



Rating
Buy

Asia
China

Banking / Finance
Life Insurance

Company
Ping An Alert

Reuters 2318.HK	Bloomberg 2318 HK	Exchange HKG	Ticker 2318
ADR Ticker PNGAY	ISIN US72341E3045		

Date
19 March 2015

Results

Price at 19 Mar 2015 (HKD)	88.50
Price target - 12mth (HKD)	102.20
52-week range (HKD)	88.50 - 56.20
HANG SENG INDEX	24,120
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FY14 – Good results with strong VNB growth and P&C earnings

VNB +20.9%, implying 2H14 growth of 26.2% yoy

Ping An reported 2014 results, with Group EV of Rmb458,812mn (+39.2% yoy, +25.9% hoh helped by capital raising), Life EV of Rmb264,223mn (+30.1% yoy, +18.7% hoh), VNB of Rmb21,966mn (+20.9%, implying 2H14 growth of 26.2% yoy) and net profit of Rmb39,279mn (+39.5%). We note Ping An has revised assumptions, and underlying VNB growth was 20.2%. Underlying VNB and net profit beat our estimates by 3.6% and 13.9%, respectively; Group EV was in line but Life EV was 6.3% below due to lower-than-expected investment gains. A final dividend of Rmb0.5/shr was declared and the Company has proposed issuance of 10-for-10 bonus shares (9,140mn) by converting capital reserve into share capital (neutral impact). Overall, a good set of results. Maintain Buy.

Strong VNB driven by agency, bancassurance continued to deteriorate in 2H

VNB growth of 20.9% yoy to Rmb21,966mn in 2014 was driven by volume growth (FYP APE +18.7% yoy) and NB margin expansion (+0.8ppt to 40.5%). In terms of distribution, agency VNB +23.4%, bancassurance -35.0%, group +3.1%. Agency accounted for 94.7% of 2014 VNB (vs. 92.8% in 2013), with bancassurance at 1.4% and group at 3.9%. Agency number grew 14.1% yoy (+4.6% hoh) to 636k. The strong Group EV (+39.2%) was helped by capital raising, excluding which growth would be 26.2%. Life EV growth of 30.1% was boosted by strong investment return variance (+10.5%). Persistency ratio remained relatively stable with 13M at 91.0% (vs. 91.7% in 2013) and 25M at 87.4% (vs. 88.3%).

Net profit and segment breakdown; Lufax and trust

Net profit was up 39.5% yoy to Rmb39,279mn, mainly driven by life business (+28.4% yoy), P&C (+50.4%), attributable banking earnings (+28.5%) and trust business (+12.1%). P&C combined ratio improved 2.0ppt to 95.3% thanks to a lower loss ratio (-2.7ppt). Guarantee insurance saw 115% yoy growth in underwriting profit to Rmb2,765mn, exceeding auto insurance to become the biggest contributor to P&C. Net inv yield improved to 5.3% (vs. 5.1% in 2013), total inv yield was flat at 5.1% yoy due to impairment losses of Rmb8,828mn. The company's stake in Lufax declined to 49.99% at end-14 (from 74.91%), making it an associate of the company. Trust assets grew 37.7% (+9.0% hoh in 2H14) and real estate exposure was down to 18% (vs. 20% in 2013).

Capital position

Group solvency margin improved to 205.1% (from 174.4% in 2013 and 186.6% in 1H14) thanks to the private placement of HK\$36,831mn. Life solvency increased to 219.9% (vs. 172% in 2013 and 184% in 1H14) and P&C solvency moved to 164.5% (vs. 167% in 2013 and 152% in 1H14).

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Stock data

Market Cap (HKDm)	700,579
Market Cap (USDm)	90,303
Shares outstanding (m)	8,510.2
Major shareholders	CP Group (12.36%)
Free Float (%)	25
Avg daily value traded (USDm)	288.0

Source: Deutsche Bank

Key data

FYE 12/31	2013A	2014E	2015E
Group EV (CNYm)	329,653	460,382	530,709
VNB(CNYm)	18,163	21,067	24,424
Net Profit	28,154	34,479	40,911
P/EV (CNY)	1.2	1.4	1.2
Implied NB multiple (x)	10.4	8.4	4.7

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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