

# Ping An (2318 HK)

## 1H23 NBV beat consensus; interim dividend up 1.1% YoY reinforcing a long-run growth story

Ping An disclosed 1H23 results with NBV +32.6% YoY (+45.0% restated for prior value on basis of comparable EV assumptions and method) driven by noticeable improvements achieved in Life and Health insurance segment, handily beating consensus estimates. Even though the Group's OPAT was down by 5.0% in 1H23, the insurer raised interim dividend by 1.1% YoY to RMB 0.93 per share, implying a potentially higher cash dividend payout in full year to above 28.8% in FY22 under new standards (vs 29.5% under old standards). We believe the L&H segment will further unlock growth potential given 1) the agency reform has paid off, evidenced by the avg. productivity per agent +94.3% YoY in 1H23; 2) PAB's exclusive Private Wealth Adviser(PWA) model giving access to high-net-worth PB clients contributing to ~4x of industry average bancassurance margin at 19.7%. The outperformed agency and bancassurance mix generated robust NBV growth each at +43.0%/+174.7% YoY in 1H23; 3) synergies to be sought within the Group allowing distinctive cross-sales and up-sales opportunities, and we expect them to continue to prosper as the "healthcare and eldercare" service framework deepens. Reiterate BUY.

■ **Strong NBV in 1H23, beating consensus given optimized channel mix.** Ping An achieved outstanding results in L&H insurance attributable to an optimized channel mix. The first-year premium (FYP) rose by 49.6% YoY to RMB113.9bn giving rise to strong NBV growth by +32.6% YoY (restated: +45.0%YoY) to RMB25.96bn in 1H23. Given 8.8% rise in 1Q23 NBV, we see strong momentum sales in 2Q23 transferring to a like-for-like NBV growth by more than 75%. As margin was slightly down to low-twenties (1H23: 22.8%), we believe the sales rally more refers to improvements in channel mix rather than in product front.

For one, the 3-year agency reform finally paid off, shown as 1) monthly avg. agent productivity measured by NBV increasing to RMB9.4k per agent, +94.7% YoY; 2) agent income from life policies and cross-sales boosted by 37% YoY, implying strong individual performances. Agency NBV resulted +29.6% YoY (restated: +43.0% YoY), outperforming peers given Taiping (966 HK)/China Life (2628 HK)/CPIC (2601 HK)/NCL (1336 HK)+22.4%/+13.3%/+13.3%/-5.2% YoY respectively in 1H23. Agency margin remained resilient at ~30%. For another, bancassurance stood out with NBV margin rising to 19.7%, ~4x of industry average at 5% in 1H23. This margin highlight can be seen as a result of exclusive PAB channel with 2,000 professionals trained in a Private Wealth Advisor (PWA) agency model whom on average can generate ~1.8x NBV over a top-level "diamond" agent. The scale and margin uplifts gained traction to bancassurance NBV growth.

■ **Interim dividend raised by 1.1% YoY despite an OPAT decline.** Ping An Group's OPAT was down by 5% in 1H23, mainly due to the negative OPAT impacts of AMC and Technology segments each -67.9%/-64.7% YoY. L&H's OPAT -3% YoY to RMB57.39bn was caused by: 1) a lagged effect on CSM release (-6.9% YoY) given the NBV falls in past three years; 2) one-off impacts of income tax and consolidation for investments in subsidiaries. The segment's profit before tax was up by 1.9% YoY to RMB65.62bn, implying sustainable operating profitability. Given the Group's dividend policy linked to OPAT, the Company increased interim dividend to RMB0.93 per share despite an OPAT decline showing the management's optimism over long-run growth trajectory.

### Earnings Summary

| (YE 31 Dec)                        | FY21A   | FY22A  | FY23E   | FY24E   | FY25E   |
|------------------------------------|---------|--------|---------|---------|---------|
| Net profit (RMB mn)                | 101,618 | 83,774 | 129,778 | 152,547 | 171,970 |
| EPS (Reported)(RMB)                | 5.8     | 4.8    | 7.1     | 8.3     | 9.4     |
| Consensus EPS (RMB)                | n.a     | n.a    | 7.1     | 8.3     | 9.5     |
| VNB/share (RMB)                    | 2.1     | 1.6    | 1.9     | 2.3     | 2.7     |
| Group embedded value / share (RMB) | 76.3    | 77.9   | 82.5    | 91.6    | 102.5   |
| P/B (x)                            | 1.4     | 0.9    | 0.8     | 0.8     | 0.7     |
| P/Embedded value (x)               | 0.6     | 0.6    | 0.5     | 0.5     | 0.4     |
| Dividend yield (%)                 | 3.9     | 5.9    | 5.7     | 6.7     | 7.6     |
| ROE (%)                            | 12.9    | 10.0   | 14.4    | 15.3    | 15.6    |

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** **HK\$80.30**  
 (Previous TP) HK\$80.30  
**Up/Downside** **71.0%**  
**Current Price** **HK\$46.95**

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### Stock Data

|                          |             |
|--------------------------|-------------|
| Mkt Cap (HK\$ mn)        | 932,453     |
| Avg 3 mths t/o (HK\$ mn) | 1,448.58    |
| 52w High/Low (HK\$)      | 65.10/31.30 |
| Total Issued Shares (mn) | 7448.0      |

Source: FactSet

### Shareholding Structure

|                        |       |
|------------------------|-------|
| Charoen Pokphand Group | 15.0% |
| UBS Group AG           | 10.5% |

Source: HKEx

### Share Performance

|       | Absolute | Relative |
|-------|----------|----------|
| 1-mth | -12.4%   | -7.5%    |
| 3-mth | -8.9%    | -6.1%    |
| 6-mth | -17.9%   | -8.2%    |

Source: FactSet

### 12-mth Price Performance



Source: FactSet

- **Healthcare and eldercare services shore up pricing with differentiation.** As one of the first movers in industry entering to healthcare and eldercare services, Ping An Group is able to consolidate resources from all associates and joint ventures to create synergies for internal conversion and customer acquisitions. By 1H23, over 68% of Ping An Life's NBV was generated by customers entitled to healthcare services, and ~30% of the Group's new retail customers were from the healthcare ecosystems. Going forward, we see more cross-sales and up-sales opportunities to be untapped within the Group, and expect such value-added services can protect margins from being narrowed among industry competition.
- **Valuation:** Ping An is trading at 0.5x FY23E P/EV, 0.8x FY23E P/B, ranking at 21.4%/5.7% 1-yr/5-yr P/EV historical valuation percentile. We believe the NBV beat in 1H23 indicates a turnaround in Ping An's L&H fundamentals. The interim dividend increase reinforced a long-run growth story as more synergies to be unleashed. Maintain BUY with TP at HK\$80.3, implied 0.97x FY23E P/EV.
- **Risks:** 1) product shifts under the regulatory change may require 2-3 month transition period; 2) elevated on assets and property risks; 3) continued easing CN 10Yr Treasury yields and sharper-than-expected equity volatilities.

## Ping An: 1H23 key metrics overview

| Ping An (2318 HK): 1H23 results at first glance       | 1H23             | 1H22_Restate     | Y/Y %           | 2Q23             | 2Q22_Restate     | Y/Y %         |
|---|------------------|------------------|-----------------|------------------|------------------|---------------|
| <b>Profitability &amp; NAV under IFRS 9 &amp; 17:</b> |                  |                  |                 |                  |                  |               |
| <b>Insurance revenue:</b>                             | <b>269,305</b>   | <b>262,127</b>   | <b>2.7%</b>     | <b>136,199</b>   | <b>131,789</b>   | <b>3.3%</b>   |
| <b>Life &amp; Health</b>                              | <b>113,611</b>   | <b>117,934</b>   | <b>-3.7%</b>    | <b>56,817</b>    | <b>58,821</b>    | <b>-3.4%</b>  |
| Non-PAA   | 99,029           | 102,023          | -2.9%           |                  |                  |               |
| PAA   | 14,582           | 15,911           | -8.4%           |                  |                  |               |
| <b>P&amp;C</b>  | <b>155,899</b>   | <b>144,647</b>   | <b>7.8%</b>     | <b>79,587</b>    | <b>73,422</b>    | <b>8.4%</b>   |
| Auto  | 102,275          | 96,589           | 5.9%            |                  |                  |               |
| Non-auto, excl A&H                                    | 42,723           | 36,145           | 18.2%           |                  |                  |               |
| Accident & Health                                     | 10,901           | 11,913           | -8.5%           |                  |                  |               |
| <b>Insurance service expenses:</b>                    | <b>(213,910)</b> | <b>(202,865)</b> | <b>5.4%</b>     | <b>(107,955)</b> | <b>(102,841)</b> | <b>5.0%</b>   |
| <b>Life &amp; Health</b>                              | <b>(65,491)</b>  | <b>(66,903)</b>  | <b>-2.1%</b>    |                  |                  |               |
| Non-PAA   | (53,128)         | (53,868)         | -1.4%           |                  |                  |               |
| PAA   | (12,363)         | (13,035)         | -5.2%           |                  |                  |               |
| <b>P&amp;C</b>  | <b>(148,330)</b> | <b>(136,044)</b> | <b>9.0%</b>     |                  |                  |               |
| <b>OPAT attribute to shareholders:</b>                | <b>81,957</b>    | <b>86,282</b>    | <b>-5.0%</b>    | <b>40,572</b>    | <b>43,430</b>    | <b>-6.6%</b>  |
| Life & Health insurance                               | 57,295           | 59,069           | -3.0%           | 29,134           | 30,314           | -3.9%         |
| P&C insurance   | 9,242            | 8,602            | 7.4%            | 4,719            | 5,502            | -14.2%        |
| Bank  | 14,714           | 12,802           | 14.9%           | 6,252            | 5,354            | 16.8%         |
| AMC   | 1,412            | 4,400            | -67.9%          | 107              | 1,821            | -94.1%        |
| Technology  | 1,735            | 4,909            | -64.7%          | 1,042            | 2,164            | -51.8%        |
| Others  | (2,441)          | (3,499)          | -30.2%          | (682)            | (1,723)          | -60.4%        |
| <b>NPAT attribute to shareholders:</b>                | <b>69,841</b>    | <b>70,725</b>    | <b>-1.2%</b>    | <b>31,489</b>    | <b>44,967</b>    | <b>-30.0%</b> |
| Life & Health insurance                               | 45,121           | 43,940           | 2.7%            | 20,150           | 31,727           | -36.5%        |
| P&C insurance   | 9,242            | 8,602            | 7.4%            | 4,719            | 5,502            | -14.2%        |
| Bank  | 14,714           | 12,802           | 14.9%           | 6,252            | 5,354            | 16.8%         |
| AMC   | 1,412            | 4,400            | -67.9%          | 107              | 1,821            | -94.1%        |
| Technology  | 1,793            | 4,480            | -60.0%          | 943              | 2,286            | -58.7%        |
| Others  | (2,441)          | (3,499)          | -30.2%          | (682)            | (1,723)          | -60.4%        |
| <b>Operating ROE by segment:</b>                      | <b>18.2</b>      | <b>21.2</b>      | <b>-3.0 pct</b> |                  |                  |               |
| Life & Health insurance                               | 35.6             | 41.2             | -5.6 pct        |                  |                  |               |
| P&C insurance   | 15.2             | 15.0             | 0.2 pct         |                  |                  |               |
| Bank  | 12.7             | 12.2             | 0.5 pct         |                  |                  |               |
| AMC   | 2.4              | 8.0              | -5.6 pct        |                  |                  |               |
| Technology  | 3.6              | 8.8              | -5.2 pct        |                  |                  |               |

| Ping An Life & Health                         | 1H23           | 1H22_Restate        | Y/Y %            | 2Q23          | 2Q22_Restate | Y/Y %           |
|---|----------------|---------------------|------------------|---------------|--------------|-----------------|
| <b>VNB</b>                                    | <b>25,960</b>  | <b>19,573</b>       | <b>32.6%</b>     | <b>12,258</b> | <b>6,984</b> | <b>75.5%</b>    |
| <i>VNB restated</i>                           | <i>25,960</i>  | <i>17,903</i>       | <i>45.0%</i>     |               |              |                 |
| <b>Agency VNB</b>                             | <b>21,303</b>  | <b>16,434</b>       | <b>29.6%</b>     |               |              |                 |
| <i>Agency VNB, restated</i>                   | <i>21,303</i>  | <i>14,895</i>       | <i>43.0%</i>     |               |              |                 |
| <b>Bancassurance VNB</b>                      | <b>2,825</b>   | <b>1,060</b>        | <b>166.5%</b>    |               |              |                 |
| <i>Bancassurance VNB, restated</i>            | <i>2,825</i>   | <i>1,028</i>        | <i>174.7%</i>    |               |              |                 |
| <b>Group VNB</b>                              | <b>156</b>     | <b>217</b>          | <b>-28.1%</b>    |               |              |                 |
| <i>Group VNB, restated</i>                    | <i>156</i>     | <i>202</i>          | <i>-22.8%</i>    |               |              |                 |
| <b>VNB margin</b>                             | <b>22.8</b>    | <b>25.7</b>         | <b>-2.9 pct</b>  | <b>25.3</b>   | <b>28.0</b>  | <b>-2.7 pct</b> |
| <i>VNB margin restated</i>                    | <i>22.8</i>    | <i>23.5</i>         | <i>-0.7 pct</i>  |               |              |                 |
| <b>Agency VNB margin</b>                      | <b>29.3</b>    | <b>36.7</b>         | <b>-7.4 pct</b>  |               |              |                 |
| <i>Agency VNB margin, restated</i>            | <i>29.3</i>    | <i>33.3</i>         | <i>-4.0 pct</i>  |               |              |                 |
| <b>Bancassurance VNB margin</b>               | <b>19.7</b>    | <b>16.3</b>         | <b>3.4 pct</b>   |               |              |                 |
| <i>Bancassurance VNB margin, restated</i>     | <i>19.7</i>    | <i>15.8</i>         | <i>3.9 pct</i>   |               |              |                 |
| <b>Group VNB margin</b>                       | <b>0.8</b>     | <b>1.3</b>          | <b>-0.5 pct</b>  |               |              |                 |
| <i>Group VNB margin, restated</i>             | <i>0.8</i>     | <i>1.2</i>          | <i>-0.4 pct</i>  |               |              |                 |
| <b>EV &amp; Solvency ratios (%):</b>          | <b>1H23</b>    | <b>2022</b>         | <b>Y/Y %</b>     |               |              |                 |
| <b>Life &amp; Health EV</b>                   | <b>924,647</b> | <b>874,786</b>      | <b>5.7%</b>      |               |              |                 |
| L&H ANW                                       | 418,469        | 374,080             | 11.9%            |               |              |                 |
| L&H VIF after CoC                             | 506,178        | 500,706             | 1.1%             |               |              |                 |
| <b>L&amp;H Profitability Analysis</b>         |                |                     |                  |               |              |                 |
| <b>Contract service margin (CSM)</b>          | <b>817,494</b> | <b>869,010</b>      | <b>-5.9%</b>     |               |              |                 |
| <b>New business CSM (NB CSM)</b>              | <b>27,157</b>  | <b>24,198</b>       | <b>12.2%</b>     |               |              |                 |
| <i>New business CSM margin (%)</i>            | <i>10.6%</i>   | <i>11.0%</i>        | <i>-0.5 pct</i>  |               |              |                 |
| CSM Base                                      | 856,158        | 910,533             | -6.0%            |               |              |                 |
| <b>CSM release</b>                            | <b>38,665</b>  | <b>41,524</b>       | <b>-6.9%</b>     |               |              |                 |
| <i>CSM release rate (%)</i>                   | <i>9.0%</i>    | <i>9.1%</i>         | <i>0.0 pct</i>   |               |              |                 |
| <b>RA release</b>                             | <b>3,025</b>   | <b>2,940</b>        | <b>2.9%</b>      |               |              |                 |
| <i>RA release (%)</i>                         | <i>4.3%</i>    | <i>4.3%</i>         | <i>0.0 pct</i>   |               |              |                 |
| <b>L&amp;H Insurance service results</b>      | <b>48,115</b>  | <b>50,226</b>       | <b>-4.2%</b>     |               |              |                 |
| <b>L&amp;H Investment service results</b>     | <b>17,500</b>  | <b>14,176</b>       | <b>23.4%</b>     |               |              |                 |
| <b>CROSS-II Solvency ratios (%):</b>          | <b>2Q23</b>    | <b>1Q23</b>         | <b>Q/Q %</b>     | <b>1Q23</b>   | <b>4Q22</b>  | <b>Q/Q %</b>    |
| <b>Ping An Life core solvency ratio (%)</b>   | <b>120.4</b>   | <b>120.4</b>        | <b>0.0 pct</b>   | <b>120.4</b>  | <b>124.1</b> | <b>-3.7 pct</b> |
| Ping An Life comprehensive solvency ratio (%) | 212.0          | 212.8               | -0.8 pct         | 212.8         | 219.7        | -6.9 pct        |
| <b>Premiums income breakdown:</b>             | <b>1H23</b>    | <b>1H22_Restate</b> | <b>Y/Y %</b>     |               |              |                 |
| <b>First-year premiums (FYP)</b>              | <b>113,901</b> | <b>76,132</b>       | <b>49.6%</b>     |               |              |                 |
| <b>First-year regular premiums (FYRP)</b>     | <b>71,237</b>  | <b>55,532</b>       | <b>28.3%</b>     |               |              |                 |
| First-year single premiums (FYSP)             | 67,627         | 32,404              | 108.7%           |               |              |                 |
| <i>as a % of Total FYP</i>                    | <i>62.5%</i>   | <i>72.9%</i>        | <i>-10.4 pct</i> |               |              |                 |
| Gross written premiums (GWP)                  | 379,918        | 328,456             | 15.7%            |               |              |                 |
| <b>Annualized Premiums Earned (APE)</b>       | <b>78,000</b>  | <b>58,772</b>       | <b>32.7%</b>     |               |              |                 |
| <b>Premium income by distribution:</b>        |                |                     |                  |               |              |                 |
| <b>Agency FYP (incl ST insurance)</b>         | <b>72,639</b>  | <b>44,720</b>       | <b>62.4%</b>     |               |              |                 |
| <i>Agency FYRP</i>                            | <i>59,180</i>  | <i>47,332</i>       | <i>25.0%</i>     |               |              |                 |
| <i>as a % of FYP</i>                          | <i>81.5%</i>   | <i>105.8%</i>       | <i>-24.4 pct</i> |               |              |                 |
| <b>Bancassurance FYP (incl ST insurance)</b>  | <b>14,342</b>  | <b>6,497</b>        | <b>120.7%</b>    |               |              |                 |
| <i>Bancassurance FYRP</i>                     | <i>9,743</i>   | <i>5,470</i>        | <i>78.1%</i>     |               |              |                 |
| <i>as a % of FYP</i>                          | <i>67.9%</i>   | <i>84.2%</i>        | <i>-16.3 pct</i> |               |              |                 |
| <b>Group &amp; Others FYP</b>                 | <b>18,526</b>  | <b>16,848</b>       | <b>10.0%</b>     |               |              |                 |
| <i>Group &amp; Others FYRP</i>                | <i>2,314</i>   | <i>2,730</i>        | <i>-15.2%</i>    |               |              |                 |
| <i>as a % of FYP</i>                          | <i>12.5%</i>   | <i>16.2%</i>        | <i>-3.7 pct</i>  |               |              |                 |

|  | 1H23           | 1H22_Restate        | Y/Y %          |             |                     |              |
|--|----------------|---------------------|----------------|-------------|---------------------|--------------|
| <b>Agency APE</b>                                  | <b>63,369</b>  | <b>48,535</b>       | <b>30.6%</b>   |             |                     |              |
| <b>Bancassurance APE</b>                           | <b>10,311</b>  | <b>5,590</b>        | <b>84.4%</b>   |             |                     |              |
| <b>Group &amp; others APE</b>                      | <b>4,320</b>   | <b>4,647</b>        | <b>-7.0%</b>   |             |                     |              |
| <b>Premium income by product:</b>                  |                |                     |                |             |                     |              |
| Participating                                      | 33,601         | 39,698              | -15.4%         |             |                     |              |
| Universal  | 80,701         | 52,604              | 53.4%          |             |                     |              |
| <b>Traditional life</b>                            | <b>96,633</b>  | <b>64,487</b>       | <b>49.8%</b>   |             |                     |              |
| Long-term health                                   | 58,595         | 61,167              | -4.2%          |             |                     |              |
| Accident & short-term health                       | 23,965         | 24,913              | -3.8%          |             |                     |              |
| <b>Annuity</b>                                     | <b>86,252</b>  | <b>85,330</b>       | <b>1.1%</b>    |             |                     |              |
| Investment-linked                                  | 171            | 257                 | -33.5%         |             |                     |              |
| <b>Protection-related</b>                          | <b>179,193</b> | <b>150,567</b>      | <b>19.0%</b>   |             |                     |              |
| <b>Premium income by product mix (%):</b>          |                |                     |                |             |                     |              |
| Traditional life as a % of total GWP               | 25.4%          | 19.6%               | 5.8 pct        |             |                     |              |
| Long-term health as a % of total GWP               | 15.4%          | 18.6%               | -3.2 pct       |             |                     |              |
| Accident & ST health as a % of total GWP           | 6.3%           | 7.6%                | -1.3 pct       |             |                     |              |
| <b>Protection-related as a % of total GWP</b>      | <b>47.2%</b>   | <b>45.8%</b>        | <b>1.3 pct</b> |             |                     |              |
| <b>Other operating metrics:</b>                    |                |                     |                |             |                     |              |
| <b>1) Agent productivity:</b>                      | <b>1H23</b>    | <b>1H22_Restate</b> | <b>Y/Y %</b>   |             |                     |              |
| No. of life insurance agents(mn)                   | 0.37           | 0.52                | -27.9%         |             |                     |              |
| Monthly avg. no. of agents (mn)                    | 0.38           | 0.51                | -26.3%         |             |                     |              |
| Activity rate (%)                                  | 54.1           | 55.4                | -2.3%          |             |                     |              |
| <b>Agent productivity (VNB per agent)</b>          | <b>56,281</b>  | <b>31,958</b>       | <b>76.1%</b>   |             |                     |              |
| <i>Agent productivity (VNB per agent), restate</i> | <i>56,281</i>  | <i>28,967</i>       | <i>94.3%</i>   |             |                     |              |
| <b>2) Life policy persistency ratio (%):</b>       |                |                     |                |             |                     |              |
| 13-month persistency                               | 93.8           | 91.7                | 2.1 pct        |             |                     |              |
| 25-month persistency                               | 87.6           | 80.6                | 7.0 pct        |             |                     |              |
| <b>Ping An P&amp;C</b>                             |                |                     |                |             |                     |              |
| <b>Underwriting combined ratio (CoR, %):</b>       | <b>98.0</b>    | <b>97.1</b>         | <b>0.9 pct</b> | <b>2Q23</b> | <b>2Q22_Restate</b> | <b>Y/Y %</b> |
| Loss ratio (%)                                     | 70.6           | 70.3                | 0.3 pct        |             |                     |              |
| Expense ratio (%)                                  | 27.4           | 26.8                | 0.6 pct        |             |                     |              |
| <b>P&amp;C underwriting profits (RMB mn)</b>       | <b>3,053</b>   | <b>4,197</b>        | <b>-27.3%</b>  |             |                     |              |
| <b>CoR by product (%):</b>                         |                |                     |                |             |                     |              |
| Auto   | 97.1           | 94.4                | 2.7 pct        |             |                     |              |
| Guarantee  | 117.7          | 113.0               | 4.7 pct        |             |                     |              |
| Liability  | 99.5           | 102.1               | -2.6 pct       |             |                     |              |
| Commercial property                                | 89.0           | 97.4                | -8.4 pct       |             |                     |              |
| Health   | 92.3           | 92.3                | 0.0 pct        |             |                     |              |
| <b>P&amp;C premium income by product:</b>          |                |                     |                |             |                     |              |
| <b>Auto</b>  | <b>101,348</b> | <b>95,502</b>       | <b>6.1%</b>    |             |                     |              |
| <b>Non-auto, excl. A&amp;H</b>                     | <b>40,640</b>  | <b>37,923</b>       | <b>7.2%</b>    |             |                     |              |
| Guarantee  | 2,188          | 0                   |                |             |                     |              |
| Liability  | 14,219         | 12,397              | 14.7%          |             |                     |              |
| Commercial property                                | 5,765          | 0                   |                |             |                     |              |
| Agriculture  | 5,528          | 3,611               | 53.1%          |             |                     |              |
| Others, excl agriculture                           | 12,940         | 21,916              | -41.0%         |             |                     |              |

|                     |                |                |              |  |  |  |
|---------------------|----------------|----------------|--------------|--|--|--|
| <b>A&amp;H</b>      | <b>23,965</b>  | <b>24,913</b>  | <b>-3.8%</b> |  |  |  |
| Accident            | 5,116          | 8,899          | -42.5%       |  |  |  |
| Health              | 7,032          | 4,468          | 57.4%        |  |  |  |
| <b>Total PC GWP</b> | <b>154,136</b> | <b>146,792</b> | <b>5.0%</b>  |  |  |  |

  

| <b>CROSS-II Solvency ratios (%):</b>         | <b>2Q23</b> | <b>1Q23</b> | <b>Q/Q %</b> | <b>1Q23</b> | <b>4Q22</b> | <b>Q/Q %</b> |
|--|-------------|-------------|--------------|-------------|-------------|--------------|
| Ping An P&C core solvency ratio (%)          | 176.6       | 171.6       | 5.0 pct      | 171.6       | 177.6       | -6.0 pct     |
| Ping An P&C comprehensive solvency ratio (%) | 217.7       | 211.7       | 6.0 pct      | 211.7       | 220.0       | -8.3 pct     |

| <b>Investment performance:</b>                | <b>1H23</b> | <b>1H22_Restate</b> | <b>Y/Y %</b> | <b>2Q23</b> | <b>2Q22_Restate</b> | <b>Y/Y %</b> |
|---|-------------|---------------------|--------------|-------------|---------------------|--------------|
| Net investment yield (%), <i>annualized</i>   | 3.5         | 3.9                 | -0.4 pct     |             |                     |              |
| Total investment yield (%), <i>annualized</i> | 3.4         | 3.0                 | 0.4 pct      |             |                     |              |
| Comprehensive yield (%), <i>annualized</i>    | 4.1         | 3.4                 | 0.7 pct      |             |                     |              |

| <b>P/L investment items:</b>                    | <b>1H23</b>    | <b>1H22_Restate</b> | <b>Y/Y %</b> |
|---|----------------|---------------------|--------------|
| Net investment income (RMB mn)                  | 85,217         | 89,778              | -5.1%        |
| Total investment income (RMB mn)                | 79,639         | 56,231              | 41.6%        |
| <b>Comprehensive investment income (RMB mn)</b> | <b>109,086</b> | <b>73,492</b>       | <b>48.4%</b> |

| <b>B/S investment items:</b>            | <b>1H23</b>      | <b>2022</b>      | <b>Y/Y %</b> |
|---|------------------|------------------|--------------|
| <b>Total investment assets (RMB mn)</b> | <b>4,615,762</b> | <b>4,368,400</b> | <b>5.7%</b>  |
| Off-balance sheet debt (NSA debt)       | 432,413          | 442,793          | -2.3%        |
| Off-balance sheet equity (NSA equity)   | 73,495           | 50,847           | 44.5%        |
| Real estate investments                 | 209,393          | 204,562          | 2.4%         |

**Mix by types (%):**

|                                  |             |              |                 |
|----------------------------------|-------------|--------------|-----------------|
| Cash & equivalents %             | 6.9%        | 8.7%         | -1.8 pct        |
| Bond %                           | 56.6%       | 49.9%        | 6.7 pct         |
| <b>NSA debt investments %</b>    | <b>9.4%</b> | <b>10.8%</b> | <b>-1.4 pct</b> |
| <b>NSA equity investments %</b>  | <b>1.6%</b> | <b>0.9%</b>  | <b>0.7 pct</b>  |
| <b>Real estate investments %</b> | <b>4.5%</b> | <b>5.2%</b>  | <b>-0.7 pct</b> |

**Mix by financial assets measurement (%):**

|  |              |             |                 |
|--|--------------|-------------|-----------------|
| FA at amortised costs (AC)   | 13.3%        | 0.0%        | 13.3 pct        |
| <b>FA at fair value through other comprehensive income (FVOCI)</b> | <b>56.7%</b> | <b>0.0%</b> | <b>56.7 pct</b> |
| <b>FA at fair value through p/l (FVTPL)</b>                        | <b>22.7%</b> | <b>0.0%</b> | <b>22.7 pct</b> |
| Others   | 7.3%         | 0.0%        | 7.3 pct         |

| <b>Per share data:</b>     | <b>1H23</b> | <b>1H22_Restate</b> | <b>Y/Y %</b> |
|----------------------------|-------------|---------------------|--------------|
| Operating EPS (annualized) | 4.63        | 4.94                | -6.3%        |
| <b>DPS</b>                 | <b>0.93</b> | <b>0.92</b>         | <b>1.1%</b>  |
| EVPS                       | 81.67       | 77.89               | 4.9%         |
| VNBPS                      | 1.42        | 1.07                | 32.6%        |

## Financial Summary

| INCOME STATEMENT                                | 2020A              | 2021A              | 2022A              | 2023E              | 2024E              | 2025E              |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| YE 31 Dec (RMB mn)                              |                    |                    |                    |                    |                    |                    |
| <b>Total income</b>                             | <b>1,321,418</b>   | <b>1,287,675</b>   | <b>1,221,351</b>   | <b>1,372,220</b>   | <b>1,500,960</b>   | <b>1,645,549</b>   |
| Premiums written (gross)                        | 797,880            | 760,843            | 769,633            | 828,426            | 902,489            | 994,604            |
| Premiums earned (net)                           | 757,599            | 739,933            | 742,418            | 796,699            | 868,076            | 957,059            |
| Investment income                               | 225,046            | 203,513            | 127,057            | 201,595            | 226,998            | 247,484            |
| Realized gains (losses)                         | 257,109            | 270,871            | 280,916            | 301,506            | 331,042            | 363,588            |
| Other operating income                          | 81,664             | 73,358             | 70,960             | 72,420             | 74,844             | 77,418             |
| <b>Losses</b>                                   | <b>(1,133,654)</b> | <b>(1,148,095)</b> | <b>(1,115,536)</b> | <b>(1,174,808)</b> | <b>(1,270,800)</b> | <b>(1,386,836)</b> |
| Selling   | (614,751)          | (618,662)          | (631,138)          | (678,620)          | (728,362)          | (792,458)          |
| Other selling                                   | (181,166)          | (177,061)          | (169,840)          | (162,113)          | (177,185)          | (193,673)          |
| Underwriting & commissions                      | (114,237)          | (90,651)           | (80,308)           | (86,018)           | (93,703)           | (103,039)          |
| Other operating expense                         | (223,500)          | (261,721)          | (234,250)          | (248,058)          | (271,550)          | (297,666)          |
| <b>Operating income before interest expense</b> | <b>187,764</b>     | <b>139,580</b>     | <b>105,815</b>     | <b>197,411</b>     | <b>230,160</b>     | <b>258,713</b>     |
| <b>Pretax income</b>                            | <b>187,764</b>     | <b>139,580</b>     | <b>105,815</b>     | <b>197,411</b>     | <b>230,160</b>     | <b>258,713</b>     |
| Income taxes                                    | (28,405)           | (17,778)           | 1,617              | (40,711)           | (47,376)           | (53,146)           |
| <b>Consolidated net income</b>                  | <b>159,359</b>     | <b>121,802</b>     | <b>107,432</b>     | <b>156,700</b>     | <b>182,784</b>     | <b>205,567</b>     |
| Minority interest                               | (16,260)           | (20,184)           | (23,658)           | (26,922)           | (30,237)           | (33,597)           |
| <b>Net income</b>                               | <b>143,099</b>     | <b>101,618</b>     | <b>83,774</b>      | <b>129,778</b>     | <b>152,547</b>     | <b>171,970</b>     |

| BALANCE SHEET                                       | 2020A            | 2021A             | 2022A             | 2023E             | 2024E             | 2025E             |
|---|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| YE 31 Dec (RMB mn)                                  |                  |                   |                   |                   |                   |                   |
| <b>Assets</b>                                       |                  |                   |                   |                   |                   |                   |
| Cash & short-term investments                       | 587,391          | 584,995           | 770,751           | 846,006           | 930,890           | 1,026,706         |
| Investments   | 267,819          | 284,061           | 280,793           | 308,872           | 339,760           | 373,735           |
| Total fixed income securities investment            | 4,133,300        | 4,253,940         | 4,631,969         | 4,889,820         | 5,170,328         | 5,475,126         |
| Total equity securities investment                  | 795,812          | 878,204           | 1,006,163         | 1,062,174         | 1,123,106         | 1,189,315         |
| Real estate assets                                  | 89,671           | 135,799           | 168,420           | 177,491           | 187,258           | 197,768           |
| Mortgage  | 37,661           | 30,957            | 29,278            | 29,278            | 29,278            | 29,278            |
| Other investments                                   | 2,599,510        | 2,980,975         | 3,238,054         | 3,723,762         | 4,282,326         | 4,924,675         |
| Premium balance receivables                         | 167,281          | 142,688           | 120,342           | 136,447           | 154,870           | 175,954           |
| Net property  | 292,738          | 320,954           | 295,559           | 312,012           | 329,911           | 349,360           |
| Deferred tax assets                                 | 61,901           | 65,360            | 92,846            | 97,488            | 102,363           | 107,481           |
| Intangible assets                                   | 64,290           | 68,462            | 99,411            | 109,352           | 120,287           | 132,316           |
| Other assets  | 430,496          | 395,631           | 403,582           | 464,119           | 533,737           | 613,798           |
| <b>Total assets</b>                                 | <b>9,527,870</b> | <b>10,142,026</b> | <b>11,137,168</b> | <b>12,156,822</b> | <b>13,304,114</b> | <b>14,595,512</b> |
| <b>Liabilities &amp; shareholders' equity</b>       |                  |                   |                   |                   |                   |                   |
| <b>Insurance policy liabilities</b>                 |                  |                   |                   |                   |                   |                   |
| Insurance reserves                                  | 1,994,341        | 2,252,472         | 2,501,090         | 2,768,362         | 3,054,472         | 3,366,730         |
| Unearned premiums                                   | 177,041          | 170,420           | 173,742           | 179,379           | 185,509           | 192,235           |
| Policy claims                                       | 109,943          | 118,926           | 138,393           | 152,232           | 167,456           | 184,201           |
| Other insurance liabilities                         | 754,453          | 788,220           | 824,760           | 984,601           | 1,113,003         | 1,264,639         |
| ST debt & curr. portion LT debt                     | 3,979,189        | 3,962,221         | 4,662,451         | 5,239,311         | 5,888,986         | 6,620,781         |
| Deferred tax liabilities                            | 19,267           | 13,605            | 14,217            | 14,928            | 15,674            | 16,458            |
| Other liabilities                                   | 1,501,468        | 1,754,284         | 1,643,591         | 1,520,946         | 1,451,934         | 1,377,293         |
| <b>Total liabilities</b>                            | <b>8,539,965</b> | <b>9,064,303</b>  | <b>9,961,870</b>  | <b>10,863,929</b> | <b>11,881,829</b> | <b>13,027,850</b> |
| Common stock/ordinary capital                       | 18,280           | 18,280            | 18,280            | 18,280            | 18,280            | 18,280            |
| Retained earnings                                   | 522,004          | 569,834           | 595,661           | 680,017           | 779,172           | 890,953           |
| Equity reserves                                     | 222,276          | 224,291           | 244,734           | 251,051           | 251,051           | 251,051           |
| <b>Total shareholders' equity</b>                   | <b>762,560</b>   | <b>812,405</b>    | <b>858,675</b>    | <b>949,348</b>    | <b>1,048,503</b>  | <b>1,160,284</b>  |
| Minority interest                                   | 225,345          | 265,318           | 316,623           | 343,545           | 373,782           | 407,378           |
| <b>Total equity</b>                                 | <b>987,905</b>   | <b>1,077,723</b>  | <b>1,175,298</b>  | <b>1,292,893</b>  | <b>1,422,285</b>  | <b>1,567,662</b>  |
| <b>Total liabilities &amp; shareholders' equity</b> | <b>9,527,870</b> | <b>10,142,026</b> | <b>11,137,168</b> | <b>12,156,822</b> | <b>13,304,114</b> | <b>14,595,512</b> |

| PER SHARE DATA                    | 2020A  | 2021A   | 2022A   | 2023E  | 2024E  | 2025E  |
|-----------------------------------|--------|---------|---------|--------|--------|--------|
| <b>YE 31 Dec</b>                  |        |         |         |        |        |        |
| DPS                               | 2.27   | 2.45    | 2.51    | 2.48   | 2.92   | 3.29   |
| EPS (Reported)                    | 8.10   | 5.77    | 4.80    | 7.10   | 8.34   | 9.41   |
| Group embedded value/share (HK\$) | 72.65  | 76.34   | 77.89   | 82.51  | 91.59  | 102.49 |
| VNB/share (HK\$)                  | 2.71   | 2.07    | 1.58    | 1.98   | 2.29   | 2.66   |
| No. of shares basic               | 18,280 | 18,280  | 18,280  | 18,280 | 18,280 | 18,280 |
| PROFITABILITY                     | 2020A  | 2021A   | 2022A   | 2023E  | 2024E  | 2025E  |
| <b>YE 31 Dec</b>                  |        |         |         |        |        |        |
| Return on equity (ROE)            | 19.9%  | 12.9%   | 10.0%   | 14.4%  | 15.3%  | 15.6%  |
| Return on asset (ROA)             | 1.6%   | 1.0%    | 0.8%    | 1.1%   | 1.2%   | 1.2%   |
| Return on life embedded Value     | (7.4%) | (37.2%) | (18.2%) | 24.6%  | 26.4%  | 18.0%  |
| VNB margin (FYP APE basis)        | 47.6%  | 37.2%   | 32.1%   | 32.0%  | 32.0%  | 32.0%  |
| Combined ratio                    | 99.2%  | 97.6%   | 99.7%   | 97.1%  | 97.0%  | 96.9%  |
| Loss ratio                        | 60.5%  | 67.1%   | 69.8%   | 70.3%  | 70.3%  | 70.3%  |
| Expense ratio                     | 38.6%  | 30.5%   | 29.8%   | 26.8%  | 26.7%  | 26.6%  |
| VALUATION                         | 2020A  | 2021A   | 2022A   | 2023E  | 2024E  | 2025E  |
| <b>YE 31 Dec</b>                  |        |         |         |        |        |        |
| P/EV                              | 0.6    | 0.6     | 0.6     | 0.5    | 0.5    | 0.4    |
| P/B                               | 1.8    | 1.4     | 0.9     | 0.8    | 0.8    | 0.7    |
| Div yield (%)                     | 5.2    | 5.6     | 5.8     | 5.7    | 6.7    | 7.6    |

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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