

## Credit Rating Report for Ping An Securities Co., Ltd.'s 2019-3 Corporate Bond

**Credit rating of this bond:** AAA

**Credit rating of the issuer:** AAA

**Rating outlook:** Stable

**Issue size:** CNY2.3 billion

**Maturity term of this issue:** 5 years; the Company has the option to adjust the coupon rate and a put option is available to investors at the end of the third year.

**Debt servicing method:** Annual interest payment, and bullet payment of principal at maturity

**Date of rating:** May 10, 2019

### Key financial data

Item	2016	2017	2018
Own assets (CNY 100mn)	640.88	753.70	968.49
Own liabilities (CNY 100mn)	384.40	481.78	674.48
Owners' equity (CNY 100mn)	256.48	271.92	294.01
High-quality current assets / total assets (%)	21.96	19.64	17.94
Own debt-to-asset ratio (%)	59.98	63.92	69.64
Operating income (CNY 100mn)	73.56	83.82	85.31
Net profit (CNY 100mn)	22.15	21.23	16.80
Operating profit margin (%)	34.69	30.80	23.69
Average return on equity (%)	9.01	8.03	5.94
Net capital (CNY 100mn)	204.73	217.17	240.39
Risk coverage ratio (%)	276.36	306.76	296.53
Leverage ratio (%)	28.48	23.12	18.47
Short-term liabilities (CNY 100mn)	294.30	349.94	412.34
Total liabilities (CNY 100mn)	349.30	444.94	564.54
EBITDA (CNY 100mn)	40.69	43.36	44.52
EBITDA-to-interest cover (x)	3.29	2.72	2.01
Total liabilities / EBITDA (x)	0.12	0.10	0.08
EBITDA / issue size (x)	1.77	1.89	1.94

Notes: 1. Net capital and all other risk control indicators contained in this report are calculated based on the parent company's financial statements; 2. Difference between sum of subtotals and sum of totals are caused by rounding adjustments; unless otherwise stated, all results are shown in Chinese yuan; 3. Data for the end of 2017 are based on data at the beginning of the 2018 audit report.

### Rationale

The rating assigned by United Credit Ratings Co., Ltd (hereinafter referred to as "United Ratings") to Ping An Securities Co., Ltd. (hereinafter referred to as the "Company" or "Ping An Securities") indicates that the Company is one of the national scale securities companies, possesses all necessary business licenses, offers a full range of securities business services and has an integrated development model; its ultimate controlling party, Ping An Insurance (Group) Company of China, Ltd. (hereinafter referred to as "Ping An Group") has enormous resources and is capable of providing the Company with significant support in terms of branding, customer acquisition, funding and sales channels. The Company has continuously pushed forward a strategy through internet-based operations to differentiate from its competitors. Furthermore, it boasts considerable competitive advantages in the bond underwriting market, and its earnings have grown consistently with strong profitability relative to the industry average. Meanwhile, the Company has strengthened its real-time business risk management and classification ratings for risk control designated by the CSRC, which have remained stable during the past three years indicating satisfactory standards of risk control.

On the other hand, United Ratings notices that there is uncertainty surrounding the Company's earnings, as most of its operating income comes from the securities brokerage and investment businesses, which are susceptible to regulatory policy changes and market conditions.

With various business lines developing steadily, the Company's business operations are expected to increase in scale in the future, and its profitability and overall competitiveness will improve further. United Ratings assigns the "stable" rating outlook to the Company.

Based on a comprehensive assessment of the bond issuer's long-term credit profile and its ability to repay debts associated with the bond tranche, United Ratings concludes that the risk of default on the bond repayment is extremely low.

### Strengths

1. As one of the national scale securities companies, the Company possesses all necessary business licenses, and offers a full range of securities business services. The fact that the Company has controlling shareholdings in futures, equity investment and alternative investment companies, as well as a Hong Kong business is a testimony of a comprehensive business development model put in place at Ping An Securities.

2. The ultimate controlling party, Ping An Group has enormous resources and is capable of providing the Company with major support in terms of branding, customer acquisition, funding and sales channels. This ability conduces to creating synergies between different businesses at the Company and fostering its core competitiveness.

3. The Company has continuously pushed forward a strategy through internet-based operations to differentiate from its competitors. Its share of the brokerage market has grown consistently, and the Company has significantly outperformed the industry average in terms of operating income and profitability.

### Concerns

1. The Company derives a majority of its profits from the equity investment and brokerage businesses, which are susceptible to economic fluctuations, volatility in the domestic securities markets and changes in regulatory policies, hence there is a certain level of uncertainty surrounding its operating income growth.

2. Short-term debts make up a relatively large proportion of the Company's total liabilities, which poses a liquidity risk. Therefore, investors

are advised to continuously monitor the liquidity position of the Company if any adverse events were to occur.

### Analysts

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