

Ping An (2318 HK)

Robust 3Q doubled in NBV and earnings growth

Ping An recorded robust 3Q earnings with Group net profit and L&H NBV doubled in third quarter. Group OPAT attributable to shareholders grew 5.5% YoY to RMB 113.8bn, translating into a 22.1% YoY increase in 3Q24 on track for a steady recovery (1Q24: -3.0%/2Q24: +1.9% YoY). L&H and P&C accelerated attributable OPAT growth to 8%/455% YoY in 3Q, driven in part by more promising investment results and improved underwriting structure. Group attributable NPAT rose 36.1% YoY in 9M24, implying a surge of 1.51x YoY in 3Q24. L&H NBV rose 34.1% YoY to RMB35.2bn, more than doubled in 3Q24, thanks to excessive margin expansion. Entering into 4Q24, as business shows more clarity, we expect Ping An could grow its NBV over 20% in FY24E, and is likely to sustain this momentum into 1Q25, as mgmt. guided on the call that “the channels are prepared for the jumpstart in FY25 as well as exerting effort to close the book this year with a perfect end”. With rebounded investment income and a low base in 4Q23, we believe a better-than-expected 2H24 earnings is attainable. Given that, we revise up the FY24-FY26E EPS forecast by 14%/7%/3% to RMB 7.44/7.57/7.90 ([table](#)), underpinned by a clearer outlook for both solid insurance and investment results. **Maintain BUY, we revise up our price target based on SOTP ([table](#)) to HK\$65.1, implying 1.09x FY24E P/B and 0.73x FY24E P/EV.**

■ **3Q NBV more than doubled; number of life sales agents stabilized.** Ping An L&H achieved a 34.1% YoY rise in NBV to RMB35.2bn in 9M24, implying more-than-doubled growth by 110.2% YoY to RMB12.8bn in 3Q. All channels contributed to NBV rise, of which agency NBV was up 31.6% YoY to RMB28.6bn in 9M24, composing >80% of total NBV. We estimate it almost doubled (+95% YoY) in 3Q24. Bancassurance NBV surged 68.5% YoY primarily driven by margin expansions with a product mix shifting to par product sales since Sep. NBV from community finance jumped 300% YoY thanks to a better 13-month persistency ratio (+6.6pct). NBV margin rose to 25.4%, up 7.3pct like-for-like, and in 3Q, we reckon it increased to 27.7% (*CMBI estimate*), +1.2pct from 2Q24. We attribute this to 1) lower pricing interest rates in Sep and Oct opened up space for margin increase; and 2) a product mix shifting to par product sales. Agency force stabilized in 3Q24 to 362k, +4.3% from year start /+6.5% QoQ. This was in line with our previous projection that the top life insurers' agency scale could stabilize by end-FY24 and/or in 1H25. **We project Ping An L&H to achieve FY24 NBV growth by 23% YoY with a FYP margin at ~26%.**

■ **P&C highlight on OPAT growth w/ an optimized CoR.** Ping An P&C's OPAT surged 4.55x YoY to RMB4.0bn in 3Q24. Combined ratio (CoR) was down 1.5pct to 97.8% in 9M24, given better risk screening and contracted business of high net loss, i.e. guarantee insurance. Driven by increased insurance revenue (+4.5%) and narrowed CoR (-1.5pct), the UW profit in 9M24 was at RMB5.4bn, +2.28x YoY on a low base last year. Auto CoR deteriorated by 0.8pct to 98.2% due to higher cost of debt from a lower RDR under IFRS17 and elevated NAT CAT claims in 3Q24. Looking ahead, we expect that as the impact of guarantee insurance fades, non-auto CoR could further drop to compensate for the rising claims from auto. **We project FY24 CoR to land at 98.3% by year end.**

■ **Expect valuation upside.** The stock is trading at 0.54x FY24 P/EV and 0.81x FY24 P/B, +0.6/+0.2SD above 3-yr historical avg., ranking top among H-share listed Chinese insurers (now at 0.2x-0.6x FY24 P/EV and 0.5x-1.0x FY24 P/B). We see limited downside given the fundamentals turnaround could support a valuation rebound. Looking ahead, we envisage Ping An to benefit from a more certain outlook for sustainable profitability, as 4Q23 was a low base of net loss. Alongside balanced asset allocation and improved liability structure supported by product mix and a Group-wide customer base, we think Ping An is likely to extend its steady growth in NBV and profitability into 4Q24. **We revise up our FY24-26 earnings forecast by 14%/7%/3% to RMB 7.44/7.57/7.90. Maintain BUY and raise TP to HK\$65.1, implying FY24E 1.09x P/B and 0.73x P/EV.**

BUY (Maintain)

Target Price	HK\$65.10
(Previous TP)	HK\$52.00)
Up/Downside	35.2%
Current Price	HK\$48.15

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Stock Data

Mkt Cap (HK\$ mn)	871,871.7
Avg 3 mths t/o (HK\$ mn)	3,114.4
52w High/Low (HK\$)	59.70/29.80
Total Issued Shares (mn)	18107.4

Source: FactSet

Shareholding Structure

Charoen Pokphand Group	13.0%
Company Ltd	
UBS Group AG	10.3%

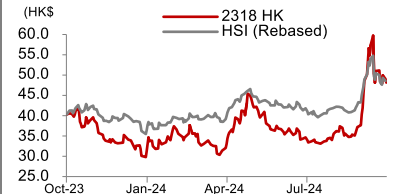
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	27.9%	13.9%
3-mth	39.0%	19.6%
6-mth	50.2%	21.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

1. Ping An (2318 HK) - 2Q NBV stabilized against a high base; expect to see Group OPAT turnaround, Aug. 27, 2024 ([link](#))
2. Ping An (2318 HK) - Expect \$3.5bn CB dilutive effect to be short-term, Jul. 17, 2024 ([link](#))
3. Ping An (2318 HK) - 1Q24 NBV beat; Life OPAT y/y turned positive, Apr.15, 2024 ([link](#))
4. Ping An (2318 HK) - Resilient DPS despite OPAT decline; EV assumptions change cut VNB more than expected, Mar 27, 2024 ([link](#))
5. Ping An (2318 HK) - 1H23 NBV beat consensus; interim dividend up 1.1% YoY reinforcing a long-run growth story, Sep 4, 2023 ([link](#))

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Net profit (RMB mn)	134,817	109,274	159,710	161,138	166,893
EPS (Reported)(RMB)	8.78	4.84	7.44	7.57	7.90
Consensus EPS (RMB)	n.a	n.a	7.45	7.56	8.14
P/B (x)	0.9	0.9	0.8	0.7	0.7
P/Embedded value (x)	0.6	0.6	0.5	0.5	0.5
Dividend yield (%)	5.4	5.6	6.0	6.5	7.1
ROE (%)	18.2	9.7	13.9	12.9	12.4

Source: Company data, Bloomberg, CMBIGM estimates

Changes in key forecasts

(RMB mn)	Current			Previous			Change (% , pct)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
EPS	7.44	7.57	7.90	6.53	7.05	7.66	14.0%	7.4%	3.0%
Operating EPS	8.16	8.36	8.71	7.01	7.40	7.99	16.5%	12.9%	9.0%
Group NPAT	131,498	133,763	139,617	115,350	124,552	135,487	14.0%	7.4%	3.0%
NBV	37,478	42,126	47,209	34,770	39,064	44,210	7.8%	7.8%	6.8%
NBV margin (FYP basis)	25.7%	26.9%	28.2%	24.1%	26.3%	27.9%	1.6pct	0.7pct	0.3pct
EV	1,471,613	1,537,027	1,606,640	1,436,588	1,491,101	1,551,502	2.4%	3.1%	3.6%
ROE	13.9%	12.9%	12.4%	12.3%	12.3%	12.3%	1.6pct	0.6pct	0.1pct

Source: Company data, CMBIGM estimates

Rerating rationale

We raise the company's FY24-26E earnings forecasts by 14%/7%/3%, with EPS to grow to RMB 7.44/7.57/7.90 (vs previous: RMB 6.53/7.05/7.66, as stated in our last report ([link](#))). We think the third-quarter earnings confirmed a more certain outlook for the company's full-year profitability, both in terms of OPAT and NPAT. Driven by mark-to-market increases from FVTPL assets, incl. both debt-related, i.e. bonds, and equity-related, i.e. stocks and equity funds, under the stock rally boosted by a blitz of policy stimuli by end Sep, we believe the 3Q figures could be indicative of a solid investment performance in 2H/FY24, and thus enhance the insurer's profitability, book value and embedded value accordingly. We revise up our assumptions on 2H equity gains, which was primarily reflected in the EPS upswing. Given the CSI 300 and SSE Composite index were down 7%/4% in 4Q23, we expect fourth-quarter equity investment gains to presumably perform better compared to the low bases.

By 9M24, Ping An achieved comprehensive investment yield (CIY) at 5%, +1.2pct YoY, implying a positive investment experience variance (IEV) that could add up to the Group embedded value (EV). We estimate the EV investment experience variances could turn positive by FY24, if taken CIY as the benchmark to compare with the actuarial assumption of long-term investment return at 4.5%. This IEV account has been in negatives since 2020.

We adopt sum-of-the part valuation for Ping An Group, with Ping An L&H taken into account by P/EV-RoEV based on Gordon Growth and Ping An P&C as well as AM and Technology segments using the P/B-ROE. With unchanged 12.5% cost of equity, 2% risk free, and 2% terminal growth considering the Group's matured business operation, we assign three core business lines with target multiples as 1) 1.19x target P/EV(x) for Ping An L&H, 2) 0.72x a target P/B for Ping An P&C, and 3) 0.9x target P/B for Ping An Bank, as shown in the [table](#).

For NBV, we expect margin expansions to be the key growth driver, which we assume will rise to ~26% by end FY24, lifting L&H NBV by 8%/8%/7% in FY24-26E, based on our model. Group EV was up 2-4% driven in part by 1) potentially IEV turning positive; 2) better-than-expected NBV prints; and 3) reduced operating experience variances (OEV), if any, given the Group's continuous streamlining in structure and business operations.

Valuation based on SOTP

No. of shares outstanding (mn)	18,107*
USD/HKD	7.80
CNY/HKD	1.09
Stock price, 21/10/2024	49.05
Upside (%)	24.4%
Prev. target price (HK\$)	52.00
Target price chg. (%)	17.3%
COE	12.5%
Terminal growth (%)	2.0%

Note: we assume FY24 total number of shares outstanding after the company's share buybacks.

(RMB bn, %)	Forward BV/EV	Ownership	Valuation
Life insurance:			
FY24 L&H Embedded value	921.1	99.51%	
Adjusted L&H Embedded value	584.9		
3-yr avg. RoEV	14.6%		
Target P/EV (x)	1.19x		
Target valuation			618.3
P&C insurance:			
FY24 shareholders' equity	134.1	99.55%	
P&C ROE (3-yr avg.)	9.5%		
Target P/B (x)	0.72x		
Underwriting cycle discount			
Target valuation			95.5
Banking			
FY24 shareholders' equity	267.6	57.96%	
PAB ROE	11.5%		
Target P/B (x)	0.90x		
Target valuation			139.6
Securities, Trust, and Others AMC			
FY24 shareholders' equity	247.7	100.00%	
Target P/B (x)	1.00x		
Target valuation			247.7
Sum-of-the-parts valuation			1,177
Conglomerate discount			-10.0%
Target valuation (RMB bn)			1,059
Target price for Financial business (HK\$)			63.9
Target price for Tech business (HK\$)			1.22
Ping An Group Target price (HK\$)			65.1
Implied FY24 P/B (x)			1.09x
Implied FY24 P/EV (x)			0.73x
Implied FY24 P/E (x)			8.01x

Source: Company data, CMBIGM estimates

Ping An (2318 HK) - 9M24/3Q24 Key metrics

(RMB mn, %)	9M24	9M23	Y/Y %	3Q24	3Q23	Y/Y %	2Q24	2Q23	Y/Y %
OPAT attribute to shareholders:	113,818	107,881	5.5%	35,336	28,931	22.1%	39,774	39,030	1.9%
Life & Health insurance	82,701	80,310	3.0%	28,044	26,023	7.8%	27,369	27,592	-0.8%
P&C insurance	13,923	9,965	39.7%	4,014	723	455.2%	6,035	4,719	27.9%
Bank	23,027	22,972	0.2%	8,028	8,258	-2.8%	6,345	6,252	1.5%
AMC	(2,316)	(4,344)	-46.7%	(3,612)	(5,756)	-37.2%	386	107	260.7%
Technology	369	2,263	-83.7%	78	528	-85.2%	493	1,042	-52.7%
Others	(3,886)	(3,285)	18.3%	(1,216)	(844)	44.1%	(854)	(682)	25.2%
Core 3 business lines (L&H, P&C, PAB)	119,651	113,247	5.7%	40,086	35,004	14.5%	39,749	38,563	3.1%

OPAT mix by business lines (%):

Life & Health insurance	72.7%	74.4%	-1.8 pct	79.4%	95.5%	-16.1 pct	68.8%	139.1%	-70.3 pct
P&C insurance	12.2%	9.2%	3.0 pct	11.4%	2.5%	8.9 pct	15.2%	12.1%	3.1 pct
Bank	20.2%	21.3%	-1.1 pct	22.7%	28.5%	-5.8 pct	16.0%	16.0%	-0.1 pct

NPAT attribute to shareholders:	119,182	87,575	36.1%	44,563	17,734	151.3%	37,910	31,489	20.4%
Life & Health insurance	80,931	59,953	35.0%	30,319	14,832	104.4%	25,466	20,150	26.4%
P&C insurance	13,923	9,965	39.7%	4,014	723	455.2%	6,035	4,719	27.9%
Bank	23,027	22,972	0.2%	8,028	8,258	-2.8%	6,345	6,252	1.5%
AMC	(2,316)	(4,344)	-46.7%	(3,612)	(5,756)	-37.2%	386	107	260.7%
Technology	13,305	2,314	475.0%	12,832	521	2363.0%	532	943	-43.6%
Others	(9,688)	(3,285)	194.9%	(7,018)	(844)	731.5%	(854)	(682)	25.2%
Core 3 business lines (L&H, P&C, PAB)	117,881	92,890	26.9%	42,361	23,813	77.9%	37,846	31,121	21.6%

	9M24	2023	Y/Y %	1H24	2023	Y/Y %	1Q24	2023	Y/Y %
Net asset value attribute to shareholders:	907,939	899,011	1.0%	931,208	899,011	3.6%	904,970	899,011	0.7%

Source: Company data, CMBIGM

Ping An Life & Health	9M24	9M23	Y/Y %	3Q24	3Q23	Y/Y %	2Q24	2Q23	Y/Y %
NBV	35,160	26,219	34.1%	12,840	6,107	110.2%	9,430	9,433	0.0%
NBV margin (%)	25.4	18.1	7.3 pct	27.7	19.8	7.9 pct	26.5	19.5	7.0 pct

Solvency ratios (%):	3Q24	2Q24	Q/Q %	2Q24	1Q24	Q/Q %	1Q24	4Q23	Q/Q %
Life core solvency (%)	119.4	123.6	-4.2 pct	123.6	118.8	4.8 pct	118.8	105.0	13.8 pct
Life comprehensive solvency (%)	200.5	208.8	-8.3 pct	208.8	206.0	2.8 pct	206.0	194.7	11.3 pct

Premiums breakdown:	9M24	9M23	Y/Y %	3Q24	3Q23	Y/Y %	2Q24	2Q23	Y/Y %
First-year premiums (FYP)	138,624	144,764	-4.2%	46,406	30,863	50.4%	35,590	48,387	-26.4%
Written premiums	527,245	497,538	6.0%	139,479	117,620	18.6%	149,620	145,585	2.8%
Life premium income	449,804	409,703	9.8%	128,932	103,991	24.0%	135,526	122,511	10.6%

Agency scale:	3Q24	2Q24	Q/Q %	2Q24	1Q24	Q/Q %	1Q24	4Q23	Q/Q %
No. of life sales agents(mn)	0.36	0.34	6.5%	0.34	0.40	-15.8%	0.40	0.45	-9.2%

Agency productivity:	1Q24	1H24	9M24
Agent productivity (VNB per agent), YoY%	56.4%	36.0%	54.7%

Source: Company data, CMBIGM

Ping An P&C	9M24	9M23	Y/Y %	3Q24	3Q23	Y/Y %	2Q24	2Q23	Y/Y %
P&C underwriting combined ratio (%):	97.8	99.3	-1.5 pct						
Auto CoR	98.2	97.4	0.8 pct						
P&C premium income by product:									
Auto	160,535	154,661	3.8%	55,711	53,313	4.5%	53,026	51,323	3.3%
Non-auto, excl. A&H	55,242	53,360	3.5%	15,525	12,720	22.1%	21,529	20,488	5.1%
A&H	23,594	17,911	31.8%	7,738	5,763	34.3%	6,766	5,367	26.1%
Total P&C Premium Income	239,371	225,932	5.9%	78,974	71,796	10.0%	81,321	77,178	5.4%
CROSS-II Solvency ratios (%):									
	3Q24	2Q24	Q/Q %	2Q23	1Q23	Q/Q %	1Q23	4Q22	Q/Q %
P&C core solvency ratio (%)	176.3	181.9	-5.6 pct	181.9	173.8	8.1 pct	173.8	169.4	4.4 pct
P&C comprehensive solvency ratio (%)	215.4	205.0	10.4 pct	205.0	199.1	5.9 pct	199.1	207.8	-8.7 pct

Source: Company data, CMBIGM

Ping An Bank	9M24	9M23	Y/Y %
Net interest margin (NIM)	1.93	2.47	-0.54 pct
Cost-to-Income ratio	27.40	26.55	0.85 pct
Non-performing loan ratio (NPL ratio %)	1.06	1.04	0.02 pct
Provision coverage ratio %	251.19	282.62	-31.43 pct
Capital adequacy %:			
Core T1	9.33	9.23	0.10 pct
T1	10.93	10.95	-0.02 pct
Capital adequacy ratio	13.39	13.52	-0.13 pct

Source: Company data, CMBIGM

Investment performance:	9M24	9M23	Y/Y %
Net investment yield (%), annualized	3.8	4.0	-0.2 pct
Comprehensive yield (%), annualized	5.0	3.7	1.3 pct
B/S investment items:			
	9M24	2023	Chg.
Total investment assets (RMB mn)	5,321,951	4,722,228	12.7%
Non-standard debt (NSA debt)	376,174	416,810	-9.7%
Real estate investments	205,026	203,987	0.5%
Total investment asset mix by types (%)			
NSA debt investments %	7.1%	8.8%	-1.8 pct
Real estate investments %	3.9%	4.3%	-0.5 pct
Among real estate investments:			
real properties %	80.6%	78.4%	2.2 pct
equity-type %	4.4%	4.3%	0.1 pct
debt-type %	15.0%	17.3%	-2.3 pct

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Insurance revenue		525,981	536,440	556,227	606,998	671,384
Insurance service expenses		(422,221)	(440,178)	(456,718)	(502,598)	(561,652)
Net expenses from reinsurance contracts held		(4,314)	(3,731)	(4,025)	(4,637)	(5,364)
Insurance service results		99,368	92,301	95,138	99,555	104,129
Net finance (expenses)/income from insurance contracts		(99,933)	(123,959)	(125,323)	(124,609)	(134,821)
Net finance (expenses)/income from reinsurance contracts		564	542	477	0	0
Interest income		115,933	118,503	181,334	165,063	172,800
Net investment income		(2,311)	33,324	52,094	59,697	64,691
Other gains/(losses) from changes in fair value		(17,752)	(16,238)	(9,884)	(11,291)	(13,117)
Net investment results		(3,499)	12,172	98,698	88,861	89,552
Net interest income from banking operations		131,096	118,947	108,871	118,295	119,650
Net interest income/(expenses) from non-banking operations		(22,698)	(24,346)	(21,477)	(20,591)	(22,221)
Loan loss provisions		(64,168)	(62,833)	(61,376)	(65,122)	(65,359)
Other fee and commission income/(expenses)		(9,928)	(8,773)	(7,328)	(7,503)	(7,575)
Other income		60,652	68,804	63,271	74,274	87,290
Other expenses		(107,779)	(123,515)	(126,506)	(140,283)	(154,656)
Foreign exchange gains/losses		3,144	120	(1,049)	(1,082)	(1,082)
Other results		36,301	14,210	(4,259)	(3,742)	(8,419)
Profit before tax		142,335	120,117	187,701	183,304	184,297
Income taxes		(7,518)	(10,843)	(27,991)	(22,165)	(17,405)
Net profit		134,817	109,274	159,710	161,138	166,893
Net profit attributable to shareholders		111,008	85,665	131,498	133,763	139,617

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
ASSETS						
Cash and amount due from banks and other financial institutions		774,841	804,077	835,505	879,798	934,920
Balances with central bank and statutory deposits		295,559	285,879	352,943	435,739	537,959
Intangible assets		99,411	99,078	96,245	93,492	90,818
Investments in associates and joint ventures		280,793	258,877	252,124	257,192	262,362
Property		53,657	50,401	49,576	48,765	47,967
Investment property		114,763	121,406	124,957	133,806	144,564
Reinsurance contract assets		20,615	22,215	24,972	27,350	30,061
Loans and advances to customers		3,242,258	3,320,110	3,483,314	3,742,786	4,005,093
Fixed maturity investments		4,729,856	4,976,779	5,529,375	5,937,422	6,432,584
Equity investments		1,073,763	1,130,853	1,147,029	1,228,260	1,327,012
Derivative financial assets		29,278	44,978	52,331	54,445	56,645
Deferred tax assets		89,321	101,337	97,316	93,454	89,746
Other assets		205,825	367,427	704,379	673,559	500,937
Total assets		11,009,940	11,583,417	12,750,066	13,606,068	14,460,668
LIABILITIES						
Due to banks and other financial institutes		923,088	963,718	1,139,718	1,199,145	1,259,103
Customer deposits and payables to brokerage customers		3,431,999	3,534,539	3,745,312	3,970,031	4,130,420
Insurance contract liabilities		3,671,177	4,159,801	4,834,925	5,295,246	5,820,176
Obligations under repurchase agreements		271,737	241,803	268,871	298,969	332,436
Derivative financial instruments		39,738	44,531	44,996	45,900	46,822
Deferred tax liabilities		14,217	14,148	14,361	14,577	14,796
Current tax liabilities		16,076	7,117	4,482	2,823	1,778
Other liabilities		1,455,807	1,388,743	1,369,238	1,350,007	1,331,046
Total liabilities		9,823,944	10,354,453	11,421,903	12,176,698	12,936,577
EQUITIES						
Share capital		18,280	18,210	18,107	18,107	18,107
Reserves		268,724	263,752	267,745	275,338	274,609
Retained profits		593,183	622,050	709,737	795,554	883,026
Total shareholders' equity		869,191	899,011	990,589	1,083,998	1,170,741
Non-controlling interests		316,805	329,953	337,575	345,372	353,350
Total equity		1,185,996	1,228,964	1,328,163	1,429,370	1,524,091
Total liabilities & equity		11,009,940	11,583,417	12,750,066	13,606,068	14,460,668

PER SHARE DATA	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
DPS	2.36	2.40	2.48	2.64	2.85	3.13
EPS (Reported)	5.77	8.78	4.84	7.44	7.57	7.90
Consensus EPS	n.a	n.a	n.a	7.45	7.56	8.14
Group embedded value/share (HK\$)	76.34	77.89	76.34	81.27	84.88	88.73
No. of shares basic	18,280	18,280	18,210	18,107	18,107	18,107
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Return on equity (ROE)		18.2%	9.7%	13.9%	12.9%	12.4%
Combined ratio		100.3%	100.7%	98.3%	97.2%	96.7%
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/Embedded value (x)	0.6	0.6	0.6	0.5	0.5	0.5
P/B (x)	1.0	0.9	0.9	0.8	0.7	0.7
Dividend yield (%)	5.4	5.4	5.6	6.0	6.5	7.1

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data by market close on Oct 22, 2024.

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