



# 2012 Results Presentation

## **CREATING SUSTAINABLE VALUE**

27 February 2013



# Disclaimer



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

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

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

This document does not constitute or form part of, and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company or any holding company or any of its subsidiaries in any jurisdiction or an inducement to enter into investment activity. No part of this document, nor the fact of its distribution, shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. No shares of the Company may be sold in the United States or to U.S. persons without registration with the United States Securities and Exchange Commission except pursuant to an exemption from, or in a transaction not subject to, such registration. In Hong Kong, no shares of the Company may be offered to the public unless a prospectus in connection with the offering for sale or subscription of such shares has been authorised by The Stock Exchange of Hong Kong Limited for registration by the Registrar of Companies under the provisions of the Companies Ordinance (Cap.32 of the Laws of Hong Kong), and has been so registered.

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

# Agenda



| <b>Presenter</b>         | <b>Position</b>                      | <b>Topic</b>                                  |
|--------------------------|--------------------------------------|---|
| <b>Mark Tucker</b>       | <b>Group Chief Executive</b>         | <b>2012 Group Review</b>                      |
| <b>Garth Jones</b>       | <b>Group Chief Financial Officer</b> | <b>2012 Financial Results</b>                 |
| <b>Gordon Watson</b>     | <b>Regional Chief Executive</b>      | <b>Hong Kong, Korea &amp; Group Insurance</b> |
| <b>Ng Keng Hooi</b>      | <b>Regional Chief Executive</b>      | <b>Singapore, Malaysia &amp; China</b>        |
| <b>Huynh Thanh Phong</b> | <b>Regional Chief Executive</b>      | <b>Thailand &amp; Other Markets</b>           |
| <b>Mark Tucker</b>       | <b>Group Chief Executive</b>         | <b>Creating Sustainable Value<br/>Q&amp;A</b> |

# 2012: Another Year of Delivery

- **Delivered record results – again**
- **Executed clear priorities**
- **Continued proven growth strategy**
- **Extended leadership position**
- **Engaged in value enhancing initiatives**

# 2012: Excellent Financial Performance



|                    | \$m                           | FY2012 | FY2011 | YoY     |   |
|--------------------|-------------------------------|--------|--------|---------|---|
| Value              | VONB                          | 1,188  | 932    | 27%     | ↑ |
|                    | VONB Margin                   | 43.6%  | 37.2%  | 6.4 pps | ↑ |
|                    | ANP                           | 2,696  | 2,472  | 9%      | ↑ |
|                    | Embedded Value                | 31,408 | 27,239 | 15%     | ↑ |
| IFRS Results       | TWPI                          | 15,360 | 14,442 | 6%      | ↑ |
|                    | Expense Ratio                 | 8.7%   | 8.7%   | -       | — |
|                    | Operating Profit After Tax    | 2,159  | 1,922  | 12%     | ↑ |
|                    | Net Profit                    | 3,019  | 1,600  | 89%     | ↑ |
| Capital & Dividend | Shareholders' Equity          | 26,697 | 21,313 | 25%     | ↑ |
|                    | HKICO Solvency Ratio          | 353%   | 311%   | 42 pps  | ↑ |
|                    | Dividend per Share (HK cents) | 37.00  | 33.00  | 12%     | ↑ |

# 2012: Clear Strategy – Well Executed



## Distribution

- Expanded Premier Agency and partnership engagement

## Product

- Broadened product range and enhanced profitability

## Customer

- Improved customer targeting and sales to existing customers

## Organisation

- Ongoing local empowerment and launched innovative technology

## Financial

- Sustained profitable growth momentum and strong capital position

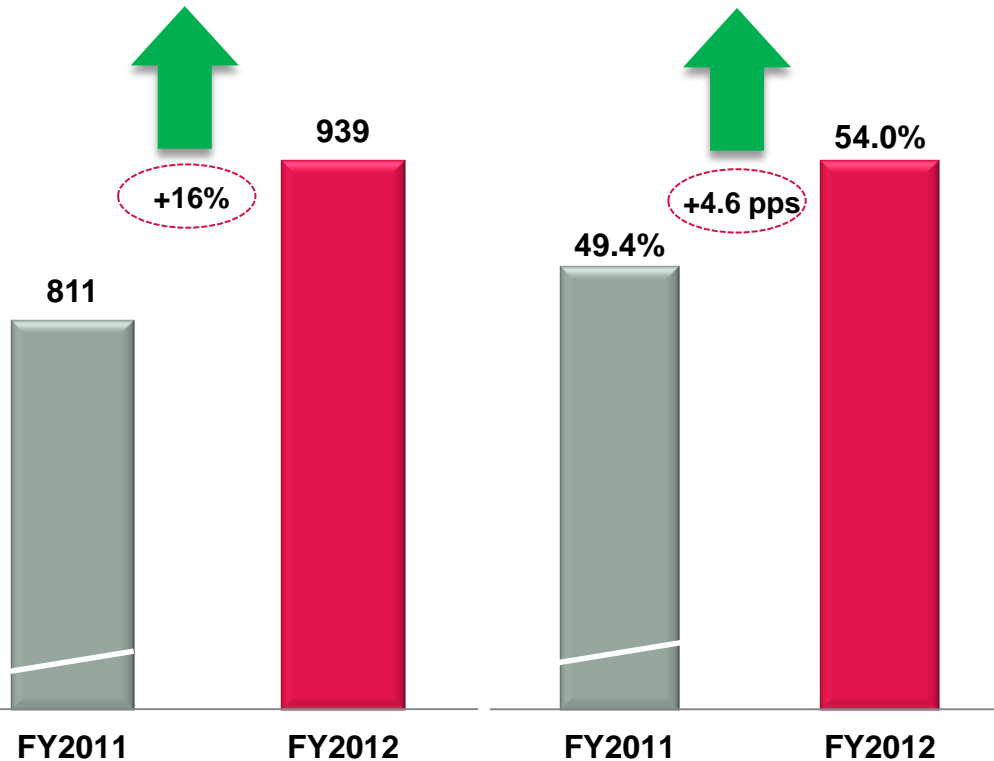
# Distribution: Premier Agency Delivery



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

## VONB Margin<sup>(1)</sup>

## Premier Agency



- Key competitive advantage
- Quality recruitment focus
- AIA Premier Academy expansion
- Strategic partnership with LIMRA
- Agency leadership development
- Number of active agents up 7%
- MDRT growth of 11%

Note

(1) VONB and VONB margin by distribution are shown based on the local statutory basis and exclude unallocated Group Office expenses and corporate pension business.

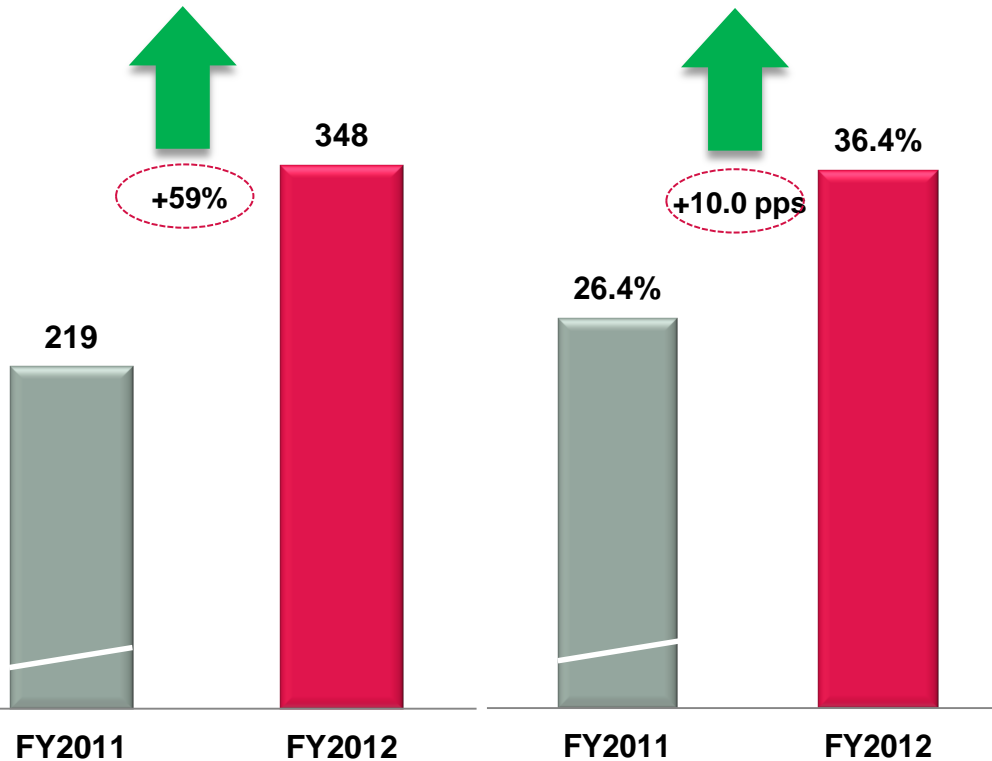
# Distribution: Profitable Partnerships Expansion



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

## VONB Margin<sup>(1)</sup>

## Partnership Expansion



- Profitable channel diversification
- Bancassurance execution
  - Disciplined pricing
  - VONB more than doubled
- New long-term bank agreements
- Direct marketing expansion
- Focused approach to IFA channel with VONB up by more than 50%

Note

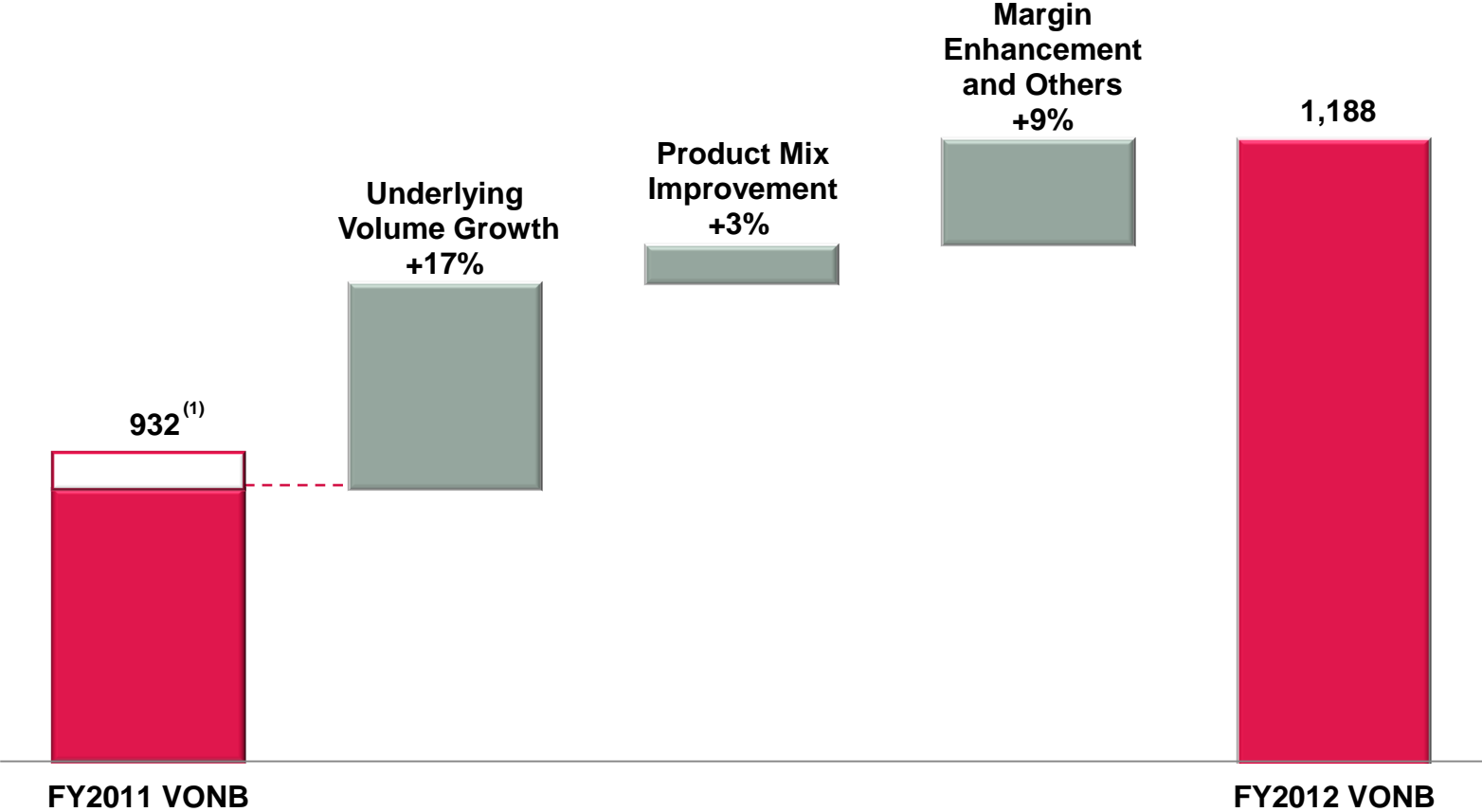
(1) VONB and VONB margin by distribution are shown based on the local statutory basis and exclude unallocated Group Office expenses and corporate pension business.



# Product: Quality VONB Growth



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



Note  
 (1) VONB movement excludes the effect of a single large Australian group insurance scheme which came into effect in 3Q 2011.  
 The VONB movement splits shown are rounded and multiplicative.

# Customer Experience: Creating Sustainable Value

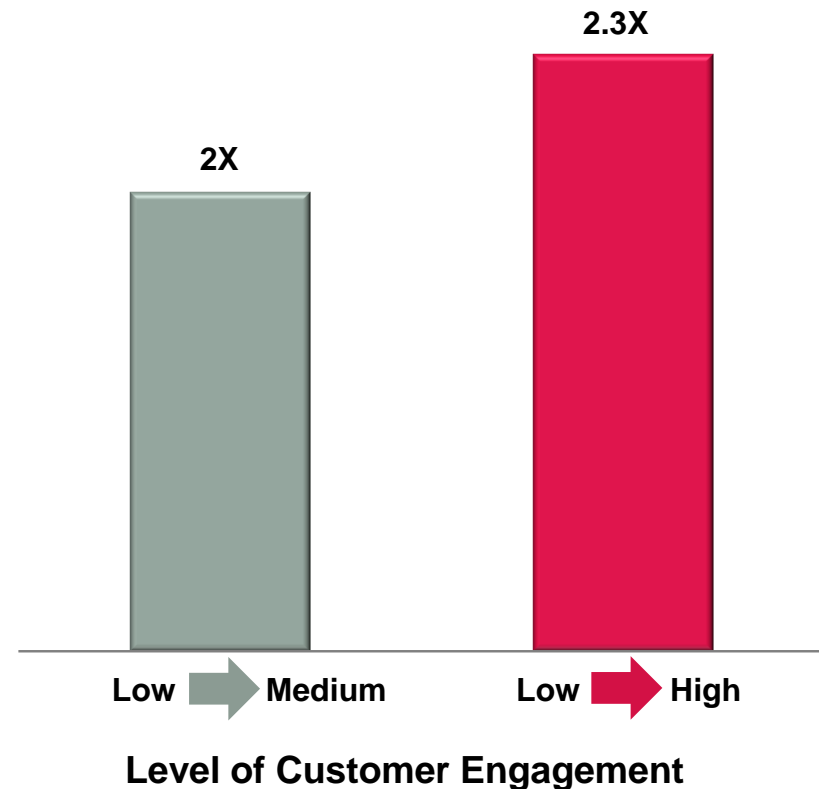


## Improving the Customer Experience Creates Sustainable Value

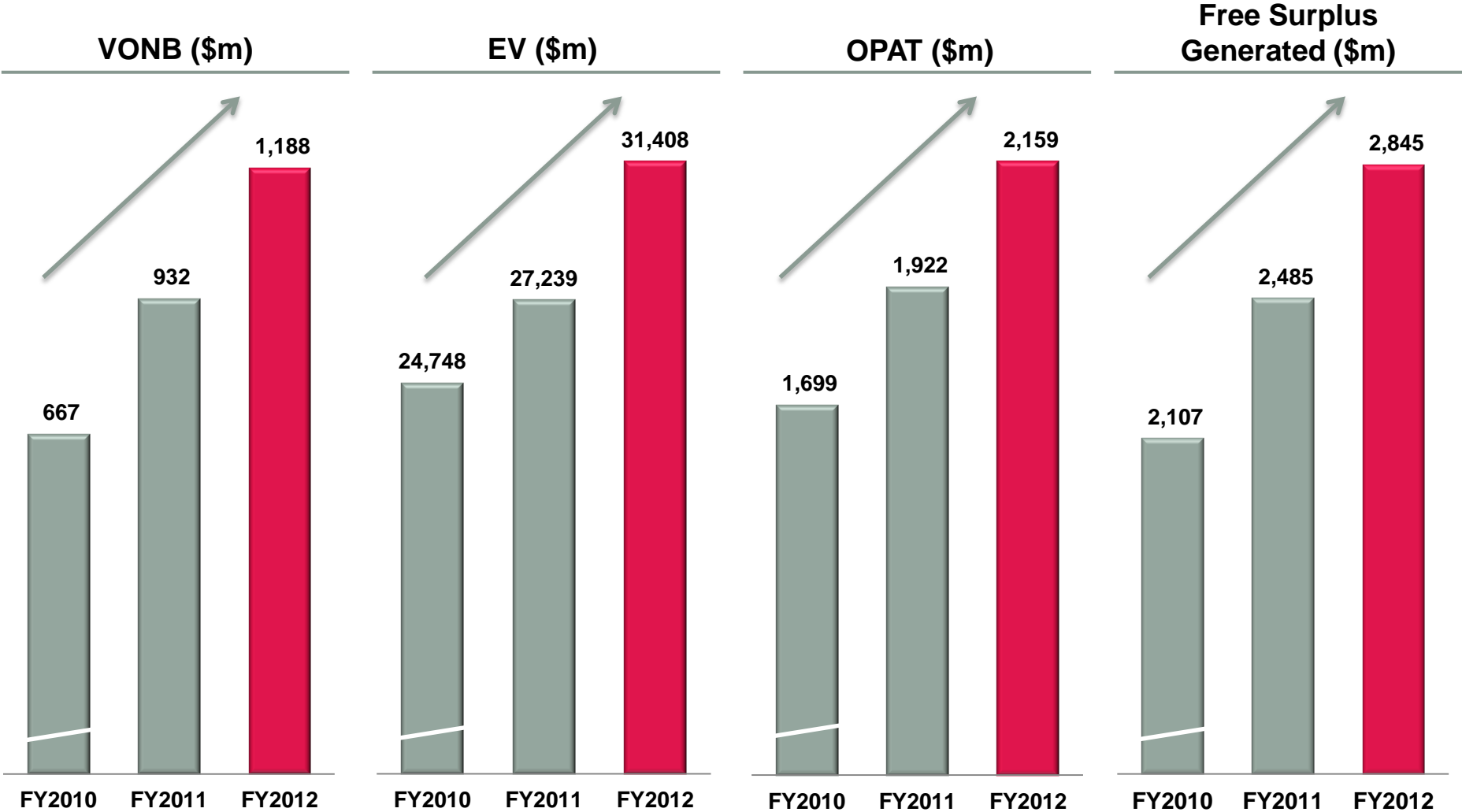
- Customer Experience programme expanded to cover 10 markets
- Focus on areas that make a material difference to profitability and experience
- Sustainable revenue growth from new business referrals and cross sales
- Additional 500,000 policies sold to existing customers in 2012

## Highly Engaged Customers Buy Significantly More

Uplift in additional new premium sales by level of engagement



# Financial: Sustained Momentum Across All Metrics





**2012 Group Review**

**Mark Tucker**

**2012 Financial Results**

**Garth Jones**

**2012 Business Review**

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

**Creating Sustainable Value**

**Mark Tucker**



**Value Creation**

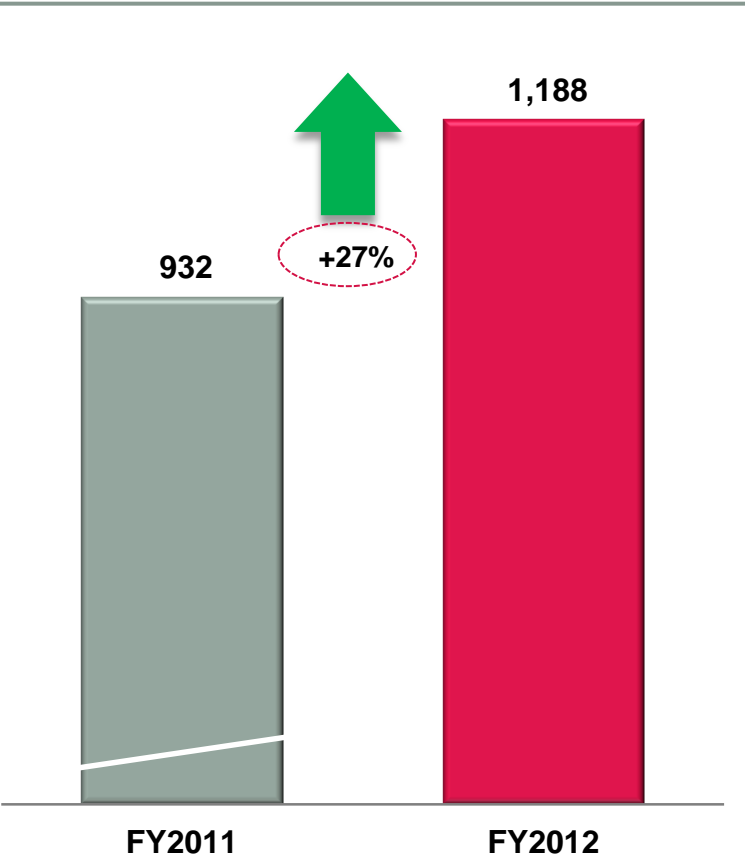
**IFRS Results**

**Capital and Dividends**

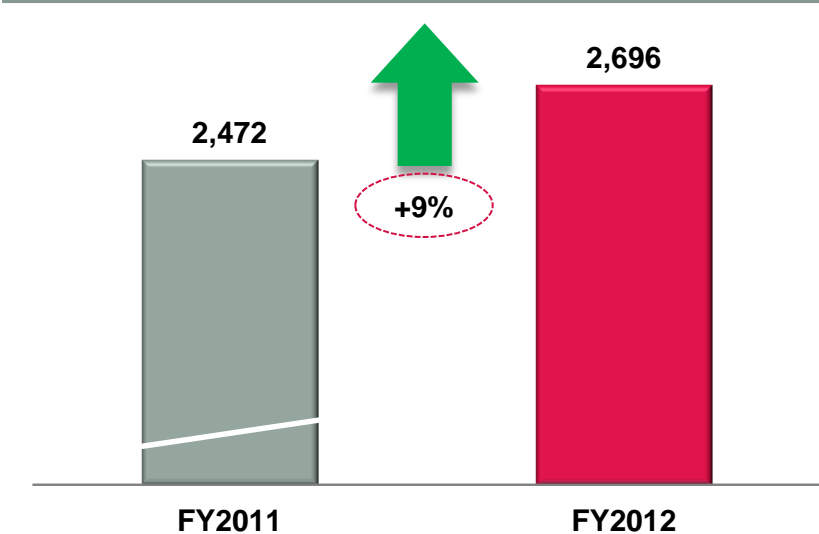
# 2012: Record New Business Performance



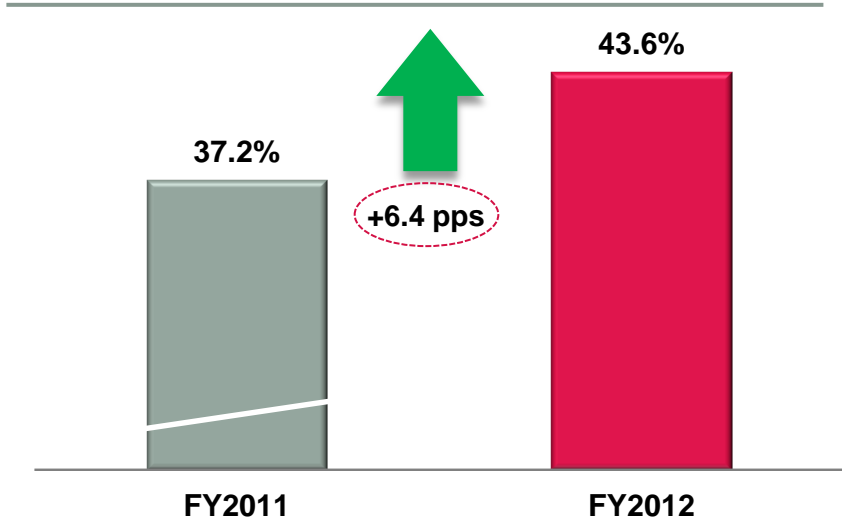
VONB (\$m)



ANP (\$m)



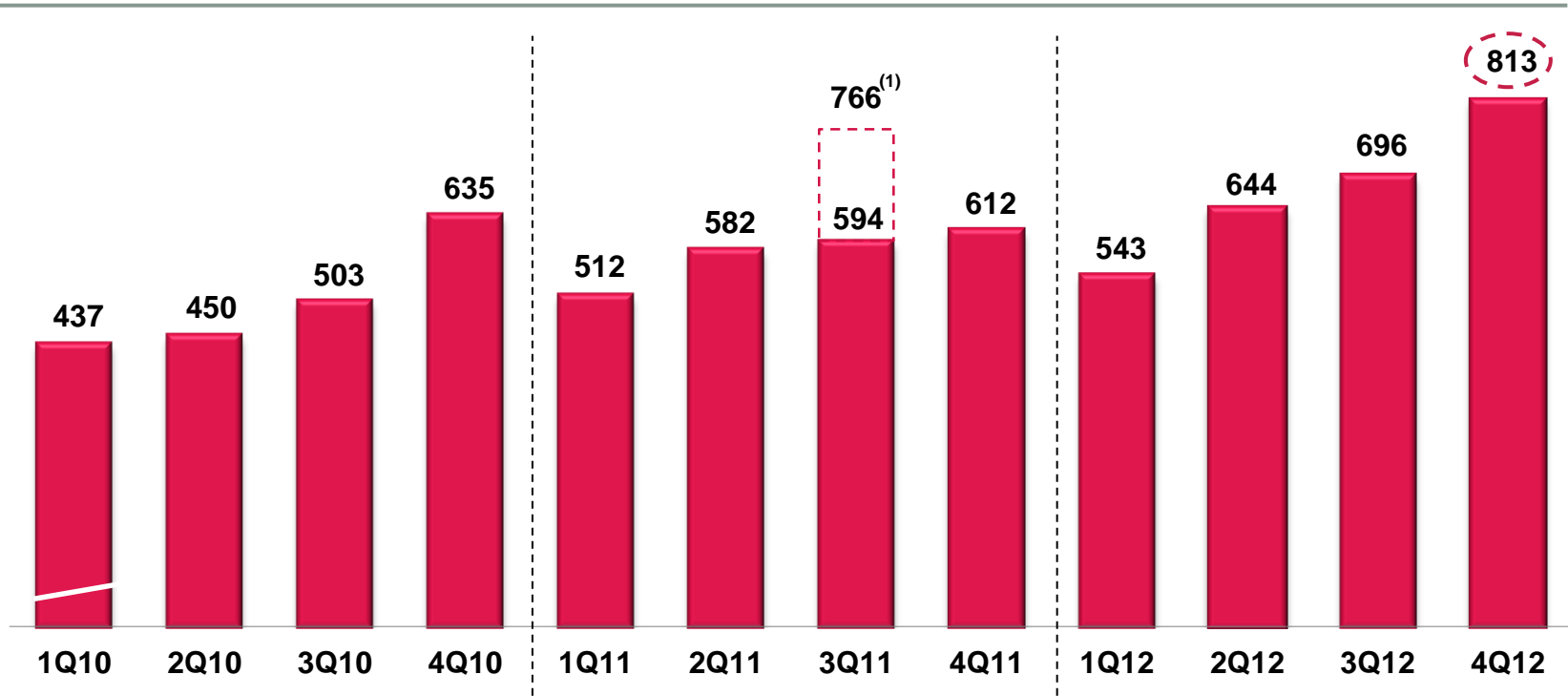
VONB Margin



# 2012: Record ANP



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



Growth Rates

FY2012 v FY2011

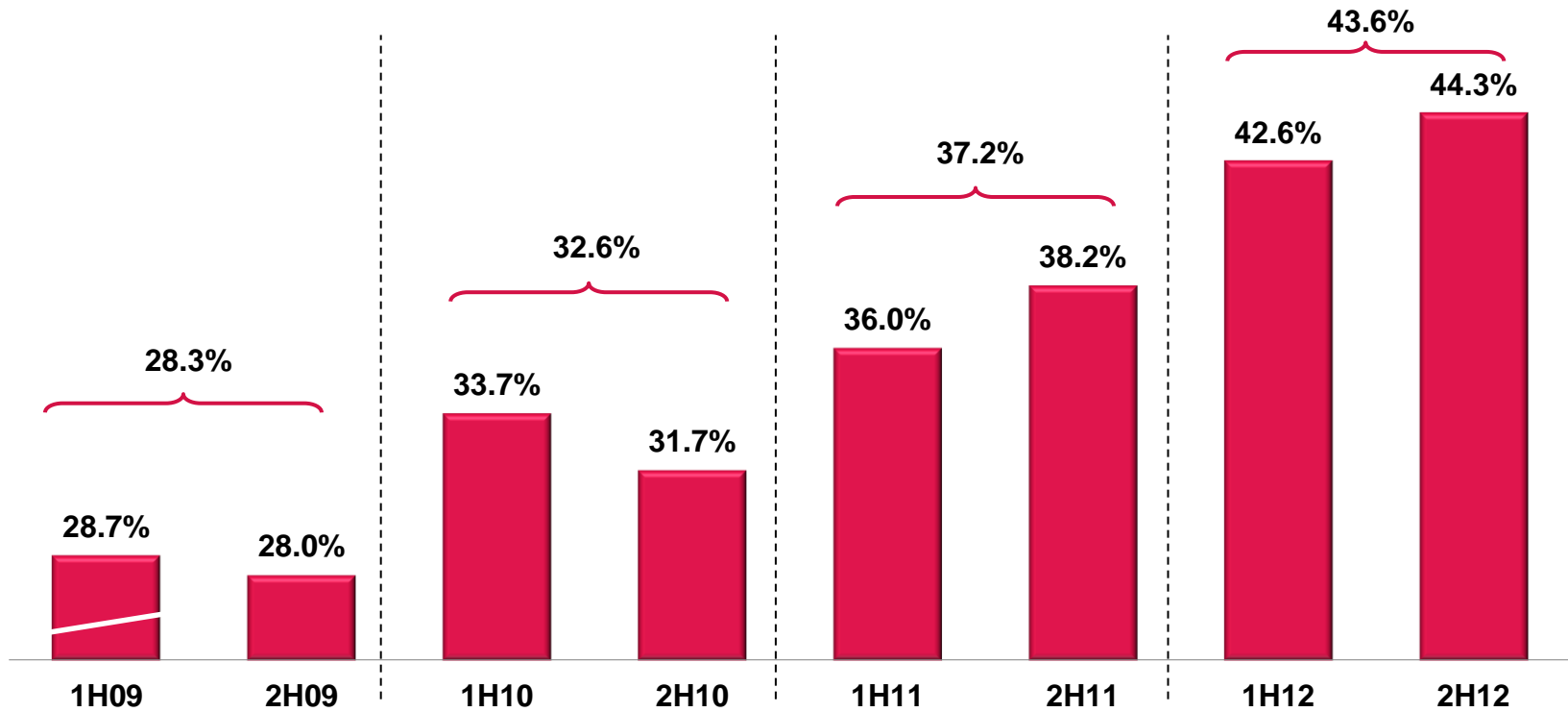
+9%

Note  
(1) Including ANP from a single large Australian group insurance scheme which came into effect in 3Q 2011.

# 2012: Record Margin



## VONB Margin

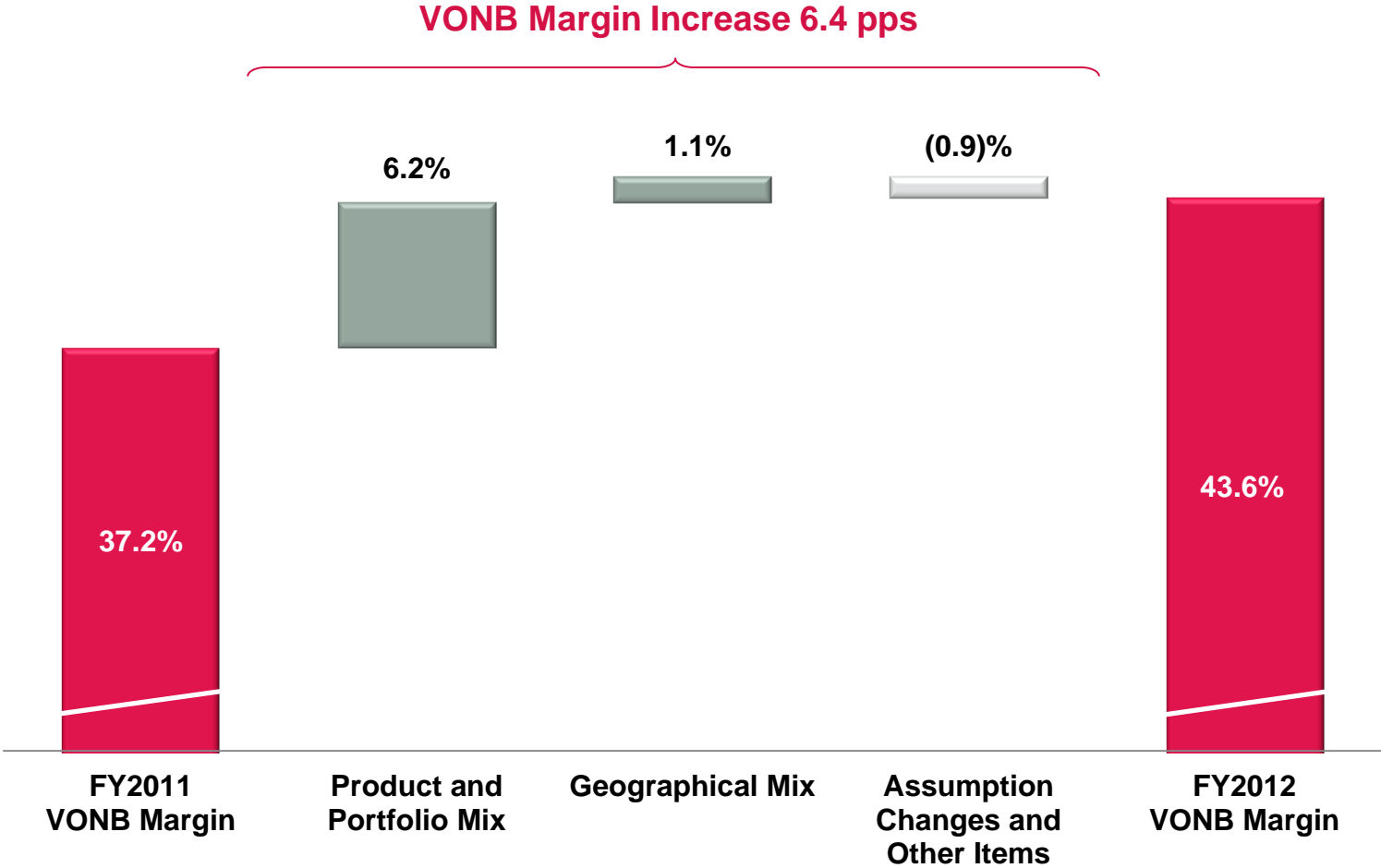


Margin Uplift

FY2012 v FY2011 **+6.4 pps**



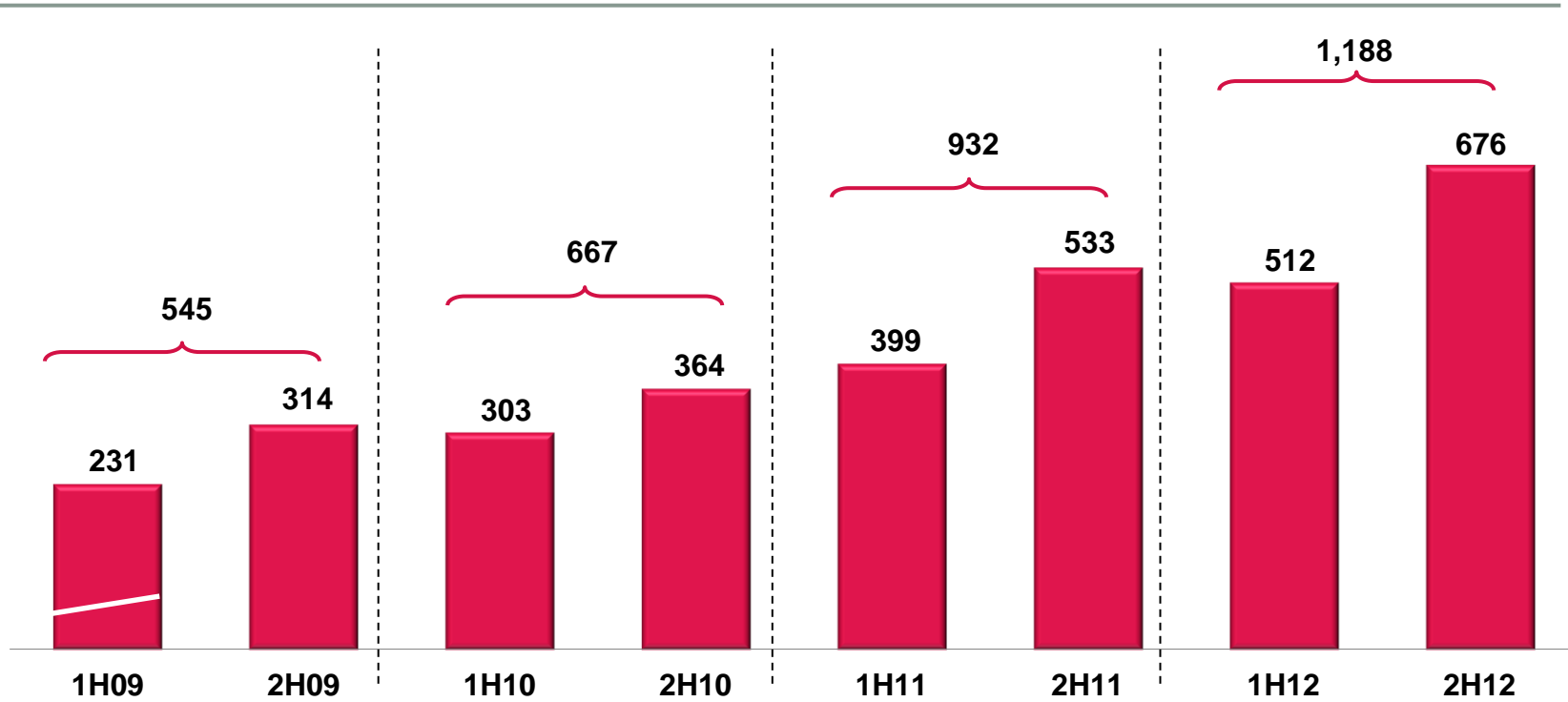
# VONB Margin: Positive Actions on Mix and Pricing



# 2012: Record VONB



VONB (\$m)

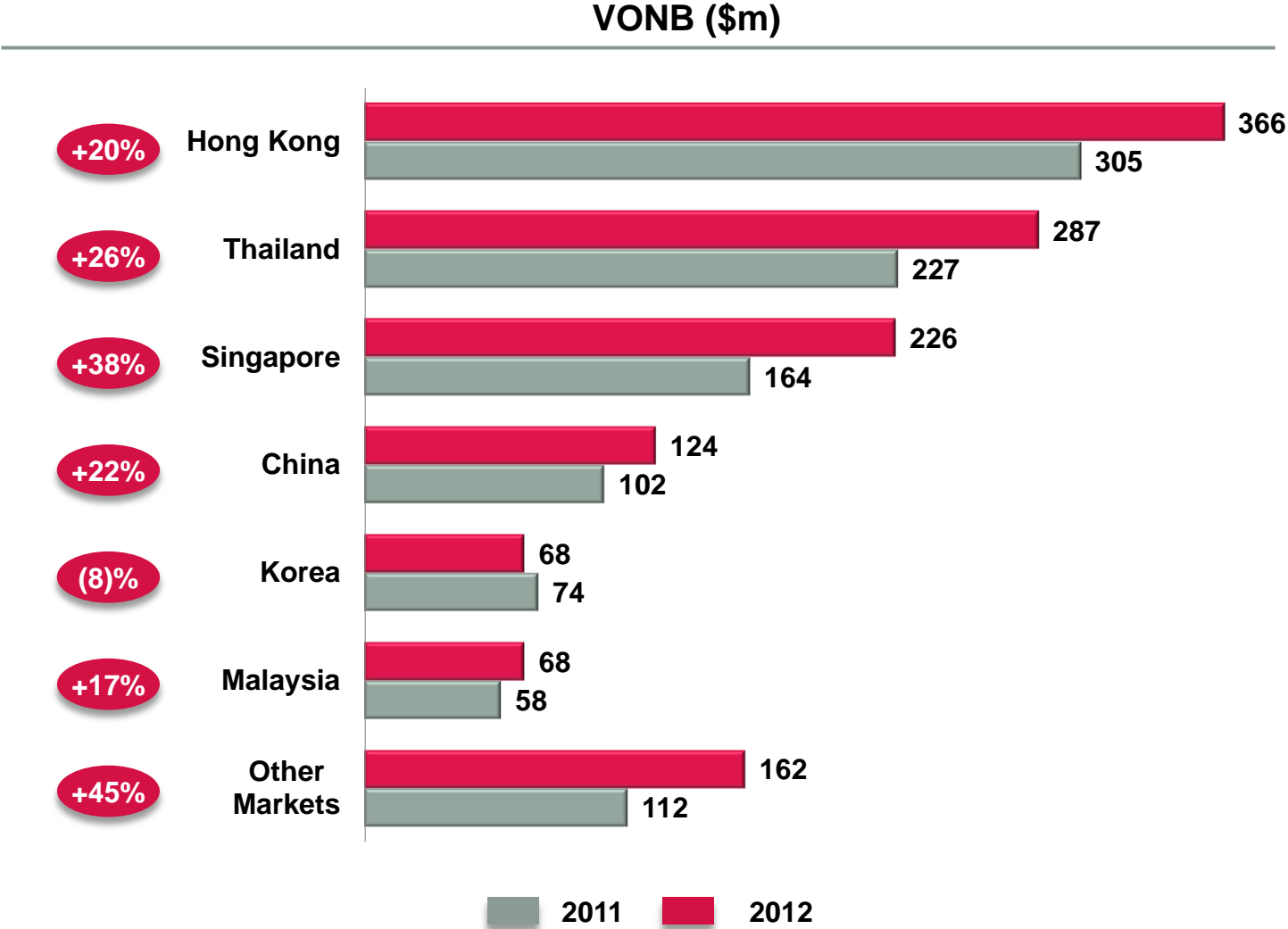


Growth Rates

FY2012 v FY2011

+27%

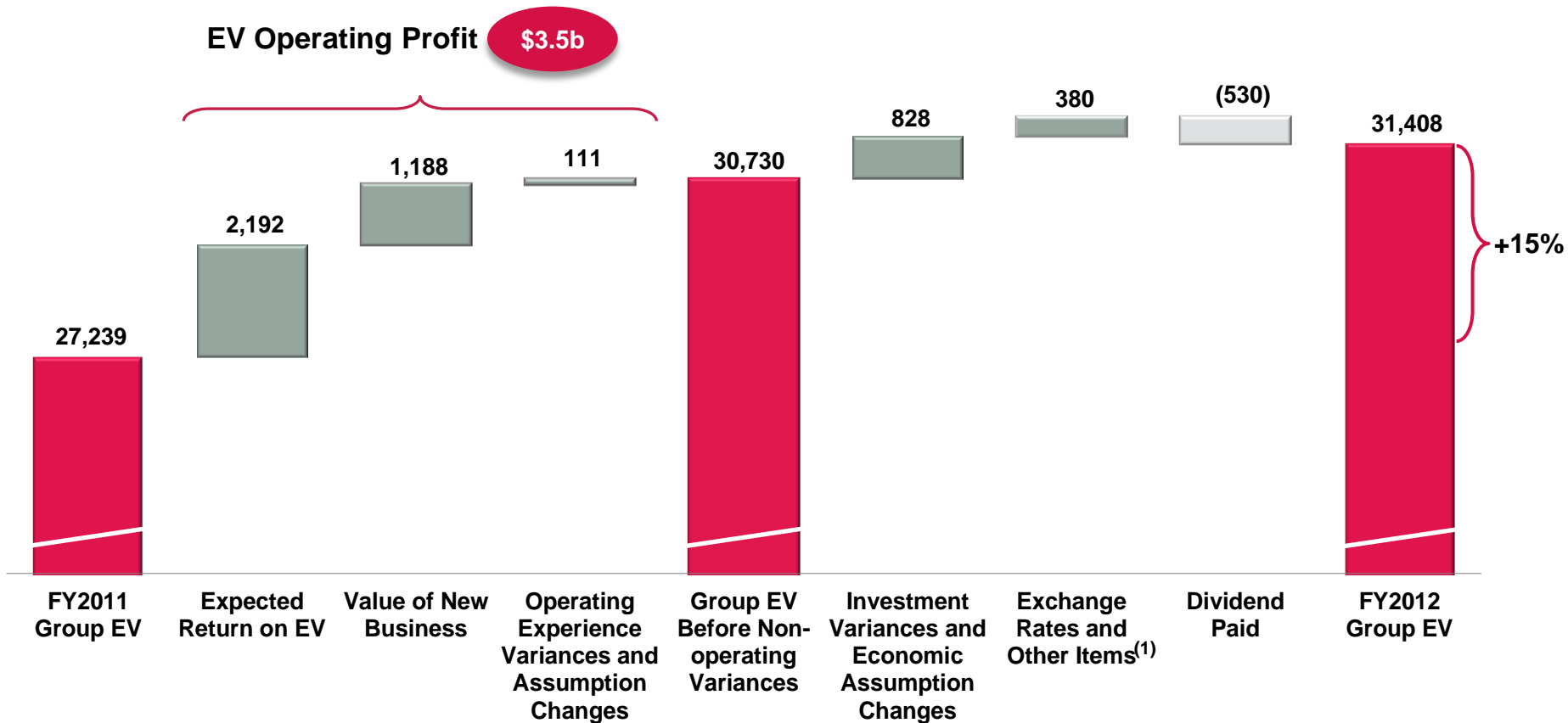
# 2012: Broad-based VONB Uplift over 2011



# Record EV up 15% to \$31.4b; Increase of \$4.2b



## 2012 Embedded Value Movement (\$m)



Note

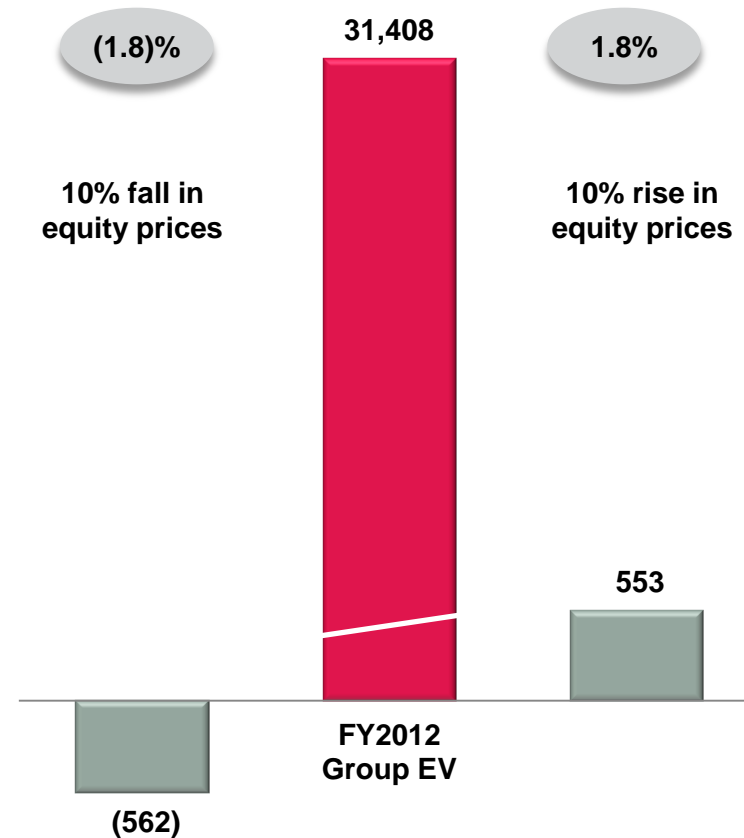
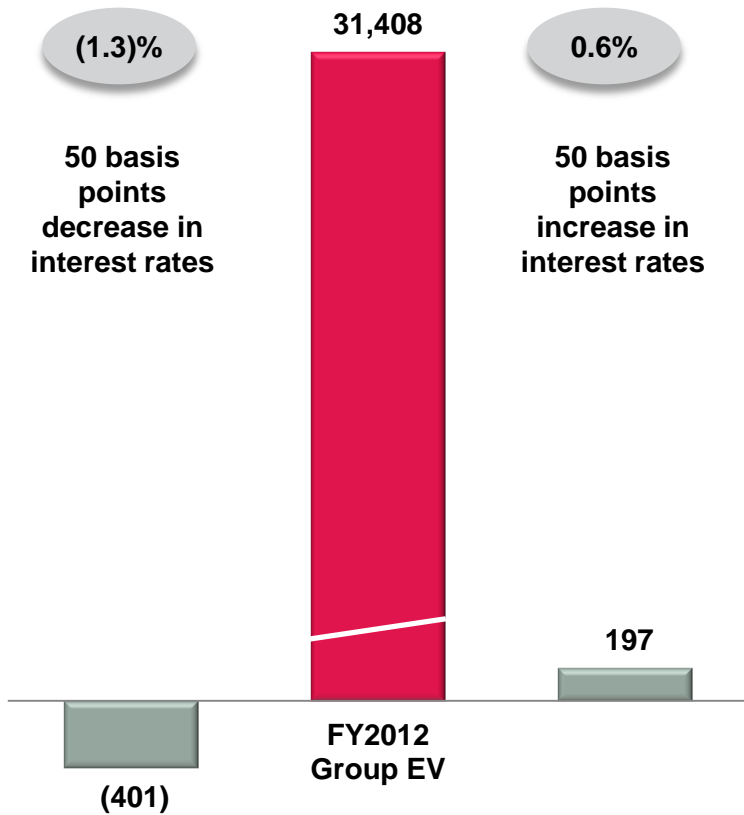
(1) Other items include other non-operating variances and other capital movements over the year

# EV Sensitivity to Capital Market Movements



## Interest Rates (\$m)

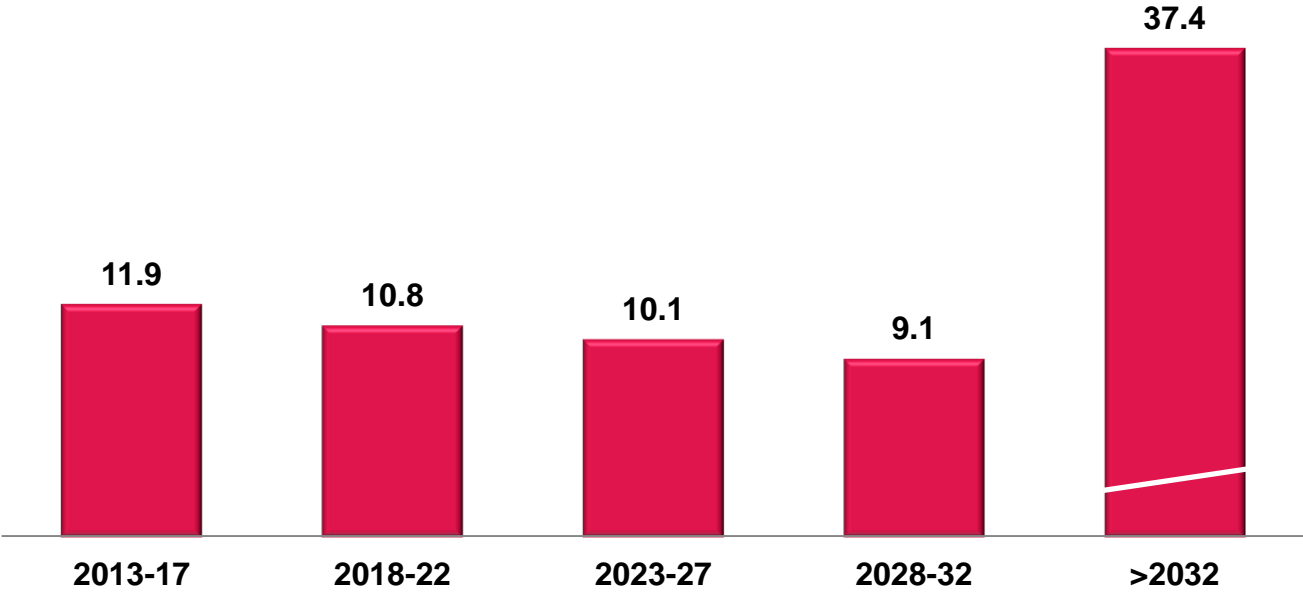
## Equities (\$m)



# Strong Cash Flow Generation



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



| % of Total | 15% | 14% | 13% | 11% | 47% |
|------------|-----|-----|-----|-----|-----|
|------------|-----|-----|-----|-----|-----|

Note  
 (1) Undiscounted net cash flows are defined as the after-tax surplus generated from the assets backing the statutory reserves and required capital of the in-force business of AIA on the Embedded Value basis.



**Value Creation**

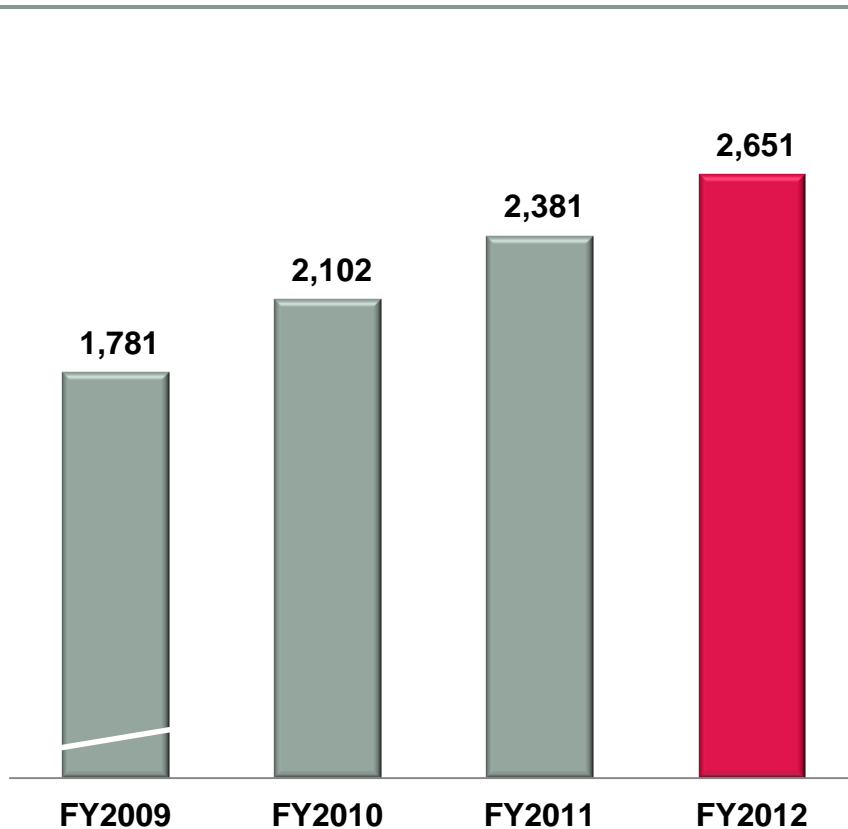
**IFRS Results**

**Capital and Dividends**

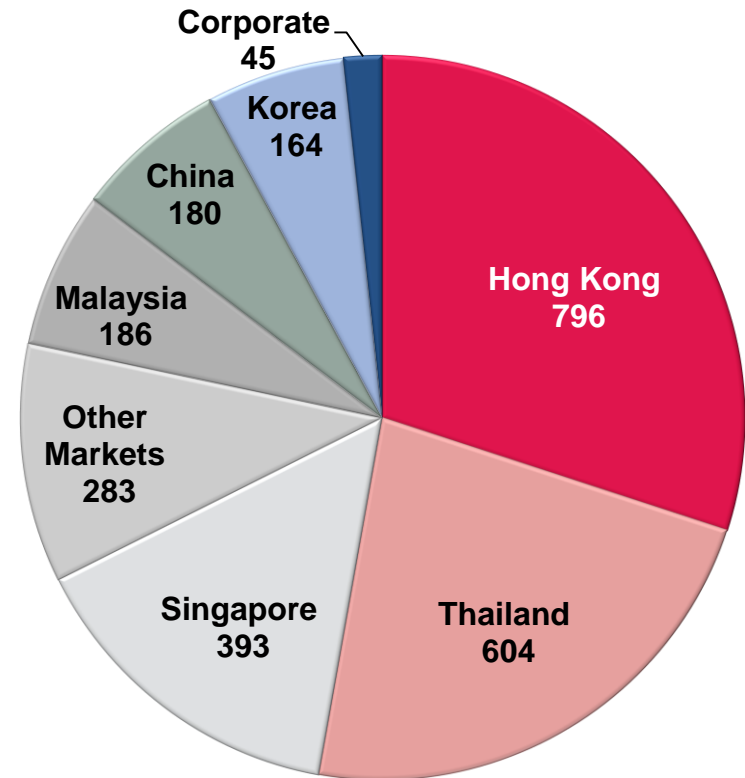
# Operating Profit Up to \$2.7b; Diversified Earnings



Operating Profit Before Tax (\$m)



Operating Profit Before Tax by Segment (\$m)

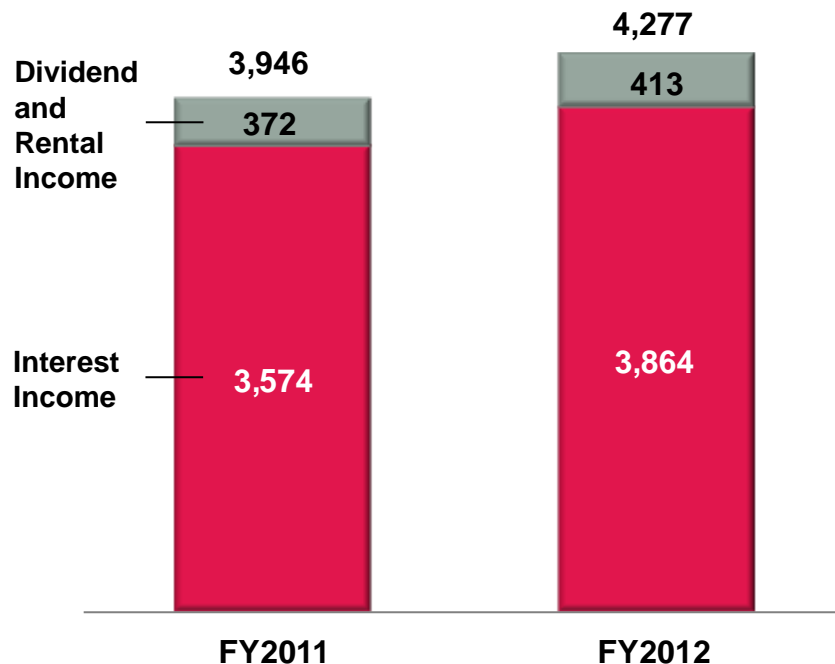




# Investment Income Up to \$4.3b; Stable Yield



## Investment Income (\$m)



Investment Yield

5.0%

4.8%

Investment Return

4.4%

6.7%

## Invested Assets Composition (\$m)

|                                  | As at<br>30 Nov 2011 | As at<br>30 Nov 2012 |
|----------------------------------|----------------------|----------------------|
| Fixed Income <sup>(1)</sup>      | 86%                  | 87%                  |
| Equity                           | 9%                   | 10%                  |
| <b>Fixed Income &amp; Equity</b> | <b>95%</b>           | <b>97%</b>           |
| Cash                             | 4%                   | 2%                   |
| Properties                       | 1%                   | 1%                   |
| <b>Total</b>                     | <b>100%</b>          | <b>100%</b>          |
| <b>Total Invested Assets</b>     | <b>82,284</b>        | <b>98,240</b>        |

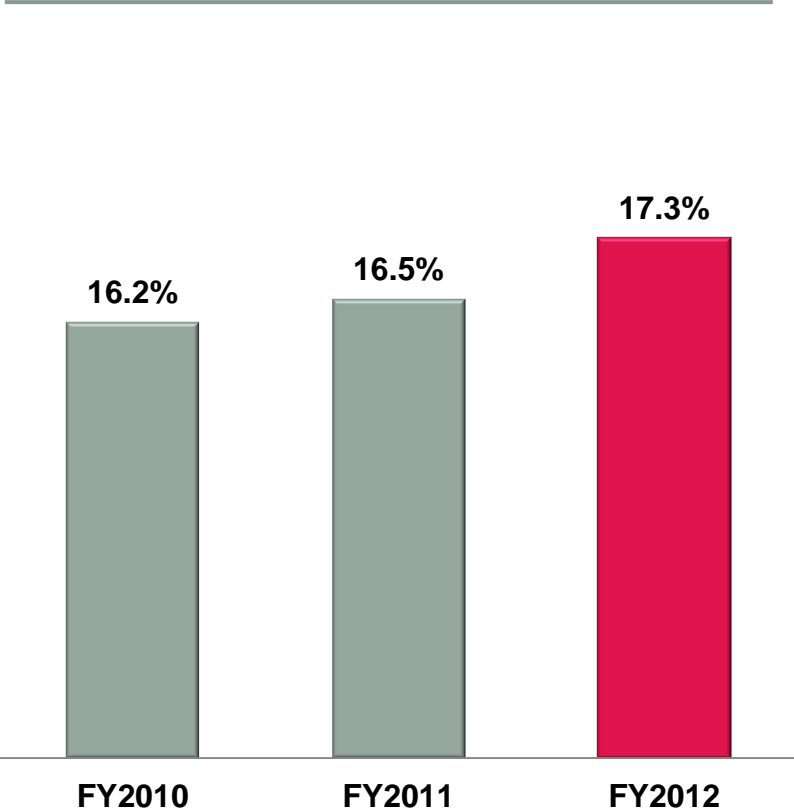
Note

(1) Includes debt securities, loans, term deposits and derivatives.

# Operating and Expense Efficiency

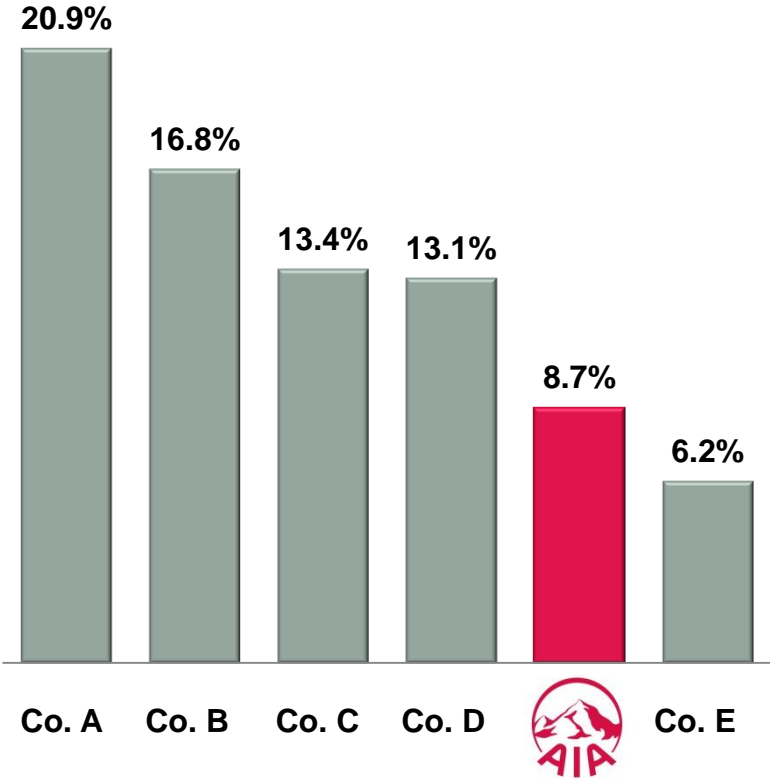


Operating Margin<sup>(1)</sup>



Expense Ratio Regional Comparison

Reported Operating Expenses / Reported Premium Income<sup>(2)</sup>



Notes  
 (1) Operating margin is shown gross of tax.  
 (2) For the companies shown in the chart other than AIA, accounting standards are as per each company's 1H2012 reporting period.

# OPAT Up 12% and Net Profit Up to \$3b



## Net Profit (\$m)

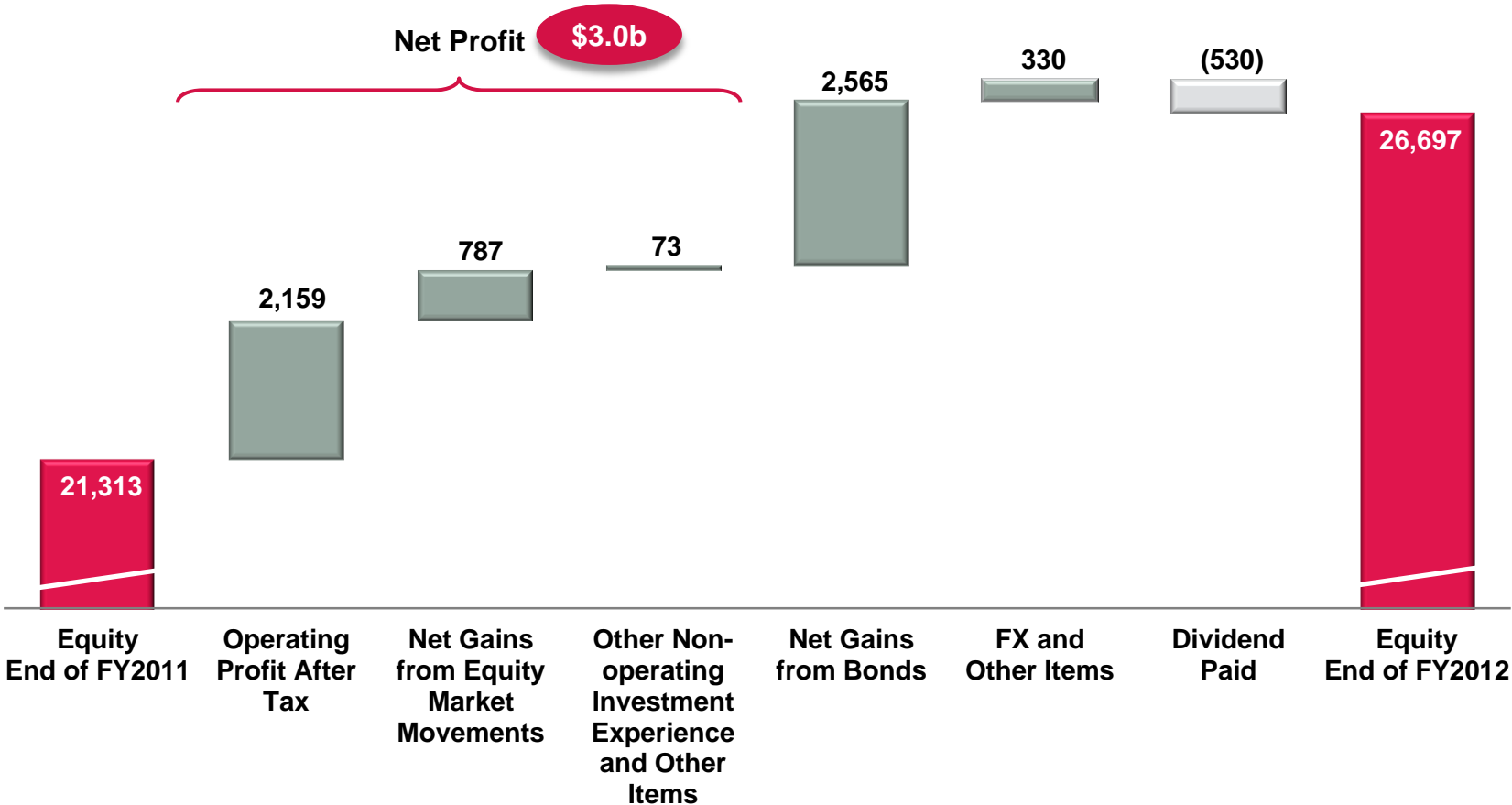
|   | 2011         | 2012         |            |
|---|--------------|--------------|------------|
| Operating Profit After Tax  | 1,922        | 2,159        | 12%        |
| Net (losses) / gains from equities securities, net of tax             | (207)        | 787          |            |
| Other non-operating investment experience and other items, net of tax | (115)        | 73           |            |
| <b>Net Profit</b>   | <b>1,600</b> | <b>3,019</b> | <b>89%</b> |

- Operating profit excludes any actual or assumed gains
- Average annual non-operating gains over the past four years were \$460 million
- Net profit includes the mark-to-market of our equity portfolio

# Shareholders' Equity Up 25% to \$26.7b



Shareholder Equity Movement (\$m)





**Value Creation**

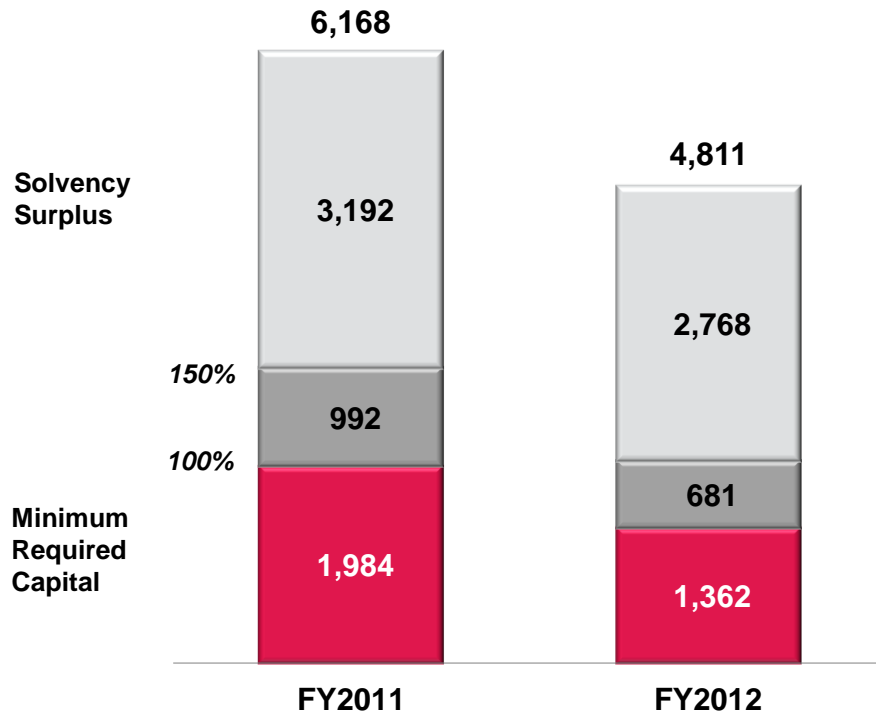
**IFRS Results**

**Capital and Dividends**

# HKICO Solvency Ratio at 353%



Solvency Surplus and Solvency Ratio on HKICO basis (\$m) for AIA Co.



- Ongoing capital strength
- Prudent approach to investment and capital management
- Positive impact on solvency ratio from retained earnings generation and Singapore subsidiarisation
- Net reduction in solvency surplus of \$424m due to dividends and the acquisition
- Finance growth and absorb capital market volatility

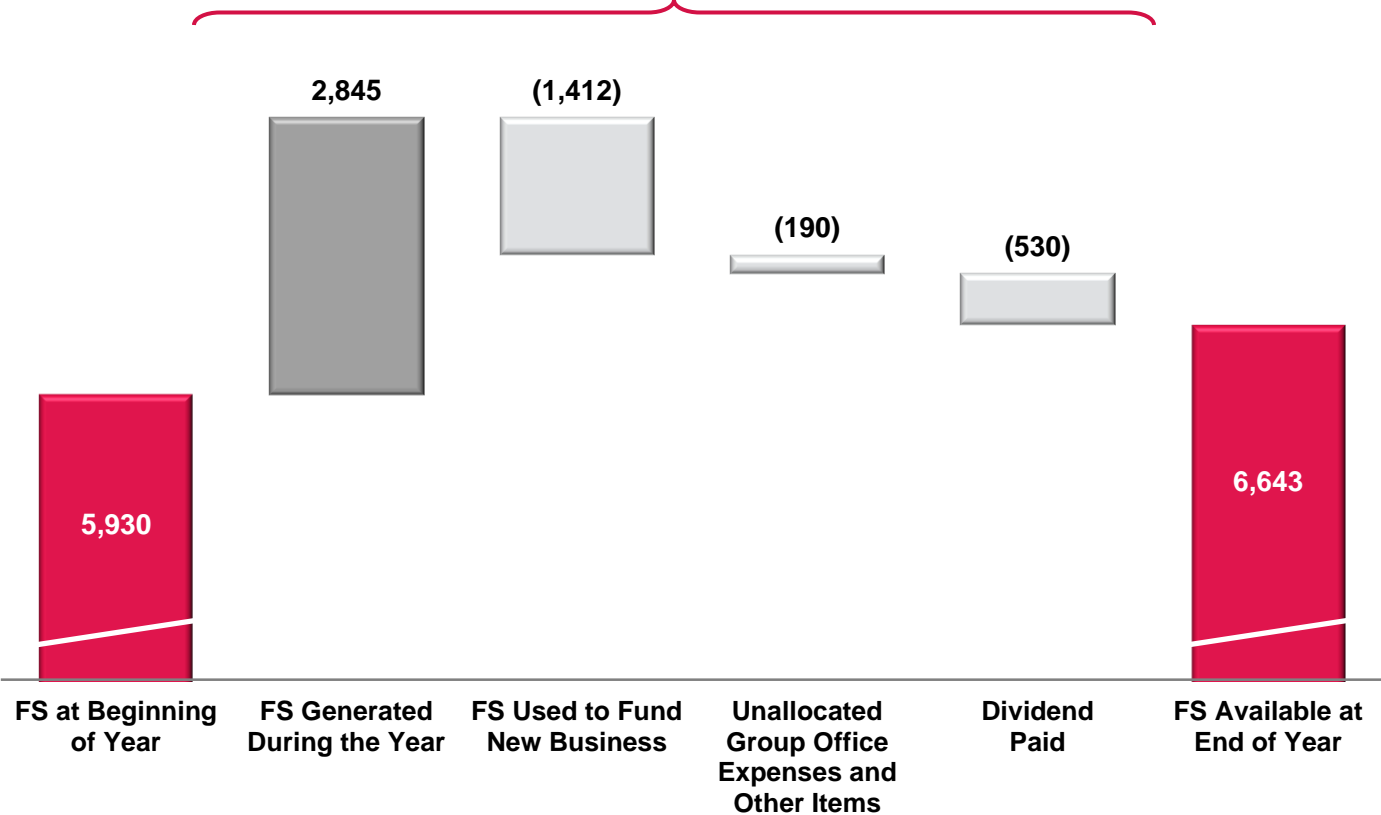
|                             |             |             |
|-----------------------------|-------------|-------------|
| <b>HKICO Solvency Ratio</b> | <b>311%</b> | <b>353%</b> |
|-----------------------------|-------------|-------------|

# Self-financed New Business Growth and Dividends



## Free Surplus Generation (\$m)

Movement in FS net of fully allocated Group Office expenses, interest costs and dividends



# Prudent, Sustainable and Progressive Dividend Policy



- **Final dividend of HK24.67 cents per share recommended**
- **Total dividend for 2012 of HK37.00 cents per share**
- **Ex-dividend date: 14 May 2013**
- **Payment date: 30 May 2013**





**2012 Group Review**

**Mark Tucker**

**2012 Financial Results**

**Garth Jones**

**2012 Business Review**

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

**Creating Sustainable Value**

**Mark Tucker**

# Business Review: Creating Sustainable Value



**Gordon Watson** Hong Kong  
Korea  
Group Insurance

Ng Keng Hooi Singapore  
Malaysia  
China

Huynh Thanh Phong Thailand  
Other Markets

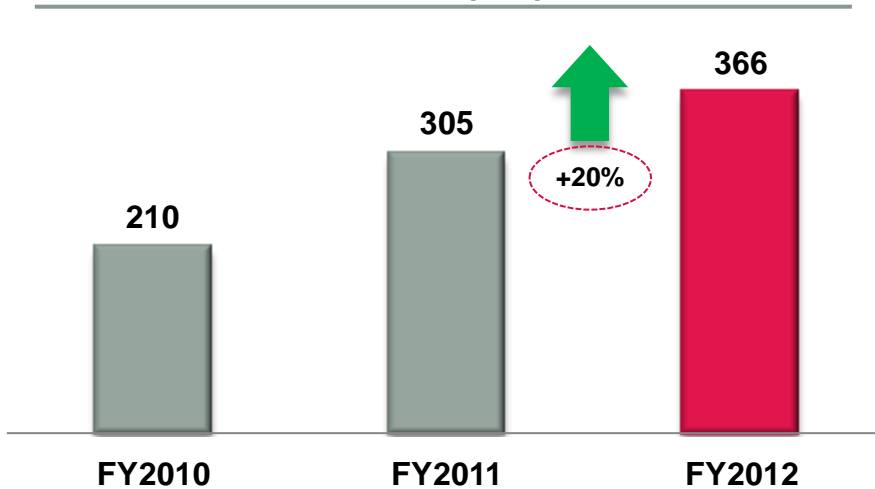


- **Profitable Growth**
- **Premier Distribution**
- **Product and Service Innovation**

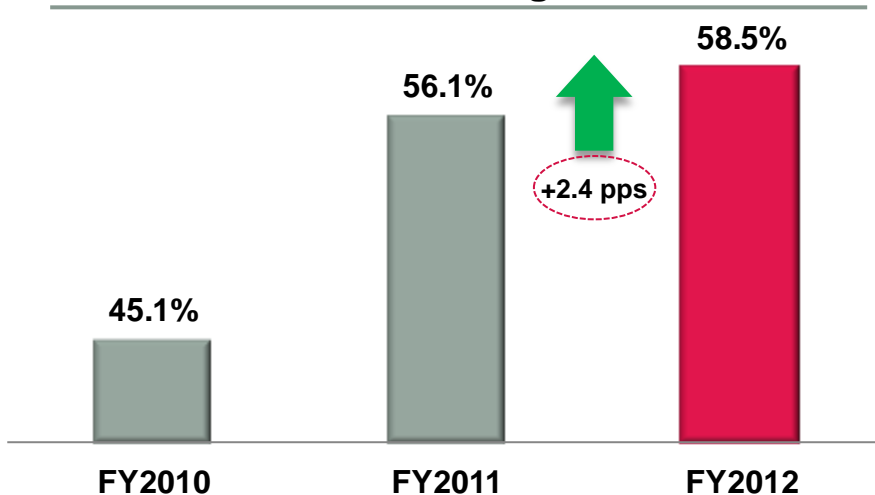
# Creating Sustainable Value in Hong Kong



VONB (\$m)



VONB Margin



## ■ Premier Agency

- Focus on quality recruitment, effective reactivation and increased productivity
- 24 Month retention up 20%
- AIA Premier Academy advantage
- MDRT Qualifiers up 9%
- Agents selling group cases up 44%

## ■ Profitable Partnerships

- VONB from bank & IFA channels doubled
- Group cases from brokers grew by 90%

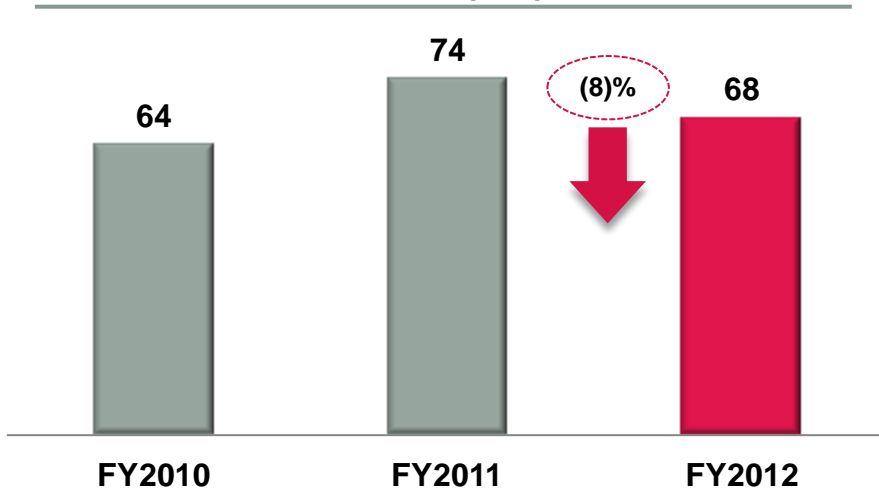
## ■ Market Segmentation

- Existing Customer Management

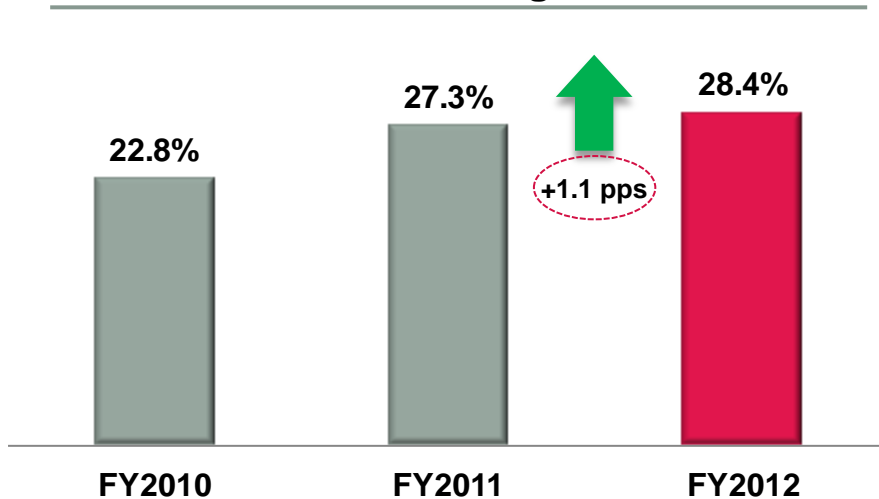
# Repositioning in Progress in Korea



VONB (\$m)



VONB Margin



## Positive Signs from 2H growth

- ANP up 10% in 2H12 vs 2H11
- VONB up 9% in 2H12 vs 2H11
- First positive growth in agency since 2008

## Premier Agency

- New active agents up 61%
- MDRT qualifiers up 40%

## Direct Marketing

- Building “Premier DM”

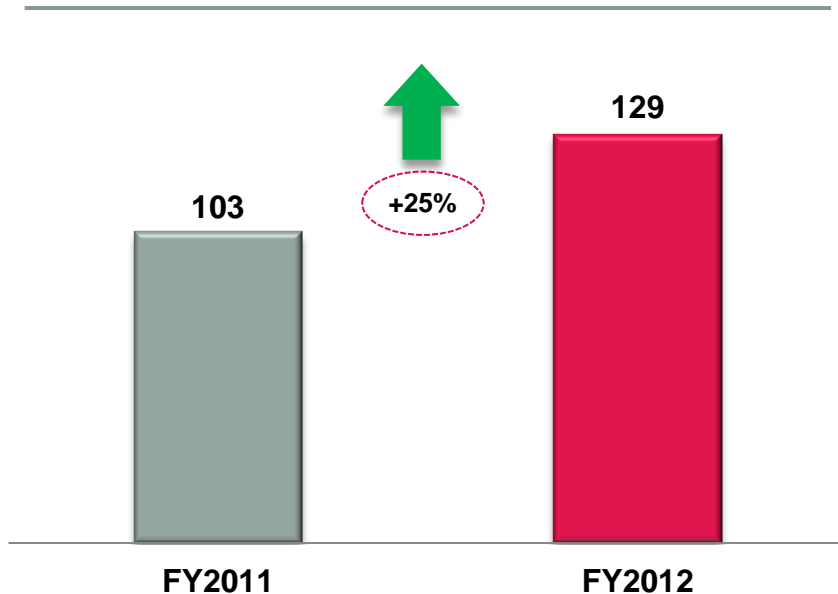
## Brand

- Successful digital campaigns generated over 1 million views on YouTube

# Group Insurance: A Growing Opportunity in Asia



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



- **An Underpenetrated Market**
  - 1.5 billion people employed in the region<sup>(2)</sup>
  - \$17 billion in Group Premiums in 2012<sup>(3)</sup>
- **A Strong Market Presence**
  - Market leader in Asia
  - More than 100,000 corporate clients
  - More than 13 million members
- **Leveraging our Key Distribution Channels**
  - Large group cases sold through brokers
    - Group cases through brokers up 27%
  - SME packaged cases via Premier Agency
    - Agents selling group cases up 38%

## Notes

(1) VONB growth in 2012 is reduced by the effect of a single large Australian group insurance scheme which came into effect in 3Q 2011.

(2) Source: Economist Intelligence Unit

(3) Source: Estimate based on published data in Asia-Pacific, Ernst & Young market research and AIA market research

# Business Review: Creating Sustainable Value



Gordon Watson

Hong Kong  
Korea  
Group Insurance

**Ng Keng Hooi**

**Singapore  
Malaysia  
China**

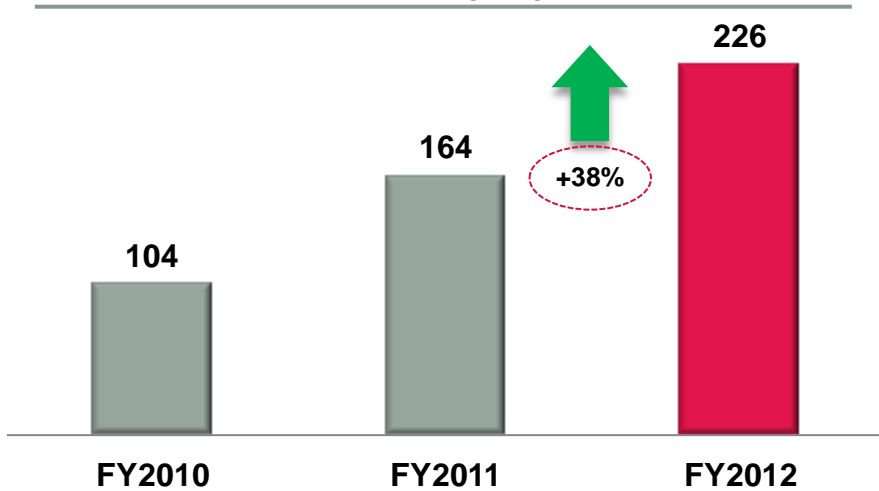
Huynh Thanh Phong

Thailand  
Other Markets

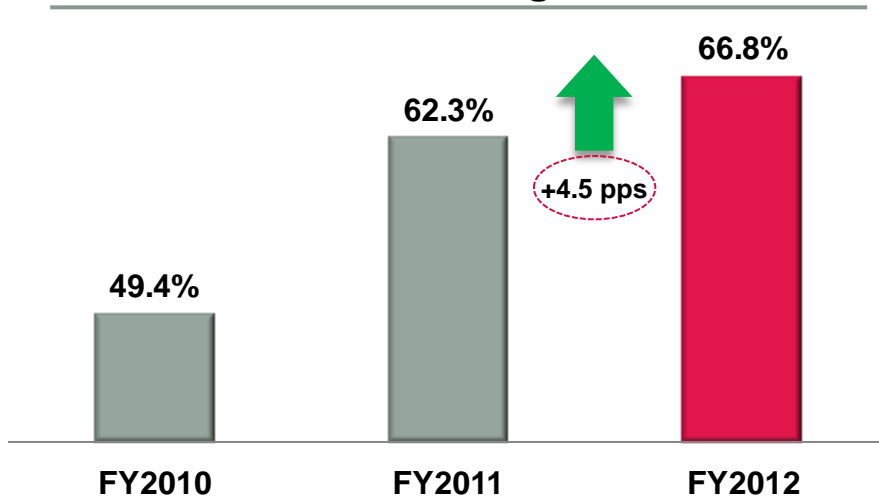
# Creating Sustainable Value in Singapore



VONB (\$m)



VONB Margin



## ▪ Premier Agency

- Focus on agency leader development
- New recruits up 12%
- Technological innovation – iPoS
- Awarded 'Life Company of the Year'

## ▪ Profitable Partnerships

- Growth in private bank & IFA channels

## ▪ Product Alignment

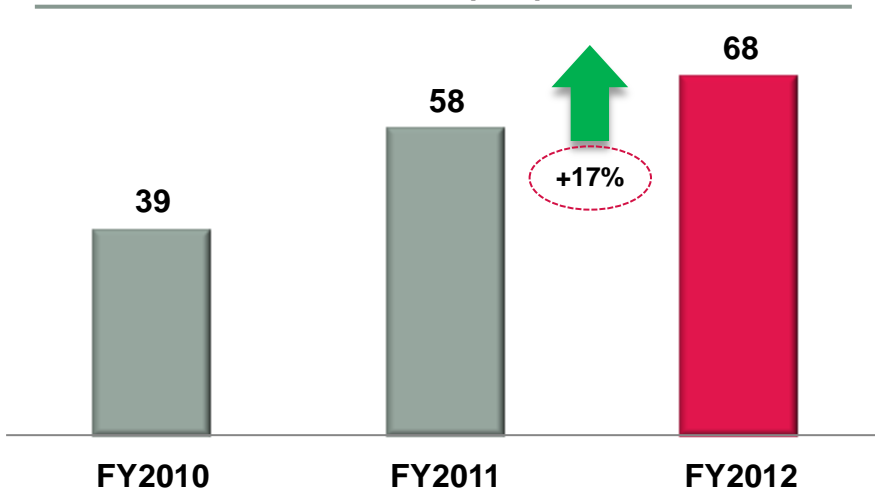
- VONB of flagship Term, Critical Illness and HealthShield plans up 60%
- Market leadership in group insurance
- Group insurance VONB up 62%



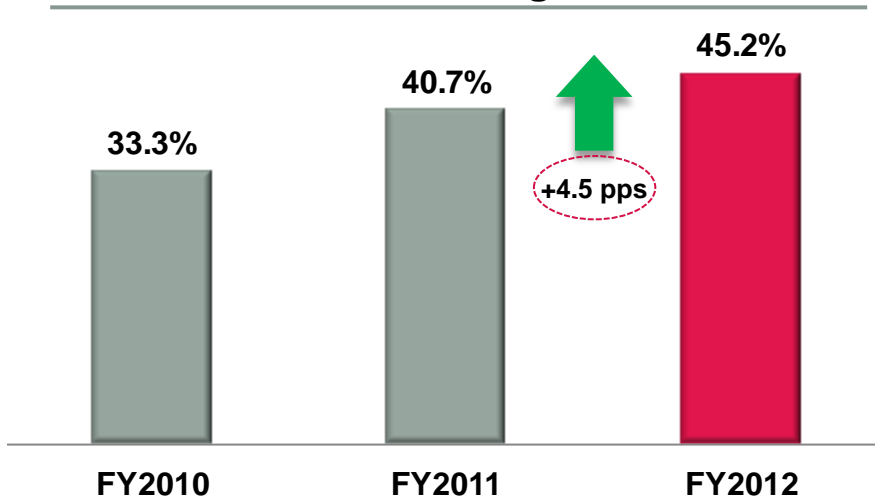
# Creating Sustainable Value in Malaysia



VONB (\$m)



VONB Margin



## ▪ Premier Agency

- New recruitment programmes
- Premier Academy to develop agency leaders and Premier Agents

## ▪ Profitable Partnerships

- VONB from banks and DM more than doubled
- Awarded Private Retirement Scheme (PRS) Provider licence

## ▪ Product Alignment

- Strong unit-linked growth – VONB up 31%

## ▪ Takaful

- Material Takaful contribution in first full year

# ING Malaysia Integration Progressing Well



## Transaction Closure

- Transaction closed on 18 December 2012
- Regulatory approval to merge both life and Takaful companies

## Experienced Leadership In Place

- Bill Lisle appointed new CEO
- Management team in place comprising AIA and ex-ING staff
- Complemented by extensive Group support

## Active Stakeholder Engagement

- Active engagement with staff, agency and partners
- Extensive communication programme ongoing
- Strong start to relationship with Public Bank

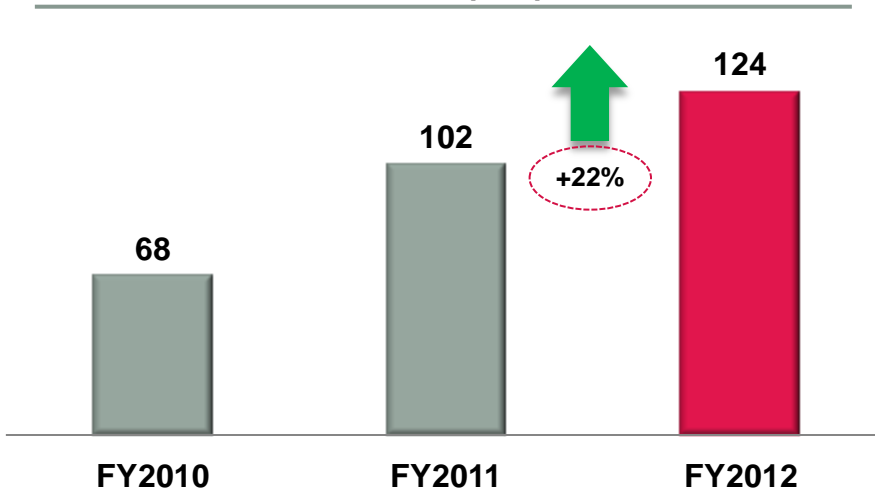
## Focused Execution

- Teams in place and integrated business plans completed
- Establishing single new business platform, product range, brand
- Integrating agency with a single agency compensation

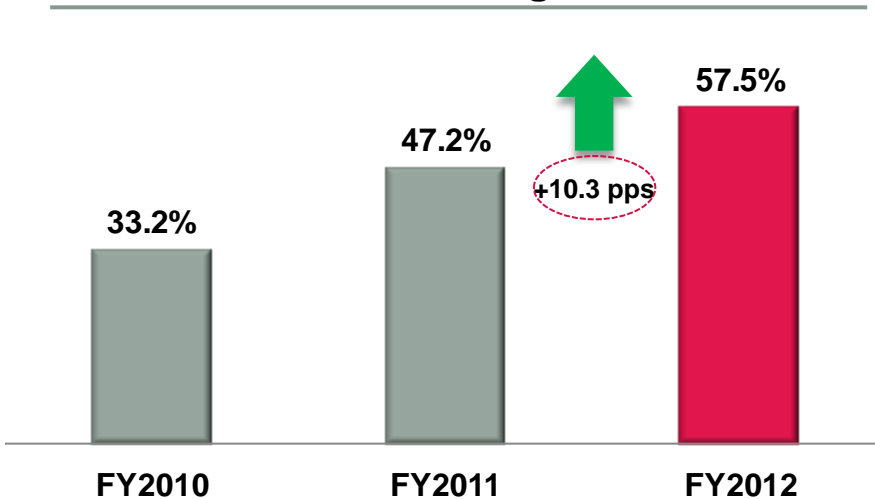
# Creating Sustainable Value in China



VONB (\$m)



VONB Margin



## ■ Premier Agency

- Quality recruitment training for leaders
- Agent training focused on advice skills to close protection gap
- Increased professionalism to sustain increase in average agent incomes
- Quality growth with MDRT qualifiers up 19%

## ■ Product Alignment

- Reinforce protection leadership
- Launched new version of All-in-One
- New products to address long-term savings needs

# Business Review: Creating Sustainable Value



Gordon Watson  
Hong Kong  
Korea  
Group Insurance

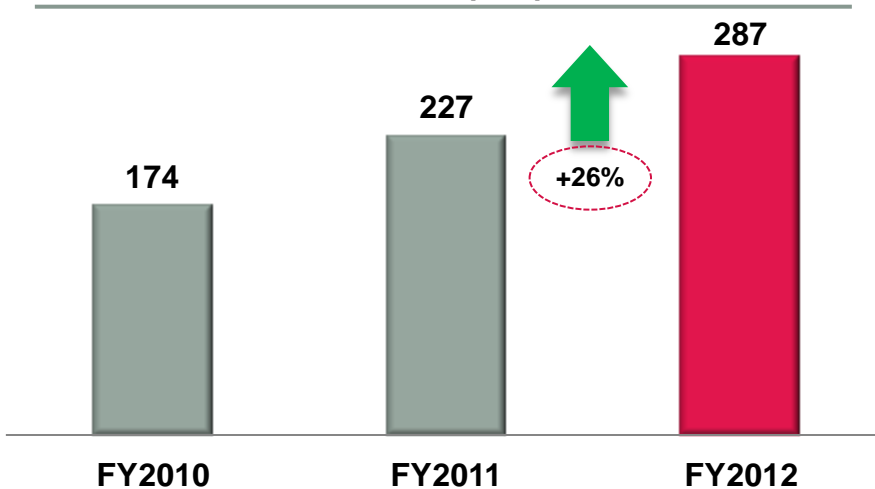
Ng Keng Hooi  
Singapore  
Malaysia  
China

**Huynh Thanh Phong**  
**Thailand**  
**Other Markets**

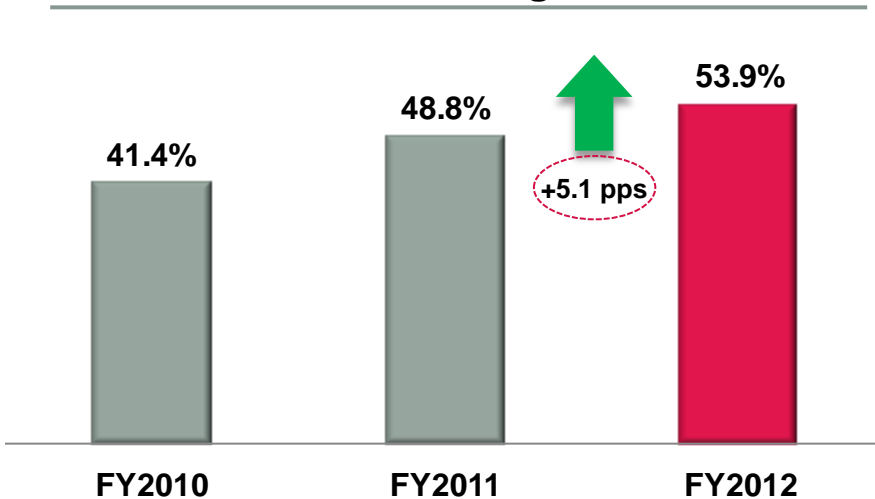
# Creating Sustainable Value in Thailand



VONB (\$m)



VONB Margin



## ▪ Premier Agency

- Upgraded recruitment and training
- Agency productivity improvements
- Number one MDRT with qualifiers up 26%

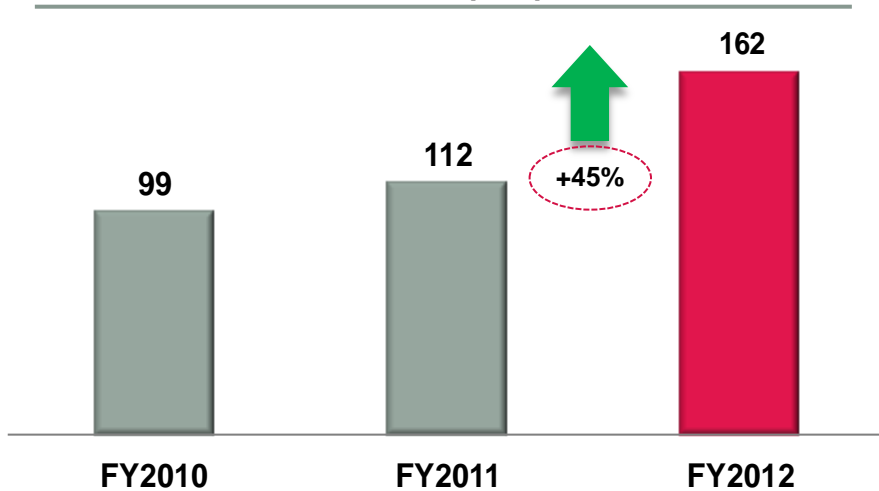
## ▪ Product Alignment

- Reinforced leadership in life and health
  - Launched AIA Health Lifetime
- Focus on 7 million in-force customers
  - Promoted “Double Sum Assured” campaign to existing customers
- Protection business VONB up 30%
- Group insurance VONB growth over 90%

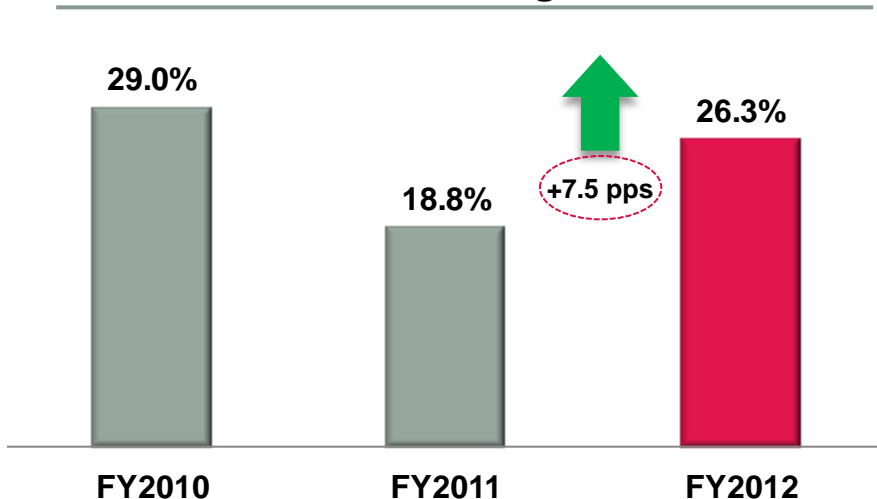
# Creating Sustainable Value in Other Markets



VONB (\$m)



VONB Margin



## Australia

- Fastest growing life company in 2012
- Premier IFA VONB grew by 78%
- Established independent risk specialist
- Awarded 'Life Company of the Year'

## Indonesia

- Strong sales of protection and unit-linked business driving VONB growth
- Enhanced training programme for agents
- Active agents up 37%
- Excellent performance from BCA, CIMB and other bank partners

## Philippines

- Outstanding VONB growth
- Active agents up by 16%
- MDRT qualifiers up 59%
- BPI partnership VONB trebled



**2012 Group Review**

**Mark Tucker**

**2012 Financial Results**

**Garth Jones**

**2012 Business Review**

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

**Creating Sustainable Value**

**Mark Tucker**

# AIA – Creating Sustainable Value

---



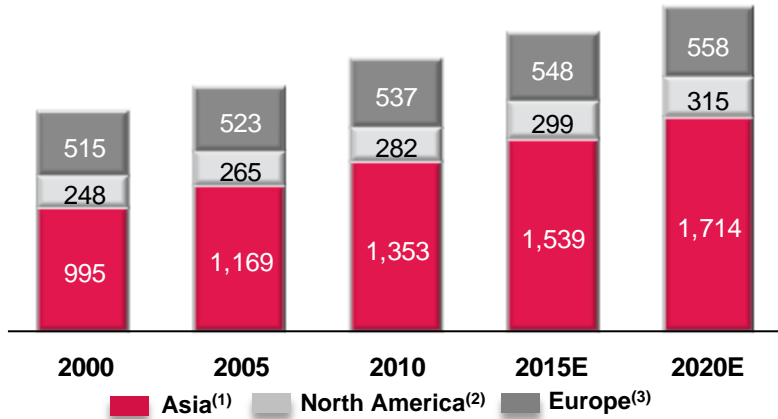




# Enormous Asian Growth Opportunity

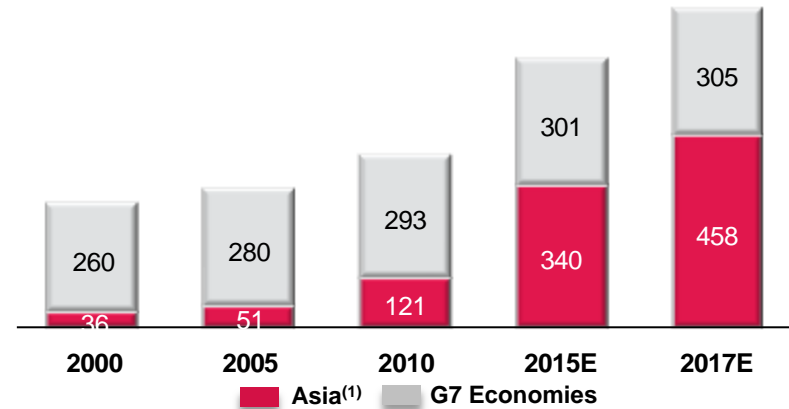
## Rapid Urbanisation

Urban population (Millions)



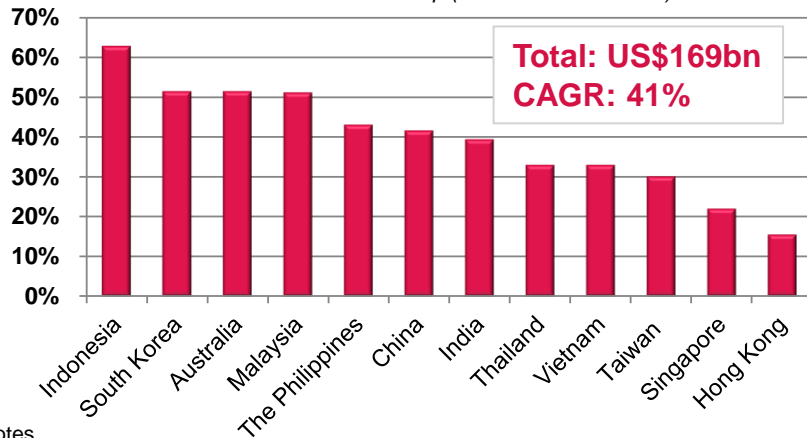
## Growth in Disposable Incomes

No of households with disposable income above US\$10k (Millions)



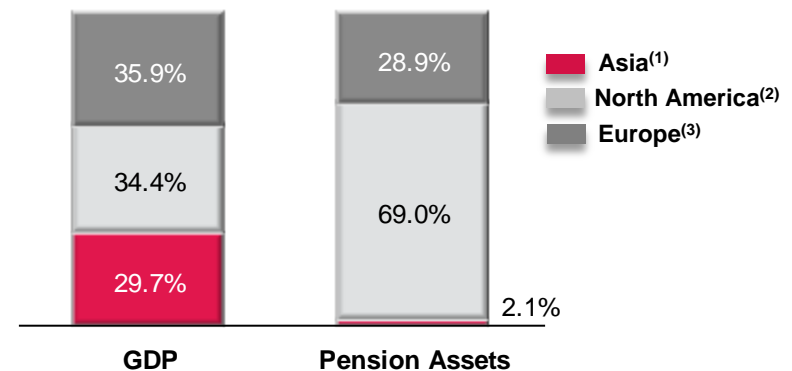
## Rising Demand for A&H

Health Protection Gap (CAGR 2011 to 2020E)



## Retirement Savings Still at a Nascent Stage

2011



Notes

(1) Asia excludes Japan (2) North America includes U.S. and Canada (3) Europe includes Eurozone countries, Norway, Switzerland and UK

Source: World Economic Outlook Database April 2012, Swiss Re, World Health Organisation, OECD Health Data 2012, World Urbanization Prospects: The 2011 Revision, OECD Global Pension Statistics; EIU

## Advantaged Platform to Capture Growth

---



- Only pure play pan-Asian life insurance company
- Advantaged scale and franchise with the market-leading brand
- Proprietary distribution with direct access to the Asian consumer
- Broad, diversified and innovative products and customer services
- Exceptional financial strength and cash flow to capture opportunities

# Right Priorities for 2013



## Distribution Effectiveness



## Product Targeting



## Customer Engagement

- Premier Agency implementation
- Recruit next generation
- Expand bancassurance relationships
- Group insurance opportunity

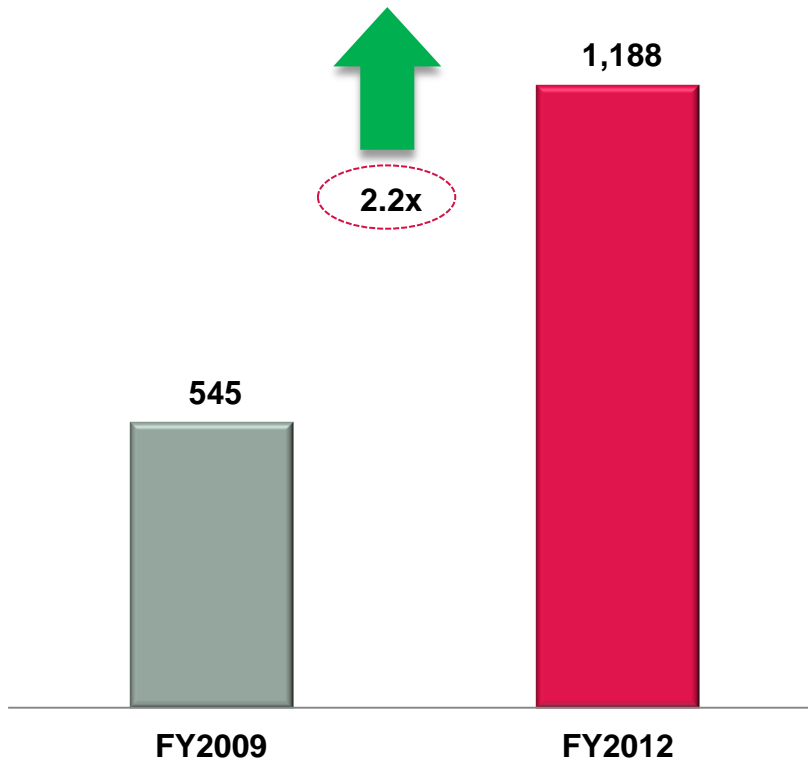
- Tailored by channel, market and segment
- Integrated savings and protection
- Comprehensive protection products
- Easier to sell and to understand

- Customer experience transformation
- Existing Customer Management focus
- Better analytics and segmentation
- iPoS roll-out

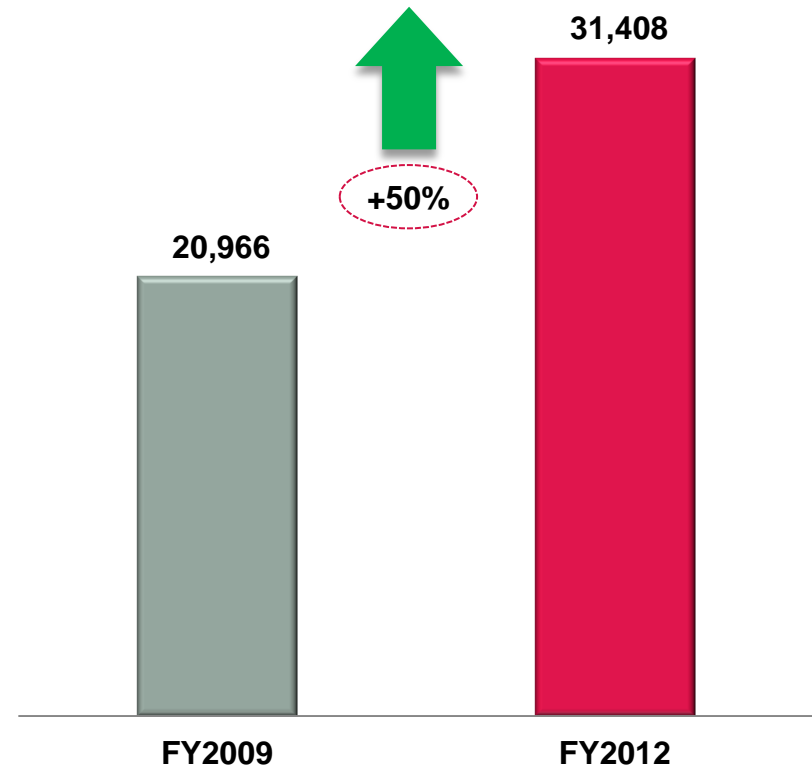
# Record of Delivery



## Doubled VONB (\$m)



## EV up 50% (\$m)



# AIA – Creating Sustainable Value

- **Significant growth opportunities**
  - **Asia-based and Asia-focused**
  - **Advantaged platform**
  - **Execute relentlessly on priorities**
  - **Ideally positioned to capture growth**
- 
- The AIA logo is a large, light gray watermark centered on the slide. It consists of a circular globe with a grid of latitude and longitude lines. Below the globe, the letters 'AIA' are written in a bold, sans-serif font. The letters are white and partially overlap the bottom of the globe.



2012 Results Presentation  
**CREATING SUSTAINABLE VALUE**



# Definitions and Notes



- Hong Kong market includes Macau; Singapore market includes Brunei; Other Markets includes Australia, New Zealand, the Philippines, Indonesia, Vietnam and Taiwan
- ANP excludes corporate pension business
- 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
- VONB Margin =  $VONB / ANP$ . VONB for the margin calculations excludes corporate pension business to be consistent with the definition of ANP.
- 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 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. 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
- Investment income and invested assets composition exclude unit-linked contracts
- Investment return is defined as investment income with the addition of realised and unrealised gains and losses as a percentage of average invested assets
- Investment yield is 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 or unrealised gains and losses
- Operating expense and expense ratio exclude restructuring costs
- Operating margin defined as Operating profit before tax as a percentage of Total Weighted Premium Income
- 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 and investment management expenses 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