

China Insurance

Divergent jumpstart performance among life insurers

The 2023 jumpstart performance YTD of Chinese life insurers are divergent according to our channel check. While most insurance companies continued suffering from new business declines given the weaker-than-expected pre-sale performance amid COVID outbreaks in Dec 2022, China Life recorded a decent FYP growth thanks to its early launch of pre-sale since Oct 2022. We also note that the NBV momentum of CPIC and Ping An elevated substantially since mid-Jan 2023, driven by: 1) enhanced agent productivity on the back of proactive agency reform and 2) consistent strong demands for savings products. We add China Life-H (2628 HK) to our top picks, given its outperformance on new business growth YTD, a turnaround of 750-day moving avg. of 10-Yr government bond yields in 1H23, and the current undemanding valuation.

- **Quality players to lead the recovery.** As individual investors' demands of guaranteed yield products prompting a shift of household wealth allocation towards insurance, we believe life quality players which proactively upgraded their agency force will lead the recovery and deliver stronger-than-peers growth, for their retained and enhanced sales and service capacity to well capture the incoming new business flows. On the other hand, insurers that are still suffering from the downscale of core agency force will be laggard on VNB momentum. As flagged in our 2023 outlook report ([link](#)), we believe the divergence of major life insurers' new business growth will sustain into 2023.
- **Adjust FY23E VNB forecasts and roll over TPs to FY23E:** We adjust life insurers' FY23E VNB forecasts to reflect the divergence of jumpstart sales performances YTD, as we expect China Life and CPIC will outperform major peers in new business growth in FY23E. Given that, we roll over TPs from FY23E to FY24E, as shown in Fig.1. Life insurers' H shares are currently trading at 0.37x P/EV FY23E and 0.78x P/BV FY23E based on a market cap weighted average method, well below the avg. 5-yr P/EV-1SD at 0.39x and avg.5-yr P/BV-1SD at 0.94x. We believe the sequential improvements on fundamentals will support the sector valuation in 2023. We add China Life-H (2628 HK) to our top picks, given its outperformance in new business growth and undemanding valuation trading at 0.2x P/EV FY23E (vs a 5-yr avg. P/EV at 0.4x). We also like CPIC-H (2601 HK) and Ping An-H (2318 HK) for their enhanced agent quality.

Valuation Table

Name	Ticker	Mkt Cap (LC bn)	Price (LC)	P/EV (x)		P/B (x)		ROE	
				FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Ping An	2318 HK	852.74	57.60	0.5x	0.5 x	1.0 x	0.9 x	14.1%	14.8%
China Life	2628 HK	731.39	13.50	0.2x	0.2 x	0.6 x	0.6 x	8.0%	10.2%
CPIC	2601 HK	205.39	20.85	0.3x	0.3 x	0.7 x	0.6 x	10.8%	11.8%
NCL	1336 HK	86.49	20.05	0.2x	0.2 x	0.4 x	0.4 x	8.3%	11.4%
Taiping	966 HK	29.56	9.79	0.1x	0.1 x	0.4 x	0.3 x	3.1%	7.6%
PICC Group	1339 HK	208.69	2.60	0.3x	0.3 x	0.4 x	0.4 x	11.1%	11.2%
PICC P&C	2328 HK	170.84	7.27	n.a.	n.a.	0.6 x	0.5 x	14.1%	14.6%
Zhong An	6060 HK	30.13	23.35	n.a.	n.a.	1.5 x	1.4 x	5.8%	8.8%
Ping An -A	601318 CH	739.93	48.50	0.5x	0.5 x	0.9 x	0.9 x	14.1%	14.8%
China Life-A	601628 CH	650.41	33.41	0.7x	0.6 x	1.9 x	1.8 x	8.0%	10.2%
CPIC-A	601601 CH	176.91	25.75	0.4x	0.4 x	1.0 x	0.9 x	10.8%	11.8%
NCL-A	601336 CH	75.38	30.04	0.3x	0.3 x	-0.1 x	0.7 x	8.3%	11.4%
PICC Grp-A	601319 CH	181.93	5.03	0.7x	0.6 x	0.9 x	0.8 x	11.1%	11.2%
Average				0.5 x	0.5 x	0.8 x	0.7 x	10.0%	11.7%

Source: Company data, CMBIGM estimates | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

OUTPERFORM
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China Financials Sector

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Stocks Covered:

Ticker	Rating	Target Price	Upside
2318 HK	Buy	80.30	39.4%
601318 CH	Buy	69.33	42.9%
2628 HK	Buy	20.85	54.5%
601628 CH	Sell	21.60	-35.3%
2601 HK	Buy	29.72	42.6%
601601 CH	Buy	30.80	19.6%
1336 HK	Buy	27.22	35.7%
601336 CH	Sell	27.04	-10.0%
966 HK	Hold	11.83	20.9%
1339 HK	Buy	3.99	53.4%
601319 CH	Sell	4.30	-14.4%
2328 HK	Buy	12.44	71.1%
6060 HK	Buy	33.82	44.8%

Source: Company data, CMBIGM estimates | Market price of individual stocks are quoted by 4:00pm on 8 Feb 2023 after the market close.

Recent Reports:

- China Insurance - FY21 results preview ([link](#))
- China Insurance - Overhang removed: Regulation on sales activities nearly finalized ([link](#))
- China Insurance - 1H22 results preview ([link](#))
- China Strategy Outlook 2023: HK Stocks to Rebound as China & US Economies Diverge ([link](#))

Figure 1: Chinese insurers: TP and Ratings Changes (%)

	Ticker	Prev. Rating	Prev. TP (LC)	New Rating	New TP (LC)	TP Chg.
Ping An	2318 HK	Buy	75.55	Buy	80.30	6.3%
	601318 CH	Buy	65.23	Buy	69.33	6.3%
China Life	2628 HK	Buy	17.81	Buy	20.85	17.1%
	601628 CH	Sell	17.74	Sell	21.60	21.8%
CPIC	2601 HK	Buy	25.19	Buy	29.72	18.0%
	601601 CH	Buy	24.99	Buy	30.80	23.2%
NCL	1336 HK	Buy	27.22	Buy	27.22	0.0%
	601336 CH	Sell	25.97	Sell	27.04	4.1%
Taiping	966 HK	Hold	11.19	Buy	11.83	5.8%
PICC Group	1339 HK	Buy	3.95	Buy	3.99	0.9%
	601319 CH	Sell	4.10	Sell	4.30	5.0%
PICC P&C	2328 HK	Buy	12.74	Buy	12.44	-2.3%
Zhong An	6060 HK	Buy	29.39	Buy	33.82	15.1%

Source: Company data, CMBIGM estimates

Figure 2: 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	57.60	Buy	80.30	39%	1.1 x	1.0 x	1.0 x	0.9 x	4.9%	4.4%	5.7%	6.5%
2628 HK	China Life	13.50	Buy	20.85	54%	0.7 x	0.7 x	0.6 x	0.6 x	5.6%	4.2%	5.6%	6.4%
2601 HK	CPIC	20.85	Buy	29.72	43%	0.8 x	0.7 x	0.7 x	0.6 x	5.6%	5.2%	6.0%	7.2%
1336 HK	NCL	20.05	Buy	27.22	36%	0.5 x	0.5 x	0.4 x	0.4 x	8.3%	5.2%	7.5%	10.7%
966 HK	Taiping	9.79	Buy	11.83	21%	0.4 x	0.4 x	0.4 x	0.3 x	4.7%	2.3%	5.9%	7.0%
1339 HK	PICC Group	2.60	Buy	3.99	53%	0.5 x	0.4 x	0.4 x	0.4 x	7.3%	9.0%	9.3%	10.3%
2328 HK	PICC P&C	7.27	Buy	12.44	71%	0.7 x	0.6 x	0.6 x	0.5 x	6.5%	8.5%	9.4%	10.6%
6060 HK	Zhong An	23.35	Buy	33.82	45%	1.5 x	1.6 x	1.5 x	1.4 x	0.0%	0.0%	0.0%	0.0%
601318 CH	Ping An	48.50	Buy	69.33	43%	1.1 x	1.0 x	0.9 x	0.9 x	5.0%	4.5%	5.8%	6.6%
601628 CH	China Life	33.41	Sell	21.60	-35%	2.0 x	2.0 x	1.9 x	1.8 x	1.9%	1.5%	1.9%	2.2%
601601 CH	CPIC	25.75	Buy	30.80	20%	1.1 x	1.1 x	1.0 x	0.9 x	3.9%	3.6%	4.2%	5.0%
601336 CH	NCL	30.04	Sell	27.04	-10%	0.9 x	0.8 x	-0.1 x	0.7 x	4.8%	3.0%	4.3%	6.2%
601319 CH	PICC Group	5.03	Sell	4.30	-14%	1.0 x	0.9 x	0.9 x	0.8 x	3.3%	4.0%	4.2%	4.6%

Ticker	Company	P/EV (Group)				New Business Multiplier				ROE(%)			
		FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
2318 HK	Ping An	0.7 x	0.6x	0.5x	0.5 x	(12.9) x	(21.4) x	(27.0) x	(31.2) x	12.9%	11.9%	14.1%	14.8%
2628 HK	China Life	0.3 x	0.3x	0.2x	0.2 x	(19.5) x	(25.9) x	(27.8) x	(29.6) x	11.8%	11.0%	8.0%	10.2%
2601 HK	CPIC	0.3 x	0.3x	0.3x	0.3 x	(24.3) x	(41.2) x	(45.0) x	(47.2) x	12.5%	12.1%	10.8%	11.8%
1336 HK	NCL	0.2 x	0.2x	0.2x	0.2 x	(34.3) x	(69.6) x	(78.5) x	(76.7) x	15.4%	14.2%	8.3%	11.4%
966 HK	Taiping	0.2 x	0.1x	0.1x	0.1 x	(20.0) x	(26.0) x	(30.0) x	(31.2) x	7.8%	8.4%	3.1%	7.6%
1339 HK	PICC Group	0.3 x	0.3x	0.3x	0.3 x	(73.4) x	(119) x	(127) x	(134) x	10.2%	11.5%	11.1%	11.2%
601318 CH	Ping An	0.6 x	0.6x	0.5x	0.5 x	(13.4) x	(22.1) x	(27.8) x	(31.9) x	12.9%	11.9%	14.1%	14.8%
601628 CH	China Life	0.8 x	0.7x	0.7x	0.6 x	(5.8) x	(9.6) x	(12.3) x	(14.9) x	11.8%	11.0%	8.0%	10.2%
601601 CH	CPIC	0.5 x	0.5x	0.4x	0.4 x	(18.7) x	(32.8) x	(37.0) x	(39.9) x	12.5%	12.1%	10.8%	11.8%
601336 CH	NCL	0.4 x	0.4x	0.3x	0.3 x	(27.6) x	(56.4) x	(64.1) x	(62.9) x	15.4%	14.2%	8.3%	11.4%
601319 CH	PICC Group	0.8 x	0.7x	0.7x	0.6 x	(25.6) x	(50.3) x	(61.5) x	(71.6) x	10.2%	11.5%	11.1%	11.2%

		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%	10.4%	10.4%	10.4%	98.0%	98.0%	98.0%	98.0%	31.0%	30.9%	30.9%	30.9%
2601 HK	CPIC	3.3%	11.6%	8.0%	8.1%	99.0%	99.0%	99.0%	99.0%	29.4%	29.4%	29.4%	29.4%
966 HK	Taiping	5.4%	2.5%	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%	8.3%	10.0%	10.0%	99.6%	97.6%	97.6%	97.6%	25.9%	25.0%	25.0%	25.0%
6060 HK	Zhong An	0.2%	0.2%	0.2%	0.2%	99.6%	99.1%	98.8%	98.7%	42.0%	41.5%	42.4%	42.5%

Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Figure 3: Chinese insurers: Forecast revisions

(RMB)		New forecast		Old forecast		Change (%)	
		FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Ping An	VNB/share	1.52	1.63	1.85	2.05	-17.6%	-20.3%
	EV/share	90.84	100.72	91.36	101.69	-0.6%	-1.0%
	EPS	7.04	8.03	7.04	8.07	-0.1%	-0.5%
	BVPS	51.96	56.78	51.97	56.82	0.0%	-0.1%
China Life	VNB/share	1.41	1.48	1.52	1.67	-7.5%	-11.1%
	EV/share	50.68	55.42	50.84	55.79	-0.3%	-0.7%
	EPS	1.77	2.03	1.71	2.05	3.2%	-1.1%
	BVPS	17.91	18.78	17.97	18.88	-0.4%	-0.6%
CPIC	VNB/share	0.98	1.07	1.03	1.17	-4.9%	-8.4%
	EV/share	61.89	68.36	61.88	68.44	0.0%	-0.1%
	EPS	2.99	3.62	2.84	3.45	5.4%	4.9%
	BVPS	26.61	29.55	26.31	29.13	1.1%	1.4%
NCL	VNB/share	0.89	0.93	1.23	1.31	-28.2%	-29.5%
	EV/share	86.79	88.29	86.32	87.85	0.5%	0.5%
	EPS	4.34	6.18	4.64	5.64	-6.6%	9.7%
	BVPS	39.75	44.63	40.48	44.72	-1.8%	-0.2%
Taiping	VNB/share	2.03	2.12	2.74	2.87	-26.0%	-26.1%
	EV/share	70.60	75.97	71.52	77.53	-1.3%	-2.0%
	EPS	1.94	2.30	1.67	1.96	15.8%	17.3%
	BVPS	26.90	29.65	27.40	29.32	-1.8%	1.1%
PICC Group	VNB/share	0.04	0.04	0.06	0.06	-26.3%	-27.0%
	EV/share	7.64	8.23	7.63	8.24	0.1%	-0.2%
	EPS	0.62	0.68	0.65	0.71	-3.9%	-4.0%
PICC P&C	BVPS	5.83	6.32	5.81	6.32	0.3%	0.0%
	EPS	1.46	1.64	1.43	1.61	2.4%	2.4%
Zhong An	BVPS	10.77	11.75	10.70	11.63	0.7%	1.0%
	EPS	0.66	1.08	0.73	1.33	-9.4%	-19.0%
	BVPS	13.36	14.57	14.21	15.70	-6.0%	-7.2%

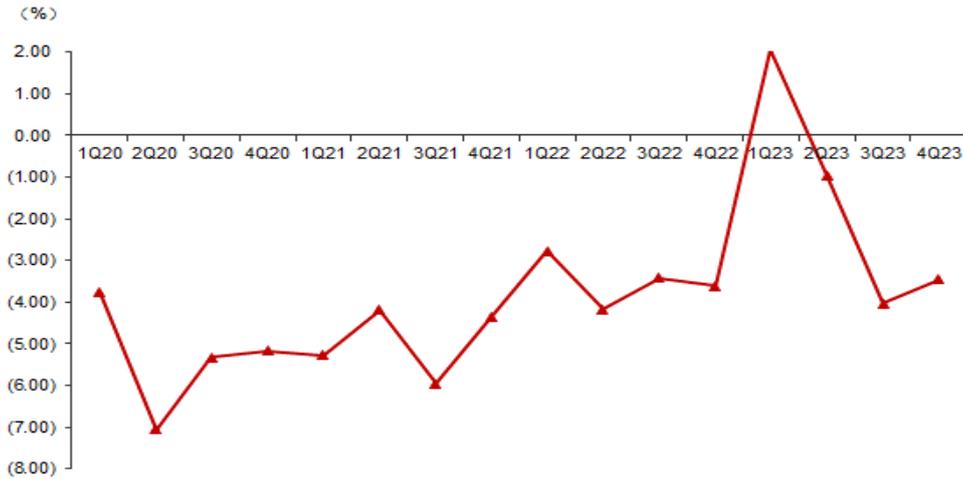
Source: CMBIGM estimates

Figure 4: 10Yr China Government Bond Yields & 750-day moving average



Source: Wind, CMBIGM estimates

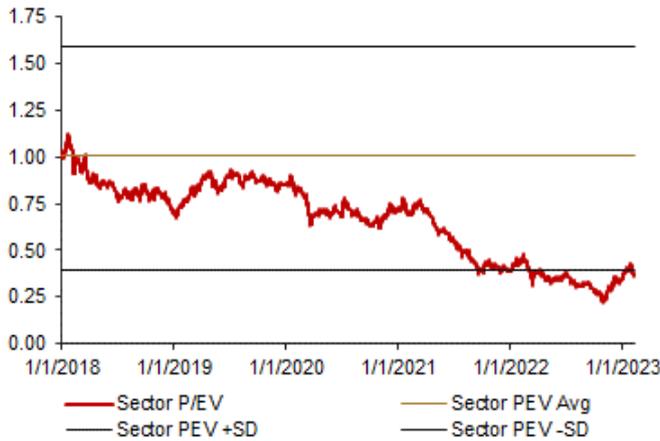
Figure 5: Quarterly avg. of 10Yr China Government Bond Yields



Source: Wind, CMBIGM estimates

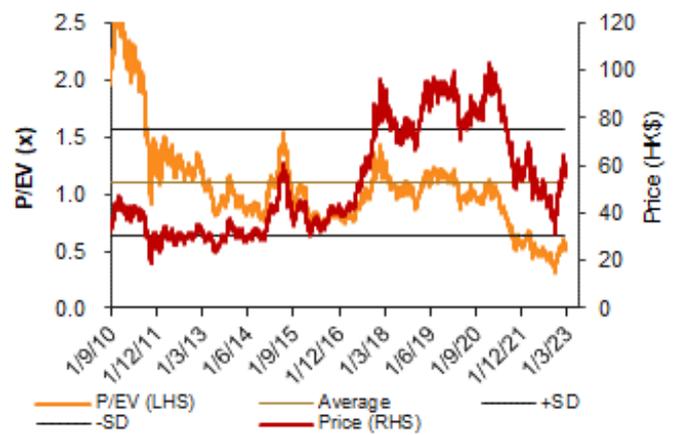
Trading Bands of Life PEV

Fig. 6: Life insurance sector – 12-month forward P/EV



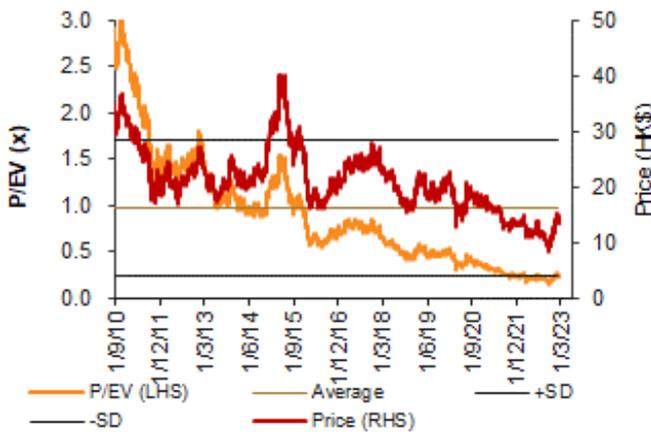
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 7: Ping An-H (2318 HK) 12-month forward P/EV



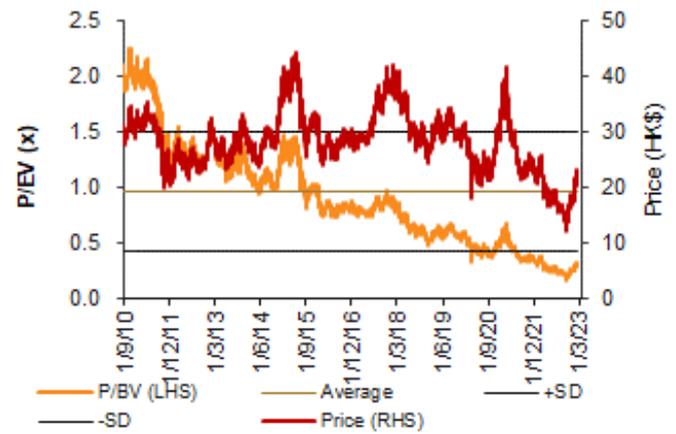
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 8: China Life-H (2628 HK) 12-month forward P/EV



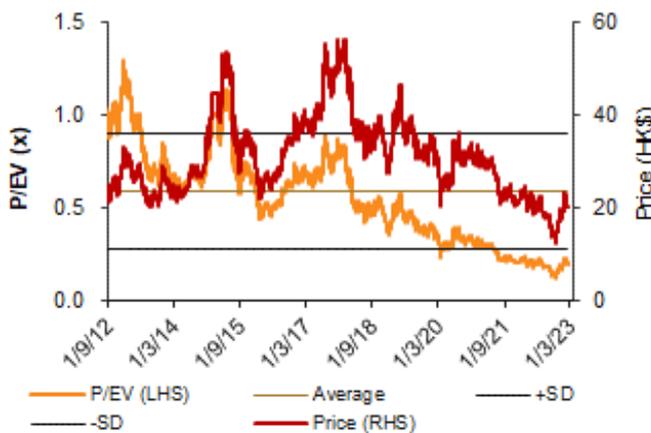
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 9: CPIC-H (2601 HK) 12-month forward P/EV



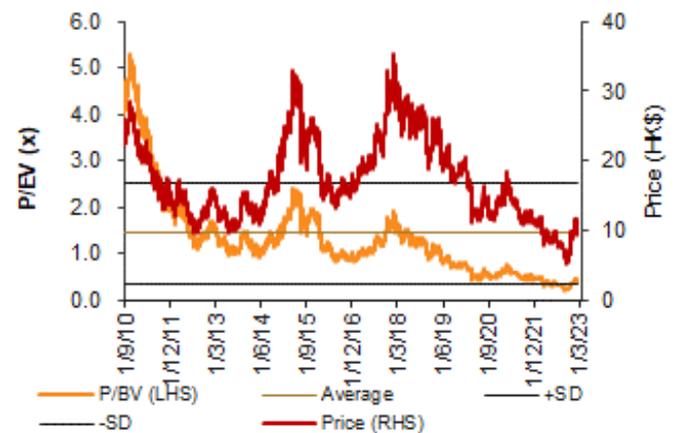
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig.10: New China Life-H (1336 CH) 12-month forward P/EV



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

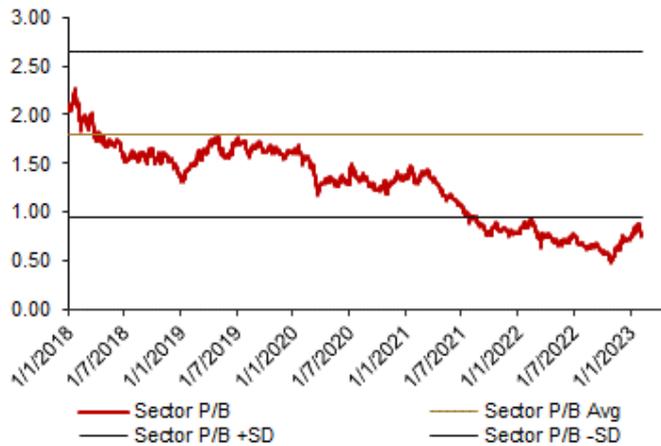
Fig. 11: China Taiping-H (966 HK) 12-month forward P/EV



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Trading Bands of Life PBV

Fig. 12: Life insurance sector – 12-month forward P/B



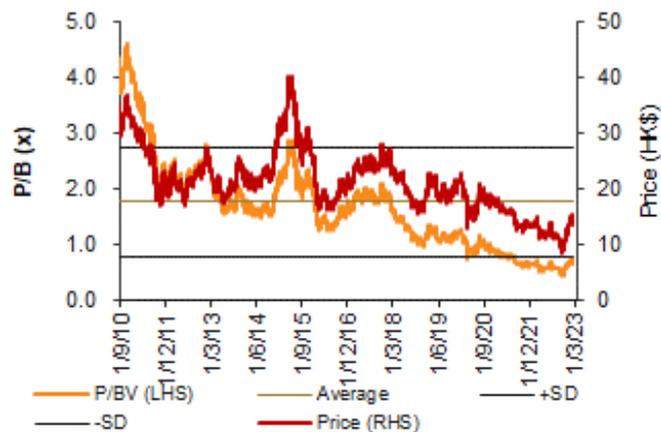
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 13: Ping An-H (2318 HK) 12-month forward P/B



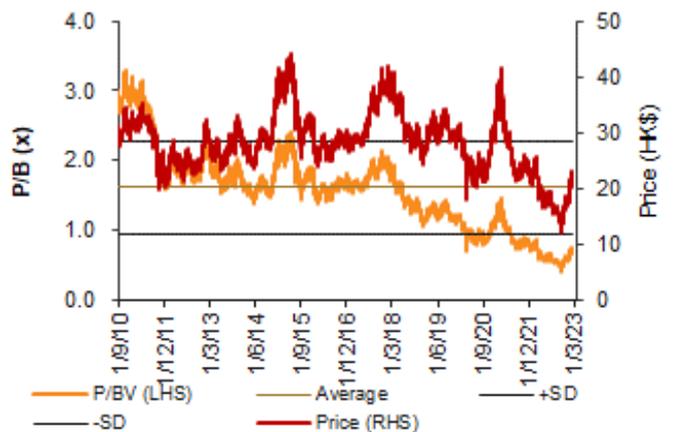
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 14: China Life-H (2628 HK) 12-month forward P/B



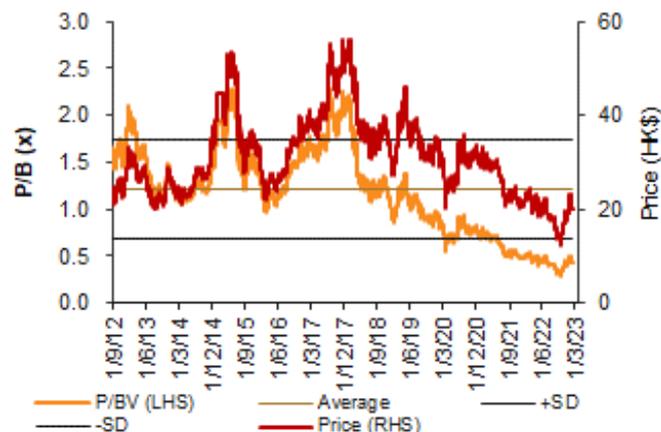
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 15: CPIC-H (2601 HK) 12-month forward P/B



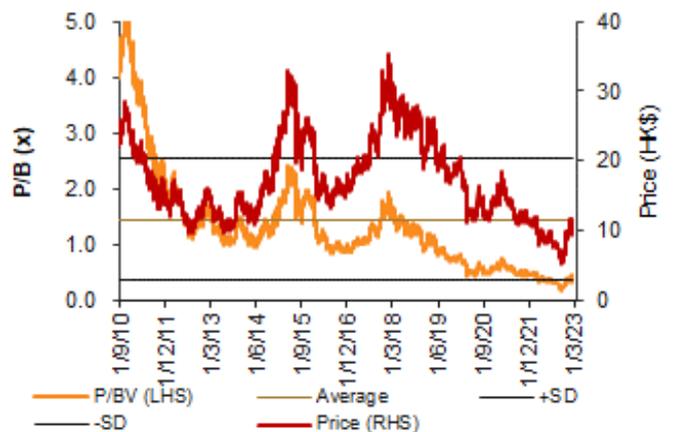
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig.16: New China Life-H (1336 CH) 12-month forward P/B



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

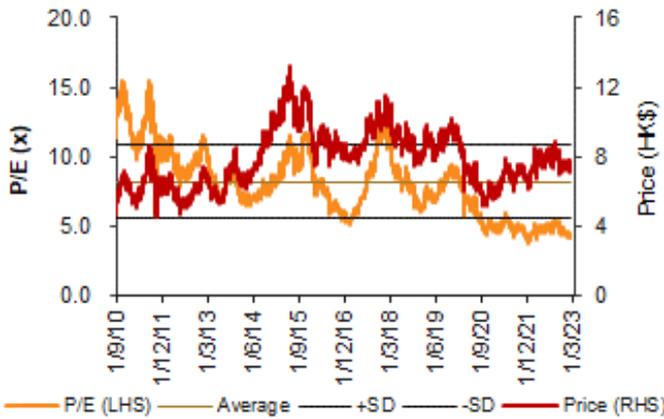
Fig. 17: China Taiping-H (966 HK) 12-month forward P/B



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

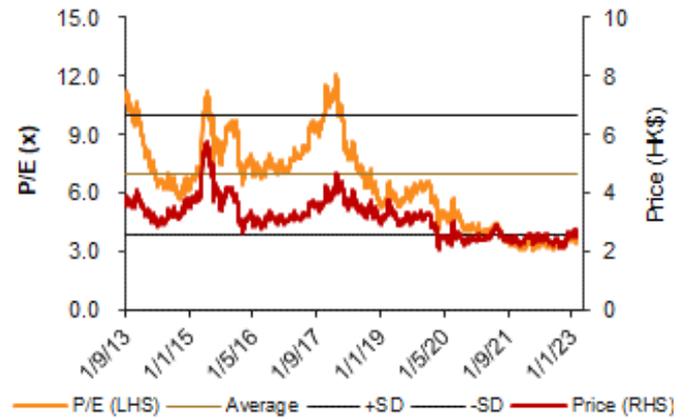
Trading Bands of P&C PER

Fig. 18: PICC P&C-H (2328 HK) 12-month forward P/E



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 19: PICC Group-H (1339 HK) 12-month forward P/E



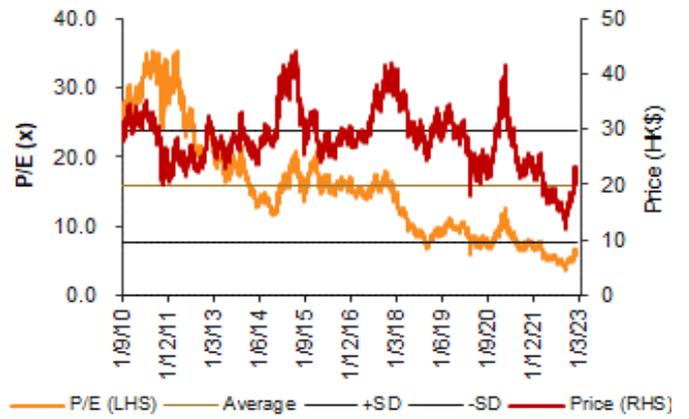
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 20: Ping An-H (2318 HK) 12-month forward P/E



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 21: CPIC-H (2601 HK) 12-month forward P/E



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig.22: China Taiping-H (966 HK) 12-month forward P/E



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

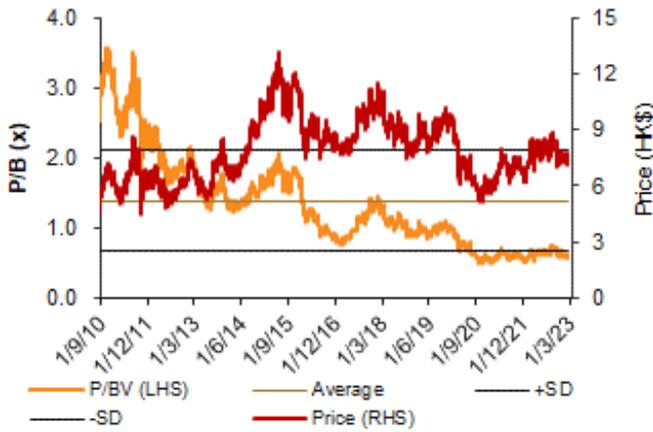
Fig. 23: China Re-H (1508 HK) 12-month forward P/E



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

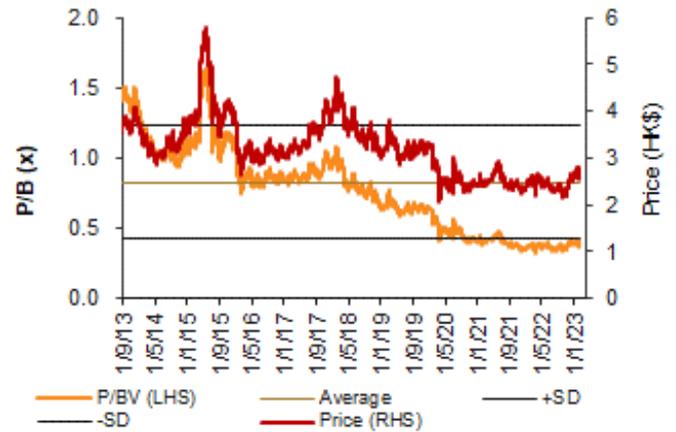
Trading Bands of P&C PBV

Fig. 24: PICC P&C-H (2328 HK) 12-month forward P/B



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 25: PICC Group-H (1339 HK) 12-month forward P/B



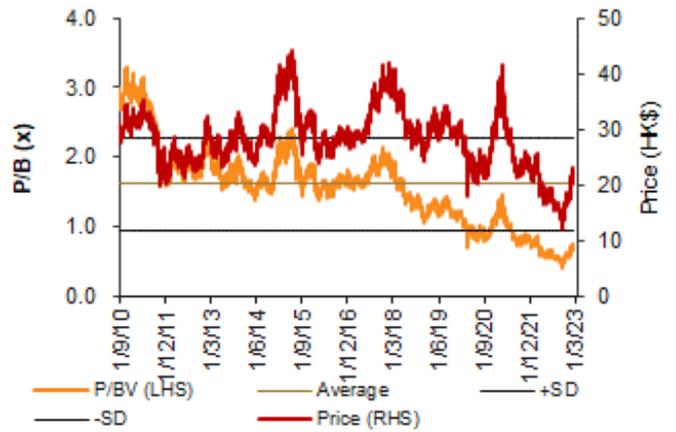
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 26: Ping An-H (2318 HK) 12-month forward P/B



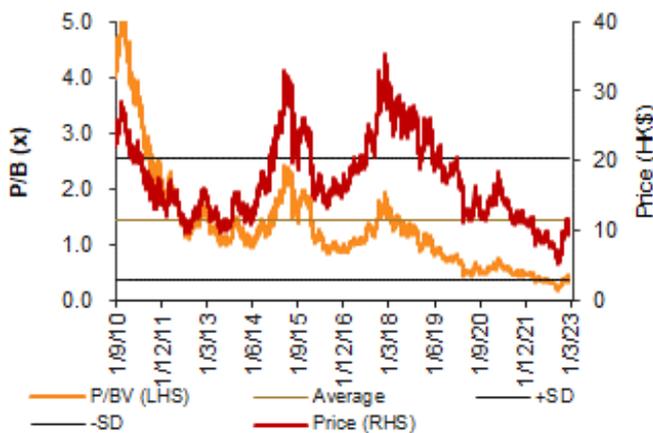
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 27: CPIC-H (2601 HK) 12-month forward P/B



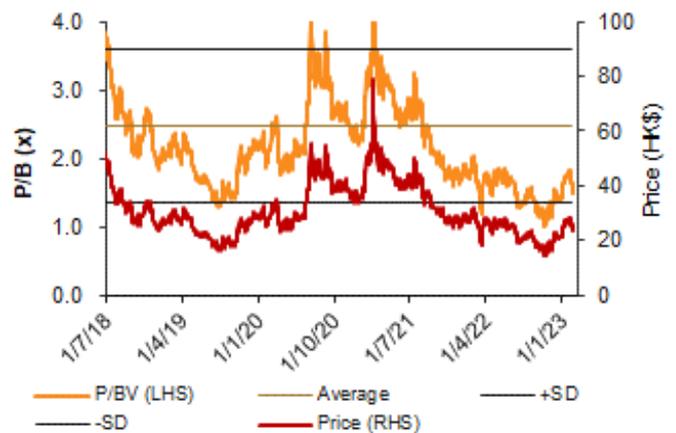
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig.28: China Taiping-H (966 HK) 12-month forward P/B



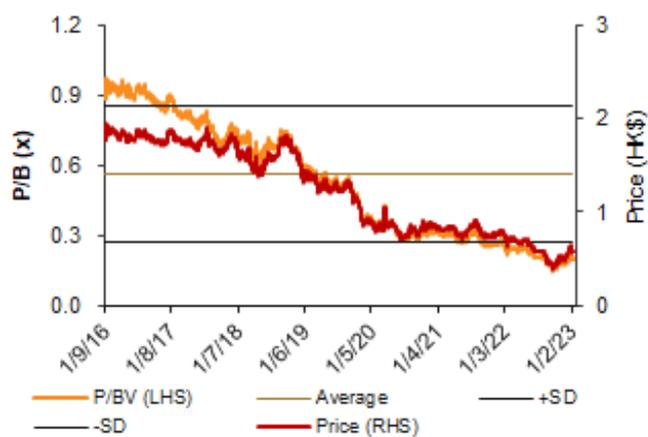
Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig. 29: Zhong An-H (6060 HK) 12-month forward P/B



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

Fig.30: China Re-H (1508 HK) 12-month forward P/B



Source: Company data, CMBIGM | Market price of individual stocks are quoted by 4pm on 8 Feb 2023 after the market close.

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