1 Sep 2026

CMB International Global Markets | Equity Research | Company Update

PICC P&C (2328 HK)

Interim DPS +41.7% YoY a +VE surprise; Market pivots to 2H26E catastrophe claims outlook

BUY (Maintain)

Target Price	**HK$20.00**
Up/Downside	**17.4%**
Current Price	**HK$17.04**

PICC P&C reported better-than-expected 1H26 results, with net profit rising 32% YoY to RMB32.3bn, translating into 80.0% YoY increase in 2Q26 (vs. 1Q: -23.7% YoY), reflecting strengths from both underwriting and investment results. Interim DPS surged 41.7% YoY to RMB0.34/share implying 23.4% payout, which was a positive surprise to the market. Underwriting combined ratio (CoR) improved 0.8pct YoY to 94% in 1H26, with expense ratio down 0.9pct YoY to 71.9%, partly offset by 0.1pct YoY increase in loss ratio. Underwriting profit edged up 18.1% YoY to RMB15.4bn in 1H26, with 2Q UWP rising 29.2% YoY to RMB8.2bn (vs. 1Q: +7.5%). Auto/non-auto CoR dropped 0.7pct/1.0pct to 93.5%/94.6% in 1H26, with CoR improvements across non-auto lines except for agriculture insurance. Net investment results rose 96% YoY to RMB19bn, supported by investment income from realized & unrealized TPL fair value gains at RMB13.3bn, 75% of total investment income. Looking ahead, we think the market pivots to catastrophe claims outlook in 2H26E, with 3Q likely reaching the quarterly CoR peak, amid a backdrop of investment volatility. Maintain BUY, with our TP at HK$20 (unchanged), implying 1.2x FY26E P/B.

- **Auto/non-auto CoR improved while sales momentum eased.** In 1H26, auto CoR recorded at 93.5% (-0.7pct), ahead of the mgmt.'s full-year guidance of 96%. The CoR improvement was driven by a contracted expense ratio at 19.9% (-1.2pct YoY), offset by an increase in claims ratio at 73.6% (+0.5pct YoY) given higher exposure to NEVs and rising personal injury compensation standards. Auto premium growth eased to +0.1% YoY in 1H26, due to sluggish new vehicle sales. We maintain our forecast on a low-single digit increase for auto premiums in FY26E. Non-auto CoR fell 1.0pct YoY to 94.6%, with improvements across lines except for agriculture insurance (i.e. CoR: +4.2pct YoY). Corporate property/Health & Accident/Others' CoR improved 3.5pct/2.9pct/7.4pct YoY to 86.6%/99%/81.2%, reflecting continued de-risking on lines of high-claims ratio. Non-auto premiums increased 2.3% YoY to RMB183bn, with H&A/liability/agriculture/commercial property/other +6.1%/+10.8%/-1.3%/-0.5%/-13.4% YoY.
- **Total investment income up 58.5% strengthened by higher core equity exposure.** Total investment assets amounted to RMB782bn (+2.8% HoH), with core equity exposure (stocks + equity funds) rising to 18.0% (+1.5pct HoH). Total investment income jumped 58.5% YoY to RMB27.4bn, strengthened by TPL realized & unrealized fair value gains that amounted to RMB13.3bn (+3.3x YoY, 75% of P/L investment income). Total investment yield (TIY, unannualized) was 3.8%, +1.2pct YoY. The insurer's core/comprehensive solvency ratio was 237.2%/213.8%, +4.8pct/+0.4pct from year-start, with the sufficient capital position allowing for 41.7% YoY DPS growth to RMB0.34/share implying 23.4% payout, up 1.6pct YoY.
- **Valuation:** The stock is trading at 1.06x FY26E P/B with a yield of 5%, and 3yr average forward ROE at >14%. With higher frequencies of natural catastrophes (NAT CAT) in Jul-Aug, we expect the quarterly CoR peak to reach in 3Q26E and market now pivots to evaluate the impact of catastrophe claims outlook on CoR. Per mgmt., the NAT CAT net loss reached RMB1.9bn by end-Aug, deteriorating claims ratio by 2pct, and total NAT CAT claims within the year would be higher than the average of the past five years (FY21-25). Despite this, we maintain our forecasts on auto/non-auto CoR to reach the full-year guidance of 96%/<100%. Maintain BUY, with our TP at HK$20 (unchanged) implying 1.2x FY26E P/B.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Net profit (RMB mn)	32,161	40,377	43,320	44,709	49,346
EPS (Reported)(RMB)	1.45	1.82	1.95	2.01	2.22
Consensus EPS (RMB)	n.a	n.a	1.89	1.99	2.14
Combined ratio (%)	98.8	97.5	96.8	96.2	95.7
P/B (x)	1.3	1.1	1.1	1.0	0.9
Dividend yield (%)	3.7	4.7	5.0	5.2	5.8
ROE (%)	13.0	14.7	14.5	13.9	14.2

Source: Company data, Bloomberg, CMBIGM estimates

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Stock Data

Mkt Cap (HK$ mn)	379,003.7
Avg 3 mths t/o (HK$ mn)	491.8
52w High/Low (HK$)	19.37/13.96
Total Issued Shares (mn)	22242.0

Source: FactSet

Shareholding Structure

JPMorgan Chase & Co	9.0%
Citigroup Inc.	7.0%

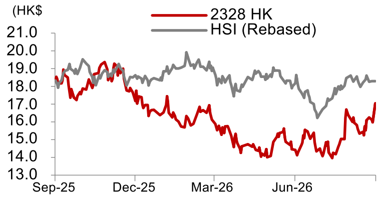
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	3.9%	5.2%
3-mth	17.1%	15.4%
6-mth	5.3%	9.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

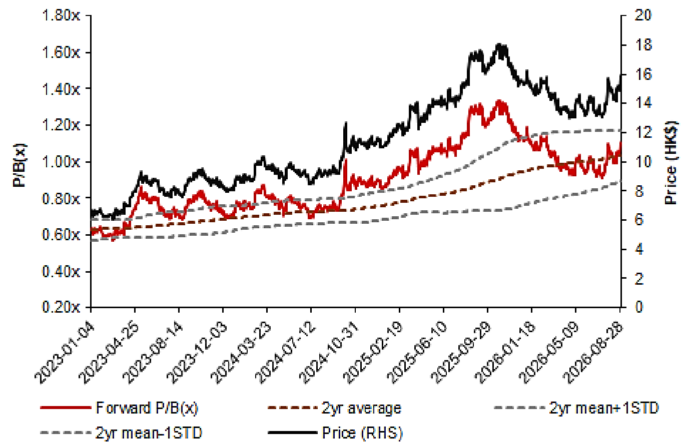
Auditor: Deloitte

Related reports:

1. PICC P&C (2328 HK) - Underwriting resilience persists despite investment headwinds, May 4, 2026
2. PICC P&C (2328 HK) - Non-auto CoR sees headroom for improvement, Mar 31, 2026
3. PICC P&C (2328 HK) - 3Q25 review: dual strength in underwriting and investment income, Nov 4, 2025
4. PICC P&C (2328 HK) - Robust 1H delivery of CoR; overseas expansion yields to a second growth trajectory, Sep 1, 2025
5. PICC P&C (2328 HK) - 1Q25 CoR outperformed, Apr 15, 2025
6. PICC P&C (2328 HK) - Optimized CoR guidance beat expectations, Apr 1, 2025
7. PICC P&C (2328 HK) - 3Q CoR miss dragged by non-auto claims, Oct 31 2024

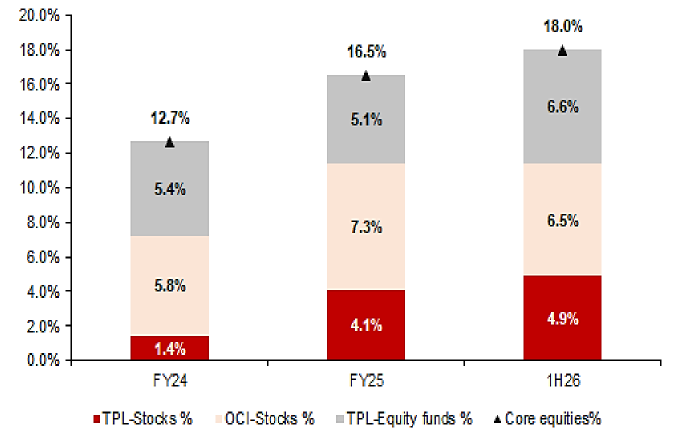
Focus Charts

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**	**522,738**	**531,550**	**542,055**
Insurance service expenses	**(431,991)**	**(465,392)**	**(486,254)**	**(493,718)**	**(499,530)**	**(507,049)**
Net expenses from reinsurance contracts held	(6,142)	(5,451)	(5,175)	(5,082)	(5,133)	(5,184)
Insurance service results	**19,070**	**14,380**	**20,165**	**23,938**	**26,887**	**29,821**
Net finance (expenses)/income from insurance contracts	(10,127)	(9,901)	(8,762)	(8,455)	(8,021)	(7,602)
Net finance (expenses)/income from reinsurance contracts	1,246	1,234	1,132	1,129	1,118	1,107
Interest income	11,710	11,860	11,933	11,585	12,127	12,744
Net investment income	4,077	15,118	20,350	22,607	20,255	22,090
Credit impairment losses	(423)	911	(279)	(35)	0	0
Net investment results	**6,483**	**19,222**	**24,374**	**26,831**	**25,478**	**28,339**
Other income	195	254	(164)	(1,033)	(1,136)	(1,250)
Other expenses	(2,203)	(1,763)	(2,911)	(3,183)	(3,501)	(3,851)
Foreign exchange gains/losses	111	(8)	(163)	(375)	(412)	(453)
Other results	**(3,048)**	**(2,710)**	**(4,214)**	**(5,677)**	**(6,244)**	**(6,869)**
Profit before tax	**28,035**	**38,015**	**47,701**	**53,058**	**54,485**	**60,074**
Income taxes	(3,469)	(5,854)	(7,324)	(9,738)	(9,776)	(10,727)
Net profit	**24,566**	**32,161**	**40,377**	**43,320**	**44,709**	**49,346**
Net profit attributable to shareholders	**24,585**	**32,173**	**40,370**	**43,328**	**44,714**	**49,351**

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	79,384	86,867	95,420
Property	29,527	29,825	29,619	31,100	32,655	34,288
Investment property	7,576	7,234	6,934	7,322	8,013	8,802
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**	**639,972**	**700,303**	**769,255**
At amortized cost:	126,192	136,060	150,493	161,281	176,485	193,862
At fair value through other comprehensive income:	180,142	243,771	286,708	297,083	325,089	357,098
At fair value through profit or loss:	144,047	120,065	149,630	181,608	198,728	218,295
Loans and advances to customers	57,785	77,156	64,482	72,712	79,567	87,401
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	21,793	23,847	26,195
Total assets	**703,623**	**778,244**	**860,498**	**932,646**	**1,015,633**	**1,109,961**
LIABILITIES						
Insurance contract liabilities	371,829	401,837	433,224	457,137	458,860	462,260
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	82,717	138,362	199,464
Liabilities in disposal group held for sale	469,319	517,622	571,795	622,706	682,207	748,910
EQUITIES						
Share capital	22,242	22,242	22,242	22,242	22,242	22,242
Reserves	209,178	235,682	263,732	161,892	164,838	167,842
Retained profits	78,496	82,057	103,690	123,102	143,437	167,817
Total shareholders' equity	**231,420**	**257,924**	**285,974**	**307,236**	**330,517**	**357,901**
Non-controlling interests	2,884	2,698	2,729	2,704	2,909	3,150
Total equity	**234,304**	**260,622**	**288,703**	**309,940**	**333,426**	**361,051**
Total liabilities & equity	**703,623**	**778,244**	**860,498**	**932,646**	**1,015,633**	**1,109,961**

PER SHARE DATA	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
DPS (RMB)	0.49	0.54	0.68	0.74	0.76	0.85
EPS (Reported, RMB)	1.11	1.45	1.82	1.95	2.01	2.22
Consensus EPS (RMB)	n.a	n.a	n.a	1.89	1.99	2.14
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%	14.5%	13.9%	14.2%
Combined ratio (%)	97.8%	98.8%	97.5%	96.8%	96.2%	95.7%
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/B (x)	1.4	1.3	1.1	1.1	1.0	0.9
Dividend yield (%)	3.3	3.7	4.7	5.0	5.2	5.8
Dividend payout (%)	44.2	37.3	37.5	37.8	37.9	38.1

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

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