

# China Taiping (966 HK)

## FY24 NBV outshined; resume coverage with BUY

**Resume coverage with new TP at HK\$15.** China Taiping reported robust full-year results with net profit rising 36.2% YoY to HK\$8.43bn, 10%/11% lower than our and Bloomberg consensus. The drag was mainly due to an approx. six-fold increase of income tax charges (+5.8x YoY) for the sake of prudence under the transition to IFRS17. Pre-tax profit surged 90% YoY to HK\$22bn, broadly in line. DPS was HK\$0.35, up 16.7% YoY, slower in pace than that of the bottom-line, causing the payout down 3.1pct to 16.9% (FY23: 20.1%). NBV soared 90% YoY to HK\$14.3bn on a like-for-like basis (LFL) and up 21.2% YoY on an actual basis, as the insurer as well revised down the EV actuarial assumptions of 1) long-term investment return by 50bps to 4.0% (from 4.5%), in line with peers; and 2) risk discount rate (RDR) by 50bps to 8.5% (from 9.0%). Margin expansions were outstanding across major channels bolstering total NBV margin up 17pct like-for-like to 32.5% in FY24. TPI's combined ratio was 98.1% (-0.3pct), supporting the net profit of domestic P&C to soar 831% YoY to HK\$804mn, making up 6.3% of the total (vs FY23: 0.8%). Looking ahead, we are positive about TPL's resilient NBV growth on the back of an improved product mix and contributing to solid financials. **Resume coverage with BUY and new TP is derived at HK\$15 based on SOTP.**

■ **NBV outshined; solid NB CSM turned life CSM to positive growth.** TPL's NBV soared 90% YoY to HK\$14.3bn like-for-like, driven by hikes of agency and bancassurance NBV up by 42%/400% YoY (LFL) to HK\$8.7bn/5.0bn in FY24. On an actual basis, NBV rose to HK\$9.1bn, up 21.2% YoY (vs Ping An: -8%/AIA: +20%). This outshined NBV increase was underpinned by enhanced NBV margin to 32.5%, up 16.6pct YoY based on the end-FY23 assumptions. Agency margin increased 10.4pct like-for-like to 32.6%, and bancassurance margin achieved above five-fold to 32.6%, thanks to expense rate control and promotion of value-based products. EV assumption chg. led NBV/Life EV/Group EV down 36%/26%/24%. Per sensitivity, another 50bps cut in LT investment return and RDR could fluctuate EV/NBV by 55%/129%. New business CSM was up 19.1% YoY to HK\$19.7bn, bringing a positive change to TPL's CSM release (+0.1%, vs FY23: -6.0%) to HK\$17.5bn, and growing life insurance revenue by 4.7% YoY to HK\$64.5bn. Life CSM was back in growth trajectory, up 0.5% YoY, driven by strong new biz momentum. We project FY25 NBV to rise 11% YoY with upside for margin enhancement.

■ **P&C net profit hike; steady CoR optimization.** TPI's CoR was 98.1% in FY24, down 0.3pct YoY. Insurance revenue grew 2.3% YoY to HK\$33bn, strengthening insurance service results up 19.7% YoY to HK\$629mn. Net investment results were HK\$740mn (FY23: -HK\$187mn), contributing to a 8.3x YoY surge of P&C net profit, which made up 6.3% of the Group's total (FY23: 0.8%). NEV premiums rose 35.4% YoY, which we expect to see higher penetrations. Overseas P&C CoR stayed stable at 89.7% (vs FY23: 89.6%).

■ **Optimized equity structure with mix of FVOCI stocks up to 36.6%.** Total investment income surged 98.2% YoY to HK\$66.5bn, with yield up 1.9pct to 4.57%, driven by 1) net investment income of HK\$50.3bn, +12% YoY; and 2) a turnaround of realized/unrealized investment gains at HK\$16.2bn (vs FY23: -HK\$11.4bn). Equity structure was further optimized with the mix of FVOCI stocks hiking to 36.6% in FY24 (vs FY23: 19.8%). We estimate the adjusted comprehensive investment yield (CMBI est), netting of changes in fair value of FVOCI debt amounted to HK\$77.6bn, to be 5.0% in FY24, stable vs FY23. In FY25, we expect the insurer to persist in investing high-dividend strategy.

■ **Valuation.** The stock is trading at FY25E 0.11x P/EV and 0.53x P/B, with avg. 3-yr forward ROE at >13%. **We resume coverage with BUY, with TP derived from SOTP at HK\$15.0**, taking into account of 1) 0.27x implied P/EV for TPL; 2) 0.32x P/B for P&C insurance (both domestic and overseas); 3) 0.47x P/B for Reinsurance; and 4) 1.0x P/B for Corporate and others. **The new TP implies FY25E 0.14x Group P/EV and 0.7x P/B, with 29% upside.**

### BUY (Maintain)

**Target Price** HK\$15.00  
**Up/Downside** 28.9%  
**Current Price** HK\$11.64

#### China Insurance

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#### Stock Data

Mkt Cap (HK\$ mn)	41,834.4
Avg 3 mths t/o (HK\$ mn)	80.5
52w High/Low (HK\$)	16.56/6.06
Total Issued Shares (mn)	3594.0

Source: FactSet

#### Shareholding Structure

China Taiping Insurance Group Ltd.	61.0%
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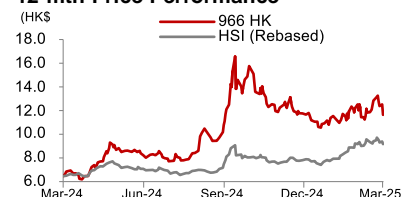
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-3.3%	-4.6%
3-mth	-2.2%	-15.8%
6-mth	4.9%	-14.1%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

## Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (HK\$ mn)	10,277	12,797	14,515	16,312	18,413
EPS (Reported)(HK\$)	1.50	2.07	2.40	2.78	3.23
Consensus EPS (HK\$)	n.a	n.a	2.49	2.67	3.10
P/B (x)	0.5	0.6	0.5	0.5	0.4
P/Embedded value (x)	0.2	0.2	0.1	0.1	0.1
Dividend yield (%)	2.6	3.0	3.3	3.4	3.6
ROE (%)	8.0	11.2	12.9	13.3	13.7

Source: Company data, Bloomberg, CMBIGM estimates | Note: stock price data quoted by market close on Mar 25, 2025.

## Valuation

### Sum-of-the-part methodology

We adopt the sum-of-the-part approach for the valuation of Taiping, given the business includes life, PRC domestic and overseas P&C, Reinsurance, asset management, and corporate and others operated through different entities subject to the respective regulatory policies. Among these, 1) Life segment includes operation of TPL, TPP's life and pension insurance business, TPL(HK) and TP Singapore's life insurance business; 2) PRC domestic P&C implies operation of TPI; 3) Overseas P&C includes operations of CTPI (HK), TP Macau, TP UK, TP Luxembourg, TP Singapore and TP Indonesia's P&C business; 4) Reinsurance mainly consists of operations of TPre and TPre (China); 5) Asset management includes operations of TPAM, TPCA, TP Fund, TPFH and TPP's annuity investment business; and 6) Corporate and others include operations of the holding company, TPIH (HK), TSFL, and consolidation adjustments, etc.

For life business, we apply Appraisal Value approach to adjust the projected FY25E EV for renewed EV assumption changes of 50bps cut in both long-term investment return and risk discount rate (RDR) to 4.0%/8.5% (prev. 4.5%/9.0%). We project FY25E Life EV to grow 9% YoY to HK\$304bn, and adjusted EV at HK\$35.1bn ([Table](#)). The implied Life P/EV (x) lands at 0.27x, compared to now trading at 0.14x. For the value of new business, we forecast in three stages and discount back to retrieve the present value of NBV (COE at 12.7%).

In the first stage, we apply our forecasts on NBV and APE growth in the model for FY25-27E. In the second stage, we assume a 10-year defensive period in FY28E-FY37E with a steady increase of APE at 5% and NBV margin at 35%. Lastly, we incorporate a terminal value, based on 3% terminal growth, and 12.7% cost of equity derived from 1) 2% risk-free rate; 2) 650bps risk premium; and 3) 1.62x beta. To sum up, we derive the fair value of TPL proportioned to the Group's holding (75.1%) at HK\$60.6bn, implying 0.27x FY25 Life P/EV.

For P&C business, we adopt the P/B-ROE based on Gordon growth model, and apply 0.32x P/B multiplied with HK\$19.5bn FY25E net book value, to derive the fair value at HK\$6.3bn.

For Reinsurance, we adopt the P/B-ROE based on Gordon growth model, and apply 0.47x P/B multiplied with HK\$13.0bn FY25E net book value, to derive the fair value at HK\$4.6bn.

To sum up, total fair value of the company arrives at HK\$49.7bn, post a 10% conglomerate discount, corresponding to HK\$15.0 per share. The price target implies FY25E 0.14x Group P/EV and 0.7x P/B, in contrast to the current trading at 0.11x FY25E Group P/EV and 0.53x P/B, with 29% upside. **We rate the stock at BUY, for the insurer's 1) resilient fundamentals and 2) better matched A/L modified duration through effective transitions to par product sales (1-2M25: par product mix took 98.9%/88.6% in agency/bancassurance); and 3) optimized equity structure with heightened mix of FVOCI stocks up to 36.6%.**

## Valuation breakdown - SOTP

(HK\$ bn)	Forward BV / EV	Ownership	966.HK
<b>Life insurance</b>			
FY25E Embedded value, unadjusted	304.1		
Adjustment: RDR & LT investment return change	(256.6)		
<b>Life embedded value, adjusted</b>	<b>47.5</b>	<b>75.1%</b>	<b>35.7</b>
Adjusted ANW			24.9
Adjusted VIF			10.8
<b>PV (Total NBV)</b>			<b>25.0</b>
<b>Life insurance fair value</b>			<b>60.6</b>
Implied TPL P/EV(x)			0.27x
<b>P&amp;C insurance</b>			
FY25E Shareholders' equity	19.5	100.0%	
Target P/B multiple (x)			0.32x
<b>P&amp;C segment fair value</b>			<b>6.3</b>
<b>Reinsurance</b>			
FY25E shareholders' equity	13.0	75.0%	
Target P/B multiple (x)			0.47x
Underwriting cycle discount			0.0%
<b>Reinsurance fair value</b>			<b>4.6</b>
<b>Corporate and others</b>			
FY25E shareholders' equity	(14.3)	100.0%	
Target P/B multiple (x)			1.00x
<b>Others fair value</b>			<b>(14.3)</b>
<b>Sum-of-the-parts valuation</b>			<b>57.2</b>
Conglomerate discount (%)			-10%
<b>Target valuation</b>			<b>51.5</b>
<b>CTIH Target price (HK\$)</b>			<b>15.0</b>
Implied P/B (x)			0.69x
Implied Group P/EV (x)			0.14x
Implied P/E (x)			6.26x

Source: CMBI estimates

## Key assumptions

China Taiping (966 HK)	
Risk-free rate	2.00%
Risk premium	6.50%
Beta	1.62x
<b>COE</b>	<b>12.5%</b>
Terminal growth (%)	2.0%
<b>Target P/BV(x) based on GGM</b>	<b>0.32x</b>
<b>Target P/BV(x) based on GGM</b>	<b>0.47x</b>
Long-term investment return	4.0%
APE growth, est.	5.0%
NBV margin (APE basis)	35.0%

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
Insurance revenue	108,906	107,489	111,268	116,357	122,175	129,028
Insurance service expenses	(88,824)	(86,255)	(86,433)	(90,917)	(95,272)	(100,281)
Net expenses from reinsurance contracts held	(2,133)	(2,702)	(2,811)	(3,078)	(3,265)	(3,453)
Insurance service results	17,950	18,531	22,024	22,362	23,638	25,295
Net finance (expenses)/income from insurance contracts	(21,680)	(36,012)	(61,035)	(53,036)	(55,051)	(56,962)
Net finance (expenses)/income from reinsurance contracts	211	253	388	401	431	475
Interest income	35,249	35,717	40,240	41,102	43,452	45,795
Net investment income	(19,925)	(251)	24,971	14,321	15,140	15,957
Credit impairment losses	(1,295)	(1,738)	(1,332)	(216)	(216)	(216)
Net investment results	(7,505)	(1,675)	3,166	2,513	3,697	4,990
Other income	5,921	5,740	4,647	4,587	4,706	4,828
Other expenses	(7,153)	(7,011)	(6,918)	(6,856)	(6,703)	(6,586)
Foreign exchange gains/losses	0	0	0	0	0	0
Other results	(4,331)	(5,198)	(3,064)	(3,223)	(3,115)	(3,055)
Profit before tax	6,114	11,658	22,127	21,653	24,220	27,229
Income taxes	2,243	(1,381)	(9,330)	(7,138)	(7,907)	(8,817)
Net profit	8,357	10,277	12,797	14,515	16,312	18,413
Net profit attributable to shareholders	4,297	6,190	8,431	9,611	10,992	12,614

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK\$ mn)						
ASSETS						
Balances with central bank and statutory deposits	74,258	52,715	68,324	74,609	80,696	87,281
Intangible assets	719	354	353	353	353	353
Property	41,232	41,517	46,135	60,196	79,832	107,069
Investment property	21,831	24,686	22,829	24,929	26,963	29,163
Insurance contract assets	1,654	1,452	871	967	1,067	1,171
Reinsurance contract assets	10,718	11,295	10,794	11,983	13,220	14,511
At amortized cost:	138,998	125,324	112,161	122,479	132,471	143,280
At fair value through other comprehensive income:	532,100	638,098	880,182	961,159	1,039,566	1,124,394
At fair value through profit or loss:	351,027	460,488	449,974	491,371	531,455	574,821
Other assets	106,582	111,016	98,332	133,450	187,660	250,039
Cash and cash equivalents	42,472	42,554	44,389	48,472	52,426	56,704
Total assets	1,321,590	1,509,497	1,734,342	1,929,969	2,145,708	2,388,787
LIABILITIES						
Insurance contract liabilities	1,041,941	1,196,541	1,413,410	1,569,120	1,731,194	1,900,215
Investment contract liabilities	5,437	6,031	20,380	27,324	36,633	49,115
Borrowings	27,398	28,607	10,813	10,432	10,024	9,592
Obligations under repurchase agreements	27,175	29,316	46,683	50,978	55,137	59,636
Other liabilities	109,333	116,273	120,555	139,558	168,636	212,832
Total liabilities	1,211,793	1,376,902	1,611,935	1,797,505	2,001,717	2,231,483
EQUITIES						
Share capital	40,771	40,771	40,771	40,771	40,771	40,771
Reserves	43,166	38,217	30,309	37,663	46,290	56,467
Retained profits	0	15,992	15,990	15,990	15,990	15,990
Total shareholders' equity	83,937	78,988	71,080	78,434	87,061	97,238
Non-controlling interests	25,860	37,616	35,337	38,039	40,939	44,075
Total equity	109,797	132,596	122,407	132,464	143,991	157,304
Total liabilities & equity	1,321,590	1,509,497	1,734,342	1,929,969	2,145,708	2,388,787

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
DPS	0.26	0.30	0.35	0.38	0.40	0.42
EPS (Reported)	0.78	1.50	2.07	2.40	2.78	3.23
Diluted EPS	0.78	1.50	2.07	2.40	2.78	3.23
Consensus EPS	n.a	n.a	2.33	2.49	2.67	3.10
Group embedded value/share (HK\$)	73.93	75.72	65.17	104.72	114.22	123.90
VNB/share (HK\$)	2.08	2.09	2.53	2.82	3.09	3.38
No. of shares basic	3,594	3,594	3,594	3,594	3,594	3,594
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Return on equity (ROE)	3.4%	8.0%	11.2%	12.9%	13.3%	13.7%
Return on asset (ROA)	0.2%	0.4%	0.5%	0.5%	0.5%	0.6%
Return on life embedded Value	2.7%	2.4%	14.9%	10.0%	10.0%	9.9%
VNB margin (FYP APE basis)	18.0%	15.3%	20.7%	19.6%	20.1%	20.5%
Combined ratio	106.9%	100.4%	98.9%	98.8%	98.7%	98.3%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
P/Embedded value (x)	0.2	0.2	0.2	0.1	0.1	0.1
P/B (x)	0.6	0.5	0.6	0.5	0.5	0.4
Dividend yield (%)	2.2	2.6	3.0	3.3	3.4	3.6
Dividend payout (%)	33.4	20.1	16.9	15.9	14.4	13.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data is quoted by market close on 25/3/2025 (Wed).

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