

PICC P&C (2328 HK)

1Q25 CoR outperformed

PICC P&C reported a strong 1Q25 earnings alert, with net profit expected to surge 80%-100% YoY to RMB10.6bn-11.7bn, implying a QoQ upswing of 95.3%-117% vs 4Q24 ([link](#)). 1Q25 net profit represented more than one-third (33%-37%) of last year's total net profit, driven by 1) a largely improved CoR with reduced catastrophic claims in 1Q25; and 2) optimized asset allocation structure shifting from the FVTPL to FVOCI, which helped smooth the volatilities from fair value movement to achieve steady investment income growth amid market fluctuations. **We estimate the 1Q25 CoR to arrive at less than 95%, and adjust the auto/non-auto CoR to 95.9%/99.0% (prev.96.0%/98.9% [report](#)) in FY25E, thanks to stringent expense controls and an improved non-auto UW structure.** For auto, we expect the premium growth to be driven by the rise of new vehicle sales and a higher penetration of NEVs; and for non-auto, we pare down FY25E premium growth forecast to 6% as the insurer could prioritize profitability to UW expansion, in our view. On investment, we expect the insurer to steadily increase equity allocation to high-yield stocks under FVOCI, on top of the 40% growth in FY24, and 1Q investment income could be bolstered by equity gains and a rebounded bond yield. **Maintain BUY, with TP at HK\$15.8 (unchanged), implying 1.19x FY25E P/BV.**

■ **1Q25 CoR improved on narrowed claims.** According to the data from MEM*, total direct economic losses from NAT CAT claims amounted to RMB 9.3bn in 1-2M25 (vs 1-2M24: RMB20.7bn), down 55% YoY, evidenced for a reduced total amount of P&C claims across the sector. We expect the insurer's 1Q25 CoR to land at less than 95%, down approx. 3pct YoY on top of a high base of 97.9% in 1Q24, which was dragged by deteriorated catastrophe-induced claims from freezing rains. **In 1Q25, we expect non-auto CoR to trim faster than auto CoR,** as the insurer re-addresses on non-auto expense controls and determines to scale down the loss-making lines suchlike the employer's liability insurance and credit insurance. Auto CoR could slightly improve with avg. ticket size stabilized across peers. We adjust the auto/non-auto CoR forecasts to 95.9%/99.0% (prev.96.0%/ 98.9%) in FY25E, to reflect an improved auto structure tilted to household vehicles, which made up 74.3% of FY24 auto premiums; and the risk mitigation in non-auto potentially taking more time.

■ **Expect 1Q25 H-share surge to drive investment gains.** The insurer has reallocated investment fund portfolio to FVOCI assets. In FY24, FVTPL/FVOCI assets were down 16.6%/up 35.3% YoY to make up 18%/36% of total portfolio. On equities, stocks in FVOCI/FVTPL increased 40%/20% YoY whilst equity funds were stable to a rise of 0.3% YoY, comprising 5.8%/1.4%/2.2% of total investment assets by end-FY24. In 1Q25, the HSI/HSCEI jumped 15%/17% (vs 1Q24: -3%/+1%, [Fig 1](#)), which could enhance the insurer's equity gains. Beyond that, China's 10YR govt. bond yield rose 14.4bps to 1.82% in 1Q25 (vs 1Q24: -28bps), driving the growth of bond interests. Looking ahead, we expect the insurer to steadily edge up allocation to FVOCI stocks and LT govt. bonds to smooth the fair value movement for a stable LT investment income.

■ **Valuation and risks.** The stock is trading at 1.06x FY25E P/B with 3yr-forward ROE at 13.6%. Considering investment movements, we adjust FY25-27E EPS forecasts by 3%/1%/-1% to RMB 1.62/1.76/1.91, and remain positive on the insurer's UW results to meet the full-year guidance of 1) auto/NEV CoR less than 96%/100%, and 2) non-auto CoR less than 99%. Maintain BUY, with TP unchanged at HK\$15.80 based on P/B-ROE, implying 1.19x FY25E P/BV. Key risks involve deteriorated CoR, and intense equity market volatilities, etc.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (RMB mn)	24,566	32,161	36,050	39,166	42,469
EPS (Reported)(RMB)	1.11	1.45	1.62	1.76	1.91
Consensus EPS (RMB)	n.a	n.a	1.51	1.66	1.84
P/B (x)	1.2	1.1	1.0	1.0	0.9
Dividend yield (%)	3.8	4.2	5.1	5.5	6.0
ROE (%)	10.8	13.0	13.4	13.6	13.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$15.80
Up/Downside	16.5%
Current Price	HK\$13.96

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Stock Data

Mkt Cap (HK\$ mn)	301,601.5
Avg 3 mths t/o (HK\$ mn)	514.7
52w High/Low (HK\$)	15.10/9.09
Total Issued Shares (mn)	22,242.0

Source: FactSet

Shareholding Structure

Citigroup Inc.	9.7%
JPMorgan Chase & Co	6.0%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	4.5%	18.8%
3-mth	15.3%	5.1%
6-mth	13.0%	14.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: Deloitte

Related reports:

1. PICC P&C(2328 HK) - Optimized CoR guidance beat expectations, Apr 01, 2025 ([link](#))
2. PICC P&C (2328 HK) - 3Q CoR miss dragged by non-auto claims, Oct 31 2024 ([link](#))
3. PICC P&C (2328 HK) - CoR sequentially improved turning to positive 2Q net profit growth; first interim dividend in place, Aug 30, 2024 ([link](#))
4. PICC P&C (2328 HK) - 1Q24 catastrophe-induced claims fully released; FY24 CoR guidance sustained; exp. >40% payout, May7, 2024 ([link](#))
5. PICC P&C (2328 HK) - Non-auto CoR better than expected; sustain 40%+ payout in next two years, Apr 2, 2024 ([link](#))
6. PICC P&C (2328 HK) - Expect FY23E CoR guidance met; underwriting of NEVs and individual A&H to drive new growth Feb 5, 2024 ([link](#))

Key forecasts

(RMB, %)	Current			Old			Change (pct)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
EPS	1.62	1.76	1.91	1.58	1.74	1.93	2.7%	1.1%	-1.0%
COR	97.1%	96.6%	96.2%	97.2%	96.6%	96.2%	(0.1)	0.0	0.0
Auto COR	95.9%	95.8%	95.6%	96.0%	95.9%	95.7%	(0.1)	(0.1)	(0.1)
Non-auto COR	99.0%	98.0%	97.3%	98.9%	97.8%	96.9%	0.0	0.2	0.4
DPS	0.65	0.70	0.76	0.63	0.70	0.77	2.7%	1.1%	-1.0%
BVPS	12.37	13.18	14.08	12.33	13.13	14.06	0.3%	0.3%	0.1%
ROE	13.4%	13.6%	13.9%	13.1%	13.5%	14.0%	0.3	0.1	(0.2)

Source: Company data, CMBIGM estimates

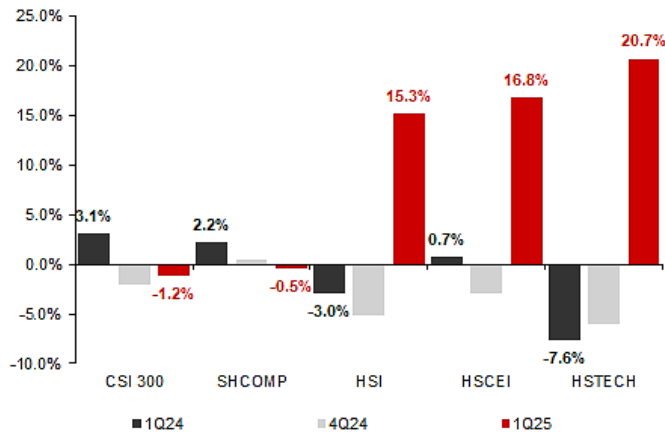
Investment asset portfolio by asset type and YoY%, FY24/FY23

(RMB mn, %)	Investment assets			Mix%		
	FY24	FY23	YoY%	FY24	FY23	YoY Chg.
Bond	259,981	206,209	26.1%	38.4%	34.3%	4.1pct
FVTPL	50,279	67,636	-25.7%	7.4%	11.3%	-3.8pct
Govt bond	46,883	63,257	-25.9%	6.9%	10.5%	-3.6pct
FVOCI	141,304	95,002	48.7%	20.9%	15.8%	5.1pct
Govt bond	77,166	27,547	180.1%	11.4%	4.6%	6.8pct
AC	68,398	43,571	57.0%	10.1%	7.3%	2.9pct
Govt bond	44,893	19,119	134.8%	6.6%	3.2%	3.5pct
Stocks	48,781	35,924	35.8%	7.2%	6.0%	1.2pct
FVTPL	9,551	7,983	19.6%	1.4%	1.3%	0.1pct
FVOCI	39,230	27,941	40.4%	5.8%	4.7%	1.1pct
Funds	36,834	46,447	-20.7%	5.4%	7.7%	-2.3pct
Equity funds	14,687	14,647	0.3%	2.2%	2.4%	-0.3pct
Debt funds	22,147	31,800	-30.4%	3.3%	5.3%	-2.0pct
Total investment assets	676,512	600,711	12.6%			

Source: Company data, CMBIGM

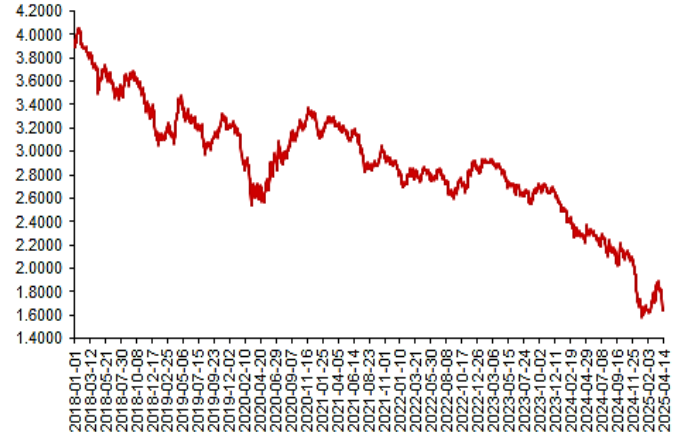
Focus Charts

Fig 1: 1Q25 major A-share/H-share index performance



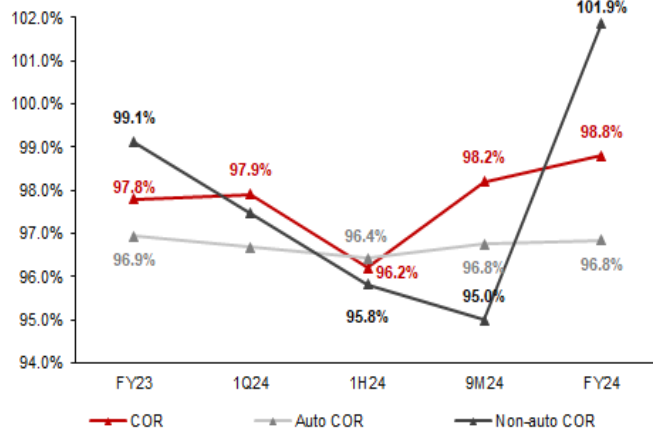
Source: Wind, CMBIGM

Fig 2: China's 10YR govt. bond yield (FY18-FY25)



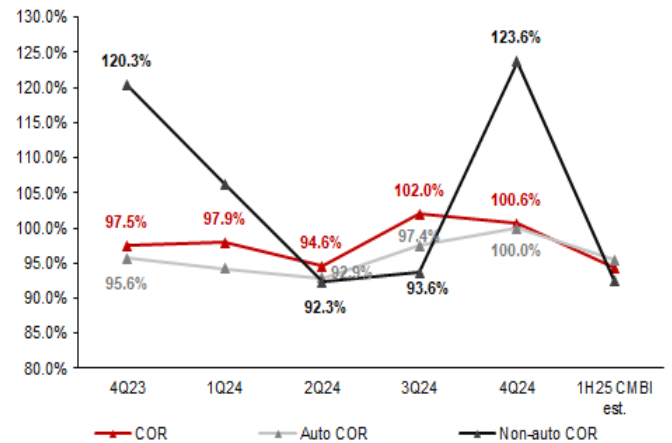
Source: Wind, CMBIGM

Fig 3: CoR and auto/non-auto CoR, cumulative basis



Source: Company data, CMBIGM estimates | Note: 1Q24 auto/non-auto CoR was not disclosed, by CMBI estimates

Fig 4: CoR and auto/non-auto CoR, quarterly basis



Source: Company data, CMBIGM estimates | Note: 1Q24 auto/non-auto CoR and 1Q25 data was not disclosed, by CMBI estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Insurance revenue	424,355	457,203	485,223	501,989	525,146	554,506
Insurance service expenses	(395,965)	(431,991)	(465,392)	(474,841)	(494,932)	(521,218)
Net expenses from reinsurance contracts held	(5,993)	(6,142)	(5,451)	(5,396)	(5,343)	(5,289)
Insurance service results	22,397	19,070	14,380	21,751	24,872	27,999
Net finance (expenses)/income from insurance contracts	(9,333)	(10,127)	(9,901)	(8,453)	(8,385)	(8,308)
Net finance (expenses)/income from reinsurance contracts	1,301	1,246	1,234	1,222	1,209	1,197
Interest income	20,180	11,710	11,860	12,656	12,924	13,403
Net investment income	(3,706)	4,077	15,118	10,864	11,012	11,153
Credit impairment losses	(500)	(423)	911	0	0	0
Net investment results	7,942	6,483	19,222	16,288	16,760	17,445
Other income	1,064	195	254	267	280	294
Other expenses	(1,818)	(2,203)	(1,763)	(1,851)	(1,944)	(2,041)
Foreign exchange gains/losses	759	111	(8)	(8)	(8)	(8)
Other results	(1,000)	(3,048)	(2,710)	(2,821)	(2,938)	(3,059)
Profit before tax	34,021	28,035	38,015	42,554	46,251	50,168
Income taxes	(4,912)	(3,469)	(5,854)	(6,504)	(7,085)	(7,700)
Net profit	29,109	24,566	32,161	36,050	39,166	42,469
Net profit attributable to shareholders	29,164	24,585	32,173	36,062	39,179	42,484

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
ASSETS						
Investments in associates and joint ventures	58,085	62,601	67,129	71,552	75,799	80,612
Property	30,332	29,527	29,825	31,316	32,882	34,526
Investment property	7,440	7,576	7,234	7,634	8,087	8,600
Insurance contract assets	611	2,885	1,713	1,799	1,889	1,983
Reinsurance contract assets	36,827	38,891	40,506	42,531	44,658	46,891
Financial investments:	405,001	450,381	499,897	533,227	566,394	602,353
At amortized cost:	113,790	126,192	136,060	145,192	154,223	164,014
At fair value through other comprehensive income:	154,285	180,142	243,771	260,132	276,312	293,854
At fair value through profit or loss:	140,730	144,047	120,066	127,904	135,859	144,484
Loans and advances to customers	73,657	57,785	77,156	76,283	79,603	84,656
Deferred tax assets	12,083	10,139	8,392	8,812	9,252	9,715
Other assets	27,176	27,312	27,022	28,373	29,792	31,281
Cash and cash equivalents	21,250	16,526	19,370	19,151	19,984	21,253
Total assets	672,462	703,623	778,244	820,678	868,340	921,870
LIABILITIES						
Insurance contract liabilities	351,254	371,829	401,837	397,033	415,626	442,860
Investment contract liabilities	1,741	1,736	1,731	1,818	1,908	2,004
Obligations under repurchase agreements	41,690	40,037	39,642	40,435	41,244	42,068
Current tax liabilities	3,446	8	0	0	0	0
Bonds payable	8,097	8,365	20,433	21,455	22,527	23,654
Lease liabilities	1,484	1,316	1,301	1,366	1,434	1,506
Other liabilities	43,145	46,007	52,619	80,457	89,388	93,327
Liabilities in disposal group held for sale	450,857	469,319	517,622	542,628	572,199	605,498
EQUITIES						
Share capital	22,242	22,242	22,242	22,242	22,242	22,242
Reserves	196,471	209,178	235,682	156,844	160,020	163,260
Retained profits	79,782	78,496	82,057	96,085	110,813	127,595
Total shareholders' equity	218,713	231,420	257,924	275,171	293,075	313,096
Non-controlling interests	2,892	2,884	2,698	2,878	3,066	3,275
Total equity	221,605	234,304	260,622	278,050	296,141	316,372
Total liabilities & equity	672,462	703,623	778,244	820,678	868,340	921,870

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
DPS	0.48	0.49	0.54	0.65	0.70	0.76
EPS (Reported)	1.31	1.11	1.45	1.62	1.76	1.91
Consensus EPS	n.a	n.a	n.a	1.51	1.66	1.84
No. of shares basic	22,242	22,242	22,242	22,242	22,242	22,242
No. of shares diluted	22,242	22,242	22,242	22,242	22,242	22,242
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Return on equity (ROE)	13.5%	10.8%	13.0%	13.4%	13.6%	13.9%
Combined ratio (%)	96.6%	97.8%	98.8%	97.1%	96.6%	96.2%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/B (x)	1.34	1.26	1.13	1.06	1.00	0.93
Dividend yield (%)	3.7	3.8	4.2	4.9	5.4	5.8

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data quoted by market close on 14/4/2025 (Mon).

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