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AIA beats estimates with 22% profit jump, new business rises

Insurer's new biz value has nearly tripled since 2010 and share price more than doubled its IPO

HONG KONG • AIA Group Ltd, the 'third-largest Asia-based insurer by market value, posted a bigger than expected 22% increase in full-year profit, led by business growth in China and Hong Kong.

Net income climbed to US\$3.45 billion (RM12.77 billion), or 28.73 cents a share, in the 12 months through November, from US\$2.82 billion, or 23.5 cents a share, a year earlier, the Hong Kong-based insurer said in a statement to the stock exchange yesterday. The value of new business, a measure of future profitability of new policies, jumped 24% to US\$1.85 billion.

AIA beat estimates for the third time in the past five full years. CEO Mark Tucker has boosted the number of agents, improved their productivity and shifted toward more profitable products since taking over as CEO months before AIA went public in October 2010. The insurer's new business value has nearly tripled since 2010 and share price more than doubled over that of its initial public offering (IPO), outperforming peers.



Tucker has boosted the number of agents, improved their productivity and shifted toward more profitable products Bloomberg

"The general quality of the business continues to grow, continues to put the right foundation into place," Tucker said in yesterday's interview with *Bloomberg Television*, adding he's "tremendously excited about the future".

AIA's profit beat the US\$3.19 billion average estimate of 14 analysts, according to data compiled by *Bloomberg*. The increase in the value of new business exceeded the 22% median projection of five analysts surveyed. Tucker has singled out the figure as a key measure of management performance.

The markets that AIA operates in will have four times the total population, twice the urban residents and eight times the spending power of

Group of Seven nations by 2020, Tucker said in a separate call with reporters yesterday. There will be an "immense need" for AIA's life-insurance products, given the low government social spending and private insurance ownership in the company's markets, he said.

Shares of the insurer was little changed in Hong Kong trading yesterday, closing at HK\$45.75 after touching a high of HK\$46.45 in the morning session.

"The results were good," Andrew Sullivan, head of sales trading at Haitong International Securities Group in Hong Kong, said in an email. As the stock approaches its Jan 28 record of HK\$46.35 (RM21.32), "it will need a cata-

lyst to break out".

Shares of AIA have surged about 132% since its IPO through Wednesday, outperforming the 29% advance of the Bloomberg Asia-Pacific Insurance Index, which tracks 24 such companies. Bullish bets on the stock climbed to the highest in four years before yesterday's announcement.

Operating profit after tax, which excludes US\$508 million of net stock investment gains, rose 16% last year to US\$2.9 billion. Annualised new premium, which tracks new policy sales, grew 11% to US\$3.7 billion after depreciating local currencies hit markets including Thailand, Singapore and Malaysia. — *Bloomberg*