

**PICC Group ( 1339.HK )**

**PICC P&C ( 2328.HK )**

**2017 Interim Results  
Announcement**

**August 28, 2017**



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# Agenda

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## **Overview of Results**

### **Review of the Group's Performance and Outlook**

### **Performance of Key Business Segments**

# The 2017H1 Review

- ◆ Responsibility Fulfillment — enhanced the ability to serve the real economy and protect the people's livelihood
- ◆ Improvement in Stability — stabilized business, profit and asset growth
- ◆ Reform and Innovation — adjusted and optimized development layout, further enhanced the integration
- ◆ Risk Prevention — prioritized risk prevention, and enhanced the ability to achieve healthy and sustainable growth

Profit of the Group achieved double-digit growth

Ranking of the Fortune 500 rose

PICC P&C showed excellent profitability

Transformation of PICC Life achieved positive results

Policy-supported business (agricultural insurance, critical illness insurance) contributed notably

The construction of insurance business value chain has made new progress

# Performance Highlights

1

Total written premiums (TWPs) of RMB293bn, a YoY growth of 5.9%.

2

Net profit attributable to equity holders of the company was RMB 8.82bn, a YoY growth of 14.1% , annualized weighted average return on equity of 13.5% , up by 0.5ppt YoY.

3

The market share of PICC P&C was 34%, continuing to lead the market; The combined ratio was 95.5%, which consistently outperformed industry average.

4

The half-year VNB of PICC life increased by 81.6 %YoY, while the half-year VNB of PICC health was up by 24 % YoY

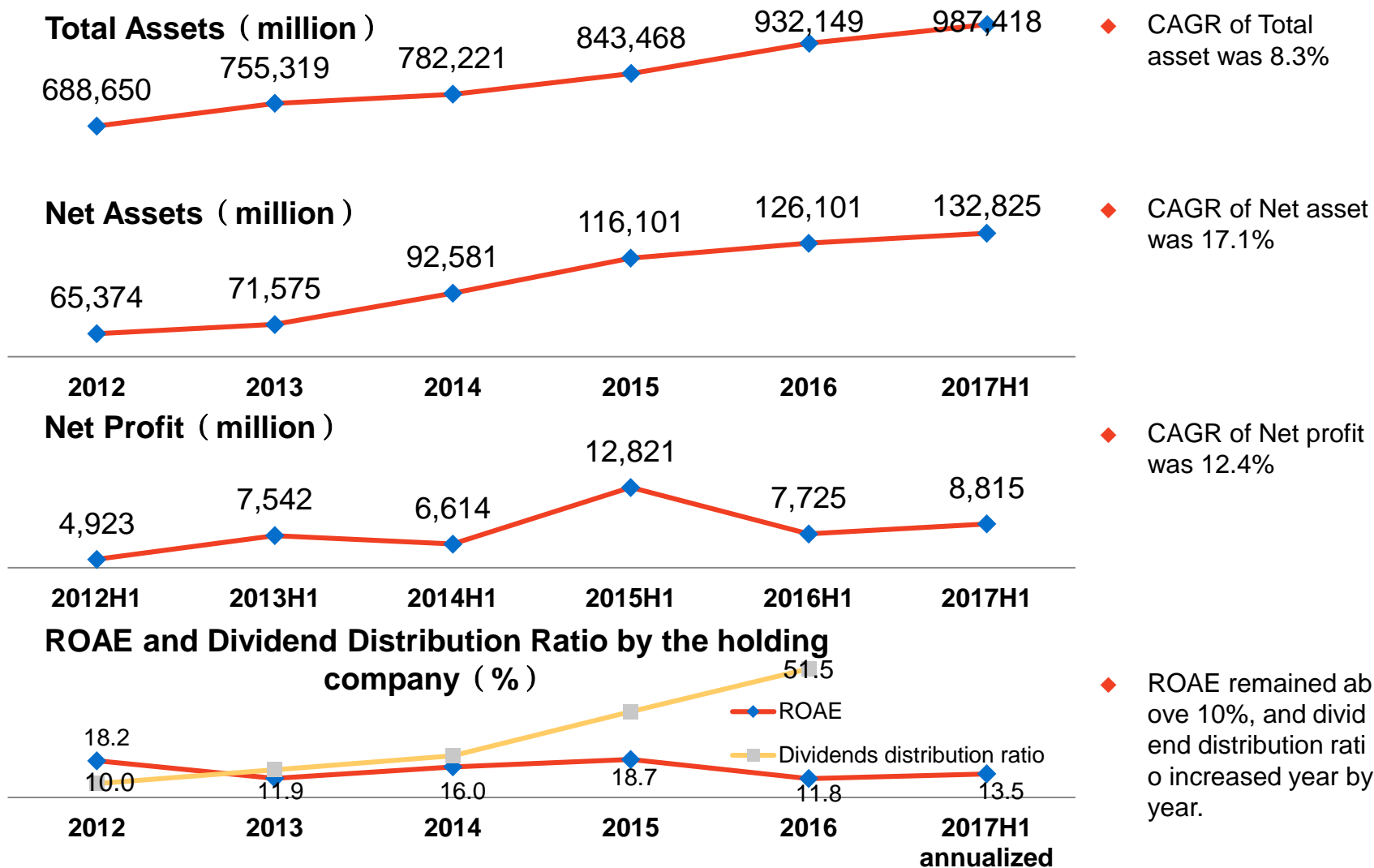
5

The annualized total investment yield was 5.4%, up by 0.4ppt YoY.

6

Total assets of 987.42bn, net assets attributable of 132.83bn, ranked 114<sup>th</sup> in latest Fortune 500. The solvency margin ratios met the regulatory requirements.

# Overview since H-share Listing



# Agenda

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**Overview of Results**

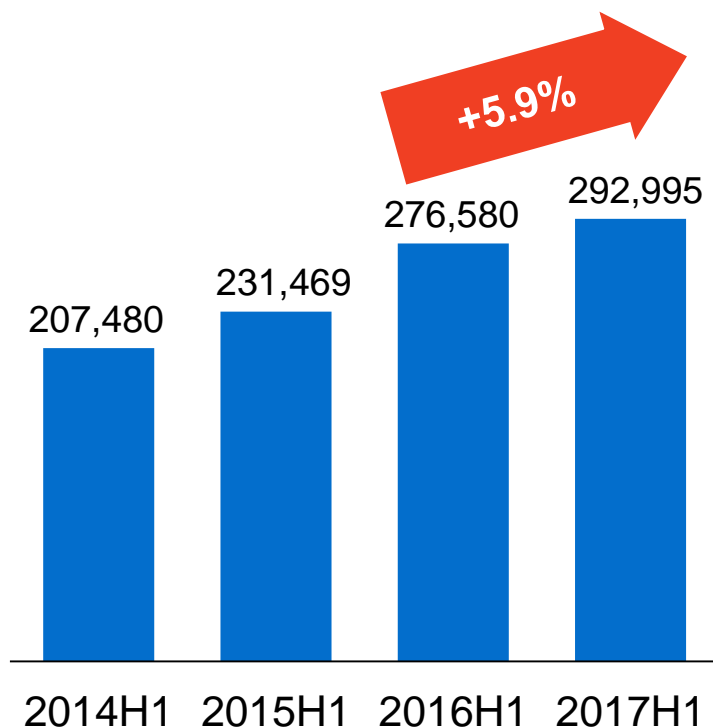
**Review of the Group's  
Performance and Outlook**

**Performance of Key Business  
Segments**

# 1 Stable Business Growth

## Stable Growth of the Group's Total Written Premiums ("TWPs")

(TWPs, RMB mm)



Note: The Group's TWPs refer to the sum of TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong.

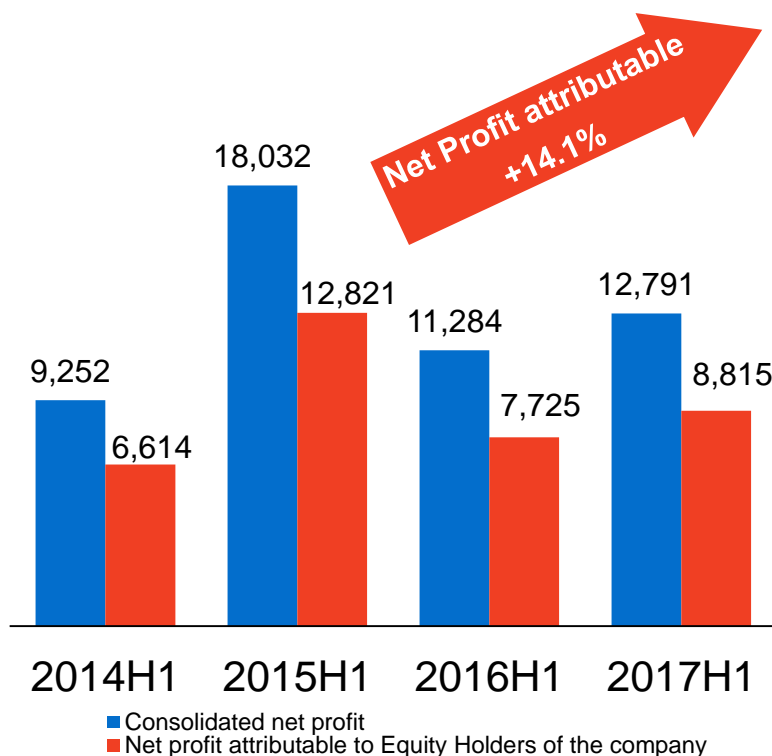
	TWPs (RMB mm)	YoY Growth %
PICC P&C	179,317	+11.0%
PICC Life	91,196	+1.0%
PICC Health	22,387	-9.2%



## 2 Profitability Improved Notably

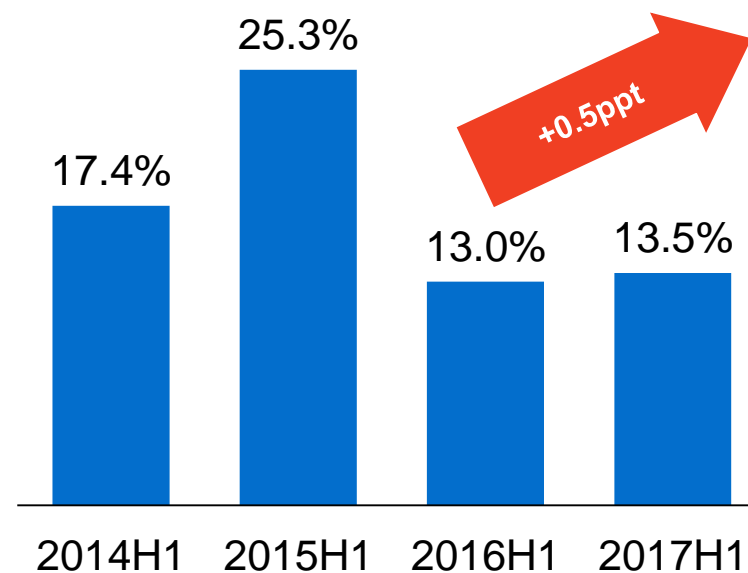
### Net Profit

(RMB mm)



### Annualized Weighted Average Return on Net Assets

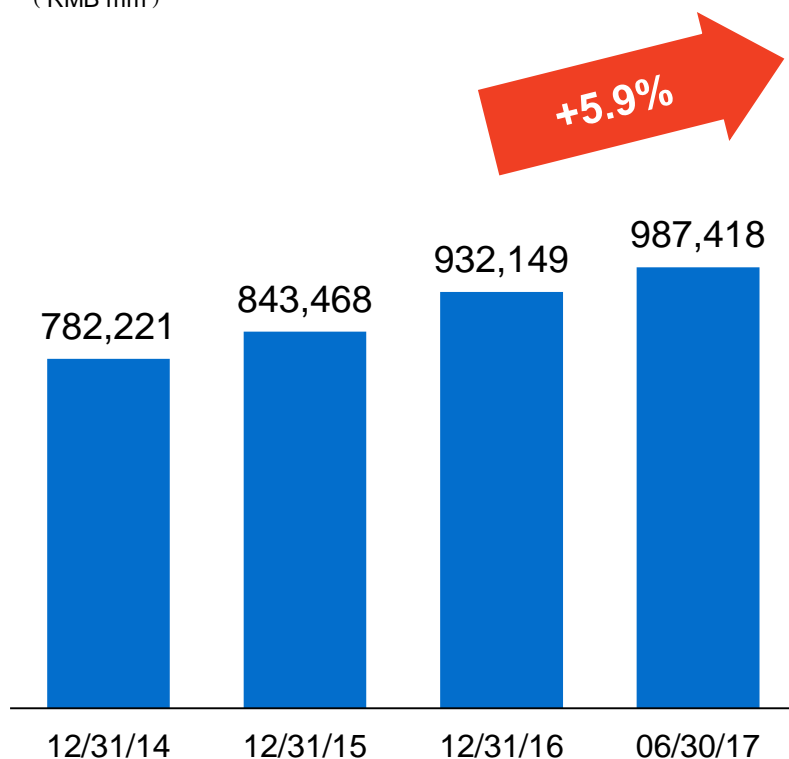
(annualized data)



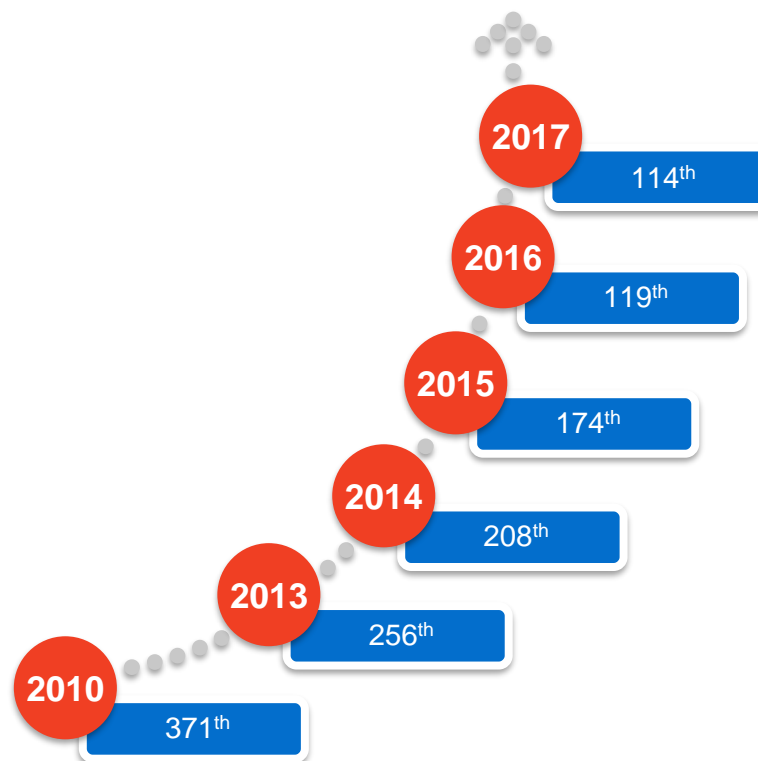
### 3 Comprehensive Strength Remained a Stable Growth

#### Total Assets approximated to 1 Trillion

( RMB mm )



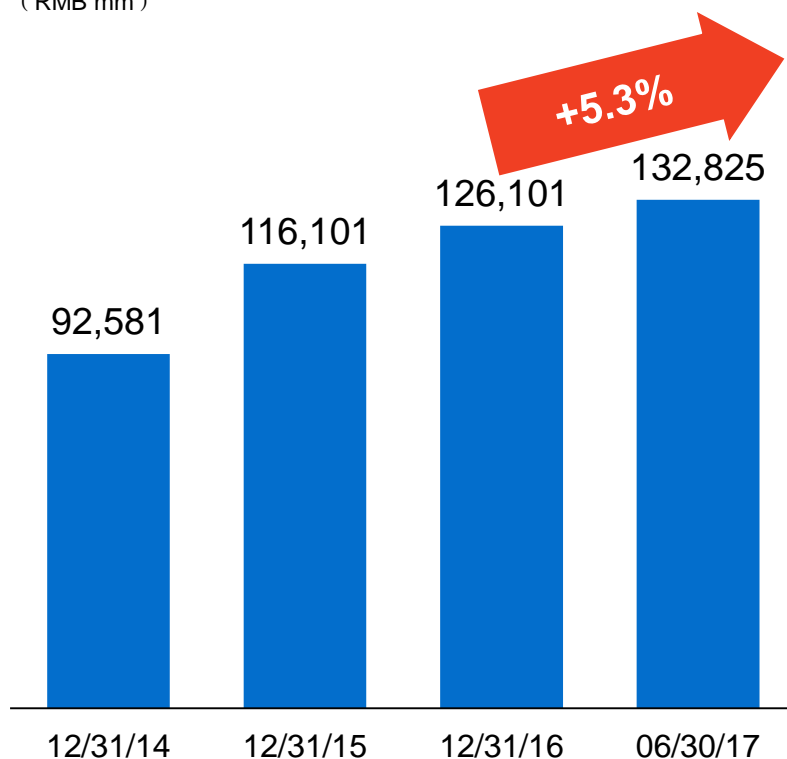
#### Ranked in Fortune 500



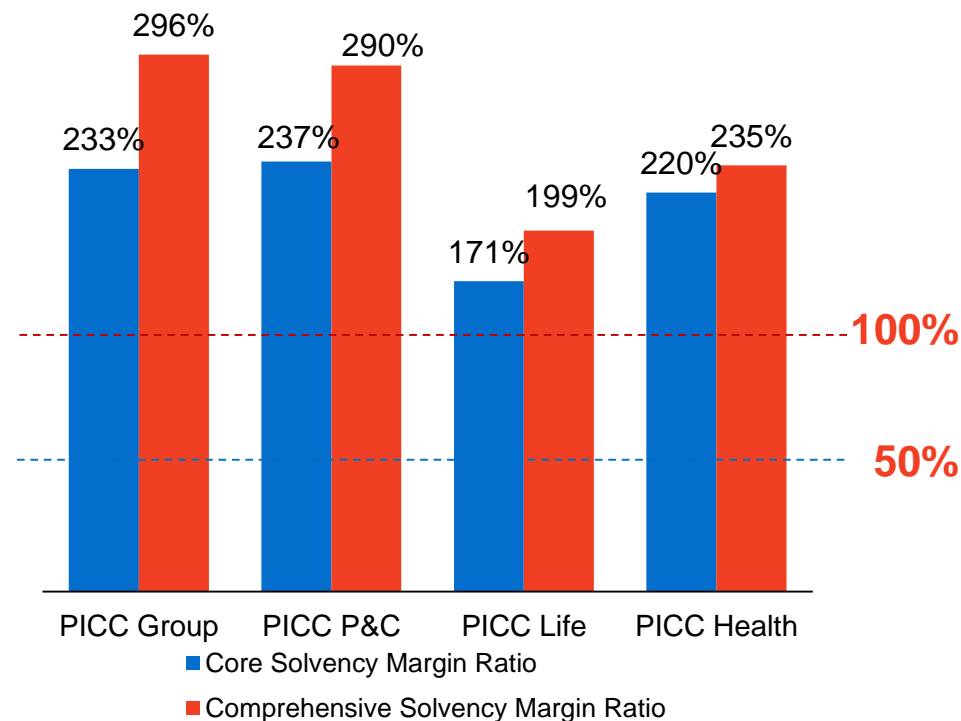
# Capital Position Further Strengthened

## Net Assets Attributable to Equity Holders of the Company

( RMB mm )



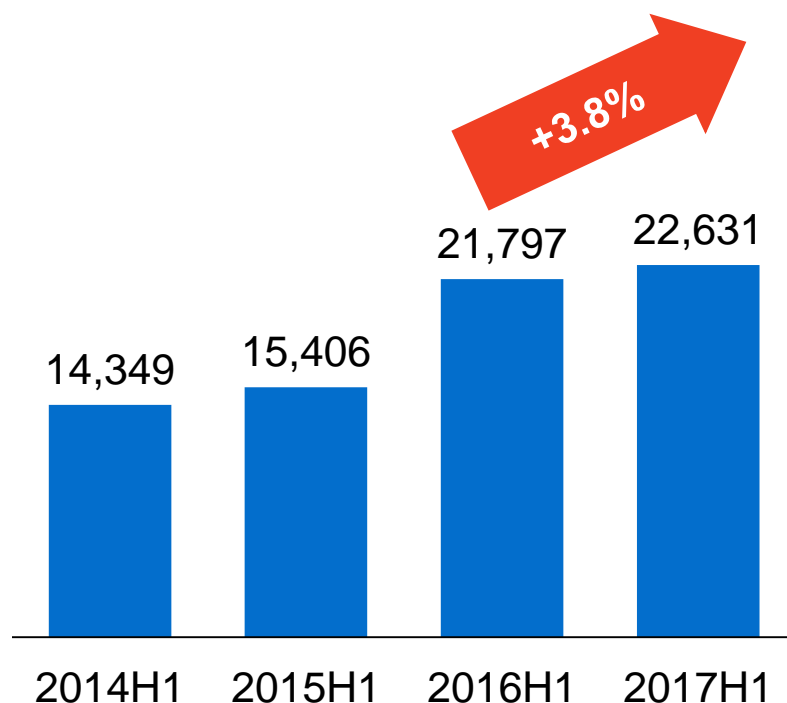
## Solvency Margin Ratios



## Business Synergies Continued to be Realized

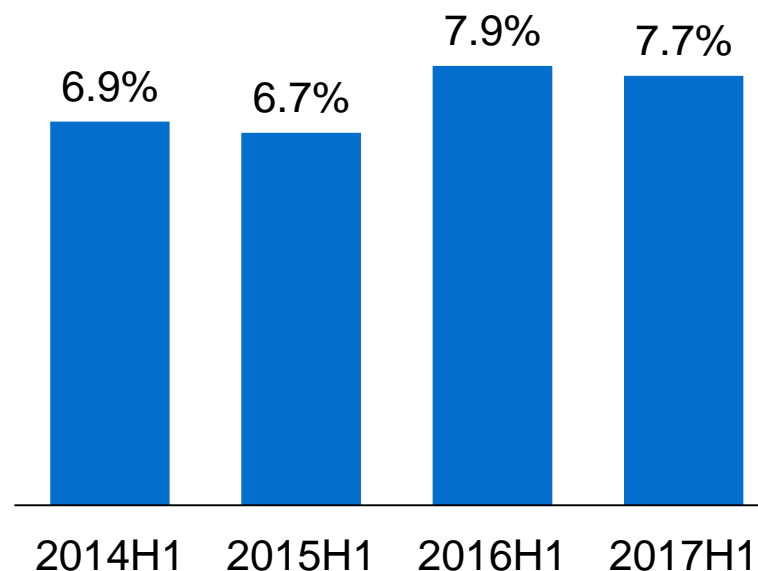
### TWPs through Business Synergies

(TWPs through Business Synergies, RMB mm)



### Accounting for the Proportion of TWPs

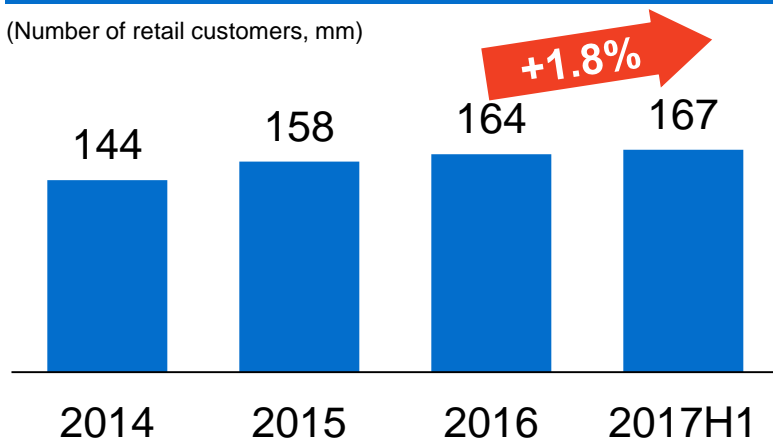
(Percentage of TWPs achieved through Business Synergies)



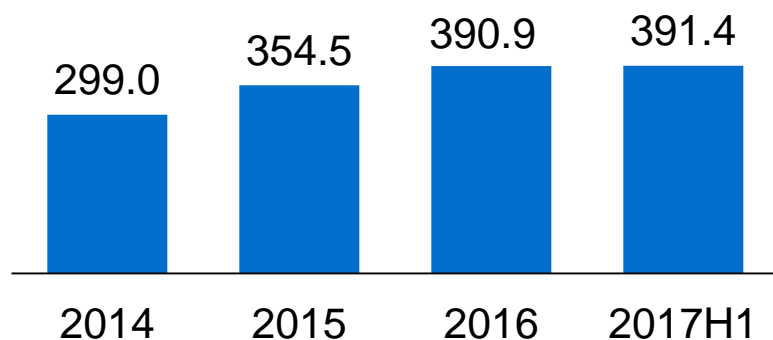
# Number of Customers Continued to Increase, Extensive Service Network Coverage

## Steady Increase in the Number of Customers

(Number of retail customers, mm)



(Number of Institutional Customers, ten thousands)



## Extensive Service Network Coverage

County-level  
Coverage

~100.0%

Township-level  
Coverage

>98%

Village-level  
Coverage

>50%

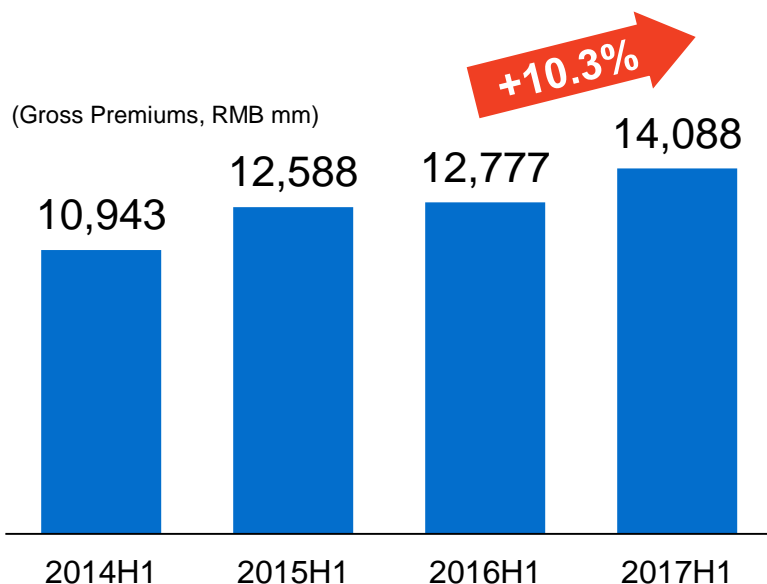
Rural Service  
People

>300K

## 7 Policy-Supported Business Maintained Rapid Growth

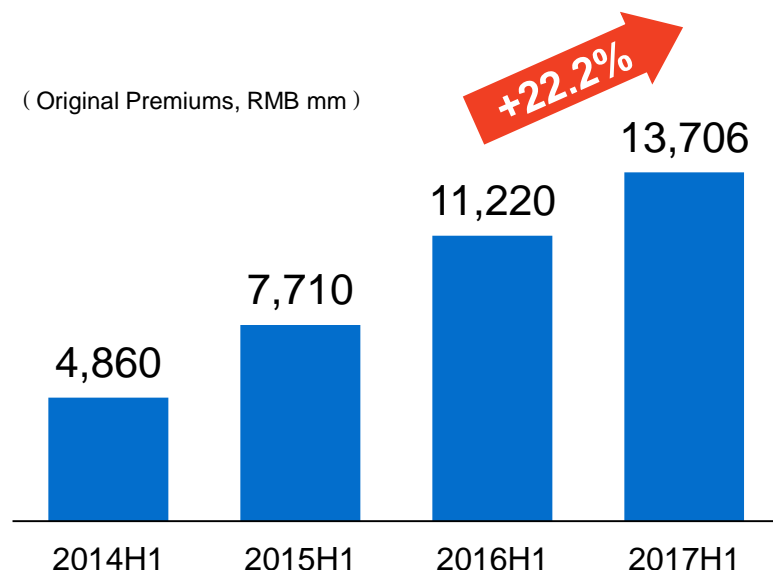
### Agricultural Insurance

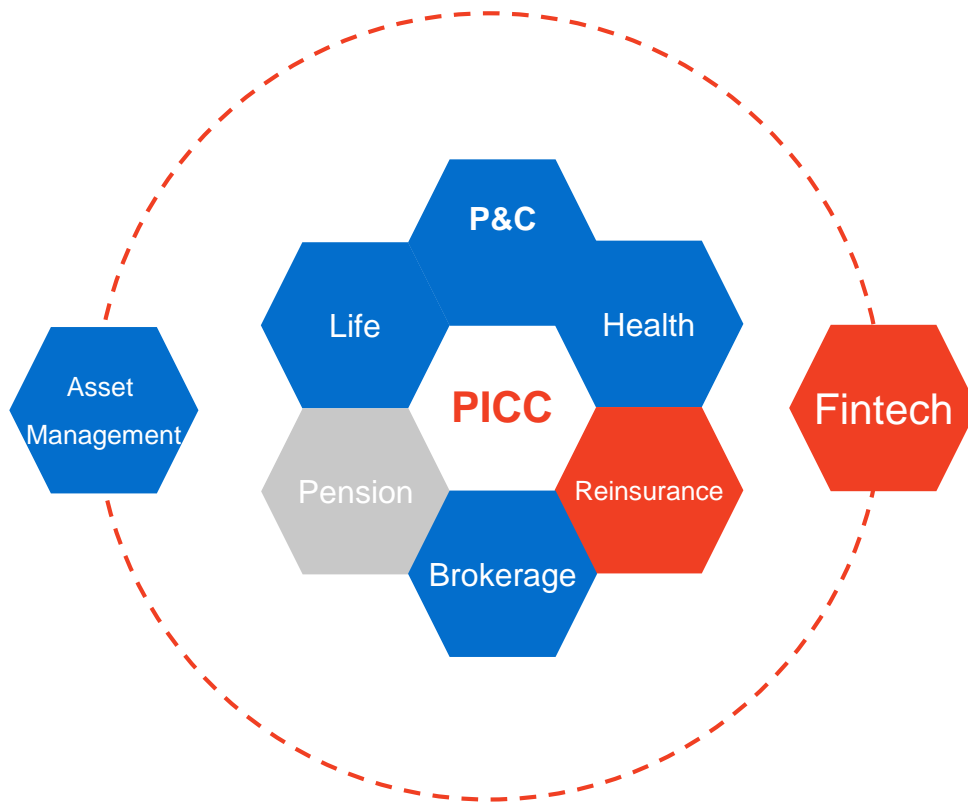
- ◆ 980 fiscally supported agricultural insurance products
- ◆ 68 million farmers insured accumulatively of agricultural insurance
- ◆ 89 million farmers insured accumulatively of farmhouse insurance



### Critical Illness Insurance

- ◆ Served 390 million people accumulatively in 2017H1
- ◆ Covered 31 provinces (including autonomous regions and municipalities) and 238 cities





## Structure of Insurance Value Chain is Basically Completed

- ◆ Reinsurance: founded in February of 2017, accounted reinsurance premiums of RMB 1.3bn, and rated A3 by Moody with a stable outlook.
- ◆ FinTech: worked steadily at the initial stage and accelerated the research and layout of emerging fields such as Fintech.
- ◆ Pension: preparations will be completed soon, will submit opening application to CIRC during the second half year of 2017 and will open upon approval.

# Overlook

## Opportunities

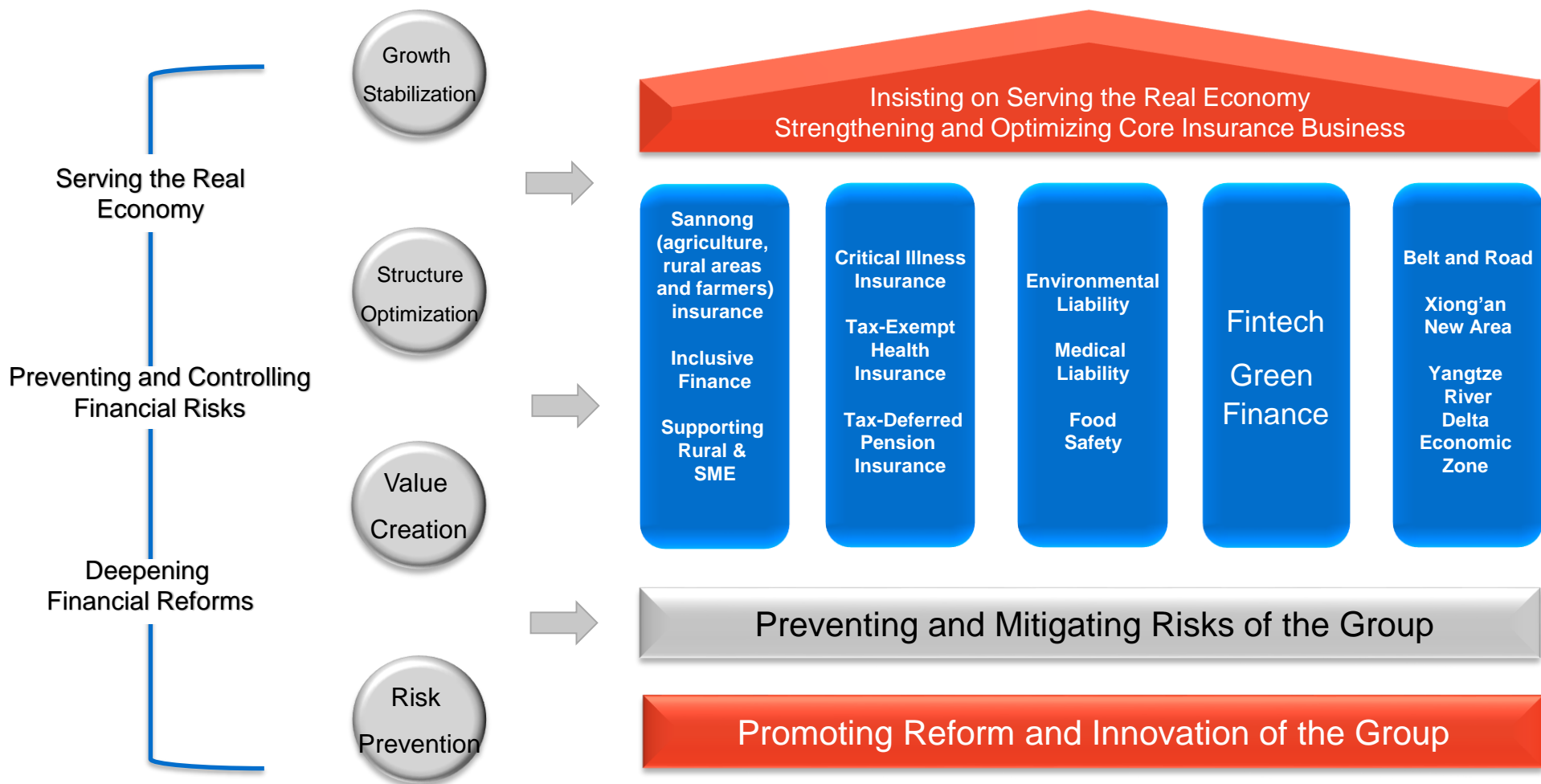
- ◆ National Financial Work Conference guided the industry development and promoted the implementation of the “New Ten Guidelines” for Developing Insurance Industry.
- ◆ The central government emphasized on promoting social governance innovation by insurance mechanism, benefitting the development of liability insurance
- ◆ The State Council released a guideline to speed up the development of commercial pension insurance, bringing opportunities in health insurance and pension
- ◆ China has regarded Fintech and Green Finance as the important link of Finance sector to serve the real economy
- ◆ The advancement of major regional development strategy such as “The Belt and Road”, Xiong’an new area, Yangtze river Delta economic zone

## Challenges

- ◆ Intensifying competition and increasing pressure on business growth
- ◆ Increasing volatilities of short-term interest rate and increased difficulties in predicting medium to long-term interest rate
- ◆ Increasing difficulties with asset-liability management
- ◆ Changing competitive landscape caused by technology innovation and the development of internet



# Key Initiatives in the Second Half of 2017



# Agenda

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**Overview of Results**

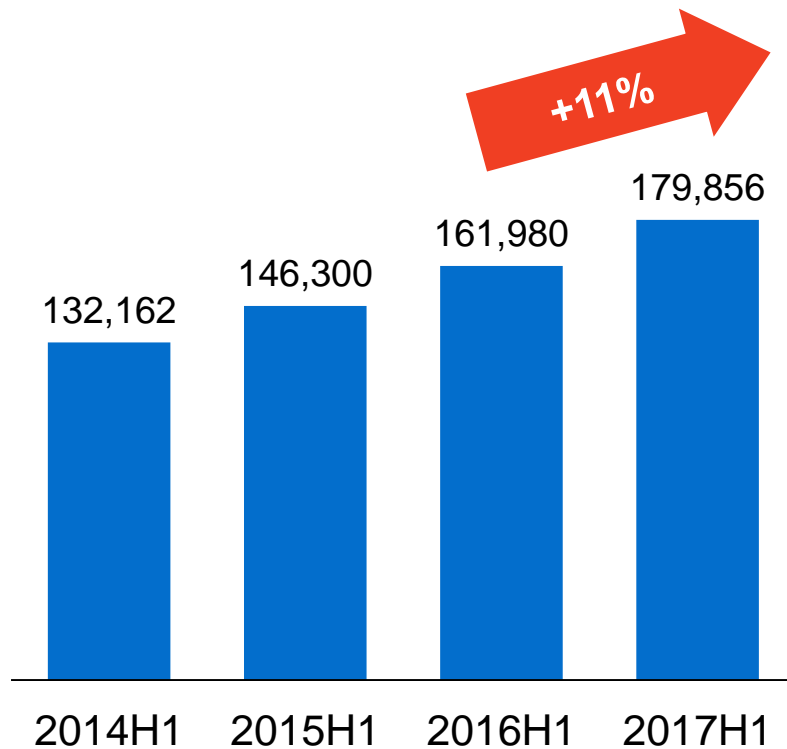
**Review of the Group's  
Performance and Outlook**

**Performance of Key Business  
Segments**

# P&C: Premiums Continued to Grow and Market Share Remained Stable

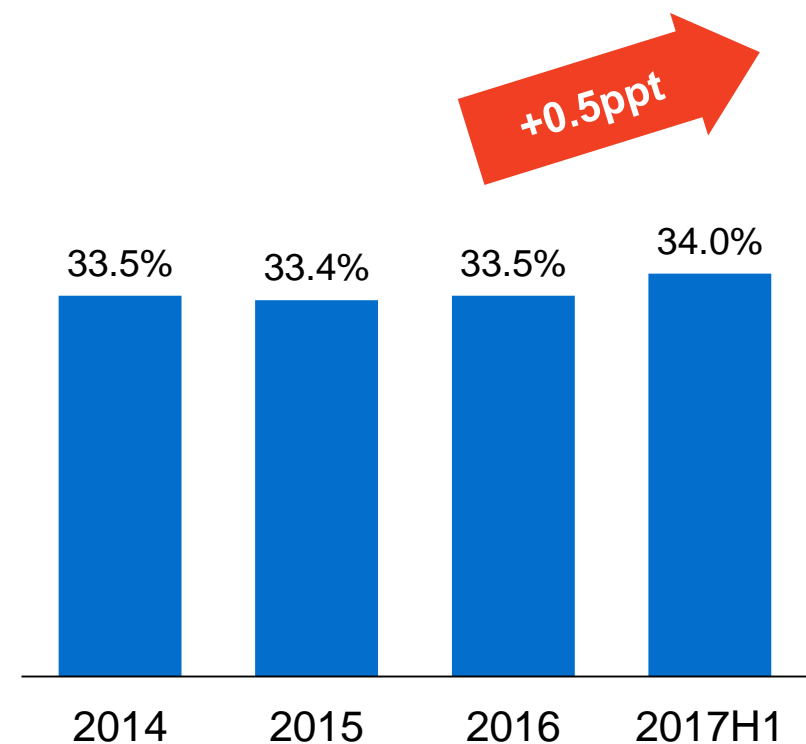
## Gross Premiums

(Gross premiums, RMB mm)



Note: Data based on P&C segment, including PICC Hong Kong.

## The market share of PICC P&C

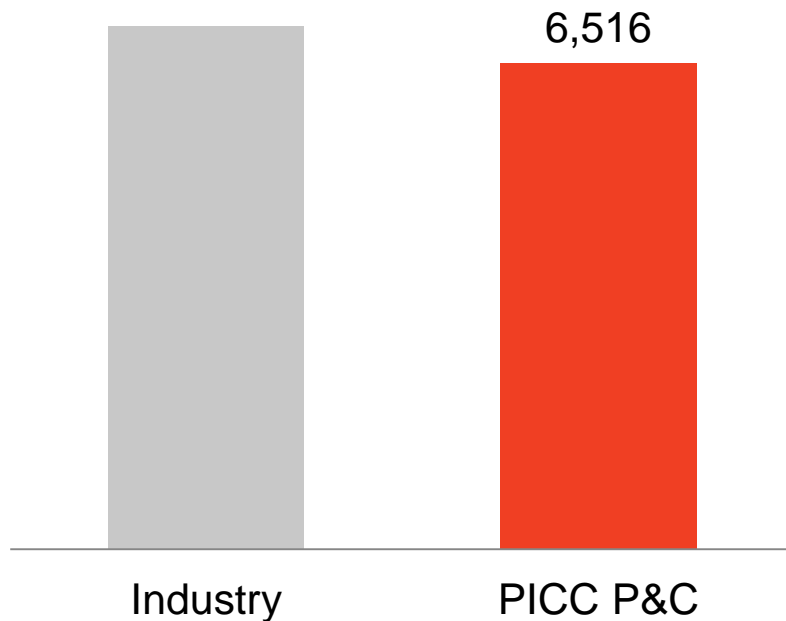


Note: Data based on PICC P&C, excluding PICC Hong Kong

# P&C: Underwriting Profitability Continuously Outperforms the Industry

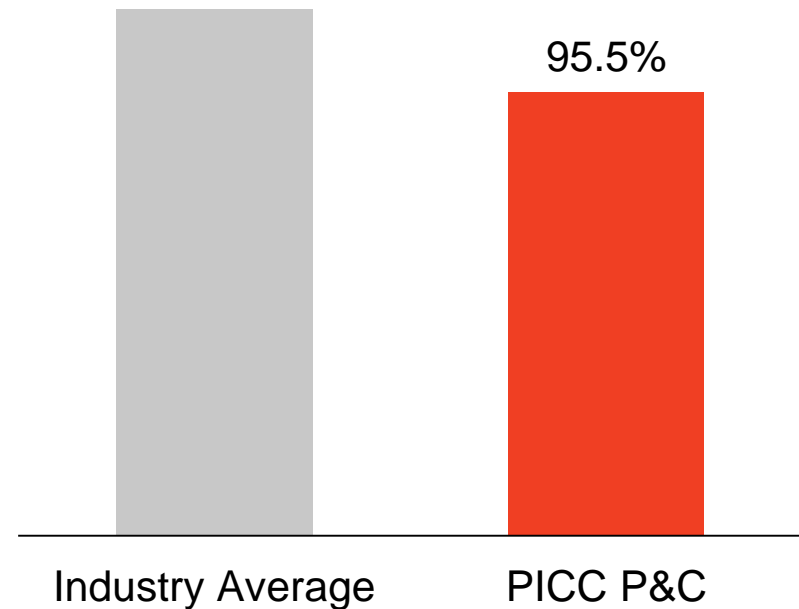
## Underwriting Profit

( Underwriting profit, RMB mm )



Note: Data based on PICC P&C, excluding PICC Hong Kong

## Combined Ratio

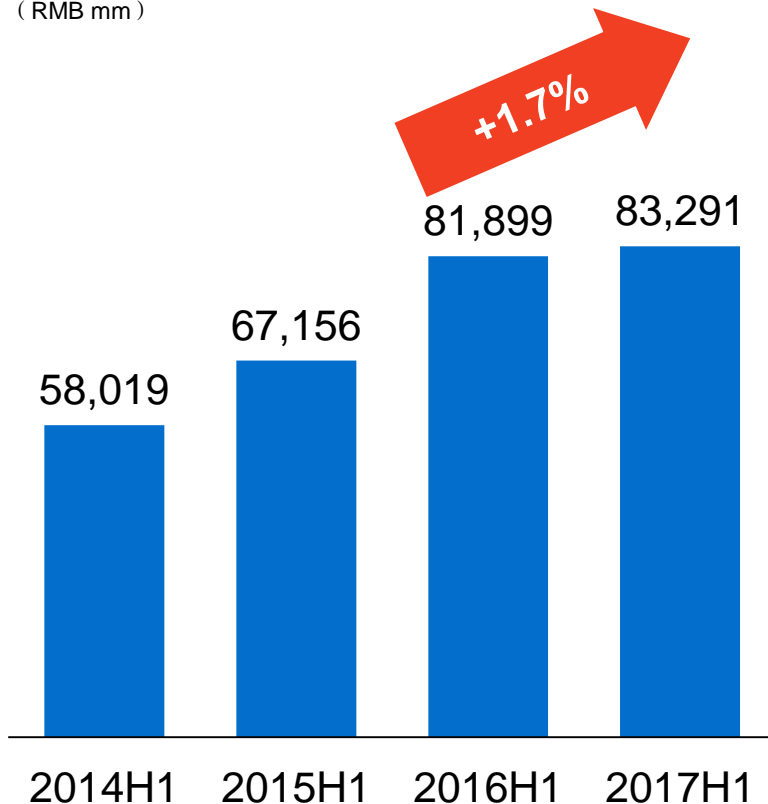


Note: Data based on PICC P&C, excluding PICC Hong Kong

# Life: Stable Growth of Premiums and Remarkable Growth of First Year Regular Premiums

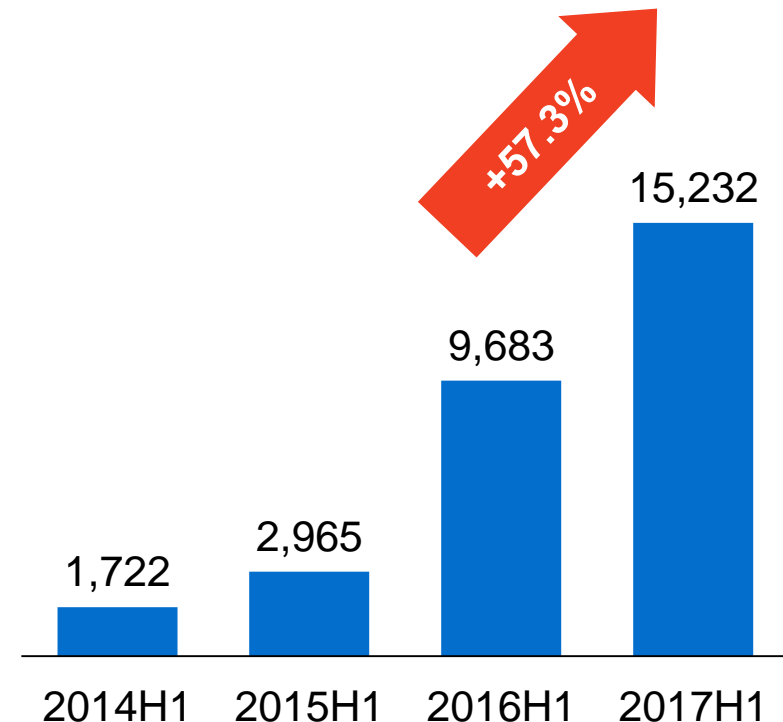
## Original Premiums

( RMB mm )



## First Year Regular Original Premiums

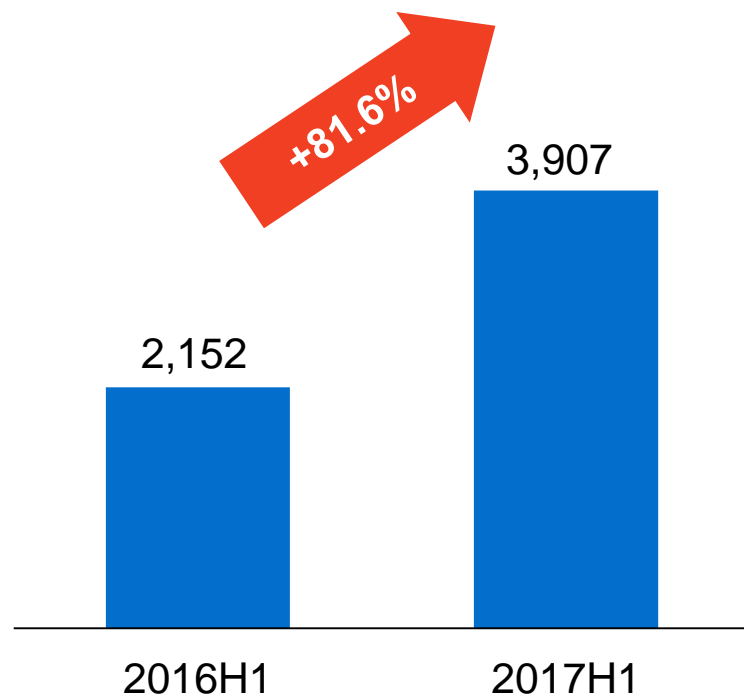
( RMB mm )



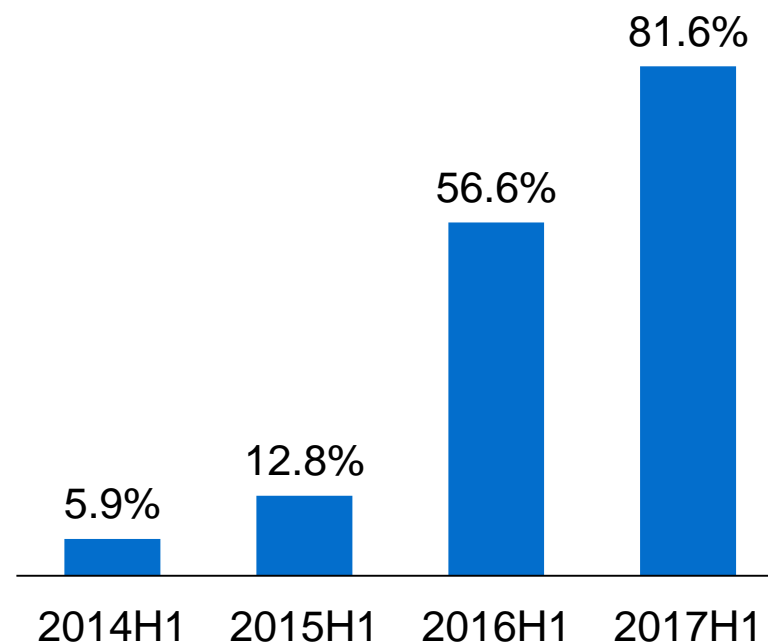
# Life: Fast Improvement in Half-Year VNB, Showing Obvious Transformation Outcome

## Value of Half-Year's New Business

( After CoC, RMB mm )



## Growth Rate of Half-Year's New Business Value YoY

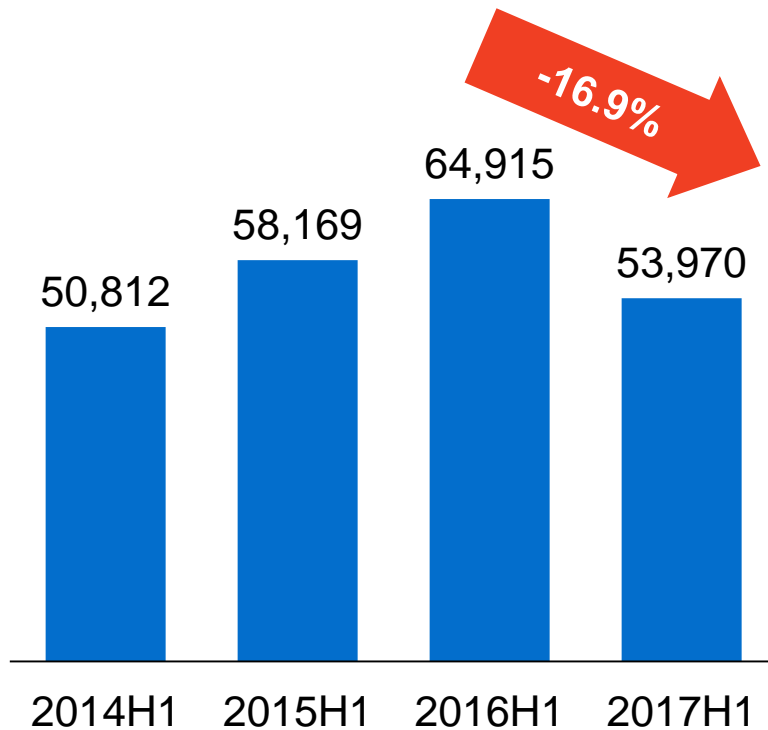


Note: The half-year's new business value as of 30 June 2016 is recalculated based on the assumption of rate of investment return as of 30 June 2017 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 30 June 2016)

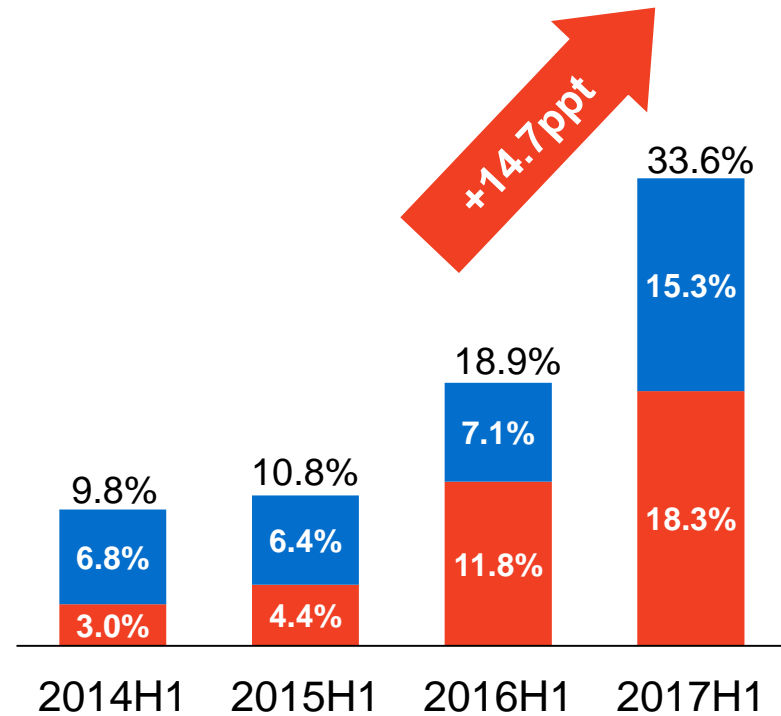
# Life: Business Structure Optimization, Contribution Promotion of Regular Premiums

## Long Term Single Premiums has been Actively Cut Down

( RMB mm )



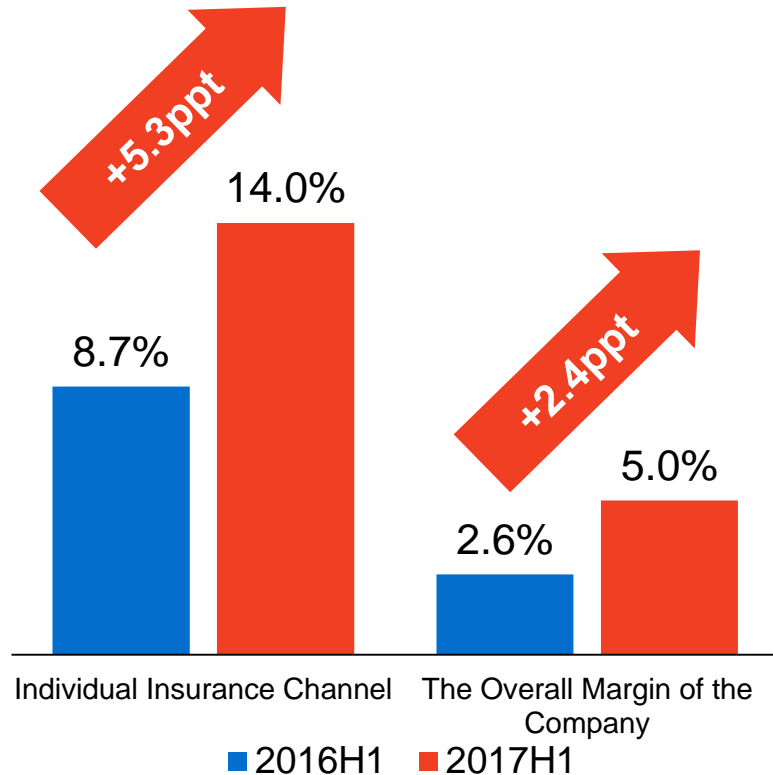
## Regular Premiums as Percentage of Total Original Premiums



■ Renewable Premiums as Percentage of Total Original Premiums  
■ First Year Regular Premiums as Percentage of Total Original Premiums

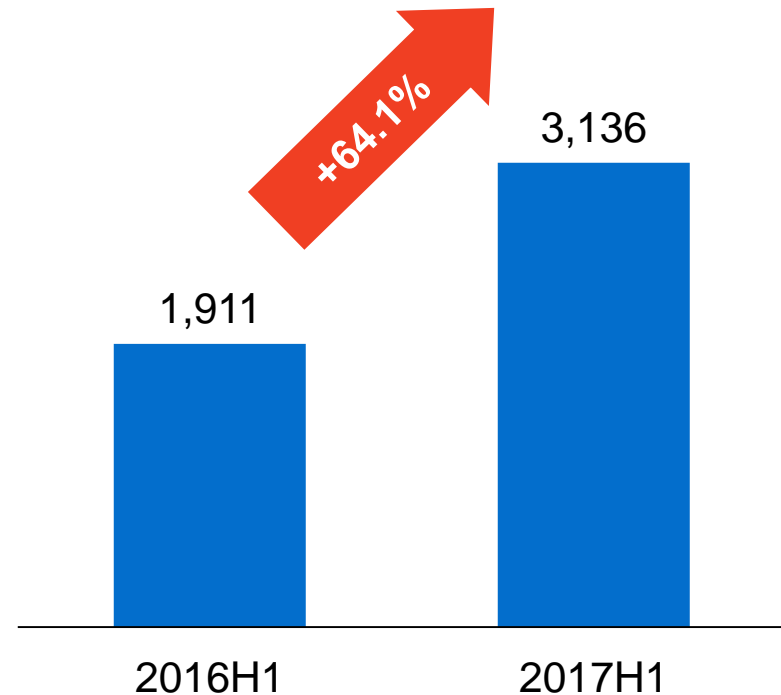
# Life: VNB Margin Increased, Individual Insurance Channel Remained Major Contribution

## VNB Margin



## VNB of Individual Insurance Channel

(After CoC, RMB mm)

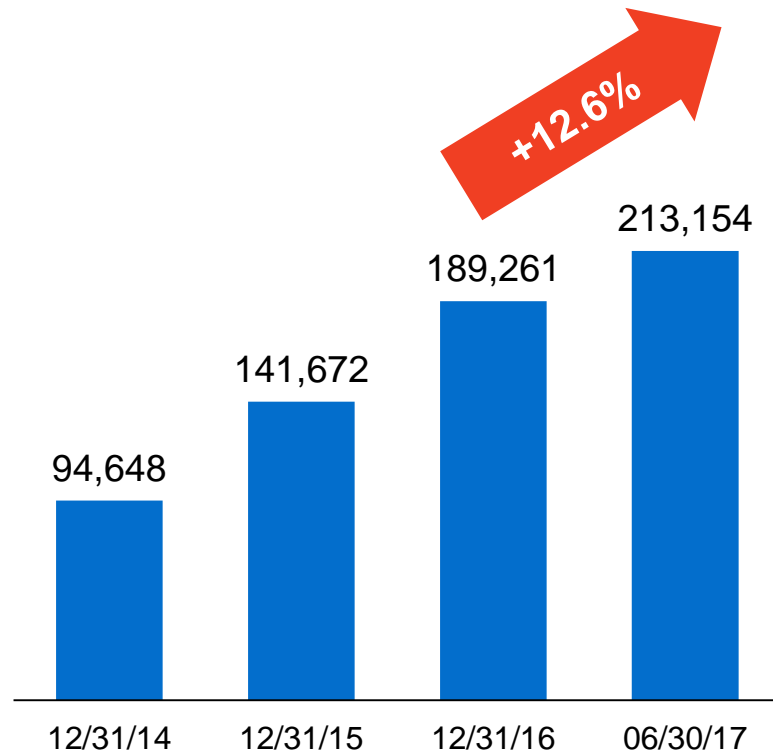


Notes: 1) VNB Margin = VNB / first year TWPs; 2) The half-year's new business value as of 30 June 2016 is recalculated based on the assumption of rate of investment return as of 30 June 2017 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 30 June 2016).



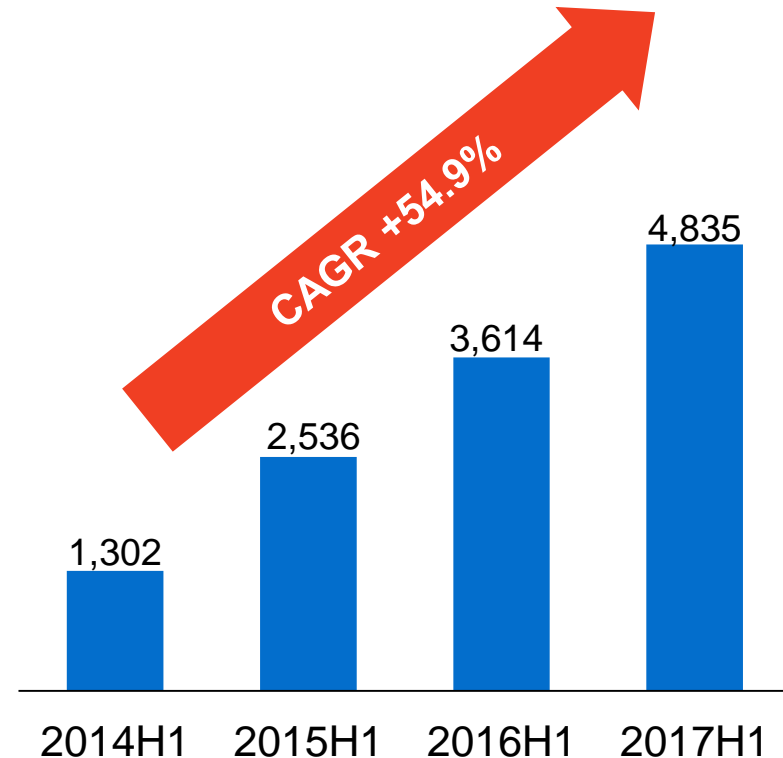
# Life: Marketing Capability of Individual Insurance Agents Continuously Improved

## Number of Individual Insurance Agents



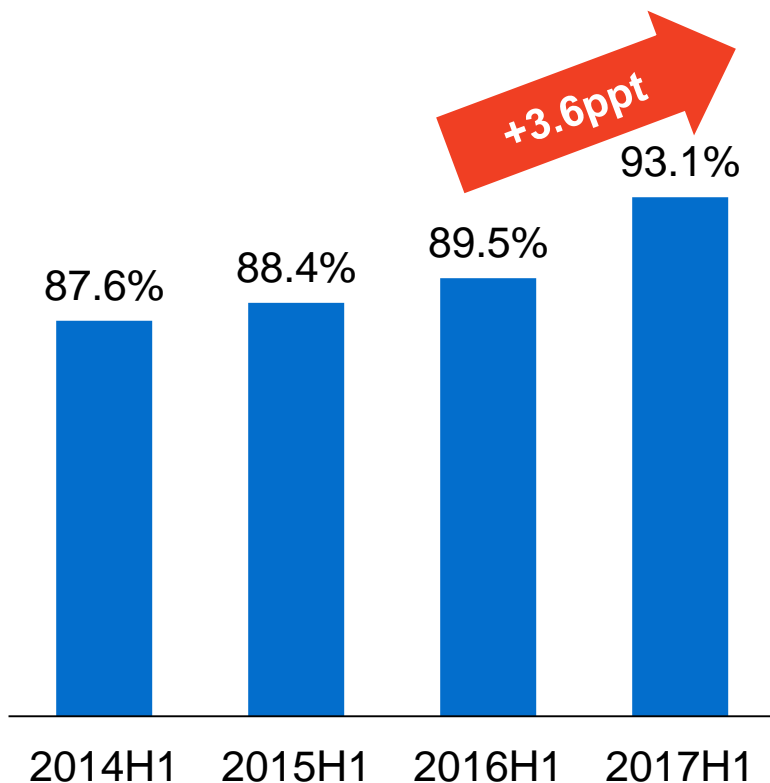
## Productivity of Individual Insurance Agents

(First Year Regular TWPs per agent per month, RMB)

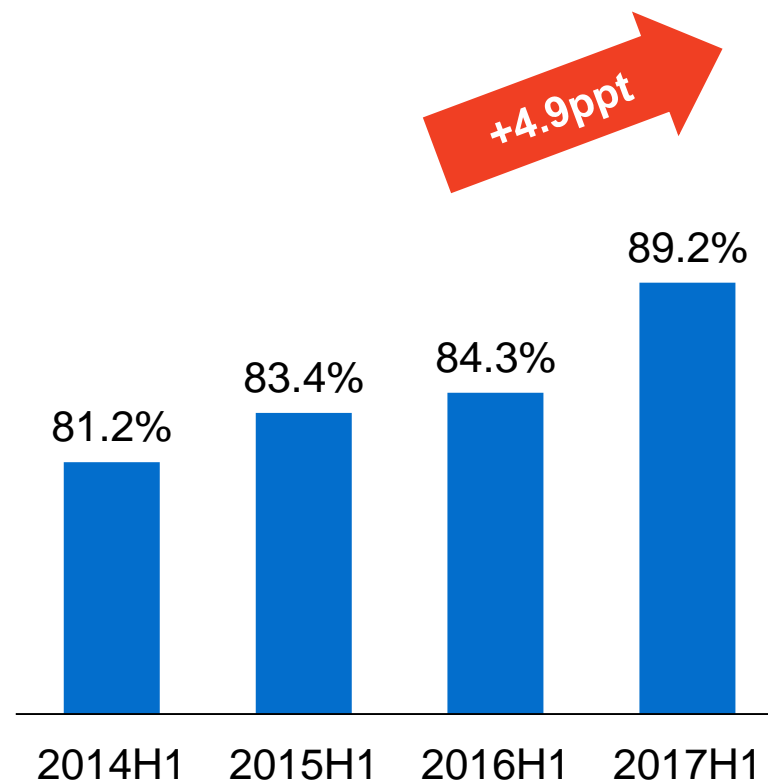


# Life: Continued Improvement in Persistency Ratio

## 13-month Premium Persistency Ratio



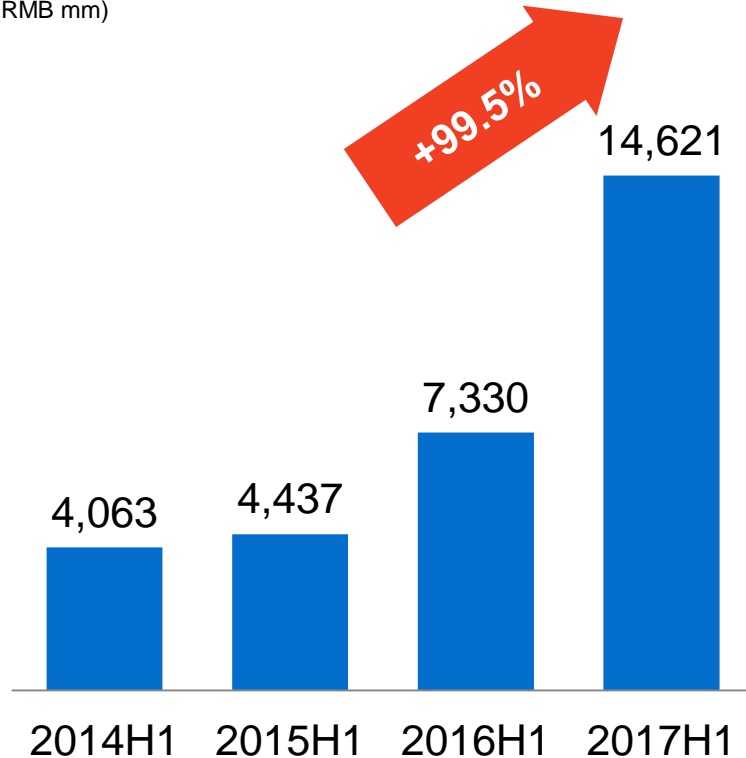
## 25-month Premium Persistency Ratio



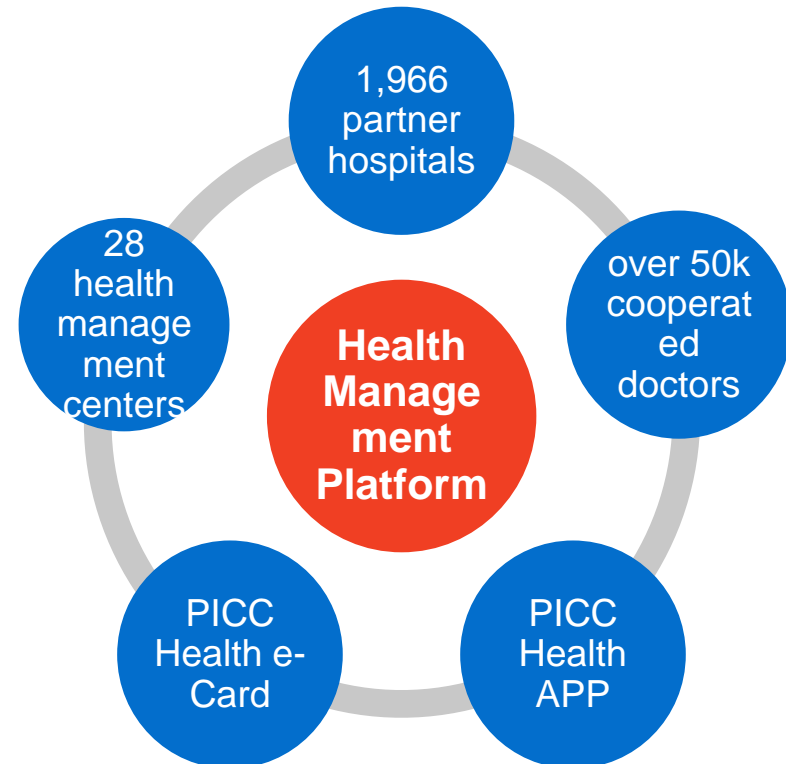
# Health: Emerging Business Continued to Grow Rapidly

## TWPs from Government-Commissioned Business

(RMB mm)



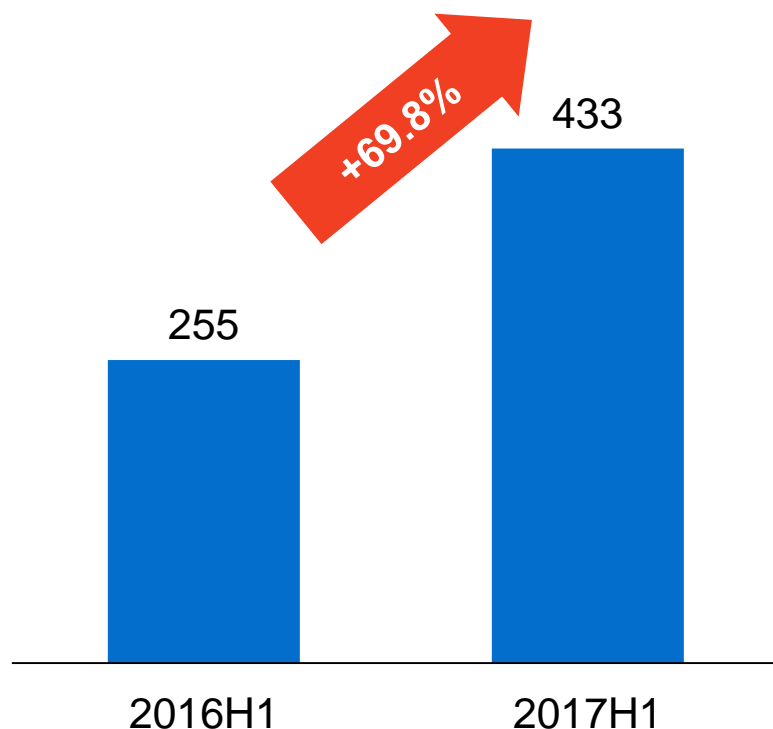
## Health Management Platform



# Health: Continuously Improved Value Creation Capabilities of Individual Insurance Channel

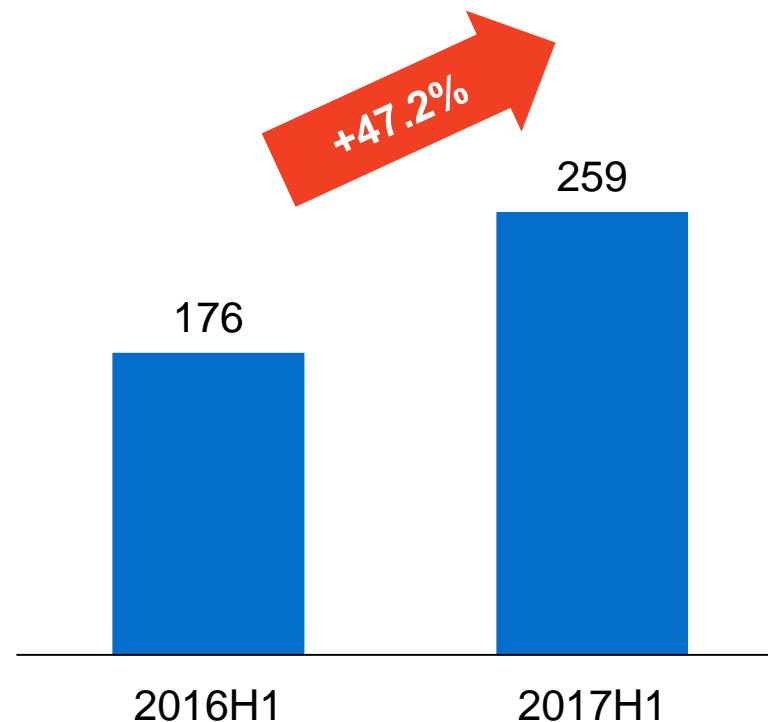
## First-year Regular Premiums of Individual Insurance Channel

(RMB mm)



## VNB of Individual Insurance Channel

(After CoC, RMB mm)

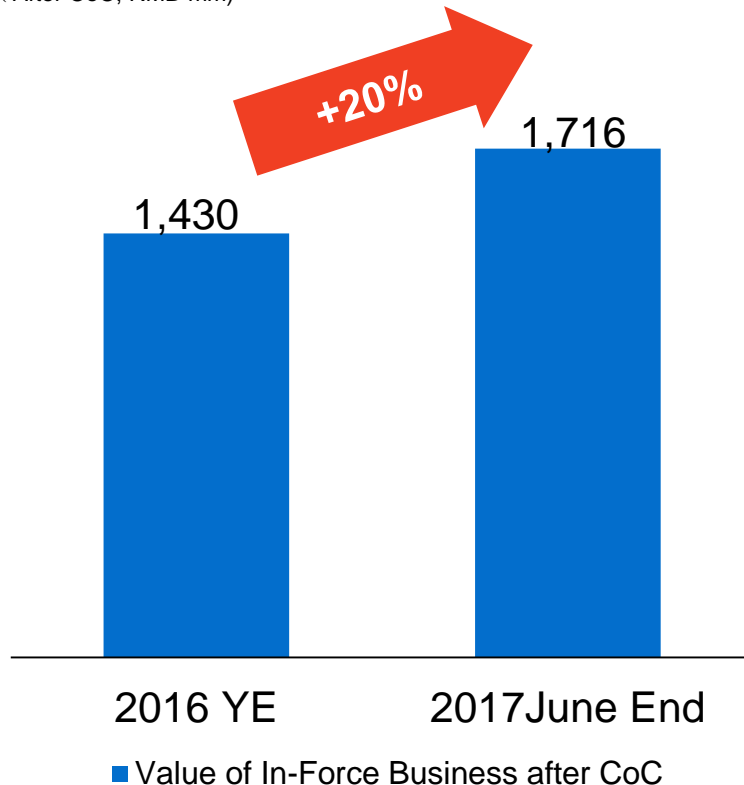


Note: The half-year's new business value as of 30 June 2016 is recalculated based on the assumption of rate of investment return as of 30 June 2017 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 30 June 2016).

# Health: Value of In-Force Business and New Business Value Continued to Rise

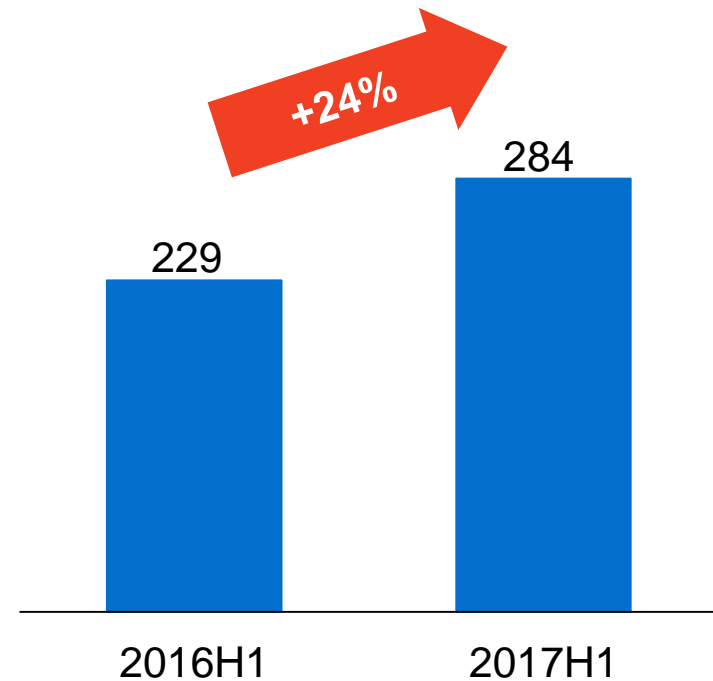
## Value of In-Force Business

( After CoC, RMB mm)



## Value of Half-Year's New Business

( After CoC, RMB mm)

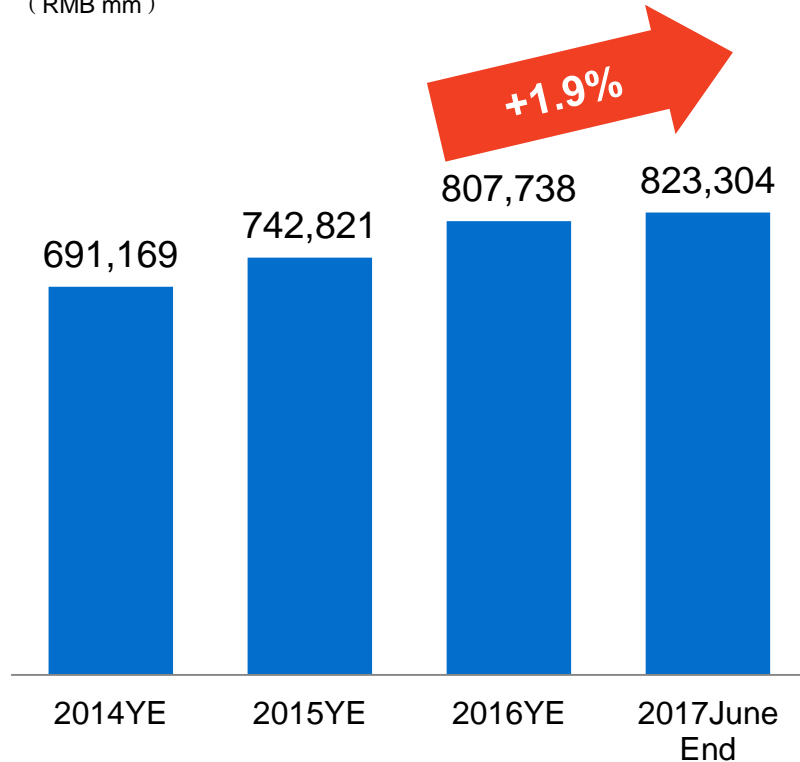


Note: The half-year's new business value as of 30 June 2016 is recalculated based on the assumption of rate of investment return as of 30 June 2017 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 30 June 2016).

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

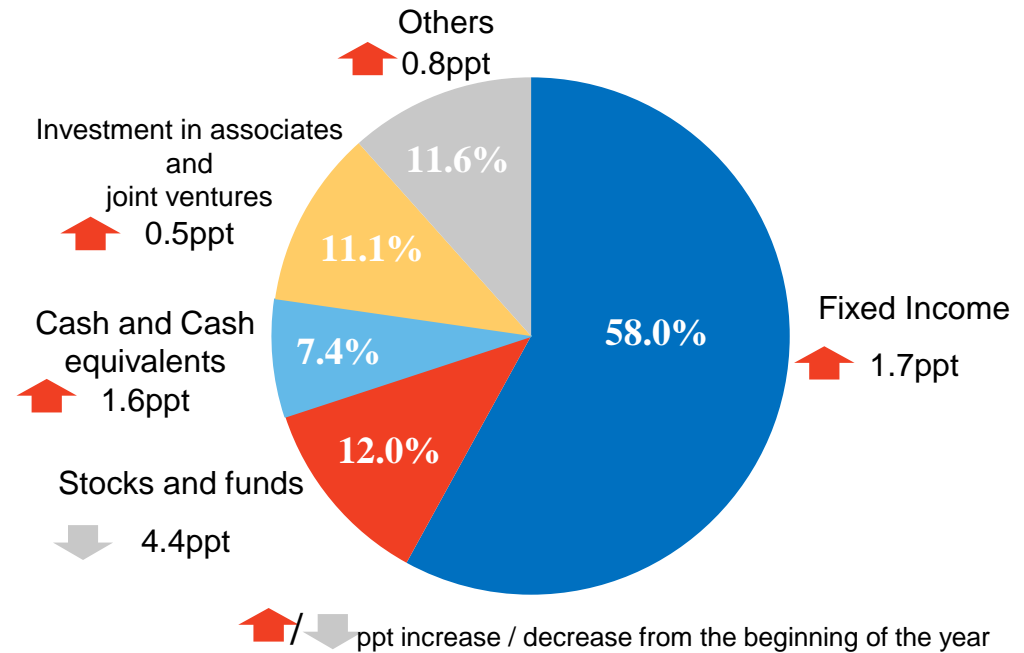
## Total Investment Assets

( RMB mm )



## Investment Portfolio

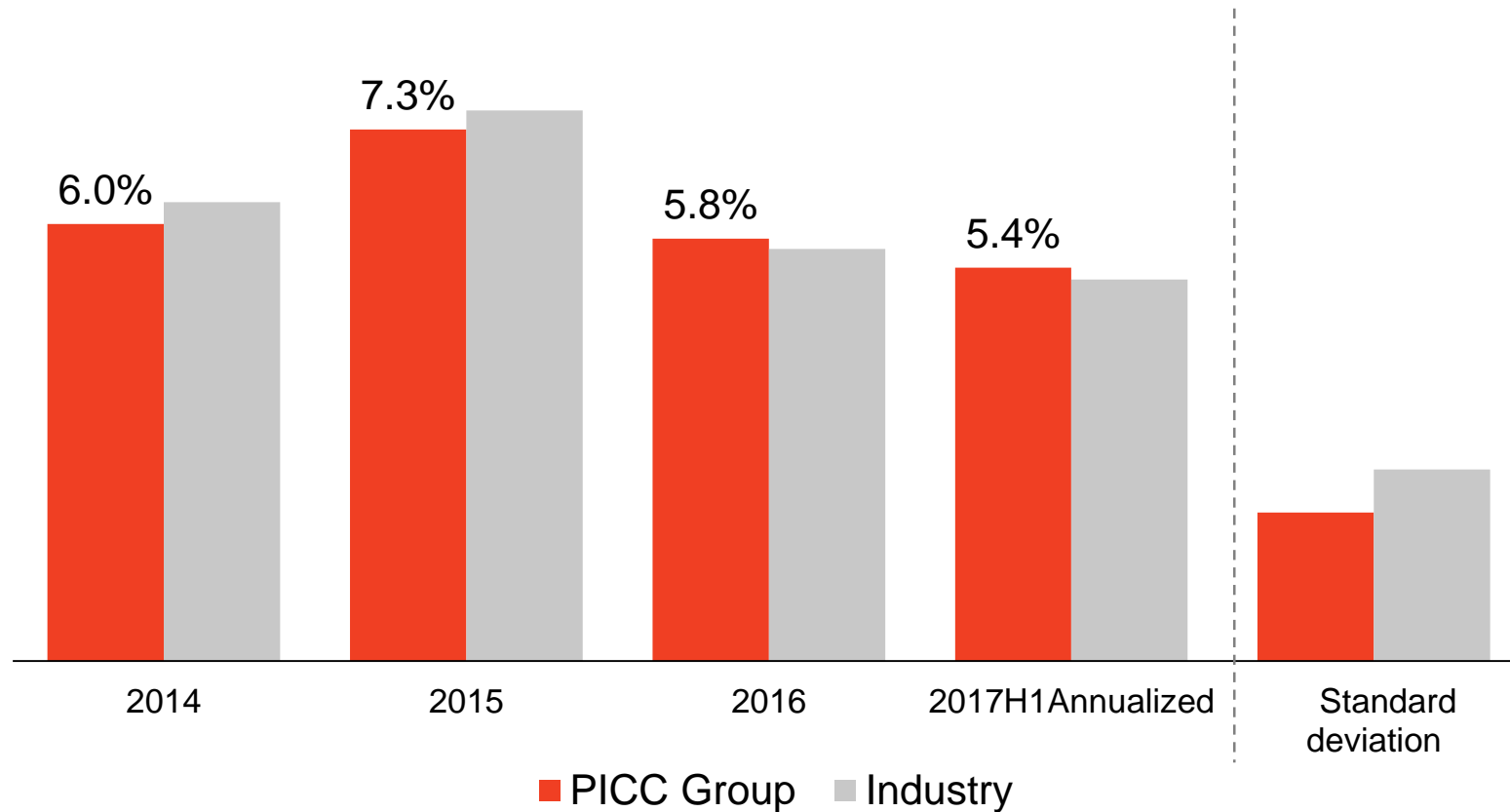
( As % of total investment assets by the end of June 2017)



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, derivative financial assets, equity investments stated at cost and asset management products etc.

# Investment: Total Investment Yield Remained Stable

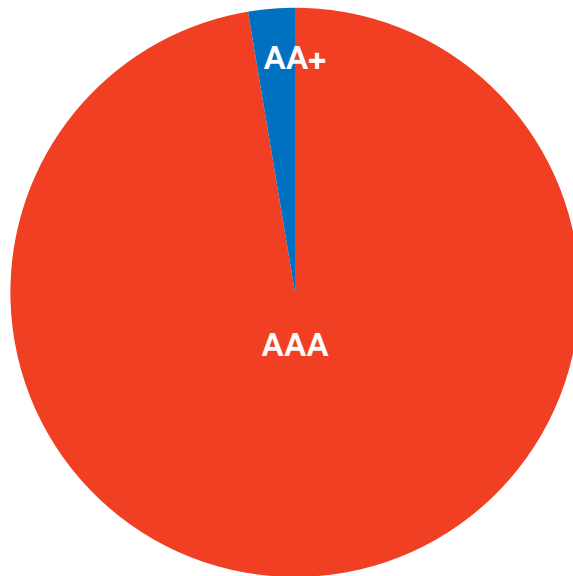
Annualized Total Investment Yield of 5.4% with Lower Long-Term Volatility than Industry Average



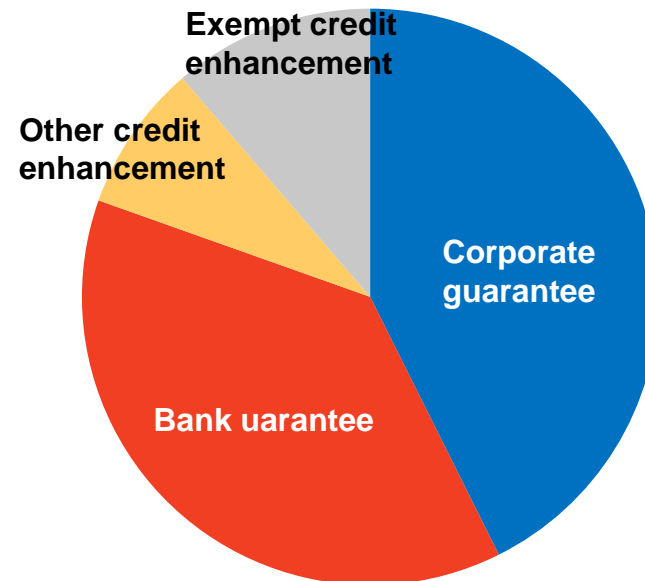
Note: Data since 2005 were used for standard deviation

# Investment: Enhanced Investment Risk Management with Risks In Non-standard Assets Under Control

## Credit Ratings of Debt Investment Schemes



## Credit Enhancement of Debt Investment Schemes





**PICC** 中国人民保险

**PICC P&C ( 2328.HK )**

**2017 Interim Results**

**August 28, 2017**



## Disclaimer

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# 2017 Interim Performance Highlights

- 1 Gross written premiums of RMB179.68bn, a YoY growth of 11%, market share of 34%, maintaining dominant position
- 2 Underwriting profit of RMB6.52bn, combined ratio of 95.5%, consistently outperforming the industry
- 3 Total investment income of RMB9.97bn, a YoY growth of 31.2%, annualized total investment yield of 5.1%, annualized net investment yield of 4%
- 4 Net profit of RMB12.08bn, a YoY growth of 13.5%, EPS of RMB0.815, annualized ROE of 19.6%
- 5 Total assets and net assets increased by 11.6% and 7% from the beginning of the year, respectively; net cash flow from operating activities increased by 70.7% YoY; comprehensive solvency margin ratio of 290%

# Business Achieved Rapid Growth, Maintaining Dominant Position

1

Strengthened market benchmarking, adopted active financial policies, expanded the authorization to lower level branches, fully releasing the grassroots' creativity and initiative and promoted rapid development

2

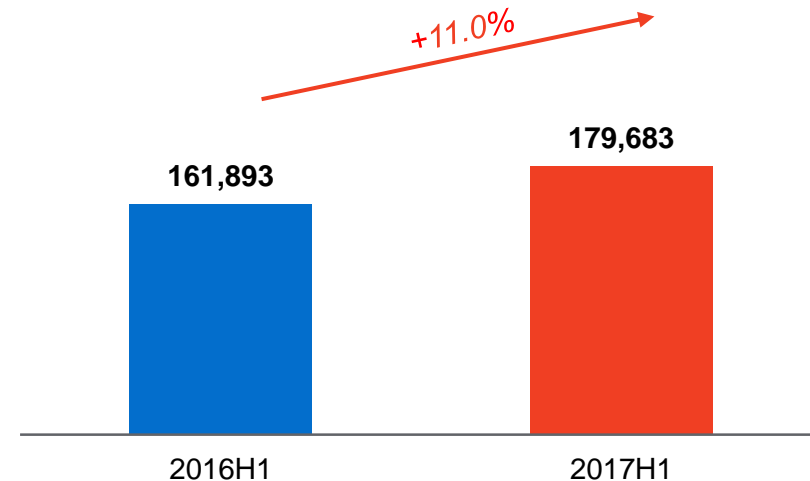
Seized opportunities, upgraded product supply, actively expanded service areas, promoted the construction of policy-supported business operation platforms, carried out agricultural financing pilot and further consolidated the dominant market position in policy-supported business

3

Refined the lay out of distribution channels, expanded rural sales teams, and strengthened sales processes management

## Gross Written Premiums

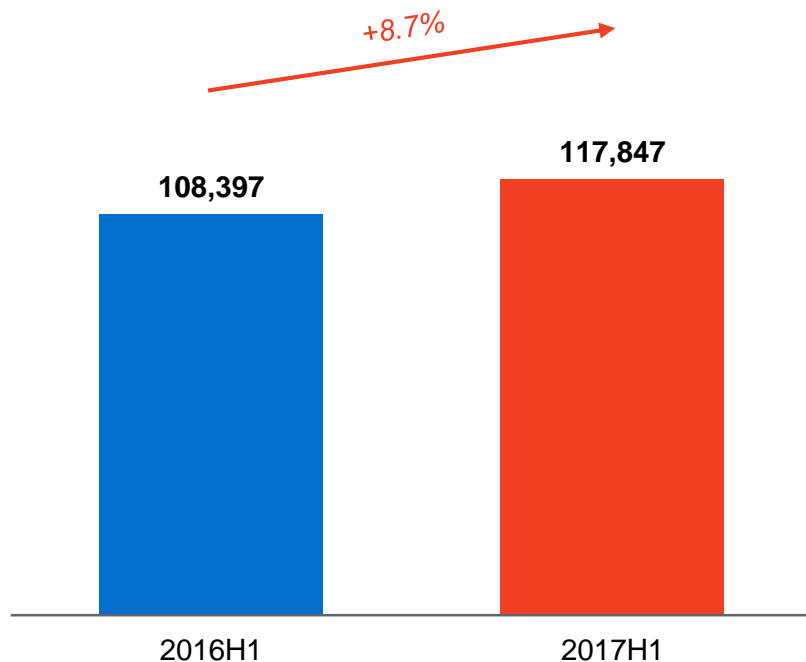
RMB mm



# Business Maintained Rapid Growth

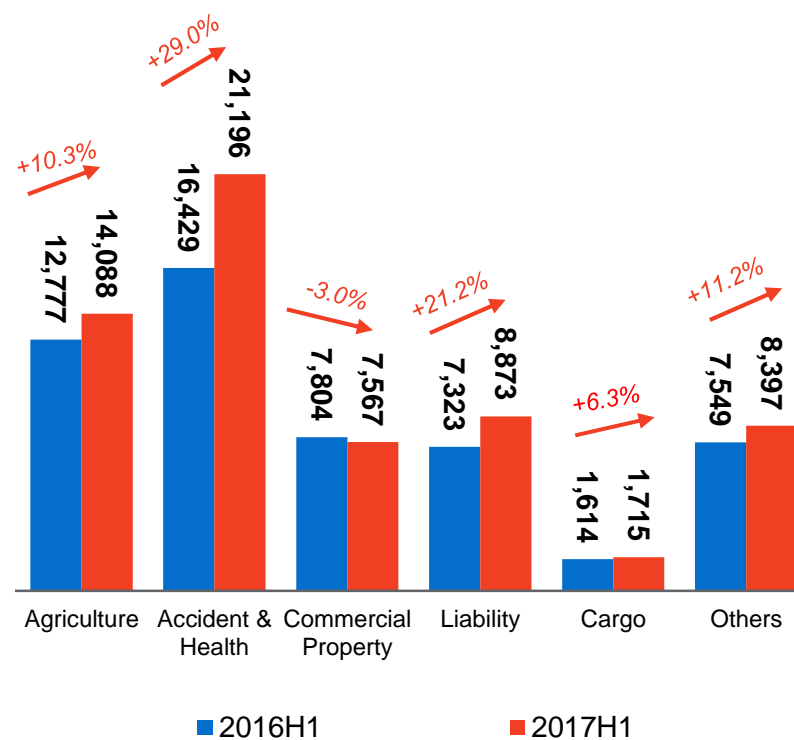
## Motor Vehicle Insurance

Gross written premiums, RMB mm



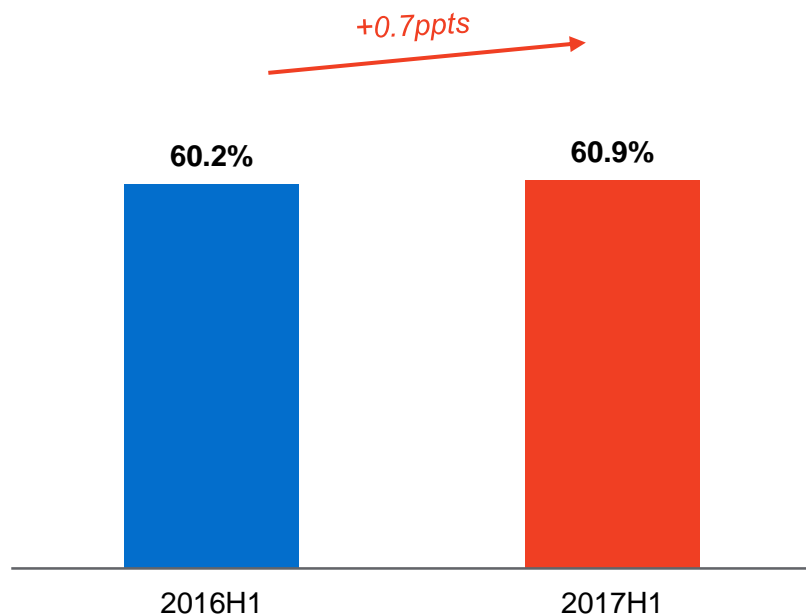
## Non-motor Insurance

Gross written premiums, RMB mm

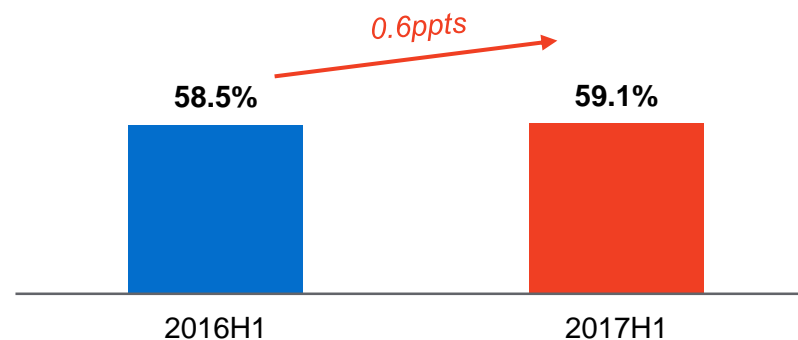


# Loss Ratio Increased

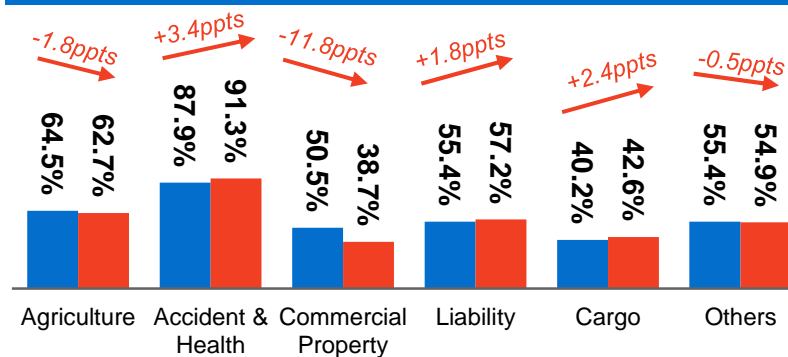
## Overall Loss Ratio



## Loss Ratio for Motor Vehicle Insurance



## Loss Ratio for Non-motor Insurance



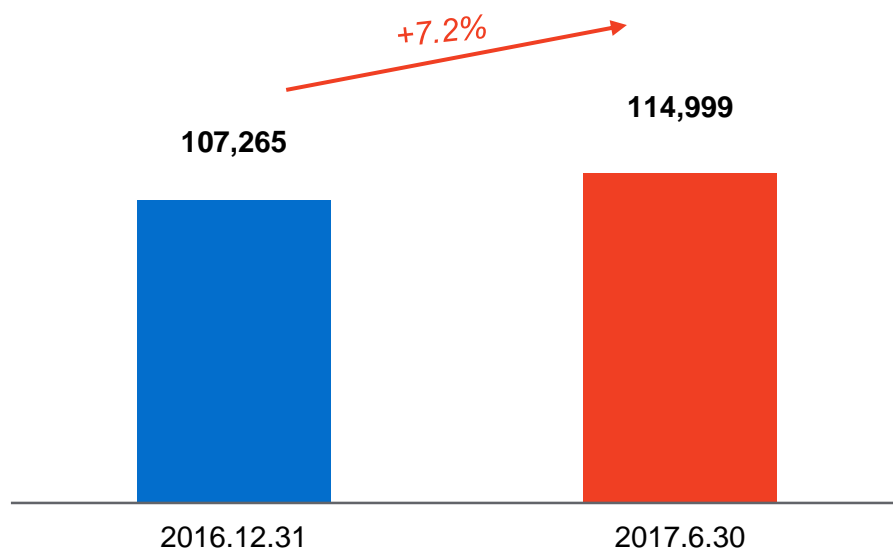
■ 2016H1

■ 2017H1

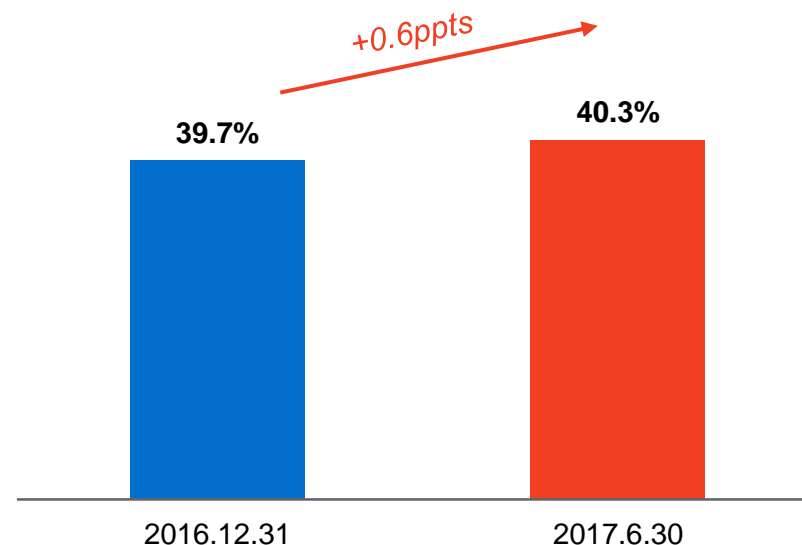
# Sufficient Appropriation of Loss and LAE Reserves

## Net Loss and LAE Reserves

RMB mm



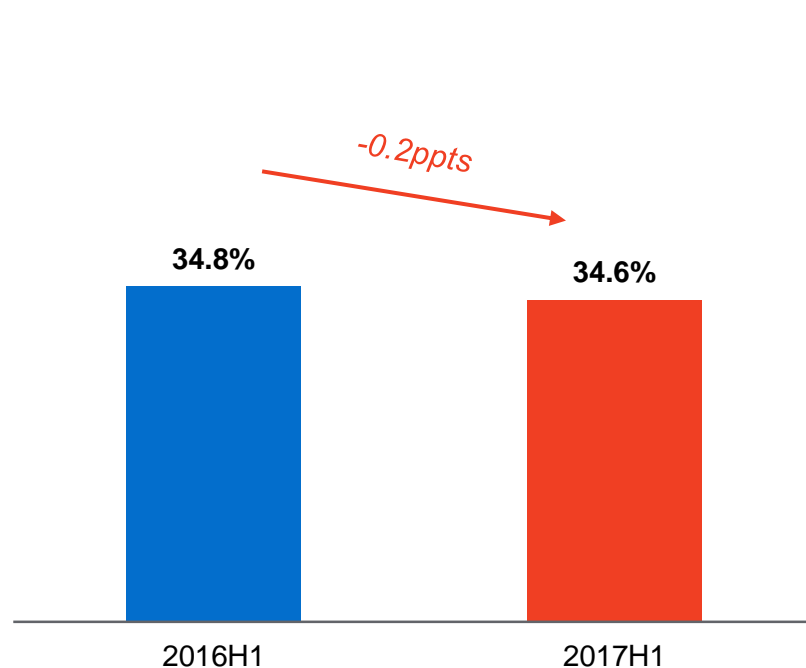
## Net Loss and LAE Reserves Ratio



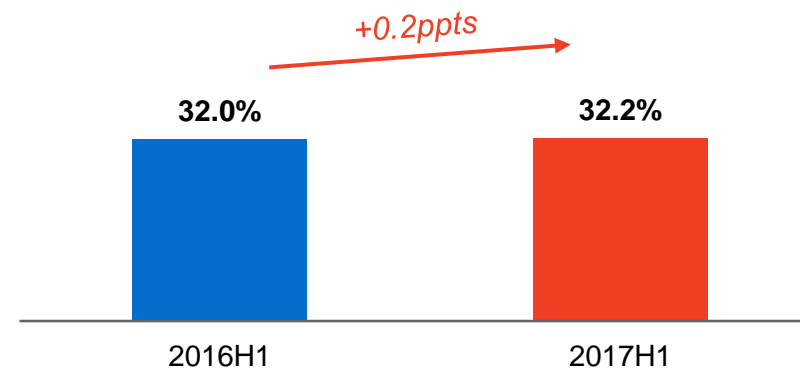
Note: Net Loss Reserves ratio = Net Loss and Loss Adjustment Expense Reserves by the end of the period / Net premiums earned in the past 12 months

# Expense Ratio Declined

## Overall Expense Ratio

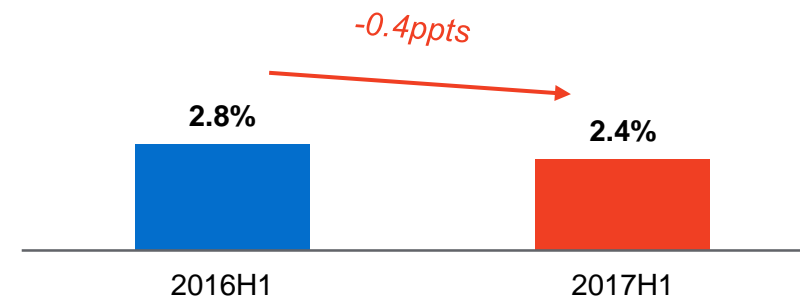


## Underwriting Expense Ratio



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

## Administrative Expense Ratio

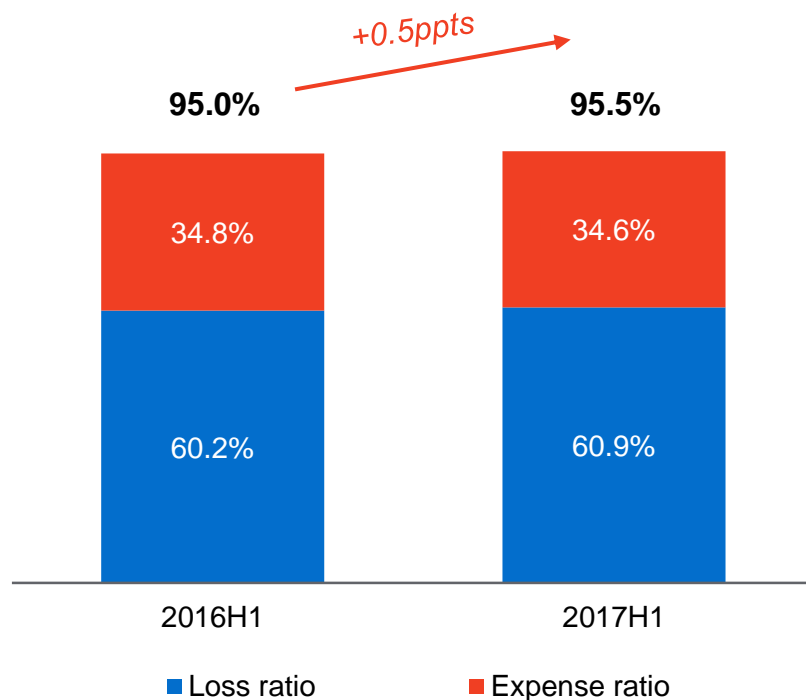


Note: Administrative expense ratio = Administrative expenses / Net earned premiums



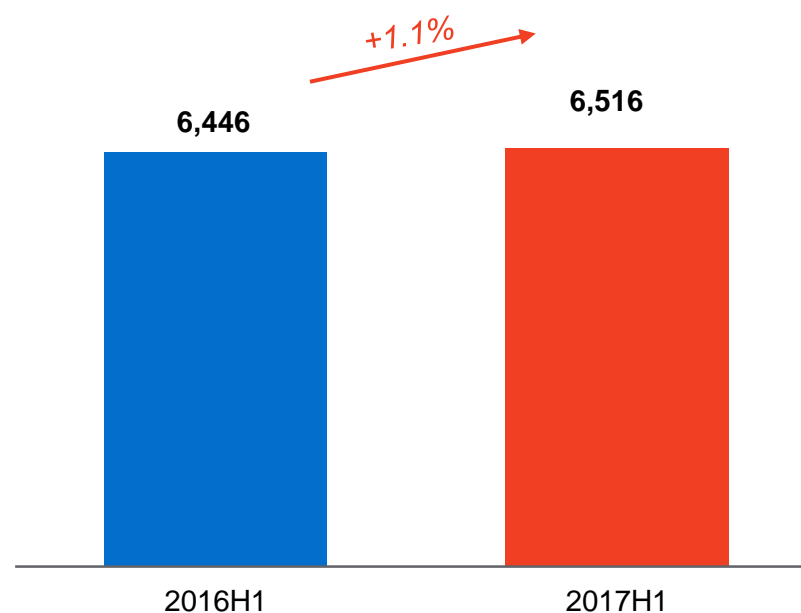
# Underwriting Profitability Continued to Outperform the Industry

## Combined Ratio



## Underwriting Profit

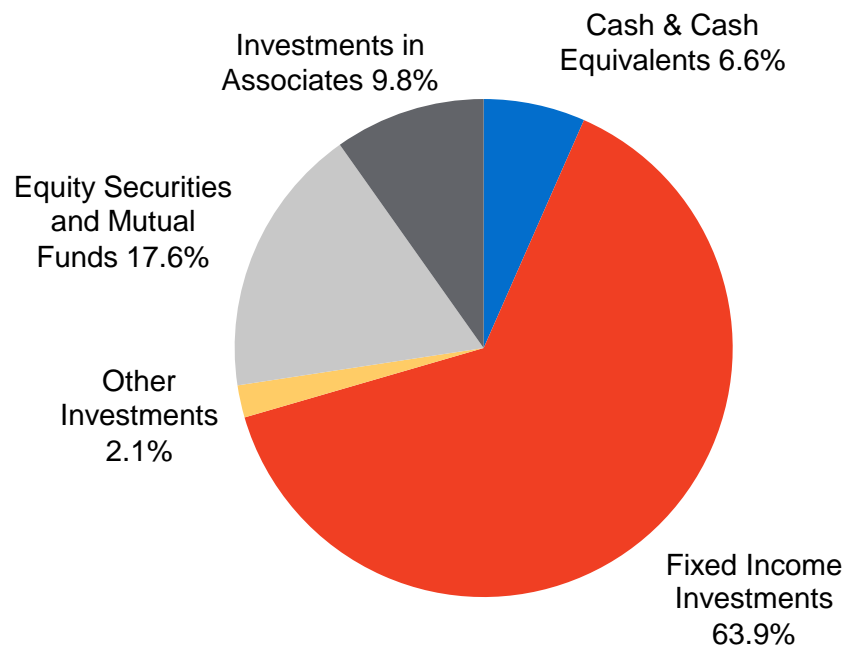
RMB mm



# Investment Strategy Remained Prudent, Investment Portfolio Optimized

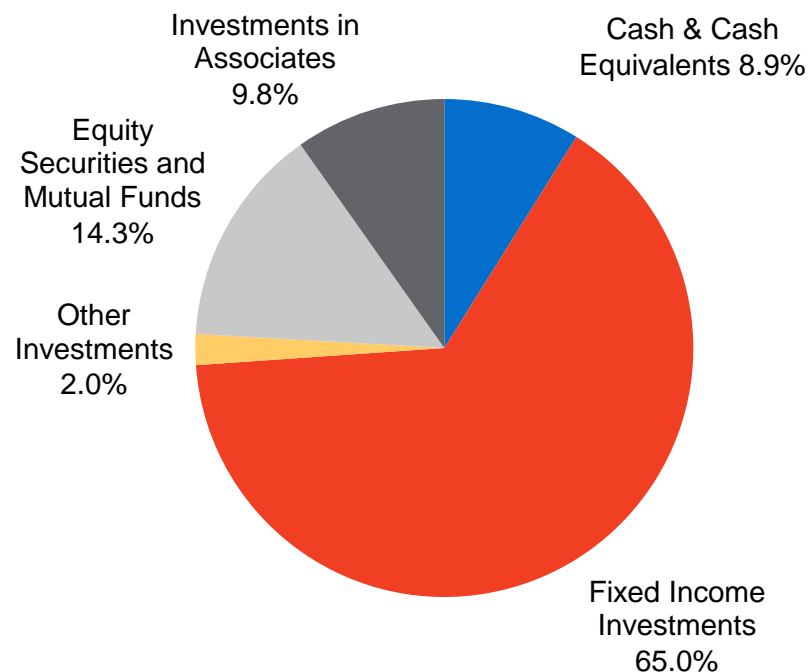
**As of December 31, 2016**

**Total Investment Assets: RMB379.98bn**



**As of June 30, 2017**

**Total Investment Assets: RMB396.06bn**

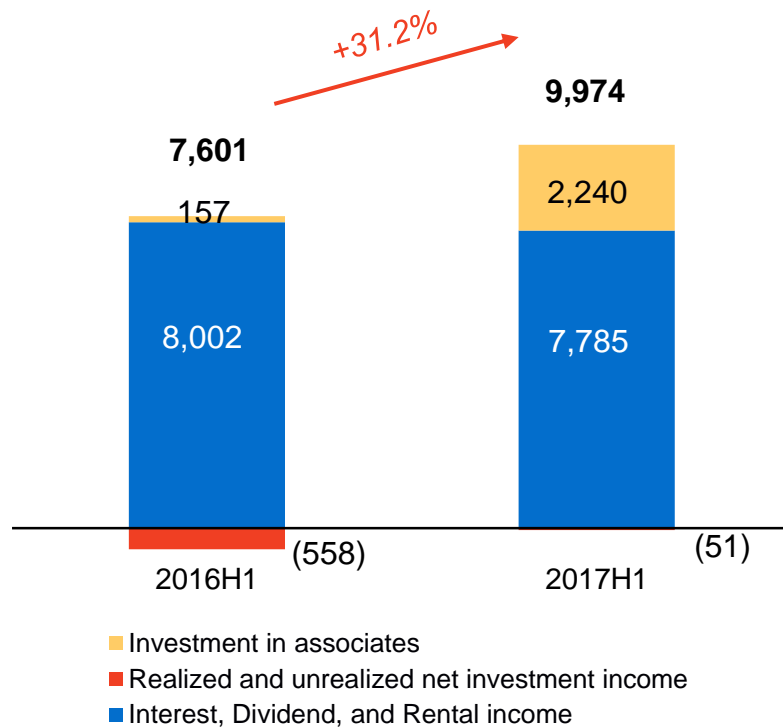


Note: Figures may not add up due to rounding; cash and cash equivalents are mainly denominated in RMB and include financial assets purchased under resale agreement with original maturity of less than three months; "other investments" include investment properties, derivative financial assets, statutory deposits, etc.

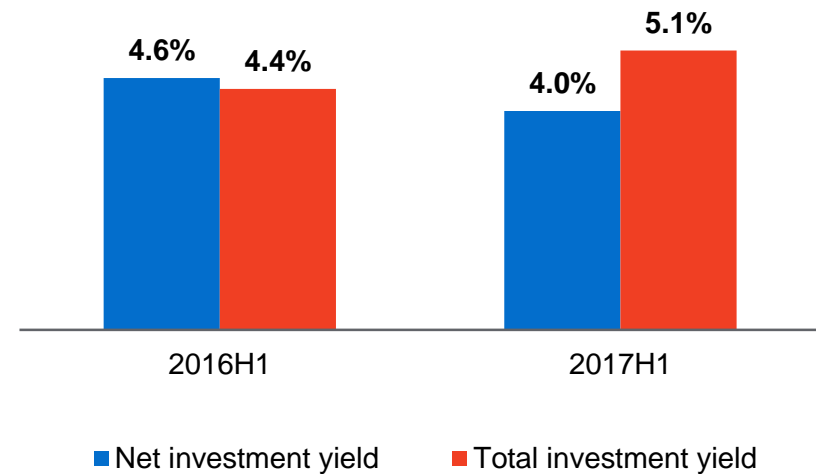
# Investment Income Increased

## Investment Income

RMB mm



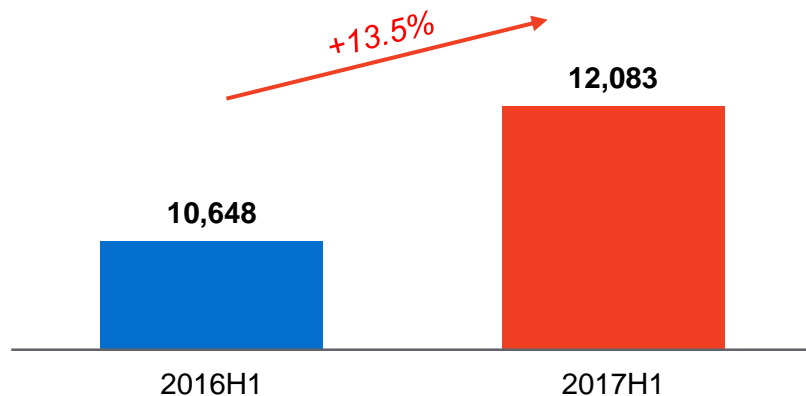
## Annualized Investment Yield



# Net Profit Increased, Capital Position Further Strengthened

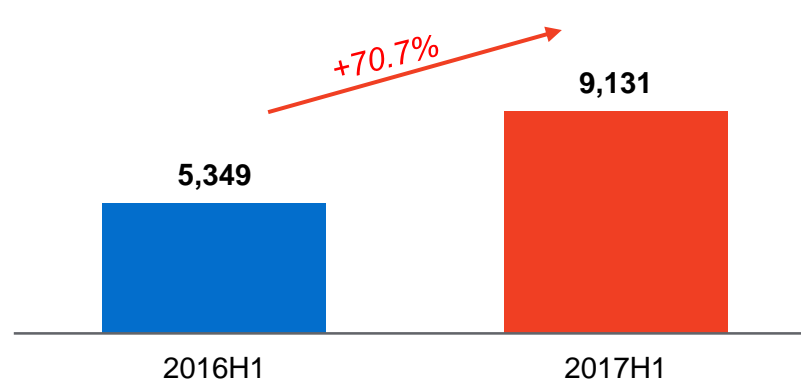
## Net Profit

RMB mm



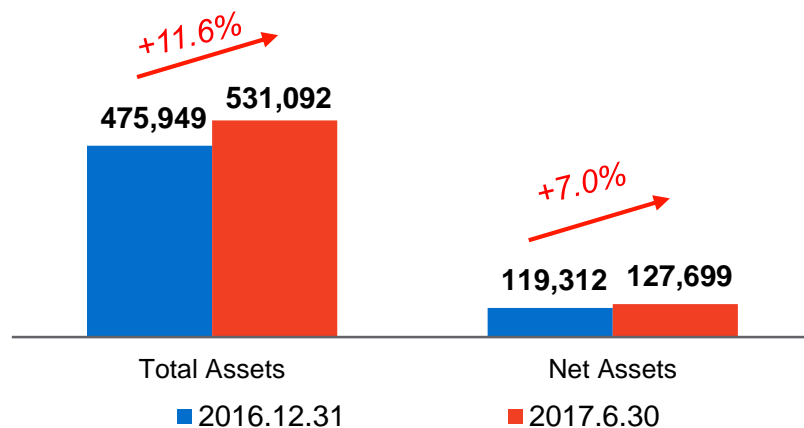
## Net Cash Flow from Operating Activities

RMB mm

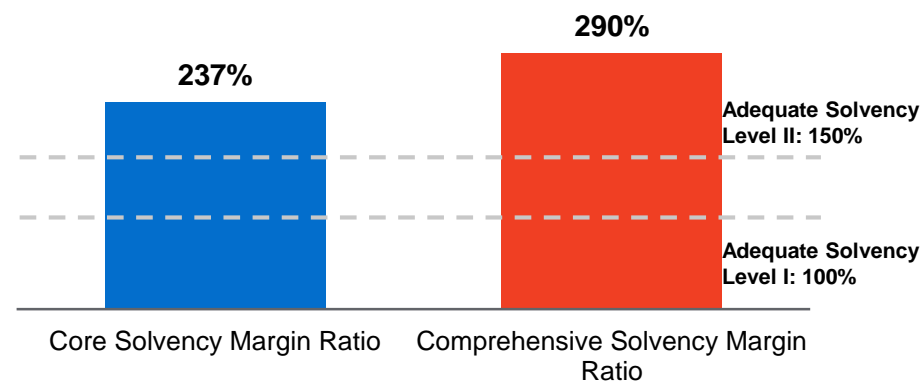


## Total Assets and Net Assets

RMB mm



## Solvency Margin Ratio



# Key Initiates in the Second Half of the Year

- 1 Benchmark with the industry, further enhance management, promote profitable development of motor vehicle insurance business
- 2 Capture development opportunities, innovate services model, upgrade insurance supply, promote development of non-motor insurance business
- 3 Strengthen underwriting and claims management, further improve pricing, enhance cost advantage, improve underwriting profitability
- 4 Implement the internet strategy, increase the financial technology applications, promote innovative development
- 5 Adhere to prudent investment strategy, strictly control risks, capture market opportunities, increase investment income
- 6 Continue to improve internal control and compliance system, further enhance risk management capabilities

# Appendix: Key Financials of the Group

(RMB mm, unless otherwise noted)	2017H1	2016H1	Change (%)
Gross premiums	279,726	264,578	5.7
P&C Insurance	179,856	161,980	11
Life Insurance	83,328	82,278	1.3
Health Insurance	16,543	20,320	(18.6)
Net profit	12,791	11,284	13.4
Net profit attributable to the equity holders	8,815	7,725	14.1
EPS ( RMB )	0.21	0.18	14.1
Weighted average return on equity(annualized %)	13.5	13.0	Up by 0.5ppt
Return on investment ( annualized, % )	5.4	5.0	Up by 0.4ppt
PICC Property insurance underwriting profit	6,516	6,446	1.1
PICC comprehensive cost rate	95.5	95.0	Up by 0.5ppt
New business value of PICC Life Insurance	3,907	21,52	81.6
New business value of PICC health insurance	284	229	24
( RMB mm, unless otherwise noted )	As of June 30, 2017	As of December 31, 2016	Change (%)
Total Asset	987,418	932,149	5.9
Total Liabilities	807,243	761,155	6.1
Total Equity	180,175	170,994	5.4
Equity attributable to equity holders of the Company	132,825	126,101	5.3
Book Value per Share ( RMB )	3.13	2.97	5.3
Embedded value of PICC Life Insurance	60,615	57,558	5.3
Embedded value of PICC Health Insurance	7,716	7,118	8.4