

PICC Group (1339.HK)

PICC P&C (2328.HK)

**2017 Annual Results
Announcement**

March 26, 2018



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Agenda

1

Overview of Results

▣ Miao Jianmin, Chairman, PICC Group and PICC P&C

2

Performance Highlights

3

Review of the Key Business Segments

Overview: Highlights of 2017 Results

In 2017, PICC Group thoroughly studied and implemented the spirit of the 19th national congress of the CPC. The company made extensive efforts to carry out decisions from the National Financial Work Conference and carried through the spirit of the National Work Conference of Party Building on State-owned Enterprises. We adhered to a general working guideline of steady progress and continued to serve the real economy so as to promote reforms, encourage innovation and strengthen risk controls, thereby achieving our breakthrough performances in various types of work.

	Performance Indicators	2017 (Unit: RMB mm)	Change (%)
Business Growth	Gross Written Premiums	476,447	+8.3
	of which: P&C Insurance	350,898	+12.7
	Life Insurance	106,299	+0.7
Profitability	Consolidated Net Profit	23,051	+11.5
	PICC P&C Combined Ratio	97.0%	-1.1ppts
	Total investment yield	5.9%	+0.1ppts
New Business Value	PICC Life	5,687	+37.7
	PICC Health	468	+44.0
Comprehensive Strength	Total Assets	987,906	+6.0
	Net Assets	186,881	+9.3
	Comprehensive solvency margin ratio	299%	+15.0ppts

Overview: New Strategies

Transformation to High Quality Development

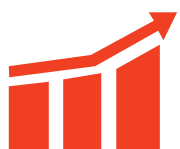
- **Optimize core business and achieve excellence in professionalism:** concentrate on quality-first and efficiency-prioritized to transform development mode, optimize structure, and replace growth drivers
- **Base on protection and return to the due role of insurance:** concentrate on serving the real economy and serving major national strategies and promote the Group's insurance supply-side structural reform
- **Integrate resources and promote synergies:** concentrate on maximizing the Group's interest and advance the Group's integration
- **Be bold in making change and innovation:** concentrate on innovation and achieve the reform of quality, efficiency and growth drivers
- **Prioritize risk prevention and stick to the bottom line:** concentrate on the requirements of the central government and the actual situation of the company to prevent and mitigate risks

Overview: Initiatives

Insurance Business

◆ P&C	<p>Motor insurance: disintermediate, lower costs, optimize services, and enhance customer loyalty. Strengthen our own channels and increase technology application</p> <p>Non-motor insurance: foster new growth drivers, seize the opportunity to expand agricultural insurance, critical illness insurance, and liability insurance</p>
◆ Life	<p>Mode transformation – focus on individual insurance. Structure optimization – speed up the development of policies of which premium paid period are more than 10-years. Replacement of growth drivers – strengthen construction of agents team</p>
◆ Health	<p>Insist on specialization and flattening, enhance health management service, assist in the construction of the Group's health big data platform</p>
◆ Others	<p>Reinsurance and Brokage – Support major insurance business with full endeavors</p> <p>Pension insurance – strengthen the construction of provincial annuity center and further develop occupational annuity</p>

Asset Management



Enhance our expertise, adhere to prudent value investment, focus more on market mechanisms, and stick to the bottom line of risk

Fintech

Carry out Fintech innovation serving core business to assist in the innovation-driven strategy



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1

Overview of Results

2

Performance Highlights

■ Xie Yiqun, Executive Director, Vice President, PICC Group

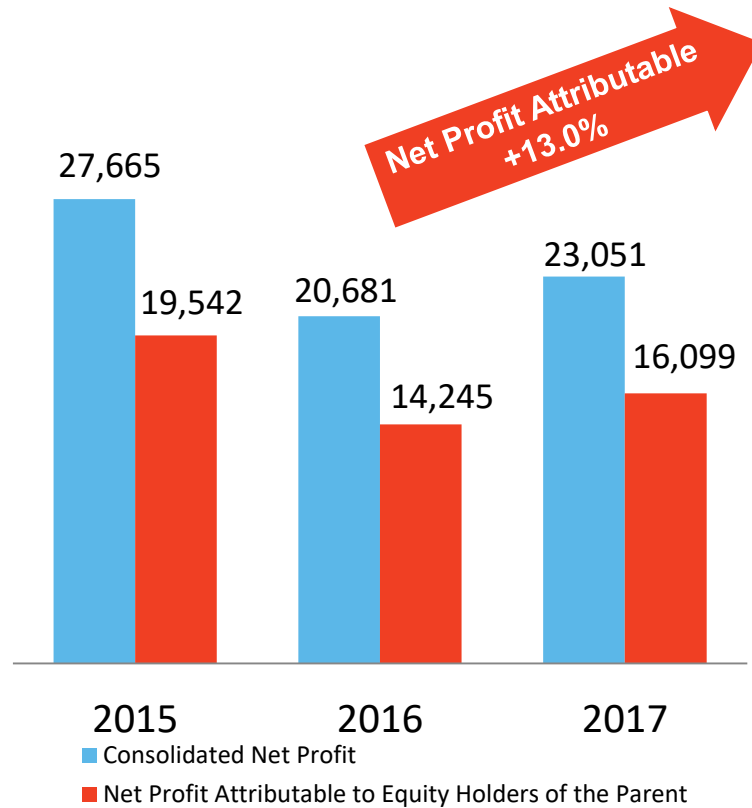
3

Review of the Key Business Segments

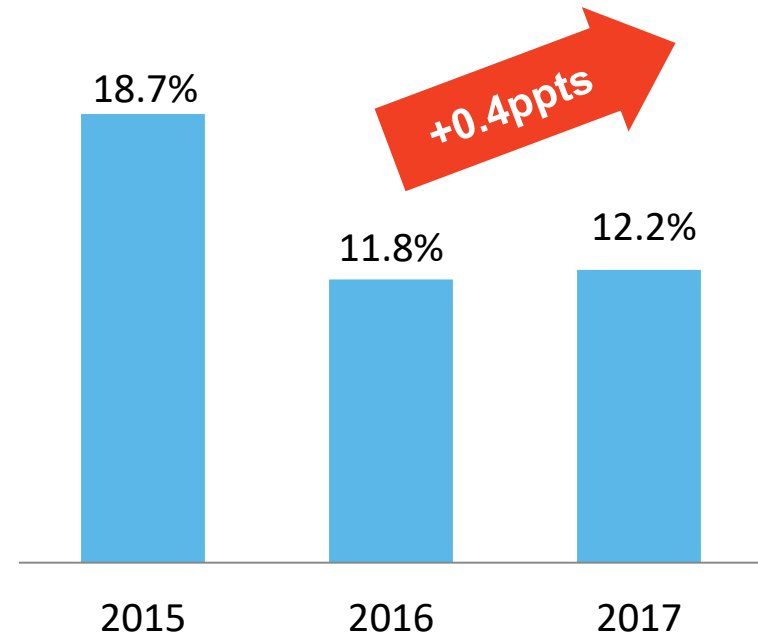
Profitability Improved

Net Profit

(RMB mm)



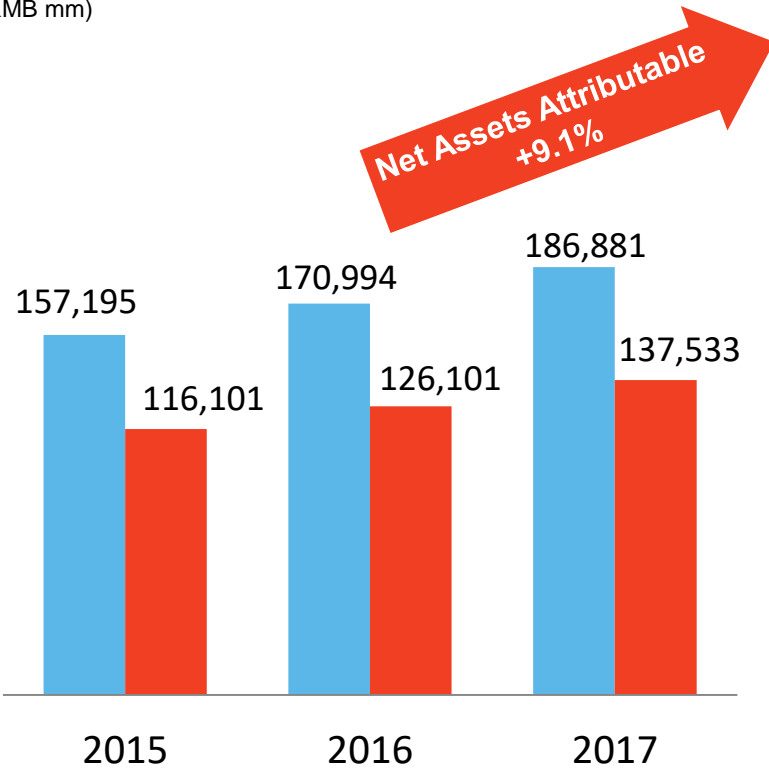
Weighted Return on Average Equity (ROAE)



Capital Position Strengthened

Net Assets

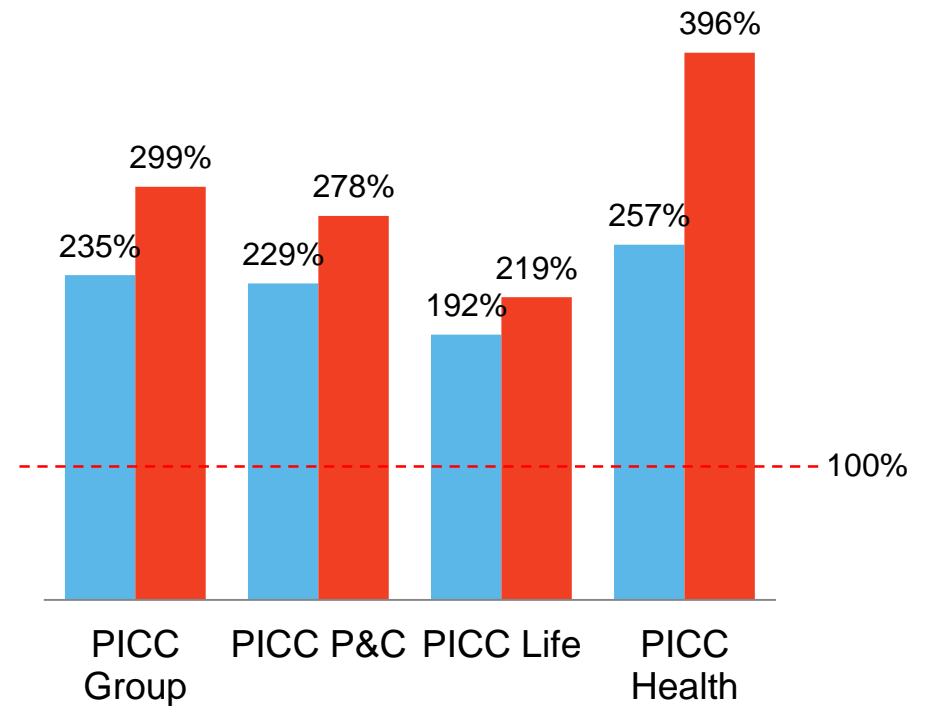
(RMB mm)



■ Consolidated Net Assets

■ Net Assets Attributable to Equity Holders of the Parent

Solvency Margin Ratios



■ Core Solvency Margin Ratio

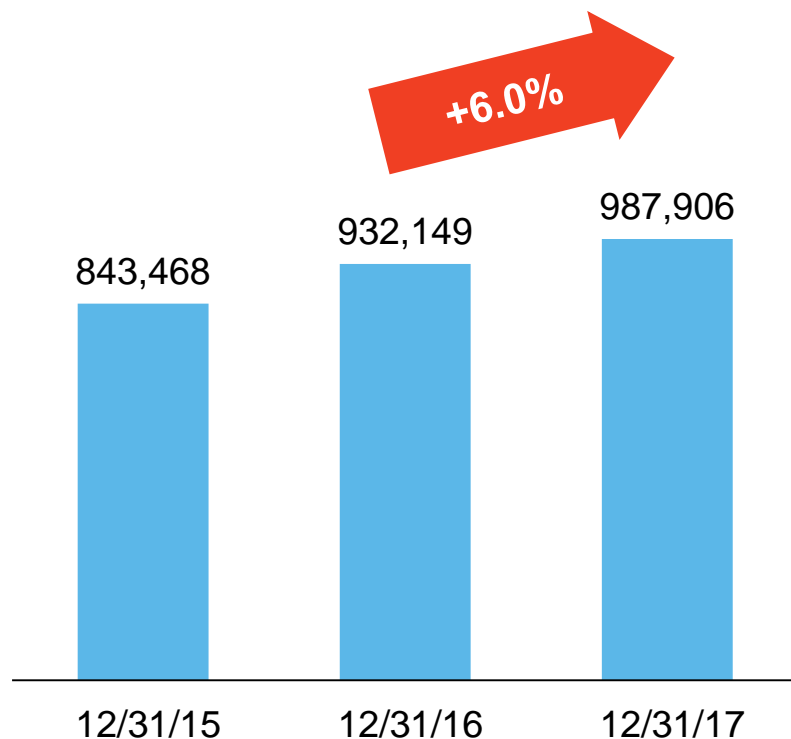
■ Comprehensive Solvency Margin Ratio



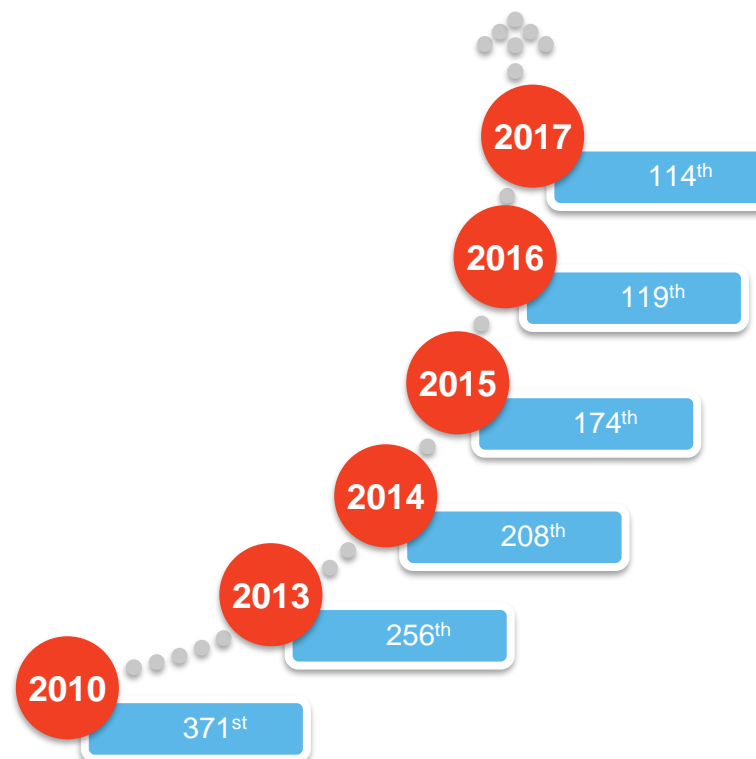
Comprehensive Strength Remained a Steady Growth

Total Assets

(RMB mm)



Rankings in Fortune 500



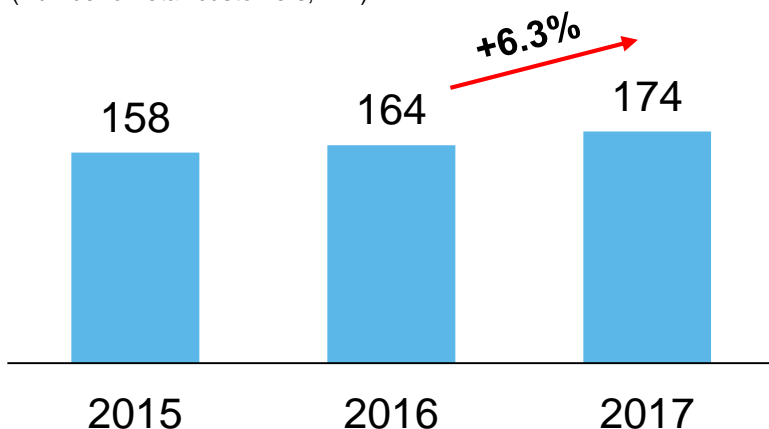
Note: rankings in the latest Fortune Global 500 List published in 2017 were based on data from 2016.



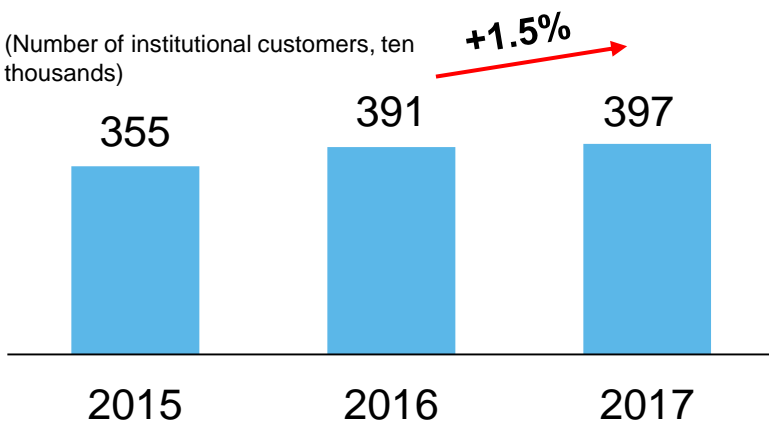
The Customer-oriented Strategy Kept moving forward

Number of Customers

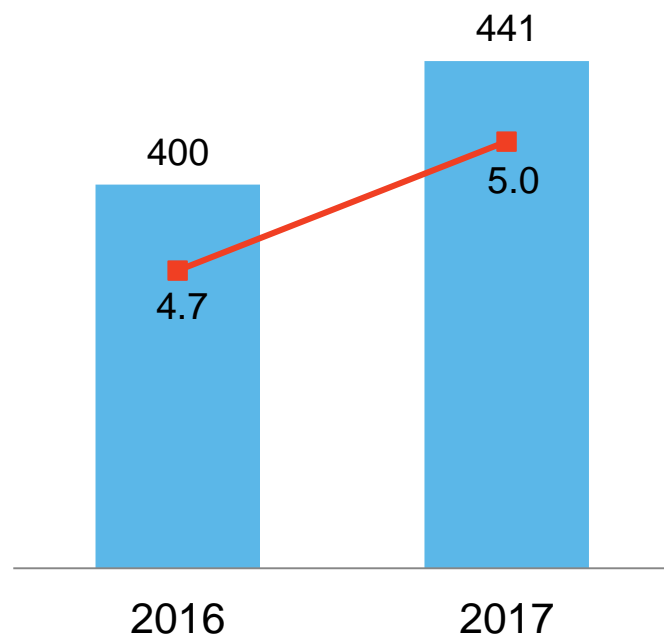
(Number of retail customers, mm)



(Number of institutional customers, ten thousands)



The Synergies of Customers



- No. of policyholders who purchased two or more types of property, life and health insurance products (in ten thousand)
- Average no. of policies held by such policyholders (policies per holder)



Business Synergies Focused on Value Growth

Initiatives to Promote Business Synergies



Improved the synergy mechanism



Carried out standardized construction for rural network and the co-construction and sharing of community outlets



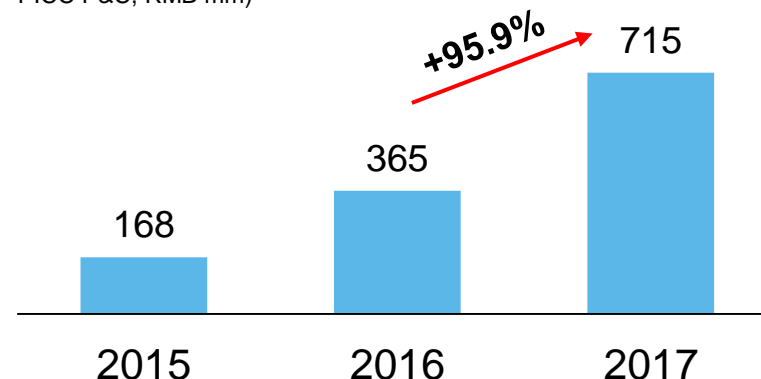
Launched “E-PICC” – the integrated sales platform



Executed strategic cooperation agreements with 22 provincial governments and more than 1000 important enterprises

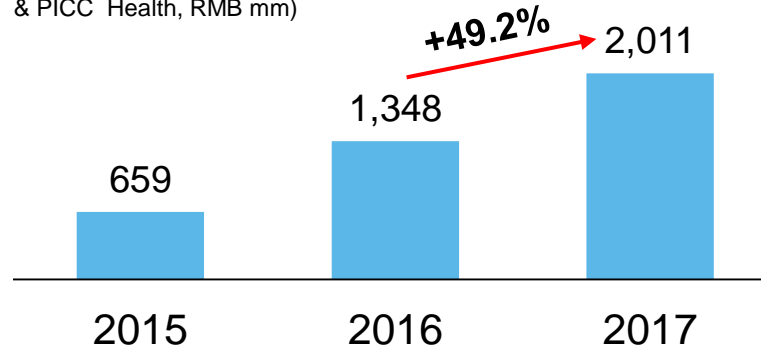
First-year Regular Premiums Achieved through Business Synergies

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



Motor Insurance Premiums Achieved through Business Synergies

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



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1

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Review of the Key Business Segments

□ Xie Yiqun, Executive Director, Vice President of PICC Group

P&C: Business Achieved Rapid Growth, Maintaining Dominant Position

1

Enhanced performance evaluation, implemented prudent financial policies, actively coped with commercial motor insurance deregulation, promoted the growth of motor insurance business

2

Focused on providing services to the “three agri”, people’s livelihood, poverty alleviation, the real economy and major national strategies, deepened the interaction with the government, promoted rapid growth of non-motor insurance business

3

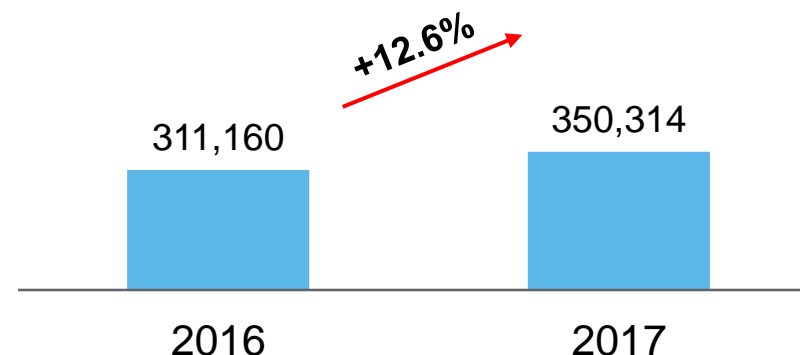
Coordinated balanced development in different regions, promoted business transformation and upgrades, formulated core city development strategies, and further deepened the “County Evergreen” Plan and enhanced rural network construction

4

Upgraded customer service, optimized customer experience, continuously improved claims efficiency, and achieved higher customer satisfaction

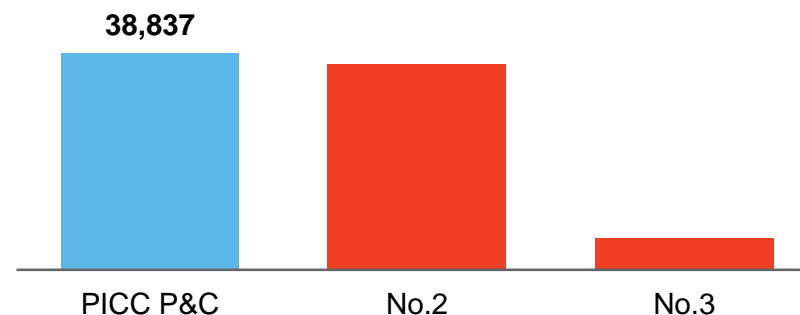
Gross Written Premiums

(RMB mm)



Incremental Premiums Ranked No.1 in the P&C Industry

(Original premiums of 2017- Original premiums of 2016, RMB mm)



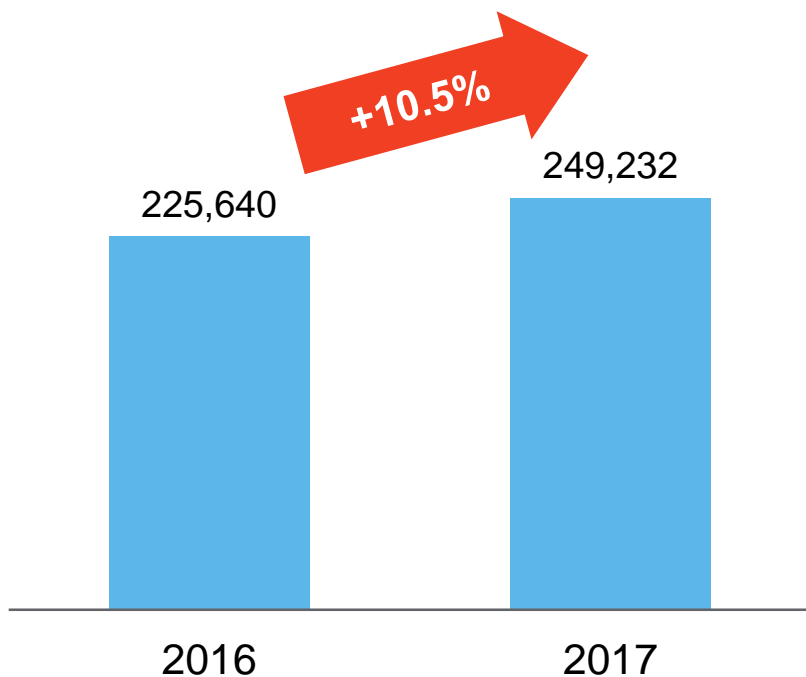
Note: “P&C” here refers to PICC Property & Casualty Co., Ltd. (excluding PICC Hong Kong), unless otherwise stated.



P&C: Business Growth by Product Line

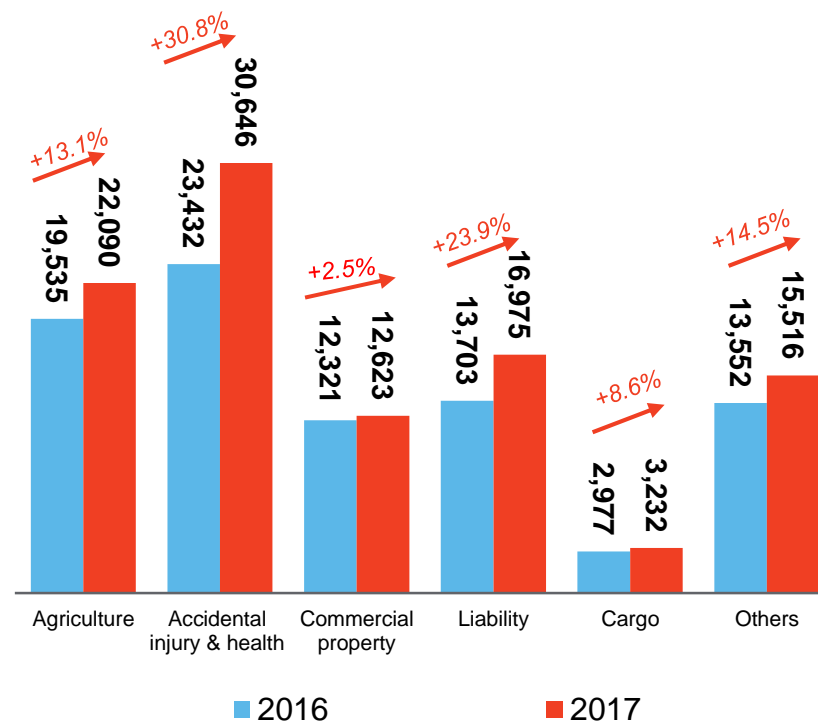
Motor Insurance

(Gross written premiums, RMB mm)



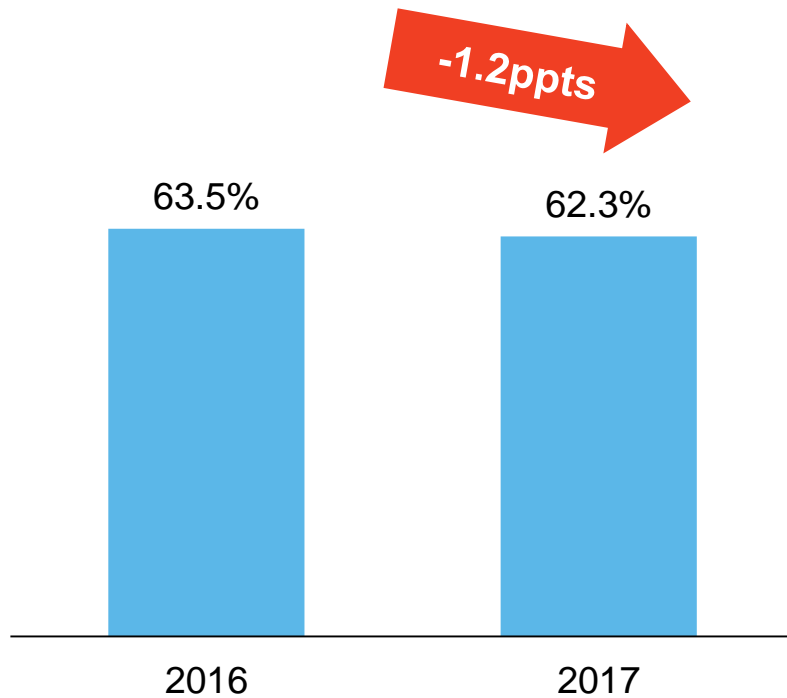
Non-Motor Insurance

(Gross written premiums, RMB mm)

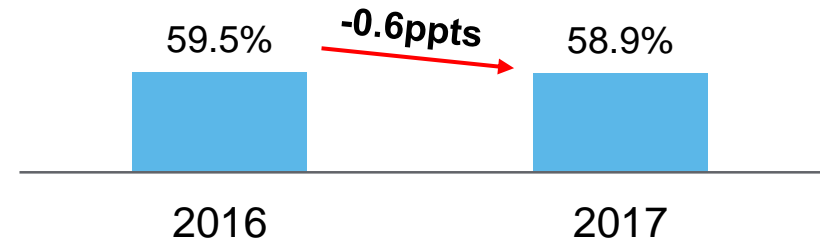


P&C: Loss Ratio Declined

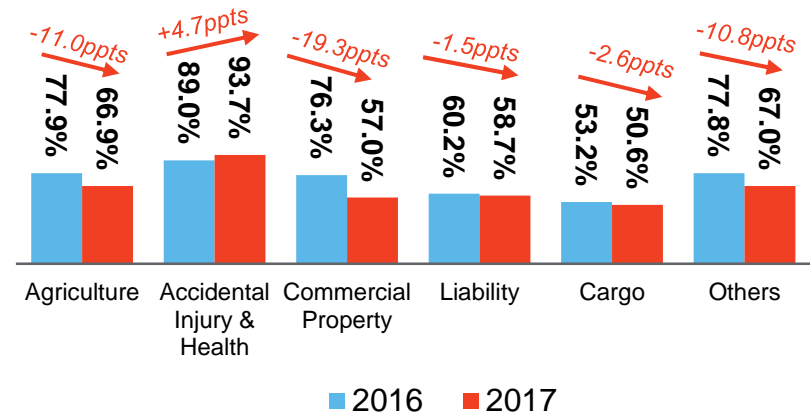
Overall Loss Ratio



Loss Ratio for Motor Insurance

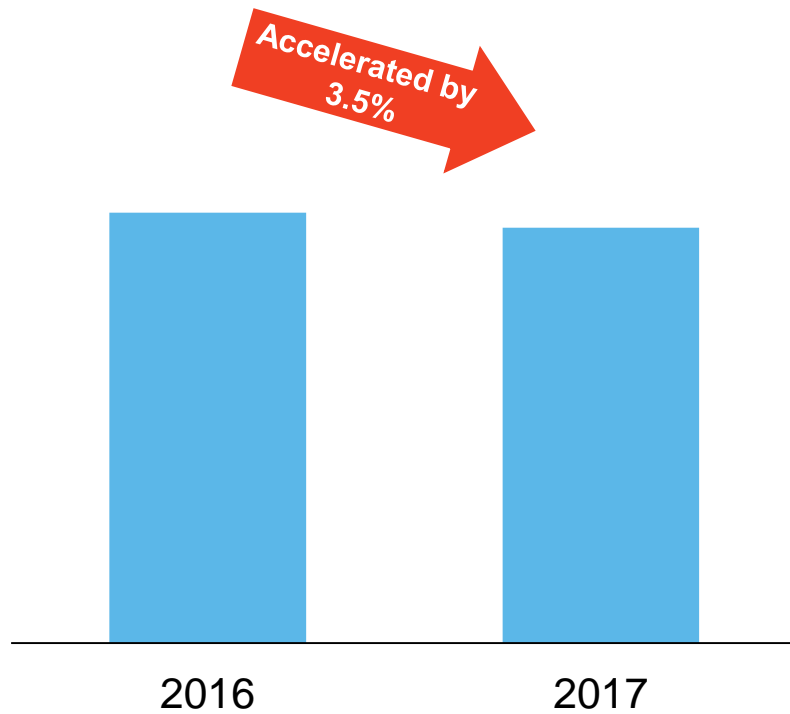


Loss Ratio for Non-Motor Insurance



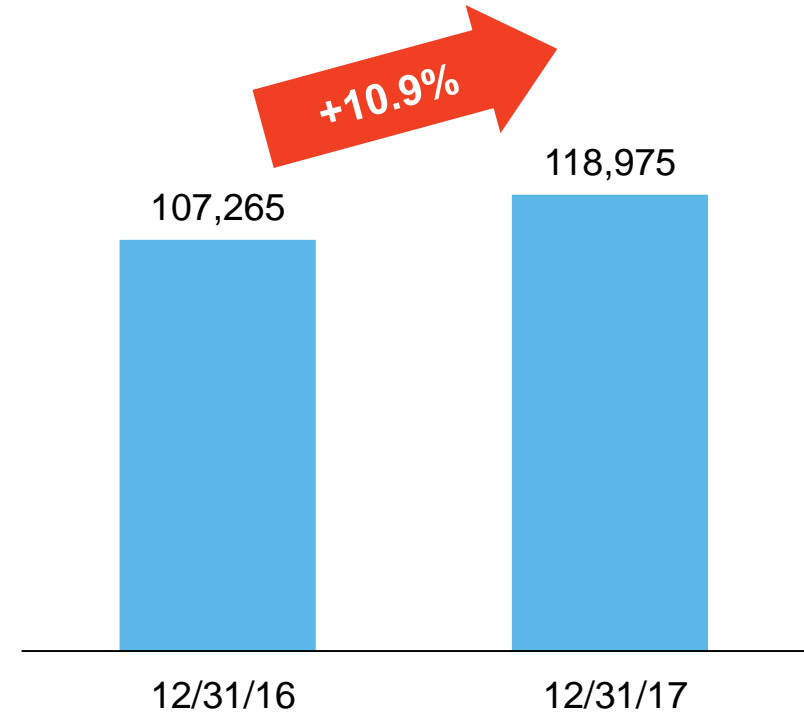
P&C: Sufficient Appropriation of Loss and LAE Reserves

Claims Cycle



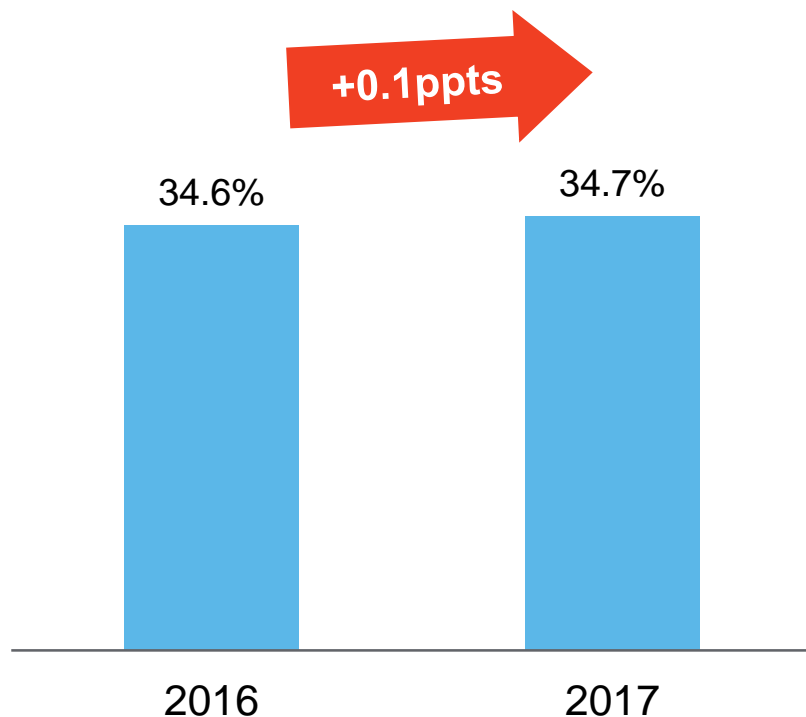
Net Loss and LAE Reserves

(RMB mm)

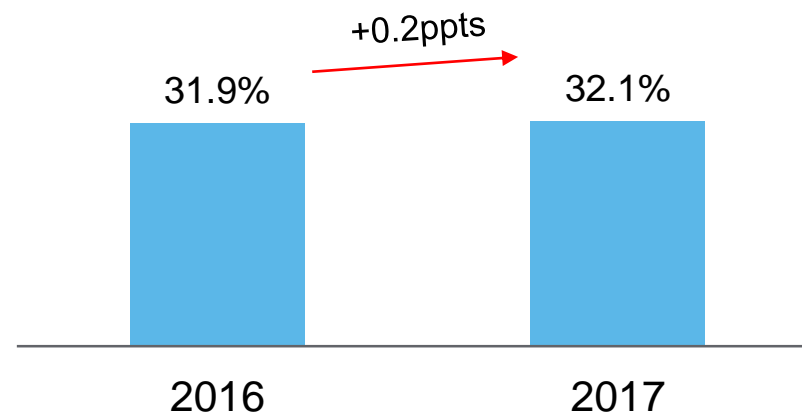


P&C: Expense Ratio Slightly Increased

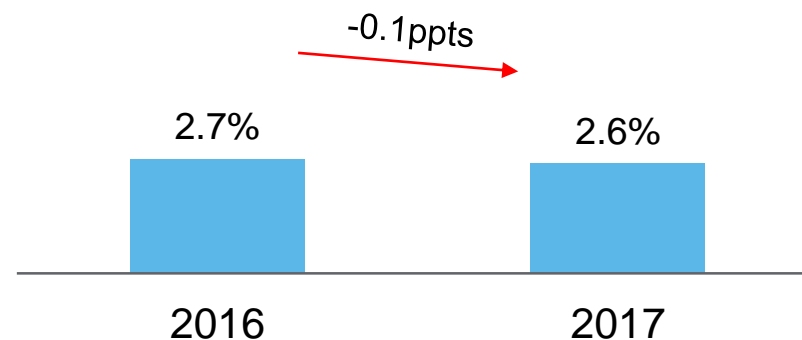
Overall Expense Ratio



Underwriting Expense Ratio



Administrative Expense Ratio

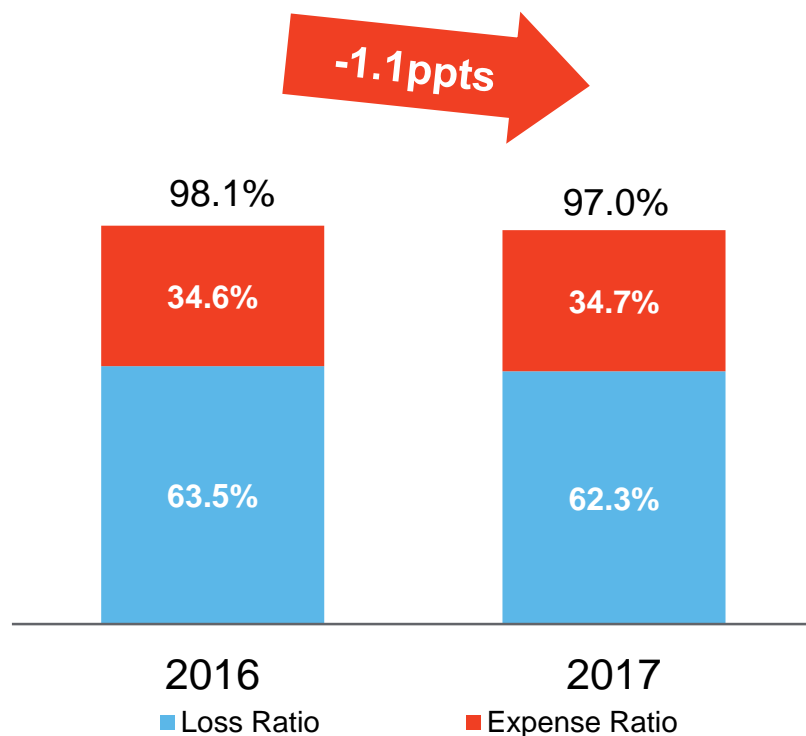


Note: 1) Underwriting expense ratio = (Net Policy Acquisition cost + Other underwriting expenses) / Net earned premiums

2) Administrative expense ratio = Administrative expenses / Net earned premiums

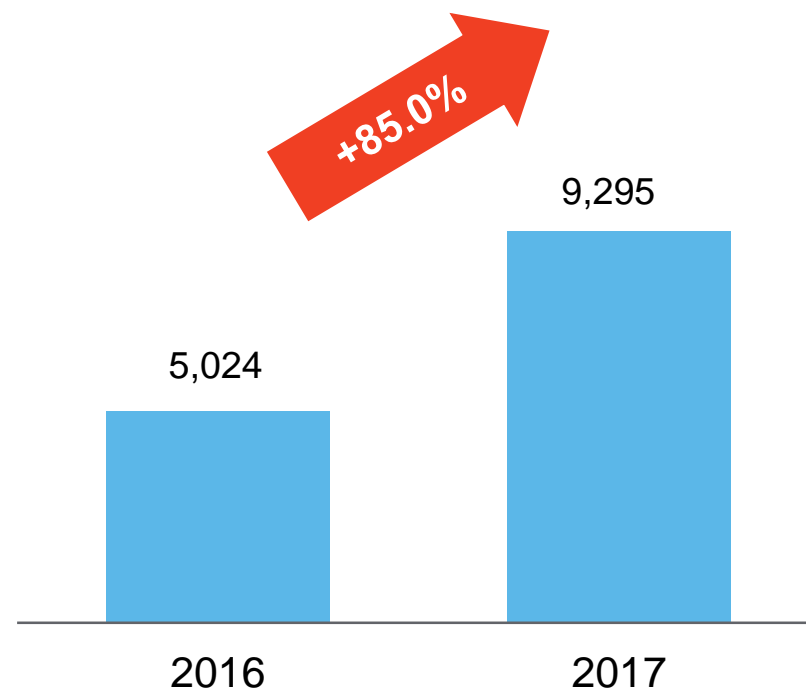
P&C: Underwriting Profit Grew Significantly and Profitability Continued to Outperform the Industry

Combined Ratio



Underwriting Profit

(RMB mm)

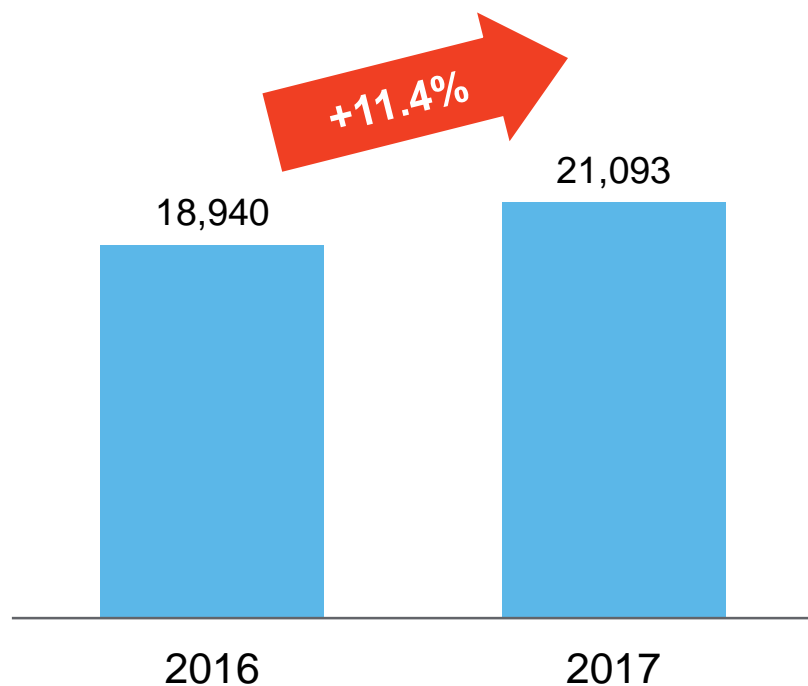




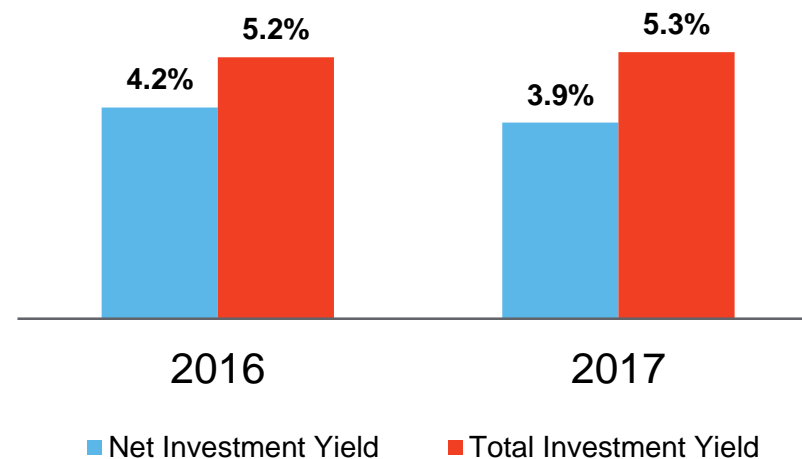
P&C: Investment Income Increased

Investment Income

(RMB mm)



Investment Yield

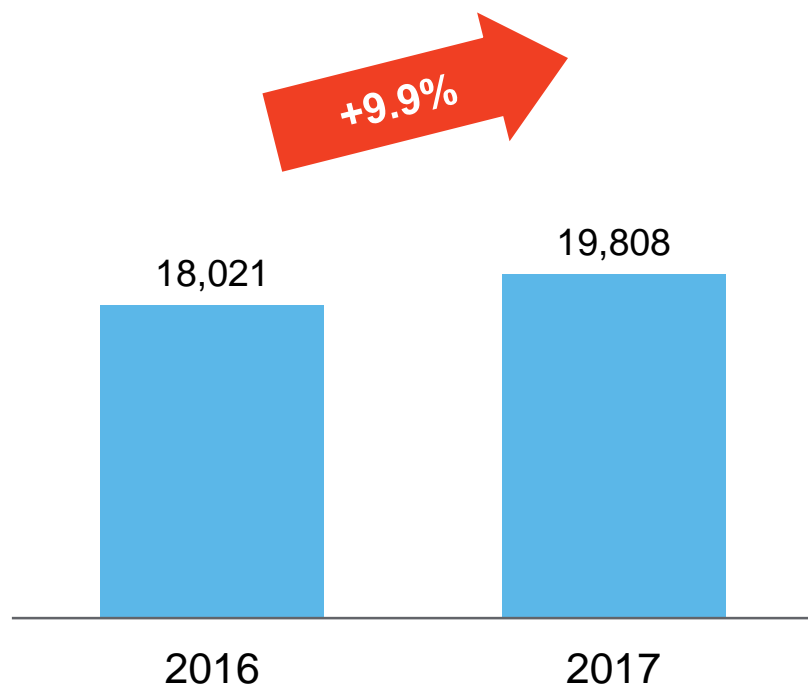




P&C: Net Profit Increased, Capital Position Further Strengthened

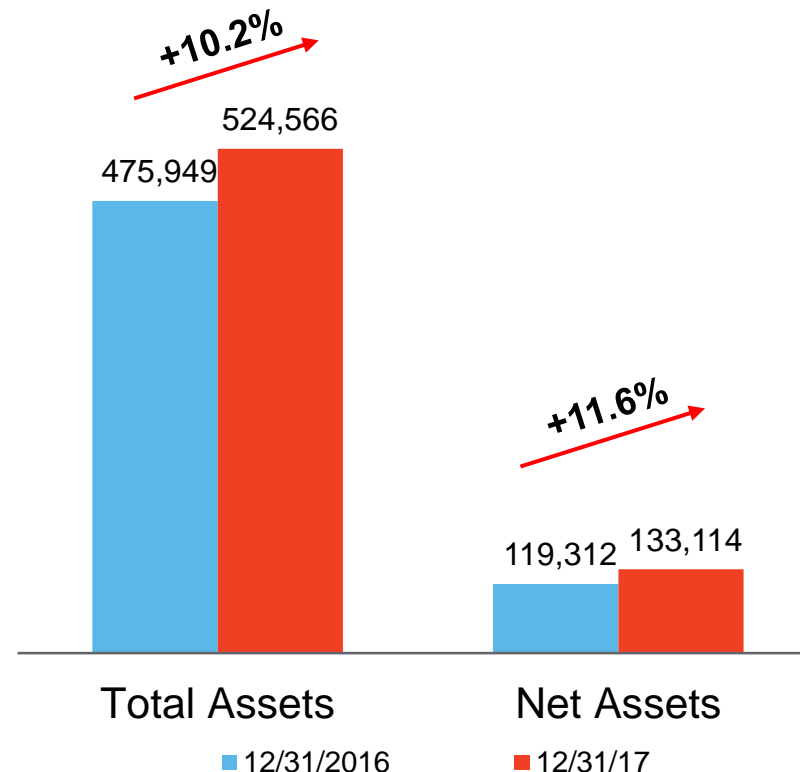
Net Profit

(RMB mm)



Total Assets and Net Assets

(RMB mm)





Life: Transformation Prompted First-year Regular Premiums and NBV

1

Strategic transformation well performed, structure optimization accelerated.

2

Business channels specialization promoted, the “big individual insurance” structure being constructed.

3

Reform strengthened, branches’ operational efficiency activated.

4

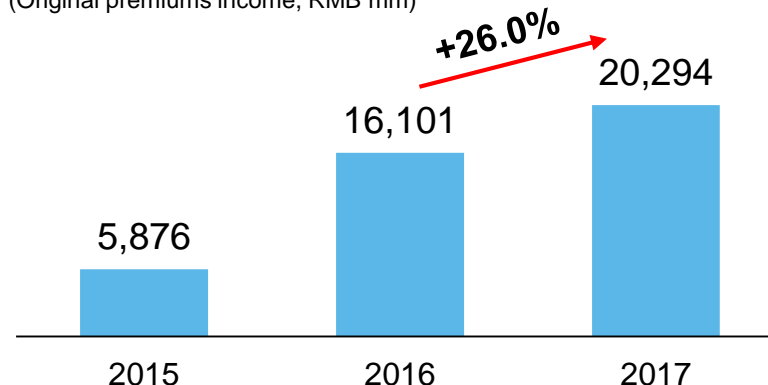
Innovated sales platform, popularized e-services and online training.

5

Strengthened customer service and backing supports.

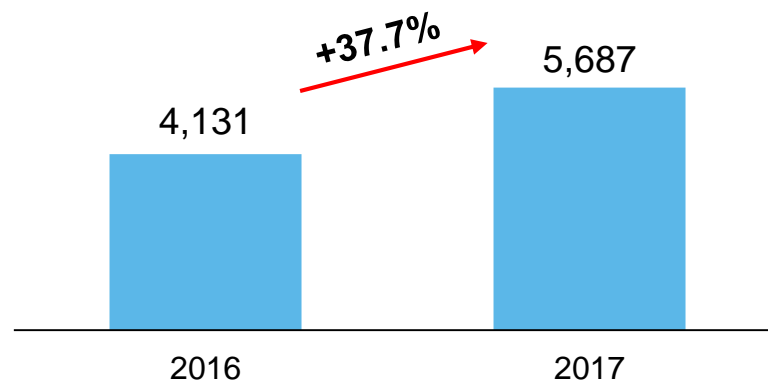
First-year Regular Premiums

(Original premiums income, RMB mm)



One-year NBV

(RMB mm)

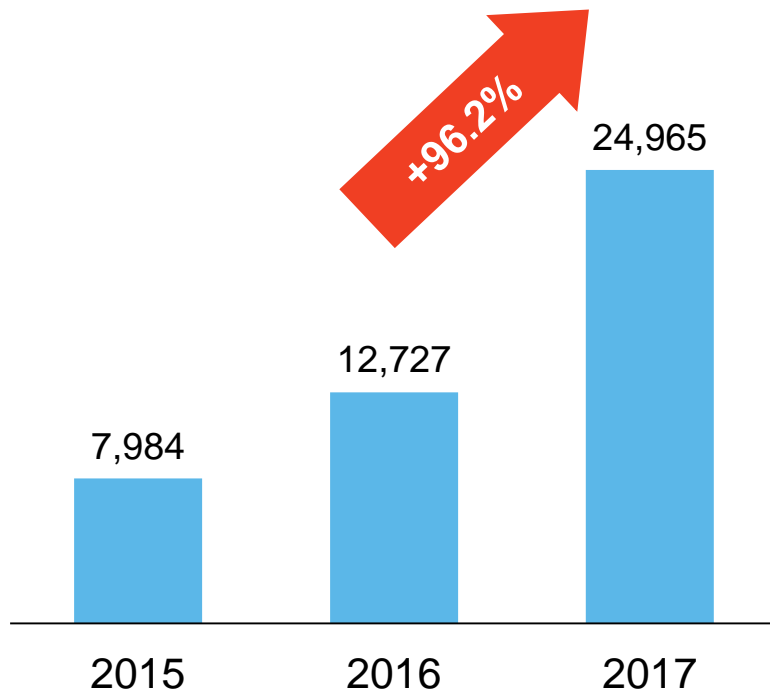




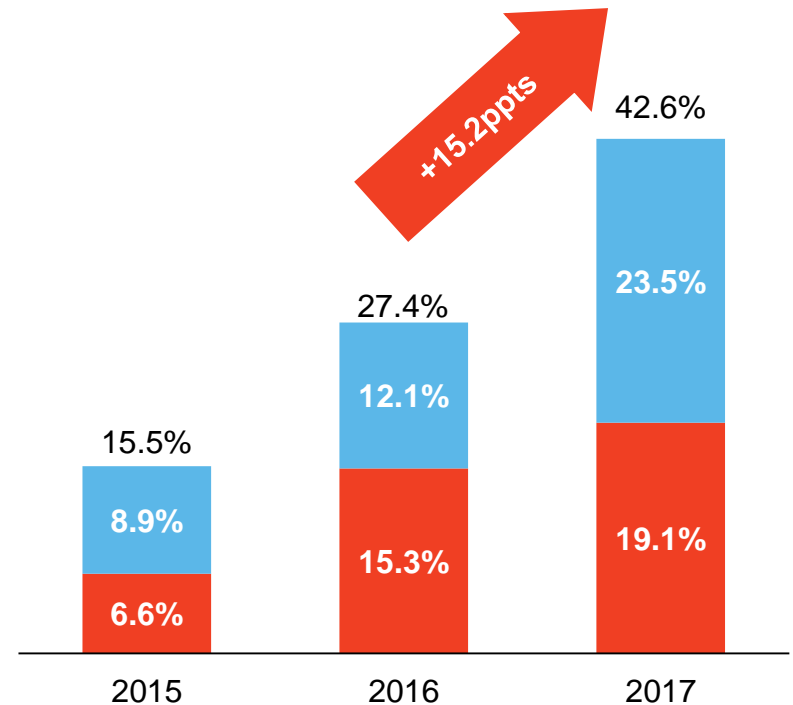
Life: Renewal Premiums Grew Rapidly, the Structure was Enhanced

Renewal Premiums

(Original premiums income, RMB mm)



Regular Premiums as Percentage of Total Original Premiums Income



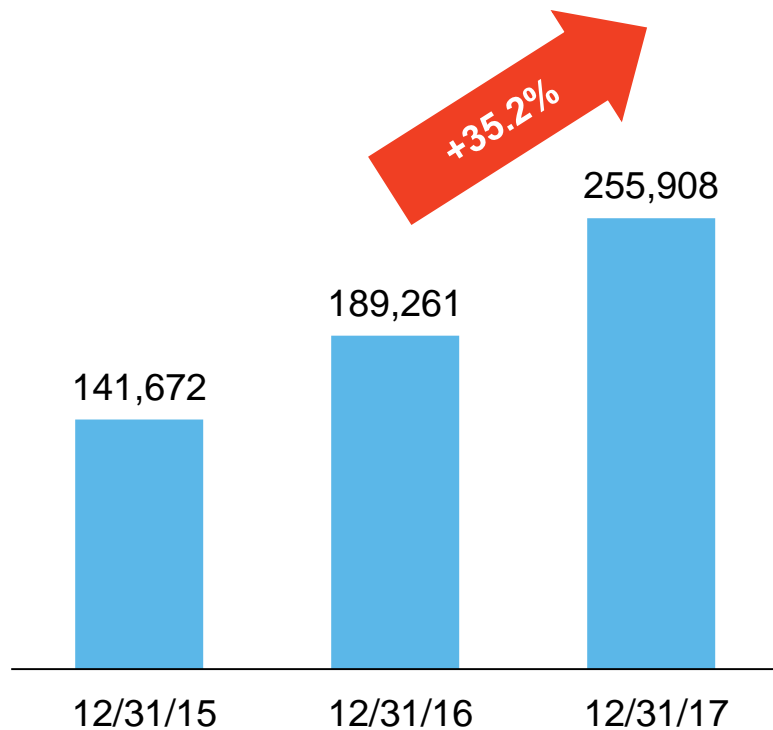
- Renewal Premiums as Percentage of Total Original Premiums Income
- First-year Regular Premiums as Percentage of Total Original Premiums Income



Life: Individual Insurance Basis Strengthened

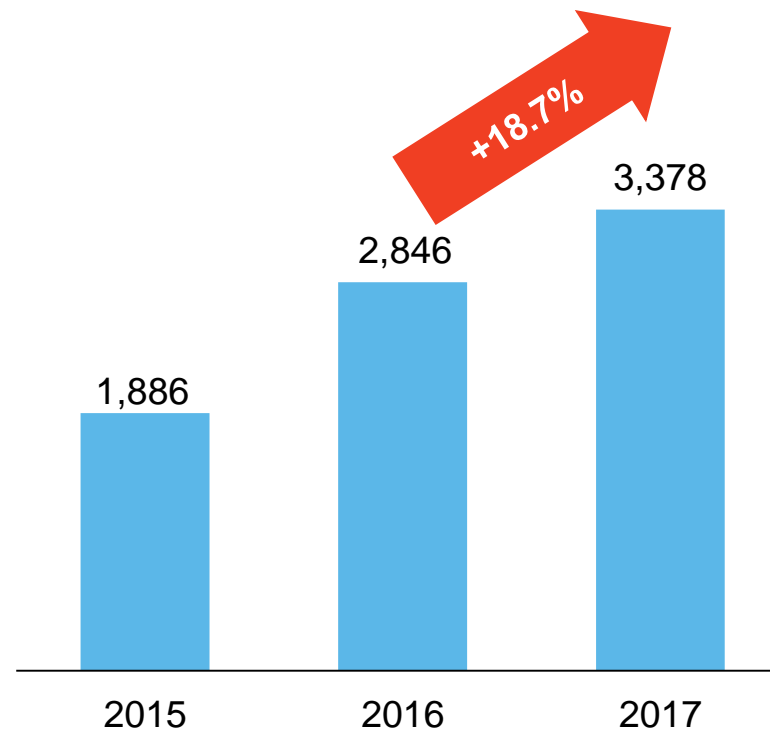
Number of Individual Insurance Agents

(Person)



Productivity of Individual Insurance Agents

(First-year regular TWPs per agent per month, RMB)

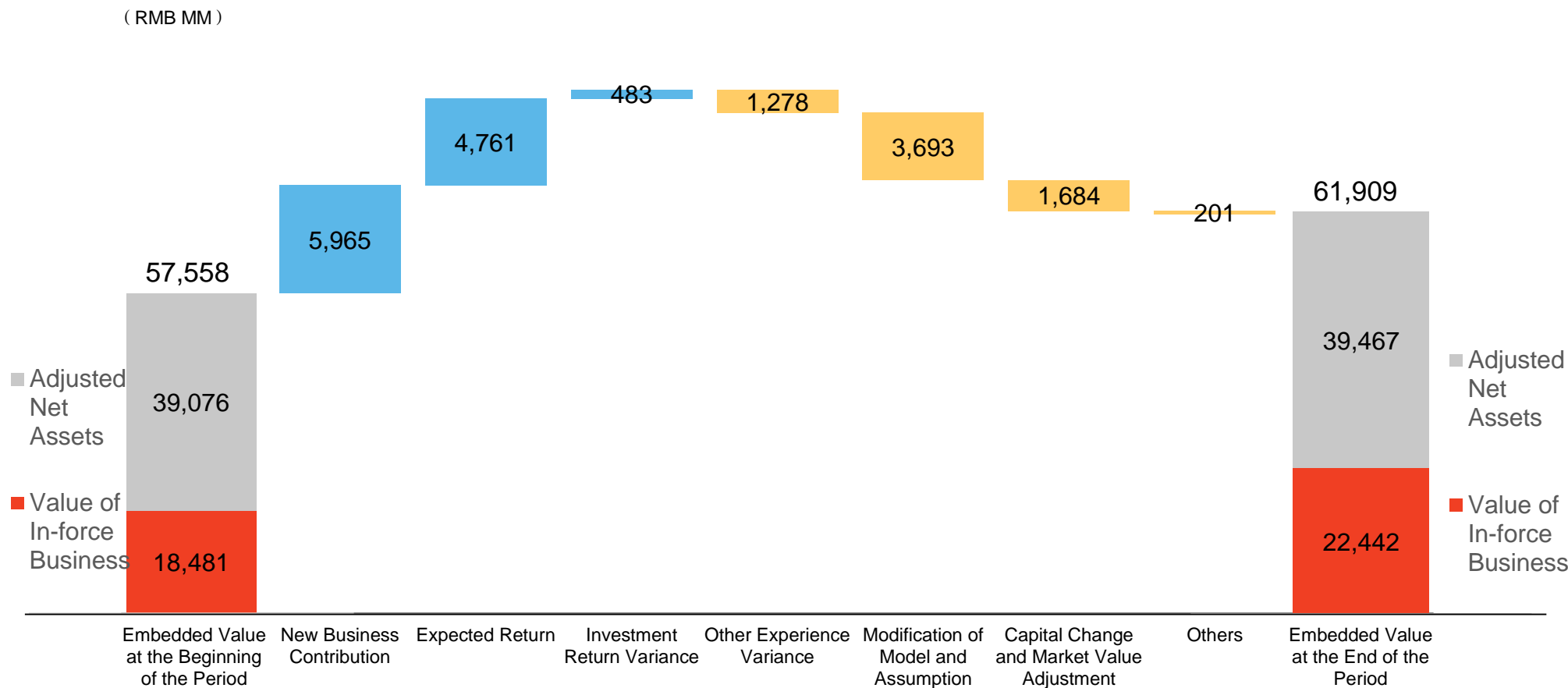




Life: Composition and Movement of Embedded Value



Composition and Movement of Embedded Value

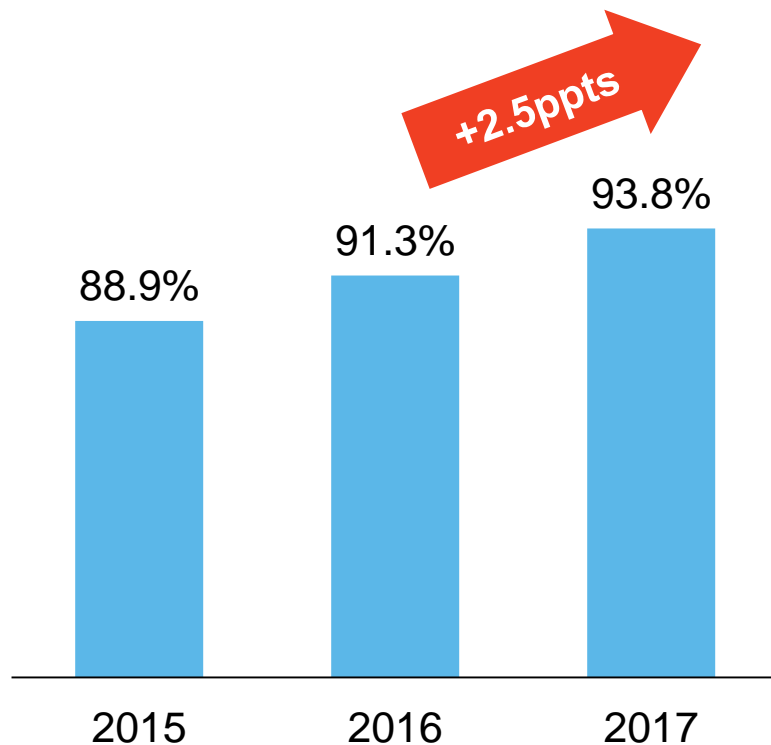


Note: The figures may not add up due to rounding.

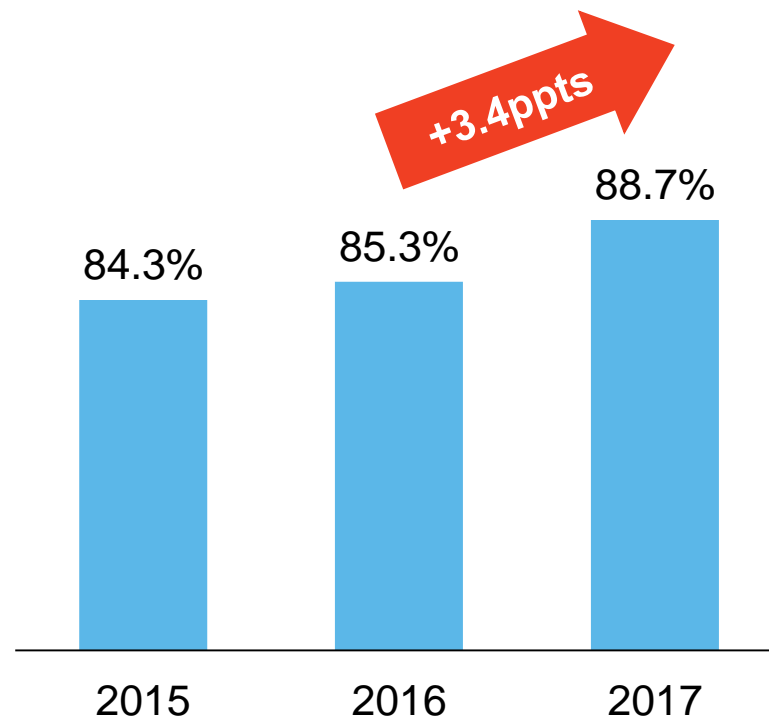


Life: Customer Service Strengthened and Premium Persistency Ratio Grew Constantly

13-month Premium Persistency Ratio



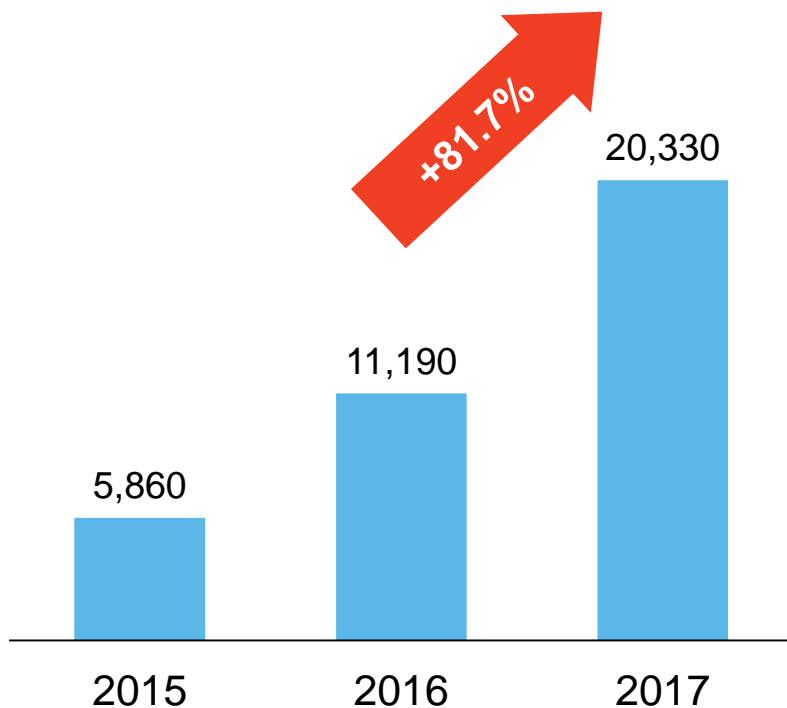
25-month Premium Persistency Ratio



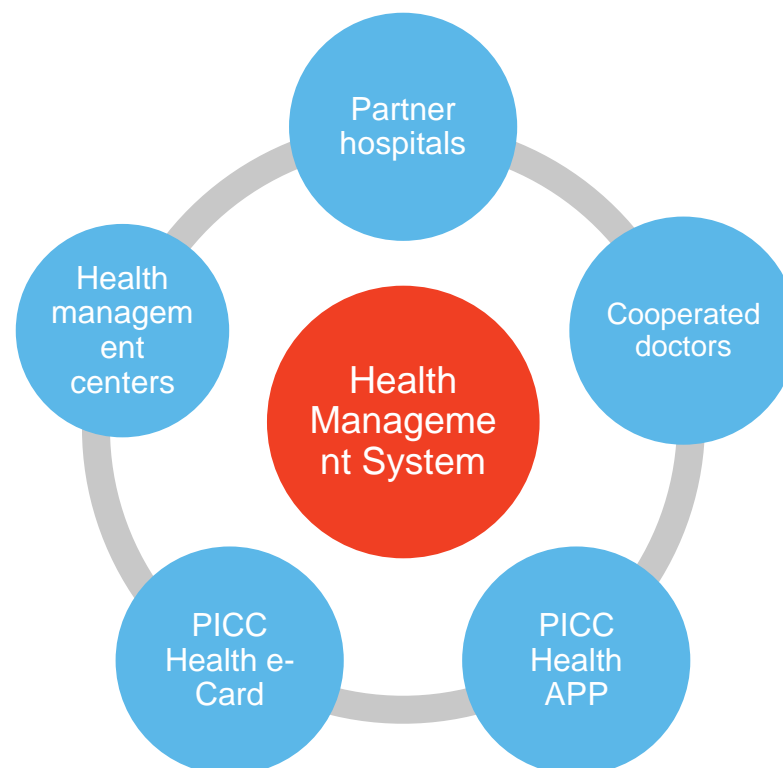
Health: Emerging Business Continued to Grow Rapidly

TWPs from Government-Commissioned Business

(RMB mm)



Health Management Platform

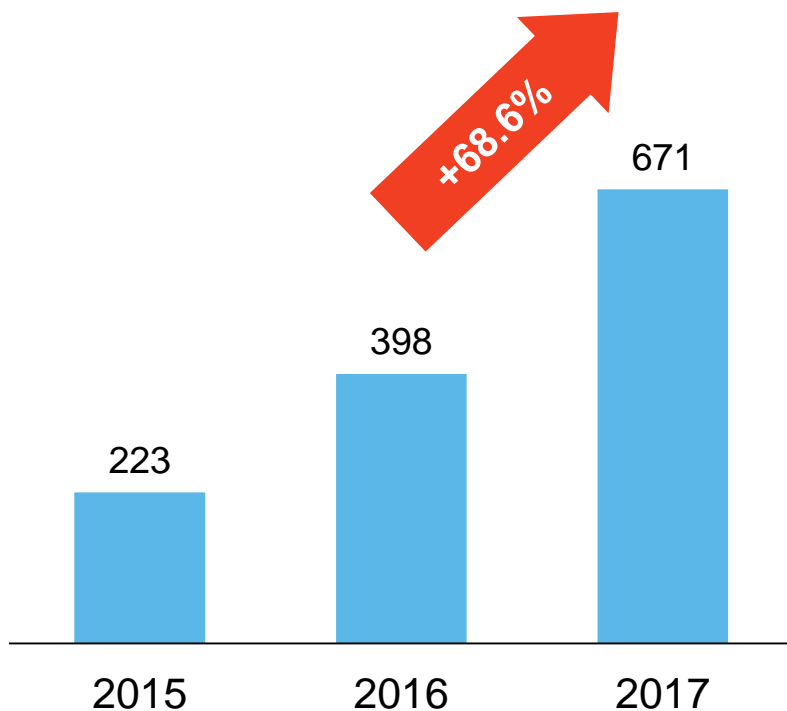




Health: Continuously Improved Value Creation Capabilities of Individual Insurance Channel

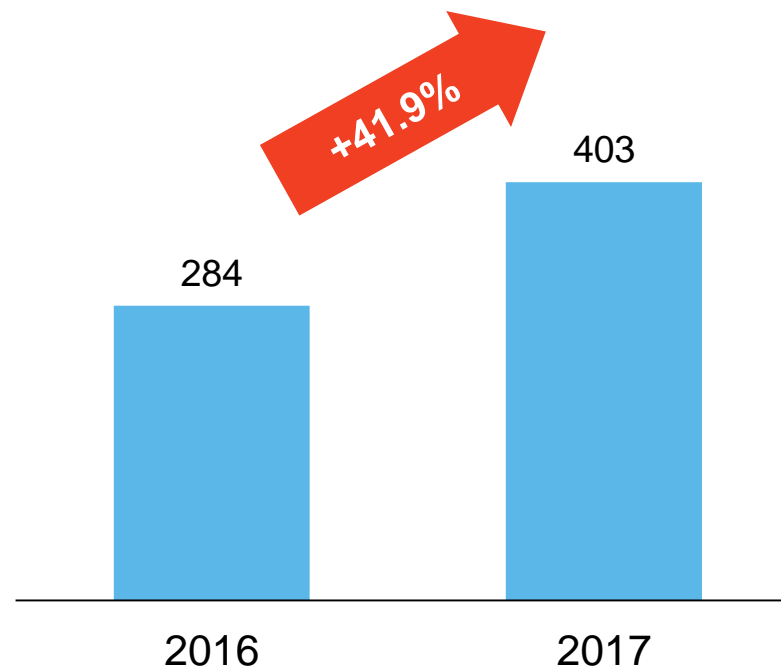
First-year Regular Premiums of Individual Insurance Channel

(Original premiums income, RMB mm)



NBV of Individual Insurance Channel

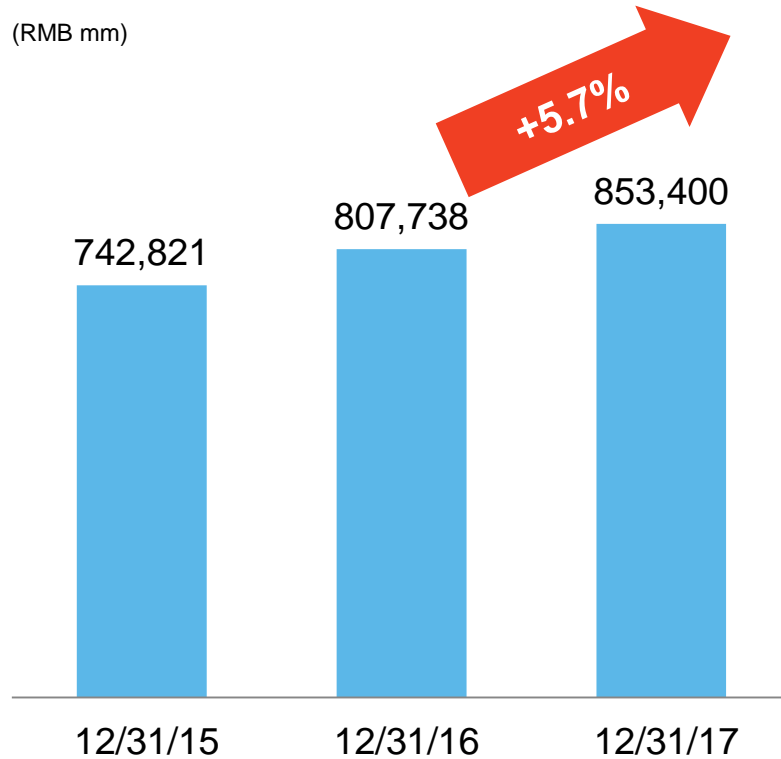
(RMB mm)



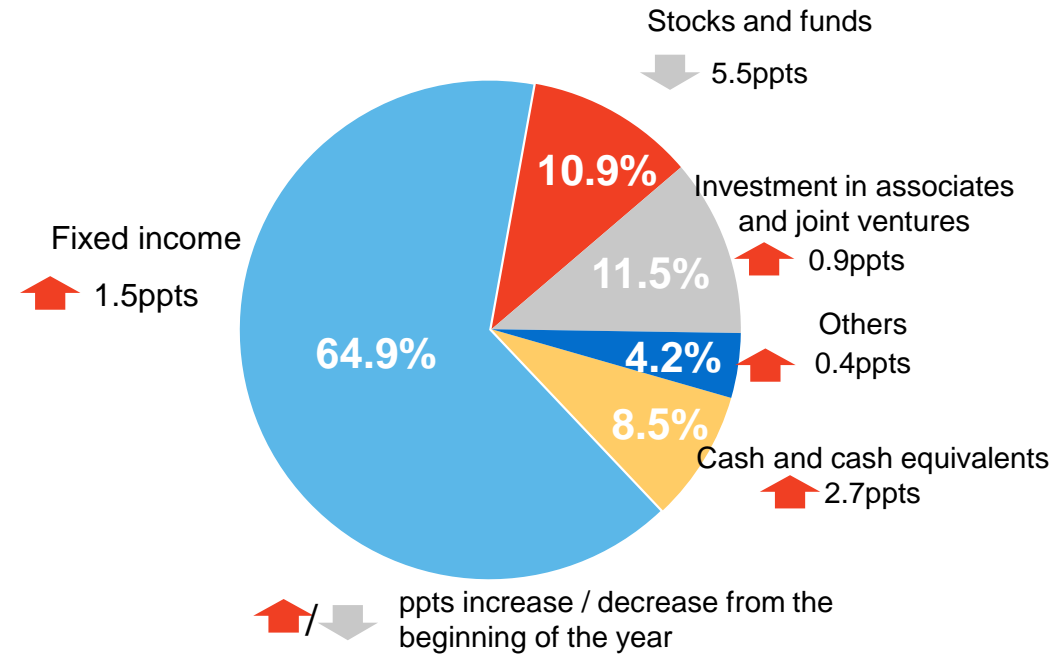
Asset Management: Stable Growth in Total Investment Assets with Prudent Investment Portfolio

Total Investment Assets

(RMB mm)



Investment Portfolio



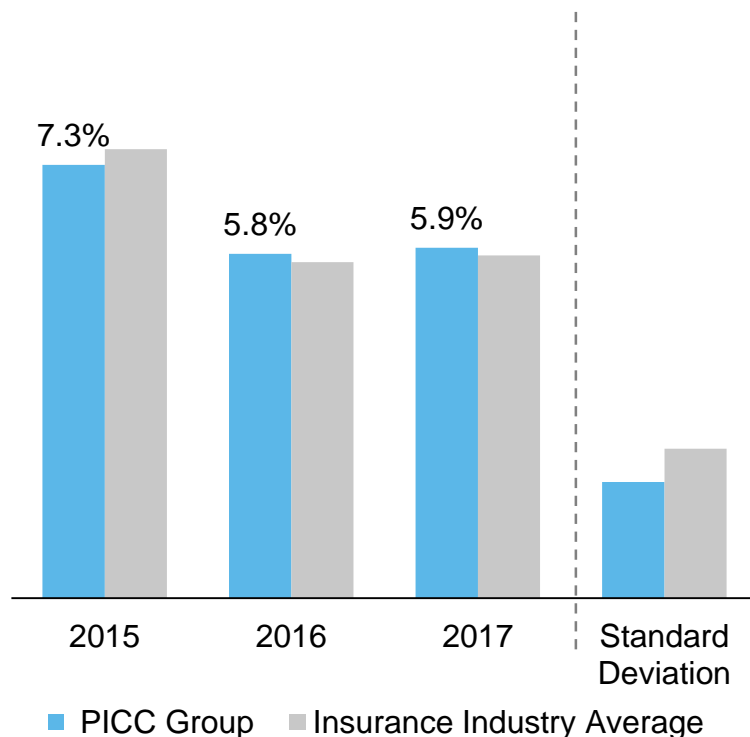
Note: 1) "Fixed income" includes term deposits, fixed-income securities, restricted statutory deposits, policy loans, subordinated debts and debt investment schemes

2) "Others" includes, investment properties, equity investment scheme, reinsurance arrangements classified as investment contracts, non-listed equity investments and derivative financial assets etc.



Asset Management: Serving Core Insurance Business and Optimizing Professionalism in Asset Management Business

Total Investment Yield



Optimizing Professionalism in Asset Management Business

Enterprise Annuity and Pension

- ◆ Investment performance of enterprise annuity ranked **top three** in the industry in 2017
- ◆ Scale of assets under management achieved RMB32.3 bn at the end of 2017, up by nearly **9 times** from RMB3.3 bn in early 2013

Public Funds

- ◆ Qualification obtained for public fund management business in early 2017
- ◆ Actively conducting public fund business

Direct equity Investment and Equity Funds

- ◆ Actively focusing on industries relating to health, healthcare, and pension insurance to identify high quality targets and explore feasible modes

Asset Management: Enhanced Investment Risk Management with **PICC** Risks In Non-standard Assets Under Control

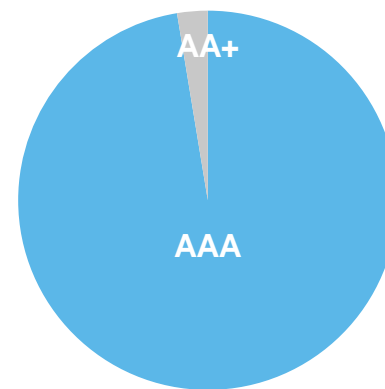
◆ Fixed income investment

- Focusing on prevention and mitigation of credit risks, especially issuer and counterparty risks
- Establishing the “whitelist” mechanism framework for the Group’s counterparties
- Improving counterparty credit limit management

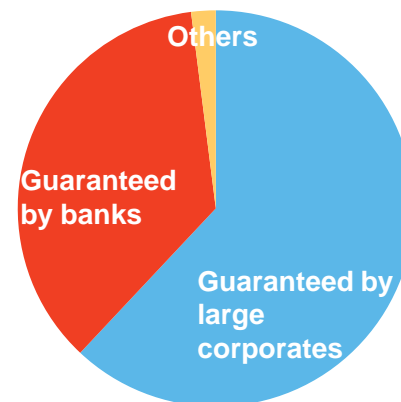
◆ Investment on non-standard assets

- Ensuring the borrowers have relatively strong solvency and the underlying assets were clearly defined
- Most are Debt investment schemes which have high credit ratings and credit enhancement measures

Credit Ratings of Debt Investment Schemes



Credit Enhancement of Debt Investment Schemes



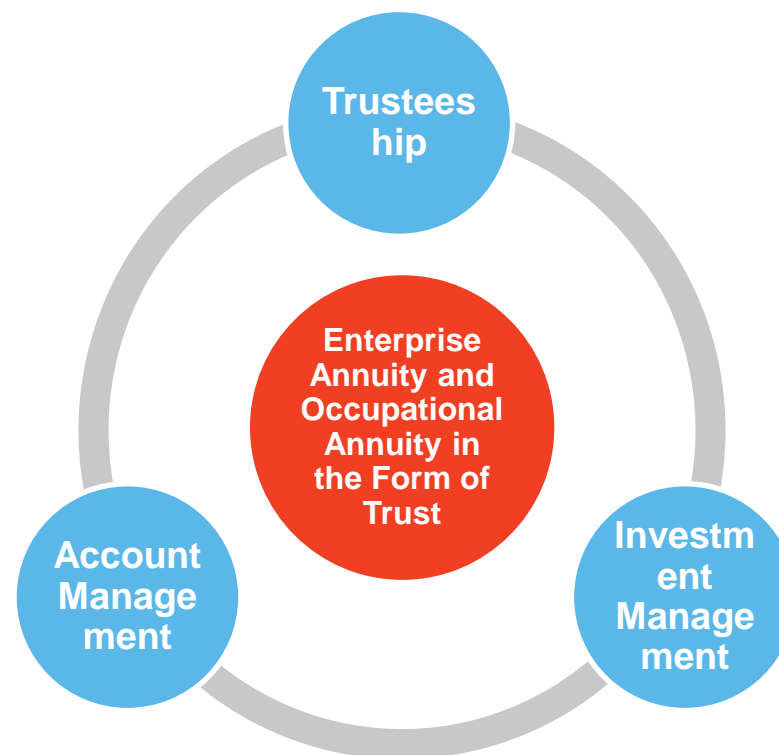


Reinsurance & Pension: Founded in 2017, Actively Expanded Business

PICC Reinsurance: Specialized Reinsurance Operation Platform

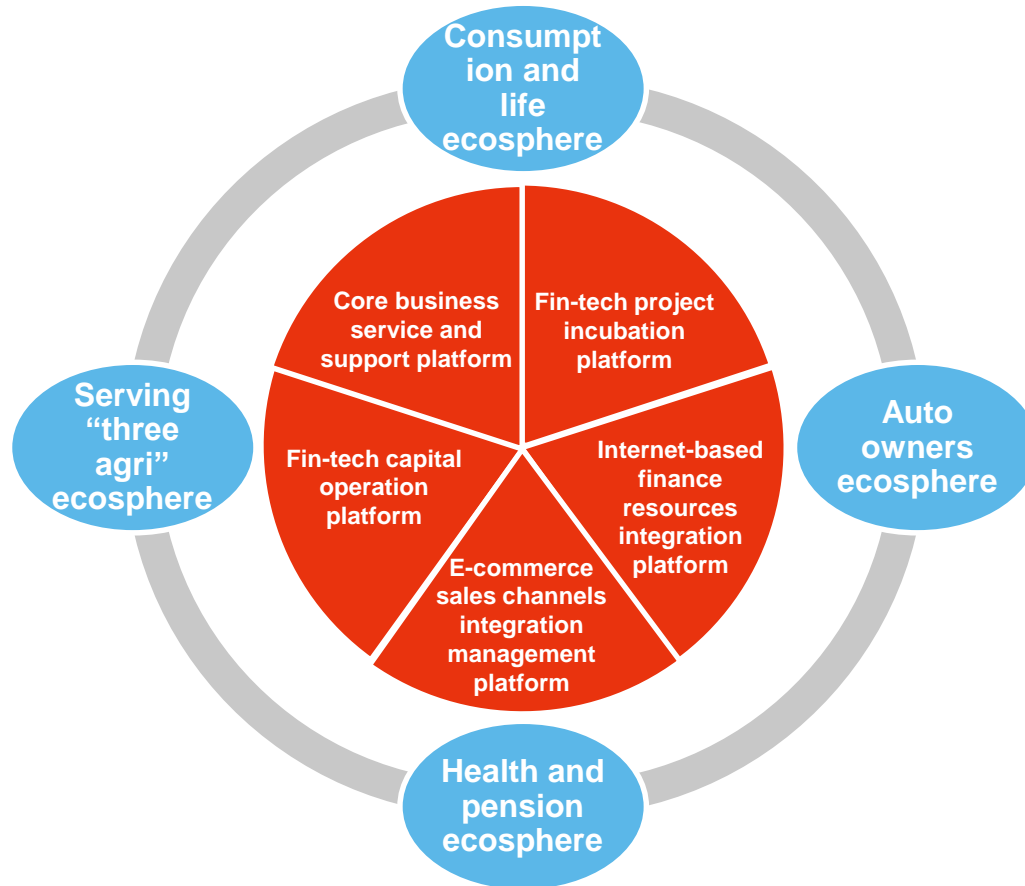
- ◆ Achieved reinsurance premiums of **RMB3.47bn** within 9 months, which is the actual operating time in its first year of opening
- ◆ Made every effort to support the development of the Group's core business by leveraging on reinsurance resources of the Group
- ◆ The coverage of P&C insurer customers reached **30%** in China. International inward reinsurance business achieved effective breakthrough

PICC Pension: Professional Management Platform for Endowment Assets



PICC Financial Services: The Group's Fintech Innovation Platform

Precise Positioning: "4+5" Strategy



Rational Layout: "3+3+1" Scheme

3

Inclusive finance, auto service, and technical insurance

3

Payment account, credit reference big data, and innovation incubation

1

Fin-tech investment platform

Appendix: Key Financials of the Group



(RMB mm, unless otherwise noted)	2017	2016	Change (%)
Gross written premiums	476,447	439,874	8.3
P&C Insurance	350,898	311,306	12.7
Life Insurance	106,299	105,548	0.7
Health Insurance	19,250	23,020	(16.4)
Net profit	23,051	20,681	11.5
Net profit attributable to the equity holders	16,099	14,245	13.0
EPS (RMB)	0.38	0.34	13.0
Weighted average return on equity (annualized, %)	12.2	11.8	Up by 0.4 pts
Total investment yield (annualized, %)	5.9	5.8	Up by 0.1 pts
PICC P&C underwriting profit	9,295	5,024	85.0
PICC combined ratio	97.0%	98.1%	Down by 1.1 pts
New business value of PICC Life	5,687	4,131	37.7
New business value of PICC Health	468	325	44.0
(RMB mm, unless otherwise noted)	As of Dec. 31, 2017	As of Dec. 31, 2016	Change (%)
Total assets	987,906	932,149	6.0
Total liabilities	801,025	761,155	5.2
Total equity	186,881	170,994	9.3
Equity attributable to equity holders of the Company	137,553	126,101	9.1
Book Value per Share(RMB)	3.24	2.97	9.1
Embedded value of PICC Life	61,909	57,558	7.6
Embedded value of PICC Health	7,831	7,118	10.0