to reinforce our focus on Premier Agency.

When I first attended our Premier Academy graduation ceremony, I really felt I was looking at the future of AIA. We are recruiting bright, energetic and ambitious people from outside of the insurance industry. After a rigorous selection process, we provide exceptional training – close to 30 days, and equip them with the newest Point of Sale technology. Then we mentor them through the early stages of their career. The results speak for themselves. They are selling twice as many cases as our standard recruits.

Now turning to our focus on protection, AIA Hong Kong launched a range of innovative products throughout the year. For example, our new critical illness plans really captured the attention of the market. Our sales of our protection focused products increased 32% over 2011. Also, supporting the innovative product launches, AIA Hong Kong launched our award winning "Mind the Gap" campaign.

The key objective was to get people to focus on their protection needs. Based on the research by Swiss Re, we know that Hong Kong is half a trillion US underinsured. Although many think of Hong Kong as a saturated market, these statistics (and our results) show, there is still plenty of room to grow. Our 'Mind the Gap" promotion campaign has been a great conversation piece where potential customers ask agents to explain what it means. That is a perfect opportunity for talking about protection and selling what they really need.

So now to Korea.

The management team led by Dan Costello has been focusing on: Premier Agency and increasing protection sales. And we are starting to see the results.

VoNB margin grew 4.5 percentage points. We made improvements in operational efficiencies and we have reduced Korea's expense overrun by more than a third compared to the same period last year. With the recruitment of some key talent in the agency leadership team, we are beginning to see the realisation of our Premier Agency vision.

The number of potential MDRT qualifiers has also grown by 16% in 2011. Again similar to Hong Kong, through our integrated "Protection Gap" marketing program we are shifting toward higher margin protection products. Our key initiatives include: re-pricing key products, withdrawal of less profitable products, and compensation realignment.

The results are encouraging. The percentage of ANP generated by protection products was up 12 percentage points over prior year. I am also pleased to advise our aided brand awareness has increased significantly from 70% to 84%.

So going into 2012, we have the right agency platform in place and our focus is clearly to build on that with an emphasis on quality agency recruitment.

Another major focus in 2012 will be our Direct Marketing operations as we need to restructure our platform so we can start to grow the number of quality telemarketers further. While rebuilding Korea will take some time, we are pleased with our progress to date; we are committed to making the tough changes to build the kind of quality sustainable business that we expect for the future.

So finally in closing, I must say I am even more excited than before by the exceptional opportunities we have at AIA. 2011 was just the beginning. So thank you. I'd like to introduce you to my friend and colleague Phong to update you on the next of the big 6 Markets. Thank you.

Phong.

Huynh Thanh Phong, Regional Chief Executive Officer:

Thanks Gordon and good morning. I am very pleased to take you through the excellent 2011 results delivered by AIA Thailand and AIA Malaysia.

The key themes you will hear from me today are: Firstly, transformation of the agency force has begun with the launch of our Premier Agency strategy and the increased productivity momentum we have achieved so far. Secondly, a special focus on quality recruitment and training as part of this strategy. And finally, the positive change in product profitability from both the mix and pricing actions we have taken. These are all still work-in-progress and there are many more actions we can take to drive these key strategic priorities aimed at boosting sales and profitability.

Let me turn first to Thailand.

Notwithstanding the worst flood to hit the country in decades, AIA Thailand delivered strong VONB growth of 30%. This impressive performance was due mainly to the building of infrastructure to support our Premier Agency strategy. Gordon talked about the progress made in Hong Kong with the Premier Academy. In Thailand, we also set up our first Premier Academy Centre in Bangkok to provide world class training facilities for our agents.

In 2011, AIA Thailand streamlined the agency force by: First, cutting the tail, removing the unproductive agents. Second, building the middle, focusing on increasing the number of career agents, the backbone of our distribution network. And Third, grooming the top, creating rigorous training and development programmes for our Premier Agents and making a strong push to increase the number of MDRT qualifiers. These systematic actions resulted in a 12% improvement in productivity and increased our MDRT qualifiers by 13%.

For 2012, boosting the productivity and skills of our agency force will continue to be a strategic focus for us.

On the product side, we continued to improve the profitability of our product range through re-pricing and replacing low margin, low volume products. We also aligned agency compensation with more profitable products and successfully promoted more rider sales. As a result, we have seen a 34% increase in VONB from riders and protection focused products compared to 2010. The overall margin increased by 7.4 percentage points in 2011 as a result of these actions.

Late last year, the severe flooding in Bangkok and numerous other provinces in Thailand had a very significant impact on the economy and on the country as a whole. We were also affected by this. AIA tackled the adverse impacts of the floods on several fronts. From the Board of AIA Group to our front line staff in Thailand, everyone pitched in, not only to help just our colleagues, but also to provide assistance to the thousands of Thai people who had no access to food and clean water.

Operationally, our Business Continuity Plan ensured continued customer service levels despite the fact that close to 600, about 1/3 of our staff, needed to move into temporary housing. Our agency distribution channel proved to be resilient throughout the time of the floods and our agents have restarted their sales efforts with vigour. We have also fully allowed for the expected claims within the numbers we show you today.

Now, turning to Malaysia

AIA Malaysia had a strong 2011 with VONB growing by almost 50%. This excellent result was achieved by a shift within the business mix driven by improved training for agents and changes to their incentives… and also through product redesign to increase the overall protection content.

At the interims, we told you we expected a build-up of momentum in Malaysia as our Premier Agency strategy began to take root over the second half of the year. So, while we have increased the number of active agents by 6% for the year, this increase was skewed towards the second half of 2011 with the number of active agents 9% higher than the first half. We expect the momentum to continue into 2012 as our Premier Agency strategy gets firmer traction.

On the product side, we continued the shift towards increased protection content and higher margin Unit-Linked policies. Our overall margins increased by over 7 percentage points as a result. We started our Takaful JV in Malaysia last January. With strong focus on the product development and agency training. So after just 10 months, the JV is now firmly established. In the month of November, Takaful accounted for over 10% of our total new business sales in Malaysia.

In 2011, we also leveraged our large in-force customer base, and had tremendous success with our first wave of up-selling campaigns targeting protection needs. We generated more than 25,000 critical illness policies in just 3 months, demonstrating the effectiveness of the campaign as well as the increasing recognition by AIA's customers of their need for additional life and health insurance cover.

So in summary, in both Thailand and Malaysia, while we have made strong progress in our dual approach of implementing the Premier Agent ..Agency strategy and shifting our product mix to help customers fill their protection gap, there is much more we can do. In 2012, we will continue to enhance productivity, activity and product mix through progressing the key initiatives put in place last year.

I will now hand over to Keng Hooi to talk about the impressive results of AIA Singapore and AIA China.

Ng Keng Hooi, Regional Chief Executive Officer:

Thanks Phong and good morning everyone.

I will give you a quick review of AIA Singapore and AIA China, both of which delivered excellent results in 2011.

The 3 key drivers of our success in these markets were: Firstly, the successful launch of our Premier Agency strategy to develop highly trained agents well-equipped to sell more sophisticated products. Secondly, addressing the significant protection gap with our full range of products, including the launch of next generation Unit-Linked Products in Singapore and China. Finally, the third driver of success was people. Our business is all about people – beginning with our agents and staff … and ending with our customers. Strengthening our leadership teams was a key success factor for delivering our high expectations for growth.

Now, let me begin with our 2011 achievements in Singapore.

AIA Singapore marked its 80th Anniversary in 2011 by delivering an excellent set of results. The team achieved 58% VONB growth and expanded margins by 13 percentage points over 2010.

Our Premier Agency strategy focuses on moving agents up the ladder of productivity and professionalism via an enhanced programme of training and development. We've achieved good success with this strategy: Our number of active agents increased by 11% over 2010. Notwithstanding Singapore being a strong labour market, we not only attracted new recruits, new agent recruits but increased the number of active new agents by 69% compared to 2010. Our number of MDRT qualifiers almost doubled in Singapore compared to 2010

In Singapore, we are a market leader in Group Insurance. In 2011, leveraging our expertise and brand strength, we increased the number of agents selling Group Insurance by 20%.

Singapore was AIA's first market to launch next generation unit-linked products. The launch process was well planned and began last July. We conducted a nationwide survey which showed that less than 2 in 10 Singaporeans have adequate life coverage.

We published a "Bridging the Insurance Gap" White Paper to build closer partnerships with governmental agencies and associate AIA as a thought leader in protection coverage. As you can see on the left, our advertising reminds target customers that their family members may not have the insurance coverage they need.

The 'Family First' product was designed to offer high and flexible levels of protection to meet this need at an attractive price. We launched internally to agency leaders first, supported by training to ensure engagement. The product was subsequently launched externally. Early results are good and show significant increases in both sums assured and rider attachments compared with previous unit-linked products.

We have assembled an excellent leadership team who, in turn, helped motivate our staff and agents to achieve high standards of excellence. I am confident that the steps we have taken will continue to deliver future profitable growth in Singapore.

Now let me turn to China. China is AIA's fourth largest market in terms of VONB.

As you know, the market has been difficult for some companies during 2011. However, our 100% owned Chinese operation achieved 50% VONB growth so this performance is particularly impressive. This was a very strong result from a strong leadership team that is now in place. The excellent performance in China was also driven by our Premier Agency strategy developing quality agents combined with our focus on more sophisticated protection products.

A new version of the award winning All-in-One product was launched in July 2011. As a result, total Critical Illness sums assured are up 26% and the number of new CI covers increasing by 44%.

In October 2011, we also launched the next generation unit-linked products, which provide customers with higher levels of protection. Again, product launches were integrated with marketing initiatives to raise consumer awareness of the protection gap together with training seminars and sales campaigns to motivate agents and to give them the enhanced skills needed to sell these more sophisticated products. As a result of these initiatives, margins in China expanded by 14 percentage points.

The Premier Agency strategy was launched in China in December 2010, again to move our agency force up the ladder of productivity and professionalism which increases their incomes – the higher income in turn helps us attract a higher calibre of new recruits.

In 2011, we introduced a dual career path where agents can choose to become either life consultants, with aspirations to attain MDRT status, or agency leaders focused on building and managing teams. This means agents can pursue what they are best suited to do. With clearly defined roles and responsibilities, agents' ownership, accountability and effectiveness have all increased and this has delivered tangible results.

The number of active agents increased by 26% compared with 2010 and the average income of agents has improved by 29% in 2011. As you can see 2011 was a successful year for Singapore and China, and across all our key markets as you heard from Gordon and Phong earlier, but there is much more we can do to transform the significant opportunities we have into profitable growth.

Now I would like to hand back to Mark. Thank you.

Mark Tucker, Chief Executive Officer and President:

Thanks Keng Hooi.

Let me get last few last, just to sum up. I think we have already discussed in detail the progress we have made over the year, both on delivering the results for 2011 and very importantly continuing to put in place the platform for sustainable growth. As the charts on this page show we have achieved excellent momentum across all key aspects of the business.

Let me now summarise our priorities for 2012 which will enable us to build on and sustain this momentum into the future.

In Distribution, we will continue to focus on rolling out our Premier Agency strategy right across the business. We have made significant progress already but as I have said, there is much, much more to come.

Our approach to Partnership distribution remains that we will pursue profitable relationships that benefit all parties. We will continue to build upon our existing Partnership platform while looking to engage new profitable partners.

Having an outstanding distribution force is one of our growth drivers. Very importantly, we have begun shifting the product mix towards more profitable products and we expect to make further progress on this in 2012.

Similarly, we will continue to build our customer initiatives in our key markets. These initiatives are designed to transform the customer experience which over time will increase our share of customers' minds and wallets.

Organisationally, with our regional leadership team now in place, we have embarked on further capability enhancement in our country operations. We will continue to empower our local teams while seeking further operational efficiencies at the Centre.

Financially, we will maintain a highly disciplined approach to managing our operating performance, capital and risk. We will preserve and protect our financial strength as we grow while seeking to pay a prudent, sustainable and progressive dividend to our shareholders.

Finally, we believe in AIA and a very bright future for the Company for 3 main reasons:

Number one, because we have the Right Platform:

AIA operates exclusively in the right region and at the right time. Asia's structural growth drivers make our markets the most exciting and offer the highest potential for life companies of any region in the world.

We are able to access huge growth opportunities – with our proprietary distribution – and we are the only 100% Asian, 100% retail financial services pure consumer play.

We also have the financial strength from our back book cashflow to self-fund our growth.

Number two, we have the Right Priorities:

As you have heard, we have thought deeply about our business and whether it's Premier Agency, product innovation, profitable partnerships or our 24 million in-force policies we are confident that we're focussing on the right drivers making the right changes and prioritising the right opportunities to ensure that we deliver sustainable profitable growth.

Number three, we have the Right People:

Make no mistake, this is a People business and we have the right people to deliver our strategy.

Our senior management team has extensive experience in Asia and an enviable performance record. As a senior management team, we are fully aligned on what we need to do and we have 'the right people' in depth within our country operations and in our distribution channels.

The strong results today and the momentum we have generated so far begins to demonstrate what we can achieve.

Each of these 3 key points would be sufficient on its own as a critical success driver. Taken together, they combine to make AIA a unique and exciting growth proposition.

That concludes the Presentation for this morning. As always, we have got plenty of time for Q&A. We have a number of other Senior Executives over the front couple of rows here. So happy, at this point, to hand to you guys and take questions.