

Hong Kong

ADD (no change)

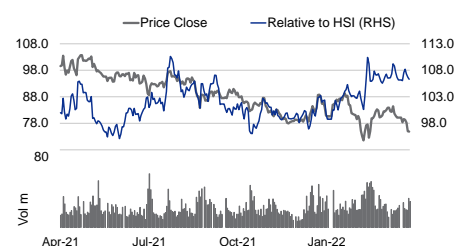
Consensus ratings*: Buy 40 Hold 2 Sell 0

Current price:	HK\$74.85
Target price:	HK\$94.00
Previous target:	HK\$100.00
Up/downside:	25.6%
CGS-CIMB / Consensus:	-11.3%
Reuters:	1299.HK
Bloomberg:	1299 HK
Market cap:	US\$115,244m HK\$904,228m
Average daily turnover:	US\$248.5m HK\$1,943m
Current shares o/s:	12,097m
Free float:	100.0%

*Source: Bloomberg

Key changes in this note

- FY22F EPS cut by 20.4%.
- FY23F EPS cut by 1.5%.
- FY24F EPS cut by 1.3%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-6.7	-12.8	-24.4
Relative (%)	0.2	5.1	6.8

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

1Q22F preview: Can margins save the day?

- We view 1Q22F to be the toughest quarter for value of new business (VONB) yoy at -18%, versus 2Q22F's -12.4%, 3Q22F's +9.2% and 4Q22F's +11.2%.
- While we see weak HK annualised new premium (ANP) volumes, we see a strong HK margin performance helping cushion the impact of Covid-19.
- We see China as the worst performing market for VONB growth, due to falling margins, a high base and Covid-19 outbreaks.
- Reiterate Add; TP cut to HK\$94 as we mark-to-market for weak equity markets, with cuts to our FY22F-24F EPS, EV & VONB.

The toughest quarter

We expect 1Q22F to be the toughest quarter for value of new business (VONB) growth yoy, and forecast VONB to fall 18% yoy. We then forecast VONB to fall 12.4% in 2Q22F, before rebounding 9.2% yoy in 3Q22F and 11.2% yoy in 4Q22F (Fig 1). This incorporates VONB weakness in mainland China in both 1Q22F (-32% yoy) and 2Q22F (-32% yoy), with Shenzhen, Shanghai and Beijing accounting for 7%, 17.6% and 24.5% of AIA's 2020's gross written premiums respectively (Fig 2). AIA reports 1Q22 results before market on 29 Apr 2022.

Margins could be a swing factor, in HK as well as Thailand

We had pointed out in [Decoding HK: Margin-driven growth](#), dated 11 Apr 2022 that VONB margin strength for AIA's Hong Kong (HK) business was likely to persist and trend even higher into 1Q22F, given the sharp rise in US 10-year treasury yields (Fig 5), even if reduced premium volumes from Covid-19 lockdowns result in increased expense overruns. Thailand is another market where we see a notable increase in bond yields positively impacting VONB margins.

Net profit more sensitive to equity markets movements vs. peers

This is mainly due to AIA's accounting classification of all its equity portfolio as fair-value-through-profit-and-loss (FVTPL), which results in equity market volatility directly impacting net profits. In contrast, peers classify a sizable portion of their equity portfolio as available-for-sale (AFS), where equity market volatility primarily impacts shareholders' equity in the balance sheet. Accordingly, given 1H22F equity market weakness, we cut FY22F EPS by 20%. We point out AIA bases its dividends on operating profits and not net profits. We also see VONB as a bigger driver of share price than EPS.

Reiterate Add with lower TP of HK\$94; remains top sector pick

Our lower GGM-based TP is mainly driven by slower FY22F VONB growth (cut 3.9% pts) due to mainland China's Covid-19 outbreak. We see AIA as a stock with minimal regulatory risk and thus attractive to investors looking to obtain some China exposure without the policy risks. Potential catalysts are higher bond yields, a marked fall in Covid-19 cases and a HK-mainland border reopening. Downside risks include currency volatility, weak equity markets 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	41,488	42,686	44,183
Investment And Other Income (US\$m)					
Net Premium (US\$m)	33,666	34,770	33,747	34,721	35,939
Net Profit (US\$m)	5,779	7,427	4,911	7,720	8,495
Normalised EPS (US\$)	0.48	0.61	0.41	0.64	0.70
Normalised EPS Growth	(3.4%)	28.5%	(33.9%)	57.2%	10.0%
FD Normalised P/E (x)	19.96	15.54	23.50	14.95	13.59
P/NB (x)	18.13	12.60	12.70	8.82	5.70
DPS (US\$)	0.17	0.19	0.19	0.21	0.23
Dividend Yield	1.83%	1.96%	2.02%	2.18%	2.42%
P/EV (x)	1.77	1.58	1.55	1.42	1.30
P/BV (x)	1.83	1.91	1.83	1.69	1.55
ROE	9.8%	12.0%	7.9%	11.7%	11.9%
% Change In Normalised EPS Estimates			(20.4%)	(1.5%)	(1.3%)
Normalised EPS/consensus EPS (x)			0.67	0.91	0.89

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

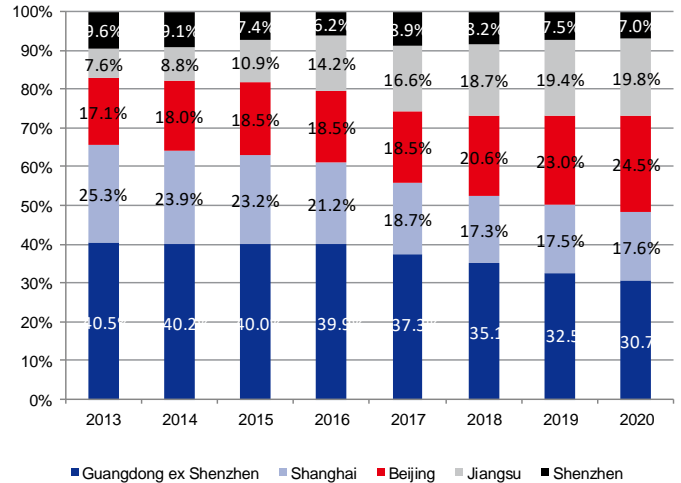
1Q22F preview: Can margins save the day?

Figure 1: VONB growth assumptions by region

	1Q22F	2Q22F	3Q22F	4Q22F	FY22F	FY23F	FY24F
Hong Kong	-31.0%	-19.5%	13.0%	13.0%	-8%	29%	35%
Thailand	3.0%	5.0%	8.0%	9.0%	6%	12%	10%
Singapore	-5.0%	5.0%	8.0%	9.0%	4%	12%	10%
Malaysia	-5.0%	5.0%	8.0%	9.0%	4%	12%	10%
China	-32.0%	-32.0%	9.0%	15.0%	-12%	26%	23%
Other Markets	0.0%	5.0%	8.0%	8.0%	5%	10%	10%
Total	-18.0%	-12.4%	9.2%	11.2%	-4%	20%	19%

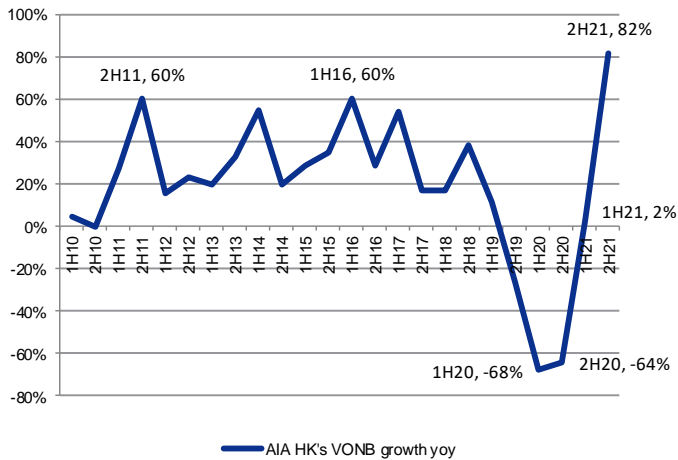
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: AIA's gross written premium mix by region



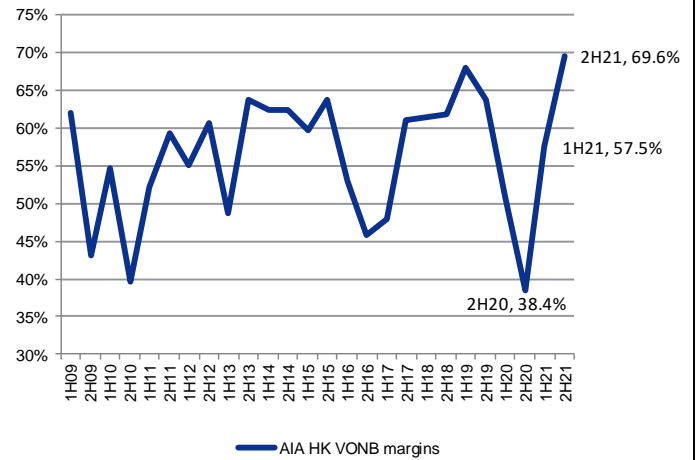
SOURCES: CGS-CIMB RESEARCH, CHINA BANKING AND INSURANCE REGULATORY COMMISSION (CBIRC)

Figure 3: AIA HK's VONB growth yoy



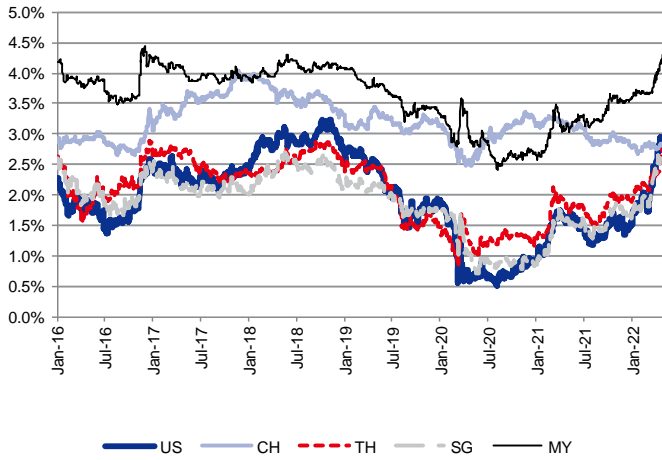
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: AIA HK VONB margins



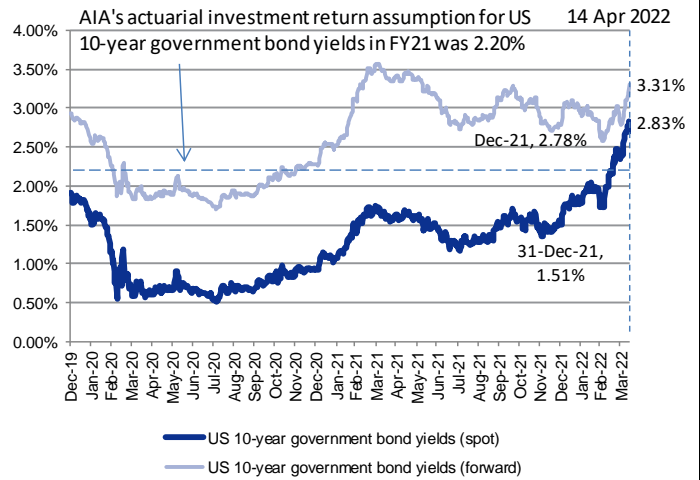
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: 10-year government spot bond yields across time for selected countries



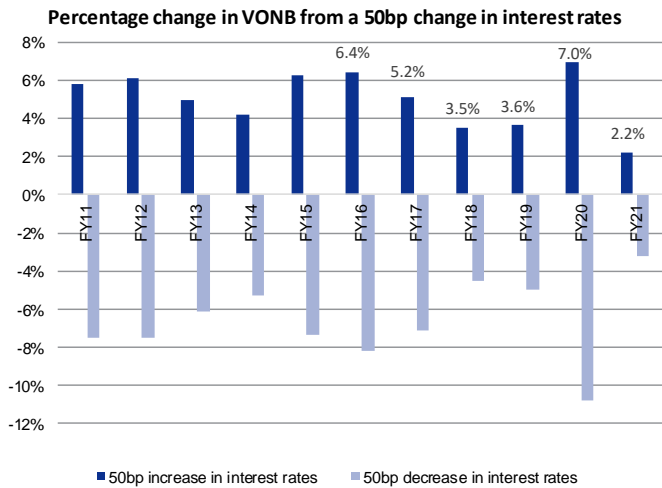
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 6: Both the spot and the forward US 10-year government bond yields have been on a clear rising trend



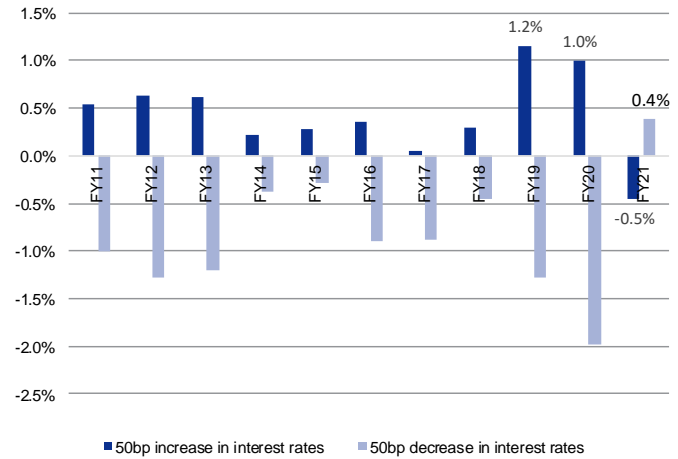
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 7: Percentage change in VONB from 50bp change in interest rates



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Percentage change in EV from 50bp change in interest rates



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Changes to our earnings, VONB and EVPS estimates

We cut our FY22F, FY23F and 24F EPS by 20.4%, 1.5% and 1.3% respectively, mainly to reflect both weaker equity markets and lower premium growth (primarily due to a worse-than-expected Covid-19 outbreak in mainland China). Our FY22F, FY23F and FY24F VONB estimates are reduced by 4.9%, 7.4% and 8% respectively, as we similarly reflect the adverse effects of a worse-than-expected Covid-19 outbreak in mainland China (Fig 9).

Figure 9: 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	34,016	33,747	-0.8%	35,123	34,721	-1.1%	36,474	35,939	-1.5%
Investment income	11,553	11,553	0.0%	12,567	12,567	0.0%	13,732	13,732	0.0%
Total Revenue	45,569	45,299	-0.6%	47,690	47,288	-0.8%	50,205	49,671	-1.1%
Total expenses	37,804	37,513	-0.8%	39,134	38,873	-0.7%	40,742	40,342	-1.0%
OPAT attrib. to shareholders of AIA Group	6,569	6,587	0.3%	7,239	7,120	-1.6%	8,008	7,894	-1.4%
Non operating items	-400	-1,677	319.1%	600	600	0.0%	601	601	0.0%
NPAT attrib to shareholders of AIA Group	6,169	4,911	-20.4%	7,839	7,720	-1.5%	8,609	8,495	-1.3%
EPS (US\$)	0.51	0.41	-20.4%	0.65	0.64	-1.5%	0.71	0.70	-1.3%
DPS (US\$)	0.19	0.19	0.3%	0.21	0.21	-1.6%	0.23	0.23	-1.4%
BVPS (US\$)	5.32	5.22	-2.0%	5.77	5.66	-2.0%	6.26	6.14	-1.9%
VONB per share (US\$)	0.28	0.27	-4.9%	0.35	0.32	-7.4%	0.42	0.38	-8.0%
EVPS (US\$)	6.50	6.14	-5.6%	7.11	6.71	-5.6%	7.80	7.36	-5.6%
ROE (%)	9.9%	7.9%	-1.9% pts	11.7%	11.7%	0.1% pts	11.8%	11.9%	0.1% pts
ROEV (%)	10.8%	4.8%	-6.0% pts	12.5%	12.6%	0.1% pts	12.8%	12.9%	0.1% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Valuation and recommendation

We cut our target price from HK\$100 to HK\$94. 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, deriving a target P/EV multiple of 2.0x (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 11.8% (unchanged), based on the average ROEV of FY21-24F (previously FY20 – FY24F).

We then apply this to our FY22F EVPS estimate of US\$6.14 (previously US\$6.50), after converting at an assumed exchange rate of US\$/HK\$ of 7.85 (previously 7.79), to arrive at our target price of HK\$94 (previously HK\$100) (Fig 10).

Figure 10: 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 FY21 - FY24F)	11.8%	11.8%	-0.1% pts
Target P/EV	2.0x	2.0x	-0.7%
FY22F EVPS (US\$)	6.50	6.14	-5.6%
i.e. FY22F EVPS (HK\$)	50.62	48.17	-4.8%
US\$/HK\$ exchange rate	7.79	7.85	0.8%
Hence target price (HK\$)	100.00	94.00	-6.0%
FY22F VONB per share (US\$)	0.28	0.27	-4.9%
i.e FY22F VONB per share (HK\$)	2.19	2.10	-4.2%
Implied target new business multiple	22.5x	21.8x	-3.2%
Current share price (HK\$)			74.85
Upside/ downside			26%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

We show in Fig 11 our embedded value forecasts up to FY24F.

Figure 11: 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	74,242	81,214
Value of new business	2,198	2,750	3,512	3,955	4,154	2,765	3,366	3,242	3,881	4,626
Expected return on EV	2,698	2,854	3,317	3,893	4,105	4,176	4,402	4,832	5,146	5,682
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	8,123	8,995	10,193
Investment return variance	-1,804	-37	1,517	-2,218	517	-1,868	1,293	-4,923	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	3,200	9,183	10,389
Dividends	-814	-1,124	-1,376	-1,589	-1,961	-1,997	-2,147	-2,277	-2,377	-2,588
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	74,242	81,214	89,098
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	6.14	6.71	7.36

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 0.35x 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 12: Sector comparison as of 26 Apr 2022

Ticker	Rec	Market Cap (US\$bn)	Price (Lcy)	Target Price (Lcy)	+/- (%)	P/EV (x)			VONB multiple (x)			P/BV (x)			Group ROEV (%)			
						FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F	
China Life	2628 HK	Add	96.16	11.12	15.00	35%	0.22x	0.20x	0.18x	-16.1x	-23.4x	-30.5x	0.5x	0.5x	0.5x	13.9	10.4	10.7
Ping An	2318 HK	Add	128.99	49.35	72.00	46%	0.54x	0.51x	0.48x	-17.0x	-24.4x	-26.5x	0.9x	0.8x	0.7x	8.7	7.4	10.1
CPIC	2601 HK	Add	31.78	16.86	29.00	72%	0.27x	0.25x	0.23x	-27.1x	-35.6x	-37.5x	0.6x	0.6x	0.5x	11.2	9.9	12.2
PICC P&C	2328 HK	Add	21.87	7.68	9.80	28%	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	123.82	74.85	94.00	26%	1.59x	1.56x	1.43x	12.8x	12.9x	9.0x	1.9x	1.8x	1.7x	15.3	4.8	12.6
NCI	1336 HK	Add	14.69	18.82	30.30	61%	0.18x	0.17x	0.16x	-31.8x	-41.4x	-42.2x	0.4x	0.4x	0.4x	12.6	9.8	9.2
HK-listed weighted average							0.76x	0.73x	0.67x	-8.8x	-14.0x	-17.8x	1.1x	1.0x	0.9x	12.4	7.6	11.2
HK-listed weighted average ex AIA							0.38x	0.35x	0.33x	-18.6x	-26.3x	-30.0x	0.7x	0.7x	0.6x	11.0	8.9	10.5

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 in Covid-19 infections is another potential re-rating catalyst.

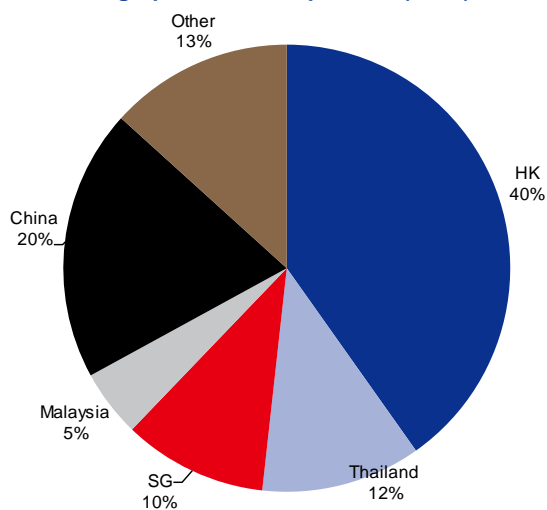
Figure 13: Key financial data

(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	0.41	0.64	0.70
Operating EPS (US\$)	0.47	0.47	0.49	0.53	0.55	0.59	0.65
P/E ratio (x) (oper. EPS)	20.4	20.4	19.6	18.2	17.7	16.4	14.8
EPS growth (%)	-48.4%	88.7%	-3.5%	28.5%	-33.9%	57.2%	10.0%
DPS (US\$)	0.16	0.16	0.17	0.19	0.19	0.21	0.23
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	5.22	5.66	6.14
P/BV (x)	2.99	2.12	1.85	1.93	1.85	1.71	1.57
EV per share (US\$)	4.51	5.13	5.39	6.03	6.14	6.71	7.36
Growth of EV per share	9%	14%	5%	12%	2%	9%	10%
ROEV	10.5%	17.5%	8.4%	15.3%	4.8%	12.6%	12.9%
Price/EV (x)	2.14	1.88	1.79	1.60	1.57	1.44	1.31
VONB per share (US\$)	0.34	0.34	0.23	0.28	0.27	0.32	0.38
Growth of VONB per share	16%	2%	-33%	22%	-4%	20%	19%
NB multiple	15.3	13.2	18.7	13.0	13.1	9.2	6.0
Profit & Loss (US\$m)							
Net premium	32,222	32,896	33,666	34,770	33,747	34,721	35,939
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	45,299	47,288	49,671
Insurance-related expenses	31,180	31,972	32,748	34,039	33,668	34,883	36,143
Other operating-related expenses	2,877	3,050	3,353	3,786	3,845	3,989	4,200
Underwriting income	6,893	6,773	6,963	7,576	7,786	8,416	9,328
Share of P/L from associates	0	(8)	(17)	(11)	(11)	(11)	(11)
Operating profit/(loss)	6,893	6,765	6,946	7,565	7,775	8,405	9,317
Operating profit after tax (OPAT)	5,731	5,734	5,986	6,455	6,634	7,171	7,950
OPAT attrib to shareholders of AIA Group	5,684	5,689	5,942	6,409	6,587	7,120	7,894
Non operating items	(2,521)	290	(163)	1,018	(1,677)	600	601
Net profit after tax	3,163	5,979	5,779	7,427	4,911	7,720	8,495
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	262,962	285,579	307,538
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	307,163	336,784	369,170
Net assets	39,406	55,395	63,668	60,934	63,593	68,983	74,943
Equity attributable to shareholders	39,006	54,947	63,200	60,467	63,106	68,454	74,368
Ratio and growth analysis							
ROA	1.4%	2.3%	1.9%	2.2%	1.4%	2.0%	2.0%
ROE	7.8%	12.7%	9.8%	12.0%	7.9%	11.7%	11.9%
Payout ratio	60.0%	32.7%	36.4%	30.4%	47.4%	32.6%	32.8%
Growth in net earned premium	25.3%	2.1%	2.3%	3.3%	-2.9%	2.9%	3.5%
Growth in operating profit after tax & minorities	22.3%	0.1%	4.4%	7.9%	2.8%	8.1%	10.9%
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%	74.3%	73.8%	72.8%
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%	2.8%	8.1%	10.9%
Growth of net profit after tax and minorities	-48.3%	89.0%	-3.3%	28.5%	-33.9%	57.2%	10.0%

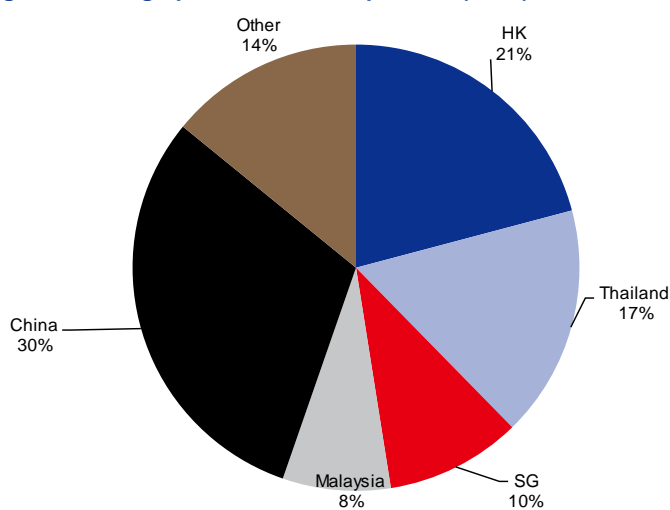
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 14: Geographical EV composition (FY21)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 15: Geographical VONB composition (FY21)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 16: Sensitivity of AIA's target price to changes in interest rates



	Impact on target price if interest rates rise on FY21's VONB
FY21 VONB (US\$ m)	3,366
50bp increase in interest rates	2.2%
50bp decrease in interest rates	-3.2%
FY21 EV (US\$ m)	72,987
50bp increase in interest rates	-0.5%
50bp decrease in interest rates	0.4%
Current trading new business multiple (26-Apr-22)	12.9x
Hence percentage impact to AIA's valuation from:	
50bp increase in interest rates	0.5%
50bp decrease in interest rates	-0.9%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 17: Impact on target price from a 10% movement in non-US\$ & non-HK\$ currencies

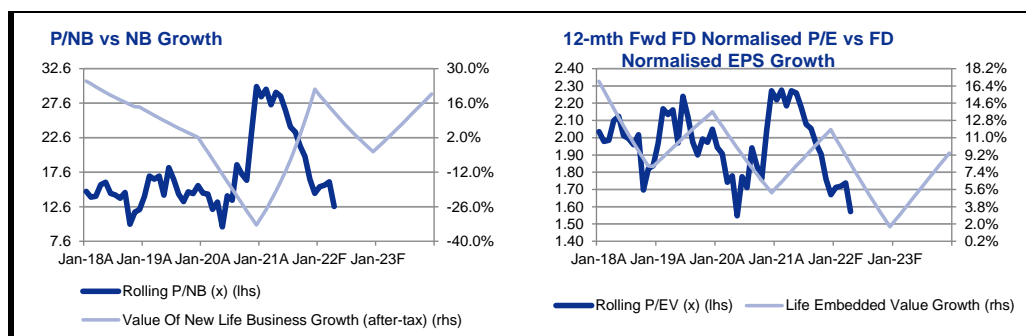
	Impact on EV, VONB and valuation if exchange rates change
Base case FY22F EV per share (HK\$)	47.86
% of EV that is non-HK	65%
Asian currencies (excluding HK\$) depreciates 10%, EV changes by	-6.5%
Asian currencies (excluding HK\$) appreciates 10%, EV changes by	6.5%
Base case FY22F VONB per share (HK\$)	2.09
% of VONB that is non-HK	79%
Asian currencies (excluding HK\$) depreciates 10%, VONB changes by	-7.9%
Asian currencies (excluding HK\$) appreciates 10%, VONB changes by	7.9%
Hence impact on valuation is	
If Asian currencies (excluding HKD) depreciates 10%, impact is	-7.0%
If Asian currencies (excluding HKD) appreciates 10%, impact is	7.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Refinitiv ESG Scores	
	
	
<h2>ESG in a nutshell</h2> <p>AIA received a B+ rating for its combined ESG score from 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 practises 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 has stated that it will continue to help its customers live healthier, longer and better lives, and in doing so, make a positive difference to the sustainable development of its business.</p>	
<h3>Keep your eye on</h3> <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. On 7 Dec 2021, it 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. In addition, the company 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 emission reduction targets in line with the latest climate science.</p>	<h3>Implications</h3> <p>We see this as a positive move which should catalyse a further improvement in AIA's ESG ratings and also valuation.</p>
<h3>ESG highlights</h3> <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 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>	<h3>Implications</h3> <p>AIA has an excellent ESG track record, according to CDP, MSCI and Sustainalytics, and we believe that this may not be adequately reflected in its valuation.</p>
<h3>Trends</h3> <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 rose 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 was 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>	<h3>Implications</h3> <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	33,747	34,721	35,939
Total Claims and Changes in Reserves	(32,748)	(34,039)	(33,668)	(34,883)	(36,143)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(2,435)	(3,055)	(3,766)	(4,151)	(4,403)
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	(2,435)	(3,055)	(3,766)	(4,151)	(4,403)
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)	(3,777)	(4,162)	(4,414)
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	(1,677)	600	601
Exceptional Items					
Pre-tax Profit	6,783	8,583	6,099	9,005	9,918
Taxation	(960)	(1,110)	(1,141)	(1,233)	(1,367)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	5,823	7,473	4,958	7,771	8,551
Minority Interests	(44)	(46)	(47)	(51)	(57)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	5,779	7,427	4,911	7,720	8,495

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%)	(98%)	(100%)	(100%)	(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)	10.0%	10.9%	11.4%	11.5%	11.7%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(87.3%)	(87.0%)	(88.4%)	(89.0%)	(88.9%)
Underwriting Profit Margin (life & Health)	(7.2%)	(8.8%)	(11.2%)	(12.0%)	(12.3%)
Operating Profit Margin (life & Health)	(7.3%)	(8.8%)	(11.2%)	(12.0%)	(12.3%)

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	262,962	285,579	307,538
Other Current Liabilities	0	0	0	0	0
Total Current Liabilities	223,071	239,423	262,962	285,579	307,538
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	307,163	336,784	369,170
Shareholders' Equity	63,200	60,467	63,106	68,454	74,368
Minority Interests	468	467	487	529	574
Total Equity	63,668	60,934	63,593	68,983	74,943
Life Embedded Value	65,247	72,987	74,242	81,214	89,098

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	2.34%	3.28%	(2.94%)	2.89%	3.51%
Operating Profit Growth (Life & Health)	14.9%	25.0%	23.2%	10.2%	6.1%
Value Of New Life Business Growth (after-tax)	(33.4%)	21.7%	(3.7%)	19.7%	19.2%
Life Embedded Value Growth	5.3%	11.9%	1.7%	9.4%	9.7%
Pre-tax Margin	20.1%	24.7%	18.1%	25.9%	27.6%
Net Profit Margin	17.2%	21.4%	14.6%	22.2%	23.6%
Effective Tax Rate	14.2%	12.9%	18.7%	13.7%	13.8%
Net Dividend Payout Ratio	36.4%	30.4%	47.4%	32.6%	32.8%
Return On Average Assets	1.91%	2.24%	1.40%	2.00%	2.01%
Net Gearing	11.9%	13.7%	18.4%	23.6%	29.8%
Financial Leverage	5.17	5.39	5.75	5.90	5.95
Equity / Assets	19.4%	17.8%	17.0%	16.9%	16.7%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
VONB growth (%)	-33.4%	21.7%	-3.7%	19.7%	19.2%
Embedded value growth (%)	5.3%	11.9%	1.7%	9.4%	9.7%
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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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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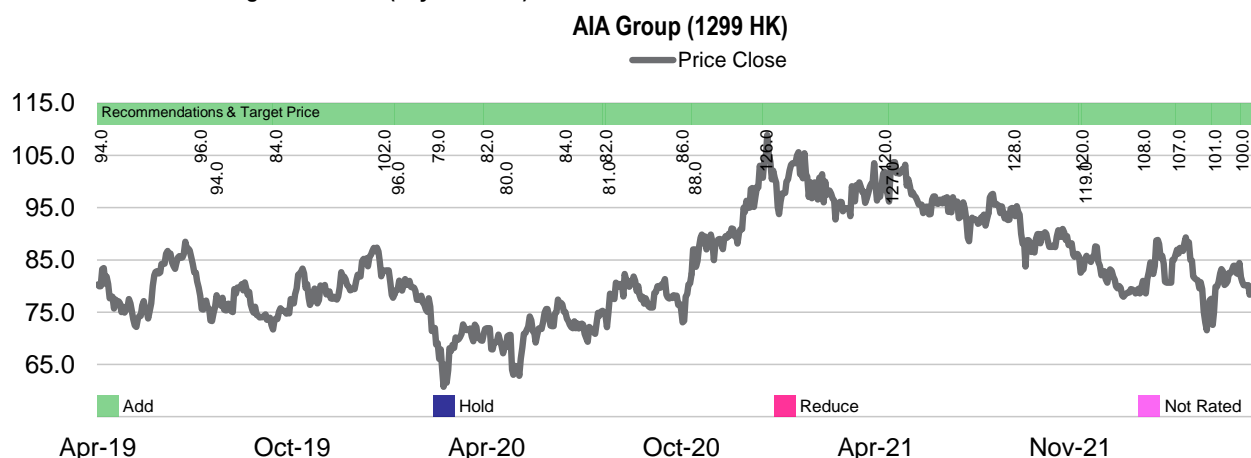
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	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.
<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>	
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.

