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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**

**PROPOSED ACQUISITION OF ING MANAGEMENT HOLDINGS (MALAYSIA)  
SDN BHD ("ING MALAYSIA")**

# PROPOSED ACQUISITION OF ING MALAYSIA

## 1. Introduction

AIA Group Limited (the “Company”) is pleased to announce that its wholly-owned subsidiary, American International Assurance Company, Limited (“AIA Co.”), has reached agreement, subject to regulatory approval and execution of the appropriate legal documentation, to purchase the entire share capital of ING Management Holdings (Malaysia) Sdn. Bhd. (“ING Malaysia”) from ING Insurance Asia N.V. (“ING Insurance Asia”) (the “Proposed Transaction”). The Proposed Transaction does not include the shares in IFB Management Holdings Sdn. Bhd. (“ING Investment Malaysia”).

The consideration to be paid with respect to the Proposed Transaction is Euro 1.336 billion (which is equivalent to US\$1.73 billion) payable in cash on Completion of the Proposed Transaction and subject to certain potential adjustments at Completion. The Company has put in place arrangements to hedge related Euro-US dollar exchange rate movements.

## 2. Summary of the Proposed Transaction

The acquisition of ING Malaysia represents a highly attractive opportunity that will deliver a range of important benefits to AIA:

- The Proposed Transaction is an excellent fit with AIA's corporate strengths and priorities and extends AIA's pan-Asian leadership position and quality growth strategy in Asia. It will see AIA become the Number One ranked insurance company in seven high-growth Asian markets<sup>(1)</sup>.
- It will transform AIA Malaysia's scale and reach to become the market leader<sup>(2)</sup> in the fast-growing and highly profitable Malaysian life insurance market.
- The acquisition provides an exceptional opportunity to extend AIA's existing Premier Agency strategy in Malaysia through the addition of approximately 9,200 agents<sup>(3)</sup> to create the largest tied agency force in the country.
- It broadens and deepens AIA's existing bancassurance distribution through the addition of an exclusive long-term bancassurance arrangement with Public Bank, one of Malaysia's leading banking groups with over five million customers and more than 250 branches. AIA will also become the clear market leader in Employee Benefits.
- The acquisition represents a compelling financial investment for shareholders and will be immediately accretive to earnings<sup>(4)</sup>. It is expected to generate cost synergies of US\$24 million<sup>(5)</sup> by 2015 and the purchase price will be funded through a combination of AIA's internal cash resources and external debt financing that will retain AIA's existing strong financial position.
- The Proposed Transaction offers significant value creation opportunities and growth upside through leveraging AIA's track record of profitable growth delivery and applying AIA's product and distribution expertise to the combined business.

### **Commenting on the Proposed Transaction, Mark Tucker, AIA's Group Chief Executive and President, said:**

“This transaction offers an outstanding opportunity to transform AIA's presence in Malaysia and create the market leader in this fast-growing and highly profitable South-East Asian life insurance market.

“With a combined customer base of over 2.6 million people, approximately 16,600 agents and an exclusive bancassurance relationship with one of Malaysia's leading banking organisations, the enlarged business in Malaysia represents a very powerful proposition that will result in a positive outcome for our shareholders, customers, employees and agents.

“The transaction will be immediately accretive to earnings<sup>(4)</sup>, it will enhance our already market-leading pan-Asian platform and, through combining these two strong businesses under AIA’s profitable growth strategy, we believe it will generate substantial financial benefits for our shareholders.

“Established businesses of the quality and scale of ING Malaysia become available for sale only rarely in Asia. We are delighted to have reached agreement with ING and we look forward to welcoming ING’s staff, agents and customers to enhance our existing strong and vibrant presence in Malaysia.”

### 3. Further Details on the Proposed Transaction Rationale

#### ***Excellent Fit***

- The acquisition of ING Malaysia represents an excellent fit with AIA’s corporate strengths and objectives:
  - o **First, our Asian focus** – we are uniquely and solely focused on Asia, the world’s most dynamic region. ING Malaysia operates in an attractive market where AIA already has long-standing expertise.
  - o **Second, our strength in agency** – the Proposed Transaction will boost the scale and reach of our already significant agency force and leverage our Premier Agency strategy.
  - o **Third, our profitable partnership strategy** – the Proposed Transaction adds a highly attractive bancassurance relationship to our platform, enhancing our overall distribution capacity.
- The acquisition enhances AIA’s pan-Asian leadership position, taking AIA to the Number One position in seven Asian growth markets<sup>(1)</sup>.

#### ***Transformational for AIA in Malaysia***

- The Proposed Transaction combines the third and fourth largest life insurance companies in Malaysia to establish AIA as the market leader<sup>(2)</sup>.
- The acquisition represents a rare opportunity to enhance AIA’s scale in Malaysia, doubling our market share to 25 per cent<sup>(2)</sup> and significantly increasing our exposure to one of South-East Asia’s most attractive and fast growing life assurance markets.
- On a combined basis, the Proposed Transaction adds further balance to AIA’s portfolio of businesses and enhances the quality of its earnings. With combined VONB of over US\$100 million<sup>(6)</sup>, the percentage of AIA’s VONB contribution derived from Malaysia will increase from approximately 6 per cent to approximately 10 per cent<sup>(6)</sup> and, the net profit contribution will increase from 8 per cent to 13 per cent<sup>(6)</sup>.

#### ***Materially strengthens AIA’s distribution capability in Malaysia***

- The combination more than doubles AIA’s existing agency distribution from approximately 7,400 to approximately 16,600 agents<sup>(3)</sup>, to become the largest tied agency force in Malaysia.
- AIA’s geographical coverage across Malaysia is also expanded and deepened through ING Malaysia’s highly complementary agency network.
- AIA’s bancassurance business in Malaysia is materially enhanced through the addition of an exclusive long-term bancassurance arrangement with Public Bank, a leading banking group with over five million customers and more than 250 branches in Malaysia.
- On a combined basis, the contribution to AIA’s ANP in Malaysia from the bancassurance channel increases from 1 per cent to 14 per cent<sup>(7)</sup>.
- The acquisition also transforms AIA into the market-leading Employee Benefits provider in Malaysia.

### ***Financially compelling for AIA's shareholders***

- AIA expects the Proposed Transaction to be immediately accretive to AIA's earnings<sup>(4)</sup>.
- AIA also expects the enlarged business to provide annualised cost synergies of approximately US\$24 million<sup>(5)</sup> by the end of 2015.
- Integration costs of approximately US\$55 million are expected to be incurred over three years.
- The purchase price will be funded through an efficient funding structure comprising internal cash resources and debt financing.
- The acquisition is well within AIA's capacity given it has strong cash flows and no existing debt. AIA will retain its very strong financial position post-transaction.

### ***Value creation opportunity from enhanced product range, mix and margins***

- AIA has delivered substantial improvements in profitability in Malaysia since our initial public offering:
  - o VONB in 2011 has more than doubled since 2009 and with a reported 41 per cent increase in the first half of 2012 compared with the first half of 2011.
  - o New business margins have increased by 15 percentage points from 26 per cent in 2009 to 41 per cent for the first half of 2012.
- We believe there is significant growth upside and further value creation to be achieved through the application of AIA's established and successful strategies in product pricing and mix optimisation to ING Malaysia.

## **4. Conditions and Timing**

In keeping with the requirements of Bank Negara Malaysia ("BNM") for a transaction of this nature, AIA Co. and ING Insurance Asia are submitting an unexecuted Share Sale and Purchase Agreement ("SPA"), which is in agreed form, to BNM for its review and approval. Execution of the SPA is conditional upon the approval of BNM. AIA Co. and ING Insurance Asia have agreed to execute the SPA as soon as practicable following receipt of such approval.

Subject to approval from BNM to execute the SPA, Completion of the Proposed Transaction will be conditional upon the satisfaction of certain other regulatory approvals and consents, including approvals from BNM, the Minister of Finance of Malaysia and the Securities Commission of Malaysia and a statement of no objection from the Dutch Central Bank.

The parties are working towards Completion by the first quarter of 2013.

Given the size of the Proposed Transaction relative to AIA and ING Groep N.V. ("ING") respectively, the Proposed Transaction will not be conditional upon the shareholder approval of either AIA or ING.

## **5. AIA Third Quarter 2012 New Business Highlights**

AIA has in a separate announcement today published its third quarter 2012 new business highlights. AIA continues to have an outstanding year, with the delivery of an excellent third quarter performance that builds upon our record first half results.

AIA reported its highest ever quarterly VONB figure of US\$300 million, up 22 per cent compared with the third quarter of 2011. This growth rate includes the large single group scheme written in Australia in the third quarter of last year.

The results demonstrate the strong momentum we have established and the significant progress we continue to make in the execution of our sustainable growth strategy. Please refer to the separate announcement for further details.

## 6. Investor Presentation

A presentation on the Proposed Transaction for analysts and investors, hosted by Mark Tucker, Group Chief Executive and President, is scheduled at 9:30 a.m. Hong Kong time today.

An audio cast of the presentation and presentation slides will be available on AIA's website:

<http://investors.aia.com/phoenix.zhtml?c=238804&p=irol-presentations2>

Deutsche Bank, Morgan Stanley, Evercore Partners and CIMB are financial advisers to AIA with respect to the Proposed Transaction. Debevoise & Plimpton LLP is lead legal counsel to AIA on the transaction.

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### Notes:

- (1) In terms of life insurance premiums in 2011. Based on data published by relevant regulatory and industry sources, including AIA as the largest foreign life insurer in China in terms of life insurance premiums during the same period.
- (2) Stated on a combined basis based on the aggregate of AIA Malaysia's and ING Malaysia's gross earned premiums for the year ended 30 November 2011 and 31 December 2011, respectively. AIA is Number Four in the Malaysian market based on gross earned premiums for 2011 based on company public filings.
- (3) Approximate number of agents as of 31 December 2011.
- (4) Earnings defined as operating profit after tax. Earnings accretion is estimated by excluding one-off integration and transaction costs. Please note that this statement regarding accretive earnings is not intended to be a profit forecast and should not be interpreted to mean that the earnings per share for the current or future financial periods will necessarily be greater than those for the relevant preceding financial periods.
- (5) Synergies are shown net of allocation to participating policyholders, before tax and before one-off integration and transaction costs with annualised run rate expected to be achieved by end 2015.
- (6) Represents the combined position based on the aggregate of AIA Malaysia's and ING Malaysia's VONB and net profit for the year ended 30 November 2011 and 31 December 2011, respectively. AIA's net profit excludes Group Corporate Centre.
- (7) Represents the combined position based on the aggregate of AIA Malaysia's and ING Malaysia's ANP for the year ended 30 November 2011 and 31 December 2011, respectively.

Unless otherwise specified in this announcement, all financial information of the Company, AIA Malaysia and ING Malaysia is presented in accordance with their respective accounting policies with no adjustments. AIA Malaysia's financial year end is 30 November; ING Malaysia's financial year end is 31 December. All financial and operating information of AIA Group Limited or AIA Malaysia when combined with ING Malaysia represents the aggregation of their respective results presented based on their respective accounting policies with no adjustments. All figures are subject to rounding.

The Company's and AIA Malaysia's financial information is shown as at reported exchange rates.

Unless otherwise specified in this announcement, translation of Malaysian Ringgit into US dollars is made in this announcement for illustration purposes only, at the rate of 3.0538 Malaysian Ringgit to 1 US dollar. No representation is made that any amounts in Malaysian Ringgit could have been or could be converted at this specified rate or at any other rates or at all.

AIA expects to deliver Euro 1.336 billion at an agreed exchange rate of 1 Euro to 1.2953 US dollars as the purchase price for the Proposed Transaction.

## **Shareholders to Exercise Caution**

Shareholders and potential investors of the Company should be aware that the execution of the SPA is subject to the review and approval of BNM. After approval is granted and the SPA is entered into between the parties, completion of the SPA is subject to certain conditions being satisfied including approvals from BNM, the Minister of Finance of Malaysia and the Securities Commission of Malaysia and a statement of no objection from the Dutch Central Bank. Consequently, the Proposed Transaction may or may not proceed. Accordingly, shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

The Company will make further announcements related to the Proposed Transaction in due course as required by the Listing Rules and/or applicable law.

This announcement contains forward looking statements relating to AIA Group Limited that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. These forward looking statements are, by their nature, subject to significant risks and uncertainties. When used in this announcement, the words “will”, “plan”, “should” 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.

As at the date of this announcement, ING Malaysia is not a subsidiary of the Company and accordingly, there are limitations as to the extent and quality of the information relating to ING Malaysia and its subsidiaries contained in this announcement. There are limitations as to whether this announcement contains all information in relation to ING Malaysia that any individual investor may deem appropriate or sufficient for the purpose of considering the Proposed Transaction and its impact on the Company. Further, certain information contained in this announcement relating to ING Malaysia has been provided by ING Malaysia and the information has not been independently verified by the Company. Whilst the Directors have no reasons to doubt the accuracy of the information provided or authorised to be provided for inclusion in this announcement, no representation is given as to its accuracy.

## **About AIA**

AIA Group Limited and its subsidiaries comprise the largest independent publicly listed pan-Asian life insurance group. It has wholly-owned main operating subsidiaries or branches in 14 markets in Asia Pacific – Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau and Brunei and a 26 per cent joint venture shareholding in India.

The business that is now AIA was first established in Shanghai over 90 years ago. 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\$119,494 million as of 31 May 2012.

AIA meets the savings and protection needs of individuals by offering a range of products and services including retirement savings plans, life insurance and accident and health insurance. AIA also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents and employees across Asia Pacific, AIA serves the holders of more than 24 million individual policies and over 10 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”).

## **Further Information**

An overview of ING Malaysia, summary operating and financial information with respect to ING Malaysia and certain definitions are set out in Appendix I, II and III, respectively.

By order of the Board  
**Mark Edward Tucker**  
*Executive Director,*  
*Group Chief Executive and President*

Hong Kong, 11 October 2012

As at the date of this announcement, the Board of Directors of the Company comprises:

*Non-executive Chairman and Non-executive Director:*

Mr. Edmund Sze Wing Tse

*Executive Director, Group Chief Executive and President:*

Mr. Mark Edward Tucker

*Independent Non-executive Directors:*

Mr. Jack Chak-Kwong So, Mr. Chung-Kong Chow, Dr. Qin Xiao, Mr. John Barrie Harrison and Mr. Barry Chun-Yuen Cheung

## **APPENDIX I**

### **OVERVIEW OF ING MALAYSIA<sup>(1)</sup>**

ING Malaysia was established in 1973 as Universal Life and General Insurance Sdn. Bhd.

ING Malaysia is the third largest life insurer in Malaysia<sup>(2)</sup>, serving more than 1.6 million customers and offering a suite of products including life, general, employee benefits and Takaful insurance products.

ING Malaysia has a total of 22 branches and service centres with approximately 9,200 tied agents as of the end of 2011 who exclusively sell ING Malaysia products.

In 2011, ING Malaysia was ranked number two in bancassurance in Malaysia, with a market share of 18 per cent by ANP. It has an exclusive bancassurance relationship with Public Bank, the second largest bank by assets<sup>(3)</sup> covering 252 contracted branches and more than five million customers in Malaysia.

ING Malaysia has a long established and market-leading Employee Benefits franchise.

For the year ended 31 December 2011, 65 per cent of ING Malaysia's ANP was generated through its tied agency channel, with the rest mainly being generated through its bancassurance channel.

#### **Excluded companies**

AIA and ING Insurance Asia have agreed that ING Investment Malaysia, the investment funds business which is currently a subsidiary of ING Malaysia, will not be included in the Proposed Transaction.

#### **Notes to Appendix I:**

- (1) Source: ING, unless otherwise stated.
- (2) Source: Company public filings; market share based on 2011 gross earned premiums.
- (3) Source: 2011 Company filings.

## APPENDIX II

### ING MALAYSIA SUMMARY OPERATING AND FINANCIAL INFORMATION<sup>(1)</sup>

The table below sets out summary operating and financial information for ING Malaysia as at, or for the period ended, 31 December 2011. Additional operating and financial information on ING Malaysia is set out in the Appendices of the Investor Presentation.

Market Position / Share	#3 / 13.5 per cent <sup>(2)</sup>
Gross Earned Premium (US\$m)	1,105
Annualised New Premium (US\$m)	189
VONB <sup>(3)</sup> (US\$m)	48
VONB Margin <sup>(3)</sup>	25.4 per cent
Net Profit <sup>(4)(5)</sup> (US\$m)	103
Shareholders' Equity <sup>(6)</sup> (US\$m)	733
Embedded Value <sup>(7)</sup> (US\$m)	952
Total Number of Customers	more than 1.6 million
Total Number of Agents	~9,200

#### Notes to Appendix II:

- (1) Source: ING, all financials stated are on ING's accounting basis unless otherwise stated.
- (2) Based on 2011 gross earned premiums. Source: Company filings.
- (3) Stated on ING TEV basis before acquisition expense overrun, excluding Takaful.
- (4) Net Profit is stated as post minorities.
- (5) Net Profit for the year ended 31 December 2010 for ING Malaysia was US\$91 million.
- (6) Shareholders' Equity as at 31 December 2010 for ING Malaysia was US\$667 million.
- (7) Stated on ING TEV basis as at 31 December 2011 and excludes value of in-force business related to Takaful.

## APPENDIX III DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“AIA” or the “Group”	AIA Group Limited and its subsidiaries
“AIA Malaysia”	American International Assurance Bhd
“ANP”	Annualised New Premium. ANP represents 100 per cent of annualised first year premiums and 10 per cent of single premiums, before reinsurance ceded. ANP excludes corporate pension business
“BNM”	Bank Negara Malaysia
“Board”	the board of directors of the Company
“Completion”	completion of the Proposed Transaction in accordance with the terms of the SPA. The parties are working towards Completion by the first quarter of 2013
“Directors”	the directors of the Company
“Group Corporate Centre”	Group Corporate Centre consists of the Group’s corporate functions, shared services, certain internal reinsurance and eliminations of intragroup transactions
“ING Insurance Asia”	ING Insurance Asia N.V.
“ING Investment Malaysia”	IFB Management Holdings Sdn. Bhd., the investment management business of ING Malaysia
“ING Malaysia”	ING Management Holdings (Malaysia) Sdn. Bhd.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Premier Agency strategy”	the strategy of AIA focused on quality recruitment combined with extensive, ongoing first-class training to develop a distinctive agency force well-equipped with state-of-the-art point-of-sale technology to promote more sophisticated savings and protection products which are aligned with customers’ needs
“Proposed Transaction”	the proposed acquisition of ING Malaysia by AIA Co. from ING Insurance Asia pursuant to the SPA
“SPA”	the proposed Share Sale and Purchase Agreement to be entered into among AIA Co. (as the purchaser), ING Insurance Asia (as the seller) and ING Verzekeringen N.V. (as the guarantor) in relation to the Proposed Transaction
“Takaful”	Islamic insurance which is based on the principles of mutual assistance and risk sharing
“TEV”	Traditional embedded value
“VONB”	Value of new business. VONB is the present value, measured at point of sale, of projected after-tax statutory profits emerging in the future from new business sold in the period less the cost of holding required capital in excess of regulatory reserves to support this business
	For AIA: VONB is after unallocated Group Office expenses and adjustments to reflect additional Hong Kong reserving and capital requirements; includes corporate pension business and is shown before minorities; VONB by market is based on local statutory basis and excludes unallocated Group Office expenses
	For ING Malaysia: VONB is stated on ING TEV basis before acquisition expense overrun, excluding Takaful