Hong Kong

REDUCE

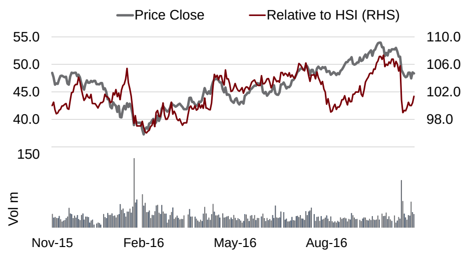
Consensus ratings*: Buy 17 Hold 5 Sell 0

Current price:	HK$48.35
Target price:	HK$43.60
Previous target:	N/A
Up/downside:	-9.8%
CIMB / Consensus:	-25.8%
Reuters:	1299.HK
Bloomberg:	1299 HK
Market cap:	US$75,141m
	HK$582,926m
Average daily turnover:	US$129.4m
	HK$1,015m
Current shares o/s:	13,971m
Free float:	100.0%

*Source: Bloomberg

Key changes in this note

- No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-9	-2.3	3.5
Relative (%)	-4.7	-2.1	2.7

Major shareholders	% held
Citigroup	9.0

AIA Group

Best of times, worst of times; Initiate with Reduce

- Initiate on AIA with a Reduce. We see FY17F to be the most challenging period for AIA's VONB growth since IPO, with lowest-of-consensus growth forecast of 9% yoy.
- AIA is well established as a consensus Buy by sell-side analysts and an investor favourite for some time, in our view. Investor expectations may be set too high.
- Results seasons accounted for almost half of AIA's share price outperformance post-IPO. This may be tough to sustain in FY17F, given the difficult outlook.
- Valuation now more geared to VONB growth than any other time since IPO.
- Uncertainty could persist, as it is difficult to rule out further regulations targeting mainlanders buying insurance in HK.

Entering a most challenging period

While we expect AIA's FY16F value of new business (VONB) growth to be the best in five years, at 28% yoy, FY17F is shaping up to be markedly different. As an estimated one-third of AIA HK's FY16F VONB is related to sales to mainland customers (i.e. 15% of FY16F group VONB), we project the Unionpay ban on insurance purchases will result in AIA delivering VONB growth of only 9% yoy in FY17F, its slowest since its 2010 IPO.

Significant uncertainty to persist

While consensus estimates for FY17F VONB growth are not readily available (Bloomberg does not track VONB), we believe our 9% yoy growth forecast may be the lowest growth forecast on the street. We also cannot say with any certainty whether these forecasts will need to be revised downwards, given the uncertain policy outlook as capital outflows persist and Rmb depreciation expectations become entrenched.

A consensus Buy on the sell side, and a heavy buy-side favourite

AIA is a consensus Buy on the sell side and has been a heavy investor favourite for some time, for good reason, in our view. Its well-experienced, stable and high-quality management team has historically demonstrated its consistent ability to deliver superior shareholder returns every year since its IPO. Our concern is that both analysts and investors are fully aware of this and as a result, investor expectations may be too high.

Realistic to continue to expect results season outperformance?

Strong results during the results season have been a major driver of AIA's share price outperformance vs. benchmark post-IPO, accounting for >40% of outperformance (61% pts of 144% pts outperformance) during a 10-day window around its results dates, due to its ability to consistently deliver better-than-expected VONB. We are concerned AIA's share price may, in light of this excellent track record, be especially vulnerable to any results misses in a challenging FY17F.

Valuation now more sensitive to VONB vs. historically, in our view

We believe this is because AIA's VONB gearing ratio will reach a post-IPO high of 7.4% in FY16F, more than double the 3.2% ratio at its IPO.

Initiate with Reduce, TP of HK$43.60

We initiate on AIA with a Reduce rating and a lower target price of HK$43.60. We believe it may be time to take some profit on AIA, after its excellent share price performance for each of the past six years and the significantly lower VONB growth outlook for FY17F. We value AIA using a Gordon Growth Model to derive a target P/EV multiple of 1.5x. A key upside risk is the significant strengthening of Asian currencies (especially the Rmb, THB, S$, RM, Rp and Php) against the US$.

Analyst(s)

Michael CHANG
T (852) 2539 1323
E michael.chang@cimb.com

Scott HONG
T (852) 2539 1329
E scott.hong@cimb.com

Financial Summary	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Gross Premium (US$m)					
Investment And Other Income (US$m)					
Net Premium (US$m)	17,229	18,812	20,035	22,188	24,875
Net Profit (US$m)	3,450	2,691	3,993	4,284	4,608
Normalised EPS (US$)	0.27	0.19	0.29	0.31	0.33
Normalised EPS Growth	13.2%	(27.4%)	48.3%	7.2%	7.5%
FD Normalised P/E (x)	23.49	32.35	21.81	20.35	18.93
P/NB (x)	27.03	22.24	16.03	13.50	10.19
DPS (US$)	0.06	0.09	0.10	0.12	0.14
Dividend Yield	1.03%	1.43%	1.68%	1.96%	2.30%
P/EV (x)	2.34	2.28	2.07	1.90	1.74
P/BV (x)	2.82	2.96	2.46	2.27	2.10
ROE	12.4%	8.9%	12.3%	11.6%	11.5%
% Change In Normalised EPS Estimates					
Normalised EPS/consensus EPS (x)			0.91	0.87	0.84

SOURCE: COMPANY DATA, CIMB FORECASTS

Best of times, worst of times

Initiate with Reduce

We see AIA as a well-run and strongly capitalised company, with a highly experienced, stable and top-quality management team that has established a proven track record in consistently delivering superior shareholder returns. Its share price has successfully outperformed the Hang Seng Index (HSI) every single calendar year since its IPO in Oct 2010. We believe this outperformance is largely driven by a great track record around results seasons where it has historically delivered better-than-expected value of new business (VONB) growth.

Figure 1: Share price / index performances of AIA, Pru and major benchmark indices

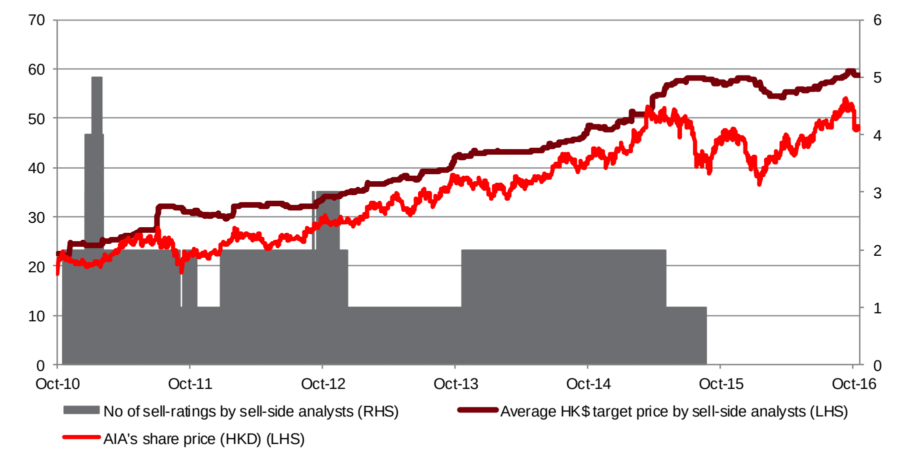
	Absolute performance		Relative performance			
	AIA	Pru	vs. HSI	vs. MSCI Asia ex Jap.	vs. MSCI EM	vs. MSCI World
Dec-11	11%	-8%	31%	30%	32%	21%
Dec-12	25%	53%	2%	6%	9%	11%
Dec-13	29%	55%	26%	28%	33%	8%
Dec-14	11%	4%	10%	11%	15%	9%
Dec-15	8%	-1%	15%	19%	24%	12%
2016 ytd	3%	-19%	1%	0%	-2%	0%

SOURCES: CIMB, COMPANY REPORTS

Having said that, we believe AIA is on the verge of entering its toughest financial year for VONB growth since its IPO. We are concerned that, given the great track record that AIA has built over the years in delivering superior VONB growth, investor expectations may be set unrealistically high, particularly in view of the tough FY17F outlook.

There are currently no Sell ratings on AIA by sell-side analysts, and the average target prices of sell-side analysts have only been marginally revised downwards in recent weeks. This is despite the likely negative impact that Unionpay's announcement from end-Oct 2016 will have on a substantial part of AIA HK's VONB, in our view.

Figure 2: Sell-side average 12-month target price for AIA and the number of Sell ratings across time



SOURCES: CIMB, Bloomberg

Indeed, while consensus estimates for FY17 VONB are not readily available (Bloomberg does not track VONB), we believe that our 9% yoy growth forecast may be the lowest FY17 VONB growth forecast on the street.

Furthermore, we are unable to say with any certainty whether our VONB forecast for FY17 will have to be revised downwards, given the uncertain regulatory outlook with respect to mainland visitors buying insurance in Hong Kong, as Rmb depreciation expectations become entrenched among mainlanders. Regulators in mainland China seem to believe that a large portion of this segment's growth has been due to people in the mainland trying to get capital out of the country, with the plethora of policies announced since early 2016 aimed at stemming this capital outflow.

Given the uncertain outlook and our below-consensus FY17 VONB growth forecast, we are concerned that AIA will be unable to sustain this ability to deliver superior shareholder returns around results seasons.

Strong showing during the results season has been a major driver of AIA's share price outperformance vs. benchmark since it delivered its first set of results post-IPO, accounting for 42% of its outperformance (i.e. 61% pts out of 144% pts). To elaborate, if an investor had bought AIA shares five days before AIA announced each of its results post IPO, and sold five days after it reported its results, the investor would had generated a return of 88% pts.

After taking into account market movements using the Hang Seng Index (HSI), the outperformance vs. the market is 61% pts. Compared to AIA's total outperformance (i.e. including the period outside of results seasons) of 144% pts since just before its first set of results, this result season trading strategy could thus account for 42% of AIA's total outperformance.

We do not believe that such an impressive track record around results seasons is mirrored by any of the other HK-listed insurers.

Figure 3: AIA's share price performance (absolute and relative) around result dates

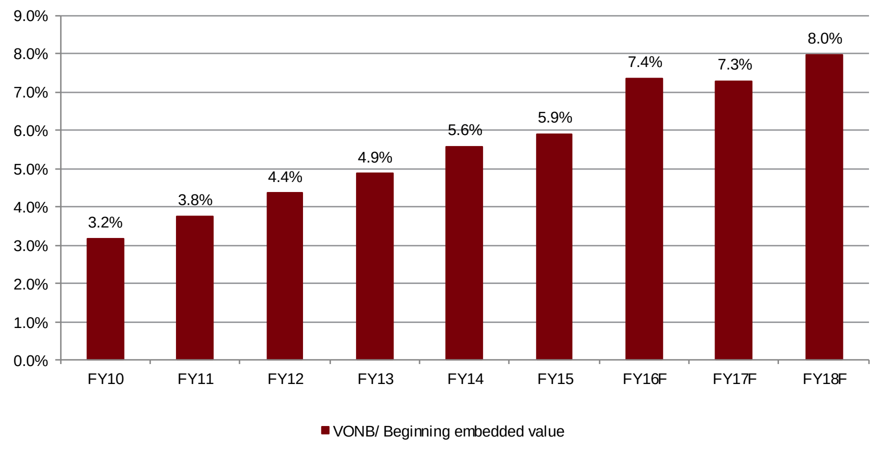
	AIA absolute share price reaction						AIA relative share price reaction (vs. HSI)					
	t= -1 to t= +1	t= -3 to t= +3	t= -5 to t= +5	t= -10 to t= +5	t= -5 to t= +3	Share price change on the day only	t= -1 to t= +1	t= -3 to t= +3	t= -5 to t= +5	t= -10 to t= +5	t= -5 to t= +3	Share price change on the day only
4Q10	4%	5%	4%	3%	4%	6%	4%	5%	5%	2%	3%	4%
1Q11	4%	7%	7%	7%	7%	3%	5%	8%	9%	6%	9%	3%
2Q11	4%	6%	5%	6%	8%	3%	5%	5%	6%	6%	6%	4%
3Q11	-1%	0%	6%	2%	3%	-2%	-2%	-2%	1%	3%	-2%	-1%
4Q11	2%	10%	10%	11%	12%	3%	3%	9%	10%	9%	10%	3%
1Q12	1%	1%	-1%	-4%	0%	0%	0%	1%	-3%	-5%	-2%	0%
2Q12	0%	2%	-3%	0%	-2%	0%	-2%	-2%	-3%	-4%	-3%	-2%
3Q12	-1%	-2%	1%	5%	0%	0%	-1%	-2%	-2%	1%	-2%	0%
4Q12	2%	5%	6%	8%	6%	4%	3%	5%	9%	10%	7%	4%
1Q13	3%	4%	6%	3%	6%	1%	1%	1%	0%	0%	1%	1%
2Q13	-1%	3%	8%	6%	7%	0%	-1%	0%	5%	3%	4%	0%
3Q13	5%	5%	5%	5%	7%	4%	4%	5%	6%	6%	6%	3%
4Q13	-2%	0%	2%	6%	0%	0%	-1%	1%	-1%	0%	-1%	-1%
1Q14	6%	4%	2%	7%	2%	3%	5%	2%	2%	3%	1%	4%
2Q14	0%	5%	5%	7%	5%	1%	-1%	-1%	0%	0%	0%	0%
3Q14	-2%	-2%	-1%	5%	-3%	-1%	-1%	-2%	0%	3%	-1%	-1%
4Q14	0%	6%	10%	10%	6%	0%	0%	6%	11%	10%	6%	0%
1Q15	2%	1%	-1%	-3%	0%	-1%	1%	-4%	-2%	-8%	-2%	-1%
2Q15	0%	0%	-1%	1%	0%	-2%	1%	3%	2%	1%	3%	-1%
3Q15	5%	2%	5%	17%	3%	3%	3%	1%	2%	6%	1%	3%
4Q15	-1%	1%	10%	6%	4%	1%	1%	2%	4%	3%	3%	2%
1Q16	5%	6%	3%	10%	4%	2%	4%	5%	3%	5%	3%	3%
2Q16	-2%	0%	-2%	2%	0%	-1%	-2%	-1%	-1%	0%	-2%	-1%
3Q16	-2%	-3%	-1%	1%	-1%	1%	-1%	-1%	1%	2%	0%	0%
Total	32%	65%	88%	123%	77%	30%	26%	45%	61%	64%	49%	25%
AIA's outperf. since just before 1st set of results							144	144	144	144	144	144
Outperf from just before its first set of results to today (% pts)							18%	31%	42%	44%	34%	18%

SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

With FY17F shaping up to be the most difficult fiscal year for AIA since its IPO, in terms of VONB growth, we are concerned this historical trend of share price outperformance during results season may not be sustained in 2017.

In addition, AIA's valuation is now more sensitive to VONB growth than in any other time since its IPO. We estimate that the contribution of VONB to AIA's embedded value (EV) will reach a record high of 7.4% in FY16F, more than double the 3.2% ratio at the time of its IPO.

Figure 4: VONB gearing relative to embedded value for AIA across time



SOURCES: CIMB, COMPANY REPORTS

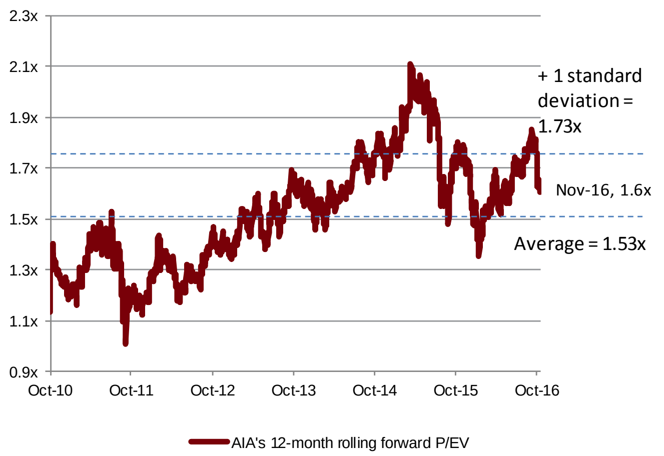
We believe that following excellent share price performance over each of the past six years, now is a good time to take profits on AIA. As such, we initiate on AIA with a Reduce rating, and a target price of HK$43.60, implying 10% potential share price downside.

Valuation and risks

We value AIA using a Gordon Growth model to derive a target P/EV multiple, with a cost of equity (COE) assumption of 8.9%, a terminal growth ('g') assumption of 1.3%, and a return on embedded value (EV) (ROEV) assumption of 12.6% (derived from a weighted average ROEV over the next three years). This gives a target P/EV multiple of 1.5x. We then apply this target multiple to our FY17F EV per share estimate of US$3.8 (see the Figure 58 in the 'Key financial data' section for details on how this was derived). Assuming an US$/HK$ exchange rate of 7.75, we thus derive a target price of HK$43.60. This implies 10% potential share price downside based on the closing price of HK$48.35 on 11 Nov 2016. Our target price also equates to an implied target new business multiple of 7.2x FY17F VONB.

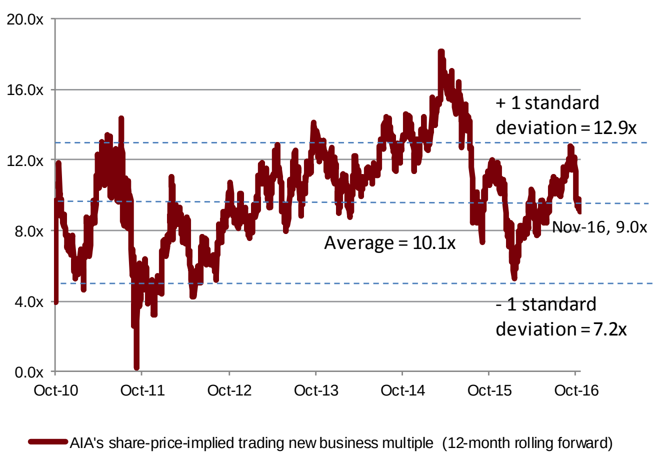
Our target P/EV multiple of 1.5x is in-line with AIA's average forward P/EV multiple (on a 12-month rolling basis) of 1.5x since it listed in October 2010. Our implied target new business multiple of 7.2x is equivalent to one standard deviation below the average share-price-implied new business multiple of 7.2x, since it listed in October 2010.

Figure 5: AIA's 12-month rolling forward P/EV over time



SOURCES: CIMB ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 6: AIA's share-price-implied trading new business multiple (12-month rolling forward) over time



SOURCES: CIMB ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 7: Comparison of key valuation metrics of AIA versus peers*

	Market cap.	P/E (x)		P/B (x)		ROE (%)		Dividend yield (%)	
	US$ m	FY15	FY16F	FY15	FY16F	FY15	FY16F	FY15	FY16F
AIA	73,287	27.6	19.4	2.5	2.1	8.9	11.6	1.5	1.7
Prudential	48,546	12.0	13.1	3.0	2.6	20.8	21.2	2.6	2.8
Manulife	33,603	13.6	12.5	1.2	1.1	6.0	9.3	2.9	3.3
China Life	88,940	14.6	23.7	1.6	1.6	11.4	6.6	2.4	1.6
Ping An	94,162	12.1	10.9	2.0	1.7	17.4	16.7	1.5	1.5
China Pacific	37,403	12.6	16.9	1.7	1.6	14.2	9.7	4.1	2.7
New China Life	18,165	11.3	15.4	1.7	1.6	16.2	10.2	0.9	0.7
PICC Group	16,682	5.9	8.5	1.0	0.9	18.7	10.6	0.9	0.6
China Taiping	7,478	8.0	10.4	0.9	0.8	12.6	8.0	0.0	0.4
PICC P&C	23,285	7.3	8.7	1.5	1.3	22.4	15.8	2.8	2.9

SOURCES: CIMB, BLOOMBERG

*We have a Reduce rating on AIA. We do not cover the rest of the insurers in this table and FY16F numbers for these companies are based off Bloomberg consensus estimates.

Figure 8: Key valuation assumptions used in valuing AIA

	Valuation assumptions
Cost of equity	8.90%
Terminal growth rate	1.3%
ROEV (weighted average of FY16-FY18, with a stronger weighting to earlier years)	12.6%
Target P/EV	1.5x
FY17F EVPS (USD)	3.80
i.e. FY17F EVPS (HKD)	29.45
USDHKD exchange rate	7.75
Hence target price (HKD)	43.60
Current share price (HKD)	48.35
Upside/ downside	-10%
FY17F VONB per share (USD)	0.25
i.e FY17F VONB per share (HKD)	1.97
Implied target new business multiple	7.2x

SOURCES: CIMB ESTIMATES

Key upside risks to our call are 1) significant strengthening of Asian currencies (especially the Rmb, THB, S$, RM, Rp and Php) against the US$, as a substantial portion of AIA's VONB is derived in these currencies; 2) no additional regulations are issued which seek to control capital outflow from China via mainland visitors buying insurance in HK; 3) the company's results exceed already muted investor expectations throughout FY17 and 4) a potentially rapid rise in global interest rates. We estimate that a 50bp rise in interest rates would lead to a 3.1% increase in AIA's valuation.

Figure 9: Interest rate sensitivity on AIA's valuation from changes in interest rates

	Impact if interest rates rise on 1H16's VONB
1H16 VONB (US$ m)	1,260
50bp increase in interest rates	8%
50bp decrease in interest rates	-9%
1h16 EV (US$ m)	40,069
50bp increase in interest rates	0.2%
50bp decrease in interest rates	-0.3%
Current trading new business multiple (11 Nov.)	9.6x
Hence percentage impact to AIA's valuation from:	
50bp increase in interest rates	3.1%
50bp decrease in interest rates	-3.8%

SOURCES: CIMB estimates, COMPANY REPORTS

FY16 was the calm before the storm

FY17 shaping up to be the slowest year for VONB growth

We expect AIA's upcoming FY16F results to show yoy VONB growth at a five-year high of 29%, to be very much driven by HK/China and to be in line with the commentary given by management at both its 1H16 and 3Q16 results announcements.

Thereafter, we see challenging times ahead, with FY17F's VONB growth shaping up to be the lowest since its IPO in Oct 2010. We forecast single-digit VONB growth of 9%, with AIA's largest geographic segment, Hong Kong, forecast to show a slight fall in VONB of -3% yoy in FY17F versus 54% yoy in FY16F.

These forecasts are largely in view of our assessment of the impact of Unionpay's announcement on 29 Oct 2016. Unionpay announced that it is banning the use of its Unionpay card by mainlanders to buy life insurance offshore, unless the insurance is medical insurance, travel insurance or accident insurance. It also said it will strictly implement the US$5,000 (HK$38,750) cap per credit card transaction, and tighten other requirements on insurance merchants overseas, such as inspections on these merchants. It stated that it had observed a surge in single-card uses for multiple transactions at the same merchants.

While this was not the first attempt by policymakers and Unionpay in China to curb capital outflows via mainlanders' purchases of HK insurance, this recently-announced measure is, in our view, by far the most meaningful in terms of its impact on AIA's VONB, which we believe is the key metric investors focus on.

Figure 10: List of measures impacting HK insurance purchases by mainland customers in HK

Date	Measure that could impact mainland visitor insurance purchases	AIA's share price impact Absolute	(± 3 days) Relative to HSI index
3-Feb-16	A US$5,000 limit per transaction for card payments to buy insurance via Unionpay terminals is said to be strictly enforced, with this to be implemented from 4th Feb. 2016. There was no mention of a cap on the number of transactions that could be done.	-6.7%	-7.2%
5-Feb-16	The US$5,000 limit per transaction for card payments to buy insurance offshore has been extended from Unionpay to Visa, Mastercard and other international credit cards, according to SAFE. SAFE clarified that it had placed insurers in the "limited" merchants category in line with the nation's capital account controls. The regulator will also "closely monitor" cardholders and insurers in situations where cards have been swiped multiple times.	-6.7%	-4.0%
12-Mar-16	PBOC bans the use of cross-border electronic payment channels (e.g. All-in-pay) for purchase of HK life insurance and investment life insurance. These platforms will still be permitted for the purchase of overseas insurance policies covering personal accidents, medical and transportation, with a cap of Rmb30,000.	2.2%	0.9%
22-Apr-16	CIRC warns customers that there are risks with the buying of insurance in HK. These include the risks that the policies are not covered by mainland law, that the dividends are uncertain, that there are exchange rate risks, and that there are policy risks, as purchase of life insurance in HK belongs to transactions under the capital account, which is subject to foreign exchange control. Policyholders also risk being unable to make timely premium payments if foreign exchange payment policies change.	5.0%	5.3%
13-Jun-16	21st Century Business Herald reports that the CIRC has recently visited AIA, Metlife, Pru and other foreign insurance JVs, as well as some insurance intermediaries to investigate whether there have been any illegal insurance sales or promotions.	-4.9%	1.1%
8-Jul-16	The Office of Commissioner of Insurance (OCI) in HK sends a letter to insurers in HK, asking them to get mainland customers buying insurance in HK to sign a statement which has the factors and risks to be considered when taking out long term insurance policies in Hong Kong.	2.1%	-0.7%
18-Jul-16	CIRC issues a notice about strengthening the regulation of illegal sales of offshore insurance on the mainland, where local bureaus and intermediaries are asked to investigate illegal sales of insurance on the mainland.	4.6%	1.4%
29-Oct-16	Unionpay releases a statement stating that (i) its credit cards and debit cards will not be allowed to be used to buy insurance in HK, other than accident, travel and medical insurance; (ii) It will also strictly enforce the rule that each insurance transaction for the above three mentioned business insurance types cannot exceed US$5,000; (iii) it will tighten other requirements on overseas insurance merchants, including accurate use of merchant-identification code, insurance merchant training and abnormal checks, as well as inspections of insurance merchants. Unionpay's recent monitoring on overseas insurance merchants had shown a surge in single-card uses for multiple transactions at the same merchants.	-9.5%	-6.3%

SOURCES: CIMB, OCI, CIRC, SAFE, Uniopay, PBOC, 21st Century Business Herald

Impact of the latest Unionpay measure to curb rapid growth of mainland visitor insurance in HK

We estimate that as at 1H16, 34% of HK VONB and 15% of group VONB were related to the buying of insurance in HK by mainland visitors. We conservatively assume that the proportions remained stable hoh throughout FY16F, despite the continued strong growth of this segment from the end of May 2016 (i.e. end of AIA's 1HFY16) to the end of Oct 2016.

Figure 11: Estimated VONB data for AIA's HK business- mainland vs. non-mainland

	FY13	FY14	FY15	1H16
VONB of mainland customers in HK	56	92	157	183
VONB of non-mainland customers in HK	393	501	626	339
VONB of pension business	19	26	37	15
y-o-y growth				
VONB of mainland customers in HK		66%	70%	193%
VONB of non-mainland customers in HK		27%	25%	31%
VONB of pension business		37%	42%	15%
% mix				
VONB of mainland customers in HK	12%	15%	19%	34%
VONB of non-mainland customers in HK	84%	81%	76%	63%
VONB of pension business	4%	4%	5%	3%

SOURCES: CIMB, COMPANY REPORTS

Figure 12: Estimated ANP and VONB margins for AIA's HK business -- mainland vs. non-mainland

	FY13	FY14	FY15	1H16
ANP of mainland customers in HK (HK$ m)	159	263	448	524
ANP of non-mainland customers in HK (HK$ m)	622	689	815	464
y-o-y growth				
ANP of mainland customers in HK (HK$ m)		66%	70%	193%
ANP of non-mainland customers in HK (HK$ m)		11%	18%	29%
% mix of ANP				
ANP of mainland customers in HK (HK$ m)	20%	28%	35%	53%
ANP of non-mainland customers in HK (HK$ m)	80%	72%	65%	47%
VONB margins of mainland customers in HK		35.0%	35.0%	35.0%
VONB margins of non-mainland customers in HK		72.7%	76.8%	72.9%

SOURCES: CIMB, COMPANY REPORTS

How we arrived at these proportions

We based our estimates on AIA's disclosure that just over half of its 1H16 annualised new premiums (ANP) and 35% of FY15 ANP in HK were related to mainland visitors buying insurance in HK. We also make the assumption that VONB margins for mainland visitors buying insurance in HK were flat in 1H16 vs. FY15, and that there were slight increases in VONB margins for AIA's non-mainland visitor insurance business over this period.

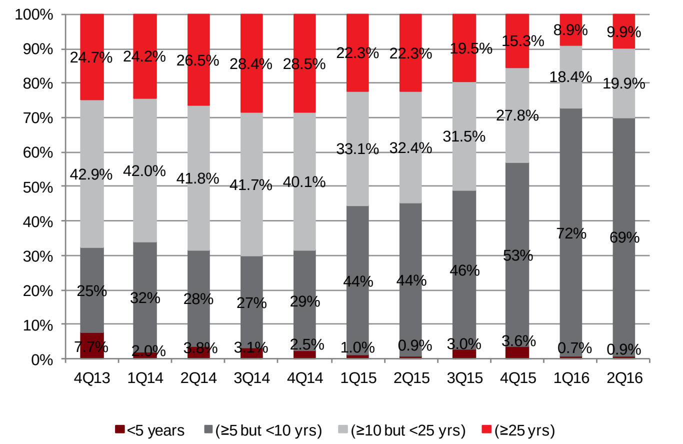
We then use simultaneous equations to solve the unknown variables to HK's VONB margins for both mainland visitor vs. non-mainland visitor business, and conclude that the VONB margins of mainland visitor business were less than half its non-mainland visitor business (35.0% vs. 72.9%).

Additional data from HK's Office of the Commissioner of Insurance (OCI) also supports our conclusion that the VONB margins of AIA HK's mainland visitor business are significantly lower than its non-mainland visitor business.

Firstly, AIA's mainland visitor insurance sales in HK seem to be more heavily concentrated in the premium duration of five years to 10 years. Its non-mainland visitor insurance sales are more heavily weighted towards premiums payable over 10 years and above.

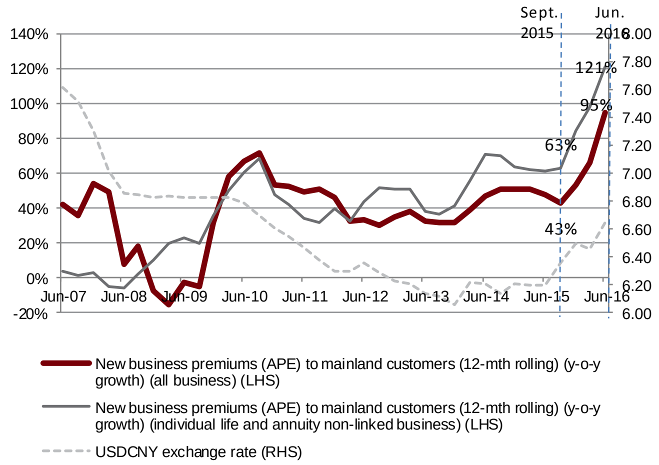
This view is based on an analysis of the premium duration structure of AIA's new regular premium business (Figure 9). Note the rapid shift towards new insurance business with premium duration of 5-10 years, with this portion rising from 44% of total annualised premiums (new business) in 2Q15 to 69% in 2Q16. This rapid shift in premium duration coincides with the rapid growth of mainland visitor business in HK (43% yoy in Sept. 2015 accelerating to 95% yoy in June. 2016) (Figure 10).

Figure 13: Premium duration structure of AIA's annualised premiums (new business) of its HK individual life business (quarterly data)



SOURCES: CIMB, COMPANY REPORTS

Figure 14: Growth of new business premiums (annualised premium equivalent (APE) weighted) to mainland customers vs. the US$/Rmb exchange rate



SOURCES: CIMB, OCI, BLOOMBERG

Secondly, for AIA HK's regular premium business, we estimate that the average case size of its mainland visitor business is four times larger than its non-mainland visitor business (Figure 11). Similarly, for AIA HK's single premium business, we estimate that the average case size of its mainland visitor business is three times larger than its non-mainland visitor business. These suggest that the mainland visitors could be buying their insurance policies more for the cash values (i.e. for investment policies) than for protection, even though these policies are critical illness related (which we understand the bulk of AIA's policies are).

Figure 15: Average case size of AIA's policies (offshore customers) (HK$) by payment type

	Single premium	Non-single premium	APE-weighted
2014	13,706,408	56,199	71,711
2015	9,640,963	66,681	74,847
1H16	5,029,393	87,667	92,357

SOURCES: CIMB, OCI

Figure 16: Average case size of AIA's policies (onshore customers) (HK$) by payment-type

	Single premium	Non-single premium	APE-weighted
2014	865,538	17,819	104,373
2015	983,314	19,085	117,417
1H16	1,653,028	21,117	186,419

SOURCES: CIMB, OCI

Thirdly, we believe a large portion of the growth in this segment is capital outflow related, with its customers focused on ways to bring capital out of China and hence reduce the impact on their wealth from Rmb depreciation. This belief is supported by the growth rate of new business premiums from mainland visitors buying insurance in HK, which noticeably accelerated from 3Q16, the quarter when China unexpectedly devalued the Rmb by 2% (Figure 10). Thus, we believe that the intention of these mainland customers in buying insurance policies is more savings-focused than protection-focused.

We elaborate in more detail later in this report on the rapid growth of mainland visitor business in HK.

What HK insurers, including AIA, can do to alleviate the impact of Unionpay's latest measures

As the ban in insurance purchases relates only to payment via Unionpay, it is possible for mainlanders to use other credit cards, such as Visa or Mastercard to pay for insurance policies in HK. Visa and Mastercard's market shares in the mainland are substantially lower than that of Unionpay, so a number of policyholders may need to apply for these credit cards. In addition, the fee charged to the customer for using these international cards are reportedly higher than that of Unionpay, thus making the transaction more expensive for the consumer.

Other payment channels may also be used, including cheques and cash. Payment via cash may be more difficult for single-premium policies (though this is less of an issue for AIA HK, as less than 10% of its policies are single-premium), and the larger case-size regular premium policies.

Figure 17: Four main methods that mainland visitors could use to buy savings-related insurance in HK going forward

No.	Details	Our comments
1	Visa/ Mastercard/ other international cards	The credit limits of mainland visitors on their Visa/ Mastercards (if they have one) tend to be lower than their Unionpay cards
2	Cash	It may be difficult to make a payment only using cash, especially for large single premium policies, due to the insurers being concerned about money laundering issues.
3	Cheque and HK bank cards from banks in HK	There are generally no fees for cheques, but the key issue may be that it seems to be getting harder for mainlanders to open up bank accounts in HK, due to money laundering concerns.
4	Wire transfer	SAFE has a limit of US$50,000 per year, and it is possible that some mainland Chinese use both their and their friends/ family's forex limits to transfer more money out of mainland China into HK.

SOURCES: CIMB, VARIOUS NEWSFLOW

China's State Administration of Foreign Exchange (SAFE) also allows individuals to bring out a maximum of US$50,000 per year, which is another consideration for mainland individuals looking to buy insurance in HK. We also understand that since 1 Jan 2016, Beijing has imposed an annual limit of Rmb100,000 on Chinese withdrawals using Unionpay cards overseas. In addition, on 14 Mar 2016, Chinese regulators reportedly ordered all insurers to limit online transactions involving Unionpay at Rmb30,000, and capped the number of transactions per year at 10.

We believe the issue of capital outflows is a serious consideration for policymakers on the mainland. It is possible that HK insurers could successfully implement measures that keep the impact of the recent Unionpay measures to a minimum. There is no question that regulators are concerned about capital outflows, in our view. As such, we see little likelihood that the policymakers will stop introducing further measures, especially if the growth of mainland visitors buying insurance in HK does not rapidly slow over the next few quarters.

How could insurers react to the clampdown on mainland visitor insurance sales in HK? While we do expect some change in insurers strategies following late Oct. 2016's Unionpay announcement, we are not optimistic that such countermeasures can fully offset a noticeable slowdown of new business sales within this segment.

Firstly, we do expect an impact on mainland-insurance-focused agents in HK that were hired over the last few years to try to sell other insurance products. We believe a key driver of the current post-2000 record high agent growth rate of 11% yoy for the system (as at Oct. 2016) was driven by HK insurers looking to capitalize on the rapid growth of mainland visitor insurance sales in HK. We do expect a fall in the agent productivity of these new recruits though, especially if they are relatively young and inexperienced and were not well trained to sell protection products into their customer base.

Secondly, it is possible that the insurer may try to sell more medical insurance products without any cash value, as customers are still allowed to use Unionpay cards to purchase such products. We question how attractive these products could be to the mainland visitor customer base though, especially if they prefer policies with cash values as they may have bought these insurance policies, in part, for savings or investment purposes.

Lastly, it is possible that agents could encourage potential mainland visitor customers to switch payment methods to pay for these new insurance policies. While this is quite possible, it would raise our concern that if the growth of mainland visitor insurance premiums in HK does not materially slow, there would be further measures rolled out by regulators to clamp down on this channel. Such regulatory measures could again have a negative impact on AIA's share price, in our view.

In addition, it would be interesting to see if the key attraction for these mainland visitors in buying HK insurance is to get around the US$50,000 forex limit, or whether there was a genuine need and desire among these customers to buy protection insurance in HK. If it is the former, we believe the ban on using Unionpay will likely have a disproportionately large negative impact on future insurance sales in HK to mainland visitors. If it is the latter, then the ban on Unionpay will have relatively limited impact and agents should find it easier to convince potential mainland visitor customers to switch to other payment channels to buy HK insurance for their protection needs, in our view.

So how does this impact our VONB forecasts?

We estimate that AIA's group VONB growth will fall from 28% yoy in FY16F to only 9% yoy in FY17F, as a result of a projected fall in mainland visitor insurance VONB in HK.

Specifically, we see HK VONB (mainland visitor related) slowing from a peak of 193% yoy growth in 1H16 to 146% yoy in 2H16F, thereby growing by 165% in FY16F. Thereafter, on the assumption that Unionpay comprises 70% of insurance purchases for VONB for this segment for AIA, and assuming that 80% of the business that is paid by Unionpay can no longer be done, we expect the VONB of this mainland visitor insurance segment to fall 57% yoy in FY17F.

We are still bullish on other parts of AIA's business, and expect the non-mainland visitor insurance VONB in HK to grow by 29%, 24% and 22% yoy in FY16F, FY17F and FY18F respectively.

We also forecast non HK/China VONB for AIA to rebound from 2% yoy growth in 1H16 to 6% yoy in 2H16F (i.e. FY16F growth of 4% yoy), 9% yoy in FY17F and 12% yoy in FY18F.

Figure 18: AIA's VONB growth forecasts by key regions

	FY13	FY14	FY15	1H16	FY16F	FY17F	FY18F
Group VONB	1,490	1,845	2,198	1,260	2,813	3,067	3,649
HK VONB (mainland-visitor)	56	92	157	183	415	178	196
HK VONB (non-mainland-visitor)	393	501	626	339	808	999	1,223
HK VONB (pension business)	19	26	37	15	43	47	51
Total HK VONB	468	619	820	537	1,265	1,224	1,471
China VONB	166	258	366	278	534	737	958
Other country VONB	1,019	1,115	1,204	553	1,256	1,369	1,533
HK reserve, cap. reqmts & group exp.	-163	-147	-192	-108	-241	-263	-313
y-o-y growth							
Group VONB		24%	19%	31%	28%	9%	19%
HK VONB (mainland-visitor)		66%	70%	193%	165%	-57%	10%
HK VONB (non-mainland-visitor)		27%	25%	31%	29%	24%	22%
HK VONB (pension business)		37%	42%	15%	15%	10%	10%
Total HK VONB		32%	32%	60%	54%	-3%	20%
China VONB		55%	42%	49%	46%	38%	30%
Other country VONB		9%	8%	2%	4%	9%	12%
HK reserve, cap. reqmts & group exp.		-10%	31%	4%	26%	9%	19%

SOURCES: CIMB ESTIMATES, COMPANY REPORTS

What if agents successfully encouraged their mainland visitor customers to switch payment methods to buy HK insurance in FY17? In our base case we project that there will be no switch to other payment channels, as we assume that these mainland customers bought these insurance policies using Unionpay to get around the US$50,000 forex limit.

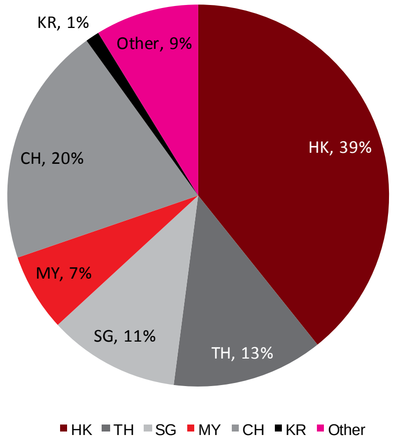
If AIA's agents manage to convince their mainland visitor customers in HK to switch to other payment channels and there is no subsequent clampdown on these channels, then for every 10% switch to other payment channels, group VONB growth would increase by 0.8% pts.

Figure 19: Sensitivity analysis of Group VONB growth of mainland customers in HK switching to other payment channels

	0% (base case)	10%	20%	30%	40%	50%	100%
Group VONB growth	9.0%	9.8%	10.6%	11.4%	12.1%	12.9%	17.0%

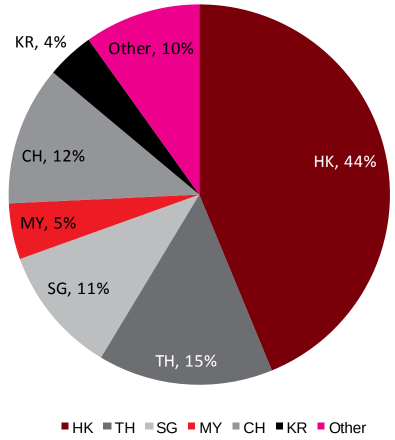
SOURCES: CIMB ESTIMATES, COMPANY REPORTS

Figure 20: Geographic mix of AIA's VONB (1H16)



SOURCES: CIMB, COMPANY REPORTS

Figure 21: Geographic mix of AIA's EV (1H16)



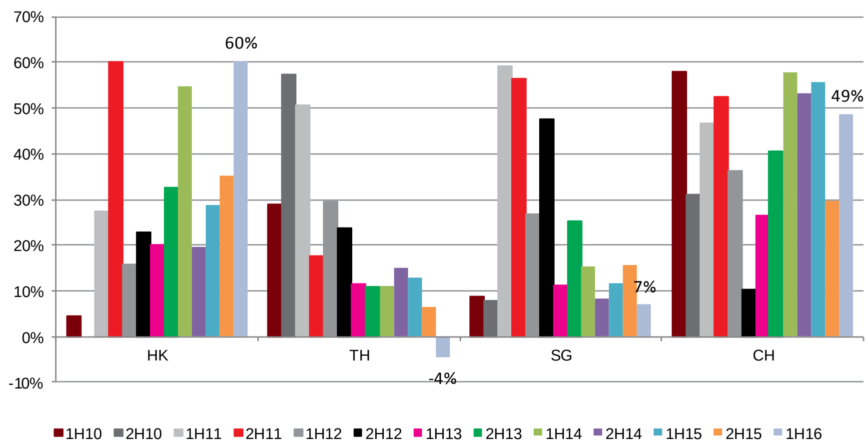
SOURCES: CIMB, COMPANY REPORTS

So why is the impact on FY17F VONB relatively large?

HK is the biggest regional contributor to AIA's group VONB, and is also the fastest growing segment. It comprised 39% of AIA's group VONB in 1H16.

HK and China have been the main drivers of group VONB growth over the last year, with AIA HK and AIA China delivering 60% and 49% yoy growth rates, respectively, in 1H16, significantly higher than the group's 31% yoy VONB growth.

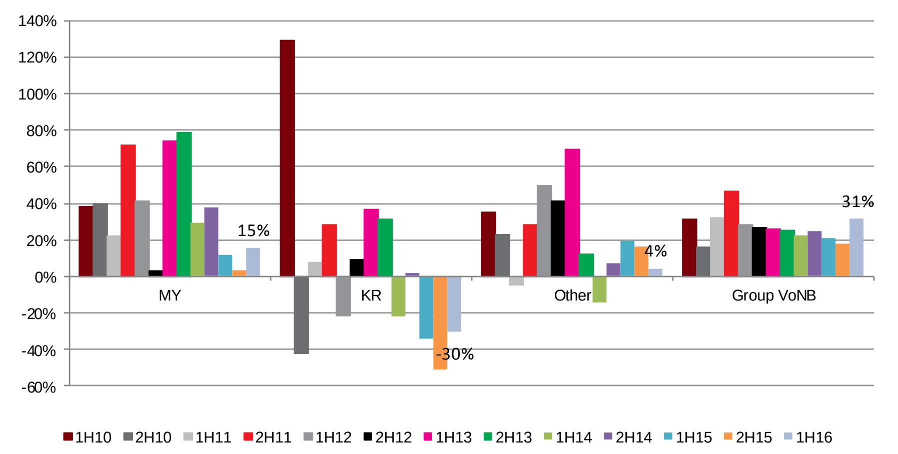
Figure 22: VONB growth of AIA's four biggest geographic segments (1H10 - 1H16) (yoy)



SOURCES: CIMB, COMPANY REPORTS

On the other hand, other geographies, in particular Singapore, Thailand, Korea and Other Countries have been relatively weak in terms of VONB growth, with 1H16's VONB growth of 7%, -4%, -30% and 4% yoy, respectively.

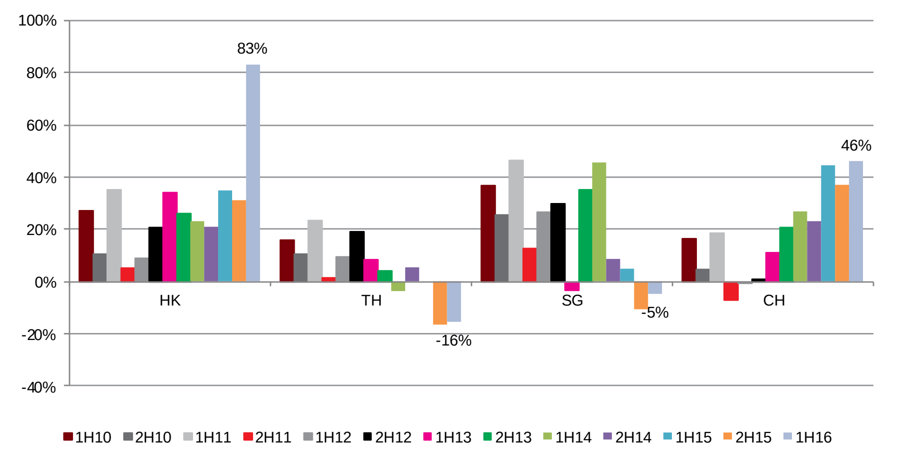
Figure 23: AIA'S VONB growth (1H10 - 1H16) (yoy)



SOURCES: CIMB, COMPANY REPORTS

The VONB growth was largely driven by annualised new premium (ANP) growth, especially in HK and China, up 83% yoy and 46% yoy in 1H16, respectively.

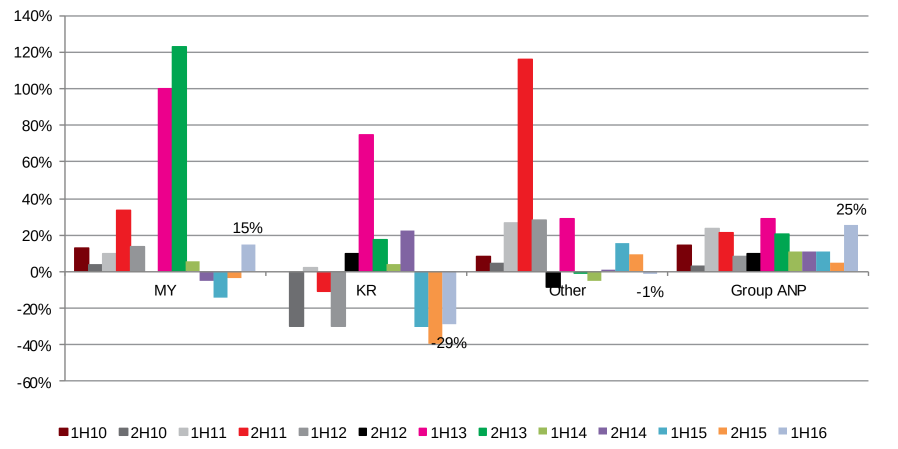
Figure 24: ANP growth of AIA's four biggest geographic segments (1H10 - 1H16) (yoy)



SOURCES: CIMB, COMPANY REPORTS

This is in sharp contrast to the geographies of Thailand, Singapore and Korea, which delivered relatively weak ANP growth rates of -16%, -5% and -29% yoy, respectively, in 1H16.

Figure 25: AIA's ANP growth (1H10 - 1H16) (yoy)



SOURCES: CIMB, COMPANY REPORTS

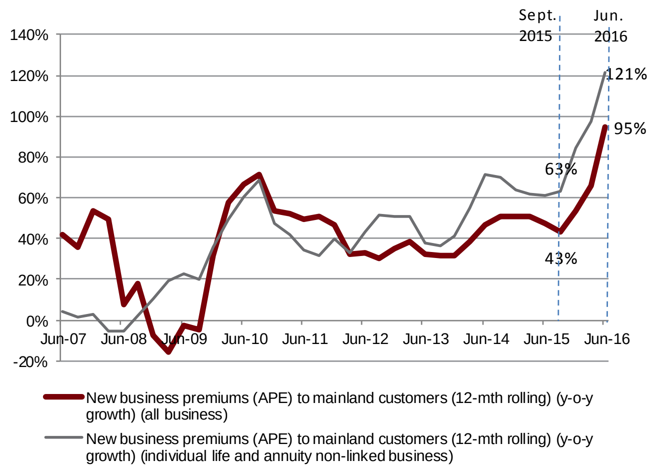
Understanding HK's VONB growth

It's all about the mainland

The key driver of new business growth in the HK life insurance sector in recent years has been new business premiums from mainland customers. On an annualised premium equivalent (APE) weighted basis (i.e. single premiums have a 10% weighting and annualised premiums have a 100% weighting), new business premium growth from individual mainland customers (12-month rolling) was up 95% yoy as of June 2016, driven by 121% yoy growth in individual life and annuity non-linked business.

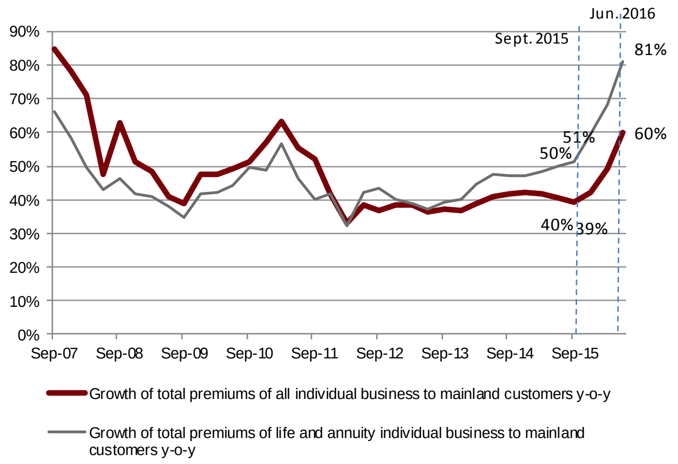
This growth is even more impressive if we only look at the first half of 2016, with 1H16's new business premiums (APE) growth of individual life and annuity non-linked business at 143% yoy. This segment of the business comprised 99% of 1H16's total mainland new business premiums (APE), with mainland new business premiums (APE) comprising 36% of total HK new business premiums (APE) in 1H16 (and 38% in 2Q16).

Figure 26: Growth of new individual business premiums (APE weighted) from mainland customers (yoy)



SOURCES: CIMB, OCI

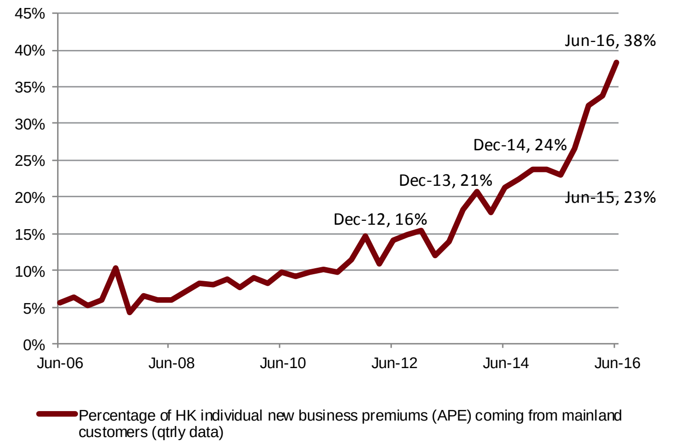
Figure 27: Growth of total premiums of individual business (yoy)



SOURCES: CIMB, OCI

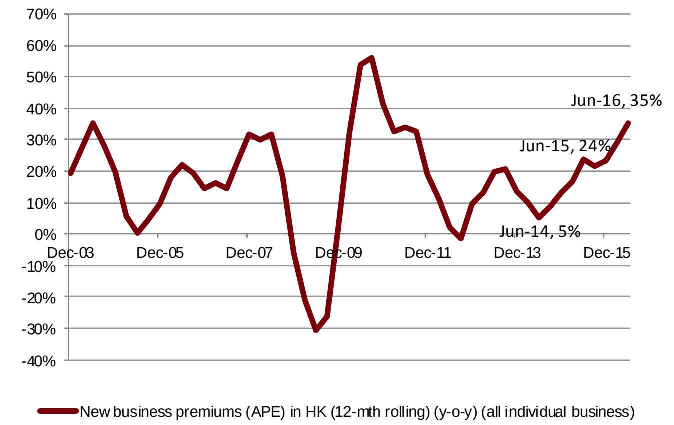
This is much faster than the system wide new business premiums (APE) growth from individual businesses within HK, which was up 35% yoy as of June 2016.

Figure 28: Percentage of HK individual new business premiums (APE) coming from mainland customers



SOURCES: CIMB, OCI

Figure 29: New business premiums (APE) in HK (12-mth rolling) (yoy) (all individual business)



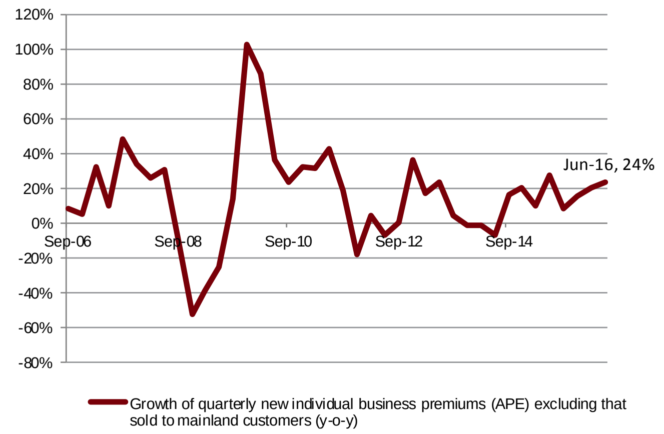
SOURCES: CIMB, OCI

If we exclude the new individual business premiums (APE) from the HK system numbers, the growth would have been only 24% yoy in 2Q16.

The Office of the Commissioner of Insurance (OCI) in HK also discloses data of insurance sold to onshore versus offshore customers. Onshore customer sales are defined as those where the policyholder has a Hong Kong identity card, while offshore customer sales are defined as those where the policyholder does not have a Hong Kong identity card.

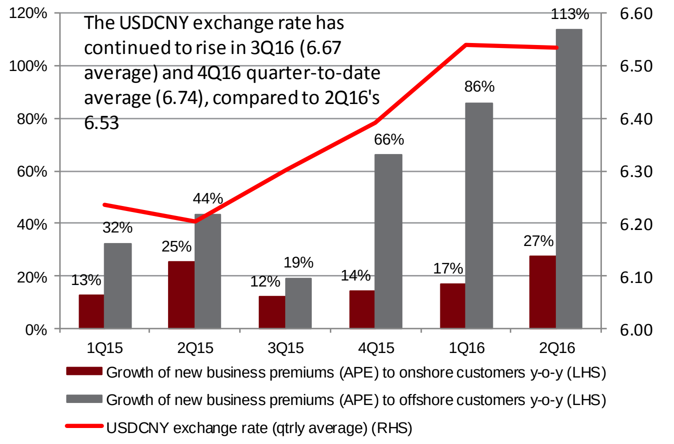
Sales to offshore customers in HK have been particularly strong in recent years, especially since 3Q15, with growth to this segment accelerating from 19% yoy in 3Q15 to 113% yoy in 3Q16. We believe that this is in large part due to the unexpected 2% devaluation of the US$/Rmb exchange rate in Aug 2015, coupled with an increasingly entrenched belief among policyholders that the US$/Rmb depreciation trend will continue for some time. This has led to a number of people on the mainland using the purchase of HK life insurance as a way to channel capital outside of the country.

Figure 30: Growth of quarterly new individual business premiums (APE) excluding sales to mainland customers (yoy)



SOURCES: CIMB, OCI

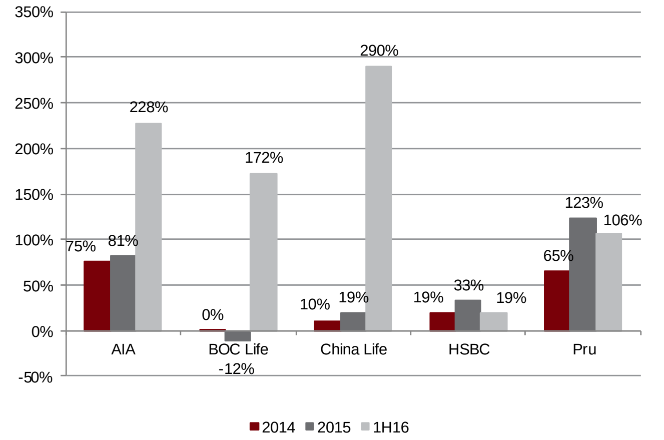
Figure 31: Growth of new business premiums (APE) to customers (onshore vs. offshore) compared to US$/Rmb (yoy)



SOURCES: CIMB, OCI

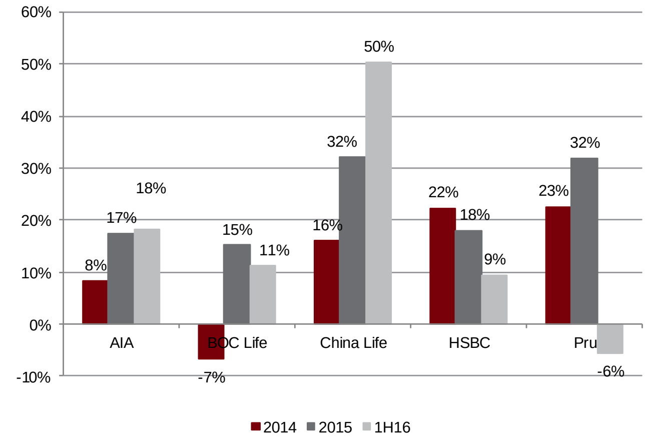
What has been the main driver of these sales to offshore customers in HK? Over the last few years, both AIA and Prudential have recorded strong sales to this customer segment, with AIA recording 75%, 81% and 228% yoy growth rates in 2014, 2015 and 1H16 respectively. Prudential also recorded very strong 65%, 123% and 106% yoy growth rates to this customer segment in 2014, 2015 and 1H16 respectively. China Life and BOC Life have also started to compete strongly in this segment in 1H16, recording 290% and 172% yoy growth rates in 1H16, respectively.

Figure 32: Growth of new business premiums (APE) to offshore customers (yoy)



SOURCES: CIMB, OCI

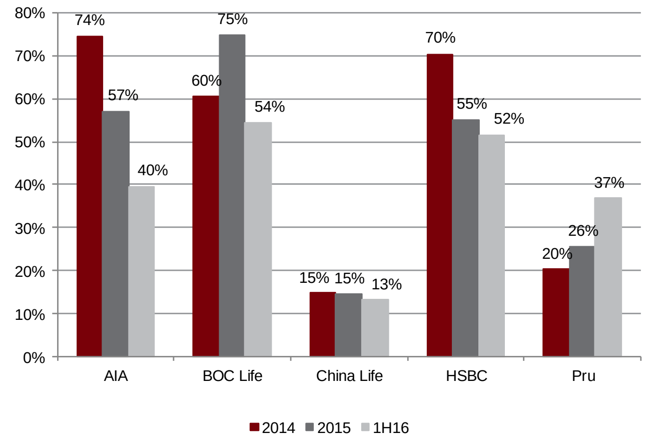
Figure 33: Growth of new business premiums (APE) to onshore customers (yoy)



SOURCES: CIMB, OCI

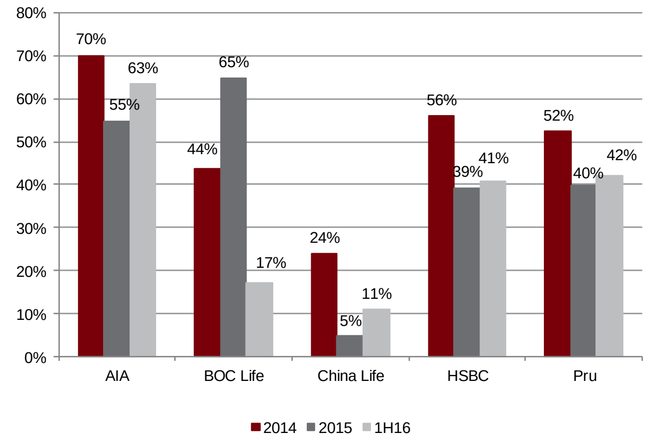
In terms of payment structure, 40% of AIA's sales to offshore customers in HK were single-premium in 1H16, falling from 74% in 2014.

Figure 34: Mix of single premiums within new business sales to offshore customers



SOURCES: CIMB, OCI

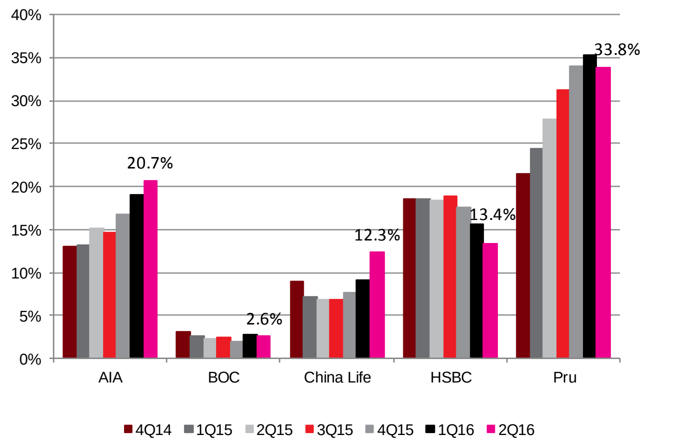
Figure 35: Mix of single premiums within new business sales to onshore customers



SOURCES: CIMB, OCI

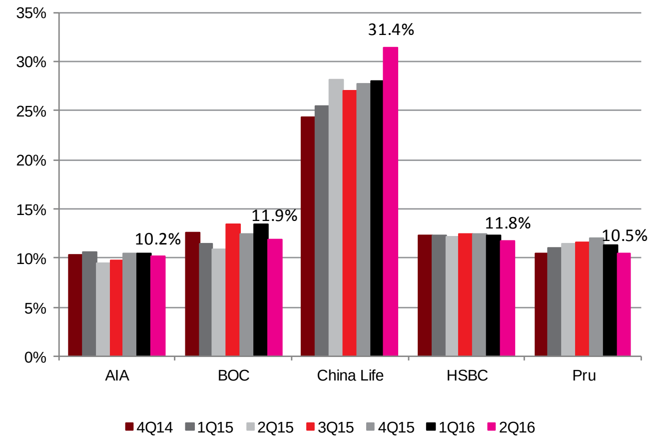
AIA has been very successful in its sales of policies to offshore customers in HK. Its market share of new business premiums (APE) of 20.7% ranked second as at June 2016, second only to Prudential (market share of 33.8%). This is in sharp contrast to AIA's market share of policies sold to onshore customers in HK, where its market share of new business premiums (APE) was only 10.2% as at June 2016.

Figure 36: Market share of new business premiums (APE) to offshore customers in HK (based on 12-mth rolling premiums)



SOURCES: CIMB, OCI

Figure 37: Market share of new business premiums (APE) to onshore customers in HK (based on 12-mth rolling premiums)

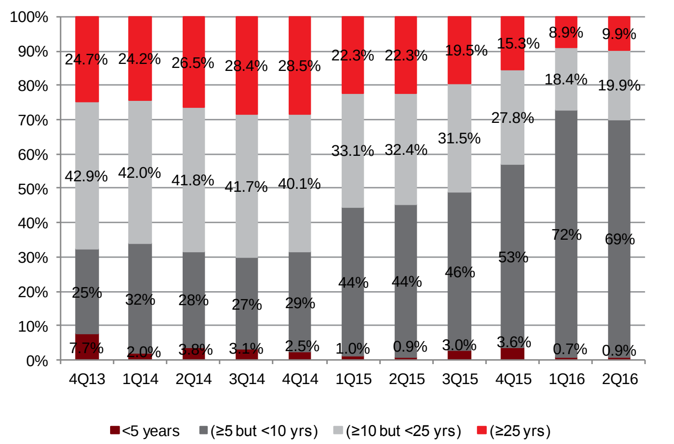


SOURCES: CIMB, OCI

AIA's relatively low market share of new business premiums (APE) to onshore customers is in part due to its relatively low mix of short-duration policies (less than 5-year premium payment) compared to other market players.

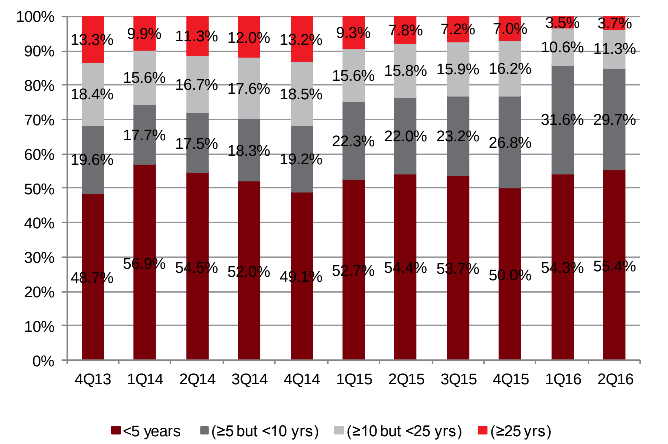
For example, AIA's share of premiums that have a payment structure of less than 5 years was only 0.9% in 2Q16, which is in sharp contrast to the system average of 55.4%. Note that AIA's mix of premiums that have a payment structure of between 5-years and 10-years has increased markedly in recent quarters, up from 46% in 3Q15 to 69% in 2Q16. We believe that this is due to AIA's sales to offshore customers in HK, which predominately have a 5-10 year premium payment duration.

Figure 38: Premium duration structure of AIA's annualised premiums (new business) of its HK individual life business (quarterly data)



SOURCES: CIMB, COMPANY REPORTS

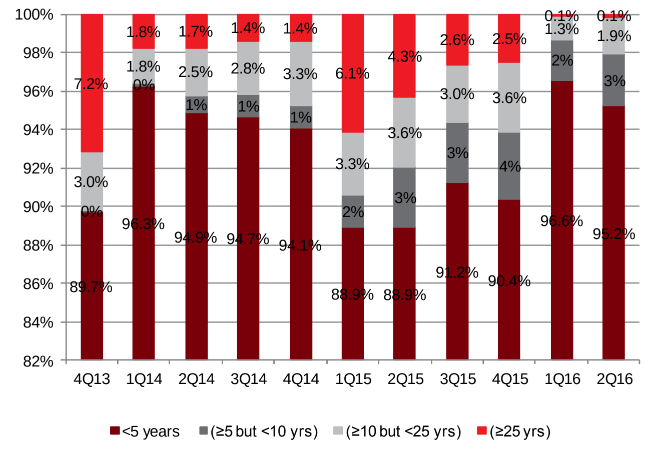
Figure 39: Premium duration structure of the HK markets' annualised premiums (new business) of its HK individual life business (quarterly data)



SOURCES: CIMB, COMPANY REPORTS

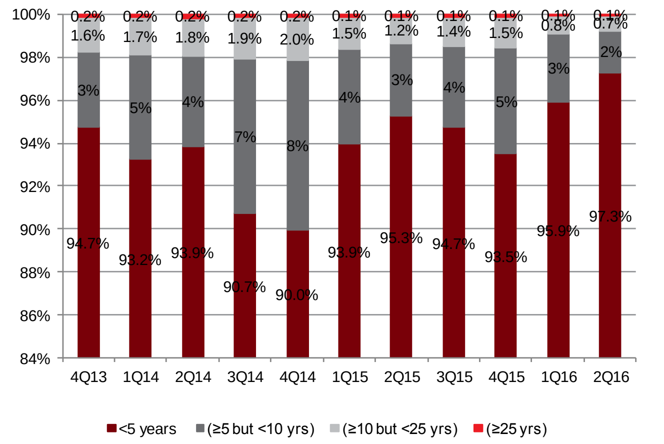
This is materially different from some of the other large insurers in the HK market, where bank-affiliated insurers such as BOC Life, China Life and HSBC Life have over 90% of their policies with less than 5-years in payment duration.

Figure 40: Premium duration structure of BOC Life's annualised premiums (new business) of its HK individual life business (quarterly data)



SOURCES: CIMB, OCI

Figure 41: Premium duration structure of China Life's annualised premiums (new business) of its HK individual life business (quarterly data)



SOURCES: CIMB, OCI

The average case size of AIA's insurance policies sold to offshore customers in HK is significantly larger than that of insurance policies to its onshore customers. AIA's average size of single-premium-policies sold to offshore customers was HK$5m, about three times larger than the average size of single-premium policies sold to its onshore customers.

Similarly, the average size of non-single-premium policies sold to offshore customers was HK$87,667 which is more than four times larger than the average size of non-single-premium policies sold to onshore customers.

Interestingly, this contrasts with AIA's management comments at the company's FY15 results in Feb 2016 – of the regular premium new business sales to mainland visitors in FY15, around 80% of the policies have an average premium below US$5,000 (i.e. HKD32,500). We believe that this 80% proportion is based on the number of policies and not based on the mix of new business premiums (APE). In addition, AIA has also said that the majority of the VONB from these mainland visitors comes from long-term savings products and embedded protection products.

Figure 42: Average case size for AIA's policies (offshore customers) (HK$) by payment-type

	Single premium	Non-single premium	APE-weighted
2014	13,706,408	56,199	71,711
2015	9,640,963	66,681	74,847
1H16	5,029,393	87,667	92,357

SOURCES: CIMB, OCI

Figure 43: Average case size for AIA's policies (onshore customers) (HK$) by payment-type

	Single premium	Non-single premium	APE-weighted
2014	865,538	17,819	104,373
2015	983,314	19,085	117,417
1H16	1,653,028	21,117	186,419

SOURCES: CIMB, OCI

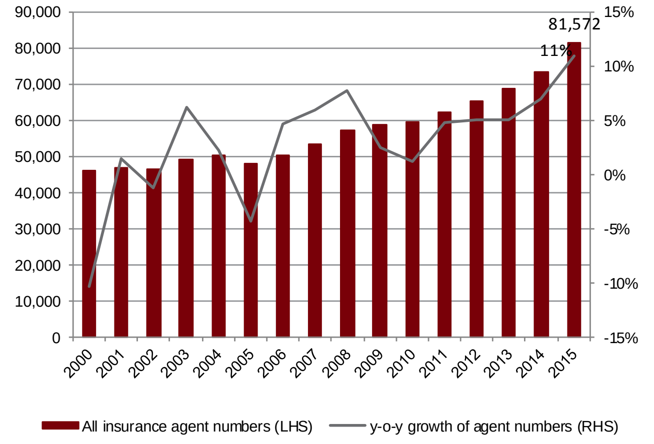
We believe that the majority of AIA's sales to these offshore customers would be savings related, as opposed to protection or critical illness related.

There are three reasons for this belief. Firstly, their much larger case size, potentially suggests a heavier savings focus, in our view. Secondly, the surge in demand for mainland visitor insurance happened after the unexpected devaluation of the Rmb, based on a belief that capital outflow could increase thereafter.

Finally, there has been an acceleration of system agent growth numbers in recent years to record levels of 11% yoy (a post-2000 high), which we believe was driven by a recruitment drive among insurers to capitalise on the business opportunity of selling to mainland visitors in HK. We believe that these newly recruited mainland agents are likely to be younger on average compared to the existing agent force of HK insurers.

We believe that a large portion of newly recruited agents are hired for driving sales into the mainland visitor customer base, but that their relative lack of experience may make it harder for them to sell protection/high-margin insurance products as these products require a well-trained and experienced agent force.

Figure 44: Number of Insurance agents in HK and yoy growth since 2000



SOURCES: CIMB, HKFI

Figure 45: Number of insurance agents in HK, split by category, and their yoy growth rates

	General insurance	Life insurance	Composite insurance	Total agents
Sep-16	1,318	34,044	23,662	59,024
Oct-16	1,330	35,101	23,891	60,322
y-o-y growth				
Sep-16	7%	22%	11%	17%
Oct-16	8%	23%	11%	17%

SOURCES: CIMB, HKFI

Why AIA is a consensus Buy

Many reasons why investors like the stock

There are a number of reasons to like AIA.

As we highlighted earlier in this report, AIA has a well-established track record of consistently delivering shareholder value. Not only has it reliably delivered positive share price returns every year since it listed in Oct 2010, but it has also outperformed major benchmark indices every year over the 2011-2015 period. These benchmark indices include the Hang Seng Index (HSI), MSCI Asia ex-Japan, MSCI Emerging Markets (EM) and MSCI World.

Figure 46: Share price / index performances of AIA, Prudential and major benchmark indices

	Absolute performance		Relative performance			
	AIA	Pru	vs. HSI	vs. MSCI Asia ex Jap.	vs. MSCI EM	vs. MSCI World
Dec-11	11%	-8%	31%	30%	32%	21%
Dec-12	25%	53%	2%	6%	9%	11%
Dec-13	29%	55%	26%	28%	33%	8%
Dec-14	11%	4%	10%	11%	15%	9%
Dec-15	8%	-1%	15%	19%	24%	12%
2016 ytd	3%	-19%	1%	0%	-2%	0%

SOURCES: CIMB, COMPANY REPORTS

We believe that there are several drivers of this outperformance.

1) Management incentives have played an important role in the company's success, in our view. Quite simply, what gets measured gets done. AIA highlighted in Feb 2011 (i.e. just after its IPO) that it was implementing a scorecard-based approach to incentive compensation, with half of incentive compensation from FY10 onwards driven by absolute VONB. An additional 20% would be driven by embedded value (EV), while 15% would be driven by IFRS profit growth and the final 15% would be at the discretion of top management and customised to each country's operations according to local priorities.

Figure 47: Weighted scorecard approach of AIA's short-term incentive scheme

	2011	2012	2013	2014	2015
Value of new business	59%	60%	60%	60%	60%
Excess EV growth*	23%	15%	15%	10%	10%
Operating profit after tax	18%	25%	25%	30%	30%

* Sum of the operating experience variances and operating assumption changes in the EV operating profit

SOURCES: CIMB, COMPANY REPORTS

Over the years 2011 to 2015, the weighting assigned to VONB has remained relatively stable at about 60% of the scorecard weighting. Excess EV growth (defined as the sum of the operating experience variances and operating assumption changes in the EV operating profit) accounted for 10% (falling from a 23% weighting in 2011), while operating profit after tax accounted for a 30% weighting (versus 18% in 2011).

In addition, Mark Tucker (and his management team) has consistently bought shares or held share options as part of the long-term incentive plan, with compensation thus properly aligned with shareholder value, in our view.

2) Peers may not be properly incentivised to sell protection-focused insurance. This is because large competitors in a number of markets that AIA operates in are not incentivised by either VONB or EV.

There are a number of reasons for this. Firstly, in a number of countries, their largest competitors are bancassurers (or banks that own insurance subsidiaries), where the focus of senior management tends to be on profits, rather than EV or VONB. It is entirely possible that focusing on earnings instead of VONB can deliver materially differing outcomes.

For example, selling long duration protection focused life insurance through the agent channel tends to hurt near-term profitability due to high first year commission rates paid to agents. These products, however, tend to be very accretive to VONB, due to their long trail of profits into the future.

A life insurance company incentivised by earnings instead of VONB may wish to sell more short duration, savings-oriented products, where the average policy sizes are large. This would thus contribute significantly to revenue growth, while at the same time, minimise expense ratios due to the much lower commission rates paid on bancassurance products. As a consequence, profit growth is high and there is a short-term boost to ROE, even though VONB may be minimally impacted.

In addition, even some international life insurance companies may be more incentivised by earnings than VONB and EV metrics. For example, we believe that insofar as the listed US insurers do not report VONB or EV metrics to their investors, they may be much more earnings focused. Hence, their product focus may be less geared towards offering protection products and VONB and EV maximization, in our view.

Furthermore, we believe ownership structure also makes a difference. If AIA's competitors are majority owned by the government or a government entity, as they are in mainland China, then the management of these state-owned-enterprises (SOEs) may be more market share focused than VONB focused. Its foreign competitors in China may also be disadvantaged by the requirement that they operate as joint-ventures, which is in direct contrast to AIA, which has the advantage of a having a 100% owned subsidiary in China.

3) We argue that the protection-focused part of the life insurance industry can be a structurally attractive industry, compared to other financial sectors. This is because price competition for offering protection-focused products may not be as intense as the competition within other financial sectors. In our view, brand value and size matters much more to customers seeking to buy long-term protection insurance.

Products are not as commoditised as in other financial sectors, and we think that life insurance sales rely much more on advice. The end result is that VONB margins may be subject to less downward pressure than would otherwise be the case.

4) AIA has a high quality agent force, with a record number of million-dollar-round table agents. AIA reports that 55% of its VONB in 1H16 came from the agent channel.

5) Consensus seems to consistently underestimate the VONB potential of these markets. We believe that is a reason why Prudential plc, which also has substantial operational exposure to Asia, also has had a great track record of delivering shareholder returns that have consistently outperformed the benchmark over the last six years (with the possible exception of this year).

One reason why this could be the case is that many investors like to use premiums to GDP as a proxy to gauge how underpenetrated or overpenetrated a country's life insurance market is.

This is a flawed measure in terms of assessing protection penetration, in our view, given that a country's premiums to GDP could be high as the industry comprises a large proportion of savings focused insurance, or products sold via the bancassurance channel. This is different from the protection focused products sold via the agent channel, which we believe tend to have smaller case sizes and higher VONB margin.

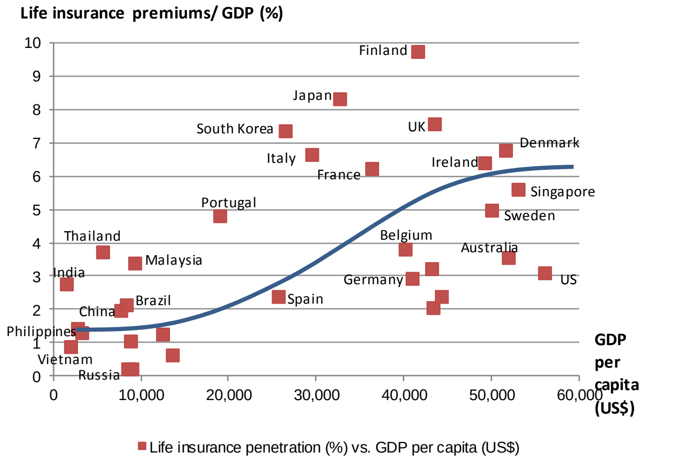
We believe a superior measure to assess the potential is the protection gap, which Swiss Re computes. One may consider the size of the protection gap in each of AIA's markets, as well as how fast the protection gap (which is an opportunity for AIA), is growing.

The protection gap is defined as the "difference between the resources needed and the resources already available for dependents to maintain their living standards following the death of a working family member". In other words, the difference between the present value of income needed to maintain the standard of living of survivors, plus debts outstanding, and the present value of

CIMB

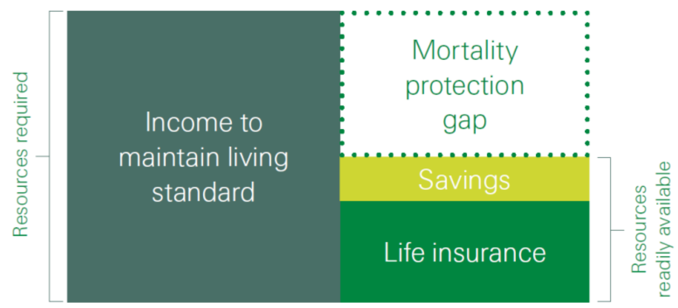
the sum of future pensions to survivors, life insurance in force and one half of financial assets.

Figure 48: S-curve of global life insurance penetration rates vs. GDP per capita



SOURCES: CIMB, SWISS RE

Figure 49: What is the mortality protection gap?



SOURCES: CIMB, SWISS RE

Of the markets in which AIA has a major presence, the mortality protection gap is growing fastest in China (CAGR of 17% over 2004-2014 to US$32trn), followed by Malaysia, Thailand and Singapore. The protection gaps in these countries all recorded CAGR of 9% over the 2004-2014 period.

If we look at the mortality protection gap per person, China still represents the fastest growing opportunity for life insurers to offer protection products, with a CAGR over 2004-2014 of 17%.

Figure 50: Mortality protection gap

USD bn	2000	2004	2007	2010	2014	CAGR 2010-14	CAGR 2000-10	CAGR 2004-14
China	3,735	6,540	11,193	18,573	32,074	15%	17%	17%
India	2,071	3,067	4,998	7,027	8,555	5%	13%	11%
Japan	6,198	6,554	6,305	8,617	6,579	-7%	3%	0%
S. Korea	1,756	2,479	3,697	3,645	5,296	10%	8%	8%
Australia	542	784	952	1,078	1,087	0%	7%	3%
Indonesia	258	442	526	693	793	3%	10%	6%
Thailand	303	326	438	531	767	10%	6%	9%
Vietnam	97	137	230	363	629	15%	14%	17%
HK	391	421	430	439	538	5%	1%	2%
Malaysia	170	225	293	397	524	7%	9%	9%
Singapore	155	168	227	300	402	8%	7%	9%
Philippines	80	111	196	274	372	8%	13%	13%
Taiwan	105	234	198	186	177	-1%	6%	-3%
Total	15,861	21,487	29,686	42,123	57,794	8%	10%	10%

SOURCES: CIMB, SWISS RE, WORLD BANK

Figure 51: Mortality protection gap per working person with dependents

USD	2000	2004	2007	2010	2014	CAGR 2010-14	CAGR 2000-10	CAGR 2004-14
S. Korea	154,912	208,243	302,210	292,095	402,589	8%	7%	7%
HK	233,497	238,914	235,248	239,070	286,512	5%	0%	2%
Singapore	149,727	157,156	183,009	212,999	254,596	5%	4%	5%
Japan	183,428	196,710	188,421	258,217	201,606	-6%	3%	0%
Australia	112,656	153,227	173,292	184,067	175,685	-1%	5%	1%
China	10,314	17,376	29,146	47,981	80,937	14%	17%	17%
Malaysia	34,741	41,848	51,511	65,750	79,014	5%	7%	7%
Thailand	17,614	17,714	22,889	27,362	38,416	9%	5%	8%
India	10,225	13,573	21,450	30,135	35,181	4%	11%	10%
Taiwan	21,509	45,747	37,030	33,618	30,762	-2%	5%	-4%
Vietnam	4,705	6,024	9,571	14,236	23,161	13%	12%	14%
Philippines	5,116	6,317	10,980	13,989	17,232	5%	11%	11%
Indonesia	5,281	8,466	9,605	12,103	12,951	2%	9%	4%

SOURCES: CIMB, SWISS RE, WORLD BANK

We then look at the extent of insurance protection by comparing the average sum insured currently per working person with dependents. The average sum insured per working person has increased on average in each of the countries in Asia-Pacific ex- Japan, with fastest increase happening in China, Thailand and India.

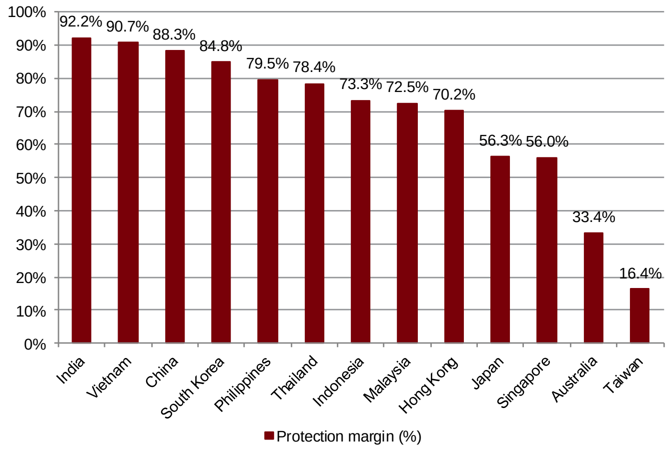
Finally, we also compute the protection margin, which is defined as the ratio between protection gap and protection needs. In other words, the proportion of protection needed that is not covered by existing insurance or savings. This ratio is the highest for India, followed closely by Vietnam and China.

Figure 52: Sum insured per working person with dependents

USD	2000	2004	2007	2010	2014	CAGR 2010-14	CAGR 2000-10	CAGR 2004-14
Australia	67,496	111,628	170,354	248,785	303,401	5%	14%	11%
Singapore	46,316	58,537	87,206	110,096	154,585	9%	9%	10%
Japan	139,684	125,711	103,983	128,264	104,968	-5%	-1%	-2%
Taiwan	108,839	77,549	89,136	94,671	97,409	1%	-1%	2%
HK	48,422	53,756	58,567	67,080	92,821	8%	3%	6%
S. Korea	19,727	29,551	44,395	37,475	49,958	7%	7%	5%
Malaysia	6,735	8,910	11,074	13,389	16,244	5%	7%	6%
Thailand	1,018	1,257	2,165	3,787	5,843	11%	14%	17%
India	238	448	1,456	2,080	2,101	0%	24%	17%
China	109	338	491	1,237	1,570	6%	27%	17%
Philippines	1,007	635	676	843	1,310	12%	-2%	8%
Indonesia	204	322	643	1,078	1,198	3%	18%	14%
Vietnam	49	237	268	297	402	8%	20%	5%

SOURCES: CIMB, SWISS RE, WORLD BANK

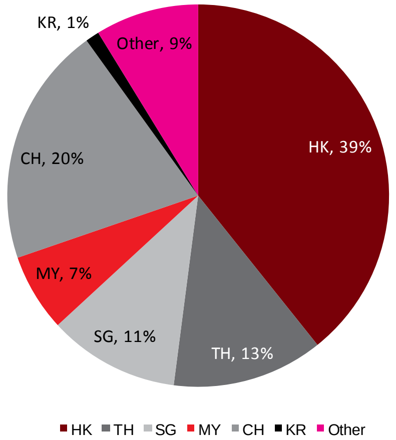
Figure 53: Protection margin (%), which is the proportion of protection needed that is not covered by existing insurance or savings (2014)



SOURCES: CIMB, SWISS RE, WORLD BANK

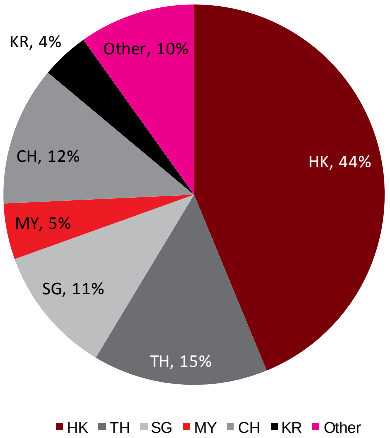
6) AIA's well diversified operations across Asia have reduced the volatility of its VONB growth. Also, protection focused insurance is relatively insensitive to the business cycle. AIA has thus established an ability to deliver VONB growth despite the volatilities of investment markets (bond markets, equity markets and currencies) and economic growth fluctuations.

Figure 54: Geographic mix of AIA's VONB (1H16)



SOURCES: CIMB, COMPANY REPORTS

Figure 55: Geographic mix of AIA's EV (1H16)



SOURCES: CIMB, COMPANY REPORTS

7) AIA has a high-quality and stable management team, in our view, with each senior management member having over 20 years of experience within the industry.

8) AIA is also extremely well capitalised, with a solvency margin ratio of 381% at 1H16, well above the 100% statutory minimum. This is important as (i) it means AIA's business is relatively defensive when capital markets are volatile and capital raising concerns plague AIA's peers and (ii) this enables AIA to consistently and credibly pay out a steadily increasing stream of dividends to shareholders.

9) AIA's investor relations team is a key asset for the company, which has successfully managed sell-side analyst expectations over the years. The company has increased disclosure when investors have been concerned about particular issues e.g. the adverse currency impact on group VONB growth in recent years as Asian currencies have depreciated against the US$.

Key management

There are eleven members in AIA's Executive Committee

Mr. Mark Edward Tucker - Executive Director (Aged 58)

Mr Tucker is an Executive Director and the Group Chief Executive and President of the company. Mr. Tucker joined the Group in July 2010 and is also Chairman and Chief Executive Officer of AIA Co. and AIA International.

Mr. Tucker spearheaded AIA's record-breaking IPO on 29 October 2010, serving as Executive Chairman and Group Chief Executive Officer of the company from 12 October 2010 to 31 December 2010. In addition to his responsibilities with AIA, Mr. Tucker has been an Independent Director of The Goldman Sachs Group, Inc. since Nov 2012.

Prior to joining the Group, Mr. Tucker was a non-executive director of the Court of The Bank of England from June 2009 to May 2012, also serving as a member of its Financial Stability Committee and Audit and Risk Committee.

Mr. Tucker also served as Group Chief Executive of Prudential plc from 2005 to 2009 and was the founder and Chief Executive of Prudential Corporation Asia Limited from 1994 to 2003 and an Executive Director of Prudential plc from 1999 to 2003.

From 2004 to 2005 Mr. Tucker served as Group Finance Director, HBOS plc. Mr. Tucker qualified as an Associate of the Institute of Chartered Accountants in England and Wales (ACA) in 1985.

Mr. Garth Jones - Group Chief Financial Officer (Aged 53)

Mr Jones is the Group Chief Financial Officer responsible for leading the Group in all aspects of capital and financial management as well as managing relationships with key external stakeholders including independent auditors and actuaries, rating agencies and international accounting and regulatory bodies. He is a director of various companies within the Group, including AIA Co. and AIA International. He joined the Group in April 2011.

Prior to joining the Group, Mr. Jones was the Executive Vice President of CPIC Life, the life insurance arm of China Pacific Insurance (Group) Co., Ltd. (CPIC). He also held a number of senior management positions during 12 years with Prudential Corporation Asia Limited, including Chief Financial Officer of the Asian life insurance operations. Prior to joining Prudential, Mr. Jones led the development of reinsurer Swiss Re's Asia life business. Mr. Jones is a Fellow of the Institute of Actuaries in the United Kingdom. On 1 October 2014 he was appointed a member of the Insurance Advisory Committee which is a statutory committee established under the HKICO.

Mr. Ng Keng Hooi - Regional Chief Executive (Aged 61)

Mr. Ng is the Regional Chief Executive responsible for the Group's businesses operating in Thailand, China, Indonesia, Singapore, Brunei and Taiwan as well as Group Agency Distribution. He is a director of various companies within the Group including AIA Co. and AIA International. He joined the Group in October 2010.

Prior to joining the Group, Mr. Ng was Group Chief Executive Officer and Director of Great Eastern Holdings Limited from Dec 2008. Mr. Ng worked for Prudential plc from 1989 to 2008, serving as a Managing Director of Insurance of Prudential Corporation Asia Limited from 2005 to 2008, responsible for its operations in Malaysia, Singapore, Indonesia and the Philippines. He has been a Fellow of the Society of Actuaries (U.S.) since 1985.

Mr. Gordon Watson - Regional Chief Executive (Aged 52)

Mr. Watson is the Regional Chief Executive responsible for the Group's businesses operating in Hong Kong, Australia, the Philippines, Vietnam, New Zealand and Macau as well as the Group Corporate Solutions business, Group Partnership Distribution and the AIA Vitality initiative.

He is a director of various companies within the Group including AIA Co. and AIA International and serves as the Chairman of The Philippine American Life and General Insurance (PHILAM LIFE) Company. Mr. Watson rejoined the Group in January 2011. He worked in various parts of AIG (including within AIA) for over 30 years, during which time he served as Global Vice Chairman of ALICO and Chairman and Chief Executive Officer of ALICO Asia. He also served as Global Chief Operating Officer and as Chairman of ALICO Japan. He is a Fellow of the Chartered Insurance Institute and Chartered Institute of Marketing.

Mr. William Lisle - Regional Chief Executive (Aged 50)

Mr. Lisle is the Regional Chief Executive responsible for the Group's businesses operating in Malaysia, Korea, Sri Lanka, India and Cambodia. Mr. Lisle was Chief Executive Officer of AIA's operation in Malaysia from Dec 2012 to May 2015, including leading the large-scale and successful integration of ING Malaysia after its acquisition by the Group in 2012. He is a director of various companies within the Group including AIA Co. and AIA International. Mr. Lisle joined the Group in January 2011 as Group Chief Distribution Officer.

Prior to joining the Group, Mr. Lisle was the Managing Director, South Asia for Aviva from May 2009 until 2010. Prior to joining Aviva, Mr. Lisle held a number of senior positions at Prudential Corporation Asia Limited, including Chief Executive Officer in Malaysia from 2008 to 2009, Chief Executive Officer in Korea from 2005 to 2008, Chief Agency Officer for ICICI Prudential from 2002 to 2004 and Director of Agency Development, South Asia in 2001.

Mr. Simeon Preston - Group Chief Operations Officer (Aged 45)

Mr. Preston is the Group Chief Operations Officer responsible at the Group level for technology and operations. He is a director of various companies within the Group. He joined the Group in September 2010.

Prior to joining the Group, Mr. Preston served as a senior partner in the financial services practice of global management consultants Bain & Company, where he specialised in the Asia life insurance sector. He previously spent almost nine years with the consulting firm Marakon Associates, becoming a partner in 2006.

Ms. Shulamite Khoo - Group Chief Human Resources Officer (Aged 54)

Ms. Khoo is the Group Chief Human Resources Officer responsible for the development of overall human capital strategies and their implementation across the Group as well as leading and providing support to the human resources functions in country market operations. She is also responsible for the Group Corporate Security function. She joined the Group in January 2011.

Prior to joining the Group, Ms. Khoo was Group Executive Vice President, Global Head of Human Resources and Group Executive Management of the AXA Group, based in Paris. Prior to joining AXA, she occupied various senior roles covering life insurance operations and human resources with Prudential Singapore and was Regional Head of Human Resources for Prudential Corporation Asia Limited based in Hong Kong. She is a Chartered Fellow of the Chartered Institute of Personnel and Development.

Mr. Mitchell New - Group General Counsel (Aged 52)

Mr. New is the Group General Counsel and Company Secretary responsible for the provision of legal services and company secretarial services for the Group and providing leadership to legal and corporate governance functions within country operations. He is a director of various companies within the Group. He joined the Group in April 2011.

Prior to joining the Group, Mr. New occupied various senior roles with Manulife Financial where he was most recently Senior Vice President and Chief Legal Officer for Asia, based in Hong Kong. He was also previously Senior Vice President and General Counsel to Manulife's Canadian division.

Mr. Mark Saunders - Group Chief Strategy and Marketing Officer (Aged 52)

Mr. Saunders is the Group Chief Strategy and Marketing Officer responsible for the Group's strategy, customer propositions, corporate transactions and marketing. He provides leadership and support on all of these functions at the Group level. He joined the Group in April 2014.

Prior to joining the Group, Mr. Saunders was Managing Director of Towers Watson for the Asia-Pacific Insurance Sector, as well as Managing Director for the firm's Hong Kong office. Prior to joining Towers Watson, he was Asian Regional Leader, Hong Kong Chief Executive Officer and Executive Director and Board Member of the Isle of Man-based international life insurance operations of Clerical Medical and its joint venture life insurer in Korea (Coryo-CM). Mr. Saunders has been involved in the insurance industry in Asia since 1989. He is a Fellow of the Institute and Faculty of Actuaries and Fellow of five other professional actuarial bodies.

Dr. Mark Konyn - Group Chief Investment Officer (Aged 53)

Dr. Konyn is the Group Chief Investment Officer responsible for providing oversight to the management of the investment portfolios of the Group. He joined the Group in September 2015.

Dr. Konyn joined AIA from Cathay Conning Asset Management where he was Chief Executive Officer responsible for the company's investment business and strategic expansion in the region. He has held senior positions at Allianz Global Investors (where he was Asia-Pacific CEO for RCM Global Investors), Fidelity Investments and Prudential UK. He is a Fellow of the Royal Statistical Society, holds a Diploma from the London Business School in Investment Management having previously completed his Ph.D. in Operational Research sponsored by the UK Government.

Key financial data

Figure 56: Key financial data

(Year-end 30 November)	2014A	2015A	2016F	2017F	2018F
Summary					
EPS (US$)	0.29	0.22	0.33	0.36	0.38
Operating EPS (US$)	0.29	0.32	0.36	0.40	0.43
PE ratio (x) (oper. EPS)	19.7	18.4	17.2	15.6	14.4
EPS growth (%)	22.2%	-22.0%	48.4%	7.2%	7.5%
DPS (US$)	0.06	0.09	0.10	0.12	0.14
Dividend yield (%)	1.1%	1.5%	1.5%	1.8%	2.1%
Issued shares (m)	12,045	12,048	12,051	12,054	12,057
BVPS (US$)	2.56	2.44	2.94	3.19	3.44
P/B (x)	2.26	2.45	2.12	1.96	1.81
EV per share (US$)	3.08	3.17	3.49	3.80	4.15
Growth of EV per share	10%	3%	10%	9%	9%
ROEV	14.7%	5.0%	13.0%	12.1%	12.7%
Price/EV (x)	1.87	1.88	1.79	1.64	1.50
VoNB per share (US$)	0.15	0.18	0.23	0.25	0.30
Growth of VONB per share	24%	19%	28%	9%	19%
Implied new business (NB) multiple	17.6	15.4	11.8	9.6	6.9
Ratio and growth analysis					
ROA	2.2%	1.6%	2.3%	2.2%	2.2%
ROE	12.4%	8.9%	12.3%	11.6%	11.5%
Payout ratio	22.4%	40.0%	31.6%	34.4%	37.5%
Growth in net earned premium	8.6%	9.2%	6.5%	10.7%	12.1%
Growth in operating profit after tax & minorities	16.1%	10.3%	11.6%	10.4%	8.2%
Asset portfolio mix	100%	100%	100%	100%	100%
- Fixed interest assets	84%	85%	85%	85%	85%
- Equity securities & interest in investment funds	10%	10%	10%	10%	10%
- Others	5%	5%	5%	5%	5%
Average investment income yield	5.1%	4.5%	4.8%	4.7%	4.5%
Insurance-related expense ratio	75.8%	75.7%	75.1%	75.1%	75.6%
Operating expense ratio	8.7%	8.4%	8.4%	8.3%	8.2%
Growth of operating profit after tax and minorities	16.1%	10.3%	11.6%	10.4%	8.2%
Net profit after tax and minorities	22.2%	-22.0%	48.4%	7.3%	7.6%

SOURCES: CIMB ESTIMATES, COMPANY REPORTS

Figure 57: Financial statements of AIA

(Year-end 30 November)	2014A	2015A	2016F	2017F	2018F
Profit & Loss (US$m)					
Net premium	17,229	18,812	20,035	22,188	24,875
Investment income	5,352	5,645	6,124	6,625	7,069
Total Revenue	22,581	24,457	26,159	28,812	31,944
Insurance-related expenses	17,119	18,524	19,635	21,640	24,146
Other operating-related expenses	1,972	2,049	2,192	2,390	2,623
Underwriting income	3,490	3,884	4,333	4,782	5,175
Share of P/L from associates	14	0	0	0	0
Operating profit/(loss)	3,504	3,884	4,333	4,782	5,175
Operating profit after tax (OPAT)	2,925	3,229	3,602	3,976	4,302
OPAT attrib to shareholders of AIA Group	2,910	3,209	3,580	3,951	4,276
Non operating items	540	(518)	413	333	333
Net profit after tax	3,450	2,691	3,993	4,284	4,608
Balance sheet (US$m)	2014A	2015A	2016F	2017F	2018F
Assets					
Investment assets (excluding unit linked)	124,801	126,435	141,509	156,216	172,452
Investment assets (including unit linked)	20,974	19,794	20,753	21,758	22,812
Other assets	21,144	21,393	22,425	23,507	24,641
Total assets	166,919	167,622	184,687	201,481	219,905
Liabilities					
Insurance contract liabilities	113,097	115,870	124,676	135,897	148,128
Investment contract liabilities	7,937	7,116	6,760	6,422	6,101
Borrowings	2,934	3,195	3,515	3,866	4,253
Other liabilities	11,996	11,901	14,088	16,678	19,743
Total liabilities	135,964	138,082	149,039	162,863	178,224
Net assets	30,955	29,540	35,648	38,618	41,680
Share capital	13,962	13,971	13,980	13,989	13,998
Reserves	-5,987	-9,278	-5,988	-5,988	-5,988
Retained profits	22,831	24,708	27,488	30,436	33,474
Total shareholders' equity	30,955	29,540	35,648	38,618	41,680
Equity attributable to shareholders	30,806	29,401	35,480	38,437	41,484

SOURCES: CIMB ESTIMATES, COMPANY REPORTS

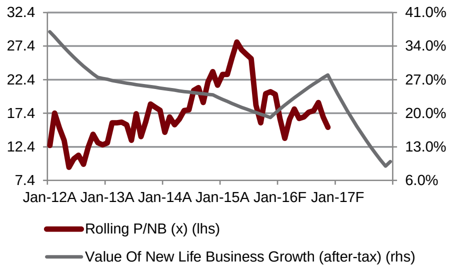
Figure 58: AIA's embedded value across time

(US$ m)	FY10	FY11	FY12	FY13	FY14	FY15	FY16F	FY17F	FY18F
Opening EV	20,966	24,748	27,239	30,565	33,018	37,153	38,198	42,024	45,798
Value of new business	667	932	1,188	1,490	1,845	2,198	2,813	3,067	3,649
Expected return on EV	1,846	2,029	2,192	2,389	2,635	2,698	2,830	3,141	3,431
Operating experience variance	-104	165	140	114	188	274	215	108	54
Operating assumption changes	3	-21	-29	10	-80	-26	-34	-26	-19
Finance costs on medium term notes	0	0	0	-26	-53	-76	-100	-100	-100
EV operating profit	2,412	3,105	3,491	3,977	4,535	5,068	5,724	6,189	7,015
Investment return variance	1,073	-297	933	345	720	-1,804	-470	3	-3
Effect of change in economic assumptions	-333	-26	-105	429	122	145	0	0	0
Other non operating variances	-150	18	-113	-154	23	369	97	0	0
Total EV profit	3,002	2,800	4,206	4,597	5,400	3,778	5,351	6,192	7,011
Dividends	0	-170	-530	-595	-689	-814	-1,124	-1,318	-1,542
Other capital movements	0	-89	-42	11	-14	-12	0	0	0
Effect of changes in exchange rates	780	-50	535	-760	-562	-1,907	-400	-1,100	-1,200
Closing EV	24,748	27,239	31,408	33,818	37,153	38,198	42,024	45,798	50,068
Number of shares	12,044	12,044	12,044	12,044	12,045	12,048	12,051	12,054	12,057
EV per share	2.05	2.26	2.61	2.81	3.08	3.17	3.49	3.80	4.15

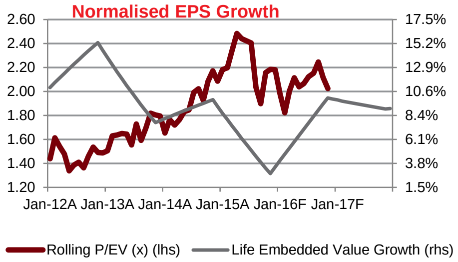
SOURCES: CIMB ESTIMATES, COMPANY REPORTS

BY THE NUMBERS

P/NB vs NB Growth



12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth



Profit & Loss

(US$m)	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Revenue	17,229	18,812	20,035	22,188	24,875
Total Claims and Changes in Reserves	(17,119)	(18,524)	(19,635)	(21,640)	(24,146)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(1,862)	(1,761)	(1,791)	(1,842)	(1,894)
Investment Income on Tech Reserve	5,352	5,645	6,124	6,625	7,069
Insurance Profit / (Loss)	3,490	3,884	4,333	4,782	5,175
Total Other Technical Income	14	0	0	0	0
Total Other Revenues	**0**	**0**	**0**	**0**	**0**
Total Operating Costs	**0**	**0**	**0**	**0**	**0**
Other Technical Income / (Loss)					
Depreciation And Amortisation	**0**	**0**	**0**	**0**	**0**
Operating Profit	**3,504**	**3,884**	**4,333**	**4,782**	**5,175**
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Post-Tax Oper. Earnings - Life/Other Biz					
Head Office Costs					
Non-Operating Income/(Expense)	**0**	**0**	**0**	**0**	**0**
Net Interest Income	**0**	**0**	**0**	**0**	**0**
Investment Income on Shareholders Fund					
Other Income	540	(518)	413	333	333
Exceptional Items					
Pre-tax Profit	**4,044**	**3,366**	**4,746**	**5,115**	**5,507**
Taxation	(579)	(655)	(731)	(806)	(873)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	**3,465**	**2,711**	**4,016**	**4,308**	**4,635**
Minority Interests	(15)	(20)	(22)	(25)	(27)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	**3,450**	**2,691**	**3,993**	**4,284**	**4,608**

Operating Ratios

	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Premium Retention Ratio (life & Health)					
Benefits Ratio (life & Health)	(99.4%)	(98.5%)	(98.0%)	(97.5%)	(97.1%)
Acquisition Expense Ratio (life & Health)	0%	0%	0%	0%	0%
Admin Expense Ratio (life & Health)	0%	0%	0%	0%	0%
Total Expense Ratio (life & Health)	11.4%	10.9%	10.9%	10.8%	10.5%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(87.9%)	(87.6%)	(87.1%)	(86.8%)	(86.5%)
Underwriting Profit Margin (life & Health)	(10.8%)	(9.4%)	(8.9%)	(8.3%)	(7.6%)
Operating Profit Margin (life & Health)	20.3%	20.6%	21.6%	21.6%	20.8%

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS… cont'd

Balance Sheet

(US$m)	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Fixed Assets					
Intangible Assets	0	0	0	0	0
Other Long Term Assets	166,919	167,622	184,687	201,481	219,905
Total Non-current Assets	**166,919**	**167,622**	**184,687**	**201,481**	**219,905**
Total Cash And Equivalents	0	0	0	0	0
Trade Debtors					
Other Current Assets	0	0	0	0	0
Total Current Assets	**0**	**0**	**0**	**0**	**0**
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding	113,097	115,870	124,676	135,897	148,128
Other Current Liabilities	0	0	0	0	0
Total Current Liabilities	**113,097**	**115,870**	**124,676**	**135,897**	**148,128**
Total Long-term Debt	2,934	3,195	3,515	3,866	4,253
Hybrid Debt - Debt Component					
Other Liabilities	19,933	19,017	20,848	23,100	25,844
Total Non-current Liabilities	**22,867**	**22,212**	**24,363**	**26,966**	**30,096**
Total Technical & Other Provisions	**0**	**0**	**0**	**0**	**0**
Total Liabilities	**135,964**	**138,082**	**149,039**	**162,863**	**178,224**
Shareholders' Equity	30,806	29,401	35,480	38,437	41,484
Minority Interests	149	139	168	182	196
Total Equity	**30,955**	**29,540**	**35,648**	**38,618**	**41,680**
Life Embedded Value	37,153	38,198	42,024	45,798	50,068

Key Ratios

	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Net Premium Growth	8.6%	9.2%	6.5%	10.7%	12.1%
Operating Profit Growth (Life & Health)	13.7%	10.8%	11.6%	10.4%	8.2%
Value Of New Life Business Growth (after-tax)	23.8%	19.1%	28.0%	9.0%	19.0%
Life Embedded Value Growth	9.9%	2.8%	10.0%	9.0%	9.3%
Pre-tax Margin	23.5%	17.9%	23.7%	23.1%	22.1%
Net Profit Margin	20.0%	14.3%	19.9%	19.3%	18.5%
Effective Tax Rate	14.3%	19.5%	15.4%	15.8%	15.8%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Return On Average Assets	2.20%	1.62%	2.28%	2.23%	2.20%
Net Gearing	8.70%	9.80%	9.01%	9.14%	9.30%
Financial Leverage	5.66	5.56	5.43	5.22	5.27
Equity / Assets	18.5%	17.5%	19.2%	19.1%	18.9%

Key Drivers

	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Industry gross premium grth (%)	N/A	N/A	N/A	N/A	N/A
Gross Premium Growth (%)	8.6	9.2	6.5	10.7	12.1
Gross Premium Mkt share (%)	N/A	N/A	N/A	N/A	N/A
Claims Ratio (%)	75.8	75.7	75.1	75.1	75.6
Net Commission Ratio (%)	8.7	8.4	8.4	8.3	8.2
Net Premium Market Share (%)	N/A	N/A	N/A	N/A	N/A
Management Expense Ratio (%)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

DISCLAIMER

#01

The content of this report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by and belongs to CIMB and is distributed by CIMB.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the “Restrictions on Distributions” set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. CIMB may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. CIMB is under no obligation to update this report in the event of a material change to the information contained in this report. CIMB has no, and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant, (ii) ensure that the content of this report constitutes all the information a prospective investor may require, (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, CIMB, or any of their respective affiliates, or its related persons (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, CIMB disclaims all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon sources which CIMB considers to be reasonable. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research.

Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CIMB or its affiliates to any person to buy or sell any investments.

CIMB, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CIMB or its affiliates may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CIMB may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. CIMB prohibits the analyst(s) who prepared this research report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

Reports relating to a specific geographical area are produced by the corresponding CIMB entity as listed in the table below. The term “CIMB” shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, CIMB Group Holdings Berhad ("**CIMBGH**") and its affiliates, subsidiaries and related companies.

Country	**CIMB Entity**	**Regulated by**
Hong Kong	CIMB Securities Limited	Securities and Futures Commission Hong Kong
India	CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Indonesia	PT CIMB Securities Indonesia	Financial Services Authority of Indonesia
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia
Singapore	CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CIMB Securities Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Taiwan	CIMB Securities Limited, Taiwan Branch	Financial Supervisory Commission
Thailand	CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

(i) As of November 11, 2016 CIMB has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) AIA Group

(ii) As of November 15, 2016, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

This report does not purport to contain all the information that a prospective investor may require. CIMB or any of its affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Neither CIMB nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Australia: Despite anything in this report to the contrary, this research is provided in Australia by CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a "wholesale client". This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited do not hold, and are not required to hold an Australian financial services licence. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited rely on "passporting" exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).

Canada: This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 – Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada. For any research report distributed by CIBC, further disclosures related to CIBC conflicts of interest can be found at https://researchcentral.cibcwm.com .

China: For the purpose of this report, the People's Republic of China ("PRC") does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Germany: This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act (WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.

The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.

Hong Kong: This report is issued and distributed in Hong Kong by CIMB Securities Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK.

CIMB Securities Limited does not make a market on the securities mentioned in the report.

None of the analyst(s) or the associates serve as an officer of the listed corporation mentioned in this report.

CIMB does not have an officer serving in any of the listed corporation mentioned in this report

CIMB does not receive any compensation or other benefits from any of the listed corporation mentioned, relating to the production of research reports.

India: This report is issued and distributed in India by CIMB Securities (India) Private Limited ("CIMB India") which is registered with SEBI as a stock-broker under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992, the Securities and Exchange Board of India (Research Analyst) Regulations, 2014 (SEBI Registration Number INH000000669) and in accordance with the provisions of Regulation 4 (g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CIMB India is not required to seek registration with SEBI as an Investment Adviser.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from equity stock broking and merchant banking of CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CIMB India or its affiliates."

Indonesia: This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This research report is not an offer of securities in Indonesia. The securities referred to in this research report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

Ireland: CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

Malaysia: This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB") solely for the benefit of and for the exclusive use of our clients. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update, revise or reaffirm its opinion or the information in this research reports after the date of this report.

New Zealand: In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

Singapore: This report is issued and distributed by CIMB Research Pte Ltd ("CIMBR"). CIMBR is a financial adviser licensed under the Financial Advisers Act, Cap 110 ("FAA") for advising on investment products, by issuing or promulgating research analyses or research reports, whether in electronic, print or other form. Accordingly CIMBR is a subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CIMB Research Pte Ltd, 50 Raffles Place, #19-00 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CIMBR has no obligation to update its opinion or the information in this research report. This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CIMBR directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CIMBR is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following :

(a) Section 25 of the FAA (obligation to disclose product information);

(b) Section 27 (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation) of the FAA;

(c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];

(d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];

(e) Section 36 (obligation on disclosure of interest in securities), and

(f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which are relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that a CIMBR is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA.

CIMB Research Pte Ltd ("CIMBR"), its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMBR, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of November 11, 2016, CIMBR does not have a proprietary position in the recommended securities in this report.

CIMB Securities Singapore Pte Ltd and/or CIMB Bank does not make a market on the securities mentioned in the report.

South Korea: This report is issued and distributed in South Korea by CIMB Securities Limited, Korea Branch ("CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea ("FSCMA").

Spain: This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Switzerland: This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers' Association (Directives on the Independence of Financial Research).

Taiwan: This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer or a placement within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

Thailand: This report is issued and distributed by CIMB Securities (Thailand) Company Limited ("CIMBS") based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CIMBS has no obligation to update its opinion or the information in this research report.

If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient are unaffected.

CIMB Securities (Thailand) Co., Ltd. may act or acts as Market Maker, and issuer and offerer of Derivative Warrants and Structured Note which may have the following securities as its underlying securities. Investors should carefully read and study the details of the derivative warrants in the prospectus before making investment decisions.

AAV, ADVANC, AMATA, ANAN, AOT, AP, BA, BANPU, BBL, BCH, BCP, BDMS, BEAUTY, BEC, BEM, BH, BJCHI, BLA, BLAND, BTS, CBG, CENTEL, CHG, CK, CKP, COM7, CPALL, CPF, CPN, DELTA, DTAC, EGCO, EPG, ERW, GL, GLOBAL, GLOW, GPSC, GUNKUL, HANA, HMPRO, ICHI, IFEC, INTUCH, IRPC, ITD, IVL, JWD, KBANK, KCE, KKP, KTB, KTC, LH, LHBANK, LPN, MAJOR, MINT, MTLS, PLANB, PS, PTG, PTT, PTTEP, PTTGC, QH, ROBINS, RS, S, SAMART, SAWAD, SCB, SCC, SGP, SIRI, SPALI, SPCG, STEC, STPI, SVI, TASCO, TCAP, THAI, THCOM, TISCO, TMB, TOP, TPIPL, TRC, TRUE, TTA, TTCL, TTW, TU, TVO, UNIQ, VGI, VNG, WHA, WORK.

Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom: In the United Kingdom and European Economic Area, this report is being disseminated by CIMB Securities (UK) Limited ("CIMB UK"). CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London, SW1X7YB. Unless specified to the contrary, this report has been issued and approved for distribution in the U.K. and the EEA by CIMB UK. Investment research issued by CIMB UK has been prepared in accordance with CIMB Group's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. This report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (c) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom subject to relevant regulation in each jurisdiction, or (e) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with any investments to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Where this report is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent "investment research" under the applicable rules of the Financial Conduct Authority in the UK. Consequently, any such non-independent report will not have been prepared in accordance with legal requirements designed to promote the independence of investment research and will not subject to any prohibition on dealing ahead of the dissemination of investment research. Any such non-independent report must be considered as a marketing communication.

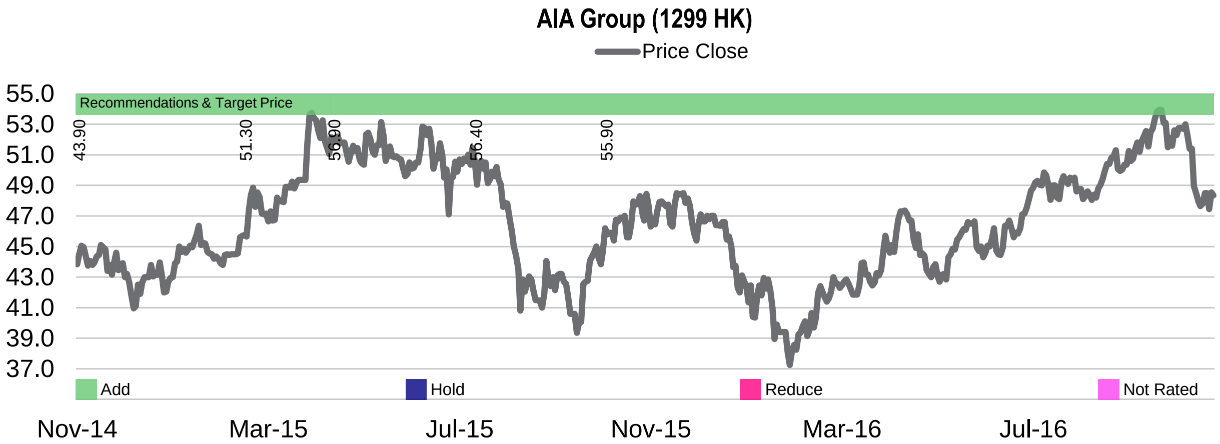
United States: This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S. registered broker-dealer and a related company of CIMB Research Pte Ltd, CIMB Investment Bank Berhad, PT CIMB Securities Indonesia, CIMB Securities (Thailand) Co. Ltd, CIMB Securities Limited, CIMB Securities (India) Private Limited, and is distributed solely to persons who qualify as "U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

CIMB Securities (USA) Inc does not make a market on the securities mentioned in the report.

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2016 1598 companies under coverage for quarter ended on 30 September 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.7%	7.5%
Hold	31.7%	2.8%
Reduce	9.8%	0.6%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP - Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP - Excellent, 5, BEM – not available, no progress, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC - Good, 3B, BH - Good, 2, BIGC - Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, 1, BTS - Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN - Excellent, 5, DELTA - Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO - Excellent, 4, EPG – not available, 3B, GFPT - Very Good, 3A, GLOBAL – Very Good, 2, GLOW - Good, 3A, GPSC – not available, 3B, GRAMMY - Excellent, 3B, GUNKUL – Very Good, 1, HANA - Excellent, 4, HMPRO - Excellent, 3A, ICHI – Very Good, 3A, INTUCH - Excellent, 4, ITD – Good, 1, IVL - Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK - Excellent, 4, KCE - Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB - Excellent, 4, KTC – Very Good, 3A, LH - Very Good, 3B, LPN – Excellent, 3A, M - Good, 2, MAJOR - Good, 1, MAKRO – Good, 3A, MALEE – not available, 2, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT - Excellent, 3A, MTLS – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL - Excellent, 4, PTT - Excellent, 5, PTTEP - Excellent, 4, PTTGC - Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SAMART - Excellent, 3B, SAPPE - Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB - Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCN – Good, 1, SCCC - Good, 3A, SIM - Excellent, 3B, SIRI - Good, 1, SPALI - Excellent, 3A, SPRC – not available, no progress, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TASCO – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO - Excellent, 4, TK – Very Good, 3B, TKN – not available, no progress, TMB - Excellent, 4, TPCH – Good, 3B, TOP - Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, UNIQ – not available, 2, VGI – Excellent, 3A, WHA – Good, 3A, WORK – not available, no progress.

Comprises level 1 to 5 as follows:

Level 1: Committed
Level 2: Declared
Level 3: Established (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 4: Certified
Level 5: Extended.

CIMB Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.