# 2019 Interim Results

PICC Group (601319.SH 1339.HK) PICC P&C (2328.HK)



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Note: The Group's A-share report is prepared in accordance with Chinese Accounting Standards ("CAS"), and the H-share results announcement is prepared in accordance with International Financial Reporting Standards ("IFRS"). The GAAP differences are stated in the attached schedule. The figures presented in this report are data under CAS.





In 1H2019, PICC adhered to the general working guideline of steady progress, carried out the new development concept, steadily advanced reform on the business model, and effectively implemented the "3411 Project", realized higher and better revenues as well as profits, and achieved initial success with the transformation to high-quality development.



### 2019 Interim Results Overview

Gross Written Premiums (GWPs)  RMB322.88 bn	Net profit attributable to equity holders of the company RMB15.48 bn	Earnings Per Share RMB0.35	Return on Equity (annualized) 19.0 %
+ 12.8 %	+ 54.1 %	+ 47.8 %	+ 4.8ppts
Total Investment Yield (annualized) 5.4 %	Net Assets Attributable to Equity Holders of the Company RMB172.46 bn	Combined Ratio of PICC P&C 97.6 %	New Business Value of PICC Life RMB3.85 bn
+ 0.3ppts	+ 12.7 %	+ 1.6ppts	+ 25.6 %

Ranked 121th in Fortune Global 500

#### PICC P&C

Promote institutional reform and strengthen the integration of policy-based and commercial businesses. "Top Ten Priorities " work for the transformation to high quality development being clearly arranged

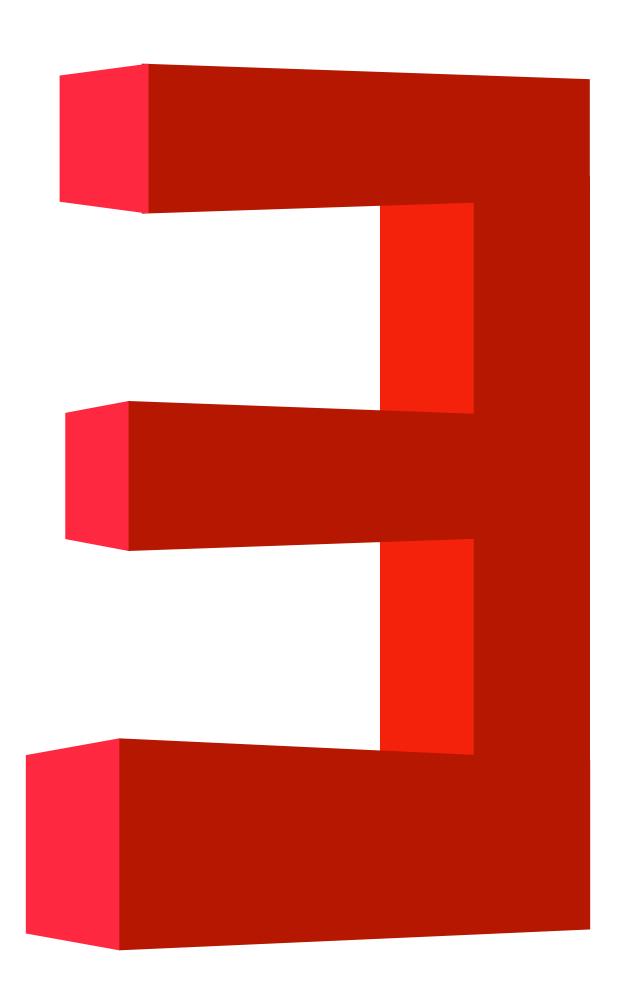
The agriculture insurance network recorded commercial insurance premium income of RMB23.5 bn, up by 24.3% YoY

#### PICC Health

Follow the guideline of being "professional, efficient, capable and flattened", and implement flattening operation, highlight the characteristics of professionalism and innovation

The Internet health insurance amounted to RMB3.03 bn, up by 439% YoY

Net profit of RMB260 mn, achieve a significant increase YoY



#### PICC Life

Adhere to "Mode Transformation, Structure Optimization and Replacement of growth drivers" and continuously enhance training and backup support, focus on agents team

Contribution from first-year regular premiums with premium paid period more than ten years (incl.) increased by 6.2ppts; APE increased by 44.6 % YoY

Net profit of RMB3.1 bn, increased by 101% YoY

#### **Innovation-Driven Strategy**

- Formation of an innovation incubator at the group-level and establishment of innovation-incentive funds of RMB10 million level
- Continuous optimization of the "Insurance + Technology + Service" business mode, with 131 innovation projects being fully launched
- +500,000 claim settlement cases handled by an intelligent claim settlement tool "Xin Ding Sun"
- Working in sync with the traffic police in 342 cities, with
   1,735 points of service set up
- Launch of life annuity products designed on consumption scenarios on the Internet, with 6.34 million customers obtained

#### Digitalization Strategy

- Promotion of the development of 22 projects based on the new
   IT infrastructure and standard, progressing well
- Continuously upgrading the "PICC" APP, promoted unified customer service platform nationwide
- Speeding-up of the establishment of the unified shared cloudbased platform
- Active progressing new infrastructure implementation,
   promoting the core business system upgrades for subsidiaries

#### **Integration Strategy**

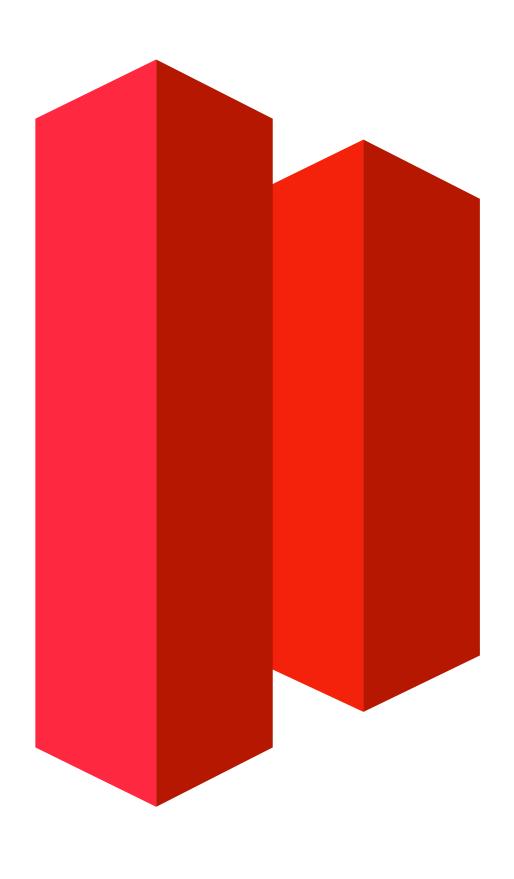
- Promoting customer resource development, "One-stop" integrated service system and the integration of operation and information resource
- Exploring and building an integrated versatile distribution team
- Establishing an efficient and convenient integrated commission settlement system
- Popularization of the "PICC E-connection" APP, with newly added customers of 200,000 and premium income of RMB6.67 bn for 1H2019

#### Internationalization Strategy

- The risk liabilities of the International business reaching RMB8 tn
- International business achieving premium income of RMB5.41 bn, up 31.5% YoY
- Underwriting for key projects and providing all-round risk assurance for overseas clients

# Win 1 tough battle in core cities and the defensive battle in suburban market

- PICC P&C reclaimed its top spot in terms of market share in four core cities, certain branches in core cities rapidly increased in market share
- Rate of growth for motor insurance in suburban markets outperformed national-wide motor insurance
- PICC Life bolstered its effective agent force in core cities on YoY basis
- PICC Health continued differentiated development strategies in core cities and expanded scope of supply with innovative Internet-based products



# Uphold 1 bottom line of avoiding systematic risks

- Strengthened professional capabilities and optimized risk models and risk control on Credit & Surety insurance
- Continued progress on applications of modern technology and other infrastructure set-ups such as investment management system and credit rating management system etc.
- Stringent risk management on specific aspects, reinforced risk controls specific to cash flow risk, compliance risk and default risk
- Strictly adherence to regulatory requirements and proactive implementation of "Practice complying with filing" for motor insurance



In the second half, the Company will accelerate structural reforms in insurance supply, continue to implement the "3411 Project" and accelerate the transformation to high quality business development model



# PICC P&C

Resolutely advance
"2 Integrations" and
transformation to
high-quality business
model to bolster
profitability

#### PICC Life

Continuously focusing on protection products and establish high quality and productivity agent team

#### PICC Health

Establish a service model with health management as the core; aim to turn PICC Health APP into a market leading star product

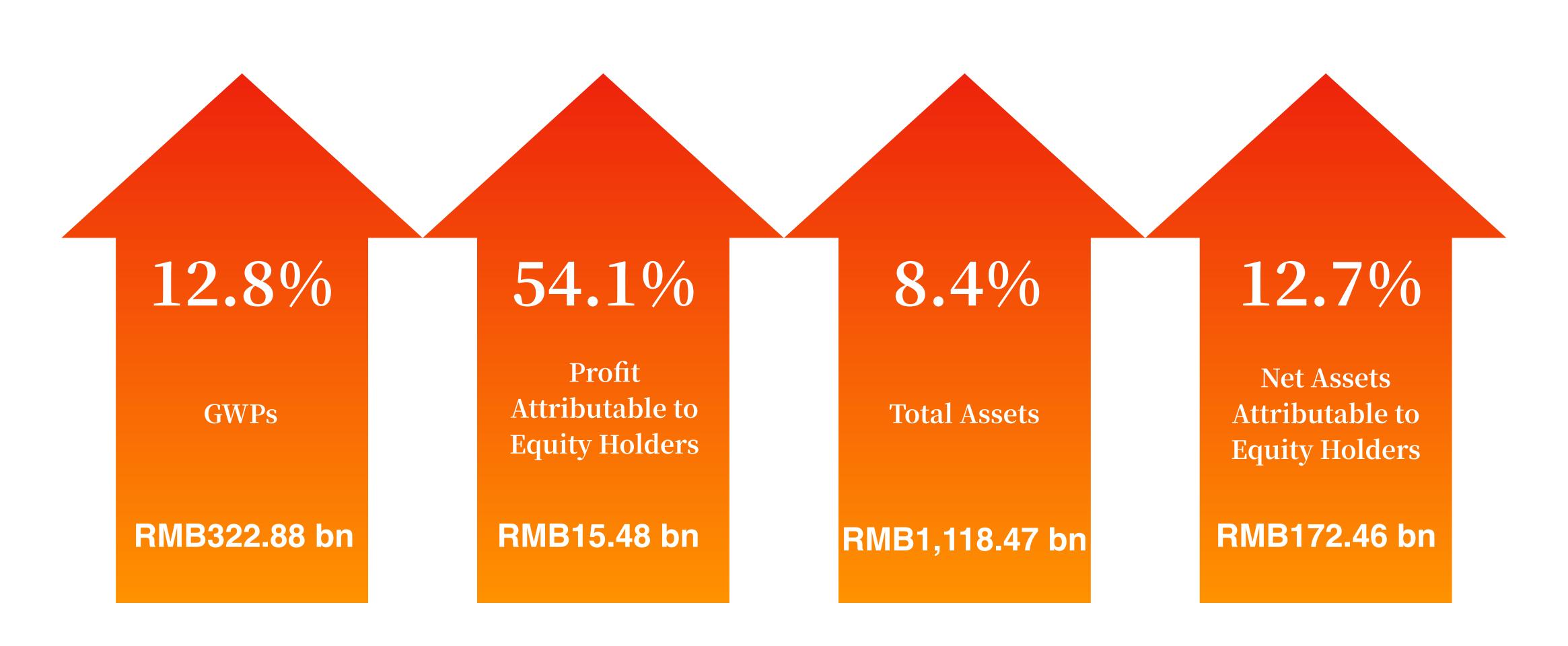
#### PICC Segment

Strengthen investment research capabilities, expand third-party commissioned assets and actively develop wealth management business

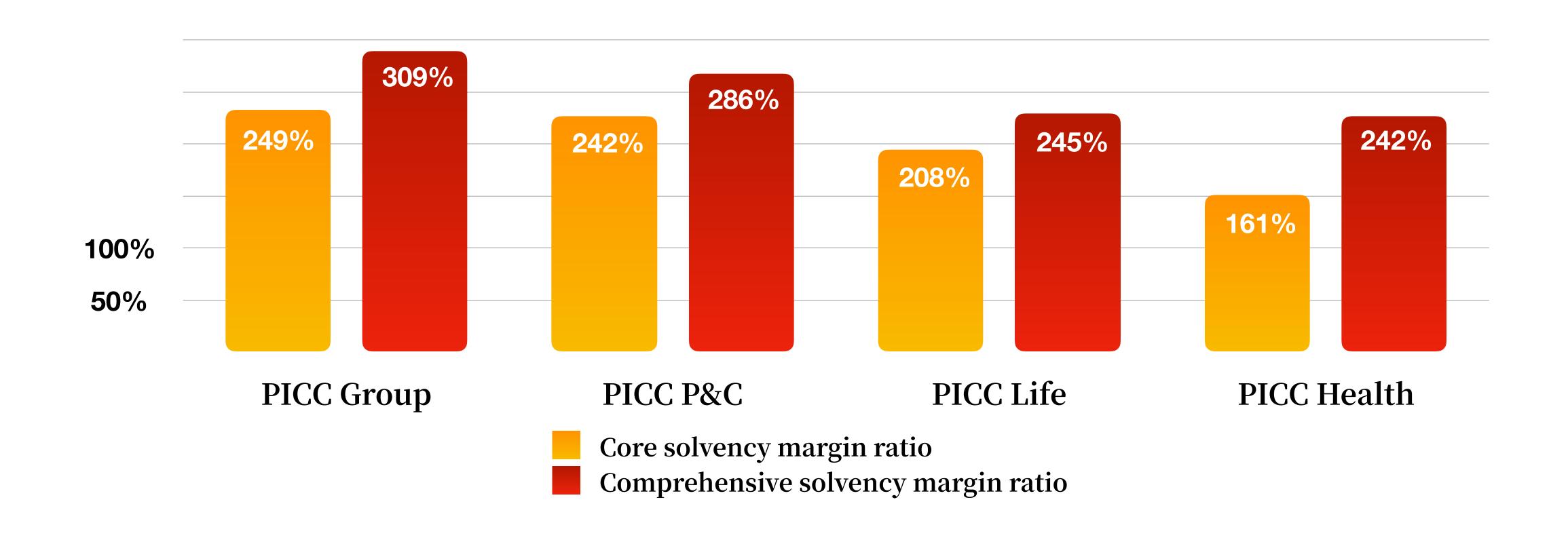
Note: "2 Integrations" refer to the integration of policy-based business and commercial business, and the integration of business model reform and technology reform.



## Maintained Rapid and Healthy Development

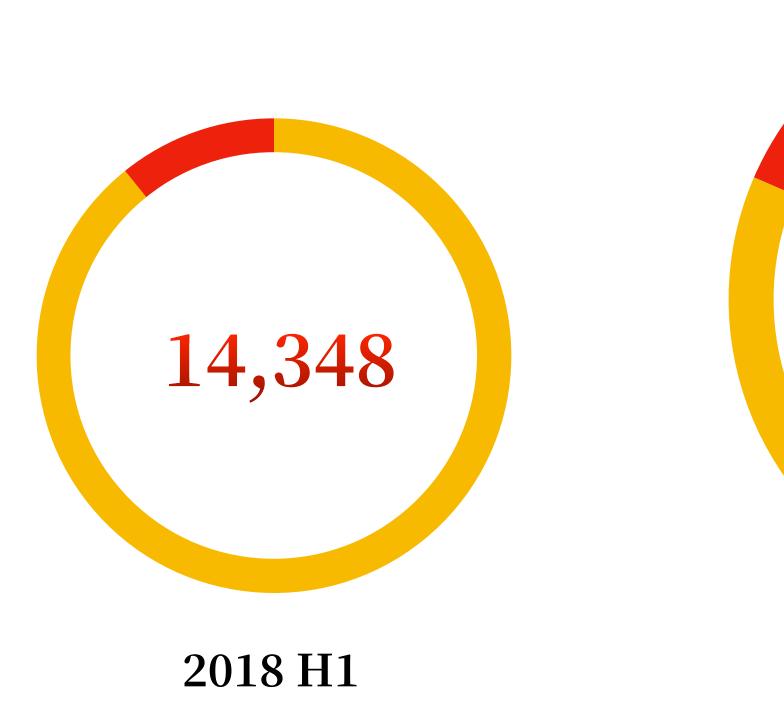


# Solvency Margin Ratios

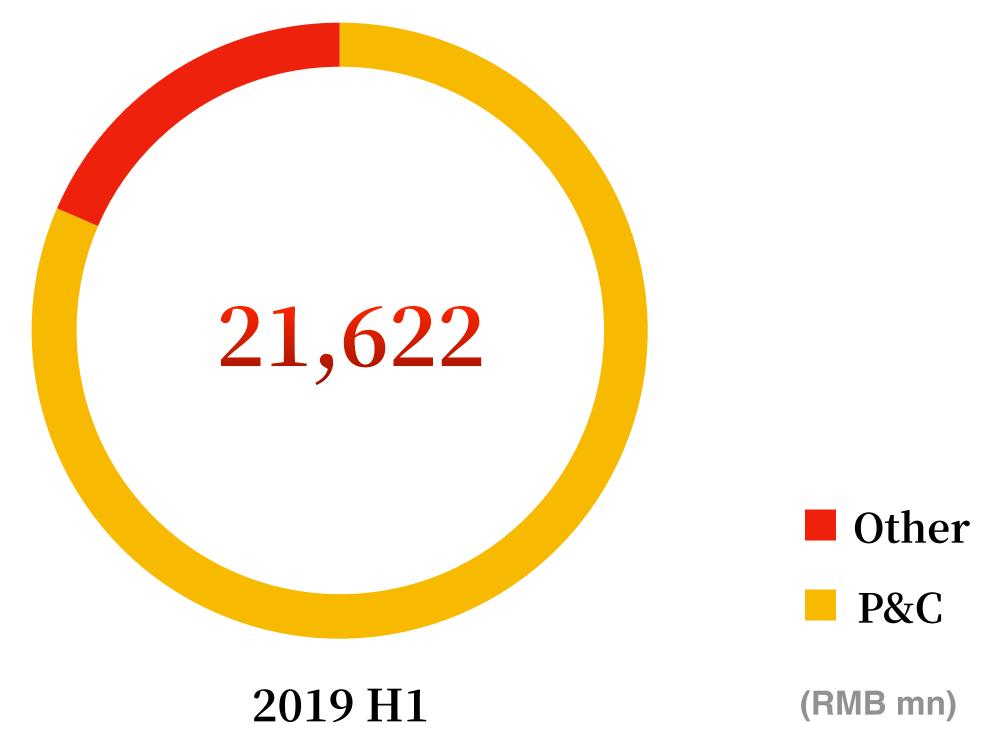


# Further Balancing of Profit Structure

#### **Consolidated Net Profit Structure**

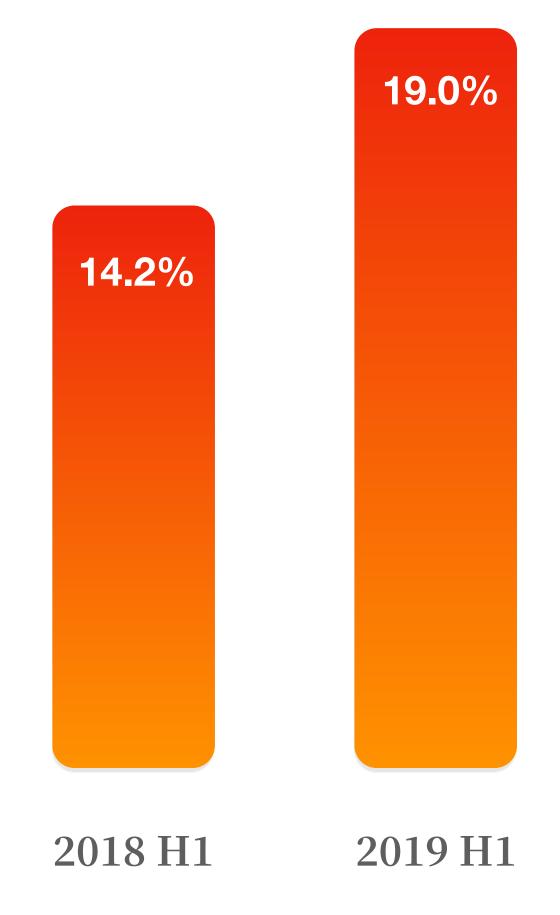


Other 10.8%: 1,553 P&C 89.2%: 12,795

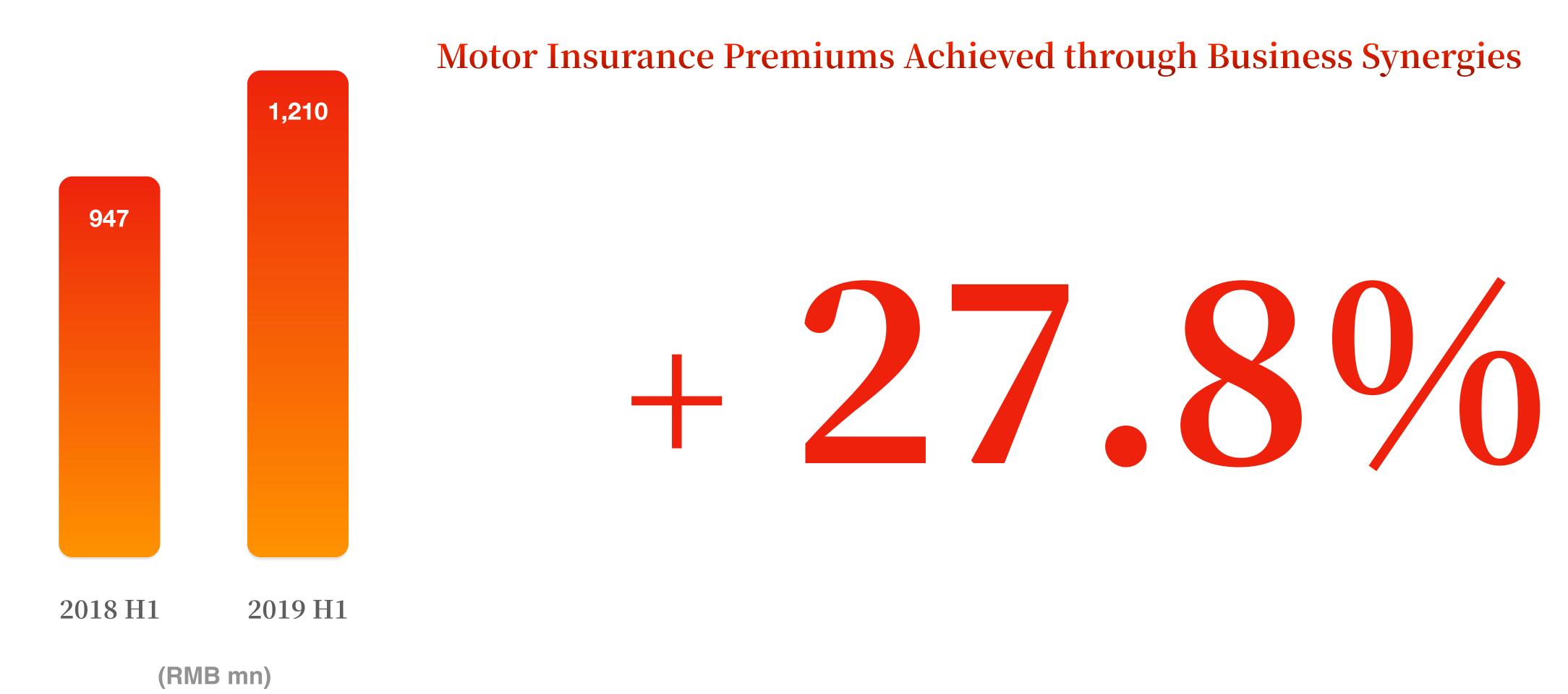


Other 18.4%: 3,988
P&C 81.6%: 17,634

Weighted Average Return on Equity(annualized)



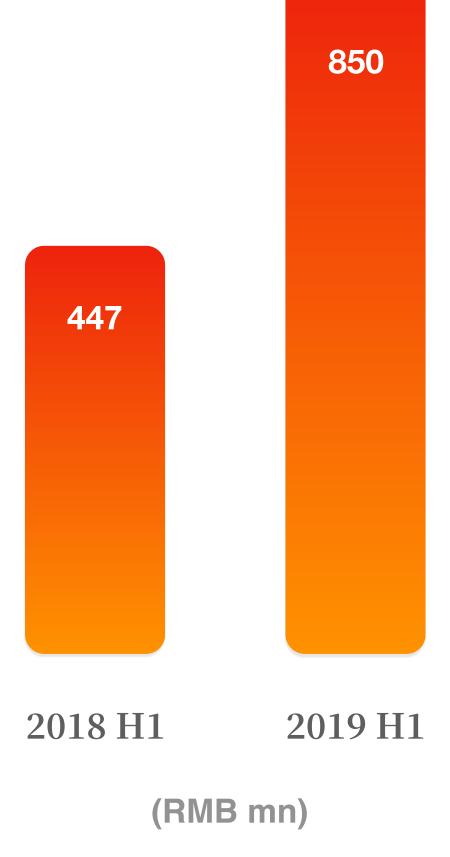
#### Integration Promoting Business Synergies, Achieving Significant Results



First-Year Regular Premiums Achieved through Business Synergies



- The integrated sales platform "E-PICC" APP added 200,000 new users, with policies issued amount of RMB6.67 bn
- Built a highly effective and convenient integrated commission settlement platform
- Dispatched an integrated and versatile comprehensive sales team in Shanghai, Guangzhou and Shenzhen





## P&C: Performance Highlights

GWPs RMB236.04 bn	Combined Ratio 97.6%	Total Investment Yield (annualized) 5.3%
+ 15.1 %	+ 1.6ppts	+ 0.1ppts
Net Profit	Net Cash Flow from Operating Activities	Net Assets
RMB16.82 bn	RMB8.73 bn	RMB158.98 bn
+ 39.1%	+RMB9.16 bn	+ 12.4%

# P&C: Business Achieved Rapid Growth Incremental Premiums + 20%



## Premium Income + 15.1%

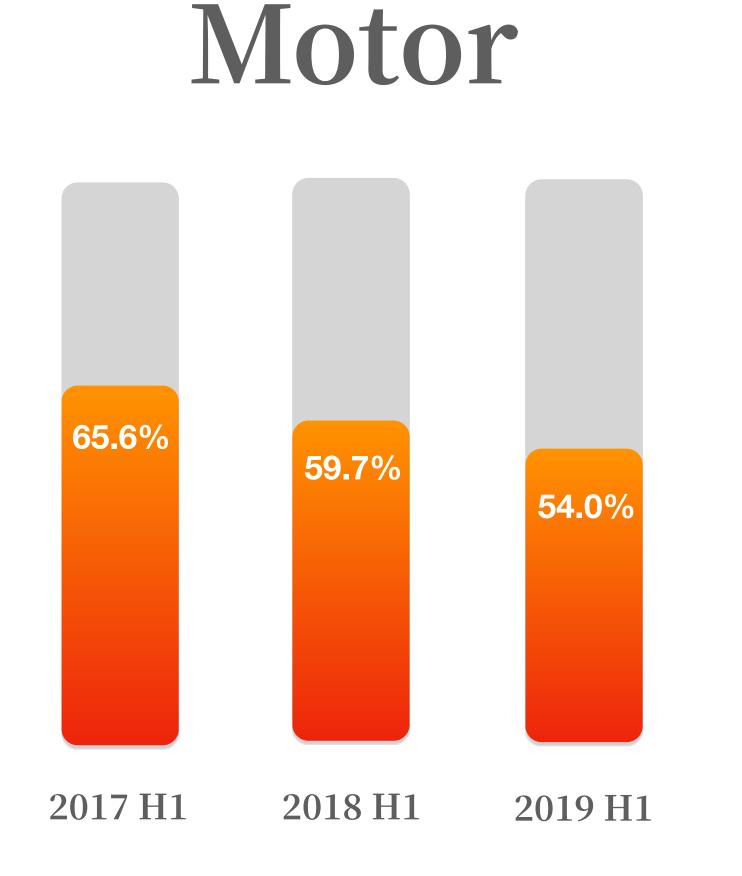
2019 H1

2018 H1

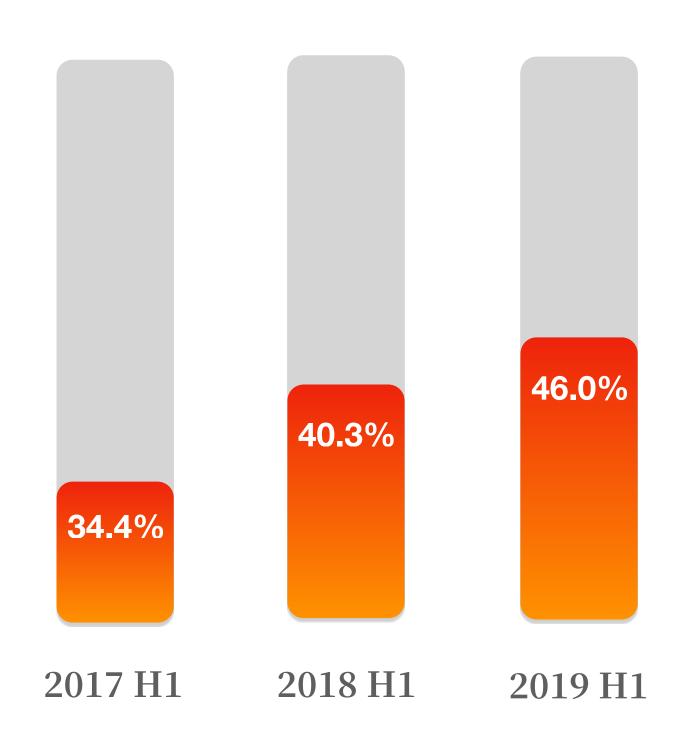
(GWPs, RMB mn) Market share 236,036 YoY increase 1.1ppts 205,041

### P&C: More Balanced Product Mix

Contribution of Motor and Non-motor Insurances As a Percentage of GWPs



### Non-motor



## P&C: Effective Guideline in Motor Segment



Reducing dependency on independent agencies

Direct sales and
Direct controlled
business grew at
12%
Accounted for 68.3%
+4.8ppts



**Lowering Sales Cost** 

Reduction of motor claims cost was RMB10.23 bn Motor expense ratio down by 1.6ppts



Improving Customer Experience

**Net Promoter Score (NPS)** 

Outperformed the Industry
Online migration rate up by
31% YoY
Working in sync with the
traffic police in 342 cities,
built 1,735 service outlets in
rural area
Claims Cycle accelerated by
9.5%



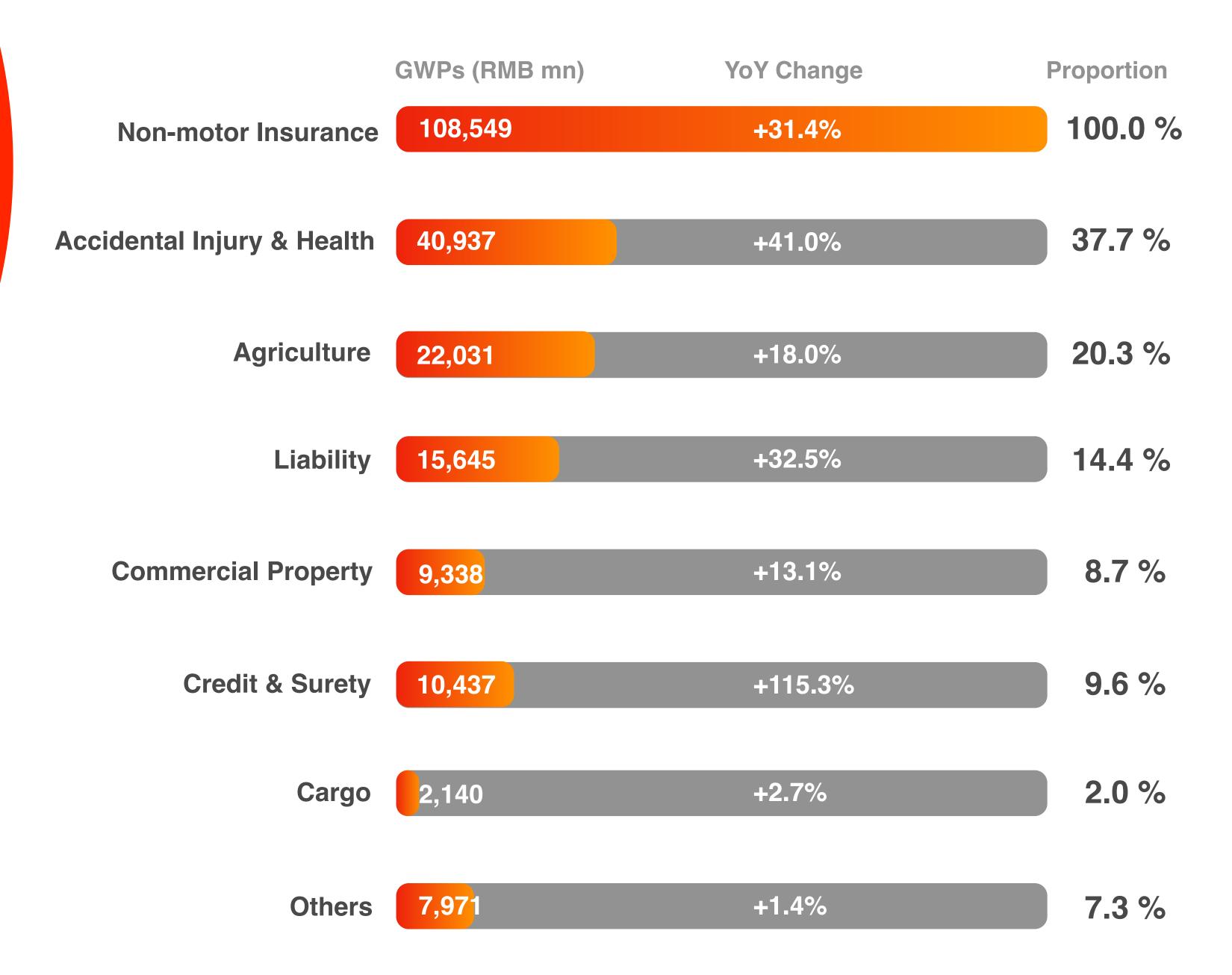
**Enhancing Customer Loyalty** 

Renewal rate of commercial motor insurance reached 66.6%

+0.1ppts

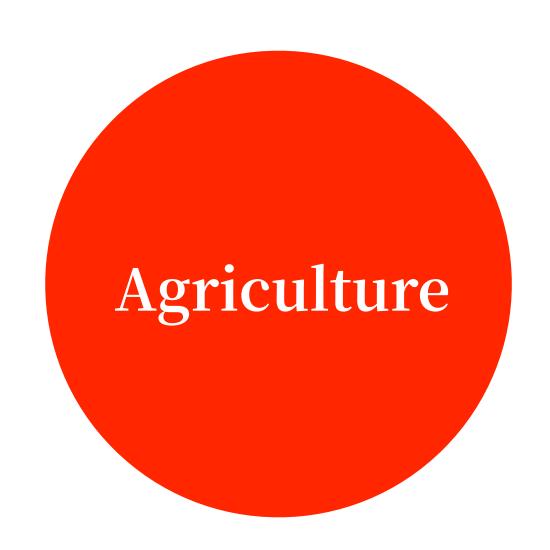
**Customer Interaction Frequency on Apps 33%** 

#### P&C: Non-motor Insurance Realized Rapid Growth





- Premium from the social security insurance was RMB32.3 bn, up by 41.9% YoY, businesses covering 504 mn policyholders across 31 provinces and 281 cities.
- Premium from the individual general accidental health & injury insurance saw a solid growth of 48.5% YoY to RMB3.7 bn.



- Continued to proceed better and wilder coverage and more diverse offering, further consolidate dominant position in the industry.
- Strengthened coordination between policy-based and commercial business; rural network realized commercial premium of RMB23.5 bn, up by 24.3% YoY.

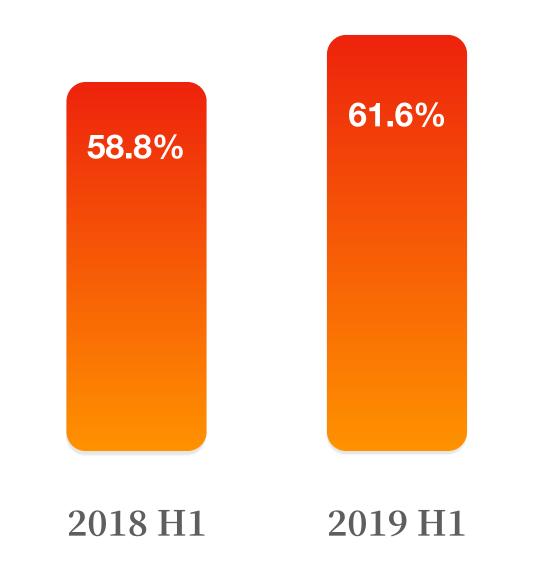


- Focusing on "serving real economy, supporting national strategy, innovating social governance, and safeguarding new economy", the Company set 10year record highs in premium size, growth rate and growth volume.
- Built a model of "Insurance + Technology + Service" to consolidate competitive advantages.

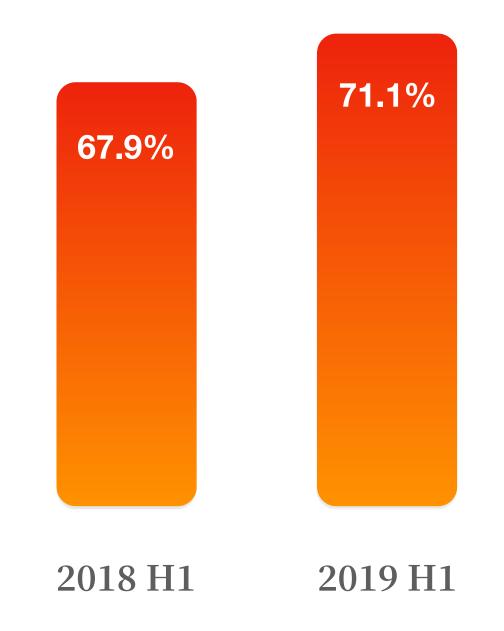
# P&C: Loss Ratio Increased YoY and Expense Ratio Decreased

**Loss Ratio** 64.7% +3.5ppts

Motor + 2.8ppts

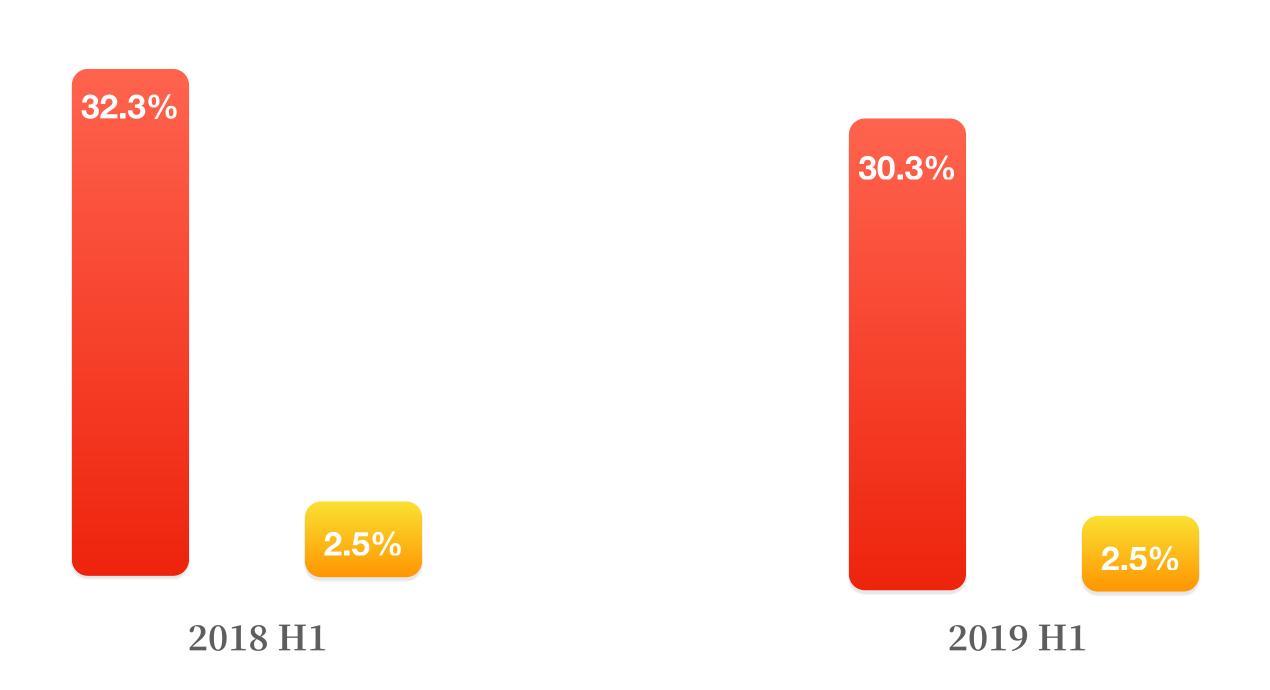


Non-montor + 3.2ppts



Expense

**Ratio** 32.9% -1.9ppts

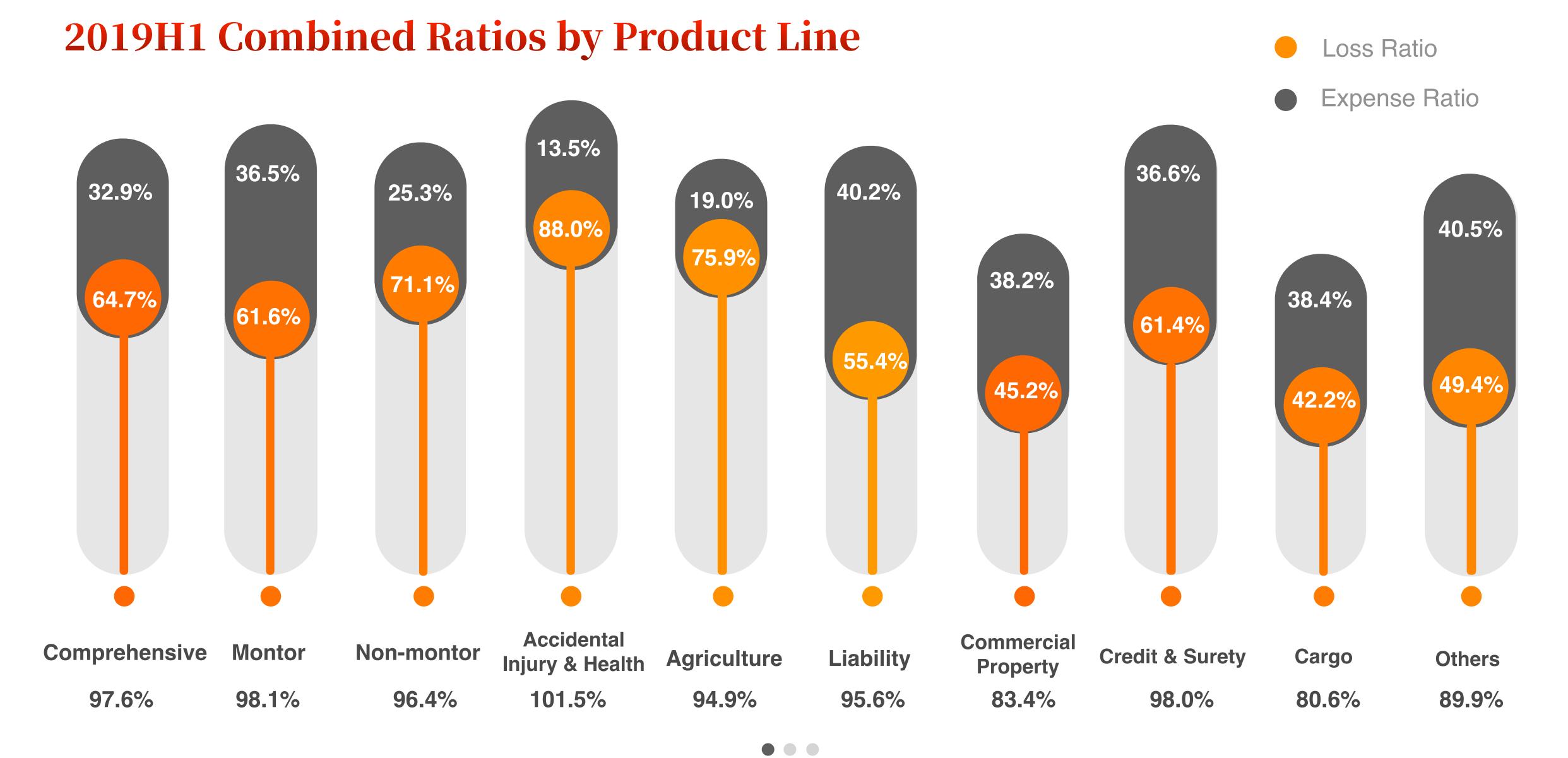


**Underwriting Expense Ratio** 

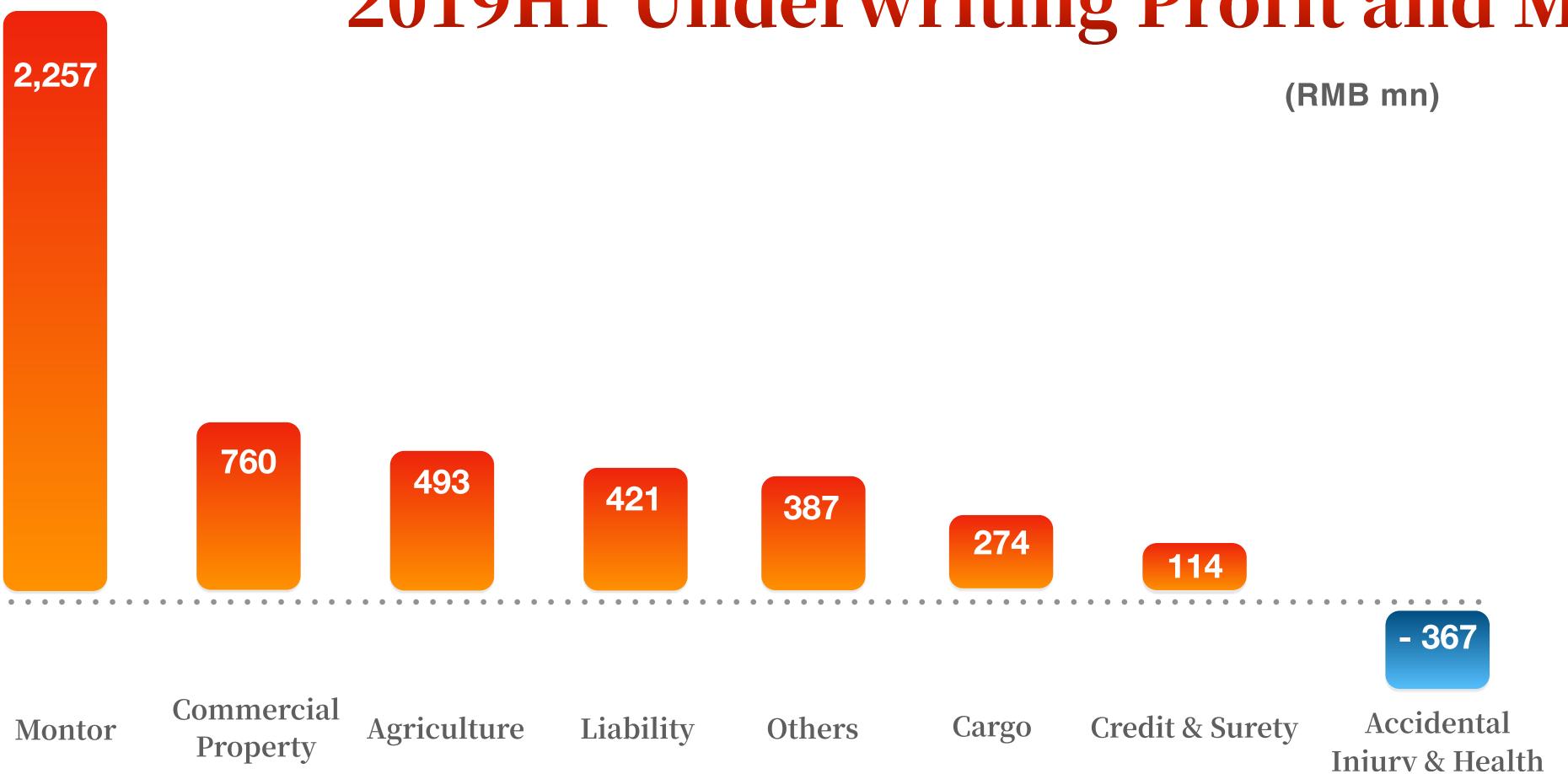
**Administrative Expense Ratio** 

Note: Underwriting expense ratio = (Net policy acquisition cost + Other underwriting expenses) / Net earned premiums; Administrative expense ratio = Administrative expenses / Net earned premiums; Figures are rounded off and may not add up.

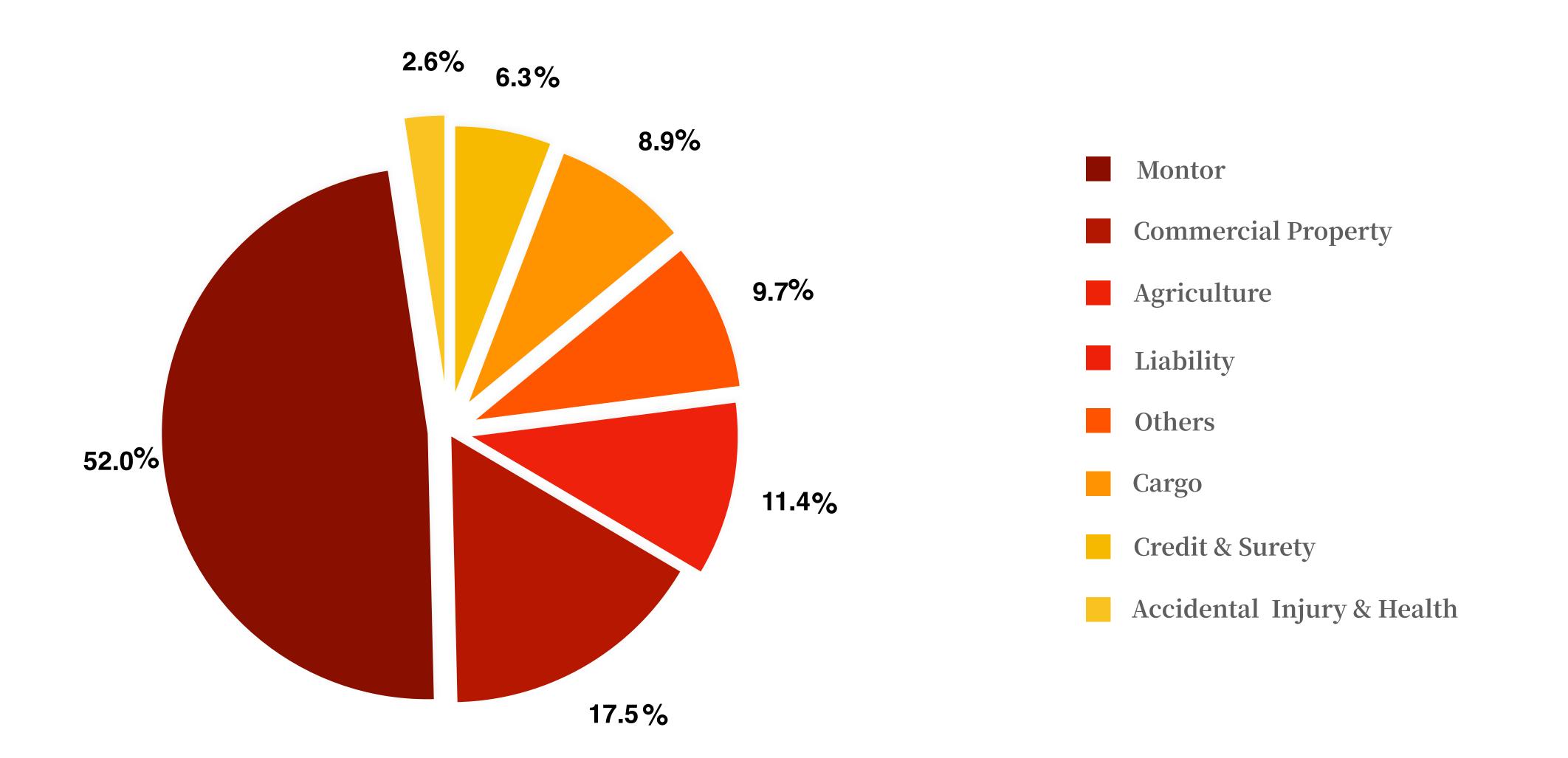
#### P&C: Underwriting Profitability Continued to Outperform the Industry







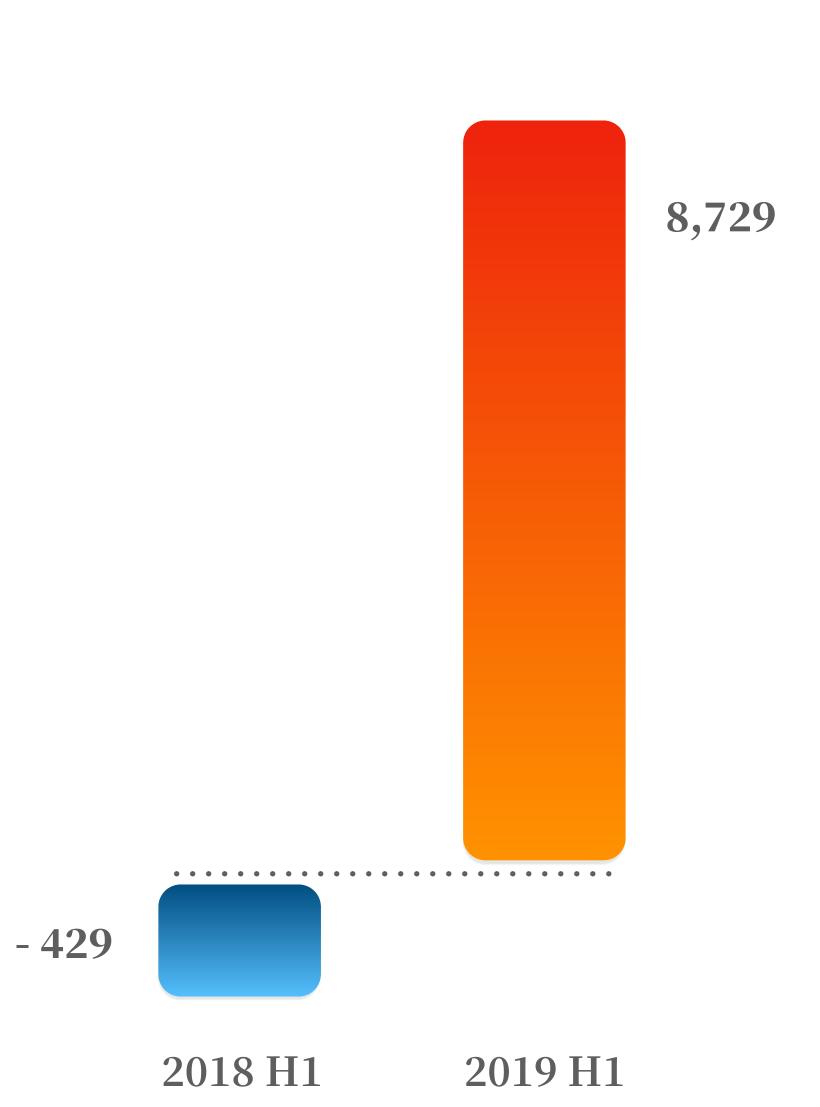
## 2019H1 Underwriting Profit and Mix



P&C: CFO improved Significantly, Capital Position Further Strengthened

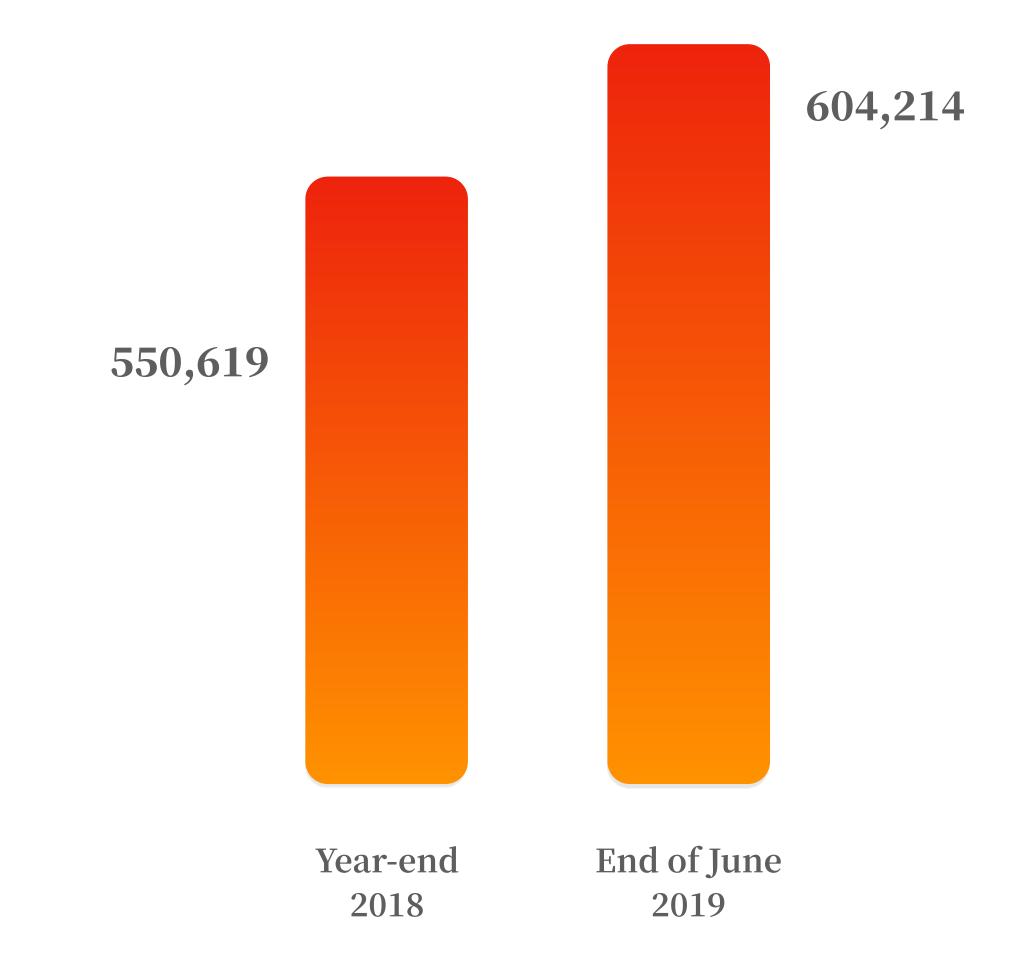
# Net Operating Cash Flow





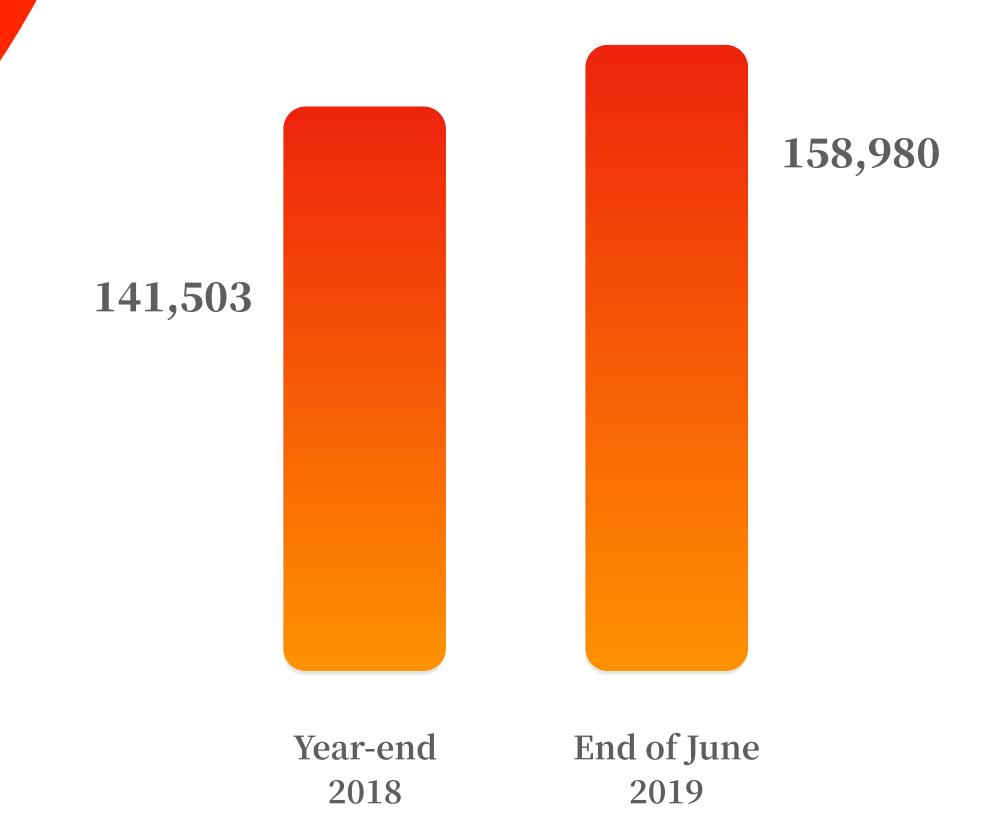
# Total Assets





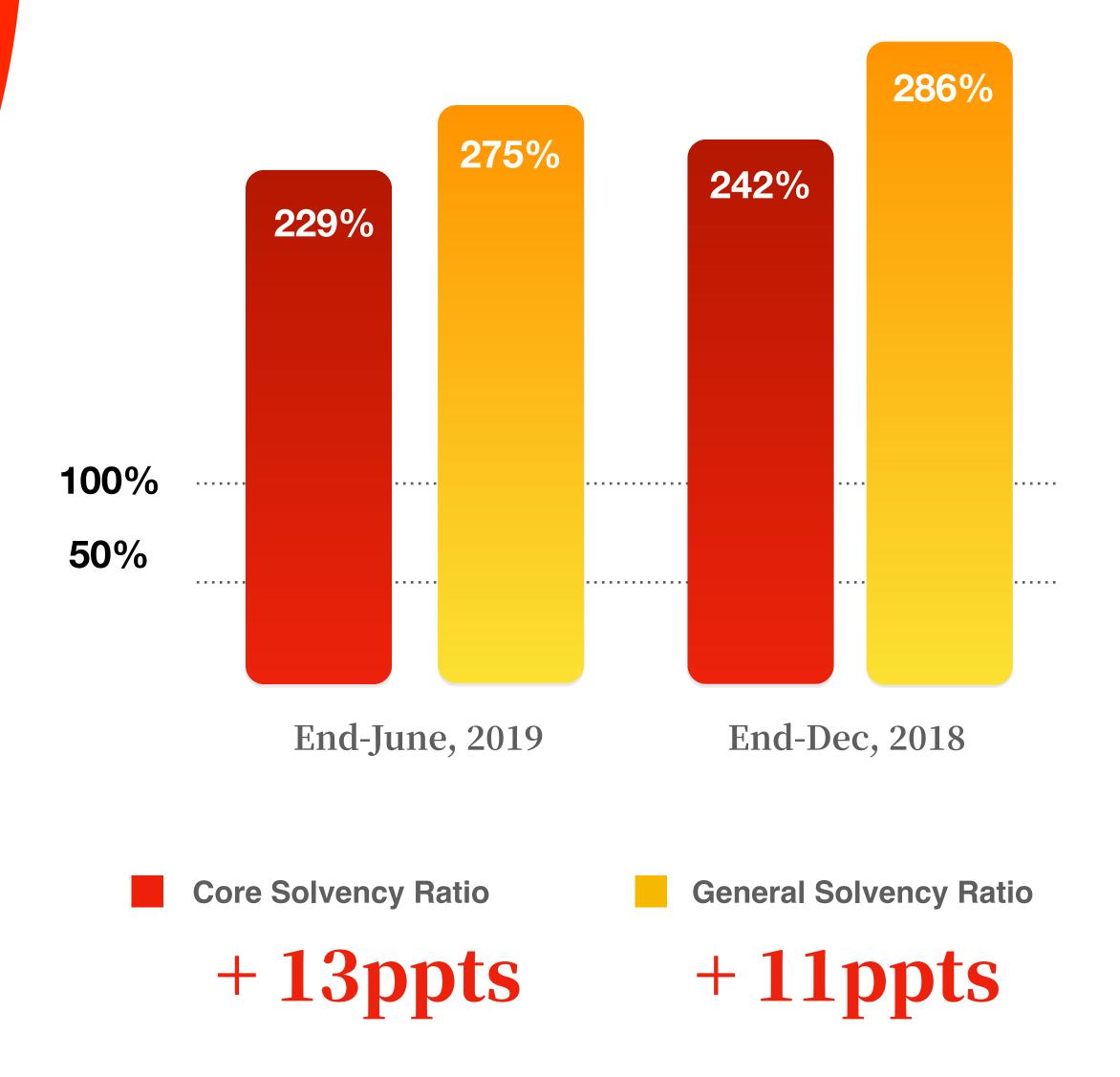
# Net Assets





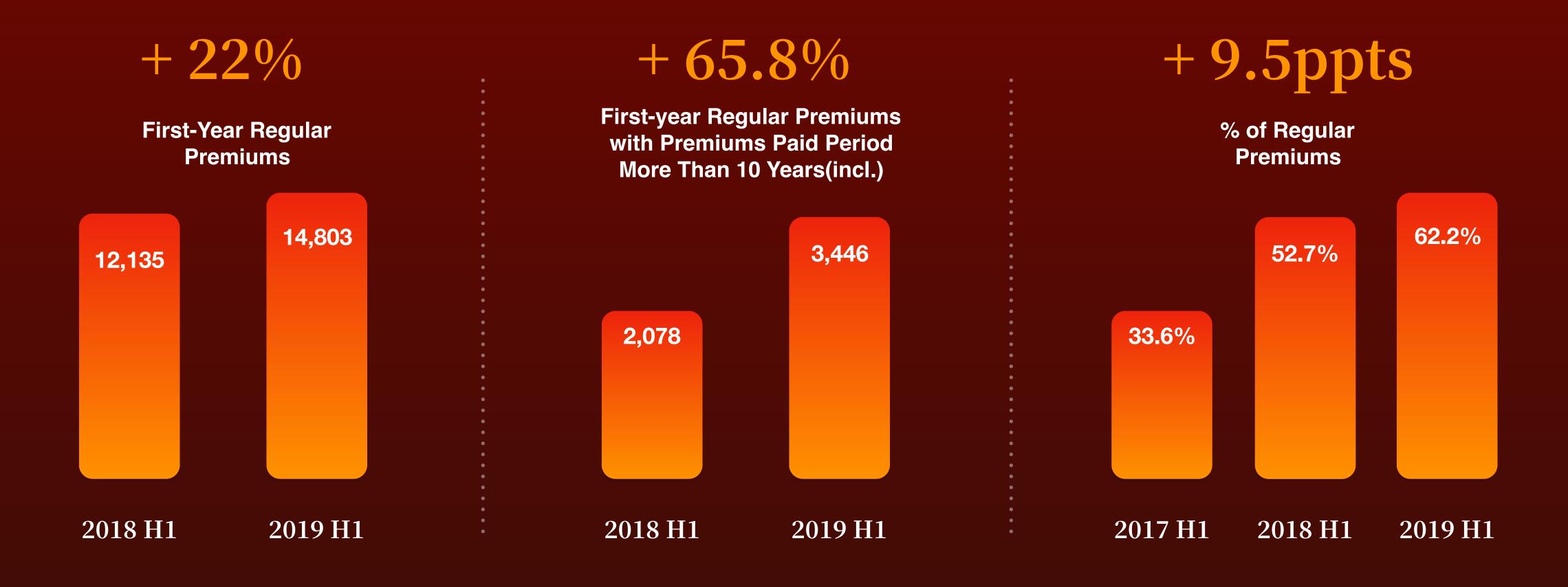
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# Solvency Ratio



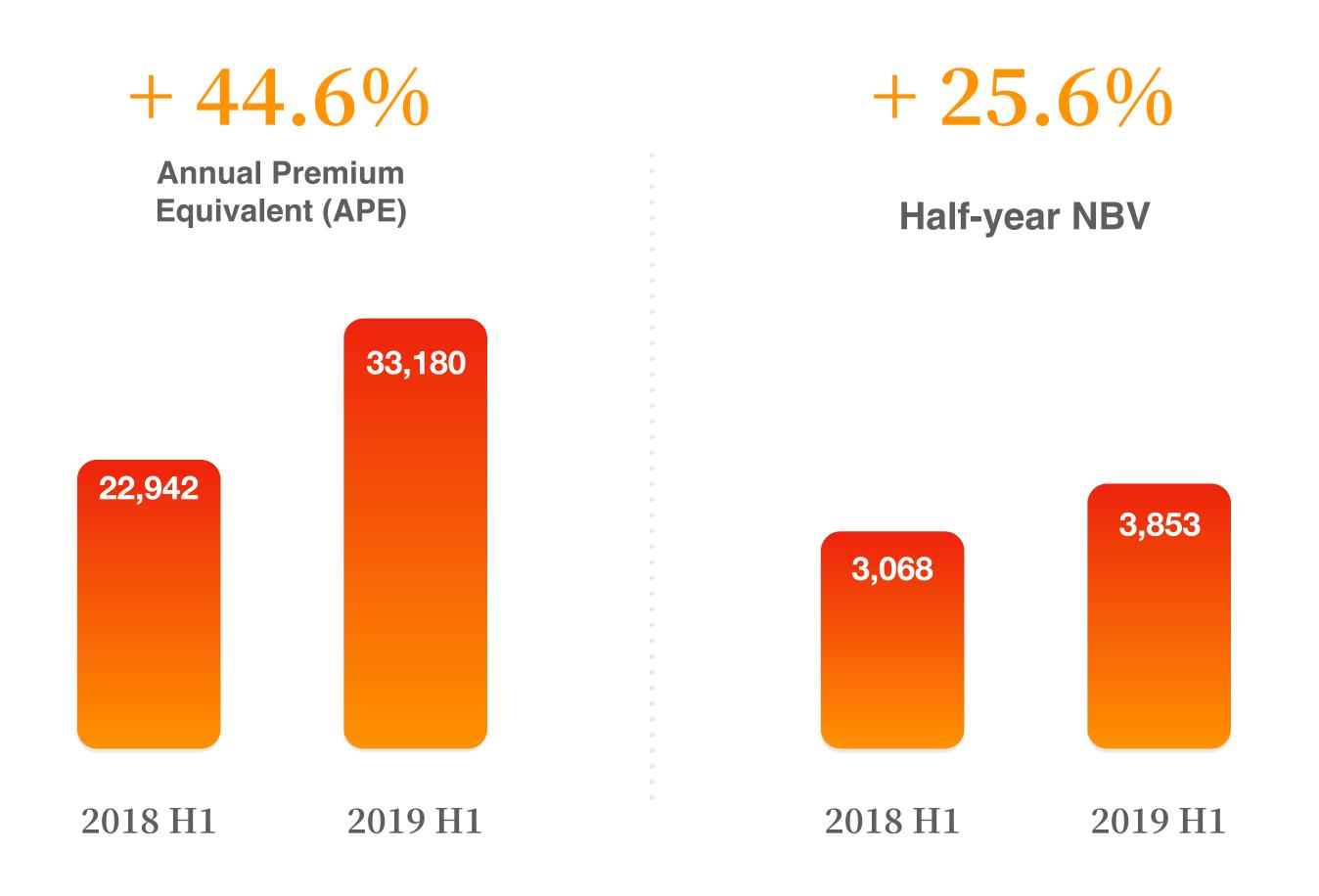
## Life: Regular Premiums Saw Rapid Growth, Optimized Structure

(TWPs, RMB mn)

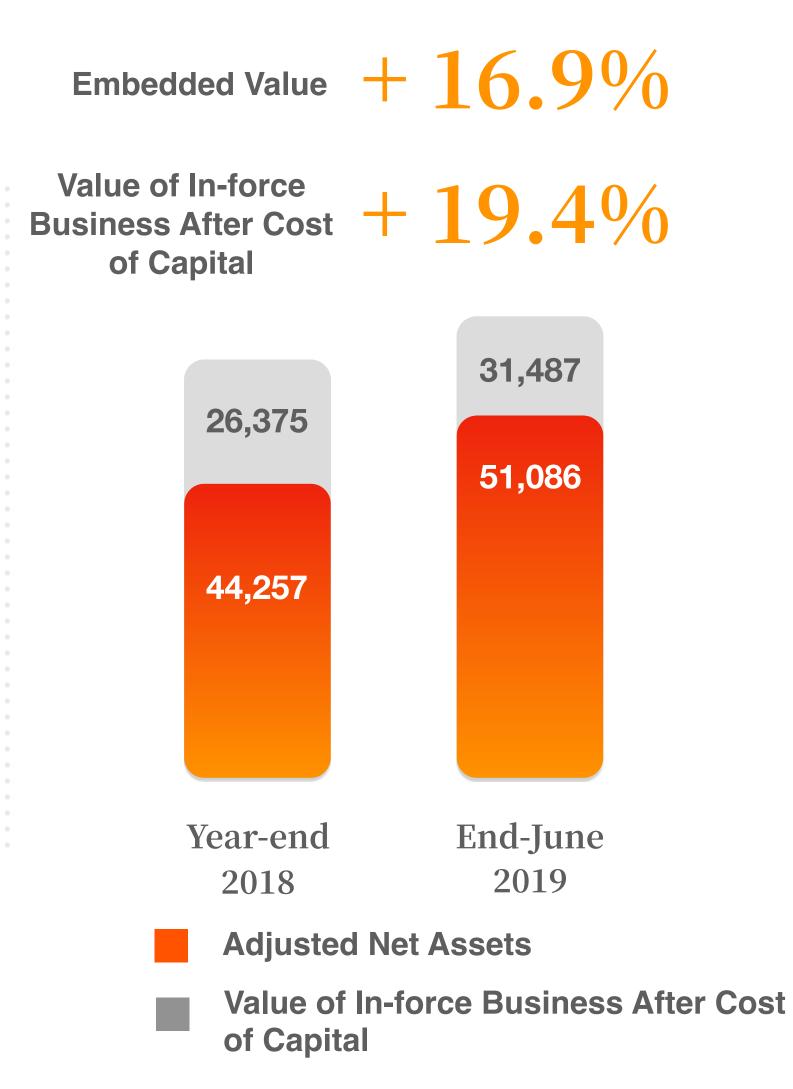


#### Life: Rapid Growth in New Business Value

(RMB mn)

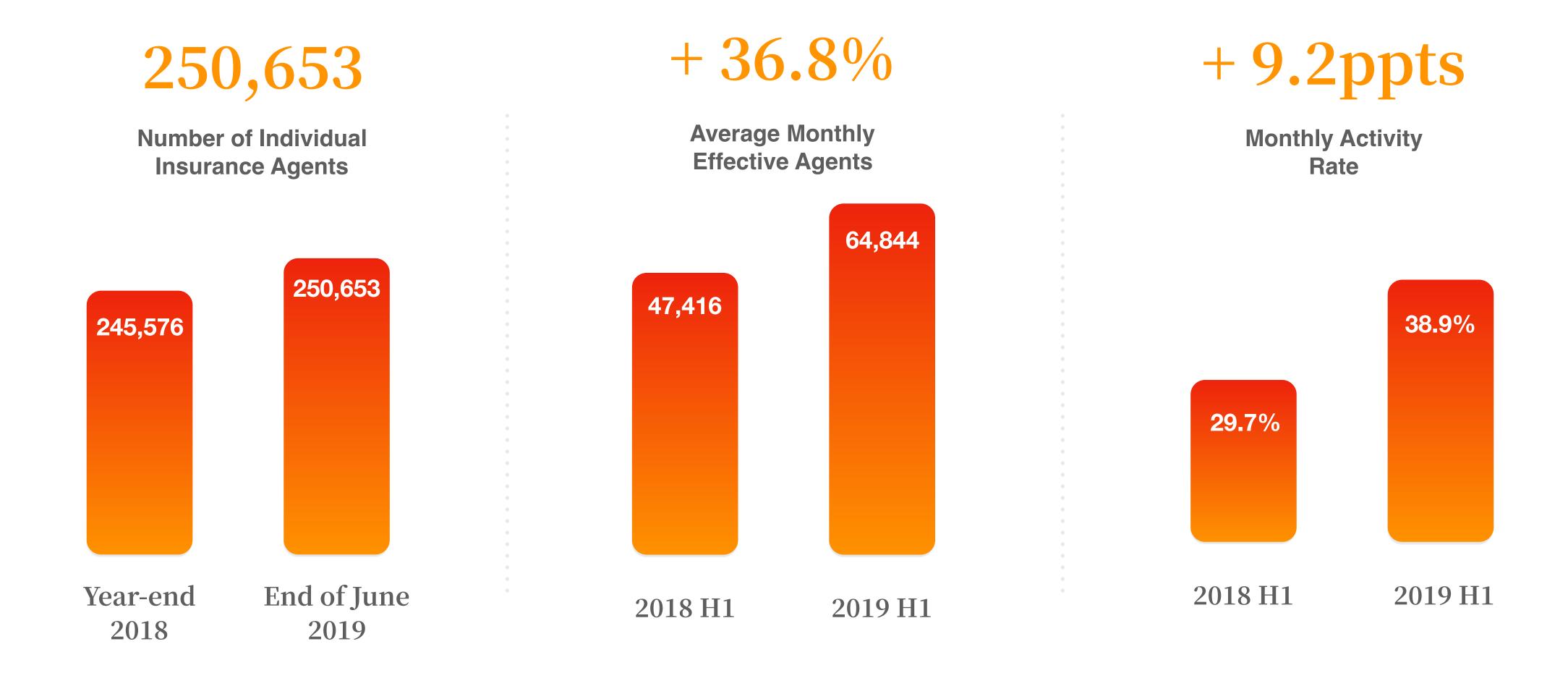


Note: APE is a internal management KPI (different to APE of CBIRC). The index is applicable to all products in PICC Life and set on basis of expected NBV margin.



### Life: Stronger Sales Force

(Person)

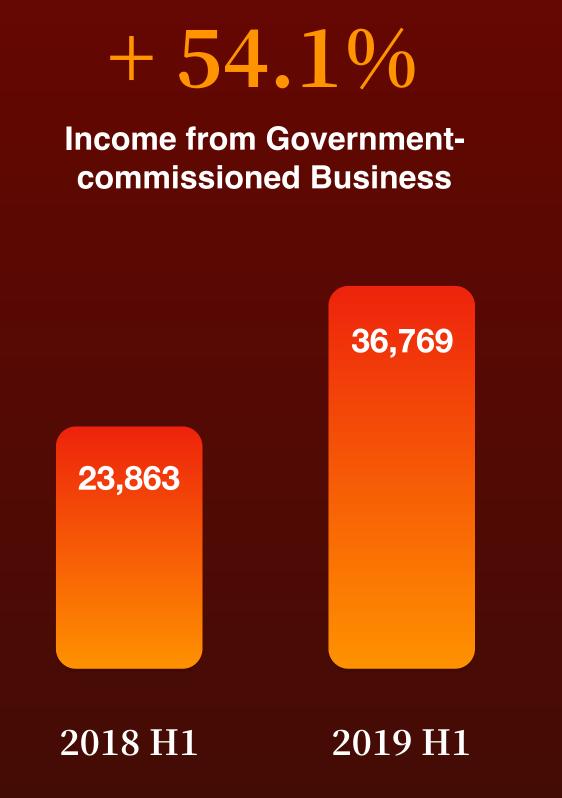


## Health: Transformative Developments Gained New Headway

(TWPs, RMB mn)





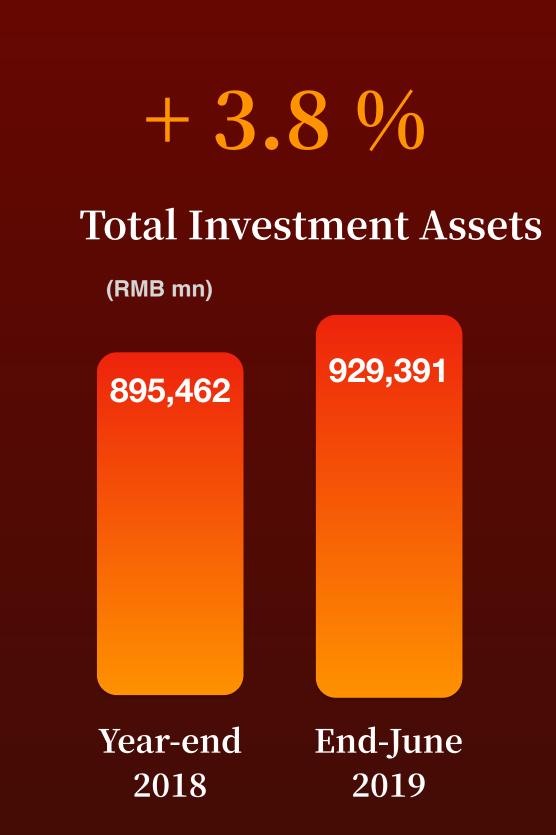


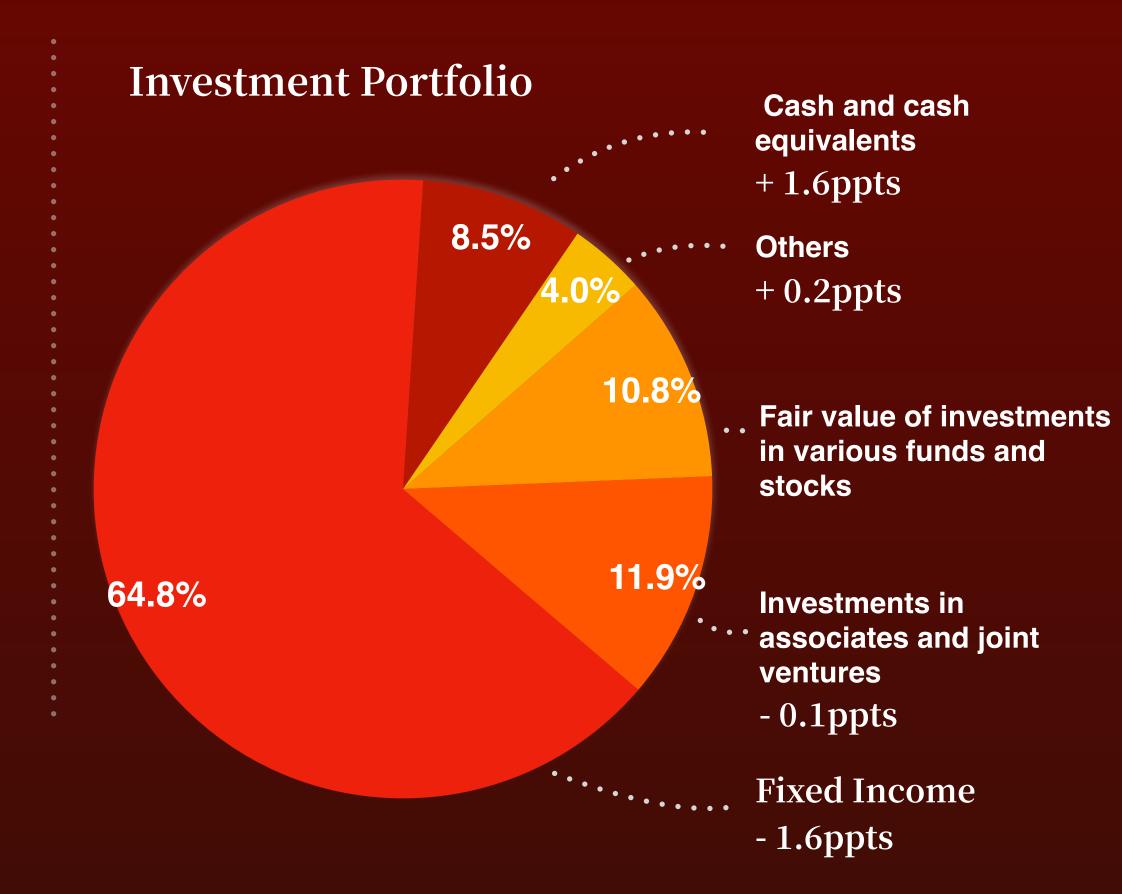


# Asset Management: Investment Assets Saw Stable Growth with Prudent Investment Portfolio

RMB1,553.97 bn

**Total AUM** 





#### Note:

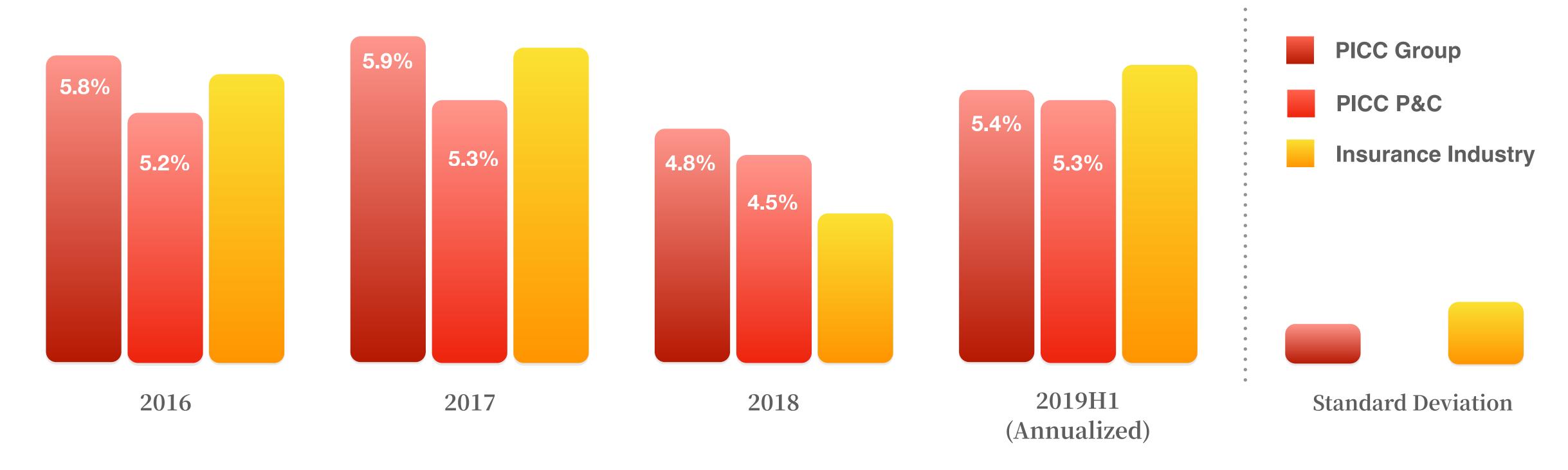
<sup>1) &</sup>quot;Fixed income" primarily includes term deposits, debt securities, debt investment schemes, Tier 2 capital instruments, WMPs, capital guaranteed deposits, pledged loans, trust products, and asset management products;

<sup>2) &</sup>quot;Others" primarily include investment properties, equity investment schemes, reinsurance arrangements classified as investment contracts, non-listed equity investments and derivative financial assets etc.;

<sup>3)</sup> Figures are rounded off and may not add up.

# Asset Management: Volatility of Total Investment Yield Lower Than Industry Average

## Total Investment Yield (Annualized)

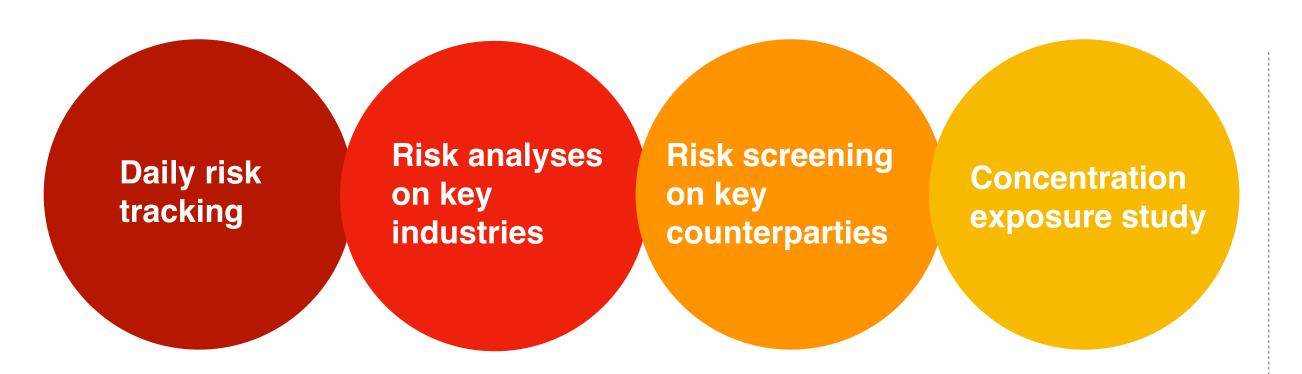


Note: Standard deviation used data since 2005.

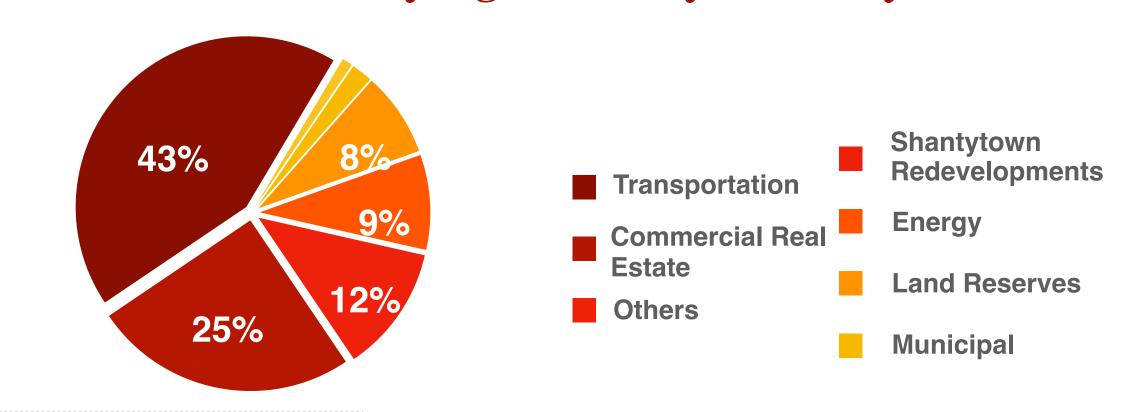
## Asset Management: Controlled Credit Risks on

#### **Investment Assets**

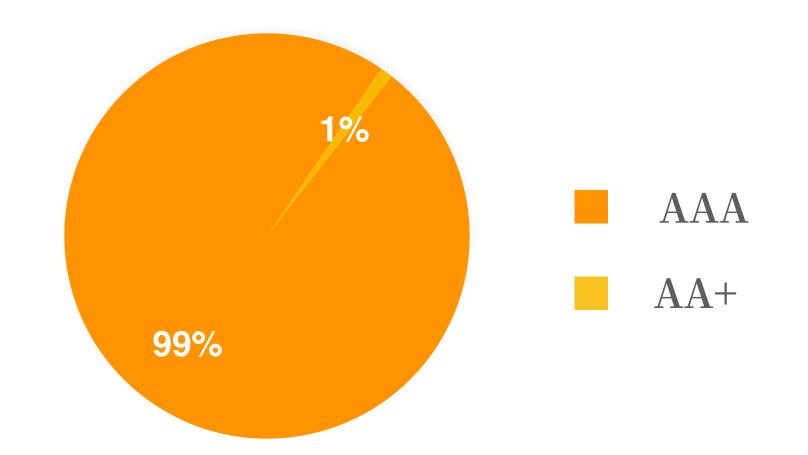
**Credit Risks: Preventative Measures** 



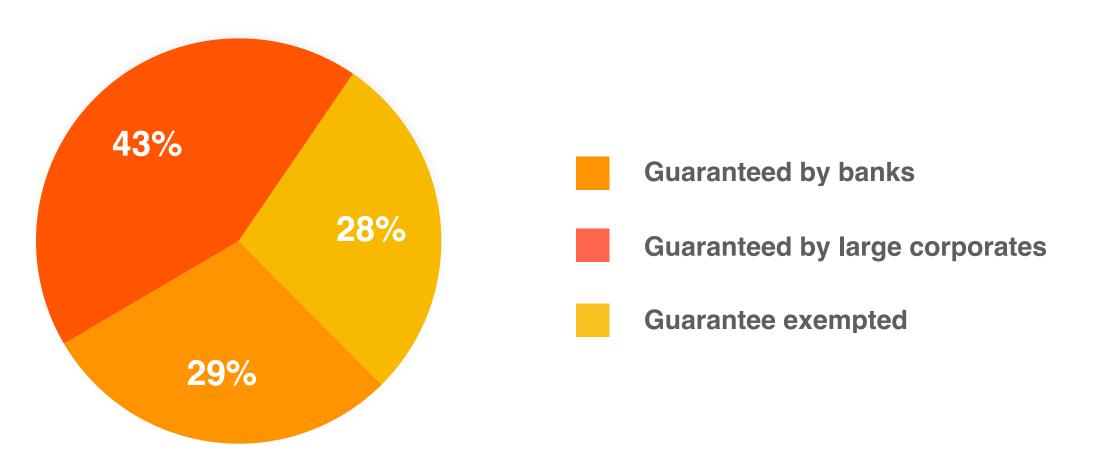
## Debt Investment Schemes:Breakdown of Underlying Assets by Industry



#### **Debt Investment Schemes: Credit Ratings**



#### Debt Investment Schemes:Credit Enhancement



## Emerging Segments: Fintech Innovation Segment

+ 9.6%

Transaction value YoY

+61.3%

Accumulated users YoY

+ 75.6%

Operating revenue YoY

Jiaanpei

Creating a motor service ecosystem

The Jiaanpei platform is applied in 36 provinces and 362 cities branches, accumulating over 2,300 registered suppliers and 26,000 auto repair factories.

Aibao Technology

R&D engine for on InsurTech

Monetizing R&D outcomes into value-added productivity, powered by the concept of "Insurance + Technology + Service", Aibao continually bolstered innovative efforts to create value.

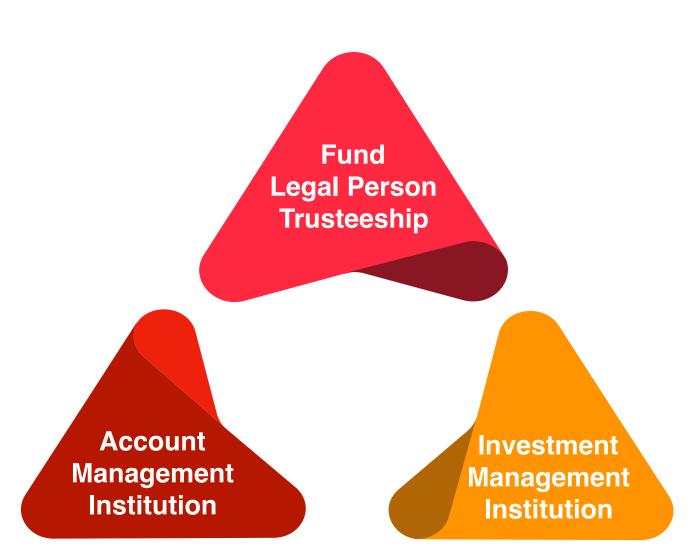
PICC Fu

**Fintech infrastructure** 

Established an internet-based sales system and customer-oriented integrated account management system with PICC Fu as the unified medium for various payment scenarios.

# Emerging Segments: Enterprise Annuity & Occupational Annuity

3 Qualifications for Enterprise Annuity Management

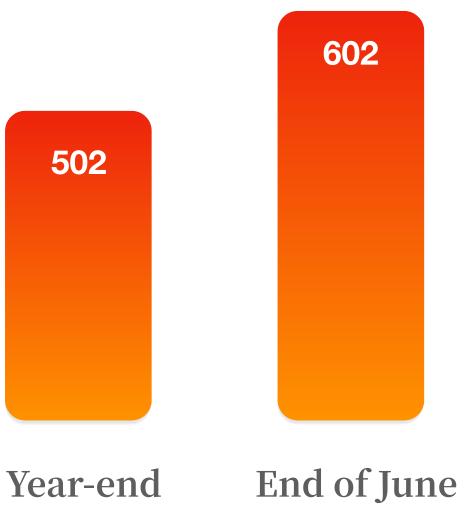


+ 19.8%



(RMB'00mn)

2018



2019

First Breakthrough in Occupational Annuity Business

- Won bids or was selected as alternative candidate for 20 trusteeship tenders, achieving a win rate of 91%
- Participated in 15 investment management projects, achieving 100% win rate

## Emerging Segments: Reinsurance

Steady Increase in Premium Income

Reinsurance premium income

**RMB3.35** bn

Up by 22.3% YoY

China's reinsurance market Ranked 6th

Ongoing Optimization of Business Structure

Third-party reinsurance premium income

RMB570 mn

Accounted for 17% of total, up by 2ppts YoY

**Continual Development** of Customer Channels

58 domestic customers

Covering 2/3<sup>rd</sup> of the domestic market

65 international customers30 partner brokersCovering 34 countriesand regions



# 8 A

### Appendix: Major Differences between CAS and IFRS

#### 2019H1

RMB mn	CAS	Catastrophe Premium Reserve Funds of Agriculture Insurance	Insurance Contracts Reclassified as Investment Contracts	Loss on Deemed Disposal of An Associate	IFRS
Total assets	1,117,849	624	-	_	1,118,473
Total liabilities	886,761	-437	240	-	886,564
Net assets	231,088	1,061	-240	<del>-</del>	231,909
Net profit	21,676	-33	-21	-	21,622
Net profit attributable to equity holders	15,517	-22	-17	<del>-</del>	15,478

### Appendix: Group Key Financials (CAS)

(RMB mn, unless otherwise noted)	2019H1	2018H1	Change (%)
Gross written premiums	322,874	286,159	12.8
Of which: PICC P&C	236,036	205,041	15.1
PICC Life	70,832	69,887	1.4
PICC Health	15,215	10,583	43.8
Total profit	19,373	18,889	2.6
Net profit attributable to equity holders	15,517	9,767	58.9
EPS (RMB)	0.35	0.23	52.4
Weighted average return on equity (annualized%)	19.2	13.8	Up by 5.4ppts
Total investment yield (annualized %)	5.4	5.1	Up by 0.3ppts
PICC P&C combined ratio (%)	97.6	96.3	Up by 1.3ppts
New business value of PICC Life	3,853	3,068	25.6
New business value of PICC Health	341	304	12.2
(DMD was applead otherwise metad)	A - of I 00 0010	A	Ob 200 (0/)

(RMB mn, unless otherwise noted)	As of Jun 30, 2019	As of Dec 31, 2018	Change (%)
Total assets	1,117,849	1,031,690	8.4
Total liabilities	886,761	826,264	7.3
Net assets attributable to equity holders	171,911	152,468	12.8
Book value per share (RMB)	3.89	3.45	12.8
Embedded value of PICC Life	82,573	70,632	16.9
Embedded value of PICC Health	10,314	8,689	18.7

### Appendix: Group Key Financials (IFRS)

(RMB mn, unless otherwise noted)	2019H1	2018H1	Change (%)
Gross written premiums	322,875	286,162	12.8
Of which: PICC P&C	236,036	205,041	15.1
PICC Life	70,833	69,891	1.3
PICC Health	15,215	10,583	43.8
Net profit	21,622	14,348	50.7
Net profit attributable to equity holders	15,478	10,045	54.1
EPS (RMB)	0.35	0.24	47.8
Weighted average return on equity (annualized %)	19.0	14.2	Up by 4.8ppts
Total investment yield (annualized %)	5.4	5.1	Up by 0.3ppts
PICC P&C combined ratio (%)	97.6	96.0	Up by 1.6ppts
New business value of PICC Life	3,853	3,068	25.6
New business value of PICC Health	341	304	12.2
(RMB mn, unless otherwise noted)	As of Jun 30, 2019	As of Dec 31, 2018	Change (%)
Total assets	1,118,473	1,031,635	8.4
Total liabilities	886,564	825,334	7.4
Net assets attributable to equity holders	172,457	153,053	12.7
Book value per share (RMB)	3.90	3.46	12.7
Embedded value of PICC Life	82,573	70,632	16.9
Embedded value of PICC Health	10,314	8,689	18.7