

PICC Group (1339.HK)

2016 Interim Results Announcement

August 29, 2016



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Agenda

Overview of Results

Review of the Group's Performance and Outlook

Performance of Key Business Segments

Maintained Stable Growth, Focused on Value Creation, Accelerated Group Integration and Continued to Promote of Customer-oriented Transformation

— Overview of 2016H1 Results of PICC Group (1339.HK)

1

Business achieved stable growth. Total written premiums (TWPs) reached RMB276.58 bn, a YoY increase of 19.5%; gross premium grew by 16.6% YoY to RMB264.58 bn

2

Business quality continued to improve. PICC P&C continued to outperform the industry with a combined ratio of 95.0%. For PICC Life, first year regular premiums grew by 226.6% YoY, half-year VNB grew by 56.6%. For PICC Health, first year regular premiums grew by 86.4% YoY, half-year VNB grew by 87.0% YoY

3

Profitability remained at a relatively high level. Consolidated net profit of RMB11.28 bn, a YoY decrease of 37.4%; EPS of RMB0.18, annualized weighted average return on equity of 13.0%

4

Capital position further improved. Total assets reached RMB902.28 bn and net assets reached RMB163.43 bn, up by 7.0% and 4.0% from the beginning of the year, respectively; solvency margin ratios of the Group and its subsidiaries fulfilled regulatory requirements

5

Investment assets grew stably. Total investment assets reached RMB770.37 bn, up by 3.7% compared to the beginning of the year; Annualized total investment yield of 5.0%, and annualized net investment yield of 5.3%

6

Ranked 119th in Fortune 500, up by 55 places since last year, and up by 252 places since its first entry to the list in 2010

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

1

Turnover of RMB161.89bn, a YOY growth of RMB15.66bn or 10.7%, exceeding industry growth

2

Underwriting profit of RMB6.45bn, a YoY growth of 4.1%, combined ratio of 95.0%, consistently outperforming the industry

3

Investment income of RMB7.60bn, annualized total investment yield of 4.4%, annualized net investment yield of 4.6%

4

Net profit of RMB10.65bn, a YoY decrease of 26.2%, EPS of RMB0.718

5

Total assets and net assets increased by 7.5% and 3.0%, respectively, from the beginning of the year, comprehensive solvency margin ratio of 280%

Agenda

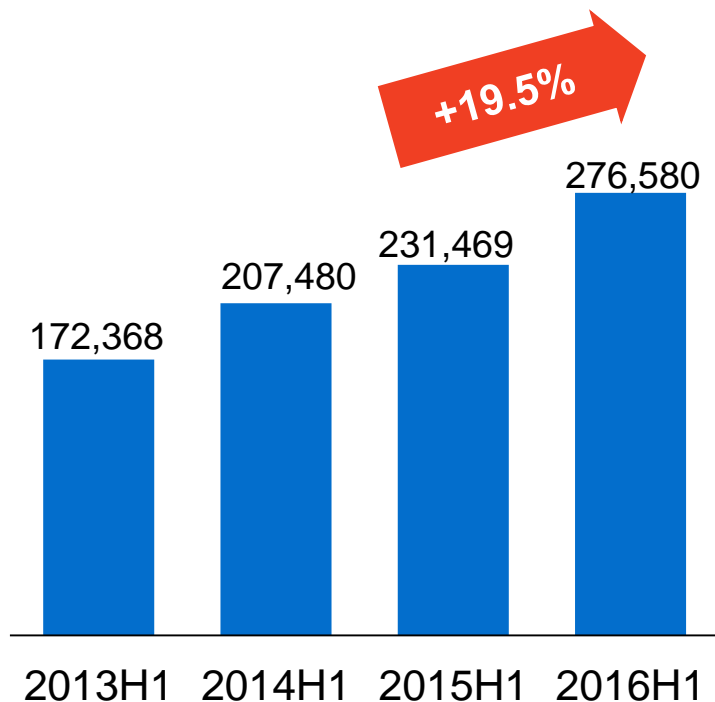
Overview of Results

Review of the Group's Performance and Outlook

Performance of Key Business Segments

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

(TWPs, RMB mm)

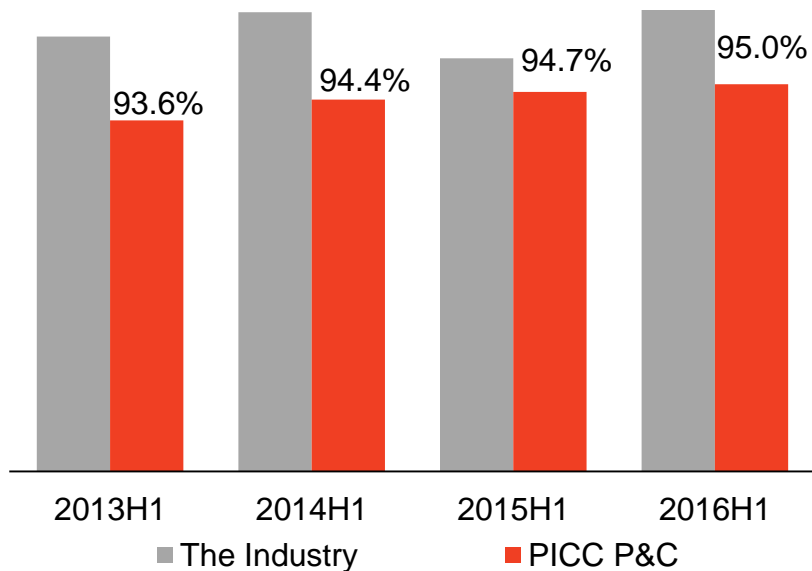


Note: The Group's TWPs refer to the sum of TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong.

	TWPs (RMB mm)	YoY Growth %
PICC P&C	161,562	+10.7%
PICC Life	90,295	+27.6%
PICC Health	24,665	+67.6%

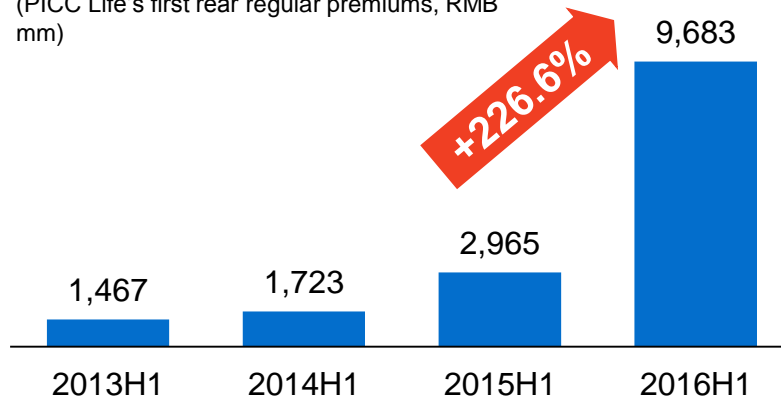
Improved Business Quality

P&C: Combined Ratio Continues to Outperform the Industry

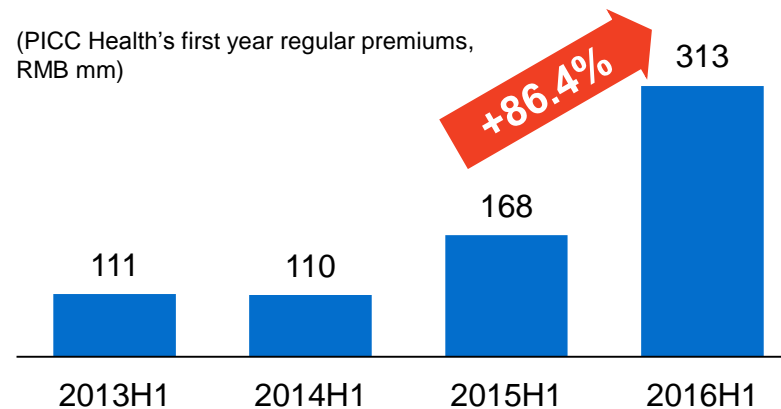


Life&Health: Continues to Optimize Business Structure

(PICC Life's first rear regular premiums, RMB mm)



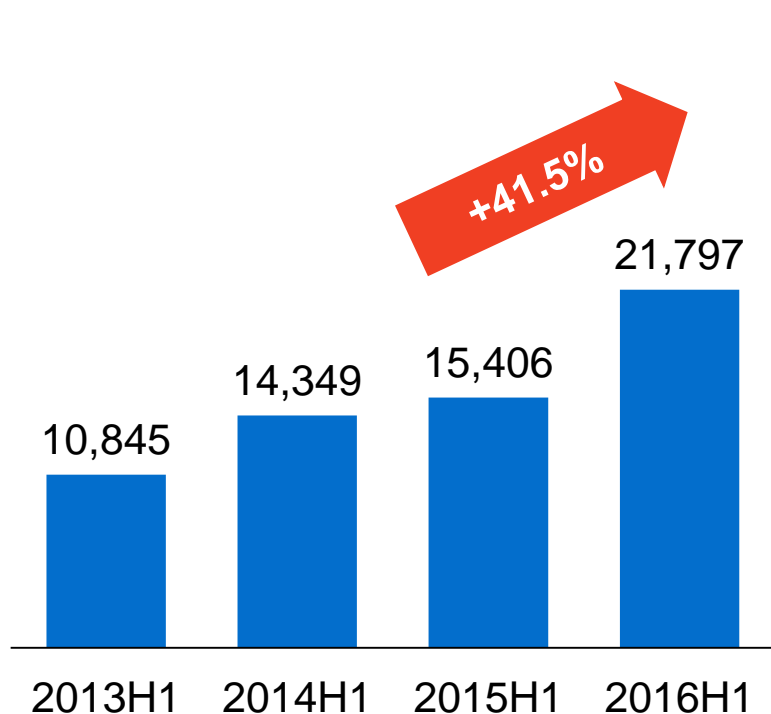
(PICC Health's first year regular premiums, RMB mm)



Synergies Continued to be Realized

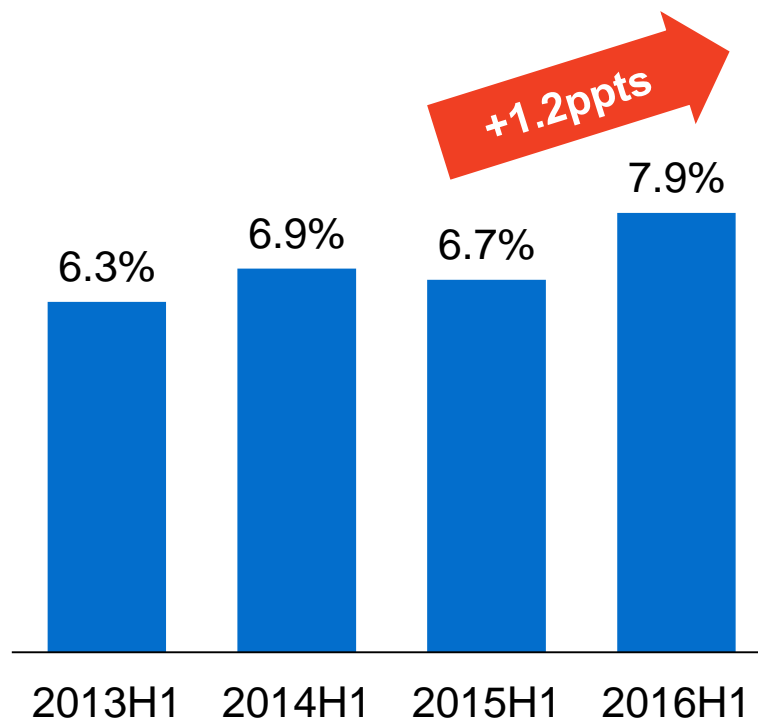
TWPs through Cross-selling Increased by 41.5% YoY

(TWPs through Cross-selling, RMB mm)



Accounting for 7.9% of TWPs

(Percentage of TWPs achieved through cross-selling)



National-Wide Network Coverage, Number of Customers Continued to Increase

National-Wide Network Coverage

County-level
Network
Coverage

~100.0%

Township-level
Network
Coverage

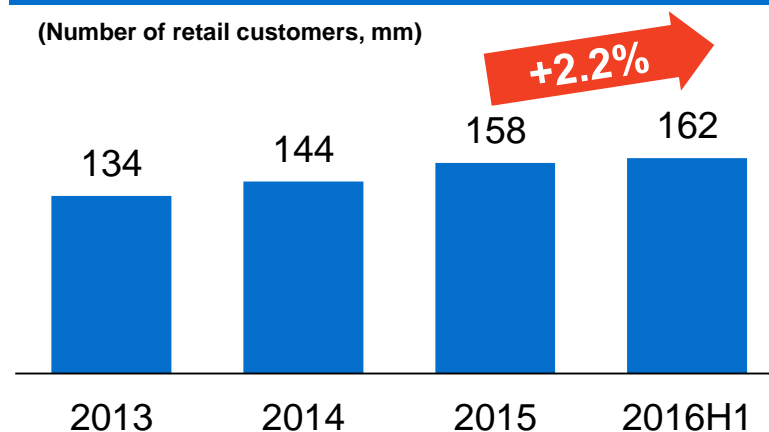
>96%

Village-level
Network
Coverage

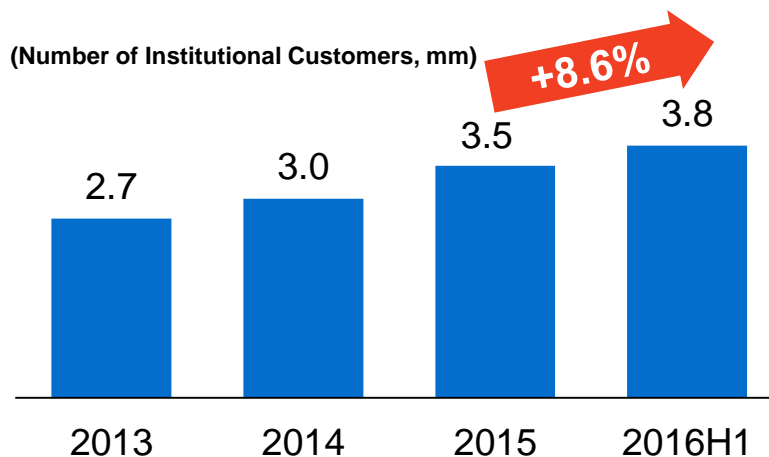
>55%

Steady Increase in the Number of Customers

(Number of retail customers, mm)



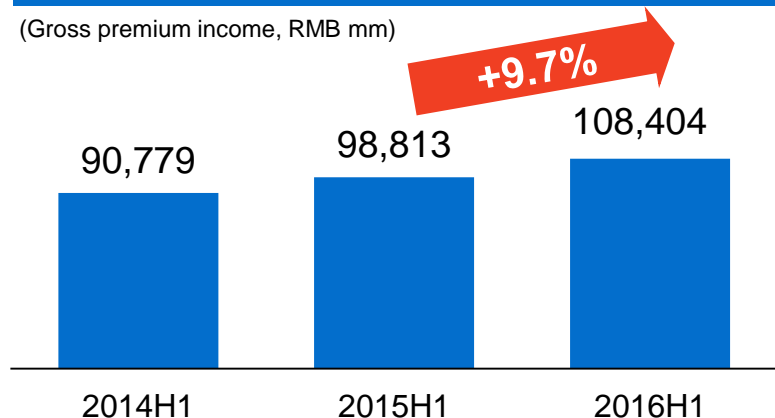
(Number of Institutional Customers, mm)



Continued to Solidify Existing Advantages and Develop New Advantages

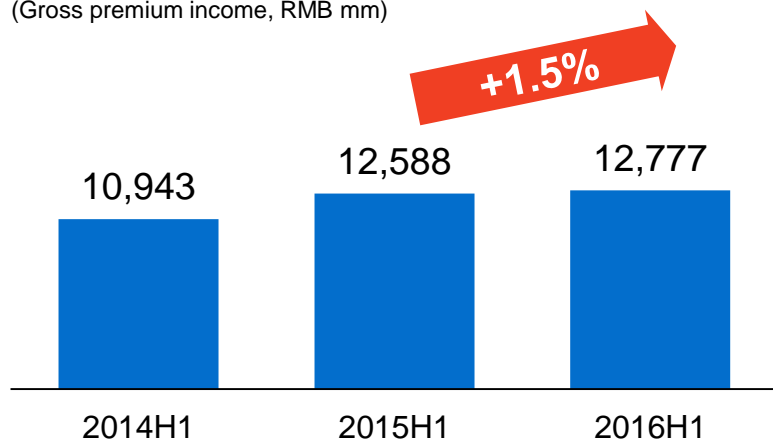
Gross Premium Income of Auto Insurance up by 9.7% YoY

(Gross premium income, RMB mm)



Gross Premium Income of Agricultural Insurance up by 1.5% YoY

(Gross premium income, RMB mm)

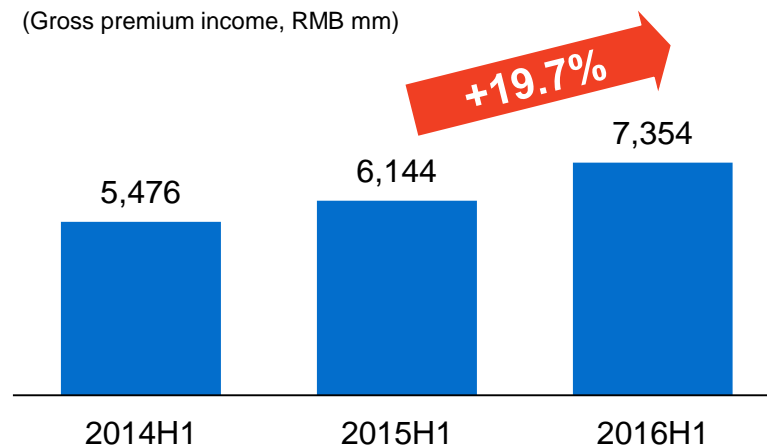


Gross Premium Income of Critical Illness Insurance up by 45.5% YoY

- ◆ Original premium income of RMB11.22 bn
- ◆ 340mm people insured
- ◆ Covering 31 provinces (including autonomous regions and municipalities) and 215 cities

Gross Premium Income of Liability Insurance up by 19.7% YoY

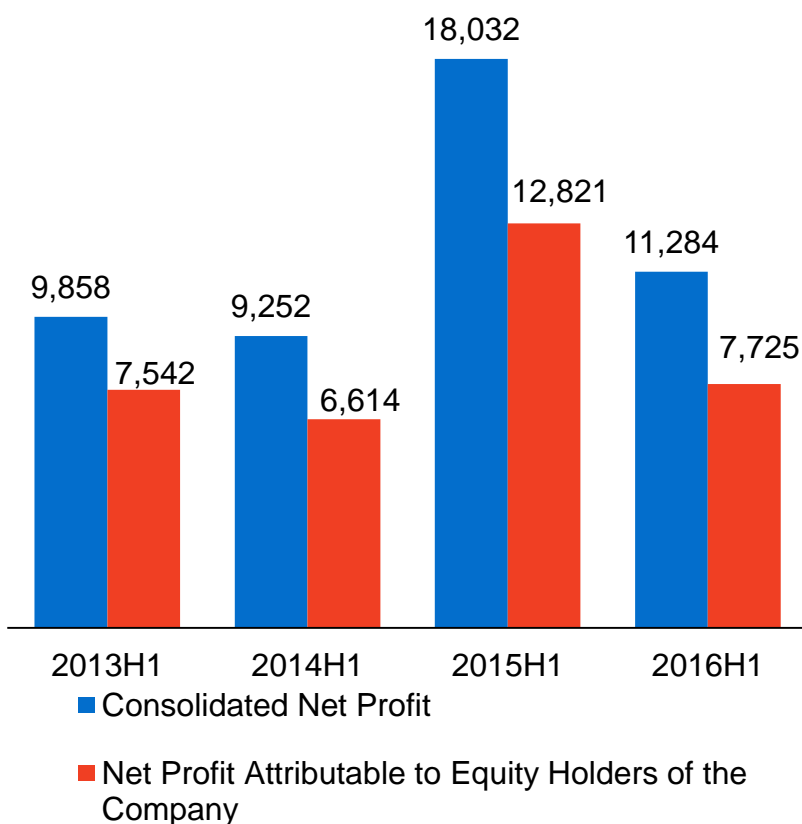
(Gross premium income, RMB mm)



Net Profit at a Relatively High Level

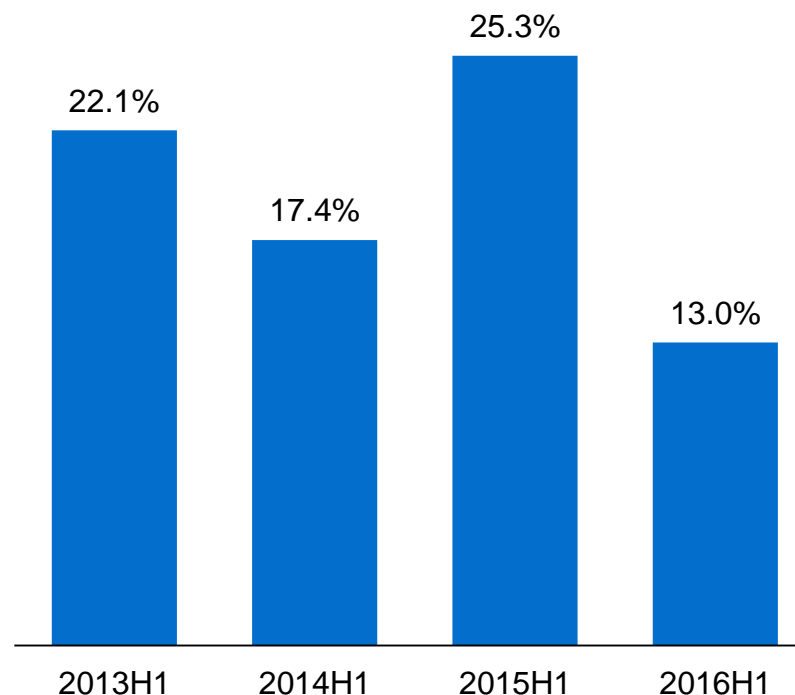
Net Profit Maintained at a Relatively High Level

(RMB mm)



Annualized Weighted Average Return on Equity Reached 13.0%

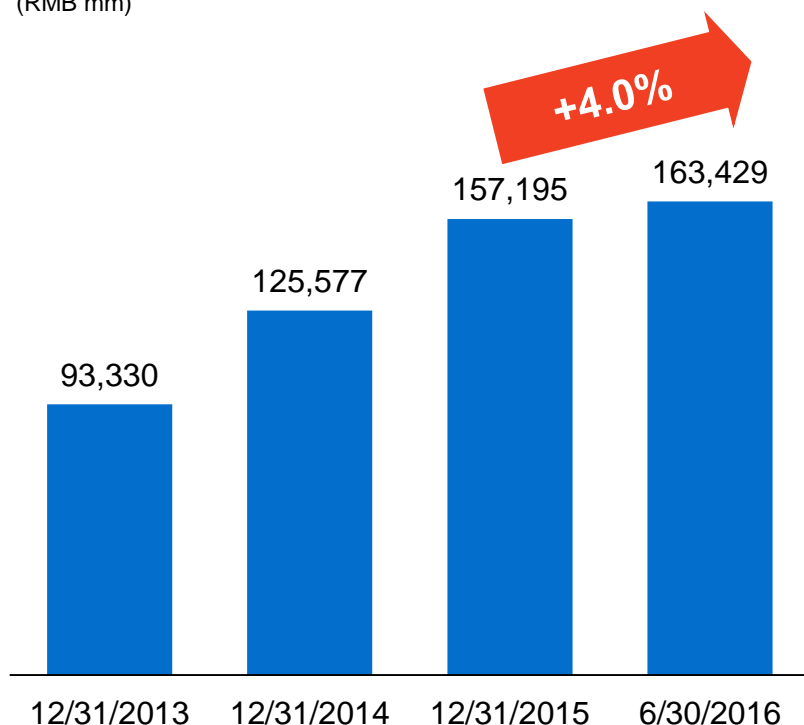
(Annualized data)



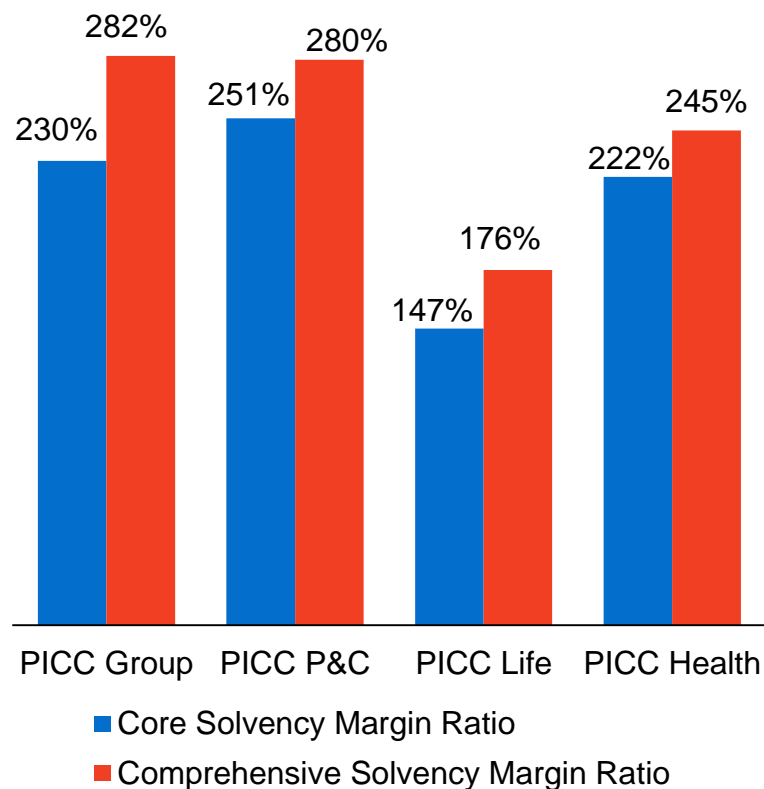
Capital Position Further Strengthened

Consolidated Total Equity Increased by 4.0% compared to the Beginning of the Year

(RMB mm)



Solvency Margin Ratios Met Regulatory Standards



Opportunities and Challenges

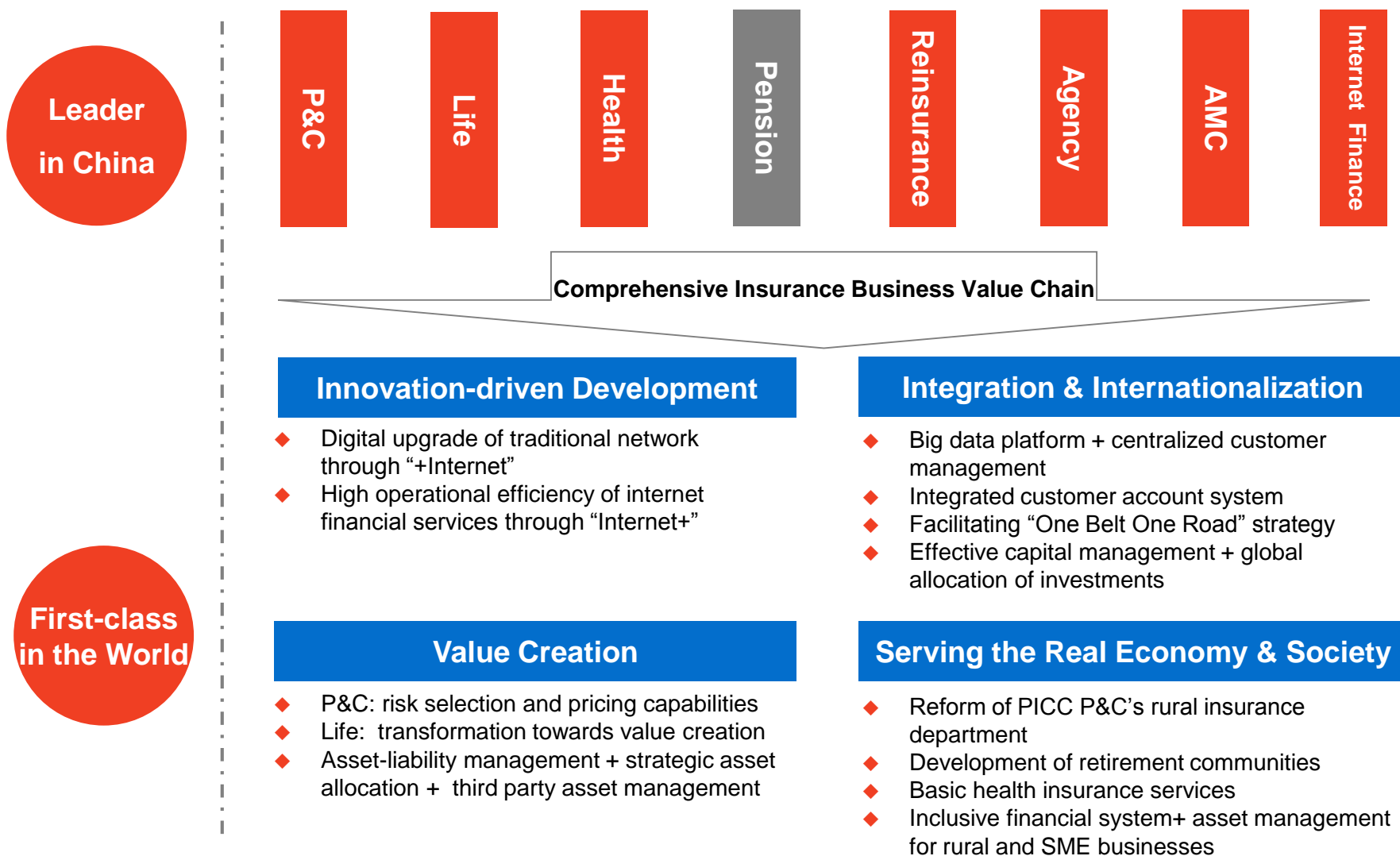
Opportunities

- ◆ The insurance industry will realize self-development and modernization, while promoting the modernization of national systems and governance
- ◆ Structural reform of the supply side will improve the quality and efficiency of the industry
- ◆ There will be further development in the areas of new industrialization, informationization, urbanization and agricultural modernization
- ◆ Entrepreneurship, innovation and information technologies will drive the transformation and upgrading of the insurance industry

Challenges

- ◆ Decelerating growth of the macro economy
- ◆ Increasing difficulties with asset-liability management
- ◆ Reform measures such as the deregulation of commercial motor premium rates, C-Ross and the shift from business tax to VAT pose challenges to insurers' business models and management capabilities

Goals and Key Initiatives during the “13th Five-year Plan”



Agenda

Overview of Results

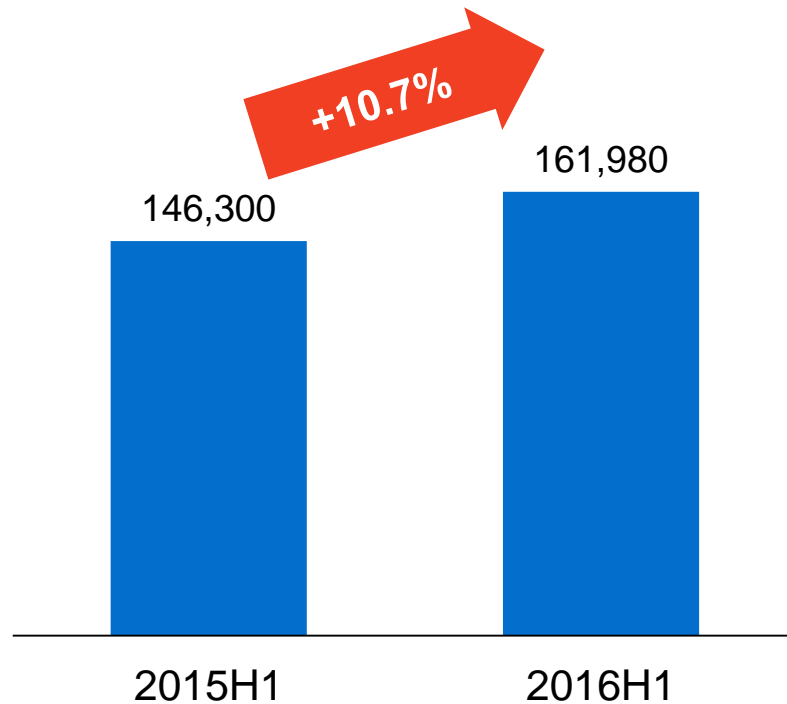
**Review of the Group's
Performance and Outlook**

**Performance of Key Business
Segments**

P&C: Premium Income Grew Faster than Industry, Market Share Increased Against Unfavorable Conditions

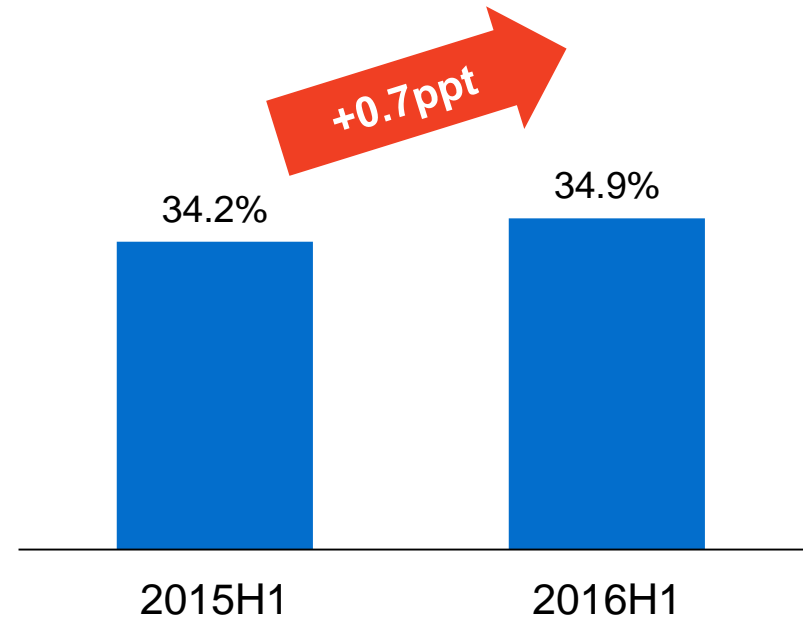
P&C Business Continued to Grow

(Gross premium income, RMB mm)



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

Market Share Rose Against Unfavorable Conditions

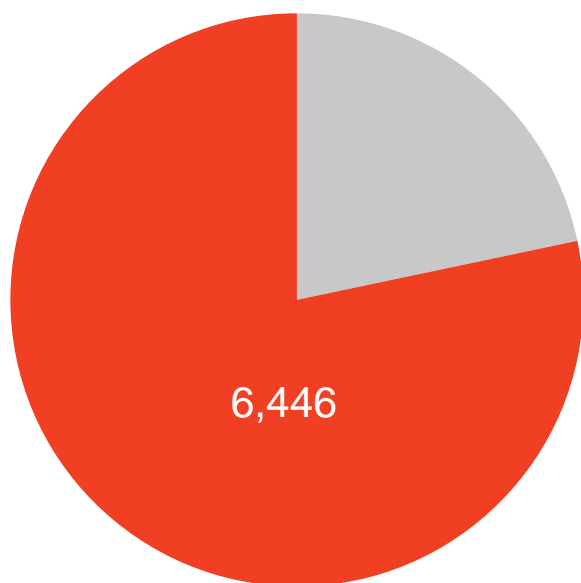


Note: Data based on PICC P&C, excluding PICC Hong Kong

P&C: Underwriting Profitability Continuously Outperforms the Industry

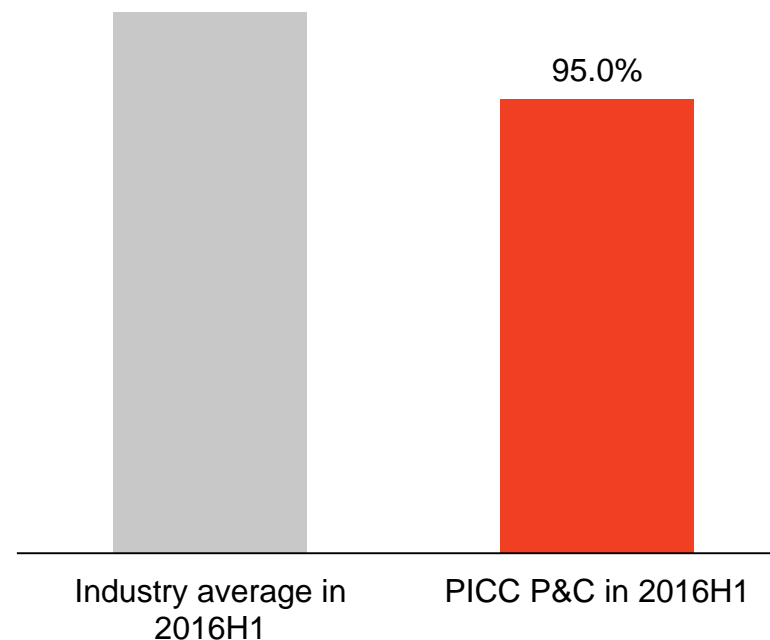
Underwriting Profitability Continuously Leads the Industry

(Underwriting profit, RMB mm)



- Underwriting Profit of the Industry Excluding PICC P&C in 2016H1
- Underwriting Profit of PICC P&C in 2016H1

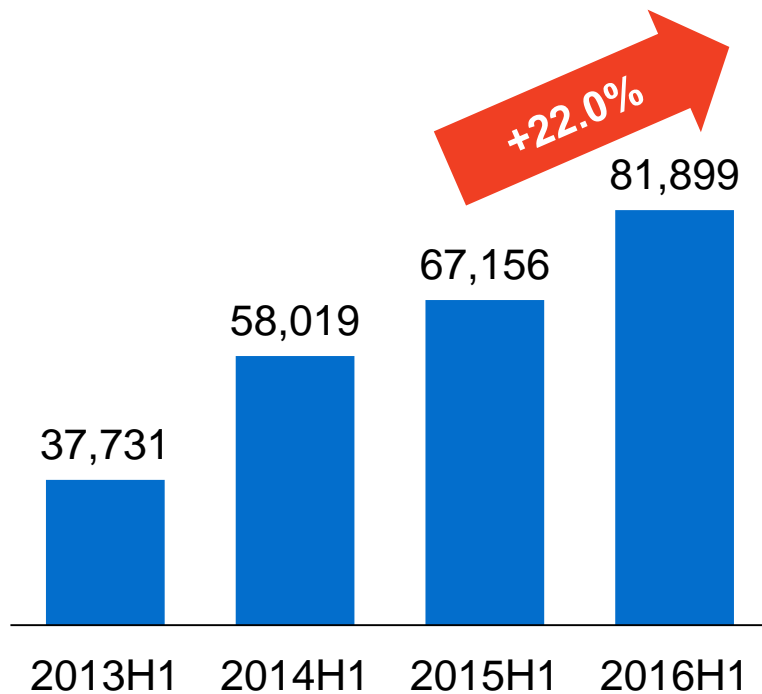
Combined Ratio Consistently Outperforms Industry Average



Life: Steady Growth of Premium Income, and Strengthened Market Position

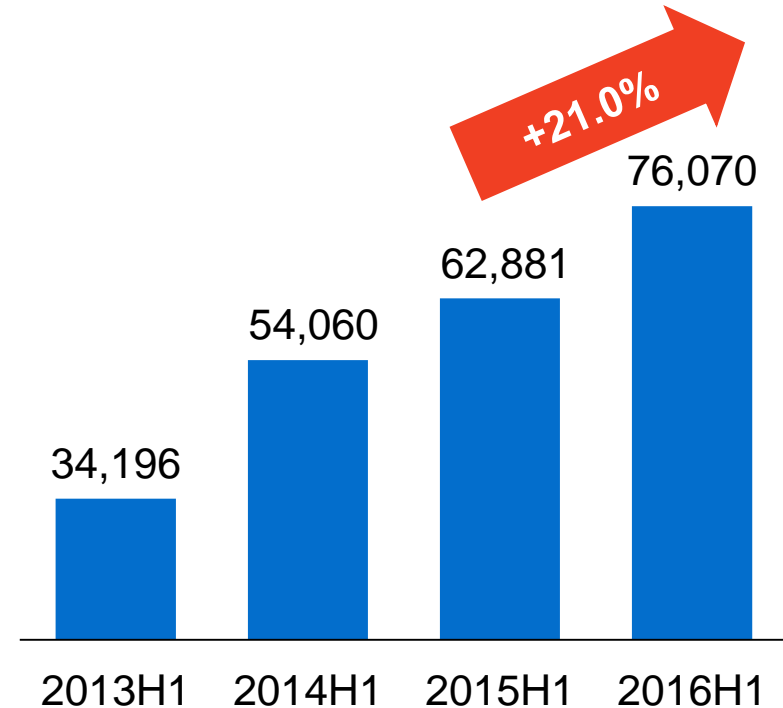
**Original Premium Income
Increased by 22.0%**

(RMB mm)



**First Year Original Premium
Income Increased by 21.0%**

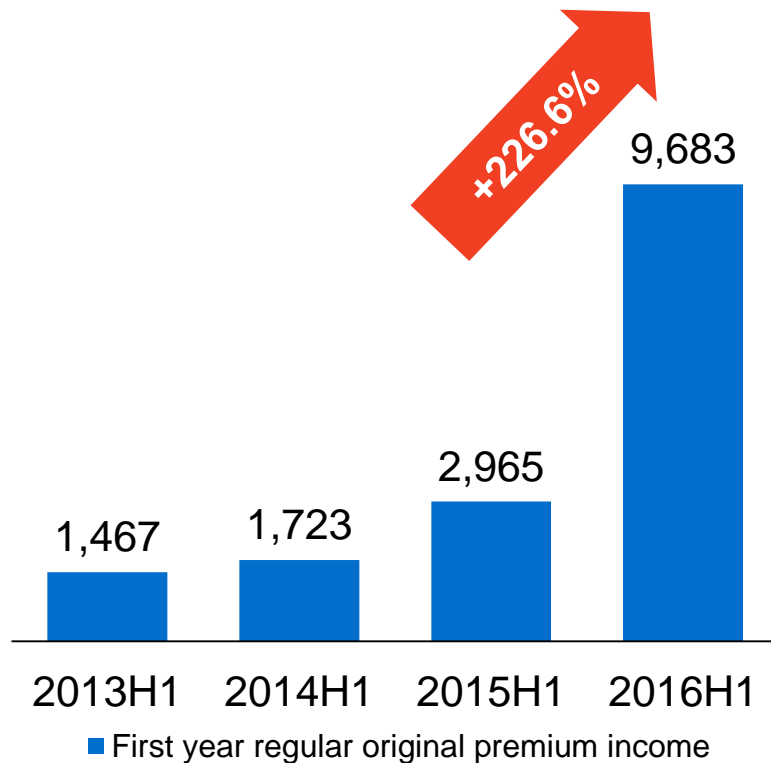
(RMB mm)



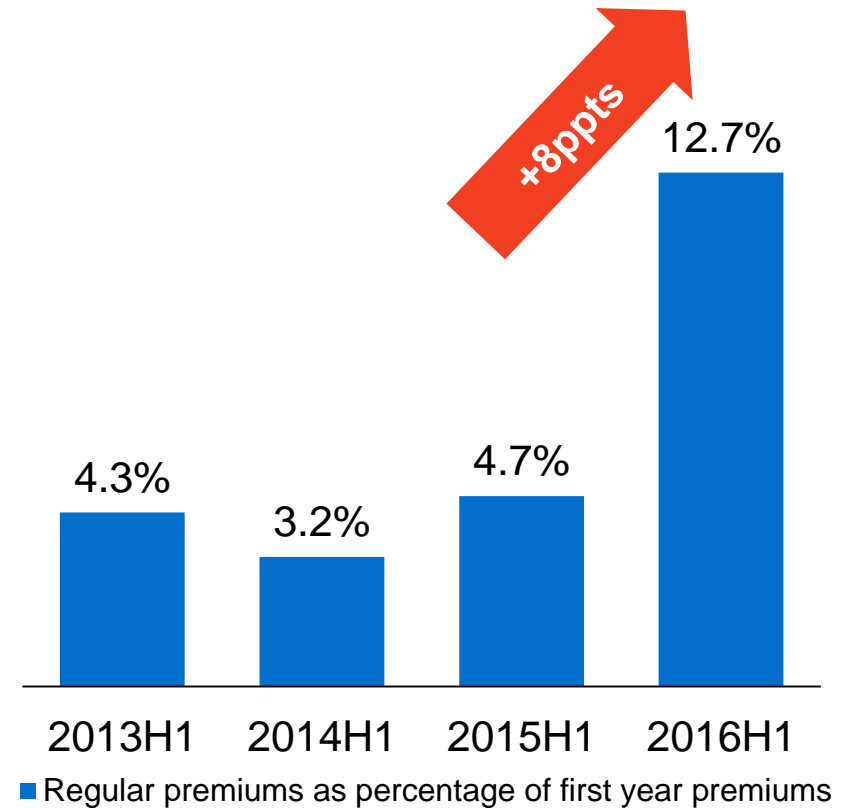
Life: Substantial Growth of Regular Premiums and Significant Optimization of Business Structure

First Year Regular Original Premiums
Increased by 226.6% YoY

(RMB mm)



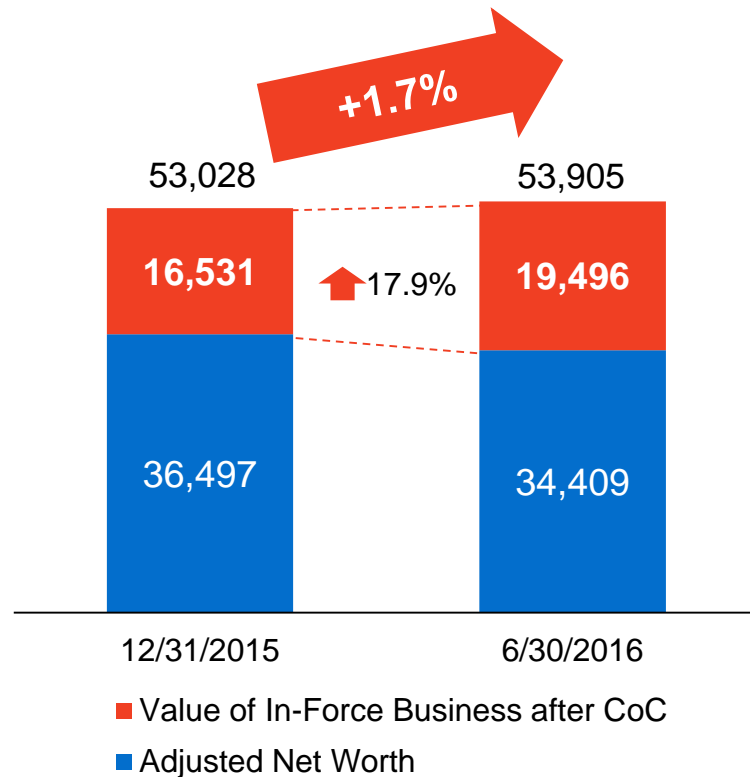
First Year Regular Original Premiums
Accounted for 12.7%



Life: Substantial Improvement in Value Creation and Initial Success from Reform and Innovation

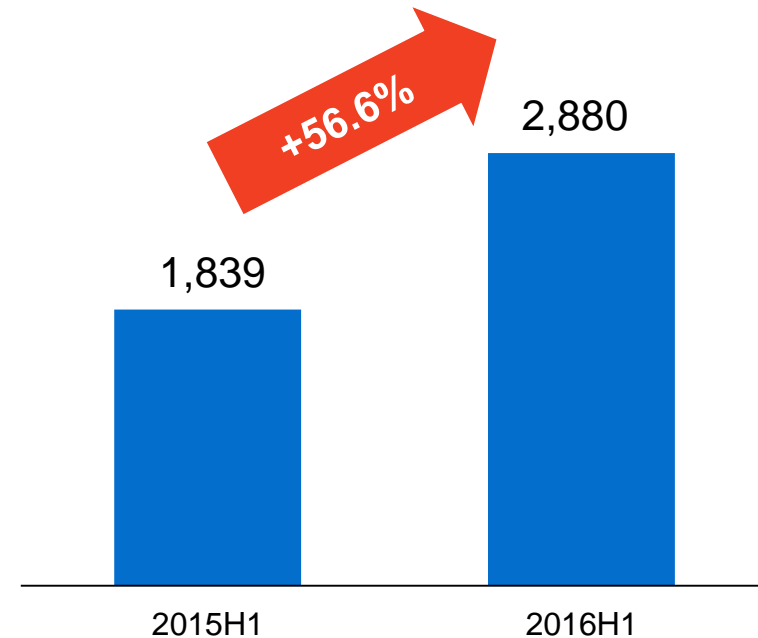
Embedded Value

(RMB mm)



Value of Half Year's New Business

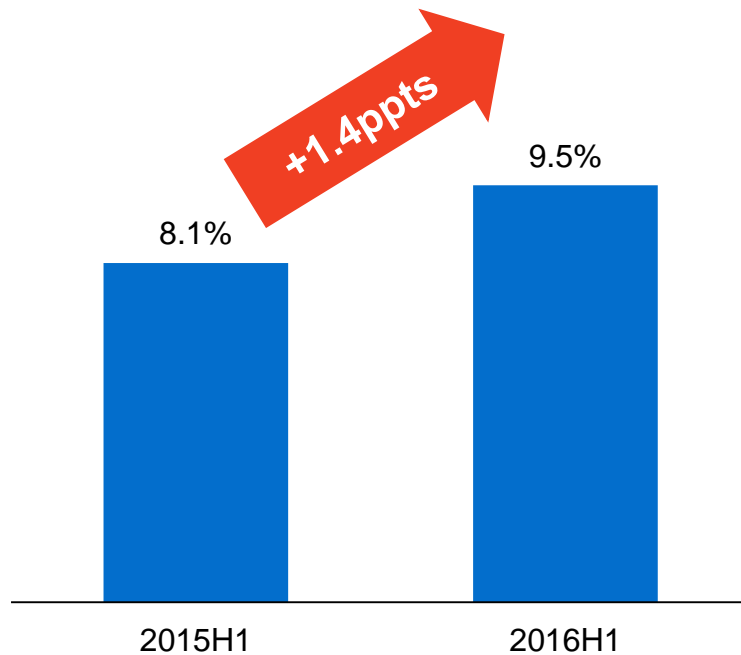
(RMB mm)



Note: The VNB for 2015H1 was calculated based on the assumptions and capital requirements as of December 31, 2015

Life: Initial Success from Transformation; Individual Insurance Channel Delivered Strong Performance

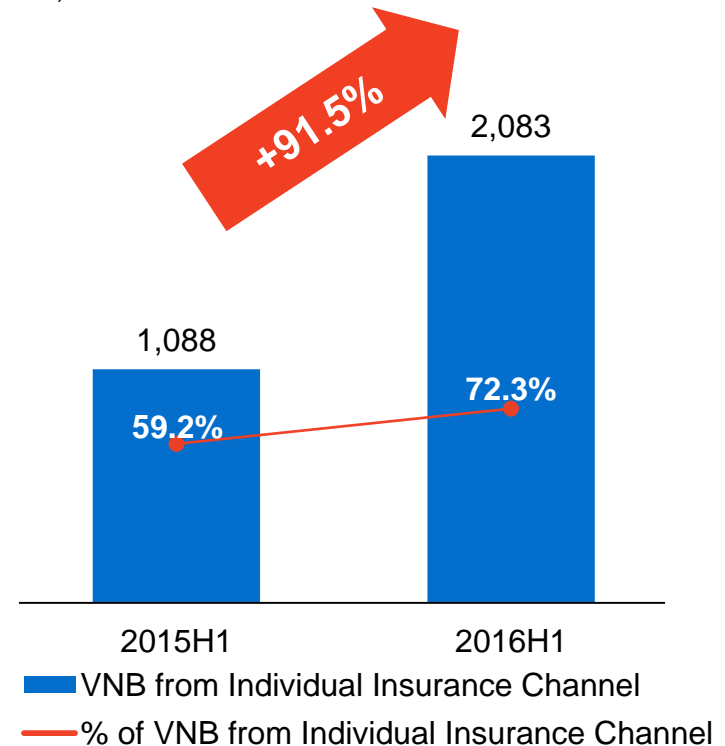
Increased VNB Margin of Individual Insurance Channel



Note: 1) Individual insurance channel VNB margin = Individual insurance channel VNB /first year TWPs from Individual insurance channel; 2) VNB for 2015H1 was calculated based on the assumptions and capital requirements as of December 31, 2015

Increased VNB Contribution from Individual Insurance Channel

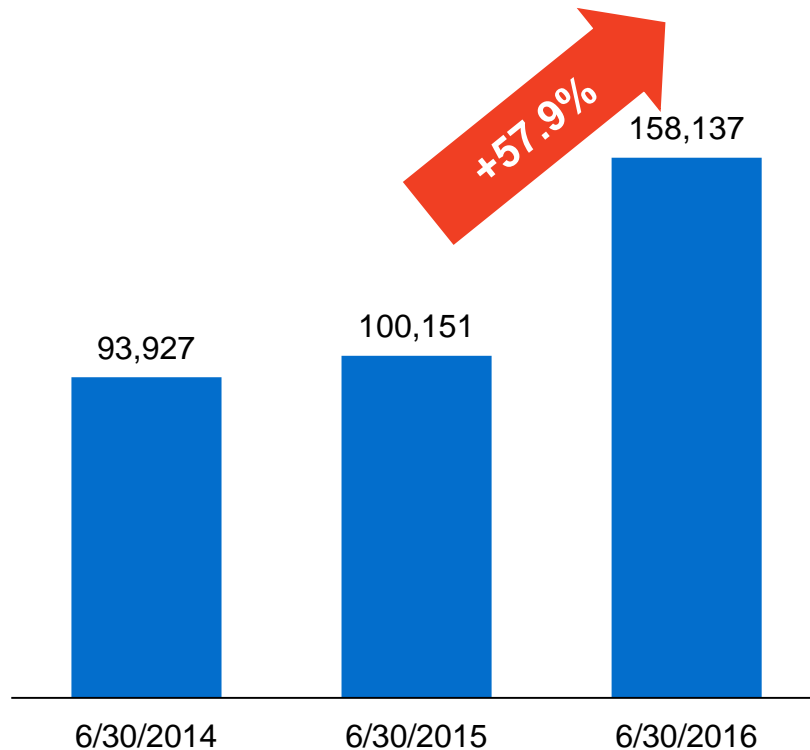
(RMB mm)



Note: VNB for 2015H1 was calculated based on the assumptions and capital requirements as of December 31, 2015

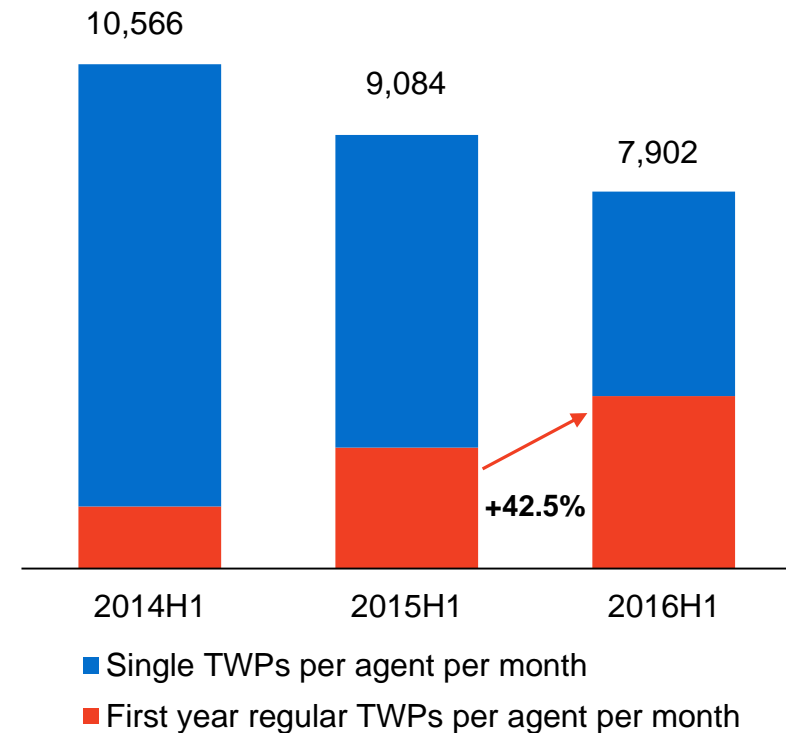
Life: Salesforce Continued to Grow with Improved Productivity of Regular Premium Business

Number of Individual Insurance Agents



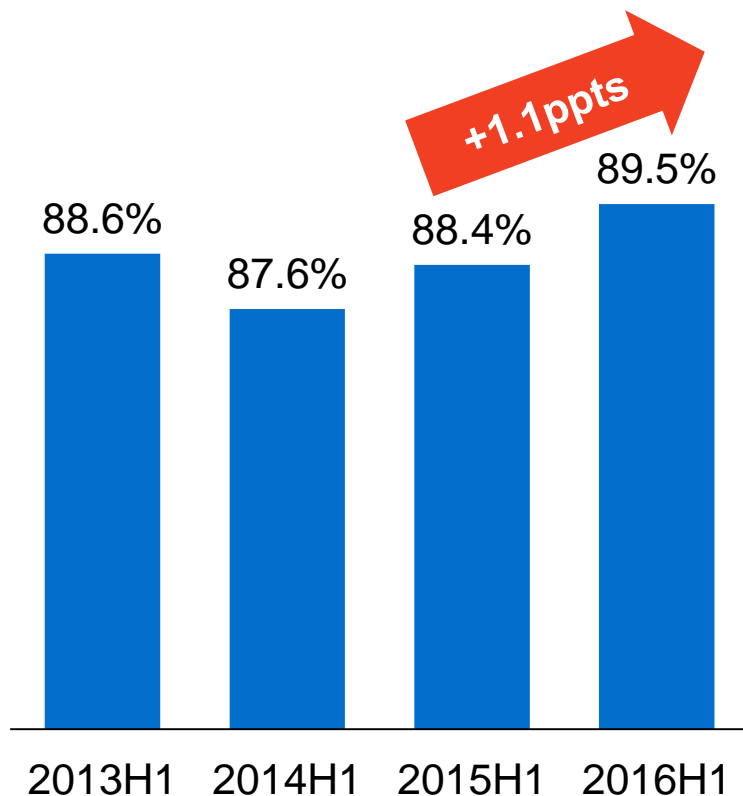
Productivity of Individual Insurance Agents

(First year TWP per agent per month, RMB)

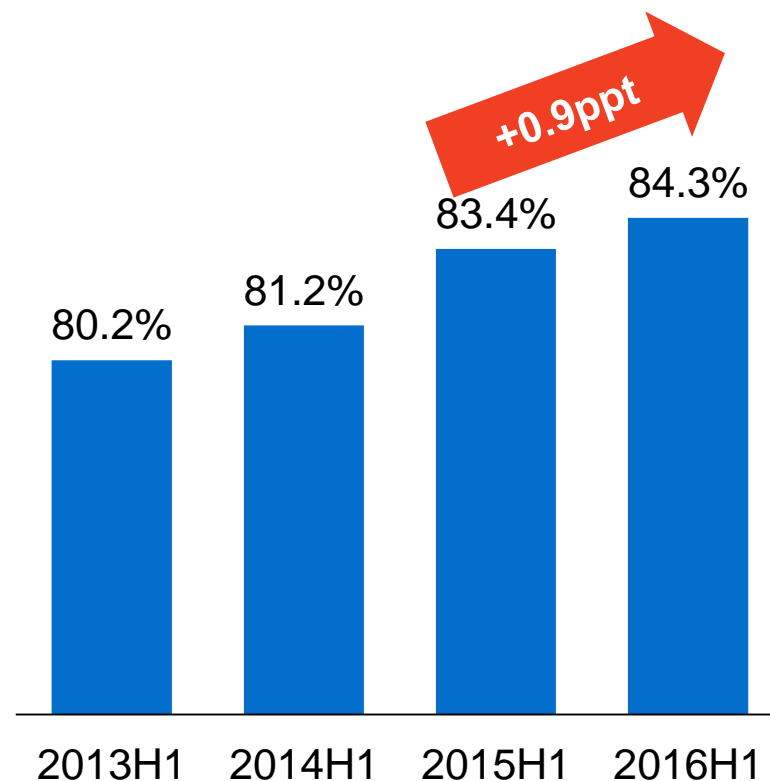


Life: Improving Service Quality and Persistency Ratio

13-month Premium Persistency Ratio



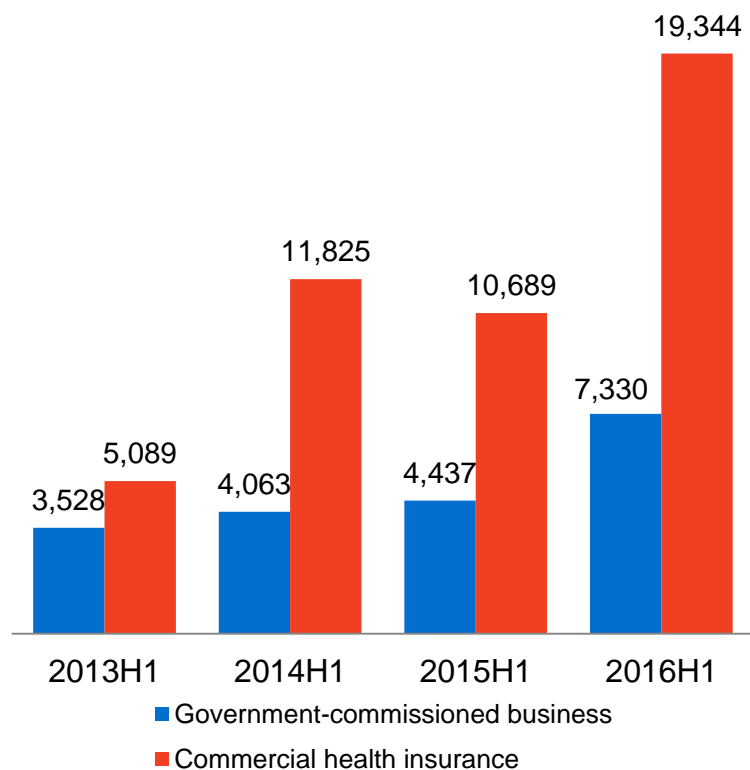
25-month Premium Persistency Ratio



Health: Business Continued to Grow Rapidly

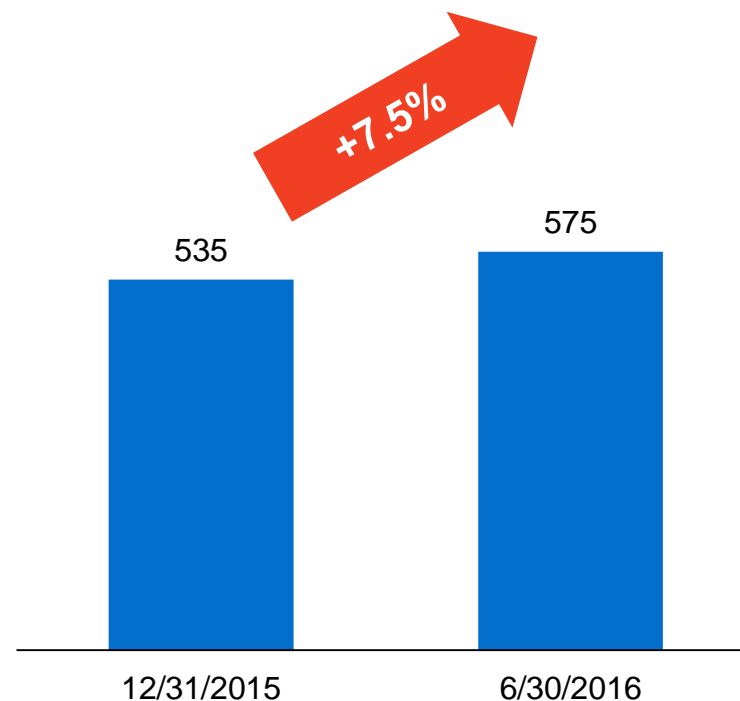
Government-commissioned Business & Commercial Health Insurance

(TWP, RMB mm)



Contracted Medical Organizations for Health Management

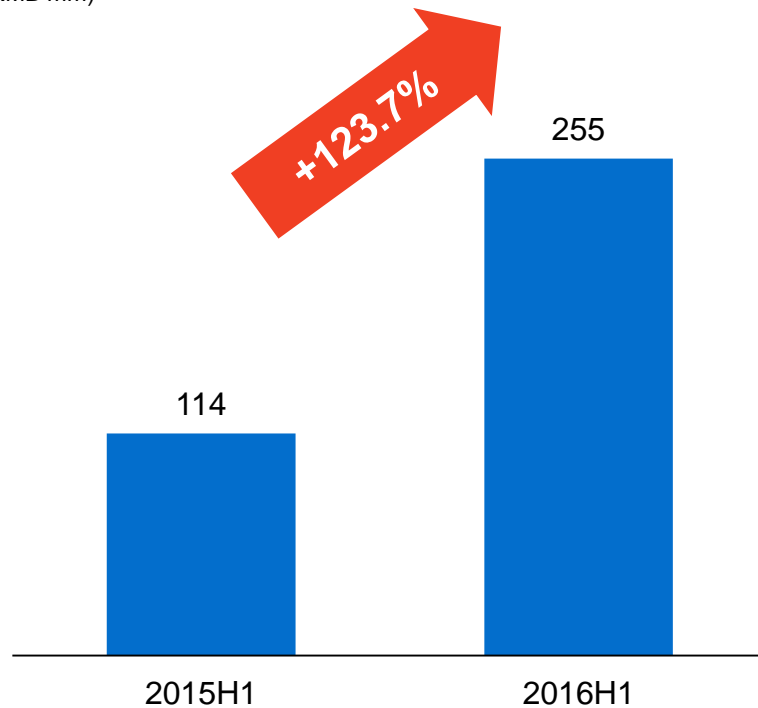
(No. of contracted medical organizations)



Health: Continuously Improved Value Creation Capabilities of Individual Insurance Channel

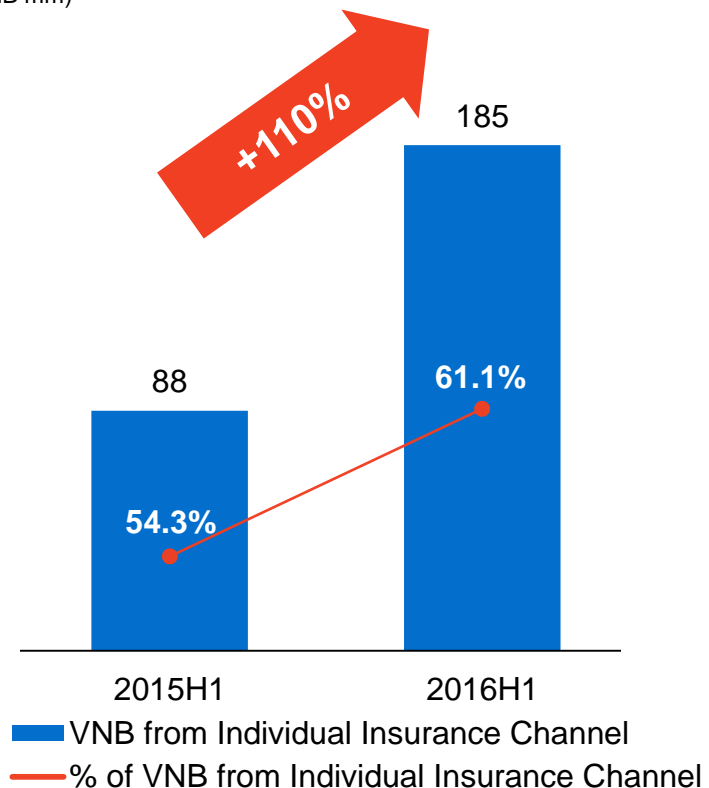
Increased First-year Regular Premiums from Individual Insurance Channel

(RMB mm)



Increased VNB Contribution from Individual Insurance Channel

(RMB mm)

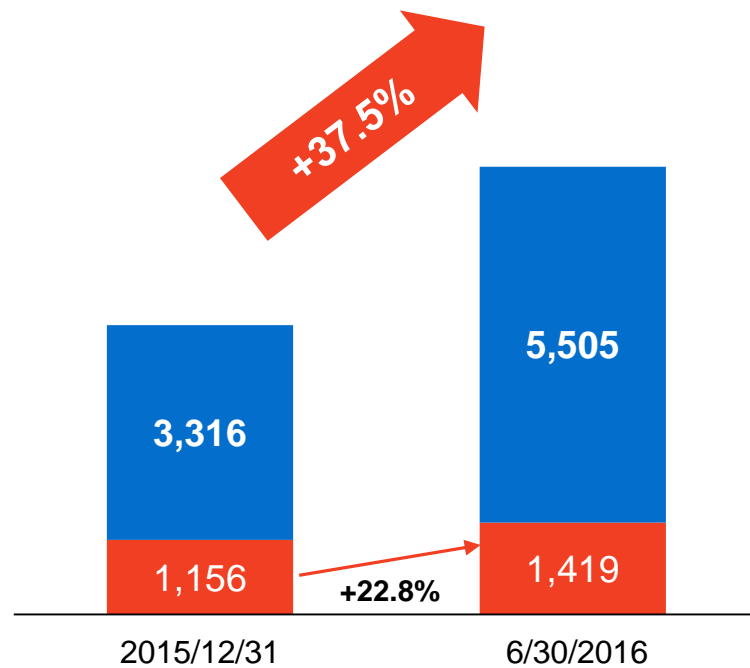


Note: The VNB for 2015H1 was calculated based on the assumptions and capital requirements as of 31 Dec 2015.

Health: Embedded Value and VNB Continued to Rise

Embedded Value

(RMB mm)

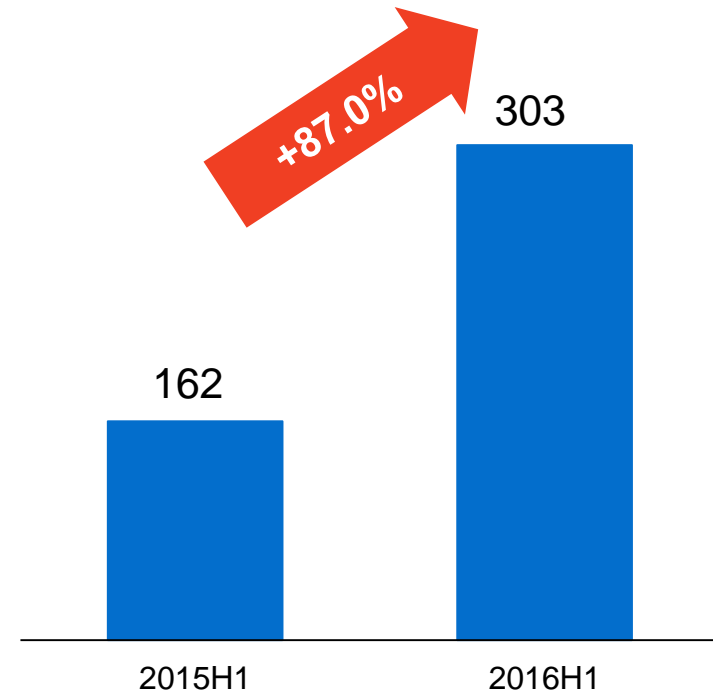


■ Adjusted Net Worth

■ Value of In-Force Business after CoC

Value of Half-year New Business

(RMB mm)

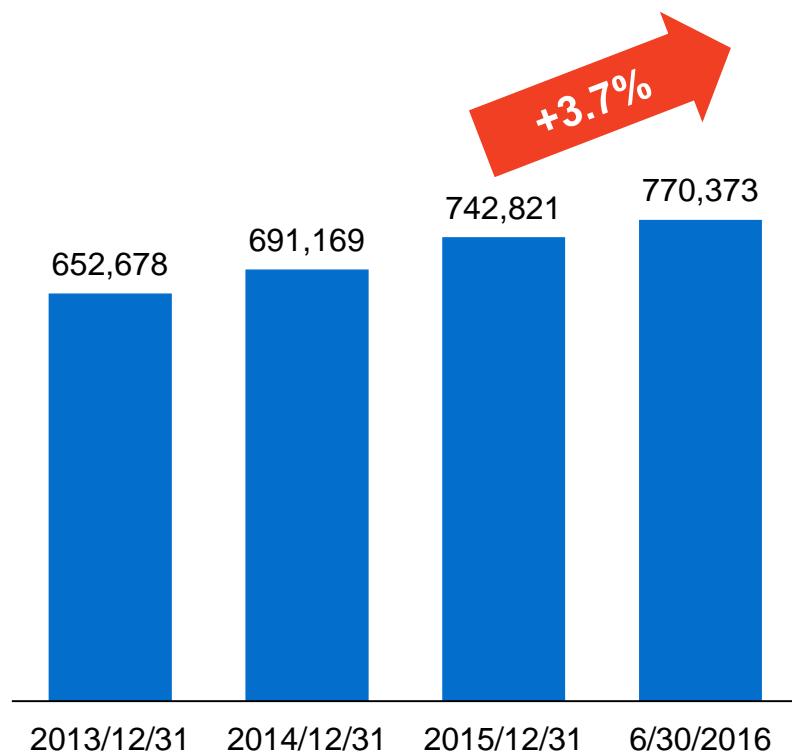


Note: The VNB for 2015H1 was calculated based on the assumptions and capital requirements as of 31 Dec 2015.

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

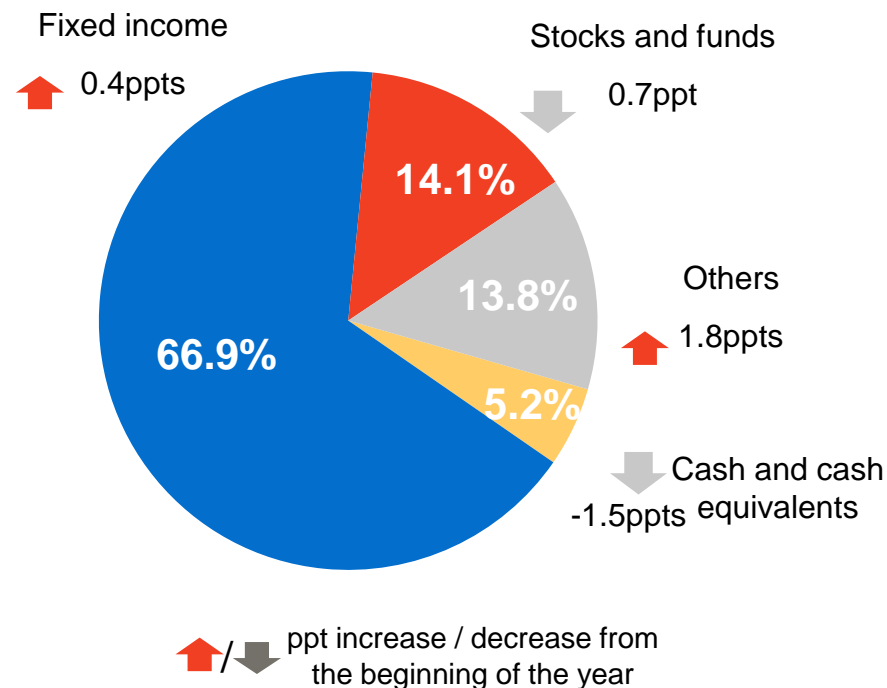
Steady Growth in Total Investment Assets

(RMB mm)



Prudent Investment Allocation Strategies

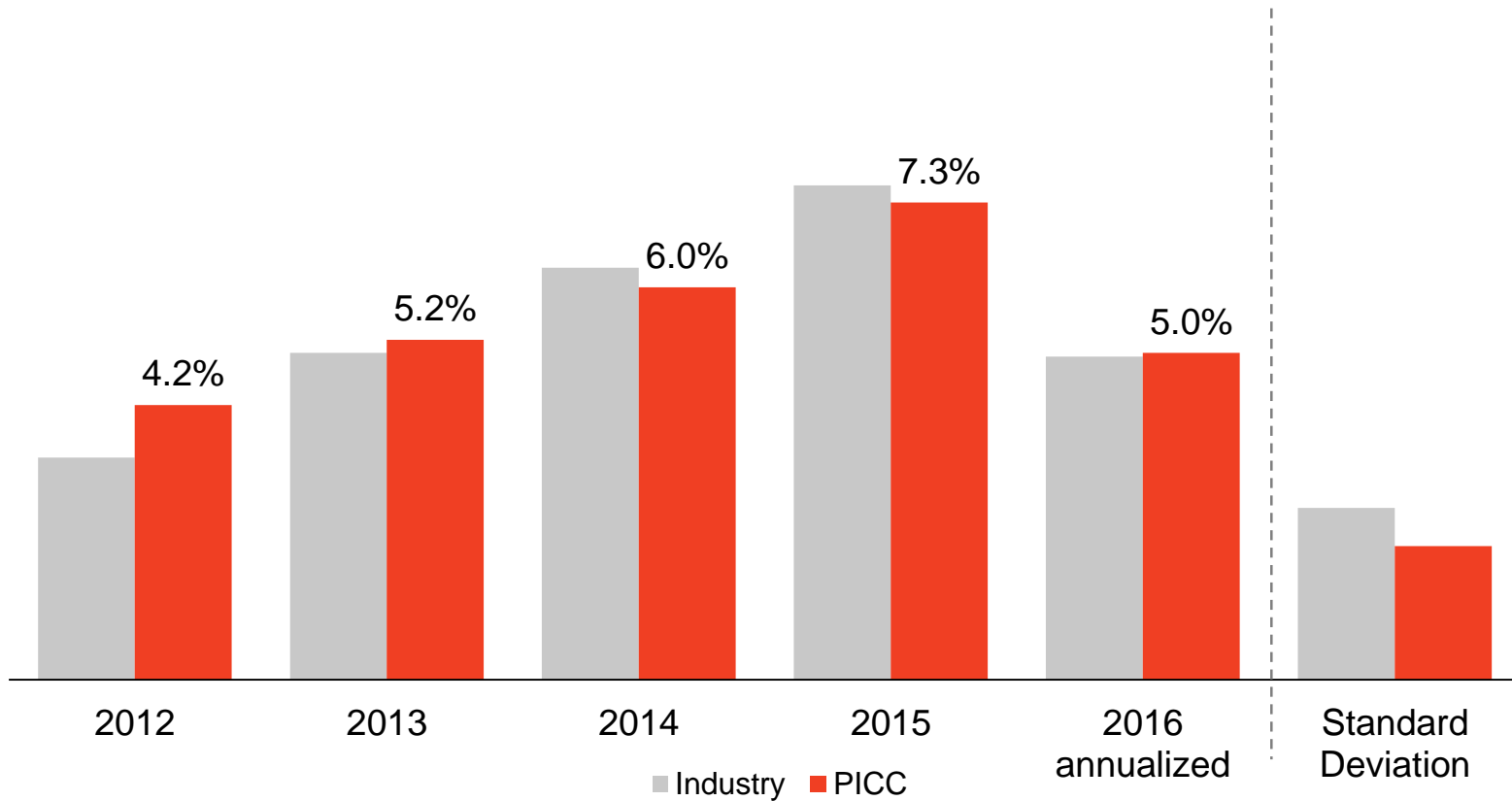
(As % of total investment assets by the end of June 2016)



Note: 1) "Fixed income" includes term deposits, fixed-income securities, restricted statutory deposits, policy loans, subordinated debts and debt investment schemes; 2) "Other" includes investment properties, derivative financial assets, investments in associates and JVs equity investments stated at cost and asset management products.

Investment: Investment Yield under Pressure, but Level of Volatility Significantly Below Industry Average

Annualized Total Investment Yield of 5.0% with Lower Standard Deviation than Industry Average



Investment: Strengthening Risk Prevention and Enhancing Expertise

Strengthening Risk Prevention

◆ Market risks

Strengthened monitoring and hedging of stock price falls, exchange rate and interest rate movements, and actively developed remedy plans

◆ Credit risks

Increased the frequency of portfolio tracking and intensified research efforts

Enhancing Expertise

◆ Accelerated the development of equity and equity fund investments

Accelerated the execution of projects such as Ant Financial Phase II, Neusoft Medical, China Insurance Investment Fund, etc.

◆ Continued to deepen product innovation

Issued a series of products including rural/SME-focused AM products, and the Equity Investment Plan with the Industry Fund of China Energy Conservative New Material Environment Protection, etc.

◆ Steadily increased overseas investment

Accelerated the build-up of the Group's integrated offshore investment & financing platform and conducted cross-border investment research

Appendix: Key Financials of the Group

(RMB mm, unless otherwise noted)	6 months as of June 30		
	2016	2015	Change (%)
Gross premium income	264,578	226,928	16.6
P&C Insurance	161,980	146,300	10.7
Life Insurance	82,278	67,780	21.3
Health Insurance	20,320	12,848	58.2
Net earned premiums	228,471	193,492	18.1
Claims and policyholders' benefits	186,772	162,164	15.2
Handling charges and commissions	25,570	16,821	52.0
Profit before tax	14,570	22,367	(34.9)
Net profit	11,284	18,032	(37.4)
Net profit attributable to the equity holders	7,725	12,821	(39.7)
EPS (RMB)	0.18	0.30	(39.7)
Weighted average return on equity (annualized %)	13.0	25.3	Down by 12.3ppts

(RMB mm, unless otherwise noted)	As of	As of	Change (%)
	June 30, 2016	December 31, 2015	
Total assets	902,276	843,468	7.0
Total liabilities	738,847	686,273	7.7
Total equity	163,429	157,195	4.0
Book value per share (RMB)	2.85	2.74	4.2