

## Hong Kong

**ADD** (no change)

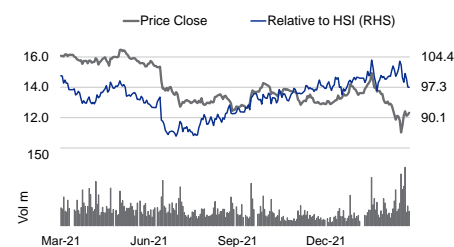
Consensus ratings\*: Buy 21 Hold 8 Sell 0

Current price:	HK\$12.32
Target price:	HK\$15.40
Previous target:	HK\$19.20
Up/downside:	25.0%
CGS-CIMB / Consensus:	-11.0%
Reuters:	2628.HK
Bloomberg:	2628 HK
Market cap:	US\$95,683m
	HK\$748,642m
Average daily turnover:	US\$52.65m
	HK\$411.0m
Current shares o/s:	28,265m
Free float:	29.0%

\*Source: Bloomberg

### Key changes in this note

- FY21F EPS cut by 15.1%.
- FY22F EPS cut by 13.2%.
- FY23F EPS cut by 6.4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-9.2	-4.9	-24.1
Relative (%)	-2.8	-0.4	-1.8

Major shareholders	% held
China Life Insurance Group	68.4

### Analyst(s)



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# China Life Insurance

## Model adjustment

- We cut our FY21–23F EPS by 6.4-15.1%, driven by lower forecast premiums and investment income.
- We now assume new business value (NBV) fell 22.3% in FY21F, and will decline 14.4% in FY22F but rise by 6.1% in FY23F.
- Maintain Add rating, TP cut to HK\$15.40 on lower FY21-23F EPS and NBV estimates.

### 6.4–15.1% cuts to our FY21–23F EPS

We cut FY21-23F EPS. This is primarily due to lower forecast premiums (stemming from falling agent numbers and weaker demand for life and health insurance amidst economic uncertainty) and lower investment income (given falling bond yields and falling equity markets).

### NBV adversely impacted by falling agent numbers & falling margins

We also have cut our FY21–23F new business value (NBV) growth assumptions, driven by falling agent numbers (it was down 38% yoy to 980,000 agents in 3Q21) as well as lower NBV margins (due to shifts in product mix, distribution channel mix and expense overruns). We now assume NBV fell 22.3% in FY21F, and will decline 14.4% in FY22F but rise by 6.1% in FY23F.

### Maintain Add rating, TP cut by 19.8% to HK\$15.40


We value China Life using a weighted GGM of P/EV and P/BV. We cut our TP due to lower FY21F-23F estimates for EPS and NBV. Potential re-rating catalysts: stabilisation of premium growth and potentially strong equity markets. Key downside risks are intensifying competition (especially within the savings insurance and critical illness insurance segment), and another wave of Covid-19 outbreak in mainland China, which could make it difficult for agents to sell insurance policies given the reduced face-to-face contact amidst an outbreak, continued falls in agent numbers and greater regulatory risk.

### Financial Summary

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Gross Premium (Rmbm)	612,265	620,014	610,607	613,013	632,408
Investment And Other Income (Rmbm)	190,980	212,215	200,487	232,696	257,217
Net Premium (Rmbm)	612,265	620,014	610,607	613,013	632,408
Net Profit (Rmbm)	50,067	50,049	50,677	63,698	75,709
Normalised EPS (Rmb)	1.77	1.77	1.79	2.25	2.68
Normalised EPS Growth	(13.5%)	(0.0%)	1.3%	25.7%	18.9%
FD Normalised P/E (x)	5.67	5.67	5.60	4.45	3.75
P/NB (x)	(13.51)	(19.94)	(26.38)	(28.14)	(29.09)
DPS (Rmb)	0.65	0.65	0.65	0.82	0.97
Dividend Yield	6.45%	6.45%	6.53%	8.18%	9.71%
P/EV (x)	0.26	0.24	0.22	0.20	0.18
P/BV (x)	0.63	0.59	0.55	0.51	0.47
ROE	11.7%	10.7%	10.2%	11.9%	13.1%
% Change In Normalised EPS Estimates		(15.1%)	(13.2%)	(6.4%)	
Normalised EPS/consensus EPS (x)		0.89	0.82	0.91	0.79

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Model adjustment

ESG in a nutshell		Refinitiv ESG Scores					
		A- ESG Score	A+ ESG Controversies Score	A- ESG Combined Score	B+ ESG Environment Pillar Score	A- ESG Social Pillar Score	A- ESG Government Pillar Score
<p>China Life scored an A- rating for its combined ESG score by Refinitiv in FY20. China Life has actively supported green finance, improved the green investment and management system, adhered to low carbon operation and integrated energy conservation and emissions reduction into daily operation and business development. Up to 31 Jun 2021, China Life existing green investment reached nearly Rmb250bn and contributed to the national objective of peaking carbon dioxide emission by 2030 and realising carbon neutrality by 2060. To promote a digital workplace and paperless services, the application rate of online paperless insurance for individual long-term insurance was 99.9%, saving about 365.6 tonnes of paper. China Life also established a comprehensive investment and financing mechanism for poverty alleviation, a financial and insurance product system for poverty alleviation, and a model of “poverty alleviation through insurance” in order to fight against poverty and work on the rural revitalisation strategy. The company’s investment in poverty alleviation funds totaled Rmb4.723bn in 2020. China Life plans to further boost the effectiveness of ESG target management and launched the China Life ESG data system in 2020 to achieve online management and regular review of ESG performance targets.</p>							
<p><b>Keep your eye on</b></p> <p>Climate change risk forms part of China Life’s overall insurance risk profile through its role in increasing the frequency and intensity of certain diseases, and the health and mortality impacts resulting from natural disasters.</p>	<p><b>Implications</b></p> <p>There has not been much detail on how China Life manages the risks from climate change. However, we expect the company to disclose more information on this in the future, including information on how it is going to price in the risks from climate change in the calculation of premium rates for its insurance products.</p>						
<p><b>ESG highlights</b></p> <p>China Life’s A- ESG score is on the upper end of ESG scoring against its peers, driven by its full incorporation of ESG into its strategy, sustainable investing, and green operations.</p>	<p><b>Implications</b></p> <p>China Life has increasingly committed to its ESG issues over the past few years. While not priced in the valuations at the current stage, we believe China Life’s ESG progress will support re-rating cycles.</p>						
<p><b>Trends</b></p> <p>China Life’s ESG score has upgraded from B+ in FY19 to A- in FY20. The Environmental and Social pillar score remains unchanged yoy in FY20 while the Governance pillar score was raised from B in FY19 to A- in FY20. The company’s ESG Controversies score has remained at A+ since FY16.</p>	<p><b>Implications</b></p> <p>We believe the trend will be stable in the next two years. The key driver would be the company’s climate changes risk disclosure.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

## Changes to our forecasts

We cut our FY21F-23F EPS forecasts by 6.4% to 15.1% to reflect lower premiums as well as investment income forecasts (Fig 1).

We also cut our FY21F, FY22F and FY23F NBV forecasts by 1.3%, 21.7% and 25.9%, respectively, to reflect our more bearish NBV outlook, driven by both lower premium growth and lower NBV margins. Our FY21F-23F embedded value (EV) estimates are also cut by 0.2-1.7% as a result of the lower NBV forecasts.

**Figure 1: Changes to our key estimates for China Life**

(Rmb m)	FY21F			FY22F			FY23F		
	Old	New	% change	Old	New	% change	Old	New	% change
<b>Profit &amp; loss</b>									
Net premiums earned	627,112	613,206	-2.2%	660,941	603,527	-8.7%	710,495	605,874	-14.7%
Total investment income	225,563	212,215	-5.9%	208,185	200,487	-3.7%	219,183	232,696	6.2%
Other income	9,315	9,315	0.0%	9,315	9,315	0.0%	9,315	9,315	0.0%
Total Revenue	861,990	834,736	-3.2%	878,441	813,330	-7.4%	938,993	847,885	-9.7%
Insurance-related expenses	-656,656	-642,730	-2.1%	-666,313	-623,244	-6.5%	-704,895	-642,880	-8.8%
Underwriting and policy acquisition costs	-87,910	-85,961	-2.2%	-92,653	-84,604	-8.7%	-99,599	-84,933	-14.7%
Other expenses	-56,908	-55,646	-2.2%	-59,978	-54,768	-8.7%	-64,475	-54,981	-14.7%
Total benefits, claims and expenses	-801,474	-784,337	-2.1%	-818,943	-762,616	-6.9%	-868,969	-782,793	-9.9%
Share of P/L from associates	7,973	7,973	0.0%	8,371	8,371	0.0%	8,790	8,790	0.0%
Pre-tax profits	68,489	58,372	-0.3%	67,869	59,085	-0.3%	78,815	73,881	-0.1%
Income tax	-8,219	-7,005	-14.8%	-8,144	-7,090	-12.9%	-9,458	-8,866	-6.3%
Minority interests (or non-controlling interests)	-1,318	-1,318	0.0%	-1,318	-1,318	0.0%	-1,318	-1,318	0.0%
Net profit	<b>58,952</b>	<b>50,049</b>	<b>-15.1%</b>	<b>58,407</b>	<b>50,677</b>	<b>-13.2%</b>	<b>68,039</b>	<b>63,698</b>	<b>-6.4%</b>
EPS (Rmb)	2.09	1.77	-15.1%	2.07	1.79	-13.2%	2.41	2.25	-6.4%
DPS (Rmb)	0.75	0.64	-15.1%	0.75	0.65	-13.2%	0.87	0.81	-6.4%
BVPS (Rmb)	17.25	17.05	-1.2%	18.57	18.20	-2.0%	20.11	19.64	-2.4%
EVPS (Rmb)	42.10	42.03	-0.2%	46.68	46.29	-0.8%	51.94	51.05	-1.7%
<b>Key balance sheet items</b>									
Total investment assets	4,597,885	4,597,885	0.0%	5,133,751	5,133,751	0.0%	5,732,070	5,732,070	0.0%
Total assets	4,759,390	4,759,390	0.0%	5,299,729	5,299,729	0.0%	5,902,672	5,902,672	0.0%
Total shareholders' equity excl. minorities	487,704	482,018	-1.2%	525,009	514,385	-2.0%	568,466	555,069	-2.4%
<b>Key EV and NBV metrics</b>									
NBV	45,933	45,358	-1.3%	49,608	38,842	-21.7%	55,616	41,192	-25.9%
NBV growth	-21.3%	-22.3%	-1.0% pts	8.0%	-14.4%	-22.4% pts	12.1%	6.1%	-6.1% pts
Life embedded value	1,189,964	1,187,918	-0.2%	1,319,420	1,308,334	-0.8%	1,467,953	1,442,838	-1.7%
Life ROEV	13%	13%	-0.2% pts	13%	12%	-1.0% pts	13%	12%	-1.2% pts
ROE	13%	11%	-1.8% pts	12%	10%	-1.4% pts	12%	12%	-0.5% pts
NBV margin	46%	42%	-4.0% pts	46%	39%	-6.5% pts	46%	40%	-6.6% pts
First year premiums (APE weighted)	100,521	108,849	8%	108,563	99,163	-9%	120,505	104,121	-14%
<b>Other key metrics</b>									
Gross written premiums (GWP)	634,075	620,014	-2%	668,694	610,607	-9%	718,867	613,013	-15%
GWP growth	3.6%	1.3%	-2.3% pts	5.5%	-1.5%	-7.0% pts	7.5%	0.4%	-7.1% pts
FYP (APE) growth	-18.5%	-11.7%	6.8% pts	8.0%	-8.9%	-16.9% pts	11.0%	5.0%	-6.0% pts
Net investment yield	4.2%	4.2%	0.0% pts	4.2%	4.2%	0.0% pts	4.1%	4.1%	0.0% pts
Gross investment yield	6.3%	5.5%	-0.8% pts	5.1%	4.6%	-0.5% pts	4.8%	4.8%	0.0% pts
Insurance-related expenses/ (net earned premiums+ total investment revenue)	77%	78%	0.9% pts	77%	78%	0.9% pts	76%	77%	0.8% pts
Underwriting and policy acquisition costs/ net earned premiums	14%	14%	0.0% pts	14%	14%	0.0% pts	14%	14%	0.0% pts
Effective tax rate	12%	12%	0.0% pts	12%	12%	0.0% pts	12%	12%	0.0% pts
Dividend payout ratio	36%	36%	0.0% pts	36%	36%	0.0% pts	36%	36%	0.0% pts
EPS growth	18%	0%	-17.8% pts	-1%	1%	2.2% pts	16%	26%	9.2% pts
BVPS growth	8%	7%	-1.3% pts	8%	7%	-0.9% pts	8%	8%	-0.4% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

NBV = Value of new business; EV = embedded value; GWP = Gross written premiums; FYP = First year premiums; APE = Annualised premium equivalent; EVPS = Embedded value per share

## Valuation and risks

We cut our target price by 19.8% to HK\$15.40 from HK\$19.20, and reiterate our Add rating on China Life. We value China Life using a weighted P/EV and P/BV GGM Gordon Growth Model (GGM) methodology.

We assume beta of 1.77 (previously 1.55, with a higher beta to account for our view that investors may see China as higher risk given a more uncertain regulatory environment) which results in a cost of equity of 17.2% (previously 15.4%), and a terminal growth rate of 5.0% (unchanged).

We assign a 67% weighting for the P/BV valuation and a 33% weighting for the P/EV valuation (unchanged). This reflects our belief that investors have been

losing faith in the embedded value valuation methodology over time and might be more comfortable with a book value valuation methodology.

We expect a sustainable return on embedded value (ROEV) of 11.9% (previously 14.0%) and a sustainable ROE of 11.5% (previously 11.2%) for China Life.

Our FY22F (previously FY21F) embedded value per share (EVPS) forecast is now Rmb46.29 (previously Rmb42.10), while our FY22F (previously FY21F) BVPS is now Rmb18.2 (previously Rmb17.25).

As a result, our target price falls 19.8% to HK\$15.4 (previously HK\$19.20), once we convert it at an Rmb/HK\$ exchange rate of 1.19 (unchanged), which implies 25% potential upside to China Life's share price as of 23 Mar 2022 (Fig 2). Therefore, we reiterate our Add rating.

**Figure 2: Changes to our key valuation assumptions for China Life**

	<b>New</b>	<b>Old</b>	<b>% change</b>
Equity risk premiums (ERP)	8.0%	8.0%	0.0% pts
Risk free rate	3.0%	3.0%	0.0% pts
Beta	1.77	1.55	14%
Cost of equity (COE)	17.2%	15.4%	1.8% pts
Terminal growth rate	5.0%	5.0%	0.0% pts
Sustainable ROEV	11.9%	14.0%	-2.1% pts
Target P/EV	0.6x	0.9x	-34%
FY22F EVPS (Rmb)	46.29	42.10	10%
i.e. FY22F EVPS (HK\$)	55.29	50.29	10%
Rmb/HK\$ exchange rate	1.19	1.19	0%
Hence target price (HK\$) if 100% weighting to a P/EV GGM approach	31.44	43.47	-28%
Sustainable ROE	11.5%	11.2%	0.3% pts
Target P/BV	0.5x	0.6x	-10%
FY22F BVPS (Rmb)	18.20	17.25	-1%
i.e. FY22F BVPS (HK\$)	21.74	20.61	5%
Hence target price (HK\$) if 100% weighting to a P/BV GGM approach	11.57	12.23	-5%
Weighting applied to P/EV based approach	33%	33%	0.0% pts
Weighting applied to P/BV based approach	67%	67%	0.0% pts
Conglomerate discount	15%	15%	0.0% pts
Final target price (HK\$)	15.40	19.20	-19.8%
Current share price (HK\$)	12.32		
Upside/ downside	25%		

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG  
Share price as of 23 Mar 2022  
ROEV = Return on embedded value

We see potential re-rating catalysts from stabilisation of premium growth as well as any rebound in the A-share market, which can benefit investment income.

Key downside risks are intensifying competition (especially within the savings insurance and critical illness insurance segment), and another wave of Covid-19 outbreak in mainland China, which could make it difficult for agents to sell insurance policies given the reduced face-to-face contact amidst an outbreak.

**Figure 3: Sector comparison table**

Ticker	Rec	Market Cap (US\$bn)	Price (Lcy)	Target Price (Lcy)	+/- (%)	P/EV (x)			VONB multiple (x)			P/BV (x)			Group ROEV (%)			
						FY20A	FY21F	FY22F	FY20A	FY21F	FY22F	FY20A	FY21F	FY22F	FY20A	FY21F	FY22F	
China Life	2628 HK	Add	96.16	12.32	15.40	25%	0.27x	0.24x	0.22x	-13.3x	-15.4x	-22.4x	0.6x	0.6x	0.6x	16.8	12.5	11.7
Ping An	2318 HK	Add	128.99	56.70	72.00	27%	0.62x	0.59x	0.55x	-14.0x	-20.6x	-22.8x	1.1x	1.0x	0.8x	8.7	7.4	10.1
CPIC	2601 HK	Add	31.78	20.15	29.70	47%	0.35x	0.32x	0.29x	-16.2x	-17.3x	-18.3x	0.7x	0.7x	0.7x	18.7	11.8	14.4
PICC P&C	2328 HK	Add	21.87	7.87	9.40	19%	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	83.25	101.00	21%	1.98x	1.77x	1.64x	23.1x	16.7x	14.2x	2.0x	2.1x	2.0x	8.4	15.3	11.0
NCI	1336 HK	Add	14.69	21.95	33.10	51%	0.24x	0.21x	0.20x	-20.0x	-27.6x	-28.6x	0.6x	0.5x	0.5x	19.5	12.9	10.6
HK-listed weighted average							0.92x	0.84x	0.78x	-2.6x	-7.6x	-11.0x	1.2x	1.2x	1.1x	11.8	11.7	11.1
HK-listed weighted average ex AIA							0.44x	0.42x	0.39x	-14.3x	-18.7x	-22.5x	0.9x	0.8x	0.7x	13.3	10.0	11.2

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS  
Share prices as of 23 Mar 2022

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

**Figure 4: Key financial data**

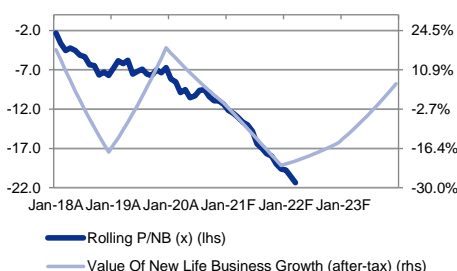
(Rmb m)	FY16	FY17	FY18	FY19	FY20	FY21F	FY22F	FY23F	FY24F
<b>Profit &amp; loss</b>									
Net premiums earned	426,230	506,910	532,023	560,278	604,666	613,206	603,527	605,874	625,157
Total investment income	108,091	128,952	87,298	161,001	190,980	212,215	200,487	232,696	257,217
Other income	6,460	7,493	8,098	8,195	9,315	9,315	9,315	9,315	9,315
Total Revenue	540,781	643,355	627,419	729,474	804,961	834,736	813,330	847,885	891,689
Insurance-related expenses	-428,244	-495,990	-508,197	-540,999	-618,926	-642,730	-623,244	-642,880	-669,021
Underwriting and policy acquisition costs	-52,022	-64,789	-62,705	-81,396	-84,342	-85,961	-84,604	-84,933	-87,636
Other expenses	-42,528	-48,048	-50,341	-55,295	-54,871	-55,646	-54,768	-54,981	-56,730
Total benefits, claims and expenses	-522,794	-608,827	-621,243	-677,690	-758,139	-784,337	-762,616	-782,793	-813,387
Share of P/L from associates	5,855	7,143	7,745	8,011	7,666	7,973	8,371	8,790	9,229
Profit before income tax	23,842	41,671	13,921	59,795	54,488	58,372	59,085	73,881	87,531
Income tax	-4,257	-8,919	-1,985	-781	-3,103	-7,005	-7,090	-8,866	-10,504
Net profit after tax	19,585	32,752	11,936	59,014	51,385	51,367	51,995	65,016	77,027
Minority interests	-458	-499	-925	-1,121	-1,318	-1,318	-1,318	-1,318	-1,318
Net profit after tax	19,127	32,253	11,011	57,893	50,067	50,049	50,677	63,698	75,709
EPS (Rmb)	0.66	1.13	0.39	2.05	1.77	1.77	1.79	2.25	2.68
DPS (Rmb)	0.24	0.40	0.16	0.73	0.64	0.64	0.65	0.81	0.97
BVPS (Rmb)	10.74	11.35	11.26	14.29	15.92	17.05	18.20	19.64	21.35
EVPS (Rmb)	23.07	25.97	28.13	33.33	37.93	42.03	46.29	51.05	56.24
<b>Key balance sheet items</b>									
Total investment assets	2,573,049	2,753,124	3,104,014	3,573,154	4,095,454	4,597,885	5,133,751	5,732,070	6,400,120
Total assets	2,696,951	2,897,591	3,254,403	3,726,734	4,252,410	4,759,390	5,299,729	5,902,672	6,575,507
Total shareholders' equity excl. minorities	303,621	320,933	318,371	403,764	450,051	482,018	514,385	555,069	603,425
<b>Key EV and NBV metrics</b>									
NBV	49,311	60,117	49,511	58,698	58,373	45,358	38,842	41,192	44,899
NBV growth	56.4%	21.9%	-17.6%	18.6%	-0.6%	-22.3%	-14.4%	6.1%	9.0%
Life embedded value	652,057	734,172	795,052	942,087	1,072,140	1,187,918	1,308,334	1,442,838	1,589,663
Life ROEV	17.9%	13.7%	9.9%	19.1%	16.8%	12.5%	11.7%	11.7%	11.8%
ROE	6.1%	10.3%	3.4%	16.0%	11.7%	10.7%	10.2%	11.9%	13.1%
NBV margin	46.9%	48.4%	44.6%	50.3%	47.4%	41.7%	39.2%	39.6%	39.6%
First year premiums (APE weighted)	105,250	124,195	111,092	116,603	123,273	108,849	99,163	104,121	113,492
<b>Other key metrics</b>									
Gross written premiums (GWP)	430,498	511,966	535,826	567,086	612,265	620,014	610,607	613,013	632,408
GWP growth	18.3%	18.9%	4.7%	5.8%	8.0%	1.3%	-1.5%	0.4%	3.2%
FYP (APE) growth	44.3%	18.0%	-10.6%	5.0%	5.7%	-11.7%	-8.9%	5.0%	9.0%
Net investment yield	4.60%	4.87%	4.56%	4.48%	4.29%	4.21%	4.16%	4.12%	4.08%
Gross investment yield	4.56%	5.11%	3.18%	5.16%	5.31%	5.50%	4.63%	4.81%	4.77%
Insurance-related expenses/ (NEP+ total investment revenue)	80%	78%	82%	75%	78%	78%	78%	77%	76%
Underwriting and policy acquisition costs/ net earned premiums	12%	13%	12%	15%	14%	14%	14%	14%	14%
Effective tax rate	18%	21%	14%	1%	6%	12%	12%	12%	12%
Dividend payout ratio	36%	35%	41%	36%	36%	36%	36%	36%	36%
EPS growth	-45.9%	71.2%	-65.5%	425.8%	-13.5%	0.0%	1.3%	25.7%	18.9%
BVPS growth	-5.9%	5.7%	-0.8%	26.8%	11.5%	7.1%	6.7%	7.9%	8.7%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

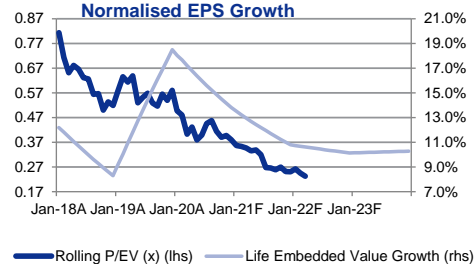
\* NEP = net earned premiums; GWP = gross written premiums; FYP = first year premiums; APE = annualised premium equivalent; NBV = new business value; EPS = earnings per share; BVPS = book value per share; ROEV = return on embedded value; DPS = dividend per share; EVPS = embedded value per share

## BY THE NUMBERS

**P/NB vs NB Growth**



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



### Profit & Loss

(Rmbm)	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Revenue	604,666	613,206	603,527	605,874	625,157
Total Claims and Changes in Reserves	(609,080)	(632,505)	(613,329)	(632,653)	(658,378)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(153,473)	(171,131)	(159,089)	(176,919)	(188,231)
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	(153,473)	(171,131)	(159,089)	(176,919)	(188,231)
Total Other Technical Income	200,295	221,530	209,802	242,011	266,532
<b>Total Other Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Operating Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other Technical Income / (Loss)					
<b>Depreciation And Amortisation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Profit</b>	<b>46,822</b>	<b>50,399</b>	<b>50,714</b>	<b>65,091</b>	<b>78,302</b>
Pretax Income/(Loss) from Assoc.	7,666	7,973	8,371	8,790	9,229
Post-Tax Oper. Earnings - Life/Other Biz					
Head Office Costs					
<b>Non-Operating Income/(Expense)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Investment Income on Shareholders Fund					
Other Income					
Exceptional Items					
<b>Pre-tax Profit</b>	<b>54,488</b>	<b>58,372</b>	<b>59,085</b>	<b>73,881</b>	<b>87,531</b>
Taxation	(3,103)	(7,005)	(7,090)	(8,866)	(10,504)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>51,385</b>	<b>51,367</b>	<b>51,995</b>	<b>65,016</b>	<b>77,027</b>
Minority Interests	(1,318)	(1,318)	(1,318)	(1,318)	(1,318)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>50,067</b>	<b>50,049</b>	<b>50,677</b>	<b>63,698</b>	<b>75,709</b>

### Operating Ratios

	Dec-20A	Dec-21F	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)	(96%)	(98%)	(97%)	(100%)	(100%)
Acquisition Expense Ratio (life & Health)	13.8%	13.9%	13.9%	13.9%	13.9%
Admin Expense Ratio (life & Health)	6.16%	6.16%	6.16%	6.16%	6.16%
Total Expense Ratio (life & Health)	24.3%	24.5%	24.4%	24.5%	24.5%
Policyholder Dividends Ratio (life & Health)	4.62%	4.74%	4.66%	4.79%	4.83%
Combined Underwriting Ratio (life & Health)	(67.1%)	(69.1%)	(67.8%)	(70.3%)	(71.1%)
Underwriting Profit Margin (life & Health)	(25.4%)	(27.9%)	(26.4%)	(29.2%)	(30.1%)
Operating Profit Margin (life & Health)	7.7%	8.2%	8.4%	10.7%	12.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(Rmbm)	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Fixed Assets	52,747	54,177	55,572	57,003	58,471
Intangible Assets	0	0	0	0	0
Other Long Term Assets	4,074,028	4,570,466	5,099,853	5,690,854	6,350,647
<b>Total Non-current Assets</b>	<b>4,126,775</b>	<b>4,624,643</b>	<b>5,155,426</b>	<b>5,747,858</b>	<b>6,409,119</b>
Total Cash And Equivalents	59,705	67,030	74,842	83,564	93,303
Trade Debtors	20,730	21,292	21,840	22,403	22,980
Other Current Assets	45,200	46,425	47,621	48,847	50,105
<b>Total Current Assets</b>	<b>125,635</b>	<b>134,747</b>	<b>144,303</b>	<b>154,814</b>	<b>166,388</b>
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities	181,203	203,818	228,007	254,787	284,538
<b>Total Current Liabilities</b>	<b>181,203</b>	<b>203,818</b>	<b>228,007</b>	<b>254,787</b>	<b>284,538</b>
Total Long-term Debt	19,556	21,997	24,607	27,497	30,708
Hybrid Debt - Debt Component					
Other Liabilities	568,474	639,422	715,307	799,323	892,658
<b>Total Non-current Liabilities</b>	<b>588,030</b>	<b>661,419</b>	<b>739,914</b>	<b>826,821</b>	<b>923,366</b>
<b>Total Technical &amp; Other Provisions</b>	<b>3,026,246</b>	<b>3,403,937</b>	<b>3,807,906</b>	<b>4,255,161</b>	<b>4,752,026</b>
<b>Total Liabilities</b>	<b>3,795,479</b>	<b>4,269,174</b>	<b>4,775,827</b>	<b>5,336,769</b>	<b>5,959,930</b>
Shareholders' Equity	450,051	482,018	514,385	555,069	603,425
Minority Interests	6,880	8,198	9,516	10,834	12,152
<b>Total Equity</b>	<b>456,931</b>	<b>490,216</b>	<b>523,901</b>	<b>565,903</b>	<b>615,577</b>
Life Embedded Value	1,072,140	1,187,918	1,308,334	1,442,838	1,589,663

### Key Ratios

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	7.97%	1.27%	(1.52%)	0.39%	3.16%
Operating Profit Growth (Life & Health)	(9.6%)	7.6%	0.6%	28.4%	20.3%
Value Of New Life Business Growth (after-tax)	(0.6%)	(22.3%)	(14.4%)	6.1%	9.0%
Life Embedded Value Growth	13.8%	10.8%	10.1%	10.3%	10.2%
Pre-tax Margin	9.0%	9.5%	9.8%	12.2%	14.0%
Net Profit Margin	8.3%	8.2%	8.4%	10.5%	12.1%
Effective Tax Rate	5.7%	12.0%	12.0%	12.0%	12.0%
Net Dividend Payout Ratio	36.5%	36.5%	36.5%	36.4%	36.4%
Return On Average Assets	1.29%	1.14%	1.03%	1.16%	1.23%
Net Gearing	(9.8%)	(10.3%)	(10.8%)	(11.2%)	(11.6%)
Financial Leverage	9.35	9.67	10.10	10.47	10.77
Equity / Assets	10.6%	10.1%	9.7%	9.4%	9.2%

### Key Drivers

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Total GWP	0.1	0.0	(0.0)	0.0	0.0
Total FYP	0.1	(0.1)	(0.1)	0.1	0.1
Total renewal business	0.1	0.0	(0.0)	(0.0)	0.0
Total short-term insurance business	0.1	0.1	0.1	0.1	0.1
Effective tax rate	0.1	0.1	0.1	0.1	0.1
Investment assets growth	0.2	0.1	0.1	0.1	0.1
Dividend payout ratio	0.4	0.4	0.4	0.4	0.4

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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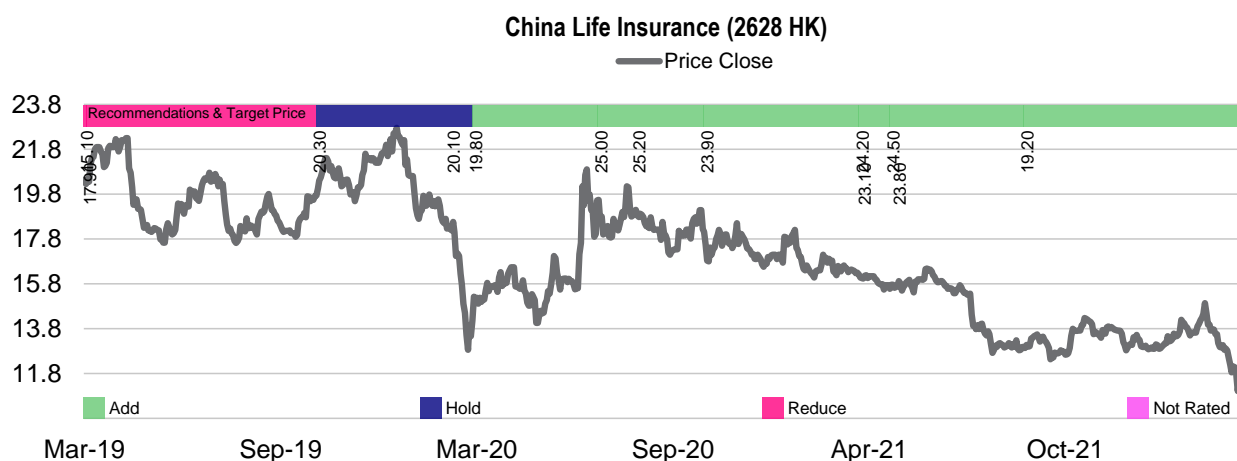
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	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, **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	
<b>Stock Ratings</b>	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>	
<b>Sector Ratings</b>	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.
<b>Country Ratings</b>	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.

