

# CPIC (2601 HK)

## Life OPAT outperformed; 2Q earnings and NAV returned to a healthy trend

CPIC's 2Q earnings strengthened. Group/Life OPAT was up 7.1%/5% like-for-like (LFL) to RMB 19.9bn/15bn, suggesting a sequential uptick in 2Q25 vs. 5% YoY increase of Group OPAT in 1Q25 ([link](#)). Net profit rebounded 11% YoY in 1H to RMB 27.9bn on a high base, translating into 36% YoY growth in 2Q25. Net asset value fell 3.3% in 1H from year-start, with 2Q NAV up by 7% QoQ, thanks to less volatile interest rate movements. NBV jumped 32.3% mainly driven by the increase in bancassurance (+156%) partially offset by a drop in agency channel (-2.5%). Given a higher mix of bancassurance (38% mix, up 18pct YoY), NBV margin slightly rose 0.4pct YoY to 15.0% in 1H. Participating FYRP surged more than 13x YoY in 1H25 to RMB10.1bn (43% mix, up 40pct YoY), boding well for the insurer's successful transformation to floating-yield products in 1H25. Agency accounted for 51% of total par FYRP and bancassurance contributed half of that (~25%) in 1H. We expect the par sales volumes to sustain good momentum in 2H25E, given a new round of PIR cut in Sep narrowing the cap of the guaranteed rate of traditional products (2.0%) and par products (1.75%) to 25bps, vs. historically 50bps. CPIC P&C CoR improved 0.8pct YoY to 96.3%, with loss/expense ratio down 0.1pct/0.7pct YoY. Given better-than-expected investments and UW structure, **we raise our FY25-27E EPS estimates to RMB 4.54/4.81/5.28 (prev. RMB4.18/4.63/5.17), and upgrade our TP to HK\$40.0 based on SOTP, which implies 0.6x FY25E P/EV. Maintain BUY.**

- **NBV increase driven by bancassurance:** 1H25 NBV grew 32.3% LFL to RMB 9.5bn, with 2Q NBV up 23% YoY (CMBI est). Agency/bancassurance NBV was RMB 5.7bn/RMB 3.6bn, down 2.5%/up 156% LFL, making up 60%/38% mix.
- **NBV margin slowed:** In 1H25, NBV margin edged up 0.4pct YoY to 15%, with agency/bancassurance NBVM at 26.4%/12.4%, up 1.5pct/2.9pct LFL. The eased growth in margin was due to a higher mix of bancassurance sales.
- **Par FYRP outgrew:** FYRP of par policies surged over 13.8x YoY to RMB10.1bn in 1H25, making up 42.5% of total FYRP (vs. FY24/1Q25: 3%/18%). Agency/bancassurance par FYRP accounted for 51%/~25% at RMB 5.2bn/RMB 2.5bn. We expect the par sales volumes to further rise in 2H25E, given the start of the new PIR cut in Sep, to narrow the cap of guaranteed rate of traditional products vs. par to 25bps (historically 50bps), which could help gain more traction to par.
- **Life OPAT growth sustained:** Life OPAT grew 5% LFL in 1H25, with the new business CSM (NB CSM) rising 21% YoY, and Life CSM balance up 1.2% from year-start. Looking ahead, we think NB CSM and positive operating variances are two key drivers for Life OPAT, which made up 75% of Group's total in 1H25.
- **P&C CoR in-line.** P&C CoR was at 96.3% in 1H25, down 0.8pct YoY, with claims/expense ratio down 0.1pct/0.7pct YoY to 69.5%/26.8%. Auto/non-auto CoR was 95.3%/97.6%, down 1.8pct/up 0.4pct YoY. Non-auto CoR was dragged by the impact of personal credit guarantee insurance; if excluding this part, non-auto CoR could drop 2.3pct YoY to 94.8% in 1H25. UWP grew 63% YoY, with health insurance first turned a profit. Premium growth eased to 0.9% YoY in 1H25.
- **TPL securities trading gained a boost; stock allocation remains intact.** Total investment assets rose 6.5% HoH to RMB 3.8tn, with stock allocation remained largely intact at a 9.7% mix (FY24: 9.3%). Total/net investment yield (TII/NII) slid 0.4pct/0.1pct YoY to 2.3%/1.7%, and comprehensive investment yield (CII) fell 0.6pct YoY to 2.4% in 1H25, dragged by lower fair value gains from OCI debt instruments due to a more flattish yield curve vs. 1H24. Net investment income soared 2.1x YoY to RMB 21.7bn by gains from TPL securities trading.
- **Valuation:** The stock is trading at 0.51x FY25E P/EV, with forward 3yr average ROE at 15%. We revise up our FY25-27E EPS estimates to RMB4.54/4.81/5.28 (prev. RMB4.18/4.63/5.17, [Table](#)) to reflect improving UW profitability. **Although mgmt. mentioned in call that the Group aims to reach a positive net profit growth in FY25E, we remain prudent on full-year bottom-line growth given**

**BUY (Maintain)**

**Target Price** **HK\$40.00**  
 (Previous TP) HK\$34.00  
**Up/Downside** **12.8%**  
**Current Price** **HK\$35.46**

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#### Stock Data

Mkt Cap (HK\$ mn)	341,137.3
Avg 3 mths t/o (HK\$ mn)	636.4
52w High/Low (HK\$)	37.28/19.42
Total Issued Shares (mn)	9620.3

Source: FactSet

#### Shareholding Structure

Shanghai International Group	7.2%
Ping An Asset Management Co., Ltd	7.2%

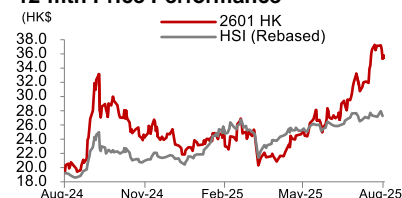
Source:

#### Share Performance

	Absolute	Relative
1-mth	7.5%	9.4%
3-mth	40.4%	32.0%
6-mth	54.2%	41.0%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

#### Auditor: Ernst & Young

#### Related reports:

1. [CPIC \(2601 HK\) – Participating sales noticeably increased; MTM losses dragged a profit miss in 1Q25](#), Apr 29, 2025
2. [CPIC \(2601 HK\) – Life OPAT beat, driving DPS to rise faster than Group OPAT](#), Apr 1, 2025
3. [CPIC \(2601 HK\) – 3Q NBV growth accelerated; expect par sales to outgrow](#), Nov 1, 2024
4. [CPIC \(2601 HK\) – Steam ahead with doubled 2Q net profit and strong NBV uptrend; revise up TP](#), Sep 5, 2024
5. [CPIC \(2601 HK\) – NBV growth accelerated; NP turned positive YoY](#), May 6, 2024

**a high base of investment income in 2H24.** We raise our TP to HK\$40.0 based on SOTP, which implies 0.6x FY25E P/Group EV. Maintain BUY.

#### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (RMB mn)	27,911	46,441	45,230	47,589	52,474
EPS (Reported)(RMB)	2.83	4.67	4.54	4.81	5.28
Consensus EPS (RMB)	n.a	n.a	4.40	4.68	5.30
P/B (x)	1.3	1.1	1.1	1.0	0.9
P/Embedded value (x)	0.6	0.6	0.5	0.5	0.4
Dividend yield (%)	3.1	3.3	3.7	4.3	4.9
ROE (%)	12.2	16.6	14.9	15.1	15.2

Source: Company data, Bloomberg, CMBIGM estimates

- **Key risks:** 1) par sales volumes fall short of our expectations; 2) NBV margin significantly retreats due to product and channel mix changes; 3) 3Q25E catastrophic claims surged beyond our expectations; 4) intensified interest rate fluctuations; and 5) heightened equity market volatilities; etc.

## Key forecasts change

(RMB bn, %)	Current			Previous			Change (% , pct)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
EPS	4.54	4.81	5.28	4.18	4.63	5.17	9%	4%	2%
Group NPAT	43.63	46.25	50.77	40.16	44.50	49.74	9%	4%	2%
Net asset value	293.8	320.3	348.2	306.5	324.1	341.9	-4%	-1%	2%
EV	612.7	662.6	716.0	608.1	658.2	711.9	0.8%	0.7%	0.6%
ROE	14.9%	15.1%	15.2%	13.4%	14.1%	14.9%	1.5pct	0.9pct	0.3pct
CoR	98.1%	98.0%	97.8%	98.2%	98.1%	98.0%	-0.1pct	-0.1pct	-0.1pct

Source: CMBIGM estimates

## Valuation

(RMB bn, %)	Forward EV/BV	Ownership (%)	2601.HK
<b>CPIC Life:</b>			
FY25E Life embedded value, unadjusted	466.4	98.3%	458.5
<b>FY25E Life Embedded value, adjusted</b>	<b>302.3</b>		<b>297.1</b>
<i>Adjustment reflecting risk discount rate change</i>			-138.8
<i>Adjustment reflecting investment return change</i>			-25.3
<b>PV (Total VNB)</b>			<b>38.4</b>
<b>Target valuation (RMB bn), appraisal value</b>			<b>335.5</b>
<b>CPIC P&amp;C:</b>			
<b>FY25E P&amp;C Shareholders' equity</b>	<b>68.2</b>	100.0%	
Target P/B (x)	0.62x		
<b>Target valuation (RMB bn)</b>			<b>42.3</b>
<b>Group co. and others</b>			
	<b>9.2</b>	100.0%	
Target P/B (x)	1.00x		
<b>Target valuation (RMB bn)</b>			<b>9.2</b>
<b>Total valuation (RMB bn)</b>			<b>387.1</b>
Conglomerate discount (%)			10.0%
<b>Target price (HK\$)</b>			<b>40.0</b>
Implied P/B (x)			1.20x
Implied P/Group EV (x)			0.57x
Implied Life EV (x)			0.75x
No. of shares outstanding (mn)			9,620

Source: CMBIGM estimates

Key assumptions for CPIC Life/CPIC P&C	
Cost of equity (%)	16.2%
<b>Life operating ROEV (Forward 3yr average)</b>	<b>10.8%</b>
Terminal growth (%)	3.0%
<b>P&amp;C ROE (forward 3yr.avg)</b>	<b>11.2%</b>
Target P/B (x)	0.62x

Source: CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec (RMB mn)</b>						
Insurance revenue	249,745	266,167	279,473	286,155	292,887	301,282
Insurance service expenses	(213,988)	(231,023)	(243,147)	(248,464)	(252,719)	(259,540)
Net expenses from reinsurance contracts held	(2,818)	(1,439)	(1,425)	(2,446)	(2,297)	(2,376)
Insurance service results	32,939	33,705	34,901	35,245	37,872	39,365
Net finance (expenses)/income from insurance contracts	(58,074)	(46,741)	(92,520)	(79,343)	(78,653)	(88,589)
Net finance (expenses)/income from reinsurance contracts	1,108	1,174	2,103	715	0	0
Interest income	0	58,262	55,991	59,911	65,136	72,493
Net investment income	77,048	(4,273)	65,160	48,316	45,245	51,861
Other gains/(losses) from changes in fair value	24	23	2	73	0	0
Net investment results	20,106	8,445	30,736	29,672	31,728	35,765
Other income	3,984	4,129	4,153	4,097	4,095	4,234
Other expenses	(16,032)	(14,051)	(13,623)	(14,853)	(14,472)	(14,139)
Foreign exchange gains/losses	1,085	159	(64)	(110)	(91)	(91)
Other results	(10,963)	(9,763)	(9,534)	(10,866)	(10,467)	(9,996)
Profit before tax	42,483	32,001	55,563	53,784	59,113	65,114
Income taxes	(4,261)	(4,090)	(9,122)	(8,553)	(11,523)	(12,640)
Net profit	38,222	27,911	46,441	45,230	47,589	52,474
Net profit attributable to shareholders	37,381	27,257	44,960	43,635	46,251	50,771

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec (RMB mn)</b>						
<b>ASSETS</b>						
Cash and amount due from banks and other financial institutions	219,097	172,606	180,669	196,224	223,607	259,608
Investments in associates and joint ventures	25,829	23,184	22,520	(6,824)	(711)	7,378
Property	19,756	21,384	22,744	26,202	26,465	26,730
Investment property	11,202	10,667	8,951	30,100	34,300	39,823
Insurance contract assets	305	335	22	0	0	0
Reinsurance contract assets	33,205	39,754	46,081	55,167	64,084	73,220
Financial investments:	1,672,821	2,009,336	2,482,029	2,785,021	3,166,605	3,668,225
At amortized cost:	0	82,334	64,844	58,678	66,867	77,633
At fair value through other comprehensive income:	1,646,261	1,345,400	1,749,986	2,014,578	2,295,712	2,665,322
At fair value through profit or loss:	26,560	581,602	667,199	711,765	804,026	925,271
Other assets	34,849	32,433	31,629	137,494	195,847	143,712
Cash and cash equivalents	54,272	34,263	40,262	46,503	52,993	61,525
Total assets	2,071,336	2,343,962	2,834,907	3,269,887	3,763,190	4,280,220
<b>LIABILITIES</b>						
Customer deposits and payables to brokerage customers	4,639	5,861	5,942	7,341	8,883	10,749
Insurance contract liabilities	1,664,848	1,872,620	2,229,514	2,627,015	3,051,621	3,486,654
Obligations under repurchase agreements	119,665	115,819	181,695	182,007	185,665	189,397
Bonds payable	9,999	10,285	10,286	10,103	10,103	10,103
Other liabilities	69,704	71,673	88,989	116,710	150,324	195,105
Total liabilities	1,869,664	2,076,258	2,516,426	2,943,176	3,406,597	3,892,008
<b>EQUITIES</b>						
Share capital	9,620	9,620	9,620	9,620	9,620	9,620
Reserves	94,269	118,518	129,907	98,860	90,486	80,851
Retained profits	92,588	121,448	151,890	185,330	220,214	257,748
Total shareholders' equity	196,477	249,586	291,417	293,809	320,319	348,219
Non-controlling interests	5,195	18,118	27,064	32,902	36,274	39,992
Total equity	201,672	267,704	318,481	326,711	356,594	388,211
Total liabilities & equity	2,071,336	2,343,962	2,834,907	3,269,887	3,763,190	4,280,220

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
DPS	1.02	1.02	1.08	1.21	1.39	1.60
EPS (Reported)	2.56	2.83	4.67	4.54	4.81	5.28
Consensus EPS	n.a	n.a	n.a	4.40	4.68	5.30
No. of shares basic	9,620	9,620	9,620	9,620	9,620	9,620
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Return on equity (ROE)	12.6%	12.2%	16.6%	14.9%	15.1%	15.2%
Combined ratio (%)	97.0%	97.7%	98.6%	98.1%	98.0%	97.8%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
P/Embedded value (x)	0.6	0.6	0.6	0.5	0.5	0.4
P/B (x)	1.4	1.3	1.1	1.1	1.0	0.9
Dividend yield (%)	3.1	3.1	3.3	3.7	4.3	4.9

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data quoted by market close on Aug 29<sup>th</sup>, 2025 (Fri).

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