

## Company Report

China Merchants Securities (HK) Co., Ltd.  
Hong Kong Equity Research

### CPIC (2601 HK)

#### Agent force quality improved; Maintain BUY

- Expect continued marginal improvement in 2023
- Enhanced agency force quality
- Valuation undemanding; Maintain BUY

#### Marginal improvement expected to continue in 2023

The Company's shareholder's NP dropped by 10.6% yoy in 3Q22, partly due to gloomy capital market, which affected investment performance. Total comprehensive income attributable to shareholders dropped by 73.9% yoy in 3Q22. However, Life insurance segment saw positive NBV growth for 3Q. Life NBV dropped by 37.8% yoy in 3Q22 vs. down 45.3% yoy in 1H22. The Company expects continued marginal improvement in 2023, given: 1) per-agent productivity gains that the Company achieved in 2Q and 3Q. Such momentum is likely to build up as the quality-oriented agent transformation proceeds; 2) potential improvement of NBV margin. The Company plans to sell more high-margin products by leveraging on higher quality agent force; 3) a well-prepared jump-start. Currently, the Company's preparation for the jump-start focuses on customers, including customer revisits, insurance policy alerts, and accumulation of new customers via new products. In October, the Company launched a long-term medical insurance product against cancer with return of premiums, which was well received by customers and agents, and sold 100,000 policies in the first week, helping both business development and the preparation of the Jump-start.

#### Enhanced agency force quality

The Company believes the positive NBV growth for 3Q is largely the results of: changes of agent behaviors driven by the new Basic Law, the NBS (needs-based selling) processes, and the cultivation of normalized selling based on activity management. The Company accelerated agency force restructuring towards career-based development, professionalism and digitalization, with gradually stabilized agent headcount. According to the Company, there is increasing growth of monthly average FYC per agent qoq, and productivity of new recruits within one year improved qoq.

#### Valuation undemanding; Maintain BUY

CPIC is trading at ~0.24x 22E P/EV and ~0.58x 22E P/B, valuation undemanding. Our test shows, if we eliminate CPIC's entire VIF on the market's concern that life insurers' VIF assumptions will not be met, and further apply a valuation discount equal to 5% of insurance investment assets on concern of property-related investment risk, CPIC's current P/EV ratio is still lower than 1x (Fig. 7). We estimate its NBV to drop by ~34% yoy in 2022E. Maintain BUY on valuation, and maintain EV-based TP at HKD24.3, equal to 0.37x 22E P/EV or a 41% discount to its past 5-yr average P/EV. **Key catalysts:** a good capital market, higher-than-expected NBV growth; **key downside risks:** an adverse capital market, lower-than-expected NBV growth.

#### Financials

Year ended 31 Dec (RMB mn)	2020A	2021A	2022E	2023E	2024E
Total revenues	418,964	436,331	450,828	483,191	521,245
Shareholders' net profit	24,584	26,834	23,472	25,908	29,404
EPS (RMB)	2.63	2.79	2.44	2.69	3.06
BVPS (RMB)	22.37	23.57	25.01	26.82	28.91
P/E (x)	5.55	5.23	5.98	5.42	4.78
P/B (x)	0.65	0.62	0.58	0.54	0.50
P/EV (x)	0.31	0.28	0.24	0.23	0.21
ROE (%)	12.6	12.2	10.0	10.4	11.0

Sources: Company data, CMS (HK) estimates; Note: share price is as of Nov. 24, 2022

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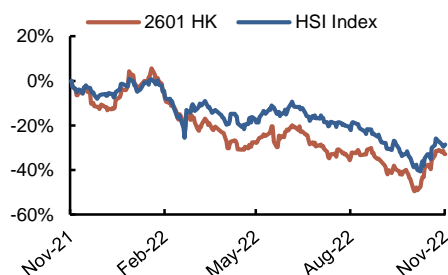
### WHAT'S NEW

Company updates

## BUY

Previous	BUY
Price (Nov. 24, 2022)	HKD16.22
12-month Target Price (Potential up/downside)	HKD24.3 (+50%)
Previous	HKD24.3

#### Price Performance



Source: Wind

%	1m	6m	12m
2601 HK	32.3	(8.0)	(33.2)
HSI	15.0	(13.5)	(29.5)

#### Sector: Insurance

Hang Seng Index (Nov. 24, 2022)	17,661
HSCEI (Nov. 24, 2022)	5,992

#### Key Data

52-week range (HKD)	12.1-25.9
Market cap (HKD mn)	200,502
Avg. daily volume (mn)	11.0

#### Shareholding Structure

HKSCC Nominees Limited	28.82%
Shenergy (Group) Co., Ltd.	14.05%
Hwabao Investment Co., Ltd.	13.35%
Shanghai State-Owned Assets Operation Co., Ltd. and Concert Parties	6.27%
Free float	37.51%
No. of shares outstanding (mn)	9,620

Source: Bloomberg, Wind, Company data

#### Related Research

1. CPIC (2601 HK) - Positive NBV growth for 3Q; Maintain BUY (BUY) (Oct. 31, 2022)
2. CPIC (2601 HK) - Valuation appealing; Maintain BUY (BUY) (Aug. 29, 2022)
3. CPIC (2601 HK) - Maintain BUY rating on valuation (BUY) (Jun. 1, 2022)

## Focus charts

Figure 1: CPIC key 3Q22 results review

(RMB mn)	3Q22	3Q21	yoy
Total life GWP	189,739	181,796	4.4%
Total life agency channel FYP	19,665	26,505	-25.8%
Life agency channel regular FYP	17,087	22,757	-24.9%
Life agency channel renewal premiums	134,418	139,876	-3.9%
Bancassurance channel FYP	20,761	1,773	n.a.
Group channel FYP	13,016	12,554	3.7%
Life NBV	7,548	n.a.	-37.8%
Total P&C GWP	133,885	118,994	12.5%
Auto	71,708	66,522	7.8%
Non-auto	62,177	52,472	18.5%
Aggregate combined ratio (%)	97.8%	99.7%	
Shareholders' net profit	20,272	22,686	-10.6%
Shareholders' total comprehensive income	4,729	18,123	-73.9%
Net investment yield (%)	4.1	4.3	
Total investment yield (%)	4.1	5.3	

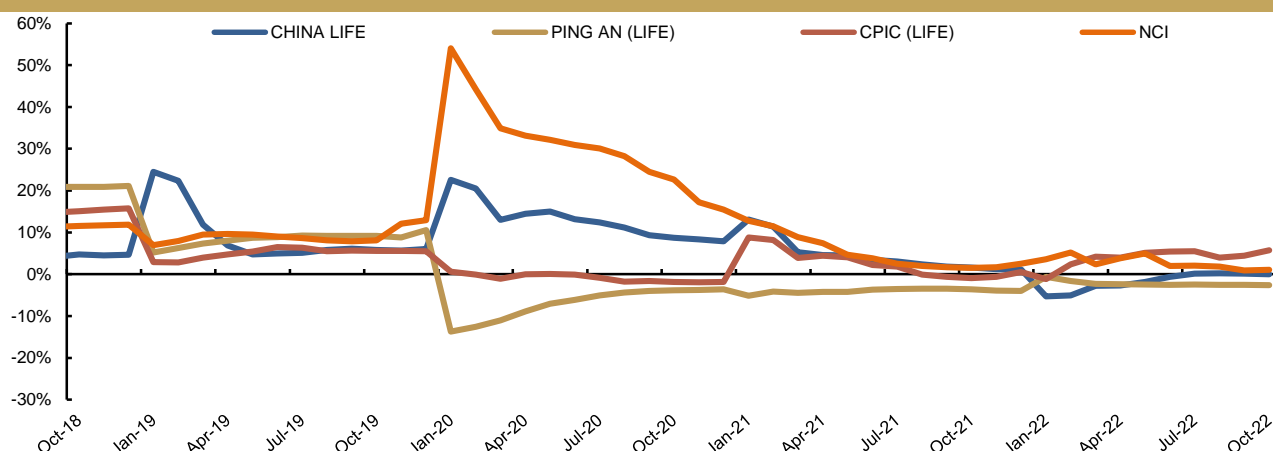
Sources: Company data, CMS (HK)

Figure 2: Life sector's key performance metrics (3Q22)

	PING AN (2318 HK) *	CHINA LIFE (2628 HK)	NCI (1336 HK)	CPIC (2601 HK)
Shareholders' net profit yoy growth	-6.3%	-35.8%	-56.6%	-10.6%
ROE (unannualized)	19.9% **	6.63%	4.94%	9.0%
Shareholders' comprehensive income yoy growth	-4.9%	n.a.	n.a.	-73.9%
Agency channel performance				
Life agent headcount yoy growth	-18.7% ***	-7.7% ***	n.a.	n.a.
Agency Channel regular FYP yoy growth	n.a.	n.a.	-25.8%	-24.9%
Life NBV yoy growth	-26.6%	-15.4%	n.a.	-37.8%
Net investment yield (annualized)	4.2%	4.12%	n.a.	4.1%
Total investment yield (annualized)	2.7%	4.03%	3.7%	4.1%

Sources: Company data, CMS (HK); Note: \* Ping An has adopted IFRS 9 since 2018; \*\* Annualized operating ROE; \*\*\* End-3Q22 YTD growth

Figure 3: Growths of accumulated life GWP



Sources: Wind, CMS (HK)

Figure 4: Allocation of investment assets

(RMB mn)	Ping An (2318 HK) (End-1H22)		China Life (2628 HK) (End-1H22)		CPIC (2601 HK) (End-1H22)		NCI (1336 HK) (End-2021)	
	Carrying Value	Percentage	Carrying Value	Percentage	Carrying Value	Percentage	Carrying Value	Percentage
Term deposits	251,787	5.9%	510,832	10.3%	218,354	11.2%	168,540	15.6%
Debt financial assets	2,834,716	66.4%	3,187,833	64.1%	1,264,723	65.2%	577,214	53.3%
Equity financial assets	543,792	12.7%	559,247	11.2%	233,393	12.0%	167,022	15.4%
Other equity financial assets *	386,441	9.0%	297,335	6.0%	163,306	8.4%	90,414	8.3%
Other investment assets	135,598	3.2%	282,765	5.7%	11,624	0.6%	64,154	5.9%
Cash, cash equivalents and others	118,445	2.8%	139,070	2.8%	49,767	2.6%	15,459	1.4%
<b>Total</b>	<b>4,270,779</b>		<b>4,977,082</b>		<b>1,941,167</b>		<b>1,082,803</b>	

Sources: Company data, CMS (HK); \*Note: other equity financial assets may include equity asset management products, private equity, equity plans, unlisted equity investments, preferred shares, and long-term equity stakes and so on.

Figure 5: Number of exclusive life insurance agents

('000)	2019	1H20	2020	1H21	3Q21	2021	1Q22	1H22	3Q22
Monthly average agent number: Ping An	1,200	1,108	1,055 *	940	706 **	796	538 ***	514	488 ****
Period end agent number: China Life	1,613	1,690	1,378	1,150	980	820	780	746	720
Monthly average agent number: CPIC	790	766	749	641	n.a.	525	n.a.	312	n.a.
Period end agent number: NCI	507	526	606	441	n.a.	389	n.a.	318	n.a.
<b>Growth</b>	<b>hoh</b>	<b>hoh</b>	<b>yoy</b>	<b>YTD</b>	<b>YTD</b>	<b>yoy</b>	<b>YTD</b>	<b>YTD</b>	<b>YTD</b>
Monthly average agent number: Ping An	-2.83%	-7.67%	-12.08%	-10.90%	-31.02% **	-24.55%	-10.41% ***	-35.43%	-18.68% ***
Period end agent number: China Life	2.54%	4.77%	-14.57%	-16.55%	-28.88%	-40.49%	-4.88%	-9.02%	-7.69%
Monthly average agent number: CPIC	-0.75%	-3.04%	-5.19%	-14.42%	n.a.	-29.91%	n.a.	-40.57%	n.a.
Period end agent number: NCI	31.35%	3.75%	19.53%	-27.23%	n.a.	-35.81%	n.a.	-18.25%	n.a.

Sources: Company data, CMS (HK); Note: \*2021 revised data; \*\* 3Q21-end figure (706K) compared with 2020-end figure (1,024K); \*\*\* 1Q22-end figure (538K) compared with 2021-end figure (600K); \*\*\*\* 3Q22-end figure (488K) compared with 2021-end figure (600K)

Figure 6: Property-related insurance investment assets of Ping An Insurance and China Pacific Insurance \*

(RMB mn)	Ping An Insurance		China Pacific Insurance	
	End-2021	End-1H22	End-2021	End-1H22
Debt schemes and Wealth management products: Real estate	98,059	86,378	75,891	77,118
Investment assets: Investment properties	100,647	115,857	7,514	11,624
Property-related Interests in associates and investment in JVs	31,254	29,720	10,943	10,936
<b>Sub-Total</b>	<b>229,960</b>	<b>231,955</b>	<b>94,348</b>	<b>99,678</b>
Total insurance investment assets	3,916,412	4,270,779	1,812,069	1,941,167
As % of total insurance investment assets (for reference)	~5.9%	~5.4%	~5.2%	~5.1%

Sources: Company data, CMS (HK); Note: Incomplete statistics only based on available figures

Figure 7: Sensitivity of P/EV (zero VIF assumed)

(RMB mn)	China Life (2628 HK) (End-1H22)	Ping An (2318 HK) (End-1H22)	CPIC (2601 HK) (End-1H22)	NCI (1336 HK) (End-2021)
Adjusted net worth	703,520	916,424	295,964	163,027
Assumed VIF	-	-	-	-
Minus: additional valuation discount equal to 5% of insurance investment assets	248,854	213,539	97,058	54,140
Minus: additional valuation discount on potential shareholders' losses from bank loans, assuming 20% loss ratio on real estate loans, construction loans, and residential mortgage loans as of end-1H22	43,079 **	119,202	-	-
Implied valuation	411,587	583,683 ***	198,906	108,887
Current market value *	281,591	708,333	142,101	47,726
Current market value * / Implied valuation	68%	121%	71%	46%

Sources: Wind, Company data, CMS (HK); Note: \* as of Nov. 24, 2022. \*\* Data of Guangfa Bank as of end-2021; \*\*\*The implied valuation for Ping An might be slightly smaller due to potential losses on property proprietary trading of Ping An Trust

Figure 8: GWPs by geography (1H22, RMB mn)

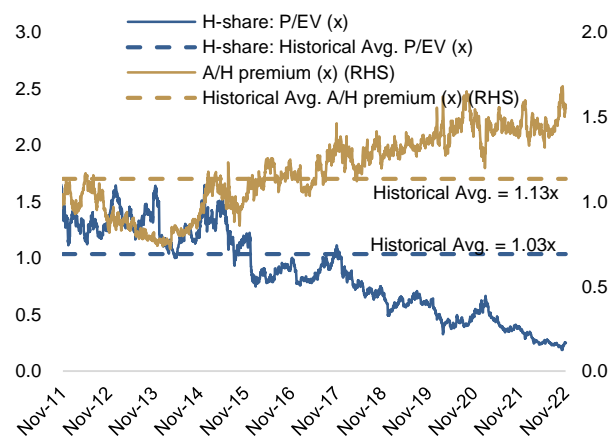
Ping An: Life GWPs			Ping An: P&C GWPs			China Life: Life GWPs		
Guangdong	57,146	17.4%	Guangdong	24,387	16.6%	Jiangsu	49,448	11.2%
Beijing	22,284	6.8%	Jiangsu	11,183	7.6%	Guangdong	42,010	9.5%
Shandong	20,448	6.2%	Zhejiang	9,510	6.5%	Zhejiang	32,526	7.4%
Jiangsu	19,102	5.8%	Shandong	8,246	5.6%	Shandong	31,349	7.1%
Zhejiang	18,118	5.5%	Shanghai	8,132	5.5%	Henan	22,436	5.1%
Others	191,358	58.3%	Others	85,334	58.1%	Others	262,200	59.6%
<b>Total</b>	<b>328,456</b>	<b>100.0%</b>	<b>Total</b>	<b>146,792</b>	<b>100.0%</b>	<b>Total</b>	<b>439,969</b>	<b>100.0%</b>

CPIC: Life GWPs			CPIC: P&C GWPs			NCI: Life GWPs (FY 2021)		
Jiangsu	16,273	10.9%	Guangdong	10,897	11.9%	Shandong	15,812	9.7%
Henan	14,888	10.0%	Jiangsu	9,843	10.7%	Henan	13,482	8.2%
Zhejiang	12,825	8.6%	Zhejiang	8,537	9.3%	Beijing	11,265	6.9%
Shandong	12,523	8.4%	Shanghai	6,037	6.6%	Guangdong	9,264	5.7%
Hebei	9,198	6.2%	Shandong	5,047	5.5%	Zhejiang	8,344	5.1%
Guangdong	7,264	4.9%	Hubei	3,909	4.3%	Shanxi	8,139	5.0%
Sichuan	6,376	4.3%	Hebei	3,619	4.0%	Jiangsu	8,058	4.9%
Heilongjiang	6,285	4.2%	Henan	3,555	3.9%	Hubei	8,036	4.9%
Hubei	6,142	4.1%	Hunan	3,377	3.7%	Hunan	6,425	3.9%
Shanxi	6,001	4.0%	Beijing	3,369	3.7%	Inner Mongolia	6,284	3.8%
Others	51,279	34.4%	Others	33,381	36.5%	Others	68,361	41.8%
<b>Total</b>	<b>149,054</b>	<b>100.0%</b>	<b>Total</b>	<b>91,571</b>	<b>100.0%</b>	<b>Total</b>	<b>163,470</b>	<b>100.0%</b>

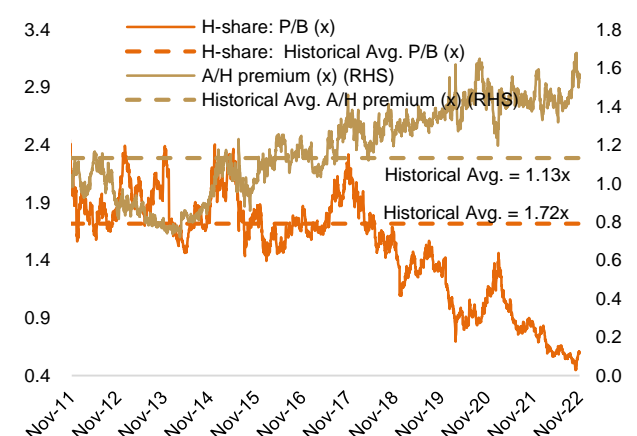
Sources: Company data, CMS (HK)

Figure 9: P/EV (Group) valuation and A/H premium of CPIC



Sources: Wind, Company data, CMS (HK) estimates

Figure 10: P/B valuation and A/H premium of CPIC



Sources: Wind, Company data, CMS (HK) estimates

## Valuation comparison

Company	Ticker	Rating	Price Local ccy	TP (HKD)	Mkt Cap (USD mn)	P/EV (x)		P/E (x)		P/B (x)		ROE (%)		Dividend Yield (%)	
						2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
<b>HK Listed Peers</b>															
Ping An	2318 HK	BUY	42.6	65.9	103,848	0.46	0.41	6.5	5.7	0.78	0.72	12.1	12.7	4.6	5.3
China Life	2628 HK	BUY	10.9	16.7	106,593	0.21	0.19	8.3	6.8	0.56	0.53	6.9	8.1	4.3	5.3
China Pacific	2601 HK	BUY	16.2	24.3	28,023	0.24	0.23	6.0	5.4	0.58	0.54	10.0	10.4	6.0	6.6
New China Life	1336 HK	BUY	16.8	24.9	10,111	0.17	0.15	5.8	4.3	0.42	0.39	7.4	9.5	5.2	7.0
ZA Online	6060 HK	BUY	17.8	30.9	3,274	n.a.	n.a.	n.a.	20.9	1.33	1.25	0.03	6.2	0.0	0.0
China Taiping *	966 HK	NR	6.9	n.a.	3,161	n.a.	n.a.	4.3	3.2	0.27	0.25	6.8	8.4	5.4	6.7
PICC Group *	1339 HK	NR	2.5	n.a.	29,106	n.a.	n.a.	4.0	3.7	0.44	0.40	11.0	11.4	7.7	8.2
PICC P&C *	2328 HK	NR	7.6	n.a.	21,871	n.a.	n.a.	5.4	5.0	0.71	0.65	13.5	13.7	7.4	7.9
China Re *	1508 HK	NR	0.5	n.a.	2,502	n.a.	n.a.	3.9	2.7	0.19	0.18	5.1	6.8	7.6	10.9
AIA *	1299 HK	NR	75.0	n.a.	112,326	n.a.	n.a.	36.1	15.4	2.25	1.99	5.9	13.7	2.0	2.2
<b>Arithmetic Average</b>						<b>0.27</b>	<b>0.24</b>	<b>8.9</b>	<b>7.3</b>	<b>0.75</b>	<b>0.69</b>	<b>7.9</b>	<b>10.1</b>	<b>5.0</b>	<b>6.0</b>
<b>Weighted Average</b>						<b>0.31</b>	<b>0.28</b>	<b>14.5</b>	<b>8.4</b>	<b>1.07</b>	<b>0.96</b>	<b>8.7</b>	<b>11.4</b>	<b>4.3</b>	<b>4.9</b>
<b>China A-share Listed Peers *</b>															
Ping An	601318 CH	NR	41.8	n.a.	103,849	n.a.	n.a.	7.1	5.6	0.86	0.77	12.1	14.8	5.9	6.2
China Life	601628 CH	NR	32.5	n.a.	106,594	n.a.	n.a.	23.6	18.3	1.88	1.74	8.0	10.7	1.6	2.1
China Pacific	601601 CH	NR	23.0	n.a.	28,014	n.a.	n.a.	9.0	7.5	0.95	0.87	10.6	12.3	4.0	4.6
New China Life	601336 CH	NR	26.9	n.a.	10,117	n.a.	n.a.	9.8	6.6	0.76	0.69	8.6	12.2	3.1	4.9
PICC Group	601319 CH	NR	5.3	n.a.	29,106	n.a.	n.a.	9.1	8.4	1.01	0.92	11.2	11.4	3.4	3.5
<b>Arithmetic Average</b>								<b>11.7</b>	<b>9.3</b>	<b>1.09</b>	<b>1.00</b>	<b>10.1</b>	<b>12.3</b>	<b>3.6</b>	<b>4.3</b>
<b>Weighted Average</b>								<b>13.9</b>	<b>11.0</b>	<b>1.27</b>	<b>1.17</b>	<b>10.2</b>	<b>12.5</b>	<b>3.7</b>	<b>4.1</b>

Company	Ticker	Rating	Price Local ccy	TP (HKD)	Mkt Cap (USD mn)	P/EV (x)		P/E (x)		P/B (x)		ROE (%)		Dividend Yield (%)	
						2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
<b>Global Peers *</b>															
GREAT-WEST LIFEC	GWO CN	NR	32.2	n.a.	22,499	n.a.	n.a.	9.5	9.0	1.23	1.22	13.0	13.9	6.1	6.5
MUENCHENER RUE-R	MUV2 GR	NR	295.8	n.a.	43,145	n.a.	n.a.	13.2	10.3	1.77	1.58	11.5	16.5	3.9	4.1
HANNOVER RUECK S	HNR1 GR	NR	180.0	n.a.	22,556	n.a.	n.a.	15.4	12.2	2.27	2.01	13.2	17.9	3.3	3.5
METLIFE INC	MET US	NR	76.7	n.a.	60,195	n.a.	n.a.	10.8	9.2	2.79	2.56	11.6	13.7	2.6	2.7
PRUDENTIAL PLC	PRU LN	NR	950.6	n.a.	31,634	n.a.	n.a.	12.7	9.9	1.82	1.54	13.0	16.4	1.6	1.7
AFLAC INC	AFL US	NR	72.0	n.a.	44,769	n.a.	n.a.	13.8	13.3	1.84	1.75	12.3	12.9	2.2	2.4
MANULIFE FIN	MFC CN	NR	24.0	n.a.	33,832	n.a.	n.a.	7.9	7.3	0.90	0.89	11.9	11.9	5.5	5.9
ALLIANZ SE-VINK	ALV GR	NR	205.5	n.a.	87,367	n.a.	n.a.	12.0	8.6	1.44	1.32	10.6	16.6	5.5	5.9
SAMSUNG LIFE INS	032830 KS	NR	69,600.0	n.a.	10,435	n.a.	n.a.	10.5	8.9	0.49	0.47	3.9	5.3	4.2	4.8
AEGON NV	AGN NA	NR	4.7	n.a.	10,349	n.a.	n.a.	6.8	6.3	0.48	0.45	2.7	7.2	4.9	6.3
AXA SA	CS FP	NR	27.3	n.a.	66,349	n.a.	n.a.	8.9	8.1	1.20	1.11	11.6	14.0	6.1	6.5
DAI-ICHI LIFE	8750 JP	NR	2,484.5	n.a.	18,468	n.a.	n.a.	6.8	10.0	0.51	0.62	7.2	5.4	3.3	3.5
<b>Average</b>								<b>10.7</b>	<b>9.4</b>	<b>1.39</b>	<b>1.29</b>	<b>10.2</b>	<b>12.6</b>	<b>4.1</b>	<b>4.5</b>

Sources: Company data, Bloomberg, CMS (HK) estimates; Share prices are as of Nov. 24, 2022; \* forecast is based on Bloomberg consensus.

## Financial Summary

### Consolidated Statement of Financial Position

Year ended 31 Dec (RMB mn)	2020A	2021A	2022E	2023E	2024E
Property, plant and equipment	19,293	20,142	20,142	20,142	20,142
Investment properties	7,866	7,514	7,976	8,758	9,594
Goodwill and other intangible assets	4,680	4,851	4,948	5,047	5,148
Investments in associates and joint ventures	24,443	26,984	27,524	28,074	28,636
Fixed income financial assets (excluding TD, restricted statutory deposits and policy loans)	1,028,441	1,099,964	1,204,913	1,323,724	1,450,836
Equity financial assets	289,724	360,474	391,213	431,699	475,041
Term deposits	192,966	196,519	216,347	237,549	260,233
Statutory deposits	6,858	7,428	7,428	7,428	7,428
Policy loans	62,364	66,950	69,789	76,629	83,946
Financial assets purchased under agreements to resell	14,327	13,432	32,980	36,212	39,670
Interest and insurance receivables	50,435	57,321	65,919	75,807	87,178
Deferred tax assets	845	1,998	2,038	2,079	2,120
Reinsurance assets	27,719	30,872	33,959	37,355	41,091
Other assets	20,165	19,170	23,078	24,363	24,850
Cash and short-term time deposits	20,878	32,545	35,812	39,322	43,077
<b>Total assets</b>	<b>1,771,004</b>	<b>1,946,164</b>	<b>2,144,067</b>	<b>2,354,188</b>	<b>2,578,989</b>
Insurance contracts	1,225,176	1,385,333	1,535,132	1,688,819	1,849,121
Investment contracts	87,056	102,773	118,189	135,917	156,305
Financial assets sold under agreements to repurchase	90,825	73,441	82,254	92,124	103,179
Policyholder dividends payable	24,351	24,176	24,660	25,153	25,656
Premiums received in advance	27,983	25,154	30,185	36,222	43,466
Payables to reinsurers	5,501	7,638	8,784	10,101	11,616
Bonds payable	9,991	9,995	10,095	10,196	10,298
Other liabilities	72,835	79,295	80,881	82,499	84,148
Current income tax liabilities	1,396	2,353	2,706	3,112	3,579
Deferred tax liabilities	5,055	3,601	4,141	4,762	5,477
<b>Total liabilities</b>	<b>1,550,169</b>	<b>1,713,759</b>	<b>1,897,026</b>	<b>2,088,905</b>	<b>2,292,846</b>
Share capital	9,620	9,620	9,620	9,620	9,620
Reserves and retained earnings	205,604	217,121	230,973	248,431	268,508
<b>Shareholders' equity</b>	<b>215,224</b>	<b>226,741</b>	<b>240,593</b>	<b>258,051</b>	<b>278,128</b>
<b>Total equity</b>	<b>220,835</b>	<b>232,405</b>	<b>247,041</b>	<b>265,283</b>	<b>286,144</b>

### Consolidated Statement of Income

Year ended 31 Dec (RMB mn)	2020A	2021A	2022E	2023E	2024E
Gross written premiums and policy fees	362,064	366,782	392,186	422,064	456,819
<b>Net premiums earned and policy fees</b>	<b>331,639</b>	<b>339,535</b>	<b>363,570</b>	<b>390,511</b>	<b>421,974</b>
Investment income	82,740	91,643	81,830	86,805	92,904
Other income	4,585	5,153	5,428	5,875	6,367
<b>Total revenues</b>	<b>418,964</b>	<b>436,331</b>	<b>450,828</b>	<b>483,191</b>	<b>521,245</b>
Insurance benefits and claims	(281,903)	(309,478)	(328,287)	(348,642)	(373,240)
Other operating and administrative expenses	(90,074)	(77,032)	(74,934)	(82,474)	(90,816)
Interest credited to investment contracts	(3,344)	(4,007)	(4,408)	(4,848)	(5,333)
Policyholder dividends resulting from participation in profits	(11,512)	(12,376)	(12,995)	(13,645)	(14,327)
<b>Total benefits, claims and expenses</b>	<b>(386,833)</b>	<b>(402,893)</b>	<b>(420,623)</b>	<b>(449,609)</b>	<b>(483,715)</b>
Share of profits and losses of associates and joint ventures	512	799	999	1,149	1,263
Finance costs	(3,405)	(3,441)	(3,580)	(3,779)	(3,990)
<b>Profit before income tax</b>	<b>29,238</b>	<b>30,796</b>	<b>27,625</b>	<b>30,951</b>	<b>34,803</b>
Income tax expense	(3,886)	(3,178)	(3,368)	(4,259)	(4,615)
<b>Net profit for the year</b>	<b>25,352</b>	<b>27,618</b>	<b>24,256</b>	<b>26,692</b>	<b>30,188</b>
Attributable to:					
<b>Owners of the parent</b>	<b>24,584</b>	<b>26,834</b>	<b>23,472</b>	<b>25,908</b>	<b>29,404</b>

### Financial Ratios

	2020A	2021A	2022E	2023E	2024E
EPS for ordinary shares (RMB)	2.63	2.79	2.44	2.69	3.06
BVPS for ordinary shares (RMB)	22.37	23.57	25.01	26.82	28.91
Life NBV per share (RMB)	1.85	1.39	0.92	1.00	1.09
Life EV per share (RMB)	35.48	39.15	43.43	48.17	53.40
Group EV per share (RMB)	47.74	51.80	59.65	64.61	70.17
ROE (%)	12.6	12.2	10.0	10.4	11.0
GWP and policy fees growth yoy	4.2%	1.3%	6.9%	7.6%	8.2%
New business value growth yoy	-27.5%	-24.8%	-34.0%	8.8%	9.1%

Sources: Company data, CMS (HK) estimates

### Consolidated Statement of Cash Flows

Year ended 31 Dec (RMB mn)	2020A	2021A	2022E	2023E	2024E
Net cash from operating activities	108,063	108,407	93,725	93,965	96,702
Net cash from investing activities	(136,068)	(66,094)	(76,948)	(95,840)	(98,413)
Net cash from financing activities	21,448	(31,371)	6,389	8,616	8,924
Effect of foreign exchange rate changes	(1,222)	(82)	0	0	0
<b>Net increase in cash and cash equivalents</b>	<b>(7,779)</b>	<b>10,860</b>	<b>23,165</b>	<b>6,742</b>	<b>7,213</b>
<b>Cash and cash equivalents at end of year</b>	<b>34,767</b>	<b>45,627</b>	<b>68,792</b>	<b>75,534</b>	<b>82,747</b>
Attributable to:					
<b>Cash and short term deposits</b>	<b>20,440</b>	<b>32,195</b>	<b>35,812</b>	<b>39,322</b>	<b>43,077</b>

## Investment Ratings

Industry Rating	Definition
OVERWEIGHT	Expect sector to outperform the market over the next 12 months
NEUTRAL	Expect sector to perform in-line with the market over the next 12 months
UNDERWEIGHT	Expect sector to underperform the market over the next 12 months

Company Rating	Definition
BUY	Expect stock to generate 10%+ return over the next 12 months
HOLD	Expect stock to generate +10% to -10% over the next 12 months
SELL	Expect stock to generate loss of 10%+ over the next 12 months

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