

## Hong Kong

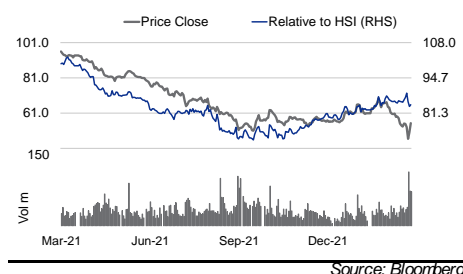
### ADD (no change)

Consensus ratings\*: Buy 31 Hold 2 Sell 2

Current price:	HK\$55.30
Target price:	HK\$72.00
Previous target:	HK\$81.00
Up/downside:	30.2%
CGS-CIMB / Consensus:	-8.2%
Reuters:	2318.HK
Bloomberg:	2318 HK
Market cap:	US\$130,365m
	HK\$1,019,038m
Average daily turnover:	US\$205.2m
	HK\$1,601m
Current shares o/s:	18,280m
Free float:	73.1%
*Source: Bloomberg	

### Key changes in this note

- FY22F EPS cut by 12.3%.
- FY23F EPS cut by 10.6%.



Price performance	1M	3M	12M
Absolute (%)	-17	-2.4	-42.8
Relative (%)	-3.7	4.9	-16.8

Major shareholders	% held
Shenzhen Investment Holdings Co.,	5.3
Business Fortune Holdings Limited	3.9
New Orient Ventures Limited	3.9

### Analyst(s)



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# Ping An Insurance

## Who says history does not repeat itself?

- 4Q21's NBV fell c.60% yoy for the second straight year (Fig 1), due again to actuarial assumption changes. Underlying NBV trends improved (Fig 2).
- 4Q21 agent numbers tumbled 41% yoy and 15% qoq to 600,343 (3Q21: -33% yoy, -20% qoq) and are 58% lower than 3Q18's peak (Fig 4).
- Banking remained strong, with net profit up 26% yoy.
- Reiterate Add rating but cut TP by 11% to HK\$72 on lower FY22F-23F EPS and NBV.

### 4Q21's NBV falls 60.5% yoy (-24% yoy if no assumption changes)

This is worse than we expected despite forecasting adverse actuarial assumption changes ([Expect messy FY21 results](#), dated 3 Mar 2022), with such changes (Fig 5) to drag on FY22F NBV growth. On the bright side, when Ping An reported 4Q20 new business value (NBV) fell 61% yoy (or -51% yoy if no assumption changes, well below both our and consensus expectations; [Depressed 2020 life: ups wing in 2021F?](#) dated 4 Feb 2021), its share price actually rose 2% the next day, outperforming the MSCI China index by 2% pts. We think this suggests investors believe Ping An 'kitchen-sinked' 4Q20, with a low base making FY21 grow the easier. 4Q21 NBV is now 84% below 4Q19's level.

### What we liked about the FY21 results

i) FY21 monthly agent income fell only 0.6% yoy to Rmb5,758 (1H21: -4.8% yoy), with agent income excluding cross-sell up 0.5% yoy to Rmb4,651 (1H21: -3.4% yoy to Rmb4,954; Fig 3). FY21 agent activity rate was 47% (-2.3% pts yoy vs. 1H21's 9.1% pt yoy fall to 43.9%). This suggests the worst has passed for agent numbers; ii) Ignoring assumption changes, 4Q21 NBV yoy slid 24% (3Q21: -34%, 2Q21: -43%; Fig 2).

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

(i) Besides the contraction in 4Q21 NBV and agent numbers, we are concerned as FY21 is the second consecutive year of adverse assumption changes, which could again drag on the following year's NBV growth. We are also concerned that this could accelerate investors' loss of faith in embedded value-based valuation methodologies and end up with them using a more conservative P/BV methodology, with this historically a investment risk, in our view ([Edging slowly ahead in a tug of war](#), dated 4 Jan 2017).

### What else we found interesting

i) FY21 combined ratio was 98%, in line with our estimate; ii) Banking was strong, with bank net profit up 26% yoy ([Moving up the risk-reward curve](#), dated 9 Mar 2022).

### Reiterate Add; SOP-based TP falls 11% to HK\$72

Reiterate Add given inexpensive valuations (Figs 11 & 12). Our lower TP is driven by 10-12% cuts in FY22F-23F EPS (due to lower investment income) and FY22F-23F NBV. Potential re-rating catalysts: bottoming premium growth or stabilising agent numbers. Downside risks: tech valuation multiple de-rating and persistent Covid-19 lockdowns.

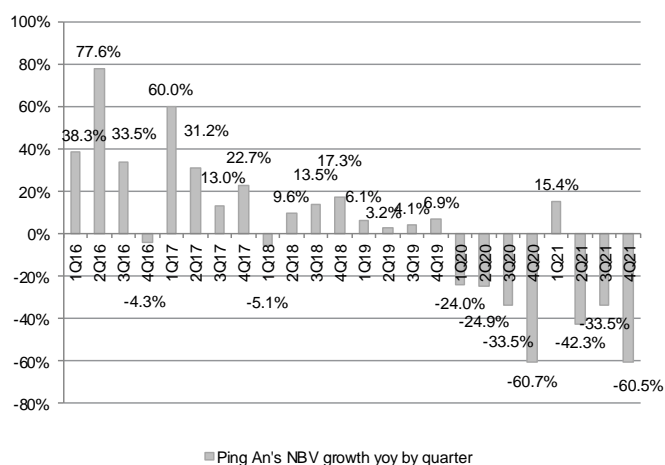
Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Premium (Rmbm)	800,424	764,124	735,552	741,369	764,895
Investment And Other Income (Rmbm)	205,768	175,572	186,789	199,965	211,971
Net Premium (Rmbm)	808,136	771,400	742,671	748,610	772,544
Net Profit (Rmbm)	143,099	101,618	133,373	152,330	172,790
Normalised EPS (Rmb)	8.10	5.77	7.58	8.65	9.81
Normalised EPS Growth	(3.7%)	(28.7%)	31.2%	14.2%	13.4%
FD Normalised P/E (x)	5.59	7.86	5.99	5.24	4.62
P/NB (x)	(0.07)	(1.46)	(3.39)	(5.03)	(6.63)
DPS (Rmb)	2.19	2.36	2.51	2.80	3.19
Dividend Yield	4.88%	5.26%	5.59%	6.24%	7.09%
P/EV (x)	1.00	0.94	0.89	0.84	0.80
P/BV (x)	1.07	1.00	0.89	0.80	0.70
ROE	19.8%	12.8%	15.3%	15.6%	15.7%
% Change In Normalised EPS Estimates			(12.2%)	(10.5%)	
Normalised EPS/consensus EPS (x)			0.94	0.95	0.84

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Who says history does not repeat itself?

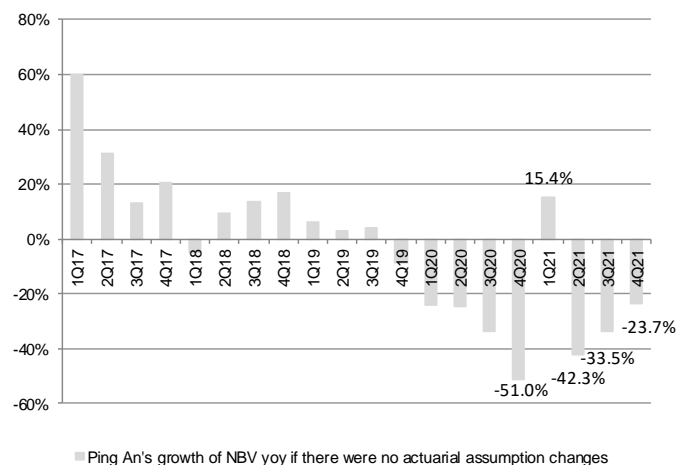
### Second consecutive year of 4Q NBV falling >60%

Figure 1: Ping An's NBV growth yoy by quarter



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Ping An's growth of NBV yoy if there were no actuarial assumption changes



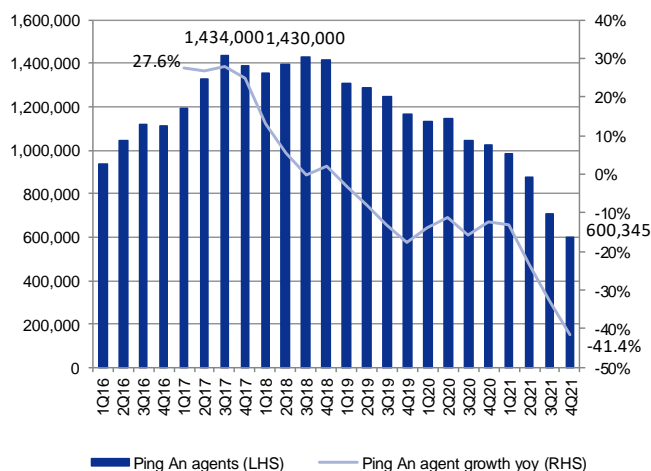
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Ping An's agent income trends

	FY16	FY17	FY18	FY19	FY20	FY21	1H17	2H17	1H18	2H18	1H19	2H19	1H20	2H20	1H21	2H21
Ping An agent income per month (Rmb per agent per month)	6,016	6,250	6,294	6,309	5,793	5,758	7,218	5,282	6,870	5,718	6,617	6,001	6,189	5,397	5,889	5,627
Growth yoy		4%	1%	0%	-8%	-1%	14%	-7%	-5%	8%	-4%	5%	-6%	-10%	-5%	4%
Income from Ping An Life's products (RMB per agent per month)			5,414	5,512	4,629	4,651			5,915	4,913	5,901	5,123	5,127	4,131	4,954	4,348
Growth yoy				2%	-16%	0%					0%	4%	-13%	-19%	-3%	5%
Income from other products (RMB per agent per month)			880	797	1,164	1,107			955	805	716	878	1,062	1,266	935	1,279
Growth yoy				-9%	46%	-5%					-25%	9%	48%	44%	-12%	1%

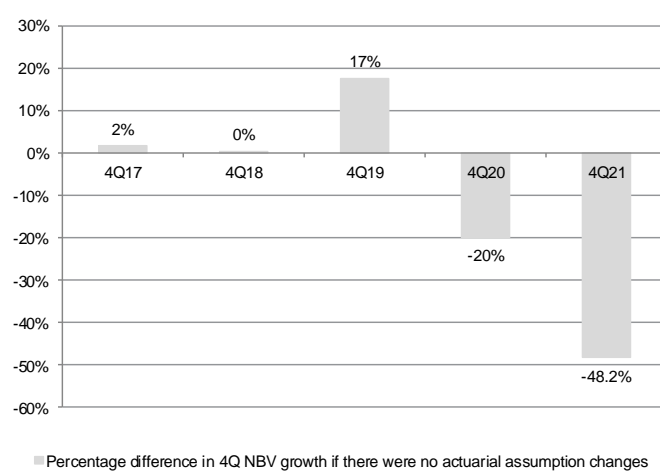
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Ping An's agents and growth yoy

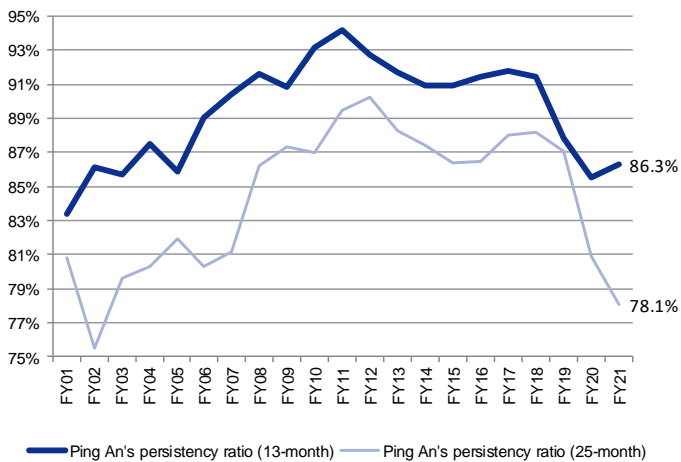


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

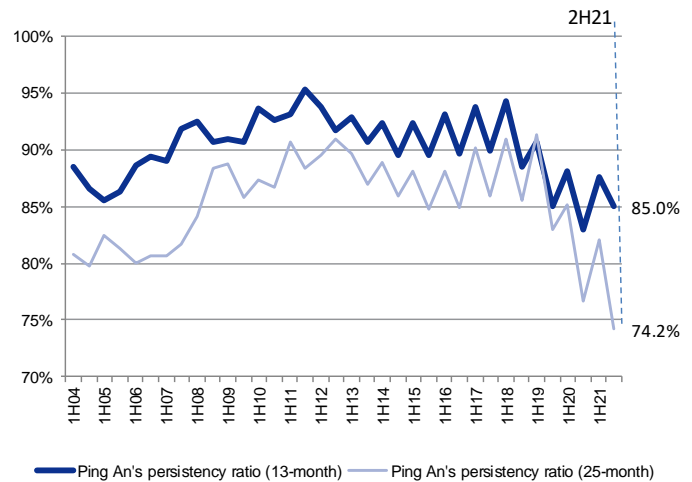
Figure 5: The sizeable adjustment to 4Q21 due to actuarial assumption changes could adversely impact FY22F NBV growth yoy



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 6: Ping An's persistency ratio across time**


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 7: Ping An's persistency ratio (13-month and 25-month)**


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 8: Ping An's NBV by channel**

(Rmb m)	1H16	2H16	1H17	2H17	1H18	2H18	1H19	2H19	1H20	2H20	1H21	2H21
Retail business	26,254	24,272	38,537	28,490	39,049	32,825	40,797	34,689	30,931	17,825	27,081	10,249
Agent channel	24,363	22,049	35,191	25,595	35,321	29,080	36,197	32,011	27,705	15,208	23,684	7,395
Long term protection	18,208	19,640	25,422	21,511	26,384	22,591	24,727	25,271	16,999	8,757	9,326	3,186
Protection and Savings hybrid	5,330	1,552	8,653	2,891	7,583	5,186	10,009	5,292	9,093	4,289	12,321	2,417
Short PPP	4,196	709	7,606	507	5,977	1,600	6,752	1,888	5,003	1,184	6,356	822
Long PPP	1,134	843	1,047	2,384	1,606	3,586	3,257	3,404	4,090	3,105	5,965	1,595
Short term insurance	826	857	1,116	1,193	1,354	1,303	1,461	1,448	1,613	2,162	2,036	1,791
Telemarketing, internet, and others	1,826	1,974	2,873	2,651	3,313	3,295	3,867	2,220	2,298	1,936	2,475	2,010
Bancassurance	65	249	472	244	415	450	733	458	928	681	923	846
Group business	116	162	133	197	160	260	256	203	100	720	306	262
Total NBV	26,370	24,434	38,670	28,687	39,209	33,085	41,052	34,893	31,031	18,545	27,387	10,511
<b>Growth yoy (%)</b>												
Retail business			47%	17%	1%	15%	4%	6%	-24%	-49%	-12%	-43%
Agent channel			44%	16%	0%	14%	2%	10%	-23%	-52%	-15%	-51%
Long term protection			40%	10%	4%	5%	-6%	12%	-31%	-65%	-45%	-64%
Protection and Savings hybrid			62%	86%	-12%	79%	32%	2%	-9%	-19%	35%	-44%
Short PPP			81%	-28%	-21%	216%	13%	18%	-26%	-37%	27%	-31%
Long PPP			-8%	183%	53%	50%	103%	-5%	26%	-9%	46%	-49%
Short term insurance			35%	39%	21%	9%	8%	11%	10%	49%	26%	-17%
Telemarketing, internet, and others			57%	34%	15%	24%	17%	-33%	-41%	-13%	8%	4%
Bancassurance			626%	-2%	-12%	84%	77%	2%	27%	49%	-1%	24%
Group business			15%	22%	20%	32%	60%	-22%	-61%	255%	206%	-64%
Total NBV			47%	17%	1%	15%	5%	5%	-24%	-47%	-12%	-43%
<b>Mix</b>												
Retail business	99.6%	99.3%	99.7%	99.3%	99.6%	99.2%	99.4%	99.4%	99.7%	96.1%	98.9%	97.5%
Agent channel	92.4%	90.2%	91.0%	89.2%	90.1%	87.9%	88.2%	91.7%	89.3%	82.0%	86.5%	70.4%
Long term protection	69.0%	80.4%	65.7%	75.0%	67.3%	68.3%	60.2%	72.4%	54.8%	47.2%	34.1%	30.3%
Protection and Savings hybrid	20.2%	6.4%	22.4%	10.1%	19.3%	15.7%	24.4%	15.2%	29.3%	23.1%	45.0%	23.0%
Short PPP	15.9%	2.9%	19.7%	1.8%	15.2%	4.8%	16.4%	5.4%	16.1%	6.4%	23.2%	7.8%
Long PPP	4.3%	3.5%	2.7%	8.3%	4.1%	10.8%	7.9%	9.8%	13.2%	16.7%	21.8%	15.2%
Short term insurance	3.1%	3.5%	2.9%	4.2%	3.5%	3.9%	3.6%	4.1%	5.2%	11.7%	7.4%	17.0%
Telemarketing, internet, and others	6.9%	8.1%	7.4%	9.2%	8.4%	10.0%	9.4%	6.4%	7.4%	10.4%	9.0%	19.1%
Bancassurance	0.2%	1.0%	1.2%	0.9%	1.1%	1.4%	1.8%	1.3%	3.0%	3.7%	3.4%	8.0%
Group business	0.4%	0.7%	0.3%	0.7%	0.4%	0.8%	0.6%	0.6%	0.3%	3.9%	1.1%	2.5%
Total NBV	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 9: NBV margins (annualised new premium basis)**

	1H16	2H16	1H17	2H17	1H18	2H18	1H19	2H19	1H20	2H20	1H21	2H21
Retail business	42.9%	58.5%	41.8%	57.0%	47.7%	61.7%	57.0%	67.8%	53.8%	54.2%	46.5%	40.9%
Agency	45.0%	62.6%	43.1%	60.7%	49.9%	67.1%	61.1%	75.7%	62.7%	66.3%	52.0%	49.2%
Long-term protection	80.6%	85.8%	86.1%	89.7%	94.9%	94.3%	97.0%	112.8%	104.5%	87.9%	101.3%	73.3%
Protection & Saving hybrid (short-PPP)	16.9%	17.3%	16.7%	17.1%	16.7%	19.3%	26.9%	24.3%	28.3%	30.3%	27.4%	26.8%
Protection & Saving hybrid (long-PPP)	32.0%	35.0%	38.1%	40.7%	44.2%	66.2%	63.3%	48.3%	55.3%	55.7%	55.8%	39.0%
Short-term	27.2%	27.4%	30.6%	34.2%	38.5%	38.5%	43.6%	47.2%	57.6%	77.4%	81.4%	78.4%
Tele, Internet & others	41.5%	40.1%	42.4%	41.0%	40.8%	40.2%	44.9%	29.3%	29.5%	27.1%	28.8%	27.8%
Bancassurance	2.5%	13.7%	12.8%	14.8%	15.2%	23.8%	19.5%	24.1%	17.8%	21.6%	23.7%	19.9%
Group business	1.1%	2.1%	1.2%	2.0%	1.1%	2.5%	1.7%	1.9%	0.6%	5.2%	2.0%	2.2%
Total	37.0%	50.0%	37.4%	49.2%	40.9%	52.5%	47.4%	55.8%	41.7%	42.1%	37.4%	30.2%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 10: NBV margin comparisons across the various product types for Ping An (unweighted)**

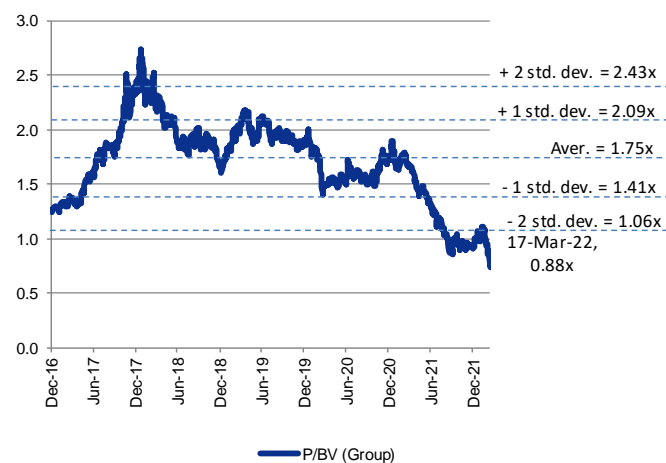
(%)	FY16	FY17	FY18	FY19	FY20	FY21	1H19	2H19	1H20	2H20	1H21	2H21
Retail business	46	47	54	60	47	38	55	66	49	46	41	33
Agency	51	50	57	65	55	43	59	73	55	54	45	38
Long-term protection	83	88	95	105	96	87	97	114	104	83	101	62
Protection & Saving hybrid (short-PPP)	15	16	17	22	19	19	24	16	21	13	21	13
Protection & Saving hybrid (long-PPP)	31	37	55	56	56	47	64	51	55	56	56	30
Short-term	27	32	38	45	67	76	44	47	58	77	78	73
Tele, Internet & others	43	42	41	39	27	28	47	31	29	26	28	28
Bancassurance	3	10	19	20	18	19	19	24	17	19	21	18
Group business	1	1	1	1	2	1	1	1	0	3	1	2
Total	37	39	44	47	33	28	45	51	37	29	31	22

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

The shaded areas highlight the difference between the NBV margins (unweighted) between the group insurance channel and the agency channel

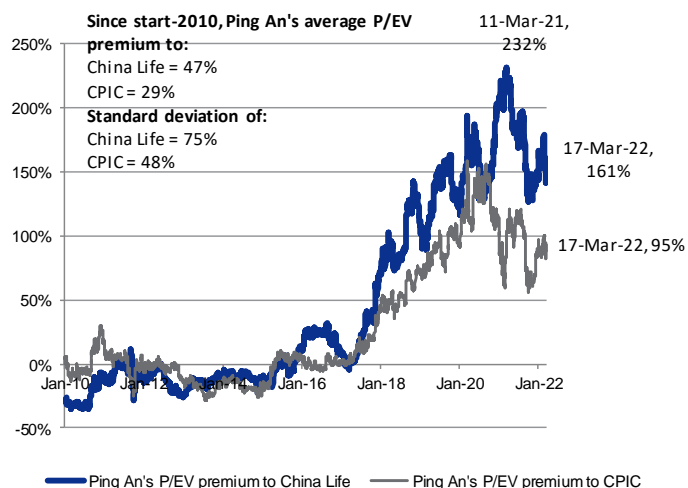
**Figure 11: Forward trading P/EV multiple of Ping An since the end of 2016**


SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 12: Forward trading P/BV multiple of Ping An since Dec 2016**


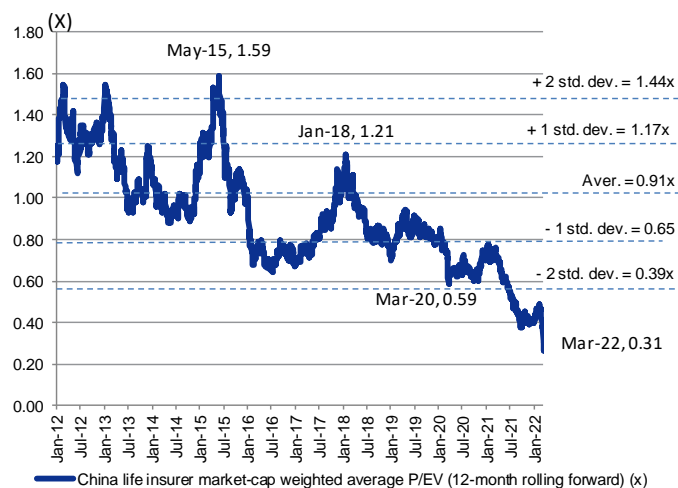
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 13: Ping An's P/EV relative to China Life and CPIC**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, BLOOMBERG

**Figure 14: China life insurer market-cap weighted average P/EV (12-month rolling forward) (x)**



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

**Figure 15: Share price performance of the China insurers**

	China Life	Ping An	CPIC	NCI	Taiping	PICC P&C	PICC Group	AIA Pru (HK)	
<b>Absolute share price perf.</b>									
Dec-11	-38%	-41%	-31%	n.a.	-40%	0%	n.a.	11%	-5%
Dec-12	34%	28%	32%	17%	9%	6%	n.a.	26%	58%
Dec-13	-3%	8%	8%	-12%	1%	14%	-4%	30%	59%
Dec-14	28%	16%	32%	52%	48%	40%	-3%	12%	6%
Dec-15	-17%	10%	-18%	-16%	8%	4%	5%	9%	2%
Dec-16	-17%	-8%	-11%	11%	-33%	-19%	-19%	-5%	-12%
Dec-17	23%	114%	43%	52%	84%	28%	27%	55%	31%
Dec-18	-31%	-13%	-30%	-41%	-26%	-17%	-17%	-1%	-28%
Dec-19	31%	36%	26%	10%	-10%	22%	5%	28%	18%
Dec-20	-18%	6%	5%	-5%	-26%	-33%	-18%	18%	0%
Dec-21	-20%	-39%	-26%	-26%	-21%	16%	2%	-16%	-7%
Mar-22 YTD	-6%	-2%	-4%	4%	-14%	20%	3%	2%	-16%
1-wk	0%	0%	-1%	0%	1%	0%	1%	7%	-4%
1-mth	-13%	-14%	-16%	-7%	-17%	-3%	-5%	-8%	-10%
3-mth	-6%	-3%	-7%	2%	-16%	18%	4%	0%	-15%
6-mth	-7%	-2%	-11%	-5%	-23%	7%	0%	-9%	-29%
1-yr	-22%	-41%	-35%	-23%	-43%	24%	3%	-17%	-33%
<b>Relative share price perf. (vs. HSCEI, HSI)</b>									
Dec-11	-17%	-19%	-9%	n.a.	-18%	22%	n.a.	31%	15%
Dec-12	19%	13%	17%	2%	-6%	-9%	n.a.	3%	35%
Dec-13	2%	14%	13%	-6%	6%	19%	1%	27%	56%
Dec-14	17%	5%	21%	41%	37%	29%	-14%	11%	5%
Dec-15	3%	29%	2%	3%	27%	24%	24%	16%	9%
Dec-16	-14%	-5%	-9%	13%	-31%	-17%	-16%	-5%	-12%
Dec-17	-2%	90%	18%	27%	59%	3%	3%	19%	-5%
Dec-18	-17%	1%	-17%	-27%	-13%	-4%	-4%	13%	-14%
Dec-19	21%	26%	16%	0%	-20%	11%	-6%	19%	9%
Dec-20	-14%	10%	8%	-1%	-22%	-29%	-15%	22%	3%
Dec-21	3%	-15%	-3%	-3%	2%	39%	25%	-2%	8%
Mar-22 YTD	4%	9%	6%	14%	-4%	30%	13%	10%	-8%
1-wk	-2%	-2%	-3%	-2%	-1%	-2%	-1%	4%	-7%
1-mth	0%	-1%	-3%	6%	-3%	10%	8%	4%	1%
3-mth	5%	8%	5%	13%	-5%	29%	16%	8%	-7%
6-mth	9%	14%	5%	11%	-7%	23%	16%	3%	-17%
1-yr	13%	-6%	-1%	12%	-8%	59%	37%	9%	-7%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

## Changes to our forecasts

We cut our FY22F-23F EPS forecasts by 10 - 12% and our FY22F-23F NBV by 12%. Our EPS cuts are primarily driven by lower assumptions for investment income (Fig 16).

We now forecast NBV to fall 22.3% (previously 15.2%) in FY21F, driven by a decline in first-year premiums (FYP) and NBV margin compression (which has been accentuated by the 4Q21 adverse actuarial assumption change).

We forecast NBV to fall 40% yoy in 1Q22F, decline 20% yoy in 2Q22F and contract 10% yoy in 3Q22F before expanding 60% yoy in 4Q22F.

**Figure 16: Key changes to our net profit, embedded value (EV) and new business value (NBV) estimates**

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	% change	Old	New	% change	Old	New	% change
<b>Profit &amp; loss</b>									
Net premiums earned	703,414	712,143	1.2%	713,196	717,614	0.6%	732,309	740,076	1.1%
Total investment income	237,157	216,127	-8.9%	268,373	230,770	-14.0%	308,436	244,317	-20.8%
Other income	68,835	65,874	-4.3%	75,296	70,769	-6.0%	99,364	91,933	-7.5%
Total Revenue	1,324,233	1,282,548	-3.1%	1,405,679	1,338,738	-4.8%	1,531,166	1,433,676	-6.4%
Insurance-related expenses	593,296	564,052	-4.9%	617,588	567,016	-8.2%	651,153	576,785	-11.4%
Other expenses	543,618	548,284	0.9%	577,212	577,053	0.0%	642,192	637,701	-0.7%
Total benefits, claims and expenses	1,136,914	1,112,336	-2.2%	1,194,800	1,144,069	-4.2%	1,293,346	1,214,486	-6.1%
Share of P/L from associates	13,930	8,350	-40.1%	14,998	9,930	-33.8%	17,823	14,038	-21.2%
Pre-tax profit	201,249	178,562	-11.3%	225,877	204,599	-9.4%	255,643	233,227	-8.8%
Income tax	31,292	18,697	-40.2%	35,355	22,012	-37.7%	40,317	26,117	-35.2%
Minority interests (or non-controlling interests)	17,341	26,491	52.8%	19,440	30,257	55.6%	21,971	34,321	56.2%
Net profit	152,616	133,373	-12.6%	171,083	152,330	-11.0%	193,356	172,790	-10.6%
EPS	8.63	7.58	-12.3%	9.68	8.65	-10.6%	10.94	9.81	-10.3%
DPS	2.43	2.53	4.2%	2.77	2.82	1.9%	3.13	3.21	2.4%
BVPS	51.12	49.77	-2.6%	57.54	55.72	-3.2%	65.39	63.63	-2.7%
<b>Key balance sheet items</b>									
Total investment assets	4,599,311	4,218,430	-8.3%	5,105,577	4,482,429	-12.2%	5,769,762	4,850,510	-15.9%
Total assets	11,755,693	10,782,173	-8.3%	13,049,693	11,456,947	-12.2%	14,747,328	12,397,750	-15.9%
Total shareholders' equity excl. minorities	934,437	909,778	-2.6%	1,051,820	1,018,569	-3.2%	1,195,398	1,163,165	-2.7%
<b>Key EV and NBV metrics</b>									
NBV	33,547	29,436	-12.3%	34,905	30,628	-12.3%	36,318	31,868	-12.3%
NBV growth	-15.2%	-22.3%	-7.2 pts	4.0%	4.0%	0.0 pts	4.0%	4.0%	0.0 pts
Life embedded value	923,397	921,059	-0.3%	994,109	975,133	-1.9%	1,066,412	1,032,351	-3.2%
Life ROEV	11.5%	11.2%	0 pts	12.6%	12.2%	0 pts	12.4%	12.2%	0 pts
ROE	17.3%	15.5%	-2 pts	17.2%	15.8%	-1 pts	17.2%	15.8%	-1 pts
NBV margin	39.1%	36.6%	-2.5 pts	40.3%	35.7%	-4.6 pts	41.5%	34.3%	-7.2 pts
First year premiums (APE weighted)	85,814	80,484	-6%	86,636	85,802	-1%	87,500	92,786	6%
<b>Other key metrics</b>									
Gross written premiums (GWP)	743,189	732,263	-1%	756,406	738,636	-2%	781,291	764,895	-2%
GWP growth	-1%	-4%	-3 pts	2%	1%	-1 pts	3%	4%	0 pts
FYP (APE) growth	-13%	-19%	-6 pts	1%	7%	6 pts	1%	8%	7 pts
Life & health insurance gross investment yield	4.91%	3.85%	-1 pts	4.86%	3.99%	-1 pts	4.82%	3.94%	-1 pts
Insurance-related expenses/ (net earned premiums+ total investment revenue)	78%	74%	-4 pts	78%	73%	-4 pts	78%	73%	-5 pts
Effective tax rate	16%	10%	-5 pts	16%	11%	-5 pts	16%	11%	-5 pts
Dividend payout ratio	29%	34%	5 pts	29%	34%	4 pts	29%	34%	4 pts
EPS growth	43%	31%	-12 pts	12%	14%	2 pts	13%	13%	0 pts
BVPS growth	6%	5%	-1 pts	8%	6%	-1 pts	8%	8%	0 pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

\* EV = Embedded value; NBV = New business value; BVPS = Book value per share; FYP = First year premiums; GWP = Gross written premiums; APE = Annualised premium equivalent; ROEV = Return on embedded value

## Valuation and risks

Our SOP-based TP is cut by 11% to HK\$72 from HK\$81, primarily driven by cuts to our FY22F-FY23F estimates for new business value (NBV), embedded value (EV) as well as EPS. Our valuations for Ping An's fintech and healthtech units are also lower as a number of these units are listed and their share prices have fallen since we last mark-to-market in early-Mar 2022.

We value Ping An's life insurance and health insurance segments using a weighted average P/EV and P/BV Gordon Growth Model (33% weighting to P/EV GGM and 67% weighting to P/BV GGM) while we value its property and casualty (P&C) insurance division using a P/BV GGM.

The trust, securities and asset management divisions are also valued using a P/BV GGM. The banking business is valued at market value since Ping An Bank (000001 CH, Add, TP: Rmb22.7, CP: Rmb14.45) is listed on the Shenzhen Stock Exchange.



For its fintech and healthtech businesses, the units that are already listed are valued at their current market values – Good Doctor (1833 HK, Not rated, CP: HK\$19.7), OneConnect (OCFT US, Add, TP: US\$3.80, CP: US\$1.32), Lufax (LU US, Not rated, CP: US\$6.30) and Autohome (ATHM US, Not rated, CP: US\$27.90) – while the unit that raised capital prior to listing (i.e. HealthKconnect) is valued at its most recent post-money valuations. The remaining technology units of Ping An Group are valued using peer technology company P/BV multiples.

Our peer technology company P/BV multiple is derived from a simple average P/BV multiple of four types of technology companies, namely healthtech, fintech, Internet and online verticals, and others. Within each of these four groupings, we take the weighted average P/BV multiple of a selection of companies chosen from across the globe (Fig 17).

**Figure 17: Companies used to determine the target P/BV multiple for valuing Ping An's technology division (excluding Lufax, Good Doctor, OneConnect, HealthKconnect & Autohome)**

Healthtech	Fintech	Internet	Online verticals and others
1 Teladoc Health Inc	Zhongan Online P&C Ins.	Tencent Holdings Ltd	BitAuto Holdings Ltd
2 Amedisys Inc	Qudian Inc	Alibaba Group Holding	Trip.com Group Ltd
3 Alibaba Health Information Tech.	Lexinfintech Holdings	Baidu Inc	51job Inc
4 Syneos Health Inc	FinVolution Group	Yahoo Japan Corp	Autohome Inc
5 Catalent Inc	360 Digitech Inc	JD.com Inc	Uxin Ltd
6 Ping An Healthcare & Tech.	Afterpay Touch Group Ltd	Vipshop Holdings Ltd	
7 Winning Health Technology	Silverlake Axis Ltd	Wisetech Global Ltd	
8 Volpara Health Technologies	iFAST Corp	Altium Ltd	
9	Lendingclub Corp	Appen Ltd	
10	Xero Ltd	Facebook Inc	
11	Paypal Holdings Inc	Amazon.com Inc	
12	Pushpay Holdings Ltd	Apple Inc	
13	Lemonade Inc	Netflix Inc	
14	Futu Holdings	Alphabet Inc	
15	Up Fintech Holdings Ltd		
16	Tyro Payments Ltd		
17	ZIP Co Ltd		
18	Square Inc		
19	Global Payments Inc		
20	Shift4 Payments Inc		
21	Verisk Analytics Inc		
22	Repay Holdings Corp		
23	Fiserv Inc		
24	Fidelity National Info Serv		
25	East Money Information Co		
26	Hundsun Technologies Inc		

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Furthermore, to take into account the fact that we are valuing the remaining unlisted technology businesses of Ping An, we also apply a 65% valuation discount to these multiples to reflect: i) the opaqueness of these remaining technology businesses, ii) the relatively high risk of the regulatory environment currently in China, and iii) the relatively illiquid nature of these businesses, which will make it very difficult for them to be sold at prices that approach listed companies' valuation multiples (Fig 18).

Our key valuation assumptions can be seen in Figs 19 and 20.

We apply target valuation multiples to FY22F embedded value per share (EVPS) and book value per share (BVPS) to derive our target price. Our Rmb/HK\$ exchange rate assumption is 1.19.



**Figure 18: How we derive our target P/BV multiple for Ping An's technology division (excluding Lufax, Good Doctor, OneConnect, HealthKconnect & Autohome)**

Market-capitalisation weighted average FY21F P/BV	
Healthtech	5.5x
Fintech	23.4x
Internet	17.8x
Online verticals and other tech	0.9x
Simple average P/BV	11.9x
Unlisted valuation discount applied	65%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

**Figure 19: Valuation of Ping An based on a sum-of-parts (SOP) methodology (part 1)**

	New	Old	% change
<b>Main valuation assumptions</b>			
Equity risk premiums (ERP)	8.0%	8.0%	0%
Risk free rate	3.0%	3.0%	0%
Beta (group level)	1.45	1.45	0%
Cost of equity (COE)	14.6%	14.6%	0%
Terminal growth rate	5.0%	5.0%	0%
Rmb/HK\$ exchange rate	1.19	1.19	0%
<b>Life &amp; Health Insurance</b>			
Sustainable Life & Health ROEV (weighted average of FY20-FY24F for Life & Health, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	12%	15%	-19%
Target P/EV (x)	0.7x	1.0x	-29%
Life & Health FY22F EVPS (Rmb)	52.31	52.24	0%
Life & Health FY22F EVPS (HK\$)	62.49	62.40	0%
Life & Health valuation (HK\$) under P/EV GGM approach	45.40	64.10	-29%
Sustainable Life & Health ROE (weighted average of FY20-FY24F for Life & Health, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	27%	27%	0%
Target P/BV (x)	2.3x	2.3x	0%
Life & Health FY22F BVPS (Rmb)	20.46	20.39	0%
Life & Health FY22F BVPS (HK\$)	24.44	24.36	0%
Life & Health valuation (HK\$) under P/BV GGM approach	56.40	56.20	0%
P/EV weighting for Life & Health	33%	33%	0%
P/BV weighting for Life & Health	67%	67%	0%
Life & Health valuation (HK\$)	52.80	58.80	-10%
<b>P&amp;C Insurance</b>			
Sustainable P&C ROE (weighted average of FY20-FY24F, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	15%	16%	-3%
Target P/BV (x)	1.1x	1.1x	-4%
PingAn P&C FY22F BVPS (Rmb)	7.21	7.22	0%
PingAn P&C FY22F BVPS (HK\$)	8.61	8.62	0%
PingAn P&C valuation (HK\$)	9.40	9.80	-4%
<b>Trust</b>			
Trust - Sustainable ROE (weighted average of FY20-FY24F, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	3%	9%	-69%
Trust - target P/BV ratio	-0.2x	0.4x	-158%
Trust - FY22F BVPS (Rmb)	1.43	1.51	-5%
Trust - FY22F BVPS (HK\$)	1.71	1.80	-5%
Trust - valuation (HK\$)	-0.40	0.70	-157%
<b>Securities</b>			
Securities - Sustainable ROE (weighted average of FY20-FY24F, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	13%	9%	40%
Securities - target P/BV ratio	0.8x	0.4x	88%
Securities - FY22F BVPS (Rmb)	2.22	2.09	7%
Securities - FY22F BVPS (HK\$)	2.66	2.49	7%
Securities - valuation (HK\$)	2.20	1.10	100%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

**Figure 20: Valuation of Ping An based on a sum-of-parts (SOP) methodology (part 2)**

<b>Fintech &amp; Healthtech</b>	<b>New</b>	<b>Old</b>	<b>% change</b>
Fintech & Healthtech - valuation (HK\$)	9.75	15.12	-36%
<i>Comprising of:</i>			
Good Doctor	0.45	0.56	-19%
Autohome	0.70	0.79	-12%
Lufax	2.60	2.55	2%
OneConnect	0.07	0.09	-17%
HealthKconnect	1.13	1.13	0%
Other fintech and healthtech businesses	4.80	10.00	-52%
<b>Other asset management</b>			
Other asset management - Sustainable ROE (weighted average of FY20-FY24F, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	16%	12%	30%
Other asset management - target P/BV ratio	1.1x	0.8x	51%
Other asset management - FY22F BVPS (Rmb)	4.83	4.48	8%
Other asset management - FY22F BVPS (HK\$)	5.77	5.35	8%
Other asset management - valuation (HK\$)	6.60	4.00	65%
Others - FY22F BVPS (Rmb)	-1.07	-0.61	77%
Others - FY22F BVPS (HK\$)	-1.28	-0.73	77%
Others - valuation (HK\$)	-1.30	-0.70	86%
<b>Portion of Ping An Bank</b>			
Ping An Bank - current share price (Rmb)	14.45	15.98	-10%
Ping An Bank - valuation (HK\$)	10.89	12.05	-10%
Conglomerate discount	20%	20%	0%
<b>Final target price (HK\$)</b>	<b>72.00</b>	<b>81.00</b>	<b>-11%</b>
Current share price (HK\$)	55.30		
Upside/ downside	30%		
FY22F NBV per share (Rmb)	1.65	1.88	-12%
i.e FY22F NBV per share (HK\$)	1.97	2.25	-12%
Implied target new business multiple	36.5x	36.0x	1%
Implied target P/EV multiple	1.1x	1.2x	-11%
Implied target P/BV multiple	2.0x	2.2x	-11%
<b>Ping An Group valuation by business segment</b>			
Percentage of valuation from life	59%	58%	
Percentage of valuation from P&C	10%	10%	
Percentage of valuation from Fintech & Healthtech	11%	15%	
Percentage of valuation from Banking	12%	12%	
Percentage of valuation from Other	8%	5%	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

\*Valuations for Good Doctor (1833 HK, Not Rated, cp: HK\$19.70), Autohome (ATHM US, Not Rated, cp: US\$27.90), Lufax (LU US, Not Rated, cp: US\$6.3), Ping An Bank (000001 CH, Add, TP: Rmb22.70, cp: Rmb14.45) and OneConnect (OCFT US, Add, TP: US\$3.80, cp: US\$1.32) are based on their closing prices as of 17 Mar 2022. Valuations for HealthKconnect (unlisted) are based on the valuation of their most recent round of financing.

Our target price of HK\$72 provides 30% potential upside from its current share price. Therefore, we reiterate our Add rating.

Key downside risks to our call are an increased loss of faith in embedded value (EV) and NBV-based valuation metrics, A-share market weakness, potential acquisition risk, more rapid agent turnover should agent commission income be adversely impacted by its reduced focus on short payment-duration savings products, and a loss of investor faith in actuarial-based valuation methodologies, as well as significant de-rating of technology valuation multiples and a longer-than-expected impact from Covid-19.

Potential re-rating catalysts are better A-share market performance and a stronger-than-expected turnaround of its life insurance business, following the completion of its life insurance reform programme as well as the listing of its technology units.

**Figure 21: Sector comparison as of 17 Mar 2022**

Ticker	Rec	Market Cap (US\$bn)	Price (Lcy)	Target Price (Lcy)	+/- (%)	P/EV (x)			VONB multiple (x)			P/BV (x)			Group ROEV (%)		
						FY20A	FY21F	FY22F	FY20A	FY21F	FY22F	FY20A	FY21F	FY22F	FY20A	FY21F	FY22F
China Life 2628 HK	Add	96.16	12.14	19.20	58%	0.27x	0.24x	0.22x	-13.4x	-15.5x	-22.5x	0.6x	0.6x	0.5x	16.8	12.7	12.7
Ping An 2318 HK	Add	128.99	55.30	72.00	30%	0.60x	0.57x	0.54x	-14.6x	-21.3x	-23.5x	1.0x	0.9x	0.8x	8.7	7.4	10.1
CPIC 2601 HK	Add	31.78	20.30	29.70	46%	0.35x	0.32x	0.29x	-16.1x	-17.2x	-18.2x	0.7x	0.7x	0.7x	18.7	11.8	14.4
PICC P&C 2328 HK	Add	21.87	7.67	9.40	23%	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	79.85	101.00	26%	1.90x	1.70x	1.57x	21.2x	15.1x	12.7x	2.0x	2.0x	1.9x	8.4	15.3	11.0
NCI 1336 HK	Add	14.69	21.65	33.10	53%	0.23x	0.21x	0.19x	-20.1x	-27.7x	-28.7x	0.6x	0.5x	0.5x	19.5	12.9	10.6
HK-listed weighted average						0.89x	0.81x	0.75x	-3.4x	-8.4x	-11.7x	1.2x	1.1x	1.1x	11.8	11.7	11.4
HK-listed weighted average ex AIA						0.44x	0.41x	0.38x	-14.6x	-19.1x	-22.8x	0.8x	0.8x	0.7x	13.3	10.1	11.6

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

DATA AS OF 17 MAR 2022


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

NOTE THAT OF THE ABOVE, ONLY PING AN AND AIA HAVE REPORTED THEIR FY21 RESULTS AND HENCE THE FY21 MULTIPLES ARE BASED ON ACTUAL REPORTED FIGURES.

**Figure 22: Key financial data**

(Rmb m)	FY16	FY17	FY18	FY19	FY20	FY21	FY22F	FY23F	FY24F
<b>Profit &amp; loss</b>									
Gross written premiums	469,555	605,035	719,556	795,064	797,880	760,843	732,263	738,636	764,895
Net premiums earned	441,620	572,990	677,703	748,779	757,599	739,933	712,143	717,614	740,076
Investment income	115,053	152,101	201,273	201,738	225,046	203,513	216,127	230,770	244,317
Other operating income	41,898	43,813	49,892	60,357	64,819	66,012	65,874	70,769	91,933
Total income	775,858	967,425	1,064,072	1,249,867	1,304,573	1,280,329	1,282,548	1,338,738	1,433,676
Net policyholders' benefits and claims:	324,814	427,243	439,596	578,313	614,751	618,662	564,052	567,016	576,785
Total benefits, claims and expenses	680,077	839,830	918,995	1,088,352	1,133,654	1,148,095	1,112,336	1,144,069	1,214,486
Share of profit in equity accounted investees	(1,370)	7,145	18,074	23,224	16,845	7,346	8,350	9,930	14,038
Profit before tax	94,411	134,740	163,151	184,739	187,764	139,580	178,562	204,599	233,227
Income tax	22,043	34,762	42,699	20,374	28,405	17,778	18,697	22,012	26,117
Net profit before minorities	72,368	99,978	120,452	164,365	159,359	121,802	159,865	182,587	207,111
Minorities interest	9,974	10,890	13,048	14,958	16,260	20,184	26,491	30,257	34,321
Net profit	62,394	89,088	107,404	149,407	143,099	101,618	133,373	152,330	172,790
of which: operating profit	68,252	94,708	112,573	132,955	139,471	147,961	157,246	175,480	199,611
EPS	3.50	4.99	6.02	8.41	8.10	5.77	7.58	8.65	9.81
DPS	0.75	1.50	1.72	2.05	2.20	2.38	2.53	2.82	3.21
BVPS	20.98	25.89	30.44	36.82	41.71	44.44	49.77	55.72	63.63
Group EVPS	34.89	45.14	54.84	65.67	72.65	76.34	80.47	85.58	92.66
Life NBV per share	2.78	3.68	3.95	4.15	2.71	2.07	1.61	1.68	1.74
<b>Key balance sheet items</b>									
Total investment assets	2,004,780	2,449,474	2,794,620	3,208,836	3,740,581	3,916,412	4,218,430	4,482,429	4,850,510
Total assets	5,576,903	6,493,075	7,142,960	8,222,929	9,527,870	10,142,026	10,782,173	11,456,947	12,397,750
Total shareholders' equity excl. minorities	383,449	473,351	556,508	673,161	762,560	812,405	909,778	1,018,569	1,163,165
<b>Key EV and NBV metrics</b>									
NBV	50,805	67,357	72,294	75,945	49,575	37,898	29,436	30,628	31,868
NBV growth	64.7%	32.6%	7.3%	5.1%	-34.7%	-23.6%	-22.3%	4.0%	4.0%
Life embedded value	360,312	496,381	613,223	757,490	824,574	876,490	921,059	975,133	1,032,351
Life ROEV	16%	42%	30%	31%	16%	9%	11%	12%	12%
Group embedded value	637,703	825,173	1,002,456	1,200,533	1,328,112	1,395,509	1,471,098	1,564,362	1,693,825
Group ROEV	17%	33%	26%	24%	14%	9%	7%	10%	12%
ROE	17%	21%	21%	24%	20%	13%	15%	16%	16%
NBV margin	47%	46%	51%	57%	49%	38%	37%	36%	34%
First year premiums (APE weighted)	107,643	146,817	142,531	133,462	101,611	99,515	80,484	85,802	92,786
<b>Other key metrics</b>									
Life gross written premiums (GWP)	291,264	388,642	472,359	526,811	514,513	494,011	452,153	434,902	431,582
Life gross written premium (GWP) growth	25%	27%	20%	7%	-2%	-5%	-8%	-4%	-1%
Life FYP (APE) growth	36%	36%	-3%	-6%	-24%	-2%	-19%	7%	8%
P&C combined ratio	95.9%	96.2%	96.1%	96.4%	99.2%	98.0%	97.6%	97.1%	96.7%
Life & health insurance gross investment yield	5.30%	6.10%	3.60%	7.00%	6.20%	4.00%	3.85%	3.99%	3.94%
Effective tax rate	23%	26%	26%	11%	15%	13%	10%	11%	11%
Dividend payout ratio	22%	31%	33%	25%	28%	42%	34%	34%	34%
EPS growth	17%	43%	21%	40%	-4%	-29%	31%	14%	13%
BVPS growth	15%	29%	21%	20%	11%	5%	5%	6%	8%

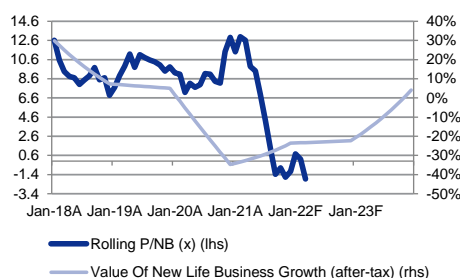
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

<div>  </div> <div> <b>ESG in a nutshell</b> </div>	<div> <b>Refinitiv ESG Scores</b> </div> <div> <div>C+ ESG Score</div> <div>A+ ESG Controversies Score</div> <div>C+ ESG Combined Score</div> <div>B ESG Environment Pillar Score</div> <div>B- ESG Social Pillar Score</div> <div>C- ESG Government Pillar Score</div> </div>
<p>Based on the data we have, Ping An was given C+ for its combined ESG score by Refinitiv in 2020, down from B in 2019. However, Ping An lists in its 2020 sustainability report that its ESG rating is A from MSCI (the highest level for a financial company in China Mainland), A- from CDP (the highest level for a financial company in China Mainland), B+ from Refinitiv and an A on the Hang Seng Corporate Sustainability Index. It leverages “finance + technology” to help the industrial development of targeted poverty-stricken areas, hence alleviating poverty and helping the disadvantaged. Going forward, Ping An will upgrade its Low-Carbon 100 Programme, which is in line with policymakers’ goal of carbon neutrality by 2060, which could include targeting “green finance” offerings for realising zero emissions in its asset portfolio.</p>	
<b>Keep your eye on</b>  Investors are concerned about Ping An’s exposure to the real estate sector, and Reuters reported at the end of Aug 2021 that the China Banking Regulatory Commission (CBRC) is probing Ping An’s investments in the real estate market. Ping An life insurance has received the highest number of complaints from customers, according to Sina Finance. This could be a problem with regulators in the future.	<b>Implications</b>  We believe that Ping An has been reducing its exposure to real estate, which comprised a small and manageable 5% of its insurance investment portfolio at end-1H21. We also understand that Ping An is improving its internal sales management processes as it reforms its agent force. Thus, the worst may be over in regards to these issues adversely affecting its share price.
<b>ESG highlights</b>  According to Ping An’s 2020 sustainability report, its ESG rating of A from MSCI is the highest level for a financial company in China Mainland. Its A- ESG rating from CDP is also the highest level for a financial company in China Mainland.	<b>Implications</b>  Ping An has been increasingly committed to its ESG issues over the past few years. We believe further progress on its ESG could support future re-rating.
<b>Trends</b>  Ping An’s Refinitiv combined ESG score declined from B in 2019 to C+ in 2020. This was driven by the decline in its Environmental score and the Social pillar score from B+ in 2019 to B in 2020 and the fall in the Governance pillar score from B- in 2019 to C- in 2020. However, Ping An’s ESG Controversies score has remained at A+ since 2016. On the other hand, there seems to be an improvement in the ESG ratings provided by MSCI and CDP. In its 2020 sustainability report, Ping An lists its MSCI ESG rating as A, and its CDP ESG rating at A-. This is an improvement over the ratings disclosed in its 2019 sustainability report, which was BBB for its MSCI ESG rating, and B- for its CDP ESG rating.	<b>Implications</b>  The gap between its ESG scores from different providers is interesting. There seems to be much room for Ping An to improve its Refinitiv ESG scores to narrow the gap between these and those from MSCI and CDP. Such an improvement could be positive for its share price among ESG-focused investors.

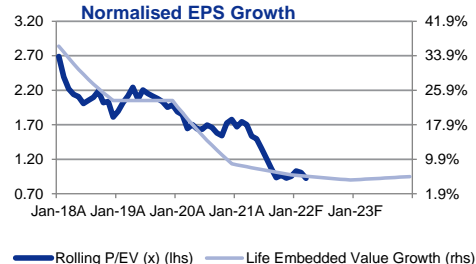
SOURCES: CGS-CIMB RESEARCH, REFINITIV  
MSCI = MORGAN STANLEY CAPITAL INTERNATIONAL; CDP = CARBON DISCLOSURE PROJECT

## 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	765,055	746,961	719,015	724,649	747,726
Total Claims and Changes in Reserves	(614,930)	(618,865)	(564,256)	(567,197)	(576,785)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(78,002)	(94,169)	(54,559)	(53,341)	(46,017)
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	(78,002)	(94,169)	(54,559)	(53,341)	(46,017)
Total Other Technical Income	193,412	169,420	167,884	175,952	177,814
<b>Total Other Revenues</b>	<b>320,216</b>	<b>337,919</b>	<b>369,397</b>	<b>411,552</b>	<b>481,076</b>
<b>Total Operating Costs</b>	<b>(246,410)</b>	<b>(259,746)</b>	<b>(289,896)</b>	<b>(315,093)</b>	<b>(364,367)</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>189,216</b>	<b>153,424</b>	<b>192,825</b>	<b>219,070</b>	<b>248,506</b>
Pretax Income/(Loss) from Assoc.	16,845	7,346	8,350	9,930	14,038
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>(18,297)</b>	<b>(21,190)</b>	<b>(22,613)</b>	<b>(24,401)</b>	<b>(29,317)</b>
Investment Income on Shareholders Fund					
Other Income					
Exceptional Items					
<b>Pre-tax Profit</b>	<b>187,764</b>	<b>139,580</b>	<b>178,562</b>	<b>204,599</b>	<b>233,227</b>
Taxation	(28,405)	(17,778)	(18,697)	(22,012)	(26,117)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>159,359</b>	<b>121,802</b>	<b>159,865</b>	<b>182,587</b>	<b>207,111</b>
Minority Interests	(16,260)	(20,184)	(26,491)	(30,257)	(34,321)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>143,099</b>	<b>101,618</b>	<b>133,373</b>	<b>152,330</b>	<b>172,790</b>

### Operating Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Premium Retention Ratio (life & Health)	100%	101%	101%	101%	101%
Benefits Ratio (life & Health)	(91.2%)	(92.1%)	(86.4%)	(87.1%)	(86.1%)
Acquisition Expense Ratio (life & Health)	0%	0%	0%	0%	0%
Admin Expense Ratio (life & Health)	0%	0%	0%	0%	0%
Total Expense Ratio (life & Health)	28.8%	32.3%	31.8%	32.1%	32.1%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(62.3%)	(59.8%)	(54.6%)	(55.0%)	(53.9%)
Underwriting Profit Margin (life & Health)	(15.6%)	(20.3%)	(13.7%)	(14.5%)	(13.4%)
Operating Profit Margin (life & Health)	19.3%	12.1%	21.3%	23.7%	25.3%

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					
Intangible Assets	0	0	0	0	0
Other Long Term Assets	8,419,515	9,008,748	9,587,501	10,197,862	11,017,909
<b>Total Non-current Assets</b>	<b>8,419,515</b>	<b>9,008,748</b>	<b>9,587,501</b>	<b>10,197,862</b>	<b>11,017,909</b>
Total Cash And Equivalents	906,305	932,570	984,951	1,039,938	1,150,843
Trade Debtors					
Other Current Assets	202,050	200,708	209,721	219,147	228,997
<b>Total Current Assets</b>	<b>1,108,355</b>	<b>1,133,278</b>	<b>1,194,673</b>	<b>1,259,086</b>	<b>1,379,840</b>
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities	5,148	6,663	6,058	5,820	6,814
<b>Total Current Liabilities</b>	<b>5,148</b>	<b>6,663</b>	<b>6,058</b>	<b>5,820</b>	<b>6,814</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Other Liabilities	8,534,817	9,057,640	9,601,020	10,167,240	10,962,453
<b>Total Non-current Liabilities</b>	<b>8,534,817</b>	<b>9,057,640</b>	<b>9,601,020</b>	<b>10,167,240</b>	<b>10,962,453</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>8,539,965</b>	<b>9,064,303</b>	<b>9,607,078</b>	<b>10,173,060</b>	<b>10,969,267</b>
Shareholders' Equity	768,555	822,300	919,673	1,028,464	1,173,060
Minority Interests	225,345	265,318	265,318	265,318	265,318
<b>Total Equity</b>	<b>993,900</b>	<b>1,087,618</b>	<b>1,184,991</b>	<b>1,293,782</b>	<b>1,438,378</b>
Life Embedded Value	824,574	876,490	921,059	975,133	1,032,351

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	0.21%	(4.55%)	(3.72%)	0.80%	3.20%
Operating Profit Growth (Life & Health)	0.0%	(40.4%)	61.4%	7.2%	6.2%
Value Of New Life Business Growth (after-tax)	(34.7%)	(23.6%)	(22.3%)	4.0%	4.0%
Life Embedded Value Growth	8.86%	6.30%	5.08%	5.87%	5.87%
Pre-tax Margin	23.8%	18.1%	24.0%	27.3%	30.2%
Net Profit Margin	18.1%	13.2%	17.9%	20.3%	22.4%
Effective Tax Rate	15.1%	12.7%	10.5%	10.8%	11.2%
Net Dividend Payout Ratio	28.0%	42.5%	34.4%	33.6%	33.7%
Return On Average Assets	1.80%	1.24%	1.53%	1.64%	1.74%
Net Gearing	658%	846%	1509%	9063%	(5180%)
Financial Leverage	12.27	12.36	12.01	11.42	10.84
Equity / Assets	8.07%	8.11%	8.53%	8.98%	9.46%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
First year premiums (APE) growth yoy (%)	-23.9%	-2.1%	-19.1%	6.6%	8.1%
New business value growth (%)	-34.7%	-23.6%	-22.3%	4.0%	4.0%
Life return on embedded value [ROEV] (%)	15.6%	9.0%	11.2%	12.2%	12.2%
Group ROEV (%)	14.1%	8.7%	7.4%	10.1%	12.3%
P&C combined ratio (%)	99.1%	98.0%	97.6%	97.1%	96.7%
Banking net profit growth (%)	2.6%	25.6%	-5.6%	27.6%	27.1%
Dividend payout ratio (%)	28.0%	42.5%	34.4%	33.6%	33.7%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



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

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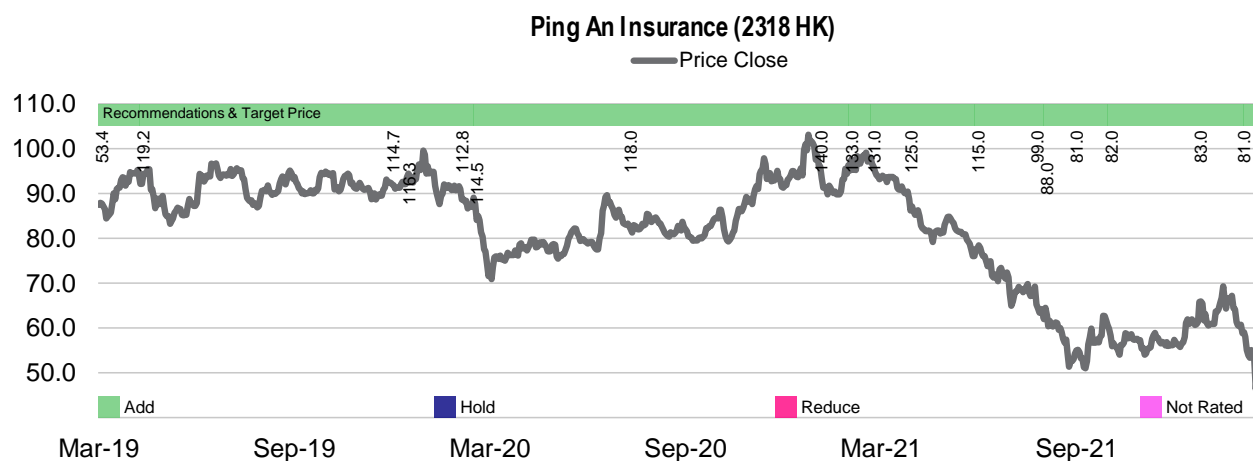
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%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

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



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

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

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

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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:

- Over weight** An Over weight 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.
- Under weight** An Under weight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

#### Country Ratings

Definition:

- Over weight** An Over weight 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.
- Under weight** An Under weight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

