

# 2019 INTERIM RESULTS PRESENTATION

23 August 2019



HEALTHIER, LONGER,  
BETTER LIVES

# Disclaimer



This document (“document”) has been prepared by AIA Group Limited (the “Company”) and its advisers solely for use at the presentation held in connection with the announcement of the Company’s financial results (the “Presentation”). References to “document” in this disclaimer shall be construed to include any oral commentary, statements, questions, answers and responses at the Presentation.

No representation or warranty expressed or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. The information and opinions contained herein are subject to change without notice. The accuracy of the information and opinions contained in this document is not guaranteed. Neither the Company nor any of its affiliates or any of their directors, officers, employees, advisers or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any information contained or presented in this document or otherwise arising in connection with this document.

This document contains certain forward-looking statements relating to the Company that are based on the beliefs of the Company’s management as well as assumptions made by and information currently available to the Company’s management. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. When used in this document, the words “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought” and similar expressions, as they relate to the Company or the Company’s management, are intended to identify forward-looking statements. These forward-looking statements reflect the Company’s views as of the date hereof with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. Actual results and events may differ materially from information contained in the forward-looking statements. The Company assumes no obligation to update or otherwise revise these forward-looking statements for new information, events or circumstances that occur subsequent to such dates.

This document does not constitute or form part of, and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company or any holding company or any of its subsidiaries in any jurisdiction or an inducement to enter into investment activity. No part of this document, nor the fact of its distribution, shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. No shares of the Company may be sold in the United States or to U.S. persons without registration with the United States Securities and Exchange Commission except pursuant to an exemption from, or in a transaction not subject to, such registration. In Hong Kong, no shares of the Company may be offered to the public unless a prospectus in connection with the offering for sale or subscription of such shares has been authorised by The Stock Exchange of Hong Kong Limited for registration by the Registrar of Companies under the provisions of the Companies Ordinance, and has been so registered.

By accepting this document, you agree to maintain absolute confidentiality regarding the information contained herein. The information herein is given to you solely for your own use and information, and no part of this document may be copied or reproduced, or redistributed or passed on, directly or indirectly, to any other person (whether within or outside your organisation/firm) in any manner or published, in whole or in part, for any purpose. The distribution of this document may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

Throughout this document, in the context of our reportable market segments, Hong Kong refers to operations in Hong Kong Special Administrative Region and Macau Special Administrative Region; Singapore refers to operations in Singapore and Brunei; China refers to operations in Mainland China; and Other Markets refers to operations in Australia (including New Zealand), Cambodia, Indonesia, Korea, the Philippines, Sri Lanka, Taiwan, Vietnam and India.

# Agenda

## 01 KEY BUSINESS HIGHLIGHTS

Ng Keng Hooi, Group Chief Executive

## 02 FINANCIAL RESULTS

Garth Jones, Group Chief Financial Officer

## 03 STRATEGIC PRIORITIES

Ng Keng Hooi, Group Chief Executive

## 04 Q&A

Ng Keng Hooi, Group Chief Executive

Garth Jones, Group Chief Financial Officer

Bill Lisle, Regional Chief Executive

Jacky Chan, Regional Chief Executive

John Cai, Regional Chief Executive

Tan Hak Leh, Regional Chief Executive



CELEBRATING  
**100**  
YEARS



HEALTHIER, LONGER,  
BETTER LIVES

Value of New Business

**\$2,275m**

**+20%**

Operating Profit After Tax

**\$2,898m**

**+12%**

Underlying Free Surplus Generation

**\$2,804m**

**+15%**

Interim Dividend Per Share

**33.30 HK cents**

**+14%**

**Ng Keng Hooi**  
Group Chief Executive



# 1H2019 Excellent Delivery Across All Key Metrics



## Growth

Value of New Business

**\$2,275m**

**+20%**

## Earnings

Operating Profit After Tax

**\$2,898m**

**+12%**

## Capital & Dividends

Underlying Free Surplus Gen

**\$2,804m**

**+15%**

EV Equity<sup>(1)</sup>

**\$61.4b**

**+\$5.2b**

Operating ROE<sup>(2)</sup>

**14.6%**

**+70 bps**

Interim Dividend Per Share

**33.30 HK cents**

**+14%**

Notes:

(1) Change for balance sheet item is shown against the position as at 31 December 2018

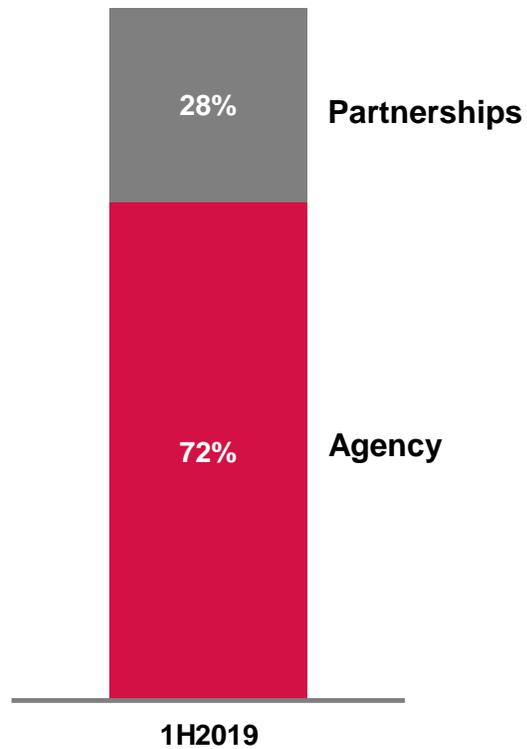
(2) On an annualised basis

# Uniquely Diversified Growth Platform



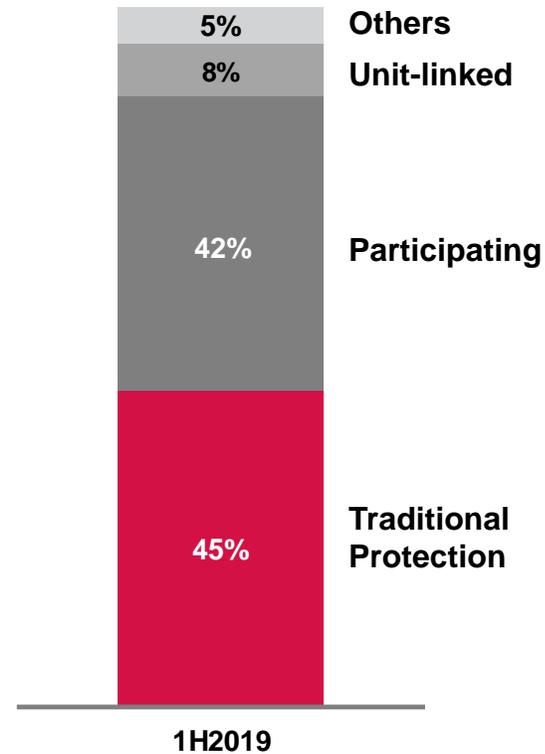
## Distribution Mix

% of VONB



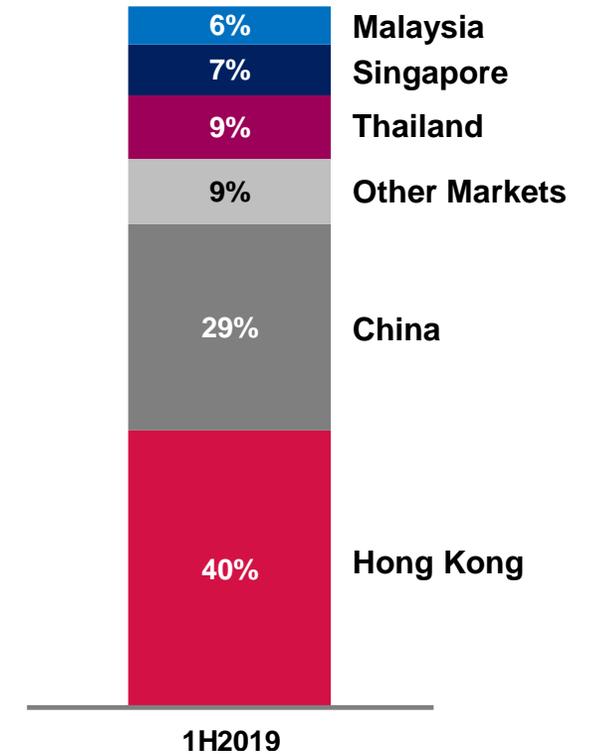
## Product Mix

% of VONB



## Geographical Mix

% of VONB



Notes:

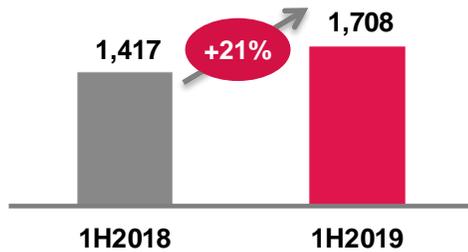
Distribution mix is based on local statutory reserving and capital requirements, before the deduction of unallocated Group Office expenses and excluding pension business  
 Product and geographical mix are based on local statutory reserving and capital requirements, before the deduction of unallocated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

# Distribution and Product Strength



## Unrivalled Distribution

Agency VONB (\$m)



**>12,000**  
Registered MDRT members  
+22% YOY

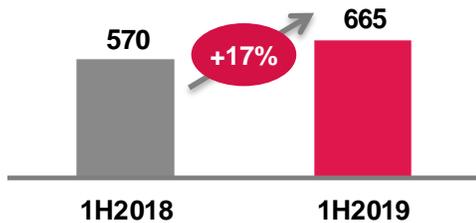
**2.0x**

Active Agents  
since IPO

**2.9x**

VONB per Active Agent  
since IPO

Partnership VONB (\$m)



Material contribution to banca VONB growth



Non-traditional strategic partners



## One-stop Digital Tools



Sales and  
Service



Recruitment  
and Training



友招募



Business  
Management

**~90%**  
New business  
digital submission

**62%**  
New business  
auto-underwritten

## Product Innovation



Life  
Protection



Critical  
Illness



Medical  
& Health



Long-term  
Savings



- Breast cancer CI supporting customers across the entire medical journey



- Tax incentivised health and deferred annuity policies



- Innovative wealth solutions for affluent/HNW segments
- CI covering mental illness with multiple claims



- Health rider with digital "Health Wallet" proposition

**AIA Vitality**

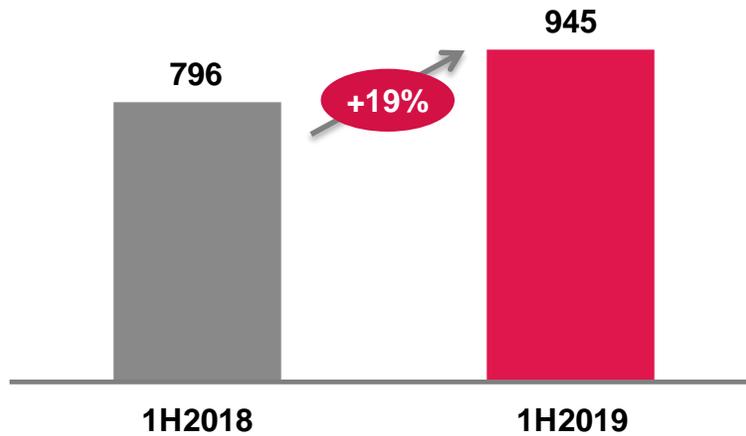
- Enhancement with sleep-tracking benefit
- 83 integrated protection products across Group

# Market Highlights



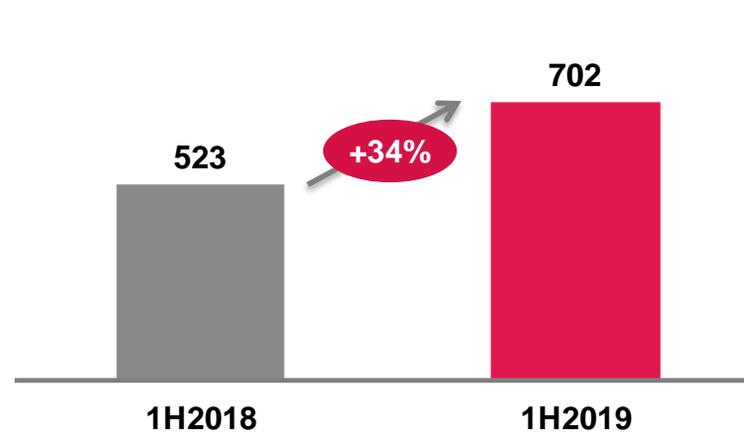
## Hong Kong

VONB (\$m)



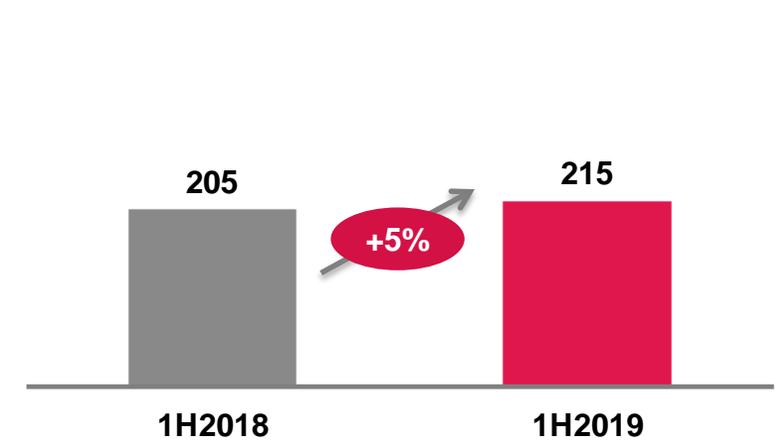
## China

VONB (\$m)



## Thailand

VONB (\$m)



- Very strong agency VONB growth
- Double-digit partnership VONB growth
- Double-digit VONB growth in domestic customer and MCV<sup>(1)</sup> segments
- **AIA Vitality** integrated product VONB up 40%

- Strong double-digit active agent growth driven by quality recruitment
- Upgraded flagship All-in-One product
- New CI product with WeDoctor
- Medical network and claims manager for high net worth customers

- FA<sup>(2)</sup> represented 15% of total agents; contributed 30% of agency VONB
- Strong VONB growth in FA<sup>(2)</sup> offset by termination of less productive agents
- Activated insurance specialists in over 800 Bangkok Bank branches

Notes: Comparatives are shown on a constant exchange rate basis

(1) MCV refers to Mainland Chinese visitors

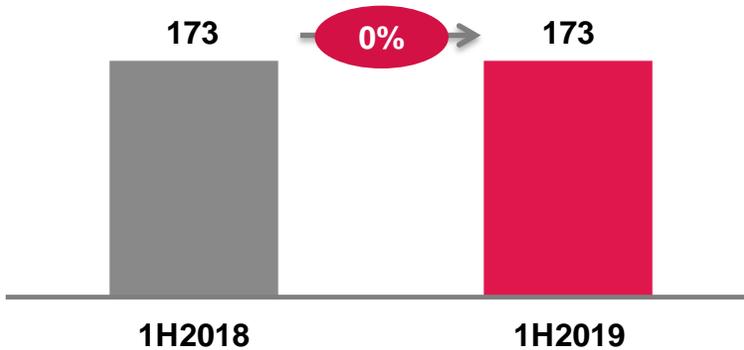
(2) FA refers to financial advisers

# Market Highlights (cont.)



## Singapore

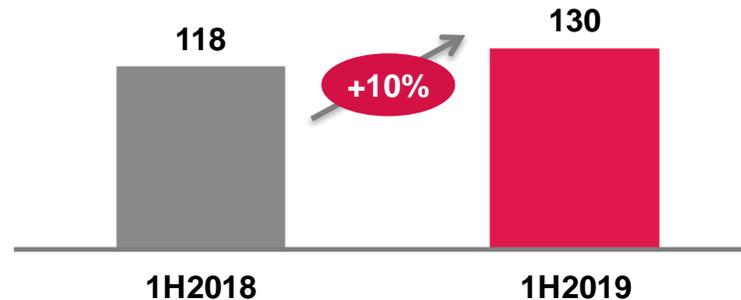
VONB (\$m)



- Lower sales volumes of single premium business
- Solid VONB growth from Citibank
- First-in-market CI plan that covers mental illness and multiple claims
- Introduced early detection screening benefit to HealthShield products

## Malaysia

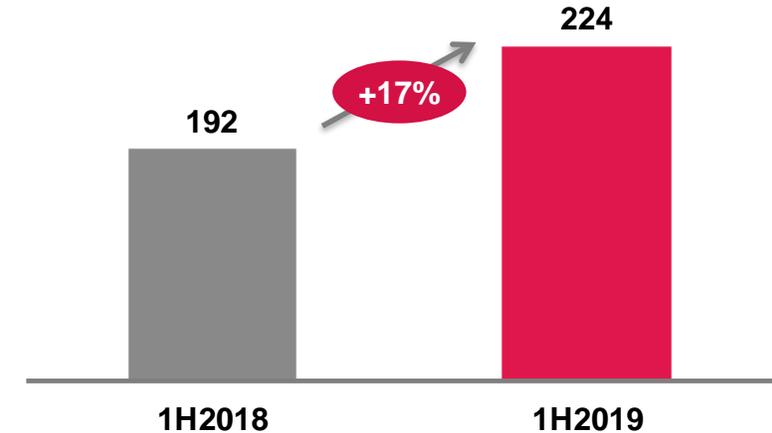
VONB (\$m)



- Double-digit agency VONB growth
- Half of new agents from new quality recruitment platform
- Solid banca VONB growth
- A-Plus health rider extended to Takaful and banca customers

## Other Markets

VONB (\$m)



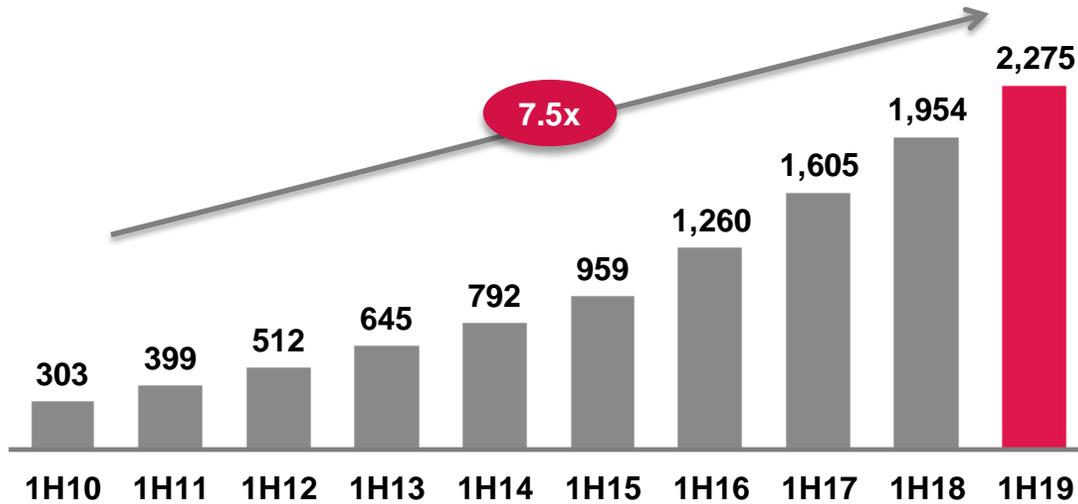
- Excellent VONB growth in Vietnam
- Double-digit VONB growth in the Philippines and Australia
- Sovereign integration progressing well
- Overall VONB declined in Indonesia
- 100%-owned subsidiary in Myanmar<sup>(1)</sup>

Notes:  
 Comparatives are shown on a constant exchange rate basis  
 (1) In April 2019, AIA was granted approval as a preferred applicant to operate in Myanmar through a 100% wholly-owned subsidiary

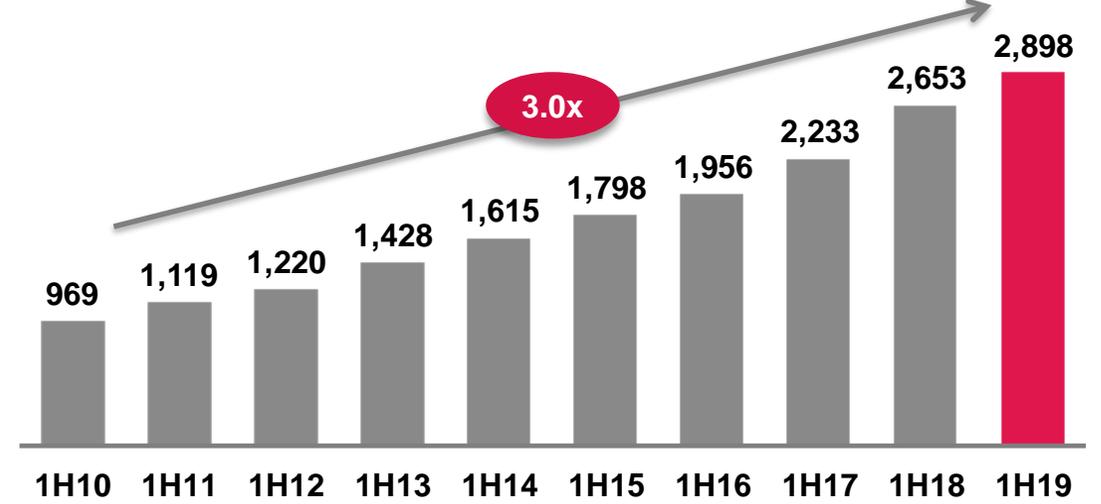
# Consistent Execution Driving Growth, Earnings and Cash



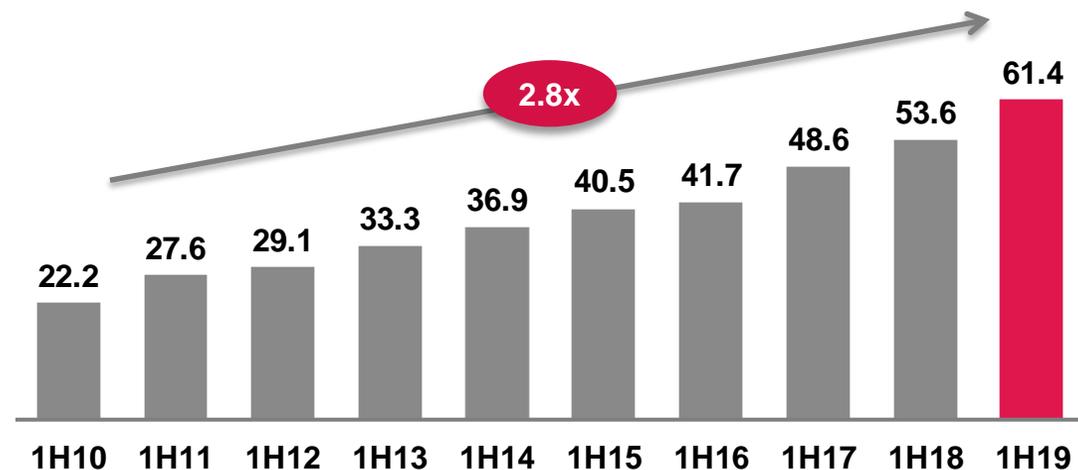
VONB (\$m)



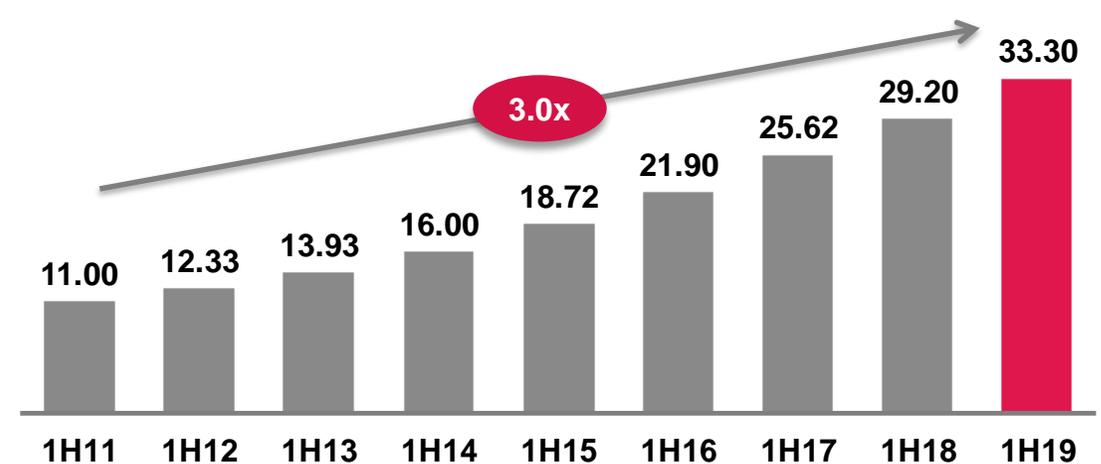
OPAT (\$m)



EV Equity (\$b)



Interim Dividend Per Share (HK cents)



CELEBRATING  
**100**  
YEARS



HEALTHIER, LONGER,  
BETTER LIVES



**Garth Jones**

Group Chief Financial Officer

# Excellent Financial Results



		(\$m)	1H2019	1H2018	CER	AER	
<b>Growth</b>	VONB		2,275	1,954	20%	16%	↑
	EV Operating Profit		4,523	4,152	11%	9%	↑
	Operating ROEV <sup>(1)</sup>		17.3%	17.0%	0.3 pps	0.3 pps	↑
	EV Equity <sup>(2)</sup>		61,418	56,203	8%	9%	↑
<b>IFRS Earnings</b>	Operating Profit After Tax		2,898	2,653	12%	9%	↑
	Operating ROE <sup>(1)</sup>		14.6%	14.2%	0.7 pps	0.4 pps	↑
	Shareholders' Allocated Equity <sup>(2)</sup>		40,271	36,795	8%	9%	↑
<b>Capital &amp; Dividends</b>	Underlying Free Surplus Generation		2,804	2,497	15%	12%	↑
	AIA Co. HKIO Solvency Ratio <sup>(2)</sup>		415%	421%	n/a	(6) pps	↓
	Interim Dividend Per Share (HK cents)		33.30	29.20	n/a	14%	↑

Notes:

(1) On an annualised basis

(2) Comparatives for balance sheet items are shown against the position as at 31 December 2018

**Growth**

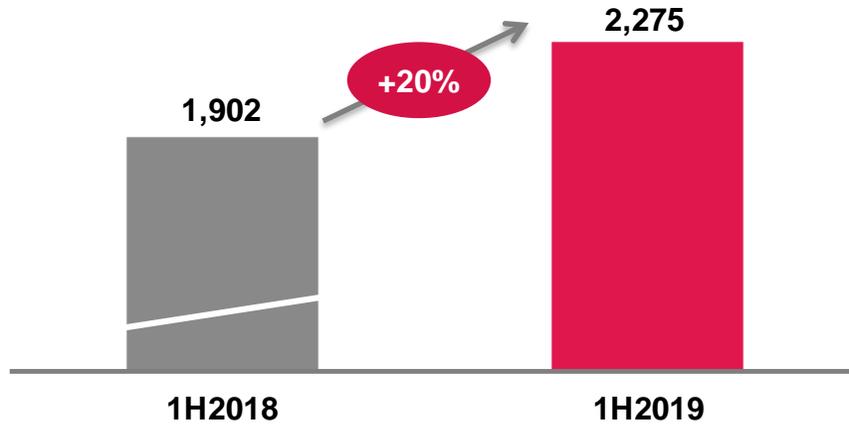
**Earnings**

**Capital and Dividends**

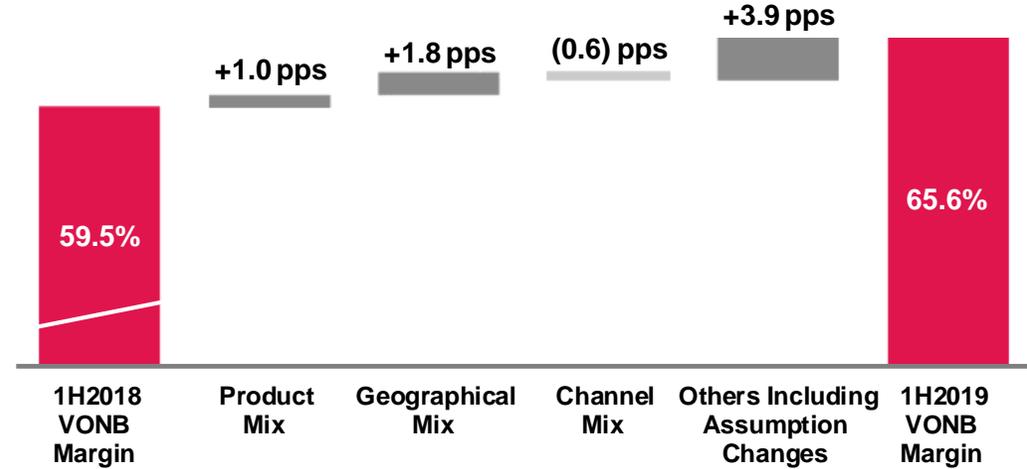
# Strong and Broad-based Profitability



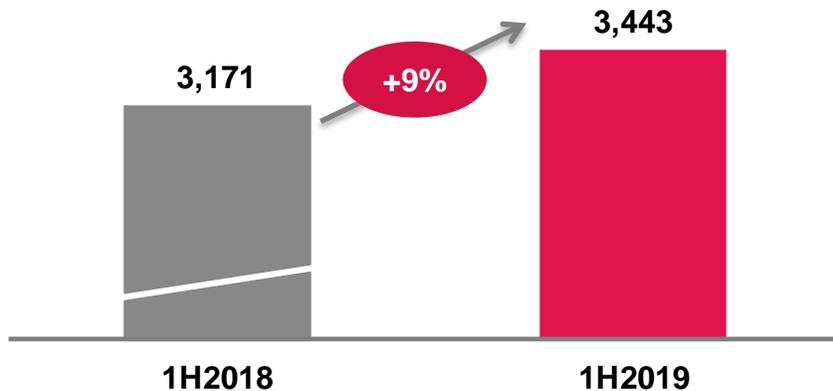
### VONB (\$m)



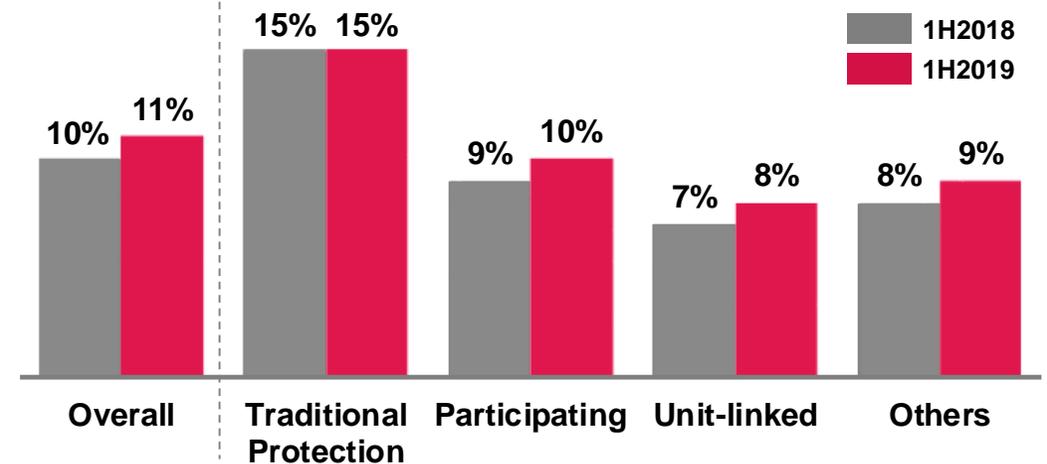
### VONB Margin Movement



### ANP (\$m)



### PVNB Margin by Product

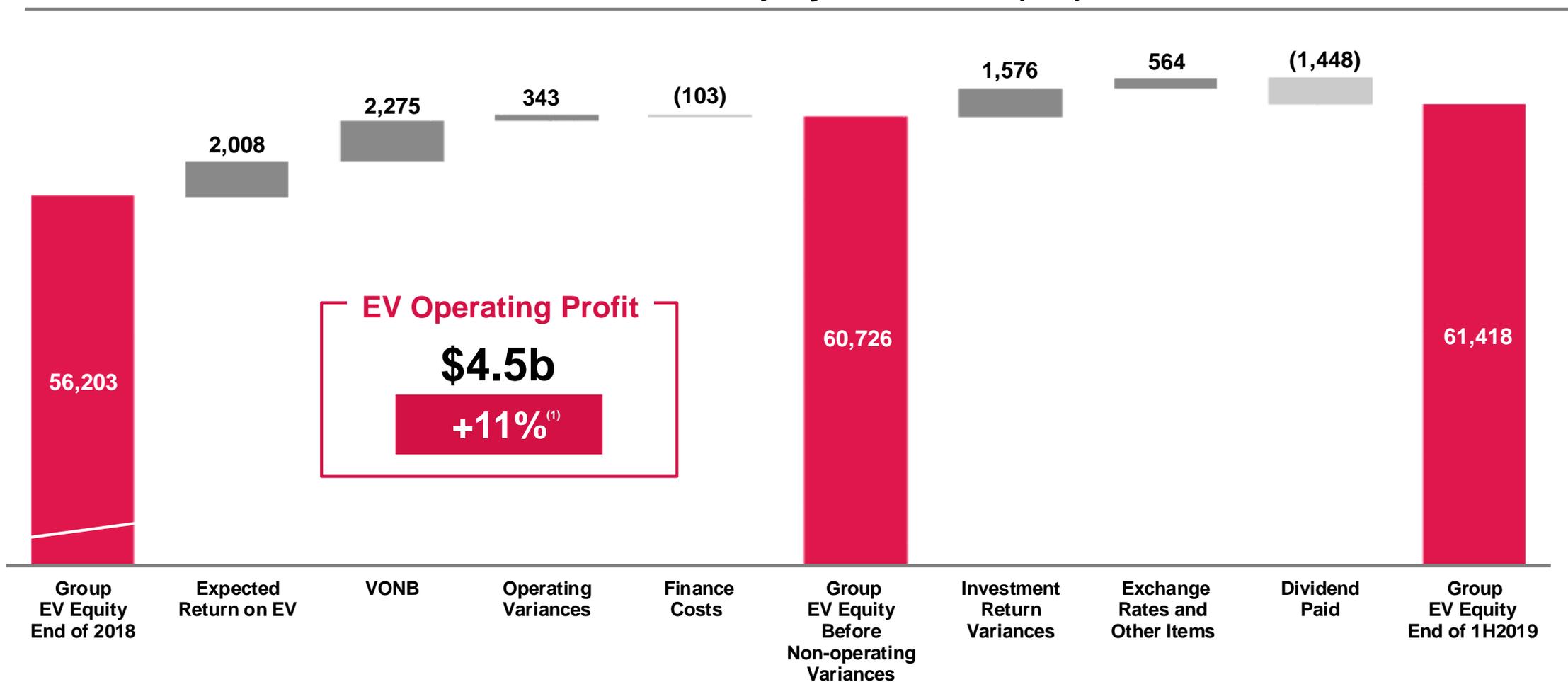


Note: VONB and ANP comparatives are shown on a constant exchange rate basis

# EV Operating Profit up 11% – EV Equity of \$61.4b



## 1H2019 EV Equity Movement (\$m)



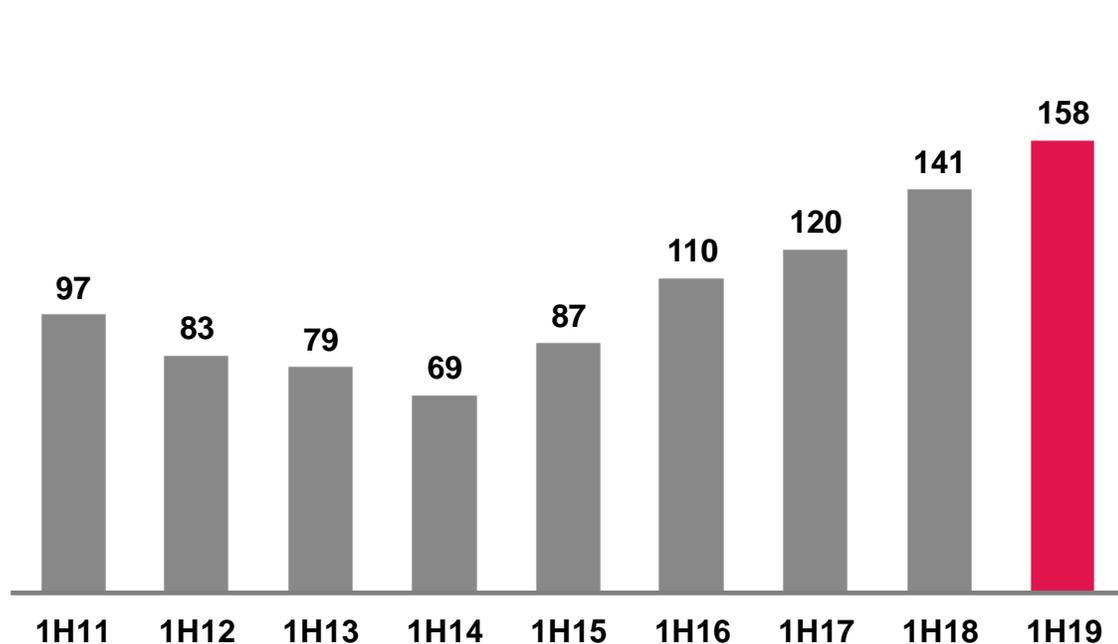
Note:

(1) On a constant exchange rate basis

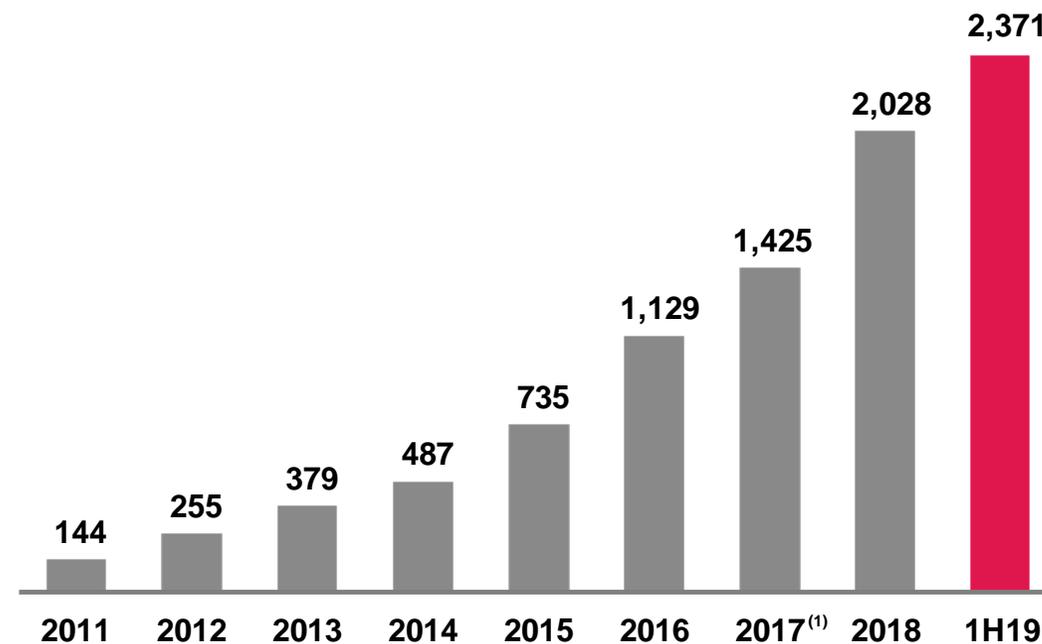
# Value Creation from Quality Operating Performances



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



## Cumulative EV Operating Variances (\$m)



Note:

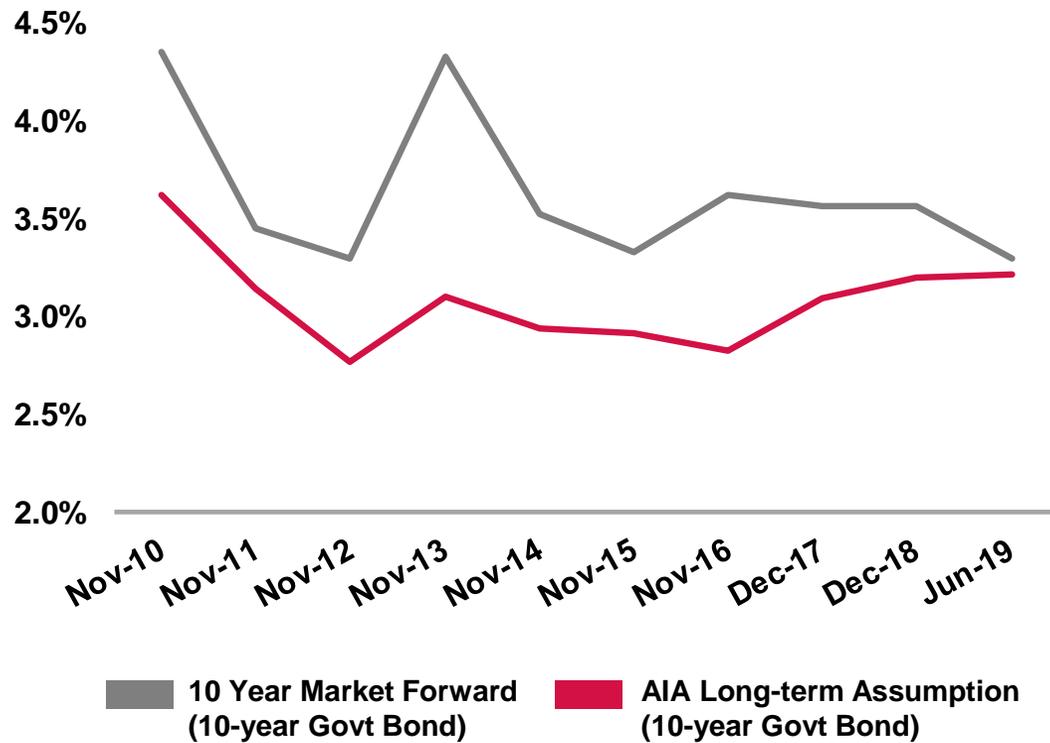
(1) 2017 figure covers a 13-month period from 1 December 2016 to 31 December 2017

# Interest Rates and EV Sensitivity



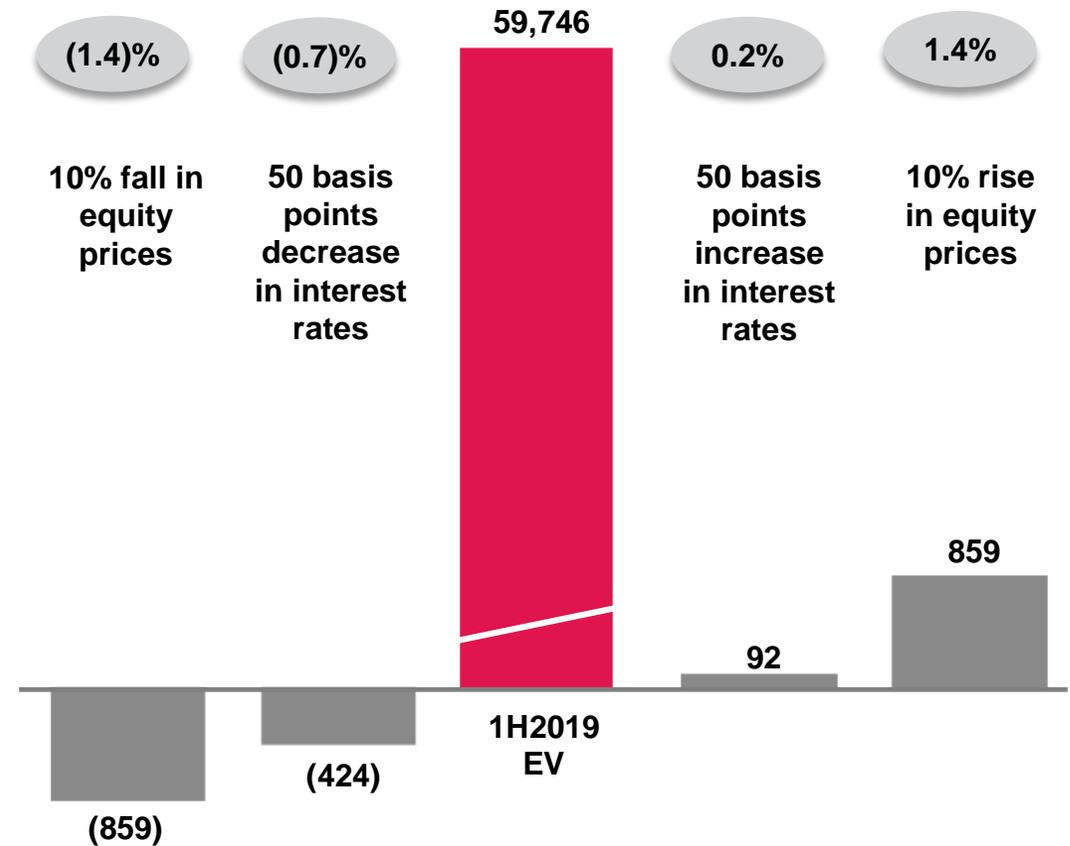
## AIA Long-term Assumptions vs Market Rates

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



## Sensitivity of EV

As at 30 Jun 2019



Note:

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

**Growth**

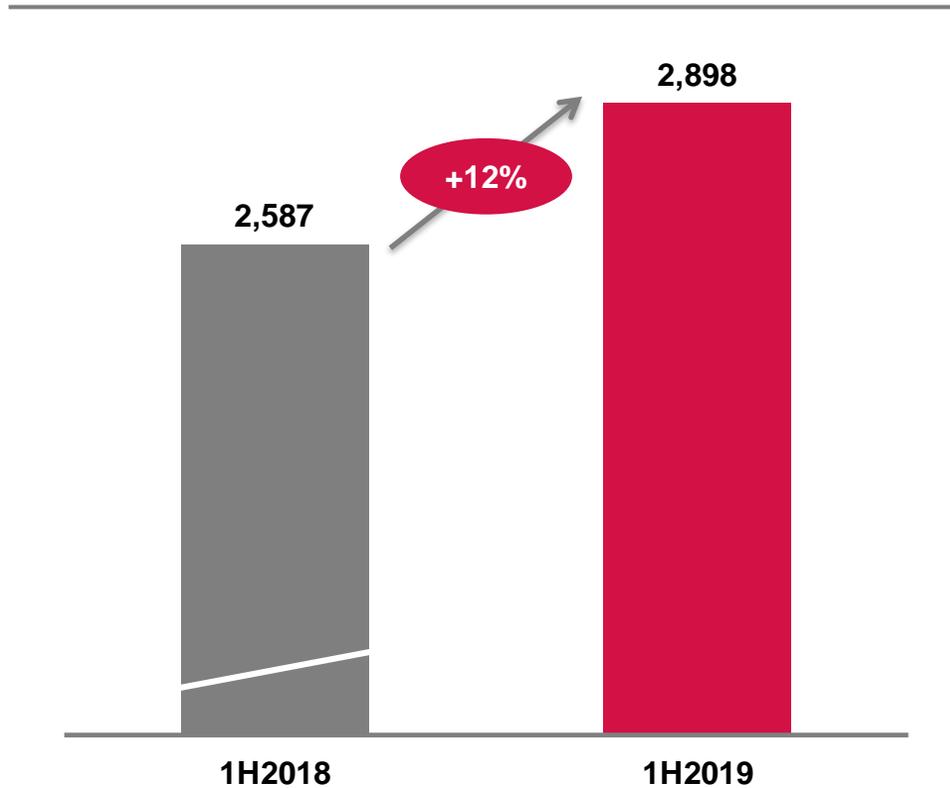
**Earnings**

**Capital and Dividends**

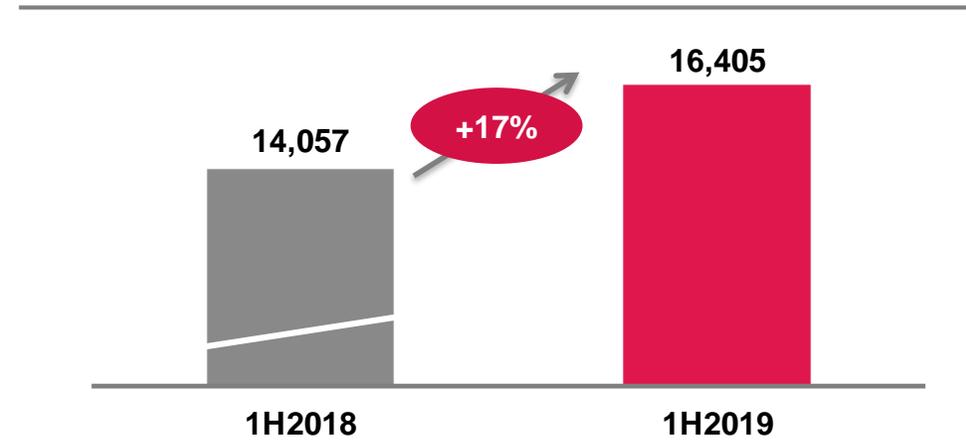
# Operating Profit After Tax up 12%



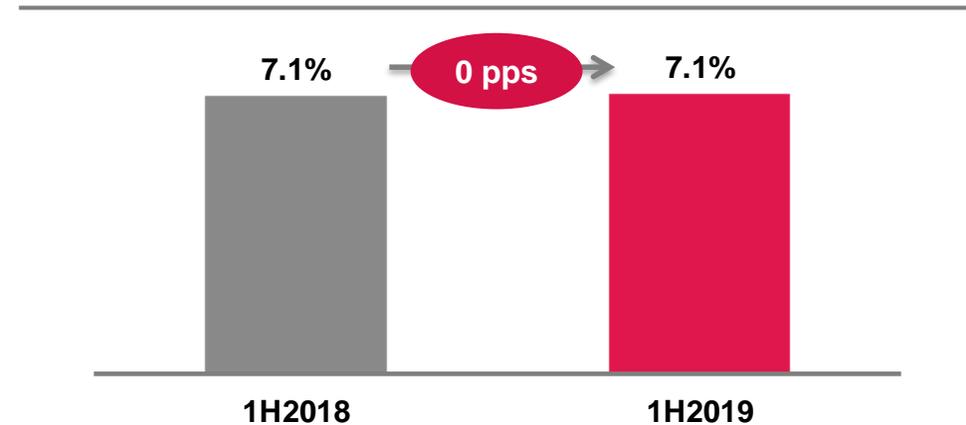
### OPAT (\$m)



### TWPI (\$m)



### Expense Ratio



Note:  
Comparatives are shown on a constant exchange rate basis

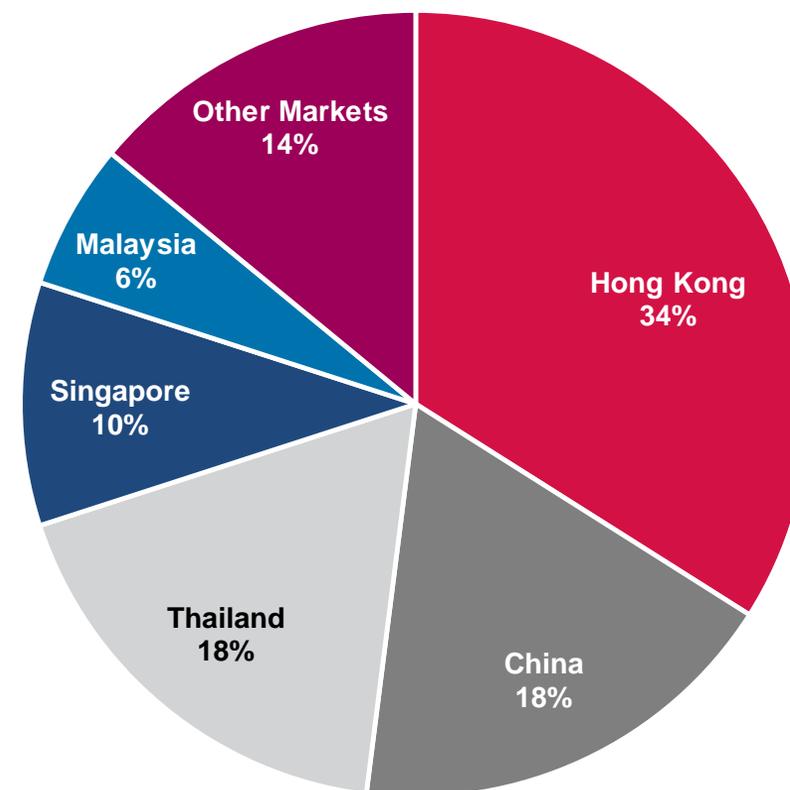
# Diversified OPAT Growth Across the Region



## 1H2019 OPAT



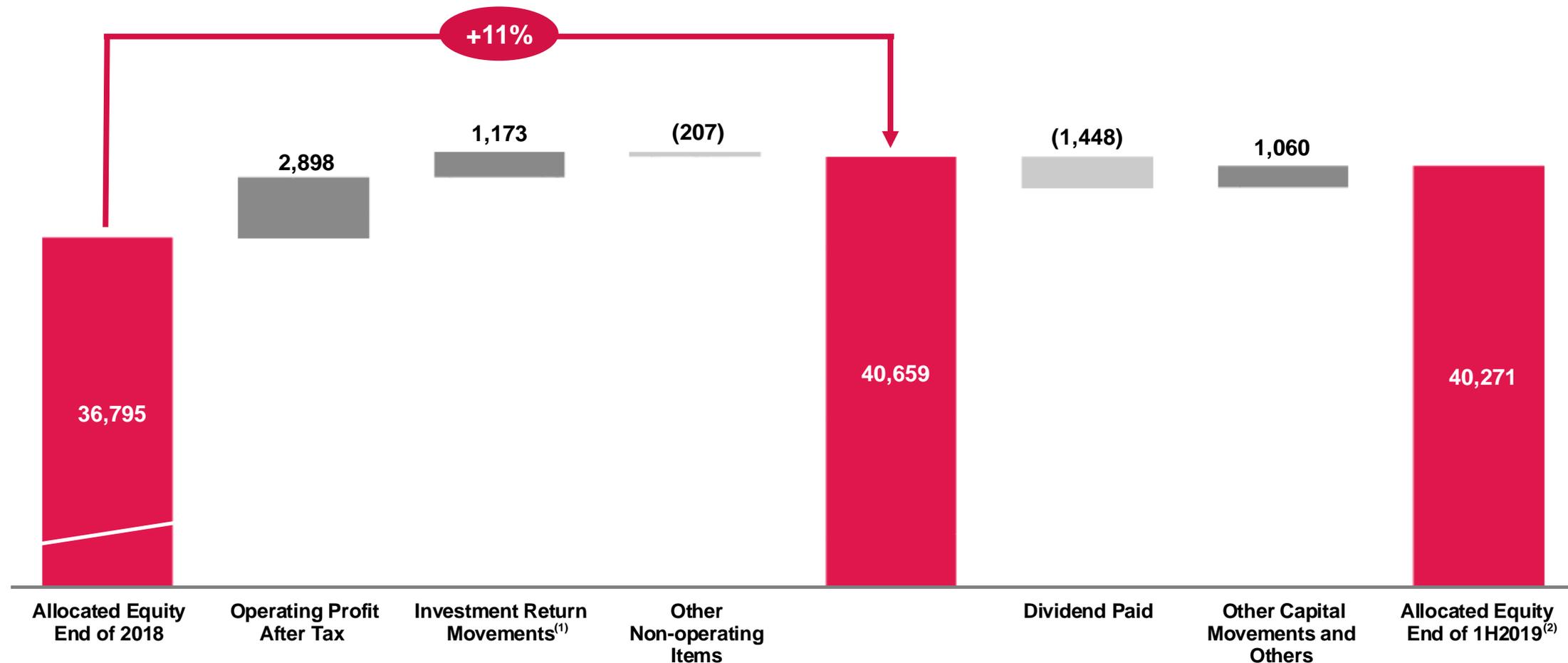
## 1H2019 OPAT by Market Segment



# IFRS Shareholders' Allocated Equity of \$40.3b



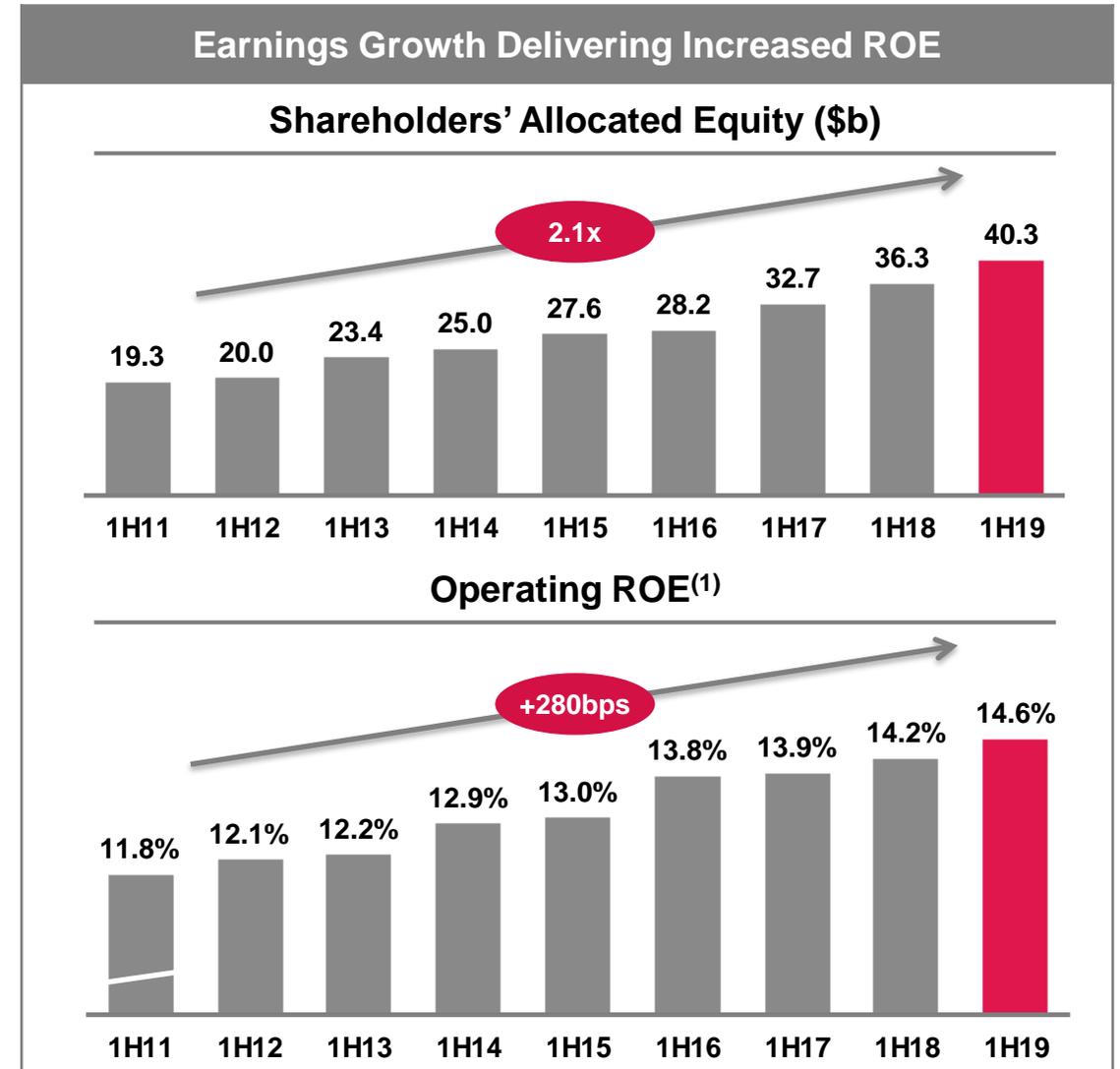
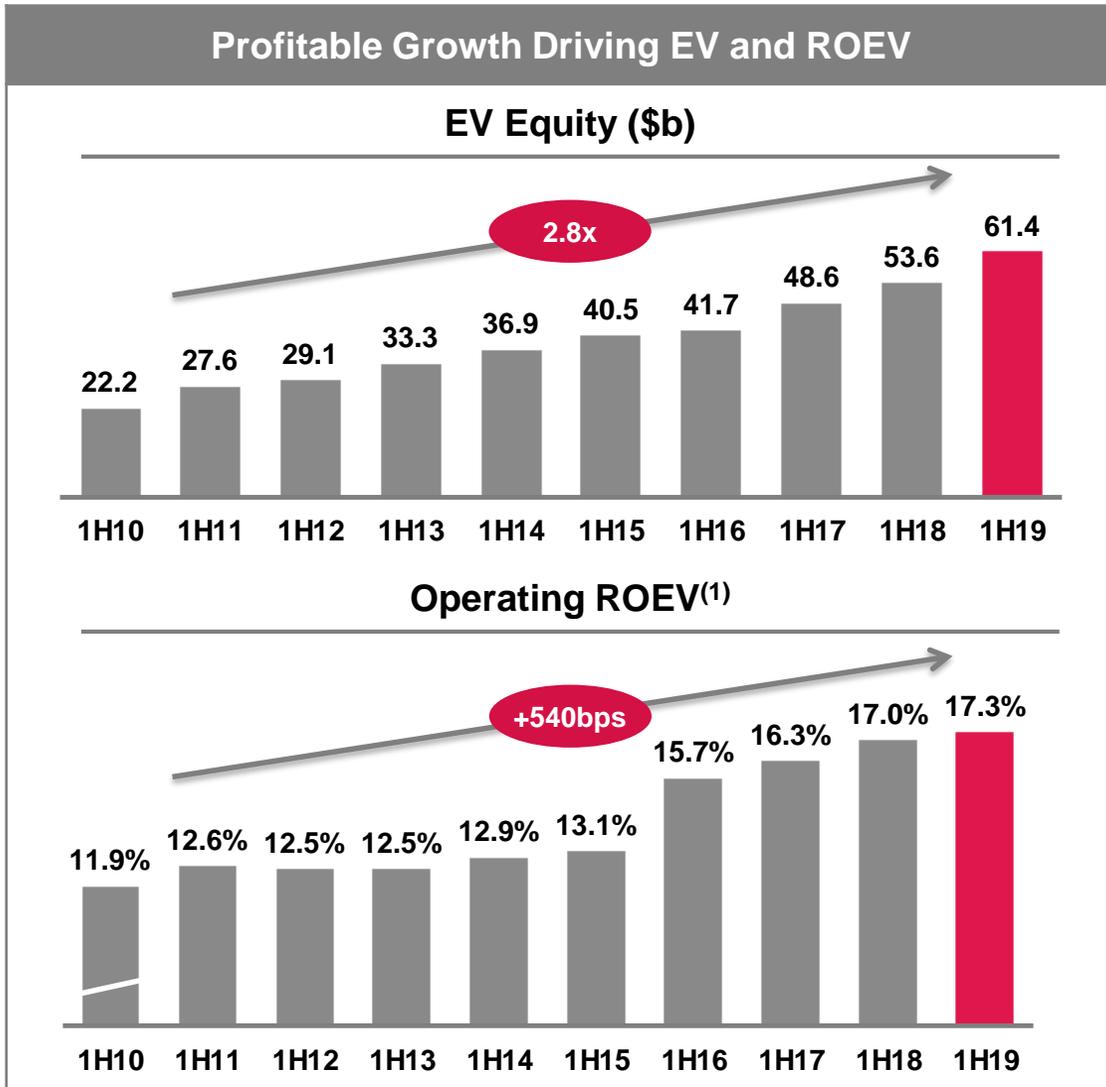
## IFRS Shareholders' Allocated Equity Movement (\$m)



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 \$9.6b as at 30 June 2019

# Strong ROEV and ROE Progression



Note:  
(1) On an annualised basis

**Growth**

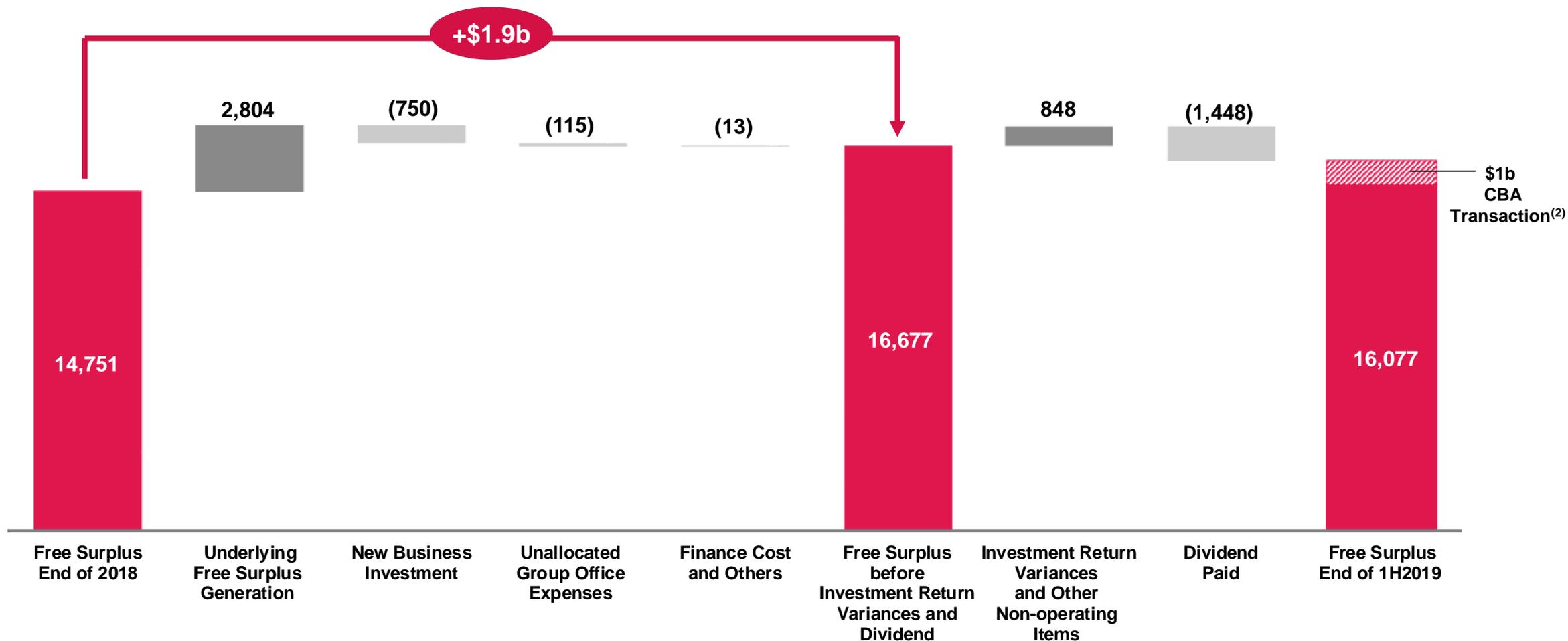
**Earnings**

**Capital and Dividends**

# Self-financed Growth at Attractive Returns



## Free Surplus<sup>(1)</sup> of \$16.1b (\$m)

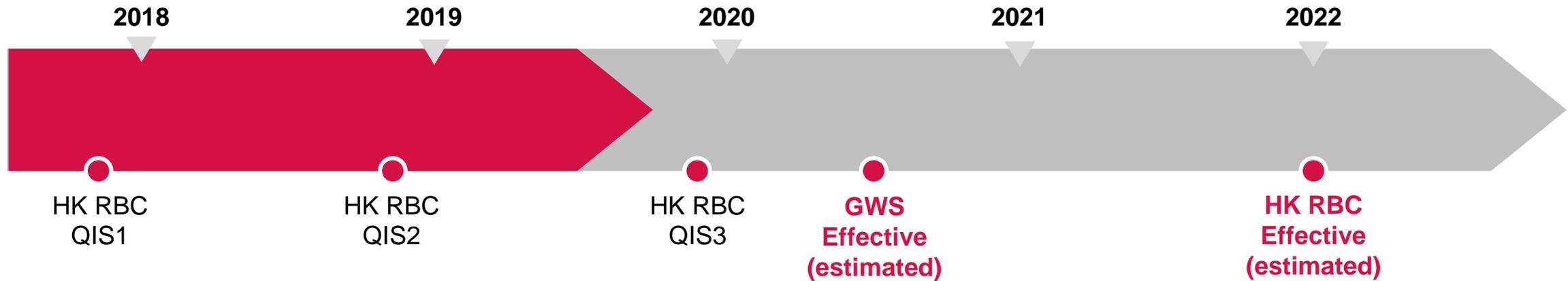


Notes:

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

(2) The acquisition of CommInsure Life in Australia is pending the completion of all necessary regulatory and governmental approvals. AIA and CBA have been exploring alternative arrangements that aim to replicate the expected strategic outcomes of the originally planned acquisition. The Group expects to provide further details of these alternative arrangements in the second half of 2019.

# Changing Capital Framework



## Group-wide Supervision (GWS)

- HKIA as Group-wide Supervisor with minimum and prescribed capital requirement for entire Group
- “Three Pillar” formal framework
- Pillar 1 public disclosure using summation basis<sup>(1)</sup>
- Expected effective mid-2020
- First pro-forma report position as at 30 Jun 2020

## Hong Kong Risk-Based Capital (HK RBC)

- HKIA will replace current HKIO basis with HK RBC
- Required capital calibrated to 99.5% confidence level
- Full C-ROSS equivalence scheduled for March 2022
- Expected effective from 2022 (same as IFRS 17)
- First pro-forma report position as at 31 Dec 2021

*“We strive to provide an efficient, modernised regulatory regime to promote the global competitiveness and sustainability of the Hong Kong insurance industry...” Dr. Moses Cheng, Chairman of HKIA*

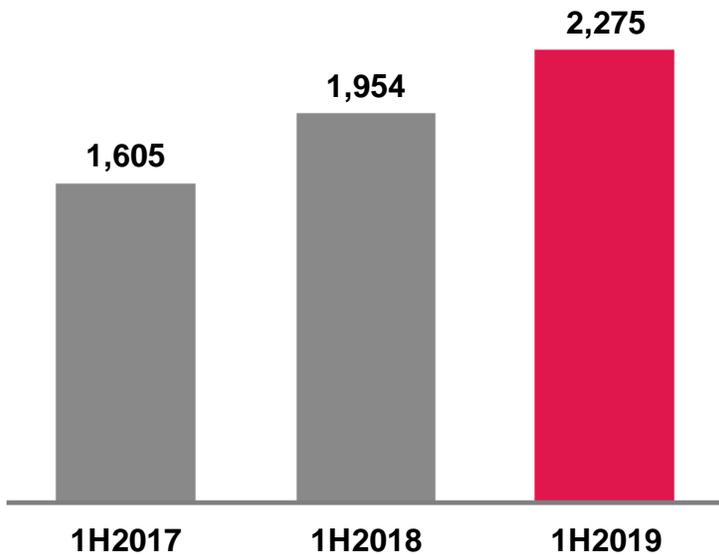
Note:  
(1) The Hong Kong Insurance Authority (HKIA) has yet to make any final decisions regarding the GWS framework and it continues to consider and consult on the proposed legislation and related guidelines

# Disciplined Financial Management



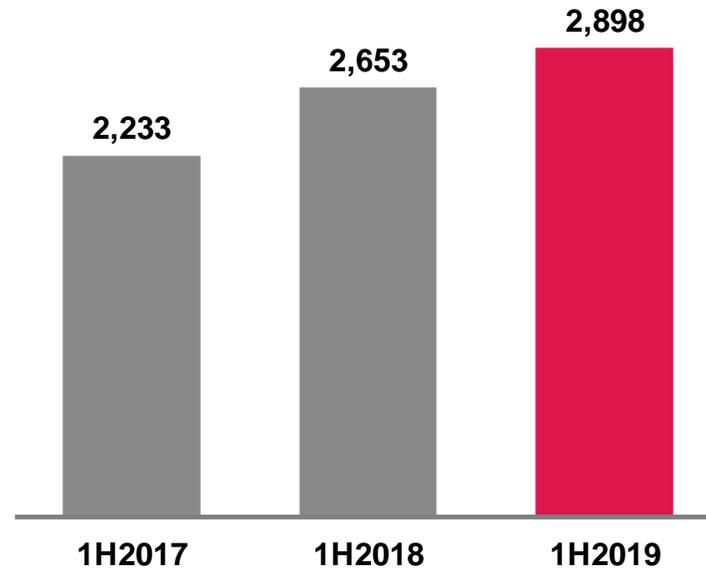
## Growth

VONB (\$m)



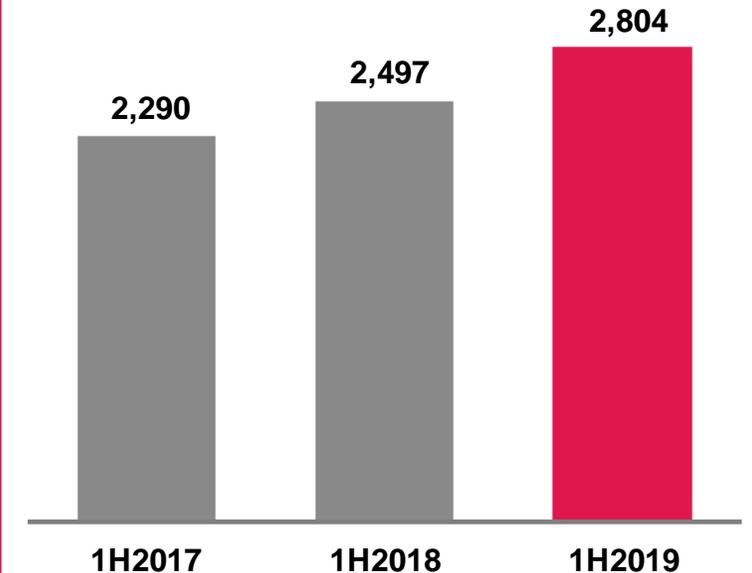
## Earnings

OPAT (\$m)



## Capital & Dividends

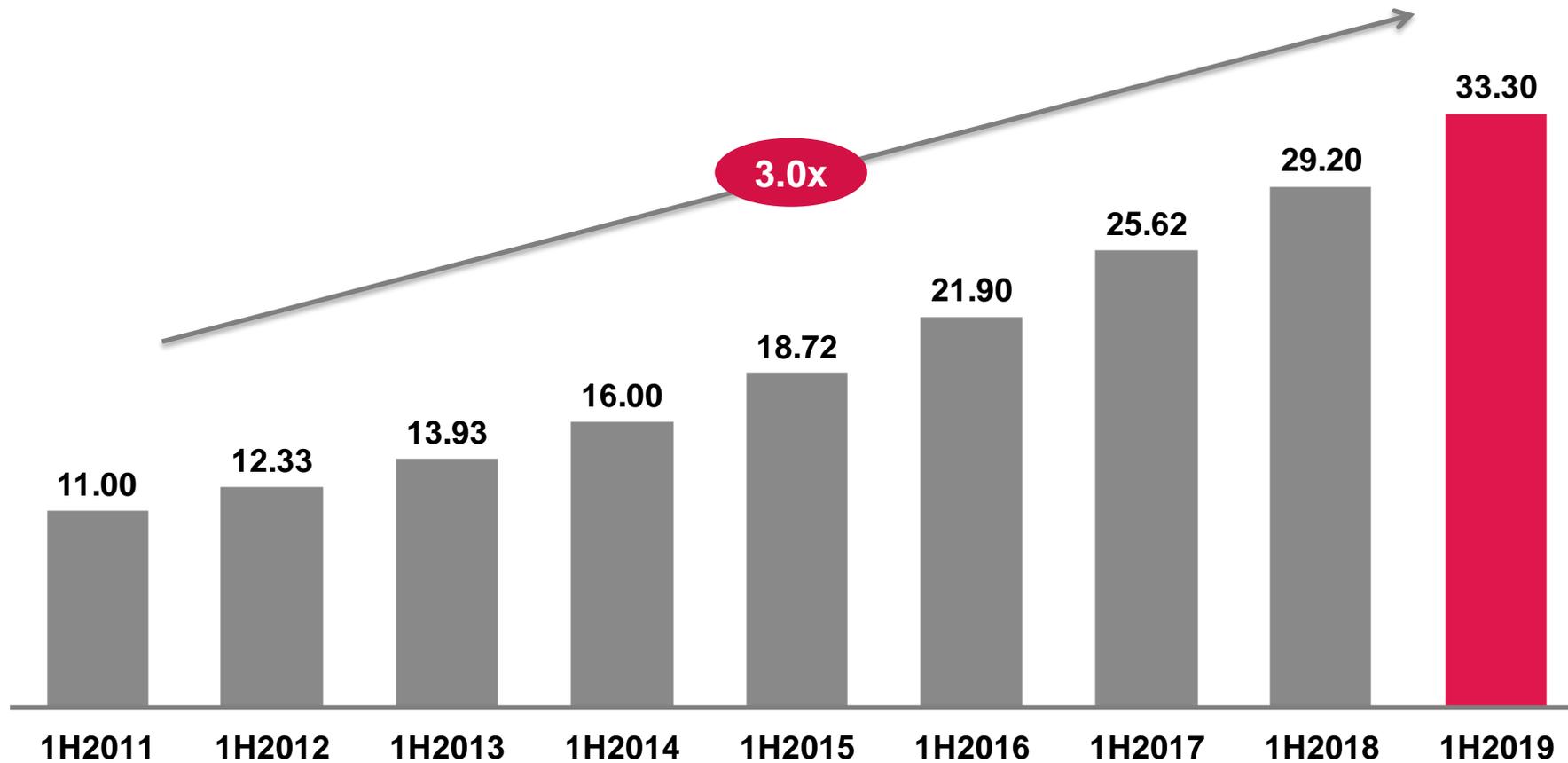
Underlying Free Surplus Generation (\$m)



# Interim Dividend Increase of 14%



Interim Dividend Per Share (HK cents)



# Financial Discipline and Consistent Execution



## Growth

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

## Earnings

- Strong growth in IFRS operating profit
  - Balanced sources of earnings
  - Increased ROE over time
- 

## Capital & Dividends

- Strong solvency position
- Self-financed new business growth
- Prudent, sustainable and progressive dividend

CELEBRATING  
**100**  
YEARS



HEALTHIER, LONGER,  
BETTER LIVES

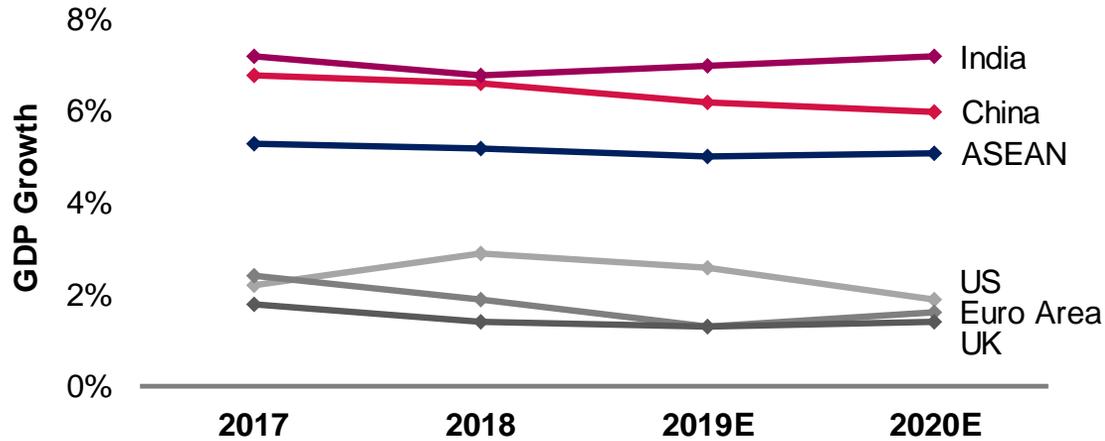
**Ng Keng Hooi**  
Group Chief Executive



# Asia's Middle Class Growth Opportunity

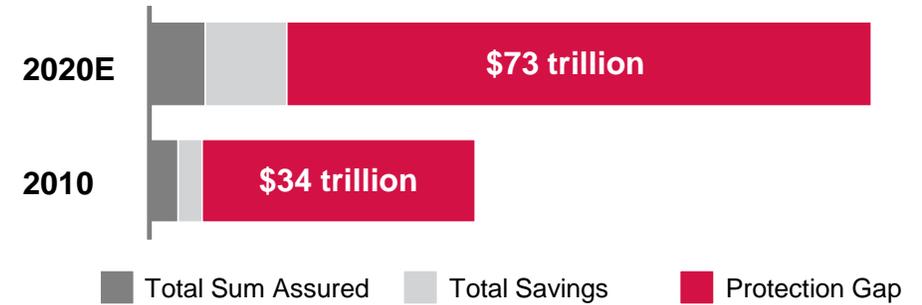


## Superior Economic Growth



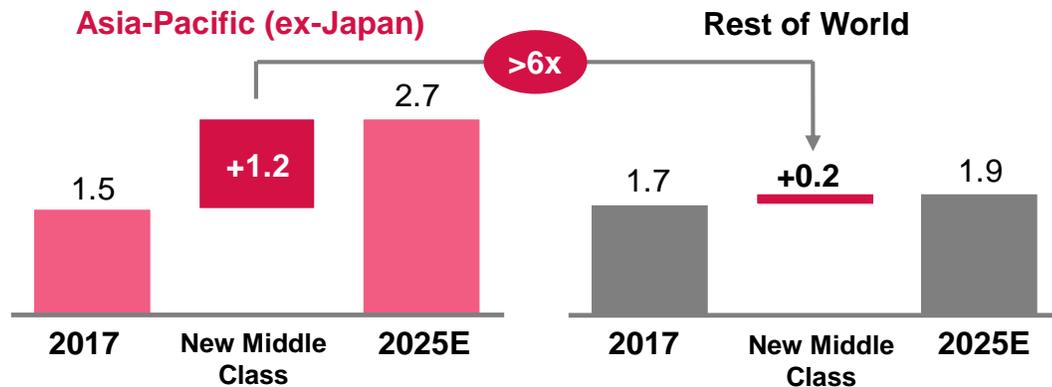
## Asia is Under-Protected

Asia-Pacific (ex-Japan) Mortality Protection Gap



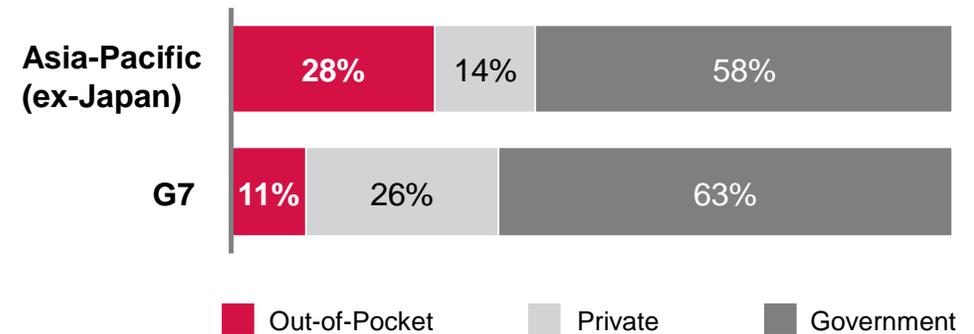
## Rapid Expansion of Middle Class

Middle Class Population (billions)



## Uncovered Healthcare Costs

Breakdown of Total Healthcare Expenditure (2017)



# Emerging Opportunities for our Next Century



## China Expansion Acceleration in China's Opening

**\$13.4t** GDP (2018)

- AIA China already 100% owned
- Preparation for additional geographical access from 2020
- Sales and service centres in Tianjin and Shijiazhuang, Hebei opened in July 2019

### Highly Differentiated Premier Agency Strategy

**~43,000**

Premier Agents

**5 times**

VONB per Agent<sup>(1)</sup>  
(AIA China vs Industry)

**39%**

VONB CAGR  
since IPO

## Emerging ASEAN Indonesia, Philippines, Vietnam

**\$1.6t** GDP (2018)

### Structural Demand Drivers

**>460m**

Population

**10%**

GDP CAGR (2000-2018)

**>60%**

Working-age Proportion

**<2%**

Insurance Penetration

### Distribution Strength

1H2019 VONB

50%

Agency

Partnerships

50%

**~30,000**

Agents

**4 times**

VONB per Agent  
since IPO



JV in Philippines



in Indonesia



in Vietnam

## India Potential Strategic Multi-distribution Model

**\$2.7t** GDP (2018)



**1.3b population (2<sup>nd</sup> largest globally)**  
Expected to reach 1.5b by 2025



**Largest youth population in the world**  
>50% population under 25 years old



**Rapid urbanisation** with 700m people  
expected to move to urban cities by 2040

Premier Agency  
Acceleration

Strengthening  
Partnerships

Customer  
Segmentation

Digitalisation

Leading  
Player  
in Pure  
Retail  
Protection

# Healthier, Longer, Better Lives



- Purpose-led brand promise **improving customer health and well-being**
- AIA-Spurs partnership extended to **2027**
- **David Beckham** events and media campaigns in AIA markets



# Customer-centric Journey: from “Payer” to “Partner”



## Differentiated Health & Well-being Strategic Framework



**AIA Vitality**



健康友行

**12** Markets

**>1.5m**

Total wellness membership  
+60% YOY

**15m** times members achieved weekly target

**>10,000** new fitness devices registered each week

**5.4m** health assessments taken

**>2.7m** BMI readings captured

**medix**

Regional exclusive strategic partnership providing personal medical case management



Service Initiation



Review & Recommendation



Ongoing Support

**93%**

Customer satisfaction

**23%**

Cases reviewed led to diagnosis change

**76%**

Cases avoided extra consultations

**58%**

Cases optimised treatment plan

**22%**

Cases spared patients unnecessary treatments

THE HEALTHIEST  
WORKPLACE

**AIA Vitality**

**Value-based Digital  
Managed Platform**

- Annual survey building thought leadership and awareness

- Conduct biometric testing
- Provide follow-up digital consultations



- Value-adding service in diagnosis and treatment journeys
- Telemedicine for medical consultations

**Cancer Genomics  
Partnerships**

- Support customer post-diagnosis access to tailored cancer care and treatment

**RESTORE™**

- Dedicated rehab programmes for mental health and cancer patients

# AIA Group – Delivering Sustainable Shareholder Value



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



CELEBRATING

**100**  
YEARS



HEALTHIER, LONGER,  
BETTER LIVES IIII

**Q&A Session**



HEALTHIER, LONGER,  
BETTER LIVES

# Definitions and Notes



- In the context of our reportable market segments, Hong Kong refers to operations in Hong Kong Special Administrative Region and Macau Special Administrative Region; Singapore refers to operations in Singapore and Brunei; China refers to operations in Mainland China; 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.
- The financial information in this presentation covers a six-month period from 1 January 2019 to 30 June 2019 for the current period and a six-month period from 1 January 2018 to 30 June 2018 for the prior period, unless otherwise stated. Balance sheet items are presented as at 30 June 2019 for the current period and 31 December 2018 for the prior period. The financial information from 2010 to 2016 is presented on the 30 November financial year-end basis.
- **Change on constant exchange rates (CER) is calculated for all figures for the current period and for the prior period, using constant average exchange rates, other than for balance sheet items as at the end of the current period and as at the end of the prior year, which is translated using the constant exchange rates.**
- 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, Mainland China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau, Brunei and Cambodia, a 97 per cent subsidiary in Sri Lanka and a 49 per cent joint venture in India. In April 2019, AIA was granted approval as a preferred applicant to operate in Myanmar through a 100 per cent wholly-owned subsidiary.
- Annualised new premiums (ANP) excludes pension business.
- EV Equity is the total of embedded value, goodwill and other intangible assets attributable to shareholders of the Company.
- Expense ratio is calculated as operating expenses divided by TWPI.
- 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.
- Financial investment disclosure is enhanced to align with internal credit risk assessment. As a result of the enhancement, the presentation of government bonds has been refined.
- Free surplus is the excess of the market value of AIA's assets over the sum of the statutory liabilities and required capital.
- Operating profit after tax (OPAT), net profit, IFRS shareholders' allocated equity and IFRS shareholders' equity are shown post non-controlling interests.
- 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 refers to 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 margin is calculated as VONB divided by 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.
- Sovereign refers to AIA Sovereign Limited (formerly ASB Group (Life) Limited) and its subsidiaries, including Sovereign Assurance Company Limited (subsequently renamed as AIA New Zealand Limited on 2 August 2019), a licensed insurer in New Zealand.

# APPENDIX



HEALTHIER, LONGER,  
BETTER LIVES

# Regional Chief Executive Organisation



**Ng Keng Hooi**  
Group Chief Executive  
and President

## Regional Chief Executives



**Bill Lisle**

- **Thailand**
- Australia and New Zealand
- India
- Korea
- Sri Lanka



**Jacky Chan**

- **Hong Kong and Macau**
- Indonesia
- Philippines



**John Cai**

- **China**
- Taiwan
- Vietnam



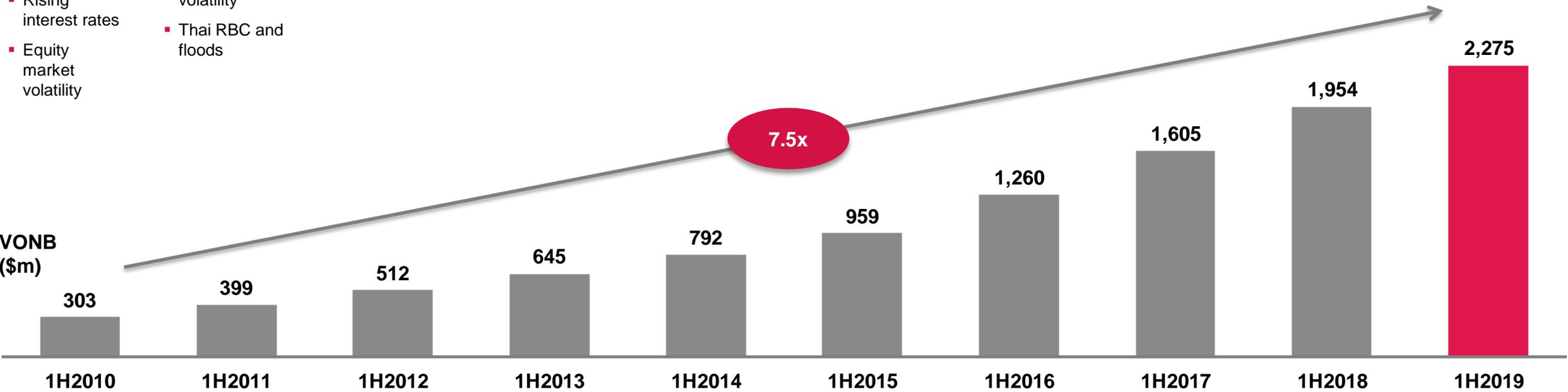
**Tan Hak Leh**

- **Singapore and Brunei**
- **Malaysia**
- Cambodia
- Myanmar

# Delivering Through Market Cycles



2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<ul style="list-style-type: none"> <li>Anaemic GFC recovery</li> <li>Deepening Eurozone sovereign debt crisis</li> <li>China becomes 2<sup>nd</sup> largest economy</li> <li>Rising interest rates</li> <li>Equity market volatility</li> </ul>	<ul style="list-style-type: none"> <li>US sovereign downgrade</li> <li>Continued Eurozone sovereign debt crisis</li> <li>China slowdown fears</li> <li>Interest rate &amp; equity market volatility</li> <li>Thai RBC and floods</li> </ul>	<ul style="list-style-type: none"> <li>Expansionary policy; US QE3</li> <li>European double-dip recession</li> <li>Strong equity markets</li> <li>Falling interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening US recovery</li> <li>Taper tantrum affecting Asian currency</li> <li>China slowdown fears</li> <li>Rising interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Lower for longer interest rates</li> <li>Oil price depreciation</li> <li>Asian currency headwinds</li> <li>Thai Government changes</li> </ul>	<ul style="list-style-type: none"> <li>US interest rate increase</li> <li>Oil price collapse</li> <li>China slowdown fears</li> <li>Asian currency depreciation</li> </ul>	<ul style="list-style-type: none"> <li>China slowdown fears</li> <li>Brexit</li> <li>Lower for longer interest rates</li> <li>US election</li> </ul>	<ul style="list-style-type: none"> <li>Positive China sentiment</li> <li>US dollar depreciation</li> <li>US rising interest rate</li> </ul>	<ul style="list-style-type: none"> <li>Trade tensions</li> <li>China slowdown fears and RMB depreciation</li> <li>Rising interest rate expectations</li> </ul>	<ul style="list-style-type: none"> <li>Trade tensions</li> <li>Hong Kong protests</li> <li>Synchronised global economic slowdown fears</li> <li>Currency volatility</li> <li>Lower interest rates</li> </ul>



# 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

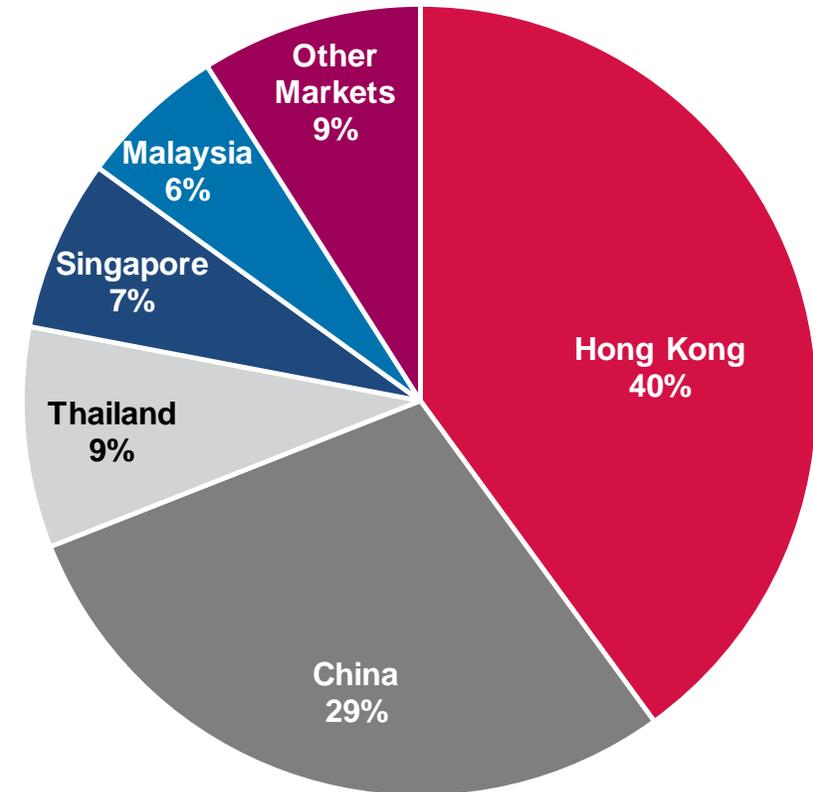
# Strong and Resilient Growth Portfolio



## 1H2019 VONB



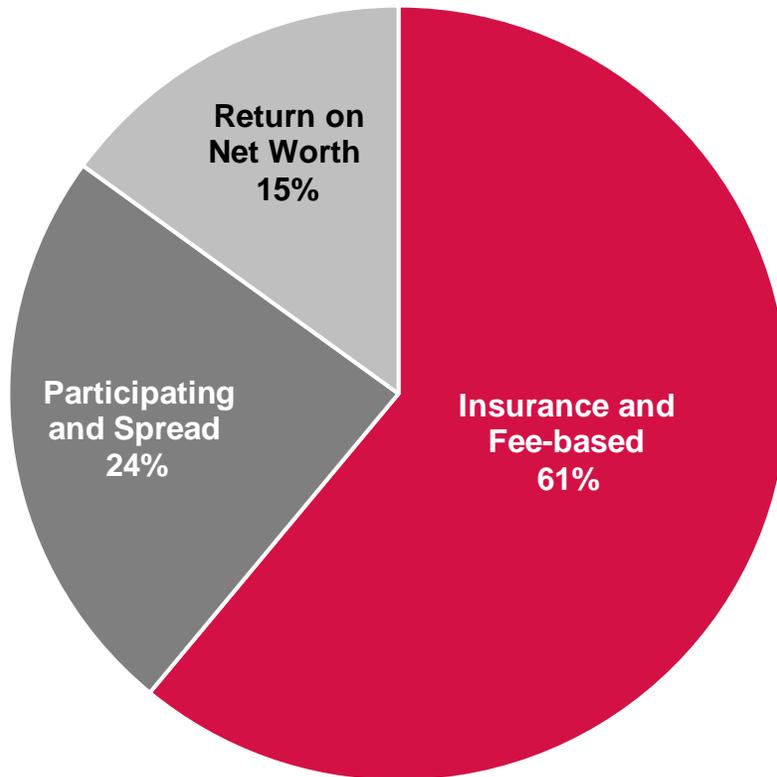
## 1H2019 VONB by Market Segment



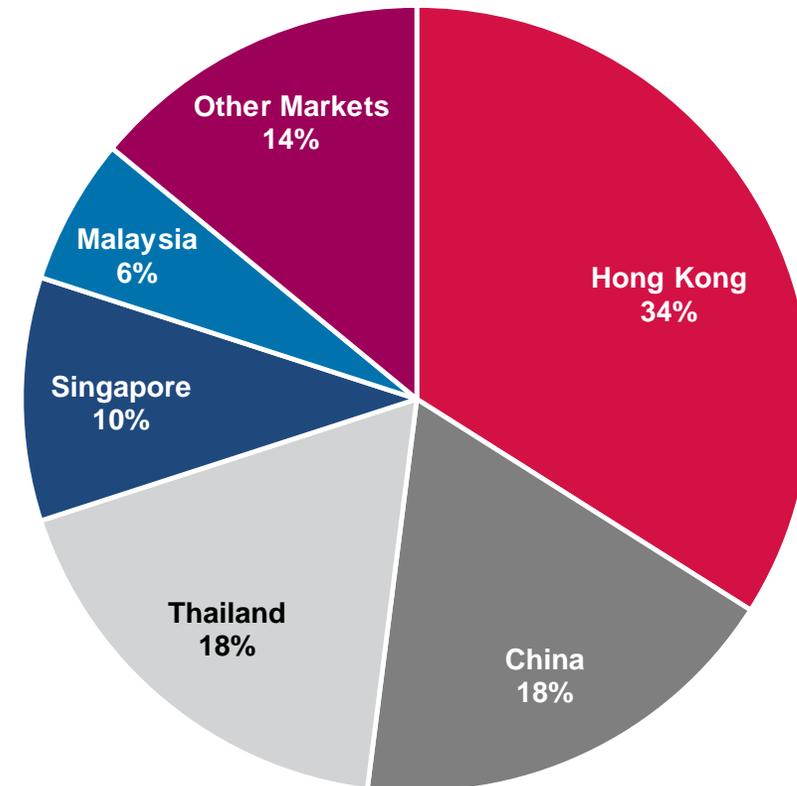
# Balanced Product Mix and Diversified Earnings



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



## OPAT by Market Segment



Notes:  
For 1H2019  
(1) Operating profit before tax and before Group Corporate Centre expenses

# Geographical Market Performance



Hong Kong (\$m)	1H2019	1H2018	CER	AER
VONB	945	796	+19%	+19%
VONB Margin	68.0%	62.2%	+5.8pps	+5.8pps
ANP	1,367	1,252	+9%	+9%
TWPI	6,104	5,075	+20%	+20%
OPAT	997	922	+8%	+8%

Singapore (\$m)	1H2019	1H2018	CER	AER
VONB	173	178	0%	(3)%
VONB Margin	64.8%	61.4%	+3.4pps	+3.4pps
ANP	267	290	(6)%	(8)%
TWPI	1,456	1,392	+7%	+5%
OPAT	281	273	+5%	+3%

China (\$m)	1H2019	1H2018	CER	AER
VONB	702	556	+34%	+26%
VONB Margin	93.2%	91.0%	+2.1pps	+2.2pps
ANP	753	611	+31%	+23%
TWPI	2,561	2,076	+31%	+23%
OPAT	537	436	+32%	+23%

Malaysia (\$m)	1H2019	1H2018	CER	AER
VONB	130	124	+10%	+5%
VONB Margin	65.4%	60.3%	+5.1pps	+5.1pps
ANP	198	204	+2%	(3)%
TWPI	1,063	1,047	+6%	+2%
OPAT	167	158	+10%	+6%

Thailand (\$m)	1H2019	1H2018	CER	AER
VONB	215	204	+5%	+5%
VONB Margin	66.8%	71.0%	(4.3)pps	(4.2)pps
ANP	321	287	+11%	+12%
TWPI	1,929	1,803	+6%	+7%
OPAT	528	496	+8%	+6%

Other Markets (\$m)	1H2019	1H2018	CER	AER
VONB	224	201	+17%	+11%
VONB Margin	41.8%	32.8%	+9.0pps	+9.0pps
ANP	537	608	(7)%	(12)%
TWPI	3,292	3,036	+15%	+8%
OPAT	414	393	+11%	+5%

# AIA China: Unique Proposition



- AIA was founded in Shanghai in 1919
- Re-established presence in China in 1992
- Only wholly-owned, foreign life insurer covering seven geographical areas:
  - Beijing
  - Shanghai
  - Shenzhen
  - Tianjin
  - Guangdong Province
  - Jiangsu Province
  - Shijiazhuang, Hebei Province

2018	GDP (\$b)	Population (m)	GDP per capita (\$)	Total Life Premium (\$b)	Life Insurance Penetration
Beijing	458.7	21.5	21,295	20.7	4.5%
Shanghai	494.4	24.2	20,396	13.9	2.8%
Shenzhen	366.4	13.0	28,130	12.8	3.5%
Guangdong ex-Shenzhen	1,105.2	100.4	11,005	38.5	3.5%
Jiangsu	1,400.8	80.5	17,400	37.2	2.7%
Tianjin	284.6	15.6	18,241	6.3	2.2%
Hebei	544.8	75.6	7,210	19.1	3.5%
of which Shijiazhuang	92.0	11.0	8,403	4.2	4.6%
<b>Aggregate</b>	<b>4,655.0</b>	<b>330.9</b>	<b>14,067</b>	<b>148.5</b>	<b>3.2%</b>

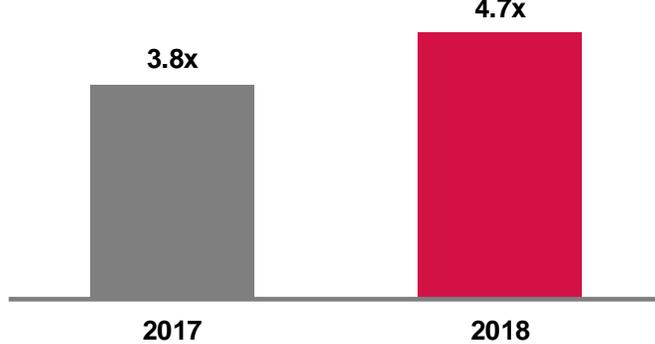
# AIA China: Differentiated Strategy and Execution



## Premier Agency Strategy

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

AIA China vs. Industry



## Digital Enablement



**<5 seconds**

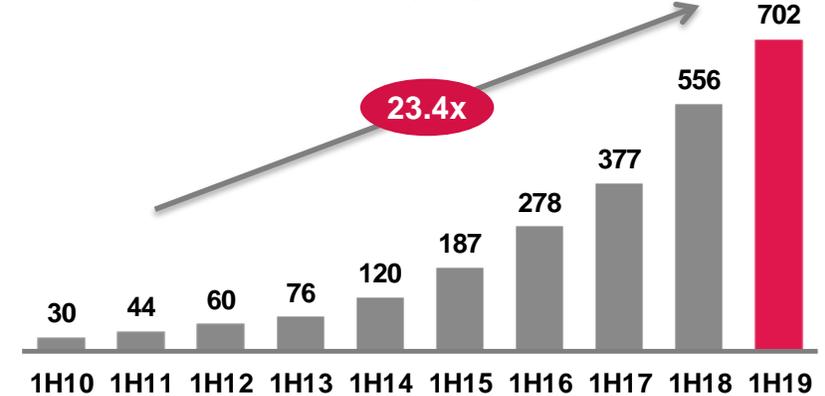
Online underwriting time

**~30 minutes**

Case closing time (reduced from 5 days)

## Sustained Outperformance

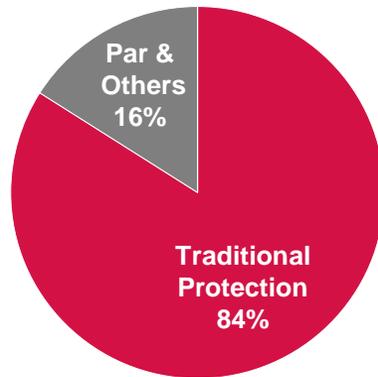
### VONB (\$m)



## High-quality Growth Portfolio

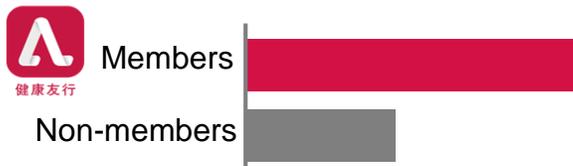
### 1H2019 Product Mix

% of VONB

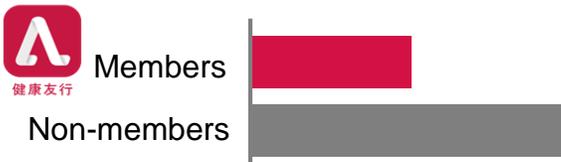


## Wellness Programme

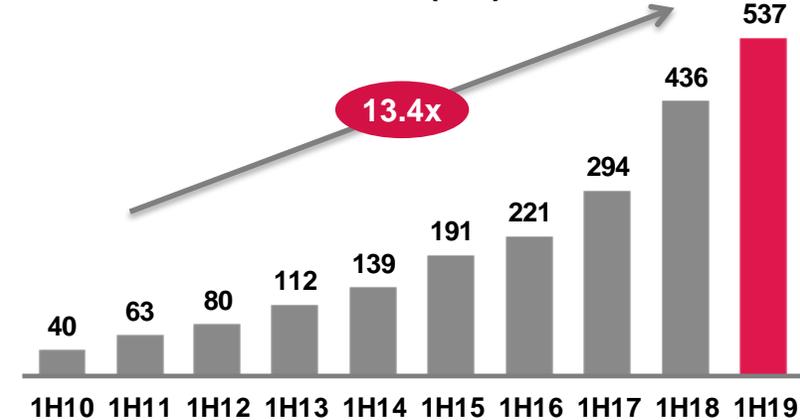
### Repurchase Ratio



### Lapse Ratio



### OPAT (\$m)



Note:

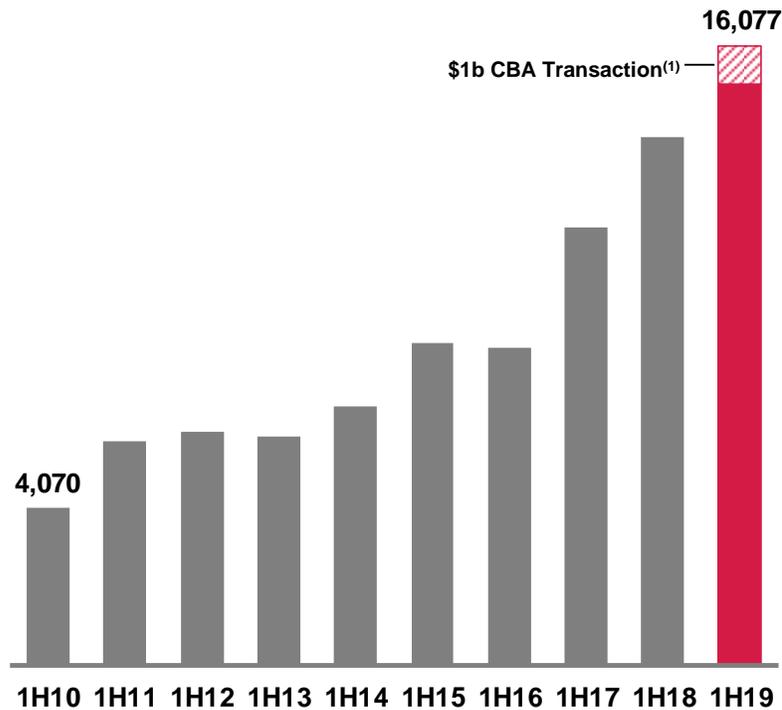
(1) Industry statistics based on latest company reports

# Uses of Underlying Free Surplus Generation



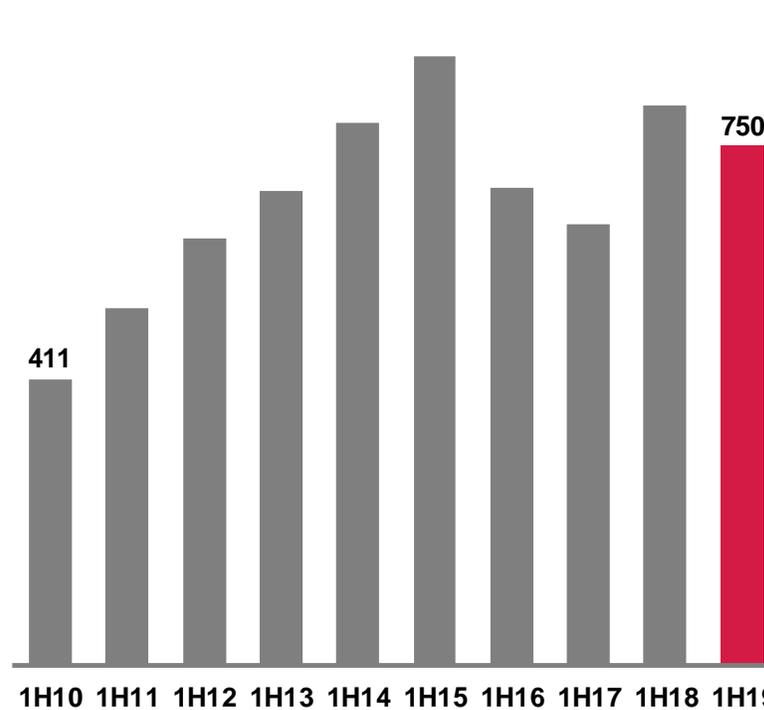
**Maintain Strong Balance Sheet through Capital Market Stress**

**Free Surplus (\$m)**



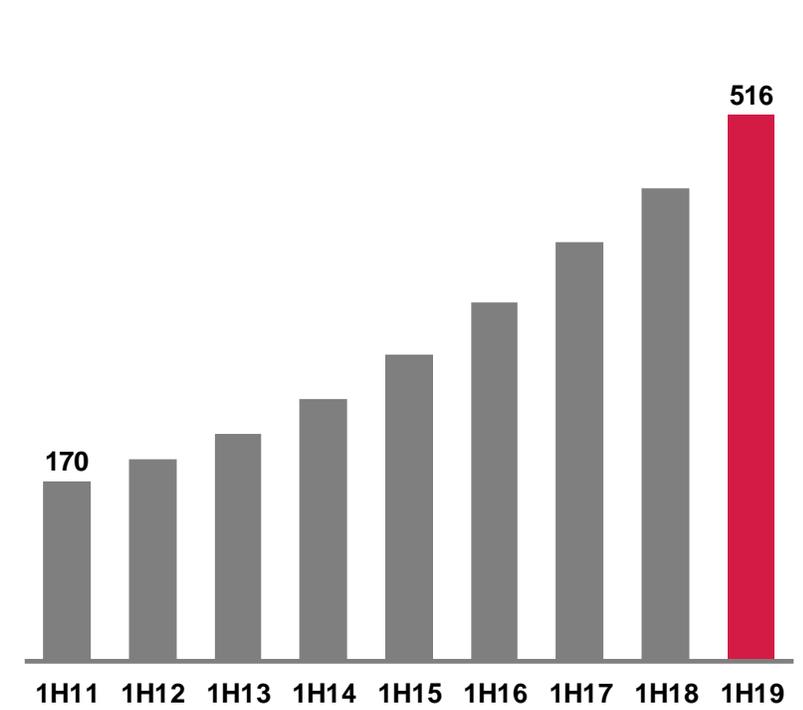
**Reinvest Capital in Profitable New Business Growth**

**New Business Investment (\$m)**



**Pay Prudent, Sustainable and Progressive Dividend**

**Interim Dividend Declared (\$m)**



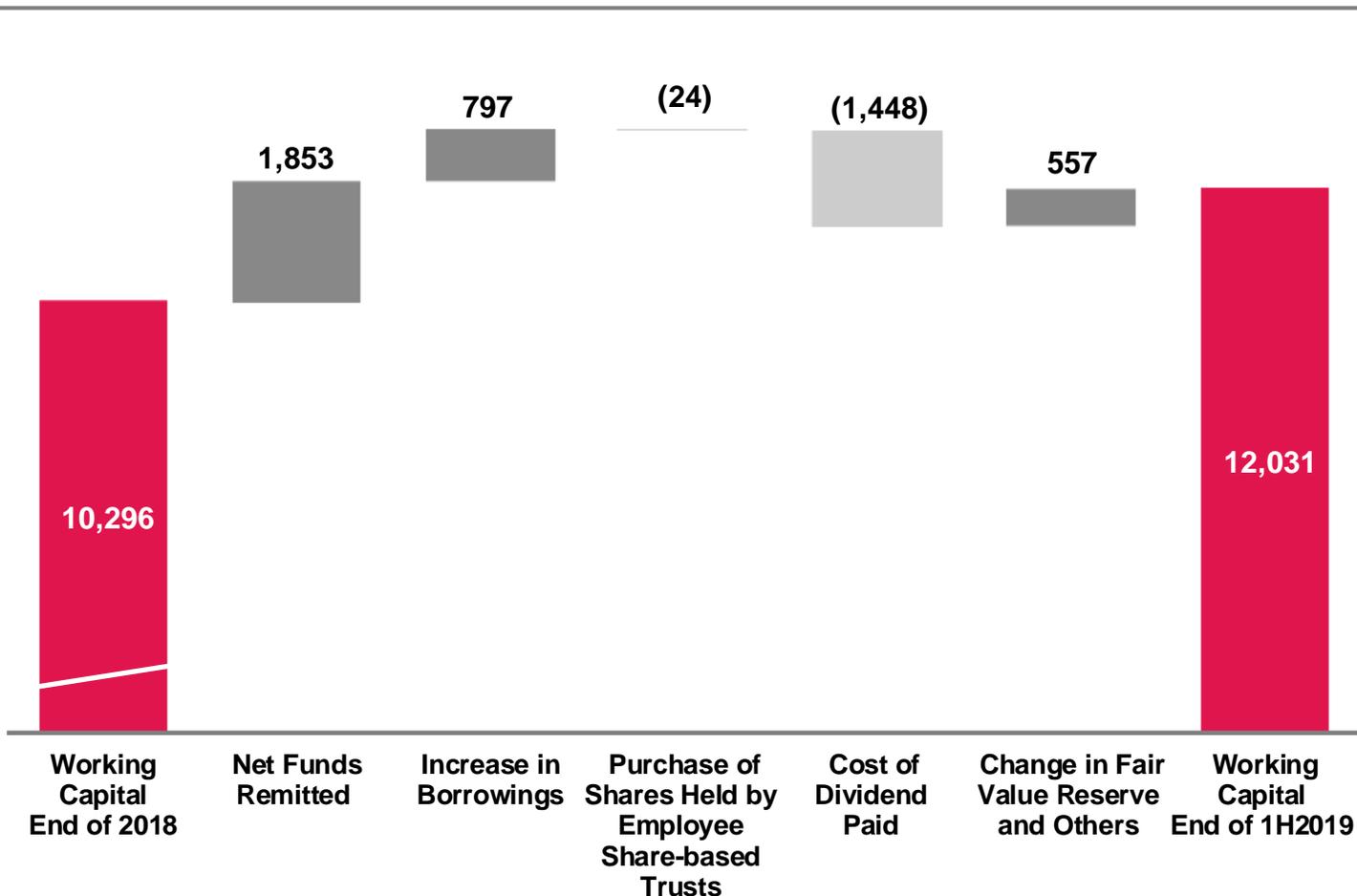
Note:

(1) The acquisition of CommInsure Life in Australia is pending the completion of all necessary regulatory and governmental approvals. AIA and CBA have been exploring alternative arrangements that aim to replicate the expected strategic outcomes of the originally planned acquisition. The Group expects to provide further details of these alternative arrangements in the second half of 2019.

# Resilient Working Capital Position



## Working Capital Movement (\$m)



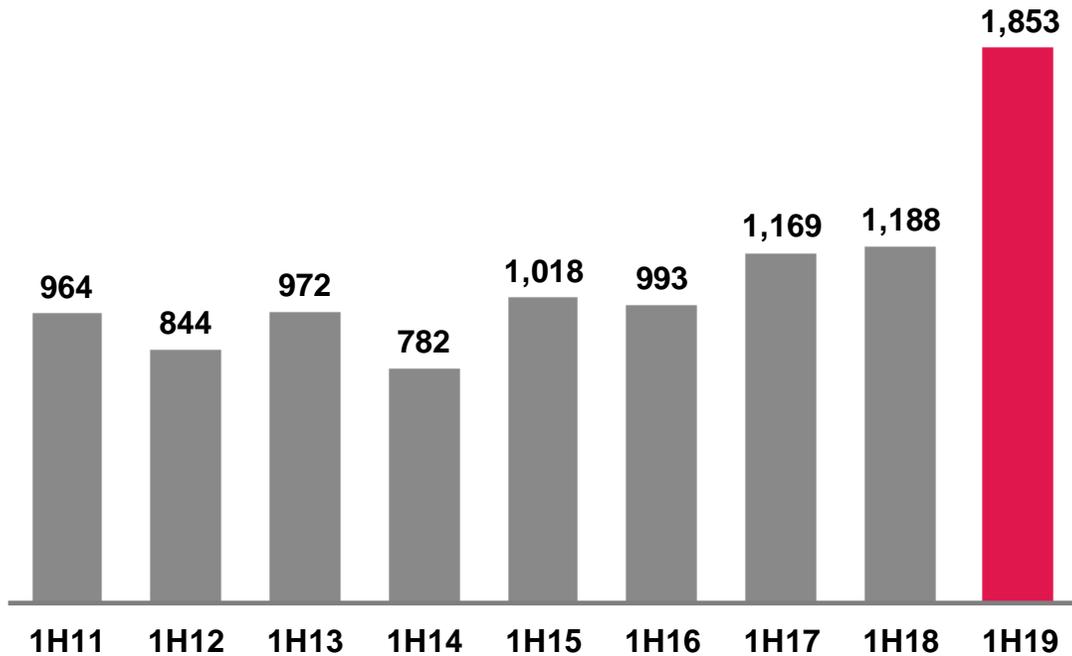
### Resilient Position

- Working capital of \$12.0b
- Net funds remitted of \$1.9b
- China remitted \$572m; up from \$440m in 1H2018
- Leverage ratio of 10.4%

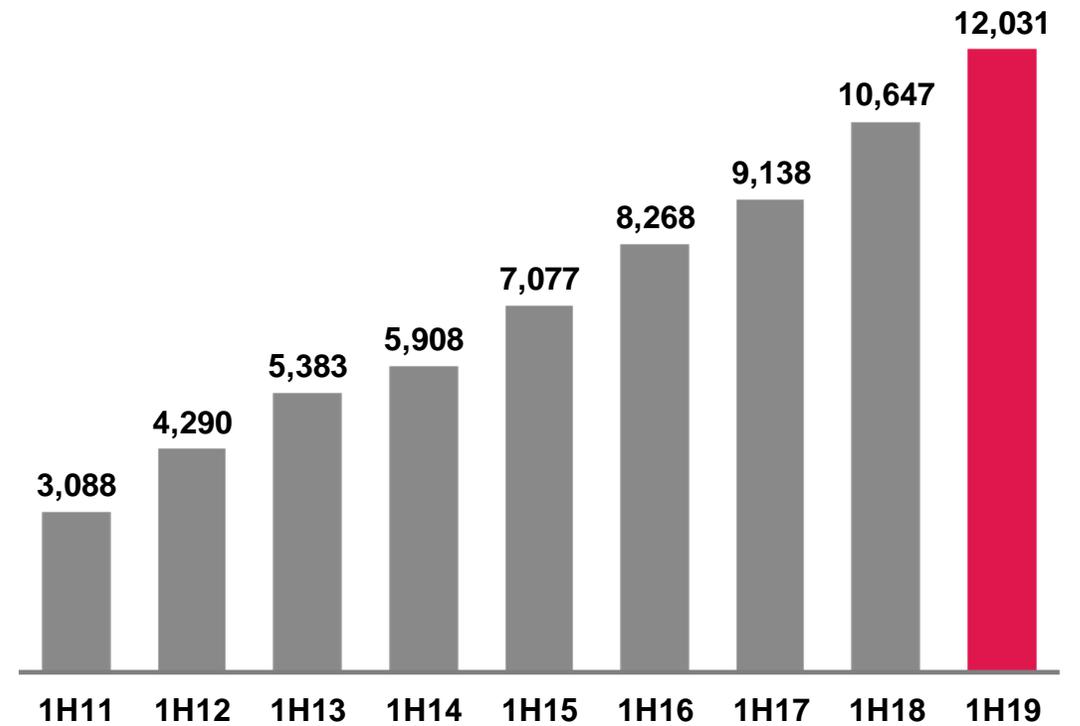
# Capital Fungibility



## Net Funds Remitted to Group (\$m)



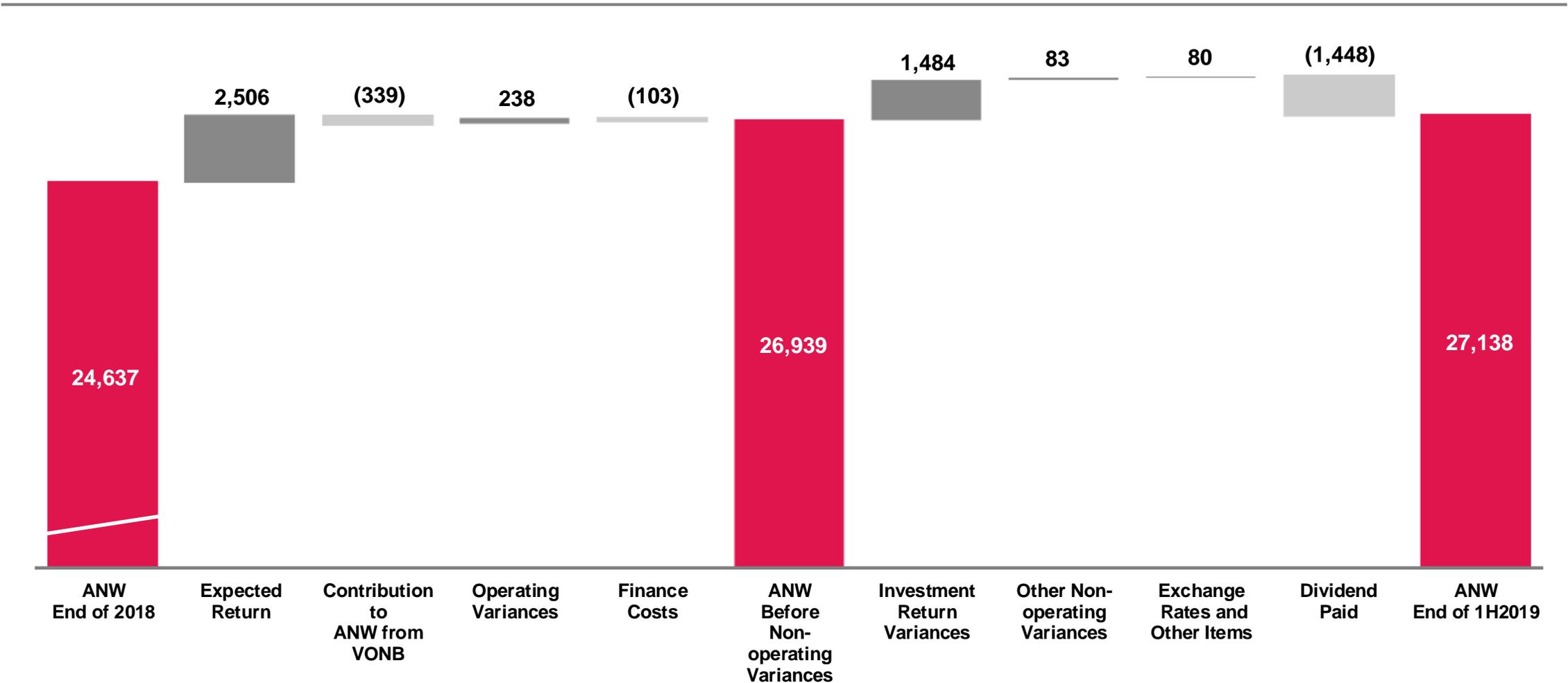
## Group Working Capital (\$m)



# 1H2019 ANW Movement



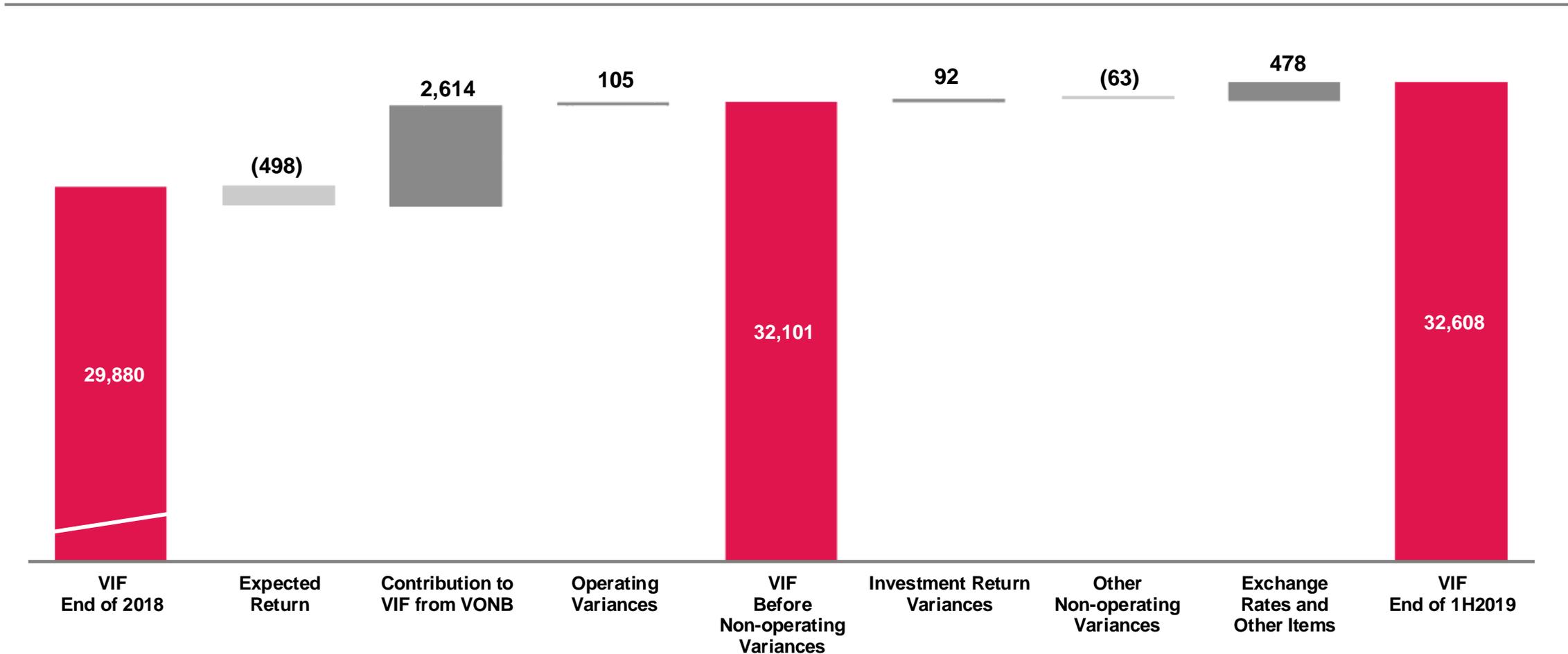
## ANW Movement (\$m)



# 1H2019 VIF Movement



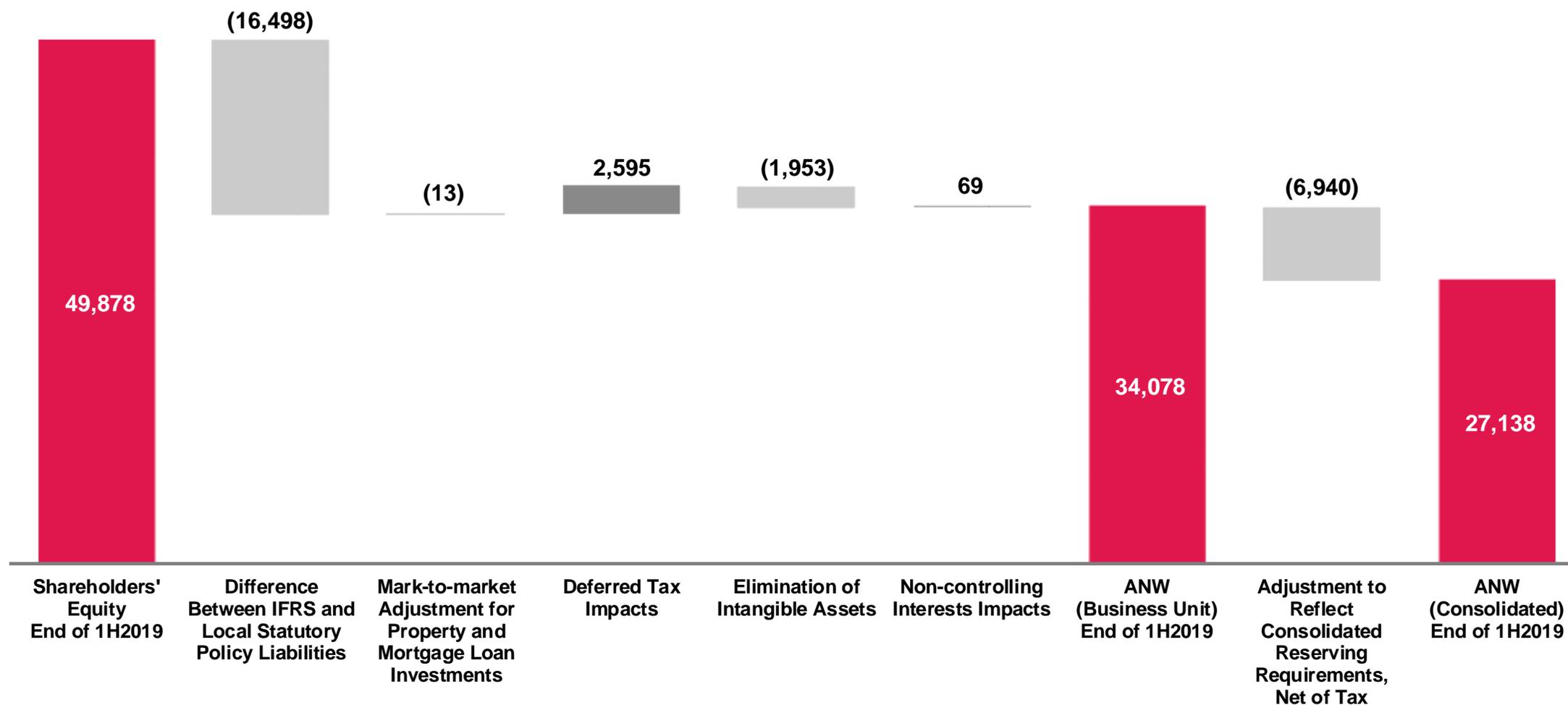
## VIF Movement (\$m)



# 1H2019 IFRS Shareholders' Equity and ANW



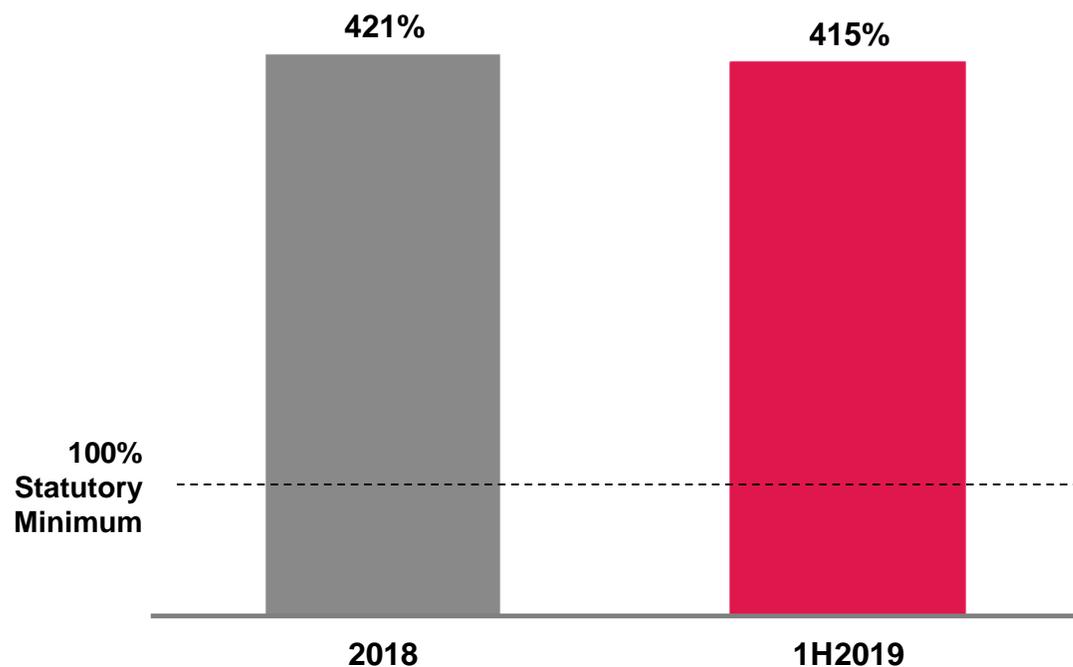
## Reconciliation of IFRS Shareholders' Equity to ANW (\$m)



# Solvency Ratio of 415% 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 earnings
- Offset by dividends upstream to AIA Group Limited
- S&P rating of AA-, Moody's rating of Aa2 and Fitch rating of AA for AIA Co.
- S&P outlook changed to positive for AIA Group Limited

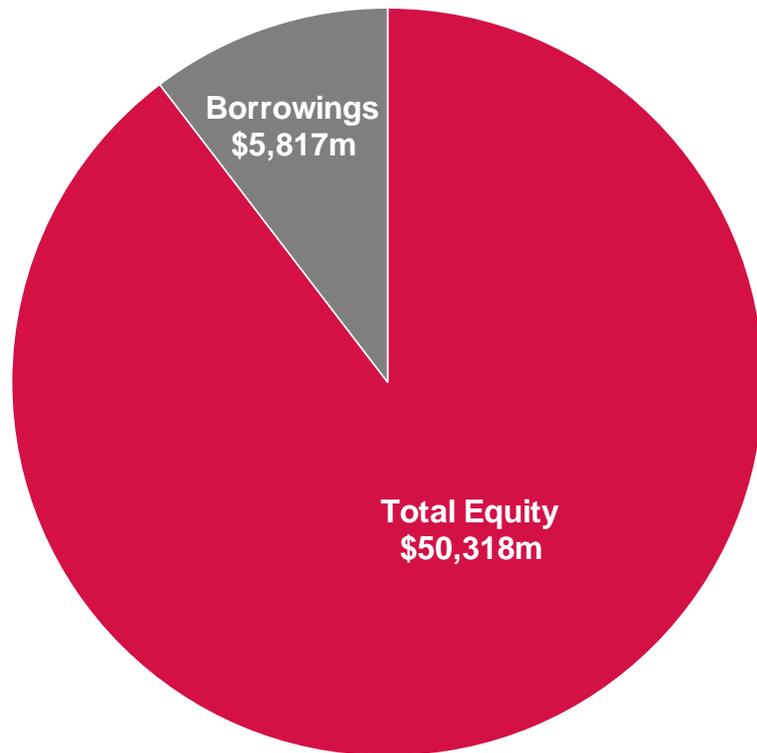
# Robust Capital Structure



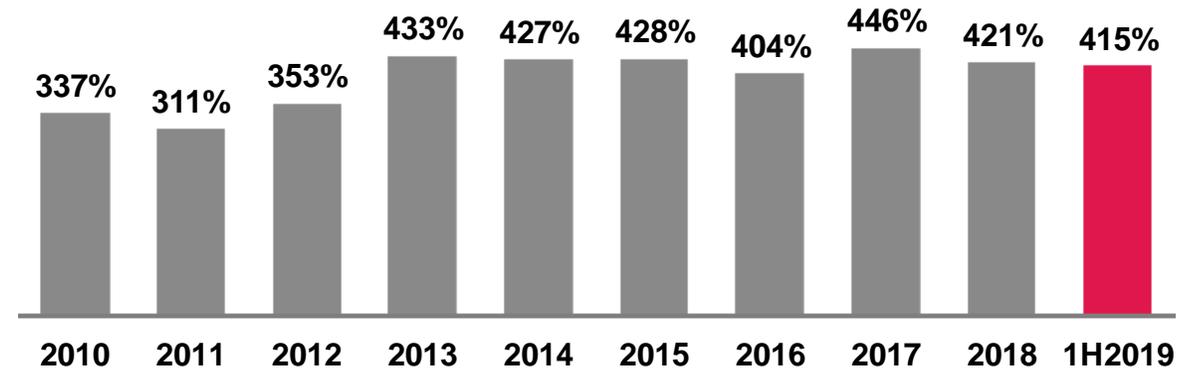
## AIA Capital Structure

1H2019 Leverage Ratio<sup>(1)</sup>

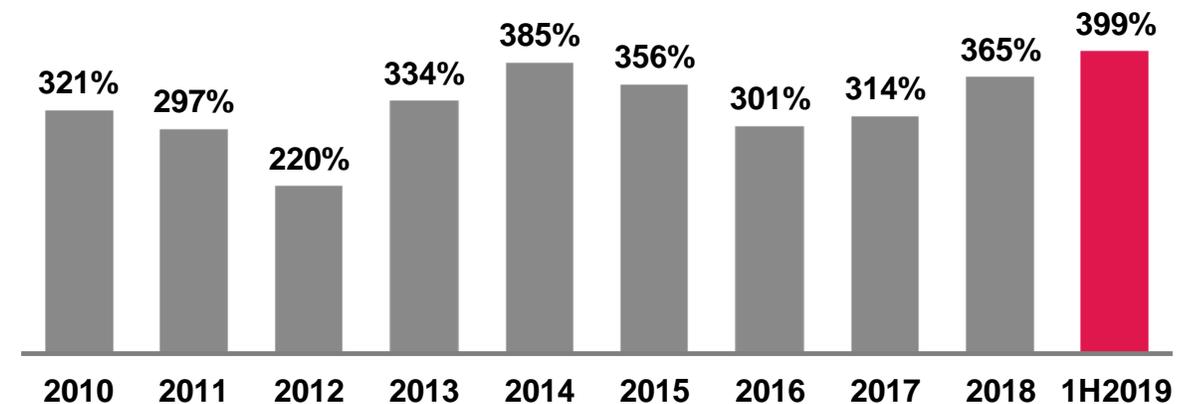
**10.4%**



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



## Solvency Ratio on the HKIO Basis for AIA International



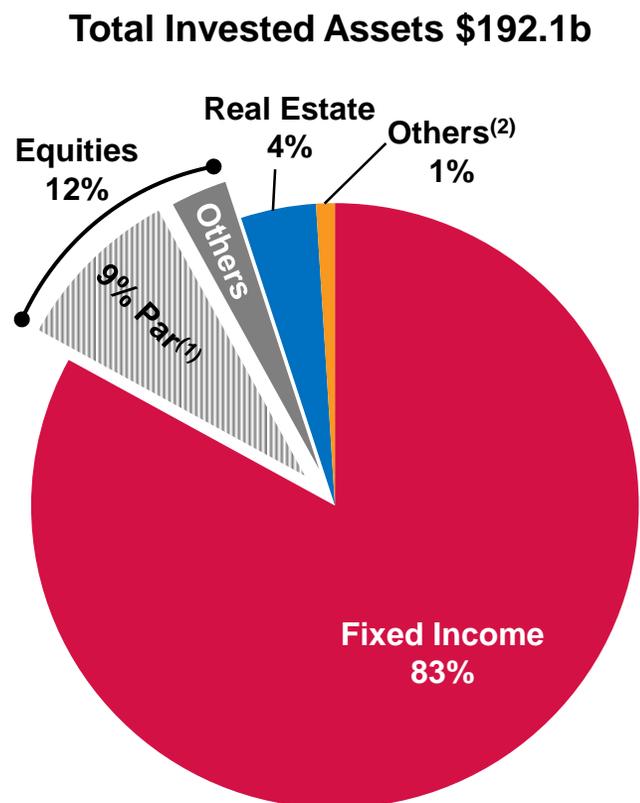
Note:

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

# Reconciliation of OPAT to Net Profit



## Total Investments by Type



## Reconciliation of OPAT to Net Profit

(\$m)	1H2018	1H2019
<b>OPAT</b>	<b>2,653</b>	<b>2,898</b>
Short-term fluctuations <sup>(3)</sup> in		
Par Equities	(680)	780
Others	5	393
<b>Total</b>	<b>(675)</b>	<b>1,173</b>
Other items <sup>(4)</sup>	(316)	(207)
<b>Net Profit</b>	<b>1,662</b>	<b>3,864</b>

Notes:

Total invested assets as of 30 June 2019

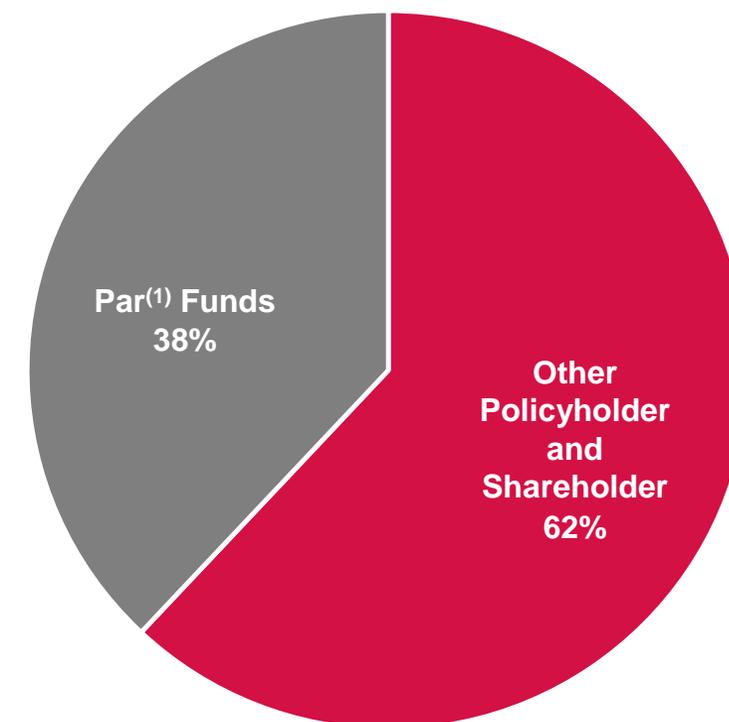
- (1) Including Participating funds and Other participating business with distinct portfolios
- (2) Cash and cash equivalents and derivatives
- (3) Short-term fluctuations in investment return related to equities and real estate
- (4) Other non-operating investment return and other items

# Total Invested Assets



(\$m)	Par <sup>(1)</sup> Funds	Other Policyholder and Shareholder	Total
Fixed Income	53,061	105,530	158,591
Equities	17,316	6,632	23,948
Real Estate	1,035	5,779	6,814
Others <sup>(2)</sup>	718	1,982	2,700
<b>Total Invested Assets</b>	<b>72,130</b>	<b>119,923</b>	<b>192,053</b>

## Total Invested Assets \$192.1b



Notes:

As of 30 June 2019

(1) Including Participating funds and Other participating business with distinct portfolios

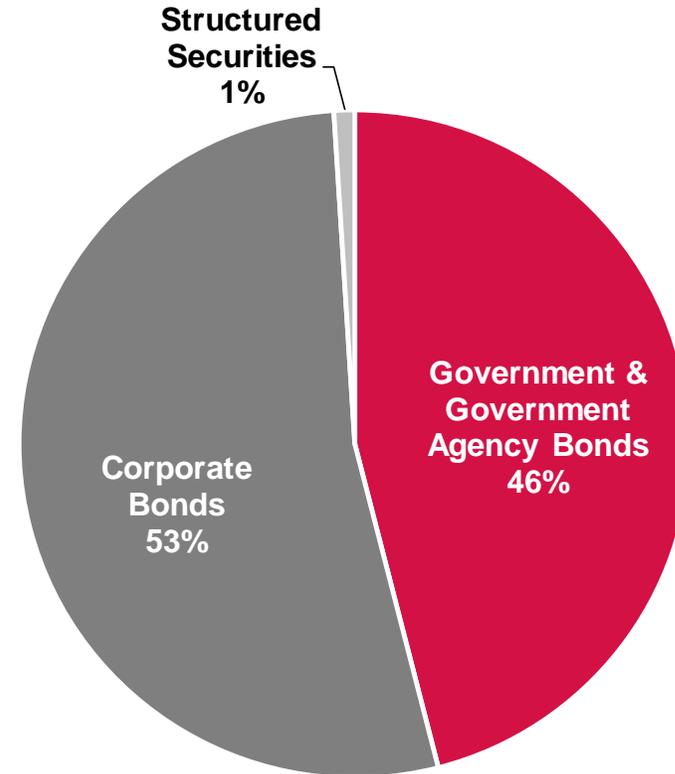
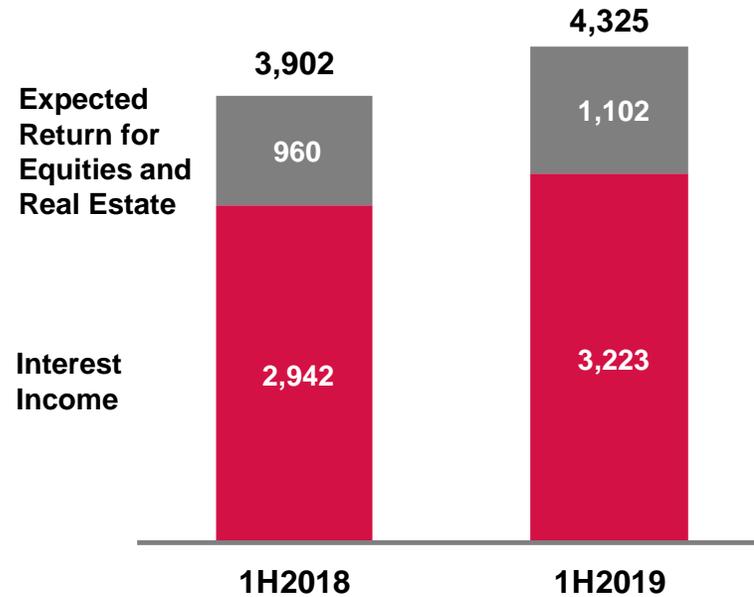
(2) Cash and cash equivalents and derivatives

# Prudent Investment Portfolio Summary



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

## Total Bond Portfolio of \$151.1b



Fixed Income Yield<sup>(1)</sup>

4.6%

4.6%

(FY18: 4.6%)

Actual Investment Return

3.6%

7.2%

(FY18: 3.1%)

Notes:

IFRS operating profit investment return comparatives are shown on a constant exchange rate basis

Fixed income yield and actual investment return are on an annualised basis

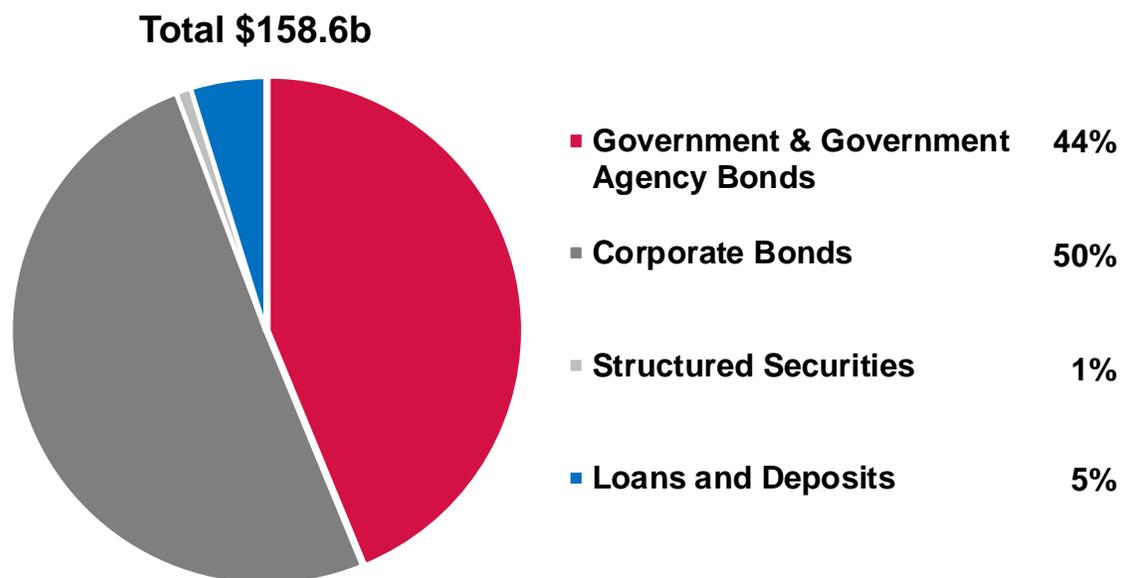
Total bond portfolio as of 30 June 2019

(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

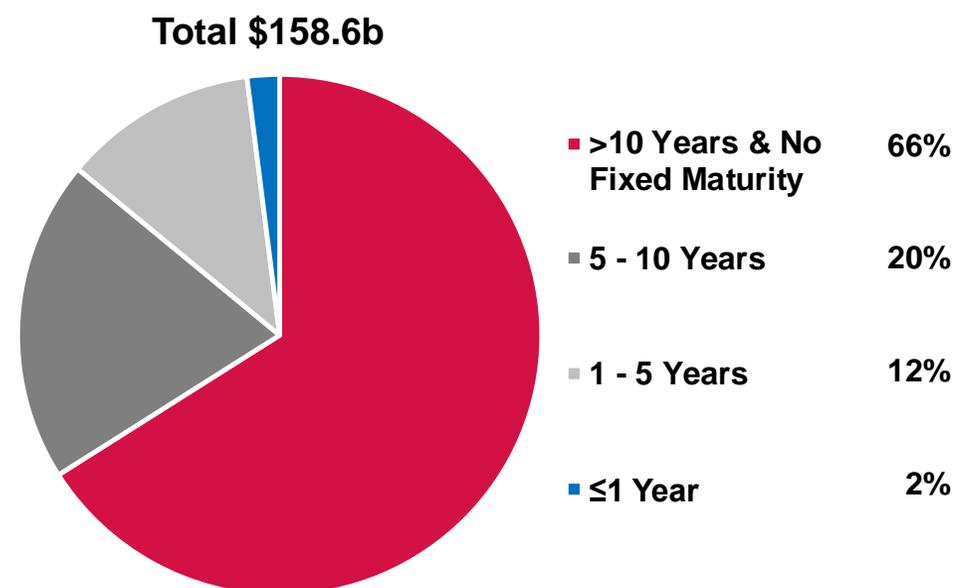
# Prudent and High-quality Fixed Income Portfolio



## Total Fixed Income by Type



## Total Fixed Income by Maturity



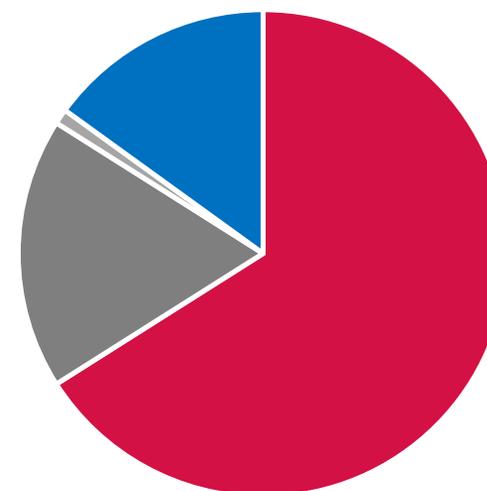
# Prudent and High-quality Fixed Income Portfolio



(\$m)	Par <sup>(1)</sup> Funds	Other Policyholder and Shareholder	Total
Available For Sale (AFS)	27,236	99,403	126,639
Fair Value Through Profit or Loss (FVTPL)	23,653	798	24,451
<b>Total Bonds</b>	<b>50,889</b>	<b>100,201</b>	<b>151,090</b>

## Total Bonds by Accounting Classification

Total \$151.1b



- Other policyholder & shareholder (AFS) 66%
- Par<sup>(1)</sup> Funds (AFS) 18%
- Other policyholder & shareholder (FVTPL) 1%
- Par<sup>(1)</sup> Funds (FVTPL) 15%

Notes:

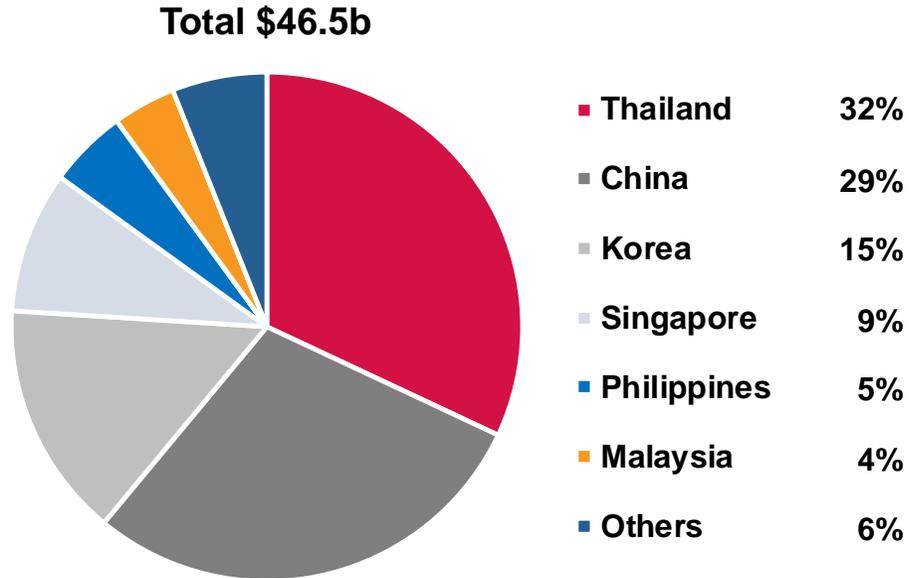
As of 30 June 2019

(1) Including Participating funds and Other participating business with distinct portfolios

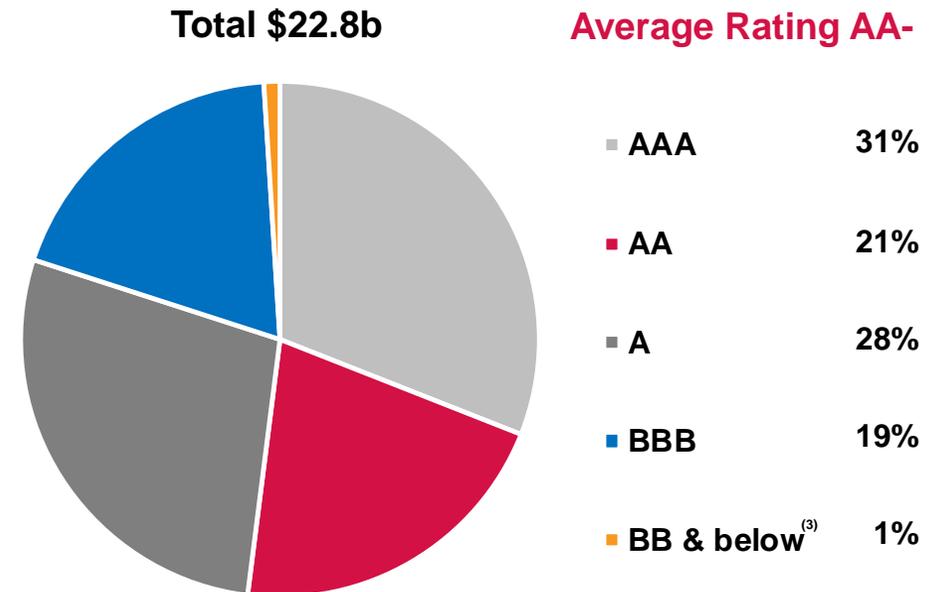
# Government Bond Portfolio



## Government Bonds<sup>(1)</sup> by Geography



## Other Government<sup>(2)</sup> and Agency Bonds by Rating



Notes:

As of 30 June 2019

(1) Government bonds include bonds issued in local or foreign currencies by the government of the country where respective business unit operates

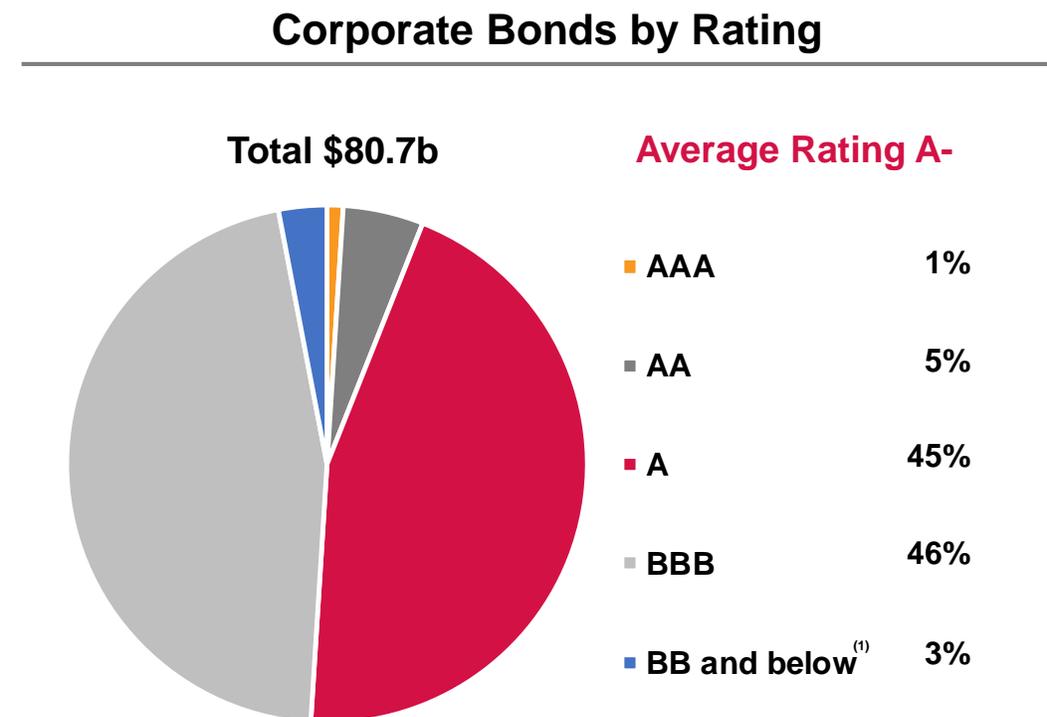
(2) Other government bonds comprise other bonds issued by government

(3) Including not rated bonds

# Corporate Bond Portfolio



Rating	Total (\$m)
AAA	674
AA	4,432
A	36,282
BBB	37,033
BB and below <sup>(1)</sup>	2,265
<b>Total</b>	<b>80,686</b>



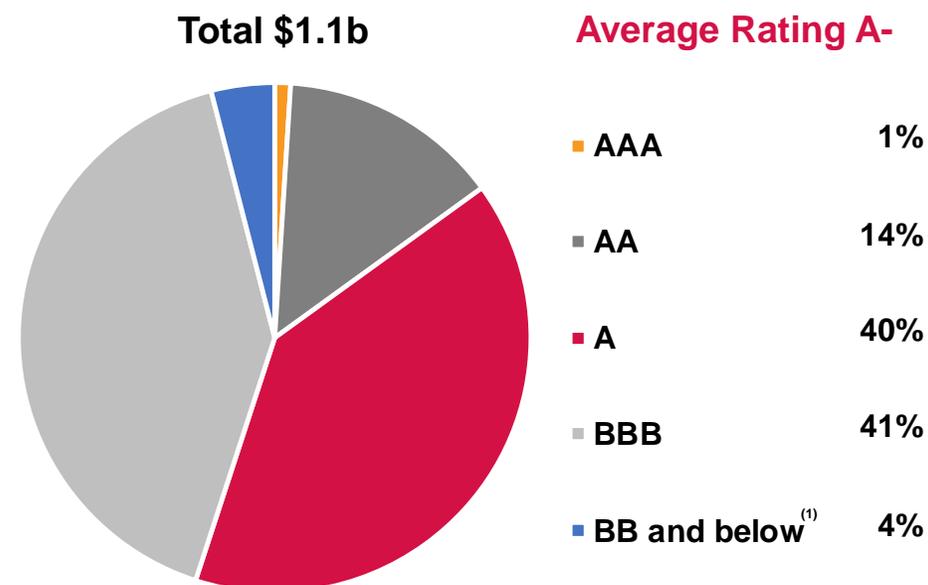
Notes:  
As of 30 June 2019  
(1) Including not rated bonds

# Structured Security Portfolio



Rating	Total (\$m)
AAA	13
AA	150
A	438
BBB	453
BB and below <sup>(1)</sup>	45
<b>Total</b>	<b>1,099</b>

## Structured Securities by Rating

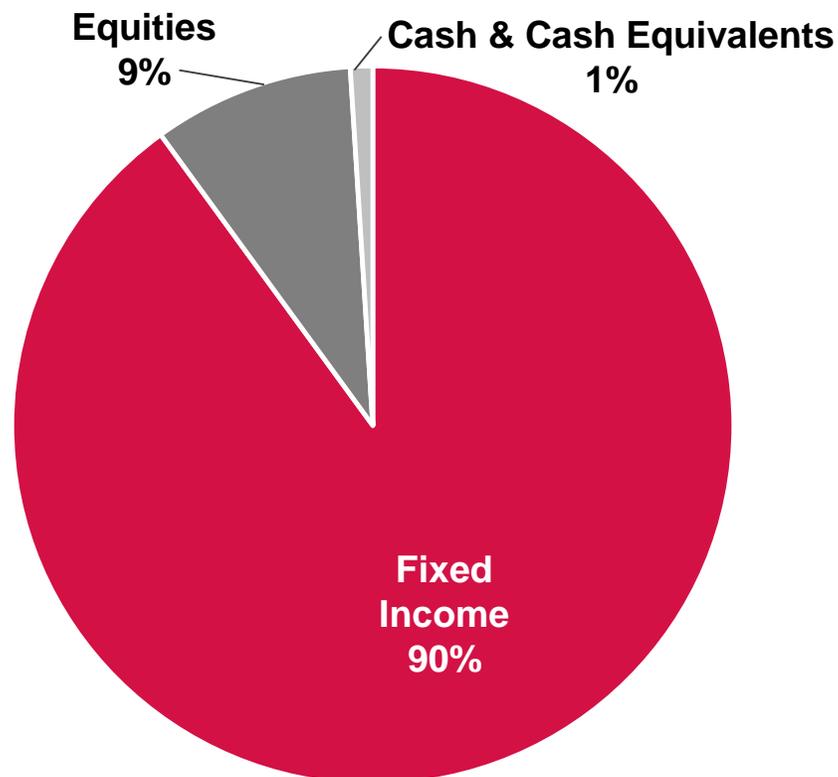


Notes:  
As of 30 June 2019  
(1) Including not rated bonds

# AIA China – Prudent Investment Portfolio



AIA China Invested Asset Mix



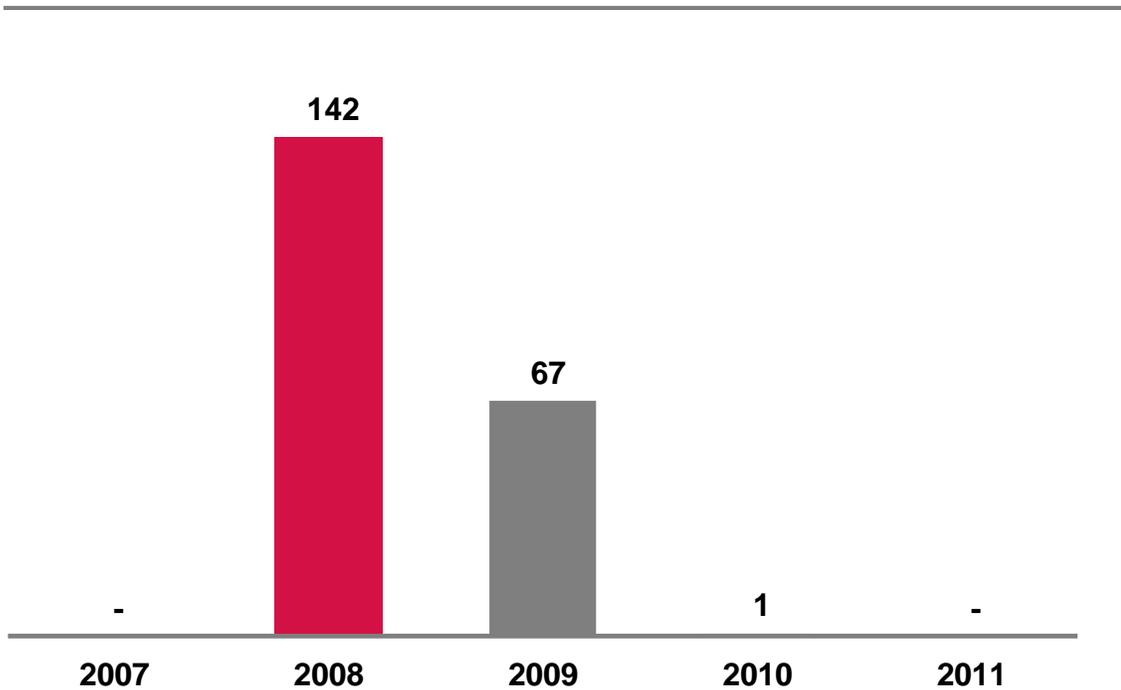
## Prudent ALM Approach

- Asset allocation driven by liability cash flow matching in local currency
- Over 80% of earnings from insurance and fees
- 90% of invested assets in fixed income
- 90% of bond portfolio in government and government agency bonds
- Bond portfolio average international rating A+
- Asset portfolio well diversified with insignificant alternative assets

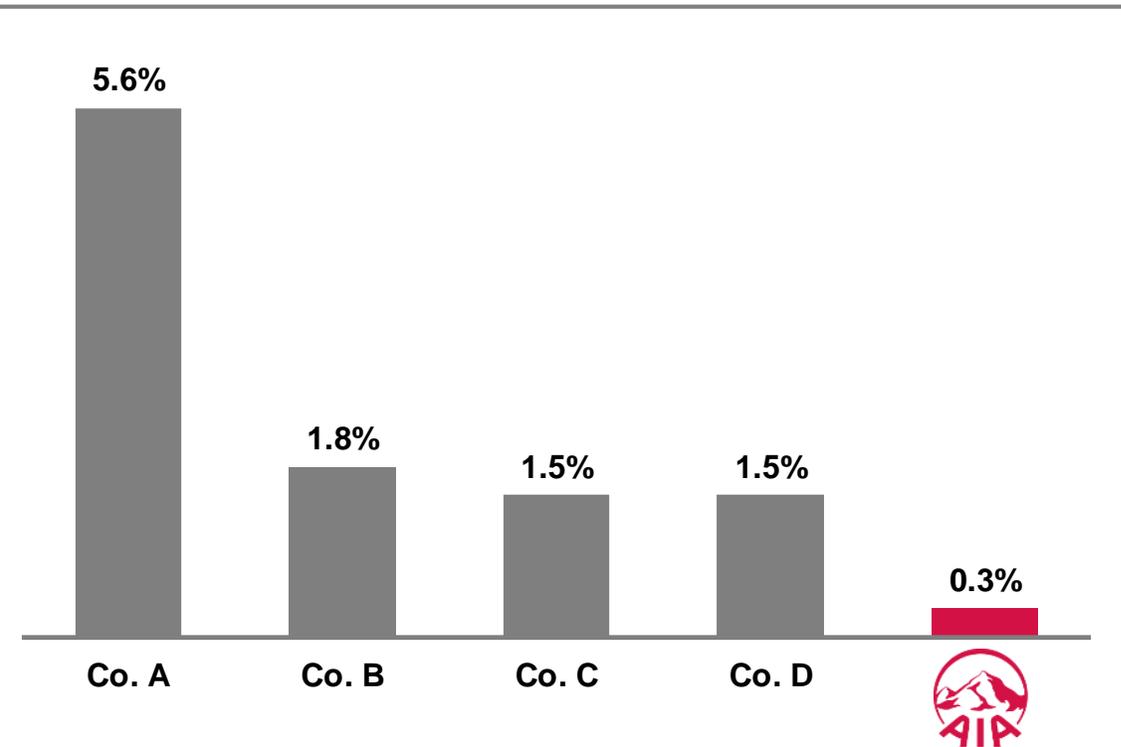
# Impairment Experience During Global Financial Crisis



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 June 2019		
	Risk Discount Rates	Long-term 10-year Govt Bonds	Risk Premium	Risk Discount Rates	Long-term 10-year Govt Bonds	Risk Premium
Australia <sup>(1)</sup>	8.75	5.65	3.10	7.35	3.00	4.35
China	10.00	3.74	6.26	9.75	3.70	6.05
Hong Kong	8.00	3.53	4.47	7.50	3.00	4.50
Indonesia	15.00	7.90	7.10	13.00	7.50	5.50
Korea	10.50	4.82	5.68	8.60	2.70	5.90
Malaysia	9.00	4.45	4.55	8.75	4.20	4.55
New Zealand	9.00	6.13	2.87	7.75	3.50	4.25
Philippines	13.00	6.00	7.00	11.80	5.30	6.50
Singapore	7.75	2.93	4.82	7.10	2.70	4.40
Sri Lanka <sup>(2)</sup>	-	-	-	15.70	10.00	5.70
Taiwan	8.00	1.73	6.27	7.85	1.60	6.25
Thailand	9.50	3.87	5.63	8.60	3.20	5.40
Vietnam	16.00	10.20	5.80	11.80	6.00	5.80
<b>Weighted Average<sup>(3)</sup></b>	<b>8.95</b>	<b>3.85</b>	<b>5.10</b>	<b>8.45</b>	<b>3.36</b>	<b>5.09</b>

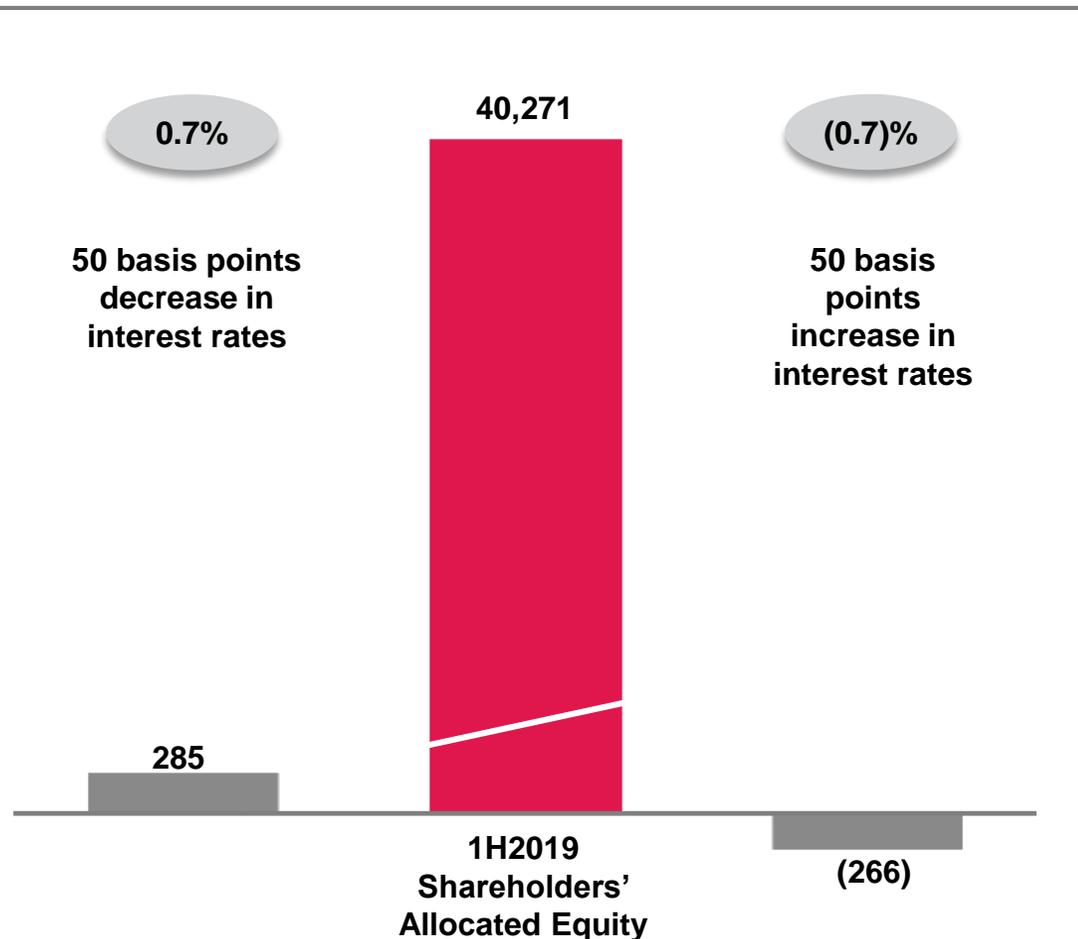
Notes:

- (1) Excluding New Zealand
- (2) Sri Lanka is included since the acquisition completion date of 5 December 2012
- (3) Weighted average by VIF contribution

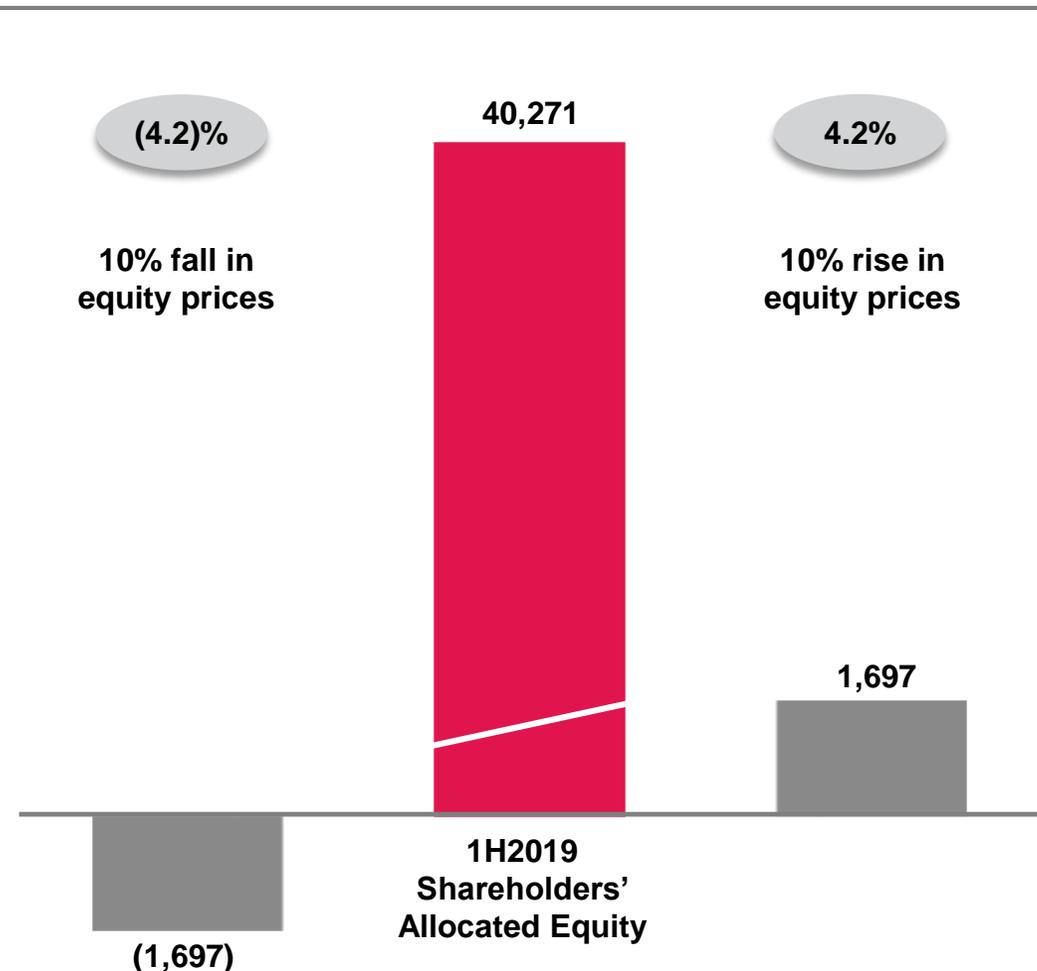
# Sensitivity Analysis – Shareholders’ Allocated Equity



## Interest Rates (\$m)



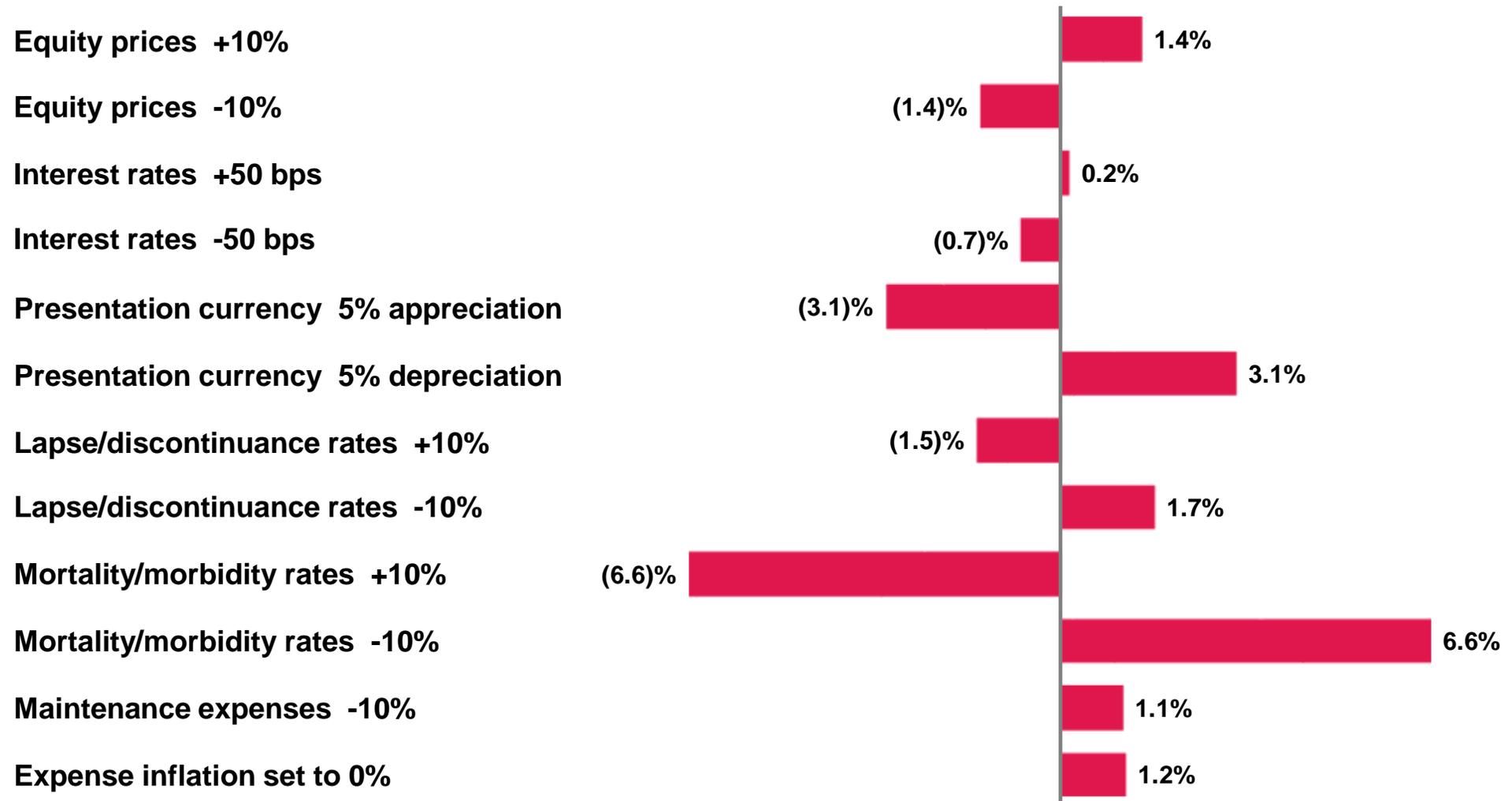
## Equities (\$m)



# Sensitivity Analysis – EV



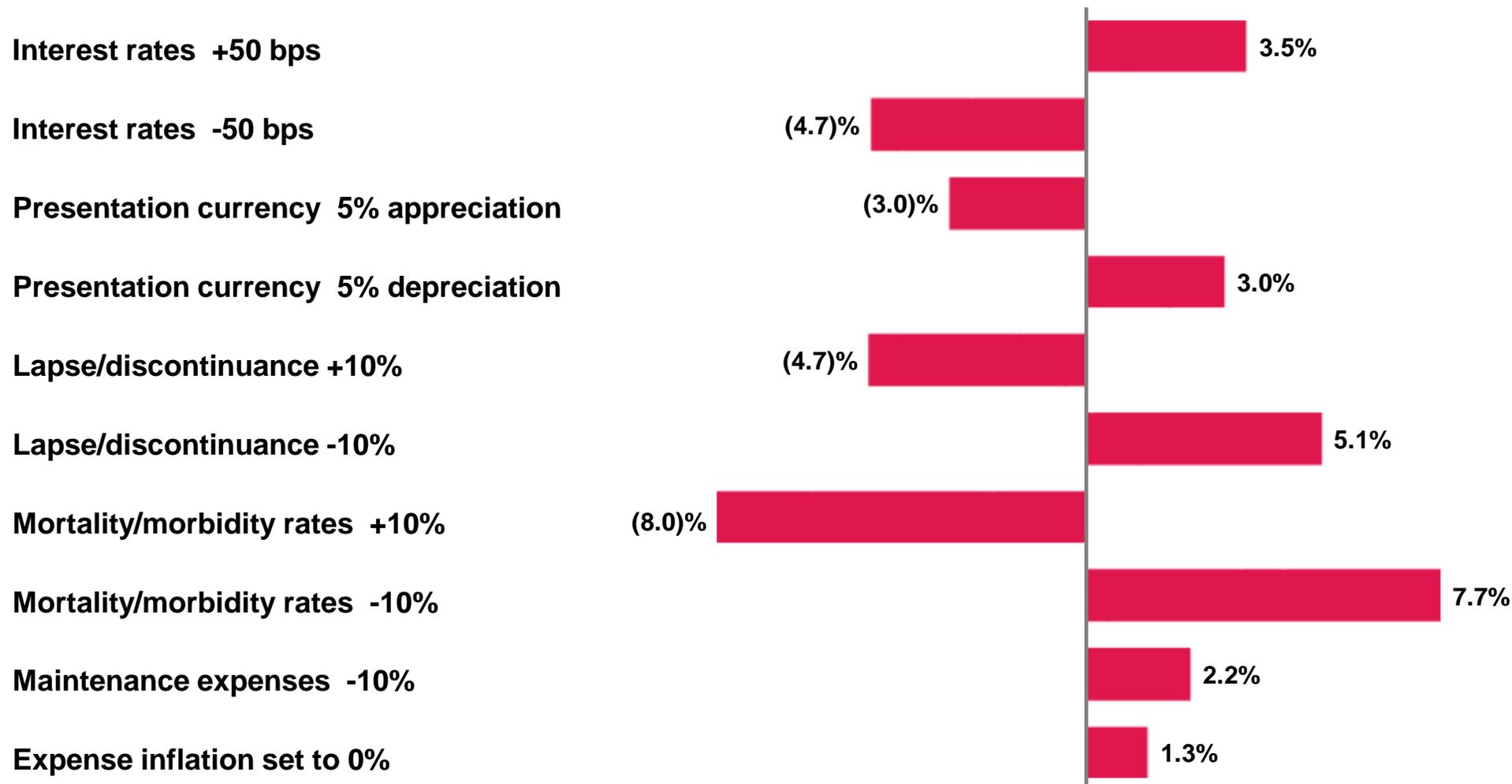
## Sensitivity of EV as at 30 June 2019



# Sensitivity Analysis – VONB



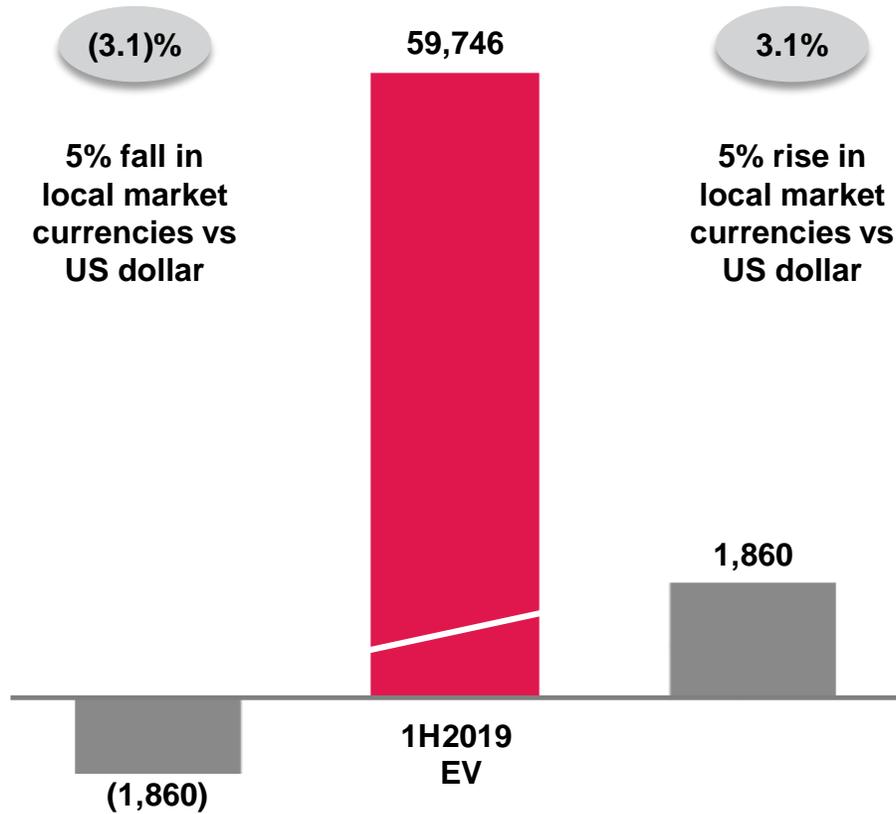
## Sensitivity of VONB for the six months ended 30 June 2019



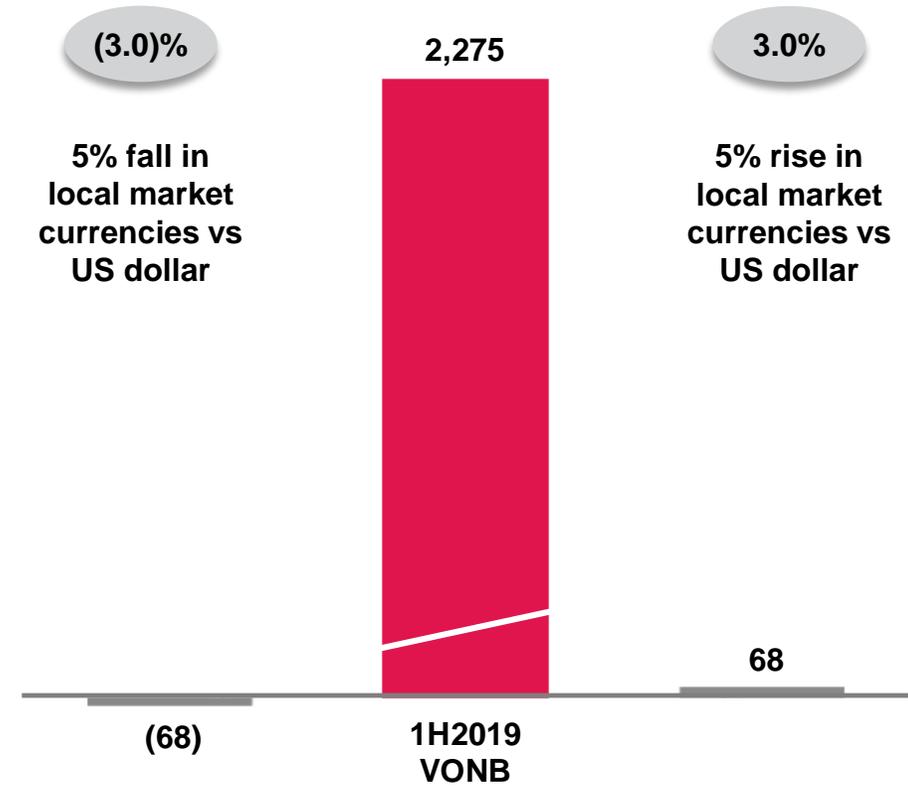
# Currency Sensitivity



EV (\$m)



VONB (\$m)



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