

AIA Group Limited 2019 Annual Results

Analyst Briefing Presentation – Transcript

12 March 2020

Lance Burbidge, Chief Investor Relations Officer:

Good morning everybody and welcome to AIA's 2019 Annual Results Presentation. I am Lance Burbidge, Chief Investor Relations Officer.

The ongoing impact of the COVID-19 virus means that today we are not having our usual face-to-face meeting. As a reminder, if you wish to ask a question later you will need to use the telephone dial-in facility rather than the webcast.

Today's agenda is on slide 3. Our Group Chief Executive, Keng Hooi, will start with the key highlights of the Group's financial performance in 2019 and an update on our strategic progress. Then our Group Chief Financial Officer, Garth Jones, will take you through the financial results in detail. Our three Regional Chief Executives and the CEO of AIA China, Fisher Zhang, will update on progress in their respective markets. Keng Hooi will then set out how AIA is positioned to capture the significant growth opportunities available to us across the Asia-Pacific region. Finally, we will open up the session for your questions.

With that, let me pass over to Keng Hooi.

Ng Keng Hooi, Group Chief Executive:

Thank you Lance and good morning everyone. I am pleased to be here this morning to present AIA's 2019 Annual Results. While it has been a challenging year, AIA has continued to deliver growth in all our main financial metrics. Let me begin with the key highlights on slide 4.

In 2019, headline value of new business grew by 6 per cent to more than 4.1 billion dollars. This supported a further increase in EV equity to 63.9 billion, with 12 per cent growth. Operating profit after tax was up 9 per cent to 5.7 billion, and our operating return on equity remained strong at 14.4 per cent. Underlying free surplus generation rose to 5.5 billion, an increase of 13 per cent on the prior year.

The Board continues to follow our prudent, sustainable and progressive dividend policy and has recommended an increase of 10 per cent in the final dividend. This brings the total dividend to 126.6 Hong Kong cents per share, up 11 per cent.

These solid results, with growth in all our key financial metrics, reflect the continued success of our focus on executing our strategic priorities.

While our 2019 results are healthy, they were clearly impacted by the operating environment in the second half. Slide 5 shows the contrast in growth between Hong Kong and the rest of the Group. Our Hong Kong business saw very strong growth of 19 per cent in the first half, but this was more than offset by the impact of social unrest in the second half. The overall 5 per cent decline reflects a significant fall in sales to Mainland Chinese visitors in the second half, which broadly tracked the decline in visitor arrivals. Our domestic customer segment continued to perform well throughout the year and reported double-digit growth.

Looking beyond Hong Kong, the Group achieved strong growth of 16 per cent in 2019. AIA China had another excellent year with 27 per cent growth, and our Other Markets also delivered very strong growth of 27 per cent, led by Vietnam, the Philippines and Australia. The three RCEs and Fisher will take you through the progress in our markets later on.

Overall, in a year where our largest business saw a decline of more than 20 per cent in the second half, AIA has still achieved positive growth in VONB. This performance continues to demonstrate the benefits of our unique platform and our focus across the Asia-Pacific region.

Now onto slide 7. All of our teams continue to focus on executing our key strategic priorities in 2019. The scale and quality of our multi-channel distribution platforms enable us to provide professional financial advice to millions of customers.

Our agency remained the primary source of our new business and generated 74 per cent of the Group's VONB. We continue to expand and enhance our Premier Agency programmes, with strong results over time as we transform our agencies across the region. Excluding Hong Kong, agency VONB grew by 16 per cent in 2019.

Our strategic partnerships complement our agency and extend AIA's distribution reach. In 2019 bancassurance delivered excellent VONB growth, with a substantial contribution to growth from our partnerships in Vietnam, Thailand and New Zealand, all activated within the past three years. In December, we were pleased to start our new partnership with CBA in Australia.

We have had another active year in health and well-being as we continue our journey towards being a lifelong partner to our customers. Overall membership of our wellness programmes has exceeded 1.7 million, up more than 40 per cent in 2019. AIA China launched a medical network for its high-end customers, and we rolled out Medix services to Malaysia, Thailand and Indonesia following the great results in Hong Kong and Singapore.

Digital is a key enabler for our business, and we continue to invest and leverage technology. In 2019, more than 95 per cent of agency new business was submitted digitally; over 60 per cent of all new business was auto-underwritten; and more than 80 per cent of customer interactions can be performed digitally.

Now onto progress in some of our key growth markets, on slide 8. In Mainland China we have made significant progress in our geographic expansion. In July we opened new sales and service centres in Tianjin and Shijiazhuang. Starting operations in two cities at the same time has confirmed our capabilities and provided valuable experience for our future ambition. We recently announced the intention to subsidiarise AIA China. This conversion will help us take advantage of the opening of China's life insurance market. We have submitted our conversion application and are waiting for CBIRC approval. AIA China has been preparing for some time and, subject to regulatory approval, the new subsidiary will form the foundation for our geographical expansion plans in Mainland China. We very much look forward to leveraging our differentiated model and help millions more Chinese families live Healthier, Longer, Better Lives.

Onto our emerging ASEAN markets: Vietnam, Indonesia and the Philippines. Our business in Indonesia returned to growth in the second half, helped by a strong result from our partnership with BCA. We delivered excellent performances from our businesses in Vietnam and the Philippines, with both agency and partnership distribution growing strongly. In all three markets we are making good progress with quality recruitment programmes in agency.

I talked about Tata AIA Life, our Indian JV, at the interim results. We have an excellent partner with Tata Sons, the country's pre-eminent conglomerate. Tata AIA Life is the market leader in pure retail protection sales and our agency productivity is the best in the industry. I am excited about the progress we have made so far and believe that our efforts are positioning Tata AIA Life to capture the significant long-term growth opportunities in India. You will hear more about the potential of these growth markets throughout the presentation this morning.

Now turning to slide 9. AIA's long track record of delivery has been built on our consistent focus on executing our strategic priorities. Despite near-term headwinds, AIA has continued to deliver growth in all our key metrics in 2019. These results reflect the tremendous hard work from all of our exceptional teams across the Group.

Now over to Garth, who will take you through the financial details. Garth.

Garth Jones, Group Chief Financial Officer:

Thanks Keng Hooi and good morning everyone.

I will start with slide 11. AIA's financial performance in 2019 demonstrates our continuing ability to deliver growth across all our key financial metrics. VONB grew by 6 per cent to over 4.1 billion dollars. EV operating profit of 8.7 billion dollars increased by 6 per cent, reflecting VONB growth and the comparative opening EV. Operating ROEV remained strong while declining slightly to 15.9 per cent, and EV equity increased 12 per cent to nearly 64 billion dollars. OPAT was up 9 per cent to 5.7 billion dollars, with operating ROE of 14.4 per cent. Shareholder's allocated equity increased by 15 per cent to 42.8 billion dollars after the payment of nearly 2 billion of dividends, driven by the increased operating result and positive mark-to-market movements in our equity portfolio. Underlying free surplus generation increased by 13 per cent to 5.5 billion dollars, and the AIA Co. solvency position remained strong after the impact of the CMLA acquisition in Australia.

Based on the strength of these results within the context of the macroeconomic and capital markets environment, while also reflecting our financial resilience and our confidence in the Group's prospects, the Board has recommended an increase of 10 per cent in the final dividend to 93.3 Hong Kong cents per share. This brings the total dividend per share in 2019 to 126.6 Hong Kong cents per share, up 11 per cent on 2018. The Board continues to follow our prudent, sustainable and progressive dividend policy while retaining the financial flexibility to fund future growth.

These resilient financial results reflect AIA's continuing focus on executing our strategic priorities while exercising financial discipline to generate attractive returns. As usual, I will now provide more detail in the three areas of growth, earnings, and capital and dividends, starting with growth on slide 13.

AIA's portfolio of businesses enables us to capitalise on the attractive growth opportunities that are available across Asia-Pacific. Keng Hooi has already noted that our Hong Kong business reported a 5 per cent decline in VONB. AIA China continued its strong track record of growth with a 27 per cent increase and, for the first time, delivered over 1 billion dollars of VONB in a year.

AIA Thailand delivered 6 per cent growth, as we continued to benefit from the FA agency transformation and strong momentum in our long-term partnership with Bangkok Bank.

Our business in Singapore was flat overall, as lower single premiums in the high net worth segment were balanced by growth in regular premium sales. The new quality recruitment programme in Malaysia helped deliver solid agency growth, and the business reported 7 per cent growth overall.

Our Other Markets achieved a very strong result with 27 per cent growth, the largest contributions to growth coming from our businesses in Vietnam, the Philippines and Australia. In 2019 we have included our 49 per cent share of the VONB of Tata AIA Life in India for the first time. Excluding India and its growth of 66 per cent, Other Markets growth was very strong at 18 per cent. Our Other Markets have now grown to be larger than AIA Thailand and our third-largest geographic segment.

Overall, the collective performance from our 18 businesses has delivered another year of VONB growth for the Group.

AIA's unique portfolio of businesses, diverse products and high-quality distribution enable us to deploy capital at highly attractive rates of return and optimise long-term shareholder value. Slide 14 shows that annualised new premiums increased to 6.6 billion dollars, with more than 90 per cent of ANP sourced from regular premium business. ANP grew by 12 per cent for the Group excluding Hong Kong. VONB margin increased by 2.9 percentage points to 62.9 per cent. The increased margin was primarily driven by assumption changes and other, with around half of the increase here from the positive effect of the tax rule change in Mainland China, a similar picture to the interim results.

New business margin on a PVNBP basis improved from 10 per cent to 11 per cent, driven by higher margins in both our participating and traditional protection business. Our continued focus is on growing total VONB and, as I have said many times, we do not target volume or margin alone.

Slide 15 shows the movement in EV equity during the year. VONB growth levels and a comparative opening EV impacted by the stock market fall in 2018 resulted in an EV operating profit increase of 6 per cent to 8.7 billion dollars, and operating ROEV remained strong at 15.9 per cent. Operating variances remained positive and contributed 634 million dollars. Other non-operating items added nearly 1 billion dollars and included currency translation effects. Overall, our EV equity increased by 7.7 billion to 63.9 billion, after the payment of shareholder dividends of nearly 2 billion dollars. Our closing EV equity is shown after a deduction of 6.4 billion for additional consolidated reserving and capital requirements and the present value of unallocated Group office expenses.

Moving on to slide 16, AIA's continuing positive operating experience reflects the quality of our in-force business and confirms the appropriateness of our EV assumptions. Mortality and morbidity claims experience remained positive, as was also the case for persistency and expense variances, reflecting both our pricing discipline for new business and the proactive management of our existing book. Our EV results continue to demonstrate the prudence in our operating assumptions; overall, cumulative operating variances since our IPO have added more than 2.6 billion dollars to EV.

Turning to slide 17 and our interest rates basis, AIA's EV methodology uses spot market yields and trends over time to our long-term assumptions. Our long-term assumptions smooth out short-term volatility; however, you will recall that at the interim results I noted we would likely lower our assumptions at year end if the lower interest rate environment persisted. As such, we have reduced our long-term assumptions in several markets, and our weighted rate was in line with forward rates at 31st December 2019. As interest rates have moved markedly lower in some markets during the first months of 2020, we may lower our assumptions again and – depending on how circumstances develop – could potentially make adjustments at the interim rather than at the full year, as has been our practice since IPO.

We are not immune to short-term market volatility; however, our EV sensitivities are small and demonstrate the resilience of the Group's EV. To provide further context, we have estimated the EV based on the recent extremely low levels of interest rates, using a parallel downward shift in both spot rates and our long-term assumptions. For US rates, we used a reduction of 140 basis points at all durations since year end, resulting in a spot yield of 50 basis points for the 10-year treasury bond and a spot yield of 100 basis points for the 30-year. On this basis, the EV would fall by less than 7 per cent.

We continue to actively re-price new business to reflect the changing environment and make adjustments to our pricing assumptions in light of current expectations of future experience, both economic and operating. As with our operating variances, our cumulative investment return variances since IPO are also positive, at 850 million dollars.

Slide 18 clearly demonstrates that over many years we have progressively built a strong long-term track record by delivering sustainable, profitable growth at increasing scale, the compounding effect of which means that VONB in 2019 was more than six times the result in 2010.

Next, earnings, and I will turn to our IFRS results on slide 20. OPAT increased by 9 per cent to 5.7 billion dollars. This growth reflects the 13 per cent increase in total weighted premium income, offset by the unfavourable effects of lower interest rates, higher medical claims and operating expenses. Our expense ratio overall increased slightly to 7.3 per cent, mainly driven by higher expenses in Australia and New Zealand, where the expense ratio is above the group average.

Slide 21 shows the breakdown of our OPAT and demonstrates the benefit of our geographic diversity at scale across the region. AIA Hong Kong delivered 6 per cent OPAT growth to 1.9 billion dollars, as underlying business growth was partially offset by the impact of lower interest rates in the second half, particularly on participating business.

OPAT from our business in Thailand grew by 3 per cent. Greater scale of the business and improved persistency were offset by adverse medical claims experience and a further fall in interest rates in the second half. AIA China's OPAT increased by 28 per cent and exceeded 1 billion dollars for the first time. Growth in the size of the businesses in Malaysia and Singapore resulted in increased OPAT, despite higher medical claims in Malaysia and continuing pressure on the profitability of our HealthShield portfolio in Singapore. Finally, Other Markets delivered 2 per cent higher OPAT, as increased earnings due to strong new business growth were offset by a deterioration in operating experience in South Korea and higher operating expenses in Australia, as I mentioned earlier. In aggregate, OPAT grew by 9 per cent in 2019, with each of our reportable market segments delivering positive growth.

I mentioned that Hong Kong participating business saw a significant impact from lower interest rates, amplified due to the basis of our current IFRS 4 accounting policy for this business, as I will now explain. The current treatment estimates the level of policyholder bonuses based on return expectations at the point of sale and maintains bonuses at this level when evaluating liabilities in all future periods, despite interest rates and policyholder bonuses changing over time. We are looking at enhancing our accounting policy at the interim results to better reflect the economic position, bringing it more in line with market practice and our treatment of segregated participating business. There is more explanation on slide 62 in the presentation appendix.

On the next slide, slide 22, as usual the movement in shareholders' allocated equity is shown before the IFRS accounting treatment of AFS bonds. Allocated equity does, however, allow for other market movements. The increase in allocated equity reflects our solid growth in operating profit, positive mark-to-market impacts on equities, and positive foreign exchange movements, partly offset by the payment of shareholder dividends. A one-time adjustment was made for the initial adoption of IFRS 16, which added 482 million to opening IFRS equity. Without this adjustment, ROE would have slightly increased. Overall, allocated equity was up 16 per cent over the year.

Onto slide 23. Our financial discipline over time has delivered increasing returns on equity on both an EV and IFRS basis. Progressively higher EV operating profit has driven ROEV up 440 basis points since IPO, even as our EV equity has grown to be 2.6 times higher. The same increasing trend can be seen for OPAT and ROE, while shareholders' allocated equity has more than doubled. These charts clearly demonstrate the highly attractive financial dynamics and underlying quality of our business.

Finally, capital and dividends. Moving from left to right on slide 25, we took control of Commlnsure Life in November with a net reduction of 1 billion dollars in our free surplus, as I guided previously. Underlying free surplus generation increased by 13 per cent to 5.5 billion dollars, reflecting further growth in the business and continuing proactive management of the in-force. As with the expected return on opening EV, underlying free surplus generation for 2019 uses start-of-period investment return assumptions and will reflect the changes to long-term assumptions made at the end of 2019 in the first half of 2020. New business investment of 1.5 billion dollars was 2 per cent lower than 2018, as the new business strain effect of increased sales volumes was balanced by the impact of the tax rule change in Mainland China. Investment return variances, exchange rates and other items were negative 0.6 billion dollars in aggregate. After the 2 billion payment for increased shareholder dividends, the closing free surplus was 14.9 billion dollars.

I have said consistently that we hold free surplus to enable investment in new business, take advantage of inorganic opportunities, and absorb the effects of capital market stress. The significant fall in government bond yields in 2019, and further decline in 2020, are an example of such stress. We have provided more detail of the effect of investment return variances and other to highlight the impact from lower interest rates, particularly in respect of AIA Thailand and AIA Hong Kong under the Hong Kong Insurance Ordinance. This was partly offset by a net positive from mark-to-market gains on equities and other items. I would note that persistent very low interest rates could slow free surplus emergence and remittances from some of our businesses.

While the recent drop in US government bond yields has had an impact on our free surplus position, the Group remains financially strong. As at today, the solvency ratio of AIA Co. remains above 300 per cent, and all our businesses meet their prescribed regulatory capital requirements. Overall, and after the acquisition of CMLA, free surplus was up slightly over the year.

Slide 26 provides an update as to the changing capital framework in Hong Kong, which I outlined at the interim results. Our Group supervisor, the Hong Kong Insurance Authority, intends to make two major changes that will affect our regulatory capital position. First, the HKIA will introduce a formal group-wide supervision framework for Hong Kong-based multinational insurance groups such as AIA. We still expect that this will become effective in July 2020. Second, the HKIA is also working to replace the existing HKIO solvency requirements with a risk-based capital framework. The HKIA has recently indicated that the new Hong Kong RBC basis is now expected to be tabled to the legislature in 2022. We estimate that we will first report on this basis in 2024, later than I mentioned at the interims. While this changing capital landscape and extended timeline creates uncertainty, we remain confident of the Group's capital strength and our strong solvency position.

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, as shown on this slide and the next slide, slide 28.

The Board has recommended an increase in the final dividend to 93.3 Hong Kong cents per share, bringing the total dividend for 2019 to 126.6 Hong Kong cents per share, up by 11 per cent over 2018. The increase considers the strength of these results within the context of the macroeconomic and capital markets environment, whilst also reflecting our financial resilience and our confidence in the Group's prospects.

In conclusion, on slide 29, the Group's results in 2019 reflect a very strong first half, impacted in the second half by external factors, particularly in Hong Kong. We delivered growth in all our main financial metrics and we remained financially strong. We continued to invest capital in high quality business with attractive returns and continued to grow VONB. IFRS operating profit increased further and benefited from the effects of additional scale and geographic diversification. Underlying free surplus generation rose 13 per cent, enabling us to finance new business growth and a further 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, Hak Leh, Bill and Fisher, who will cover progress in their respective businesses.

Jacky Chan, Regional Chief Executive:

Thank you, Garth.

Good morning everyone. I am very pleased to be here today to present AIA Hong Kong's full year results, as well as an update on our response to COVID-19 in Hong Kong. I will also share with you an overview of our Group's Premier Agency strategy and the performance of its regional roll-out. Let me first take you through the full year results from Hong Kong, if you can please refer to slide 31.

While AIA Hong Kong delivered very strong 19 per cent VONB growth in the first half, the impact of the social unrest in the second half drove a 5 per cent reduction in VONB for 2019. Our business was supported by double-digit growth in VONB from our domestic customers, but this was offset by a decline in VONB from the Mainland Chinese visitor customer segment in the second half of 2019, which broadly tracked the reduction in visitor arrivals to Hong Kong. ANP decreased by 11 per cent to 2.4 billion dollars, while VONB margin increased to 66.1 per cent, driven by enhanced profitability in our long-term savings and protection products.

This year we launched a series of marketing initiatives to promote protection products, and this focus on protection was also supported by AIA Vitality integrated products, which saw more than 25 per cent VONB growth during the year.

Our agency channel delivered positive VONB growth in 2019, demonstrating the quality of our people and the execution of our Premier Agency strategy against a challenging market backdrop. Our quality recruits and active agents continued to grow throughout the year, and we launched AIA Smart, a digital platform that helped improve user experience and enhance agent productivity.

VONB from our partnership distribution reported double-digit growth in the first half, but then experienced a substantial decline in the second half of 2019 due to lower sales from the Mainland Chinese visitor customer segment and increased competition in the retail IFA channel.

Now let me give you an update on the latest COVID-19 situation for AIA Hong Kong, if you could refer to slide 32. In the current quarter, we see that people in Hong Kong are generally avoiding public places and are reluctant to conduct face-to-face meetings as a result of COVID-19. We have also observed a slump in retail and business activities, with additional impact from Mainland China's suspension of the Individual Visit Scheme to Hong Kong and Macau effective 29th January. Hong Kong's average daily arrivals from Mainland China dropped by 98 per cent year-on-year in February, with a direct impact on our sales in our Mainland Chinese visitor customer segment. Sales to our domestic customers have been constrained, given the reluctance to meet in person.

It is critical that we help our agents succeed during these temporary challenges and we have proactively taken a number of supportive measures, such as activating iAgency, which increases digital engagement of our agency force by allowing our agents to conduct online recruitment, training, financial review and after-sales services, as well as remote signature and one-time-password submission. We have temporarily relaxed the performance requirements for our agents.

We also welcome positive relief measures enacted by the HKIA in light of the health concerns from COVID-19. These include temporary measures in the selling process of tax-deductible Voluntary Health Insurance Scheme and Qualifying Deferred Annuity Policy products in order to minimise face-to-face meetings between insurers and their clients.

At AIA Hong Kong, we always prioritise the well-being and safety of our customers and the broader community. As a result, we have extended extra coverage to our customers by launching free enhanced protection benefits, one-off lump sum diagnosis benefit, and a waiver for the usual 30-day waiting period. We are also offering complementary one-off lump sum diagnosis and death benefits for frontline cleaning workers who are dedicated to safeguarding the health of our community.

As we face these uncertain times together in Hong Kong, I want to reiterate our commitment to our community, our customers, employees, partners and agents. The importance of our agency channel in Hong Kong cannot be overstated, and earlier I mentioned some of the ways we are supporting our agency force during these near-term challenges. Needless to say, AIA is also continuously dedicated to supporting our agency's long-term success, and I would like to now take you through what we have accomplished during our Group's agency transformation and how our Premier Agency strategy has developed throughout the region. If you could please turn to slide 33.

AIA's proprietary tied agency remains our primary distribution channel and a core growth engine for the Group. Our differentiated Premier Agency strategy is a key competitive advantage for AIA, and its success is underpinned by an end-to-end agent-customer value chain whereby we begin by recruiting high-calibre talent and providing agents with bespoke training and clear career development pathways. We then leverage extensive performance management to further enhance the professionalism and quality of our agency force and improve engagement with customers. We also continuously invest in digital technology that provides effective support for our agents and agency leaders across all of their key activities, such as customer acquisition and servicing, in order to provide best-in-class customer experience.

In 2011, AIA Hong Kong was our first market to launch the quality recruitment programme, closely followed by AIA China in 2013 and then AIA Singapore in 2016. Since then, we have rolled out these programmes regionally to our businesses in Thailand, Malaysia, Vietnam, Indonesia and the Philippines. Since 2010, our number of active agents has more than doubled and their productivity increased 2.7 times. These results are a testament to our focus on quality recruitment, use of digital tools to enhance agents' activities, and overall commitment to our differentiated Premier Agency strategy.

In closing, I am pleased to share with you the results of our resilient Hong Kong business, as well as the success of and our long-term commitment to the Premier Agency strategy. Thank you very much, and now let me hand over to Hak Leh.

Tan Hak Leh, Regional Chief Executive:

Thank you, Jacky, and good morning everyone. I will cover the performance of AIA Singapore and AIA Malaysia, and provide you with a brief update on the progress we have made in AIA Myanmar, the Group's newest business unit. Please refer to slide 35.

AIA Singapore delivered 352 million dollars of VONB in 2019, with a stable VONB margin of 65.5 per cent. Overall growth in regular premium business was offset by lower single premium sales from the partnership distribution channel. In 2019, and for the fifth consecutive year, our agency channel maintained its market leadership, with the largest number of MDRT-registered members in Singapore. We also delivered a healthy increase in number of active agents, contributing to modest VONB growth. We remain committed to our Premier Agency strategy, continuing to focus on quality recruitment, professional career development, and investment in next-generation integrated digital platforms.

Our strategic partnership with Citibank delivered double-digit VONB growth. This growth was supported by an increase in both the number and productivity of insurance specialists serving the mass affluent and retail customer segments.

We saw a decline in single premium high net worth business, especially from our non-exclusive channels, due to intense market competition as we maintained our prudent pricing discipline while focusing on enhancing our product propositions and quality customer service.

In 2019 we launched an innovative bespoke wealth solution which offers a combination of high protection and exclusive access to a select group of leading institutional asset managers. We also launched two critical illness products with first-in-the-market features; the first covers mental illness, and the second provides comprehensive protection across all stages of critical illness, starting from the diagnosis of chronic conditions.

As part of our roadmap towards a seamless customer digital experience, we rolled out a next-gen app which fully integrates our customer portal with the AIA Vitality programme. Since launch, this has been very widely adopted.

Now moving on to AIA Malaysia on slide 36. Our business in Malaysia continued to deliver positive results in 2019, with VONB growth of 7 per cent. Our focus on transforming the agency channel has delivered strong results, with double-digit VONB growth. We implemented a new quality recruitment programme in 2019 which accounted for half of total new recruits. Quality recruits are two times more active than standard new recruits, contributing to excellent overall VONB growth from new agents in 2019.

Our strategic partnership with Public Bank delivered strong double-digit VONB growth from in-branch distribution, supported by an increase in the number of active insurance specialists. However, partnership distribution growth was offset by lower direct marketing sales due to a decline in consumer confidence for telemarketing.

Our Takaful segment continued to perform well, with double-digit VONB growth driven by strong credit life sales from the bancassurance channel.

AIA Malaysia continued to strengthen our product propositions in 2019. We introduced a first-in-the-market mental health benefit to further enhance our award-winning innovative health rider. We also launched personal medical case management services through our regional partnership with Medix. Our award-winning AIA Vitality programme continues to expand rapidly, with membership increased by over 40 per cent in 2019.

Now let me update you on our newest market, AIA Myanmar. In November 2019 AIA was granted a licence to operate a life insurance business through a 100 per cent wholly-owned subsidiary. We have made good progress on building a multi-channel distribution platform, with a strong pipeline of agency recruits and an exclusive long-term strategic partnership with AYA Financial Group and Max Myanmar Group. We are delighted with a promising start in Myanmar, a market with immense long-term potential.

In closing, as a market leader in both Singapore and Malaysia with superior distribution channels, comprehensive product propositions and a focus on delivering quality service to our customers, we remain confident that AIA is uniquely positioned to capitalise on the long-term growth potential of these markets and to deliver our brand promise of helping our customers live Healthier, Longer, Better Lives.

With that, I will now hand over to Bill for his updates.

Bill Lisle, Regional Chief Executive:

Thank you, Hak Leh, and good morning everyone. Let me update you on the progress we have made in Thailand, our Other Markets, and India. Please refer to slide 38.

AIA Thailand delivered 6 per cent VONB growth, supported by strong sales momentum from both the Financial Advisor Programme and our exclusive partnership with Bangkok Bank. Our FA Programme continues to transform the quality and professionalism of our market-leading agency force. In 2019, FA represented 15 per cent of our total agents in Thailand, however contributed more than 30 per cent of total agency VONB. The activity ratio of our new FA agents is more than double that of our standard new agents, driven by our focused training and development programmes. We have also continued to focus on the productivity of our entire agency force, resulting in a further reduction in the number of less productive agents.

Our strategic bancassurance partnership with Bangkok Bank delivered very strong VONB growth, building on the successful launch of the partnership in 2018. The overall productivity for the partnership was supported by increased training of the in-branch insurance specialists, as well as bank staff across Bangkok Bank's nationwide retail network.

Our market-leading position in protection and unit-linked products was reinforced by the activation of our regional partnership with Medix, offering personal medical case management in the affluent customer segment.

Digitalisation has played a significant role in AIA Thailand's continued enhancement of its distribution, customer experience, and operational efficiency. In particular we added new e-payment options, which makes it easier for our customers to pay premiums and has also improved persistency.

Now onto our Other Markets on slide 39. Overall, we delivered very strong VONB growth of 27 per cent in 2019; hence, let me take you through some of the key highlights by market.

AIA Vietnam continued its strong track record of performance with excellent VONB growth. Agency delivered strong VONB growth by increasing productivity through a continued focus on our Premier Agency strategy. Our bancassurance channel more than doubled VONB as we increased the number of active insurance specialists in our strategic partnership with VPBank and our other domestic bank partners.

AIA Indonesia's overall VONB declined in 2019 as we continued focusing on transforming our agency. However, our business returned to growth in the second half, driven by the strong performance of our strategic partnership with BCA. New recruitment and activity management initiatives helped drive strong growth in the number of active in-branch insurance specialists.

Our business in the Philippines delivered excellent VONB growth from both our agency and bancassurance channels. Agency VONB growth was supported by a shift in product mix towards a new traditional protection product with comprehensive critical illness benefits, modelled on our flagship protection product in AIA China. Our joint venture with BPI also achieved very strong VONB growth, supported by double-digit growth in the number of active in-branch insurance specialists.

Now, please move to slide 40. AIA Australia and AIA New Zealand together delivered strong double-digit VONB growth, despite subdued customer sentiment and a decline in total premiums for the life insurance industry in Australia. In New Zealand, we took control of Sovereign in July 2018 and we will complete the final steps in our integration in the first half of 2020. We had strong VONB growth in the independent financial advisor channel and have launched AIA Vitality by integrating the programme into our new flagship protection products.

On 1st November 2019 we were pleased to announce the execution of our Joint Cooperation Agreement with CBA in Australia, which enables AIA to begin to manage and integrate CMLA and, as such, allows AIA to sell its products to CBA's extensive customer base. We also extended our bancassurance partnerships with CBA in Australia and ASB in New Zealand from 20 to 25 years.

AIA Korea's VONB decreased in 2019 despite positive growth in ANP, as margins fell in the direct marketing channel following a regulatory mandated re-pricing in the second quarter. We also launched a new digital direct channel aimed at accelerating insurance sales to AIA Vitality members from our strategic partnership with SK Telecom.

AIA Taiwan delivered very strong VONB growth, primarily driven by strong bancassurance sales which focused on offering insurance solutions that meet targeted customer needs for legacy planning and retirement.

Finally, in our Other Markets, I will now update you on the progress of our business in India; please refer to slide 41. Our JV in India delivered 66 per cent VONB growth. We have a diversified multi-distribution channel business, with the agency channel, our diversified portfolio of bank partnerships, and our broker relationships all contributing substantially to total ANP. The business differentiates itself in the Indian life insurance market with a protection-focused product strategy where in 2019 we maintained our industry-leading position in pure retail protection.

In addition, our agency force is the most productive in India. We are committed to continue growing a high-quality Premier Agency that, measured on ANP per agent, generates five times the productivity of an average agent in the industry. We are executing an end-to-end digitalisation strategy to deliver enhanced capabilities and services that increase digital submission, automate the underwriting process, and improve customer experience through self-service.

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 Fisher.

Fisher Zhang, AIA China Chief Executive Officer:

Thank you, Bill, and good morning everyone. I will update you on AIA China's progress in 2019, as well as our initiatives to help our people and communities in response to the recent outbreak of COVID-19. I will also provide more details of AIA China's differentiated health and well-being strategy. If you can please turn to slide 43.

In 2019 AIA China delivered a very strong performance, with 27 per cent increase in VONB. We continued to focus on executing our differentiated premier agency strategy through quality recruitment, best-in-class training, and our advanced digital support platforms. These initiatives drove a further double-digit increase in active agents and higher agent productivity. AIA Xiao You, our AI-chatbot, provided around 250,000 instant responses a month, dealing with 95 per cent of all agent enquiries.

We have made strong progress with our total health and well-being strategy, enhancing support to our customers across their entire healthcare journey. Our wellness programme was enhanced with enriched features and partners. We upgraded our flagship All-in-One protection product with expanded coverage and benefits, and we rolled out our hospital network, case management, and recovery support. We also launched innovative products embedded with closed loop end-to-end solutions of insurance protection with health and medical services.

In July 2019 we opened sales and service centres in Tianjin and Shijiazhuang, the capital city of Hebei. Early results are encouraging and our experience has been valuable as we plan for future expansion. Following the announcement of the further opening of Mainland China for foreign life insurers, we have applied to convert our Shanghai branch into a subsidiary; subject to regulatory approval, this will form the foundation for our geographic expansion plans and we continue our preparations for this opportunity. The sustained outperformance by AIA China in an industry context once again demonstrates that we have the right strategy, the right distribution and the right products to benefit from the structural growth drivers in Mainland China's life insurance market.

Moving to slide 44 and the COVID-19 outbreak. The spread of COVID-19 has impacted customer and business sentiment, and people are generally avoiding public places and face-to-face meetings. AIA China has implemented initiatives to support our customers, employees and agency force. While we cancelled the face-to-face agency activities for safety reasons, we rapidly enhanced our digital platforms to enable agent recruitment, training, as well as activity management to be conducted fully online. Our newly enhanced sales portal enables our agents to complete the entire selling process remotely for our key products. We have launched a series of customer engagement, agency recruitment and retention programmes to help maintain our agency momentum and retention.

Supporting our customers and communities is a priority. For confirmed COVID-19 cases, our customers are entitled to extra death benefits and our All-in-One policyholders are offered 30 per cent additional sum assumed. A new 'green service channel,' including special case management services, has been launched to support our customers. We provided free insurance coverage to volunteer medical workers in selected hospitals, and we donated medical supplies through our partnered charity organisations. We have also supported WeDoctor by funding their free online consultation services. AIA China, our staff and our agents are fully committed to supporting our communities and customers during these current tough times.

Next, I want to share some details of AIA China's health and well-being strategy and how this further differentiates our business. Please turn to slide 45.

AIA China has been expanding our customer proposition from protection-focused to total health and well-being by providing value-added support to our customers across their entire healthcare journey, from prevention, protection, to recovery. Our enhanced wellness programme offers a variety of health activities and rewards to engage registered members and to help them live a healthy lifestyle. At the end of 2019 we had over 500,000 members, and they have an upsell ratio more than two times that of non-members.

We launched our medical network at the beginning of 2019 to support our high-end customers, and we have already directly contracted more than 650 domestic and international providers in major cities with direct billing services. We provide dedicated services to them when they are in need, including a 24-hour hotline, priority appointment, claims services and personal case management. Our innovative products are tailored to specific customer needs, and leverage services from WeDoctor and other partners to support our customers throughout their individual medical and recovery journeys. We also rolled out our new chronic disease management platform to provide an expanded range of services for our group scheme members, including online consultation, diagnosis, prescription, medicine delivery, and claims.

In closing, I am pleased with the strong progress we have made in Mainland China and I am looking forward to continuing to capture the opportunities available to us. Thank you very much, and now let me hand back to Keng Hooi.

Ng Keng Hooi, Group Chief Executive:

Thank you, Fisher. I am now on slide 47.

I have said many times that AIA is not immune to market volatility and external shocks. While 2019 saw some headwinds, this morning you have heard that we have remained focused on executing our strategic priorities, supporting continued growth across our key metrics.

The first few months of 2020 have seen the emergence of the COVID-19 virus. Jacky and Fisher covered some of the initiatives to support our agents, our customers and our wider communities. Since late January, we have seen a significant impact on the Group's new business sales from reduced face-to-face meetings. AIA has successfully managed through many different economic cycles over the last century. AIA remains financially strong and, in 2019, we paid out more than 14 billion dollars in benefits and claims to our customers. We have the leading insurance brand in Asia, and we exist to support our customers when they need it.

While our business faces near-term challenges, we manage AIA for the long-term, to capture the tremendous opportunities available to us across Asia-Pacific; slide 48 reminds you of the powerful structural drivers that underpin AIA's continuing ability to deliver profitable growth over the long-term. Rapid urbanisation, increasing wealth, and low levels of private insurance continue to drive the substantial growth opportunities available for all of our businesses. Middle-class growth provides an additional and powerful structural driver; we are in the midst of a period where more than 1 billion people will enter the middle class across China, India, and our emerging ASEAN countries by 2025. These structural drivers across all of our markets will generate a rapidly growing need for professional advice, long-term savings, and protection.

Turning to slide 49, AIA is in a unique position to leverage this incredible Asian potential. We have 100 per cent ownership of nearly all of our businesses across Asia-Pacific, and our brand and financial strength benefit from our 100-year history. AIA's strategic priorities are fully aligned with the structural growth drivers across our markets. We have worked hard for decades to build our distribution platforms. Distribution is key, and the scale and quality of our platforms are sustainable competitive advantages for AIA.

You have heard today how we continue to strengthen and differentiate AIA using digital and value-added services. Our results to date are impressive – in 2019, VONB from both agency and partnership distribution was six times the VONB at IPO. Our businesses in Hong Kong and Mainland China each delivered more VONB than the entire Group in 2010, and our Other Markets segment has now surpassed Thailand.

While we are proud of these achievements, the scale of our future opportunity is immense and growing. All of AIA's 18 markets offer excellent prospects for delivering sustainable growth for our shareholders. However, I am particularly excited about our opportunities in Mainland China, emerging ASEAN and India, and AIA's platform enables us to take advantage of all these opportunities at scale.

In particular, we have unrivalled distribution strength, as shown on slide 50. The scale, quality and breadth of our distribution platform makes it very difficult to replicate. Proprietary agency remains our core distribution channel. You heard from Jacky about our ongoing drive to improve agency quality and how we leverage technology. This helps to ensure that our agents are able to meet the growing demands of our customers.

The agency is complemented by our expanding group of strategic partners, including some of the leading financial players in our markets. We have started a multi-year digital transformation of how we work with our strategic bank partners.

In spite of our excellent results since IPO, we are not complacent, and continue to focus on enhancing our capabilities. Across all of our markets, distribution is key to accessing the tremendous opportunities for profitable growth that are available to AIA.

Finally, slide 51. AIA is a unique company, in the right place at the right time. We have significant and sustainable competitive advantages, clear and aligned strategic priorities, and we continue to focus on execution.

AIA also benefits from an experienced and proven management team. Although I will soon be leaving that team, I am delighted to be passing the role of Group Chief Executive and President on to Lee Yuan Siong. Yuan Siong brings invaluable experience, skills and talent to AIA, and I am certain that he will drive the Group to new heights. He is here with us today, and I would like him to say a few words.

Lee Yuan Siong, Group Chief Executive and President Designate:

Thank you, Keng Hooi.

I am very excited to take on the role of leading AIA, a company which I have long admired. It is my job to take advantage of the immense opportunities in Asia. Today I will not talk about my vision for AIA, that is for later. After less than two weeks at AIA, it is already clear to me the depth of talent across the Group, and I am really looking forward to leading this incredible organisation.

Ng Keng Hooi, Group Chief Executive:

Thank you, Yuan Siong.

As you know, I will retire from my role as Group Chief Executive and President in May. I have been privileged to lead this remarkable Group for the past three years as we have continued building on our track record since IPO.

Our focus on executing our strategic priorities has enabled AIA to deliver continued growth across all of our key financial metrics in 2019. I am confident that AIA is ideally positioned and will continue to deliver long-term value for our shareholders as we help our millions of customers live Healthier, Longer, Better Lives.

Now over to you for questions.