

Ping An Insurance

Understanding the unique source of Ping An's advantages

Investment Focus

Action

Reiterate BUY and TP at Rmb82 and HK\$102, implying 45% and 48% upside room. Upside 1H18 earnings surprise may be catalyst.

Reasoning

Unique corporate governance and incentive program to bring long-term advantages. First, a dispersed and diversified shareholder structure helps Ping An maintain a stable and strong management, who can implement long-term strategies without interference from major shareholders. Second, management's high incentive helps Ping An have the highest execution efficiency among its peers. Third, the firm has been reinforcing IR capability and disclosure since 2016, boosting its market value.

Visionary agency strategy ensures leading position in new business growth. We expect Ping An to lead in agency adjustment. We expect its 2H18–2019 FYP to outgrow peers, as Ping An: 1) claims to boasts the best agent team, and it did not overly expand the team in 2017; 2) was the first insurer to stop selling quick-return annuities in June 2017; 3) did not rely on sale expenses or discounted products in 1H18, and it eliminated inefficient agents—thus, we believe it is easier for Ping An to expand its agent team in 2019; and 4) has a lower base for FYP in 3Q18 compared with peers.

Strengthened pricing power of overseas funds to support valuation premium. Overseas funds have taken up an increasing portion in Ping An-H since 2017, while Ping An-A's overseas shareholding has also climbed in China in 2017 (amid relaxed rules for QFII, Stock Connect and the inclusion of A-shares in the MSCI). We think that overseas funds now play an increasing larger role in pricing Ping An-A/H. We expect this to lower impact from near-term factors and bolster valuation premium.

Earnings forecast and valuation

We leave our earnings forecast unchanged. Ping An-A/H is trading at 1.1x and 1.1x 2018e P/EV. Maintain A-share TP at Rmb82 (1.5x 2018e P/EV, 1.8x life P/EV) offering 45% upside and H-share TP at HK\$102 (1.6x 2018e P/EV, 1.9x life P/EV) offering 48% upside.

Risks

Market concern over management reshuffles; decline in bond yields; credit risk exposure; lowering EV growth outlook.

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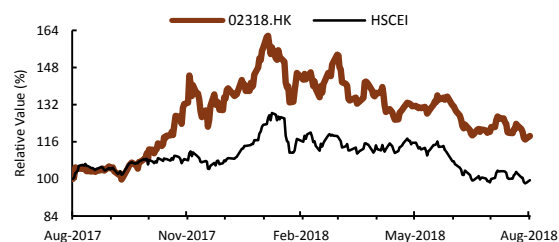
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Maintain BUY

Ticker	601318.SH	02318.HK
CICC investment rating	BUY	BUY
Last close	Rmb57.81	HK\$69.35
CICC target	Rmb82.00	HK\$102.00
52wk price range	Rmb79.75~51.33	HK\$97.01~57.75
Market cap (bn)	Rmb1,079	HK\$1,231
Daily value (mn)	Rmb2,875.87	HK\$2,835.65
Shares outstanding (mn)	18,280	18,280
Free float (%)	59	41
Daily volume (mn sh)	48.19	39.73
Business sector		Insurance



(Rmb mn)	2016A	2017A	2018E	2019E
Revenue	469,555	605,035	703,839	808,236
(+/-)	21.6%	28.9%	16.3%	14.8%
Net profit	62,337	89,088	108,969	126,952
(+/-)	15.0%	42.9%	22.3%	16.5%
EPS	3.41	4.87	5.96	6.94
BPS	20.98	25.89	28.98	34.48
DPS	0.55	1.05	1.70	1.79
EVPS	34.88	45.14	53.24	63.47
P/E	18.2	11.8	9.5	8.2
P/B	3.0	2.2	2.0	1.6
P/EV	1.78	1.28	1.07	0.89
Dividend yield	0.9%	1.8%	3.0%	3.2%
ROAA	1.2%	1.5%	1.6%	1.6%
ROAE	17.4%	20.8%	21.7%	21.9%

Source: Wind, Bloomberg, Corporate filings, CICC Research



Financial summary

(Rmb mn)	2016A	2017A	2018E	2019E	Financial ratios	2016A	2017A	2018E	2019E
Income Statement					Embedded value				
Gross written premiums and policy fees	469,555	605,035	703,839	808,236	NBV	50,805	67,356	72,734	84,219
Net premiums earned	441,620	572,990	667,525	767,395	Value in force	230,361	312,461	381,183	471,468
Investment income	115,053	152,101	183,169	205,205	Life EV	360,310	496,381	601,887	736,313
Other income	219,185	242,334	278,421	318,415	Group EV	637,702	825,173	973,229	1,160,235
Operating income	775,858	967,425	1,129,116	1,291,015	Growth ability				
Net benefits and claims	-119,356	-119,747	-172,786	-187,124	GPW	21.6%	28.9%	16.3%	14.8%
Change in reserve	-205,515	-307,496	-319,582	-368,515	NPE	26.2%	29.7%	16.5%	15.0%
Other expense	-355,263	-412,587	-480,989	-548,654	Net profit to shareholders	15.0%	42.9%	22.3%	16.5%
Operating expense	-680,134	-839,830	-973,357	-1,104,293	NBV	32.2%	32.6%	8.0%	15.8%
Operating profit	95,724	127,595	155,758	186,721	Key ratios				
Share of profits/(losses) of associates	-1,370	7,145	8,069	8,398	NBV/APE margin	46.3%	45.3%	45.9%	48.2%
Profit before tax	94,354	134,740	163,828	195,119	P&C combined ratio	96.0%	96.2%	96.3%	96.3%
Income tax	-22,043	-34,762	-43,139	-52,553	Net investment yield	5.7%	5.5%	5.5%	5.5%
Net profit	72,311	99,978	120,688	142,566	Gross investment yield	5.0%	5.7%	5.6%	5.6%
Minority interest	9,974	10,890	11,720	15,613	Life Solvency ratio	151.8%	237.6%	238.4%	264.4%
Net profit to shareholders	62,337	89,088	108,969	126,952	P&C Solvency ratio	157.9%	158.9%	162.2%	170.2%
Balance sheet					Group Solvency ratio	194.8%	175.5%	187.7%	190.8%
Cash and Deposits	330,212	304,403	349,618	402,048	Return				
Debt securities	910,968	1,071,688	1,230,873	1,415,458	ROA	1.2%	1.5%	1.6%	1.6%
Equity securities	253,711	396,219	455,072	523,316	ROE	17.4%	20.8%	21.7%	21.9%
Other investment assets	476,907	677,164	777,748	894,381	Life ROEV	8.0%	37.8%	21.3%	22.3%
Total investment assets	1,971,798	2,449,474	2,813,311	3,235,202	Group ROEV	15.4%	29.4%	17.9%	19.2%
Other assets	3,605,105	4,043,601	4,648,480	5,394,466	Per-share data				
Total assets	5,576,903	6,493,075	7,461,792	8,629,668	EPS (Rmb)	3.41	4.87	5.96	6.94
Insurance contract liabilities	1,625,473	1,932,969	2,252,551	2,621,066	BVPS (Rmb)	20.98	25.89	28.98	34.48
Investment contract liabilities	44,930	50,309	56,332	63,076	EVPS (Rmb)	34.88	45.14	53.24	63.47
Subordinated debts	34,609	34,609	34,609	34,609	DPS (Rmb)	0.55	1.05	1.70	1.79
Other liabilities	3,385,430	3,887,271	4,460,330	5,128,016	Trading multiples				
Total liabilities	5,090,442	5,905,158	6,803,822	7,846,767	P/EV	1.8	1.3	1.1	0.9
Total equities	486,461	587,917	657,970	782,902	P/BV	3.0	2.2	2.0	1.6
Minority interests	103,012	114,566	128,217	152,562	P/NAV	2.3	1.8	1.6	1.3
Shareholders' funds	383,449	473,351	529,753	630,339	P/E	18.2	11.8	9.5	8.2
Total equities and liabilities	5,576,903	6,493,075	7,461,792	8,629,668	Dividend yield	0.9%	1.8%	3.0%	3.2%

Source: Corporate filings, CICC Research

Company description

Ping An Insurance (Group) Company of China, Ltd. is the first joint-stock insurance company in China, and has become a comprehensive provider of various financial services, including insurance, banking, and investment. Working together with its multiple subsidiaries and multi-channel distribution network, the company provides its over 60mn clients with a full range of customized financial products and services.



Understand the source of Ping An's advantages

Unique corporate governance and incentive program to bring long-term edges

We expect Ping An Insurance's unique corporate governance and incentive mechanism to bring long-term competitive edges. First, a dispersed and diversified shareholder structure helps Ping An maintain a stable and strong management, who can implement long-term strategies without interference from major shareholders. Second, management's high incentive helps Ping An have the highest execution efficiency among its peers. Third, the firm has been reinforcing IR capability and disclosure since 2016, boosting its market value.

Corporate governance: Dispersed and diversified shareholder structure allows strong, stable management team

Ping An has long had a dispersed and diversified shareholder structure since its listing. As of end-2017, the largest shareholder was UBS holding a 9.3% stake, while the top-5 shareholders controlled a mere 27.8%. The dispersed and diversified shareholder structure allows Ping An to maintain a strong and stable management team.

Its key senior executives have been working in the firm for 10–20 years and have long led corporate strategy and operation. Thanks to the fragmented shareholder structure, senior executives can make strategic decisions for the insurance business and implement long-term strategies without much interference from shareholders.

In contrast, most domestic insurance companies are heavily influenced by major shareholders. They tend to pay more attention to short-term results and cannot formulate or implement long-term strategies, boding ill for long-term development of insurance business. For example, many domestic insurance companies sold large volumes of low-value products with medium or short durations as well as high-interest-rate annuities in 2015 and 2016.

Figure 1: Shareholder structure fragmented

Shareholding ratio (%)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1st shareholder	10.0	10.0	10.0	8.4	8.4	8.4	8.1	7.8	7.8	6.1	5.4	5.3	5.3	9.3
2nd shareholder	8.8	9.9	9.9	8.4	8.4	8.4	8.0	7.8	6.1	5.0	4.4	5.1	4.9	5.3
3rd shareholder	7.7	8.8	8.8	7.4	7.4	6.6	6.3	6.1	4.8	4.5	3.4	4.4	4.3	5.3
4th shareholder	6.3	7.7	7.7	5.3	5.3	5.3	5.0	4.8	4.6	4.1	2.8	4.3	4.3	4.0
5th shareholder	6.1	6.3	6.3	5.2	5.2	5.2	4.2	4.0	4.0	3.9	2.6	3.4	3.8	3.9
Top 5 shareholders	38.9	42.7	42.7	34.7	34.7	33.8	31.6	30.5	27.3	23.5	18.6	22.5	22.6	27.8
Top 10 shareholders	60.5	65.5	62.6	43.3	49.5	47.9	45.2	43.4	40.4	36.8	27.5	35.8	35.3	41.3
Total share of shareholders not exceeding 1%	33.2	34.6	37.4	56.7	49.1	50.4	53.4	55.2	56.8	58.2	71.5	59.3	63.3	57.3

Source: Wind Info, CICC Research



Figure 2: Major shareholders in listed insurers

Ping An	China Life	CPIC	NCI	CTIH
UBS Group (9.3%)	China Life Insurance (Group) (68.4%, the Ministry of Finance is its wholly owned shareholder)	Huabao Investment (14.2%)	Central Huijin Investment (31.3%)	China Taiping Insurance Group (Hong Kong) (50.7%, the Ministry of Finance is its wholly owned shareholder)
Shenzhen Investment Holdings (5.3%)		Shenergy (Group) (13.5%)	China Baowu Iron and Steel Group (12.1%)	
JPMorgan Chase & Co. (5.3%)		Shanghai Haiyan Investment Management (5.2%)		

Source: Corporate filings, Wind Info, CICC Research

Figure 3: Part of listed insurers' senior executives

Ping An	China Life	CPIC	NCI	CTIH
Major management staff, the year joined the company and position				
Mingzhe Ma (1988) Chairman and CEO	Mingsheng Yang (2012) Chairman, executive director	Qingwei Kong (2017) Chairman, executive director	Feng Wan (2014) Chairman, Executive Director, CEO, Chief Risk Officer	Bin Wang (2012) Chairman, executive director
Jianyi Sun (1990) Senior Vice Chairman, Executive Deputy General Manager	Yiren Lin (2008) Executive Director, President	Qing He (2016) Executive Director, President, CPIC Assets Director	Zongjian Li (2017) Vice President, Executive Director	Sidong Wang (2018) Vice Chairman, Executive Director, General Manager
Huichuan Ren (1992) Executive Director, General Manager	Hengping Xu (2015) Executive Director, Vice President	Jian Wang (2015) Vice Chairman, Non-Executive Director	Zheng Yang (2016) Vice President, CFO	Tingke Wang (2016) Deputy General Manager, Executive Director
Bo Yao (2001) Executive Director, Executive Deputy General Manager, CFO, Chief Actuary	Haifeng Xu (2015) Executive Director, Vice President	Yanhong Pan (2013) Vice President and CFO	Xingfeng Gong (2010) Vice President, Chief Actuary, Secretary of the Board of Directors	Xiaoping Yu (2017) executive director
Yuanxiang Li (2004) Executive Director, Executive Deputy General Manager, Deputy CFO, Chief Insurance Business Executive	Mingguang Li (2012) Vice President, Chief Actuary, Secretary of the Board of Directors	Yuanzhen Zhang (2013) Chief actuary	Qiyang Liu (2016) Assistant to the President, Chief Human Resources Officer	Ruohun Zhang (2013) financial director

Source: Corporate filings, Wind Info, CICC Research

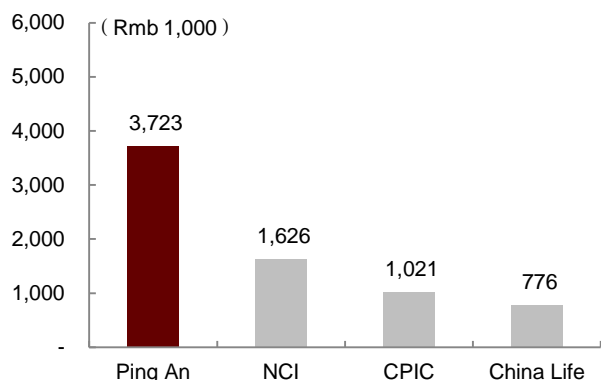
High management incentive contributes to highest execution efficiency among peers

Ping An is the only non-state owned listed insurer with mixed ownership in China, allowing the firm to introduce more market-oriented incentive mechanism. First, senior executives are better compensated than are their peers. Their annual compensation averaged Rmb3.72mn in 2017 vs. Rmb1.63mn at New China Insurance, Rmb1.02mn at China Pacific Insurance and Rmb780,000 for China Life.

Second, management shareholding aligns the interests of senior executives and the listco. Senior executives had held 5.67mn shares in Ping An as of end-2017 with market value at Rmb397mn. In contrast, senior executives at other listed insurers do not hold shares in the firms they manage, and their compensation is not directly linked with share price performance.

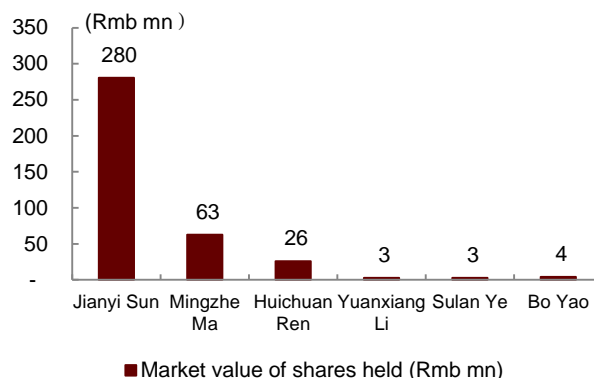


Figure 4: Ping An's senior executives are better compensated than peers (2017)



Source: Corporate filings, Wind Info, CICC Research

Figure 5: Competitive incentive mechanism reinforces execution

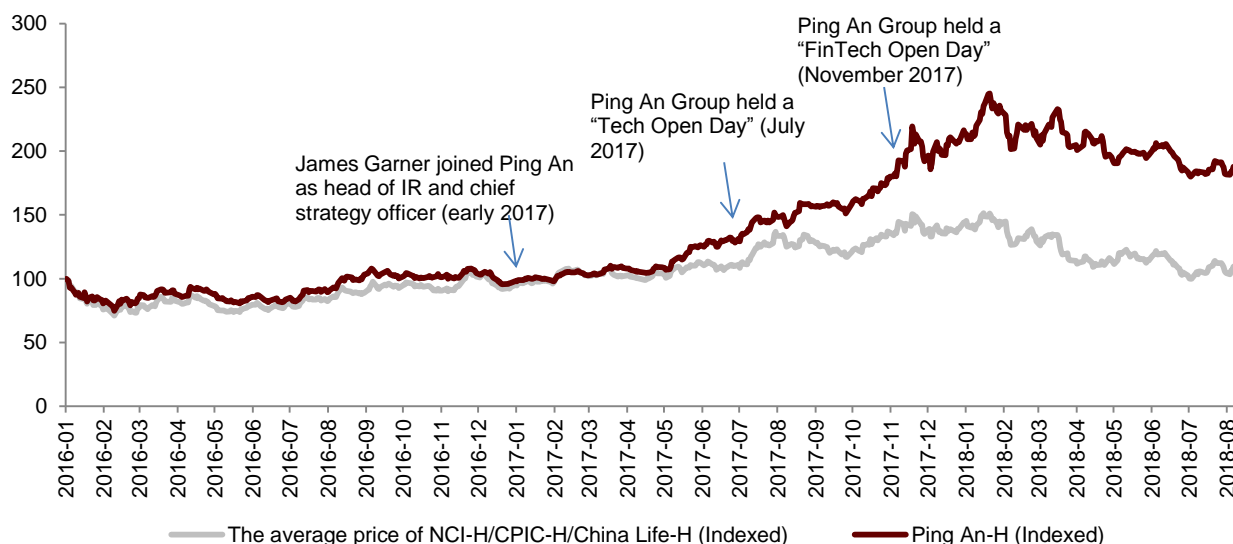


Source: Corporate filings, Wind Info, CICC Research

Management of market cap market-oriented and transparent

Ping An outperforms in market-cap management. The firm has been enhancing its investor relations management and increasing transparency in information disclosure since 2016. First, the firm has included market-cap management in the KPI of senior executives. Second, in 2017, Ping An hired James Garner (former chief insurance analyst at HSBC) and his team to take charge of investor relations and corporate brand, especially communication with overseas market. Third, the firm has led in disclosing important indicators such as residual value, operating profit and new business value of different business segments.

Figure 6: Strong market-cap management allows Ping AN to enjoy above average valuation in the sector



Source: Corporate website, Wind Info, CICC Research



Visionary agency strategy ensures leading position in new business growth

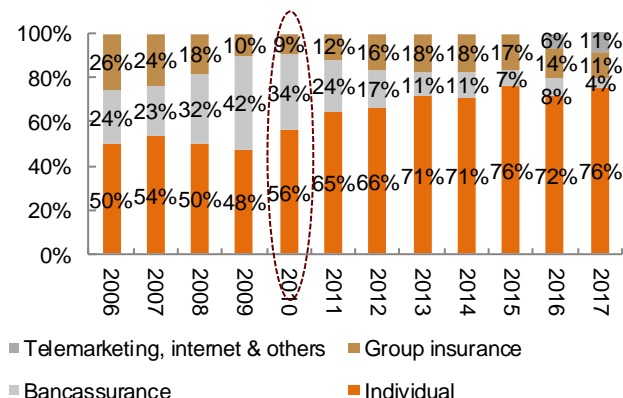
We expect the firm to lead in agency adjustment. We expect its 2H18–2019 FYP to outgrow peers, as Ping An: 1) claims to boasts the best agent team, and it did not overly expand the team in 2017; 2) was the first insurer to stop selling quick-return annuities in June 2017; 3) did not rely on sale expenses or discounted products in 1H18, and it eliminated inefficient agents –thus, we believe it is easier for Ping An to expand its agent team in 2019; and 4) has a lower base for FYP in 3Q18 compared with peers.

Priority given to insurance agents and reducing presence in bancassurance distribution channels

Ping An began reducing its presence in bancassurance distribution channels and focused its resources on building a strong team of insurance agents to boost revenue from premiums in 2010. Ping An's premiums from bancassurance distribution channels made up 4% of its first year premiums in 2017 (vs. 42% in 2009).

In contrast, other listed insurers poured their resources into bancassurance distribution channels. CPIC began to shift focus to insurance agents in 2011 and NCI began to shift focus to insurance agents in 2016. Ping An was the first to reduce presence in bancassurance distribution channels and shift focus to insurance agents, giving the company first-mover advantage.

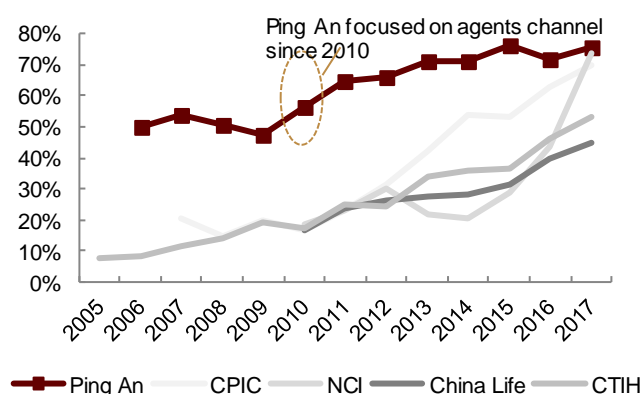
Figure 7: Ping An began reducing presence in bancassurance distribution channels in 2010 (FYP channel mix in the chart)



Note: Ping An began releasing statistics about telesales, online sales and sales through other distribution channels in 2015

Source: Corporate filings, CICC Research

Figure 8: Premiums from agents constitute a larger share in Ping An's overall premiums(agent FYP as % of total)



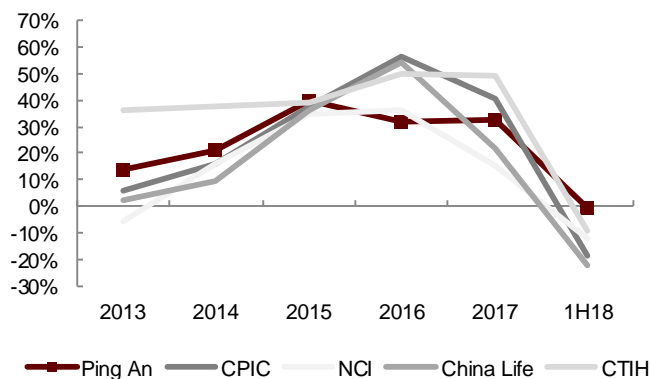
Source: Corporate filings, CICC Research

Ping An pays attention to income and quality of agents, rather than the number of agents

Ping An gives priority to the income and quality of agents rather than the number of agents while expanding its agent team. Thanks to its forward-looking strategy for agent team, Ping An reported higher NBV growth than its peers. In the past 3 years, the number of Ping An's agents, monthly first-year premiums (FYP) from its agents and monthly income of its agents grew about 30%, 7% and 10% a year, ahead of its peers. In 2017, monthly FYP and income of Ping An's agents stood at Rmb9,122 and Rmb6,250 on average, much higher than those of other listed insurers. Ping An's management pays much attention to the income of agents and this will help the company build a high-quality agent team.

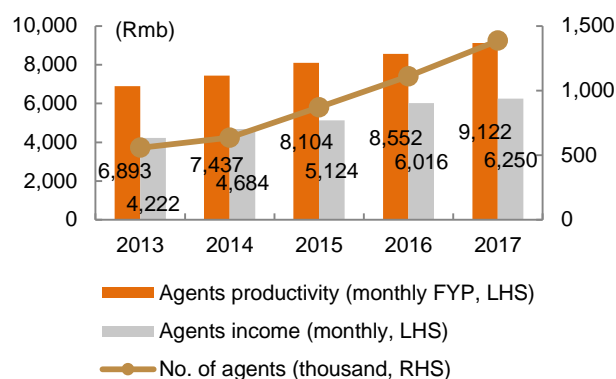


Figure 9: Ping An reported higher NBV growth than its peers



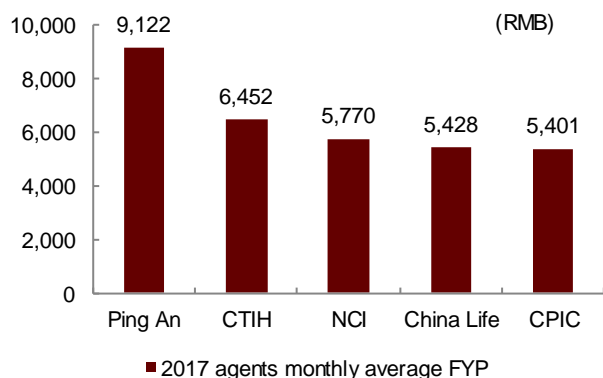
Source: Corporate filings, CICC Research

Figure 10: The number of Ping An's agents grew in step with monthly FYP and income of its agents in the past 5 years



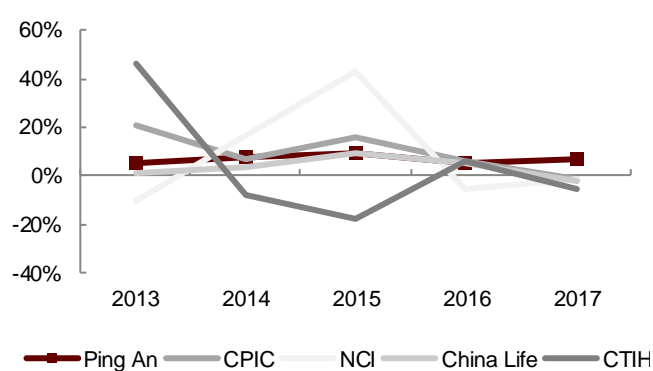
Source: Corporate filings, CICC Research

Figure 11: Monthly FYP from Ping An's agents higher than its peers in 2017



Source: Corporate filings, CICC Research

Figure 12: Monthly FYP from Ping An's agents steadily grew over the past 5 years



Source: Corporate filings, CICC Research

Figure 13: Growth in the productivity and scale of agents

Agents FYP growth, YoY	2013	2014	2015	2016	2017
Ping An	5%	8%	9%	6%	7%
CPIC	20%	7%	16%	6%	-2%
NCI	-11%	17%	43%	-5%	-2%
China Life	1%	4%	9%	5%	-2%
CTIH	46%	-7%	-18%	6%	-6%
Agents scale growth, YoY	2013	2014	2015	2016	2017
Ping An	9%	14%	37%	28%	25%
CPIC	10%	14%	40%	35%	34%
NCI	-13%	-1%	48%	27%	6%
China Life	-6%	14%	32%	53%	6%
CTIH	95%	19%	73%	13%	47%

Source: Corporate filings, CICC Research

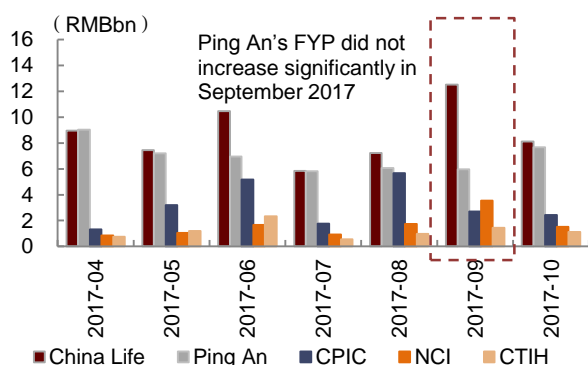


Ping An stopped selling quick-return insurance products to encourage agents to adapt to new business environment

The China Banking and Insurance Regulatory Commission (CBIRC) in May 2017 announced a policy requiring insurers to stop selling quick-return insurance products before October 2017. While many insurers tried to promote such products before the ban came into effects, Ping An chose to stop selling quick-return insurance products in June 2017 to encourage agents to adapt to the change, three months ahead of its peers.

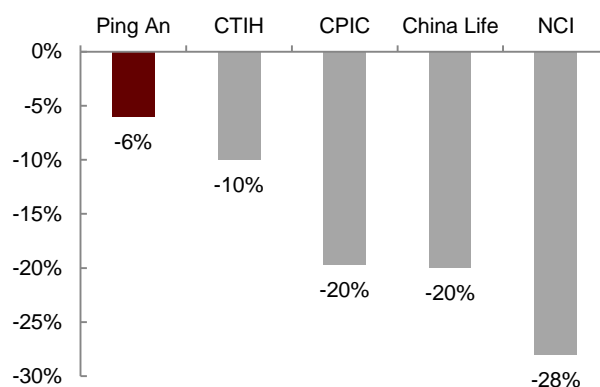
Ping An's management is forward-looking, in our view. The CBIRC policy had a much smaller negative impact on Ping An's FYP and the number of Ping An's agents compared with its peers. We estimate Ping An's FYP from individual customers saw the smallest decline in 1H18 among its peers, partly because it was the first to stop selling quick-return insurance products.

Figure 14: Ping An stopped selling quick-return insurance products in June 2017; FYP did not grow sharply in September



Source: Corporate Announcement, CICC Research

Figure 15: Ping An's FYP from individual customers saw the smallest decline in 1H18



Note: Estimated figure for China Life, CPIC and NCI
 Source: Corporate filings, CICC Research

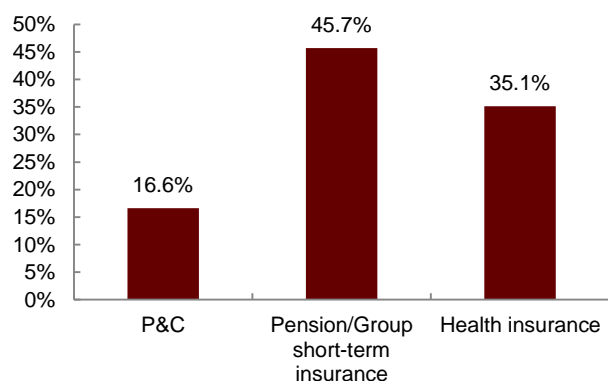
Cross-selling opportunities to increase agents' income

Other financial services (e.g., banking and property insurance) of Ping An's parentco could provide cross-selling opportunities for Ping An's insurance agents, increasing their income. In 2017, life insurance agents contributed to 17%, 46%, and 35% of premiums in P&C insurance, short-term pension products and health insurance.

Meanwhile, salary of Ping An's agents was higher than those at its peers and national average thanks to cross selling. The average salary of Ping An's agents was Rmb6,016 in 2016 with cross-selling contributing 12.52%. In contrast, the national average salary stood at Rmb5,198 and salaries of other listed insurers' agents stood at Rmb3,000–4,000 on average. High salaries should help Ping An attract high-quality agents. We believe that cross selling could offset the negative impact on agents' income from declining life FYP in 2018, strengthening Ping An's competitive edge over other life insurers.

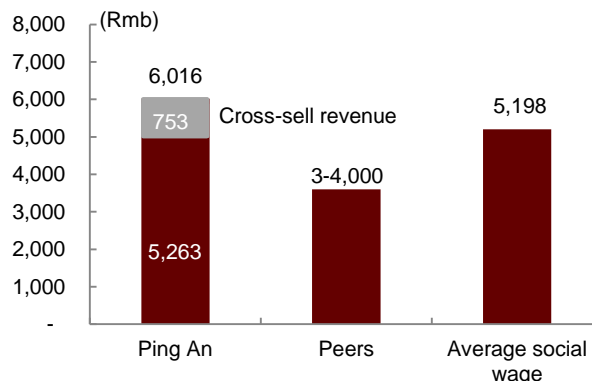


Figure 16: In 2017, life insurance agents contributed to 17%, 46% and 35% of premiums in P&C insurance, short-term pension products and health insurance



Source: Corporate filings, CICC Research

Figure 17: Salary of Ping An's agents higher than peers and the national average thanks to cross-selling



Source: Corporate filings, NBS, CICC Research

We expect Ping An to lead in completing agent team fine-tuning and its 2H18–2019 FYP to outgrow peers

We expect the firm to lead in completing fine-tuning in agent team and resume sustained growth. We expect its 2H18-2019 FYP to outgrow peers, as Ping An: 1) claims to boast the best agent team, and it did not overly expand the team in 2017; 2) was the first insurer to stop selling quick-return annuities in June 2017; 3) did not rely on sale expenses or discounted products in 1H18, and it eliminated inefficient agents –thus, we believe it is easier for Ping An to expand its agent team in 2019; and 4) has a lower base for FYP in 3Q18 compared with peers.

Strengthened pricing power of overseas funds to support valuation premium

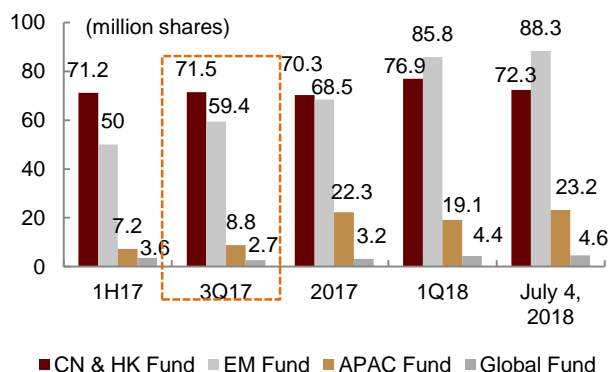
Overseas funds have taken up an increasing portion in Ping An-H since 2017, while Ping An-A's overseas shareholding has also climbed in China in 2017 (amid relaxed rules for QFII, Stock Connect and the inclusion of A-shares in the MSCI). We think that overseas funds now play an increasing larger role in pricing Ping An-A/H. We expect this to lower impact from near-term factors and bolster valuation premium.

Ping An-H: Overseas funds' shareholding ratio significantly rising since 2017

We divide Ping An-H's institutional investors into HK local funds, emerging markets funds, Asia Pacific funds and global funds. Our analysis suggests that overseas funds' (incl. emerging markets funds, Asia Pacific Funds and global funds) shareholding ratio began to sharply rise in 2017, and exceeded that of HK local funds in 3Q17 for the first time. Thanks to the strengthened pricing power of overseas funds, Ping An-H's share price has significantly outperformed other domestic insurers since early-2017.

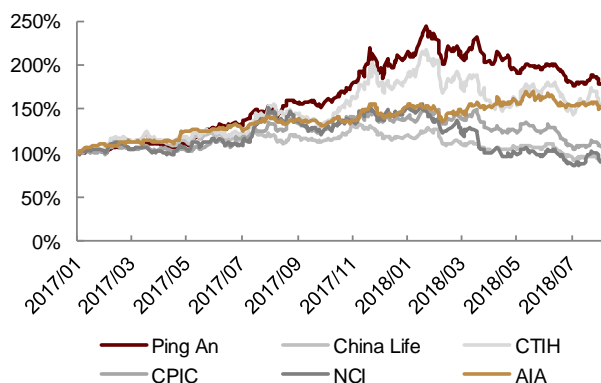


Figure 18: Our analysis suggests that overseas funds' shareholding ratio began sharply rising in 2017; first exceeded that of HK local funds in 3Q17



Source: Bloomberg, CICC Research

Figure 19: Ping An-H's share price has outperformed other domestic insurers since early 2017

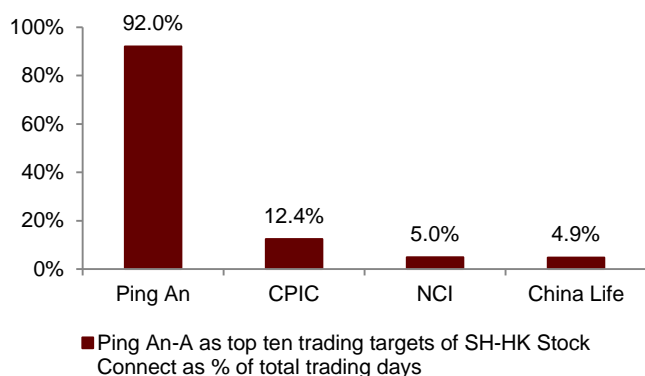


Source: Wind Info, CICC Research

Ping An-A: Overseas funds' shareholding ratio also increasing

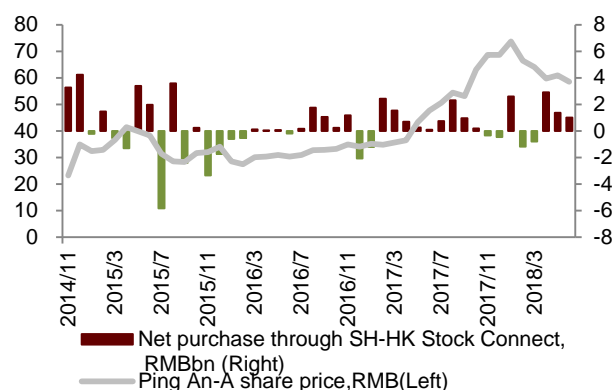
Ping An-A has been one of the most sought after A-share names for northbound trading since the SH-HK Stock Connect began in November 2014. The firm is a top-10 name for northbound trading in 92% of the trading days, and has recorded Rmb17.1bn in net inflow or 3.3% of Ping An-A's free float market-cap. We think overseas funds also enjoy a strengthened pricing power in Ping An-A.

Figure 20: Ping An-A is a top-10 name for northbound trading in 92% of the trading days, well above peers



Source: Wind Info, CICC Research

Figure 21: We think overseas funds also enjoy a strengthened pricing power in Ping An-A



Source: Wind Info, CICC Research

Strengthened pricing power of overseas funds to support valuation premium

Ping An-A/H is trading at 1.1x and 1.1x 2018e P/EV with a 1.2x and 1.2x 2018e P/EV for life insurance business, well above industry average of 1.0x. Given the strengthened pricing power of overseas funds and the high correlation in the prices of Ping An-A and Ping An-H, we think the correlation of its valuation with other domestic insurers has weakened and the firm should enjoy valuation premium over the long term.



Figure 22: The valuation of Ping An-H (current share price)

Business Segements	Valuation method	Valuation basis (2018e, RMB mn)	shareholding ratio	Discount	Valuation multiple	Valuation (RMB mn)	Value per share (HKD)	Proportion
Life insurance	P/EV	601,887	99.5%	na.	1.2	688,779	46.1	67.1%
P&C insurance	P/B	84,173	99.5%	na.	1.1	92,136	6.2	9.0%
Bank	MV	150,928	49.6%	na.		74,800	5.0	7.3%
Securities	P/B	31,219	41.0%	na.	1.0	12,787	0.9	1.2%
Trust	P/E	4,633	99.9%	na.	10	46,274	3.1	4.5%
Lufax Holding	MV	252,000	43.8%	70%		33,083	2.2	3.2%
Ping An Good Doctor	MV	40,724	39.3%	70%		4,798	0.3	0.5%
Healthcare Technology	MV	55,440	44.3%	70%		7,373	0.5	0.7%
OneConnect	MV	46,620	44.3%	70%		6,196	0.4	0.6%
Others	P/E	6,057	100.0%	na.	10	60,570	4.1	5.9%
Total						1,026,796	68.7	100.0%

Source: Corporate filings, Wind Info, CICC Research

Figure 23: Valuation of Ping An-H (target price)

Business Segements	Valuation method	Valuation basis (2018e, RMB mn)	shareholding ratio	Discount	Valuation multiple	Valuation (RMB mn)	Value per share (HKD)	Proportion
Life insurance	P/EV	601,887	99.5%	na.	1.9	1,126,004	75.3	73.8%
P&C insurance	P/B	84,173	99.5%	na.	1.5	125,641	8.4	8.2%
Bank	MV	150,928	49.6%	na.		74,800	5.0	4.9%
Securities	P/B	31,219	41.0%	na.	1.4	17,902	1.2	1.2%
Trust	P/E	4,633	99.9%	na.	15	69,412	4.6	4.5%
Lufax Holding	MV	252,000	43.8%	70%		33,083	2.2	2.2%
Ping An Good Doctor	MV	40,724	39.3%	70%		4,798	0.3	0.3%
Healthcare Technology	MV	55,440	44.3%	70%		7,373	0.5	0.5%
OneConnect	MV	46,620	44.3%	70%		6,196	0.4	0.4%
Others	P/E	6,057	100.0%	na.	10	60,570	4.1	4.0%
Total						1,525,777	102.0	100.0%

Source: Corporate filings, Wind Info, CICC Research



Figure 24: Valuation of Ping An-A (current share price)

Business Segements	Valuation method	Valuation basis (2018e, RMB mn)	shareholding ratio	Discount	Valuation multiple	Valuation (RMB mn)	Value per share (RMB)	Proportion
Life insurance	P/EV	601,887	99.5%	na.	1.2	700,758	38.3	67.5%
P&C insurance	P/B	84,173	99.5%	na.	1.1	92,136	5.0	8.9%
Bank	MV	150,928	49.6%	na.		74,800	4.1	7.2%
Securities	P/B	31,219	41.0%	na.	1.0	12,787	0.7	1.2%
Trust	P/E	4,633	99.9%	na.	10	46,274	2.5	4.5%
Lufax Holding	MV	252,000	43.8%	70%		33,083	1.8	3.2%
Ping An Good Doctor	MV	40,724	39.3%	70%		4,798	0.3	0.5%
Healthcare Technology	MV	55,440	44.3%	70%		7,373	0.4	0.7%
OneConnect	MV	46,620	44.3%	70%		6,196	0.3	0.6%
Others	P/E	6,057	100.0%	na.	10	60,570	3.3	5.8%
Total						1,038,775	56.8	100.0%

Source: Corporate filings, Wind Info, CICC Research

Figure 25: Valuation of Ping An-A (target price)

Business Segements	Valuation method	Valuation basis (2018e, RMB mn)	shareholding ratio	Discount	Valuation multiple	Valuation (RMB mn)	Value per share (RMB)	Proportion
Life insurance	P/EV	601,887	99.5%	na.	1.8	1,096,057	60.0	73.3%
P&C insurance	P/B	84,173	99.5%	na.	1.5	125,641	6.9	8.4%
Bank	MV	150,928	49.6%	na.		74,800	4.1	5.0%
Securities	P/B	31,219	41.0%	na.	1.4	17,902	1.0	1.2%
Trust	P/E	4,633	99.9%	na.	15	69,412	3.8	4.6%
Lufax Holding	MV	252,000	43.8%	70%		33,083	1.8	2.2%
Ping An Good Doctor	MV	40,724	39.3%	70%		4,798	0.3	0.3%
Healthcare Technology	MV	55,440	44.3%	70%		7,373	0.4	0.5%
OneConnect	MV	46,620	44.3%	70%		6,196	0.3	0.4%
Others	P/E	6,057	100.0%	na.	10	60,570	3.3	4.0%
Total						1,495,830	81.8	100.0%

Source: Corporate filings, Wind Info, CICC Research

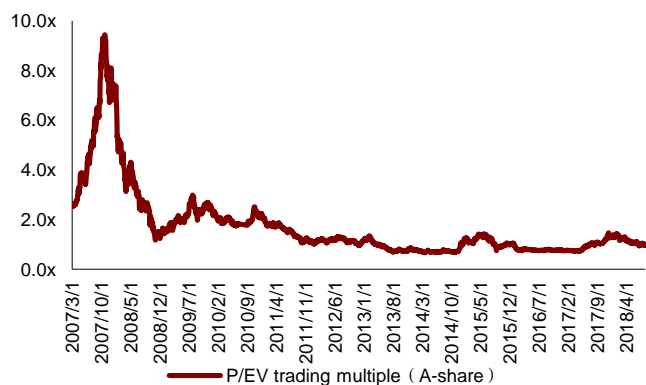
Figure 26: Valuations of comparable companies

Company	Currency	Rating	Mkt cap	Price on	Target TP implied	Potential	P/EV	P/EV	3-yr Avg	P/BV	P/BV	3-yr Avg	P/E	Div yield
			USD mn	20 Aug 18	Price 2018e	P/EV	2018e	2019e	ROEV	2018e	2019e	ROE	2018e	2018e
AIA	HKD	BUY	103,964	67.2	80.0	2.3	1.9x	1.7x	11.3%	2.6x	2.2x	16.1%	18.0x	1.7%
China Life - H	HKD	BUY	17,706	18.6	26.0	0.7	0.5x	0.4x	13.7%	1.2x	1.1x	13.0%	9.7x	3.6%
China Pacific - H	HKD	BUY	10,639	29.9	42.0	0.9	0.7x	0.6x	16.2%	1.5x	1.4x	12.9%	11.5x	4.3%
China Re	HKD	Hold	1,387	1.6	1.9	0.8	0.6x	0.6x	7.2%	0.7x	0.7x	7.8%	9.7x	2.9%
China Taiping	HKD	BUY	11,427	24.8	33.0	0.8	0.6x	0.5x	18.6%	1.2x	1.0x	13.3%	8.5x	0.7%
New China - H	HKD	BUY	4,428	33.4	49.0	0.7	0.5x	0.4x	16.7%	1.2x	1.1x	11.5%	9.9x	3.1%
Ping An - H	HKD	BUY	66,217	69.4	102.0	1.6	1.1x	0.9x	22.2%	2.0x	1.6x	19.8%	9.5x	3.0%
China Life - A	RMB	Hold	67,340	22.0	25.0	0.8	0.7x	0.6x	13.7%	1.8x	1.6x	13.0%	14.0x	2.5%
China Pacific - A	RMB	BUY	30,879	33.4	41.0	1.1	0.9x	0.8x	16.2%	2.0x	1.8x	12.9%	15.7x	3.2%
New China - A	RMB	Hold	13,684	44.6	57.0	1.0	0.8x	0.7x	16.7%	2.0x	1.8x	11.5%	16.1x	1.9%
Ping An - A	RMB	BUY	92,094	57.8	82.0	1.5	1.1x	0.9x	22.2%	2.0x	1.7x	19.8%	9.7x	3.1%
China Sector-H	USD		124,097			0.9	0.8x	0.7x	15.8%	1.6x	1.4x	13.0%	9.4x	2.8%
China Sector-A	USD		203,996			1.1	0.9x	0.8x	17.2%	1.9x	1.7x	14.3%	12.5x	2.7%
China Sector	USD		328,093			1.0	0.9x	0.7x	16.3%	1.8x	1.6x	13.4%	11.3x	2.8%
HK & China	USD		432,057			1.1	1.1x	1.0x	15.9%	2.0x	1.7x	13.6%	12.9x	2.7%

Source: Corporate filings, Wind Info, CICC Research. All the companies are covered by CICC and use CICC forecasts.

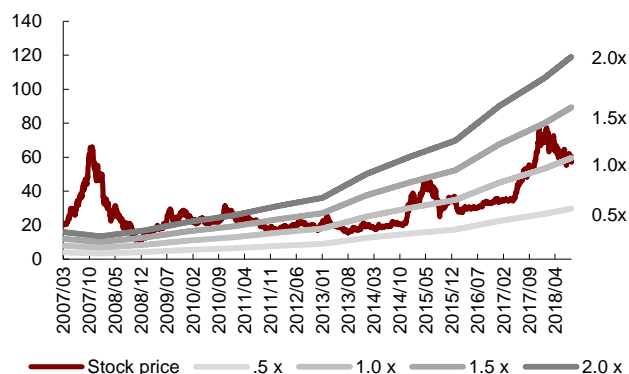


Figure 27: Ping An-A is trading at 1.1x 2018e P/EV



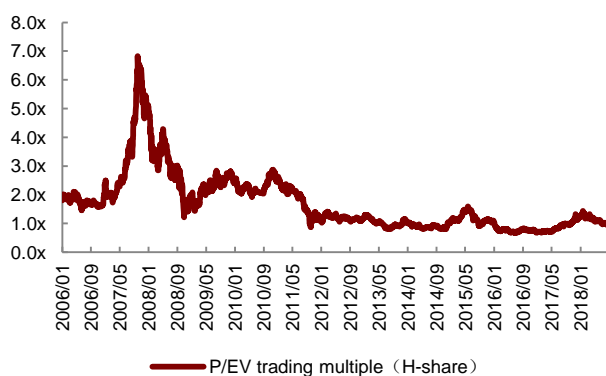
Source: Wind Info, Corporate filings, CICC Research

Figure 28: Ping An-A is trading at 1.1x P/EV on average since 2010



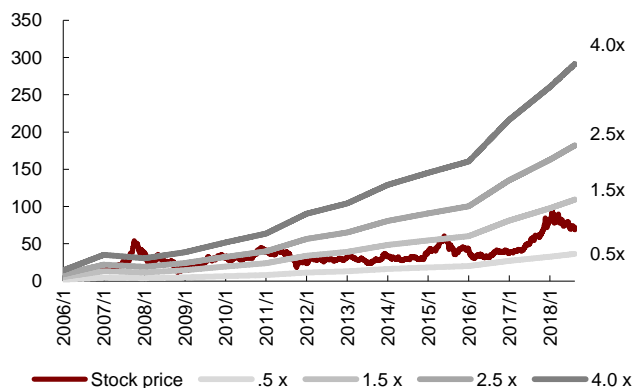
Source: Wind Info, Corporate filings, CICC Research

Figure 29: Ping An-H is trading at 1.1x 2018e P/EV



Source: Wind Info, Corporate filings, CICC Research

Figure 30: Ping An-H is trading at 1.2x P/EV on average since 2010



Source: Wind Info, Corporate filings, CICC Research



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