

# **PICC Group (1339.HK)**

## **2016 Annual Results Announcement**

**March 27, 2017**



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# Agenda

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## **Overview of Results**

### **Review of the Group's Performance and 2017 Outlook**

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

**Achieved Full Coverage across the Insurance Value Chain, Stable Business Growth, Ongoing Business Mix Optimization and a Good Start of the 13<sup>th</sup> Five-year-plan  
——Overview of 2016 Results of PICC Group (1339.HK)**

1

Total written premiums (TWPs) of RMB455.18bn, a YoY increase of 15.1%; gross premium of RMB439.87bn, up by 13.3% YoY

2

PICC P&C continued to outperform the industry average with a combined ratio of 98.1%; one-year's VNB of PICC Life grew by 53.1% YoY; one-year's VNB of PICC Health grew by 18.6% YoY

3

Consolidated net profit of RMB20.68bn; EPS of RMB0.34 and weighted average return on equity of 11.8%

4

Total assets of RMB932.15bn and net assets of RMB170.99bn, up by 10.5% and 8.8% from the beginning of the year, respectively; solvency margin ratios of the Group and its subsidiaries fulfilled regulatory requirements

5

Total investment assets of RMB807.74bn, up by 8.7% from the beginning of the year; total investment yield of 5.8% and net investment yield of 5.7%

## —Overview of 2016 Results of PICC P&C (2328.HK)

1

Gross written premiums of RMB311.16bn, a YoY growth of RMB29.46bn or 10.5%, market share of 33.5%

2

Underwriting profit of RMB5.02bn, combined ratio of 98.1%, consistently outperforming the industry

3

Total investment income of RMB18.94bn, total investment yield of 5.2%, net investment yield of 4.2%

4

Net profit of RMB18.02bn, ROE of 15.8%, EPS of RMB1.215, proposed DPS of RMB0.309

5

Total assets and net assets increased by 13.2% and 9.5% from the beginning of the year, respectively; comprehensive solvency margin ratio of 287%

# Agenda

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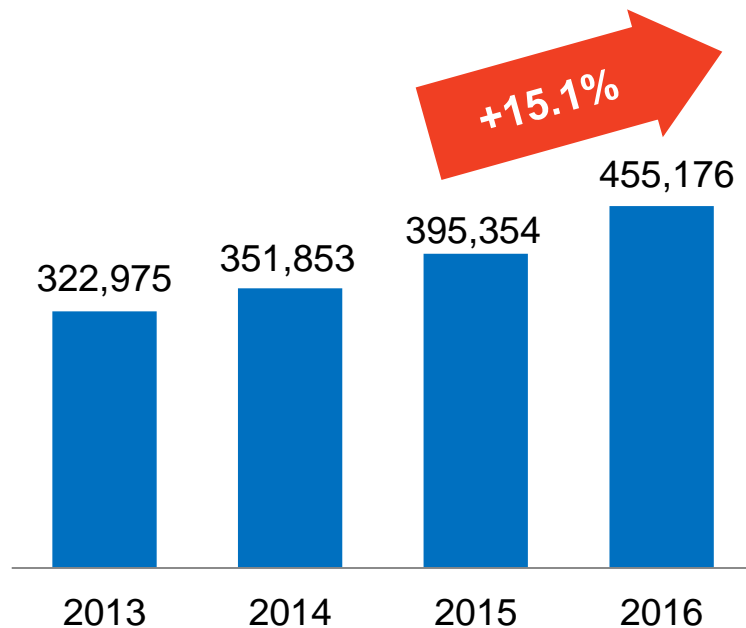
## Overview of Results

## Review of the Group's Performance and 2017 Outlook

## Performance of Key Business Segments

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

(TWPs, RMB mm)

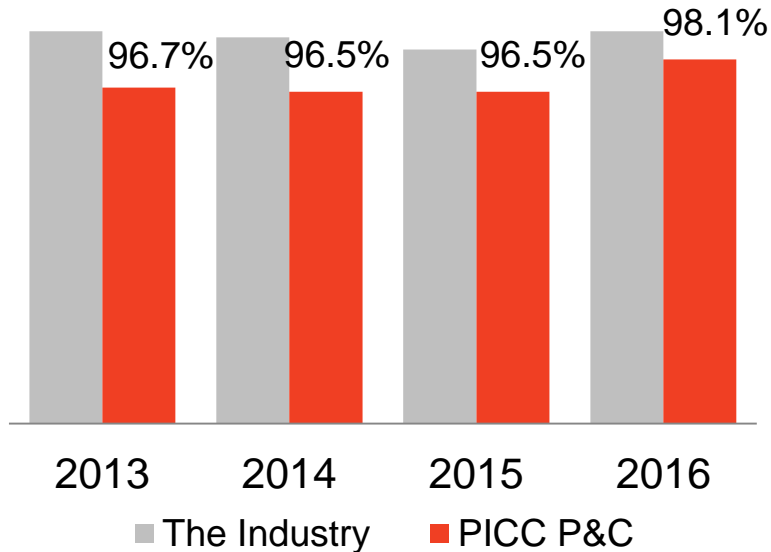


	TWPs (RMB mm)	YoY Growth
PICC P&C	310,453	+10.5%
PICC Life	116,556	+22.0%
PICC Health	28,055	+49.9%

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

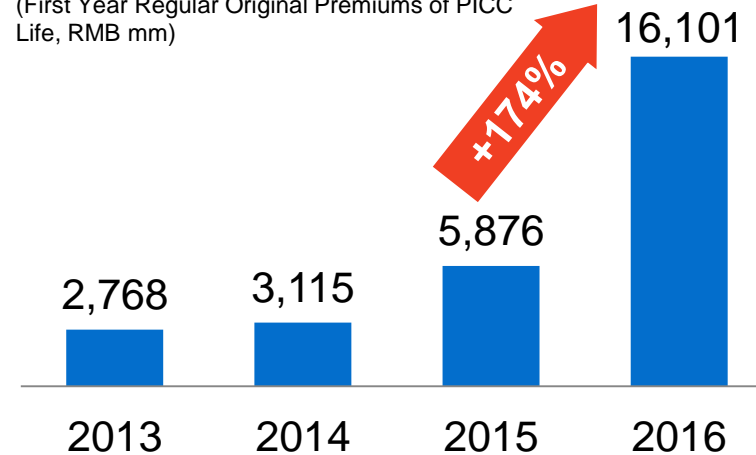
# P&C Outperformed the Industry and Life Continued to Optimize Business Structure

## P&C: Combined Ratio Continues to Outperform the Industry

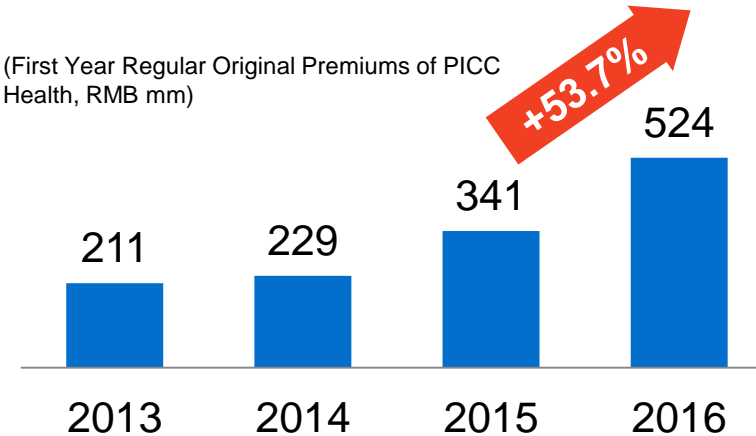


## Life: Continues to Optimize Business Structure

(First Year Regular Original Premiums of PICC Life, RMB mm)



(First Year Regular Original Premiums of PICC Health, RMB mm)

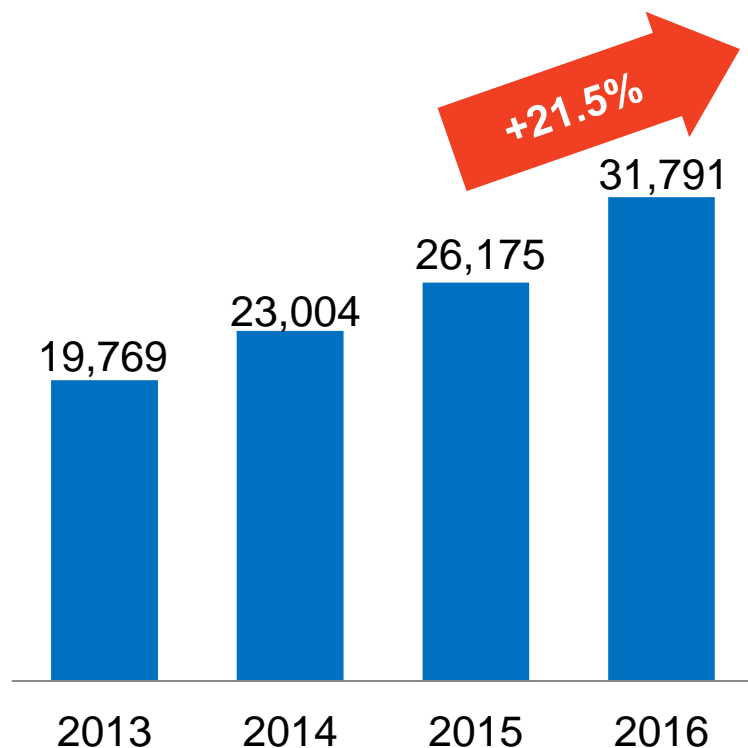




## Synergies Continued to be Realized

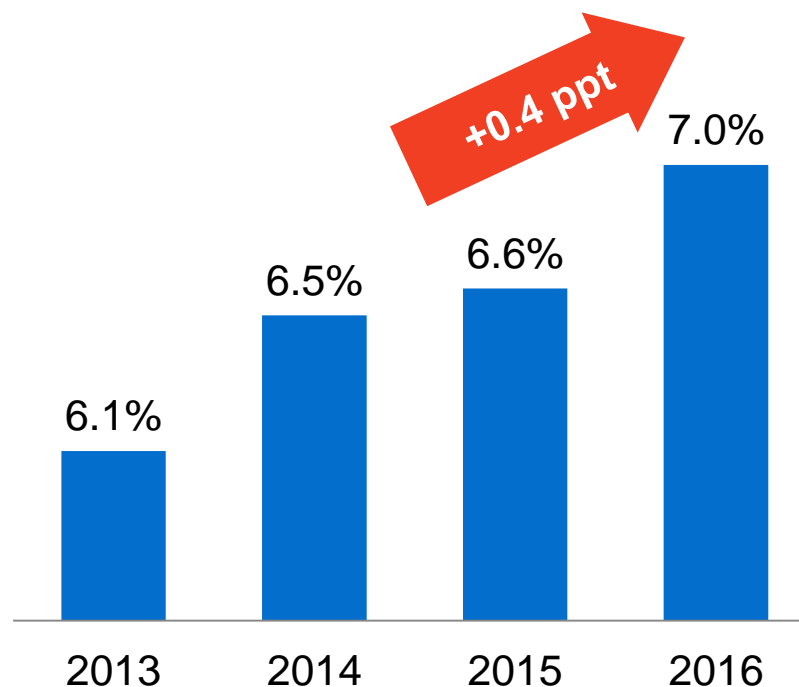
### TWPs through Cross-selling&Synergy Increased by 21.5%

(TWPs through cross-selling&synergy, RMB mm)



### Increasing Contribution to the Group's TWPs

(Percentage of TWPs achieved through cross-selling&synergy)



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

## Extensive Service Network Coverage

County-level  
Coverage

~100.0%

Township-level  
Coverage

>98%

Village-Level  
Coverage

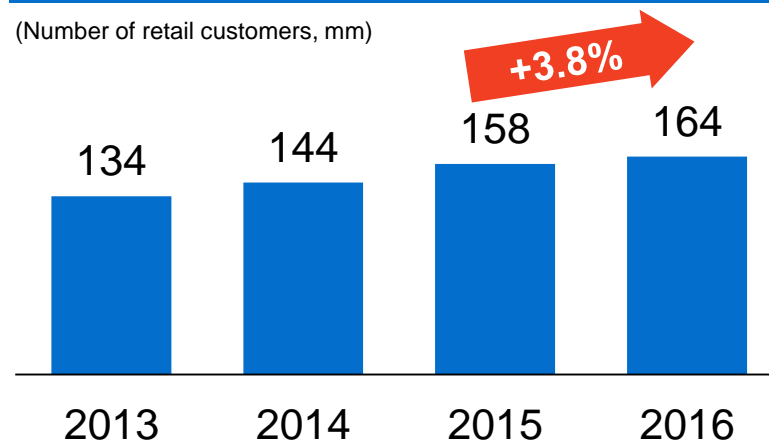
>54%

Rural Service  
People

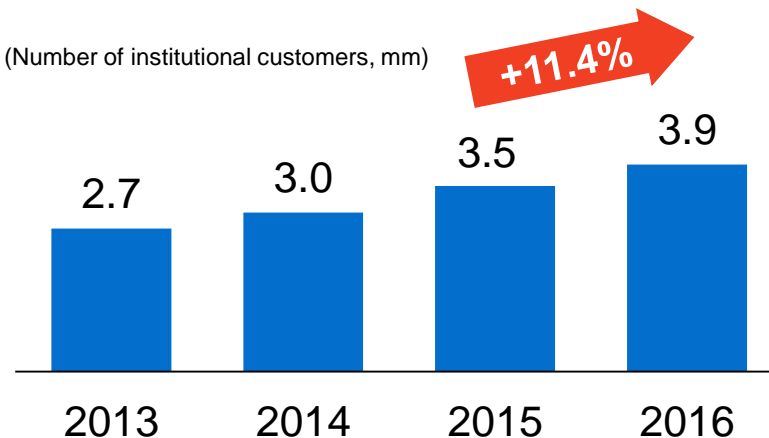
>300K

## Steady Increase in the Number of Customers

(Number of retail customers, mm)



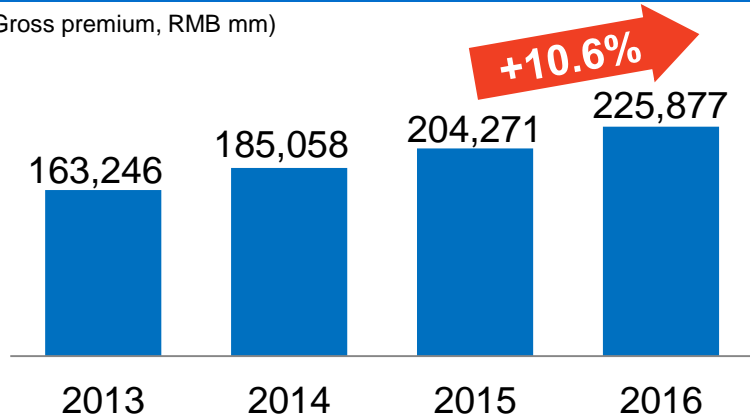
(Number of institutional customers, mm)



# Continued to Solidify Existing Advantages and Develop New Advantages

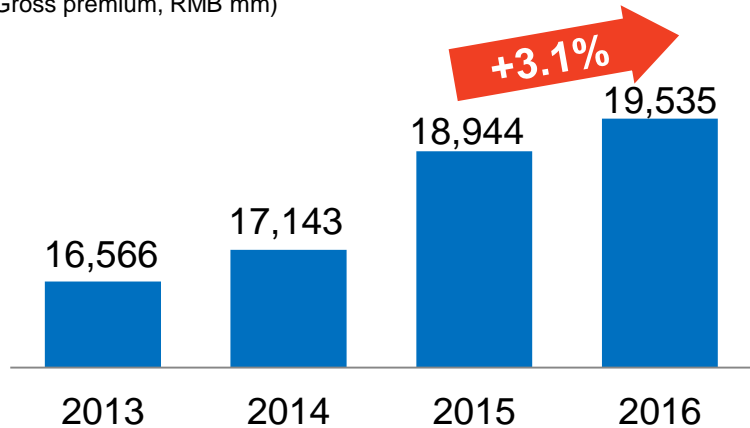
## Premium of Auto Insurance up by 10.6% YoY

(Gross premium, RMB mm)



## Premium of Agricultural Insurance up by 3.1% YoY

(Gross premium, RMB mm)

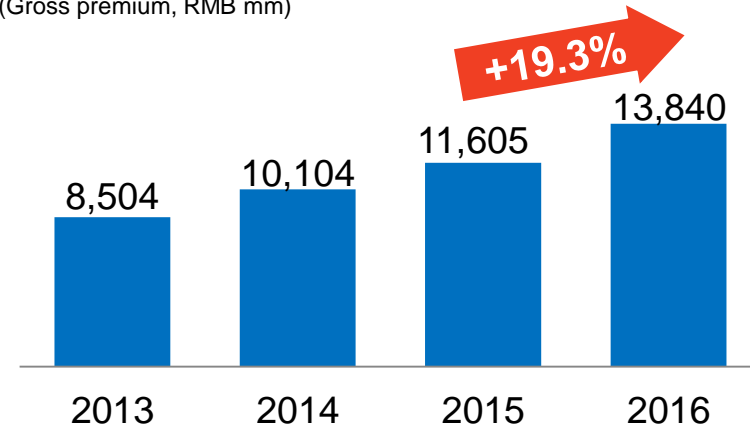


## Premium of Critical Illness Insurance up by 32% YoY

- ◆ Original premium of RMB13.02bn
- ◆ 410mm people insured accumulatively
- ◆ Covering 29 provinces (including autonomous regions and municipalities) and 237 cities

## Premium of Liability Insurance up by 19.3% YoY

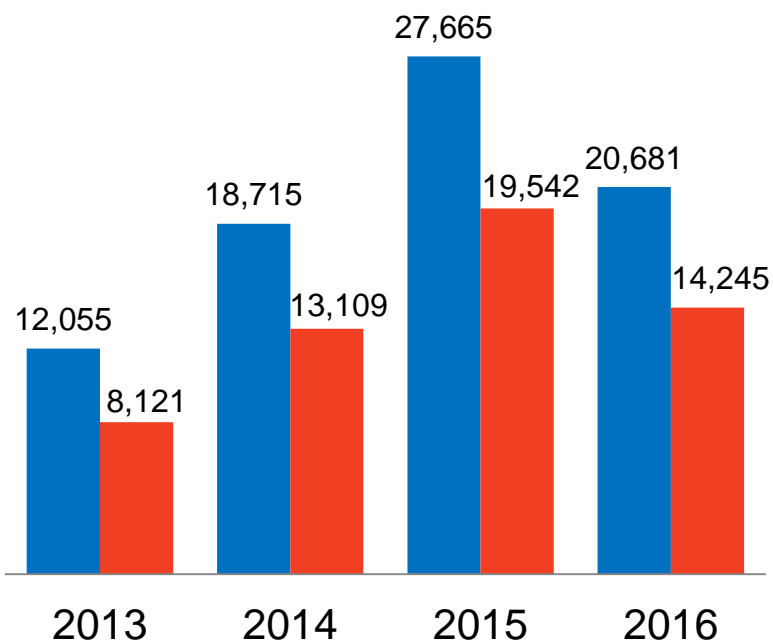
(Gross premium, RMB mm)



# Net Profit Remains Stable

## Net Profit Remains Stable

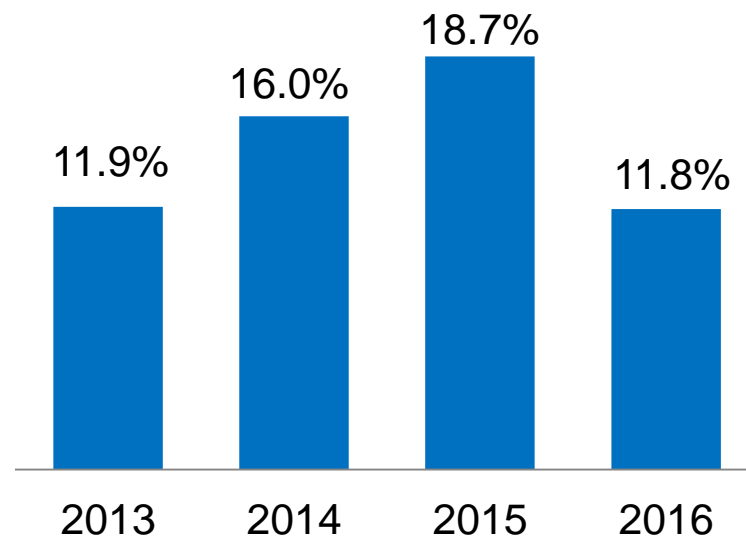
(RMB mm)



■ Consolidated net profit

■ Net profit attributable to Equity Holders of the Company

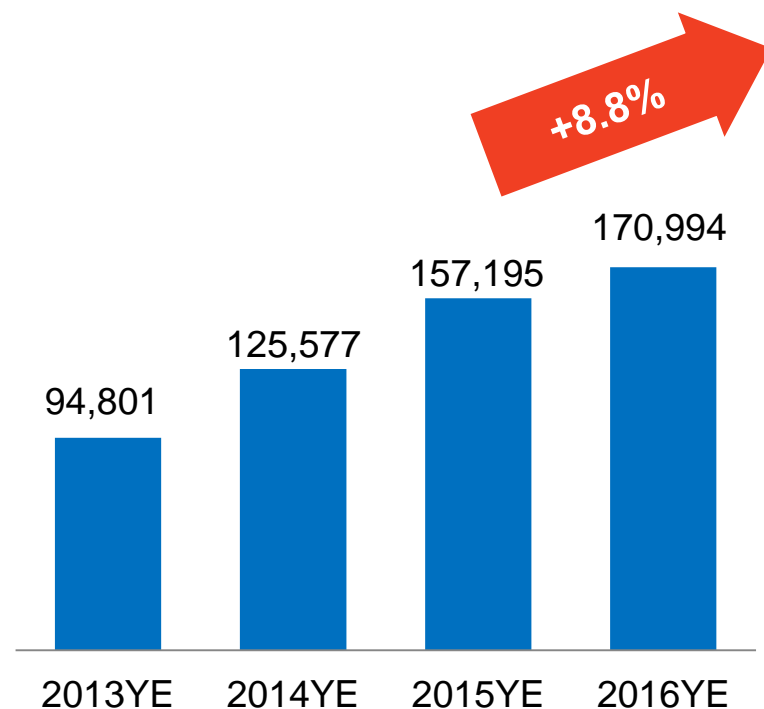
## Weighted Average Return on Equity Reached 11.8%



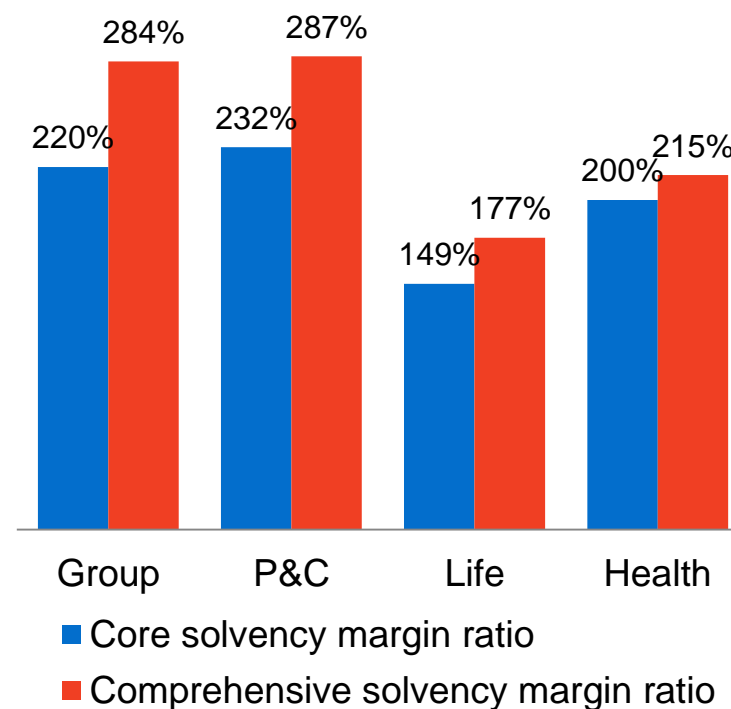
# Capital Position Further Strengthened

Consolidated Net Assets Increased  
by 8.8% over the Beginning of the Year

(RMB mm)



Solvency Margin Ratios Met Regulatory  
Requirements



# Opportunities and Challenges

## Opportunities

- ◆ Increasing modernization of social governance system is conducive to the rapid development of insurance industry
- ◆ The Chinese government has continuously promulgated a series of favorable policies, i.e., deepening the supply-side structural reform, promotion of the “New Ten Guidelines”, implementation of “Shifting from Business Tax to VAT”, “One Belt One Road” strategy, etc.
- ◆ The aging population in China and Chinese government has prioritized “Healthy China” strategy, supporting the ongoing development of pension and healthcare insurance industry
- ◆ Rapid development of emerging technologies spurs demand for innovative insurance products

## Challenges

- ◆ Increasing difficulties with asset-liability management
- ◆ Increasing number of competitors and intensified market competition
- ◆ New regulatory policies impose higher requirements on company operations and management

# Key Initiatives in 2017

## Developmental Goals

- ◆ Stabilize growth, optimize business structure, create value, mitigate risks, emphasize reform and innovation, build a more united team, consistently promote client-oriented transformation and develop leading service capabilities.

## Basis

- ◆ Comprehensive insurance service platform covering P&C, life, health insurance, reinsurance, insurance brokerage, asset management, internet finance, etc. with pension insurance subsidiary under preparation.

### Foster Competitive Strength While Serving the Real Economy and Society

- ◆ Further build a platform of inclusive finance services and support the rural supply-side structural reform
- ◆ Promote the Group's pension and healthcare services value chain
- ◆ Support the implementation of the "One Belt One Road" strategy
- ◆ Enhance the Group's role in serving the real economy and society

### Promote Innovation-driven Development and Sustainable Growth

- ◆ Be client-oriented, create synergies
- ◆ Be problem-centric, speed up innovation and breakthroughs

### Further Promote Business Transformation and Sustainable Value Enhancement of the Group

- ◆ Extend business development and value creation of the P&C business
- ◆ Enhance value creation of the Life business through promoting business transformation
- ◆ Adhere to prudent investment strategy and stress the importance of asset-liability management

## Key Initiatives

### Deepen Group integration

- ◆ Advance IT system integration
- ◆ Increase synergies among subsidiaries
- ◆ Promote a fundamental service platform

### Adhere to Risk Management Principles

- ◆ Strengthen internal control, compliance and risk prevention

### Strengthen Execution

- ◆ Apply more stringent rules on process management, process evaluation and process accountability
- ◆ Optimize performance assessment

# Agenda

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**Overview of Results**

**Review of the Group's  
Performance and 2017 Outlook**

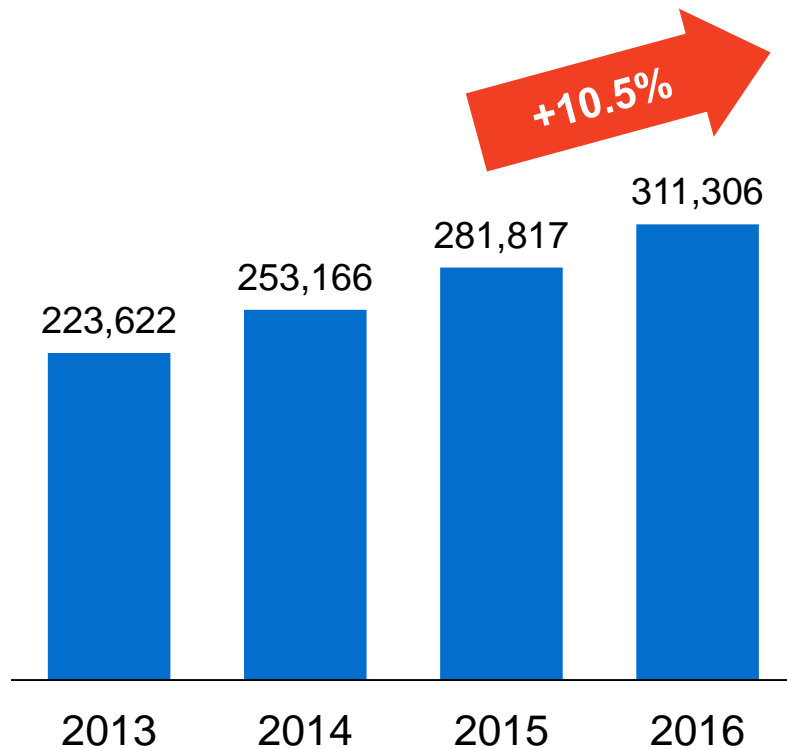
**Performance of Key Business  
Segments**



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

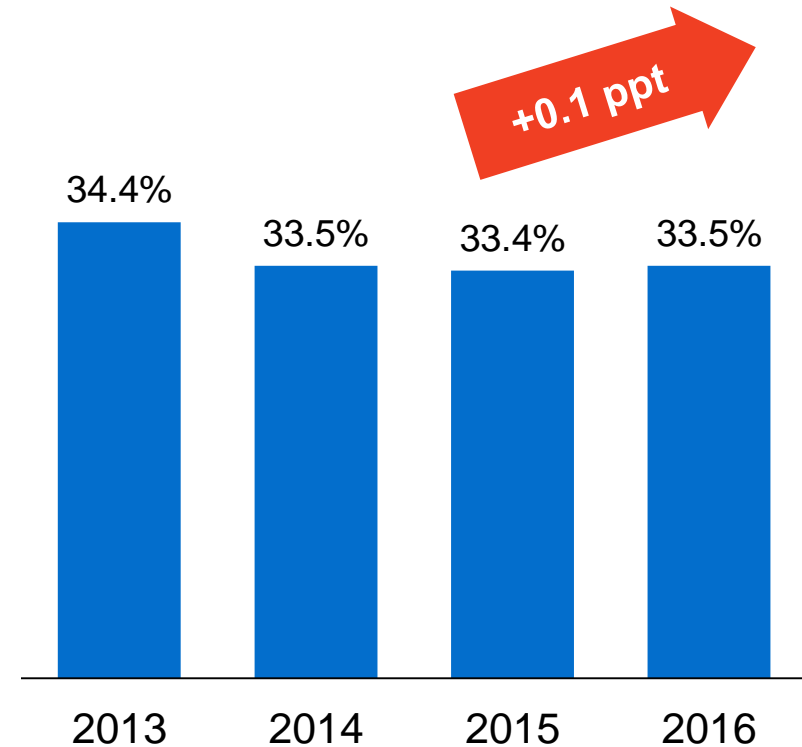
## P&C Segment Continued to Grow

(Gross premium, RMB mm)



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

## Market Share Remained Stable

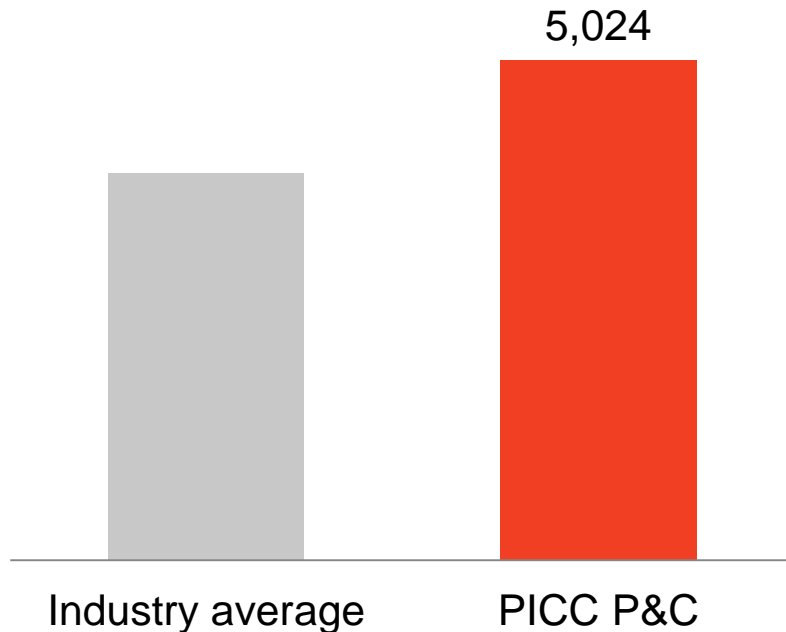


Note: Data based on PICC P&C, excluding PICC Hong Kong.

# P&C: Underwriting Profitability Continuously Outperforms the Industry

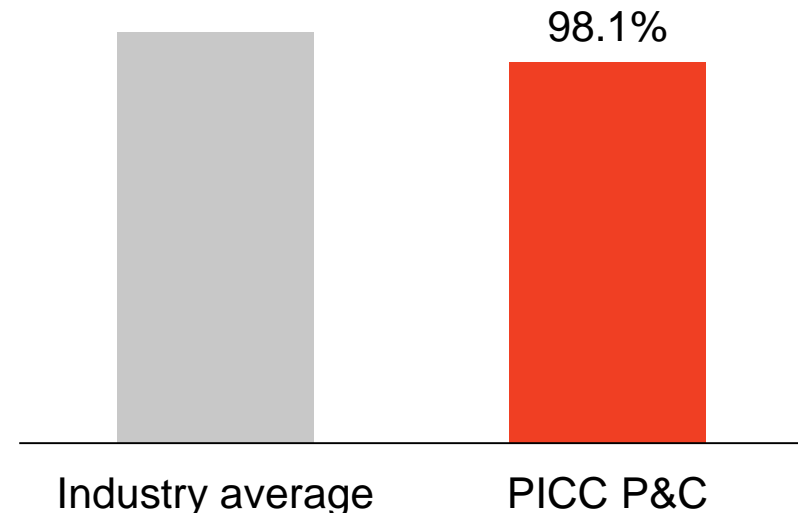
## Underwriting Profitability Continuously Leads the Industry

(Underwriting profit, RMB mm)



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

## Combined Ratio Consistently Outperforms Industry Average

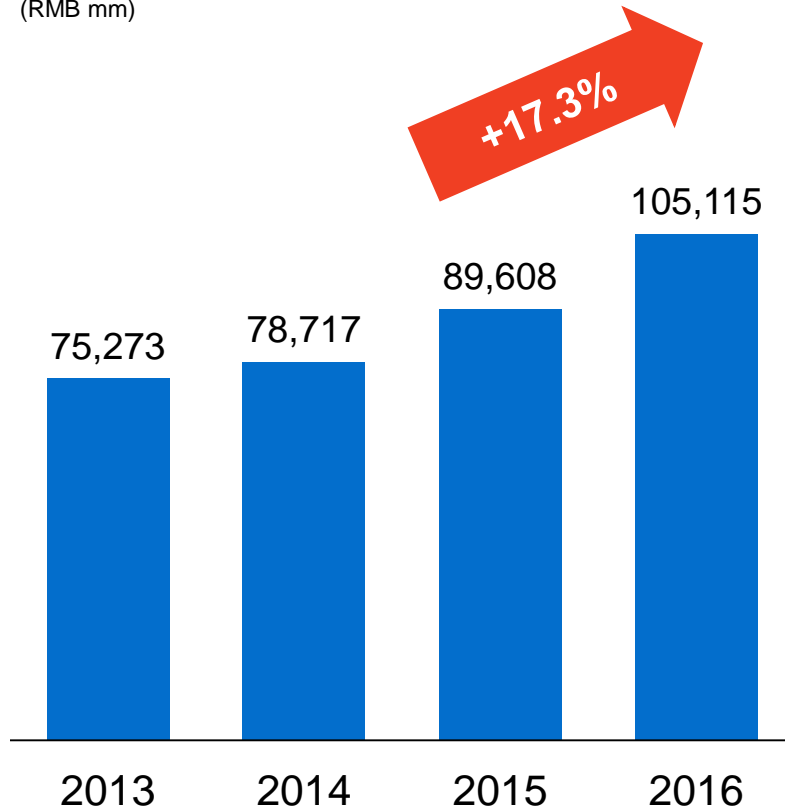


Note: Data based on PICC P&C, excluding PICC Hong Kong.

# Life: Steady Growth of Premium

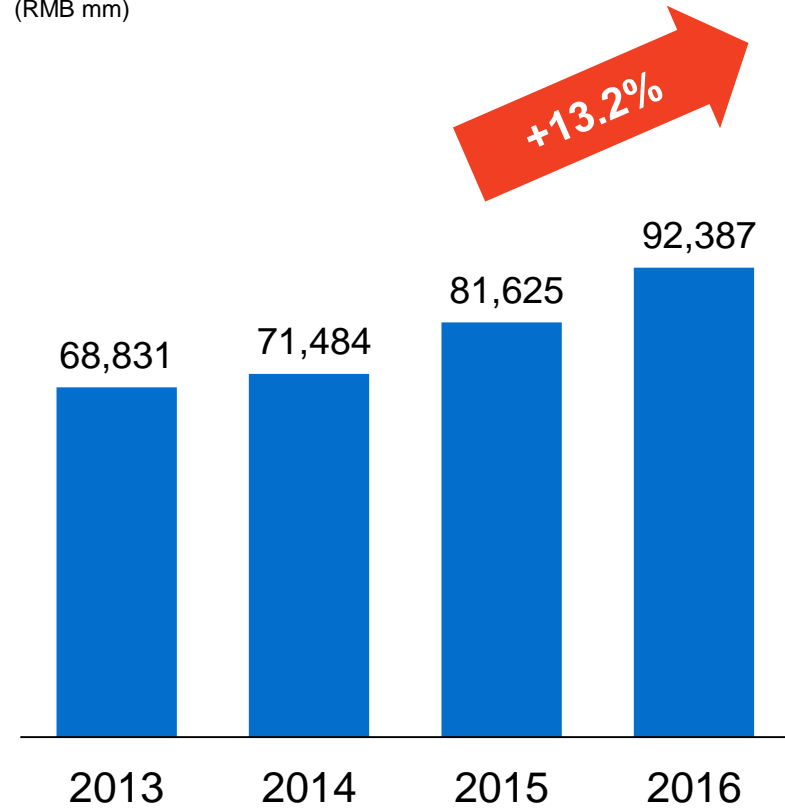
Original Premium Increased by 17.3% YoY

(RMB mm)



First Year Original Premium Increased by 13.2% YoY

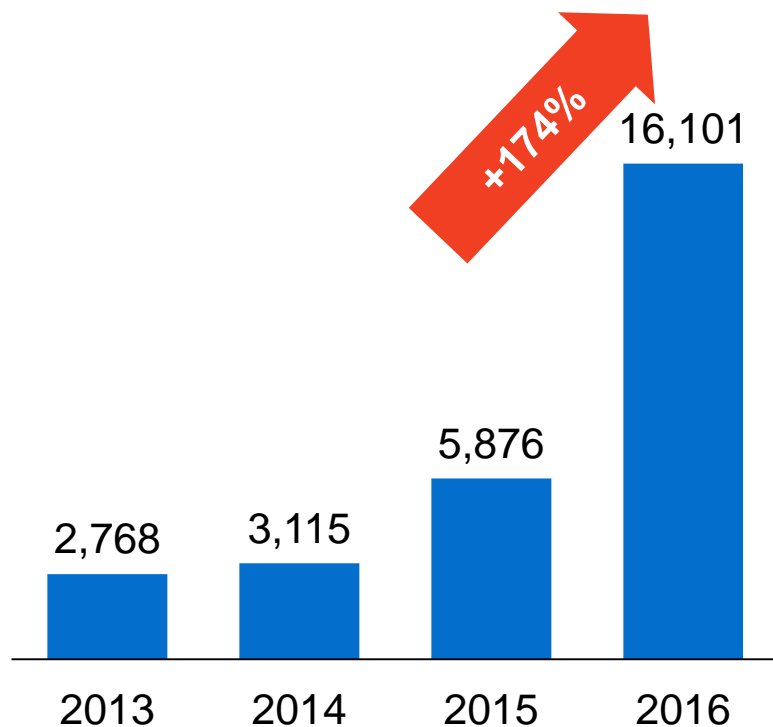
(RMB mm)



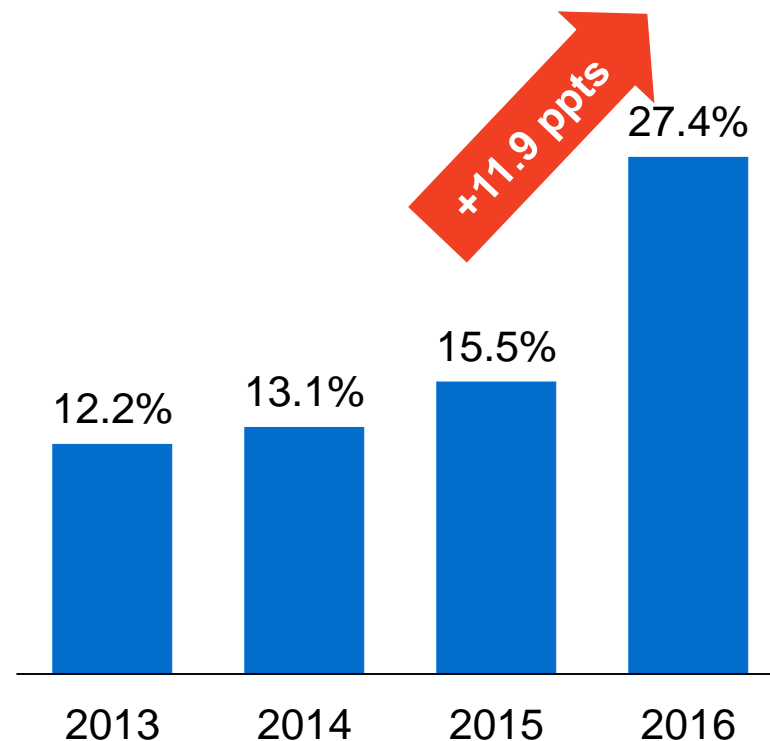
# Life: Substantial Growth of Regular Premiums and Significant Optimization of Business Structure

First Year Regular Original Premiums  
Increased by 174% YoY

(RMB mm)



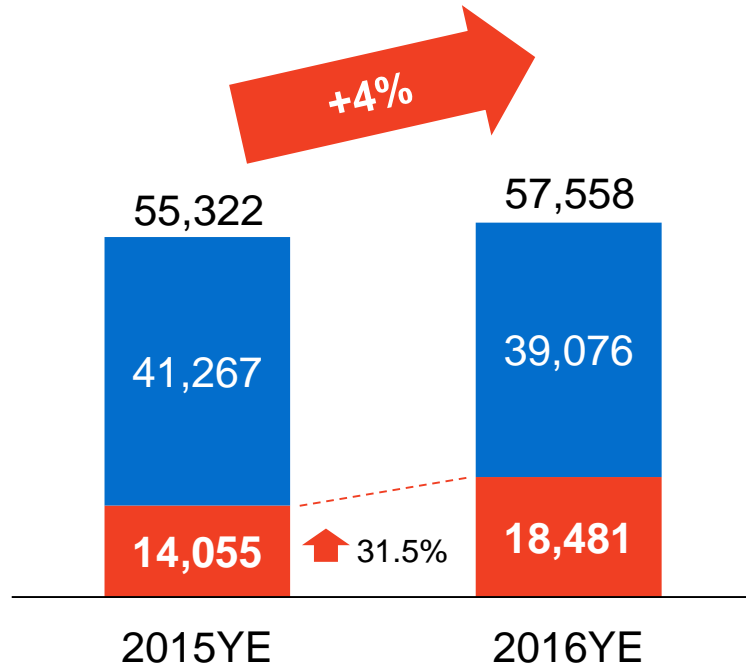
Regular Original Premiums as  
Percentage of Total Original Premiums  
Increased to 27.4%



# Life: Improvement in Embedded Value, Showing Success from Transformation

## Embedded Value

(RMB mm)



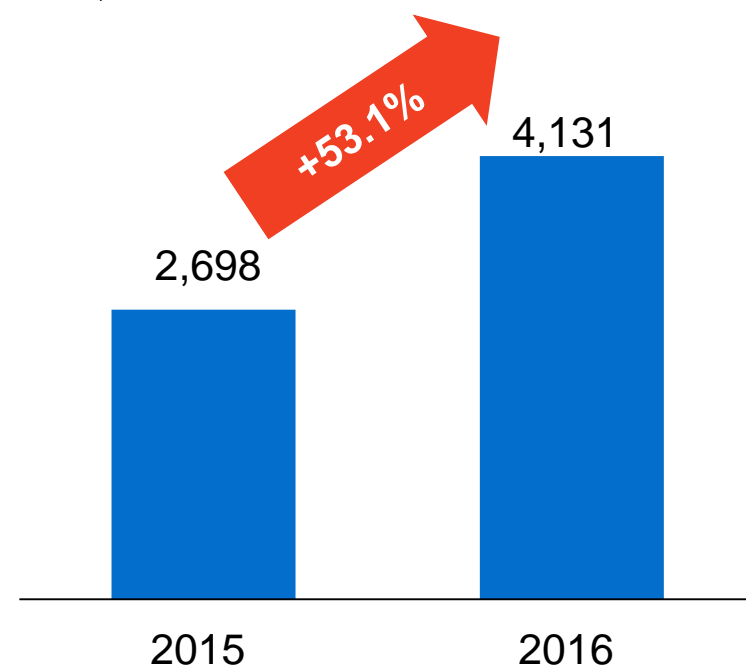
■ Adjusted Net Worth

■ Value of In-Force Business after CoC

Note: The embedded value as of 31 December 2015 is recalculated based on the assumption of investment return rate as of 31 December 2016 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 31 December 2015).

## Value of One-year's New Business

(RMB mm)

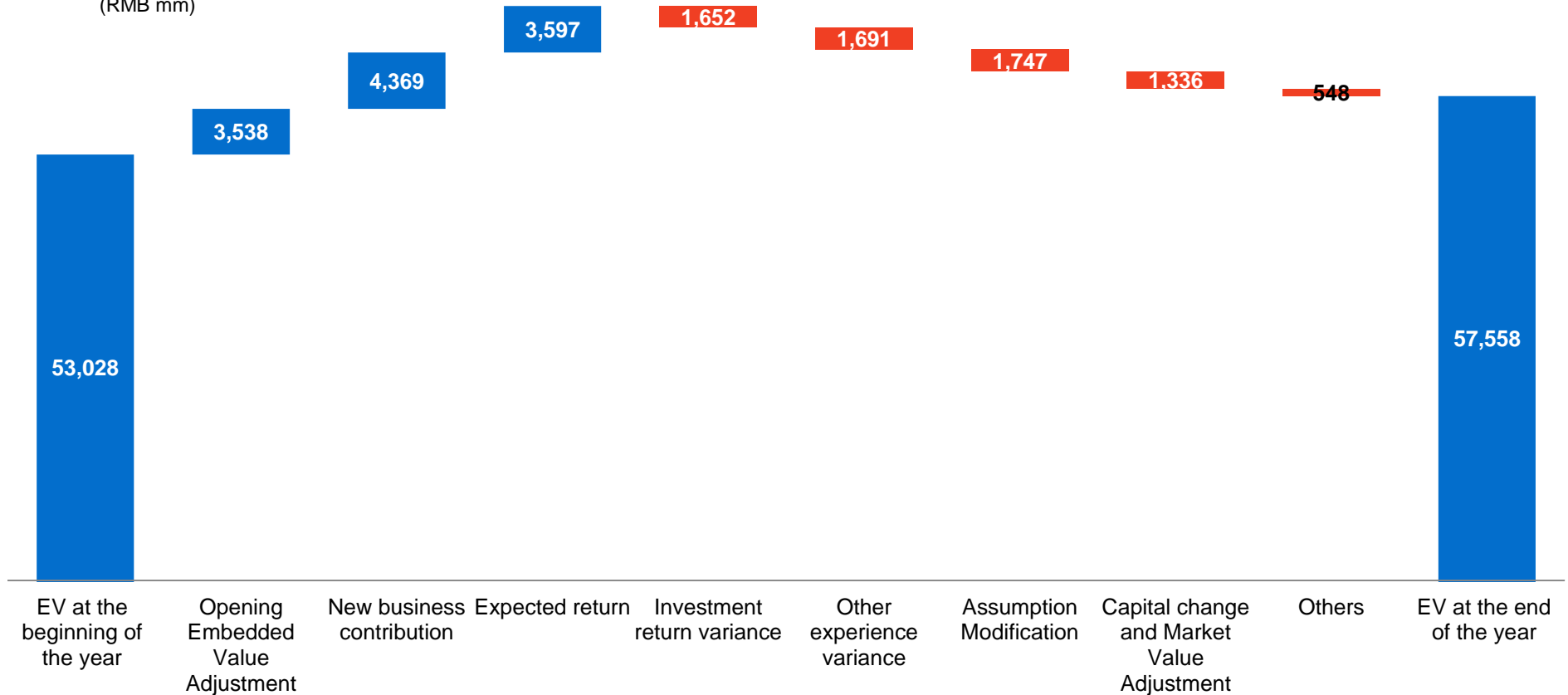


Note: The one year's new business value as of 31 December 2015 is recalculated based on the assumption of investment return rate as of 31 December 2016 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 31 December 2015).

# Life: Movement Analysis in Embedded Value

## Changes in Embedded Value for the Year 2016

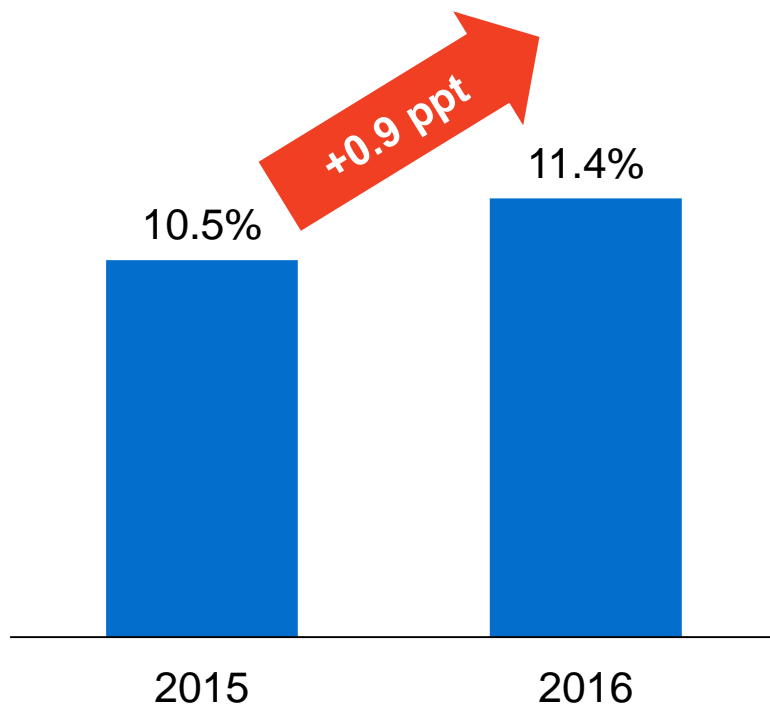
(RMB mm)



Notes: 1) Figures may not add up due to rounding; 2) Opening Embedded Value Adjustment refers to change in embedded value due to the recalculation of the embedded value as at 31 December 2015 by adopting the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance".

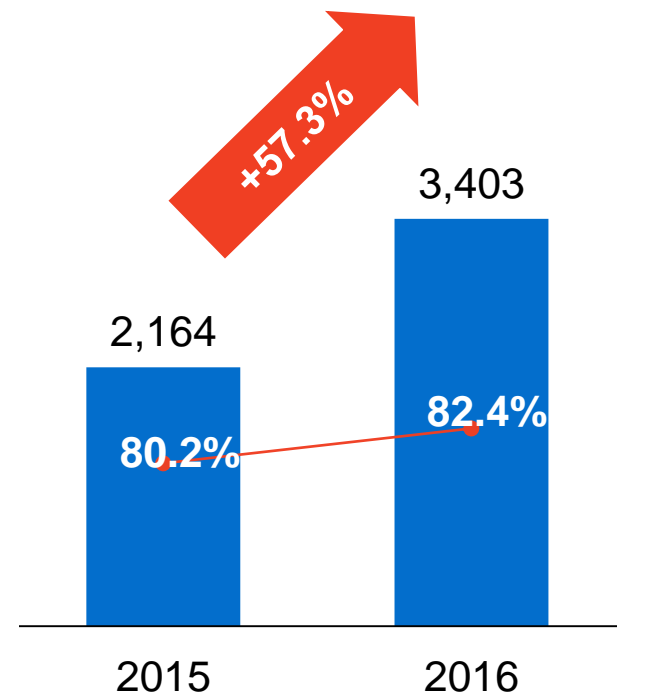
# Life: Individual Insurance Channel Delivered Strong Performance

## Increased VNB Margin of Individual Insurance Channel



## Increased VNB Contribution from Individual Insurance Channel

(RMB mm)



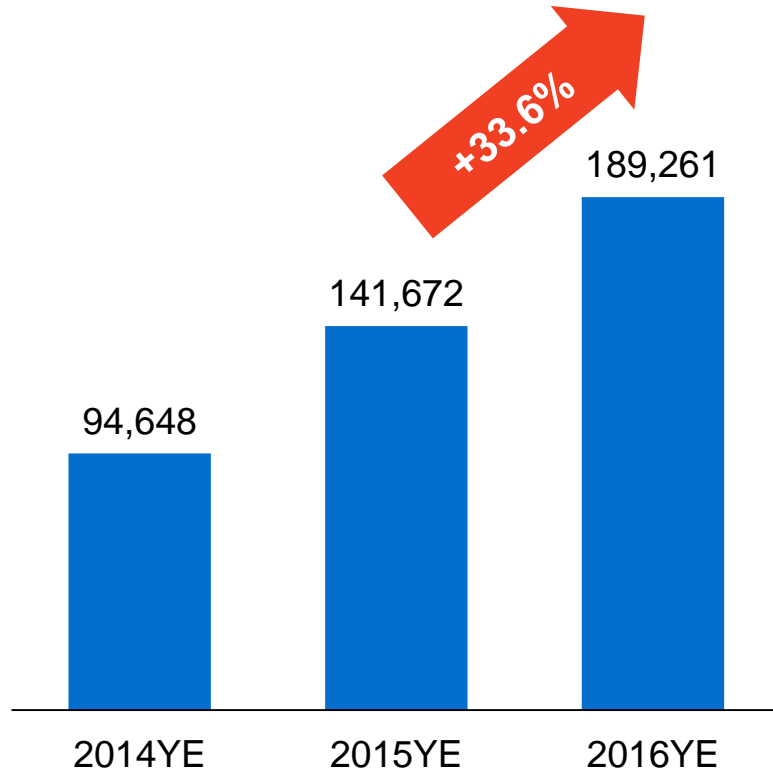
■ VNB from individual insurance channel

— % of VNB from individual insurance channel

Notes: 1) VNB Margin of individual insurance channel = VNB of individual insurance channel/ first year TWPs from individual insurance channel; 2) The one year's new business value as of 31 December 2015 is recalculated based on the assumption of investment return rate as of 31 December 2016 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 31 December 2015).

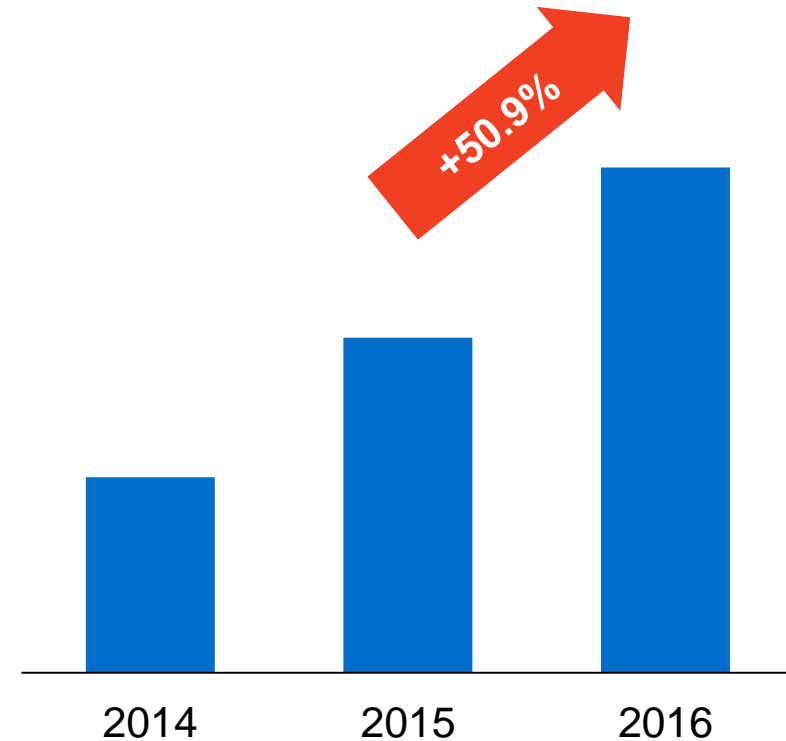
# Life: Team of Individual Insurance Agents Continued to Grow with Improved Productivity

## Number of Individual Insurance Agents



## Productivity of Individual Insurance Agents

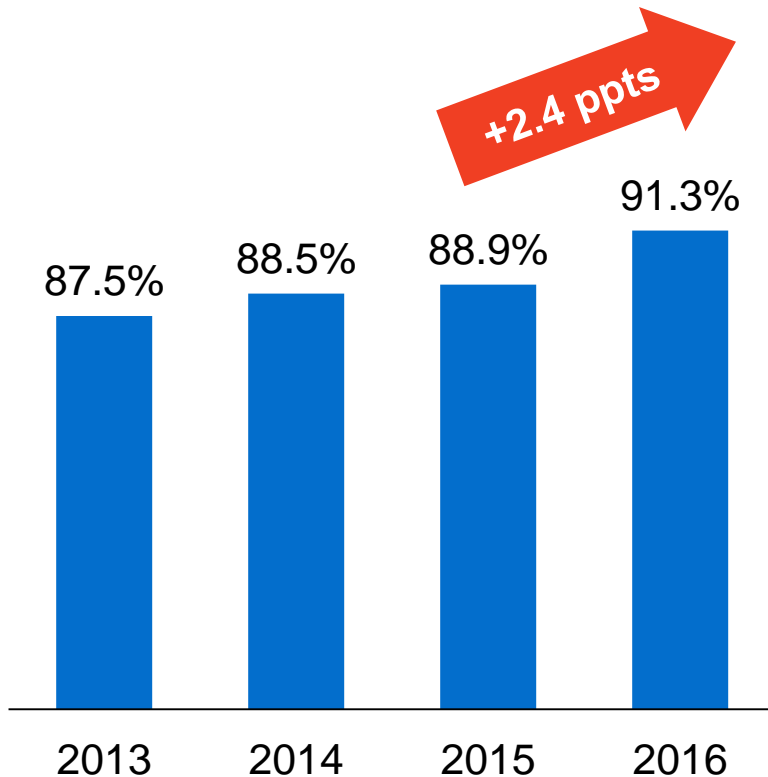
(First Year Regular TWPs per agent per month, RMB)



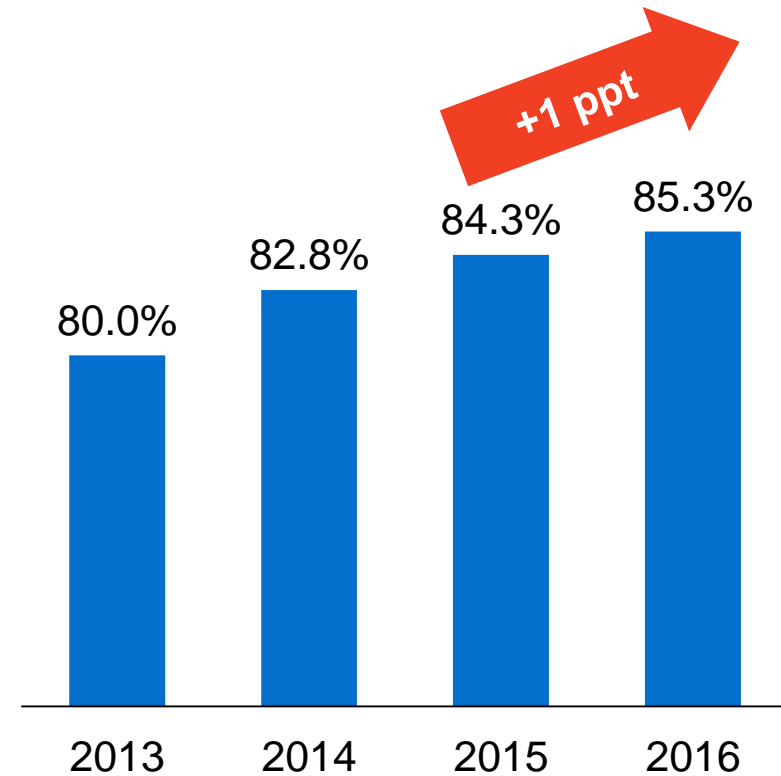


# Life: Continued Improvement in Persistency Ratio

13-month Premium Persistency Ratio



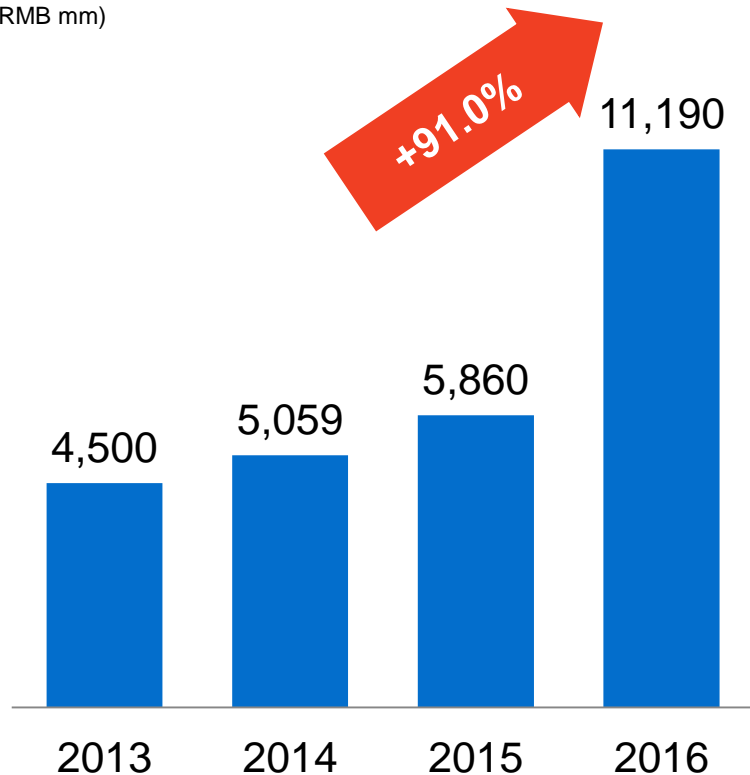
25-month Premium Persistency Ratio



# Health: Emerging Business Continued to Grow Rapidly

## TWPs from Government-Commissioned Business

(RMB mm)



- ◆ Government-commissioned projects covered 109 cities with over 170 million people insured accumulatively

## Health Management Platform

### ◆ Offline service network took shape

Established relationships with 1,818 hospitals and over 50k medical experts

### ◆ Accelerated promotion of online platform

Launched PICC Healthy Living APP, centralized health management platform and launched media service platform with health.people.cn

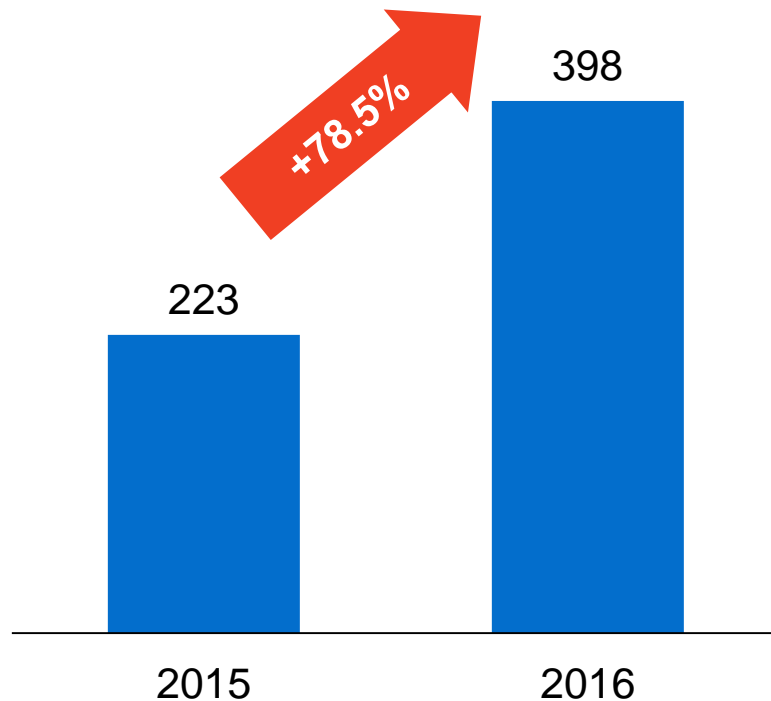
### ◆ Continued Expansion of Service Coverage

Provided a variety of services to nearly 15mm people and had over 7.5mm customers on file in the customer health database

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

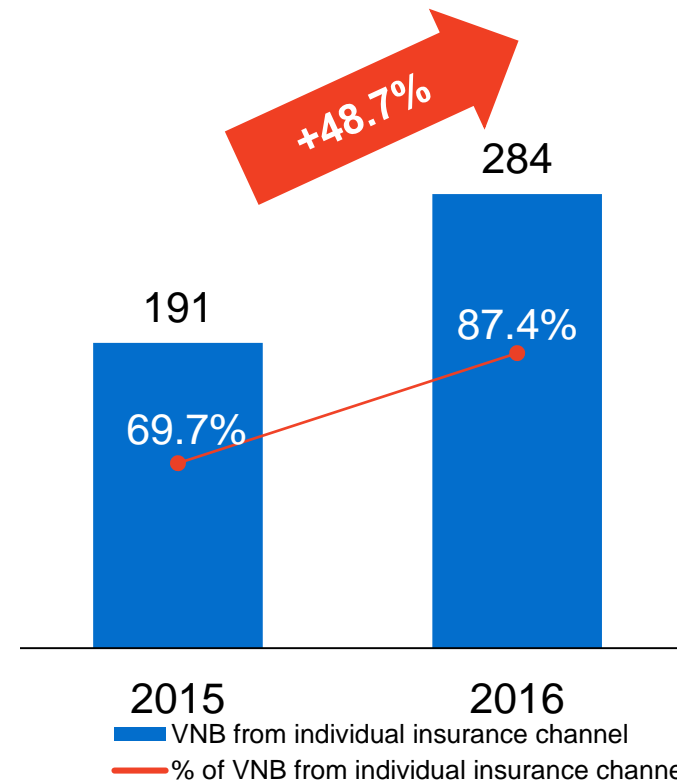
## Significantly Increased First-year Regular Premiums from Individual Insurance Channel

(RMB mm)



## Increased VNB from Individual Insurance Channel

(Excluding cost of capital, RMB mm)

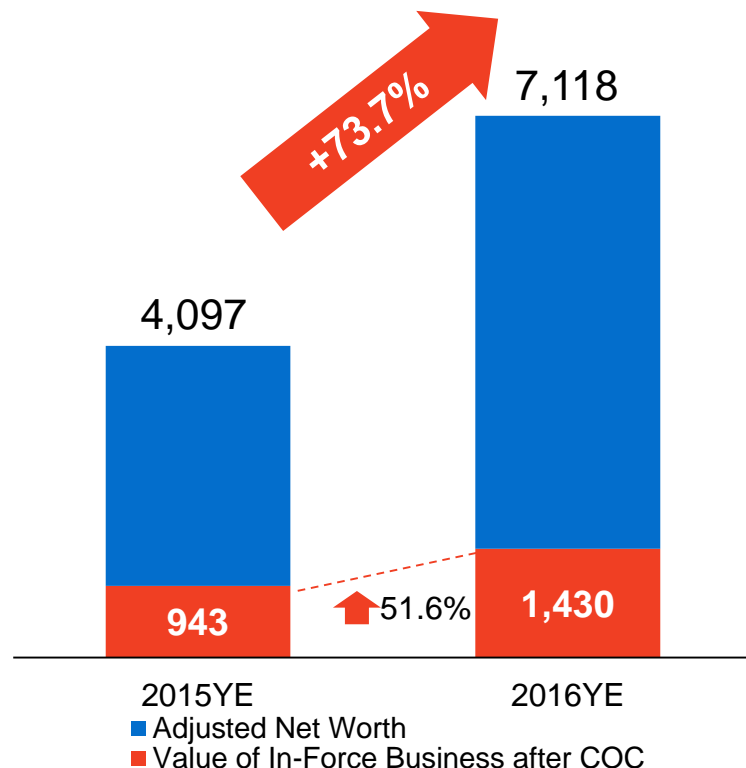


Note: The one year's new business value as of 31 December 2015 is recalculated based on the assumption of investment return rate as of 31 December 2016 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 31 December 2015).

# Health: Embedded Value and VNB Continued to Rise

## Embedded Value

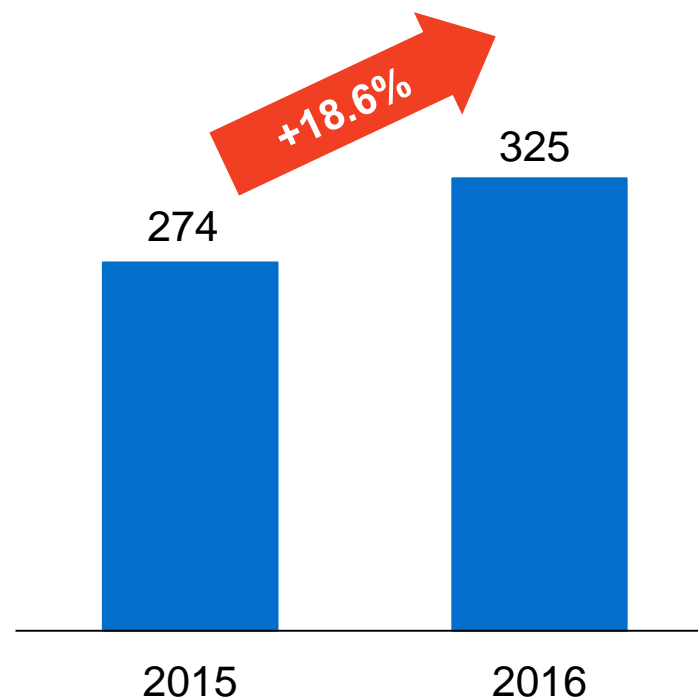
(Excluding cost of capital, RMB mm)



Note: The embedded value as of 31 December 2015 is recalculated based on the assumption of investment return rate as of 31 December 2016 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 31 December 2015).

## Value of One-year's New Business

(Excluding cost of capital, RMB mm)

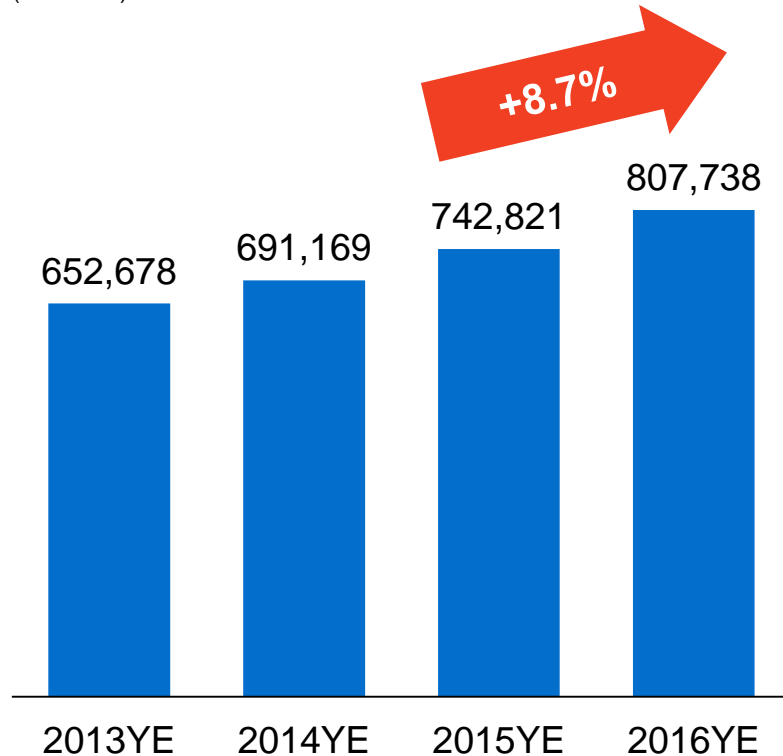


Note: The one year's new business value as of 31 December 2015 is recalculated based on the assumption of investment return rate as of 31 December 2016 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 31 December 2015).

# Investment: Stable Growth in Total Investment Assets with Prudent Investment Allocation Strategies

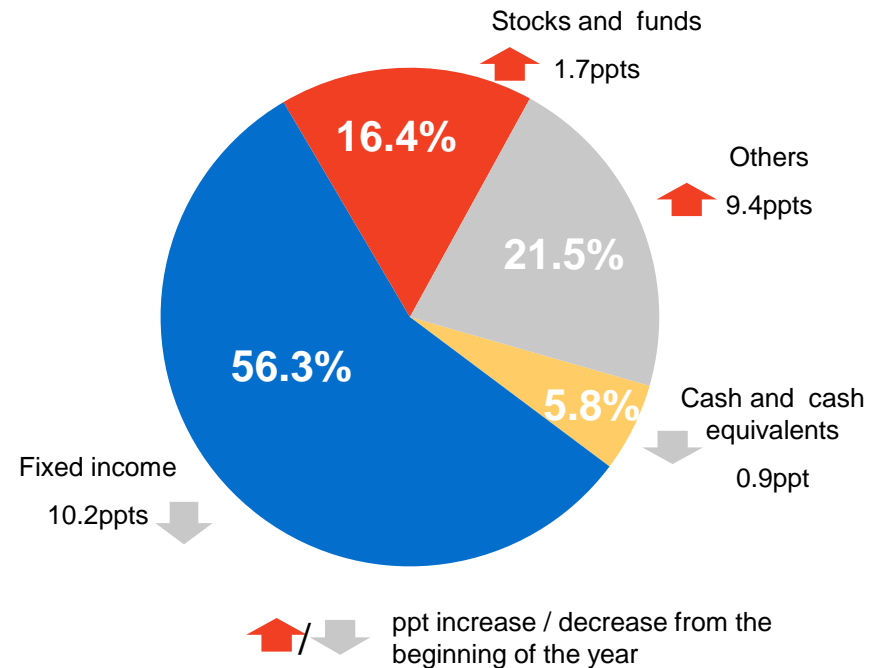
## Steady Growth in Total Investment Assets

(RMB mm)



## Prudent Investment Allocation Strategies

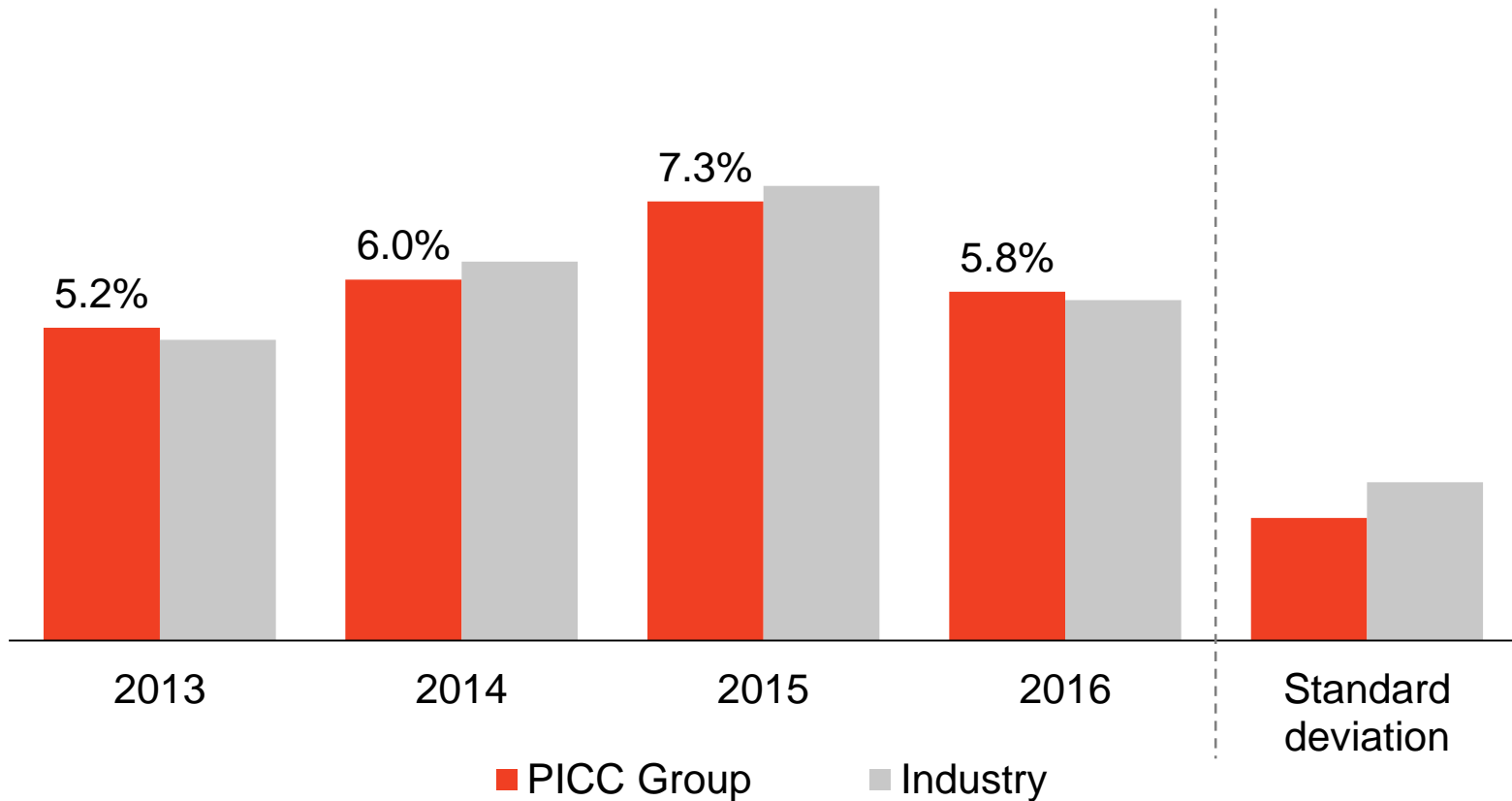
(As % of total investment assets as of the end of Dec 2016)



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, investments in associates and JVs, equity investments stated at cost and asset management products.

# Investment: Total Investment Yield Outperformed the Industry Average

Total Investment Yield of 5.8% with Lower Volatility than Industry Average over the Long Term

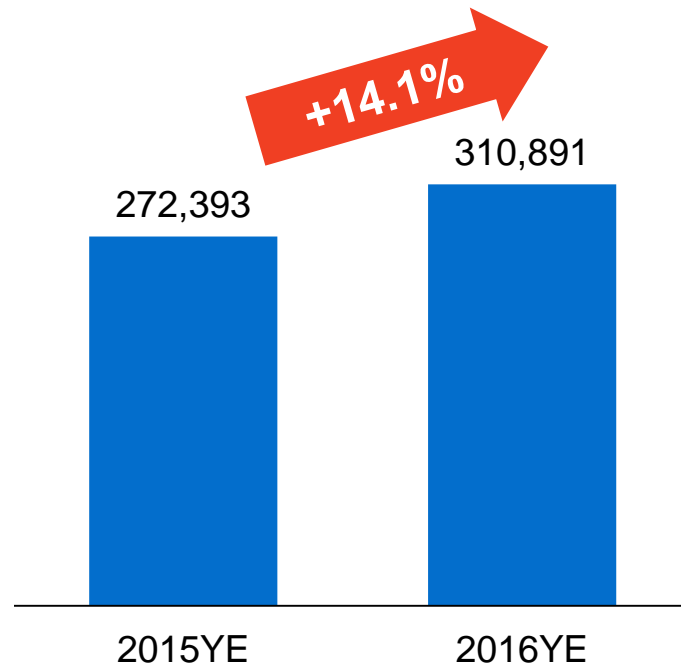


Note: Data since 2005 were used for standard deviation.

# Investment: Stable Development in Asset Management Business with Enhanced Expertise

## Continued Increase in Third-party Entrusted and Issued Insurance Asset Management Products

(RMB mm)



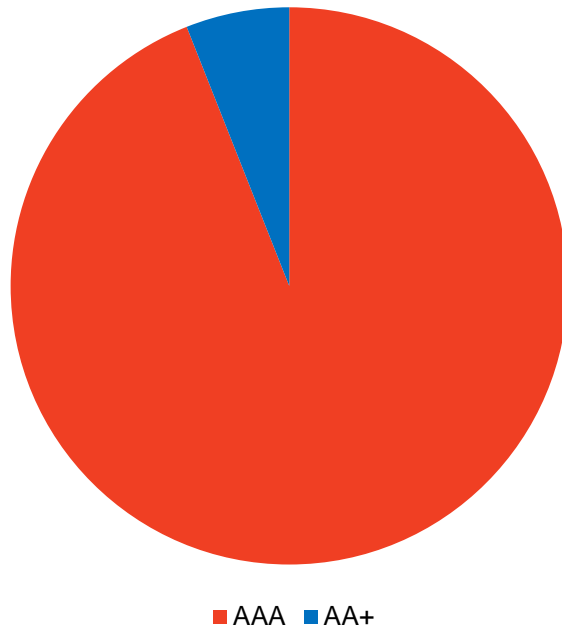
Note: Data of the investment segment including PICC AMC, PICC Investment Holding and PICC Capital

## Enhanced Expertise in Asset Management

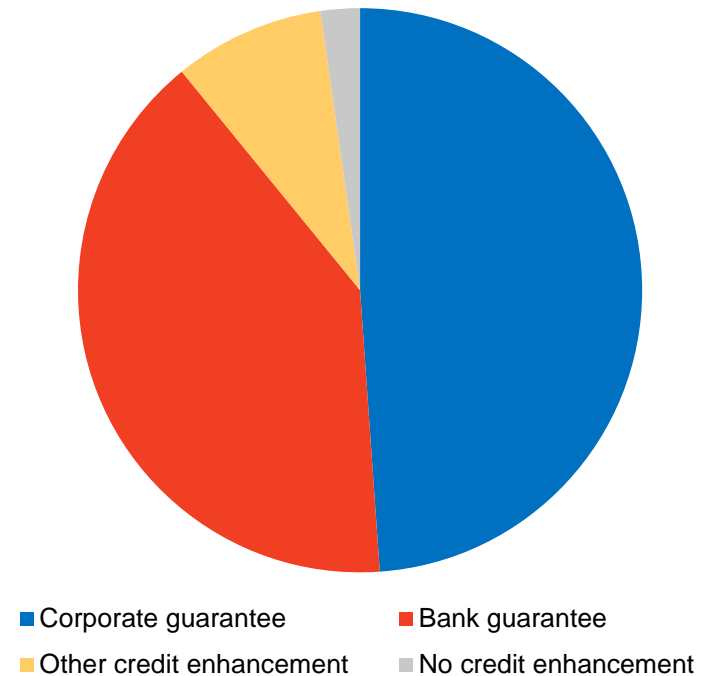
- ◆ The investment performance of corporate annuity ranked top in the industry; acquired qualifications in investment management of basic pension insurance funds
- ◆ An integrated investment management platform both onshore and offshore started to take shape, an important step towards internationalization
- ◆ Total value of equity investment schemes registered throughout the year reached RMB36bn, ranking #1 in the industry
- ◆ Officially obtained license of mutual fund management

# Investment: Enhanced Investment Risk Management with Risks Under Control

Credit Ratings of Bonds



Credit Enhancement of Debt Investment Schemes





# Appendix: Key Financials of the Group

(RMB mm, unless otherwise noted)	2016	2015	Change (%)
Gross premium	439,874	388,387	13.3
P&C Insurance	311,306	281,817	10.5
Life Insurance	105,548	90,539	16.6
Health Insurance	23,020	16,031	43.6
Net earned premiums	396,870	349,311	13.6
Claims and policyholders' benefits	325,990	287,290	13.5
Handling charges and commissions	53,664	35,963	49.2
Profit before tax	25,319	33,970	(25.5)
Net profit	20,681	27,665	(25.2)
Net profit attributable to the equity holders	14,245	19,542	(27.1)
EPS (RMB)	0.34	0.46	(27.1)
Weighted average return on equity (annualized %)	11.8	18.7	down by 6.9 pts

(RMB mm, unless otherwise noted)	As of 31 December 2016	As of 31 December 2015	Change (%)
Total assets	932,149	843,468	10.5
Total liabilities	761,155	686,273	10.9
Total equity	170,994	157,195	8.8
Book value per share (RMB)	2.97	2.74	8.6