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AIA Group Limited

友邦保險控股有限公司

(Incorporated in Hong Kong with limited liability)

Stock Codes: 1299 (HKD Counter) and 81299 (RMB Counter)

THIRD QUARTER 2023 NEW BUSINESS HIGHLIGHTS

AIA DELIVERS RECORD THIRD QUARTER VALUE OF NEW BUSINESS VONB UP 35 PER CENT

HONG KONG, 3 November 2023 – AIA Group Limited (the “Company”) announces key new business indicators for the third quarter ended 30 September 2023.

KEY FINANCIAL SUMMARY

Growth rates are shown on a constant exchange rate basis.

- Value of new business (VONB) growth of 35 per cent to US\$994 million for the third quarter
- Mainland China, Hong Kong, ASEAN and India all delivered double-digit VONB growth
- Annualised new premiums (ANP) increased by 54 per cent to US\$1,938 million
- Strong VONB margin of 51.2 per cent, increased from the first half of 2023

US\$ millions, unless otherwise stated	Three months ended 30 September				Nine months ended 30 September			
	2023	2022	YoY CER	YoY AER	2023	2022	YoY CER	YoY AER
VONB	994	741	35%	34%	3,023	2,277	36%	33%
VONB margin	51.2%	58.1%	(7.0) pps	(6.9) pps	50.9%	56.1%	(5.3) pps	(5.2) pps
ANP	1,938	1,271	54%	52%	5,922	4,049	51%	46%

Lee Yuan Siong, AIA’s Group Chief Executive and President, said:

“The strength and diversification of AIA’s businesses have enabled us to deliver another excellent VONB result in the third quarter. This is the Group’s highest ever third quarter VONB and reflects the strong demand for our products and services after the pandemic. We have built on our very strong first half performance with further double-digit increases from our key growth engines of Mainland China, Hong Kong, ASEAN and India underpinning the Group’s overall 35 per cent VONB growth.

“Our focus on executing our strategic priorities continues to enhance AIA’s competitive advantages, supporting excellent VONB growth in the third quarter from both our agency and partnership distribution channels. Quality recruitment programmes across the Group’s differentiated Premier Agency have generated strong quarter-on-quarter growth in new recruits and a year-on-year increase in the number of active agents. Our partnership channel has also delivered VONB growth from each of our reportable segments.

“In Mainland China, I am delighted that we recently received regulatory approval to upgrade our Shijiazhuang licence to cover the whole of Hebei province.

“AIA is uniquely positioned to capture the growing demand for protection and long-term savings solutions as we continue to help millions of people live Healthier, Longer, Better Lives and deliver long-term sustainable value for all our stakeholders.”

SUMMARY FOR THE THIRD QUARTER

AIA delivered a 35 per cent increase in VONB to US\$994 million in the third quarter of 2023, supported by excellent performances across our distribution channels. Our proprietary agency increased VONB by 27 per cent while our partnership distribution delivered 62 per cent growth compared with the same period in 2022. VONB growth was broad-based with double-digit increases from our operations in Mainland China, Hong Kong, ASEAN and India. For the first nine months of 2023, VONB increased by 36 per cent year-on-year to US\$3,023 million, already exceeding the result for the full year 2022 on a constant exchange rate basis.

AIA China's VONB growth was over 20 per cent in the third quarter, an acceleration from the first half as we continued to benefit from Mainland China's reopening after the pandemic. While demand for our long-term savings products remained strong, we also delivered very strong double-digit VONB growth from critical illness products in the third quarter of 2023. Our high-quality differentiated Premier Agency remains our key focus and was the core contributor to VONB growth. In our bancassurance channel, the combination of strong quarter-on-quarter growth and an improved VONB margin continued to deliver incremental VONB. VONB margin for our agency remained broadly stable compared with the first half and overall VONB margin improved progressively through the third quarter, supported by a higher proportion of traditional protection business, a favourable shift in product mix within long-term savings business and product repricing.

AIA China's Premier Agency delivered excellent VONB growth across both our established operations and new geographies, driven by a double-digit increase in the number of active agents compared with the prior year and enhanced agent productivity. Our new geographies increased their contribution to more than 5 per cent of agency VONB in the third quarter, supplemented by the successful launch of our new branch in Henan province in May.

Agent recruitment momentum remained strong with very strong double-digit year-on-year growth, supporting growth in total number of agents over the third quarter. Our enhanced agent development programmes contributed to higher new agent activity and productivity, leading to an increase in average income for our new agents back to pre-pandemic levels.

We continue to make good progress with AIA China's geographical expansion with recent regulatory approval to upgrade our Shijiazhuang licence to cover all of Hebei province.

AIA Hong Kong achieved another excellent increase in VONB compared with the third quarter of 2022. While our domestic business declined slightly compared with the strong comparative last year, sales to Mainland Chinese visitors continued to grow very strongly, contributing around half of AIA Hong Kong's VONB in the quarter, similar to the level in the first half of 2023. In our Premier Agency, recruitment momentum has continued to build and overall agent productivity exceeded pre-pandemic levels. Within the partnership channel, we achieved excellent growth from both our bancassurance and retail independent financial advisers (IFAs).

AIA Thailand continued its strong first half momentum with excellent VONB growth for the third quarter of 2023, supported by higher sales volumes and a more favourable product mix. Both the number of active agents and agent productivity increased by double-digit percentages, and we saw significant growth in the number of new recruits. Our businesses in **Singapore** and **Malaysia** reported increases in VONB, driven by growth from both our agency and partnership distribution channels.

As previously reported, negative consumer sentiment continued to impact the life insurance industry in Vietnam. Excluding Vietnam, **Other Markets** delivered growth in VONB, driven by strong double-digit VONB growth from both of our businesses in India, the largest contributor to this segment, and the Philippines. Tata AIA Life in India delivered an excellent performance from its proprietary agency and was ranked as the third largest private life insurer in India. In aggregate, our ASEAN businesses delivered double-digit VONB growth.

Overall, ANP for the Group grew by 54 per cent to US\$1,938 million and VONB margin of 51.2 per cent increased from the first half of 2023. Following our usual practice, the long-term investment return assumptions used to calculate VONB remained unchanged from those shown in our Annual Report 2022. Compared with the third quarter of 2022, margin reported on a present value of new business premium (PVNBP) basis remained stable at 10 per cent while total weighted premium income (TWPI) increased by 9 per cent to US\$9,355 million.

AIA's very strong and resilient financial position is an important differentiator and competitive advantage, underpinned by our strong in-force portfolio management and liability-driven investment approach.

We have provided details of the Group's investment portfolio as at 30 September 2023 in the appendix on pages 6 to 8.

OUTLOOK

The long-term prospects for AIA's businesses are exceptional given our substantial competitive advantages, geographical diversification and the powerful structural growth drivers for life and health insurance in Asia. Rising incomes, low levels of private insurance penetration and limited social welfare coverage continue to drive demand for AIA's insurance products across our markets.

We are confident that the continued execution of our strategic priorities uniquely positions AIA to capture the enormous long-term opportunities in the Asian life and health insurance market and deliver long-term sustainable value for all our stakeholders.

FOREIGN EXCHANGE VOLATILITY

AIA receives the vast majority of its premiums in local currencies and we closely match our local assets and liabilities to minimise the economic effects of foreign exchange movements. When reporting the Group's consolidated figures, there is a currency translation effect as we report in US dollars. We have provided growth rates and commentaries on CER unless otherwise stated, since this provides a clearer picture of the underlying performance of the businesses.

Notes:

1. AIA's third fiscal quarter of 2023 and 2022 ended on 30 September 2023 and 30 September 2022, respectively.
2. All figures are presented in actual reporting currency (US dollars) and based on actual exchange rates (AER) unless otherwise stated. Change is shown on a year-on-year basis and based on constant exchange rates (CER) unless otherwise stated. Change on CER is calculated using constant average exchange rates for 2023 and 2022.
3. Long-term investment return assumptions used in the embedded value (EV) basis for the third quarter 2023 results are the same as at 31 December 2022 shown in the supplementary embedded value information in our Annual Report 2022. Non-economic assumptions used in the EV basis are based on those as at 31 December 2022, updated to reflect AIA's latest view of expected future experience.
4. VONB is calculated based on assumptions applicable at the point of sale.

VONB for the Group excludes VONB attributable to non-controlling interests.
5. VONB includes pension business. ANP and VONB margin exclude pension business and are before deduction of non-controlling interests.
6. ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded and excluding pension business.
7. TWPI consists of 100 per cent of renewal premiums, 100 per cent of first year premiums and 10 per cent of single premiums, before reinsurance ceded.
8. In the context of our reportable segments, Hong Kong refers to operations in the Hong Kong Special Administrative Region (SAR) and the Macau SAR; Singapore refers to operations in Singapore and Brunei; and Other Markets refers to operations in Australia, Cambodia, India, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam.

Our established operations in Mainland China refer to our branches in Beijing, Shanghai, Shenzhen, Guangdong and Jiangsu. Our new geographies in Mainland China refer to our operations in Tianjin, Shijiazhuang, Sichuan, Hubei and Henan.

ASEAN, officially the Association of Southeast Asian Nations, refers to operations in Thailand, Singapore, Malaysia, Brunei, Cambodia, Indonesia, Myanmar, the Philippines and Vietnam.

9. ANP and VONB for Other Markets include the results from our 49 per cent shareholding in Tata AIA Life Insurance Company Limited (Tata AIA Life). ANP and VONB do not include any contribution from our 24.99 per cent shareholding in China Post Life Insurance Co., Ltd. (China Post Life).

For clarity, TWPI does not include any contribution from Tata AIA Life and China Post Life.

10. The results of Tata AIA Life are accounted for using the three-month period ended 30 June 2023 and the three-month period ended 30 June 2022 in AIA's consolidated results for the third quarter ended 30 September 2023 and the third quarter ended 30 September 2022, respectively.
11. Tata AIA Life was ranked as the third largest private life insurer in India for the nine-month period ended 30 September 2023 based on individual weighted new business premiums.

About AIA

AIA Group Limited and its subsidiaries (collectively “AIA” or the “Group”) comprise the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets – wholly-owned branches and subsidiaries in Mainland China, Hong Kong SAR, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei and Macau SAR, and a 49 per cent joint venture in India. In addition, AIA has a 24.99 per cent shareholding in China Post Life Insurance Co., Ltd.

The business that is now AIA was first established in Shanghai more than a century ago in 1919. It is a market leader in Asia (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US\$276 billion as of 30 June 2023.

AIA meets the long-term savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents, partners and employees across Asia, AIA serves the holders of more than 41 million individual policies and 17 million participating members of group insurance schemes.

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock codes “1299” for HKD counter and “81299” for RMB counter with American Depositary Receipts (Level 1) traded on the over-the-counter market under the ticker symbol “AAGIY”.

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APPENDIX

DISCLOSURES ON INVESTMENT PORTFOLIO AS AT 30 SEPTEMBER 2023

Overall investment portfolio

US\$ billions	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder	Total policyholder and shareholder
Fixed income	71.8	89.2	161.0
Government and government agency bonds	26.9	56.4	83.3
Corporate bonds	44.1	27.8	71.9
Structured securities	0.4	1.7	2.0
Loans and deposits	0.5	3.3	3.8
Equities	27.7	12.3	40.0
Real estate	3.6	4.4	8.0
Others	0.9	6.4	7.3
Total invested assets	104.0	112.3	216.3

The average credit rating of the fixed income portfolio remained stable at A compared with the position as at 30 June 2023. The corporate bond portfolio is well diversified with over 1,900 issuers and an average holding size of US\$37 million.

As at 30 September 2023, 2 per cent of the total bond portfolio was rated below investment grade or not rated, representing approximately US\$3.8 billion in value. Approximately US\$66 million of bonds, representing 0.04 per cent of our total bond portfolio, were downgraded to below investment grade in the third quarter of 2023, reflecting AIA's overall high-quality investment portfolio.

As at 30 September 2023, the Group's investment exposures in Mainland China relating to other policyholder and shareholder include US\$0.9 billion of local government financing vehicles (LGFVs) and US\$0.9 billion of real estate bonds and equities (excluding LGFVs).

As at 30 September 2023, over 80 per cent of AIA China's investment portfolio relating to other policyholder and shareholder was held in fixed income investments. Of these, over 90 per cent were government and government agency bonds. The average international rating of AIA China's other policyholder and shareholder bond portfolio remained stable at A+ compared with the position as at 30 June 2023.

Corporate bonds by credit rating

US\$ billions	Participating funds and other participating business with distinct portfolios	Other policyholder and shareholder	Total policyholder and shareholder
AAA	0.5	0.2	0.7
AA	2.9	2.2	5.1
A	20.2	11.9	32.1
BBB	19.7	11.6	31.3
Below investment grade and not rated	0.7	1.8	2.5
Total	44.1	27.8	71.9

Other policyholder and shareholder corporate bonds – BBB rating category

	US\$ billions	% of total
BBB+	5.4	47%
BBB	3.6	31%
BBB-	2.6	22%
Total	11.6	100%

Other policyholder and shareholder corporate bonds by geography

	US\$ billions	% of total
Asia Pacific	18.8	68%
United States	5.4	19%
Other	3.5	13%
Total	27.8	100%

Other policyholder and shareholder corporate bonds by sector

	US\$ billions	% of total
Energy	2.7	10%
Materials	1.0	4%
Industrials	3.0	11%
Consumer discretionary	1.4	5%
Consumer staples	1.2	4%
Healthcare	0.8	3%
Financials – Banks	4.8	17%
Financials – Financial services	4.0	14%
Financials – Insurance	0.8	3%
Real estate	2.9	10%
Information technology	1.1	4%
Communication services	2.1	8%
Utilities	1.9	7%
Total	27.8	100%

AIA China's other policyholder and shareholder investment portfolio

	US\$ billions	% of total
Fixed income	21.5	85%
Government and government agency bonds	20.1	80%
Corporate bonds	1.0	4%
Structured securities and loans and deposits	0.3	1%
Equities	2.7	11%
Real estate	0.7	3%
Others	0.4	1%
Total invested assets	25.3	100%

Notes:

(1) Due to rounding, numbers presented in the tables may not add up precisely.

(2) Please refer to page 205 of our Annual Report 2022 for the definition of the credit rating categories.

This announcement may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. When used in this document, the words "will", "should", "continue", "future", "expect", "anticipate", "believe" and similar expressions are intended to identify forward-looking statements. 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.

By Order of the Board
Lee Yuan Siong
*Executive Director,
Group Chief Executive and President*

Hong Kong, 3 November 2023

As at the date of this announcement, the board of directors of the Company comprises:

Independent Non-executive Chairman and Independent Non-executive Director:

Mr. Edmund Sze-Wing TSE

Executive Director, Group Chief Executive and President:

Mr. LEE Yuan Siong

Independent Non-executive Directors:

Mr. Jack Chak-Kwong SO, Mr. Chung-Kong CHOW, Mr. John Barrie HARRISON, Mr. George Yong-Boon YEO, Professor Lawrence Juen-Yee LAU, Dr. Narongchai AKRASANE, Mr. Cesar Velasquez PURISIMA, Ms. SUN Jie (Jane), Ms. Mari Eika PANGESTU, Mr. ONG Chong Tee and Ms. Nor Shamsiah MOHD YUNUS