

Hong Kong

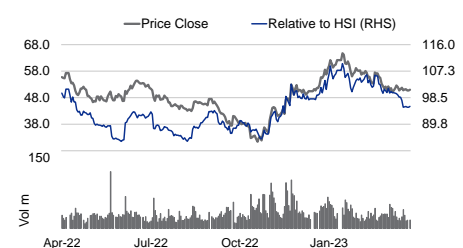
ADD (no change)

Consensus ratings*: Buy 32 Hold 3 Sell 1

Current price:	HK\$51.00
Target price:	HK\$80.00
Previous target:	HK\$80.00
Up/downside:	56.9%
CGS-CIMB / Consensus:	11.5%
Reuters:	2318.HK
Bloomberg:	2318 HK
Market cap:	US\$119,351m HK\$936,908m
Average daily turnover:	US\$215.9m HK\$1,692m
Current shares o/s:	18,280m
Free float:	73.1%
*Source: Bloomberg	

Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-8.7	-9.5	-12.8
Relative (%)	-7.4	-6.3	-4.9

Major shareholders	% held
Shenzhen Investment Holdings Co.,	5.3
Business Fortune Holdings Limited	3.9
New Orient Ventures Limited	3.9

Ping An Insurance

Benefitting from the rise of the mass affluent

- We hosted Ping An in Malaysia on a post-results roadshow at end-Mar 2023.
- Aggressive bancassurance recruitment has it well placed to tap mass affluent customers and benefit from strong household deposit growth, in our view.
- Ping An is confident that it has passed the 'heavy-lifting' stage of its reforms and is committed to both 1Q23F and FY23F NBV growth.
- Reiterate Add rating. SOP-based TP unchanged at HK\$80.

Significant ramp-up of bancassurance recruitment

Ping An Insurance's significant ramp-up in the recruitment of private wealth advisers (PWA) within its bancassurance channel sees it well placed to tap China's mass affluent customers. It had 1,600+ private wealth advisers in FY22 (FY21: 300+) and is targeting 3,000-4,000 in FY23F. Ping An states these PWAs are 1.4x more productive than its diamond-tier insurance agents. As Ping An's bancassurance relationship with its bank does not have to be renewed every year (unlike other insurers), this allows it to invest in its bancassurance channel for the long term. In the near term, this also sees it well-positioned to take advantage of the recent strong growth of household deposits, which rose in Feb 2023 to a 12-year high of 18% yoy (Fig 1), as well as subdued demand for bank wealth management products. We believe Ping An's bancassurance channel has higher margins vs. peers, given its relatively higher mix of regular premiums, which contributed 16% of bancassurance's FY22 first-year-premiums.

Well past the 'heavy-lifting' stage of its reform programme

Ping An expressed firm conviction that it was well past the 'heavy-lifting' stage of its reform programme, even as its reforms continue. It was confident 1Q23F and FY23F would see a return to new business value (NBV) growth. Early batches of its channel reform programme have already been delivering clear and measurable benefits in terms of NBV growth (Fig 3). No timeline, however, was given for a return to agent growth. In our view, this may be because of a draft agent regulation that, if passed by the regulators, could make agent recruitment more difficult. Ping An did caution that V-shaped NBV recovery is unlikely.

Credit guarantee insurance recovering, but over a long timeframe

Given that a downcycle for small-medium-enterprise lending could last 12-16 months, we think that the recovery of underwriting profitability for Ping An's credit guarantee insurance (CGI) business could be similarly prolonged. We believe CGI was the key driver of Ping An's 4Q22 combined ratio rise to 107.5% (+7.4% pts yoy; Fig 4). 2H22 CGI combined ratio was 149.8% (+55.6% pts yoy; Fig 5).

Reiterate Add rating, given attractive valuations

Ping An remains our top pick of China insurers. Our SOP-based TP remains at HK\$80. Potential re-rating catalysts: better premium growth and stabilising agent numbers. Downside risks: Lower investment yields and management instability.

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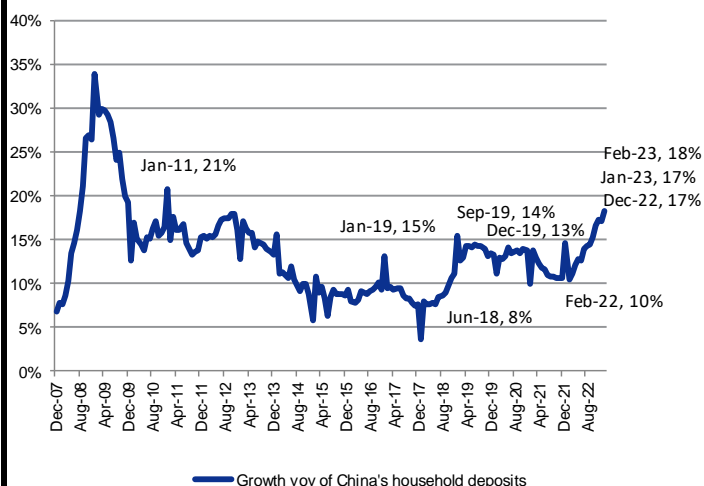
Financial Summary

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Gross Premium (Rmbm)	764,124	771,639	807,383	863,389	938,072
Investment And Other Income (Rmbm)	175,572	118,998	240,931	281,515	331,935
Net Premium (Rmbm)	771,400	778,812	814,455	870,361	944,947
Net Profit (Rmbm)	101,618	83,774	147,168	189,167	221,798
Normalised EPS (Rmb)	5.77	4.80	8.43	10.84	12.71
Normalised EPS Growth	(28.7%)	(16.8%)	75.7%	28.5%	17.2%
FD Normalised P/E (x)	7.82	9.45	5.38	4.19	3.57
P/NB (x)	(1.57)	(2.00)	(3.95)	(5.33)	(6.05)
DPS (Rmb)	2.36	2.40	2.62	3.00	3.55
Dividend Yield	5.28%	5.36%	5.87%	6.72%	7.95%
P/EV (x)	0.93	0.93	0.87	0.81	0.77
P/BV (x)	1.01	0.95	0.82	0.70	0.59
ROE	12.9%	10.0%	15.9%	17.5%	17.4%
Normalised EPS/consensus EPS (x)			1.16	1.27	1.32

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

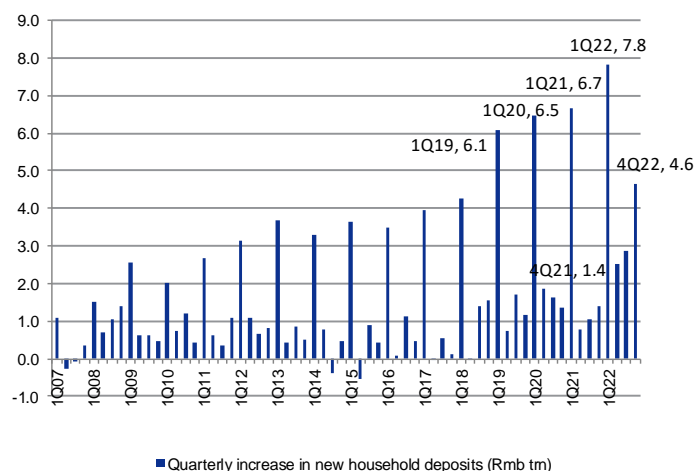
Benefitting from the rise of the mass affluent

Figure 1: Feb 2023's household deposit growth of 18% yoy in China was the strongest since Jan 2011's 21% yoy



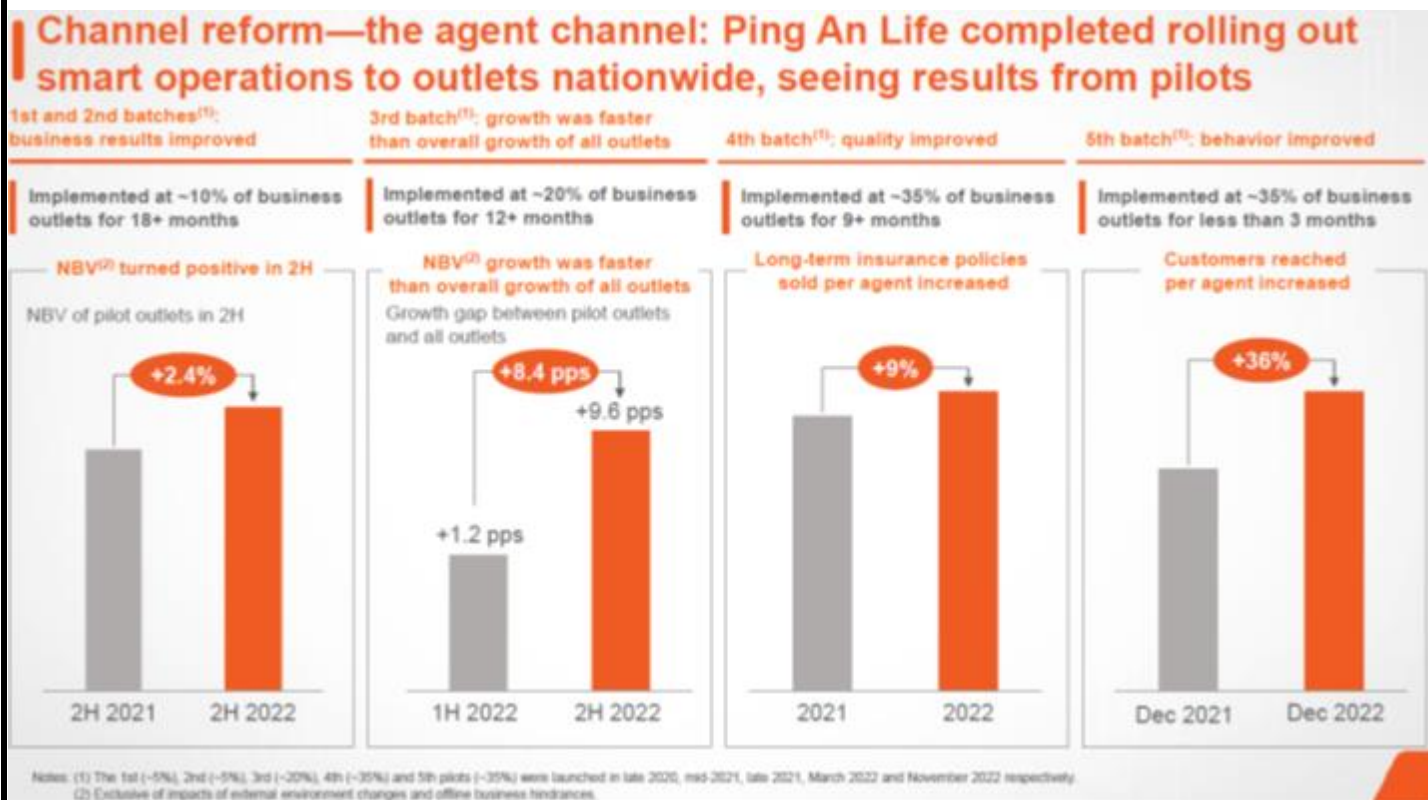
SOURCES: CGS-CIMB RESEARCH, WIND

Figure 2: There was a big yoy increase in the volume of new household deposits in 2022, especially in 4Q22

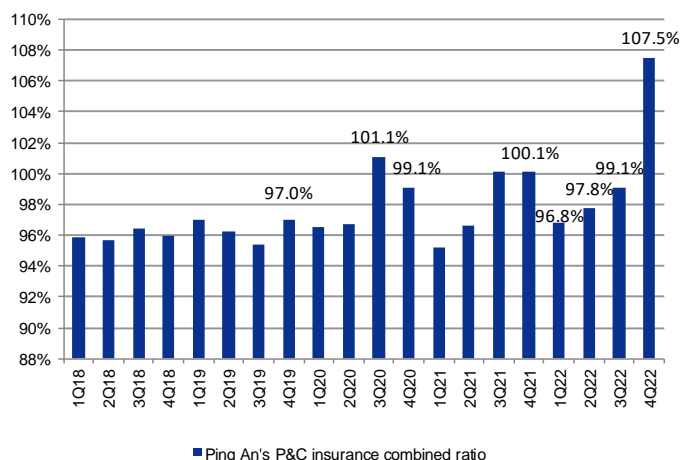


SOURCES: CGS-CIMB RESEARCH, PBOC

Figure 3: Ping An's channel reform is progressively delivering results



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Ping An's P&C insurance combined ratio


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Combined ratio of key segments for Ping An's P&C insurance

(%)	2H17	1H18	2H18	1H19	2H19	1H20	2H20	1H21	2H21	1H22	2H22
Auto	97.9	97.2	97.6	97.7	96.7	94.7	101.7	97.4	100.4	94.4	97.2
Guarantee	85.7	87.5	89.7	93.2	94.0	125.6	96.4	88.2	94.2	113.0	149.8
Liability	93.1	89.6	90.2	94.6	100.6	93.3	95.9	99.5	110.7	105.5	105.3
Accidental injury	64.5	76.2	88.4	82.9	85.7	92.7	84.9	92.1	95.5	92.7	96.3
Corporate P&C	95.9	98.2	90.6	90.1	77.1	87.7	92.9	91.8	94.0	91.4	n.a.
Total	96.3	95.8	96.2	96.6	96.2	93.9	104.1	95.9	100.7	97.3	120.9

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Key data on Ping An's operating profits

(%)	FY20	FY21	FY22	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Growth of operating profit (%)										
Life & health	5	3	16	-10	-2	30	15	21	15	13
P&C	-23	0	-45	48	-10	-43	-41	-5	-17	-154
Bank	3	26	25	45	32	10	27	24	26	23
Asset management	16	9	-81	83	67	-71	13	-71	-73	-515
Tech	91	19	-31	82	-2	-74	18	-45	-38	-139
Other	-28	37	10	50	-40	165	3	56	111	-38
Total	5	6	0	11	7	-5	10	-1	3	-14
Mix of operating profit (%)										
Life & health	66	65	75	57	63	79	67	69	70	104
P&C	12	11	6	13	7	10	7	13	5	-6
Bank	12	14	18	10	18	14	17	13	22	20
Asset management	8	8	2	14	12	3	6	4	3	-13
Tech	5	5	4	9	3	2	6	5	2	-1
Other	-3	-4	-4	-3	-1	-7	-4	-4	-3	-5
Total	100	100	100	100	100	100	100	100	100	100

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: Analysing the asset management segment in more detail

(Rmb m)	2019	2020	2021	2022	1H21	2H21	1H22	2H22
Trust	2,595	2,476	229	1,181	1,253	-1,024	1,296	-115
Securities	2,319	2,959	3,614	4,294	1,677	1,937	2,323	1,971
Other asset management	4,680	5,737	8,378	-3,183	5,078	3,300	781	-5,824
<i>of which:</i>								
Net impairment losses on financial assets and other assets		-5,519	-2,428	-8,788	216	-2,644	-1,057	-7,731
Including: Impairment losses on investment assets		-3,224	-882	-6,043	830	-1,712	-518	-5,525
Including: Impairment losses on receivables and others		-2,295	-1,546	-2,745	-614	-932	-539	-2,206
Total asset management	9,594	11,172	12,221	2,292	8,008	4,213	4,400	-3,968

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Valuation and risks

There are no changes to our SOP-based TP of HK\$80.

We value Ping An's life insurance and health insurance segments using P/EV GGM and P/BV GGM on a 33:67 weighted average basis, while we value its P&C insurance division using P/BV GGM.

The trust, securities and asset management divisions are also valued using P/BV GGM. The banking business is valued at market value since Ping An Bank (000001 CH, Add, TP: Rmb19.30, CP: Rmb12.65) is listed on the Shenzhen Stock Exchange (see [Lower provisions help ROE to a 6-year high](#), dated 9 Mar 2023).

Within the fintech and healthtech businesses, the units that are already listed are valued at their current market values — Good Doctor (1833 HK, Not Rated, CP: HK\$19.70), OneConnect (OCFT US, Add, TP: US\$7.60, CP: US\$5.69), Lufax (LU US, Not Rated, CP: US\$2.09), and Autohome (ATHM US, Not Rated; CP: US\$33.06) — while the units that have raised capital prior to listing (i.e.

HealthKconnect) are valued at their most recent post-money valuations; the remaining technology units of Ping An Group are valued using peer technology company P/BV multiples.

Our peer technology company P/BV multiple is derived from a simple average P/BV multiple of four types of technology companies, namely healthtech, fintech, Internet and online verticals, and others (Fig 8). Within each of these four groupings, we take the weighted average P/BV multiple of a selection of companies chosen across the globe.

Figure 8: Companies used to determine the target P/BV multiple for valuing Ping An's technology division (excluding Lufax, Good Doctor, OneConnect, HealthKconnect & Autohome)

Healthtech	Fintech	Internet	Online verticals and others
1 Teladoc Health Inc	Zhongan Online P&C Ins.	Tencent Holdings Ltd	Trip.com Group Ltd
2 Amedisys Inc	Lexinfintech Holdings	Alibaba Group Holding	Autohome Inc
3 Alibaba Health Information Tech.	FinVolution Group	Baidu Inc	
4 Syneos Health Inc	360 Digitech Inc	Yahoo Japan Corp	
5 Catalent Inc	Silverlake Axis Ltd	JD.com Inc	
6 Ping An Healthcare & Tech.	iFAST Corp	Vipshop Holdings Ltd	
7 Winning Health Technology	Lendingclub Corp	Wisetech Global Ltd	
8 Volpara Health Technologies	Xero Ltd	Altium Ltd	
9	Paypal Holdings Inc	Appen Ltd	
10	Pushpay Holdings Ltd	Meta	
11	Lemonade Inc	Amazon.com Inc	
12	Futu Holdings	Apple Inc	
13	Up Fintech Holdings Ltd	Netflix Inc	
14	Tyro Payments Ltd	Alphabet Inc	
15	Square Inc		
16	Global Payments Inc		
17	Shift4 Payments Inc		
18	Verisk Analytics Inc		
19	Repay Holdings Corp		
20	Fiserv Inc		
21	Fidelity National Info Serv		
22	East Money Information Co		
23	Hundsun Technologies Inc		

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Furthermore, in valuing the remaining unlisted technology businesses of Ping An, we also apply a 65% valuation discount to these multiples to reflect: i) the opaqueness of these other technology businesses, ii) the relatively high risk of the regulatory environment currently in China, and iii) the relatively illiquid nature of these businesses, which would make it very difficult for them to be sold at prices that approach listed companies' valuation multiples (Fig 9).

Our key valuation assumptions can be seen in Figs 10 and 11.

We apply target valuation multiples to our FY23F embedded value per share (EVPS) and book value per share (BVPS) to derive our target price. Our Rmb/HK\$ exchange rate assumption is 1.16 (unchanged).

Figure 9: How we derive our target P/BV multiple for Ping An's technology division (excluding Lufax, Good Doctor, OneConnect, HealthKconnect & Autohome)

Market-capitalisation weighted average FY23F P/BV	
Healthtech	2.9x
Fintech	4.4x
Internet	20.1x
Online verticals and other tech	1.4x
Simple average P/BV	7.2x
Unlisted valuation discount applied	30%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Figure 10: Valuation of Ping An based on sum-of-parts (SOP) methodology (part 1)
Valuation

Equity risk premiums (ERP)	8.0%
Risk free rate	3.0%
Beta (group level)	1.30
Cost of equity (COE)	13.4%
Terminal growth rate	5%
Rmb/HK\$ exchange rate	1.16
USD/HK\$ exchange rate	7.80
Weighted average number of shares, basic (m)	17,454

Ping An Life & Health (combination of P/BV and P/EV)

Sustainable Life & Health ROEV (weighted average of FY21-FY25F for Life & Health, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	10%
Target P/EV (x)	0.6 x
Life & Health FY24F EVPS (Rmb)	57.66
Life & Health FY24F EVPS (HK\$)	67.13
Life & Health valuation (HK\$) under P/EV GGM approach	41.90
Sustainable Life & Health ROE (weighted average of FY21-FY25F for Life & Health, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	26%
Target P/BV (x)	2.5 x
Life & Health FY24F BVPS (Rmb)	26.70
Life & Health FY24F BVPS (HK\$)	31.09
Life & Health valuation (HK\$) under P/BV GGM approach	79.20
P/EV weighting for Life & Health	33%
P/BV weighting for Life & Health	67%
Life & Health valuation (HK\$)	66.90

Ping An P&C (P/BV)

Sustainable P&C ROE (weighted average of FY21-FY25F, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	14%
Target P/BV (x)	1.0 x
PingAn P&C FY24F BVPS (Rmb)	8.42
PingAn P&C FY24F BVPS (HK\$)	9.80
PingAn P&C valuation (HK\$)	10.30

Trust, Securities (P/BV)

Trust - Sustainable ROE (weighted average of FY21-FY25F, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	7%
Trust - target P/BV ratio	0.2 x
Trust - FY24F BVPS (Rmb)	1.55
Trust - FY24F BVPS (HK\$)	1.81
Trust - valuation (HK\$)	0.40
Securities - Sustainable ROE (weighted average of FY21-FY25F, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	13%
Securities - target P/BV ratio	0.9 x
Securities - FY24F BVPS (Rmb)	2.68
Securities - FY24F BVPS (HK\$)	3.12
Securities - valuation (HK\$)	2.90

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

Figure 11: Valuation of Ping An based on sum-of- parts (SOP) methodology (part 2)
Fintech & Healthtech (market value plus peer benchmarking)

Fintech & Healthtech - target P/BV ratio	5.0 x
Fintech & Healthtech - FY24F BVPS (Rmb)	0.91
Fintech & Healthtech - FY24F BVPS (HK\$)	1.06
Fintech & Healthtech - valuation (HK\$)	5.30
Stake in Lufax	41.4%
Lufax - fair value (HK\$ m)	37,836
Lufax - valuation (HK\$)	0.90
Stake in OneConnect	32.12%
OneConnect - fair value (HK\$ m)	1,584
OneConnect - valuation (HK\$)	0.03
Stake in Ping An Good Doctor	39.4%
Ping An Good Doctor - current share price (HK\$)	20.50
Ping An Good Doctor - basic shares outstanding	1,067
Ping An Good Doctor - current market cap (HK\$ m)	21,875
Ping An Good Doctor - valuation (HK\$)	0.49
Stake in Ping An HealthKconnect	29.6%
Ping An HealthKconnect fair value (HK\$ m)	68,640
Ping An HealthKconnect - valuation (HK\$)	1.16
Stake in Autohome	41.7%
Autohome - current share price (US\$)	30.54
Autohome - basic shares outstanding	117.4
Autohome - current market cap (US\$)	3,586
Autohome - valuation (HK\$)	0.67

Other asset management (P/BV)

Other asset management - Sustainable ROE (weighted average of FY21-FY25F, with a 30% weighting to the first two years, and a 70% weighting to the last three years)	7%
Other asset management - target P/BV ratio	0.3 x
Other asset management - FY24F BVPS (Rmb)	4.29
Other asset management - FY24F BVPS (HK\$)	5.00
Other asset management - valuation (HK\$)	1.50

Others (NTA)

Others - FY24F BVPS (Rmb)	-0.24
Others - FY24F BVPS (HK\$)	-0.28
Others - valuation (HK\$)	-0.30

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG

*Valuations for Good Doctor (1833 HK, Not Rated, cp: HK\$20.50), Autohome (ATHM US, Not Rated, CP: US\$30.54), Lufax (LU US, Not Rated, CP: US\$1.97), OneConnect (OCFT US, Add, TP:US\$7.60; CP: US\$5.50) and Ping An Bank (000001 CH, Add, TP: Rmb17.30, CP: Rmb12.46) are based on their closing prices as of 22 Mar 2023. Valuation for HealthKconnect (unlisted) is based on the valuation of its most recent round of financing.

Share prices as of 22 Mar 2023

Figure 12: Valuation of Ping An based on sum-of- parts (SOP) methodology (part 3)

Banking (current market value)	
Stake in Ping An Bank	58%
Ping An Bank - current share price (Rmb)	12.79
Ping An Bank - basic shares outstanding	19,406
Ping An Bank - current market cap (Rmb)	248,203
Ping An Bank - current market cap (HK\$)	288,952
Ping An Bank - valuation (HK\$)	9.60
Ping An Group	
Conglomerate discount	20%
Final target price (HK\$)	80.00
Current share price (HK\$)	51.20
Upside/ downside	56%
FY24F NBV per share (Rmb)	2.03
i.e FY24F NBV per share (HK\$)	2.37
Implied target new business multiple	33.8 x
Implied target P/EV multiple	1.2 x
Implied target P/BV multiple	2.2 x
Percentage of valuation from life	67%
Percentage of valuation from P&C	10%
Percentage of valuation from Fintech & Healthtech	9%
Percentage of valuation from Banking	10%
Percentage of valuation from Other	5%
Hence, recommendation is	Add
SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG *Valuations for Good Doctor (1833 HK, Not Rated, cp: HK\$20.50), Autohome (ATHM US, Not Rated, CP: US\$30.54), Lufax (LU US, Not Rated, CP: US\$1.97), OneConnect (OCFT US, Add, TP:US\$7.60; CP: US\$5.50) and Ping An Bank (000001 CH, Add, TP: Rmb17.30, CP: Rmb12.46) are based on their closing prices as of 22 Mar 2023. Valuation for HealthKconnect (unlisted) is based on the valuation of its most recent round of financing. Share prices as of 4 Apr 2023	

Our target price of HK\$80 (unchanged) offers a 56% potential upside to its share price as of 4 Apr 2023. Therefore, we reiterate our Add rating.

Key downside risks to our call are a greater loss of faith in EV- and NBV-based valuation metrics, A-share market weakness, potential acquisition risk, more rapid agent turnover (should agent commission income be adversely affected by the reduced focus on short payment-duration savings products), and loss of investor faith in actuarial-based valuation methodologies, as well as a significant de-rating of technology valuation multiples and falling interest rates.

Potential re-rating catalysts are better A-share market performances and a stronger-than-expected turnaround of the life insurance business following the completion of its life insurance reform programme, as well as the listing of its technology units.

Figure 13: Sector comparison, as of 10 Apr 2023

	Ticker	Rec	Market Cap	Price	Target Price	+/-	P/EV (x)		VONB		P/BV (x)		Group ROEV		ROE (%)		P/E (x)		Dividend yield (%)					
							(US\$bn)	(Lcy)	(Lcy)	(%)	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
China Life	2628 HK	Add	121.38	12.92	20.00	55%	0.21x	0.19x	-32.6x	-34.0x	0.6x	0.6x	11.0x	11.2x	11.3x	11.4x	5.6x	5.1x	6.5	7.1				
Ping An	2318 HK	Add	128.91	51.00	80.00	57%	0.51x	0.47x	-24.2x	-24.9x	0.8x	0.7x	11.7x	11.9x	15.9x	17.5x	5.0x	3.9x	6.2	7.1				
CPIC	2601 HK	Add	35.30	21.45	32.10	50%	0.31x	0.29x	-38.8x	-38.8x	0.7x	0.7x	9.5x	9.8x	10.3x	11.0x	6.6x	5.8x	6.6	7.7				
NCI	1336 HK	Add	12.22	19.00	30.00	58%	0.17x	0.16x	-75.2x	-75.2x	0.4x	0.4x	8.4x	8.4x	10.1x	11.7x	4.2x	3.3x	7.2	9.0				
PICC P&C	2328 HK	Add	21.54	7.98	10.20	28%	n.a.	n.a.	n.a.	n.a.	0.6x	0.6x	n.a.	n.a.	13.3x	12.5x	5.0x	4.9x	7.9	8.1				
AIA	1299 HK	Add	129.02	83.70	109.00	30%	1.76x	1.64x	14.4x	10.0x	3.1x	2.8x	10.9x	12.2x	19.5x	20.3x	16.5x	14.6x	2.0	2.2				
Pru	2378 HK	Add	96.14	108.50	143.00	32%	0.86x	0.77x	-2.6x	-3.6x	2.0x	1.8x	9.3x	12.7x	14.3x	14.2x	14.8x	13.3x	1.2	1.3				
Manulife	945 HK	NR	31.81	143.80	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.6x	0.5x	n.a.	n.a.	12.3x	10.7x	5.0x	4.5x	7.8	8.3				
HK-listed weighted average							0.79x	0.73x	-14.8x	-16.6x	1.5x	1.3x	10.7x	11.7x	15.0x	15.7x	8.6x	7.5x	5.2	5.8				
HK-listed weighted average ex AIA, Pru and Manulife							0.35x	0.32x	-31.5x	-32.3x	0.7x	0.6x	11.0x	11.2x	13.1x	13.9x	5.4x	4.6x	6.5	7.3				

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Share prices as of 10 Apr 2023

CPIC: China Pacific Insurance Company; NCI: New China Life Insurance; PICC P&C: PICC (The People's Insurance Company of China) Property & Casualty; Pru: Prudential plc

Note that we use Bloomberg consensus data to compute valuation multiples for Manulife as we do not cover the stock

Figure 14: Key financial data

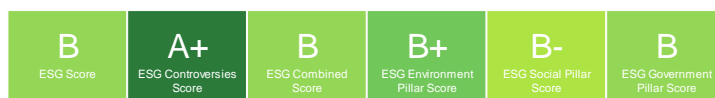
(Rmb m)	FY17	FY18	FY19	FY20	FY21	FY22	FY23F	FY24F	FY25F
Profit & loss									
Gross written premiums	605,035	719,556	795,064	797,880	760,843	769,633	805,530	861,773	938,072
Net premiums earned	572,990	677,703	748,779	757,599	739,933	742,418	781,413	835,281	907,198
Investment income	152,101	120,273	201,738	225,046	203,513	127,057	260,982	302,569	354,041
Other operating income	43,813	49,892	60,357	64,819	66,012	60,795	60,636	61,686	76,176
Total income	967,425	1,064,072	1,249,867	1,304,573	1,280,329	1,211,186	1,412,618	1,545,636	1,732,319
Net policyholders' benefits and claims:	427,243	439,596	578,313	614,751	618,662	631,138	683,172	718,368	784,760
Total benefits, claims and expenses	839,830	918,995	1,088,352	1,133,654	1,148,095	1,115,536	1,211,962	1,289,194	1,435,070
Share of profit in equity accounted investees	7,145	18,074	23,224	16,845	7,346	10,165	5,550	6,588	10,710
Profit before tax	134,740	163,151	184,739	187,764	139,580	105,815	206,207	263,030	307,958
Income tax	34,762	42,699	20,374	28,405	17,778	(1,617)	24,236	29,129	33,709
Net profit before minorities	99,978	120,452	164,365	159,359	121,802	107,432	181,970	233,902	274,249
Minorities interest	10,890	13,048	14,958	16,260	20,184	23,658	34,803	44,735	52,451
Net profit	89,088	107,404	149,407	143,099	101,618	83,774	147,168	189,167	221,798
of which: operating profit	94,708	112,573	132,955	139,471	147,961	148,365	163,392	187,024	221,345
EPS	4.99	6.02	8.41	8.10	5.77	4.80	8.43	10.84	12.71
DPS	1.50	1.72	2.05	2.20	2.38	2.42	2.65	3.03	3.59
BVPS	25.89	30.44	36.82	41.71	44.44	46.97	54.34	63.84	75.38
Group EVPS	45.14	54.84	65.67	72.65	76.34	77.89	84.17	90.97	98.35
Life NBV per share	3.68	3.95	4.15	2.71	2.07	1.58	1.72	1.94	2.25
Key balance sheet items									
Total investment assets	2,449,474	2,794,620	3,208,836	3,740,581	3,916,412	4,368,400	4,811,935	5,383,507	6,151,255
Total assets	6,493,075	7,142,960	8,222,929	9,527,870	10,142,026	11,137,168	12,299,152	13,760,074	15,722,413
Total shareholders' equity excl. minorities	473,351	556,508	673,161	762,560	812,405	858,675	993,266	1,166,947	1,377,974
Key EV and NBV metrics									
NBV	67,357	72,294	75,945	49,575	37,898	28,820	31,414	35,498	41,177
NBV growth	32.6%	7.3%	5.1%	-34.7%	-23.6%	-24.0%	9.0%	13.0%	16.0%
Life embedded value	496,381	613,223	757,490	824,574	876,490	874,786	941,263	1,006,375	1,066,498
Life ROEV	42%	30%	31%	16%	9%	4%	12%	12%	12%
Group embedded value	825,173	1,002,456	1,200,533	1,328,112	1,395,509	1,423,763	1,538,574	1,663,007	1,797,949
Group ROEV	33%	26%	24%	14%	9%	7%	12%	12%	12%
ROE	21%	21%	24%	20%	13%	10%	16%	18%	17%
NBV margin	46%	51%	57%	49%	38%	33%	32%	32%	32%
First year premiums (APE weighted)	146,817	142,531	133,462	101,611	99,515	87,935	97,386	110,671	127,371
Other key metrics									
Life gross written premiums (GWP)	388,642	472,359	526,811	514,513	494,011	473,565	480,052	504,542	544,497
Life gross written premium (GWP) growth	27%	20%	7%	-2%	-5%	-4%	1%	5%	8%
Life FYP (APE) growth	36%	-3%	-6%	-24%	-2%	-12%	11%	14%	15%
P&C combined ratio	96.2%	96.1%	96.4%	99.1%	98.0%	100.3%	98.2%	98.2%	98.0%
Life & health insurance gross investment yield	6.10%	3.60%	7.00%	6.20%	4.00%	2.50%	4.95%	4.95%	4.95%
Effective tax rate	26%	26%	11%	15%	13%	-2%	12%	11%	11%
Dividend payout ratio	31%	33%	25%	28%	42%	52%	33%	29%	29%
EPS growth	43%	21%	40%	-4%	-29%	-17%	76%	29%	17%
BVPS growth	29%	21%	20%	11%	5%	2%	8%	8%	8%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

ESG in a nutshell



Refinitiv ESG Scores



Ping An attained a B rating for its combined ESG score by Refinitiv in 2021. Ping An listed in its 2021 sustainability report that its ESG rating is BBB (2020: A) from MSCI, A- from Carbon Disclosure Project (CDP) (the highest level for a financial company in China Mainland) (2020: A-), and an A on the Hang Seng Corporate Sustainability Index (2020: A). It leverages “finance + technology” to help the industrial development of targeted poverty-stricken areas, hence alleviating poverty and helping the disadvantaged. Going forward, Ping An will upgrade its Low-Carbon 100 Programme, which is in line with policymakers’ goal of carbon neutrality by 2060, which could include targeting “green finance” offerings for realising zero emissions in its asset portfolio.

Keep your eye on

Investors are concerned about Ping An’s exposure to the real estate sector, and Reuters reported at the end of Aug 2021 that the China Banking Regulatory Commission (CBRC) is probing Ping An’s investments in the real estate market. Ping An life insurance has received the highest number of complaints from customers, according to Sina Finance. This could be a problem with regulators in the future.

Implications

We believe that Ping An has been reducing its exposure to real estate, which comprised a small and manageable 5% of its insurance investment portfolio as at end-FY21. We also understand that Ping An is improving its internal sales management processes as it reforms its agent force. Thus, the worst may be over in regards to these issues adversely affecting its share price.

ESG highlights

According to Ping An’s 2021 Sustainability Report, its ESG rating of A- from CDP is the highest level for a financial company in China Mainland.

Implications

Ping An has been increasingly committed to its ESG issues over the past few years. We believe that further progress in its ESG could support future re-rating.

Trends

Ping An’s Refinitiv combined ESG score increased to B in 2021 (from B- in 2020). Its Environmental score in 2021 was B+ (up from 2020’s B). Its Social pillar score stayed flat yoy at B- in 2021. Its Governance pillar score remained improved to B in 2021 (from B- in 2020). Ping An’s ESG Controversies score has remained at A+ since 2016. On the other hand, the ESG ratings provided by CDP and MSCI are at the leading level in the industry. In its 2021 Sustainability Report, Ping An’s CDP ESG rating remained at A- and its MSCI ESG rating was BBB in 2021 (down from A in 2020).

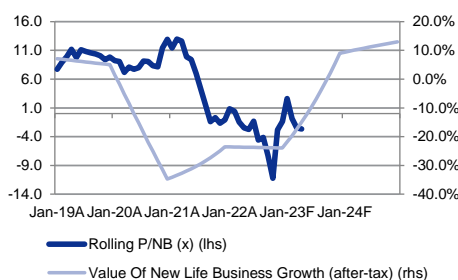
Implications

The gap between its ESG scores from different providers is interesting. There seems to be room for Ping An to improve its Refinitiv ESG scores to narrow the gap between these and those from MSCI and CDP. Such an improvement could be positive for its share price among ESG-focused investors.

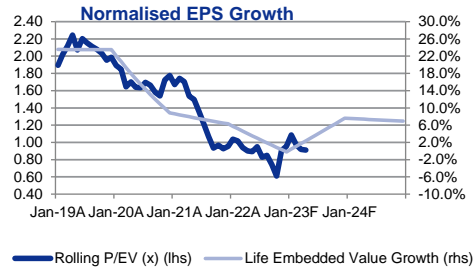
SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

P/NB vs NB Growth



12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth



Profit & Loss

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue	746,961	749,348	788,260	842,058	914,073
Total Claims and Changes in Reserves	(618,865)	(631,311)	(683,343)	(718,528)	(784,760)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	(94,169)	(65,524)	(106,107)	(103,253)	(119,826)
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	(94,169)	(65,524)	(106,107)	(103,253)	(119,826)
Total Other Technical Income	169,420	101,666	221,600	258,973	302,506
Total Other Revenues	337,919	334,648	377,688	419,951	491,466
Total Operating Costs	(259,746)	(259,132)	(273,588)	(298,921)	(353,015)
Other Technical Income / (Loss)					
Depreciation And Amortisation	0	0	0	0	0
Operating Profit	153,424	111,658	219,594	276,749	321,130
Pretax Income/(Loss) from Assoc.	7,346	10,165	5,550	6,588	10,710
Post-Tax Oper. Earnings - Life/Other Biz					
Head Office Costs					
Non-Operating Income/(Expense)	0	0	0	0	0
Net Interest Income	(21,190)	(16,008)	(18,937)	(20,307)	(23,882)
Investment Income on Shareholders Fund					
Other Income					
Exceptional Items					
Pre-tax Profit	139,580	105,815	206,207	263,030	307,958
Taxation	(17,778)	1,617	(24,236)	(29,129)	(33,709)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	121,802	107,432	181,970	233,902	274,249
Minority Interests	(20,184)	(23,658)	(34,803)	(44,735)	(52,451)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	101,618	83,774	147,168	189,167	221,798

Operating Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Premium Retention Ratio (life & Health)	101%	101%	101%	101%	100%
Benefits Ratio (life & Health)	(92.1%)	(93.6%)	(99.7%)	(97.8%)	(98.8%)
Acquisition Expense Ratio (life & Health)	0%	0%	0%	0%	0%
Admin Expense Ratio (life & Health)	0%	0%	0%	0%	0%
Total Expense Ratio (life & Health)	32.3%	24.7%	28.1%	28.1%	28.4%
Policyholder Dividends Ratio (life & Health)	0%	0%	0%	0%	0%
Combined Underwriting Ratio (life & Health)	(59.8%)	(68.9%)	(71.6%)	(69.6%)	(70.4%)
Underwriting Profit Margin (life & Health)	(20.3%)	(13.6%)	(23.2%)	(21.6%)	(23.3%)
Operating Profit Margin (life & Health)	12.1%	6.1%	20.4%	26.8%	29.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Fixed Assets					
Intangible Assets	0	0	0	0	0
Other Long Term Assets	9,008,748	9,847,882	10,953,902	12,344,165	14,202,446
Total Non-current Assets	9,008,748	9,847,882	10,953,902	12,344,165	14,202,446
Total Cash And Equivalents	932,577	1,102,428	1,149,993	1,211,876	1,306,765
Trade Debtors					
Other Current Assets	200,701	186,858	195,256	204,032	213,202
Total Current Assets	1,133,278	1,289,286	1,345,250	1,415,908	1,519,967
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities	6,663	10,349	10,861	11,848	13,768
Total Current Liabilities	6,663	10,349	10,861	11,848	13,768
Total Long-term Debt					
Hybrid Debt - Debt Component					
Other Liabilities	9,057,640	9,951,521	10,978,402	12,264,655	14,014,048
Total Non-current Liabilities	9,057,640	9,951,521	10,978,402	12,264,655	14,014,048
Total Technical & Other Provisions	0	0	0	0	0
Total Liabilities	9,064,303	9,961,870	10,989,263	12,276,504	14,027,816
Shareholders' Equity	812,405	858,675	993,266	1,166,947	1,377,974
Minority Interests	265,318	316,623	316,623	316,623	316,623
Total Equity	1,077,723	1,175,298	1,309,889	1,483,570	1,694,597
Life Embedded Value	876,490	874,786	941,263	1,006,375	1,066,498

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Net Premium Growth	(4.55%)	0.96%	4.58%	6.86%	8.57%
Operating Profit Growth (Life & Health)	(40%)	(51%)	238%	38%	18%
Value Of New Life Business Growth (after-tax)	(23.6%)	(24.0%)	9.0%	13.0%	16.0%
Life Embedded Value Growth	6.30%	(0.19%)	7.60%	6.92%	5.97%
Pre-tax Margin	18.1%	13.7%	25.4%	30.4%	32.8%
Net Profit Margin	13.2%	10.8%	18.1%	21.8%	23.6%
Effective Tax Rate	12.7%	0.0%	11.8%	11.1%	10.9%
Net Dividend Payout Ratio	42.5%	52.3%	32.6%	29.0%	29.3%
Return On Average Assets	1.24%	1.01%	1.55%	1.80%	1.86%
Net Gearing	776%	452%	734%	2697%	(1835%)
Financial Leverage	12.49	12.73	12.66	12.06	11.58
Equity / Assets	8.01%	7.71%	8.08%	8.48%	8.76%

Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
First year premiums (APE) growth yoy (%)	-2.1%	-11.6%	10.7%	13.6%	15.1%
New business value growth (%)	-23.6%	-24.0%	9.0%	13.0%	16.0%
Life return on embedded value [ROEV] (%)	9.0%	3.9%	12.0%	11.8%	11.8%
Group ROEV (%)	8.7%	6.6%	11.7%	11.9%	12.2%
P&C combined ratio (%)	98.0%	100.3%	98.2%	98.2%	98.0%
Banking net profit growth (%)	25.6%	25.3%	19.9%	19.9%	19.5%
Dividend payout ratio (%)	42.5%	52.3%	32.6%	29.0%	29.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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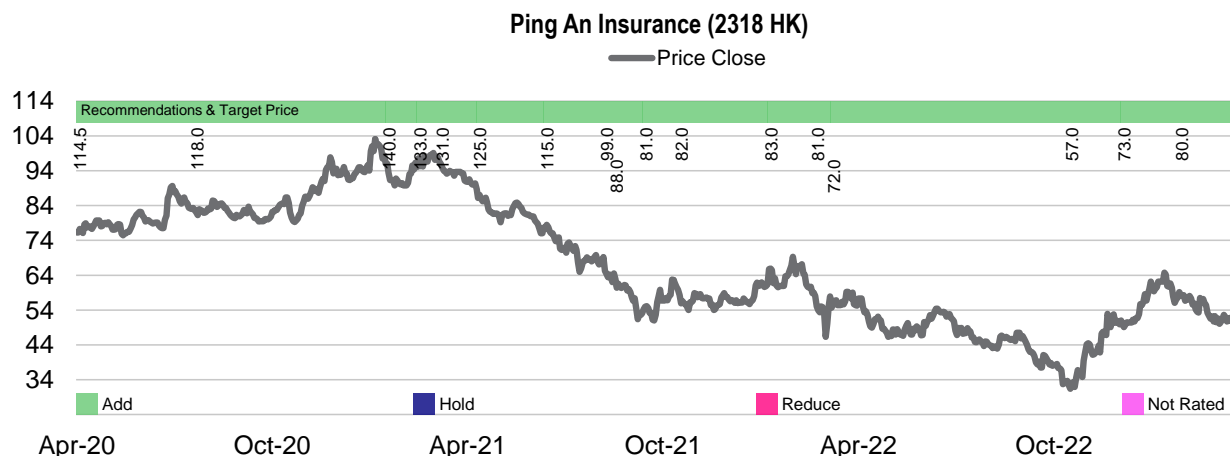
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2023		
647 companies under coverage for quarter ended on 31 March 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	64.6%	1.1%
Hold	27.0%	0.2%
Reduce	8.3%	0.2%

Spitzer Chart for stock being researched (2 year data)



Recommendation Framework

Stock Ratings

Definition:

Add

The stock's total return is expected to exceed 10% over the next 12 months.

Hold

The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce

The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight

An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral

A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight

An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight

An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral

A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight

An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.