

PICC P&C (2328 HK)

Robust 1H delivery of CoR; overseas expansion yields to a second growth trajectory

BUY (Maintain)

Target Price	HK\$21.60
(Previous TP)	HK\$15.80)
Up/Downside	15.1%
Current Price	HK\$18.76

China Insurance

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Stock Data

Mkt Cap (HK\$ mn)	417,259.9
Avg 3 mths t/o (HK\$ mn)	485.6
52w High/Low (HK\$)	18.79/10.08
Total Issued Shares (mn)	22242.0

Source: FactSet

Shareholding Structure

JPMorgan Chase & Co	9.5%
The Capital Group	7.1%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	14.5%	16.6%
3-mth	24.9%	17.4%
6-mth	47.5%	34.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: Deloitte

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PICC P&C beat in 1H earnings, with net profit lifting 32.3% YoY to RMB 24.5bn, translating into 4.1% rise in 2Q25, propelled by a double play of underwriting profit (+45%) and net investment results (+62%). CoR dropped 1.4pct YoY to 94.8%, with comprehensive expense ratio down 3.1pct YoY to 23.0%, offset by the loss ratio ticking up by 1.7pct YoY to 71.8%, outperforming major peers as Ping An/CPIC/Sunshine/ZhongAn/TPI's CoR at 95.2%/96.3%/98.8%/95.6%/95.5%. We see auto/non-auto CoR improved by 2.2pct/0.1pct YoY to 94.2%/95.7% in 1H25, well met the guidance of CoR less than 96%/99% set by the mgmt. at year-start. Net asset value jumped 7.9% from FY24, thanks to the climb of retained earnings (+24%) and reserves (+10%). ROE enhanced to 9.0% in 1H25, up by 1.3pct YoY. Catalysts ahead may include **1) the Integration of Reporting and Operations for non-auto insurance business is expected to implement by 4Q25, which could further edge up profitability; 2) auto insurance going overseas has been launched amid strong momentum of NEV export.** Given improved UW efficiency, we raise our FY25-27E EPS estimates to RMB1.68/1.83/2.04, up 4%/4%/7% with our new TP of HK\$21.6, implying 1.6x FY25E P/B. Maintain BUY.

■ **Auto/Non-auto CoR improved by disciplined expense controls.** In 1H25, CoR improved 1.4pct YoY to 94.8%, implying 2Q CoR at 95% as we estimate. Comprehensive loss/expense ratio was up 1.7pct/down 3.1pct YoY to 71.8%/23.0%. Auto/non-auto CoR was 94.2%/95.5%, down 2.2pct/0.1pct YoY, driven by effective expense controls partially offset by tick-up of claims. **Auto:** expense ratio dropped 4.1pct YoY to 21.1%, a record low, indicating the insurer's strong bargaining power in pricing and cost efficiency. Claims ratio edged up 1.9pct YoY to 73.1%. **Non-auto:** claims/expense ratio was up 1.5pct/down 1.6pct to 69.8%/25.9%. The expense improvement (-1.6pct) was lower than that of auto insurance (-4.1pct) due to a higher mix of policy-oriented business. Corporate business CoR enhanced 3.2pct YoY to 95.1%, showcasing improved operating efficiency. A&H/agriculture/liability/commercial property CoR was at 101.8%/88.4%/103.6%/90.1%/88.6%, +1.9pct/-0.6pct/-0.4pct/-9.5pct/+1pct YoY in 1H. **CoR outlook:** We think the extended *Integration of Reporting and Operations* ("报行合一") to non-auto insurance possibly to implement in 4Q could enhance disciplined expense management across lines, and significantly improve non-auto CoR in FY26E. **We revise down our FY25E CoR forecast to 97% (prev. 97.1%), with auto/non-auto CoR to 95.8%/99.0% (prev. 95.9%/99.0%).**

■ **Investment outperformed by capturing the upturn of stock market.** Total investment assets grew 5.2% from year-start to RMB711bn, with listed shares increased RMB16.5bn in 1H25 vs. FY24. Of which, OCI/TPL stocks comprised 56%/44% of the increment, with the balances up 24%/75% from end FY24. In 1H25, dividend income rose 7.2% YoY to RMB3.3bn, driven by the part from OCI shares (+12%) offset by that of TPL stocks (-17%). Realized gains from TPL equities surged 18.2x YoY to RMB2.1bn, indicating a good catch of the insurer's asset allocation strategy to the upturn of A-share stock market in 1H. Looking ahead, we expect a more balanced investment portfolio could benefit the insurer by steadily increasing the net investment income, while changes in fair value could take pressure in 2H25E, given a high base of stocks and bonds.

■ **Valuation:** The stock is trading at 1.4x FY25E P/B, with 3yr average ROE at 14% and 3.9% yield. We upgraded our EPS forecasts in FY25-27E to RMB1.68/1.83/2.04 (previous: RMB 1.62/1.76/1.91) in accordance with better-than-expected UW profitability and investment results in 1H, and a better CoR to 97% (prev. 97.1%) given improved underwriting mix of non-auto lines and strengthened capability on risk prevention and cost control. Maintain BUY, with our new TP at HK\$21.6 based on P/B-ROE, which implies 1.6x FY25E P/B.

■ **Key risks:** 1) worse-than-expected catastrophic losses in 3Q25 that weigh on CoR; 2) weaker-than-expected auto premium growth and overseas expansion; 3) heightened equity market volatilities, and sharp declines in interest rate, etc.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (RMB mn)	24,566	32,161	37,325	40,750	45,246
EPS (Reported)(RMB)	1.11	1.45	1.68	1.83	2.04
Consensus EPS (RMB)	n.a	n.a	1.67	1.79	1.95
Combined ratio (%)	97.8	98.8	97.0	96.5	95.9
P/B (x)	1.6	1.5	1.4	1.3	1.2
Dividend yield (%)	2.8	3.1	3.9	4.3	4.7
ROE (%)	10.8	13.0	13.8	14.1	14.6

Source: Company data, Bloomberg, CMBIGM estimates

Highlight in earnings call:

1. Progress on the *Integration of Reporting and Operations* for non-auto insurance: The NFRA has solicited industry feedbacks on the implementation of *the Integration of Reporting and Operations* (“*报行合一*”) for non-auto insurance since March 2025.

So far, the regulator has held two symposiums and issued four drafts for comments to collect industry opinions. **The mgmt. expects the implementation will launch as soon as 4Q25, which could significantly improve non-auto CoR in FY26E.**

2. Auto insurance overseas expansion: For PICC P&C, the global expansionary strategy for the NEV auto insurance business is to consolidate presence in HK, and explore opportunities across Asia. So far, the insurer has policies underwritten in HK and Thailand as of end 1H25.

HK: The insurer launched the first auto insurance policy in HK at year-start of 2025, and so far, it has insured over 1,000 Chinese-branded NEVs as of 1H25. The mgmt. mentioned in call that the NEV claims ratio was better-than-expected at roughly 50%, vs. overall auto claims ratio of 73.1% in 1H25.

Thailand: In Thailand, the first policy of NEV auto insurance was launched in June 2025, by operating in an innovative mode to cooperate with local P&C insurers based on 50/50 profit-sharing, and conduct To B technology export services at the meanwhile.

Other markets: Beyond HK and Thailand, the insurer as well explores opportunities in other ASEAN markets, Europe and South Africa, which we consider this overseas expansion is likely to build a second growth trajectory for the insurer's auto premium.

3.1H/3Q-to-date catastrophic claims: By 1H25, net catastrophic claims (NAT CAT) amounted to RMB 2.51bn, down 38.3% YoY, which reduced roughly 1pct on comprehensive claims ratio. Agriculture/auto NAT CAT claims accounted for RMB 670mn/RMB1.45bn, equivalent to 58%/27% of total.

As of 13 Aug, net claims amounted to RMB4.18bn, down 39.9% YoY, led by RMB400mn net claims from rainstorms in North China in July, and RMB 380mn net losses from typhoons and heavy rains in South China in Aug. So far, the catastrophe in FY25 features in small claims amount and higher frequency compared to last year.

4. Bullish CoR guidance further enhanced: The mgmt. mentioned in call that the auto/non-auto CoR guidance set at year-start as of 96%/99% remains unchanged. They added that the growth of insurance revenue may outpace that of GDP in FY25E. **With catalysts on non-auto CoR enhancement, the mgmt. further improved the guidance to reach less than 96%/99% auto/non-auto CoR despite significant catastrophic shocks.** We lower the FY25E CoR forecast to 97% (prev. 97.1%) with auto/non-auto CoR at 95.8%/99.0% (prev. 95.9%/99.0%), respectively.

Valuation

We adopt the P/B-ROE method to derive our new 12-mth forward target price at HK\$21.6, implying 1.6x FY25E P/B with a 3yr average ROE at 14.2%, and a yield of 3.9% in FY25E.

(RMB bn, %)		2328.HK	
P&C insurance		FY25E	FY26E
Shareholders' equity (RMB bn)		277.3	296.3
Fair value P/B (x)		1.50x	1.53x
Cost of equity		9.7%	9.8%
Forward 3-year ROE (avg)		14.2%	14.6%
Long-term growth (%)		3.0%	3.0%
Underwriting cycle discount		-10%	-10%
Fair value (RMB bn)		415.6	452.2
Valuation after volatility discount (HK\$)		20.4	22.2
Number of shares (bn)		22.24	
RMB/HKD		1.09	
Price Target (12mth forward):		21.6	
Implied P/B (x)		1.58x	
Implied P/E (x)		11.8x	
Upside		15.1%	

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Insurance revenue	424,355	457,203	485,223	506,429	530,555	560,666
Insurance service expenses	(395,965)	(431,991)	(465,392)	(478,441)	(499,168)	(524,845)
Net expenses from reinsurance contracts held	(5,993)	(6,142)	(5,451)	(4,829)	(4,781)	(4,733)
Insurance service results	22,397	19,070	14,380	23,158	26,605	31,087
Net finance (expenses)/income from insurance contracts	(9,333)	(10,127)	(9,901)	(9,307)	(9,284)	(9,281)
Net finance (expenses)/income from reinsurance contracts	1,301	1,246	1,234	1,163	1,151	1,140
Interest income	20,180	11,710	11,860	12,261	12,575	12,942
Net investment income	(3,706)	4,077	15,118	12,356	12,555	12,933
Credit impairment losses	(500)	(423)	911	19	0	0
Net investment results	7,942	6,483	19,222	16,493	16,997	17,734
Other income	1,064	195	254	184	194	203
Other expenses	(1,818)	(2,203)	(1,763)	(2,147)	(2,255)	(2,367)
Foreign exchange gains/losses	759	111	(8)	(105)	(107)	(109)
Other results	(1,000)	(3,048)	(2,710)	(3,151)	(3,284)	(3,422)
Profit before tax	34,021	28,035	38,015	44,116	48,163	53,478
Income taxes	(4,912)	(3,469)	(5,854)	(6,790)	(7,413)	(8,231)
Net profit	29,109	24,566	32,161	37,325	40,750	45,246
Net profit attributable to shareholders	29,164	24,585	32,173	37,336	40,766	45,266

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	71,667	75,899	80,693
Property	30,332	29,527	29,825	31,316	32,882	34,526
Investment property	7,440	7,576	7,234	7,969	8,439	8,972
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	499,896	550,137	584,137	621,038
At amortized cost:	113,790	126,192	136,060	147,519	156,636	166,531
At fair value through other comprehensive income:	154,285	180,142	243,771	273,473	290,374	308,718
At fair value through profit or loss:	140,730	144,047	120,065	129,145	137,127	145,790
Loans and advances to customers	73,657	57,785	77,156	63,123	65,641	69,788
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	15,982	16,620	17,669
Total assets	672,462	703,623	778,244	821,708	869,209	922,558
LIABILITIES						
Insurance contract liabilities	351,254	371,829	401,837	411,887	430,403	457,456
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	64,646	72,460	74,290
Liabilities in disposal group held for sale	450,857	469,319	517,622	541,651	570,026	601,033
EQUITIES						
Share capital	22,242	22,242	22,242	22,242	22,242	22,242
Reserves	196,471	209,178	235,682	156,058	159,199	162,403
Retained profits	79,782	78,496	82,057	99,029	114,828	133,748
Total shareholders' equity	218,713	231,420	257,924	277,329	296,269	318,394
Non-controlling interests	2,892	2,884	2,698	2,727	2,913	3,131
Total equity	221,605	234,304	260,622	280,056	299,182	321,525
Total liabilities & equity	672,462	703,623	778,244	821,708	869,209	922,558

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
DPS	0.48	0.49	0.54	0.67	0.73	0.81
EPS (Reported)	1.31	1.11	1.45	1.68	1.83	2.04
Consensus EPS	n.a	n.a	n.a	1.67	1.79	1.95
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%	13.8%	14.1%	14.6%
Combined ratio (%)	96.6%	97.8%	98.8%	97.0%	96.5%	95.9%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/B	1.7	1.6	1.5	1.4	1.3	1.2
Dividend yield (%)	2.8	2.8	3.1	3.9	4.3	4.7
Dividend payout (%)	36.5	44.2	37.3	40.0	40.0	40.0

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, 2025 (Fri).

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