Ping An Insurance Group (2318 HK)

1H26: Steady And Solid Growth

Highlights

- Ping An posted accelerating OPAT growth of 8% in 1H26, thanks to strong recovery in asset management and banking business while the life and P&C segment results were dragged by higher tax rate.
- Maintain BUY with an unchanged target price of HK$75.00.

1H26 Results

Year to 31 Dec (Rmbm)	1H26	1H25	yoy%	2Q26	yoy%
Group OPAT	84,196	77,732	8.3	43,416	9.0
L&H insurance	52,885	52,435	0.9	24,790	-3.1
P&C insurance	8,772	10,010	-12.4	5,970	-11.9
Banking	14,894	14,414	3.3	6,476	3.7
Asset management	9,172	2,723	236.8	5,990	265.7
Technology	132	811	-83.7	202	-23.5
Group net profit	92,585	68,047	36.1	67,563	64.7
FYP	101,825	85,574	19.0	35,485	-11.3
NBV	24,847	22,335	11.2	9,273	-1.8

Source: Ping An, UOB Kay Hian

Analysis

- **In line.** Ping An Insurance Group's (Ping An) operating profit after tax (OPAT) attributable to parent surged 8% yoy to Rmb84.2b in 1H26, accounting for 60% of our full-year estimates. Net profit grew faster at 36% yoy, mainly driven by: a) Rmb4.2b of positive short-term investment variance, and b) revaluation gains on convertible bonds issued by Ping An. An interim DPS of Rmb0.98 was announced, up 3.2% yoy.
- **NBV growth was a slight miss.** New business value (NBV) growth decelerated to 11% yoy in 1H26, implying -2% yoy in 2Q26 (1Q26: +21%). The 1H26 growth was supported by 19% sales growth, partly offset by 1.6ppt margin compression due to adverse operating assumption changes at end-25 and product mix shift toward lower-margin participating products. By channel, agency and bancassurance recorded 5%/18% yoy NBV growth in 1H26. Despite the bancassurance channel's sales disruption in 2Q26 from tightening expense ratio regulations (Circular 65), management guided for **stronger NBV growth**, underpinned by continued channel diversification and product-mix optimisation.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Insurance revenue (L&H)	86,031	84,035	86,899	87,926	89,954
Insurance revenue (P&C)	328,146	338,912	372,853	396,984	418,774
Banking revenue	146,695	131,442	146,708	151,834	158,400
OPAT attributable to parent	121,863	134,415	141,463	146,700	153,845
Net profit (rep./act.)	126,607	134,778	150,996	156,411	162,149
EPS (Fen)	695.3	740.1	829.2	858.9	890.4
PE (x)	7.3	6.9	6.2	5.4	6.4
P/EV (x)	0.7	0.6	0.6	0.5	0.5
Dividend yield (%)	4.5	4.5	5.1	5.3	5.6
Combined ratio (%)	98.3	96.8	96.8	96.6	96.3
ROE (%)	13.9	14.0	14.4	13.6	12.9
Consensus net profit	-	-	147,823	160,204	174,212
UOBKH/Consensus (x)	-	-	1.02	0.98	0.93

Source: Ping An, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$56.20
Target Price	HK$75.00
Upside	33.5%

Stock Data

Sector	Financials
Bloomberg ticker	2318 HK
Shares issued (m)	7,447.6
Market cap (HK$m)	1,082,058.3
Market cap (US$m)	137,998.3
3-mth avg daily t'over (US$m)	253.0

Price Performance (%)

52-week high/low				HK$74.70/HK$50.00
1mth	3mth	6mth	1yr	YTD
(0.1)	(7.6)	(20.5)	(2.8)	(13.7)

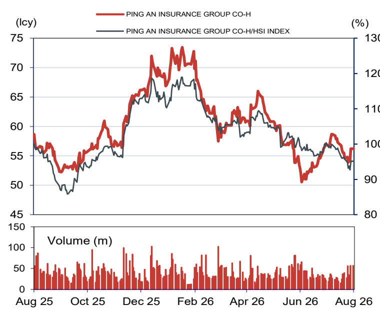
Major Shareholders (%)

Shenzhen Investment Holdings Co Ltd	5.3
Central Huijin Asset Management Ltd.	2.6

Balance Sheet Metrics

FY26 EV/Share (Rmb)	89.2
FY26 ROE (%)	14.4

Price Chart



Source: Bloomberg

Company Description

Ping An Insurance Group is one of the largest China financial conglomerates. It provides products and services through its L&H insurance, property & casualty insurance, banking, asset management and technology segments.

- **Muted OPAT growth in life insurance segment amid higher tax.** Life segment OPAT edged up only 1% yoy, as the increase in positive operating variance and investment service results were largely offset by slower contractual service margin (CSM) release (-3% yoy) and higher effective tax rate (+6.3ppt to 11.8%). CSM balance was up 2% hoh, on track with management's target of positive growth in 2026.
- **P&C was also dragged by higher tax rate despite solid underwriting and investment performance. Ping An P&C's underwriting profit rose 6% yoy, driven by a 0.1ppt improvement in combined ratio (CoR), primarily from the auto segment (CoR: -0.6ppt yoy.** Investment income also grew 8% yoy, but the higher effective tax rate (+12ppt yoy to 32%) has led to a 12% yoy decline in P&C OPAT. As per management, the higher tax rate was caused by a **timing effect in the recognition of tax-exempt dividend income from bank-stock holdings.**
- **PAB continued to see positive earnings growth.** Ping An Bank (PAB) delivered revenue/earnings growth of 2%/3% yoy in 1H26, underpinned by: a) stable net interest margin, b) 6% growth in non-interest income, and c) lower credit cost (-5bp yoy). Asset quality remained broadly stable, with the non-performing loan (NPL) ratio and provision coverage ratio unchanged qoq at 1.05% and 220% respectively. Management also cited an improving **NPL formation rate (-49bp yoy to 1.15%).**
- **Asset management segment was the core OPAT growth driver in 1H26.** Against a favourable capital market backdrop and reducing impairment, the OPAT of asset management business rocketed 2.4x yoy to Rmb9.2b in 1H26. Among that, Ping An Securities' earnings grew 32% yoy to Rmb4b, thanks to rising trading volume in A-shares market.
- **Mixed investment performance.** The total investment income surged 42% yoy to Rmb136.9b but the comprehensive yield reduced 1.0ppt yoy due to underperforming high-dividend stocks while the net investment yield also went down 0.4ppt due to lower fixed income yield. We also noticed Rmb1.5b of impairment losses on investments (vs Rmb401m reversal in 1H25). Ping An also trimmed non-standard debt investments by 4% qoq to Rmb284b, accounting for 4.3% of total portfolio.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of HK$75.00.** Our target price is derived from the SOTP valuation, which implies 0.8x of 2026F group embedded value (EV). Ping An is now trading at 0.6x 2026F P/EV (-0.9SD) with attractive 5% yield.

Earnings Revision/Risk

- No changes.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2065F	2076F	2028F
Insurance revenue (L&H)	84,035	86,899	87,926	89,954
Insurance revenue (P&C)	338,912	372,853	396,984	418,774
Claims and insurance benefits	-328,195	-360,766	-383,383	-403,375
Underwriting profit/(loss)	110,600	113,936	116,793	121,426
Investment income	39,228	41,547	43,028	46,139
Interest inc. (Banking ops)	88,021	100,312	103,721	108,497
Other income	40,162	42,493	43,891	45,255
G&A exp of non-insurance ops	-84,607	-94,611	-97,659	-101,172
OPAT attributable to company	134,415	141,463	146,700	153,845
Net profit attributable to company	134,778	150,996	156,411	162,149
NBV	36,897	47,526	52,571	57,871
CSM Base	725,119	727,502	734,673	747,010

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2065F	2076F	2028F
Cash	1,440,035	1,500,599	1,641,665	1,738,611
Loans and advances	3,409,074	3,492,565	3,597,342	3,705,262
Investments (equity & fixed inc)	8,340,260	8,946,905	9,488,534	10,118,419
Reinsurers' share of ins liabilities	25,515	28,067	30,873	33,960
Associates & JVs	141,251	155,376	170,914	188,005
Fixed assets (incl prop)	175,193	165,098	171,504	178,456
Other assets	394,620	408,218	416,655	425,514
Total assets	13,925,948	14,696,828	15,517,488	16,388,229
Assets sold (repo agreement)	643,547	675,724	709,511	744,986
Customer deposits	3,809,246	3,876,419	3,936,967	3,996,005
Insurance payables	106	107	108	109
Insurance contract liabilties	5,360,910	5,789,783	6,252,965	6,753,203
Subordinated debts	853,661	896,344	941,161	988,219
Other liabilities	1,814,582	1,882,500	1,953,175	2,026,731
Total liabilities	12,482,052	13,120,877	13,793,887	14,509,252
Shareholders' funds	1,000,419	1,099,074	1,205,433	1,317,316
Minority interest - accumulated	415,569	445,159	488,238	533,554
Total equity & liabilities	13,387,519	14,380,731	14,380,732	14,380,733
L&H EV	928,631	1,018,079	1,123,190	1,242,668
Group EV	1,504,288	1,624,340	1,763,859	1,919,246

Operating Ratio

Year to 31 Dec (%)	2025	2065F	2076F	2028F
Capital-related				
Solvency ratio	212.2	214.3	216.4	218.6
Shareholders' funds/total assets	7.2	7.5	7.8	8.0
Total Assets/equity (x)	13.9	13.4	12.9	12.4
Liquidity				
Liquid assets/short-term liabilities	89.8	90.5	93.0	94.7
Liquid assets/total assets	36.6	35.7	35.5	35.0
Valuation				
P/EV (x)	0.6	0.6	0.5	0.5
Adjusted P/E (x)	6.9	6.2	5.4	6.4
Dividend Yield	4.5	5.1	5.3	5.6
Payout ratio	34.5	34.7	34.7	35.1

Key Metric

Year to 31 Dec (%)	2025	2065F	2076F	2028F
Growth				
Gross premiums, yoy chg	6.7	7.6	7.6	7.7
FPE, yoy chg	1.5	17.4	9.0	9.0
NBP, yoy chg	29.3	28.8	10.6	10.1
Investment income, yoy chg	0.4	17.5	2.9	5.3
Net profit, yoy chg	6.5	12.0	3.6	3.7
Profitability				
Combined ratio (P&C)	96.8	96.8	96.6	96.3
Net investment yield	3.1	3.6	3.4	3.3
Total investment yield	3.8	3.4	3.3	3.3
NBM as % of FYP	23.4	25.5	26.1	26.5
Reported ROE	14.0	14.4	13.6	12.9