

Hong Kong

ADD (no change)

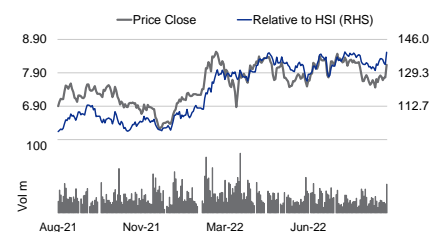
Consensus ratings*: Buy 33 Hold 4 Sell 0

Current price:	HK\$8.14
Target price:	HK\$11.30
Previous target:	HK\$9.80
Up/downside:	38.8%
CGS-CIMB / Consensus:	8.3%
Reuters:	2328.HK
Bloomberg:	2328 HK
Market cap:	US\$23,075m HK\$181,056m
Average daily turnover:	US\$21.77m HK\$173.6m
Current shares o/s:	22,242m
Free float:	47.0%

*Source: Bloomberg

Key changes in this note

- FY22F EPS raised by 20.4%.
- FY23F EPS raised by 15.7%
- FY24F EPS raised by 19.7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1	3.4	17.8
Relative (%)	1.7	6.7	39

Major shareholders

	% held
PICC Group	69.0

PICC Property & Casualty

1H22 top-up reserves to help 2H22F

- 2Q22 underwriting profit rose an exceptional 160% yoy. It is impressive that this was achieved despite conservative top-up reserves (Fig 6).
- We think 1H22's COR of 96% (-1.2%-pts yoy) could have been lower by about 5%-pts if not for such conservative reserves by PICC (Fig 5).
- 1H22's strong combined ratio performance (with 2Q22's ratio -2.3%-pts yoy) was driven by auto, credit & surety, agricultural and commercial property.
- Reiterate Add. TP raised to HK\$11.30 due to 16-20% higher FY22-24F EPS.

Strong 1H22, driven by impressive 2Q22 auto results

1H22 net profit was up 15% yoy, with 2Q22 net profit up an impressive 37% yoy, a turnaround from 1Q22's 3% yoy fall. This was driven by an impressive underwriting result, with 1H22 combined ratio (COR) at 96%, -1.2%-pts yoy and 1H22 underwriting profit up 52.5% yoy. 2Q22 was especially strong, with 2Q22 COR of 96.4%, -2.3%-pts yoy (1Q22: 95.6%, -0.1%-pts yoy), and 2Q22 underwriting profit up 160% yoy (1Q22: 11%) (Fig 1). 1H22 net profit comprised 83% of our original FY22F net profit estimate and 69% of our new FY22F net profit estimate.

What we liked about the results

i) 1H22's strong net profit and underwriting profit performance was achieved despite conservative insurance top-up reserves in 1H22 (especially 2Q22). The ratio of the net change in loss & loss adjustment expense reserves to net earned premiums of 11.7% in 1H22 was the highest since 1H11's 12.7% (Fig 5), due to 2Q22's ratio rising to 17% (2003–2021 average = 6.7%). We also note that while 1Q20's ratio spiked to 15% at the onset of the pandemic, this ratio rapidly fell over 2Q20–4Q20 (Fig 6), and we think a similar pattern could happen in 2H22F. We also think 1H22's COR could have been lower by about 5%-pts if not for such conservative reserves by PICC; ii) The ratio of 1H22 auto COR was 95.4%, -1.3%-pts yoy, with 2Q22 at 94.9%, -3.9%-pts yoy (1Q22: 96%, +1.4%-pts yoy) (Fig 2). 2Q22's auto underwriting profit was up 319% yoy (1Q22: -21% yoy). 2Q22's auto underwriting profit comprised 81% of total underwriting profits (1Q22: 58%); iii) Despite Covid-19 outbreaks, 1H22 COR for credit and surety fell to 63%, -26%-pts yoy (Fig 3); iv) 1H22 agricultural COR was 89.4%, -7.6%-pts yoy (Fig 3); v) 1H22 COR for the government segment was between 95-100% (Fig 7); vi) 2Q22 investment income rose 11% yoy, with 1H22 investment income -3% yoy (much better than peers).

What we did not like

i) 1H22 liability COR was 106.3%, up 6.9%-pts yoy; ii) 1H22 total investment yield was 5.3%, -0.6%-pts yoy, though 1H22 net investment yield was 3.9%, +0.1%-pts yoy.

Reiterate Add rating; TP raised to HK\$11.30 from HK\$9.80

Our GGM-based TP rises to HK\$11.30 (pg. 5-6) due to 16-20% higher FY22F–24F EPS due to lower COR. Re-rating catalysts: faster premium growth, higher investment yields. Downside risks: intensifying competition, stricter regulations and greater policy risks.

Analyst(s)

Michael CHANG, CFA

T (852) 2539 1323

E michael.chang@cgs-cimb.com

Laura Li Zhiyi

T (852) 2532 1127

E laura.li@cgs-cimb.com

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Premium (Rmbm)	433,187	449,533	499,111	557,294	625,258
Investment And Other Income (Rmbm)	18,184	20,892	21,662	24,564	26,530
Net Premium (Rmbm)	433,187	449,533	499,111	557,294	625,258
Net Profit (Rmbm)	20,247	22,078	27,713	28,436	29,754
Normalised EPS (Rmb)	0.91	0.99	1.25	1.28	1.34
Normalised EPS Growth	(16.6%)	9.0%	25.5%	2.6%	4.6%
FD Normalised P/E (x)	7.82	7.17	5.71	5.57	5.32
P/NB (x)	NA	NA	NA	NA	NA
DPS (Rmb)	0.37	0.41	0.50	0.52	0.54
Dividend Yield	5.27%	5.72%	7.09%	7.27%	7.61%
P/EV (x)	NA	NA	NA	NA	NA
P/BV (x)	0.84	0.78	0.71	0.66	0.62
ROE	11.3%	11.3%	13.1%	12.4%	12.0%
% Change In Normalised EPS Estimates			20.4%	15.7%	19.7%
Normalised EPS/consensus EPS (x)			1.06	0.96	0.90

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

1H22 top-up reserves to help 2H22F

Figure 1: Key 1H22 data of PICC P&C

(Rmb m)	2Q22	1Q22	1H22	2Q22 growth yoy	1Q22 growth yoy	1H22 growth yoy
Net profits	10,385	8,654	19,039	37%	-3%	15%
Underwriting profits	3,930	4,316	8,246	160%	11%	53%
Investment income	5,954	6,600	12,554	11%	-13%	-3%
Auto GWP	65,026	63,782	128,808	3%	11%	7%
Non-auto GWP	59,912	88,688	148,600	12%	13%	13%
Total GWP	124,938	152,470	277,408	7%	12%	10%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: 1H22 combined ratio and underwriting performance of PICC P&C

	2Q22	1Q22	2Q21	1Q21	2Q22 growth yoy	1Q22 growth yoy
Auto combined ratio	94.9%	96.0%	98.7%	94.6%	-3.9%-pts yoy	+1.4%-pts yoy
Non auto combined ratio	98.3%	97.8%	98.0%	94.9%	+0.3%-pts yoy	+2.9%-pts yoy
Total combined ratio	96.3%	95.6%	98.5%	95.7%	-0.1%-pts yoy	-0.1%-pts yoy
Auto underwriting profit (Rmb m)	3,199	2,487	763	3,162	319.3%	-21.3%
Non-auto underwriting profit	731	1,829	746	735	-2.0%	148.8%
Total underwriting profit (Rmb m)	3,930	4,316	1,509	3,897	160.4%	10.8%

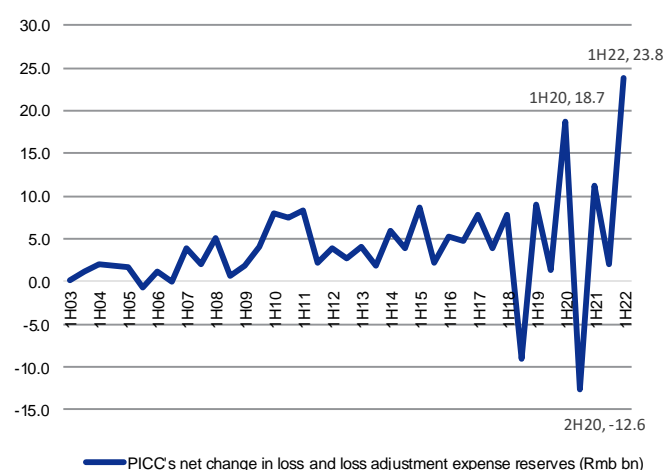
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: PICC P&C's combined ratio by segment

	2Q22	1Q22	1H22	1H22 vs. 1H21
Auto	94.9%	96.0%	95.4%	-1.3%-pts yoy
Accidental injury and health	100.9%	100.6%	100.8%	-0.8%-pts yoy
Agriculture	86.7%	92.1%	89.4%	-7.6%-pts yoy
Liability	106.3%	104.4%	105.3%	+6.9%-pts yoy
Commercial property	107.7%	79.3%	93.6%	-4.3%-pts yoy
Credit and surety	63.1%	63.7%	63.4%	-26.3%-pts yoy
Cargo	103.1%	79.6%	91.4%	8.7%-pts yoy
Other	95.3%	71.5%	83.4%	3.8%-pts yoy
Total	96.3%	95.6%	96.0%	-1.2%-pts yoy

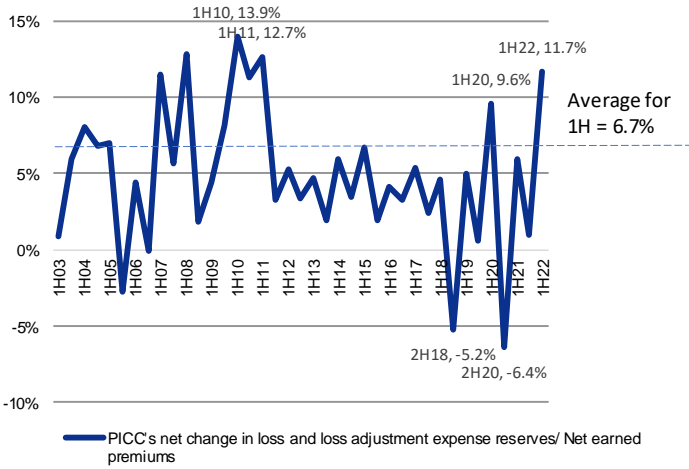
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: PICC's net change in loss and loss adjustment expense reserves (Rmb bn)



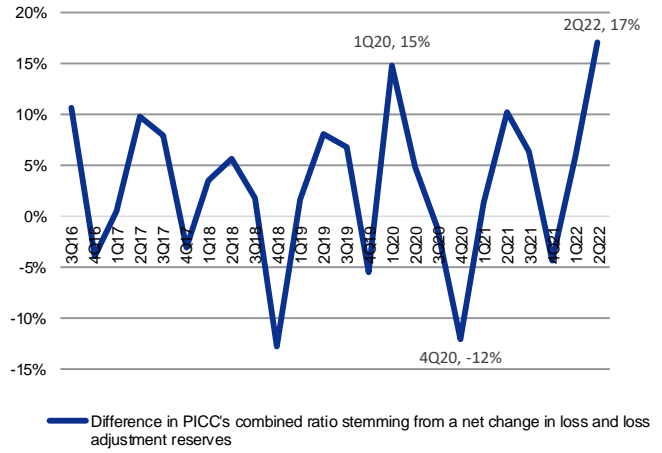
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: PICC's net change in loss and loss adjustment expense reserves/net earned premiums



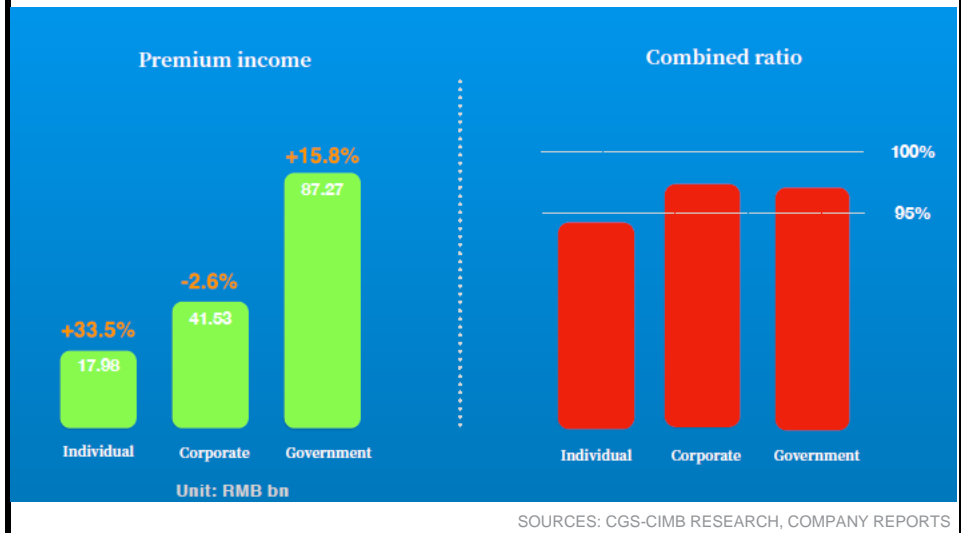
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Difference in PICC's combined ratio stemming from a net change in loss and loss adjustment reserves



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: PICC P&C saw a strong 1H22 performance across its three major divisions



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 8: Ratio of 1H net profits to full-year net profits (2004-2021)

(Rmb m)	1H	2H	FY	Ratio of 1H to FY (net profits)
2004	963	-829	134	719%
2005	889	51	940	95%
2006	1,332	750	2,082	64%
2007	3,188	-197	2,991	107%
2008	-292	401	109	-268%
2009	80	1,703	1,783	4%
2010	2,686	2,602	5,288	51%
2011	5,288	2,739	8,027	66%
2012	6,534	3,871	10,405	63%
2013	7,629	2,929	10,558	72%
2014	7,790	7,325	15,115	52%
2015	14,422	7,425	21,847	66%
2016	10,648	10,323	20,971	51%
2017	12,112	7,695	19,807	61%
2018	12,090	3,395	15,485	78%
2019	16,821	7,461	24,282	69%
2020	13,179	7,689	20,868	63%
2021	16,499	5,861	22,360	74%
2022	19,039			

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: Ratio of 1H underwriting profits to full-year underwriting profits (2004-2021)

(Rmb m)	1H	2H	FY	Ratio of 1H to FY (underwriting profits)
2004	1,428	-1,083	345	414%
2005	1,571	-199	1,372	115%
2006	888	-316	572	155%
2007	1,223	-2,818	-1,594	-77%
2008	-2,089	-558	-2,647	79%
2009	-1,521	-449	-1,969	77%
2010	1,903	849	2,752	69%
2011	4,946	3,023	7,969	62%
2012	5,589	1,799	7,388	76%
2013	5,598	190	5,788	97%
2014	5,580	1,561	7,141	78%
2015	6,828	1,968	8,795	78%
2016	6,446	1,529	7,975	81%
2017	6,516	2,779	9,295	70%
2018	7,009	-1,705	5,304	132%
2019	4,339	-1,162	3,177	137%
2020	5,339	-1,162	4,177	128%
2021	5,406	-3,885	1,521	355%
2022	8,246			

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Changes to our forecasts

We raise our FY22-24F EPS forecasts by 15.7%-20.4%, driven primarily by lower FY22F-24F combined ratios, which result in lower FY22F-24F expense forecasts (Fig 10).

Figure 10: Changes to our key estimates for PICC P&C

(Rmb m)	FY22F			FY23F			FY24F		
	Old	New	% change	Old	New	% change	Old	New	% change
Profit & loss									
Net premiums earned	428,149	428,149	0.0%	475,912	475,912	0.0%	531,924	531,924	0.0%
Total investment income	21,662	21,662	0.0%	24,550	24,564	0.1%	26,138	26,530	1.5%
Other income	624	624	0.0%	624	624	0.0%	624	624	0.0%
Total Revenue	450,435	450,435	0.0%	501,086	501,100	0.0%	558,685	559,077	0.1%
Insurance-related expenses	319,270	316,568	-0.8%	357,012	355,328	-0.5%	401,346	399,339	-0.5%
Underwriting and policy acquisition costs	85,159	82,426	-3.2%	93,434	90,996	-2.6%	103,204	100,588	-2.5%
Other expenses	109,094	106,552	-2.3%	120,383	118,160	-1.8%	133,543	131,168	-1.8%
Total benefits, claims and expenses	428,364	423,120	-1.2%	477,395	473,488	-0.8%	534,889	530,507	-0.8%
Share of P/L from associates	4,720	4,681	-0.8%	4,926	4,966	0.8%	5,142	5,272	2.5%
Pre-tax profit	26,790	31,995	19.4%	28,617	32,579	13.8%	28,938	33,842	16.9%
Income tax	3,770	4,278	13.5%	4,027	4,138	2.7%	4,073	4,083	0.3%
Minority interests (or non-controlling interests)	5	5	0.0%	5	5	0.0%	5	5	0.0%
Net profit	23,015	27,713	20.4%	24,585	28,436	15.7%	24,861	29,754	19.7%
EPS	1.03	1.25	20.4%	1.11	1.28	15.7%	1.12	1.34	19.7%
DPS	0.42	0.50	20.4%	0.45	0.52	15.7%	0.45	0.54	19.7%
BVPS	9.75	9.96	2.2%	10.44	10.73	2.9%	11.11	11.55	4.0%
Key balance sheet items									
Total investment assets	571,403	571,403	0%	617,115	617,115	0%	666,485	666,485	0%
Total assets	725,973	725,973	0%	779,419	779,419	0%	836,097	836,097	0%
Total shareholders' equity excl. minorities	216,849	221,547	2%	232,116	238,762	3%	247,023	257,003	4%
Other key metrics									
Gross written premiums (GWP)	499,111	499,111	0%	557,294	557,294	0%	625,258	625,258	0%
GWP growth	11%	11%	0% pts	12%	12%	0% pts	12%	12%	0% pts
Net investment yield	3.31%	3.31%	0.00% pts	3.47%	3.47%	0.00% pts	3.42%	3.47%	0.05% pts
Gross investment yield	3.94%	3.94%	0.00% pts	4.13%	4.13%	0.00% pts	4.07%	4.13%	0.06% pts
Insurance-related expenses/ (net earned premiums+ total investment revenue)	71.0%	70.4%	-0.6% pts	71.3%	71.0%	-0.3% pts	71.9%	71.5%	-0.4% pts
Underwriting and policy acquisition costs/ net earned premiums	19.9%	19.3%	-0.6% pts	19.6%	19.1%	-0.5% pts	19.4%	18.9%	-0.5% pts
Effective tax rate	14.1%	13.4%	-0.7% pts	14.1%	12.7%	-1.4% pts	14.1%	12.1%	-2.0% pts
Dividend payout ratio	40%	40%	0% pts	40%	40%	0% pts	40%	40%	0% pts
EPS growth	3%	24%	21% pts	7%	3%	-4% pts	1%	5%	4% pts
BVPS growth	7%	9%	2% pts	7%	8%	1% pts	6%	8%	1% pts
Combined ratio	99.7%	98.4%	-1.2% pts	99.9%	99.1%	-0.8% pts	100.2%	99.3%	-0.8% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Valuation and risks

As a result of our FY22F–24F EPS changes, our GGM-based target price rises to HK\$11.30 from HK\$9.80 and we reiterate our Add rating on PICC P&C due to its attractive valuations.

We value PICC P&C using a Gordon Growth Model (GGM), where our target 1.0x (previously 0.8x) P/BV multiple is derived by a cost of equity of 12.4% (unchanged), a terminal growth rate assumption of 3% (unchanged) and a sustainable ROE assumption of 12.0% (previously 11.0%).

We then apply this target P/BV multiple to our FY22F BVPS of Rmb9.96 (previously Rmb9.75), and assuming an Rmb/HK\$ exchange rate of 1.19 (unchanged), we derive a target price of HK\$11.30 (previously HK\$9.80) (Fig 11).

Key downside risks include another outbreak of Covid-19 in China (which could adversely impact premium growth) and weaker investment income stemming from either falling bond yields or falling equity markets as well as intensifying competition, stricter regulations and greater policy risks, which could hurt combined ratios.

Figure 11: Key valuation assumptions for PICC P&C

	New	Old	% change
Equity risk premiums (ERP)	8.0%	8.0%	0.0%
Risk free rate	3.0%	3.0%	0.0%
Beta	1.18	1.18	0.0%
Cost of equity (COE)	12.4%	12.4%	0.0%
Terminal growth rate	3.0%	3.0%	0.0%
Rmb/HK\$ exchange rate	1.19	1.19	0.0%
Sustainable ROE (weighted average of FY20F-FY24F, with an equal weighting to all years)	12.0%	11.0%	9.2%
Target P/BV (x)	1.0x	0.8x	12.7%
FY22F BVPS (Rmb)	9.96	9.75	2.2%
FY22F BVPS (HK\$)	11.90	11.65	2.2%
Target price (HK\$)	11.31	9.82	15.2%
Final target price (HK\$)	11.30	9.80	15.3%
Current share price (HK\$)	8.14		
Upside/ downside	39%		

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG
Share price as of 29 Aug 2022

Figure 12: Sector comparison table

Ticker	Rec	Market Cap	Price	Target Price	+/- (%)	P/EV (x)		VONB multiple (x)		P/BV (x)		Group ROEV (%)		ROE (%)		P/E (x)		Dividend yield (%)		
						FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F
China Life	2628 HK	Add	99.66	11.22	15.00	34%	0.20x	0.18x	-23.3x	-30.4x	0.5x	0.5x	10.4x	10.7x	10.2x	12.0x	5.2x	4.2x	6.9	8.7
Ping An	2318 HK	Add	112.20	46.35	72.00	55%	0.48x	0.45x	-25.9x	-28.0x	0.8x	0.7x	7.4x	10.1x	15.5x	15.8x	5.1x	4.5x	6.5	7.3
CPIC	2601 HK	Add	26.05	16.32	29.00	78%	0.25x	0.22x	-35.9x	-37.8x	0.5x	0.5x	9.9x	12.2x	11.2x	11.7x	4.6x	4.0x	8.2	9.2
NCI	1336 HK	Add	11.11	18.38	30.30	65%	0.17x	0.16x	-45.7x	-47.0x	0.4x	0.4x	8.9x	9.8x	13.2x	12.1x	3.2x	3.2x	9.4	9.5
PICC P&C	2328 HK	Add	21.97	8.14	11.30	39%	n.a.	n.a.	n.a.	n.a.	0.7x	0.6x	n.a.	n.a.	12.9x	12.2x	5.5x	5.3x	7.4	7.6
AIA	1299 HK	Add	118.18	77.55	96.00	24%	1.59x	1.46x	14.3x	10.1x	1.9x	1.7x	6.9x	12.2x	9.0x	11.6x	21.5x	15.5x	1.9	2.1
Pru	2378 HK	Add	70.44	83.85	144.70	73%	0.60x	0.55x	-7.7x	-7.8x	1.6x	1.4x	8.3x	9.8x	11.5x	15.9x	14.3x	9.3x	1.4	1.5
Manulife	945 HK	NR	23.61	138.70	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.6x	0.6x	n.a.	n.a.	12.6x	12.3x	5.3x	4.8x	7.5	8.1
HK-listed weighted average							0.71x	0.66x	-12.6x	-16.1x	1.1x	1.0x	8.3x	10.9x	11.7x	13.0x	10.0x	7.7x	5.5	6.3
HK-listed weighted average ex AIA, Pru and Manulife							0.33x	0.31x	-26.8x	-30.8x	0.6x	0.6x	8.9x	10.6x	12.8x	13.6x	5.1x	4.3x	7.0	8.1

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS
Share prices as of 29 Aug 2022

*CPIC: China Pacific Insurance Company; NCI: New China Life Insurance; PICC P&C: PICC (The People's Insurance Company of China) Property & Casualty

Note that we use Bloomberg consensus data to compute valuation multiples for Manulife as we do not cover the stock.

Figure 13: Key financial data

(Rmb m)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22F	FY23F	FY24F
Profit & loss										
Net premiums earned	244,567	270,261	309,076	344,124	380,683	393,127	396,997	428,149	475,912	531,924
<i>of which:</i>										
Gross written premiums (GWP)	281,698	311,160	350,314	388,769	433,175	433,187	449,533	499,111	557,294	625,258
Total investment income	20,536	15,780	15,392	15,303	17,426	18,184	20,892	21,662	24,564	26,530
Other income	404	369	372	1,151	354	-89	624	624	624	624
Total Revenue	265,507	286,410	324,840	360,578	398,463	411,222	418,513	450,435	501,100	559,077
Insurance benefits and claims expenses	153,419	171,759	192,520	213,303	251,822	260,320	292,588	316,568	355,328	399,339
Other expenses	84,358	95,145	109,734	127,592	127,108	130,177	104,421	106,552	118,160	131,168
Total benefits, claims and expenses	237,777	266,904	302,254	340,895	378,930	390,497	397,009	423,120	473,488	530,507
Share of P/L from associates	473	2,945	4,575	3,745	4,250	3,951	4,524	4,681	4,966	5,272
Profit before income tax	28,203	22,451	27,161	23,428	23,783	24,676	26,028	31,995	32,579	33,842
Income tax	6,356	4,430	7,353	7,942	-496	3,808	3,663	4,278	4,138	4,083
Net profit after tax	21,847	18,021	19,808	15,486	24,279	20,868	22,365	27,718	28,441	29,759
Minority interests	0	1	1	1	-3	0	5	5	5	5
Net profit attrib. to shareholders	21,847	18,020	19,807	15,485	24,282	20,868	22,360	27,713	28,436	29,754
EPS	1.47	1.22	1.34	0.70	1.09	0.94	1.01	1.25	1.28	1.34
DPS	0.30	0.31	0.34	0.27	0.46	0.37	0.41	0.50	0.52	0.54
BVPS	7.35	8.05	8.98	6.36	7.64	8.43	9.12	9.96	10.73	11.55
ROE	22.4%	15.8%	15.7%	11.3%	15.6%	11.6%	11.3%	12.9%	12.2%	11.9%
Key balance sheet items										
Total investment assets	341,028	376,915	412,405	429,640	460,184	502,189	529,077	571,403	617,115	666,485
Total assets	420,420	475,949	524,566	550,619	596,081	646,801	682,622	725,973	779,419	836,097
Total shareholders' equity excl. minorities	108,946	119,306	133,107	141,495	169,953	187,513	202,887	221,547	238,762	257,003
Other key metrics										
GWP growth	11.3%	10.5%	12.6%	11.0%	11.4%	0.0%	3.8%	11.0%	11.7%	12.2%
Net investment yield	4.30%	4.02%	3.73%	3.88%	3.73%	3.59%	3.40%	3.31%	3.47%	3.47%
Gross investment yield	6.48%	4.40%	3.90%	3.63%	3.92%	3.78%	4.05%	3.94%	4.13%	4.13%
Loss ratio	62.7%	63.6%	62.3%	62.0%	66.2%	66.2%	73.7%	73.9%	74.7%	75.1%
Expense ratio	33.8%	34.6%	34.7%	36.5%	33.0%	32.7%	25.9%	24.5%	24.4%	24.3%
Combined ratio	96.5%	98.1%	97.0%	98.5%	99.2%	98.9%	99.6%	98.4%	99.1%	99.3%
Mix of total GWP from auto	73%	73%	71%	67%	61%	61%	57%	55%	53%	51%
Auto GWP growth	10%	10%	10%	4%	2%	1%	-4%	7%	8%	9%
Non-auto GWP growth	14%	10%	18%	17%	25%	10%	18%	16%	16%	16%
Auto combined ratio	96.1%	96.6%	96.3%	98.4%	96.7%	96.5%	97.3%	95.9%	96.9%	97.2%
Non-auto combined ratio	97.8%	103.3%	99.2%	98.5%	103.9%	103.3%	103.4%	102.4%	102.4%	102.3%
Mix of investment assets from equities (including investments in associates & JV)	23%	28%	26%	28%	31%	33%	38%	38%	38%	38%
Effective tax rate	23%	20%	27%	34%	-2%	15%	14%	13%	13%	12%
Dividend payout ratio	21%	25%	25%	39%	42%	40%	40%	40%	40%	40%
EPS growth	39%	-18%	10%	-48%	57%	-14%	7%	24%	3%	5%
BVPS growth	27%	10%	12%	-29%	20%	10%	8%	9%	8%	8%

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

ESG in a nutshell		Refinitiv ESG Scores					
ESG		B+	A+	B+	B+	B-	A-
		ESG Score	ESG Controversies Score	ESG Combined Score	ESG Environment Pillar Score	ESG Social Pillar Score	ESG Governance Pillar Score
<p>PICC P&C received a B+ rating for its combined ESG score by Refinitiv in FY20. The company's mission is to be the insurer for the people in the new era, providing reliable insurance protection for economic development, social stability, national prosperity and people's well-being. While continuously reducing the impact that operations have on the environment, PICC P&C has simultaneously implemented the national deployment of building a green financial system. In November 2020, the company was the first to issue first policy-based natural grassland insurance in China. This insurance policy provides insurance against natural disasters, such as droughts and sandstorms, for more than 1 million mu (66,667 hectares) of grassland in Inner Mongolia, with a guarantee amount of more than Rmb20m. In the field of rural revitalisation, the company and its subsidiaries launched the exclusive protection scheme of 'Rural Revitalisation Insurance', which provides over Rmb279.1bn in risk protection. Going forward, PICC P&C has stated that it will continue to pioneer public health emergency assistance insurance and proactively incorporate ESG into its daily operations.</p>							
<p>Keep your eye on</p> <p>Climate change has become a new focus area for the insurance industry due to its profound impact on catastrophe risks.</p>	<p>Implications</p> <p>There has not been much detail on how PICC P&C will manage the risks from climate change. Thus, we expect the company to disclose more information on this in the future, including information on how it is going to price in the risks from climate change in the calculation of premium rates for its insurance products.</p>						
<p>ESG highlights</p> <p>PICC P&C's B+ ESG score is among the average of ESG scoring against its peers, supported by its pioneer status in public health emergency insurance.</p>	<p>Implications</p> <p>PICC P&C has increasingly focused on its ESG issues. While not priced into valuations at the current stage, we believe its ESG progress will support a re-rating cycle.</p>						
<p>Trends</p> <p>PICC P&C's ESG score was upgraded from B- in FY19 to B+ in FY20, with the Environmental pillar score improved from B- in FY19 to B+ FY20 and the Social pillar score from C in FY19 to B- in FY20 while the Governance pillar score was retained from FY19. The company's ESG Controversies score has remained A+ since FY18.</p>	<p>Implications</p> <p>We believe the trend will remain relatively stable in the coming years. The key driver would be the company's further disclosures on climate change risks.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

BY THE NUMBERS

Profit & Loss					
(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue	393,127	396,997	428,149	475,912	531,924
Total Claims and Changes in Reserves	(260,320)	(292,588)	(316,568)	(355,328)	(399,339)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	2,630	(12)	5,029	2,424	1,417
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	2,630	(12)	5,029	2,424	1,417
Total Other Technical Income	17,474	21,234	22,286	25,188	27,154
Total Other Revenues	0	0	0	0	0
Total Operating Costs	0	0	0	0	0
Other Technical Income / (Loss)					
Depreciation And Amortisation	0	0	0	0	0
Operating Profit	20,104	21,222	27,315	27,612	28,571
Pretax Income/(Loss) from Assoc.	3,951	4,524	4,681	4,966	5,272
Post-Tax Oper. Earnings - Life/Other Biz					
Head Office Costs					
Non-Operating Income/(Expense)	0	0	0	0	0
Net Interest Income	0	0	0	0	0
Investment Income on Shareholders Fund					
Other Income					
Exceptional Items					
Pre-tax Profit	24,055	25,746	31,995	32,579	33,842
Taxation	(3,808)	(3,663)	(4,278)	(4,138)	(4,083)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	20,247	22,083	27,718	28,441	29,759
Minority Interests	0	(5)	(5)	(5)	(5)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	20,247	22,078	27,713	28,436	29,754

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Fixed Assets	25,725	23,743	25,063	26,317	27,502
Intangible Assets	0	0	0	0	0
Other Long Term Assets	514,219	556,314	592,218	638,408	688,026
Total Non-current Assets	539,944	580,057	617,281	664,725	715,528
Total Cash And Equivalents	26,192	17,414	18,807	20,312	21,937
Trade Debtors	50,103	55,399	58,479	61,405	64,170
Other Current Assets	30,562	29,752	31,406	32,977	34,463
Total Current Assets	106,857	102,565	108,692	114,694	120,569
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities	50,884	61,337	64,512	69,171	74,114
Total Current Liabilities	50,884	61,337	64,512	69,171	74,114
Total Long-term Debt	23,297	8,058	8,475	9,087	9,737
Hybrid Debt - Debt Component					
Other Liabilities	382,589	407,578	428,677	459,636	492,481
Total Non-current Liabilities	405,886	415,636	437,152	468,723	502,218
Total Technical & Other Provisions	0	0	0	0	0
Total Liabilities	456,770	476,973	501,664	537,895	576,332
Shareholders' Equity	187,513	202,887	221,547	238,762	257,003
Minority Interests	2,518	2,762	2,762	2,762	2,762
Total Equity	190,031	205,649	224,309	241,524	259,765
Life Embedded Value					

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	0.0%	3.8%	11.0%	11.7%	12.2%
Operating Profit Growth (Life & Health)	N/A	N/A	N/A	N/A	N/A
Value Of New Life Business Growth (after-tax)	N/A	N/A	N/A	N/A	N/A
Life Embedded Value Growth	N/A	N/A	N/A	N/A	N/A
Pre-tax Margin	6.12%	6.49%	7.47%	6.85%	6.36%
Net Profit Margin	5.15%	5.56%	6.47%	5.97%	5.59%
Effective Tax Rate	15.8%	14.2%	13.4%	12.7%	12.1%
Net Dividend Payout Ratio	41.2%	41.0%	40.5%	40.5%	40.5%
Return On Average Assets	3.26%	3.32%	3.94%	3.78%	3.68%
Net Gearing	(1.57%)	(4.83%)	(4.89%)	(4.93%)	(4.98%)
Financial Leverage	3.48	3.41	3.32	3.27	3.26
Equity / Assets	29.0%	29.7%	30.5%	30.6%	30.7%

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Combined ratio (%)	98.9%	99.6%	98.4%	99.1%	99.3%
Gross written premiums growth (%)	0.0%	3.8%	11.0%	11.7%	12.2%
Gross investment income yield (%)	3.8%	4.1%	3.9%	4.1%	4.1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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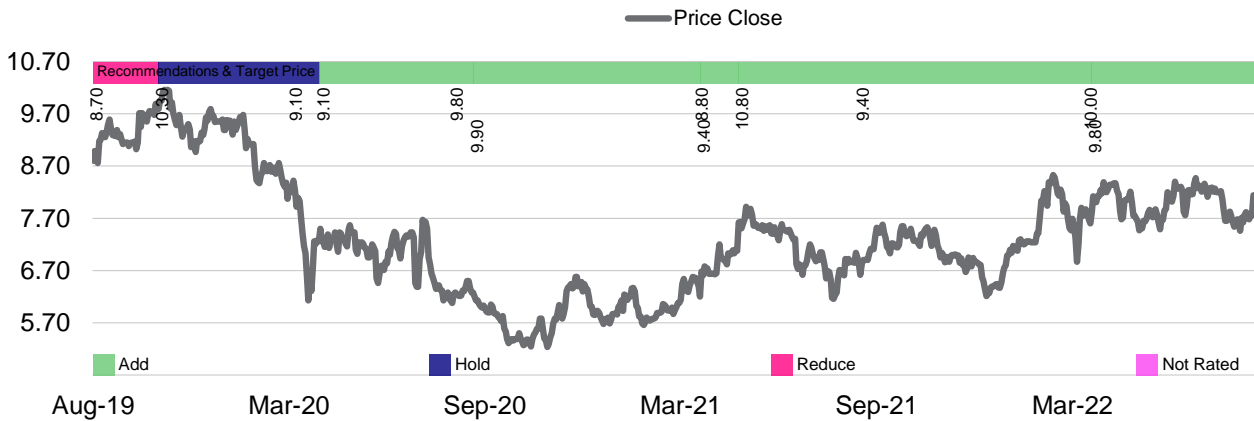
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%
Reduce	7.0%	0.2%

Spitzer Chart for stock being researched (2 year data)

PICC Property & Casualty (2328 HK)



Recommendation Framework

Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

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Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.