

Hong Kong

**ADD** (no change)

Consensus ratings\*: Buy 26 Hold 4 Sell 1

Current price:	HK\$7.68
Target price:	HK\$9.80
Previous target:	HK\$10.00
Up/downside:	27.6%
CGS-CIMB / Consensus:	4.3%
Reuters:	2328.HK
Bloomberg:	2328 HK
Market cap:	US\$21,825m HK\$170,824m
Average daily turnover:	US\$28.91m HK\$225.7m
Current shares o/s:	22,242m
Free float:	47.0%

\*Source: Bloomberg

**Key changes in this note**

➤ No changes to FY22-24F EPS.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-5.5	20	15
Relative (%)	0.5	27.8	38.3

Major shareholders	% held
PICC Group	69.0

**Analyst(s)**



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# PICC Property & Casualty

## Slight miss due to conservative reserving

- FY21 net profit was Rmb22.4bn, +7% yoy (5% below our forecast), due to more conservative reserving, which was the highest since FY10 (Fig 1).
- FY21 combined ratio disappointed, up 70bp yoy to 99.6% (2H21: up 149bp yoy to 102.5%), in part due to this more conservative reserving expenses.
- We like the acceleration of gross written premium growth to 16% yoy in 4Q21 from 3Q21's 5% yoy fall.
- Reiterate Add rating. No changes to FY22-24F EPS but GGM-based TP cut slightly to HK\$9.80 from HK\$10 due a lower sustainable ROE assumption.

### Slight miss in FY21 net profits due to more conservative reserving

FY21 net profit was Rmb22.4bn, +7% yoy but 5% below our forecast, partly due to more conservative reserving relating to changes in loss and loss adjustment reserving expenses. This more than doubled to Rmb13.3bn in FY21 from Rmb6bn in FY20 and is the highest since FY10 (Fig 1). It also drove its FY21 combined ratio (COR) to 99.6%, +0.7% pt yoy (0.4% pt above our forecast).

### What we liked about the FY21 results

i) 4Q21 gross written premium (GWP) growth accelerated to 16% yoy (3Q21's: -5% yoy) (Fig 5). Feb 2022 YTD GWP growth of 14% yoy is also encouraging (Fig 7); ii) 4Q21 auto combined ratio (COR) was 96.9%, -9bp yoy, with 4Q21 auto underwriting profit rising 11% yoy to Rmb2bn. FY21 auto combined ratio was 97.3%, +73bp yoy but within its 98% guidance given in early-2021; iii) FY21 total investment yield was 5%, +0.2% pt yoy, albeit weaker than 9M21's annualised 5.6% yield. FY21 net investment yield was 3.5%, -0.1% pt yoy.

### What we did not like about the FY21 results

i) FY21 COR was 99.6%, which was worse than 9M21's 98.9%, implying a 4Q21 combined ratio of 101.7%, up 130bp yoy. As a result, 4Q21 underwriting loss worsened to Rmb1.7bn (4Q20: Rmb0.7bn loss); ii) This was driven by 2H21 COR deterioration in commercial property (2H21: 169.9%, +45.8% pts yoy), other insurance (2H21: 144.5%, +40.1% pts yoy), liability (2H21: 115.7%, +17.8% pts yoy) and cargo (99%, +16.5% pts yoy) as well as higher loss ratios. This was the result of losses from Jul 2021's Henan floods and Typhoon In-fa in eastern China. The deterioration in these segments was partly offset by a remarkable improvement in the 2H21 COR for credit and surety insurance (38.1%, -119.1% pts yoy).

### Reiterate Add rating, TP cut slightly to HK\$9.80 from HK\$10

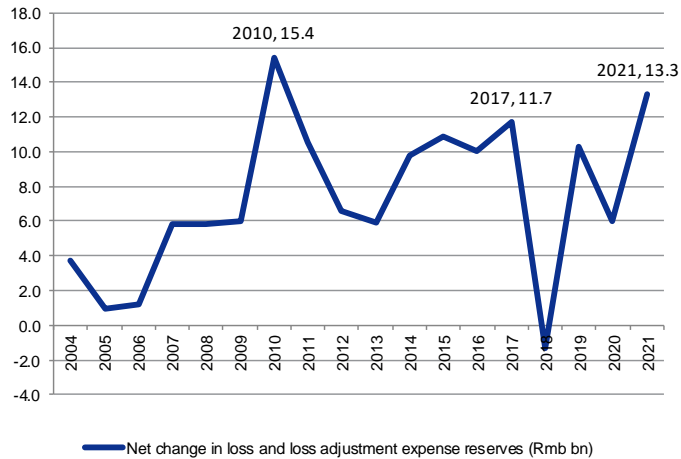
Our GGM-based TP is trimmed to HK\$9.80 from HK\$10 due to a lower sustainable ROE assumption as the average ROE over the FY20-FY24F period (which is the basis for our sustainable ROE assumption) falls. Re-rating catalysts: faster premium growth and any rebound in the A-share market. Downside risks: intensifying competition, stricter regulations and greater policy risks.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Premium (Rmbm)	433,187	449,533	499,111	557,294	625,258
Investment And Other Income (Rmbm)	18,184	20,892	21,662	24,550	26,138
Net Premium (Rmbm)	433,187	449,533	499,111	557,294	625,258
Net Profit (Rmbm)	20,247	22,078	23,015	24,585	24,861
Normalised EPS (Rmb)	0.91	0.99	1.03	1.11	1.12
Normalised EPS Growth	(16.6%)	9.0%	4.2%	6.8%	1.1%
FD Normalised P/E (x)	6.86	6.29	6.03	5.65	5.59
P/NB (x)	NA	NA	NA	NA	NA
DPS (Rmb)	0.37	0.41	0.42	0.45	0.45
Dividend Yield	6.01%	6.52%	6.71%	7.17%	7.25%
P/EV (x)	NA	NA	NA	NA	NA
P/BV (x)	0.74	0.68	0.64	0.60	0.56
ROE	11.3%	11.3%	11.0%	11.0%	10.4%
% Change In Normalised EPS Estimates			(0.000%)	0.000%	(0.000%)
Normalised EPS/consensus EPS (x)			0.88	0.83	0.78

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

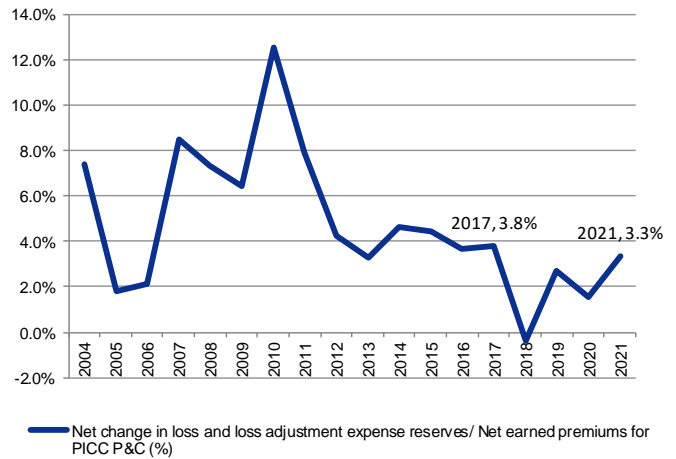
## Slight miss due to conservative reserving

**Figure 1: Net change in loss and loss adjustment expense reserves (Rmb bn)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Net change in loss and loss adjustment expense reserves/Net earned premiums for PICC P&C (%)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 3: Key financial metrics and the variance from our forecasts**

(Rmb bn)	FY21 actual	FY21F by CGS-CIMB	% variance	Growth yoy
GWP	449.5	449.0	0.1%	3.8%
Net profit	22.4	23.6	-5.2%	7.1%
Combined ratio	99.6%	99.2%	0.4-pts	0.7%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 4: PICC P&C's P&L and the variance from our forecasts**

(Rmb m)	FY21 actual	FY21F by CGS-CIMB	% variance	Growth yoy
Net premiums earned	397.0	386.3	2.8%	1.0%
Investment income	20.9	22.2	-6.2%	15.4%
Other income	0.6	0.0	n.a.	-801.1%
Total revenue	418.5	408.5	2.4%	1.8%
Insurance benefit and claims	292.6	260.0	12.5%	12.4%
Policy acquisition and admin. expenses	0.1	0.1	-16.5%	-20.0%
Other costs	1.5	1.5	-0.2%	-0.9%
Total expenses	397.0	384.7	3.2%	1.7%
Share of profits (loss) of associates and joint ventures	4.5	4.1	9.6%	14.5%
Profits before income tax	26.0	27.9	-6.7%	5.5%
Income tax	3.7	4.3	-14.9%	-3.8%
Net profits after income tax	22.4	23.6	-5.2%	7.2%
Minority interest	0.0	0.0	n.a.	n.a.
Net profits attributable to shareholders	22.4	23.6	-5.2%	7.1%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 5: Growth yoy of PICC P&C GWP**

	Motor vehicle insurance	Accidental injury and health insurance	Agriculture insurance	Liability insurance	Commercial property insurance	Credit and surety insurance	Cargo insurance	Other insurance	Total	Non auto	Total excluding credit and surety insurance
1Q20	-3%	23%	10%	-4%	-4%	-48%	-11%	-2%	2%	7%	4%
2Q20	9%	17%	21%	9%	5%	-68%	2%	14%	7%	5%	11%
3Q20	11%	5%	18%	9%	1%	-88%	-1%	12%	2%	-13%	10%
4Q20	-10%	-8%	23%	7%	0%	-98%	-3%	-19%	-12%	-18%	-8%
1Q21	-7%	25%	25%	19%	8%	-80%	21%	13%	6%	18%	8%
2Q21	-9%	10%	10%	18%	3%	-63%	30%	19%	-1%	9%	0%
3Q21	-9%	3%	25%	5%	-2%	-24%	25%	-30%	-5%	5%	-4%
4Q21	9%	57%	33%	25%	11%	1160%	30%	44%	17%	41%	16%
1H20	3%	21%	17%	2%	0%	-59%	-6%	4%	4%	6%	7%
2H20	-1%	-1%	20%	8%	0%	-92%	-2%	-5%	-5%	-15%	1%
1H21	-8%	21%	16%	18%	6%	-73%	25%	15%	3%	14%	4%
2H21	0%	25%	28%	14%	3%	74%	28%	4%	5%	20%	5%
FY20	1%	15%	17%	5%	0%	-77%	-4%	1%	0%	-1%	4%
FY21	-11%	27%	34%	8%	17%	-84%	17%	2%	1%	15%	4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 6: Mix of PICC P&C's gross written premiums**


	Motor vehicle insurance	Accidental injury and health insurance	Agriculture insurance	Liability insurance	Commercial property insurance	Credit and surety insurance	Cargo insurance	Other insurance	Total	Non auto	Total excluding credit and surety insurance
1Q19	51%	23%	7%	7%	4%	4%	1%	4%	100%	49%	96%
2Q19	58%	12%	12%	6%	4%	5%	1%	3%	100%	42%	95%
3Q19	64%	10%	6%	7%	3%	8%	1%	2%	100%	36%	92%
4Q19	74%	7%	3%	5%	2%	5%	1%	3%	100%	26%	95%
1Q20	48%	27%	8%	6%	4%	2%	1%	4%	100%	52%	98%
2Q20	59%	13%	13%	7%	3%	2%	1%	3%	100%	41%	98%
3Q20	69%	10%	6%	7%	3%	1%	1%	2%	100%	31%	99%
4Q20	76%	8%	5%	6%	2%	0%	1%	2%	100%	24%	100%
1Q21	42%	32%	9%	7%	4%	0%	1%	4%	100%	58%	100%
2Q21	54%	14%	15%	8%	4%	1%	1%	3%	100%	46%	99%
3Q21	66%	11%	8%	8%	3%	1%	1%	2%	100%	34%	99%
4Q21	70%	10%	5%	7%	2%	1%	1%	3%	100%	30%	99%
1H19	54%	17%	9%	7%	4%	4%	1%	3%	100%	46%	96%
2H19	69%	8%	4%	6%	3%	6%	1%	2%	100%	31%	94%
1H20	53%	20%	10%	6%	4%	2%	1%	3%	100%	47%	98%
2H20	72%	9%	5%	7%	3%	1%	1%	2%	100%	28%	99%
1H21	48%	24%	12%	7%	4%	0%	1%	4%	100%	52%	100%
2H21	68%	11%	7%	7%	3%	1%	1%	2%	100%	32%	99%
FY19	61%	13%	7%	6%	3%	5%	1%	3%	100%	39%	95%
FY20	61%	15%	8%	7%	3%	1%	1%	3%	100%	39%	99%
FY21	57%	18%	10%	7%	3%	1%	1%	3%	100%	43%	99%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 7: The yoy growth of PICC P&C's major insurance businesses**

	Auto	Accidental injury & health	Agriculture	Liability	Commercial property	Credit & surety	Cargo	Other	Total	Non auto
Apr-20	13%	-9%	42%	14%	9%	-60%	3%	14%	7%	-1%
May-20	7%	29%	15%	3%	4%	-68%	-6%	4%	6%	4%
Jun-20	7%	42%	17%	9%	4%	-73%	8%	19%	9%	10%
Jul-20	13%	0%	24%	16%	4%	-82%	3%	-8%	4%	-14%
Aug-20	12%	-7%	-5%	9%	-3%	-85%	-4%	13%	0%	-22%
Sep-20	7%	15%	39%	5%	0%	-100%	-3%	29%	3%	-5%
Oct-20	-7%	-8%	26%	1%	-6%	-97%	2%	-15%	-11%	-21%
Nov-20	-12%	4%	30%	-11%	-1%	-99%	-9%	-19%	-14%	-19%
Dec-20	-11%	-19%	14%	48%	6%	-99%	-3%	-22%	-11%	-13%
Jan-21	-11%	27%	34%	8%	17%	-84%	17%	2%	1%	15%
Feb-21	6%	45%	49%	48%	23%	-86%	41%	20%	23%	41%
Mar-21	-7%	17%	12%	21%	-10%	-71%	16%	24%	4%	13%
Apr-21	-13%	6%	0%	1%	-4%	-80%	17%	9%	-9%	-1%
May-21	-10%	-10%	8%	7%	-5%	-72%	21%	5%	-7%	-2%
Jun-21	-3%	27%	15%	42%	12%	-34%	48%	33%	9%	22%
Jul-21	-10%	6%	-5%	-1%	-9%	-68%	18%	-36%	-9%	-6%
Aug-21	-11%	12%	50%	2%	13%	-45%	30%	-7%	-4%	14%
Sep-21	-6%	-1%	34%	11%	-8%	3211%	28%	-45%	-2%	6%
Oct-21	6%	-21%	13%	-13%	10%	277%	15%	-25%	3%	-6%
Nov-21	9%	27%	18%	22%	26%	1594%	34%	0%	13%	25%
Dec-21	10%	156%	67%	69%	-1%	3294%	42%	128%	30%	101%
Jan-22	15%	15%	17%	17%	-2%	219%	12%	-17%	14%	13%
Feb-22	15%	16%	9%	8%	-16%	1088%	85%	0%	14%	14%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: left;"> <h2 style="margin: 0;">ESG in a nutshell</h2> </div> <div style="text-align: center;">  </div> <div style="text-align: right;"> <h3 style="margin: 0;">Refinitiv ESG Scores</h3> <table border="1" style="margin: 0 auto; border-collapse: collapse;"> <tr> <td style="text-align: center; background-color: #4CAF50; color: white; padding: 5px;">B+</td> <td style="text-align: center; background-color: #4CAF50; color: white; padding: 5px;">A+</td> <td style="text-align: center; background-color: #4CAF50; color: white; padding: 5px;">B+</td> <td style="text-align: center; background-color: #4CAF50; color: white; padding: 5px;">B+</td> <td style="text-align: center; background-color: #4CAF50; color: white; padding: 5px;">B-</td> <td style="text-align: center; background-color: #4CAF50; color: white; padding: 5px;">A-</td> </tr> <tr> <td style="text-align: center; font-size: 8px;">ESG Score</td> <td style="text-align: center; font-size: 8px;">ESG Controversies Score</td> <td style="text-align: center; font-size: 8px;">ESG Combined Score</td> <td style="text-align: center; font-size: 8px;">ESG Environment Pillar Score</td> <td style="text-align: center; font-size: 8px;">ESG Social Pillar Score</td> <td style="text-align: center; font-size: 8px;">ESG Government Pillar Score</td> </tr> </table> </div> </div>		B+	A+	B+	B+	B-	A-	ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Government Pillar Score
B+	A+	B+	B+	B-	A-								
ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Government Pillar Score								
<p>PICC P&amp;C received a B+ rating for its combined ESG score by Refinitiv in FY20. The company's mission is to be the insurer for the people in the new era, providing reliable insurance protection for economic development, social stability, national prosperity and people's well-being. While continuously reducing the impact that operations have on the environment, PICC P&amp;C has simultaneously implemented the national deployment of building a green financial system. In November 2020, the company was the first to issue first policy-based natural grassland insurance in China. This insurance policy provides insurance against natural disasters, such as droughts and sandstorms, for more than 1 million mu (66,667 hectares) of grassland in Inner Mongolia, with a guarantee amount of more than Rmb20m. In the field of rural revitalisation, the company and its subsidiaries launched the exclusive protection scheme of 'Rural Revitalisation Insurance', which provides over Rmb279.1bn in risk protection. Going forward, PICC P&amp;C has stated that it will continue to pioneer public health emergency assistance insurance and proactively incorporate ESG into its daily operations.</p>													
<p><b>Keep your eye on</b></p> <p>Climate change has become a new focus area for the insurance industry due to its profound impact on catastrophe risks.</p>	<p><b>Implications</b></p> <p>There has not been much detail on how PICC P&amp;C 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><b>ESG highlights</b></p> <p>PICC P&amp;C's B+ ESG score is among the average of ESG scoring against its peers, supported by its pioneer status in public health emergency insurance.</p>	<p><b>Implications</b></p> <p>PICC P&amp;C has increasingly focused on its ESG issues. While not priced into valuations at the current stage, we believe its ESG progress will support a re-rating cycle.</p>												
<p><b>Trends</b></p> <p>PICC P&amp;C's ESG score was upgraded from B- in FY19 to B+ in FY20, with the Environmental pillar score improved from B- in FY19 to B+ FY20 and the Social pillar score from C in FY19 to B- in FY20 while the Governance pillar score was retained from FY19. The company's ESG Controversies score has remained A+ since FY18.</p>	<p><b>Implications</b></p> <p>We believe the trend will remain relatively stable in the coming years. The key driver would be the company's further disclosures on climate change risks.</p>												

SOURCES: CGS-CIMB RESEARCH, REFINITIV

## Changes to our forecasts

There are no changes to our FY22-24F EPS forecasts as lower investment income assumptions are offset by lower expense assumptions (Fig 8).

**Figure 8: Changes to our key estimates for PICC P&C**

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	% change	Old	New	% change	Old	New	% change
<b>Profit &amp; loss</b>									
Net premiums earned	429,074	428,149	-0.2%	477,225	475,912	-0.3%	533,756	531,924	-0.3%
Total investment income	23,077	21,662	-6.1%	25,927	24,550	-5.3%	27,465	26,138	-4.8%
Other income	0	624	n.a.	0	624	n.a.	0	624	n.a.
Total Revenue	452,151	450,435	-0.4%	503,153	501,086	-0.4%	561,221	558,685	-0.5%
Insurance-related expenses	292,564	319,270	9.1%	328,050	357,012	8.8%	369,730	401,346	8.6%
Underwriting and policy acquisition costs	112,154	85,159	-24.1%	122,811	93,434	-23.9%	135,488	103,204	-23.8%
Other expenses	136,687	109,094	-20.2%	150,541	120,383	-20.0%	166,808	133,543	-19.9%
Total benefits, claims and expenses	429,251	428,364	-0.2%	478,591	477,395	-0.3%	536,538	534,889	-0.3%
Share of P/L from associates	4,314	4,720	9.4%	4,510	4,926	9.2%	4,715	5,142	9.1%
Pre-tax profit	27,215	26,790	-1.6%	29,071	28,617	-1.6%	29,397	28,938	-1.6%
Income tax	4,200	3,770	-10.2%	4,486	4,027	-10.2%	4,537	4,073	-10.2%
Minority interests (or non-controlling interests)	0	5	n.a.	0	5	n.a.	0	5	n.a.
<b>Net profit</b>	<b>23,015</b>	<b>23,015</b>	<b>0.0%</b>	<b>24,585</b>	<b>24,585</b>	<b>0.0%</b>	<b>24,861</b>	<b>24,861</b>	<b>0.0%</b>
EPS	1.03	1.03	0.0%	1.11	1.11	0.0%	1.12	1.12	0.0%
DPS	0.41	0.42	1.3%	0.44	0.45	1.3%	0.45	0.45	1.3%
BVPS	9.73	9.75	0.2%	10.42	10.44	0.2%	11.09	11.11	0.1%
<b>Key balance sheet items</b>									
Total investment assets	574,956	571,403	-1%	615,203	617,115	0%	658,267	666,485	1%
Total assets	748,346	725,973	-3%	802,637	779,419	-3%	859,366	836,097	-3%
Total shareholders' equity excl. minorities	216,342	216,849	0%	231,728	232,116	0%	246,762	247,023	0%
<b>Other key metrics</b>									
Gross written premiums (GWP)	498,809	499,111	0%	557,323	557,294	0%	625,762	625,258	0%
GWP growth	11%	11%	0% pts	12%	12%	0% pts	12%	12%	0% pts
Net investment yield	3.94%	3.31%	-0.64% pts	4.14%	3.47%	-0.67% pts	4.10%	3.42%	-0.68% pts
Gross investment yield	4.15%	3.94%	-0.21% pts	4.36%	4.13%	-0.23% pts	4.31%	4.07%	-0.24% pts
Insurance-related expenses/ (net earned premiums+ total investment revenue)	64.7%	71.0%	6.3% pts	65.2%	71.3%	6.1% pts	65.9%	71.9%	6.0% pts
Underwriting and policy acquisition costs/ net earned premiums	26.1%	19.9%	-6.2% pts	25.7%	19.6%	-6.1% pts	25.4%	19.4%	-6.0% pts
Effective tax rate	15.4%	14.1%	-1.4% pts	15.4%	14.1%	-1.4% pts	15.4%	14.1%	-1.4% pts
Dividend payout ratio	40%	40%	1% pts	40%	40%	1% pts	40%	40%	1% pts
EPS growth	-2%	3%	5% pts	7%	7%	0% pts	1%	1%	0% pts
BVPS growth	7%	7%	0% pts	7%	7%	0% pts	6%	6%	0% pts
Combined ratio	99.6%	99.7%	0.0% pts	99.9%	99.9%	0.0% pts	100.1%	100.2%	0.0% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

## Valuation and risks

We cut our target price slightly by 2% to HK\$9.80 from HK\$10 and reiterate our Add rating on PICC P&C.

We value PICC P&C using a Gordon Growth Model (GGM), where our target 0.9x P/BV multiple (unchanged) is derived by a cost of equity of 12.4% (unchanged), a terminal growth rate assumption of 3% (unchanged) and a sustainable ROE assumption of 11.0% (previously 11.1%). This sustainable ROE assumption falls as the basis of our computation, which is the average ROE over the FY20-24F period, declines 0.1% pt to 11%.

We then apply this target P/BV multiple to our FY22F BVPS of Rmb9.75 (previously Rmb9.73), and assuming an Rmb/HK\$ exchange rate of 1.19 (unchanged), we derive a target price of HK\$9.80 (previously HK\$10) (Fig 9).

Key downside risks include another outbreak of Covid-19 in China (which could adversely impact premium growth) and weaker investment income stemming from either falling bond yields or falling equity markets as well as intensifying

competition, stricter regulations and greater policy risks, which could hurt combined ratios.

**Figure 9: Changes to our key valuation assumptions for PICC P&C**

	New	Old	% change
Equity risk premiums (ERP)	8.0%	8.0%	0.0%
Risk free rate	3.0%	3.0%	0.0%
Beta	1.18	1.18	0.0%
Cost of equity (COE)	12.4%	12.4%	0.0%
Terminal growth rate	3.0%	3.0%	0.0%
Rmb/HK\$ exchange rate	1.19	1.19	0.0%
Sustainable ROE (weighted average of FY20F-FY24F, with an equal weighting to all years)	11.0%	11.1%	-1.3%
Target P/BV (x)	0.8x	0.9x	-1.8%
FY22F BVPS (Rmb)	9.75	9.73	0.2%
FY22F BVPS (HK\$)	11.65	11.62	0.2%
Target price (HK\$)	9.82	9.97	-1.5%
Final target price (HK\$)	9.80	10.00	-2.0%
Current share price (HK\$)	7.68		
Upside/ downside	28%		

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG  
Share price as of 25 Mar 2022

**Figure 10: 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%	0.61x	0.58x	0.54x	-14.5x	-21.2x	-23.4x	1.0x	0.9x	0.8x	8.7	7.4	10.1
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	33.10	54%	0.23x	0.21x	0.19x	-20.1x	-27.8x	-28.8x	0.5x	0.5x	0.5x	19.5	12.9	10.6
HK-listed weighted average						0.89x	0.81x	0.75x	-3.4x	-8.4x	-11.8x	1.2x	1.1x	1.1x	11.8	12.0	10.8
HK-listed weighted average ex AIA						0.43x	0.40x	0.38x	-14.7x	-19.2x	-23.0x	0.8x	0.8x	0.7x	13.3	10.5	10.7

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 11: Key financial data**

(Rmb m)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22F	FY23F	FY24F
<b>Profit &amp; loss</b>										
Net premiums earned	244,567	270,261	309,076	344,124	380,683	393,127	396,997	428,149	475,912	531,924
<i>of which:</i>										
Gross written premiums (GWP)	281,698	311,160	350,314	388,769	433,175	433,187	449,533	499,111	557,294	625,258
Total investment income	20,536	15,780	15,392	15,303	17,426	18,184	20,892	21,662	24,550	26,138
Other income	404	369	372	1,151	354	-89	624	624	624	624
Total Revenue	265,507	286,410	324,840	360,578	398,463	411,222	418,513	450,435	501,086	558,685
Insurance benefits and claims expenses	153,419	171,759	192,520	213,303	251,822	260,320	292,588	319,270	357,012	401,346
Other expenses	84,358	95,145	109,734	127,592	127,108	130,177	104,421	109,094	120,383	133,543
Total benefits, claims and expenses	237,777	266,904	302,254	340,895	378,930	390,497	397,009	428,364	477,395	534,889
Share of P/L from associates	473	2,945	4,575	3,745	4,250	3,951	4,524	4,720	4,926	5,142
Profit before income tax	28,203	22,451	27,161	23,428	23,783	24,676	26,028	26,790	28,617	28,938
Income tax	6,356	4,430	7,353	7,942	-496	3,808	3,663	3,770	4,027	4,073
Net profit after tax	21,847	18,021	19,808	15,486	24,279	20,868	22,365	23,020	24,590	24,866
Minority interests	0	1	1	1	-3	0	5	5	5	5
Net profit attrib. to shareholders	21,847	18,020	19,807	15,485	24,282	20,868	22,360	23,015	24,585	24,861
<b>Key balance sheet items</b>										
Total investment assets	341,028	376,915	412,405	429,640	460,184	502,189	529,077	571,403	617,115	666,485
Total assets	420,420	475,949	524,566	550,619	596,081	646,801	682,622	725,973	779,419	836,097
Total shareholders' equity excl. minorities	108,946	119,306	133,107	141,495	169,953	187,513	202,887	216,849	232,116	247,023
<b>Other key metrics</b>										
GWP growth	11.3%	10.5%	12.6%	11.0%	11.4%	0.0%	3.8%	11.0%	11.7%	12.2%
Net investment yield	4.30%	4.02%	3.73%	3.88%	3.73%	3.59%	3.40%	3.31%	3.47%	3.42%
Gross investment yield	6.48%	4.40%	3.90%	3.63%	3.92%	3.78%	4.05%	3.94%	4.13%	4.07%
Loss ratio	62.7%	63.6%	62.3%	62.0%	66.2%	66.2%	73.7%	74.6%	75.0%	75.5%
Expense ratio	33.8%	34.6%	34.7%	36.5%	33.0%	32.7%	25.9%	25.1%	24.9%	24.7%
Combined ratio	96.5%	98.1%	97.0%	98.5%	99.2%	98.9%	99.6%	99.7%	99.9%	100.2%
Mix of total GWP from auto	73%	73%	71%	67%	61%	61%	57%	55%	53%	51%
Auto GWP growth	10%	10%	10%	4%	2%	1%	-4%	7%	8%	9%
Non-auto GWP growth	14%	10%	18%	17%	25%	10%	18%	16%	16%	16%
Auto combined ratio	96.1%	96.6%	96.3%	98.4%	96.7%	96.5%	97.3%	97.6%	97.9%	98.2%
Non-auto combined ratio	97.8%	103.3%	99.2%	98.5%	103.9%	103.3%	103.4%	102.9%	102.9%	102.9%
Mix of investment assets from equities (including investments in associates & JV)	23%	28%	26%	28%	31%	33%	38%	38%	38%	38%
Effective tax rate	23%	20%	27%	34%	-2%	15%	14%	14%	14%	14%
Dividend payout ratio	21%	25%	25%	39%	42%	40%	40%	40%	40%	40%
EPS growth	39%	-18%	10%	-48%	57%	-14%	7%	3%	7%	1%
BVPS growth	27%	10%	12%	-29%	20%	10%	8%	7%	7%	6%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS



## BY THE NUMBERS

<b>Profit &amp; Loss</b>					
<b>(Rmbm)</b>	<b>Dec-20A</b>	<b>Dec-21A</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
Revenue	393,127	396,997	428,149	475,912	531,924
Total Claims and Changes in Reserves	(260,320)	(292,588)	(319,270)	(357,012)	(401,346)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	2,630	(12)	(215)	(1,483)	(2,965)
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	2,630	(12)	(215)	(1,483)	(2,965)
Total Other Technical Income	17,474	21,234	22,286	25,174	26,762
<b>Total Other Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Operating Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other Technical Income / (Loss)					
<b>Depreciation And Amortisation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Profit</b>	<b>20,104</b>	<b>21,222</b>	<b>22,070</b>	<b>23,691</b>	<b>23,796</b>
Pretax Income/(Loss) from Assoc.	3,951	4,524	4,720	4,926	5,142
Post-Tax Oper. Earnings - Life/Other Biz					
Head Office Costs					
<b>Non-Operating Income/(Expense)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Investment Income on Shareholders Fund					
Other Income					
Exceptional Items					
<b>Pre-tax Profit</b>	<b>24,055</b>	<b>25,746</b>	<b>26,790</b>	<b>28,617</b>	<b>28,938</b>
Taxation	(3,808)	(3,663)	(3,770)	(4,027)	(4,073)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>20,247</b>	<b>22,083</b>	<b>23,020</b>	<b>24,590</b>	<b>24,866</b>
Minority Interests	0	(5)	(5)	(5)	(5)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>20,247</b>	<b>22,078</b>	<b>23,015</b>	<b>24,585</b>	<b>24,861</b>

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	25,725	23,744	25,063	26,317	27,502
Intangible Assets	0	0	0	0	0
Other Long Term Assets	514,219	556,314	592,218	638,408	688,026
<b>Total Non-current Assets</b>	<b>539,944</b>	<b>580,058</b>	<b>617,281</b>	<b>664,725</b>	<b>715,528</b>
Total Cash And Equivalents	26,192	17,414	18,807	20,312	21,937
Trade Debtors	50,103	55,399	58,479	61,405	64,170
Other Current Assets	30,562	29,752	31,406	32,977	34,463
<b>Total Current Assets</b>	<b>106,857</b>	<b>102,565</b>	<b>108,692</b>	<b>114,694</b>	<b>120,569</b>
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities	50,884	61,337	65,116	70,026	75,398
<b>Total Current Liabilities</b>	<b>50,884</b>	<b>61,337</b>	<b>65,116</b>	<b>70,026</b>	<b>75,398</b>
Total Long-term Debt	23,297	8,058	8,554	9,200	9,905
Hybrid Debt - Debt Component					
Other Liabilities	382,589	407,578	432,691	465,316	501,010
<b>Total Non-current Liabilities</b>	<b>405,886</b>	<b>415,636</b>	<b>441,246</b>	<b>474,515</b>	<b>510,915</b>
<b>Total Technical &amp; Other Provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>456,770</b>	<b>476,973</b>	<b>506,362</b>	<b>544,541</b>	<b>586,312</b>
Shareholders' Equity	187,513	202,887	216,849	232,116	247,023
Minority Interests	2,518	2,762	2,762	2,762	2,762
<b>Total Equity</b>	<b>190,031</b>	<b>205,649</b>	<b>219,611</b>	<b>234,878</b>	<b>249,785</b>
Life Embedded Value					

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	0.0%	3.8%	11.0%	11.7%	12.2%
Operating Profit Growth (Life & Health)	N/A	N/A	N/A	N/A	N/A
Value Of New Life Business Growth (after-tax)	N/A	N/A	N/A	N/A	N/A
Life Embedded Value Growth	N/A	N/A	N/A	N/A	N/A
Pre-tax Margin	6.12%	6.49%	6.26%	6.01%	5.44%
Net Profit Margin	5.15%	5.56%	5.38%	5.17%	4.67%
Effective Tax Rate	15.8%	14.2%	14.1%	14.1%	14.1%
Net Dividend Payout Ratio	41.2%	41.0%	40.5%	40.5%	40.5%
Return On Average Assets	3.26%	3.32%	3.27%	3.27%	3.08%
Net Gearing	(1.57%)	(4.83%)	(4.96%)	(5.03%)	(5.12%)
Financial Leverage	3.48	3.41	3.36	3.35	3.37
Equity / Assets	29.0%	29.7%	29.9%	29.8%	29.5%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Combined ratio (%)	98.9%	99.6%	99.7%	99.9%	100.2%
Gross written premiums growth (%)	0.0%	3.8%	11.0%	11.7%	12.2%
Gross investment income yield (%)	3.8%	4.1%	3.9%	4.1%	4.1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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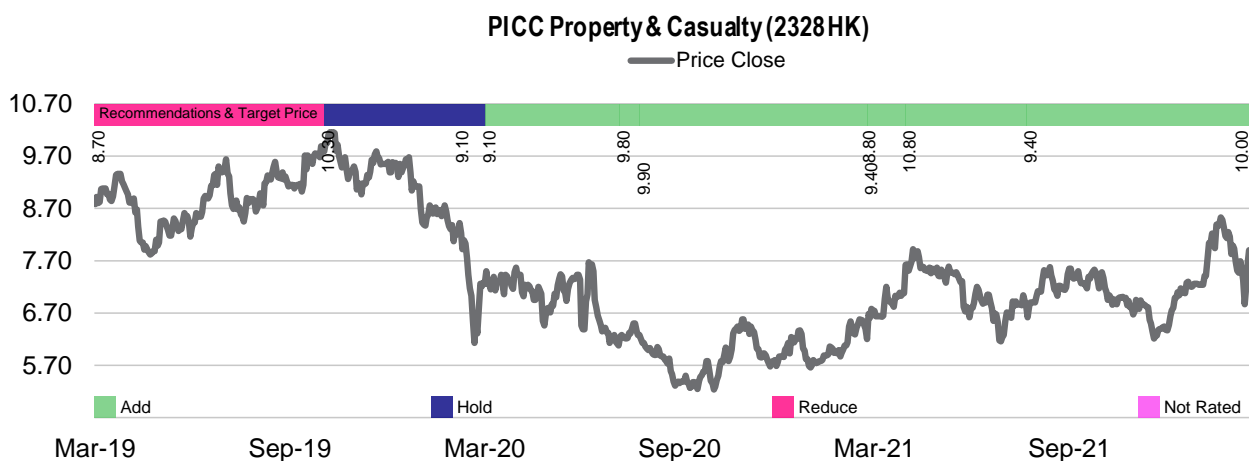
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

## Spitzer Chart for stock being researched ( 2 year data )



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

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

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#### 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

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- 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.



