ZhongAn (6060 HK)

1H bottom-line a strong beat, more than doubled on dual drivers of UW and investment gains

ZhongAn's 1H26 net profit implied a strong beat, surging 1.32x YoY to RMB1.55bn, ahead of market consensus of RMB550mn. The outperformance can be attributable to dual drivers of strong P&C underwriting results and equity-driven fair value gains. Underwriting profit recorded at RMB773mn, up 17.8% YoY, with P&C combined ratio (CoR) improving 0.1pct YoY to 95.5% in 1H26. Investment income from insurance assets topped RMB1.6bn, up 150% YoY, with net investment income and fair value changes in roughly equal split. In 1H26, the insurer expanded core equity exposure (i.e. stocks and equity funds) by 4pct YoY to 13.2% (vs. FY25: 9.1%), well capturing the upward trend of stock markets. In our view, key highlights in 1H26 include: 1) profit turnaround in technology segment to RMB17mn; 2) steady bottom-line growth for ZA Bank to a net profit of HK$71mn (vs.1H25: HK$49mn); 3) insurance funds' annualized net/total investment yield (NIY/TIY) was 4.0%/7.8%, up 1.9pct/4.5pct YoY, likely at the high-end of range among P&C peers. To factor in the outperformed 1H26 earnings, we raise our FY26-28E EPS forecasts to RMB1.06/ 0.90/0.99 (previous RMB0.80/0.88/0.99), and maintain our SOTP-based price target at HK$18 (unchanged). Maintain BUY.

- **P&C ecosystems saw shifting dynamics.** In 1H26, total premiums saw a slight decrease of 0.6% YoY to RMB16.6bn, with GWP of digital lifestyle/health/auto/consumer finance +25%/+7%/+4%/-79% YoY to RMB7.7bn/6.7bn/1.5bn/0.56bn (47%/41%/9%/3% mix). Underwriting CoR dropped 0.1pct YoY to 95.5% in 1H26 benefited from improvements in Health (-0.2pct) and Digital lifestyle ecosystems (-0.7pct). Consumer finance accelerated in insured loans' scale-down, which led to a significant decline in GWP (-79.2% YoY) with the remaining loan balance at RMB10.5bn by 1H26 (vs. FY25: RMB22.9bn). Per mgmt., insured loans balance reduced to below RMB8bn in Aug, with expectations of the de-risking to translate into earnings growth over the long run. As the de-risking process continued, we expect GWP and insurance revenue from consumer finance to fall to a low-single digit contribution. Auto premiums grew 4.2% YoY, lagging the 30% guidance due to weakening new vehicle sales in 1H26, tracing the industry average growth of ~3%. We recalibrate our GWP forecasts in FY26-28E on top of shifting dynamics.
- **ZA Bank stayed on course for sustained profitability.** ZA Bank's net revenue reached HK$578mn (+26.6% YoY), with net interest income of HK$375mn (65% mix, +25.9% YoY) and net fee and commission income of HK$123mn (21% mix, +75.7% YoY) in 1H26. NIM continued to outpace the industry average expanding to 2.99% in 1H26 (vs. 2.38% in 1H25). Net profit came in at HK$71mn (vs. 1H25: HK$49mn) bringing the digital bank's net margin to 12.2%, up 1.4pct YoY. In our view, ZA bank's strategic focus on retail wealth management product offerings should support sustained client AUM growth, and drive further earnings upside.
- **Core equity exposure to stabilize at circa.13%.** Total investment assets grew 3% HoH to RMB41.5bn in 1H26, with bonds/stocks/equity funds making up 44.9%/11.2%/2.0% of insurance portfolio. Total investment income jumped 150% YoY to RMB1.6bn, driven by the fair value gains from TPL equities amid buoyant market performance. Mgmt. mentioned that the current equity exposure ranked at c.1.0pct higher than the level of P&C industry average and the ratio historically stood at 8%-15%, indicating the increase in equity allocation ratio is unlikely in 3Q.
- **Valuation:** The stock is trading at 0.6x FY26E P/B, close to its historical trough. We update our model by factoring in the outperformed 1H26 earnings results and raise FY26-28E EPS forecasts to RMB1.06/0.90/0.99 (previous: RMB0.80/0.88/0.99). Looking into 2H26E, we expect investment income to normalize from a high base and key focus should center around: 1) Auto and Health GWP/insurance revenue growth; 2) sustained profit contribution from ZA Bank and Technology segment. Maintain BUY with our price target at HK$18 (unchanged), implying 1.1x FY26E P/B.

BUY (Maintain)

Target Price	**HK$18.00**
Up/Downside	**64.8%**
Current Price	**HK$10.92**

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Stock Data

Mkt Cap (HK$ mn)	17,224.3
Avg 3 mths t/o (HK$ mn)	99.1
52w High/Low (HK$)	20.20/9.00
Total Issued Shares (mn)	1577.3

Source: FactSet

Shareholding Structure

Ping An Insurance Group	9.2%
Shenzhen Jiadexin Inv Co Ltd	8.2%

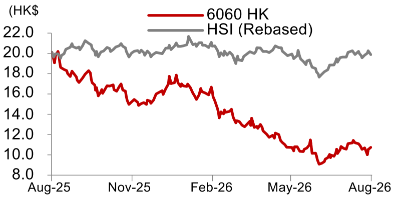
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	2.6%	0.4%
3-mth	2.7%	3.1%
6-mth	-30.6%	-27.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: PwC

Related reports:

1. Net earnings weakened in 2H; ZA Bank hit first full-year profit, Mar 24, 2026
2. 1H earnings a clear beat; ZA Bank turned profit faster than expected; raise TP to HK$23, Aug 26, 2025
3. Placement may cause limited downside despite short-term volatilities, Jun 26, 2025
4. HK Stablecoins outlook opens up the headroom for valuation re-rating; uplift TP to HK$20.4, Jun 3 2025
5. Tech export out of the red; ZA Bank on track for breakeven, 24 Mar 2025
6. Digital lifestyle leading growth; ZA Bank and technology export breakeven on track, 28 Mar 2024

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Net profit (RMB mn)	603	1,102	1,781	1,514	1,674
EPS (Reported)(RMB)	0.41	0.70	1.06	0.90	0.99
Consensus EPS (RMB)	n.a	n.a	0.83	0.91	0.98
Combined ratio (%)	96.9	95.8	95.6	95.4	95.2
P/B (x)	0.7	0.6	0.6	0.5	0.5
ROE (%)	2.9	4.8	6.8	5.4	5.7

Source: Company data, Bloomberg, CMBIGM estimates

- **Key risks:** 1) intensified industry competitions that adversely impact on premium sales and wallet share gains; 2) deteriorated loss ratio due to economic shock and/or increasing catastrophic claims; 3) expense overruns; 4) prolonged low-interest rate environment and heightened equity market volatilities, 5) slower-than-expected topline growth prospect of ZA Bank and/or margin deteriorations, etc.

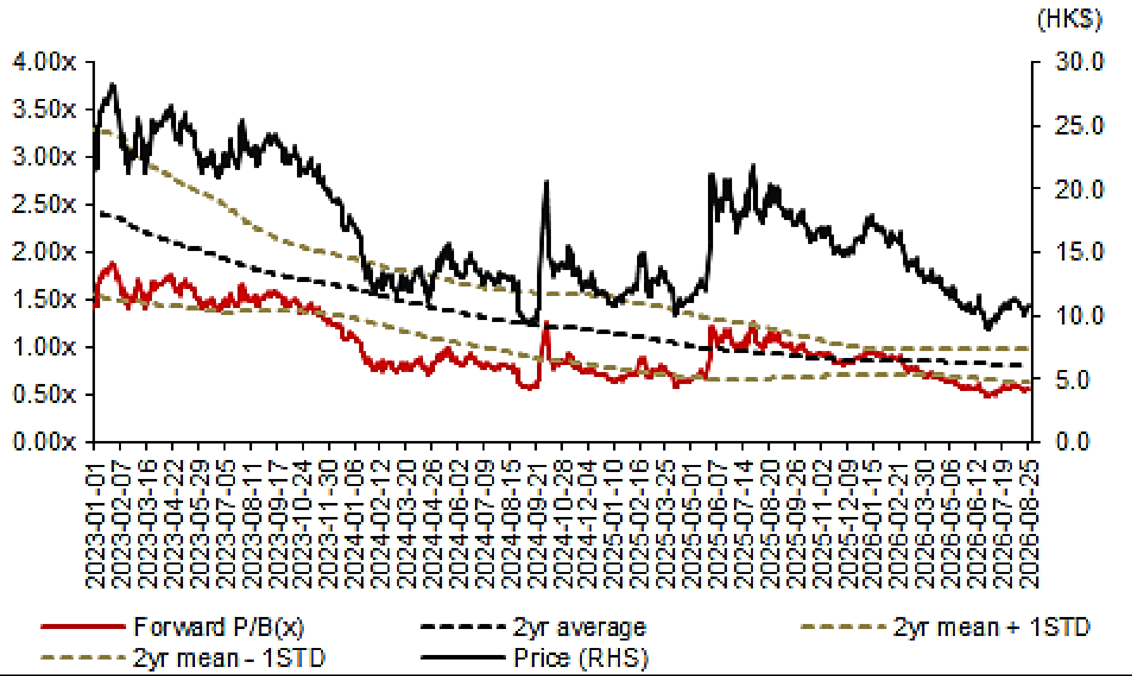
Earnings & key performance metrics revision

	Actual	Current			Old			Diff (%)		
(RMB bn, %)	FY25	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net profit	**1.1**	**1.8**	**1.5**	**1.7**	**1.4**	**1.5**	**1.7**	***31.5%***	***1.9%***	***0.6%***
EPS	0.70	1.06	0.90	0.99	0.80	0.88	0.99	*31.5%*	*1.9%*	*0.6%*
Shareholders' equity	**25.4**	**27.2**	**28.7**	**30.4**	**26.4**	**27.5**	**28.7**	***3.1%***	***4.5%***	***6.0%***
ROE	4.8%	6.8%	5.4%	5.7%	3.7%	4.0%	4.3%	*3.0pct*	*1.4pct*	*1.4pct*
P&C Insurance:										
GWP	35.7	37.2	40.7	44.6	38.6	41.3	44.5	*-3.5%*	*-1.5%*	*0.4%*
Insurance revenue	33.5	34.5	37.7	41.3	36.1	38.6	41.5	*-4.3%*	*-2.2%*	*-0.3%*
UWP	1.2	1.4	1.7	1.9	1.5	1.7	1.9	*-5.8%*	*-3.8%*	*-1.8%*
Combined ratio (COR)	95.8%	95.6%	95.4%	95.2%	*95.6%*	*95.4%*	*95.2%*	*0.1pct*	*0.1pct*	*0.1pct*
GWP by ecosystems:										
Digital lifestyle	16.0	18.5	20.4	22.4	16.8	17.6	18.5	*10%*	*16%*	*21%*
Consumer finance	4.3	1.7	1.6	1.4	3.9	3.5	3.1	*-56%*	*-56%*	*-56%*
Health	12.7	13.9	15.3	16.9	14.6	16.4	18.5	*-4%*	*-6%*	*-9%*
Auto	2.8	3.0	3.4	3.9	3.3	3.8	4.4	*-10%*	*-10%*	*-10%*

Source: Company data, CMBIGM estimates

Section Title: Focus Charts

Figure 1: ZhongAn P/B(x) valuation band



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Insurance revenue	**27,535**	**31,744**	**33,485**	**34,522**	**37,735**	**41,327**
Insurance service expenses	**(26,089)**	**(30,690)**	**(32,174)**	**(32,785)**	**(35,767)**	**(39,106)**
Net expenses from reinsurance contracts held	(109)	(14)	127	(65)	(71)	(78)
Insurance service results	**1,337**	**1,040**	**1,438**	**1,672**	**1,897**	**2,143**
Net finance (expenses)/income from insurance contracts	(52)	(52)	(33)	(34)	(37)	(40)
Net finance (expenses)/income from reinsurance contracts	8	2	6	0	0	0
Net investment income	4,136	437	1,838	1,630	1,496	1,571
Other gains/(losses) from changes in fair value	768	1,024	316	1,142	909	960
Net investment results	**4,904**	**1,460**	**2,153**	**2,772**	**2,405**	**2,530**
Other income	1,135	1,032	659	681	686	688
Other expenses	(2,670)	(1,952)	(2,377)	(2,506)	(2,641)	(2,783)
Foreign exchange gains/losses	(95)	(99)	37	37	37	37
Other results	**(2,094)**	**(1,466)**	**(1,991)**	**(2,113)**	**(2,260)**	**(2,417)**
Profit before tax	**4,010**	**854**	**1,506**	**2,230**	**1,937**	**2,149**
Income taxes	(165)	(251)	(405)	(448)	(423)	(475)
Net profit	**3,845**	**603**	**1,102**	**1,781**	**1,514**	**1,674**
Net profit attributable to shareholders	**4,078**	**603**	**1,102**	**1,781**	**1,514**	**1,674**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
ASSETS						
Cash and amount due from banks and other financial institutions	1,576	1,467	3,035	4,223	5,530	7,183
Intangible assets	527	619	618	618	618	618
Investments in associates and joint ventures	5,297	5,591	4,875	4,875	4,875	4,875
Property	377	798	1,590	1,590	1,590	1,590
Reinsurance contract assets	762	710	1,199	1,369	1,566	1,791
At amortized cost:	1,452	1,051	782	823	865	910
At fair value through profit or loss:	22,252	20,706	20,907	22,041	23,236	24,496
Loans and advances to customers	0	0	0	0	0	0
Other assets	2,104	2,692	2,395	2,418	2,441	2,466
Cash and cash equivalents	1,576	1,467	3,035	4,223	5,530	7,183
Total assets	**42,864**	**45,285**	**46,710**	**48,703**	**50,814**	**53,050**
LIABILITIES						
Insurance contract liabilities	3,335	5,000	7,254	7,979	8,777	9,655
Borrowings	6,900	6,993	2,631	2,684	2,737	2,792
Obligations under repurchase agreements	8,491	7,931	5,778	6,356	6,992	7,691
Current tax liabilities	27	18	407	407	407	407
Lease liabilities	287	123	139	152	168	184
Other liabilities	3,750	4,024	4,818	3,895	2,989	1,903
Total liabilities	**22,790**	**24,358**	**21,260**	**21,473**	**22,070**	**22,632**
EQUITIES						
Share capital	1,470	1,470	1,685	1,685	1,685	1,685
Reserves	16,732	16,996	20,503	20,503	20,503	20,503
Retained profits	1,871	2,461	3,262	5,043	6,557	8,231
Total shareholders' equity	**20,073**	**20,926**	**25,449**	**27,231**	**28,744**	**30,418**
Non-controlling interests	0	0	0	0	0	0
Total equity	**20,073**	**20,926**	**25,449**	**27,231**	**28,744**	**30,418**
Total liabilities & equity	**42,864**	**45,285**	**46,710**	**48,703**	**50,814**	**53,050**

PER SHARE DATA	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
EPS (Reported, RMB)	2.77	0.41	0.70	1.06	0.90	0.99
Consensus EPS (RMB)	n.a	n.a	n.a	0.83	0.91	0.98
No. of shares basic (mn)	1,470	1,470	1,685	1,685	1,685	1,685
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Return on equity (%)	22.8%	2.9%	4.8%	6.8%	5.4%	5.7%
Combined ratio (%)	95.2%	96.9%	95.8%	95.6%	95.4%	95.2%
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/B (x)	0.7	0.7	0.6	0.6	0.5	0.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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