Morgan Stanley | RESEARCH

UPDATE

October 23, 2026 01:44 PM GMT

Ping An Bank | Asia Pacific

3Q26 aided by investment gains, but credit quality still worth monitoring

AlphaSignals Earnings Reaction

Unchanged	**In-line**	**Largely unchanged**
Impact to our thesis	Financial results versus consensus	Direction of next 12-month consensus EPS

Source: Company data, Morgan Stanley Research

Key Takeaways

- 3Q26 revenue rose 3.8% yoy, supported by strong investment income growth (+38% yoy) and healthy NII (+1.9% yoy); while net profit growth slowed to 0.2% yoy.
- NIM modestly declined 2bps qoq to 1.79%, weighed by 8bps qoq lower loan yield but partly offset by 5bps lower deposit cost.
- 3Q26 fee income declined 7.9% yoy, dragged by insurance sales (down 47% yoy); while mutual fund sales growth also moderated from 1H26.
- YoY loan growth moderated to 0.4% in 3Q, down from 1.3% in 2Q. Deposit turned to positive growth, up 3.5% yoy.
- Asset quality mixed - NPL ratio stable at 1.05%, but overdue and special mentioned loan ratio rose while provision coverage declined.

Revenue momentum improved, but profit growth moderated. 3Q26 revenue rose 3.8% yoy, supported by 1.9% yoy NII growth and stronger investment income. However, net profit increased only 0.2% yoy amid higher credit costs. 3Q26 NIM declined 2bp qoq to 1.79%, reversing the improvement in 2Q26, as the 10bps decline in earning asset yields outpaced the 4bps reduction in funding costs.

Retail AUM growth remained positive yoy, but overall fee income continued to face pressure. Retail AUM declined 0.2% qoq but grew 4.2% yoy, while PB AUM fell 0.7% qoq but rose 6.1% yoy. Net fee income declined 7.9% yoy, weighed down by weaker insurance and WMP sales, while mutual fund sales growth moderated to 18.2% yoy.

Asset quality warrants monitoring. The overall NPL ratio remained stable qoq at 1.05%, with diverging trends across segments. Corporate NPL ratio rose 2bp qoq to 0.89%, while retail NPL ratio improved 3bps qoq to 1.20%, with credit card and consumer loan NPL ratios both declining 8bps. Meanwhile, special mention and overdue loan ratio both increased qoq, while provision coverage declined modestly to 214.7%.

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Ping An Bank (000001.SZ, 000001 CS)

China Financials | China

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	Rmb15.20
Up/downside to price target (%)	36
Shr price, close (Oct 23, 2026)	Rmb11.20
52-Week Range	Rmb12.08-9.99
Sh out, dil, curr (mn)	19,406
Mkt cap, curr (mn)	Rmb217,347
EV, curr (mn)	Rmb317,300
Avg daily trading value (mn)	Rmb1,101

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	2.07	2.14	2.24	2.41
Prior EPS (Rmb)**	-	-	-	-
EPS (Rmb)§	2.17	2.18	2.25	2.36
EBITDA (Rmb mn)	48,255	50,237	52,926	57,585
ModelWare net inc (Rmb mn)	40,114	41,607	43,434	46,710
P/E	5.5	5.2	5.0	4.7
P/BV	0.5	0.5	0.4	0.4
Return on avg eqty (%)	9.2	8.9	8.7	8.7
Div yld (%)	5.2	5.5	5.8	6.2
Leverage (EOP) (%)	22.2	16.6	15.5	14.5

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

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Exhibit 1: PAB 3Q26 results

(Rmb mn)	3Q25	4Q25	1Q26	2Q26	3Q26	QoQ	YoY
P&L							
Net Interest Income	22,046	21,468	22,081	22,207	22,467	1.2%	1.9%
Interest Income	41,933	39,999	39,895	39,386	39,129	-0.7%	-6.7%
Interest Expense	(19,887)	(18,531)	(17,814)	(17,179)	(16,662)	-3.0%	-16.2%
Non-Interest Income	9,237	9,306	13,196	13,133	10,016	-23.7%	8.4%
Net Commission & Fees	5,946	5,209	7,362	5,852	5,474	-6.5%	-7.9%
Others	3,291	4,097	5,834	7,281	4,542	-37.6%	38.0%
Operating Income	31,283	30,774	35,277	35,340	32,483	-8.1%	3.8%
Operating Expenses	(8,749)	(10,885)	(9,909)	(9,947)	(9,059)	-8.9%	3.5%
Pre-Provision Profit	22,534	19,889	25,368	25,393	23,424	-7.8%	3.9%
Provision	(6,539)	(14,578)	(7,979)	(11,954)	(7,405)	-38.1%	13.2%
Others	(7)	(72)	10	(43)	(45)	4.7%	542.9%
PBT	15,988	5,239	17,399	13,396	15,974	19.2%	-0.1%
Income Tax	(2,519)	(945)	(2,876)	(2,223)	(2,484)	11.7%	-1.4%
NPAT	13,469	4,294	14,523	11,173	13,490	20.7%	0.2%

B/S	3Q25	4Q25	1Q26	2Q26	3Q26	QoQ	YoY
Gross Loans	3,417,753	3,390,840	3,464,574	3,452,274	3,431,480	-0.6%	0.4%
Customer deposits	3,608,401	3,633,569	3,749,682	3,701,999	3,733,186	0.8%	3.5%
Total Assets	5,766,764	5,925,777	6,033,962	6,028,785	5,952,354	-1.3%	3.2%
- Interbank assets	381,555	477,022	412,666	399,264	461,041	15.5%	20.8%
Shareholders' Equity	447,977	451,231	464,083	467,582	476,701	2.0%	6.4%

Selected Data & Ratio	3Q25	4Q25	1Q26	2Q26	3Q26	QoQ	YoY
NIM	1.79%	1.73%	1.79%	1.81%	1.79%	-2.0 bps	0.0 bps
Fees / Operating Inc.	19.0%	16.9%	20.9%	16.6%	16.9%	0.3 ppt	-2.2 ppt
Cost/income	28.0%	35.4%	28.1%	28.1%	27.9%	-0.3 ppt	-0.1 ppt
Credit cost (bps)	77	171	93	138	86	-52.2 bps	9.4 bps
ROAA	0.93%	0.29%	0.98%	0.75%	0.90%	14.9 bps	-2.8 bps
ROAE	12.32%	3.87%	12.88%	9.76%	11.61%	184.3 bps	-71.4 bps
Loan/deposit	94.7%	93.3%	92.4%	93.3%	91.9%	-1.3 ppt	-2.8 ppt
CET1	9.52%	9.36%	9.51%	9.32%	9.61%	29.0 bps	8.4 bps
CAR	13.48%	13.77%	13.46%	13.14%	13.40%	26.3 bps	-7.6 bps
NPL ratio	1.05%	1.05%	1.05%	1.05%	1.05%	-0.2 bps	-0.2 bps
NPL coverage	229.6%	220.9%	219.6%	219.6%	214.7%	-4.8 ppt	-14.9 ppt
Loan loss reserve ratio	2.41%	2.33%	2.31%	2.30%	2.25%	-5.5 bps	-16.1 bps
Special mention loan ratio	1.74%	1.75%	1.78%	1.83%	2.07%	23.6 bps	33.1 bps
Overdue loan ratio	1.31%	1.34%	1.46%	1.49%	1.59%	10.6 bps	28.5 bps

Source: Company data, Morgan Stanley Research

Valuation Methodology and Risks

Ping An Bank (000001.SZ)

We continue to use a three-stage dividend discount model, probability-weighted 60% base, 20% bull, 20% bear, based on our view of asset yield rebound and smooth risk digestion for China's banks in a positive development loop, and an equally likely polarity for credit risks and global demand. Discount rate is 12.8% in the base case, and we assume 9.4% for second-stage and 10% long-term ROE with a 30% long-term dividend payout ratio.

Risks to Upside

- Noticeable reduction in policy intervention and stronger-than-expected consumption activity recovery.
- More resilient NIM trend than expected.

Risks to Downside

- Slower-than-expected deposit improvement.
- Worse-than-expected asset quality from new corporate lending business.
- Social continue to weigh on the bank.

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(as of September 30, 2026)

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Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

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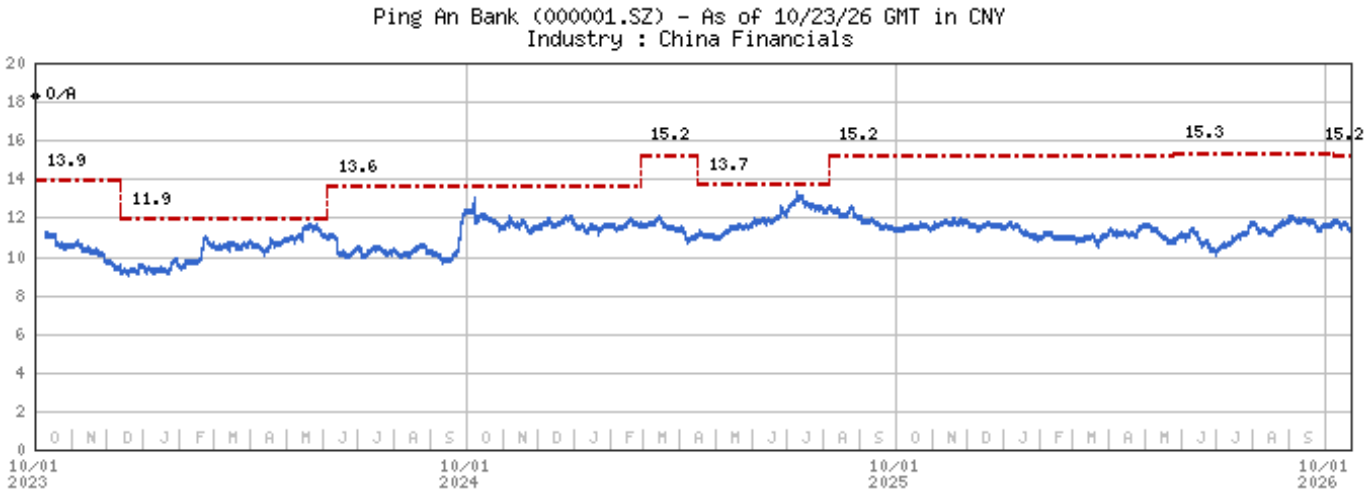
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Stock Rating History: 10/1/21 : O/A

Price Target History: 5/20/21 : 32.8; 10/26/21 : 33; 5/20/22 : 24.4; 9/19/22 : 16.2; 5/12/23 : 17.3; 9/28/23 : 13.9; 12/13/23 : 11.9; 6/5/24 : 13.6; 2/26/25 : 15.2; 4/16/25 : 13.7; 8/5/25 : 15.2; 5/26/26 : 15.3; 10/9/26 : 15.2

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -·- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ▬
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INDUSTRY COVERAGE: China Financials

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/23/2026)
Chiyao Huang		
China International Capital Corp. Ltd. (3908.HK)	O (02/28/2025)	HK$18.23
China Merchants Securities Co Ltd (600999.SS)	U (09/29/2022)	Rmb16.15
China Merchants Securities Co Ltd (6099.HK)	U (10/29/2024)	HK$12.93
CITIC Securities Co. (6030.HK)	O (07/10/2026)	HK$21.24
CITIC Securities Co. (600030.SS)	O (08/07/2025)	Rmb25.45
East Money Information Co Ltd (300059.SZ)	U (09/22/2026)	Rmb18.55
Futu Holdings Ltd (FUTU.O)	O (11/18/2024)	US$98.92
Galaxy Securities (6881.HK)	E (02/27/2020)	HK$6.93
Galaxy Securities (601881.SS)	U (09/29/2022)	Rmb11.63
GF Securities (000776.SZ)	O (09/22/2026)	Rmb18.84
GF Securities (1776.HK)	O (09/22/2026)	HK$16.07
HTSC (601688.SS)	E (09/23/2024)	Rmb17.25
HTSC (6886.HK)	E (09/23/2024)	HK$15.19
Richard Xu, CFA		
Agricultural Bank of China Limited (601288.SS)	E (05/07/2019)	Rmb7.19
Agricultural Bank of China Limited (1288.HK)	O (10/19/2020)	HK$6.58
Bank of Beijing Co Ltd (601169.SS)	E (08/17/2022)	Rmb5.41
Bank of Chengdu Co Ltd (601838.SS)	O (08/17/2022)	Rmb18.33
Bank of China Limited (601988.SS)	E (05/07/2019)	Rmb6.93
Bank of China Limited (3988.HK)	O (01/10/2020)	HK$5.96
Bank of Communications (3328.HK)	U (05/20/2022)	HK$8.14
Bank of Communications (601328.SS)	U (09/05/2014)	Rmb8.05
Bank of Hangzhou Co Ltd (600926.SS)	E (08/17/2022)	Rmb16.52
Bank of Ningbo Co. Ltd (002142.SZ)	O (08/17/2022)	Rmb33.64

China CITIC Bank Corporation Limited (601998.SS)	E (04/16/2025)	Rmb8.80
China CITIC Bank Corporation Limited (0998.HK)	O (04/16/2025)	HK$8.10
China Construction Bank Corp. (0939.HK)	O (10/11/2012)	HK$9.77
China Construction Bank Corp. (601939.SS)	E (05/07/2019)	Rmb11.30
China Everbright Bank Co Ltd (6818.HK)	U (05/12/2023)	HK$2.62
China Everbright Bank Co Ltd (601818.SS)	U (05/20/2022)	Rmb2.99
China Merchants Bank (600036.SS)	O (01/07/2019)	Rmb41.77
China Merchants Bank (3968.HK)	O (09/20/2018)	HK$51.45
China Minsheng Banking Corp. (600016.SS)	O (08/28/2025)	Rmb3.44
China Minsheng Banking Corp. (1988.HK)	O (05/12/2023)	HK$3.09
Chongqing Rural Commercial Bank (3618.HK)	U (05/12/2023)	HK$6.33
Hua Xia Bank (600015.SS)	U (06/30/2015)	Rmb6.21
Industrial and Commercial Bank of China (1398.HK)	O (10/09/2026)	HK$7.24
Industrial and Commercial Bank of China (601398.SS)	E (10/09/2026)	Rmb8.32
Industrial Bank Co. Ltd. (601166.SS)	O (02/25/2019)	Rmb18.37
Lufax (LU.N)		US$0.84
Ping An Bank (000001.SZ)	O (05/07/2019)	Rmb11.20
Postal Savings Bank of China Co Ltd (1658.HK)	O (11/01/2016)	HK$5.40
Qfin Holdings, Inc. (QFIN.O)	E (08/26/2026)	US$5.47
Shanghai Pudong Development Bank (600000.SS)	E (08/05/2025)	Rmb9.53

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