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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 Code: 1299

THIRD QUARTER 2020 NEW BUSINESS HIGHLIGHTS

AIA REPORTS NEW BUSINESS RESULTS FOR THE THIRD QUARTER OF 2020

VALUE OF NEW BUSINESS UP 22 PER CENT QUARTER-ON-QUARTER

HONG KONG, 9 November 2020 – AIA Group Limited (the “Company”; stock code: 1299) today announces key new business indicators for the third quarter ended 30 September 2020.

KEY FINANCIAL SUMMARY

Growth rates are shown on a **quarter-on-quarter** and constant exchange rate basis.

- Value of new business (VONB) of US\$706 million, up 22 per cent
- Annualised new premiums (ANP) grew 21 per cent to US\$1,359 million
- VONB margin of 51.6 per cent, consistent with the second quarter of 2020
- Total weighted premium income (TWPI) up 7 per cent from the third quarter of 2019

Table 1: Quarter-on-quarter Performance

US\$ millions, unless otherwise stated	2020			
	3Q	2Q	QoQ CER	QoQ AER
VONB	706	569	22%	24%
VONB margin	51.6%	51.4%	0.2 pps	0.2 pps
ANP	1,359	1,096	21%	24%
TWPI	8,797	8,130	6%	8%

Table 2: Year-on-year Performance

US\$ millions, unless otherwise stated	Three months ended 30 September				Nine months ended 30 September			
	2020	2019	YoY CER	YoY AER	2020	2019	YoY CER	YoY AER
VONB	706	980	(28)%	(28)%	2,116	3,255	(34)%	(35)%
VONB margin	51.6%	67.0%	(15.6) pps	(15.4) pps	53.4%	66.0%	(12.6) pps	(12.6) pps
ANP	1,359	1,444	(6)%	(6)%	3,938	4,887	(19)%	(19)%
TWPI	8,797	8,168	7%	8%	25,723	24,573	6%	5%

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

“The Group has delivered strong sequential growth in the third quarter with VONB up 22 per cent compared to the second quarter, building on the strong momentum as restrictions eased. TWPI grew 7 per cent year-on-year and our in-force business continues to demonstrate resilience with strong persistency.

“The COVID-19 pandemic has been well controlled in many of the markets where AIA operates, following the easing of containment measures. While remote completion continues to account for a significant proportion of new business in some markets, we have generally seen an increase in the proportion of our sales sourced from face-to-face meetings.

“Working practices have changed dramatically as a result of the pandemic. For example, the Group’s travel costs were down 75 per cent in the third quarter compared to last year while collaboration and connectivity across the Group have increased markedly. In the last 30 days, our people conducted close to 280,000 video calls and one million online audio calls, a step change from previous practices.

“Embracing technology, including the associated changes to our ways of working, is an essential part of our strategic goal to transform AIA. While still early in this multi-year journey, we are making good progress.

“Some of our businesses are already highly digital, allowing them to adapt quickly and deliver strong results even during this exceptional operating environment. For example, our joint venture in India, Tata AIA Life, generated excellent year-on-year VONB growth in the third quarter despite the continuing lockdowns, helped by wide adoption of new remote selling capabilities. Moving the recruitment process online at AIA China has also helped achieve very strong growth in new agency recruits in 2020 as we grow capacity across the business.

“We have made significant strategic progress in the last few months. Our Mainland China business achieved a landmark as we successfully completed the conversion to a wholly-owned life insurance subsidiary on 1 October.

“I am delighted that AIA China was recently granted approval by the China Banking and Insurance Regulatory Commission to begin preparations to establish a new branch in Sichuan. This new branch will be our first branch in Western China and is the first step in our ambitious plans to expand the geographical coverage of AIA China.

“The Group also announced a long-term strategic partnership with Practo Pte. Ltd., India’s leading digital healthcare platform with a network of 70,000 top-tier hospitals and clinics, and Tata AIA Life extended our strategic partnership with IndusInd Bank Limited for a further 10 years.

“I am very proud that AIA continues to provide peace of mind and security to our millions of customers and that our businesses have adapted with speed and agility to the rapidly-changing operating environment. Our teams are working hard every day to deliver our strategic plans and transform AIA into a simpler, faster, more connected organisation. While the near-term outlook for the pandemic continues to be uncertain, I am confident that AIA is well positioned to leverage the structural growth drivers of life and health insurance across Asia, delivering long-term sustainable value for our shareholders and enabling Healthier, Longer, Better Lives for our customers.”

SUMMARY FOR THE THIRD QUARTER

In the third quarter of 2020, the Group delivered strong momentum in new business sales. VONB increased by 22 per cent compared to the second quarter of 2020, driven by sequential quarter-on-quarter growth from almost all of our markets. VONB margin was consistent with the second quarter as the reduction from economic assumption changes and geographical mix shifts was offset by reduced acquisition expense overruns as quarterly sales momentum improved. Across our agency businesses, we have continued to build future capacity with new recruits up more than 20 per cent compared to the third quarter of 2019.

While sales volumes during the first nine months of 2020 were lower than for the same period last year, the overall scale of our in-force business has continued to increase. TWPI of US\$8,797 million increased 7 per cent compared with the third quarter of 2019. Persistency has remained strong and, in the third quarter, there has been an improvement in the adverse lapse experience in the first half of the year for our operations in Thailand and Malaysia. The positive medical claims experience that we reported for the Group in the first half of 2020 has also normalised in the third quarter and experience was in line with our expectations.

The third quarter of 2020 marked a historic change for AIA China, beginning with the incorporation of our new subsidiary in Mainland China on 9 July. Our people worked tirelessly on the conversion process, which included coordination with more than 2,000 counterparties and 150 government departments across the country. Within three months of its incorporation, AIA Life Insurance Company Limited assumed operational control of our business in Mainland China on 1 October. This new corporate structure is critical for delivering our ambitious expansion plans and, following regulatory approval, we are now progressing with preparations for our new branch in Sichuan. In the third quarter, VONB from AIA China was broadly similar to the second quarter before allowing for 5 per cent withholding tax, which has been applied since 9 July. AIA China remained the largest contributor to the Group's VONB. In the first nine months of 2020, we have continued to grow our high-quality Premier Agency force and our disciplined execution has achieved a double-digit increase in new recruits, total agents and also agency leaders.

Our business in Hong Kong delivered modest quarter-on-quarter growth in VONB, driven by increased sales to our domestic customer segment. Sales to Mainland Chinese visitors remained close to zero in the third quarter given the ongoing mandatory quarantine requirement.

AIA Thailand achieved strong VONB quarter-on-quarter growth in the third quarter as sales momentum returned to both agency and bancassurance channels. Our businesses in Singapore and Malaysia delivered excellent quarter-on-quarter growth with VONB more than double the second quarter and also significantly above the third quarter of 2019.

The easing of movement restrictions across many markets supported excellent quarter-on-quarter growth in VONB for our Other Markets segment. Tata AIA Life achieved excellent year-on-year growth on a like-for-like basis despite the ongoing disruption to the Indian economy from the pandemic and has now become the market leader in retail protection business. All of our other individual markets in this segment delivered quarter-on-quarter growth in VONB.

OUTLOOK

After the sharp contraction in the global economy in the first half of 2020, some countries have returned to growth in the third quarter, including Mainland China. Economic recovery has diverged significantly at the country level, driven by the effectiveness of pandemic containment measures and government policies as well as the importance and competitiveness of manufacturing industries. The medium-term outlook remains highly uncertain given COVID-19 infections have been rising in many countries and political and trade tensions remain elevated. However, the demand for AIA's products and services will continue to grow over the long term, powered by the structural drivers of rising wealth, low insurance penetration levels and limited social welfare across Asia. AIA is uniquely positioned through our powerful distribution, differentiated propositions, leading brand and financial strength to capture the enormous long-term opportunities in the Asian life and health insurance market.

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 2020 and 2019 ended on 30 September 2020 and 30 September 2019 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 constant exchange rates (CER) unless otherwise stated, calculated using constant average exchange rates for each period.
3. Long-term economic assumptions used in the embedded value (EV) basis for the third quarter 2020 results are the same as at 30 June 2020 shown in the supplementary embedded value information in our Interim Report 2020. Non-economic assumptions used in the EV basis are based on those as at 31 December 2019, updated to reflect AIA's latest view of expected future experience.
4. VONB is calculated based on assumptions applicable at the point of sale.

In the third quarter of 2020, 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).

The total reported VONB for the Group in the third quarter of 2020 excludes VONB attributable to non-controlling interests of US\$7 million.

For the third quarter of 2019, ANP and VONB have not been restated and do not include any contribution from Tata AIA Life or a deduction for the amount attributable to non-controlling interests. As previously disclosed, the VONB attributable to non-controlling interests for the third quarter of 2019 was US\$8 million.

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 market segments, Hong Kong refers to operations in Hong Kong Special Administrative Region (SAR) and Macau SAR; Singapore refers to operations in Singapore and Brunei; and Other Markets refers to operations in Australia (including New Zealand), Cambodia, India, Indonesia, Myanmar, the Philippines, South Korea, Sri Lanka, Taiwan (China) and Vietnam.
9. The results of Tata AIA Life are accounted for the three-month period ended 30 June 2020 in AIA's consolidated results for the third quarter of 2020. For clarity, TWPI does not include any contribution from Tata AIA Life.

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 in Asia-Pacific – wholly-owned branches and subsidiaries in Mainland China, Hong Kong SAR, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei, Macau SAR, New Zealand, and a 49 per cent joint venture in India.

The business that is now AIA was first established in Shanghai more than a century ago in 1919. It is a market leader in the Asia-Pacific region (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US\$291 billion as of 30 June 2020.

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-Pacific, AIA serves the holders of more than 36 million individual policies and over 16 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 code “1299” with American Depositary Receipts (Level 1) traded on the over-the-counter market (ticker symbol: “AAGIY”).

Contacts

Investment Community		News Media	
Lance Burbidge	+852 2832 1398	Stephen Thomas	+852 2832 6178
Evelyn Lam	+852 2832 1633	Dudley White	+852 2832 1978
Feon Lee	+852 2832 4704	Emerald Ng	+852 2832 4720
Rachel Poon	+852 2832 4792		

As for all quarterly new business highlights announcements, there will not be a conference call for media or investors and your usual contact will be available to answer queries.

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, 9 November 2020

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, Ms. Swee-Lian Teo, Dr. Narongchai Akrasanee and Mr. Cesar Velasquez Purisima