

Hong Kong

ADD (no change)

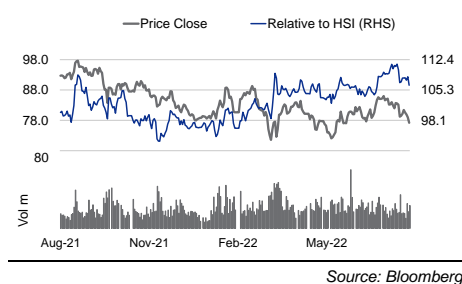
Consensus ratings*: Buy 39 Hold 2 Sell 0

Current price:	HK\$77.20
Target price:	HK\$96.00
Previous target:	HK\$96.00
Up/downside:	24.4%
CGS-CIMB / Consensus:	-6.9%
Reuters:	1299.HK
Bloomberg:	1299 HK
Market cap:	US\$117,679m
	HK\$923,777m
Average daily turnover:	US\$228.4m
	HK\$1,793m
Current shares o/s:	12,097m
Free float:	100.0%

*Source: Bloomberg

Key changes in this note

➤ No changes.



Price performance	1M	3M	12M
Absolute (%)	-9.2	-0.7	-17.1
Relative (%)	-1.4	3.7	5.2

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

1H22F preview: ASEAN rebound is key

- We forecast 1H22F VONB to fall 17% yoy (1Q22: -18.9%; 2Q22F: -14%), with 1H22F currency headwinds yoy of 2%-pt (1Q22: 1%-pt; 2Q22F: 4%-pts).
- We expect HK, Singapore and Malaysia to be the three strongest regions with mainland China the weakest.
- Of interest to investors may be how quickly growth in ASEAN VONB is recovering, as it learns to “live with the virus”.
- Reiterate Add rating. No change to TP of HK\$96.

1H22F VONB of -17% yoy, driven by mainland China weakness

Our 1H22F forecast of AIA’s value of new business (VONB) falling 17% yoy factors in 2%-pts of currency headwinds, with this largely concentrated in 2Q22F at 4%-pts yoy (1Q22: 1%-pt yoy). 1H22F consensus provided by the company is -15% yoy, with a range of -11% to -17% yoy. We show our quarterly VONB forecasts by region in Fig 1 and explain our underlying reasoning for our conservative assumptions in 2Q22F in Fig 2.

Hong Kong strongest market due to margin improvements

We have written extensively about AIA’s HK VONB margin improvements in past reports (e.g. [Margin tailwinds, currency headwinds](#), dated 5 Jul 2022 and [Decoding HK: Margin-driven growth](#), dated 11 Apr 2022), which we believe will see AIA’s HK VONB outperform its HK-listed peers in 1H22F. We estimate that AIA HK’s VONB margins rose at least 30% yoy in 1Q22F and we expect this to continue in 2Q22F, primarily driven by improved product mix and higher interest rates.

We expect Singapore to be the second strongest region in 2Q22F

We believe that AIA’s Singapore VONB is recovering well in 2Q22F after a relatively weak 1Q22, driven by a fall in Covid-19 cases as well as its consumers adapting well to “living with the virus”. This recovery could be system-wide in our view, as we expect peers to also show a strong recovery.

Malaysia is another region that we expect to do well in 2Q22F

As we also expect Malaysia to perform well for AIA in 2Q22F amidst falling Covid-19 cases, we believe a key area of investor focus will be the extent to which VONB can recover in 2Q22F yoy versus 1Q22 yoy, as countries learn to ‘live with the virus’.

Mainland China worst region, but could we be overly conservative?

We believe we have been very conservative in our 2Q22F VONB assumption of -40% yoy, driven by Shanghai (-80% yoy) (Fig 2), given solid agent number trends.

Remains top sector pick; Reiterate Add rating with TP of HK\$96

Our P/EV GGM-based TP remains unchanged at HK\$96. 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)	20.58	16.02	21.33	15.41	14.01
P/NB (x)	19.42	13.66	13.88	9.77	6.47
DPS (US\$)	0.17	0.19	0.19	0.21	0.23
Dividend Yield	1.78%	1.90%	1.96%	2.11%	2.34%
P/EV (x)	1.82	1.63	1.57	1.44	1.32
P/BV (x)	1.88	1.97	1.87	1.72	1.59
ROE	9.8%	12.0%	9.0%	11.6%	11.8%
Normalised EPS/consensus EPS (x)			0.78	0.90	0.90

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

1H22F VONB: ASEAN rebound is key

Figure 1: Our estimate of AIA's quarterly VONB growth by region

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
HK	17%	21%	-19%	-33%	-58%	-77%	-68%	-59%	-9%	13%	33%	130%	3%	15%
TH	5%	5%	5%	9%	15%	-27%	-12%	8%	24%	80%	25%	19%	-3%	-12%
SG	-9%	9%	0%	0%	4%	-50%	14%	11%	5%	59%	-13%	-4%	-26%	7%
MY	0%	20%	5%	3%	-19%	-50%	14%	10%	70%	108%	-9%	-9%	-26%	4%
CH	35%	33%	20%	15%	-17%	-8%	-6%	-41%	33%	-3%	-6%	-3%	-29%	-40%
OT	20%	33%	27%	28%	24%	-8%	-13%	-17%	-10%	8%	-29%	19%	-26%	-17%
Subtotal	17%	23%	0%	-7%	-25%	-43%	-25%	-29%	17%	33%	0%	26%	-20%	-12%
Group VONB (CER basis)	18%	24%	1%	-12%	-27%	-48%	-28%	-32%	19%	26%	2%	28%	-18%	-10%
Group VONB (AER basis)	14%	21%	0%	-12%	-28%	-49%	-28%	-29%	25%	34%	4%	26%	-19%	-14%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

HK = HONG KONG; TH = THAILAND; SG = SINGAPORE; MY = MALAYSIA; OT = OTHER REGIONS; CER = CONSTANT EXCHANGE RATE; AER = ACTUAL EXCHANGE RATE

NOTE THAT AIA ONLY DISCLOSES VONB GROWTH AT THE GROUP LEVEL ON A QUARTERLY BASIS. THE ABOVE GROWTH NUMBERS BY REGION ARE THEREFORE OUR ESTIMATES OF AIA'S QUARTERLY VONB GROWTH BY REGION.

Figure 2: Key points to note when forecasting 2Q22F

Region	Details
Hong Kong	1Q22 HK annualised new premiums (ANP) for AIA was down 30%, with its higher-margin agent ANP down 36% yoy. Yet, its HK VONB still managed to grow in 1Q22, indicating that VONB margins rose at least 30% yoy in 1Q22. Our 2Q22F HK estimate assumes VONB margins rise 30% yoy, while its HK ANP falls 15% yoy. Based on our estimates, HK is the strongest market for VONB growth in both 1Q22 and 2Q22F.
Mainland China	1Q22 mainland China gross written premium (GWP) for AIA was up strongly (22% yoy), with positive ANP growth yoy in 1Q22. As AIA had stated at its 1Q22 results that while VONB margin declined, the more balanced product mix of 2H21 was maintained. Hence we have assumed that 1H22F China VONB margins are equivalent to that of 2H21 (i.e. VONB margins in 1H22F are down at least 11% yoy, with 1Q22 VONB margins down at least 30% yoy). We then make the following conservative assumptions for 2Q22F China ANP growth: Shanghai: -80% yoy; Beijing: -45% yoy; Guangdong ex Shenzhen: -20% yoy; Jiangsu: -35% yoy; Shenzhen: -22% yoy. We assume a ANP mix in 2Q22 that is equivalent with 2020's GWP mix.
Thailand	While AIA Thailand 2Q22 overall ANP was flat yoy (1Q22: 4% yoy) based on disclosure by the Thailand Life Assurance Association, AIA's Thailand 2Q22 agent ANP fell 1% yoy (1Q22: +8% yoy). Importantly, AIA's Thailand 2Q22 high-margin protection and rider business distributed by the agent channel fell 3% yoy (1Q22: +2% yoy). Currency movements were a 8.8% headwind to growth yoy in 2Q22 (1Q22: 8.4%).
Singapore	System ANP was down 3% yoy in 1Q22. Our channel checks indicate that Singapore is seeing system ANP growth recover faster than peers in 2Q22F, as we thus believe that AIA Singapore is AIA's second fastest growing region in 2Q22F after Hong Kong.
Malaysia	The Malaysian ringgit depreciated by 3% yoy against the US\$ in 1Q22 (2Q22F: 5.1% yoy). Given falling Covid-19 case numbers in 2Q22F, we believe that Malaysia is AIA's third strongest region for VONB growth in 2Q22F.
Other markets	The Korean won, the Australian dollar and the Philippine peso all depreciated against the US\$ by at least 6% yoy in 1Q22. Currency headwinds to VONB growth worsened in 2Q22F to 11% yoy (1Q22: 7.6% yoy) for the Korean won, to 7.2% yoy in 2Q22F (1Q22: 6.3% yoy) for the Australian dollar and 8.6% yoy in 2Q22F (1Q22: 6.3% yoy) for the Philippine peso.

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 3: 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%

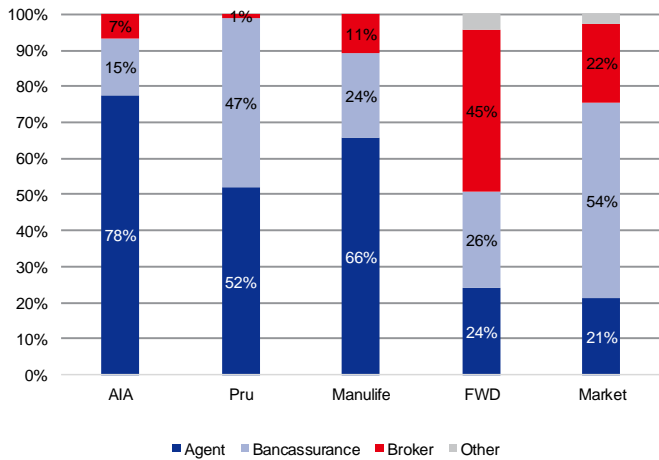
SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Figure 4: 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%

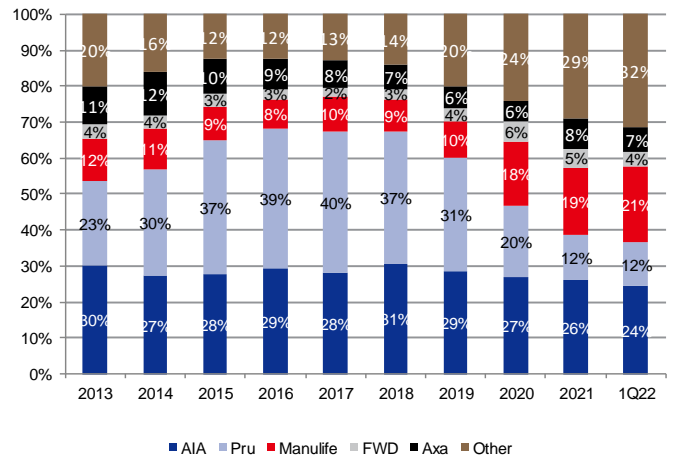
SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Figure 5: 1Q22 ANP mix for selected insurers



SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Figure 6: Market share of the agent channel for HK individual annualized new premiums (ANP)



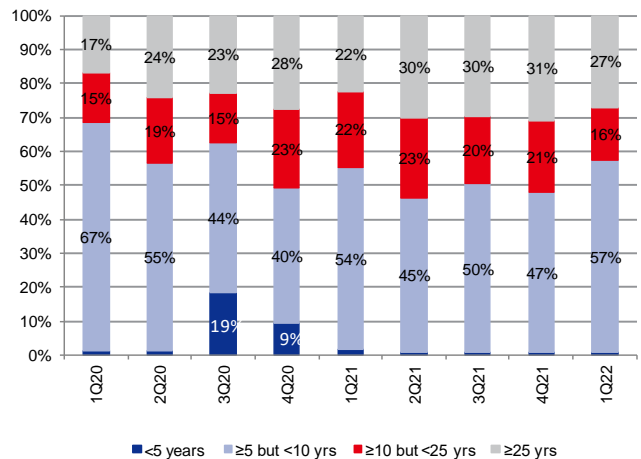
SOURCES: CGS-CIMB RESEARCH, HONG KONG INSURANCE AUTHORITY (IA)

Figure 7: Growth yoy of AIA HK's first year premiums by premium-payment duration

	Single	<5 years	≥5 but <10 yrs	≥10 but <25 yrs	≥25 yrs
1Q20	-17%	29%	-56%	-64%	-40%
2Q20	-26%	-85%	-79%	-74%	-64%
3Q20	-9%	2192%	-68%	-64%	-49%
4Q20	7%	-84%	-64%	-42%	-36%
1Q21	54%	-30%	-57%	-18%	-29%
2Q21	41%	-38%	-29%	4%	8%
3Q21	92%	-97%	-17%	-4%	-4%
4Q21	51%	-92%	27%	-4%	18%
1Q22	-9%	-71%	-35%	-56%	-25%

SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Figure 8: Premium duration structure of AIA's regular premiums (new business) of its HK individual life business (quarterly)



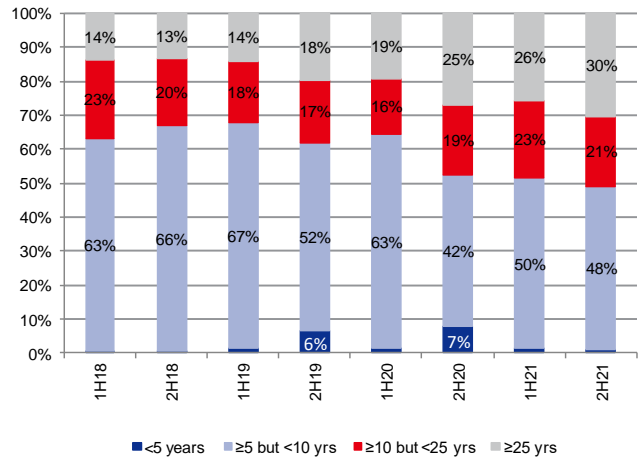
SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

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

	Single	<5 years	≥5 but <10 yrs	≥10 but <25 yrs	≥25 yrs
1H18	42%	2%	-28%	-4%	34%
2H18	-23%	32%	71%	9%	37%
1H19	-23%	111%	22%	-10%	16%
2H19	-21%	1234%	-46%	-41%	-4%
1H20	-22%	-65%	-67%	-68%	-53%
2H20	0%	-54%	-66%	-53%	-43%
1H21	47%	-33%	-49%	-10%	-14%
2H21	67%	-95%	4%	-4%	8%

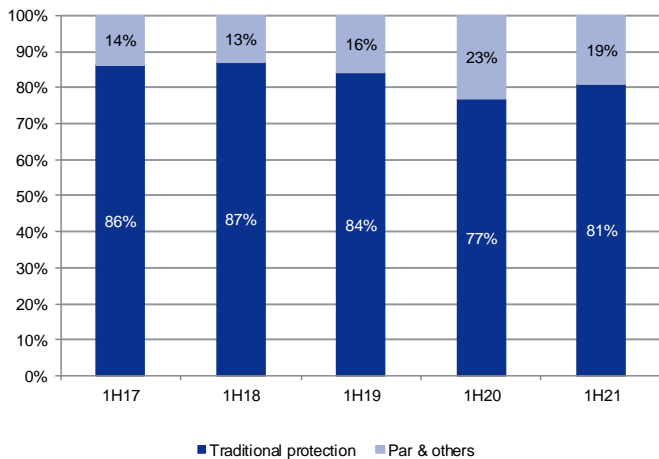
SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Figure 10: Premium duration structure of AIA's regular premiums (new business) of its HK individual life business (half-yearly)



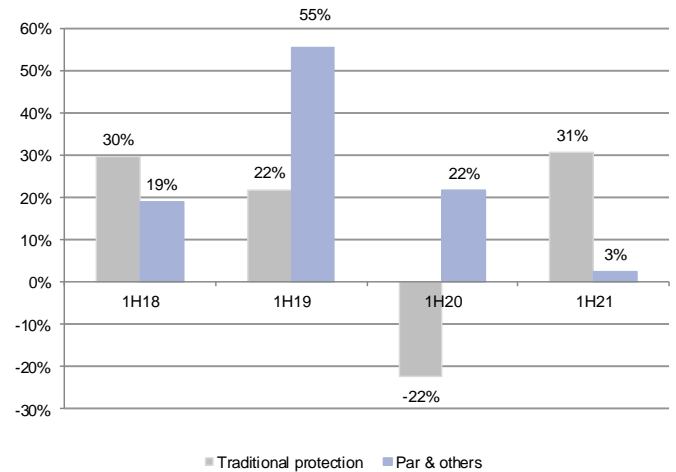
SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Figure 11: Mix of VONB by product type in mainland China



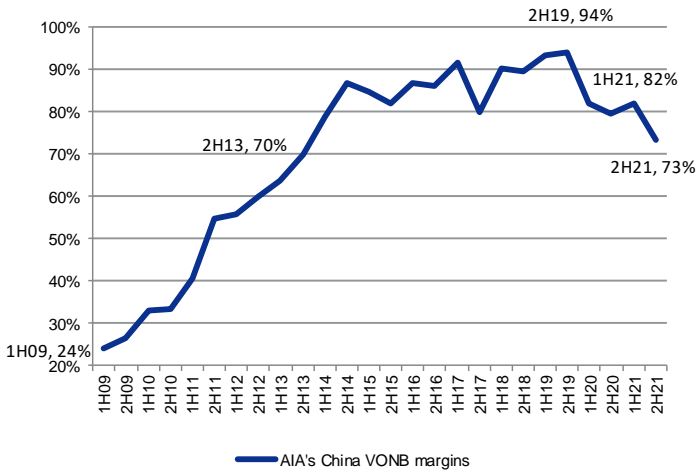
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 12: Growth yoy of VONB by product type in mainland China



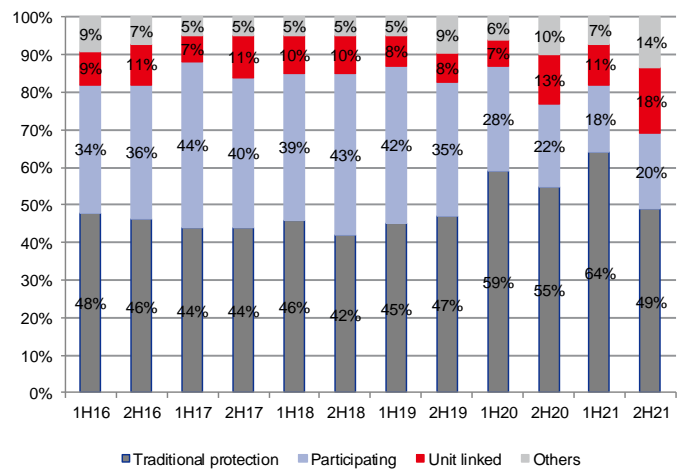
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 13: AIA's China VONB margins



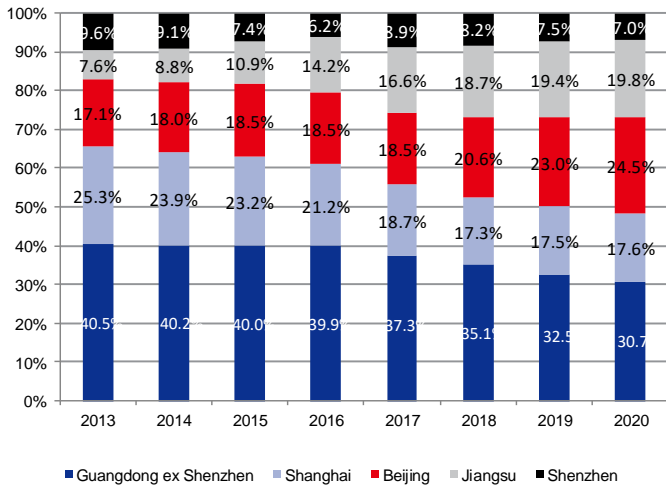
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 14: Group VONB mix by product type (%)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 15: AIA's gross written premium mix by region



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

Figure 16: 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 17: Premium growth yoy of selected insurers in China

	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

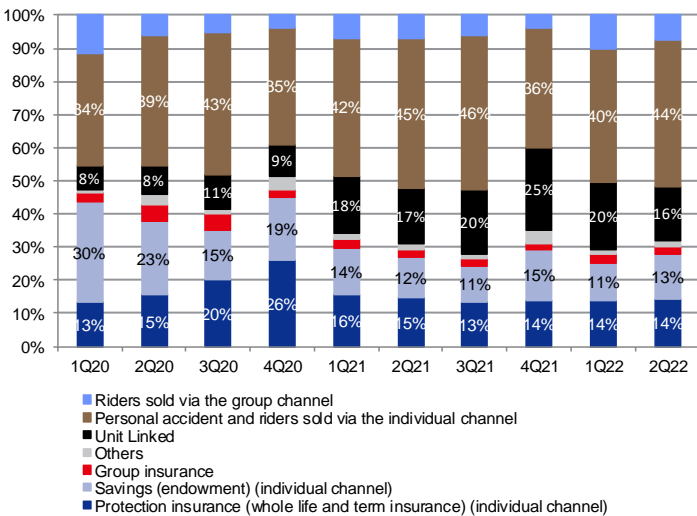
Figure 18: AIA's top five products in China across time: Note the consistently strong focus on critical illness products until the onset of Covid in 2020

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.)	Ann. (par.)
2	CI Ann. (non-par.)	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	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	CI
5	Endow. (par.)	Endow. (par.)	CI	CI	CI	CI	CI	CI Ann. (par.)	CI	CI	CI	Whole life

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

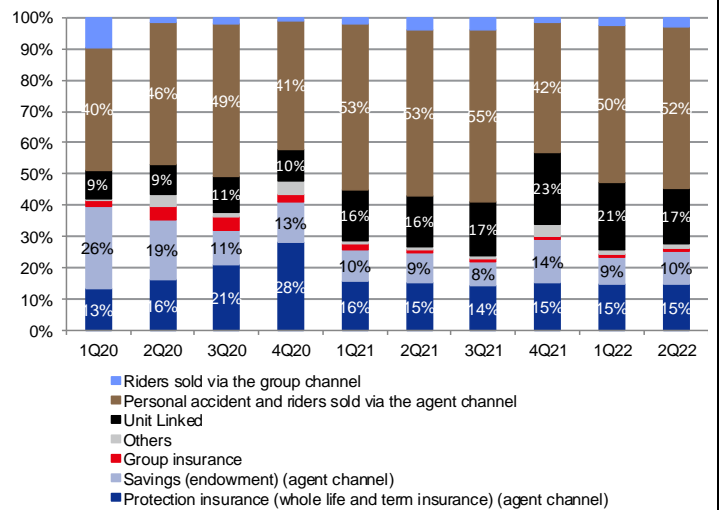
CI = Critical illness; par. = participating; Ann. = Annuity; Endow. = Endowment

Figure 19: ANP mix of all of AIA's distribution channels in Thailand



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

Figure 20: ANP mix of AIA's agent channel only in Thailand



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

Figure 21: 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%
2Q22	-3%	9%	9%	21%	-5%	-2%	7%	0%	-2%
1H21	12%	-50%	-31%	5%	128%	25%	-20%	5%	21%
2H21	-39%	-20%	-39%	4%	142%	11%	21%	5%	-8%
1H22	-5%	-4%	2%	5%	8%	0%	31%	2%	-2%
Monthly data									
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%
Jun-22	-4%	-3%	11%	5%	-20%	6%	-14%	-3%	4%

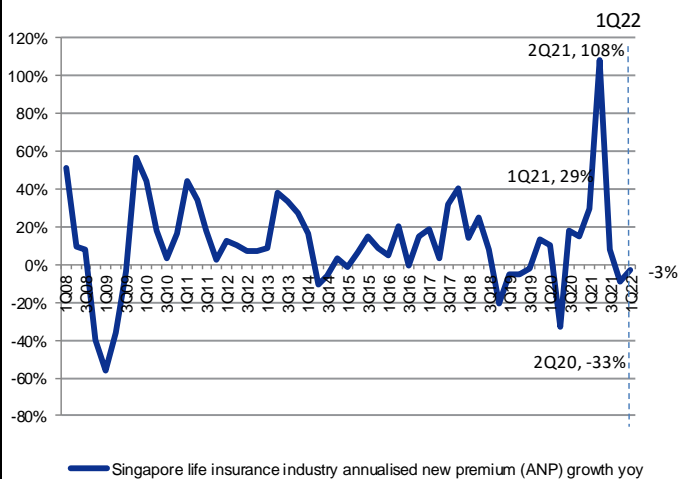
SOURCES: CGS-CIMB RESEARCH, THAILAND LIFE ASSURANCE ASSOCIATION (TLAA)

Figure 22: ANP growth by category for the agent distribution channel for 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	20%	-39%	24%	13%	-12%	-2%	38%	-7%	4%
FY21	-24%	-38%	-58%	-27%	90%	18%	-22%	2%	5%
1Q21	3%	-66%	12%	25%	61%	18%	-80%	-12%	14%
2Q21	12%	-43%	-70%	-68%	102%	36%	252%	17%	29%
3Q21	-24%	-21%	-73%	-20%	69%	27%	124%	13%	11%
4Q21	-47%	7%	-67%	-13%	118%	0%	12%	-2%	-19%
1Q22	2%	-6%	-51%	49%	45%	2%	28%	8%	2%
2Q22	-4%	10%	-23%	63%	6%	-2%	-30%	-1%	-3%
1H21	7%	-58%	-42%	-49%	79%	26%	-48%	0%	21%
2H21	-40%	-3%	-70%	-14%	98%	12%	72%	4%	-7%
1H22	-1%	1%	-41%	56%	26%	0%	-10%	4%	0%
Monthly data									
Jan-21	9%	-23%	151%	106%	52%	28%	-33%	19%	23%
Feb-21	3%	-50%	-22%	-8%	65%	14%	-14%	1%	11%
Mar-21	-2%	-81%	-53%	15%	65%	15%	-94%	-34%	10%
Apr-21	70%	45%	-48%	60%	196%	64%	234%	74%	65%
May-21	7%	-9%	-78%	-51%	79%	40%	160%	26%	32%
Jun-21	-12%	-66%	-74%	-81%	68%	13%	345%	-13%	5%
Jul-21	-16%	-18%	-85%	0%	59%	37%	320%	17%	23%
Aug-21	-36%	-32%	-55%	-32%	48%	21%	54%	3%	2%
Sep-21	-18%	-12%	-45%	-20%	95%	23%	112%	18%	10%
Oct-21	-48%	-29%	-49%	-30%	88%	11%	-30%	-4%	-11%
Nov-21	-49%	27%	-74%	2%	169%	4%	85%	8%	-17%
Dec-21	-46%	13%	-76%	-14%	102%	-10%	27%	-8%	-26%
Jan-22	7%	-7%	-70%	48%	60%	7%	32%	12%	7%
Feb-22	-11%	-16%	-11%	69%	34%	4%	81%	6%	0%
Mar-22	9%	3%	-27%	37%	43%	-5%	-29%	6%	-2%
Apr-22	-9%	14%	-33%	59%	14%	-10%	-5%	-3%	-10%
May-22	6%	9%	-12%	60%	12%	-4%	1%	2%	-2%
Jun-22	-6%	7%	-20%	68%	-5%	8%	-58%	0%	4%

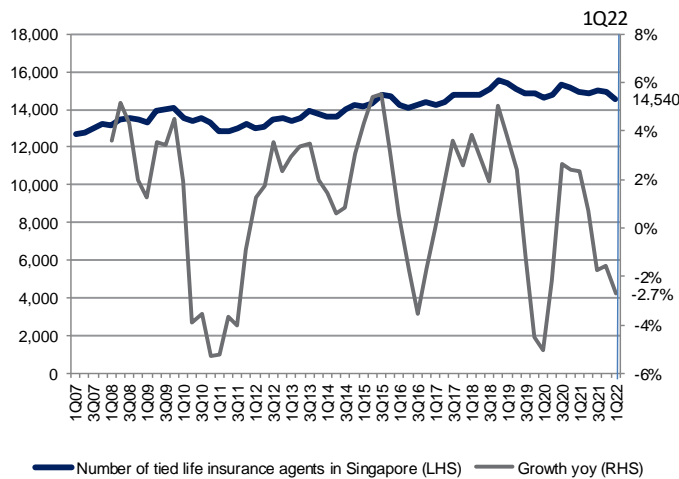
SOURCES: CGS-CIMB RESEARCH, THAILAND LIFE ASSURANCE ASSOCIATION (TLAA)

Figure 23: Singapore life insurance industry's annualised new premium (ANP) growth yoy



SOURCES: CGS-CIMB RESEARCH, LIAS

Figure 24: Tied insurance agent numbers in Singapore and their growth rate yoy



SOURCE: CGS-CIMB RESEARCH, LIAS

Valuation and recommendation

There are no changes to our TP of 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, assuming COE of 8.3%, terminal growth rate of 4.8%, as well as a sustainable return on embedded value (ROEV) of 11.8%, based on the average ROEV of FY21-24F.

We then apply this to our FY22F EVPS estimate of US\$6.26, after converting at an assumed exchange rate of US\$/HK\$ of 7.85, to arrive at our target price of HK\$96 (Fig 25).

Figure 25: Our valuation of AIA Group

	Key assumptions
Cost of equity	8.3%
Terminal growth rate	4.8%
Sustainable ROEV assumption (computed by taking the simple average of operating ROEV and ROEV (excluding forex movements), averaged over FY21 - FY24F)	11.8%
Target P/EV	2.0x
FY22F EVPS (US\$)	6.26
i.e. FY22F EVPS (HK\$)	49.16
US\$/HK\$ exchange rate	7.85
Hence target price (HK\$)	96.00
FY22F VONB per share (US\$)	0.26
i.e FY22F VONB per share (HK\$)	2.02
Implied target new business multiple	23.2x
Current share price (HK\$)	77.20
Upside/ downside	24%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

We show in Fig 26 our embedded value forecasts up to FY24F.

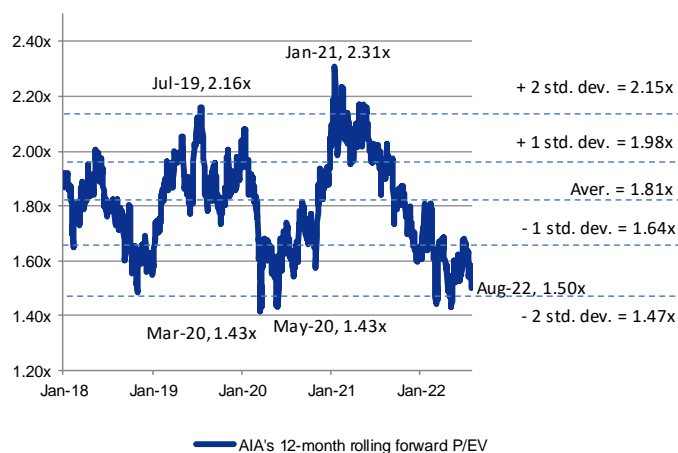
Figure 26: AIA's embedded value across time

(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 1.5x 12-month forward P/EV, which is almost 2 s.d. below its post-2018 historical mean of 1.81x (Fig 27). It also trades at 11.5x share price-implied new business multiple basis (12-month forward rolling), which is just below its post-2018 historical mean of 16.2x (Fig 28).

Figure 27: AIA's 12-month rolling forward P/EV post 2018



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

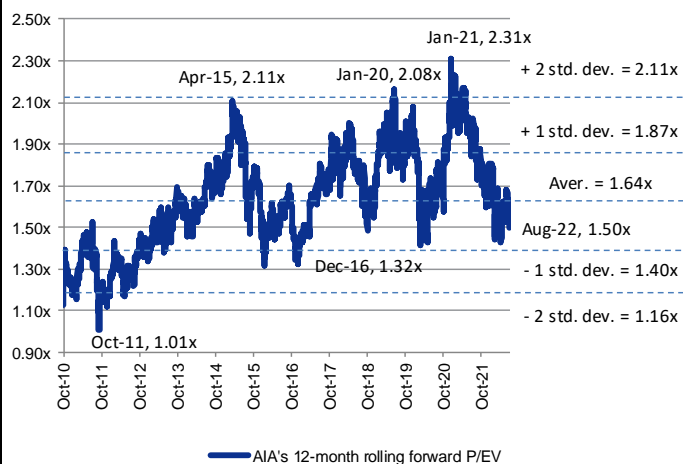
Figure 28: AIA's share price-implied trading new business multiple post 2018 (12-month rolling forward)



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 1.5x is below its post-2010 IPO average (Fig 29), while its share price-implied new business multiple basis (12-month forward rolling) of 11.5x is slightly below its post-2010 IPO average (Fig 30).

Figure 29: AIA Group's 12-month rolling forward P/EV



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

Figure 30: 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 0.33x 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 31: Sector comparison as of 1 Aug 2022

Ticker	Rec	Market Cap (US\$bn)	Price (Lcy)	Target Price (Lcy)	+/- (%)	P/EV (x)		VONB multiple (x)		P/BV (x)		Group ROEV (%)		ROE (%)		P/E (x)		Dividend yield (%)		
						FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F
China Life	2628 HK	Add	107.79	11.62	15.00	29%	0.21x	0.19x	-23.1x	-30.2x	0.5x	0.5x	10.4x	10.7x	10.2x	12.0x	5.4x	4.3x	6.7	8.4
Ping An	2318 HK	Add	126.01	46.15	72.00	56%	0.48x	0.45x	-26.0x	-28.1x	0.8x	0.7x	7.4x	10.1x	15.5x	15.8x	5.1x	4.5x	6.6	7.3
CPIC	2601 HK	Add	30.54	16.50	29.00	76%	0.25x	0.23x	-35.8x	-37.7x	0.5x	0.5x	9.9x	12.2x	11.2x	11.7x	4.6x	4.1x	8.1	9.1
NCI	1336 HK	Add	12.74	18.54	30.30	63%	0.17x	0.16x	-45.7x	-47.0x	0.4x	0.4x	8.9x	9.8x	13.2x	12.1x	3.2x	3.2x	9.4	9.4
PICC P&C	2328 HK	Add	23.70	7.85	9.80	25%	n.a.	n.a.	n.a.	n.a.	0.7x	0.6x	n.a.	n.a.	10.8x	10.8x	6.3x	5.9x	6.4	6.8
AIA	1299 HK	Add	130.45	77.20	96.00	24%	1.58x	1.45x	14.2x	10.1x	1.9x	1.7x	6.9x	12.1x	9.0x	11.6x	21.4x	15.5x	1.9	2.1
Pru	2378 HK	Add	78.12	96.50	144.70	50%	0.69x	0.64x	-6.0x	-6.3x	1.8x	1.6x	8.3x	9.8x	11.5x	15.9x	16.5x	10.7x	1.2	1.3
Manulife	945 HK	NR	25.84	142.20	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.6x	0.6x	n.a.	n.a.	12.6x	12.3x	5.4x	5.0x	7.3	7.9
HK-listed weighted average							0.73x	0.67x	-12.5x	-15.9x	1.1x	1.0x	8.3x	10.9x	11.6x	12.9x	10.1x	7.8x	5.4	6.2
HK-listed weighted average ex AIA, Pru and Manulife							0.33x	0.31x	-26.9x	-30.8x	0.6x	0.6x	8.9x	10.6x	12.7x	13.5x	5.2x	4.4x	6.9	7.9

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; Pru: Prudential plc
Note that we use Bloomberg consensus data to compute valuation multiples for Manulife as we do not cover the stock.

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 32). 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 33).

Figure 32: 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%
Aug-22YTD	-19%	-33%	7%	5%	4%	-21%

SOURCES: CGS-CIMB RESEARCH, MSCI
Data as at 1 AUG 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 33: 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.

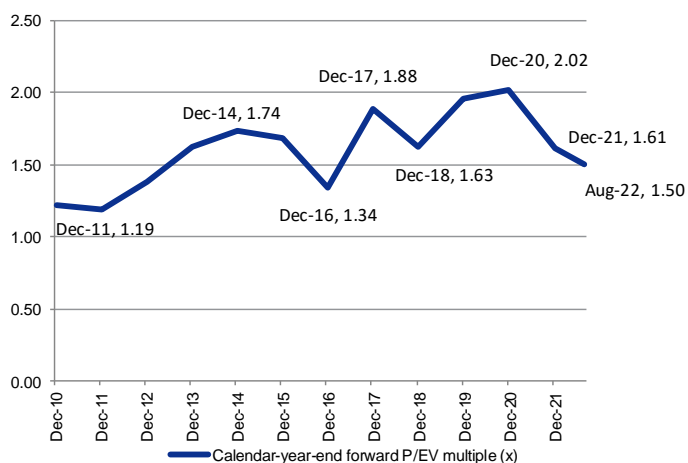
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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 2.0x FY22F P/EV multiple, which is below previous peaks (previous high was 2.31x in Jan 2021 and then 2.16x in Jul 2019).

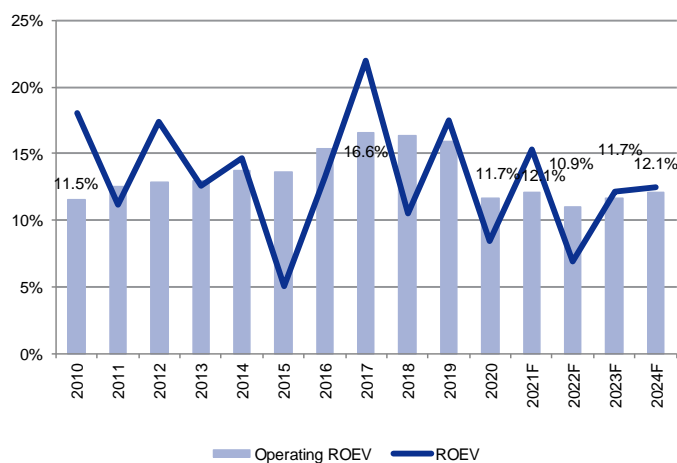
However, we stress that insofar as P/EV multiples are linked to ROEV and given that we expect operating ROEV to remain at a relatively high level, we believe that AIA Group's P/EV will continue to re-rate (Fig 35).

Figure 34: Calendar year-end forward P/EV multiple (x)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 35: AIA Group's ROEV and operating ROEV across time

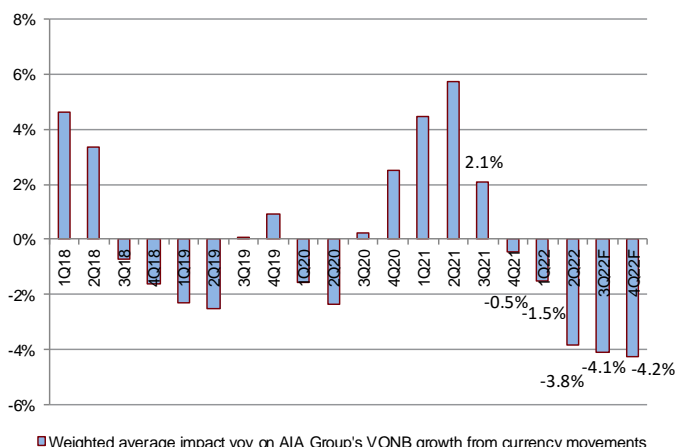


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

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 current currency headwinds to VONB growth will continue past 4Q22F, assuming exchange rates remain stable at current levels (Fig 36).

Figure 36: Weighted average yoy impact on AIA Group's VONB growth from currency movements, by quarter

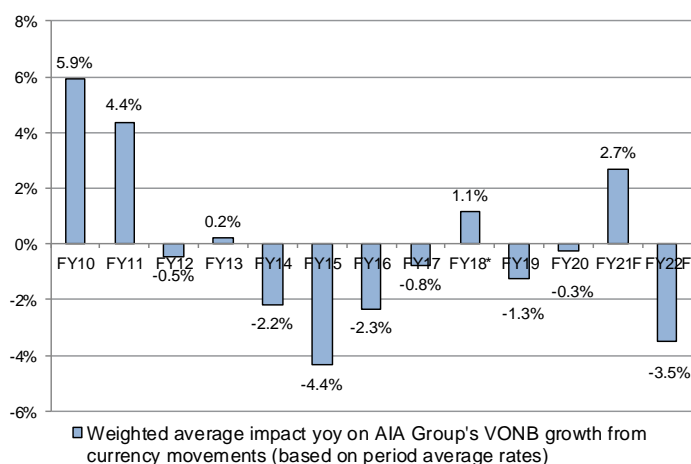


SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

* 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 37: 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 38).

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 0.9% decline in our target price for AIA Group (Fig 39).

Figure 38: 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%

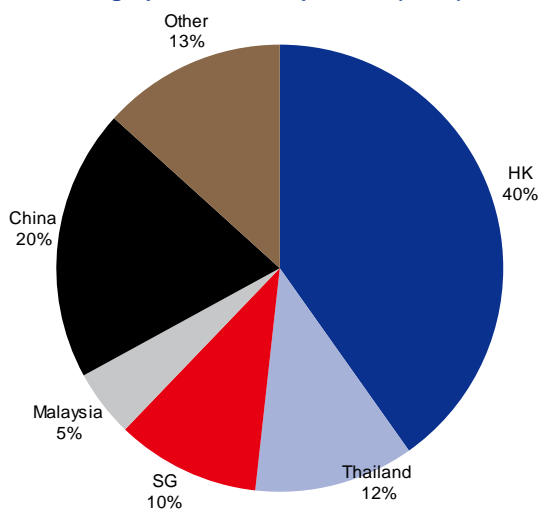
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS
EV = EMBEDDED VALUE

Figure 39: 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 (1-Aug-22)	14.1x
Hence percentage impact to AIA's valuation from:	
50bp increase in interest rates	0.5%
50bp decrease in interest rates	-0.9%

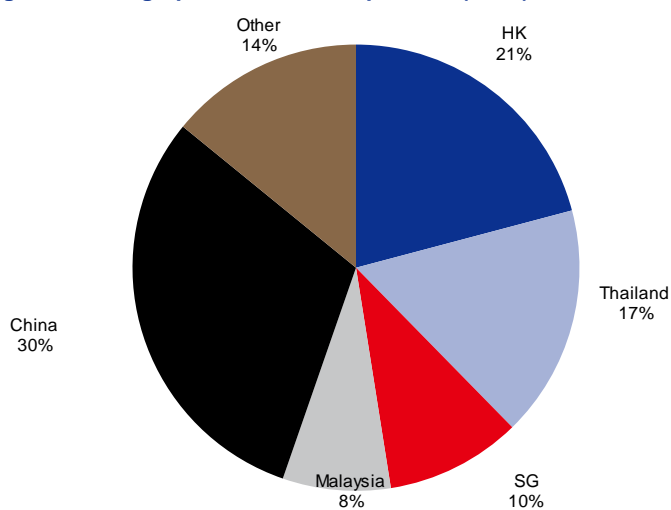
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS
EV = EMBEDDED VALUE

Figure 40: Geographical EV composition (FY21)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 41: Geographical VONB composition (FY21)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

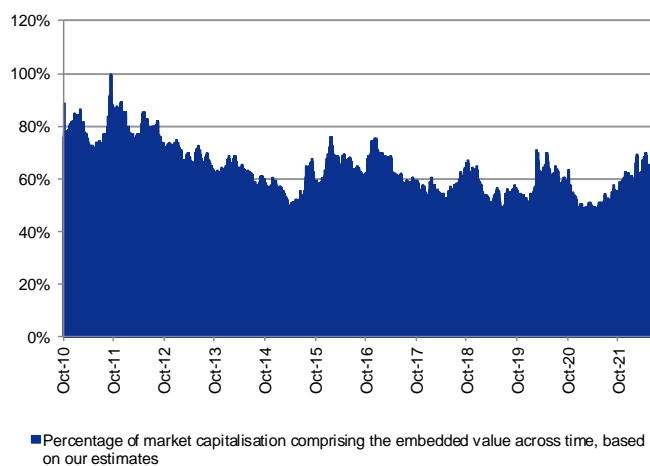
Figure 42: 10-year bond yields of selected countries

(%)	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
Aug-22	2.65	2.74	2.45	2.64	3.90	3.17	7.13	5.62	3.06	6.95

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





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

Figure 44: Key financial data

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

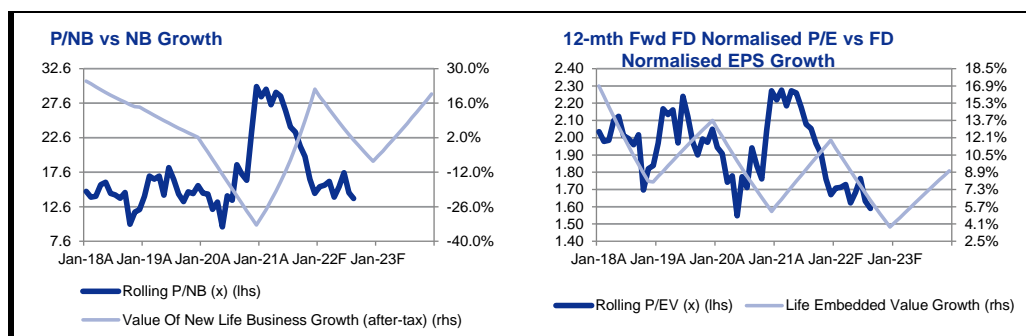
	2018A	2019A	2020A	2021A	2022F	2023F	2024F
Summary							
EPS (US\$)	0.26	0.50	0.48	0.62	0.46	0.64	0.70
Operating EPS (US\$)	0.47	0.47	0.49	0.53	0.55	0.59	0.65
P/E ratio (x) (oper. EPS)	23.3	23.3	22.3	20.7	20.2	18.6	16.8
EPS growth (%)	-48.4%	88.7%	-3.5%	28.5%	-24.9%	38.4%	10.0%
DPS (US\$)	0.16	0.16	0.17	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
BV/PS (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
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	(1,010)	600	601
Net profit after tax	3,163	5,979	5,779	7,427	5,577	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	262,290	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
Total liabilities	190,400	228,737	262,453	278,940	306,491	336,112	368,498
Net assets	39,406	55,395	63,668	60,934	64,265	69,655	75,615
Equity attributable to shareholders	39,006	54,947	63,200	60,467	63,773	69,121	75,035
Ratio and growth analysis							
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

Refinitiv ESG Scores	
	
	
<h3>ESG in a nutshell</h3> <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 further improvement in AIA's ESG rating and 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. 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	(1,010)	600	601
Exceptional Items					
Pre-tax Profit	6,783	8,583	6,765	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	5,625	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	5,577	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	262,290	284,908	306,866
Other Current Liabilities	0	0	0	0	0
Total Current Liabilities	223,071	239,423	262,290	284,908	306,866
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	306,491	336,112	368,498
Shareholders' Equity	63,200	60,467	63,773	69,121	75,035
Minority Interests	468	467	493	534	580
Total Equity	63,668	60,934	64,265	69,655	75,615
Life Embedded Value	65,247	72,987	75,771	82,611	90,302

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%	(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%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
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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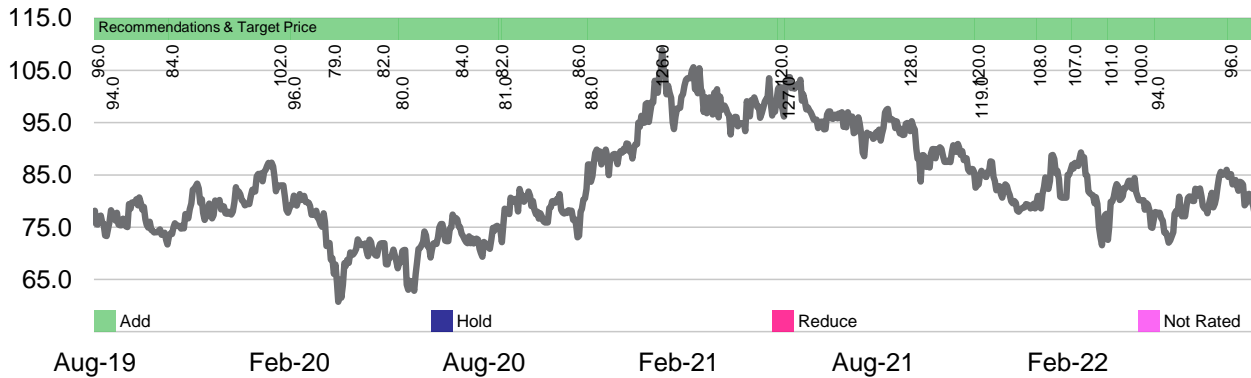
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643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)

AIA Group (1299 HK)

— Price Close



Recommendation Framework

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Add The stock's total return is expected to exceed 10% over the next 12 months.

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Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

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