

# 2020 Results Announcement

PICC Group (601319.SH 1339.HK)

PICC P&C (2328.HK)



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**Note: The Group's A-share 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 IFRS.**

# 01

## Chairman's Statement

*LUO Xi*

Chairman, PICC Group  
Chairman, PICC P&C



# To Be Prominent Strategy

“1 Strategic Vision” + “7 Strategic Initiatives”

**Build a world-class finance and insurance group with superb risk management**

Focus on core business

Pursuit of excellence

Capacity building

Comprehensive services

1

Always remember where PICC started

2

Fulfill historic mission of serving national strategies

3

Enhance innovation-driven advantages of P&C business

4

Build a service platform of overall risk management

5

Improve market-oriented management system

6

Establish digitalization-based development momentum

7

Improve corporate governance as a modern state-owned enterprise

## Outlook

In 2021, in the new era and environment of development, the Company will drive new development strategies focusing on innovation, supply optimization, and quality improvement, by pushing the business model upgrade, strengthening technology capabilities, fulfilling the Heart-Warming Project, implementing strategic planning, and improving the corporate governance, launching “To be prominent” strategy, and creating more value for shareholders, customers, and the society.

# 02

## Results Overview

*WANG Tingke*

Vice Chairman and President, PICC Group



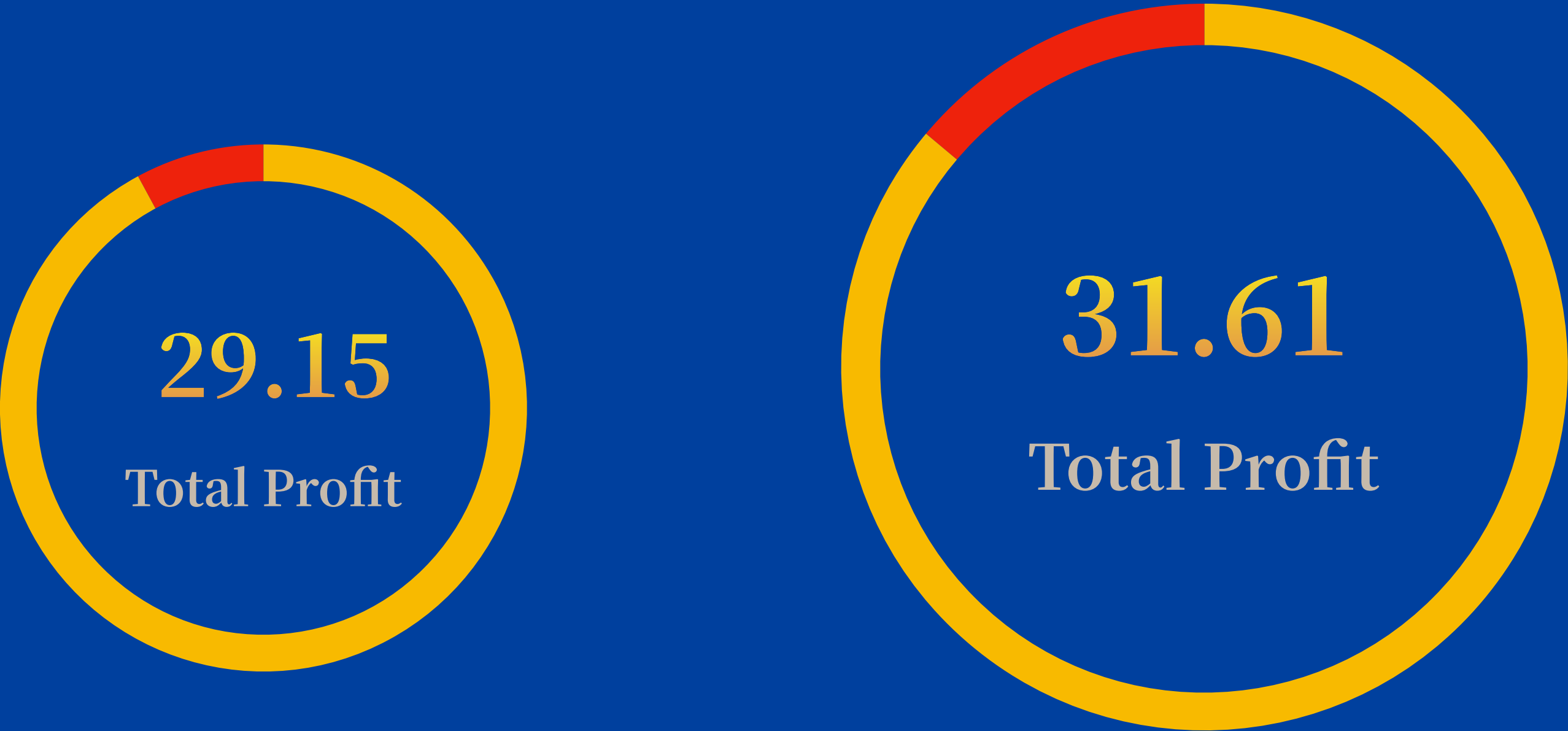
# Results Overview

<div>Gross Written Premiums</div> <div>RMB563.61bn</div> <div>+ 1.5 %</div>	<div>Total Profit</div> <div>RMB31.61bn</div> <div>+ 8.5%</div>	<div>Net profit after deduction of non-recurring P&amp;L</div> <div>RMB20.04bn</div> <div>- 9.5%</div>	<div>Net Assets Attributable to Equity Holders of the Company</div> <div>RMB202.48bn</div> <div>+ 10.4%</div>
<div>Total Investment Yield</div> <div>5.8%</div> <div>+ 0.4ppts</div>	<div>PICC P&amp;C Underwriting Profit</div> <div>RMB4.18bn</div> <div>+ 31.5%</div>	<div>New Business Value</div> <div><div>PICC LifeRMB5.43bn</div><div>PICC HealthRMB0.7bn</div></div> <div><div>+ 5.6%</div><div>+ 56.6%</div></div>	<div>Proposed annual cash dividend of RMB 1.2per 10 shares</div> <div>Annual dividend payout ratio 34.4%</div> <div>Dividend yield corresponding to recent H share price 7.5%</div>

# Further Improvement of Group Profit Structure

(RMB bn)

+ 8.5%



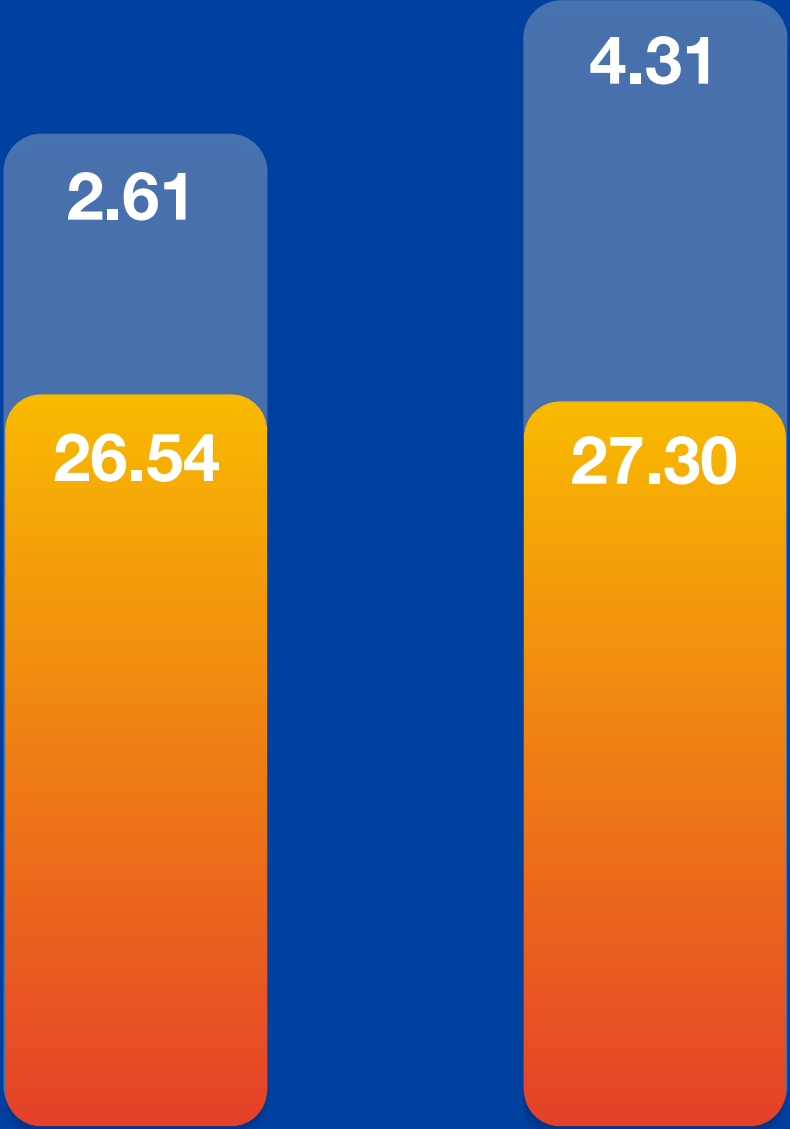
2019

2020

Others P&C

+ 65.4%

Profit from Non-P&C



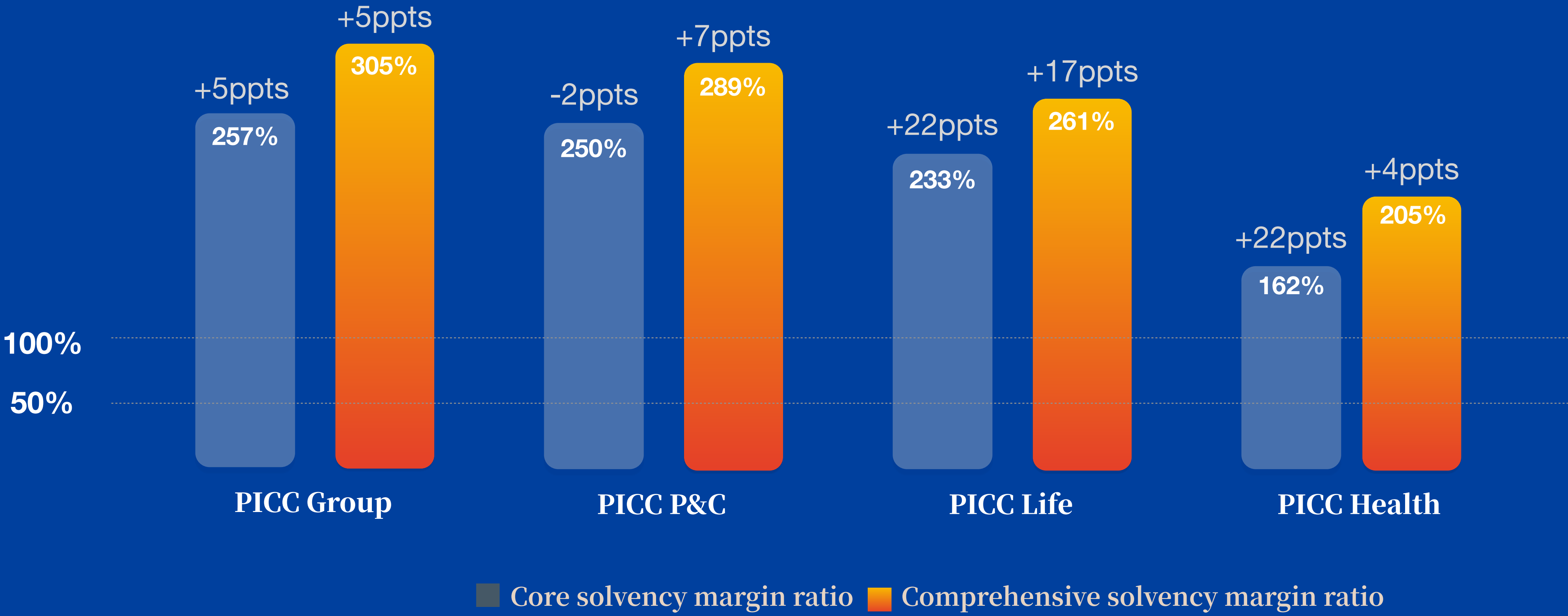
2019

2020

Others P&C



# Solvency Margin Ratios Significantly Higher than Regulatory Requirement



# Raise Dividend Payout for Higher Shareholder Return

Proposed annual dividend per 10 shares

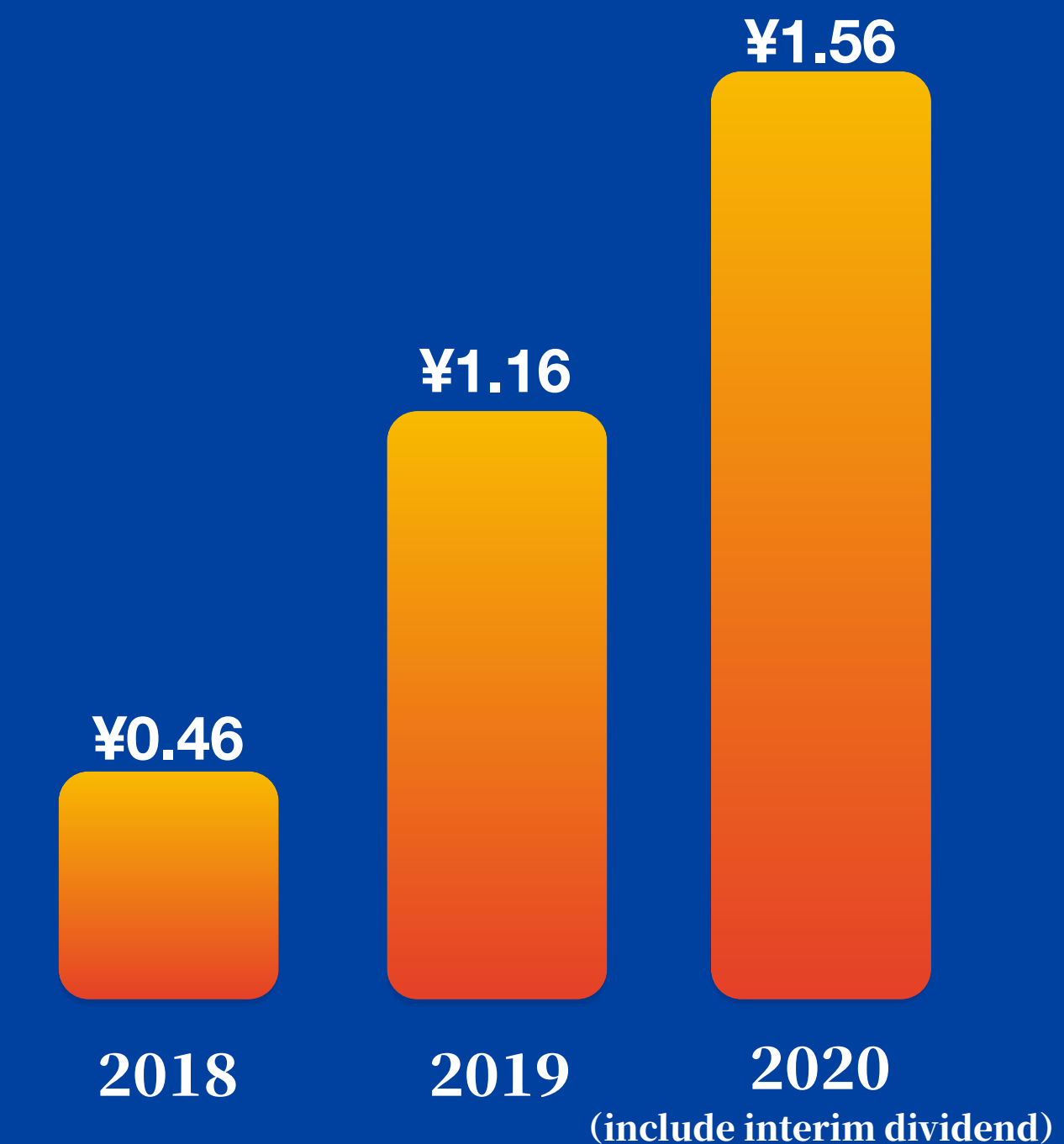
¥1.2

Annual dividend payout ratio

34.4%

84.8%

Cash dividends CAGR



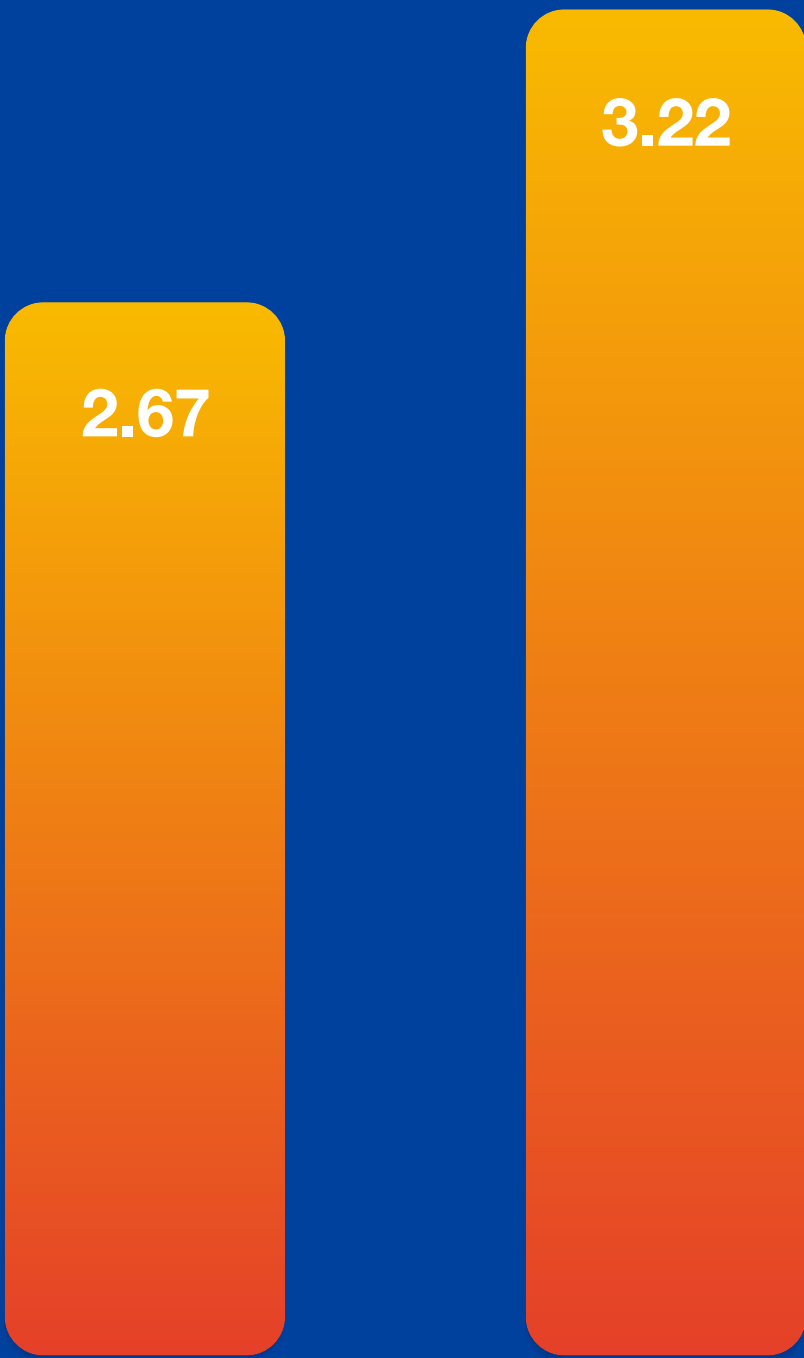
Cash dividends per 10 shares for the last 3 years

# Achieves Outstanding Synergies

(RMB bn)

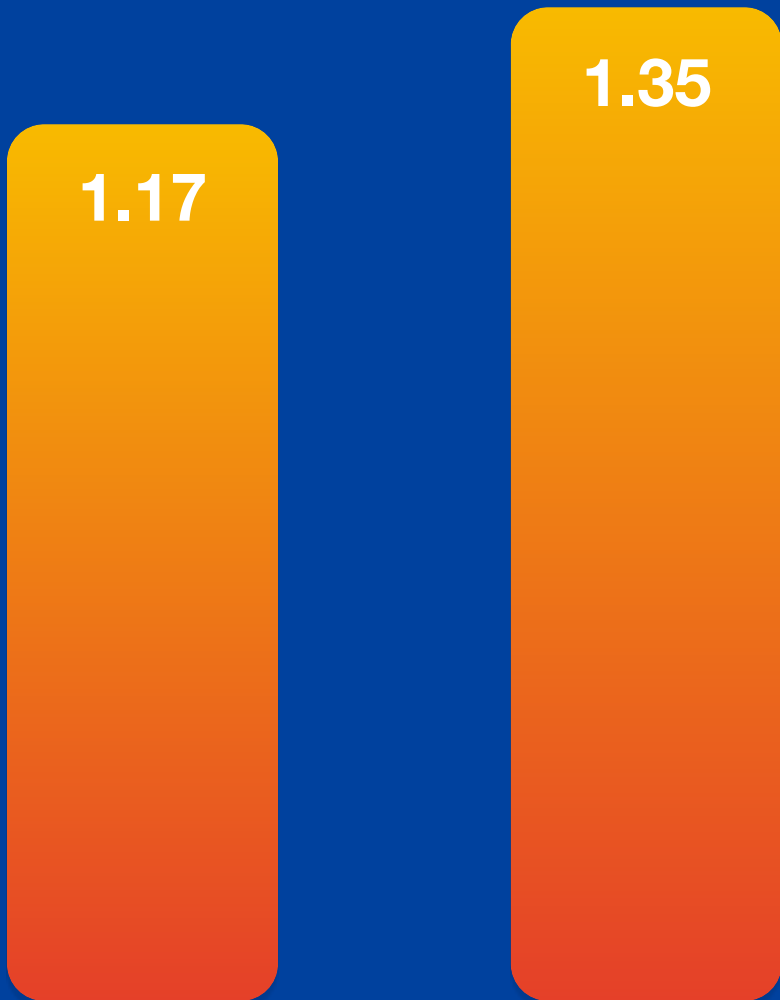


Motor insurance premiums generated through synergies



20.4%

Life insurance first-year regular TWPs generated through synergies



15.4%

“PICC e-Tong” newly added individual agents: 0.38mm

Written premiums YoY: +142%

2019

2020

2019

2020

# Strengthen Core Competence Based on Digitalization and Technologies

1

Launch Tech System Reform

2

Strengthen Tech Construction

3

Strengthen Tech Empowerment  
and Application

## Digitalization of motor insurance

- Household-owned vehicles customers online: 89%, +29.5ppts
- Claims of household-owned vehicles processed online: 93.2%, +26.5ppts

## Precision motor insurance pricing

- Develop “PICC Score” to improve the quality and structure of underwriting business
- Realize precision risk identification and allocate resources based on price at sale front

## Mobile ecosystem of life insurance

- Integration and interaction among clients, internal support and agents
- App downloads of 26.55mm
- Users of 5.94mm

## Smart marketing platform

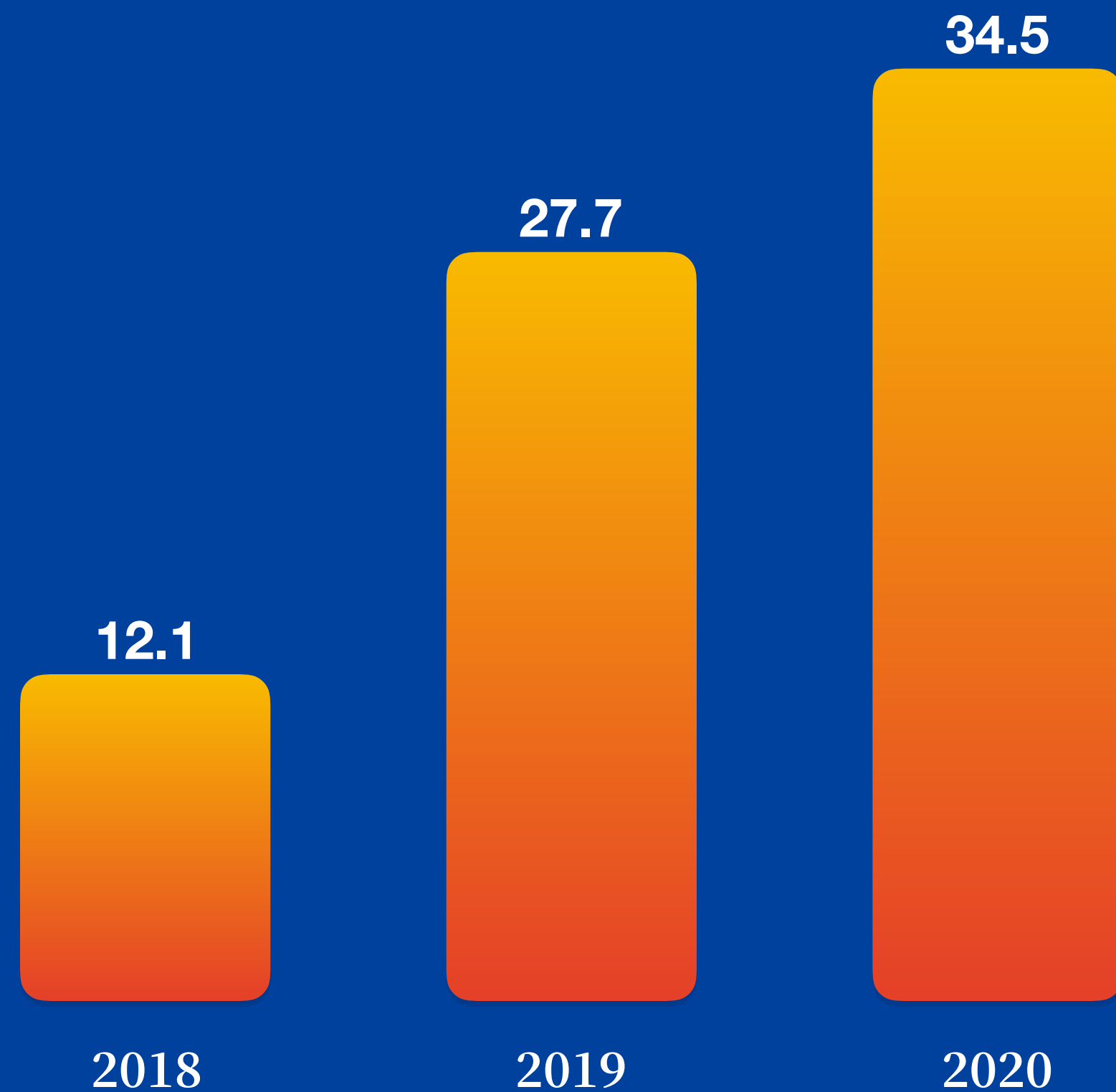
- Intelligent outbound calls made by robots of 38.82mm, +4.3x
- Labor force saving by robots of over 1,000 persons



# Promote Online Business amid the Industry Trend

(RMB bn)

Group-wide online insurance premiums **+ 24.6%**



Core services provided to customers by “PICC” APP

**24.82mm times**

New customers in 2020

**20mm**

# Responsibility as Central SOE in Financial Sector

**Insured liability amounted to RMB1,446 trillion and claims paid of RMB308.8 billion**

**1**

Sum assured of  
insurance donated:  
**RMB 878.4bn**

**2**

Sum assured of  
environmental pollution  
liability insurance  
**RMB14.7bn**

**3**

Agriculture insurance  
claims paid: **RMB24.9bn**  
Farmers covered: **86.07mm**

**4**

Financing support for  
green environment  
protection industries  
**RMB4.98bn**

**5**

People insured under  
policy-based medical  
insurance schemes:  
**860mm**

**6**

National Poverty Alleviation  
Summary and Commendation  
Conference  
1 "Model Poverty Fighter" award  
2 "Outstanding Entity for Poverty  
Alleviation" awards

# Uphold the bottom line of preventing systemic risks by comprehensively improving risk management

Focus on significant compliance and regulatory risks, and pinpoint system-wide risks for relentless compliance management in key areas

Continuously monitor quasi-financial business and improve credit risk management and control whilst preventing risks of interest spread loss

Strengthen risk prevention and control for the long term and improve day-to-day management and control of significant risks by promoting capabilities in risk identification and response

# Company Honors

1

Ranked the **121th** in the  
List of Fortune Global 500

2

Ranked the **30th** in  
the list of Top 500  
Enterprises of China

3

Ark award of Chinese  
enterprises

4

Best innovation award for  
insurance service

5

Top 100 of comprehensive  
strength and best valuable  
investment

6

“Golden quality” for social  
responsibility of listed  
company



03

# Segment Overview

# P&C: Performance Highlights

Original Insurance  
Premiums  
**RMB432.02bn**  
**+ 0.1 %**

Underwriting Profit  
**RMB4.18bn**  
**+ 31.5%**

Total Investment  
Income  
**RMB23.18bn**  
**+ 5.5%**

Profit Before Tax  
**RMB24.68bn**  
**+3.8%**

Net Assets Attributable  
to Equity Holders of the  
Company  
**RMB187.51bn**  
**+ 10.3%**

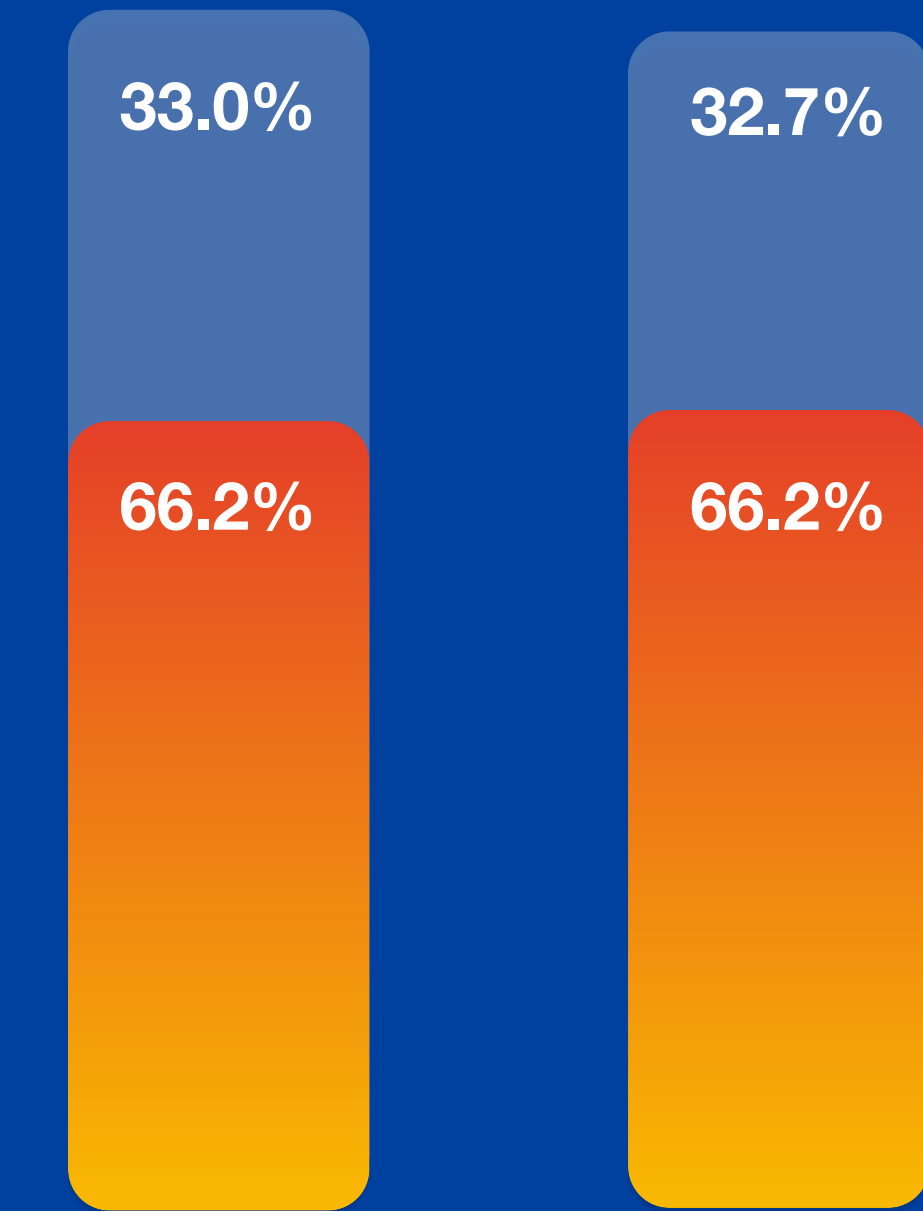
Proposed Annual Cash  
Dividend Per 10 Shares  
**RMB3.75**  
Dividend Payout Ratio  
**40%**

Note: “P&C” refers to PICC P&C , excluding PICC HK, unless otherwise specified.

# Combined Ratio Remains Stable, with Underwriting Profit Significantly Outperforms Industry

(RMB bn)

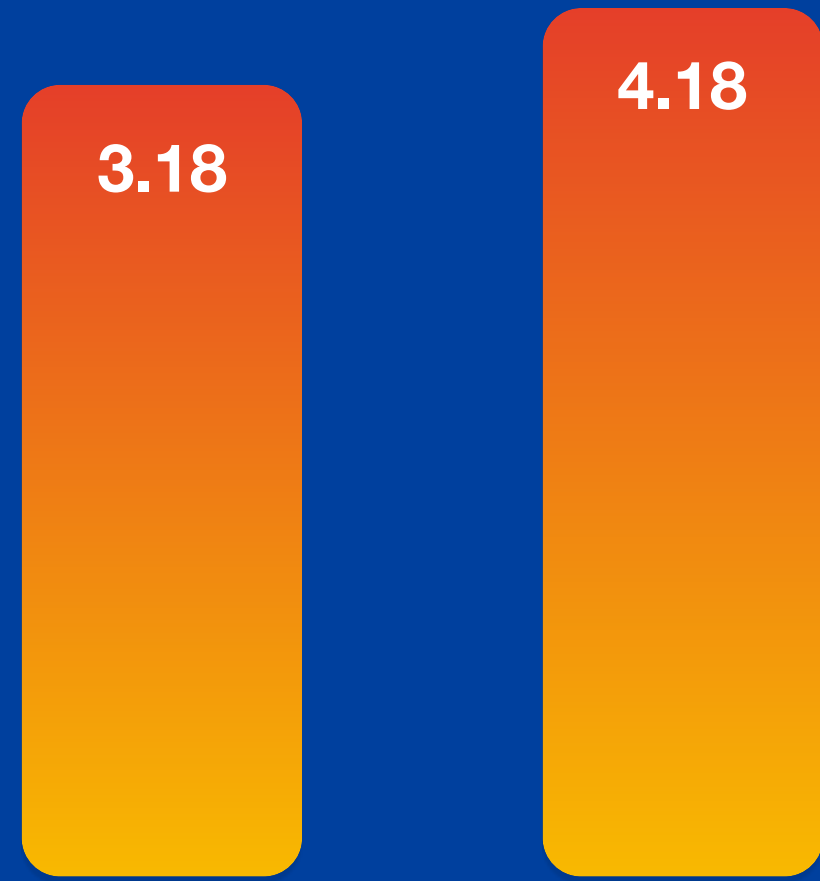
Combined Ratio 98.9%



2019 2020

Loss Ratio Expense Ratio

Underwriting Profit +31.5%



2019 2020

# Motor: Continued Growth and Structural Improvement by Complying with Motor Insurance Reform

# of household-owned vehicles underwritten

**+ 10.7%**

Premiums from household-owned vehicles as % of total

**+ 0.8ppts**

Market share in household-owned vehicle insurance

**+ 0.95ppts**

% of renewed commercial motor insurance customers with no claims

**+ 2.0ppts**

Renewal rate of household-owned vehicles

**73.1%**

**+ 4.5ppts**



# Motor Insurance Profitability Outperforms Peers

(RMB bn)

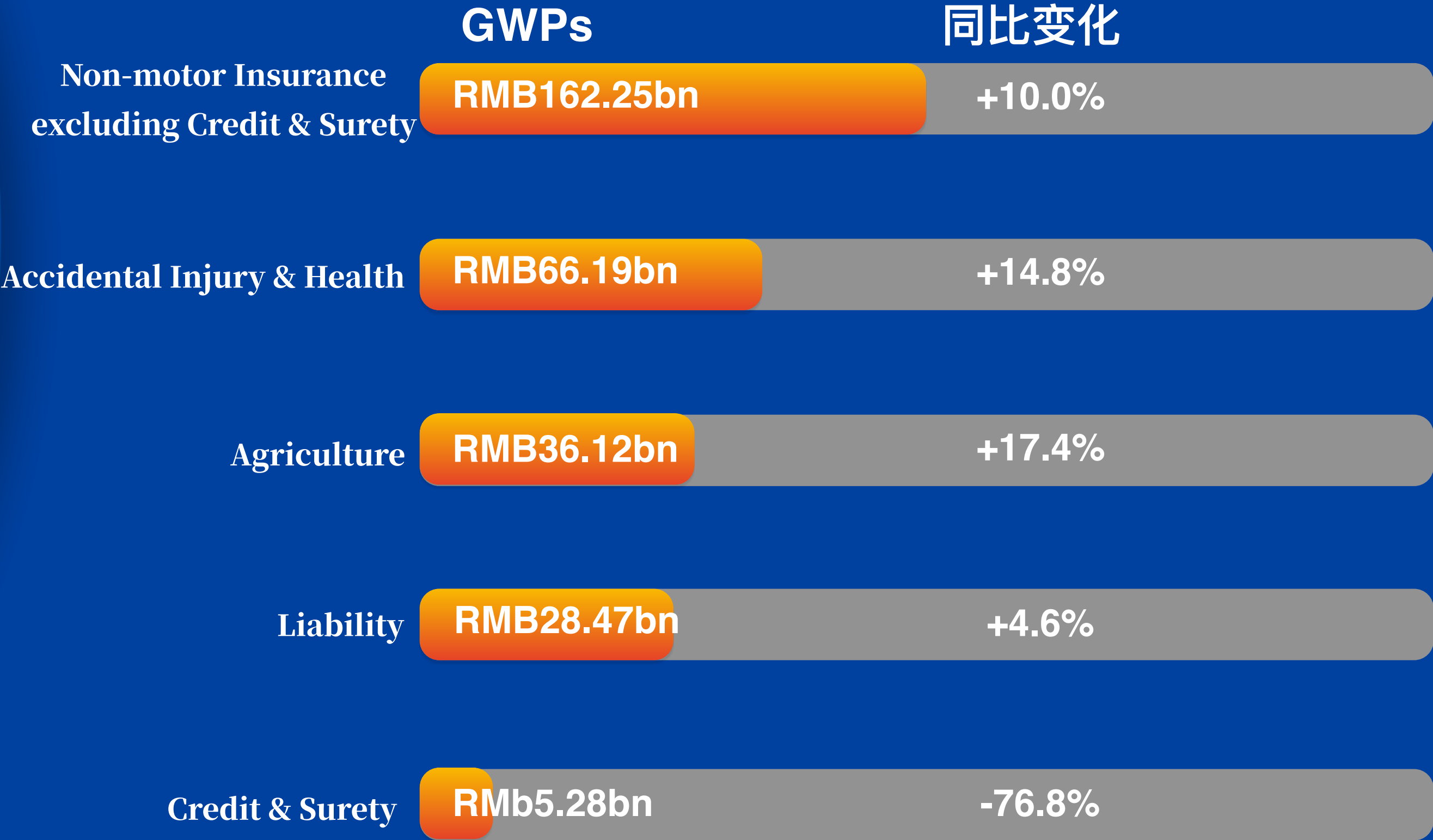
Combined ratio **-0.2ppts**



Underwriting Profit **+7.4%**



# Non-motor: Accelerated Risk Clearance and Significant Improvement in Profitability



2019

-2.14

2020

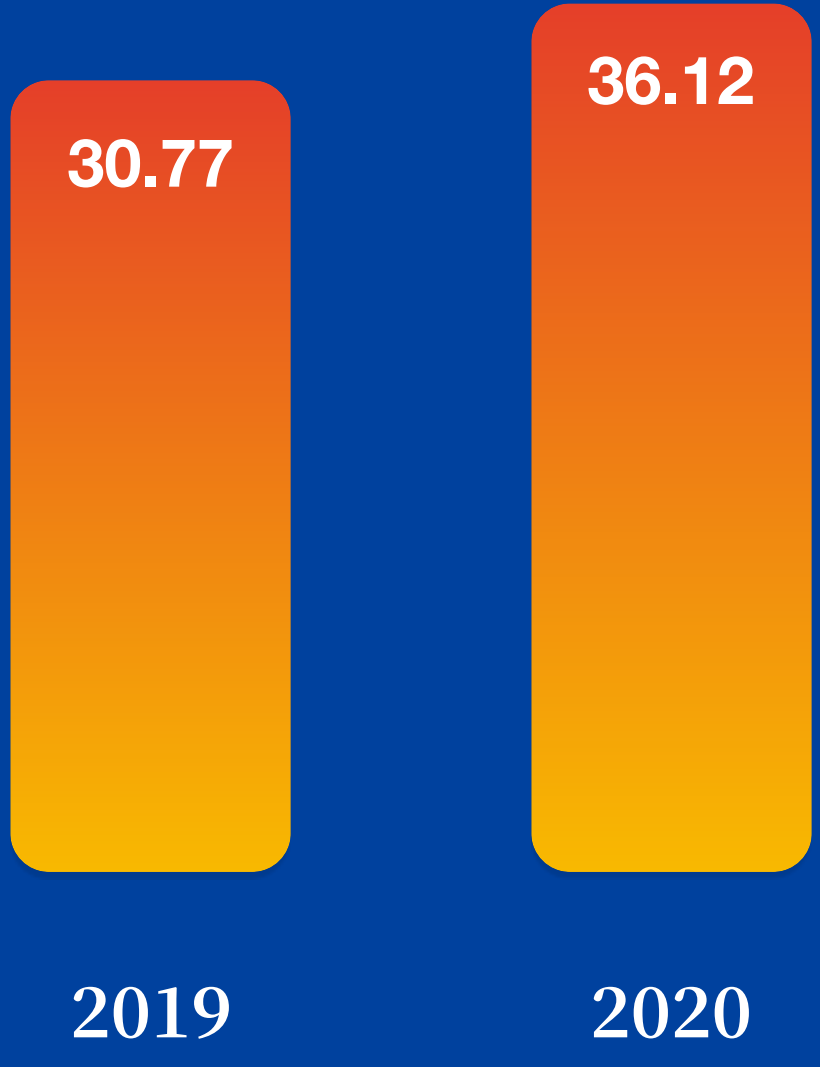
0.47

Underwriting Profit excluding Credit & Surety (RMB bn)

# Agriculture Insurance Saw Rapid Growth

(RMB bn)

**GWPs**      **+ 17.4%**



**Combined Ratio**      **-1.9ppts**



Loss Ratio      Expense ratio

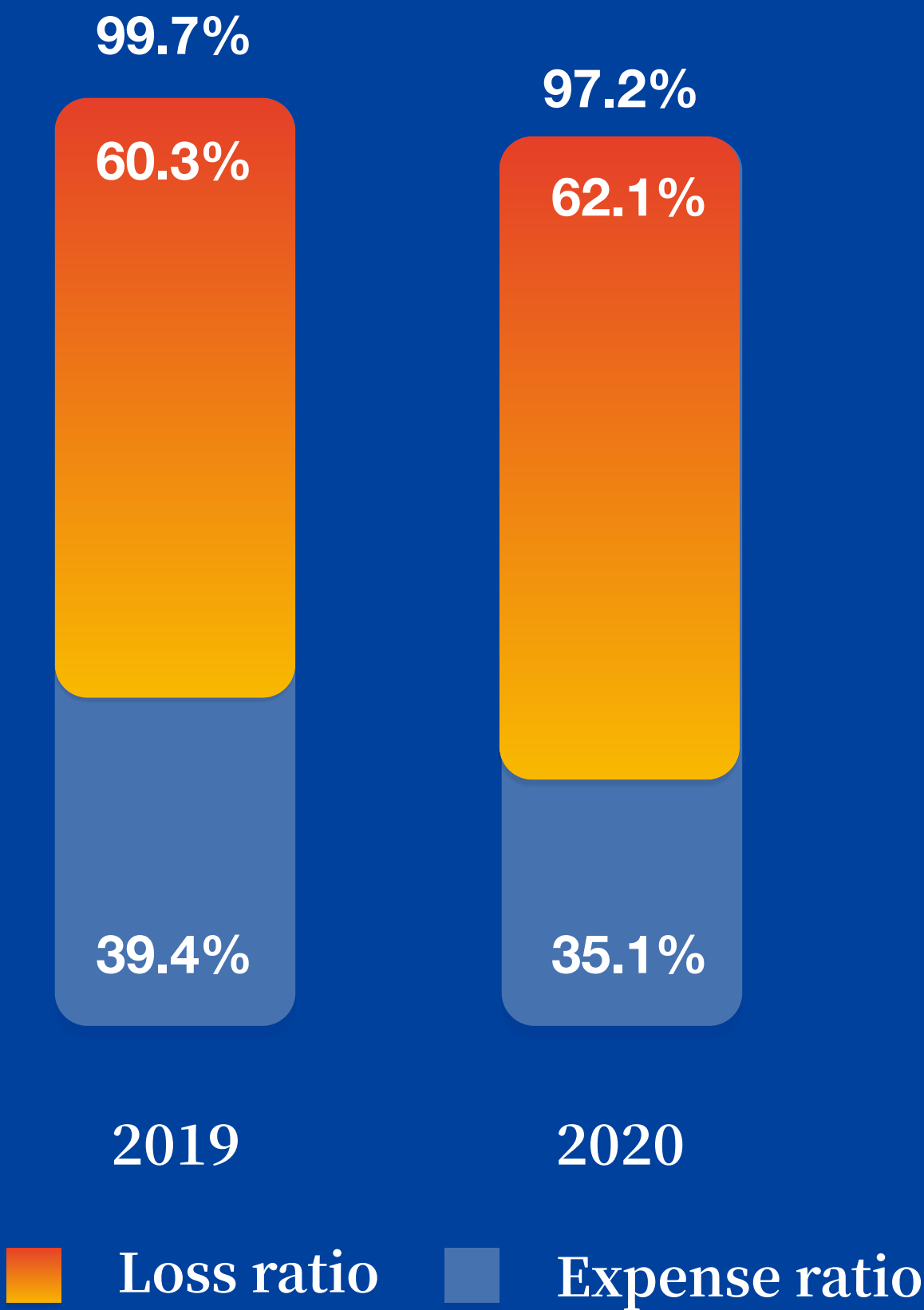
# Liability Insurance Achieved Better Social and Economic Benefits

(RMB bn)

GWPs + 4.6%



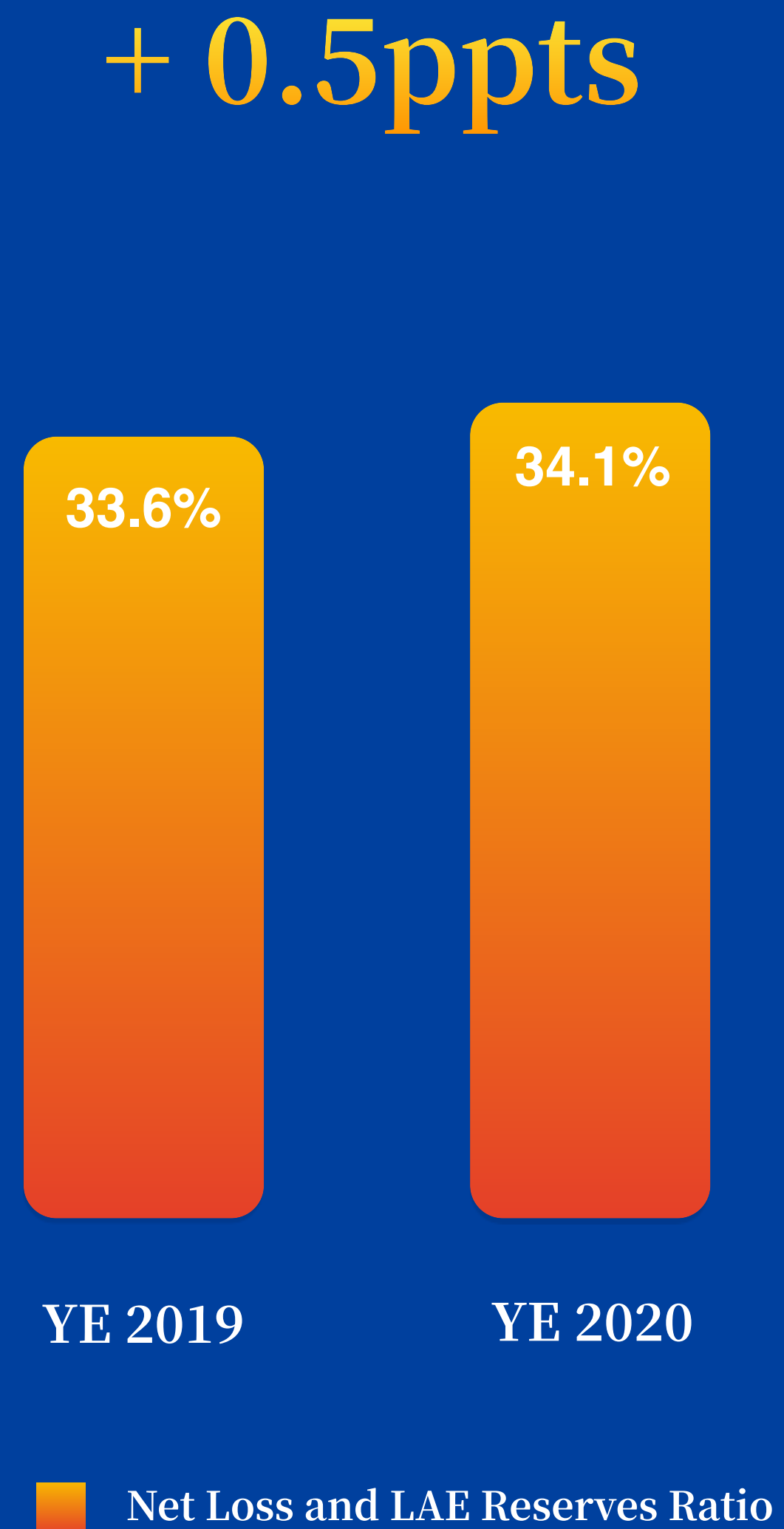
Combined ratio - 2.5ppts





# Sufficient Loss and LAE Reserves

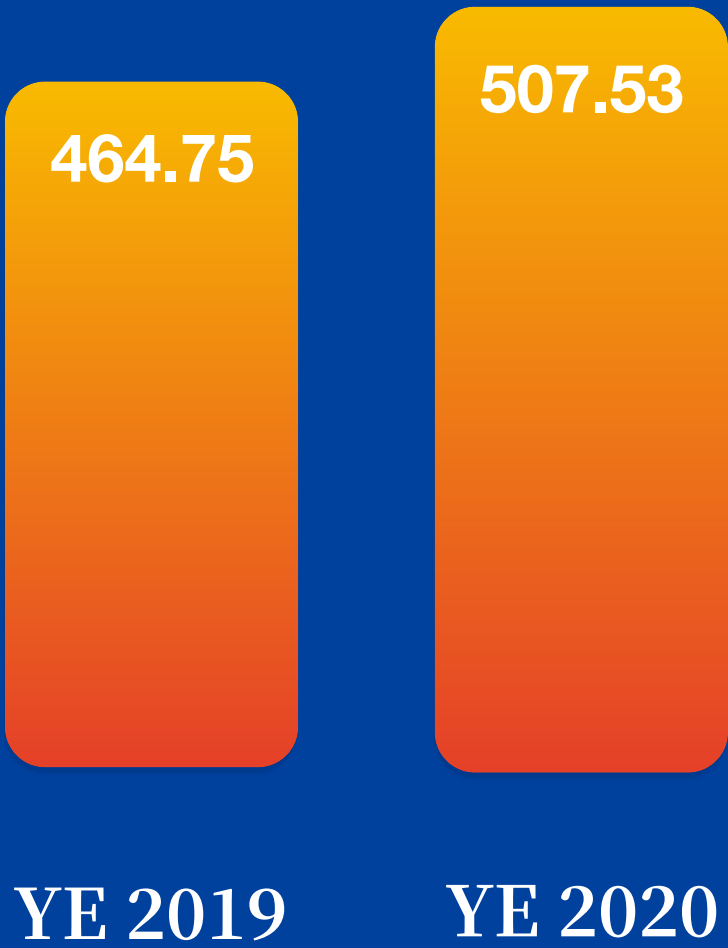
(RMB bn)



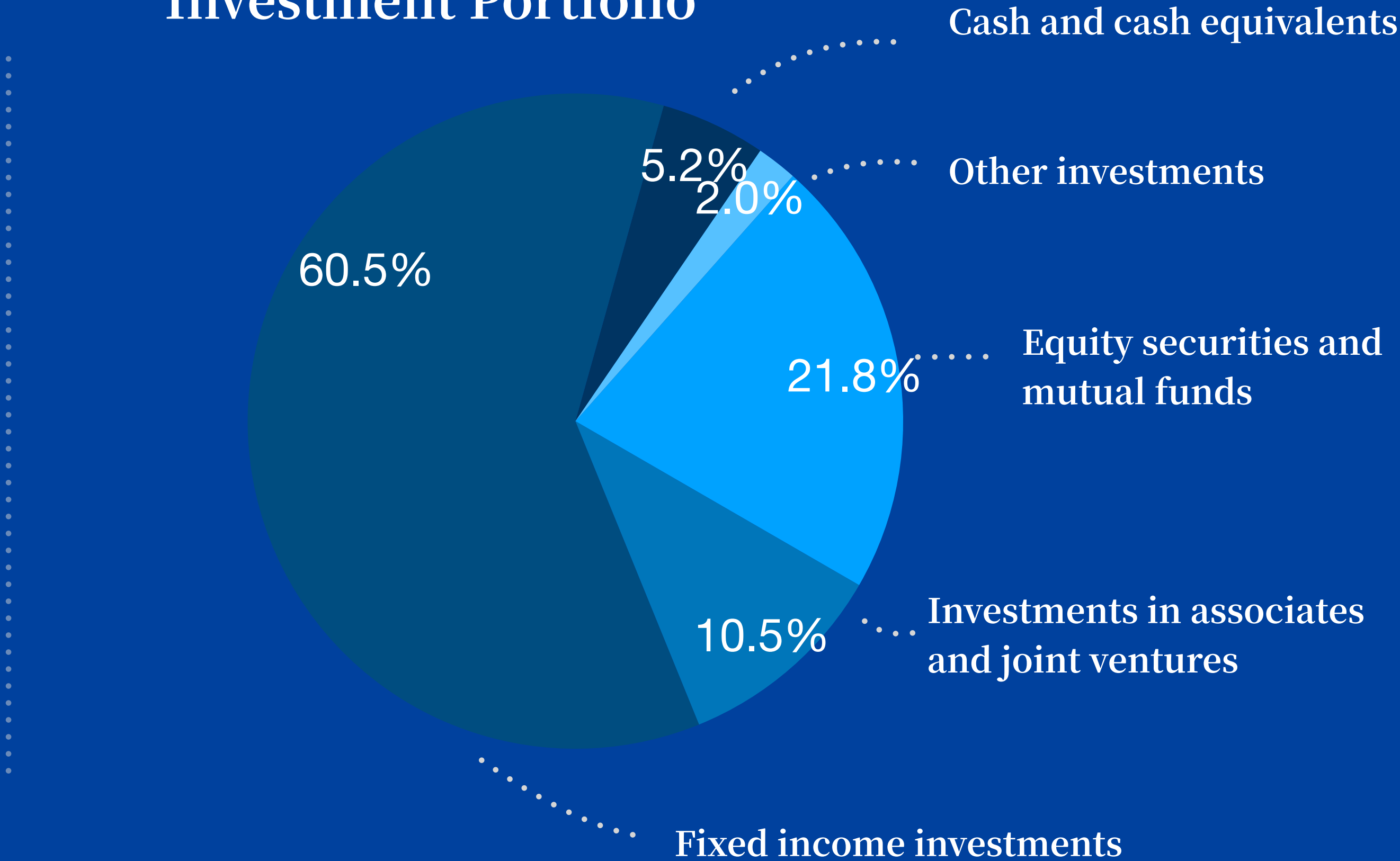
# Total Investment Assets Continued to Grow, Investment Portfolio Remained Prudent

(RMB bn)

+ 9.2 %  
Total Investment  
Assets



## Investment Portfolio



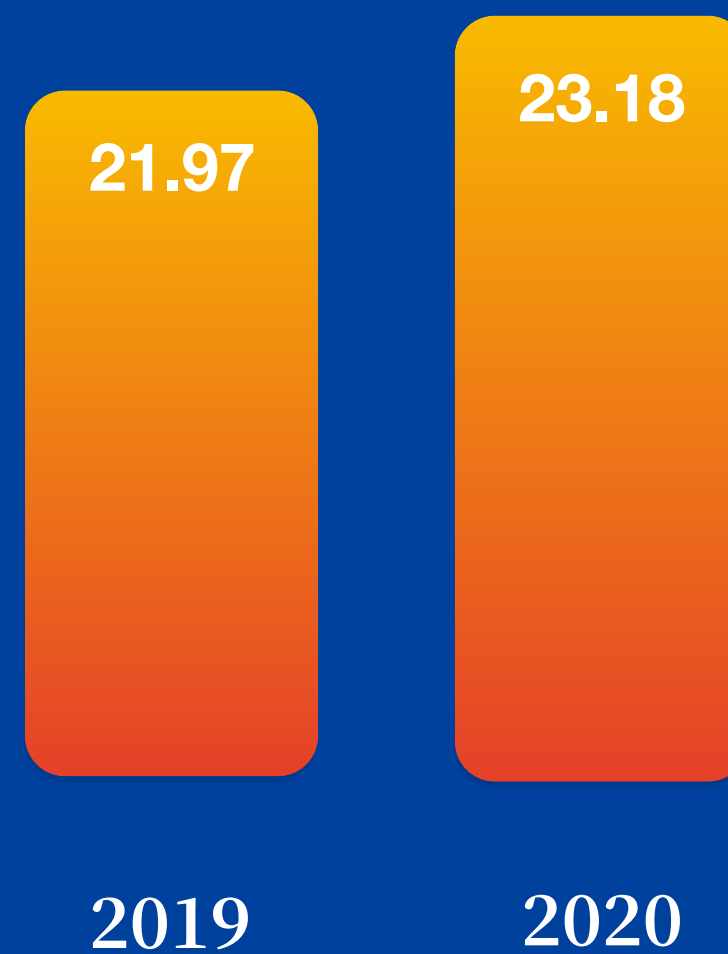
Note: 1) Round-off difference may exist;  
2) Cash & Cash Equivalents are mainly RMB, including financial assets repurchased within 3 months;  
3) “Other investments” include investment properties, capital security fund, etc

# Total Investment Income Increased YoY, Investment Yield Decreased Slightly

(RMB bn)

+ 5.5 %

Investment Income



Total Investment Yield

4.8 %

Net Investment Yield

3.6 %

# Overall Profitability Grew Steadily

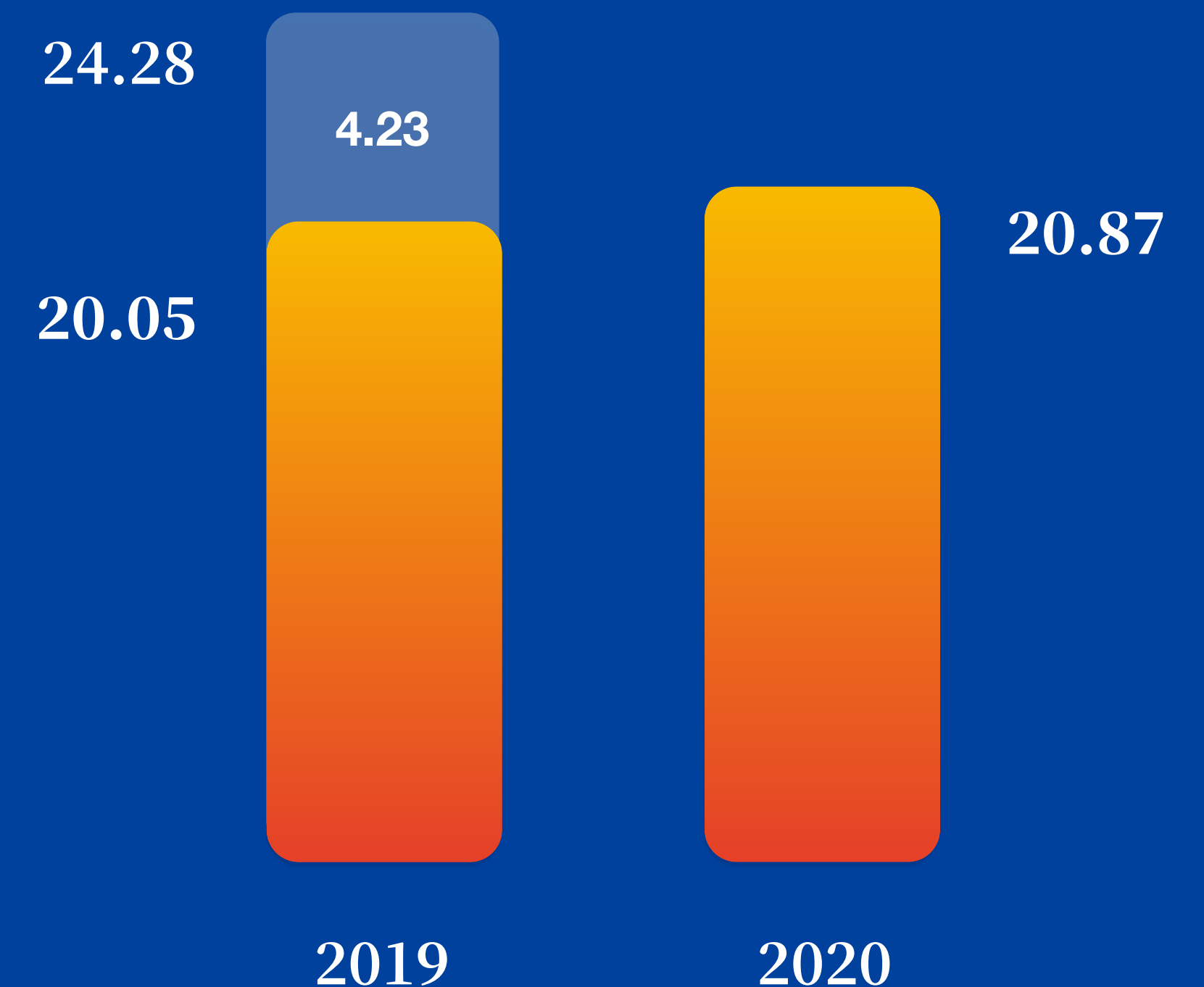
(RMB bn)

Profit Before Tax **+ 3.8%**



Excluding the Impact of  
Changes in Tax Policies  
on Commission Expenses  
Net profit

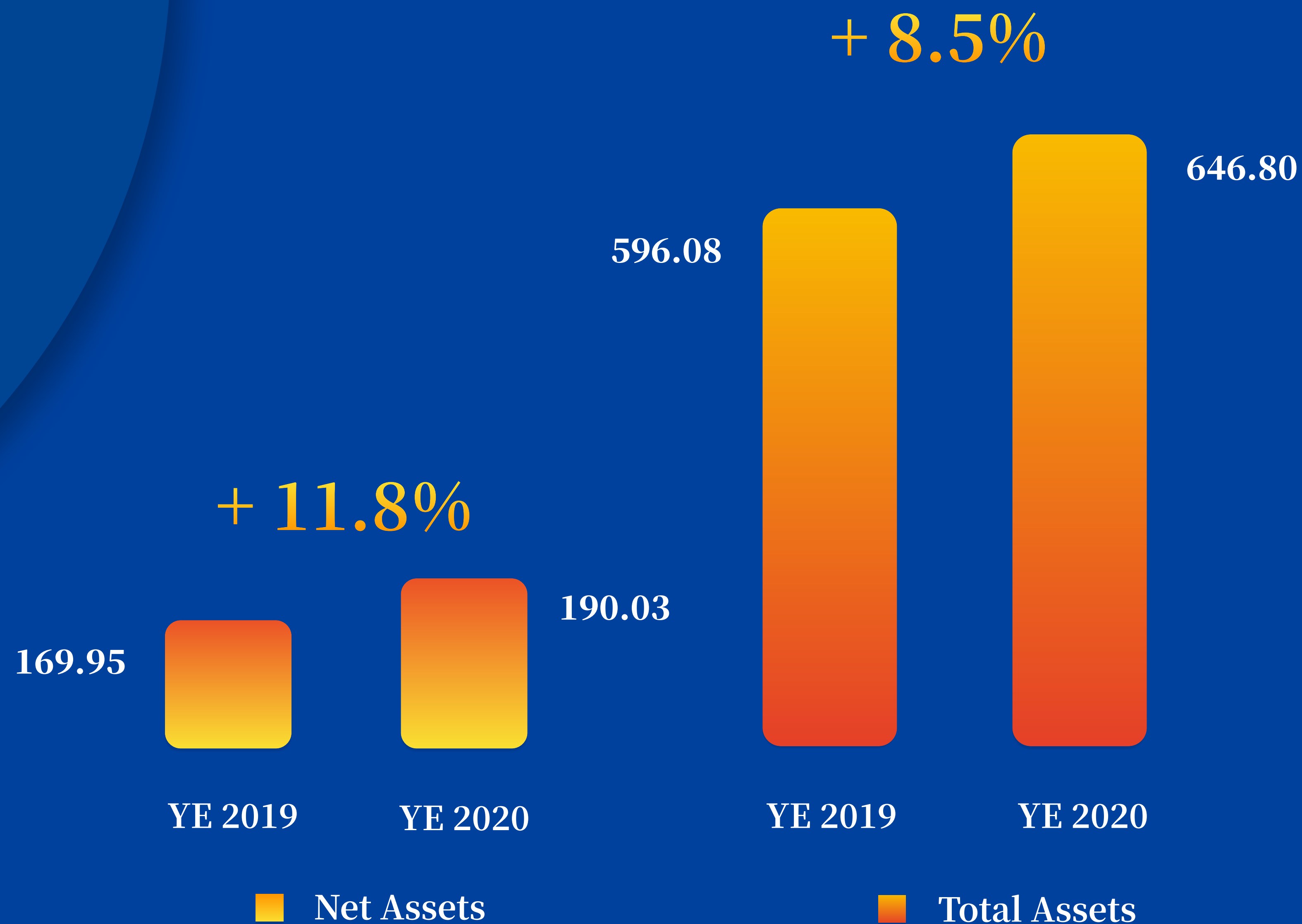
**+ 4.1%**



■ Impact of Changes in Tax Policies on  
Commission Expenses

# Capital Position Strengthened Steadily

(RMB bn)





# Proposed Dividend

Per ten shares **RMB3.75**

Dividend Payout  
Ratio **40%**

# PICC P&C Key Initiatives for 2021

1

Upgrade insurance supply and improve business development capability.

2

Deepen cost reduction and efficiency enhancement to improve profitability.

3

Accelerate technology empowerment and promote digitalized operating capability.

4

Innovate the regional operation model and improve regional competitiveness.

5

Adjust assets allocation flexibly and improve investment yield steadily.

6

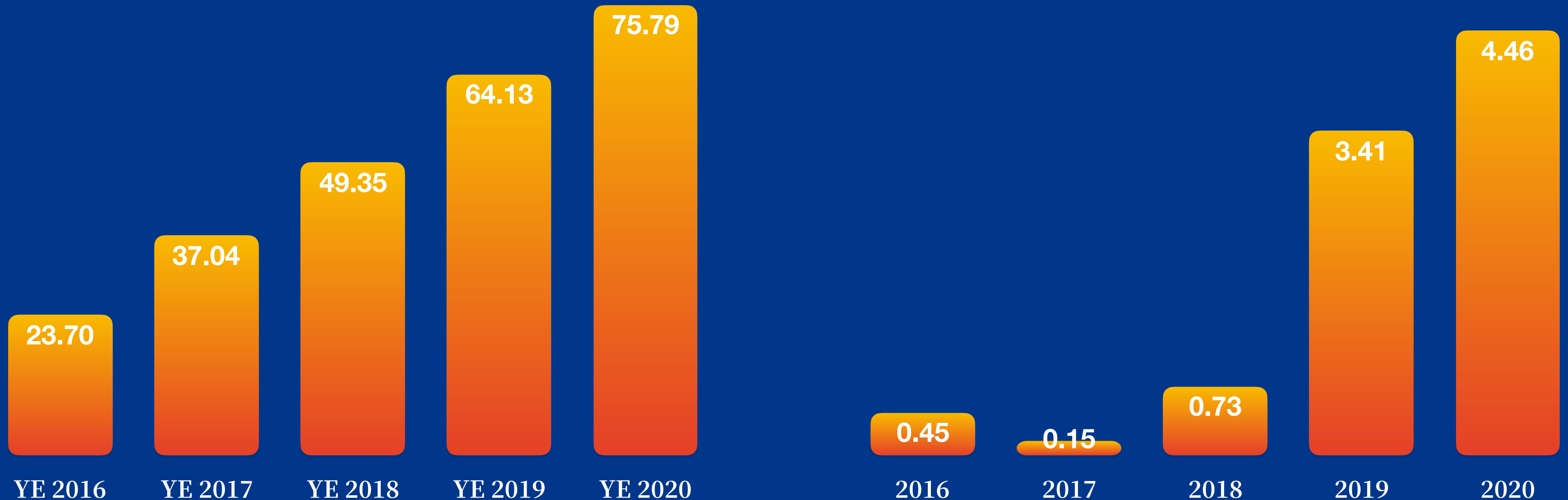
Uphold the bottom line of risk control and improve compliance operation capabilities.

# PICC Life: Transformation Produced Positive Results with Rapid Value Growth

(RMB bn)

5-year residual margin  
growth **2.2X**

5-year net profit  
growth **8.9X**



# Productive Agents Improvement through “Cornerstone Plan”

## “Cornerstone Plan”

Team Building 2.0

Weekly Review

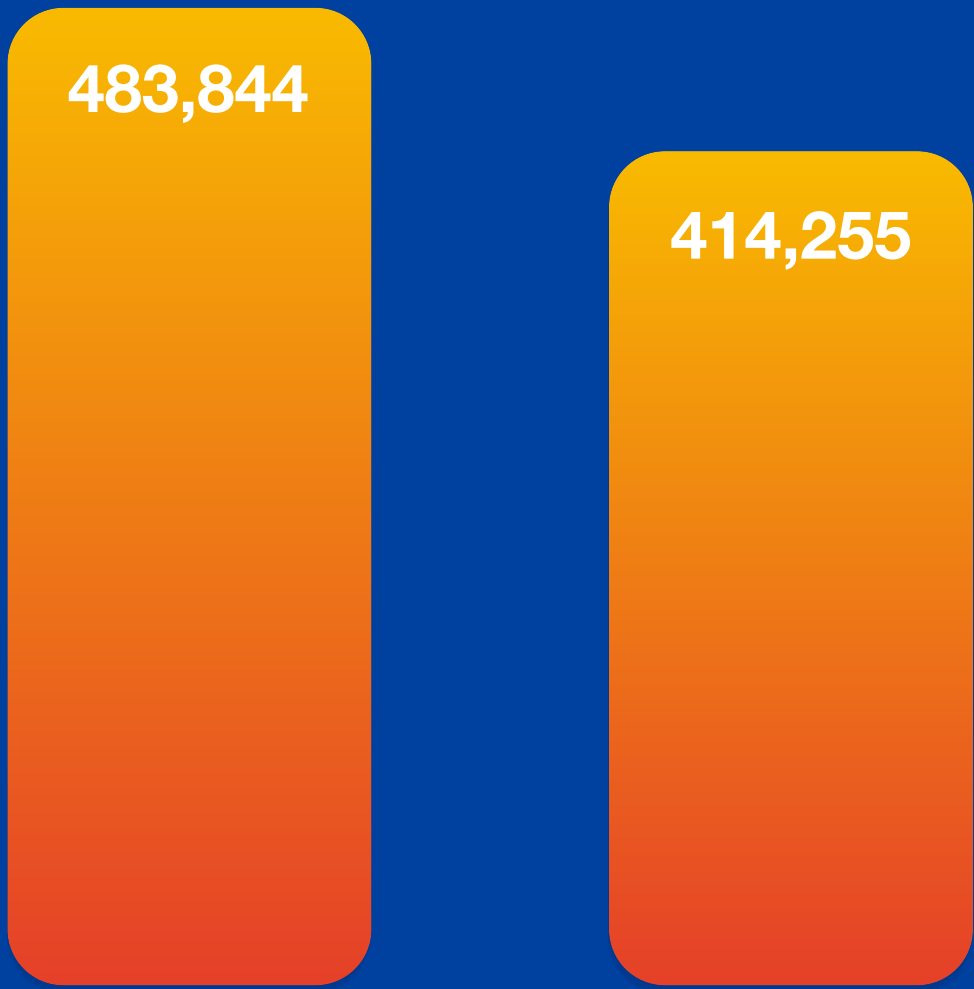
Performance  
Appraisal

Training And  
Education

Worksite  
Standardization

Technology  
Empowerment

Number of Individual Agents



YE 2019

YE 2020

Person

Monthly Effective Agents **101,806**

**+ 8.8%**

Note: Effective agents refers to agents with FYC of the month exceeding RMB600.

# Value Business Growth Outperforms the Market

(RMB bn)

**+7.8%**

Renewal  
Premiums



2019

2020

**-2.3%**

First-year Regular Premiums  
with Premiums Paid Period  
More Than 10 Years (incl.)



2019

2020

**+ 4.4ppts**

Regular Premiums (incl. renewals)  
as % of Total



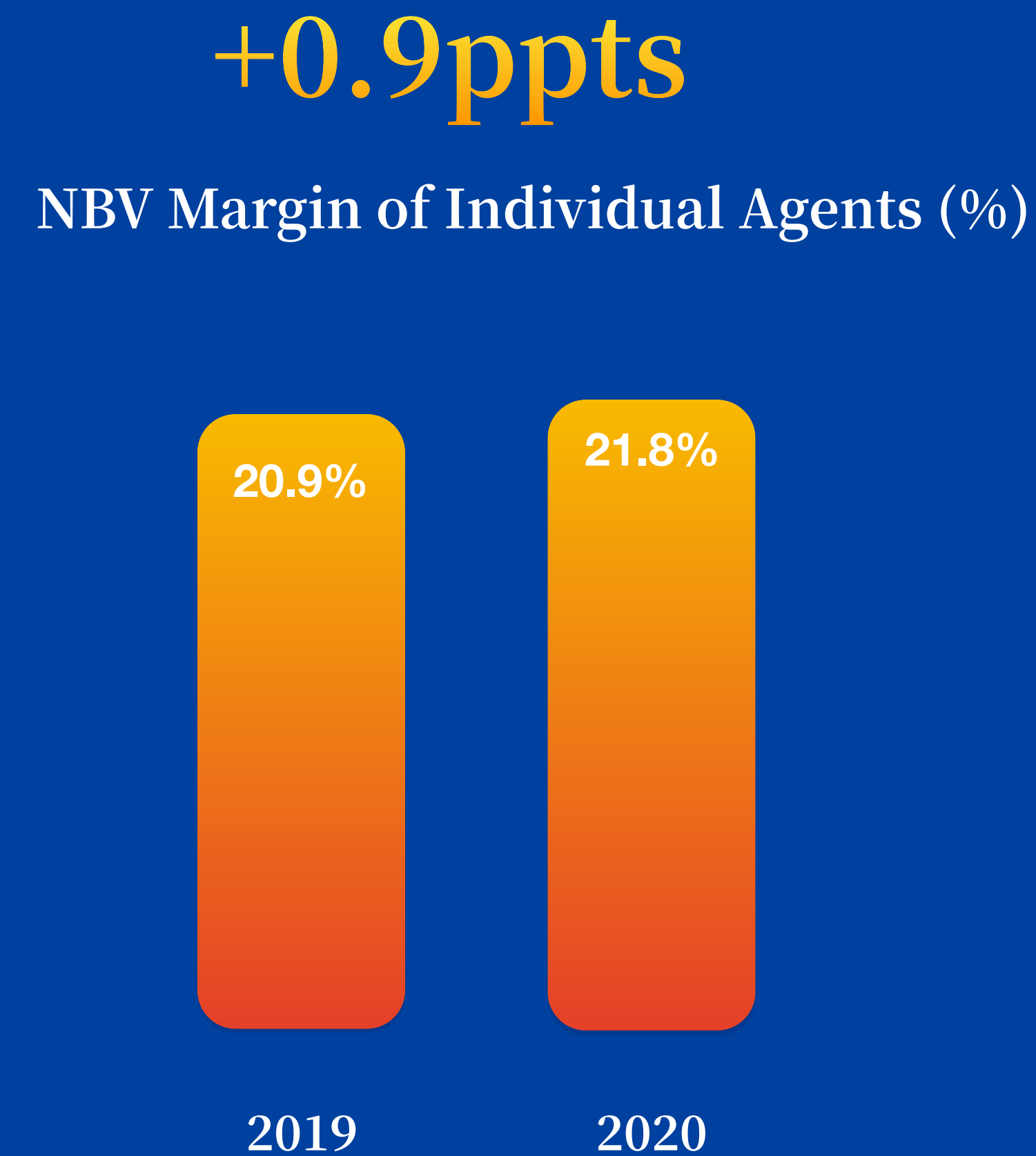
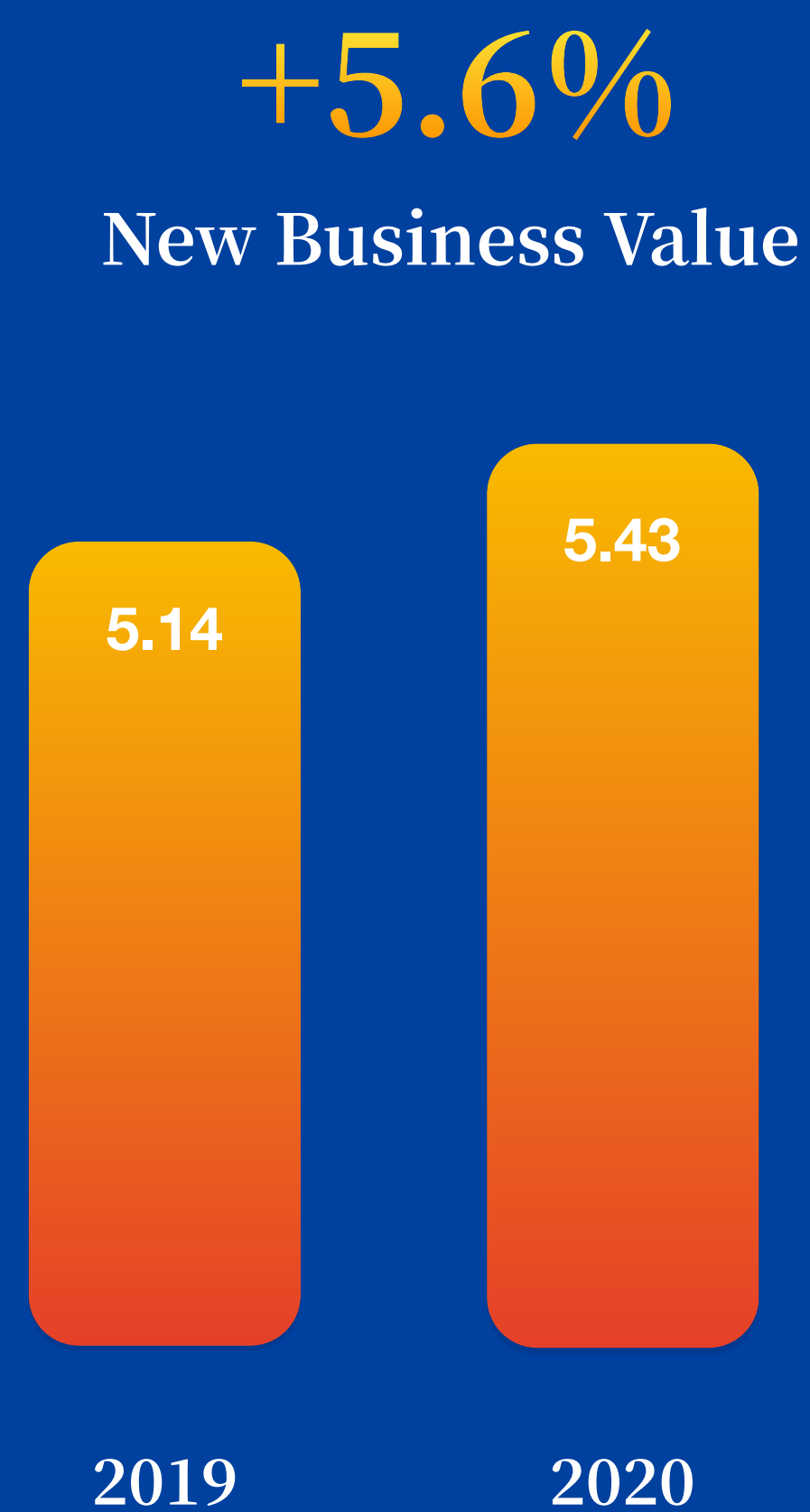
2019

2020



# Surge in New Business Value and Margin

(RMB bn)



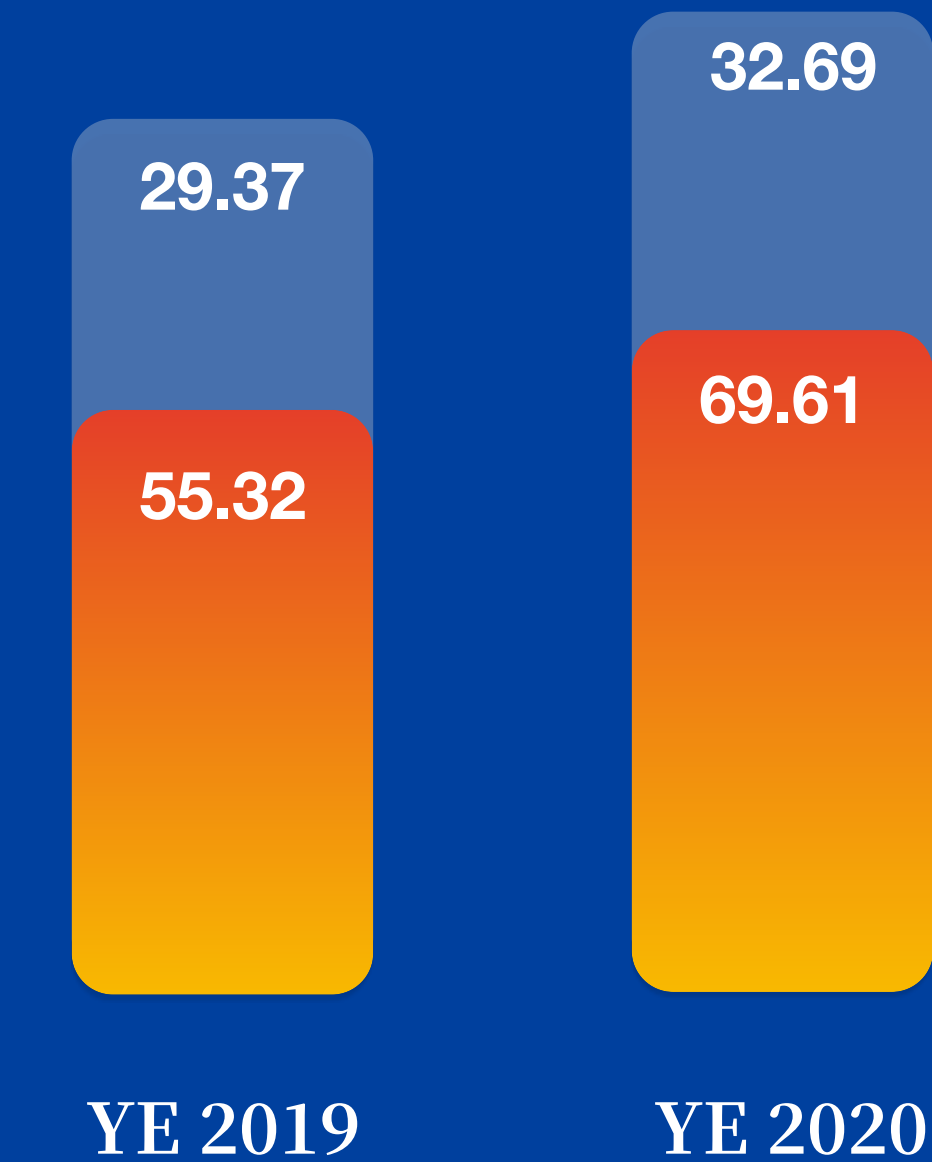
Note: New business margin (%) = new business value / first year TWPs

# Embedded Value Reached Record High of over RMB100bn

(RMB bn)

Embedded Value **+ 20.8%**

Value of In-force Business **+11.3%**



 Adjusted Net Assets

 Value of In-force Business After Cost of Capital

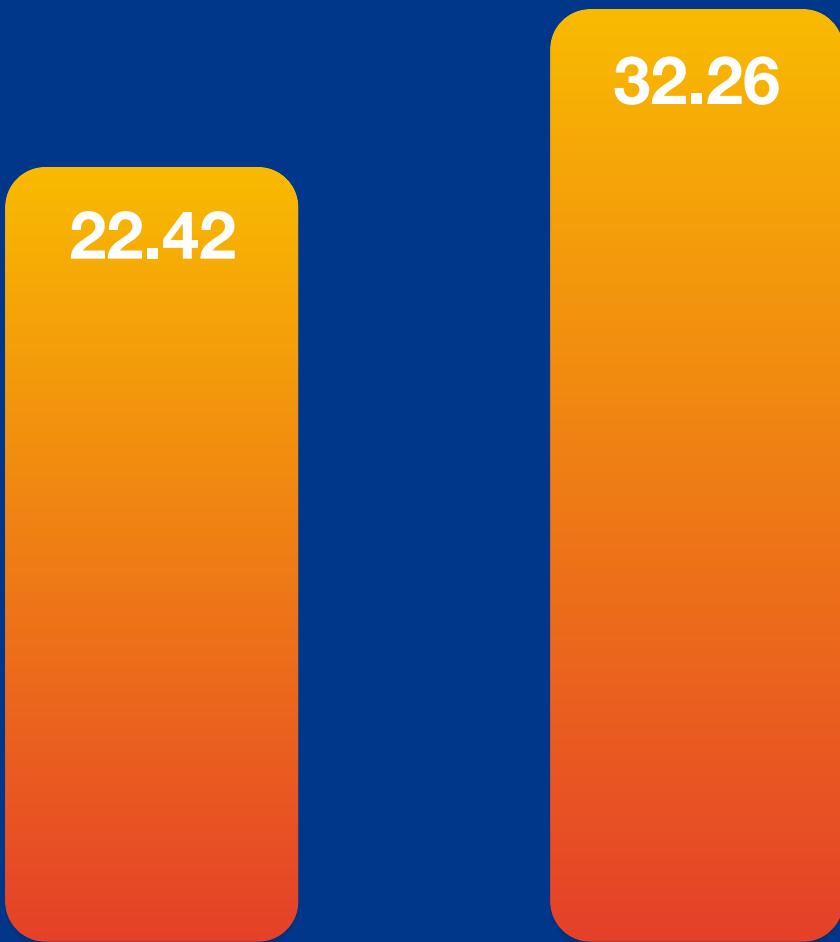


# PICC Health: Premiums Exceeding RMB30bn, Entering a New Growth Stage

(RMB bn)

+43.9%

Premiums Income

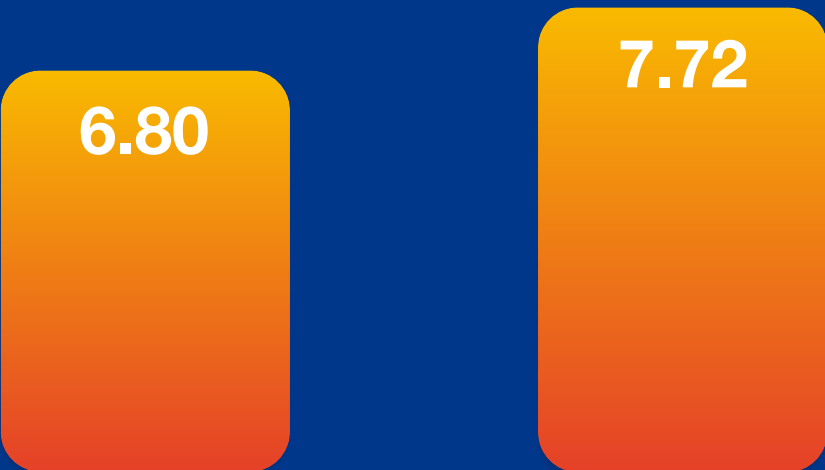


2019

2020

+13.6%

First-year Regular Premiums



2019

2020

+ 56.6%

New Business Value



2019

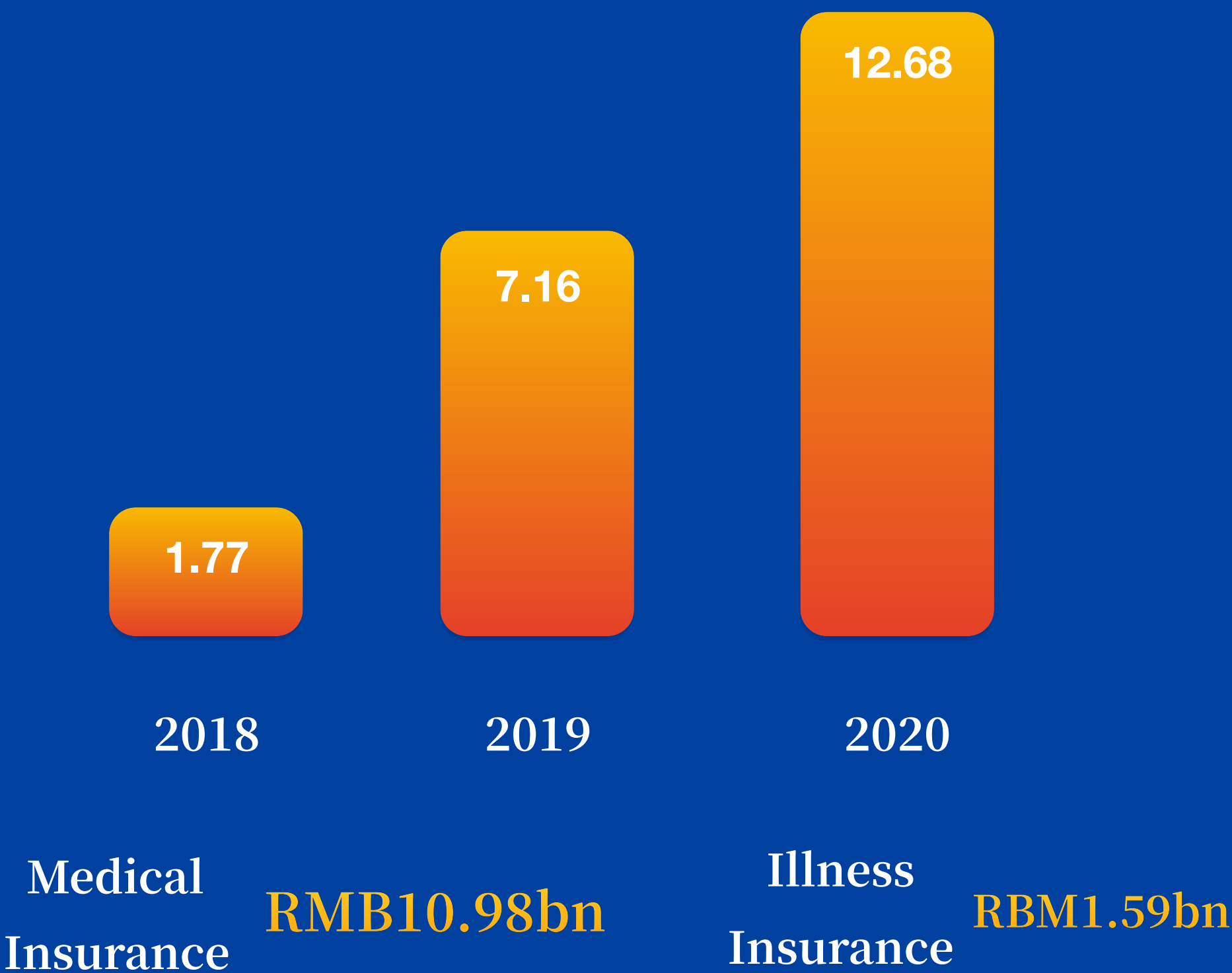
2020

# #1 among Life Insurers with Online Business over RMB10bn

(RMB bn)

Total Written Premiums  
of Online Channel

+77.1%



New Customers

15.22 mm

Accumulative Customers

41.29 mm

Applying for Insurance

1 minute

Underwriting

2 minutes



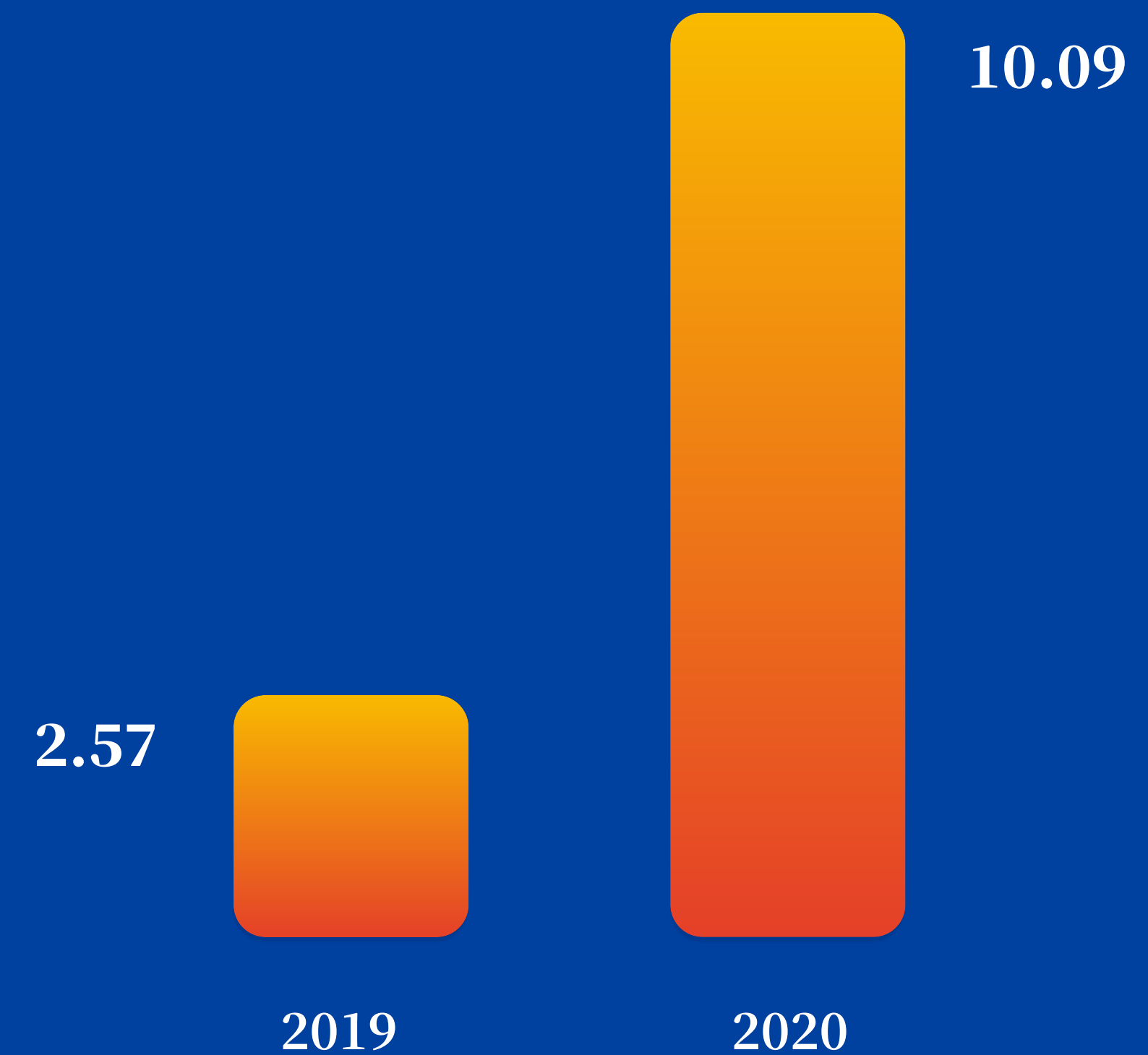
Claim Settlement

3 minutes

# Net Cash Inflows from Operating Activities

(RMB bn)

+ RMB7.5bn

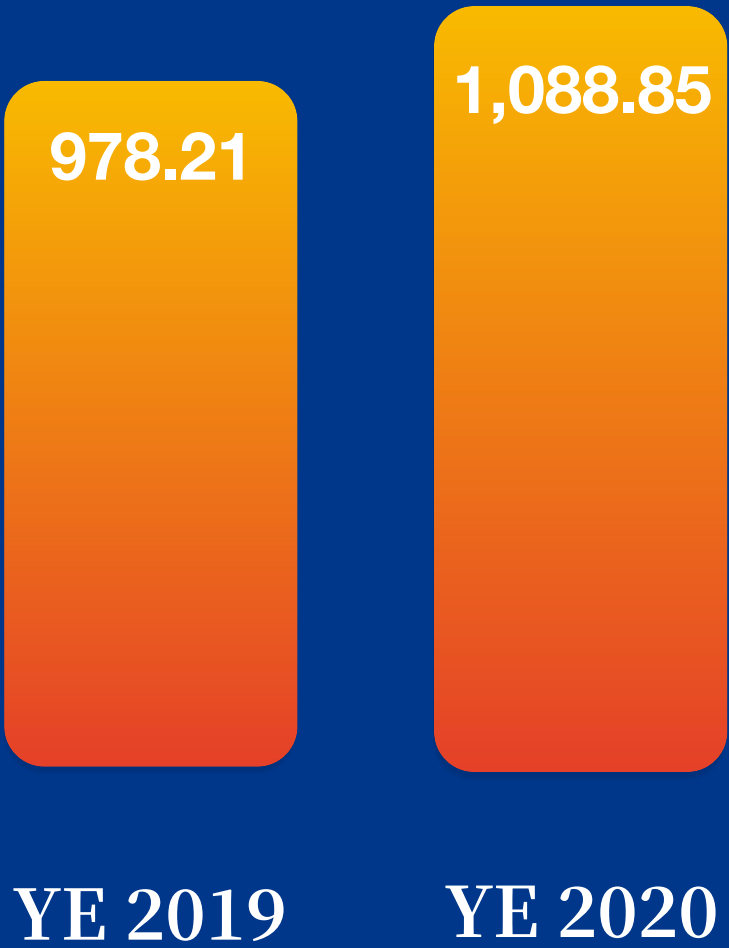




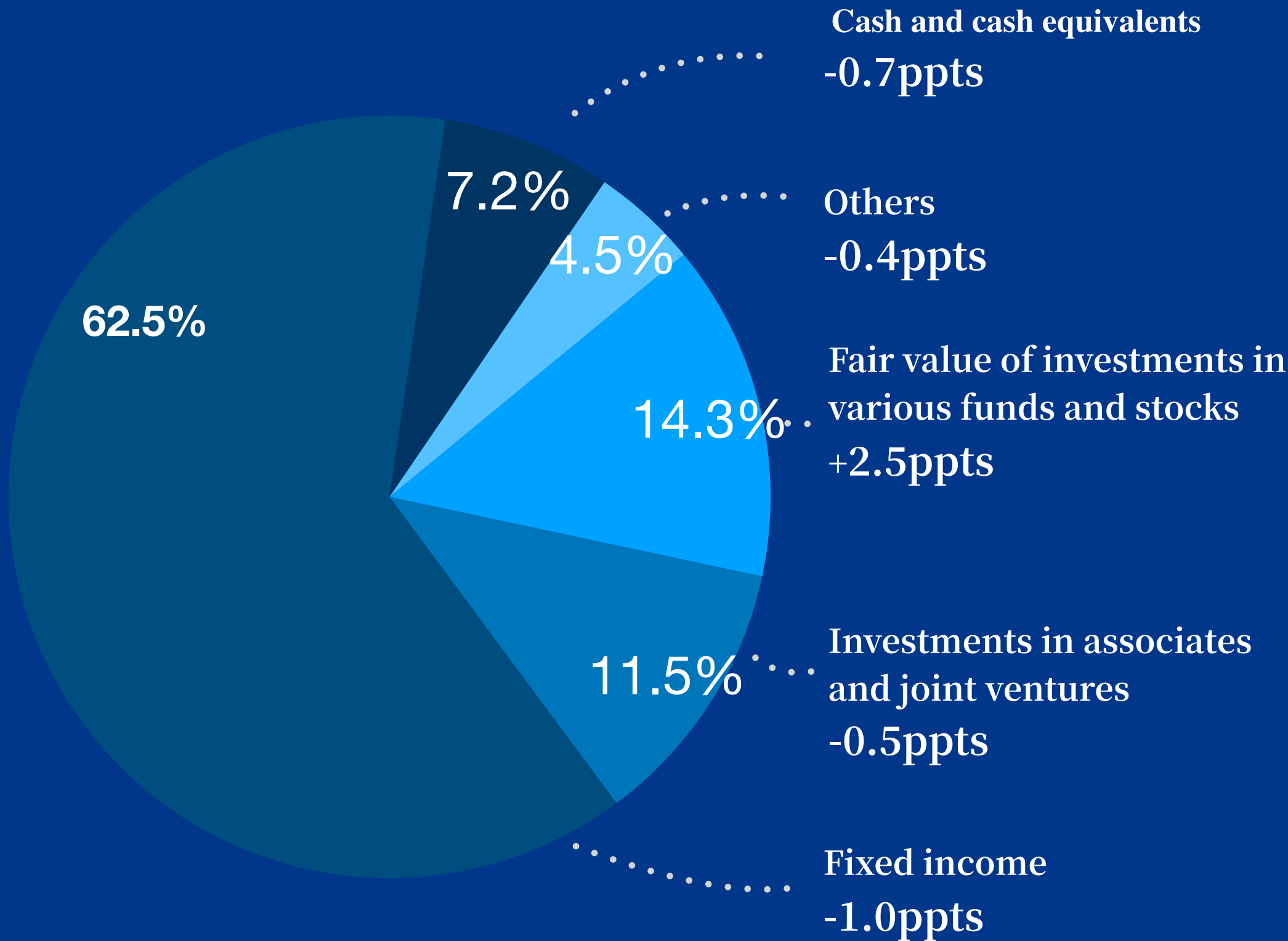
# Asset Management: Stable Growth of Investment Assets with Prudent Investment Portfolio

(RMB bn)

**+ 11.3 %**  
Total Investment Assets



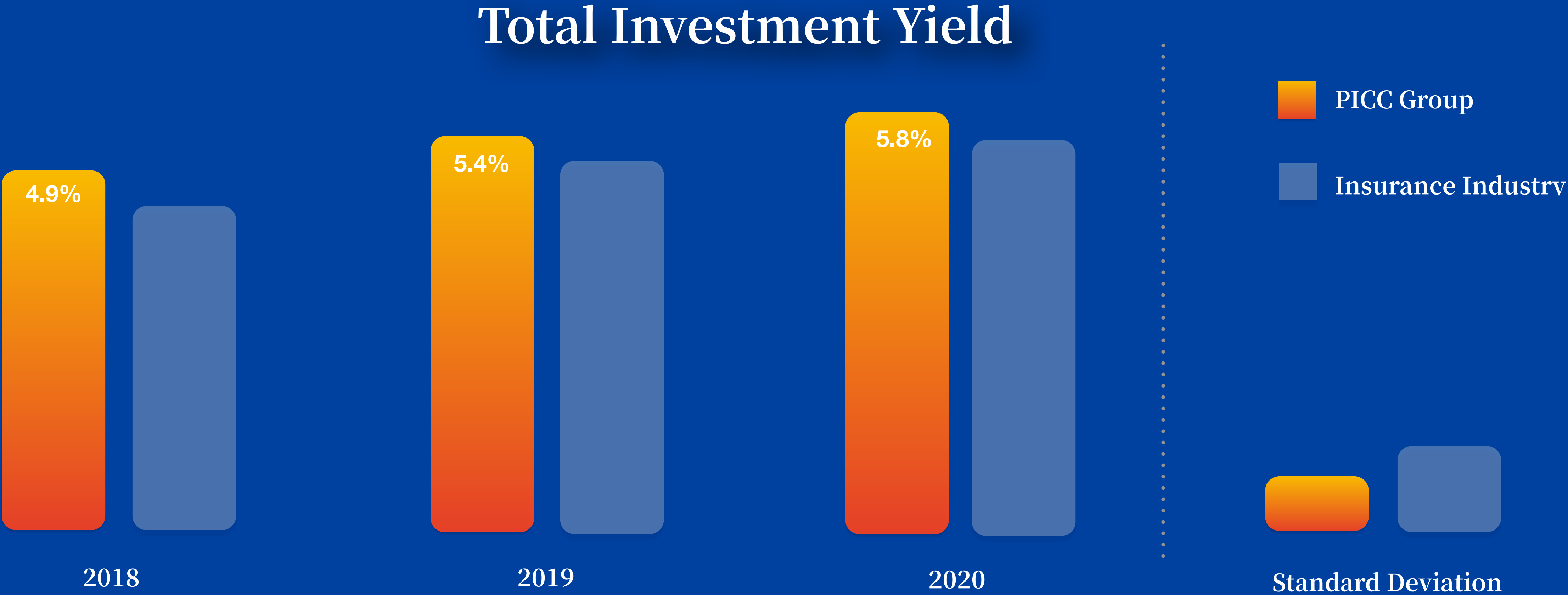
Investment Portfolio



**+ 46 %**  
Third-party AUM  
RMB464.8bn

Note:  
1) "Fixed income" primarily includes term deposits, debt securities, debt investment schemes, Tier 2 capital instruments, WMPs, capital guaranteed deposits, pledged loans, trust products, and asset management products;  
2) "Others" primarily include investment properties, equity investment schemes, reinsurance arrangements classified as investment contracts, non-listed equity investments and derivative financial assets etc;  
3) Figures are rounded off and may not add up.

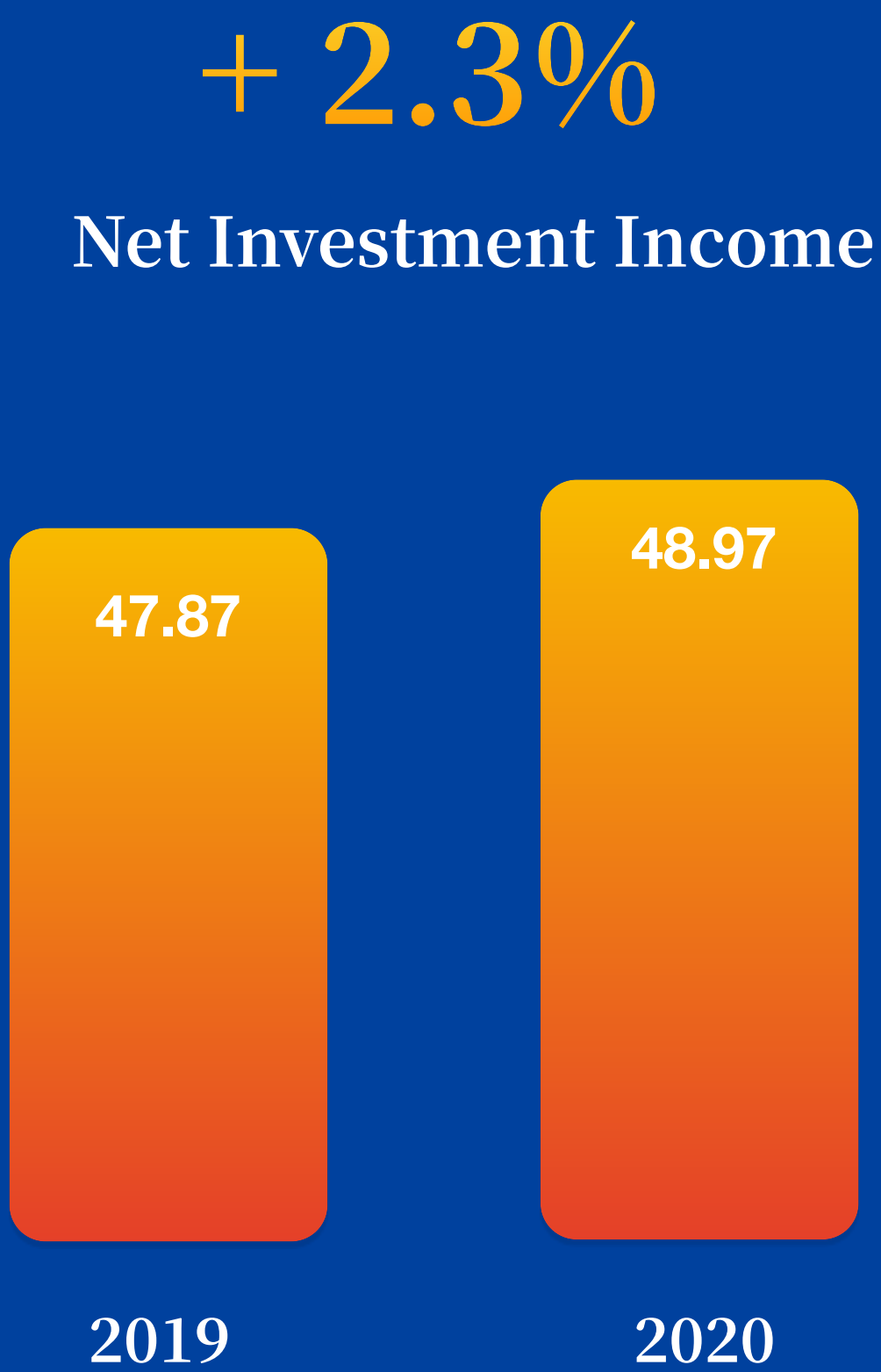
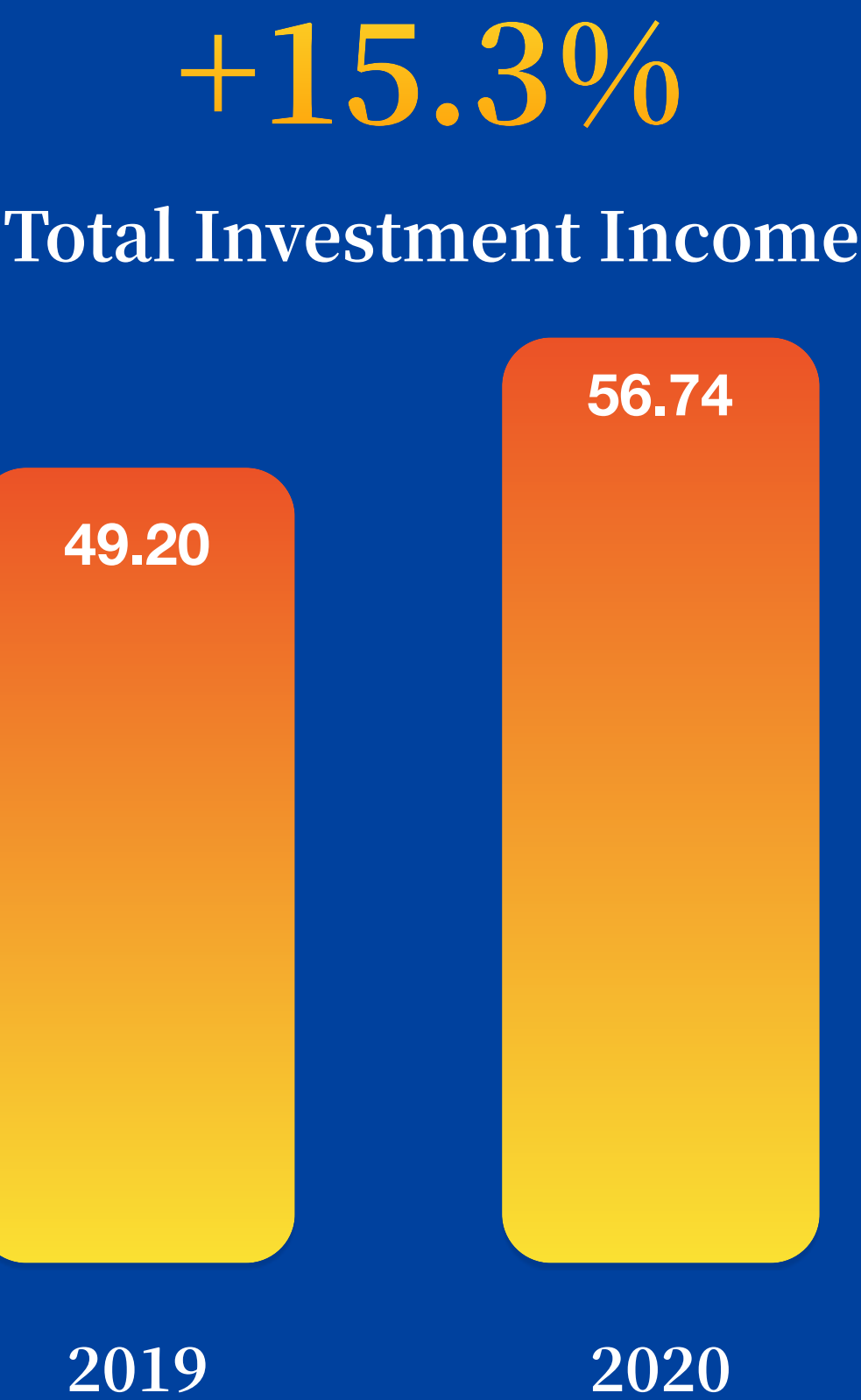
# Total Investment Yield Outperform Industry



Note: Standard deviation is based on data since 2005.

# Investment Yield Increased YoY

(RMB bn)



注:净投资收益 = 总投资收益 - 投资资产处置损益 - 投资资产公允价值变动损益 - 投资资产资产减值损失

# Controlled Risks on Investment Assets

## Bond Investment

All issuers rated at AA/  
A-1 or above  
AAA ratings  
accounting for 99.2%

## Non-Standard Investment

97.8% are AAA-rated  
by external institution  
Credit enhancement  
arrangements  
including guarantees,  
repurchase, gross-up,  
mortgage/pledge, etc.

## Equity Investment

We stick to the  
“long-term value  
investment”  
strategy to maintain  
exposure to equities  
at manageable levels

# PICC Financial Services: Market-Oriented Operations with a Clear Business Model

## Operating Revenue

RMB1.23bn + 41.3%

## New Users

6.885 million + 30.6%

## Reduced Losses

RMB1.44bn + 83.4%

## “JiaAnPei”

Transaction Value RMB3.56bn + 66%

Transaction value of motor vehicle accident components ranks #1 in China

## “Chezhuhui”

Order Value RMB0.59bn + 48%



# Reinsurance: Fast Growth in Revenue and Profit

Reinsurance  
Premiums Income **RMB5.2bn**

**RMB1.4bn**

Third-party Reinsurance  
Premiums Income

**37.2%**

YoY Growth

Accounted for **26.1%**,  
**+ 9ppts**

**+5.7x**

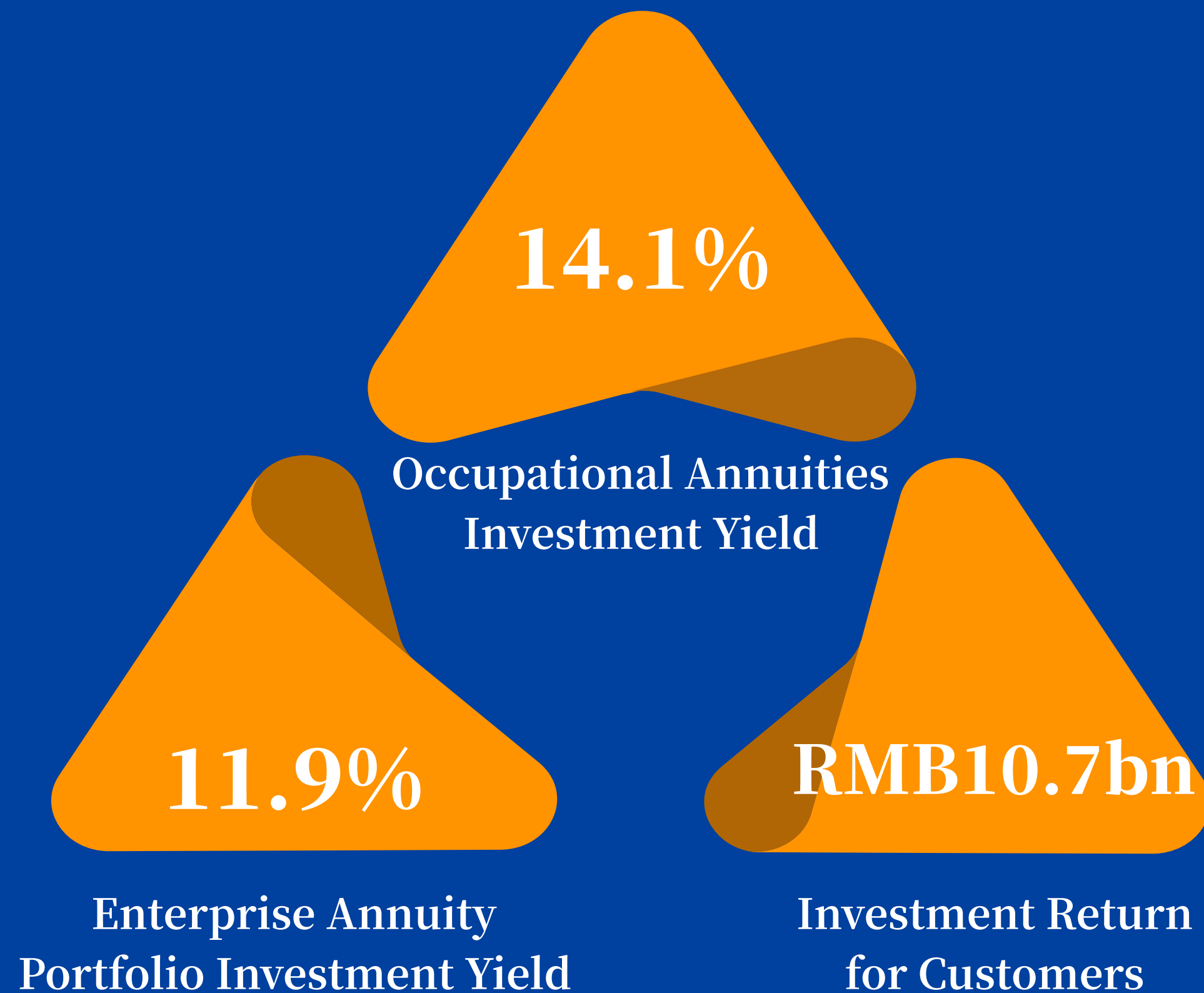
Net Profit

(RMB mm)



# Pension: Active Layout in the 2nd and 3rd Pillars

**RMB249.2bn** + 106.9%  
AUM of PICC Pension



## Commercial Pension Insurance

Development of pension insurance  
products for different customer groups

## Long-term Care Insurance

96 long-term care insurance projects  
Covering 4.2mm people

## Elderly Care Industry

Establishment of the elderly care industry  
investment fund, and construction of  
elderly care communities

Meeting Your Demands  
and Warming Your Hearts

Do It Now and Get It  
Done

Q & A

# Appendix: Major Differences between CAS and IFRS

(RMB mm)

Item	Net profit attributable to equity holders of the Company		Equity attributable to equity holders of the Company	
	2020	2019	As of Dec 31, 2020	As of Dec 31, 2019
CAS	20,069	22,401	202,194	183,133
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic risk reserve of agricultural insurance	22	-608	424	403
Impact of above adjustment on deferred income tax	-5	150	-106	-102
Reclassification of insurance contracts to investment contracts	-50	192	-32	18
IFRS	20,036	22,135	202,480	183,452

# Appendix: Group Key Financials (CAS)

(RMB mm, unless otherwise noted)	2020	2019	Change (%)
Gross written premiums	563,606	555,271	1.5
Of which: PICC P&C	433,187	433,175	0.0
PICC Life	96,188	98,137	-2.0
PICC Health	32,257	22,423	43.9
Total profit	31,644	29,780	6.3
Net profit attributable to equity holders	20,069	22,401	-10.4
EPS (RMB)	0.45	0.51	-10.4
Weighted average return on equity	10.4	13.4	Down by 3.0ppts
Total investment yield	5.8	5.4	Up by 0.4ppts
PICC P&C combined ratio (%)	98.9	98.9	Flat
New business value of PICC Life	5,429	5,142	5.6
New business value of PICC Health	703	449	56.6
(RMB mm, unless otherwise noted)	As of Dec 31, 2020	As of Dec 31, 2019	Change (%)
Total assets	1,255,461	1,132,771	10.8
Total liabilities	982,325	885,932	10.9
Net assets attributable to equity holders	202,194	183,133	10.4
Book value per share (RMB)	4.57	4.14	10.4
Embedded value of PICC Life	102,297	84,692	20.8
Embedded value of PICC Health	14,947	11,097	34.7



# Appendix: Group Key Financials (IFRS)

(RMB mm, unless otherwise noted)	2020	2019	Change (%)
Gross written premiums	563,608	555,251	1.5
Of which: PICC P&C	433,187	433,175	0.0
PICC Life	96,190	98,117	-2.0
PICC Health	32,257	22,423	43.9
Net profit	28,233	31,281	-9.7
Net profit attributable to equity holders	20,036	22,135	-9.5
EPS (RMB)	0.45	0.50	-9.5
Weighted average return on equity	10.4	13.2	Down by 2.8ppts
Total investment yield	5.8	5.4	Up by 0.4ppts
PICC P&C combined ratio (%)	98.9	99.2	Down by 0.3ppts
New business value of PICC Life	5,429	5,142	5.6
New business value of PICC Health	703	449	56.6
(RMB mm, unless otherwise noted)	As of Dec 31, 2020	As of Dec 31, 2019	Change (%)
Total assets	1,256,064	1,133,229	10.8
Total liabilities	982,508	885,929	10.9
Net assets attributable to equity holders	202,480	183,452	10.4
Book value per share (RMB)	4.58	4.15	10.4
Embedded value of PICC Life	102,297	84,692	20.8
Embedded value of PICC Health	14,947	11,097	34.7