

# China Insurance

## 1H22 results preview

Chinese insurers are scheduled to report 1H22 results in the last two weeks of August 2022. We expect to see YoY improvements on underwriting margin for P&C insurers. For life insurers, however, we expect the new business momentum remained weak in 1H22, despite sequential increases in 2Q22 compared to 1Q22.

■ **We expect P&C insurers to report YoY improvement in underwriting margin.** We expect PICC P&C to deliver double-digit underwriting profit growth in 1H22, driven by: 1) YoY improvement of combined ratio in 1H22 owing to lower loss ratio of auto insurance line and more disciplined expense management of non-auto business in 1H22, and 2) 10% growth of premium income. For Zhong An, we believe the online insurer will maintain underwriting profitable and deliver YoY improvement in combined ratio, although the underwriting profit was offset by short-term investment return fluctuations. We expect Zhong An's premium income growth will pick up in 2H22, as the base of 1H22 was low due to tightened regulatory measures.

■ **Expect weak 1H22 results for life insurers, but sequential improvement in 2Q22 vs 1Q22.** We expect listed life insurers to report marginal improvement in new business momentum along with better investment returns in 2Q22 compared to 1Q22. That said, VNB margin is on the decline, based on our estimates, as the new business contribution from low-margin businesses ramped up, i.e. bancassurance and short-term savings products. Given the high-margin agency business still suffered from headcount losses from Covid lockdowns in 2Q22, we expect major life insurers to report double-digit VNB decline in 1H22. We trim FY22 VNB estimates as the pandemic situations persist into 2H22.

■ **Valuation:** Life insurers' H shares are trading at 0.12x-0.50x P/EV FY22E and 0.3x-0.8x P/BV FY22E, at historical troughs of valuation. We believe the worst is over for China's life insurers and the sequential improvement in fundamentals will support valuation in 2H22. PICC P&C is trading at 0.7x P/BV FY22E, and Zhong An is at 0.8x P/S FY22E, both at the lower end of the historical trading range. We maintain PICC P&C (2328 HK) as our top pick for the insurance space, and also like Ping An (2318 HK) and CPIC (2601 HK) for their proactive life insurance channel reforms.

### Valuation Table

Name	Ticker	Mkt Cap (LC bn)	Price (LC)	P/EV (x)		P/B (x)		ROE (%)	
				FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Ping An	2318 HK	852.74	45.00	0.5 x	0.4 x	0.8 x	0.7 x	11.9	14.1
China Life	2628 HK	731.39	11.72	0.2 x	0.2 x	0.6 x	0.5 x	11.0	9.1
CPIC	2601 HK	205.39	16.68	0.2 x	0.2 x	0.6 x	0.5 x	12.1	9.9
NCL	1336 HK	86.49	18.52	0.2 x	0.2 x	0.4 x	0.4 x	14.2	10.0
Taiping	966 HK	29.56	8.09	0.1 x	0.1 x	0.3 x	0.3 x	5.1	6.2
PICC Group	1339 HK	208.69	2.31	0.3 x	0.3 x	0.4 x	0.3 x	10.5	11.6
PICC P&C	2328 HK	170.84	7.59	n.a.	n.a.	0.6 x	0.6 x	11.3	12.6
Zhong An	6060 HK	30.13	20.50	n.a.	n.a.	1.3 x	1.2 x	0.1	0.0
Ping An -A	601318 CH	739.93	41.46	0.5 x	0.5 x	0.9 x	0.8 x	11.9	14.1
China Life-A	601628 CH	650.41	27.51	0.6 x	0.5 x	1.6 x	1.5 x	11.0	9.1
CPIC-A	601601 CH	176.91	20.02	0.4 x	0.3 x	0.8 x	0.8 x	12.1	9.9
NCL-A	601336 CH	75.38	28.14	0.3 x	0.3 x	0.8 x	0.7 x	14.2	10.0
PICC Grp-A	601319 CH	181.93	4.63	0.7 x	0.6 x	0.9 x	0.8 x	10.5	11.6
Average				0.4 x	0.3 x	0.8 x	0.7 x	10.7	9.8

Source: Company data, CMBIGM estimates

**OUTPERFORM**  
(Maintain)

### China Financials Sector

**Gigi Chen, CFA**

(852) 3916 3739

gigichen@cmbi.com.hk

**Nika MA**

(852) 3900 0805

nikama@cmbi.com.hk

### Chinese insurers: 1H22 earnings results reporting schedule

Name	1H22 results release date
PICC Group	26-Aug after market close
PICC P&C	26-Mar after market close
Taiping	29-Aug after market close
China Life	26-Aug after market close
Zhong An	25-Aug after market close
Ping An	24-Aug after market close
NCL	31-Aug after market close
CPIC	29-Aug after market close

Source: Company data

### Stocks Covered:

Ticker	Rating	Target Price	Upside
2318 HK	BUY	73.07	62%
601318CH	BUY	62.71	51%
2628 HK	BUY	17.22	47%
601628CH	SELL	17.74	-36%
2601 HK	BUY	24.36	46%
601601CH	BUY	25.09	25%
1336 HK	BUY	26.33	42%
601336CH	SELL	26.14	-7%
966 HK	BUY	11.19	40%
1339 HK	BUY	3.82	65%
601319CH	SELL	4.10	-11%
2328 HK	BUY	12.21	61%
6060 HK	BUY	28.43	39%

Source: Company data, CMBIS estimates

### Recent Reports:

1. ST loan and special bond drive TSF beat; P&C momentum rebounded ([link](#))
2. Manageable impact of Henan village banks' incident ([link](#))
3. Ping An agency scale bottoming out; Retail banking business to remain muted ([link](#))

Figure 1: Chinese insurers: Valuation comparison

Ticker	Company	Price(LC)	Rating	TP(LC)	Upside	P/BV				Dividend yield			
						FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
2318 HK	Ping An	45.00	BUY	73.07	62%	0.9 x	0.8 x	0.7 x	0.7 x	6.3%	5.7%	7.3%	8.4%
2628 HK	China Life	11.72	BUY	17.22	47%	0.6 x	0.6 x	0.6 x	0.5 x	6.5%	5.6%	6.3%	7.5%
2601 HK	CPIC	16.68	BUY	24.36	46%	0.6 x	0.6 x	0.5 x	0.5 x	7.0%	5.9%	7.1%	8.6%
1336 HK	NCL	18.52	BUY	26.33	42%	0.5 x	0.4 x	0.4 x	0.4 x	9.1%	6.8%	8.8%	10.7%
966 HK	Taiping	8.09	BUY	11.19	40%	0.3 x	0.3 x	0.3 x	0.3 x	5.7%	4.7%	6.2%	7.2%
1339 HK	PICC Group	2.31	BUY	3.82	65%	0.4 x	0.4 x	0.3 x	0.3 x	8.3%	9.2%	11.0%	12.1%
2328 HK	PICC P&C	7.59	BUY	12.21	61%	0.7 x	0.7 x	0.6 x	0.6 x	6.2%	6.8%	8.2%	9.2%
6060 HK	Zhong An	20.50	BUY	28.43	39%	1.4 x	1.3 x	1.2 x	1.1 x	0.0%	0.0%	0.0%	0.0%
601318 CH	Ping An	41.46	BUY	62.71	51%	0.9 x	0.9 x	0.8 x	0.7 x	5.9%	5.3%	6.8%	7.8%
601628 CH	China Life	27.51	SELL	17.74	-36%	1.6 x	1.6 x	1.5 x	1.5 x	2.4%	2.1%	2.3%	2.7%
601601 CH	CPIC	20.02	BUY	25.09	25%	0.8 x	0.8 x	0.8 x	0.7 x	5.0%	4.2%	5.1%	6.2%
601336 CH	NCL	28.14	SELL	26.14	-7%	0.8 x	0.8 x	0.7 x	0.6 x	5.1%	3.8%	5.0%	6.0%
601319 CH	PICC Group	4.63	SELL	4.10	-11%	0.9 x	0.9 x	0.8 x	0.7 x	3.5%	3.9%	4.7%	5.2%

		P/EV (Group)				New Business Multiplier				ROE(%)			
		FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
2318 HK	Ping An	0.5 x	0.5 x	0.4 x	0.4 x	(18.8) x	(27.7) x	(29.2) x	(31.4) x	12.9%	11.9%	14.1%	14.8%
2628 HK	China Life	0.2 x	0.2 x	0.2 x	0.2 x	(20.7) x	(25.6) x	(27.0) x	(27.6) x	11.8%	11.0%	9.1%	9.9%
2601 HK	CPIC	0.3 x	0.2 x	0.2 x	0.2 x	(27.2) x	(42.9) x	(45.7) x	(45.8) x	12.5%	12.1%	9.9%	11.3%
1336 HK	NCL	0.2 x	0.2 x	0.2 x	0.2 x	(35.3) x	(49.3) x	(48.1) x	(46.5) x	15.4%	14.2%	10.0%	12.0%
966 HK	Taiping	0.1 x	0.1 x	0.1 x	0.1 x	(20.7) x	(22.2) x	(23.2) x	(24.3) x	7.8%	8.4%	5.1%	6.2%
1339 HK	PICC Group	0.3 x	0.3 x	0.3 x	0.2 x	(79.0) x	(92.7) x	(99.2) x	(104) x	10.2%	10.5%	11.6%	11.7%
601318 CH	Ping An	0.5 x	0.5 x	0.5 x	0.4 x	(16.8) x	(25.2) x	(27.0) x	(29.4) x	12.9%	11.9%	14.1%	14.8%
601628 CH	China Life	0.6 x	0.6 x	0.5 x	0.5 x	(9.5) x	(13.2) x	(15.3) x	(17.0) x	11.8%	11.0%	9.1%	9.9%
601601 CH	CPIC	0.4 x	0.4 x	0.3 x	0.3 x	(22.8) x	(36.6) x	(39.8) x	(40.6) x	12.5%	12.1%	9.9%	11.3%
601336 CH	NCL	0.3 x	0.3 x	0.3 x	0.3 x	(28.6) x	(40.2) x	(39.5) x	(38.4) x	15.4%	14.2%	10.0%	12.0%
601319 CH	PICC Group	0.7 x	0.7 x	0.6 x	0.6 x	(32.5) x	(43.7) x	(52.1) x	(59.1) x	10.2%	10.5%	11.6%	11.7%

		P&C premium growth				Combined ratio				Expense ratio			
		FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
2318 HK	Ping An	-5.5%	10.0%	10.0%	10.0%	98.0%	98.0%	98.0%	98.0%	31.0%	30.9%	30.9%	30.9%
2601 HK	CPIC	3.3%	9.6%	9.6%	9.7%	99.0%	99.0%	99.0%	99.0%	29.4%	29.4%	29.4%	29.4%
966 HK	Taiping	5.4%	5.0%	5.0%	5.0%	105.9%	103.0%	101.0%	101.0%	35.0%	45.0%	45.0%	45.0%
2328 HK	PICC P&C	3.8%	10.0%	10.0%	10.0%	99.6%	99.0%	98.6%	98.6%	25.9%	25.0%	25.0%	25.0%
6060 HK	Zhong An	0.2%	0.1%	0.2%	0.2%	99.6%	98.9%	98.8%	97.9%	42.0%	41.6%	42.6%	42.8%

Source: Company data, CMBIGM

**Figure 2: Chinese insurers: TP and Ratings Changes (%)**

	Ticker	Prev. Rating	Prev. TP (LC)	New Rating	New TP (LC)	TP Chg.
Ping An	2318 HK	BUY	79.09	BUY	73.07	-7.6%
	601318 CH	BUY	65.64	BUY	62.71	-4.5%
China Life	2628 HK	BUY	19.07	BUY	17.22	-9.7%
	601628 CH	SELL	18.99	SELL	17.74	-6.6%
CPIC	2601 HK	BUY	30.49	BUY	24.36	-20.1%
	601601 CH	BUY	30.37	BUY	25.09	-17.4%
NCL	1336 HK	BUY	32.35	BUY	26.33	-18.6%
	601336 CH	SELL	26.85	SELL	26.14	-2.6%
Taiping	966 HK	HOLD	11.48	BUY	11.19	-2.5%
PICC Group	1339 HK	BUY	3.58	BUY	3.82	6.7%
	601319 CH	SELL	3.72	SELL	4.10	10.3%
PICC P&C	2328 HK	BUY	11.64	BUY	12.21	4.9%
Zhong An	6060 HK	BUY	33.20	BUY	28.43	-14.4%

Source: Company data, CMBIGM

**Figure 3: Chinese insurers: Forecast revisions**

(RMB)		New forecast		Old forecast		Change (%)		Consensus		Difference (%)	
		FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Ping An	VNB/share	1.61	1.85	1.93	2.10	-16.4%	-12.2%				
	EV/share	82.04	91.36	82.89	92.60	-1.0%	-1.3%				
	EPS	5.51	7.04	6.31	7.17	-12.7%	-1.8%	6.64	7.89	-17.0%	-10.8%
	BVPS	47.75	51.97	48.23	52.53	-1.0%	-1.1%	48.73	54.11	-2.0%	-3.9%
China Life	VNB/share	1.43	1.52	1.43	1.58	0.0%	-3.9%				
	EV/share	46.41	50.83	46.41	50.80	0.0%	0.1%				
	EPS	1.80	1.54	1.80	1.80	0.0%	-14.4%	1.67	2.09	7.6%	-26.4%
	BVPS	17.33	17.99	17.59	18.52	-1.5%	-2.8%	17.81	19.27	-2.7%	-6.6%
CPIC	VNB/share	0.98	1.05	1.37	1.56	-28.4%	-32.4%				
	EV/share	56.02	61.93	54.38	58.63	3.0%	5.6%				
	EPS	2.36	2.84	3.04	3.44	-22.2%	-17.6%	2.85	2.61	-17.1%	8.6%
	BVPS	23.96	26.31	26.20	28.46	-8.5%	-7.5%	23.63	24.32	1.4%	8.2%
NCL	VNB/share	1.40	1.49	2.05	2.19	-31.7%	-32.1%				
	EV/share	84.50	86.83	87.32	92.27	-3.2%	-5.9%				
	EPS	3.58	4.64	5.34	6.05	-33.1%	-23.3%	3.58	4.74	-0.1%	-2.2%
	BVPS	36.92	40.48	40.98	45.41	-9.9%	-10.9%	36.29	39.98	1.7%	1.3%
Taiping	VNB/share	2.60	2.74	2.19	2.32	18.7%	18.0%				
	EV/share	65.89	71.52	60.61	64.60	8.7%	10.7%				
	EPS	1.27	1.65	2.43	2.73	-47.8%	-39.6%	1.99	2.46	-36.2%	-33.0%
	BVPS	25.57	27.32	30.04	32.53	-14.9%	-16.0%	26.23	28.62	-2.5%	-4.5%
PICC Group	VNB/share	0.06	0.06	0.07	0.07	-20.2%	-20.2%				
	EV/share	7.06	7.63	6.93	7.49	1.8%	2.0%				
	EPS	0.54	0.65	0.57	0.66	-5.8%	-1.7%	0.52	0.60	3.8%	7.4%
	BVPS	5.35	5.81	5.35	5.82	0.0%	-0.1%	5.26	5.91	1.6%	-1.6%
PICC P&C	EPS	1.06	1.28	1.14	1.35	-6.5%	-5.7%	1.16	1.33	-8.6%	-3.8%
	BVPS	9.74	10.48	9.78	10.57	-0.4%	-0.8%	10.03	10.91	-2.9%	-3.9%
Zhong An	EPS	0.24	0.73	0.66	1.01	-63.2%	-27.5%	0.57	1.10	-57.6%	-33.3%
	BVPS	13.41	14.21	13.43	14.62	-0.2%	-2.8%	12.04	13.07	11.3%	8.7%

Source: Bloomberg, CMBIGM

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## CMB International Global Markets Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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