


I Hong Kong

REDUCE (no change)

Consensus ratings*: Buy 18 Hold 5 Sell 1

Current price: HK\$45.10
 Target price:  HK\$43.60
 Previous target: HK\$43.60
 Up/downside: -3.3%
 CIMB / Consensus: -24.9%


Reuters: 1299.HK
 Bloomberg: 1299 HK
 Market cap: US\$70,099m
 HK\$543,743m

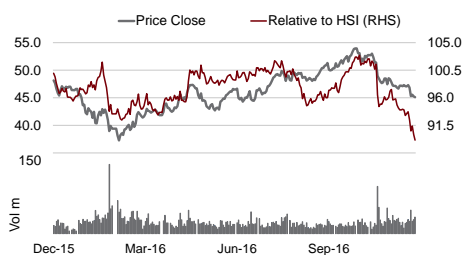
Average daily turnover: US\$145.1m
 HK\$1,125m

Current shares o/s: 13,971m
 Free float: 100.0%

*Source: Bloomberg

Key changes in this note

 No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7	-11.2	-7
Relative (%)	-7	-7.2	-9.7

Major shareholders	% held
Citigroup	9.0

Analyst(s)



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AIA Group

Paying the price of uncertainty

- Discussions with investors indicate AIA's recent price weakness could continue, despite AIA underperforming HSI by 6.7% since 16 Nov 2016.
- Uncertain outlook on sustainable value of new business (VONB) streams in AIA's biggest market (i.e. HK) is a key issue for a number of investors.
- Investors see too much policy risk surrounding AIA's outlook for 2017, with its outlook seen to be the most uncertain since its 2010 IPO.
- Given our projected timeline of uncertainty, it may be only at the end of Apr 2017 that investors have more certainty about sustainable VONB streams.
- We retain our Reduce rating, and GGM-based target price of HK\$43.60

Recent share price weakness could continue

Our discussions with investors following the publication of our report 'Best of times, worst of times; Initiate with Reduce' dated 16 Nov 2016, suggest that AIA's recent share price weakness could continue. AIA's share price has fallen by 4.3% since 16 Nov, underperforming the Hang Seng Index (HSI) by 6.7% pts. AIA has underperformed the HSI by 10.8% pts since 29 Oct's Unionpay ban on insurance purchases in Hong Kong.

A key issue for a number of investors is uncertainty

While some investors were not overly concerned about Oct's Unionpay announcement, a number of investors are very concerned about AIA's uncertain outlook. Some investors feel they are receiving mixed signals in terms of what to expect, with Prudential Plc stating in mid-Nov 2016 that it had not seen any negative impact from the Unionpay rules. This is in sharp contrast to the recent news of a 99.6% mom fall in Unionpay insurance purchases by mainland customers in HK in Nov 2016.

Too much policy risk, which is unpredictable

Some investors also expressed concern that there is currently just too much policy risk, especially given the recent worries over what additional measures policymakers could introduce to curb capital outflows. Some investors wondered whether the US\$50,000 FX annual conversion quota could be reduced (this quota resets at the start of every year), given increasing evidence that policymakers are becoming more concerned about capital outflow pressures. If so, this would adversely impact AIA's VONB outlook.

The timeline of uncertainty: Key dates to watch for

(i) Jan/ Feb 2017: to see if the US\$50,000 FX conversion limit is reduced; (ii) end-Feb 2017 at AIA's FY16 results: to assess how much of its VONB could be at risk should mainland visitors' insurance purchases in HK completely dry up (we estimated 15% of group VONB in our Nov report); (iii) mid-Mar 2017: to assess the impact of a two-month Unionpay ban on industry insurance purchases by mainland visitors in HK; and (iv) end-Apr 2017 at AIA's 1Q17 results: to assess its full quarter impact of the Unionpay ban.

How much more share price downside?

We only have 3% downside to our P/EV-based share price target of HK\$43.60 (see pg. 3-4 for assumptions and risks). Having said that, there is a risk that AIA's share price could overshoot our fundamentally-derived target price in the near term, especially as this cloud of uncertainty is not going away anytime soon. According to our technical analyst, Nigel Foo, AIA recently broke below the 40-week simple-moving-average support (at HK\$47), a key resistance level, and the next support level is at HK\$42.

Financial Summary

	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Gross Premium (US\$m)					
Investment And Other Income (US\$m)					
Net Premium (US\$m)	17,229	18,812	20,035	22,188	24,875
Net Profit (US\$m)	3,450	2,691	3,993	4,284	4,608
Normalised EPS (US\$)	0.27	0.19	0.29	0.31	0.33
Normalised EPS Growth	13.2%	(27.4%)	48.3%	7.2%	7.5%
FD Normalised P/E (x)	21.91	30.18	20.35	18.98	17.66
P/NB (x)	23.86	19.58	13.95	11.59	8.58
DPS (US\$)	0.06	0.09	0.10	0.12	0.14
Dividend Yield	1.10%	1.53%	1.80%	2.10%	2.46%
P/EV (x)	2.18	2.13	1.93	1.78	1.63
P/BV (x)	2.64	2.76	2.29	2.12	1.96
ROE	12.4%	8.9%	12.3%	11.6%	11.5%
Normalised EPS/consensus EPS (x)			0.90	0.86	0.83

SOURCE: COMPANY DATA, CIMB FORECASTS

Under a cloud of uncertainty

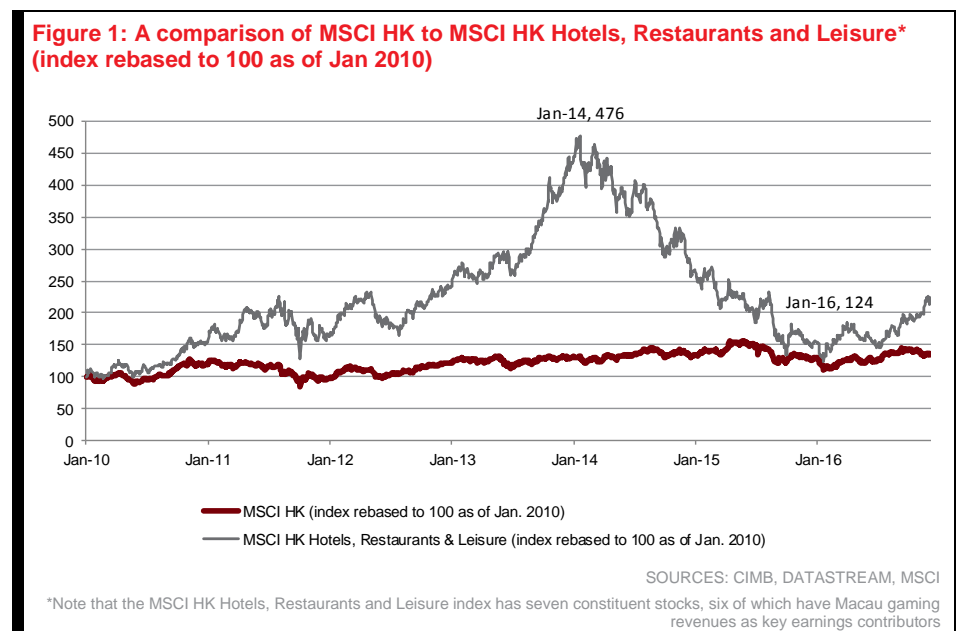
Other concerns

In addition to the concerns flagged on the front page, some investors were concerned about a potentially negative impact on VONB from the implementation of Common Reporting Standards (CRS) from 1 Jan 2017 in Hong Kong (an OECD requirement), where all mainland customers would have to declare their tax file numbers upon buying any financial product (including insurance) in HK. China then plans to exchange with other countries the financial information of customers from Sep 2018.

These investors were concerned that if some 'dirty' money were being channeled into HK and being used to purchase insurance policies, then the implementation of CRS from 1 Jan 2017 and the requirement for mainland customers to declare their tax file numbers could have a negative impact on insurance sales in HK.

We have not factored in any impact of this regulation into our VONB forecasts. In our view, while it is impossible to say that such money laundering is completely absent, the impact of this CRS implementation is likely significantly smaller than the ban on Unionpay purchases of HK insurance. Even the likely upcoming ban (in our view) of Visa or MasterCard for mainland visitors to buy insurance products in HK could potentially have more of an impact on VONB.

One investor expressed concern that AIA could become like the Macau gaming sector, where policy risk (pertaining to an anti-corruption clampdown, capital outflows and adverse Unionpay regulations) saw the sector de-rate significantly over the Jan 2014 to Jan 2016 period, with the sector underperforming the MSCI HK index by 58% pts over this period. While we see some parallels, we see the Macau analogy as a little extreme and we are not that bearish on AIA's share price outlook.



Finally, one other concern is that sell-side analysts still seem universally bullish on AIA's outlook, despite our view of significant uncertainty over the next year. We remain the only 'Reduce/ Sell' recommendation on the street.

Share price downside, from a technical analysis point of view Breaks 40-week SMA

According to our technical analyst, Nigel Foo, AIA's weekly chart shows the 40-week simple moving average (SMA) as a major support or resistance level for

the stock over the past few years. What is interesting is the stock recently broke below the 40-week SMA support (at HK\$47), which is usually a negative medium-term sign. What was support is now resistance for the stock. In addition, the weekly Moving average convergence divergence (MACD) and the relative strength index (RSI) are also showing negative divergence signs, indicating a tiring uptrend. Support levels for the stock are at HK\$42, HK\$39 and HK\$34.



At 8-month SMA support

AIA's monthly chart shows the stock holding at the 8-month simple moving average (SMA) support line. Since its listing, the 8-month SMA has been a reliable support indicator for the stock. Failure to hold above this SMA support would be negative for the stock.



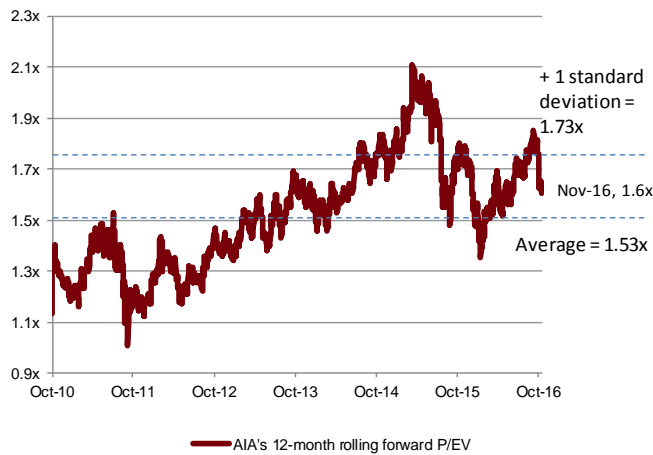
Valuation and risks

We value AIA using the Gordon Growth model to derive a target P/EV multiple, with a cost of equity (COE) assumption of 8.9%, a terminal growth rate ('g') assumption of 1.3%, and a return on embedded value (EV) (ROEV) assumption of 12.6% (derived from a weighted average ROEV over the next three years).

This gives a target P/EV multiple of 1.5x. We then apply this target multiple to our FY17F EV per share estimate of US\$3.8 (see Figure 8 for details on how this was derived). Assuming an US\$/HK\$ exchange rate of 7.75, we derive a target price of HK\$43.60. Our target price also equates to an implied target new business multiple of 7.2x FY17F VONB.

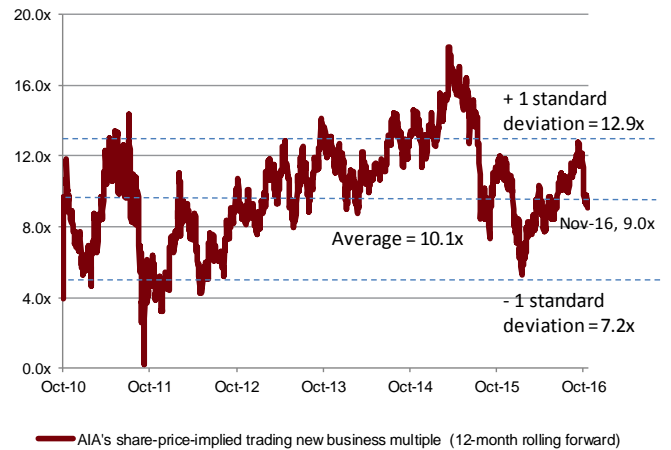
Our target P/EV multiple of 1.5x is in line with AIA's average forward P/EV multiple (on a 12-month rolling basis) of 1.5x since it was listed in Oct 2010. Our implied target new business multiple of 7.2x is equivalent to one standard deviation below the average share-price-implied new business multiple of 7.2x, since it was listed in Oct 2010.

Figure 2: AIA's 12-month rolling forward P/EV over time



SOURCES: CIMB ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 3: AIA's share-price-implied trading new business multiple (12-month rolling forward) over time



SOURCES: CIMB ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 4: Key valuation assumptions used in valuing AIA

	Valuation assumptions
Cost of equity	8.90%
Terminal growth rate	1.3%
ROEV (weighted average of FY16-FY18, with a stronger weighting to earlier years)	12.6%
Target P/EV	1.5x
FY17F EVPS (USD)	3.80
i.e. FY17F EVPS (HKD)	29.45
USDHKD exchange rate	7.75
Hence target price (HKD)	43.60
Current share price (HKD)	48.35
Upside/ downside	-10%
FY17F VONB per share (USD)	0.25
i.e FY17F VONB per share (HKD)	1.97
Implied target new business multiple	7.2x

SOURCES: CIMB ESTIMATES

Key upside risks to our call are 1) significant strengthening of Asian currencies (especially the Rmb, THB, S\$, RM, Rp and Php) against the US\$, as a substantial portion of AIA's VONB is derived in these currencies; 2) no additional regulations are issued which seek to control capital outflow from China via mainland visitors buying insurance in HK; 3) the company's results exceed already muted investor expectations throughout FY17 and 4) a potentially rapid rise in global interest rates. We estimate that a 50bp rise in interest rates would lead to a 3.1% increase in AIA's valuation.

Figure 5: Interest rate sensitivity on AIA's valuation from changes in interest rates

	Impact if interest rates rise on 1H16's VONB
1H16 VONB (US\$ m)	1,260
50bp increase in interest rates	8%
50bp decrease in interest rates	-9%
1h16 EV (US\$ m)	40,069
50bp increase in interest rates	0.2%
50bp decrease in interest rates	-0.3%
Current trading new business multiple (11 Nov.)	9.6x
Hence percentage impact to AIA's valuation from:	
50bp increase in interest rates	3.1%
50bp decrease in interest rates	-3.8%

SOURCES: CIMB estimates, COMPANY REPORTS

Figure 6: Key financial data

(Year-end 30 November)	2014A	2015A	2016F	2017F	2018F
Summary					
EPS (US\$)	0.29	0.22	0.33	0.36	0.38
Operating EPS (US\$)	0.29	0.32	0.36	0.40	0.43
PE ratio (x) (oper. EPS)	19.7	18.4	17.2	15.6	14.4
EPS growth (%)	22.2%	-22.0%	48.4%	7.2%	7.5%
DPS (US\$)	0.06	0.09	0.10	0.12	0.14
Dividend yield (%)	1.1%	1.5%	1.5%	1.8%	2.1%
Issued shares (m)	12,045	12,048	12,051	12,054	12,057
BVPS (US\$)	2.56	2.44	2.94	3.19	3.44
P/B (x)	2.26	2.45	2.12	1.96	1.81
EV per share (US\$)	3.08	3.17	3.49	3.80	4.15
Growth of EV per share	10%	3%	10%	9%	9%
ROEV	14.7%	5.0%	13.0%	12.1%	12.7%
Price/EV (x)	1.87	1.88	1.79	1.64	1.50
VoNB per share (US\$)	0.15	0.18	0.23	0.25	0.30
Growth of VONB per share	24%	19%	28%	9%	19%
Implied new business (NB) multiple	17.6	15.4	11.8	9.6	6.9
Ratio and growth analysis					
ROA	2.2%	1.6%	2.3%	2.2%	2.2%
ROE	12.4%	8.9%	12.3%	11.6%	11.5%
Payout ratio	22.4%	40.0%	31.6%	34.4%	37.5%
Growth in net earned premium	8.6%	9.2%	6.5%	10.7%	12.1%
Growth in operating profit after tax & minorities	16.1%	10.3%	11.6%	10.4%	8.2%
Asset portfolio mix	100%	100%	100%	100%	100%
- Fixed interest assets	84%	85%	85%	85%	85%
- Equity securities & interest in investment funds	10%	10%	10%	10%	10%
- Others	5%	5%	5%	5%	5%
Average investment income yield	5.1%	4.5%	4.8%	4.7%	4.5%
Insurance-related expense ratio	75.8%	75.7%	75.1%	75.1%	75.6%
Operating expense ratio	8.7%	8.4%	8.4%	8.3%	8.2%
Growth of operating profit after tax and minorities	16.1%	10.3%	11.6%	10.4%	8.2%
Net profit after tax and minorities	22.2%	-22.0%	48.4%	7.3%	7.6%

SOURCES: CIMB ESTIMATES, COMPANY REPORTS

Figure 7: Financial statements of AIA

(Year-end 30 November)	2014A	2015A	2016F	2017F	2018F
Profit & Loss (US\$m)					
Net premium	17,229	18,812	20,035	22,188	24,875
Investment income	5,352	5,645	6,124	6,625	7,069
Total Revenue	22,581	24,457	26,159	28,812	31,944
Insurance-related expenses	17,119	18,524	19,635	21,640	24,146
Other operating-related expenses	1,972	2,049	2,192	2,390	2,623
Underwriting income	3,490	3,884	4,333	4,782	5,175
Share of P/L from associates	14	0	0	0	0
Operating profit/(loss)	3,504	3,884	4,333	4,782	5,175
Operating profit after tax (OPAT)	2,925	3,229	3,602	3,976	4,302
OPAT attrib to shareholders of AIA Group	2,910	3,209	3,580	3,951	4,276
Non operating items	540	(518)	413	333	333
Net profit after tax	3,450	2,691	3,993	4,284	4,608
Balance sheet (US\$m)					
Assets					
Investment assets (excluding unit linked)	124,801	126,435	141,509	156,216	172,452
Investment assets (including unit linked)	20,974	19,794	20,753	21,758	22,812
Other assets	21,144	21,393	22,425	23,507	24,641
Total assets	166,919	167,622	184,687	201,481	219,905
Liabilities					
Insurance contract liabilities	113,097	115,870	124,676	135,897	148,128
Investment contract liabilities	7,937	7,116	6,760	6,422	6,101
<i>Borrowings</i>	2,934	3,195	3,515	3,866	4,253
Other liabilities	11,996	11,901	14,088	16,678	19,743
Total liabilities	135,964	138,082	149,039	162,863	178,224
Net assets	30,955	29,540	35,648	38,618	41,680
Share capital	13,962	13,971	13,980	13,989	13,998
Reserves	-5,987	-9,278	-5,988	-5,988	-5,988
Retained profits	22,831	24,708	27,488	30,436	33,474
Total shareholders' equity	30,955	29,540	35,648	38,618	41,680
Equity attributable to shareholders	30,806	29,401	35,480	38,437	41,484

SOURCES: CIMB ESTIMATES, COMPANY REPORTS

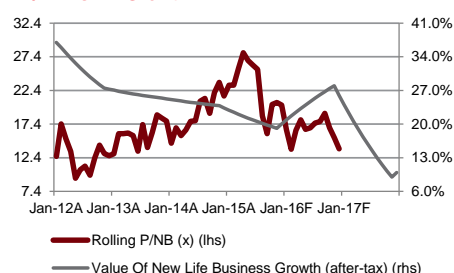
Figure 8: AIA's embedded value across time

(US\$ m)	FY10	FY11	FY12	FY13	FY14	FY15	FY16F	FY17F	FY18F
Opening EV	20,966	24,748	27,239	30,565	33,018	37,153	38,198	42,024	45,798
Value of new business	667	932	1,188	1,490	1,845	2,198	2,813	3,067	3,649
Expected return on EV	1,846	2,029	2,192	2,389	2,635	2,698	2,830	3,141	3,431
Operating experience variance	-104	165	140	114	188	274	215	108	54
Operating assumption changes	3	-21	-29	10	-80	-26	-34	-26	-19
Finance costs on medium term notes	0	0	0	-26	-53	-76	-100	-100	-100
EV operating profit	2,412	3,105	3,491	3,977	4,535	5,068	5,724	6,189	7,015
Investment return variance	1,073	-297	933	345	720	-1,804	-470	3	-3
Effect of change in economic assumptions	-333	-26	-105	429	122	145	0	0	0
Other non operating variances	-150	18	-113	-154	23	369	97	0	0
Total EV profit	3,002	2,800	4,206	4,597	5,400	3,778	5,351	6,192	7,011
Dividends	0	-170	-530	-595	-689	-814	-1,124	-1,318	-1,542
Other capital movements	0	-89	-42	11	-14	-12	0	0	0
Effect of changes in exchange rates	780	-50	535	-760	-562	-1,907	-400	-1,100	-1,200
Closing EV	24,748	27,239	31,408	33,818	37,153	38,198	42,024	45,798	50,068
Number of shares	12,044	12,044	12,044	12,044	12,045	12,048	12,051	12,054	12,057
EV per share	2.05	2.26	2.61	2.81	3.08	3.17	3.49	3.80	4.15

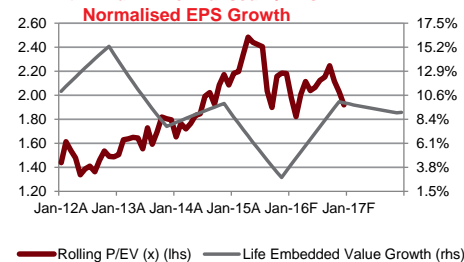
SOURCES: CIMB ESTIMATES, COMPANY REPORTS

BY THE NUMBERS

P/NB vs NB Growth



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



Profit & Loss

(US\$m)	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Revenue	17,229	18,812	20,035	22,188	24,875
Total Claims and Changes in Reserves	(17,119)	(18,524)	(19,635)	(21,640)	(24,146)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(1,862)	(1,761)	(1,791)	(1,842)	(1,894)
Investment Income on Tech Reserve	5,352	5,645	6,124	6,625	7,069
Insurance Profit / (Loss)	3,490	3,884	4,333	4,782	5,175
Total Other Technical Income	14	0	0	0	0
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	3,504	3,884	4,333	4,782	5,175
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					
Other Income	540	(518)	413	333	333
Exceptional Items					
Pre-tax Profit	4,044	3,366	4,746	5,115	5,507
Taxation	(579)	(655)	(731)	(806)	(873)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	3,465	2,711	4,016	4,308	4,635
Minority Interests	(15)	(20)	(22)	(25)	(27)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	3,450	2,691	3,993	4,284	4,608

Operating Ratios

	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Premium Retention Ratio (life & Health)					
Benefits Ratio (life & Health)	(99.4%)	(98.5%)	(98.0%)	(97.5%)	(97.1%)
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)	11.4%	10.9%	10.9%	10.8%	10.5%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(87.9%)	(87.6%)	(87.1%)	(86.8%)	(86.5%)
Underwriting Profit Margin (life & Health)	(10.8%)	(9.4%)	(8.9%)	(8.3%)	(7.6%)
Operating Profit Margin (life & Health)	20.3%	20.6%	21.6%	21.6%	20.8%

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(US\$m)	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Fixed Assets					
Intangible Assets	0	0	0	0	0
Other Long Term Assets	166,919	167,622	184,687	201,481	219,905
Total Non-current Assets	166,919	167,622	184,687	201,481	219,905
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	113,097	115,870	124,676	135,897	148,128
Other Current Liabilities	0	0	0	0	0
Total Current Liabilities	113,097	115,870	124,676	135,897	148,128
Total Long-term Debt	2,934	3,195	3,515	3,866	4,253
Hybrid Debt - Debt Component					
Other Liabilities	19,933	19,017	20,848	23,100	25,844
Total Non-current Liabilities	22,867	22,212	24,363	26,966	30,096
Total Technical & Other Provisions	0	0	0	0	0
Total Liabilities	135,964	138,082	149,039	162,863	178,224
Shareholders' Equity	30,806	29,401	35,480	38,437	41,484
Minority Interests	149	139	168	182	196
Total Equity	30,955	29,540	35,648	38,618	41,680
Life Embedded Value	37,153	38,198	42,024	45,798	50,068

Key Ratios

	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Net Premium Growth	8.6%	9.2%	6.5%	10.7%	12.1%
Operating Profit Growth (Life & Health)	13.7%	10.8%	11.6%	10.4%	8.2%
Value Of New Life Business Growth (after-tax)	23.8%	19.1%	28.0%	9.0%	19.0%
Life Embedded Value Growth	9.9%	2.8%	10.0%	9.0%	9.3%
Pre-tax Margin	23.5%	17.9%	23.7%	23.1%	22.1%
Net Profit Margin	20.0%	14.3%	19.9%	19.3%	18.5%
Effective Tax Rate	14.3%	19.5%	15.4%	15.8%	15.8%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Return On Average Assets	2.20%	1.62%	2.28%	2.23%	2.20%
Net Gearing	8.70%	9.80%	9.01%	9.14%	9.30%
Financial Leverage	5.66	5.56	5.43	5.22	5.27
Equity / Assets	18.5%	17.5%	19.2%	19.1%	18.9%

Key Drivers

	Nov-14A	Nov-15A	Nov-16F	Nov-17F	Nov-18F
Industry gross premium grth (%)	N/A	N/A	N/A	N/A	N/A
Gross Premium Growth (%)	8.6	9.2	6.5	10.7	12.1
Gross Premium Mkt share (%)	N/A	N/A	N/A	N/A	N/A
Claims Ratio (%)	75.8	75.7	75.1	75.1	75.6
Net Commission Ratio (%)	8.7	8.4	8.4	8.3	8.2
Net Premium Market Share (%)	N/A	N/A	N/A	N/A	N/A
Management Expense Ratio (%)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

DISCLAIMER

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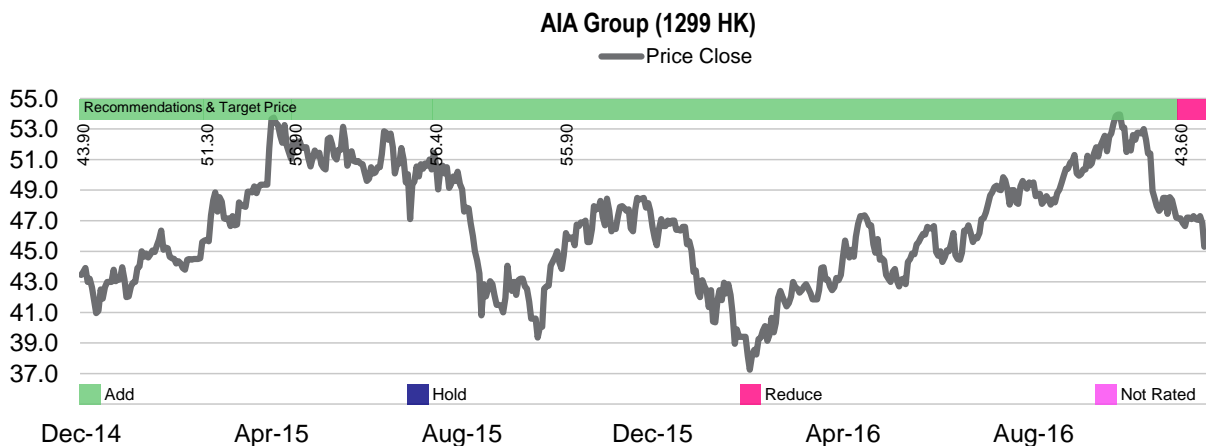
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Add	57.7%	7.5%
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Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BCP** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** – Good, n/a, **BH** – Good, Declared, **BIGC** – Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** – Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** – Excellent, Certified, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Good, n/a, **GFPT** – Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** – Excellent, n/a, **GUNKUL** – Very Good, Declared, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** – Excellent, Certified, **ITD** – Good, n/a, **IVL** – Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** – Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** – Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PSH** – not available, n/a, **PSL** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** – Excellent, Declared, **SIM** – Excellent, n/a, **SIRI** – Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Very Good, Certified, **TICON** – Very Good, Declared, **TISCO** – Excellent, Certified, **TK** – Very

Good, n/a, **TKN** – Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Very Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB 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.