



Flash Note: Ping An Insurance (02318 HK)

快讯: 中国平安 (02318 HK)

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FY14 Results First Take: Profit Up 39.5%, Upbeat Growth in Life Insurance's EV and NBV

14财年业绩快讯: 利润同比增长39.5%, 寿险内含价值和新业务价值增幅抢眼

Ping An Insurance (02318 HK) ("Ping An", "the Company") announced FY14 financial results after the market close on March 19, 2015. The Company recorded RMB 47.9 billion in profits, up 33.1% yoy; which 40% of them came from its banking business (~RMB 19.1 billion). Its shareholders' profits grew by 39.5% yoy to RMB 39.3 billion, which was 4.5% higher than our estimate of RMB 37.6 billion, but missed the street consensus of RMB 40.8 billion by 3.7%. Key takeaways of the results are the following:

- **Life insurance business: net investment yield reached a 3-year high, which helped to deliver 30.1% yoy gain in life insurance's EV and 20.9% yoy increase in NBV.** In addition to the Company's net investment yield of 5.3%, China's overall capital markets performance during the year resulted substantial market-to-market gain for the Company, which together helped Ping An to deliver better-than-expected growth in both EV and NBV (~30.1% yoy in EV vs. est. 16.9%; ~20.9% yoy in NBV vs. est. 14.3%). Despite the Company reported in-line overall premium income, its new business from individual life insurance still managed to beat our estimates by delivering RMB 46.8 billion in premium income (~vs. est. RMB 45.9 billion) as a result of further increased agent productivity of RMB 6,244 FYP per agent per month (~vs. est. RMB 6,189). Traditional life insurance products contributed 13.6% (~6.6% in FY13) in the total written premium for individual life insurance business.
- **P&C insurance business: overall combined ratio stood at 95.3% (~vs. est. 95.6%), but auto insurance underwriting profits weakened in FY14.** Lower than expected loss ratio (~57.7% vs. est. 58.9%) offset the higher-than-expected expense ratio (~37.6% vs. est. 36.7%) to result a full year combined ratio of 95.3%, which it experienced a notable 2ppts yoy drop (~97.3% in FY13). However, underwriting profits from auto insurance declined by 11.1%, although the premium income from this product line gained fairly strong by 22.9% yoy. The decreased underwriting profits translate into a deteriorated auto insurance combined ratio of 98.8% in FY14 (~ 98.3% in FY13).
- **Investment business: net income from both trust and securities business beat our expectation.** The Company's trust business generated RMB 2,199 million in net profit, thanks to the higher-than-expected net fees & commission income and investment income during the year. However, we notice that insurers' funds were an increasingly important source of funds, accounting for 13.2% of the total paid-in capital of RMB 368.6 billion, comparing to just below 10% in FY13 (~9.2%). Buoyant trading in A-shares attributed to Ping An Securities' 34.8% yoy growth in fees & commission income and it drove the net income up 81.2% yoy to RMB 924 million, beating our estimate of RMB 717.9 million by 28.7%.

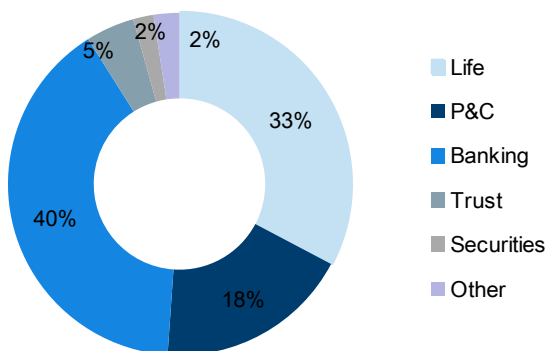
We continue to be optimistic about life insurance sector fundamentals and see Ping An's inter-segment synergies will help maintain Ping An Life's agent productivity. We see the Company's auto insurance combined ratio will face the opportunity for improvement given upcoming pricing reform in the commercial auto insurance products. We view the proposed integration of Ping An's personal / consumer finance business will help to streamline the Company's operation. We believe the key challenge for insurers funds this year will be achieving decent net investment yield given an expected depressed yield in bond market while maintaining strong asset quality.

中国平安 (02318 HK, “公司”) 在 3 月 19 日公布了 2014 年财年业绩。公司的净利润同比增长 33.1% 至人民币 479 亿元, 当中银行业务板块利润贡献度为 40% (~人民币 191 亿元)。归属母公司股东净利润同比增长 39.5% 至人民币 393 亿元, 超过我们人民币 376 亿元的预期 4.5%, 但较市场一致预期人民币 408 亿元略低 3.7%。业绩主要摘要如下:

- **寿险业务: 净投资收益率达到 3 年来高位, 帮助实现寿险内含价值同比增长 30.1% 以及新业务价值同比增长 20.9%。** 中国平安险资净投资收益率达到了 5.3%, 此外年内内地资本市场表现给公司造成了大幅浮盈, 共同协助实现高于预期的内含价值和新业务价值增幅 (~内含价值同比增长 30.1%, 预期 16.9%; 新业务价值同比增幅 20.9%, 预期 14.3%)。尽管公司保费收入总体符合我们预期, 但其个险新业务保费收入超过我们预期达到人民币 468 亿元 (~预期人民币 459 亿元), 主要原因是月人均首年保费在年内增长至人民币 6,244 元 (~预期人民币 6,189 元)。传统寿险产品规模保费占公司总寿险规模保费比例进一步提升至 13.6% (~13 财年 6.6%)。
- **财产险业务: 总体综合成本率在期内为 95.3% (~预测值 95.6%), 但车险承保利润在 14 财年出现同比下滑。** 低于预期的综合赔付率 (~57.7%; 预期 58.9%) 抵消了高于预期的成本率 (~36.7%; 预期 36.7%) 使得总体综合成本率为 95.3%, 同比下降 2 个百分点。但是, 车险业务承保利润同比下滑 11.1%, 虽然此业务条线的保费收入实现 22.9% 的增长。下降的车险承保利润意味着车险综合成本率在期内升至 98.8% (~98.3% FY13)。
- **投资业务: 信托和证券业务净利润均超出我们预期。** 通过高于预期的净手续费收入和投资收益, 公司信托业务实现净利润人民币 22 亿元。不过, 我们注意到保险资金占信托资金 (~人民币 3,686 亿元) 来源比例进一步上升至 13.2%, 而 13 财年在 10% 以下 (~9.2%)。A 股交易量的增长使得平安证券经纪业务收入同比增长 34.8% 并且间接导致净利润同比增长 81.2% 至人民币 924 百万元, 超我们预期 28.7% (~预测值人民币 718 百万元)。

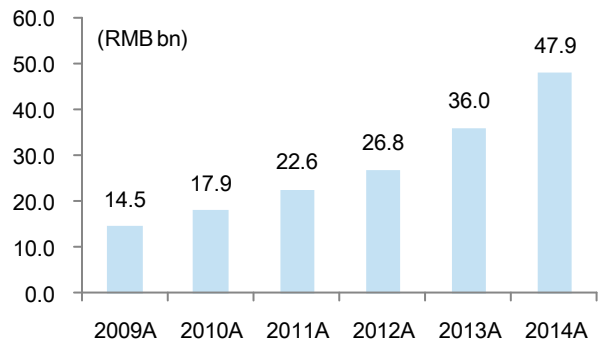
我们继续对中国寿险行业未来基本面持乐观态度并且认为中国平安各板块之间的联动性将会帮助维持平安寿险代理人产能。我们预期公司的车险将借助即将实施的商业车险费率改革而面临改善的机遇。我们认为中国平安计划整合个人/消费金融业务集群的举措将进一步理顺公司运营。我们相信公司保险资金在今年主要的投资挑战是在收益率缩窄的大环境下继续保持较好的净投资收益率, 同时维持险资投资质量。

Figure-1: FY14 profits breakdown by business segments



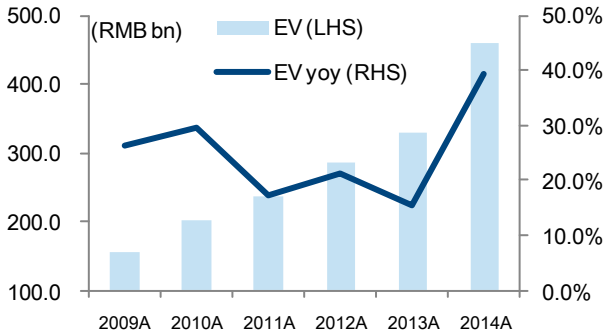
Source: the Company, Guotai Junan International.

Figure-2: Reported profits for the year



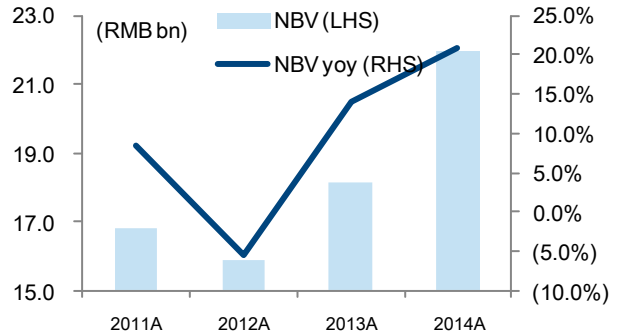
Source: the Company, Guotai Junan International.

Figure-3: Reported embedded value and yoy growth



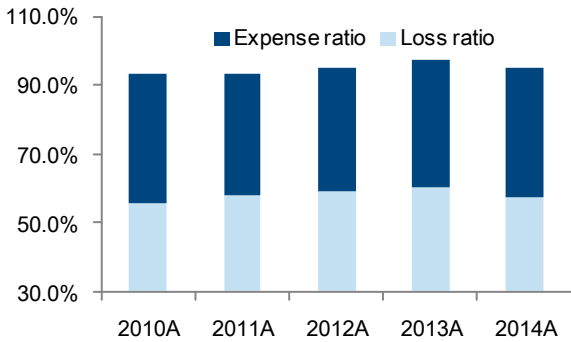
Source: the Company, Guotai Junan International.

Figure-4: Reported new business value and yoy growth



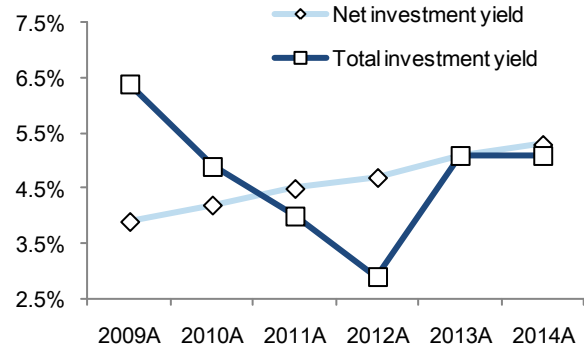
Source: the Company, Guotai Junan International.

Figure-5: Reported expense and loss ratio



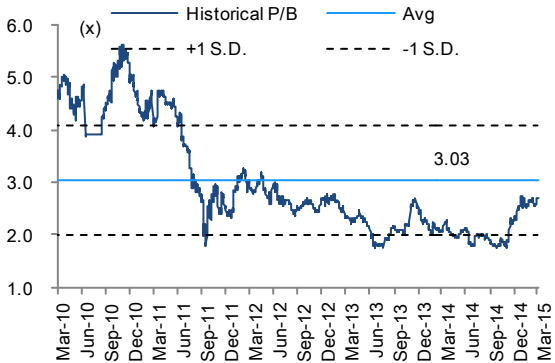
Source: the Company, Guotai Junan International.

Figure-6: Reported net and total investment yield



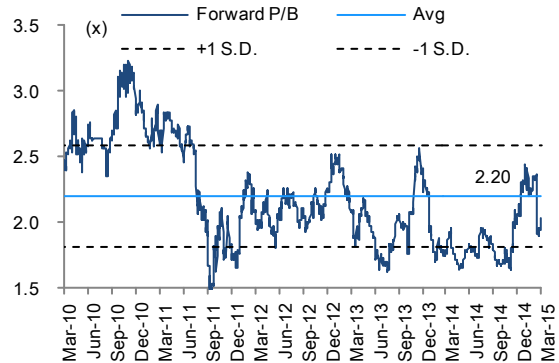
Source: the Company, Guotai Junan International.

Figure-7: Ping An historical P/B



Source: Bloomberg, Guotai Junan International. Price as at March 19, 2015

Figure-8: Ping An 12M forward P/B



Source: Bloomberg, Guotai Junan International. Price as at March 19, 2015

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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