

Hong Kong

ADD (no change)

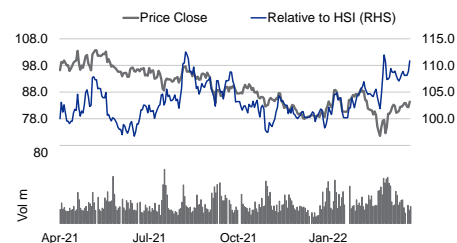
Consensus ratings*: Buy 39 Hold 2 Sell 0

Current price:	HK\$84.40
Target price:	HK\$100.00
Previous target:	HK\$101.0
Up/downside:	18.5%
CGS-CIMB / Consensus:	-5.5%
Reuters:	1299.HK
Bloomberg:	1299 HK
Market cap:	US\$130,252m
	HK\$1,021,018m
Average daily turnover:	US\$271.3m
	HK\$2,118m
Current shares o/s:	12,097m
Free float:	100.0%

*Source: Bloomberg

Key changes in this note

- FY22F EPS cut by 0.6%.
- FY23F EPS cut by 0.6%.
- FY24F EPS cut by 0.7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	15.5	4.2	-14.8
Relative (%)	10.2	11.1	9.8

Major shareholders	% held
JPMorgan Chase & Co.	9.4
The Bank of New York Mellon	9.1
The Capital Group Companies, Inc.	5.2

Analyst(s)



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AIA Group

Decoding HK: Margin-driven growth

- AIA HK's 2H21 record high VONB growth of 82% yoy has attracted significant investor queries on sustainability, with 2H21 margins also at a record high.
- A key driver of HK's 2H21 VONB margins was higher US rates. We see this continuing in FY22F given the sharp rise in US 10-year bond yields (Fig 6).
- A key concern is falling HK agent numbers yoy (-5% for AIA in 2021). Industry data show conditions in Mar 2022 (-9%) were the worst in 16 years (Fig 24).
- Reiterate Add rating. Trim TP to HK\$100 on lower FY22F-24F VONB.

HK: Hitting multiple records in 2H21 & garnering significant interest

Following AIA's FY21 results, discussions with investors revealed significant surprise at the strength of AIA's HK operations, with 2H21's HK value of new business (VONB) growth of 82% the highest since at least its 2010 IPO (Fig 2). This was driven by a rise in VONB margins, up in 2H21 by 81% yoy in percentage growth terms (Fig 3) and due primarily to three factors: higher US long-duration bond yields, reduced expense overruns and improved product mix.

Sharply higher US rates = sustained HK margin tailwinds

With US 10-year bond yields already up 119bp in 2022 YTD, much more than 2021's 'mere' 60bp yoy rise (Fig 6), we are thus very optimistic that AIA HK's already record high VONB margins can remain a tailwind for VONB growth in FY22F.

Further product mix improvements & reduced expense overruns

While AIA's 2021 new business regular premiums mix with premium duration of ten years and above improved by 10.3% pts yoy to 49.8% (Fig 27), well above industry average and one of the highest in HK (Fig 30), it remains well below its 2014 peak of 68.5%. We thus believe that more scope exists for improved product mix to drive higher margins. We also see more scope for reduced expense overruns to boost AIA's HK margins as its annualised new premiums (ANP) in 2021 were still 66% below 2018's levels (Fig 31).

Falling agent numbers are a key concern

The combination of HK protests in 2019 coupled with border controls at the start of the pandemic in 2020 made HK agent growth extremely difficult. AIA saw HK agent numbers fall 5% yoy in 2021 (Fig 22). Also, industry agent numbers saw Dec 2021's 3% yoy fall worsen to 9% in Mar 22, with this fall the worst in 16 years (Fig 24).

Reiterate Add with lower TP of HK\$100; remains top sector pick

Our lower GGM-based TP is driven by slower FY22F VONB growth (cut 3.9% pts) due to mainland China's Covid-19 outbreak. We estimate a quarter of its FY21 gross written premiums (GWP) were in Shanghai and Shenzhen (Fig 37). Our 0.6-0.7% cuts to FY22F-24F EPS are due to lower premium growth. Potential catalysts are higher bond yields, a marked fall in Covid-19 cases and a HK-mainland border reopening. Downside risks include currency volatility and a prolonged Covid-19 outbreak.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Premium (US\$m)	39,852	42,746	41,819	43,180	44,841
Investment And Other Income (US\$m)					
Net Premium (US\$m)	33,666	34,770	34,016	35,123	36,474
Net Profit (US\$m)	5,779	7,427	6,169	7,839	8,609
Normalised EPS (US\$)	0.48	0.61	0.51	0.65	0.71
Normalised EPS Growth	(3.4%)	28.5%	(17.0%)	27.1%	9.8%
FD Normalised P/E (x)	22.53	17.54	21.12	16.62	15.13
P/NB (x)	23.50	17.01	15.15	10.56	7.14
DPS (US\$)	0.17	0.19	0.19	0.21	0.23
Dividend Yield	1.62%	1.74%	1.78%	1.96%	2.17%
P/EV (x)	2.00	1.78	1.66	1.51	1.38
P/BV (x)	2.06	2.15	2.02	1.87	1.72
ROE	9.8%	12.0%	9.9%	11.7%	11.8%
% Change In Normalised EPS Estimates			(0.57%)	(0.58%)	(0.66%)
Normalised EPS/consensus EPS (x)			0.84	0.93	0.91

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Decoding HK: Margin-driven growth

Margins are improving, driven by higher rates

Other reasons are improved product mix and reduced expense overruns

Our recent discussions with investors revealed significant surprise at AIA's 2H21 value of new business (VONB) growth for its Hong Kong (HK) operations, which rose 82% yoy and is a post-IPO record high (Fig 2).

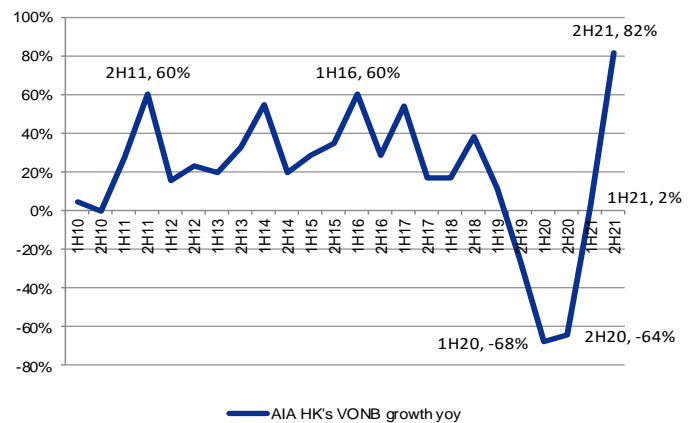
With AIA's HK 2H21 annualised new premiums (ANP) only up 5% yoy, many investors were trying to understand what drove HK's strong VONB margin improvement.

Figure 1: VONB growth (actual exchange rate [AER] basis)

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

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

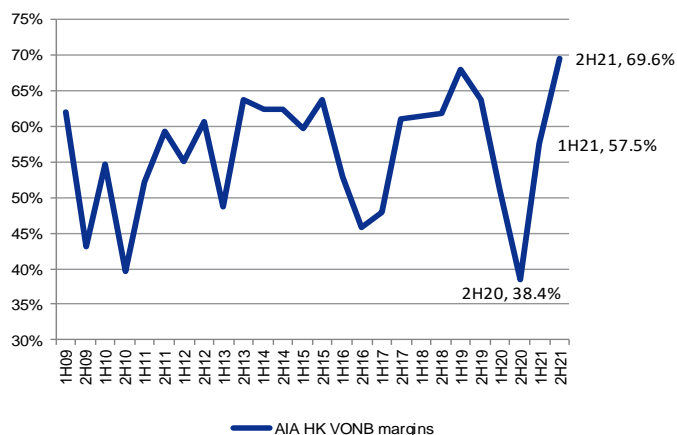
Figure 2: AIA HK's VONB growth yoy



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

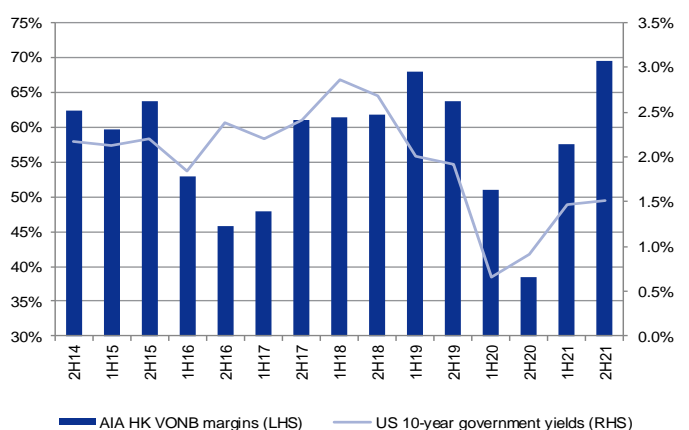
AIA's HK VONB margins rose to a post-IPO record high of 69.6% in 2H21, up notably from 2H20's 38.4% (i.e. +81% yoy in percentage growth terms; Fig 3). Part of the reason for the increase in HK's VONB margins yoy was the rebound in interest rates in the United States (US), which is important to AIA as it invests heavily in US\$ bonds. It is also clear that, since 1H14, there has been some correlation between AIA's HK VONB margins and movements in US 10-year government bond yields (Fig 4).

Figure 3: AIA HK VONB margins



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: There appears to some correlation between AIA HK VONB margins and movements in US 10-year government bond yields



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

Other than higher US government bond yields, two other factors also helped boost AIA's HK VONB margins, namely reduced expense overruns and an improved product mix.

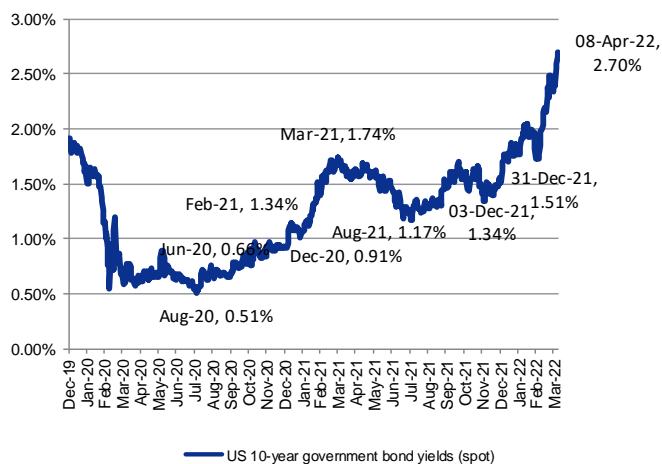
Importantly, with US 10-year government bond yields up sharply in 2022 YTD (it was 2.70% at 8 Apr 2022, up 119bp in 2022 YTD, versus 1.51% at 31 Dec 2021 and much higher than 2021's 60bp yoy rise), we believe that this bodes well for AIA's HK VONB margins in 1H22F and FY22F.

Figure 5: VONB margin movement

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

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

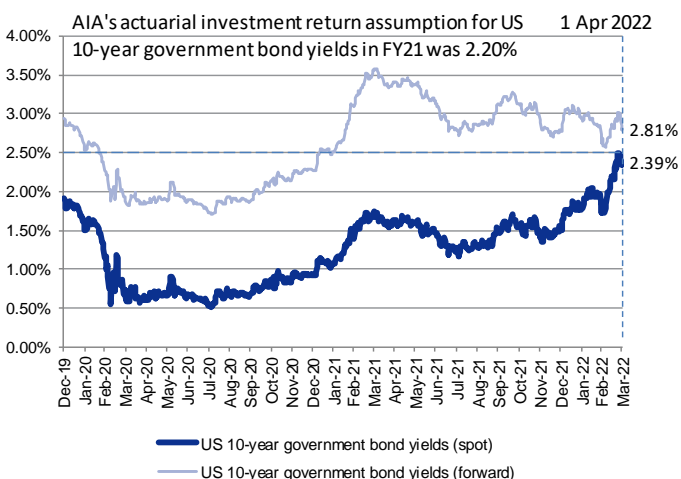
Figure 6: US 10-year government bond yields (spot)



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

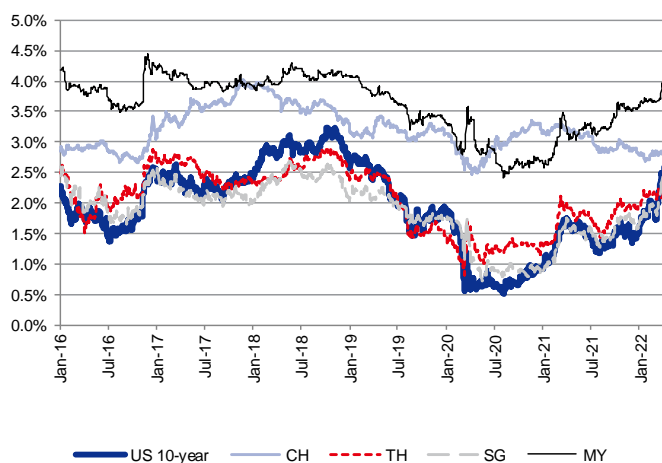
Both the spot and the forward US 10-year government bond yields are up in 2022 YTD (Fig 7). In fact, government bond yields are up notably in many of the regions that AIA operates within (Fig 8).

Figure 7: Both the spot and the forward US 10-year government bond yields have showed a clear rising trend



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 8: 10-year government spot bond yields across time for selected countries

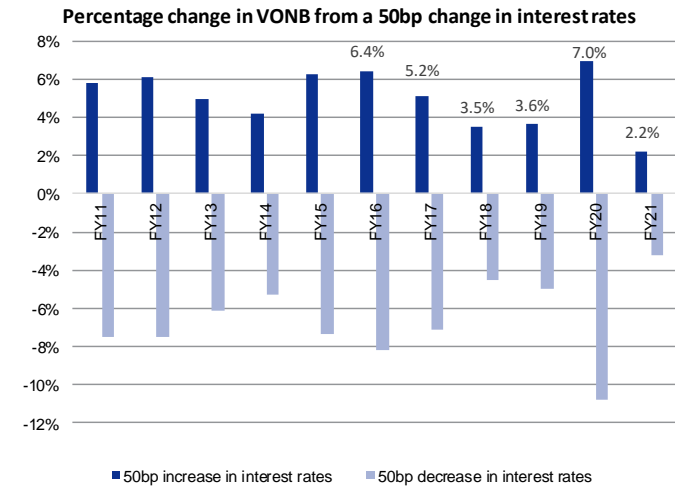


SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

AIA's VONB can benefit from higher interest rates in two ways. The first is via the reserves, whereby a higher rate results in lower reserving pressure and consequently a higher VONB margin. The second is via a change in actuarial investment return assumptions, with this also resulting in higher VONB margins.

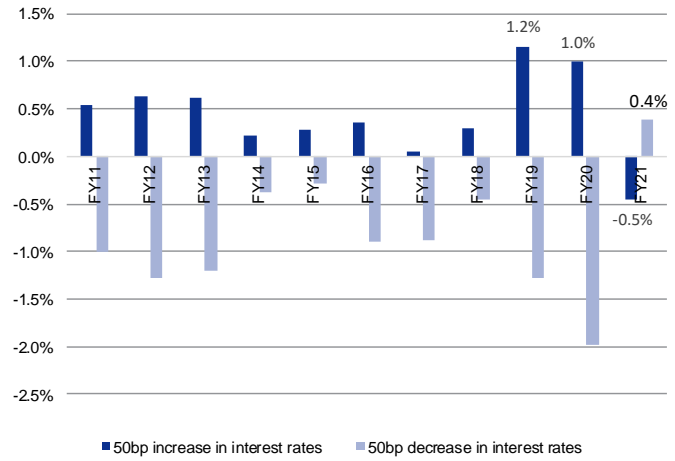
We believe AIA's reduced VONB sensitivity in FY21 to changes in actuarial investment return assumptions is due to AIA factoring in a higher rate environment when computing its reserves at end-FY21. In our view, this explains why AIA's VONB only rose 2.3% in FY21 for every 50bp increase in interest rates (based on the sensitivity disclosed by AIA), with this sensitivity the lowest since at least FY11 (Fig 9). Interestingly, AIA's FY21 embedded value (EV) actually fell if interest rates rose by 50bp, the first time since FY11 (Fig 10).

Figure 9: Percentage change in VONB from 50bp change in interest rates



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: Percentage change in EV from 50bp change in interest rates

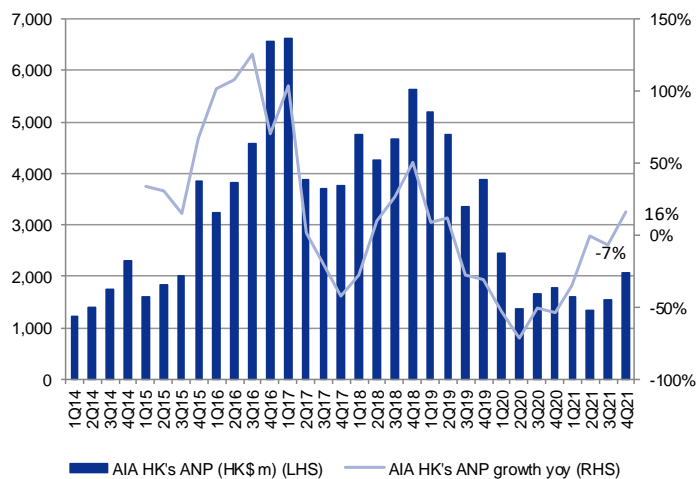


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

While 2H21's HK ANP for AIA was only 5% yoy, this was because the strong 4Q21 ANP performance was largely offset by a weak 3Q21 ANP performance. AIA's HK 4Q21 ANP rose 16% yoy, a marked turnaround from 3Q21's 7% yoy fall (Fig 11).

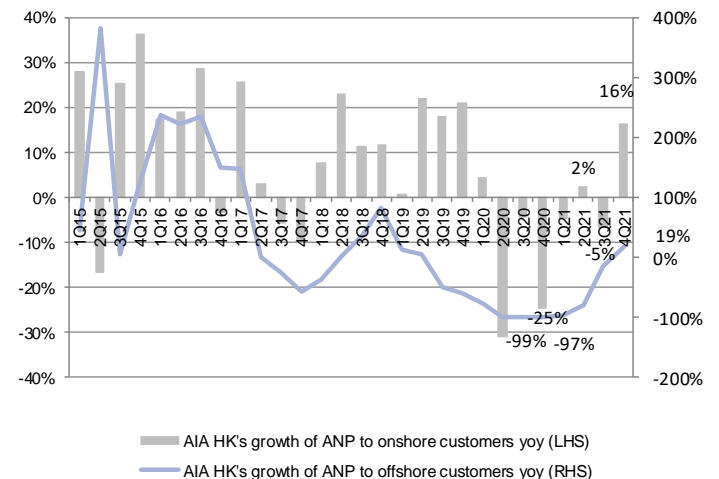
It is also worth noting that AIA's HK mainland Chinese visitor (MCV) segment (or the offshore customer segment) is no longer a drag on its HK ANP growth. In fact, AIA's 4Q21 MCV ANP was actually up 19% yoy, which is significantly better than 1Q21's 97% yoy plummet (Fig 12).

Figure 11: AIA HK's ANP across time and growth yoy



SOURCES: CGS-CIMB RESEARCH, IA

Figure 12: AIA HK's ANP growth to onshore and offshore customers (quarterly data)

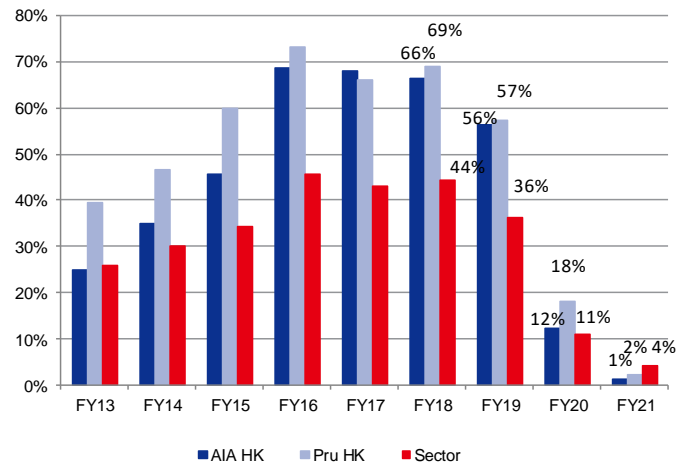
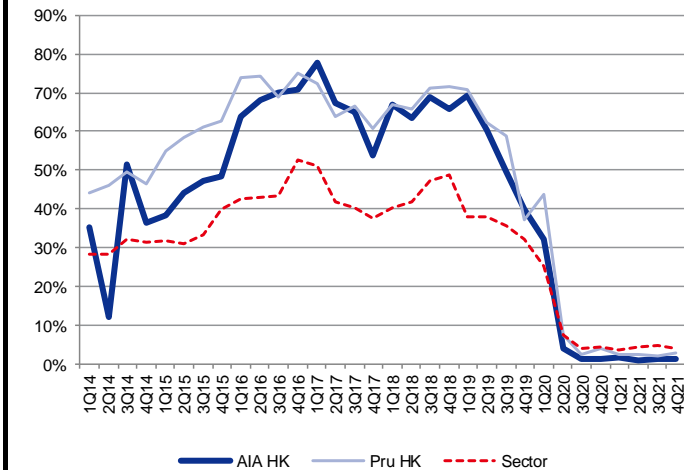


SOURCES: CGS-CIMB RESEARCH, IA

Nevertheless, with MCV ANP only comprising 1% of AIA's HK ANP in FY21 (Fig 14), the MCV segment is unlikely to materially contribute to AIA HK's VONB growth anytime in the near future unless the border between Hong Kong and mainland China opens in a significant way.

Figure 13: Mix of offshore customer ANP to total ANP (quarterly) for AIA HK, Pru HK and the sector

Figure 14: Mix of offshore customer ANP to total ANP for AIA HK, Pru HK and the sector



SOURCES: CGS-CIMB RESEARCH, IA

SOURCES: CGS-CIMB RESEARCH, IA

It is worth noting that (i) the average case size of a MCV insurance policy in 2021 was HK\$53,938, still notably higher than a non-MCV (i.e. the domestic HK customer segment) insurance policy of HK\$21,438, and (ii) for both MCV and the non-MCV customer segments, average case sizes of insurance policies declined yoy in 2021 (Fig 15).

Both AIA and Prudential (2378 HK, Unrated, CP: HK\$113.1) have seen significant contractions in market share of the MCV customer segment since their peak over the 2015-2017 period, with FWD and China Life HK both gaining market share in 2020 and 2021 (Fig 16).

Figure 15: A comparison of the average policy size between AIA's onshore (i.e. non-MCV) and offshore customers (i.e. MCV), by payment type

Figure 16: Market share of all offshore customer annualised new premiums (ANP)

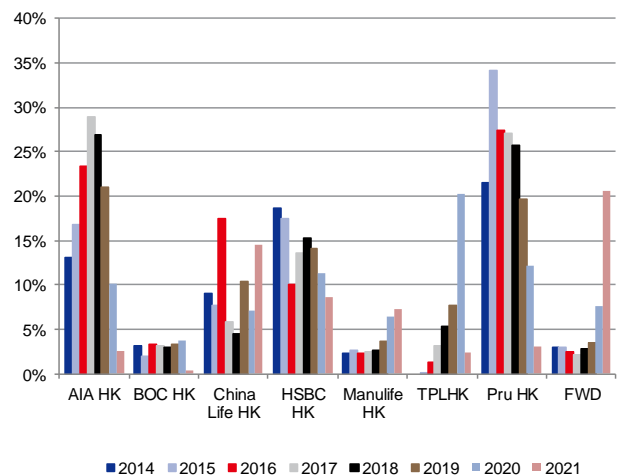
Average case size for AIA's policies (offshore customers) by payment-type

(HK\$)	Single premium	Regular first year premium
2014	13,706,408	56,199
2015	9,640,963	66,681
2016	5,007,680	87,713
2017	5,028,771	70,971
2018	3,428,919	66,349
2019	2,692,667	73,799
2020	4,102,041	88,641
2021	1,634,889	53,938

Average case size for AIA's policies (onshore customers) by payment-type

(HK\$)	Single premium	Regular first year premium
2014	865,538	17,819
2015	983,314	19,085
2016	1,116,516	22,211
2017	663,495	23,160
2018	619,107	25,876
2019	730,679	26,374
2020	698,975	23,650
2021	663,001	21,438

SOURCES: CGS-CIMB RESEARCH, IA



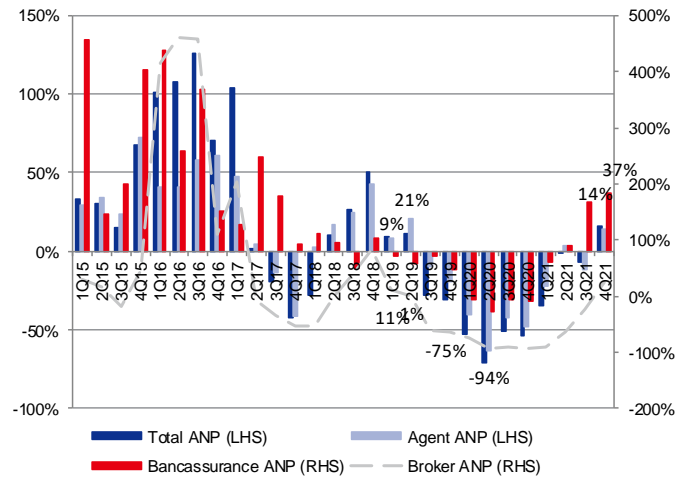
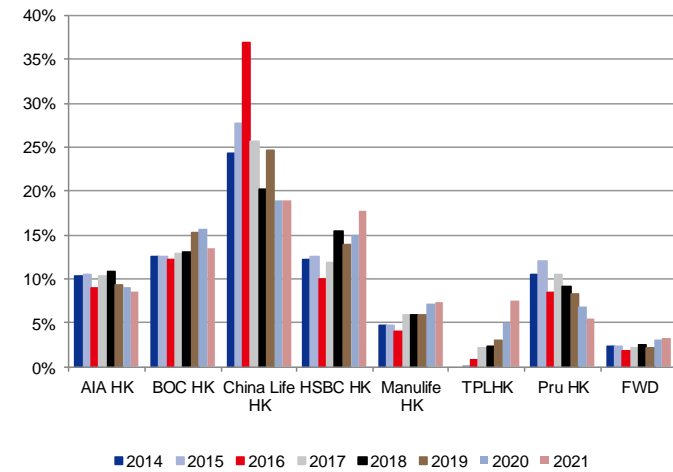
SOURCES: CGS-CIMB RESEARCH, IA

In contrast, AIA's market share for the non-MCV customer segment by annualised new premiums (ANP) has been more stable (Fig 17).

AIA saw a rebound in HK for 4Q21 ANP growth, driven by the bancassurance channel (+37% yoy) and the agent channel (+14% yoy) (Fig 18).

Figure 17: Market share of all onshore customer annualised new premiums (ANP)

Figure 18: AIA HK's growth yoy of ANP by distribution channel by quarter



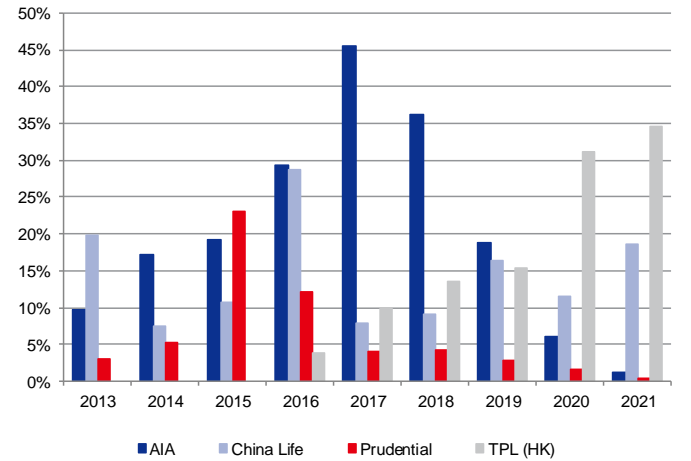
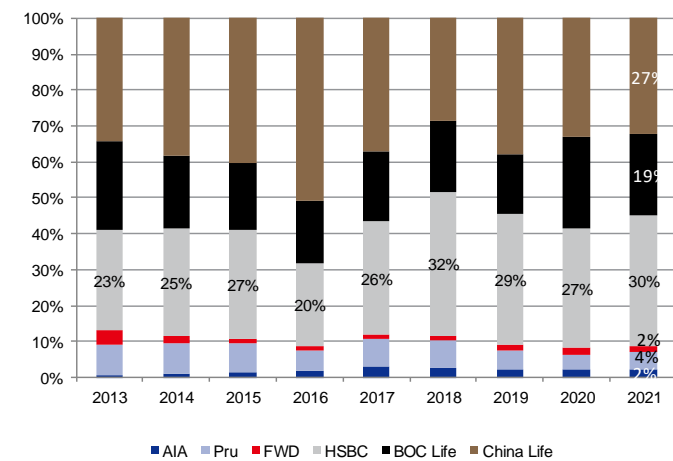
SOURCES: CGS-CIMB RESEARCH, IA

SOURCES: CGS-CIMB RESEARCH, IA

There seems to be significant further upside potential for growth for AIA's HK bancassurance channel given that its bancassurance market share was only 2% in 2021 (Fig 19).

Figure 19: Market share of the bancassurance channel for HK individual annualised new premiums (ANP)

Figure 20: Market share of the broker channel for HK individual annualised new premiums (ANP)

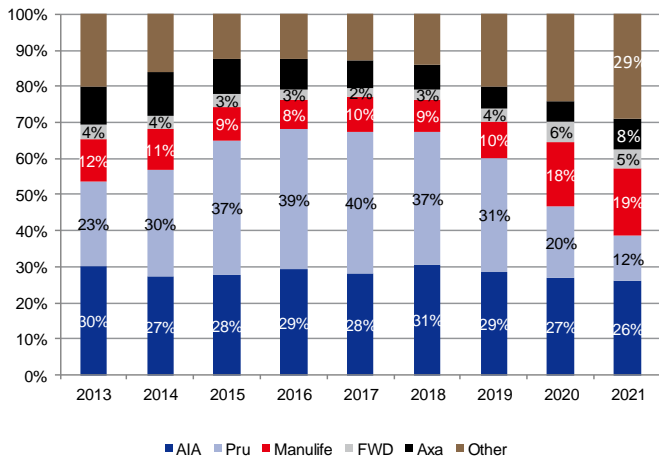


SOURCES: CGS-CIMB RESEARCH, IA

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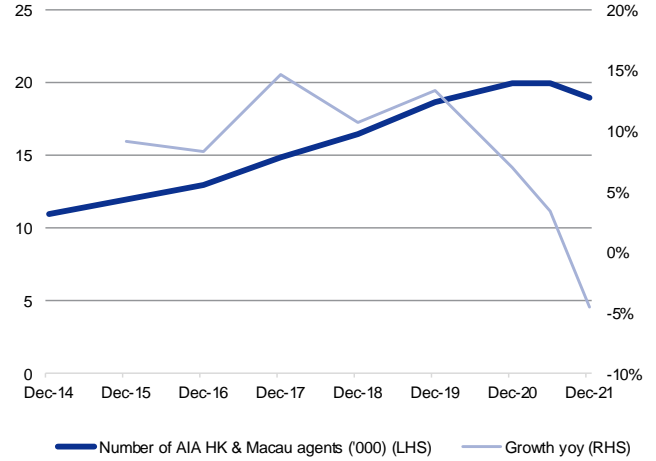
This is in contrast to its 26% market share of the agent channel in 2021, which was the largest in the HK market (Fig 21). Looking forward, a key concern is the adverse impact that Covid-19 is having on agency recruitment and retention. At the end of 2021, AIA had close to 19,000 agents in both HK and Macau, with this representing a fall of 5% yoy (Fig 22).

Figure 21: Market share of the agent channel for HK individual annualized new premiums (ANP)



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

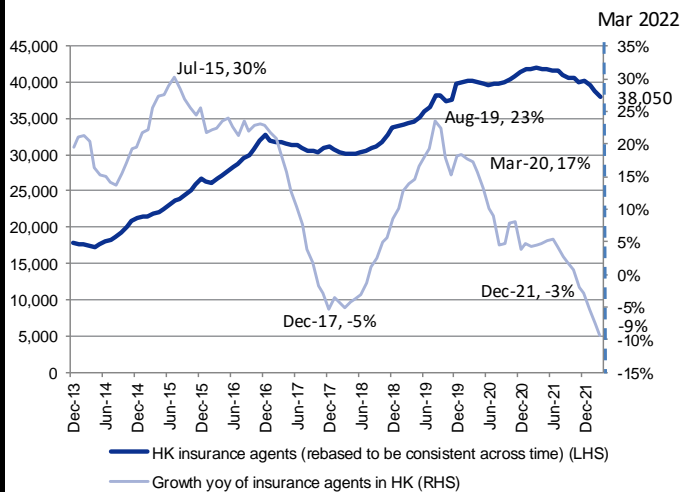
Figure 22: Number of AIA HK & Macau agents ('000) and their growth yoy



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

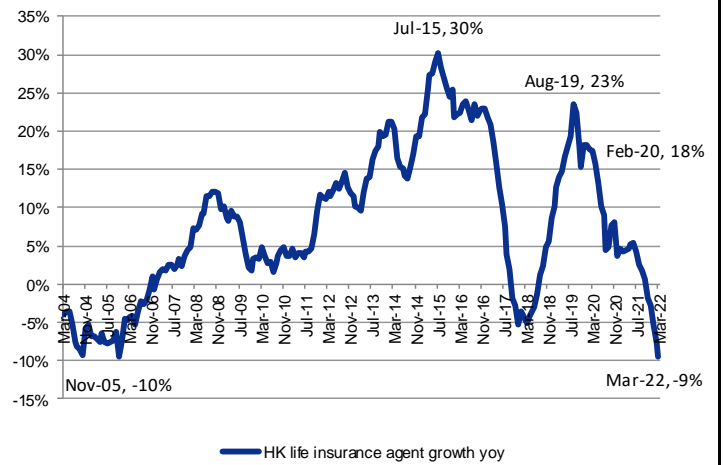
The problem of recruiting and retaining agents in HK is not just limited to AIA; the life insurance industry has been struggling with this issue for some time. As of the end of Mar 2022, life insurance agent numbers fell 9% yoy, a marked difference from their Aug 2019 peak of 23% yoy growth (it started falling due to HK protests around that time) and also from Mar 2020's 17% yoy growth (it started falling noticeably afterwards due to border controls at the start of the pandemic) (Fig 23). This fall in HK agent numbers of 9% yoy in Mar 2022 (an acceleration from Dec 2021's -3% yoy) is at a pace that has not been seen in more than sixteen years (Fig 24).

Figure 23: The growth of HK's life insurance agent numbers has slowed to a very low level of 4% yoy since peaking at 21% yoy in Mar 2020



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

Figure 24: HK life insurance agent numbers are falling yoy at a pace that has not been seen in more than sixteen years



SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

The life insurance industry in HK has seen month-on-month (mom) falls of agent numbers in eleven out of the twelve months leading up to Mar 2022 (Fig 25).

Figure 25: Dec 2019's mom growth of life insurance agents in HK was the third strongest since Apr 2003

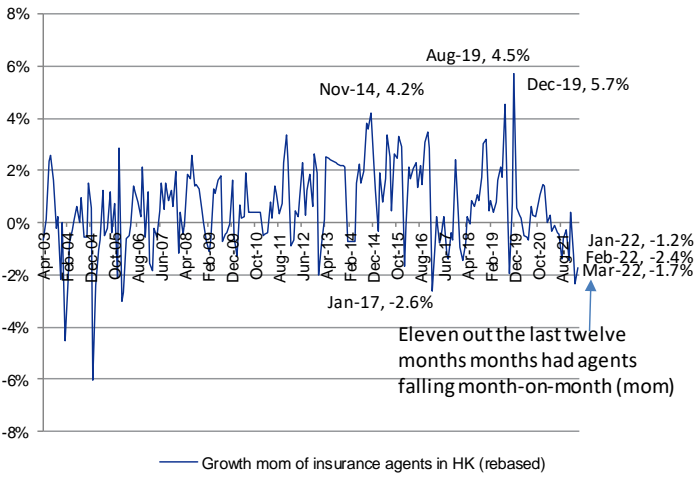
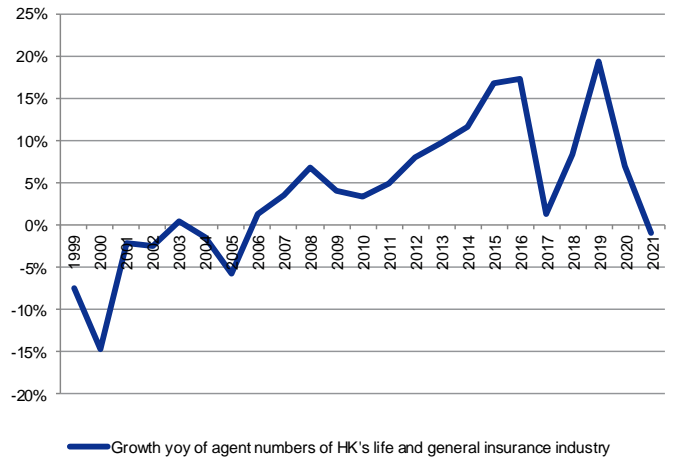


Figure 26: Growth yoy of agent numbers of HK's life and general insurance industry

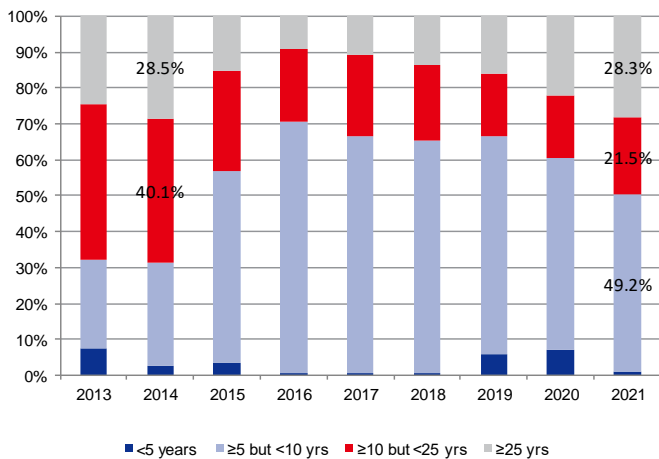


SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY, HONG KONG FEDERATION OF INSURERS

SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

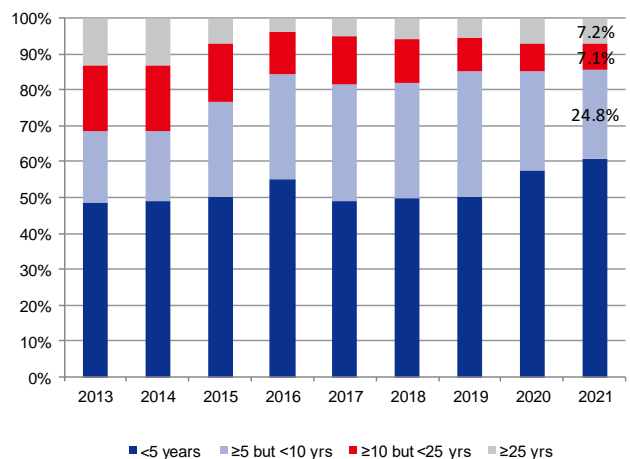
While AIA's 2021 new business regular premiums mix with premium duration of ten years and above improved by 10.3% pts yoy to 49.8% (Fig 27), well above the industry average and one of the highest in HK (Fig 30), it remains well below its 2014 peak of 68.5%. We thus believe that more scope exists for improved product mix to drive higher margins.

Figure 27: Premium duration structure of AIA's regular premiums (new business) for its HK individual life business



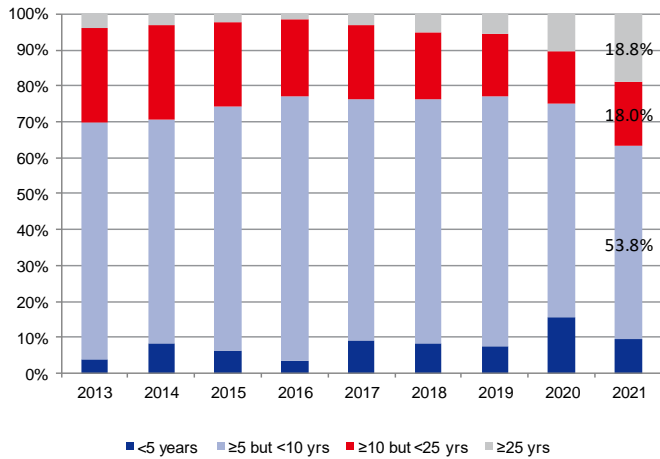
SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Figure 28: Premium duration structure of the HK life insurance industry's regular premiums (new business) for its individual life business



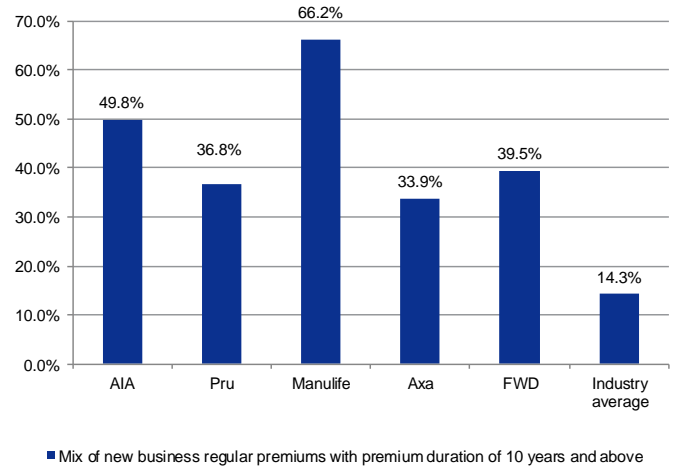
SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY (IA)

Figure 29: Premium duration structure of Pru's regular premiums (new business) for its HK individual life business



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

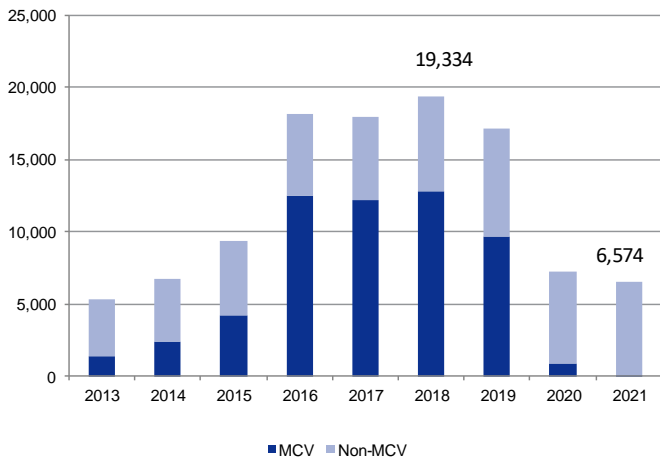
Figure 30: Proportion of new business regular premiums with premium duration of 10 years and above in 2021



SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

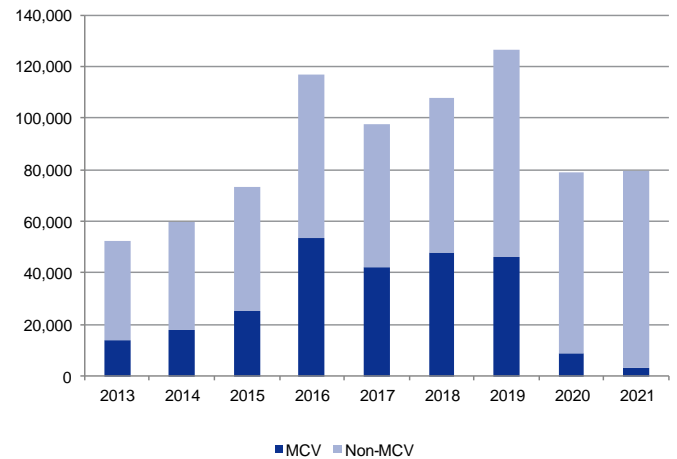
We also see more scope for reduced expense overruns boosting AIA's HK margins as its annualised new premiums (ANP) in 2021 were still 66% below 2018's levels (Fig 31).

Figure 31: AIA HK's ANP volumes by offshore (MCV) and onshore (non-MCV) customers (HK\$m)



SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Figure 32: Industry ANP volumes by offshore (MCV) and onshore (non-MCV) customers (HK\$m)



SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

It is worth noting that reduced acquisition and expense overruns was +1.3% in FY21, which is only about half of FY20's 2.5% fall (Fig 33).

Figure 33: VONB margin movement

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

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 34: VONB composition of AIA Group

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

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Changes to our earnings, VONB and EVPS estimates

We make minor cuts to our FY22F-24F EPS of 0.6% to 0.7%, mainly to reflect lower premium growth (primarily due to a worse-than-expected Covid-19 outbreak in mainland China). Our FY22F, FY23F and FY24F VONB estimates are reduced by 3.9%, 0.7% and 0.7% respectively, as we similarly reflect the adverse effects of a worse-than-expected Covid-19 outbreak in mainland China (Fig 35). We show our VONB growth assumptions by region over the 1Q22F-4Q22F period as well as over the FY22F-FY24F period in Fig 36.

Figure 35: Changes to our earnings forecasts

(US\$ m)	FY22F			FY23F			FY24F		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Net premiums, fee income & other oper. revenue	34,376	34,016	-1.0%	35,353	35,123	-0.7%	36,572	36,474	-0.3%
Investment income	11,553	11,553	0.0%	12,567	12,567	0.0%	13,732	13,732	0.0%
Total Revenue	45,928	45,569	-0.8%	47,920	47,690	-0.5%	50,304	50,205	-0.2%
Total expenses	38,122	37,804	-0.8%	39,310	39,134	-0.4%	40,773	40,742	-0.1%
OPAT attrib. to shareholders of AIA Group	6,604	6,569	-0.5%	7,285	7,239	-0.6%	8,065	8,008	-0.7%
Non operating items	-400	-400	0.0%	600	600	0.0%	601	601	0.0%
NPAT attrib to shareholders of AIA Group	6,204	6,169	-0.6%	7,885	7,839	-0.6%	8,666	8,609	-0.7%
EPS (US\$)	0.51	0.51	-0.6%	0.65	0.65	-0.6%	0.72	0.71	-0.7%
DPS (US\$)	0.19	0.19	-0.5%	0.21	0.21	-0.6%	0.24	0.23	-0.7%
BVPS (US\$)	5.32	5.32	0.0%	5.78	5.77	-0.1%	6.27	6.26	-0.1%
VONB per share (US\$)	0.29	0.28	-3.9%	0.35	0.35	-0.7%	0.42	0.42	-0.7%
EVPS (US\$)	6.51	6.50	-0.2%	7.12	7.11	-0.2%	7.82	7.80	-0.2%
ROE (%)	9.9%	9.9%	-0.1% pts	11.7%	11.7%	-0.1% pts	11.9%	11.8%	-0.1% pts
ROEV (%)	11.0%	10.8%	-0.2% pts	12.5%	12.5%	0.0% pts	12.8%	12.8%	0.0% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Covid-19 lockdowns have occurred in recent weeks in both Shenzhen (one-week lockdown over the period 13 Mar 2022 to 20 Mar 2022) and Shanghai (from 27 Mar 2022 to the present). Both these regions comprised about 25% of AIA China's gross written premiums (GWP) in 2019 (which is the latest date that we have a geographical breakdown of AIA China's operations) (Fig 37).

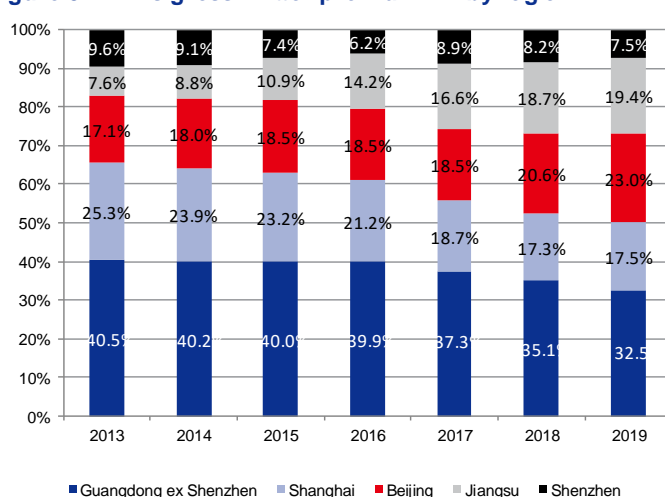
While AIA China has expanded into Tianjin, Hebei and Sichuan since mid-2019, we still estimate Shanghai and Shenzhen combined roughly comprised 25% of AIA China's FY21 GWP. We therefore decided to cut our FY22F VONB forecast by 3.9% given that China comprised 31% of AIA's group FY21 VONB.

Figure 36: VONB growth assumptions by region

	1Q22F	2Q22F	3Q22F	4Q22F	FY22F	FY23F	FY24F
Hong Kong	-30.0%	-30.0%	20.0%	20.0%	-5%	29%	24%
Thailand	10.0%	10.0%	10.0%	10.0%	10%	20%	18%
Singapore	10.0%	10.0%	10.0%	10.0%	10%	19%	17%
Malaysia	10.0%	10.0%	10.0%	10.0%	10%	15%	13%
China	-30.0%	-10.0%	10.0%	20.0%	-3%	26%	23%
Other Markets	8.0%	8.0%	8.0%	8.0%	8%	17%	16%
Total	-12.5%	-4.1%	11.6%	14.6%	1%	23%	20%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 37: AIA's gross written premium mix by region



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

Valuation and recommendation

We trim our target price from HK\$101 to HK\$100. Our target price is based on a Gordon Growth Model- (GGM) derived P/EV multiple, which we apply to FY22F embedded value per share (EVPS) (unchanged).

We value AIA Group using GGM, deriving a target P/EV multiple of 2.0x (unchanged), assuming COE of 8.3% (unchanged), terminal growth rate of 4.8% (unchanged), as well as a sustainable return on embedded value (ROEV) of 11.8% (previously 11.9%), based on the average ROEV of FY20-24F.

We then apply this to our FY22F EVPS estimate of US\$6.50 (previously US\$6.51), after converting at an assumed exchange rate of US\$/HK\$ of 7.79 (unchanged), to arrive at our target price of HK\$100 (previously HK\$101) (Fig 38).

Figure 38: Our valuation of AIA Group

	Old	New	% chg
Cost of equity	8.3%	8.3%	0.0% pts
Terminal growth rate	4.8%	4.8%	0.0% pts
Sustainable ROEV assumption (computed by taking the simple average of operating ROEV and ROEV (excluding forex movements), averaged over FY20 - FY24F)	11.9%	11.8%	-0.1% pts
Target P/EV	2.0x	2.0x	-0.8%
FY22F EVPS (US\$)	6.51	6.50	-0.2%
i.e. FY22F EVPS (HK\$)	50.71	50.62	-0.2%
US\$/HK\$ exchange rate	7.79	7.79	0.0%
Hence target price (HK\$)	101.00	100.00	-1.0%
FY22F VONB per share (US\$)	0.29	0.28	-3.9%
i.e FY22F VONB per share (HK\$)	2.28	2.19	-3.9%
Implied target new business multiple	22.0x	22.5x	2.2%
Current share price (HK\$)			84.40
Upside/ downside			18%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

We show in Fig 39 our embedded value forecasts up to FY24F.

Figure 39: AIA's embedded value across time

(US\$ m)	FY15	FY16	FY17	FY18	FY19	FY20	FY21F	FY22F	FY23F	FY24F
Opening EV	37,153	38,198	42,114	50,779	54,517	61,985	65,247	72,987	78,621	86,031
Value of new business	2,198	2,750	3,512	3,955	4,154	2,765	3,366	3,408	4,192	5,031
Expected return on EV	2,698	2,854	3,317	3,893	4,105	4,176	4,402	4,840	5,279	5,810
Operating experience variance	274	365	385	612	600	533	451	396	345	298
Operating assumption changes	-26	29	-81	-9	34	16	-14	-7	-4	-2
Finance costs on medium term notes	-76	-111	-136	-173	-208	-247	-309	-340	-374	-411
EV operating profit	5,068	5,887	6,997	8,278	8,685	7,243	7,896	8,297	9,438	10,725
Investment return variance	-1,804	-37	1,517	-2,218	517	-1,868	1,293	-719	188	196
Effect of change in economic assumptions	145	-236	-190	47	-254	-1,013	434	0	0	0
Other non operating variances	369	-22	-330	270	-78	-330	1,200	0	0	0
Total EV profit	3,778	5,592	7,994	6,377	8,870	4,032	10,823	7,578	9,626	10,921
Dividends	-814	-1,124	-1,376	-1,589	-1,961	-1,997	-2,147	-2,275	-2,383	-2,629
Other capital movements	-12	-5	134	-13	-111	63	-126	0	0	0
Effect of changes in exchange rates	-1,907	-547	1,265	-1,037	670	1,164	-810	332	166	83
Closing EV	38,198	42,114	50,131	54,517	61,985	65,247	72,987	78,621	86,031	94,406
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	6.50	7.11	7.80

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

AIA currently trades at a forward P/EV premium over other HK insurers under our coverage (average of 0.4x for FY22F). We believe this is justified given its lower risk profile, superior management quality, and track record for delivering consistent shareholder returns. As such, we reiterate our Add rating.

Figure 40: Sector comparison as of 8 Apr 2022

Ticker	Rec	Market Cap (US\$bn)	Price (Lcy)	Target Price (Lcy)	+/- (%)	P/EV (x)			VONB multiple (x)			P/BV (x)			Group ROEV (%)			
						FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F	
China Life	2628 HK	Add	96.16	12.26	15.00	22%	0.24x	0.22x	0.20x	-15.7x	-22.8x	-29.8x	0.6x	0.6x	0.5x	13.9	10.4	10.7
Ping An	2318 HK	Add	128.99	59.00	72.00	22%	0.65x	0.61x	0.58x	-13.1x	-19.4x	-21.7x	1.1x	1.0x	0.9x	8.7	7.4	10.1
CPIC	2601 HK	Add	31.78	19.58	29.00	48%	0.32x	0.29x	0.27x	-25.4x	-33.6x	-35.7x	0.7x	0.6x	0.6x	11.2	9.9	12.2
PICC P&C	2328 HK	Add	21.87	8.39	9.80	17%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.8x	0.7x	0.7x	n.a.	n.a.	n.a.
AIA	1299 HK	Add	123.82	84.40	100.00	18%	1.79x	1.67x	1.52x	17.2x	15.3x	10.7x	2.2x	2.0x	1.9x	15.3	10.8	12.5
NCI	1336 HK	Add	14.69	22.90	30.30	32%	0.22x	0.21x	0.19x	-30.3x	-39.6x	-40.5x	0.5x	0.5x	0.4x	12.6	9.8	9.2
HK-listed weighted average							0.86x	0.81x	0.74x	-5.8x	-11.2x	-15.3x	1.2x	1.1x	1.0x	12.4	9.5	11.1
HK-listed weighted average ex AIA							0.44x	0.41x	0.39x	-16.4x	-23.3x	-27.2x	0.9x	0.8x	0.7x	11.0	8.9	10.5

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

CPIC: China Pacific Insurance Company; NCI: New China Life Insurance; PICC P&C: PICC (The People's Insurance Company of China) Property & Casualty



Potential re-rating catalysts are the announcement of an Insurance Connect (see [The importance of being connected](#), dated 10 Jul 2020), the announcement of a Greater Bay Area travel bubble ([And so it begins](#), dated 19 Jun 2020) as well as the announcement of further regulatory approvals to expand into new regions in China (see [New frontiers](#), dated 2 Feb 2019). An earlier-than-expected peak in Covid-19 infections is another potential re-rating catalyst.

Figure 41: Key financial data

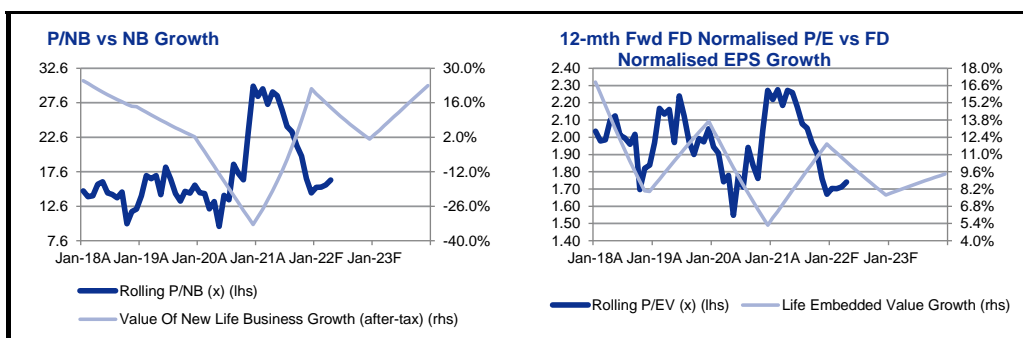
(Yr-end 30 Nov for FY15-FY17/ Yr-end 31 Dec for FY18-19A and FY20F-FY21F)

	2018A	2019A	2020A	2021A	2022F	2023F	2024F
Summary							
EPS (US\$)	0.26	0.50	0.48	0.62	0.51	0.65	0.71
Operating EPS (US\$)	0.47	0.47	0.49	0.53	0.54	0.60	0.66
P/E ratio (x) (oper. EPS)	23.0	23.1	22.1	20.5	20.0	18.2	16.4
EPS growth (%)	-48.4%	88.7%	-3.5%	28.5%	-17.0%	27.1%	9.8%
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	5.32	5.77	6.26
P/BV (x)	3.37	2.40	2.08	2.18	2.05	1.89	1.74
EV per share (US\$)	4.51	5.13	5.39	6.03	6.50	7.11	7.80
Growth of EV per share	9%	14%	5%	12%	8%	9%	10%
ROEV	10.5%	17.5%	8.4%	15.3%	10.8%	12.5%	12.8%
Price/EV (x)	2.41	2.12	2.02	1.80	1.68	1.53	1.40
VONB per share (US\$)	0.34	0.34	0.23	0.28	0.28	0.35	0.42
Growth of VONB per share	16%	2%	-33%	22%	1%	23%	20%
NB multiple	18.9	16.8	24.0	17.5	15.6	10.9	7.4
Profit & Loss (US\$m)							
Net premium	32,222	32,896	33,666	34,770	34,016	35,123	36,474
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	45,569	47,690	50,205
Insurance-related expenses	31,180	31,972	32,748	34,039	33,937	35,112	36,498
Other operating-related expenses	2,877	3,050	3,353	3,786	3,867	4,022	4,243
Underwriting income	6,893	6,773	6,963	7,576	7,765	8,556	9,464
Share of P/L from associates	0	(8)	(17)	(11)	(11)	(11)	(11)
Operating profit/(loss)	6,893	6,765	6,946	7,565	7,754	8,545	9,453
Operating profit after tax (OPAT)	5,731	5,734	5,986	6,455	6,616	7,291	8,066
OPAT attrib to shareholders of AIA Group	5,684	5,689	5,942	6,409	6,569	7,239	8,008
Non operating items	(2,521)	290	(163)	1,018	(400)	600	601
Net profit after tax	3,163	5,979	5,779	7,427	6,169	7,839	8,609
Balance sheet (US\$m)							
Assets							
Investment assets (excluding unit linked)	171,337	212,742	247,408	253,585	275,850	301,419	329,359
Investment assets (including unit linked)	23,938	31,456	36,302	40,059	46,230	53,352	61,572
Other assets	34,531	39,934	42,411	46,230	48,677	50,995	53,181
Total assets	229,806	284,132	326,121	339,874	370,756	405,767	444,112
Liabilities							
Insurance contract liabilities	164,764	192,181	223,071	239,423	261,692	284,196	306,081
Investment contract liabilities	7,885	12,273	12,881	11,860	12,448	13,064	13,711
Borrowings	4,954	5,757	8,559	9,588	14,255	21,192	31,507
Other liabilities	12,797	18,526	17,942	18,069	17,499	16,948	16,414
Total liabilities	190,400	228,737	262,453	278,940	305,894	335,401	367,713
Net assets	39,406	55,395	63,668	60,934	64,863	70,366	76,400
Equity attributable to shareholders	39,006	54,947	63,200	60,467	64,366	69,827	75,814
Ratio and growth analysis							
ROA	1.4%	2.3%	1.9%	2.2%	1.7%	2.0%	2.0%
ROE	7.8%	12.7%	9.8%	12.0%	9.9%	11.7%	11.8%
Payout ratio	60.0%	32.7%	36.4%	30.4%	37.6%	32.6%	32.9%
Growth in net earned premium	25.3%	2.1%	2.3%	3.3%	-2.2%	3.3%	3.8%
Growth in operating profit after tax & minorities	22.3%	0.1%	4.4%	7.9%	2.5%	10.2%	10.6%
Asset portfolio mix	100%	100%	100%	100%	100%	100%	100%
- Fixed interest assets	83%	82%	83%	80%	80%	80%	80%
- Equity securities & interest in investment funds	11%	12%	13%	15%	15%	15%	15%
- Others	5%	5%	5%	5%	5%	5%	5%
Average investment income yield	5.4%	5.2%	4.4%	4.3%	4.6%	4.6%	4.6%
Insurance-related expense ratio	76.1%	76.5%	76.0%	75.0%	74.5%	73.6%	72.7%
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%	2.5%	10.2%	10.6%
Growth of net profit after tax and minorities	-48.3%	89.0%	-3.3%	28.5%	-16.9%	27.1%	9.8%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Refinitiv ESG Scores	
	
ESG in a nutshell	
<p>AIA received a B+ rating for its combined ESG score from Refinitiv in 2020. According to its 2021 ESG report, its MSCI ESG rating was AA in 2021 (2020: A; 2019: BBB). AIA’s ambition is to be a global industry leader in ESG, shaping a sustainable future for the communities it serves, and creating long-term value for all its stakeholders. The company’s ESG strategy is realised by improving healthcare standards and wellness levels, by green operations, driving sustainable investing, supporting people culture, and effective governance. AIA proactively practises green operations, including: 1) increased digitalisation and automation to reduce the use of paper and need for business travel; 2) reduced carbon footprint; and 3) ensuring that all new buildings adhere to industry-recognised green building standards. AIA has stated that it will continue to help its customers live healthier, longer and better lives, and in doing so, make a positive difference to the sustainable development of its business.</p>	
<p>Keep your eye on</p> <p>According to Bloomberg, environment groups SumOfUs and Insure Our Future have urged AIA to divest its assets in coal and join 65 industry peers that have done so. AIA, subsequently, in its 2020 ESG report pledged to divest and/or run off its entire directly-managed equity and fixed income exposure to coal mining and coal-fired power businesses. On 7 Dec 2021, it announced that it has achieved this. AIA also stated that it would no longer make new investments in businesses involved directly in either mining coal or generating electricity from coal. In addition, the company announced on 7 Dec 2021 its commitment to achieve net-zero greenhouse gas emissions by 2050. It has also committed to the Science Based Targets Initiative (SBTi), a global body enabling businesses to set ambitious emission reduction targets in line with the latest climate science.</p>	<p>Implications</p> <p>We see this as a positive move which should catalyse a further improvement in AIA’s ESG ratings and also valuation.</p>
<p>ESG highlights</p> <p>According to AIA’s 2021 ESG report, its Carbon Disclosure Project (CDP) score for climate change performance was B, down from A- in 2020. In the same report, AIA also stated that Sustainalytics placed it in the second percentile of companies in the insurance industry for two years running and AIA received the 2022 Industry Top-Rated Badge as well as a brand new Regional Top-Rated Badge from Sustainalytics.</p>	<p>Implications</p> <p>AIA has an excellent ESG track record, according to CDP, MSCI and Sustainalytics, and we believe that this may not be adequately reflected in its valuation.</p>
<p>Trends</p> <p>AIA’s Refinitiv combined ESG score has been relatively stable over 2018-20 at B+, after rising from a B rating in 2017 and 2016. Its Refinitiv Environmental pillar score rose to C+ in 2019 and 2020 from C over the 2016-18 period. Its Social pillar score has been constant at B over the 2016-20 period. Its Governance pillar score in 2020 was A+ and has remained at that level since 2019 (2018: A-; 2016 and 2017: B+). Its ESG controversies score has consistently ranked A+ over the 2016-20 period.</p>	<p>Implications</p> <p>Given the higher ESG scores awarded by MSCI, CDP and Sustainalytics compared to Refinitiv, we see scope for AIA to improve its Refinitiv combined ESG score.</p>
<small>SOURCES: CGS-CIMB RESEARCH, REFINITIV</small>	

BY THE NUMBERS



Profit & Loss

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue	33,666	34,770	34,016	35,123	36,474
Total Claims and Changes in Reserves	(32,748)	(34,039)	(33,937)	(35,112)	(36,498)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(2,435)	(3,055)	(3,788)	(4,011)	(4,268)
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	(2,435)	(3,055)	(3,788)	(4,011)	(4,268)
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)	(3,799)	(4,022)	(4,279)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Post-Tax Oper. Earnings - Life/Other Biz					
Head Office Costs					
Non-Operating Income/(Expense)	0	0	0	0	0
Net Interest Income	0	0	0	0	0
Investment Income on Shareholders Fund	9,398	10,631	11,553	12,567	13,732
Other Income	(163)	1,018	(400)	600	601
Exceptional Items					
Pre-tax Profit	6,783	8,583	7,354	9,145	10,054
Taxation	(960)	(1,110)	(1,138)	(1,254)	(1,387)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	5,823	7,473	6,216	7,891	8,667
Minority Interests	(44)	(46)	(47)	(52)	(57)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	5,779	7,427	6,169	7,839	8,609

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%)	(100%)
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%	11.6%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(87.3%)	(87.0%)	(88.4%)	(88.5%)	(88.4%)
Underwriting Profit Margin (life & Health)	(7.2%)	(8.8%)	(11.1%)	(11.4%)	(11.7%)
Operating Profit Margin (life & Health)	(7.3%)	(8.8%)	(11.2%)	(11.5%)	(11.7%)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet					
(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Fixed Assets					
Intangible Assets	0	0	0	0	0
Other Long Term Assets	326,121	339,874	370,756	405,767	444,112
Total Non-current Assets	326,121	339,874	370,756	405,767	444,112
Total Cash And Equivalents	0	0	0	0	0
Trade Debtors					
Other Current Assets	0	0	0	0	0
Total Current Assets	0	0	0	0	0
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding	223,071	239,423	261,692	284,196	306,081
Other Current Liabilities	0	0	0	0	0
Total Current Liabilities	223,071	239,423	261,692	284,196	306,081
Total Long-term Debt	8,559	9,588	14,255	21,192	31,507
Hybrid Debt - Debt Component					
Other Liabilities	30,823	29,929	29,947	30,012	30,125
Total Non-current Liabilities	39,382	39,517	44,202	51,204	61,632
Total Technical & Other Provisions	0	0	0	0	0
Total Liabilities	262,453	278,940	305,894	335,401	367,713
Shareholders' Equity	63,200	60,467	64,366	69,827	75,814
Minority Interests	468	467	497	539	586
Total Equity	63,668	60,934	64,863	70,366	76,400
Life Embedded Value	65,247	72,987	78,621	86,031	94,406

Key Ratios					
	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	2.34%	3.28%	(2.17%)	3.25%	3.85%
Operating Profit Growth (Life & Health)	14.9%	25.0%	23.9%	5.9%	6.4%
Value Of New Life Business Growth (after-tax)	(33.4%)	21.7%	1.3%	23.0%	20.0%
Life Embedded Value Growth	5.3%	11.9%	7.7%	9.4%	9.7%
Pre-tax Margin	20.1%	24.7%	21.6%	26.0%	27.6%
Net Profit Margin	17.2%	21.4%	18.1%	22.3%	23.6%
Effective Tax Rate	14.2%	12.9%	15.5%	13.7%	13.8%
Net Dividend Payout Ratio	36.4%	30.4%	37.6%	32.6%	32.9%
Return On Average Assets	1.91%	2.24%	1.75%	2.03%	2.04%
Net Gearing	11.9%	13.7%	18.1%	23.3%	29.4%
Financial Leverage	5.17	5.39	5.69	5.79	5.84
Equity / Assets	19.4%	17.8%	17.4%	17.2%	17.1%

Key Drivers					
	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
VONB growth (%)	-33.4%	21.7%	1.3%	23.0%	20.0%
Embedded value growth (%)	5.3%	11.9%	7.7%	9.4%	9.7%
Insurance-related expenses / Net premiums & other	1.0	1.0	1.0	1.0	1.0
Operating-related expenses/ Total revenue (%)	7.8%	8.3%	8.3%	8.2%	8.2%
Effective tax rate (of operating profit only) (%)	13.8%	14.7%	14.7%	14.7%	14.7%
Dividend payout ratio (based on operating profits)	0.4	0.4	0.4	0.4	0.4

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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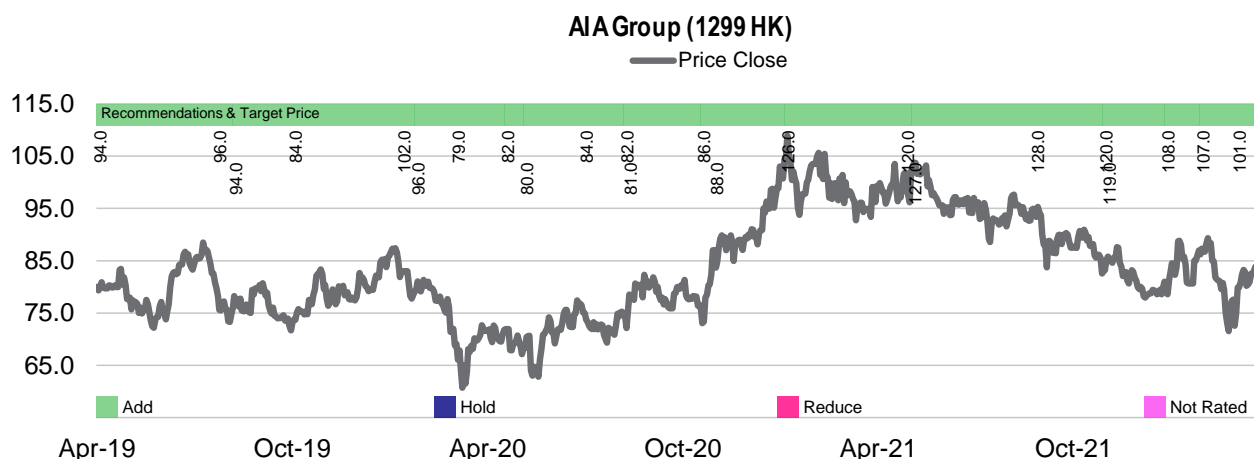
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

