

Hong Kong

ADD (no change)

Consensus ratings*: Buy 15 Hold 5 Sell 2

Current price:	HK\$21.35
Target price:	HK\$28.50
Previous target:	HK\$30.30
Up/downside:	33.5%
CGS-CIMB / Consensus:	4.4%
Reuters:	1336.HK
Bloomberg:	1336 HK
Market cap:	US\$13,940m HK\$109,106m
Average daily turnover:	US\$9.99m HK\$77.94m
Current shares o/s:	3,120m
Free float:	81.7%

*Source: Bloomberg

Key changes in this note

➤ No changes to FY22F-24F EPS.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.5	0.9	-29.1
Relative (%)	-1	5.9	-6.5

Major shareholders

	% held
Central Huijin Investment Ltd.	31.3
China Baowu Steel Group	12.1
China Securities Finance	3.0

Analyst(s)



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New China Life Insurance

Life is a constant struggle

- 2H21 NBV fall of 52% yoy was the worst of peers, driven by declines in margins. 2H21 persistency deterioration was also worse than peers.
- We find it puzzling that NCI has decided to raise actuarial investment return assumptions (Fig 5) even though government bond yields had been falling.
- On the plus side, 2H21 agent numbers only fell 12% hoh and were better than most peers.
- Maintain Add rating. TP cut 6% to HK\$28.50 on 2-4% lower EV and 13-14% lower NBV FY22F-24F assumptions.

FY21 net profit in-line, up 4.6% yoy, with 4Q21 down 6.1% yoy

While FY21 net profit was in-line with our forecasts, FY21 new business value (NBV) (down 35% yoy and worse than larger peers), was 13% below our forecast and FY21 embedded value (EV) was 3% below our forecast.

What we liked about the FY21 results

2H21 agent numbers were only down 12% hoh to 389,000 and better than peers (China Life: -29% hoh; Ping An: -32%; CPIC: -36%, PICC: -25%, Taiping: +1%).

What we did not like about the FY21 results

i) 2H21 NBV fell 52% yoy, worse than 1H21's 22% yoy fall. This 2H21 fall yoy was worse than peers (China Life: -31%; Ping An: -43%; CPIC: -52%; PICC: -21%; Taiping: -13%); ii) 2H21 NBV margins were 24.6%, down 27.4%-pts yoy; iii) FY21 persistency ratio was 83.7%, -6.2%-pts yoy and one of the worst deterioration yoy of peers (Fig 4) (1H21: -2.2%-pts yoy); iv) 4Q21's percentage of first-year regular premiums that have premium payment duration over 10 years was 31% (3Q21: 31%; 2Q21: 36%; 1Q21: 23%; 4Q20: 63%; 3Q21: 61%); v) FY21 cost of solvency margin relating to NBV relative to the NBV pre cost of solvency margin was 31%, up 9%-pts yoy; vi) FY21 economic assumption changes within the embedded value was Rmb1,242m, with NCI raising actuarial investment return assumptions (Fig 5).

What else we thought was interesting about the FY21 results

i) FY21 DPS was Rmb1.44, +4% yoy. FY21 dividend payout ratio was 30% (flat yoy); ii) FY21 equity financial assets comprised 23.8% of the investment portfolio (FY20: 24.8%), with funds and stocks comprising 15.5% (FY20: 14.6%); iii) FY21 total investment yield was 5.9% (+0.4%-pts yoy), while FY21 net investment yield was 4.3% (-0.3%-pts yoy); iv) 2H21 embedded value (EV) rose 8% yoy (1H21: 12% yoy); v) FY21 operating variances within EV were Rmb88m, but operating assumption changes were -Rmb3,101m.

Maintain Add rating; GGM-based TP cut to HK\$28.5 from HK\$30.30

Our weighted average P/EV and P/BV GGM-based TP is cut 6% to HK\$28.50, driven by cuts to FY22F-24F EV (-2% to -4%) and NBV (-13% to -14%). Potential re-rating catalysts: stabilisation of premium growth and potentially strong equity markets. Key downside risks are intensifying competition and Covid-19 outbreaks.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Premium (Rmbm)	159,556	163,535	166,981	171,815	177,975
Investment And Other Income (Rmbm)	46,400	57,243	50,557	52,318	54,176
Net Premium (Rmbm)	156,658	160,763	164,150	168,902	174,959
Net Profit (Rmbm)	14,294	14,947	15,054	15,084	16,425
Normalised EPS (Rmb)	4.58	4.79	4.82	4.83	5.26
Normalised EPS Growth	(1.82%)	4.57%	0.71%	0.20%	8.89%
FD Normalised P/E (x)	3.79	3.62	3.60	3.59	3.30
P/NB (x)	(20.30)	(34.22)	(44.48)	(45.85)	(47.27)
DPS (Rmb)	1.39	1.44	1.45	1.45	1.58
Dividend Yield	8.00%	8.29%	8.35%	8.37%	9.11%
P/EV (x)	0.23	0.21	0.20	0.18	0.17
P/BV (x)	0.53	0.50	0.46	0.42	0.38
ROE	15.4%	14.2%	13.2%	12.1%	12.1%
% Change In Normalised EPS Estimates			0.000%	(0.000%)	0.000%
Normalised EPS/consensus EPS (x)			0.88	0.78	0.95

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

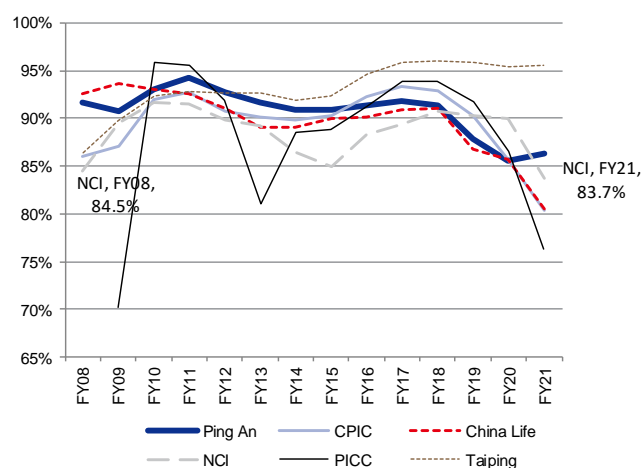
Life is a constant struggle

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

(Rmb bn)	FY21 actual	FY21F by CGS-CIMB	% variance	Growth yoy
Net profit	14.9	14.9	0.1%	4.6%
Embedded value (EV)	259	267	-2.9%	7.6%
New business value (NBV)	5.98	6.83	-12.5%	-34.9%
Gross written premiums (GWP)	163.54	163.91	-0.2%	4.5%
ROE	14.22%	13.97%	1.8%	-7.4%

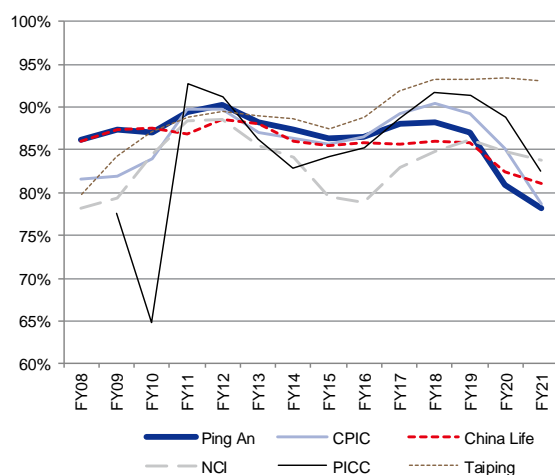
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: 13-month (14-month for China Life) persistency ratios



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: 25-month (26-month for China Life) persistency ratios



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: 13-month persistency ratios of listed insurers and the deterioration yoy

	FY21	%pts yoy	1H21	%pts yoy
Ping An	86.3%	0.8%	87.6%	-0.5%
CPIC	80.3%	-5.4%	81.7%	-5.2%
China Life	80.5%	-5.2%	81.2%	-8.4%
NCI	83.7%	-6.2%	88.8%	-2.2%
PICC	76.3%	-10.2%	82.0%	-9.3%
Taiping	95.5%	0.1%	96.6%	0.6%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Changes in NCI's actuarially assumed investment return assumptions (FY21 vs. FY20)


Actuarial investment return assumptions assumed at the FY21 results

	2022	2023	2024	2025+
Non-participating	5.00%	5.00%	5.00%	5.00%
Participating	5.00%	5.00%	5.00%	5.00%
Universal life	5.00%	5.00%	5.00%	5.00%
Unit-linked	6.00%	6.00%	6.00%	6.00%
New Non-participating	6.00%	6.00%	6.00%	6.00%
Specific participating	5.50%	5.50%	5.50%	5.50%
Specific Non-participating	5.25%	5.25%	5.25%	5.25%
Specific participating II	5.50%	5.50%	5.50%	5.50%

Actuarial investment return assumptions assumed at the FY20 results

	2021	2022	2023	2024+
Non-participating	4.50%	4.60%	4.80%	5.00%
Participating	4.50%	4.60%	4.80%	5.00%
Universal life	4.50%	4.70%	5.00%	5.10%
Unit-linked	6.00%	6.00%	6.00%	6.00%
New Non-participating	6.00%	6.00%	6.00%	6.00%
Specific participating	6.00%	6.00%	6.00%	6.00%
Specific Non-participating	5.25%	5.25%	5.25%	5.25%
Specific participating II	5.50%	5.50%	5.50%	5.50%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell		Refinitiv ESG Scores						
			C- ESG Score	A+ ESG Controversies Score	C- ESG Combined Score	D+ ESG Environment Pillar Score	C- ESG Social Pillar Score	C- ESG Government Pillar Score
<p>New China Life received a C- rating for its combined ESG score from Refinitiv in FY20. NCI states it has committed to protecting and improving people’s wellbeing and adhering to low carbon and environmentally-friendly operation methods. In the design of its offices, NCI follows the principles of reasonable allocation, environmental protection and energy conservation, while strictly controlling engineering technology and materials to achieve the goal of energy conservation and low consumption. NCI also hired a professional organisation to carry out air quality testing at offices after renovation. Meanwhile, the company has always regarded giving back to the society as equally important as business development. Its long-term project “NCI walks with you to create a beautiful city – donating insurance to sanitation workers nationwide”, implemented by New China Life Foundation, aims to provide personal accident insurance for sanitation workers engaged in high-intensity and high-risk jobs. As at 31 Jul 2021, the accumulative insured amount donated for the project was more than Rmb264.3m, with claim amounts of Rmb22.235m for 245 claims in total.</p>								
Keep your eye on			Implications					
<p>Climate change has become a new focus area for the insurance industry due to its profound impact on catastrophe risks.</p>			<p>There has not been much detail on how New China Life will manage the risks from climate change. Thus, 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>					
ESG highlights			Implications					
<p>New China Life’s C- ESG score is on the lower end of its peers’ ESG scoring.</p>			<p>New China Life has increasingly focused on its ESG issues. While not priced in the valuations at the current stage, we believe New China Life’s ESG progress will support re-rating cycles.</p>					
Trends			Implications					
<p>New China Life’s Refinitiv combined ESG of C- in 2020 was flat yoy, although its Governance pillar score improved from D+ in 2019 to C- in 2020. The company’s ESG Controversies score has remained A+ since 2016.</p>			<p>We believe the trend will remain relatively stable in the coming years. The key driver would be increased disclosure from the company on climate change risks.</p>					
SOURCES: CGS-CIMB RESEARCH, REFINITIV								

Changes to our forecasts

Our FY22F-24F EPS forecasts are unchanged as lower income forecasts are offset by lower expense forecasts (Fig 6).

We also cut our FY22F, FY23F and FY24F NBV forecasts by 13%, 13% and 14%, respectively, to reflect FY21's NBV disappointment, with our forecast NBV growth rates over FY22F, FY23F and FY24F largely unchanged. Our FY22F-24F embedded value (EV) estimates are also cut by 2-4% as a result of the lower NBV forecasts.

Figure 6: Changes to our key estimates for New China Life

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	% change	Old	New	% change	Old	New	% change
Profit & loss									
Net premiums earned	169,392	164,779	-3%	176,077	169,549	-4%	184,041	175,629	-5%
Total investment income	48,394	50,557	4%	50,112	52,318	4%	51,891	54,176	4%
Other income	1,015	1,945	92%	1,015	2,692	165%	1,015	3,727	267%
Total Revenue	218,800	217,281	-1%	227,204	224,560	-1%	236,947	233,531	-1%
Insurance-related expenses	166,820	172,381	3%	173,776	178,846	3%	180,355	185,371	3%
Other expenses	35,408	29,594	-16%	36,805	30,450	-17%	38,470	31,542	-18%
Total benefits, claims and expenses	202,227	201,975	0%	210,581	209,296	-1%	218,825	216,913	-1%
Share of P/L from associates	157	476	204%	141	550	291%	132	601	356%
Income tax	1,673	724	-57%	1,676	726	-57%	1,825	790	-57%
Minority interests (or non-controlling interests)	3	4	33%	3	4	33%	3	4	33%
Net profit	15,054	15,054	0%	15,084	15,084	0%	16,425	16,425	0%
Key balance sheet items									
Total investment assets	1,147,039	1,178,683	3%	1,250,273	1,284,765	3%	1,362,797	1,400,394	3%
Total assets	1,189,966	1,232,460	4%	1,295,346	1,347,145	4%	1,410,124	1,472,754	4%
Total shareholders' equity excl. minorities	122,555	119,027	-3%	133,063	129,577	-3%	144,505	141,066	-2%
Key EV and NBV metrics									
NBV	5,775	5,021	-13%	6,185	5,362	-13%	6,632	5,731	-14%
NBV growth	-15%	-16%	-0.5%pts	7%	7%	-0.3%pts	7%	7%	-0.3%pts
Life embedded value	288,125	277,495	-4%	310,169	300,037	-3%	332,630	325,085	-2%
Life ROEV	10%	9%	-0.8%pts	9%	10%	0.5%pts	9%	10%	1.1%pts
ROE	13%	13%	0.4%pts	12%	12%	0.3%pts	12%	12%	0.3%pts
NBV margin	29%	22%	-6.3%pts	29%	22%	-6.3%pts	29%	22%	-6.3%pts
First year premiums (APE weighted)	20,260	22,602	12%	21,698	24,138	11%	23,266	25,799	11%
Other key metrics									
Gross written premiums (GWP)	172,762	166,981	-3%	179,581	171,815	-4%	187,703	177,975	-5%
GWP growth	3%	2%	-1.2%pts	4%	3%	-1.1%pts	5%	4%	-0.9%pts
FYP (APE) growth	-6%	-7%	-0.6%pts	7%	7%	-0.3%pts	7%	7%	-0.3%pts
Net investment yield	3.9%	3.4%	-0.5%pts	4%	3%	-0.5%pts	4%	3%	-0.4%pts
Gross investment yield	4.7%	4.7%	0.0%pts	4%	4%	0.0%pts	4%	4%	0.0%pts
Insurance-related expenses/ (net earned premiums+ total investment revenue)	77%	80%	3.5%pts	77%	81%	3.8%pts	76%	81%	4.2%pts
Effective tax rate	10%	5%	-5.4%pts	10%	5%	-5.4%pts	10%	5%	-5.4%pts
Dividend payout ratio	30%	30%	-0.3%pts	30%	30%	-0.3%pts	30%	30%	-0.3%pts
EPS growth	1%	1%	-0.1%pts	0%	0%	0.0%pts	9%	9%	0.0%pts
BVPS growth	9%	10%	0.3%pts	9%	9%	0.3%pts	9%	9%	0.3%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 6% to HK\$28.50 from HK\$30.30 and reiterate our Add rating on NCI. We value NCI using a weighted P/EV and P/BV GGM Gordon Growth Model (GGM) methodology.

We assume beta of 2 (unchanged) which results in a cost of equity of 19% (unchanged), 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).

We expect a sustainable return on embedded value (ROEV) of 9.5% (previously 10.5%) and a sustainable ROE of 12.9% (previously 12.6%) for NCI.

Our FY22F embedded value per share (EVPS) forecast is now Rmb88.94 (previously Rmb92.35), while our FY22F BVPS is now Rmb38.15 (previously Rmb39.28).

As a result, our target price falls to HK\$28.50 (previously HK\$30.30), which implies 33% potential upside to NCI's share price as of 29 Mar 2022 (Fig 7). Therefore, we reiterate our Add rating.

Figure 7: Changes to our key valuation assumptions for New China Life

	New	Old	% change
Equity risk premiums (ERP)	8.0%	8.0%	0.0%pts
Risk free rate	3.0%	3.0%	0.0%pts
Beta	2.00	2.00	0%
Cost of equity (COE)	19.0%	19.0%	0.0%pts
Terminal growth rate	5.0%	5.0%	0.0%pts
Sustainable ROEV	9.5%	10.1%	-0.6%pts
Target P/EV	0.3x	0.4x	-12%
FY22F EVPS (Rmb)	88.94	92.35	-4%
i.e. FY22F EVPS (HK\$)	106.24	110.31	-4%
Rmb/HK\$ exchange rate	1.19	1.19	0%
Hence target price (HK\$) if 100% weighting to a P/EV GGM approach	34.03	40.05	-15%
Sustainable ROE	12.9%	12.6%	0.3%pts
Target P/BV	0.6x	0.5x	4%
FY22F BVPS (Rmb)	38.15	39.28	-3%
i.e. FY22F BVPS (HK\$)	45.57	46.92	-3%
Hence target price (HK\$) if 100% weighting to a P/BV GGM approach	25.82	25.50	1%
Weighting applied to P/EV based approach	33%	33%	0.0%pts
Weighting applied to P/BV based approach	67%	67%	0.0%pts
Final target price (HK\$)	28.50	30.30	-6%
Current share price (HK\$)	21.35		
Upside/ downside	33%		
FY22F NBV per share (Rmb)	1.61	1.85	-13.1%pts
i.e FY22F NBV per share (HK\$)	1.92	2.21	-13.1%pts
Implied target new business multiple	-40.4x	-36.2x	
Implied target P/EV multiple	0.27x	0.27x	
Implied target P/BV multiple	0.6x	0.6x	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG
Share price as of 29 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.

Figure 8: Sector comparison table

Company	Ticker	Rating	Mkt cap (US\$ bn)	Price (Lcy)	Target price (Lcy)	Upside/ Downside	P/BV (x)		P/E (x)		P/POP (x)		Dividend yield		ROE(%)	
							FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
ICBC	1398 HK	Add	243.4	4.72	5.80	23%	0.49	0.45	4.2	3.9	2.2	2.0	7.4	8.0	12.2	12.0
CCB	0939 HK	Add	169.4	5.75	8.00	39%	0.49	0.45	4.1	3.8	2.2	2.0	7.5	8.1	12.4	12.3
BOC	3988 HK	Add	129.5	3.05	4.20	38%	0.40	0.37	3.7	3.4	2.0	1.9	8.6	9.3	11.2	11.2
ABC	1288 HK	Add	156.0	2.95	4.40	49%	0.42	0.39	3.8	3.5	1.8	1.7	8.3	8.9	11.6	11.5
BOCOM	3328 HK	Hold	49.3	5.52	5.30	-4%	0.44	0.40	4.2	3.9	2.1	2.0	7.6	8.3	10.8	10.9
CMB	3968 HK	Add	204.7	60.10	84.10	40%	1.74	1.54	11.0	9.4	6.1	5.5	3.0	3.5	17.0	17.4
CITIC	0998 HK	Add	30.5	3.90	4.90	26%	0.32	0.29	3.1	2.8	1.1	1.1	9.2	10.1	10.8	10.9
MSB	1988 HK	Hold	24.8	3.10	2.90	-6%	0.24	0.22	3.4	3.1	1.0	0.9	8.8	9.6	7.1	7.3
CQRCB	3618 HK	Add	6.1	2.95	4.10	39%	0.28	0.26	2.8	2.5	1.3	1.2	10.5	11.8	10.2	10.6
H-share weighted average							0.68	0.61	5.2	4.7	2.7	2.5	7.0	7.6	12.6	12.6
ICBC - A	601398 CH	Add	243.4	4.72	5.10	8%	0.58	0.53	4.9	4.6	2.6	2.4	6.2	6.7	12.2	12.0
CCB - A	601939 CH	Add	169.4	6.23	7.10	14%	0.63	0.58	5.3	4.9	2.8	2.6	5.8	6.3	12.4	12.3
BOC - A	601988 CH	Add	129.5	3.19	3.80	19%	0.49	0.45	4.6	4.2	2.5	2.3	6.9	7.5	11.2	11.2
ABC - A	601288 CH	Add	156.0	3.03	3.90	29%	0.52	0.48	4.6	4.3	2.2	2.1	6.8	7.3	11.6	11.5
BOCOM - A	601328 CH	Hold	49.3	5.01	4.80	-4%	0.47	0.44	4.5	4.2	2.3	2.1	7.1	7.7	10.8	10.9
CMB - A	600036 CH	Add	204.7	45.01	71.50	59%	1.55	1.37	9.8	8.3	5.4	4.9	3.4	4.0	17.0	17.4
CITIC - A	601998 CH	Add	30.5	4.87	4.90	1%	0.47	0.43	4.5	4.1	1.7	1.6	6.2	6.8	10.8	10.9
MSB - A	600016 CH	Reduce	24.8	3.88	2.70	-30%	0.35	0.33	5.1	4.7	1.4	1.4	5.9	6.4	7.1	7.3
PAB - A	000001 CH	Add	54.0	14.68	22.70	55%	0.88	0.77	8.5	5.9	2.4	2.2	1.6	2.2	10.8	14.0
CQRCB - A	601077 CH	Add	6.1	3.86	4.50	17%	0.43	0.40	4.4	3.9	2.0	1.9	6.8	7.6	10.2	10.6
A-share weighted average							0.73	0.66	5.9	5.2	2.9	2.7	5.6	6.2	12.5	12.7
Combined sector weighted average							0.70	0.63	5.5	4.9	2.8	2.6	6.3	6.9	12.6	12.6

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Share prices as of 29 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 9: Key financial data

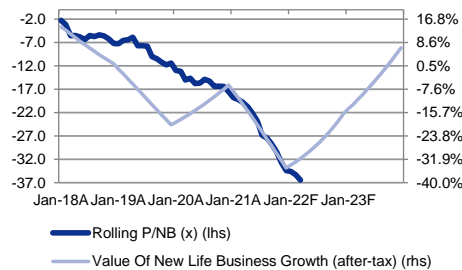
(Rmb m)	FY18	FY19	FY20	FY21	FY22F	FY23F	FY24F	FY25F
<u>Profit & loss</u>								
Net premiums earned	120,002	135,443	156,443	161,379	164,779	169,549	175,629	183,495
Total investment income	31,185	35,842	46,400	57,243	50,557	52,318	54,176	56,099
Other income	777	818	1,015	1,405	1,945	2,692	3,727	5,158
Total Revenue	151,964	172,103	203,858	220,027	217,281	224,560	233,531	244,752
Insurance-related expenses	111,512	127,706	155,930	175,752	172,381	178,846	185,371	193,731
Other expenses	30,346	31,678	32,701	28,983	29,594	30,450	31,542	32,955
Total benefits, claims and expenses	141,858	159,384	188,631	204,735	201,975	209,296	216,913	226,685
Share of P/L from associates	404	502	264	378	476	550	601	635
Profit before income tax	10,510	13,221	15,491	15,670	15,782	15,813	17,219	18,701
Income tax	2,587	-1,339	1,194	719	724	726	790	858
Net profit after tax	7,923	14,560	14,297	14,951	15,058	15,088	16,429	17,843
Minority interests	1	1	3	4	4	4	4	4
Net profit after tax	7,922	14,559	14,294	14,947	15,054	15,084	16,425	17,839
EPS (Rmb)	2.54	4.67	4.58	4.79	4.82	4.83	5.26	5.72
DPS (Rmb)	0.77	1.41	1.39	1.44	1.45	1.45	1.58	1.72
BVPS (Rmb)	21.02	27.07	32.59	34.77	38.15	41.53	45.21	49.21
EVPS (Rmb)	55.50	65.72	77.12	82.96	88.94	96.17	104.19	112.95
<u>Key balance sheet items</u>								
Total investment assets	699,826	839,447	965,653	1,082,803	1,178,683	1,284,765	1,400,394	1,526,429
Total assets	733,929	878,970	1,004,376	1,127,721	1,232,460	1,347,145	1,472,754	1,610,365
Total shareholders' equity excl. minorities	65,587	84,451	101,667	108,497	119,027	129,577	141,066	153,544
<u>Key EV and NBV metrics</u>								
NBV	12,210	9,779	9,182	5,980	5,021	5,362	5,731	6,232
NBV growth	1%	-20%	-6%	-35%	-16%	7%	7%	9%
Life embedded value	173,151	205,043	240,604	258,824	277,495	300,037	325,085	352,407
Life ROEV	14%	20%	19%	9%	9%	10%	10%	10%
ROE	12%	19%	15%	14%	13%	12%	12%	12%
NBV margin	57%	47%	39%	25%	22%	22%	22%	22%
First year premiums (APE weighted)	21,303	20,638	23,482	24,229	22,602	24,138	25,799	28,055
<u>Other key metrics</u>								
Gross written premiums (GWP)	122,341	138,171	159,556	163,535	166,981	171,815	177,975	185,946
GWP growth	12%	13%	15%	2%	2%	3%	4%	4%
FYP (APE) growth	-26%	-3%	14%	3%	-7%	7%	7%	9%
Net investment yield	5.00%	4.80%	4.60%	4.30%	3.44%	3.27%	3.10%	2.95%
Gross investment yield	4.60%	4.90%	5.50%	5.90%	4.72%	4.48%	4.26%	4.05%
Insurance-related expenses/ (net earned premiums+ total investment revenue)	74%	75%	77%	80%	80%	81%	81%	81%
Effective tax rate	25%	-10%	8%	5%	5%	5%	5%	5%
Dividend payout ratio	30%	30%	30%	30%	30%	30%	30%	30%
EPS growth	47%	84%	-2%	5%	1%	0%	9%	9%
BVPS growth	3%	29%	20%	7%	10%	9%	9%	9%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

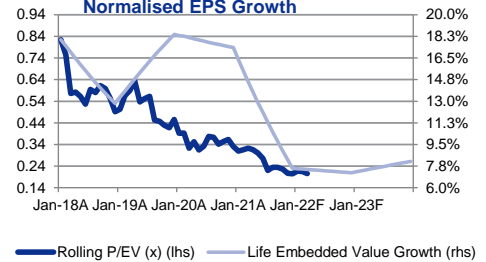
* NEP = net earned premiums; GWP = gross written premiums; FYP = first year premiums; APE = annualised premium equivalent; NBV = new business value; EPS = earnings per share; BVPS = book value per share; ROEV = return on embedded value; DPS = dividend per share; EVPS = embedded value per share

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-21A	Dec-22F	Dec-23F	Dec-24F
Revenue	156,443	161,379	164,779	169,549	175,629
Total Claims and Changes in Reserves	(155,930)	(175,752)	(172,381)	(178,846)	(185,371)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(32,188)	(43,356)	(37,196)	(39,747)	(41,284)
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	(32,188)	(43,356)	(37,196)	(39,747)	(41,284)
Total Other Technical Income	47,415	58,648	52,502	55,010	57,902
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	15,227	15,292	15,306	15,263	16,618
Pretax Income/(Loss) from Assoc.	264	378	476	550	601
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	15,491	15,670	15,782	15,813	17,219
Taxation	(1,194)	(719)	(724)	(726)	(790)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	14,297	14,951	15,058	15,088	16,429
Minority Interests	(3)	(4)	(4)	(4)	(4)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	14,294	14,947	15,054	15,084	16,425

Operating Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Premium Retention Ratio (life & Health)	98.2%	98.3%	98.3%	98.3%	98.3%
Benefits Ratio (life & Health)	(100%)	(109%)	(105%)	(105%)	(106%)
Acquisition Expense Ratio (life & Health)	0%	0%	0%	0%	0%
Admin Expense Ratio (life & Health)	7.91%	7.76%	7.76%	7.76%	7.76%
Total Expense Ratio (life & Health)	20.9%	18.0%	18.0%	18.0%	18.0%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(78.8%)	(90.9%)	(86.6%)	(87.5%)	(87.5%)
Underwriting Profit Margin (life & Health)	(20.6%)	(26.9%)	(22.6%)	(23.4%)	(23.5%)
Operating Profit Margin (life & Health)	9.73%	9.48%	9.29%	9.00%	9.46%

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	15,692	17,971	20,846	24,181	28,050
Intangible Assets	3,753	3,792	4,399	5,102	5,919
Other Long Term Assets	958,070	1,074,367	1,171,736	1,277,977	1,393,905
Total Non-current Assets	977,515	1,096,130	1,196,981	1,307,261	1,427,874
Total Cash And Equivalents	14,236	16,659	18,158	19,793	21,574
Trade Debtors	2,312	2,867	3,326	3,858	4,475
Other Current Assets	10,313	12,065	13,995	16,234	18,831
Total Current Assets	26,861	31,591	35,479	39,884	44,880
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities	6,475	6,034	6,592	7,208	7,884
Total Current Liabilities	6,475	6,034	6,592	7,208	7,884
Total Long-term Debt	10,000	10,000	10,924	11,946	13,066
Hybrid Debt - Debt Component					
Other Liabilities	131,812	139,478	152,371	166,621	182,238
Total Non-current Liabilities	141,812	149,478	163,295	178,567	195,304
Total Technical & Other Provisions	754,409	863,695	943,530	1,031,775	1,128,482
Total Liabilities	902,696	1,019,207	1,113,417	1,217,551	1,331,670
Shareholders' Equity	101,667	108,497	119,027	129,577	141,066
Minority Interests	13	17	17	17	17
Total Equity	101,680	108,514	119,044	129,594	141,083
Life Embedded Value	240,604	258,824	277,495	300,037	325,085

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	15.4%	2.6%	2.1%	2.9%	3.6%
Operating Profit Growth (Life & Health)	19.7%	0.4%	0.1%	(0.3%)	8.9%
Value Of New Life Business Growth (after-tax)	(6.1%)	(34.9%)	(16.0%)	6.8%	6.9%
Life Embedded Value Growth	17.3%	7.6%	7.2%	8.1%	8.3%
Pre-tax Margin	9.90%	9.71%	9.58%	9.33%	9.80%
Net Profit Margin	9.14%	9.26%	9.14%	8.90%	9.35%
Effective Tax Rate	7.71%	4.59%	4.59%	4.59%	4.59%
Net Dividend Payout Ratio	30.3%	30.1%	30.1%	30.1%	30.1%
Return On Average Assets	1.52%	1.40%	1.28%	1.17%	1.17%
Net Gearing	(4.35%)	(6.54%)	(6.47%)	(6.45%)	(6.42%)
Financial Leverage	10.12	10.14	10.37	10.38	10.42
Equity / Assets	10.1%	9.6%	9.7%	9.6%	9.6%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total GWP	0.2	0.0	0.0	0.0	0.0
Total FYP	0.5	0.0	(0.0)	0.0	0.0
Total renewal business	0.1	0.0	0.0	0.0	0.0
Total short-term insurance business	0.1	(0.2)	0.2	0.2	0.2
Renewal premium persistency ratio	0.9	0.9	0.9	0.9	0.9
Net earned premiums/ GWP ratio	1.0	1.0	1.0	1.0	1.0
Gross investment income yield (computed)	0.1	0.1	0.0	0.0	0.0
Effective tax rate	0.1	0.0	0.0	0.0	0.0
Investment assets growth	0.2	0.1	0.1	0.1	0.1

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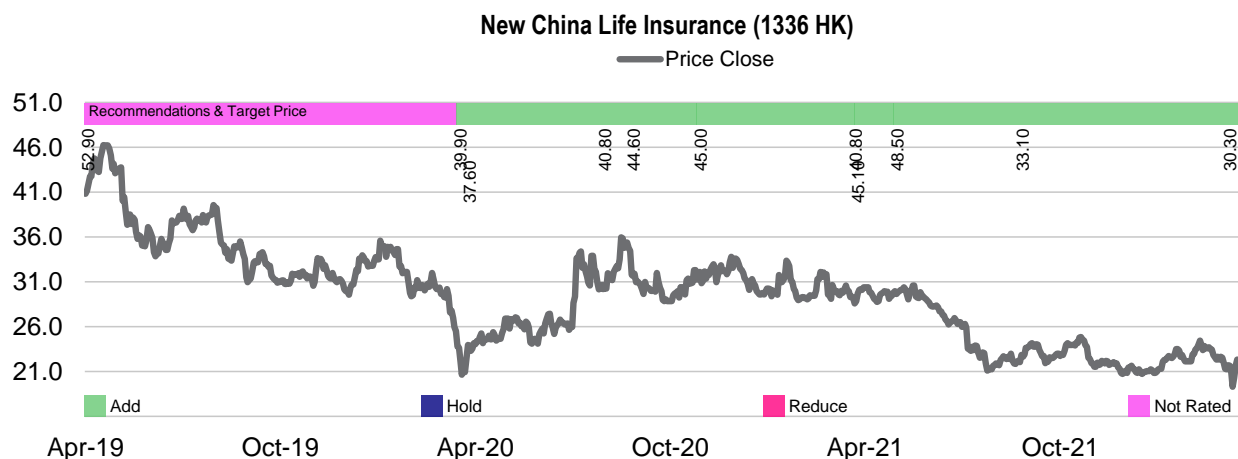
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

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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.

