

Hong Kong

ADD (no change)

Consensus ratings*: Buy 21 Hold 3 Sell 0

Current price:	HK\$19.66
Target price:	HK\$29.00
Previous target:	HK\$29.90
Up/downside:	47.5%
CGS-CIMB / Consensus:	-0.5%
Reuters:	2601.HK
Bloomberg:	2601 HK
Market cap:	US\$31,847m
	HK\$249,272m
Average daily turnover:	US\$30.76m
	HK\$240.1m
Current shares o/s:	9,620m
Free float:	52.4%

*Source: Bloomberg

Key changes in this note

- FY22F EPS cut by 8.5%.
- FY23F EPS cut by 6.2%.
- FY24F EPS cut by 4.5%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-10.2	-9	-35
Relative (%)	-4.2	-1.2	-11.7

Major shareholders	% held
Fortune Investment Co., Ltd.	14.2
Shenergy (Group) Co., Ltd	13.5
Shanghai Haiyan Investment	5.2

Analyst(s)



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China Pacific Insurance

Many questions, few answers

- Key among the questions that the FY21 results raised was why cut the DPS, one year after announcing a special dividend.
- Life insurance NBV and agents continued to fall for the second consecutive year, with 2H21 NBV down 52% yoy and 2H21 agents falling 44% yoy.
- P&C insurance was the bright spot, with 2H21 combined ratio -1% pt yoy.
- Reiterate Add but cut TP by 3% to HK\$29, on lower FY22F-24F EPS and a lower life insurance valuation in our sum-of-parts valuation.

A number of negative surprises

The key negative surprise was the DPS cut, which could be an issue for a number of investors given that CPIC's key attraction is its high dividend yield (8% in FY20), in our view. FY21 new business value (NBV) fell 24.8% yoy (2.7% below our forecasts), after FY20's 27.5% yoy decline. FY21 net profit was up 9.2% yoy (2.8% below our forecasts; Fig 1). 4Q21 net profit fell 16% yoy on lower investment income and higher expenses.

What we liked about the FY21 results

i) FY21 property and casualty (P&C) insurance combined ratio was 99%, flat yoy and 0.8% pt better than we expected. With 1H21 combined ratio up 1% pt yoy to 99.3%, implying that 2H21 combined ratio fell 1% pt yoy to 98.7%.

What we did not like about the FY21 results

i) The surprise DPS cut (FY21: Rmb1; FY20: 1.3), with a cut in the ordinary dividend payout ratio based on operating profits (FY21: 27%; FY20: 36%). The ordinary dividend payout ratio based on net profits also fell (FY21: 36%; FY20: 46%). The cut is doubly surprising given that CPIC had paid out a special dividend of Rmb0.1 in FY20, and that it had recently indicated that the adoption of C-ROSS phase 2 was manageable in terms of its impact on capital ratios. Of the listed insurers that have reported FY21 results, CPIC's FY21 dividend payout ratio based on net profits of 36% is slightly above the average (China Life: 36%; Ping An: 43%; PICC Group: 28%; PICC P&C: 46%; Taiping: 22%); ii) 2H21 NBV fell 52% yoy, worse than 1H21's 9% fall yoy; iii) monthly average agent numbers fell to 525,000 in FY21, down 29.9% yoy, implying that 2H21 monthly average agent numbers fell to 409,000 (-44% yoy, -36% hoh); iv) FY21 13-month persistency ratio fell to 80.3%, the lowest since at least 2004 (Fig 2). This mirrors industry trends (Fig 3), with Covid-19 a key reason for this weakness in our view.

Reiterate Add; cut SOP-based TP to HK\$29 from HK\$29.9

Our cut in TP is due to lower FY22F-24F EPS (stemming from lower forecasts for investment income and higher reserving expense assumptions). Potential re-rating catalysts: stabilisation of premium growth and potentially strong equity markets. Key downside risks are intensifying competition, another wave of Covid-19 outbreak in mainland China, continued declines in agent numbers and greater regulatory risks.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Premium (Rmbm)	363,702	368,125	382,536	402,147	425,619
Investment And Other Income (Rmbm)	82,740	91,643	99,037	105,599	112,171
Net Premium (Rmbm)	343,208	347,368	359,288	376,249	396,917
Net Profit (Rmbm)	24,584	26,834	28,525	32,452	36,612
Normalised EPS (Rmb)	2.63	2.79	2.97	3.37	3.81
Normalised EPS Growth	(14.0%)	6.0%	6.3%	13.8%	12.8%
FD Normalised P/E (x)	6.07	5.73	5.39	4.74	4.20
P/NB (x)	(10.52)	(16.62)	(23.08)	(24.90)	(25.88)
DPS (Rmb)	1.30	1.00	1.12	1.25	1.40
Dividend Yield	8.13%	6.26%	7.01%	7.85%	8.79%
P/EV (x)	0.45	0.41	0.37	0.34	0.31
P/BV (x)	0.71	0.68	0.63	0.58	0.53
ROE	12.5%	12.1%	12.1%	12.7%	13.2%
% Change In Normalised EPS Estimates			(8.49%)	(6.21%)	(4.47%)
Normalised EPS/consensus EPS (x)			0.94	0.95	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

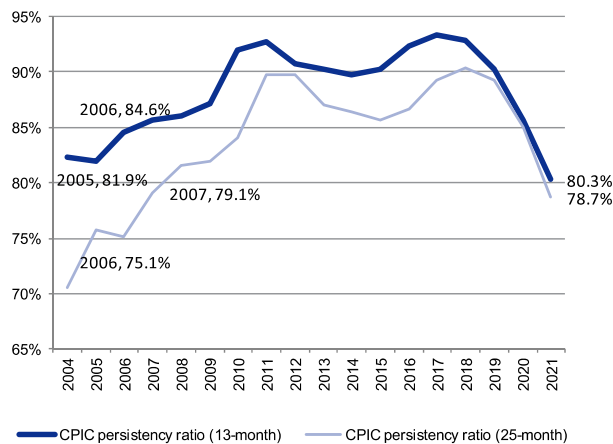
Many questions, few answers

Figure 1: Key financial metrics and the variance from our forecasts

(Rmb bn)	FY21 actual	FY21F by CGS-CIMB	% variance	Growth yoy
Net profit	26.8	27.6	-2.8%	9.2%
Group Embedded value (EV)	498.3	496.7	0.3%	8.5%
New business value (NBV)	13.4	13.8	-2.7%	-24.8%
Gross written premiums (GWP)	366.8	362.7	1.1%	1.3%
ROE (%)	11.4%	11.7%	-2.2%	0.3%-pts
Combined ratio (%)	99.0%	99.8%	-0.8%	0.0%-pts

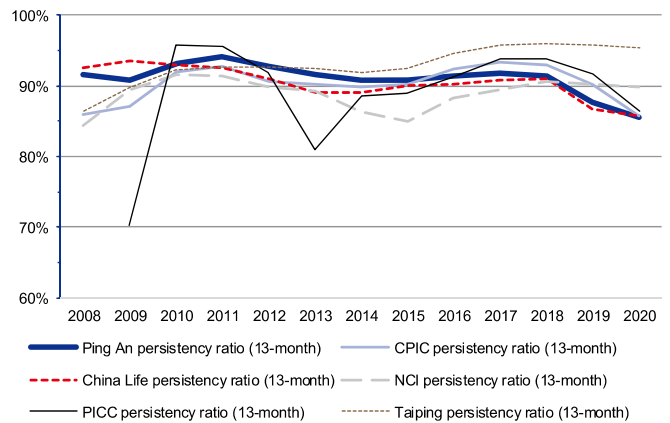
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 2: CPIC's 13-month and 25-month persistency ratios across time




SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: 13-month persistency ratio of the listed life insurers



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

		Refinitiv ESG Scores					
ESG in a nutshell		B ESG Score	A+ ESG Controversies Score	B ESG Combined Score	B ESG Environment Pillar Score	C ESG Social Pillar Score	A ESG Government Pillar Score
<p>CPIC scored a B rating for its combined ESG score by Refinitiv in FY20. CPIC fully integrates Environmental, Social and Governance (“ESG”) into its operations and management. It identifies ESG risks, formulates response strategies, and optimises the operating system in accordance with the ESG report guidelines. CPIC leverages its advantages in risks management and financing to support rural revitalisation, empower the country with science and technology. The company has continuously upgraded smart devices of E-agricultural insurance and has built up a digital operation management platform cluster suitable for different agricultural scenarios, making the entire business process more efficient. In 2020, CPIC’s poverty alleviation programmes covered about 7.62m registered impoverished households nationwide and provided a total of Rmb3.08tr in sum assured to poverty-stricken areas. In 2021, Changjiang Pension, a subsidiary of CPIC, issued the first ESG insurance asset management product in China, which channelled funds to support green development. Going forward, CPIC will continue to incorporate ESG management concepts and requirements into its daily operation and contribute to alleviating poverty.</p>							
Keep your eye on	Implications						
<p>Climate change has become a new focus areas for the insurance industry due to its profound impact on catastrophe risks.</p>	<p>We note that the company disclosed more details on its measures against climate change risks for the first time in FY20. The company has rolled out catastrophe insurance products and services, and developed agricultural index insurance to fight risks caused by severe weather, etc. We expect the company to continue doing so and provide more information on how it affects the insurance products pricing.</p>						
ESG highlights	Implications						
<p>CPIC’s B ESG score ranks around the average of ESG scoring against its peers, driven by its full incorporation of ESG into its efforts in rural revitalisation.</p>	<p>CPIC has increasingly committed to improving ESG over the past few years and has incorporated ESG into its entire business process. While not priced in the valuations at the current stage, we believe CPIC’s progress in ESG adoption will help support future re-rating cycles.</p>						
Trends	Implications						
<p>CPIC’s ESG score increased from B- in FY19 to B in FY20. The Environmental pillar score increased from B- in FY19 to B in FY20 and the Governance pillar score increased from A- in FY19 to A in FY20 while the Social pillar score remained the same yoy in FY20. The company’s ESG Controversies score has remained at A+ since FY16.</p>	<p>We believe the trend will remain relatively stable in the coming years. The key driver would be the company’s management of the social pillar.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Changes to our forecasts

We cut our FY22-24F EPS by 4.5-8.5%, driven by lower investment income and higher expense assumptions (Fig 4).

Figure 4: Changes to our key estimates for CPIC

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	% change	Old	New	% change	Old	New	% change
Profit & loss									
Net premiums earned	341,699	349,944	2.4%	356,403	366,474	2.8%	375,088	386,613	3.1%
Total investment income	100,247	99,037	-1.2%	111,613	105,599	-5.4%	123,588	112,171	-9.2%
Other income	4,837	4,800	-0.8%	4,972	4,509	-9.3%	5,115	4,268	-16.6%
Total Revenue	446,783	453,781	1.6%	472,988	476,581	0.8%	503,791	503,052	-0.1%
Insurance-related expenses	309,918	333,916	7.7%	327,249	348,249	6.4%	348,015	365,342	5.0%
Other expenses	100,567	88,049	-12.4%	105,386	92,302	-12.4%	111,050	97,215	-12.5%
Total benefits, claims and expenses	410,485	421,965	2.8%	432,635	440,551	1.8%	459,065	462,557	0.8%
Share of P/L from associates	512	799	56.1%	512	799	56.1%	512	799	56.1%
Income tax	4,623	3,294	-28.7%	5,160	3,573	-30.8%	5,742	3,872	-32.6%
Minority interests (or non-controlling interests)	1,016	795	-21.7%	1,104	804	-27.2%	1,171	809	-30.9%
Net profit	31,171	28,525	-8.5%	34,601	32,452	-6.2%	38,325	36,612	-4.5%
EPS	3.24	2.97	-8.5%	3.60	3.37	-6.2%	3.98	3.81	-4.5%
DPS	1.59	1.12	-29.4%	1.78	1.25	-29.4%	1.99	1.40	-29.4%
BVPS	25.48	25.41	-0.3%	27.30	27.53	0.8%	29.30	29.93	2.2%
Key balance sheet items									
Total investment assets	2,176,754	1,983,444	-8.9%	2,477,547	2,161,647	-12.8%	0	0	n.a.
Total assets	2,323,931	2,128,615	-8.4%	2,637,575	2,318,243	-12.1%	0	0	n.a.
Total shareholders' equity excl. minorities	245,140	244,492	-0.3%	262,658	264,877	0.8%	0	0	n.a.
Key EV and NBV metrics									
NBV	11,898	11,226	-6%	12,459	12,011	-4%	13,601	13,274	-2%
NBV growth	-14%	-16%	-3% pts	5%	7%	2% pts	9%	11%	1% pts
Life embedded value	416,657	412,817	-1%	456,862	452,828	-1%	499,657	497,252	0%
Life ROEV	13%	12%	-2% pts	13%	12%	-1% pts	13%	12%	-1% pts
ROE	12%	11%	-1% pts	13%	12%	-1% pts	13%	12%	-1% pts
NBV margin	50%	46%	-3% pts	50%	46%	-3% pts	50%	47%	-3% pts
First year premiums (APE weighted)	23,902	24,242	1%	25,028	25,938	4%	27,322	28,382	4%
Other key metrics									
Gross written premiums (GWP)	376,741	381,193	1%	394,867	400,804	2%	417,271	424,276	2%
GWP growth	4%	4%	0% pts	5%	5%	0% pts	6%	6%	0% pts
FYP (APE) growth	-13%	-12%	1% pts	5%	7%	2% pts	9%	9%	0% pts
Net investment yield	4.33%	4.46%	0.1% pts	4.24%	4.37%	0.1% pts	4.16%	4.28%	0.1% pts
Gross investment yield	4.97%	5.24%	0.3% pts	4.87%	5.14%	0.3% pts	4.77%	5.04%	0.3% pts
Insurance-related expenses/ (net earned premiums+ total investment revenue)	70%	74%	4% pts	70%	74%	4% pts	70%	73%	3% pts
P&C combined ratio	99.6%	99.2%	-0.4% pts	99.3%	98.9%	-0.4% pts	99.1%	98.7%	-0.4% pts
Effective tax rate	13%	10%	-2% pts	13%	10%	-3% pts	13%	9%	-3% pts
Dividend payout ratio	49%	38%	-11% pts	49%	37%	-12% pts	50%	37%	-13% pts
EPS growth	13%	6%	-7% pts	11%	14%	3% pts	11%	13%	2% pts
BVPS growth	7%	8%	1% pts	7%	8%	1% pts	7%	9%	1% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

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

Valuation and risks

We slightly cut our sum-of-parts (SOP) based target price to HK\$29 from HK\$29.90, driven by our lower FY22F-24F EPS forecasts.

CPIC Life contributes 63% to the group's valuation while CPIC P&C forms 13%. Its other businesses comprise the remaining 25%.

We assume a beta of 1.75 (unchanged), cost of equity of 17% (unchanged), and a terminal growth rate of 4.9% (unchanged).

We value CPIC Life on a weighted P/EV and P/BV Gordon Growth Model (GGM) basis. We assign a 67% weighting for P/BV valuation and a 33% weighting for P/EV valuation as we believe that investors have lost faith in the embedded value valuation methodology over time.

Our valuation for CPIC Life falls by 14% to HK\$22.20 (previously HK\$25.67), driven by a 10% cut in our P/EV GGM-derived valuation, and a 17% cut in our P/BV GGM-derived valuation for CPIC Life (Fig 5). We assume a Rmb/HK\$ exchange rate of 1.19 (unchanged).

For CPIC P&C, we use the P/BV GGM valuation method. We project a sustainable ROE of 13% (previously 12%) for CPIC P&C, which results in a target P/BV multiple of 0.7x (previously 0.6x). When we apply this GGM-derived target P/BV multiple to FY22F BVPS of Rmb5.53 (previously Rmb5.29), this results in a valuation for CPIC's P&C business of HK\$4.45 (previously HK\$3.71).

We value CPIC's other businesses based on half of their FY21F book value or HK\$8.71 (previously HK\$7.11). We have applied this 50% discount to reflect our belief that investors will not have easy access to the excess capital that is sitting within this 'other businesses' segment.

As a result, our target price falls slightly to HK\$29.00 (previously HK\$29.90), which implies 48% potential upside to CPIC's share price as of 25 Mar 2022 (Fig 5). Therefore, we reiterate our Add rating.

Figure 5: Changes to our key valuation assumptions for CPIC

	New	Old	% change
Equity risk premiums (ERP)	8.0%	8.0%	0%
Risk free rate	3.0%	3.0%	0%
Beta	1.75	1.75	0%
Cost of equity (COE)	17.0%	17.0%	0%
Terminal growth rate	4.9%	4.9%	0%
Sustainable ROEV for CPIC Life	13.5%	14.4%	-1%
Target P/EV (x)	0.7x	0.8x	-9%
CPIC Life FY22F EVPS (Rmb)	42.91	43.31	-1%
CPIC Life FY22F EVPS (HK\$)	51.26	51.74	-1%
Rmb/HK\$ exchange rate	1.19	1.19	0%
CPIC Life P/EV GGM target price (HK\$)	36.43	40.53	-10%
Sustainable ROE for CPIC Life	33.7%	27.2%	7%
Target P/BV (x)	2.4x	1.8x	29%
CPIC Life FY22F BVPS (Rmb)	5.31	8.29	-36%
CPIC Life FY22F BVPS (HK\$)	6.34	9.90	-36%
CPIC Life P/BV GGM target price (HK\$)	15.08	18.25	-17%
CPIC Life weighted average valuation (HK\$)	22.20	25.67	-14%
Sustainable ROE for CPIC P&C	13.0%	12.0%	1%
Target P/BV (x)	0.7x	0.6x	15%
CPIC P&C FY22F BVPS (Rmb)	5.53	5.29	5%
CPIC P&C FY22F BVPS (HK\$)	6.61	6.32	5%
CPIC P&C valuation (HK\$)	4.45	3.71	20%
Other business FY22F BVPS (HK\$)	17.41	14.22	22%
Other business valuation (HK\$)	8.71	7.11	22%
Conglomerate discount	18%	18%	0 pts
P/EV weighting for CPIC Life	33%	33%	0 pts
P/BV weighting for CPIC Life	67%	67%	0 pts
Final target price	29.00	29.90	-3%
Current share price (HK\$)	19.66		
Upside/ downside	48%		
% of valuation from life	63%		
% of valuation from P&C	13%		
% of valuation from Other	25%		
Implied target P/(Group EV) multiple (FY22F)	0.5x		
Implied target P/BV multiple (FY22F)	1.1x		

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG
Share price as of 25 Mar 2022
ROEV = Return on embedded value; EVPS = Embedded value per share

We see stabilisation of premium growth as well as any potential rebound in the A-share market (which benefits investment income) as key re-rating catalysts.

Key downside risks to our call are increased loss of faith in EV- and NBV-based valuation metrics, A-share market weakness, potential acquisition risk, more rapid agent turnover, and a longer-than-expected Covid-19 outbreak which will hurt NBV growth.

Figure 6: 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	11.98	15.00	25%	0.26x	0.23x	0.22x	-13.4x	-15.8x	-22.9x	0.6x	0.6x	0.6x	16.8	13.9	10.4
Ping An	2318 HK	Add	128.99	55.45	72.00	30%	0.64x	0.61x	0.58x	-9.7x	-14.5x	-21.2x	1.1x	1.0x	0.9x	14.1	8.7	7.4
CPIC	2601 HK	Add	31.78	19.66	29.00	48%	0.34x	0.32x	0.30x	-16.4x	-25.4x	-33.5x	0.7x	0.7x	0.6x	18.7	11.2	9.9
PICC P&C	2328 HK	Add	21.87	7.68	9.80	28%	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	80.20	101.00	26%	1.91x	1.70x	1.58x	21.4x	15.3x	12.9x	2.0x	2.1x	1.9x	8.4	15.3	11.0
NCI	1336 HK	Add	14.69	21.45	30.30	41%	0.23x	0.21x	0.19x	-20.1x	-30.8x	-40.2x	0.5x	0.5x	0.5x	19.5	12.6	9.8
HK-listed weighted average							0.91x	0.82x	0.77x	-1.8x	-7.0x	-12.7x	1.2x	1.2x	1.1x	13.5	12.4	9.6
HK-listed weighted average ex AIA							0.45x	0.42x	0.39x	-12.4x	-17.1x	-24.3x	0.9x	0.8x	0.7x	15.9	11.0	8.9

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS
Share prices as of 25 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

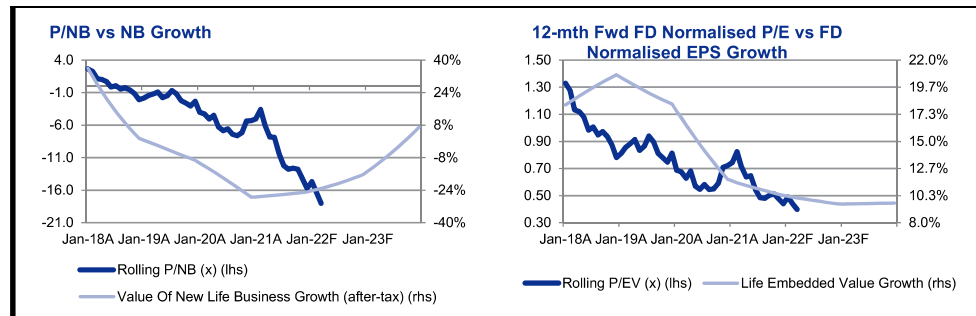
Figure 7: Key financial data

(Rmb m)	FY17	FY18	FY19	FY20	FY21	FY22F	FY23F	FY24F	FY25F
Profit & loss									
Gross written premiums	281,644	321,895	347,517	362,064	366,782	381,193	400,804	424,276	453,008
Net premiums earned	263,554	299,724	313,246	331,639	339,535	349,944	366,474	386,613	411,728
Investment income	52,657	49,999	65,730	82,740	91,643	99,037	105,599	112,171	118,720
Other operating income	3,194	3,380	3,706	4,585	5,153	4,800	4,509	4,268	4,069
Total income	319,405	353,103	382,682	418,964	436,331	453,781	476,581	503,052	534,517
Net policyholders' benefits and claims:	210,130	226,444	260,850	293,415	321,854	333,916	348,249	365,342	388,686
Total benefits, claims and expenses	298,377	325,430	355,210	390,238	406,334	421,965	440,551	462,557	491,728
Share of profit in equity accounted investees	74	335	494	512	799	799	799	799	799
Profit before tax	21,102	28,008	27,966	29,238	30,796	32,615	36,829	41,294	43,587
Income tax	6,111	9,574	(388)	3,886	3,178	3,294	3,573	3,872	4,084
Net profit before minorities	14,991	18,434	28,354	25,352	27,618	29,321	33,256	37,422	39,503
Minorities interest	329	415	613	768	784	795	804	809	813
Net profit	14,662	18,019	27,741	24,584	26,834	28,525	32,452	36,612	38,690
EPS	1.62	1.99	3.06	2.63	2.79	2.97	3.37	3.81	4.02
DPS	0.80	1.00	1.20	1.30	1.00	1.12	1.25	1.40	1.57
BVPS	15.17	16.51	19.69	23.01	23.57	25.41	27.53	29.93	32.38
Key balance sheet items									
Total investment assets	1,081,282	1,233,222	1,419,263	1,648,007	1,812,069	1,983,444	2,161,647	2,346,151	2,536,390
Total assets	1,171,224	1,335,959	1,528,333	1,771,004	1,946,164	2,128,615	2,318,243	2,514,483	2,716,734
Total shareholders' equity excl. minorities	137,498	149,576	178,427	215,224	226,741	244,492	264,877	287,974	311,527
Key EV and NBV metrics									
NBV	26,723	27,120	24,597	17,841	13,411	11,226	12,011	13,274	14,990
NBV growth	40.3%	1.5%	-9.3%	-27.5%	-24.8%	-16.3%	7.0%	10.5%	12.9%
Life embedded value	214,037	258,428	305,521	341,348	376,643	412,817	452,828	497,252	546,938
Life ROEV	25%	25%	23%	17%	13%	12%	12%	12%	12%
Group embedded value	286,170	336,141	395,987	459,320	498,309	534,483	585,519	642,370	706,107
Group ROEV	19.1%	20.1%	20.5%	18.7%	11.2%	9.9%	12.2%	12.3%	12.5%
ROE	10%	11%	14%	11%	11%	11%	12%	12%	12%
NBV margin	54.0%	60.4%	69.5%	72.5%	48.7%	46.3%	46.3%	46.8%	46.8%
First year premiums (APE weighted)	49,466	44,906	35,394	24,613	27,513	24,242	25,938	28,382	32,051
Other key metrics									
Life gross written premiums (GWP)	176,072	203,202	213,663	213,980	213,514	209,371	209,242	211,823	218,557
Life GWP growth	28%	15%	5%	0%	0%	-2%	0%	1%	3%
Life FYP (APE) growth	29%	-9%	-21%	-30%	12%	-12%	7%	9%	13%
P&C combined ratio	98.8%	98.4%	98.3%	99.0%	99.0%	99.2%	98.9%	98.7%	98.6%
Group net investment yield	5.40%	4.90%	4.90%	4.70%	4.50%	4.46%	4.37%	4.28%	4.19%
Group gross investment yield	5.40%	4.60%	5.40%	5.90%	5.70%	5.59%	5.38%	5.17%	4.96%
Effective tax rate	29%	34%	-1%	13%	10%	10%	10%	9%	9%
Dividend payout ratio	49%	50%	39%	51%	36%	38%	37%	37%	39%
EPS growth	22%	23%	54%	-14%	6%	6%	14%	13%	6%
BVPS growth	4%	9%	19%	17%	2%	8%	8%	9%	8%

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



Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue	331,725	339,525	349,934	366,464	386,603
Total Claims and Changes in Reserves	(292,763)	(321,223)	(333,285)	(347,618)	(364,711)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(54,353)	(61,864)	(67,087)	(69,142)	(71,010)
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	(54,353)	(61,864)	(67,087)	(69,142)	(71,010)
Total Other Technical Income	81,032	88,512	95,553	101,824	108,155
Total Other Revenues	6,207	8,294	8,294	8,294	8,294
Total Operating Costs	(4,160)	(4,945)	(4,945)	(4,945)	(4,945)
Other Technical Income / (Loss)					
Depreciation And Amortisation	0	0	0	0	0
Operating Profit	28,726	29,997	31,816	36,030	40,495
Pretax Income/(Loss) from Assoc.	512	799	799	799	799
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	29,238	30,796	32,615	36,829	41,294
Taxation	(3,886)	(3,178)	(3,294)	(3,573)	(3,872)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	25,352	27,618	29,321	33,256	37,422
Minority Interests	(768)	(784)	(795)	(804)	(809)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	24,584	26,834	28,525	32,452	36,612

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)	(99%)	(104%)	(107%)	(108%)	(109%)
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)	21.5%	19.1%	19.0%	19.0%	19.0%
Policyholder Dividends Ratio (life & Health)	5.38%	5.80%	5.93%	5.99%	6.03%
Combined Underwriting Ratio (life & Health)	(71.6%)	(79.3%)	(82.3%)	(83.4%)	(84.0%)
Underwriting Profit Margin (life & Health)	(26.1%)	(29.6%)	(32.8%)	(34.0%)	(34.7%)
Operating Profit Margin (life & Health)	9.4%	8.8%	9.8%	11.4%	12.9%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Fixed Assets	19,293	20,142	21,869	23,649	25,479
Intangible Assets	4,680	4,851	4,851	4,851	4,851
Other Long Term Assets	1,675,858	1,831,564	2,004,322	2,183,926	2,369,842
Total Non-current Assets	1,699,831	1,856,557	2,031,041	2,212,426	2,400,172
Total Cash And Equivalents	20,878	32,545	35,623	38,823	42,137
Trade Debtors	50,435	57,321	62,234	67,302	72,509
Other Current Assets	0	0	(0)	0	0
Total Current Assets	71,313	89,866	97,857	106,126	114,646
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities	31,248	34,167	37,435	40,793	44,229
Total Current Liabilities	31,248	34,167	37,435	40,793	44,229
Total Long-term Debt	9,991	9,995	10,951	11,933	12,938
Hybrid Debt - Debt Component					
Other Liabilities	255,771	259,110	283,891	309,358	335,414
Total Non-current Liabilities	265,762	269,105	294,842	321,292	348,353
Total Technical & Other Provisions	1,253,159	1,410,487	1,545,387	1,684,019	1,825,856
Total Liabilities	1,550,169	1,713,759	1,877,664	2,046,103	2,218,437
Shareholders' Equity	215,224	226,741	244,492	264,877	287,974
Minority Interests	5,611	5,664	6,459	7,263	8,072
Total Equity	220,835	232,405	250,951	272,140	296,046
Life Embedded Value	341,348	376,643	412,817	452,828	497,252

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	3.75%	1.21%	3.43%	4.72%	5.49%
Operating Profit Growth (Life & Health)	1.5%	(6.1%)	7.7%	16.4%	14.9%
Value Of New Life Business Growth (after-tax)	(27.5%)	(24.8%)	(16.3%)	7.0%	10.5%
Life Embedded Value Growth	11.7%	10.3%	9.6%	9.7%	9.8%
Pre-tax Margin	8.8%	9.1%	9.3%	10.0%	10.7%
Net Profit Margin	7.41%	7.90%	8.15%	8.86%	9.47%
Effective Tax Rate	13.3%	10.3%	10.1%	9.7%	9.4%
Net Dividend Payout Ratio	50.9%	35.9%	37.8%	37.2%	36.9%
Return On Average Assets	1.54%	1.49%	1.44%	1.50%	1.55%
Net Gearing	(5.3%)	(11.0%)	(11.2%)	(11.3%)	(11.3%)
Financial Leverage	8.38	8.41	8.65	8.73	8.74
Equity / Assets	12.2%	11.6%	11.5%	11.4%	11.5%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total GWP	0.0	0.0	0.0	0.1	0.1
Net earned premiums/ GWP ratio	0.9	0.9	0.9	0.9	0.9
Gross investment income yield (computed)	0.1	0.1	0.1	0.1	0.1
weight of CPIC Life investment income	0.9	0.9	0.9	0.9	0.9
Effective tax rate	0.1	0.1	0.1	0.1	0.1
Minority interests growth yoy	0.3	0.0	0.0	0.0	0.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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

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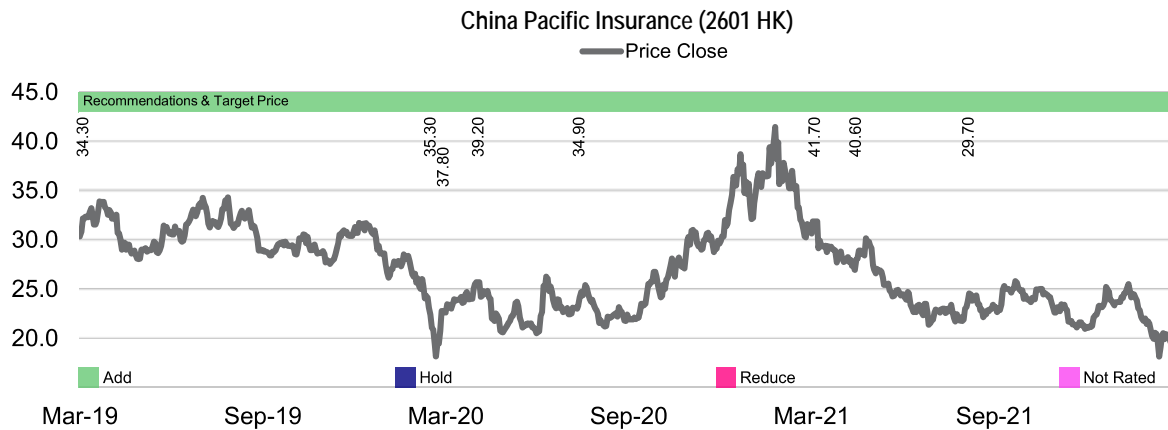
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

Spitzer Chart for stock being researched (2 year data)



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

ADVANC – Excellent, Certified, AMATA – Excellent, Certified, ANAN – Excellent, n/a, AOT – Excellent, n/a, AP – Excellent, Certified, ASP – Excellent, n/a, AWC – Excellent, Declared, AU – Good, n/a, BAM – Very Good, Certified, BAY – Excellent, Certified, BBL – Excellent, Certified, BCH – Very Good, Certified, BCP – Excellent, Certified, BCPG – Excellent, Certified, BDMS – Excellent, n/a, BEAUTY – Good, n/a, BEM – Excellent, n/a, BH – Good, n/a, BJC – Very Good, n/a, BLA – Very Good, Certified, BTS – Excellent, Certified, CBG – Very Good, n/a, CCET – n/a, n/a, 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, OH – 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.

