

Hong Kong

ADD (no change)

Consensus ratings*: Buy 16 Hold 5 Sell 2

| | |
|-------------------------|-----------------------------|
| Current price: | HK\$21.45 |
| Target price: | HK\$30.30 |
| Previous target: | HK\$33.10 |
| Up/downside: | 41.3% |
| CGS-CIMB / Consensus: | 11.9% |
| Reuters: | 1336.HK |
| Bloomberg: | 1336 HK |
| Market cap: | US\$14,017m HK\$109,714m |
| Average daily turnover: | US\$9.90m HK\$77.28m |
| Current shares o/s: | 3,120m |
| Free float: | 81.7% |

*Source: Bloomberg

Key changes in this note

- FY21F EPS cut by 5.6%.
- FY22F EPS cut by 1.9%.
- FY23F EPS cut by 0.6%.



Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|------|-----|-------|
| Absolute (%) | -5.1 | 1.9 | -25.7 |
| Relative (%) | 0.9 | 9.7 | -2.4 |

| 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

Model adjustment

- We cut our FY21-23F EPS by 0.6-5.6%, driven by lower forecast premiums.
- We now estimate FY21F new business value (NBV) fell 25.6% and for FY22F NBV to fall 15.5% but rise by 7.1% in FY23F.
- Reiterate Add; GGM-based TP cut by 8% to HK\$30.30 from HK\$33.10 on lower FY21-24F EPS, NBV and EV.

0.6-5.6% 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).

NBV adversely affected by falling agent numbers & lower margins

We have also cut our FY21-23F new business value (NBV) growth assumptions, driven by falling agent numbers (down 29% yoy to about 400,000 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 25.6% in FY21F and will decline 15.5% in FY22F but rise by 7.1% in FY23F.

Reiterate Add rating; GGM-based TP cut to HK\$30.3


We cut our weighted average P/EV and P/BV GGM-based TP by 8% to HK\$30.30 from HK\$33.10, driven by cuts to FY21F-23F EPS (-0.6% to -5.6%) and NBV (-10% to -31%). 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) | 159,556 | 167,171 | 172,762 | 179,581 | 187,703 |
| Investment And Other Income (Rmbm) | 46,400 | 55,503 | 48,394 | 50,112 | 51,891 |
| Net Premium (Rmbm) | 156,658 | 164,135 | 169,625 | 176,319 | 184,294 |
| Net Profit (Rmbm) | 14,294 | 14,929 | 15,054 | 15,084 | 16,425 |
| Normalised EPS (Rmb) | 4.58 | 4.78 | 4.82 | 4.83 | 5.26 |
| Normalised EPS Growth | (1.82%) | 4.44% | 0.84% | 0.20% | 8.89% |
| FD Normalised P/E (x) | 3.81 | 3.64 | 3.61 | 3.61 | 3.31 |
| P/NB (x) | (20.28) | (31.05) | (40.47) | (41.35) | (41.95) |
| DPS (Rmb) | 1.39 | 1.45 | 1.46 | 1.47 | 1.60 |
| Dividend Yield | 7.97% | 8.32% | 8.39% | 8.41% | 9.16% |
| P/EV (x) | 0.23 | 0.20 | 0.19 | 0.18 | 0.16 |
| P/BV (x) | 0.54 | 0.49 | 0.44 | 0.41 | 0.38 |
| ROE | 15.4% | 14.0% | 12.8% | 11.8% | 11.8% |
| % Change In Normalised EPS Estimates | | (5.64%) | (1.91%) | (0.63%) | |
| Normalised EPS/consensus EPS (x) | | 0.96 | 0.88 | 0.77 | 0.90 |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Model adjustment

| 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> | | | | | | | |
| <p>Keep your eye on</p> <p>Climate change has become a new focus area for the insurance industry due to its profound impact on catastrophe risks.</p> | <p>Implications</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> | | | | | | |
| <p>ESG highlights</p> <p>New China Life’s C- ESG score is on the lower end of its peers’ ESG scoring.</p> | <p>Implications</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> | | | | | | |
| <p>Trends</p> <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>Implications</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

We cut our FY21F-23F EPS forecasts by 0.6% to 5.6% to reflect lower premium forecasts (Fig 1).

We also cut our FY21F, FY22F and FY23F NBV forecasts by 10%, 29% and 31%, 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% as a result of the lower NBV forecasts.

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

| (Rmb m) | FY21F | | | FY22F | | | FY23F | | |
|---|-----------|-----------|----------|-----------|-----------|-----------|-----------|-----------|----------|
| | Old | New | % change | Old | New | % change | Old | New | % change |
| Profit & loss | | | | | | | | | |
| Net premiums earned | 166,848 | 163,910 | -2% | 179,368 | 169,392 | -6% | 193,596 | 176,077 | -9% |
| Total investment income | 55,503 | 55,503 | 0% | 48,394 | 48,394 | 0% | 50,112 | 50,112 | 0% |
| Other income | 1,015 | 1,015 | 0% | 1,015 | 1,015 | 0% | 1,015 | 1,015 | 0% |
| Total Revenue | 223,367 | 220,428 | -1% | 228,777 | 218,800 | -4% | 244,723 | 227,204 | -7% |
| Insurance-related expenses | 171,098 | 169,764 | -1% | 174,384 | 166,820 | -4% | 187,526 | 173,776 | -7% |
| Other expenses | 34,876 | 34,262 | -2% | 37,493 | 35,408 | -6% | 40,467 | 36,805 | -9% |
| Total benefits, claims and expenses | 205,974 | 204,026 | -1% | 211,877 | 202,227 | -5% | 227,994 | 210,581 | -8% |
| Share of P/L from associates | 189 | 189 | 0% | 157 | 157 | 0% | 141 | 141 | 0% |
| Income tax | 1,758 | 1,659 | -6% | 1,706 | 1,673 | -2% | 1,687 | 1,676 | -1% |
| Minority interests (or non-controlling interests) | 3 | 3 | 0% | 3 | 3 | 0% | 3 | 3 | 0% |
| Net profit | 15,821 | 14,929 | -6% | 15,347 | 15,054 | -2% | 15,180 | 15,084 | -1% |
| EPS (Rmb) | 5.07 | 4.78 | -5.6% | 4.92 | 4.82 | -1.9% | 4.87 | 4.83 | -0.6% |
| DPS (Rmb) | 1.54 | 1.45 | -5.6% | 1.49 | 1.46 | -1.9% | 1.48 | 1.47 | -0.6% |
| BVPS (Rmb) | 36.12 | 35.92 | -0.6% | 39.55 | 39.28 | -0.7% | 42.93 | 42.65 | -0.7% |
| EVPS (Rmb) | 85.71 | 85.46 | -0.3% | 93.30 | 92.35 | -1.0% | 101.33 | 99.41 | -1.9% |
| Key balance sheet items | | | | | | | | | |
| Total investment assets | 1,052,330 | 1,052,330 | 0% | 1,147,039 | 1,147,039 | 0% | 1,250,273 | 1,250,273 | 0% |
| Total assets | 1,093,212 | 1,093,212 | 0% | 1,189,966 | 1,189,966 | 0% | 1,295,346 | 1,295,346 | 0% |
| Total shareholders' equity excl. minorities | 112,689 | 112,067 | -1% | 123,380 | 122,555 | -1% | 133,956 | 133,063 | -1% |
| Key EV and NBV metrics | | | | | | | | | |
| NBV | 7,619 | 6,834 | -10% | 8,177 | 5,775 | -29% | 8,958 | 6,185 | -31% |
| NBV growth | -17% | -26% | -8.5%pts | 7% | -15% | -22.8%pts | 10% | 7% | -2.5%pts |
| Life embedded value | 267,412 | 266,628 | 0% | 291,091 | 288,125 | -1% | 316,144 | 310,169 | -2% |
| Life ROEV | 13% | 13% | -0.3%pts | 11% | 10% | -0.9%pts | 10% | 9% | -1.0%pts |
| ROE | 15% | 14% | -0.8%pts | 13% | 13% | -0.2%pts | 12% | 12% | 0.0%pts |
| NBV margin | 32% | 32% | -0.4%pts | 31% | 29% | -2.9%pts | 31% | 29% | -2.9%pts |
| First year premiums (APE weighted) | 23,760 | 21,578 | -9% | 26,021 | 20,260 | -22% | 28,508 | 21,698 | -24% |
| Other key metrics | | | | | | | | | |
| Gross written premiums (GWP) | 170,168 | 167,171 | -2% | 182,937 | 172,762 | -6% | 197,449 | 179,581 | -9% |
| GWP growth | 7% | 5% | -1.9%pts | 8% | 3% | -4.2%pts | 8% | 4% | -4.0%pts |
| FYP (APE) growth | 1% | -8% | -9.3%pts | 10% | -6% | -15.6%pts | 10% | 7% | -2.5%pts |
| Net investment yield | 4.9% | 4.9% | 0.0%pts | 4% | 4% | 0.0%pts | 4% | 4% | 0.0%pts |
| Gross investment yield | 5.9% | 5.9% | 0.0%pts | 5% | 5% | 0.0%pts | 4% | 4% | 0.0%pts |
| Insurance-related expenses/ (net earned premiums+ total investment revenue) | 77% | 77% | 0.4%pts | 77% | 77% | 0.0%pts | 77% | 77% | -0.1%pts |
| Effective tax rate | 10% | 10% | 0.0%pts | 10% | 10% | 0.0%pts | 10% | 10% | 0.0%pts |
| Dividend payout ratio | 30% | 30% | 0.0%pts | 30% | 30% | 0.0%pts | 30% | 30% | 0.0%pts |
| EPS growth | 11% | 4% | -6.2%pts | -3% | 1% | 3.8%pts | -1% | 0% | 1.3%pts |
| BVPS growth | 11% | 10% | -0.6%pts | 9% | 9% | -0.1%pts | 9% | 9% | 0.0%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 8% to HK\$30.30 from HK\$33.10 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 10.1% (previously 11.3%) and a sustainable ROE of 12.6% (previously 13.7%) for NCI.

Our FY22F (previously FY21F) embedded value per share (EVPS) forecast is now Rmb92.35 (previously Rmb85.71), while our FY22F (previously FY21F) BVPS is now Rmb39.28 (previously Rmb36.12).

As a result, our target price falls to HK\$30.30 (previously HK\$33.10), which implies 41% potential upside to NCI's share price as of 25 Mar 2022 (Fig 2). Therefore, we reiterate our Add rating.

Figure 2: 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 | 10.1% | 11.3% | -1.2%pts |
| Target P/EV | 0.4x | 0.4x | -19% |
| FY22F EVPS (Rmb) | 92.35 | 85.71 | 8% |
| i.e. FY22F EVPS (HK\$) | 110.31 | 102.38 | 8% |
| Rmb/HK\$ exchange rate | 1.19 | 1.19 | 0% |
| Hence target price (HK\$) if 100% weighting to a P/EV GGM approach | 40.05 | 45.83 | -13% |
| Sustainable ROE | 12.6% | 13.7% | -1.1%pts |
| Target P/BV | 0.5x | 0.6x | -13% |
| FY22F BVPS (Rmb) | 39.28 | 36.12 | 9% |
| i.e. FY22F BVPS (HK\$) | 46.92 | 43.14 | 9% |
| Hence target price (HK\$) if 100% weighting to a P/BV GGM approach | 25.50 | 26.90 | -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 |
| Final target price (HK\$) | 30.30 | 33.10 | -8% |
| Current share price (HK\$) | 21.45 | | |
| Upside/ downside | 41% | | |
| FY22F NBV per share (Rmb) | 1.85 | 2.44 | -24.2%pts |
| i.e. FY22F NBV per share (HK\$) | 2.21 | 2.92 | -24.2%pts |
| Implied target new business multiple | -36.2x | -23.8x | |
| Implied target P/EV multiple | 0.27x | 0.32x | |
| Implied target P/BV multiple | 0.6x | 0.8x | |

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG
Share price as of 25 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 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 | 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 | 29.70 | 51% | 0.34x | 0.31x | 0.28x | -16.4x | -17.5x | -18.5x | 0.7x | 0.7x | 0.7x | 18.7 | 11.8 | 14.4 |
| 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 | 0.76x | -1.8x | -6.3x | -11.5x | 1.2x | 1.2x | 1.1x | 13.5 | 12.4 | 9.9 |
| HK-listed weighted average ex AIA | | | | | | 0.45x | 0.42x | 0.39x | -12.4x | -16.2x | -22.5x | 0.9x | 0.8x | 0.7x | 15.9 | 11.1 | 9.4 |

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

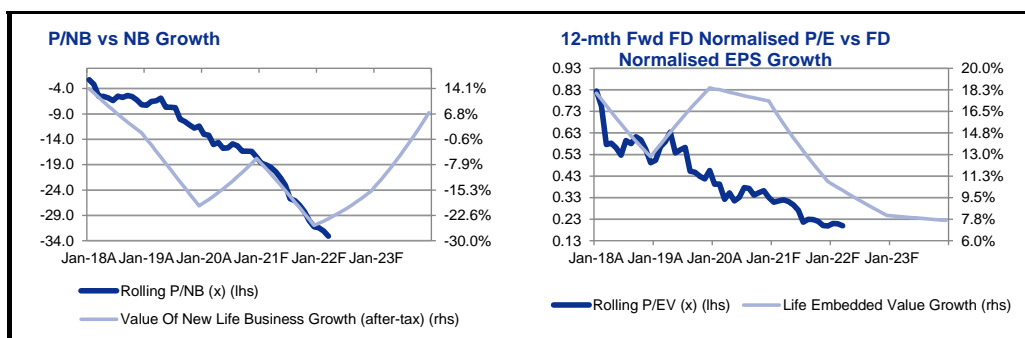
Figure 4: Key financial data

| (Rmb m) | FY18 | FY19 | FY20 | FY21F | FY22F | FY23F | FY24F | FY25F |
|---|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|
| <i>Profit & loss</i> | | | | | | | | |
| Net premiums earned | 120,002 | 135,443 | 156,443 | 163,910 | 169,392 | 176,077 | 184,041 | 193,769 |
| Total investment income | 31,185 | 35,842 | 46,400 | 55,503 | 48,394 | 50,112 | 51,891 | 53,733 |
| Other income | 777 | 818 | 1,015 | 1,015 | 1,015 | 1,015 | 1,015 | 1,015 |
| Total Revenue | 151,964 | 172,103 | 203,858 | 220,428 | 218,800 | 227,204 | 236,947 | 248,517 |
| Insurance-related expenses | 111,512 | 127,706 | 155,930 | 169,764 | 166,820 | 173,776 | 180,355 | 188,254 |
| Other expenses | 30,346 | 31,678 | 32,701 | 34,262 | 35,408 | 36,805 | 38,470 | 40,503 |
| Total benefits, claims and expenses | 141,858 | 159,384 | 188,631 | 204,026 | 202,227 | 210,581 | 218,825 | 228,757 |
| Share of P/L from associates | 404 | 502 | 264 | 189 | 157 | 141 | 132 | 127 |
| Profit before income tax | 10,510 | 13,221 | 15,491 | 16,591 | 16,730 | 16,763 | 18,254 | 19,887 |
| Income tax | 2,587 | -1,339 | 1,194 | 1,659 | 1,673 | 1,676 | 1,825 | 1,989 |
| Net profit after tax | 7,923 | 14,560 | 14,297 | 14,932 | 15,057 | 15,087 | 16,428 | 17,898 |
| Minority interests | 1 | 1 | 3 | 3 | 3 | 3 | 3 | 3 |
| Net profit after tax | 7,922 | 14,559 | 14,294 | 14,929 | 15,054 | 15,084 | 16,425 | 17,895 |
| EPS (Rmb) | 2.54 | 4.67 | 4.58 | 4.78 | 4.82 | 4.83 | 5.26 | 5.74 |
| DPS (Rmb) | 0.77 | 1.41 | 1.39 | 1.45 | 1.46 | 1.47 | 1.60 | 1.74 |
| BVPS (Rmb) | 21.02 | 27.07 | 32.59 | 35.92 | 39.28 | 42.65 | 46.32 | 50.31 |
| EVPS (Rmb) | 55.50 | 65.72 | 77.12 | 85.46 | 92.35 | 99.41 | 106.61 | 113.77 |
| <i>Key balance sheet items</i> | | | | | | | | |
| Total investment assets | 699,826 | 839,447 | 965,653 | 1,052,330 | 1,147,039 | 1,250,273 | 1,362,797 | 1,485,449 |
| Total assets | 733,929 | 878,970 | 1,004,376 | 1,093,212 | 1,189,966 | 1,295,346 | 1,410,124 | 1,535,142 |
| Total shareholders' equity excl. minorities | 65,587 | 84,451 | 101,667 | 112,067 | 122,555 | 133,063 | 144,505 | 156,972 |
| <i>Key EV and NBV metrics</i> | | | | | | | | |
| NBV | 12,210 | 9,779 | 9,182 | 6,834 | 5,775 | 6,185 | 6,632 | 7,234 |
| NBV growth | 1% | -20% | -6% | -26% | -15% | 7% | 7% | 9% |
| Life embedded value | 173,151 | 205,043 | 240,604 | 266,628 | 288,125 | 310,169 | 332,630 | 354,974 |
| Life ROEV | 14% | 20% | 19% | 13% | 10% | 9% | 9% | 8% |
| ROE | 12% | 19% | 15% | 14% | 13% | 12% | 12% | 12% |
| NBV margin | 57% | 47% | 39% | 32% | 29% | 29% | 29% | 29% |
| First year premiums (APE weighted) | 21,303 | 20,638 | 23,482 | 21,578 | 20,260 | 21,698 | 23,266 | 25,376 |
| <i>Other key metrics</i> | | | | | | | | |
| Gross written premiums (GWP) | 122,341 | 138,171 | 159,556 | 167,171 | 172,762 | 179,581 | 187,703 | 197,625 |
| GWP growth | 12% | 13% | 15% | 5% | 3% | 4% | 5% | 5% |
| FYP (APE) growth | -26% | -3% | 14% | -8% | -6% | 7% | 7% | 9% |
| Net investment yield | 5.00% | 4.80% | 4.60% | 4.92% | 3.94% | 3.74% | 3.55% | 3.38% |
| Gross investment yield | 4.60% | 4.90% | 5.50% | 5.89% | 4.71% | 4.47% | 4.25% | 4.04% |
| Insurance-related expenses/ (net earned premiums+ total investment revenue) | 74% | 75% | 77% | 77% | 77% | 77% | 76% | 76% |
| Effective tax rate | 25% | -10% | 8% | 10% | 10% | 10% | 10% | 10% |
| Dividend payout ratio | 30% | 30% | 30% | 30% | 30% | 30% | 30% | 30% |
| EPS growth | 47% | 84% | -2% | 4% | 1% | 0% | 9% | 9% |
| BVPS growth | 3% | 29% | 20% | 10% | 9% | 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



Profit & Loss

| (Rmbm) | Dec-20A | Dec-21F | Dec-22F | Dec-23F | Dec-24F |
|--|---------------|---------------|---------------|---------------|---------------|
| Revenue | 156,443 | 163,910 | 169,392 | 176,077 | 184,041 |
| Total Claims and Changes in Reserves | (155,930) | (169,764) | (166,820) | (173,776) | (180,355) |
| Acq. Costs/Other Underwriting Exp. | | | | | |
| Total Underwriting Result | (32,188) | (40,116) | (32,836) | (34,504) | (34,784) |
| Investment Income on Tech Reserve | 0 | 0 | 0 | 0 | 0 |
| Insurance Profit / (Loss) | (32,188) | (40,116) | (32,836) | (34,504) | (34,784) |
| Total Other Technical Income | 47,415 | 56,518 | 49,409 | 51,127 | 52,906 |
| 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 | 16,402 | 16,573 | 16,622 | 18,122 |
| Pretax Income/(Loss) from Assoc. | 264 | 189 | 157 | 141 | 132 |
| 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 | 16,591 | 16,730 | 16,763 | 18,254 |
| Taxation | (1,194) | (1,659) | (1,673) | (1,676) | (1,825) |
| Consolidation Adjustments & Others | | | | | |
| Exceptional Income - post-tax | | | | | |
| Profit After Tax | 14,297 | 14,932 | 15,057 | 15,087 | 16,428 |
| Minority Interests | (3) | (3) | (3) | (3) | (3) |
| Preferred Dividends | | | | | |
| Special Dividends | | | | | |
| FX Gain/(Loss) - post tax | | | | | |
| Other Adjustments - post-tax | | | | | |
| Preference Dividends (Australia) | | | | | |
| Net Profit | 14,294 | 14,929 | 15,054 | 15,084 | 16,425 |

Operating Ratios

| | Dec-20A | Dec-21F | Dec-22F | Dec-23F | Dec-24F |
|--|---------|---------|---------|---------|---------|
| Premium Retention Ratio (life & Health) | 98.2% | 98.2% | 98.2% | 98.2% | 98.2% |
| Benefits Ratio (life & Health) | (100%) | (104%) | (98%) | (99%) | (98%) |
| Acquisition Expense Ratio (life & Health) | 0% | 0% | 0% | 0% | 0% |
| Admin Expense Ratio (life & Health) | 7.91% | 7.91% | 7.91% | 7.91% | 7.91% |
| Total Expense Ratio (life & Health) | 20.9% | 20.9% | 20.9% | 20.9% | 20.9% |
| Policyholder Dividends Ratio (life & Health) | 0% | 0% | 0% | 0% | 0% |
| Combined Underwriting Ratio (life & Health) | (78.8%) | (82.7%) | (77.6%) | (77.8%) | (77.1%) |
| Underwriting Profit Margin (life & Health) | (20.6%) | (24.5%) | (19.4%) | (19.6%) | (18.9%) |
| Operating Profit Margin (life & Health) | 9.7% | 10.0% | 9.8% | 9.4% | 9.8% |

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 | 15,692 | 16,477 | 17,300 | 18,165 | 19,074 |
| Intangible Assets | 3,753 | 3,941 | 4,138 | 4,345 | 4,562 |
| Other Long Term Assets | 958,070 | 1,044,022 | 1,137,695 | 1,239,785 | 1,351,048 |
| Total Non-current Assets | 977,515 | 1,064,439 | 1,159,133 | 1,262,295 | 1,374,683 |
| Total Cash And Equivalents | 14,236 | 15,517 | 16,914 | 18,436 | 20,095 |
| Trade Debtors | 2,312 | 2,428 | 2,549 | 2,676 | 2,810 |
| Other Current Assets | 10,313 | 10,829 | 11,370 | 11,939 | 12,536 |
| Total Current Assets | 26,861 | 28,773 | 30,833 | 33,051 | 35,441 |
| Creditors - Direct & Reinsurance Business | | | | | |
| Provision For Claims Outstanding | | | | | |
| Other Current Liabilities | 6,475 | 7,038 | 7,656 | 8,337 | 9,078 |
| Total Current Liabilities | 6,475 | 7,038 | 7,656 | 8,337 | 9,078 |
| Total Long-term Debt | 10,000 | 10,869 | 11,825 | 12,876 | 14,020 |
| Hybrid Debt - Debt Component | | | | | |
| Other Liabilities | 131,809 | 143,262 | 155,858 | 169,711 | 184,800 |
| Total Non-current Liabilities | 141,809 | 154,131 | 167,683 | 182,587 | 198,820 |
| Total Technical & Other Provisions | 754,409 | 819,960 | 892,056 | 971,343 | 1,057,703 |
| Total Liabilities | 902,693 | 981,129 | 1,067,395 | 1,162,266 | 1,265,602 |
| Shareholders' Equity | 101,667 | 112,067 | 122,555 | 133,063 | 144,505 |
| Minority Interests | 13 | 13 | 13 | 13 | 13 |
| Total Equity | 101,680 | 112,080 | 122,568 | 133,076 | 144,518 |
| Life Embedded Value | 240,604 | 266,628 | 288,125 | 310,169 | 332,630 |

Key Ratios

| | Dec-20A | Dec-21F | Dec-22F | Dec-23F | Dec-24F |
|---|---------|---------|---------|---------|---------|
| Net Premium Growth | 15.4% | 4.8% | 3.3% | 3.9% | 4.5% |
| Operating Profit Growth (Life & Health) | 19.7% | 7.7% | 1.0% | 0.3% | 9.0% |
| Value Of New Life Business Growth (after-tax) | (6.1%) | (25.6%) | (15.5%) | 7.1% | 7.2% |
| Life Embedded Value Growth | 17.3% | 10.8% | 8.1% | 7.7% | 7.2% |
| Pre-tax Margin | 9.9% | 10.1% | 9.9% | 9.5% | 9.9% |
| Net Profit Margin | 9.14% | 9.11% | 8.89% | 8.57% | 8.92% |
| Effective Tax Rate | 7.7% | 10.0% | 10.0% | 10.0% | 10.0% |
| Net Dividend Payout Ratio | 30.3% | 30.3% | 30.3% | 30.3% | 30.3% |
| Return On Average Assets | 1.52% | 1.42% | 1.32% | 1.21% | 1.21% |
| Net Gearing | (4.35%) | (4.33%) | (4.33%) | (4.36%) | (4.39%) |
| Financial Leverage | 10.12 | 9.81 | 9.73 | 9.72 | 9.75 |
| Equity / Assets | 10.1% | 10.3% | 10.3% | 10.3% | 10.2% |

Key Drivers

| | Dec-20A | Dec-21F | Dec-22F | Dec-23F | Dec-24F |
|--|---------|---------|---------|---------|---------|
| Total GWP | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total FYP | 0.5 | (0.1) | (0.0) | 0.0 | 0.0 |
| Total renewal business | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Total short-term insurance business | 0.1 | 0.3 | 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 | 0.1 | 0.1 | 0.1 | 0.1 |
| Investment assets growth | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |

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Corporate Governance Report:

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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.

| | | | | | |
|---------------------|-----------|-----------|---------|----------|------------------|
| 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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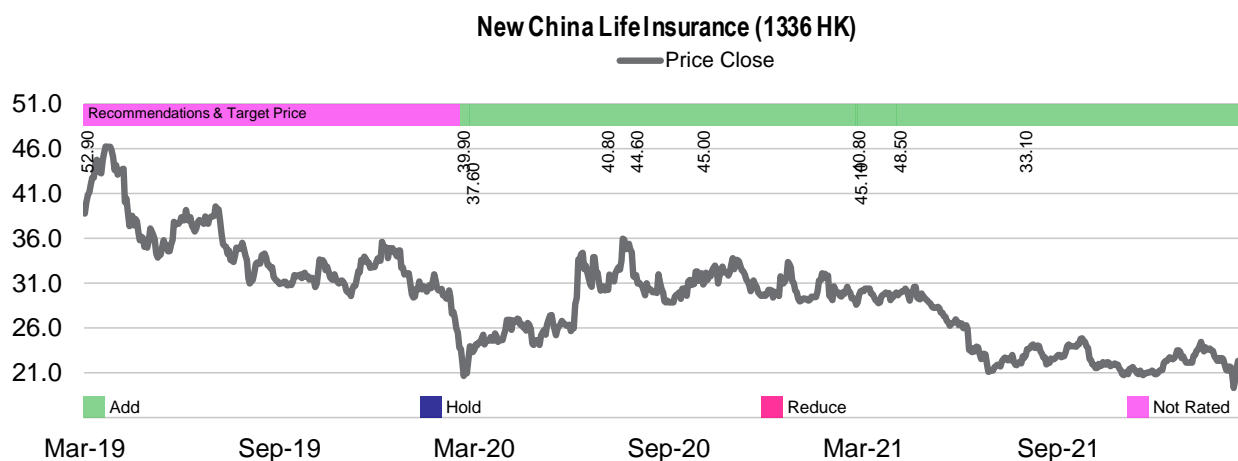
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| Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021 | | |
|--|-------------------------|--------------------------------|
| 619 companies under coverage for quarter ended on 31 December 2021 | | |
| | 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, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

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

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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.

