

## Hong Kong

### ADD (no change)

Consensus ratings\*: Buy 19 Hold 3 Sell 0

Current price:	HK\$92.45
Target price:	HK\$144.7
Previous target:	HK\$144.7
Up/downside:	56.5%
CGS-CIMB / Consensus:	0.1%
Reuters:	2378.HK
Bloomberg:	2378 HK
Market cap:	US\$32,389m
	HK\$254,174m
Average daily turnover:	US\$1.01m
	HK\$7.96m
Current shares o/s:	2,609m
Free float:	100.0%

\*Source: Bloomberg

### Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-3.4	4.2	-40.4
Relative (%)	6.3	4.3	-14.1

Major shareholders	% held
Blackrock	8.2

# Prudential PLC

## China surprising on the upside in 2Q22

- The most surprising element of its 2Q22 results was mainland China's new business profit (NBP)— only -5% yoy, driven by a marked turnaround in 2Q22.
- 2Q22 China APE was +68% yoy (1Q22's -7% yoy), driven by bancassurance (1H22: +28%), with 1H22 agency APE falling 11% yoy.
- Singapore was the strongest region for 1H22 NBP growth, up 13% yoy.
- Reiterate Add, with an unchanged TP of HK\$144.7.

### 1H22 NBP, APE and IFRS operating profit beat our estimates

Prudential's (Pru) 1H22 new business profit (NBP) fell 5% yoy on a constant exchange rate (CER) basis (7% yoy on an actual exchange rate, AER, basis) and was 16% above our forecast (3% above company-provided consensus). The beat was driven by mainland China, which only saw a 4% CER fall yoy in 1H22 (-5% yoy AER). On an AER basis, 1H22 annualised premium equivalent (APE) was up 6% yoy, 1H22 NBP margin was down 12% yoy and operating profit was up 6% yoy, all above our forecasts (Fig 1).

### Bancassurance growth key in China

Pru's diversified distribution channel was a key advantage in 1H22 for China. Despite a high 1Q21 base in China (1Q21 NBP growth was up 234% yoy, with 1H21 NBP growth up 80% yoy; see Fig 6), and Covid-19 outbreaks in 2Q22, Pru's 1H22 NBP fell only 5% yoy, much better than our forecast. We estimate that 1H22 China bancassurance NBP was up 26% yoy, with 1H22 China agency NBP down 34% yoy. We believe the strong bancassurance growth was driven by 11 new bancassurance signups in mainland China. 2Q22's China APE of 68% yoy was also much better than 1Q22's 7% yoy fall.

### Well prepared for Macau launch & the tapping of MCV demand

While Pru's Macau branch application is pending regulatory approval, we believe it is well prepared for rapid growth in Macau once approval is obtained. Pru is confident based on its survey findings (Figs 11 & 12) which indicated that demand for insurance remains strong among mainland Chinese visitors (MCV), with Macau well placed to tap this demand (Fig 13). Pru also stated that pre-2019, a quarter of MCV buying insurance in HK came from the Guangdong region, with about 50% from the coastal regions; we think this represents low-hanging fruit. Historical evidence also indicates that Rmb weakness could be a powerful motivation for MCV buying insurance offshore (Fig 17).

### Singapore the strongest region for 1H22 NBP growth, up 13% yoy

Singapore's 1H22 NBP strength was also driven by bancassurance, with strong demand from high-net-worth customers for savings and legacy protection products. Singapore accounted for 22% of its 1H22 NBP and was Pru's largest region in terms of NBP (Fig 4).

### Reiterate Add rating; TP unchanged at HK\$144.7

We value Pru on an SOP basis, via a blend of P/EV and P/BV GGM for its subsidiaries (Fig 22). Potential near-term catalysts: Macau licence approval and improved capital ratios. Downside risks: Covid-19 outbreaks, a global recession and lower interest rates.

### Analyst(s)


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Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Premium (US\$m)	23,495	24,217	27,224	29,385	33,600
Investment And Other Income (US\$m)					
Net Premium (US\$m)	23,495	24,217	27,224	29,385	33,600
Net Profit (US\$m)	2,118	(2,042)	2,066	3,201	3,513
Normalised EPS (US\$)	0.95	0.83	0.75	1.16	1.27
Normalised EPS Growth	26.0%	(11.9%)	(9.8%)	54.2%	9.2%
FD Normalised P/E (x)	12.45	14.12	15.66	10.16	9.31
P/NB (x)	(5.48)	(4.87)	(5.87)	(6.16)	(6.28)
DPS (US\$)	0.16	0.17	0.15	0.16	0.16
Dividend Yield	1.37%	1.46%	1.28%	1.38%	1.40%
P/EV (x)	0.72	0.72	0.68	0.63	0.58
P/BV (x)	1.47	1.89	1.74	1.54	1.36
ROE	12.2%	11.5%	11.5%	15.9%	15.3%
Normalised EPS/consensus EPS (x)			0.88	1.12	1.10

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## China surprising on the upside in 2Q22

### Bancassurance making a difference

Prudential's (Pru) 1H22 new business profits (NBP) fell 5% yoy on a constant exchange rate (CER) basis (7% yoy on an actual exchange rate, AER, basis) and was 16% above our forecast (3% above consensus provided by Pru).

The positive beat was driven by mainland China, which only saw a 4% CER fall yoy in 1H22 (-5% yoy AER). On an AER basis, 1H22 annualised premium equivalent (APE) was up 6% yoy, 1H22 NBP margin was down 12% yoy and operating profit was up 6% yoy; all these metrics were above our forecasts (Fig 1). 1H22 net profit fell 90% yoy due to weak investment income.

**Figure 1: Key metrics of Pru's 1H22 results**

(US\$ m)	1H22 actual	% above our estimates	% above consensus estimates	1H22 growth yoy
New business profits	1,098	16%	3%	-7%
APE	2,213	2%	8%	6%
NBP margin	50%	14%	-5%	-12%
IFRS operating profits	1,661	3%	-2%	6%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Of Pru's major regions, Singapore saw the strongest NBP in 1H22 at 13% yoy on an AER basis (Fig 2).

**Figure 2: NBP growth by region**

	FY19	FY20	FY21	1H21	2H21	1H22
China	32%	3%	31%	80%	-13%	-5%
Hong Kong	-12%	-61%	-6%	-13%	-1%	-31%
Indonesia	39%	-32%	-19%	-16%	-22%	-9%
Malaysia	7%	0%	11%	64%	-15%	-38%
Singapore	8%	-12%	53%	75%	41%	13%
Other	56%	12%	27%	49%	12%	18%
Total	1%	-38%	15%	29%	5%	-7%

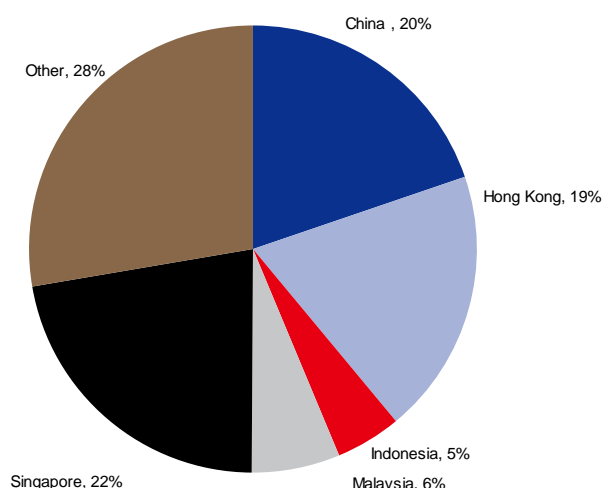
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 3: Pru's IFRS operating profit mix (pre-tax) and growth yoy (continuing operations only)**

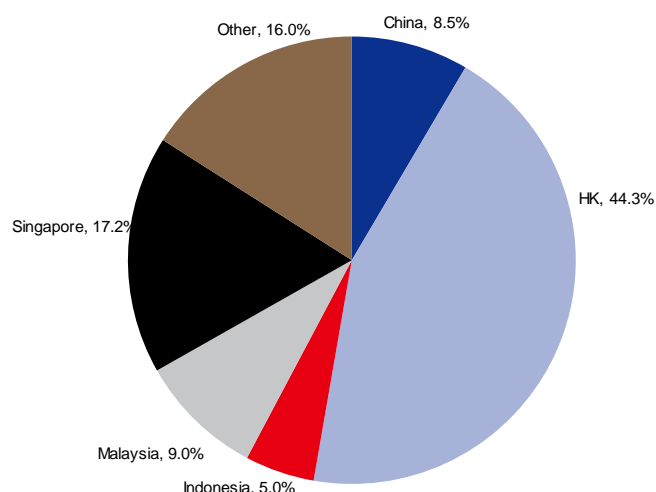
	IFRS operating profit mix (pre-tax)			Growth yoy				
	1H21	2H21	1H22	1H20	2H20	1H21	2H21	1H22
HK	23%	25%	25%	22%	21%	12%	8%	9%
Mainland China	7%	10%	7%	13%	15%	38%	36%	7%
Indonesia	11%	11%	10%	-3%	-4%	-10%	-18%	-13%
Malaysia	9%	8%	9%	12%	12%	16%	10%	3%
Singapore	16%	17%	17%	15%	18%	22%	10%	6%
Growth markets & other	34%	31%	34%	15%	15%	19%	5%	9%
of which:								
Philippines	3%	3%	3%	18%	41%	45%	-5%	2%
Taiwan	2%	2%	2%	19%	12%	27%	-2%	-4%
Thailand	5%	7%	5%	21%	25%	21%	7%	13%
Vietnam	7%	8%	8%	16%	12%	18%	17%	5%
Other	8%	3%	9%	9%	-4%	5%	-14%	22%
Eastspring	8%	7%	6%	8%	-7%	13%	9%	-19%
Total segment operating profit pre-tax	100%	100%	100%	12%	12%	14%	6%	3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Singapore accounted for 22% of Pru's 1H22 NBP and was Pru's largest region in terms of NBP (Fig 4).

**Figure 4: Pru's new business profit (NBP) mix (1H22)**


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 5: Pru's embedded value (EV) mix (1H22)**


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Pru's 1H22 China NBP fell 5% yoy on an AER basis. This was driven by a 26% yoy growth of bancassurance NBP, with agency NBP falling 34% yoy in 1H22 (Fig 6). Agency fell to only 37% of Pru's NBP in 1H22, with bancassurance comprising a sizable 62% of China NBP in 1H22.

1H22 China NBP performance was much better than we expected, as we were concerned about the high 1H21 base (1H21 China NBP was up 80% yoy, with 1Q21 China NBP up 234% yoy and 2Q21 China NBP down 31% yoy) (Fig 6).

**Figure 6: VONB performance of AIA's key competitors across the Asia region**

(US\$ m)	2Q21	2Q21	2Q21	1Q21	1Q21	1H21	1H21	1H21
		Growth	AER	Growth	AER	Growth	AER	Growth
<b>China</b>								
Prudential	51	-31%	-39%	234%	211%	228	80%	65%
AIA	n.a.	n.a.	n.a.	n.a.	n.a.	738	24%	15%
<b>Hong Kong</b>								
Prudential	169	23%	24%	-37%	-37%	306	-13%	-13%
Manulife	148	45%	46%	19%	18%	293	31%	31%
AIA	n.a.	n.a.	n.a.	n.a.	n.a.	313	2%	2%
<b>Singapore</b>								
Prudential	120	179%	161%	19%	14%	215	75%	65%
Great Eastern	92	125%	113%	32%	27%	163	73%	65%
AIA	n.a.	n.a.	n.a.	n.a.	n.a.	176	39%	32%
<b>Malaysia</b>								
Prudential	54	59%	54%	69%	64%	113	64%	59%
Great Eastern	46	10%	5%	40%	38%	111	26%	21%
<b>Indonesia</b>								
Prudential	29	-9%	-12%	-22%	-22%	57	-16%	-17%
<b>Thailand</b>								
AIA	n.a.	n.a.	n.a.	n.a.	n.a.	312	57%	52%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Pru China's 1H22 agency NBP margin fell notably due to lower interest rates and a shift in product mix away from protection (note that 1H21 had an abnormally high mix of protection products due to a regulatory change), with 1H22 agency margin falling to 62% vs. 1H21's 81% (Fig 7).

2Q22's performance was notably better than 1Q22's. 2Q22 China APE was +68% yoy (1Q22: -7% yoy), driven by bancassurance (1H22: +28%), with 1H22 agency APE falling 11% yoy.

As flagged in [1H22 preview: A tough environment](#), dated 5 Aug 2022, we believe Pru's 1H22 China NBP performance is better than its peers due to its more diversified distribution channel mix (Fig 7) and geographical mix (Fig 10).

**Figure 7: Key NBP data for Prudential China**

	FY19	FY20	FY21	1H20	2H20	1H21	2H21	1H22
<b>NBP mix</b>								
Agency	67%	46%	39%	52%	41%	53%	13%	37%
Bancassurance	27%	51%	56%	45%	56%	47%	71%	62%
Other	6%	3%	6%	3%	3%	0%	16%	1%
Total	100%	100%	100%	100%	100%	100%	100%	100%
<b>NBP growth yoy</b>								
Agency	11%	-30%	11%	-25%	-34%	83%	-72%	-34%
Bancassurance	42%	94%	42%	51%	143%	88%	10%	26%
Other	140%	-49%	140%	n.a.	n.a.	n.a.	n.a.	n.a.
Total	31%	3%	31%	1%	4%	80%	-13%	-5%
<b>Agency APE growth yoy</b>								
Agency APE growth yoy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-11%
<b>Bancassurance APE growth yoy</b>								
Bancassurance APE growth yoy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28%
<b>Agency margins</b>								
Agency margins	n.a.	n.a.	71%	n.a.	n.a.	81%	n.a.	62%
<b>Bancassurance margins</b>								
Bancassurance margins	n.a.	n.a.	39%	n.a.	n.a.	42%	n.a.	41%
<b>Overall margins</b>								
Overall margins	44%	46%	45%	40%	53%	51%	40%	43%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

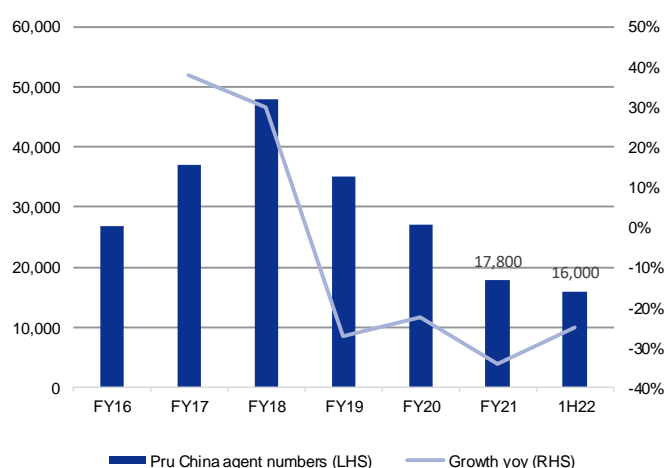
Note that FY21 figures and 1H22 figures are our estimates, as Pru had only disclosed the NBP mix in graphical format and not the exact figures.

**Figure 8: New business value per average agent (Rmb)**

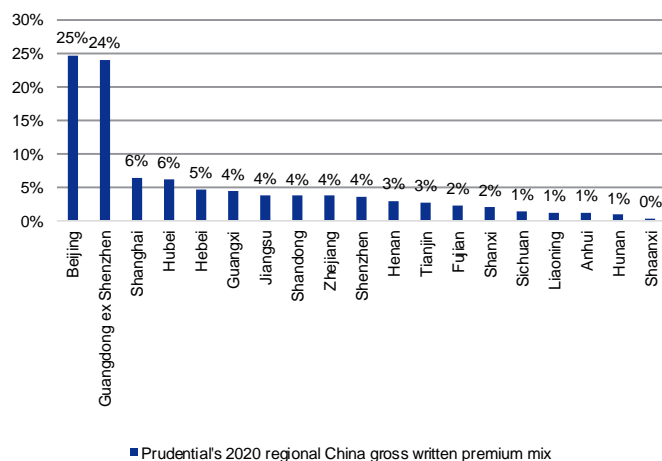
(Rmb)	FY18	FY19	FY20	FY21
AIA	176,036	194,289	137,264	158,270
Pru	n.a.	58,448	55,000	78,902
China Life	28,398	34,200	39,032	39,076
Ping An	45,945	52,787	39,177	38,267
CPIC	30,851	29,525	23,040	20,889
NCI	32,660	22,103	18,356	11,618
Taiping	28,598	22,854	21,794	20,530
PICC	19,606	17,397	13,127	9,993

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

We are encouraged by Pru's 1H22 China agent numbers, which appear to be stabilising at 16,000, down only 10% hoh (2H21: -17% hoh) (Fig 9). Pru also stated during its 1H22 results briefing that its productive agent numbers have risen month-on-month every month since the start of 2022.

**Figure 9: Pru's China agents stabilised hoh in 1H22**


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 10: Prudential's 2020 regional China gross written premium mix**


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

A big focus during Pru's 1H22 results briefing was the upcoming opening of its Macau branch. We had argued that the opening of Pru Macau could be a positive catalyst in [Tailwinds add up; initiate with an Add](#), dated 18 May 2022.

While Pru's application for Macau operations is pending regulatory approval, we sense it is well prepared for rapid growth in Macau once approval is obtained. Pru is confident based on its survey findings (Figs 11 and 12) which indicated that mainland Chinese visitor (MCV) demand for insurance remains strong, with its soon-to-be-opened Macau branch well placed to tap this demand.

Figure 11: Pru believes there is strong demand from MCV/ MCH (Mainland Chinese) to come to HK

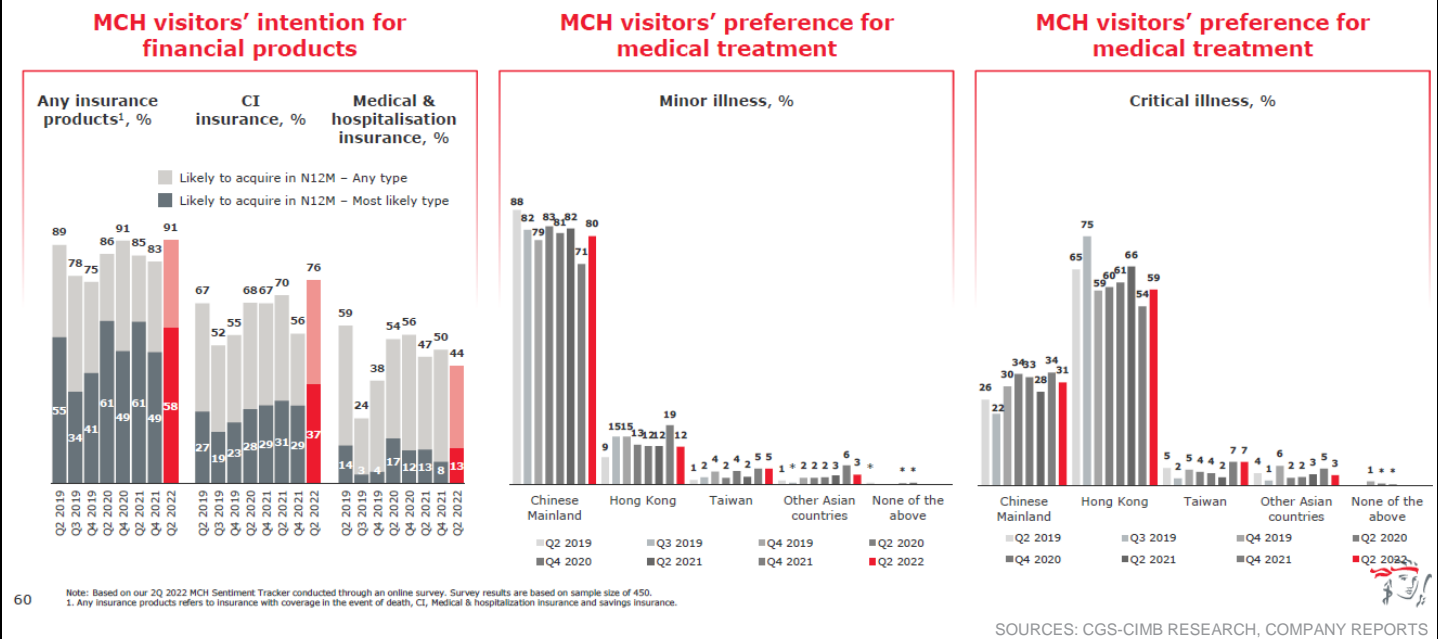
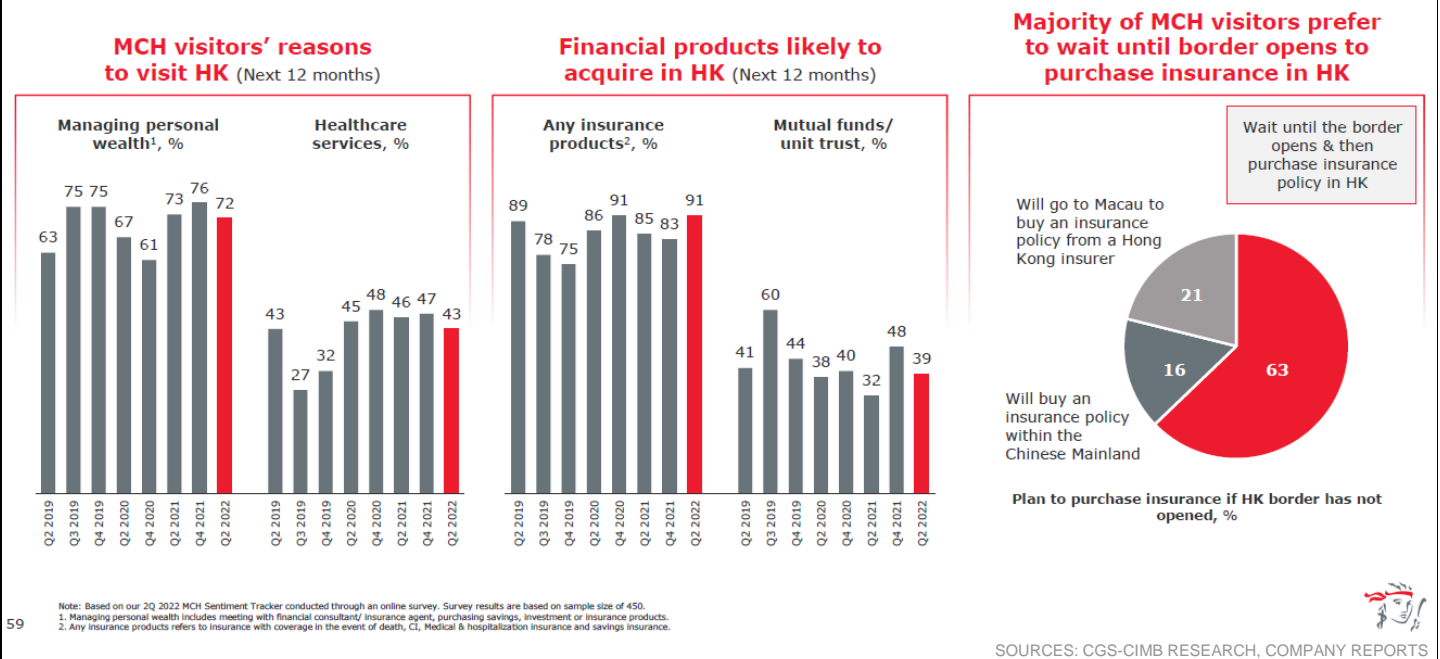


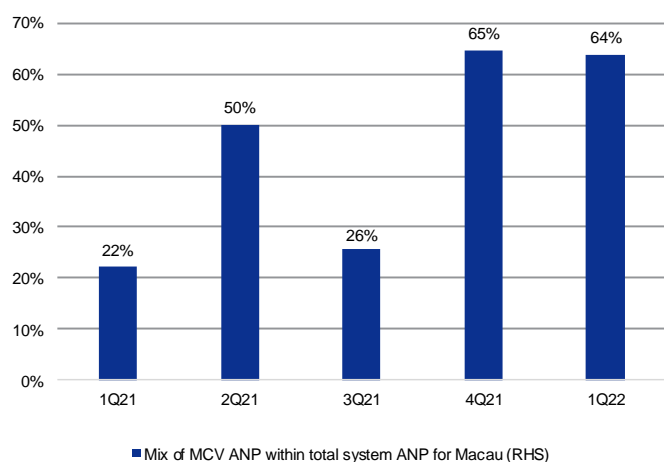
Figure 12: Pru believes that the demand drivers for mainland Chinese customers to come to HK are still intact



As pointed out in [A welcome diversion](#), dated 6 Jan 2022, Macau has been seeing a significant inflow of MCV buying insurance, with 64% of annualised new premiums in 1Q22 coming from MCV (Fig 13). We think this has been one of the key drivers why Macau's life insurance penetration rate of 21.3% is one of the highest in the world (Fig 14).

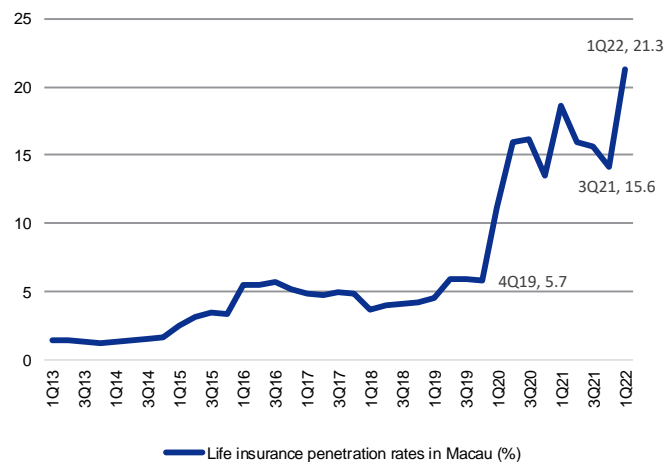
Pru also stated that pre-2019, a quarter of MCV buying insurance in HK came from the Guangdong region, with about 50% from the coastal regions, and we think this represents low-hanging fruit for growth once Pru's Macau branch commences operations.

**Figure 13: Mix of MCV ANP within total system ANP for Macau (RHS)**



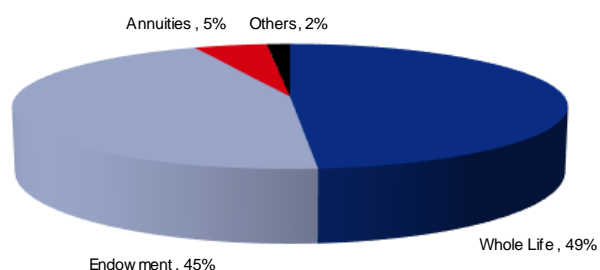
SOURCES: CGS-CIMB RESEARCH, MONETARY AUTHORITY OF MACAU

**Figure 14: Life insurance penetration rates in Macau (%)**



SOURCES: CGS-CIMB RESEARCH, MONETARY AUTHORITY OF MACAU

**Figure 15: 1Q22 mix of insurance premiums bought by MCV by type**



SOURCES: CGS-CIMB RESEARCH, MONETARY AUTHORITY OF MACAU

**Figure 16: Average case sizes of policies bought by resident (i.e. non MCV) & non-resident customers (i.e. MCV) in Macanese Pataca (MOP)**

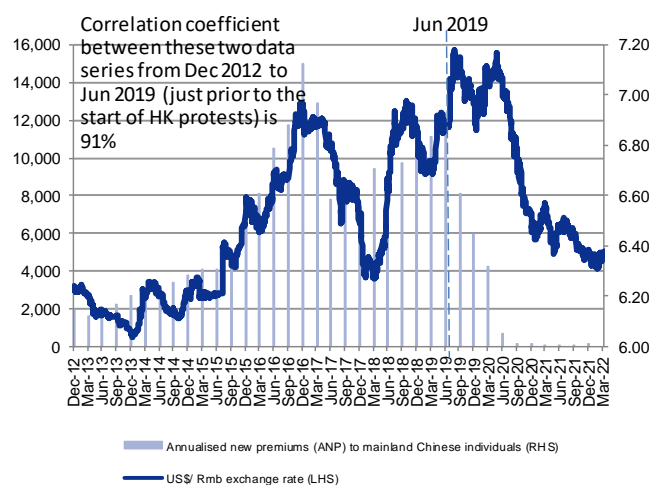
(MOP)	Non-resident	Resident
<b>Single-premium</b>		
1Q21	626,845	289,712
1H21	814,214	224,452
9M21	968,185	208,543
FY21	1,117,918	208,534
1Q22	1,908,271	590,995
<b>First year regular-premium</b>		
1Q21	182,118	134,247
1H21	187,700	95,888
9M21	183,567	102,157
FY21	196,919	79,685
1Q22	344,829	48,661

SOURCES: CGS-CIMB RESEARCH, MONETARY AUTHORITY OF MACAU

As argued in [MCV Pullback: Permanent or temporary?](#), dated 21 Oct 2019, we believe that currency diversification is a major motivation for MCV to buy insurance outside of mainland China. This is based on the very high correlation coefficient of 91% between the US\$/Rmb exchange rate and ANP to MCV over the Dec 2012 to Jun 2019 period (Fig 17).

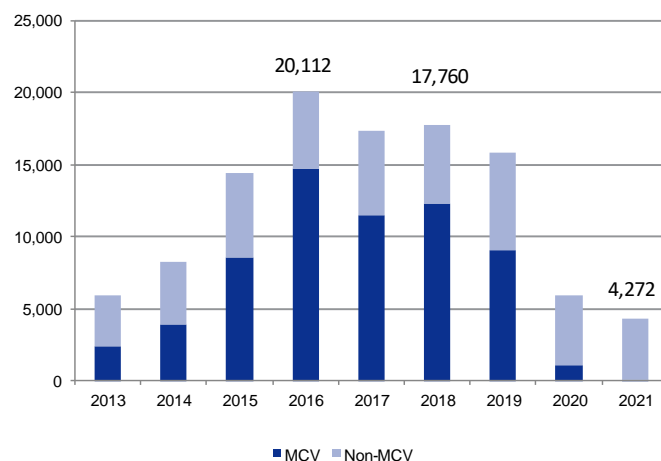


**Figure 17: There had been a very strong visible relationship between the US\$/Rmb exchange rate and annualised new premiums (ANP) to mainland Chinese individuals over the Dec 2012 to Jun 2019 period (correlation co-efficient of 91%)**



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG, INSURANCE AUTHORITY (IA)

**Figure 18: Pru HK's ANP volumes by offshore (MCV) and onshore (non-MCV) customers (HK\$ m)**



SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY (IA)

Pru stated during its 1H22 results briefing that its HK APE was down 17% yoy in 1Q22 and has recovered to flat yoy in 2Q22 as daily new Covid-19 cases fell. In 1H22, HK APE was down 10% yoy. Again, we believe that bancassurance NBP outperformed agent NBP in 1H22.

**Figure 19: Total quarterly annualised new premium (ANP) growth yoy in HK**

	AIA	Pru	Manulife	FWD	System
1Q18	-28%	-29%	9%	10%	3%
2Q18	10%	13%	13%	24%	16%
3Q18	26%	15%	10%	7%	13%
4Q18	50%	18%	9%	76%	9%
1Q19	9%	15%	12%	80%	26%
2Q19	12%	-2%	41%	21%	45%
3Q19	-28%	-22%	59%	9%	15%
4Q19	-31%	-26%	23%	-18%	-18%
1Q20	-53%	-50%	20%	-49%	-37%
2Q20	-71%	-78%	-10%	-8%	-50%
3Q20	-51%	-67%	-28%	12%	-29%
4Q20	-54%	-56%	-18%	1%	-26%
1Q21	-35%	-48%	3%	48%	-1%
2Q21	-1%	-7%	1%	15%	2%
3Q21	-7%	-5%	6%	10%	-5%
4Q21	16%	-29%	10%	-8%	11%
1Q22	-30%	-22%	-24%	-24%	-27%

SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

**Figure 20: Agent ANP growth yoy in HK**

	AIA	Pru	Manulife	FWD	System
1Q18	3%	-31%	9%	16%	-10%
2Q18	17%	15%	7%	-3%	18%
3Q18	25%	10%	8%	34%	15%
4Q18	43%	24%	0%	98%	22%
1Q19	9%	15%	-12%	53%	14%
2Q19	21%	3%	20%	71%	26%
3Q19	-10%	-23%	45%	38%	2%
4Q19	-19%	-27%	10%	31%	-16%
1Q20	-40%	-57%	28%	-23%	-37%
2Q20	-63%	-81%	-2%	-35%	-62%
3Q20	-42%	-67%	-21%	-14%	-43%
4Q20	-48%	-57%	-6%	2%	-37%
1Q21	-22%	-53%	0%	11%	-15%
2Q21	4%	-14%	2%	-2%	9%
3Q21	-11%	-24%	-3%	-15%	-8%
4Q21	14%	-43%	15%	-20%	8%
1Q22	-36%	-33%	-16%	-50%	-28%

SOURCES: CGS-CIMB RESEARCH, INSURANCE AUTHORITY

Singapore was Pru's strongest region for 1H22 NBP growth, up 13% yoy on an AER basis.

Singapore's 1H22 NBP strength was also driven by bancassurance, with strong demand from high-net-worth customers for savings and legacy protection products.

Pru's strong Singapore 1H22 NBP performance and weak 1H22 Malaysia performance (1H22 NBP down 38% yoy) are consistent with Great Eastern's strong NBP in Singapore coupled with a much weaker performance in Malaysia, where 1H22 Singapore NBP was up 11%, while 1H22 Malaysia NBP was down 2% for Great Eastern (see [1H22 preview: A tough environment](#), dated 5 Aug 2022).

**Figure 21: Great Eastern's key metrics**

	1H21	2H21	1H22	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
<b>Growth yoy of total weighted new sales by market</b>									
Total	57%	10%	15%	28%	88%	29%	-6%	32%	3%
Singapore	72%	14%	19%	22%	122%	51%	-18%	56%	-1%
Malaysia	25%	0%	1%	40%	7%	-27%	19%	-8%	16%
Other	55%	-1%	29%	22%	109%	-13%	10%	16%	41%
<b>Growth yoy of agent total weighted new sales by market</b>									
Singapore	57%	12%	21%	41%	66%	46%	-18%	75%	-3%
Malaysia	37%	2%	-7%	57%	17%	-24%	19%	-25%	16%
<b>Growth yoy of new business profits by market</b>									
Singapore	65%	6%	11%	27%	113%	20%	-5%	29%	-2%
Malaysia	20%	9%	-2%	35%	4%	-21%	28%	-21%	24%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Valuation and risks

We value Pru on an SOP basis, with its life insurance division valued based on a weighted P/EV GGM and a P/BV GGM, and its asset management division valued based on a P/BV GGM (Fig 22).

We assume a cost of equity of 8.4%, a terminal growth rate of 3.5%, a sustainable return on EV (ROEV) of 10.1% (based on the weighted average ROEV over FY20–24F), a sustainable ROE of 16.2% (based on the weighted average ROE over FY20–24F), a sustainable asset management ROE of 15.3%, and an assumed US\$/HK\$ exchange rate of 7.79. Our FY22F EVPS is US\$17.28, our FY22F insurance BVPS is US\$5.72 and our asset management FY22F BVPS is US\$0.50. With a 30% weighting assigned to a P/EV GGM methodology and a 70% weighting assigned to a P/BV GGM methodology for our life insurance valuation. We thus derive a TP of HK\$144.70, which suggests a 54% potential upside based on its share price as of 10 Aug 2022.



**Figure 22: Valuation of Pru**

		Key assumptions
Equity risk premiums (ERP)		10.0%
Risk free rate		2.0%
Beta		0.80
Cost of equity (COE)		8.4%
Terminal growth rate		3.5%
Sustainable ROEV (weighted average of FY20-FY24F, with an equal weighting to all years)		10.1%
Sustainable insurance ROE (weighted average of FY20-FY24F, with an equal weighting to all years)		16.2%
Sustainable asset management ROE (weighted average of FY20 - FY24F ROE, with an equal weighting to all years)		15.3%
Assumed US\$/HK\$ exchange rate		7.79
FY22F EVPS (US\$)		17.28
FY22F insurance BVPS (US\$)		5.72
Asset management FY22F BVPS (US\$)		0.50
Weighting assigned to P/EV methodology for life insurance valuation		30%
Weighting assigned to P/BV methodology for life insurance valuation		70%
<b>Life insurance valuation</b>		
Target P/EV (FY22F)		1.35x
Hence insurance valuation (HK\$) if 100% weighting to a P/EV GGM approach		181.47
Target P/BV (FY22F)		2.60x
Hence insurance valuation (HK\$) if 100% weighting to a P/BV GGM approach		115.68
Asset management target FY22F P/BV multiple		2.4
<b>Sum of the parts valuation of Pru</b>		
Life insurance valuation (HK\$) per share		135.42
Asset management valuation (HK\$) per share		9.33
Hence, Pru valuation (HK\$) per share		144.70
Current share price of 2378 HK (HK\$)		93.95
Upside/ downside		54%
Rating		Add

SOURCES: CGS-CIMB RESEARCH ESTIMATES  
Share prices as of 10 AUG 2022

**Figure 23: Sector comparison**

Figure 20: Sector comparison																					
Ticker	Rec	Market Cap	Price	Target Price	+/-	P/EV (x)		VONB multiple (x)		P/BV (x)		Group ROEV (%)		ROE (%)		P/E (x)		Dividend yield (%)			
		(US\$bn)	(Lcy)	(Lcy)	(%)	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F		
China Life	2628 HK	Add	107.79	11.40	15.00	32%	0.21x	0.19x	-23.2x	-30.3x	0.5x	0.5x	10.4x	10.7x	10.2x	12.0x	5.3x	4.2x	6.8	8.5	
Ping An	2318 HK	Add	126.01	43.70	72.00	65%	0.45x	0.43x	-27.3x	-29.3x	0.7x	0.7x	7.4x	10.1x	15.5x	15.8x	4.8x	4.2x	6.9	7.7	
CPIC	2601 HK	Add	30.54	15.92	29.00	82%	0.24x	0.22x	-36.2x	-38.1x	0.5x	0.5x	9.9x	12.2x	11.2x	11.7x	4.5x	3.9x	8.4	9.4	
NCI	1336 HK	Add	12.74	17.92	30.30	69%	0.17x	0.16x	-46.0x	-47.3x	0.4x	0.4x	8.9x	9.8x	13.2x	12.1x	3.1x	3.1x	9.7	9.7	
PICC P&C	2328 HK	Add	23.70	7.54	9.80	30%	n.a.	n.a.	n.a.	n.a.	0.6x	0.6x	n.a.	n.a.	10.8x	10.8x	6.1x	5.7x	6.7	7.1	
AIA	1299 HK	Add	130.45	75.85	96.00	27%	1.55x	1.43x	13.6x	9.5x	1.8x	1.7x	6.9x	12.1x	9.0x	11.6x	21.0x	15.2x	2.0	2.1	
Pru	2378 HK	Add	78.12	92.45	144.70	57%	0.66x	0.61x	-6.5x	-6.8x	1.8x	1.5x	8.3x	9.8x	11.5x	15.9x	15.8x	10.2x	1.3	1.4	
Manulife	945 HK	NR	25.84	142.30	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.6x	0.6x	n.a.	n.a.	12.6x	12.3x	5.4x	5.0x	7.3	7.9	
HK-listed weighted average							0.71x	0.65x	-13.1x	-16.5x	1.1x	1.0x	8.3x	10.9x	11.6x	12.9x	9.8x	7.6x	5.6	6.4	
HK-listed weighted average ex AIA, Pru and Manulife							0.32x	0.30x	-27.6x	-31.5x	0.6x	0.6x	8.9x	10.6x	12.7x	13.5x	5.0x	4.3x	7.1	8.2	
SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS																					
*CPIC: China Pacific Insurance Company; NCI: New China Life Insurance; PICC P&C: PICC (The People's Insurance Company of China) Property & Casualty; Pru: Prudential plc																					
Note: Estimates for Not rated companies are based on Bloomberg consensus estimates																					
DATA AS AT 10 AUG 2022																					

## Key risks

We see several key risks.

Firstly, net profits could be under pressure from higher interest rates, even though high interest rates are positive for NBP. Higher rates are also negative to shareholders' equity and EV. This is due to adverse mark-to-market effects on the bond portfolio.

Based on the FY21 sensitivities disclosed by Pru, a 1% pt rise in interest rate resulted in a 5% fall in its FY21 EV. It also resulted in 36.3% fall in FY21

continuing net profit after tax (NPAT) and a 5.6% fall in shareholders' equity (Fig 24).

Secondly, Pru's operating profit after tax could also be under pressure from falling equity markets. Based on Pru's disclosed FY21 sensitivities, a 20% fall in all equity prices and property prices resulted in a 34.5% reduction in FY21 continuing NPAT and a 5.5% decline in shareholders' equity (Fig 25).

**Figure 24: Impact of higher interest rates on continuing net profit after tax, shareholders' equity, NBP and EV, based on Pru's disclosures**

	FY21		FY20	
	1%-pts rise	2%-pts rise	1%-pts rise	2%-pts rise
Continuing profit after tax	-36.3%	n.a.	-12.9%	n.a.
Shareholders' equity	-5.6%	n.a.	-2.5%	n.a.
New business profit	2.8%	3.5%	3.5%	3.5%
Embedded value	-5.0%	-10.7%	-3.3%	-8.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 25: Impact of lower equity & property yields on continuing net profit after tax, shareholders' equity, NBP and EV, based on Pru's disclosures**

	FY21		FY20	
	10% rise	20% fall	10% rise	20% fall
Continuing profit after tax	17.0%	-35.9%	16.7%	-34.5%
Shareholders' equity	2.6%	-5.5%	3.2%	-6.6%
New business profit	n.a.	n.a.	n.a.	n.a.
Embedded value	n.a.	-4.4%	n.a.	-4.5%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Thirdly, the implementation of international financial reporting standard (IFRS) 17 from the start of 2023 could have a negative impact on net profit and shareholders' equity. On 11 May 2022, Manulife in its 1Q22 results briefing said it expects IFRS 17 to reduce its shareholder equity by 20% and core earnings by 10% upon adoption. Pru has yet to announce the impact from IFRS 17 adoption. However, insofar that investors focus on net profit and shareholders' equity (which we think are more important metrics of focus for Pru's investors than AIA's investors, especially the former's European and US-based investors), this could exert pressure on Pru's share price.

A fourth key risk is potential conflict between growing NBP and operating profits. The mix of key performance indicators that determines Pru's group financial bonus targets in its Annual Incentive Plan (AIP) has clearly shifted towards NBP and away from adjusted operating profits.

NBP comprised only 15% of AIP in 2020, with this metric rising to 35% in 2021, before rising further to 45% in 2022's AIP. On the other hand, adjusted operating profits have fallen in importance, from a 35% weighting in 2020 to a 25% weighting in 2022 (Fig 26).

**Figure 26: Mix of key performance indicators (KPI) that determine Group financial bonus targets for its Annual Incentive Plan (AIP)**

	2017	2018	2019	2020	2021	2022
New business profit	15%	15%	15%	15%	35%	45%
Adjusted operating profits	35%	35%	35%	35%	25%	25%
Operating free surplus	30%	30%	30%	30%	30%	20%
Business unit remittances	20%	20%	20%	20%	10%	10%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 27: Mix of key performance indicators (KPI) that determine Pru's group financial bonus targets for its Prudential Long Term Incentive Plan (PLTIP) for Executive Directors**

	2018	2019	2020	2021	2022
Relative total shareholder return (TSR)	25%	50%	50%	50%	50%
ROE	n.a.	30%	30%	n.a.	n.a.
Sustainability	n.a.	20%	20%	20%	20%
of which ESG metrics	n.a.	n.a.	n.a.	n.a.	10%
Return on embedded value	n.a.	n.a.	n.a.	30%	30%
Balanced scorecard of strategic measures	25%	n.a.	n.a.	n.a.	n.a.
Operating profits	50%	n.a.	n.a.	n.a.	n.a.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Our concern is if a situation arises where there is conflict between both metrics and growing NBP, leading to a near-term fall in operating profits. With Pru's shareholder base still primarily dominated by European and US-based investors, in our view, we believe the key metric for these investors would be operating profit and not NBP. Accordingly, in such a scenario, growing NBP at the expense of operating profits could be detrimental to Pru's share price performance in the near term.

A fifth key risk is continued Covid-19 outbreaks, especially if there are mutations with Covid-19 variants becoming more transmissible and more deadly, which could lead to lockdowns being imposed. This could lead once again to reduced face-to-face contact and make it more difficult for Pru's agents to sell insurance policies.

A sixth risk is the risk of Pru's investors continuing to focus heavily on valuation methodologies based on earnings or tangible book value which, as we argued in [\*Uniqueness under threat?\*](#), dated 28 Feb 2020, could constrain Pru's ability to close its P/EV valuation gap with AIA. This is especially since we believe that EV-based valuation methodologies yield higher valuations compared to P/E, P/BV or P/NTA valuation methodologies, based on our analysis of the differences of these valuation methodologies when applied to the insurers we cover.

**Figure 28: Financial Summary for Prudential plc**

Year end Dec	2018	2019	2020	2021	2022F	2023F	2024F	2025F
<b>Summary</b>								
EPS (US\$)	1.56	0.30	0.82	-0.78	0.75	1.16	1.27	1.45
EPS (US\$) (continuing operations)	1.12	0.90	0.95	0.83	0.75	1.16	1.27	1.45
Operating EPS (US\$) (continuing operations)	n.a.	0.73	0.87	1.02	1.06	1.17	1.24	1.42
P/E ratio (x) (oper. EPS)	n.a.	25.7	21.2	16.8	11.1	10.1	9.5	8.3
EPS growth (%)	7.9%	20.5%	18.0%	17.2%	4.9%	10.2%	5.8%	14.2%
DPS (US\$)	0.63	0.46	0.16	0.17	0.15	0.16	0.16	0.19
Payout ratio	40%	153%	20%	-22%	20%	14%	13%	13%
BVPS (US\$)	8.47	7.49	8.00	6.22	6.75	7.67	8.67	9.81
TBVPS (US\$)	7.56	7.12	7.63	5.89	6.41	7.31	8.30	9.42
P/TBV (x)	2.18	2.65	2.41	2.89	1.84	1.61	1.42	1.25
EV per share (US\$) (excl goodwill)	23.54	20.66	20.33	16.91	17.99	19.39	21.16	23.39
P/EV (x)	0.70	0.91	0.90	1.01	0.66	0.61	0.56	0.50
Growth of EV per share	4%	-12%	-2%	-17%	6%	8%	9%	11%
ROEV	18%	12%	2%	7%	8%	10%	11%	12%
Operating ROEV (Asia & Africa)	22%	26%	15%	7%	8%	10%	11%	12%
NBP per share (US\$) (Group)	1.82	1.69	1.07	0.92	0.94	1.11	1.36	1.73
NBP per share (US\$) (Asia & Africa)	1.34	1.35	0.84	0.92	0.94	1.11	1.36	1.73
Growth of NBP per share (Asia & Africa)	11%	-7%	-37%	-14%	2%	18%	22%	28%
<b>Profit &amp; Loss (US\$ m)</b>								
Net premium	44,431	43,481	21,870	22,373	25,151	27,147	31,042	38,237
Investment income	-9,117	49,555	13,762	3,486	6,182	8,591	9,221	9,682
Other income	531	700	615	641	668	696	726	756
Total Revenue	35,845	93,736	36,247	26,500	32,001	36,435	40,989	48,676
Insurance-related expenses	-31,953	-91,188	-33,239	-23,471	-29,324	-32,210	-36,351	-43,337
Other operating-related expenses	-654	-658	-346	-363	-213	-228	-244	-261
Underwriting income	3,238	1,890	2,662	2,666	2,465	3,997	4,394	5,078
Share of P/L from associates	517	352	380	411	443	479	0	0
Operating profit/(loss)	3,755	2,242	3,042	3,077	2,908	4,476	4,394	5,078
<b>Operating profit after tax (OPAT)</b>	<b>2,881</b>	<b>2,329</b>	<b>2,458</b>	<b>2,192</b>	<b>2,066</b>	<b>3,201</b>	<b>3,513</b>	<b>4,036</b>
Non operating items	1,146	-1,546	-340	-4,234	0	0	0	1
<b>Net profit after tax</b>	<b>4,019</b>	<b>783</b>	<b>2,118</b>	<b>-2,042</b>	<b>2,066</b>	<b>3,201</b>	<b>3,513</b>	<b>4,036</b>
<b>Balance sheet (US\$ m)</b>								
<b>Assets</b>								
Investment assets	583,550	410,841	434,804	177,389	186,258	195,571	205,350	215,617
Intangible assets	17,550	18,445	21,306	7,765	8,153	8,561	8,989	9,438
Other assets	46,710	24,928	59,987	13,948	14,645	15,378	16,147	16,954
Total assets	647,810	454,214	516,097	199,102	209,057	219,510	230,485	242,010
<b>Liabilities</b>								
Contract liabilities	521,286	385,678	441,246	151,915	158,840	165,262	171,867	178,553
Borrowings	24,951	17,140	18,845	7,211	7,540	7,845	8,158	8,475
Other liabilities	79,582	31,727	33,887	22,712	23,747	24,707	25,695	26,694
Total liabilities	625,819	434,545	493,978	181,838	190,126	197,813	205,720	213,723
Share capital	166	172	173	182	182	182	182	182
Reserves	-15	5,730	6,281	6,690	6,690	6,690	6,690	6,690
Retained profits	21,817	13,575	14,424	10,216	11,865	14,612	17,659	21,157
Total shareholders' equity	21,968	19,477	20,878	17,088	18,737	21,484	24,531	28,029
Equity attributable to shareholders	21,991	19,669	22,119	17,264	18,931	21,697	24,765	28,287
<b>Ratio and growth analysis</b>								
ROA	0.61%	0.14%	0.44%	-0.57%	1.01%	1.49%	1.56%	1.71%
ROE	26.2%	3.8%	10.5%	-10.8%	11.5%	15.9%	15.3%	15.4%
Growth in net earned premium	11%	-2%	-50%	2%	12%	8%	14%	23%
<b>Asset portfolio mix</b>								
- Fixed interest assets	47%	39%	35%	64%	64%	64%	64%	64%
- Equity securities & interest in investment funds	47%	60%	64%	35%	35%	35%	35%	35%
- Others	6%	1%	1%	1%	1%	1%	1%	1%
Average investment income yield	-2.6%	10.0%	3.3%	1.1%	3.4%	4.5%	4.6%	4.6%
Insurance-related expense ratio	65%	90%	79%	71%	76%	73%	73%	73%
Operating expense ratio	19%	15%	21%	20%	20%	20%	20%	20%
Growth of operating profit after tax and minorities	8%	21%	18%	19%	10%	11%	6%	15%
Growth of net profit after tax and minorities	59%	-81%	170%	-196%	-201%	55%	10%	15%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

## ESG in a nutshell



### Refinitiv ESG Scores

A-	B	B+	A	B	A
ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Governance Pillar Score

Pru scored an A- for its ESG score by Refinitiv in 2021, up from 2020's B score. Pru had adopted a new ESG strategic framework in 2020, which revolves around three core themes: i) Making health and financial security accessible, (ii) stewarding the human impact of climate change, and (iii) building social capital. To deliver these three themes, it sees three strategic enablers as key: (i) good governance and responsible business practices, (ii) responsible investment, and (iii) community engagement and investment. In 2021, Pru established a Board Responsibility and Sustainability Working Group (RSWG) to oversee its work in these areas.

### Keep your eye on

Pru announced on 7 May 2021 that it plans to de-carbonise its investment asset portfolio with the goal of becoming net zero (i.e. net carbon neutral) by 2050. Pru states that it intends to publish data on the weighted average carbon intensity of its asset portfolio in its 2021 ESG report. Its goals include (i) a 25% reduction in the carbon emissions of all shareholder and policyholder assets by 2025, (ii) divestment from all direct investments in businesses which derive more than 30% of their income from coal, with equities to be fully divested by the end of 2021 and fixed-income assets by the end of 2022, and (iii) a commitment to accelerate the transition to a low-carbon economy by engaging with the companies responsible for 65% of the emissions in our portfolio. Other targets were listed in its 2021 ESG report, including a 25% fall per full-time-employee (FTE) in Scope 1 and 2 emission reduction by 2030, and a 30% target of women in senior leadership (this was already met in 2021, with a ratio of 35%).

### Implications

We see its 2022-25 goals as a positive move, which should catalyse a further improvement in Pru's ESG ratings and its valuation.

### ESG highlights

According to Pru's 2021 ESG report, its Carbon Disclosure Project (CDP) score was B (2020: B; 2019: B; 2018: B). Its 2021 MSCI ESG rating was AA (2020: A), while its Sustainalytics ESG Risk Rating was 15.9 (2020: 22.4). Its Refinitiv Combined ESG score over the 2016-21 period has remained stable within the range of B- to B+, with it at B+ in 2021.

### Implications

With a renewed commitment to ESG in 2022, we see potential for Pru's ESG ratings to improve, which could be positive for its valuation.

### Trends

Pru's Refinitiv ESG combined score has been relatively stable over 2016-20 between B- and B, with 2021's ESG combined score of B+ its highest ever score. Its Refinitiv Environmental pillar score improved markedly in 2021 to A from C+ in 2019 and 2020 (it had fallen from a rating of B- over the 2017-18 period). Its Social pillar score has been constant at B over the 2019-21 period, after falling from B+ in 2016-18. Its Governance pillar score in 2021 was A, improved from 2020's B+, also an improvement from 2019's B and 2018's B-. Its ESG controversies score was B in 2021 (down from 2020's A+), after experiencing volatility over 2016-20 (2019: C+, 2018: A+, 2017: B+, 2016: A-).

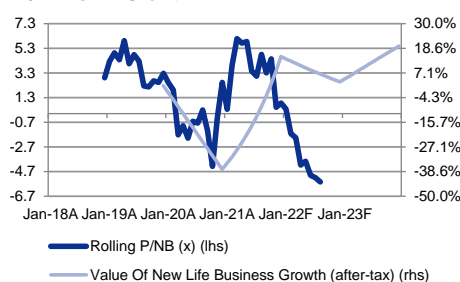
### Implications

We believe there is scope for Pru to improve its Refinitiv combined ESG score, especially its 2021's ESG controversies score, which at a rating of B is its lowest since 2013 when it scored a D rating.

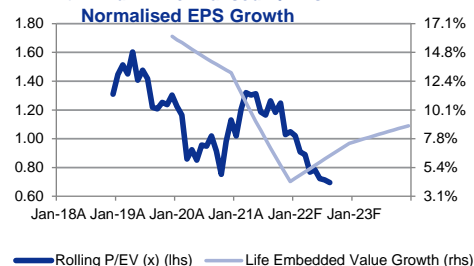
SOURCES: CGS-CIMB RESEARCH, REFINITIV

## BY THE NUMBERS

P/NB vs NB Growth



12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth



### Profit & Loss

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue	21,870	22,373	25,151	27,147	31,042
Total Claims and Changes in Reserves	(28,588)	(18,911)	(24,197)	(26,677)	(30,024)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(11,715)	(1,461)	(4,385)	(5,291)	(5,553)
Investment Income on Tech Reserve	13,762	3,486	6,182	8,591	9,221
Insurance Profit / (Loss)	2,047	2,025	1,797	3,301	3,668
Total Other Technical Income	615	641	668	696	726
<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>2,662</b>	<b>2,666</b>	<b>2,465</b>	<b>3,997</b>	<b>4,394</b>
Pretax Income/(Loss) from Assoc.	517	352	380	411	443
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>3,179</b>	<b>3,018</b>	<b>2,845</b>	<b>4,408</b>	<b>4,837</b>
Taxation	(711)	(804)	(758)	(1,174)	(1,289)
Consolidation Adjustments & Others					
Exceptional Income - post-tax	(340)	(4,234)	0	0	0
<b>Profit After Tax</b>	<b>2,128</b>	<b>(2,020)</b>	<b>2,087</b>	<b>3,233</b>	<b>3,548</b>
Minority Interests	(10)	(22)	(21)	(32)	(35)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>2,118</b>	<b>(2,042)</b>	<b>2,066</b>	<b>3,201</b>	<b>3,513</b>

### Operating Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Premium Retention Ratio (life & Health)	100.0%	100.0%	100.0%	100.0%	100.0%
Benefits Ratio (life & Health)	(131%)	(85%)	(96%)	(98%)	(97%)
Acquisition Expense Ratio (life & Health)	19.8%	18.8%	18.8%	18.8%	18.8%
Admin Expense Ratio (life & Health)	0%	0%	0%	0%	0%
Total Expense Ratio (life & Health)	21.3%	20.3%	19.6%	19.6%	19.6%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(109%)	(64%)	(77%)	(79%)	(77%)
Underwriting Profit Margin (life & Health)	(53.6%)	(6.5%)	(17.4%)	(19.5%)	(17.9%)
Operating Profit Margin (life & Health)	12.2%	11.9%	9.8%	14.7%	14.2%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(US\$m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Fixed Assets	893	478	502	527	553
Intangible Assets	961	907	952	1,000	1,050
Other Long Term Assets	509,645	194,767	204,505	214,731	225,467
<b>Total Non-current Assets</b>	<b>511,499</b>	<b>196,152</b>	<b>205,960</b>	<b>216,258</b>	<b>227,070</b>
Total Cash And Equivalents	0	0	0	0	0
Trade Debtors					
Other Current Assets	4,598	2,950	3,098	3,252	3,415
<b>Total Current Assets</b>	<b>4,598</b>	<b>2,950</b>	<b>3,098</b>	<b>3,252</b>	<b>3,415</b>
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities	10,048	408	427	444	462
<b>Total Current Liabilities</b>	<b>10,048</b>	<b>408</b>	<b>427</b>	<b>444</b>	<b>462</b>
Total Long-term Debt	9,077	6,988	7,307	7,602	7,906
Hybrid Debt - Debt Component					
Other Liabilities	474,853	174,442	182,393	189,768	197,353
<b>Total Non-current Liabilities</b>	<b>483,930</b>	<b>181,430</b>	<b>189,700</b>	<b>197,370</b>	<b>205,259</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>493,978</b>	<b>181,838</b>	<b>190,126</b>	<b>197,813</b>	<b>205,720</b>
Shareholders' Equity	20,878	17,088	18,737	21,484	24,531
Minority Interests	1,241	176	194	213	234
<b>Total Equity</b>	<b>22,119</b>	<b>17,264</b>	<b>18,931</b>	<b>21,697</b>	<b>24,765</b>
Life Embedded Value	42,808	44,646	47,945	52,170	57,449

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	(47.9%)	3.1%	12.4%	7.9%	14.3%
Operating Profit Growth (Life & Health)	40.8%	0.2%	(7.5%)	62.2%	9.9%
Value Of New Life Business Growth (after-tax)	(37.5%)	14.8%	3.0%	19.6%	23.5%
Life Embedded Value Growth	13.1%	4.3%	7.4%	8.8%	10.1%
Pre-tax Margin	14.5%	13.5%	11.3%	16.2%	15.6%
Net Profit Margin	9.7%	(9.1%)	8.2%	11.8%	11.3%
Effective Tax Rate	22.4%	26.6%	26.6%	26.6%	26.6%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Return On Average Assets	0.51%	0.62%	1.02%	1.51%	1.58%
Net Gearing	47.4%	29.7%	28.7%	26.7%	25.0%
Financial Leverage	24.04	18.84	11.39	10.66	9.78
Equity / Assets	4.0%	8.6%	9.0%	9.8%	10.6%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
VONB growth (%)	-37.5%	14.8%	3.0%	19.6%	23.5%
Embedded value growth	0.1	0.0	0.1	0.1	0.1
Benefits and claims / total net revenue	0.8	0.7	0.8	0.7	0.7
Acquisition costs / net earned premiums	0.2	0.2	0.2	0.2	0.2
Effective tax rate	0.2	0.2	0.2	0.2	0.2
Dividend payout ratio (based on operating profits)	0.2	0.2	0.2	0.1	0.1

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



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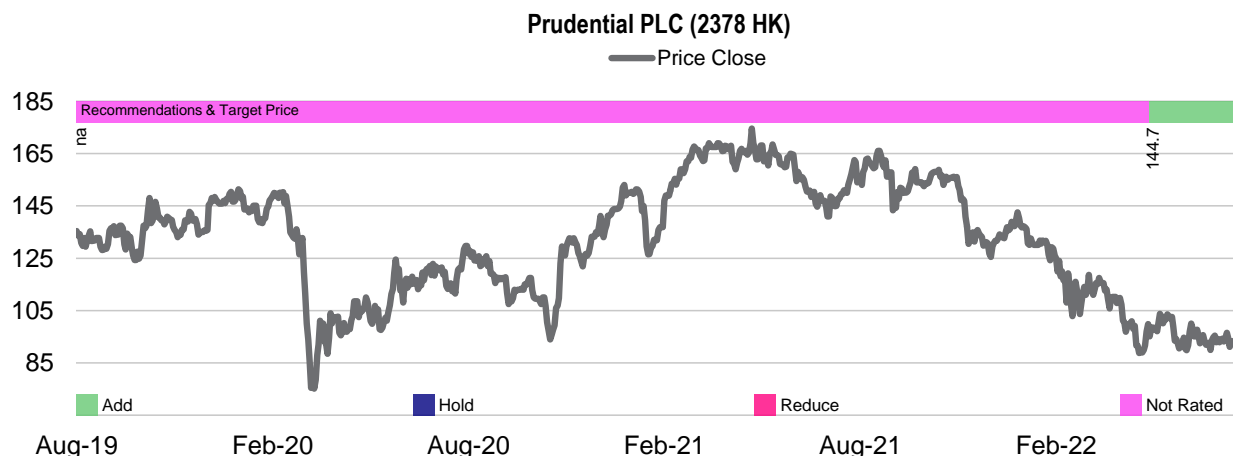
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

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



### 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.