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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**

**FIRST QUARTER 2020 NEW BUSINESS HIGHLIGHTS**



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## Media Release

### AIA Reports New Business Results for the First Quarter of 2020 Value of New Business down 27 per cent

**HONG KONG, 15 May 2020** – AIA Group Limited (“AIA”; or the “Company”; stock code: 1299) today announces key new business indicators for the first quarter ended 31 March 2020.

Growth rates are shown on a constant exchange rate basis:

- Value of new business (VONB) of US\$841 million, down 27 per cent
- Annualised new premiums (ANP) lower by 18 per cent at US\$1,483 million
- VONB margin down 6.9 pps to 56.6 per cent
- Strong month-on-month recovery of VONB in March for Mainland China
- Total weighted premium income (TWPI) up 8 per cent to US\$8,796 million

#### KEY FINANCIAL SUMMARY

US\$ millions, unless otherwise stated	1Q 2020	1Q 2019	YoY CER	YoY AER
Value of new business (VONB)	841	1,169	(27)%	(28)%
VONB margin	56.6%	63.6%	(6.9) pps	(7.0) pps
Annualised new premiums (ANP)	1,483	1,827	(18)%	(19)%
Total weighted premium income (TWPI)	8,796	8,276	8%	6%

#### Ng Keng Hooi, AIA’s Group Chief Executive and President, said:

“The indirect impacts of the COVID-19 pandemic drove an overall 27 per cent decline in AIA’s VONB in the first quarter of 2020 compared to last year. Measures to contain the pandemic had the most significant impact on our businesses in Hong Kong and Mainland China during the quarter. In aggregate our businesses outside these markets delivered strong VONB growth before incremental movement restrictions began to slow momentum in March. However, in Mainland China we have seen encouraging progress with significantly stronger sales in March than in February as the operating environment improved.

“Containment measures continue to constrain face-to-face meetings, which remain the Group’s primary source of new business sales. In response, our team in Mainland China rapidly developed and deployed new enhancements to our digital tools, enabling remote sales completion as well as online recruitment and training. Building on this success, each of our agencies across the region can complete sales remotely, supporting near-term activity and enhancing productivity over the longer term. However, we anticipate that at least one face-to-face meeting will continue to be important in the new business sales process. In the first quarter, our new online capabilities in recruitment and training have supported a strong double-digit increase in new agency recruits for the Group.

“These are clearly exceptional times and we are seeing a profound impact on the global economy. Our customers can continue to rely on AIA’s financial strength, the quality and scale of our distribution platforms and our market-leading brand as we help safeguard their health and financial security. Across the Group, we continue to focus on producing outstanding customer outcomes and our teams have been working tirelessly to support our customers with enhanced benefits, streamlined claims procedures and uninterrupted service. We have also been supporting our local communities with targeted initiatives, including free insurance benefits for selected frontline medical workers and donations of medical supplies.

“Despite near-term headwinds, I remain very optimistic about the long-term outlook for AIA given the structural drivers of growth for our business. We have deep and relevant experience, having successfully managed our business through many previous crises and market cycles in more than a century of operation. I strongly believe that the best companies differentiate themselves in the most uncertain times. In the past few months at AIA, we have focused on using online processes to further strengthen our competitive advantages and position our businesses for the expected increase in demand for our products and services when pandemic restrictions are relaxed. The opportunities for AIA are immense and we continue to focus on delivering high-quality growth and sustainable returns for our shareholders over the long term.

“AIA is an extraordinary company and I have been privileged to lead such a remarkable team. Our initiatives in response to the COVID-19 pandemic to enhance our online capabilities will make AIA an even stronger company and I know that our commitment to helping people lead Healthier, Longer, Better Lives will endure for many generations to come.”

## **SUMMARY FOR THE FIRST QUARTER**

VONB of US\$841 million was 27 per cent lower than the first quarter of 2019, driven mainly by significantly lower sales volumes from our businesses in Hong Kong and Mainland China. COVID-19 containment measures have varied across our individual markets in both their scope and timing with the earliest and greatest impact in the first quarter on our new business sales in Hong Kong and Mainland China. While year-on-year new business momentum in March was impacted in Malaysia, the Philippines and Thailand, we delivered strong VONB growth outside Hong Kong and Mainland China in the first two months of 2020.

Across the region, our businesses responded rapidly to the impacts of the pandemic to support our customers, agents, distribution partners and local communities. We have rapidly developed and integrated new digital initiatives across our sales and service processes, including the ability to complete sales on a secure remote basis and leveraging online capabilities in recruitment and training.

AIA Hong Kong reported a substantial decline in VONB, driven primarily by the reduction in VONB from our Mainland Chinese visitor customer segment, which continued to broadly track the decrease in monthly visitor arrivals from Mainland China in the first quarter. The general reluctance to meet face-to-face and a limited range of products with relatively small average premium accessible in the market via online remote signature contributed to a double-digit decline in VONB from our domestic customer segment.

AIA's wholly-owned operation in Mainland China was the largest contributor to the Group's VONB in the first quarter 2020, despite the business reporting a low double-digit decline in VONB. Our differentiated Premier Agency strategy and rapid adoption of online digital initiatives for agent recruitment, training and management have helped drive a very strong increase in new recruits, while our existing agent retention has remained strong. Although sales volumes in March 2020 remained below March 2019, our enhanced digital sales processes, including secure remote signature, and the progressive relaxation of COVID-19 containment measures have supported an improving trend compared to February 2020. Around half of our sales in March were completed with a virtual face-to-face meeting and remote client signature.

AIA Thailand delivered a double-digit increase in VONB, driven by strong sales growth from both our agency and bancassurance channels. Our business in Singapore reported growth in VONB compared to the first quarter of 2019, including a strong performance from the agency channel. AIA Malaysia saw a double-digit decline in VONB as strong growth in January and February was more than offset by markedly lower VONB in March when strict COVID-19 containment measures significantly restricted sales activity.

Double-digit VONB growth from our Other Markets was led by our businesses in Australia, Vietnam and Taiwan (China). Our new long-term bancassurance partnership with Commonwealth Bank of Australia (CBA) generated a non-recurring, significant contribution to VONB as CBA purchased protection cover from AIA Australia on behalf of its existing home loan customers.

Overall, ANP decreased by 18 per cent compared with the first quarter of 2019 to US\$1,483 million, reflecting the decline in sales for our businesses in Hong Kong and Mainland China. VONB margin declined to 56.6 per cent, down 6.9 pps, mainly driven by a shift in product and geographical mix as well as the impact of acquisition expense overruns which reflect the reduction in business volumes. Margin reported on a present value of new business premium (PVNBP) basis correspondingly reduced to 10 per cent from 11 per cent. Long-term economic assumptions remain unchanged from those shown in our Annual Report 2019, following the approach we have applied consistently for quarterly new business highlights. TWPI increased by 8 per cent to US\$8,796 million, compared with the first quarter of 2019. Underpinned by the quality of the business written, embedded value operating experience variances remained positive overall in the first quarter of 2020.

The Group remained financially very strong at 31 March 2020 and all of our businesses continued to exceed prescribed regulatory capital requirements. We have not made any fundamental changes to our liability-led investment philosophy and there has been no deterioration in the overall credit rating of our diversified portfolio of fixed income investments during the first quarter of 2020.

## **OUTLOOK**

The COVID-19 pandemic is an unprecedented global challenge. As a result of the pandemic and the various containment measures imposed by governments, millions of families are suffering personal loss or unemployment and many economies are experiencing severe near-term shocks. Authorities around the world have taken swift and forceful actions, both fiscal and monetary, to help mitigate the economic consequences for businesses and individuals. In the first quarter of 2020, the most significant impact of the pandemic on AIA was to new business sales in our businesses in Hong Kong and Mainland China. In March and April, governments in other markets across the Asia-Pacific region introduced or tightened containment measures. While containment measures remain in force, we expect that they will have a significant negative impact on new business sales from our affected operations. In Mainland China, authorities have progressively relaxed some of their restrictions, resulting in a rebound in economic activity, although such activity remains below 2019 levels.

Some of our markets are experiencing a significantly lower interest rate environment and equity market declines which will, should these trends persist, present headwinds for our financial results, as previously highlighted.

Despite the uncertain near-term backdrop, the awareness of and need for AIA's insurance products and services will continue to grow over the long term given low levels of private insurance penetration and social welfare coverage. AIA is uniquely positioned through its powerful distribution, leading brand and financial strength to capture the enormous long-term opportunities in Asian life and health insurance. In response to the ongoing pandemic, we have accelerated multiple online digital initiatives across the Group to further enhance and differentiate our sales and service capabilities, which will support future gains in productivity and efficiency. There has been no fundamental change in the long-term opportunities available to AIA and we continue to focus on executing our strategic priorities to deliver long-term value for our shareholders.

## **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 year-on-year performance of the underlying businesses.

– End –

## **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 Hong Kong SAR, Mainland China, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, the Philippines, South Korea, Taiwan (China), Vietnam, Brunei, Macau SAR, New Zealand, a 99 per cent subsidiary in Sri Lanka, and a 49 per cent joint venture in India.

The business that is now AIA was first established in Shanghai 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\$284 billion as of 31 December 2019.

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**

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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.

Notes:

1. AIA's first fiscal quarter of 2020 and 2019 ended on 31 March 2020 and 31 March 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 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 2020 and 2019.
3. Long-term economic assumptions used in the embedded value (EV) basis for the first quarter 2020 results are the same as at 31 December 2019 shown in the supplementary embedded value information in our Annual Report 2019. 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 first quarter of 2020, ANP and VONB for Other Markets include 49 per cent of the results from our joint venture in India, Tata AIA Life Insurance Company Limited (Tata AIA Life), to reflect our shareholding. The reported ANP and VONB for the first quarter of 2019 have not been restated and do not include any contribution from Tata AIA Life.

The total reported VONB for the Group in the first quarter of 2020 excludes the VONB attributable to non-controlling interests of US\$7 million. VONB for the first quarter of 2019 has not been restated and is reported before deducting the amount attributable to non-controlling interests of US\$8 million, as previously disclosed in our First Quarter 2019 New Business Highlights.

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 31 December 2019 in AIA's consolidated results for the quarter ended 31 March 2020. For clarity, TWPI does not include any contribution from Tata AIA Life.
10. Visitor arrivals to Hong Kong have been reported by the Hong Kong Tourism Board on a monthly basis since 2013.

*This document 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.*

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By Order of the Board  
**Ng Keng Hooi**  
*Executive Director*  
Group Chief Executive and President

Hong Kong, 15 May 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. Ng Keng Hooi

*Independent Non-executive Directors:*

Mr. Jack Chak-Kwong So, Mr. Chung-Kong Chow, Mr. John Barrie Harrison, Mr. George Yong-Boon Yeo, Mr. Mohamed Azman Yahya, Professor Lawrence Juen-Yee Lau, Ms. Swee-Lian Teo, Dr. Narongchai Akrasanee and Mr. Cesar Velasquez Purisima