

Ping An (2318 HK)

1Q25 NBV stayed robust lifting L&H OPAT back to positive growth

BUY (Maintain)

Target Price HK\$65.10
Up/Downside 41.7%
Current Price HK\$45.95

China Insurance

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Stock Data

Mkt Cap (HK\$ mn)	836,749.5
Avg 3 mths t/o (HK\$ mn)	2,670.0
52w High/Low (HK\$)	59.70/32.85
Total Issued Shares (mn)	18210.0

Source: FactSet

Shareholding Structure

Charoen Pokphand Group	13.0%
Company Ltd	
UBS Group AG	9.4%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-2.3%	3.7%
3-mth	5.6%	-3.6%
6-mth	-6.1%	-12.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: Ernst & Young

Related reports:

- Ping An (2318 HK) - Life OPAT awaits for longer time to turnaround, 24 Mar, 2025 ([Link](#))
- 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 reported robust 1Q25 results, with L&H NBV up by 34.9% like-for-like (LFL) to RMB 12.9bn, thanks to a continued margin expansion to 28.3% (FYP basis), up 11.4pct LFL post EV assumption adjustments by end-FY24. L&H OPAT grew 5.0% (vs 4Q24: -22.8%) implying positive impacts on new business CSM growth backed by a rising interest yield (China's 10YR govt. bond yield up 14.4bps vs end-FY24) and improved operating variances, in our view. Group OPAT rose 2.4% YoY to RMB37.9bn, bolstered by L&H (+5%) and asset management (+19%) contributions. Group's net profit slid 26.4% YoY to RMB 27.0bn, dragged by investment income (-65%) due to a mixed impact of fair value loss from FVTPL debts offset the equity gains from a building position in SOE banks via HK Stock-Connect program. P&C OPAT slid 16.4% despite an improved CoR to 96.6%, down 3.0pct YoY. Ping An Bank's profit dropped 5.6% YoY on a contracted NIM to 1.83%, down 18bps YoY and declined net fee and commission income (-8.2%) alongside RMB 3.1bn fair value loss. Looking ahead, we expect the insurer's NBV to rise on margin recovery in FY25E and OPAT of three core business segments to stabilize over the long run.

Maintain BUY, with TP (unchanged) at HK\$65.10, implying 0.8x FY25E P/EV.

- **Robust NBV enhanced by margin recovery.** NBV rose 34.9% like-for-like to RMB12.9bn in 1Q25, bolstered by continued margin recovery to 28.3% (FYP basis), up 11.4pct with a product mix shift to LT protection and participating policies. FYP dropped by 19.5% to RMB45.6bn due to a high prior-year base. Agency force dropped 7% from year-start to 338k in 1Q25, whereas NBV per agent climbed 14% YoY, improving the channel's NBV by 11.5% YoY in 1Q25. Bancassurance/community finance NBV soared 170.8%/171.3% YoY driven by rapidly expanded outlets and enhanced productivity catering to customer needs. L&H OPAT turned positive up by 5.0% LFL to RMB 26.9bn in 1Q25 (vs 4Q24: -22.8%) driven by growth of new business CSM and operating variances, in our view. We expect NBV to rise 15% YoY in FY25 on continued margin expansion.
- **P&C CoR was better-off despite a profit decline.** P&C combined ratio was 96.6% in 1Q25, down 3pct YoY, driving UW profit up by 7.6x YoY to RMB2.8bn (CMBI est). The strengthened CoR could be due to prudent expense controls, reduced NAT CAT claims, and scale-down of loss-making guarantee insurance (FY24 CoR: 102.2%), in our view. P&C OPAT fell 16.4% to RMB3.2bn in 1Q25, although insurance revenue was stable (+0.7%) at RMB81.2bn. We regard the P&C profit slowdown was led by investment fluctuations due to a rising yield in 1Q25. Total premiums increased 7.7% to RMB 85.1bn, staying robust, with auto and non-auto premiums each jumped 3.7%/15.1% YoY to RMB 53.7bn/31.4bn.
- **PAB profit eased on margin squeeze and modest loan growth.** PAB's NIM was 1.83% in 1Q25, down 18bps YoY yet up 13bps QoQ from 4Q24. NPL ratio was flat at 1.06% in 1Q25, whereas the NPL ratio of corporate real estate loans deteriorated 46bps from end-FY24 to 2.25%, due to continued strains of real estate enterprises amid a long property sell-through cycle. Total loans modestly grew 1.1% from year-start to RMB3.41tn, with corporate and personal loans up 4.7%/down 2.2% to RMB1.68tn/RMB1.73tn. Provision coverage ratio was down 14.2pct to 236.53% and core T1 edged up 0.3pct to 9.41% from end-FY24. We see PAB's net profit could still be under pressure on a sector-wise margin squeeze and modest personal loan growth which cut 1Q net profit by 5.6% YoY.
- **Valuation/Key risks.** The stock is trading at FY25E 0.53x P/EV and 0.73x P/B with avg. 3yr forward ROE at 13% and a yield above 6%. Looking ahead, we are positive on margin expansions to underpin for the projected NBV growth. Maintain BUY, with TP (unchanged) at HK\$65.1, implying 0.8x FY25E P/EV and 1.0x FY25E P/B. Key risks include prolonged low interest rate, intensified equity market fluctuations, lower-than-expected new sales, and deteriorated CoR, etc.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (RMB mn)	115,572	163,433	160,218	168,596	179,937
EPS (Reported)(RMB)	4.84	7.16	7.55	8.01	8.59
Consensus EPS (RMB)	n.a	n.a	7.41	8.03	8.89
P/B (x)	0.9	0.8	0.7	0.7	0.6
P/Embedded value (x)	0.6	0.6	0.5	0.5	0.5
Dividend yield (%)	5.7	6.0	6.3	6.7	7.0
ROE (%)	9.7	13.9	13.4	12.7	12.5

Source: Company data, Bloomberg, CMBIGM estimates | Note: stock price data quoted by market close on 25/4/2025 (Fri).

Some highlights from call:

1. Divergence of Group OPAT and NPAT: The gap between Group OPAT (RMB 37.9bn) and NPAT (RMB 27.0bn) amounted to RMB 10.9bn, comprised of 1) negative RMB7.5bn short-term investment variances subject to L&H business caused by the fair value loss on perpetual bonds (FVTPL) due to a rising interest yield (China's 10YR govt. bond yield up 14.4bps in 1Q25 vs. end-FY24), and 2) RMB3.4bn one-off non-operating losses from the consolidation of Ping An Health to Group, and revaluation of USD convertible bonds (US\$3.5bn) issued in Jul 24.

2. Potential pricing interest rate cut for life insurance products in 3Q25: The mgmt. addressed in call that the industry would close attention to the research value of the pricing interest rate (PIR) in 2Q25; if the research rate by then announced was below 2.25% (more than 25bps lower than the upper limit of current PIR), the upper limit of PIR for life insurance products could be downgraded in 3Q25E.

In 1Q25, the research value of pricing interest rate for ordinary life insurance products was 2.13%, as disclosed by the Insurance Association of China ([link](#)).

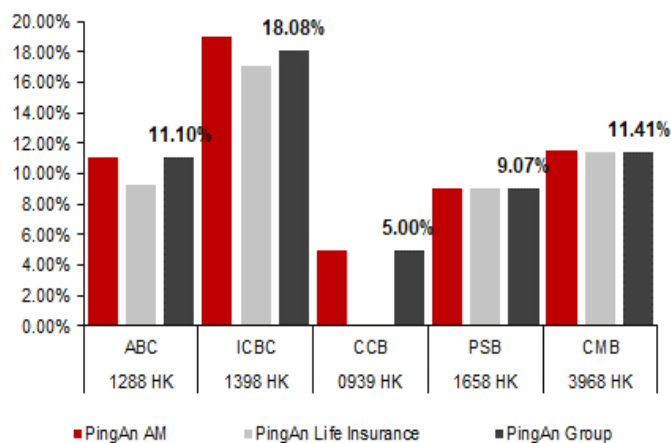
3. Margin expansion was driven by 1) improved product mix shifting to long-term protections and participating-type policies; 2) stringent expense control across all channels, and 3) adjusted low prior-year margin base due to the PIR cut in 3Q24.

4. Capital management: Ping An proposed to issue up to RMB 50bn domestic debt financing instruments on 24 Mar 2025. The plan aims to leverage the low financing yield at approx. 2.1%-2.3% in domestic market to optimize the Group and its subsidiaries' capital structure and reduce existing financing costs. The issuance of bond will be valid for three years from the date of authorization by the shareholders' meeting on 13 May 2025. The issuance of debt instruments will not exert any negative impact to ROE nor be dilutive to the shareholders' equity.

5. Asset allocation: Ping An enhanced stock holdings position in the SOE banks via the HK Stock-Connect program in 1Q25, from which the majority of stocks were assigned to FVOCI (50% of stocks in insurance fund portfolio). By 1Q25, the Group's building position in ICBC (1398 HK)/CMB (3968 HK)/ABC (1288 HK)/PSB (1658 HK) amounted to 18.08%/11.41%/11.10%/9.07%, with their share prices up by 6%/15%/6%/5% vs. year-end ([Fig.2](#)). Changes in fair value of FVOCI equities surged to RMB 20.7bn in 1Q25 vs. a loss of RMB 67mn in 1Q24. Net asset value attributable to shareholders rose 1.2% from FY24 to RMB 939.7bn.

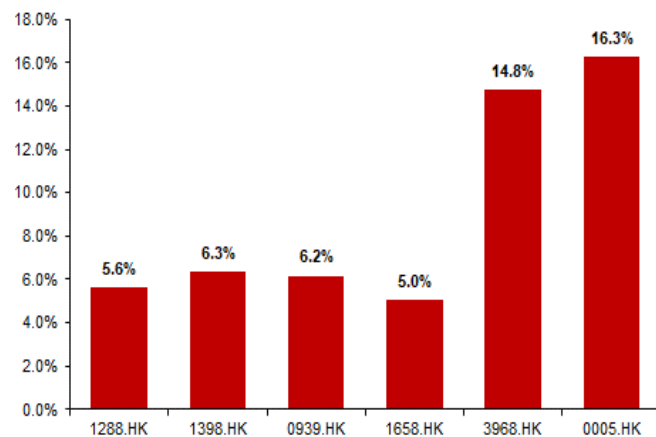
Focus Charts

Fig1: Ping An's holdings in SOE banks and HSBC



Source: HKEx, CMBIGM | Note: the data of stock holdings for Ping An Asset Management, Ping An Life Insurance, and Ping An Group was dated by end-1Q25.

Fig2: H-share banks' stock price performance in 1Q25



Source: Wind, CMBIGM | Note: stock price data was quoted by 31 Mar 2025 compared to the respective stock price on 31 Dec 2024.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Insurance revenue	525,981	536,440	551,186	572,853	609,482	647,583
Insurance service expenses	(422,221)	(440,178)	(449,102)	(469,606)	(499,973)	(531,913)
Net expenses from reinsurance contracts held	(4,314)	(3,731)	(3,601)	(814)	(871)	(931)
Insurance service results	99,368	92,301	98,127	102,216	108,409	114,496
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	190,370	200,161	213,514
Income taxes	(7,518)	(10,843)	(23,762)	(30,152)	(31,565)	(33,577)
Net profit	139,269	115,572	163,433	160,218	168,596	179,937
Net profit attributable to shareholders	111,008	85,665	126,607	133,548	141,687	151,903

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	3,575,993	3,824,882	4,095,459
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	474,833	310,089	26,862
Total assets	11,009,940	11,583,417	12,957,827	13,969,034	14,838,049	15,778,698
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	5,521,045	6,096,943	6,716,346
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	13,283,430	14,116,858
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	780,365	872,722	972,830
Total shareholders' equity	869,191	899,011	928,600	1,071,499	1,163,235	1,262,589
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	1,455,170	1,554,619	1,661,839
Total liabilities & equity	11,009,940	11,583,417	12,957,827	13,969,034	14,838,049	15,778,698

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
DPS	2.40	2.48	2.61	2.74	2.88	3.02
EPS (Reported)	8.80	4.84	7.16	7.55	8.01	8.59
Consensus EPS	n.a	n.a	n.a	7.41	8.03	8.89
Group embedded value/share (RMB)	77.89	76.34	78.12	80.67	83.53	86.64
VNB/share (RMB)	1.58	1.71	2.20	1.80	2.04	2.18
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%	12.5%
Combined ratio (%)	100.3%	100.7%	98.3%	98.0%	97.6%	97.4%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/Embedded value (x)	0.6	0.6	0.6	0.5	0.5	0.5
P/B (x)	0.9	0.9	0.8	0.7	0.7	0.6
Dividend yield (%)	5.5	5.7	6.0	6.3	6.7	7.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data was quoted by market close on 25/4/2025 (Fri).

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