

ZhongAn (6060 HK)

HK Stablecoins outlook opens up the headroom for valuation re-rating; uplift TP to HK\$20.4

ZhongAn's share price surged 55% in the week of 26 May, propelled by a resurgence of sentiment spurred by [the passage of the Stablecoins Bill](#) by the HK LegCo on 21 May, and [the GENIUS Act](#) advancement to the US Senate on 20 May. Despite the surge was to some extent driven by a round of FOMO sentiment, **we expect the valuation re-rating of ZhongAn starts to gain traction in the market alongside underwriting improvement in insurance segment, leaving limited downside risk for the stock's valuation reverting to the previous low of 0.7x-0.8x FY25E P/B.** With the Stablecoins Ordinance to come into effect this year, we believe the first batch of participants of the HKMA's stablecoin issuer sandbox could be key beneficiaries for capitalizing on the fund flow momentum on virtual assets in HK, and bring tailwinds of topline upside to affiliated companies. ZhongAn Online holds 8.7% in RD Technologies ([Fig.3](#)) which is potentially an undervalued target, in our view. For insurance, we see topline growth on robust health and auto premiums and improved CoR to underpin margin profile. On banking, we raise the target P/B multiple for it being HK's first digital bank to provide reserve banking service for stablecoin issuers and crypto trading services to retail investors with reference to the valuation of global peers ([Fig.2](#)). We lift our FY25-27E EPS forecasts to RMB 0.69/0.79/0.93 (prev. RMB 0.63/0.74/0.87) and target P/B for banking to 2.3x (prev. 1.12x). **Based on SOTP, we derive our new 12m forward target price to HK\$20.4 ([Fig.1](#)), which implies 1.29x FY25E P/B. Maintain BUY.**

- **ZA Bank likely to ride on the tailwind of HK stablecoin boom.** As one of the initial stakeholders in the seed round financing of RD Technologies, ZhongAn Digital Asset held 20% interests in RD Wallet, a subsidiary of RD Technologies. RD InnoTech, another subsidiary of RD Technologies, was [approved as one of the sandbox participants](#) to launch the fiat-referenced stablecoin HKDR, which is expected to be 1:1 backed by HKD. ZA Bank, the operating entity of ZhongAn Digital Asset, thereby can provide custody services for the stablecoin issuer and benefit from the potential statutory reserve inflows. **ZhongAn Online indirectly holds 8.7% of RD Technologies, making it a key beneficiary of the boom.** Looking ahead, we expect the reserve banking services for stablecoin issuers could boost the bank's net interest income, as the fiat-referenced reserves can expand the lower-cost savings deposit balance, and thus enhance the NIM. We maintain the bank's bottom-line forecast at HK\$1.9mn in FY25E, equivalent to RMB 0.77mn in Group P/L, and raise the target P/B by referring to that of global digital banks to 2.3x ([Fig.2](#)), corresponding to recent momentum of stablecoins.
- **Expect insurance fundamentals to outperform.** In 1-4M25, the insurer grew total premiums by 12.7% YoY to RMB 10.9bn. We expect the trend of double-digit increase to sustain in year, underpinned by health and auto insurance. **We maintain our forecast on full-year premium rise of 14.6% YoY and revise down our CoR estimate to 96.9%** (prev. 97.2%), thanks to an improved mix of product as the insurer proactively scaled down low-margin businesses, i.e. digital lifestyle and consumer finance. The newly launched Zhong Min Bao Mid-to-High-End medical insurance (“众民保中高端医疗险”) continued to outgrow and accumulate over RMB300mn by end May, above 50% of scale in last year.
- **Valuation.** The stock is trading at 1.3x FY25E P/B, at 26% premium (or 0.7std) above its 3yr historical average. Despite the surge of stablecoin momentum, current valuation of the stock still ranks at 10% of historical P/B(x) from listing. With the HK Stablecoin Ordinance to take effect in 2025, we see a path for upward revision on ZA bank's valuation and topline growth driven by UW performance. **Our new TP based on SOTP is HK\$20.4 implying 1.29x FY25E P/B. Maintain BUY.**

BUY (Maintain)

Target Price HK\$20.40
(Previous TP) HK\$16.00
Up/Downside 5.9%
Current Price HK\$19.26

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Stock Data

Mkt Cap (HK\$ mn)	28,308.6
Avg 3 mths t/o (HK\$ mn)	294.1
52w High/Low (HK\$)	21.05/9.41
Total Issued Shares (mn)	1469.8

Source: FactSet

Shareholding Structure

Ant Group Co., Ltd.	10.7%
Ping An Insurance Group	10.6%

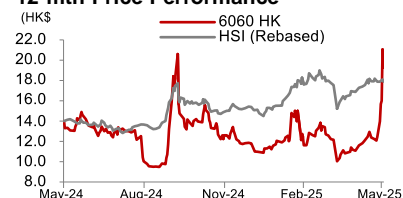
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	71.7%	63.0%
3-mth	65.7%	63.3%
6-mth	52.9%	27.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor:

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3. ZhongAn (6060 HK) - Strong investment and UW profits drive 1H23 earnings turnaround, Aug 28, 2023 ([link](#))

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (RMB mn)	3,845	603	1,008	1,162	1,363
EPS (Reported)(RMB)	2.77	0.41	0.69	0.79	0.93
Consensus EPS (RMB)	n.a	n.a	0.69	0.77	0.87
Combined ratio (%)	95.2	96.9	96.9	96.8	96.7
P/B (x)	1.4	1.3	1.3	1.2	1.2
ROE (%)	22.8	2.9	4.7	5.2	5.7

Source: Company data, Bloomberg, CMBIGM estimates | Note: stock price data was quoted by market close on 2 Jun 2025 (Mon).

Key risks: heightened market fluctuations on stablecoin and cryptocurrencies; slower-than-expected execution of licensed stablecoin issuers; prolonged low interest rate environment; and sharpened equity market volatilities, etc.

Valuation

Figure 1: Sum-of-the-part for ZhongAn Online

(\$bn, %)	FY24	FY25E	FY26E	FY27E
Insurance				
Book Value (RMB bn)	19.6	20.2	20.7	21.4
P/B(x)		1.17x	1.17x	1.17x
Fair value (HK\$ bn)		25.6	26.2	27.1
Technology				
Domestic tech export:				
Net profit (RMB bn)	0.08	0.14	0.19	0.26
P/E(x)		15.0x	15.0x	15.0x
Domestic export fair value (HK\$ bn)		1.8	2.5	3.4
Overseas tech export:				
ARR (HK\$ bn)	0.17	0.20	0.23	0.27
ARR multiple (x)		0.6x	0.6x	0.6x
Overseas export fair value (HK\$ bn)		0.12	0.14	0.16
Fair value, combined (HK\$ bn)		1.9	2.7	3.5
Banking				
Book Value (RMB mn)	0.82	0.82	0.87	0.98
P/B(x)*		2.3x	2.3x	2.3x
Fair value (HK\$ mn)		2.1	2.2	2.5
Others (HK\$ bn)	(0.7)	(0.3)	(0.1)	0.2
Total valuation (HK\$ bn)		29.2	31.0	33.2
No. of shares outstanding (mn)		1,470	1,470	1,470
Price per share (HK\$)		19.9	21.1	22.6

12mth forward TP (HK\$)	20.4
Implied P/E (x)	27.5x
Implied P/B (x)	1.29x

Source: Company data, CMBIGM estimates | Note: banking's target P/B(x) multiple refers to the table of global peers' comparable in Fig 2.

Key forecasts

	Current				Old			Chg		
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
EPS	0.41	0.69	0.79	0.93	0.63	0.74	0.87	8.1%	6.9%	6.0%
P&C Insurance:										
GWP	33,417	38,283	42,413	46,876	38,240	43,528	49,208	0.1%	-2.6%	-4.7%
COR	96.9%	96.9%	96.8%	96.7%	97.2%	97.3%	97.3%	(0.3)	(0.4)	(0.6)
UWP	899	1,007	1,168	1,353	918	1,032	1,159	9.7%	13.2%	16.7%
Technology										
Net profit	78	141	194	259	141	194	259	0.0%	0.0%	0.0%
Banking										
Net profit	-92	1	50	109	1	50	109	0.0%	0.0%	0.0%

Source: Company data, CMBIGM estimates

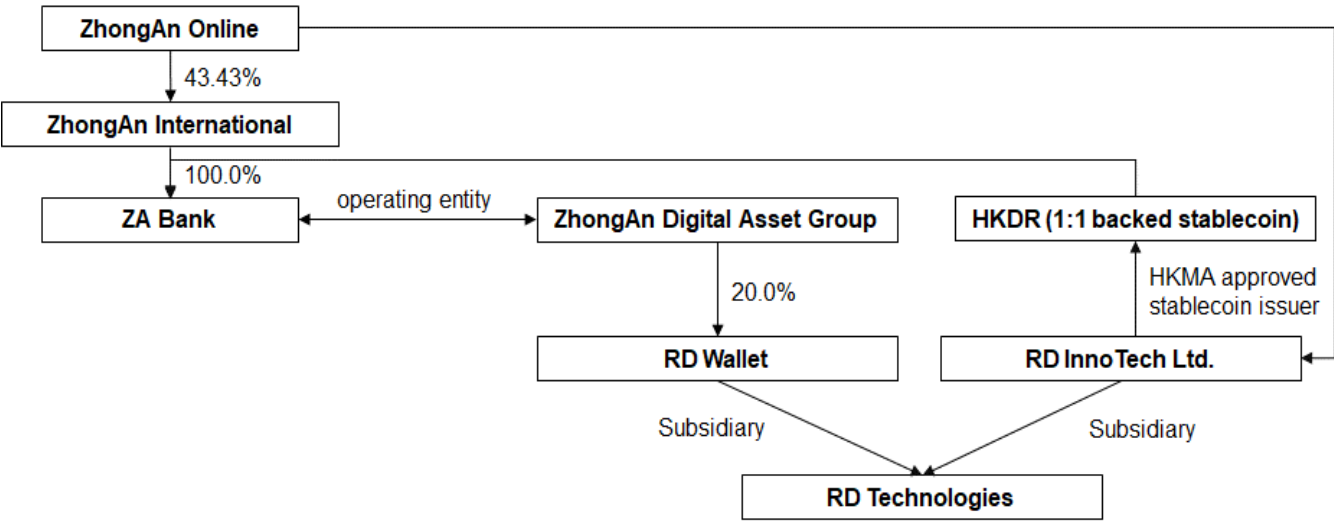
Peers comparable

Figure 2: Global listed digital banks and 12mth forward P/B(x) valuation

Company	Ticker	Price (LC)	Mkt Cap (LC bn)	FY25E EPS	FY25E P/B(x)	FY26E P/B(x)	FY27E P/B(x)
US companies:							
NU Holdings Ltd.	NU US	12.01	57.9	0.56	5.6x	4.3x	3.2x
Upstart Holdings Inc.	UPST US	47.17	4.5	1.47	5.6x	4.7x	4.0x
SLM Corp	SLM US	32.37	6.8	3.11	3.0x	2.5x	2.1x
Credit Acceptance Corp	CACC US	477.3	5.5	40.03	2.8x	2.1x	1.6x
SoFi Technologies Inc.	SOFI US	13.3	14.7	0.28	2.1x	2.0x	1.8x
Enova International Inc.	ENVA US	92.67	2.4	11.76	1.7x	1.3x	n.a
OneMain Holdings Inc.	OMF US	51.84	6.2	6.11	1.8x	1.6x	1.4x
Synchrony Financial	SYF US	57.65	21.9	7.66	1.4x	1.2x	1.1x
Nelnet Inc.	NNI US	116.18	4.2	7.69	1.2x	1.1x	1.3x
Inter & Co Inc.	INTR US	7.12	3.1	3.28	0.3x	0.3x	0.2x
JP companies:							
SBI Sumishin Net Bank Ltd	7163 JP	4880	735.9	266.43	3.6x	3.0x	2.5x
Rakuten Group Inc.	4755 JP	819.3	1,768.5	(25.66)	2.0x	1.4x	1.3x
Seven Bank Ltd	8410 JP	270	318.4	17.03	1.1x	n.a	n.a
South Korea company:							
KakaoBank Corp	323410 KS	24050	11,471.6	1,096.28	1.7x	1.6x	1.5x
Australia company:							
Judo Capital Holdings Ltd	JDO AU	1.385	1.5	0.07	0.9x	0.9x	0.8x
Average					2.3x	2.0x	1.8x

Source: Bloomberg, CMBIGM estimates

Figure 3: ZhongAn’s stake-holding in RD Technologies



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Insurance revenue	22,189	27,535	31,744	36,461	40,395	44,641
Insurance service expenses	(20,673)	(26,089)	(30,690)	(35,285)	(39,049)	(43,100)
Net expenses from reinsurance contracts held	(99)	(109)	(14)	(17)	(19)	(21)
Insurance service results	1,417	1,337	1,040	1,159	1,327	1,519
Net finance (expenses)/income from insurance contracts	(145)	(52)	(52)	(59)	(66)	(73)
Net finance (expenses)/income from reinsurance contracts	(10)	8	2	0	0	0
Net investment income	1,688	4,136	437	1,231	1,307	1,406
Other gains/(losses) from changes in fair value	(1,803)	768	1,024	13	0	0
Net investment results	(115)	4,904	1,460	1,244	1,307	1,406
Other income	1,129	1,135	1,032	1,142	1,253	1,377
Other expenses	(2,966)	(2,670)	(1,952)	(2,023)	(2,164)	(2,318)
Foreign exchange gains/losses	(549)	(95)	(99)	(99)	(99)	(99)
Other results	(2,814)	(2,094)	(1,466)	(1,404)	(1,413)	(1,423)
Profit before tax	(1,683)	4,010	854	1,097	1,271	1,497
Income taxes	298	(165)	(251)	(89)	(109)	(135)
Net profit	(1,384)	3,845	603	1,008	1,162	1,363
Net profit attributable to shareholders	(1,112)	4,078	603	1,008	1,162	1,363

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
ASSETS						
Cash and amount due from banks and other financial institutions	3,526	1,576	1,467	2,757	4,216	6,205
Intangible assets	662	527	619	619	619	619
Investments in associates and joint ventures	554	5,297	5,591	5,591	5,591	5,591
Property	434	377	798	798	798	798
Reinsurance contract assets	595	762	710	726	756	800
At amortized cost:	1,431	1,452	1,051	1,105	1,162	1,222
At fair value through profit or loss:	21,863	22,252	20,706	21,930	23,224	24,593
Loans and advances to customers	4,367	0	0	0	0	0
Other assets	1,702	2,104	2,692	2,720	2,749	2,780
Cash and cash equivalents	3,526	1,576	1,467	2,757	4,216	6,205
Total assets	47,649	42,864	45,285	47,072	48,961	50,957
LIABILITIES						
Insurance contract liabilities	4,029	3,335	5,000	5,500	6,050	6,655
Borrowings	6,805	6,900	6,993	7,133	7,275	7,421
Obligations under repurchase agreements	6,992	8,491	7,931	8,724	9,597	10,557
Current tax liabilities	0	27	18	18	18	18
Lease liabilities	374	287	123	135	149	164
Other liabilities	11,819	3,750	4,024	3,628	2,777	1,686
Total liabilities	30,034	22,790	24,358	25,138	25,865	26,499
EQUITIES						
Share capital	1,470	1,470	1,470	1,470	1,470	1,470
Reserves	16,473	16,732	16,996	16,996	16,996	16,996
Retained profits	(2,176)	1,871	2,461	3,468	4,630	5,993
Total shareholders' equity	15,766	20,073	20,926	21,934	23,096	24,458
Non-controlling interests	1,849	0	0	0	0	0
Total equity	17,615	20,073	20,926	21,934	23,096	24,458
Total liabilities & equity	47,649	42,864	45,285	47,072	48,961	50,957

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
EPS (Reported)	(0.76)	2.77	0.41	0.69	0.79	0.93
Consensus EPS	n.a	n.a	n.a	0.69	0.77	0.87
No. of shares basic	1,470	1,470	1,470	1,470	1,470	1,470
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Return on equity (ROE)	n.a	22.8%	2.9%	4.7%	5.2%	5.7%
Combined ratio (%)	94.2%	95.2%	96.9%	96.9%	96.8%	96.7%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/B (x)	1.6	1.4	1.3	1.3	1.2	1.2

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data was quoted by market close on Jun 2, 2025 (Mon).

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