

## Hong Kong

### ADD (no change)

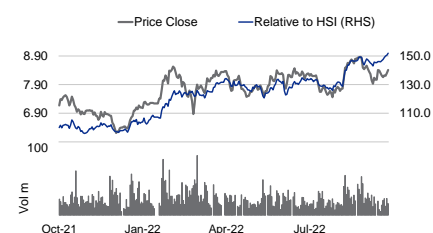
Consensus ratings\*: Buy 33 Hold 4 Sell 0

Current price:	HK\$8.41
Target price:	HK\$11.70
Previous target:	HK\$11.30
Up/downside:	39.1%
CGS-CIMB / Consensus:	10.7%
Reuters:	2328.HK
Bloomberg:	2328 HK
Market cap:	US\$23,830m HK\$187,062m
Average daily turnover:	US\$24.00m HK\$187.7m
Current shares o/s:	22,242m
Free float:	47.0%

\*Source: Bloomberg

### Key changes in this note

- FY22F EPS raised by 1.2%.
- FY23F EPS raised by 2.1%.
- FY24F EPS raised by 3.1%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.7	3.7	16.5
Relative (%)	6.8	21.9	50.9

Major shareholders	% held
PICC Group	69.0

### Analyst(s)



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# PICC Property & Casualty

## A beneficiary of current conditions

- Reduced accident frequency, solid car sales and auto premium growth, and strong non-auto premium growth has led to better 3Q22 net profit growth.
- PICC P&C announced that its estimated 9M22 net profit rose 25-30% yoy, with underwriting profits 'increased substantially' yoy.
- We think that the segments that drove the strongest yoy growth for 3Q22F underwriting profits were auto, credit & surety, and agriculture.
- Remains our top pick of the China insurers. We see it as a beneficiary of China's continued Covid-zero policy. Reiterate Add, TP raised to HK\$11.7.

### Raise our FY22-24F EPS by 1.2-3.1% on a strong 3Q22F

PICC P&C announced on 17 Oct 2022 that it expects its 3Q22F net profit to increase by 25-30% yoy. The company attributed this to rapid premium growth, which it had earlier reported to be 10% yoy for 9M22, or 11% yoy in 3Q22 (Fig 1).

### 3Q22F strong underwriting profit continues 2Q22's strength

With 2Q22 underwriting profits having risen 160% yoy (Fig 4), PICC P&C's guidance that 3Q22 underwriting profit increased substantially yoy continues this strong profitability.

### Auto, credit & surety and agriculture likely the strongest segments

We think that the auto, credit & surety and agriculture segments likely drove this substantial 3Q22 profit growth. We had already seen auto underwriting profits rise 319% yoy in 2Q22 (Fig 4), driven by falling auto combined ratios (COR) (2Q22: -3.9%-pts yoy), and we think reduced claims frequency once again helped 3Q22F. Credit & surety insurance premiums also rose 128% yoy in 9M22 (Fig 1) with this segment having strong underwriting profitability (1H22 COR of 63.4%, -26.3%-pts yoy in Fig 5). 9M22 agriculture insurance rose 23% yoy, with this segment also having strong underwriting profitability (1H22 COR 89.4%, -7.6%-pts yoy). PICC has also successfully slowed the growth of segments which have weak underwriting profitability (Fig 1), with this helping its 3Q22 overall COR.

### Reduced catastrophe-related claims likely also helped

Another factor that may have helped the yoy underwriting performance in 3Q22 was the lack of a catastrophe in 3Q22 of the scale of the Jul 2021 Henan floods, which we believe resulted in Rmb2.2bn of claims (or 0.6%-pts of FY21 combined ratio).

### Reiterate Add rating; GGM-based TP rises 3.5% to HK\$11.7

PICC P&C is our top pick of the listed China insurers. We think that it can continue to benefit from the current Covid-zero policy in China via reduced accidents, and hence, lower claims frequency. Our higher TP of HK\$11.70 (see pages 5-6 for details) is mainly due to 1.2-3.1% higher FY22-24F EPS due to lower combined ratios. Rating catalysts: faster premium growth, higher investment yields. Downside risks: intensifying competition, stricter regulations, and greater policy risks.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Gross Premium (Rmbm)	433,187	449,533	494,364	547,548	609,034
Investment And Other Income (Rmbm)	18,184	20,892	21,662	24,564	26,530
Net Premium (Rmbm)	433,187	449,533	494,364	547,548	609,034
Net Profit (Rmbm)	20,247	22,078	28,036	29,030	30,675
Normalised EPS (Rmb)	0.91	0.99	1.26	1.31	1.38
Normalised EPS Growth	(16.6%)	9.0%	27.0%	3.5%	5.7%
FD Normalised P/E (x)	8.46	7.76	6.11	5.90	5.58
P/NB (x)	NA	NA	NA	NA	NA
DPS (Rmb)	0.37	0.41	0.51	0.53	0.56
Dividend Yield	4.87%	5.28%	6.63%	6.86%	7.25%
P/EV (x)	NA	NA	NA	NA	NA
P/BV (x)	0.91	0.84	0.77	0.72	0.66
ROE	11.3%	11.3%	13.2%	12.6%	12.3%
% Change In Normalised EPS Estimates			1.17%	2.09%	3.10%
Normalised EPS/consensus EPS (x)			1.02	0.95	0.92

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## A beneficiary of current conditions

**Figure 1: Growth yoy of PICC P&C's insurance premiums by category (monthly data)**

	Auto	Accidental injury & health	Agriculture	Liability	Commercial property	Credit & surety	Cargo	Other	Total	Non auto	Total except credit & surety
Jan-21	-11%	27%	34%	8%	17%	-84%	17%	2%	1%	15%	4%
Feb-21	6%	45%	49%	48%	23%	-86%	41%	20%	23%	41%	23%
Mar-21	-7%	17%	12%	21%	-10%	-71%	16%	24%	4%	13%	5%
Apr-21	-13%	6%	0%	1%	-4%	-80%	17%	9%	-9%	-1%	-7%
May-21	-10%	-10%	8%	7%	-5%	-72%	21%	5%	-7%	-2%	-6%
Jun-21	-3%	27%	15%	42%	12%	-34%	48%	33%	9%	22%	10%
Jul-21	-10%	6%	-5%	-1%	-9%	-68%	18%	-36%	-9%	-6%	-8%
Aug-21	-11%	12%	50%	2%	13%	-45%	30%	-7%	-4%	14%	-3%
Sep-21	-6%	-1%	34%	11%	-8%	3211%	28%	-45%	-2%	6%	-2%
Oct-21	6%	-21%	13%	-13%	10%	277%	15%	-25%	3%	-6%	3%
Nov-21	9%	27%	18%	22%	26%	1594%	34%	0%	13%	25%	12%
Dec-21	10%	156%	67%	69%	-1%	3294%	42%	128%	30%	101%	29%
Jan-22	15%	15%	17%	17%	-2%	219%	12%	-17%	14%	13%	13%
Feb-22	15%	16%	9%	8%	-16%	1088%	10%	0%	13%	12%	13%
Mar-22	5%	7%	46%	10%	13%	113%	8%	-12%	10%	14%	10%
Apr-22	-2%	30%	9%	-15%	0%	101%	-5%	-21%	3%	9%	2%
May-22	1%	62%	12%	-14%	0%	144%	11%	-14%	8%	20%	8%
Jun-22	9%	0%	28%	-2%	5%	43%	-17%	-13%	10%	10%	9%
Jul-22	8%	5%	20%	6%	10%	155%	2%	70%	10%	15%	10%
Aug-22	9%	13%	0%	13%	3%	92%	-4%	-4%	9%	8%	8%
Sep-22	7%	18%	35%	12%	6%	132%	0%	106%	13%	25%	12%
4Q20	-10%	-8%	23%	7%	0%	-98%	-3%	-19%	-12%	-18%	-8%
1Q21	-7%	25%	25%	19%	8%	-80%	21%	13%	6%	18%	8%
2Q21	-9%	10%	10%	18%	3%	-63%	30%	19%	-1%	9%	0%
3Q21	-9%	3%	25%	5%	-2%	-24%	25%	-30%	-5%	5%	-4%
4Q21	9%	57%	33%	25%	11%	1160%	30%	44%	17%	41%	16%
1Q22	11%	12%	29%	12%	0%	204%	10%	-12%	12%	13%	12%
2Q22	3%	23%	21%	-9%	2%	76%	-6%	-15%	7%	12%	7%
3Q22	8%	14%	18%	11%	7%	124%	-1%	50%	11%	17%	10%
1H20	3%	21%	17%	2%	0%	-59%	-6%	4%	4%	6%	7%
2H20	-1%	-1%	20%	8%	0%	-92%	-2%	-5%	-5%	-15%	1%
1H21	-8%	21%	16%	18%	6%	-73%	25%	15%	3%	14%	4%
2H21	0%	25%	28%	14%	3%	74%	28%	4%	5%	20%	5%
1H22	7%	15%	24%	2%	1%	130%	2%	-13%	10%	13%	9%
FY20	1%	15%	17%	5%	0%	-77%	-4%	1%	0%	-1%	4%
FY21	-4%	22%	19%	16%	5%	-46%	26%	11%	4%	16%	4%
9M22	7%	15%	23%	4%	2%	128%	1%	-4%	10%	14%	10%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 2: Monthly mix of PICC P&C's premiums**

	Motor vehicle insurance	Accidental injury and health insurance	Agriculture insurance	Liability insurance	Commercial property insurance	Credit and surety insurance	Cargo insurance	Other insurance	Total	Non auto
Dec-21	66%	14%	5%	7%	2%	1%	1%	4%	100%	34%
Jan-22	46%	28%	9%	7%	5%	1%	1%	3%	100%	54%
Feb-22	45%	35%	7%	6%	2%	1%	1%	3%	100%	55%
Mar-22	37%	35%	13%	8%	3%	1%	1%	3%	100%	63%
Apr-22	57%	19%	10%	6%	3%	1%	1%	2%	100%	43%
May-22	59%	16%	12%	6%	3%	1%	1%	2%	100%	41%
Jun-22	45%	14%	25%	7%	4%	1%	1%	3%	100%	55%
Jul-22	69%	8%	8%	7%	4%	1%	1%	2%	100%	31%
Aug-22	68%	9%	9%	7%	3%	1%	1%	2%	100%	32%
Sep-22	59%	15%	9%	9%	3%	2%	1%	3%	100%	41%
1Q21	42%	32%	9%	7%	4%	0%	1%	4%	100%	58%
2Q21	54%	14%	15%	8%	4%	1%	1%	3%	100%	46%
3Q21	66%	11%	8%	8%	3%	1%	1%	2%	100%	34%
4Q21	70%	10%	5%	7%	2%	1%	1%	3%	100%	30%
1Q22	42%	32%	10%	7%	3%	1%	1%	3%	100%	58%
2Q22	52%	16%	17%	7%	3%	1%	1%	3%	100%	48%
3Q22	64%	11%	9%	8%	3%	1%	1%	2%	100%	36%
1H20	53%	20%	10%	6%	4%	2%	1%	3%	100%	47%
2H20	72%	9%	5%	7%	3%	1%	1%	2%	100%	28%
1H21	48%	24%	12%	7%	4%	0%	1%	4%	100%	52%
2H21	68%	11%	7%	7%	3%	1%	1%	2%	100%	32%
1H22	47%	25%	13%	7%	3%	1%	1%	3%	100%	53%
FY19	61%	13%	7%	6%	3%	5%	1%	3%	100%	39%
FY20	61%	15%	8%	7%	3%	1%	1%	3%	100%	39%
FY21	57%	18%	10%	7%	3%	1%	1%	3%	100%	43%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 3: 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 4: 1H22 combined ratio and underwriting performance of PICC P&C**

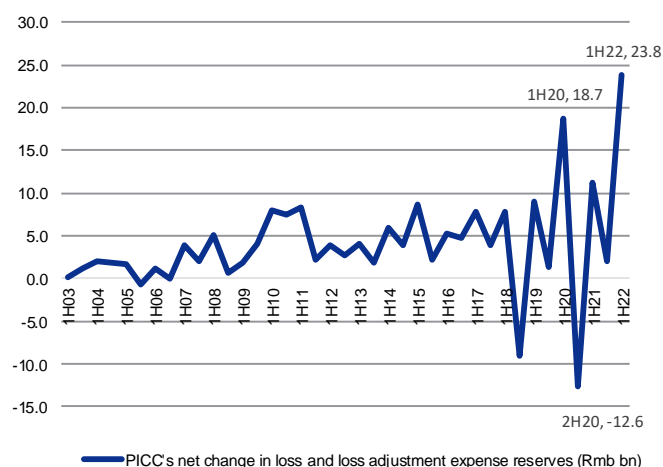
	2Q22	1Q22	2Q21	1Q21	2Q22 growth yoy	1Q22 growth yoy
Auto combined ratio	94.9%	96.0%	98.7%	94.6%	-3.9%-pts yoy	+1.4%-pts yoy
Non auto combined ratio	98.3%	97.8%	98.0%	94.9%	+0.3%-pts yoy	+2.9%-pts yoy
Total combined ratio	96.3%	95.6%	98.5%	95.7%	-0.1%-pts yoy	-0.1%-pts yoy
Auto underwriting profit (Rmb 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

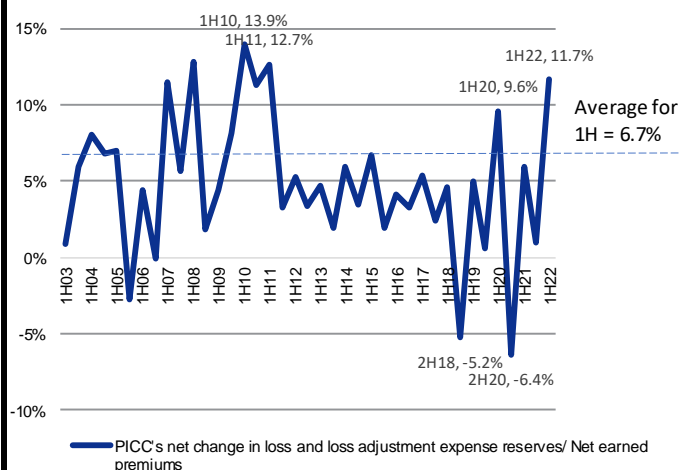
**Figure 5: PICC P&C's combined ratio by segment**

	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

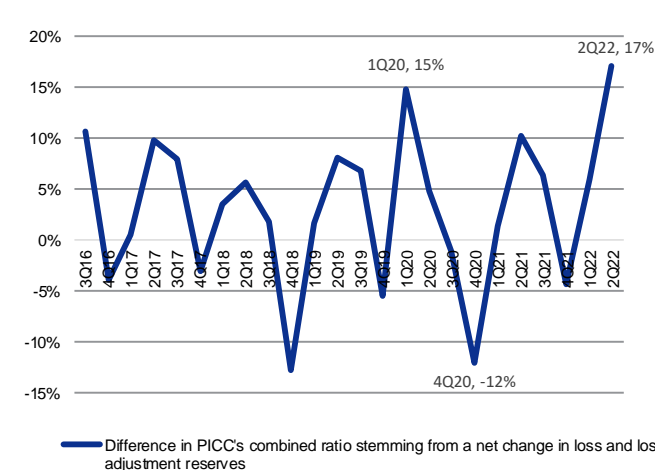
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 6: PICC's net change in loss and loss adjustment expense reserves (Rmb bn)**


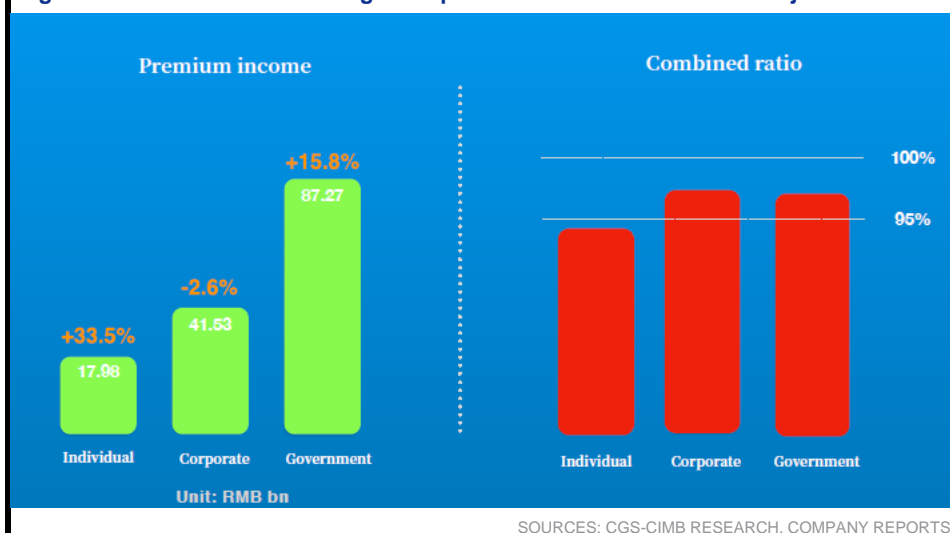
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 7: PICC's net change in loss and loss adjustment expense reserves/net earned premiums**


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 8: Difference in PICC's combined ratio stemming from a net change in loss and loss adjustment reserves**


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 9: PICC P&C saw a strong 1H22 performance across its three major divisions**


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Changes to our forecasts

We raise our FY22-24F EPS forecasts by 1.2-3.1%, driven primarily by lower FY22-24F combined ratios, which result in lower FY22-24F 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
<b>Profit &amp; loss</b>									
Net premiums earned	428,149	424,636	-0.8%	475,912	468,698	-1.5%	531,924	519,916	-2.3%
Total investment income	21,662	21,662	0.0%	24,564	24,564	0.0%	26,530	26,530	0.0%
Other income	624	624	0.0%	624	624	0.0%	624	624	0.0%
Total Revenue	450,435	446,922	-0.8%	501,100	493,887	-1.4%	559,077	547,070	-2.1%
Insurance-related expenses	316,568	311,280	-1.7%	355,328	346,395	-2.5%	399,339	385,724	-3.4%
Underwriting and policy acquisition costs	82,426	84,019	1.9%	90,996	92,346	1.5%	100,588	101,598	1.0%
Other expenses	106,552	107,954	1.3%	118,160	119,199	0.9%	131,168	131,727	0.4%
Total benefits, claims and expenses	423,120	419,234	-0.9%	473,488	465,594	-1.7%	530,507	517,451	-2.5%
Share of P/L from associates	4,681	4,681	0.0%	4,966	4,966	0.0%	5,272	5,272	0.0%
Pre-tax profit	31,995	32,369	1.2%	32,579	33,259	2.1%	33,842	34,890	3.1%
Income tax	4,278	4,328	1.2%	4,138	4,224	2.1%	4,083	4,210	3.1%
Minority interests (or non-controlling interests)	5	5	0.0%	5	5	0.0%	5	5	0.0%
<b>Net profit</b>	<b>27,713</b>	<b>28,036</b>	<b>1.2%</b>	<b>28,436</b>	<b>29,030</b>	<b>2.1%</b>	<b>29,754</b>	<b>30,675</b>	<b>3.1%</b>
EPS	1.25	1.26	1.2%	1.28	1.31	2.1%	1.34	1.38	3.1%
DPS	0.50	0.51	1.2%	0.52	0.53	2.1%	0.54	0.56	3.1%
BVPS	9.96	9.97	0.1%	10.73	10.77	0.3%	11.55	11.62	0.6%
<b>Key balance sheet items</b>									
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	221,547	221,870	0%	238,762	239,549	0%	257,003	258,471	1%
<b>Other key metrics</b>									
Gross written premiums (GWP)	499,111	494,364	-1%	557,294	547,548	-2%	625,258	609,034	-3%
GWP growth	11%	10%	-1% pts	12%	11%	-1% pts	12%	11%	-1% pts
Net investment yield	3.31%	3.31%	0.00% pts	3.47%	3.47%	0.00% pts	3.47%	3.47%	0.00% pts
Gross investment yield	3.94%	3.94%	0.00% pts	4.13%	4.13%	0.00% pts	4.13%	4.13%	0.00% pts
Insurance-related expenses/ (net earned premiums+ total investment revenue)	70.4%	69.7%	-0.6% pts	71.0%	70.2%	-0.8% pts	71.5%	70.6%	-0.9% pts
Underwriting and policy acquisition costs/ net earned premiums	19.3%	19.8%	0.5% pts	19.1%	19.7%	0.6% pts	18.9%	19.5%	0.6% pts
Effective tax rate	13.4%	13.4%	0.0% pts	12.7%	12.7%	0.0% pts	12.1%	12.1%	0.0% pts
Dividend payout ratio	40%	40%	0% pts	40%	40%	0% pts	40%	40%	0% pts
EPS growth	24%	25%	1% pts	3%	4%	1% pts	5%	6%	1% pts
BVPS growth	9%	9%	0% pts	8%	8%	0% pts	8%	8%	0% pts
Combined ratio	98.4%	98.3%	-0.1% pts	99.1%	99.0%	-0.2% pts	99.3%	99.1%	-0.2% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

## Valuation and risks

As a result of our FY22–24F EPS changes, our GGM-based target price rises to HK\$11.70, from HK\$11.30. 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 (unchanged) 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 12.5% (previously 12.0%).

We then apply this target P/BV multiple to our FY23F (previously FY22F) BVPS of Rmb10.77 (previously Rmb9.96), and assuming an Rmb/HK\$ exchange rate of 1.08 (previously 1.19), we derive a target price of HK\$11.70 (previously HK\$11.30) (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	1.08	1.19	-10.0%
Sustainable ROE (weighted average of FY22F - FY24F, with an equal weighting to all years)	12.5%	12.0%	4.8%
Target P/BV (x)	1.0x	1.0x	6.4%
FY23F BVPS (Rmb)	10.77	9.96	8.1%
FY22F BVPS (HK\$)	11.58	11.90	-2.7%
Target price (HK\$)	11.72	11.31	3.6%
Final target price (HK\$)	11.70	11.30	3.5%
Current share price (HK\$)	8.41		
Upside/ downside	39%		

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG  
Share price as of 17 Oct 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 (%)		
			(US\$bn)	(Lcy)	(Lcy)	(%)	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	
	China Life	2628 HK	Add	101.03	9.81	15.00	53%	0.18x	0.16x	-24.1x	-31.3x	0.5x	0.4x	10.4x	10.7x	10.2x	12.0x	4.6x	3.6x	7.9	9.9
	Ping An	2318 HK	Add	99.62	38.25	72.00	88%	0.40x	0.37x	-30.1x	-32.0x	0.6x	0.6x	7.4x	10.1x	15.5x	15.8x	4.2x	3.7x	7.9	8.8
	CPIC	2601 HK	Add	24.89	14.50	29.00	100%	0.22x	0.20x	-37.2x	-39.1x	0.5x	0.4x	9.9x	12.2x	11.2x	11.7x	4.1x	3.6x	9.3	10.4
	NCI	1336 HK	Add	9.93	14.78	23.40	58%	0.14x	0.13x	-62.7x	-75.4x	0.3x	0.3x	8.5x	9.1x	9.8x	11.2x	3.5x	2.8x	8.6	10.6
	PICC P&C	2328 HK	Add	23.83	8.41	11.70	39%	n.a.	n.a.	n.a.	n.a.	0.7x	0.7x	n.a.	n.a.	13.0x	12.4x	5.6x	5.4x	7.3	7.5
	AIA	1299 HK	Add	102.32	67.65	88.00	30%	1.62x	1.52x	12.5x	9.9x	1.8x	1.8x	-5.2x	13.3x	1.4x	9.0x	126.3x	21.5x	2.2	2.4
	Pru	2378 HK	Add	67.46	77.15	119.00	54%	0.72x	0.69x	-4.2x	-4.6x	1.6x	1.4x	-16.4x	6.6x	5.6x	15.6x	27.8x	9.3x	1.8	1.8
	Manulife	945 HK	NR	22.18	124.10	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.5x	0.5x	n.a.	n.a.	12.6x	12.3x	4.7x	4.3x	8.4	9.1
	HK-listed weighted average							0.69x	0.65x	-14.8x	-18.2x	1.0x	1.0x	1.2x	10.6x	9.4x	12.2x	38.9x	8.8x	6.4	7.4
	HK-listed weighted average ex AIA, Pru and Manulife							0.27x	0.25x	-29.7x	-34.3x	0.5x	0.5x	9.0x	10.6x	12.6x	13.4x	4.4x	3.8x	8.0	9.4

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Share prices as of 17 Oct 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
<b>Profit &amp; loss</b>										
Net premiums earned	244,567	270,261	309,076	344,124	380,683	393,127	396,997	424,636	468,698	519,916
of which:										
Gross written premiums (GWP)	281,698	311,160	350,314	388,769	433,175	433,187	449,533	494,364	547,548	609,034
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	446,922	493,887	547,070
Insurance benefits and claims expenses	153,419	171,759	192,520	213,303	251,822	260,320	292,588	311,280	346,395	385,724
Other expenses	84,358	95,145	109,734	127,592	127,108	130,177	104,421	107,954	119,199	131,727
Total benefits, claims and expenses	237,777	266,904	302,254	340,895	378,930	390,497	397,009	419,234	465,594	517,451
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	32,369	33,259	34,890
Income tax	6,356	4,430	7,353	7,942	-496	3,808	3,663	4,328	4,224	4,210
Net profit after tax	21,847	18,021	19,808	15,486	24,279	20,868	22,365	28,041	29,035	30,680
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	28,036	29,030	30,675
EPS	1.47	1.22	1.34	0.70	1.09	0.94	1.01	1.26	1.31	1.38
DPS	0.30	0.31	0.34	0.27	0.46	0.37	0.41	0.51	0.53	0.56
BVPS	7.35	8.05	8.98	6.36	7.64	8.43	9.12	9.97	10.77	11.62
ROE	22.4%	15.8%	15.7%	11.3%	15.6%	11.6%	11.3%	13.0%	12.4%	12.2%
<b>Key balance sheet items</b>										
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	221,870	239,549	258,471
<b>Other key metrics</b>										
GWP growth	11.3%	10.5%	12.6%	11.0%	11.4%	0.0%	3.8%	10.0%	10.8%	11.2%
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%	73.3%	73.9%	74.2%
Expense ratio	33.8%	34.6%	34.7%	36.5%	33.0%	32.7%	25.9%	25.0%	25.0%	25.0%
Combined ratio	96.5%	98.1%	97.0%	98.5%	99.2%	98.9%	99.6%	98.3%	99.0%	99.1%
Mix of total GWP from auto	73%	73%	71%	67%	61%	61%	57%	55%	54%	53%
Auto GWP growth	10%	10%	10%	4%	2%	1%	-4%	7%	8%	9%
Non-auto GWP growth	14%	10%	18%	17%	25%	10%	18%	13%	14%	14%
Auto combined ratio	96.1%	96.6%	96.3%	98.4%	96.7%	96.5%	97.3%	96.1%	97.0%	97.3%
Non-auto combined ratio	97.8%	103.3%	99.2%	98.5%	103.9%	103.3%	103.4%	101.9%	101.8%	101.7%
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%	25%	4%	6%
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

<b>B+</b> ESG Score	<b>A+</b> ESG Controversies Score	<b>B+</b> ESG Combined Score	<b>B+</b> ESG Environment Pillar Score	<b>B-</b> ESG Social Pillar Score	<b>A-</b> ESG Government Pillar Score
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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.

<b>Keep your eye on</b>	<b>Implications</b>
Climate change has become a new focus area for the insurance industry due to its profound impact on catastrophe risks.	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.
<b>ESG highlights</b>	<b>Implications</b>
PICC P&C's B+ ESG score ranks average among its peers, supported by its pioneer status in public health emergency insurance.	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.
<b>Trends</b>	<b>Implications</b>
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.	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.

SOURCES: CGS-CIMB RESEARCH, REFINITIV



## BY THE NUMBERS

<b>Profit &amp; Loss</b>					
<b>(Rmbm)</b>	<b>Dec-20A</b>	<b>Dec-21A</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
Revenue	393,127	396,997	424,636	468,698	519,916
Total Claims and Changes in Reserves	(260,320)	(292,588)	(311,280)	(346,395)	(385,724)
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	2,630	(12)	5,402	3,104	2,465
Investment Income on Tech Reserve	0	0	0	0	0
Insurance Profit / (Loss)	2,630	(12)	5,402	3,104	2,465
Total Other Technical Income	17,474	21,234	22,286	25,188	27,154
<b>Total Other Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Operating Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other Technical Income / (Loss)					
<b>Depreciation And Amortisation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Profit</b>	<b>20,104</b>	<b>21,222</b>	<b>27,688</b>	<b>28,293</b>	<b>29,619</b>
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					
<b>Non-Operating Income/(Expense)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Interest Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Investment Income on Shareholders Fund					
Other Income					
Exceptional Items					
<b>Pre-tax Profit</b>	<b>24,055</b>	<b>25,746</b>	<b>32,369</b>	<b>33,259</b>	<b>34,890</b>
Taxation	(3,808)	(3,663)	(4,328)	(4,224)	(4,210)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>20,247</b>	<b>22,083</b>	<b>28,041</b>	<b>29,035</b>	<b>30,680</b>
Minority Interests	0	(5)	(5)	(5)	(5)
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>20,247</b>	<b>22,078</b>	<b>28,036</b>	<b>29,030</b>	<b>30,675</b>

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
<b>Total Non-current Assets</b>	<b>539,944</b>	<b>580,057</b>	<b>617,281</b>	<b>664,725</b>	<b>715,528</b>
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
<b>Total Current Assets</b>	<b>106,857</b>	<b>102,565</b>	<b>108,692</b>	<b>114,694</b>	<b>120,569</b>
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities	50,884	61,337	64,471	69,070	73,925
<b>Total Current Liabilities</b>	<b>50,884</b>	<b>61,337</b>	<b>64,471</b>	<b>69,070</b>	<b>73,925</b>
Total Long-term Debt	23,297	8,058	8,470	9,074	9,712
Hybrid Debt - Debt Component					
Other Liabilities	382,589	407,578	428,400	458,964	491,227
<b>Total Non-current Liabilities</b>	<b>405,886</b>	<b>415,636</b>	<b>436,870</b>	<b>468,038</b>	<b>500,939</b>
<b>Total Technical &amp; Other Provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>456,770</b>	<b>476,973</b>	<b>501,341</b>	<b>537,108</b>	<b>574,864</b>
Shareholders' Equity	187,513	202,887	221,870	239,549	258,471
Minority Interests	2,518	2,762	2,762	2,762	2,762
<b>Total Equity</b>	<b>190,031</b>	<b>205,649</b>	<b>224,632</b>	<b>242,311</b>	<b>261,233</b>
Life Embedded Value					

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Net Premium Growth	0.0%	3.8%	10.0%	10.8%	11.2%
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%	7.62%	7.10%	6.71%
Net Profit Margin	5.15%	5.56%	6.60%	6.19%	5.90%
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%	3.98%	3.86%	3.80%
Net Gearing	(1.57%)	(4.83%)	(4.89%)	(4.92%)	(4.96%)
Financial Leverage	3.48	3.41	3.32	3.26	3.24
Equity / Assets	29.0%	29.7%	30.6%	30.7%	30.9%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Combined ratio (%)	98.9%	99.6%	98.3%	99.0%	99.1%
Gross written premiums growth (%)	0.0%	3.8%	10.0%	10.8%	11.2%
Gross investment income yield (%)	3.8%	4.1%	3.9%	4.1%	4.1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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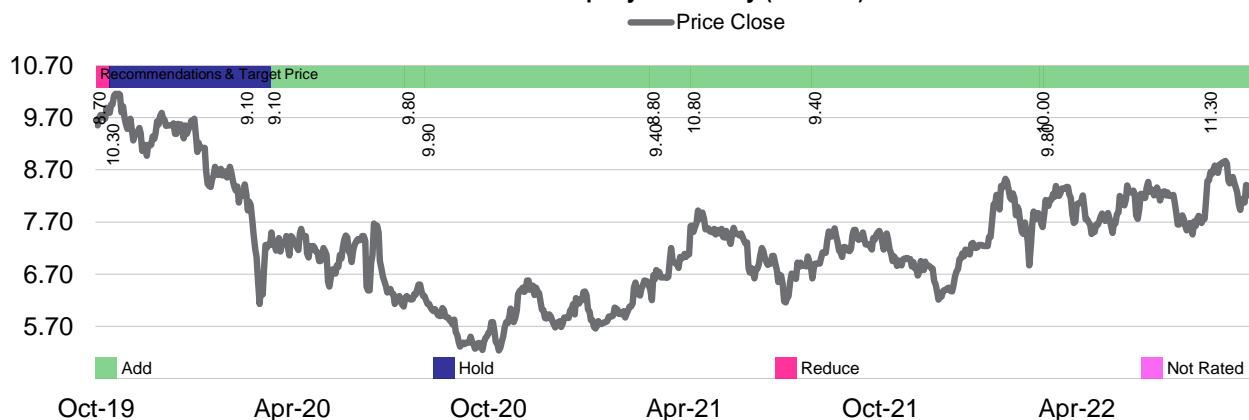
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2022		
643 companies under coverage for quarter ended on 30 June 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	68.4%	0.8%
Hold	24.6%	0.0%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

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Overweight

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Neutral

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Underweight

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