

PICC P&C (2328 HK)

Underwriting resilience persists despite investment headwinds

PICC P&C reported 1Q26 results, with net profit down 23.7% YoY to RMB8.63bn, slightly below market estimates; while the combined ratio (COR) was down 0.3pct YoY to 94.2%, better-than-expected, thanks to continued improvements in both auto and non-auto COR. The decline of net profit was due to investment headwinds, which caused the insurer's total investment income to drop 38.4% YoY to RMB4.6bn, and total investment yield fell to 0.7% (unannualized, vs. 1Q25: 1.2%). Underwriting profit and net investment results accounted for 70.7%/46.5% of pre-tax income in 1Q26, vs. 49.2%/56.2% in 1Q25. Net asset value edged up 2.8% from year-start to RMB293.6bn in 1Q26. Looking ahead, we expect auto premium growth to slow down to a low-single digit on sluggish new vehicle sales, and COR is likely to improve on effective cost control offset by increases in claims. Non-auto insurance could be the key driver for premium growth, with underwriting profits achieved in 2026E. We maintain our forecasts of 95.1%/99.9% (unchanged) for auto/non-auto insurance in 2026E, and expect to see continued COR improvements from the non-auto lines. Maintain BUY, with our TP at HK\$20 (unchanged), implying 1.36x FY26E P/B.

- **Auto COR improved by disciplined expense control; mgmt. expects <96% annual target.** Auto insurance premium and insurance service revenue was flat/modestly up 2.3% to RMB71.7bn/RMB76.1bn in 1Q26. The flattish 1Q premium growth was mainly due to sluggish new vehicle sales in 1Q26, under the backdrop of a scale-back of new car purchase tax incentives. Average ticket size was marginally down affected by a structural shift given a lower share of new car sales (i.e. new car underwritten premium is at ~1.6x of used car per mgmt.) partially offset by a higher NEV penetration. Looking ahead, we expect catalysts for auto insurance incl. 1) a rebound in average ticket size; and 2) the convergence of NEV claims ratio toward the average level of fuel vehicles. We maintain our auto COR forecast at 95.1% in 2026E, reaching mgmt. target of <96%.
- **Non-auto comprehensive reform started to bear fruit in UW profitability.** Non-auto premium increased 2.4% YoY to RMB111.3bn, with premiums from A&H, liability and commercial property up 6.5%/4.6%/0.3% YoY, offset by a drop in agriculture (-4.3%). A&H was the key driver for non-auto premium growth and COR improvement in 1Q26 and according to mgmt, expense ratios for enterprise commercial property and liability insurance fell ~4pct YoY in 1Q26 thanks to effective expense controls. With more non-auto lines further strengthening in expense discipline, mgmt. expected that there could be at least 0.5pct improvement in overall COR over the next three years. We maintain our non-auto COR forecast at 99.9% in 2026E, driven by a broad-based improvement.
- **Total investment income weighed by short-term market headwinds; mgmt. expects to increase the allocation in bonds.** Total investment income dropped 38.4% YoY to RMB4.6bn, dampening the total investment yield to 0.7% (unannualized) in 1Q26 (1Q25: 1.2%). Mgmt. noted in the call that bond allocations increased in 1Q26 to capture the periodic peak in long-term yields, and will seize opportunities in lengthening the asset effective duration (1Q26: 9.93yrs, vs. effective duration on liability of 13.56yrs) through scaling up its long-term bond allocations. On the equity front, the insurer will focus more on high-dividend and value stocks to stabilize the investment return outlook.
- **Valuation:** The stock is currently trading at 0.91x FY26E P/B, close to its 2-year mean-1STD, with a yield at 5.7% (CMBI est). In 1Q26, net profit under the old accounting standard recorded a positive YoY increase according to mgmt, which set the base for the company's dividend distribution and laid solid foundation for DPS growth in 2026E. **We see key catalysts for re-rating incl. 1) a rebound in average ticket size of auto insurance; 2) new vehicle sales increase upon the rollout of new purchase tax incentives; 3) a broad-based COR improvement across non-auto insurance lines.** Maintain BUY, with our target price at HK\$20 (unchanged), implying 1.36x FY26E P/B.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
EPS (Reported)(RMB)	1.45	1.82	1.92	2.16	2.43
Consensus EPS (RMB)	n.a	n.a	1.86	2.04	2.22
P/B (x)	1.1	1.0	0.9	0.8	0.8
Dividend yield (%)	4.3	5.4	5.7	6.4	7.2
ROE (%)	13.0	14.7	14.3	14.9	15.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$20.00
Up/Downside 38.3%
Current Price HK\$14.46

China Insurance

Nika MA
 (852) 3900 0805
 nikama@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	321,619.3
Avg 3 mths t/o (HK\$ mn)	509.9
52w High/Low (HK\$)	19.37/14.05
Total Issued Shares (mn)	22,242.0

Source: FactSet

Shareholding Structure

JPMorgan Chase & Co	9.1%
Citigroup Inc.	7.4%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-2.3%	-6.6%
3-mth	-11.8%	-5.5%
6-mth	-25.3%	-24.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: Deloitte

Related reports:

1. [PICC P&C \(2328 HK\) - 3Q25 review: dual strength in underwriting and investment income](#), Nov 4, 2025
2. [PICC P&C \(2328 HK\) - Robust 1H delivery of CoR; overseas expansion yields to a second growth trajectory](#), Sep 1, 2025
3. [PICC P&C \(2328 HK\) - 1Q25 CoR outperformed](#), Apr 15, 2025
4. [PICC P&C \(2328 HK\) - Optimized CoR guidance beat expectations](#), Apr 1, 2025
5. [PICC P&C \(2328 HK\) - 3Q CoR miss dragged by non-auto claims](#), Oct 31 2024

PICC P&C (2328 HK) – 1Q26 Earnings Snapshot

PICC P&C profitability analysis (RMB mn, %)	1Q26	1Q25	Y/Y %
Insurance service revenue	123,015	120,741	1.9%
Insurance service expense	(111,230)	(109,066)	2.0%
Net reinsurance contracts gains/(losses)	(2,276)	(2,611)	-12.8%
Insurance service result	9,509	9,063	4.9%
Net finance income/(expenses)	(1,858)	(1,918)	-3.1%
Interest income, net	2,508	2,832	-11.5%
Investment income, excl. AJVs	8,875	3,084	187.8%
Credit impairment loss	35	18	93.5%
Net investment result	2,554	5,478	-53.4%
Other results	(1,945)	(1,009)	92.8%
Underwriting profit (UWP)	7,154	6,653	7.5%
Combined ratio (%)	94.2%	94.5%	-0.3pct
Profit before tax	10,118	13,532	-25.2%
Net profit to equity attributable to shareholders	8,631	11,312	-23.7%

Source: Company data, CMBIGM

Premium Income (RMB mn, %):	1Q26	1Q25	Y/Y %
Auto insurance	71,688	71,696	0.0%
Non-auto insurance	111,307	108,725	2.4%
A&H	64,478	60,528	6.5%
Agro	18,331	19,155	-4.3%
Liability	11,980	11,456	4.6%
Commercial Property	6,232	6,215	0.3%
Others	10,286	11,371	-9.5%
P&C insurance total premium income	182,995	180,421	1.4%

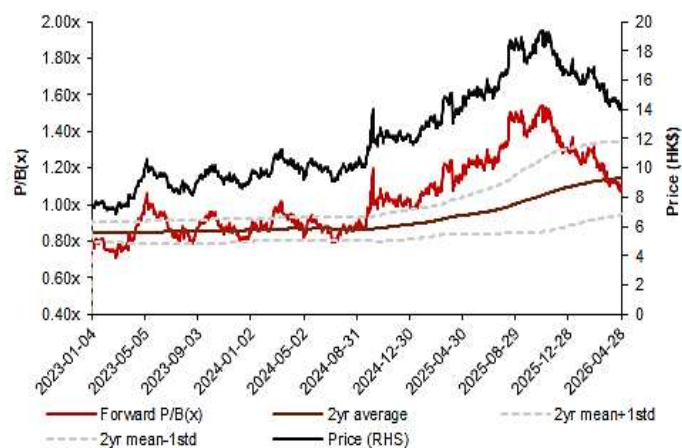
Source: Company data, CMBIGM

Insurance service revenue (RMB mn, %)	1Q26	1Q25	Y/Y %
Auto	76,056	74,334	2.3%
Non-auto	46,959	46,407	1.2%
P&C total	123,015	120,741	1.9%

Source: Company data, CMBIGM

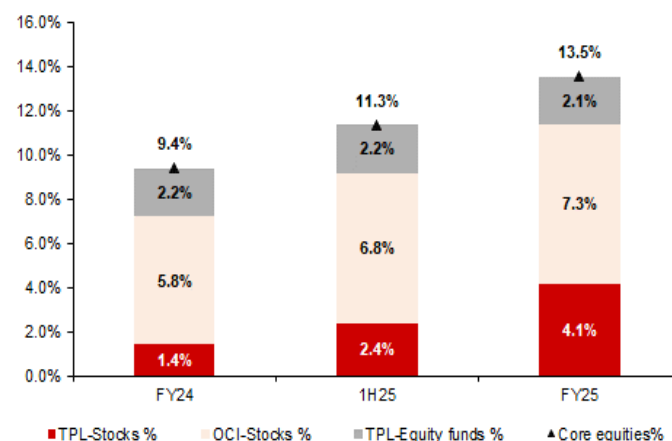
Focus Charts

Figure 1: PICC P&C P/B(x) valuation band



Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: PICC P&C Core equities' exposure (%)



Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Insurance revenue	457,203	485,223	511,594	529,179	553,411	583,544
Insurance service expenses	(431,991)	(465,392)	(486,254)	(500,658)	(520,306)	(545,686)
Net expenses from reinsurance contracts held	(6,142)	(5,451)	(5,175)	(5,123)	(5,072)	(5,021)
Insurance service results	19,070	14,380	20,165	23,397	28,034	32,837
Net finance (expenses)/income from insurance contracts	(10,127)	(9,901)	(8,762)	(8,651)	(8,506)	(8,317)
Net finance (expenses)/income from reinsurance contracts	1,246	1,234	1,132	1,121	1,109	1,098
Interest income	11,710	11,860	11,933	12,690	13,642	15,209
Net investment income	4,077	15,118	20,350	18,773	19,303	19,791
Credit impairment losses	(423)	911	(279)	0	0	0
Net investment results	6,483	19,222	24,374	23,932	25,548	27,781
Other income	195	254	(164)	(172)	(181)	(190)
Other expenses	(2,203)	(1,763)	(2,911)	(3,057)	(3,209)	(3,370)
Foreign exchange gains/losses	111	(8)	(163)	(166)	(170)	(173)
Other results	(3,048)	(2,710)	(4,214)	(4,400)	(4,595)	(4,799)
Profit before tax	28,035	38,015	47,701	50,527	56,812	63,879
Income taxes	(3,469)	(5,854)	(7,324)	(7,756)	(8,720)	(9,804)
Net profit	24,566	32,161	40,377	42,770	48,092	54,075
Net profit attributable to shareholders	24,585	32,173	40,370	42,762	48,083	54,064

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
ASSETS						
Investments in associates and joint ventures	62,601	67,129	72,823	80,723	89,820	100,322
Property	29,527	29,825	29,619	31,100	32,655	34,288
Investment property	7,576	7,234	6,934	7,686	8,552	9,552
Insurance contract assets	2,885	1,713	764	802	842	884
Reinsurance contract assets	38,891	40,506	43,129	45,285	47,550	49,927
Financial investments:	450,381	499,896	586,831	651,566	724,994	809,760
At amortized cost:	126,192	136,060	150,493	167,094	185,925	207,663
At fair value through other comprehensive income:	180,142	243,771	286,708	318,335	354,210	395,624
At fair value through profit or loss:	144,047	120,065	149,630	166,136	184,859	206,472
Loans and advances to customers	57,785	77,156	64,482	70,238	78,154	87,292
Deferred tax assets	10,139	8,392	9,499	9,974	10,473	10,996
Other assets	27,312	27,022	23,144	24,301	25,516	26,792
Cash and cash equivalents	16,526	19,370	23,273	25,351	28,208	31,506
Total assets	703,623	778,244	860,498	947,026	1,046,764	1,161,319
LIABILITIES						
Insurance contract liabilities	371,829	401,837	433,224	428,909	441,361	461,313
Investment contract liabilities	1,736	1,731	1,725	1,811	1,902	1,997
Obligations under repurchase agreements	40,037	39,642	65,779	67,095	68,436	69,805
Current tax liabilities	8	0	4	4	4	5
Bonds payable	8,365	20,433	12,076	12,680	13,314	13,979
Lease liabilities	1,316	1,301	1,126	1,182	1,241	1,303
Other liabilities	46,007	52,619	57,830	125,516	185,044	247,724
Liabilities in disposal group held for sale	469,319	517,622	571,795	637,231	711,340	796,168
EQUITIES						
Share capital	22,242	22,242	22,242	22,242	22,242	22,242
Reserves	209,178	235,682	263,732	163,281	166,587	169,962
Retained profits	78,496	82,057	103,690	121,344	143,424	169,495
Total shareholders' equity	231,420	257,924	288,974	306,867	332,253	361,700
Non-controlling interests	2,884	2,698	2,729	2,928	3,171	3,452
Total equity	234,304	260,622	288,703	309,795	335,424	365,151
Total liabilities & equity	703,623	778,244	860,498	947,026	1,046,764	1,161,319

PER SHARE DATA	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
DPS (RMB)	0.49	0.54	0.68	0.72	0.81	0.91
EPS (Reported, RMB)	1.11	1.45	1.82	1.92	2.16	2.43
Consensus EPS (RMB)	n.a	n.a	n.a	1.86	2.04	2.22
No. of shares basic (mn)	22,242	22,242	22,242	22,242	22,242	22,242
No. of shares diluted (mn)	22,242	22,242	22,242	22,242	22,242	22,242
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Return on equity (ROE)	10.8%	13.0%	14.7%	14.3%	14.9%	15.4%
Combined ratio (COR)	97.8%	98.8%	97.5%	97.0%	96.3%	95.6%
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/B (x)	1.2	1.1	1.0	0.9	0.8	0.8
Dividend yield (%)	3.9	4.3	5.4	5.7	6.4	7.2
Dividend payout (%)	44.2	37.3	37.5	37.5	37.5	37.5

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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