PICC P&C (2328 HK)

Non-auto CoR sees headroom for improvement

BUY (Maintain)

PICC P&C reported FY25 results, with net profit rising 25.5% YoY to RMB40.4bn, slightly below our estimate of RMB41.3bn (*link*), as 2H net profit growth eased to 16.3% YoY (1H25: +32.3%). UW profit surged 1.19x YoY to RMB12.5bn thanks to significantly reduced UW losses in 2H on top of a high base. CoR was 97.5% as of year-end, improving 1.3pct YoY, with auto/non-auto CoR at 95.3%/100.8%, down 1.5pct/1.0pct YoY, meeting/missing mgmt. guidance of <96%/<100%. We estimate that 4Q CoR worsened 2.5pct YoY to 101.9% compared to 97.7% in 3Q25 under the China accounting standards. Total investment income rose 12.8% YoY to RMB38.6bn driven by realized gains from TPL assets (RMB5.3bn) and OCI debt instruments (RMB0.7bn), leading total investment yield up 0.1pct YoY to 5.8%. DPS was RMB0.68, up 25.9% YoY, implying a payout of 37.5% (FY24: 37.3%). We see a more prudent UW prospect on non-auto CoR given the miss of guidance in FY25, and adjust our FY26-27E CoR forecasts to 97.0%/96.3% (prev. 96.2%/95.6%), with auto CoR staying flat while non-auto CoR raised to 99.9%/98.2% (prev. 98.1%/96.8%). We revise down our TP to HK$20 due to a modest earnings downgrade (1-2%) and a lower target P/B based on P/B-ROE. Maintain BUY. The new TP implies 1.28x FY26E P/B.

- **Auto COR well met mgmt. guidance on expense rate improvement.** In FY25, CoR improved 1.5pct YoY to 97.5%, with 2H CoR down 1.1pct YoY to 100.2%. Claims/expense ratio was +0.9pct/-2.2pct YoY to 73.9%/23.6%. Auto CoR came in at 95.3%, down 1.5pct YoY, meeting the mgmt. guidance of <96% thanks to stringent expense controls, and auto claims/expense ratio was +1.8pct/-3.3pct YoY to 74.4%/20.9%. The uptick in auto claims ratio could be due to the impact of rising personal injury compensation standards and automotive component costs, and increasing NEV penetration. By FY25, NEV premium mix grew 4.9pct YoY to 22.1%. We expect to see continued expense rate improvement for auto insurance to compensate for the uptick in claims. We hold our auto CoR forecasts stable at 95.1%/95% in FY26-27E.
- **Non-auto CoR missed guidance on UW profitability.** Non-auto CoR was 100.8% in FY25, down 1.0pct with 2H CoR at 105.6% (*CMBI est*), down 1.8pct YoY. Agricultural/liability/commercial property insurance reported UW losses with COR at 101.9%/104.5%/101.0%, +2.2pct/-0.7pct/-12.4pct YoY in FY25. Among them, agricultural COR deteriorated in 2H, up by 4.5pct YoY to 112%. Despite the UW losses, we see CoR improvement in commercial property as a highlight thanks to the non-auto comprehensive reform on new product refiling for commercial property, which had been completed before Dec 1, 2025. We see UW profit upside for commercial property, employers liability and safety liability insurance given their completed new product re-filing by 1Q26E. We expect non-auto CoR to be 99.9%/98.2% in FY26-27E.
- **Realized gains in TPL and OCI debt boosting investment results.** Total investment income rose 12.8% YoY to RMB38.6bn in FY25, driving up total investment yield by 0.1pct YoY to 5.8%. Realized gains from TPL/OCI debt instruments were RMB5.3bn/RMB0.66bn (FY24: -RMB0.5bn/ +RMB0.3bn). The insurer scaled up equity exposure with % of core equity rising to 16.5%, up 5.3pct YoY. TPL/OCI stocks rose 2.28x/41% YoY to RMB31.4bn/ RMB55.2bn, lifting the mix to 36%/64% (vs. FY24: 20%/80%) as of FY25.
- **Maintain BUY; revise TP to HK$20.** The stock is trading at 0.93x FY26E P/B, close to its 2yr mean-1STD with a yield of 5.6% (*CMBI est*). We revise down our TP to HK$20 based on P/B-ROE with modest earnings downgrade (1-2%) in FY26-27E to RMB1.92/2.16 (prev. RMB1.94/2.17), which implies 1.28x FY26E P/B.

Target Price	**HK$20.00**
(Previous TP	HK$23.60)
Up/Downside	**35.1%**
Current Price	**HK$14.80**

China Insurance

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

Stock Data

Mkt Cap (HK$ mn)	329,181.6
Avg 3 mths t/o (HK$ mn)	566.2
52w High/Low (HK$)	19.37/13.10
Total Issued Shares (mn)	22242.0

Source: FactSet

Shareholding Structure

JPMorgan Chase & Co	9.0%
Citigroup Inc.	7.4%

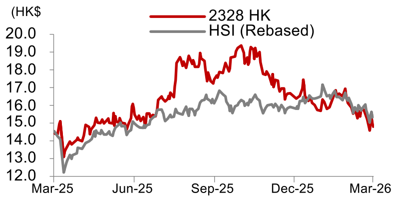
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-8.6%	-2.4%
3-mth	-10.8%	-7.7%
6-mth	-15.2%	-11.2%

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

6.PICC P&C (2328 HK) -CoR sequentially improved turning to positive 2Q net profit growth; first interim dividend in place, Aug

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	2.05	2.23	2.42
Combined ratio (%)	98.8	97.5	97.0	96.3	95.6
P/B (x)	1.1	1.0	0.9	0.9	0.8
Dividend yield (%)	4.1	5.2	5.6	6.3	7.1
ROE (%)	13.0	14.7	14.3	14.9	15.5

Source: Company data, Bloomberg, CMBIGM estimates

30, 2024

7. PICC P&C (2328 HK) - 1Q catastrophe induced claims fully released; FY24 CoR guidance sustained; exp. >40% payout, May7, 2024

FY25 Key Metric Snapshot and CMBI Estimates

(RMB, %)	FY25			Current			Old		Chg (%, pct)	
	Actual	*CMBI est*	*Chg. (%, pct)*	FY26E	FY27E	FY28E	FY26E	FY27E	FY26E	FY27E
EPS	1.82	1.86	*-2%*	1.92	2.16	2.43	1.94	2.17	*-1%*	*0%*
COR	***97.5%***	***96.6%***	***0.9pct***	***97.0%***	***96.3%***	***95.6%***	***96.2%***	***95.6%***	***0.8***	***0.6***
Auto COR	*95.3%*	*95.1%*	*0.2pct*	*95.1%*	*95.0%*	*94.9%*	*95.0%*	*94.9%*	*0.1*	*0.1*
Non-auto COR	*100.8%*	*99.0%*	*1.8pct*	*99.9%*	*98.2%*	*96.7%*	*98.1%*	*96.8%*	*1.9*	*1.4*
DPS	0.68	0.74	*-8%*	0.72	0.81	0.91	0.78	0.87	*-7%*	*-7%*
BVPS	12.86	12.65	*2%*	13.80	14.94	16.26	13.54	14.62	*2%*	*2%*
ROE	*14.7%*	*15.2%*	*-0.5pct*	*14.3%*	*14.9%*	*15.4%*	*14.7%*	*15.2%*	*(0.4)*	*(0.3)*
Premiums (RMB bn)	**555.8**	**558.0**	***0%***	**576.2**	**601.1**	**630.3**	**581.6**	**609.2**	***-1%***	***-1%***
Auto	305.7	306.8	*0%*	315.8	326.4	337.8	316.9	327.6	*0%*	*0%*
Non-auto	250.0	251.1	*0%*	260.4	274.7	292.5	264.7	281.6	*-2%*	*-2%*

Source: Company data, CMBIGM estimates

Valuation

We adopt the P/B-ROE method to derive our new 12-mth forward target price of HK$20.0, implying1.3x FY26E P/B with a 3yr average ROE at 14.9%, and a yield of 5.6% in FY26E.

(RMB bn, %)	2328.HK	
P&C insurance	**FY26E**	**FY27E**
Shareholders' equity (RMB bn)	**306.9**	**332.3**
Fair value P/B (x)	**1.26**	**1.26**
Cost of equity	11.2%	11.3%
Forward 3-year ROE (avg)	14.9%	15.1%
Long-term growth	2.0%	2.0%
Underwriting cycle discount	-10%	-10%
Fair value (RMB mn)	**386.3**	**418.4**
Valuation after volatility discount (HK$)	**19.7**	**21.3**
Number of shares (mn)	22,242	
RMB/HKD	1.13	
Price Target (TTM):	**20.0**	
Implied P/B (x)	*1.3x*	
Implied P/E (x)	*9.7x*	
Upside	*35.1%*	
Old TP (HK$)	23.6	
Change (%)	*-15.3%*	

Source: CMBIGM estimates

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**	**778,243**	**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	185,275	248,215
Liabilities in disposal group held for sale	469,319	517,622	571,795	637,231	711,571	796,659
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	143,195	169,009
Total shareholders' equity	**231,420**	**257,924**	**285,974**	**306,867**	**332,025**	**361,213**
Non-controlling interests	2,884	2,698	2,729	2,928	3,168	3,447
Total equity	**234,304**	**260,622**	**288,703**	**309,795**	**335,193**	**364,660**
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	0.49	0.54	0.68	0.73	0.82	0.92
EPS (Reported)	1.11	1.45	1.82	1.92	2.16	2.43
Consensus EPS	n.a	n.a	n.a	2.05	2.23	2.42
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%	15.5%
Combined ratio	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)	1.3	1.1	1.0	0.9	0.9	0.8
Dividend yield (%)	3.7	4.1	5.2	5.6	6.3	7.1
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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