

## Hong Kong

**ADD** (no change)

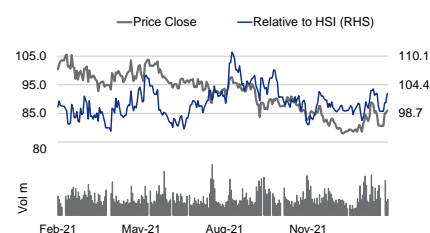
Consensus ratings\*: Buy 37 Hold 3 Sell 0

Current price:	HK\$86.00
Target price:	HK\$107.0
Previous target:	HK\$108.0
Up/downside:	24.4%
CGS-CIMB / Consensus:	-2.6%
Reuters:	1299.HK
Bloomberg:	1299 HK
Market cap:	US\$133,509m HK\$1,040,342m
Average daily turnover:	US\$224.9m HK\$1,751m
Current shares o/s:	12,095m
Free float:	100.0%

\*Source: Bloomberg

**Key changes in this note**

- FY21F VONB cut by 0.9%.
- FY22F VONB cut by 2.7%.
- FY23F VONB cut by 2.7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.2	-0.2	-14.4
Relative (%)	2.6	1.6	2.6

Major shareholders	% held
JPMorgan Chase & Co.	9.4
The Bank of New York Mellon	9.1
The Capital Group Companies, Inc.	5.2

**Analyst(s)**

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# AIA Group

## Omicron resilience

- AIA's share price has outperformed strongly in the past week despite HK's fifth wave of Covid-19, suggesting such concerns may have been priced in.
- Another reason for the outperformance is AIA benefits from higher interest rates, with bond yields rising markedly across almost all of its major markets.
- We see high probability of an announcement near term that AIA China is entering into another new region, with this positive to its share price.
- Reiterate Add. AIA remains our sector top pick. Our TP dips to HK\$107 on reduced FY21F-FY23F VONB and EPS due to HK's Covid-19 outbreak.

**Strong recent share price performance defies Covid-19 concerns**

AIA's share price is up 9% YTD, and 7% over the past week (Fig 2), despite the sharp rise of Covid-19 cases amidst HK's fifth wave. We see this as consistent with our earlier argument that investor concerns over Covid-19 and the Omicron variant could be well in the price (see [A welcome diversion](#), dated 6 Jan 2022), especially given its initial underperformance (Fig 3) when Omicron was first announced as a variant of concern by the World Health Organisation (WHO).

**Higher bond yields directly benefit AIA's VONB**

Bond yields are rising markedly across almost all of AIA's major markets (Fig 4), setting the stage for it to raise its actuarial investment return assumption at its upcoming FY21 results announcement. We estimate AIA's value of new business (VONB) could rise 7% for every 50bp rise in bond yields (Fig 10), based on the actuarial sensitivities it disclosed at its FY20 results.

**Time for an announcement of entering another new region in China**

AIA has outperformed the Hang Seng Index (HSI) in the month after it announced it has received regulatory approval to begin preparations to enter a new region in mainland China. Such outperformance ranged from 5% to 12% pts. Based on the time between previous announcements (Fig 17), we see high probability of it announcing in the near term that it has obtained approval to enter yet another new region. This should see it continue to deliver much better-than-peer agent growth in mainland China, as well as a nine-fold growth of its China VONB by 2030F, in our view (see our report [Reassessing long-term growth potential](#) dated 15 Jan 2021).

**Reiterate Add; AIA remains our top pick for the sector**

Our GGM-based TP dips to HK\$107 from HK\$108, as we factor in slower premium growth due to HK's fifth Covid-19 outbreak. We now forecast VONB growth of 17.9%, 10.3% and 19% in FY21F, FY22F and FY23F respectively. We continue to see AIA as a key beneficiary of diverted demand of insurance policies to Macau, especially given the benign Covid-19 environment there (see [A welcome diversion](#), dated 6 Jan 2022). Potential catalysts are higher bond yields and a marked fall in Covid-19 cases, which could lead investors expecting a reopening of the HK-mainland borders. Downside risks include currency volatility and a prolonged Covid-19 outbreak.

Financial Summary	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Gross Premium (US\$m)	38,368	39,852	40,740	41,638	42,786
Investment And Other Income (US\$m)					
Net Premium (US\$m)	32,896	33,666	34,416	35,175	36,145
Net Profit (US\$m)	5,979	5,779	5,844	6,909	8,341
Normalised EPS (US\$)	0.49	0.48	0.48	0.57	0.69
Normalised EPS Growth	88.9%	(3.4%)	1.1%	18.2%	20.7%
FD Normalised P/E (x)	22.30	23.09	22.85	19.34	16.02
P/NB (x)	17.20	24.68	19.82	16.32	12.03
DPS (US\$)	0.16	0.17	0.19	0.21	0.23
Dividend Yield	1.47%	1.58%	1.71%	1.86%	2.06%
P/EV (x)	2.15	2.05	1.94	1.78	1.63
P/BV (x)	2.43	2.11	2.00	1.87	1.73
ROE	12.7%	9.8%	9.0%	10.0%	11.2%
% Change In Normalised EPS Estimates			0.00%	(0.28%)	(0.50%)
Normalised EPS/consensus EPS (x)			0.91	0.93	1.01

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

# Omicron resilience

## We think concerns about a fifth wave is priced in

### AIA continues to be a beneficiary of higher interest rates

AIA's share price is up 9% YTD (Fig 1), and up 7% over the past week (Fig 2), despite the sharp rise of Covid-19 cases amidst HK's fifth wave (Fig 13).

We see this as consistent with our earlier argument that investor concerns over Covid-19 and the Omicron variant could be well in the price (see [A welcome diversion](#), dated 6 Jan 2022). This is especially so given its initial underperformance (Fig 3) when Omicron was first announced as a variant of concern by the World Health Organisation (WHO).

**Figure 1: Share price / index performances of AIA & Prudential (Pru) in HK vs. major benchmark indices**

	Absolute performance		AIA's relative performance (% pts)			
	AIA	Pru	vs. MSCI Asia ex Jap.		vs. MSCI EM World	
			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%
Dec-16	-6%	-15%	-7%	-9%	-13%	-12%
Dec-17	52%	28%	16%	19%	18%	31%
Dec-18	-2%	-30%	11%	14%	15%	9%
Dec-19	26%	25%	17%	11%	11%	2%
Dec-20	16%	-3%	20%	-4%	0%	2%
Dec-21	-16%	-7%	-2%	-10%	-12%	-36%
2022 YTD	9%	-1%	5%	11%	10%	15%

SOURCES: CGS-CIMB RESEARCH, DATASTREAM, MSCI, BLOOMBERG  
DATA AS OF 8 FEB 2022

THE SHADED CELLS ARE THE ONLY PERIODS THAT AIA'S SHARE PRICE UNDERPERFORMED MAJOR SHAREMARKET BENCHMARK INDICES.

NOTE THAT HISTORICAL SHARE PRICE PERFORMANCE SHOULD NOT BE CONSTRUED AS A GUARANTEE FOR FUTURE RETURNS. THIS DATA IS PURELY FOR ANALYTICAL PURPOSES.

**Figure 2: Share price of AIA vs. other listed insurers and major benchmark indices**

Prices as of 08-Feb-2022	AIA	HSI	MSCI Asia ex Jap.	MSCI World	China Life	Ping An	CPIC	NCI	PICC P&C	Pru
Share price (HK\$)	86.00	24,329	775	3,059	14.18	64.20	24.55	23.45	7.72	131.80
<b>Absolute share price performance</b>										
1 week	7%	2%	1%	-1%	4%	5%	4%	6%	7%	1%
1 month	6%	4%	-1%	-4%	5%	11%	6%	10%	10%	-3%
2 months	3%	1%	-3%	-4%	6%	10%	5%	9%	12%	-3%
3 months	0%	-2%	-5%	-5%	4%	14%	3%	8%	10%	-16%
6 months	-7%	-9%	-7%	-1%	9%	-5%	7%	4%	13%	-14%
12 months	-15%	-17%	-17%	9%	-7%	-26%	-27%	-14%	42%	1%
3 years	25%	-13%	21%	51%	-19%	-8%	3%	-18%	11%	-2%
5 years	95%	4%	40%	70%	-31%	80%	4%	-31%	19%	4%

SOURCES: CGS-CIMB, BLOOMBERG

To elaborate, we had previously conducted an event study analysis of AIA's absolute and market-relative (to the Hang Seng Index, HSI) share price performances following WHO declaring a Covid-19 variant of interest or variant of concern (Fig 3). AIA's underperformance typically happens only in the first month after, with no clear trend in subsequent months.

**Figure 3: AIA's share price performance (absolute and relative) following WHO announcements about Covid-19 variants**

Date of WHO announcement	Covid-19 VOC	Type	Absolute share performance of AIA				Relative share performance of AIA versus HSI			
			1st month	2nd month	3rd month	4th month	1st month	2nd month	3rd month	4th month
18-Dec-2020	Alpha & Beta	VOC	22%	-3%	-7%	0%	10%	-8%	-1%	0%
11-Jan-2021	Gamma	VOC	4%	-3%	-4%	0%	-3%	1%	-2%	3%
4-Apr-2021	Delta	VOI	3%	1%	-1%	-4%	5%	0%	1%	2%
11-May-2021	Delta	VOC	-2%	-2%	-1%	3%	-5%	3%	2%	4%
24-Nov-2021	Omicron	VOI	-10%	12%	n.a.	n.a.	-4%	7%	n.a.	n.a.
26-Nov-2021	Omicron	VOC	-7%	9%	n.a.	n.a.	-3%	6%	n.a.	n.a.
<b>Others</b>										
14-Jun-2021	Lambda	VOI	0%	-1%	1%	-7%	3%	4%	2%	-4%
30-Aug-2021	Mu	VOI	-5%	-1%	-4%	-6%	-1%	-3%	1%	-3%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, WORLD HEALTH ORGANISATION (WHO)  
VOI = Variants of interest; VOC = Variants of concern

We think yet another reason for AIA's strong outperformance is that it is a beneficiary of higher interest rates, as bond yields are rising markedly across almost all of AIA's major markets (Fig 4), with mainland China being the notable

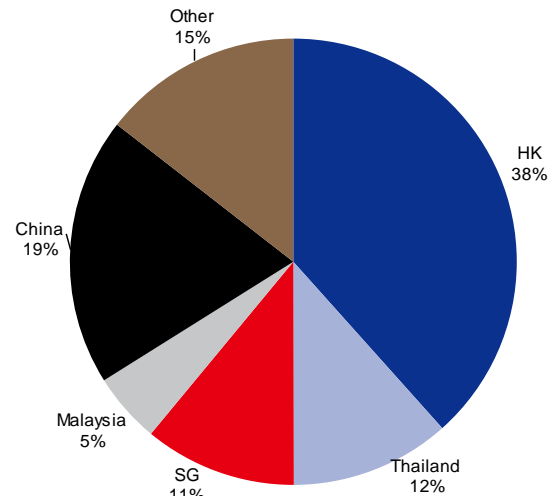
exception. Investors should note that given that mainland China only comprises 19% of AIA's embedded value (Fig 5), we see the sharp rise in bond yields in other regions more than offsetting the fall in mainland China's bond yields.

**Figure 4: 10-year government spot bond yields across time (%)**

(%)	US	CH	TH	SG	MY	SK	ID	PH	AU	IN
Dec-17	2.41	3.90	2.32	2.00	3.91	2.47	6.32	4.39	2.63	7.11
Mar-18	2.74	3.75	2.40	2.29	3.94	2.62	6.68	5.25	2.60	7.40
Jun-18	2.86	3.48	2.58	2.53	4.20	2.56	7.80	5.73	2.63	8.02
Sep-18	3.06	3.63	2.80	2.50	4.07	2.36	8.12	6.87	2.67	8.07
Dec-18	2.68	3.31	2.48	2.04	4.07	1.96	8.03	6.96	2.32	7.19
Mar-19	2.41	3.07	2.43	2.07	3.77	1.83	7.63	5.54	1.77	6.93
Jun-19	2.01	3.24	2.12	2.00	3.63	1.60	7.37	4.94	1.32	6.77
Sep-19	1.66	3.14	1.47	1.74	3.32	1.46	7.29	4.25	1.02	6.37
Dec-19	1.92	3.14	1.48	1.74	3.30	1.67	7.06	4.13	1.37	6.47
Mar-20	0.67	2.59	1.40	1.29	3.35	1.55	7.91	4.13	0.76	6.18
Jun-20	0.66	2.85	1.19	0.90	2.86	1.39	7.21	2.40	0.87	5.28
Sep-20	0.68	3.15	1.32	0.87	2.67	1.43	6.96	2.75	0.79	5.39
Dec-20	0.91	3.15	1.32	0.84	2.65	1.72	5.89	2.52	0.97	5.04
Mar-21	1.74	3.19	1.97	1.74	3.24	2.06	6.78	3.06	1.79	5.97
Jun-21	1.47	3.09	1.75	1.58	3.28	2.10	6.59	2.87	1.53	5.72
Sep-21	1.49	2.88	1.86	1.59	3.37	2.24	6.26	3.03	1.49	5.66
Dec-21	1.51	2.78	1.89	1.67	3.56	2.26	6.38	4.41	1.67	5.79
Feb-22	1.95	2.72	2.16	1.83	3.66	2.64	6.50	4.29	2.12	6.40

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**Figure 5: Geographical EV composition (1H21)**

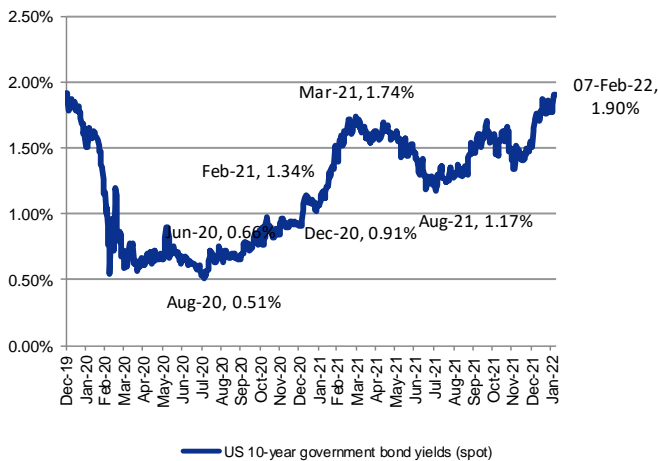


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

This rising US bond yields is of particular significance to AIA, given that Hong Kong (HK) is its biggest market, and given the HK\$/US\$ peg, AIA's investment portfolio directly benefits from higher United States (US) bond yields

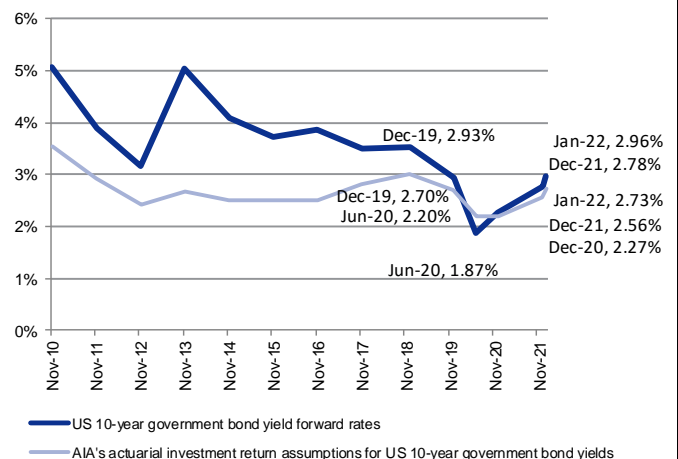
The last time AIA revised its actuarial investment return assumptions relating to US bond yields was in 1H20, when it revised down its US 10-year government bond yield assumption to 2.2% from FY19's 2.7%. Given that US 10-year government bond yields are virtually back to FY19 levels, we expect an upward revision of actuarial investment return assumptions relating to US bond yields.

**Figure 6: US 10-year government bond yields (spot)**



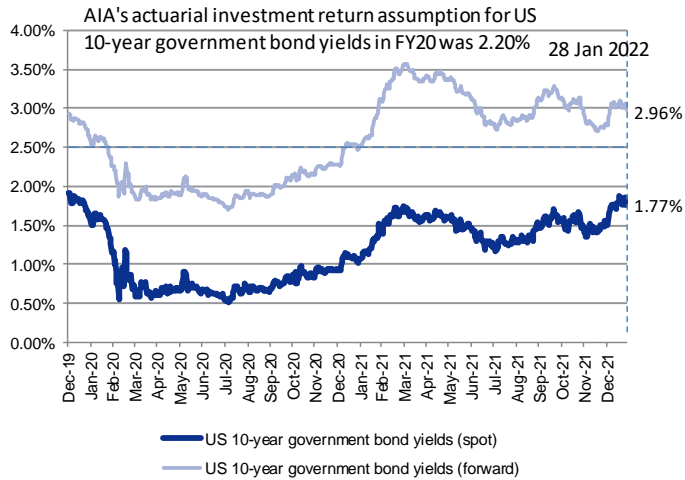
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**Figure 7: A comparison with the US 10-year government bond yield forward rates with AIA's actuarial investment return assumption for US 10-year government bond yields**



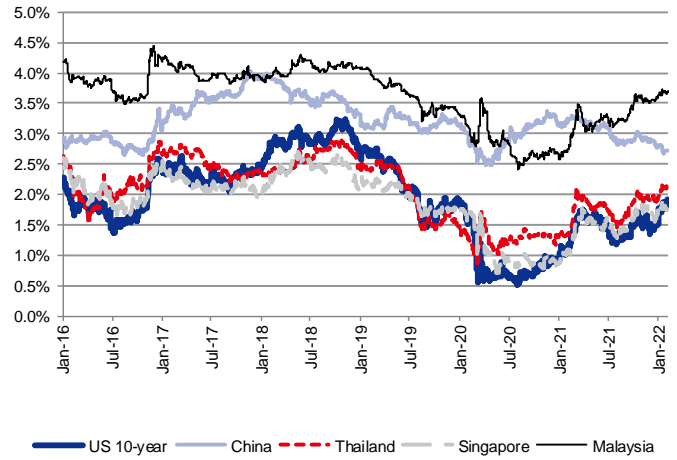
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, FEDERAL RESERVE BANK OF ST LOUIS

**Figure 8: Both the spot and the forward US 10-year government bond yields have been on a clear rising trend**



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

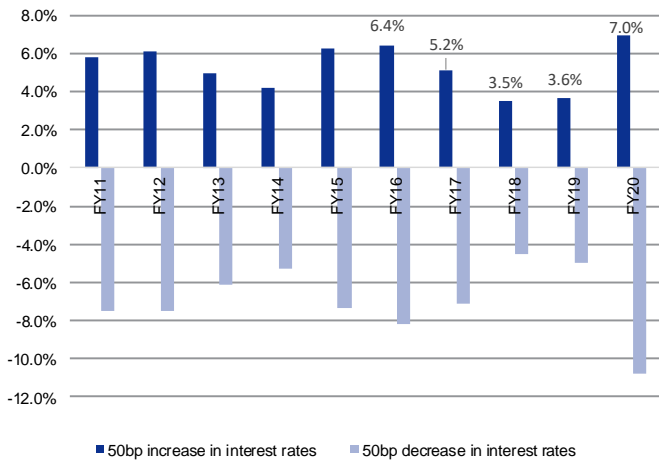
**Figure 9: 10-year government spot bond yields across time for selected countries**



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

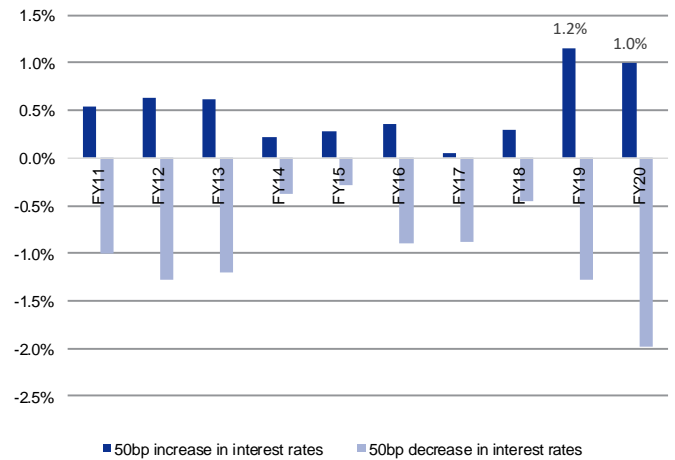
We estimate that AIA's value of new business (VONB) could rise 7% for every 50bp rise in bond yields (Fig 10), based on the actuarial sensitivities it disclosed at its FY20 results.

**Figure 10: Percentage change in VONB from 50bp change in interest rates**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 11: Percentage change in EV from 50bp change in interest rates**



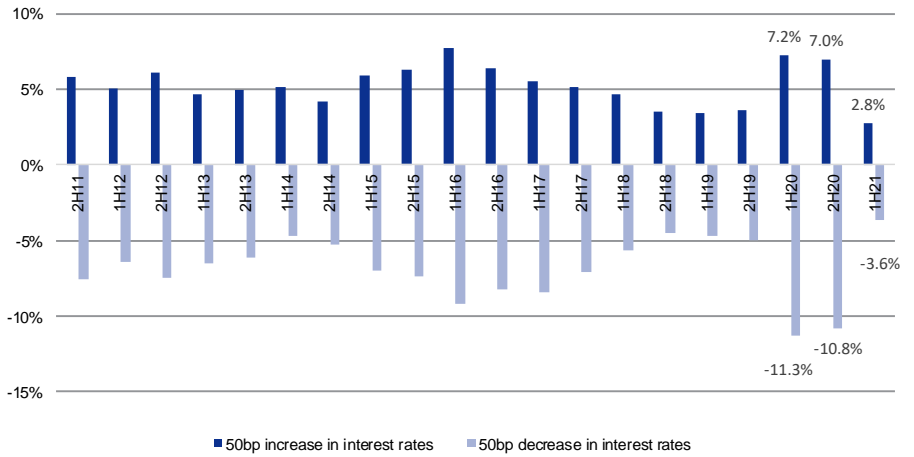
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

We note that while the sensitivity of its VONB to changes in interest rates fell in 1H21 (Fig 12), this may not be the right benchmark to use.

This was because the starting interest rate for HK and Thailand has increased in 1H21 compared to 1H20. While AIA did not change its actuarial investment return assumptions, we understand that VONB margins in HK do directly benefit from changes in spot rates, as there is an impact to the reserving calculations (which is linked to spot rates).

Another reason for the change in its VONB sensitivity is because there was a shift in profit mix away from participating products towards protection (especially due a strong 1H21 'jumpstart' campaign in mainland China) and unit linked products (especially in Thailand).

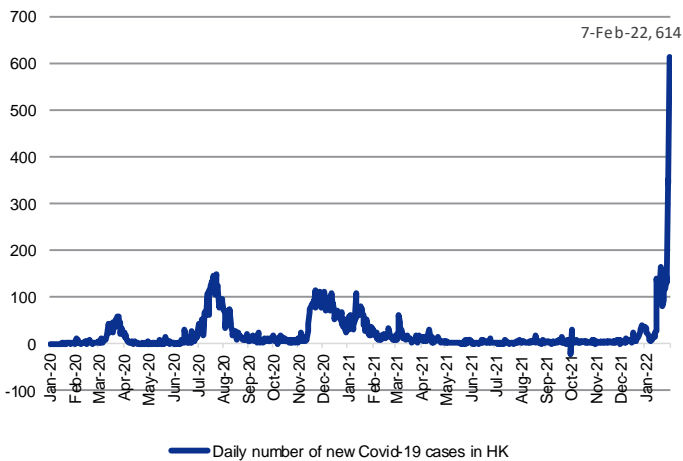
**Figure 12: Sensitivity of AIA's VONB to changes in interest rate assumptions had fallen markedly in 1H21**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

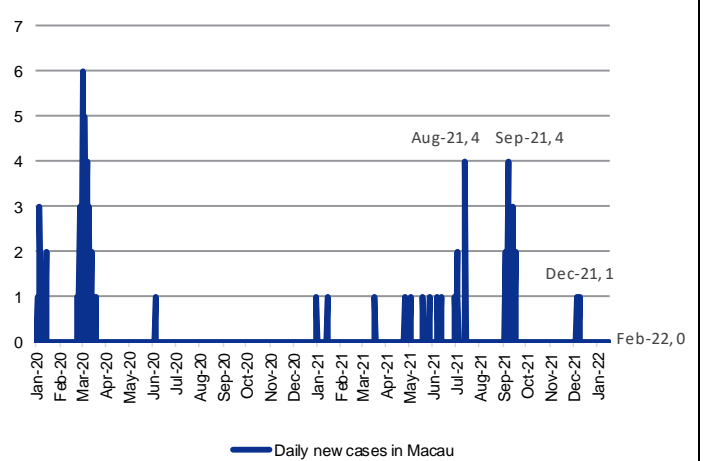
Note that while Covid-19 cases in HK have been rising significantly (Fig 13), the environment for Covid-19 cases in Macau is very benign (Fig 14).

**Figure 13: Daily number of new Covid-19 cases in HK**



SOURCES: CGS-CIMB RESEARCH, DATA.GOV.HK

**Figure 14: Daily new cases in Macau**



SOURCES: CGS-CIMB RESEARCH, OUR WORLD IN DATA, CENTRE FOR DISEASE CONTROL AND PREVENTION

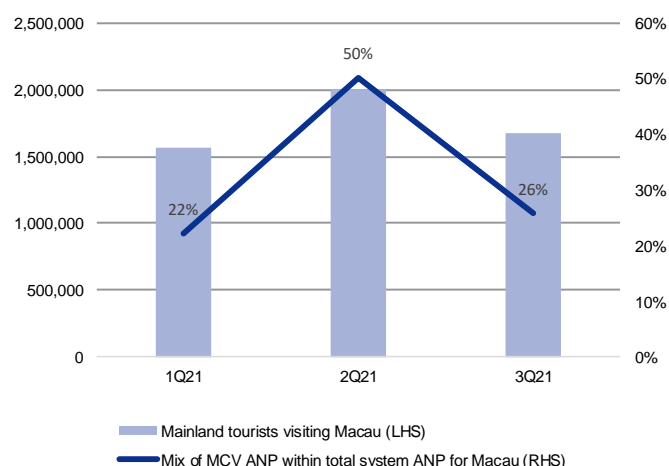
Mainland tourists visiting Macau continue to grow strongly, up 26% yoy in Dec 2021 (Fig 15). We continue to believe that this sets the stage for strong growth of insurance policies bought by mainland Chinese visitors in 4Q21F, which continues the strong growth in 9M21 (Fig 16). This segment accounted for a high 50% of Macau's system ANP in 2Q21 (3Q21: 26%).

**Figure 15: Mainland tourists visiting Macau (monthly data) and their growth yoy**

	Mainland tourists visiting Macau (month)	Growth yoy
Jun-19	2,100,557	20%
Jul-19	2,569,941	19%
Aug-19	2,646,406	5%
Sep-19	1,924,490	6%
Oct-19	2,342,373	2%
Nov-19	2,030,742	-11%
Dec-19	2,094,810	-14%
Jan-20	2,132,032	-15%
Feb-20	72,307	-97%
Mar-20	88,890	-96%
Apr-20	10,500	-100%
May-20	14,793	-99%
Jun-20	21,067	-99%
Jul-20	66,489	-97%
Aug-20	200,833	-92%
Sep-20	412,451	-79%
Oct-20	539,482	-77%
Nov-20	588,511	-71%
Dec-20	606,884	-71%
Jan-21	496,157	-77%
Feb-21	380,649	426%
Mar-21	688,353	674%
Apr-21	730,934	6861%
May-21	795,389	5277%
Jun-21	471,935	2140%
Jul-21	724,342	989%
Aug-21	369,467	84%
Sep-21	583,056	41%
Oct-21	300,996	-44%
Nov-21	741,226	26%
Dec-21	762,554	26%

SOURCES: CGS-CIMB RESEARCH, MACAO GOVERNMENT TOURISM OFFICE

**Figure 16: There is a strong correlation between mainland tourists visiting Macau and the mix of MCV ANP within total system ANP for Macau**



SOURCES: CGS-CIMB RESEARCH, MONETARY AUTHORITY OF MACAU

Finally, it is worth noting that AIA has outperformed the HSI in the month after it announced it has received regulatory approval to begin preparations to enter a new region in mainland China. Such outperformance ranged from 5% pts to 12% pts (Fig 17).

We see high probability of it announcing, in the near term, that it has obtained approval to enter yet another new region, based on the time between previous announcements (Fig 17).

This should see it continue to deliver much better-than-peer agent growth in mainland China, as well as a nine-fold growth of its China VONB by 2030F, in our view (see our report [Reassessing long-term growth potential](#) dated 15 Jan 2021),

**Figure 17: A comparison of AIA's date of regulatory approval to begin preparations to open up a new branch in a new province/ municipality in China vs. the date of regulatory approval to actually commence operations, and AIA's share price outperformance over the HSI in the month after**

	Date of regulatory approval to begin preparations to open up a new branch in a new province/ municipality	Date of regulatory approval to start operations in that province/ municipality	Time gap	Time between previous regulatory approval to start operations in a province versus date of new regulatory approval to begin preparations to open up a new branch	Share price outperformance over the HSI in the one month after receiving regulatory approval to begin preparations to open up a branch in a new province
Tianjin & Shijiazhuang (Hebei)	1-Feb-19	29-Jul-19	6 months	n.a.	10%-pts
Sichuan	2-Nov-20	22-Mar-21	4.7 months	16 months	12%-pts
Hubei	22-Jun-21	15-Oct-21	3.7 months	3 months	5%-pts

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



## Changes to our earnings, VONB and EVPS estimates

We trim our FY22F-23F EPS, by 0.3% to 0.5%, mainly to reflect weaker premium growth (primarily due to a worse-than-expected Covid-19 outbreak in Hong Kong). Our FY21F-23F VONB estimates are cut by 0.9% to 2.7%, as we similarly reflect the adverse effects of a worse-than-expected Covid-19 outbreak in Hong Kong (Fig 18).

**Figure 18: Changes to our earnings forecasts**

(US\$ m)	FY21F			FY22F			FY23F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Net premiums, fee income & other oper. revenue	34,416	34,416	0.0%	35,319	35,175	-0.4%	36,413	36,145	-0.7%
Investment income	11,127	11,127	0.0%	12,287	12,287	0.0%	13,366	13,366	0.0%
Total Revenue	45,543	45,543	0.0%	47,606	47,462	-0.3%	49,778	49,511	-0.5%
Total expenses	37,992	37,992	0.0%	39,373	39,252	-0.3%	40,664	40,445	-0.5%
OPAT attrib. to shareholders of AIA Group	6,444	6,444	0.0%	7,028	7,009	-0.3%	7,783	7,741	-0.5%
Non operating items	-600	-600	0.0%	-100	-100	0.0%	600	600	0.0%
NPAT attrib to shareholders of AIA Group	5,844	5,844	0.0%	6,928	6,909	-0.3%	8,383	8,341	-0.5%
EPS (US\$)	0.48	0.48	0.0%	0.57	0.57	-0.3%	0.69	0.69	-0.5%
DPS (US\$)	0.19	0.19	0.0%	0.21	0.21	-0.3%	0.23	0.23	-0.5%
BVPS (US\$)	5.53	5.53	0.0%	5.91	5.91	0.0%	6.39	6.38	-0.1%
VONB per share (US\$)	0.27	0.27	-0.9%	0.31	0.30	-2.7%	0.36	0.35	-2.7%
EVPS (US\$)	5.70	5.69	0.0%	6.20	6.19	-0.2%	6.81	6.79	-0.3%
ROE (%)	9.0%	9.0%	0.0% pts	10.0%	10.0%	0.0% pts	11.3%	11.2%	-0.1% pts
ROEV (%)	9.0%	8.9%	0.0% pts	12.2%	12.1%	-0.2% pts	13.3%	13.2%	-0.2% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

## Valuation and recommendation

We cut our target price from HK\$108 to HK\$107. Our target price is based on a Gordon Growth Model (GGM)-derived P/EV multiple, which we apply to FY22F embedded value per share (EVPS) (unchanged).

We value AIA Group using GGM to derive a target P/EV multiple of 2.2x (unchanged), assuming COE of 8.3% (unchanged), terminal growth rate of 4.8% (unchanged), as well as a sustainable return on embedded value (ROEV) of 12.7% (previously 12.8%), based on the average ROEV of FY18-FY24F.

We then apply this to our FY22F EVPS estimate of US\$6.19 (previously FY22F EVPS estimate of US\$6.20), after converting at an assumed exchange rate of US\$/HK\$ of 7.79 (unchanged), to arrive at our target price of HK\$107 (previously HK\$108) (Fig 19).

**Figure 19: Our valuation of AIA Group**

	Old	New	% chg
Cost of equity	8.3%	8.3%	0.0% pts
Terminal growth rate	4.8%	4.8%	0.0% pts
Sustainable ROEV assumption (computed by taking the simple average of operating ROEV and ROEV (excluding forex movements), averaged over FY18 - FY24F)	12.8%	12.7%	-0.1% pts
Target P/EV	2.2x	2.2x	-0.9%
FY22F EVPS (US\$)	6.20	6.19	-0.2%
i.e. FY22F EVPS (HK\$)	48.28	48.19	-0.2%
US\$/HK\$ exchange rate	7.79	7.79	0.0%
Hence target price (HK\$)	108.00	107.00	-0.9%
FY22F VONB per share (US\$)	0.31	0.30	-2.7%
i.e FY22F VONB per share (HK\$)	2.38	2.31	-2.7%
Implied target new business multiple	25.1x	25.4x	1.2%
Current share price (HK\$)			86.00
Upside/ downside			24%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

We show in Fig 20 our embedded value forecasts up to FY24F.

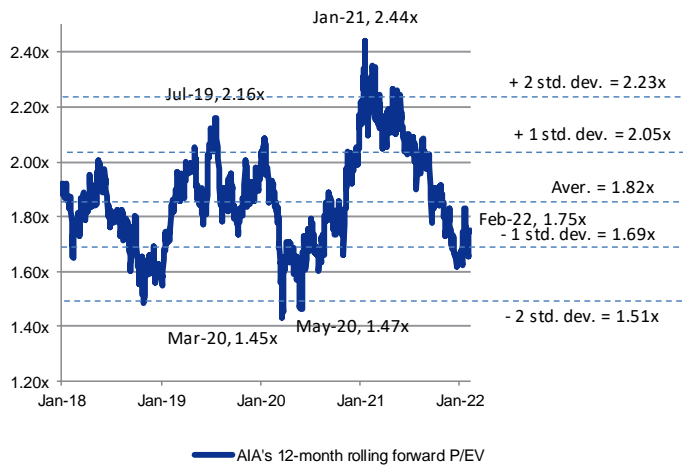
**Figure 20: AIA's embedded value across time**

(US\$ m)	FY15	FY16	FY17	FY18	FY19	FY20	FY21F	FY22F	FY23F	FY24F
Opening EV	37,153	38,198	42,114	50,779	54,517	61,985	65,247	68,908	74,895	82,206
Value of new business	2,198	2,750	3,512	3,955	4,154	2,765	3,261	3,597	4,281	5,137
Expected return on EV	2,698	2,854	3,317	3,893	4,105	4,176	4,477	4,870	5,382	5,966
Operating experience variance	274	365	385	612	600	533	436	392	340	292
Operating assumption changes	-26	29	-81	-9	34	16	8	4	2	1
Finance costs on medium term notes	-76	-111	-136	-173	-208	-247	-284	-312	-344	-378
EV operating profit	5,068	5,887	6,997	8,278	8,685	7,243	7,898	8,551	9,662	11,018
Investment return variance	-1,804	-37	1,517	-2,218	517	-1,868	-1,859	-555	40	35
Effect of change in economic assumptions	145	-236	-190	47	-254	-1,013	507	0	0	0
Other non operating variances	369	-22	-330	270	-78	-330	0	0	0	0
Total EV profit	3,778	5,592	7,994	6,377	8,870	4,032	6,545	7,996	9,702	11,052
Dividends	-814	-1,124	-1,376	-1,589	-1,961	-1,997	-2,150	-2,340	-2,557	-2,831
Other capital movements	-12	-5	134	-13	-111	63	0	0	0	0
Effect of changes in exchange rates	-1,907	-547	1,265	-1,037	670	1,164	-734	332	166	83
Closing EV	38,198	42,114	50,131	54,517	61,985	65,247	68,908	74,895	82,206	90,510
Number of shares	12,048	12,056	12,074	12,077	12,089	12,095	12,101	12,107	12,113	12,119
EV per share	3.17	3.49	4.15	4.51	5.13	5.39	5.69	6.19	6.79	7.47

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

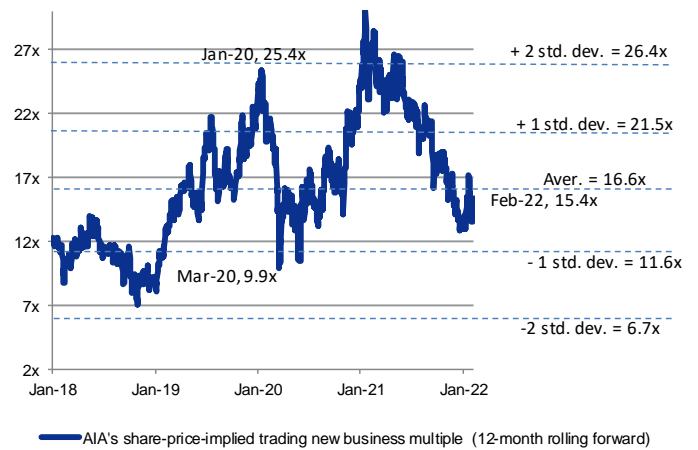
AIA Group currently trades at 1.75x 12-month forward P/EV, which is just below its post-2018 historical mean of 1.82x (Fig 21). It also trades at 15.4x share price-implied new business multiple basis (12-month forward rolling), which is just above its post-2018 historical mean of 15.6x (Fig 22).

**Figure 21: AIA's 12-month rolling forward P/EV post 2018**



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

**Figure 22: AIA's share price-implied trading new business multiple post 2018 (12-month rolling forward)**

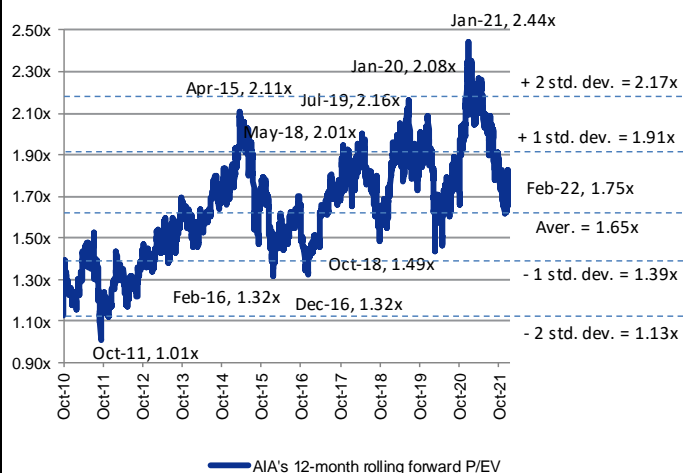


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Analysing valuation multiples over a longer time period, AIA's current 12-month rolling forward P/EV multiple of 1.75x is just above its post-2010 IPO average (Fig 23), while its share price-implied new business multiple basis (12-month forward rolling) of 15.4x is also just above its post-2010 IPO average (Fig 24).

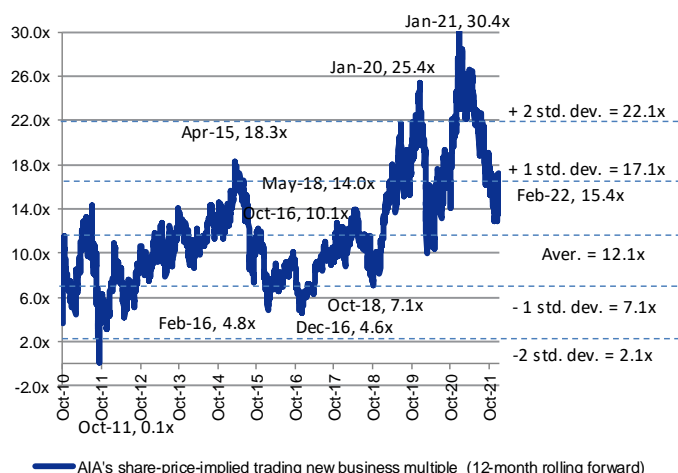


**Figure 23: AIA Group's 12-month rolling forward P/EV**



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

**Figure 24: AIA Group's share price-implied trading new business multiple (12-month rolling forward)**



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

AIA currently trades at a forward P/EV premium over other HK insurers under our coverage (average of 0.5x for FY22F). We believe this is justified given its lower risk profile, superior management quality, and track record for delivering consistent shareholder returns. As such, we reiterate our Add rating.

**Figure 25: Sector comparison as of 8 Feb 2022**

Ticker	Rec	Market Cap (US\$bn)	Price (Lcy)	Target Price (Lcy)	+/- (%)	P/EV (x)			VONB multiple (x)			P/BV (x)			Group ROEV (%)			
						FY20A	FY21F	FY22F	FY20A	FY21F	FY22F	FY20A	FY21F	FY22F	FY20A	FY21F	FY22F	
China Life	2628 HK	Add	129.97	14.18	19.20	35%	0.31x	0.28x	0.25x	-12.6x	-14.7x	-21.4x	0.7x	0.7x	0.6x	16.8	12.7	12.7
Ping An	2318 HK	Add	197.71	64.20	83.00	29%	0.74x	0.70x	0.65x	-7.0x	-10.6x	-15.4x	1.3x	1.2x	1.0x	14.1	5.2	6.1
CPIC	2601 HK	Add	46.09	24.55	29.70	21%	0.43x	0.39x	0.35x	-14.3x	-15.5x	-16.7x	0.9x	0.9x	0.8x	18.7	11.8	14.4
PICC P&C	2328 HK	Add	21.74	7.72	9.40	22%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.8x	0.7x	0.7x	n.a.	n.a.	n.a.
AIA	1299 HK	Add	159.18	86.00	107.00	24%	2.04x	1.94x	1.78x	24.6x	19.8x	16.3x	2.1x	2.0x	1.9x	8.4	8.9	12.1
NCI	1336 HK	Add	20.50	23.45	33.10	41%	0.25x	0.23x	0.21x	-19.6x	-27.1x	-28.1x	0.6x	0.5x	0.5x	19.5	12.9	10.6
HK-listed weighted average							0.97x	0.91x	0.84x	-0.3x	-3.8x	-8.3x	1.3x	1.2x	1.1x	13.7	8.8	10.2
HK-listed weighted average ex AIA							0.54x	0.50x	0.46x	-10.4x	-13.4x	-18.2x	1.0x	0.9x	0.9x	15.8	8.8	9.5

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

CPIC: China Pacific Insurance Company; NCI: New China Life Insurance; PICC P&C: PICC (The People's Insurance Company of China) Property & Casualty

Potential re-rating catalysts are the announcement of an Insurance Connect (see [The importance of being connected](#) dated 10 Jul 2020), the announcement of a Greater Bay Area travel bubble ([And so it begins](#), dated 19 Jun 2020), as well as the announcement of further regulatory approvals to expand into new regions in China (see "[New frontiers](#)" dated 2 Feb 2019). An earlier-than-expected peak of Covid-19 infections is another potential re-rating catalyst.

One of the reasons we are bullish on AIA Group's share price outlook over the medium- to long-term is its track record in delivering impressive shareholder returns (Fig 26). We believe a key reason for this is its alignment of incentives, whereby 60% of its management's short-term incentive scheme is weighted towards VONB and embedded value (EV) metrics, which are key focus areas for investors (Fig 27).

**Figure 26: Share price/index performances of AIA and Prudential (Pru) in HK vs. major benchmark indices**

	Absolute performance		AIA's relative performance (% pts)			
	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%
Dec-16	-6%	-15%	-7%	-9%	-13%	-12%
Dec-17	52%	28%	16%	19%	18%	31%
Dec-18	-2%	-30%	11%	14%	15%	9%
Dec-19	26%	25%	17%	11%	11%	2%
Dec-20	16%	-3%	20%	-4%	0%	2%
Dec-21	-16%	-7%	-2%	-10%	-12%	-36%
2022 YTD	8%	-1%	3%	10%	9%	13%

SOURCES: CGS-CIMB RESEARCH, MSCI  
Data as at 5 JAN 2022

The shaded cells are the only periods that AIA's share price has underperformed major share market benchmark indices

\*Past performances used in the report are purely for analytical purpose and should not be construed as any guarantee for future returns

**Figure 27: Weighted scorecard approach of AIA's short-term incentive scheme**

(%)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Value of new business	59	60	60	60	60	60	60	60	60	60
Excess EV growth*	23	15	15	10	10	10	10	10	0	0
Underlying free surplus generation (UFSG) **	0	0	0	0	0	0	0	0	15	15
Operating profit after tax	18	25	25	30	30	30	30	30	25	25

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

\*\* UFSG is the free surplus generated by the business excluding the free surplus invested in new business investment return variances and other items.

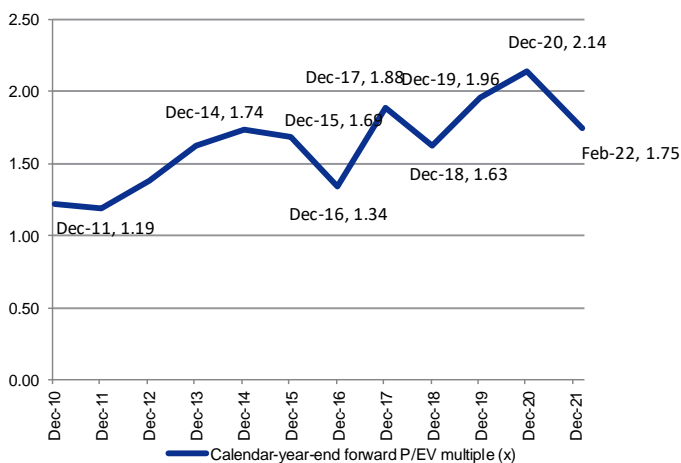
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

We believe that one of investors' key concerns for AIA Group is its relatively high trading multiples.

In addition, our target price is pegged to a 2.2x FY22F P/EV multiple, which is still well above the historical average (previous high was 2.24x in Jan 2021 and then 2.15x in Jul 2019 and Jan 2020).

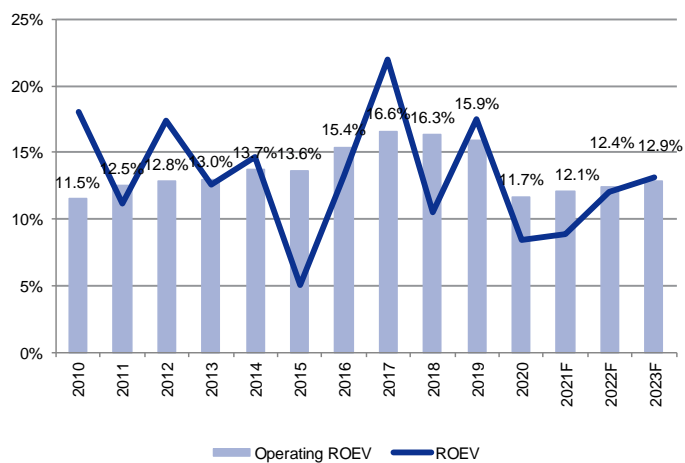
However, we stress that insofar as P/EV multiples are linked to ROEV, and given that we expect operating ROEV to remain at a relatively high level, we believe that AIA Group's P/EV will continue to re-rate (Fig 29).

**Figure 28: Calendar year-end forward P/EV multiple (x)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

**Figure 29: AIA Group's ROEV and operating ROEV across time**

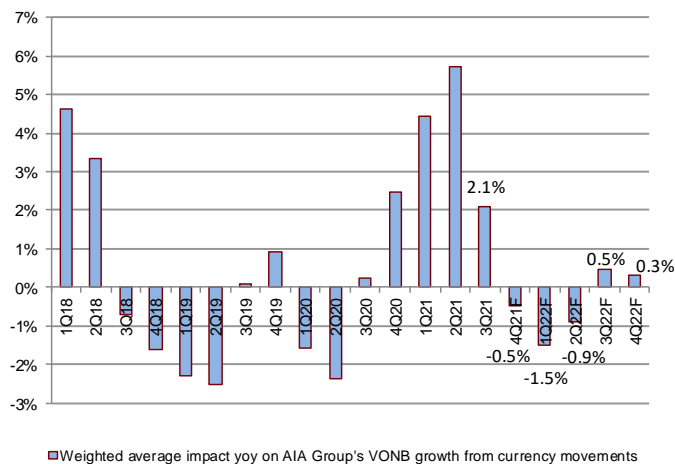


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Key downside risks to our call are a significant weakening of Asian currencies (especially the renminbi, baht, Singapore dollar, ringgit, rupiah, peso, dong and rupee) against the US dollar as a substantial portion of AIA Group's VONB is denominated in these currencies. Another key downside risk is a worse-than-expected severity and duration of the Covid-19 outbreak.

We estimate that the currency tailwinds to VONB growth will turn to become slight headwinds in 4Q21F, assuming exchange rates continue to remain stable at current levels (Fig 30).

**Figure 30: Weighted average yoy impact on AIA Group's VONB growth from currency movements, by quarter**

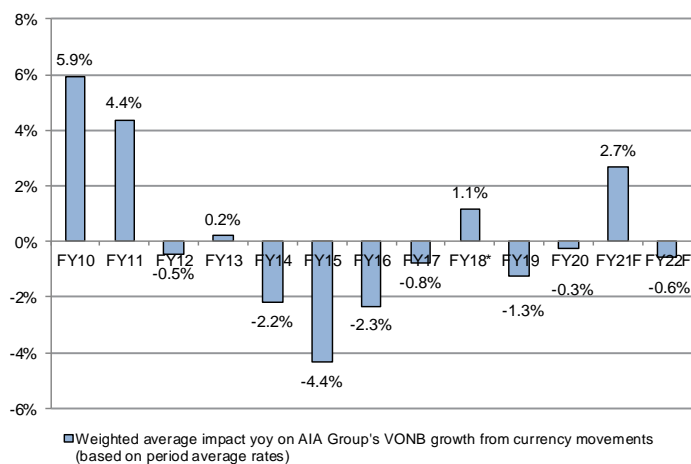


SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

\* 1Q18-4Q18's changes are based on the new financial year end of Dec, instead of the previous financial year of Nov.

Positive figures indicate a tailwind to VONB growth

**Figure 31: Weighted average yoy impact on AIA Group's VONB growth from currency movements, by year**



SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

\* FY18's change is based on the new financial year end of Dec, instead of the previous financial year of Nov.

Positive figures indicate a tailwind to VONB growth

We estimate that for every 10% depreciation/appreciation in Asian currencies against the US dollar, our target price for AIA Group will fall/rise 7.5% (Fig 32).

Downside risk may come from the company's results for FY20-22F failing to meet investors' expectations due to longer-than-expected impact from Covid-19, which could adversely impact both sales and VONB margins.

A decline in global interest rates is also a downside risk. We estimate that each 50bp decline in interest rates will lead to a 6.2% decline in our target price for AIA Group (Fig 33).

**Figure 32: Impact on target price from a 10% movement in non-US\$ and non-HK\$ currencies**

	Impact on EV, VONB and valuation if exchange rates change
Base case FY21F EV per share (HK\$)	44.42
% of EV that is non-HK	68%
Asian currencies (excluding HK\$) depreciates 10%, EV changes by	-6.8%
Asian currencies (excluding HK\$) appreciates 10%, EV changes by	6.8%
Base case FY21F VONB per share (HK\$)	2.10
% of VONB that is non-HK	82%
Asian currencies (excluding HK\$) depreciates 10%, VONB changes by	-8.2%
Asian currencies (excluding HK\$) appreciates 10%, VONB changes by	8.2%
Hence impact on valuation is	
If Asian currencies (excluding HKD) depreciates 10%, impact is	-7.5%
If Asian currencies (excluding HKD) appreciates 10%, impact is	7.5%

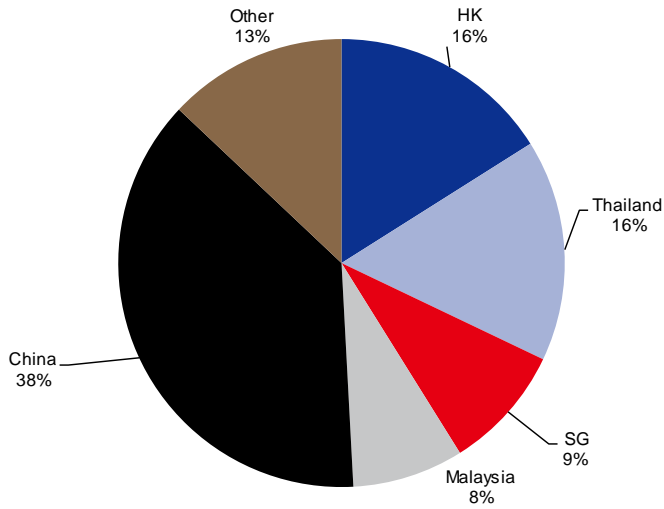
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS  
EV = EMBEDDED VALUE

**Figure 33: Sensitivity of AIA's target price to changes in interest rates**

	Impact on target price if interest rates rise on FY20's VONB
FY20 VONB (US\$ m)	2,765
50bp increase in interest rates	7.0%
50bp decrease in interest rates	-10.8%
FY20 EV (US\$ m)	65,247
50bp increase in interest rates	1.0%
50bp decrease in interest rates	-2.0%
Current trading new business multiple (8-Feb-22)	19.4x
Hence percentage impact to AIA's valuation from:	
50bp increase in interest rates	3.9%
50bp decrease in interest rates	-6.2%

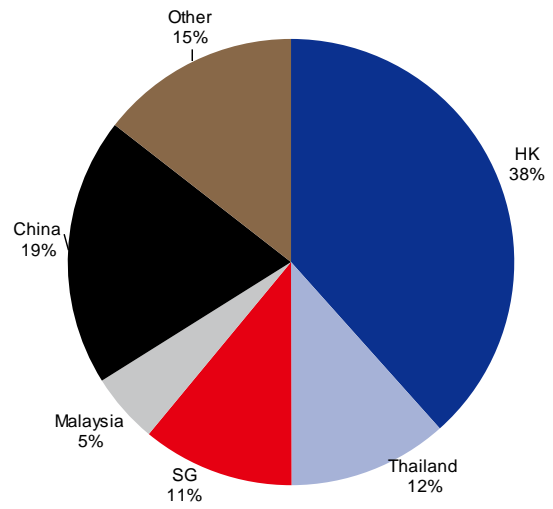
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS  
EV = EMBEDDED VALUE

**Figure 34: Geographical VONB composition (1H21)**



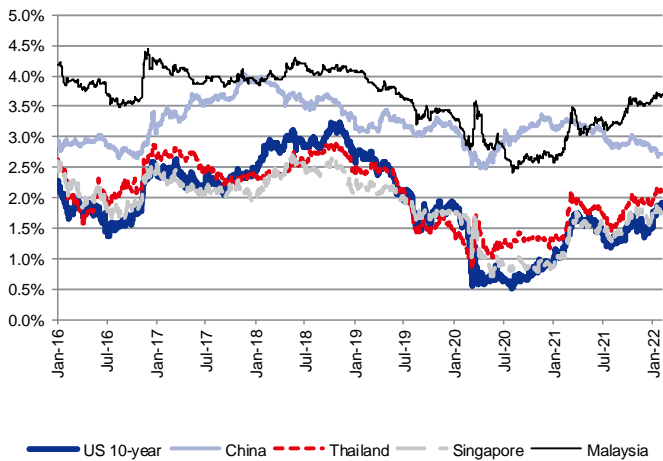
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 35: Geographical EV composition (1H21)**



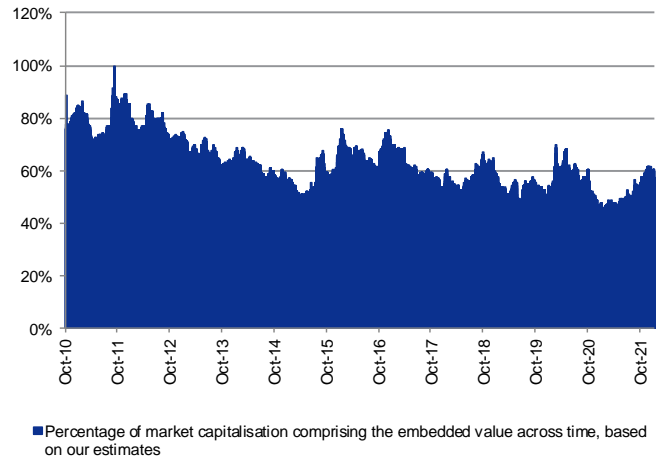
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 36: 10-year bond yields of selected countries**



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**Figure 37: Percentage of market capitalisation comprising the embedded value across time, based on our estimates**




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

**Figure 38: Key financial data**

(Yr-end 30 Nov for FY15-FY17/ Yr-end 31 Dec for FY18-19A and FY20F-FY21F)

	2018A	2019A	2020A	2021F	2022F	2023F	2024F
<b>Summary</b>							
EPS (US\$)	0.26	0.50	0.48	0.48	0.57	0.69	0.76
Operating EPS (US\$)	0.47	0.47	0.49	0.53	0.58	0.64	0.71
P/E ratio (x) (oper. EPS)	23.2	23.2	22.3	20.6	18.9	17.1	15.4
EPS growth (%)	-48.4%	88.7%	-3.5%	1.1%	18.2%	20.7%	10.4%
DPS (US\$)	0.16	0.16	0.17	0.19	0.21	0.23	0.25
Dividend yield (%)	1.9%	1.5%	1.4%	1.9%	2.0%	2.2%	2.5%
Issued shares (m)	12,077	12,089	12,095	12,101	12,107	12,113	12,119
BVPS (US\$)	3.23	4.55	5.23	5.53	5.91	6.38	6.91
P/BV (x)	3.40	2.42	2.10	1.99	1.86	1.72	1.59
EV per share (US\$)	4.51	5.13	5.39	5.69	6.19	6.79	7.47
Growth of EV per share	9%	14%	5%	6%	9%	10%	10%
ROEV	10.5%	17.5%	8.4%	8.9%	12.1%	13.2%	13.5%
Price/EV (x)	2.43	2.14	2.04	1.93	1.78	1.62	1.47
VONB per share (US\$)	0.34	0.34	0.23	0.27	0.30	0.35	0.42
Growth of VONB per share	16%	2%	-33%	18%	10%	19%	20%
NB multiple	19.2	17.0	24.4	19.6	16.1	11.9	8.3
<b>Profit &amp; Loss (US\$m)</b>							
Net premium	32,222	32,896	33,666	34,416	35,175	36,145	37,340
Investment income	8,728	8,899	9,398	11,127	12,287	13,366	14,605
<b>Total Revenue</b>	<b>40,950</b>	<b>41,795</b>	<b>43,064</b>	<b>45,543</b>	<b>47,462</b>	<b>49,511</b>	<b>51,945</b>
Insurance-related expenses	31,180	31,972	32,748	34,482	35,630	36,685	37,936
Other operating-related expenses	2,877	3,050	3,353	3,511	3,622	3,759	3,924
<b>Underwriting income</b>	<b>6,893</b>	<b>6,773</b>	<b>6,963</b>	<b>7,550</b>	<b>8,210</b>	<b>9,066</b>	<b>10,084</b>
Share of P/L from associates	0	(8)	(17)	(17)	(17)	(17)	(17)
<b>Operating profit/(loss)</b>	<b>6,893</b>	<b>6,765</b>	<b>6,946</b>	<b>7,533</b>	<b>8,193</b>	<b>9,049</b>	<b>10,067</b>
Operating profit after tax (OPAT)	5,731	5,734	5,986	6,492	7,061	7,798	8,675
<b>OPAT attrib to shareholders of AIA Group</b>	<b>5,684</b>	<b>5,689</b>	<b>5,942</b>	<b>6,444</b>	<b>7,009</b>	<b>7,741</b>	<b>8,612</b>
Non operating items	(2,521)	290	(163)	(600)	(100)	600	601
<b>Net profit after tax</b>	<b>3,163</b>	<b>5,979</b>	<b>5,779</b>	<b>5,844</b>	<b>6,909</b>	<b>8,341</b>	<b>9,213</b>
<b>Balance sheet (US\$m)</b>							
<b>Assets</b>							
Investment assets (excluding unit linked)	171,337	212,742	247,408	268,284	291,839	318,891	348,451
Investment assets (including unit linked)	23,938	31,456	36,302	41,895	48,349	55,797	64,393
Other assets	34,531	39,934	42,411	44,841	47,214	49,463	51,583
<b>Total assets</b>	<b>229,806</b>	<b>284,132</b>	<b>326,121</b>	<b>355,020</b>	<b>387,402</b>	<b>424,151</b>	<b>464,427</b>
<b>Liabilities</b>							
Insurance contract liabilities	164,764	192,181	223,071	243,984	265,422	286,938	306,844
Investment contract liabilities	7,885	12,273	12,881	13,519	14,189	14,892	15,629
Borrowings	4,954	5,757	8,559	12,725	18,918	28,126	41,815
Other liabilities	12,797	18,526	17,942	17,376	16,829	16,298	15,784
<b>Total liabilities</b>	<b>190,400</b>	<b>228,737</b>	<b>262,453</b>	<b>287,604</b>	<b>315,358</b>	<b>346,254</b>	<b>380,073</b>
<b>Net assets</b>	<b>39,406</b>	<b>55,395</b>	<b>63,668</b>	<b>67,415</b>	<b>72,044</b>	<b>77,897</b>	<b>84,355</b>
<b>Equity attributable to shareholders</b>	<b>39,006</b>	<b>54,947</b>	<b>63,200</b>	<b>66,920</b>	<b>71,515</b>	<b>77,325</b>	<b>83,735</b>
<b>Ratio and growth analysis</b>							
ROA	1.4%	2.3%	1.9%	1.7%	1.9%	2.1%	2.1%
ROE	7.8%	12.7%	9.8%	9.0%	10.0%	11.2%	11.4%
Payout ratio	60.0%	32.7%	36.4%	39.1%	36.0%	33.0%	33.2%
Growth in net earned premium	25.3%	2.1%	2.3%	2.2%	2.2%	2.8%	3.3%
Growth in operating profit after tax & minorities	22.3%	0.1%	4.4%	8.5%	8.8%	10.4%	11.3%
Asset portfolio mix	100%	100%	100%	100%	100%	100%	100%
- Fixed interest assets	83%	82%	83%	83%	83%	83%	83%
- Equity securities & interest in investment funds	11%	12%	13%	13%	13%	13%	13%
- Others	5%	5%	5%	5%	5%	5%	5%
Average investment income yield	5.4%	5.2%	4.4%	4.5%	4.6%	4.6%	4.6%
Insurance-related expense ratio	76.1%	76.5%	76.0%	75.7%	75.1%	74.1%	73.0%
Operating expense ratio	7.0%	7.3%	7.8%	7.7%	7.6%	7.6%	7.6%
Growth of operating profit after tax and minorities	22.3%	0.1%	4.4%	8.5%	8.8%	10.4%	11.3%
Growth of net profit after tax and minorities	-48.3%	89.0%	-3.3%	1.1%	18.2%	20.7%	10.5%

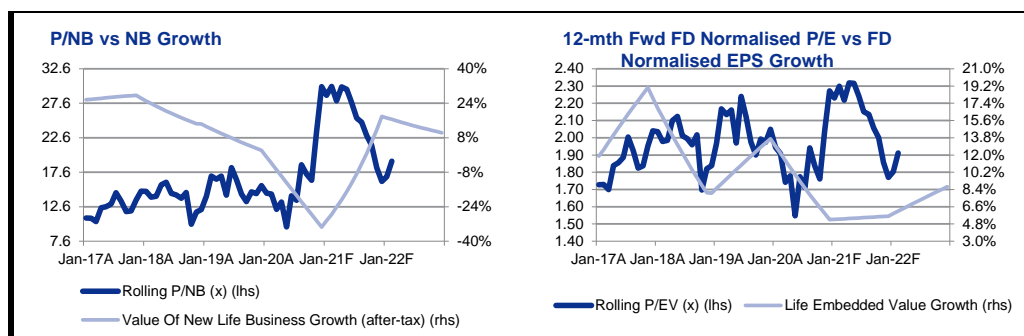
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

		Refinitiv ESG Scores					
<b>ESG in a nutshell</b>		B+	A+	B+	C+	B	A+
		<small>ESG Score</small>	<small>ESG Controversies Score</small>	<small>ESG Combined Score</small>	<small>ESG Environment Pillar Score</small>	<small>ESG Social Pillar Score</small>	<small>ESG Governance Pillar Score</small>
<p>AIA scored a B+ rating for its combined ESG score by Refinitiv in 2020. According to its 2020 ESG report, its MSCI ESG rating was A in 2020 (up from BBB in 2019). AIA’s ambition is to be a global industry leader in ESG, shaping a sustainable future for the communities it serves, and creating long-term value for all its stakeholders. The company’s ESG strategy is realised by improving healthcare standards and wellness levels, by green operations, driving sustainable investing, supporting people culture, and effective governance. AIA proactively encompasses green operations, including: 1) increased digitalisation and automation to reduce the use of paper and need for business travel; 2) reduced carbon footprint; and 3) ensuring that all new buildings adhere to industry-recognised green buildings. AIA states that it will continue to help its customers live healthier, longer and better lives, and by doing so, make a positive difference to the sustainable development of its business.</p>							
<p><b>Keep your eye on</b></p> <p>According to Bloomberg, environment groups SumOfUs and Insure Our Future have urged AIA to divest its assets in coal and join 65 industry peers that have done so. AIA, subsequently, in its 2020 ESG report pledged to divest and/or run off its entire directly-managed equity and fixed income exposure to coal mining and coal-fired power businesses, and on 7 Dec 2021 announced that it has achieved this. AIA also stated that it would no longer make new investments in businesses involved directly in either mining coal or generating electricity from coal. It also announced on 7 Dec 2021 its commitment to achieve net-zero greenhouse gas emissions by 2050. It has also committed to the Science Based Targets Initiative (SBTi), a global body enabling businesses to set ambitious emissions reduction targets in line with the latest climate science.</p>	<p><b>Implications</b></p> <p>We see this as a positive move which should catalyse a further improvement in AIA’s ESG ratings and also valuation.</p>						
<p><b>ESG highlights</b></p> <p>According to AIA’s 2020 ESG report, its Carbon Disclosure Project (CDP) score also places it among the “Leadership” group (score of A-) for climate change performance, which AIA states is the highest scoring tier for its sector and is also one of the highest ratings for a Hong Kong-headquartered company. AIA also states that Sustainalytics has placed it in the first percentile of companies in the insurance industry for two years running. AIA ranks in the fifth percentile globally in a pool of more than 12,700 companies from all industries.</p>	<p><b>Implications</b></p> <p>AIA has an excellent ESG track record according to CDP, MSCI and Sustainalytics, and we believe that such an excellent track record may not be adequately reflected in its valuation.</p>						
<p><b>Trends</b></p> <p>AIA’s Refinitiv combined ESG score has been relatively stable over 2018-20 at B+, after rising from a B rating in 2017 and 2016. Its Refinitiv Environmental pillar score has risen to C+ in 2019 and 2020 from C over the 2016-18 period. Its Social pillar score has been constant at B over the 2016-20 period. Its Governance pillar score in 2020 is A+ and has remained at that level since 2019 (2018: A-; 2016 and 2017: B+). Its ESG controversies score has consistently ranked A+ over the 2016-20 period.</p>	<p><b>Implications</b></p> <p>Given the higher ESG scores awarded by MSCI, CDP and Sustainalytics compared to Refinitiv, we see scope for AIA to improve its Refinitiv combined ESG score.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV



## BY THE NUMBERS



### Profit & Loss

(US\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Revenue	32,896	33,666	34,416	35,175	36,145
Total Claims and Changes in Reserves	(31,972)	(32,748)	(34,482)	(35,630)	(36,685)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(2,126)	(2,435)	(3,576)	(4,077)	(4,300)
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	(2,126)	(2,435)	(3,576)	(4,077)	(4,300)
Total Other Technical Income	(8)	(17)	(17)	(17)	(17)
<b>Total Other Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Operating Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other Technical Income / (Loss)					
<b>Depreciation And Amortisation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Profit</b>	<b>(2,134)</b>	<b>(2,452)</b>	<b>(3,593)</b>	<b>(4,094)</b>	<b>(4,317)</b>
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Post-Tax Oper. Earnings - Life/Other Biz					
Head Office Costs					
<b>Non-Operating Income/(Expense)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Investment Income on Shareholders Fund	8,899	9,398	11,127	12,287	13,366
Other Income	290	(163)	(600)	(100)	600
Exceptional Items					
<b>Pre-tax Profit</b>	<b>7,055</b>	<b>6,783</b>	<b>6,933</b>	<b>8,093</b>	<b>9,649</b>
Taxation	(1,031)	(960)	(1,041)	(1,132)	(1,251)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>6,024</b>	<b>5,823</b>	<b>5,892</b>	<b>6,961</b>	<b>8,398</b>
Minority Interests	(45)	(44)	(48)	(52)	(57)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>5,979</b>	<b>5,779</b>	<b>5,844</b>	<b>6,909</b>	<b>8,341</b>

### Operating Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Premium Retention Ratio (life & Health)	85.7%	84.5%	84.5%	84.5%	84.5%
Benefits Ratio (life & Health)	(97%)	(97%)	(100%)	(101%)	(101%)
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)	9.3%	10.0%	10.2%	10.3%	10.4%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(87.9%)	(87.3%)	(90.0%)	(91.0%)	(91.1%)
Underwriting Profit Margin (life & Health)	(6.5%)	(7.2%)	(10.4%)	(11.6%)	(11.9%)
Operating Profit Margin (life & Health)	(6.5%)	(7.3%)	(10.4%)	(11.6%)	(11.9%)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(US\$m)	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
<b>Fixed Assets</b>					
Intangible Assets	0	0	0	0	0
Other Long Term Assets	284,132	326,121	355,020	387,402	424,151
<b>Total Non-current Assets</b>	<b>284,132</b>	<b>326,121</b>	<b>355,020</b>	<b>387,402</b>	<b>424,151</b>
Total Cash And Equivalents	0	0	0	0	0
<b>Trade Debtors</b>					
Other Current Assets	0	0	0	0	0
<b>Total Current Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Creditors - Direct &amp; Reinsurance Business</b>					
Provision For Claims Outstanding	192,181	223,071	243,984	265,422	286,938
Other Current Liabilities	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>192,181</b>	<b>223,071</b>	<b>243,984</b>	<b>265,422</b>	<b>286,938</b>
Total Long-term Debt	5,757	8,559	12,725	18,918	28,126
<b>Hybrid Debt - Debt Component</b>					
Other Liabilities	30,799	30,823	30,896	31,018	31,190
<b>Total Non-current Liabilities</b>	<b>36,556</b>	<b>39,382</b>	<b>43,620</b>	<b>49,936</b>	<b>59,316</b>
<b>Total Technical &amp; Other Provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>228,737</b>	<b>262,453</b>	<b>287,604</b>	<b>315,358</b>	<b>346,254</b>
Shareholders' Equity	54,947	63,200	66,920	71,515	77,325
Minority Interests	448	468	496	530	573
<b>Total Equity</b>	<b>55,395</b>	<b>63,668</b>	<b>67,415</b>	<b>72,044</b>	<b>77,897</b>
Life Embedded Value	61,985	65,247	68,908	74,895	82,206

### Key Ratios

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
Net Premium Growth	2.09%	2.34%	2.23%	2.21%	2.76%
Operating Profit Growth (Life & Health)	16.3%	14.9%	46.5%	13.9%	5.5%
Value Of New Life Business Growth (after-tax)	2.1%	(33.4%)	17.9%	10.3%	19.0%
Life Embedded Value Growth	13.7%	5.3%	5.6%	8.7%	9.8%
Pre-tax Margin	21.4%	20.1%	20.1%	23.0%	26.7%
Net Profit Margin	18.2%	17.2%	17.0%	19.6%	23.1%
Effective Tax Rate	14.6%	14.2%	15.0%	14.0%	13.0%
Net Dividend Payout Ratio	32.7%	36.4%	39.1%	36.0%	33.0%
Return On Average Assets	2.34%	1.91%	1.73%	1.88%	2.07%
Net Gearing	9.5%	11.9%	16.0%	20.9%	26.7%
Financial Leverage	5.47	5.17	5.23	5.36	5.45
Equity / Assets	19.3%	19.4%	18.8%	18.5%	18.2%

### Key Drivers

	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F
VONB growth (%)	2.1%	-33.4%	17.9%	10.3%	19.0%
Embedded value growth (%)	13.7%	5.3%	5.6%	8.7%	9.8%
Insurance-related expenses / Net premiums & other	1.0	1.0	1.0	1.0	1.0
Operating-related expenses/ Total revenue (%)	7.3%	7.8%	7.7%	7.6%	7.6%
Effective tax rate (of operating profit only) (%)	15.2%	13.8%	13.8%	13.8%	13.8%
Dividend payout ratio (based on operating profits)	0.3	0.4	0.4	0.4	0.4

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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

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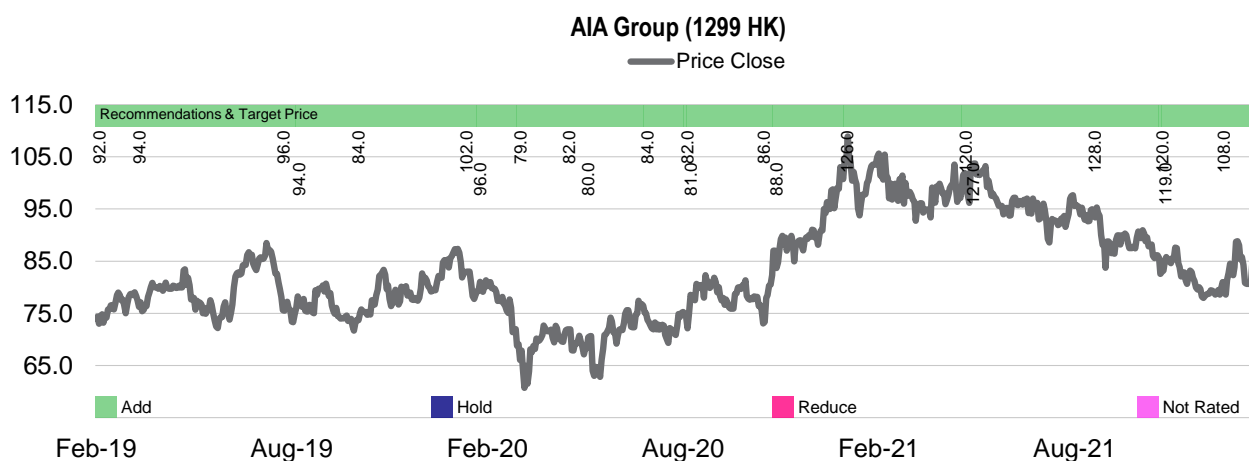
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

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 2021, Anti-Corruption 2021**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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<b>Stock Ratings</b>	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.
<i>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.</i>	
<b>Sector Ratings</b>	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.
<b>Country Ratings</b>	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.

