AIA 2017 Annual Results

Analyst Briefing Presentation – Transcript

27 February 2018

Ng Keng Hooi, Group Chief Executive and President:

Good morning and welcome to our full year presentation. I am delighted to be presenting an excellent set of results for 2017. Today's headline figures are the direct outcome of the scale, quality and breadth of AIA's exceptional businesses across the region and the strong progress our teams are making in delivering our strategic objectives. Let me begin with our financial highlights.

In 2017 VONB grew by 28 per cent to more than 3.5 billion dollars IFRS profit increased by 16 per cent to 4.6 billion. An underlying free surplus generation was up by 13 per cent to 4.5 billion dollars. In addition to this excellent operating performance. EV Equity exceeded 50 billion dollars for the first time. The solvency ratio for AIA Co. remains very strong at 443 per cent. And we increased our total dividend by 17 per cent to one Hong Kong dollar per share. As you can see, our broad-based financial performance shows that AIA is ideally placed to capture the significant opportunities in the Asia-Pacific region.

AIA's track record and the quality of our results comes from our diverse and balanced platforms across distribution, product and geography. We have the right distribution with our high-quality agents and strategic partnerships providing access to a broad range of customers. This allows us to meet the growing needs for financial protection and long-term savings in the region through an attractive mix of products. We have balanced sources of earnings and we have a diverse portfolio of growth markets delivering strong returns for shareholders.

Another key differentiator that underpins our growth is AIA's significant scale and advantaged platform built over our long history. AIA is 100 per cent focused on the Asia-Pacific region with wholly-owned businesses in nearly all of our markets. No other insurance company in Asia has the breadth of presence or the ownership structure that AIA has. Our broad footprint and significant scale enables us to make deliberate strategic decisions on how to best capture the growth opportunities available to us across our markets. This provides AIA with the flexibility to allocate capital for high-quality, profitable growth and create sustainable value over the long term.

Our businesses are fully aligned with the fundamental drivers of long-term growth in Asia. Since taking on the role of Group Chief Executive, I have led a Group-wide review of our strategic priorities. As I said at the half year, the core pillars of our strategy since IPO remain fully relevant and will enable us to capture the powerful demographic trends and immense opportunities in the region. But we will continue to challenge and evolve our priorities to ensure that AIA remains relevant to customers as their expectation and financial needs develop. Some of the areas that you see here are familiar ones that we will continue to enhance and take to the next level while others are areas that we will accelerate and transform our business. The successful execution of these priorities will be driven by our focus on developing our people investing in digital technology and maintaining our financial discipline. I will share more details later on how we are accelerating two of our priorities – our regional leadership in health and wellness and our investments in digital technology. There is still a lot for us to do as we continue to build on our competitive advantages and deliver superior, profitable growth.

The completion of this comprehensive strategic review was just one of many important achievements for the new leadership team during the year. In May we launched AIA's first new market since IPO in Cambodia. And AIA became the only company to have the largest number of registered MDRT members in the world for three consecutive years in July. Throughout the year, we also announced a number of new strategic bancassurance partnerships including Bangkok Bank in Thailand and VP Bank in Vietnam. And we extended our long-term partnerships with BCA in Indonesia and Public Bank in Malaysia. We now have active partnerships with over 70 banks providing us access to more than 14 thousand branches. Our strategic partnership with some of the leading regional and domestic financial institutions in Asia will broaden our access to customers and enable us to reinforce our market-leading position across the region.

In September, we announced the acquisition of CBA's life insurance businesses in Australia and New Zealand, which includes 20-year bancassurance partnerships in these markets. These achievements are examples of our strategic priorities in action and our focus on ensuring the sustainability of our business well into the future. We have also achieved all of this while delivering the strong full-year results you have seen today.

2017 has been another year of consistent execution demonstrating the momentum in our business and delivering strong and broad-based results. As you will hear from Garth and the RCEs, our teams are working hard on implementing our ambitious strategic priorities for the future growth of the business. And together, we remain very clear and focused on realising AIA's full potential.

Now, let me hand over to Garth, who will take you through the results in more detail. Garth.

Garth Jones, Group Chief Financial Officer:

Thanks, Keng Hooi and good morning everyone.

Our financial performance in 2017 has once again demonstrated AIA's ability to deliver strong and consistent results across our key financial metrics. Value of new business grew by 28 per cent to over 3.5 billion dollars. EV operating profit increased by 19 per cent to seven billion dollars driven by profitable new business growth and our prudent management of the in-force portfolio.

This has resulted in an uplift in our operating ROEV to 16.6 per cent and helped EV Equity grow to 51.8 billion dollars. IFRS operating profit after tax was up by 16 per cent to 4.6 billion dollars and shareholders' allocated equity increased by six billion to 35.7 billion dollars. Underlying free surplus generation increased to more than 4.5 billion dollars and the solvency ratio for AIA Co. of 443 per cent benefited from strong earnings growth and positive mark-to-market movements.

This broad-based performance has enabled the Board to recommend a full year dividend increase of 17 per cent allowing for the financial flexibility to fund future growth opportunities and following our prudent, sustainable and progressive dividend policy. Our 2017 financial results continue our strong track record of growth and reflect AIA's ability to leverage our competitive advantages and invest capital where we see attractive returns.

I will now go through each of these areas in more detail.

We have said many times that AIA is exceptionally well positioned to make the most of the significant opportunities in the Asia-Pacific region. The 28 per cent increase in VONB we delivered in 2017 demonstrates the benefit of AIA's broad portfolio of growth markets and our absolute focus on the region without distraction or dilution. China was again our fastest growing business with VONB growth of 60 per cent on top of the 54 per cent achieved in 2016. Hong Kong delivered another strong year with VONB growth of 34 per cent and Other Markets delivered 27 per cent to become the third largest VONB contributor for the Group. Overall, 15 out of our 17 operating markets delivered positive VONB growth in the year.

As well as AIA's long-established regional presence, the quality and scale of our multi-channel distribution platforms enables us to reach a broad range of potential customers. Agency VONB increased by 28 per cent to over 2.5 billion dollars accounting for 70 per cent of the Group's total VONB. As you heard from Keng Hooi, AIA became the only company ever to be ranked number one globally for MDRT registered members for three consecutive years reflecting the sustained execution of our Premier Agency strategy.

Our Partnership business also delivered a strong performance, exceeding one billion dollars of VONB for the first time with 27 per cent growth. This was led by an exceptional first-half performance from our retail IFA business in Hong Kong as previously highlighted. Our partners continue to provide an important and growing source of new business for AIA and we have continued to expand our strategic partnerships over the course of 2017.

The quality and breadth of our distribution and our portfolio of growth businesses allow us to selectively deploy capital based on the ability to create value for shareholders over the long term. New business margin on a PVNBP basis increased to 10 per cent with largely positive movements across the different product categories. ANP increased by 19 per cent exceeding six billion dollars for the first time and VONB margin was higher by 4.1 percentage points to 56.8 per cent. We will continue our focus on growing total VONB, rather than volume or margin alone.

AIA's positive operating experience also reflects the quality of our distribution and products. Persistency has remained strong which is the direct result of the long-term relationships we develop with our customers. Mortality and morbidity claims variances were once again positive at close to 200 million dollars demonstrating our pricing discipline and the proactive management of our in-force book. In addition to investing in the future growth of the business, we continue to focus on prudent expense management and have reduced our group expense ratio by a further 40 basis points to 7.5 per cent. Overall operating variances since our IPO now total more than 1.4 billion dollars.

The combination of strong VONB growth and positive operating performance delivered a 19 per cent increase in EV operating profit to seven billion dollars. This growth has also driven the operating ROEV higher to 16.6 per cent up from 15.4 per cent last year. Capital markets were strong over the year and we benefited from positive investment return variances of 1.3 billion dollars. This included 1.5 billion from short-term capital market movement less 200 million from economic assumption changes. Other non-operating items of 1.2 billion dollars include positive currency translation effects from the weakening US dollar over the year. Overall, EV Equity increased by 8.1 billion to 51.8 billion dollars, exceeding 50 billion for the first time. Our closing EV Equity is shown after a deduction of 4.6 billion for additional consolidated reserving and capital requirements and the present value of future Group Office expenses.

As you know, our EV methodology uses spot market yields and trends over time to our long-term assumptions reflecting market forward rates. You can see from the chart on the left-hand side that our long-term assumptions have remained prudent over time. From 2010, cumulative economic assumption changes were a negative 194 million dollars, while cumulative investment return variances compared with our economic assumptions have been positive at around two and a half billion dollars in total. And you can see from the sensitivities that AIA continues to be resilient against short-term market volatility. The scale of the absolute levels of growth and the compounding effect of consistent year-on-year performance means that VONB in 2017 was over five times the 2010 figure. This has generated significant growth in ROEV up by 510 basis points and at the same time EV Equity has more than doubled increasing by over 26 billion dollars. We have said many times that we manage new business year-on-year rather than month by month or quarter by quarter. You can see that this approach continues to drive long-term sustainable value growth and shareholder value creation.

Turning now to our IFRS results.

Operating profit after tax grew by 16 per cent to 4.6 billion dollars. This was the direct result of the strong underlying growth we have delivered across our businesses, and the proactive management of our in-force book. TWPI increased by 18 per cent and I mentioned earlier that we wrote over six billion dollars of ANP in 2017 of which 92 per cent was regular premium. This adds a significant layer of premium revenue to our growing renewal book of more than 20 billion dollars further driving the scale of our business over time and bringing down our expense ratio progressively to 7.5 per cent in 2017 as I just mentioned.

This slide clearly highlights the diversification of AIA's IFRS operating profit across the region. Our broad reach allows us to meet the substantial need for our products and services across our markets and increases the resilience of our results. Each of our reported segments grew year-on-year and contributed more than a quarter of a billion dollars of OPAT in 2017. Hong Kong, Other Markets and Singapore each delivered double-digit growth. And China had another excellent year with OPAT growth of 39 per cent reflecting the quality of our earnings and the increasing scale of our business.

As well as our geographically diverse portfolio we also have a balanced mix of sources of earnings and you can see that we have delivered growth with increase in scale. Thailand and Other Markets each produced over three-quarters of a billion dollars of OPAT more than double the figure in 2010. Malaysia has also more than doubled despite currency headwinds and China's OPAT is over seven times its level in 2010 at more than 600 million dollars.

We set out the movement of shareholders' allocated equity in our announcement each year. We believe this provides a clearer reflection of the underlying drivers of the change in equity before the IFRS accounting treatment of AFS bonds. Shareholder’s allocated equity increased by just over six billion to 35.7 billion dollars. The increase was mainly the result of net profit of 6.1 billion less the payment of shareholder dividends of close to 1.4 billion and other items totalling 1.3 billion dollars including positive currency translation effects over the year. The figure of 35.7 billion excludes the fair value reserve which was an additional 6.3 billion dollars at the end of 2017.

As I said earlier our geographically diverse portfolio of markets and our balanced sources of earnings underpin the resilience of our earnings growth. Our disciplined strategy of focusing on value has also translated into higher ROEs over time and delivered a strong track record of growth over the past seven years. You can also see that the growth has been achieved at scale with shareholders’ allocated equity more than doubling since 2010 an increase of 18 billion dollars.

At the interim results, I said that we had been working on aligning our current November financial year end with the calendar year. We will make this change for the financial year 2018. The change will greatly reduce duplication of effort for statutory reporting make comparability with global peers easier and better align our planning processes with those of our business partners. It will also assist in our implementation of IFRS17. Our sales cycle and agency compensation have also been realigned to the calendar year and will begin from January rather than December. This has shifted some sales from December 2017 to January 2018. Our intention is to provide you with pro-forma 2017 calendar year materials together with the first quarter announcement in May.

Moving on to capital and dividends.

The Hong Kong solvency ratio for AIA Co. our principal regulated operating company increased to 443 per cent. This is a result of growth in retained earnings and the positive net effect of short-term capital market movements partly offset by dividends to the holding company, AIA Group Limited. During the year, we received a ratings upgrade from Moody’s and a rating of AIA Co. from Fitch for the first time, at double A. Our asset allocation strategy is driven by our liability matching approach where possible and we also look to match assets and liabilities in local currencies. Yields have remained stable compared with the prior year with the total return of 6.9 per cent benefiting from the strong increase in equity markets over 2017. The investment mix and the credit quality of our bond portfolio has remained stable over time with an average credit rating of single A. Taken together, this demonstrates the high-quality nature of our investment portfolio.

Net free surplus generation and the positive effect of capital market movements increased our stock of free surplus over the year. New business investment remained flat compared with the prior year at close to 1.4 billion dollars. Investment variances, exchange rates and other items in total were positive and amounted to 940 million dollars. We remitted 2.1 billion dollars to the Group Centre and the payment for shareholder dividends was close to 1.4 billion. As with our VONB and EV numbers, free surplus is shown after all regulatory reserving and capital requirements.

You have heard me say before that we aim to maintain a prudent balance sheet taking into consideration the financial flexibility needed to fund our new business growth opportunities, and support our prudent, sustainable and progressive dividend policy. We also look to take advantage of opportunities to create additional shareholder value as they arise and to do all of this through capital market stress conditions.

AIA has grown strongly since IPO. Our embedded value IFRS allocated equity and the size of our balance sheet have all doubled over this period. Our stock of free surplus has also more than doubled since IPO. AIA has significant opportunities to reinvest free surplus in profitable new business. We have demonstrated this consistently over the past seven years with VONB in 2017 more than five times the figure in 2010. Since IPO, our new business investment as a percentage of VONB has reduced from 144 per cent to 39 per cent a reduction of 105 percentage points. Going forward we expect growth in new business investment to follow VONB growth more closely depending on product and country mix. With such attractive reinvestment economics, our ability to use our free surplus to fund strong and profitable new business growth remains an important priority and a significant competitive advantage for AIA.

Our 2017 dividend was three times our first dividend declared in 2011 and we have now declared close to 6.5 billion of dividends in total as the results of our profitable growth strategy. Finally, we have also captured a number of additional growth opportunities such as strategic bancassurance partnerships and acquisitions while maintaining our financial discipline.

In September last year, we announced the acquisition of CBA's life insurance businesses in Australia and New Zealand and, on the first of January 2018, we were very pleased to complete the subsidiarisation of AIA Korea. We thought it would be helpful to provide a pro-forma free surplus position as at the end of 2017 reflecting both events. The subsidiarisation of AIA Korea is expected to result in a reduction in reserving and capital requirements at the Group level of approximately 1.9 billion dollars as shown here. The value of in-force will reduce reflecting the value of lower projected future surpluses because of the upfront release.

Overall, the embedded value is will see a net increase of 500 million dollars from the subsidiarisation. The net cash outlay for the CBA transaction is expected to be the equivalent of around 1.5 billion US dollars allowing for the expected proceeds from reinsurance agreements and subject to any closing adjustments. In total, the combined pro-forma free surplus position would have increased by 400 million dollars to 12.7 billion dollars.

The Board has recommended a total dividend of one Hong Kong dollar per share which is an increase of 17 per cent from the higher base established in 2016. As you would expect, we look at a broad dashboard of financial metrics and scenarios when deciding on our dividend to ensure that the policy is appropriate and can be maintained under a range of market conditions. The increase reflects both the strength of our financial results, our ongoing confidence in the future prospects of the Group and the scale of the opportunities available to us.

In closing, the group has delivered another set of excellent financial results in 2017. We have generated material growth in the value of new business by investing capital where we see attractive opportunities. As well as profitable new business growth, we delivered a strong increase in IFRS operating profit with scale and diversification across the region.

Finally, we maintained our resilient capital position increased free surplus generation financed excellent new business growth and once again delivered a strong increase in shareholder dividend. Our financial results were driven by a strong operating performance combined with disciplined financial management demonstrating AIA's ability to continue to build sustainable value for our shareholders.

I will now hand over to Jacky, Bill and John who will share with you the excellent progress we have made in our businesses.

Jacky Chan, Regional Chief Executive:

Thank you, Garth. Good morning everyone. I am very pleased to be here today presenting the performance of Hong Kong and Singapore. Let me now take you through the full year results of our largest operation and home market, Hong Kong.

AIA Hong Kong continued to deliver excellent result with VONB up by 34 per cent. We benefitted from strong performances in our agency and partnership distribution channels, with broad-based growth across a number of different customer segments. ANP was up by 24 per cent and VONB margin improved to 53 per cent, reflecting sales of higher margin protection and long-term savings product, particularly in the second half of the year. Our agency channel continues to be our core distribution channel and delivered strong VONB growth of more than 30 per cent in the year.

Our Premier Agency strategy differentiates AIA, and this is particularly evident in a market like Hong Kong where more affluent consumers prefer professional face-to-face advice from full-time agents. Quality recruitment is key to our Premier Agency strategy, and our focus has led to a 26 per cent increase in the number of active new agents with two-thirds aged 35 years or under. We also increased agent productivity supported by our suite of digital platforms and our registered MDRT members grew by 41 per cent.

It is now six years since we launched AIA Premier Academy in Hong Kong to recruit and develop high-performing agents. Agents that have been through our Premier Academy recruitment and training programmes are around 50 per cent more productive than those not in the programme. Agents who have undergone our programmes now account for more than one-fifth of our total agency force in Hong Kong.

Partnership distribution also generated strong VONB growth. Our strategic partnership with Citibank delivered excellent double-digit VONB growth as we continued to support Citibank's relationship managers and insurance specialists. Our retail IFA channel had an exceptionally strong first half and the growth rate moderated in line with our expectations as previously highlighted. AIA is the market leader in protection insurance in Hong Kong. Membership numbers for AIA Vitality increased by more than 90 per cent during the year as AIA Vitality further differentiated our protection proposition since its launch. In summary, our Hong Kong business delivered another year of excellent results.

Now, moving on to Singapore.

AIA Singapore delivered VONB of 311 million dollars in 2017, with a positive second-half performance driven by double-digit growth in agency. Sales of regular premium protection business increased over the year and we continued our disciplined approach to managing our product mix in partnership distribution. Our market-leading agency distribution continued to execute our Premier Agency strategy by focusing on targeted recruitment and supported by our digital tools. We delivered significant increase in number of new recruits and we were also ranked number one for MDRT agents in Singapore. More than 90 per cent of our new business applications were submitted through iPoS digitally throughout the year. Our strategic partnership with Citibank delivered solid VONB growth from regular premium protection business while we remained disciplined in the sales of single premium savings products.

Building on our market-leading protection proposition, we launched AIA Quality Healthcare Partners in early 2017, which makes us the first insurer in Singapore to establish direct partnerships with the medical community. AIA Vitality also gained further traction in the market with both membership numbers and VONB from integrated products up more than three times the prior year.

In closing, I will continue to focus on executing our strategic priorities across my markets to build on our competitive advantages and deliver sustainable results.

Thank you very much and now let me hand over to Bill.

Bill Lisle, Regional Chief Executive:

Thank you, Jacky and good morning everyone. Today, I am going to update you on the progress we have made in Thailand and our Other Markets.

AIA Thailand reported VONB of 381 million dollars. Our Premier Agency strategy maintains a clear and consistent focus on enhancing the professionalism and productivity of our agents. As I indicated in the half year results presentation, transforming an Agency of this scale does take time. However, we are seeing some positive "green shoots". For instance, the number of MDRT qualifiers increased by 49 per cent, further cementing AIA Thailand's #1 MDRT position. We expanded our Financial Advisor Programme to accelerate our recruitment by opening 9 new Financial Advisor training centres, giving us a total of 15 across Thailand.

New recruits through the FA programme grew by 32 per cent during 2017 and they were 35 per cent more productive than the average recruit. We will further accelerate the industrialisation of the FA programme to be the foundation of our Premier Agency. In October 2017, we entered into a 15-year strategic bancassurance partnership with Bangkok Bank to be the exclusive provider of protection and long-term savings solutions for its customers. Bangkok Bank is the largest bank by total assets and has one of the largest retail banking customer base with more than 16 million customer accounts and 1,200 branches. We have been working closely with the Bank and this partnership will be launched for new business, on a phased approach, starting in the first half of 2018. Now turning to our other markets.

Our Other Markets delivered excellent VONB growth of 27 per cent in 2017. Let's look at the key highlights, starting with Australia. Our Australian business delivered excellent VONB growth, driven by Group Insurance where we continued to focus on the retention of major industry funds and corporate clients while proactively reviewing benefit designs. In September 2017, we announced an agreement with CBA to acquire CommInsure Life in Australia and Sovereign in New Zealand. The deal is an excellent strategic fit for the Group, providing greater access whilst significantly expanding our distribution capabilities in these markets.

In Indonesia we have continued to execute our Premier Agency strategy and our agency channel delivered strong double-digit VONB growth in 2017. In February 2017, we extended our strategic bancassurance partnership with Bank Central Asia (BCA) allowing us broader access to the Bank's 12 million existing customer base whilst expanding the range of our product solutions. We also delivered double-digit VONB growth with BCA in 2017.

Our business in Korea delivered outstanding VONB growth, mainly from our Direct Marketing business. We also entered into a new strategic partnership with SK Group to offer protection products, including AIA Vitality, to SK Telecom's 30 million customers. We expect this partnership to be activated starting in the second half of 2018. Now moving to the Philippines.

Our Philippines business delivered strong double-digit VONB growth across both our agency and bancassurance channels. Our focus on quality recruitment led to a 24 per cent increase in the number of active new agents compared with 2016. Our joint venture with BPI continued to be the market leader in bancassurance with VONB growth driven by an increase in the number of in-branch insurance specialists and more efficient customer lead generation.

Our India business delivered excellent VONB growth. Our key focus has been to target India's protection gap through the launch of new products and shifting the business mix away from unit-linked toward higher margin protection business. VONB margins increased by 14 percentage points in 2017. Our focus on Premier Agency through quality recruitment using iPoS delivered strong VONB growth. Bancassurance business also delivered strong VONB growth driven by IndusInd and Citi, our long term strategic partners. The business has also achieved 90 per cent paperless sales and persistency has improved to be among the top quartile of private insurers in India. And finally, Vietnam.

AIA Vietnam delivered excellent VONB growth. VONB margin increased as a result of a higher proportion of protection riders within the product mix. We also expanded our partnership distribution capabilities through the addition of four new bancassurance agreements including an exclusive partnership with VP Bank in the second half.

In summary, we are very pleased with the progress of our Other Markets and we look forward to continuing the strong and broad based growth. Thank you very much and let me now hand over to John.

John Cai, Regional Chief Executive:

Thank you, Bill and good morning, everyone. Let me now share with you the results from my two larger markets beginning with Malaysia.

AIA Malaysia delivered a strong full-year performance with VONB up by 16 per cent. Takaful business remains an important growth driver for our agency business. With active Takaful agents up by 38 per cent as we focus on meeting the needs of this significantly under-penetrated market. Our bancassurance business achieved 25 per cent VONB growth and, as you heard from Keng Hooi, we are delighted that we have extended our regional partnership with Public Bank to 2037. AIA Vitality is an important competitive advantage for AIA in Malaysia and is now fully integrated with our unit-linked protection and Takaful products. We more than doubled the number of members and launched AIA Vitality to Public Bank's customers during the year. Moving on to China.

China was again AIA's fastest-growing market and delivered an outstanding performance in 2017 with VONB up 60 per cent. Operating profit also rose by 39 per cent and we remitted more than 200 million dollars to the Group centre. This strong performance was driven by the consistent execution of our Premier Agency strategy enabled by our leading digital platforms across all areas of our business.

I know you are very familiar with the size of the structural growth trend happening in China. China's consumption boom is underpinned by a rapidly expanding and aspirational middle class on a huge scale. You can see this happening in the chart on the left – with a dramatic shift from mass market to mass affluent consumers. We set out our Premier Agency strategy back in 2010 recognising that consumers' needs and buying habits change considerably as they become richer. Wealthier consumers have more complex needs and demand better service and products, particularly in life and health insurance.

These needs are best served by face-to-face advice from high-quality, professional Premier Agents enabled with digital tools. This differentiates AIA from the industry models that focus on the mass recruitment of part-time agents. And we believe AIA is uniquely placed with the right strategy to capture the enormous opportunities from the growing middle classes in China. As you can see this from our results since 2010. And, as we showed you previously, you get a real sense of this by looking at our track record by province and by city. Large urban centres such as Guangzhou and Suzhou have led the way in terms of wealth creation and continued to deliver substantial VONB growth. Guangzhou's VONB has grown to be nine times larger and Suzhou's 27 times larger since IPO. These are closely followed by Foshan and Nanjing. As other cities reach economic lift off, they follow a similar pattern and generated around one-third of AIA's VONB across Guangdong and Jiangsu in 2017.

You can see the potential from the middle-class wealth effect happening across these cities and right across our footprint in China. As I mentioned before, we believe these newly affluent customers are best served by high-quality, face-to-face advice enabled and empowered by digital technology. Our digital platforms are highly integrated and focused on enhancing our core business. Our agents can do provide planning, advice and issue a policy all within a single customer meeting. Our aim is to make the planning journey for our agents as efficient as possible to optimise the time they spend with customers and so they can focus on providing advice and service. Our digital platforms are used for agent recruitment, training and management as well as customer lead generation and needs analysis.

You can see from the figures on the left how this has contributed to an increase in agent productivity since IPO. We have also simplified our processes. All of our new business in China was handled digitally last year reducing the processing time of applications, underwriting, payments and policy issue from days to minutes. We have also transformed our customer service – including policy self-service, e-payments and claims. All of this together is increasing customer engagement at the same time as making our China business truly scaleable and future proofing our operations. The tremendous growth potential that China offers AIA is clear. We are in the right place to benefit from the rapidly expanding middle classes in China. We also have the right strategy with our highly productive agency driving a high-quality earnings stream and our significant track record of growth since IPO. This sets AIA apart in the market enabling us to access the significant opportunities for growth for many years to come.

Thank you for listening and let me now hand back to Keng Hooi.

Ng Keng Hooi, Group Chief Executive and President:

Thank you, John. Let me close by reminding you of the significant long-term growth opportunities for AIA in Asia.

Asian consumers are transforming the region's economies. Asia will account for 90 per cent of the world's next billion middle class consumers and the region's middle-class population will more than double by 2025. That is an increase of seven times the rest of the world an additional 1.4 billion people. This is creating significant amounts of spending power and new personal wealth more than 25 trillion dollars. And this expansion is well under way across our markets. These structural trends are also creating substantial protection needs. Rising personal wealth leads to an increasing prevalence of lifestyle-related diseases. Ageing populations, falling birth rates and rapid urbanisation are also weakening traditional family support networks. At the same time, the provision of social welfare remains at relatively low levels – just one-sixth of the spending in the G7.

Healthcare spending in Asia is rising three times faster than in the US with much of this paid for by consumers out of their own pockets and private cover is a fraction of the levels in more developed markets. Together, these long-term structural trends are the foundations of the enormous potential for protection and savings business across our markets.

And as I showed you earlier AIA's strategic priorities are fully aligned with these fundamental growth drivers. Our leadership position in health insurance integrated with wellness is at the forefront of these developments and this will be an important strategic priority that we will accelerate. AIA Vitality is Asia's first, full-scale wellness platform. We launched it in our tenth market this year and introduced an integrated wellness programme into China in the second quarter.

Membership continues to accelerate the number tripled in 2017 to more than 700 thousand customers with full membership of our wellness programmes. This changes the way customers perceive life and health insurance. The potential for enhancing the quality and frequency of engagement with our customers and our distribution is significant. This is already happening in Singapore and Australia our first markets to launch. Customers with AIA Vitality in Singapore are five times more likely to buy an additional AIA policy. And, in Australia, advisers actively engaged with selling integrated products are three times more productive. AIA is leading the way in transforming our protection business from a passive claims payer to a partner that actively helps our customers improve their health.

Another strategic priority is our continued deployment of new digital technology as an enabler across all aspects of our business. You heard from John about our progress in China and we have many similar initiatives and investments across the Group. We will support our products and services with digital technology where it can make a material difference to customer experience. Our approach to digital is broadly categorised across three areas. The first is using technology to optimise our back-office efficiency and effectiveness and simplify our processes to ensure that we deliver market-leading customer service. The second is developing digital tools for our existing distribution and customers. Our aim is to drive a step change in the experience that these tools provide and transform customer engagement. We have demonstrated a strong track record of success in these areas and they enable our business to fully leverage our significant scale for profitable growth.

Finally, we look at ways to transform our business model through innovation and new technology as well as leveraging non-traditional partnerships. As you can see here many of our initiatives are already delivering results and we will maintain our focus on investing in those that will make a material difference to the future of our business. Our consistent track record and today's results show how we are executing our strategy to sustain value creation. We have delivered VONB which is more than five times the 2010 figure. We have more than doubled earnings financed our growth doubled EV and delivered a prudent, sustainable and progressive dividend policy since our IPO. 2017 was a very positive year for global growth and capital markets but throughout all of the many different market cycles our people have remained focused on managing our business and executing our strategy effectively.

In closing, 2017 was another strong year for AIA. Taken together, the fundamental drivers of growth in the region and the scale, quality and breadth of AIA's exceptional businesses have enabled us to deliver broad-based and consistent results. Our focus continues to be on our strategic priorities that will sustain and build on our competitive advantages to make a material difference in shaping AIA's future. I am confident that our teams will continue to deliver long-term value for our shareholders as we help our customers live healthier, longer, better lives.

Thank you for listening and now over to you for questions.