

AIA Group Ltd. (1299 HK)

Long-term growth intact, expect 2H22 recovery

As a leading pan-Asian life insurer, AIA is well-positioned to capture the substantial health and protection demands among underpenetrating Asian emerging markets. We expect AIA's branch expansion in China will underpin 20% CAGR VNB growth in the mainland market for the next decade. In the near term, we believe AIA will see a gradual recovery in its South East Asian (SEA) operating markets in 2H22, given easing COVID restrictions and low base effect comparable to 2H21. Moreover, the launch of Amplify Health, an integrated health InsurTech application that leverages both Discovery's IPs and AIA's platform, can further boost sales of health and improve margins over the long run, in our view.

- **Long-term growth underpinned by expanding footprint in China.** AIA has set up new outlets in Sichuan, Hubei, Tianjin and Shijiazhuang since 2019 and has significantly accelerated its local customer reach to tap into the pent-up protection demands in mainland markets. We assume that this geographic expansion will continue at a pace of one provincial branch p.a., leading to our projection that AIA China's VNB growth will achieve 20% CAGR in 23E-30E. In addition, with easing pandemic quarantine requirements approved by the Hong Kong government, we regard the possibility of border reopening with the mainland in the near future, provides a conducive catalyst for revival of Mainland China Visitors (MCV) business.
- **Expect South East Asian market recovery in 2H22-2023.** South East Asian (SEA) countries i.e. Singapore, Thailand, Malaysia, etc., suffered severely from the Covid-19 outbreaks, reflecting in low bases of major operating metrics in 2H21. Due to restrictive government lockdown measures, new business sales and growth in some of these operating markets further dampened as agency, which used to be a primary driving force, was largely constrained. In 2H22, with reopening of SEA markets, we look positive on expected VNB growth in the latter half, given uptick protection demands and, more importantly, the kick-in of low base effect.
- **New health insurance franchise to empower protection sales.** In February, AIA launched Amplify Health, a pan-Asian Health InsurTech JV partnered with Discovery, aiming to empower the insurer's integrated healthcare strategy. We believe the transformation will help boost sales of health, optimize claims management, bolster AIA's leading health insurance position across pan-Asian markets, and eventually contribute to new value creation in VNB margin.
- **Valuation.** We adopt Appraisal Value approach to peg the target price for AIA at HK\$91/share, on a basis of 19x New Business Multiplier in line with 1.9x FY23E P/EV. The stock is trading at 1.3x P/EV FY23E, below historical average -1SD. Looking forward, we expect the rebound of VNB momentum in 2H22 and 2023 will support the insurer's share price performance. Initiate with a BUY rating.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (US\$ mn)	50,359	47,525	31,739	53,083	64,658
YoY growth (%)	6.6	(5.6)	(33.2)	67.3	21.8
Net income (US\$ mn)	5,779	7,427	3,418	7,360	8,818
EPS (USD)	0.5	0.6	0.3	0.6	0.7
Consensus EPS (USD)	n.a	0.8	0.3	0.6	0.7
P/E (x)	16.8	13.1	28.4	13.2	11.0
P/EV(x)	1.3	1.3	1.4	1.3	1.2
P/B (x)	1.5	1.6	1.9	1.7	1.6
Yield (%)	2.0	2.2	1.3	2.8	3.3
ROE (%)	9.8	12.0	6.1	13.7	15.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Initiation)

Target Price	HK\$91.0
Up/Downside	+43.5%
Current Price	HK\$63.4

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Stock Data

Mkt Cap (HK\$ mn)	757,490
Avg 3 mths t/o (HK\$ mn)	1,649.67
52w High/Low (HK\$)	92.50/57.25
Total Issued Shares (mn)	11,873

Source: Bloomberg

Shareholding Structure

Bank of New York Mellon	9.95%
JPMorgan Chase & Co	8.66%
The Capital Group	7.04%

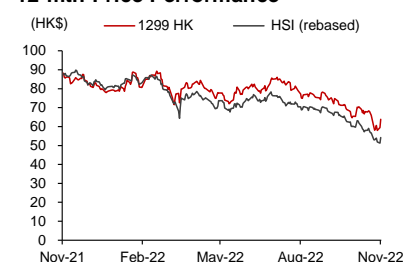
Source: Bloomberg, HKEX

Share Performance

	Absolute	Relative
1-mth	-9.2%	6.5%
3-mth	-24.7%	3.3%
6-mth	-23.5%	9.8%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PricewaterhouseCoopers

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Investment Thesis

Long-term growth underpinned by expanding footprint in China

Ever since AIA converted its China branch into a subsidiary in June 2020, AIA has been progressively expanding its footprint in mainland China. In March 2021, AIA China received regulatory approvals for launching operations in Sichuan province, and later in October 2021, further achieved permissions to open branches in Hubei province. In May 2022, AIA obtained an additional new provincial insurance license in Henan. So far, the life insurer has been on track of geographical expansions at a regular pace of 1-2 new provinces per year. Empowered by its Premier Agency strategy, the insurer is able to move fast and access to local customers 5x the reach of existing geographical presence, simply by replicating success nationwide across cities, far outpacing the peers in aspects of market entrance, operational efficiency and customer acquisitions. Besides, the strategic investment in China Post Life (CPL) strengthened bancassurance partnerships with Postal Savings Bank of China (PBSC), brining new growth drivers to its mainland China business.

■ Growth projection: New branches in Sichuan, Hubei and new approvals to Henan

AIA's new outlets set up in Sichuan, Hubei, Tianjin and Shijiazhuang, in addition to its long-established operations in tier-one cities and affluent provinces suchlike Beijing, Shanghai, Shenzhen, Jiangsu, and Guangdong, have significantly enhanced the insurer's nationwide footprint as well as its local bonding with customers. Among city selections amidst the progressive expansions, we notice that the insurer primarily targeted provinces and regions with large residential population base whilst possessing affluent middle-class underserved.

Figure 1: China: Life insurance penetration / Population / GDP per capita in 2021

AIA branches	Province	Life penetration	Population (mn)	GDP per capita (RMB)
Established branches	Guangdong	2.41%	126.84	98,052
	Jiangsu	2.54%	85.05	136,812
	Beijing	5.02%	21.89	183,997
	Shanghai	3.17%	24.89	173,593
Newly approved branches	Tianjin	3.11%	13.73	114,312
	Sichuan	2.95%	83.72	64,323
	Hubei	2.91%	58.30	85,785
	Henan	2.99%	98.83	59,585
Others	Zhejiang	2.28%	65.40	112,410
	Shandong	2.50%	101.70	81,707
	Hunan	2.34%	66.22	69,561
	Anhui	2.11%	61.13	70,275
	Fujian	1.57%	41.87	116,576
	Hebei	3.48%	74.48	54,231
	Chongqing	2.60%	32.12	86,832
Total	China	2.80%	1,412.60	80,962

Source: NBS, CMBIGM estimates

With huge underlying demands to be tapped in the rapidly growing mainland market, we regard the value creation for AIA's new business will accelerate in forthcoming years, underpinning strong growth in life insurance VNB over the next decade. In 2023E-2030E, we project AIA China's VNB growth to reach a 20% CAGR based on the following assumptions:

1. **Expansion pace:** expanding at a pace of one provincial branch per year onwards;

2. **Forthcoming expansions:** Zhejiang, Shandong and Hunan provinces may become next selected regions given their promising population and GDP per capita, and relatively low life penetration;
3. **Newly launch establishment:** the insurer will take approx. five years to ramp up a new branch in reaching a similar productivity level as of an established foothold;
4. **Productivity:** single branch productivity is projected on the basis of a correlation coefficient calculated in regard to regional population, GDP per capita, and life insurance penetration;
5. **Local branch VNB growth:** an established branch's VNB growth amounted to 15% p.a., equivalent to 3.0x long-run average GDP growth forecast at est. 5% per annum. The rationale is based on AIA China's VNB at 27% CAGR growth over the past decade vs approx. 7% average 10-year China GDP growth in the same period.

Based on the aforementioned assumptions, we construct a scenario analysis to gauge the long-run growth prospects for new business value of AIA China in the coming 10-year period.

Our projection shows that the nationwide geographic expansions can add 3-8pts p.a. extra momentum on top of the organic VNB growth.

Figure 2: AIA China VNB growth projection

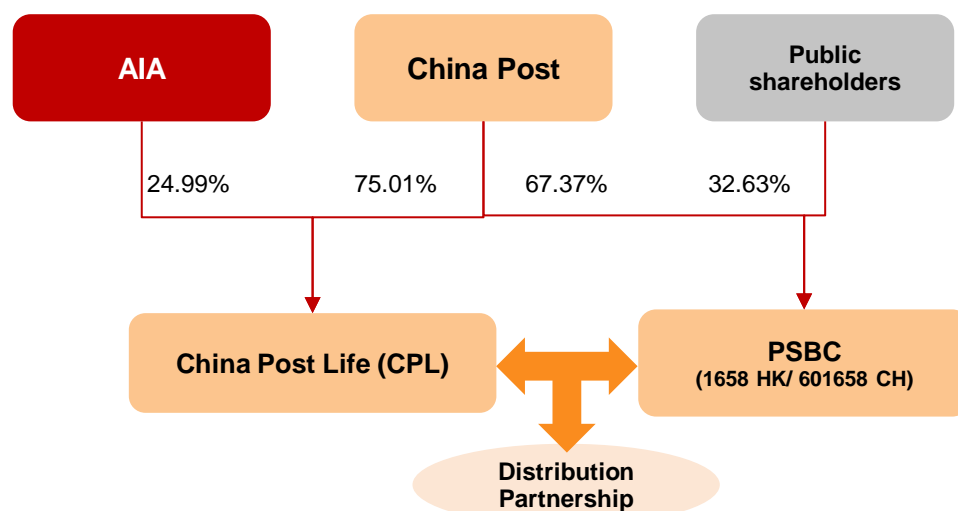
Year	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
AIA China VNB (US\$m)	955	1,151	1,395	1,714	2,113	2,554	3,062	3,647	4,303
Established branches	882	1,015	1,167	1,342	1,543	1,775	2,041	2,347	2,699
New branches set up in									
2021 and before (Sichuan, Tianjin, SJZ)	49	73	108	161	239	275	316	363	418
2022 (Hubei)	23	35	51	76	113	167	193	221	255
2023 (Henan)		28	42	62	92	136	202	233	267
2024 (Zhejiang*)			27	40	59	88	130	193	222
2025 (Shandong*)				33	49	73	109	161	239
2026 (Hunan*)					17	26	38	56	84
AIA China VNB growth	-14%	20%	21%	23%	23%	21%	20%	19%	18%

Source: Company data, CMBIGM estimates;

* Note: Coefficient = population x GDP per capita x life insurance penetration.

■ Synergies from strategic partnerships with China Post Life (CPL)

In June 2021, AIA acquired 24.99% stake in China Post Life at a consideration of RMB12.03 bn. Through a distribution agreement with Postal Savings Bank of China, China Post Life gained access to one of the most extensive financial distribution networks in the mainland market, leveraging channel advantages of 40,000 bank branches to reach to over 600 mn retail customers. We believe the investments devoted with China Post Life will benefit AIA strategically from both financial and operating standpoints in the long run.

Figure 3: Shareholding structure of China Postal Life

Source: Company data, CMBIGM

HK: Upcoming reopening of border with mainland China

Prior to the pandemic, the Mainland China Visitors (MCVs) had always been the biggest contributor to Hong Kong's domestic new business sales, committing to approx. 30-40% of HK Life insurance APE, and AIA HK received approx. 50% VNB from its MCV businesses. However, the cross-border lockdown since Feb 2020 quickly slashed the business to MCVs to close to zero, which resulted in a sharp fall in the life insurers' HK new business in 2020.

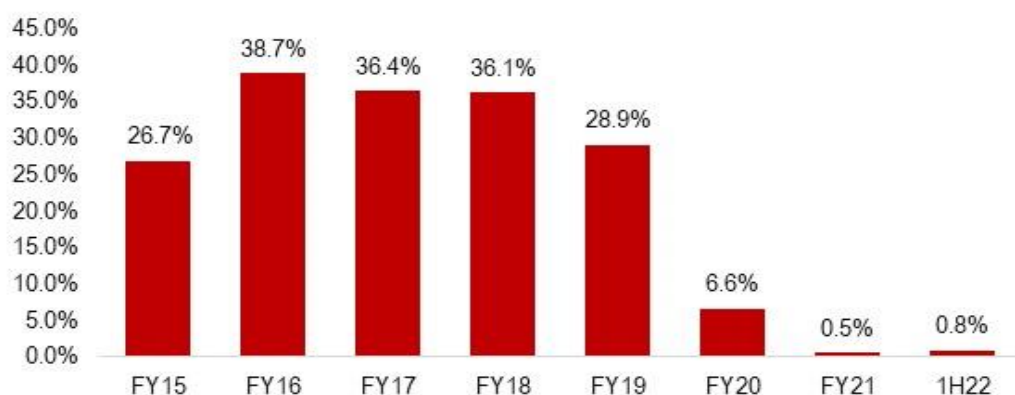
Starting from 2021, AIA progressively resumed the MCV business via its Macau branch as an alternative for domestic growth. In 1H22, the VNB of MCV businesses grew over 90% YoY. That said, due to continuous border lockdown, the MCV contributors to HK VNB maintained at low space of below 10%, substantially lower than the 50% achieved pre-COVID. Notwithstanding the sluggish sales from MCVs in HK, the upcoming border reopening, with gradual easing of entry restrictions, could act as an essential catalyst for rebound in new business sales and value growth momentum immediately as the policy approved.

Recently, HK executives have been mulling over reductions, or even removals, of incoming quarantine restrictions, and the border reopening with the mainland is expected to realize at end 2022 or early next year. On 24 September, HK government lifted compulsory quarantine requirements for inbound arrivals from a "3+4" arrangement (3 days of compulsory quarantine at a designated hotel followed by 4 days of self-medical surveillance at home) to "0+3", implying that no compulsory inbound quarantine is required ([link](#)). The arrangement took effect from 26 September, which further accelerated market expectations on an ultimate zero quarantine adoption within this year.

Empowered by its characteristic Premier Agency strategy, AIA highly regarded its agents and facilitated prior MCV-focused agents with aversion to sales in HK domestic market. Given the retained agency force, we believe that these talents could perform as stimulants for the revival of forthcoming agency sales to MCV business once the border is reopened.

Guided by an assumption of border reopening in 2023, we expect the resumed MCV traffics will further boost the VNB growth of AIA Hong Kong by another 10pcts, on basis of pent-up demands as well as strong appetite for investments denominated in the greenback.

Figure 4: Hong Kong: MCV business as % of total APE, FY15-1H22



Source: HKMA, CMBIGM

Expect South East Asian market recovery in 2H22-2023

In 2H21, South East Asian (SEA) countries i.e. Singapore, Thailand, Malaysia, etc., suffered severely from the Covid-19 outbreaks, reflecting in the underperformance of their respective major operating metrics in each market. Due to restrictive government lockdown, new business sales and growth in some of these operating markets significantly dampened, in particular agency, which used to be a primary driver. In 2H22, with the reopening of SEA markets, we look positive on expected VNB growth in the latter half and 2023, given an expected uptick in protection demands, and more importantly a kick-in of low base effect.

Figure 5: Timeline of COVID restrictions in Thailand, FY20-1H22

Timeline		Covid-19 government restrictions				
* Font in colors below represents the level of strictness of Covid-19 lockdown measures, whereas RED implies the strictest, ORANGE implies moderate, and BLACK implies normalized regulatory measures.						
FY20	March	(1) Government declared Emergency Decree; (2) established The Centre for COVID-19 Situation Administration (CCSA)				
	April	(1) Required compulsory mask wearing; (2) curfew took effect; 3) Flight ban for international travelers				
	May	Banned provincial-level traveling				
	July	Lifted curfew restrictions				
	December	(1) Bangkok lockdown; (2) mass testing for migrant workers with travel restrictions for residents from affected provinces				
1H21	April	1) Bangkok lockdown; 2) Nationwide COVID controls divided into 2 color-coded zones: YELLOW for areas under stringent surveillance; BLUE for non-stringent.		1H22	February	Resumed Test & Go program, with one more RT-PCR /ATK test on the 5th day
	June	Expanded color-coded zones into 3: BLUE for Pilot Tourist areas; GREEN for Surveillance areas; YELLOW for areas under stringent surveillance.			May	(1) No compulsory RT-PCR test for fully vaccinated travelers; (2) Voluntary ATK test
2H21	July	Allowed visits in Phuket and 3 other islands with vaccinations		2H22	June	(1) Lifted nationwide restrictions; shut tracking app MorChana; (2) Removed color-coded zones; (3) Voluntary outdoor mask-wearing
	November	1) Launched Test & Go program; 2) allowed arrivals from 63 low-risk countries with 1-day quarantine in RT-PCR test.				
	December	Test & Go program in suspension				

Source: CMBIGM

Figure 6: Timeline of COVID restrictions in Singapore, FY20-1H22

Timeline	Covid-19 government restrictions					
* Font in colors below represents the level of strictness of Covid-19 lockdown measures, whereas RED implies the strictest, ORANGE implies moderate, and BLACK implies normalized regulatory measures.						
FY20	Apr - Jun	1) Enacted the "Covid-19 Control Order"; 2) set off stringent preventive measures namely "circuit breaker lockdown"; On June 1, government launched three-phased approach for economic activities with Phase I initiated; limited group size at 2.				
		1) In July, executed Phase II of re-opening plan; 2) expanded group size from 2 to 5; 2) In December, started Phase III of re-opening plan; 2) expanded group size from 5 to 8.				
1H21	Jan - Apr	Maintained Phase III, with limited group size of 8		1H22	Jan - Apr	Maintained in "transition phase" of re-opening
	May - Jun	1) Reverted to Phase II, due to emergence of Delta; 2) Lockdown twice; 3) Limited group size back to 5.			Mar	On 29 Mar, eased outdoor mask wearing & expanded group size to 10.
2H21	Jul - Aug	Maintained Phase II, with limited group size b/w 2-5		2H22	Aug	Lifted all COVID restrictions; indoor mask wearing chg. to optional.
	Aug - Sep	Only allowed vaccinated person to use the services				
	Oct	Phased out zero-COVID strategy				
	Nov - Dec	Gradual re-opening; proceeded into "transition phase"				

Source: CMBIGM

Figure 7: Timeline of COVID restrictions in Malaysia, FY20-1H22

Timeline		Covid-19 government restrictions			
* Font in colors below represents the level of strictness of Covid-19 lockdown measures, whereas RED implies the strictest, ORANGE implies moderate, and BLACK implies normalized regulatory measures.					
FY20	Mar	On 18 March, government imposed lockdown, aka. Movement Control Order (MCO) with border closure and inter-state travel ban.			
	May	On 4 May, Policy shifted from Movement Control Order (MCO) to Conditional Movement Order (CMO)			
		On 10 June, restrictions eased to Recovery Movement Control Order (RMCO)			
1H21	Jan - May	1) State-varied on movement orders chg. among MCO, CMCO, RMCO, EMCO, and semi-EMCO; 2) Allowed more economic sectors to continue functioning	1H22	Jan	1) On 3 Jan, all states entered into Phase IV, aka. final recovery stage, of NRP; 2) Government ended MCO restrictions
2H21	Jun - Jul	1) Restrictive lockdowns; banned all social gatherings; 2) Allowed only key economic service sectors; 3) On 15 June, introduced 4-phase National Recovery Plan (NRP), with adjustments for each state.		Apr	1) Transitioned to endemic phase; 2) Eased outdoor mask mandates & tests at airports
	Aug	Allowed only fully vaccinated person to travel among districts in states of the NRP Phase II	2H22	Sep	On 7 Sep, indoor mask wearing became optional.
	Oct	Lifted MCO restrictions for vaccinated individuals			
	Nov	Allowed quarantine-free travels with Singapore for fully-vaccinated person			

Source: CMBIGM

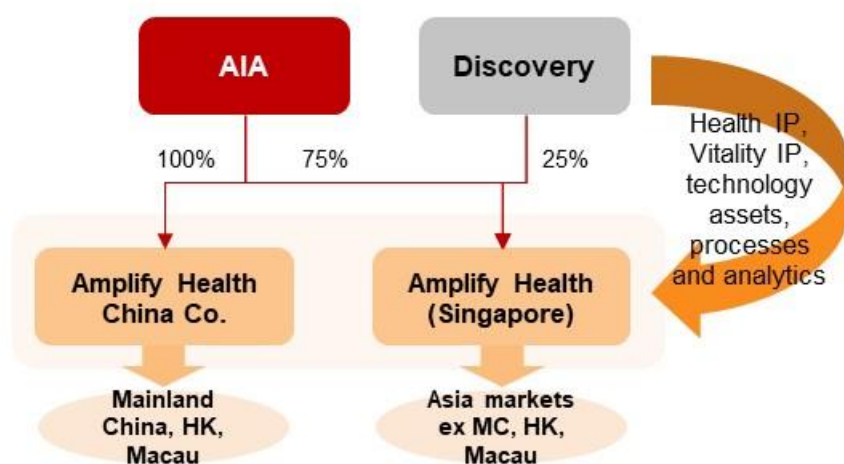
New health insurance franchise to empower protection sales

In 1Q22, AIA launched Amplify Health, a pan-Asian health InsurTech JV partnered with Discovery, to empower the Group's integrated healthcare strategy. Discovery, owning 25% stake of the new JV, will leverage its technologies, IPs and extensive data to help AIA build a platform providing cutting-edge health tech solutions and services to clients. On supply side, Amplify Health will improve operational efficiency of healthcare providers and optimize medical costs accordingly. On customer front, the InsurTech platform delivers tailored one-stop healthcare solution within such a fragmented and complicated healthcare market.

For cost efficiency, AIA also stated that Amplify Health is able to outsource the services to external private and governmental healthcare operators, in which the insurer could diversify revenue sources and enrich provisions of an integrated health and technology ecosystem.

We believe the launch of Amplify Health will promote sales growth in health insurance products, optimize customers' claims experience and strengthen the insurer's leading position in health and protection businesses, and more importantly, enhance VNB margin.

Figure 8: Amplify Health: a strategic integration of Discovery IP and AIA platform



Source: Company data, CMBIGM

A leading pan-Asian life insurer well-positioned for growth

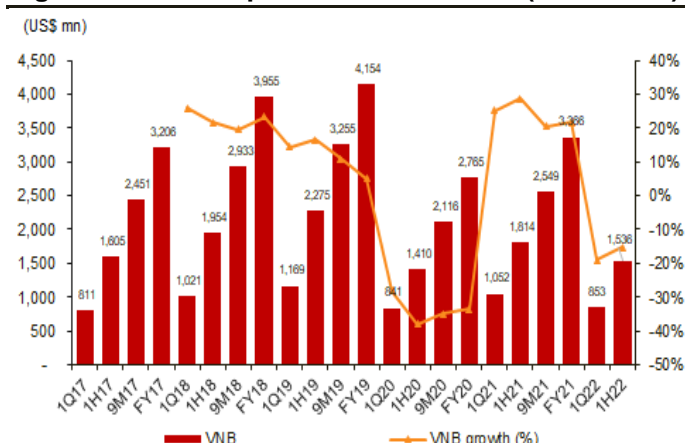
Founded in 1919, AIA Group Limited (AIA) is the largest independent publicly listed Pan-Asian life insurance group, in terms of market cap, established as a market leader in the Asia Pacific region in regard of life insurance premiums and leading positions across its major geographical footprint. The group provides a wealth of products and services to meet the long-term savings and protection needs of individuals and group customers, including but not limited to life insurance, accident and health insurance, and savings plans for individual side, and employee benefits, credit life, and pension services for corporate side.

Robust growth underpinned by diversified geographic footholds

Since its IPO in October 2010, AIA Group reported an across the board year-over-year increase in annual premium equivalent (APE) and value of new business (VNB) among major markets of operations throughout the twelve years to FY21 and 1Q22. The group APE rose 8.2% YoY to US\$5,647mn and group VNB lifted from US\$2,765mn to US\$3,366mn growing at 21.7% YoY in FY21. On a year-over-year basis, value of new business of the group outside Hong Kong exceeded the pre-pandemic level of 2019 and all reportable segments reported growth. Most importantly, although experiencing multiple cycles throughout years of development, the Pan-Asian life insurer survived troughs and outperformed major peers in both VNB growth and margin expansion, and is well-positioned for long-term growth. Such organic growth was primarily driven by the insurer's differentiated Premier Agency strategy, transferrable competitive advantages and valuable customer propositions that have all together contributed to improvements on margins.

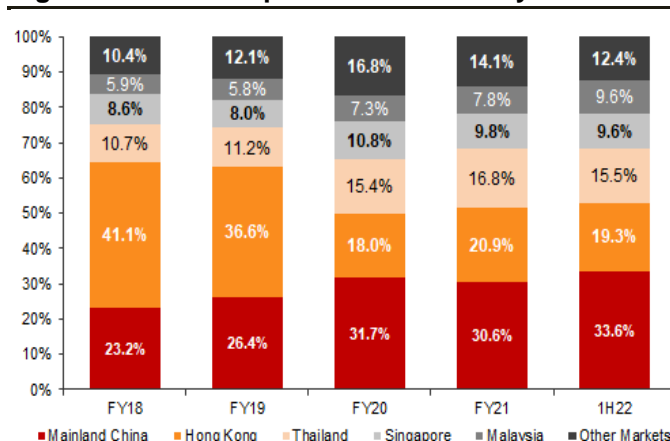
Geographically, AIA recorded solid VNB YoY growth in five out of six major operating markets in FY21, fully releasing business potentials empowered by digital transformation. Mainland China market has outweighed Hong Kong market regarding both APE and VNB growth metrics in recent years, although experiencing pandemic downturns and Mainland-Hong Kong border closure, with 17.3% and 14.5% YoY increases, amounting to 25% and 31% of the group's overall APE and VNB respectively in FY21. Far beyond top performing markets, the insurer has developed presence in 18 markets across Asia with high exposure to the markets most likely to see insurance penetration and growth acceleration in Southeast Asia (SEA), and ranked as one of the top 3 largest insurers in the region.

Figure 9: AIA Group VNB & VNB Growth (1Q17-1H22)



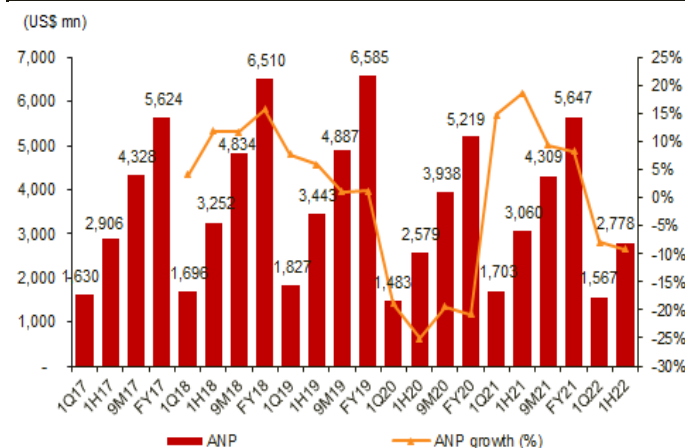
Source: Company data, CMBIGM

Figure 10: AIA Group VNB breakdown by Countries



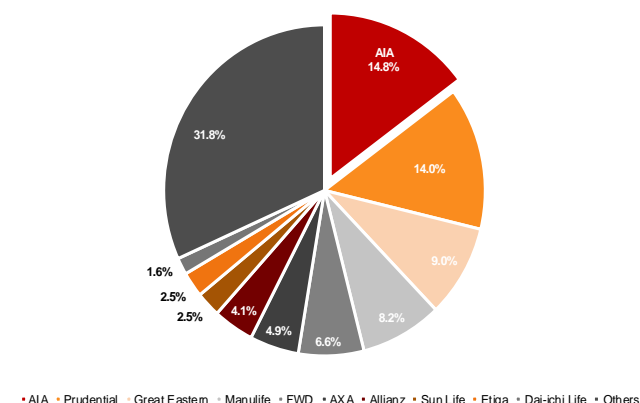
Source: Company data, CMBIGM

Figure 11: AIA Group APE & APE Growth (1Q17-1H22)



Source: Company data, CMBIGM

Figure 12: AIA life APE market share in SEA (%)



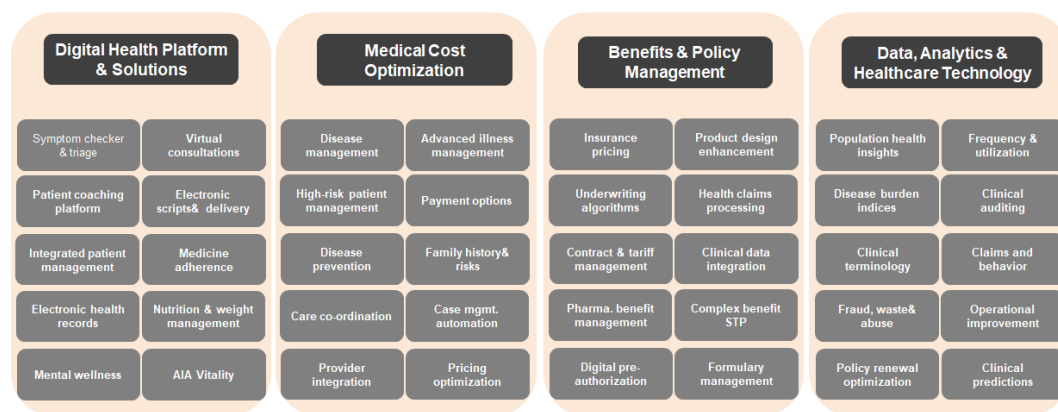
Source: Company data, CMBIGM, NMG *Note: Data in FY21, SEA markets refer to Thailand, Indonesia, Malaysia, the Philippines, Singapore and Vietnam.

Unrivalled agency distribution backed by cutting-edge digitalization

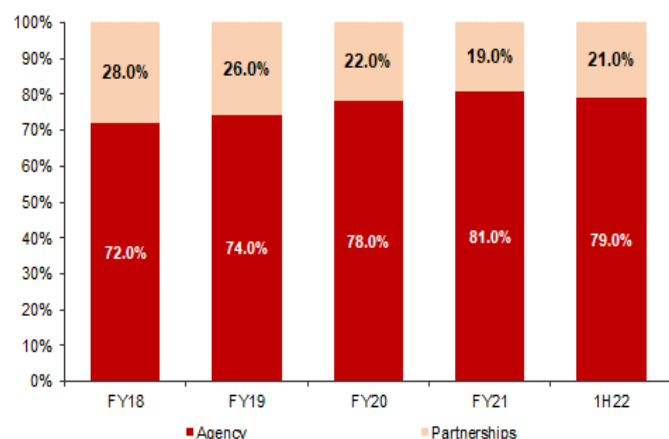
AIA's proprietary Premier Agency strategy differentiates the group from major peers with increases in both the quantum and quality of active agents, measured by both the number of active agents and agent productivity, respectively. As of 2021, agency channel delivered 20 percent growth in new business value, underpinning the insurer's strong commitment to the execution of strong growth strategy amid rapid digital enhancement throughout entire agency value chain that empowered work efficiency and agent productivity. Winning the top 1 reputation of Million Dollar Round Table (MDRT) company in 2021, AIA extended its renowned track record worldwide to seven years, demonstrating the profound influence and effectiveness Premier Agency strategy bringing to the insurer.

Regarding channels of partnerships, the insurer grew by 4 percent after excluding the impacts of the one-off contribution from Commonwealth Bank of Australia (CBA) in first quarter of 2020. The focus on scaling up referral leads from bank partners via aids of cutting-edge technology, analytics and digital marketing platforms broadened the insurer's existing customer base by accessing to previously untapped local banks' high-quality clients. Amid enhancement of digitalization, the insurer built multi-channel distribution mix across regions.

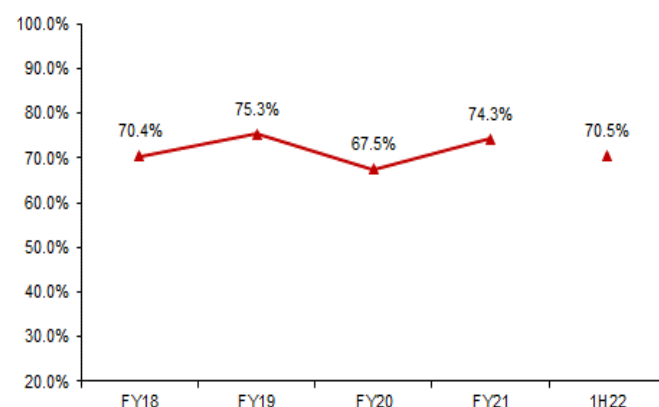
To further expand cost-effective access to healthcare solutions, AIA launched a brand new healthcare business, named as Amplify Health, in partnership with Discovery Limited, since February 2022. Apart from AIA Vitality, the new health InsurTech segment not only diversifies the solutions in local health insurance offered to its affluent and mass customers, but also acts as an innovative advantage in empowering channel sales of both agency and partnerships. Driven by data-enabled underwriting and analytical claims management tools, the digital appliance is developed right in time by leveraging the Group's Technology, Digital and Analytical (TDA) strategy to tap into a sizeable market for digital health and technology services in Asia, with an estimated scale amounting to over US\$100bn by 2030.

Figure 13: Amplify Health in value creation for the Group's integrated business model**Integrated Capabilities across the entire Health Insurance and Healthcare Value Chain**

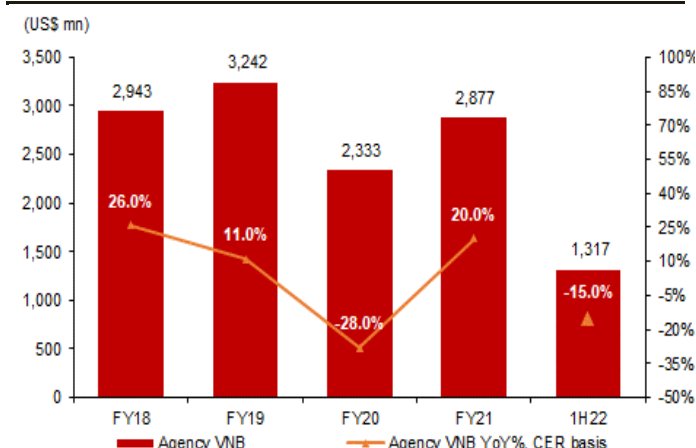
Source: Company data, CMBIGM

Figure 14: AIA distribution mix of agency and partnerships

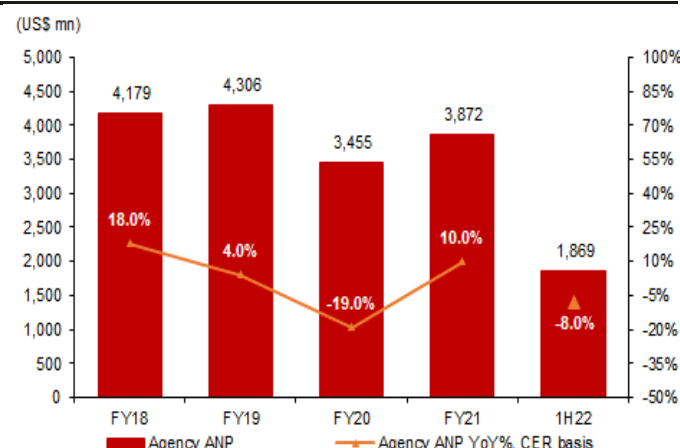
Source: Company data, CMBIGM

Figure 15: Agency VNB margin maintaining above 70%

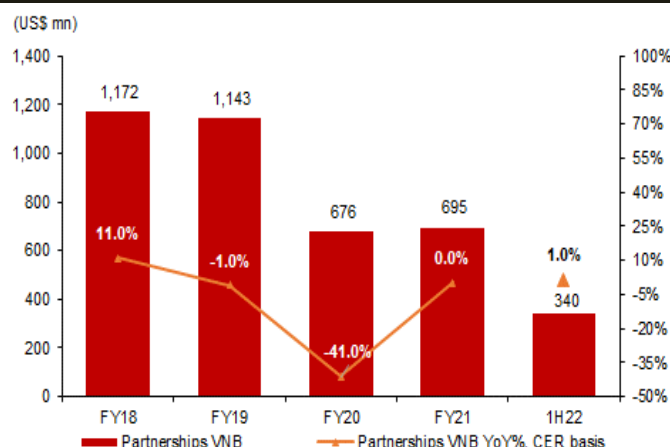
Source: Company data, CMBIGM

Figure 16: AIA Agency VNB & VNB YoY% (FY18-1H22)

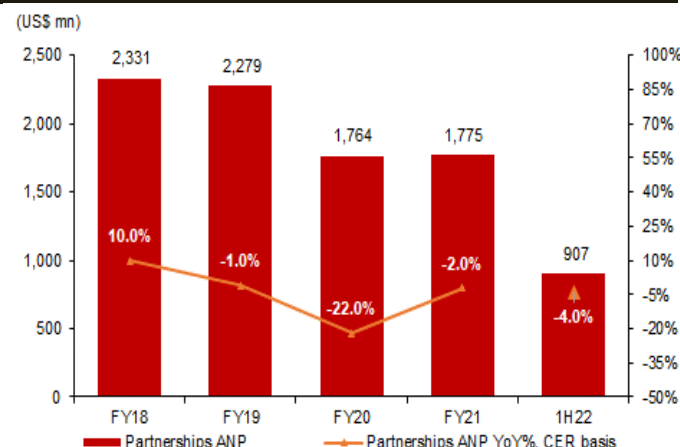
Source: Company data, CMBIGM; Note: CER stands for YoY chg. on constant exchange rates

Figure 17: AIA Agency ANP & ANP YoY% (FY18-1H22)

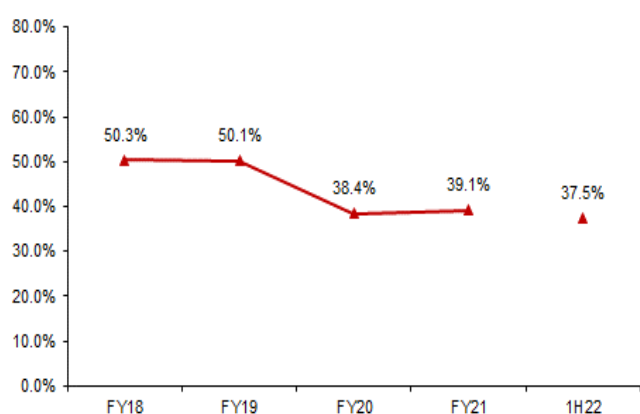
Source: Company data, CMBIGM; Note: CER stands for YoY chg. on constant exchange rates

Figure 18: AIA Partnerships VNB & VNB YoY% (FY18-1H22)

Source: Company data, CMBIGM; Note: CER stands for YoY chg. on constant exchange rates

Figure 19: AIA Partnerships APE & APE YoY% (FY18-1H22)

Source: Company data, CMBIGM; Note: CER stands for YoY chg. on constant exchange rates

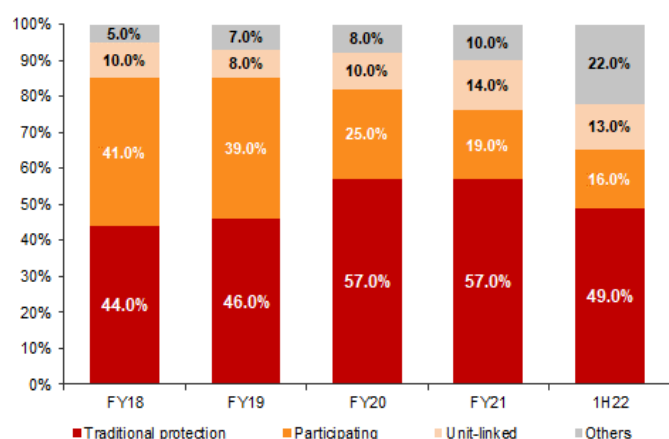
Figure 20: AIA Partnerships VNB margin, APE basis

Source: Company data, CMBIGM

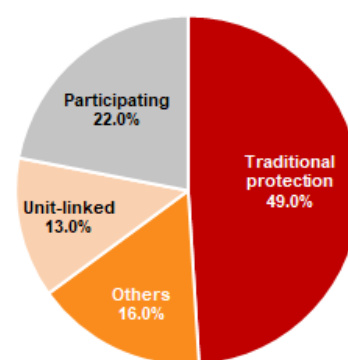
Optimal product mix with personalized and compelling propositions

Given optimal product mix with high-margin protection cross-sold with saving plans, the insurer suits the needs of affluent customers in emerging markets, providing its agents with fusion of choices to boost high-quality sales and improve margins. Value of new business margin, on an APE basis, rebounded to pre-pandemic level at 59.3% in 2021, driven by strong annual growth in VNB as of 21.7%. In the first quarter of 2022, a drop to 54% primarily weighed on 19% shrinkage in new business value relative to annual premiums, yet still outperforming other competitive peers.

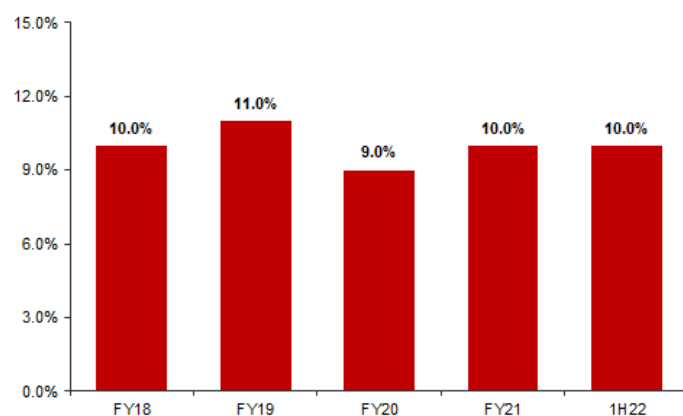
Guided by personalized and valuable customer propositions, the group's Health and Wellness Ecosystem and AIA Vitality capture customers' pursuits of healthy and innovative lifestyles with customized incentive-based rewards and help increase both the stickiness and scale of customers under all age to further boost sales and retention in value-added products and services owing to more interactive and engaging customer experience.

Figure 21: AIA product mix on VNB basis, FY18-1H22

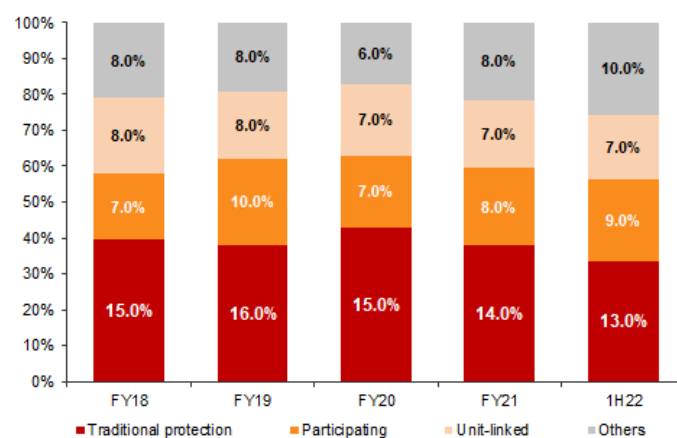
Source: Company data, CMBIGM

Figure 22: AIA VNB product mix in 1H22

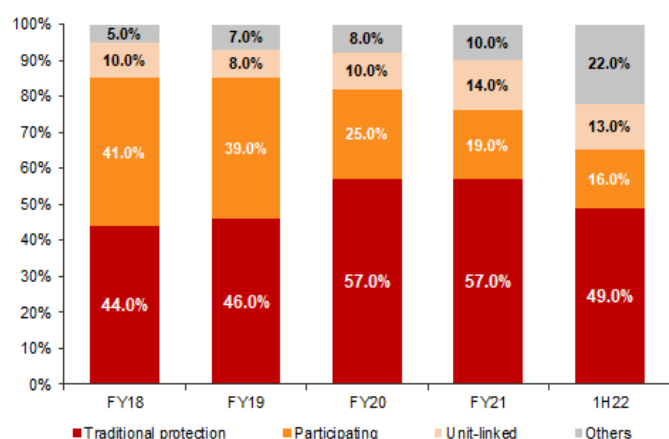
Source: Company data, CMBIGM

Figure 23: AIA Group PVNBP margin, FY18-1H22

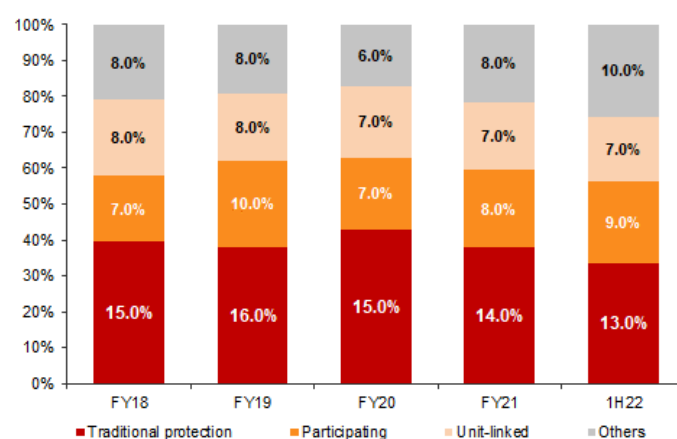
Source: Company data, CMBIGM; Note: Product mix for 1H22 reflects minor changes to product categorization compared to 1H21.

Figure 24: AIA PVNBP margin by products, FY18-1H22

Source: Company data, CMBIGM; Note: Product mix for 1H22 reflects minor changes to product categorization compared to 1H21.

Figure 25: AIA product mix in four main types of products

Source: Company data, CMBIGM

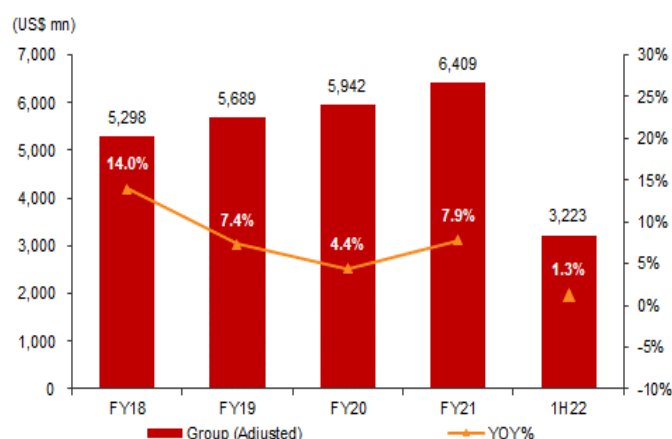
Figure 26: AIA PVNBP margin by products, FY18-1H22

Source: Company data, CMBIGM

Strong financial position enhanced by growing in-force portfolios

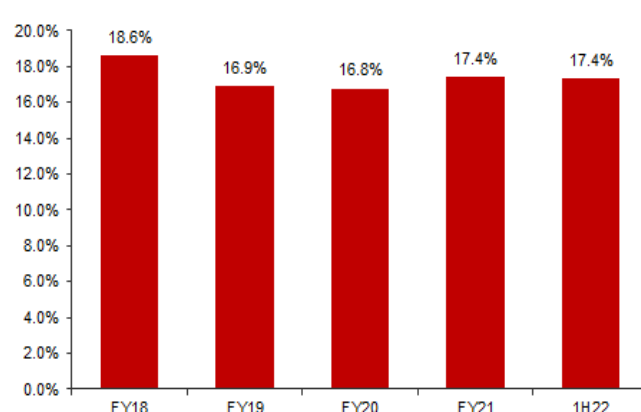
Given growing high-quality investment portfolios, the insurer benefited from recurring sources of earnings that enhanced the group's operating profit after tax (OPAT) by 6% annually to US\$6,409mn and underlying free surplus generation (UFSG) by 8% amounted to US\$6,451mn. Under sustainable and progressive financial discipline guided by proactive management, the insurer strengthened its capacity in investing new business growth by generating substantial free surplus to US\$17,025mn in 2021, exceeding the pre-pandemic scale to the highest levels in recent five years, representing 26.4% growth year-over-year. On a pro forma basis, the substantial increase in free surplus resulted in an unprecedented peak since IPO to US\$24.8bn as of 31 December 2021. The LCSM cover ratio, measured by group available capital to minimum capital requirement, recorded at 399% in end 2021.

Figure 27: AIA Group OPAT & OPAT YoY%



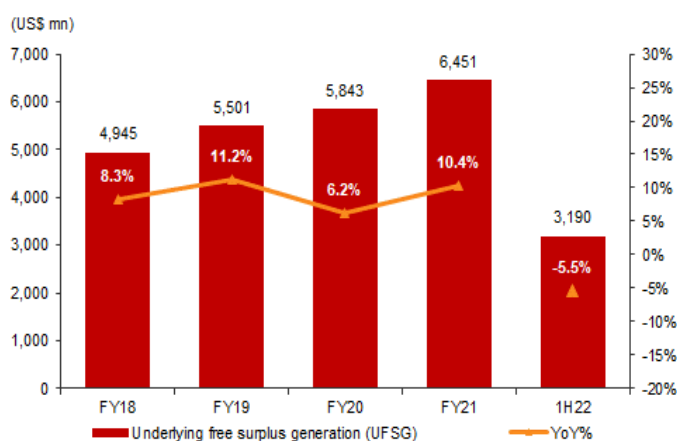
Source: Company data, CMBIGM

Figure 28: AIA Group Operating margin (%)



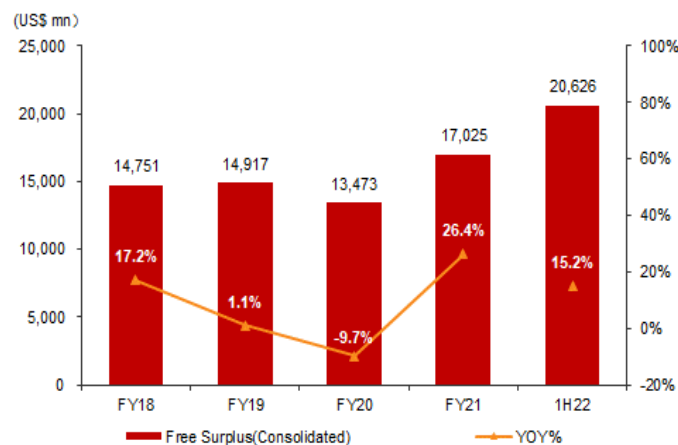
Source: Company data, CMBIGM

Figure 29: Underlying Free Surplus Generation & YoY%



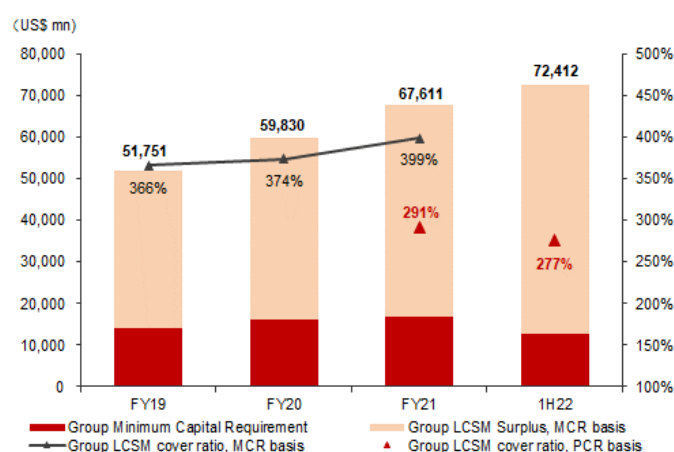
Source: Company data, CMBIGM

Figure 30: Free Surplus & Free Surplus YoY%



Source: Company data, CMBIGM

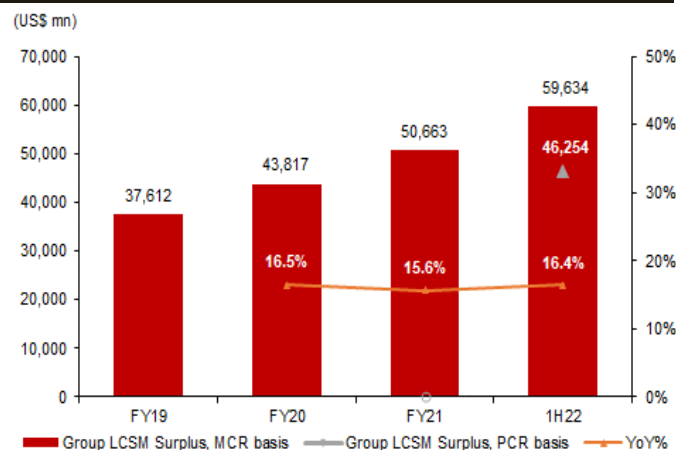
Figure 31: Group LCSM coverage ratio under GWS



Source: Company data, CMBIGM

*Note: Prior to 1 Jan 2022, Group LCSM surplus and cover ratio were based on minimum capital requirements (MCR). From 1 Jan 2022 onwards, applying to changes in regulatory disclosure, Group LCSM surplus and the Group LCSM cover ratio are now based on the PCR basis. Pro forma Group LCSM cover ratio as at 31 Dec 2021 was 291%, due to higher capital requirements on PCR basis, incl. assumptions on early adoption of HKRBC, C-ROSS II and release of additional resilience margins.

Figure 32: Group LCSM surplus & YoY% under GWS



Source: Company data, CMBIGM

Note: Prior to 1 Jan 2022, Group LCSM surplus and cover ratio were based on minimum capital requirements (MCR), whilst from 1 Jan 2022 onwards, applying to changes in regulatory disclosure, Group LCSM surplus and the Group LCSM cover ratio are now based on the PCR basis. 1H22 Group LCSM Surplus under PCR basis derived based upon prescribed capital requirement (GPCR) of US\$26,158.

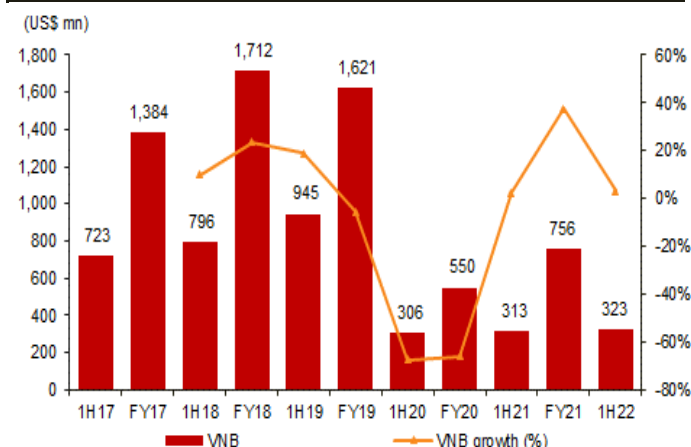
Widespread presence with outperformance in key operating markets

With a widespread presence in 18 markets across Asia, the insurer has positioned as the Top 3 insurers in many regions. The major operating markets include Hong Kong, mainland China, Thailand, Singapore, Malaysia and Other Markets. Far beyond footprint in Asia, the insurer established operations in Other Markets segment that includes Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam and India, all contributing to growth of AIA.

■ AIA Hong Kong

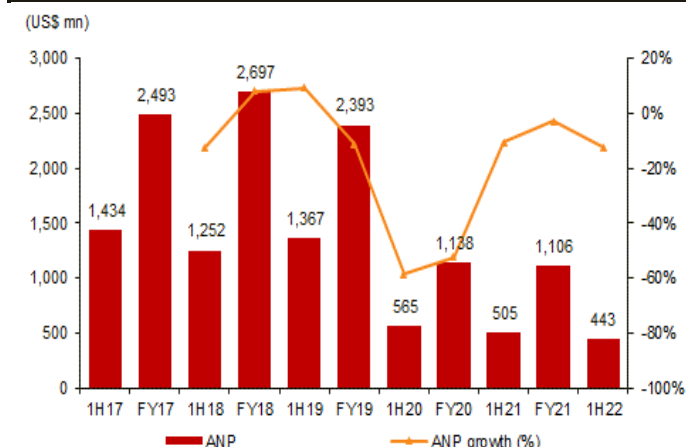
AIA Hong Kong recorded a 37.5 % increase of VNB to total US\$756mn in 2021, outperforming growth in the pre-pandemic period dated back to 2019, primarily driven by the outstanding performance of domestic segment. VNB margin grew by 19pct to 64% compared to the level in 2020, given the product mix strategy shifted towards the protection and long-term saving products triggered by strong domestic demands. APE amounted to US\$1,106 mn, representing a year-over-year shrinkage of merely 2.8%, implying a gradual recovery of the insurer's underwriting premiums post-pandemic. AIA Hong Kong ranked fourth in life insurance market winning 9.2% market shares in regard of total APE.

Figure 33: AIA Hong Kong VNB (1H17-1H22)



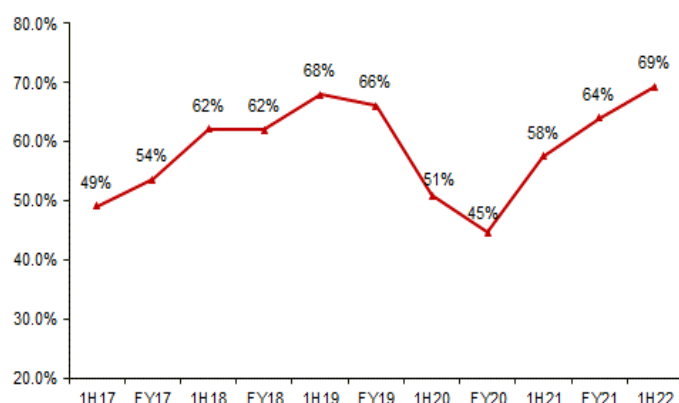
Source: Company data, CMBIGM

Figure 34: AIA Hong Kong APE (1H17-1H22)



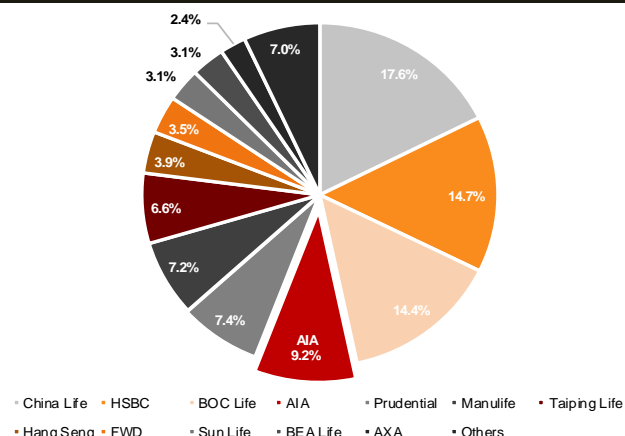
Source: Company data, CMBIGM

Figure 35: AIA Hong Kong VNB margin (%)

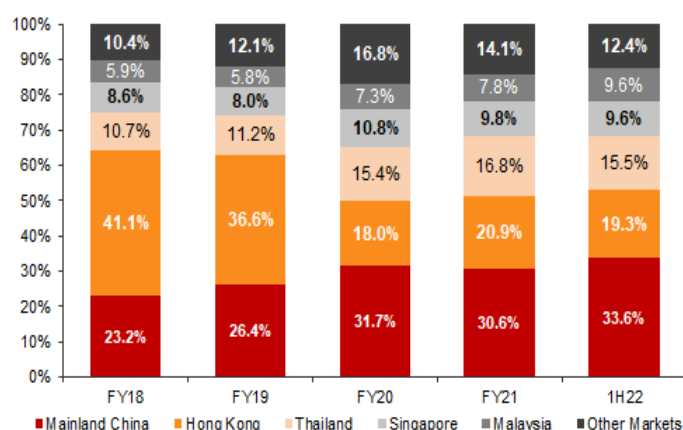


Source: Company data, CMBIGM

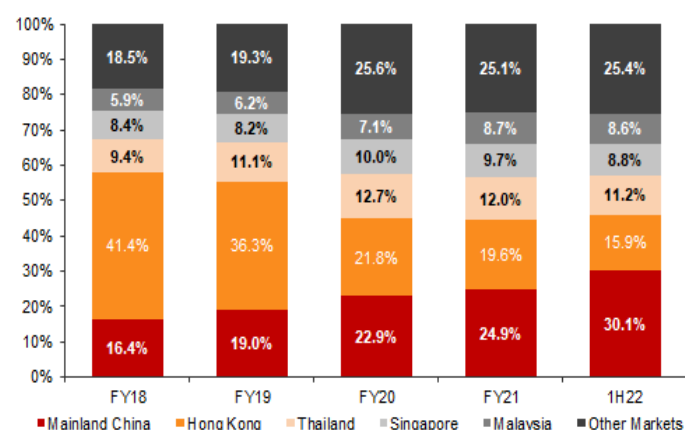
Figure 36: AIA Life APE market share in Hong Kong



Source: Company data, CMBIGM, HKIA; Note: Data in FY20, defined as market new business sales (APE) covering both individual and group premium income.

Figure 37: AIA Group VNB breakdown by countries

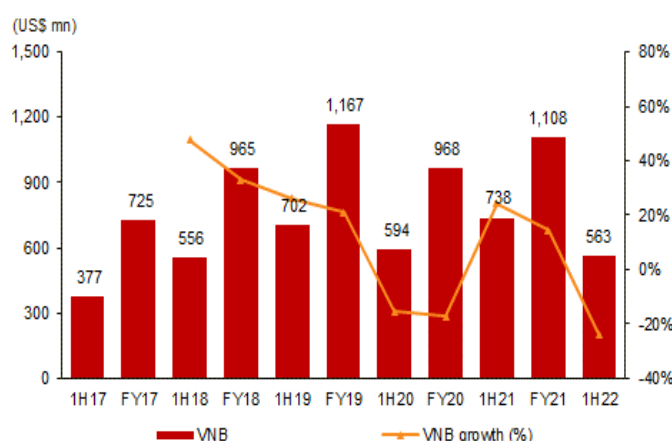
Source: Company data, CMBIGM

Figure 38: AIA Group APE breakdown by countries

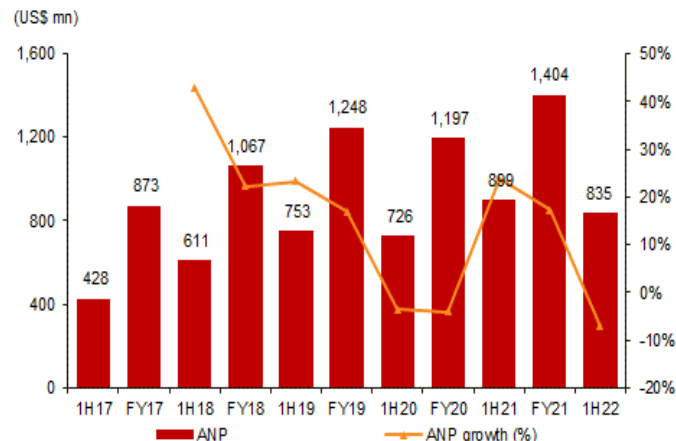
Source: Company data, CMBIGM

■ AIA China

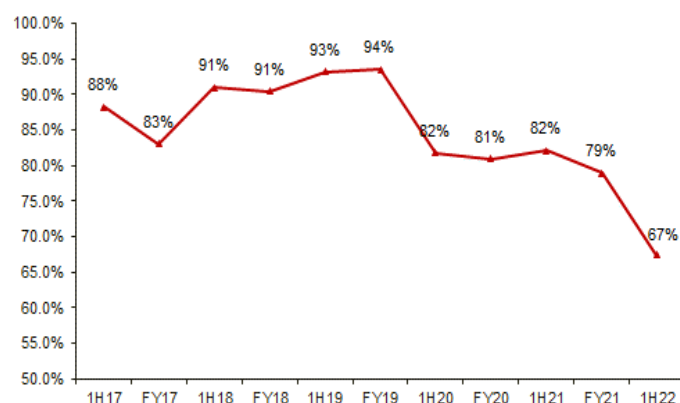
AIA China contributed solid VNB growth of 14.5% to US\$1,108 mn compared to the year ended 31 December 2020, even close to the pre-pandemic level of US\$1,167 mn over the same period dated in 2019. APE grew 17.3% to US\$1,404 mn, outpacing the scale in previous financial year whilst VNB margin staying flat at approx. 80%. As the largest attributable component to the Group's VNB, the mainland China market accounted for 32.2% and 31.0% of total new business value in 2020 and 2021, respectively, and is likely to drive tremendous growth potentials in future given the priorities of the insurer investing in this market with new operations and upgrade programs across inland cities, so as to expand customer outreach and promote brand reputation. The completion of investments in 24.99% equity stake in China Post Life (CPL) strengthened the insurer's distribution partnerships with positive exposure, over a long-term growth prospect, to this affluent yet relatively underpenetrated market. In 2021, AIA took merely 1.7% life market shares, gauged by APE, in mainland China, much underweight compared to other operating markets, yet, on the other hand, leaving substantial room for growth with further penetration.

Figure 39: AIA Mainland China VNB (1H17-1H22)

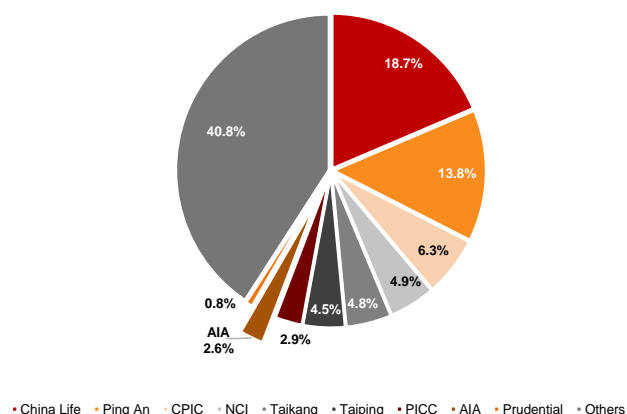
Source: Company data, CMBIGM

Figure 40: AIA Mainland China APE (1H17-1H22)

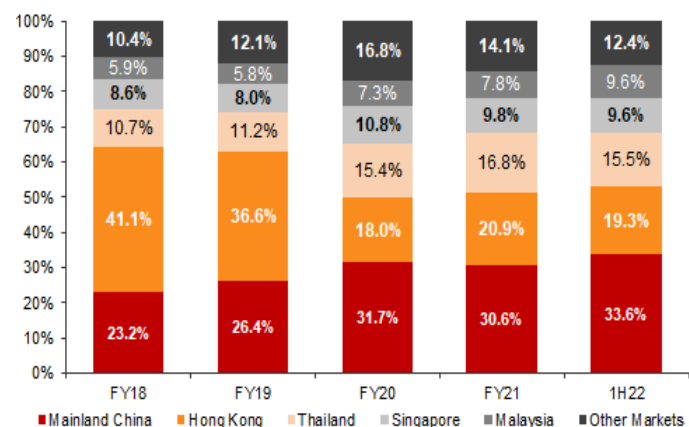
Source: Company data, CMBIGM

Figure 41: AIA China VNB margin (%)

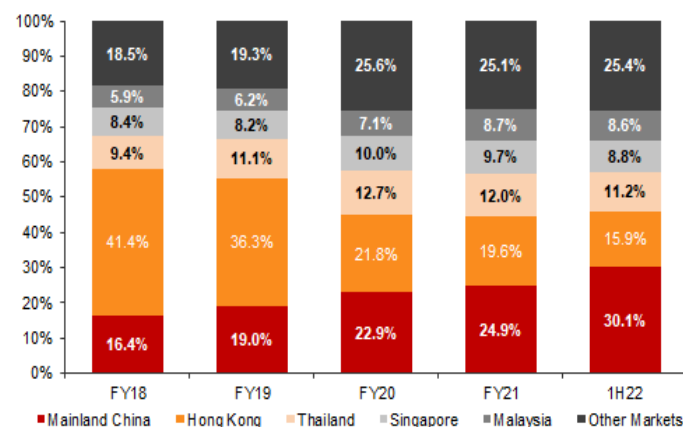
Source: Company data, CMBIGM

Figure 42: AIA Total Life Premiums mkt share in Mainland

Source: Company data, CMBIGM, IA China; Note: Data in FY21, defined as market new business sales (APE) covering both individual and group premium income.

Figure 43: AIA Group VNB breakdown by countries

Source: Company data, CMBIGM

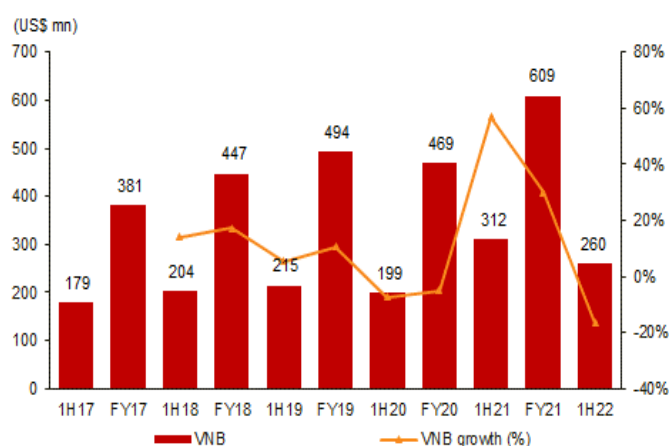
Figure 44: AIA Group APE breakdown by countries

Source: Company data, CMBIGM

■ AIA Thailand

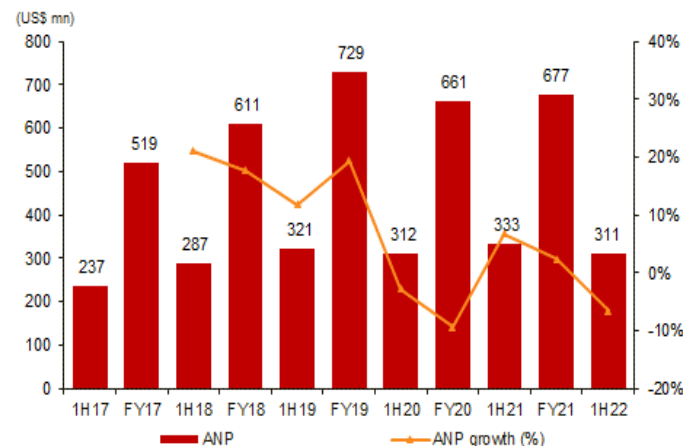
AIA Thailand recorded strong year-on-year growth of 30% in VNB to US\$609 mn for the year ended 31 December 2021. Despite the decline in the first half of 2022, the VNB margin maintained high quality in Thailand striking above 80%, outperforming the achievements in other major markets. The shift to traditional protections and regular premium unit-linked products driven by rising individual protection awareness maintained this high margin growth and transformed AIA's business model with heightened attentions to develop these profitable and value-added offerings. With top-performing history achieved over years, AIA Thailand took the largest APE market shares as high as 20.9% in 2021. The regional segment contributed to 17% and 12% of the Group's VNB and APE respectively.

Figure 45: AIA Thailand VNB (1H17-1H22)



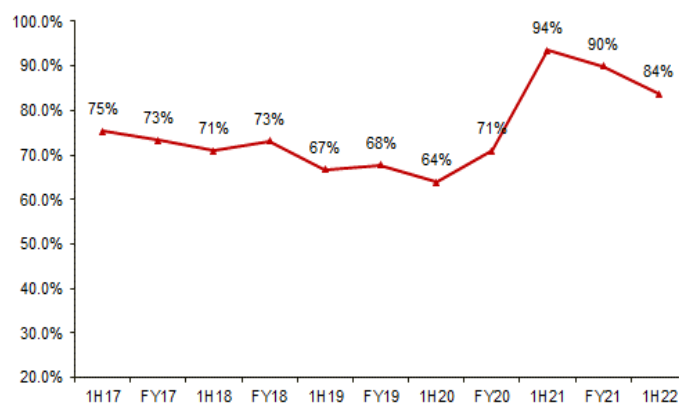
Source: Company data, CMBIGM

Figure 46: AIA Thailand APE (1H17-1H22)



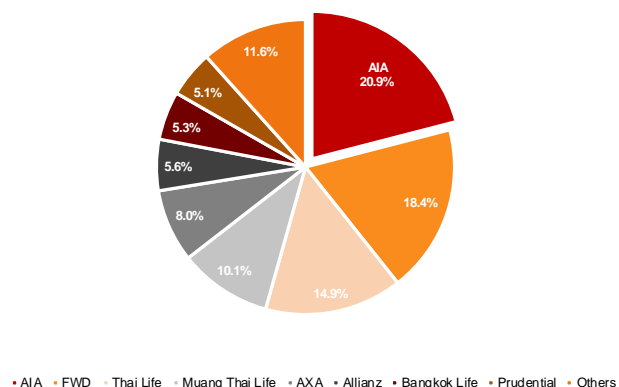
Source: Company data, CMBIGM

Figure 47: AIA Thailand VNB margin (%)



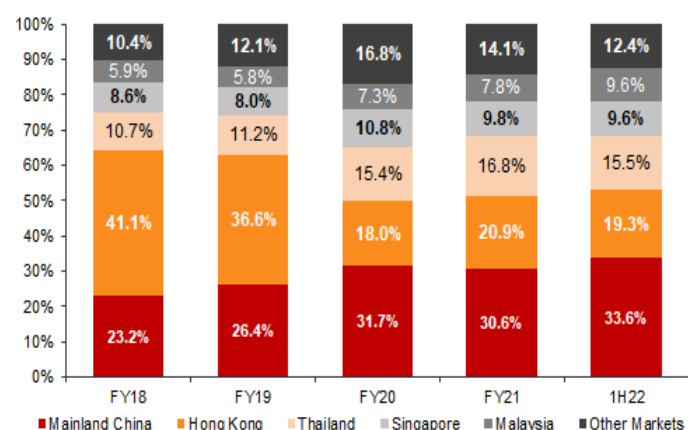
Source: Company data, CMBIGM

Figure 48: AIA Life APE market share in Thailand (%)



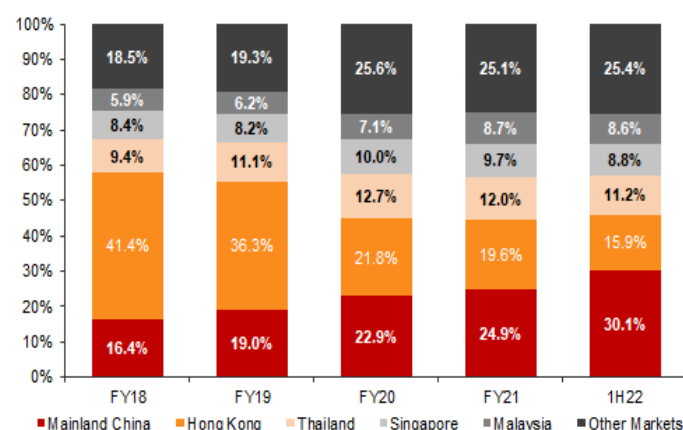
Source: Company data, CMBIGM, TLAA; Note: Data in FY21, defined as market new business sales (APE) covering both individual and group premium income.

Figure 49: AIA Group VNB breakdown by countries



Source: Company data, CMBIGM

Figure 50: AIA Group APE breakdown by countries

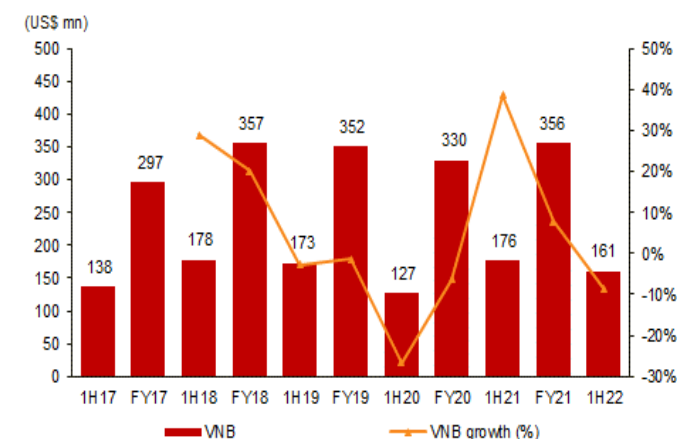


Source: Company data, CMBIGM

■ AIA Singapore

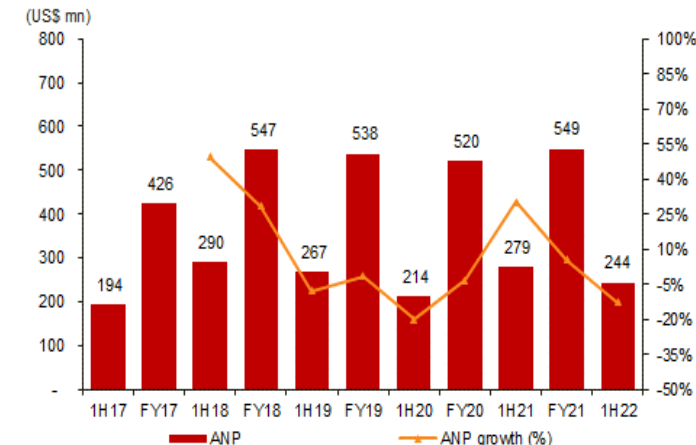
AIA Singapore resulted in solid VNB growth of 7.9% year-over-year to US\$356 mn in 2021, driven by increases in both agency and partnerships distribution enhancement. APE grew by 5.6% to US\$549 mn as of 2021 showing a gradual recovery of business post-pandemic. VNB margin in Singapore remained stable at mid-60% level, showing stability of new business underwritten across this relatively mature life insurance market. Among competitive peers, the insurer ranked third, taking 13.3% market shares measured by APE.

Figure 51: AIA Singapore VNB (1H17-1H22)



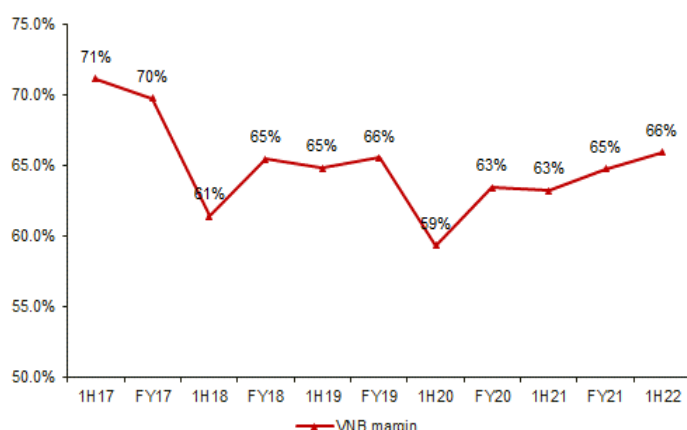
Source: Company data, CMBIGM

Figure 52: AIA Singapore APE (1H17-1H22)



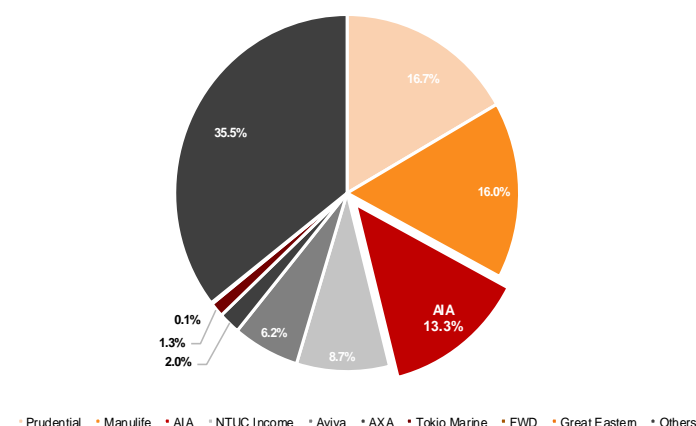
Source: Company data, CMBIGM

Figure 53: AIA Singapore VNB margin (%)



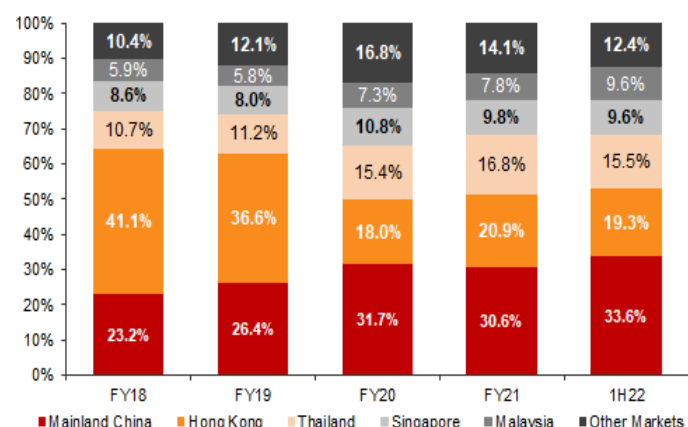
Source: Company data, CMBIGM

Figure 54: AIA Life APE market share in Singapore



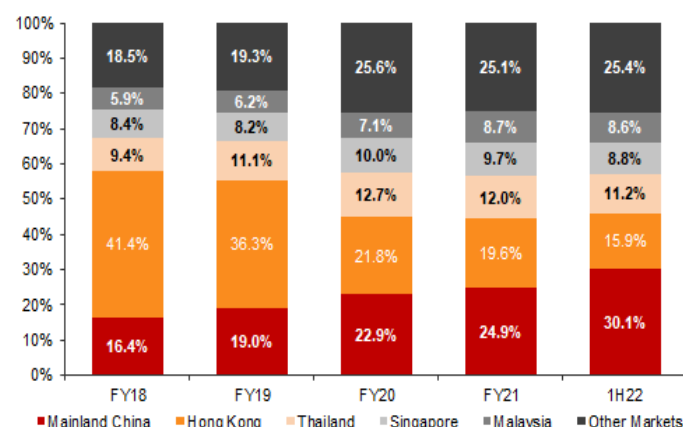
Source: Company data, CMBIGM, MAS; Note: Data in FY21, defined as market new business sales (APE) covering both individual and group premium income.

Figure 55: AIA Group VNB breakdown by countries



Source: Company data, CMBIGM

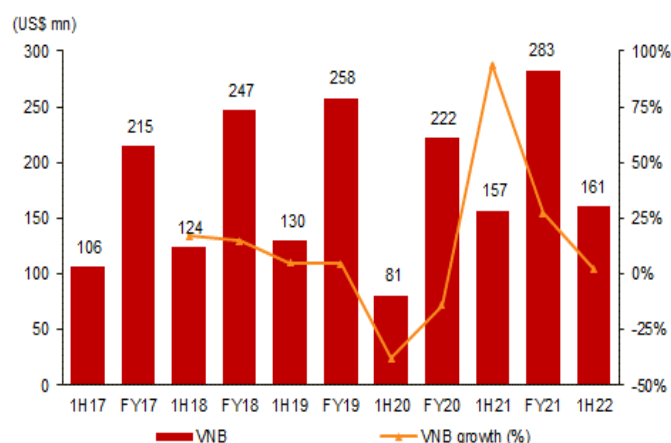
Figure 56: AIA Group APE breakdown by countries



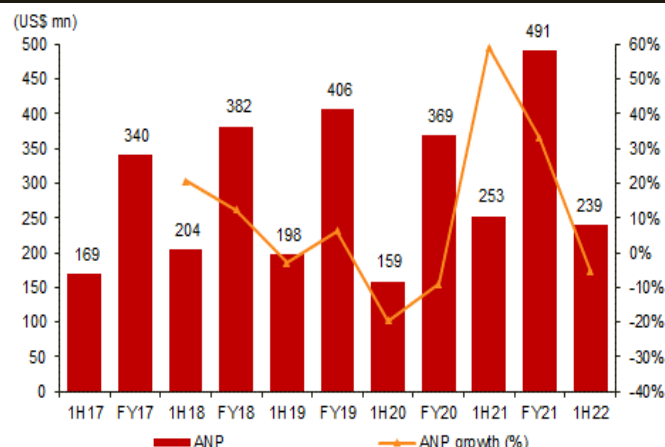
Source: Company data, CMBIGM

■ AIA Malaysia

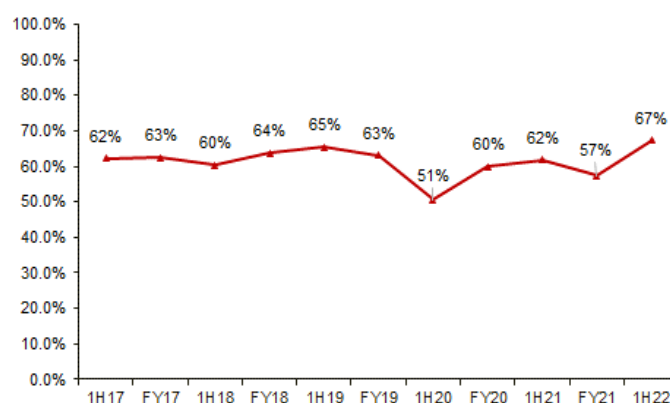
AIA Malaysia recorded solid results in first half of 2022, achieving 10bps growth in VNB margin from the beginning of the year, driven by year-on-year growth on value of new business (VNB) during the same period. The mid-60% level of margin on APE basis was primarily led by a shift to diversified product mix and reduction in acquisition expense overruns. In Malaysia, both agency and bancassurance distributions fueled achievements in remote sales, cross-selling and upselling strategies in which maximize the edges on total productivity. The insurer ranked top 5 in terms of APE market shares by end 2021.

Figure 57: AIA Malaysia VNB (1H17-1H22)

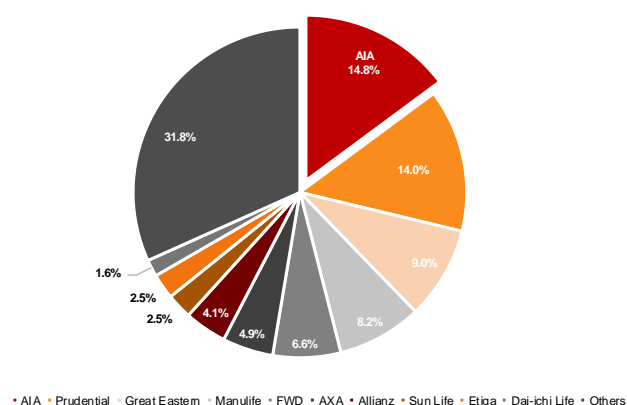
Source: Company data, CMBIGM

Figure 58: AIA Malaysia APE (1H17-1H22)

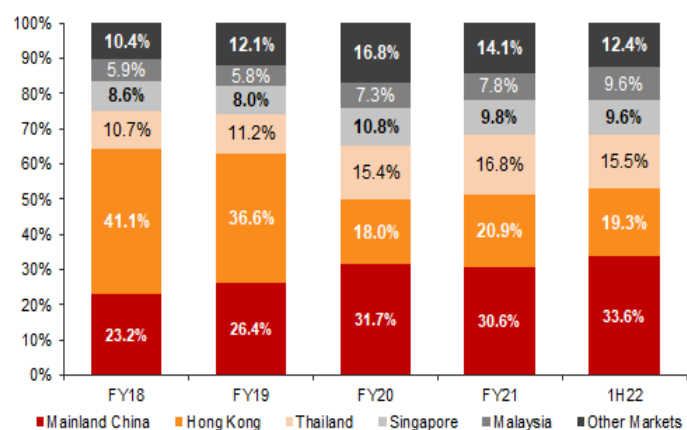
Source: Company data, CMBIGM

Figure 59: AIA Malaysia VNB margin (%)

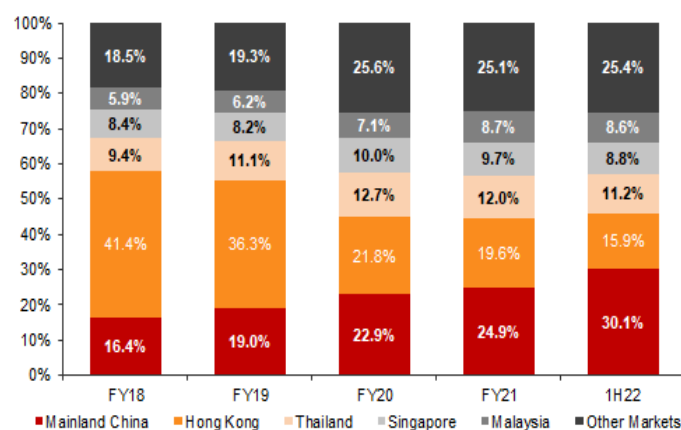
Source: Company data, CMBIGM

Figure 60: AIA Life APE market share in SEA (%)

Source: Company data, CMBIGM, NMG; Note: Data in FY21, SEA markets refer to Thailand, Indonesia, Malaysia, the Philippines, Singapore and Vietnam.

Figure 61: AIA Group VNB breakdown by countries

Source: Company data, CMBIGM

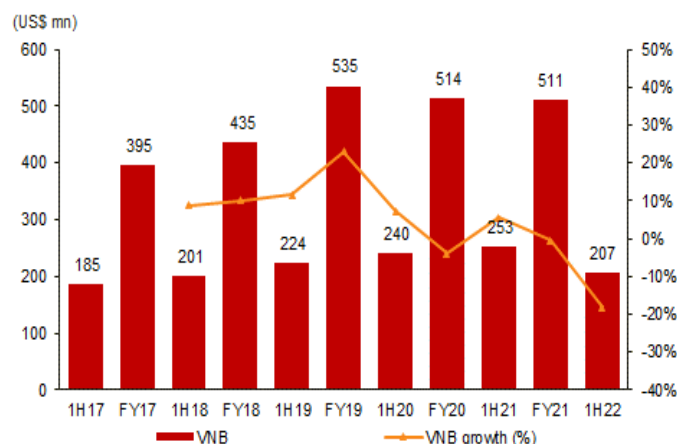
Figure 62: AIA Group APE breakdown by countries

Source: Company data, CMBIGM

■ AIA Other Markets

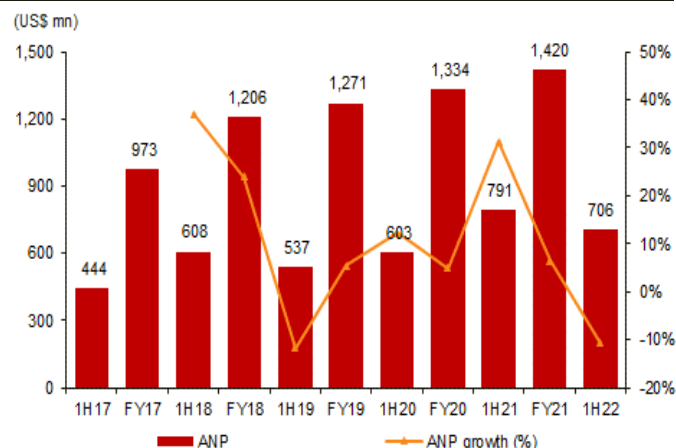
Other Markets segment includes Australia, Cambodia, Indonesia, Myanmar, New Zealand, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam and India. Among which, Indonesia and Vietnam achieved strong growth in new business value driven by outstanding growth in distributions as well as improvements in both the quantum and quality of agents, measured by the number of agents and agent productivity. The Philippines delivered a year-on-year decline in VNB with a low base in first half of the year. Although the operating outcomes vary across different geographic markets, the insurer remained top in Southeast Asia (SEA), taking 14.8% life market shares in terms of APE.

Figure 63: AIA Other Markets VNB (1H17-1H22)



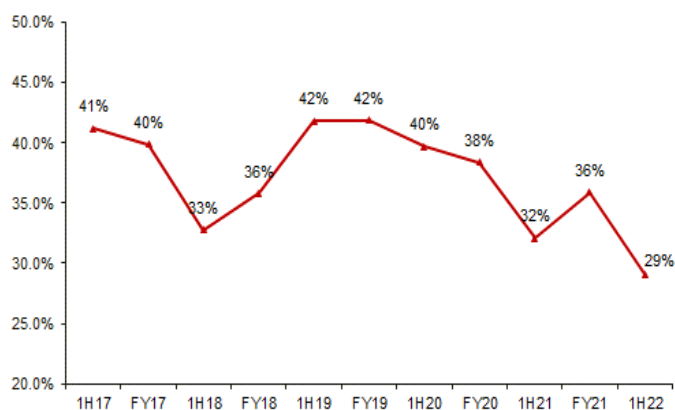
Source: Company data, CMBIGM

Figure 64: AIA Other Markets APE (1H17-1H22)



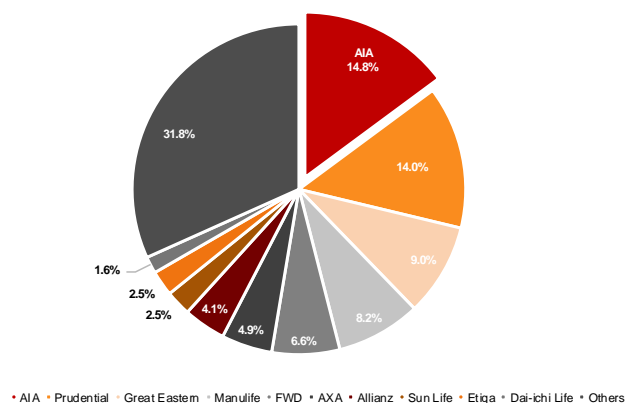
Source: Company data, CMBIGM

Figure 65: AIA Other Markets VNB margin in Asia (%)

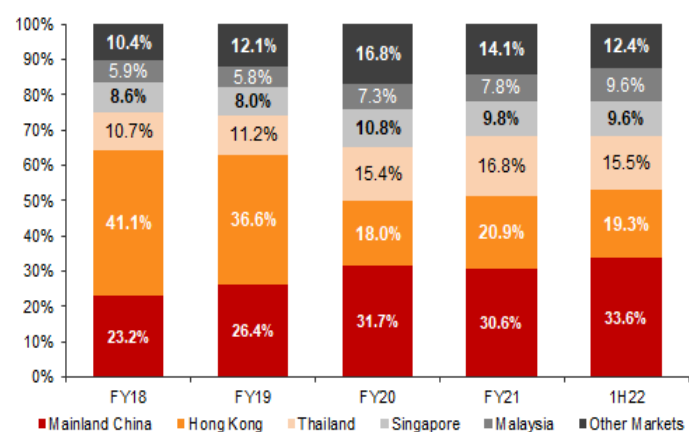


Source: Company data, CMBIGM

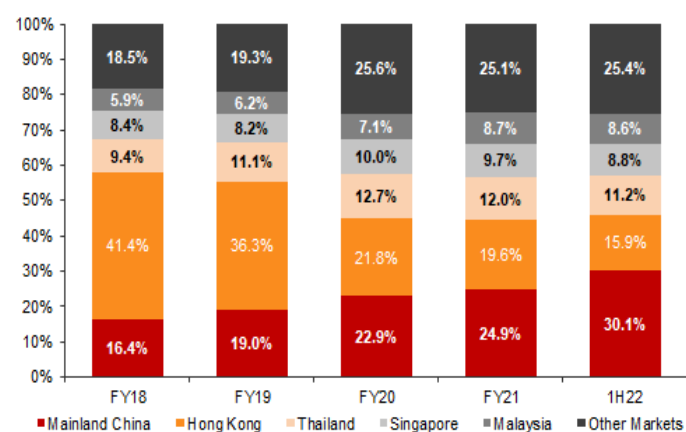
Figure 66: AIA Life APE market share in SEA (%)



Source: Company data, CMBIGM, NMG; Note: Data in FY21, SEA markets refer to Thailand, Indonesia, Malaysia, the Philippines, Singapore and Vietnam.

Figure 67: AIA Group VNB breakdown by countries

Source: Company data, CMBIGM

Figure 68: AIA Group APE breakdown by countries

Source: Company data, CMBIGM

Financial Forecast

Income Statement

YE Dec 31 (US\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
GWP & Fee income	35,780	37,123	39,350	46,433	54,791
Net premiums & fee income	33,328	34,444	36,511	43,083	50,837
Investment Income	16,707	12,748	(5,105)	9,668	13,487
Other operating income	324	333	333	333	333
Total revenue	50,359	47,525	31,739	53,083	64,658
Net ins & invt contract benefits	(34,739)	(30,055)	(18,854)	(34,257)	(42,439)
Commissions & policy acquisition costs	(4,402)	(4,597)	(4,873)	(5,750)	(6,785)
Operating expenses	(3,012)	(3,402)	(3,048)	(3,597)	(4,244)
Other expenses	(919)	(992)	(1,036)	(1,088)	5
Total expenses	(43,072)	(39,046)	(27,811)	(44,692)	(54,615)
Associates and JVs	(17)	(11)	-	-	-
Pre-tax profits	7,270	8,468	3,927	8,392	10,043
Income tax	(1,491)	(991)	(460)	(982)	(1,175)
Less: minority interests	-	(50)	(50)	(50)	(50)
Net Profit attributable to shareholder	5,779	7,427	3,418	7,360	8,818

Source: Company data, CMBIGM estimates

Balance Sheet

YE Dec 31 (US\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Investment assets	271,467	281,876	276,514	304,165	334,582
Other assets	54,654	57,998	59,843	63,116	66,813
Total assets	326,121	339,874	336,356	367,281	401,395
Insurance contract liabilities	223,071	239,423	244,945	263,471	287,346
Investment contract liabilities	12,881	11,860	12,323	12,870	13,515
Other liabilities	26,501	27,657	27,389	34,565	38,554
Total liabilities	262,453	278,940	284,658	310,905	339,415
Issued share capital	14,155	14,160	14,160	14,160	14,160
Reserves	(11,062)	(11,016)	(11,016)	(11,016)	(11,016)
Retained Earnings	44,704	49,984	52,156	56,833	62,437
Shareholders' equity	63,200	60,467	51,232	55,909	61,513
Minorities' interests	468	467	467	467	467
Total equity	63,668	60,934	51,699	56,376	61,980
Total liabilities & equity	326,121	339,874	336,356	367,281	401,395

Source: Company data, CMBIGM estimates

EV Statement

YE Dec 31 (US\$ mn)	FY20A	FY21A	FY22E	FY23E	FY24E
EV at the beginning of the period (1)	61,985	65,247	72,987	69,582	74,118
Adjustment (2)	(18)	(135)	3,264	-	-
Adjusted EV (3)	61,967	65,112	76,251	69,582	74,118
Value of new business (4)	2,765	3,366	3,158	3,494	4,002
Profit from existing business (5)	4,478	4,530	5,953	5,794	7,170
Expected return	4,176	4,402	5,953	5,794	7,170
Experience variances	533	451	-	-	-
Other operating assumption changes	(231)	(323)	-	-	-
EV operating return before tax (7)=(4)+(5)+(6)	7,243	7,896	9,111	9,288	11,171
Investment return variances (8)	(1,868)	1,293	(8,000)	-	-
Economic tax and assumption changes (9)	(1,343)	1,634	-	-	-
EV return before tax and other adjustments (10)=(7)+(8)+(9)	4,032	10,823	1,111	9,288	11,171
Currency effect (11)	1,164	(810)	(3,764)	-	-
Capital movement (12)	-	-	(2,500)	(2,500)	(2,500)
Dividend distribution (13)	(1,997)	(2,147)	(1,516)	(2,252)	(3,055)
Tax adjustment (14)	-	-	-	-	-
Others(15)	81	9	-	-	-
EV return (16)=sum(11-15)	3,280	7,875	(6,669)	4,536	5,617
EV at end of period (3)+(16)	65,247	72,987	69,582	74,118	79,735

Source: Company data, CMBIGM estimates

Valuation

We adopt Appraisal Value approach to derive AIA's target price at HK\$91 per share, based on FY23E estimates and 19x New Business Multiplier, which implies a FY23E P/EV at 1.9x.

Appraisal Value Approach

The Appraisal Value approach is the most commonly used valuation method investors refer to for life insurers operating businesses across developing markets. The appraisal fair value is an actuarial forecast that includes the Net Present Value (NPV) of profits from the in-force book value and the projected value of new business. The corresponding equation for the valuation method is stated as follows:

$$\text{Fair value} = \text{Embedded Value (EV)} + \text{Value of New Business (VNB)} * \text{New Business Multiplier (NBM)}$$

- **Embedded value (EV):** equivalent to the sum of Value of In-Force business (VIF) and Adjusted Net Worth (ANW). VIF equals to the discounted present value of future profits generated from current in-force insurance policies written by the life insurer. To simply put, EV can also be viewed as the "book value" of a life insurer.

$$\text{Embedded value} = \text{Value of In-Force Business (VIF)} + \text{Adjusted Net Worth (ANW)}$$

- **Value of New Business (VNB):** the discounted present value of future cash flows generated from new policies that are written within one year.
- **New business multiplier (NBM):** a discounted growth multiple calc. with a DCF-like valuation method as shown below.

Our appraisal value is based on the embedded value in FY23E plus an est. FY23E new business value multiplied by a new business multiplier. According to our forecasts, we maintained the actuarial assumptions applied by AIA from its FY21 EV reporting without any adjustment to long-term economic assumptions.

The new business multiplier (NBM) implies the discounted value of future new business inflows, which direct us to a NBM from a likewise Discounted Cash Flow (DCF) calculation:

- **Assumptions:** Risk Discount Rate (RDR) at 10%, VNB terminal growth rate at 3%;
- **VNB Projection:** a three-year projection for AIA's VNB growth in FY23E - FY25E;
- **PV of VNB and Terminal Value:** calc. the discounted present value of AIA's VNB in 2023E-2025E and the terminal value on basis of terminal growth rate;
- **New Business Multiple:** the sum-up of PV of VNB in 2023E-2025E and the derived terminal value.

Corresponding to our forecasts and calculation, we derive AIA's FY23E NBM at 19x and the fair value for target share price is pegged to HK\$91 per share.

Figure 69: New business multiplier calculation

VNB multiplier calculation	2023E	2024E	2025E	Terminal value
Discount rate	10.0%			
Year count	0	1	2	
Discount factor	1	0.9091	0.8264	
VNB growth	11%	15%	15%	3%
New business FV	1.00	1.15	1.31	
New business PV	1.00	1.04	1.08	16.98
VNB multiplier	19.1x			

Source: Company data, CMBIGM estimates

Figure 70: AIA: Valuation based on appraisal value approach

	2021	2022E	2023E	2024E
EV (US\$ mn)	72,987	69,582	74,118	79,735
VNB (US\$ mn)	3,366	3,158	3,494	4,002
VNB multiplier	19.0x	19.0x	19.0x	19.0x
Appraisal Value (US\$m)	136,941	129,591	140,508	155,766
No. of shares	12,097	12,066	12,066	12,066
Target price (US\$)		10.74	11.64	12.91
Exchange rate (US\$/HK\$)		7.85	7.85	7.85
Target price (HK\$)		84.31	91.41	101.34
Implied P/EV		1.9x	1.9x	2.0x

Source: Company data, CMBIGM estimates

Fig.71 shows a sensitivity analysis of NBM with chg. in bivariate assumptions on risk discount rate and terminal growth rate.

Figure 71: Appraisal value: new business multiplier sensitivity analysis

		Terminal growth										
		0.0%	0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
Discount rate	8.0%	16.2x	17.2x	18.4x	19.7x	21.3x	23.1x	25.3x	28.0x	31.4x	35.7x	41.5x
	8.5%	15.3x	16.2x	17.2x	18.3x	19.6x	21.2x	23.0x	25.2x	27.9x	31.3x	35.6x
	9.0%	14.4x	15.2x	16.1x	17.1x	18.2x	19.6x	21.1x	22.9x	25.1x	27.8x	31.1x
	9.5%	13.6x	14.3x	15.1x	16.0x	17.0x	18.2x	19.5x	21.0x	22.8x	25.0x	27.7x
	10.0%	13.0x	13.6x	14.3x	15.1x	15.9x	16.9x	18.1x	19.4x	20.9x	22.7x	24.9x
	10.5%	12.3x	12.9x	13.5x	14.2x	15.0x	15.9x	16.9x	18.0x	19.3x	20.8x	22.6x
	11.0%	11.8x	12.3x	12.8x	13.5x	14.2x	14.9x	15.8x	16.8x	17.9x	19.2x	20.7x
	11.5%	11.3x	11.7x	12.2x	12.8x	13.4x	14.1x	14.9x	15.7x	16.7x	17.8x	19.1x
	12.0%	10.8x	11.2x	11.7x	12.2x	12.7x	13.3x	14.0x	14.8x	15.7x	16.6x	17.7x
	12.5%	10.3x	10.7x	11.2x	11.6x	12.1x	12.7x	13.3x	14.0x	14.7x	15.6x	16.6x
	13.0%	9.9x	10.3x	10.7x	11.1x	11.6x	12.1x	12.6x	13.2x	13.9x	14.7x	15.5x
	13.5%	9.6x	9.9x	10.3x	10.6x	11.1x	11.5x	12.0x	12.6x	13.2x	13.8x	14.6x
	14.0%	9.2x	9.5x	9.9x	10.2x	10.6x	11.0x	11.5x	12.0x	12.5x	13.1x	13.8x

Source: Company data, CMBIGM estimates

Valuation comparison with major peers

Fig.72 shows the comparable trading metrics of AIA's major regional peers, based on Bloomberg analysts' consensus forecasts. The peers are traded at an average 2022E P/BV of 5.1x and 2022E P/EV of 1.9x respectively.

Figure 72: Pan-Asian life insurers valuation trading comps

Company	Ticker	Price (LC)	Mkt cap (LC bn)	P/BV			P/EV			New Business Multiplier		
				FY21	FY22	FY23E	FY21	FY22	FY23E	FY21	FY22	FY23E
Prudential	2378 HK	74.7	205.5	1.5 x	1.1 x	0.8 x	0.6 x	0.5 x	0.4 x	-8.4 x	-8.5 x	-9.6 x
Ping An	2318 HK	32.7	680.5	0.8 x	0.8 x	0.7 x	0.8 x	0.7 x	0.7 x	-5.2 x	-8.9 x	-10.5 x
HDFC Life	HDFCLIFE IN	547.0	1,172.8	12.0 x	6.9 x	4.0 x	3.9 x	3.6 x	3.3 x	3.9 x	3.2 x	2.5 x
SBI Life	SBILIFE IN	1,277.5	1,277.9	10.9 x	10.1 x	9.4 x	3.4 x	2.6 x	2.0 x	n.a.	n.a.	n.a.
ICICI Prudential	IPRU IN	519.6	747.2	7.3 x	7.5 x	7.7 x	2.3 x	2.2 x	2.1 x	23.2 x	16.8 x	12.1 x
ICICI Lombard	ICICIGI IN	1,169.5	574.2	6.8 x	5.8 x	4.9 x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bajaj Finserv	BJFIN IN	1,708.1	2,719.4	4.1 x	3.8 x	3.4 x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Max Financial Services	MAXF IN	716.0	246.8	6.1 x	5.1 x	4.2 x	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average				6.2 x	5.1 x	4.4 x	2.2 x	1.9 x	1.7 x	3.4 x	0.6 x	-1.4 x

Source: Company data, Bloomberg, CMBIGM estimates;

Note: trading comps of Ping An (2318 HK) are based on CMBIGM estimates whilst other insurers' per share multiples are derived from Bloomberg consensus. Share price and relevant FX rate are as of market close on 31 Oct 2022.

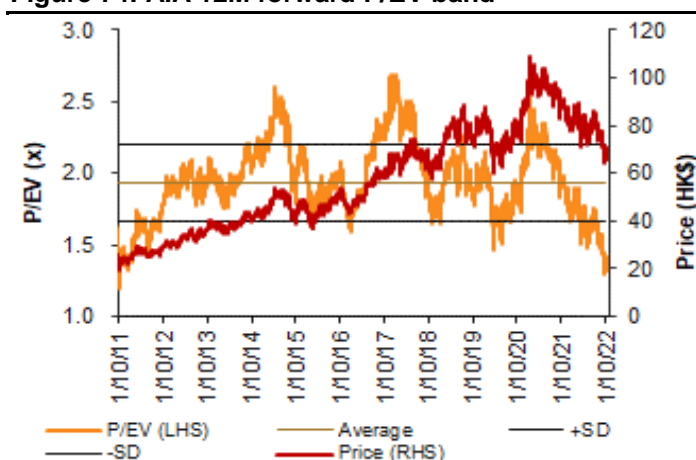
Figure 73: Pan-Asian life insurers operating metrics

Company	ROE			ROA			Operating ROEV			VNB margin		
	FY21	FY22	FY23E	FY21	FY22	FY23E	FY21	FY22	FY23E	FY21	FY22	FY23E
Prudential	-10.8%	16.7%	17.1%	-0.6%	1.5%	1.6%	7.0%	9.1%	9.2%	60.2%	59.8%	59.3%
Ping An	12.9%	11.9%	14.1%	1.0%	1.0%	1.1%	11.5%	12.7%	13.3%	25.3%	20.6%	22.3%
HDFC Life	17.6%	10.9%	13.5%	0.9%	0.6%	0.8%	-	-	-	26.1%	27.4%	28.3%
SBI Life	15.2%	13.7%	14.8%	0.7%	0.6%	0.7%	-	-	-	n.a.	n.a.	n.a.
ICICI Prudential	11.7%	8.3%	11.2%	0.5%	0.3%	0.5%	15.2%	11.0%	7.9%	25.1%	28.0%	31.2%
ICICI Lombard	21.7%	15.4%	17.1%	3.9%	2.8%	3.2%	-	-	-	n.a.	n.a.	n.a.
Bajaj Finserv	13.3%	12.0%	15.7%	1.7%	1.5%	2.2%	-	-	-	n.a.	n.a.	n.a.
Max Financial Services	15.5%	7.0%	16.9%	0.5%	0.2%	0.8%	-	-	-	n.a.	n.a.	n.a.

Source: Company data, Bloomberg, CMBIGM estimates

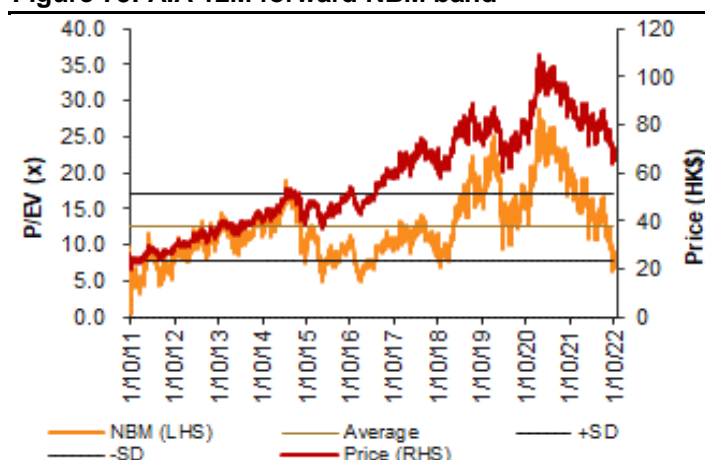
Note: operating metrics of Ping An (2318 HK) are based on CMBIGM estimates whilst other insurers' multiples are derived from Bloomberg consensus.

Figure 74: AIA 12M forward P/EV band



Source: Company data, CMBIGM estimates

Figure 75: AIA 12M forward NBM band



Source: Company data, CMBIGM estimates

Financial Summary

Income statement						Key ratios					
YE Dec 31 (USD mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE Dec 31 (USD mn)	FY20A	FY21A	FY22E	FY23E	FY24E
GWP & Fee income	35,780	37,123	39,350	46,433	54,791	Growth (%)					
Net premiums & fee income	33,328	34,444	36,511	43,083	50,837	Total revenue growth	6.6	(5.6)	(33.2)	67.3	21.8
Investment Income	16,707	12,748	(5,105)	9,668	13,487	Net profit growth	(3.3)	28.5	(54.0)	115.3	19.8
Other operating income	324	333	333	333	333	EV growth	5.3	11.9	(4.7)	6.5	7.6
Total Revenue	50,359	47,525	31,739	53,083	64,658	VNB growth	-33.4%	21.7%	-6.2%	10.6%	14.5%
Net ins & invt contract benefits	(34,739)	(30,055)	(18,854)	(34,257)	(42,439)	Total investment yields	6.5	4.4	(1.8)	3.2	4.1
Commissions & policy	(4,402)	(4,597)	(4,873)	(5,750)	(6,785)	Investment assets growth	16.3	3.8	(1.9)	10.0	10.0
Operating expenses	(3,012)	(3,402)	(3,048)	(3,597)	(4,244)	VNB margin by markets:					
Other expenses	(919)	(992)	(1,036)	(1,088)	5	Hong Kong	48%	68%	72%	69%	69%
Total Expenses	(43,072)	(39,046)	(27,811)	(44,692)	(54,615)	Thailand	71%	90%	85%	78%	78%
Associates and JVs	(17)	(11)	-	-	-	Singapore	63%	65%	66%	64%	64%
Pre-tax profits	7,270	8,468	3,927	8,392	10,043	Malaysia	60%	58%	61%	60%	60%
Income tax	(1,491)	(991)	(460)	(982)	(1,175)	China	81%	79%	68%	68%	68%
Less: minority interests	-	(50)	(50)	(50)	(50)	Other markets	39%	36%	35%	35%	35%
Net Profit to shareholder	5,779	7,427	3,418	7,360	8,818	VNB growth by markets:					
						Hong Kong	-66%	37%	1%	10%	15%
						Thailand	-5%	30%	-6%	6%	15%
						Singapore	-6%	8%	3%	3%	5%
						Malaysia	-14%	27%	7%	8%	10%
						China	-17%	14%	-14%	21%	21%
						Other markets	-4%	-1%	-8%	2%	2%
						ANP growth by markets:					
						Hong Kong	-52%	-3%	-5%	15%	15%
						Thailand	-9%	2%	-1%	15%	15%
						Singapore	-3%	6%	2%	5%	5%
						Malaysia	-9%	33%	2%	10%	10%
						China	-4%	17%	0%	21%	21%
						Other markets	5%	6%	-6%	2%	2%
						Per share data:					
						EPS (US\$)	0.5	0.6	0.3	0.6	0.7
						DPS (US\$)	0.2	0.2	0.1	0.2	0.3
						BVPS (US\$)	5.3	5.0	4.3	4.7	5.1
						EVPS (US\$)	6.0	6.1	5.8	6.1	6.6

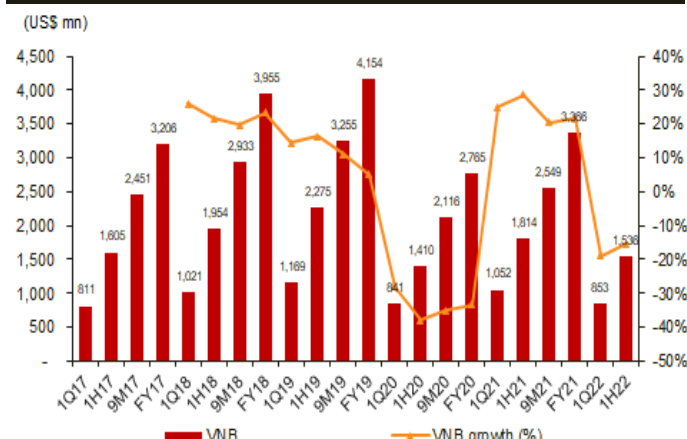
Source: Company data, CMBIGM estimates

Appendix A: Profile of Board of Directors of the Company

Name	Age	Date of appointment	Position
Mr. Edmund Sze-Wing TSE (谢仕荣)	83	27 Sep 2010 (Non-executive Director); 1 Jan 2011 (Non-executive Chairman) 23 Mar 2017 (Independent Non-executive Chairman and Independent Non-executive Director)	Independent Non-executive Chairman, and Independent Non-executive Director; Chairman of the Nomination Committee and the Risk Committee
Mr. LEE Yuan Siong (李源祥)	55	Jul 2020	Executive Director, Group Chief Executive and President
Mr. Jack Chak-Kwong SO (苏泽光)	76	28 Sep 2010 (Non-executive Director) 26 Sep 2012 (Independent Non-executive Director)	Independent Non-executive Director; Chairman of the Remuneration Committee
Mr. Chung-Kong CHOW (周松岗)	71	28 Sep 2010	Independent Non-executive Director; Chairman of the Risk Committee
Mr. John Barrie HARRISON	65	1 Jul 2011	Independent Non-executive Director; Chairman of the Audit Committee
Mr. George Yong-Boon YEO (杨荣文)	67	2 Nov 2012	Independent Non-executive Director
Professor Lawrence Juen-Yee LAU (刘遵义)	76	18 Sep 2014	Independent Non-executive Director
Ms. Swee-Lian TEO	61	14 Aug 2015	Independent Non-executive Director
Dr. Narongchai AKRASANE	76	15 Jan 2016	Independent Non-executive Director; Chairman of advisory board of AIA Thailand
Mr. Cesar Velasquez PURISIMA	61	1 Sep 2017	Independent Non-executive Director
Ms. SUN Jie (Jane) (孙洁)	52	1 Jun 2021	Independent Non-executive Director

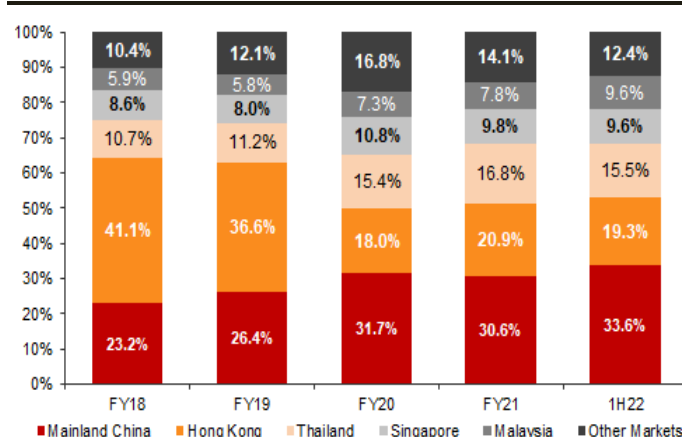
Appendix B: Focus Charts

Figure 76: AIA Group VNB & VNB growth (1Q17-1H22)



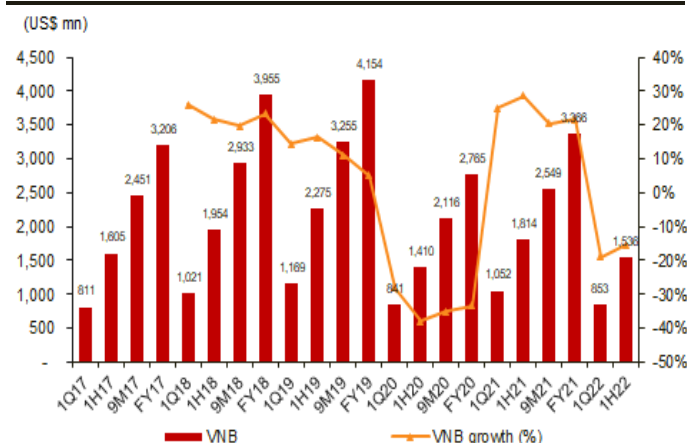
Source: Company data, CMBIGM

Figure 77: AIA Group VNB breakdown by countries



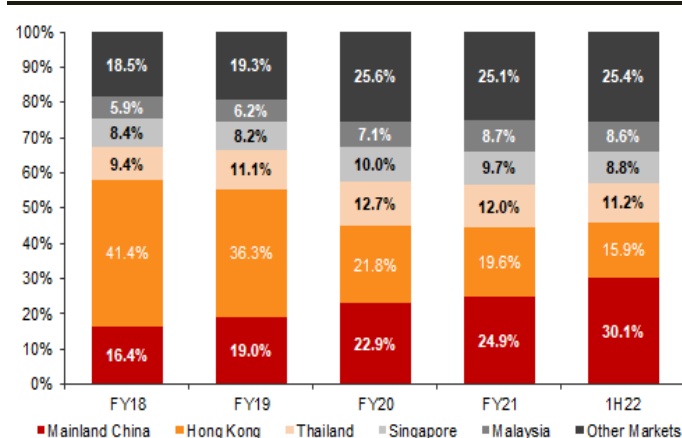
Source: Company data, CMBIGM

Figure 78: AIA Group APE & APE growth (1Q17-1H22)



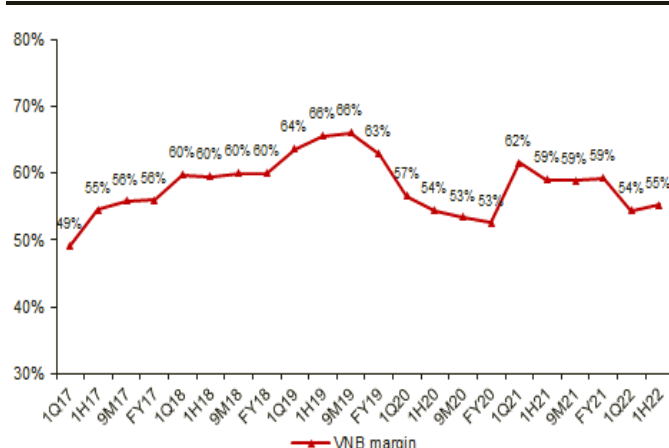
Source: Company data, CMBIGM

Figure 79: AIA Group APE breakdown by countries



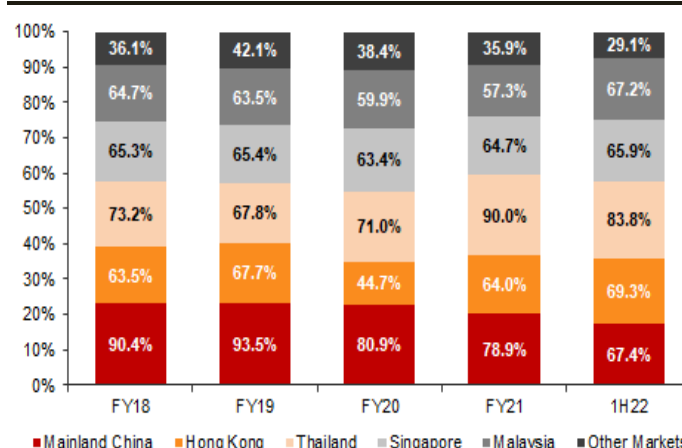
Source: Company data, CMBIGM

Figure 80: AIA Group VNB margin (APE basis, quarterly)



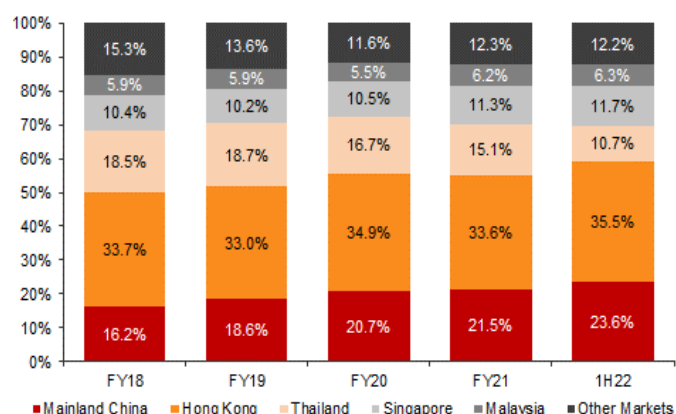
Source: Company data, CMBIGM

Figure 81: AIA Group VNB margin (APE basis)



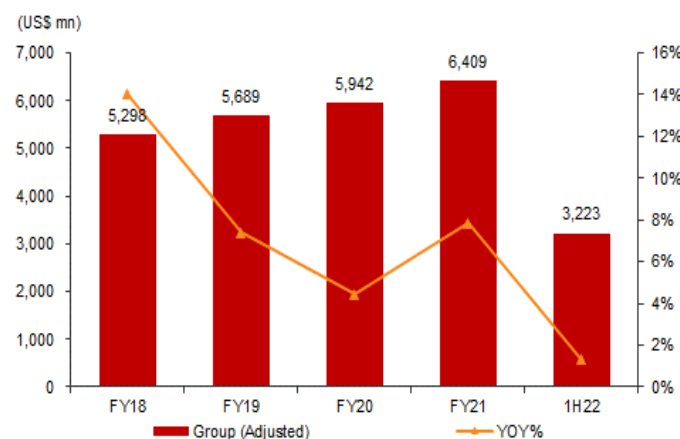
Source: Company data, CMBIGM

Figure 82: AIA: OPAT breakdown by countries



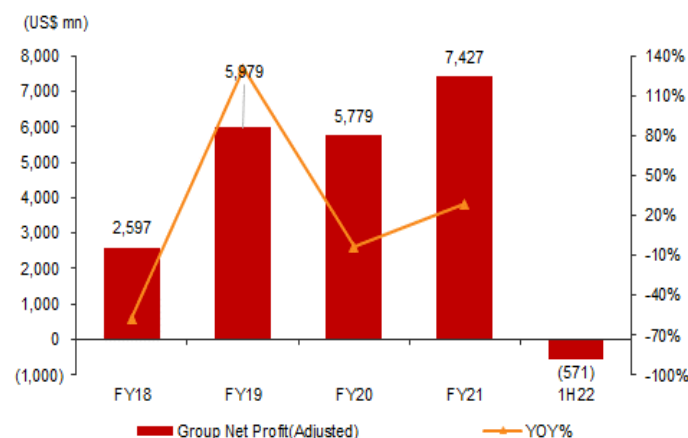
Source: Company data, CMBIGM

Figure 83: AIA Group OPAT & OPAT YoY%



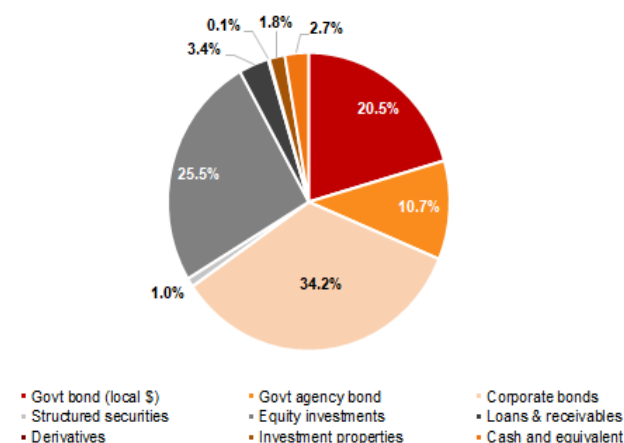
Source: Company data, CMBIGM

Figure 84: AIA Group NPAT & NPAT YoY%



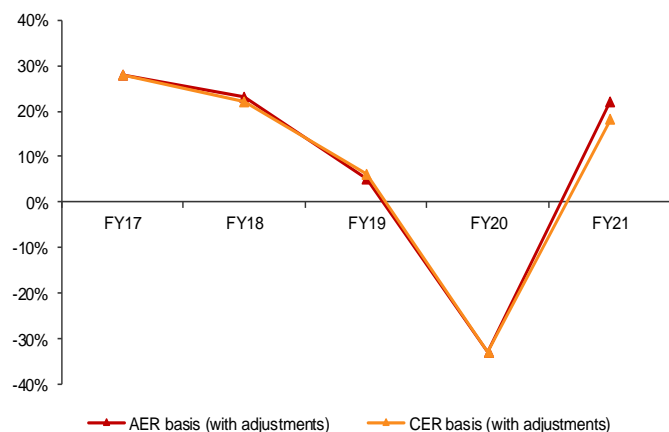
Source: Company data, CMBIGM

Figure 85: AIA Group Investment Portfolio in 1H22



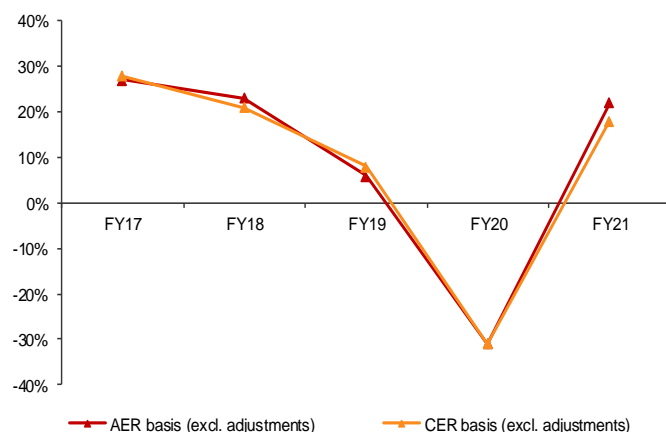
Source: Company data, CMBIGM

Figure 86: VNB Growth on AER & CER basis (adj.)

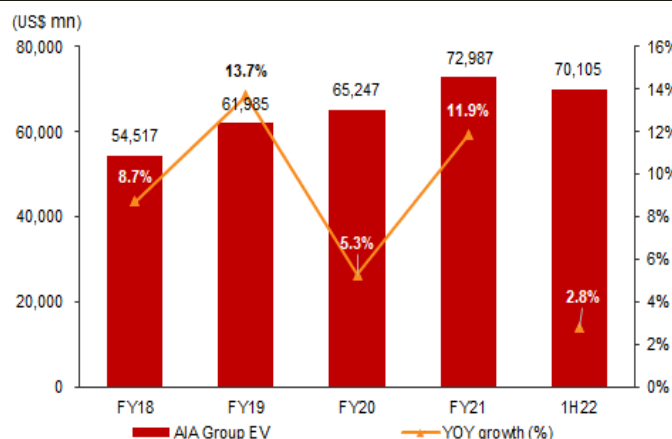


Source: Company data, CMBIGM

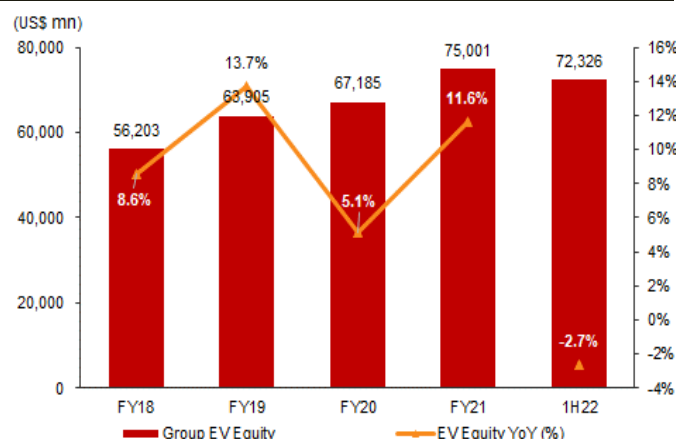
Figure 87: VNB Growth on AER & CER Basis (excl. adj.)



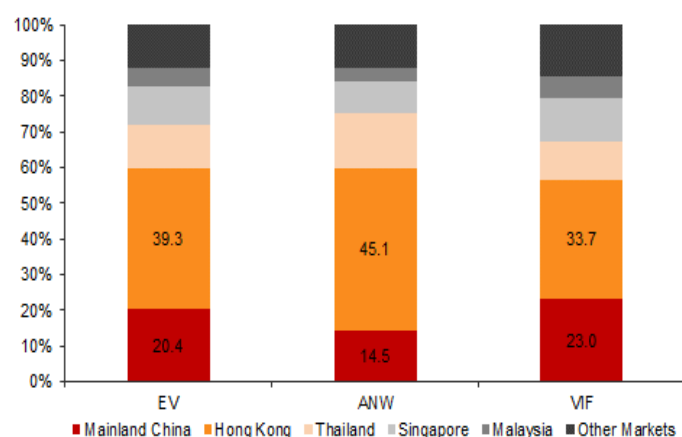
Source: Company data, CMBIGM

Figure 88: AIA Group EV & EV YoY%

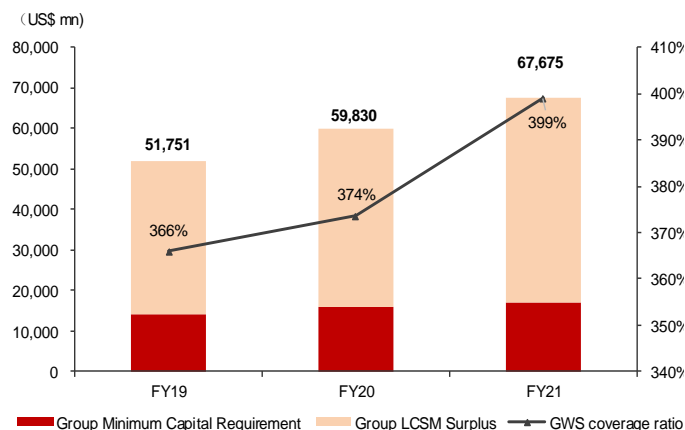
Source: Company data, CMBIGM

Figure 89: AIA Group EV Equity & EV Equity YoY%

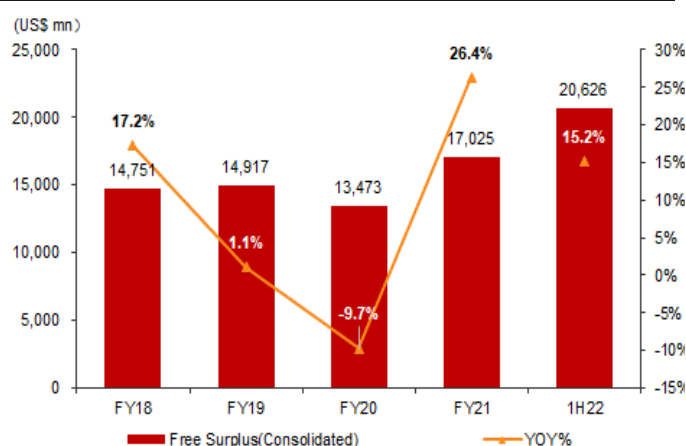
Source: Company data, CMBIGM

Figure 90: EV, ANW & VIF breakdown by countries

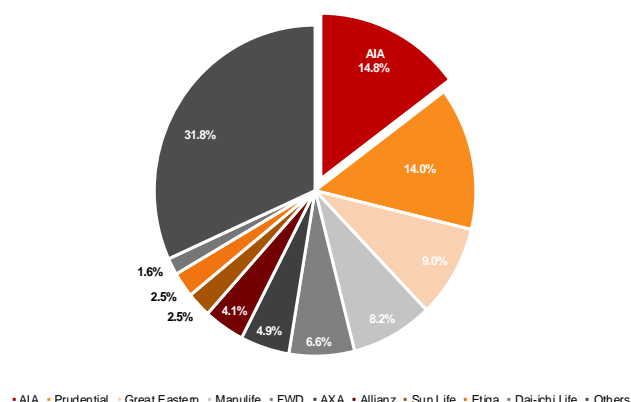
Source: Company data, CMBIGM

Figure 91: AIA Group LCSM cover ratio under GWS

Source: Company data, CMBIGM; Note: LCSM stands for Local Capital Summation Method under the group-wide supervision (GWS) framework set by HKIA.

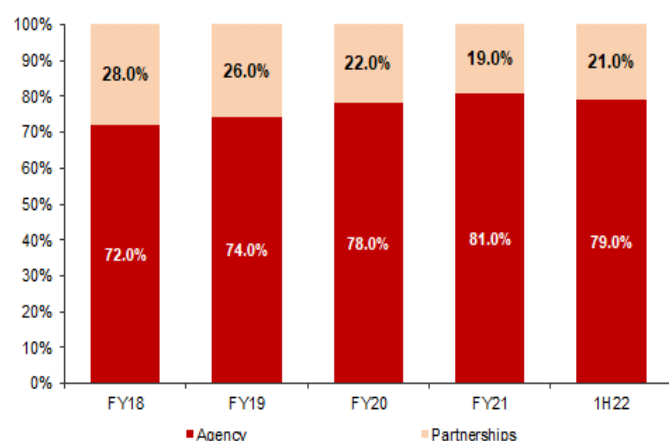
Figure 92: AIA Free Surplus & Free Surplus YoY%

Source: Company data, CMBIGM

Figure 93: AIA life APE market share in SEA (%)

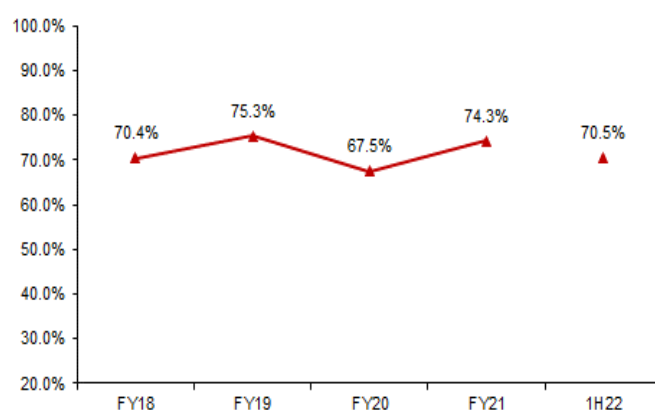
Source: Company data, CMBIGM, NMG; Note: Data in FY21, SEA markets refer to Thailand, Indonesia, Malaysia, the Philippines, Singapore and Vietnam.

Figure 94: AIA distribution mix of agency and partnerships



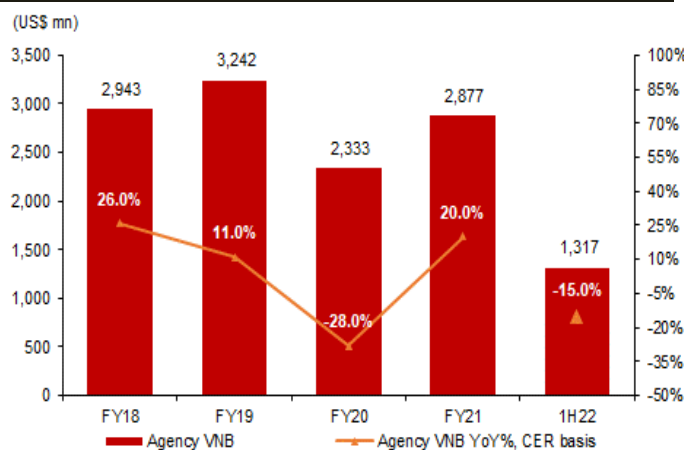
Source: Company data, CMBIGM

Figure 95: Agency VNB margin maintaining above 70%



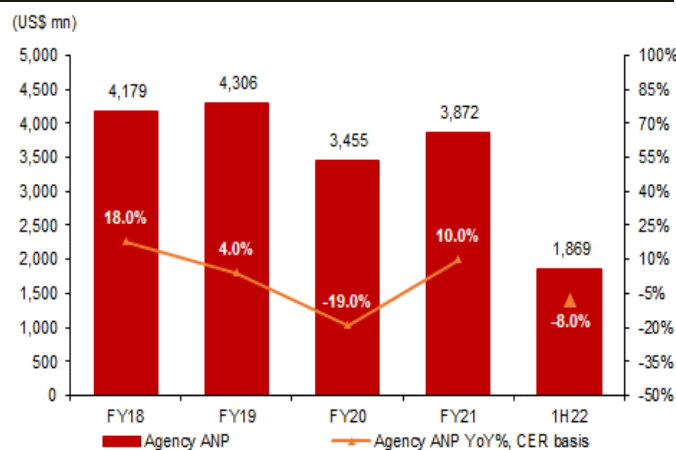
Source: Company data, CMBIGM

Figure 96: AIA Agency VNB & VNB YoY% (FY18-1H22)



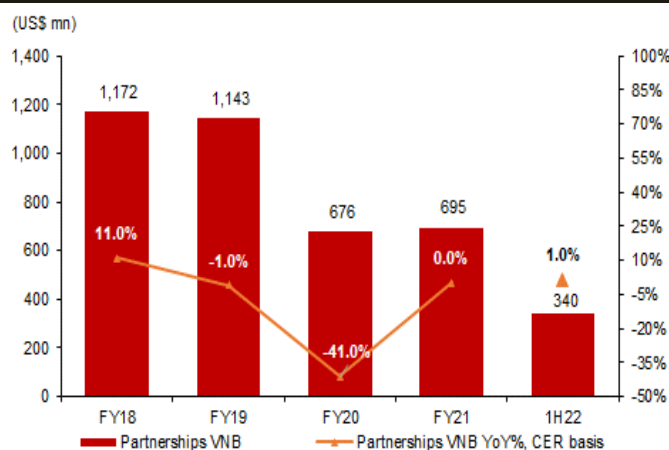
Source: Company data, CMBIGM; | * Note: CER stands for YoY chg. on constant exchange rates

Figure 97: AIA Agency APE & APE YoY% (FY18-1H22)



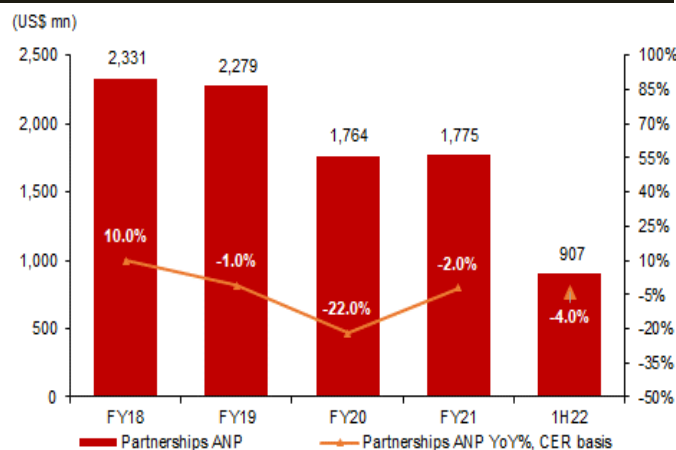
Source: Company data, CMBIGM; | * Note: CER stands for YoY chg. on constant exchange rates

Figure 98: AIA Partnerships VNB & VNB YoY% (FY18-1H22)



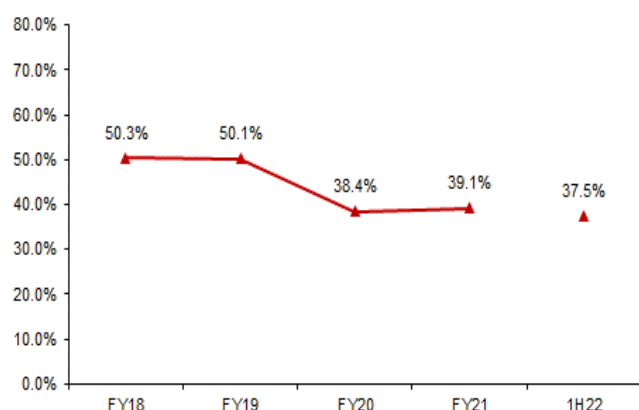
Source: Company data, CMBIGM; Note: CER stands for YoY chg. on constant exchange rates

Figure 99: AIA Partnerships APE & APE YoY% (FY18-1H22)



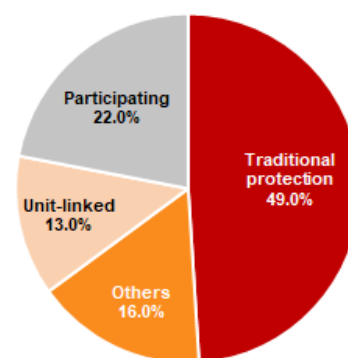
Source: Company data, CMBIGM; Note: CER stands for YoY chg. on constant exchange rates

Figure 100: AIA Partnerships VNB margin, APE basis



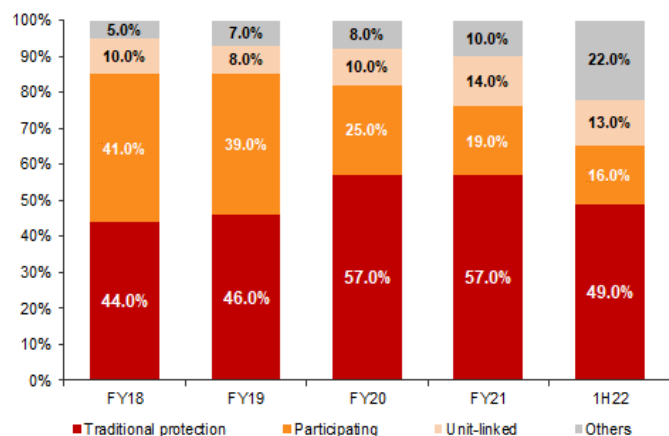
Source: Company data, CMBIGM

Figure 101: AIA VNB product mix in 1H22



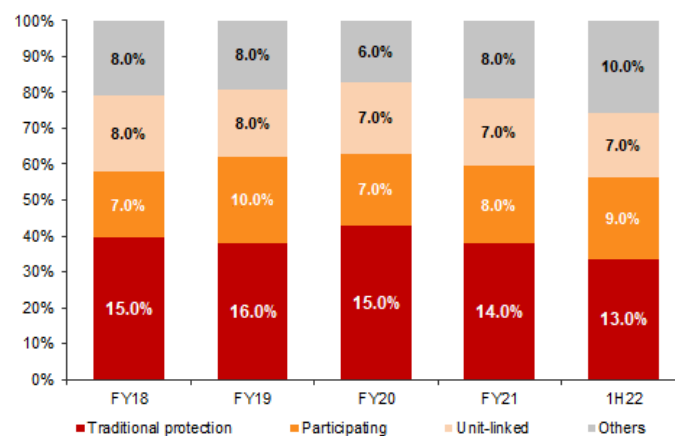
Source: Company data, CMBIGM

Figure 102: AIA product mix on VNB basis, FY18-1H22



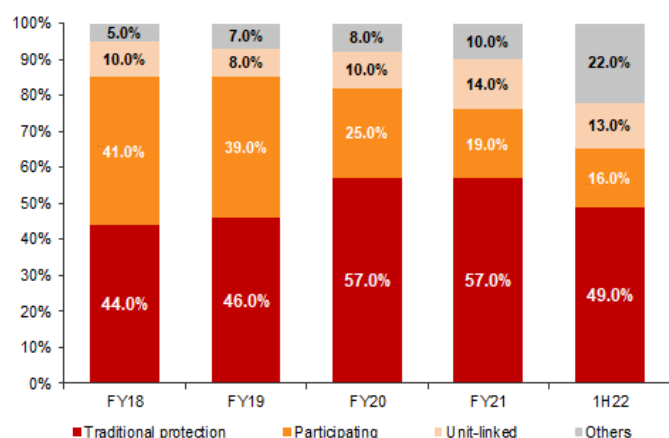
Source: Company data, CMBIGM

Figure 103: AIA PVNBP margin by products, FY18-1H22



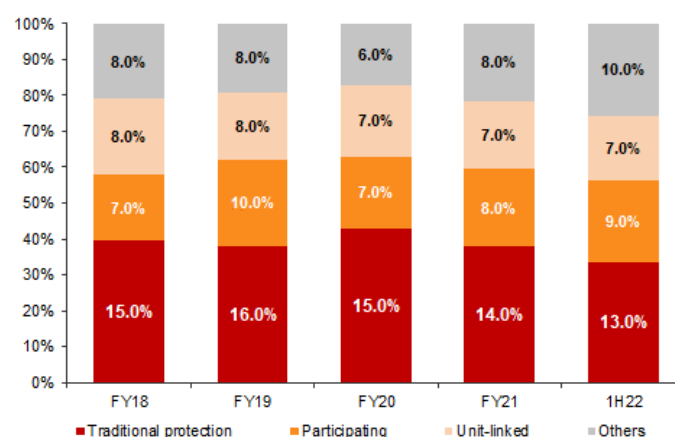
Source: Company data, CMBIGM; Note: Product mix for 1H22 reflects minor changes to product categorization compared to 1H21.

Figure 104: AIA product mix in four main types of products



Source: Company data, CMBIGM

Figure 105: AIA PVNBP margin by products, FY18-1H22



Source: Company data, CMBIGM

Appendix C: Impact of FX / Equities / Yields changes

Figure 106: Forex spot rate changes YoY: Impact on AIA EV

	China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Total Weighted Avg
1Q21	8.1%	-0.3%	4.9%	5.7%	4.3%	-0.1%	2.8%
2Q21	9.4%	-0.2%	-3.6%	3.6%	3.3%	0.8%	2.0%
3Q21	5.4%	-0.5%	-6.4%	0.6%	-0.7%	-1.7%	-0.1%
4Q21	2.7%	-0.6%	-10.3%	-2.0%	-3.5%	-2.4%	-1.6%
1Q22	3.4%	-0.7%	-6.0%	-0.7%	-1.4%	-3.7%	-0.9%
2Q22	-3.6%	-1.0%	-9.3%	-3.2%	-5.9%	-5.5%	-3.6%
3Q22	-9.4%	-0.8%	-10.3%	-5.4%	-9.7%	-7.0%	-5.4%

Source: Bloomberg, Company data, CMBIGM | Note: Other Markets calc.as the weighted average of data across major operating markets incl. Australia, South Korea, India, the Philippines, and Indonesia.

Figure 107: Forex average rate changes YoY: Impact on AIA VNB

	China	Hong Kong	Thailand	Singapore	Malaysia	Other Markets	Total Weighted Avg
1Q21	7.7%	0.2%	3.3%	3.9%	2.7%	-0.8%	4.9%
2Q21	9.7%	-0.2%	1.9%	5.9%	4.7%	0.9%	6.3%
3Q21	6.9%	-0.4%	-4.8%	1.6%	0.1%	-0.4%	3.2%
4Q21	3.6%	-0.5%	-8.4%	-0.8%	-1.9%	-2.5%	-2.4%
1Q22	2.1%	-0.6%	-8.4%	-1.5%	-3.0%	-2.7%	-1.6%
2Q22	-2.2%	-1.0%	-8.7%	-3.2%	-5.1%	-4.1%	-3.9%
3Q22	-6.2%	-0.9%	-10.1%	-3.6%	-7.1%	-6.5%	-6.1%

Source: Bloomberg, Company data, CMBIGM | Note: Other Markets calc.as the weighted average of data across major operating markets incl. Australia, South Korea, India, the Philippines, and Indonesia.

Figure 108: Equity Indices changes QoQ

	China	Hong Kong	Thailand	Singapore	Malaysia
1Q21	-3.1%	4.2%	9.5%	11.3%	-3.3%
2Q21	3.5%	1.6%	0.0%	-1.1%	-2.6%
3Q21	-6.8%	-14.8%	1.1%	-1.4%	0.3%
4Q21	1.5%	-4.8%	3.2%	1.2%	1.9%
1Q22	-14.5%	-6.0%	2.3%	9.1%	1.3%
2Q22	6.2%	-0.6%	-7.5%	-9.0%	-9.0%
3Q22	-15.2%	-21.2%	1.4%	0.9%	-3.4%

Source: Bloomberg, CMBIGM

Figure 109: 10Yr Govt Bond Yields changes QoQ

(bps)	China	Hong Kong	Thailand	Singapore	Malaysia
1Q21	4.2	66.5	64.7	89.1	61.9
2Q21	(9.5)	(10.8)	(21.8)	(16.1)	1.5
3Q21	(21.6)	6.3	11.0	2.0	9.6
4Q21	(9.8)	14.9	3.4	7.2	19.8
1Q22	0.8	55.1	36.1	66.9	29.5
2Q22	2.9	91.1	56.9	64.1	36.5
3Q22	(6.6)	58.6	35.8	50.6	22.1

Source: Bloomberg, CMBIGM.

Figure 110: Equity Indices changes YoY

	China	Hong Kong	Thailand	Singapore	Malaysia
1Q21	37.0%	20.2%	41.0%	27.6%	16.5%
2Q21	25.5%	18.0%	18.6%	20.9%	2.1%
3Q21	6.1%	4.8%	29.8%	25.1%	2.2%
4Q21	-5.2%	-14.1%	14.4%	9.8%	-3.7%
1Q22	-16.4%	-22.5%	6.8%	7.7%	0.9%
2Q22	-14.1%	-24.2%	-1.2%	-0.9%	-5.8%
3Q22	-21.8%	-29.9%	-1.0%	1.4%	-9.3%

Source: Bloomberg, CMBIGM.

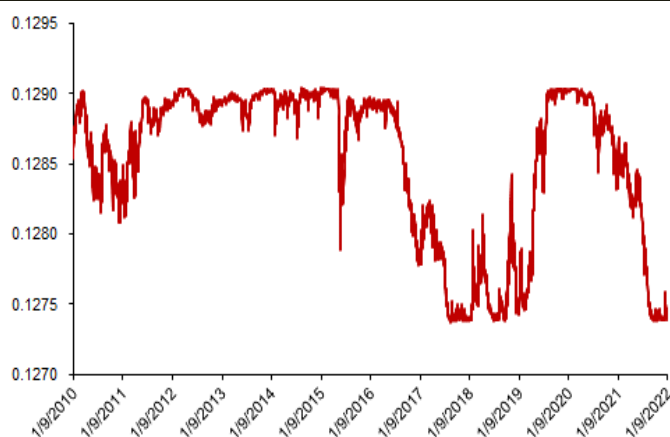
Figure 111: 10Yr Govt Bond Yields changes YoY

(bps)	China	Hong Kong	Thailand	Singapore	Malaysia
1Q21	60.2	68.5	57.1	44.8	(8.7)
2Q21	24.2	67.6	56.3	67.2	41.8
3Q21	(27.1)	92.5	54.1	72.9	72.0
4Q21	(36.7)	76.9	57.3	82.3	92.8
1Q22	(40.1)	65.5	28.7	60.1	60.4
2Q22	(27.7)	167.4	107.4	140.2	95.4
3Q22	(12.7)	219.7	132.2	188.9	107.9

Source: Bloomberg, CMBIGM.

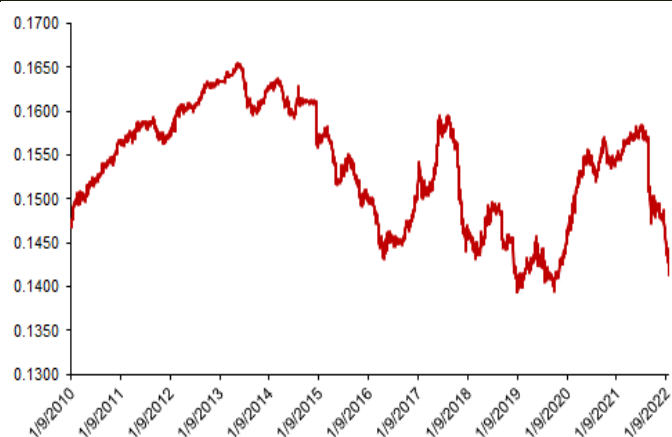
Appendix D: Regional market Forex/Equity Index/Bond Yields

Figure 112: HKD/USD exchange rate in 2010-2022



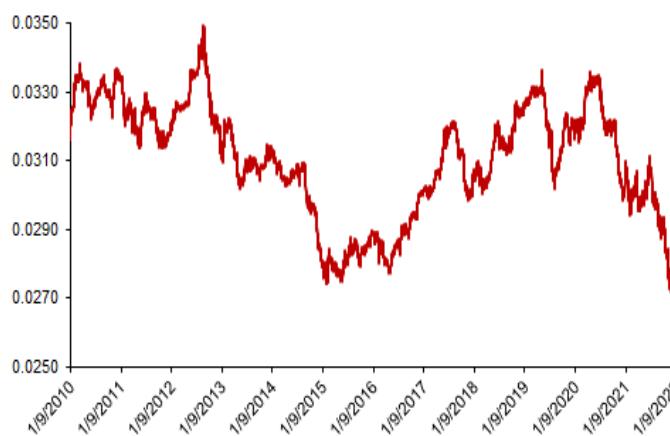
Source: Bloomberg, CMBIGM

Figure 113: CNY/USD exchange rate in 2010-2022



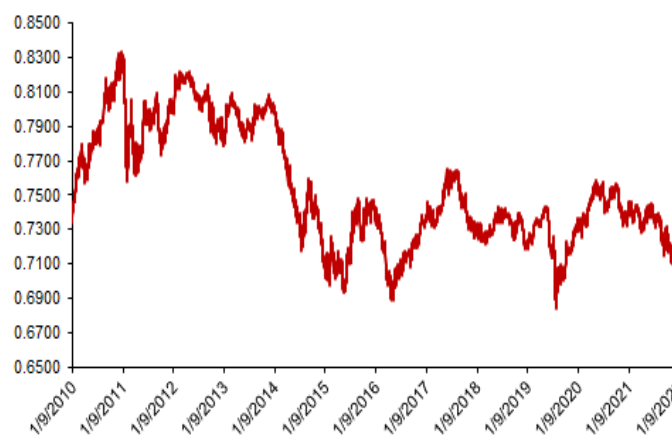
Source: Bloomberg, CMBIGM

Figure 114: THB/USD exchange rate in 2010-2022



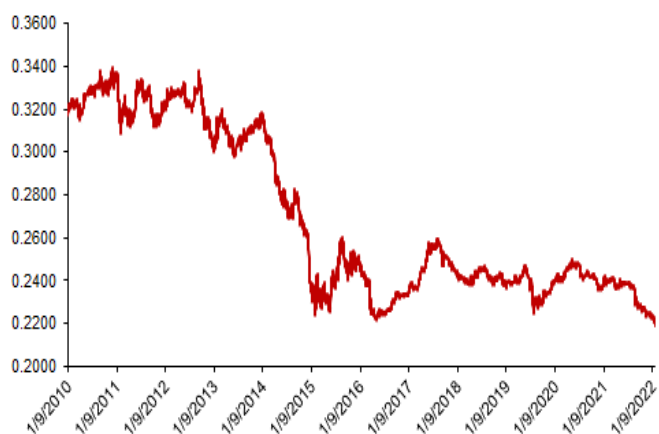
Source: Bloomberg, CMBIGM

Figure 115: SGD/USD exchange rate in 2010-2022



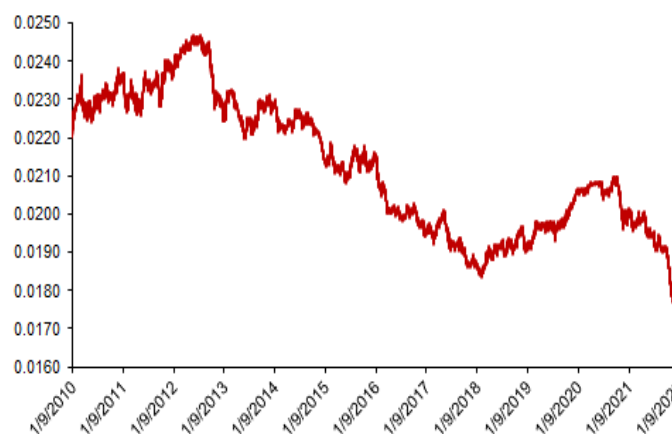
Source: Bloomberg, CMBIGM

Figure 116: MYR/USD exchange rate in 2010-2022

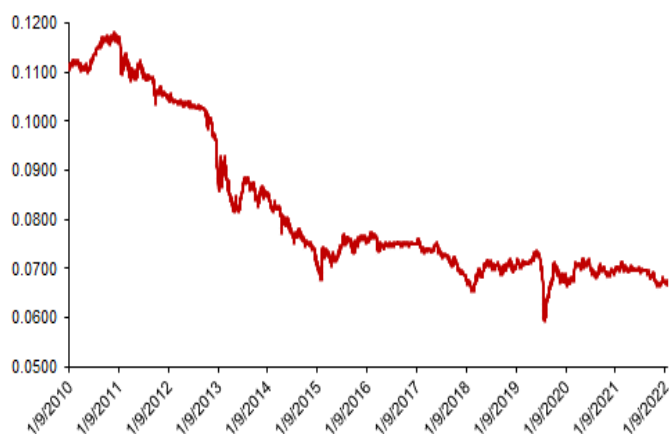


Source: Bloomberg, CMBIGM

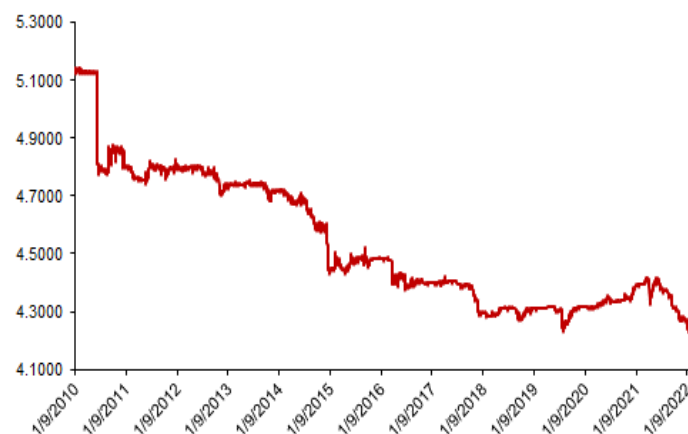
Figure 117: PHP/USD exchange rate in 2010-2022



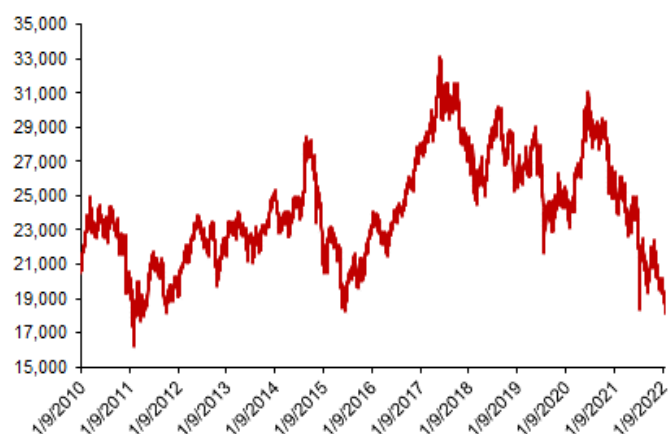
Source: Bloomberg, CMBIGM

Figure 118: IDR/USD exchange rate in 2010-2022

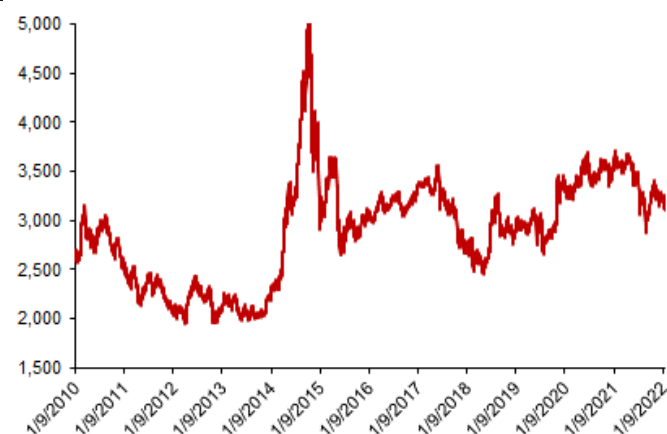
Source: Bloomberg, CMBIGM

Figure 119: VND/USD exchange rate in 2010-2022

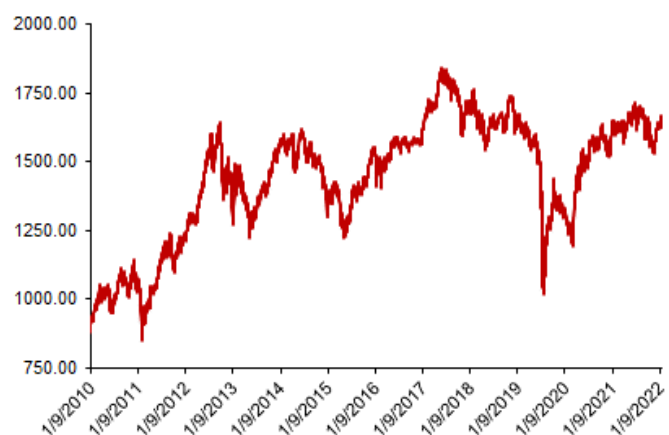
Source: Bloomberg, CMBIGM

Figure 120: Hong Kong HSI Index in 2010-2022

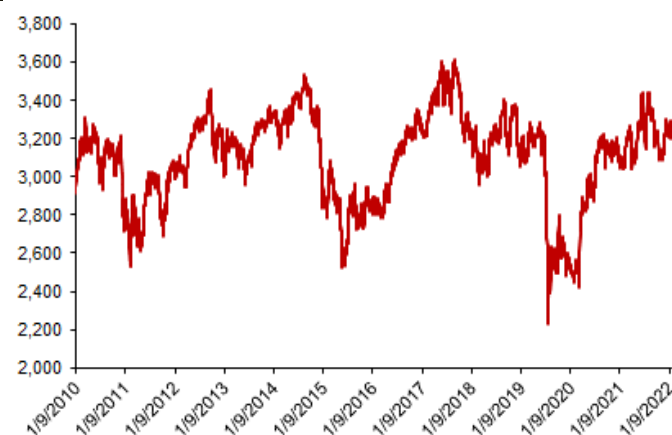
Source: Bloomberg, CMBIGM

Figure 121: China SHCOMP Index in 2010-2022

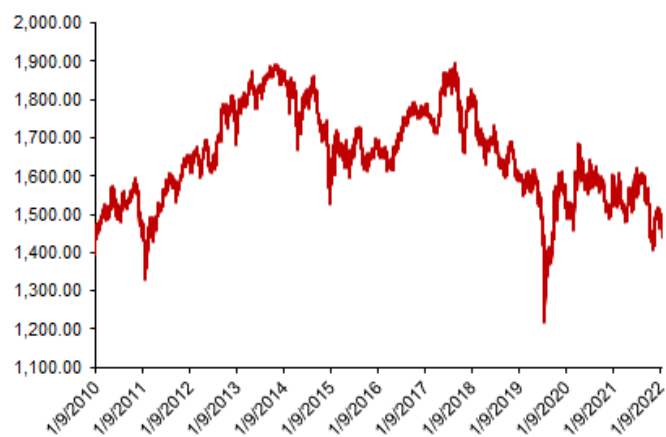
Source: Bloomberg, CMBIGM

Figure 122: Thailand SET Index in 2010-2022

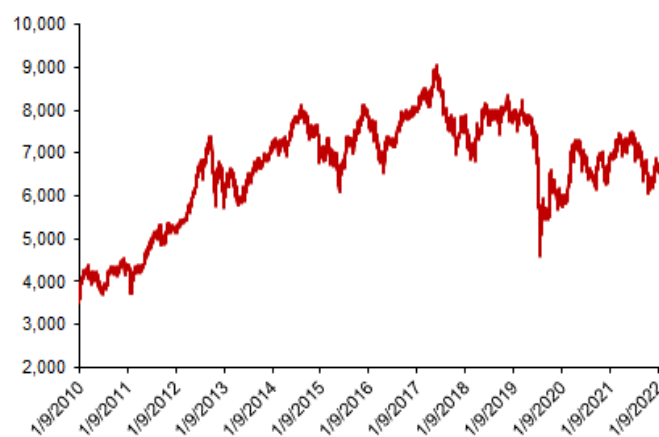
Source: Bloomberg, CMBIGM

Figure 123: Singapore STI Index in 2010-2022

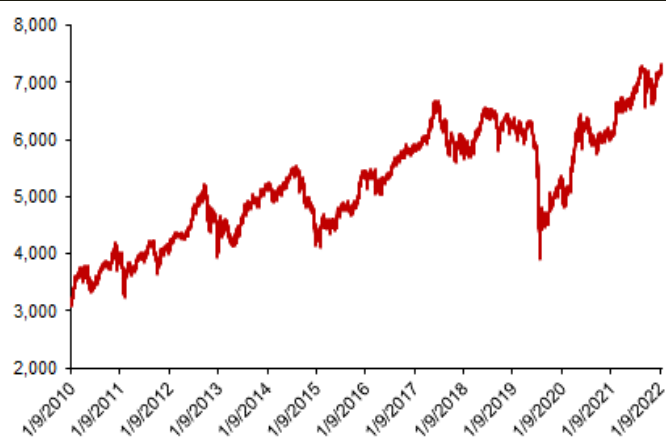
Source: Bloomberg, CMBIGM

Figure 124: Malaysia FBMKLCI Index in 2010-2022

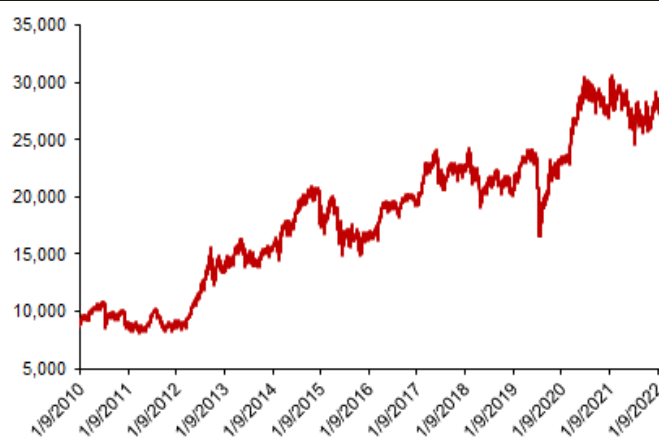
Source: Bloomberg, CMBIGM

Figure 125: The Philippines PCOMP Index in 2010-2022

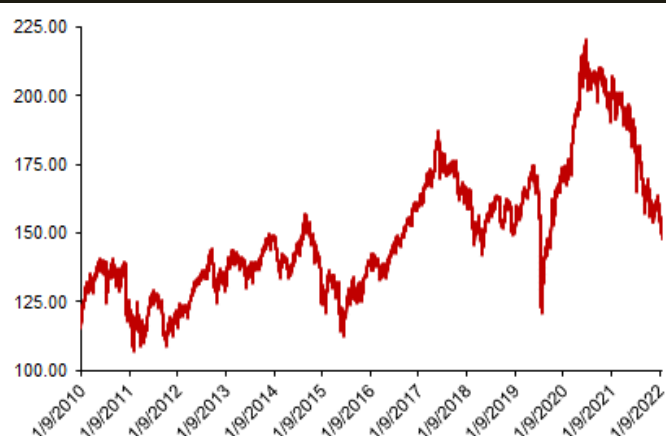
Source: Bloomberg, CMBIGM

Figure 126: Indonesia JCI Index in 2010-2022

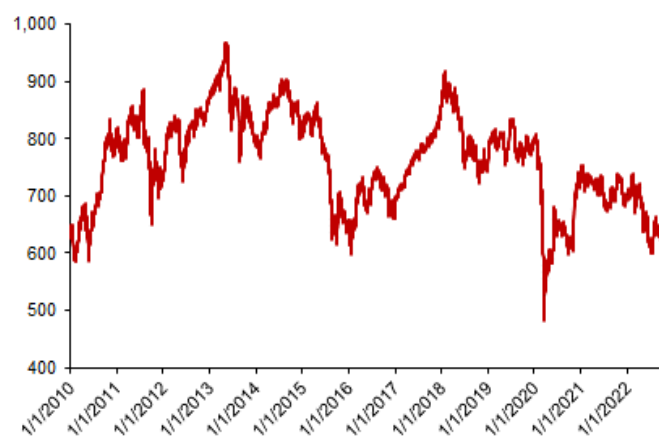
Source: Bloomberg, CMBIGM

Figure 127: Japan Nikkei 225 Index in 2010-2022

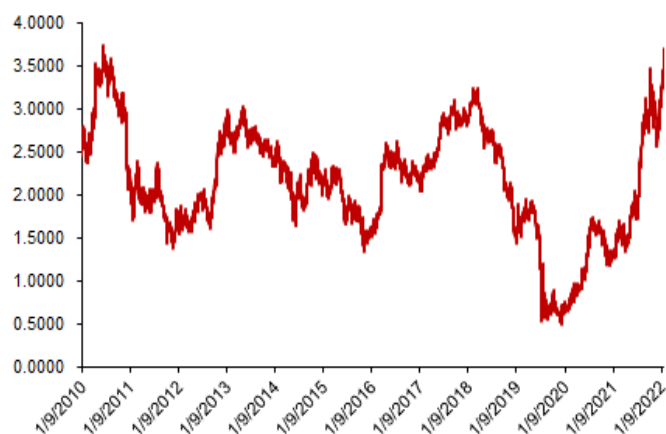
Source: Bloomberg, CMBIGM

Figure 128: MSCI AC Asia ex Japan Index in 2010-2022

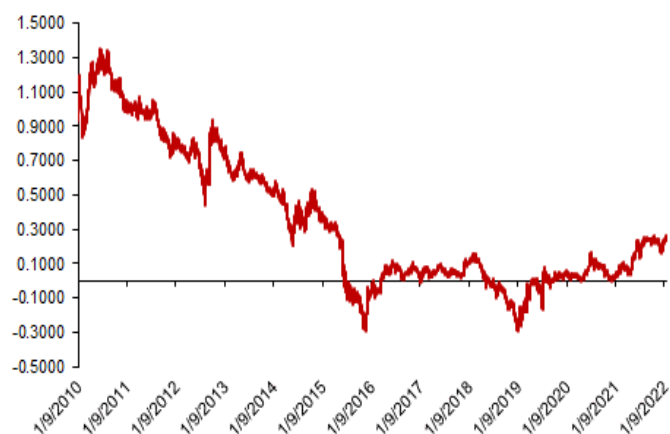
Source: Bloomberg, CMBIGM

Figure 129: MSCI AC ASEAN Index in 2010-2022

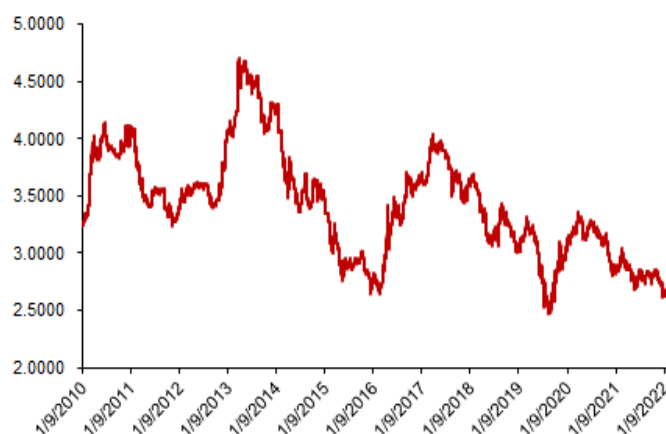
Source: Bloomberg, CMBIGM

Figure 130: US 10YR Gov. Bond Yield (USGG10Y)

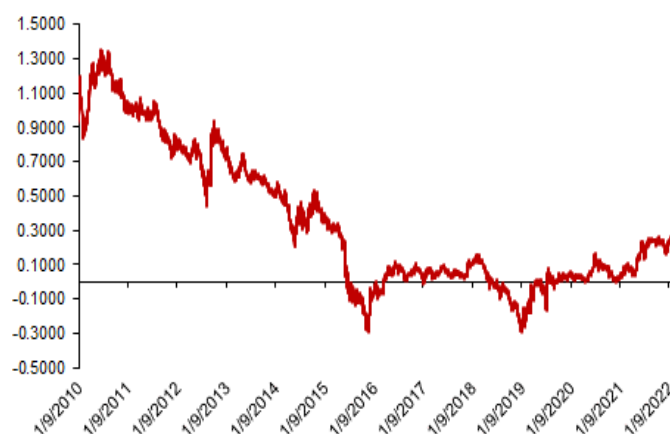
Source: Bloomberg, CMBIGM

Figure 131: HK 10YR Gov. Bond Yield (GBFCY10Y)

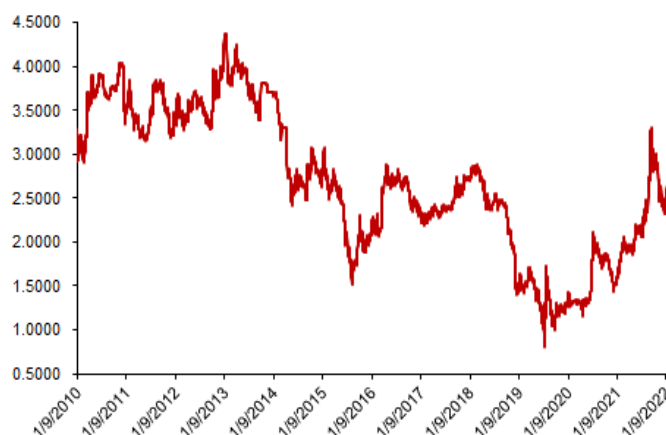
Source: Bloomberg, CMBIGM

Figure 132: China 10YR Gov. Bond Yield (GCNY10Y)

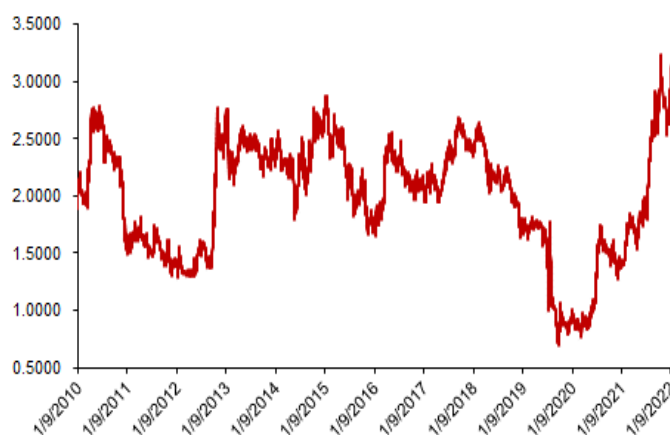
Source: Bloomberg, CMBIGM

Figure133: Japan 10YR Gov. Bond Yield (GJGB10Y)

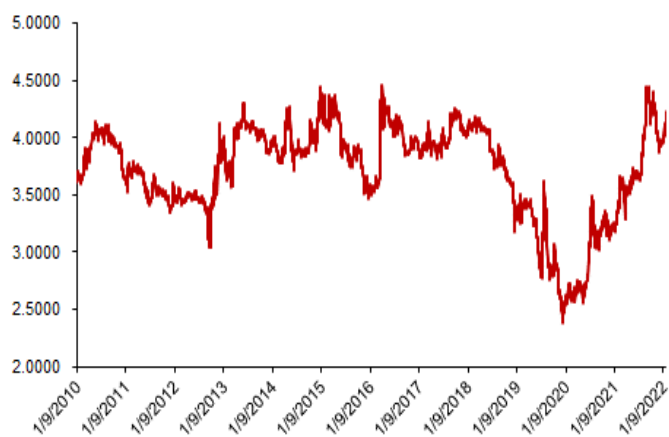
Source: Bloomberg, CMBIGM

Figure 134: Thailand 10YR Gov. Bond Yield (GVTL10Y)

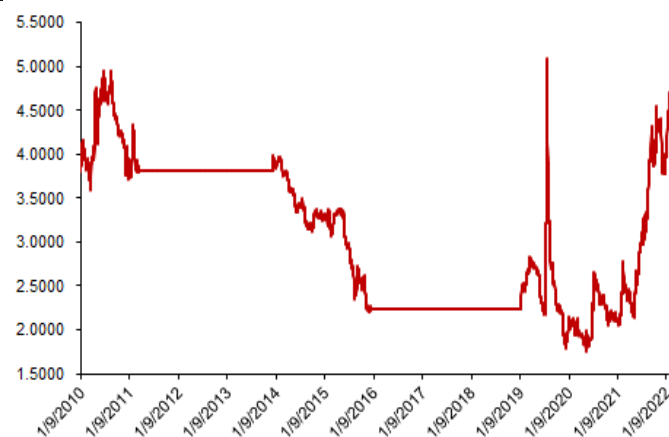
Source: Bloomberg, CMBIGM

Figure135: Singapore 10YR Gov. Bond Yield (MASB10Y)

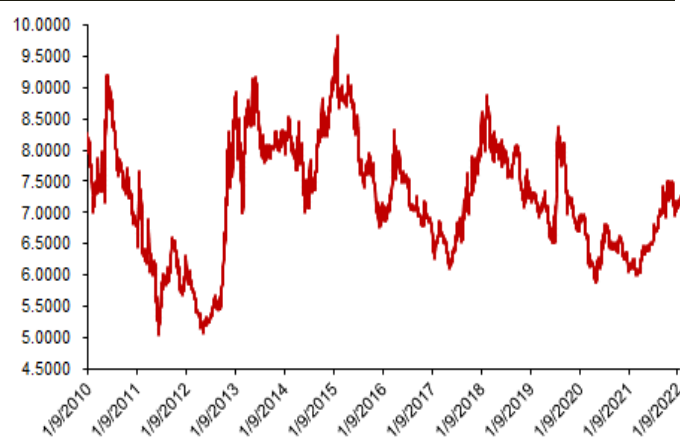
Source: Bloomberg, CMBIGM

Figure 136: Malaysia 10YR Gov. Bond Yield (MAGY10Y)

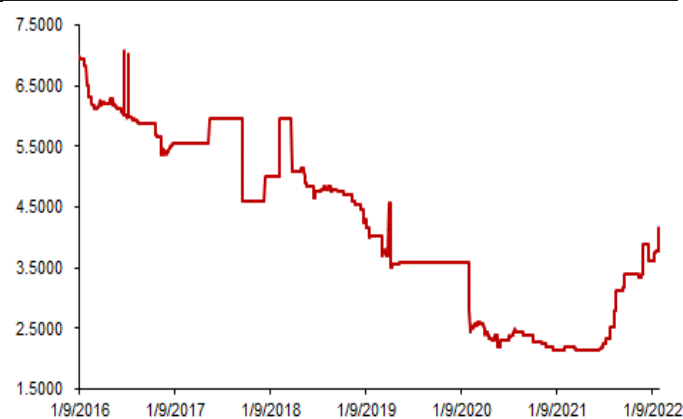
Source: Bloomberg, CMBIGM

Figure 137: Philippines 10YR Gov. Bond Yield (GPUS10Y)

Source: Bloomberg, CMBIGM

Figure 138: Indonesia 10YR Gov. Bond Yield (GIDN10Y)

Source: Bloomberg, CMBIGM

Figure 139: Vietnam 10YR Gov. Bond Yield (GGVF10Y)

Source: Bloomberg, CMBIGM

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