

AIA Group Limited 2018 Annual Results

Analyst Briefing Presentation – Transcript

15 March 2019

Lance Burbidge, Group Chief Investor Relations Officer:

[AIA BRAND PROMISE VIDEO PLAYS]

Good morning everybody and welcome to AIA's 2018 Annual Results Presentation. I am Lance Burbidge, Chief Investor Relations Officer, and I hope that video helped bring our brand promise to life – and you will hear more later how we help our customers live Healthier, Longer, Better Lives.

First of all, let me take you through today's agenda. Our Group Chief Executive, Keng Hooi, will start with a summary of the Group's financial performance and a review of AIA's key achievements in 2018. Garth Jones, our Chief Financial Officer, will then take you through the financial results in detail; he will be followed by our three regional chief executives, who will share with you progress in each of their market segments. Keng Hooi will then come back with more on our strategic priorities and the significant growth opportunities in Asia. Finally, we will open up the session to your questions.

Before that, let me remind you that we have aligned our financial year with the calendar year. The figures for 2018 shown in today's presentation are for the twelve months ended 31 December 2018 and comparisons are with the same twelve-month period in 2017.

With that, let me hand over to Keng Hooi.

Ng Keng Hooi, Group Chief Executive:

Thanks, Lance. Good morning everyone.

I am very pleased to be announcing the results of another excellent year for AIA. In 2018 we have again delivered double-digit growth in our key operating metrics. This strong and consistent performance reflects the focus by all of our businesses on executing our strategic priorities across Asia-Pacific. The past year has seen growing economic uncertainty and greater financial market volatility; through market cycles, AIA's results demonstrate the resilience of our business.

Let me begin with the key highlights. In 2018, value of new business VONB grew by 22 per cent to nearly 4 billion dollars and EV equity increased to 56.2 billion. Operating profit after tax OPAT increased by 13 per cent to 5.3 billion, driving a further increase in operating return on equity to 14.5 per cent. Underlying free surplus generation rose 13 per cent to 4.9 billion dollars. Following our prudent, sustainable and progressive dividend policy, the Board has recommended an increase of 14 per cent in the final dividend, giving a total dividend for 2018 of 114 Hong Kong cents per share. Additionally, the Board has recommended a special dividend of 9.5 Hong Kong cents per share. This strong delivery across all our key metrics reflects our consistent focus on the execution of our strategic priorities to capture the significant growth opportunities in our markets.

Looking beyond the headlines, let me take you through some of our key achievements. AIA has unique scale and breadth across the Asia-Pacific region. In 2018 we delivered growth in both VONB and OPAT from each of our market segments. The scale and quality of our multi-channel distribution platforms enable us to engage potential new customers and millions of existing customers, providing personal and professional advice.

Our agency business delivered very strong growth, with a 26 per cent increase in VONB. We now have over 10,000 MDRT members across the Group, up more than 20 per cent over the year. Partnerships

generated 11 per cent VONB growth, building on the exceptional results from the Hong Kong retail IFA business in 2017. VONB from our bank partners was up 18 per cent and we activated four new strategic partnerships in the year. Early results from Bangkok Bank in Thailand and ASB in New Zealand have been encouraging, and we are excited about the opportunities with non-traditional partners WeDoctor and SK Telecom. You will hear more about what drives our distribution success from Jacky, Bill and John.

Last year I told you that we were accelerating our strategic focus on health and wellness and digital enablement. The integration of wellness in our insurance products provides a competitive advantage for AIA. Memberships of our wellness programme have exceeded 1.2 million. In 2018, VONB from products integrated with AIA Vitality represented more than 10 per cent of the Group total. We continue to invest in digital enablement, and more than 90 per cent of new business across the Group was submitted digitally in 2018. Close to 60 per cent of our new business was auto-underwritten with no human intervention, and we have enhanced our digital platforms. New tools in 2018 have made significant advances in recruitment and training.

And of course China is a focus for AIA, given the size of the opportunity and our unique 100 per cent ownership. Last month we were delighted to receive CBIRC approval to set up sales and service centres in Tianjin and the capital of Hebei, Shijiazhuang. John will talk about our proven model for expansion in China. We are very excited about this opportunity and the further opening of the China life insurance market in due course.

All of these achievements improve AIA's competitive advantage and reinforce our ability to deliver sustainable growth for shareholders over the longer term. In summary, in 2018 we have continued to build on our established and successful track record of delivering sustainable, profitable growth. The strong results we are reporting today reflect the tremendous hard work and focus on executing our strategic priorities from all of our excellent teams.

Now let me hand over to Garth, who will take you through the financial results in more detail. Garth.

Garth Jones, Group Chief Financial Officer:

Thanks Keng Hooi and good morning everyone.

AIA's financial performance in 2018 demonstrates our continuing ability to deliver strong and consistent results across all our key financial metrics. VONB grew by 22 per cent to close to 4 billion dollars. EV operating profit increased by 23 per cent to 8.3 billion dollars, driven by very strong VONB growth and prudent management of our large in-force portfolio. This has driven a further increase of 110 basis points in our operating ROEV to 16.3 per cent, with EV equity exceeding 56 billion dollars. Operating profit after tax was up 13 per cent to 5.3 billion dollars, and there was a further 40 basis points increase in operating ROE to 14.5 per cent.

As we saw in the first half, the effect of a strong operating result on shareholders' allocated equity was offset by increased dividend payments and negative market movements. Underlying free surplus generation increased to 4.9 billion dollars, and the solvency ratio for AIA Co. remained strong at 421 per cent after completing the acquisition of Sovereign.

Based on this strong and broad-based performance, the Board has recommended an increase of 14 per cent in the final dividend, giving a 14 per cent increase in the total dividend overall for 2018. The Board has also recommended a special dividend of 9.5 Hong Kong cents per share for the additional month in the accounting period resulting from the change in financial year end. The Board continues to follow our prudent, sustainable and progressive dividend policy, while retaining the financial flexibility to fund future growth.

The strength of our 2018 financial results reflects AIA's continuing focus on executing our strategic priorities and disciplined deployment of capital to generate attractive returns. I will now provide more detail in the usual three areas.

AIA's portfolio of growth businesses allows us to take advantage of the attractive opportunities across the Asia-Pacific region. Our Hong Kong business delivered another very strong result, with 24 per cent growth in VONB. The growth was broad-based across domestic customers and Mainland Chinese visitors, as well as from both agency and partnership distribution channels. Once again, China was our fastest-growing segment with VONB growth of 30 per cent, building further on a base at the start of 2018 that had more than doubled in the previous two years. Thailand saw a return to growth, with VONB up 12 per cent as the tangible result of our continuing agency transformation, while Singapore reported an increase of 18 per cent in VONB, with strong results from agency as well as from our partnership with Citibank. In summary, all of our market segments reported VONB growth in 2018, with five of the six segments delivering double-digit growth.

AIA's breadth across the dimensions of geography, high-quality distribution and products, allows us to selectively deploy capital and optimise long-term value for shareholders. ANP increased by 15 per cent to 6.5 billion dollars, with more than 90 per cent of ANP sourced from recurring premiums. VONB margin of 60 per cent was higher by 4 percentage points, with the increase driven mainly by a shift to more profitable products. Updates to operating assumptions in light of sustained positive experience also helped increase margin. The equivalent new business margin on a PVNBP basis also improved, from 9 per cent to 10 per cent. As we have said many times, we focus on growing total VONB and do not target volume or margin alone.

EV operating profit increased by 23 per cent to 8.3 billion dollars, lifted by very strong VONB growth combined with further improved operating performance. Operating variances were strongly positive and added more than 600 million dollars to profit. The strong increase in operating profit has also driven operating ROEV up to 16.3 per cent, an increase of 110 basis points compared to last year. Our excellent operating performance was partly offset by 2.2 billion dollars of adverse investment return variances as a result of market movements during the year. Other non-operating items included currency translation effects from a stronger US Dollar and around a 500 million positive contribution from the subsidiarisation of AIA Korea.

Overall, our EV equity increased by 3.8 billion in 2018 to 56.2 billion dollars. Our closing EV equity is shown after a deduction of 4.6 billion for additional consolidated reserving and capital requirements and the present value of Group Office expenses.

AIA's continuing positive operating experience reflects the quality of our distribution and products and confirms the appropriateness of our EV assumptions. Mortality and morbidity claims experience was positive, as were persistency and expense variances, reflecting both our pricing discipline and the proactive management of our in-force book. Overall, cumulative operating variances since our IPO have exceeded 2 billion dollars.

Our EV methodology uses spot market interest rates and trends over time to our long-term assumptions, which reflect market forward rates. Long-term assumptions remain conservative and, since IPO, we have maintained the average risk premium for determining discount rates. Investment variances in 2018 show that we are not immune to short-term market volatility; however, the sensitivities demonstrate AIA's resilience. Cumulative investment return variances, including the impact of poor investment markets to the end of year 2018, are positive at 300 million dollars. Our EV results continue to demonstrate that both our operating assumptions and economic assumptions remain prudent.

In 2018 we have continued to build on our long-term track record of delivering sustainable, profitable growth. The scale of the absolute levels of growth and the compounding effect of consistent year-on-year performance means that VONB in 2018 was almost six times the 2010 figure.

Moving now to our IFRS results, strong growth in new business and the proactive management of our in-force book have delivered 13 per cent growth in OPAT to 5.3 billion dollars. This growth is broadly in line with the increase in total weighted premium income TWPI, as the Group's operating margin remained stable. As the scale of our business has continued to grow, the expense ratio has improved progressively, with a further 50 basis point decline in 2018.

The breakdown of our OPAT demonstrates the benefit of geographical diversity at scale across the region. Coupled with an attractive balance of sources of earnings, this increases the resilience and predictability of our results. In 2018, OPAT tax grew for all of our reportable segments. Hong Kong delivered a double-digit increase, with TWPI growing ahead of OPAT due to a higher proportion of Par business in our in-force. Thailand is our second-largest contributor to OPAT and increased by a further 9 per cent, with greater scale supported by improved persistency, while AIA Singapore's growth of 7 per cent reflected strong new business growth partly offset by continuing high levels of medical inflation. China delivered OPAT of 870 million dollars with excellent growth of 32 per cent, reflecting the high quality of our earnings and continued increase in the size of the business. The effect of a stronger US dollar in the second half resulted in a slight currency benefit for 2018, with the Group's OPAT growing 14 per cent on an AER basis.

The movement in shareholders' allocated equity is shown before the IFRS accounting treatment of AFS bonds, as in previous years. Allocated equity does, however, allow for other market movements. In 2018, our strong operating profit after tax was offset by negative mark-to-market impacts on equities. Foreign exchange movements due to a stronger US dollar and payment of the increased level of dividend also had an impact. Overall, allocated equity was up 3 per cent over the year.

On both an EV and IFRS basis, the disciplined execution of our strategy over time has delivered increasing returns on equity alongside continuing growth in shareholders' equity. We have achieved progressively higher EV operating profit and ROEV, as our EV equity has more than doubled since IPO. The same trend can be seen for OPAT and ROE, with a doubling of shareholders' allocated equity. This slide is a clear reflection of the highly attractive financial dynamics and underlying quality of our business.

Finally, moving to capital and dividends. 2018 saw two notable corporate structure-related impacts on our free surplus. In January, AIA Korea converted from a branch to a subsidiary, releasing 1.9 billion of free surplus at the Group level. In early July we completed the acquisition of Sovereign in New Zealand, reducing free surplus by 500 million dollars. I explained at the interim results that the immediate release of free surplus from the subsidiarisation of AIA Korea results in a reduction in ongoing underlying free surplus generation, with a 263 million dollar impact for 2018.

New business investment increased to 1.5 billion dollars, as we deployed a larger amount of capital in growing new business with highly attractive returns. Investment variances, exchange rates and other items were negative 800 million dollars in aggregate, an improvement from the half year mainly driven by lower US interest rates increasing the market value of bonds within free surplus.

After the 1.6 billion payment for shareholder dividends, the closing free surplus was 14.8 billion dollars. The Australian part of the CBA acquisition remains outstanding. pending regulatory approvals; on completion, we expect a net reduction of around 1 billion dollars to our free surplus.

Our primary objective is to achieve profitable new business growth at increasing scale and generate superior, sustainable value for our shareholders. We aim to demonstrate that our strong growth in VONB translates over time into earnings growth, increased cash generation and shareholder dividends. VONB is up 5.9 times since IPO to nearly 4 billion dollars in 2018. Over the same period, operating profit after tax has grown 2.8 times to 5.3 billion dollars, and underlying free surplus generation has risen in parallel to 4.9 billion, up 2.3 times since IPO.

In order to optimise shareholder returns, we then choose how to deploy underlying free surplus generation, allowing for future business growth and a wide range of market scenarios. Ensuring a prudent balance sheet under capital market stress is fundamental, after which we prioritise organic new business investment given its highly attractive economics. We also retain capital for inorganic opportunities. Allowing for Group costs and debt interest, we then seek to pay prudent, sustainable and progressive dividends in line with our well-established policy.

The Board has recommended an increase of 14 per cent in the final dividend, bringing the total dividend for 2018 to 114 Hong Kong cents per share, also up 14 per cent on last year. As you have already heard,

the Board has also recommended a special dividend of 9.5 Hong Kong cents per share. These increased dividends reflect the strength of our financial results across a broad range of financial metrics, our ongoing confidence in the Group's prospects, and the scale of the opportunities available to us.

In conclusion, the Group has delivered a set of excellent results in 2018. We have delivered very strong growth in VONB, as we continued to invest capital in high-quality business with attractive returns. IFRS operating profit saw a further strong increase and benefited from the effects of increased scale and geographic diversification. AIA's capital position remains resilient. Free surplus generation grew strongly, enabling us to finance very strong new business growth and a further significant increase in the shareholder dividend. Our disciplined financial management and continuing ability to build sustainable value for our shareholders are reflected in today's results.

I will now hand over to Jacky, Bill and John, who will share with you the excellent progress we have made in our businesses.

Jacky Chan, Regional Chief Executive:

Thank you, Garth. I am very pleased to be here today presenting Hong Kong and Singapore's full year results. I will also share with you the performance of Citibank Hong Kong, how the partnership has progressed and strengthened since its launch.

Let me first take you through the full year results from Singapore. AIA Singapore delivered strong VONB growth of 18 per cent in 2018, with a ANP growth of 26 per cent. The VONB margin decreased slightly to 65 per cent, from lower profitability of the HealthShield business and higher volumes of single premium unit-linked business ahead of a regulatory change.

Our agency distribution channel maintained its market leadership and delivered strong VONB growth as we continued to focus on executing our Premier Agency strategy. Our targeted recruitment and training programme drove active agent growth of 16 per cent and a double-digit increase in productivity. We also rolled out digital tools, such as a new mobile application integrated with our propensity models. This helps our agents address customers' needs more effectively.

Our strategic partnership with Citibank delivered excellent VONB growth. We have collaborated closely with Citibank to recruit and enhance the productivity of the bank's insurance specialists. We remain financially disciplined in our partnership distribution channel as the single premium universal life market has become increasingly competitive. As with agency, we continued our market leadership in the Group Insurance business, with several new and sizable corporate client cases secured during the year.

We continue to work hard to deliver high-quality service to our customers with a differentiated proposition. For example, we launched an exclusive partnership with Medix to provide personal medical case management services, which is the first of its kind in Singapore. Moreover, our award-winning AIA Vitality wellness programme increased membership by over 40 per cent.

Now moving on to Hong Kong. AIA Hong Kong continued to deliver excellent results across channels as VONB grew 24 per cent. VONB grew across both domestic and Mainland Chinese visitor customer segments, as well as our agency and partnership distribution channels. ANP grew 8 per cent to nearly 2.7 billion dollars and VONB margin increased to 62 per cent, reflecting a continued shift towards higher margin protection and long-term savings products.

Our agency channel delivered excellent growth in 2018, as our relentless focus on the Premier Agency strategy continued to grow and develop our best-in-class agency force. The number of total active agents and MDRT qualifiers were up double-digit. Our differentiated Premier Agency strategy is underpinned by our Premier Academy, which selects young, high-calibre recruits and prepares them to become high-performing agents. The number of recruits through AIA Premier Academy increased by 21 per cent in 2018, and they now contribute more than one-third of total new recruits. AIA Premier Academy also provides a comprehensive and structured training platform enabled by a broad suite of digital tools. We have been

replicating the key success factors of our best-in-class agency in Hong Kong to our other major markets such as China and Thailand, which John and Bill will elaborate on in a moment.

Our strategic partnership with Citibank delivered very strong VONB growth, and I will share more details around the partnership shortly. Our retail IFA channel had solid VONB growth for the full year as sales remained steady between the first and second half of the year. AIA Vitality integrated product sales doubled during the year and VONB from our existing customers was up 28 per cent.

I want to share with you the excellent progress we have made with our strategic partnership with Citibank in Hong Kong. Ever since the partnership was launched in 2014, we have had strong engagement and constant communication, both regionally and locally, with closely-aligned targets. This has led to our VONB from Citibank growing 4.5 times since 2015.

One of the key success factors for the partnership has been integrating our customer segmentation model and insurance solutions into the bank's wealth management platform. Insurance products are now seen as part of the wider bank product portfolio. Supported by a market-leading advisory model, the referrals from the bank's relationship managers increased, driving the number of cases sold per RM to nearly double in the last three years. We have also leveraged both bank and insurance expertise to promote a culture of learning and provide regular and structured training programmes to ensure that the insurance specialists maintain a high standard of professionalism. Through such structured and targeted training, the productivity in terms of ANP per insurance specialist grew 2.8 times since 2015.

Providing seamless end-to-end customer journeys through digital enablement has also been a crucial part of our success. 100 per cent of our individual customers' new business applications are submitted digitally through iPoS. We also leverage technology to collaborate with the bank to prepopulate sections of iPoS. This has increased operational efficiency, with an approximate one-third reduction in time to process an application. As seen today, Citibank and AIA Hong Kong's shared vision and close collaboration have led to a successful bancassurance operation borne out of a true partnership.

In closing, I am pleased to share with you this strong set of results from both Hong Kong and Singapore. Thank you very much, and now let me hand over to Bill.

Bill Lisle, Regional Chief Executive:

Thank you Jacky and good morning everyone. Let me update you on the progress we have made in Thailand and our other markets.

AIA Thailand returned to growth in 2018 and delivered a strong performance, with a 12 per cent increase in VONB. We have also seen strong ANP growth of 13 per cent despite an overall decline for the industry, and our VONB margin remained constant. This performance was driven by the continued execution of our Premier Agency strategy, focusing on enhancing the professionalism and productivity of our agents through the Financial Adviser FA programme. New FA agents are over 40 per cent more productive than the standard recruits. The FA programme is a key driver of our 36 per cent growth in the number of MDRTs, where we remain the number one in the industry.

In March we launched our partnership with Bangkok Bank, with initial focus on recruiting and training in-branch insurance specialists. In the second half we expanded the product range for protection and long-term savings products and rolled out a new sales model to over 800 branches. AIA is a market leader for protection and unit-linked products in Thailand, and we further expanded our range of critical illness products during the year. We made strong progress with our customer propositions including AIA Vitality, with members up more than 60 per cent, and with digital transformation by launching a mobile self-service portal, chatbot customer support, and e-payments.

Our FA programme is the key enabler for transforming our agency in Thailand. We are pleased with the progress and impact the FA programme is having on our business. Here are some of the insights and difference the programme is making.

Quality recruitment and enhanced training and development are the two pillars at the heart of our FA programme. We are focused on attracting and selecting high-potential candidates who have a full-time professional mindset; typically they are young, digitally savvy, with a university degree and work experience. In addition, we select recruits for our fast-track leadership programme who also have a higher existing income, a background in banking or as an entrepreneur, and already hold an investment consultant licence. There has been significant investment in training and development, with 15 FA-specific training centres equipped with the latest digital capabilities. In their first year new FAs receive over 20 days of training covering a wide range of topics, such as product knowledge, enhanced sales skills, one-on-one coaching, and leveraging digital and mobile tools to enhance customer experience.

In 2018, ANP from FAs grew by 37 per cent and FAs represented 14 per cent of our agency but generated 25 per cent of the VONB. New FAs have more than double the activity ratio of standard recruits and produce four times the VONB. For the whole agency, FA accounted for more than half of new leader promotions and 30 per cent of the MDRT qualifiers in 2018, clear evidence of stronger agency leadership as we build a sustainable model.

As I have said before, transformation of an agency of this scale takes time. I am pleased with the progress so far and I firmly believe that we are building a full-time, professional and sustainable agency that, along with our partnership with Bangkok Bank, positions AIA Thailand for continued multi-channel growth.

On to our Other Markets, where VONB grew 13 per cent in 2018 – and as usual, let's look at the key highlights by country. Our Australia business delivered strong VONB growth driven by our retail IFA channel, where we maintained the number one position for new business. In Group Insurance, we renewed several key schemes and won a new large scheme. We embedded AIA Vitality into our Group Insurance proposition, a clear differentiator for our business.

In New Zealand we closed the acquisition of Sovereign on 2 July and we are the market leader in protection. We have made very good progress on integration, in line with our plans. We have also made a successful start on a new bancassurance partnership with ASB.

In Indonesia, our focus on quality recruitment resulted in an increase in higher active agents and agency VONB growth; however, volatility and uncertainty in the local equity markets affected product demand in the second half. Overall VONB declined, as the positive VONB from agency was offset by lower VONB from the bancassurance channel.

Our business in Korea delivered very strong VONB growth, driven by our continued momentum in our direct marketing channel and a shift in our business mix to higher-margin protection products. We also launched our strategic partnership with SK Telecom to offer AIA Vitality to its millions of customers.

The Philippines delivered strong VONB growth in 2018. Our joint venture with BPI delivered excellent VONB growth, driven by 30 per cent growth in the number of active in-branch insurance specialists. The launch of new protection products and customer engagement campaigns resulted in a tripling of VONB from Vitality-integrated products in 2018.

AIA Vietnam delivered double-digit VONB growth, with excellent results from our bancassurance business as we expanded our exclusive partnership with VPBank.

And finally, India. Our India business delivered excellent VONB growth. We are the market leader in pure retail protection sales and our margins are among the best in the industry. Our differentiated premier agency generated strong VONB growth with a focus on quality recruitment and higher-margin protection products. Bancassurance achieved very strong VONB growth driven by IndusInd Bank and Citibank, our exclusive partners, and our newest partner HDFC Bank, India's largest private sector bank.

In summary, we are very pleased with the progress of our Other Markets, and we look forward to further strong, diversified growth. Thank you very much, and now let me hand over to John.

John Cai, Regional Chief Executive:

Thank you Bill, and good morning everyone. Let me share with you the results from my two larger markets, beginning with Malaysia.

While 2018 saw reduced consumer activity and changes to the tax regulations, AIA Malaysia's performance improved in the second half to deliver 8 per cent VONB growth for the full year. In agency, we remain focused on selective recruitment and continue to enhance our training capabilities. An important area of strategic focus for AIA Malaysia is the Takaful segment, and almost 60 per cent of our new recruits are Takaful-focused. Our strategic partnership with Public Bank delivered double-digit VONB growth, helped by the launch of bespoke products to target the bank's affluent customer base. In October, AIA Malaysia led the market with an innovative unit-linked product; the product includes a unique health rider integrated with AIA Vitality and provides recovery support. AIA Vitality membership grew nearly 50 per cent over the year and helped drive increased protection sales.

Moving on to China. AIA China was our fastest-growing segment, with 30 per cent VONB growth against a challenging market backdrop. Our differentiated strategy continued to drive a high-quality mix of business, dominated by protection. Continuing focus on quality recruitment and best-in-class training, we saw double-digit growth in both the number of active agents and new agent productivity in 2018.

We have further differentiated our customer propositions. Membership of our wellness programme more than doubled and we further enhanced the service. We also activated our new strategic partnership with WeDoctor, providing AIA China customers preferred access to WeDoctor's leading healthcare services. In 2018 we launched our AIA Xiao You, AIA China's first AI-enabled service bot. This has significantly reduced the number of human responses needed for common queries, and enhanced service quality.

In the past we have shown you the progress in our two provinces, Guangdong and Jiangsu; today I want to focus on our branch in Beijing. We started this branch in 2002, so it is one of our oldest operations in China. A consistent focus on quality recruitment and training is a core element of its success; our stringent interview and selection process has over time generated an in-force agency where 70 per cent of our agents have a bachelor's degree or higher and 13 per cent have a PhD or masters. We provide best-in-class training and development programmes, including an advanced agency leader programme. Our leading digital platforms both enable and empower our agents and leaders, providing invaluable help with recruitment, activity management, sales and service. As a result, since 2014 AIA Beijing has grown active agents and MDRT members more than four times. As agents mature, they become more effective; those who have been with us for three years are twice as productive as new agents.

Overall, AIA Beijing has grown VONB more than five times over the past four years, yet Beijing remains an underpenetrated market for our key protection products. AIA Beijing has built a differentiated, high-performance culture around a full-time professional agency, the foundations of our sustainable model in China. Allow me to show you a short film about our Beijing agency.

[AIA BEIJING AGENCY VIDEO PLAYS]

AIA Beijing has delivered very strong results, and we are using many of the same techniques across our whole China business. AIA has the right strategy to capture the enormous opportunities from the growing middle classes in China. We have a proven model for organic geographic expansion, leveraging our successful history of opening new city operations in our existing provinces. Our infrastructure has been built to be scalable with highly integrated digital platforms. At the heart of our differentiated strategy is an emphasis on quality recruitment. We have strong leadership and a high-performance culture, but it does take time for a new agency to reach critical mass.

Last month we received approval from CBIRC to prepare and establish sales and service centres in Tianjin and Shijiazhuang, Hebei. We are excited by these expansion opportunities and we look forward to the further opening of China's life insurance market in due course.

Thank you for listening. Let me now hand back to Keng Hooi.

Ng Keng Hooi, Group Chief Executive:

Thank you, John. In closing, let me remind you why we remain very well-positioned to deliver sustainable high-quality growth, building on our unique and advantaged foundations from 100 years of operation in Asia.

Our strategic priorities remain unchanged and are fully aligned with the structural drivers of growth that are helping to propel the Group's excellent results. We continue to make meaningful progress in executing on these strategic priorities and enablers. The scale and quality of our distribution are key competitive advantages for AIA. Our platform has taken decades to build and would be very difficult to replicate; nevertheless, we continue strengthening it. We are also transforming engagement with our customers as we become a partner for life.

First, let me return to the structural drivers that underpin AIA's ability to deliver superior profitable growth. Our long-term growth opportunities are powered by the unprecedented middle-class expansion taking place across Asia-Pacific. Over just eight years from 2017, the middle-class population in this region will grow by 1.2 billion, more than six times faster than for the rest of the world. This will result in a massive need for financial protection. Asia's mortality protection gap will reach 73 trillion dollars in 2020. Across our markets, healthcare costs are rising rapidly and 30 per cent of healthcare is paid out of pocket. Asia's ageing populations will also generate a substantial retirement savings gap, while 45 per cent of assets are held in cash and deposits, yielding below-inflation returns. All of this creates a vast structural demand for AIA's protection and long-term savings solutions.

Our consumer research shows that people worry most about achieving a comfortable retirement, protecting their family, providing the best education for their children, and paying for healthcare. 78 per cent of consumers either think they do not have sufficient financial protection or are not sure. Very low levels of financial protection are consistent with the large and growing protection gaps that I just mentioned. There is clearly an immense but latent demand for AIA's protection and long-term savings solutions. Our survey shows that 98 per cent of consumers think that they could benefit from financial advice. Using a financial adviser significantly improves financial outcomes for customers, but research in China for example shows less than 20 per cent use a professional financial adviser for retirement planning. So, in addition to massive protection gaps, there is also a huge advice gap.

AIA's distribution platforms are key to unlocking this latent demand for our much-needed solutions, providing essential and professional financial advice. Our sustained focus on scaling and optimising our agency and partnership distribution platform has built the foundation for AIA's continuing ability to create long-term value for shareholders.

AIA's agency has taken decades to build and we have delivered on our Premier Agency strategy since our IPO in 2010. Our focus on execution and quality across the agency value chain has created a formidable competitive advantage for AIA. Sustained efforts to optimise agency fundamentals have delivered dramatic improvements in our key quality indicators. Since IPO, active agents have doubled and productivity has increased 2.6 times. AIA now has more than 10,000 MDRT-registered members and agency VONB is up more than five times.

We are building on these well-established fundamentals and evolving to a next-generation agency model. We are making substantial investments and significant progress across the value chain, with deeper integration of digital tools and wider use of AI. As a group, we share best practices to further enhance our performance, as you have heard from Jacky, Bill and John. We are driving a step-change in agency engagement and a shift from transactional to ongoing professional advice. This would be impossible without our many years of hard work on the fundamentals of the Premier Agency model.

AIA's partnership distribution complements our core agency business, providing broader access to consumers and additional channels for engagement. We have successfully established an unrivalled network of partners in the region. This includes our regional exclusive partnership with Citibank and

partnerships with leading banks in many of our markets. Many of these relationships have been established or renewed relatively recently and have large customer bases with low insurance penetration. Collectively, the banks shown on this slide provide AIA exclusive access to more than 100 million customers. As you heard from Jacky, key success factors include shared vision and joint strategy, supported by integrated technology. We also offer differentiated products such as AIA Vitality. Just like agency, we leverage individual best practice into other partnerships like Bangkok Bank, accelerating our ability to capture their enormous potential. Our next-generation strategy uses new business models to complement our traditional face-to-face advice, both with traditional and non-traditional partners. We are leveraging the unique insights from our partners to engage with customers through digital channels and to deliver highly relevant solutions.

Our commitment to customers is epitomised by our brand promise. Healthier, Longer, Better Lives is the focus of all our marketing activity and sits at the heart of what we do to help our customers. We continue the shift towards being a partner to our customers, moving beyond just paying claims. AIA Vitality has changed customers' perception of life and health insurance, and our distributors now talk about the benefits of living well to prevent illness and death. AIA Vitality transforms engagement and helps drive repeat sales. It is also delivering meaningful health improvements.

We also support customers when they fall sick and need help. Our new regional partnership with Medix leverages a global network of leading doctors to help ensure customers receive the right care. 65 per cent of cases referred to Medix resulted in refinements to the customer's treatment plan. This service has been hugely popular in Hong Kong and Singapore, with 90 per cent satisfaction.

And when it comes to recovery, AIA is there too. AIA Australia first launched its rehabilitation programme in 2010, and in 2013 introduced a programme called RESTORE, a dedicated mental health rehab programme. These programmes have improved lives and claims experience. AIA is already delivering on its brand promise, and we are very proud to be taking the lead in supporting our customers and communities across the region.

In closing, AIA has once again delivered strong growth across all our key operating metrics. As we celebrate our centennial and look forward to the next 100 years of AIA, I am confident that our teams will continue to deliver long-term value for our shareholders and help our millions of customers live Healthier, Longer, Better Lives.

Thank you for listening, and over to you for questions.