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CMB INTERNATIONAL
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A Wholly Owned Subsidiary Of China Merchants Bank

Ping An (601318 CH)

Explore the boundless

Throughout years, Ping An has been pushing the boundaries of finance and technology, aiming to become a world-leading technology-powered retail financial services group. Ping An's "finance + technology" business model constitutes a positive feedback loop to drive secular growth. Its pro-innovation culture, insurance business upgrade, group finance initiatives and potential unlock of more technology value will continue to open new frontiers for Ping An.

- **Integrated financial services group.** While being a leading player in life and P&C insurance, Ping An also excels in banking, trust, securities and other financial business scope. Integrated financial business model encourages cross-selling and synergies.
- **Empowered by technology.** Ping An has been standing at the forefront of digital transformation and committed to develop state-of-the-art technologies. Technology has penetrated throughout the Group from front to back to boost business efficiency and customer experience. The Group has also incubated technology unicorns. The five major technology units include Lufax, OneConnect, Ping An Good Doctor, Ping An HealthKonnect and Autohome.
- **Retail as a strong growth driver.** Thanks to the integrated financial business model and "finance + ecosystem" strategy, the Group's ecosystems and internet platforms have been a steady source of new customers for the Group's core business. As of YE19, the Group had 200 million retail customers. In 2019, retail accounted for 92.4% of the Group's operating profit.
- **Fast-evolving corporate culture embracing innovation, speed and expertise** constitutes the backbone of Ping An's success story. Over years, Ping An has been standing at the industry forefront to embrace technological innovations, even disruptive ones. Ping An also adheres to global corporate governance standards, with diversified board to provide professional support and Co-CEO model to perform collective and effective decision-making.
- **Valuation.** We use SOTP method to value the Group's life insurance business at 1.24x FY20E P/EV, its P&C insurance business at 1.37x FY20E P/B, its banking/asset management business at 1.28x/1.0x FY20E P/B and its five technology units at RMB 13.61 per share. We therefore derive target price at RMB 86.21 per share. **Initiate with BUY.**

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
GWP (RMB mn)	719,556	795,064	857,284	928,157	1,000,866
YoY growth (%)	18.9%	10.5%	7.8%	8.3%	7.8%
Net profit (RMB mn)	107,404	149,407	150,257	171,180	192,182
EPS (RMB)	6.02	8.41	8.46	9.63	10.82
YoY growth (%)	31.1	39.6	0.6	13.9	12.3
Consensus EPS (RMB)	n.a.	n.a.	7.68	9.09	10.36
P/E (x)	12.6	9.1	9.0	7.9	7.0
P/B (x)	2.5	2.1	1.7	1.5	1.3
P/EV (x)	1.4	1.2	1.0	0.9	0.8
Yield (%)	2.3%	2.7%	3.2%	3.7%	4.1%
ROE (%)	20.9%	24.3%	20.4%	19.6%	18.8%

Source: Company data, Bloomberg, CMBIS estimates

BUY (Initiation)

Target Price	**RMB 86.21**
Up/Downside	**+12.8%**
Current Price	**RMB 76.44**

China Insurance Sector

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Stock Data

Mkt Cap (RMB mn)	1,379,115
Avg 3 mths t/o (RMB mn)	5,793.5
52w High/Low (RMB)	90.87/64.84
Total Issued Shares (mn)	7,448 (H)
	10,833 (A)

Source: Bloomberg

Shareholding Structure

Charoen Pokphand Group	8.02%
Shenzhen Investment Holdings	5.27%

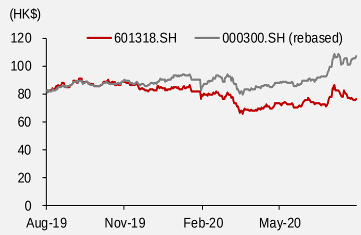
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-1.9%	-9.2%
3-mth	4.5%	-14.3%
6-mth	0.1%	-22.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

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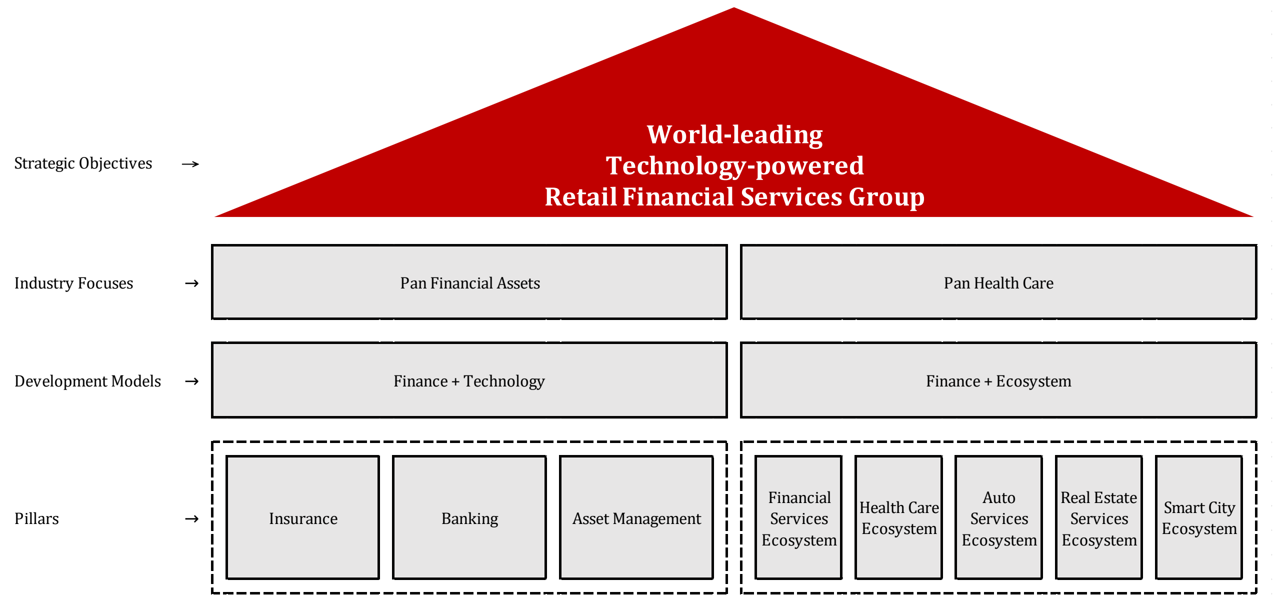
Company Overview

Ping An strives to become a world-leading technology-powered retail financial services group. In 2019, Ping An defined “finance + technology” as its core and main businesses and has also promoted “finance + ecosystem” empowerment to transform and upgrade its main businesses.

Ping An engages in three core financial businesses, which are insurance, banking and asset management through Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, Ping An Bank, Ping An Trust, Ping An Securities, and Ping An Asset Management. Ping An invests in and empowers technologies to improve efficiency, enhance risk management and cut operating costs of its financial businesses. Ping An promotes the “finance + ecosystem” empowerment to transform and upgrade its main businesses.

Meanwhile, Ping An also leverages innovative technologies and has developed five ecosystems, namely financial services, health care, auto services, real estate services, and smart city services. The five ecosystems optimize customer acquisition as well as quality and efficiency of integrated financial services.

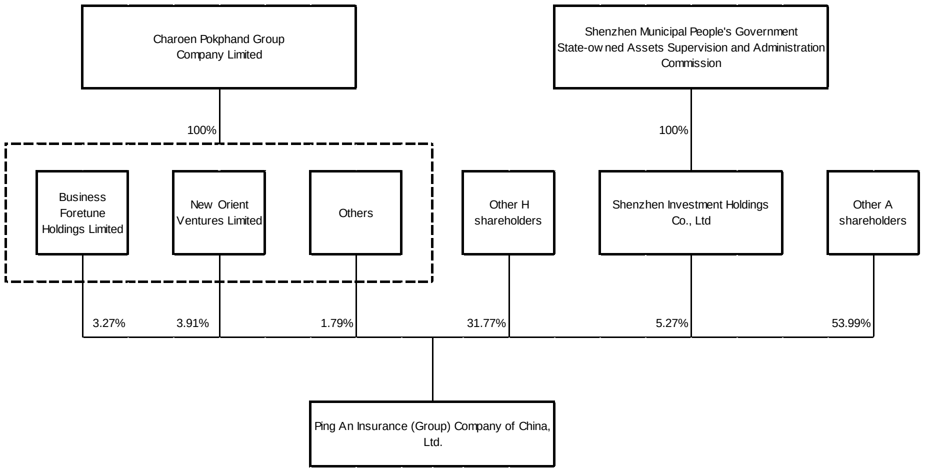
Figure 1: Business model of Ping An



Source: Company data, CMBIS

Diversified shareholding structure. As at 31 Dec 2019, Charoen Pokphand Group Ltd. indirectly held 8.97% of equity interest and is the largest shareholder of the Group. Shenzhen Investment Holdings Co., Ltd. held 5.27% of the total share capital of the Group.

Figure 2: Shareholding structure of Ping An Group



Source: Company data, CMBIS

Investment Highlights

Integrated financial business strategy creating synergies

■ **Services provided by multi-subsidiaries improve customer satisfaction**

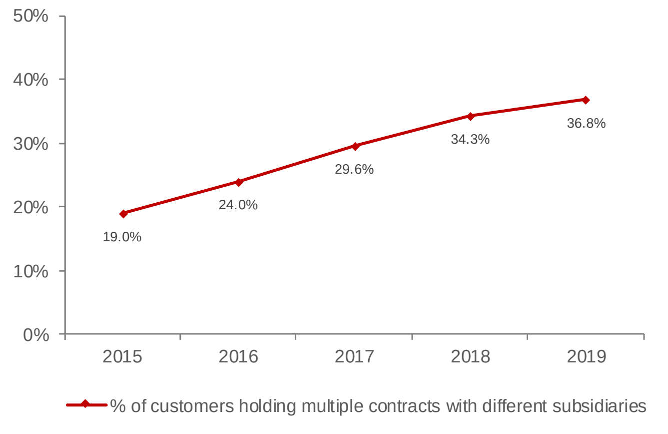
Ping An adopts an integrated financial business model of "one customer, multiple products, and one-stop services" and satisfies customer demand for integrated financial services. Ping An uses technologies to improve customer experiences and reduce costs.

■ **Rising contributions from cross-selling**

Under the integrated financial business model, cross-selling grows strongly between the Group's financial subsidiaries. Retail customers holding multiple contracts with different subsidiaries increased by 19.3% from the beginning of 2019 to 73.71 million and accounted for 36.8% of total customers as of YE19.

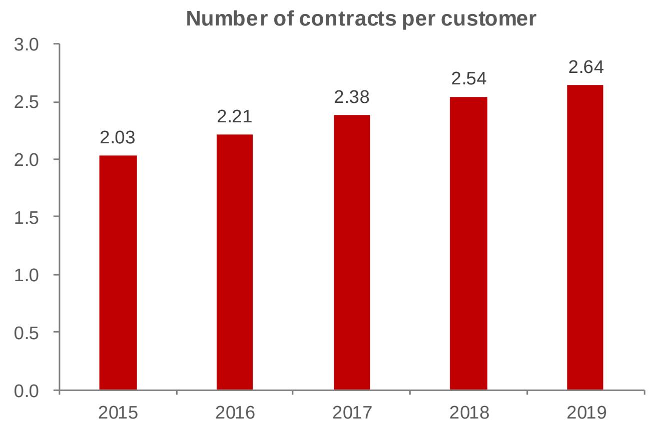
The corporate integrated financial business strategy also yielded initial results. Ping An Bank is the engine of the Group's corporate business. In 2019, premium and financing referred by Ping An Bank rose 326.6% and 140.4% YoY, respectively.

Figure 3: As of YE19, 36.8% of customers held multiple contracts with different subsidiaries



Source: Company data, CMBIS

Figure 4: Each customer on average held 2.64 contracts with the Group



Source: Company data, CMBIS

Building up technological strength

Ping An has been standing at the forefront of digital transformation and committed to developing state-of-the-art technologies. Technology has penetrated throughout the Group from front to back to boost business efficiency and customer experience. The Group has also incubated technology unicorns, which export services to create value.

- **Leveraging technologies to upgrade core financial business**

The Group leverages cutting-edge technologies to optimize its core businesses, boost operational efficiency and improve customer experience. Technologies assist in the following main areas,

1) Cost control. For example, Ping An P&C applies technologies including robots and optical character recognition to pursue robotic process automation of tasks including quotation, data entry, policy issuance, and endorsement. In retail auto insurance business, over 90% of quotes are made automatically.

2) Risk management. For example, Ping An dynamically monitored corporate credit risk with smart alert technology and gave over 3,000 warnings in 2019 with accuracy rate of 92%.

3) Business efficiency improvement. For example, Ping An developed AI-powered retail banking to enable all processes including sales, risk control, operations and management. Nearly 90% of credit cards issued by Ping An Bank were automatically approved by AI.

- **Industry-leading technology human resources**

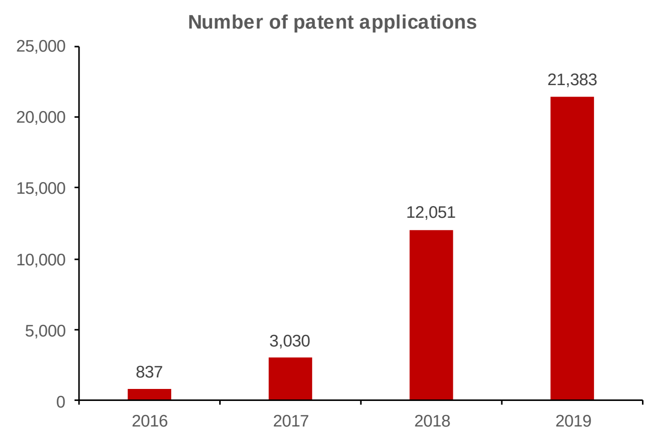
As of YE19, the Group had built a technology team of ~110,000 technology business employees, 35,000 R&D employees and 2,600 scientists.

Moreover, Ping An has established eight research institutes, encompassing AI, blockchain, cloud computing, Fintech, Health Tech, Smart city, biomedical engineering and macro economy research, and 57 laboratories. In addition to in-house R&D resources, the Group has partnered with acknowledged universities to pursue technological breakthroughs.

- **Increasing patent applications and awards for technological breakthroughs**

As of YE19, technology patent applications of Ping An totaled 21,383. Among these, nearly 96% were for invention patents and 4,845 were filed under PCT and abroad. In 2019, Ping An ranked first in Fintech and second in digital healthtech patent applications according to incoPat Innovation Index Research Center and IPRdaily.

Figure 5: Patent applications of Ping An



Source: Company data, CMBIS

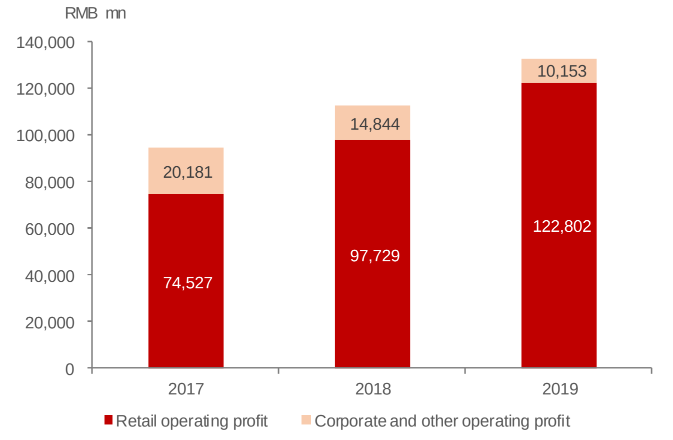
Ping An has also won acknowledged awards for technological breakthroughs. In the AI area, Ping An ranked first in the Stanford Questions Answering Dataset 2.0 Challenge and won world championship in the English-Chinese translation challenge at the 2019 Conference on Machine Translation. In the healthtech area, Ping An won international medical imaging championships in Automatic Cancer Detection and Classification in Whole-slide Lung Histopathology (ACDC), Endoscopic Artefact Detection (EAD), and Pathologic Myopia Challenge (PALM) at the IEEE International Symposium on Biomedical Imaging (ISBI) meeting.

Retail business has become a strong growth driver

■ Retail operating profit increased at CAGR of 28.4% in 2017-2019

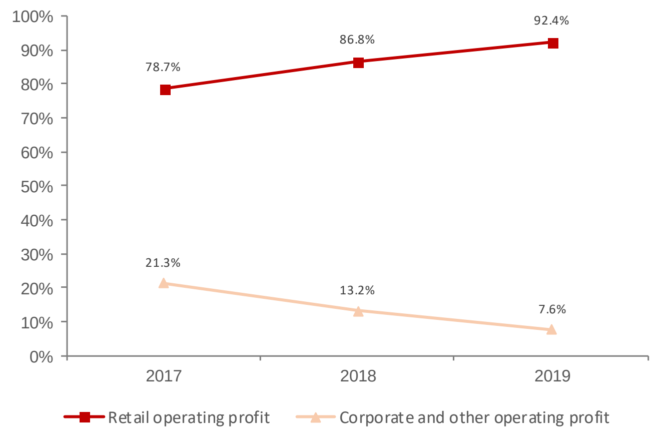
Retail has become the growth driver of operating profit. During 2017-2019, the Group's operating profit increased at CAGR of 18.5%, while retail operating profit at 28.4%. Corporate retail profit declined during the period. **In 2019, retail accounted for 92.4% of the Group's operating profit**, while the rest was contributed by corporate and other customers.

Figure 6: Retail accounted for 92.4% of the Group's operating profit in 2019



Source: Company data, CMBIS

Figure 7: Retail has been contributing to an increasing share of the Group's operating profit

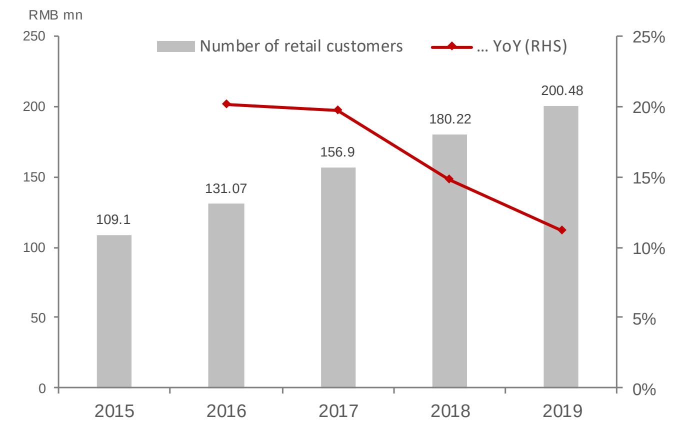


Source: Company data, CMBIS

■ Customer base increased steadily

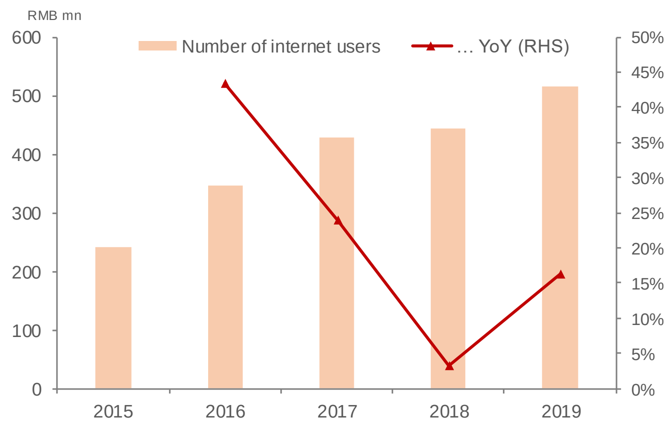
The Group's retail customers and internet users increased steadily. As of YE19, the Group had 200 million retail customers, up 11.2% YoY. Thanks to the integrated financial business model and "finance + ecosystem" strategy, the Group's ecosystems and internet platforms have become a steady source of new customers for the Group's core business. In 2019, the Group acquired 36.57 million new customers, among which 40.7% were sourced from internet users within the five ecosystems.

Figure 8: Number of retail customers reached 200 million as of YE19



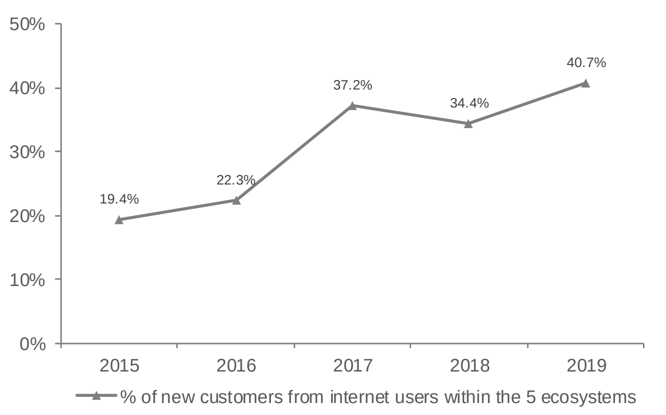
Source: Company data, CMBIS

Figure 9: Number of internet users amounted to 515 million as of YE19



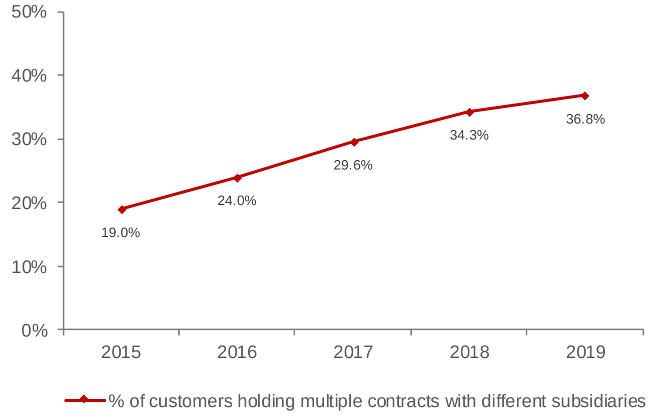
Source: Company data, CMBIS

Figure 10: In 2019, 40.7% of new customers were sourced from internet users



Source: Company data, CMBIS

Figure 11: As of YE19, 36.8% of customers held multiple contracts with different subsidiaries



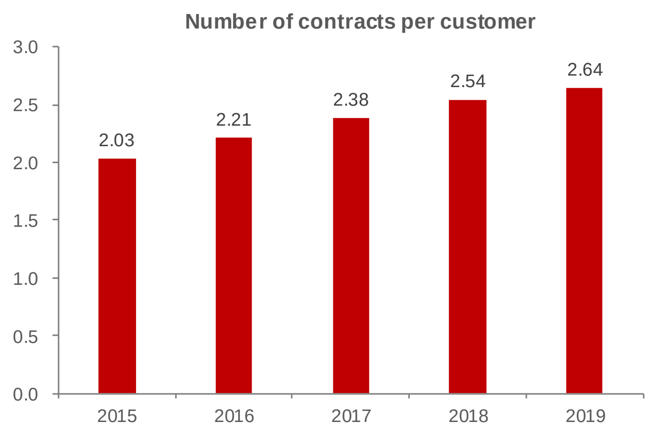
Source: Company data, CMBIS

■ Cross-selling promotes steady increase in customer value

Under an integrated financial business model, customer migrations happen among core financial companies. As of YE19, about 73.71 million, or 36.8% of retail customers held multiple contracts with different subsidiaries within the Group.

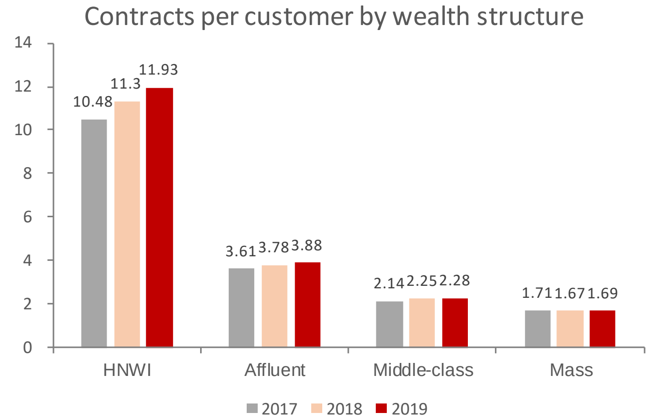
Contracts per customers was 2.64 as of YE19. The wealthier customers are, the more contracts they hold and the more value they contribute to the Group. As of YE19, each high net worth individual (HNWI), those have >RMB 10mn personal assets, held 11.93 contracts with the Group.

Figure 12: Each customer on average held 2.64 contracts with the Group



Source: Company data, CMBIS

Figure 13: Wealthier customers hold more contracts with the Group



Source: Company data, CMBIS

* Mass customers are those with annual income below RMB100,000, middle-class customers RMB100,000-240,000, and affluent customers above RMB240,000. HNWIs have personal assets of >RMB10mn

Corporate culture priortizing innovation, speed and expertise

- **Embrace innovation and speed**

Ping An has been standing at the industry forefront to embrace technological innovations, even disruptive ones. The Group also prioritizes speed. To secure first-mover advantages, the Group strives to predict and anticipate trends, make timely decisions and take steadfast actions ahead of peers.

- **Attract global talents with expertise**

The Group acquires, manages and retains talents following market-based process and offers competitive incentive schemes. Over years, the Group has been continuously diversifying and optimizing its talent standards.

Adhering to global corporate governance standards

- **Diversified board**

The Board is responsible for the management of the Company and accountable to the shareholders. The Board of Directors is made up of professionals with diversified background to provide support for effective decision making.

- **Co-CEO model**

The Group has established a Co-CEO mechanism, in which Co-CEOs and other functional line chiefs perform “collective decision-making, division of responsibility, matrix management”. This operational model has proved effective and mature after nearly two years’ transition. It has laid a solid foundation for Ping An’s long-term sustainable and innovation-driven development in the future.

The three Co-CEOs are led by Mr. Ma Mingzhe, who resigned as CEO of the Group since 1 Jul 2020, but continues to serve as the chairman of the Group. He still plays a core role and is responsible for the Group’s strategy development, innovation, talent cultivation, cultural construction and key decision making.

Figure 14: Co-CEOs and responsibilities

Name	Job title	Responsibilities
Mr. Xie Yonglin	President and Co-CEO	Mainly responsible for the Group's financial business segment, including being responsible for Ping An Bank Co., Ltd., being in charge of managing the Group’s corporate integrated finance business and of the development of subsidiaries related to the finance segment, and jointly managing retail integrated finance business.
Ms. Tan Sin Yin	Co-CEO	Mainly responsible for the Group's technology business and innovation business segments, including being responsible for the innovation and development of financial technology, health technology, smart city and related ecosystems, and being in charge of the development of companies related to the technology and innovation segment.
Mr. Yao Bo	Co-CEO and CFO	Mainly responsible for the Group's strategy planning, business goal setting, target tracking and performance evaluation, and is in charge of the Group’s budget management committee, product committee, strategy development center, and finance and planning, actuary, capital and other management functions.

Source: Company data, CMBIS

Insurance business at its core

The Group conducts life and health insurance business mainly through Ping An Life, together with Ping An Annuity and Ping An Health. It conducts P&C business mainly through Ping An Property & Casualty. Both Ping An Life and Ping An P&C are 99.51% owned by the Group.

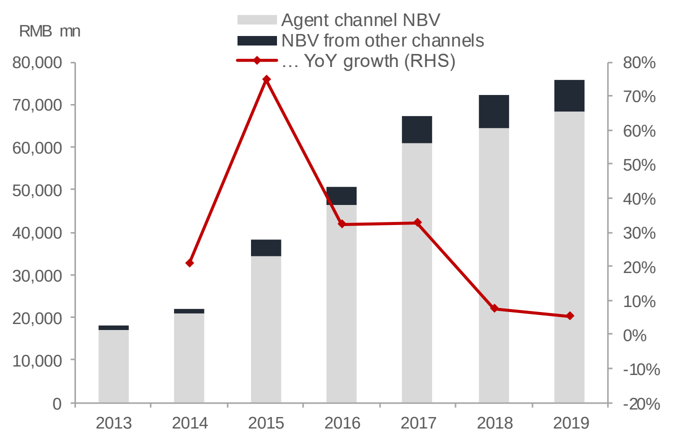
Life insurance – balanced growth of business and value

- **Robust and continuous growth of NBV**

New business value of life and health insurance business rose 5.1% YoY to RMB 75.9bn in 2019. Meanwhile, NBV margin was up 3.6ppt YoY in 2019 due to the Company's prioritization of high-value, high-protection products.

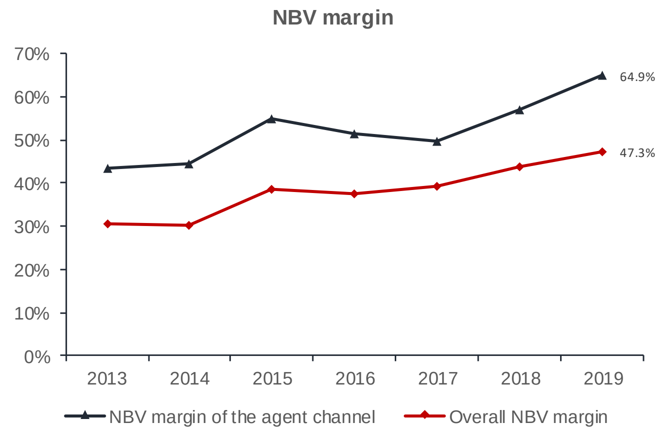
Robust and continuous NBV growth was underpinned by **1)** Multi-layered product portfolio and a broader suite of protection products and long-term savings hybrid products tailored for different populations. **2)** High-quality life agent team. Around 90% of overall NBV was contributed by the agent channel. NBV per agent rose 16.4% YoY in 2019, resulting in agent channel NBV rising 5.9% YoY to RMB 68.2bn in 2019. The agent channel NBV margin reached 64.9%, up 7.8 ppt YoY.

Figure 15: NBV of L&H business rose 5.1% in 2019; agent channel contributed to ~90% of overall NBV



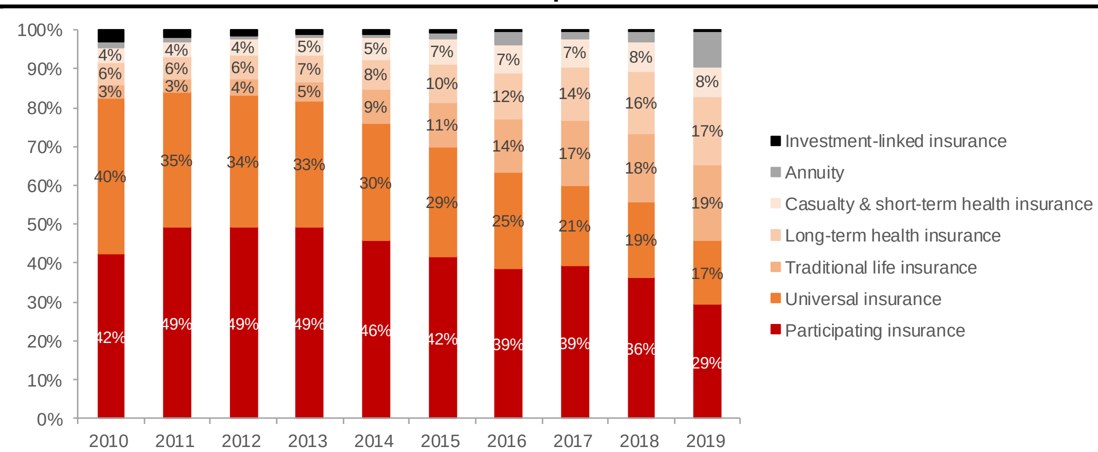
Source: Company data, CMBIS

Figure 16: Meanwhile, NBV margin improved to 47.3% (overall) and 64.9% (of the agent channel)



Source: Company data, CMBIS

Figure 17: GWP mix of life and health insurance products



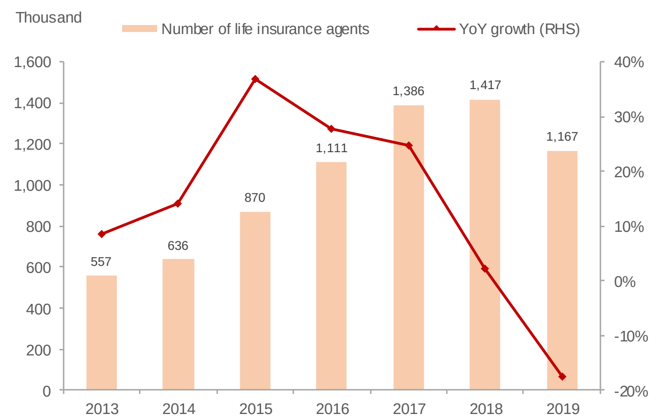
Source: Company data, CMBIS

■ **Reform to pursue high-quality development of agent team**

Ping An is one of the first lifers in China to sell insurance products via agents in the 1990s, when most peers focused on bancassurance channels. This gives Ping An first-mover advantages.

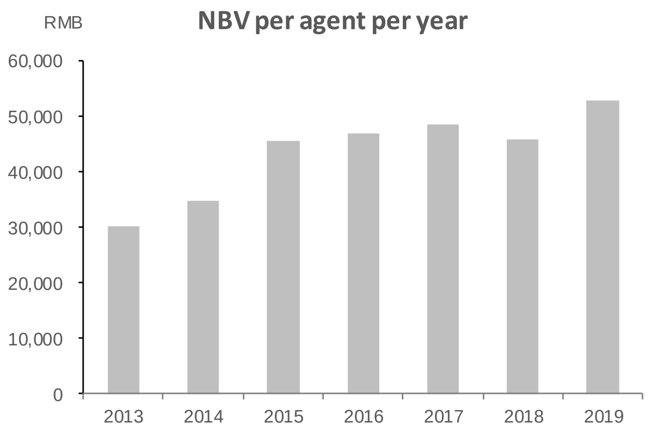
In 2019, Ping An conducted reform in its life insurance business, to prioritize high-value protection products and achieve healthier and stable long-term value growth. A key focus of the reform was to upgrade quality of agent force through tightening agent recruitment criteria, enhancing agent management, and implementing stringent appraisal and dismissal standards. Ping An also revised the basic law for agent management to attract high-quality talent.

Figure 18: Number of Ping An's life insurance agents totalled 1.167million as of YE19



Source: Company data, CMBIS

Figure 19: Agent productivity measured by NBV per agent



Source: CMBIS

*NBV per agent per year is calculated as agent channel NBV/average number of agents during the year

■ **Thick residual margin to support operating profit**

Ping An is among the first lifers in China to disclose residual margin data. Residual margin is the present value of future profits with release pattern locked-in at the time of policy issuance.

New business enriches residual margin. As of YE19, residual margin of the Group's L&H business was RMB 918.4bn, up 16.8% YoY. Movement of residual margin were primarily contributed by new business. Operating variances also remained positive in recent years thanks to better-than-assumption operating results.

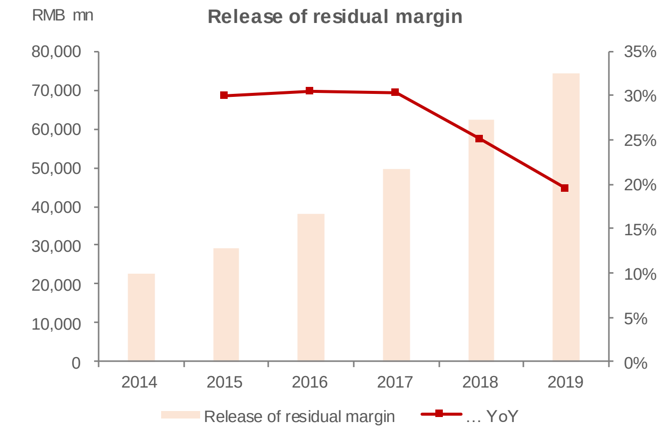
Figure 20: New business drives steady growth of residual margin of Ping An's life and health insurance business

RMB mn	2016	2017	2018	2019
Residual margin (beginning of the year)	330,846	454,705	616,319	786,633
Contribution from new business	129,860	168,426	177,485	155,684
Expected interest growth	17,391	22,642	28,498	33,811
Release of residual margin	-38,202	-49,811	-62,287	-74,454
Operating variance and others	14,811	20,357	26,617	16,742
Residual margin (end of the year)	**454,705**	**616,319**	**786,633**	**918,416**
… YoY	*37.4%*	*35.5%*	*27.6%*	*16.8%*

Source: Company data, CMBIS

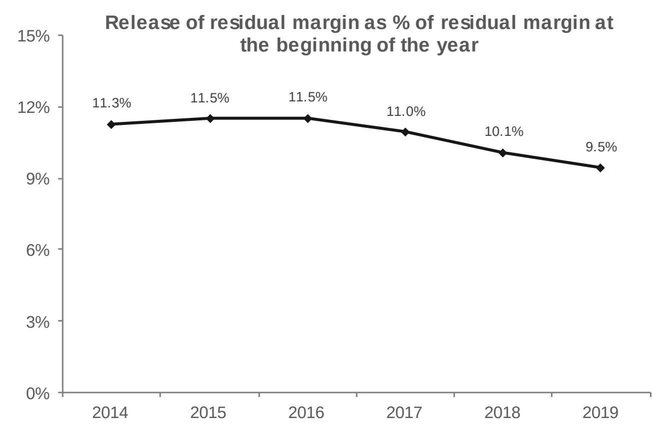
The release of residual margin represents a major source of operating profit for Ping An Life and it is immune to capital market fluctuations. In 2018/19, release of residual margin rose 25%/20% YoY, amounting to 10.1%/9.5% of opening balance of residual margin of respective years. Steady release of residual margin supported the growth of operating profit. In 2018/19, release of residual margin contributed to 64%/74% of pre-tax operating profit of the Group's life and health insurance business.

Figure 21: Release of residual margin rose 20% YoY in 2019



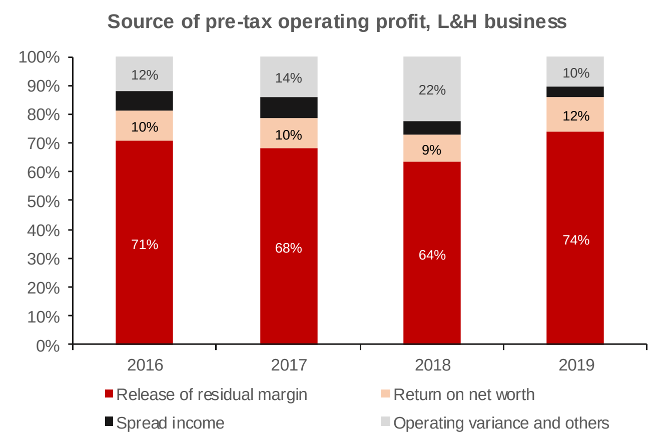
Source: Company data, CMBIS

Figure 22: Release of residual margin amounted to 10.1%/9.5% of opening balance in 2018/19



Source: Company data, CMBIS

Figure 23: Release of residual margin accounted for 64%/74% of pre-tax operating profit of L&H business in 2018/19



Source: Company data, CMBIS

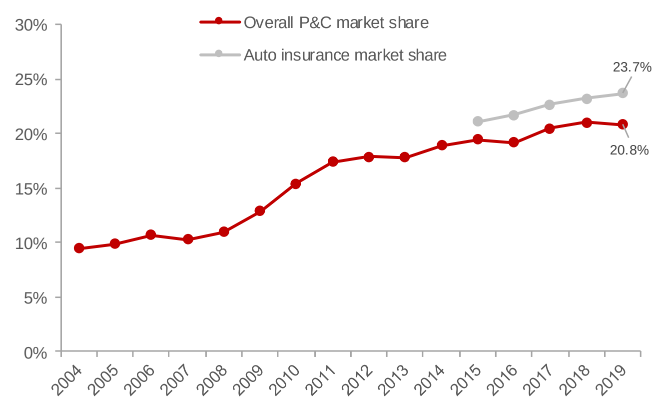
P&C insurance

■ **Second largest P&C insurer**

Ping An P&C is the second largest P&C insurance company in China by premium income, occupying market share of 20.8% in 2019 (its market share of auto insurance was 23.7%). Market share expanded steadily thanks to marketing strategy and rapid growth in non-auto insurance business.

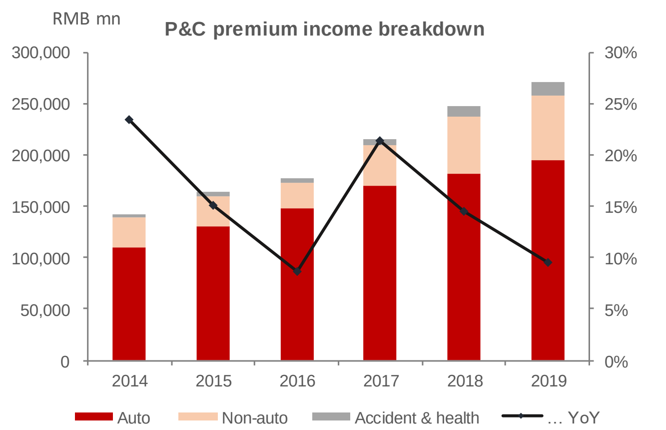
In 2019, premium income of Ping An P&C increased 9.5% YoY to RMB 270.9bn, among which 71.7% was from auto insurance. In 1H20, premium growth of auto insurance decelerated to 3.6% YoY (vs. 6.9% in 2019).

Figure 24: Market share of Ping An P&C reached 20.8% in 2019



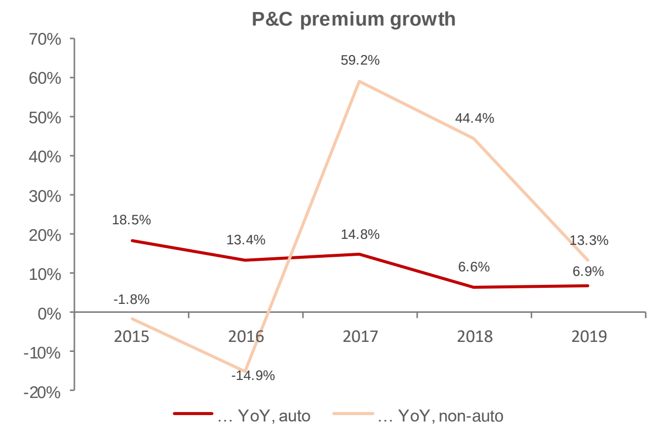
Source: CBIRC, Company data, CMBIS

Figure 25: P&C premium income rose 9.5% YoY in 2019 to RMB 270.9bn



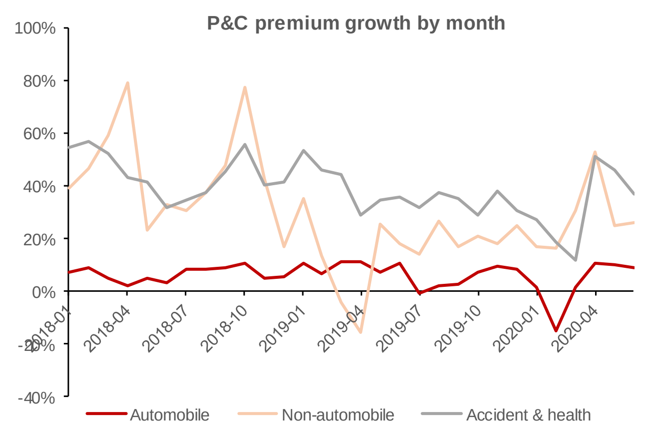
Source: Company data, CMBIS

Figure 26: Premium growth of auto insurance vs. non-auto insurance business lines



Source: Company data, CMBIS

Figure 27: Monthly P&C premium growth by business lines

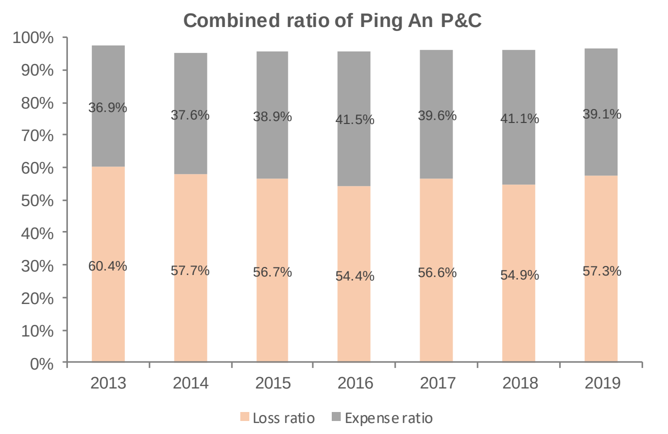


Source: Company data, CMBIS

■ Industry-leading underwriting quality

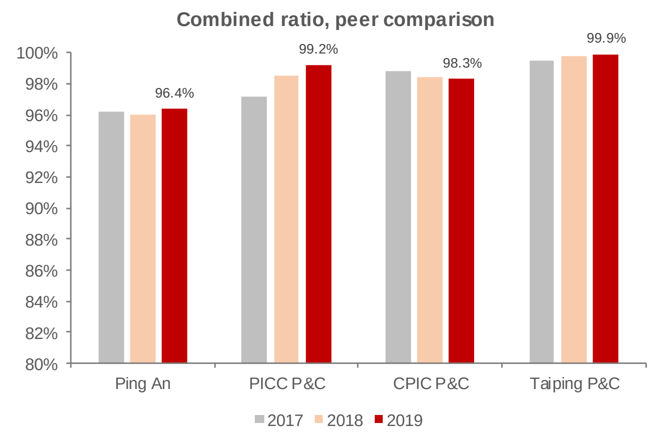
Ping An P&C maintained good underwriting quality, with combined ratio and ROE exceeding industry average as well as major peers'. This is attributable to 1) robust underwriting management empowered by technology; 2) risk screening and precise customer profiling technologies; 3) online customer development; 4) well-rounded services.

Figure 28: Combined ratio of Ping An P&C was 96.4% in 2019, up 0.4ppt from 2018



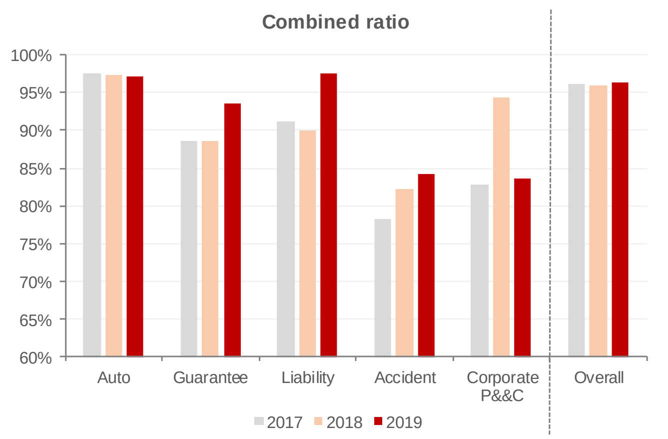
Source: Company data, CMBIS

Figure 29: Ping An P&C maintained industry-leading and stable combined ratio



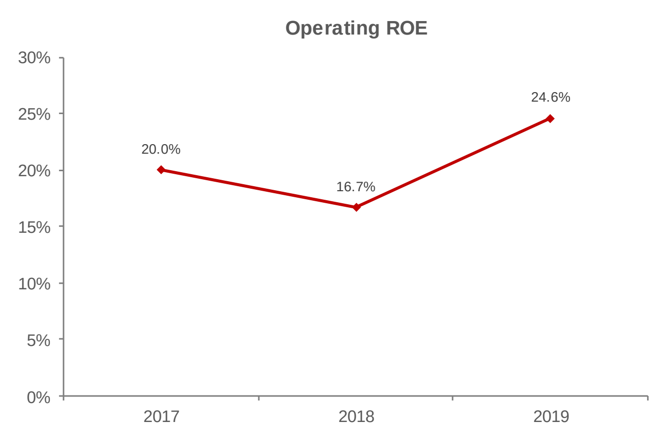
Source: Companies, CMBIS

Figure 30: Combined ratio by business lines



Source: Company data, CMBIS

Figure 31: Operating ROE was 24.6% in 2019



Source: Company data, CMBIS

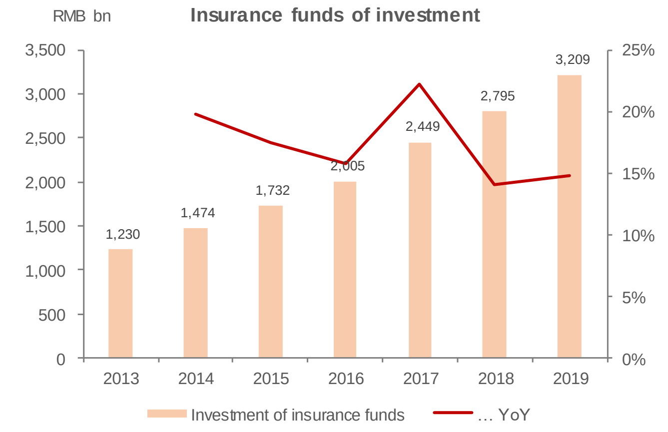
Investment of insurance funds

- **Steady increase of insurance funds**

Ping An achieved robust growth of its insurance funds during the past. As of YE19, the Group's investment portfolio of insurance funds reached RMB 3.2tn, up 14.8% YoY.

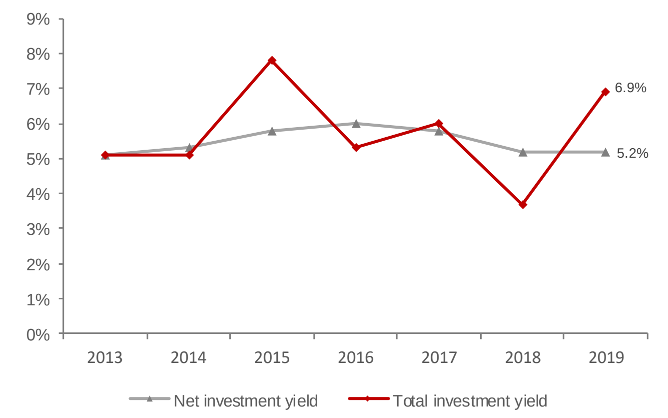
In light of evolving capital market environment and declines of interest rate, the Group maintained stable risk appetite and robust asset allocation. In 2019, net investment yield maintained stable at 5.2%, same as 2018. Total investment yield rose to 6.9% in 2019, up 3.2ppt YoY thanks to stock market recoveries.

Figure 32: Insurance funds



Source: Company data, CMBIS

Figure 33: Investment yield



Source: Company data, CMBIS

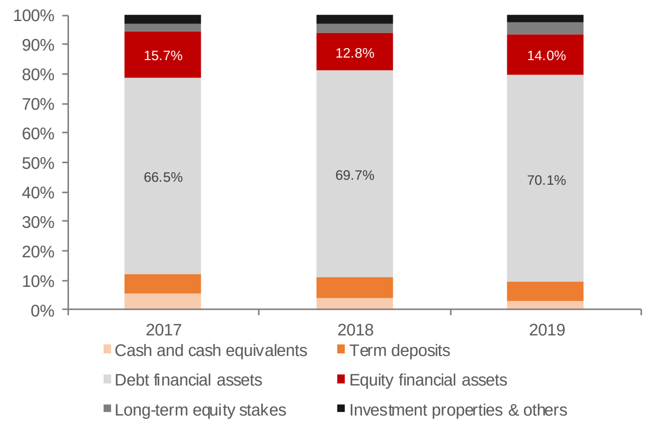
- **Robust asset allocation**

Being among the first listed insurers to adopt IFRS9, Ping An has dynamically adjusted proportions of equity assets and increased long-term equity stakes to reduce impact of equity market volatility. As of YE19, 18.3% of insurance funds were marked-to-market through P&L and 4.5% were stocks and equity funds. Interest rate risk of fixed maturity investments booked at fair value on the balance sheet was limited — 50bps parallel increase of the government bond yield would lead to only ~3% decline in the Group's profit.

Improve duration matching. Ping An also increased investment in long-duration rate bonds, including tax-exempt central and local government bonds to narrow the duration gap between assets and liabilities.

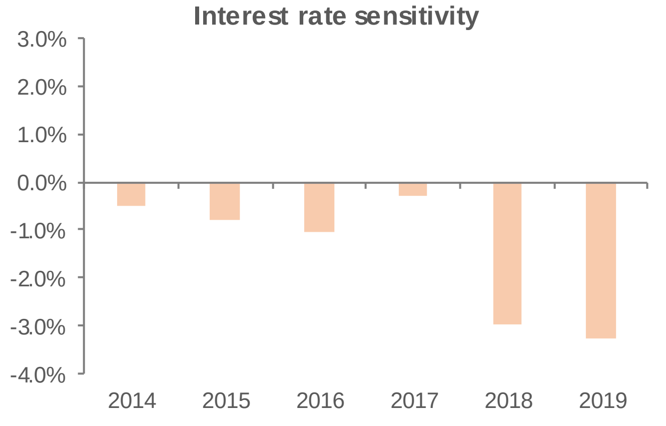
Non-standard assets allocation. At YE19, non-standard debt assets and equity assets accounted for 13.4% and 1.2% of the overall insurance funds. Overall risks were controllable for these assets. At YE19, these non-standard debt assets carried average nominal yield of 5.75%, with remaining maturity of 3.68 years.

Figure 34: Portfolio of insurance funds



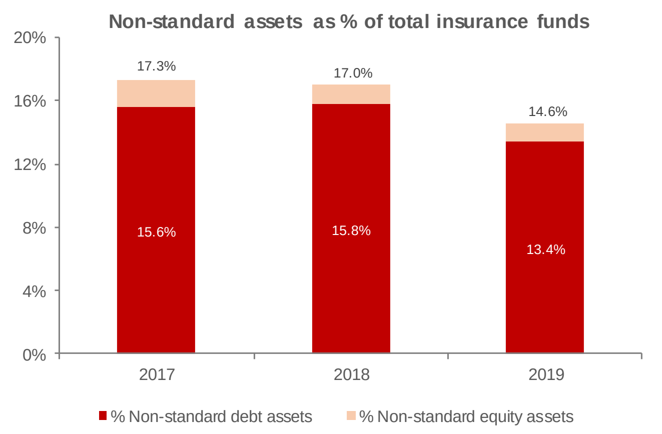
Source: Company data, CMBIS

Figure 35: Interest rate sensitivity



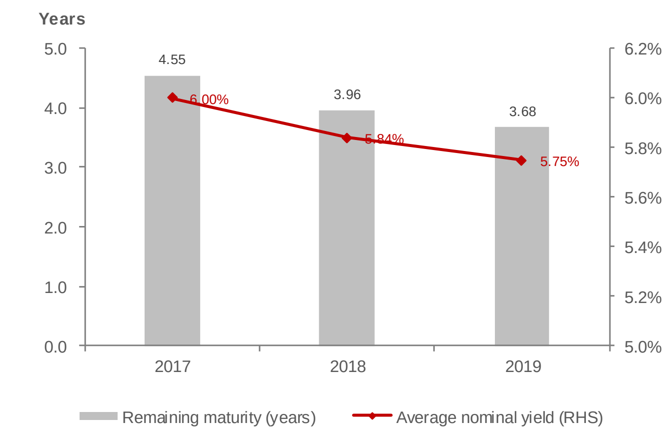
Source: Company data, CMBIS
*Interest rate risk is measured by % change in Group's profit assuming +50bp parallel shift of the government bond yield curve

Figure 36: Non-standard assets accounted for 14.6% of total insurance funds at YE19



Source: Company data, CMBIS
*Non-standard debt assets include debt schemes and wealth management products

Figure 37: Structure and yield distribution of non-standard debt assets



Source: Company data, CMBIS

Banking and asset management business – riding on integrated financial layout

Banking – Retail breakthroughs and selective corporate

1) "3+2+1" models

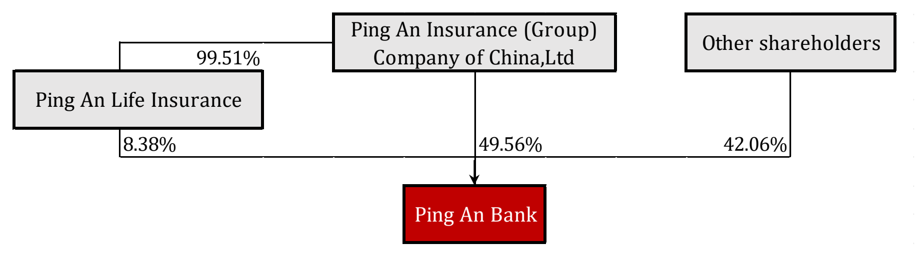
Ping An Bank (PAB) has established the "3+2+1" strategies for retail, corporate, and interbank businesses to achieve balanced business development.

Retail banking – 3 key businesses "basic retail banking, private banking & wealth management, consumer finance", 2 core capabilities of "risk management and cost control", 1 ecosystem to enhance integration.

Corporate banking - 3 pillars of "industry-specific banking, transaction banking and integrated finance", 2 core customer segments of "strategic customers and SME customers" and 1 bottom line of "ensuring asset quality".

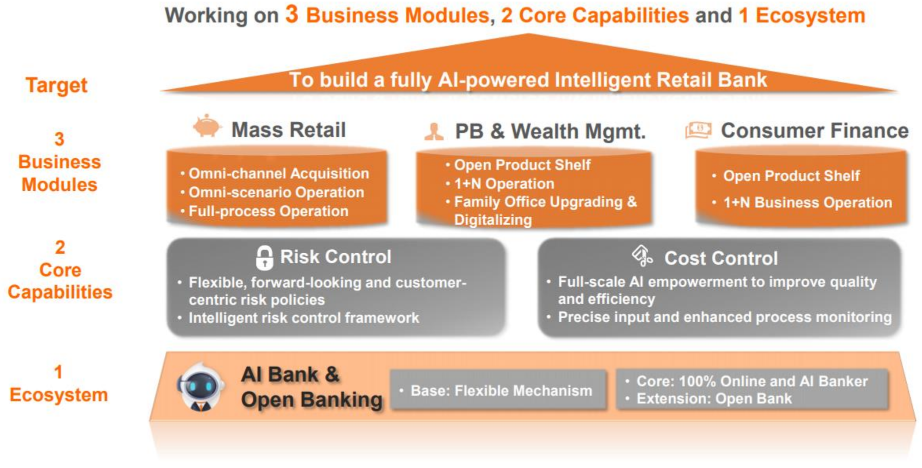
Interbank business - 3 business directions of "new transactions, new interbank business, and new asset management business", 2 core capabilities of "sales and transactions", and 1 "system platform".

Figure 38: Shareholding structure of PAB



Source: Company data, CMBIS

Figure 39: "3+2+1" model for retail banking



Source: Company data, CMBIS

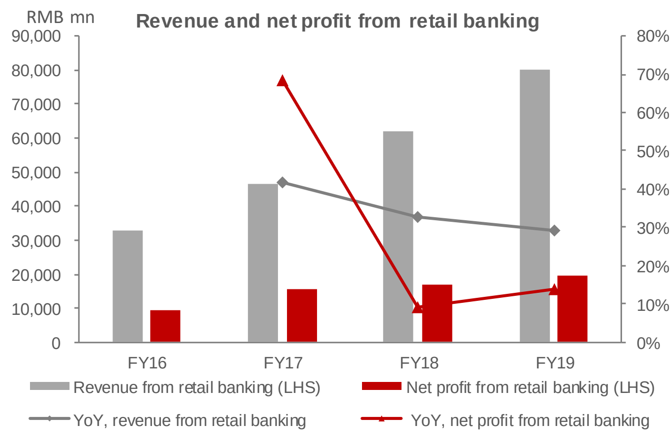
Figure 40: "3+2+1" strategy for corporate banking

Source: Company data, CMBIS

2) Achieved breakthroughs in retail transformation

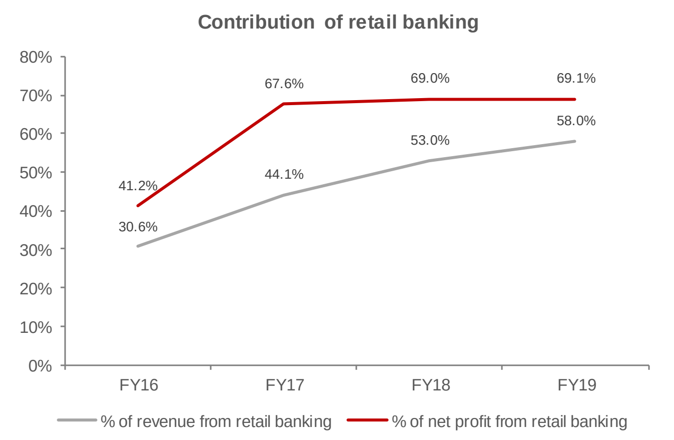
Since 2016, Ping An Bank has furthered retail transformation. In 2019, retail banking's revenue and net profit increased by 29.2% and 13.8% YoY, contributing to 58% and 69.1% of PAB's total revenue and net profit, respectively. Retail banking accounted for 24% of deposits and 58.4% of loans, up 2.3ppt and 0.6ppt from the beginning of 2019, respectively.

Figure 41: Retail banking's revenue and net profit increased 29.2%/13.8% YoY in 2019



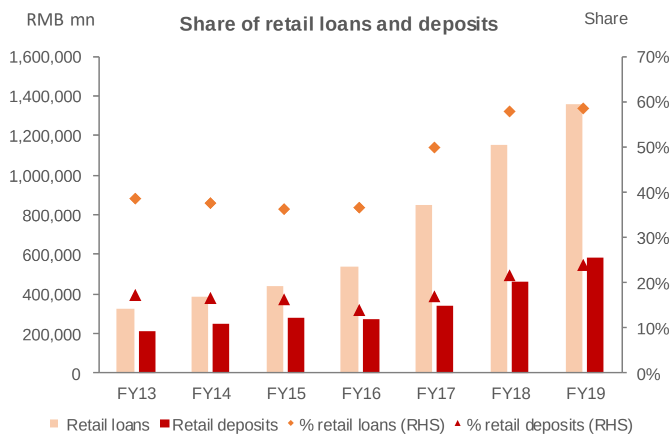
Source: Company data, CMBIS

Figure 42: Retail banking contributed to 58%/69.1% of PAB's total revenue and net profit in 2019



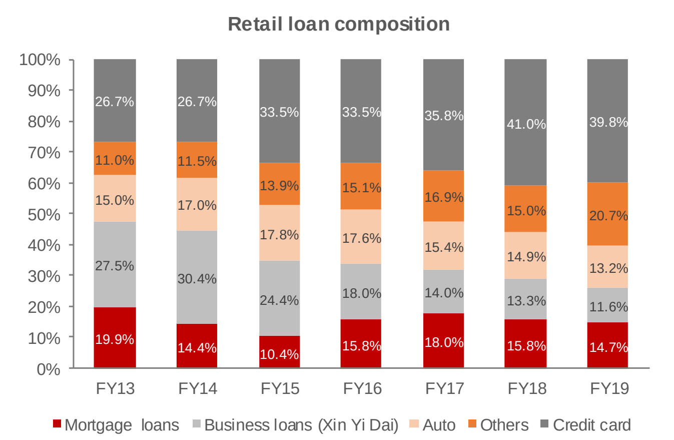
Source: Company data, CMBIS

Figure 43: Retail loans and deposits



Source: Company data, CMBIS

Figure 44: Composition of retail loans



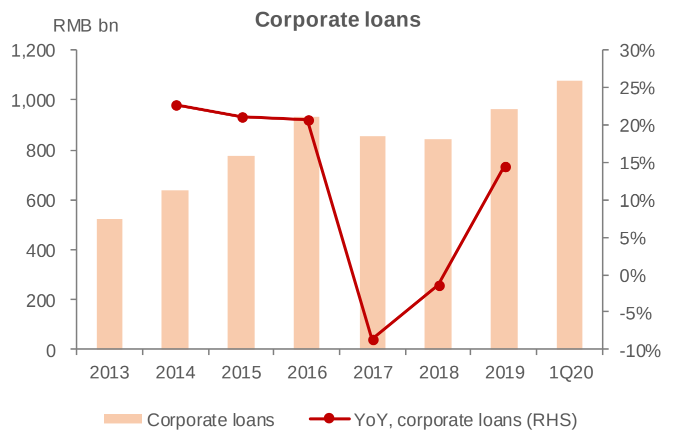
Source: Company data, CMBIS

Integrated financial business model also made increasing contributions to retail banking. For example, cross-selling channels accounted for 61.3% of Xin Yi Dai unsecured loans granted and 34.1% of credit cards issued in 2019. Customers referred by the cross-selling channel have better asset quality than other customers.

3) Selective corporate banking business

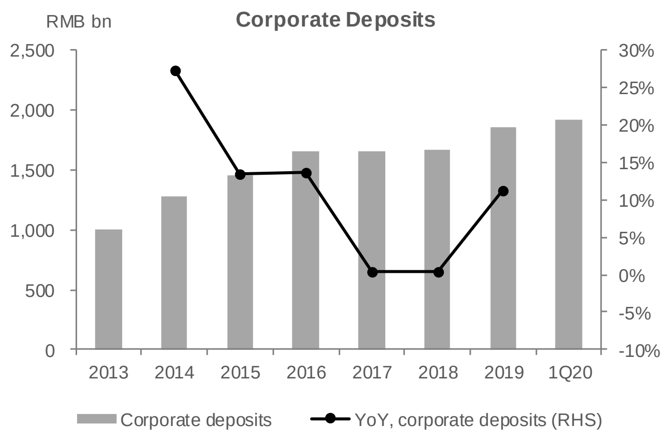
As a "1+N" engine of the Group's corporate integrated finance business, PAB continued to "reinventing its corporate banking" and new businesses were concentrated on industries with sound growth and compliant with national strategic development. As of 31 Mar 2020, the balance of corporate loans/deposits rose 11.4%/3.9% from YE19 to RMB 1,076bn/1,926bn, respectively.

Figure 45: Balance of corporate loans stood at RMB 1,076bn as of 31 Mar 2020, up 11.4% from YE19



Source: Company data, CMBIS

Figure 46: Corporate deposits amounted to RMB 1,926bn as of 31 Mar 2020, up 3.9% from YE19



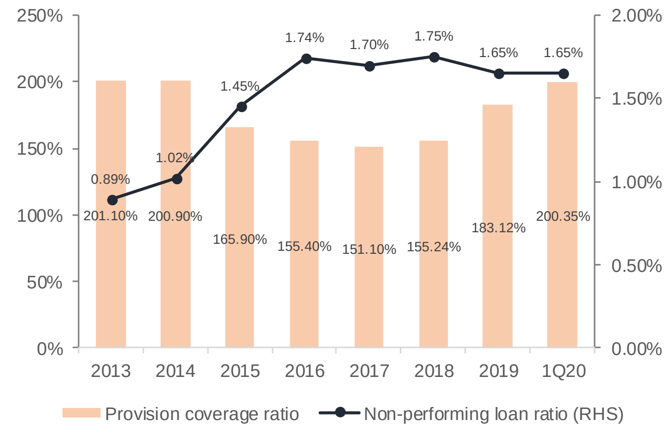
Source: Company data, CMBIS

4) Enhancing asset quality

PAB has steadily improved and maintained asset quality in recent years thanks to 1) business portfolio adjustment to granting more retail loans, which have better asset quality than corporate loans; 2) de-risking of corporate business by granting new loans to key industries, key regions and key customers. NPL ratio of corporate loans declined to 1.81% as of 31 Mar 2020, down 48ppt from YE19.

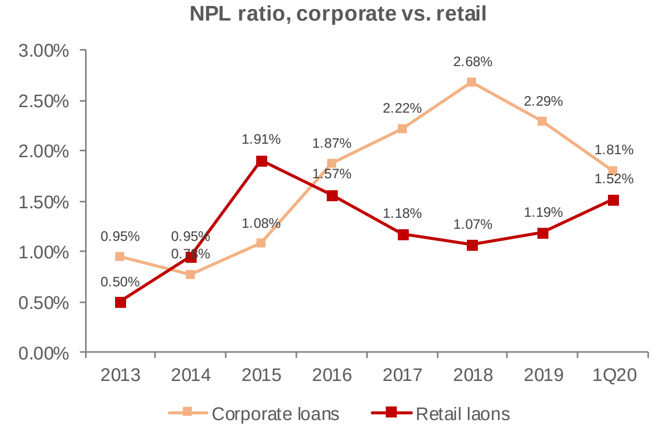
In 2020, however, asset quality of PAB will be under pressure due to the outbreak of COVID-19. NPL ratio deteriorated for most types of retail loans in 1Q20, such as credit card, Xin Yi Dai and auto loans. Such trend may continue since household income is likely to be dented by economic slowdown and soft job market situations. NPL ratio for corporate loans declined in 1Q20, but primarily thanks to expansion in the denominator and the policy to defer payment of SME loans.

Figure 47: NPL ratio was 1.65% at the end of 1Q20 with provision coverage ratio at 200.35%



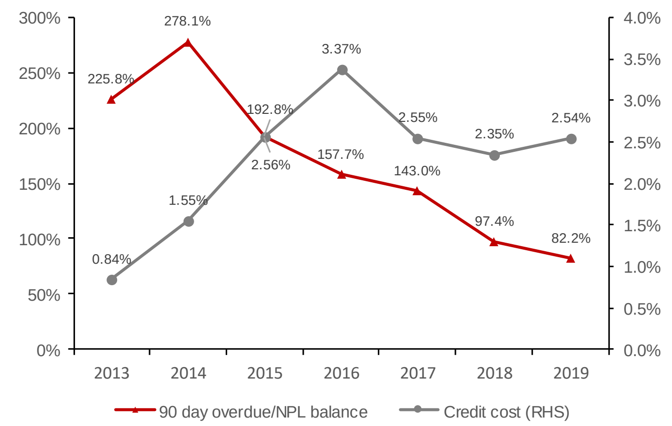
Source: Company data, CMBIS

Figure 48: NPL ratio of corporate banking business declined to 1.81% as of 31 Mar 2020



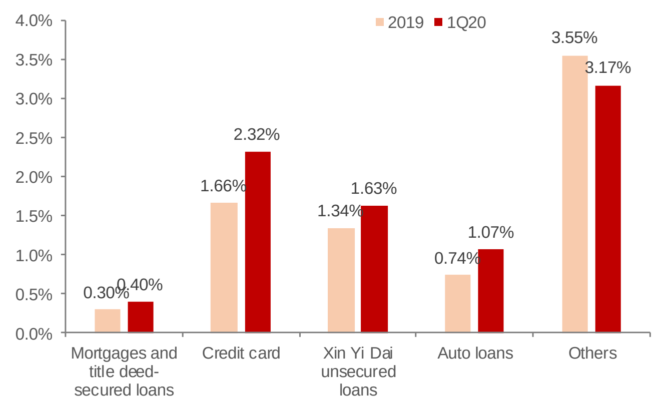
Source: Company data, CMBIS

Figure 49: NPL recognition and credit cost



Source: Company data, CMBIS

Figure 50: NPL ratio by types of retail loans

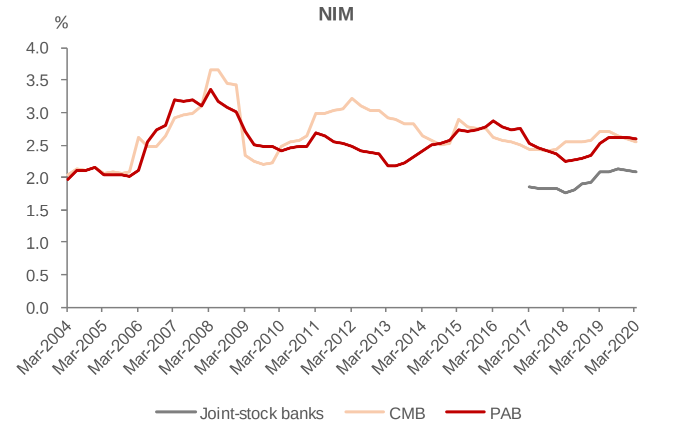


Source: Company data, CMBIS

5) Resilient yields via optimization of business portfolio

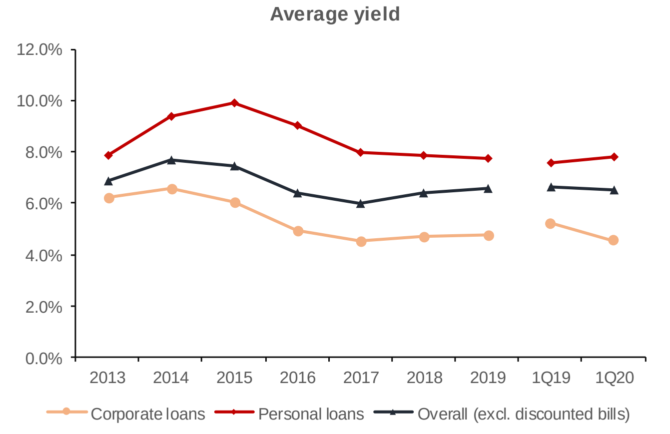
PAB's net interest margin increased by 0.27ppt YoY to 2.62% in 2019 thanks to both higher assets yields and lower funding costs. As the bank enlarged the scale of higher yield retail loans, yields on interest-earning assets rose. In 1Q20, average yield of corporate loans dropped 67bps YoY whereas that of retail loans increased 27bps, thus maintaining relatively stable yields on loans overall.

Figure 51: NIM of PAB vs. peers' average and CMB



Source: Company data, CMBIS

Figure 52: Avg. yield on corporate and retail loans

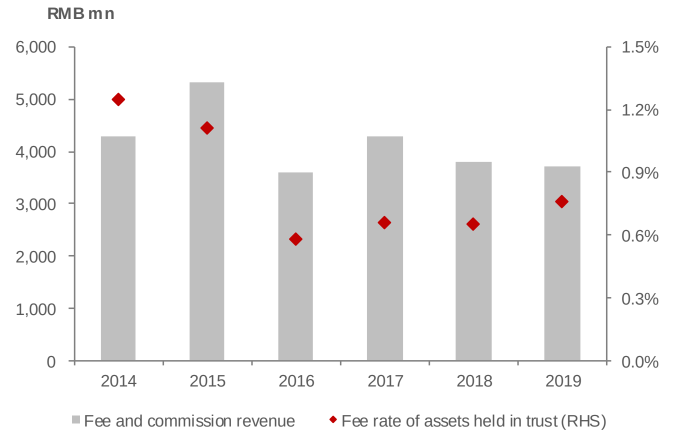


Source: Company data, CMBIS

Asset management business

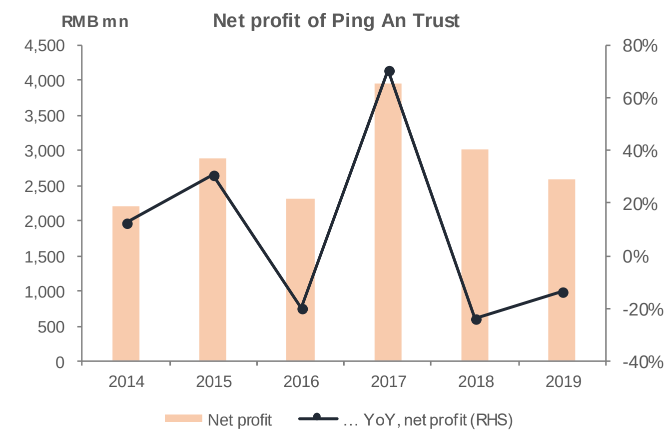
The Group conducts asset management business through Ping An Trust, Ping An Securities, Ping An Financial Leasing, Ping An Asset Management, etc. Asset management business overall generated RMB 10.4bn net profit in 2019, down 24% YoY primarily due to profit volatility of trust business and impairment of some investment assets in other asset management business.

Figure 53: Ping An Trust - Fee and commission revenue declined 2.1% YoY in 2019 mainly due to decreased assets held in trust, but fee rate rose



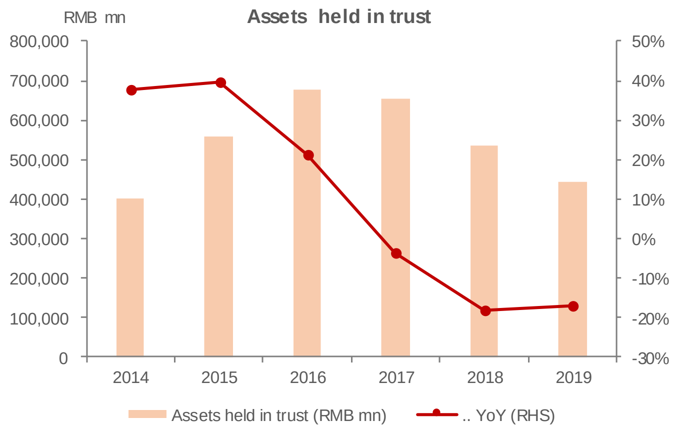
Source: Company data, CMBIS

Figure 54: Ping An Trust – Net profit declined 13.7% YoY in 2019



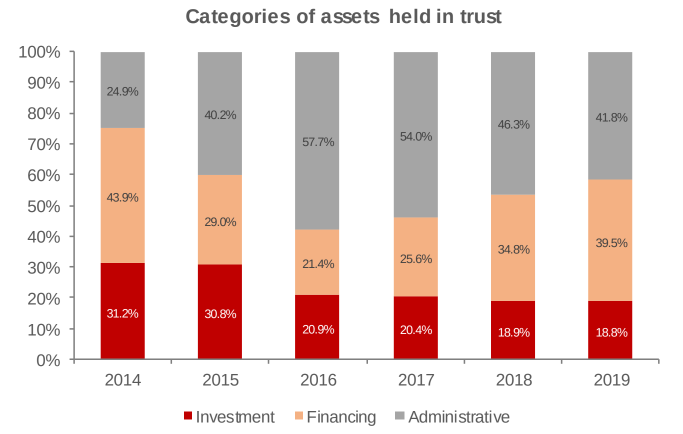
Source: Company data, CMBIS

Figure 55: Ping An Trust – Assets held in trust was RMB 422.6bn at YE19, down 17.1% YoY



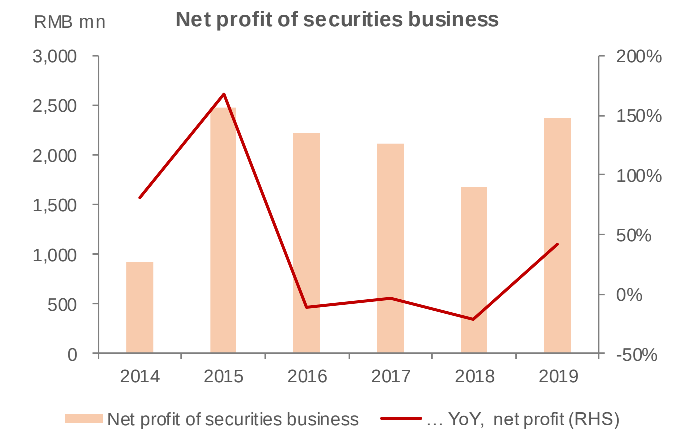
Source: Company data, CMBIS

Figure 56: Ping An Trust strengthened active management of assets held in trust



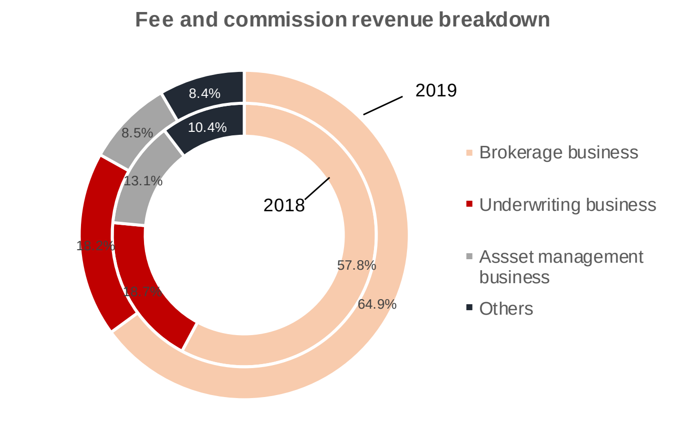
Source: Company data, CMBIS

Figure 57: Ping An Securities – net profit was RMB 2.376mn, up 41.4% YoY in 2019 on back of rising brokerage trading volume and expanding bond and ABS underwriting



Source: Company data, CMBIS

Figure 58: Ping An Securities – Fee and commission revenue increased 52.7% YoY in 2019, of which 64.9% came from brokerage business and 18.2% from underwriting business



Source: Company data, CMBIS

Incubator of technology companies

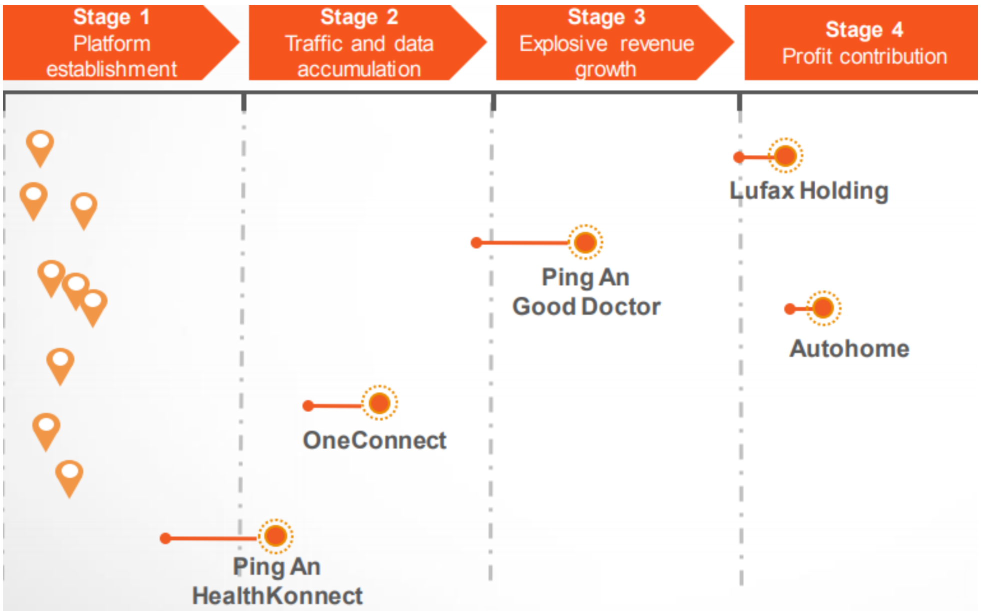
The Group conducts technology business via companies including Lufax Holding, OneConnect, Ping An Good Doctor, Ping An HealthKonnect, and Autohome. These subsidiaries are fintech and healthtech unicorns Ping An has successfully incubated throughout years.

Four-stage business model of incubating technology companies

Ping An's business model of incubating technology subsidiaries contains four stages, **1) platform establishment**; **2) traffic and data accumulation**, in which subsidiaries rapidly expand customer base and acquire data and traffic; **3) revenue growth**, in which value per customer is enhanced; **4) profit contribution**, in which economies of scale and positive profit contribution is achieved.

While Autohome and Lufax Holding have already been contributing positive profit to the Group, Ping An Doctor is experiencing rapid revenue growth. OneConnect and Ping An HealthKonnect are striving to expand user base and accumulate data and traffic.

Figure 59: Four stages of incubation of tech companies



Source: Company data

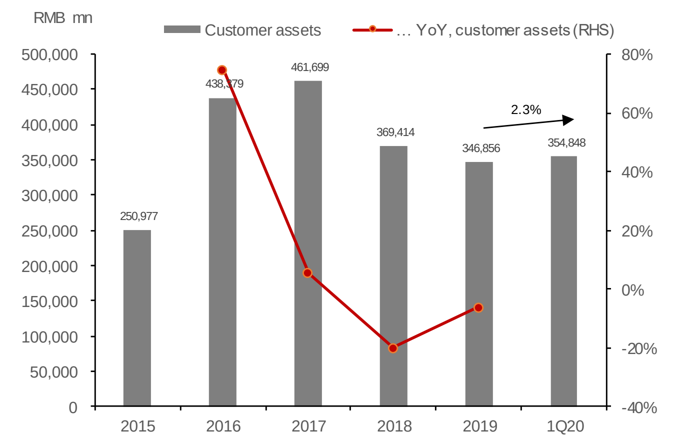
Lufax Holding – the largest online financial assets platform

Lufax Holding is a world-leading online wealth management and retail lending technology platform. In 2018, Lufax Holding completed its Series C financing at a post-money valuation of US$ 39.4bn.

In **wealth management business**, Lufax Holding provides the middle class with diversified financial products and services. In light of strong regulation of the industry, Lufax adjusted its product portfolio. At YE19, customer assets under management dropped by 6.1% YoY to RMB 346.86bn mainly due to reduction in consumer finance products. Meanwhile, Lufax achieved growth in standardized products and customer assets sourced via other financial institutions as it deepened cooperation with trust companies and banks. In 2020, Lufax continued to rebuild the scale of customer assets, which increased 2.3% from YE19 to RMB 354.85bn as of 31 Mar 2020.

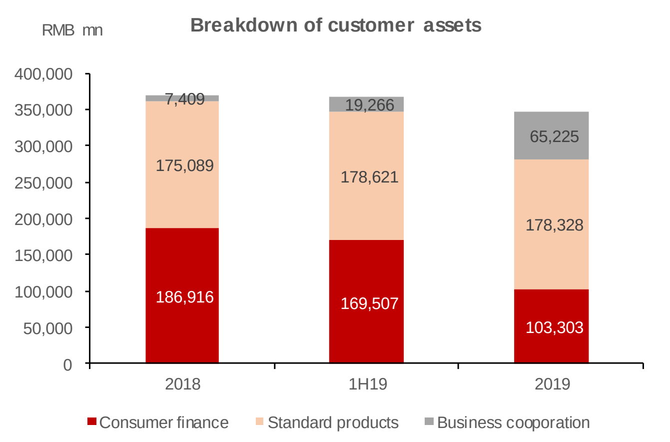
In **retail lending**, Lufax had provided 12.37 million SME business owners and retail customers with O2O lending services. In light of tightening regulation of P2P lending, Lufax had stopped adding new P2P assets since Sep 2019 and actively sourced diversified institutional funding to meet customer demand. At YE19, Lufax had RMB 462.2bn loans under management, up 23.2% YoY. The balance further rose to RMB 506.3bn as of 31 Mar 2020, up 9.5% from YE19.

Figure 60: Customer assets rose 2.3% from YE19 to RMB 354.8bn



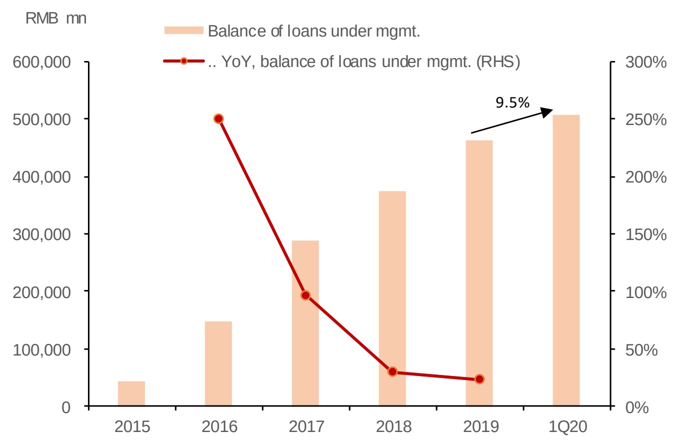
Source: Company data, CMBIS

Figure 61: Optimizing portfolio of customer assets



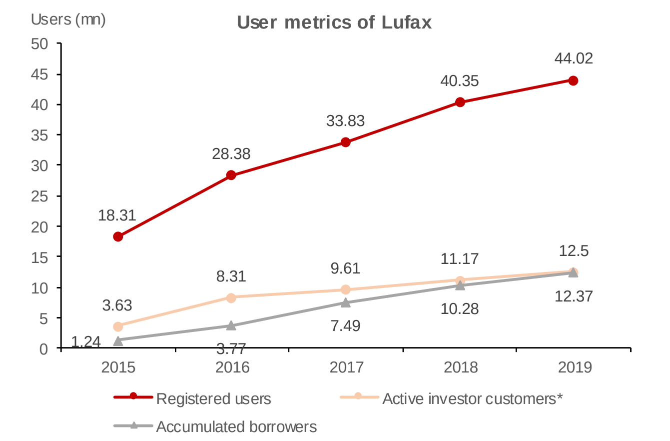
Source: Company data, CMBIS

Figure 62: Balance of loans under management stood at RMB 506.3bn, up 9.5% from YE19



Source: Company data, CMBIS

Figure 63: At YE19, Lufax had 44.02 million registered users on its platform



Source: Company data, CMBIS
* Active investor customers refer to customers who made an investment or had a positive account balance in the past 12 months.

OneConnect (OCFT US): leading technology-as-a-service platform for financial institutions in China

OneConnect is a leading technology-as-a-service platform for financial institutions in China. OneConnect established initial operation as the financial technology solution arm of Ping An Group. Since the end of 2015, it had started to operate as a separate company and in

Nov 2017, OneConnect ceased to be consolidated with Ping An Group. In Dec 2019, OneConnect was successfully listed on the New York Stock Exchange.

Investment highlights of OneConnect include,

1) Massive market space. Technology spending of financial institutions is estimated to grow at CAGR of 21.4% from 2018 to 2023E, implying huge market opportunities for technology-as-a-service platforms;

2) Leading technology and industry know-hows to enable digital transformation of financial services. Over years, OneConnect has leveraged its partnership with Ping An Group to establish world-leading technology capabilities for financial services in AI, big data analytics, blockchain and etc.

3) Transaction-based revenue model and "adopt-deepen-integrate" customer-development approach, which generate visible and recurring revenue streams.

4) Rapid expansion in client base and revenue. In 2019, OneConnect had 473 premium customers (referred to those contributed at least RMB 100,000 annual revenue), compared to 40 in 2017. Revenue increased 64.7% YoY in 2019 to RMB 2,328mn.

5) Strategic relationship with Ping An Group, as a partner for technology development, a supplier for application scenarios, which will continue to contribute to future growth of OneConnect.

Figure 64: Technology spending for Chinese financial institutions is estimated to grow at CAGR of 21.4% in 2018-23E

(in RMB bn)	2018	2023E	CAGR 2018-23E
Banking	116.5	264.8	17.8%
Insurance	28.8	109.2	30.5%
Asset management	6.8	26.8	31.6%
Total	**152.1**	**400.8**	**21.4%**

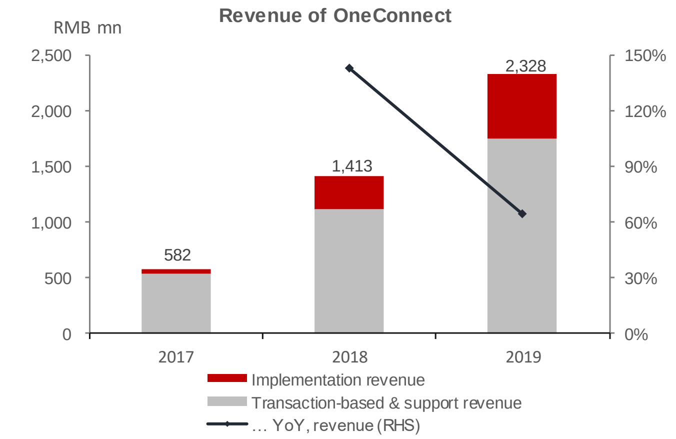
Source: OneConnect Prospectus, CMBIS

Figure 65: Key financial information of OneConnect

RMB mn	2017	2018	2019	YoY (2017 -18)	YoY (2018-19)
Implementation revenue	51	296	571	483.2%	92.9%
Transaction-based and support revenue	531	1,118	1,757	110.4%	57.2%
Revenue	**582**	**1,413**	**2,328**	**142.9%**	**64.7%**
Cost of revenue	(483)	(1,025)	(1,561)		
Gross profit	**99**	**389**	**767**	**291.1%**	**97.3%**
R&D	(537)	(459)	(956)		
SG&A	(478)	(962)	(1,392)		
Others	26	(82)	(119)		
Operating loss	**(890)**	**(1,114)**	**(1,701)**		
Attributable net loss	**(607)**	**(1,196)**	**(1,661)**		

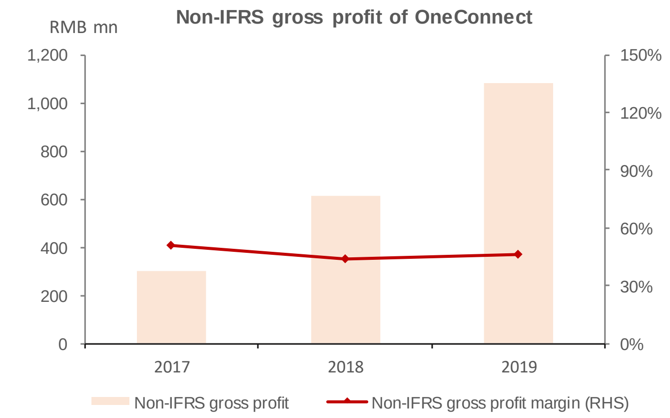
Source: OneConnect annual report, CMBIS

Figure 66: OneConnect – 76% of revenue was from transaction-based and support revenue in 2019



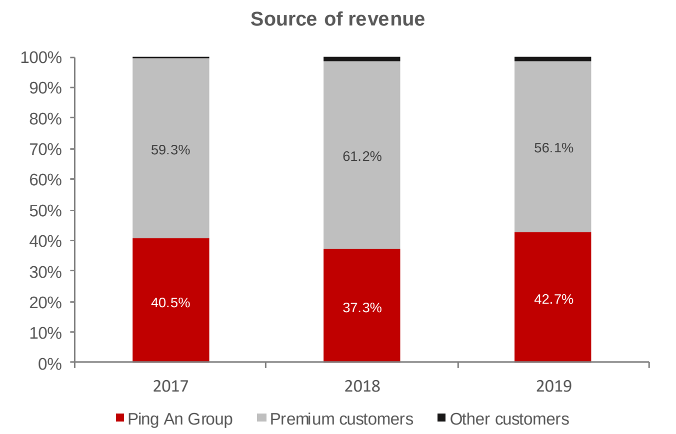
Source: Company data, CMBIS

Figure 67: OneConnect – Non-IFRS gross profit was RMB 1,080.1mn in 2019 with 46.4% margin



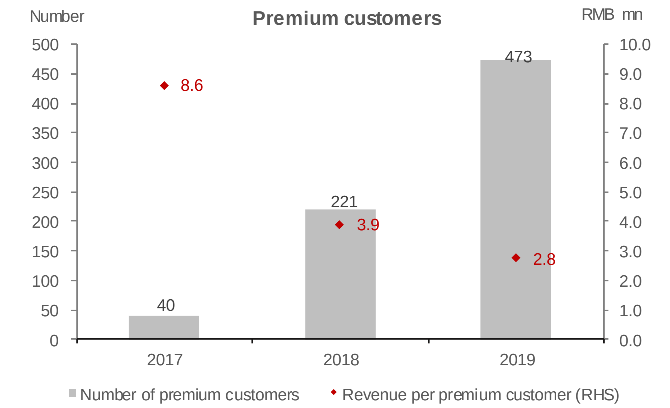
Source: Company data, CMBIS

Figure 68: OneConnect – 56% of revenue in 2019 was generated from premium customers



Source: Company data, CMBIS
*Premium customers are defined as non-Ping An Group customers that contribute annual revenue of at least RMB 100,000 to OneConnect.
**Ping An Group customers include Ping An Group and its consolidated subsidiaries.

Figure 69: Number of premium customers rose to 473 in 2019



Source: Company data, CMBIS

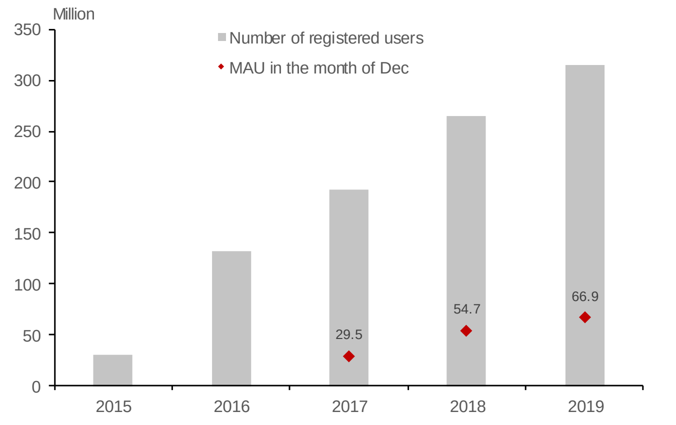
Ping An Good Doctor (1833 HK)

Ping An Good Doctor is the largest online health care services platform in China. As of YE19, it had over 315 million registered users and 66.9 million MAU in Dec 2019. The Company was established in 2014 and listed on Hong Kong Stock Exchange in May 2018. As of 30 Jul 2020, Ping An Group held 41.31% of issued shares of Ping An Good Doctor.

Investment highlights. 1) Great potential for Internet healthcare industry. In particular, the COVID-19 has significantly improved public awareness and acceptance of online health care. **2) Amiable policy environment.** China has promulgated policies to bring online consultation into full play, encourage the development of online health care, and cover online health care expenses with local Social Health Insurance. **3) Extensive online and offline coverage** to provide seamless O2O health services. **4) Leading technology and AI-based medical system** to provide online medical consultation services. **5) International reach.** Ping An Good Doctor has offered online health care services in Indonesia and Japan in cooperation with international partners.

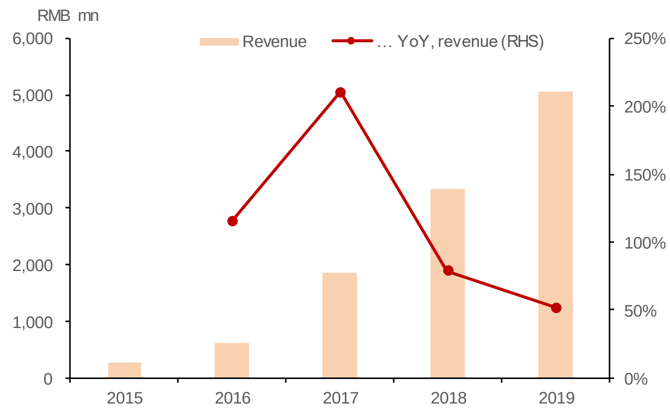
Synergy with and reliance on Ping An Group. 1) Users from the plug-in of Ping An Group accounted for 50.8% of registered users as of YE19. **2)** Revenue from related-party transactions, i.e. from entities controlled by Ping An, accounted for over 44% of Ping An Good Doctor's total revenue in 2019. On the one hand, great synergy with the Group health care ecosystem is one of the strengths of Ping An Good Doctor. However, on the other hand heavy dependence on the Group remained one of the risk factors with respect to growing external user base and achieving higher margin.

Figure 70: Ping An Good Doctor – User metrics



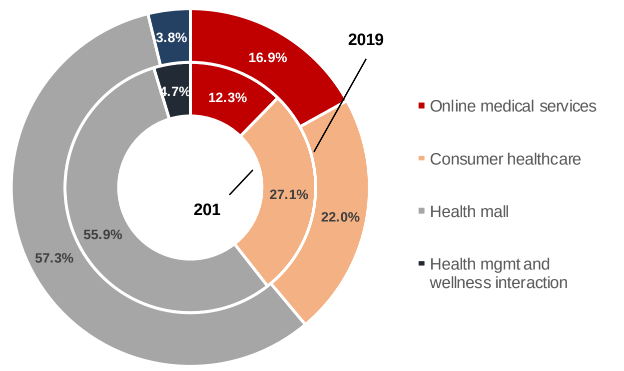
Source: Company data, CMBIS

Figure 71: Ping An Good Doctor – Revenue



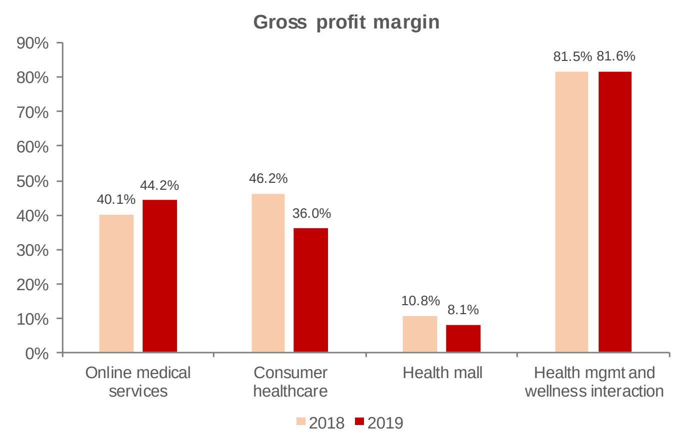
Source: Company data, CMBIS

Figure 72: Ping An Good Doctor – Revenue breakdown by business segments



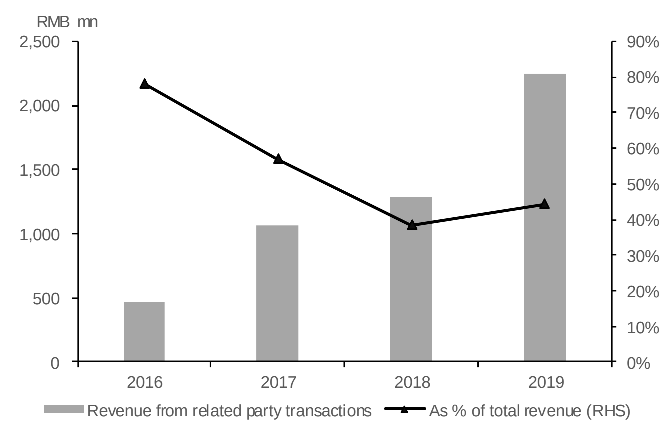
Source: Company data, CMBIS

Figure 73: Ping An Good Doctor – Gross profit margin by business segments



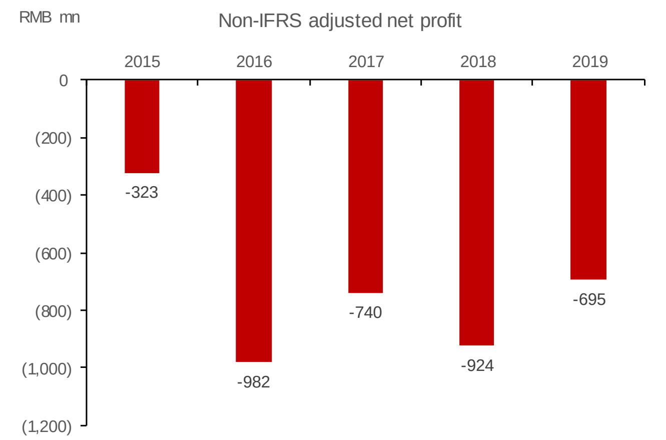
Source: Company data, CMBIS

Figure 74: Ping An Good Doctor – Related party transactions contributed to 44% of revenue in 2019



Source: Company data, CMBIS

Figure 75: Ping An Good Doctor – Non-IFRS adjusted net loss was RMB 695mn in 2019



Source: Company data, CMBIS

Ping An HealthKonnect

In 2018, Ping An HealthKonnect completed a Series A financing at post-money valuation of US$ 8.8bn. Ping An Group held 38.54% of ordinary shares of Ping An HealthKonnect as of YE19.

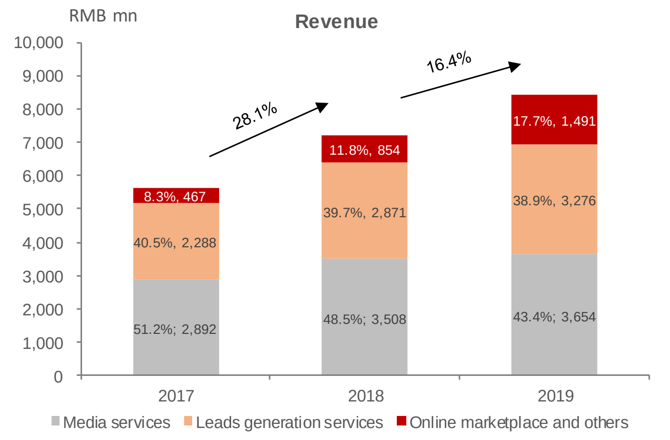
Highlights. Ping An HealthKonnect **1)** Offers closed-loop solutions of "software + services" for the healthcare ecosystem, leveraging its experience in social health insurance, medical, health and disease management; **2)** Covers all participants of the health care ecosystem, including social health insurance, private insurers, medical service providers, pharmaceutical companies and the insured population; **3)** Provides users with targeted, efficient expense control services through its Digital Risk System (DRS), which is capable of identifying 40 typical social health insurance fraud scenarios; **4)** Enjoys high entry barrier for "technology + ecosystem". Ping An HealthKonnect has developed AI, blockchain, cloud computing and a powerful medical knowledge bank; **5)** Made breakthroughs in 2019 in winning bids for "macro-decision making big data application subsystem" and "operation monitoring subsystem" of the National Healthcare Security Administration as well as provincial/municipal projects in Shandong.

Autohome (ATHM US)

Autohome is a leading internet-based auto service platform in China and is committed to providing auto consumers with diversified products and services. Ping An Group is the controlling shareholder of Autohome, holding 52% of equity interest and voting rights as of YE19.

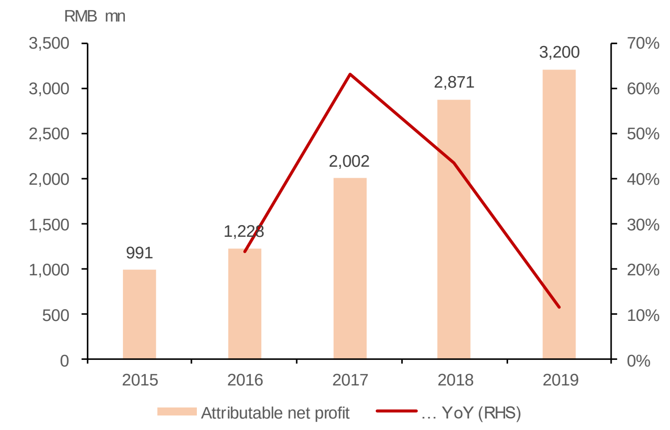
Investment highlights. 1) Large and active online community of auto consumers, with a growing user base (daily active users); **2)** Successful transition to a data and technology driven platform covering the whole life cycle of automobile ownership; **3)** Maintained steady growth in revenue and net profit despite weak market environment. In 2019, revenue of Autohome totaled RMB 8,421mn, up 16.4% YoY. Revenue from online marketplace business/media services/lead generation services accounted for 17.7%/43.4%/38.9% of total revenue in 2019. Net profit attributable to Autohome was RMB 3.2bn, up 11.5% YoY in 2019; **4)** Collaboration and integration with Ping An Group to progress on auto-financing business including loans, leasing and insurance.

Figure 76: Autohome – revenue breakdown



Source: Company data, CMBIS

Figure 77: Autohome – attributable net profit



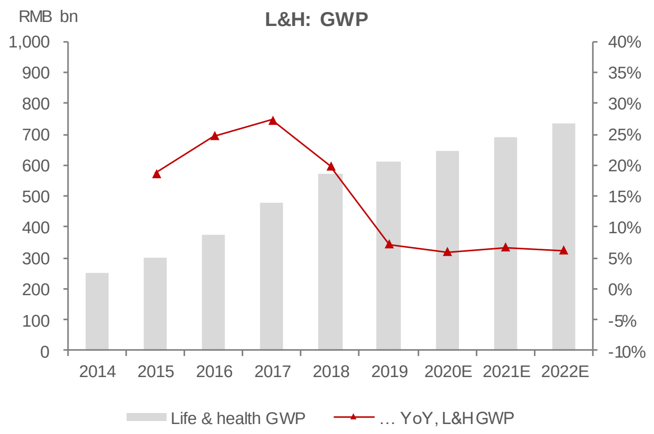
Source: Company data, CMBIS

Financial Analysis

Insurance premium growth

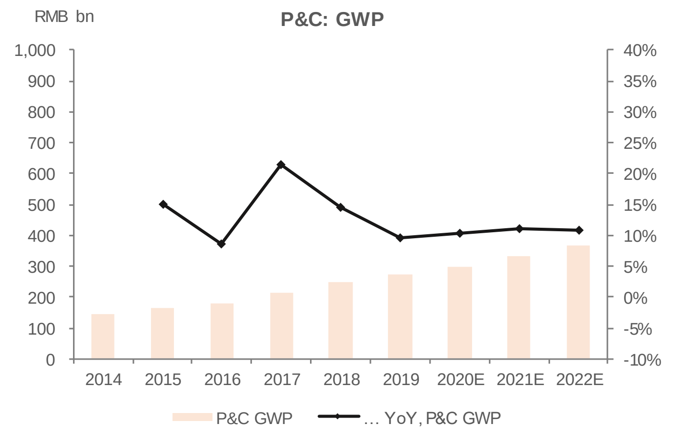
We expect life and health insurance (L&H) GWP to grow 6.0%/6.7%/6.2% YoY to RMB 648.1/691.4/734.3bn in 2020/21/22E. Lackluster premium growth in 2020E is due to negative impact of COVID-19 and transition of Ping An Life. We forecast premium income of P&C insurance to grow 10.3%/11.2%/10.7% YoY to RMB 298.7/332.1/367.7bn in 2020/21/22E.

Figure 78: L&H premium growth estimate



Source: Company data, CMBIS estimates

Figure 79: P&C premium growth estimate

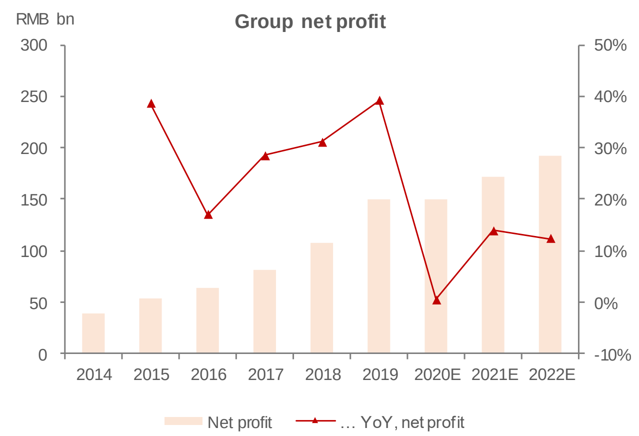


Source: Company data, CMBIS estimates

Group net profit

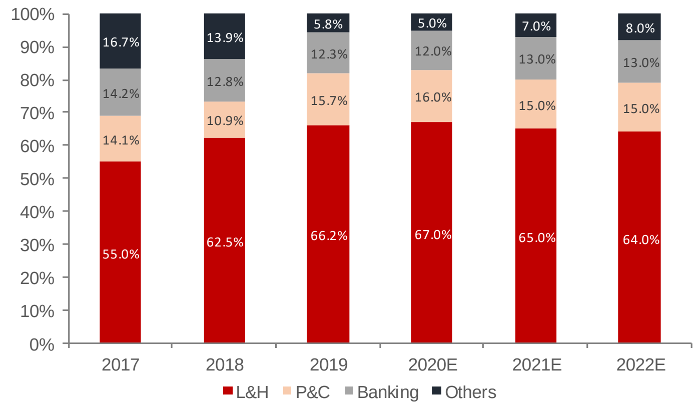
We expect the Group's net profit to increase 0.6%/13.9%/12.3% YoY in 2020/21/22E to RMB 150.3/171.2/192.2bn on steady growth of each business segment. We forecast profit growth to be modest in 2020E due to the COVID-19 impact and relatively high base in 2019, though equity investment income is likely to be lifted by booming sentiment of the stock market.

Figure 80: Group net profit estimate



Source: Company data, CMBIS estimates

Figure 81: Profit breakdown estimate



Source: Company data, CMBIS estimates

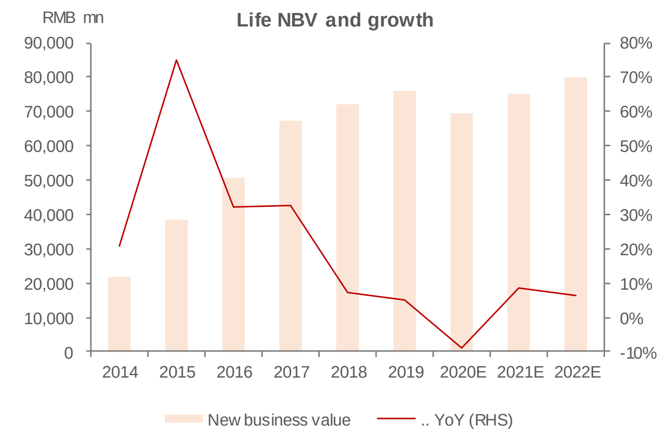
Embedded value

At YE19, the Group's embedded value was RMB 1.2tn, up 19.8% YoY. Embedded value of life and health business (L&H) accounted for 63.1% of Group EV and achieved operating ROEV of 25% in 2019. NBV of L&H rose 5.1% YoY in 2019 thanks to improving agent productivity and NBV margin expansion.

We expect life NBV to decline in 2020 as a result of 1) negative impact from COVID-19, and 2) Ping An Life's business transition and consolidation. In 2021/22E, we forecast life NBV to turn positive growth at +8.5%/+6.5% YoY, respectively. NBV margin of agency channel is assumed to stay largely stable thanks to continuous optimization of Ping An Life's product portfolio.

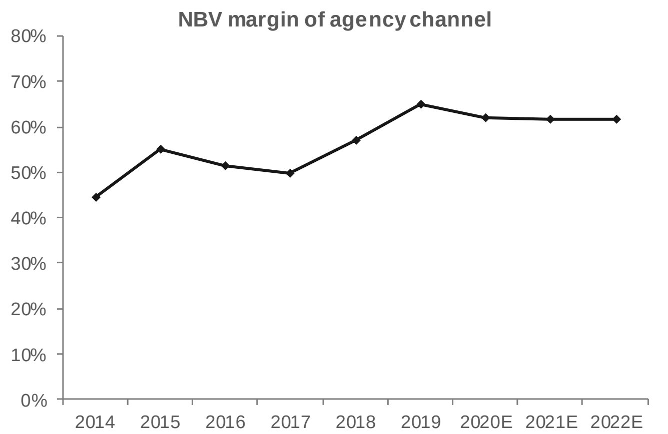
We expect group EV to increase 13.3%/14%/13.2% YoY to RMB 1,382.4/1,575.4/1,783.8bn in 2020/21/22E.

Figure 82: We expect life NBV to increase 8.8%/+8.5%/+6.5% in 2020/21/22E



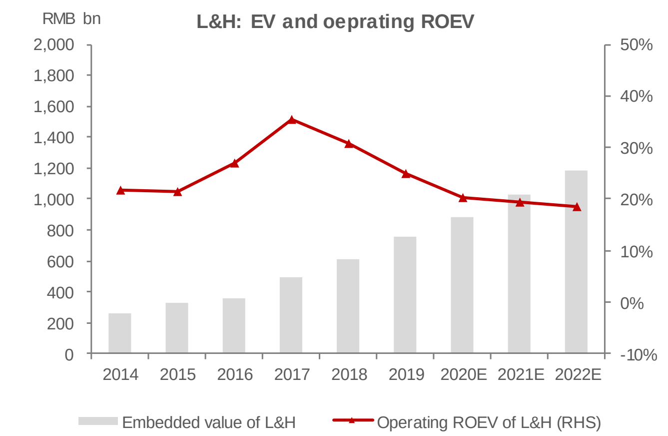
Source: Company data, CMBIS estimates

Figure 83: We expect NBV margin of agency channel to remain largely stable



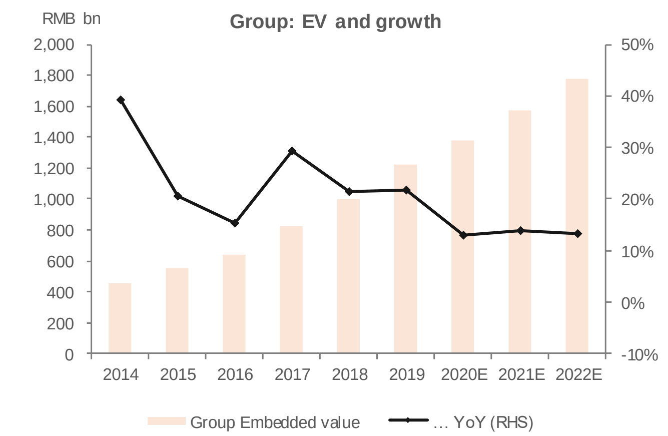
Source: Company data, CMBIS estimates

Figure 84: Life EV estimate



Source: Company data, CMBIS estimates

Figure 85: Group EV estimate



Source: Company data, CMBIS estimates

Valuation

SOTP valuation

We use sum-of-the-parts method to value Ping An Group. We separately value the Group's 1) life insurance business, 2) P&C insurance business, 3) banking business, 4) asset management business and 5) technology business.

Life and P&C Insurance business. We measure the Company's life insurance business at 1.24x FY20E P/EV based on 3-year average ROEV of 19.4% and P&C insurance business at 1.37x FY20E P/B based on 3-year average ROE of 21.2%. The Group's life insurance and P&C insurance business are evaluated at RMB 60.45/RMB 8.17 per share, respectively.

Banking business. Our current target price for Ping An Bank is RMB 19.8 (equiv. to 1.28x FY20E P/B) whereas the Group, together with Ping An Life, holds 57.94% equity stake in PAB. Therefore, the implied value of PAB to the Group is RMB 12.18 per share. (Please refer to Ping An Bank's recent report by CMBIS. Link.)

Asset management and other business. We measure this segment of business at 1.0x FY20E P/B, which corresponds to RMB 7.02 per share.

Technology business, we evaluate the five technology units, Lufax, Ping An Good Doctor, OneConnect, Ping An HealthKonnect and Autohome at market value if listed or at the post-money value of the latest financing. We multiply each unit's valuation with Ping An's shareholding in it and then sum up the five units' value to Ping An Group, which totaled HK$ 277.3 bn or HK$15.17/RMB 13.61 per share.

Figure 86: Evaluating Ping An Group's five technology business units

Company	Ticker	Valuation/Market cap	PA Group's shareholding	Value to PA Group (HK$ bn)
Lufax	Unlisted	US$39.4 bn	40.61%	124.80
Ping An Good Doctor	1833 HK	HK$142. bn	41.27%	58.60
OneConnect	OCFT US	US$8.8 bn	36.61%	25.23
Ping An HealthKonnect	Unlisted	US$8.8 bn	38.54%	26.45
Autohome	ATHM US	US$10.4 bn	51.99%	42.17
Total (HK$ bn)				**277.26**
Tech value per share (HK$)				15.17
Tech value per share (RMB)				**13.61**

Source: Company data, Bloomberg, CMBIS
*As of 28 Jul 2020. Exchange rate assumption: USD/CNY = 7.0; USDHKD = 7.8.

Summing up valuation of the above business segments for Ping An and applying conglomerate discount of 15%, **we derive Ping An's target price at RMB 86.21 per share.** Our target price corresponds to 1.97x/1.67x YE20/21E P/B.

Figure 87: SOTP Valuation of Ping An Group

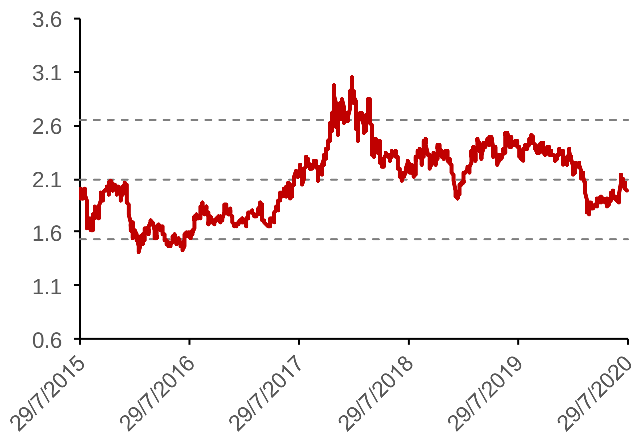
Life insurance	
3-year avg. ROEV	19.4%
Terminal growth rate	2%
Cost of equity	16.0%
Fair P/EV (x) for life insurance business	1.24
Life EV per share (at YE20, in RMB)	48.66
Value of Life insurance per share (in RMB)	**60.45**
P&C insurance	
3-year avg. ROE	21.2%
Fair P/B ratio for P&C business	1.37
P&C BVPS (at YE20, in RMB)	5.97
Value of P&C per share (in RMB)	**8.17**
Banking	
CMBI target price of PAB (in RMB)	19.8
PAB issued shares (million)	19,406
Ping An's sharehoidng in PAB	57.94%
Value of PAB per share (in RMB)	**12.18**
Asset management and others	
Fair P/B ratio	1.00
BVPS (at YE20, in RMB)	7.02
Value of AM business per share (in RMB)	**7.02**
Technology business	
Value of tech business per share (in RMB)	**13.61**
Sum of the above business segments (in RMB)	101.42
Conglomerate discount	15%
Target price (in RMB)	**86.21**

Source: Company data, Bloomberg, CMBIS estimates
Exchange rate assumptions: USDCNY = 7.0; USDHKD = 7.8.

Figure 88: Forward P/EV band

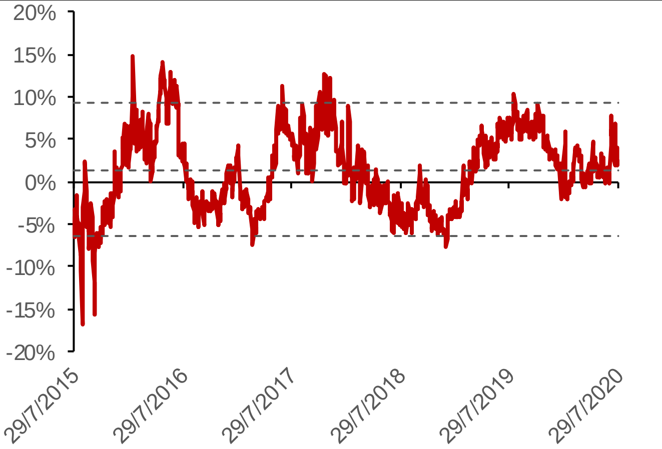
Source: Bloomberg, CMBIS estimates

Figure 89: Forward P/B band



Source: Bloomberg, CMBIS estimates

Figure 90: A/H premium



Source: Bloomberg, CMBIS

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19E	FY20E	FY21E	FY22E
GWP & policy fees	719,556	795,064	857,284	928,157	1,000,866
Net earned premiums	677,703	748,779	803,549	868,192	934,234
Reinsurance income	7,966	7,572	9,036	9,563	10,256
Total premium income	685,669	756,351	812,585	877,754	944,489
Investment income	120,520	201,738	209,819	230,304	252,760
Net inv't income from banking	74,783	90,187	103,227	112,414	123,199
Net fees and commission income	37,191	44,230	61,819	68,870	76,929
Claims and benefits	(439,596)	(578,313)	(614,286)	(660,793)	(707,796)
Comission expenses	(130,394)	(114,766)	(124,999)	(136,013)	(147,286)
G&A expenses	(151,581)	(177,164)	(196,328)	(212,294)	(231,239)
Impairment loss	(53,814)	(67,266)	(71,198)	(76,172)	(81,640)
Other income and expenses	2,299	6,518	6,356	10,540	13,772
Associates/JVs	18,074	23,224	24,832	26,678	28,291
Pretax profit	163,151	184,739	211,827	241,289	271,480
Tax	(42,699)	(20,374)	(44,733)	(50,608)	(56,663)
Less: minorities	(13,048)	(14,958)	(16,836)	(19,501)	(22,635)
Net profit	**107,404**	**149,407**	**150,257**	**171,180**	**192,182**

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19E	FY20E	FY21E	FY22E
Investment assets	4,056,704	4,659,117	5,225,641	5,815,960	6,477,061
Loans to customers	1,929,842	2,240,396	2,457,308	2,727,612	3,027,650
Total assets	**7,142,960**	**8,222,929**	**9,085,927**	**10,037,79**	**11,105,02**
Insurance contract liabilities	2,264,634	2,669,673	3,041,297	3,419,217	3,826,357
Customer deposits	2,114,344	2,431,713	2,730,342	3,030,680	3,364,055
Total liabilities	**6,459,317**	**7,370,559**	**8,071,079**	**8,845,048**	**9,711,619**
Shareholders' equity	**556,508**	**673,161**	**801,479**	**941,975**	**1,100,447**

Key ratios

YE 31 Dec	FY18A	FY19E	FY20E	FY21E	FY22E
Group					
Net investment yield	5.2%	5.2%	5.4%	5.2%	5.2%
Total investment yield	3.7%	6.9%	6.0%	6.0%	5.8%
ROAE	20.9%	24.3%	20.4%	19.6%	18.8%
ROAA	1.6%	1.9%	1.7%	1.8%	1.8%
EV growth	21.5%	21.8%	13.3%	14.0%	13.2%
Group comprehensive solvency	216.4%	229.8%	228.4%	225.3%	222.4%
Life & Health insurance					
GWP growth	21.5%	11.5%	6.0%	6.7%	6.2%
Agency FYRP growth	-3.1%	-7.8%	-3.7%	7.7%	5.0%
NBV growth	7.3%	5.1%	-8.8%	8.5%	6.5%
NBV margin of agency channel	57.1%	64.9%	61.8%	61.7%	61.7%
L&H EV growth	23.5%	23.5%	17.4%	15.9%	14.9%
L&H operating ROEV	30.8%	25.0%	20.3%	19.4%	18.5%
P&C insurance					
GWP growth	14.5%	9.5%	10.2%	11.2%	10.7%
Combined ratio	96.0%	96.4%	95.9%	96.2%	96.3%
Profit breakdown					
Life & health insurance	62%	66%	67%	65%	64%
P&C insurance	11%	16%	16%	15%	15%
Banking	13%	12%	12%	13%	13%
Others	14%	6%	5%	7%	8%
Per share data					
EPS (RMB)	6.02	8.41	8.46	9.63	10.82
DPS (RMB)	1.72	2.04	2.47	2.81	3.15
BVPS (RMB)	30.44	36.82	43.84	51.53	60.20
EVPS (RMB)	54.84	65.67	75.66	86.22	97.62

Source: Company data, CMBIS estimates

Risks

■ **Life insurance business transition**

2020 is the year of transition for Ping An Life, in terms of management team change, agent team consolidation and product portfolio optimization. Life insurance business is also negatively affected by COVID-19. We expect Ping An Life's FYRP and NBV growth to be under pressure in 2020E.

■ **Subsidiaries facing market or industry risks**

For example, Ping An Bank is confronted with NIM pressure and the risks of deteriorating asset quality in light of decline of corporate borrowing rate and COVID-19. Ping An Trust is facing the environment of industry AUM contraction sand tightened regulations.

■ **Subsidiaries' dependence on Group**

Ping An Group is the flagship customer of many of its subsidiaries. For example, Ping An Good Doctor obtained 50.8% of its registered users from plug in of Ping An Group account and 44% of its revenue from entities controlled by Ping An Group in 2019. Ping An Group offers mass opportunities for cross-selling and synergy, but heavy reliance on the Group could render subsidiaries vulnerable to any slowdown of Group growth.

■ **Management team capability and corporate governance**

The success of Ping An relies to a great extent on its management team making correct business decisions to foresee and capture market opportunities, its pro-innovation culture, and its openness to attract talents with various backgrounds. Therefore, any potential change in management team and corporate strategy may raise concerns over whether Ping An would be able to maintain its corporate culture.

Appendix

Company milestone

Year	Event	Description
1988	Founding of the Company	Ping An Insurance Company was established as the first joint-stock insurance company in China.
1992	Expanding nationwide	The Company was renamed Ping An Insurance Company of China, becoming a national insurance company.
1994	Foreign investors	Ping An brought on board Morgan Stanley and Goldman Sachs as its shareholders, becoming the first financial institution in China to have foreign investors.
	Life insurance agent team	Ping An introduced the individual life insurance marketing system, pioneering individual life insurance business in China.
1995	Founding of Ping An Securities	Ping An made a breakthrough in non-insurance financial business by establishing Ping An Securities Co., Ltd.
1996	Founding of Ping An Trust & Investment	Ping An acquired ICBC Pearl River Delta Financial Trust Joint Company, which was then renamed Ping An Trust & Investment Company.
2002	Stake acquired by HSBC	HSBC Group took a stake in Ping An, becoming its single largest shareholder.
2003	Founding of the Group	Ping An Insurance (Group) Company of China, Ltd. was established, becoming a pilot company for integrated operations in China's financial industry.
2004	H-share listing	Ping An Group enhanced its capital strength by going public in Hong Kong, which was the largest IPO in Hong Kong that year.
2006	Zhangjiang operation center	Ping An's national integrated operations center in Zhangjiang, Shanghai started operations, which was the largest integrated operations platform in Asia.
	Acquired Shenzhen Commercial Bank	Ping An acquired Shenzhen Commercial Bank, which was later renamed Ping An Bank.
2007	A-share listing	Ping An Group was listed on the Shanghai Stock Exchange, which was the world's largest IPO of an insurance company by then.
2011	Acquiring SDB	Ping An became the controlling shareholder of Shenzhen Development Bank, which later merged with the original Ping An Bank, was renamed Ping An Bank, and built banking business presence across the country.
2012	Lufax	Lufax was established as Ping An began to build presence in fintech and healthtech.
2016	Record high premium	Ping An Life's written premium exceeded RMB 300bn, and new business premium exceeded RMB 100bn.
2018	Ping An Rural Communities Support	In response to the government's call for poverty alleviation, Ping An launched the Ping An Rural Communities Support (covering village officers, village doctors and village teachers) in nine provinces or autonomous regions across China at the 30th anniversary.
2019	Listing of OneConnect	OneConnect completed its initial public listing on the NYSE, being the first U.S.-listed technology company incubated by Ping An.

Source: Company data, CMBIS

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NOT RATED	: Stock is not rated by CMBIS
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
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UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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