

Hong Kong

ADD (no change)

Consensus ratings*: Buy 19 Hold 3 Sell 0

Current price:	HK\$102.9
Target price:	HK\$144.7
Previous target:	HK\$144.7
Up/downside:	40.6%
CGS-CIMB / Consensus:	-8.8%
Reuters:	2378.HK
Bloomberg:	2378 HK
Market cap:	US\$36,059m
	HK\$282,904m
Average daily turnover:	US\$1.92m
	HK\$14.85m
Current shares o/s:	2,609m
Free float:	100.0%

*Source: Bloomberg

Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.3	-4.4	-36
Relative (%)	4.7	-6.7	-10.8

Major shareholders

	% held
Blackrock	8.2

Analyst(s)



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Prudential PLC

Investor feedback post roadshow

- We hosted a group investor call with Prudential (Pru), where Pru highlighted its heavy focus on health and protection and its strong presence across Asia.
- We think Pru benefitted from rising HK margins in 1Q22 amidst an improved product mix and rising rates, helping to offset premium weakness.
- Key investor concerns remain its low HK free float, EV computations, its new CEO only starting in Feb 2023 and its dual head office structure.
- Reiterate an Add rating and unchanged TP of HK\$144.7.

Rising HK margins could help offset 1Q22 premium weakness

We think Pru saw rising new business profit (NBP) margins in 1Q22F amidst an improved product mix and higher rates for Hong Kong (HK), its biggest market by NBP (Fig 1). This could have at least partially offset 1Q22 premium weakness, given that 1Q22's domestic system annualised new premiums (ANP) fell more during HK's fifth wave than the onset of the pandemic in 2020 (see [HK fifth-wave damage worse than 2020](#), 1 Jun 2022). Margins had also risen among peers, with AIA's rising 1Q22 margins more than offsetting its 30% yoy HK ANP fall (Fig 3), leading to rising 1Q22 HK NBP (see [Moving past the worst quarter](#), 29 Apr 2022). Manulife also saw 1Q22 NBP margins rise yoy (Fig 6).

China: Tough base for growth, but bancassurance exposure helps

A high base makes 1Q22 NBP growth for mainland China very difficult to achieve for Pru, as 1Q21 NBP rose 234% yoy (Fig 7). While we see notable China NBP margin pressure due to shifts in product and distribution mix as well as lower bond yields, we are encouraged by Citic-Pru reporting that 1Q22 ANP fell only 7% yoy, with agent ANP -23% yoy and bancassurance +1% yoy (Fig 9). This is consistent with our belief that the bancassurance channel is more resilient amidst Covid-19 outbreaks than the agent channel. We believe bancassurance comprised a relatively high 56% of its China NBP in FY21 (Fig 11). Pru's geographically diversified China presence also leaves it relatively less exposed to coastal region Covid-19 lockdowns compared to some foreign peers.

Many areas to work on to close the valuation gap to peers

We had pointed out in [Tailwinds add up: initiate with an Add](#), 18 May 2022, that there were many areas that represent potential tailwinds over the short, medium and long term, should Pru manage to successfully address them. During our investor call with Pru, investors again highlighted their concerns over Pru's low HK free float, when and if Pru could consider disclosing traditional embedded value (EV), its dual head office structure plus duplication of costs and the fact that the new CEO only starts in Feb 2023 (see [Announcement of new CEO based in HK](#), 25 May 2022).

Reiterate Add rating; TP unchanged at HK\$144.7

We value Pru on an SOP basis, via a blend of P/EV and P/BV GGM for its subsidiaries (Fig 19). Potential near-term catalysts: Macau licence approval and improved capital ratios. Downside risks: Covid-19 outbreaks, a global recession and lower interest rates.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Premium (US\$m)	23,495	24,217	27,224	29,385	33,600
Investment And Other Income (US\$m)					
Net Premium (US\$m)	23,495	24,217	27,224	29,385	33,600
Net Profit (US\$m)	2,118	(2,042)	2,066	3,201	3,513
Normalised EPS (US\$)	0.95	0.83	0.75	1.16	1.27
Normalised EPS Growth	26.0%	(11.9%)	(9.8%)	54.2%	9.2%
FD Normalised P/E (x)	13.86	15.72	17.44	11.31	10.36
P/NB (x)	(3.90)	(3.41)	(4.44)	(4.96)	(5.29)
DPS (US\$)	0.16	0.17	0.15	0.16	0.16
Dividend Yield	1.23%	1.31%	1.15%	1.24%	1.25%
P/EV (x)	0.80	0.81	0.76	0.70	0.65
P/BV (x)	1.64	2.11	1.94	1.71	1.51
ROE	12.2%	11.5%	11.5%	15.9%	15.3%
Normalised EPS/consensus EPS (x)			0.86	1.13	1.11

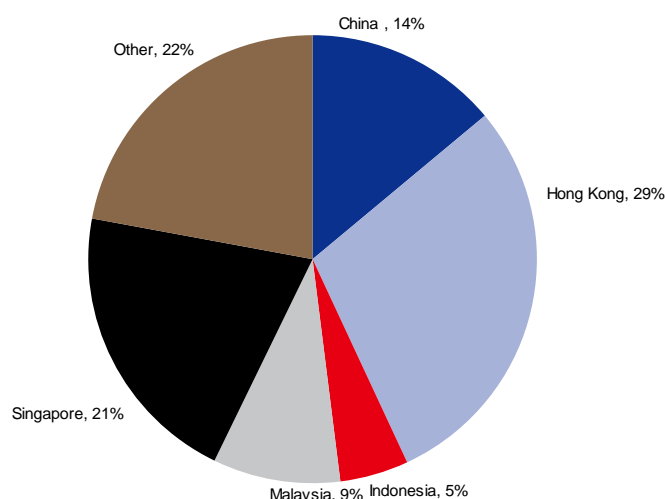
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Investor feedback post roadshow

We believe 1Q22 HK margins rose yoy

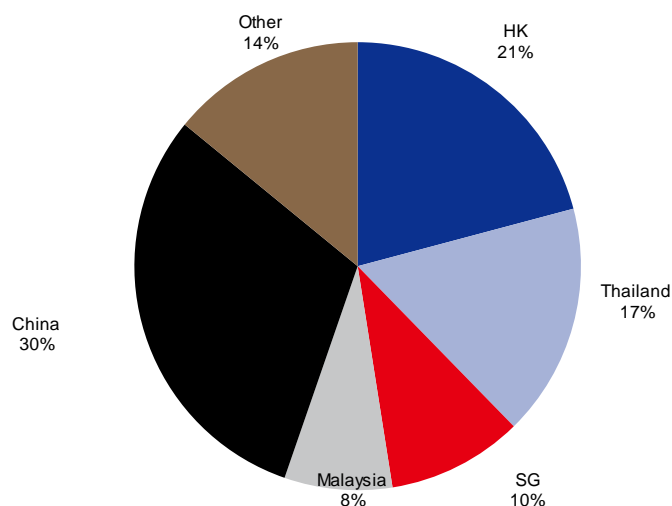
We think Pru saw rising new business profit (NBP) margins yoy in 1Q22 amidst an improved product mix and higher rates for Hong Kong (HK), its biggest market by NBP (Fig 1).

Figure 1: Pru's NBP mix (FY21)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Geographical value of new business (VONB) composition for AIA (FY21)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

This could have at least partially offset 1Q22 premium weakness, given 1Q22's domestic system annualised new premiums (ANP) fell more during HK's fifth wave than the onset of the pandemic in 2020 (see [HK fifth-wave damage worse than 2020](#), 1 Jun 2022). Margins had also risen among peers, with AIA's rising 1Q22 margins more than offsetting its 30% yoy HK ANP fall (Fig 3), leading to rising 1Q22 HK NBP (see [Moving past the worst quarter](#), 29 Apr 2022).

Figure 3: Total quarterly annualised new premium (ANP) growth yoy in HK

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

SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

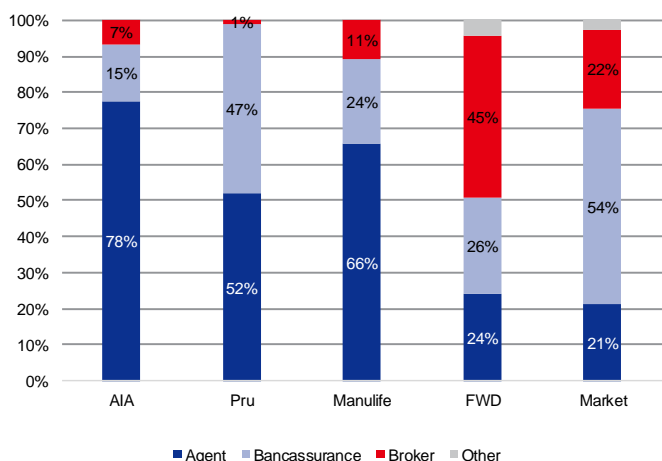
Figure 4: Agent ANP growth yoy in HK

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

SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Manulife also saw 1Q22 NBP margins rise yoy (Fig 6).

Figure 5: 1Q22 ANP mix for selected insurers



SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Figure 6: Key Manulife statistics for the HK business in 1Q22

	1Q22
Manulife's HK new business value	116
Growth yoy	-20%
Manulife's HK ANP	168
Growth yoy	-23%
Manulife's HK new business value margin	69.1%
Change yoy (%-pts terms)	3%-pts
Change yoy (% growth terms)	5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

A high base makes 1Q22 NBP growth for mainland China very difficult to achieve for Pru, as 1Q21 NBP rose 234% yoy on an actual exchange rate basis (Fig 7) and 211% on a constant exchange rate basis (Fig 8).

Figure 7: Pru's NBP performance in 2021

	1Q21	2Q21	1H21	2H21	FY21
China	234%	-31%	80%	-13%	31%
Hong Kong	-37%	23%	-13%	-1%	-6%
Indonesia	-22%	-9%	-16%	-22%	-19%
Malaysia	69%	59%	64%	-15%	11%
Singapore	19%	179%	75%	41%	53%
Growth markets and other	56%	43%	49%	12%	27%
Total Asia and Africa operations	24%	35%	29%	5%	15%
Total Asia and Africa insurance operations ex HK	70%	40%	56%	8%	27%
Percentage contribution from China to group NBP	28%	9%	19%	9%	14%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Due to 1Q21's extremely strong NBP growth from mainland China, mainland China comprised a very high 28% of group NBP in 1Q21 (2Q21: 9%; 1Q20: 11%). Such a high weighting thus has significant potential to be a drag on 1Q22F's NBP growth for Pru at the group level.

2Q22F NBP yoy for Pru in China should be easier as base effects ease, given that 2Q21 NBP in China fell 31% yoy for Pru on an actual exchange rate basis and fell 39% yoy on a constant exchange rate basis (Fig 8).

Figure 8: VONB performance of AIA's key competitors across the Asia region

(US\$ m)	2Q21	2Q21		1Q21		1H21	1H21	
		Growth AER	Growth CER	Growth AER	Growth CER		Growth AER	Growth CER
China								
Prudential	51	-31%	-39%	234%	211%	228	80%	65%
AIA	n.a.	n.a.	n.a.	n.a.	n.a.	738	24%	15%
Hong Kong								
Prudential	169	23%	24%	-37%	-37%	306	-13%	-13%
Manulife	148	45%	46%	19%	18%	293	31%	31%
AIA	n.a.	n.a.	n.a.	n.a.	n.a.	313	2%	2%
Singapore								
Prudential	120	179%	161%	19%	14%	215	75%	65%
Great Eastern	92	125%	113%	32%	27%	163	73%	65%
AIA	n.a.	n.a.	n.a.	n.a.	n.a.	176	39%	32%
Malaysia								
Prudential	54	59%	54%	69%	64%	113	64%	59%
Great Eastern	46	10%	5%	40%	38%	111	26%	21%
Indonesia								
Prudential	29	-9%	-12%	-22%	-22%	57	-16%	-17%
Thailand								
AIA	n.a.	n.a.	n.a.	n.a.	n.a.	312	57%	52%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

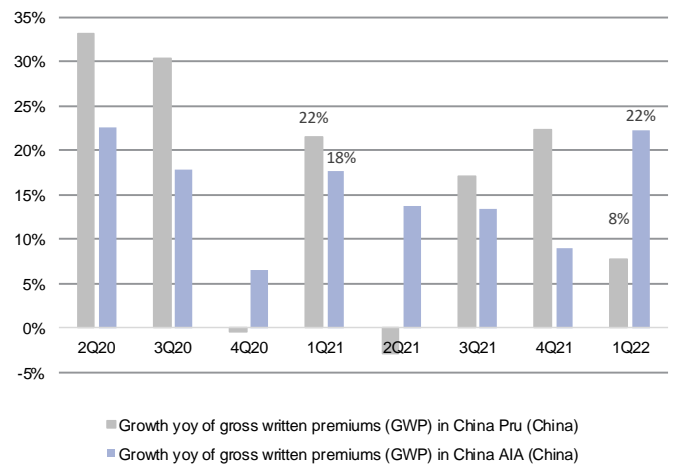
While we see notable China NBP margin pressure due to shifts in product and distribution mix as well as lower bond yields, we are encouraged by Citic-Pru reporting that 1Q22 ANP fell only 7% yoy, with agent ANP -23% yoy and bancassurance +1% yoy (Fig 9).

Figure 9: CITIC-Pru's annualised new premium volumes (ANP) in 1Q22, based on CITIC-Pru's regulatory disclosures

Rmb m	1Q22	1Q21	Growth yoy
Bancassurance ANP	2,170	2,149	1%
Agent ANP	1,220	1,584	-23%
Group ANP	480	449	7%
Total ANP	3,870	4,182	-7%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 10: Growth yoy of gross written premiums (GWP) in China for Pru and AIA



This is consistent with our belief that the bancassurance channel is more resilient amidst Covid-19 outbreaks than the agent channel. We estimate that bancassurance comprised a relatively high 56% of its China NBP in FY21 (Fig 11).

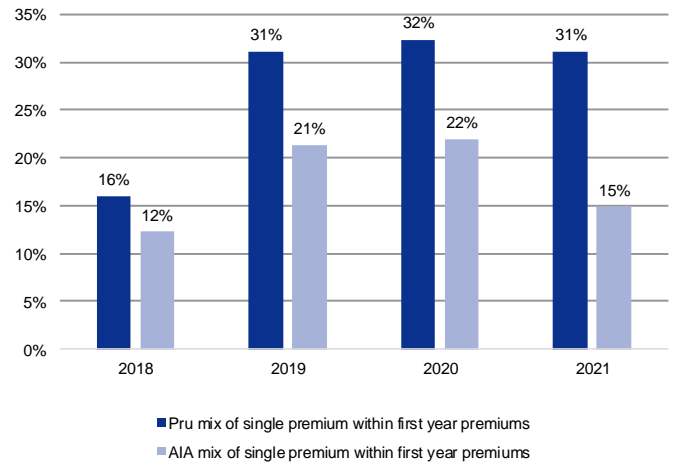
Pru's geographically diversified China presence (it has a presence in 20 provinces/municipalities and 99 cities) also leaves it relatively less exposed to coastal region Covid-19 lockdowns compared to some of its foreign insurer peers.

Figure 11: Mix of Pru's China NBP by distribution channel and product type

	FY19	FY20	FY21
NBP mix by distribution channel			
Agency	67%	46%	39%
Bancassurance	27%	51%	56%
Other	6%	3%	6%
Total	100%	100%	100%
NBP mix by product type			
Traditional	26%	43%	48%
Par	19%	9%	4%
H&P	48%	37%	25%
Linked	7%	11%	23%
Total	100%	100%	100%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 12: China's mix of single premium within first year premiums for AIA and Pru



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Some investors were concerned about Pru's falling agent numbers in mainland China, which as of end-2021, had fallen more than 50% from its peak.

This is in part due to a greater focus on agent productivity. For example, we estimate that Pru's NBP per average agent rose 43% yoy to Rmb78,902 in FY21 (Fig 13).

Figure 13: NBP per average agent (Rmb)

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

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 14: NBP margins of the China business of Pru and AIA across time

	Pru's NBP margin	AIA's NBP margin
FY13	34.0%	66.4%
FY14	25.7%	83.1%
FY15	21.2%	83.5%
FY16	31.6%	86.4%
FY17	45.3%	85.5%
FY18	49.4%	90.0%
FY19	44.4%	93.5%
FY20	46.2%	80.9%
FY21	45.4%	78.9%
1H19	36.0%	93.2%
2H19	56.9%	93.9%
1H20	39.8%	81.8%
2H20	52.7%	79.4%
1H21	50.9%	82.1%
2H21	39.8%	73.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

It is worth noting that a more normal level of NBP margins for Pru in China in the first half of the year has been below 40%, with 1H19's NBP margin at 36%, while 1H20's NBP margin was 39.8%. With 1H21's NBP margin rising substantially (28% yoy in growth terms) to 50.9%, it should be no surprise to investors that there can be substantial margin pressure yoy in 1H22F for Pru in China.

As mentioned earlier, lower bond yields could also exert pressure on Pru's China margins. In particular, we believe that Pru's margins could be more sensitive to falling bond yields if its mix of health and protection (H&P) is low. Its mix of H&P in mainland China was only 20% in FY21 (Fig 16), which is lower than many of its other regions, and hence we believe lower bond yields may disproportionately and adversely impact its China NBP margins in 1H22F.

Figure 15: Mix of single premiums to total first-year premiums

	FY18	FY19	FY20	FY21
HK				
AIA	53%	49%	68%	80%
Pru	17%	16%	20%	63%
Mainland China				
AIA	12%	21%	22%	15%
Pru	26%	58%	69%	75%
Singapore				
AIA	84%	77%	79%	79%
Pru	72%	69%	76%	83%
Malaysia				
AIA	38%	42%	43%	43%
Pru	26%	39%	21%	14%
Thailand				
AIA	33%	24%	28%	47%
Pru	70%	58%	42%	41%
Indonesia				
Pru	49%	45%	48%	53%
Vietnam				
Pru	12%	9%	8%	19%
Taiwan				
Pru	62%	66%	35%	31%
India				
Pru	28%	39%	59%	59%
Philippines				
Pru	34%	25%	27%	35%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 16: Key 2021 data for Prudential

	Agent numbers	H&P APE mix
China	17,800	20%
HK	21,600	28%
Indonesia	198,100	71%
Singapore	5,200	22%
Malaysia	24,500	48%
Thailand	1,700	23%
Vietnam	26,100	16%
Philippines	31,300	30%
India	199,600	20%
Taiwan	n.a.	2%
Cambodia	4,900	100%
Laos	n.a.	10%
Myanmar	n.a.	89%
Africa	13,000	n.a.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Another area of investor interest was whether the incoming new CEO (see [Announcement of new CEO based in HK](#), dated 25 May 2022) would be heavily incentivised by new business profits.

While it may be too early to say what the key performance indicators (KPI) of the new CEO could be, we point out that new business profit has been markedly rising in terms of its importance among senior management KPI. Pru has disclosed in its annual reports that NBP has risen from only a 15% weighting in 2020 to a 45% weighting in 2022 (Fig 17).

Figure 17: Mix of key performance indicators (KPI) that determine Group financial bonus targets for its Annual Incentive Plan (AIP)

	2017	2018	2019	2020	2021	2022
New business profit	15%	15%	15%	15%	35%	45%
Adjusted operating profits	35%	35%	35%	35%	25%	25%
Operating free surplus	30%	30%	30%	30%	30%	20%
Business unit remittances	20%	20%	20%	20%	10%	10%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 18: Mix of key performance indicators (KPI) that determine Pru's group financial bonus targets for its Prudential Long Term Incentive Plan (PLTIP) for Executive Directors

	2018	2019	2020	2021	2022
Relative total shareholder return (TSR)	25%	50%	50%	50%	50%
ROE	n.a.	30%	30%	n.a.	n.a.
Sustainability	n.a.	20%	20%	20%	20%
of which ESG metrics	n.a.	n.a.	n.a.	n.a.	10%
Return on embedded value	n.a.	n.a.	n.a.	30%	30%
Balanced scorecard of strategic measures	25%	n.a.	n.a.	n.a.	n.a.
Operating profits	50%	n.a.	n.a.	n.a.	n.a.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

We had pointed out in [Tailwinds add up; initiate with an Add](#), 18 May 2022, that there were many areas that represent potential tailwinds over the short, medium and long term, should Pru manage to successfully address them.

During our investor call with Pru, investors again highlighted their concerns over Pru's low HK free float, when and if Pru could consider disclosing traditional embedded value (EV), its dual head office structure plus duplication of costs and the fact that the new CEO only starts in Feb 2023 (see [Announcement of new CEO based in HK](#), 25 May 2022).

On HK's low free float, we continue to believe that the free float could remain very low until Pru is admitted in the Hang Seng Composite Index (HSCI), which as we argued in [Tailwinds add up; initiate with an Add](#), 18 May 2022, could take place in Mar 2023, given that Pru needs to meet a minimum turnover velocity requirement in at least ten of the past twelve months.

We understand that Pru is undertaking efforts to raise its profile among the mass market/mass affluent and high net worth retail investors, by increasing interaction with private banks, radio and television hosts, finance magazines as well as HK-based stock commentators who write columns or blogs. Pru's advertisements emphasise that it is not only an insurer, but a listed HK company. On the shift from European embedded value (EEV) to traditional embedded value (TEV), Pru continues to believe that EEV is a better reflection of the real world, that it is more transparent and that the resources of the finance team could be better placed in generating new business rather than computing TEV. In addition, Pru believes that once the accounting standard IFRS 17 is implemented, the financial reporting will be close to EEV than TEV.

In our view, the appointment of an external CEO could possibly be a great opportunity to revisit whether EEV or TEV may be more suitable for Pru going forward.

On the dual head office structure, Pru is still in the midst of rationalising central functions, especially as Pru moves closer to the new CEO coming on board. However, as Pru wishes to maintain its premier listing status in London, it needs to maintain certain functions over there, including registry, financial planning and analysis (FP&A) reporting and investor relations. Pru continues to believe that it is on track to reduce US\$70m of costs by FY23F.

Valuation and risks

We value Pru on an SOP basis, with the life insurance division valued based on a weighted P/EV GGM and a P/BV GGM, and the asset management division valued based on a P/BV GGM (Fig 19).

We assume a cost of equity of 8.4%, a terminal growth rate of 3.5%, a sustainable return on EV (ROEV) of 10.1% (based on the weighted average ROEV over FY20–24F), a sustainable ROE of 16.2% (based on the weighted average ROE over FY20–24F), a sustainable asset management ROE of 15.3%, and an assumed US\$/HK\$ exchange rate of 7.79. Our FY22F EVPS is US\$17.28, our FY22F insurance BVPS is US\$5.72 and our asset management FY22F BVPS is US\$0.50. With a 30% weighting assigned to a P/EV GGM methodology and a 70% weighting assigned to a P/BV GGM methodology for our life insurance valuation. We thus derive a TP of HK\$144.70, which suggests a 41% potential upside based on the share price as of 7 Jun 2022.

Figure 19: Valuation of Pru

	Key assumptions
Equity risk premiums (ERP)	10.0%
Risk free rate	2.0%
Beta	0.80
Cost of equity (COE)	8.4%
Terminal growth rate	3.5%
Sustainable ROEV (weighted average of FY20-FY24F, with an equal weighting to all years)	10.1%
Sustainable insurance ROE (weighted average of FY20-FY24F, with an equal weighting to all years)	16.2%
Sustainable asset management ROE (weighted average of FY20 - FY24F ROE, with an equal weighting to all years)	15.3%
Assumed US\$/HK\$ exchange rate	7.79
FY22F EVPS (US\$)	17.28
FY22F insurance BVPS (US\$)	5.72
Asset management FY22F BVPS (US\$)	0.50
Weighting assigned to P/EV methodology for life insurance valuation	30%
Weighting assigned to P/BV methodology for life insurance valuation	70%
Life insurance valuation	
Target P/EV (FY22F)	1.35x
Hence insurance valuation (HK\$) if 100% weighting to a P/EV GGM approach	181.47
Target P/BV (FY22F)	2.60x
Hence insurance valuation (HK\$) if 100% weighting to a P/BV GGM approach	115.68
Asset management target FY22F P/BV multiple	2.4
Sum of the parts valuation of Pru	
Life insurance valuation (HK\$) per share	135.42
Asset management valuation (HK\$) per share	9.33
Hence, Pru valuation (HK\$) per share	144.70
Current share price of 2378 HK (HK\$)	102.9
Upside/ downside	41%
Rating	Add

SOURCES: CGS-CIMB RESEARCH ESTIMATES
Share prices as of 7 Jun 2022

Figure 20: Sector comparison

Ticker	Rec	Market Cap	Price	Target Price	+/- (%)	P/EV (x)		VONB multiple (x)		P/BV (x)		Group ROEV (%)		ROE (%)		P/E (x)		Dividend yield (%)		
						FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F
China Life	2628 HK	Add	88.52	12.24	15.00	23%	0.22x	0.20x	-22.8x	-29.8x	0.6x	0.5x	10.4x	10.7x	10.2x	12.0x	5.7x	4.5x	6.3	8.0
Ping An	2318 HK	Add	116.42	48.15	72.00	50%	0.50x	0.47x	-25.0x	-27.1x	0.8x	0.7x	7.4x	10.1x	15.5x	15.8x	5.3x	4.6x	6.3	7.0
CPIC	2601 HK	Add	27.54	18.32	29.00	58%	0.28x	0.25x	-34.5x	-36.5x	0.6x	0.6x	9.9x	12.2x	11.2x	11.7x	5.2x	4.5x	7.3	8.2
NCI	1336 HK	Add	11.21	21.10	30.30	44%	0.20x	0.18x	-44.3x	-45.7x	0.5x	0.4x	8.9x	9.8x	13.2x	12.1x	3.7x	3.6x	8.2	8.2
PICC P&C	2328 HK	Add	21.68	7.88	9.80	24%	n.a.	n.a.	n.a.	n.a.	0.7x	0.6x	n.a.	n.a.	10.8x	10.8x	6.4x	6.0x	6.4	6.8
AIA	1299 HK	Add	119.00	81.00	94.00	16%	1.69x	1.55x	15.9x	11.5x	2.0x	1.8x	4.8x	12.6x	7.9x	11.7x	25.5x	16.2x	1.9	2.0
Pru	2378 HK	Add	86.97	102.90	144.70	41%	0.73x	0.68x	-5.1x	-5.6x	2.0x	1.7x	8.3x	9.8x	11.5x	15.9x	17.5x	11.4x	1.1	1.2
Manulife	945 HK	NR	30.28	146.70	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.7x	0.6x	n.a.	n.a.	12.6x	12.3x	5.6x	5.1x	7.1	7.7
HK-listed weighted average							0.78x	0.72x	-11.0x	-14.3x	1.2x	1.1x	7.7x	10.9x	11.3x	13.0x	11.7x	8.2x	5.1	5.8
HK-listed weighted average ex AIA, Pru and Manulife							0.36x	0.33x	-26.2x	-30.0x	0.7x	0.6x	8.9x	10.6x	12.8x	13.5x	5.4x	4.7x	6.5	7.5

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS
Note: Estimates for Not rated companies are based on Bloomberg consensus estimates
DATA AS AT 7 JUN 2022

Key risks

We see several key risks.

Firstly, as mentioned earlier, we think it could be very challenging to record NBP growth in 1Q22, given a very high base, especially for mainland China. Pru recorded 234% NBP growth yoy on an actual exchange rate (AER) basis or 211% NBP growth yoy on a constant exchange rate (CER) basis in 1Q21, with Pru recording 24% NBP growth yoy at the group level in 1Q21, followed by 35% yoy in 2Q21.

Secondly, net profits could be under pressure from higher interest rates, even though it is positive for NBP. Higher rates are also negative to shareholders'

equity and EV. This is due to adverse mark-to-market effects on the bond portfolio.

Based on the FY21 sensitivities disclosed by Pru, a 1% pt rise in interest rate results in a 5% fall in FY21 EV. It would also result in 36.3% fall in FY21 continuing net profit after tax (NPAT) and a 5.6% fall in shareholders' equity (Fig 21).

Thirdly, Pru's operating profit after tax could also be under pressure from falling equity markets. Based on Pru's disclosed FY21 sensitivities, a 20% fall in all equity prices and property prices would result in a 34.5% reduction in FY21 continuing NPAT and a 5.5% decline in shareholders' equity (Fig 22).

Figure 21: Impact of higher interest rates on continuing net profit after tax, shareholders' equity, NBP and EV, based on Pru's disclosures

	FY21		FY20	
	1%-pts rise	2%-pts rise	1%-pts rise	2%-pts rise
Continuing profit after tax	-36.3%	n.a.	-12.9%	n.a.
Shareholders' equity	-5.6%	n.a.	-2.5%	n.a.
New business profit	2.8%	3.5%	3.5%	3.5%
Embedded value	-5.0%	-10.7%	-3.3%	-8.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 22: Impact of lower equity & property yields on continuing net profit after tax, shareholders' equity, NBP and EV, based on Pru's disclosures

	FY21		FY20	
	10% rise	20% fall	10% rise	20% fall
Continuing profit after tax	17.0%	-35.9%	16.7%	-34.5%
Shareholders' equity	2.6%	-5.5%	3.2%	-6.6%
New business profit	n.a.	n.a.	n.a.	n.a.
Embedded value	n.a.	-4.4%	n.a.	-4.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Fourthly, the implementation of international financial reporting standard (IFRS) 17 from the start of 2023 could have a negative impact on net profit and shareholders' equity. Manulife announced on 11 May 2022 at its 1Q22 results that it expects IFRS 17 to reduce its shareholder equity by 20% and reduce core earnings by 10% upon adoption. Pru has yet to announce the impact from IFRS 17 adoption. However, insofar that investors focus on net profit and shareholders' equity (which we think are more important metrics of focus for Pru's investors than AIA's investors, especially its European and US-based investors), this could exert pressure on Pru's share price.


A fifth key risk is if there is conflict between growing NBP and operating profits. The mix of key performance indicators that determines Pru's group financial bonus targets in its Annual Incentive Plan (AIP) has clearly shifted towards NBP and away from adjusted operating profits.

NBP comprised only 15% of AIP in 2020, with this metric rising to 35% in 2021, before rising further to 45% in 2022's AIP. On the other hand, adjusted operating profits have fallen in importance, from a 35% weighting in 2020 to a 25% weighting in 2022 (Fig 119).

Our concern is if a situation arises where there is conflict between both metrics and growing NBP, leading to a near-term fall in operating profits. With Pru's shareholder base still primarily dominated by European and US-based investors, in our view, we believe that these investors' key metric is operating profit and not NBP. Accordingly, in such a scenario, growing NBP at the expense of operating profits could be detrimental to share price performance in the near term.

A sixth key risk is continued Covid-19 outbreaks, especially if there are mutations with Covid-19 variants becoming more transmissible and more deadly, which could lead to lockdowns being imposed. This could lead once again to reduced face-to-face contact and make it more difficult for Pru's agents to sell insurance policies.

A seventh risk is the risk of Pru's investors continuing to focus heavily on valuation methodologies based on earnings or tangible book value which, as we argued in [Uniqueness under threat?](#), dated 28 Feb 2020, could constrain Pru's ability to close its P/EV valuation gap with AIA. This is especially since we believe that EV-based valuation methodologies yield higher valuations compared to P/E, P/BV or P/NTA valuation methodologies, based on our analysis of the differences of these valuation methodologies when applied to the insurers under our coverage universe.

Refinitiv ESG Scores	
	
<p>ESG in a nutshell</p> <p>Pru scored an A- for its combined ESG score by Refinitiv in 2021, up from 2020's B score. Pru had adopted a new ESG strategic framework in 2020, which revolves around three core themes: i) Making health and financial security accessible, (ii) stewarding the human impact of climate change, and (iii) building social capital. To deliver these three themes, it sees three strategic enablers as key: (i) good governance and responsible business practices, (ii) responsible investment, and (iii) community engagement and investment. In 2021, Pru established a Board Responsibility and Sustainability Working Group (RSWG) to oversee its work in these areas.</p>	
<p>Keep your eye on</p> <p>Pru announced on 7 May 2021 that it plans to de-carbonise its investment asset portfolio with the goal of becoming net zero (i.e. net carbon neutral) by 2050. Pru states that it intends to publish data on the weighted average carbon intensity of its asset portfolio in its 2021 ESG report. Its goals include (i) a 25% reduction in the carbon emissions of all shareholder and policyholder assets by 2025, (ii) divestment from all direct investments in businesses which derive more than 30% of their income from coal, with equities to be fully divested by the end of 2021 and fixed-income assets by the end of 2022, and (iii) a commitment to accelerate the transition to a low-carbon economy by engaging with the companies responsible for 65% of the emissions in our portfolio. Other targets were listed in the 2021 ESG report, including a 25% fall per full-time-employee (FTE) in Scope 1 and 2 emission reduction by 2030, and a 30% target of women in senior leadership (this was already met in 2021, with a ratio of 35%).</p>	<p>Implications</p> <p>We see its 2022-25 goals as a positive move, which should catalyse a further improvement in Pru's ESG ratings and its valuation.</p>
<p>ESG highlights</p> <p>According to Pru's 2021 ESG report, its Carbon Disclosure Project (CDP) score was B (2020: B; 2019: B; 2018: B). Its 2021 MSCI ESG rating was AA (2020: A), while its Sustainalytics ESG Risk Rating was 15.9 (2020: 22.4). Its Refinitiv Combined ESG score over the 2016-20 period has remained stable within the range of B- to B+, before rising to A- in 2021.</p>	<p>Implications</p> <p>With a renewed commitment to ESG in 2022, we see potential for Pru's ESG ratings to improve, which could be positive for its valuation.</p>
<p>Trends</p> <p>Pru's Refinitiv combined ESG score has been relatively stable over 2016-20 between B- and B+, with 2021's score of A- its highest ever score. Its Refinitiv Environmental pillar score improved markedly in 2021 to A from C+ in 2019 and 2020 (it had fallen from a rating of B- over the 2017-18 period). Its Social pillar score has been constant at B over the 2019-21 period, after falling from B+ in 2016-18. Its Governance pillar score in 2021 of A improved from 2020's B+, which is also an improvement from 2019's B and 2018's B-. Its ESG controversies score was A+ in both 2021 and 2020, after experiencing volatility in this metric over the 2016-20 period (2019: C+, 2018: A+, 2017: B+, 2016: A-).</p>	<p>Implications</p> <p>We believe that there is scope for Pru to improve its Refinitiv combined ESG score, especially its Environmental pillar score, which we believe looks relatively low.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

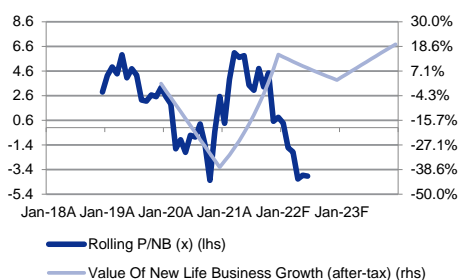
Figure 23: Financial Summary for Prudential plc

Year end Dec	2018	2019	2020	2021	2022F	2023F	2024F	2025F
Summary								
EPS (US\$)	1.56	0.30	0.82	-0.78	0.75	1.16	1.27	1.45
EPS (US\$) (continuing operations)	1.12	0.90	0.95	0.83	0.75	1.16	1.27	1.45
Operating EPS (US\$) (continuing operations)	n.a.	0.73	0.87	1.02	1.06	1.17	1.24	1.42
P/E ratio (x) (oper. EPS)	n.a.	25.7	21.2	16.8	11.1	10.1	9.5	8.3
EPS growth (%)	7.9%	20.5%	18.0%	17.2%	4.9%	10.2%	5.8%	14.2%
DPS (US\$)	0.63	0.46	0.16	0.17	0.15	0.16	0.16	0.19
Payout ratio	40%	153%	20%	-22%	20%	14%	13%	13%
BVPS (US\$)	8.47	7.49	8.00	6.22	6.75	7.67	8.67	9.81
TBVPS (US\$)	7.56	7.12	7.63	5.89	6.41	7.31	8.30	9.42
P/TBV (x)	2.18	2.65	2.41	2.89	1.84	1.61	1.42	1.25
EV per share (US\$) (excl goodwill)	23.54	20.66	20.33	16.91	17.99	19.39	21.16	23.39
P/EV (x)	0.70	0.91	0.90	1.01	0.66	0.61	0.56	0.50
Growth of EV per share	4%	-12%	-2%	-17%	6%	8%	9%	11%
ROEV	18%	12%	2%	7%	8%	10%	11%	12%
Operating ROEV (Asia & Africa)	22%	26%	15%	7%	8%	10%	11%	12%
NBP per share (US\$) (Group)	1.82	1.69	1.07	0.92	0.94	1.11	1.36	1.73
NBP per share (US\$) (Asia & Africa)	1.34	1.35	0.84	0.92	0.94	1.11	1.36	1.73
Growth of NBP per share (Asia & Africa)	11%	-7%	-37%	-14%	2%	18%	22%	28%
Profit & Loss (US\$ m)								
Net premium	44,431	43,481	21,870	22,373	25,151	27,147	31,042	38,237
Investment income	-9,117	49,555	13,762	3,486	6,182	8,591	9,221	9,682
Other income	531	700	615	641	668	696	726	756
Total Revenue	35,845	93,736	36,247	26,500	32,001	36,435	40,989	48,676
Insurance-related expenses	-31,953	-91,188	-33,239	-23,471	-29,324	-32,210	-36,351	-43,337
Other operating-related expenses	-654	-658	-346	-363	-213	-228	-244	-261
Underwriting income	3,238	1,890	2,662	2,666	2,465	3,997	4,394	5,078
Share of P/L from associates	517	352	380	411	443	479	0	0
Operating profit/(loss)	3,755	2,242	3,042	3,077	2,908	4,476	4,394	5,078
Operating profit after tax (OPAT)	2,881	2,329	2,458	2,192	2,066	3,201	3,513	4,036
Non operating items	1,146	-1,546	-340	-4,234	0	0	0	1
Net profit after tax	4,019	783	2,118	-2,042	2,066	3,201	3,513	4,036
Balance sheet (US\$ m)								
Assets								
Investment assets	583,550	410,841	434,804	177,389	186,258	195,571	205,350	215,617
Intangible assets	17,550	18,445	21,306	7,765	8,153	8,561	8,989	9,438
Other assets	46,710	24,928	59,987	13,948	14,645	15,378	16,147	16,954
Total assets	647,810	454,214	516,097	199,102	209,057	219,510	230,485	242,010
Liabilities								
Contract liabilities	521,286	385,678	441,246	151,915	158,840	165,262	171,867	178,553
Borrowings	24,951	17,140	18,845	7,211	7,540	7,845	8,158	8,475
Other liabilities	79,582	31,727	33,887	22,712	23,747	24,707	25,695	26,694
Total liabilities	625,819	434,545	493,978	181,838	190,126	197,813	205,720	213,723
Share capital	166	172	173	182	182	182	182	182
Reserves	-15	5,730	6,281	6,690	6,690	6,690	6,690	6,690
Retained profits	21,817	13,575	14,424	10,216	11,865	14,612	17,659	21,157
Total shareholders' equity	21,968	19,477	20,878	17,088	18,737	21,484	24,531	28,029
Equity attributable to shareholders	21,991	19,669	22,119	17,264	18,931	21,697	24,765	28,287
Ratio and growth analysis								
ROA	0.61%	0.14%	0.44%	-0.57%	1.01%	1.49%	1.56%	1.71%
ROE	26.2%	3.8%	10.5%	-10.8%	11.5%	15.9%	15.3%	15.4%
Growth in net earned premium	11%	-2%	-50%	2%	12%	8%	14%	23%
Asset portfolio mix								
- Fixed interest assets	47%	39%	35%	64%	64%	64%	64%	64%
- Equity securities & interest in investment funds	47%	60%	64%	35%	35%	35%	35%	35%
- Others	6%	1%	1%	1%	1%	1%	1%	1%
Average investment income yield	-2.6%	10.0%	3.3%	1.1%	3.4%	4.5%	4.6%	4.6%
Insurance-related expense ratio	65%	90%	79%	71%	76%	73%	73%	73%
Operating expense ratio	19%	15%	21%	20%	20%	20%	20%	20%
Growth of operating profit after tax and minorities	8%	21%	18%	19%	10%	11%	6%	15%
Growth of net profit after tax and minorities	59%	-81%	170%	-196%	-201%	55%	10%	15%

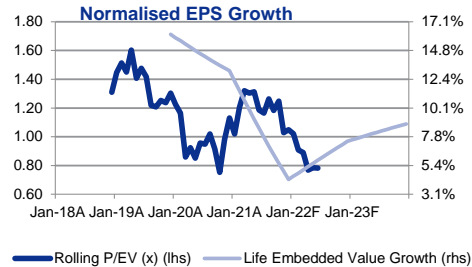
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

BY THE NUMBERS

P/NB vs NB Growth



12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth



Profit & Loss

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue	21,870	22,373	25,151	27,147	31,042
Total Claims and Changes in Reserves	(28,588)	(18,911)	(24,197)	(26,677)	(30,024)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(11,715)	(1,461)	(4,385)	(5,291)	(5,553)
Investment Income on Tech Reserve	13,762	3,486	6,182	8,591	9,221
Insurance Profit / (Loss)	2,047	2,025	1,797	3,301	3,668
Total Other Technical Income	615	641	668	696	726
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	2,662	2,666	2,465	3,997	4,394
Pretax Income/(Loss) from Assoc.	517	352	380	411	443
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					
Other Income					
Exceptional Items					
Pre-tax Profit	3,179	3,018	2,845	4,408	4,837
Taxation	(711)	(804)	(758)	(1,174)	(1,289)
Consolidation Adjustments & Others					
Exceptional Income - post-tax	(340)	(4,234)	0	0	0
Profit After Tax	2,128	(2,020)	2,087	3,233	3,548
Minority Interests	(10)	(22)	(21)	(32)	(35)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	2,118	(2,042)	2,066	3,201	3,513

Operating Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Premium Retention Ratio (life & Health)	100.0%	100.0%	100.0%	100.0%	100.0%
Benefits Ratio (life & Health)	(131%)	(85%)	(96%)	(98%)	(97%)
Acquisition Expense Ratio (life & Health)	19.8%	18.8%	18.8%	18.8%	18.8%
Admin Expense Ratio (life & Health)	0%	0%	0%	0%	0%
Total Expense Ratio (life & Health)	21.3%	20.3%	19.6%	19.6%	19.6%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(109%)	(64%)	(77%)	(79%)	(77%)
Underwriting Profit Margin (life & Health)	(53.6%)	(6.5%)	(17.4%)	(19.5%)	(17.9%)
Operating Profit Margin (life & Health)	12.2%	11.9%	9.8%	14.7%	14.2%

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	893	478	502	527	553
Intangible Assets	961	907	952	1,000	1,050
Other Long Term Assets	509,645	194,767	204,505	214,731	225,467
Total Non-current Assets	511,499	196,152	205,960	216,258	227,070
Total Cash And Equivalents	0	0	0	0	0
Trade Debtors					
Other Current Assets	4,598	2,950	3,098	3,252	3,415
Total Current Assets	4,598	2,950	3,098	3,252	3,415
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities	10,048	408	427	444	462
Total Current Liabilities	10,048	408	427	444	462
Total Long-term Debt	9,077	6,988	7,307	7,602	7,906
Hybrid Debt - Debt Component					
Other Liabilities	474,853	174,442	182,393	189,768	197,353
Total Non-current Liabilities	483,930	181,430	189,700	197,370	205,259
Total Technical & Other Provisions	0	0	0	0	0
Total Liabilities	493,978	181,838	190,126	197,813	205,720
Shareholders' Equity	20,878	17,088	18,737	21,484	24,531
Minority Interests	1,241	176	194	213	234
Total Equity	22,119	17,264	18,931	21,697	24,765
Life Embedded Value	42,808	44,646	47,945	52,170	57,449

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	(47.9%)	3.1%	12.4%	7.9%	14.3%
Operating Profit Growth (Life & Health)	40.8%	0.2%	(7.5%)	62.2%	9.9%
Value Of New Life Business Growth (after-tax)	(37.5%)	14.8%	3.0%	19.6%	23.5%
Life Embedded Value Growth	13.1%	4.3%	7.4%	8.8%	10.1%
Pre-tax Margin	14.5%	13.5%	11.3%	16.2%	15.6%
Net Profit Margin	9.7%	(9.1%)	8.2%	11.8%	11.3%
Effective Tax Rate	22.4%	26.6%	26.6%	26.6%	26.6%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Return On Average Assets	0.51%	0.62%	1.02%	1.51%	1.58%
Net Gearing	47.4%	29.7%	28.7%	26.7%	25.0%
Financial Leverage	24.04	18.84	11.39	10.66	9.78
Equity / Assets	4.0%	8.6%	9.0%	9.8%	10.6%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
VONB growth (%)	-37.5%	14.8%	3.0%	19.6%	23.5%
Embedded value growth	0.1	0.0	0.1	0.1	0.1
Benefits and claims / total net revenue	0.8	0.7	0.8	0.7	0.7
Acquisition costs / net earned premiums	0.2	0.2	0.2	0.2	0.2
Effective tax rate	0.2	0.2	0.2	0.2	0.2
Dividend payout ratio (based on operating profits)	0.2	0.2	0.2	0.1	0.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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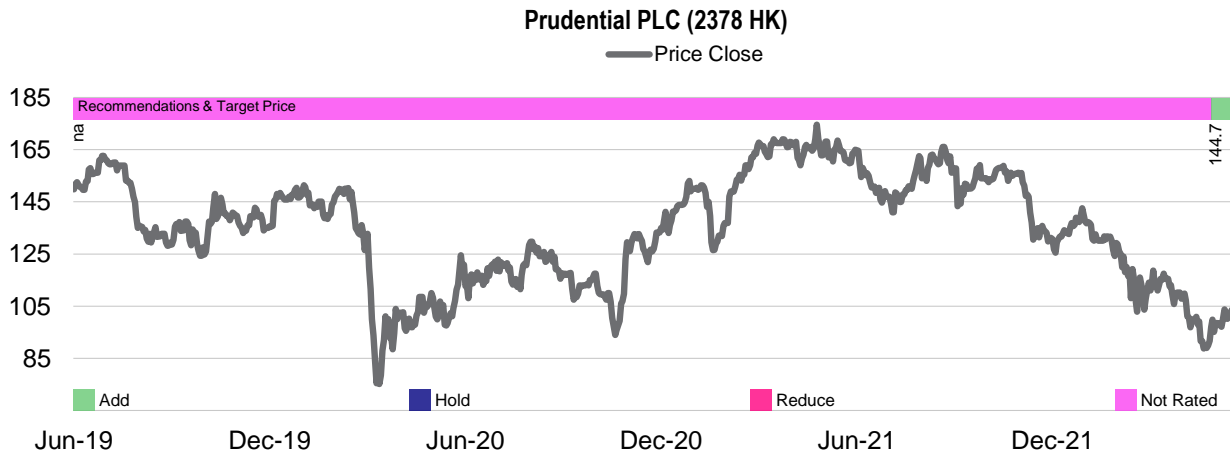
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%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

Spitzer Chart for stock being researched (2 year data)



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

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

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

- 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.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

