



Rating  
**Buy**

Asia  
Hong Kong

Banking / Finance  
Life Insurance

Company  
**NCI Alert**

Reuters  
1336.HK

Bloomberg  
1336 HK

Exchange  
HKG  
Ticker  
1336

Date  
25 March 2015

## Results

Price at 25 Mar 2015 (HKD)	42.50
Price target-12mth (HKD)	56.10
52-week range (HKD)	44.75 - 22.55
HANG SENG INDEX	24,400

Esther Chwei

Lexie Zhou

Research Analyst Research Associate  
(+852) 2203 6200 (+852) 2203 6180  
esther.chwei@db.com lexie.zhou@db.com

## FY14 results – Largely in-line with robust VNB growth

### EV and VNB largely in-line; 2H14 VNB +13.8% yoy on a relatively high base

New China Life reported its 2014 results today with EV of Rmb85,260mn (+32.4% yoy, +16.6% hoh), VNB of Rmb4,912mn (+16.0% yoy, implying 2H14 growth of 13.8%) and net profit of Rmb6,406mn (+44.9% yoy). EV and VNB were largely in-line with our estimates while net profit a slightly miss by 2%. DPS grew 40% to Rmb0.21/share. Capital position improved significantly by 57ppt yoy (+51ppt hoh) to 226.5% thanks to a Rmb4bn sub-debt. We see this as a decent set of results and continue to like NCI for its attractive valuation at 1.1x 2015E P/EV, which has not priced in its growth recovery. Maintain Buy.

### Full-year VNB growth driven by agency; Bancassurance VNB improved in 2H

VNB grew 16.0% yoy to Rmb4,912mn, driven mainly by volume growth (FYP APE +20.7%), which more than offset the slight deterioration (-1.3ppt) in NB margin to 32.4% (agency -2.4ppt, bancassurance -4.2ppt and group +0.7ppt). In term of growth by distribution channel, agency VNB was +22.5% yoy (2H14 13.4%) and bancassurance -40.3% (2H14 +29.7%). Agency accounted for 96% of 2014 VNB, with bancassurance at 6% and group at -2%. Agency number was down 1.1% to 175k (-0.6% hoh) excluding service and business development agents. The strong EV growth was mainly driven by inv variance of Rmb11,567mn (contributing to 18.0% EV growth) and expected return of Rmb7,793mn (12.1%). Persistency ratio deteriorated with 13M at 86.4% (vs. 89.2% in 2013) and 25M at 84.2% (vs. 85.6%). Surrender rate increased 3.0ppt yoy to 9.2%, which we believe were driven by bancassurance business.

### Net profits and investments

Net profit was up 44.9% to Rmb6,406mn thanks to strong inv. Net investment yield improved to 5.2% (vs. 5.0% in 2013) while total investment yield to 5.8% (vs. 5.2%) thanks to strong realized gains (+53.9%) and lower impairment (-22.4%). We note NCI's NSI increased 86.7% yoy (21.7% hoh) and accounted for 17.9% of investment assets. (vs. 15.5% in 1H14 and 10.9% in 2013).

### Capital position

Solvency margin ratio improved significantly to 226.5% (from 175% in 1H14 and 170% in 2013) thanks to the Rmb4bn sub-debt issued in 2014. We estimated that NCI has ~Rmb5.2bn remaining sub-debt capacity, which could further improve its 2014 solvency by 23ppt.

### Maintain Buy, PT lifted to HK\$56.1/share

Given the in-line results, we have maintained our 2015/16E EV and VNB forecasts unchanged. We have lifted our target price by 3% to HK\$56.1/share on the back of smaller tax impact under the PRC GAAP on EV and VNB (vs. 1H14). Our TP implies a 2015 P/EV of 1.5x and NB multiple of 8.5x.

### Key changes

Price target	54.50 to 56.10	↑	2.9%
Net earned prem (FYE)	122,517.7 to 113,895.9	↓	-7.0%
Op earnings (FYE)	-20,092.9 to -18,565.0	↑	-7.6%
Net profit (FYE)	8,016.3 to 7,928.9	↓	-1.1%

Source: Deutsche Bank

### Stock data

Market Cap (HKDm)	43,950
Market Cap (USDm)	5,667
Shares outstanding (m)	3,120.0
Major Shareholders	Central Huijin (31.26%)
Free float (%)	45
Avg daily value traded (USDm)	47.5

Source: Deutsche Bank

### Key data

FYE 12/31	2014A	2015E	2016E
Group EV(CNYm)	85,260	97,038	110,559
VNB (CNYm)	4,912	5,683	6,612
Net Profit	6,406	7,929	10,282
P/EV (x)	0.8	1.1	1.0
Implied NB multiple (x)	21.4	18.7	16.1

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Deutsche Bank does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

FOR OTHER IMPORTANT DISCLOSURES PLEASE VISIT  
<http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=1336.HK> MCI (P) 148/04/2014.