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SPOTLIGHT

China Financials Survey

Anatomy of a financial consumer – back to basics

We present our third proprietary survey of attitudes and preferences towards financial products and services in mainland China

Banks still dominate distribution, but trust levels have declined, most notably for banks and online players

Greater risk aversion is characterised by an increased desire to allocate funds to bank deposits, health insurance and critical illness rather than long-term savings or market-sensitive products



This is a redacted version of a report by the same title published on 3-Mar-21. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

Disclosures & Disclaimer: This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

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Why read this report?

- ◆ We have conducted our third survey of attitudes and preferences of individuals in China towards the financial sector, as well as products and services offered
- ◆ We consider whether these results are consistent with our preconceived ideas about the purpose for purchasing financial products and most trusted distribution channels
- ◆ The results suggest the preference for internet players revolves around payments where it has increased rather than saving, borrowing or insurance protection where they have become less popular

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Proprietary survey to check and validate our views and perceptions...

We conducted our third China financials survey to gauge evolving attitudes and preferences towards financial products and services through a sample of 2,031 individuals.

...and to identify changing attitudes towards financial products and services in China

Only 12% of the respondents increased borrowing over the past year, with nearly 60% not changing borrowing levels. In addition, almost half of the individuals save for precautionary reasons such as unforeseen events and health issues, with the allocation to health rising among more wealthy individuals and unforeseen events falling in more developed areas.

Internet platforms favoured for payments, but not for advice or financial products

Internet platforms continue to be preferred for money transfers across all age groups and income levels. However, individuals' propensity to borrow is not materially impacted by whether they use credit cards, personal loans or internet platforms, while consumers remain most sensitive to factors favouring traditional financial institutions such as lending rates for loans, diseases covered for health insurance and critical illness, brand for motor insurance, and fund strategy for investments. Individuals still trust banks most for advice on financial products, but only one-third see them as most trustworthy vs two-thirds in our previous surveys; the ranking of online has dropped below friends & family and agents. Where individuals do use online to purchase financial products, they tend buy money market funds, health products, and banks' wealth management products (WMPs).

Desire to purchase protection via health insurance and critical illness rose significantly

Individuals' desire for protection is greater than savings for the first time, with health insurance the most preferred product; only 17% are now focused on buying savings products compared with c60% in 2018. Demand for critical illness increases as individuals get older, with around two-thirds preferring sum assured below RMB500k (c3.5x the average earnings of the sample), while the preference for purchasing fast-growing short-term health is through insurers vs internet channels.

Greater price competition among brokers

Commission rates have become the main factor in choosing between brokers, while banks and brokers remain the key distribution channels. The preference for internet platforms has slipped.

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Facts and figures

USD53trn

Size of China's financial sector, by assets

>10%

2020 asset growth recovered from low single digits in recent years

Banks remain most trusted to provide advice on financial products, followed by friends & family and agents, while online has dropped to fourth from second

32%

Said banks are most trusted for advice (from two-thirds in the previous surveys)

41%

Consider loan rate as the main factor in choosing lenders

70%

Intend to purchase protection rather than savings

40%

Think diseases covered are the most importance feature for protection insurance

47%

Of savings are held for precautionary reasons

Among which, 26% are for unforeseen events and 21% for health issues; both can be covered by insurance

70%

Prefer internet platforms for money transfers and payments

10-20%

Prefer internet platforms for borrowing, buying insurance or asset management products

Executive summary

- ◆ We conducted our third proprietary China financials survey to gauge consumer preferences towards financial products and/or services as we emerge from the pandemic
- ◆ Internet giants are preferred for payments, but not for borrowing, saving or insurance
- ◆ The desire to buy insurance protection significantly outstrips savings for the first time

Introduction

We present the findings from our third proprietary survey of attitudes and preferences of Chinese individuals towards China's financial services sector, and how they are changing due to the pandemic, growing online penetration, as well as from our 2018 and 2019 surveys.

We also look at products and services offered by companies to challenge or support our existing views on consumer preferences for different financial products and features, as well as distribution channels across different income levels, age groups and geographies, and how this could impact our growth assumptions for companies on both absolute and relative bases.

China's Financial System

Total bank sector assets amounted to cUSD45trn (+11% over 2020-19), with the insurance sector at cUSD3.4trn (+13%) and brokers at cUSD1.3trn (+23%) as at end-2020, while off-balance sheet bank wealth management products (WMPs) remain around the size of the insurance sector with some assets required to move on-balance sheet by end-2021.

In our view, a number of government regulations aimed at containing macroeconomic risks emanating from the financial sector such as curtailing shadow banking activities, short-duration investment products, non-bank lenders taking limited balance sheet risks and payment providers have adversely impacted growth in recent years. Nevertheless, asset growth recovered to double digits across the main segments during 2020, despite the headwinds from COVID-19, as well as a pick-up in competition for deposits, insurance guarantees, protection, and services.

Moreover, there may be some light in the tunnel as regulatory developments in the financial space appear to be more supportive of the traditional financial services industry relative to competing, fast-growing, unregulated players. For instance, regulators remain focused on containing financial stability risks and protecting consumers, which has resulted in widening the net for consumer finance and microfinance licenses, implementing interest rate caps for non-licensed lenders, removing FDI limits for asset managers, brokers and insurers, and requiring platform players to retain balance sheet risk when lending. We expect higher bank sector asset growth and insurance premium growth over the medium term, as a result.

HSBC China Financials Survey

We highlight the findings from our proprietary survey of attitudes and preferences of Chinese individuals towards China's financial sector, as well as products and services offered by companies operating in this space. The results reinforce some of the themes and stock preferences we have been highlighting, while they also provide additional insights in other areas, which may have implications for corporate strategies, as well as our views on growth projections based on product and distribution strategies adopted.

We accept that 2,031 people may not be representative of the entire Chinese population. We note our sample is more skewed than the overall Chinese population towards individuals with income levels above the national average, more developed cities and/or regions, and those of working age. This was also the case in our 2018 and 2019 samples.

Nevertheless, we think our sample provides a reasonable gauge of Chinese consumer preferences related to the financial sector, as well as products and services currently offered since financial services penetration generally rises as income levels increase and individuals move away from the support of family networks and towards urban areas (as highlighted by World Bank Financial Inclusion data).

In addition, we draw comfort about the validity of the results since many of the major observations are internally consistent and there have been changes from our first and second surveys that are in-line with increasing financial penetration, increasing financial sophistication, as well as reflecting certain trends around product development and online vs offline.

The main characteristics of our sample compared with the Chinese population are as follows:

- ◆ 50% male and 50% female respondents versus a 51% and 49% gender split for the Chinese population, respectively.
- ◆ An average age of 36 years, with 24% in the 20-29 age group, 36% in the 30-39 age group, and 28% in the 40-49 age group. Together, these account for only 45% of the Chinese population.
- ◆ c70% of the participants had income levels above the national average, with c60% earning RMB100,000-250,000 per annum vs a national average of around RMB91,000 per annum.
- ◆ Approximately two-thirds of the respondents are from more developed cities or regions such as Beijing, Shanghai, the Greater Bay Area (GBA) and Eastern provinces against these accounting for c40% in China overall.

What surprised us

Consumer attitudes (including towards digital finance)

- ◆ 70% of the respondents indicated no fall in income and 20% reported a rise in income over the past year.
- ◆ There is a greater risk aversion around COVID-19, highlighted by an increased desire to allocate funds towards bank deposits, health insurance and critical illness products vs less towards market-sensitive products such as bonds, securities and trusts.
- ◆ However, there is a preference for increased spending on financial products to be allocated to WMPs and bank deposits before protection products over the next three years.
- ◆ The bank channel remains most trusted for advice on financial products, but only 32% of the respondents rank it as the most trusted vs 67% in 2019 and 72% in 2018.

- ◆ Friends & family and insurance agents are ranked second and third most trusted for advice on financial products, respectively, while internet platforms have dropped to fourth from second in our 2019 survey.
- ◆ Internet giants are preferred for payments but not borrowing, saving or insurance.
- ◆ Individuals' propensity to borrow does not appear to be materially impacted by whether they use credit cards, personal loans or internet platforms, which may be inconsistent with views around the latter being an important driver of higher borrowing and/or consumption spending.
- ◆ Consumers prefer to use insurance channels over internet players to purchase short-term health products, with "million-dollar" short-term medical insurance purchased through insurer websites/apps at 30% (21% in 2019), followed by Alipay at 22% (26% in 2019).

Banks

- ◆ BOC improved service levels most over the last three years, followed by ICBC and CCB (vs ICBC first, CCB second, and BOC third in both 2019 and 2018).
- ◆ Only 12% of the respondents increased borrowing over the past year, with nearly 60% not changing borrowing levels, which is consistent with responses on income levels.
- ◆ The loan rate is the most important consideration for individuals when choosing a loan provider across all age groups and cities/regions but its relative importance has been gradually falling.
- ◆ Individuals in developed cities/regions generally save less for unforeseen events, suggesting greater confidence in government support and/or insurance products.

Insurers

- ◆ Individuals' desire for protection is greater than for savings for the first time, with health insurance the most preferred product; only 17% are now focused on buying a savings product compared with 49% in 2019 and 61% in 2018.
- ◆ Demand for critical illness tends to increase as individuals get older.
- ◆ Around 34% of the respondents believe protection sum assured is sufficient, but among those who think it is insufficient (58%) less than half indicate an intention to top up sum assured, suggesting affordability or other issues.
- ◆ Around 63% of the respondents prefer sum assured below RMB500,000 (or c3.5x the average earnings of the sample) for protection products, while individuals below 30 and above 60 purchase the lowest protection sum assured.
- ◆ Consumers prefer to use insurance channels over internet players to purchase short-term health products, which is interesting as internet players are regularly cited as leading market disruption in this space.
- ◆ Around 80% (unchanged) of the respondents purchased "million-dollar" short-term medical insurance through insurer websites/apps at 30% (21% in 2019), followed by Alipay at 22% (26% in 2019), being the most popular channels.
- ◆ The respondents aged 35-50 (30-50 previously) mainly bought short-term medical products from agents, while younger (both younger and older in our previous surveys) individuals were more skewed to buying from Alipay.
- ◆ c40% (unchanged) of the respondents in the lowest income bracket do not have a short-term medical policy.

What was in-line with our existing views

Consumer attitudes

- ◆ Respondents mostly prefer to use internet platforms and online channels to purchase money market funds, WMPs and health insurance.
- ◆ The intention to allocate additional spending to protection products over the next three years is positively correlated with wealthier respondents and those in more developed cities/regions.

Banks

- ◆ 47% of the respondents save for precautionary reasons such as unforeseen events and health issues (vs 49% in 2019 and 46% in 2018), with a further 12% for retirement (15% in 2019 and 13% in 2018), which could be replaced by products developed by the insurance sector over time.
- ◆ Under 30s tend to save more for property purchases, while those with higher income levels and older individuals save more for health and pensions.
- ◆ There is a further increase in the preference for WeChat and/or Alipay. For instance, 69% of respondents (55% in 2019 and 53% in 2018) use WeChat and/or Alipay to transfer money rather than online transfers at 27% (34% in 2019 and 33% in 2018) or cash at 4% (10% in 2019 and 14% in 2018).
- ◆ The preference for WeChat and/or Alipay is highest among the youngest age groups up to 30 and 50-60% of the individuals in other age groups express the same preference, while 18% and a gradually falling proportion of retirees prefer to pay with cash.
- ◆ Purchasing household items is still the most popular reason for credit card or personal loan usage (39% in 2021 vs 34% in 2019), while buying household and leisure items are the popular reasons for using online lending platforms.

Insurers

- ◆ Insurers' brand and reputation and additional service provided are most important when purchasing long-term insurance products.
- ◆ The number of diseases covered remains the most important feature when buying critical illness across all age groups, income levels and cities/regions.
- ◆ Brand rises and price falls in relative importance when buying critical illness as income levels increase.
- ◆ Brand (28%) followed by agents (22%) are most important when choosing motor insurance, with under 25s putting service levels ahead of agents and price, while those above 25 believe agents are more important than service levels and price.

Brokers and asset managers

- ◆ Asset allocation and fund strategy are still the main factors in choosing asset management products.
- ◆ Banks are the most important channel for buying asset management products at 40% (51% in 2019 and 57% in 2018), followed by fund managers (vs online channel in 2019).
- ◆ The commission rate at 33% (28% in 2019) replaced brand and scale at 25% (37% in 2019) to become the most important factor in choosing between brokers; quality of client service also increased in significance to 27% (vs 23% in 2019).
- ◆ The majority of the respondents do not hold any overseas investments.

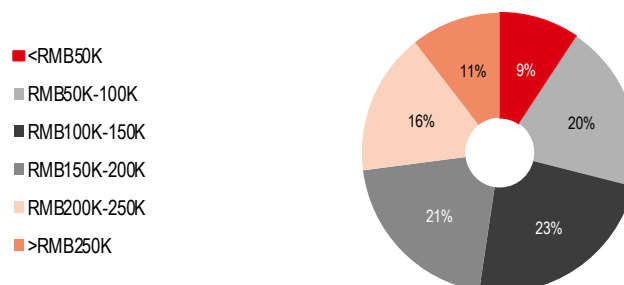
Consumer attitudes

- ◆ c70% of the respondents indicated no or limited falls in disposable income in 2020, but caution increased with the intention to put funds into deposits, insurance saving and protection rising
- ◆ There is an intention to increase the allocation to banks' WMPs and deposits versus 2019, while demand for protection insurance rises for those earning more and living in more developed regions
- ◆ The desire to allocate more to market-sensitive products fell, while the bank channel remains the most trusted source of financial advice but online is, surprisingly, no longer in the top three

Question 1: How much do you earn annually?

Our survey population is evenly distributed across income brackets with a skew towards above-average earners (unchanged from the previous surveys)

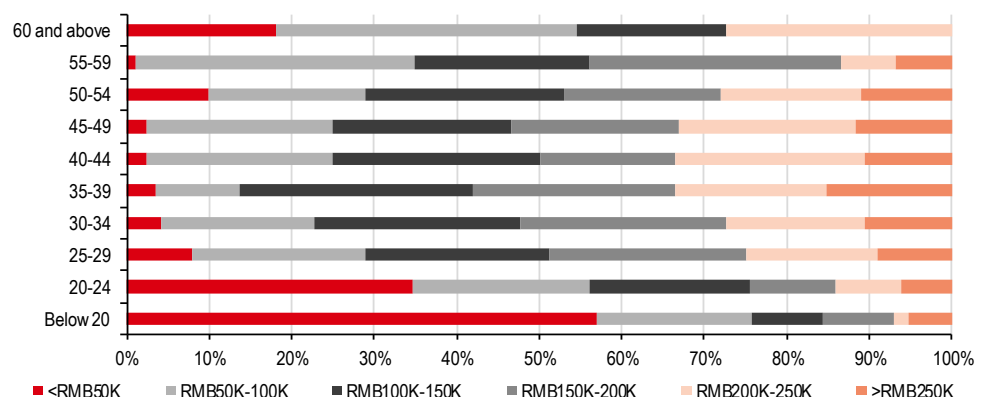
Exhibit 4: Annual income of survey population



Source: HSBC, Toluna

Average income levels are highest in the late 30s age group (vs late 40s in 2019 and mid-40s in 2018)

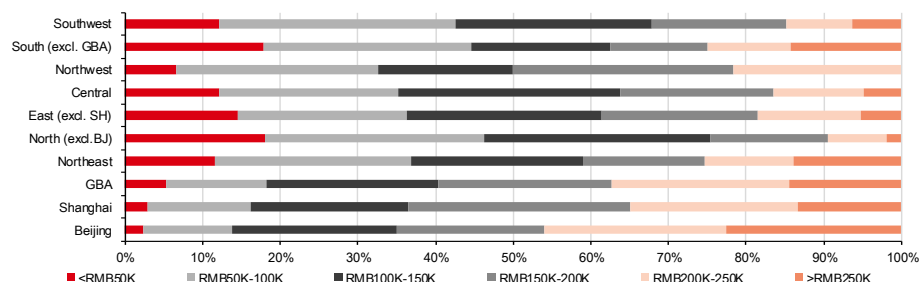
Exhibit 5: Annual income distribution by age groups



Source: HSBC, Toluna

Individuals from more developed regions (e.g. Beijing, Shanghai, and the GBA) have significantly higher income levels than those from the North and Southwest

Exhibit 6: Annual income distribution by region brackets

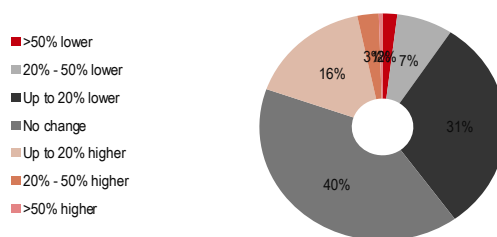


Source: HSBC, Toluna. Note: GBA – Greater Bay Area. SH – Shanghai. BJ – Beijing.

c70% of the respondents have no or only a limited fall in disposable income over the past year vs 20% that saw a rise in disposable income

Question 2: How much has your disposable income changed from end-2019?

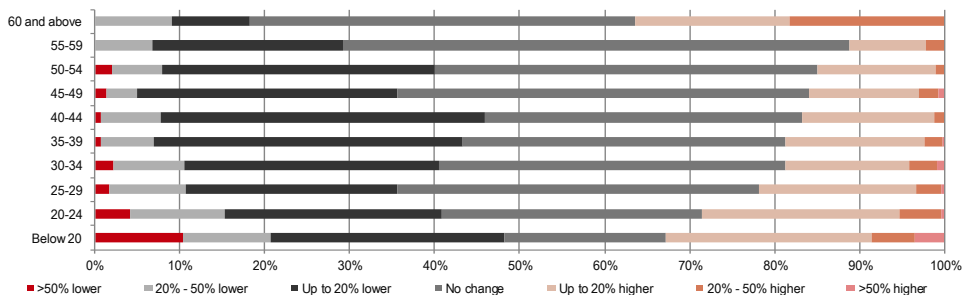
Exhibit 7: Change in disposable income from end-2019



Source: HSBC, Toluna

Disposable income has been more stable for older individuals, while younger individuals experienced more significant increases and decreases over the past year

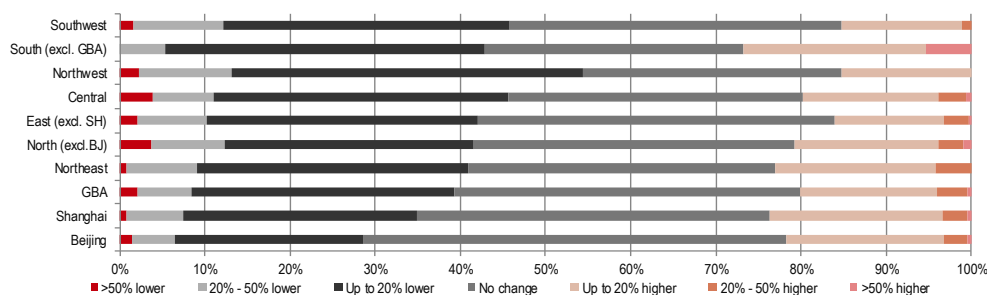
Exhibit 8: Change in disposable income by age groups from end-2019



Source: HSBC, Toluna

Disposable income has been relatively stable in more developed regions, while the Northwest experienced a significant decrease over the past year

Exhibit 9: Change in disposable income by region brackets from end-2019

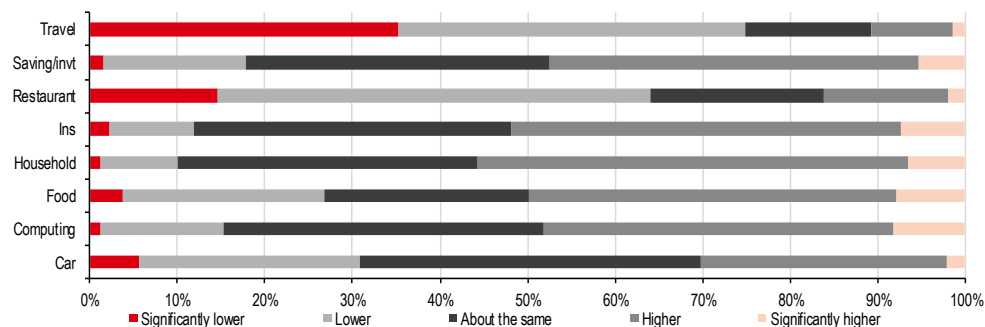


Source: HSBC, Toluna. Note: GBA – Greater Bay Area. SH – Shanghai. BJ – Beijing.

Question 3: How has your consumption for the following categories changed during the COVID-19 pandemic? (Rank each from 1-5 with 1 = Significantly lower; 2 = Lower; 3 = About the same; 4 = Higher; 5 = Significantly higher)

The respondents allocate more expenditure to savings, investments and insurance during the COVID-19 pandemic, as well as spending more on computing, food and household goods

Exhibit 10: Change in consumption preferences during the COVID-19 pandemic

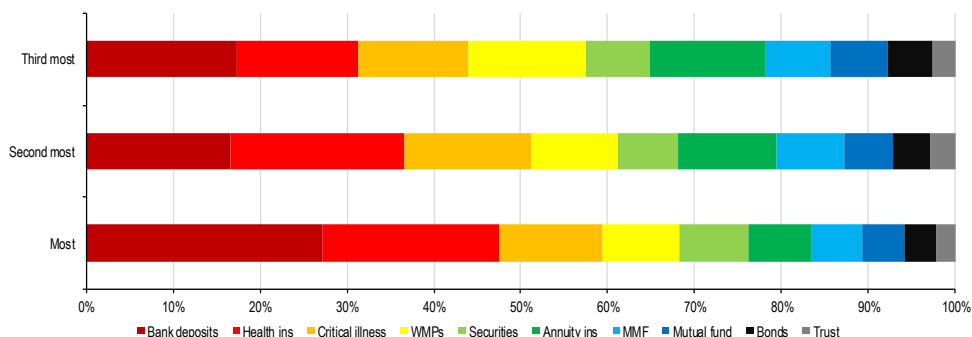


Source: HSBC, Toluna. Note: Invst – investment. Ins – insurance.

Question 4: Rank the three financial products you have allocated more spending towards during the COVID-19 pandemic? (1 = Most; 2 = Second most; 3 = Third most)

Among financial products, there was an increase in the desire to allocate funds to bank deposits, followed by health insurance and critical illness, suggesting greater risk aversion and insurance awareness

Exhibit 11: Financial products more spending has been allocated to during the COVID-19 pandemic

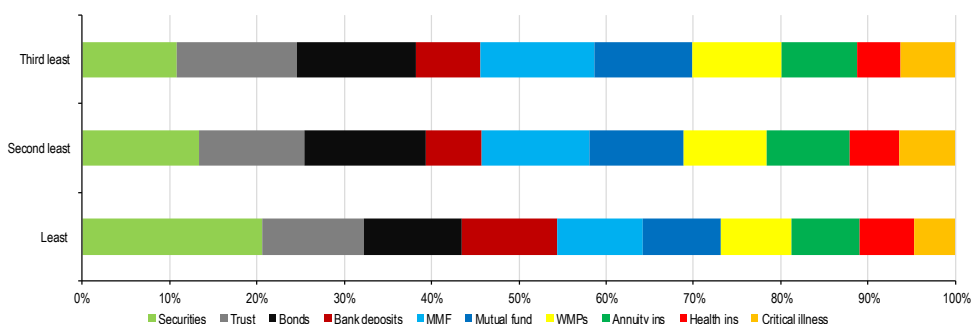


Source: HSBC, Toluna. Note: Health ins – health insurance. WMPs – wealth management products. Annuity ins – annuity insurance. MMF – money market fund.

Question 5: Rank the three financial products you have allocated less spending towards during the COVID-19 pandemic? (1 = Least; 2 = Second least; 3 = Third least)

Consistent with greater caution, less spending has been allocated towards more market-sensitive products such as securities, bonds and trusts

Exhibit 12: Financial products less spending has been allocated to during the COVID-19 pandemic

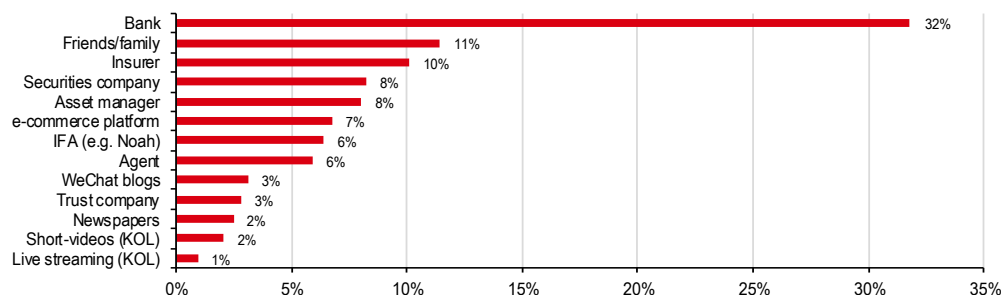


Source: HSBC, Toluna. Note: Health ins – health insurance. WMPs – wealth management products. Annuity ins – annuity insurance. MMF – money market fund.

Question 6: Who or which type of institution do you trust most to provide advice on financial products?

Banks remain the most trusted source of financial advice but this preference has declined materially to 32% (vs 67% in 2019 and 72% in 2018); friends and family are second most trusted (vs online in 2019 and 2018), while insurers rose to 10% (vs 5% in 2019 and 6% in 2018)

Exhibit 13: Most trusted financial institutions

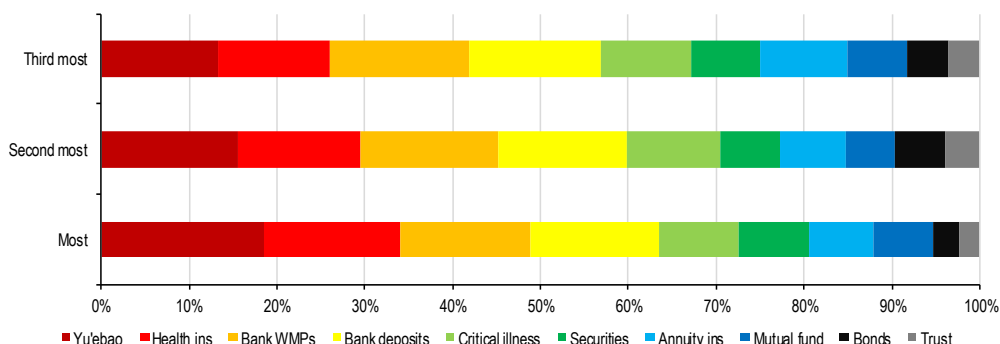


Source: HSBC, Toluna. Note: IFA – independent financial advisors.

Question 7: What type of financial products are you most likely to buy online during the COVID-19 pandemic? (1 = Most; 2 = Second most; 3 = Third most)

Most respondents prefer to buy money market funds, WMPs and health insurance products online

Exhibit 14: Financial products most preferred to be purchased online

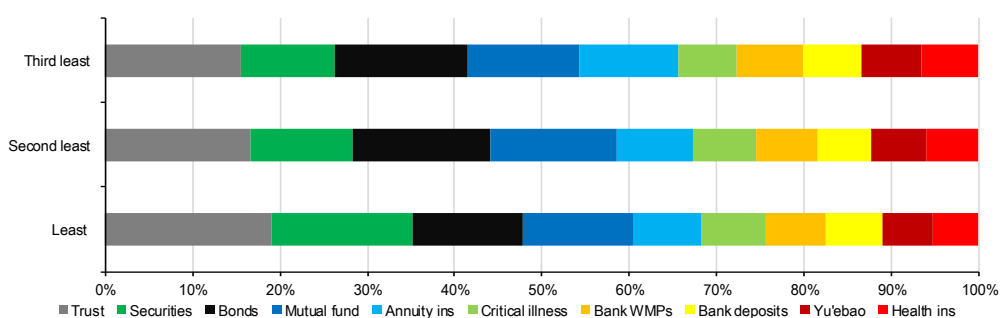


Source: HSBC, Toluna. Note: Health ins – health insurance. Bank WMPs – bank wealth management products. Annuity ins – annuity insurance.

Question 8: What type of financial products are you least likely to buy online during the COVID-19 pandemic? (1 = Least; 2 = Second Least; 3 = Third Least)

The respondents are less likely to purchase bonds, securities and trust products online

Exhibit 15: Financial products least preferred to be purchased online

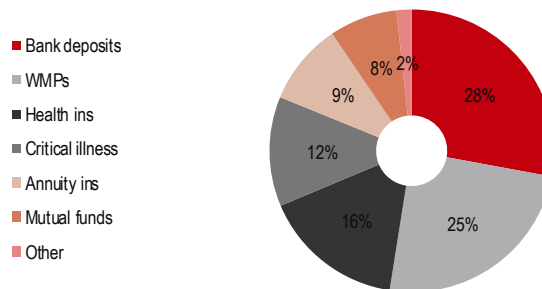


Source: HSBC, Toluna. Note: Health ins – health insurance. Bank WMPs – bank wealth management products. Annuity ins – annuity insurance.

Question 9: Over the next three years, which main products do you expect to put your savings into?

There was an increased desire to allocate savings to WMPs (34% vs 29% in 2019) and bank deposits (28% vs 24% in 2019), with protection falling over the next three years (29% vs 34% in 2019)

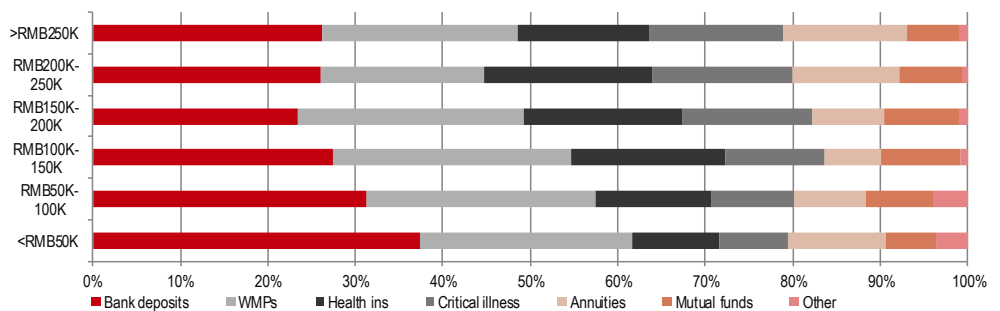
Exhibit 16: Destination for savings over the next three years



Source: HSBC, Toluna. Note: Health ins – health insurance. WMPs – wealth management products. Annuity ins – annuity insurance.

As the respondents get wealthier, the proportion of savings allocated to insurance rises, while deposits and WMPs falls (unchanged)

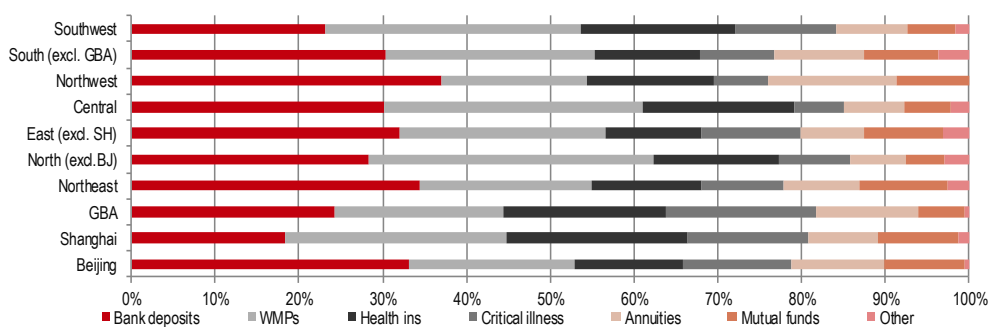
Exhibit 17: Destination for savings over the next three years by income brackets



Source: HSBC, Toluna. Note: Health ins – health insurance. WMPs – wealth management products.

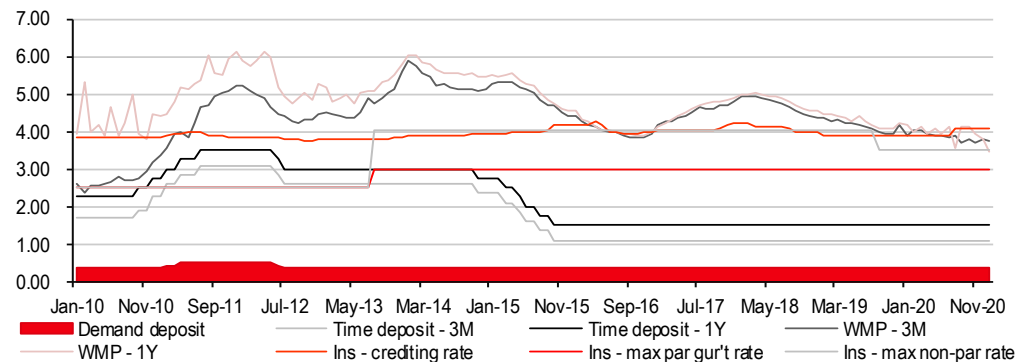
Those in more developed regions are more likely to allocate their savings to protection-type insurance than in other regions

Exhibit 18: Destination for savings over the next three years by region brackets



Source: HSBC, Toluna. Note: GBA – Greater Bay Area. SH – Shanghai. BJ – Beijing.

WMPs have historically offered the highest yields, but insurance crediting rates appear higher now; deposits have the lowest yields but best liquidity

Exhibit 19: Yields on various financial products


Source: Wind, PBoC, CBIRC, HSBC

Note: Demand and time deposit refer to PBoC benchmark; crediting rate refers to average rate of selected samples of universal life insurance.

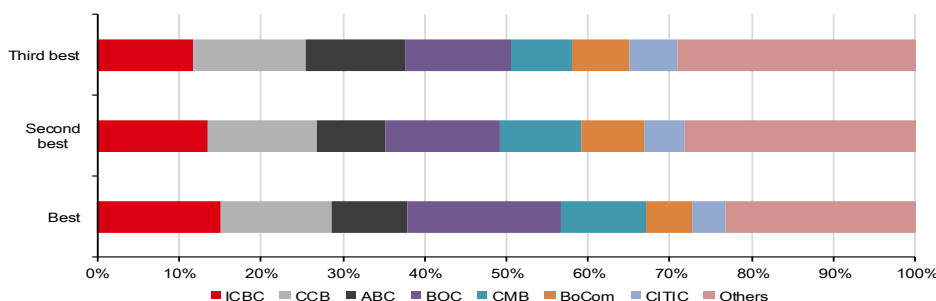
Banks

- ◆ Big 4 banks account for c57% of the responses for the best service; BOC replaced ICBC to rank #1, followed by ICBC and CCB
- ◆ Popularity of online payments increased across all age groups, with online borrowing mainly for household and leisure items, but loan rate and brand remain the main factors for those seeking loans
- ◆ Almost half saved for precautionary reasons (i.e. unforeseen events and health issues), which could be covered by insurance, but caution fell for those with higher income levels and in more developed areas

Question 10: Can you name three banks that you believe offer the best service? (1 = Best, 2 = Second best, 3 = Third best)

Big 4 banks account for 57% of the responses for best service (c80% in both 2019 and 2018); BOC leads (CMB in 2019 and ICBC in 2018)

Exhibit 20: Banks for the best service

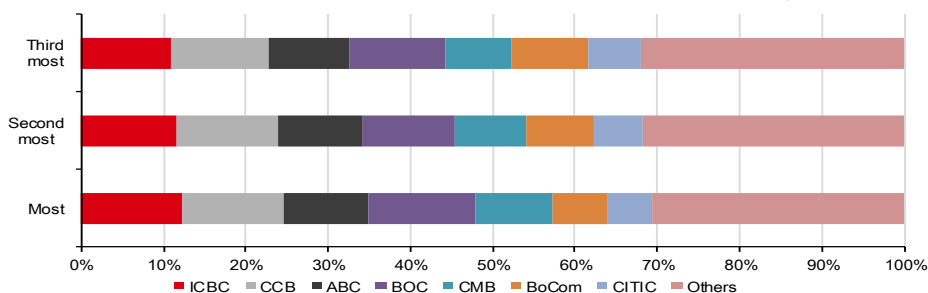


Source: HSBC, Toluna

Question 11: Can you name three banks below that improved service the most over the last three years? (1 = Most, 2 = Second most, 3 = Third most)

BOC (ICBC in 2019 and 2018) improved service levels most over the last three years, followed by ICBC and CCB (CCB and BOC in 2019 and 2018)

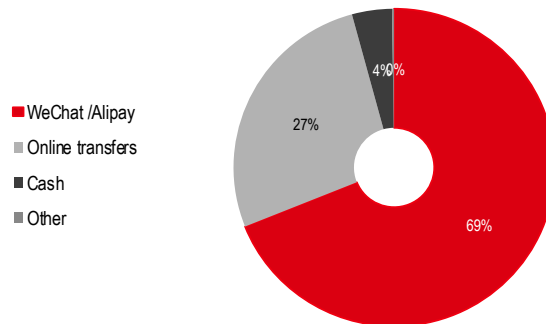
Exhibit 21: Banks that have improved service the most for the past three years



Source: HSBC, Toluna

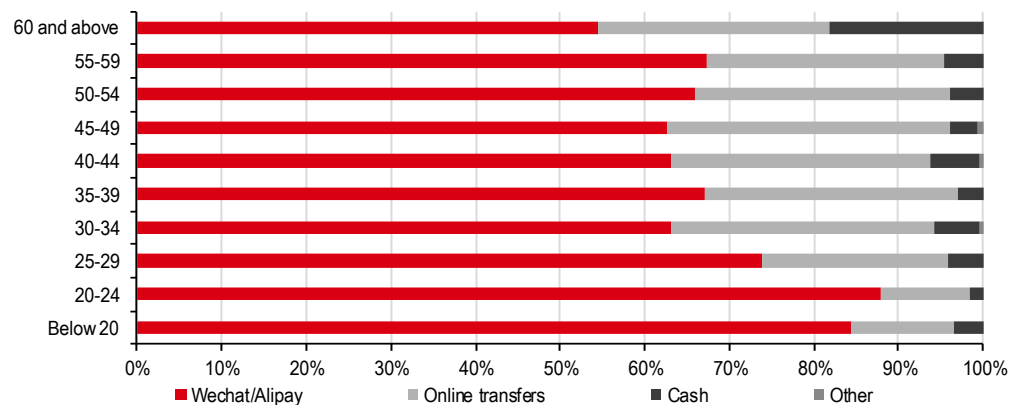
Question 12: If you owe money to friends, family or service provider, what is the preferred means of payment?

69% (55% in 2019 and 53% in 2018) use WeChat and/or Alipay to transfer money rather than online transfers at 27% (34% in 2019 and 33% in 2018) or use cash at 4% (10% in 2019 and 14% in 2018)

Exhibit 22: Preferred means of payment


Source: HSBC, Toluna

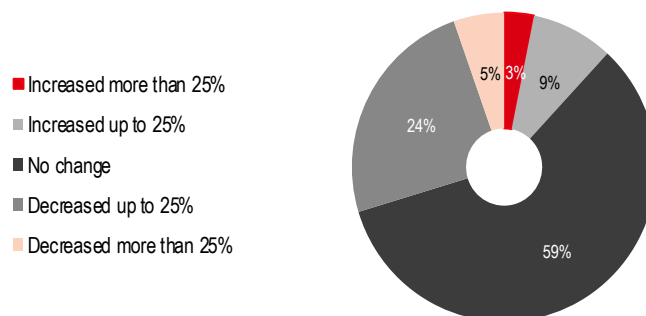
Preference for WeChat and/or Alipay is highest among the youngest age groups up to 30 (unchanged) and 50-60% of individuals in other age groups express the same preference, while 18% (21% in 2019 and 23% in 2018) of the retirement group still prefer to pay with cash

Exhibit 23: Preferred means of payment by age groups


Source: HSBC, Toluna

Question 13: How did your borrowing change over the past year?

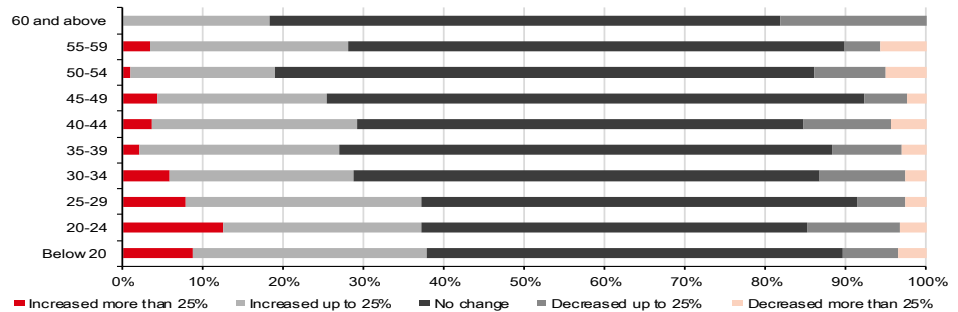
Only 12% of the respondents increased borrowing over the past year, with nearly 60% not changing borrowing levels

Exhibit 24: Borrowing change from 2019


Source: HSBC, Toluna

37% of under 30s and 30% of middle-aged individuals increased borrowing by up to 25% over the past year, while up to 80% of older groups saw either no change or a drop in borrowing over the past year

Exhibit 25: Borrowing change from 2019 by age groups

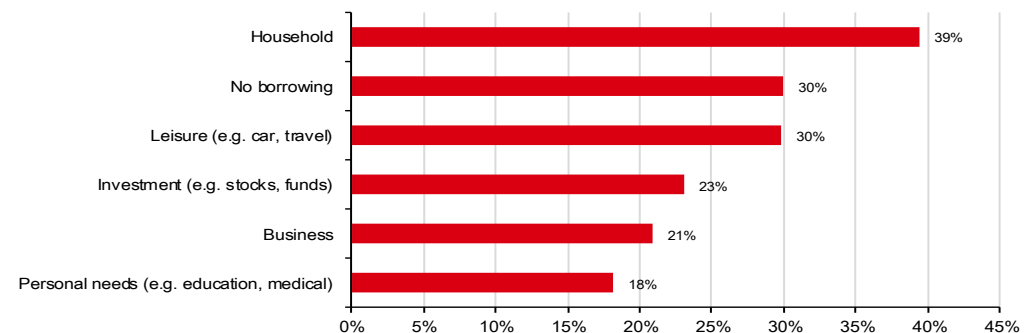


Source: HSBC, Toluna

Question 14: For what purpose do you borrow when using a credit card and/or a personal loan? (Select all that apply)

Purchasing household items is still the most popular reason for credit card or personal loan usage (39% in 2021 vs 34% in 2019), while 30% (40% in 2019) have no borrowing

Exhibit 26: Primary reasons for using credit card and/or personal loans

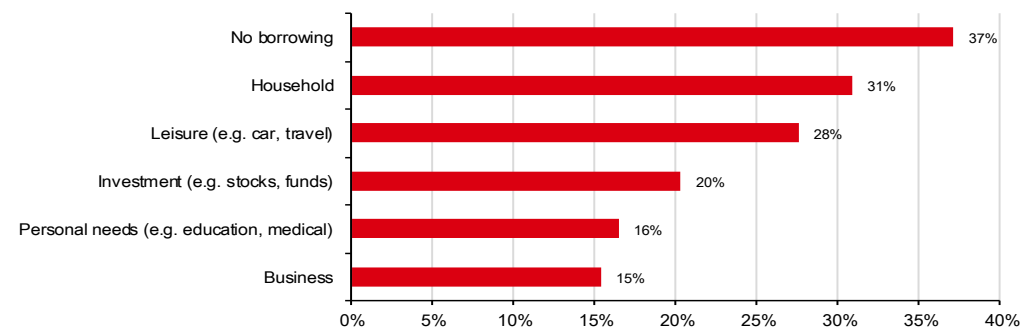


Source: HSBC, Toluna

Question 15: For what purpose do you borrow when using an online platform (e.g. Ant, WeBank, Lufax, online bank lending)? (Select all that apply)

Purchasing household and leisure items are the popular reasons for using online lending platforms, while 37% do not use this channel for borrowing

Exhibit 27: Primary reasons for using online lending platform

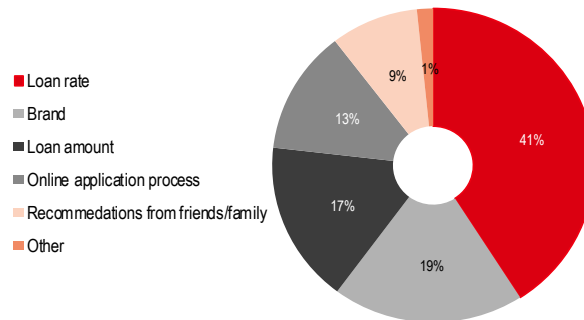


Source: HSBC, Toluna

Question 16: What are the main factors influencing your decision about who to take a loan from?

The loan rate is the most important consideration for individuals when choosing a loan provider across all age groups but its relative importance has been gradually falling (41% vs 46% in 2019 and 56% in 2018)

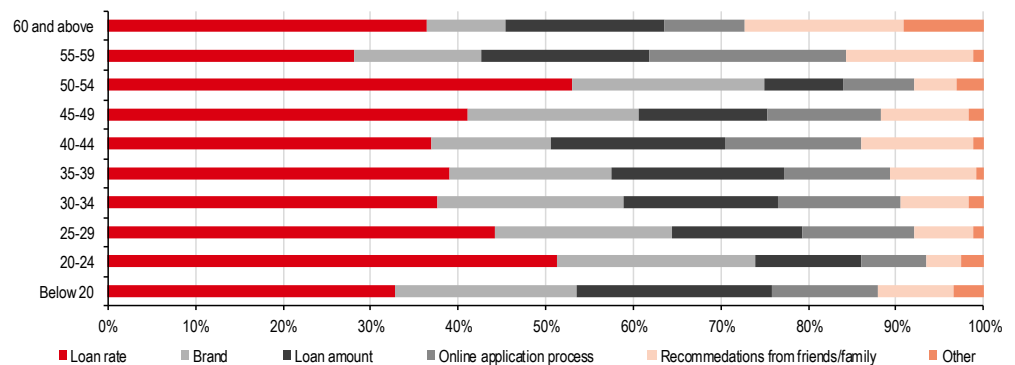
Exhibit 28: Main factors in choosing lenders



Source: HSBC, Toluna

Brand is the second most important factor when choosing a loan provider (unchanged), although some age groups, for example, those aged 35 to 44, consider loan amount relatively more important

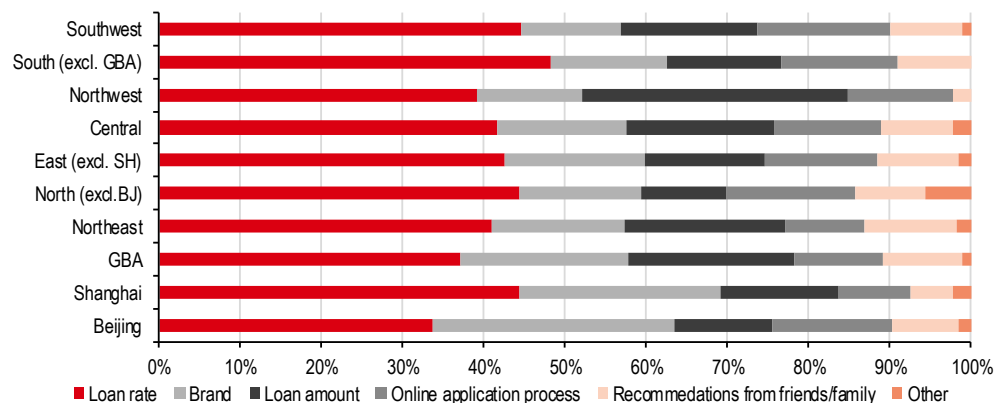
Exhibit 29: Main factors in choosing lenders by age groups



Source: HSBC, Toluna

Loan rate remains the main factor across all regions, with brand being relatively more important in developed regions and loan amount is at least equally important in less developed regions

Exhibit 30: Main factors in choosing lenders by region brackets

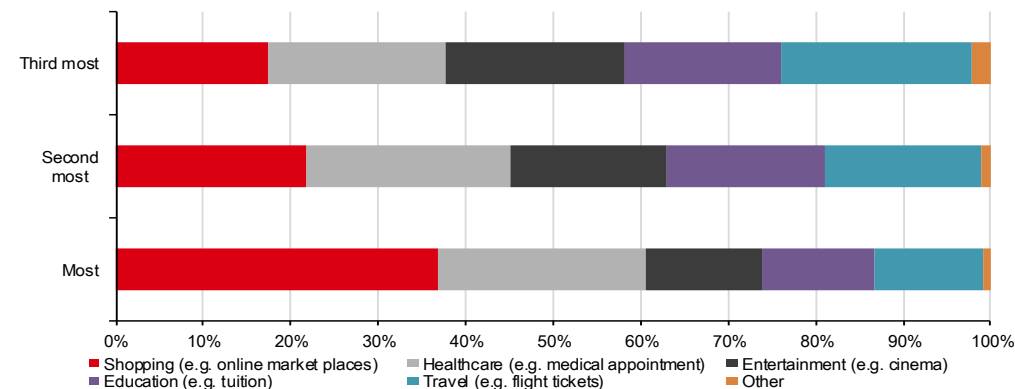


Source: HSBC, Toluna. Note: GBA – Greater Bay Area. SH – Shanghai. BJ – Beijing.

Question 17: When using a bank-developed app, which of the following lifestyle services are most useful? (1 = Most useful, 2 = Second most useful, 3 = Third most useful)

37% say online shopping is the most useful service on bank apps, followed by 24% for healthcare services

Exhibit 31: Most useful services bank-developed apps



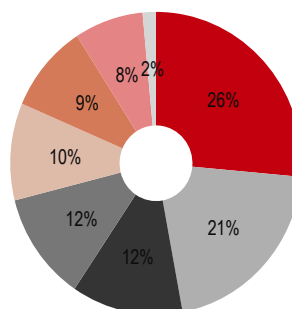
Source: HSBC, Toluna

Question 18: What is the main purpose of your savings?

26% (27% in 2019 and 31% in 2018) save for unforeseen events, 21% (22% in 2019 and 15% in 2018) for health issues, 12% (15% in 2019 and 13% in 2018) for retirement, and 10% (9% in 2019 and 4% in 2018) for looking after parents

Exhibit 32: Main purpose for savings

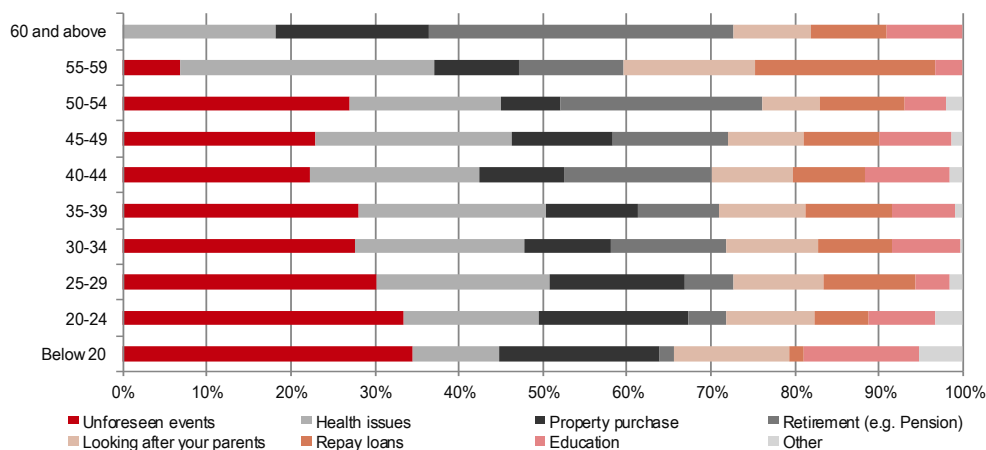
- Unforeseen events
- Health issues
- Property purchase
- Retirement (e.g. Pension)
- Looking after your parents
- Repay loans
- Education
- Other



Source: HSBC, Toluna

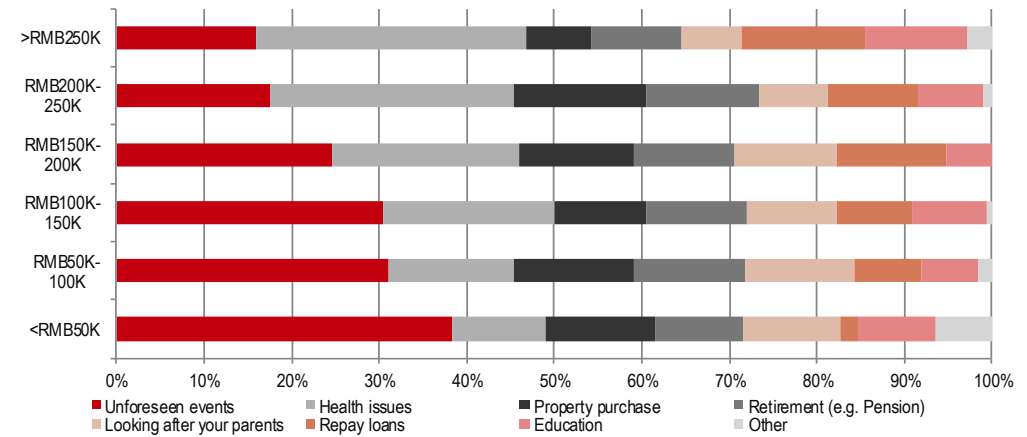
Under 30s tend to save more for property purchases, while older individuals save more for health and pensions

Exhibit 33: Main purpose for savings by age groups



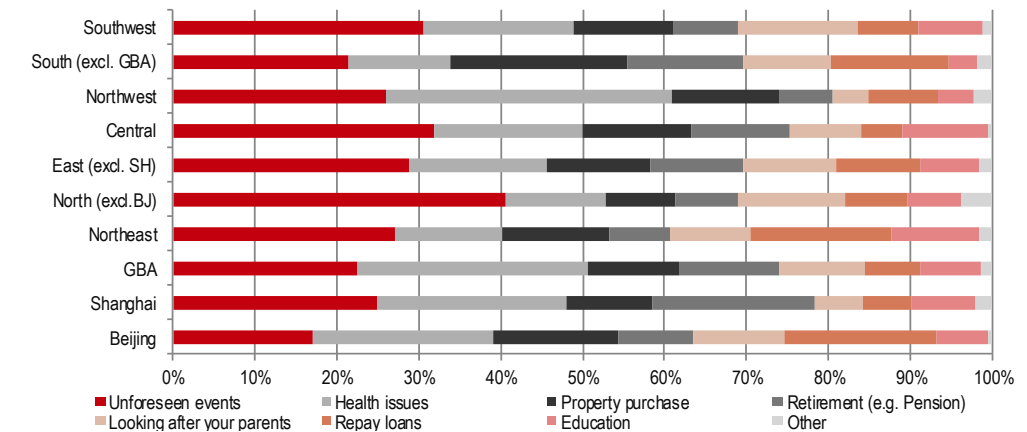
Source: HSBC, Toluna

Individuals save more for health issues and less for unforeseen circumstances as they earn more income (unchanged)

Exhibit 34: Main purpose for savings by income brackets


Source: HSBC, Toluna

Individuals in developed regions generally save less for unforeseen events; residents in the North save more for health than those in the South

Exhibit 35: Main purpose for savings by region brackets


Source: HSBC, Toluna. Note: GBA – Greater Bay Area. SH – Shanghai. BJ – Beijing.

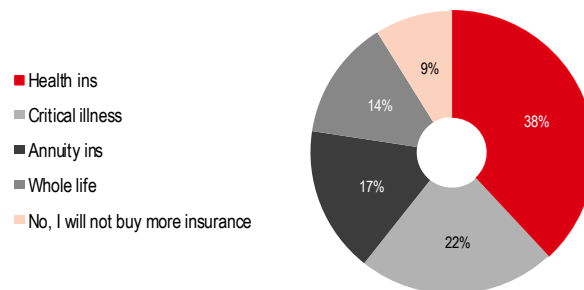
Insurers

- ◆ Individual preferences are now heavily skewed towards protection rather than savings, with health insurance on top of the list but c90% want sum assured to remain unchanged during the pandemic
- ◆ Demand for protection rises for wealthier and older individuals, with a growing proportion preferring to buy direct from insurers (not online platforms) and the number of diseases covered being the key feature
- ◆ Online channels are popular for buying short-term health insurance, but they do not appear to be popular for motor insurance where agents still dominate

Question 19: As your disposable income grows, do you expect to allocate more funds towards particular insurance products?

Health insurance is the most preferred product, with the overall preferences now skewed towards protection rather than savings (17% vs 49% in 2019 and 61% in 2018) across all age groups

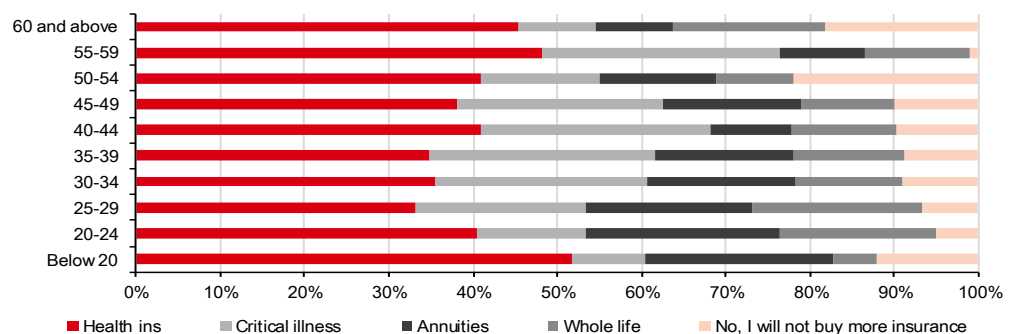
Exhibit 36: Preference for insurance products as disposable income grows



Source: HSBC, Toluna. Note: Health ins – health insurance. Annuity ins – annuity insurance.

Demand for critical illness tends to increase as individuals get older, but remains below 30% across all age groups

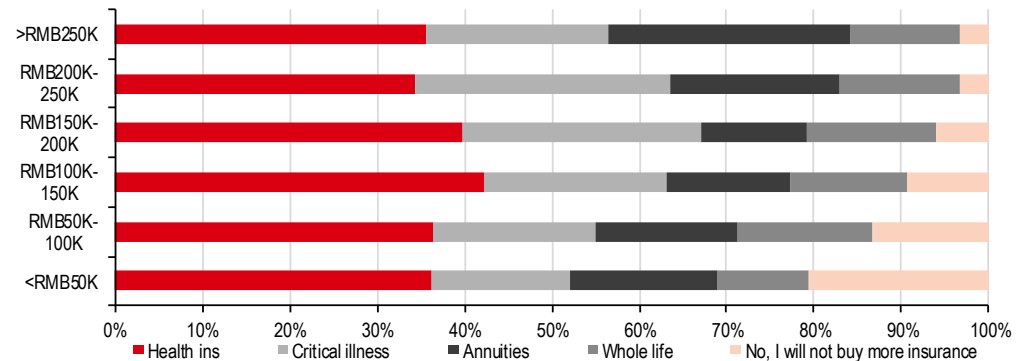
Exhibit 37: Preference towards insurance products by age groups



Source: HSBC, Toluna. Note: Health ins – health insurance.

Demand for critical illness increases as individuals get wealthier, except for the highest income level (similar to 2019 and 2018)

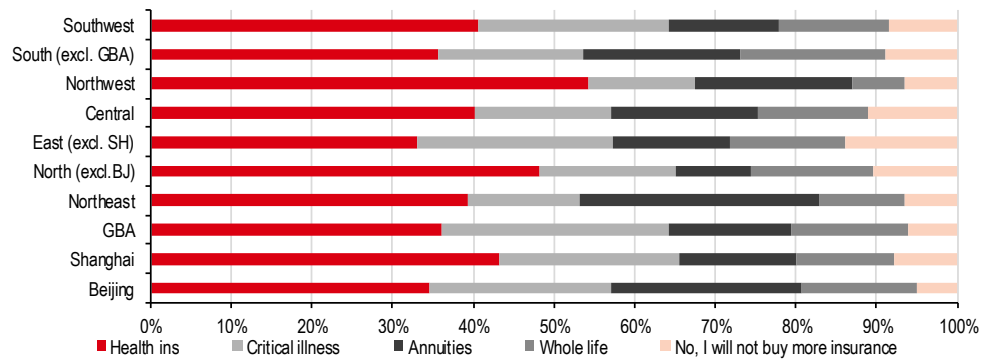
Exhibit 38: Preference towards insurance products by income brackets



Source: HSBC, Toluna. Note: Health ins – health insurance.

Mixed trends between more and less developed regions

Exhibit 39: Preference towards insurance products by region brackets

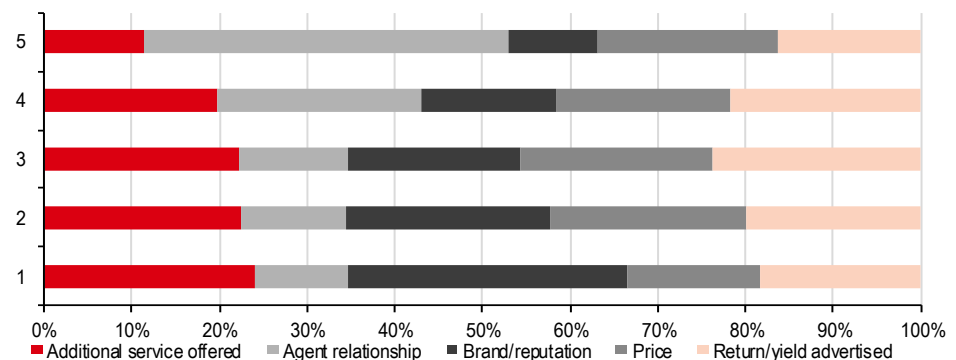


Source: HSBC, Toluna. Note: GBA – Greater Bay Area. SH – Shanghai. BJ – Beijing.

Question 20: What is most important, in order, when buying long-term insurance products? Please rank.

Insurers' brand/reputation and additional services provided are most important; agent relationship less so

Exhibit 40: Key factors influencing purchase of long-term insurance products

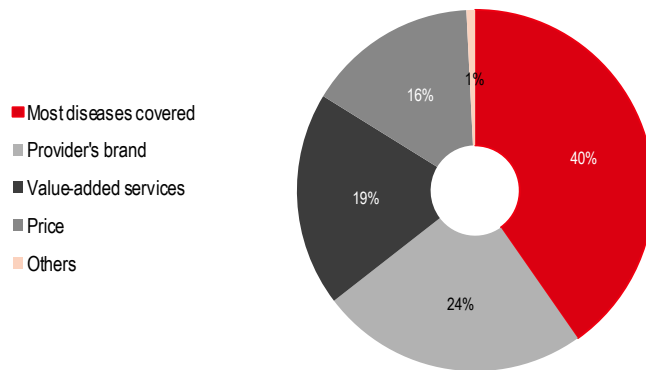


Source: HSBC, Toluna

Question 21: When buying critical illness/health products, what factors are most important in making the decision?

The number of diseases covered remains the most important feature when buying critical illness/health insurance (unchanged from 2019 and 2018 surveys)

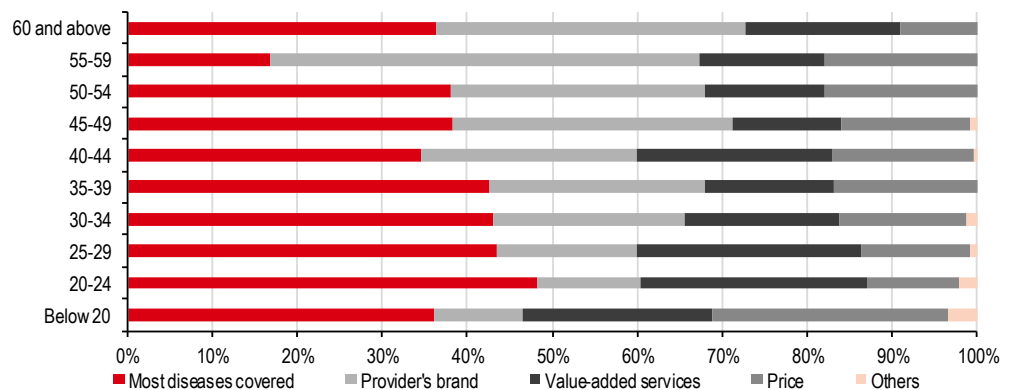
Exhibit 41: Most important features for critical illness/health insurance



Source: HSBC, Toluna

Relative importance of brand and price increases after 40 (unchanged)

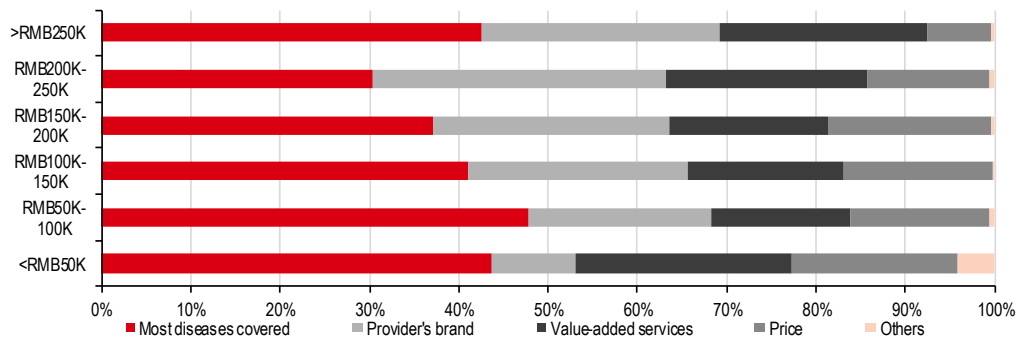
Exhibit 42: Most important features for critical illness/health insurance by age groups



Source: HSBC, Toluna

The number of diseases covered is the most important factor (unchanged), but brand rises and price falls in importance for those with higher incomes

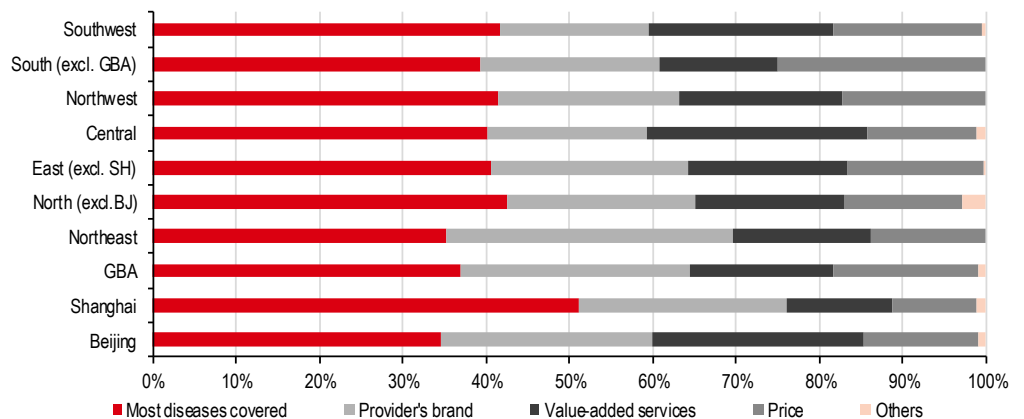
Exhibit 43: Most important features for critical illness/health insurance by income brackets



Source: HSBC, Toluna

The number of diseases covered is most important in Shanghai, while those in the South are more sensitive to price

Exhibit 44: Most important features for critical illness/health insurance by region brackets

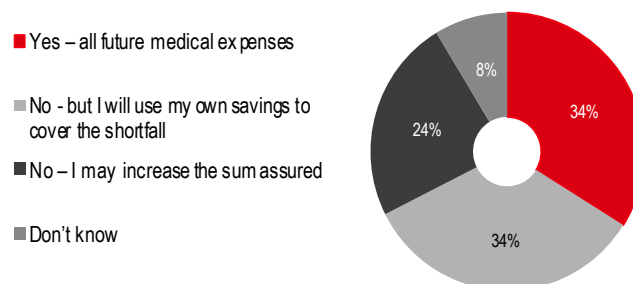


Source: HSBC, Toluna. Note: GBA – Greater Bay Area. SH – Shanghai. BJ – Beijing.

Question 22: When buying critical/health insurance do you think sum assured is sufficient to cover?

Around 34% (35% in 2019) believe protection sum assured is sufficient; among those who think it is insufficient 58% (54% in 2019) less than half indicate an intention to top up sum assured

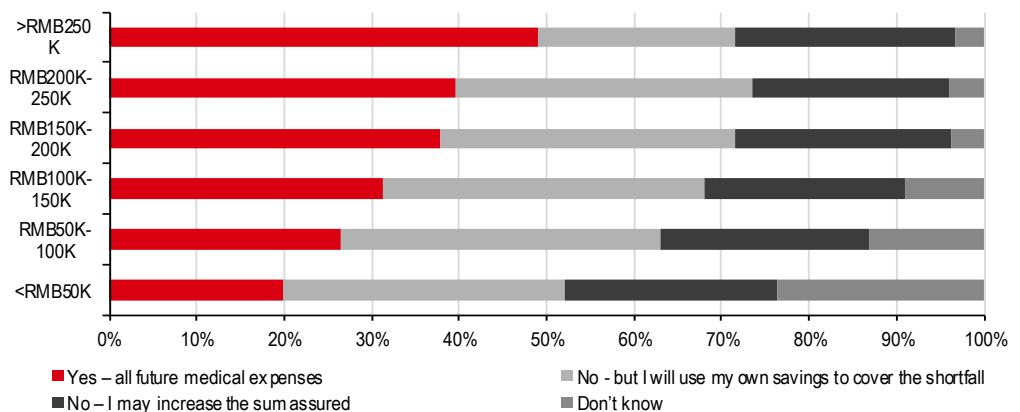
Exhibit 45: Sufficiency of sum assured on protection products



Source: HSBC, Toluna

Wealthier individuals are more aware of whether they need to increase sum assured (unchanged)

Exhibit 46: Sufficiency of sum assured on protection products by income brackets

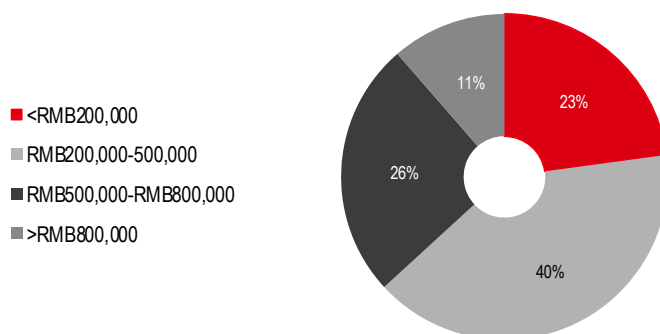


Source: HSBC, Toluna

Question 23: What sum assured are you likely to purchase for critical illness or health products?

Around 63% prefer sum assured below RMB500,000 (or c3.5x the average earnings of the sample) versus 66% in 2019 and 84% in 2018

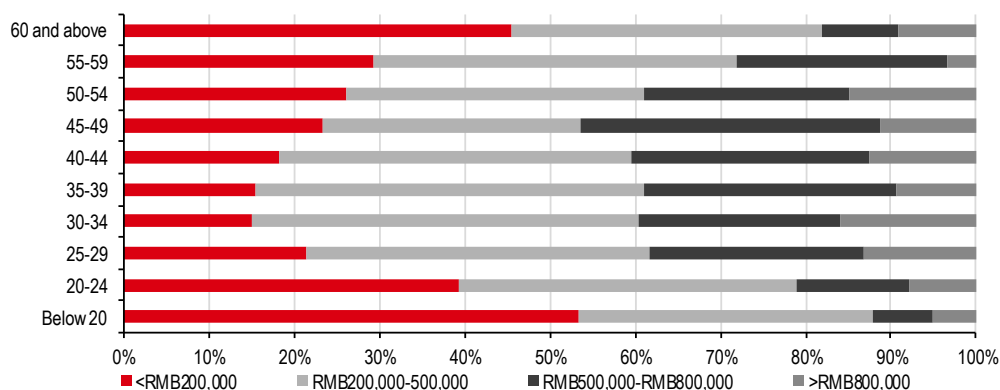
Exhibit 47: Preferred sum assured for protection products



Source: HSBC, Toluna

Those below 30 and above 60 are likely to purchase the lowest sum assured

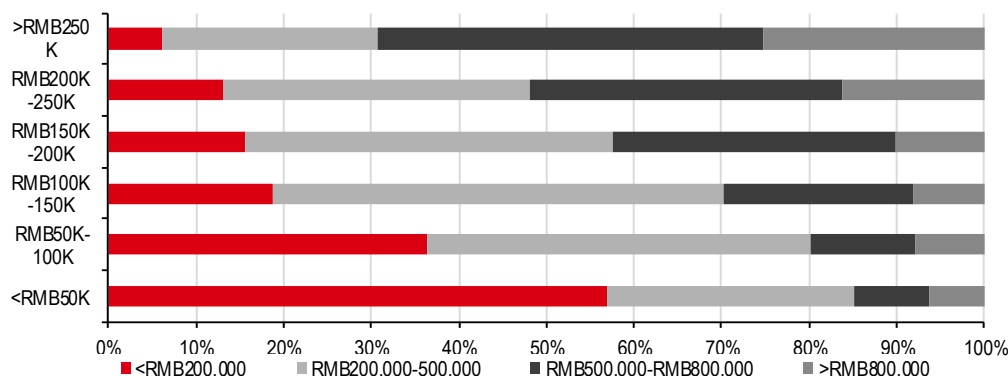
Exhibit 48: Preferred sum assured for protection products by age groups



Source: HSBC, Toluna

Wealthier individuals are likely to purchase higher sum assured

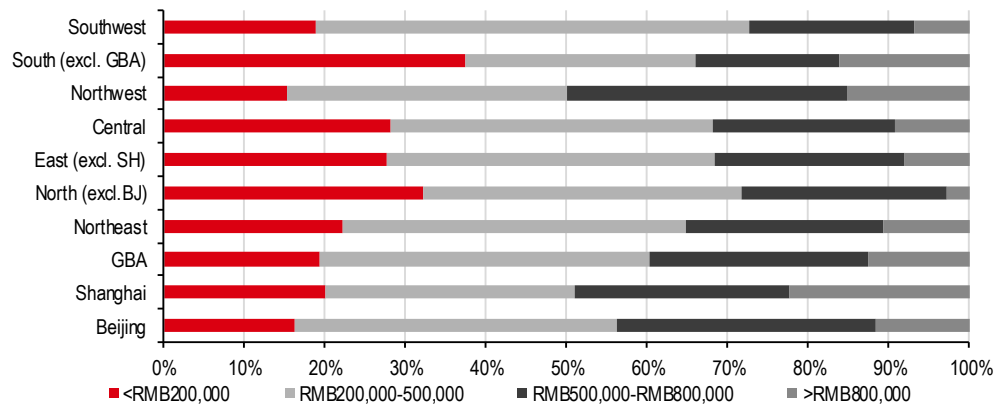
Exhibit 49: Preferred sum assured for protection products by income brackets



Source: HSBC, Toluna

Those in more developed regions are likely to purchase higher sum assured, except for the Northwest, which is almost as high as more developed regions

Exhibit 50: Preferred sum assured for protection products by region brackets

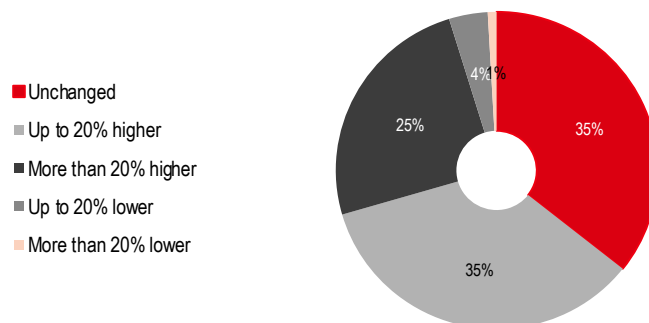


Source: HSBC, Toluna. Note: GBA – Greater Bay Area. SH – Shanghai. BJ – Beijing.

Question 24: Has your desired level of critical illness or health sum assured changed following during the COVID-19 pandemic?

Over 90% of the respondents want sum assured to remain unchanged during the COVID-19 pandemic, suggesting high protection awareness and perhaps an inability to increase sum assured further

Exhibit 51: Change in desired protection sum assured during the COVID-19 pandemic

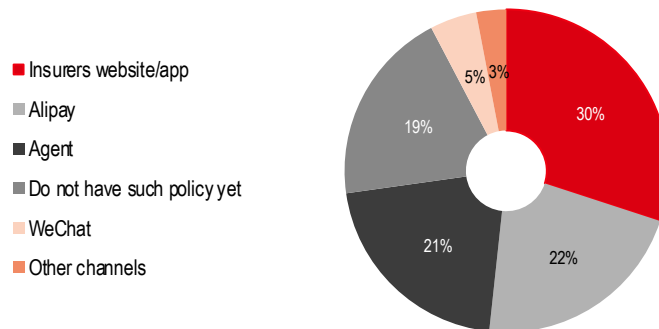


Source: HSBC, Toluna

Question 25: Where do you buy your first “million-dollar” short-term medical insurance policy?

Around 80% (unchanged) purchased “million-dollar” short-term medical insurance, with insurer websites/apps at 30% (21% in 2019) and Alipay at 22% (26% in 2019) being the most popular channels

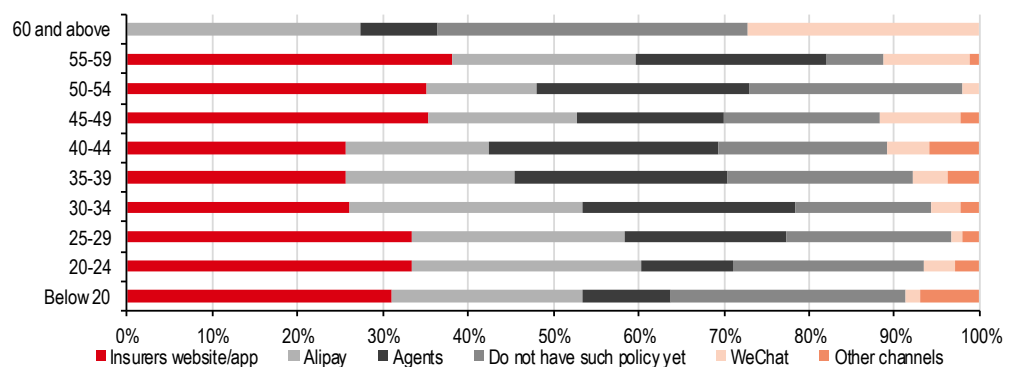
Exhibit 52: Channel to buy short-term medical insurance



Source: HSBC, Toluna

The respondents aged 35 to 50 (30 to 50 previously) mainly bought short-term medical products from agents, while younger (both younger and older in our previous surveys) individuals were more skewed to buying from Alipay

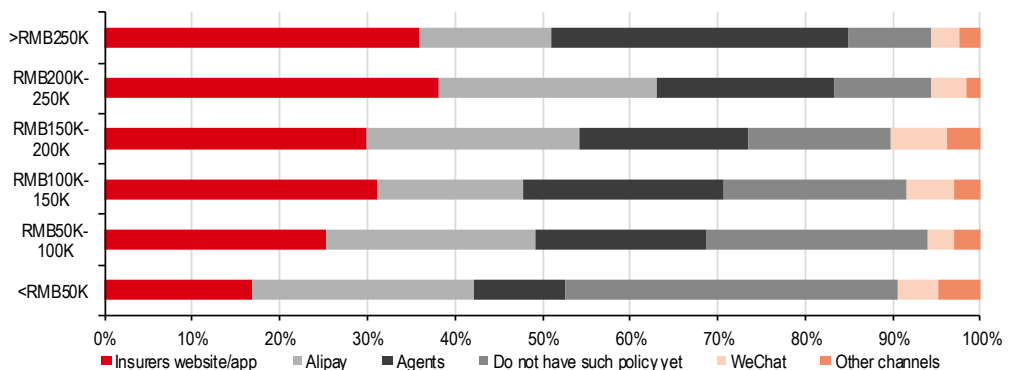
Exhibit 53: Channel to buy short-term medical insurance by age groups



Source: HSBC, Toluna

c40% (unchanged) of the respondents in the lowest income bracket do not have a short-term medical policy

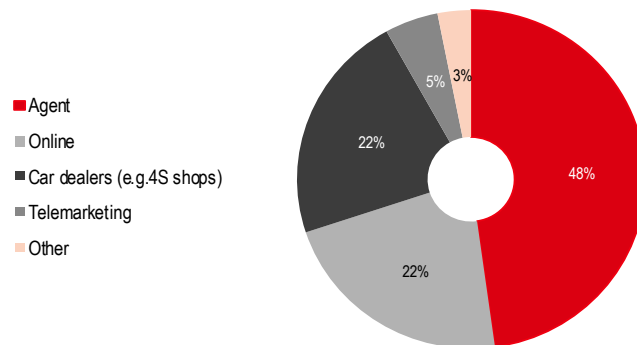
Exhibit 54: Channel to buy short-term medical insurance by income brackets



Source: HSBC, Toluna

Question 26: How do you prefer to buy car insurance?

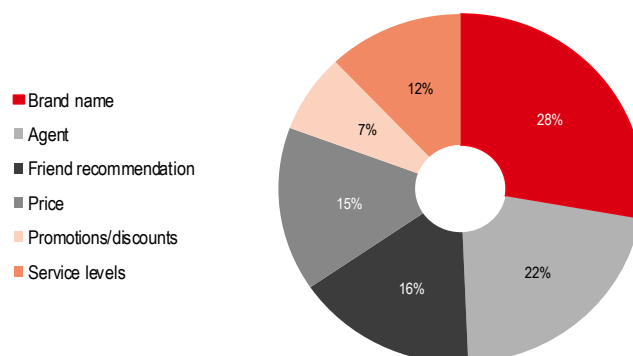
Agents are still the most preferred channel for buying motor insurance, followed by online (car dealers in 2019 and 2018)

Exhibit 55: Preferred channel for motor insurance


Source: HSBC, Toluna

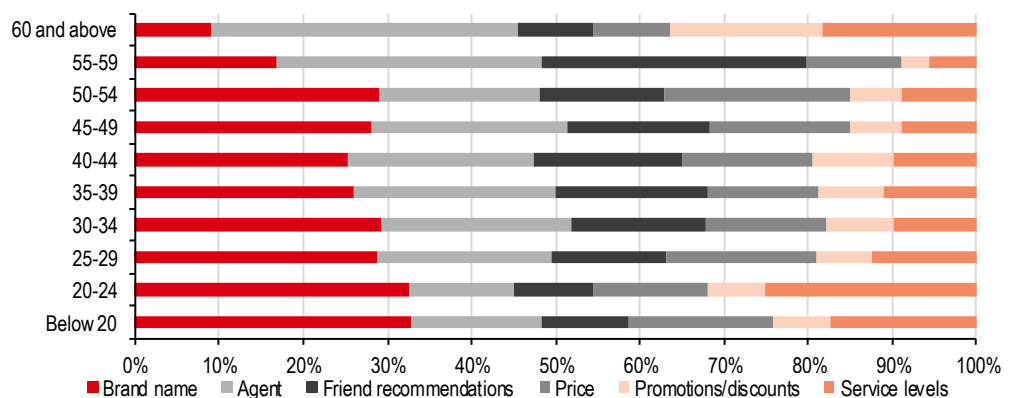
Question 27: If you buy car insurance, how do you decide which company to buy from?

Brand (28%) followed by agents (22%) are most important when choosing motor insurance (vs #1 service level and #2 brand in 2019); price and promotions combined at 22% (unchanged) suggest price competition remains limited, despite reforms

Exhibit 56: Most important factors influencing motor insurance provider


Source: HSBC, Toluna

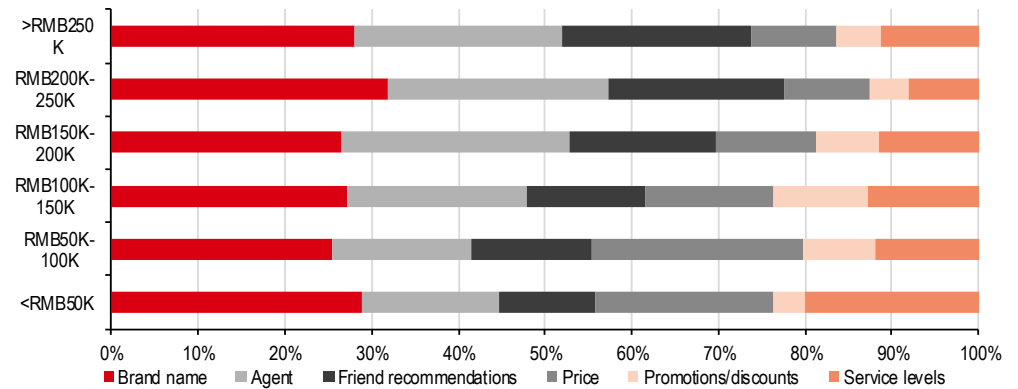
Under 25s put service levels ahead of agents and price, while those above 25 believe agents are more important than service levels and price

Exhibit 57: Most important factors influencing motor insurance provider by age groups


Source: HSBC, Toluna

Price is relatively more important for those on lower income levels, while agents are more important for wealthier individuals (unchanged)

Exhibit 58: Most important factors influencing motor insurance provider by income brackets



Source: HSBC, Toluna

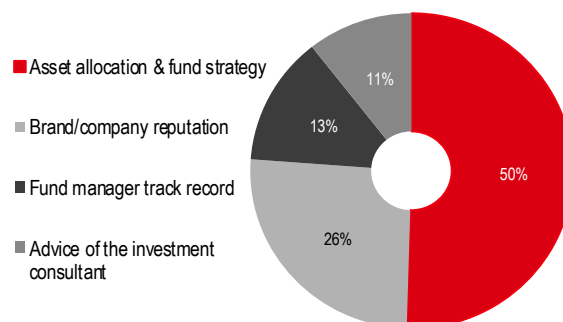
Brokers & Asset Managers

- ◆ Fund strategy became even more important in choosing investment products, followed by the brand or company reputation
- ◆ Banks still dominate product distribution; fund managers replaced online channel to become second most important
- ◆ The majority of individuals do not hold overseas investments

Question 28: What are your main considerations in choosing asset management products?

Asset allocation and fund strategy are still the main factors in choosing products at 50% (47% in 2019 and 27% in 2018); only 11% (12% in 2019 and 3% in 2018) consider the advice from consultants as most important

Exhibit 59: Main factors influencing decisions to buy asset management products



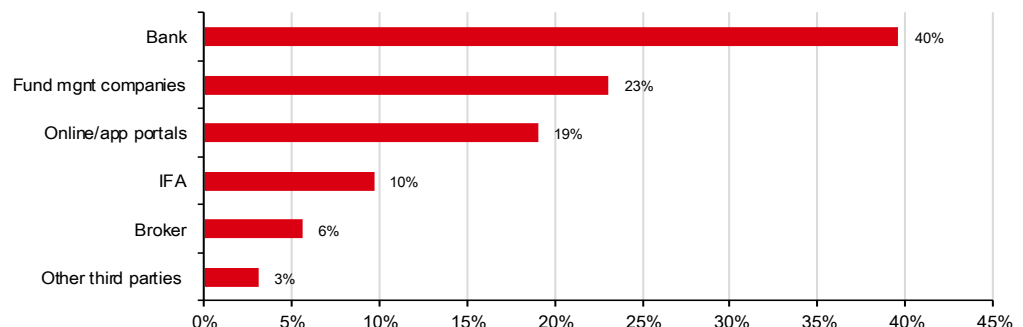
Source: HSBC, Toluna

Question 29: Which channel do you use to buy asset management products?

Banks are the most important channel for buying asset management products at 40% (51% in 2019 and 57% in 2018), followed by fund managers (vs online channel in 2019)

Brokers (6% in 2021, 10% in 2019 and 7% in 2018) and online channels (19% in 2021, 20% in 2019 and 21% in 2018) have become marginally less popular

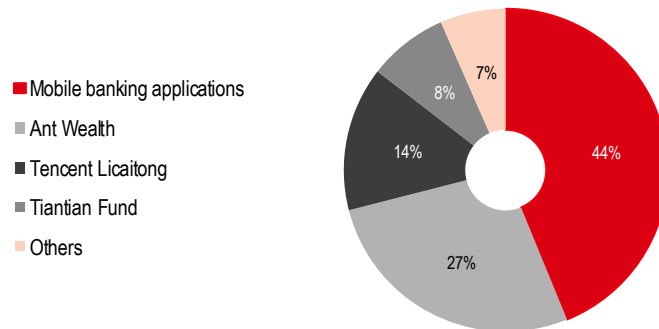
Exhibit 60: Major channels for purchasing asset management products



Source: HSBC, Toluna. Note: Fund mgnt companies – fund management companies. IFA – independent financial advisors.

Question 30: Which online channel do you use to buy asset management products?

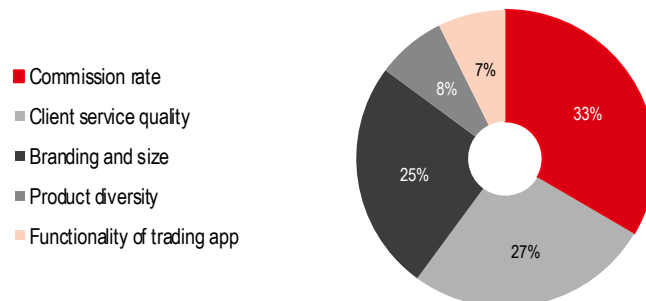
Ant Wealth and mobile banking applications are the main online channels for buying asset management products (unchanged)

Exhibit 61: Online channels used for buying asset management products


Source: HSBC, Toluna

Question 31: What are your main considerations in choosing brokers when you invest in stocks?

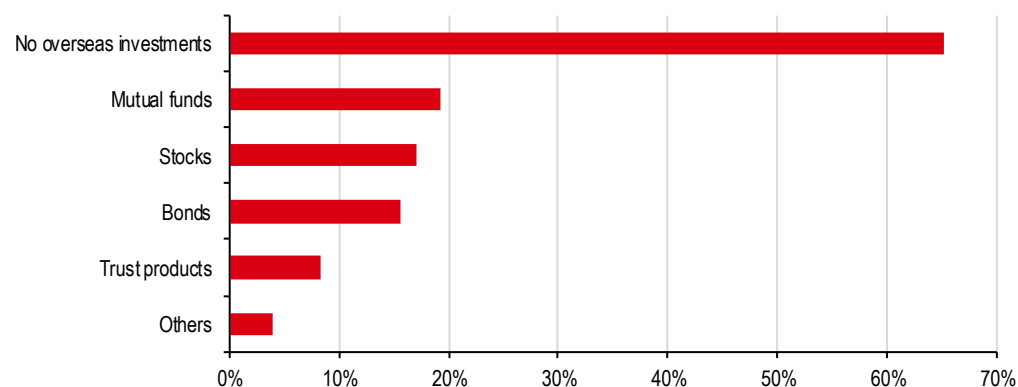
Commission rate at 33% (28% in 2019) replaced brand & scale at 25% (37% in 2019) to become the most important factor in choosing between brokers; quality of client service also increased in significance to 27% (vs 23% in 2019)

Exhibit 62: Main factors influencing choice of brokers


Source: HSBC, Toluna

Question 32: Which overseas investments do you have? (Select all that apply)

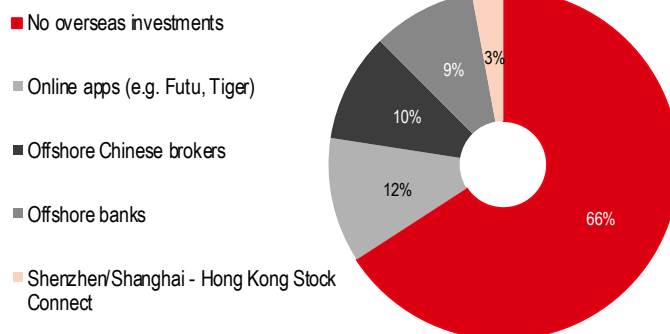
The majority do not hold any overseas investments, except 19% that have mutual funds and 17% stocks overseas

Exhibit 63: Overseas investment holdings


Source: HSBC, Toluna

Question 33: Who is your major service provider for overseas investments?

12% use online apps, while 20% use offshore financial institutions for overseas investments

Exhibit 64: Major service provider for overseas investments


Source: HSBC, Toluna

Disclosure appendix

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Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

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