



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  
20 March 2015

## Results

Price at 20 Mar 2015 (HKD)	92.10
Price target - 12mth (HKD)	108.00
52-week range (HKD)	92.10 - 56.20
HANG SENG INDEX	24,469
HANG SENG INDEX	24,469

## FY14 analyst meeting takeaway; raising target price

### Overall positive tone, with increased focus on internet strategy

We attended Ping An's analyst meeting today, and internet finance was clearly a key focus during Q&A. Management reiterated their aim to become an integrated financial services provider in China and sees internet finance as an integral part of this goal. The company currency has ~70mn of active internet users in its customer base, only ~40% of whom are active users of their internet finance business, hence they see significant growth opportunity for customer migration and cross selling.

### On impacts of new solvency - C-ROSS

C-ROSS is still a work-in-progress at current stage and the company expects more details to be finalized by end-2015. Under current version, management indicated that it should have a positive impact Ping An's P&C business and likely a neutral on Life business. While the industry is still working through the impact of C-ROSS on EV and VNB, Ping An management did highlight that it could result in lower capital cost for protection-type business, hence higher VNB. If implemented, we believe this should encourage the sector to sell more protection and bode well for raising insurance awareness and VNB expansion.

### On P&C business

The company attributed its higher auto combined ratio (+0.5ppt yoy to 98.6% based on NPW) to increased expense ratio in order to support the strong growth (+23% vs. industry ~17%), auto claims ratio actually saw improvement. Management appeared relaxed on implementation of auto premium deregulation as they have done a lot of preparation work since 2 years ago.

### On investments

Despite the increasing stake in NSI (+5.8ppt), Ping An highlighted the strong management with 94% asset projects rated AAA and 5% AA+, credit risks should be manageable. Ping An will look for new investments (such as preferred share and external hedge funds) to help diversify their investments.

### Raising target price to HK\$108/shr; Maintain Buy

We have lifted our target price by 5.7% to HK\$108/shr driven by higher 2015E VNB forecasts (+2.5%), higher target 2015E P/B of 1.2x for PAB (vs. 1.0x previously), and 1.8x for Ping An P&C (vs. 1.7x) on the back of stronger profitability. Our new TP implies a target 2015E P/EV of 1.5x and NB multiple of 8.6x (after a 10% holding company discount). Investment risks include China's macro risks and weaker-than expected VNB growth and a sustainable weakness in inv markets.

<b>Esther Chwei</b>	<b>Lexie Zhou</b>
Research Analyst (+852) 2203 6200 esther.chwei@db.com	Research Associate (+852) 2203 6180 lexie.zhou@db.com

### Key changes

Price target	102.20 to 108.00	↑	5.7%
Net earned prem (FYE)	337,684.0 to 340,353.0	↑	0.8%
Net profit (FYE)	40,911.4 to 45,448.9	↑	11.1%

Source: Deutsche Bank

### Stock data

Market Cap (HKDm)	818,969
Market Cap (USDm)	105,575
Shares outstanding (m)	9,140.0
Major shareholders	CP Group (12.36%)
Free Float (%)	25
Avg daily value traded (USDm)	286.7

Source: Deutsche Bank

### Key data

FYE 12/31	2014A	2015E	2016E
Group EV (CNYm)	458,812	529,083	610,195
VNB(CNYm)	21,966	25,035	28,919
Net Profit	39,279	45,449	52,418
P/EV (CNY)	1.4	1.3	1.1
Implied NB multiple (x)	5.0	4.0	0.1

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Deutsche Bank does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. FOR OTHER IMPORTANT DISCLOSURES PLEASE VISIT <http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=2318.HK> MCI (P) 148/04/2014.