

Hong Kong

Overweight (no change)

Highlighted Companies

AIA Group
ADD, TP HK\$91.00, HK\$63.00 close
 AIA Group is our sector top pick. We see significant new business premium growth potential in China driving continued operational outperformance vs. peers and we think its 2023 underperformance offers a highly attractive entry point.

Ping An Insurance
ADD, TP HK\$80.00, HK\$32.55 close
 We believe Ping An Insurance is well placed to benefit from rebounding new business value growth, on the back of its strong agent force, the benefits of its completed agent reform, and strong demand for savings insurance products.

Prudential PLC
ADD, TP HK\$114.0, HK\$80.5 close
 We see numerous tailwinds for Prudential (Pru) in the medium and long term, which could drive a closing of its sizeable P/EV valuation gap vs. AIA. We think changes that could be introduced by its incoming new CEO are positive.

Summary Valuation Metrics

P/E (x)	Dec-23F	Dec-24F	Dec-25F
AIA Group	28.81	12.52	11.54
Ping An Insurance	3.54	2.76	2.35
Prudential PLC	20.69	12.93	10.80

P/BV (x)	Dec-23F	Dec-24F	Dec-25F
AIA Group	2.64	2.40	2.10
Ping An Insurance	0.55	0.47	0.40
Prudential PLC	1.60	1.46	1.33

Dividend Yield	Dec-23F	Dec-24F	Dec-25F
AIA Group	2.44%	2.58%	2.80%
Ping An Insurance	8.79%	10.06%	11.90%
Prudential PLC	1.34%	1.28%	1.42%

Analyst(s)



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Insurance - Life

MCV: The differences post-pandemic

- We are confident that the average case sizes of MCV insurance policies in FY24F-25F can remain well above pre-pandemic norms.
- This is mainly because we see the post-pandemic shift towards brokers, savings products and shorter-duration payment products continuing.
- We believe US\$122.6bn of non-Rmb mainland China household deposits in Nov 2023 (Fig 20) represents a potential profit pool for HK insurers' MCV.
- With China's stable forex reserves, we think MCV-related policy risks appear low. Retain sector Overweight. Sector top picks: AIA and Prudential (Pru).

Average MCV insurance policy case sizes could remain high

We are confident that the case sizes of insurance policies purchased by Mainland Chinese visitors (MCV) in HK in FY24F-25F could stay well above pre-pandemic levels. A persistent investor concern has been the sustainability of these large case sizes, with 9M23 system MCV average policy case size at 3.2x 2018's levels (Fig 3). Higher case sizes in 9M23 vs. 2018 were due to: 1) greater reliance on the broker channel to drive MCV sales, which have larger case sizes (Fig 4), 2) a higher mix of shorter-duration premium-payment products (Fig 10) plus savings insurance and whole life policies (Fig 11), and 3) a higher mix of single premiums within first-year premiums (Fig 24). We see these factors largely persisting in FY24F-25F (see [Resilience in MCV insurance demand](#), dated 4 Dec 2023).

Some signs of a turnaround in the falling agent number trend

Recent HK agent data is encouraging, in our view, with Dec 2023's 1.1% mom rise in agent numbers being the second consecutive mom increase of more than 1% (Fig 26). Nevertheless, agent numbers still slumped 11% yoy in Dec 2023, despite the rapid recovery of the MCV insurance business and announcement of more aggressive agent growth targets by major HK insurers in early-2023 (Fig 28). While Dec 2023's growth rate has improved from Jul 2023's -17% yoy lows, it is still markedly worse vs. pre-pandemic agent growth of 23% yoy in Aug 2019 (Fig 25). We believe that agent number growth is important, as the agent channel is higher-margin and less subject to price competition than the broker channel ([HK Insurance: The battle for MCV heats up in HK](#), dated 10 Aug 2023).

US\$122.6bn non-Rmb deposits in China a potential profit pool

People's Bank of China (PBOC) data indicates US\$122.6bn of non-Rmb household deposits in Mainland China as of Nov 2023; we think that this represents a potential profit pool for HK insurers' MCV business (Fig 20). To put things in perspective, MCV insurance sold in HK in 9M23 only totalled US\$6bn on an unweighted basis and US\$3.9bn on a weighted basis. With Tier 1 cities closer to HK seeing a greater fall in non-Rmb deposits than those further away (Fig 1), we think this suggests that people in these regions may be going to HK to buy higher-yielding US\$ insurance policies.

Reiterate sector Overweight; Sector top picks are AIA and Pru

Unlike pre-pandemic, we think that MCV-related policy risks are still low, with China's forex reserves remarkably stable over 2020-23 (in marked contrast to the 2014-16 period; Fig 31). Our sector OW call is premised on favourable new business premium growth trends amid inexpensive valuations. Potential re-rating catalysts: stronger-for-longer MCV insurance demand and faster agent growth. Key downside risks: stricter capital controls on HK insurance products and a global recession hurting insurance demand.



Figure 2: Sector comparison

Ticker	Rec	Market Cap (US\$bn)	Price (Lcy)	Target Price (Lcy)	+/- (%)	P/EV (x)		VONB multiple (x)		P/BV (x)		Group ROEV (%)		ROE (%)		P/E (x)		Dividend yield (%)		
						FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F
China Life	2628 HK	Add	98.05	9.28	17.00	83%	0.17x	0.15x	-34.3x	-34.1x	0.5x	0.4x	11.1x	10.9x	14.3x	14.3x	3.5x	3.2x	10.5	11.5
Ping An	2318 HK	Add	96.17	32.55	80.00	146%	0.36x	0.33x	-31.1x	-31.6x	0.6x	0.5x	14.1x	12.5x	17.1x	17.3x	3.3x	2.8x	8.8	9.8
CPIC	2601 HK	Add	28.74	15.10	32.10	113%	0.24x	0.22x	-40.8x	-41.2x	0.6x	0.5x	12.0x	10.3x	11.6x	11.4x	4.6x	4.3x	8.3	9.6
NCI	1336 HK	Hold	11.24	14.36	20.70	44%	0.15x	0.14x	-81.1x	-77.7x	0.4x	0.3x	8.9x	7.7x	12.0x	13.8x	3.3x	2.6x	10.4	13.1
PICC P&C	2328 HK	Add	26.37	9.74	10.20	5%	n.a.	n.a.	n.a.	n.a.	0.9x	0.8x	n.a.	n.a.	13.3x	12.5x	6.9x	6.8x	5.8	5.9
AIA	1299 HK	Add	97.97	63.00	91.00	44%	1.38x	1.28x	6.0x	3.7x	2.6x	2.4x	7.2x	12.7x	9.8x	19.9x	26.0x	12.5x	2.4	2.6
Pru	2378 HK	Add	29.49	80.50	114.00	42%	0.63x	0.56x	-5.7x	-6.0x	1.6x	1.5x	10.5x	13.9x	7.8x	11.7x	20.7x	12.9x	1.3	1.3
Manulife	945 HK	NR	35.13	168.50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.3x	1.2x	n.a.	n.a.	14.2x	14.6x	8.9x	8.3x	5.0	5.3
HK-listed weighted average							0.59x	0.54x	-22.2x	-22.8x	1.2x	1.0x	10.8x	11.9x	13.5x	16.2x	9.9x	6.0x	7.3	8.1
HK-listed weighted average ex AIA, Pru and Manulife							0.25x	0.23x	-36.0x	-36.0x	0.6x	0.5x	12.3x	11.3x	14.8x	14.9x	3.9x	3.5x	9.1	10.2

*CPIC: China Pacific Insurance Company; NCI: New China Life Insurance; PICC P&C: PICC (The People's Insurance Company of China) Property & Casualty; Pru: Prudential plc
 SHARE PRICE DATA AS OF 8 JAN 2023

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Note: Estimates for Not Rated (NR) companies are based on Bloomberg consensus

MCV: The differences post-pandemic

Figure 3: Average MCV insurance case sizes (regular premiums vs. single premiums) (HK\$)

(HK\$)	Regular premium policies	Single premium policies	All policies
2006	50,941	723,219	131,752
2007	56,154	892,619	183,634
2008	56,950	821,607	119,212
2009	64,083	850,650	90,467
2010	70,832	1,175,066	96,520
2011	71,343	1,876,693	96,958
2012	73,727	3,133,138	118,925
2013	73,232	4,170,145	138,084
2014	73,153	5,049,491	152,596
2015	75,415	3,875,420	128,679
2016	105,836	2,803,353	177,055
2017	84,156	2,562,124	124,104
2018	82,717	1,986,939	102,597
2019	104,930	1,953,732	125,732
2020	173,751	3,632,158	232,730
2021	80,797	1,866,108	155,454
2022	158,764	4,269,829	358,885
1Q23	186,553	3,015,042	278,606
2Q23	218,353	4,547,735	397,175
3Q23	212,827	2,907,414	290,504
9M23	208,599	3,703,817	329,730
3Q23 qoq	-2.5%	-36.1%	-26.9%
Ratio of 3Q23 to 2018	2.6x	1.5x	2.8x
Ratio of 9M23 to 2018	2.5x	1.9x	3.2x

SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY (IA)

Figure 4: Average policy size in the agent and broker channels for selected insurers

(HK\$)	AIA	Pru	Manulife	FWD	System
3Q23					
<i>Agent channel</i>					
Regular premium	49,675	76,955	26,504	23,470	49,125
Single premium	603,113	286,871	548,964	661,727	495,846
<i>Broker channel</i>					
Regular premium	192,659	276,463	372,281	134,987	293,962
Single premium	1,889,715	3,035,842	9,479,546	3,781,526	5,438,319
2Q23					
<i>Agent channel</i>					
Regular premium	56,133	97,717	29,834	21,950	59,215
Single premium	571,323	453,879	460,078	914,086	515,083
<i>Broker channel</i>					
Regular premium	213,478	349,930	381,797	173,161	303,290
Single premium	1,514,046	1,586,229	10,510,905	3,200,673	6,984,450
1Q23					
<i>Agent channel</i>					
Regular premium	52,296	92,565	30,005	33,308	52,892
Single premium	508,011	453,821	396,786	1,132,590	476,595
<i>Broker channel</i>					
Regular premium	189,226	261,882	307,647	56,949	213,271
Single premium	1,948,778	615,955	11,932,919	3,170,879	3,926,407
FY19					
<i>Agent channel</i>					
Regular premium	33,353	52,573	16,866	41,416	36,959
Single premium	596,248	587,942	486,752	2,681,395	557,242
<i>Broker channel</i>					
Regular premium	86,765	110,579	136,130	249,622	194,834
Single premium	7,544,287	900,132	12,544,185	3,957,602	5,825,995
FY18					
<i>Agent channel</i>					
Regular premium	34,732	50,978	28,072	35,317	39,039
Single premium	557,691	611,973	432,716	1,756,726	503,388
<i>Broker channel</i>					
Regular premium	75,817	100,158	40,761	218,532	121,137
Single premium	9,173,073	814,186	16,525,464	2,308,002	5,192,817

SOURCE: CGS-CIMB RESEARCH, IA

Figure 5: System mix of new business premiums (annualised new premium [ANP] weighted) by distribution channel, by quarter

	Agent	Bancassurance	Broker	Other	Total
1Q18	27%	54%	18%	1%	100%
2Q18	33%	50%	16%	1%	100%
3Q18	36%	47%	17%	1%	100%
4Q18	46%	37%	15%	1%	100%
1Q19	25%	57%	17%	1%	100%
2Q19	29%	45%	24%	2%	100%
3Q19	32%	46%	21%	1%	100%
4Q19	48%	38%	14%	1%	100%
1Q20	25%	58%	16%	1%	100%
2Q20	22%	62%	13%	4%	100%
3Q20	26%	58%	13%	3%	100%
4Q20	41%	38%	17%	5%	100%
1Q21	21%	62%	14%	3%	100%
2Q21	23%	52%	17%	8%	100%
3Q21	25%	55%	18%	2%	100%
4Q21	40%	39%	19%	3%	100%
1Q22	21%	54%	22%	3%	100%
2Q22	28%	49%	19%	3%	100%
3Q22	34%	50%	14%	2%	100%
4Q22	48%	36%	14%	2%	100%
1Q23	31%	53%	15%	1%	100%
2Q23	32%	36%	30%	2%	100%
3Q23	28%	43%	27%	2%	100%

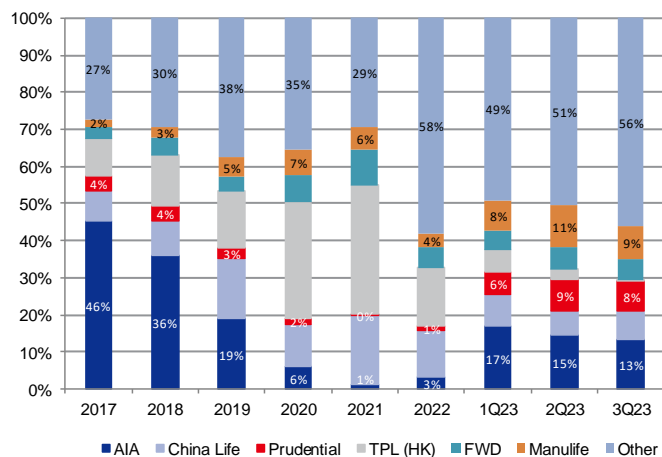
SOURCE: CGS-CIMB RESEARCH, IA

Figure 6: System growth yoy of new business premiums (ANP weighted) by distribution channel, by quarter

	Agent	Bancassurance	Broker	Other	Total
1Q18	-10%	19%	-12%	25%	3%
2Q18	18%	11%	32%	31%	16%
3Q18	15%	4%	41%	-24%	13%
4Q18	22%	-5%	15%	14%	9%
1Q19	14%	34%	16%	110%	26%
2Q19	26%	31%	117%	290%	45%
3Q19	2%	11%	46%	123%	15%
4Q19	-16%	-16%	-26%	-45%	-18%
1Q20	-37%	-37%	-42%	-19%	-37%
2Q20	-62%	-32%	-73%	-20%	-50%
3Q20	-43%	-10%	-57%	99%	-29%
4Q20	-37%	-26%	-10%	355%	-26%
1Q21	-15%	6%	-11%	95%	-1%
2Q21	9%	-15%	35%	123%	2%
3Q21	-8%	-10%	28%	-38%	-5%
4Q21	8%	14%	24%	-39%	11%
1Q22	-28%	-36%	15%	-25%	-27%
2Q22	-12%	-31%	-22%	-71%	-28%
3Q22	-19%	-47%	-54%	-41%	-41%
4Q22	-30%	-48%	-58%	-58%	-43%
1Q23	124%	50%	4%	-32%	53%
2Q23	134%	47%	224%	32%	105%
3Q23	91%	98%	357%	90%	131%

SOURCE: CGS-CIMB RESEARCH, IA

Figure 7: Market share of the broker channel for HK individual ANP



SOURCES: CGS-CIMB RESEARCH, IA

Figure 8: Market share of the broker channel in 9M23, 1H23 and 3Q23 (by HK ANP) vs. 2018 and 2016 (%)

No. Insurer	9M23	1H23	3Q23	2018	2016
1 AIA	14.6	15.3	13.4	36.1	29.3
2 FT Life	10.8	12.3	8.2	5.5	1.4
3 BOC Life	10.6	8.6	14.3	2.6	2.4
4 Manulife	9.8	10.4	8.6	2.7	0.8
9 Sun Life	8.7	6.2	13.2	1.8	2.7
5 Axa	8.4	9.6	6.3	4.7	2.8
6 Prudential	8.0	7.9	8.1	4.2	12.2
8 China Life	7.2	7.0	7.5	9.1	28.7
7 YF Life	6.6	7.3	5.3	1.7	2.0
10 FWD	5.7	5.6	5.8	4.6	3.5
11 TP Life	2.5	3.7	0.4	13.6	3.8
Total of 11 insurers	92.8	93.8	91.0	86.6	89.6

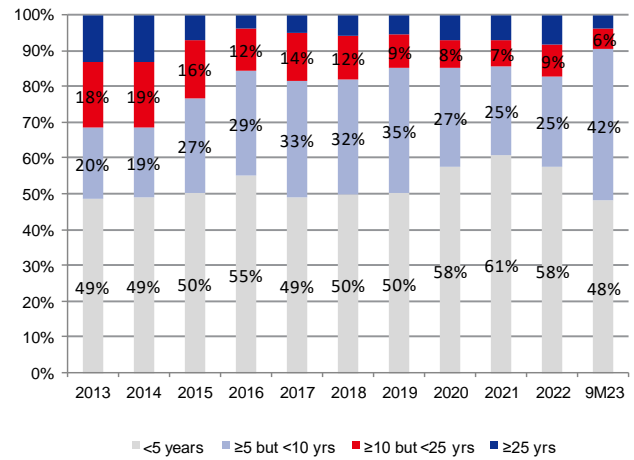
SOURCES: CGS-CIMB RESEARCH, IA

Figure 9: Growth yoy of HK system's first-year premiums by premium-payment duration

	Single	<5 years	≥5 but <10 yrs	≥10 but <25 yrs	≥25 yrs
2016	19%	79%	78%	19%	-10%
2017	-15%	-26%	-7%	-4%	7%
2018	-7%	13%	10%	1%	29%
2019	-15%	21%	29%	-10%	16%
2020	18%	-31%	-52%	-49%	-25%
2021	60%	2%	-13%	-14%	0%
2022	-6%	-41%	-37%	-24%	-28%
1Q23	-18%	31%	209%	78%	-6%
2Q23	8%	52%	445%	68%	21%
3Q23	-10%	152%	269%	49%	9%
9M23	-6%	64%	297%	63%	8%

SOURCES: CGS-CIMB RESEARCH, IA

Figure 10: Premium duration structure of the HK life insurance industry's regular premiums (new business) of its individual life business



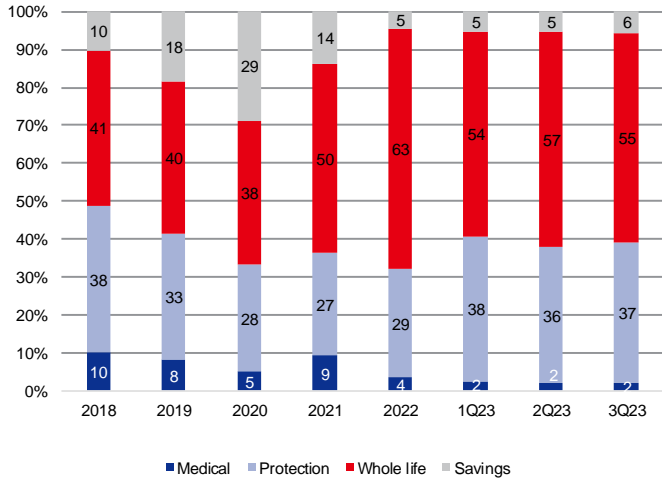
SOURCES: CGS-CIMB RESEARCH, IA

Figure 11: Mix of life insurance products bought by MCV in HK across time

(%)	2016	2017	2018	2019	2020	2021	2022	1Q23	2Q23	3Q23
Whole life	53.2	58.3	58.0	55.6	45.2	48.5	69.7	83.2	83.0	82.4
Endowment	18.8	9.0	4.8	11.1	37.1	15.6	6.2	4.4	4.7	5.7
Universal life	8.1	7.9	9.9	12.4	6.1	6.3	5.5	2.6	2.0	1.8
Term Life	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.1	0.1	0.1
Medical	0.2	0.3	0.3	0.3	0.4	1.9	1.3	0.2	0.2	0.2
Critical illness	11.1	14.7	16.6	12.8	7.3	15.3	9.3	4.7	4.3	4.5
Annuities	0.6	0.9	1.6	6.5	2.8	2.2	3.9	4.1	5.2	4.8
Other	6.2	7.1	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accident & sickness (medical) rider	0.6	0.6	0.6	0.4	0.3	1.4	0.8	0.2	0.2	0.2
Accident & sickness (non-medical) riders	0.3	0.3	0.2	0.1	0.0	0.2	0.1	0.0	0.0	0.0
Riders other than accident & sickness	0.1	0.1	0.1	0.1	0.3	5.1	1.8	0.0	0.0	0.0
Unit-linked	0.7	0.8	0.9	0.6	0.4	3.4	1.2	0.4	0.4	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCES: CGS-CIMB RESEARCH, IA

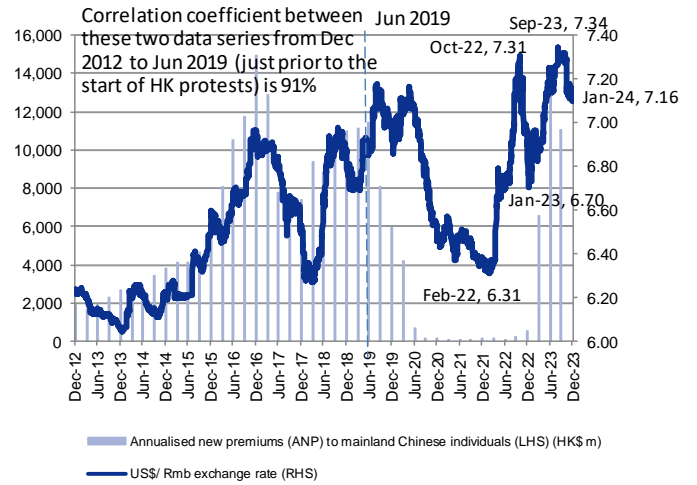
Figure 12: Mix of ANP of insurance policies sold to MCV in HK (%)



SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

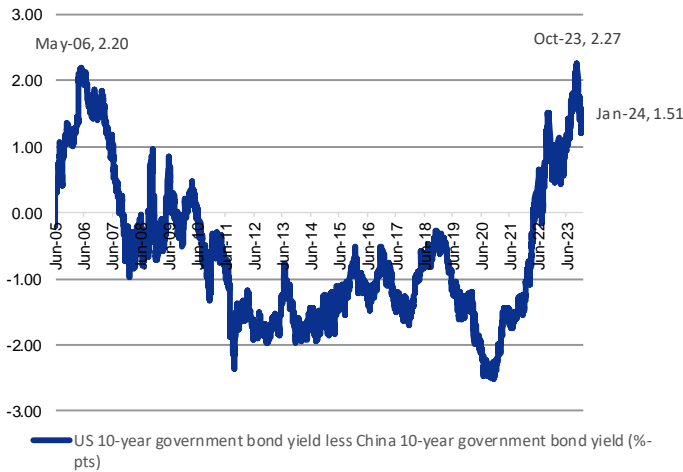
We include medical reimbursement, critical illness and health insurance riders in the medical category. We include term life, other protection and non-medical riders in the protection category. We include universal life, endowment and annuities in the savings category. In our view, whole life policies are a hybrid between savings and protection.

Figure 13: There had been a very strong visible relationship between the US\$/Rmb exchange rate and ANP for insurance sold to mainland Chinese individuals in Dec 2012-Jun 2019 (correlation co-efficient of 91%).



SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY, BLOOMBERG

Figure 14: The gap between the US and China 10-year government bond yields has been positive since Jul 2022, after being consistently negative since Jul 2010, and is now at a record high (at least since data became available in 2005)



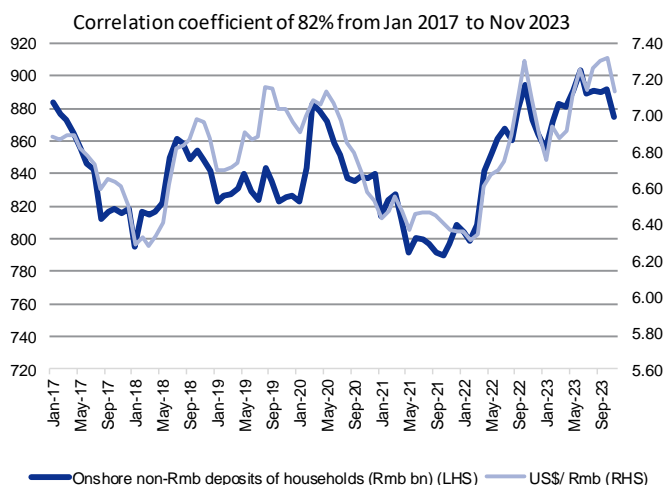
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 15: China's treasury bond yields have been trending downwards, with its 10-year treasury bond yield recently falling to a record low



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 16: There is a clear strong correlation between onshore non-Rmb household deposits and the US\$/Rmb exchange rate since the start of 2017



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 17: The correlation coefficient between onshore non-Rmb deposits and the US\$/Rmb exchange rate was the highest during the pandemic when the mainland China travel border was closed

Correlation coefficient between onshore non-Rmb deposits and the US\$/ Rmb exchange rate	
Jan 2017 - Jan 2020	53%
Feb 2020 - Jan 2023	91%
Feb 2023 - Nov 2023	66%
Jan 2017 - Nov 2023	82%

SOURCES: CGS-CIMB RESEARCH, WIND, PBOC, BLOOMBERG

Figure 18: There has been a marked shift from onshore China non-Rmb deposits to placing US\$ funds in HK for MCV in the 3 years pre-pandemic, as well as in 2023-YTD

	Change in onshore non-Rmb household deposits for mainland Chinese (Rmb bn)	MCV insurance premiums during period (Rmb bn)	Change in onshore non-Rmb household deposits for mainland Chinese plus MCV insurance premiums (Rmb bn)	Percentage mix to MCV insurance	US\$/Rmb
2015	140	26	166	16%	6.49
2016	293	63	356	18%	6.95
2017	-60	44	-16	-274%	6.51
2018	24	40	64	63%	6.88
2019	-16	38	23	168%	6.96
2020	14	6	20	31%	6.53
2021	-32	1	-31	-2%	6.36
2022	56	2	58	3%	6.90
9M23	26	43	69	62%	7.30
<i>of which:</i>					
1Q23	19	8	27	31%	6.87
2Q23	20	21	41	51%	7.25
3Q23	-13	14	1	1568%	7.30
4Q23 QTD	-15	n.a.	n.a.	n.a.	n.a.

SOURCES: CGS-CIMB RESEARCH, PBOC, WIND, INSURANCE AUTHORITY (IA)

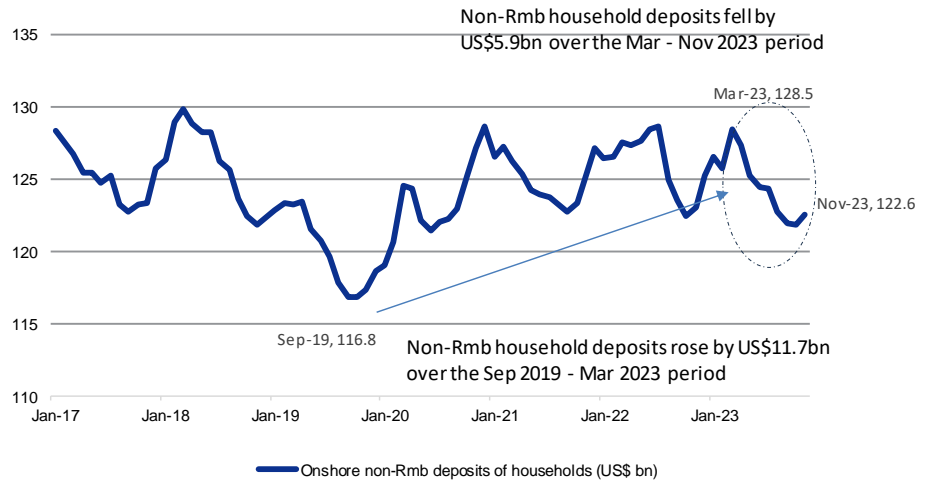
The changes above are yoy for annual periods, hoh for half-yearly periods, and qoq for quarterly periods; 4Q23 QTD is as of Nov 2023

Figure 19: Percentage change in non-Rmb deposits over the Feb 2023-Nov 2023 period in mainland China

	Shenzhen	Guangzhou	Beijing	Shanghai	Fujian	Chongqing	Nationwide
Percentage change in non-Rmb deposits over Feb - Nov 2023	-18%	-6%	2%	2%	-4%	-3%	2%

SOURCES: CGS-CIMB RESEARCH, WIND, PBOC

Figure 20: Non-Rmb household deposits fell in China by US\$5.9bn over Mar-Nov 2023, a marked turnaround from the US\$11.7bn rise over the Sep 2019-Mar 2023 period



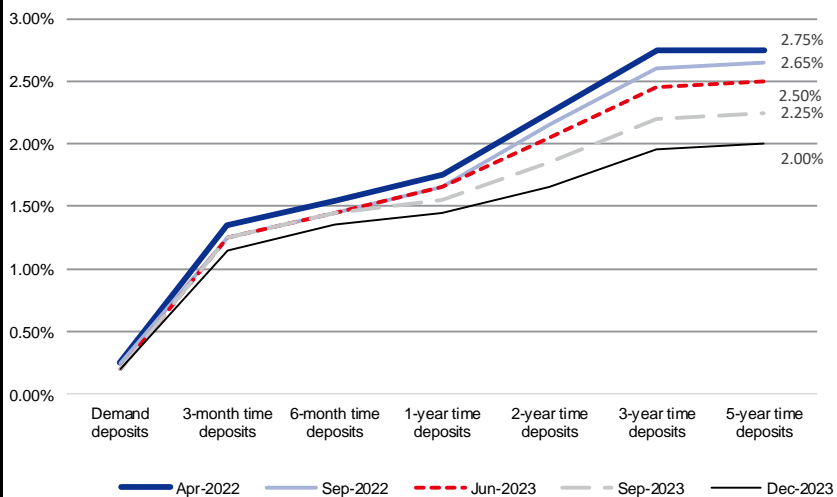
SOURCES: CGS-CIMB RESEARCH, PBOC

Figure 21: A summary of the advertised board rate cuts to Rmb deposits by China's big four banks plus BOCOM and CMB on their websites as of Jun 2023, Sep 2023 and Dec 2023; We believe that China banks also cut their US\$ deposit rates in Jul 2023

	Dec 2023 rate	Dec 2023 change	Sep 2023 change	Jun 2023 change
Demand deposits	0.20%	0bp	0bp	-5bp
3-month time deposits	1.15%	-10bp	0bp	0bp
6-month time deposits	1.35%	-10bp	0bp	0bp
1-year time deposits	1.45%	-10bp	-10bp	0bp
2-year time deposits	1.65%	-20bp	-20bp	-10bp
3-year time deposits	1.95%	-25bp	-25bp	-15bp
5-year time deposits	2.00%	-25bp	-25bp	-15bp

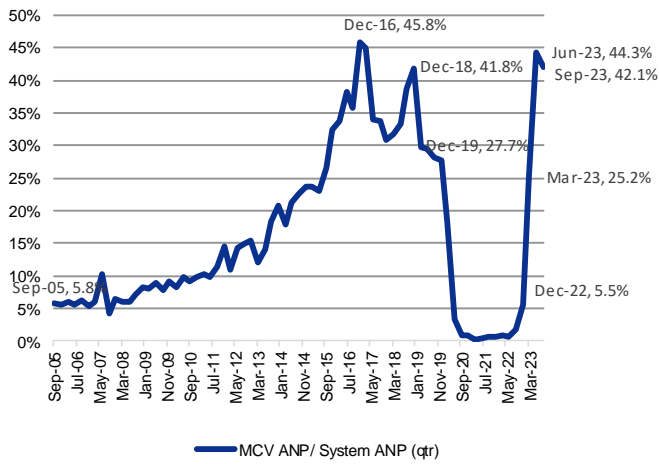
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 22: Time deposit rates for the 5-year tenor fell at a faster rate over the Apr 2022-Dec 2023 period, compared to other tenors, for China's big four banks



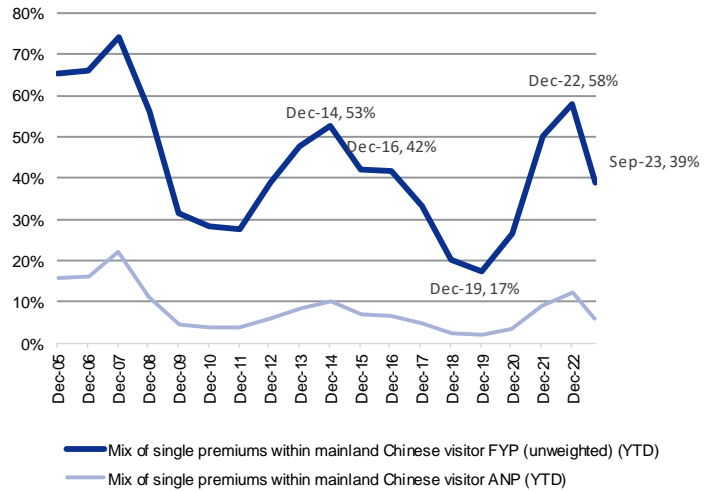
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG, SINA.COM

Figure 23: The mix of ANP from MCV to the HK system in 2Q23 of 44.3% has almost recovered back to 4Q16's peak of 45.8% (quarterly data)



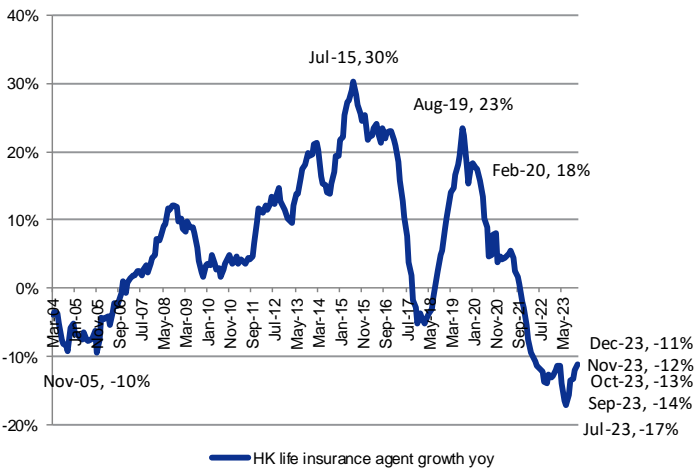
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, INSURANCE AUTHORITY

Figure 24: The mix of single premiums within MCV premiums had risen significantly during the pandemic and remains relatively elevated in 9M23



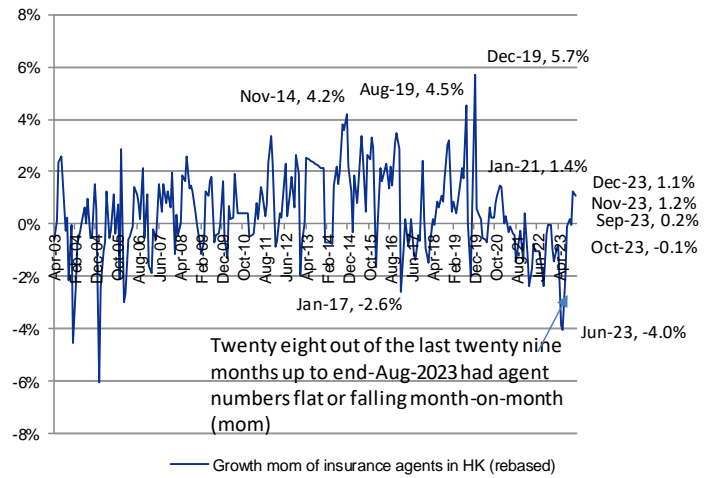
SOURCES: CGS-CIMB RESEARCH, IA

Figure 25: Since Apr 2022, the number of monthly HK life insurance agents has been falling yoy at a pace that has not been seen in at least 18 years



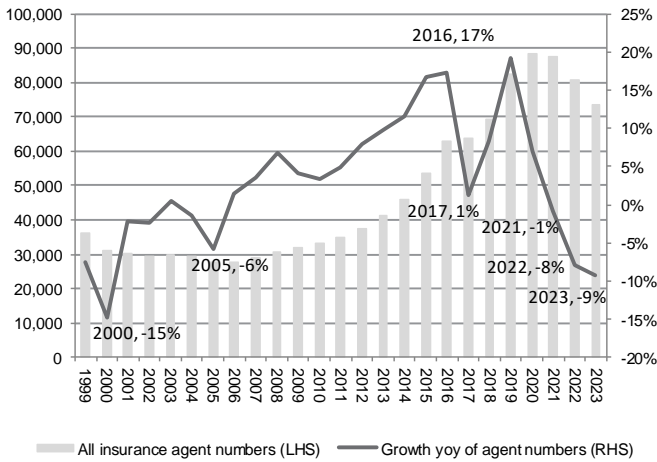
SOURCES: CGS-CIMB RESEARCH, IA, HONG KONG FEDERATION OF INSURERS

Figure 26: 28 out of the last 29 months up to end-Aug 2023 had agent numbers staying flat or falling mom



SOURCES: CGS-CIMB RESEARCH, IA, HONG KONG FEDERATION OF INSURERS

Figure 27: Insurance agent numbers in HK and yoy growth since 2000 (both life and general insurance)



SOURCES: CGS-CIMB RESEARCH ESTIMATES, HONG KONG FEDERATION OF INSURERS (HKFI), IA

Figure 28: HK insurance agent recruitment targets announced by AIA, Prudential and Manulife in early-mid 2023

Targets	
AIA	Add 5,000 financial planners to its workforce
Prudential	Add 2,000 advisers to its team
Manulife	Hire 3,000 agent before end-2023

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, THE STANDARD

Figure 29: HK agent ANP per average agent had fallen the most for AIA and Pru over the 2018-2022 period, which we think suggests that the agent productivity of these two insurers were most hurt by the pandemic

(HK\$)	2018	2019	2020	2021	2022	2022 vs 2018 change
AIA	822,064	766,181	346,325	326,886	300,188	-63%
Pru	689,678	554,555	175,735	114,031	108,063	-84%
Manulife	420,970	428,424	374,096	360,773	248,786	-41%
FWD	398,658	480,930	354,984	318,627	187,202	-53%

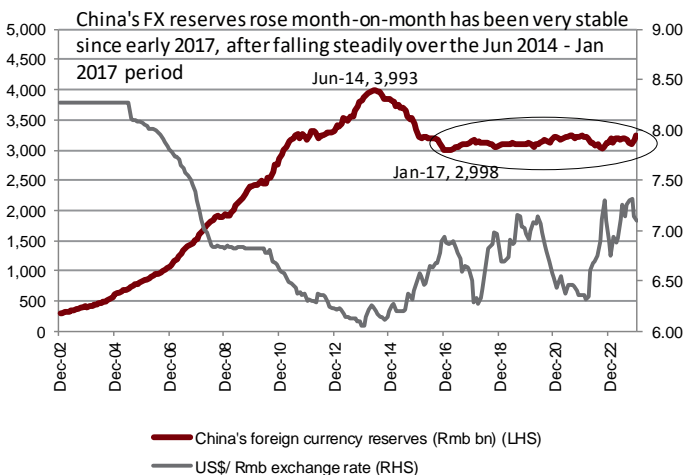
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, INSURANCE AUTHORITY

Figure 30: MDRTs in Hong Kong (HK): Comparing the 2022 performance year vs. the 2018 performance year – AIA, Prui and Axa saw the biggest falls

	MDRT fall in 2022 versus 2018	2022 HK MDRT agent numbers
AIA	-39%	2,443
Prudential	-82%	743
Axa	-50%	381
Manulife	19%	1,393
FWD	-4%	388

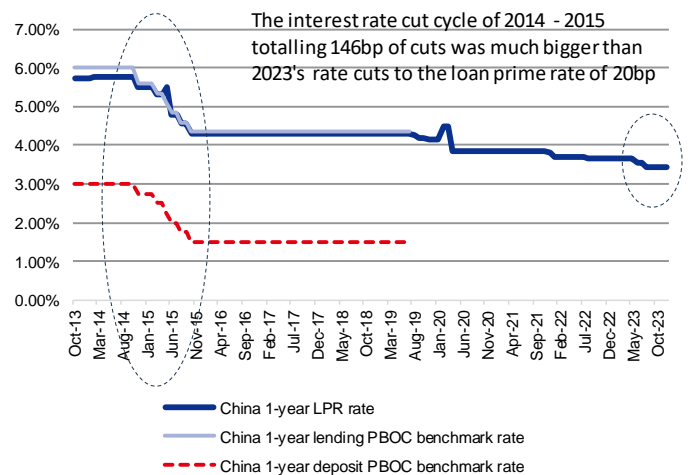
SOURCES: CGS-CIMB RESEARCH, MILLION DOLLAR ROUND TABLE (MDRT) ORGANISATION

Figure 31: China's forex reserves have been very stable since early-2017, after falling steadily over the Jun 2014-Jan 2017 period



SOURCES: CGS-CIMB, BLOOMBERG

Figure 32: The PBOC had announced 146bp of cuts in the 1-year loan benchmark rate in Oct 2014-Oct 2015, vs. only 20bp of cuts in 2023 to the 1-year loan prime rate



SOURCES: CGS-CIMB RESEARCH, WIND, PBOC
Note that the PBOC switched from the loan benchmark rate system to the loan prime rate (LPR) system in Aug 2019

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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2023		
634 companies under coverage for quarter ended on 30 September 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

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.