

A grey silhouette of a city skyline is positioned at the top of the slide. It includes various architectural elements such as a tower with spheres, a tall spire, a dome, and several skyscrapers, including the Petronas Twin Towers.

## **2011 Results Presentation**

# **DELIVERING QUALITY GROWTH**

24 February 2012



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# Agenda



<b>Time</b>	<b>Presenter</b>	<b>Position</b>	<b>Topic</b>
<b>0930 – 0950</b>	<b>Mark Tucker</b>	<b>Group Chief Executive</b>	<b>2011 Group Review</b>
<b>0950 – 1010</b>	<b>Garth Jones</b>	<b>Group Chief Financial Officer</b>	<b>2011 Financial Results</b>
<b>1010 – 1030</b>	<b>Gordon Watson</b>	<b>Regional Chief Executive</b>	<b>Hong Kong and Korea</b>
	<b>Huynh Thanh Phong</b>	<b>Regional Chief Executive</b>	<b>Thailand and Malaysia</b>
	<b>Ng Keng Hooi</b>	<b>Regional Chief Executive</b>	<b>Singapore and China</b>
<b>1030 – 1040</b>	<b>Mark Tucker</b>	<b>Group Chief Executive</b>	<b>Delivering Quality Growth</b>
<b>1040 – 1130</b>	<b>Mark Tucker</b>	<b>Group Chief Executive</b>	<b>Q&amp;A</b>

# Delivering Quality Growth

- Record new business value growth
- Resilience in uncertain economic environment
- Execution of clear growth strategy
- Right platform, right priorities, right people
- Relentless focus on delivering quality growth

# 2011: Delivered Strong Financial Performance



	\$m	FY2011	FY2010	YoY	
Value	VONB	932	667	40%	↑
	VONB Margin	37.2%	32.6%	4.6 pps	↑
	ANP	2,472	2,025	22%	↑
	Embedded Value	27,239	24,748	10%	↑
IFRS Results	TWPI	14,442	13,013	11%	↑
	Expense Ratio	8.7%	8.8%	(0.1) pps	↑
	Operating Profit After Tax	1,922	1,699	13%	↑
	Net Profit	1,600	2,701	(41%)	↓
Capital & Dividend	Shareholders' Equity	21,313	19,555	9%	↑
	HKICO Solvency Ratio	311%	337%	(26) pps	↓
	Dividend per Share (HK cents)	33	n/a	n/m	↑

# 2011: Execution of Clear Growth Strategy



## **Distribution**

- Expanded Premier Agency and profitable partnerships

## **Product**

- Improved margins and mix with increased protection focus

## **Customer**

- Focused on customer experience to generate results

## **Organisation**

- Strengthened leadership with local empowerment

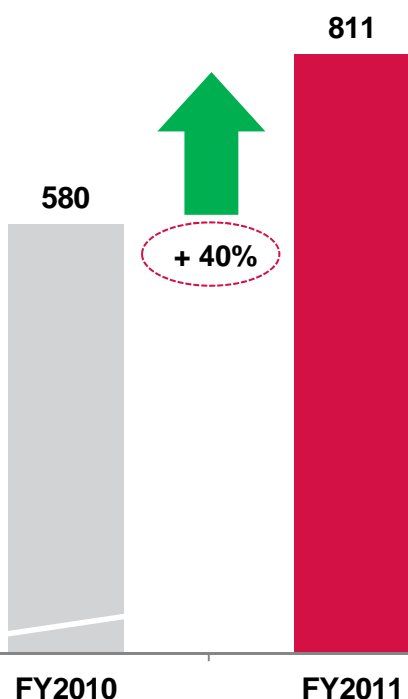
## **Financial**

- Created strong momentum and sustained capital advantage

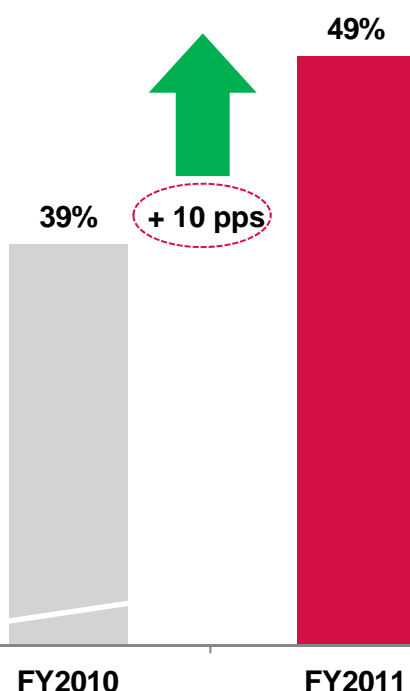
# Distribution: Premier Agency Delivery



## VONB<sup>(1)</sup> (\$m)



## VONB Margin



## Premier Agency

- Cornerstone distribution platform, 78% of total Group VONB
- Proprietary distribution with advantaged customer ownership
- AIA Premier Academy
- Quality recruitment and agency career development
- MDRT qualifiers up 25%; ranked number one<sup>(2)</sup> across Asia Pacific
- Exceptional platform for sustained growth

### Notes

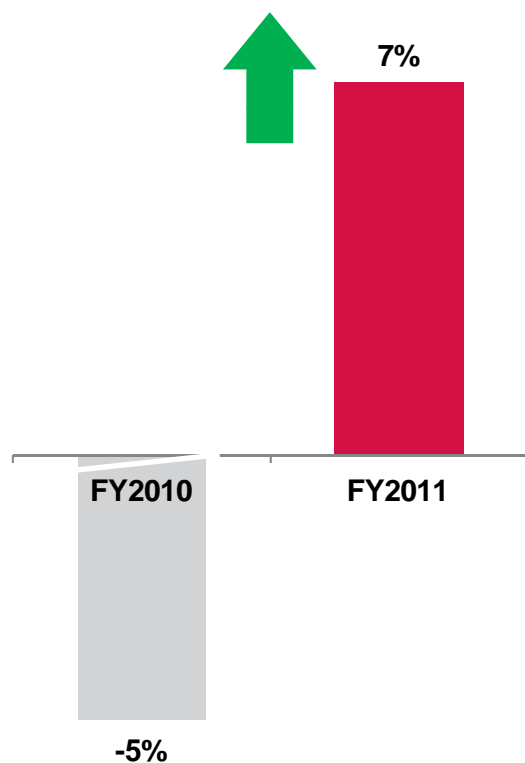
(1) VONB and VONB Margin by distribution are based on local statutory basis and exclude unallocated Group Office expenses and corporate pensions business

(2) For MDRT registered members, excluding India

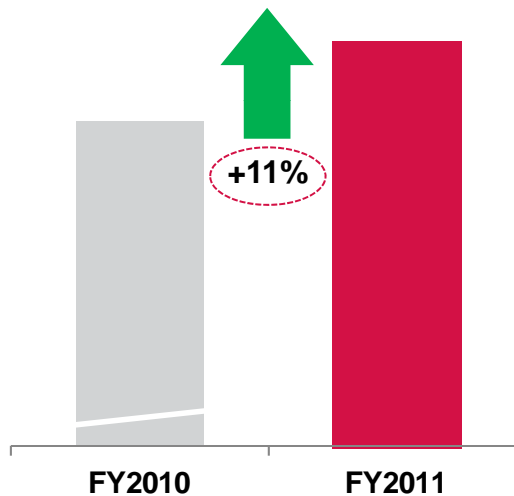
# Distribution: Premier Agency Quality



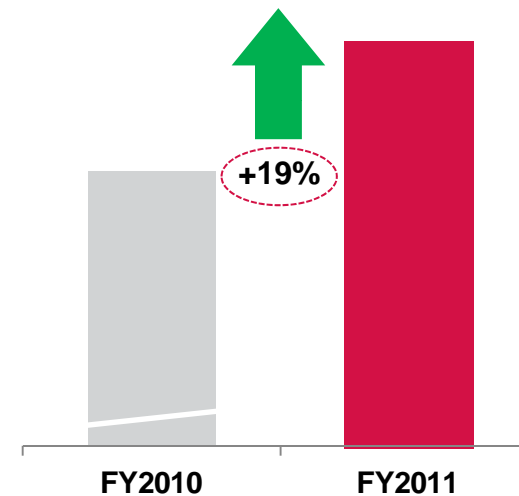
Active Agent Growth



Protection Cases Per Active Agent

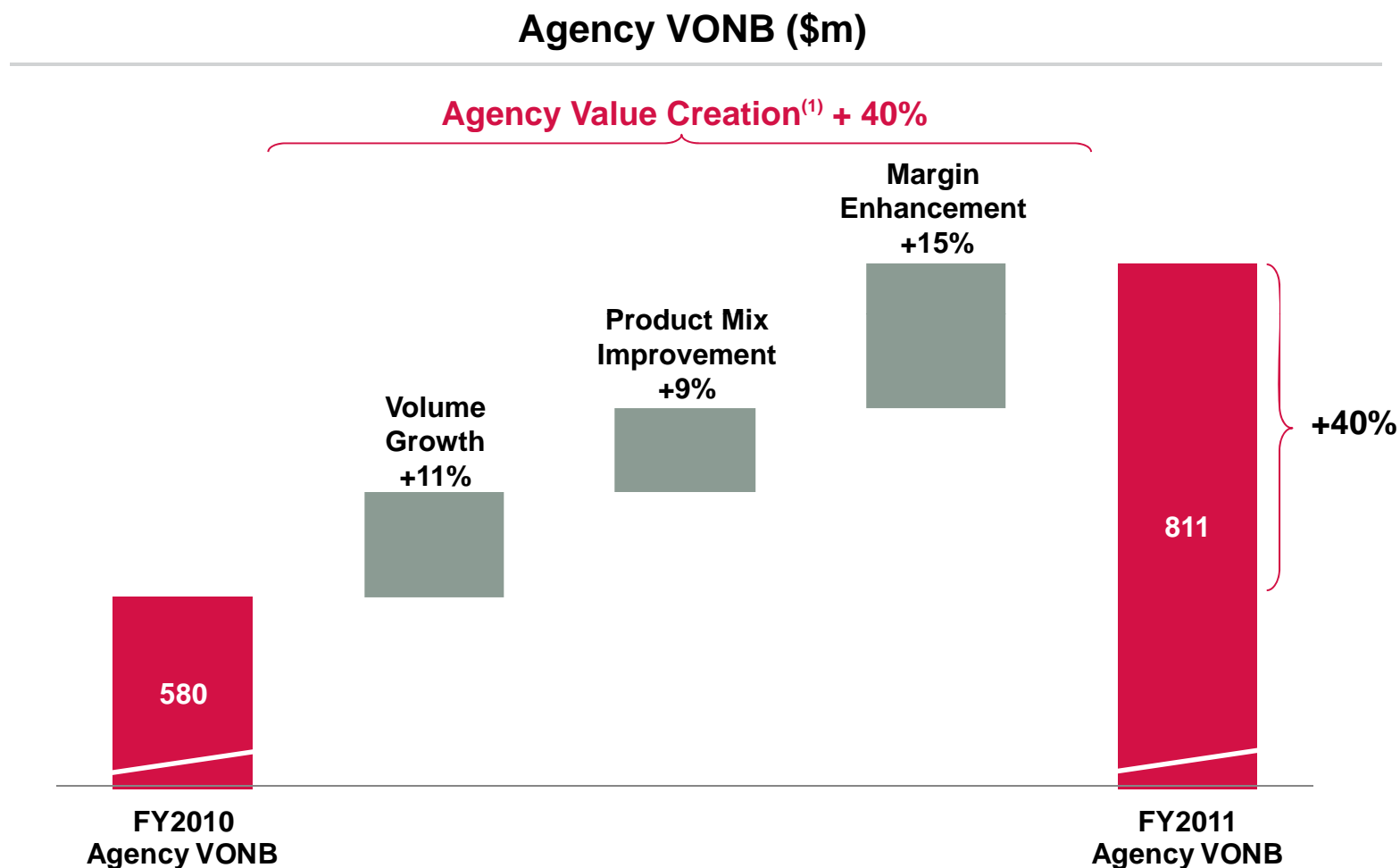


Agency Protection VONB Margin





# Distribution: Premier Agency Value Creation



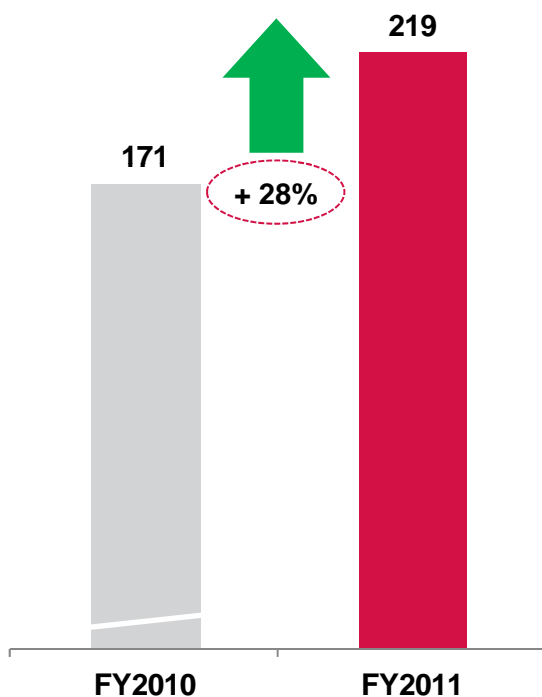
Note

(1) Value creation splits into volume growth, product mix improvement and margin enhancement are multiplicative

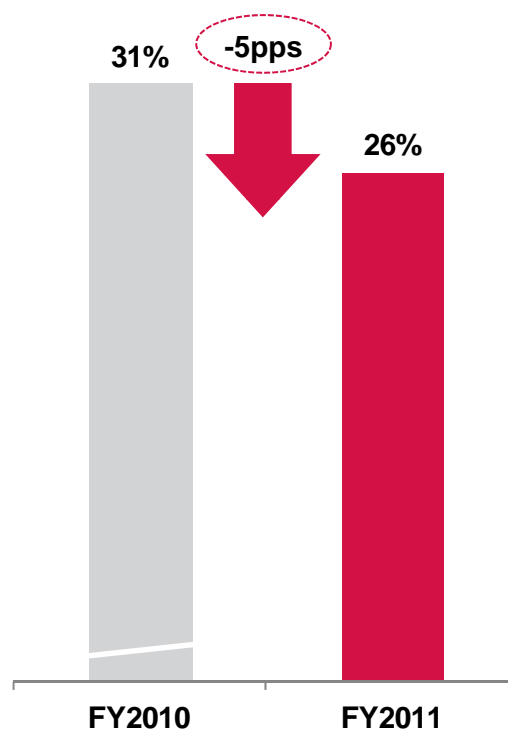
# Distribution: Profitable Partnerships



## VONB<sup>(1)</sup> (\$m)



## VONB Margin



## Partnership Expansion

- Strong performance focused on required returns
- New management and dedicated business unit put in place
- Single large Group scheme and tax charge reduced overall margin
- Bancassurance VONB up 16%<sup>(2)</sup>; margin at 23%
- Tightened DM links with partners and launched new relationships
- Increased Group Insurance focus, particularly SME

### Notes

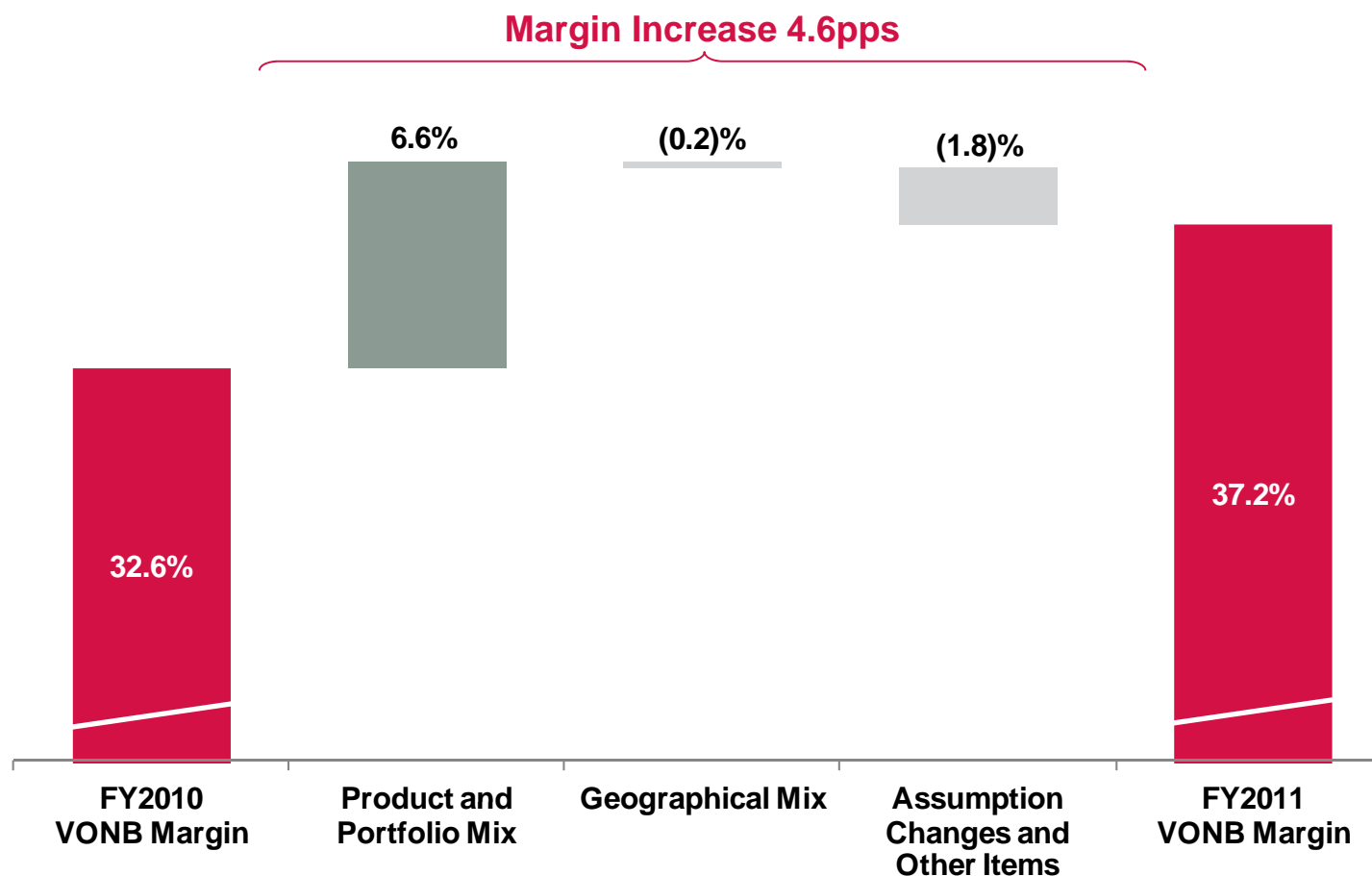
(1) VONB and VONB Margin by distribution are based on local statutory basis and exclude unallocated Group Office expenses and corporate pensions business

(2) Bancassurance VONB growth is presented before remittance tax for consistency

# Product: Focused on Profitability



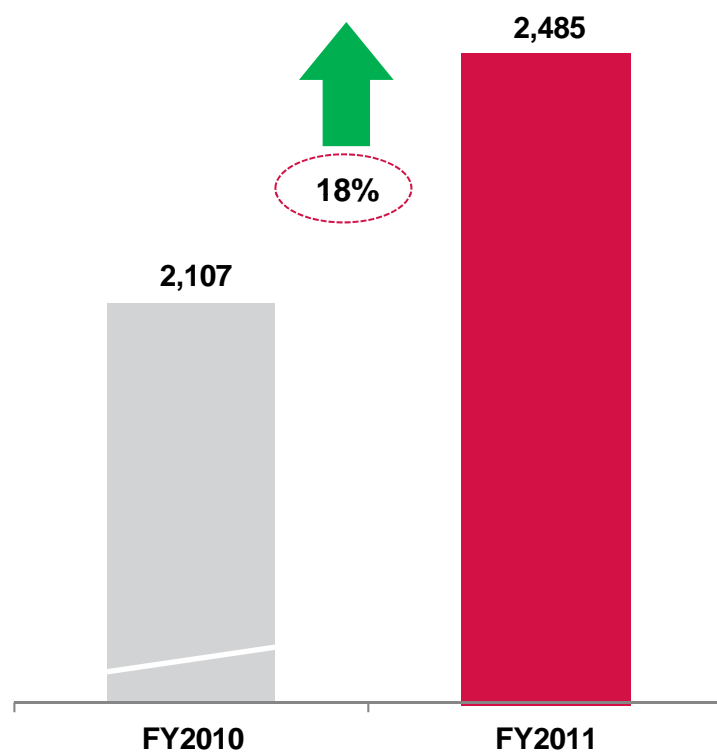
## VONB Margin Movement



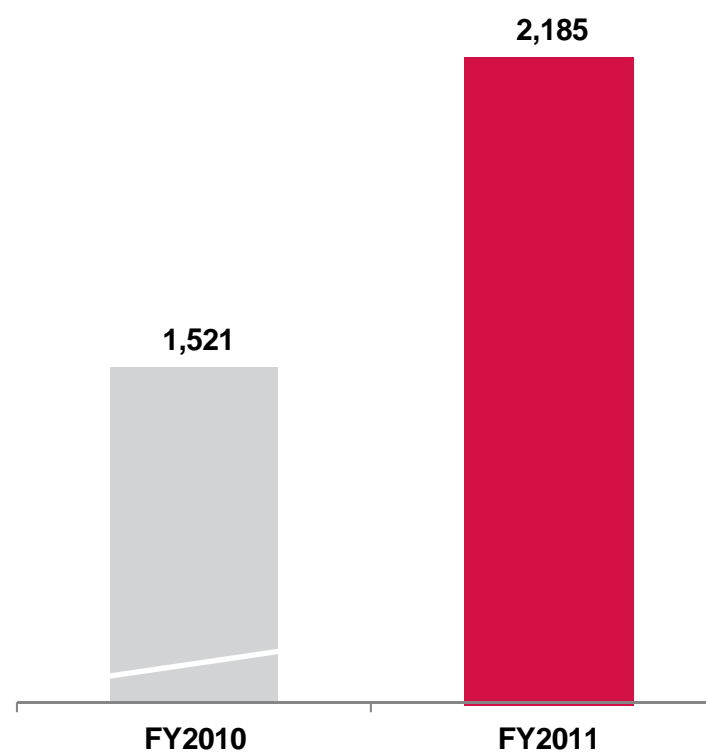
# Financial: Self-funded Growth



**Free Surplus Generated (\$m)**



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



# Delivering Quality Growth

- Record new business value growth
- Resilience in uncertain economic environment
- Execution of clear growth strategy
- Right platform, right priorities, right people
- Relentless focus on delivering quality growth



**2011 Group Review**

**Mark Tucker**

**2011 Financial Results**

**Garth Jones**

**2011 Country Review**

**Gordon Watson  
Huynh Thanh Phong  
Ng Keng Hooi**

**Delivering Quality Growth**

**Mark Tucker**

**Q&A**

# 2011 Financial Results



**Value Creation**

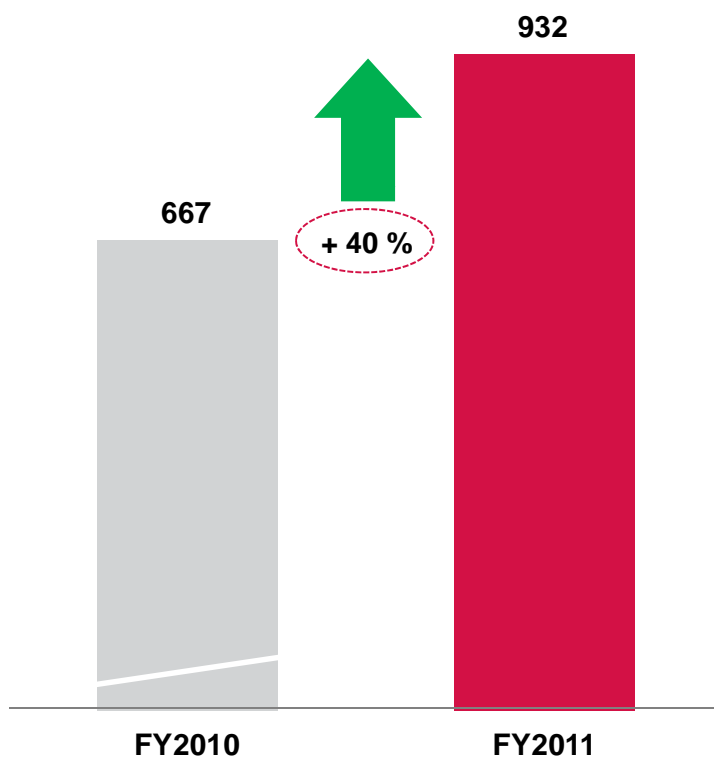
**IFRS Results**

**Capital and Dividends**

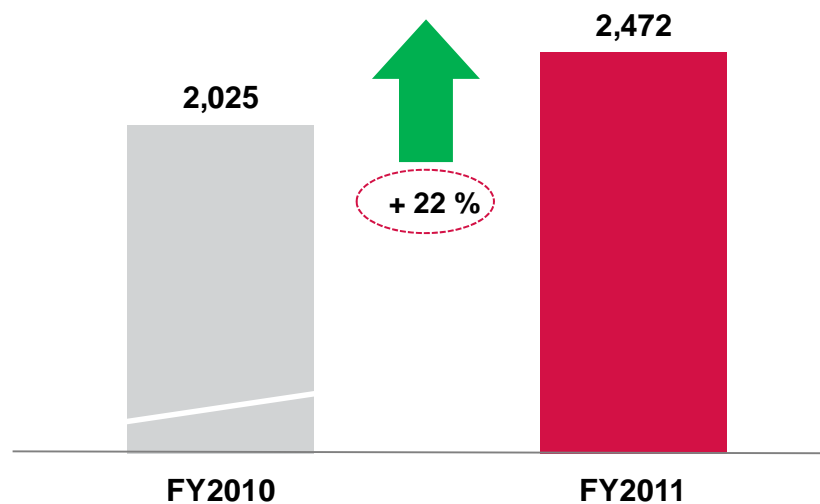
# Delivering Profitable Growth



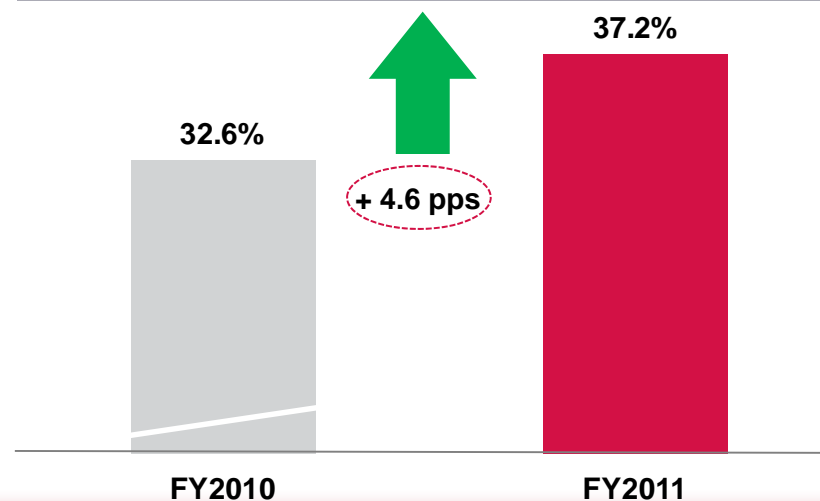
2010 vs 2011 VONB (\$m)



2010 vs 2011 ANP (\$m)



2010 vs 2011 VONB Margin

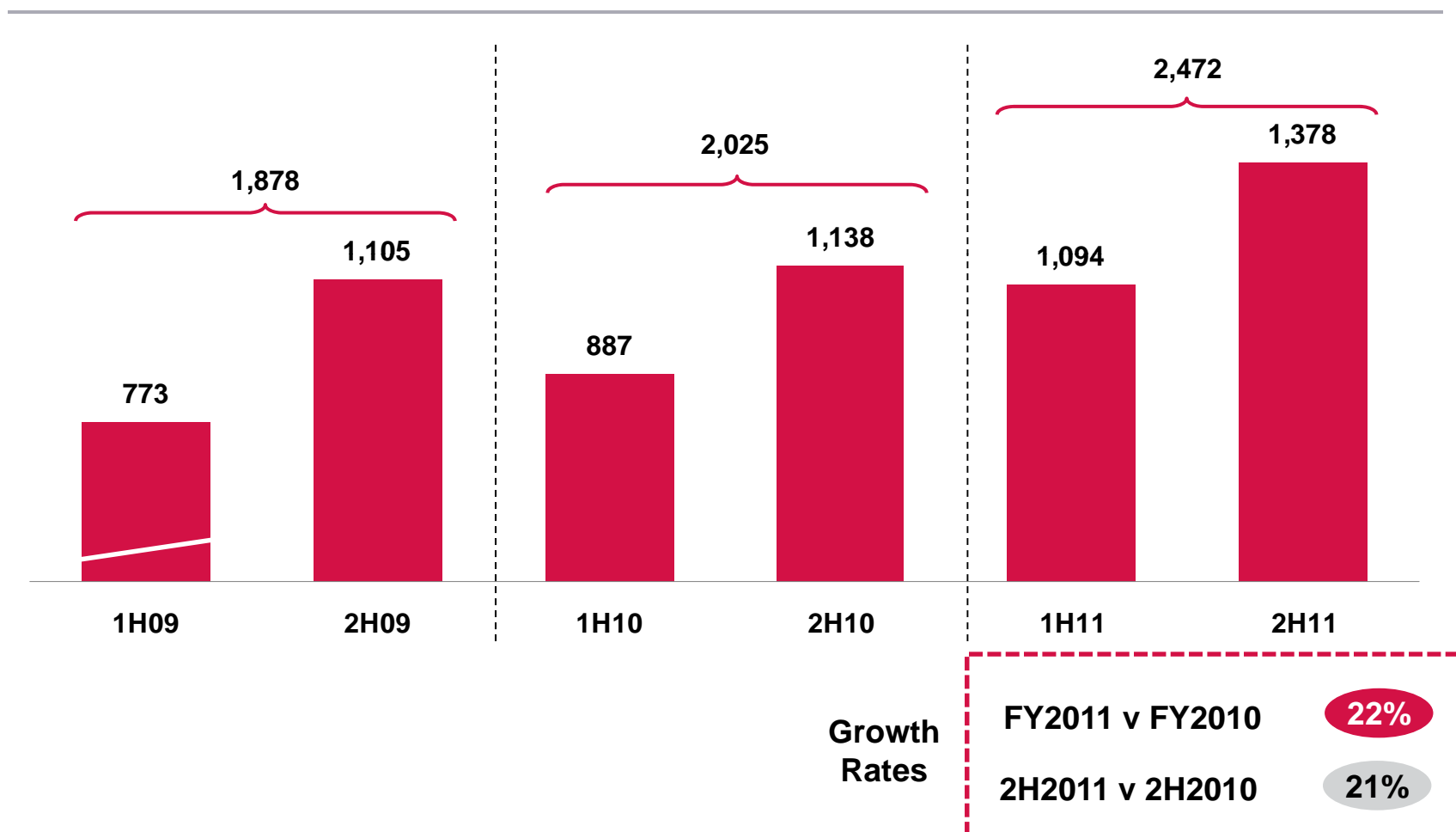




# Record ANP at \$2.5b



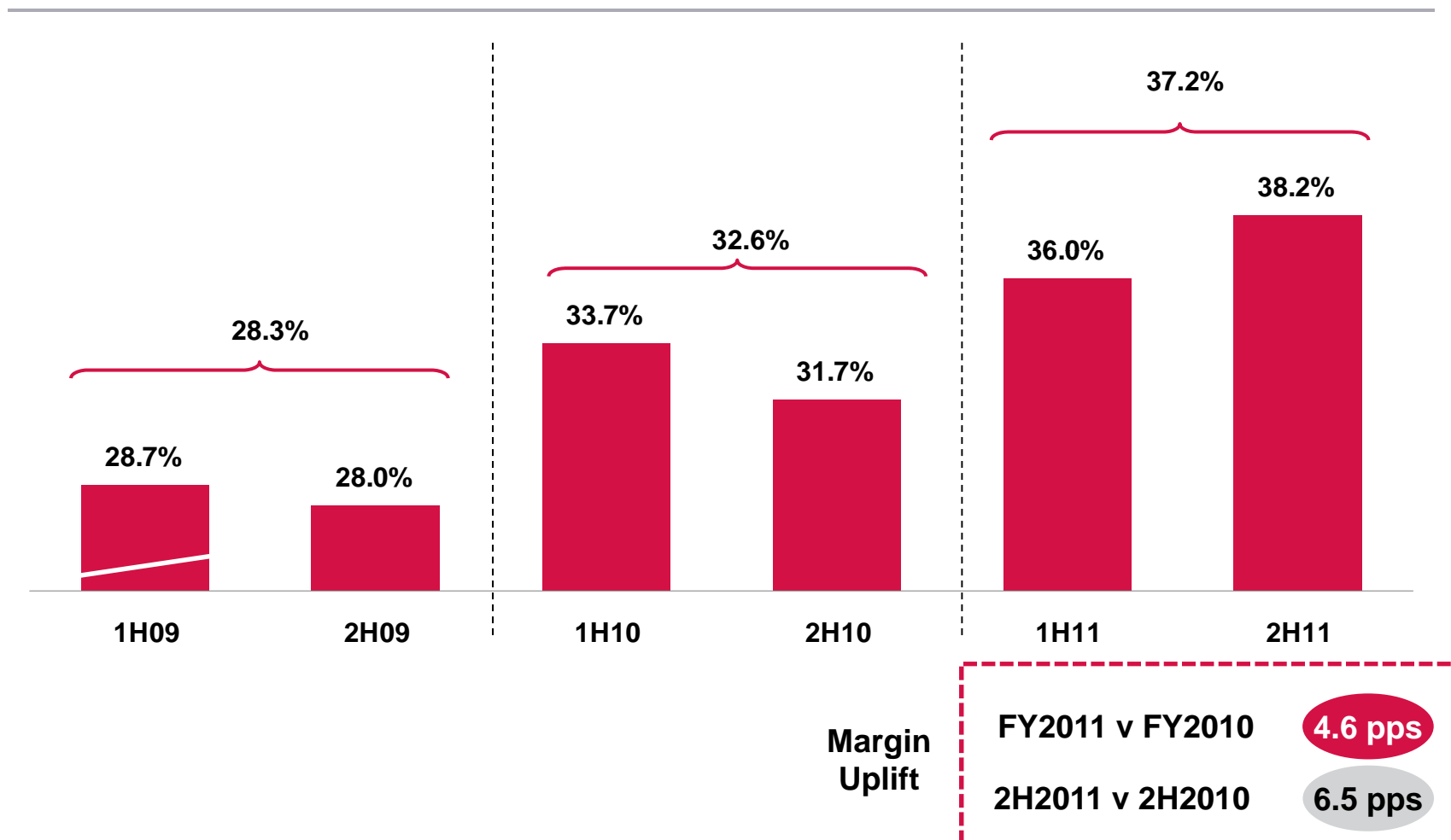
## Annualised New Premium (ANP) (\$m)



# Record Margin at 37.2%



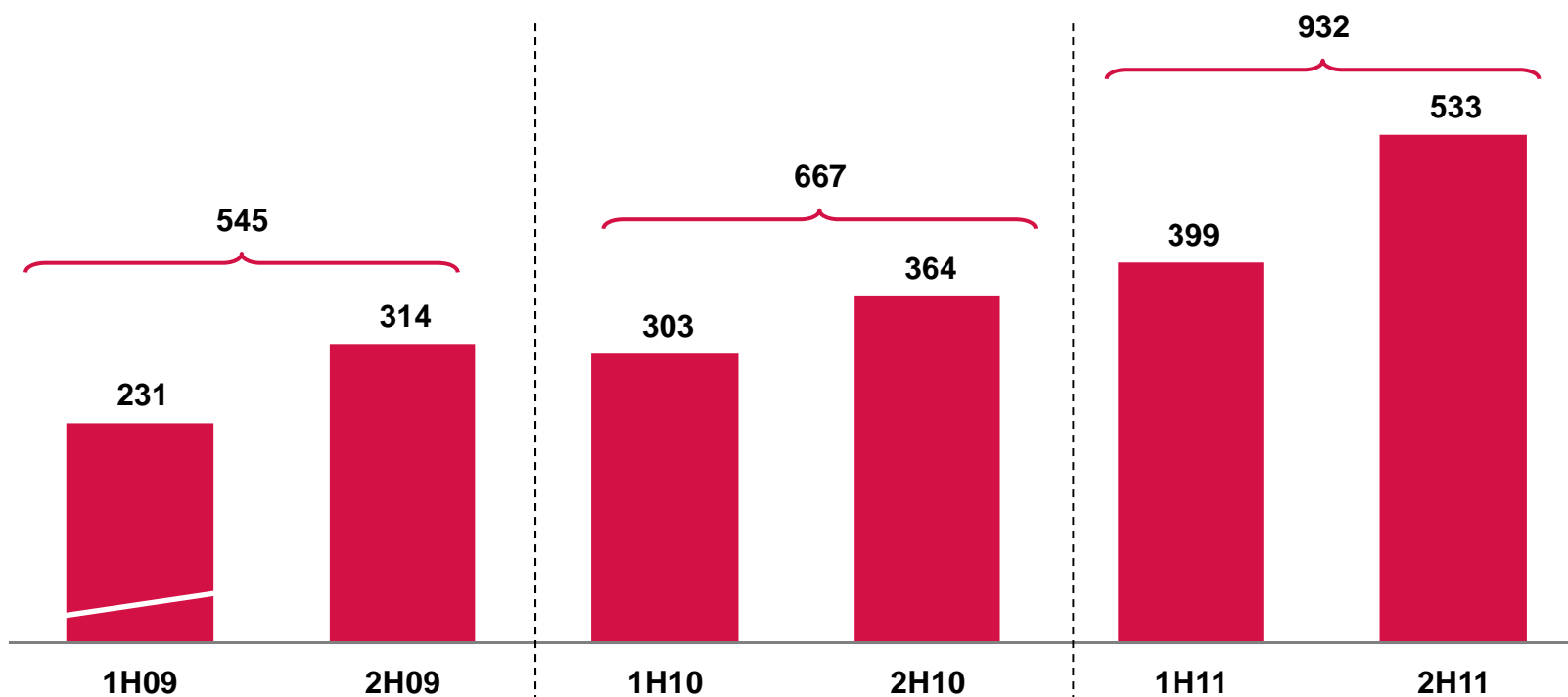
## VONB Margin



# Record VONB at \$932m



VONB (\$m)



Growth Rates

FY2011 v FY2010

40%

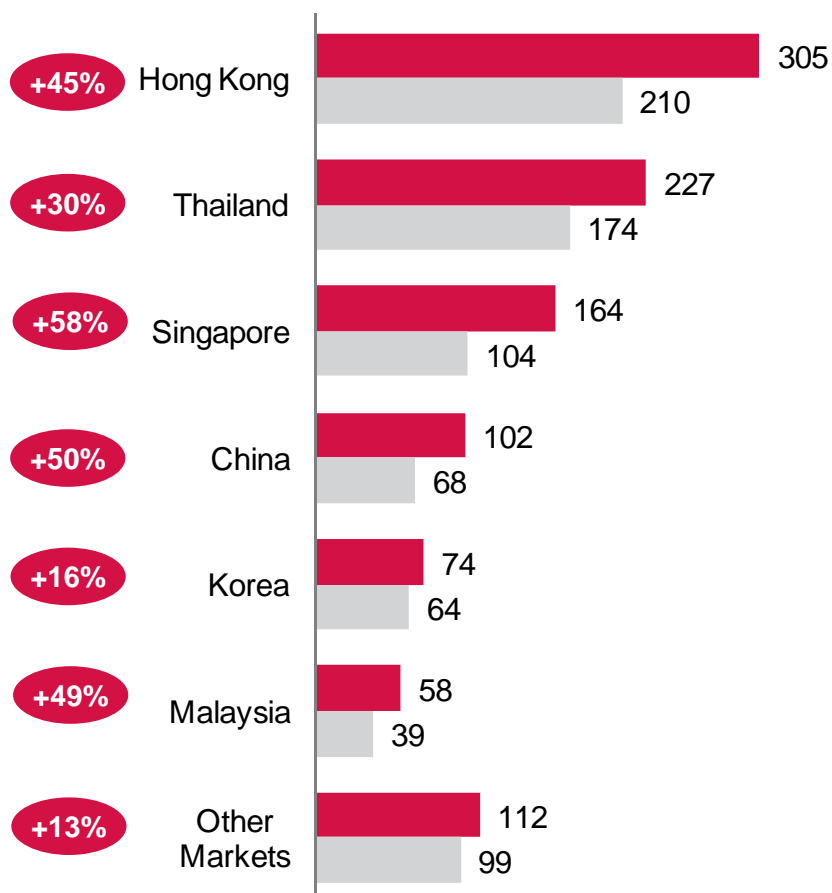
2H2011 v 2H2010

46%

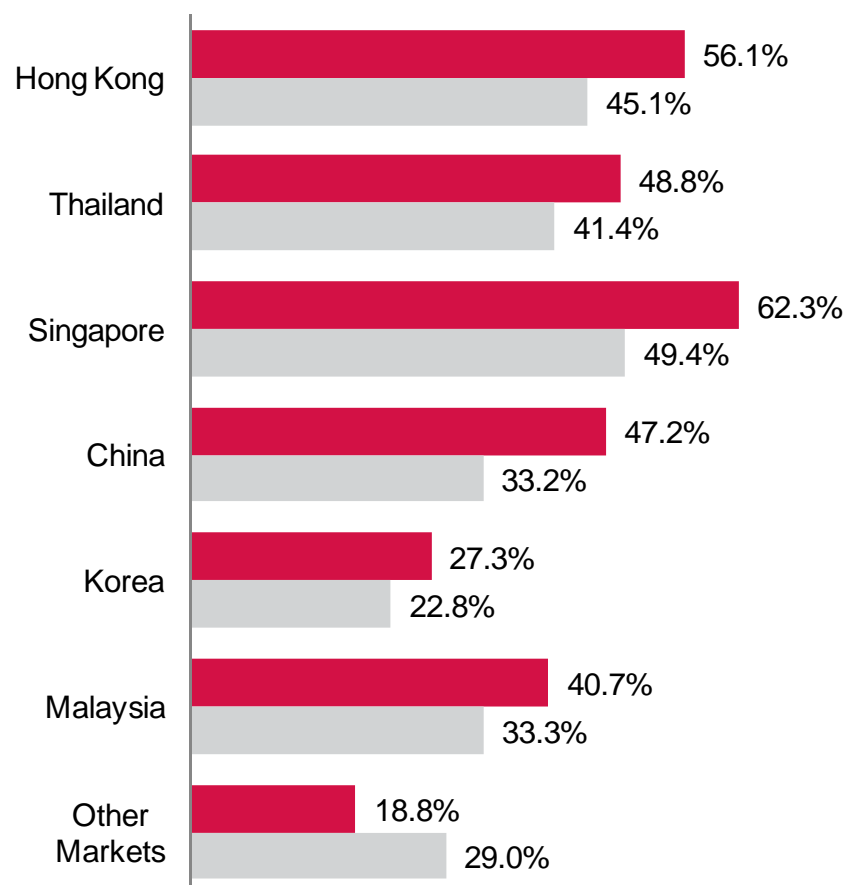
# VONB Uplift Over 2010



**VONB (\$m)**



**VONB Margin**

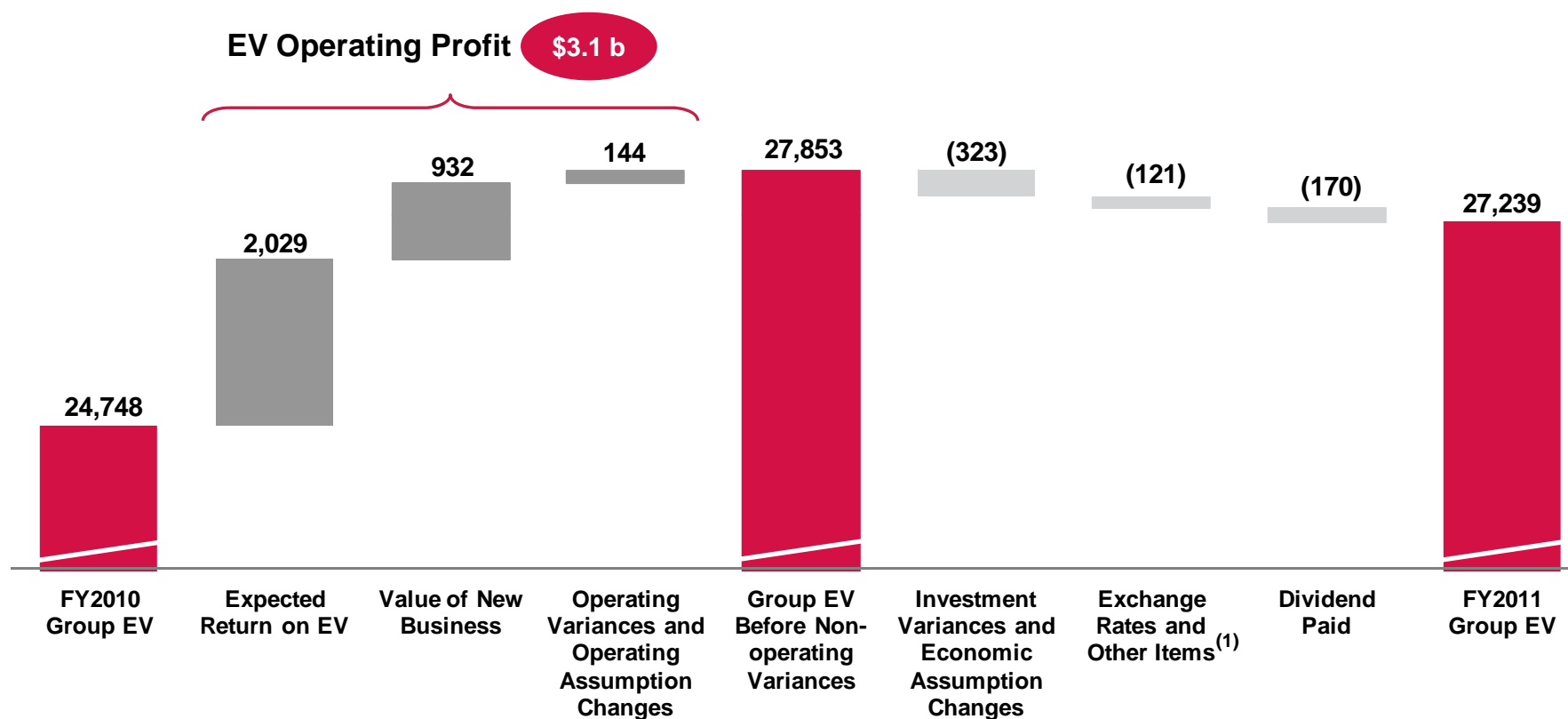


■ FY2010 ■ FY2011

# EV of \$27.2b; increased by \$2.5b



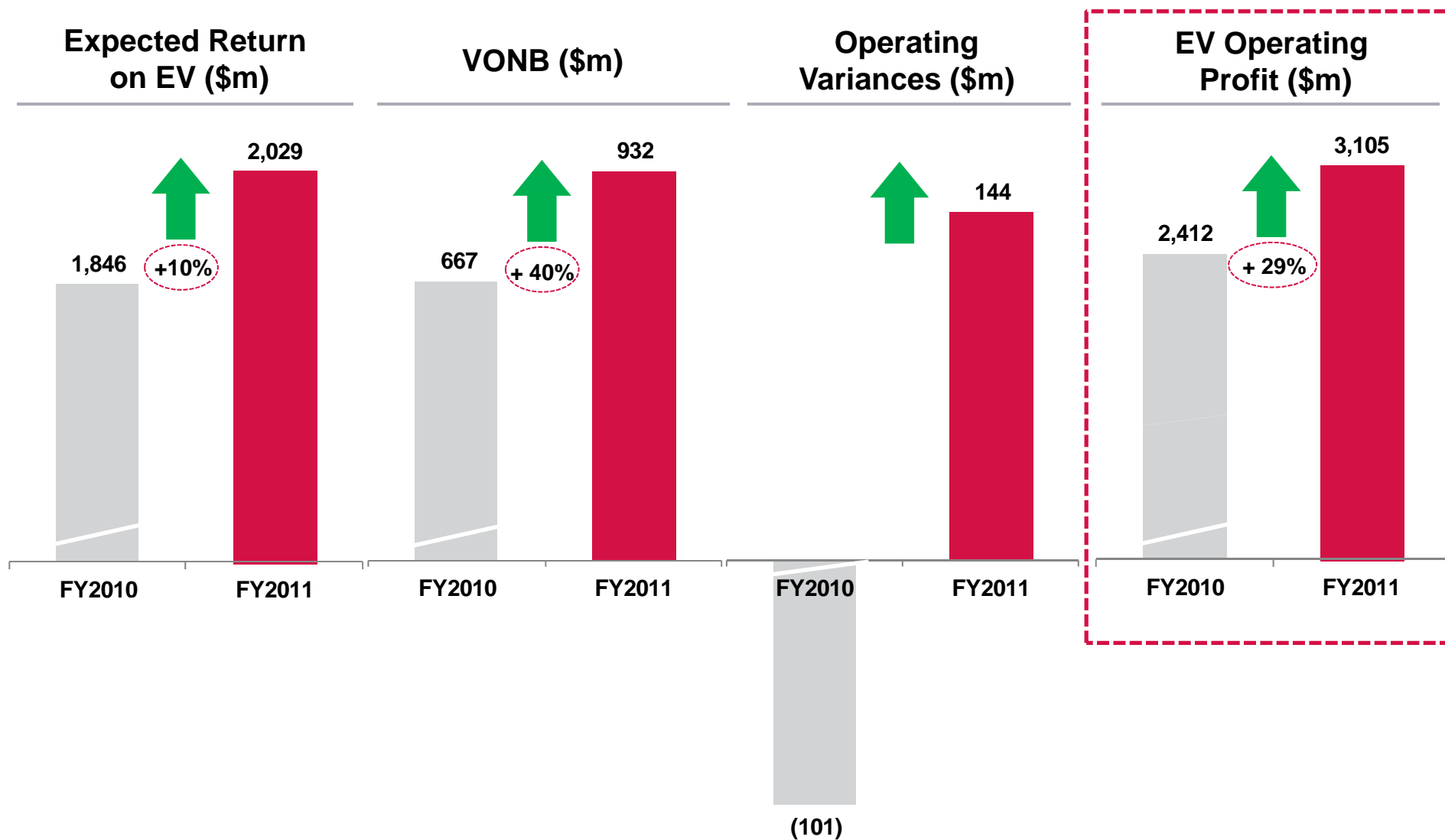
## 2011 Embedded Value Movement (\$m)



Note

(1) Others include other non-operating variances and any capital movements over the period

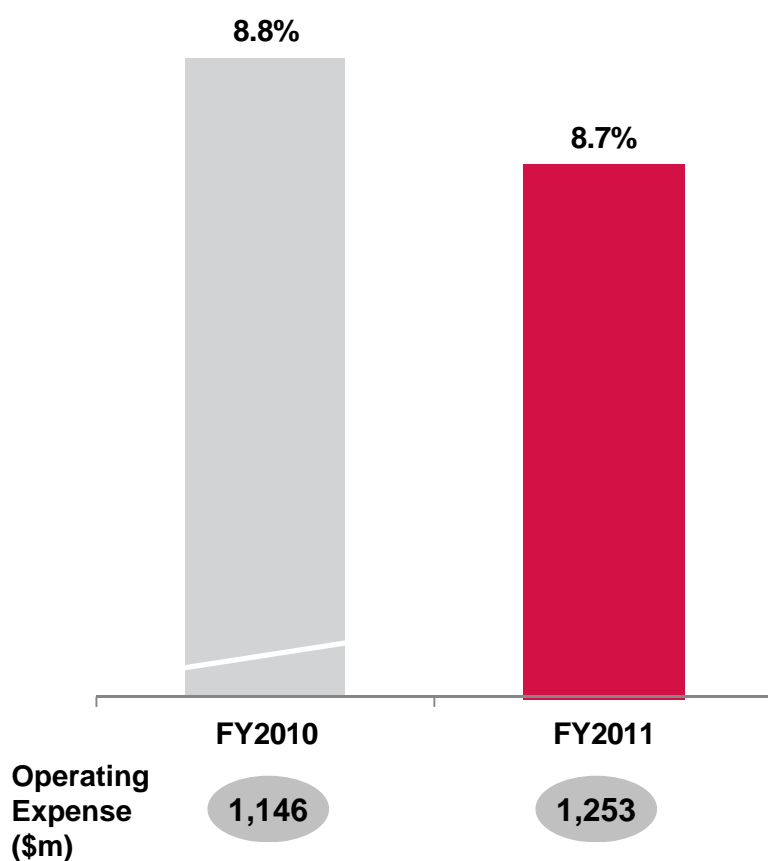
# EV Operating Profit up 29% to \$3.1b



# Reduction in Expense Ratio

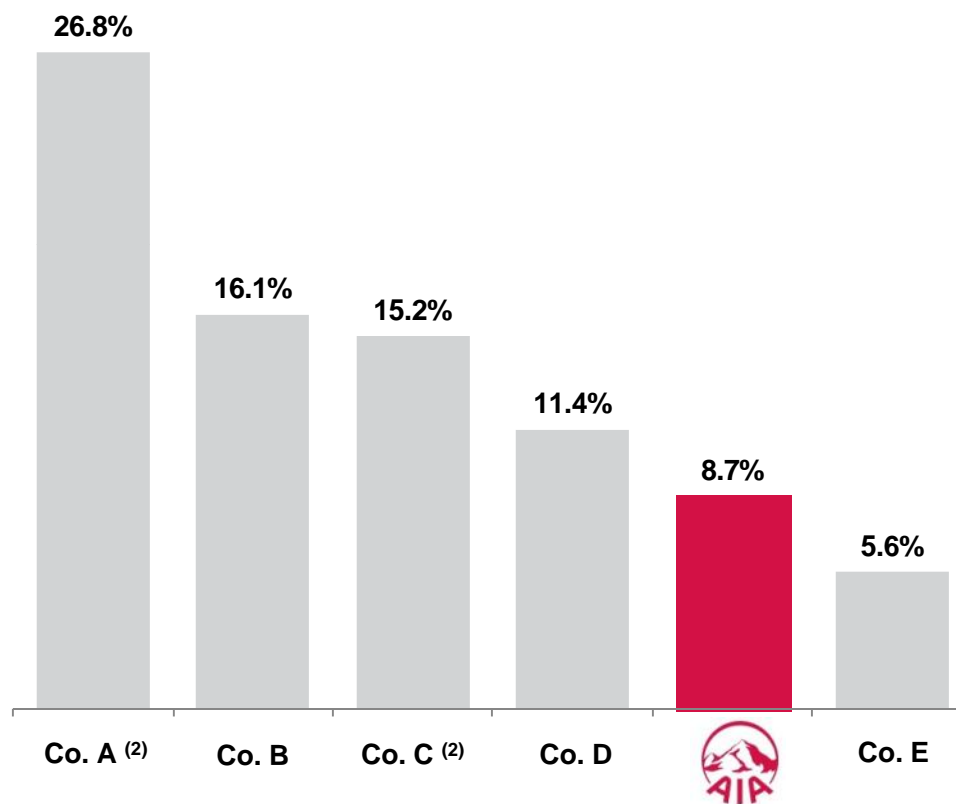


## Operating Expense and Expense Ratio



## Expense Ratio Regional Comparison

Reported Operating Expenses / Reported Premium Income <sup>(1)</sup>



Notes

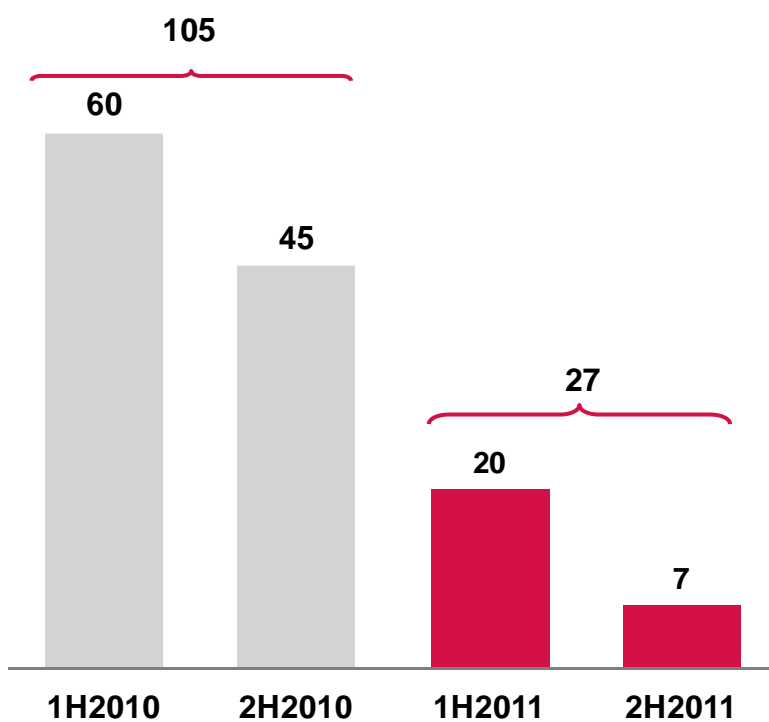
(1) Accounting standards as per each company's 1H2011 reporting period

(2) Based on companies' 2010 reporting year

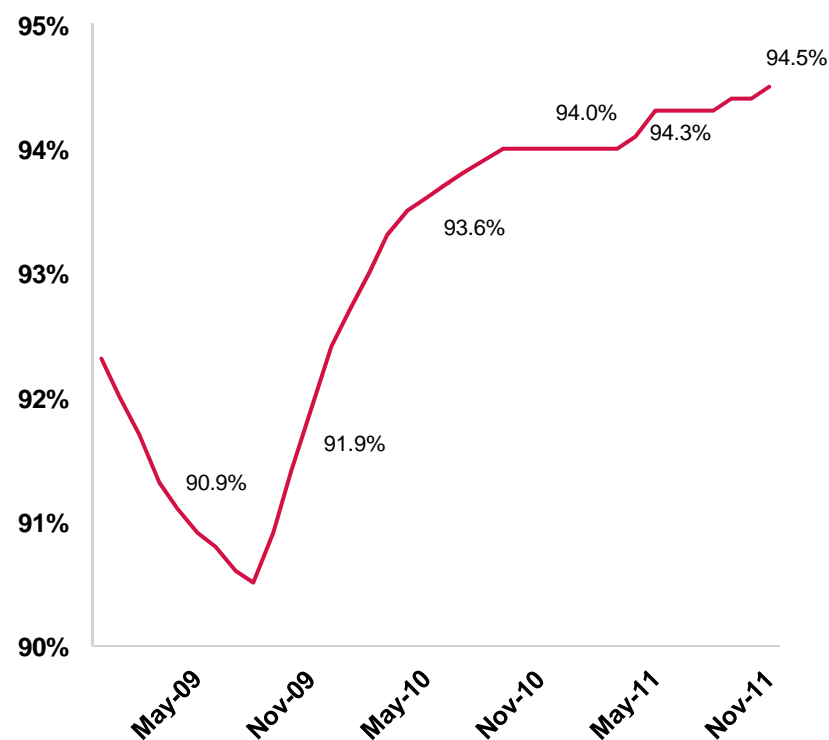
# Improved Operating Performance



Acquisition Expense Overrun (\$m)



Persistency Ratio

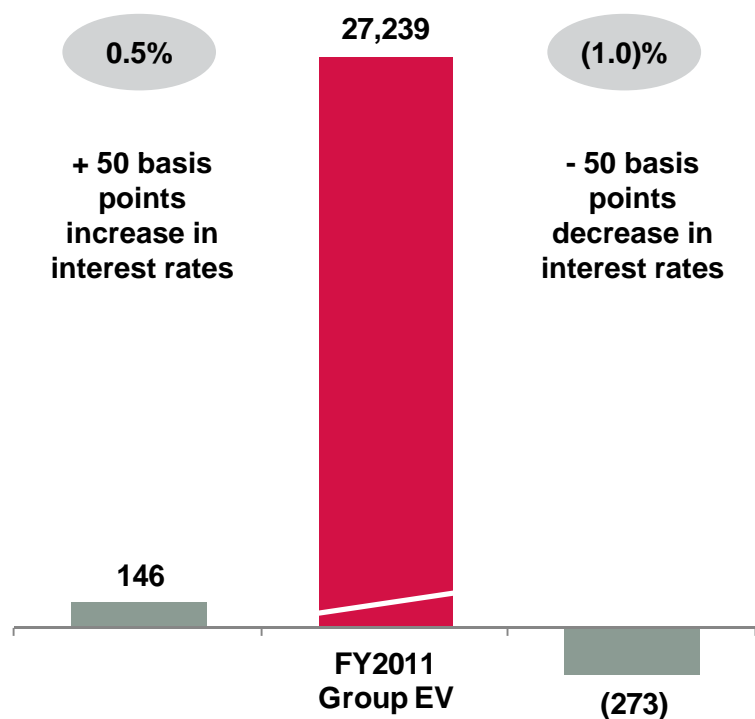




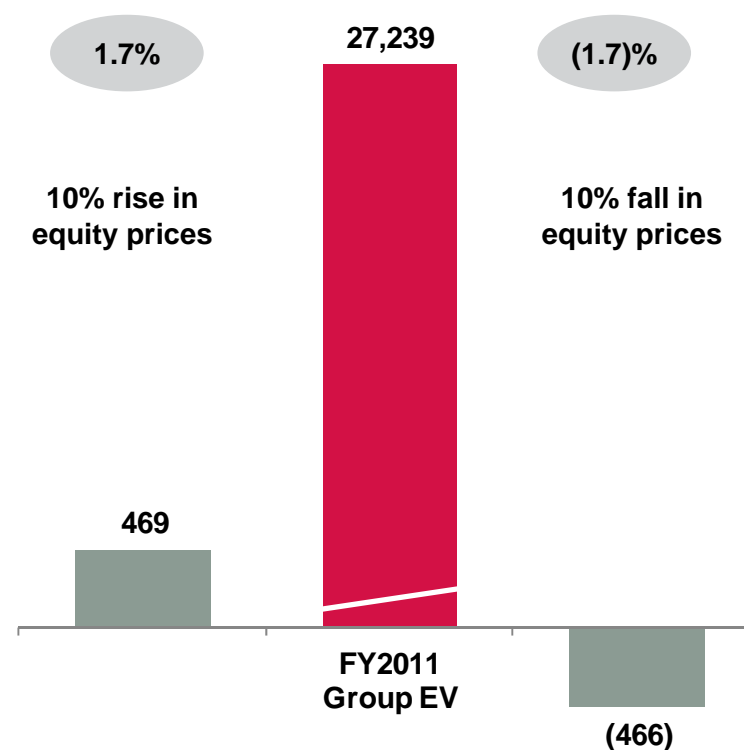
# Low EV Sensitivity to Capital Market Movements



## Interest Rates (\$m)



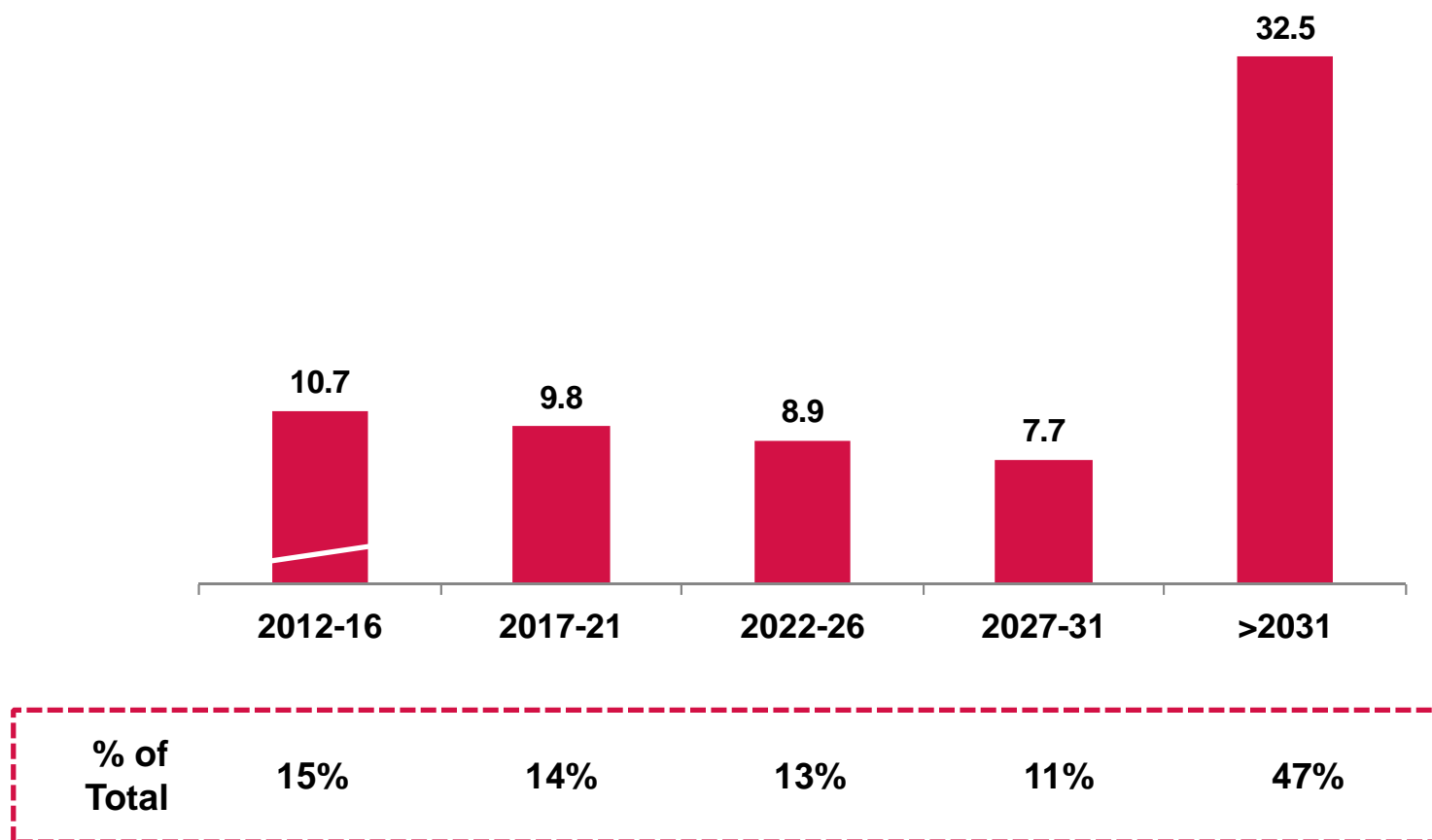
## Equities (\$m)



# Strong Cash Flow Generation



## Undiscounted Net Cash Flows<sup>(1)</sup> (\$b)



Note  
(1) Undiscounted Net Cash Flows represent the after-tax cash flows from the assets backing the reserves and required capital of the in-force business of AIA on the Embedded Value basis

# 2011 Financial Results



**Value Creation**

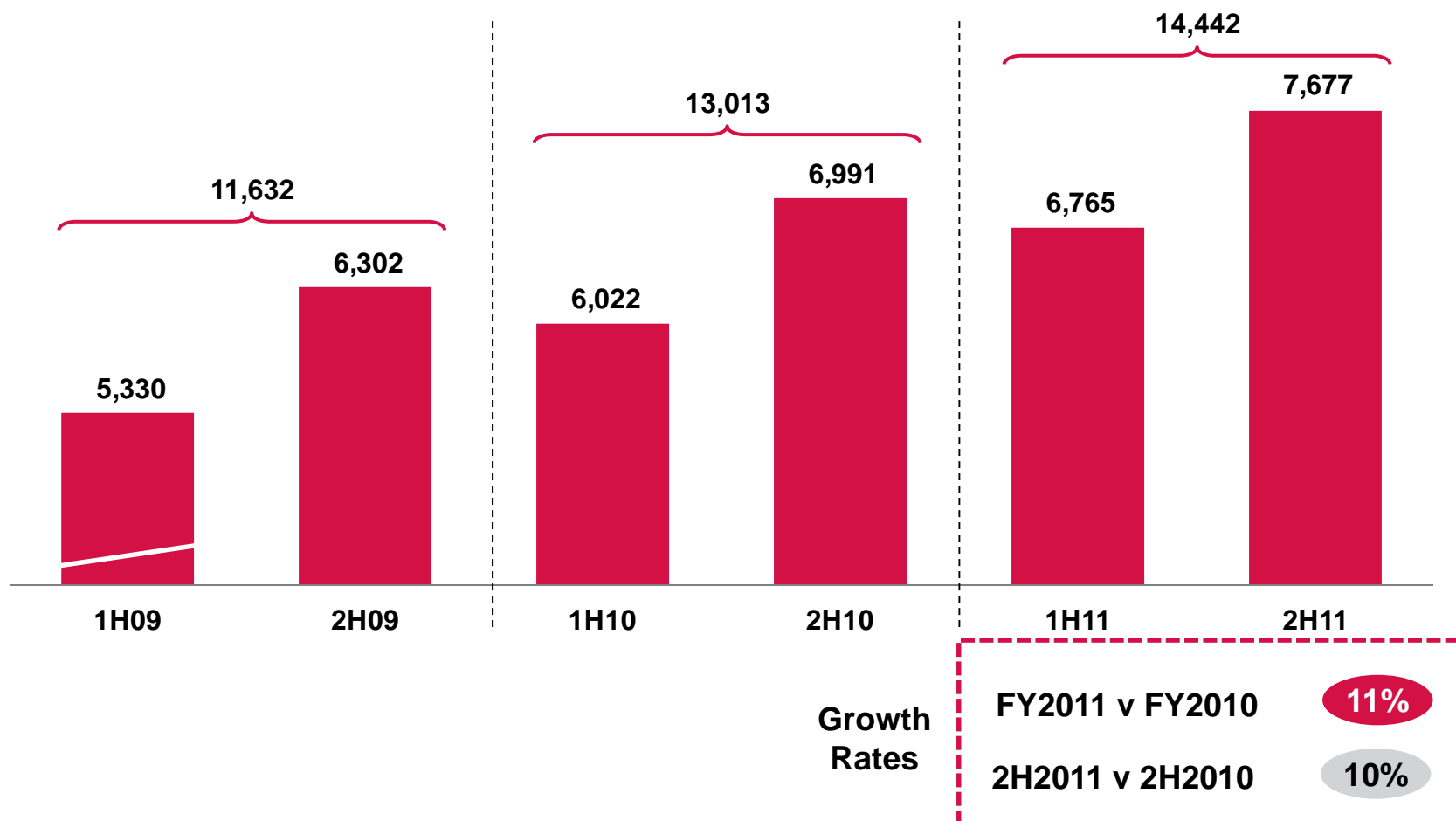
**IFRS Results**

**Capital and Dividends**

# TWPI Up 11% to \$14.4b



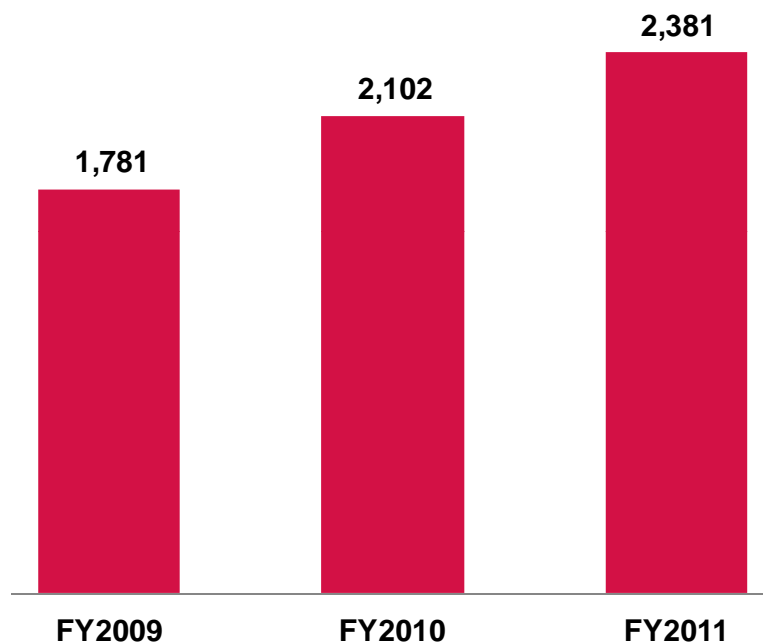
Total Weighted Premium Income (TWPI) (\$m)



# Operating Profit Up 13% to \$2.4b; Underlying Up 16%



## Operating Profit Before Tax (\$m)



## Operating Profit Before Tax (\$m)

	2010	2011	
Operating Profit Before Tax	2,102	2,381	13%
Add back: One-off adjustments	(47)	6	
Underlying	2,055	2,387	16%

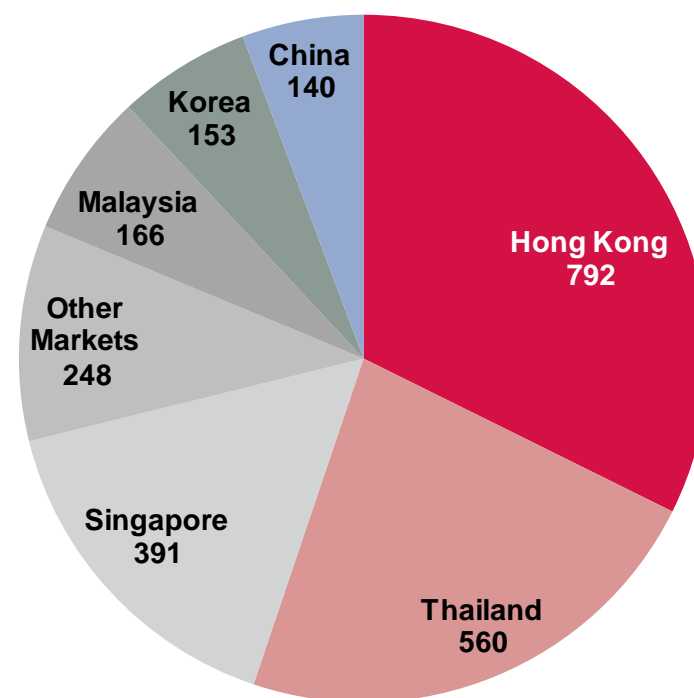
TWPI	11,632	13,013	14,442
Operating Margin	15.3%	16.2%	16.5%

# Scale and Diversity of Profitable Growth



Operating Profit Before Tax	FY2010	FY2011
> \$500m	Hong Kong	Hong Kong <b>Thailand</b>
\$200–500m	<b>Thailand</b> Singapore	Singapore <b>Other Markets</b>
\$100–200m	<b>Other Markets</b> Malaysia Korea	Malaysia Korea <b>China</b>
\$25–100m	<b>China</b>	-

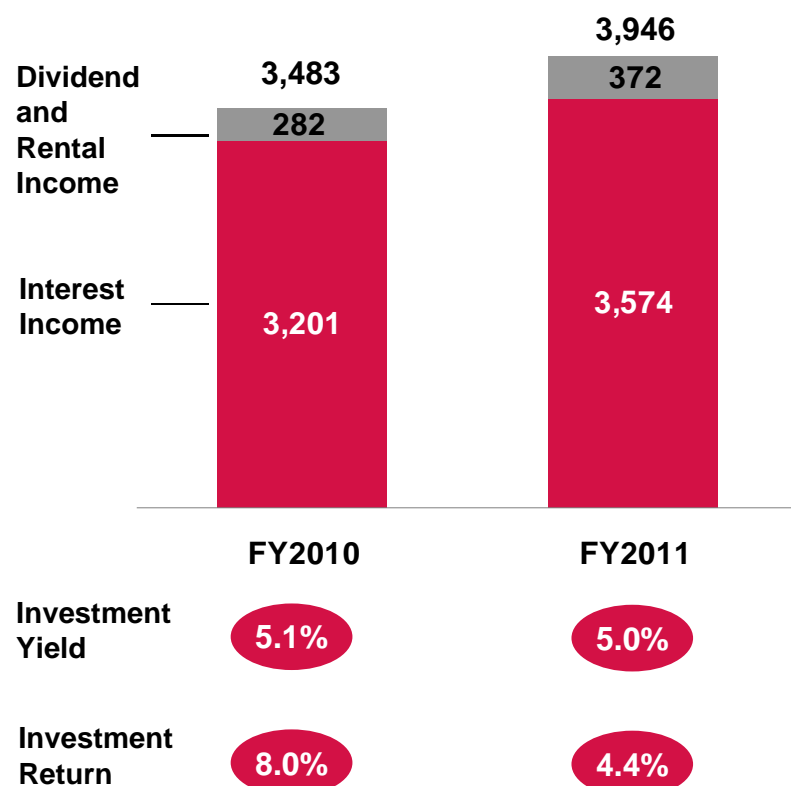
Operating Profit Before Tax  
by Market (\$m)



# Investment Income Up 13% to \$3.9b



## Investment Income<sup>(1)</sup> (\$m)



## Invested Assets Composition<sup>(1)</sup> (\$m)

	As at 30 Nov 2010	As at 30 Nov 2011
Fixed Income <sup>(2)</sup>	85%	86%
Equity	11%	9%
Fixed Income & Equity	96%	95%
Cash	3%	4%
Properties	1%	1%
Total	100%	100%
<b>Total Invested Assets</b>	<b>76,013</b>	<b>82,284</b>

Notes

(1) Excluding unit-linked contracts

(2) Includes debt securities, loans, term deposits and derivatives

# Net Profit of \$1.6b



Net Profit (\$m)		
	2010	2011
Operating Profit After Tax	1,699	1,922
Net gains / (losses) from equities securities	853	(207)
Other non-operating investment experience and other items	149	(115)
<b>Net Profit</b>	<b>2,701</b>	<b>1,600</b>

13%

(41)%

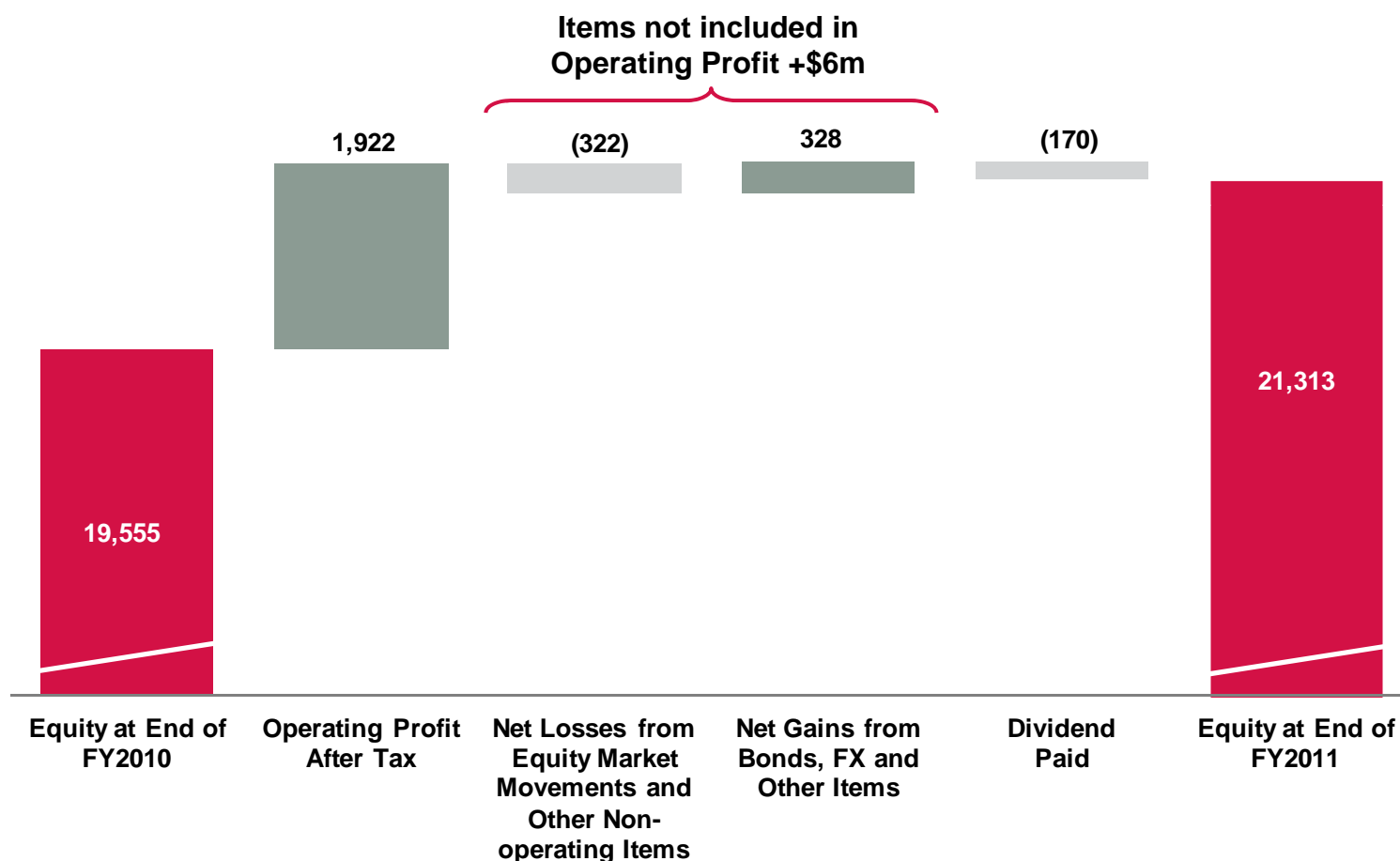
- Full mark-to-market of equities reflects 30 November year-end
- Equity market movement estimated to have reversed as at today
- Average non-operating gains over past three years was \$331m
- Net profit excludes \$500m of bond gains in 2011



# Shareholders' Equity Up 9% to \$21.3b



## Shareholder Equity Movement (\$m)



# 2011 Financial Results



**Value Creation**

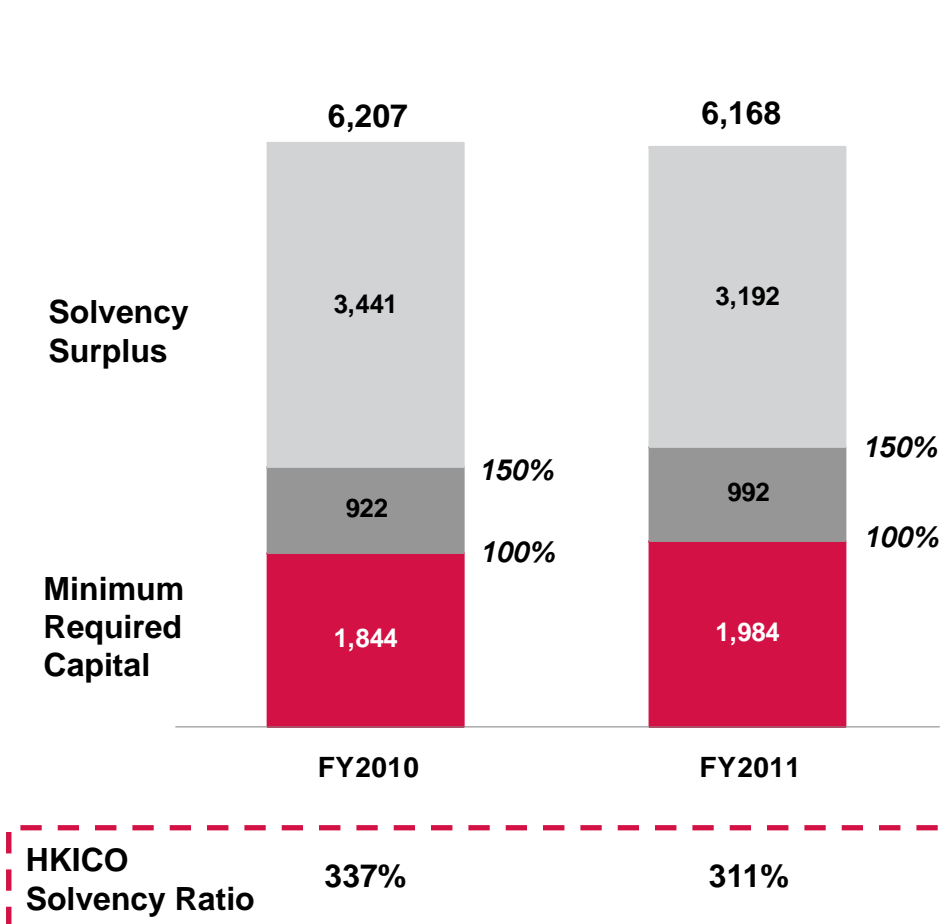
**IFRS Results**

**Capital and Dividends**

# HKICO Solvency Ratio 311%; Solvency Surplus \$3.2b



**Solvency Surplus and  
Solvency Ratio on HKICO basis (\$m)**

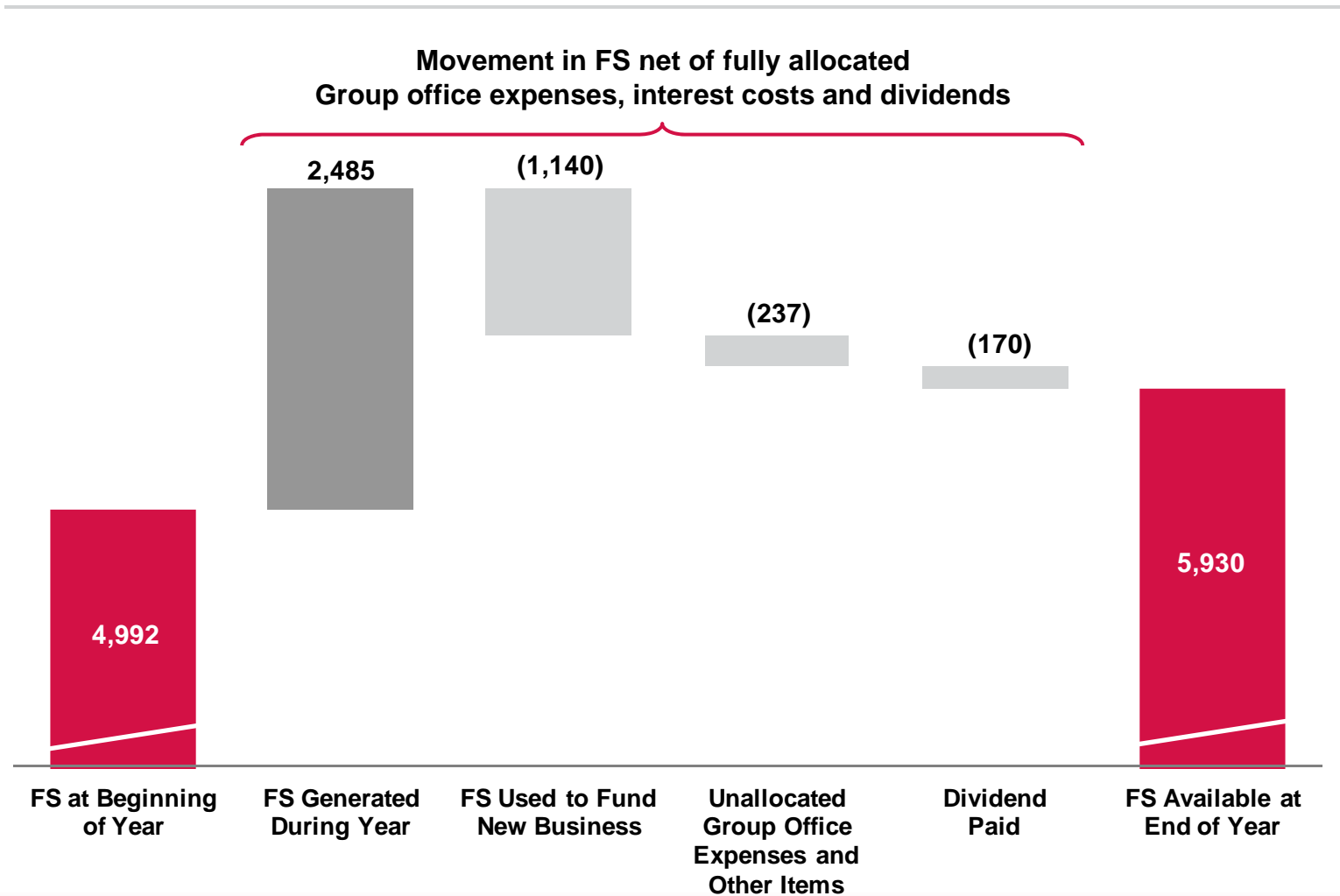


- Ongoing capital strength despite increased capital market volatility
- Prudent approach to investment and capital management
- Capital strength absorbs volatility from diversified asset portfolio allowing increased returns and lower concentration risk
- Strong solvency ratio of 311% at 30 November
- S&P credit rating of AA- with stable outlook

# Self-financed New Business Growth



## Free Surplus Generation (\$m)



# Prudent, Sustainable and Progressive Dividend Policy



- **Final dividend of HK22 cents per share recommended**
- **Total dividend for 2011 of HK33 cents per share**
- **Ex-dividend date: 10 May 2012**
- **Payment date: 25 May 2012**



**2011 Group Review**

**Mark Tucker**

**2011 Financial Results**

**Garth Jones**

**2011 Country Review**

**Gordon Watson  
Huynh Thanh Phong  
Ng Keng Hooi**

**Delivering Quality Growth**

**Mark Tucker**

**Q&A**

# Country Review: Delivering Quality Growth



**Gordon Watson**

Hong Kong  
Korea

**Huynh Thanh Phong**

Thailand  
Malaysia

**Ng Keng Hooi**

Singapore  
China



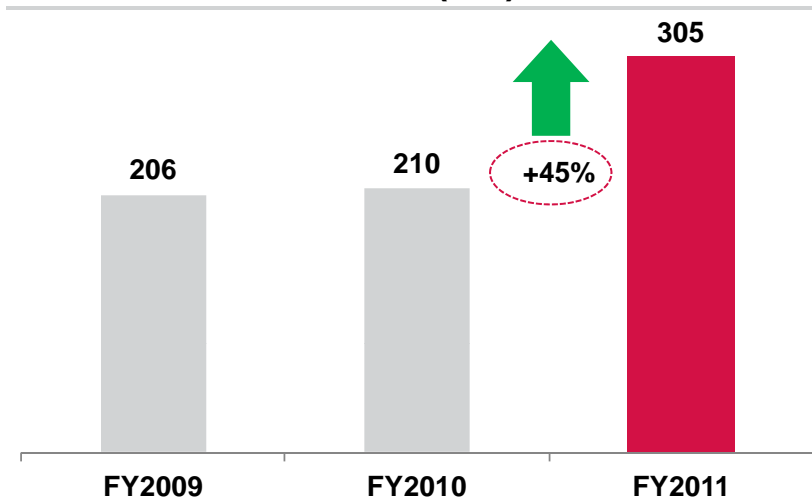
- **Profitable Growth**
- **Premier Agency**
- **Product and Service Innovation**



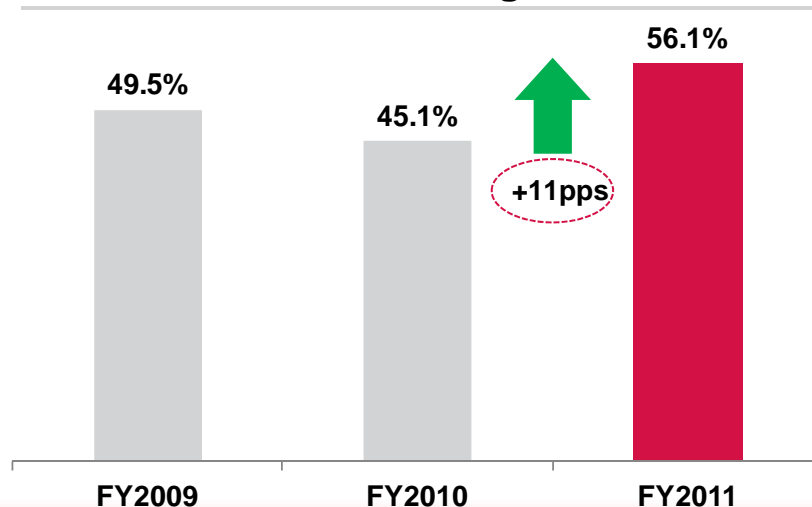
# Delivering Quality Growth in Hong Kong



VONB (\$m)



VONB Margin



## ■ Premier Agency

- Record VONB growth in 2011
- Number of active agents up 12%
- Reactivated agents production tripled
- Increased MDRT qualifiers by 16%
- AIA HK standalone has sixth largest number of MDRT qualifiers globally
- Number one for MDRT qualifiers in Hong Kong
- Number of agents selling Group Insurance cases tripled

# Making Premier Agency a Reality in Hong Kong



## ■ AIA Premier Academy

- Aim to develop young, energetic professionals
- Comprehensive and innovative training
- Sales supported by advanced technology
- Road to MDRT

## ■ Initial Results

- Significantly higher productivity vs standard new recruits
  - ANP per agent per month is 1.9x
  - Case per agent per month is 2.1x

# Increasing Focus on Protection in Hong Kong



## ■ Product Alignment

- New innovative critical illness products
- Supported by targeted marketing
- Sales of protection focused products up 32%

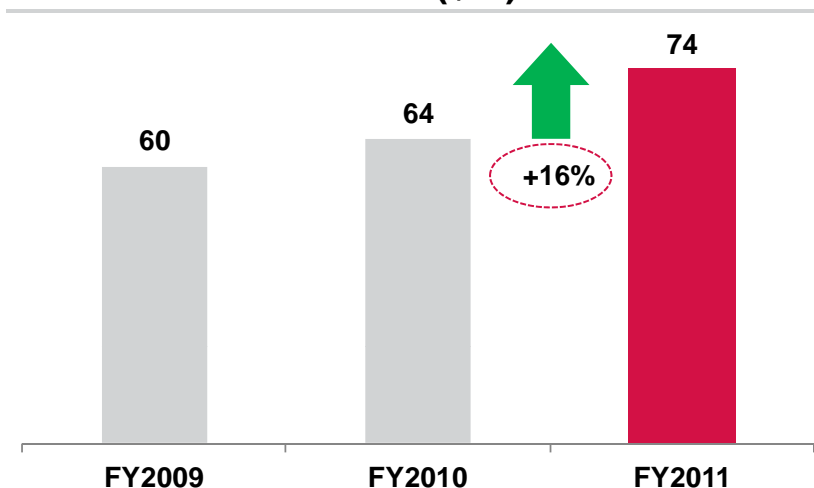
## ■ Marketing

- Customer campaigns promote awareness of protection needs
- Strong execution of “Mind the Gap” campaign
- Won “Campaign of the Year 2011” by Benchmark Magazine

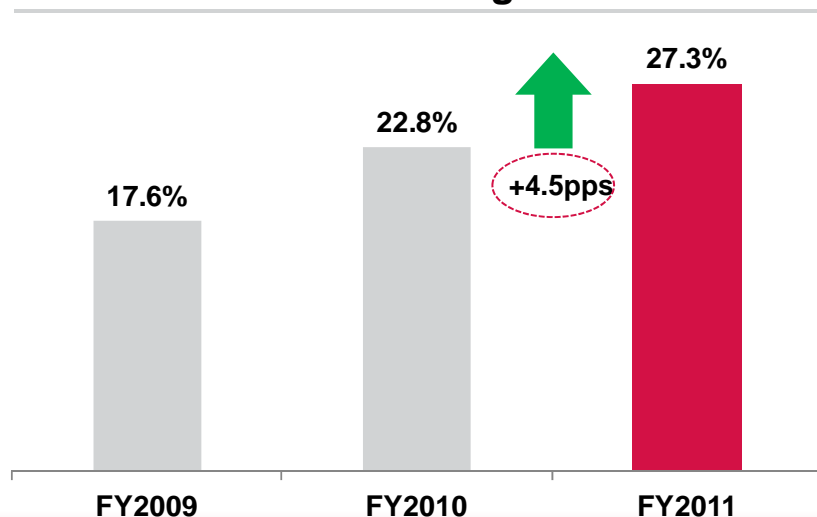
# Delivering Quality Growth in Korea



VONB (\$m)



VONB Margin



## ■ Leadership

- New management team
- Expense overrun down by over one-third

## ■ Premier Agency

- Platform in place over 2011
- MDRT qualifiers up 16%

## ■ Product Alignment

- Integrated “Protection Gap” marketing
- Repriced key products
- Realigned compensation structures
- Brand awareness up from 70% to 84%

## ■ Direct Marketing

- Ongoing business model review

# Country Review: Delivering Quality Growth



**Gordon Watson**

Hong Kong  
Korea

**Huynh Thanh Phong**

Thailand  
Malaysia

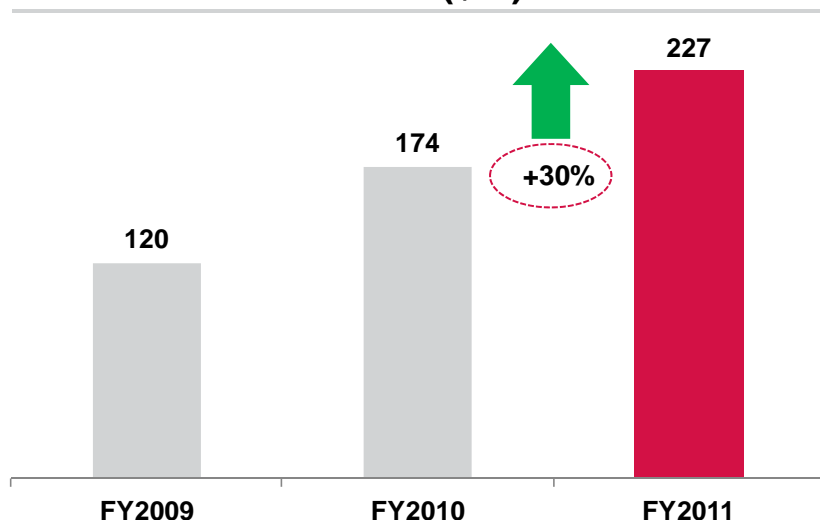
**Ng Keng Hooi**

Singapore  
China

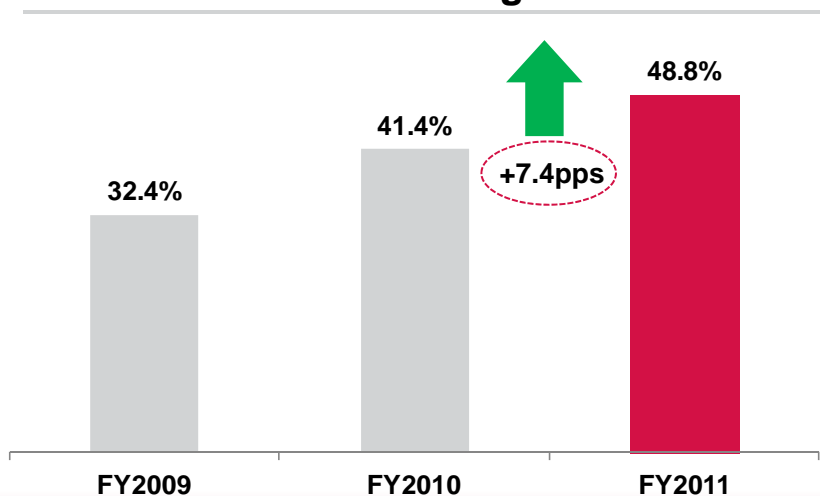
# Delivering Quality Growth in Thailand



VONB (\$m)



VONB Margin



## ■ Premier Agency

- Launched AIA Premier Academy
- Productivity up 12%
- MDRT qualifiers up 13%
- Number one for MDRT in Thailand

## ■ Product Alignment

- Eliminated low margin products
- Realigned compensation to improve product mix
- Extended rider and protection coverage with related VONB up 34%



# Resilient Business Operation – Thailand Floods



## ■ Business Continuity

- 91% staff attendance ensured continual service
- Close to 600 staff came to work despite being displaced
- All service centres remained open
- Over 6,000 hours of community support by AIA staff

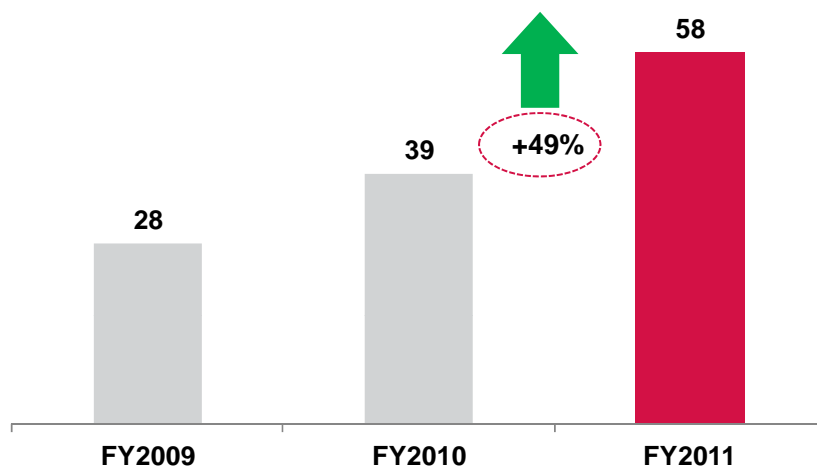
## ■ Resilient Business Model

- Robust proprietary distribution
- Impact normalising over last three months
- Claims within expectations and provisions fully reflected in results

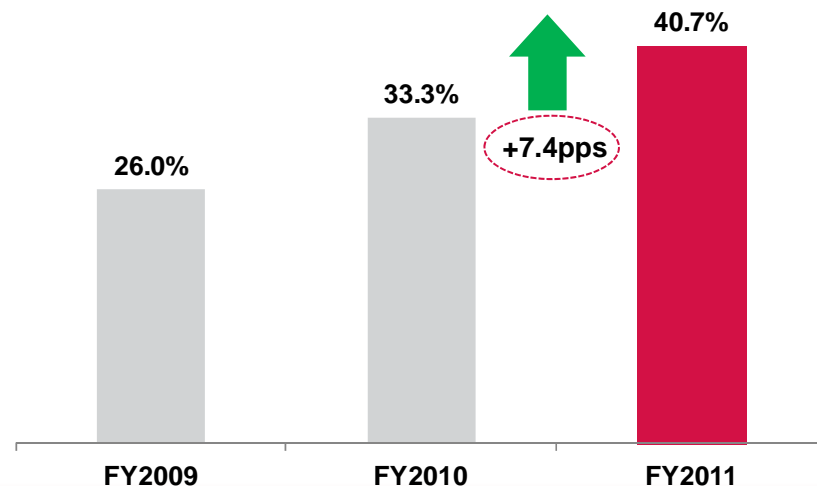
# Delivering Quality Growth in Malaysia



VONB (\$m)



VONB Margin



## ■ Premier Agency

- Agency reactivation programmes
- Active agents up 6%
- Strong momentum in second half

## ■ Product Alignment

- Training to shift mix towards regular premium unit-linked
- Focus on A&H protection products
- Compensation changed to reinforce preferred portfolio mix
- Takaful JV progressing

## ■ Customer-led Innovation

- First wave of up-selling campaign generated more than 25,000 Critical Illness policies in three months



# Country Review: Delivering Quality Growth



**Gordon Watson**

Hong Kong  
Korea

**Huynh Thanh Phong**

Thailand  
Malaysia

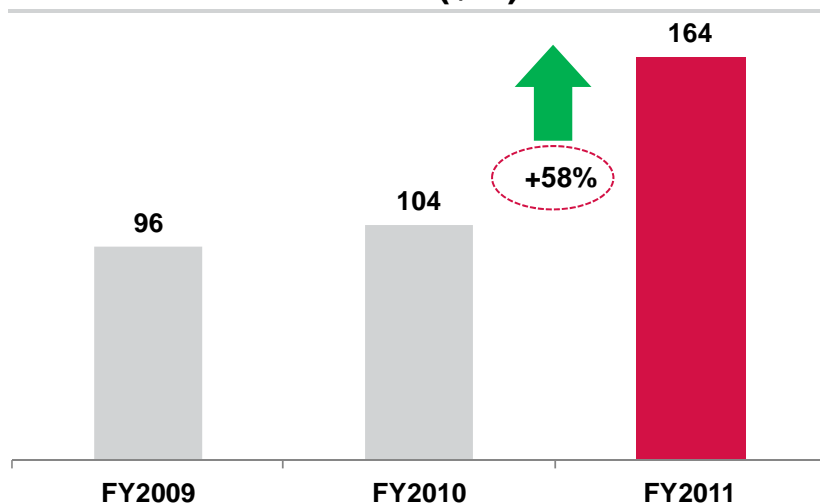
**Ng Keng Hooi**

Singapore  
China

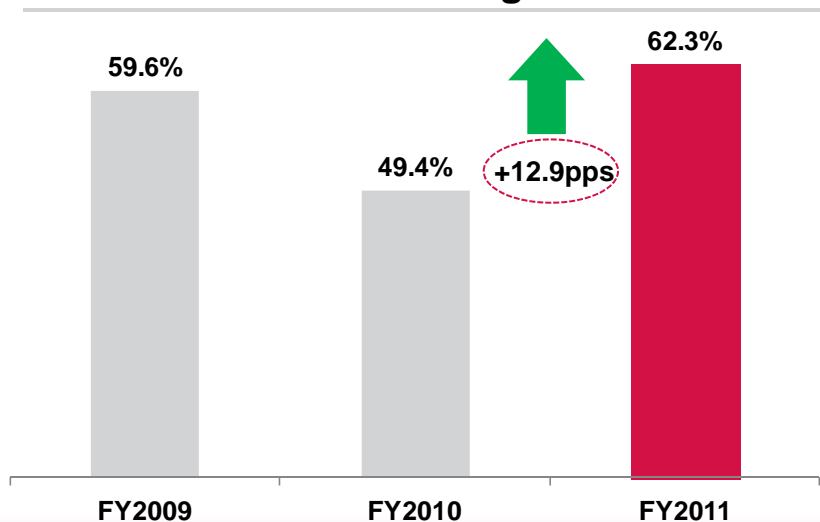
# Delivering Quality Growth in Singapore



VONB (\$m)



VONB Margin



## ■ Premier Agency

- Intensive training and sales initiatives
- Active agents up 11%
- Active new agents up 69%
- Doubled MDRT qualifiers

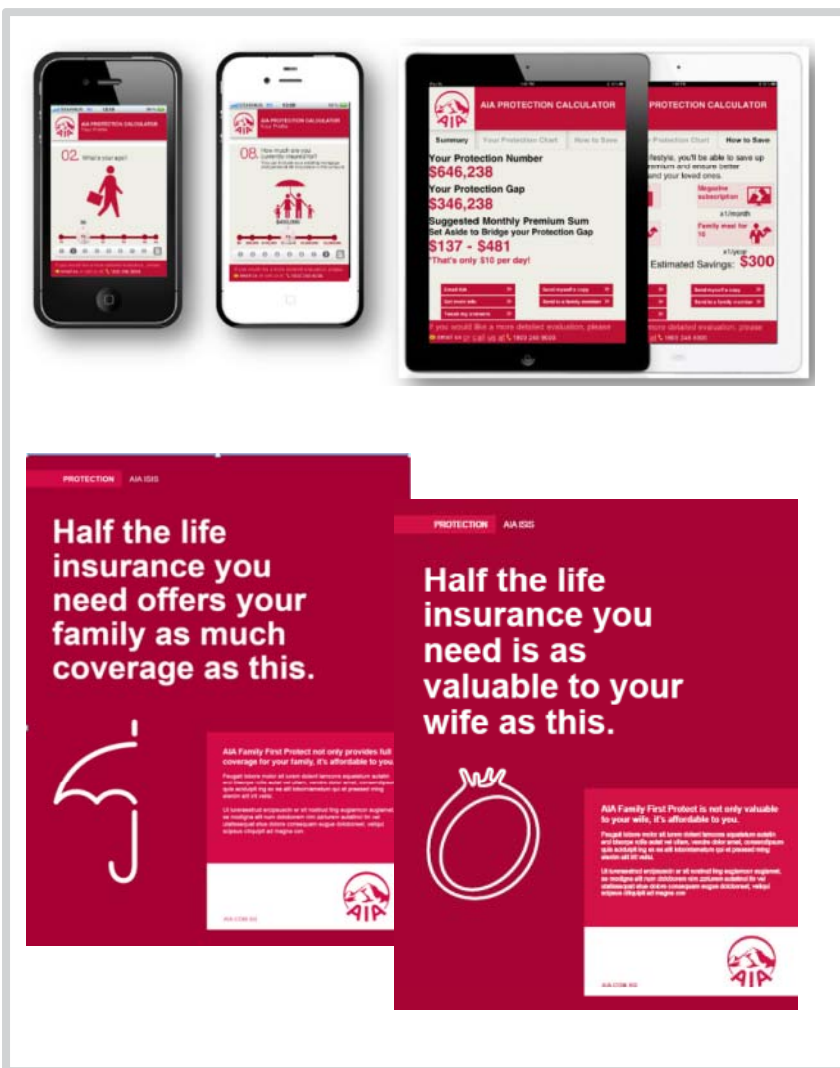
## ■ Product Alignment

- Accident and Health focus
- Next generation unit-linked products launched in July

## ■ Group Insurance

- Market leadership in Group Insurance
- Agents selling Group Insurance up 20%

# Focus on Protection: the Next Generation

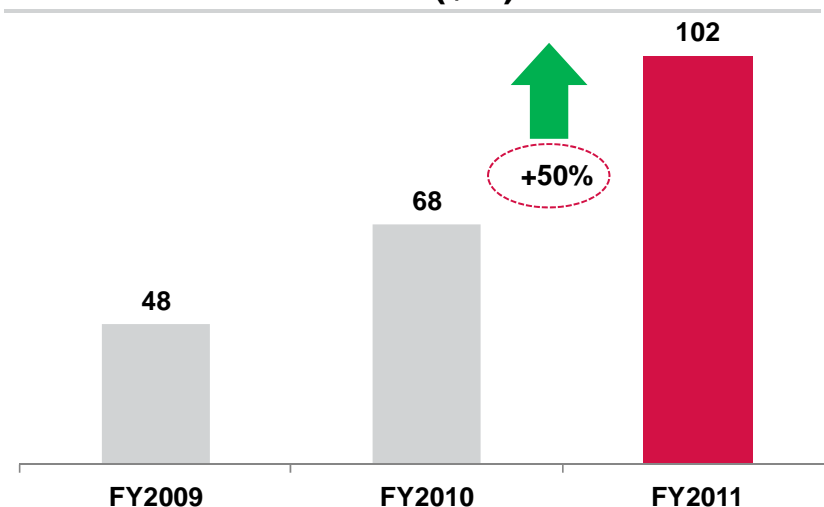


- **Marketing Campaign**
  - White paper: “Bridging the Insurance Gap”
  - Introduced new Protection Calculator
  - Advertisement on Protection Gap concept
- **Product Design**
  - Extensive research and consultation
  - Flexibility to focus on tailored combination of protection and investment
- **Product Launch**
  - Engaged agency force
  - Agency training and launch event
  - Fast-tracked processing
- **Tangible Results**
  - Significant uplift in sums assured
  - Unit-linked VONB doubled in 4Q2011 YoY

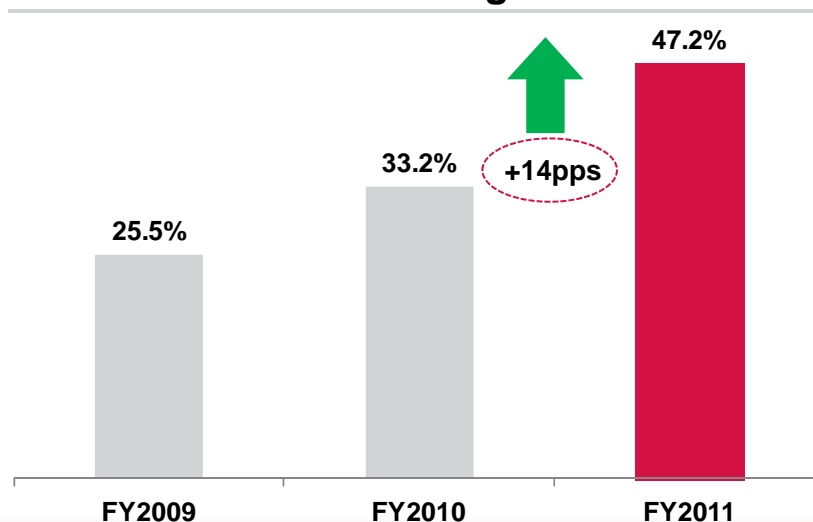
# Delivering Quality Growth in China



VONB (\$m)



VONB Margin



## ■ Premier Agency

- Strengthened agency management
- Proprietary distribution – ownership of customer and control of product
- Intensive training programmes
- Higher productivity and professionalism

## ■ Product Alignment

- Positioned as a total protection provider
- Award winning product innovation
- Critical Illness (CI) sums assured up 26%
- New CI sales increased by 44%
- Next generation unit-linked product launched in October 2011

# Building Premier Agency in China



## ■ Persistent and Integrated Approach

- Clear agency management roles and responsibilities
- Premier Agent and Agency Leader dual career path option
- Compensation to reinforce core activities
- Major new systems launched to support sales and monitor activity

## ■ Tangible Delivery

- Active agents increased by 26%
- Agency average incomes up 29%
- Improved recruitment, retention of quality agents



**2011 Group Review**

**Mark Tucker**

**2011 Financial Results**

**Garth Jones**

**2011 Country Review**

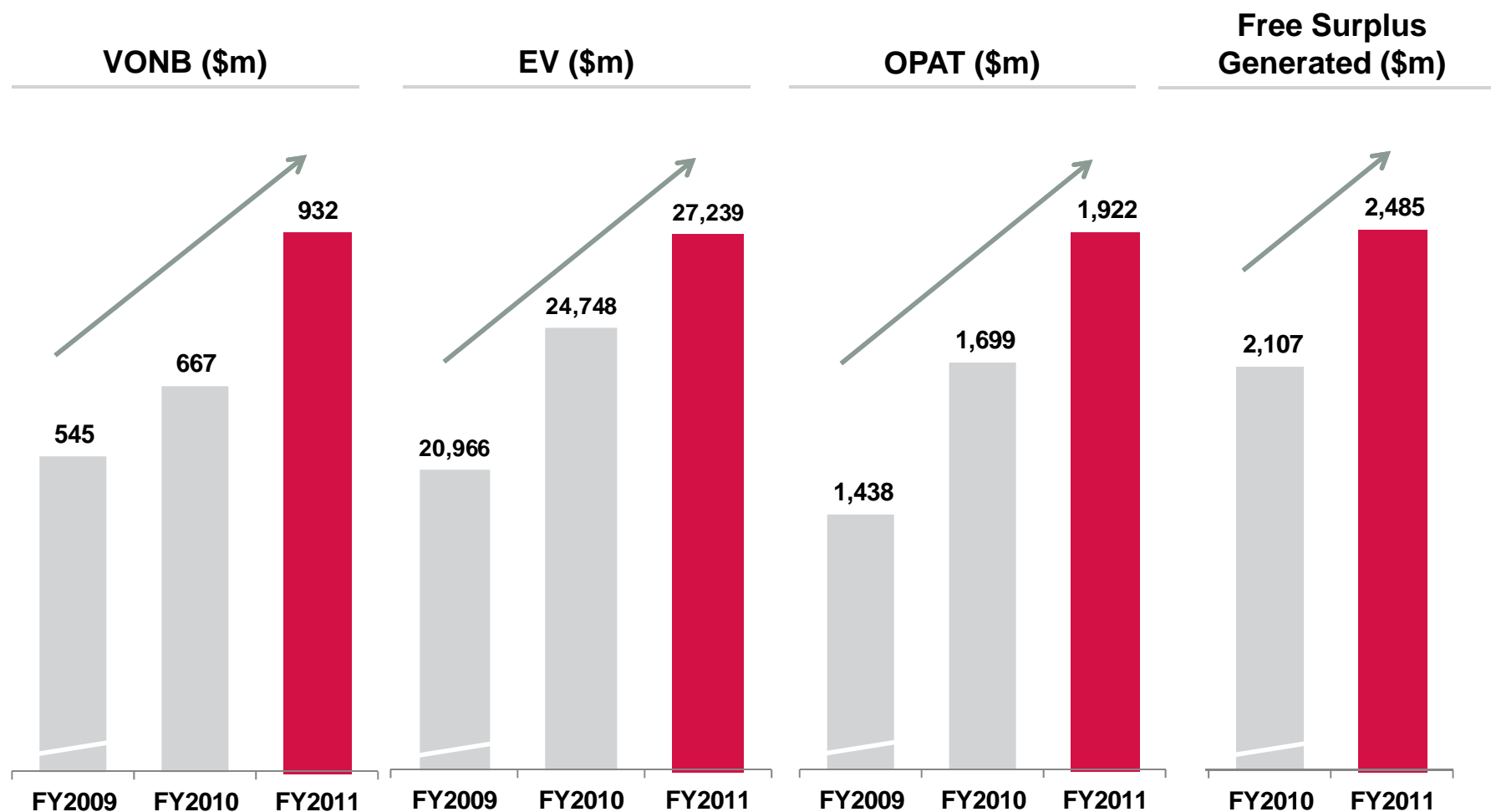
**Gordon Watson  
Huynh Thanh Phong  
Ng Keng Hooi**

**Delivering Quality Growth**

**Mark Tucker**

**Q&A**

# 2011: Building Momentum



# Priorities for 2012



## **Distribution**

- **Premier Agency, Profitable Partnerships**

## **Product**

- **Margin Enhancement, Protection, Innovation**

## **Customer**

- **Service, Retention, Recapture, Loyalty**

## **Organisation**

- **Local Empowerment, Capability Development**

## **Financial**

- **Balance Sheet Strength, Self-Funded, Progressive Dividend**



# A Unique and Exciting Growth Proposition





**2011 Group Review**

**Mark Tucker**

**2011 Financial Results**

**Garth Jones**

**2011 Country Review**

**Gordon Watson  
Huynh Thanh Phong  
Ng Keng Hooi**

**Delivering Quality Growth**

**Mark Tucker**

**Q&A**



# Definitions and Notes

- ANP excludes corporate pension business
- Free surplus is the excess of the market value of AIA's assets over the sum of the statutory liabilities and the minimum regulatory required capital across all business units. For branches of AIA Co and AIA-B, the statutory liabilities are based on HKICO statutory accounting and the required capital based on 150% HKICO minimum solvency margin
- Hong Kong market includes Macau; Singapore market includes Brunei; Other Markets includes Australia, New Zealand, the Philippines, Indonesia, Vietnam and Taiwan
- Investment Income excludes unit-linked contracts
- Investment return defined as investment income with the addition of realised and unrealised gains and losses as a percentage of invested assets
- Investment yield defined as net investment income as a percentage of average policyholder and shareholder invested assets for the relevant periods (i.e. excluding unit-linked investments); AIA's net investment income does not include realised and unrealised gains and losses
- Operating Expense and Expense Ratio exclude restructuring costs, listing expenses and separation costs
- Operating profit after tax, net profit and shareholders' equity are shown post minorities
- Operating profit before tax excludes non-operating items such as investment experience, investment income related to unit-linked contracts, corresponding changes in insurance and investment contract liabilities in respect of unit-linked contracts and participating funds and other significant items considered to be non-operating income and expenses; excluding Corporate and Others
- Persistency ratio =  $1 - \text{rate of surrenders and lapses net of reinstatements by premium on a 12-month basis}$ ; on Ordinary Individual Life and Standalone A&H only; excluding Philam Life until November 2009 and India; unaudited and non-IFRS information for reference only
- VONB is after unallocated Group Office expenses and adjustment to reflect additional Hong Kong reserving and capital requirements; includes corporate pension business and is shown before minorities
- $\text{VONB Margin} = \text{VONB} / \text{ANP}$ . VONB for the margin calculations excludes corporate pension business to be consistent with the definition of ANP. VONB Margin includes a single large Australian group insurance scheme in 3Q2011
- VONB and VONB Margin by market are based on local statutory basis and exclude unallocated Group Office expenses
- VONB and VONB Margin by distribution are based on local statutory basis and exclude unallocated Group Office expenses and corporate pensions business