

## Hong Kong

**ADD** (no change)

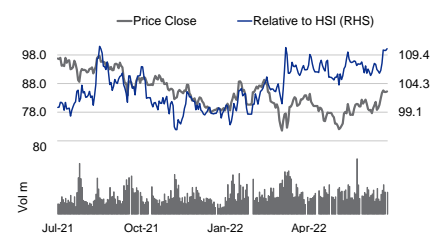
Consensus ratings\*: Buy 39 Hold 2 Sell 0

Current price:	HK\$85.25
Target price:	HK\$96.00
Previous target:	HK\$94.00
Up/downside:	12.6%
CGS-CIMB / Consensus:	-6.8%
Reuters:	1299.HK
Bloomberg:	1299 HK
Market cap:	US\$130,451m HK\$1,023,545m
Average daily turnover:	US\$223.3m HK\$1,753m
Current shares o/s:	12,097m
Free float:	100.0%

\*Source: Bloomberg

### Key changes in this note

- FY22F EPS raised by 13.6%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.6	1.6	-11
Relative (%)	3.1	4.6	11.9

### 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

## Margin tailwinds, currency headwinds

- We see sharply higher HK margins as AIA's key 1H22F VONB driver, with this more than offsetting agency sales weakness.
- The recent adverse currency movements lead us to expect a 4%-pts drag on VONB growth in 2Q22F, 3Q22F and 4Q22F.
- Outside of HK, we see Singapore and to a lesser extent Thailand as the better performing regions for AIA.
- Reiterate Add. Our TP is raised slightly to HK\$96 as we mark-to-market for equity markets. AIA remains our top pick of the insurance sector.

### HK remains well placed to benefit from higher margins in 1H22F

AIA Hong Kong's (HK) rapidly improving value of new business (VONB) margins appears to be the main driver of AIA's VONB growth in 1H22F, driven by the sharp rise in US 10-year treasury yields (+150bp hoh in 1H22F) (Fig 1), coupled with a shift towards protection products. We see this offsetting the falls in HK annualised new premiums (ANP) driven by falling agency sales (Fig 12) amidst HK's fifth Covid-19 wave and weakening system agent numbers (down 11% yoy in May 2022), with the rate of fall of system agent numbers yoy the worst in at least eighteen years (Fig 18).

### But currency movements are headwinds to growth outside HK

US\$ strength against Asian currencies (excluding HK\$) leads us to expect a drag on VONB growth of 4%-pts yoy in 2Q22F - 4Q22F (Fig 20). We estimate a 10% depreciation of Asian currencies against the US\$ leads to 7%-pts drag on VONB growth yoy (Fig 57).

### Within ASEAN, we see Singapore as better placed to perform

While the number of new Covid-19 cases fell qoq in most markets in 2Q22F (apart from mainland China), we think they still remain at a relatively elevated level (Figs 22 & 23) and are still a drag on VONB growth yoy. Nevertheless, with most of AIA's markets having changed their approach (apart from HK/China) to 'living with the virus', the worst has passed in our view, with certain markets in ASEAN performing better than others. Specifically, our channel checks suggest Singapore and to a lesser extent Thailand (AIA's May 2022 YTD Thailand ANP was up 5% yoy in Fig 24) are better placed to perform in 1H22F compared to other ASEAN countries. As 42% of AIA China's 2020 gross written premiums are from Shanghai and Beijing (Fig 35) (two regions that were relatively worse hit by Covid-19 in 2Q22F), we see China's growth lagging other regions.

### Reiterate Add with a higher TP of HK\$96; remains sector top pick

Our P/EV GGM-based TP rises slightly to HK\$96 (from HK\$94), as we mark-to-market for an improvement in investment markets since our last mark-to-market in Apr 2022 ([1Q22F preview: Can margins save the day](#), dated 27 Apr 2022). Potential re-rating catalysts: higher bond yields, borders reopening and further approval to expand in mainland China (see [Five down, nine to go](#), dated 30 May 2022). Downside risks include currency volatility, weak equity markets and prolonged Covid-19 outbreaks.

### 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	5,577	7,720	8,495
Normalised EPS (US\$)	0.48	0.61	0.46	0.64	0.70
Normalised EPS Growth	(3.4%)	28.5%	(24.9%)	38.4%	10.0%
FD Normalised P/E (x)	22.73	17.70	23.57	17.03	15.48
P/NB (x)	23.93	17.36	17.89	13.11	9.28
DPS (US\$)	0.17	0.19	0.19	0.21	0.23
Dividend Yield	1.61%	1.72%	1.77%	1.91%	2.12%
P/EV (x)	2.01	1.80	1.73	1.59	1.46
P/BV (x)	2.08	2.17	2.06	1.90	1.75
ROE	9.8%	12.0%	9.0%	11.6%	11.8%
% Change In Normalised EPS Estimates			13.6%	0.0%	0.0%
Normalised EPS/consensus EPS (x)			0.76	0.90	0.89

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Margin tailwinds, currency headwinds

### We see rising HK VONB margins as the main driver of 1H22 VONB growth

With US 10-year government bond yields up 150bp hoh in 1H22F (Fig 1), coupled with a shift towards protection products, we see AIA's Hong Kong (HK) (which is its second largest market by value of new business [VONB] in FY21) improving VONB margins to be the main driver of AIA's 1H22F VONB growth. We see this offsetting falls in HK annualised new premiums (ANP) driven by falling agency sales (Fig 10) amidst HK's fifth Covid-19 wave and weakening system agent numbers (Fig 18).

**Figure 1: 10-year government spot bond yields across time (%)**

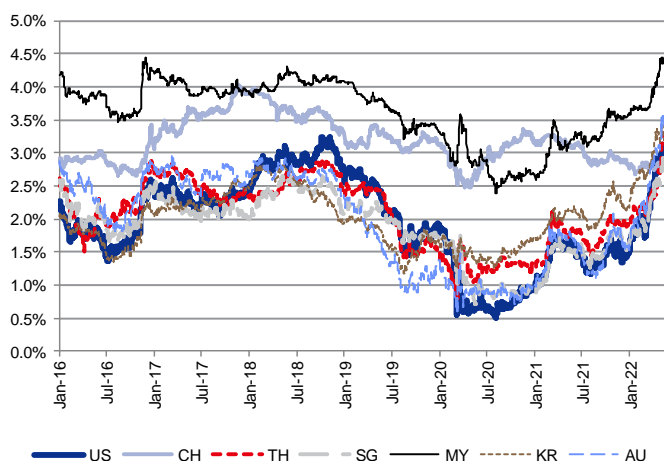
(%)	US	CH	TH	SG	MY	SK	ID	PH	AU
31-Dec-17	2.41	3.90	2.32	2.00	3.91	2.47	6.32	4.39	2.63
30-Jun-18	2.86	3.48	2.58	2.53	4.20	2.56	7.80	5.73	2.63
31-Dec-18	2.68	3.31	2.48	2.04	4.07	1.96	8.03	6.96	2.32
30-Jun-19	2.01	3.24	2.12	2.00	3.63	1.60	7.37	4.94	1.32
31-Dec-19	1.92	3.14	1.48	1.74	3.30	1.67	7.06	4.13	1.37
30-Jun-20	0.66	2.85	1.19	0.90	2.86	1.39	7.21	2.40	0.87
31-Dec-20	0.91	3.15	1.32	0.84	2.65	1.72	5.89	2.52	0.97
30-Jun-21	1.47	3.09	1.75	1.58	3.28	2.10	6.59	2.87	1.53
31-Dec-21	1.51	2.78	1.89	1.67	3.56	2.26	6.38	4.41	1.67
30-Jun-22	3.01	2.82	2.82	2.98	4.30	3.62	7.22	6.11	3.66
02-Jul-22	2.88	2.83	2.80	2.92	4.22	3.50	7.26	6.11	3.60

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

US = UNITED STATES; CH = CHINA; TH = THAILAND; SG = SINGAPORE; MY = MALAYSIA; KR = SOUTH KOREA; AU = AUSTRALIA; ID = INDONESIA; IN = INDIA; VN = VIETNAM; PH = PHILIPPINES

Interest rates have been rising quite substantially across virtually all of AIA's markets with the notable exception of mainland China (Fig 2).

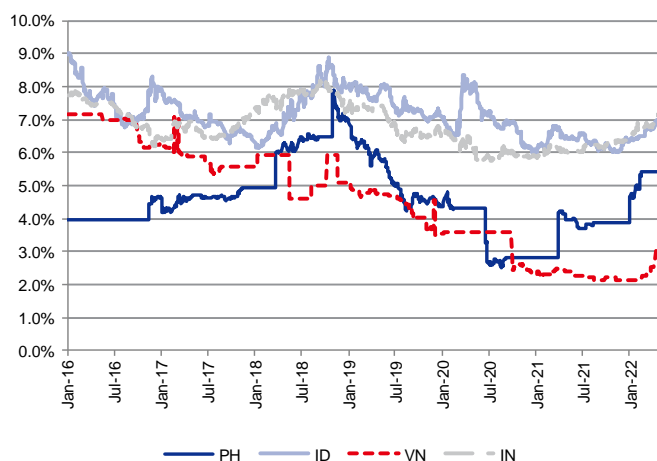
**Figure 2: 10-year government spot bond yields across time for selected countries with low-to-medium interest rates**



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

US = UNITED STATES; CH = CHINA; TH = THAILAND; SG = SINGAPORE; MY = MALAYSIA; KR = SOUTH KOREA; AU = AUSTRALIA

**Figure 3: 10-year government spot bond yields across time for selected countries with medium-to-high interest rates**



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

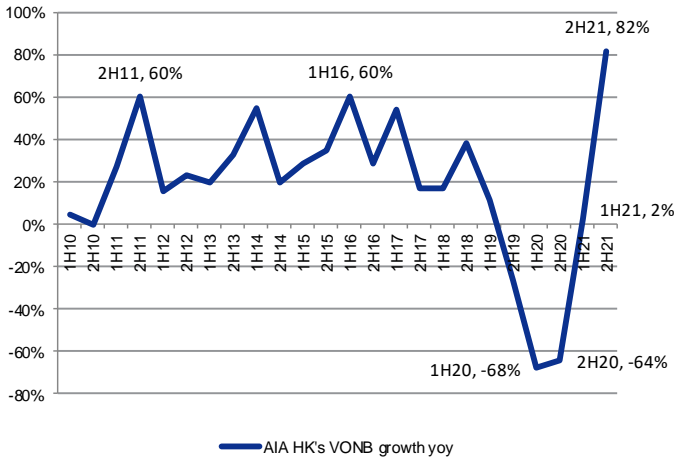
ID = INDONESIA; IN = INDIA; VN = VIETNAM; PH = PHILIPPINES

Higher interest rates benefit AIA in multiple ways. It benefits AIA's net profits via improved investment income in the form of higher bond yields (this is somewhat offset by adverse mark-to-market impact on its bond portfolio, though this impacts shareholders' equity more than net profits, in our view).

It also benefits its value of new business (VONB) AIA's VONB in two ways. The first is via the reserves, whereby a higher rate results in reduced pressure on reserving expenses and consequently a higher VONB margin.

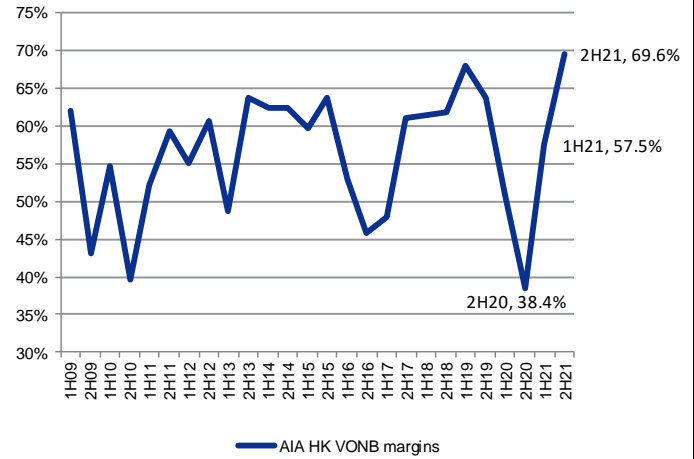
With AIA's HK 2H21 annualised new premiums (ANP) only up 5% yoy, higher interest rates in our view have helped 2H21 HK VONB up 82% yoy (Fig 4), with 2H21 HK VONB margins rising to 69.6% (1H21: 57.5%; 2H20: 38.4%) (Fig 5).

**Figure 4: AIA HK's VONB growth yoy**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 5: AIA HK VONB margins**



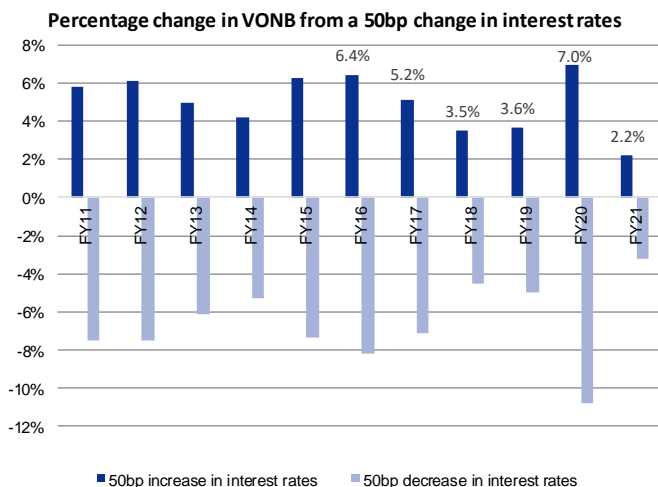
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

The second way it can benefit AIA's VONB is via an increase in actuarial investment return assumptions, with this also resulting in higher VONB margins.

A 50bp increase in interest rates within AIA's actuarial investment return assumptions would result in a 2.2% increase in its VONB (Fig 6).

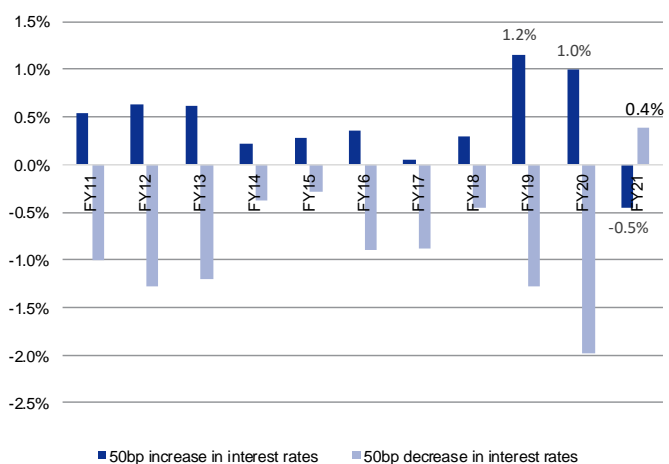
We also believe that AIA's reduced VONB sensitivity in FY21 to changes in actuarial investment return assumptions is due to AIA factoring in a higher rate environment when computing its reserves at end-FY21. In our view, this explains why AIA's VONB only rose 2.3% in FY21 for every 50bp increase in interest rates (based on the sensitivity disclosed by AIA), with this sensitivity the lowest since at least FY11 (Fig 6). Interestingly, AIA's FY21 embedded value (EV) would have actually fallen if interest rates rose by 50bp, the first time since FY11 (Fig 7).

**Figure 6: Percentage change in VONB from 50bp change in interest rates**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 7: Percentage change in EV from 50bp change in interest rates**

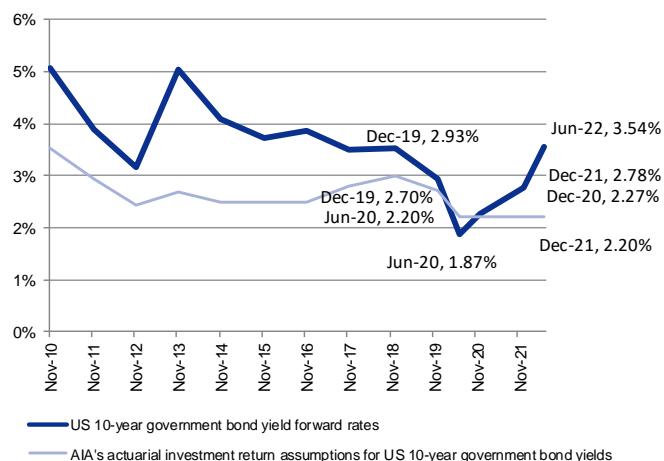


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Since its listing in Oct 2010, AIA has typically adjusted its actuarial investment return assumptions at its annual results, rather than its interim results (with the notable exception of 1H20 when bond yields fell substantially at the start of the Covid-19 pandemic). Hence, we do not expect AIA to adjust these actuarial assumptions at the upcoming 1H22F results.

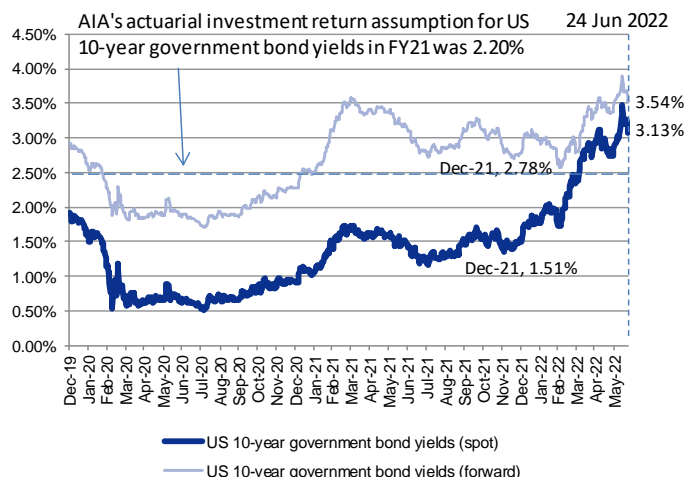
With both the spot and the forward US 10-year government bond yields up substantially YTD (Fig 8), and well above AIA's actuarial assumptions, we thus think that AIA is likely to materially raise its interest rate actuarial investment return assumptions at its FY22F results.

**Figure 8: 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 9: Both the spot and the forward US 10-year government bond yields have been on a clear rising trend**



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

We see rising HK VONB margins as more than offsetting HK annualised new premium (ANP) volume weakness. AIA's 1Q22 HK ANP volumes fell 30% yoy (Fig 10), with its agent ANP volumes falling by 36% yoy (Fig 11).

**Figure 10: Total quarterly annualised new premium (ANP) growth yoy in HK**

	AIA	Pru	Manulife	FWD	System
1Q18	-28%	-29%	9%	10%	3%
2Q18	10%	13%	13%	24%	16%
3Q18	26%	15%	10%	7%	13%
4Q18	50%	18%	9%	76%	9%
1Q19	9%	15%	12%	80%	26%
2Q19	12%	-2%	41%	21%	45%
3Q19	-28%	-22%	59%	9%	15%
4Q19	-31%	-26%	23%	-18%	-18%
1Q20	-53%	-50%	20%	-49%	-37%
2Q20	-71%	-78%	-10%	-8%	-50%
3Q20	-51%	-67%	-28%	12%	-29%
4Q20	-54%	-56%	-18%	1%	-26%
1Q21	-35%	-48%	3%	48%	-1%
2Q21	-1%	-7%	1%	15%	2%
3Q21	-7%	-5%	6%	10%	-5%
4Q21	16%	-29%	10%	-8%	11%
1Q22	-30%	-22%	-24%	-24%	-27%

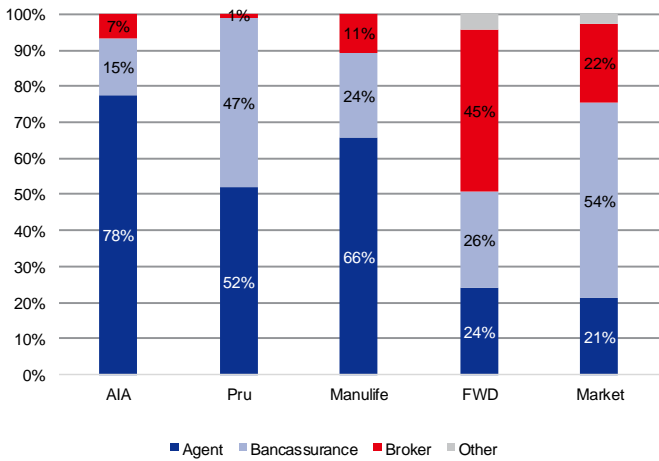
SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

**Figure 11: Agent ANP growth yoy in HK**

	AIA	Pru	Manulife	FWD	System
1Q18	3%	-31%	9%	16%	-10%
2Q18	17%	15%	7%	-3%	18%
3Q18	25%	10%	8%	34%	15%
4Q18	43%	24%	0%	98%	22%
1Q19	9%	15%	-12%	53%	14%
2Q19	21%	3%	20%	71%	26%
3Q19	-10%	-23%	45%	38%	2%
4Q19	-19%	-27%	10%	31%	-16%
1Q20	-40%	-57%	28%	-23%	-37%
2Q20	-63%	-81%	-2%	-35%	-62%
3Q20	-42%	-67%	-21%	-14%	-43%
4Q20	-48%	-57%	-6%	2%	-37%
1Q21	-22%	-53%	0%	11%	-15%
2Q21	4%	-14%	2%	-2%	9%
3Q21	-11%	-24%	-3%	-15%	-8%
4Q21	14%	-43%	15%	-20%	8%
1Q22	-36%	-33%	-16%	-50%	-28%

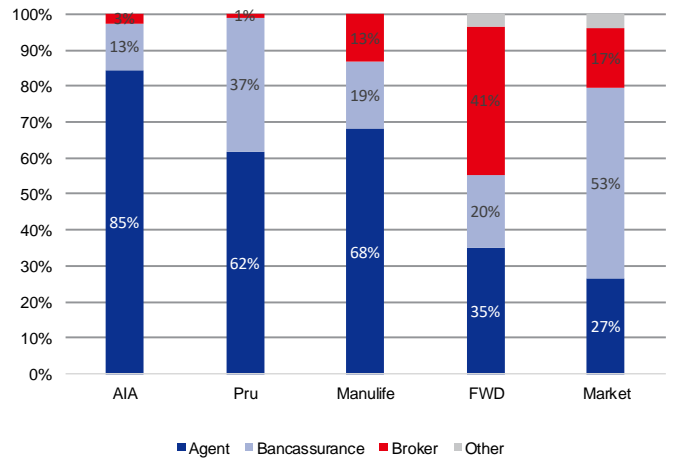
SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Figure 12: 1Q22 ANP mix for selected insurers



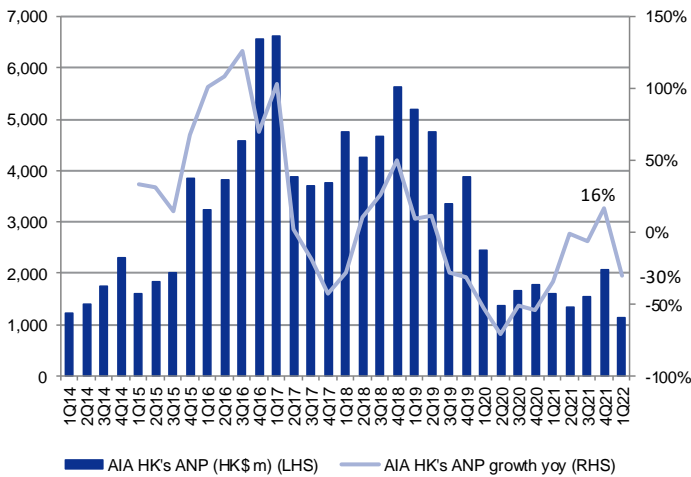
SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Figure 13: 2021 ANP mix for selected insurers



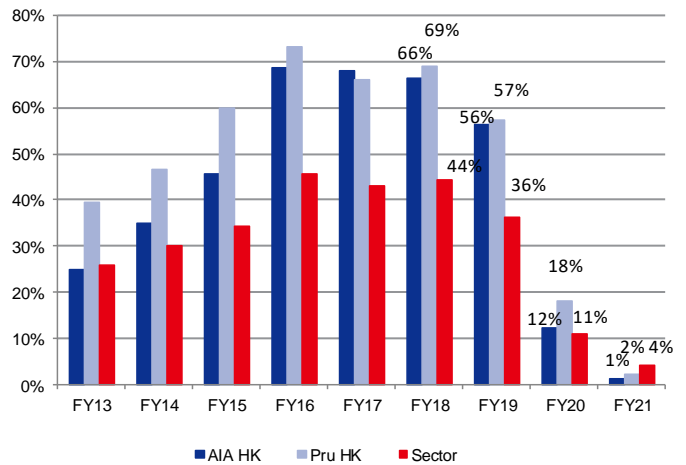
SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY (IA)

Figure 14: AIA HK's ANP across time and growth yoy



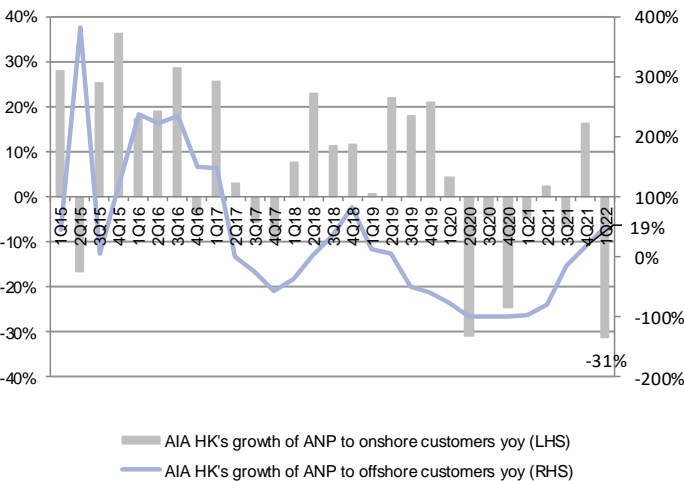
SOURCES: CGS-CIMB RESEARCH, IA

Figure 15: Mix of offshore customer ANP to total ANP for AIA HK, Pru HK and the sector



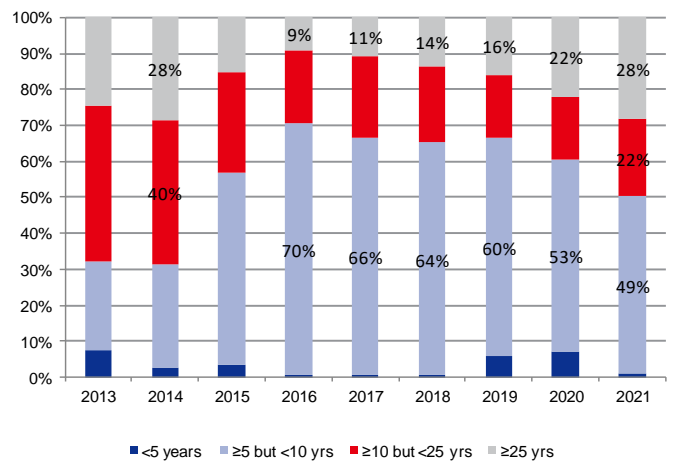
SOURCES: CGS-CIMB RESEARCH, IA

Figure 16: AIA HK's ANP growth to onshore customers and offshore customers (quarterly data)



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

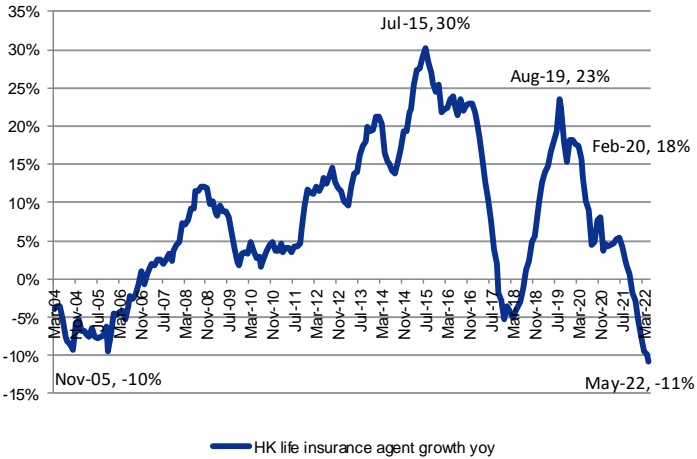
Figure 17: Premium duration structure of AIA's regular premiums (new business) of its HK individual life business



SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

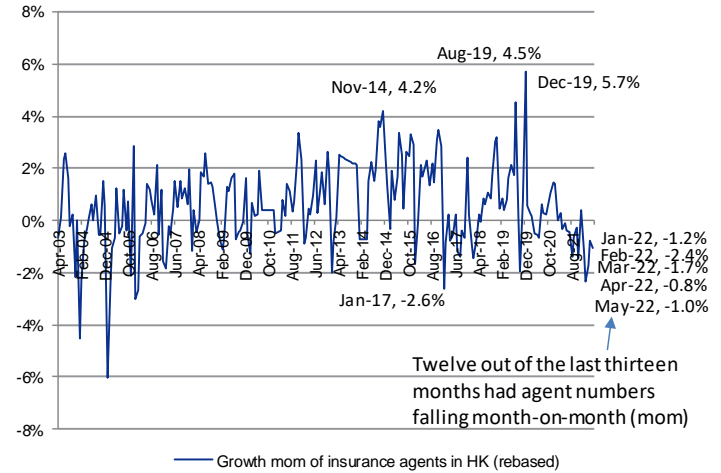
We also expect HK agent ANP volumes to be under pressure given HK system agent numbers are falling (down 11% yoy in May 2022), with the rate of fall yoy the worst in at least eighteen years (Fig 18).

**Figure 18: HK life insurance agents are falling yoy at a pace that has not been seen in at least eighteen years**



SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

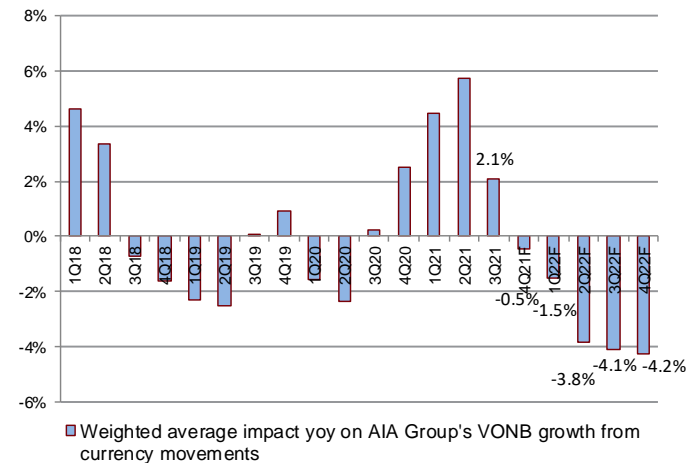
**Figure 19: 12 of the last 13 months have seen falls month on month in life insurance agent numbers in HK**



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

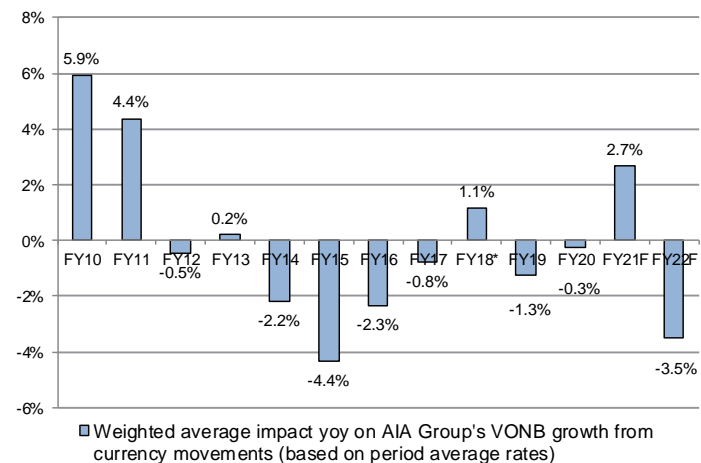
The US dollar's strength against Asian currencies (excluding HK dollar) leads us to expect a drag on AIA's VONB growth of 4%-pts yoy in 2Q22F - 4Q22F (Fig 20). We estimate a 10% depreciation of Asian currencies against the US dollar leads to 7%-pts drag on VONB growth yoy.

**Figure 20: Weighted average impact yoy on AIA Group's VONB growth from currency movements, by quarter**



SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG  
Positive figures indicate a tailwind to VONB growth

**Figure 21: Weighted average impact yoy on AIA Group's VONB growth from currency movements, by year**



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG  
Positive figures indicate a tailwind to VONB growth



**Figure 22: Number of new Covid-19 cases by region (quarterly) ('000)**

	HK	CH	SG	TH	MY	KR	ID	PH	VN	AU	IN
2Q20	0.5	4.0	43.0	1.5	5.9	3.1	54.9	35.4	0.1	3.4	584.1
3Q20	3.9	3.3	13.9	0.4	2.6	11.0	230.6	274.2	0.7	19.2	5,727.1
4Q20	3.8	3.3	0.8	3.3	101.8	37.9	456.2	162.4	0.4	1.3	3,954.1
1Q21	2.6	4.9	1.8	22.0	232.5	41.9	768.5	273.2	1.1	0.9	2,024.4
2Q21	0.5	3.0	2.2	230.4	406.5	55.2	666.6	665.3	14.4	1.3	18,213.5
3Q21	0.3	5.8	35.4	1,344.2	1,493.7	159.6	2,036.8	1,158.1	824.4	76.5	3,514.9
4Q21	0.4	7.7	186.4	620.0	512.4	326.7	47.9	308.8	940.5	319.5	1,137.6
1Q22	1,144.8	112.8	851.0	1,505.4	1,443.8	12,740.6	1,761.7	834.8	7,849.0	4,147.6	8,774.4
2Q22	88.6	660.5	361.5	1,028.7	363.2	5,084.2	83.5	25.3	1,181.0	3,557.9	428.5
2Q22 yoy	19321%	21874%	16347%	346%	-11%	9105%	-87%	-96%	8074%	268824%	-98%
2Q22 qoq	-92%	485%	-58%	-32%	-75%	-60%	-95%	-97%	-85%	-14%	-95%

SOURCES: CGS-CIMB RESEARCH, OUR WORLD IN DATA, BLOOMBERG

While the number of new Covid-19 cases fell qoq in most markets in 2Q22F (apart from mainland China), we think they still remain at a relatively elevated level (Figs 22 & 23), and are still a drag on VONB growth yoy.

**Figure 23: Number of new Covid-19 cases by region (monthly) ('000)**

	HK	CH	SG	TH	MY	KR	ID	PH	VN	AU	IN
Jan-21	1.6	3.6	0.9	11.9	101.9	16.7	335.1	51.6	0.4	0.4	479.5
Feb-21	0.6	0.6	0.4	7.2	85.8	11.5	256.3	50.7	0.6	0.2	446.2
Mar-21	0.5	0.7	0.4	2.9	44.7	13.6	177.1	170.9	0.2	0.3	1,098.7
Apr-21	0.3	0.9	0.8	36.3	63.2	19.0	156.7	290.2	0.3	0.5	6,613.6
May-21	0.1	0.9	0.9	94.6	163.6	18.2	153.3	192.8	4.5	0.3	9,284.6
Jun-21	0.1	1.2	0.5	99.5	179.6	18.1	356.6	182.3	9.6	0.5	2,315.3
Jul-21	0.1	1.7	2.4	338.0	361.3	42.1	1,231.4	176.4	149.1	3.7	1,330.0
Aug-21	0.1	2.5	3.1	607.4	633.0	53.7	680.1	400.9	346.7	20.7	1,154.9
Sep-21	0.1	1.7	29.9	398.7	499.4	63.9	125.3	580.8	328.7	52.1	1,030.0
Oct-21	0.1	1.5	101.9	308.5	225.9	52.6	29.3	250.3	130.4	64.8	533.3
Nov-21	0.1	2.2	69.8	203.8	161.1	86.0	12.1	46.9	317.0	40.8	323.5
Dec-21	0.2	4.0	14.7	107.6	125.3	188.2	6.6	11.6	493.2	213.8	280.9
Jan-22	1.5	4.9	74.2	224.5	112.7	228.8	90.7	716.2	560.2	2,154.9	7,218.1
Feb-22	261.5	4.7	384.8	466.3	572.0	2,409.4	1,211.1	101.8	1,167.8	654.6	1,461.5
Mar-22	881.7	103.3	392.0	814.6	759.2	10,102.4	460.0	16.8	6,121.1	1,338.0	94.7
Apr-22	49.3	583.3	113.3	711.6	246.1	3,976.6	43.6	7.4	1,085.2	1,380.1	53.4
May-22	8.5	72.6	117.0	236.8	60.4	867.7	8.7	5.4	69.6	1,359.3	83.8
Jun-22	30.7	72.6	131.3	80.3	56.7	239.9	31.2	12.5	26.3	818.5	291.3

SOURCES: CGS-CIMB RESEARCH, OUR WORLD IN DATA, BLOOMBERG

Nevertheless, with most of AIA's markets having changed their approach (apart from HK/China) to 'living with the virus', the worst has passed in our view, with certain markets in ASEAN performing better than others.

Specifically, our channel checks indicate Singapore and to a lesser extent Thailand (AIA's May 2022 YTD Thailand ANP was up 5% yoy in Fig 24) are better placed to perform in 1H22F compared to other ASEAN countries.

**Figure 24: AIA Thailand's ANP growth yoy by distribution channel**

	Agent	Bancassurance	Direct marketing	Other	Total
2011	6%	-72%	56%	-27%	2%
2012	14%	31%	17%	175%	17%
2013	1%	126%	91%	10%	6%
2014	4%	28%	9%	-21%	4%
2015	0%	10%	-1%	-1%	0%
2016	-4%	40%	-31%	-32%	-4%
2017	3%	15%	-25%	44%	3%
2018	10%	13%	-9%	8%	9%
2019	4%	107%	-3%	146%	15%
2020	-7%	-7%	2%	-86%	-11%
2021	2%	16%	-1%	78%	5%
2022 YTD	5%	-16%	1%	142%	3%
1Q21	-12%	17%	-6%	-2092%	-4%
2Q21	17%	29%	1%	-55%	17%
3Q21	13%	36%	-3%	40%	16%
4Q21	-2%	-2%	4%	156%	-2%
1Q22	8%	-24%	4%	151%	4%

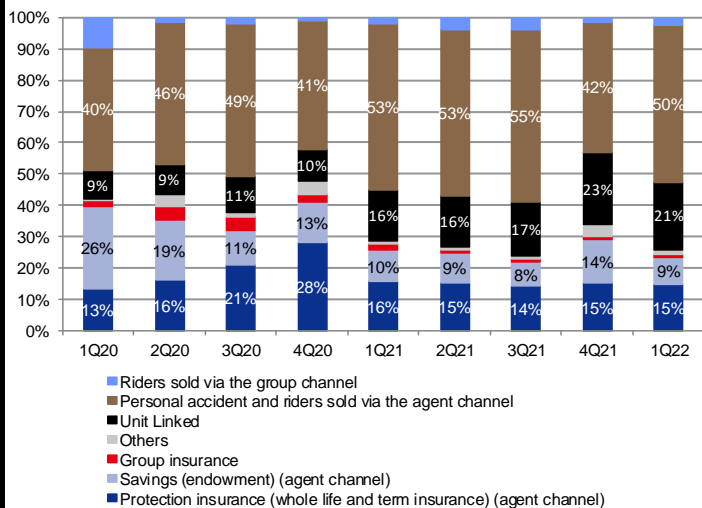
SOURCES: CGS-CIMB RESEARCH, THAILAND LIFE ASSURANCE ASSOCIATION (TLAA)

**Figure 25: AIA Thailand's ANP mix by distribution channel**

	Agent	Bancassurance	Direct marketing	Other	Total
2010	91%	6%	2%	2%	100%
2011	94%	2%	3%	1%	100%
2012	92%	2%	3%	3%	100%
2013	88%	4%	5%	3%	100%
2014	88%	5%	5%	2%	100%
2015	87%	5%	5%	2%	100%
2016	87%	7%	4%	2%	100%
2017	87%	8%	3%	2%	100%
2018	87%	8%	2%	2%	100%
2019	78%	15%	2%	5%	100%
2020	81%	16%	2%	1%	100%
2021	79%	17%	2%	1%	100%
2022 YTD	78%	15%	2%	5%	100%

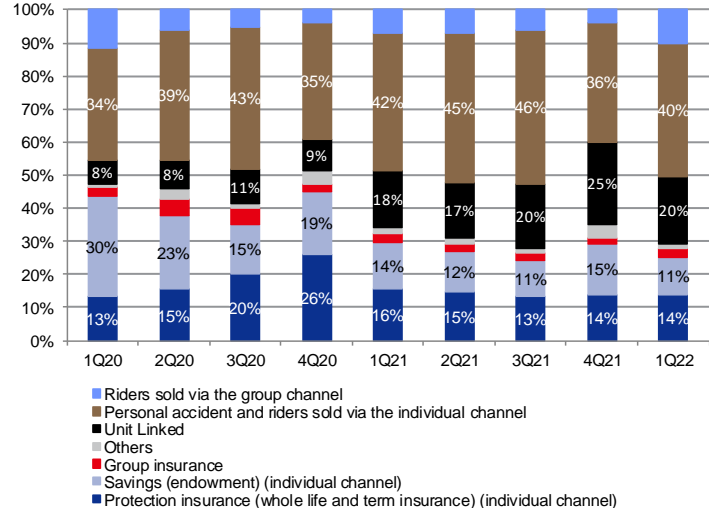
SOURCES: CGS-CIMB RESEARCH, THAILAND LIFE ASSURANCE ASSOCIATION (TLAA)

**Figure 26: ANP mix of AIA's agent channel only in Thailand**



SOURCES: CGS-CIMB RESEARCH, THAILAND LIFE ASSURANCE ASSOCIATION (TLAA)

**Figure 27: ANP mix of all of AIA's distribution channels in Thailand**



SOURCES: CGS-CIMB RESEARCH, THAILAND LIFE ASSURANCE ASSOCIATION (TLAA)

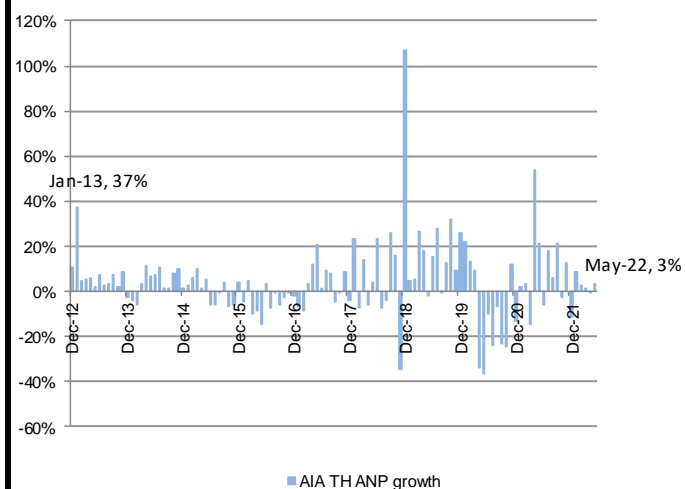


**Figure 28: ANP growth yoy by category for all distribution channels of AIA**

	Protection insurance (whole life and term insurance) (individual channel)	Savings (endowment) (individual channel)	Group insurance	Others	Unit Linked	Personal accident and riders sold via the individual channel	Riders sold via the group channel	Total ANP	High margin protection and rider business
FY20	7%	-23%	-20%	24%	-7%	-1%	-43%	-11%	1%
1Q21	13%	-56%	-13%	187%	122%	17%	-42%	-4%	16%
2Q21	11%	-37%	-45%	-43%	137%	34%	34%	17%	28%
3Q21	-22%	-17%	-52%	39%	117%	25%	38%	16%	10%
4Q21	-48%	-21%	-22%	-3%	161%	-1%	5%	-2%	-21%
1Q22	-7%	-15%	-4%	-6%	20%	2%	53%	4%	-1%
1H21	12%	-50%	-31%	5%	128%	25%	-20%	5%	21%
2H21	-39%	-20%	-39%	4%	142%	11%	21%	5%	-8%
<b>Monthly data</b>									
Dec-20	38%	-48%	-33%	43%	7%	23%	-82%	-13%	29%
Jan-21	26%	-31%	-3%	514%	101%	26%	-50%	2%	26%
Feb-21	10%	-49%	-13%	106%	145%	13%	-33%	4%	12%
Mar-21	4%	-72%	-26%	111%	119%	14%	-15%	-15%	12%
Apr-21	61%	1%	-31%	135%	225%	59%	8%	54%	60%
May-21	7%	-19%	-45%	-23%	101%	39%	17%	21%	30%
Jun-21	-9%	-54%	-56%	-61%	114%	13%	105%	-6%	6%
Jul-21	-15%	-18%	-65%	90%	134%	34%	35%	18%	20%
Aug-21	-33%	-21%	-39%	22%	88%	20%	23%	8%	2%
Sep-21	-17%	-13%	-42%	28%	130%	21%	68%	21%	9%
Oct-21	-49%	-40%	-3%	10%	153%	9%	-10%	-2%	-14%
Nov-21	-48%	-9%	-32%	45%	279%	4%	27%	12%	-18%
Dec-21	-46%	-17%	-30%	-18%	95%	-10%	3%	-11%	-26%
Jan-22	-15%	-24%	1%	-27%	43%	6%	57%	8%	0%
Feb-22	-10%	-12%	-7%	10%	6%	4%	71%	3%	0%
Mar-22	4%	-5%	-8%	8%	14%	-4%	23%	2%	-2%
Apr-22	-12%	28%	11%	36%	7%	-10%	17%	0%	-10%
May-22	9%	12%	6%	42%	3%	-4%	23%	3%	-1%

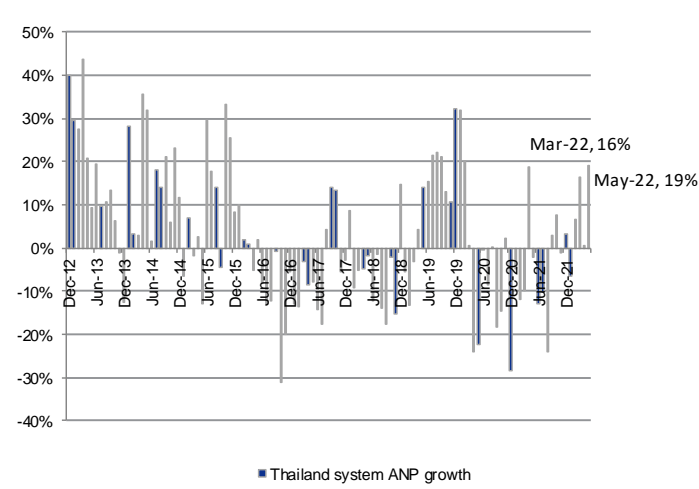
SOURCES: CGS-CIMB RESEARCH, THAILAND LIFE ASSURANCE ASSOCIATION (TLAA)

**Figure 29: AIA Thailand's annualised new premium (ANP) yoy growth on a monthly basis**



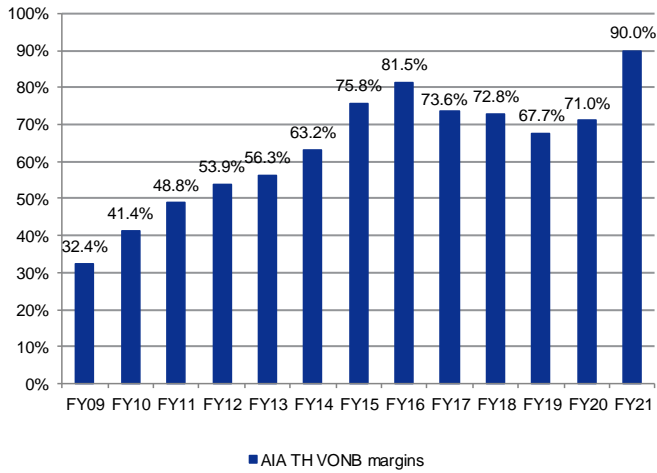
SOURCES: CGS-CIMB RESEARCH, THAILAND LIFE ASSURANCE ASSOCIATION (TLAA)

**Figure 30: Thailand's life insurance industry annualised new premium (ANP) yoy growth on a monthly basis**



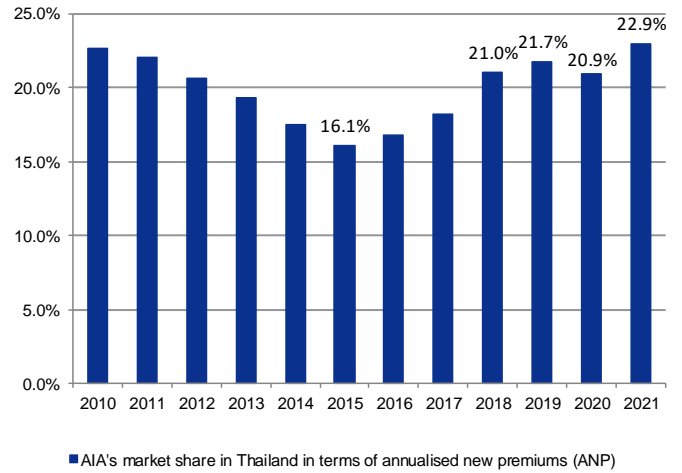
SOURCE: CGS-CIMB RESEARCH, THAILAND LIFE ASSURANCE ASSOCIATION (TLAA)

**Figure 31: AIA Thailand (TH) VONB margins**



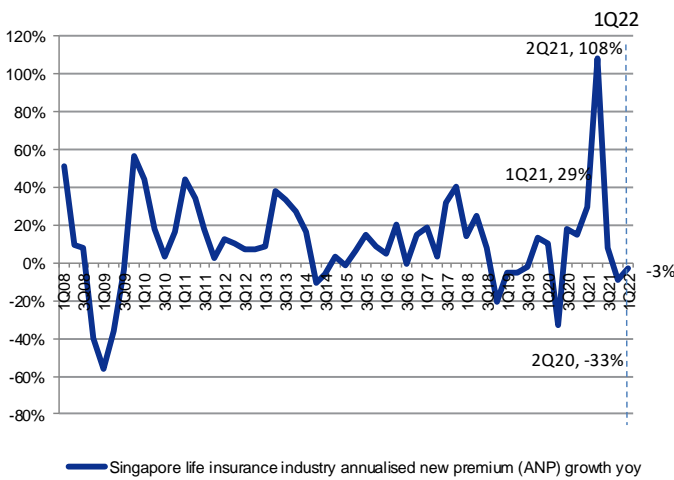
SOURCE: CGS-CIMB RESEARCH, COMPANY DATA

**Figure 32: AIA's market share in Thailand in terms of annualised new premiums (ANP)**



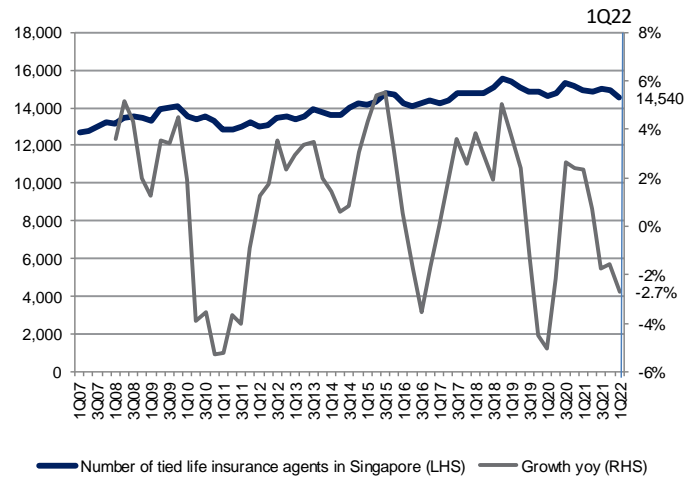
SOURCES: CGS-CIMB RESEARCH, THAILAND LIFE ASSURANCE ASSOCIATION (TLAA)

**Figure 33: Singapore life insurance industry's annualised new premium (ANP) growth yoy**



SOURCES: CGS-CIMB RESEARCH, LIAS

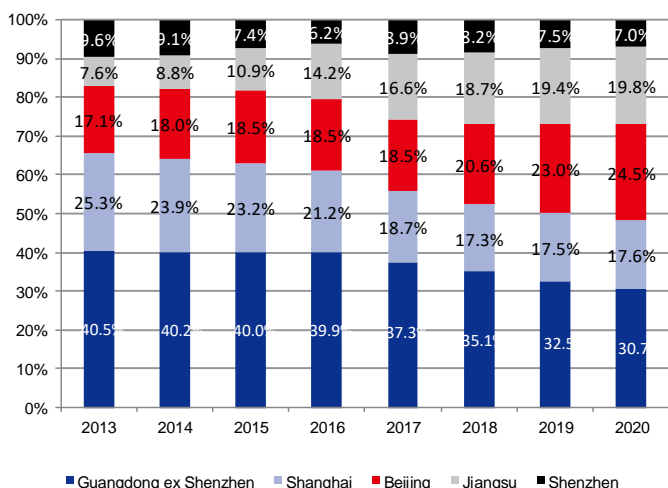
**Figure 34: Tied insurance agent numbers in Singapore and their growth rate yoy**



SOURCE: CGS-CIMB RESEARCH, LIAS

Given AIA China's 42% mix of 2020 gross written premiums were from Shanghai and Beijing (Fig 35) (two regions that were relatively worse hit by Covid-19 in 2Q22F), we see China's growth lagging other regions in 2Q22F.

**Figure 35: AIA's gross written premium mix by region**



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

**Figure 36: New business value per average agent (Rmb)**

(Rmb)	FY18	FY19	FY20	FY21
AIA	176,036	194,289	137,264	158,270
Pru	n.a.	58,448	55,000	78,902
China Life	28,398	34,200	39,032	39,076
Ping An	45,945	52,787	39,177	38,267
CPIC	30,851	29,525	23,040	20,889
NCI	32,660	22,103	18,356	11,618
Taiping	28,598	22,854	21,794	20,530
PICC	19,606	17,397	13,127	9,993

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 37: Premium growth yoy of selected insurers in China**

**Growth of total premiums yoy**

	China Life	Ping An Life	CPIC Life	NCI	PICC Life	Taiping Life	Ping An Pension	Ping An Health	Taiping Pension	PICC Health	AIA China	PICC P&C	Ping An P&C	CPIC P&C	Taiping P&C
1H19	5%	9%	6%	9%	1%	11%	8%	74%	-5%	44%	33%	15%	10%	12%	10%
2H19	8%	13%	4%	18%	15%	18%	19%	59%	15%	71%	28%	7%	9%	13%	13%
1H20	13%	-6%	0%	31%	-5%	0%	13%	61%	10%	46%	27%	4%	10%	12%	2%
2H20	-3%	0%	-5%	-2%	6%	7%	9%	38%	27%	40%	6%	-5%	1%	10%	7%
1H21	3%	-4%	2%	4%	-5%	3%	-19%	23%	22%	15%	16%	3%	-7%	8%	4%
2H21	-4%	-4%	-3%	0%	13%	3%	-12%	22%	5%	2%	11%	5%	-4%	1%	-8%
3Q19	10%	10%	3%	6%	9%	17%	28%	68%	0%	92%	24%	8%	7%	14%	7%
4Q19	5%	16%	4%	36%	24%	20%	7%	47%	29%	54%	33%	6%	12%	13%	18%
1Q20	13%	-11%	-1%	35%	-9%	-6%	9%	69%	-2%	38%	31%	2%	5%	10%	2%
2Q20	14%	3%	2%	25%	12%	14%	17%	52%	29%	58%	23%	7%	17%	14%	2%
3Q20	-3%	3%	-6%	10%	-6%	6%	7%	39%	44%	44%	18%	2%	13%	21%	21%
4Q20	-3%	-2%	-3%	-17%	23%	8%	11%	37%	14%	36%	-6%	-12%	-10%	-1%	-5%
1Q21	5%	-4%	4%	9%	-5%	3%	-7%	29%	28%	37%	18%	6%	-9%	12%	2%
2Q21	-1%	-2%	-1%	-4%	-1%	3%	-32%	16%	14%	-13%	16%	-1%	-6%	3%	5%
3Q21	-4%	-3%	-9%	-4%	-7%	2%	-11%	26%	5%	-1%	15%	-5%	-12%	-4%	-10%
4Q21	-4%	-6%	9%	7%	34%	4%	-14%	15%	5%	5%	9%	17%	7%	6%	-6%
1Q22	-3%	-2%	4%	2%	18%	-3%	-14%	22%	17%	19%	22%	12%	10%	14%	6%
2019	6%	11%	5%	13%	5%	14%	12%	66%	3%	52%	31%	11%	9%	13%	11%
2020	8%	-4%	-2%	15%	-2%	3%	11%	49%	18%	44%	17%	0.1%	6%	11%	4%
2021	1%	-4%	1%	2%	1%	3%	-16%	22%	13%	11%	14%	4%	-6%	4%	-2%

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

It is interesting to note that there has been a marked shift away from protection products towards savings products following the onset of the pandemic in 2020 and 2021 (Fig 38), with this likely having an adverse impact on VONB margins.

**Figure 38: AIA's top five products in China across time: Note the consistently strong focus on critical illness products until the onset of Covid in 2020**

No.	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	Endow. (par.)	CI	CI	CI	CI	CI	CI	CI	CI	Ann. (par.)	Ann. (par.)	Ann. (par.)
2	CI	Ann. (non-par.)	CI	CI	CI	CI	CI	CI	CI	CI	Ann. (par.)	Ann. (par.)
3	Ann. (non-par.)	Ann. (par.)	Ann. (non-par.)	Ann. (par.)	Ann. (par.)	CI	Ann. (par.)	Ann. (par.)	CI	CI	Whole life	Ann. (par.)
4	Ann. (par.)	Endow. (par.)	Ann. (par.)	Ann. (non-par.)	Ann. (non-par.)	Ann. (par.)	CI	Ann. (par.)	CI	CI	CI	CI
5	Endow. (par.)	Endow. (par.)	CI	CI	CI	CI	CI	CI	CI	Ann. (par.)	CI	Whole life

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

CI = Critical illness; par. = participating; Ann. = Annuity; Endow. = Endowment

## Changes to our earnings, VONB and EVPS estimates

We raise our FY22F by 13.6%, while keeping our FY23F and 24F EPS unchanged, mainly to reflect both better-than-expected equity markets since the last time we adjusted our estimates in late Apr 2022 ([1Q22F preview: Can margins save the day](#), dated 27 Apr 2022). Our FY22F, FY23F and FY24F VONB estimates are reduced by 4.9%, 7.4% and 8% respectively, as we incorporate adverse movements in Asian currencies against the US dollar (Fig 39).

Figure 39: 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	33,747	33,747	0.0%	34,721	34,721	0.0%	35,939	35,939	0.0%
Investment income	11,553	11,553	0.0%	12,567	12,567	0.0%	13,732	13,732	0.0%
Total Revenue	45,299	45,299	0.0%	47,288	47,288	0.0%	49,671	49,671	0.0%
Total expenses	37,513	37,513	0.0%	38,873	38,873	0.0%	40,342	40,342	0.0%
OPAT attrib. to shareholders of AIA Group	6,587	6,587	0.0%	7,120	7,120	0.0%	7,894	7,894	0.0%
Non operating items	-1,677	-1,010	-39.8%	600	600	0.0%	601	601	0.0%
NPAT attrib to shareholders of AIA Group	4,911	5,577	13.6%	7,720	7,720	0.0%	8,495	8,495	0.0%
EPS (US\$)	0.41	0.46	13.6%	0.64	0.64	0.0%	0.70	0.70	0.0%
DPS (US\$)	0.19	0.19	0.0%	0.21	0.21	0.0%	0.23	0.23	0.0%
BVPS (US\$)	5.22	5.27	1.1%	5.66	5.71	1.0%	6.14	6.20	0.9%
VONB per share (US\$)	0.27	0.26	-4.7%	0.32	0.31	-4.7%	0.38	0.36	-4.7%
EVPS (US\$)	6.14	6.26	2.0%	6.71	6.82	1.7%	7.36	7.45	1.2%
ROE (%)	7.9%	9.0%	1.0% pts	11.7%	11.6%	-0.1% pts	11.9%	11.8%	-0.1% pts
ROEV (%)	4.8%	6.9%	2.1% pts	12.6%	12.1%	-0.5% pts	12.9%	12.4%	-0.5% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Figure 40: Qoq change in selected share market indices (spot balance) on a fiscal quarterly basis

(%)	HK	TH	SG	MY	CN	KR	AU	ID	PH	Weighted average
1Q19	12.4	4.8	4.7	-2.8	23.9	4.9	9.5	4.4	6.1	9.9
2Q19	-1.8	5.6	3.4	1.7	-3.6	-0.5	7.1	-1.7	1.0	0.3
3Q19	-8.6	-5.4	-6.1	-5.3	-2.5	-3.2	1.1	-3.0	-2.8	-6.3
4Q19	8.0	-3.5	3.3	0.3	5.0	6.5	-0.1	2.1	0.5	4.5
1Q20	-16.3	-28.7	-23.0	-15.0	-9.8	-20.2	-24.0	-27.9	-31.9	-19.7
2Q20	3.5	18.9	4.4	11.1	8.5	20.2	16.2	8.1	16.7	8.4
3Q20	-4.0	-7.6	-4.8	0.3	7.8	10.4	-1.4	-0.7	-5.5	-2.8
4Q20	16.1	17.2	15.3	8.1	7.9	23.4	13.3	22.8	21.8	16.0
1Q21	4.2	9.5	11.3	-3.3	-0.9	6.5	3.1	0.1	-9.8	4.2
2Q21	1.6	0.0	-1.1	-2.6	4.3	7.7	7.7	0.0	7.1	1.8
3Q21	-14.8	1.1	-1.4	0.3	-0.6	-6.9	0.3	5.0	0.7	-7.4
4Q21	-4.8	3.2	1.2	1.9	2.0	-3.0	1.5	4.7	2.4	-1.4
1Q22	-6.0	2.3	9.1	1.3	-10.6	-7.4	0.7	7.4	1.1	-2.5
2Q22	-0.5	-7.2	-8.6	-8.3	4.5	-15.4	-12.4	-2.1	-14.5	-3.8

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 41: Change yoy in selected share market indices (spot balance) on a fiscal quarterly basis

(%)	HK	TH	SG	MY	CN	KR	AU	ID	PH	Weighted average
1Q19	-3.5	-7.7	-6.3	-11.8	-2.5	-12.5	7.3	4.5	-0.7	-4.1
2Q19	-1.4	8.4	1.6	-1.1	4.6	-8.4	6.8	9.6	11.2	1.8
3Q19	-6.1	-6.8	-4.2	-11.7	3.0	-12.0	7.7	3.2	6.9	-4.3
4Q19	9.1	1.0	5.0	-6.0	22.3	7.7	18.4	1.7	4.7	8.1
1Q20	-18.8	-31.3	-22.8	-17.8	-11.0	-18.0	-17.9	-29.8	-32.8	-21.1
2Q20	-14.4	-22.6	-22.0	-10.2	0.2	-1.0	-10.9	-22.9	-22.4	-14.0
3Q20	-10.1	-24.4	-20.9	-5.0	10.8	12.8	-13.0	-21.1	-24.6	-10.1
4Q20	-3.4	-8.3	-11.8	2.4	13.9	30.8	-1.5	-5.1	-8.6	-1.4
1Q21	20.2	41.0	27.6	16.5	25.1	74.5	33.8	31.9	21.1	26.3
2Q21	18.0	18.6	20.9	2.1	20.3	56.4	24.0	22.0	11.2	19.5
3Q21	4.8	29.8	25.1	2.2	10.9	31.8	26.1	29.1	18.6	12.9
4Q21	-14.1	14.4	9.8	-3.7	4.8	3.6	13.0	10.1	-0.2	-3.4
1Q22	-22.5	6.8	7.7	0.9	-5.5	-9.9	10.4	18.1	11.8	-9.8
2Q22	-24.1	-0.9	-0.5	-5.0	-5.4	-29.2	-10.2	15.7	-10.8	-14.5

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**Figure 42: Change qoq of selected share market indices (period average) on a fiscal quarterly basis**

(%)	HK	TH	SG	MY	CN	KR	AU	ID	PH	Weighted aver.
1Q19	7.7	-1.3	3.8	-1.1	6.2	2.4	4.1	8.0	9.1	5.2
2Q19	2.4	2.1	2.2	-2.9	8.5	-0.9	6.3	-2.5	-0.3	2.3
3Q19	-5.6	0.9	-1.5	-0.7	-2.9	-5.2	4.0	0.5	1.4	-2.9
4Q19	-0.4	-4.7	-0.9	-2.5	0.6	4.4	1.1	-2.2	-1.7	-0.9
1Q20	-1.3	-11.5	-5.4	-5.6	0.2	-2.8	-4.0	-8.8	-12.2	-4.0
2Q20	-9.2	-8.2	-14.3	-4.0	-2.6	-3.6	-13.6	-16.4	-15.5	-9.1
3Q20	3.1	1.7	-1.3	8.3	15.4	16.1	7.7	8.8	2.8	5.3
4Q20	3.2	2.0	5.4	1.1	0.8	10.4	6.2	7.7	12.1	3.9
1Q21	13.2	13.1	11.2	1.8	5.7	20.6	6.0	13.0	2.6	11.4
2Q21	-0.9	3.9	5.7	-0.8	-0.5	4.4	5.4	-3.9	-4.8	0.4
3Q21	-9.1	0.0	-1.3	-3.3	0.9	-0.2	4.2	1.9	2.8	-4.7
4Q21	-6.2	3.0	1.3	0.0	1.1	-6.6	-0.9	8.0	6.8	-2.4
1Q22	-5.8	2.7	4.5	2.0	-4.5	-7.4	-1.8	3.5	0.4	-3.0
2Q22	-8.9	-2.1	-1.5	-1.3	-7.1	-5.4	-1.1	3.7	-7.2	-6.2

SOURCES: CGS-CIMB, BLOOMBERG

**Figure 43: Change yoy of selected share market indices (period average) on a fiscal quarterly basis**

(%)	HK	TH	SG	MY	CN	KR	AU	ID	PH	Weighted average
1Q19	-10.5	-9.9	-8.3	-8.6	-16.5	-12.7	0.7	-0.3	-7.6	-9.9
2Q19	-5.8	-4.4	-5.7	-9.6	-2.3	-12.5	6.4	4.5	3.2	-4.5
3Q19	-3.3	-1.1	-0.4	-8.5	5.7	-11.8	6.4	6.7	6.0	-1.4
4Q19	3.7	-3.0	3.5	-7.1	12.5	0.4	16.3	3.5	8.4	3.8
1Q20	-5.0	-13.0	-5.7	-11.3	6.2	-4.7	7.3	-12.6	-12.8	-5.5
2Q20	-15.7	-21.8	-20.9	-12.3	-4.7	-7.2	-12.9	-25.0	-26.1	-15.7
3Q20	-8.0	-21.2	-20.7	-4.3	13.2	13.7	-9.7	-18.8	-25.0	-8.1
4Q20	-4.6	-15.8	-15.6	-0.8	13.5	20.2	-5.1	-10.7	-14.5	-4.3
1Q21	9.4	7.6	-0.9	7.0	19.7	49.1	4.7	10.6	-0.1	10.4
2Q21	19.4	21.9	22.2	10.5	22.2	61.3	27.8	27.1	12.6	21.7
3Q21	5.3	19.8	22.2	-1.3	6.9	38.7	23.6	19.0	12.5	10.9
4Q21	-4.3	21.0	17.4	-2.3	7.2	17.4	15.4	19.4	7.2	4.4
1Q22	-20.4	9.8	10.4	-2.2	-3.1	-9.9	7.0	9.4	4.9	-8.6
2Q22	-26.8	3.4	2.9	-2.6	-9.5	-18.3	0.4	18.1	2.3	-14.3

SOURCES: CGS-CIMB, BLOOMBERG

## Valuation and recommendation

We raise our target price from HK\$94 to HK\$96. 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 (rises slightly by 0.3%), 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 (unchanged).

We then apply this to our FY22F EVPS estimate of US\$6.26 (previously US\$6.14), after converting at an assumed exchange rate of US\$/HK\$ of 7.85 (unchanged), to arrive at our target price of HK\$96 (previously HK\$94) (Fig 44).

**Figure 44: 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%	0.0% pts
Target P/EV	2.0x	2.0x	0.3%
FY22F EVPS (US\$)	6.14	6.26	2.1%
i.e. FY22F EVPS (HK\$)	48.17	49.16	2.1%
US\$/HK\$ exchange rate	7.85	7.85	0.0%
Hence target price (HK\$)	94.00	96.00	2.1%
FY22F VONB per share (US\$)	0.27	0.26	-4.0%
i.e FY22F VONB per share (HK\$)	2.10	2.02	-4.0%
Implied target new business multiple	21.8x	23.2x	6.4%
Current share price (HK\$)			85.25
Upside/ downside			13%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

We show in Fig 45 our embedded value forecasts up to FY24F.

**Figure 45: 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	75,771	82,611
Value of new business	2,198	2,750	3,512	3,955	4,154	2,765	3,366	3,113	3,726	4,442
Expected return on EV	2,698	2,854	3,317	3,893	4,105	4,176	4,402	4,827	5,169	5,673
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	7,988	8,863	10,000
Investment return variance	-1,804	-37	1,517	-2,218	517	-1,868	1,293	-3,260	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	4,729	9,051	10,196
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	75,771	82,611	90,302
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	6.26	6.83	7.46

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

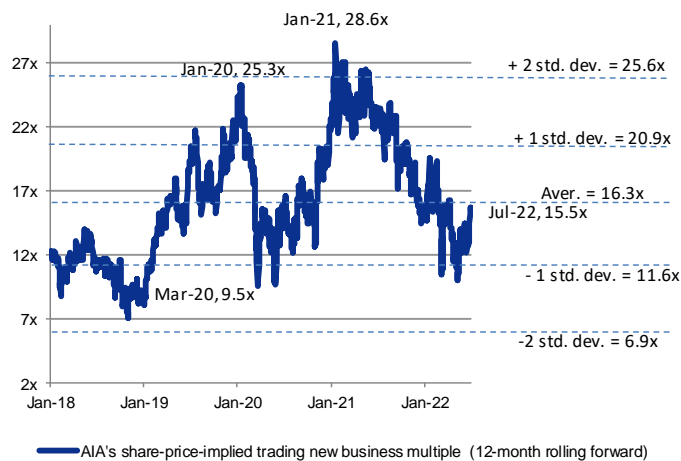
AIA Group currently trades at 1.67x 12-month forward P/EV, which is about 1 s.d. below its post-2018 historical mean of 1.81x (Fig 46). It also trades at 15.5x share price-implied new business multiple basis (12-month forward rolling), which is just below its post-2018 historical mean of 16.3x (Fig 47).

**Figure 46: AIA's 12-month rolling forward P/EV post 2018**



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

**Figure 47: AIA's share price-implied trading new business multiple post 2018 (12-month rolling forward)**

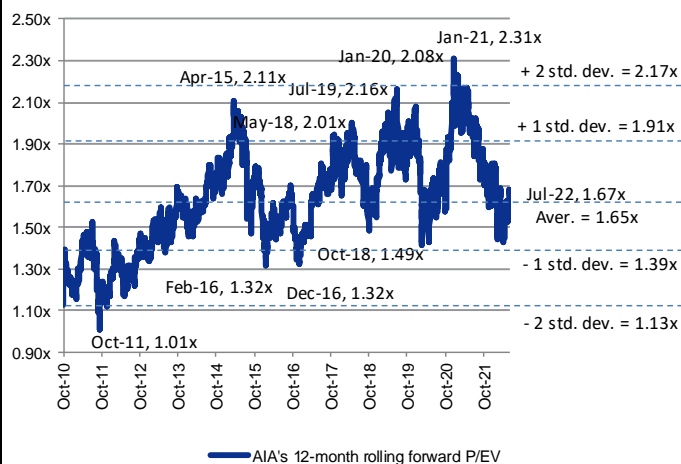


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Analysing valuation multiples over a longer time period, AIA's current 12-month rolling forward P/EV multiple of 1.67x is slightly above its post-2010 IPO average (Fig 48), while its share price-implied new business multiple basis (12-month forward rolling) of 15.5x is slightly below 1 s.d. above its post-2010 IPO average (Fig 49).

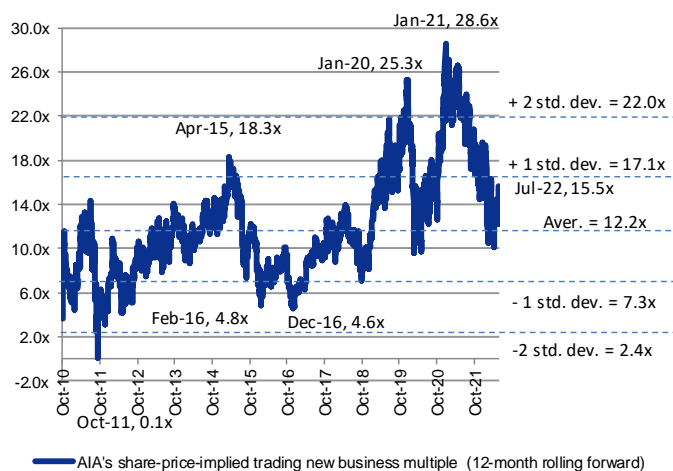


Figure 48: AIA Group's 12-month rolling forward P/EV



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

Figure 49: AIA Group's share price-implied trading new business multiple (12-month rolling forward)



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

AIA now trades at a substantial forward P/EV premium over other HK insurers under our coverage (average of 0.36x 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 50: Sector comparison as of 4 Jul 2022

Ticker	Rec	Market Cap	Price	Target Price	+/-	P/EV (x)		VONB multiple (x)		P/BV (x)		Group ROEV (%)		ROE (%)		P/E (x)		Dividend yield (%)		
						FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F
China Life	2628 HK	Add	107.79	13.50	15.00	11%	0.24x	0.22x	-22.1x	-29.0x	0.6x	0.6x	10.4x	10.7x	10.2x	12.0x	6.3x	5.0x	5.7	7.2
Ping An	2318 HK	Add	126.01	53.50	72.00	35%	0.56x	0.52x	-22.2x	-24.4x	0.9x	0.8x	7.4x	10.1x	15.5x	15.8x	5.9x	5.2x	5.7	6.3
CPIC	2601 HK	Add	30.54	18.80	29.00	54%	0.28x	0.26x	-34.2x	-36.2x	0.6x	0.6x	9.9x	12.2x	11.2x	11.7x	5.3x	4.7x	7.1	8.0
NCI	1336 HK	Add	12.74	21.85	30.30	39%	0.21x	0.19x	-43.9x	-45.3x	0.5x	0.4x	8.9x	9.8x	13.2x	12.1x	3.8x	3.8x	7.9	8.0
PICC P&C	2328 HK	Add	23.70	8.36	9.80	17%	n.a.	n.a.	n.a.	n.a.	0.7x	0.7x	n.a.	n.a.	10.8x	10.8x	6.7x	6.3x	6.0	6.4
AIA	1299 HK	Add	130.45	85.25	96.00	13%	1.75x	1.60x	18.3x	13.4x	2.1x	1.9x	6.9x	12.1x	9.0x	11.6x	23.6x	17.1x	1.8	1.9
Pru	2378 HK	Add	78.12	97.65	144.70	48%	0.70x	0.65x	-5.8x	-6.2x	1.9x	1.6x	8.3x	9.8x	11.5x	15.9x	16.6x	10.8x	1.2	1.3
Manulife	945 HK	NR	25.84	136.40	n.a.	n.a.	n.a.	n.a.	n.a.	0.6x	0.6x	n.a.	n.a.	12.6x	12.3x	5.2x	4.8x	7.6	8.3	
HK-listed weighted average							0.80x	0.74x	-10.0x	-13.6x	1.3x	1.1x	8.3x	10.9x	11.6x	12.9x	11.3x	8.7x	4.7	5.4
HK-listed weighted average ex AIA, Pru and Manulife							0.39x	0.36x	-24.5x	-28.5x	0.7x	0.7x	8.9x	10.6x	12.7x	13.5x	6.0x	5.1x	6.0	6.9

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.

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 51). We believe that 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 52).

**Figure 51: 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	10%	-26%	17%	28%	29%	31%

SOURCES: CGS-CIMB RESEARCH, MSCI  
Data as at 4 JUL 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 52: 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.

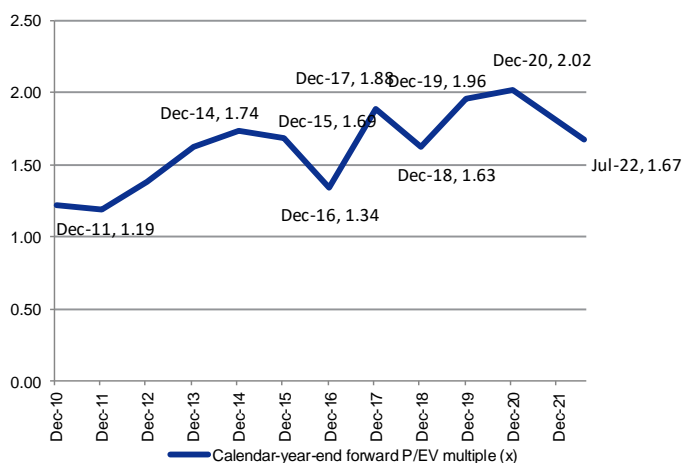
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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

In addition, our target price is based on a 2.2x FY22F P/EV multiple, which is still well above the historical average (previous high was 2.31x in Jan 2021 and then 2.16x in Jul 2019).

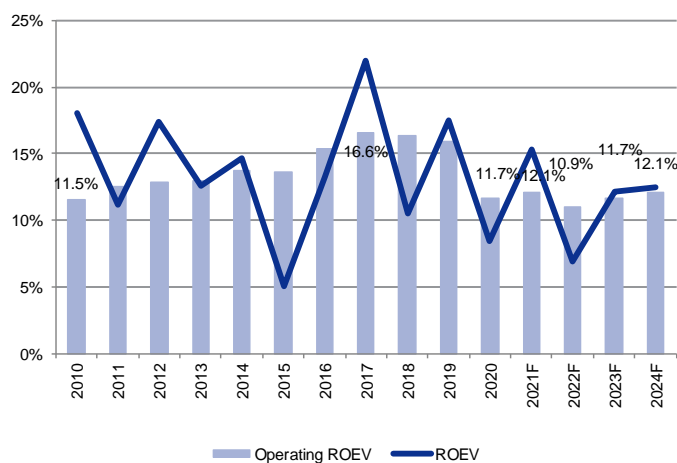
However, we stress that insofar as P/EV multiples are linked to ROEV and given that we expect operating ROEV to remain at a relatively high level, we believe that AIA Group's P/EV will continue to re-rate (Fig 54).

**Figure 53: Calendar year-end forward P/EV multiple (x)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

**Figure 54: AIA Group's ROEV and operating ROEV across time**

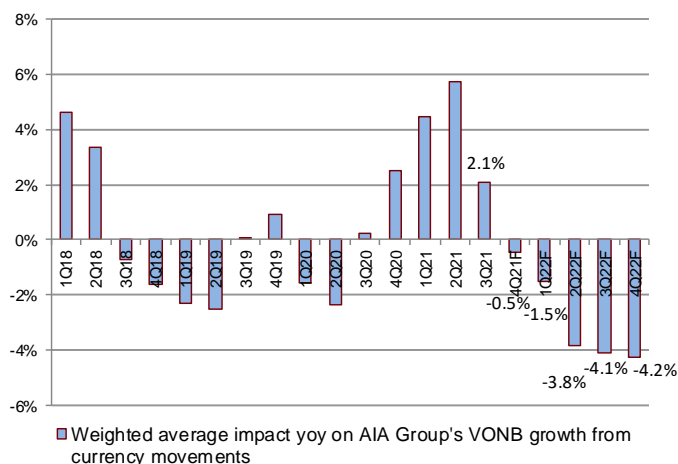


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

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 4Q22F, assuming exchange rates remain stable at current levels (Fig 55).

**Figure 55: Weighted average yoy impact on AIA Group's VONB growth from currency movements, by quarter**

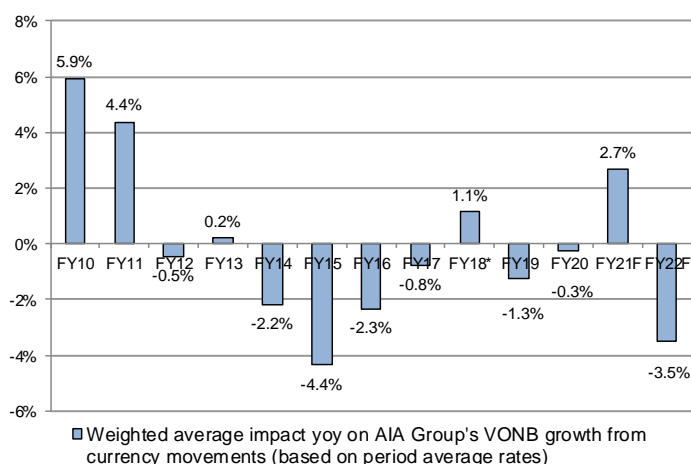


SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

\* 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 56: 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 7.1% (Fig 57).

Downside risk may come from the company's results for FY22-24F failing to meet investors' expectations due to a 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 should there be a global recession. We estimate that each 50bp decline in interest rates will lead to a 1.2% decline in our target price for AIA Group (Fig 58).

**Figure 57: 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 FY22F EV per share (HK\$)	48.85
% 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\$)	2.01
% 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 HK\$) depreciates 10%, impact is	-7.1%
If Asian currencies (excluding HK\$) appreciates 10%, impact is	7.1%

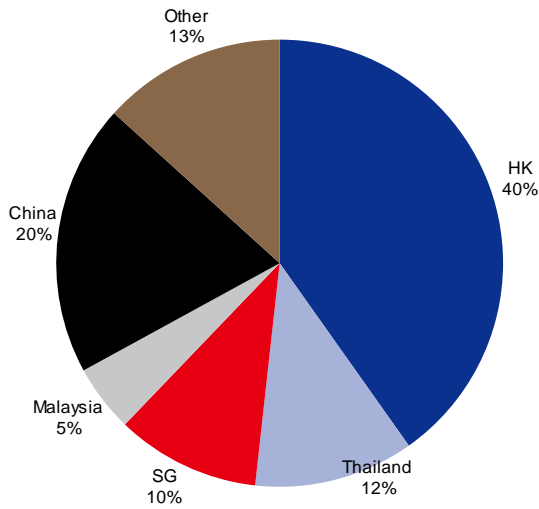
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS  
EV = EMBEDDED VALUE

**Figure 58: 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 (4-Jul-22)	18.1x
Hence percentage impact to AIA's valuation from:	
50bp increase in interest rates	0.7%
50bp decrease in interest rates	-1.2%

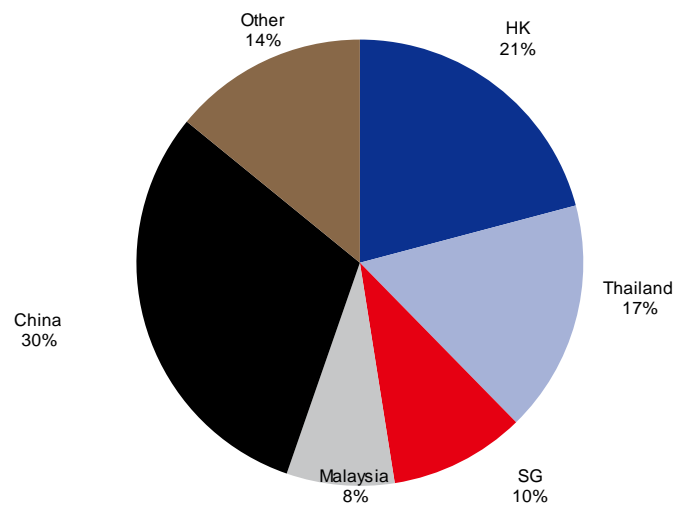
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS  
EV = EMBEDDED VALUE

**Figure 59: Geographical EV composition (FY21)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 60: Geographical VONB composition (FY21)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

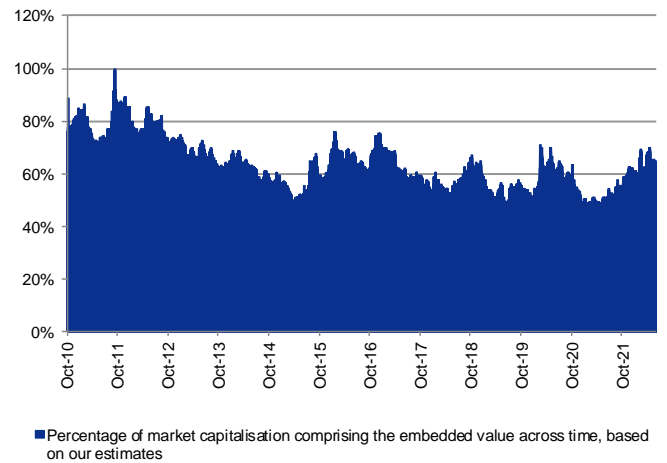
**Figure 61: 10-year bond yields of selected countries**

(%)	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
Mar-22	2.34	2.79	2.26	2.34	3.85	2.97	6.74	5.09	2.84	6.33
Jun-22	3.01	2.82	2.82	2.98	4.30	3.62	7.22	6.11	3.66	7.26
Jul-22	2.88	2.83	2.80	2.92	4.22	3.50	7.26	6.11	3.60	7.21

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

US = UNITED STATES; CH = CHINA; TH = THAILAND; SG = SINGAPORE; MY = MALAYSIA; SK = SOUTH KOREA; ID = INDONESIA; PH = PHILIPPINES; AU = AUSTRALIA; IN = INDIA

**Figure 62: Percentage of market capitalisation comprising the embedded value across time, based on our estimates**



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

**Figure 63: 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
<b>Summary</b>							
EPS (US\$)	0.26	0.50	0.48	0.62	0.46	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)	23.3	23.3	22.3	20.7	20.2	18.6	16.8
EPS growth (%)	-48.4%	88.7%	-3.5%	28.5%	-24.9%	38.4%	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
BVPS (US\$)	3.23	4.55	5.23	5.00	5.27	5.71	6.20
P/BV (x)	3.41	2.42	2.11	2.20	2.09	1.93	1.77
EV per share (US\$)	4.51	5.13	5.39	6.03	6.26	6.83	7.46
Growth of EV per share	9%	14%	5%	12%	4%	9%	9%
ROEV	10.5%	17.5%	8.4%	15.3%	6.9%	12.2%	12.4%
Price/EV (x)	2.44	2.15	2.04	1.82	1.76	1.61	1.47
VONB per share (US\$)	0.34	0.34	0.23	0.28	0.26	0.31	0.37
Growth of VONB per share	16%	2%	-33%	22%	-8%	20%	19%
NB multiple	19.3	17.1	24.5	17.8	18.4	13.6	9.6
<b>Profit &amp; Loss (US\$m)</b>							
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
<b>Total Revenue</b>	<b>40,950</b>	<b>41,795</b>	<b>43,064</b>	<b>45,401</b>	<b>45,299</b>	<b>47,288</b>	<b>49,671</b>
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
<b>Underwriting income</b>	<b>6,893</b>	<b>6,773</b>	<b>6,963</b>	<b>7,576</b>	<b>7,786</b>	<b>8,416</b>	<b>9,328</b>
Share of P/L from associates	0	(8)	(17)	(11)	(11)	(11)	(11)
<b>Operating profit/(loss)</b>	<b>6,893</b>	<b>6,765</b>	<b>6,946</b>	<b>7,565</b>	<b>7,775</b>	<b>8,405</b>	<b>9,317</b>
Operating profit after tax (OPAT)	5,731	5,734	5,986	6,455	6,634	7,171	7,950
<b>OPAT attrib to shareholders of AIA Group</b>	<b>5,684</b>	<b>5,689</b>	<b>5,942</b>	<b>6,409</b>	<b>6,587</b>	<b>7,120</b>	<b>7,894</b>
Non operating items	(2,521)	290	(163)	1,018	(1,010)	600	601
<b>Net profit after tax</b>	<b>3,163</b>	<b>5,979</b>	<b>5,779</b>	<b>7,427</b>	<b>5,577</b>	<b>7,720</b>	<b>8,495</b>
<b>Balance sheet (US\$m)</b>							
<b>Assets</b>							
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
<b>Total assets</b>	<b>229,806</b>	<b>284,132</b>	<b>326,121</b>	<b>339,874</b>	<b>370,756</b>	<b>405,767</b>	<b>444,112</b>
<b>Liabilities</b>							
Insurance contract liabilities	164,764	192,181	223,071	239,423	262,290	284,908	306,866
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
<b>Total liabilities</b>	<b>190,400</b>	<b>228,737</b>	<b>262,453</b>	<b>278,940</b>	<b>306,491</b>	<b>336,112</b>	<b>368,498</b>
<b>Net assets</b>	<b>39,406</b>	<b>55,395</b>	<b>63,668</b>	<b>60,934</b>	<b>64,265</b>	<b>69,655</b>	<b>75,615</b>
<b>Equity attributable to shareholders</b>	<b>39,006</b>	<b>54,947</b>	<b>63,200</b>	<b>60,467</b>	<b>63,773</b>	<b>69,121</b>	<b>75,035</b>
<b>Ratio and growth analysis</b>							
ROA	1.4%	2.3%	1.9%	2.2%	1.6%	2.0%	2.0%
ROE	7.8%	12.7%	9.8%	12.0%	9.0%	11.6%	11.8%
Payout ratio	60.0%	32.7%	36.4%	30.4%	41.7%	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%	-24.9%	38.4%	10.0%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 64: Global insurance peer comparison (part 1)**

Company Name	Bloomberg ticker	Rating	Market cap (US\$ m)	Closing Price (local currency)	Target price (local currency)	P/BV		P/E		ROE	
						CY22F	CY23F	CY22F	CY23F	CY22F	CY23F
<b>China</b>											
China Life	2628 HK	Add	107,793.66	13.50	15.00	0.66x	0.61x	6.7x	5.4x	9.8%	11.4%
Ping An	2318 HK	Add	126,005.87	53.50	72.00	0.93x	0.84x	6.6x	5.6x	14.1%	15.3%
CPIC	2601 HK	Add	30,539.15	18.80	29.00	0.65x	0.61x	6.1x	5.1x	10.5%	12.1%
PICC P&C	2328 HK	Add	23,699.31	8.36	30.30	0.69x	0.64x	5.9x	5.2x	12.1%	12.6%
NCI	1336 HK	Add	12,738.89	21.85	30.30	0.51x	0.47x	4.8x	3.8x	11.2%	13.2%
PICC Group	1336 HK	Not Rated	29,356.84	2.40	n.a.	0.36x	0.34x	3.8x	3.3x	10.6%	11.1%
China Taiping	966 HK	Not Rated	4,406.52	9.62	n.a.	0.37x	0.33x	4.4x	3.7x	9.0%	9.4%
<b>Average</b>						<b>0.60x</b>	<b>0.55x</b>	<b>5.5x</b>	<b>4.6x</b>	<b>11.1%</b>	<b>12.2%</b>
<b>Hong Kong</b>											
AIA Group	1299 HK	Add	130,451.01	85.25	94.00	2.04x	1.86x	17.9x	15.3x	11.5%	12.4%
Prudential plc	2378 HK	Add	34,216.64	97.65	144.70	1.78x	1.55x	11.0x	9.4x	15.7%	16.9%
Manulife	945 HK	Not Rated	33,349.14	136.40	n.a.	0.80x	0.77x	6.7x	6.2x	12.8%	12.5%
<b>Average</b>						<b>1.54x</b>	<b>1.39x</b>	<b>11.8x</b>	<b>10.3x</b>	<b>13.4%</b>	<b>13.9%</b>
<b>Taiwan</b>											
Cathay Financial	2882 TT	Not Rated	20,136.41	45.50	n.a.	0.85x	0.75x	6.6x	6.7x	11.8%	11.7%
Fubon Financial	2881 TT	Not Rated	22,969.64	57.90	n.a.	0.86x	0.79x	6.3x	6.6x	12.5%	12.8%
Shin Kong Financial	2888 TT	Not Rated	4,335.51	8.33	n.a.	0.50x	0.48x	8.0x	7.6x	6.1%	6.3%
<b>Average</b>						<b>0.73x</b>	<b>0.67x</b>	<b>7.0x</b>	<b>7.0x</b>	<b>10.1%</b>	<b>10.3%</b>
<b>South Korea</b>											
Samsung Life	032830 KS	Not Rated	9,625.99	62,400.00	n.a.	0.32x	0.30x	9.6x	8.4x	3.2%	4.0%
Hanwha Life	088350 KS	Not Rated	1,500.60	2,240.00	n.a.	0.21x	0.19x	4.8x	4.1x	3.5%	4.2%
Samsung F&M	000810 KS	Not Rated	7,362.98	201,500.00	n.a.	0.55x	0.52x	7.6x	7.5x	7.3%	7.6%
Dongbu Ins	005830 KS	Not Rated	3,374.84	61,800.00	n.a.	0.61x	0.56x	4.8x	4.9x	13.0%	12.8%
Hyundai M&F	001450 KS	Not Rated	2,178.99	31,600.00	n.a.	0.56x	0.50x	5.3x	4.7x	10.0%	11.1%
<b>Average</b>						<b>0.45x</b>	<b>0.42x</b>	<b>6.4x</b>	<b>5.9x</b>	<b>7.4%</b>	<b>8.0%</b>
<b>Australia</b>											
AMP Ltd	AMP AU	Not Rated	2,223.64	0.99	n.a.	0.78x	0.75x	13.0x	12.2x	6.5%	5.7%
IAG	IAG AU	Add	7,340.43	4.33	5.12	1.61x	1.54x	14.1x	13.2x	12.2%	12.9%
QBE	QBE AU	Add	12,138.44	11.90	14.45	1.27x	1.17x	13.5x	9.1x	10.5%	14.9%
NIB	NHF AU	Hold	2,355.32	7.46	7.14	4.24x	3.92x	21.5x	19.4x	20.1%	20.7%
SUN	SUN AU	Add	9,568.59	11.02	13.14	1.06x	1.03x	12.3x	11.4x	8.8%	9.3%
Medibank Private	MPL AU	Add	6,174.20	3.26	3.43	4.40x	4.17x	19.1x	18.1x	22.8%	23.3%
<b>Average</b>						<b>2.22x</b>	<b>2.10x</b>	<b>15.6x</b>	<b>13.9x</b>	<b>13.5%</b>	<b>14.5%</b>
<b>Japan</b>											
Japan Post	6178 JP	Not Rated	26,534.69	983.10	n.a.	0.27x	0.26x	8.8x	9.3x	2.8%	2.7%
Tokio Marine	8766 JP	Not Rated	39,589.73	7,890.00	n.a.	1.27x	1.22x	12.5x	12.1x	10.2%	10.5%
MS&AD Ins.	8725 JP	Not Rated	18,432.76	4,208.00	n.a.	0.68x	0.64x	8.9x	7.8x	7.8%	8.3%
Dai-ichi Life	8750 JP	Not Rated	18,569.15	2,440.00	n.a.	0.48x	0.45x	8.2x	7.6x	5.9%	6.1%
<b>Average</b>						<b>0.67x</b>	<b>0.64x</b>	<b>9.6x</b>	<b>9.2x</b>	<b>6.7%</b>	<b>6.9%</b>
<b>South East Asia</b>											
Tune Protect	TIH MK	Not Rated	63.02	0.37	n.a.	0.52x	0.46x	14.6x	7.0x	3.2%	6.5%
STMK	STMB MK	Add	599.43	3.16	5.80	1.28x	1.26x	8.0x	6.9x	17.2%	19.0%
Bangkok Life	BLA TB	Not Rated	1,866.77	39.00	n.a.	1.35x	1.25x	16.5x	11.7x	9.0%	11.3%
Great Eastern	GE SP	Not Rated	6,615.01	19.52	n.a.	n.a.	n.a.	8.0x	7.6x	11.3%	10.9%
<b>Average</b>						<b>1.05x</b>	<b>0.99x</b>	<b>11.8x</b>	<b>8.3x</b>	<b>10.2%</b>	<b>11.9%</b>
<b>Other Asiapac</b>											
ICICI Pru	IPRU IN	Not Rated	9,297.42	510.25	n.a.	7.09x	6.48x	57.3x	47.9x	12.3%	13.9%
HDFC Standard Life	HDFCLife IN	Not Rated	15,411.51	575.35	n.a.	8.81x	7.83x	70.2x	59.3x	14.2%	14.6%
SBI Life	SBILife IN	Add	14,196.41	1,119.45	1,500.00	8.21x	7.09x	55.7x	45.4x	14.7%	14.8%
Star Health & Alliance	STARHEAL IN	Not Rated	3,640.33	499.00	n.a.	6.61x	5.21x	47.2x	28.1x	12.3%	18.2%
ICICI Lombard	ICICIGI IN	Not Rated	7,224.12	1,160.65	n.a.	5.16x	4.46x	29.2x	23.2x	17.7%	19.9%
Tower NZ	TWR NZ	Not Rated	155.33	0.66	n.a.	0.77x	0.74x	11.1x	9.1x	7.0%	8.3%
Max Financial	MAXF IN	Not Rated	3,514.03	803.30	n.a.	9.18x	8.46x	55.3x	47.1x	15.8%	16.1%
Bao Viet Holdings	BVH VN	Not Rated	1,710.04	53,700.00	n.a.	1.70x	1.54x	16.6x	13.6x	11.0%	12.2%
Baominh Insurance	BMI VN	Not Rated	138.26	29,400.00	n.a.	1.62x	1.52x	14.7x	11.9x	13.0%	15.2%
<b>Average</b>						<b>5.94x</b>	<b>5.22x</b>	<b>42.8x</b>	<b>34.2x</b>	<b>13.1%</b>	<b>14.8%</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG  
DATA AS OF 4 JUL 2022

Note: All forecasts for Non Rated companies are Bloomberg consensus estimates; The Australian insurers are covered by Morgans Financial Limited, which has a partnership in Australia with CGS-CIMB




**Figure 65: Global insurance peer comparison (part 2)**

Company Name	Bloomberg ticker	Rating	Market cap (US\$ m)	Closing Price (local currency)	Target price (local currency)	P/BV		P/E		ROE	
						CY22F	CY23F	CY22F	CY23F	CY22F	CY23F
<b>North America</b>											
AIG	AIG US	Not Rated	40,243.35	50.80	n.a.	0.73x	0.68x	10.1x	8.1x	6.5%	8.1%
Metlife	MET US	Not Rated	51,175.05	62.93	n.a.	0.99x	0.93x	8.5x	7.7x	12.3%	12.9%
Prudential Financial	PRU US	Not Rated	36,123.75	96.33	n.a.	0.81x	0.75x	8.5x	7.7x	10.8%	11.4%
Allstate Corp	ALL US	Not Rated	34,488.37	125.42	n.a.	1.70x	1.44x	14.6x	10.1x	11.3%	15.6%
Lemonade Inc	LMND US	Not Rated	1,101.54	17.83	n.a.	1.80x	2.89x	n.a.	n.a.	-48.8%	-64.5%
Manulife	MFC CN	Not Rated	33,319.16	22.31	n.a.	0.80x	0.78x	6.7x	6.2x	12.8%	12.5%
Great-West Life	GWO CN	Not Rated	22,697.74	31.39	n.a.	1.22x	1.16x	8.5x	7.8x	14.5%	15.6%
Sunlife Financial	SLF CN	Not Rated	26,961.34	59.28	n.a.	1.39x	1.31x	9.7x	8.8x	14.0%	14.7%
<b>Average</b>						<b>1.18x</b>	<b>1.24x</b>	<b>9.5x</b>	<b>8.1x</b>	<b>4.2%</b>	<b>3.3%</b>
<b>UK</b>											
Prudential	PRU LN	Not Rated	34,174.47	1,025.00	n.a.	1.77x	1.54x	11.3x	9.6x	15.7%	16.9%
Aviva	AV/ LN	Not Rated	13,710.91	403.40	n.a.	0.69x	0.67x	9.6x	7.7x	8.7%	10.2%
Legal & General	LGEN LN	Not Rated	17,593.12	242.90	n.a.	1.25x	1.16x	7.4x	7.0x	18.2%	17.9%
Admiral Group	ADM LN	Not Rated	8,193.05	2,253.00	n.a.	5.41x	5.27x	15.2x	15.5x	33.6%	34.5%
<b>Average</b>						<b>1.82x</b>	<b>1.73x</b>	<b>8.7x</b>	<b>8.0x</b>	<b>16.0%</b>	<b>16.7%</b>
<b>Rest of Europe</b>											
Axa	CS FP	Not Rated	53,471.05	21.91	n.a.	0.77x	0.77x	7.3x	17.2x	9.9%	9.9%
CNP Assurances	CNP FP	Not Rated	15,144.03	20.92	n.a.	0.73x	0.73x	9.0x	9.0x	7.5%	7.5%
Allianz	ALV GR	Not Rated	78,115.68	183.08	n.a.	1.00x	1.00x	9.5x	7.7x	10.3%	10.3%
Generali	G IM	Not Rated	25,838.18	15.59	n.a.	0.87x	0.87x	8.4x	7.7x	10.6%	10.6%
Poste Italiane	PST IM	Not Rated	12,200.13	8.94	n.a.	0.94x	0.94x	7.7x	7.0x	12.1%	12.1%
NN Group	NN NA	Not Rated	14,102.62	43.55	n.a.	0.38x	0.38x	8.5x	8.1x	4.8%	4.8%
Aegon NV	AGN NA	Not Rated	9,369.92	4.23	n.a.	0.36x	0.36x	6.4x	5.5x	5.7%	5.7%
<b>Average</b>						<b>0.72x</b>	<b>0.72x</b>	<b>8.1x</b>	<b>8.9x</b>	<b>8.7%</b>	<b>8.7%</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG  
DATA AS OF 4 JUL 2022

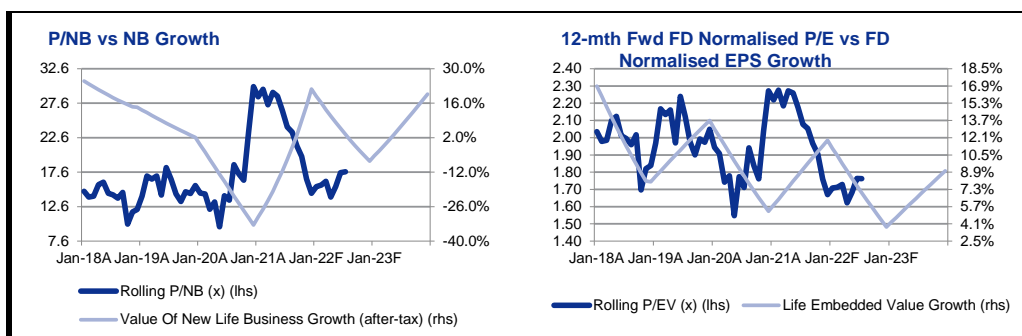
Note: All forecasts for Non Rated companies are Bloomberg consensus estimates

(\*CPIC: China Pacific Insurance Company; NCI: New China Life; PICC Group: The People's Company (Group) of China; PICC P&C: PICC Property & Casualty; Samsung F&M: Samsung Fire & Marine; Hyundai M&F: Hyundai Marine & Fire; AMP: Australian Mutual Provident; IAG: Insurance Australia Group; QBE: Queensland Insurance, Bankers & Traders Insurance, and Equitable Life, and General Insurance; MS&AD: Mitsui Sumitomo and Aioi Nissay Dowa; ICICI Pru: Industrial Credit and Investment Corporation of India Prudential; HDFC: Housing Development Finance Corporation; AIG: American International Group; CNP Assurances: Caisse Nationale de Prevoyance Assurance; NN Group: Nationale-Nederlanden Group; STMK: Syarikat Takaful Malaysia Keluarga Bhd)

ESG in a nutshell		Refinitiv ESG Scores					
							
		B+	A+	B+	C+	B	A+
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Government Pillar Score
<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>							
<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. 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>	<p><b>Implications</b></p> <p>We see this as a positive move which should catalyse further improvement in AIA's ESG rating and valuation.</p>						
<p><b>ESG highlights</b></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 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><b>Implications</b></p> <p>AIA has an excellent ESG track record, according to CDP, MSCI and Sustainalytics. We believe that this 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 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>	<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-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)
<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>(2,452)</b>	<b>(3,066)</b>	<b>(3,777)</b>	<b>(4,162)</b>	<b>(4,414)</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	9,398	10,631	11,553	12,567	13,732
Other Income	(163)	1,018	(1,010)	600	601
Exceptional Items					
<b>Pre-tax Profit</b>	<b>6,783</b>	<b>8,583</b>	<b>6,765</b>	<b>9,005</b>	<b>9,918</b>
Taxation	(960)	(1,110)	(1,141)	(1,233)	(1,367)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>5,823</b>	<b>7,473</b>	<b>5,625</b>	<b>7,771</b>	<b>8,551</b>
Minority Interests	(44)	(46)	(47)	(51)	(57)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>5,779</b>	<b>7,427</b>	<b>5,577</b>	<b>7,720</b>	<b>8,495</b>

### 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

<b>Balance Sheet</b>					
<b>(US\$m)</b>	<b>Dec-20A</b>	<b>Dec-21A</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
<b>Fixed Assets</b>					
Intangible Assets	0	0	0	0	0
Other Long Term Assets	326,121	339,874	370,756	405,767	444,112
<b>Total Non-current Assets</b>	<b>326,121</b>	<b>339,874</b>	<b>370,756</b>	<b>405,767</b>	<b>444,112</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	223,071	239,423	262,290	284,908	306,866
Other Current Liabilities	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>223,071</b>	<b>239,423</b>	<b>262,290</b>	<b>284,908</b>	<b>306,866</b>
Total Long-term Debt	8,559	9,588	14,255	21,192	31,507
<b>Hybrid Debt - Debt Component</b>					
Other Liabilities	30,823	29,929	29,947	30,012	30,125
<b>Total Non-current Liabilities</b>	<b>39,382</b>	<b>39,517</b>	<b>44,202</b>	<b>51,204</b>	<b>61,632</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>262,453</b>	<b>278,940</b>	<b>306,491</b>	<b>336,112</b>	<b>368,498</b>
Shareholders' Equity	63,200	60,467	63,773	69,121	75,035
Minority Interests	468	467	493	534	580
<b>Total Equity</b>	<b>63,668</b>	<b>60,934</b>	<b>64,265</b>	<b>69,655</b>	<b>75,615</b>
Life Embedded Value	65,247	72,987	75,771	82,611	90,302

<b>Key Ratios</b>					
	<b>Dec-20A</b>	<b>Dec-21A</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
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%	(7.5%)	19.7%	19.2%
Life Embedded Value Growth	5.3%	11.9%	3.8%	9.0%	9.3%
Pre-tax Margin	20.1%	24.7%	20.0%	25.9%	27.6%
Net Profit Margin	17.2%	21.4%	16.5%	22.2%	23.6%
Effective Tax Rate	14.2%	12.9%	16.9%	13.7%	13.8%
Net Dividend Payout Ratio	36.4%	30.4%	41.7%	32.6%	32.8%
Return On Average Assets	1.91%	2.24%	1.58%	2.00%	2.01%
Net Gearing	11.9%	13.7%	18.3%	23.5%	29.6%
Financial Leverage	5.17	5.39	5.72	5.84	5.90
Equity / Assets	19.4%	17.8%	17.2%	17.0%	16.9%

<b>Key Drivers</b>					
	<b>Dec-20A</b>	<b>Dec-21A</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
VONB growth (%)	-33.4%	21.7%	-7.5%	19.7%	19.2%
Embedded value growth (%)	5.3%	11.9%	3.8%	9.0%	9.3%
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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<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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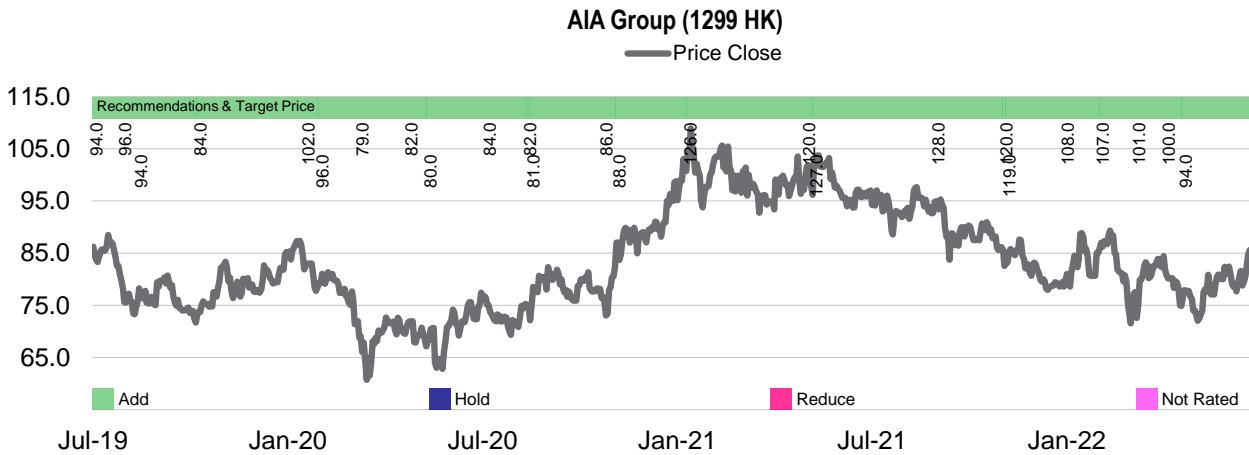
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

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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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.