

# 2017 ANNUAL RESULTS PRESENTATION

27 February 2018



HEALTHIER, LONGER,  
BETTER LIVES

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**GOAL!** 04:03  
1-0

Value of New Business

**\$3,512m**

**+28%**

Operating Profit After Tax

**\$4,647m**

**+16%**

Total Dividend Per Share

**HK\$1.00**

**+17%**

**Ng Keng Hooi**

Group Chief Executive



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# 2017 Excellent Performance - Across All Key Metrics



Value of New Business

**\$3,512m**

**+28%**

Operating Profit After Tax

**\$4,647m**

**+16%**

EV Equity

**\$51.8b**

**+\$8.1b**

Underlying Free Surplus Gen

**\$4,527m**

**+13%**

AIA Co. Solvency Ratio

**443%**

**+39 pps**

Total Dividend Per Share

**HK\$1.00**

**+17%**

# Profitable Growth Underpinned by Focus on Quality



## Value of New Business

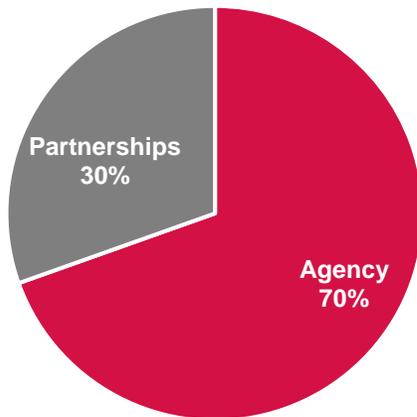
Agency  
VONB

**+28%**

Partnerships  
VONB

**+27%**

### Distribution Mix<sup>(1)</sup>



## IFRS Operating Profit

Regular  
Premium

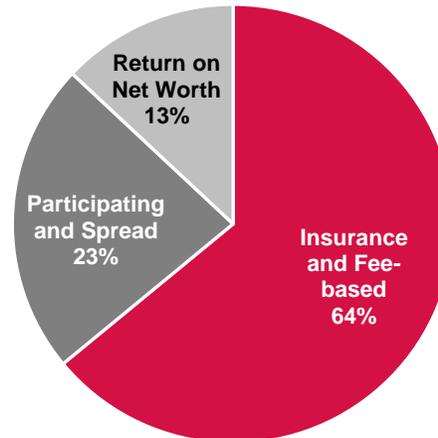
**92%**

*of ANP*

Operating Profit  
After Tax

**+16%**

### Sources of IFRS Operating Profit<sup>(2)</sup>



## Embedded Value Equity

Mortality and  
Morbidity Variances

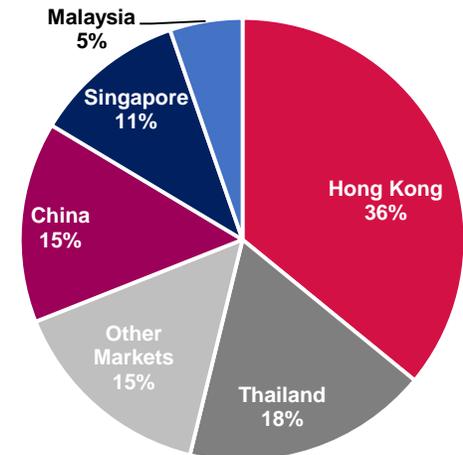
**77%**

*of Cumulative Operating  
Variances since IPO*

Operating  
ROEV

**16.6%**

### EV by Market Segment<sup>(3)</sup>



Notes: For 2017

(1) Based on local statutory reserving and capital requirements, before the deduction of unallocated Group Office expenses and excluding pension business

(2) Before Group Corporate Centre expenses

(3) Based on local statutory reserving and capital requirements

# Unique and Advantaged Platform with Significant Scale



## Leader in Highly Attractive Asian Life Markets<sup>(1)</sup>



**18**

Markets across Asia Pacific, with unique ownership structure

**>30m**

Holders of Individual Policies

**>16m**

Members of Group Schemes

**\$3.5b**

Value of New Business

**\$51.8b**

Embedded Value Equity

**\$26.1b**

Total Weighted Premium Income

**\$4.6b**

IFRS Operating Profit After Tax

# AIA's Competitive Advantages and Strategic Priorities



## Structural Drivers of Growth



Rapid urbanisation and significant wealth creation



Increasing prevalence of lifestyle-related diseases



Low insurance penetration and limited social welfare provision



Ageing population and growing need for retirement savings



Understanding consumer preferences and expectations

## Strategic Priorities

Premier Agency	Next-Generation Partnerships	Health & Wellness	Customer Centricity	Product Innovation
<ul style="list-style-type: none"> <li>Promote next generation agency recruitment and training support</li> <li>Enable with technology and support specialisation</li> <li>Deliver professional advice on broader customer needs</li> </ul>	<ul style="list-style-type: none"> <li>Deepen engagement with strategic partners</li> <li>Strengthen and differentiate partner value proposition</li> <li>Expand distribution reach through non-traditional partners</li> </ul>	<ul style="list-style-type: none"> <li>Extend regional leadership in health and wellness</li> <li>Engage customers in healthy living</li> <li>Evolve from conventional payer to active partner</li> </ul>	<ul style="list-style-type: none"> <li>Leverage data analytics for greater customer insights</li> <li>Transform customer experience</li> <li>Increase customer engagement</li> </ul>	<ul style="list-style-type: none"> <li>Maintain protection-oriented portfolio</li> <li>Expand integrated savings and protection solutions</li> <li>Meet rapidly growing long-term savings needs</li> </ul>

People Development

Digital Enablement

Financial Discipline

# 2017 Year in Review



Extended our strategic partnership with BCA for a further 10 years

FEB

Launched AIA Cambodia, first start-up since IPO



MAY



Extended partnership with Tottenham Hotspur until 2022

Launched myOwn health insurance brand in Australia



Ranked #1 in MDRT members in the world for third consecutive year

JUL



Announced new strategic partnerships with Bangkok Bank in Thailand and VPBank in Vietnam

OCT

Subsidiarisation of AIA Korea approved

Extended partnership with Public Bank by a further 15 years



Completed one of the largest cloud migration programmes in the insurance industry in Asia

DEC

Announces record 2017 results with double-digit growth across our main financial metrics

MAR

Announced David Beckham as AIA's Global Ambassador at the launch of AIA China's Wellness Programme



JUN

AIA new senior leadership team in place



AUG

Completed Group-wide long-term strategic review

AIA's Competitive Advantages and Strategic Priorities

Structural Drivers of Growth
<ul style="list-style-type: none"> <li>Brand reputation and global health impact</li> <li>Proven financial strength and global reach</li> <li>Long-term commitment to customer service and innovation</li> </ul>
Strategic Priorities
<ul style="list-style-type: none"> <li><b>Promote Agency:</b> <ul style="list-style-type: none"> <li>Expand our presence across emerging and frontier markets</li> <li>Strengthen relationships with local partners</li> <li>Enhance operational efficiency</li> <li>Improve customer service and satisfaction</li> </ul> </li> <li><b>Next-Generation Profitability:</b> <ul style="list-style-type: none"> <li>Optimize our portfolio</li> <li>Improve risk management</li> <li>Enhance operational efficiency</li> </ul> </li> <li><b>Health &amp; Wellness:</b> <ul style="list-style-type: none"> <li>Expand our presence in emerging and frontier markets</li> <li>Enhance operational efficiency</li> <li>Improve customer service and satisfaction</li> </ul> </li> <li><b>Customer Centricity:</b> <ul style="list-style-type: none"> <li>Enhance operational efficiency</li> <li>Improve customer service and satisfaction</li> </ul> </li> <li><b>Product Innovation:</b> <ul style="list-style-type: none"> <li>Develop new products and services</li> <li>Enhance operational efficiency</li> <li>Improve customer service and satisfaction</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>People Development</li> <li>Digital Enablement</li> <li>Financial Discipline</li> </ul>

SEP

Announced acquisition of CBA's life businesses and two 20-year bancassurance agreements



NOV

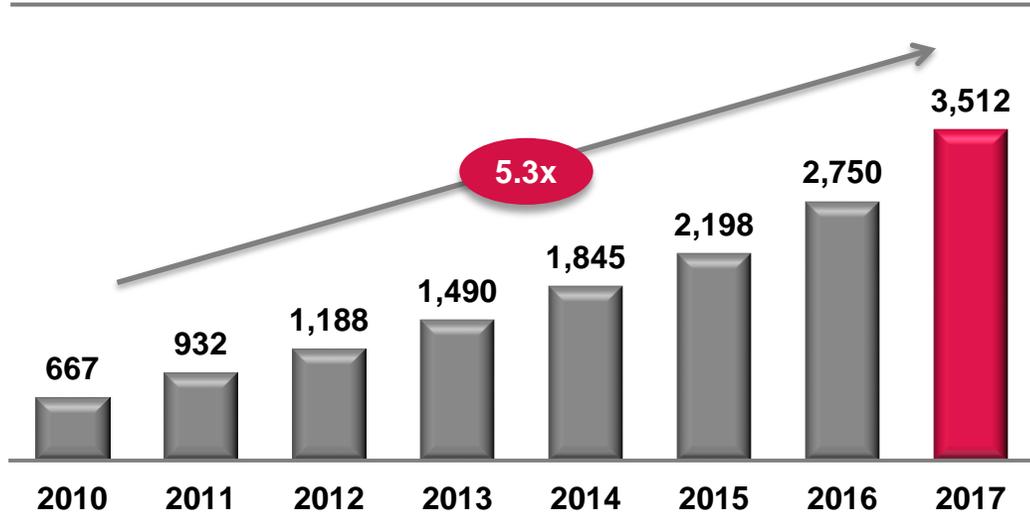
AIA Leadership Centre hosted over 10,000 attendees in 2017



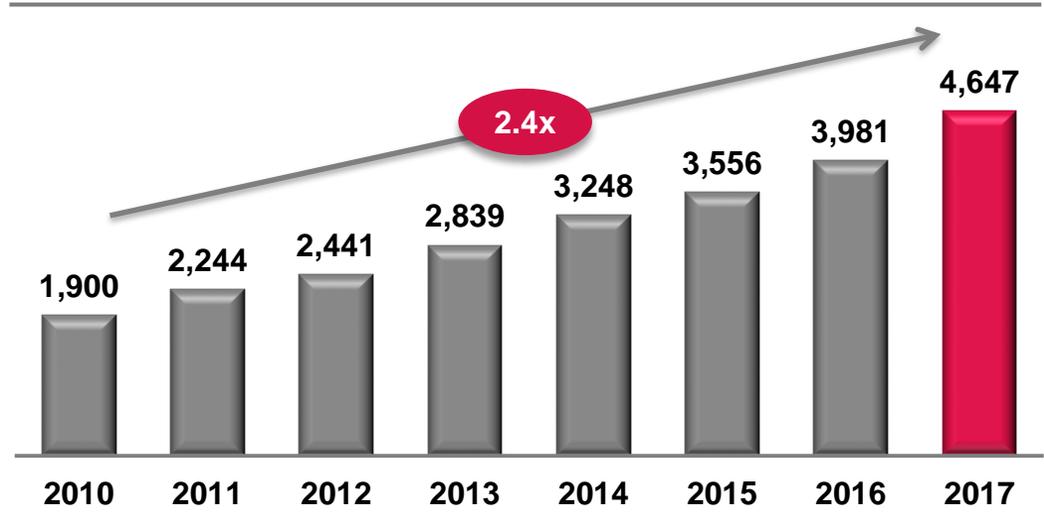
# Consistent Execution Driving Strong Returns



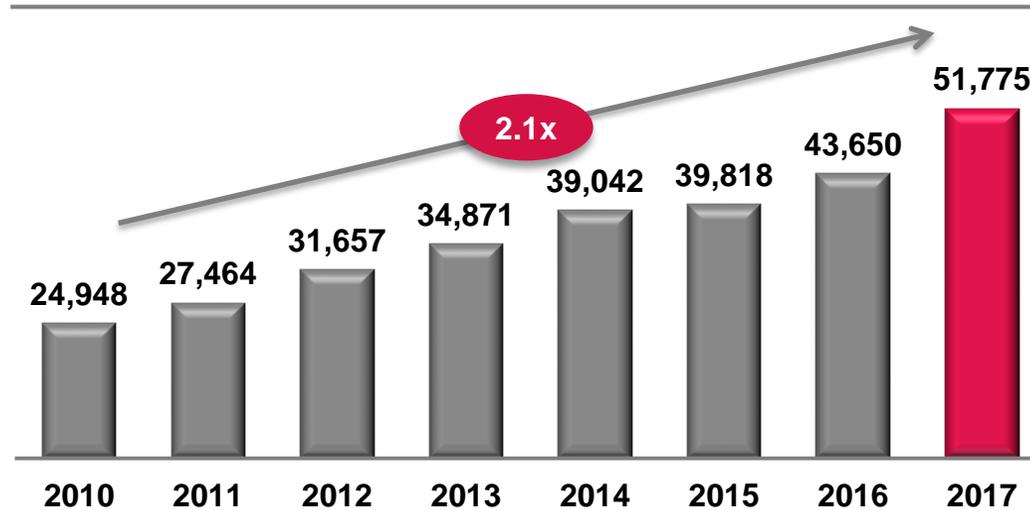
VONB (\$m)



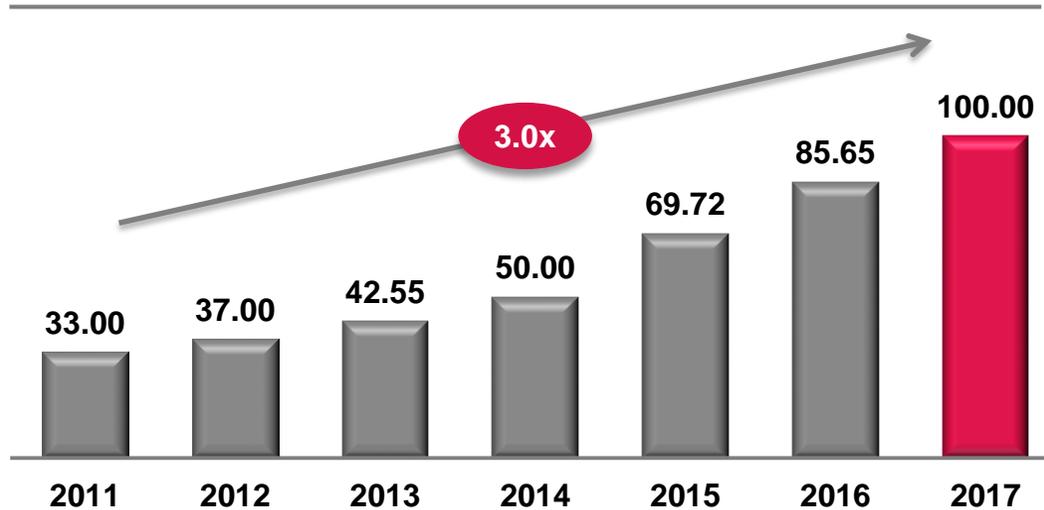
OPAT (\$m)



EV Equity (\$m)



Total Dividend Per Share (HK cents)





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**Garth Jones**

Group Chief Financial Officer



# 2017 – Excellent Financial Results



		(\$m)	2017	2016	CER	AER	
<b>Growth</b>	VONB		3,512	2,750	28%	28%	↑
	EV Operating Profit		6,997	5,887	19%	19%	↑
	Operating ROEV		16.6%	15.4%	1.1 pps	1.2 pps	↑
	EV Equity		51,775	43,650	15%	19%	↑
<b>IFRS Earnings</b>	Operating Profit After Tax		4,647	3,981	16%	17%	↑
	Operating ROE		14.2%	14.1%	0.2 pps	0.1 pps	↑
	Shareholders' Allocated Equity		35,658	29,632	17%	20%	↑
<b>Capital &amp; Dividends</b>	Underlying Free Surplus Generation		4,527	4,024	13%	13%	↑
	AIA Co. HKIO Solvency Ratio		443%	404%	n/a	39 pps	↑
	Total Dividend per Share (HK cents)		100.00	85.65	n/a	17%	↑

**Growth**

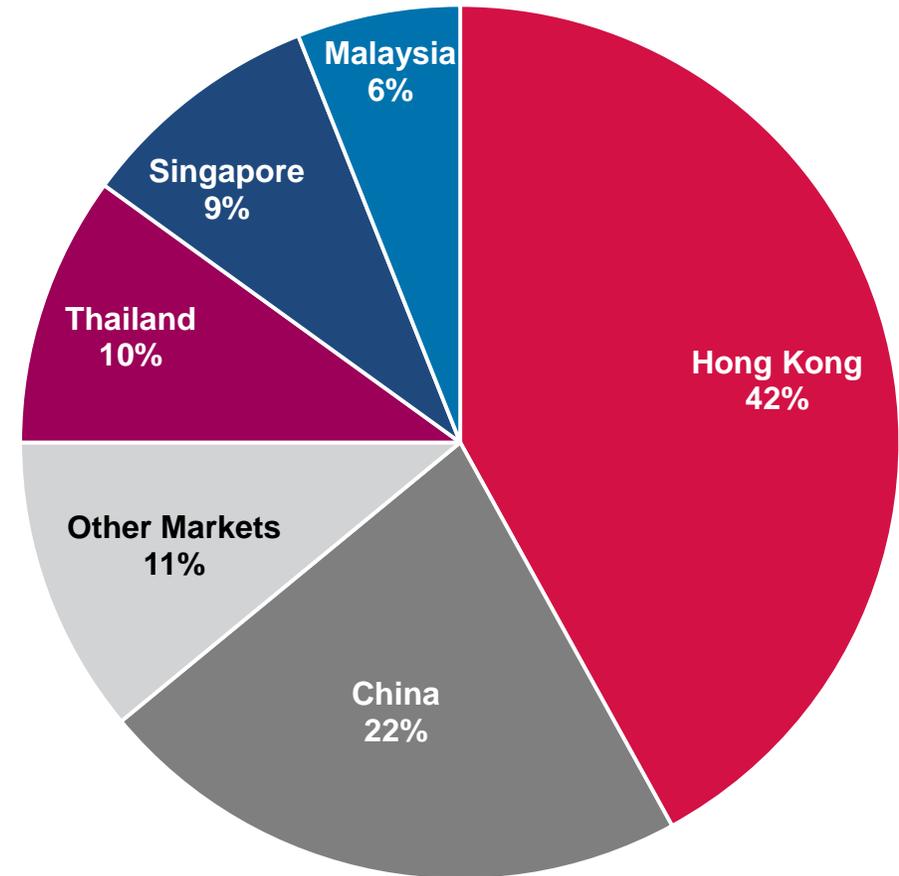
**Earnings**

**Capital and Dividends**

# Strong and Resilient Pan-regional Growth Portfolio



2017 VONB by Market Segment

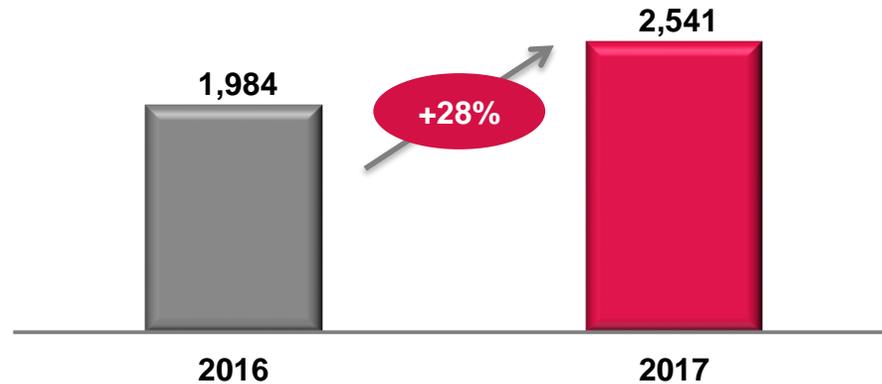


Note:  
Growth rates are shown on a constant exchange rate basis

# Delivering Growth by Expanding High-quality Distribution



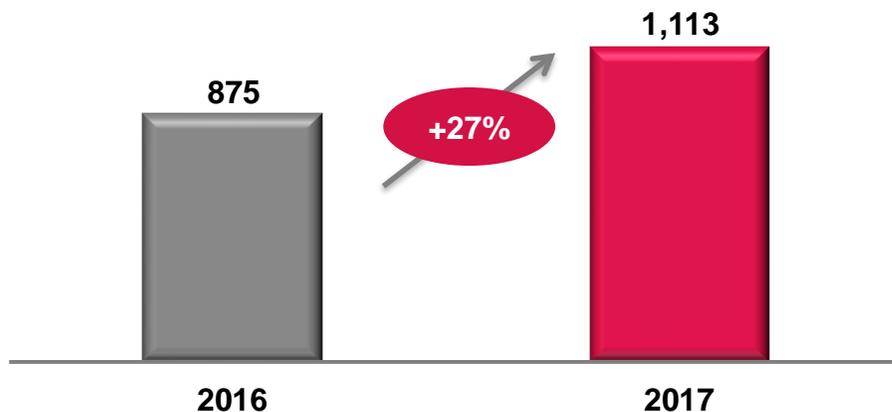
## Premier Agency VONB (\$m)



### Premier Agency Delivery

- VONB up 28%
- Double-digit active agent growth
- Active agent productivity up 14%
- #1 MDRT worldwide for 3 consecutive years

## Partnership Distribution VONB (\$m)



### Profitable Partnership Expansion

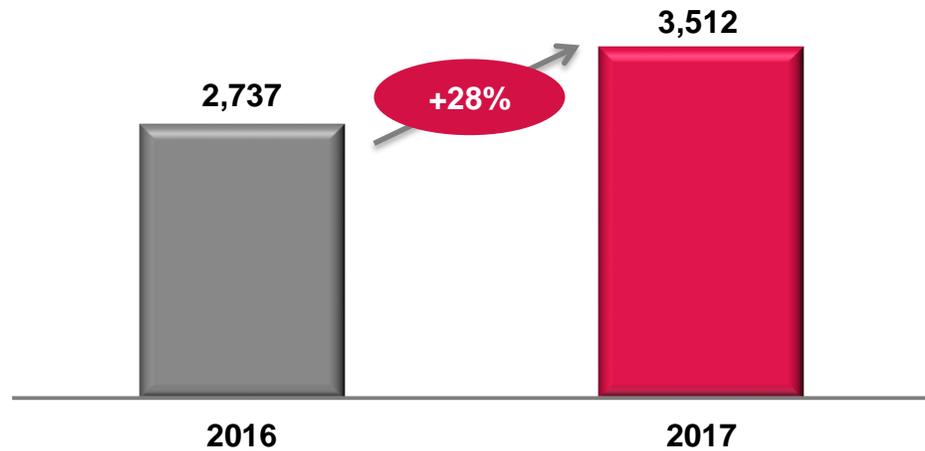
- VONB up 27%
- 30% of Group VONB
- Exceptional performance in IFA channel
- Double-digit bancassurance VONB growth

Note:  
Comparatives are shown on a constant exchange rate basis

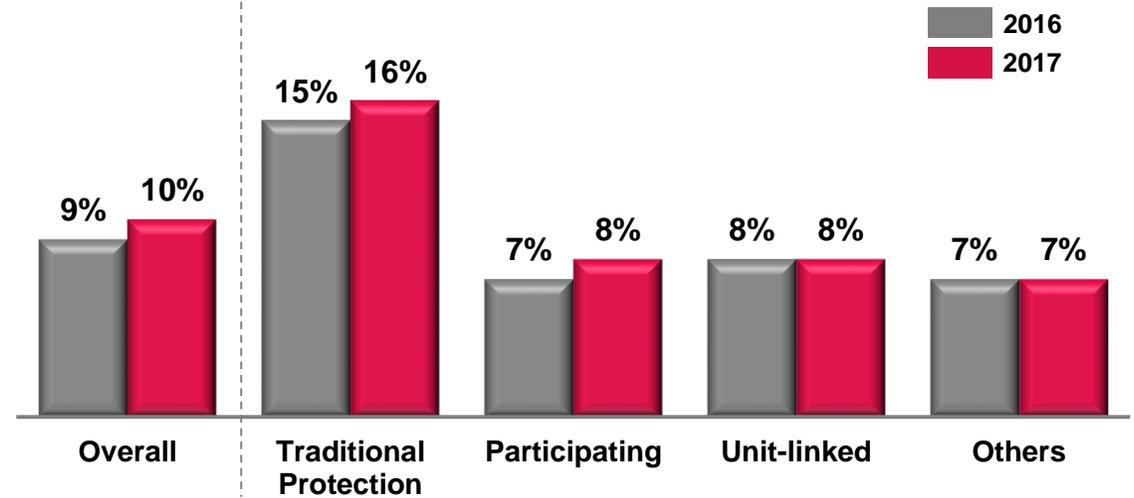
# Strong and Broad-based Profitability



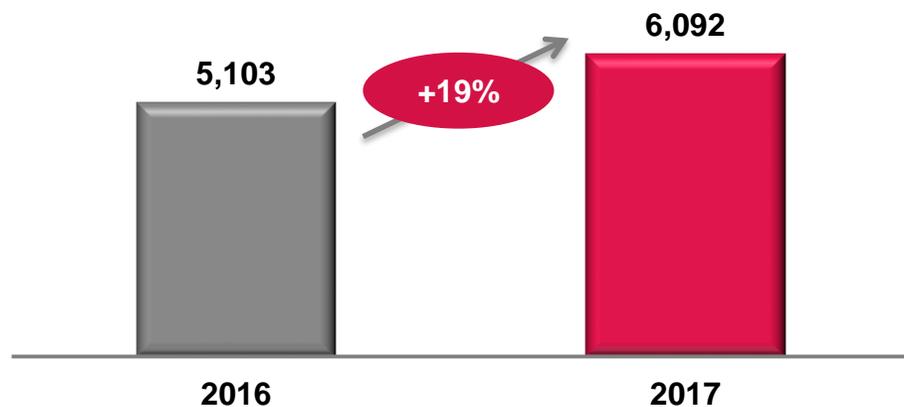
### VONB (\$m)



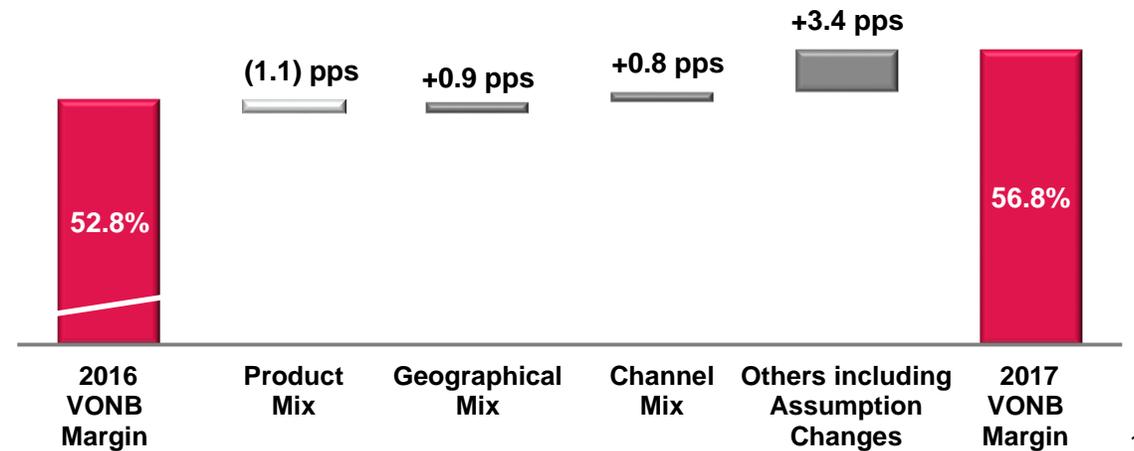
### PVNB Margin by Product



### ANP (\$m)



### VONB Margin Movement

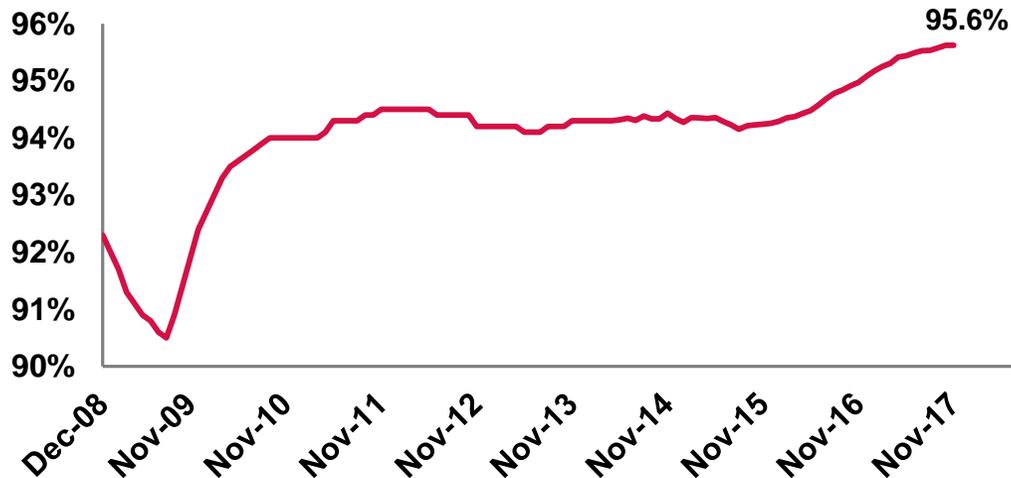


Note: VONB and ANP comparatives are shown on a constant exchange rate basis

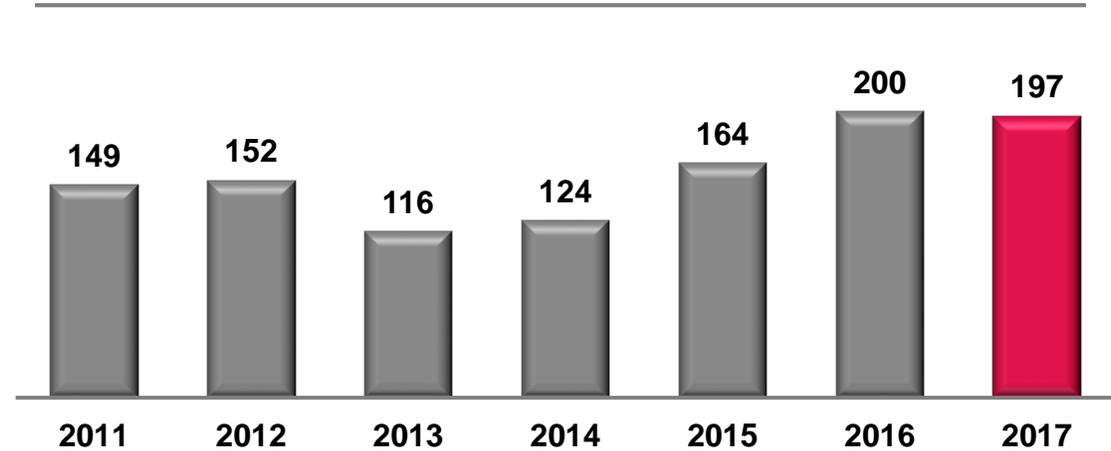
# Value Creation from Quality Operating Performances



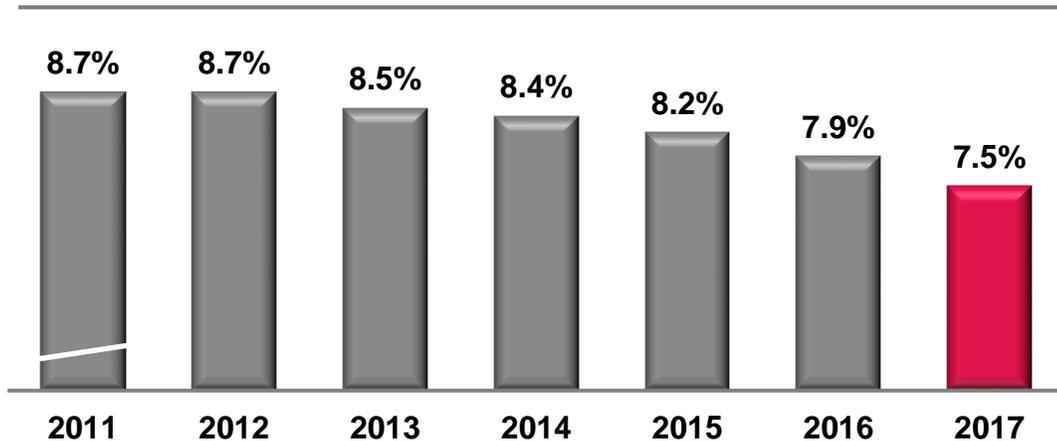
### Stable Persistency Rate



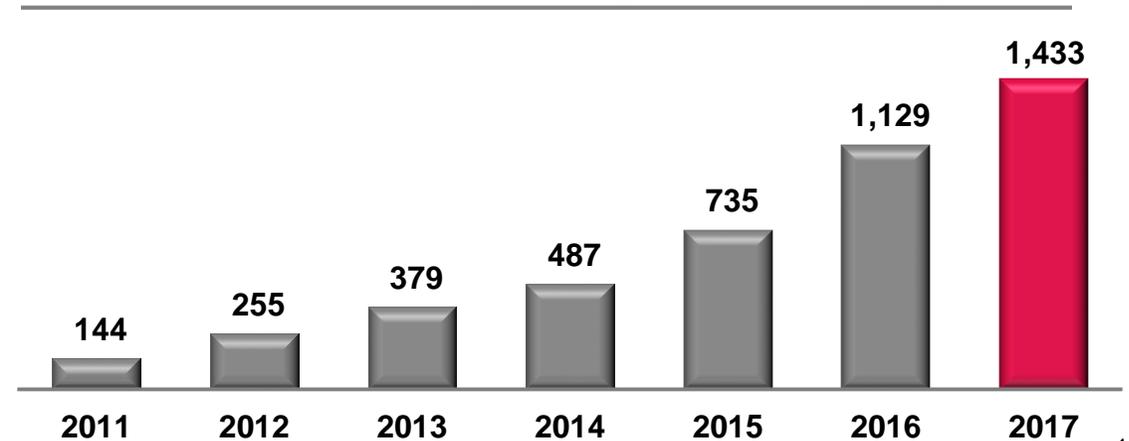
### Mortality and Morbidity Claims Experience Variances (\$m)



### Expense Ratio



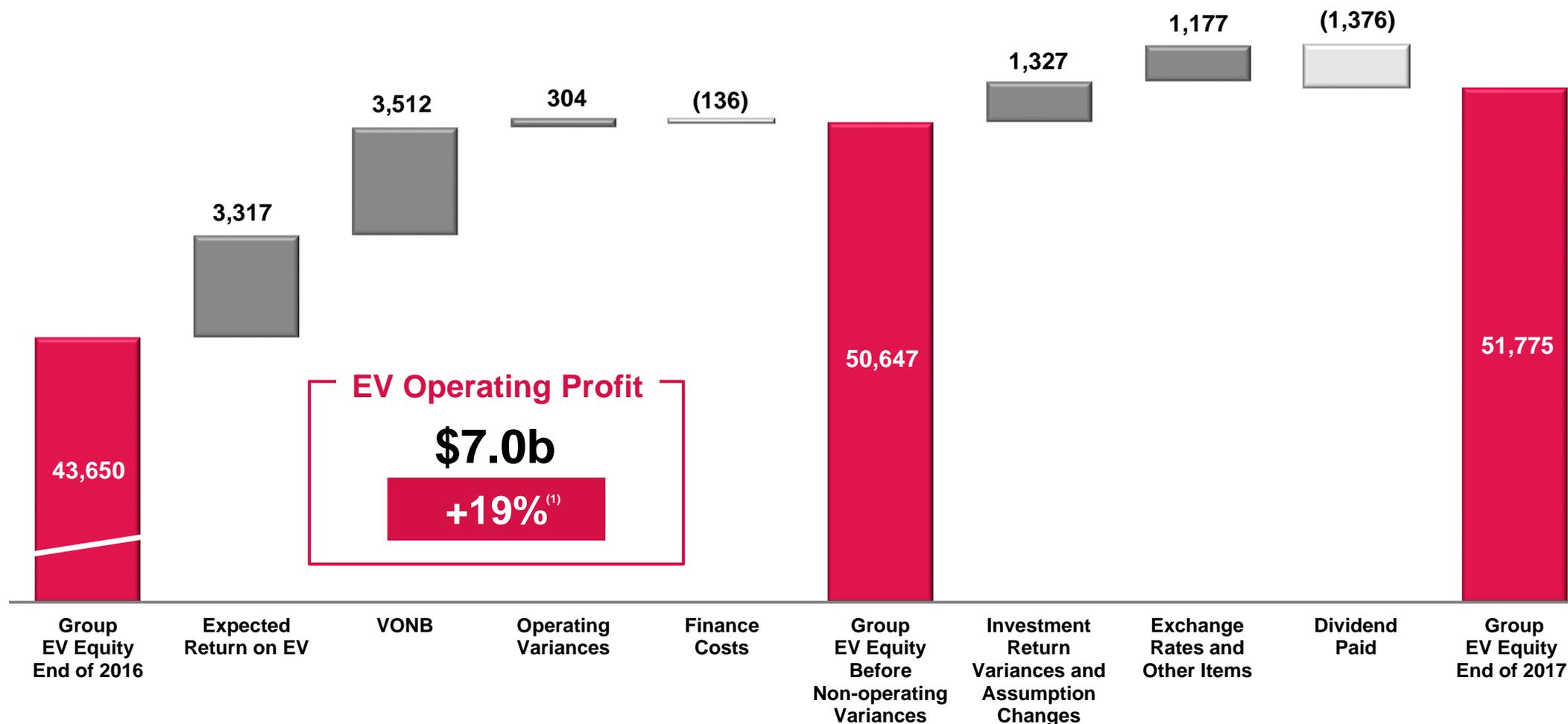
### Cumulative EV Operating Variances (\$m)



# EV Operating Profit up 19% – EV Equity of \$51.8b



## 2017 EV Equity Movement (\$m)



Note:

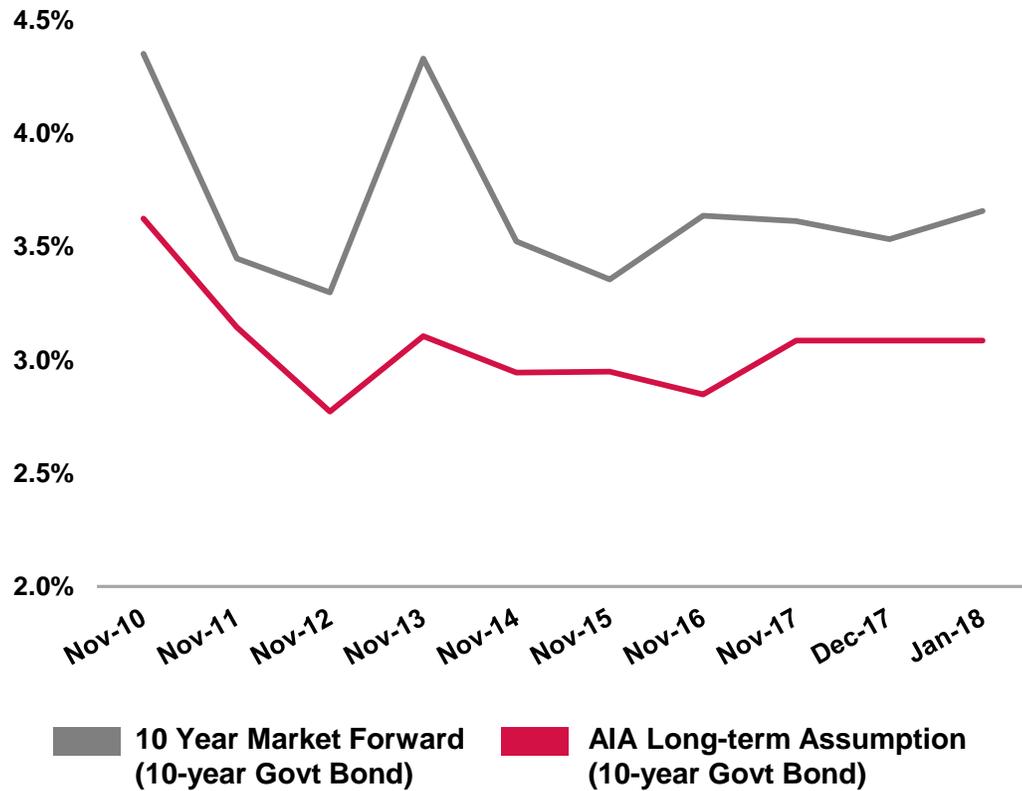
(1) On a constant exchange rate basis

# Interest Rates and EV Sensitivity



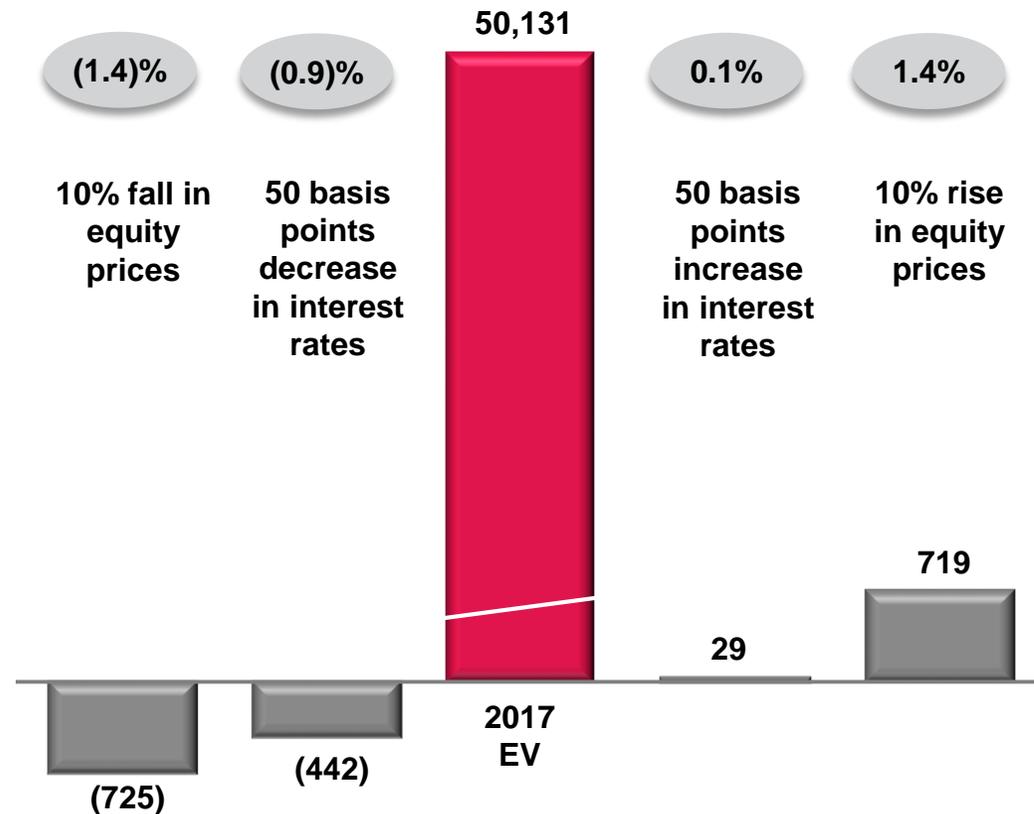
## AIA Long-term Assumptions vs Market Rates

Weighted Average by Geography<sup>(1)</sup>



## Sensitivity of EV

As at 30 Nov 2017



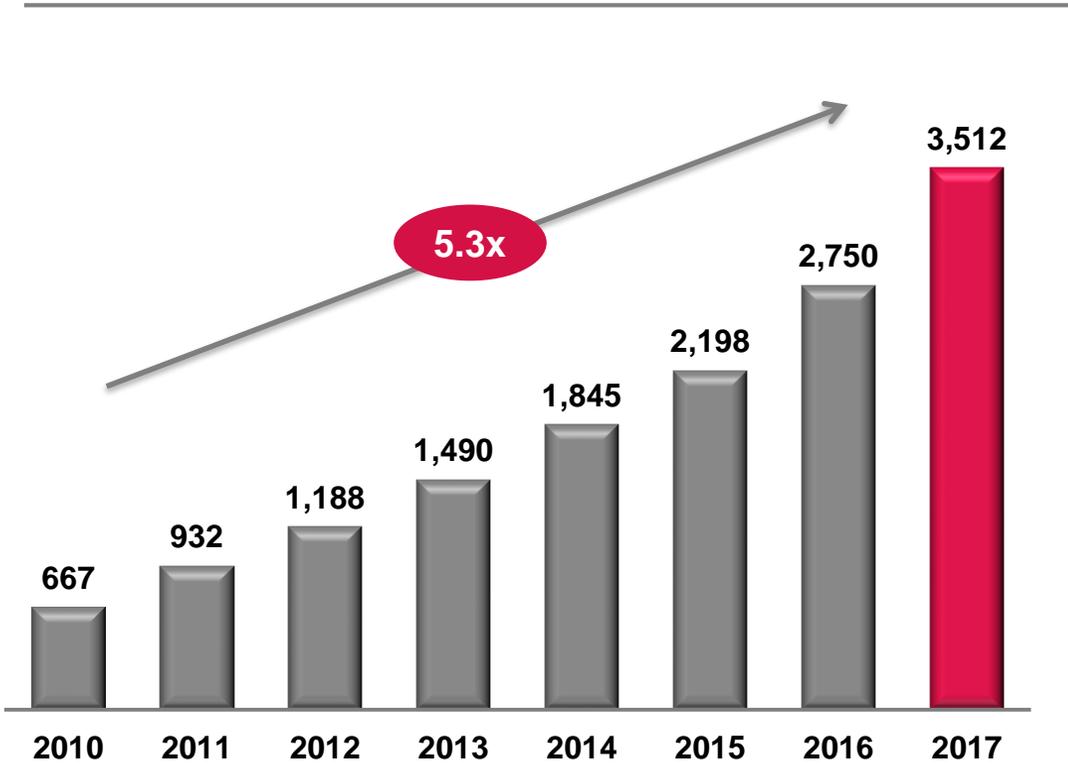
Note:

(1) Weighted average interest rates by VIF of Hong Kong, Thailand, Singapore, China, Malaysia and Korea

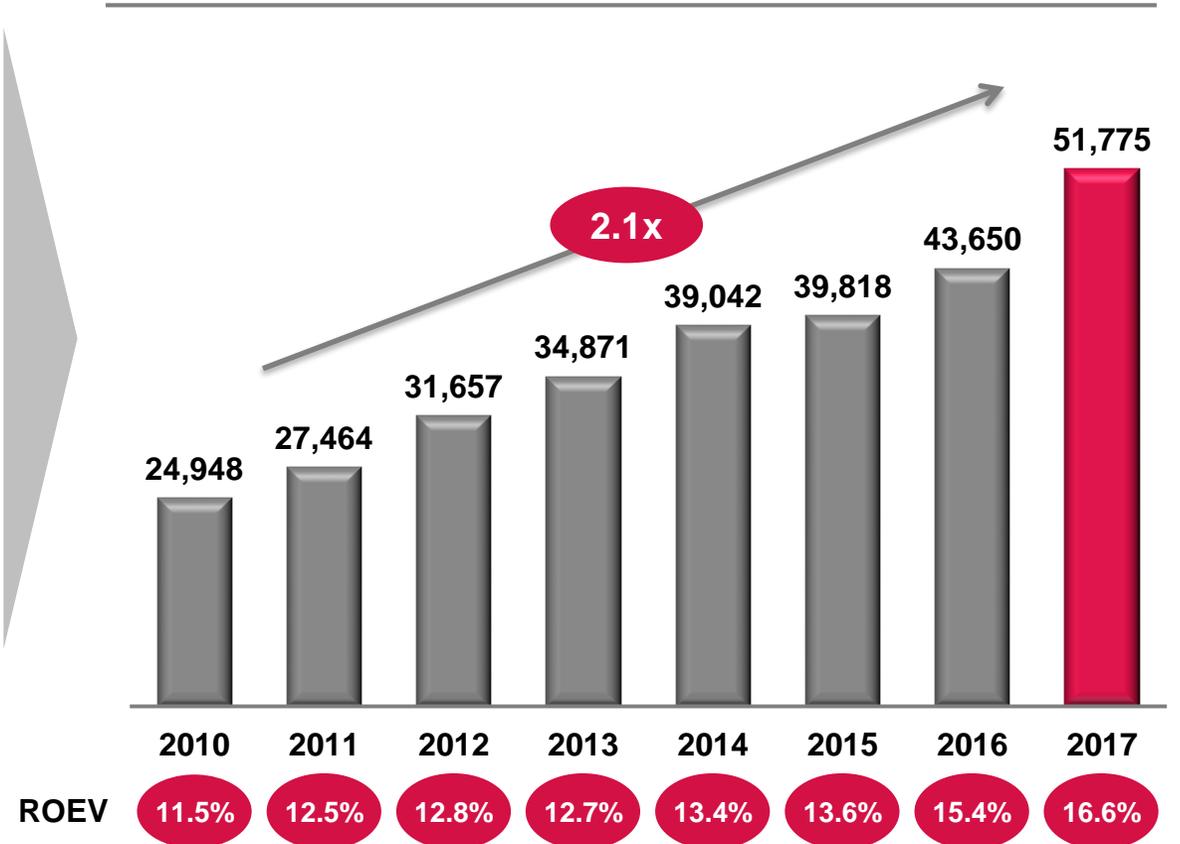
# Profitable Growth Delivered Increased ROEV at Scale



VONB (\$m)



EV Equity (\$m) and Operating ROEV

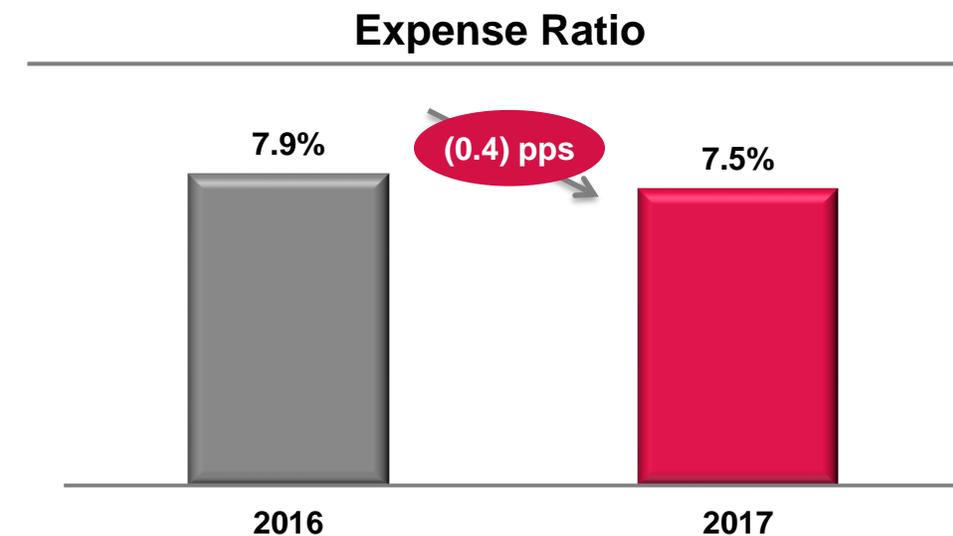
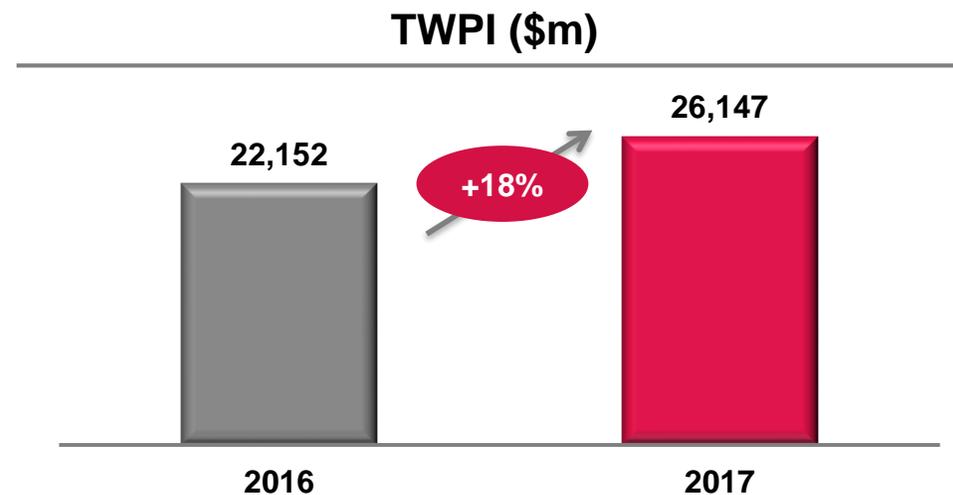
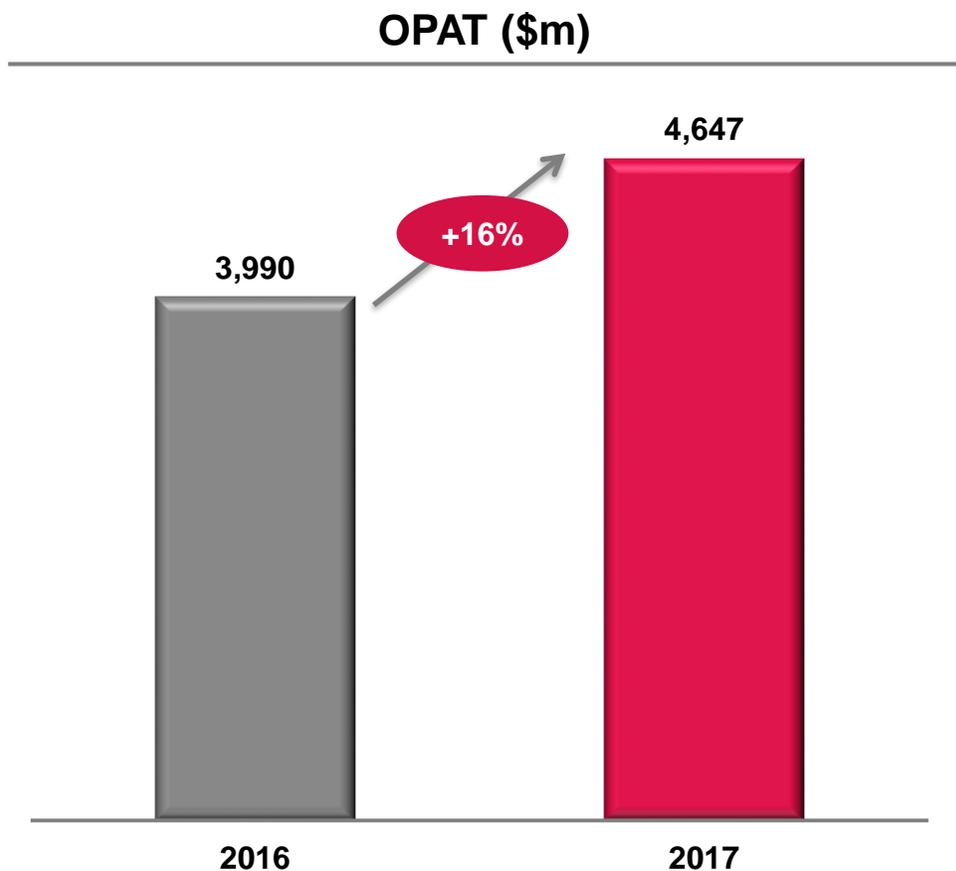


**Growth**

**Earnings**

**Capital and Dividends**

# IFRS Operating Profit After Tax up 16%

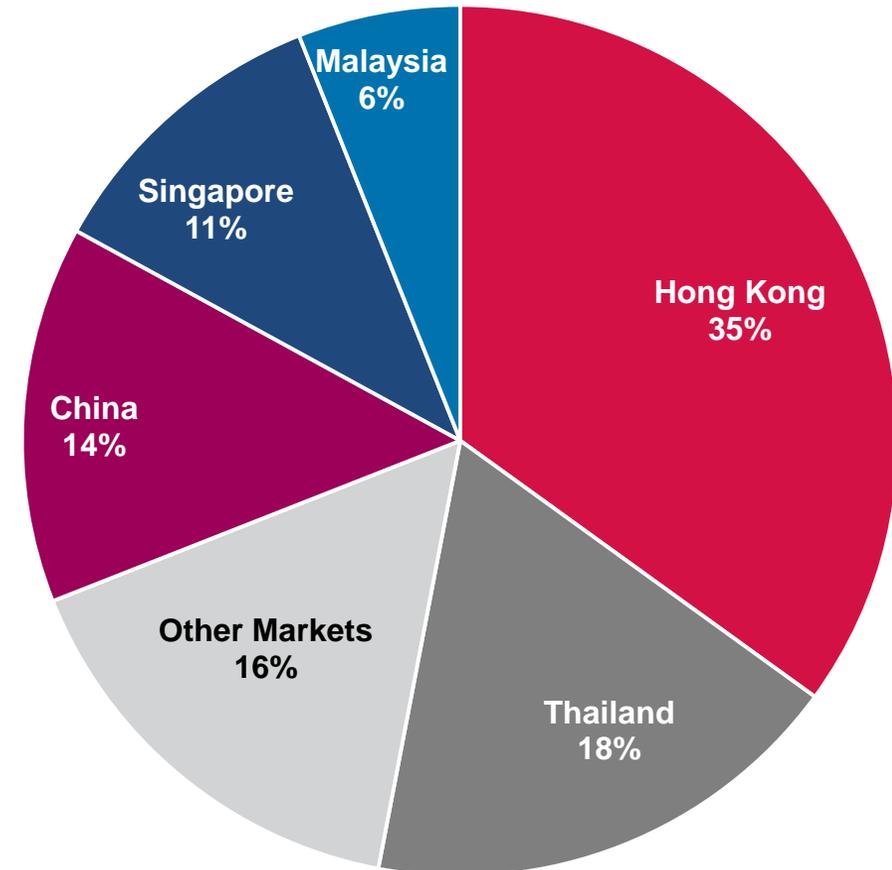
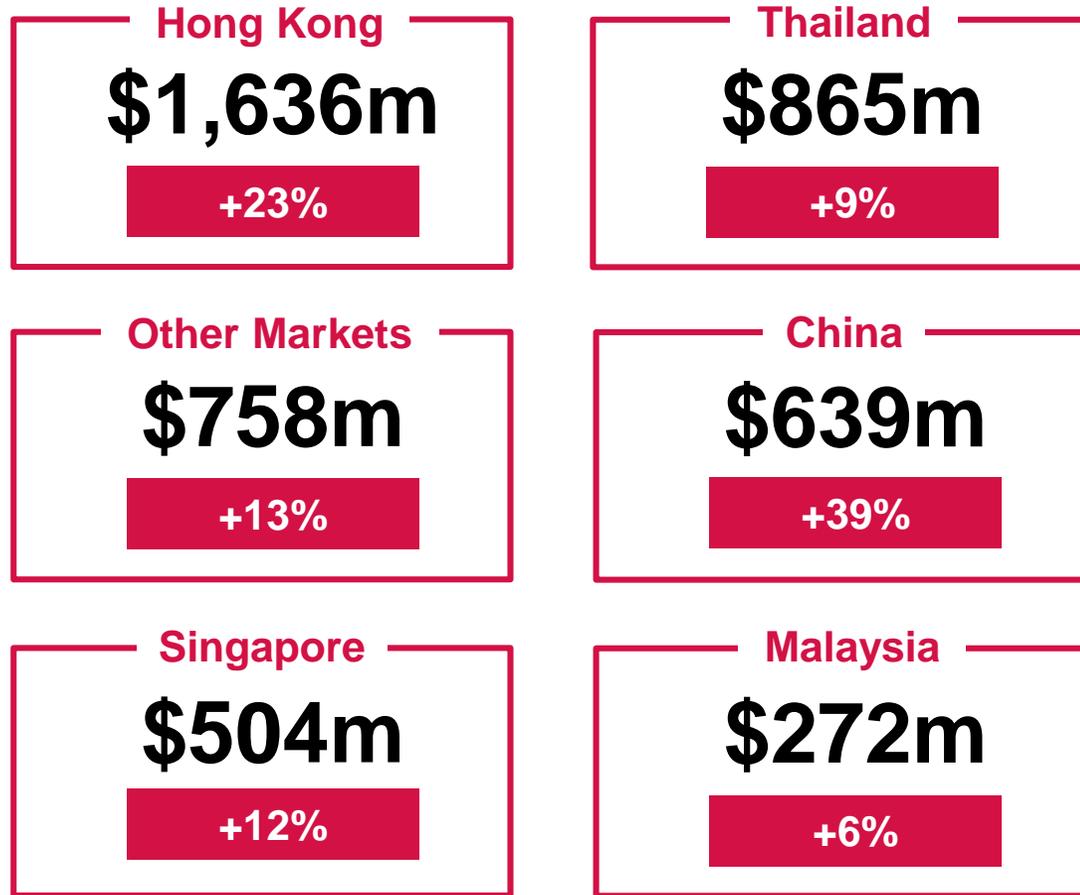


Note:  
Comparatives are shown on a constant exchange rate basis

# Diversified OPAT Growth Across the Region



## 2017 IFRS OPAT by Market Segment

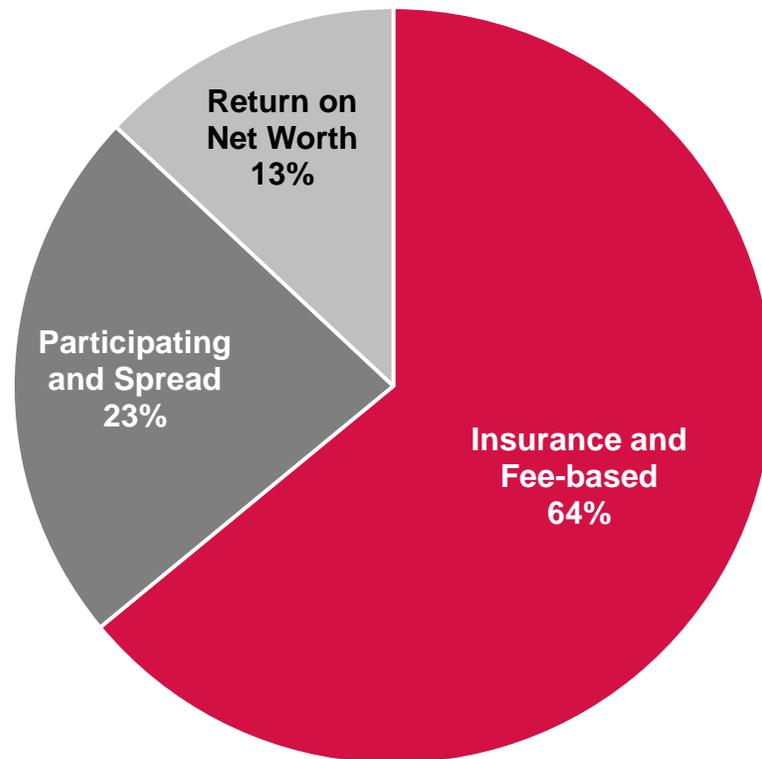


Note:  
Growth rates are shown on a constant exchange rate basis

# Operating Profit Growth – Delivered with Scale



## Sources of IFRS Operating Profit<sup>(1)</sup>



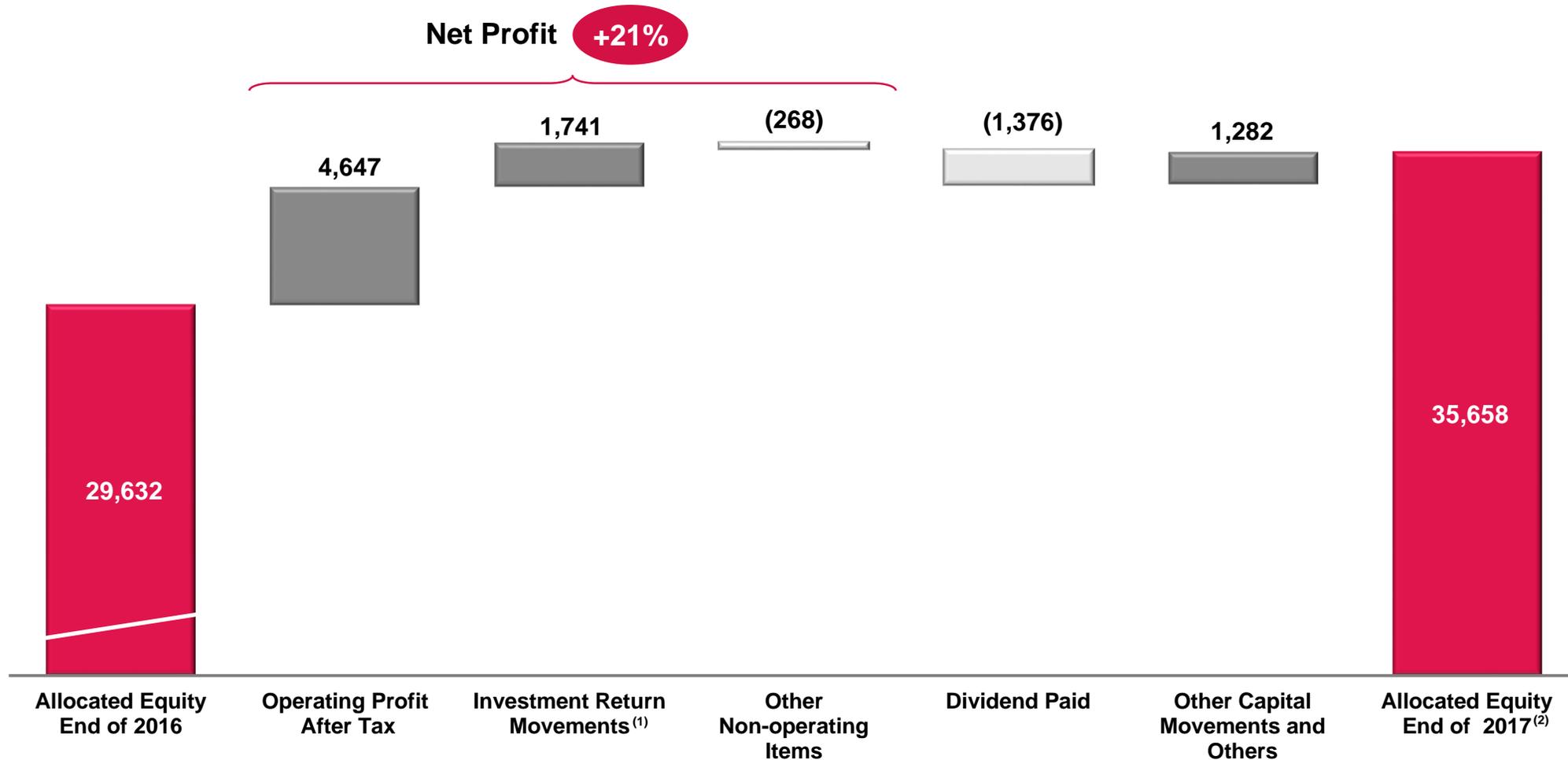
OPAT	2010	2017
>\$1,500m	-	Hong Kong
\$750-1,000m	Hong Kong	Thailand Other Markets
\$500-750m	-	Singapore China
\$250-500m	Thailand Singapore Other Markets	Malaysia
<\$250m	Malaysia China	↑

Note:  
(1) For 2017; operating profit before tax and before Group Corporate Centre expenses

# IFRS Shareholders' Allocated Equity up 20%



## IFRS Shareholders' Allocated Equity Movement (\$m)



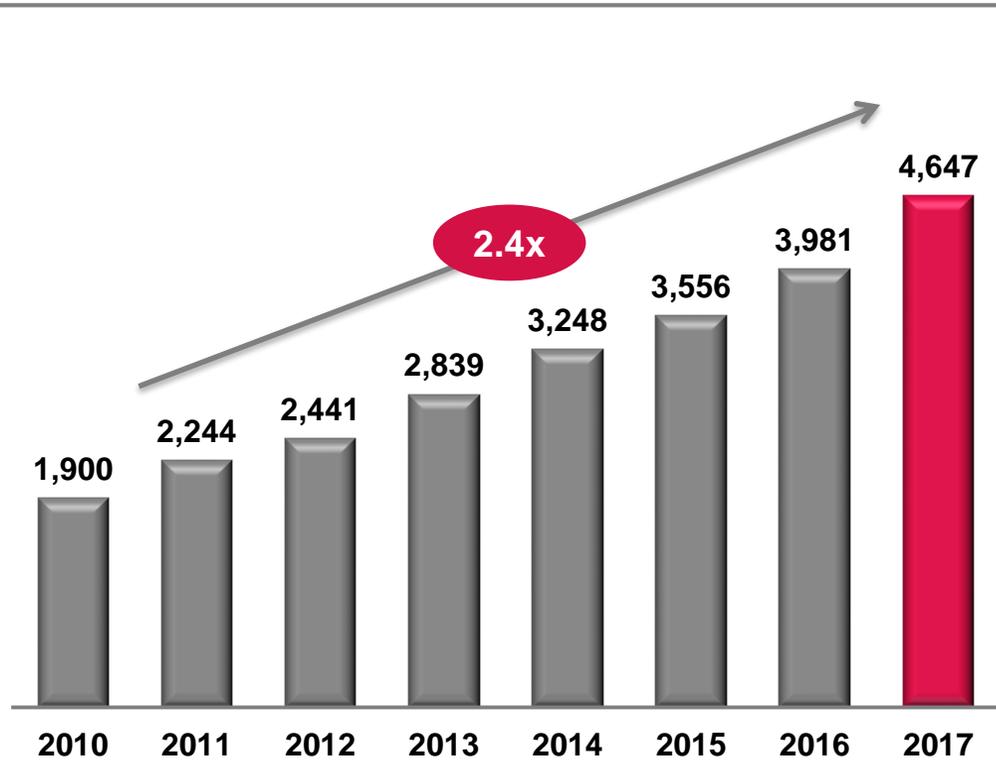
Notes:

- (1) Short-term fluctuations in investment return related to equities and real estate, net of tax
- (2) Shareholders' allocated equity is shown before fair value reserve of \$6.3b at the end of 2017

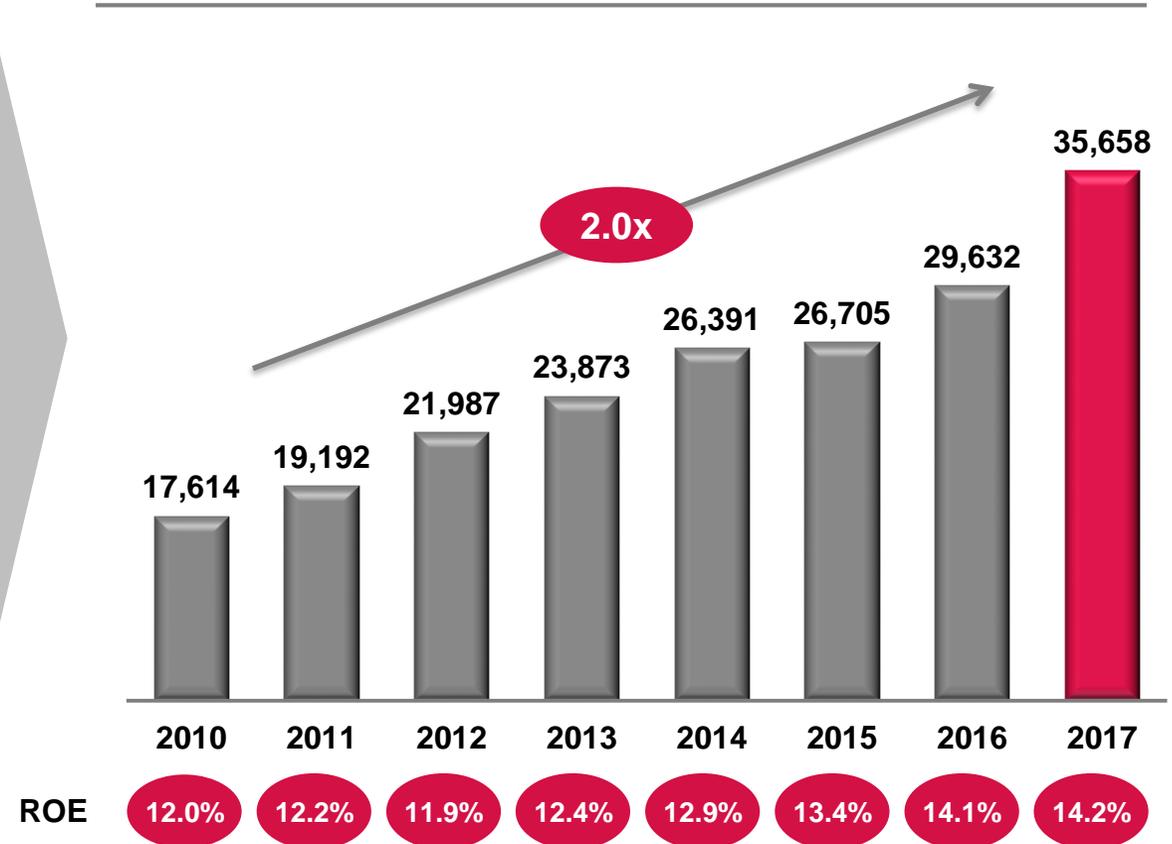
# Profitable Growth Delivered Increased ROE at Scale



OPAT (\$m)



Shareholders' Allocated Equity (\$m) and Operating ROE



# Aligning Financial Year End with Calendar Year in 2018



	2017	2018
<b>Financial Year</b>	1 December 2016 to 30 November 2017	<b>1 January 2018 to 31 December 2018</b>
<b>1Q New Business Highlights</b>	3 months ended 28 February 2017	<b>3 months ending 31 March 2018</b>
<b>Annual General Meeting</b>	12 May 2017	<b>18 May 2018</b>
<b>Final Dividend Ex-dividend</b>	16 May 2017	<b>23 May 2018</b>
<b>Final Dividend Payment</b>	31 May 2017	<b>8 June 2018</b>

**Growth**

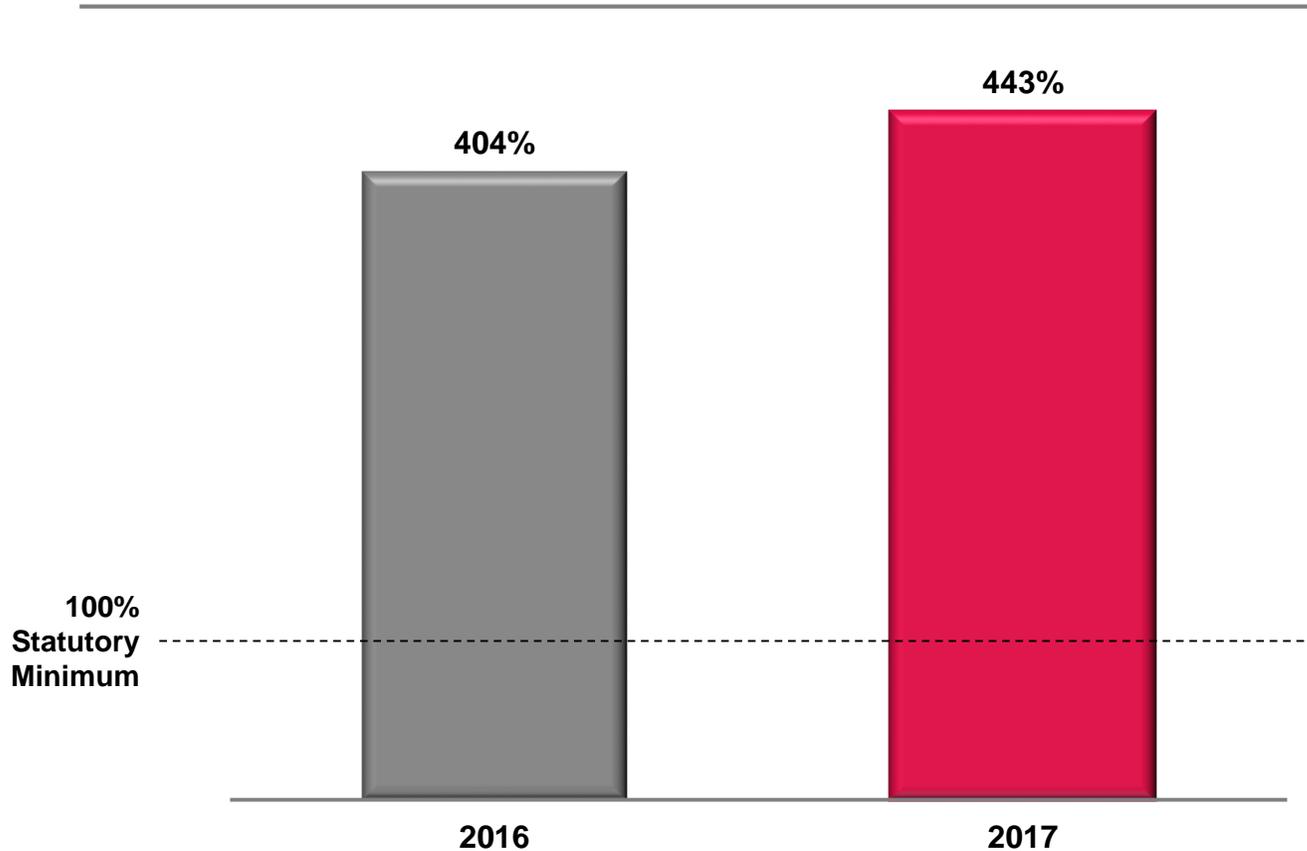
**Earnings**

**Capital and Dividends**

# Solvency Ratio of 443% for AIA Co.



Solvency Ratio  
on the HKIO Basis for AIA Co.



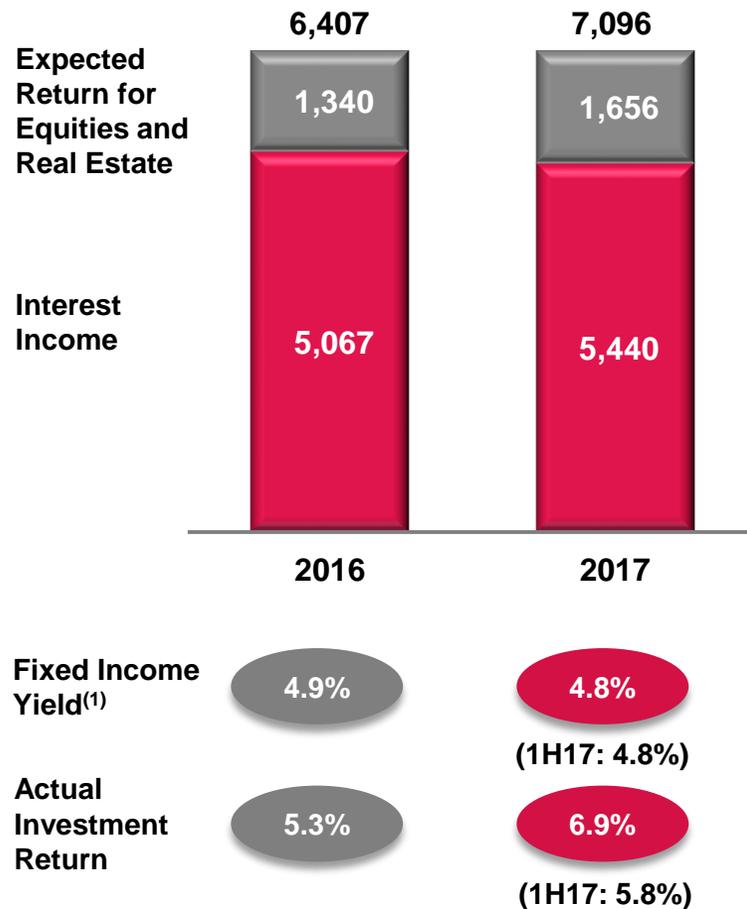
## Resilient Solvency Position

- AIA Co. is the Group's principal operating company
- Strong growth in retained earnings
- Positive mark-to-market movements on assets and reserves
- S&P rating of AA- and Fitch rating of AA for AIA Co.
- Moody's upgraded rating to Aa2

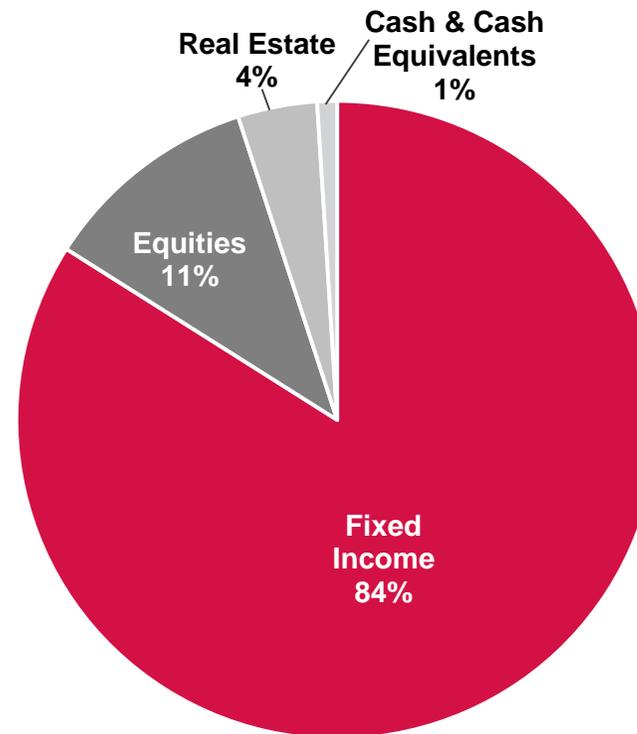
# Prudent Investment Portfolio – Stable Yield



## IFRS Operating Profit Investment Return (\$m)

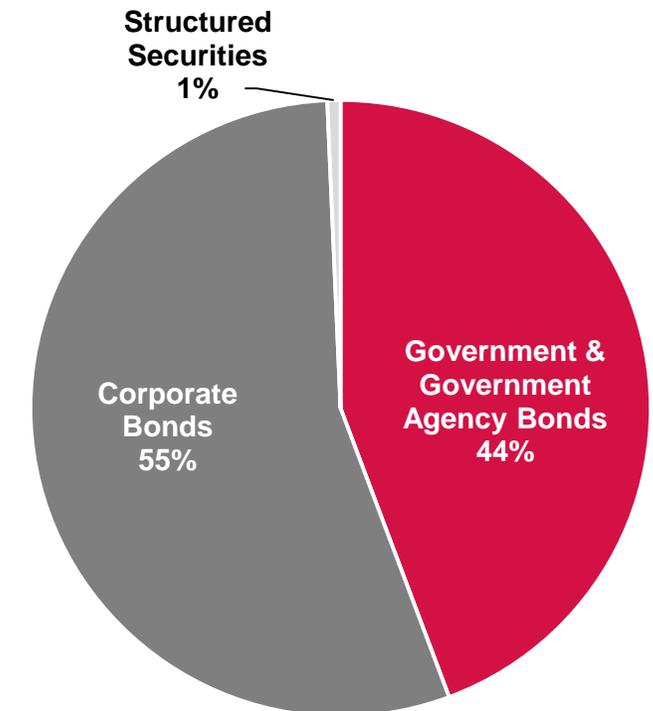


## Total Investments of \$160b<sup>(2)</sup>



## Total Bond Portfolio of \$126b<sup>(2)</sup>

Average Rating A

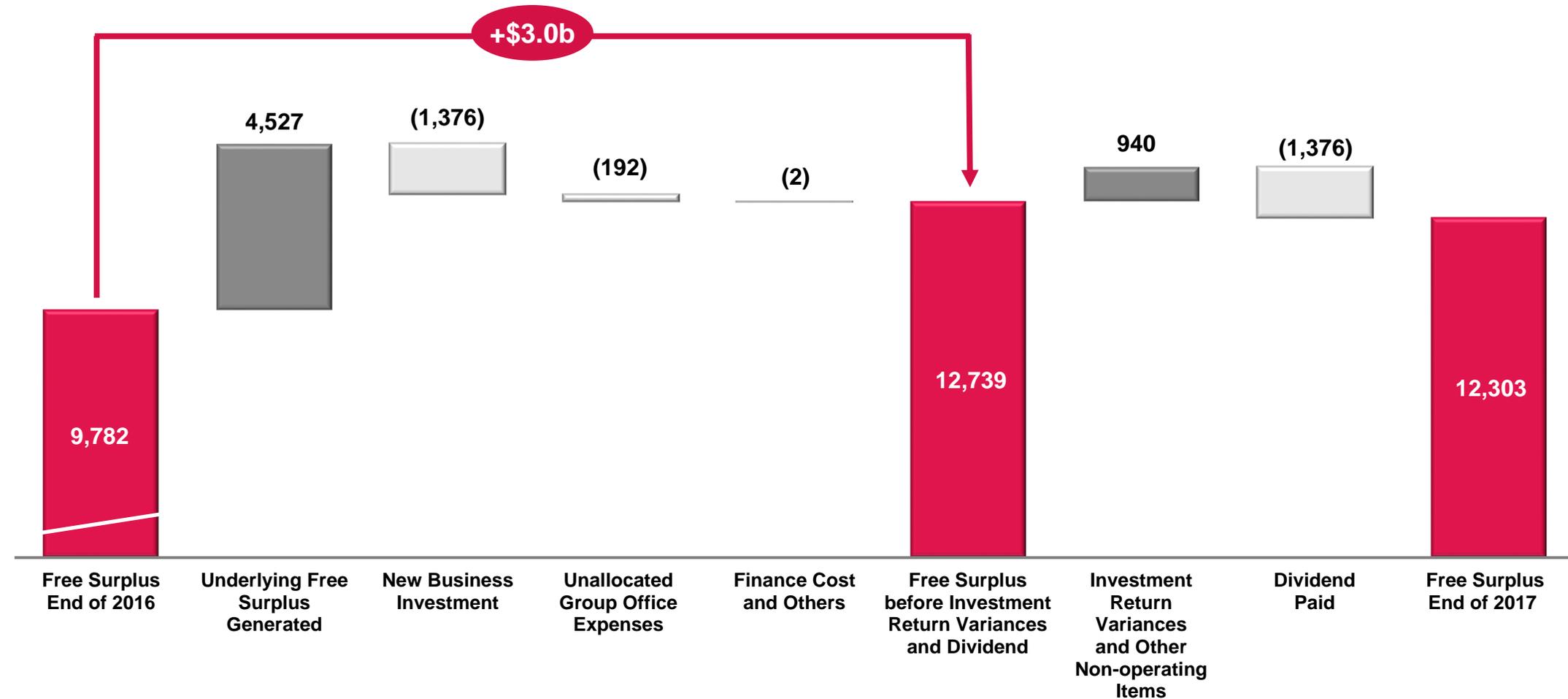


Notes:  
 IFRS operating profit investment return comparatives are shown on a constant exchange rate basis  
 (1) Interest income from fixed income investments, as a percentage of average fixed income investments measured at amortised cost over the period. This excludes unit-linked contracts and consolidated investment funds  
 (2) As of 30 November 2017

# Self-financed Growth at Attractive Returns



## Free Surplus<sup>(1)</sup> of \$12.3b (\$m)



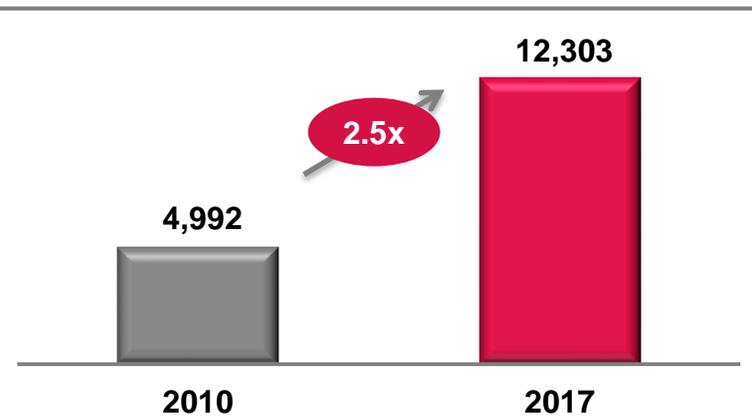
Note:

(1) Free surplus is the excess of the market value of AIA's assets over the sum of the statutory liabilities and required capital

# Disciplined Financial Management



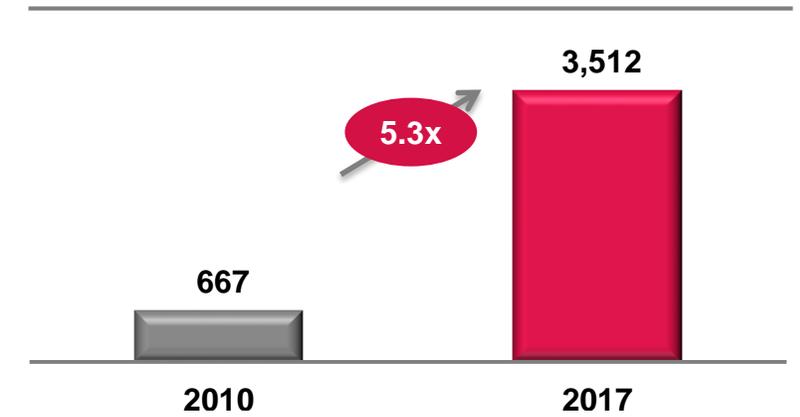
Free Surplus (\$m)



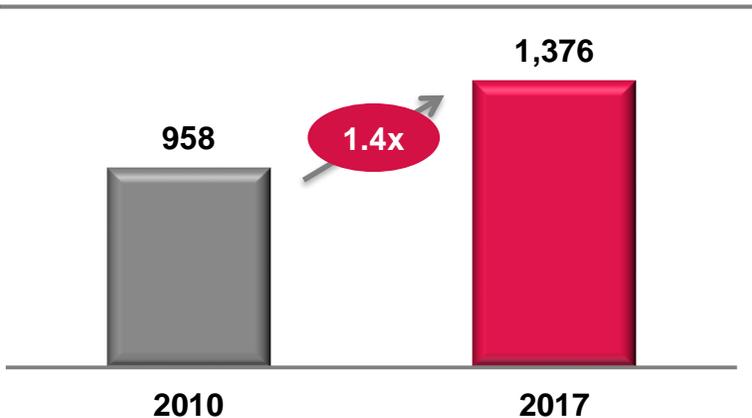
## Uses of Free Surplus Generation

- Maintain strong balance sheet through capital market stress
- Reinvest capital in profitable new business growth
- Pay prudent, sustainable and progressive dividend
- Capture additional opportunities to create shareholder value

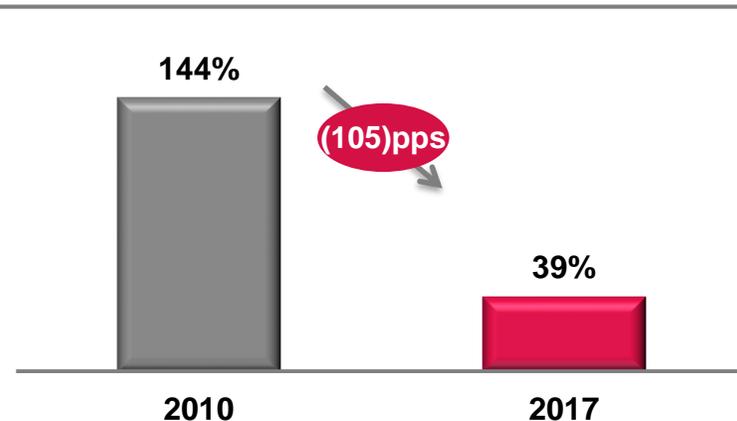
VONB (\$m)



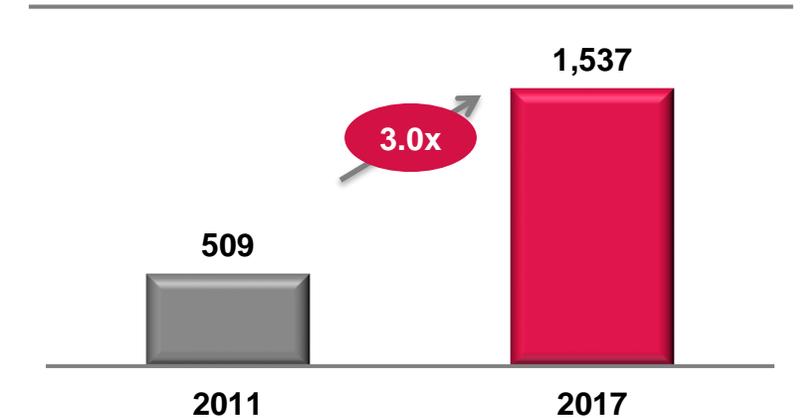
New Business Investment (\$m)



New Business Investment as % of VONB



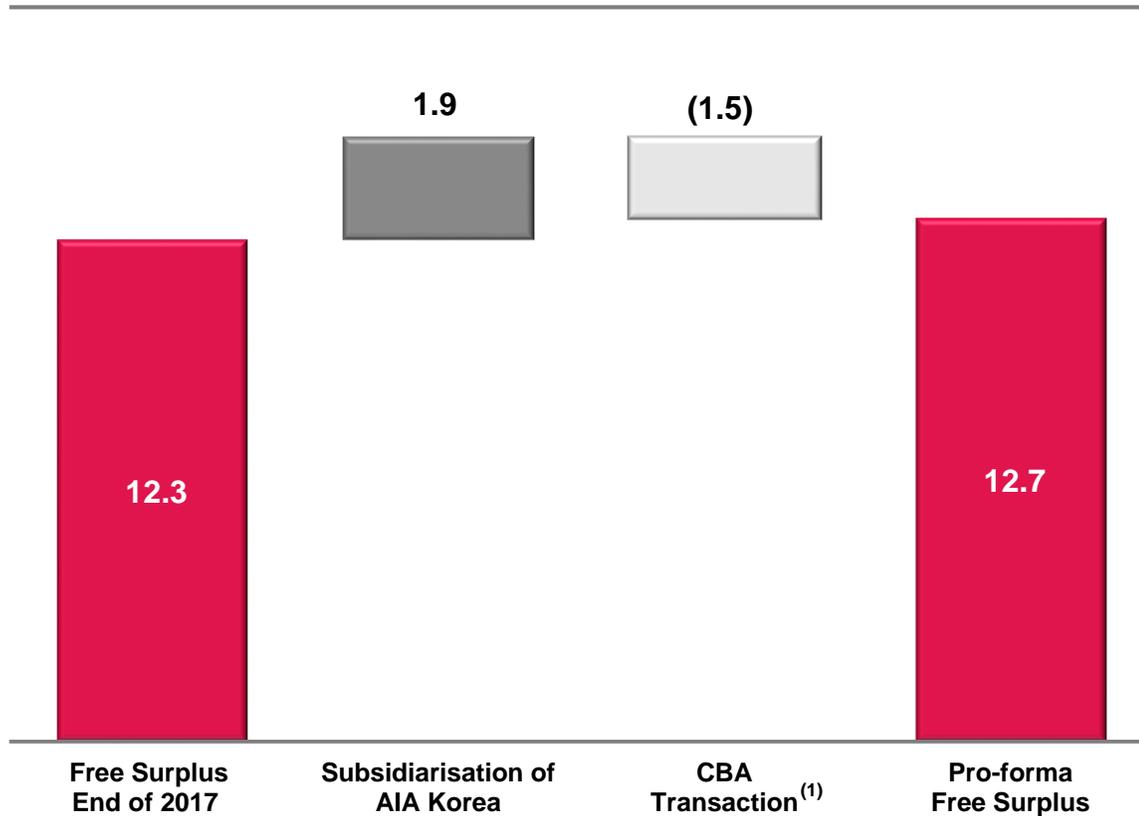
Total Dividend Declared (\$m)



# Pro-forma Free Surplus



## Pro-forma Free Surplus (\$b)



### Subsidiarisation of AIA Korea

- Completion on 1 January 2018
- Expected reduction in reserving and capital requirements at Group level
- Pro-forma EV increase of \$500m

### CBA Transaction<sup>(1)</sup>

- Acquisition of CBA's life insurance businesses in Australia and New Zealand
- 20-year strategic bancassurance partnerships with CBA in Australia and ASB in New Zealand
- Expected net consideration equivalent to US\$1.5b subject to any closing adjustments

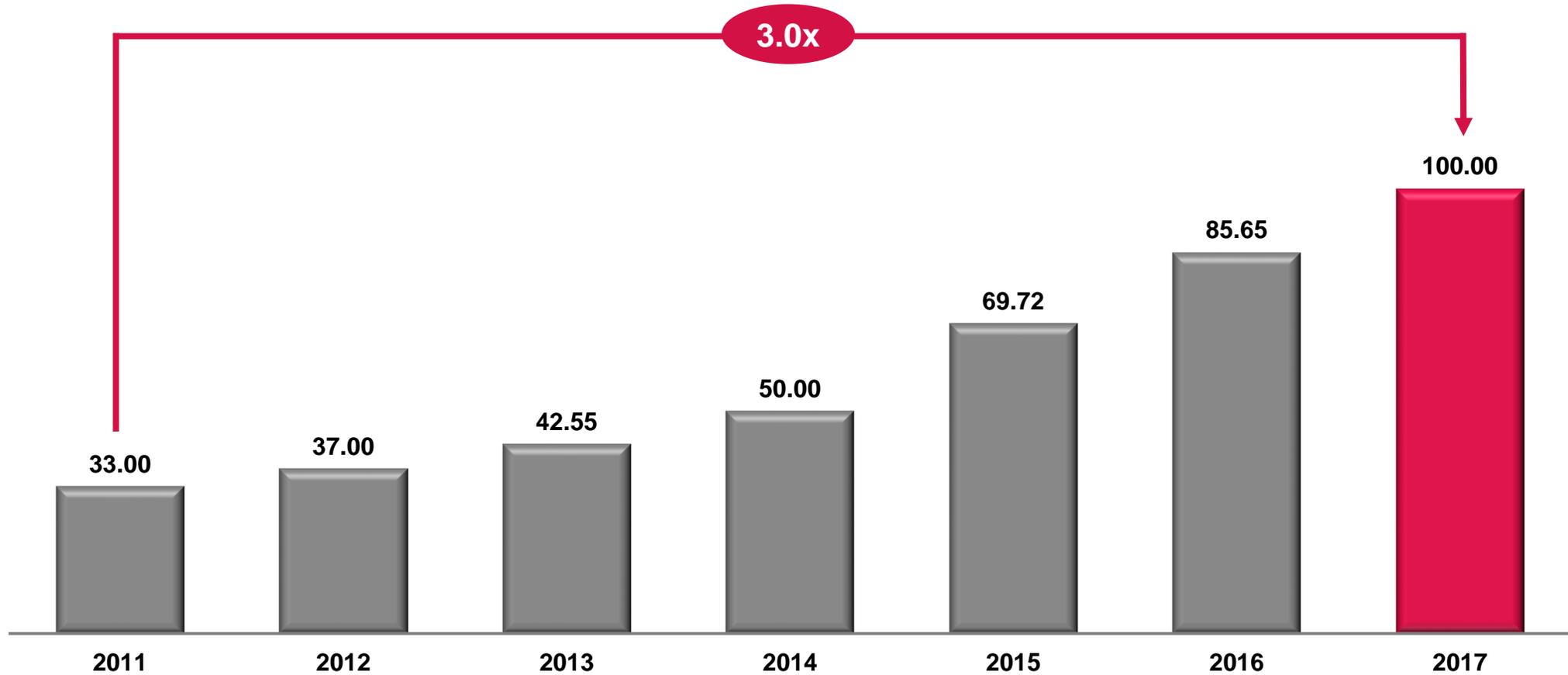
Note:

(1) Subject to completion, including all necessary regulatory and governmental approvals

# Dividend Increase of 17%



Total Dividend Per Share (HK cents)



# 2017 Financial Results Summary



## Growth

- Material growth in profitable new business
  - Strong and resilient pan-regional growth portfolio
  - VONB growth delivered increased ROEV at scale
- 

## Earnings

- Strong growth in IFRS operating profit
  - Diversified and balanced sources of earnings
  - Increased ROE over time
- 

## Capital & Dividends

- Resilient capital position
- Self-financed new business growth
- Prudent, sustainable and progressive dividend

HONG KONG DISNEYLAND

# MARVEL 10th WEEKEND

START / 起點

PRESENTED BY

AIA Vitality  
健康程式



HEALTHIER, LONGER,  
BETTER LIVES

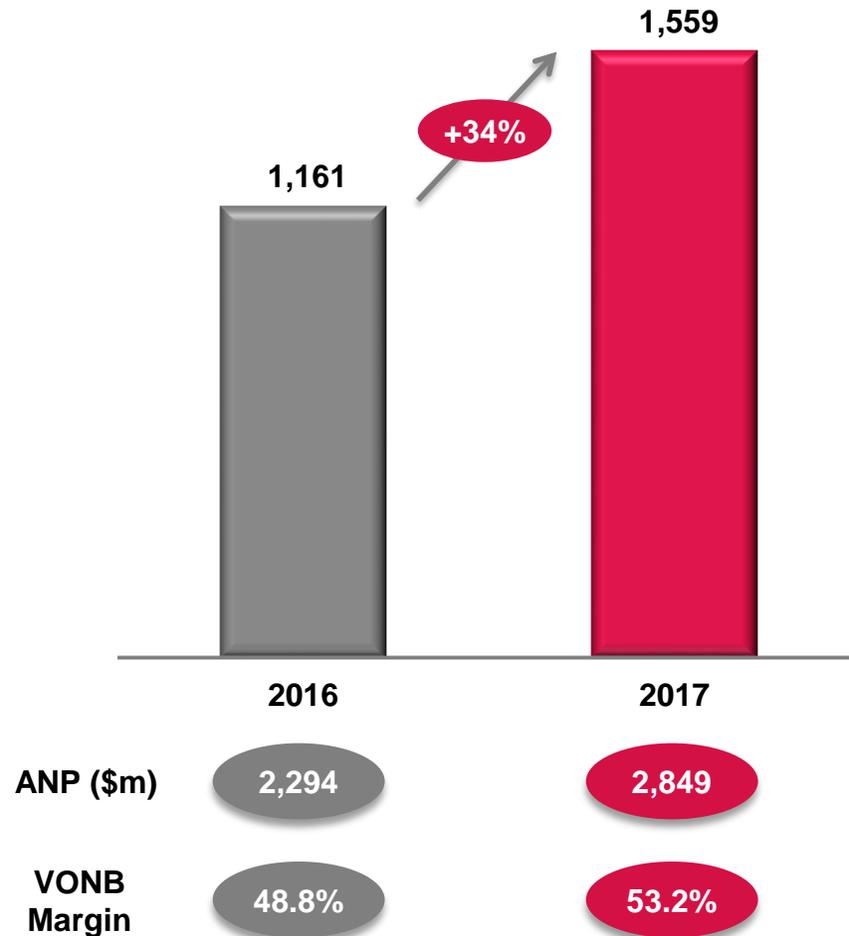
**Jacky Chan**  
Regional Chief Executive



# Hong Kong: Delivering Excellent Results



VONB (\$m)



## Premier Agency

- Excellent VONB growth
- Focus on quality recruitment
- Active new agents up 26%
- Registered MDRT members up 41%

## Profitable Partnerships

- Exceptional growth from retail IFA in 1H
- Excellent double-digit VONB growth from Citibank

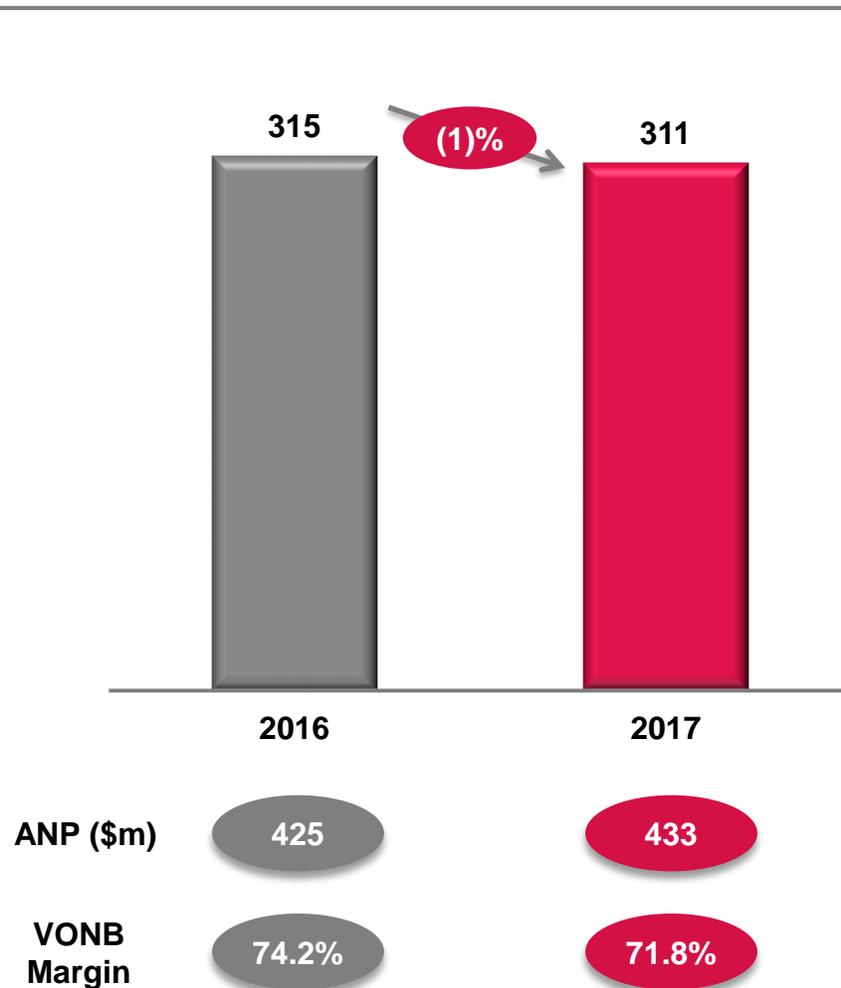
## Products and Customers

- *AIA Vitality* members up by more than 90%

# Singapore: Disciplined Focus on Quality Business



VONB (\$m)



## Premier Agency

- Double-digit VONB growth in 2H
- #1 MDRT in Singapore
- Significant growth in new recruits
- >90% of new business submitted digitally

## Profitable Partnerships

- Disciplined approach to managing product mix

## Products and Customers

- *AIA Vitality* integrated product VONB >3x
- Launched AIA Quality Healthcare Partners



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BETTER LIVES

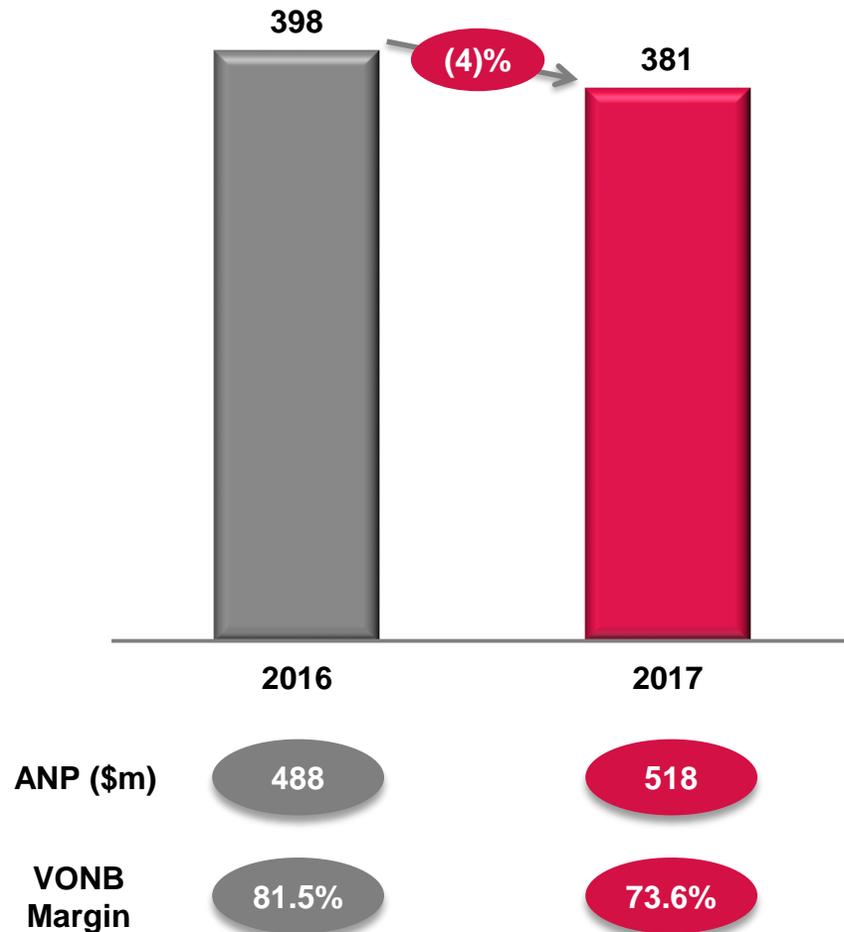
**Bill Lisle**  
Regional Chief Executive



# Thailand: Transforming Our Distribution



VONB (\$m)



## Premier Agency

- Accelerated recruitment and training programmes
- New Financial Adviser recruits up 32%
- Nine new training centres nationwide
- 35% more productive than average recruits
- MDRT qualifiers up 49%; #1 MDRT in Thailand

## Profitable Partnerships

- New 15-year partnership with Bangkok Bank

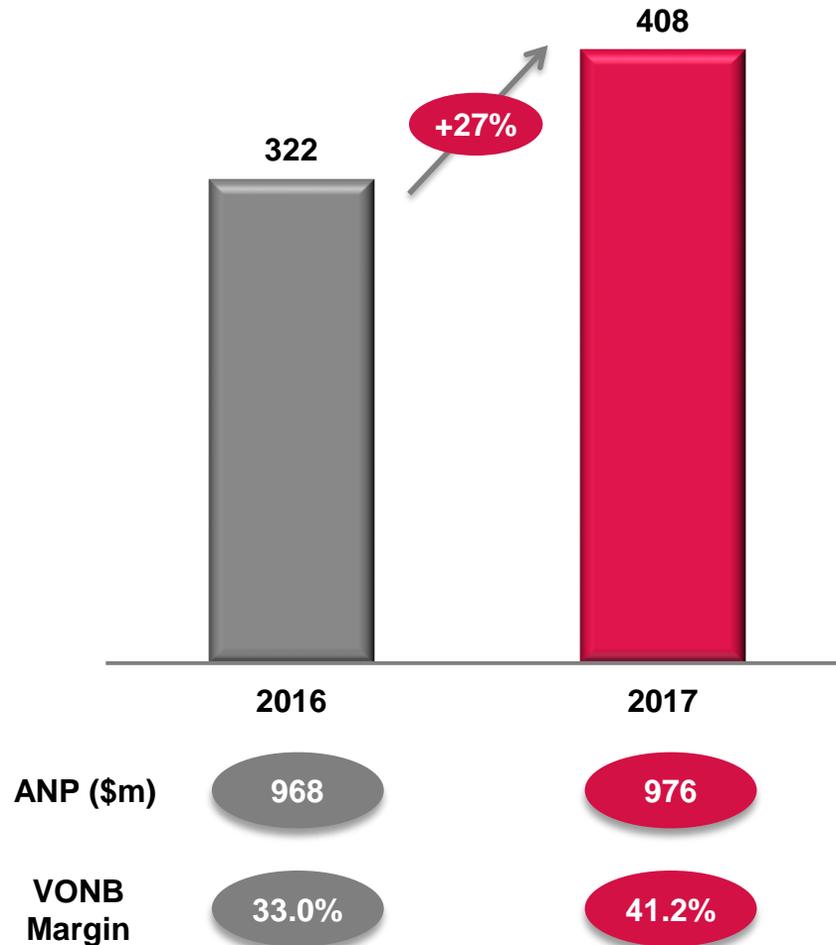
## Products and Customers

- Market leader in the protection market
- >95% of ANP from regular premium sales

# Other Markets: Delivering Excellent Growth



VONB (\$m)



## Australia

- Excellent performance in group insurance
- CBA acquisition announced in 2H
- Launched myOwn health insurance brand

## Indonesia

- Strong agency VONB growth
- Double-digit VONB growth from BCA
- Extended BCA relationship

## Korea

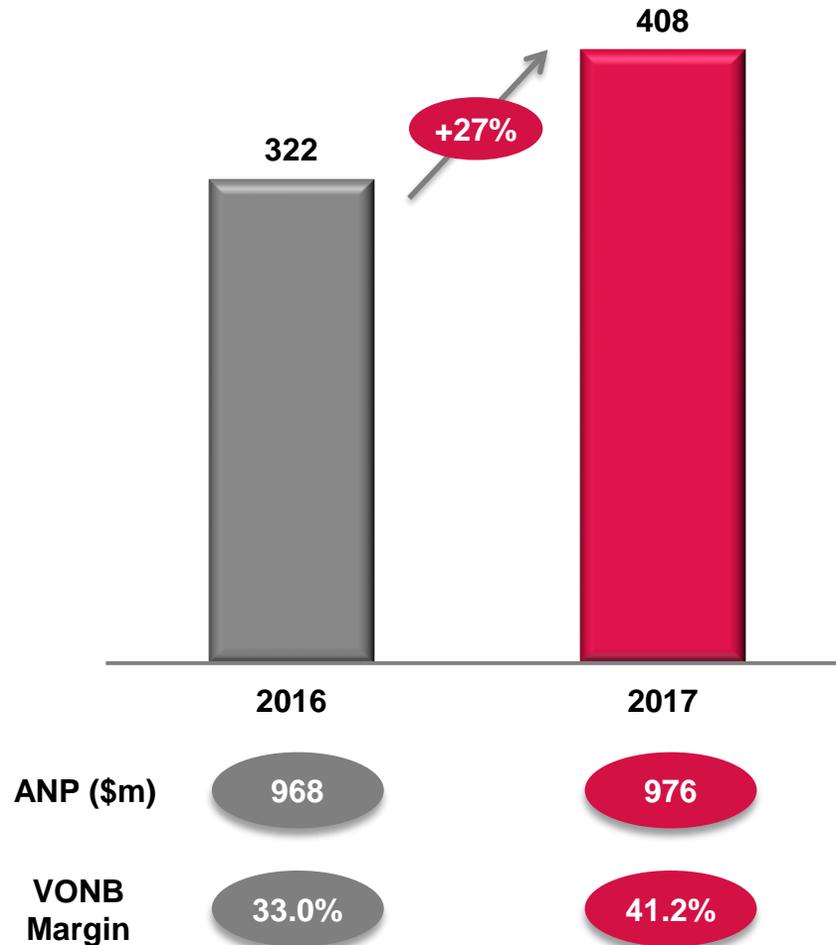
- Outstanding VONB growth
- Increased margins from product mix shift
- New strategic partnership with SK Group

Note:  
Comparatives are shown on a constant exchange rate basis

# Other Markets: Delivering Excellent Growth



VONB (\$m)



## Philippines

- Strong double-digit VONB growth
- Active new agents up 24%
- #1 ranked in bancassurance market

## India

- Focus on significant protection gap opportunity
- Profitable growth in agency
- Significant VONB growth in bancassurance

## Vietnam

- Excellent VONB growth
- Active new agents up 28%
- Added four new bancassurance agreements

Note:  
Comparatives are shown on a constant exchange rate basis

**John Cai**

Regional Chief Executive

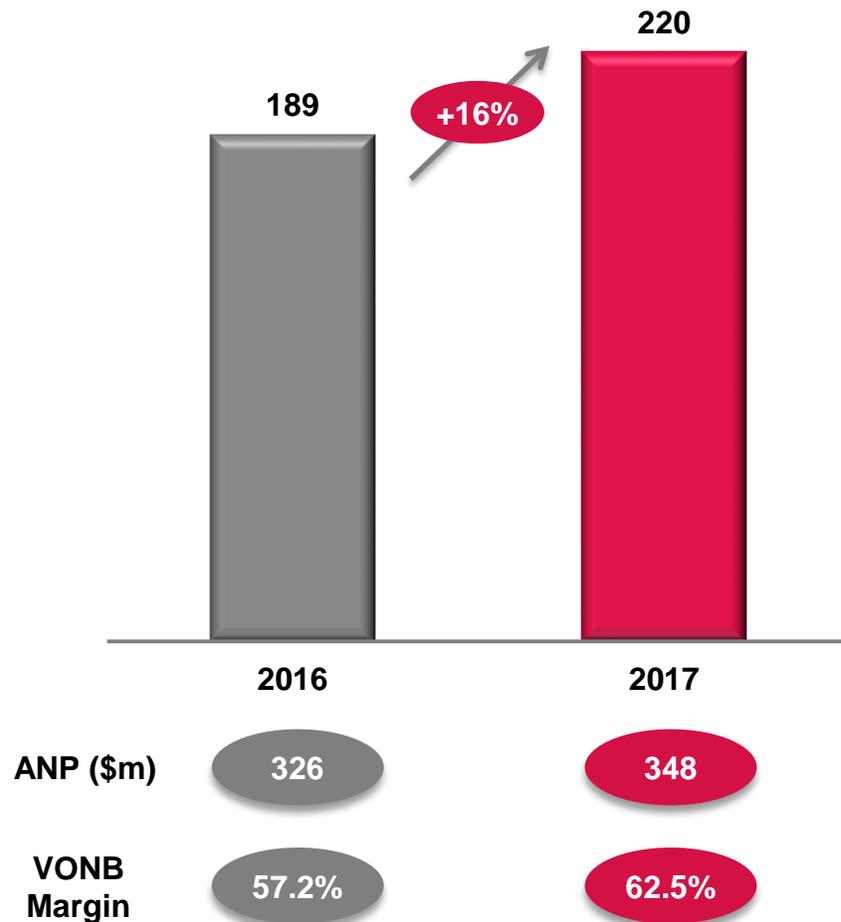


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# Malaysia: Delivering Strong Growth



VONB (\$m)



## Premier Agency

- Quality recruitment and agency development
- Growing contribution from Takaful business
- Active Takaful agents up 38%

## Profitable Partnerships

- 25% VONB growth from bancassurance
- Extended partnership with Public Bank to 2037

## Products and Customers

- *AIA Vitality* members more than doubled
- Launched first insurance chatbot “Ask Sara”

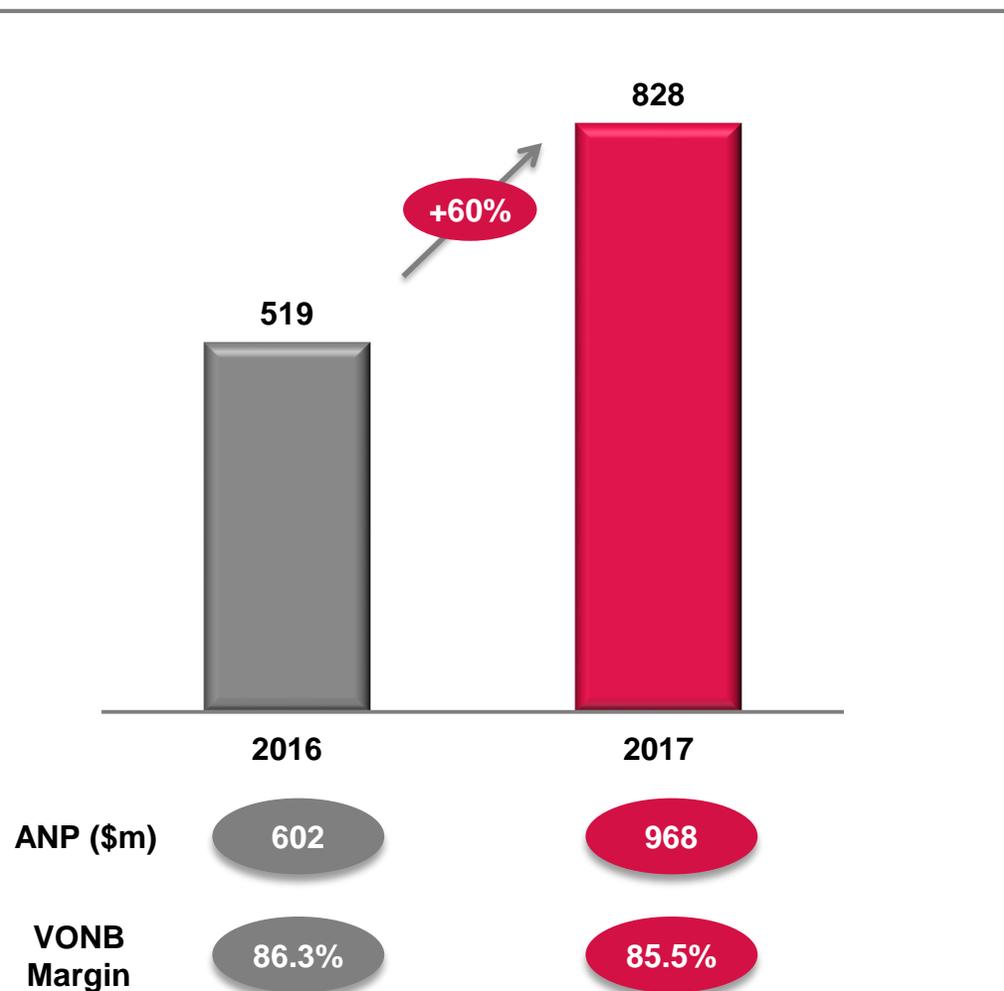


Note:  
Comparatives are shown on a constant exchange rate basis

# China: Sustained Quality Outperformance



VONB (\$m)



## Premier Agency

- Highly differentiated Premier Agency strategy
- Active agents up 32%
- Productivity up by more than 25%
- ~100% new policies submitted digitally

## Profitable Partnerships

- Strong double-digit bancassurance VONB growth

## Products and Customers

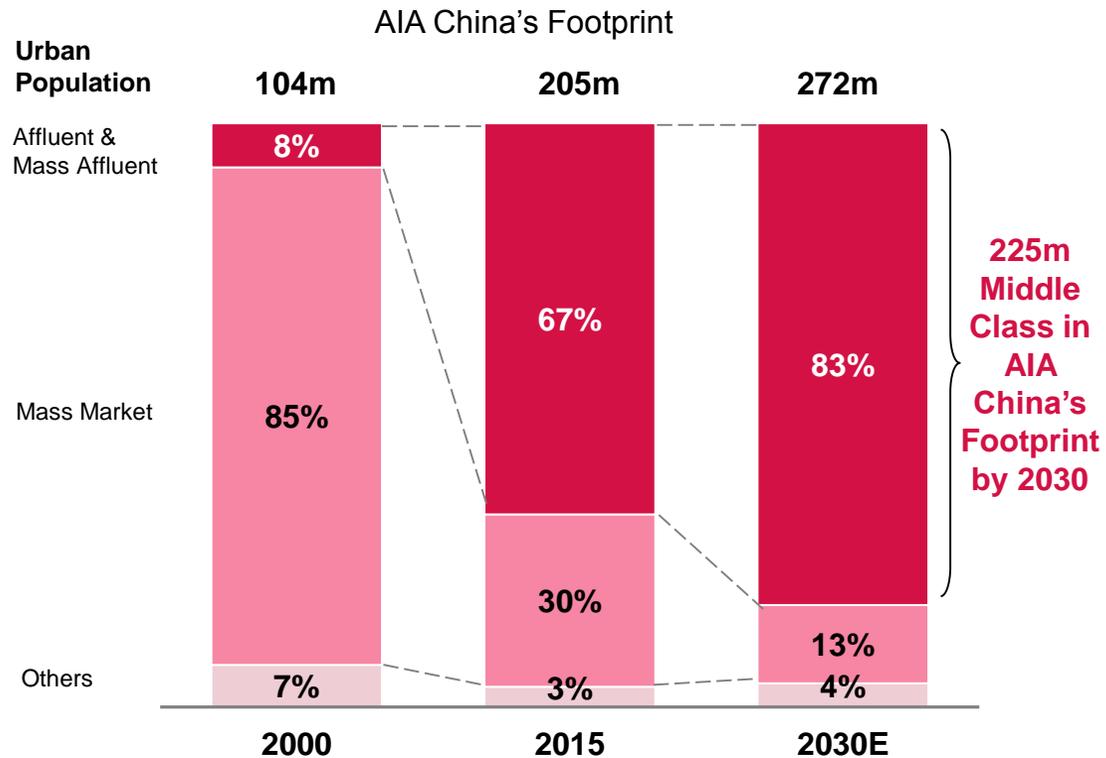
- Positioned as the protection provider of choice
- Targeting the rapidly growing affluent segment
- New wellness programme launched

Note:  
Comparatives are shown on a constant exchange rate basis

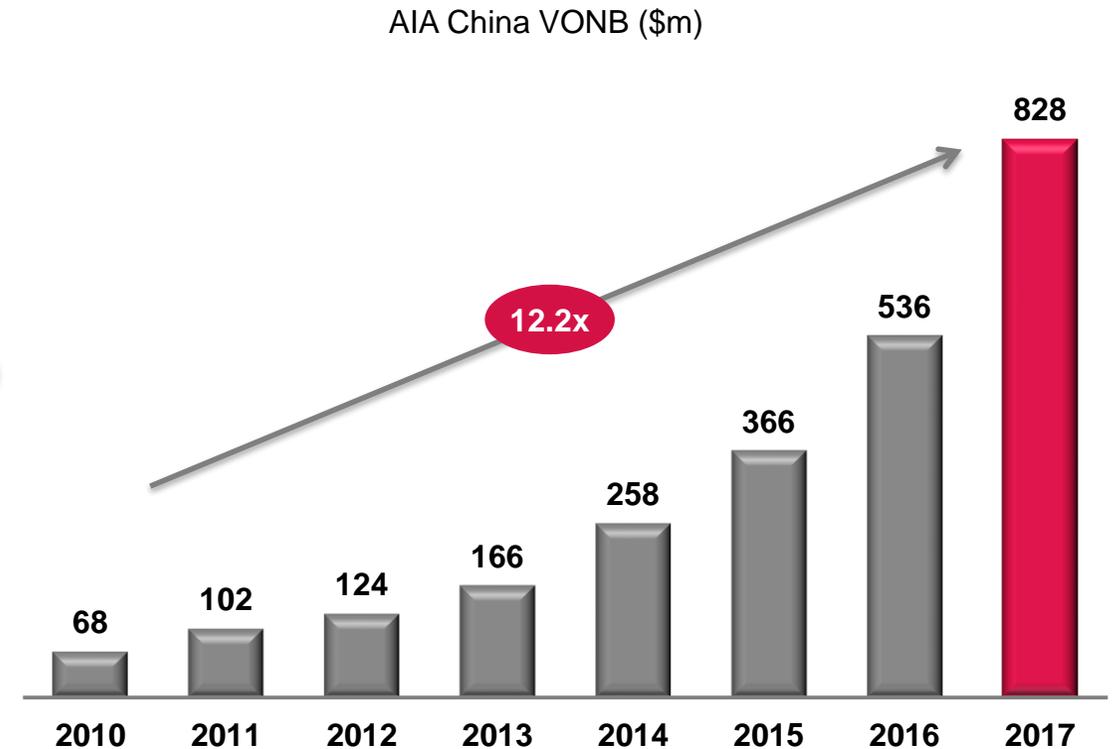
# Capturing China's Middle Class Consumption Acceleration



## Larger and Wealthier Middle Class



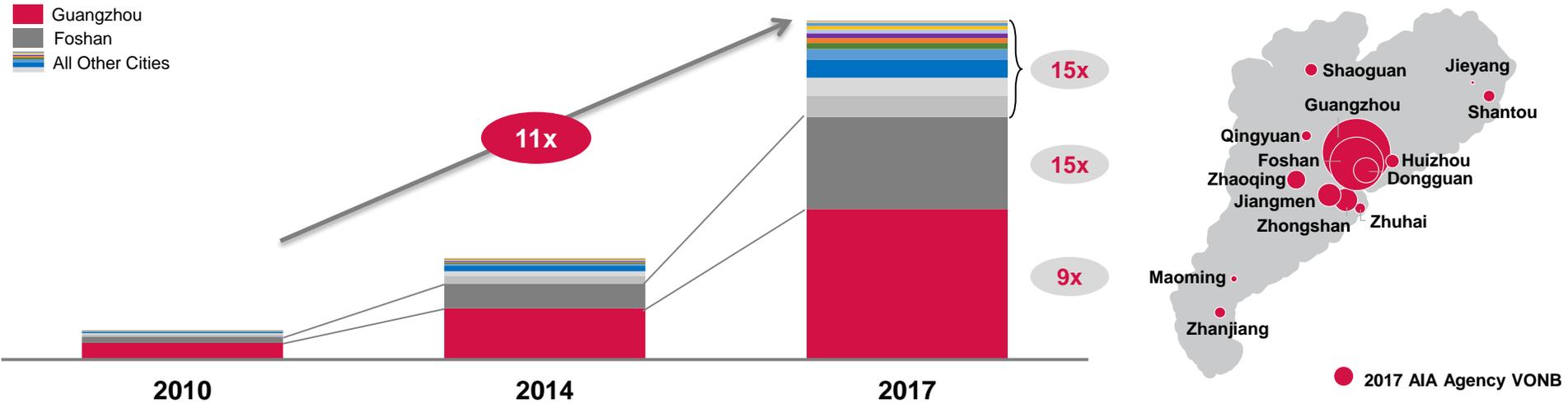
## Differentiated Strategy Driving VONB Growth



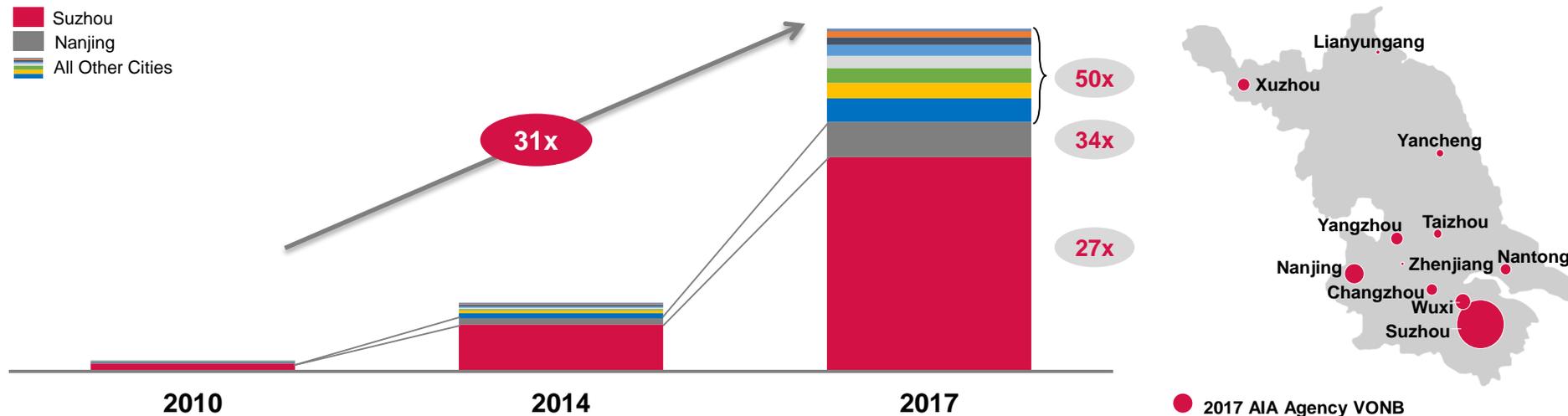
# AIA China: Guangdong and Jiangsu Examples



## AIA Guangdong Agency VONB Growth since IPO



## AIA Jiangsu Agency VONB Growth since IPO



### Premier Agency Execution

Guangdong and Jiangsu (FY17 vs FY16)

Active Agents  
**+27%**

Active Agent Productivity  
**+30%**

Registered MDRT members  
**+64%**

Note: AIA Guangdong is shown excluding AIA's presence in Shenzhen

# Premier Agency Strategy Enabled by Digital Platforms



- **WeChat** based leads generation tool to engage customers anytime, anywhere 
- **Sales+** interactive proposition tool for customer needs and risk analysis
- **365 Master Planner** to transform agency activity management

- **Instant Buy** agency sales portal to provide customers with a clear, easy and efficient end-to-end buying experience

- **i-Service:** digital agent portal delivering one-stop, real-time and paperless service
- **e-Service:** customer self-service portal for after-sales service, premium payments, e-Claims
- **WeChat** e-Claims process and payment



**8.5x**  
VONB per agent since IPO

**3.8x**  
More productive than industry average



**~100%**

Digital adoption ratio

**<5 seconds**

Online underwriting time

**25 minutes**

Case closing time (reduced from 5 days)

**#1 NPS**

Among major players in China<sup>(1)</sup>

**40%**

Expense ratio reduction since IPO

**Planning Journey**

**Buying Journey**

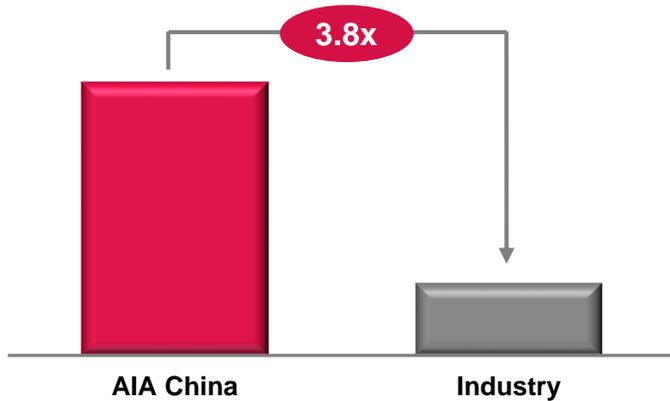
**Service Journey**

# AIA China: Differentiated Strategy and Execution

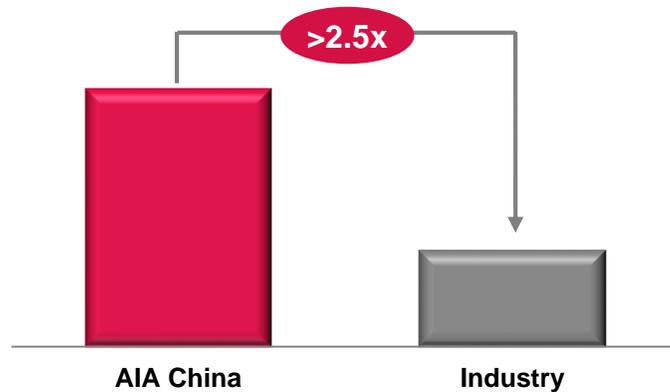


## Premier Agency Strategy

VONB per Agent<sup>(1)</sup>

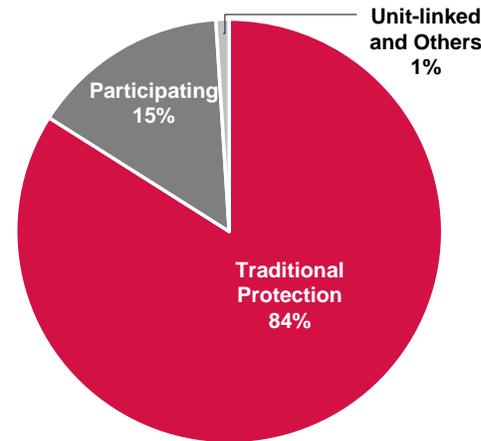


Agent Income<sup>(2)</sup>

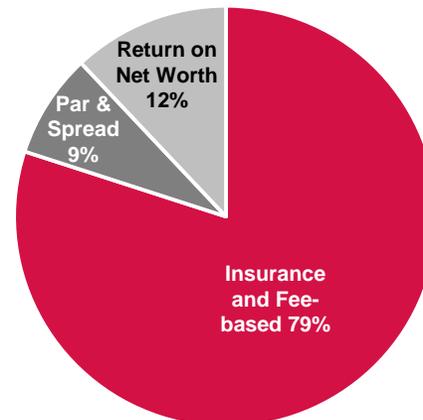


## High-quality Growth Portfolio

2017 Product Mix<sup>(3)</sup>

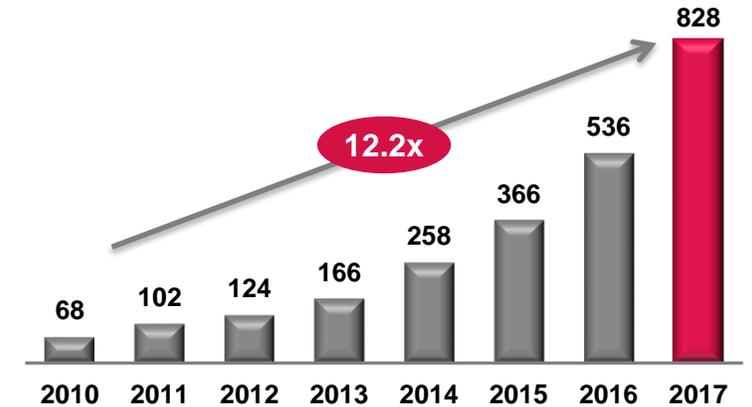


2017 Sources of IFRS Operating Profit

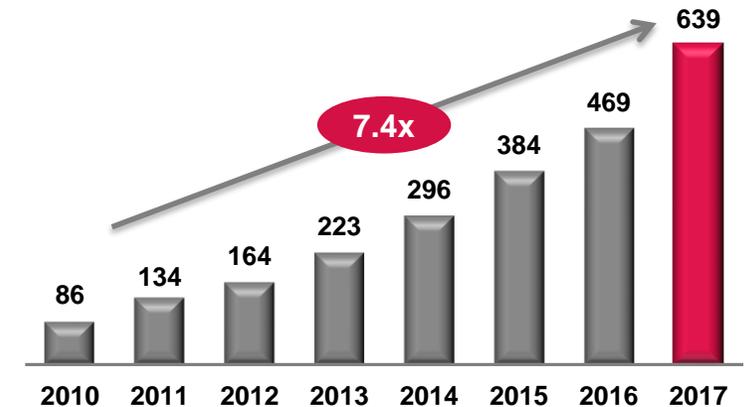


## Sustained Outperformance

VONB (\$m)



OPAT (\$m)



Notes:  
 (1) For the period 1H2017; industry statistics based on latest company reports  
 (2) Commission and service fee per agent for the year 2016 - the most recent full year that data is available; industry statistics and company disclosures  
 (3) % of VONB

# Ng Keng Hooi

Group Chief Executive



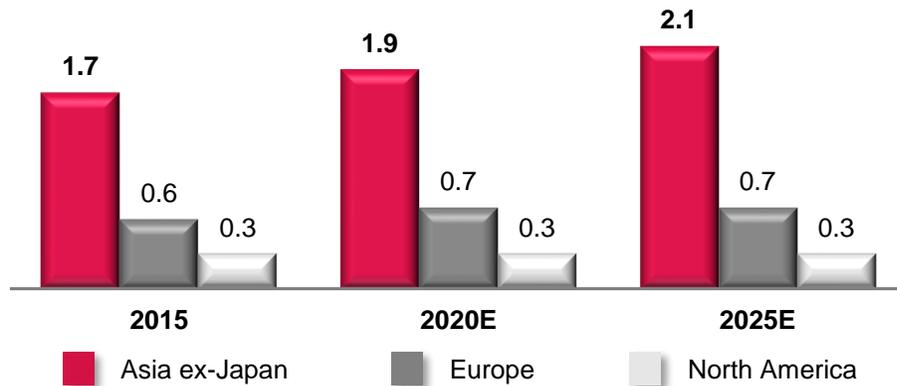
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# Asia's Unprecedented Middle Class Growth Opportunity



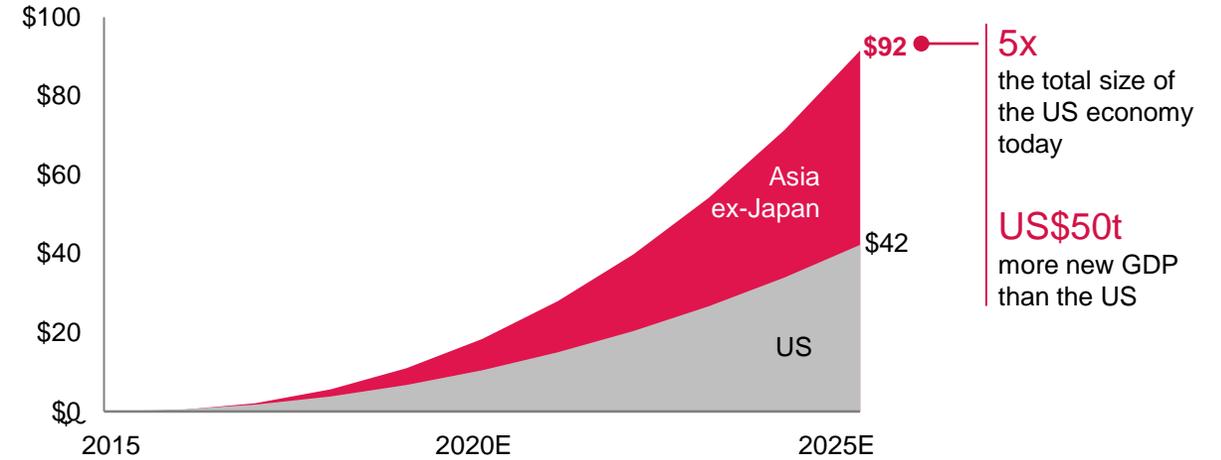
## Rapid Urbanisation

Urban population (billions)



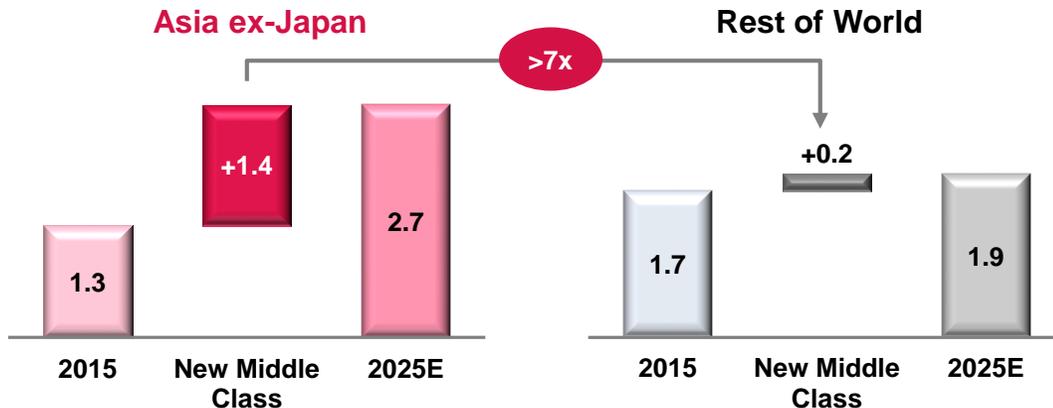
## Unprecedented Levels of New Economic Activity

Cumulative growth in GDP (US\$ trillions)



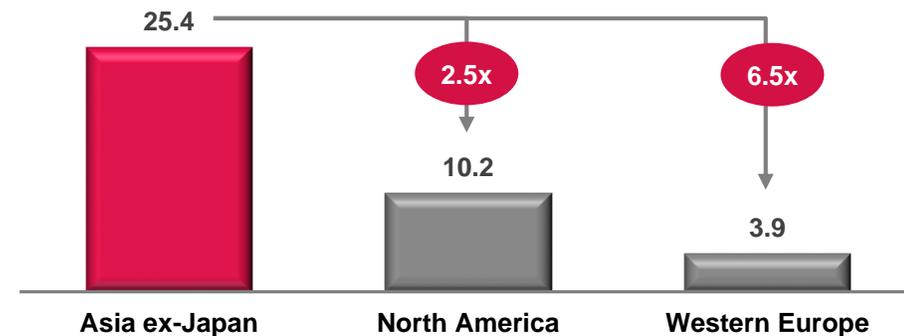
## Expanding Middle Class

Middle class population (billions)



## Significant Wealth Creation

2015-2025E New personal financial assets creation (US\$ trillions)

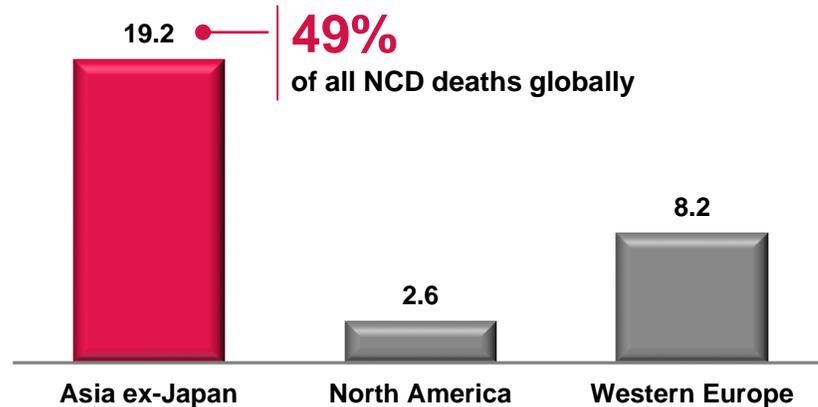


# An Urgent and Growing Need for Life and Health Insurance



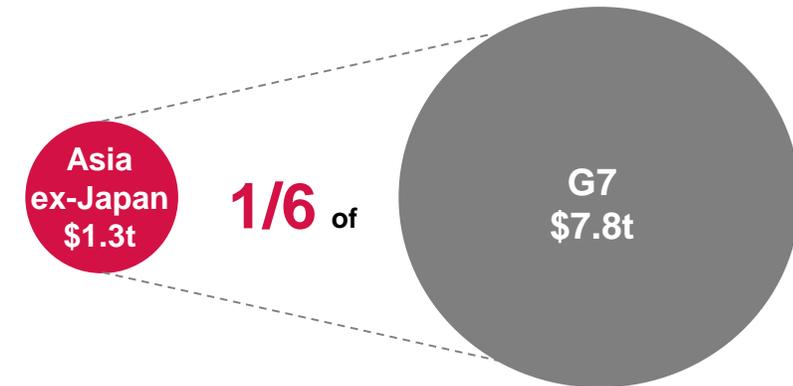
## Increasing Prevalence of Lifestyle-Related Diseases

Deaths by non-communicable diseases (millions)



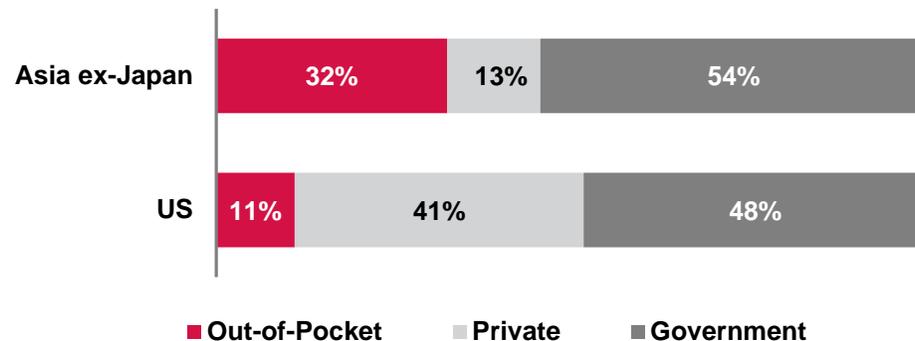
## Limited Provision of Social Welfare

Total social expenditure (US\$ trillions)



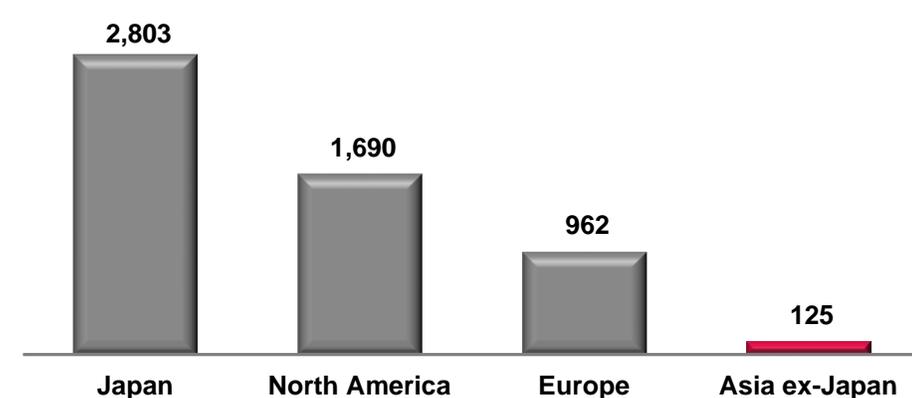
## High Out-of-Pocket Healthcare Expenditure

Breakdown of total healthcare expenditure



## Low Levels of Life Insurance Cover

Life insurance density (US\$ per capita)



# AIA – Industry Leader in Health and Wellness

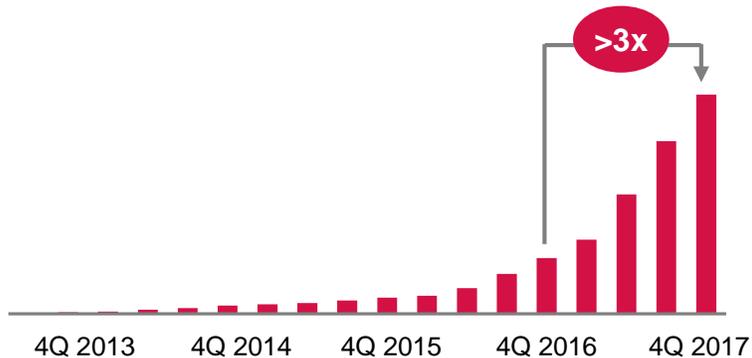


## Pioneer in Integrated Wellness

### AIA Wellness Programmes Available in 11 Markets

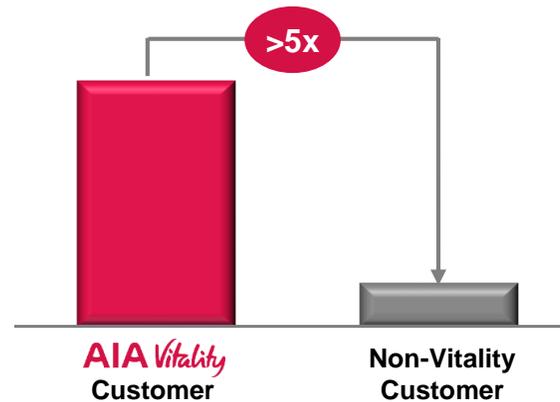
- Australia
- China
- Hong Kong
- Macau
- Malaysia
- Philippines
- Singapore
- South Korea
- Sri Lanka
- Thailand
- Vietnam

### AIA Vitality and China Wellness Members

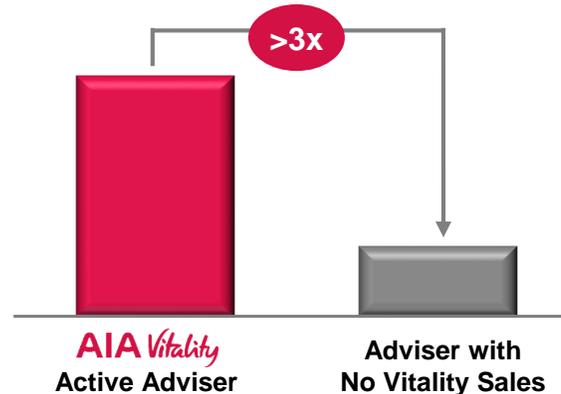


## Increasing Engagement

### Engagement with Customers (2017 Existing customer cross-sell ratio in Singapore)



### Engagement with Distribution Partners (2017 Average policies sold per adviser in Australia)



## Leader in Health Protection

### Make a positive difference in helping people live healthier, longer, better lives

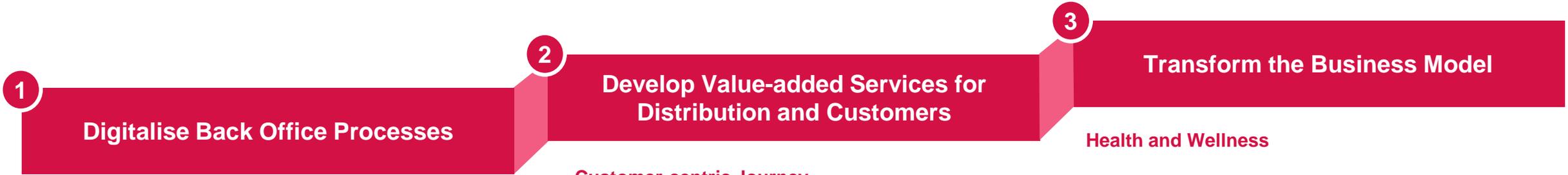
- Leadership position in health insurance among multinational insurers in Asia
- Partnerships with health service providers to deliver quality health outcomes
- Digitally-enabled claims processes and personal healthcare journeys

### Top 5 Multinational Asian Life Insurers (2016 Asia ex. Japan total health premiums<sup>(1)</sup>)



Sources: Company reports and local regulatory filings; most recently available sources  
Note: (1) Health insurance refers to hospital indemnity and medical insurance

# Digital: Making a Material Difference to What We Do



## 1 Digitalise Back Office Processes

### Artificial Intelligence and Machine Learning



1<sup>st</sup> AI-enabled customer service centre in Korea



1<sup>st</sup> insurance chatbot in Malaysia



1<sup>st</sup> Cantonese insurance chatbot in Hong Kong

### Digitalising Operations

**>99%**

Accuracy on claims eligibility in Australia

**40%**

Reduction in turnaround times in Australia

**>30%**

Increase in auto-underwriting rates in China and Singapore

### Cloud and Big Data



One of the largest cloud migration programmes in the insurance industry in Asia

## 2 Develop Value-added Services for Distribution and Customers

### Customer-centric Journey



### Social Media

integration with AIA customer and agency services with AI in Malaysia and China



### MyPage

One-stop portal for self-service, health support and claims

**>85%**

of all new agency submission completely paperless with e-signatures



### Next-Gen iMO

with full range of functionality across recruitment, training, sales and customer service



## 3 Transform the Business Model

### Health and Wellness

**30 million**



AIA Vitality mobile app interactions

**>75%**

AIA Vitality take-up in Hong Kong

### Non-traditional Distribution Partnerships with Leading Telecom Service Providers



### Emerging Insurtech Opportunities

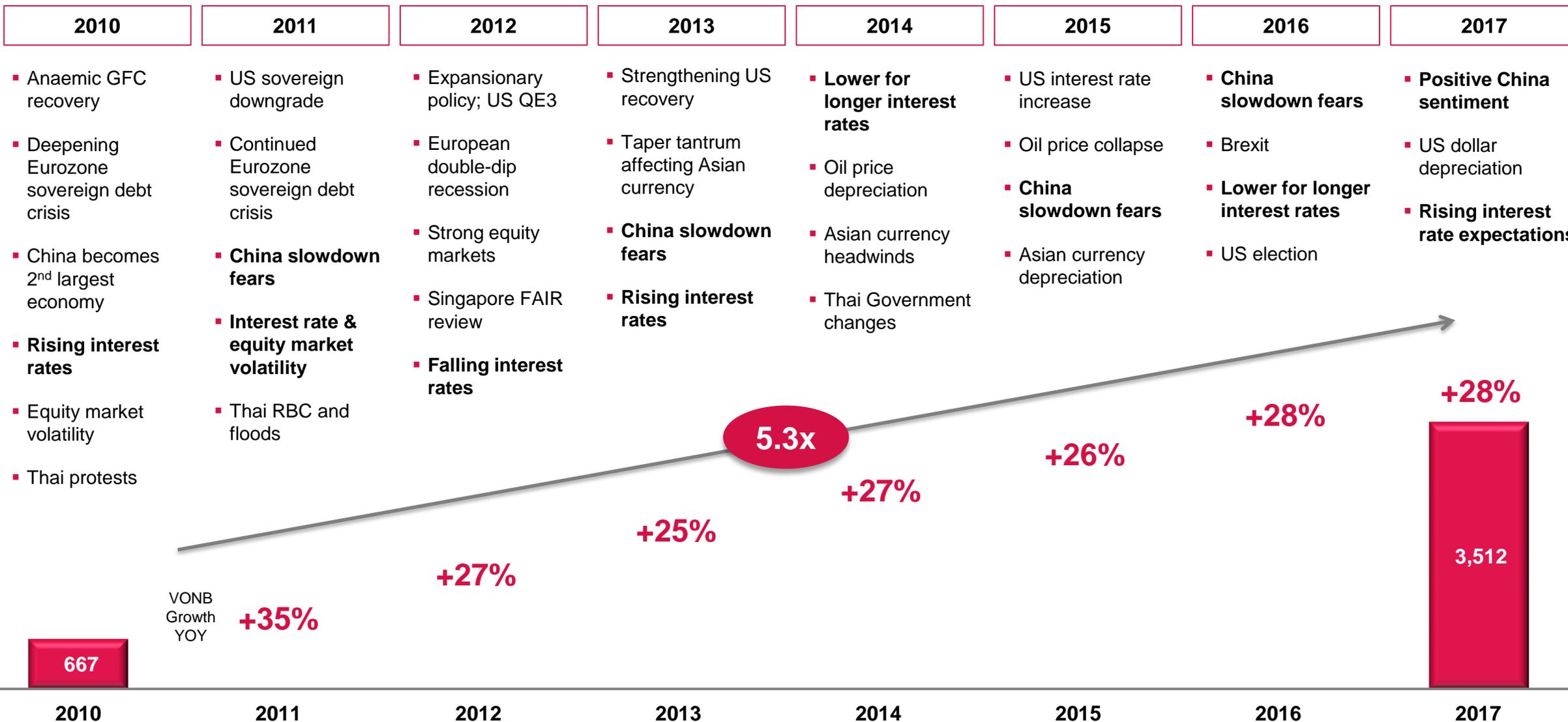


Pilot Blockchain-enabled bancassurance network in Hong Kong



Robotic Process Automation in customer engagement

# Consistent Execution, Sustained Value Creation



Note:  
Chart shows VONB (\$m); year-on-year growth is shown on a constant exchange rate basis

# AIA Group – Creating Sustainable Shareholder Value

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- Unprecedented long-term growth opportunities
- Significant and sustainable competitive advantages
- Clear and aligned growth strategy
- Experienced and proven management team
- Disciplined and consistent execution



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# Q&A Session



# Definitions and Notes



- Actual investment return is the interest income from fixed income investments and actual investment returns of equities and real estate, as a percentage of average fixed income investments, equities and real estate over the period. This excludes unit-linked contracts and consolidated investment funds.
- AIA has a presence in 18 markets in Asia-Pacific – wholly-owned branches and subsidiaries in Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau, Brunei, Cambodia, a 97 per cent subsidiary in Sri Lanka, a 49 per cent joint venture in India and a representative office in Myanmar.
- Annualised new premiums (ANP) excludes pension business.
- Change on a constant exchange rate basis is calculated using constant average exchange rates for 2017 and for 2016 other than for balance sheet items that use constant exchange rates as at 31 November 2017 and as at 30 November 2016.
- EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company.
- Fixed income yield is the interest income from fixed income investments, as a percentage of average fixed income investments measured at amortised cost over the period. This excludes unit-linked contracts and consolidated investment funds.
- Free surplus is the excess of the market value of AIA's assets over the sum of the statutory liabilities and required capital.
- Hong Kong refers to operations in Hong Kong and Macau; Singapore refers to operations in Singapore and Brunei; and Other Markets refers to operations in Australia (including New Zealand), Cambodia, Indonesia, Korea, the Philippines, Sri Lanka, Taiwan, Vietnam and India. The results of our joint venture in India are accounted for using the equity method. For clarity, TWPI, ANP and VONB exclude any contribution from India.
- IFRS operating profit after tax (OPAT), net profit, IFRS shareholders' allocated equity and IFRS shareholders' equity are shown post minorities.
- IFRS operating profit includes the expected long-term investment return for equities and real estate.
- Investment return and composition of investments exclude unit-linked contracts and consolidated investment funds.
- Investment return is defined as investment income with the addition of realised and unrealised gains and losses as a percentage of average investments excluding property held for own use.
- Investments include financial investments, investment property, property held for own use, and cash and cash equivalents. Investment property and property held for own use are at fair value.
- PVNBP margin stands for margin on a present value of new business premium basis.
- Operating ROE stands for operating return on shareholders' allocated equity and is calculated as operating profit after tax attributable to shareholders of the Company, expressed as a percentage of the simple average of opening and closing shareholders' allocated equity.
- Operating ROEV stands for operating return on EV and is calculated as EV operating profit, expressed as a percentage of the opening embedded value.
- Shareholders' allocated equity is total equity attributable to shareholders of the Company less fair value reserve.
- TWPI consists of 100% of renewal premiums, 100% of first year premiums and 10% of single premiums, before reinsurance ceded.
- VONB is after unallocated Group Office expenses and adjustment to reflect consolidated reserving and capital requirements; includes pension business and is shown before minorities.
- $VONB \text{ margin} = VONB / ANP$ . VONB for the margin calculations exclude pension business to be consistent with the definition of ANP.
- VONB and VONB margin by distribution channel are based on local statutory reserving and capital requirements, before the deduction of unallocated Group Office expenses and exclude pension business.
- VONB and VONB margin by geographical market are based on local statutory reserving and capital requirements, before the deduction of unallocated Group Office expenses.

# APPENDIX



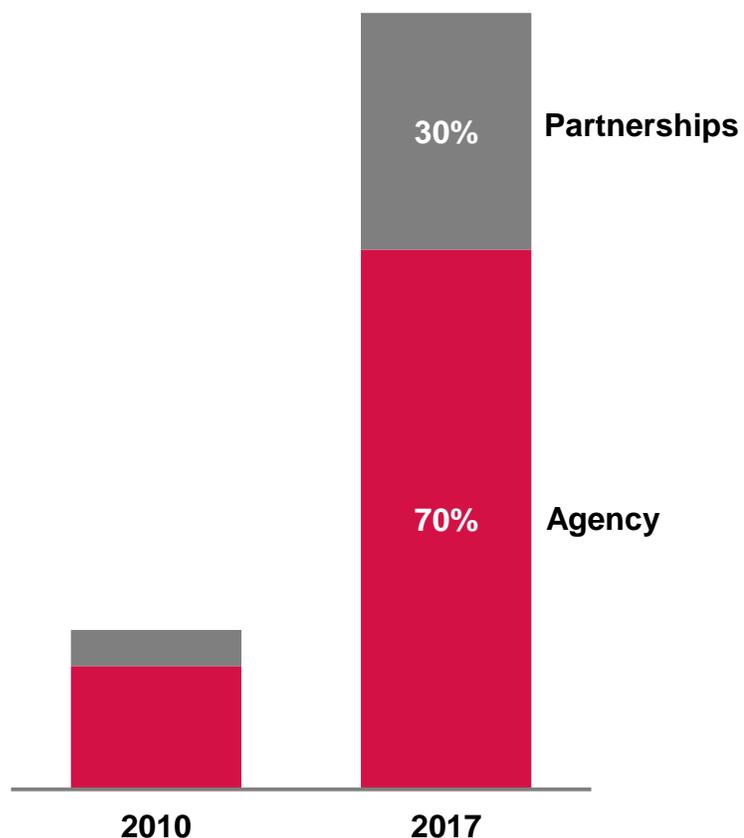
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# Clear Strategy, Advantaged Growth Platform



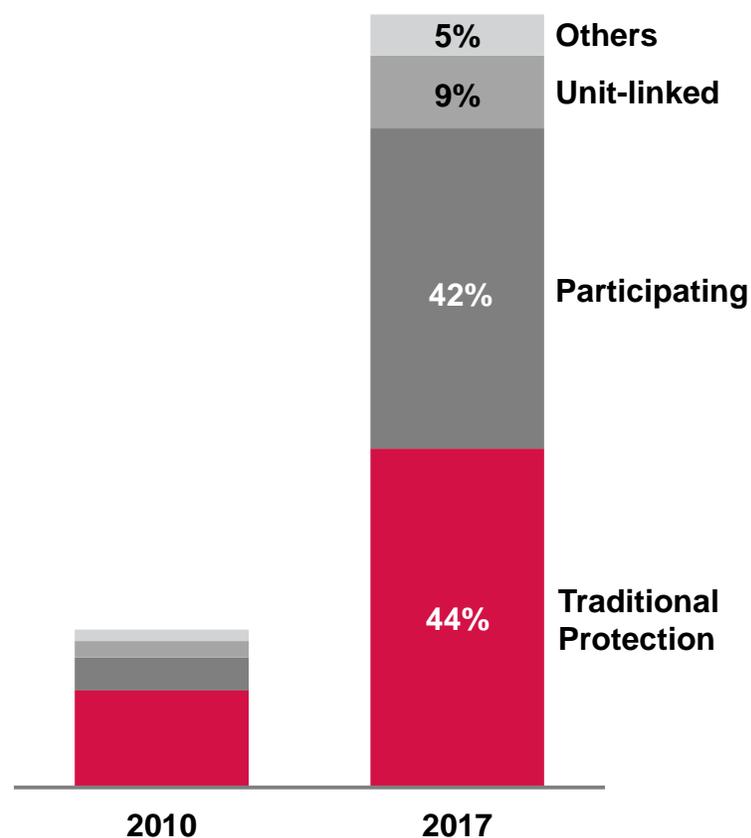
## Distribution Mix

% of VONB



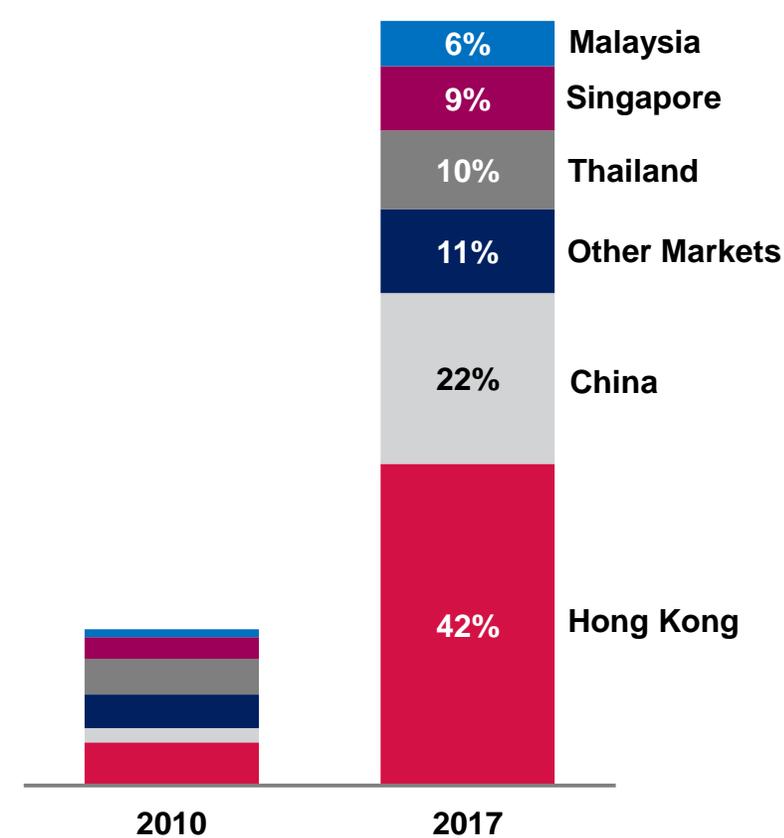
## Product Mix

% of VONB



## Geographical Mix

% of VONB



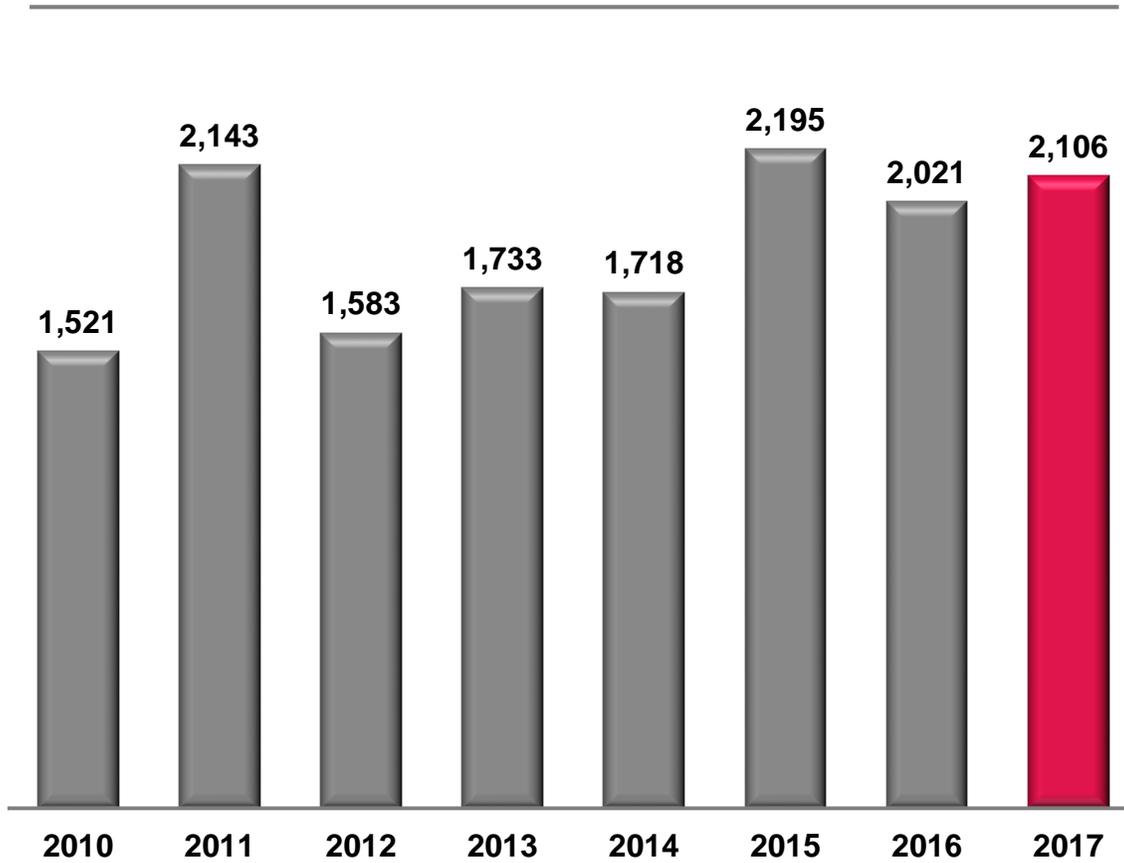
Notes:

Distribution mix is based on local statutory reserving and capital requirements, before the deduction of unallocated Group Office expenses and excluding pension business;  
 Product and geographical mix are based on local statutory reserving and capital requirements, before the deduction of unallocated Group Office expenses

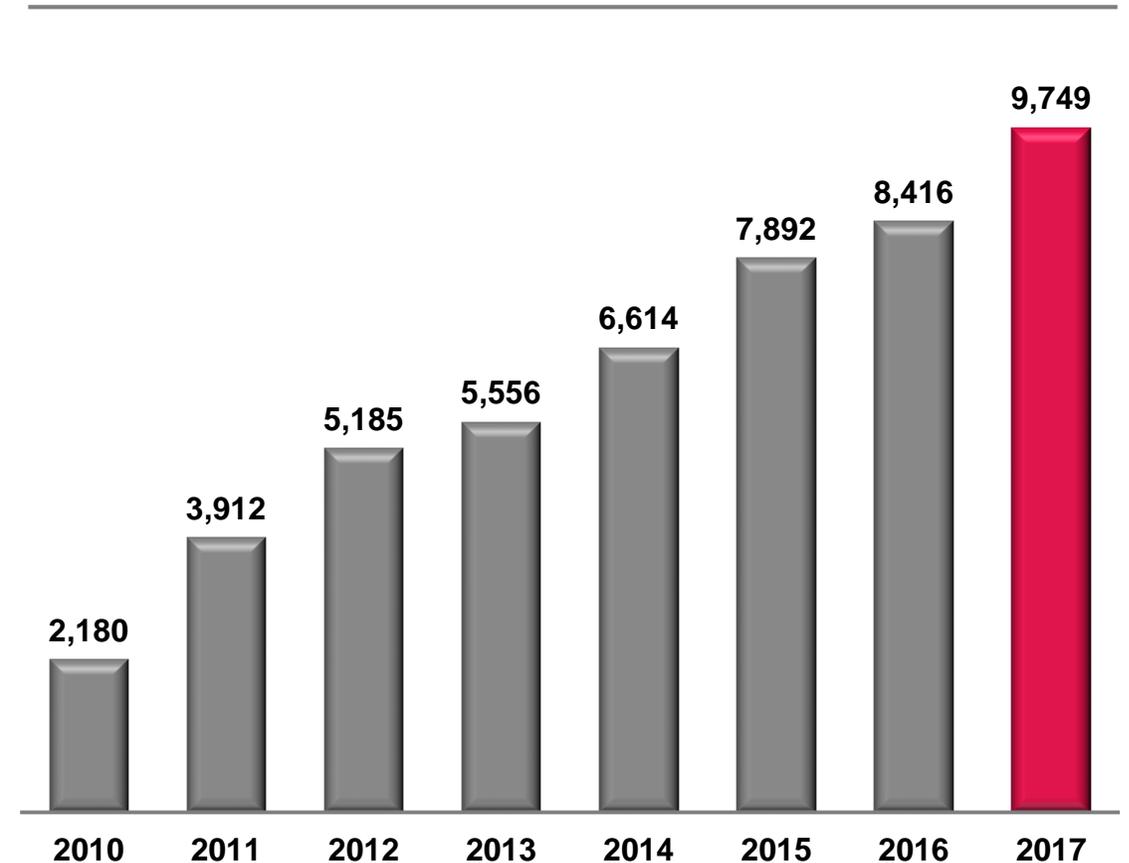
# Capital Fungibility



Net Funds Remitted to Group (\$m)



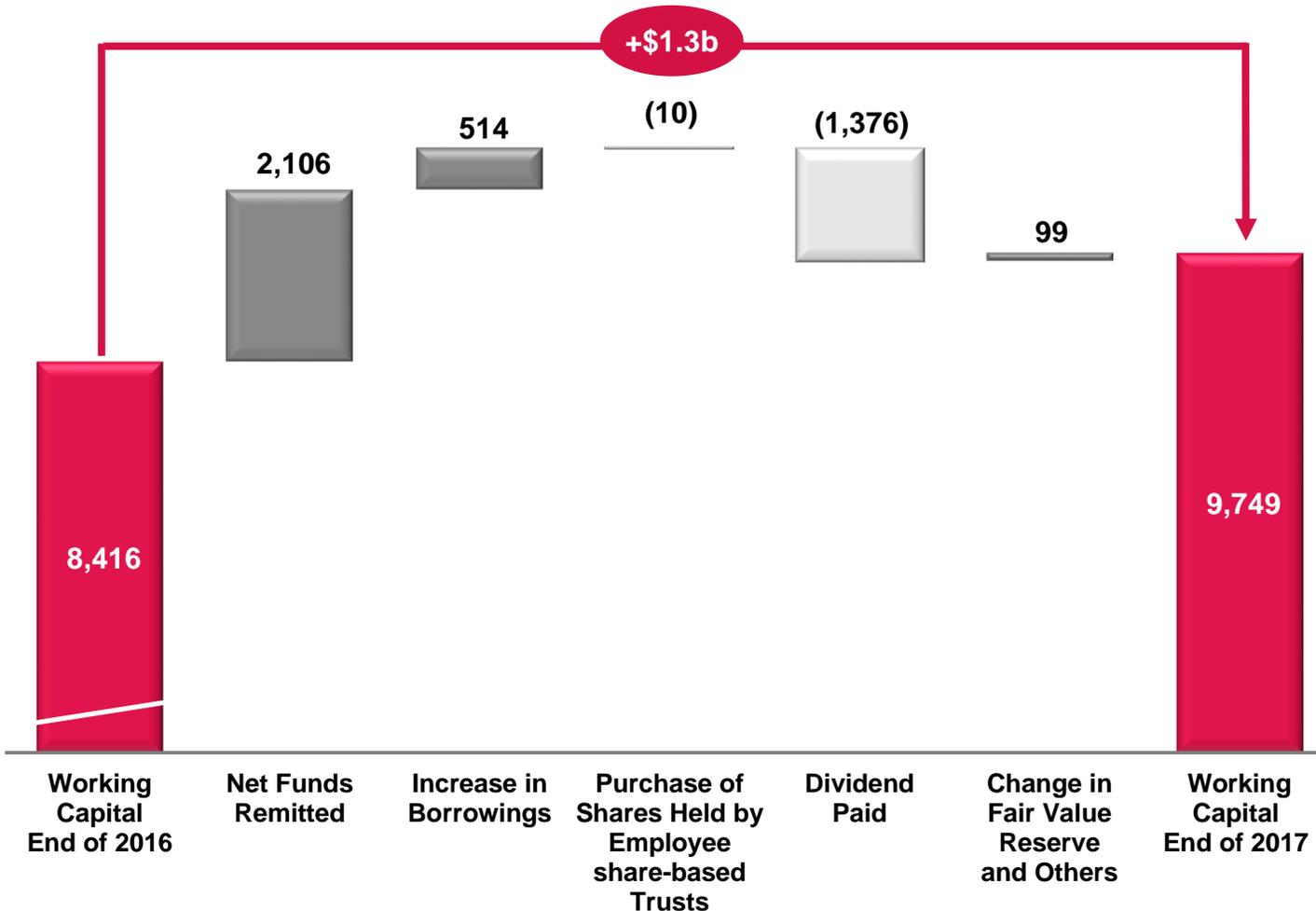
Group Working Capital (\$m)



# Resilient Working Capital Position



## Working Capital Movement (\$m)



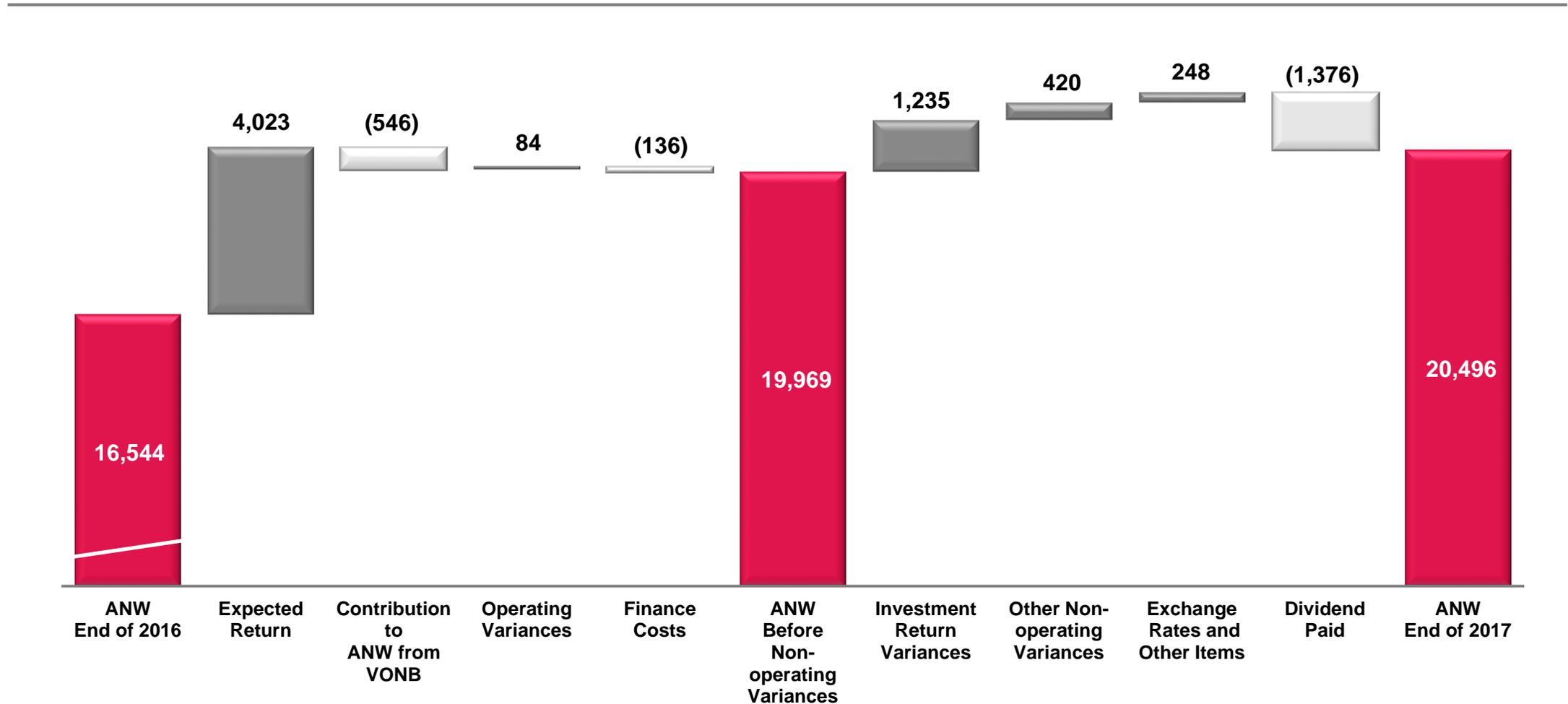
## Resilient Position

- Working capital of \$9.7b
- Increase of \$1.3b over the year
- Net funds remitted of \$2.1b
- All reporting segments remitted cash to the Group in 2017
- China remitted \$207m; up from \$46m in 2016
- Debt leverage ratio of 8.5%

# 2017 ANW Movement



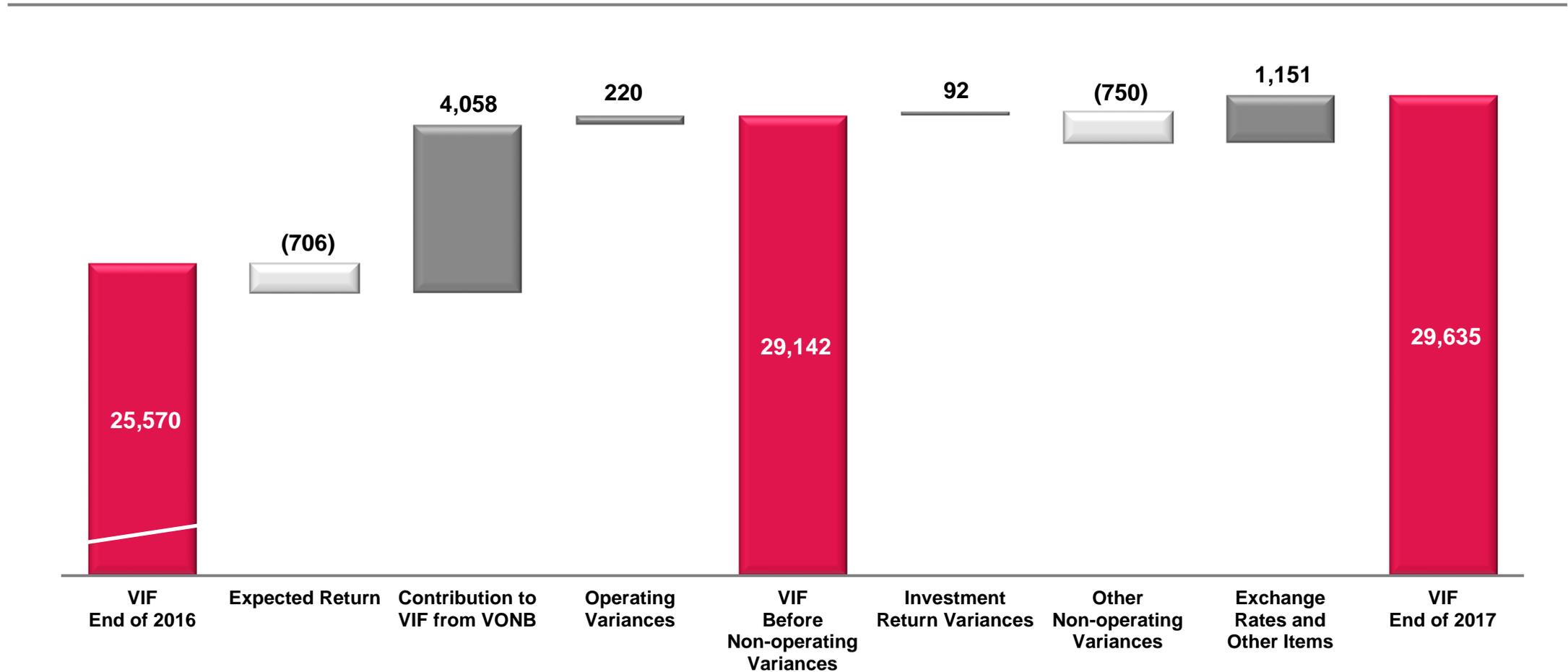
ANW Movement (\$m)



# 2017 VIF Movement



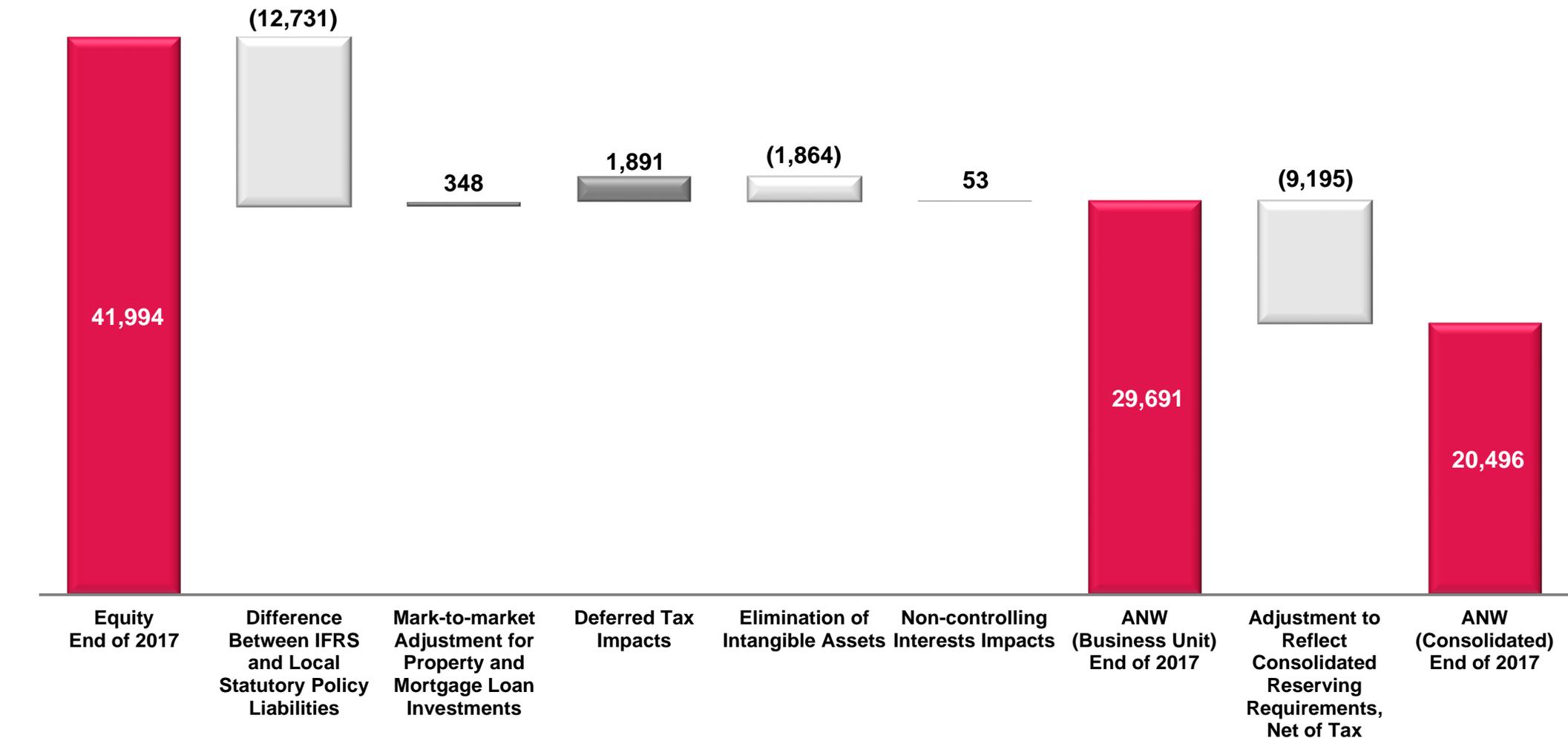
## VIF Movement (\$m)



# 2017 IFRS Shareholders' Equity and ANW



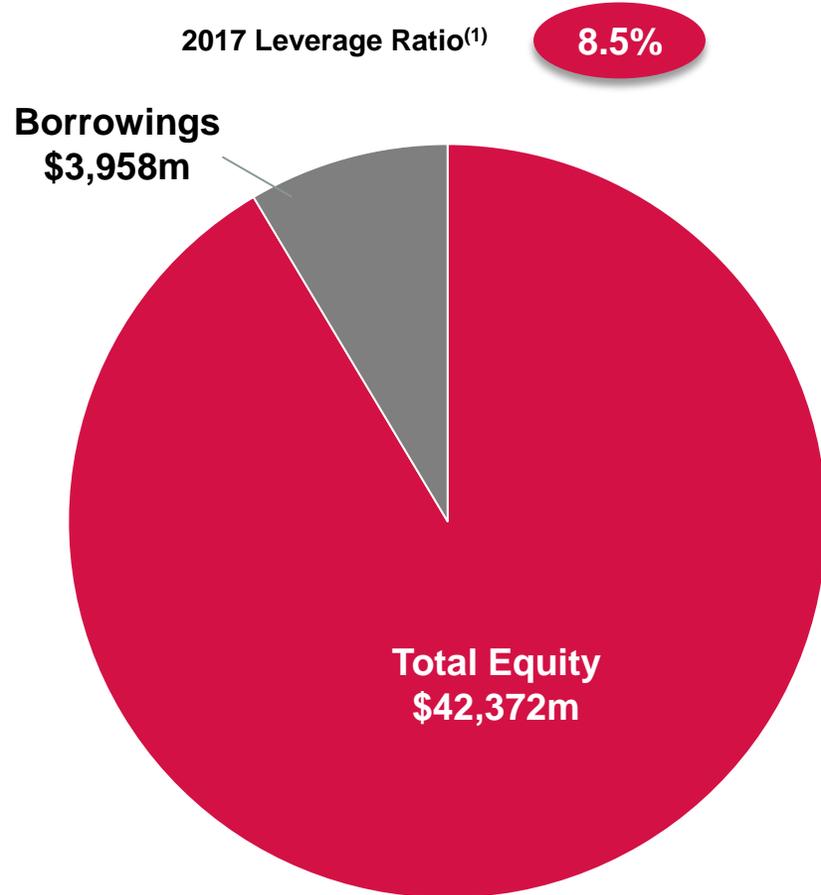
## Reconciliation of IFRS Shareholders' Equity to ANW (\$m)



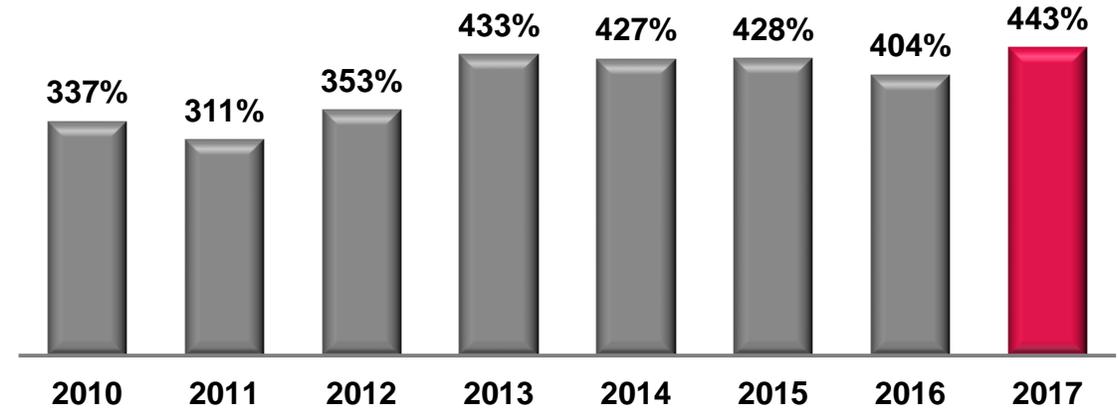
# Robust Capital Structure



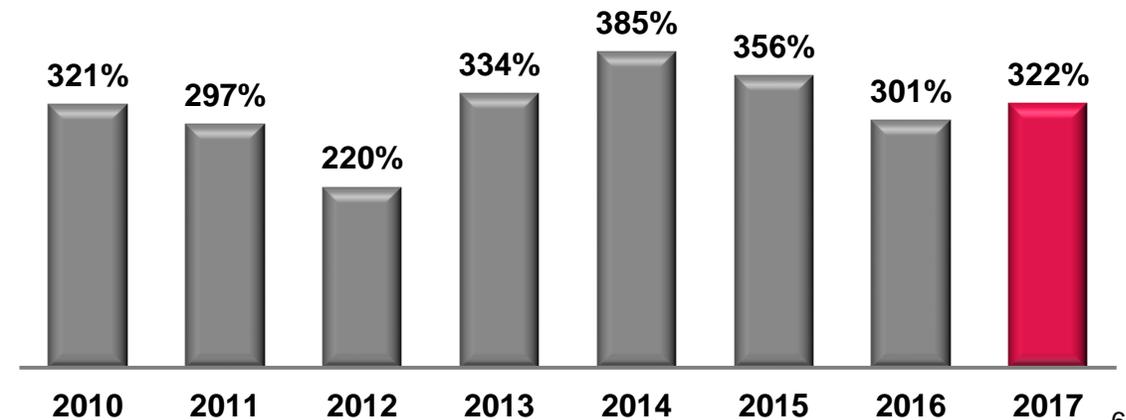
## AIA Capital Structure



## Solvency Ratio on the HKIO Basis for AIA Co.



## Solvency Ratio on the HKIO Basis for AIA International



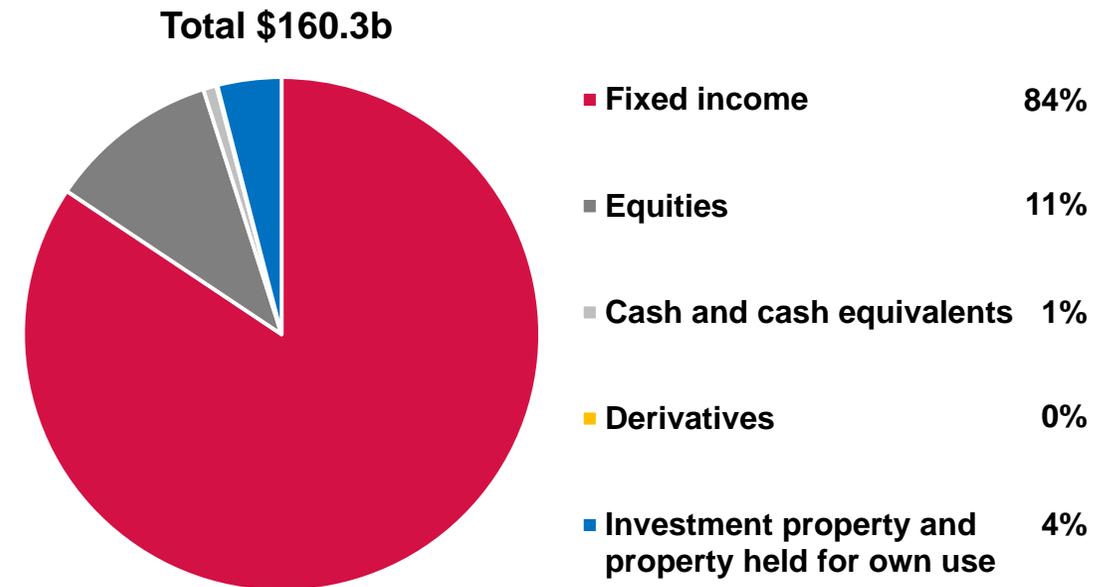
Note:  
(1) Leverage ratio defined as Borrowings / (Borrowings + Total Equity)

# Total Invested Assets



\$m	Participating Funds	Other Policyholder and Shareholder	Total
Fixed Income	22,711	111,619	134,330
Equities	6,822	10,941	17,763
Cash and cash equivalents	249	1,584	1,833
Derivatives	73	279	352
Investment property and property held for own use	468	5,581	6,049
<b>Total Invested Assets</b>	<b>30,323</b>	<b>130,004</b>	<b>160,327</b>

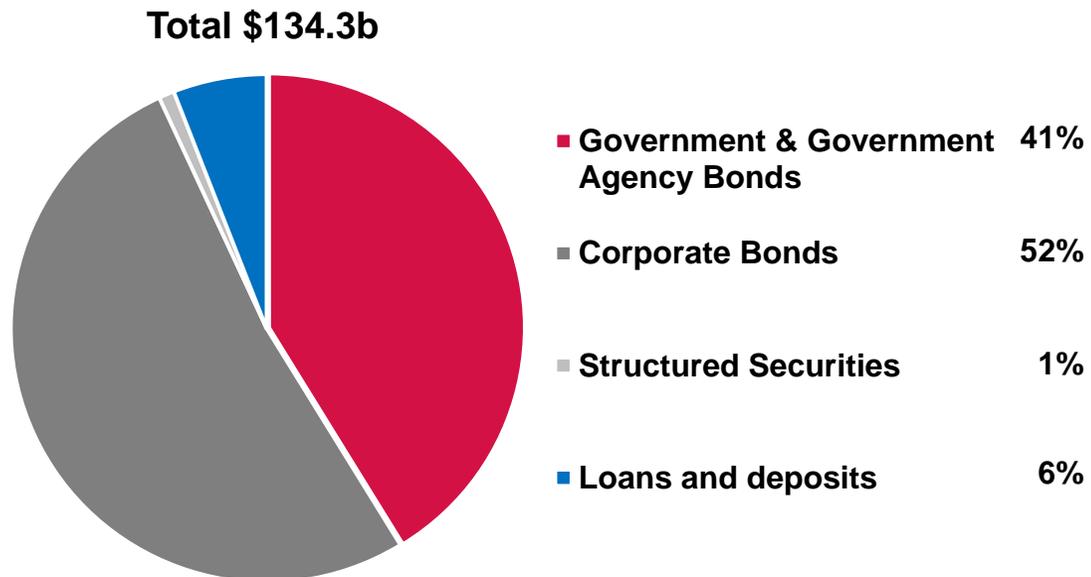
Total Invested Assets by Type



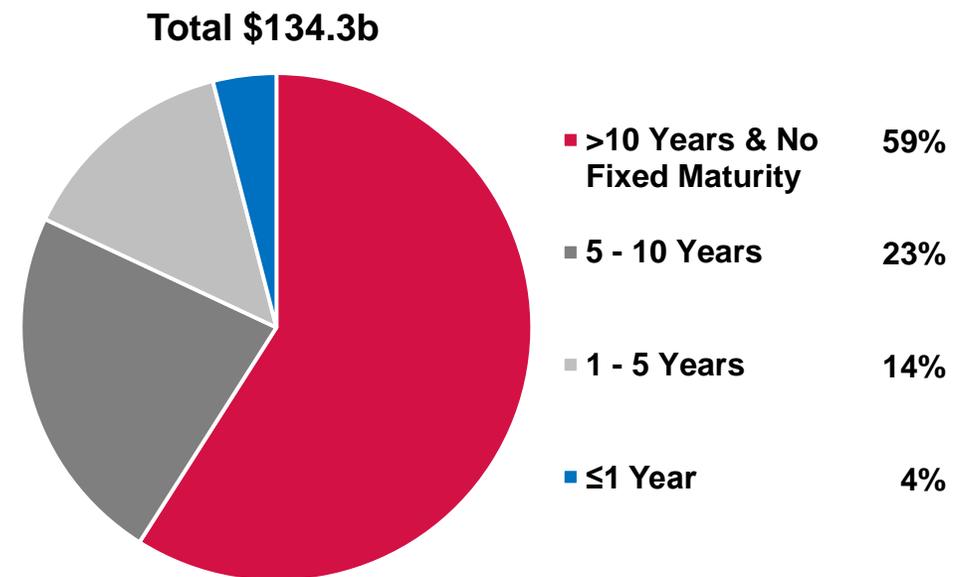
# Prudent and High-quality Fixed Income Portfolio



## Total Fixed Income by Type



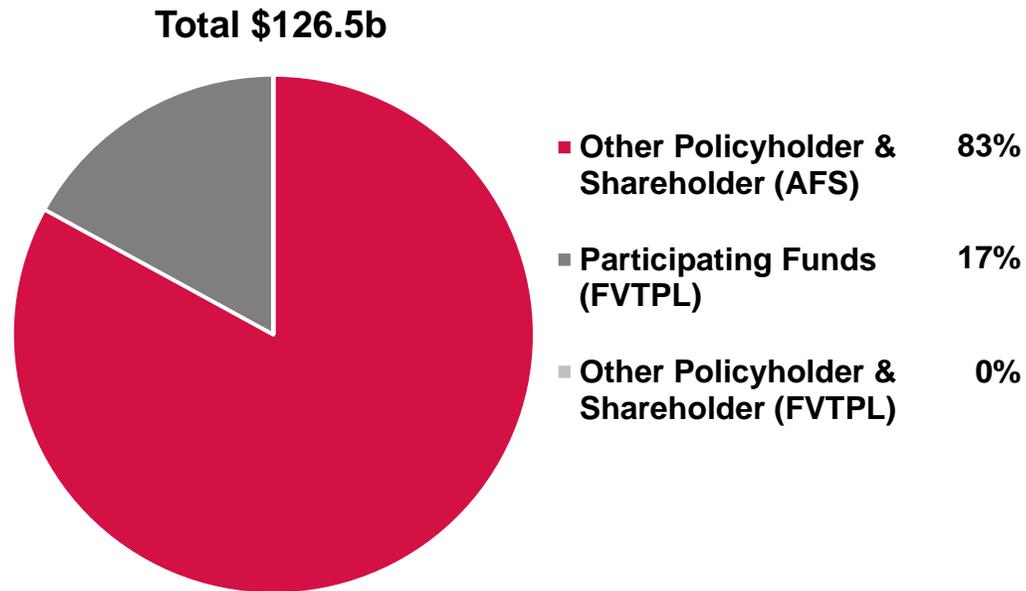
## Total Fixed Income by Maturity



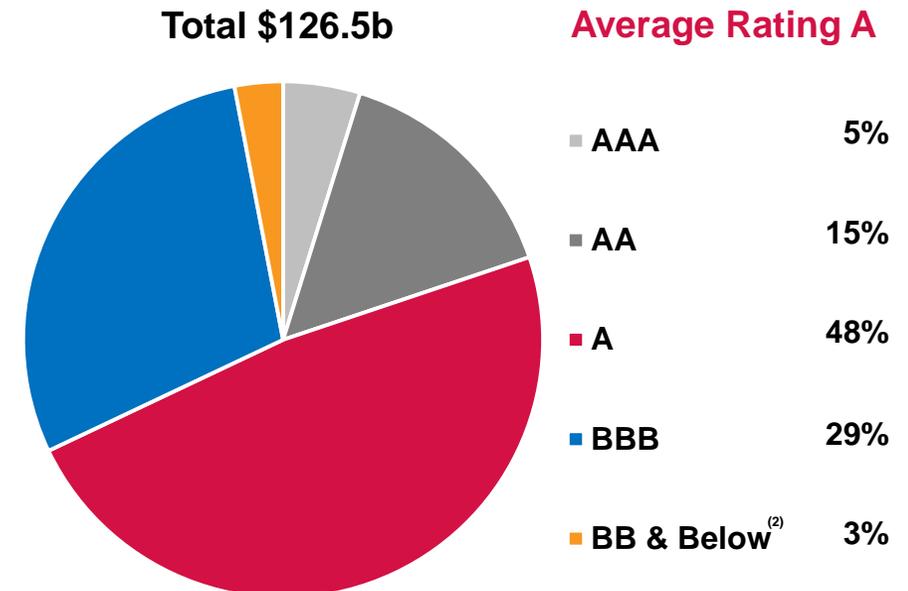
# Prudent and High-quality Fixed Income Portfolio



## Total Bonds by Accounting Classification



## Total Bonds by Rating<sup>(1)</sup>



As of 30 November 2017

Notes:

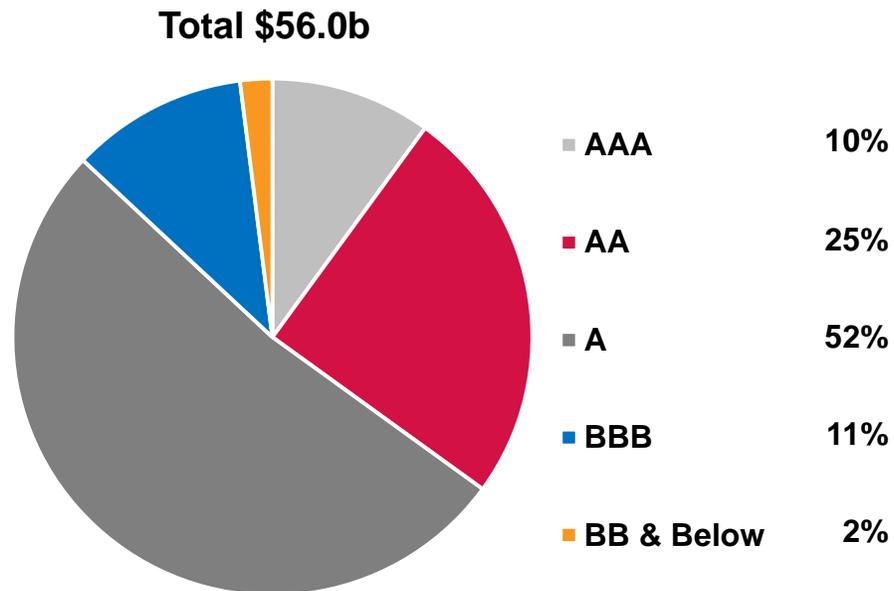
(1) For government bonds and government agency bonds, ratings for local currency and foreign currency securities for the same issuer are included separately

(2) Including not rated bonds

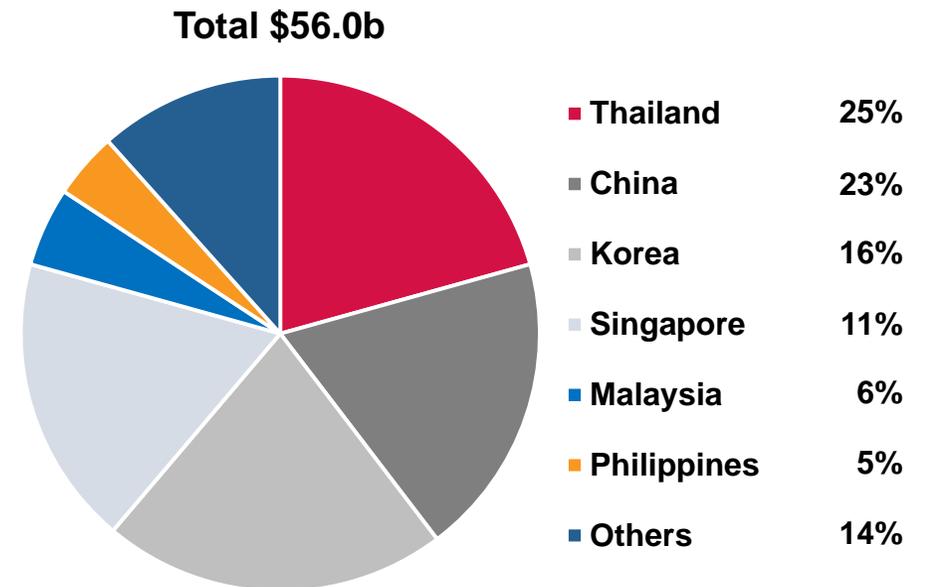
# Government Bond Portfolio



## Government and Agency Bonds by Rating<sup>(1)</sup>



## Government and Agency Bonds by Geography



As of 30 November 2017

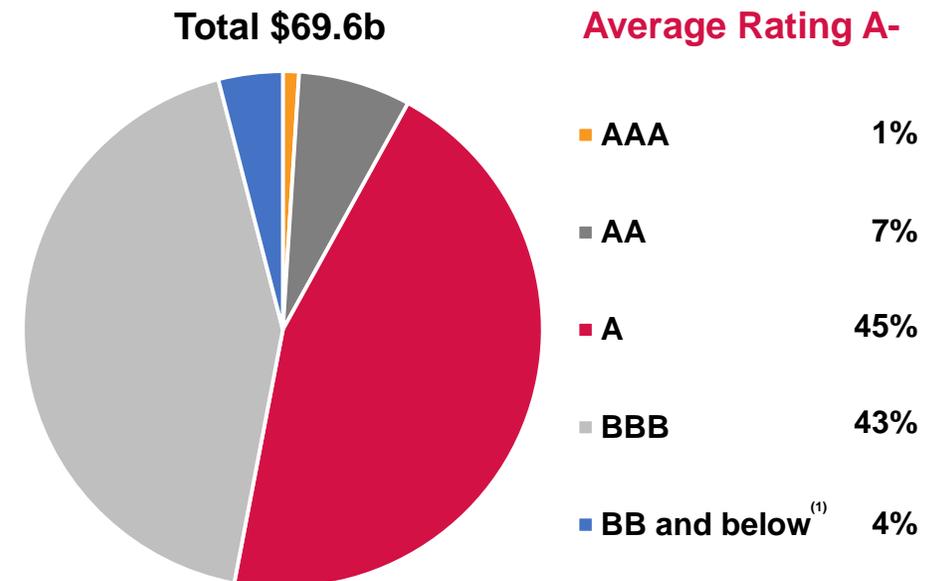
Note: (1) For government bonds and government agency bonds, ratings for local currency and foreign currency securities for the same issuer are included separately

# Corporate Bond Portfolio



Rating	Total (\$m)
AAA	477
AA	4,513
A	31,378
BBB	30,077
BB and below <sup>(1)</sup>	3,121
<b>Total</b>	<b>69,566</b>

## Corporate Bonds by Rating

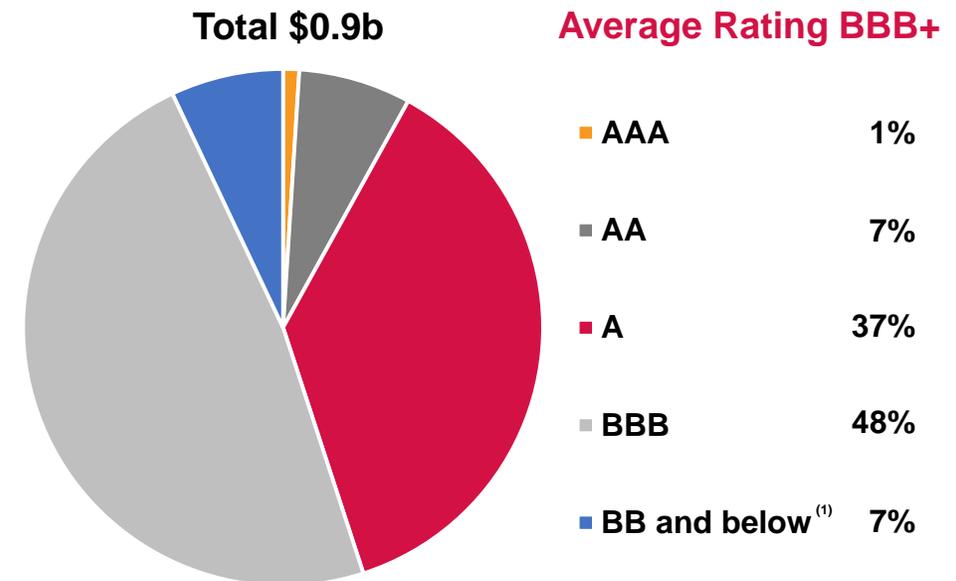


# Structured Security Portfolio



Rating	Total (\$m)
AAA	9
AA	64
A	319
BBB	415
BB and below <sup>(1)</sup>	59
<b>Total</b>	<b>866</b>

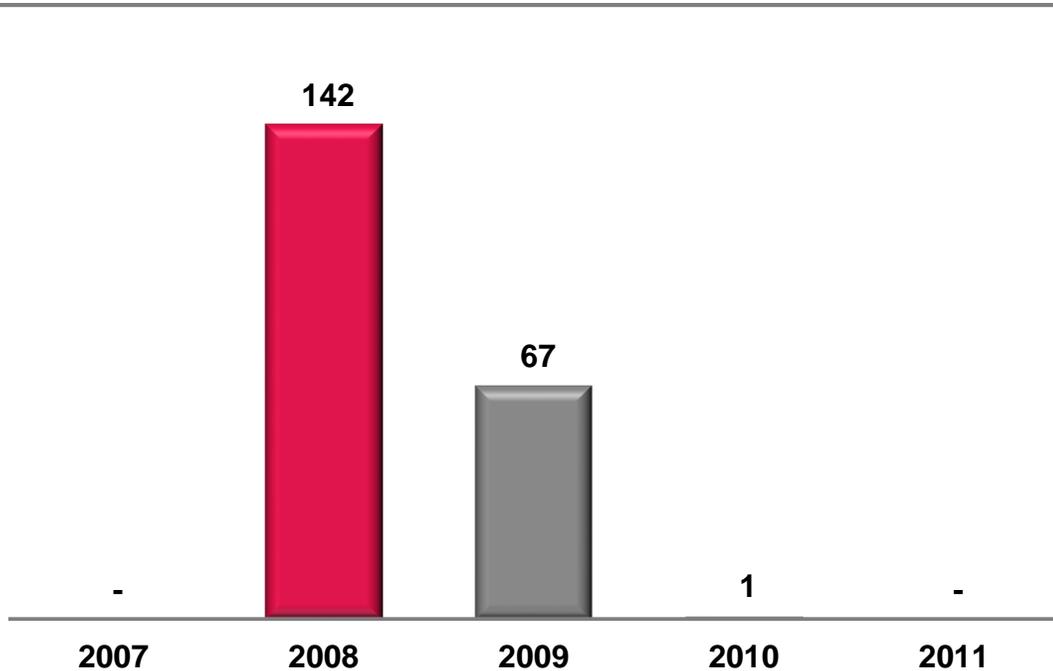
## Structured Securities by Rating



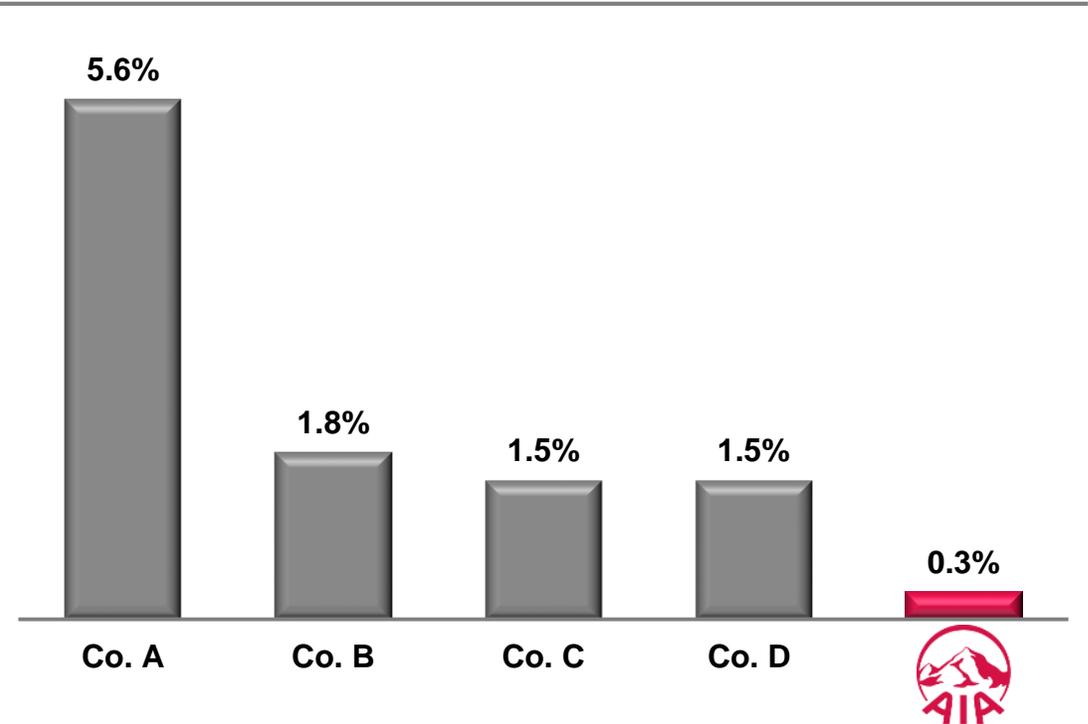
# Impairment Experience During Global Financial Crisis



AIA Impairments on Invested Assets (\$m)



2008 Impairment Charges as % of Invested Assets



# Risk Discount Rate and Risk Premium



%	As at 30 November 2010			As at 30 November 2017		
	Risk Discount Rates	Long-term 10-year Govt Bonds	Risk Premium	Risk Discount Rates	Long-term 10-year Govt Bonds	Risk Premium
<b>Australia</b>	8.75	5.65	3.10	7.35	3.00	4.35
<b>China</b>	10.00	3.74	6.26	9.75	3.70	6.05
<b>Hong Kong</b>	8.00	3.53	4.47	7.30	2.80	4.50
<b>Indonesia</b>	15.00	7.90	7.10	13.00	7.50	5.50
<b>Korea</b>	10.50	4.82	5.68	8.60	2.70	5.90
<b>Malaysia</b>	9.00	4.45	4.55	8.75	4.20	4.55
<b>Philippines</b>	13.00	6.00	7.00	11.30	4.80	6.50
<b>Singapore</b>	7.75	2.93	4.82	6.90	2.50	4.40
<b>Sri Lanka<sup>(1)</sup></b>	-	-	-	15.70	10.00	5.70
<b>Taiwan</b>	8.00	1.73	6.27	7.85	1.60	6.25
<b>Thailand</b>	9.50	3.87	5.63	8.60	3.20	5.40
<b>Vietnam</b>	16.00	10.20	5.80	12.30	6.50	5.80
<b>Weighted Average<sup>(2)</sup></b>	<b>8.95</b>	<b>3.85</b>	<b>5.10</b>	<b>8.33</b>	<b>3.20</b>	<b>5.13</b>

Notes:

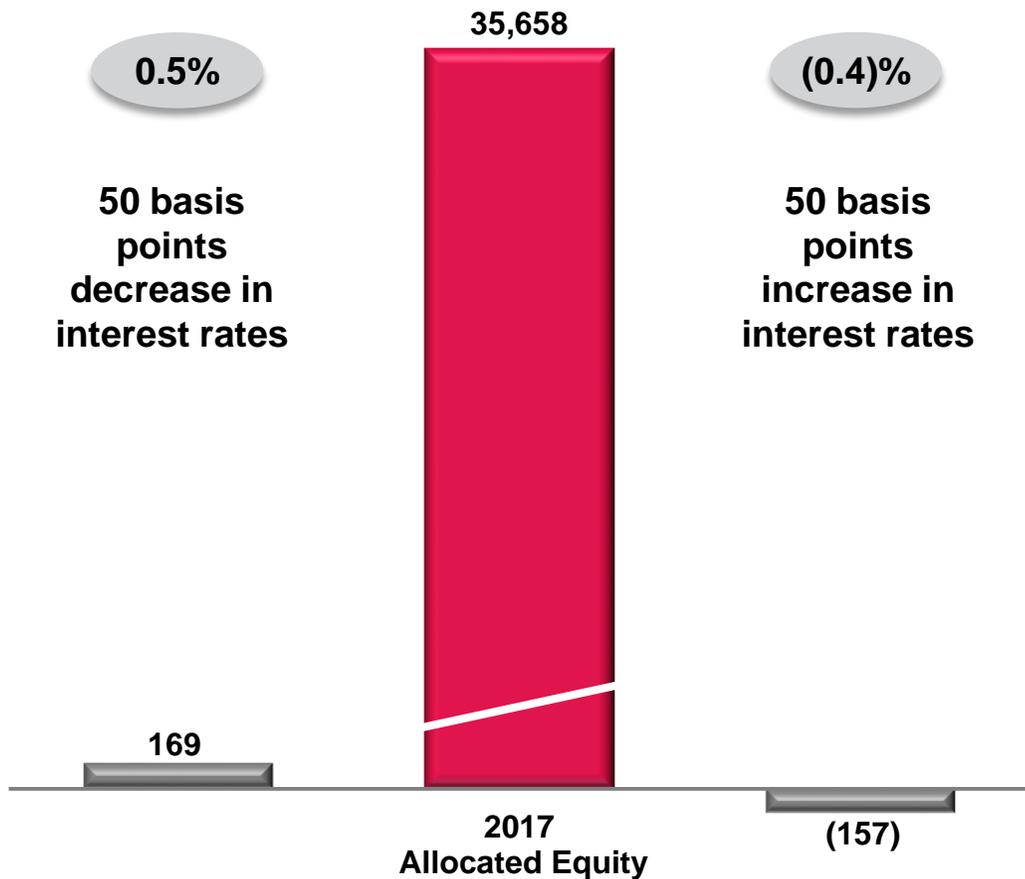
(1) Sri Lanka is included since the acquisition completion date of 5 December 2012

(2) Weighted average by VIF contribution

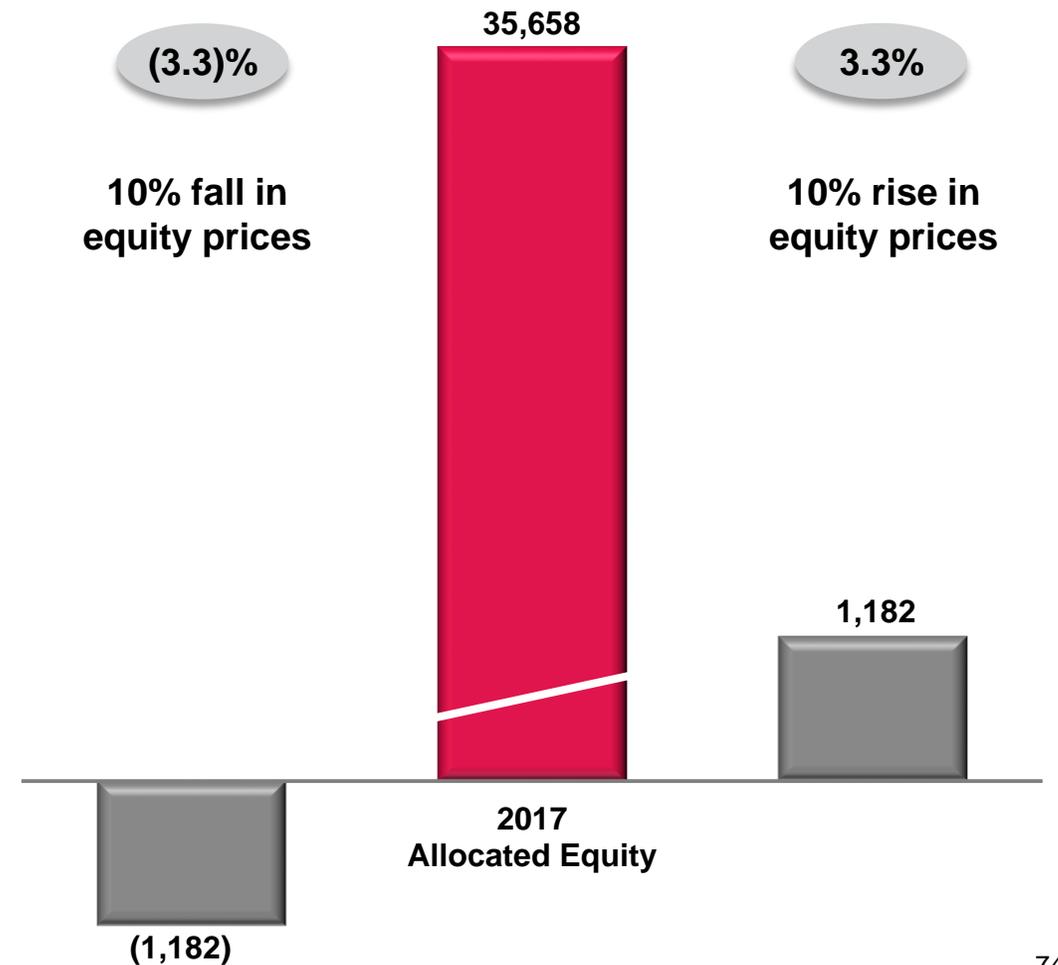
# Sensitivity Analysis – Allocated Equity



## Interest Rates (\$m)



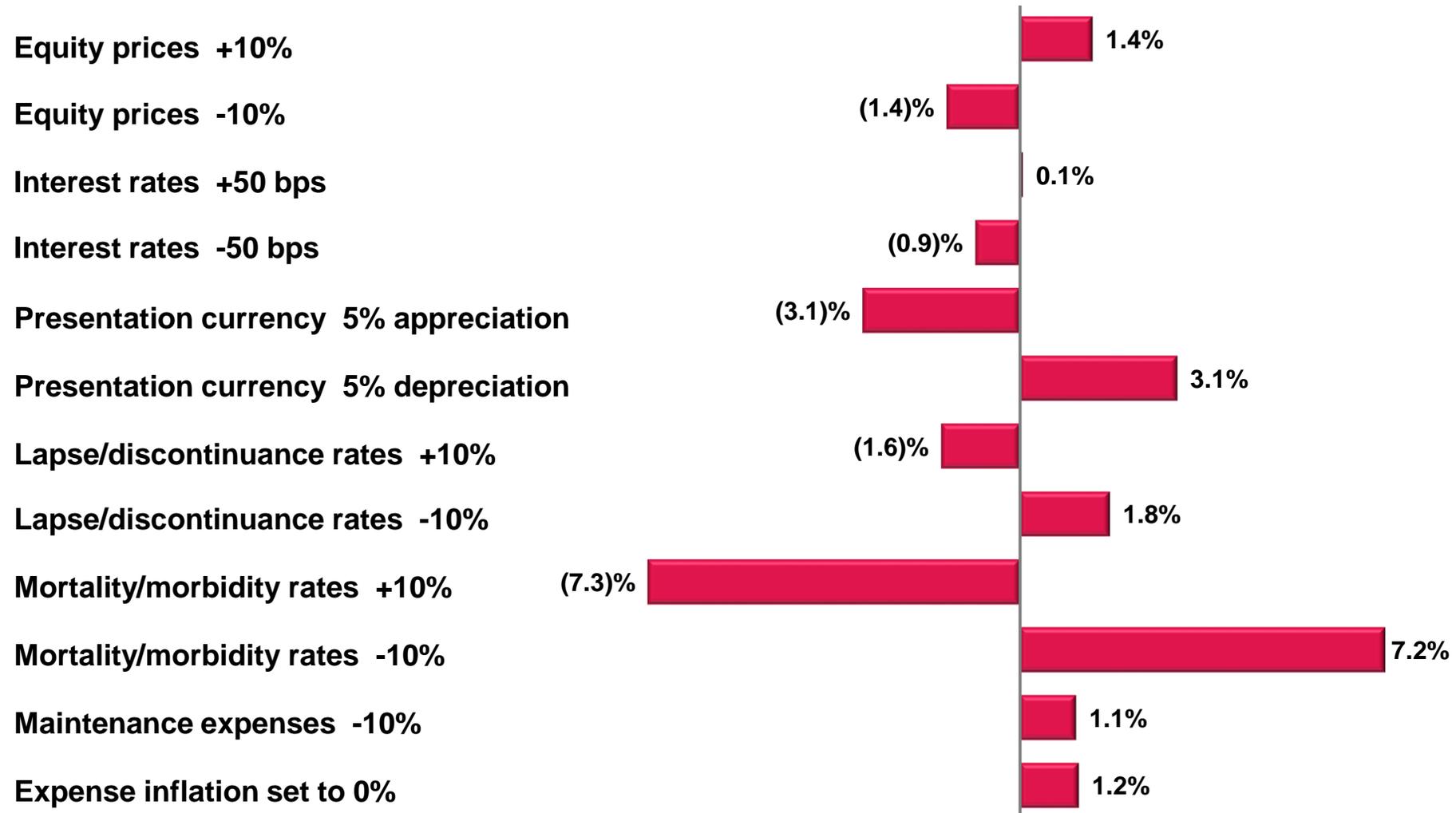
## Equities (\$m)



# Sensitivity Analysis – EV



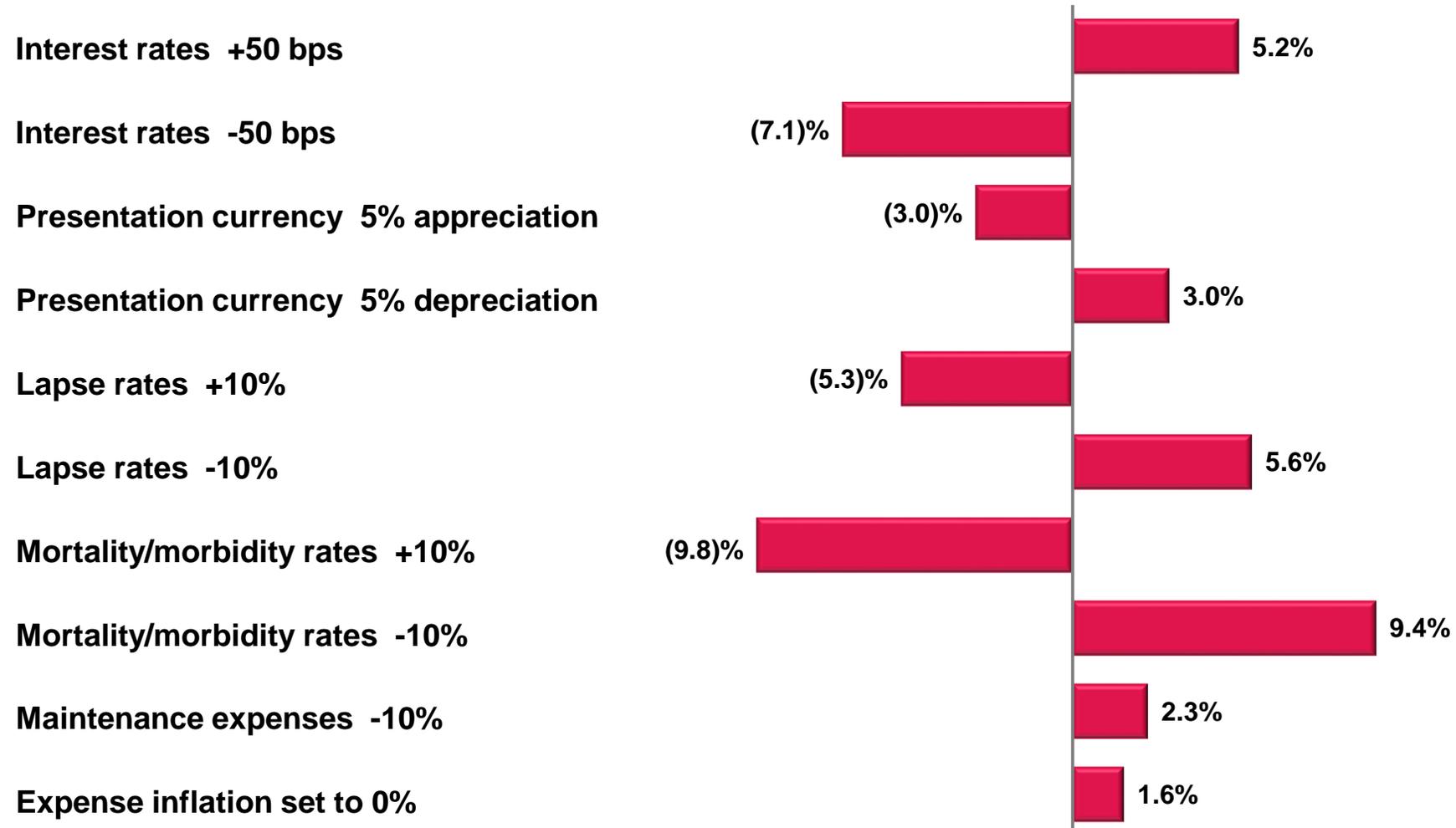
## Sensitivity of EV as at 30 November 2017



# Sensitivity Analysis – VONB



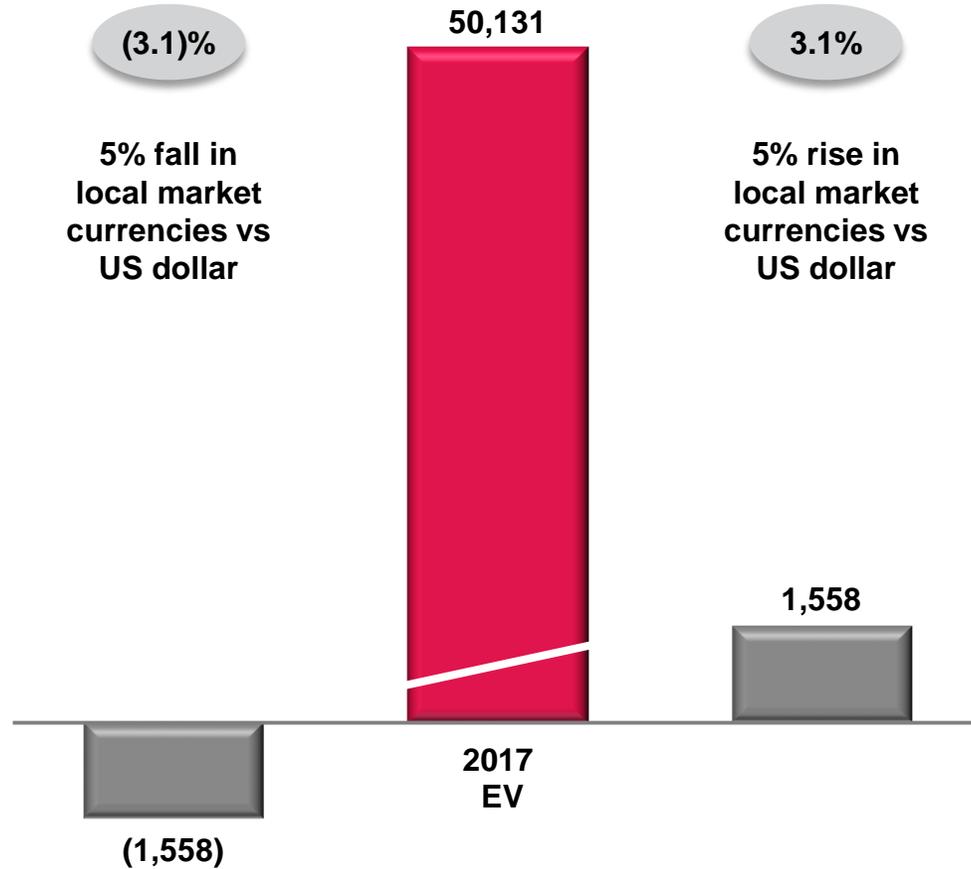
## Sensitivity of VONB as at 30 November 2017



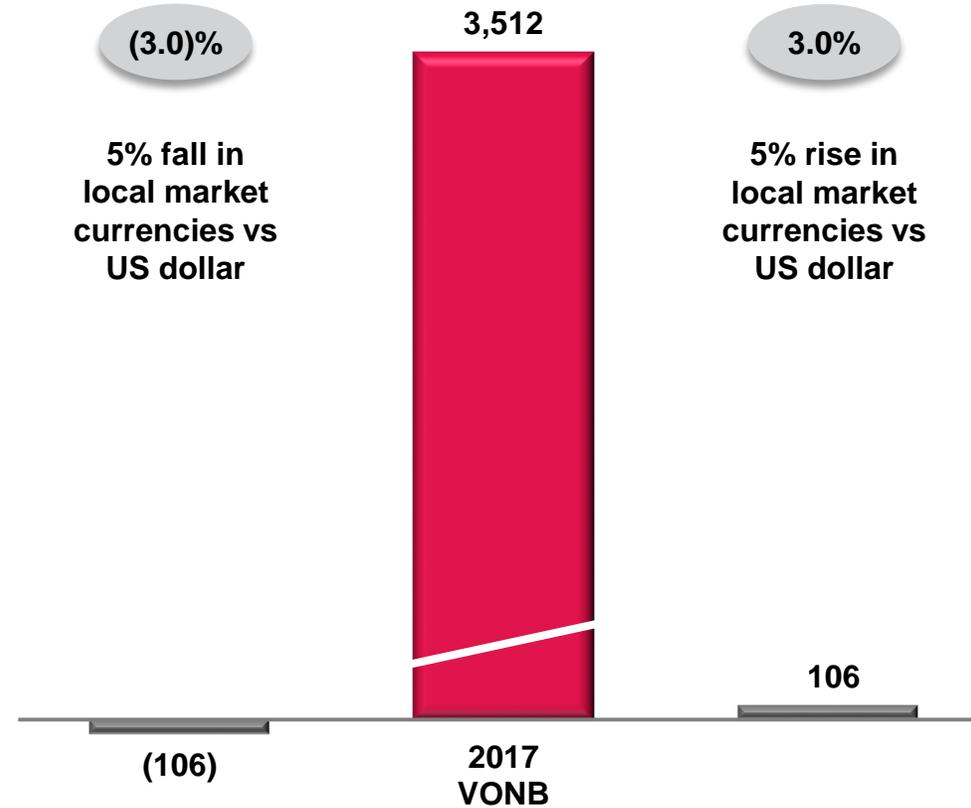
# Currency Sensitivity



## EV (\$m)



## VONB (\$m)



Note:  
The currency sensitivities shown assume a constant Hong Kong dollar to US dollar exchange rate