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AIA beats estimates, business growth in China, Hong Kong

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

AIA has beaten estimates for the third time in the past five full years. Chief executive officer Mark Tucker (*pic*) 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. Shares of the insurer have more than doubled since the IPO, outperforming peers.

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

AIA's profit beat the US\$3.19bil 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 rose 0.9% to HK\$46.10 as of the noon trading break in Hong Kong.

"The results were good," Andrew Sullivan, head of sales trading at Haitong International Securities Group in Hong Kong, said in an e-mail. As the stock approaches its Jan 28 record of HK\$46.35, "it will need a catalyst 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\$508mil of net stock investment gains, rose 16% last year to US\$2.9bil. Annualised new premium, which tracks new policy sales, grew 11% to US\$3.7bil after depreciating local currencies hit

markets including Thailand, Singapore and Malaysia. The insurer sells policies in local currencies in 17 regional markets and reports financial results in the dollar.

Operating profit in China, where AIA runs the only fully foreign-owned life insurer, increased 38%, according to the statement. The value of new business in China for the insurer, which traces its roots to Shanghai more than 90 years ago,

jumped 55% to US\$258mil. The country is now AIA's fourth-largest market by both measures.

Industry sales in China had declined since 2011 amid tightening regulation over bancassurance and as yields on insurance policies became less attractive compared with bank deposits or wealth management products, *Credit Suisse Group AG* analysts Arjan van Veen and Frances Feng wrote in a Feb 12 report. It has been recovering since early 2013, they added.

"The China opportunity is a phenomenal one," Tucker said in the interview, adding that the size of AIA's China business has quadrupled in the last four years.

AIA's new business in Hong Kong surged 32% to US\$619mil, while operating profit in the city rose 17% to US\$905mil, the largest among its markets.

The value of new business jumped 34% in Malaysia, and expanded at least 11% in Thailand and Singapore. - Bloomberg

