



Rating
Buy

Asia
China

Banking / Finance
Life Insurance

Company
CTIH Alert

Reuters 0966.HK	Bloomberg 966 HK	Exchange HKG	Ticker 0966
ADR Ticker CTIHY	ISIN US16948V1026		

Date
26 March 2015

Results

Price at 25 Mar 2015 (HKD)	26.35
Price target - 12mth (HKD)	30.90
52-week range (HKD)	27.15 - 11.70
HANG SENG INDEX	24,528
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FY14 results – Beating on all fronts

EV, VNB, Net profits all beat

Ch Taiping reported a strong set of 2014 results today. Life EV came at HK\$65,553mn (+44.4% yoy, +26.4% hoh), attributable Group EV at HK\$62,432mn (+66.3% yoy, +39.6% hoh), VNB at HK\$4,326mn (+37.4%, implying 2H14 growth of 30.2%) and net profit at HK\$4,042mn (+144.5%, vs. pre-announcement of >130.0% growth). Life EV, Group EV and VNB were all ahead of our estimates by 6.7%, 5.1% and 2.8%, respectively. Life solvency improved to 275% (vs. 191% in 1H14). Overall, a good quality and strong set of results. We maintain our Buy rating.

VNB and EV

VNB grew 37.4% yoy to HK\$4,326mn, driven mainly by volume growth (FYP APE +49.4% with agency +58.9%, bancassurance +35.1% and others +8.2%), which more than offset a 2.0ppt deterioration in NB margin to 22.7%. The strong Life EV growth (+44.4% yoy, 26.4% hoh) was helped by an investment and other variance of HK\$7,360mn (contributing to growth of 16.2%), expected return (+9.3%) and VNB (+9.5%). Agency persistency ratio remained largely stable with 13M at 92.6% (vs. 92.9% in 2013) and 25M at 88.7% (vs. 88.4%). Bancassurance persistency ratio slightly deteriorated with 13M at 91.1% (vs. 92.3% in 2013) and 25M at 88.5% (vs. 89.6%). Agency number grew 18.6% yoy (+18.7% hoh) to 134k. Monthly production per agent improved 54.1% to Rmb16.3k from Rmb10.6k in 2013.

Net profit and segment breakdown

Net profit was up 144.5% to HK\$4,042mn, mainly driven by Life business (+163.5% yoy, accounting for 70% of net profit) and PRC P&C (+43.6%). PRC P&C business combined ratio remained stable at 99.8% thanks to lower expense ratio. Reinsurance combined ratio significantly improved by 7.2ppt to 89.3%. Total investment yield improved to 5.8% (vs. 5.1%) thanks to realized/unrealized gains of HK\$3,539mn (+213.9%). Exposure to NSI was HK\$60,862mn, accounting for 16.1% of total investments (vs. 17.2% in 1H14 and 11.2% in 2013)

Capital positions

Taiping Life's solvency margin ratio improved significantly to 275% (vs. 191% in 1H14 and 166% in 2013). Taiping P&C's solvency stood at 174% (vs. 196% in 1H14 and 166% in 2013)

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Stock data

Market Cap (HKDm)	44,934
Market Cap (USDm)	5,794
Shares outstanding (m)	3,108.4
Major shareholders	CH Taiping Grp (69%)
Free Float (%)	44
Avg daily value traded (USDm)	18.5

Source: Deutsche Bank

Key data

FYE 12/31	2013A	2014E	2015E
Group EV (HKDm)	37,537	59,408	67,391
VNB(HKDm)	3,148	4,208	5,162
Net Profit	1,530	3,079	3,665
P/EV (HKD)	0.6	1.4	1.2
Implied NB multiple (x)	4.7	6.7	3.1

Source: Deutsche Bank

More to come after the company's analyst meeting at 4:15pm today.

Deutsche Bank AG/Hong Kong

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