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China Insurance

2Q26 insurance funds: Total scale hit RMB40tn; equity exposure continued to rise on stock rally

OUTPERFORM (Maintain)

The NFRA reported 2Q26 insurance fund investments. Total insurance funds topped RMB40.8tn, up 3.5% QoQ/12.7% YoY, sustaining a streak of double-digit rise for 12 consecutive quarters, at a pace in line with the growth of the industry's total assets (+11.8% YoY). The industry's total assets/net assets grew 6.2%/11.1% from year-start or 3.3%/7.7% QoQ, with the net asset growth staying more robust mainly driven by the uptrend in fair value of bonds and equities in our view, i.e. China's 10yr govt. bond yield was down 8.1bps in 2Q26 (vs -3.9bps in 1Q26) with the CSI 300 index up 12% in 2Q26 (vs. -3.9% in 1Q26). Insurance funds from personal life/P&C companies totalled RMB36.9tn/RMB2.5tn (90.3%/6.2% mix), up 6.4%/4.9% from year-start. On the asset allocation front, we see highlights of 1) rising exposure in core equities to 16.2% by 1H26, up 0.7pct QoQ alongside the market rally, with positions in equity funds rising 10.9% QoQ mainly driven by the increase from P&C insurers; 2) bonds remaining the ballast of insurance fund, making up over half of the exposure (50.5%); 3) long-term equity (LTE) and bank deposit growth deceleration in 2Q for both life and P&C peers; and 4) other assets (i.e. non-standard assets) returning to low single-digit QoQ growth. In 2Q26, life core/comprehensive solvency was 119.6%/169.7%, +1.5pct/-1pct QoQ, largely stable led by the industry top peers.

- **Better fair value equity gains in 2Q likely reflected in TPL stocks and funds.** Total insurance funds amounted to RMB40.8tn in 1H26, up 3.5 QoQ/12.7% YoY, marking a streak of double-digit increase for 12 consecutive quarters supported by robust premium growth. In 1H26, the industry total premiums/net assets/total assets grew 3.2%/ 8.4%/11.8% YoY, with the weakening premium growth in 2Q mainly dragged by a high base from a pull-forward demand prior to the PIR cuts in Sep 2025. Net assets rose 11.1% from year-start, outpacing total assets (+6.2%), driven by the fair value gains from both bonds and equities. In 2Q26, high-yield and defensive stocks lagged in performance, as the CSI Dividend/CSI Dividend Low Volatility index dipped 12%/13% (*Fig.9*), leaving the fair value equity gains mainly coming from TPL stocks and equity funds, in our view, which could boost the insurers' 1H net earnings.
- **Core equity exposure rose to 16.2% amid the market rally.** In 1H26, core equities amounted to RMB6.4tn, up 8.3% QoQ, making up 16.2% of investment assets, up 0.7pct QoQ. Positions in stocks increased 6.9% QoQ to RMB4.1tn (10.4% mix, up 0.3pct QoQ), and equity funds grew more notably by 10.9% QoQ to RMB2.3tn (5.8% mix, up 0.4pct QoQ) driven by a rebound in demand from both life and P&C insurers. We expect core equity allocations of major listed insurers to continue to rise in 2H26E while upside could be capped, given concerns around core solvency and heightened volatilities of net profit and NAV.
- **Bonds remained the ballast of investment and stayed flat QoQ.** In 1H26, bond investments totalled RMB19.9tn, up 3.6% QoQ, making up 50.5% of total insurance fund investments, staying flat QoQ. For life and P&C insurers, bond investments grew 3.8%/1.4% QoQ to RMB18.9/1.0tn in 1H26, indicating a mix of 51.2%/40.5%. We think the increase in bond investments met life peers' demand for asset-liability duration match against the backdrop of a prolonged low-interest rate environment and shortage of quality high-yield assets.
- **Life core solvency stayed robust led by industry top-runners.** As of 2Q26, life core/comprehensive solvency ratio was 119.6%/169.7%, +1.5pct/-1.0pct QoQ (1Q26: +3.1pct/1.4pct QoQ). Life core solvency ratio may stabilize among key peers, i.e. China Life and Ping An Life, while industry-wide pressure may still restrict small- and medium-sized insurers' capital allocation to core equities, in our view. By 2Q26, P&C core/comprehensive solvency ratio was 214.3%/247%, up 3.7pct/4.4pct QoQ.
- **Maintain sector OUTPERFORM.** The sector is trading at 0.25x-0.52x FY26E P/EV and 0.52x-1.02x FY26E P/B with a yield of 3%-7%. We recommend BUY

China Insurance Sector

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on the industry top-runners, including Ping An (2318 HK, BUY, TP: HK$86), China Life (2628 HK, BUY, TP: HK$34) and AIA (1299 HK, BUY, TP: HK$112), and remain constructive on an improving insurance fund allocation structure to underpin the sector's re-rating.

- **Key risks:** 1) regulatory tightening on life and P&C companies; 2) heightened equity market volatilities; 3) a prolonged low-interest rate environment; 4) significantly lower-than-expected new policy sales; 5) a sharp decline in agency force; 6) intensified P&C pricing competition; 7) asset quality deterioration, etc.

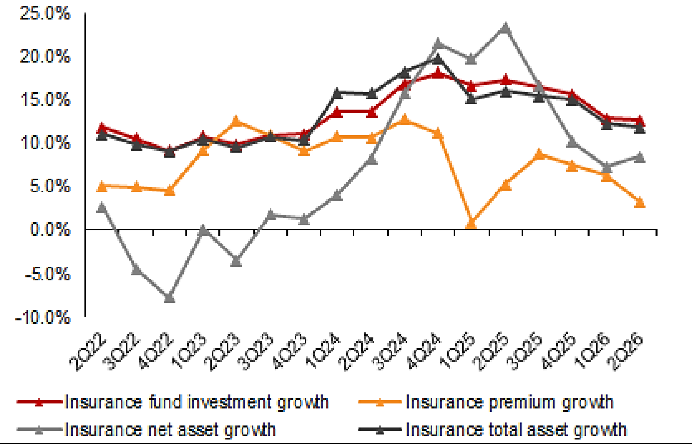
Valuation

Company	Ticker	Rating	Target price (LC)	Mkt Cap (LC bn)	P/EV(x)		P/B (x)		Yield (%)	
					FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Mainland/HK:										
Ping An	2318 HK	BUY	86.0	992	0.52x	0.49x	0.74x	0.68x	6.2%	6.5%
China Life	2628 HK	BUY	34.0	791	0.43x	0.40x	0.96x	0.82x	3.8%	4.0%
CPIC	2601 HK	BUY	40.0	276	0.36x	0.33x	0.67x	0.58x	5.4%	6.2%
China Taiping	966 HK	BUY	15.0	74	0.25x	0.22x	0.67x	0.61x	3.2%	3.1%
PICC P&C	2328 HK	BUY	20.0	343	n.a	n.a	0.96x	0.89x	5.4%	6.1%
ZhongAn Online	6060 HK	BUY	18.0	18	n.a	n.a	0.59x	0.56x	0.0%	0.0%
Sunshine Group	6963 HK	NR	n.a	39	0.25x	0.22x	0.52x	0.48x	7.0%	7.2%
				Average	**0.38x**	**0.35x**	**0.74x**	**0.67x**	**4.8%**	**5.1%**
Regionals:										
AIA	1299 HK	BUY	112.0	759	1.13x	1.00x	2.11x	1.94x	2.9%	3.2%
Prudential	2378 HK	BUY	137.8	276	0.88x	0.76x	1.61x	1.45x	2.1%	2.5%
				Average	**1.01x**	**0.88x**	**1.86x**	**1.69x**	**2.2%**	**2.5%**

Source: Bloomberg, CMBIGM estimates | Note: stock price data quoted by market close on Aug 17 2026 (Mon); earnings forecasts for Sunshine Group (6963 HK, NR) are based on the Bloomberg consensus.

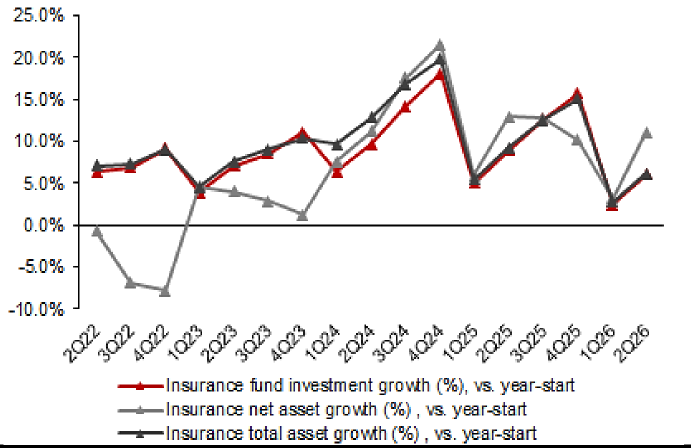
Focus Charts

Fig. 1: China's stock market index performance (%)



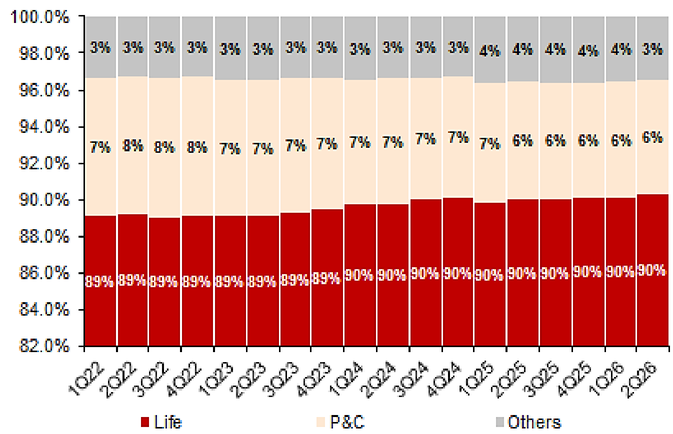
Source: NFRA, CMBIGM

Fig. 2: Insurance funds vs. Total assets vs. Net assets growth from year-start (%)



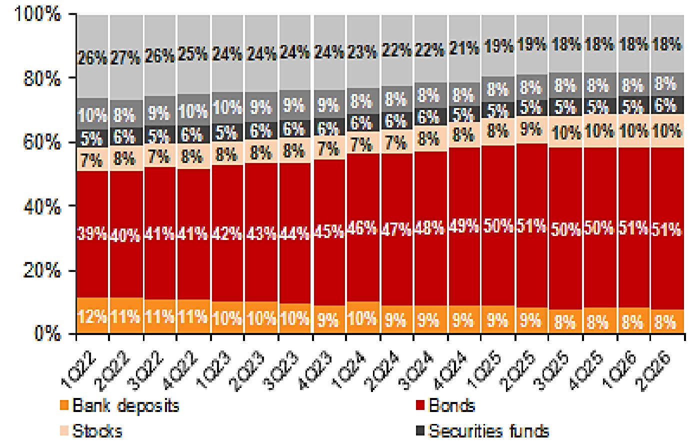
Source: NFRA, CMBIGM

Fig. 3: Insurance fund composition by Life/P&C/Other companies (%)



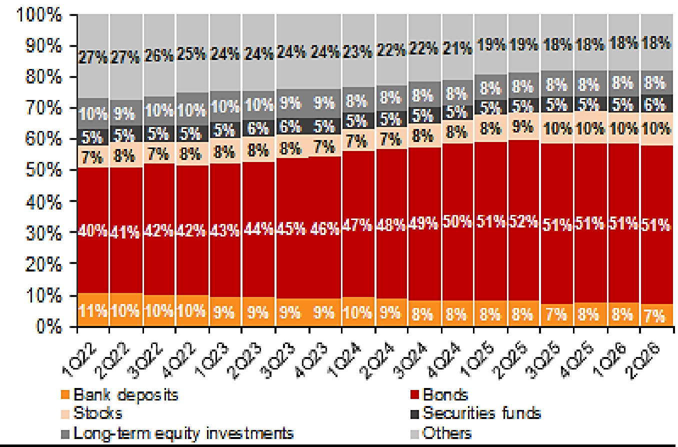
Source: NFRA, CMBIGM

Fig. 4: Insurance funds asset allocation (incl. Life and P&C insurance companies), 1Q22-1Q26



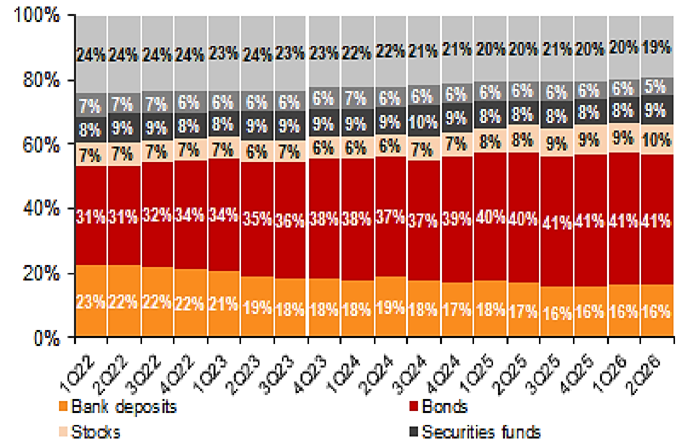
Source: NFRA, CMBIGM

Fig. 5: Life insurance funds asset allocation (%)



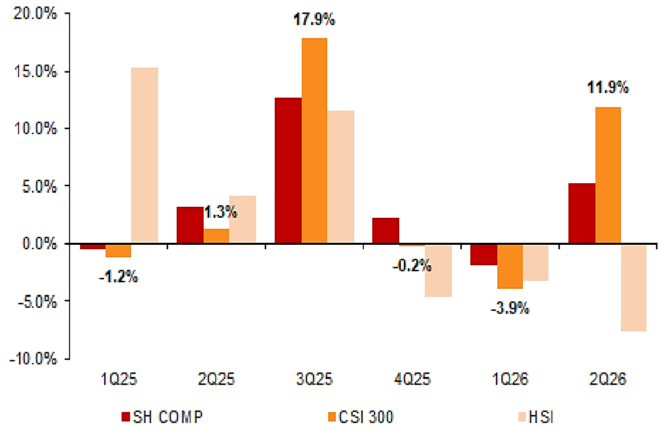
Source: NFRA, CMBIGM

Fig. 6: P&C insurance funds asset allocation (%)



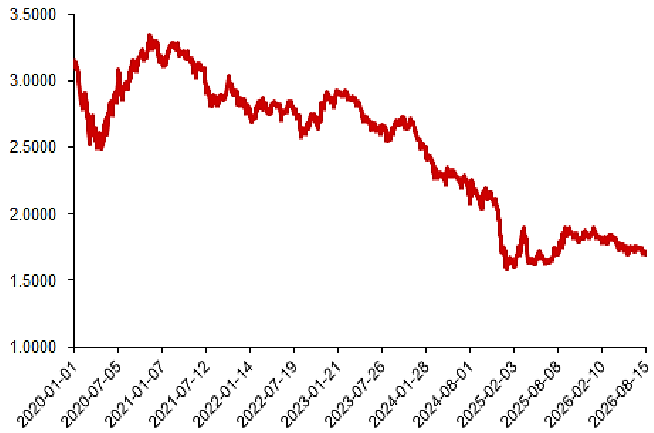
Source: NFRA, CMBIGM

Fig. 7: Life insurance funds asset allocation (%)



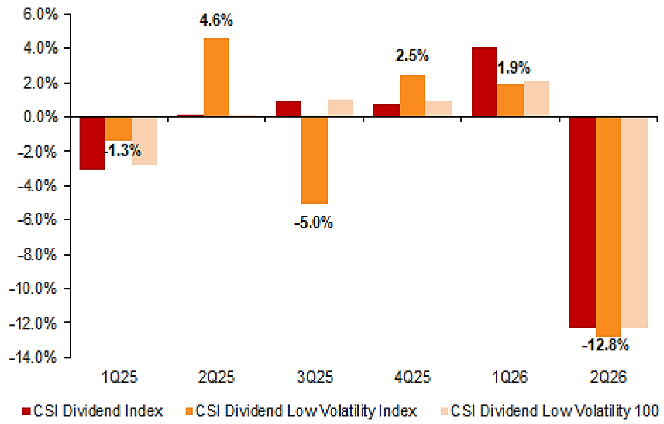
Source: Wind, CMBIGM

Fig. 8: China's 10-year government bond yield (%)



Source: Wind, CMBIGM

Fig. 9: CSI Dividend and Dividend Low Volatility Index



Source: Wind, CMBIGM

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