

PICC 中国人民保险

PICC Group (601319.SH 1339.HK)

PICC P&C (2328.HK)

2018 Annual Results

March 25, 2019

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Note: The Group's A-share annual 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.



Agenda

1

I. Overview

MIAO Jianmin, Chairman, PICC Group and PICC P&C

2

Performance Highlights

3

Review of Key Business Segments



In 2018, PICC adhered to the general working guideline of steady progress, carried out the new development concept, promoted the implementation of the Group's "3411 Project" to transform to high-quality development. On the backdrop of a complex and volatile external environment, PICC echoed the general guideline of “steadiness”, highlighted the pace of “progress”, and formed an “excellent” momentum, with all of the Group’s reform and development work advanced steadily.

Over the past year, the Company has adhered to the mission of “People’s Insurance for the People”, taken serving the real economy and satisfying the people's better life as its starting point and foothold, and firmly fulfilled the social responsibilities as a central financial enterprise.

In November, the Company listed on A-share market, marching into a new era and onto a new journey of development. The Company will accelerate the transition to high-quality development and reward customers and return shareholders with a new image, better services, higher profits, and stronger capabilities to serve the overall interests and make customers satisfied, investors happy.

Highlights of 2018 Results

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**Gross Written
Premiums (GWPs)**

RMB498.61 bn

**Net profit attributable
to equity holders of the
company**

RMB13.45 bn

Net investment yield

5.5%

Total assets

RMB1,031.7 bn

**Combined ratio of
PICC P&C**

98.5%

**Embedded value
of PICC Life**

RMB70.63 bn

**Net assets attributable
to equity holders of
the company**

RMB152.47 bn

Ranked 117th in Fortune Global 500

Proposed cash dividend of RMB0.457 per 10 shares

**Solvency Margin
Ratio**

309%

Progress of the “3411 Project”

- Transformation of 3 Insurance Subsidiaries

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The transformation of 3 insurance subsidiaries

1

PICC P&C

- ◆ household owned motor business accounted for **69.7%** in GWPs of motor insurance, with the proportion continuing to increase
- ◆ Non-motor insurance business increased by **28.5%** YoY, with the proportion up by **4.5ppts**

2

PICC Life

- ◆ The proportion of first-year regular premiums with premium paid period more than ten years (incl.) increased by **5.3ppts**
- ◆ The proportion of regular premiums increased by **17.4ppts**

3

PICC Health

- ◆ First-year regular premiums increased by **152.2%** YoY
- ◆ Scale of health management business increased by **157.9%** YoY

Progress of the “3411 Project”

- 4 Major Strategies and double “1”

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4 major strategies

01

Innovation-Driven Strategy

- ◆ Vigorously developed **“insurance + service”**
- ◆ Motor insurance intelligent claims mode: “Technology-assisted claims” “Intelligent Loss Assessment”
- ◆ Auto owners and health management ecosystem: Promoted the **“Jiaanpei” platform** and **“PICC Health” APP**

02

Digital Strategy

- ◆ Formulated architecture planning and standards for the Group’s information system and accelerated the upgrading of core business systems
- ◆ Completed the **“PICC” APP**: consistent mobile service
- ◆ Unified customer service platform: Built a Group-Integrated service platform

03

Integration Strategy

- ◆ Formulated an implementation summary for the integration strategy
- ◆ Promoted the construction of an integrated and versatile comprehensive development team
- ◆ **“E-PICC”**: More than **2 mn** policies issued cumulatively

04

International Strategy

- ◆ Risk liability of international business amounted to **RMB11 trillion**, covering more than **150** countries and regions
- ◆ The scale of International business increased by **22%** YoY

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

- ◆ The market share in core cities was stable, and the market share in 22 core cities rebounded
- ◆ The growth rate of motor insurance in suburban market outpaced overall motor insurance

Uphold **1** bottom line of avoiding systematic risks

- ◆ Continuously improved systems and mechanisms, optimized the construction of the risk management system
- ◆ Strengthened key risk management to prevent potential major risks

Outlook: Continue to Advance the “3411 Project” **PICC** 中国人民保险

2019 is the 70th anniversary of the founding of PRC, and the fundamentals for the insurance industry remain prosperous. China's economy performance is expected to remain within a reasonable range, and the social and livelihood policies amending weakness will be accelerated. In particular, the central government will further increase the financial subsidies for agricultural insurance and critical illness insurance. The government will further promote the social management of insurance services and will bring new policy opportunities for industry development.

PICC P&C: Deepen “2 Integrations”, firmly advance “disintermediation, lowering costs, optimizing services, and enhancing stickiness”

PICC Life: Enhance sales forces for individual insurance, etc., strengthen the foundation and enhance business value

“3411 Project”

PICC Health: Strengthen construction of professional capacity, promote flattened business model, and improve cost-control ability for medical insurance

Investment Segment: Actively develop wealth management business while serving the main business. Strengthen business synergy with China Credit Trust

Notes: “2 Integrations” refer to the integration of policy-based business and commercial business, and the integration of business model reform and technology reform.

Agenda

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Summary

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II. Performance Highlights

BAI Tao, Vice Chairman, President of PICC Group

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Review of Key Business Segments

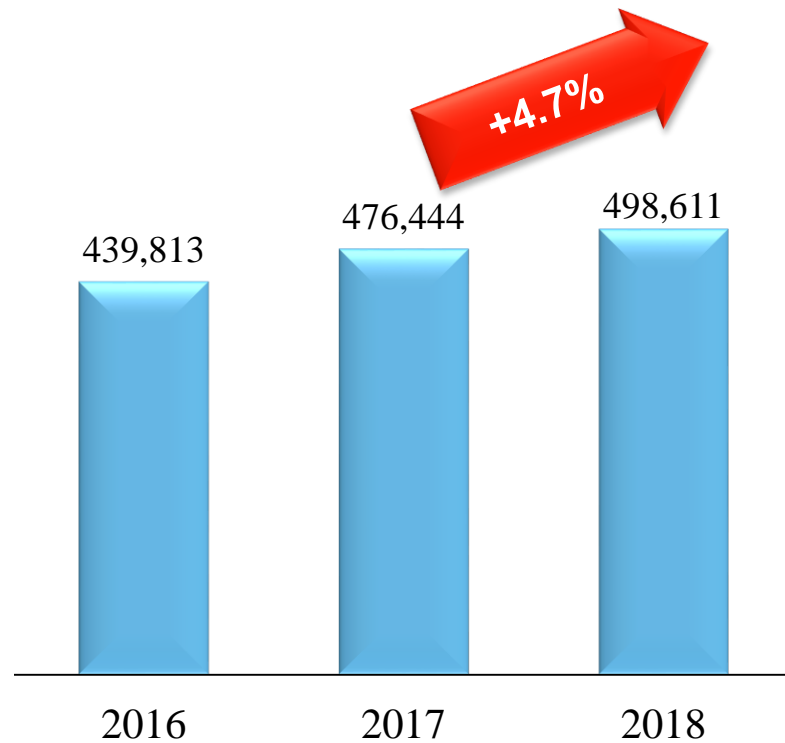


Achieved Steady Development in a Tough Market Environment

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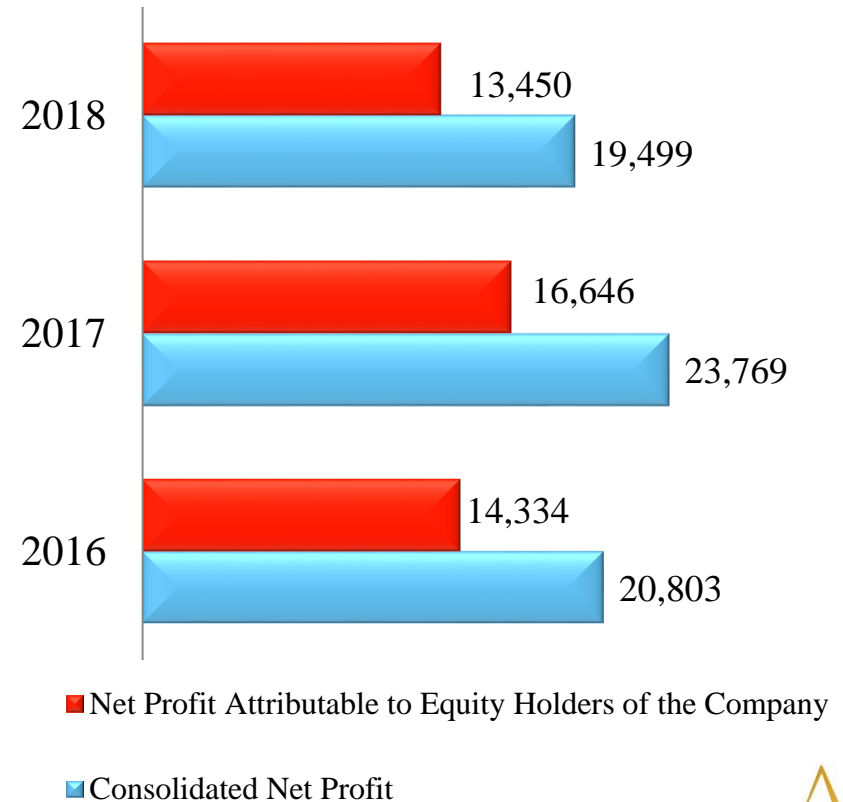
Premiums Income

(GWPs, RMB mn)



Net Profit

(RMB mn)

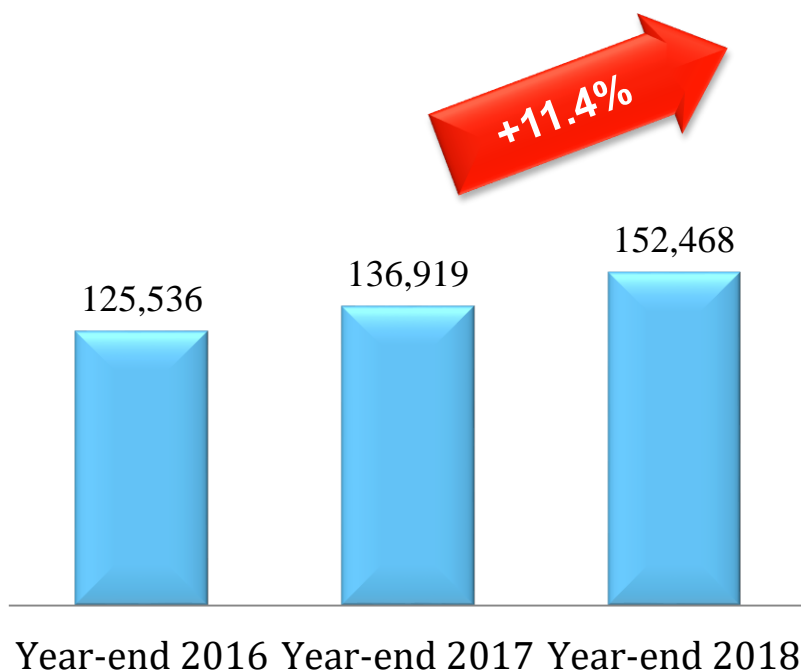


The Company's Capital Position Further Enhanced

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Net Assets Attributable to Equity Holders of the Company

(RMB mn)

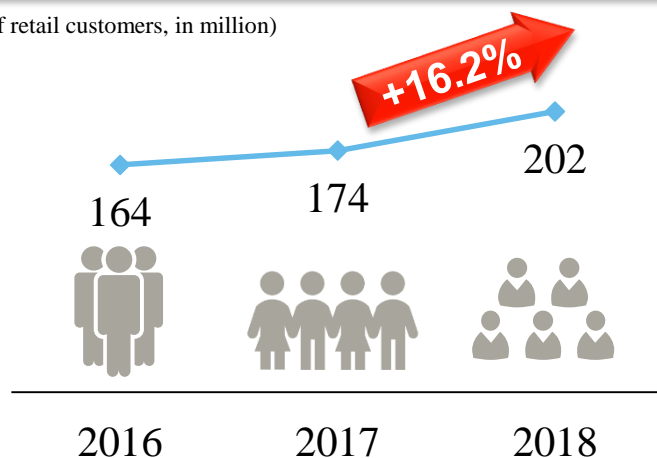


Solvency Margin Ratios

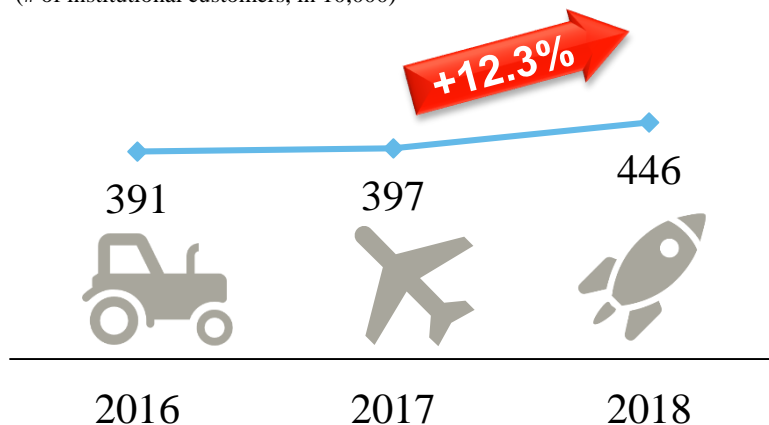
	2018	2017	YoY(%)
Comprehensive Solvency Margin Ratio			
PICC Group (%)	309	299	Up by 10 pts
PICC P&C(%)	275	278	Down by 3 pts
PICC Life(%)	244	219	Up by 25 pts
PICC Health(%)	282	396	Down by 114 pts
Core Solvency Margin Ratio			
PICC Group (%)	244	235	Up by 9 pts
PICC P&C(%)	229	229	-
PICC Life(%)	201	192	Up by 9 pts
PICC Health(%)	182	257	Down by 75 pts

Number of Customers

(# of retail customers, in million)

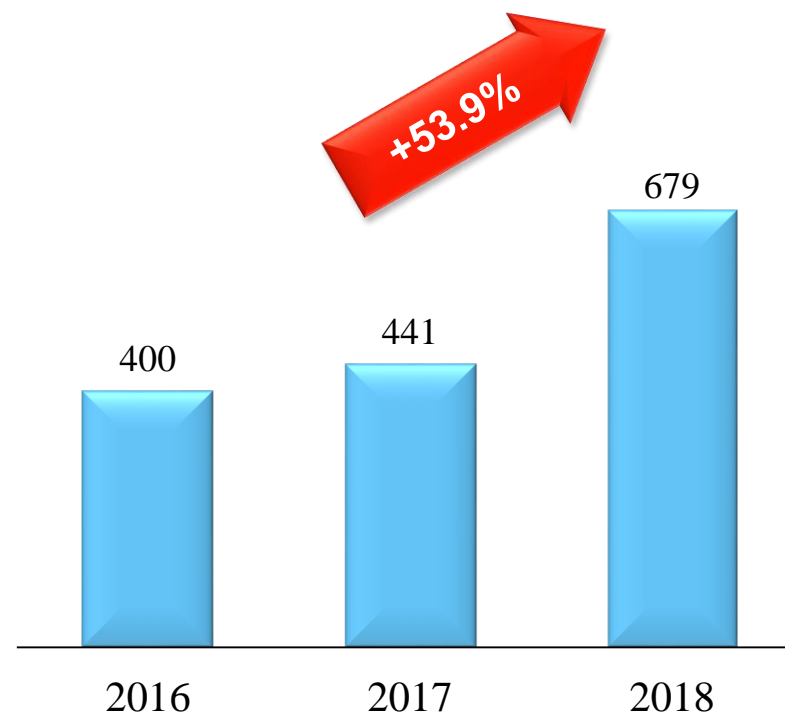


(# of institutional customers, in 10,000)



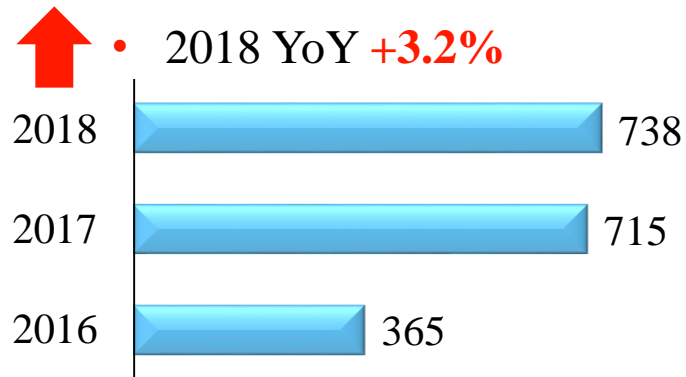
Comprehensive Consumption Intention

(Policyholders who purchased two or more types of P&C, life and health insurance products (in 10,000))



First-Year Regular Premiums Achieved through Business Synergies

(First-year regular TWP of PICC Life & PICC Health achieved through PICC P&C, RMB mn)



Enterprise Annuity Business Promoted by Business Synergies

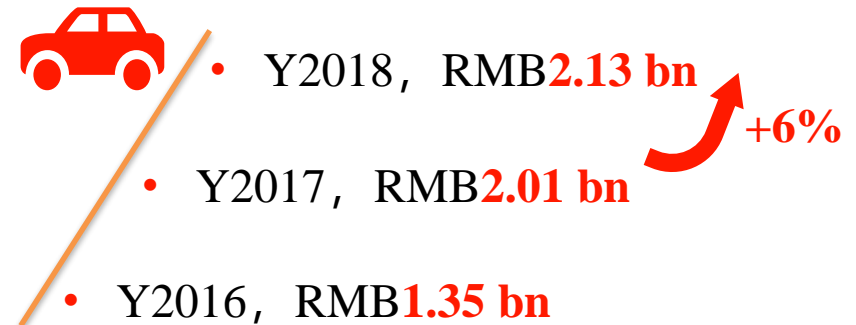


32 *Investment Management Projects*

21 *Entrusted Projects*

Motor Insurance Premiums Achieved through Business Synergies

(Motor insurance premiums of PICC P&C achieved through PICC Life & PICC Health)



Next-Step Initiatives

- ❑ Promote the “**E-PICC**” APP across the omni-region and omni-channel
- ❑ Build an **integrated commission settlement** platform
- ❑ Build an integrated and **versatile comprehensive development team**



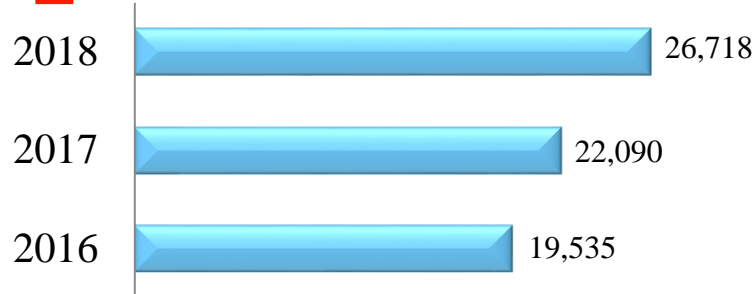
Consolidated Competitive Advantages in Serving the Overall Interests of Economic and Social Development

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Agriculture Insurance

(GWPs, RMB mn)

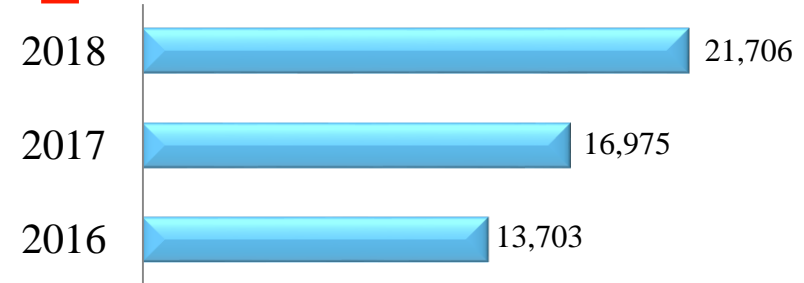
↑ • 2018 YoY **+21%**



Liability Insurance

(GWPs, RMB mn)

↑ • 2018 YoY **+27.9%**



Critical Illness Insurance

(GWPs)

- Y2018, RMB **20.64bn** ↑ **+29.2%**
- Y2017, RMB **15.97bn**
- Y2016, RMB **13.02bn**

Financing to Support Agricultural Development as well as Micro and Small Enterprises

- ▣ Accumulated financing of RMB **22.6 bn**
- ▣ Serving **290,000** retail customers and small and micro enterprises



Note: GWPs on this page does not include GWPs of PICC Hong Kong.

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III. Review of Key Business Segments

BAI Tao, Vice Chairman, President of PICC Group



Market Share

33%

Net Profit

RMB16.3 bn

ROE

12%

Underwriting Profit

RMB5.41 bn

Combined Ratio

98.5%

**Net Investment
Yield**

3.9%

Net Assets

RMB140.4 bn

**Proposed cash dividend of
RMB2.72 per 10 shares**

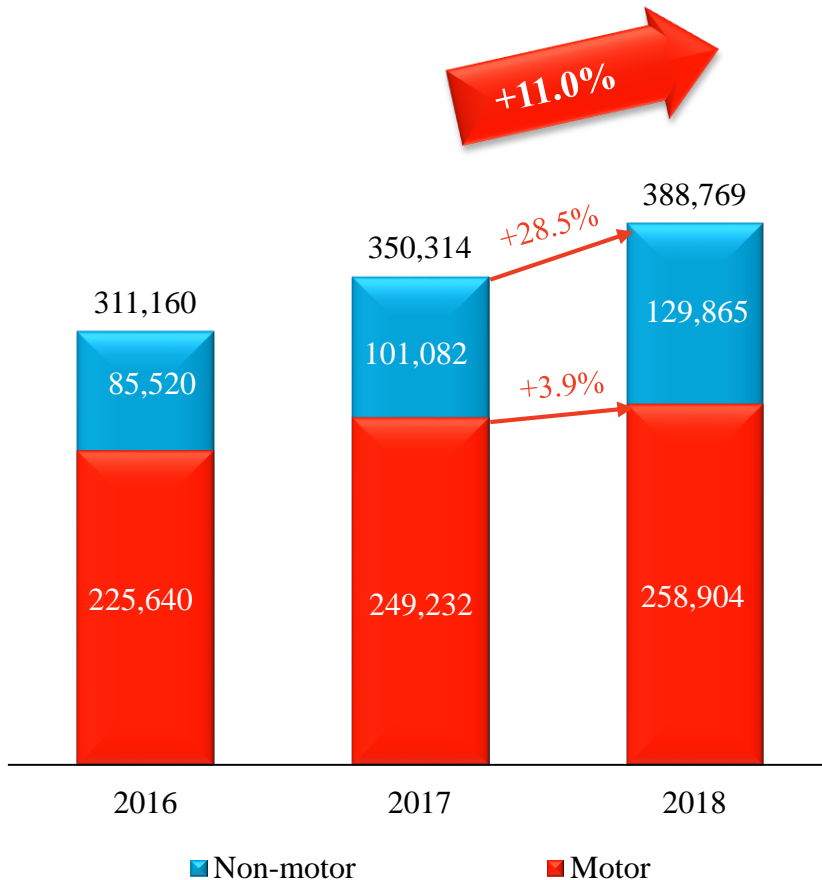
**Solvency Margin
Ratio**

275%

Note: "P&C" here refers to PICC P&C (excluding PICC Hong Kong),
unless otherwise stated.

Gross Written Premiums

(RMB mn)



- Household-owned motor insurance business accounted for **69.7%** of the motor premiums income, up by **0.7**ppts YoY



- Renewal and transferred-in rate grew **0.5**ppts YoY to **106.8%**



- 81.1%** of the renewed commercial motor insurance customers had not filed any claims, up **2.2**ppts YoY



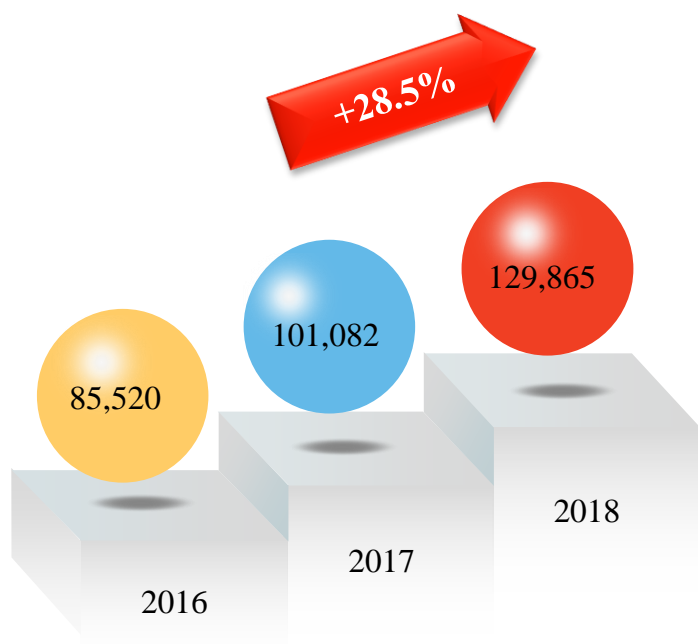
- Percentage of customer purchasing both compulsory and commercial motor policies reached **80.6%**, up **2.3**ppts YoY

P&C: Non-Motor Insurance Business Grew Rapidly

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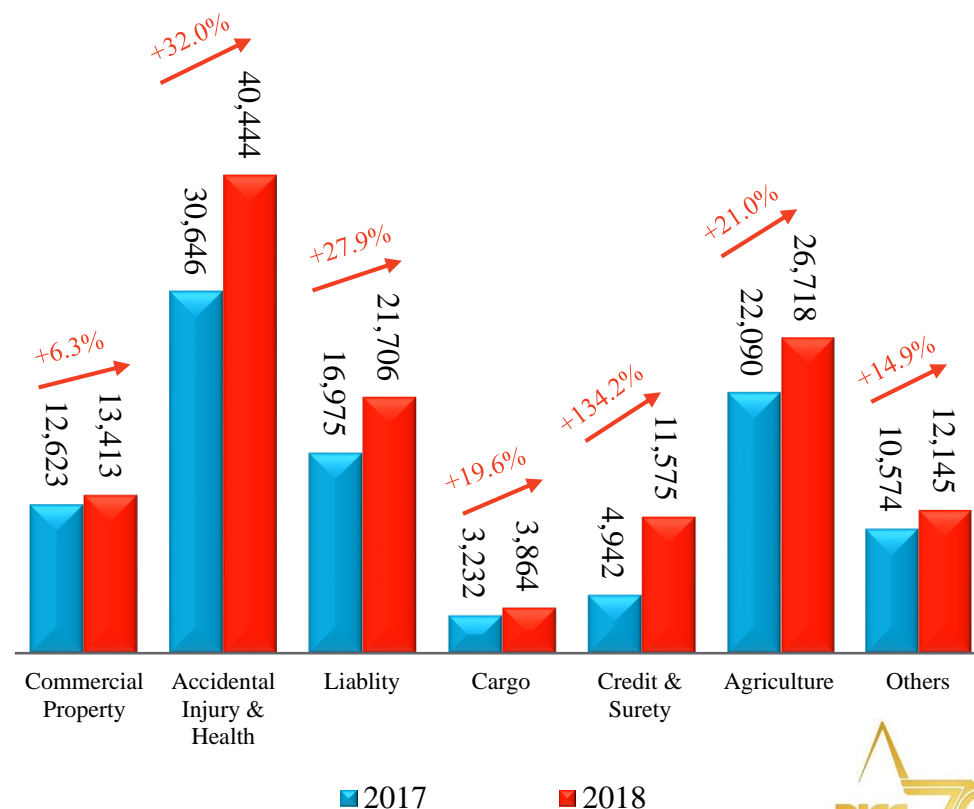
Non-Motor Insurance

(GWPs, RMB mn)

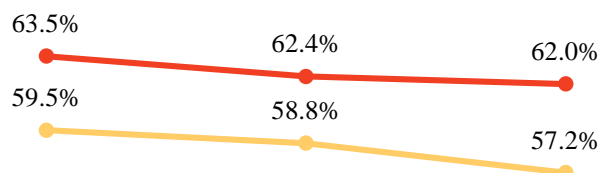
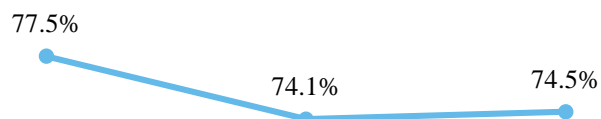


Non-Motor Insurance, by Product Line

(GWPs, RMB mn)

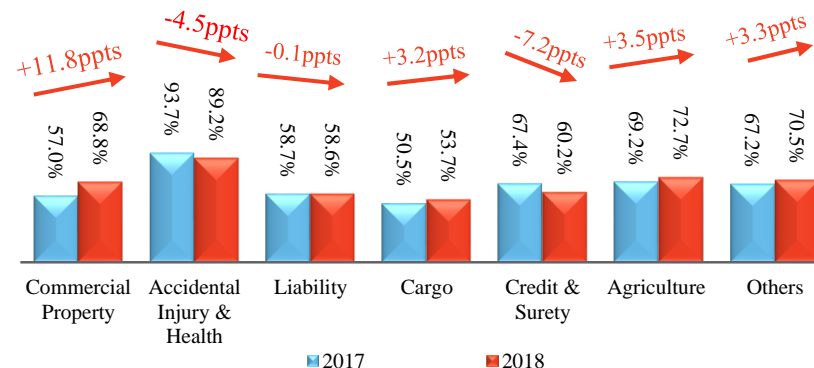


Loss Ratio



— Overall — Moto — Non-Motor

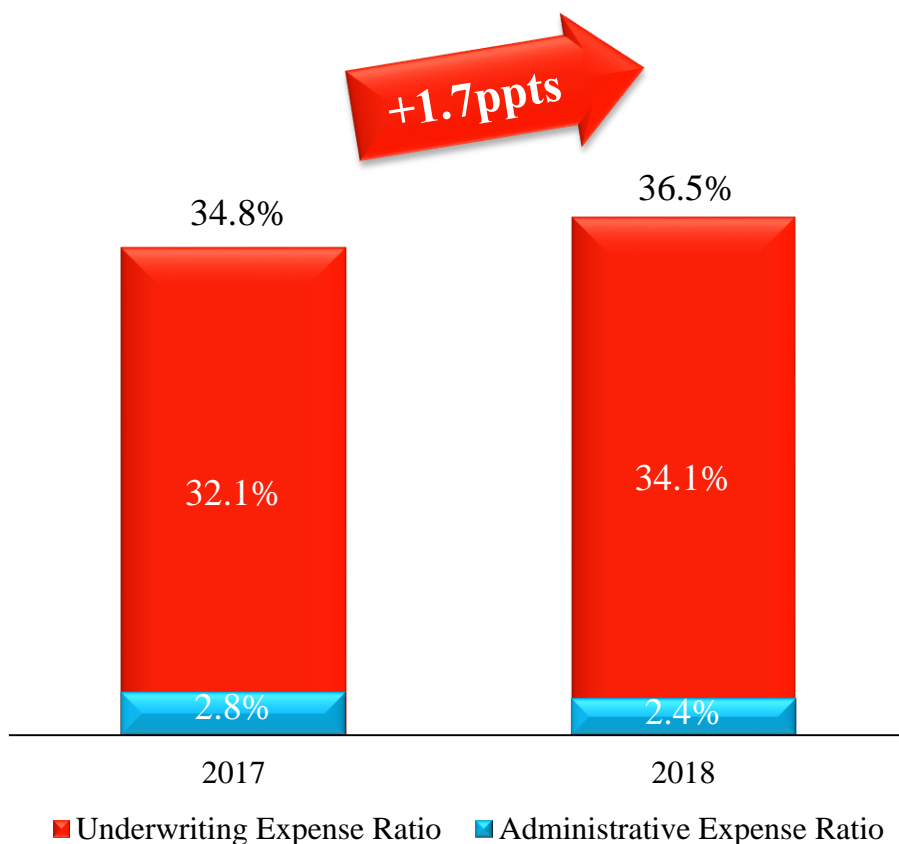
Loss Ratio for Non-Motor Insurance



Impact of Catastrophes on Loss Ratio for Non-Motor Business

Catastrophes led to an estimated net loss of **RMB5.67 bn** for non-motor insurance business, an increase of **RMB2.44 bn** or **75.3% YoY**, driving up the loss ratio of non-motor insurance by **6.0ppts**.

P&C: Expense Ratio Increased



Note: Underwriting expense ratio = (Net policy acquisition cost + Other underwriting expenses) / Net earned premiums
The figures may not add up due to rounding.

↑ Expense ratio was **36.5%**, up by **1.7ppts** YoY

↑ Underwriting expense ratio was **34.1%**, up by **2.0ppts** YoY

↓ Administrative expense ratio was **2.4%**, down by **0.4ppts** YoY

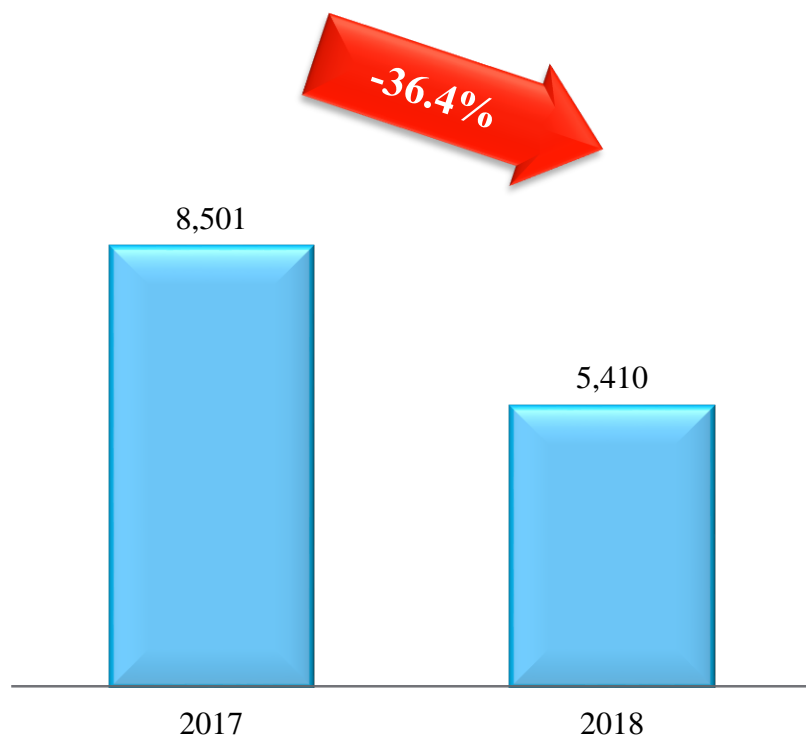
Note: Administrative expense ratio = Administrative expenses / Net earned premiums

P&C: Underwriting Profitability Continued to Outperform the Industry

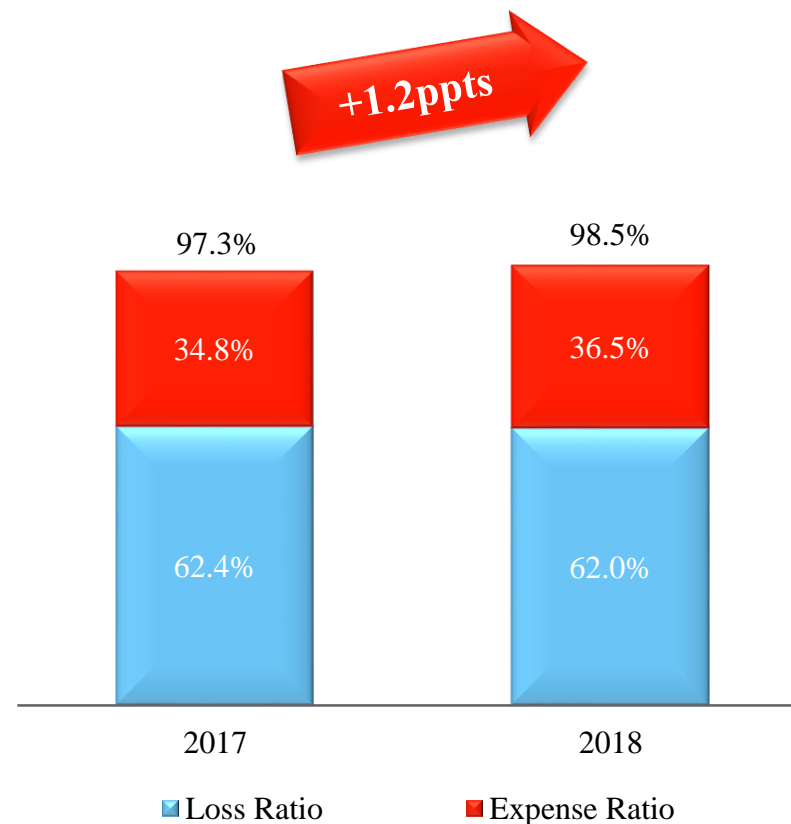
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Underwriting Profit

(RMB mn)



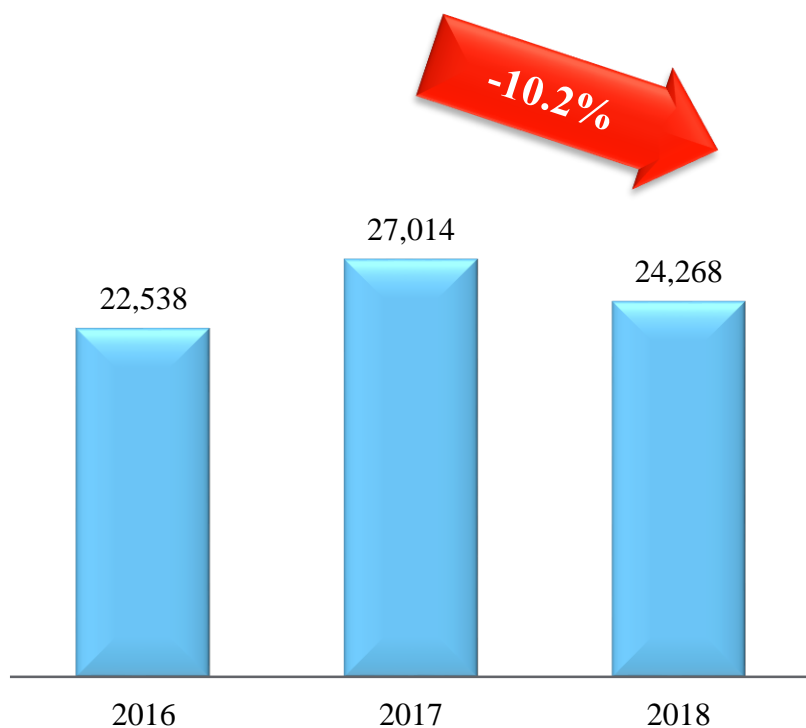
Combined Ratio



Note: The figures may not add up due to rounding.

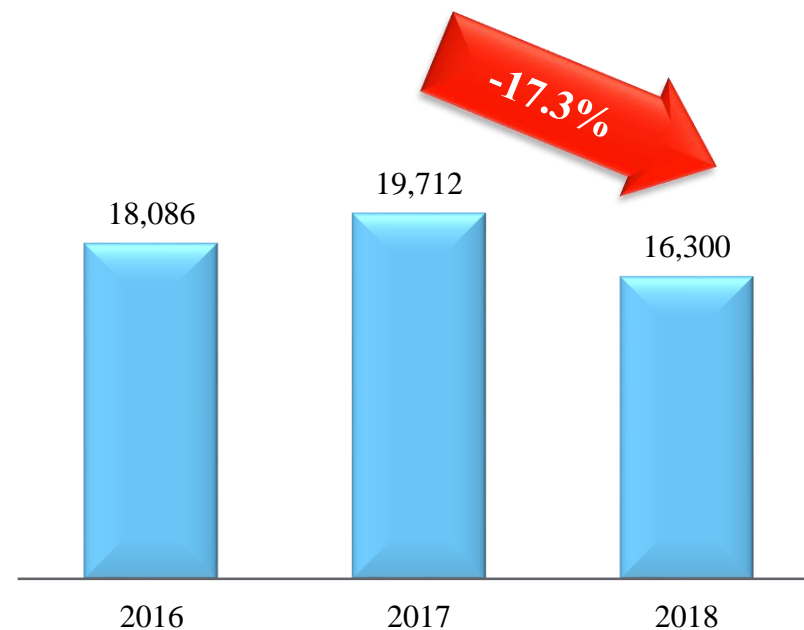
Total Profit

(RMB mn)



Net Profit

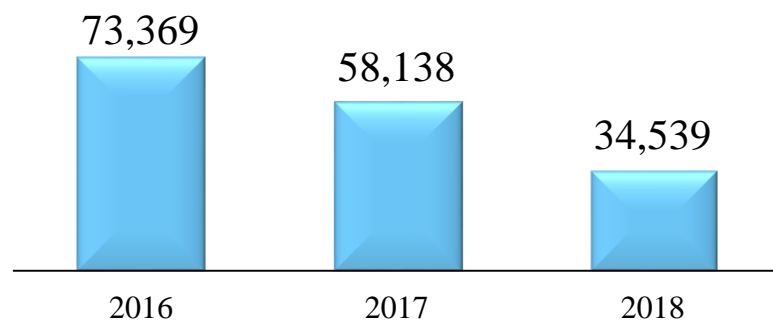
(RMB mn)



Life: Continuously Optimized Business Structure **PICC** 中国人民保险

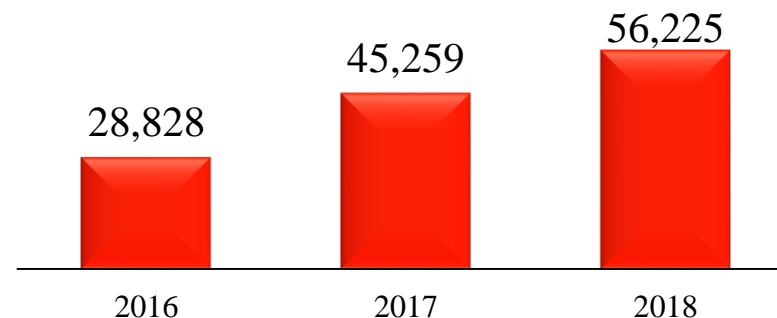
Single Premiums

(GWPs, RMB mn)



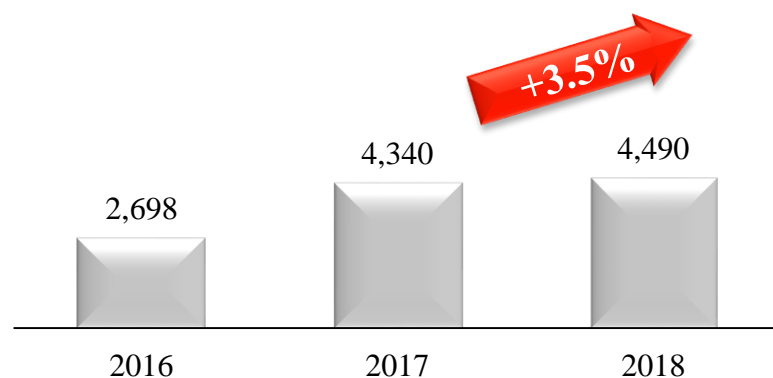
Regular Premiums

(GWPs, RMB mn)

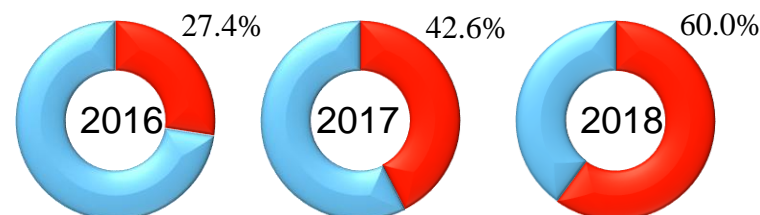


First-Year Regular Premiums with Premium Paid Period More Than Ten Years(incl.)

(GWPs, RMB mn)

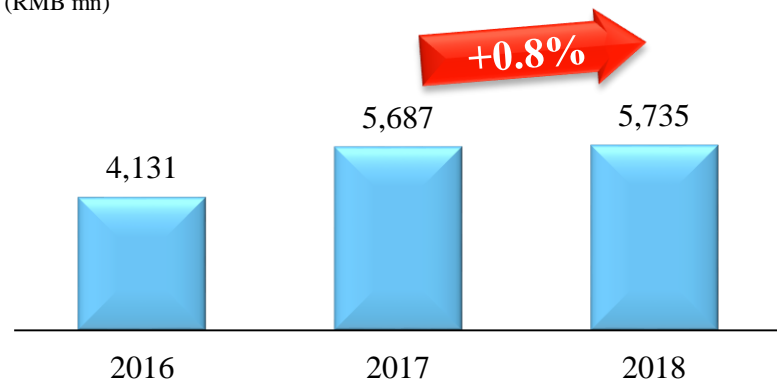


Proportion of Regular Premiums

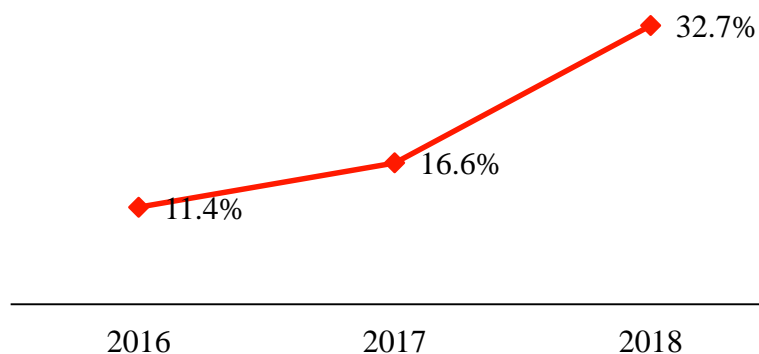


One-year NBV

(RMB mn)



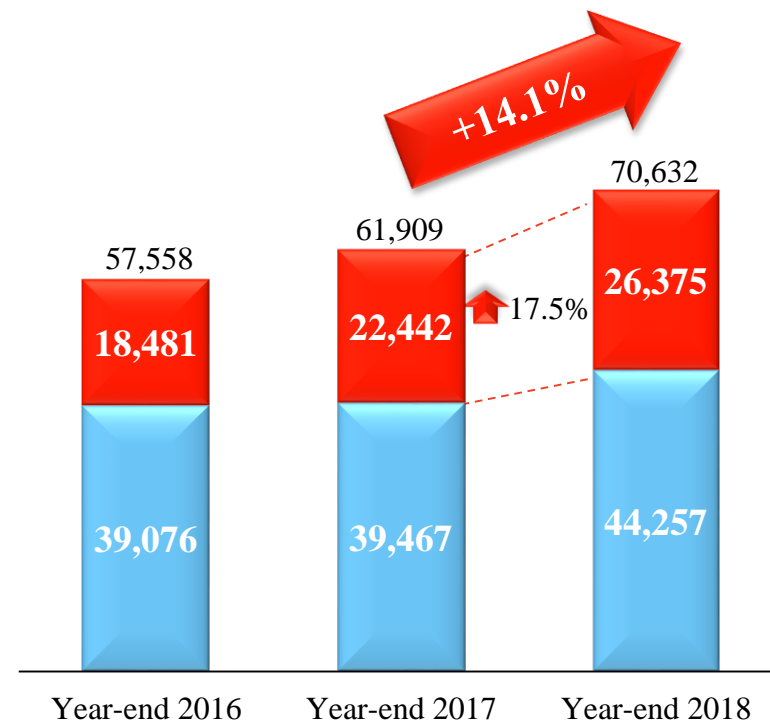
NBV Margin of Individual Insurance



Note: NBV Margin = NBV / First-year TWP.

Embedded Value

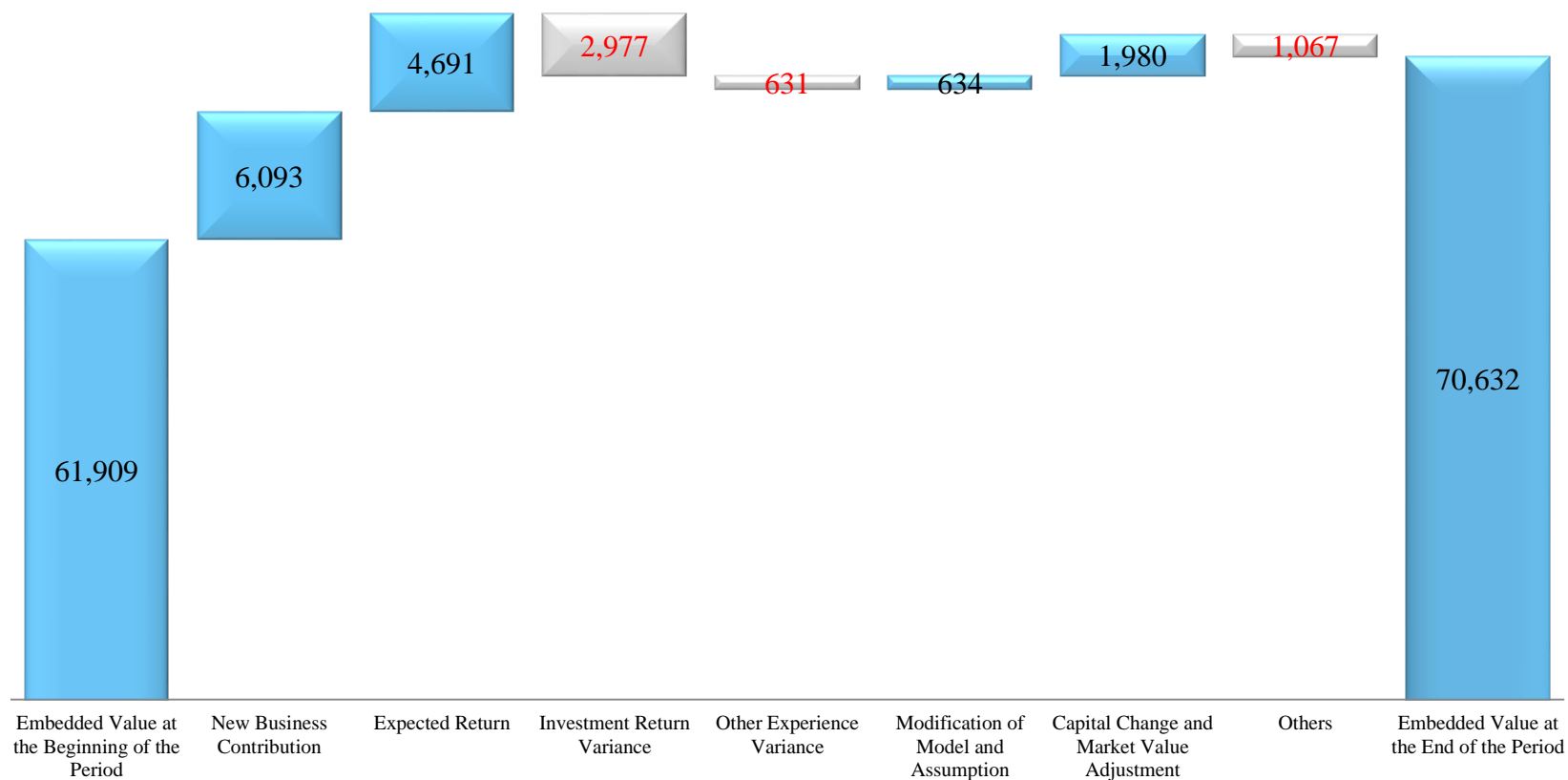
(RMB mn)



■ Value of In-Force Business after Cost of Capital ■ Adjusted Net Assets

Analysis of the Movement of Embedded Value

(RMB mn)



Note: The figures may not add up due to rounding.

Life: Effective Agents Increased Steadily, Premium Persistency Ratio Continued to Increase

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Number of Individual Insurance Agents

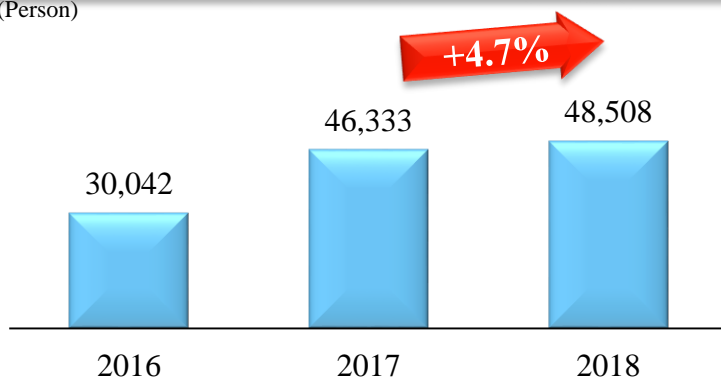
(Person)



Year-end 2016	Year-end 2017	Year-end 2018
189,261	255,908	245,567

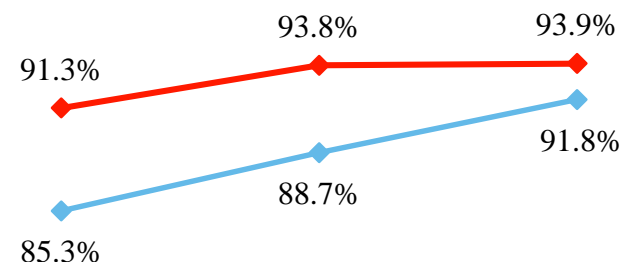
Average Monthly Effective Agents

(Person)



Note: effective agents are the sales agents whose FYC of the month exceeds RMB600.

Premium Persistency Ratio



2016 2017 2018

◆ 13-month Premium Persistency Ratio

◆ 25-month Premium Persistency Ratio

Health: Emerging Businesses Continued To Grow Rapidly

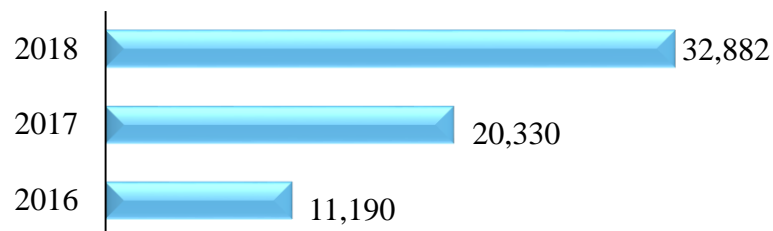
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Income from Government-Commissioned Business

(RMB mn)

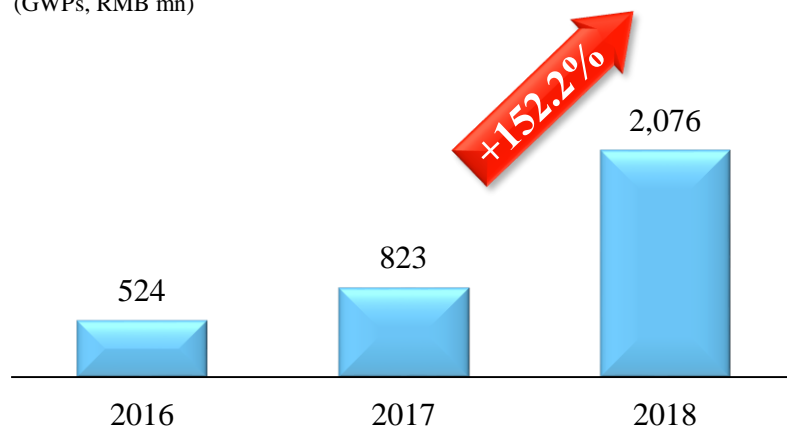


• 2018 YoY **+61.7%**



First-year Regular Premiums

(GWPs, RMB mn)



Health Management and Service System



6415 Medical Institutions



150,000 Cooperative Pharmacies



440,000 Cooperative Doctors



37 Health Management Centers

Asset Management: Stable Growth in Investment Assets with Prudent Investment Portfolio

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Total Investment Assets

(RMB mn)



• 2018 **+4.9%**

Year-end 2018



895,462

Year-end 2017



853,400

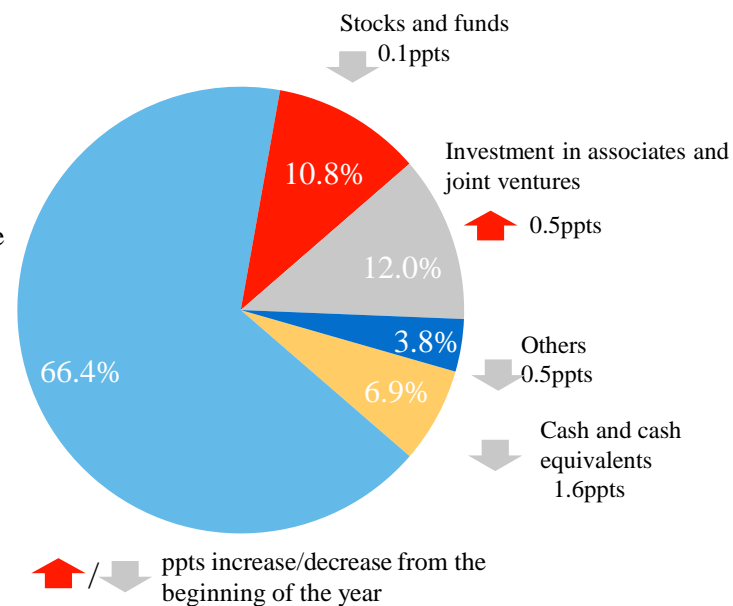
Year-end 2016



807,738

Fixed-income
↑ 1.5ppts

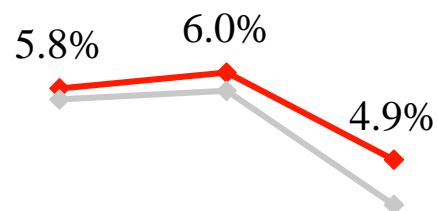
Investment Portfolio



Note: 1) "Fixed-income" includes term deposits, fixed-income securities, subordinated debts and debt investment schemes, WMPs, capital guarantee deposits, policy loans, trust products, and asset management products;
2) "Others" includes investment properties, equity investment scheme, reinsurance arrangements classified as investment contacts, non-listed equity investments, and derivative financial assets, etc.;
3) The figures may not add up due to rounding.

Assets Management: Investment Income Generally Remained Stable

Total Investment Yield



2016 2017 2018

◆ PICC Group

◆ Insurance Industry

Volatility of Total Investment Yield

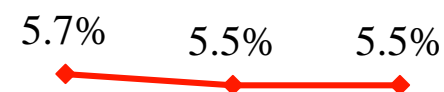


Standard Deviation

■ PICC Group

■ Insurance Industry

Net Investment Yield



2016 2017 2018

Note: Data since 2005 were used for standard deviation.

Asset Management: Credit Risks in Investment Assets Under Control

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Credit Risk Prevention

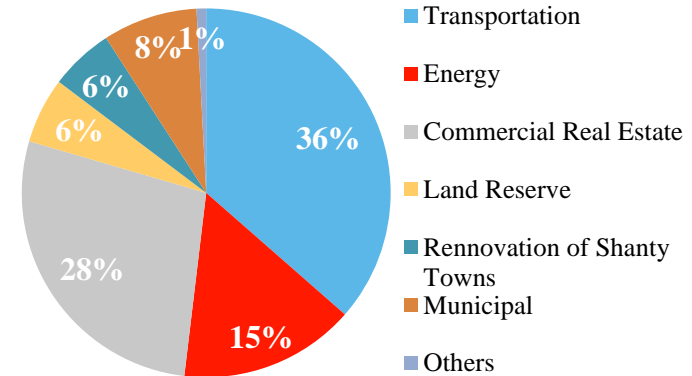
Daily risk tracking

Key industry risk analysis

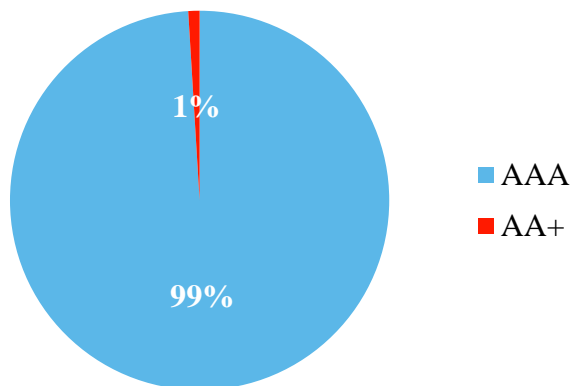
Key counterparty risk investigation

Concentration exposure study

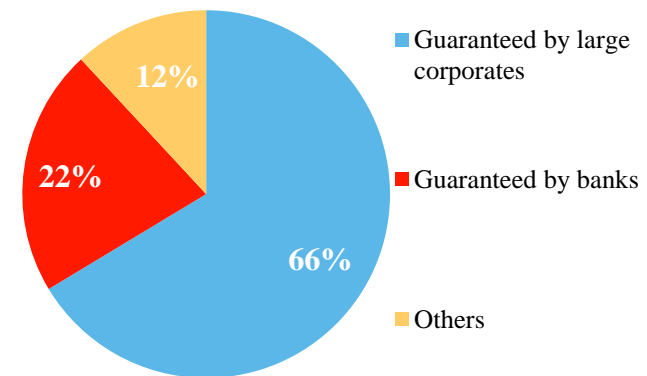
Underlying Assets Breakdown of Debt Investment Schemes, By Industry



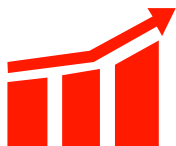
Credit Ratings of Debt Investment Schemes



Credit Enhancement of Debt Investment Schemes



PICC Financial Service adhered to combination of business model optimization and creation of technology engines and continuously introduced new technologies, new business forms, new models to verify and empower the main insurance business.



□ Operating revenue **+306%** YoY



□ Transaction value **+619%** YoY



□ Accumulated users **+328%** YoY

Jiaanpei: Creating a motor service ecosystem

Jiaanpei platform has covered 36 provinces, achieving a comprehensive loss reduction rate of 15% for cases quoted on PICC motor insurance platform.

Aibao Technology: R&D of InsurTech engine

Promoted the commercialization of InsurTech innovation outcomes such as digital precise marketing, motor insurance intelligent claims settlement, intelligent telephone sales, “Chezhuhui” APP, etc.

PICC Fu: Establish unified payment account system

Established the Group’s integrated customer comprehensive account system by using “PICC Fu” as a vehicle and achieved efficient and convenient integrated transaction, settlement, and marketing.

Premiums Income Steadily Increased



◆ Reinsurance premiums income was **RMB4.89 bn**



◆ Up by **41% YoY**

Business Structure Steadily Improved



Third-party reinsurance premiums income was **RMB830 mn**



◆ Accounted for **17%**, up by **8ppts YoY**

Customers Continuously Increased

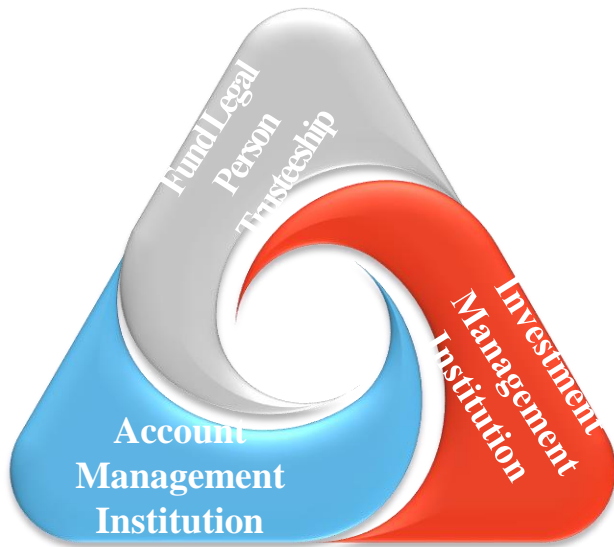


- ◆ Domestic P&C customer coverage ratio was **64%**
- ◆ International market customers were **90**
- ◆ Covering **28** countries and regions

Emerging Segment: Enterprise Annuity & Occupational Annuity

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3 Qualifications for Enterprise Annuity Management



AUM of Enterprise Annuity



◆ RMB**50.2 bn**



◆ Up by **55.4%** from the end of last year

First Breakthrough in Occupational Annuity Business

- ◆ Participated in and won bids of occupational annuity trustee and investment management business at central level and in several provinces
- ◆ All the projects participated were ranked top

Appendix: Major Differences between CAS and IFRS

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2018

RMB mn	CAS	Catastrophe Premium Reserve Funds of Agricultural Insurance	Insurance Contracts Reclassified as Investment Contracts	Loss on Deemed Disposal of An Associate	IFRS
Total assets	1,031,690	-55	-	-	1,031,635
Total liabilities	826,264	-1,151	221	-	825,334
Net assets	205,426	1,096	-221	-	206,301
Net profit	19,499	-80	33	-737	18,715
Net profit attributable to equity holders	13,450	-56	26	-508	12,912

2017

RMB mn	CAS	Catastrophe Premium Reserve Funds of Agricultural Insurance	Insurance Contracts Reclassified as Investment Contracts	Loss on Deemed Disposal of An Associate	IFRS
Total assets	987,973	-67	-	-	987,906
Total liabilities	802,014	-1,241	252	-	801,025
Net assets	185,959	1,174	-252	-	186,881
Net profit	23,769	151	-71	-798	23,051
Net profit attributable to equity holders	16,646	105	-56	-596	16,099



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Appendix: Key Financials of the Group (CAS)

PICC 中国人民保险

(RMB mn, unless otherwise noted)	2018	2017	Change (%)
Insurance revenue (GWPs)	498,611	476,444	4.7
Of which: PICC P&C	388,769	350,314	11.0
PICC Life	93,730	106,295	(11.8)
PICC Health	14,798	19,250	(23.1)
Total profit	27,868	31,498	(11.5)
Net profit attributable to equity holders	13,450	16,646	(19.2)
EPS (RMB)	0.32	0.39	(19.5)
Weighted average return on equity (%)	9.4	12.7	Down by 3.3ppts
Total investment yield (%)	4.9	6.0	Down by 1.1ppts
PICC P&C underwriting profit	5,410	8,501	(36.4)
PICC P&C combined ratio (%)	98.5	97.3	Up by 1.2ppts
New business value of PICC Life	5,735	5,687	0.8
New business value of PICC Health	507	468	8.3

(RMB mn, unless otherwise noted)	As of Dec 31, 2018	As of Dec 31, 2017	Change (%)
Total assets	1,031,690	987,973	4.4
Total liabilities	826,264	802,014	3.0
Net assets attributable to equity holders	152,468	136,919	11.4
Book value per share (RMB)	3.45	3.23	6.8
Embedded value of PICC Life	70,632	61,909	14.1
Embedded value of PICC Health	8,689	7,831	11.0



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Appendix: Key Financials of the Group (IFRS)

PICC 中国人民保险

(RMB mn, unless otherwise noted)	2018	2017	Change (%)
Gross written premiums	498,608	476,447	4.7
Of which: PICC P&C	388,769	350,314	11.0
PICC Life	93,727	106,299	(11.8)
PICC Health	14,798	19,250	(23.1)
Net profit	18,715	23,051	(18.8)
Net profit attributable to equity holders	12,912	16,099	(19.8)
EPS (RMB)	0.30	0.38	(20.1)
Weighted average return on equity (%)	9.0	12.2	Down by 3.2ppts
Total investment yield (%)	4.8	5.9	Down by 1.1ppts
PICC P&C underwriting profit	5,304	8,705	(39.1)
PICC P&C combined ratio (%)	98.5	97.2	Up by 1.3ppts
New business value of PICC Life	5,735	5,687	0.8
New business value of PICC Health	507	468	8.3

(RMB mn, unless otherwise noted)	As of Dec 31, 2018	As of Dec 31, 2017	Change (%)
Total assets	1,031,635	987,906	4.4
Total liabilities	825,334	801,025	3.0
Net assets attributable to equity holders	153,053	137,533	11.3
Book value per share (RMB)	3.46	3.24	6.8
Embedded value of PICC Life	70,632	61,909	14.1
Embedded value of PICC Health	8,689	7,831	11.0



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