

Ping An (2318 HK)

Life OPAT awaits for longer time to turnaround

Ping An reported mixed FY24 results. Group OPAT was up 9.1% YoY to RMB 122bn, slightly better than our forecast at RMB 120bn ([link](#)), thanks to a strong rebound of P&C (+67.7%) and narrowed losses in asset management (loss down 42.6% YoY). Life OPAT was RMB 97bn, down 1.9% YoY like-for-like (vs. FY23: -3.2%). **We regard the insurer's Life OPAT is on track to return to its growth trajectory, but the L&H turnaround could take a longer time than our expectation.** FY24 NBV was up 28.8% YoY to RMB 28.5bn on a like-for-like basis, broadly in line; and if based on the end-FY23 assumptions, FY24 NBV decreased 8.2% YoY, as the insurer revised down 1) long-term investment return assumption by 50bps to 4.0% from 4.5%; and 2) risk discount rate (RDR) by 100/200bps to 8.5%/7.5% for traditional / non-traditional insurance (prev. 9.5%). Per renewed EV sensitivity, **we see additional 50bps long-term investment return and RDR cuts would reduce NBV/L&H EV/Group EV by 26%/13%/8%, enlarged from -19%/-10%/-6% in FY23.** Agency force grew to 363k in FY24, up 4.6% YoY (vs FY23: -9.1%), marking the first headcount turnaround since FY19. Looking ahead, we expect the insurer will continue focusing on optimizing liability structure through transitions to par product sales, which accounted for 12% of written premiums in 2H24. Maintain BUY, with TP unchanged at HK\$65.1.

- **Enlarged EV sensitivity based on revised-down key assumptions.** FY24 NBV grew 28.8% YoY on a like-for-like basis, broadly in line; and retreated 8.2% YoY on a reported basis as the insurer once again lowered the actuarial assumptions of 1) LT investment return by 50bps from 4.5% to 4.0%; and 2) risk discount rate (RDR) by 100bps/200bps to 8.5%/7.5% for traditional/non-traditional insurance products (prev. 9.5%). We notice the insurer's sensitivity on interest rates in fact enlarged per renewed disclosure, as another 50bps LT investment return and RDR cut would drag NBV/L&H EV/Group EV by 26%/13%/8% (vs FY23: -19%/-10%/-6%). This could be attributable to a rich legacy of traditional policies, whose written premiums made up 33% of total by FY24, +6pct YoY, in our view. Looking ahead, we expect the transition to par could consistently benefit, lowering the cost of liability and EV sensitivity.
- **Life OPAT awaits longer time to turnaround.** L&H OPAT was down 1.9% YoY to RMB 97bn in FY24 on a like-for-like basis; and was down 7.7% YoY based on the end-FY23 EV assumptions. Although the decline was largely trimmed (FY23: -9.0% YoY), the result fell short of our view which we expect it to back to growth within the year. CSM release was down 4.9% YoY to RMB71.1bn, as the base retreated 4.8% YoY to RMB 802bn on a stable rate of 9%. CSM balance was down 5%/6% YoY/HoH to RMB 731bn, as CSM release (RMB 71.1bn) outstripped new business CSM (RMB 35.4bn) and interest accretion (RMB 24.1bn). Changes in financial risks of VFA contracts recorded a negative shock at RMB 4.8bn, due to downward interest rates.
- **CoR improvement bolstered P&C OPAT growth.** P&C insurance revenue grew 4.7%/5.5% YoY in FY24/2H24. CoR improved 2.3pct YoY (0.5pct/1.9pct decrease in loss/expense ratio) to 98.3% in FY24 (vs FY23: 100.7%), lifting UW profit to RMB 5.5bn in FY24 from a loss of RMB 2.1bn in FY23. 2H CoR was 98.8% (CMBI est), -4.4pct YoY, thanks to the turnaround of guarantee insurance (2H CoR: 91.3%, -65pct/-16pct YoY/ HoH) despite increased NAT CAT claims. Auto CoR deteriorated 0.4pct to 98.1% in FY24, stable in 2H24. P&C OPAT surged 68% YoY to RMB 15bn, comprising 12% of Group OPAT.
- **Valuation:** The insurer is trading at FY25E 0.55x P/EV and 0.8x P/B, with >6% yield and 13% 3-yr forward ROE. Looking ahead, we are positive on the changes in business mix and a projected outlook for sustainable profitability. Considering investment volatilities and steady insurance results, we revise up FY25-27E EPS estimates by 0.5%/2%/2.5% to RMB 7.55/8.01/8.59. Maintain BUY, with TP unchanged at HK\$65.1, implying FY25E 0.8x Group P/EV and 1.0x P/B.

BUY (Maintain)

Target Price HK\$65.10
Up/Downside 36.3%
Current Price HK\$47.75

China Insurance

Nika MA

(852) 3900 0805
 nikama@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	869,527.5
Avg 3 mths t/o (HK\$ mn)	2,504.0
52w High/Low (HK\$)	59.70/29.90
Total Issued Shares (mn)	18210.0

Source: FactSet

Shareholding Structure

Charoen Pokphand Group	13.0%
Company Ltd	
UBS Group AG	10.0%

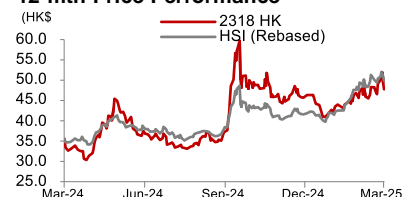
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.2%	0.3%
3-mth	5.1%	-12.5%
6-mth	26.8%	-2.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related reports:

- Ping An (2318 HK) - Robust 3Q doubled in NBV and earnings growth, 23 Oct, 2024 ([link](#))
- Ping An (2318 HK) - 2Q NBV stabilized against a high base; expect to see Group OPAT turnaround, Aug. 27, 2024 ([link](#))
- Ping An (2318 HK) - Expect \$3.5bn CB dilutive effect to be short-term, Jul. 17, 2024 ([link](#))
- Ping An (2318 HK) - 1Q24 NBV beat; Life OPAT y/y turned positive, Apr.15, 2024 ([link](#))
- Ping An (2318 HK) - Resilient DPS despite OPAT decline; EV assumptions change cut VNB more than expected, Mar 27, 2024 ([link](#))
- 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)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (RMB mn)	115,572	163,433	160,213	168,575	179,889
EPS (RMB)	4.84	7.16	7.55	8.01	8.59
Consensus EPS (RMB)	n.a	n.a	7.43	7.95	8.75
P/B (x)	0.9	0.9	0.8	0.7	0.6
P/Embedded value (x)	0.6	0.6	0.6	0.5	0.5
Dividend yield (%)	5.6	5.9	6.3	7.0	7.7
ROE (%)	9.7	13.9	13.4	12.7	12.6

Source: Company data, Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Insurance revenue	525,981	536,440	551,186	572,837	609,417	647,436
Insurance service expenses	(422,221)	(440,178)	(449,102)	(469,596)	(499,933)	(531,823)
Net expenses from reinsurance contracts held	(4,314)	(3,731)	(3,601)	(814)	(871)	(931)
Insurance service results	99,368	92,301	98,127	102,210	108,384	114,439
Net finance (expenses)/income from insurance contracts	(99,933)	(123,959)	(172,662)	(134,599)	(143,754)	(153,573)
Net finance (expenses)/income from reinsurance contracts	564	542	960	0	0	0
Interest income	115,933	118,503	123,627	102,601	111,509	121,881
Net investment income	(2,311)	33,324	161,074	149,026	161,964	177,031
Other gains/(losses) from changes in fair value	(13,300)	(9,940)	(19,814)	(23,397)	(26,293)	(29,842)
Net investment results	953	18,470	93,185	93,631	103,425	115,497
Net interest income from banking operations	131,096	118,947	93,913	88,382	84,903	83,632
Net interest income/(expenses) from non-banking operations	(22,698)	(24,346)	(19,405)	(17,703)	(17,897)	(18,189)
Loan loss provisions	(64,168)	(62,833)	(56,245)	(46,644)	(44,683)	(43,124)
Other fee and commission income/(expenses)	(9,928)	(8,773)	(7,841)	(8,425)	(8,346)	(8,283)
Other income	60,652	68,804	65,191	70,052	75,436	81,349
Other expenses	(107,779)	(123,515)	(122,417)	(129,824)	(137,633)	(146,435)
Foreign exchange gains/losses	3,144	120	380	(72)	(72)	(72)
Other results	36,301	14,210	(638)	(1,921)	(7,902)	(12,375)
Profit before tax	146,787	126,415	187,195	190,364	200,136	213,458
Income taxes	(7,518)	(10,843)	(23,762)	(30,151)	(31,561)	(33,569)
Net profit	139,269	115,572	163,433	160,213	168,575	179,889
Net profit attributable to shareholders	111,008	85,665	126,607	133,543	141,667	151,858

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
ASSETS						
Cash and amount due from banks and other financial institutions	774,841	804,077	1,018,027	1,064,679	1,093,109	1,130,493
Balances with central bank and statutory deposits	336,294	329,531	344,608	405,592	477,368	561,846
Intangible assets	99,411	99,078	97,263	96,492	95,726	94,967
Investments in associates and joint ventures	280,793	258,877	185,514	189,243	193,047	196,927
Property	53,657	50,401	48,603	45,949	43,440	41,068
Investment property	114,763	121,406	119,158	135,523	146,236	159,275
Reinsurance contract assets	20,615	22,215	26,084	28,890	31,904	35,145
Loans and advances to customers	3,242,258	3,320,110	3,294,053	3,575,869	3,824,165	4,093,443
Fixed maturity investments	4,729,856	4,976,779	5,912,846	6,360,191	6,901,950	7,559,845
Equity investments	1,073,763	1,130,853	1,328,664	1,402,996	1,533,398	1,691,362
Derivative financial assets	29,278	44,978	68,698	71,473	74,361	77,365
Deferred tax assets	89,321	101,337	122,012	117,180	112,540	108,083
Other assets	165,090	323,775	392,297	474,470	308,024	21,112
Total assets	11,009,940	11,583,417	12,957,827	13,968,547	14,835,267	15,770,932
LIABILITIES						
Due to banks and other financial institutes	923,088	963,718	838,183	1,199,145	1,259,103	1,322,058
Customer deposits and payables to brokerage customers	3,431,999	3,534,539	3,710,167	3,970,031	4,130,420	4,297,289
Insurance contract liabilities	3,671,177	4,159,801	4,984,795	5,521,051	6,096,974	6,716,434
Obligations under repurchase agreements	271,737	241,803	462,292	509,677	561,919	619,515
Derivative financial instruments	39,738	44,531	74,937	45,900	46,822	47,764
Deferred tax liabilities	14,217	14,148	13,977	12,723	11,795	10,935
Current tax liabilities	16,076	7,117	14,970	7,346	8,753	10,429
Other liabilities	1,455,807	1,388,743	1,553,225	1,247,996	1,167,674	1,092,522
Total liabilities	9,823,944	10,354,453	11,653,115	12,513,870	13,283,461	14,116,947
EQUITIES						
Share capital	18,280	18,210	18,210	18,210	18,210	18,210
Reserves	268,724	263,752	221,594	277,925	277,304	276,550
Retained profits	593,183	622,050	693,797	779,871	869,910	964,976
Total shareholders' equity	869,191	899,011	928,600	1,071,005	1,160,423	1,254,735
Non-controlling interests	316,805	329,953	376,112	383,672	391,384	399,250
Total equity	1,185,996	1,228,964	1,304,712	1,454,677	1,551,806	1,653,985
Total liabilities & equity	11,009,940	11,583,417	12,957,827	13,968,547	14,835,267	15,770,932

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
DPS	2.40	2.48	2.61	2.82	3.10	3.41
EPS (Reported)	8.80	4.84	7.16	7.55	8.01	8.59
Consensus EPS	n.a	n.a	n.a	7.43	7.95	8.75
Group embedded value/share (HK\$)	77.89	76.34	78.12	80.59	83.22	85.92
VNB/share (HK\$)	1.58	1.71	2.20	1.79	2.03	2.17
No. of shares basic	18,280	18,210	18,210	18,210	18,210	18,210
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Return on equity (ROE)	13.2%	9.7%	13.9%	13.4%	12.7%	12.6%
Return on life embedded Value	4.4%	5.6%	9.0%	6.6%	6.9%	7.1%
VNB margin (FYP APE basis)	24.2%	18.7%	26.0%	19.7%	20.9%	21.1%
Combined ratio	100.3%	100.7%	98.3%	99.2%	98.9%	98.6%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/Embedded value (x)	0.6	0.6	0.6	0.6	0.5	0.5
P/B	0.9	0.9	0.9	0.8	0.7	0.6
Dividend yield (%)	5.4	5.6	5.9	6.3	7.0	7.7
Dividend payout (%)	27.2	51.4	36.5	37.3	38.7	39.7

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data quoted by market close on 21/3/2025.

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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