

Hong Kong

ADD (no change)

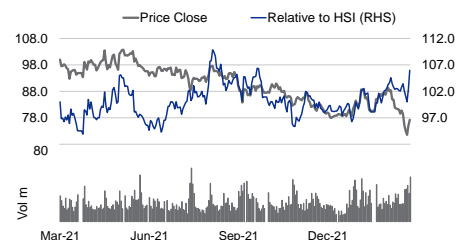
Consensus ratings*: Buy 37 Hold 3 Sell 0

Current price:	HK\$77.25
Target price:	HK\$101.0
Previoustarget:	HK\$107.0
Up/downside:	30.7%
CGS-CIMB / Consensus:	-5.6%
Reuters:	1299.HK
Bloomberg:	1299 HK
Market cap:	US\$119,417m HK\$934,520m
Average daily turnover:	US\$230.0m HK\$1,794m
Current shares o/s:	12,097m
Free float:	100.0%

*Source: Bloomberg

Key changes in this note

- FY22F EPS cut by 10.2%.
- FY23F EPS cut by 5.4%.
- FY24F EPS cut by 5.8%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-11.5	-5.6	-23.8
Relative (%)	6	8.8	6.3

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

Ending an 11-year wait

- An 11-year wait has ended, with a share buyback of up to US\$10bn, the first since its 2010 IPO. FY21 free surplus was US\$25bn after adoption of RBC.
- VONB was impressive, with FY21 up 22% yoy and 4Q21 up 26% yoy, driven primarily by HK and, to a lesser extent, Thailand.
- 1H22F remains a key challenge, due to a high base in China in 1Q22F and given Omicron-related uncertainty in HK in 1H22F.
- Reiterate Add rating. AIA remains our top pick in the sector. Our lower TP of HK\$101 is due to lower FY22F-24F VONB estimates.

Capital management a surprise; VONB, EV and net profit beat

The key standout of the FY21 results was the US\$10bn share buyback programme and 22% growth yoy in value of new business (VONB; 4% above consensus and 3% above our estimate). FY21 net profit also beat our forecast by 27%, driven by realised gains on bonds. FY21 embedded value (EV) beat our forecast by 6% (Fig 1).

What we liked about the FY21 results

i) 4Q21 VONB was up 26% yoy (or 28% yoy on a constant exchange rate [CER] basis), a marked improvement from 3Q21's 4% yoy (2% yoy on a CER basis; Fig 3), driven by HK and Thailand, across both agency and bancassurance; ii) a share buyback programme of up to US\$10bn over three years. This is significant as AIA has historically been unwilling to return its sizeable excess capital to shareholders since its 2010 IPO. Its FY21 Group Local Capital Summation Method (LCSM) ratio was 399%, with free surplus of US\$25bn after adoption of HK's new risk-based capital (RBC) regime (US\$17bn before adoption). FY21 underlying free surplus generation was US\$6.5bn, up 8% yoy; iii) 74% VONB growth yoy on a like-for-like basis in FY21 for Tianjin, Shijiazhuang and Sichuan; iv) China active agent numbers returned to growth hoh in 2H21 (Fig 9); v) Macau continues to record strong growth in mainland Chinese visitors (MCV) buying insurance, with annualised new premiums for this segment more than doubling in FY21, which is consistent with our bullish view of this segment ([A welcome diversion](#), dated 6 Jan 2022).

What we did not like about the FY21 results

i) A marked slow down of VONB growth in most regions apart from HK in 2H21 yoy compared to 1H21 yoy (Fig 2); ii) the notable fall in mix of traditional protection products (Fig 5); iii) the fall in China VONB margins to an 8-year low (Fig 8).

Reiterate Add with lower TP of HK\$101; remains top sector pick

Our GGM-based TP dips to HK\$101 from HK\$107, driven by slower FY22F VONB growth due to HK's Covid-19 outbreak. Our 5.4-10.2% lower EPS over FY22F-24F is due to reduced premium growth and investment income assumptions. Potential catalysts are higher bond yields and a marked fall in Covid-19 cases, which could lead investors to expect a reopening of the HK-mainland borders. Downside risks include currency volatility and a prolonged Covid-19 outbreak.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Premium (US\$m)	39,852	42,746	42,261	43,463	44,962
Investment And Other Income (US\$m)					
Net Premium (US\$m)	33,666	34,770	34,376	35,353	36,572
Net Profit (US\$m)	5,779	7,427	6,204	7,885	8,666
Normalised EPS (US\$)	0.48	0.61	0.51	0.65	0.72
Normalised EPS Growth	(3.4%)	28.5%	(16.5%)	27.1%	9.9%
FD Normalised P/E (x)	20.65	16.08	19.25	15.15	13.78
P/NB (x)	19.58	13.79	11.46	7.87	4.91
DPS (US\$)	0.17	0.19	0.19	0.21	0.24
Dividend Yield	1.77%	1.90%	1.95%	2.16%	2.39%
P/EV (x)	1.83	1.64	1.52	1.39	1.26
P/BV (x)	1.89	1.97	1.85	1.71	1.57
ROE	9.8%	12.0%	9.9%	11.7%	11.9%
% Change In Normalised EPS Estimates			(10.2%)	(5.4%)	(5.8%)
Normalised EPS/consensus EPS (x)			0.84	0.96	0.89

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Ending an 11-year wait

Figure 1: Key metrics of the FY21 results and the variance versus our forecasts

(US\$ m)	FY21A	CGS-CIMB FY21F	FY21 % variance	4Q21 % variance	FY21 growth
VONB	3,366	3,261	3.2%	15%	22%
EV	72,987	68,908	5.9%	n.a.	12%
NPAT	7,427	5,844	27.1%	n.a.	29%
OPAT	6,409	6,444	-0.5%	n.a.	8%
DPS (HK\$)	1.46	1.47	-1.0%	n.a.	8%
ANP	5,647	5,637	0.2%	n.a.	8%
VONB margin	59.3%	57.4%	3.2%	n.a.	13%

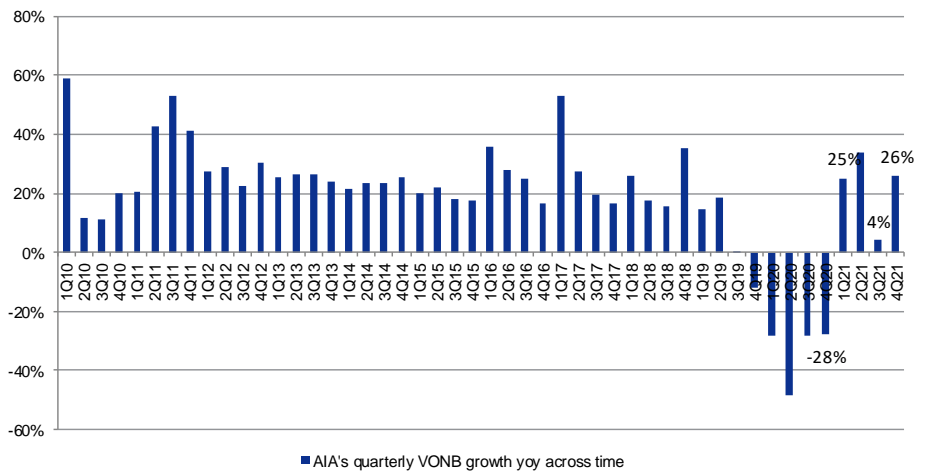
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: VONB growth (actual exchange rate [AER] basis)

	FY20	1H21	2H21	FY21
Hong Kong	-66%	2%	82%	37%
Thailand	-5%	57%	10%	30%
Singapore	-6%	39%	-11%	8%
Malaysia	-14%	94%	-11%	27%
China	-17%	24%	-1%	14%
Other markets	-4%	5%	-6%	-1%
Subtotal	-31%	26%	11%	19%
Total	-33%	29%	15%	22%

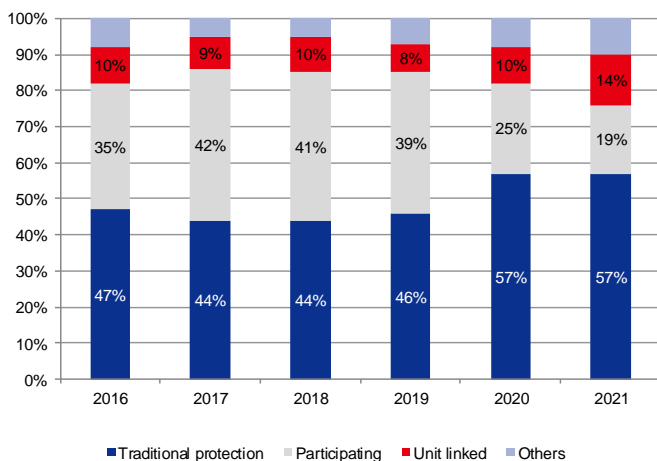
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: AIA's quarterly VONB growth yoy across time



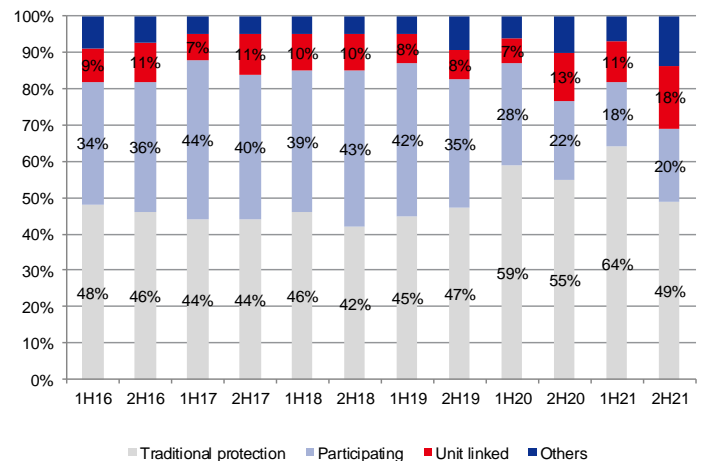
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: AIA Group VONB mix (full-year basis)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: AIA Group VONB mix (half-year basis)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: VONB margin movement

	FY20	1H21	FY21
Start of the period VONB margin	62.9%	54.4%	52.6%
Product mix	-5.8%	1.0%	2.0%
Geographic mix	-0.5%	0.1%	0.2%
Channel mix and others	0.5%	0.7%	0.3%
Reduced acquisition and expense overruns	-2.5%	1.9%	1.3%
Others including assumption changes	-2.0%	0.9%	2.9%
End of the period VONB margin	52.6%	59.0%	59.3%

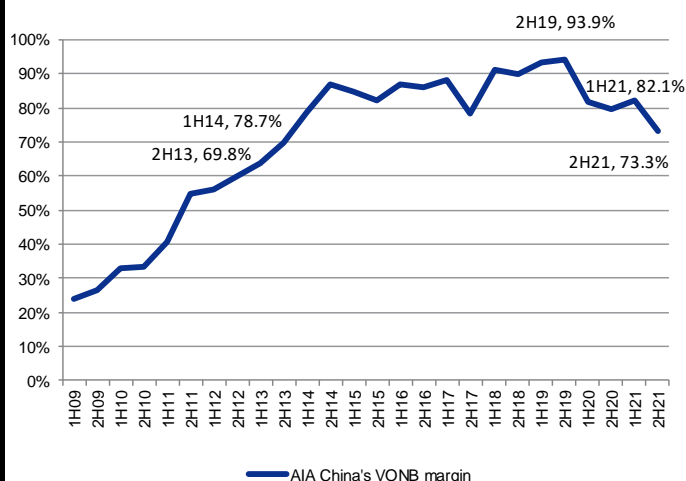
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: VONB composition of AIA Group

	FY20	FY21	1H21	2H21
Hong Kong	16%	26%	18%	21%
Thailand	16%	18%	15%	17%
Singapore	9%	11%	11%	10%
Malaysia	8%	8%	7%	8%
China	38%	22%	32%	31%
Other markets	13%	15%	17%	14%
Total	100%	100%	100%	100%

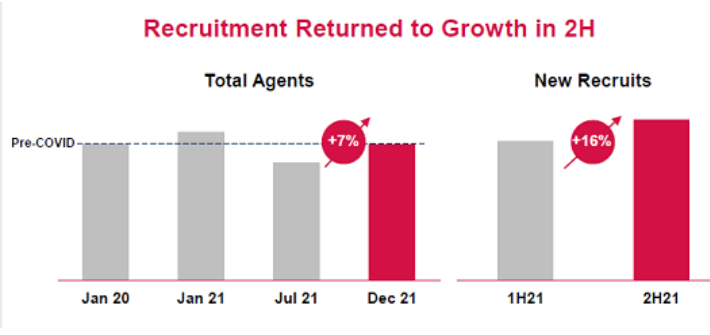
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: AIA China's 2H21 VONB margins have fallen to eight-year lows



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: AIA China's agents are up hoh in 2H21



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Changes to our earnings, VONB and EVPS estimates

We cut our FY22F-24F EPS by 5.4% to 10.2%, mainly to reflect premium growth (primarily due to a worse-than-expected Covid-19 outbreak in Hong Kong) and lower investment income due to weak equity markets. Our FY22F-24F VONB estimates are cut by 1.2-1.3%, as we similarly reflect the adverse effects of a worse-than-expected Covid-19 outbreak in Hong Kong (Fig 10).

Figure 10: Changes to our earnings forecasts

(US\$ m)	FY22F			FY23F			FY24F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Net premiums, fee income & other oper. revenue	35,175	34,376	-2.3%	36,145	35,353	-2.2%	37,340	36,572	-2.1%
Investment income	12,287	11,553	-6.0%	13,366	12,567	-6.0%	14,605	13,732	-6.0%
Total Revenue	47,462	45,928	-3.2%	49,511	47,920	-3.2%	51,945	50,304	-3.2%
Total expenses	39,252	38,122	-2.9%	40,445	39,310	-2.8%	41,861	40,773	-2.6%
OPAT attrib. to shareholders of AIA Group	7,009	6,604	-5.8%	7,741	7,285	-5.9%	8,612	8,065	-6.3%
Non operating items	-100	-400	300.0%	600	600	0.0%	601	601	0.0%
NPAT attrib to shareholders of AIA Group	6,909	6,204	-10.2%	8,341	7,885	-5.4%	9,213	8,666	-5.9%
EPS (US\$)	0.57	0.51	-10.2%	0.69	0.65	-5.4%	0.76	0.72	-5.8%
DPS (US\$)	0.21	0.19	-6.2%	0.23	0.21	-6.3%	0.25	0.24	-6.8%
BVPS (US\$)	5.91	5.32	-9.9%	6.38	5.78	-9.5%	6.91	6.27	-9.2%
VONB per share (US\$)	0.30	0.29	-1.3%	0.35	0.35	-1.3%	0.42	0.42	-1.2%
EVPS (US\$)	6.19	6.51	5.2%	6.79	7.12	5.0%	7.47	7.82	4.7%
ROE (%)	10.0%	9.9%	0.0% pts	11.2%	11.7%	0.5% pts	11.4%	11.9%	0.4% pts
ROEV (%)	12.1%	11.0%	-1.0% pts	13.2%	12.5%	-0.7% pts	13.5%	12.8%	-0.7% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Valuation and recommendation

We cut our target price from HK\$107 to HK\$101. 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 2.0x (previously 2.2x), assuming COE of 8.3% (unchanged), terminal growth rate of 4.8% (unchanged), as well as a sustainable return on embedded value (ROEV) of 11.9% (previously 12.7%), based on the average ROEV over FY20-24F.

We then apply this to our FY22F EVPS estimate of US\$6.51 (previously FY22F EVPS estimate of US\$6.19), after converting at an assumed exchange rate of US\$/HK\$ of 7.79 (unchanged), to arrive at our target price of HK\$101 (previously HK\$107) (Fig 11).

Figure 11: 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 FY20 - FY24F)	12.7%	11.9%	-0.9% pts
Target P/EV	2.2x	2.0x	-10.9%
FY22F EVPS (US\$)	6.19	6.51	5.2%
i.e. FY22F EVPS (HK\$)	48.19	50.71	5.2%
US\$/HK\$ exchange rate	7.79	7.79	0.0%
Hence target price (HK\$)	107.00	101.00	-5.6%
FY22F VONB per share (US\$)	0.30	0.29	-1.3%
i.e FY22F VONB per share (HK\$)	2.31	2.28	-1.3%
Implied target new business multiple	25.4x	22.0x	-13.4%
Current share price (HK\$)			77.25
Upside/ downside			31%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

We show in Fig 12 our embedded value forecasts up to FY24F.

Figure 12: 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	72,987	78,764	86,204
Value of new business	2,198	2,750	3,512	3,955	4,154	2,765	3,366	3,548	4,223	5,067
Expected return on EV	2,698	2,854	3,317	3,893	4,105	4,176	4,402	4,846	5,293	5,827
Operating experience variance	274	365	385	612	600	533	451	396	345	298
Operating assumption changes	-26	29	-81	-9	34	16	-14	-7	-4	-2
Finance costs on medium term notes	-76	-111	-136	-173	-208	-247	-309	-340	-374	-411
EV operating profit	5,068	5,887	6,997	8,278	8,685	7,243	7,896	8,443	9,483	10,779
Investment return variance	-1,804	-37	1,517	-2,218	517	-1,868	1,293	-719	188	196
Effect of change in economic assumptions	145	-236	-190	47	-254	-1,013	434	0	0	0
Other non operating variances	369	-22	-330	270	-78	-330	1,200	0	0	0
Total EV profit	3,778	5,592	7,994	6,377	8,870	4,032	10,823	7,724	9,671	10,975
Dividends	-814	-1,124	-1,376	-1,589	-1,961	-1,997	-2,147	-2,278	-2,396	-2,646
Other capital movements	-12	-5	134	-13	-111	63	-126	0	0	0
Effect of changes in exchange rates	-1,907	-547	1,265	-1,037	670	1,164	-810	332	166	83
Closing EV	38,198	42,114	50,131	54,517	61,985	65,247	72,987	78,764	86,204	94,616
Number of shares	12,048	12,056	12,074	12,077	12,089	12,095	12,097	12,099	12,101	12,103
EV per share	3.17	3.49	4.15	4.51	5.13	5.39	6.03	6.51	7.12	7.82

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

AIA currently trades at a forward P/EV premium over other HK insurers under our coverage (average of 0.4x 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 13: Sector comparison as of 11 Mar 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	12.08	19.20	59%	0.27x	0.24x	0.22x	-13.4x	-15.5x	-22.5x	0.6x	0.6x	0.5x	16.8	12.7	12.7
Ping An 2318 HK	Add	197.71	54.85	81.00	48%	0.60x	0.56x	0.52x	-14.3x	-19.6x	-22.0x	1.0x	0.9x	0.8x	5.0	5.6	11.1
CPIC 2601 HK	Add	46.09	20.45	29.70	45%	0.36x	0.33x	0.29x	-16.1x	-17.1x	-18.2x	0.7x	0.7x	0.7x	18.7	11.8	14.4
PICC P&C 2328 HK	Add	21.74	7.55	9.40	25%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.7x	0.7x	0.6x	n.a.	n.a.	n.a.
AIA 1299 HK	Add	159.18	77.25	101.00	31%	1.84x	1.64x	1.52x	19.7x	13.9x	11.6x	1.9x	2.0x	1.9x	8.4	15.3	11.0
NCI 1336 HK	Add	20.50	21.65	33.10	53%	0.23x	0.21x	0.19x	-20.1x	-27.7x	-28.7x	0.6x	0.5x	0.5x	19.5	12.9	10.6
HK-listed weighted average						0.84x	0.76x	0.71x	-4.7x	-9.1x	-12.4x	1.1x	1.1x	1.0x	10.4	10.8	11.7
HK-listed weighted average ex AIA						0.44x	0.41x	0.38x	-14.5x	-18.4x	-22.1x	0.8x	0.8x	0.7x	11.2	9.0	12.0

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.

Figure 14: Key financial data

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

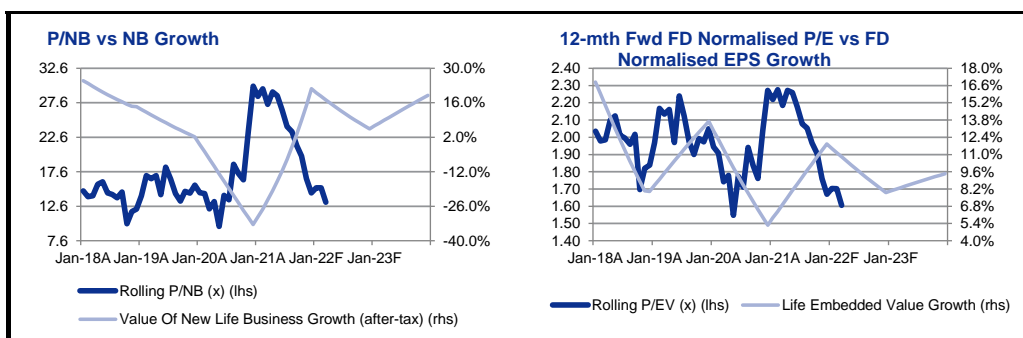
	2018A	2019A	2020A	2021A	2022F	2023F	2024F
Summary							
EPS (US\$)	0.26	0.50	0.48	0.62	0.51	0.65	0.72
Operating EPS (US\$)	0.47	0.47	0.49	0.53	0.55	0.60	0.67
P/E ratio (x) (oper. EPS)	21.1	21.1	20.2	18.8	18.2	16.5	14.9
EPS growth (%)	-48.4%	88.7%	-3.5%	28.5%	-16.5%	27.1%	9.9%
DPS (US\$)	0.16	0.16	0.17	0.19	0.19	0.21	0.24
Dividend yield (%)	1.9%	1.5%	1.4%	1.9%	1.9%	2.1%	2.3%
Issued shares (m)	12,077	12,089	12,095	12,097	12,099	12,101	12,103
BV/PS (US\$)	3.23	4.55	5.23	5.00	5.32	5.78	6.27
P/BV (x)	3.09	2.19	1.91	1.99	1.87	1.73	1.59
EV per share (US\$)	4.51	5.13	5.39	6.03	6.51	7.12	7.82
Growth of EV per share	9%	14%	5%	12%	8%	9%	10%
ROEV	10.5%	17.5%	8.4%	15.3%	11.0%	12.5%	12.8%
Price/EV (x)	2.21	1.94	1.85	1.65	1.53	1.40	1.28
VONB per share (US\$)	0.34	0.34	0.23	0.28	0.29	0.35	0.42
Growth of VONB per share	16%	2%	-33%	22%	5%	19%	20%
NB multiple	16.2	14.1	20.0	14.1	11.8	8.2	5.1
Profit & Loss (US\$mn)							
Net premium	32,222	32,896	33,666	34,770	34,376	35,353	36,572
Investment income	8,728	8,899	9,398	10,631	11,553	12,567	13,732
Total Revenue	40,950	41,795	43,064	45,401	45,928	47,920	50,304
Insurance-related expenses	31,180	31,972	32,748	34,039	34,225	35,269	36,521
Other operating-related expenses	2,877	3,050	3,353	3,786	3,897	4,041	4,251
Underwriting income	6,893	6,773	6,963	7,576	7,806	8,610	9,531
Share of P/L from associates	0	(8)	(17)	(11)	(11)	(11)	(11)
Operating profit/(loss)	6,893	6,765	6,946	7,565	7,795	8,599	9,520
Operating profit after tax (OPAT)	5,731	5,734	5,986	6,455	6,652	7,337	8,123
OPAT attrib to shareholders of AIA Group	5,684	5,689	5,942	6,409	6,604	7,285	8,065
Non operating items	(2,521)	290	(163)	1,018	(400)	600	601
Net profit after tax	3,163	5,979	5,779	7,427	6,204	7,885	8,666
Balance sheet (US\$m)							
Assets							
Investment assets (excluding unit linked)	171,337	212,742	247,408	253,585	275,850	301,419	329,359
Investment assets (including unit linked)	23,938	31,456	36,302	40,059	46,230	53,352	61,572
Other assets	34,531	39,934	42,411	46,230	48,677	50,995	53,181
Total assets	229,806	284,132	326,121	339,874	370,756	405,767	444,112
Liabilities							
Insurance contract liabilities	164,764	192,181	223,071	239,423	261,660	284,131	305,976
Investment contract liabilities	7,885	12,273	12,881	11,860	12,448	13,064	13,711
Borrowings	4,954	5,757	8,559	9,588	14,255	21,192	31,507
Other liabilities	12,797	18,526	17,942	18,069	17,499	16,948	16,414
Total liabilities	190,400	228,737	262,453	278,940	305,861	335,336	367,608
Net assets	39,406	55,395	63,668	60,934	64,895	70,431	76,505
Equity attributable to shareholders	39,006	54,947	63,200	60,467	64,398	69,892	75,918
Ratio and growth analysis							
ROA	1.4%	2.3%	1.9%	2.2%	1.7%	2.0%	2.0%
ROE	7.8%	12.7%	9.8%	12.0%	9.9%	11.7%	11.9%
Payout ratio	60.0%	32.7%	36.4%	30.4%	37.6%	32.7%	32.9%
Growth in net earned premium	25.3%	2.1%	2.3%	3.3%	-1.1%	2.8%	3.4%
Growth in operating profit after tax & minorities	22.3%	0.1%	4.4%	7.9%	3.0%	10.3%	10.7%
Asset portfolio mix	100%	100%	100%	100%	100%	100%	100%
- Fixed interest assets	83%	82%	83%	80%	80%	80%	80%
- Equity securities & interest in investment funds	11%	12%	13%	15%	15%	15%	15%
- Others	5%	5%	5%	5%	5%	5%	5%
Average investment income yield	5.4%	5.2%	4.4%	4.3%	4.6%	4.6%	4.6%
Insurance-related expense ratio	76.1%	76.5%	76.0%	75.0%	74.5%	73.6%	72.6%
Operating expense ratio	7.0%	7.3%	7.8%	8.3%	8.5%	8.4%	8.5%
Growth of operating profit after tax and minorities	22.3%	0.1%	4.4%	7.9%	3.0%	10.3%	10.7%
Growth of net profit after tax and minorities	-48.3%	89.0%	-3.3%	28.5%	-16.5%	27.1%	9.9%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Refinitiv ESG Scores	
	
	
<p>ESG in a nutshell</p> <p>AIA scored a B+ rating for its combined ESG score by Refinitiv in 2020. According to its 2021 ESG report, its MSCI ESG rating was AA in 2021 (2020: A; 2019: BBB). 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 building standards. 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>Keep your eye on</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>Implications</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>ESG highlights</p> <p>According to AIA’s 2021 ESG report, its Carbon Disclosure Project (CDP) score for climate change performance was B, down from A- in 2020. In the same report, AIA also stated that Sustainalytics has placed it in the second percentile of companies in the insurance industry for two years running and AIA received the 2022 Industry Top-Rated Badge as well as a brand new Regional Top-Rated Badge from Sustainalytics.</p>	<p>Implications</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>Trends</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>Implications</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-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue	33,666	34,770	34,376	35,353	36,572
Total Claims and Changes in Reserves	(32,748)	(34,039)	(34,225)	(35,269)	(36,521)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(2,435)	(3,055)	(3,746)	(3,957)	(4,201)
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	(2,435)	(3,055)	(3,746)	(3,957)	(4,201)
Total Other Technical Income	(17)	(11)	(11)	(11)	(11)
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	(2,452)	(3,066)	(3,757)	(3,968)	(4,212)
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	9,398	10,631	11,553	12,567	13,732
Other Income	(163)	1,018	(400)	600	601
Exceptional Items					
Pre-tax Profit	6,783	8,583	7,395	9,199	10,121
Taxation	(960)	(1,110)	(1,144)	(1,262)	(1,397)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	5,823	7,473	6,252	7,937	8,724
Minority Interests	(44)	(46)	(47)	(52)	(58)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	5,779	7,427	6,204	7,885	8,666

Operating Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Premium Retention Ratio (life & Health)	84.5%	81.3%	81.3%	81.3%	81.3%
Benefits Ratio (life & Health)	(97.3%)	(97.9%)	(99.6%)	(99.8%)	(99.9%)
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)	10.0%	10.9%	11.3%	11.4%	11.6%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(87.3%)	(87.0%)	(88.2%)	(88.3%)	(88.2%)
Underwriting Profit Margin (life & Health)	(7.2%)	(8.8%)	(10.9%)	(11.2%)	(11.5%)
Operating Profit Margin (life & Health)	(7.3%)	(8.8%)	(10.9%)	(11.2%)	(11.5%)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Fixed Assets					
Intangible Assets	0	0	0	0	0
Other Long Term Assets	326,121	339,874	370,756	405,767	444,112
Total Non-current Assets	326,121	339,874	370,756	405,767	444,112
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	223,071	239,423	261,660	284,131	305,976
Other Current Liabilities	0	0	0	0	0
Total Current Liabilities	223,071	239,423	261,660	284,131	305,976
Total Long-term Debt	8,559	9,588	14,255	21,192	31,507
Hybrid Debt - Debt Component					
Other Liabilities	30,823	29,929	29,947	30,012	30,125
Total Non-current Liabilities	39,382	39,517	44,202	51,204	61,632
Total Technical & Other Provisions	0	0	0	0	0
Total Liabilities	262,453	278,940	305,861	335,336	367,608
Shareholders' Equity	63,200	60,467	64,398	69,892	75,918
Minority Interests	468	467	497	540	586
Total Equity	63,668	60,934	64,895	70,431	76,505
Life Embedded Value	65,247	72,987	78,764	86,204	94,616

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	2.34%	3.28%	(1.13%)	2.84%	3.45%
Operating Profit Growth (Life & Health)	14.9%	25.0%	22.5%	5.6%	6.1%
Value Of New Life Business Growth (after-tax)	(33.4%)	21.7%	5.4%	19.0%	20.0%
Life Embedded Value Growth	5.3%	11.9%	7.9%	9.4%	9.8%
Pre-tax Margin	20.1%	24.7%	21.5%	26.0%	27.7%
Net Profit Margin	17.2%	21.4%	18.0%	22.3%	23.7%
Effective Tax Rate	14.2%	12.9%	15.5%	13.7%	13.8%
Net Dividend Payout Ratio	36.4%	30.4%	37.6%	32.7%	32.9%
Return On Average Assets	1.91%	2.24%	1.76%	2.04%	2.05%
Net Gearing	11.9%	13.7%	18.1%	23.3%	29.3%
Financial Leverage	5.17	5.39	5.69	5.78	5.83
Equity / Assets	19.4%	17.8%	17.4%	17.2%	17.1%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
VONB growth (%)	-33.4%	21.7%	5.4%	19.0%	20.0%
Embedded value growth (%)	5.3%	11.9%	7.9%	9.4%	9.8%
Insurance-related expenses / Net premiums & other	1.0	1.0	1.0	1.0	1.0
Operating-related expenses/ Total revenue (%)	7.8%	8.3%	8.3%	8.2%	8.2%
Effective tax rate (of operating profit only) (%)	13.8%	14.7%	14.7%	14.7%	14.7%
Dividend payout ratio (based on operating profits)	0.4	0.4	0.4	0.4	0.4

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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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. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

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

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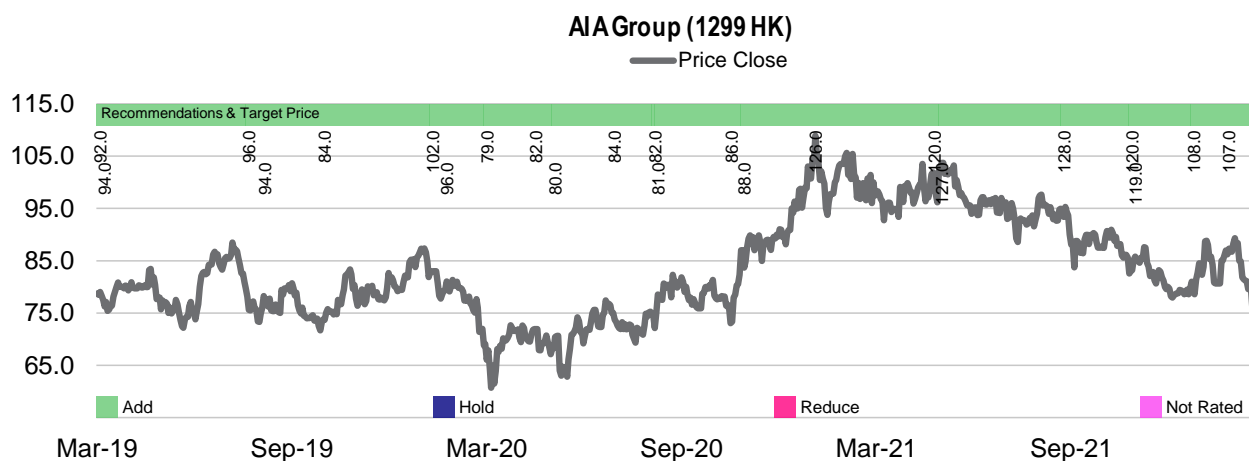
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

