

AIA Group Limited 2014 Interim Results
Analyst Briefing Presentation – Transcript
25 July 2014

Mark Tucker, Group Chief Executive and President:

Good morning and a very warm welcome to our Interim Results Presentation. I'm delighted to report that AIA has delivered another very strong performance in the first half of 2014. We are continuing to make excellent progress in delivering material and sustained growth, and the growth is in line with our strategic priorities. Let me begin today's Presentation with the financial highlights.

In the first six months of 2014, we increased VONB by 23 per cent to 792 million dollars; IFRS operating profit by 15 per cent to close to 1.5 billion dollars; and EV Equity by 2 billion to a total of 36.9 billion dollars. At the same time, we achieved substantial free surplus generation of 2.1 billion dollars; we improved our solvency position; and we increased our interim dividend by 15 per cent and this is building on the 15 per cent increase from the full year.

If you look at each of the results shown here, they are powerful individually. Combined together they demonstrate the immense potential that AIA has to drive future shareholder value.

We intend to follow our normal agenda today. Joining me this morning are Garth Jones, our CFO, and our two Regional Chief Executives, Gordon Watson and Ng Keng Hooi. You will hear more from them shortly on the detailed financial results and business highlights, and I'll summarise at the end before opening the session up to any questions.

What I'd like to do -- in order to provide some context for our results. I'd like to start by highlighting the strategic progress that we've made since the IPO. We said back in 2010 that we would place the building block -- we would put in place the building blocks of sustained value creation, and we've done exactly that. We've achieved this through our differentiated multi-distribution strategy, our redesigned product portfolio and increased customer engagement.

And you see the tremendous organic growth has been complemented by value-enhancing, strategic initiatives, and just naming three or four here including two acquisitions that expanded our presence and coverage in the region, our global medium term note programme, and most recently, our landmark regional long term bancassurance agreement with Citibank.

The consistently strong execution of our strategy has also delivered significant financial progress over the period. Some interesting numbers just in terms of scale: we've delivered more than 4 billion dollars in value of new business, 8 billion dollars of operating profit, 11 billion dollars of free surplus generation and 12 billion dollars of additional EV equity. The significant thing is that we are just at the beginning of this journey.

The excellent financials we announced this morning are a direct result of our delivery on the right priorities. In distribution, we continue to develop our premier agency model and expand our distribution reach through our partnership channels. The barriers to entry for distribution in Asia are significant, and the quality and scale of our platform are major competitive advantages for us.

We continued to develop new products to provide a wider range of options to our existing customers to meet their protection needs and long term wealth aspirations. We also continued to engage with new customers and have significantly, and this is an interesting statistic, we sold products to more than 5 million new customers since the IPO, growing our already very large existing base.

What I'd now like to take you through is our first half progress again for the high level in each of these areas, beginning with distribution.

Our agency channel delivered VONB growth of 27 per cent in the first half of 2014. Our premier agency strategy is about developing the core of our agency force to achieve best-in-class standards across activity, productivity and recruitment. The quality training through our Premier Academy and the recruitment of our next generation of Premier Agents increased the number of active new agents by 18 per cent in the first half of the year.

In addition, we also continued the roll out of iPoS, our industry leading point-of-sale technology. This technology is now live in 10 markets, with the number of policy submissions through this platform having increased by four times over the last 12 months.

Our focus on the quality of our agency distribution is also reflected in the number of our Million Dollar Round Table members. AIA is now the second largest in the world for MDRT members, an increase of 35 per cent compared with the prior year and more than double since IPO.

VONB partnership VONB increased by 12 per cent. However, to put this into context, and as we highlighted to you back in February, our Direct Marketing channel in the first half was affected by this industry suspension of outbound telesales in Korea. If you exclude the effect of the DM and the telemarketing ban in Korea, and the effect of currency translation, the underlying partnership VONB was 30 per cent.

Looking at and moving on to AIA's powerful distribution platform, enabled us to deliver an attractive and diversified mix of products and services to our customers. The strength of our distribution is matched by our track record of launching new products, embedded protection cover throughout our portfolio and by moving towards higher quality, longer term savings products.

It is this focus on the right quality products and our ability to distribute the right mix that has delivered a substantial increase in both VONB and margin since IPO. Our distribution and product platforms also place us in an advantaged position to expand sales to our large base of existing customers. In the first half we continued to make good progress, with more than 400,000 new policies sold to existing customers through targeted marketing campaigns, leading to a VONB increase of 62 per cent from this source. There is still a great deal more for us to do across both products and customer engagement.

As Garth will talk about later, AIA has significant growth opportunities to invest capital to continue to drive strong returns for our shareholders. We have delivered substantial profitable new business growth, with increasing returns on capital and with improving efficiency. As you have seen from today's numbers, we have financed this strong growth, which is driving growing earnings and dividends while maintaining our solvency position. This combined performance -- the individual elements of the performance is significant but combined performance demonstrates the considerable potential that AIA has for future value creation.

Today's results and our track record demonstrate the sustained momentum in our business. We have achieved a great deal since our IPO, but as I have said many times before and I believe passionately, we are still at an early stage in a long, long journey, and that is a very exciting prospect for the business.

As Gordon and Keng Hooi will demonstrate, there continue to be many significant material future opportunities for growth that we are extremely well positioned to capture. At this stage, I'm going to hand over to Garth who will take you through the detailed financials.

Garth Jones, Group Chief Financial Officer:

Thanks Mark and good morning everyone. A recurring theme of our results presentations has been a clear strategy with consistent execution driving strong financial performance. Each of our key financial metrics, value of new business, embedded value and IFRS operating profit, have achieved new highs in the first half.

VONB was up 23 per cent to 792 million dollars. Embedded value equity increased by more than 2 billion dollars over the half to 36.9 billion dollars. IFRS operating profit grew by 15 per cent and with improved operating margins. Our solvency ratio increased to 448 per cent, after the upfront payment to Citibank, and the Board has declared a 15 per cent increase in the interim dividend. As Mark said earlier, this is a very strong and consistent performance across all of our financial metrics.

The growth rates shown on the previous slide are in actual reported currency. We receive premiums and pay benefits mainly in local currencies, so we closely match our assets and liabilities to reduce the economic effects of currency movements. However, because we report our results in US dollars, there is a reporting translation effect. You can see that the underlying VONB growth was 28 per cent and ANP growth was 16 per cent using constant currencies. For clarity, the figures shown throughout today's presentation are shown on actual exchange rates, not constant. Importantly, you can see that we've delivered a strong performance in both actual and constant currency.

I will now go through our results in more detail.

We optimised volume and margin to deliver total VONB growth and to achieve our required return on capital invested in new business. The 23 per cent growth in VONB reflects our consistent execution over time, with our first half 2014 VONB now greater than the full year figure we reported in 2010. Our VONB results are shown after a deduction of 78 million dollars for group office expenses and the cost of additional capital we hold under the Hong Kong solvency basis.

Our strong sales have been achieved with improved profitability, with VONB margin growing by 4.6 percentage points to 46.2 per cent. On a PVNBP basis, the margin was 8 per cent, reflecting the long term nature of our new business sales.

The quality of business written remains a top priority, and we can show this using Hong Kong as an example. Let me take you through two charts. The first is a breakdown of regular premium payment terms in Hong Kong, and the second, of single premium benefit terms. As you can see from the chart on the left, 98 per cent of our new regular premium business has a premium payment term of at least five years. This is in stark contrast to the market average, where lower margin, short term products, often targeted at deposit replacement, make up more than half of the regular premium market. From the chart on the right, you can also see that 96 per cent of our new single premium business is from products with benefit terms of at least 10 years.

Overall, our long term approach to quality new business in Hong Kong has led to 99 per cent of our ANP in the first half being from products with benefit terms greater than 10 years. A similar make up of business across our Group coupled with strong persistency of more than 94 per cent and IRRs on our new business again over 20 per cent demonstrates our focus on quality and underpins our track record of VONB growth since IPO.

The main drivers of our margin increase were product mix, ongoing repricing actions and new product launches. You can see the influence from channel and geographical mix was low, and the overall effect of assumption changes and other items was less than 1 per cent. Economic assumptions remain unchanged from those shown in our 2013 annual report and this is the consistent approach we have followed since IPO.

To put this in context, since the beginning of 2010, VONB margin has improved by 12.5 percentage points. The consistent execution of our product strategy has accounted for an increase of 15.3 percentage points. Assumption changes have reduced the VONB margin as interest rates moved lower over the period. A period of rising interest rates on the other hand would be broadly positive. However, as I have said before, we do not focus purely on margin. We look at overall VONB growth.

Our broad scale and diversification by market is a key advantage for AIA in the region, as it reduces the variability in our results, ensuring that we are not reliant on any one market for our growth. You can see

this positive effect happening in the first half of the year, with VONB up 23 per cent despite the impact of currency translation and the industry-wide direct marketing suspension in Korea. Our balanced portfolio of businesses allows us to access the substantial and growing need for our products and services across the Asian markets.

Let me now turn to embedded value equity. EV equity grew by 6 per cent to 36.9 billion dollars over the half year. The increase was mainly from a strong operating profit performance of 2.1 billion dollars, up 11 per cent compared with the first half of 2013. Positive operating variances contributed 60 million dollars from overall favorable experience compared with our assumptions. Capital market and foreign exchange movements were a positive 367 million dollars, largely as a result of gains in the market value of our bond investments over the half.

Turning now to EV sensitivities. While AIA is not immune to equity market and interest rate movements, the economic impacts on EV shown here are small with rising interest rates having a positive effect over all. It is important to look at both risk-free interest rates and risk discount rates together in order to measure the risk premium and overall level of prudence within the embedded value. AIA's risk premium is equivalent to 700 basis points once the effect of the Hong Kong reserving and capital is allowed for.

Importantly, AIA has a beta less than one and low balance sheet leverage. We have an independent actuarial firm assess our EV methodology and assumptions and they confirm these are prudent compared with industry practice. We also assess our approach on a market consistent embedded value basis and confirm that the results are not material different.

As I said earlier, we closely match our assets and liabilities in local currencies to reduce economic effects. The sensitivity on this slide shows the accounting translation effect into reported currency. Our sensitivity is reduced because of a number of key factors. Our VONB and EV are diversified across the region. Our largest business and corporate center is in Hong Kong with its peg to the US dollar, and the vast majority of our business in Hong Kong is actually written and matched in US dollars. Markets such as Singapore and China have currencies broadly correlated with the US dollar.

Turning now to our IFRS results. Operating profit after tax grew by 15 per cent to reach 1.5 billion dollars in the first half. This excellent performance was the direct result of the strong underlying growth we have delivered across our businesses and our focus on improving operating margins. This shows both the active management of our back book and the quality of the new business we are writing. Importantly, the growth has been achieved with scale, having increased by over 60 per cent and having delivered over 8 billion dollars of operating earnings since 2010.

All of our markets delivered strong growth in OPAT with the exception of Korea. These growth rates are in actual reported currency, as I mentioned earlier. As well as the consistency and magnitude of the growth we have achieved this slide again shows the significant benefits of the portfolio effect from AIA's broad scale and diversification by market.

Investment income increased to 2.6 billion dollars and our investment yield remains stable at 4.8 per cent. The total investment return of 5.5 per cent reflects the investment yield together with the mark-to-market performance of equities over the first half of the year. The investment mix of our portfolio has remained stable and the average credit quality is both unchanged and strong.

IFRS net profit was 1.5 billion dollars for the first half. This includes the full mark-to-market value of our equity portfolio while our operating profit excludes any actual or assumed gains. Average annual non-operating gains reported over the past four full financial years were 465 million dollars. Our net profit also does not reflect the market movements of AFS bonds as these are included in our equity.

I will now end with capital and dividends. A distinguishing feature of AIA is our ability to invest capital in significant new business growth opportunities at highly attractive returns at the same time as generating increasing amounts of free surplus. On the left hand side of the chart you can see the reduction because of the Citibank upfront payment which is not included as an intangible asset in free surplus. After this

payment, our stock of free surplus at the beginning of the period was 5.9 billion dollars. Over the first half we generated 2.1 billion dollars of free surplus from our large and growing in-force book of business. This figure benefited from overall market and currency movements of around 340 million dollars which was in line with the previous year.

We invested 781 million dollars in profitable new business growth. As with our VONB numbers it is worth noting that all of the figures shown here are after allowing for the prudent Hong Kong reserving and solvency basis. The net movement was a positive 0.8 billion dollars, after funding new business growth of 23 per cent, payment of interest costs, Group office expenses and shareholder dividends during the first half. So our stock of free surplus therefore stood at just over 6.7 billion dollars in line with the position at the start of the year.

As I mentioned on the previous slide, AIA has significant opportunities to invest capital in organic growth at very attractive returns for shareholders and we invested 781 million dollars of capital in new business in the first half of the year. The IRR on this investment was again over 20 per cent with shorter payback periods. Through the ongoing active management of our business we have steadily improved both the returns on capital and the capital efficiency of the business we are writing.

While our priority remains to invest capital in growing new business at attractive IRRs, we also reduced our new business strain as a percentage of VONB by a further 7 percentage points, a cumulative 37 percentage points since IPO. I would like to remind you once again all of the figures on this slide are on the prudent Hong Kong ICO basis.

As well as strong growth in diversification, another feature that differentiates AIA is the scale and profitability of our in-force business. This slide shows the after-tax surplus which is projected to emerge from our in-force book over time. The profile is highly attractive with 12.6 billion dollars expected to be released between now and the end of 2018 on an undiscounted basis.

The aggregate figure for all years is 6.4 billion dollars higher than the first half of 2013, demonstrating both the uplift from the new business written over the period and the considerable surplus we are successfully generating from our back book of existing business.

Solvency ratio for AIA Co has remained very strong over the first half. This is a result of growth in retained earnings, partly offset by the Citibank upfront payment. The solvency ratio has consistently been above 300 per cent since IPO, despite falling interest rates and equity market volatility, demonstrating the resilience of our capital position and balance sheet.

The Board has declared an interim dividend of 16 Hong Kong cents per share in line with our prudent, sustainable and progressive dividend policy. This represents growth of 15 per cent compared with the interim dividend in 2013, reflecting the strength of the business across all of our key financial metrics and our confidence in the future prospects of the Group.

Overall, the Group has produced another set of excellent financial results in the first half of 2014, driven by a strong operating performance combined with disciplined financial management. We delivered substantial growth in new business volumes and profitability, demonstrating the significant opportunities that AIA has to invest capital at attractive returns and with increasing capital efficiency.

Sustained profitable new business growth in turn is driving strong increases in IFRS operating profit with scale and diversification across the region. Finally, we generated substantial amounts of capital and free surplus from our in-force book, maintained our resilient solvency position, financed our growth and grew our dividends. These financial results again underscore AIA's ability to continue to build significant and sustainable value for our shareholders.

I shall now hand over to Gordon, who will share with you how these results have been delivered in his market. Gordon.

Gordon Watson, Regional Chief Executive:

Thank you, Garth. Good morning everyone. As Mark said earlier, both Keng Hooi and I are focused on delivering the strategic priorities in each of our markets as we continue to develop and expand our distribution platforms, enhance our product offerings and increase customer engagement. Now I will share with you the excellent results delivered by our largest operation and home market, Hong Kong, as well as the achievements of Korea and our Other Markets.

In the first half of 2014 our Hong Kong operation has again delivered excellent results with VONB growing by 55 per cent through a balanced mix of sales growth and margin enhancement. This is another set of record results showing the continuing strength and momentum of our business. Indeed, it is worth noting that the VONB of our Hong Kong operation has more than doubled since IPO, with a compound annual growth rate in excess of 25 per cent. Our principal distribution channel, premier agency, continues to be seen as the benchmark in the marketplace for both quality and scale. Quality recruitment and productivity improvements remain our key priorities.

Now in its third year, our AIA Premier Academy provides a sustainable platform for agency leaders to recruit and develop more quality new agents. This success has increased the number of active new agents by 23 per cent. We also improved our productivity levels and this has led to a 60 per cent increase in the number of MDRT qualifiers in the first half of 2014. We continue to focus on recruiting from the generation Y segment as this pool of young talent understands the aspirations and needs of their peers. We believe this is the right way forward in building for tomorrow.

Our partnership distribution has shown good progress with strong performance in the IFA market. And also, group insurance remains a key focus for us and we have seen excellent results generating a 25 per cent increase in VONB. AIA Hong Kong is committed to delivering innovative protection and medium to long term savings products. Last year, we upgraded our flagship critical illness products to strengthen our market-leading position in this area. This year we continued to expand our protection product range with the launch of a new critical illness plan that provides first-in-market protection.

We also launched a sales and marketing campaign to raise the market awareness on retirement planning. As part of the campaign we upgraded a number of our long term savings products to better serve our customer's needs. And as Garth said, we focus on writing quality business with 99 per cent of our ANP from products with benefit terms of greater than 10 years. This clearly demonstrates the quality of the business we write and highlights how our margin increased to 62 per cent in Hong Kong and why our VONB was up 55 per cent in the first half.

So, overall we are excited about the ongoing strong performance in our Hong Kong business and we are confident that we will continue to grow and strengthen our competitive position.

So now moving on to Korea. As I mentioned at the full year, the Korean regulator suspended industry outbound telesales in late January. This was in response to a data leak that was unrelated to the life insurance sector. We took timely action to maintain our telesales force as we provided them with financial support. We also moderated the production loss by expanding our inbound business. These initiatives helped stabilise the telesales force and we were able to resume production after the suspension was lifted in early March. This has affected our direct marketing business in the first half, resulting in a reduction of 22 per cent in overall VONB. This includes all the additional costs of the financial support we provided to our telesales force during the suspension.

In the second quarter of 2014, direct marketing production returned to pre-suspension levels, although increased regulatory requirements have led to lower margins from a longer overall sales process. We will continue to adjust to these new regulations and strong growth in our direct marketing business as a clear focus in the second half.

We saw growth in overall ANP as other channels delivered very strong performances in the first half of 2014. Our agency channel continued its good momentum through the strong execution of the premier

agency strategy achieving double digit growth in VONB. In 2013 we launched Next AIA aimed at improving activity levels of new recruits. In 2014 we followed this up with the roll out of a new sales management structure and training programmes to help our leaders to manage and further develop the new recruits. Building on our performance in 2013, our bancassurance channel delivered solid VONB growth. So in summary, our Korean business showed strong resilience, with a main focus on delivering sustainable growth.

Next, I will update you with the key highlights from AIA's Other Markets. Our Other Markets experienced a slow start to the year after substantial growth in 2013. As we highlighted in our first quarter announcement in April, this was due mainly to the depreciation of local currencies against our US dollar reporting currency and the effect of liquidity tightening in the banking sector. As a result, reported VONB was lower in the first half of 2013, but with a strong growth in the second quarter.

Let me now share with you a few highlights of the three larger of our Other Markets. So starting with Australia, as a newly independent risk specialist, we remain committed to delivering best in class services and launching competitive resale protection products. We continue to take the lead in restructuring the design of our group insurance schemes and managing claims proactive and effectively through our highly experienced claims assessment and rehabilitation teams. In March we launched AIA Vitality wellness programme for the IFA resale market. This innovation and science-backed programme differentiates AIA and creates new ways of engaging with our customers. The initial take up has been encouraging.

Moving on to Indonesia, the business in Indonesia was also affected by macroeconomic factors including the significant weakening of the rupiah by 17 per cent. We continue to build the foundation of future growth in the bancassurance by increasing our insurance specialist sales force by 15 per cent. In the first half of 2014 we also enhanced our activity management with the launch of the next version of iPoS. On the agency front, we continue to execute our premier agency strategy with a focus on building the fundamentals. The success of our recruitment and training effort is evidenced by doubling of the number of active new agents.

Turning to the Philippines, our results from the Philippines was also affected by currency depreciation. In agency we saw solid underlying growth in the first half of 2014 with a substantial increase in VONB in the second quarter. The effective execution of our agency recruitment programme, combined with the launch of the programme to improve the activity levels of the new recruits resulted in a 64 per cent increase in the number of active new agents. In bancassurance we continue to invest in the future of our partnership with the Bank of the Philippine Islands, by increasing the number of active insurance specialists by 28 per cent, compared with the first half of the prior year.

Now let me close by updating you on our exclusive partnership with Citibank. As you know, on December 18 last year, we were delighted to sign an exclusive and long term bancassurance agreement with Citi. This agreement is one of the widest reaching bancassurance distribution partnerships every signed in Asia, providing AIA access to Citi's extensive regional distribution network with approximately 13 million retail card holders and banking customers across 11 markets.

2014 is very much about laying the foundation for this 15-year exclusive relationship and we are pleased with the solid progress we have made to date. We have launched in seven markets in the first half, beginning with Hong Kong and Singapore in March. There is much more to be done as we roll out the partnership in the remaining markets over the rest of the year.

In closing, we're all very focused on executing our growth plans and are committed to taking AIA to the next level. So thank you very much and I will now turn it over to Mr. Keng Hooi, thank you.

Ng Keng Hooi, Regional Chief Executive:

Thanks Gordon. Good morning. I will review the excellent progress we have made across my four largest markets, beginning with Singapore. AIA Singapore delivered a strong set of results in the first half of 2014, building on the sustained growth from prior years. VONB grew by 15 per cent to 127 million dollars

and ANP increased by 46 per cent to 214 million dollars. VONB margin trended in line with the second half of 2013. This was due to a return to a more balanced mix of savings and protection products following the initial launch of the HealthShield planned upgrades in the first half of last year.

The execution of premier agency strategy increased the number of active agents by 19 per cent, at the same time delivering double digit growth in productivity. Our partnership distribution through banks and IFAs also generated strong growth in the first half.

We are always looking to create new ways of engaging with our customers and further differentiating AIA with the market. We expanded our product range to meet the protections and saving needs of our customers with the addition of a new unit-linked product. This next generation product offers greater flexibility to adjust benefits as moods change over customers' lifetime. Our innovative AIA Vitality programme launched last year, is also gaining traction as we engage with our customers and reward them for sustained changes in behaviour towards a healthier lifestyle.

Moving now to Malaysia. Our business in Malaysia delivered an excellent performance in the first half of 2014 with VONB growth of 30 per cent to 70 million dollars. VONB margin increased by 8.6 percentage points to 44 per cent from our successful shift towards protection and unit-linked products. This is a direct result of the product strategy we set out at the time of our acquisition of ING Malaysia in 2012.

At the end of last year, we launched a new unified agency compensation structure designed to drive productivity and quality recruitment. The focus on recruitment, particularly with the under-35 age group, resulted in a 54 per cent increase in the number of active new agents, compared with the first half of 2010.

Productivity increased by 15 per cent, supported by iPoS, our market leading point of sales platform. Over 90 per cent of our agents in Malaysia has now adopted this innovative technology. In partnership distribution, our bancassurance tied up with Public Bank continued to deliver strong growth, particularly in regular, premium unit-linked products.

To broaden our coverage of the Malaysian market, we introduced additional protection riders for our flagship regular premium unit-linked products targeted at women and young adults. Our Takaful business grew 31 per cent in VONB as we continue to make good progress in penetrating the large and under-insured Muslim population.

Now let me move on to Thailand. Our business in Thailand delivered solid growth in the first half of this year. VONB grew by 11 per cent to 162 million dollars, despite a significant depreciation of the Thai baht against the US dollar. VONB margin increased by 8.2 percentage points to 63 per cent from a higher mix of protection business. Supported by our large nationwide agency network and the quality of our brand, these results demonstrate the resilience of our business in Thailand.

Our agency business delivered strong underlying VONB growth of more than 20 per cent on constant exchange rates during the half. We increased active agent productivity from the ongoing execution of our premier agency strategy and our revised agency compensation scheme. Our training programmes, through our premier academy strengthened the foundation of our unit-linked business in Thailand. This has increased the number of agents licensed to sell this business by 33 per cent.

We continued to leverage our large customer base of eight million in-force policies as a valuable source of new business with strong VONB growth from sales to existing customer in the first half. Our new upmarket comprehensive health plan launched in late 2013 has been very successful and has become one of our best selling products in the first half of 2014.

Let me now close with China. AIA China had an outstanding first half achieving 58 per cent growth in VONB. This is a direct result of the consistent execution of our differentiated growth strategy. Our premier agency strategy developed high quality agents who are very focused on helping our customers meet their long term savings and protection needs.

With stringent selection criteria, dedicated new joiner programmes and comprehensive training courses, we have successfully grown our active agents by 46 per cent in the first half. Active agent productivity improved by 9 per cent, supported by our portfolio of market-leading products and innovative point of sale technology.

We continue to launch new products to meet the protection and long term saving needs of our customers. This included a new product tailored to the young family segment that offers comprehensive protection and savings for young upwardly mobile families, an under-penetrated segment in China. We also saw strong demand for our innovative long term saving plans launched last year. This plan combines the strength of traditional and unit-linked products to meet the long term retirement saving needs of Chinese consumers.

With a consistent execution of our growth strategy, my teams and I remain very confident we will continue to deliver strong performances across the region. Let me hand back to Mark for his closing comments. Mark.

Mark Tucker, Group Chief Executive and President:

Thanks, Keng Hooi. I hope you've seen what Gordon and Keng Hooi have taken you through how our local businesses are capturing the benefits, the significant benefits of the structural growth trends that we see across Asia. Let me give you a sense of how we position it, because these trends are happening on an unprecedented scale.

I showed you on an earlier slide that AIA had delivered excellent results since IPO. But looking at this slide, you begin to understand that our achievements to date remain small relative to the enormous opportunities that are available to us in this region. Large scale population growth is driving the rapid urbanisation and leading to significant increases in disposable incomes.

There will be 4.1 billion people in Asia by 2020, of which is estimated that 1.7 billion will live in cities, having entered the workforce finding higher paying jobs and creating an additional 3.8 trillion dollars of new spending power. Combined with low levels of government social support and minimal existing private insurance cover, these structural drivers are the foundations of the enormous growth potential in the savings and protection business. It really is hard to overstate the potential that this offers to AIA.

We will continue to execute our priorities to align our business with these unprecedented growth drivers. The quality and scale of our distribution, the breadth and depth of our product offerings, the strength of our brand, our invaluable financial position and cash flow, our consistent executions since IPO and our vast depth of experience in Asia. Taken together it is clear that AIA is in the right market, at the right time, with the right platform and this makes us exceptionally well positioned to seize the incredible growth opportunities that Asia offers.

In closing, as we have seen and heard, we have delivered very strong first half results. Our focus is to continue to deliver large scale, profitable growth and attractive returns through the execution of our clear strategy and to deliver sustainable value for our shareholders. We remain as confident and as excited by the opportunities for our business today as we have ever been.

Thank you for listening for this morning. Now, over to you for any questions.