

Ping An (2318 HK)

1Q24 NBV beat; Life OPAT y/y turned positive

Ping An's first-quarter results show resilience in core lines, with Life VNB +20.7% YoY to RMB12.9bn under new EV assumptions, beating market consensus and our estimate of mid-teens growth. We see the uptick driven by a promising rise of VNB margin (+6.5 pct YoY) to 22.8% despite sluggish 2024 jumpstart sales. Group OPAT was down by 3.0% YoY to RMB38.7bn, significantly narrowing from -19.7% YoY by end-23. Noteworthily, Life & Health OPAT turned into an upswing by +2.2% YoY to RMB 27.3bn after a year of weakness, underpinning the +0.3% YoY OPAT growth of three core segments Ping An L&H, P&C and PAB (vs -2.8% YoY by end-23). Asset mgt. came out of the red by booking RMB910mn of net profit in 1Q24, versus RMB20.7bn of loss by end-23. Looking ahead, we expect the high base of new business sales since 2Q23 could be a factor tampering FYP and VNB growth in 2Q-4Q24; yet notably improved product mix, agency productivity and bancassurance edge cannot be disregarded. We maintain a positive outlook on Ping An's VNB growth driven by improving margins, and expect OPAT losses in AM and Tech segments to progressively bottom out. Considering the impact of long-term interest rates in China on Ping An's interest income and equity market volatilities on its spread return, we revise down FY24-26E EPS to RMB6.42/RMB7.05/RMB7.61 vs prior est. RMB6.94/RMB7.87/RMB8.62 ([link](#)). Maintain BUY, with TP at HK\$52.0, implying FY24E 0.47x P/EV and 0.71x P/B.

- **VNB +20.7% YoY driven by margin boost.** Ping An L&H recorded +20.7% YoY increase in VNB to RMB12.9bn in 1Q24, beating our expectation of growth in mid-teens despite a sector-wide slowdown on new business sales during amid the 2024 jumpstart period. We see the growth a result of 1) a promising upturn in VNB margin by +6.5pct YoY to 22.8% benefiting from both the bancassurance repricing, and an optimized product mix shifting to protection-type and long-term savings with tax-deductible features; and 2) sustained solid growth of agent productivity, with VNB per agent +56.4% YoY in 1Q24 (1Q23: +37.2%). Despite a 4.0% decline in total no. of agents to 0.33mn from year-start, we see the proportion of "Talent+" new agents up by 11.0 pct YoY, implying high-quality recruitment. Apart from an exclusive partnership with PAB, the L&H entity expanded to external banks for widening channel capabilities as well. Looking ahead, we expect agency FYP to be the pillar of total FYP, likely contributing 73.6% by end-FY24 (CMBI est.), vs 71.6% by end-FY23; fluctuations on sales of bancassurance to flatten from 2Q24; and VNB growth to ease in 2Q-4Q24 due to a high base.
- **Steady growth of P&C with CoR up on rising claims.** Ping An P&C steadily grew in size with insurance revenue +5.7% YoY to RMB80.6bn, and CoR +0.9pct to 99.6% in 1Q24. Excluding impacts of guarantee insurance, the adj. CoR came in at 98.4%, the same with year-start figure. The CoR increase was caused by 1) increased claims due to catastrophe, i.e. snowstorms, which grew the ratio by +2.0pct in 1Q24; and 2) economic recovery. P&C underwriting profit declined by 67.5% YoY to RMB323mn (CMBI calc.), partially attributed to a 14.3% YoY decrease in P&C OPAT. Considering the gap of change b/w two figures, we estimate that the P&C entity had better net investment result to compensate for underwriting losses. We expect to see more room for a CoR cut, given contracted guarantee insurance and rapid growth in A&H (+34.1%).
- **Valuation:** The stock is now trading at FY24 0.47x P/EV and 0.71x P/B, with upside to be enhanced by 1) revived market sentiment, 2) rising investment yield, and 3) limited credit risk exposure to real estate industry, in our view. Considering the downside brought by declining long-term interest rates and equity volatilities, we revise down FY24-26E EPS to RMB6.42/RMB7.05/RMB7.61 versus prior est. RMB6.94/RMB7.87/RMB8.62 ([link](#)). Maintain BUY with TP at HK\$52.0.
- **Risks:** long-term interest rates lingering in downtrends; intensified equity market volatilities, and agency new business growth falls short of our expectation.

BUY (Maintain)

Target Price **HK\$52.00**
 (Previous TP) HK\$52.00
Up/Downside **51.2%**
Current Price **HK\$34.40**

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Stock Data

Mkt Cap (HK\$ mn)	626,424.0
Avg 3 mths t/o (HK\$ mn)	1,434.2
52w High/Low (HK\$)	61.15/29.80
Total Issued Shares (mn)	18210.0

Source: FactSet

Shareholding Structure

Charoen Pokhand Group	14.0%
UBS Group AG	9.1%

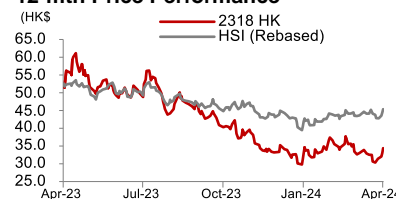
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	2.8%	-1.4%
3-mth	4.2%	-3.6%
6-mth	-14.6%	-15.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: Ernst & Young

Related reports:

- Ping An (2318 HK) – 1H23 NBV beat consensus; interim dividend up 1.1% YoY reinforcing a long-run growth story - Sep 4, 2023 ([link](#))
- Ping An (2318 HK) - Resilient DPS despite OPAT decline; EV assumptions change cut VNB more than expected ([link](#))
- China Insurance – 1Q24 listed life insurers' growth dwindled; P&C rebounded in 3M23 driven by non-auto ([link](#))

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Net profit (RMB mn)	111,008	85,665	114,178	125,432	134,042
EPS (Reported)(RMB)	4.80	4.84	6.42	7.05	7.58
Consensus EPS (RMB)	n.a	n.a	6.32	7.05	7.61
Group EV / share (RMB)	77.9	76.3	79.6	82.3	84.0
P/B (x)	0.8x	0.8x	0.7x	0.7x	0.6x
P/Embedded value (x)	0.5x	0.5x	0.5x	0.5x	0.4x
Dividend yield (%)	7.5	7.8	8.2	8.5	8.8
ROE (%)	13.2	9.7	12.4	12.8	12.9

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Ping An: key operating metrics

(RMB mn, %)	1Q24	1Q23	Y/Y %
Profitability & NAV under IFRS 9 & 17:			
Insurance revenue	136,852	133,106	2.8%
Life & Health	56,225	56,827	-1.1%
P&C	80,627	76,279	5.7%
Insurance service expenses	(109,996)	(105,955)	3.8%
Net reinsurance premiums income / (expenses)	(1,013)	(1,063)	-4.7%
Insurance service results (CMBI calc.)	25,843	26,088	-0.9%
OPAT attributable to shareholders	38,709	39,920	-3.0%
Life & Health insurance	27,288	26,696	2.2%
P&C insurance	3,874	4,523	-14.3%
Bank	8,654	8,462	2.3%
AMC	910	1,305	-30.3%
Technology	(202)	693	-129.1%
Others	(1,816)	(1,759)	3.2%
Core 3 business lines (Ping An L&H, P&C, PAB)	39,816	39,681	0.3%
OPAT mix by business lines (%):			
Life & Health insurance	70.5%	66.9%	3.6 pct
P&C insurance	10.0%	11.3%	-1.3 pct
Bank	22.4%	21.2%	1.2 pct
AMC	2.4%	3.3%	-0.9 pct
Technology	-0.5%	1.7%	-2.3 pct
Others	-4.7%	-4.4%	-0.3 pct
Core 3 business lines (Ping An L&H, P&C, PAB)	102.9%	99.4%	3.5 pct
NPAT attributable to shareholders	36,709	38,352	-4.3%
Life & Health insurance	25,146	24,971	0.7%
P&C insurance	3,874	4,523	-14.3%
Bank	8,654	8,462	2.3%
AMC	910	1,305	-30.3%
Technology	(59)	850	-106.9%
Others	(1,816)	(1,759)	3.2%
Core 3 business lines (Ping An L&H, P&C, PAB)	37,674	37,956	-0.7%
	1Q24	2023	Y/Y %
Net asset value attributable to shareholders	904,970	899,011	0.7%

Source: Company data, CMBIGM

Figure 2: Ping An Life & Health - 1Q24 key metrics

(RMB mn, %)	1Q24	1Q23	Y/Y %
VNB	12,890	10,679	20.7%
VNB margin (%)	22.8	16.3	6.5 pct
CROSS-II Solvency ratios (%):	1Q24	4Q23	Q/Q %
Ping An Life core solvency ratio (%)	118.8	105.0	13.8 pct
Ping An Life comprehensive solvency ratio (%)	206.0	194.7	11.3 pct
Premiums income breakdown:	1Q24	1Q23	Y/Y %
First-year premiums (FYP)	56,628	65,514	-13.6%
Written premiums	238,146	234,333	1.6%
Life premium income	185,346	183,201	1.2%
Agency scale:	1Q24	4Q23	Q/Q %
No. of life insurance agents (mn)	0.33	0.35	-4.0%
Agency productivity:	1Q24	1Q23	Y/Y %
Agent productivity (VNB per agent), YoY%			56.4%

Source: Company data, CMBIGM

Figure 3: Ping An Property & Casualty - 1Q24 key metrics

(RMB mn, %)	1Q24	1Q23	Y/Y %
P&C underwriting combined ratio (CoR, %):	99.6	98.7	0.9 pct
CoR, excl. guarantee insurance	98.4		
P&C premium income by product line:			
Auto	51,798	50,025	3.5%
Non-auto, excl. A&H	18,188	20,152	-9.7%
A&H	9,090	6,781	34.1%
Total P&C Premium Income	79,076	76,958	2.8%
CROSS-II solvency ratio (%):	1Q24	4Q23	Q/Q %
Ping An P&C core solvency ratio (%)	173.8	169.4	4.4 pct
Ping An P&C comprehensive solvency ratio (%)	199.1	207.8	-8.7 pct

Source: Company data, CMBIGM

Figure 4: Ping An Bank (000001.SZ) - 1Q24 key metrics

Ping An Bank	1Q24	1Q23	Y/Y %
Net interest margin (NIM)	2.01	2.63	-0.62 pct
Cost-to-Income ratio	26.90	26.18	0.72 pct
Non-performing loan ratio (NPL ratio %)	1.07	1.05	0.02 pct
Provision coverage ratio %	261.66	290.40	-28.74 pct
Capital adequacy %:			
Core T1	9.59	8.91	0.68 pct
T1	11.26	10.66	0.60 pct
Capital adequacy ratio	13.79	13.26	0.53 pct

Source: Company data, CMBIGM

Figure 5: Ping An investment performance and asset allocation

Investment performance (RMB mn, %)	1Q24	1Q23	Chg.
Net investment yield (%), <i>annualized</i>	3.0	3.1	-0.1 pct
Comprehensive yield (%), <i>annualized</i>	3.1		
B/S investment items:	1Q24	2023	Chg.
Total investment assets (RMB mn)	4,930,006	4,722,228	4.4%
Non-standard debt (NSA debt)	404,767	416,810	-2.9%
Real estate investments	206,435	203,987	1.2%
Total investment asset mix by type (%):			
NSA debt investments %	8.2%	8.8%	-0.6 pct
Real estate investments %	4.2%	4.3%	-0.1 pct
Among real estate investments:			
real properties %	79.8%	78.4%	1.4 pct
equity-type %	4.0%	4.3%	-0.3 pct
debt-type %	16.2%	17.3%	-1.1 pct

Source: Company data, HKEx, CMBIGM

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Insurance revenue		525,981	536,440	583,712	590,453	629,375
Insurance service expenses		(422,221)	(440,178)	(491,600)	(498,680)	(537,425)
Net expenses from reinsurance contracts held		(4,314)	(3,731)	(4,811)	(4,953)	(5,226)
Insurance service results		99,368	92,301	87,123	86,632	86,528
Net finance (expenses)/income from insurance		(99,933)	(123,959)	(122,335)	(123,839)	(126,991)
Net finance (expenses)/income from reinsurance		564	542	0	0	0
Interest income		115,933	118,503	162,084	166,196	170,608
Net investment income		(2,311)	33,324	31,217	32,284	33,653
Other gains/(losses) from changes in fair value		(17,752)	(16,238)	(34,399)	(37,002)	(40,024)
Net investment results		(3,499)	12,172	36,567	37,638	37,246
Net interest income from banking operations		131,096	118,947	126,316	133,090	137,884
Net interest income/(expenses) from non-banking operations		(22,698)	(24,346)	(23,805)	(23,655)	(25,588)
Loan loss provisions		(64,168)	(62,833)	(59,904)	(62,451)	(64,324)
Other fee and commission income/(expenses)		(9,928)	(8,773)	(9,613)	(9,500)	(9,679)
Other income		60,652	68,804	88,018	107,477	129,930
Other expenses		(107,779)	(123,515)	(136,504)	(152,904)	(173,279)
Foreign exchange gains/losses		3,144	120	(66)	(66)	(66)
Other results		36,301	14,210	29,351	38,655	43,856
Profit before tax		142,335	120,117	154,194	164,243	169,067
Income taxes		(7,518)	(10,843)	(19,945)	(23,244)	(26,405)
Net profit		134,817	109,274	134,249	140,999	142,662
Net profit attributable to shareholders		111,008	85,665	114,178	125,432	134,042

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	1,003,096	1,010,685	1,009,710
Balances with central bank and statutory deposits		295,559	285,879	194,999	133,010	90,727
Intangible assets		99,411	99,078	100,019	100,968	101,927
Investments in associates and joint ventures		280,793	258,877	264,080	269,388	274,803
Property		53,657	50,401	48,989	47,617	46,284
Investment property		114,763	121,406	129,596	137,704	145,554
Reinsurance contract assets		20,615	22,215	24,613	27,108	29,779
Loans and advances to customers		3,242,258	3,320,110	3,707,045	3,982,048	4,327,092
Fixed maturity investments		4,729,856	4,976,779	5,320,083	5,668,945	6,009,094
Equity investments		1,073,763	1,130,853	1,056,032	1,162,235	1,270,921
Derivative financial assets		29,278	44,978	46,795	48,686	50,653
Deferred tax assets		89,321	101,337	134,345	178,104	236,116
Other assets		205,825	367,427	313,565	284,891	155,292
Total assets		11,009,940	11,583,417	12,343,259	13,051,388	13,747,951
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	4,597,942	5,063,861	5,562,909
Obligations under repurchase agreements		271,737	241,803	197,229	160,872	131,217
Derivative financial instruments		39,738	44,531	45,426	46,339	47,271
Deferred tax liabilities		14,217	14,148	13,116	12,159	11,273
Current tax liabilities		16,076	7,117	8,480	10,104	12,039
Other liabilities		1,455,807	1,388,743	1,299,363	1,215,735	1,137,489
Total liabilities		9,823,944	10,354,453	11,046,587	11,678,248	12,291,721
EQUITIES						
Share capital		18,280	18,210	18,210	18,210	18,210
Reserves		257,728	258,751	239,648	219,337	197,845
Retained profits		593,183	622,050	691,477	769,956	855,273
Total shareholders' equity		869,191	899,011	949,335	1,007,503	1,071,328
Non-controlling interests		316,805	329,953	347,337	365,637	384,901
Total equity		1,185,996	1,228,964	1,296,672	1,373,140	1,456,230
Total liabilities & equity		11,009,940	11,583,417	12,343,259	13,051,388	13,747,951

PER SHARE DATA	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
DPS	2.36	2.40	2.48	2.60	2.71	2.81
EPS (Reported)	5.77	4.80	4.84	6.42	7.05	7.58
Consensus EPS	n.a	n.a	n.a	6.32	7.05	7.61
Group embedded value/share (HK\$)		77.9	76.3	79.6	82.3	84.0
VNB/share (HK\$)		1.58	2.16	2.33	2.48	2.68
No. of shares basic		18,280	18,210	18,210	18,210	18,210
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Return on equity (ROE)		13.2%	9.7%	12.4%	12.8%	12.9%
Return on asset (ROA)		0.8%	0.8%	1.0%	1.0%	1.0%
Return on life embedded Value		4.7%	0.7%	7.5%	6.5%	5.4%
VNB margin (FYP APE basis)		20.7%	19.5%	20.2%	20.1%	20.2%
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/Embedded value (x)	0.49x	0.48x	0.49x	0.47x	0.45x	0.44x
P/B	0.83x	0.78x	0.75x	0.71x	0.67x	0.63x
Dividend yield (%)	7.4	7.5	7.8	8.2	8.5	8.8

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: data in FY21 was not restated under IFRS 9 & 17, and thus not included on a comparable basis.

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