

2019 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.



Overview

Miao Jianmin

Chairman, PICC Group and PICC P&C





The year 2019 was important for PICC Group to accelerate its transformation to high-quality development. We heeded the keynote of seeking progress whilst maintaining stability, carried out new development vision and fully promoted the Group' s “3411 Project” , made steady improvement in revenue and profit, and achieved remarkable success with the transformation to high-quality development.



Results Overview

Gross Written Premium(GWP)	Net Profit Attributable to Equity Holders of the Company	Earnings Per Share
RMB555.25 bn	RMB22.14 bn	RMB0.50
+ 11.4 %	+ 71.4%	+ 65.0%
Weighted Average Return on Equity	Net Assets Attributable to Equity Holders of the Company	Total Investment Yield
13.2%	RMB183.45 bn	5.4%
+ 4.2ppts	+ 19.9%	+ 0.6ppts

Proposed cash dividend of RMB0.116 per share, up by 154% YoY

PICC P&C

“3411 Project” -- Transformation of 3 Insurance Subsidiaries

Fully promote “Top Ten Priorities” such as the integration of policy-based and commercial businesses, the integration of business model and technology transformation, improvement of claim handling quality and efficiency, etc. to accelerate the construction of “insurance + technology + services” model

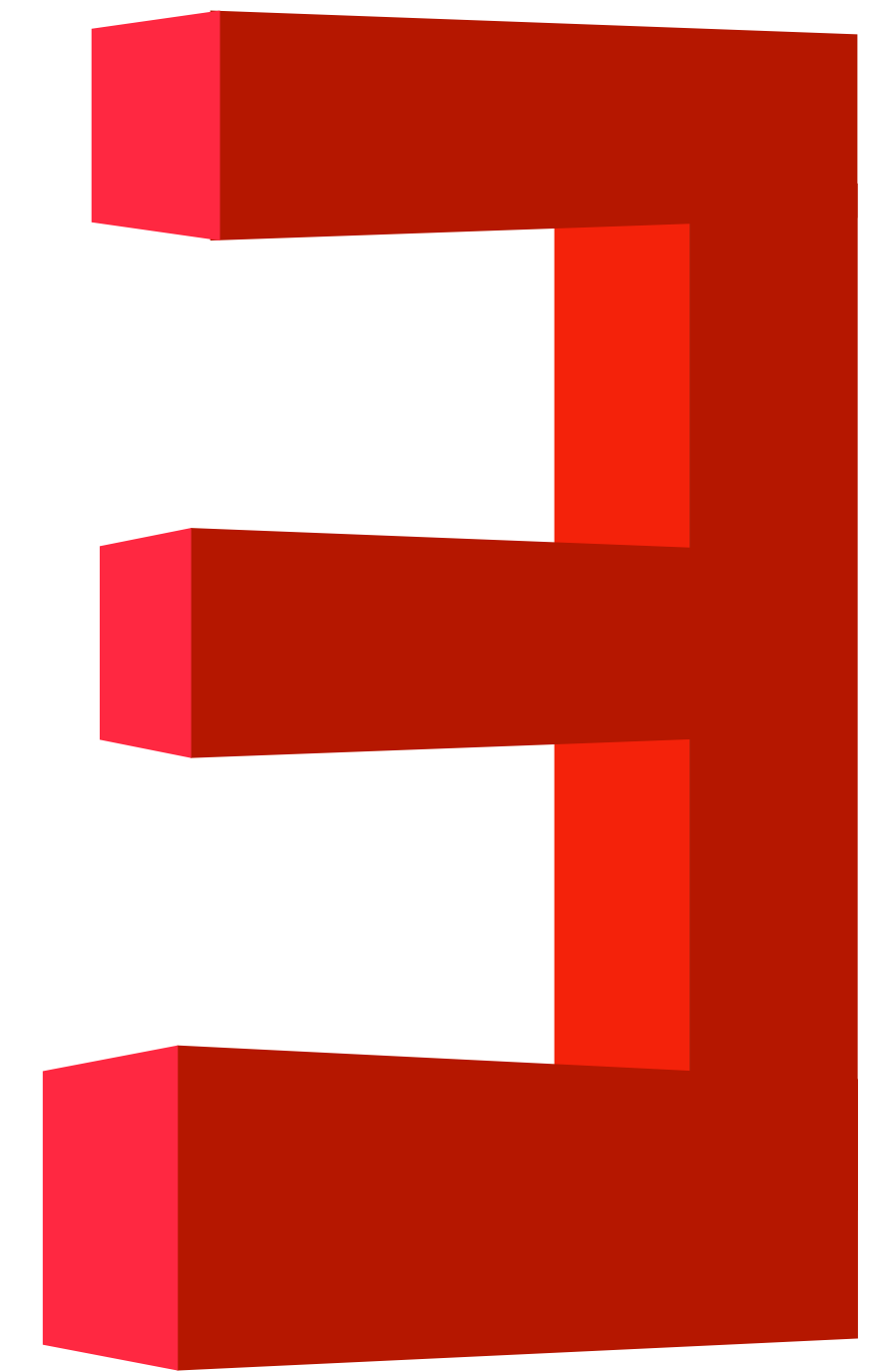
The agriculture insurance network recorded commercial insurance premium income of **RMB46.8 bn, + 20.4%**

Driving motor insurance premiums of **RMB34.3 bn, + 14.3%**

Direct sales and Direct controlled accounted for **69.3%, + 5.1ppts**

Proactively reduce risk and damage, claim cost reduced by VAT deduction, technologies used in claim of motor insurance and Jia An Pei is **8.15 bn, +87.3%**

Highest service rating of **AA** for insurers



PICC Life

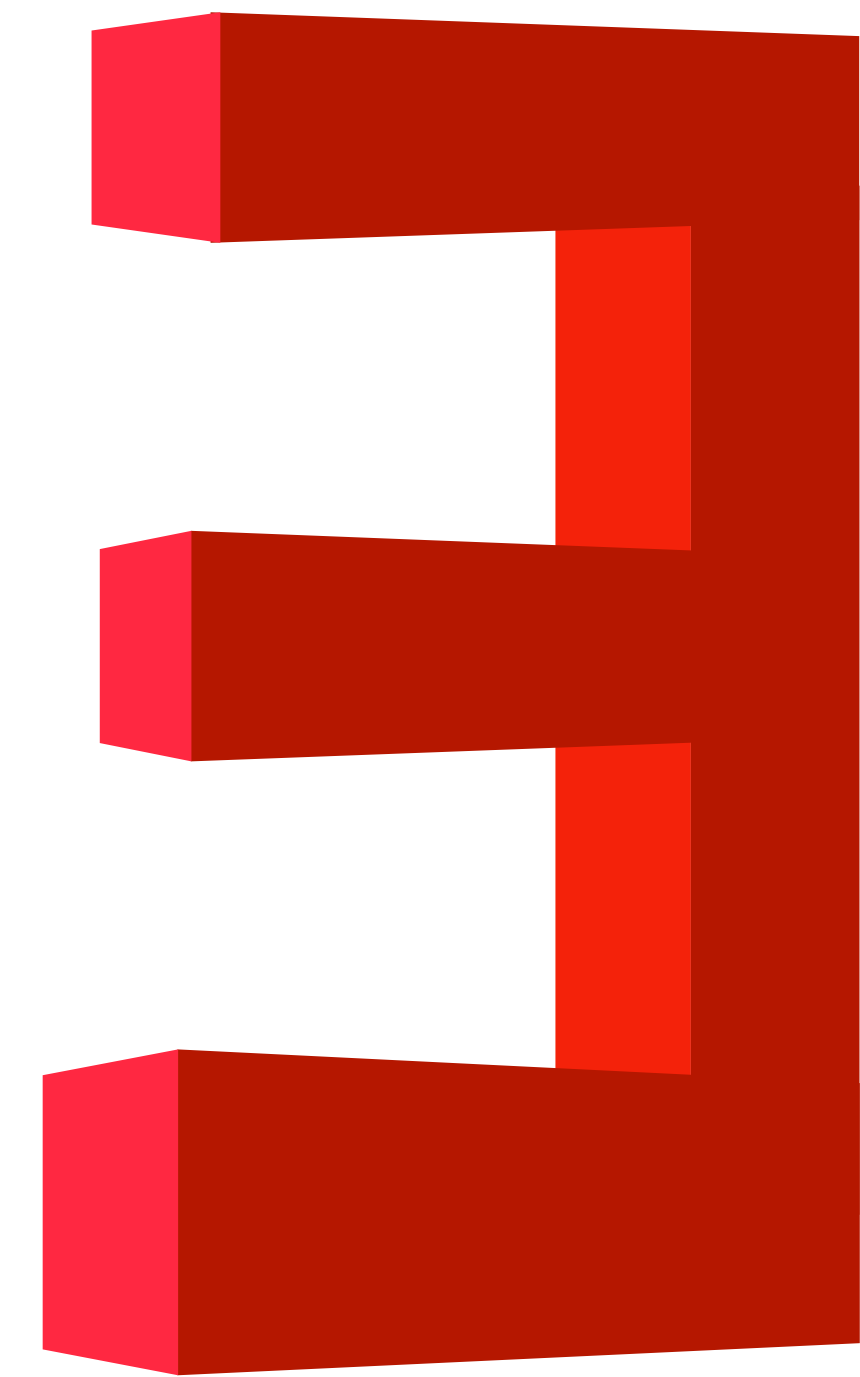
Adhere to “Mode Transformation, Structure Optimization and Replacement of Growth Drivers”, promote the transformation of business model, strengthen development of infrastructure and focus on value creation

First-year regular premiums with premium paid period more than ten years (incl.) **+51.2%**, contribution **+ 7.9ppts**

Average monthly effective agents **+ 48%**, monthly regular premium per agent **+ 10.4%**

New business value **+7.9%**, embedded value **+26.1%**

Net profit of RMB**3.41 bn**, **+3.7x**



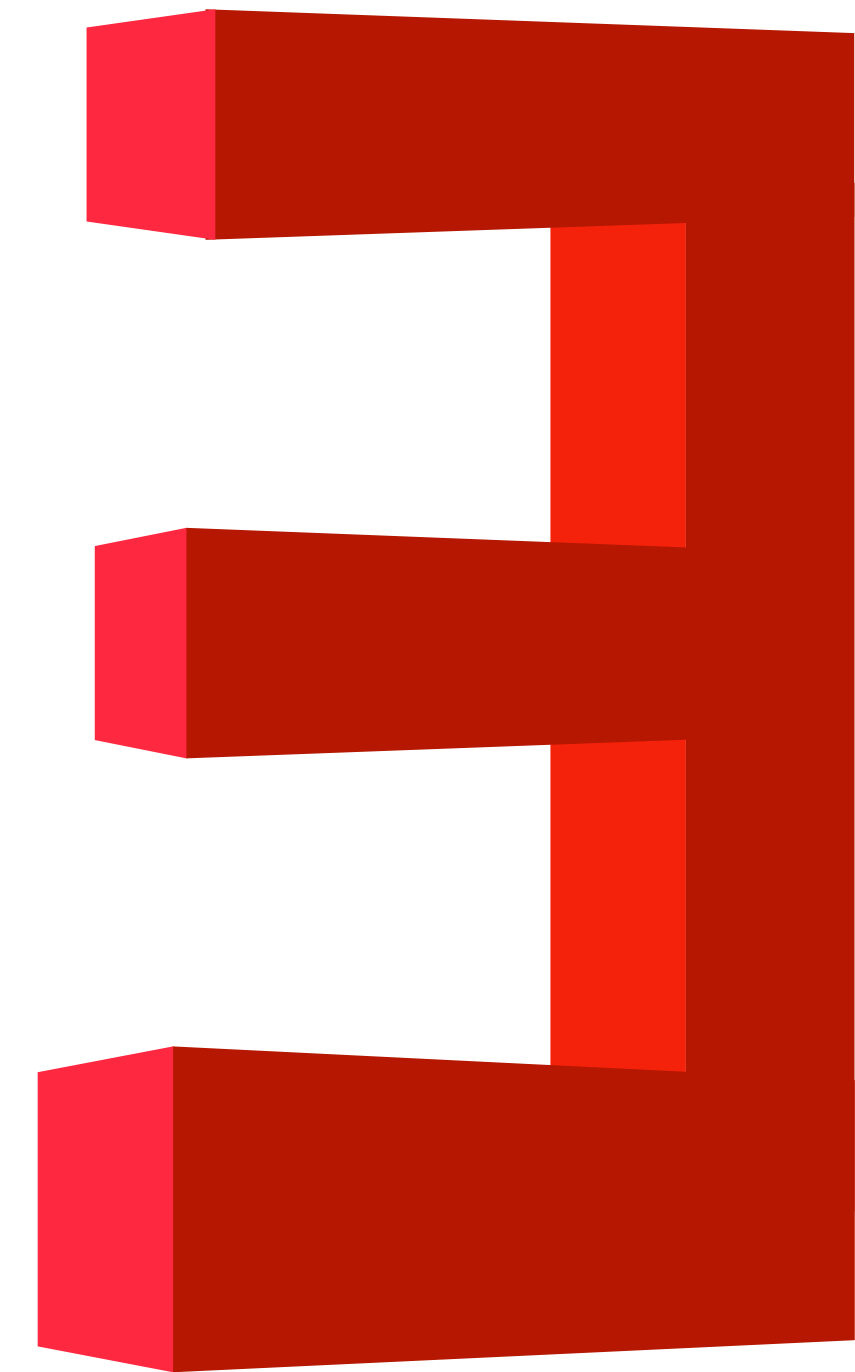
PICC Health

Follow the guideline of being “professional, efficient, capable and flattened”, and implement flattening operation, highlight the characteristics of professionalism and innovation

First-year regular premiums **+227.4%**

Embedded value **+31.6%**

New business value **+18.9%**





“3411 Project” -- 4 Strategies

Innovation-Driven Strategy

PICC P&C

“Work in sync with the police” implemented in **330+** cities and served **3.3 mn** customers

Online migration rate of motor insurance claim handling reached **66.7%**, up by **58.3ppts**

Use new technologies to promote quality of service and reduce claim cost by RMB **1.56** bn

PICC Life

PICC Life launched life annuity products designed on consumption scenarios on the Internet, achieving premium income of RMB**7.1** bn and obtaining **11** mn effective customers cumulatively

PICC Health

PICC Health actively explored Internet-based transformation of professional health insurance company, achieving online health insurance TWP of RMB**7.2** bn, up by **303.9%** YoY



Digitalization Strategy

Fully promote **22** projects including the optimization of big data platforms, integrated customer experience, etc., of which **7** projects have been launched and promoted while other projects are progressing smoothly

Pioneered to launch the **PICC Cloud**, the first company within the industry that achieved broad distribution for the core system

The online migration rate of PICC P&C household motor insurance was **59.5%**, up by **43.6ppts**, with customer experience enhanced

The mobile billing rate of PICC Health and PICC Life reached **85%** and **97.5%** respectively

The “PICC APP” was officially launched, with **6.5** mn registered users and **1.2** mn MAU



Integration Strategy

Actively promote the connection of insurance and investment segments, boosting corporate and occupational annuity sales with insurance resource and promoting insurance business with investment projects

Establish an efficient and convenient integrated commission settlement system and promote “T+1” fast settlement nationwide

Optimize the "PICC" APP, achieving premium income of RMB**31.1 bn**

Synergies achieved significant results, motor insurance premiums achieved through business synergies **+25.4%**

First-Year regular premiums of life insurance benefited from business synergies **+58.9%**



Internationalization Strategy

The risk liabilities of the International business exceeds RMB**12 tn**

Premium income achieved YoY growth of **25%**

Covering **~200** countries and regions

Underwriting for key projects and providing all-round risk assurance for overseas clients

“3411 Project” -- Double “1”

Win 1 tough battle in core cities and the defensive battle in suburban market

- PICC P&C’ s market share in core cities increased by **0.8ppts** YoY
- PICC Life’ s APE in core cities increased by **35.8%** YoY
- PICC Health’ s first-year regular premiums in core cities reached RMB**6.11 bn**
- PICC P&C’ s market share in suburban markets was nearly **40%**



Uphold 1 bottom line of avoiding systematic risks

- Tighten the cage of risk management and strengthen the construction of risk management system
- Strictly implement regulatory requirements and carry out in-depth chaotic rectification in key areas
- Strengthen the prevention of credit risk and liquidity risk, with the Group’ s net cash flow from operating activities reaching RMB**36.8 bn**
- Strengthen asset-liability management to prevent low interest rate risks from affecting the company's sustainable development

Further Improvement of Profit Structure

Consolidated Net Profit Structure



2018

Others 17.3% : 3,229
P&C 82.7% : 15,486



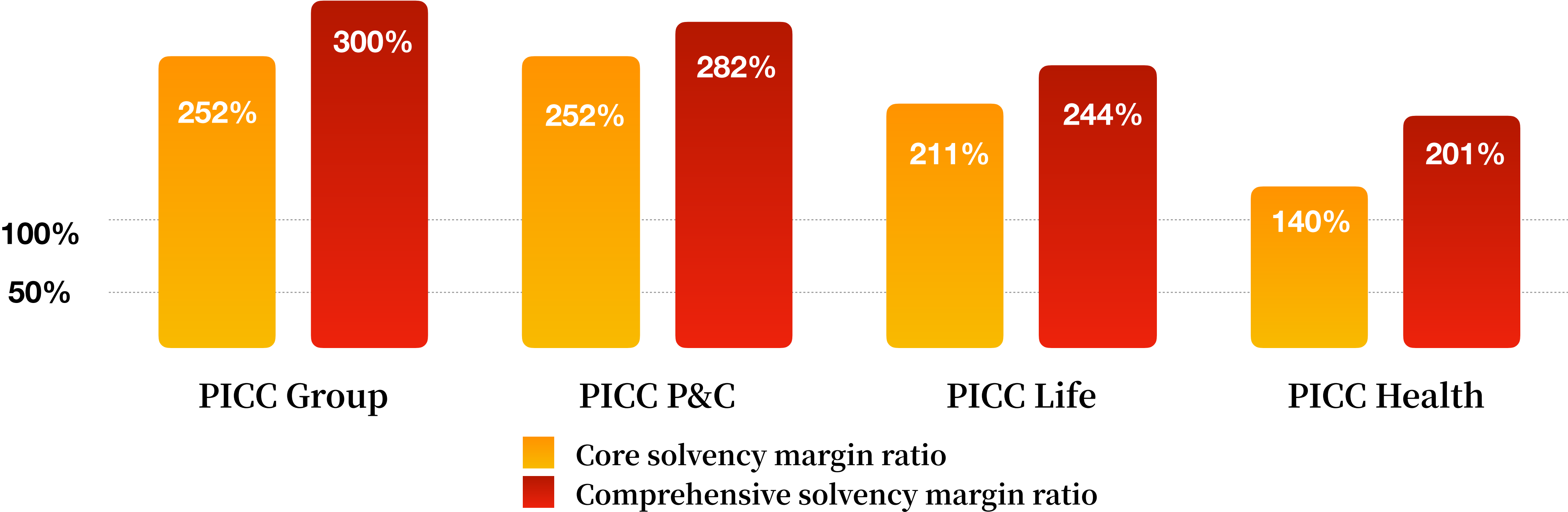
2019

Others 22.4% : 7,002
P&C 77.6% : 24,279

Others
P&C

(RMB mn)

Solvency Margin Ratios



Actively Fulfill Social Responsibilities

Facilitate Village Revitalization, Serve Poverty Alleviation

- All 4 delegated counties were lifted out of poverty
- Provided risk protection of RMB**2.3 tn** to **88.7 mn** farmers
- The only state-owned financial company listed in the State Council's Research Report on Poverty Alleviation of Chinese Enterprises

Serve the Real Economy, Boost High-Quality Growth

- Underwrote **1,081** insurance projects for national key technical equipment in total
- Built overseas service network covering **200** countries and regions
- Underwrote for **250,000** SMEs covering RMB**75.8 tn** assets

Adhere to Protection, Innovate Products and Services

- Provided risk protection of RMB**13.9** bn under environmental pollution liability insurance
- “Work in sync with the police” implemented in **330+** cities and served **3.3 mn** customers
- Total claims of RMB**278.4 bn** paid, ranking #1 in the industry

Integrate into Medical Insurance System, Serve "Healthy China"

- Underwrote **1,646** policy-oriented medical insurance projects of various types in total, covering **830 mn** population
- Inclusive commercial health insurance customers of the Internet channel reached **28 mn**
- **8,000** hospitals connected in the medical cooperation network



2020 Outlook

PICC will adhere to the keynote of insurance supply-side structural reform and focus on the “3411 project” to accelerate business model reform and explore the new business opportunities of “insurance + technology + service” , transforming decisively to high-quality development.



PICC P&C

Adhere to "2 integrations" and focus on "Top Ten Priorities"
Strive to match development with the market and lead the industry in terms of profit and services

PICC LIFE

Fully promote team construction, improve marketing model, optimize product mix, maturity mix and profit-source mix

PICC HEALTH

With the guideline of being "professional, efficient, capable and flattened", focus on establishing the business model of "health insurance + health management + information technology"

INVESTMENT SEGMENT

Optimize asset allocation and stabilize investment yield, actively develop wealth management business and strengthen prevention of investment risks in a low interest rate environment

Note: "2 Integrations" refer to the integration of policy-based business and commercial business, and the integration of business model reform and technology reform.



Review of Key Business Segments

Xie YiQun

Executive Director, Vice President, PICC Group
Vice Chairman, President, PICC P&C



P&C: Performance Highlights

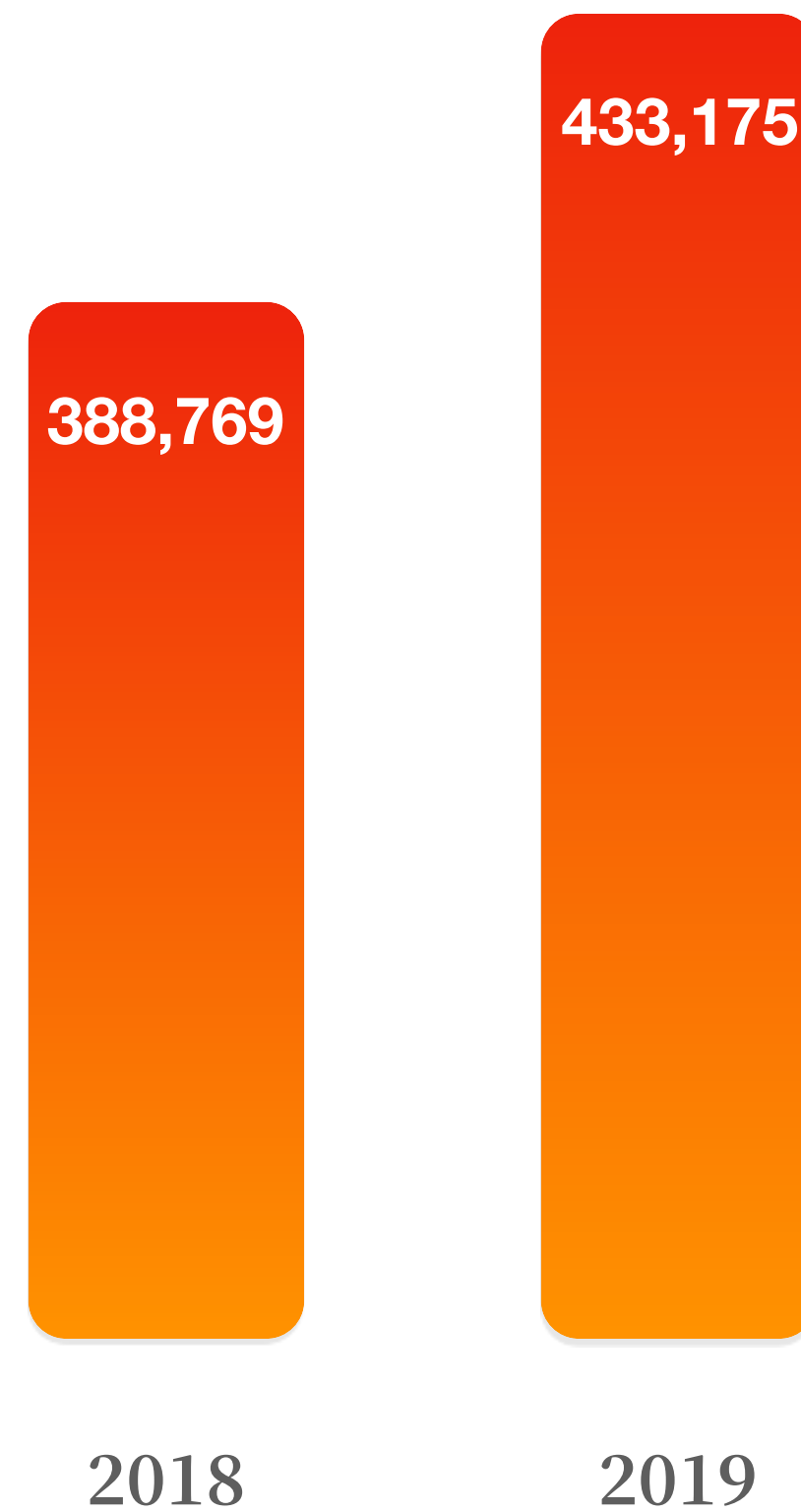
<div>Gross Written Premiums (GWP)</div> <div>RMB433.18 bn</div> <div>+ 11.4 %</div>	<div>Market Share</div> <div>33.2%</div> <div>+ 0.2ppts</div>	<div>Combined Ratio</div> <div>99.2%</div> <div>+ 0.7ppts</div>	<div>Total Investment Yield</div> <div>4.9%</div> <div>+ 0.4ppts</div>
<div>Net Profit</div> <div>RMB24.28 bn</div> <div>+ 56.8%</div>	<div>ROE</div> <div>15.6%</div> <div>+ 4.3ppts</div>	<div>Net Cash Flow from Operating Activity</div> <div>RMB25.85 bn</div> <div>+ RMB15.97 bn</div>	<div>Proposed dividend per share</div> <div>0.461</div> <div>+ 69.5%</div>

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

P&C: Business development outperformed the market, with market share up YoY

GWP + 11.4%

(RMB mn)

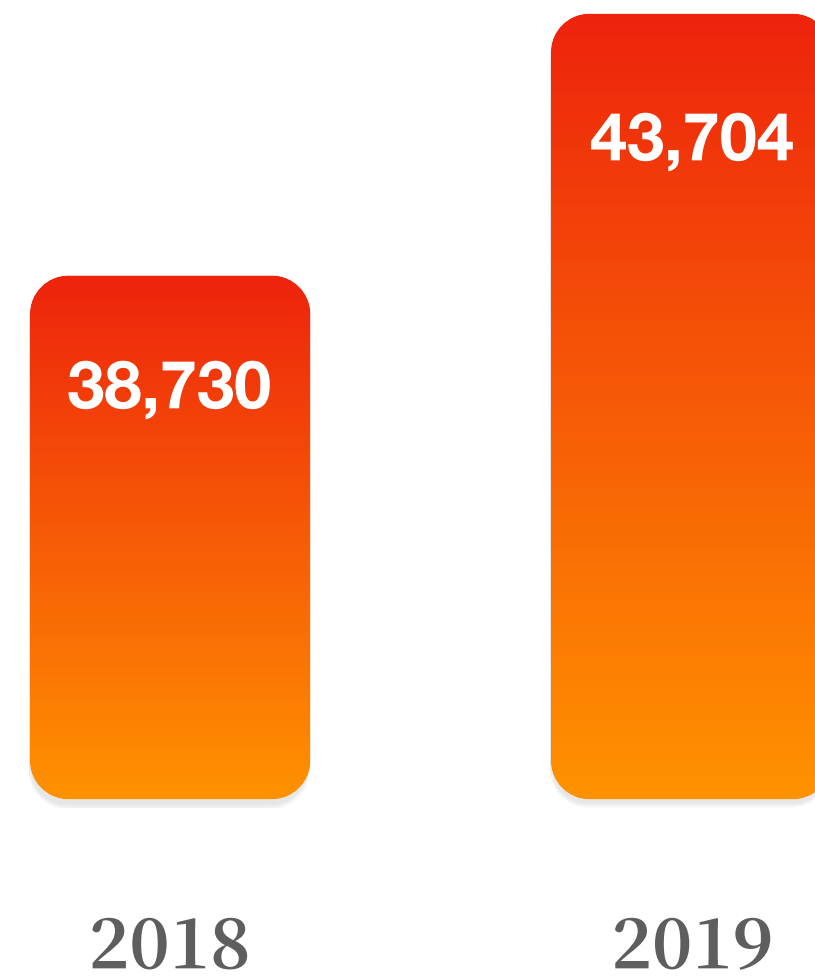


Exceed

RMB400 bn

Incremental Premiums

(GWP, RMB mn)



RMB43.7 bn

Incremental Market Share
Rank #1

34.7%

+ 2.8ppts YoY

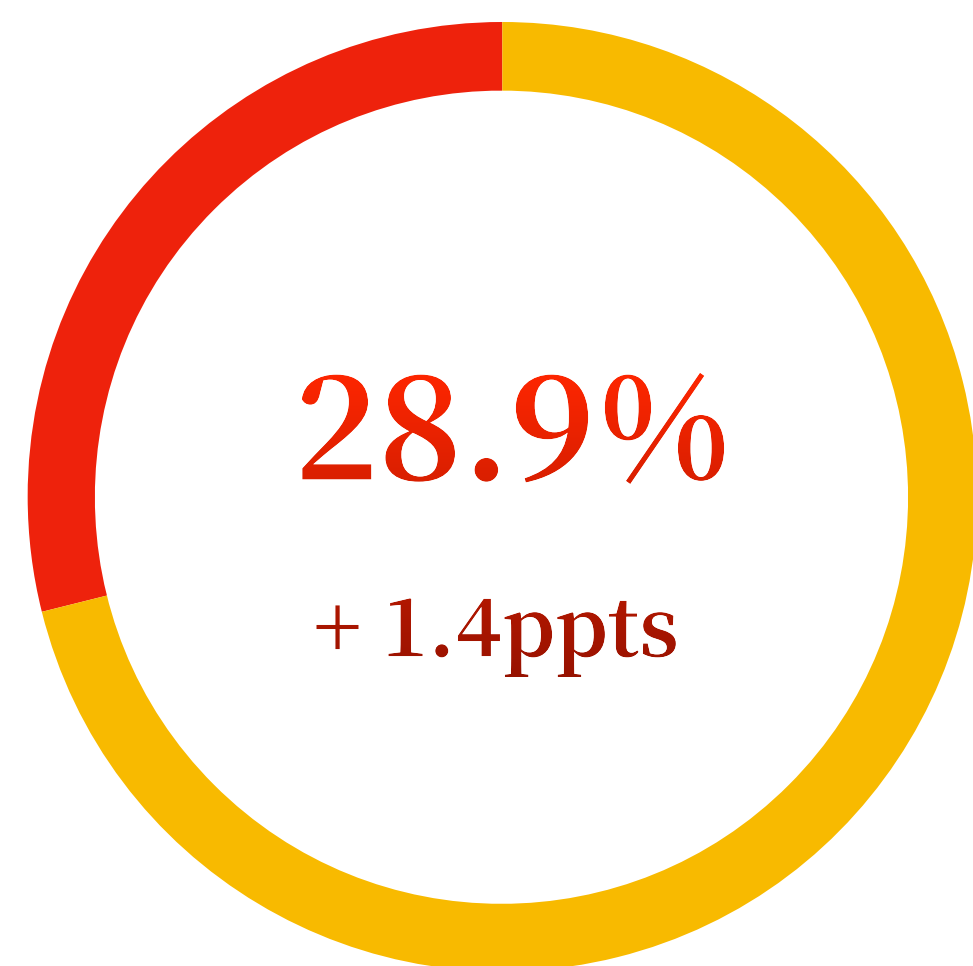
Market Share

33.2%

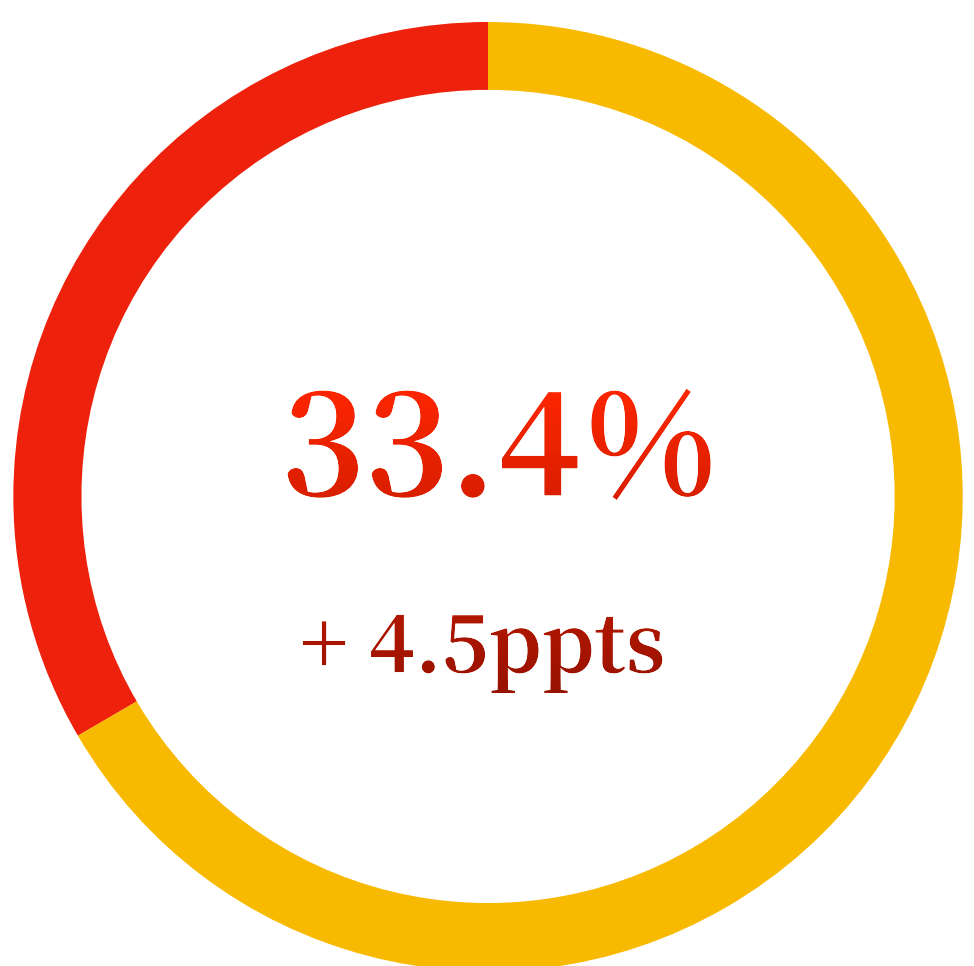
+ 0.2ppts YoY

P&C: Contribution of Non-Motor Insurance Continued to Increase

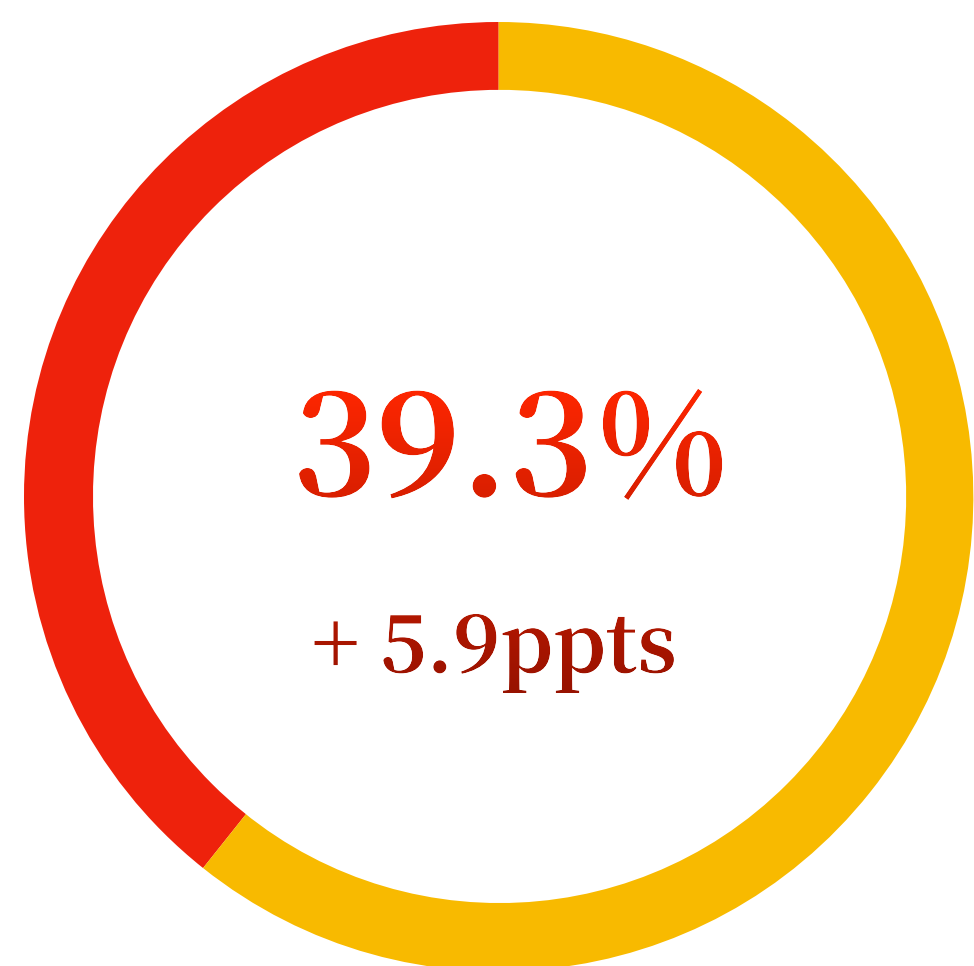
As % of GWP



2017



2018

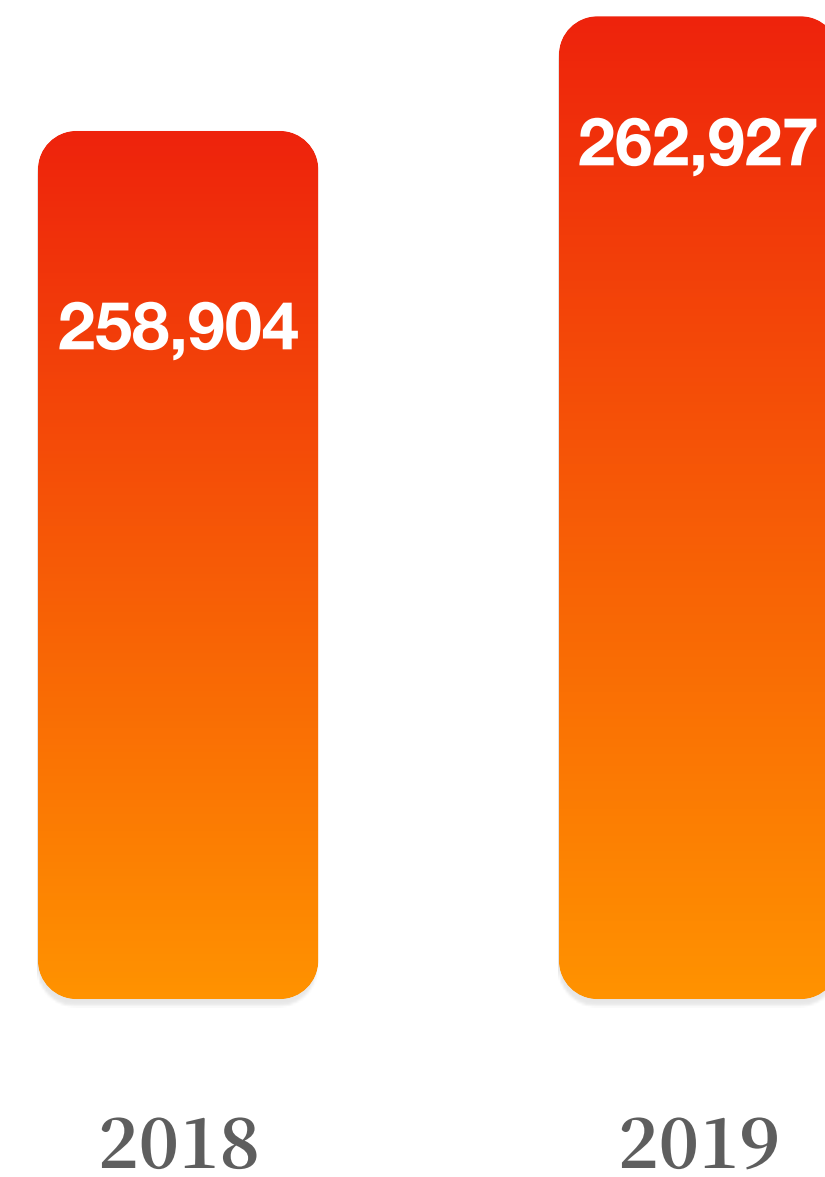


2019

P&C: Growth of Motor
Insurance Business Slowed
down, with Business
Structure continuously
Optimized

Motor insurance +1.6%

GWP, RMB mn



Motor Insurance Business Structure

**59.07mn
Vehicles**

+7.3%
of household-
owned
vehicles
underwritten

**79.4%
+ 0.8ppts**

% of household-
owned vehicles
underwritten

**69.3%
+ 5.1ppts**

% of Direct sales and
Direct controlled
channel sales

**81.9%
+ 1.3ppts**

% of renewed
commercial motor
insurance customers
with no claims

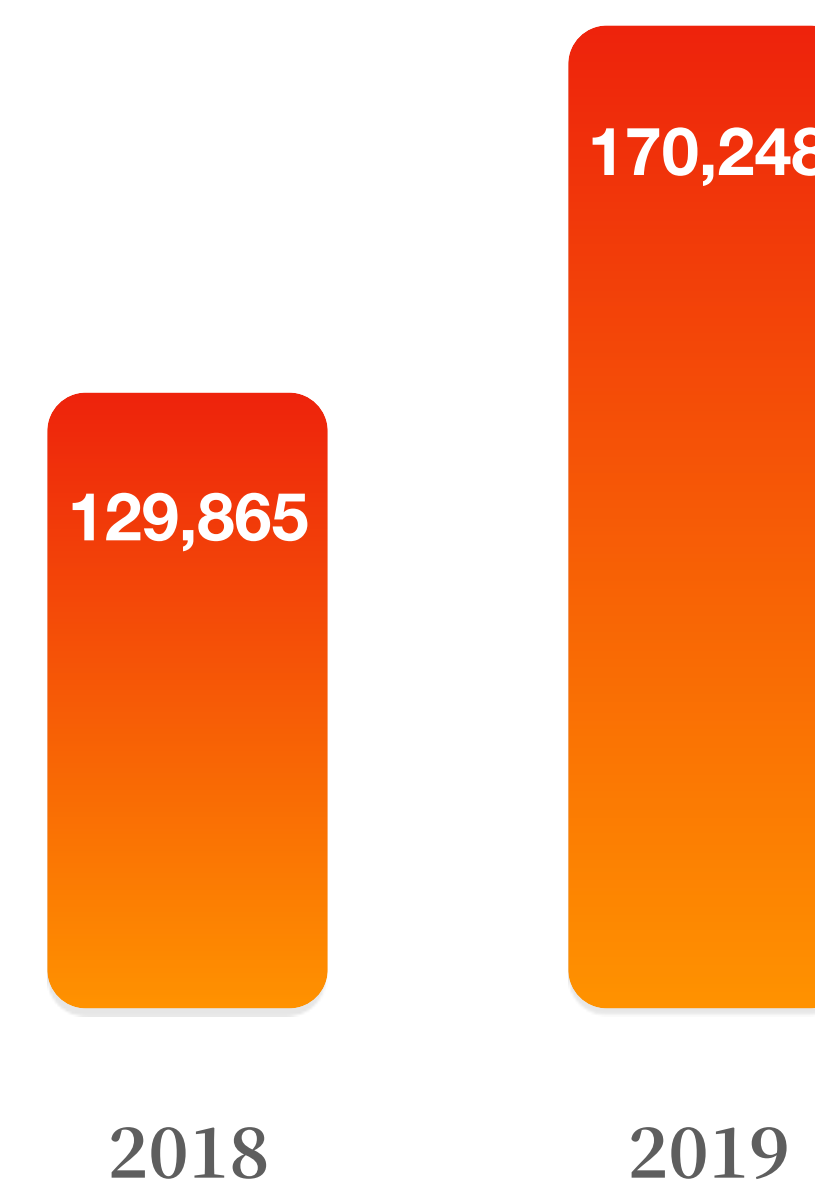
**81.0%
+ 0.4ppts**

% of customers
purchasing both
compulsory and
commercial motor
policies

P&C: Non-motor Insurance Achieved Rapid Growth

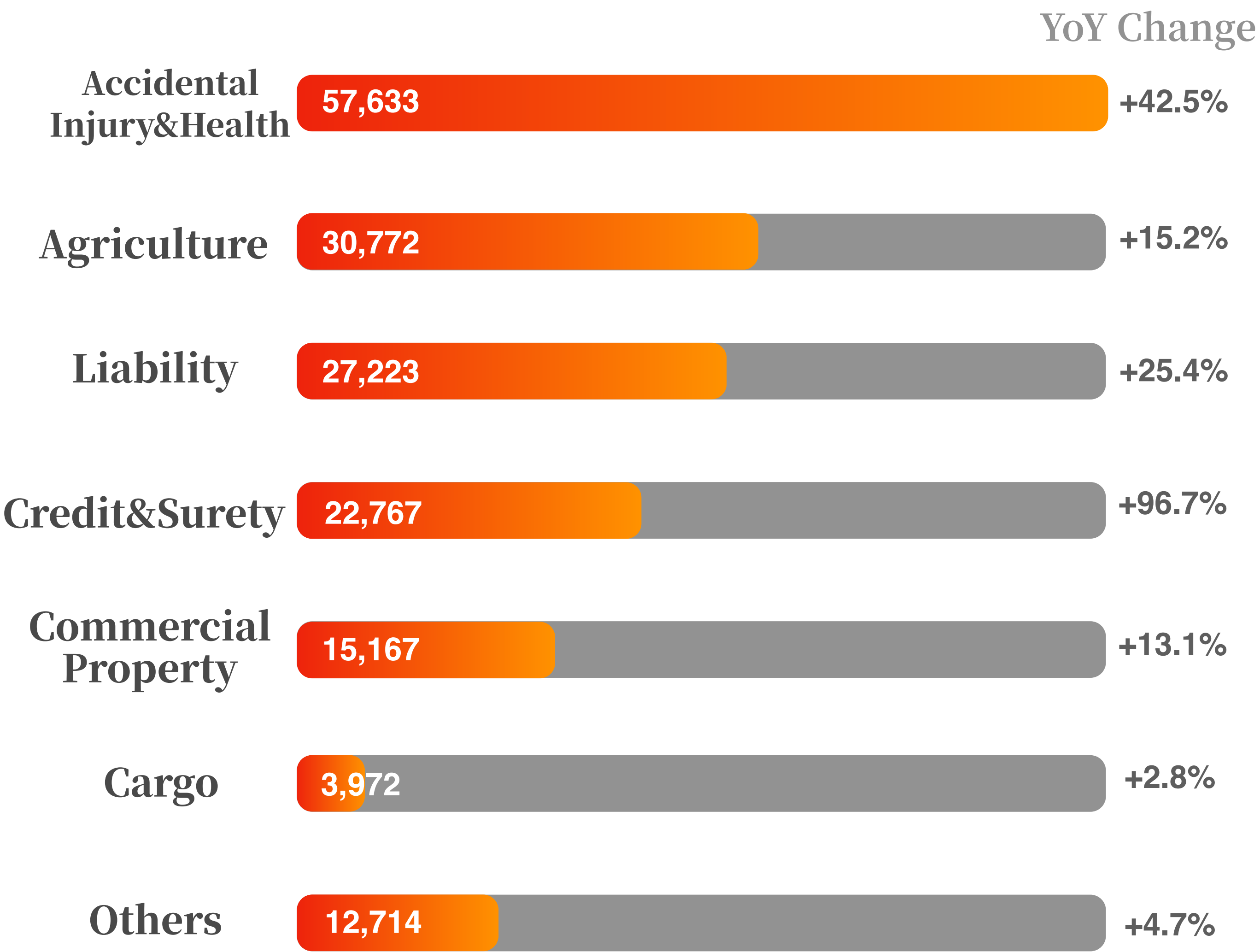
Non-motor insurance premium +31.1%

GWP, RMB mn



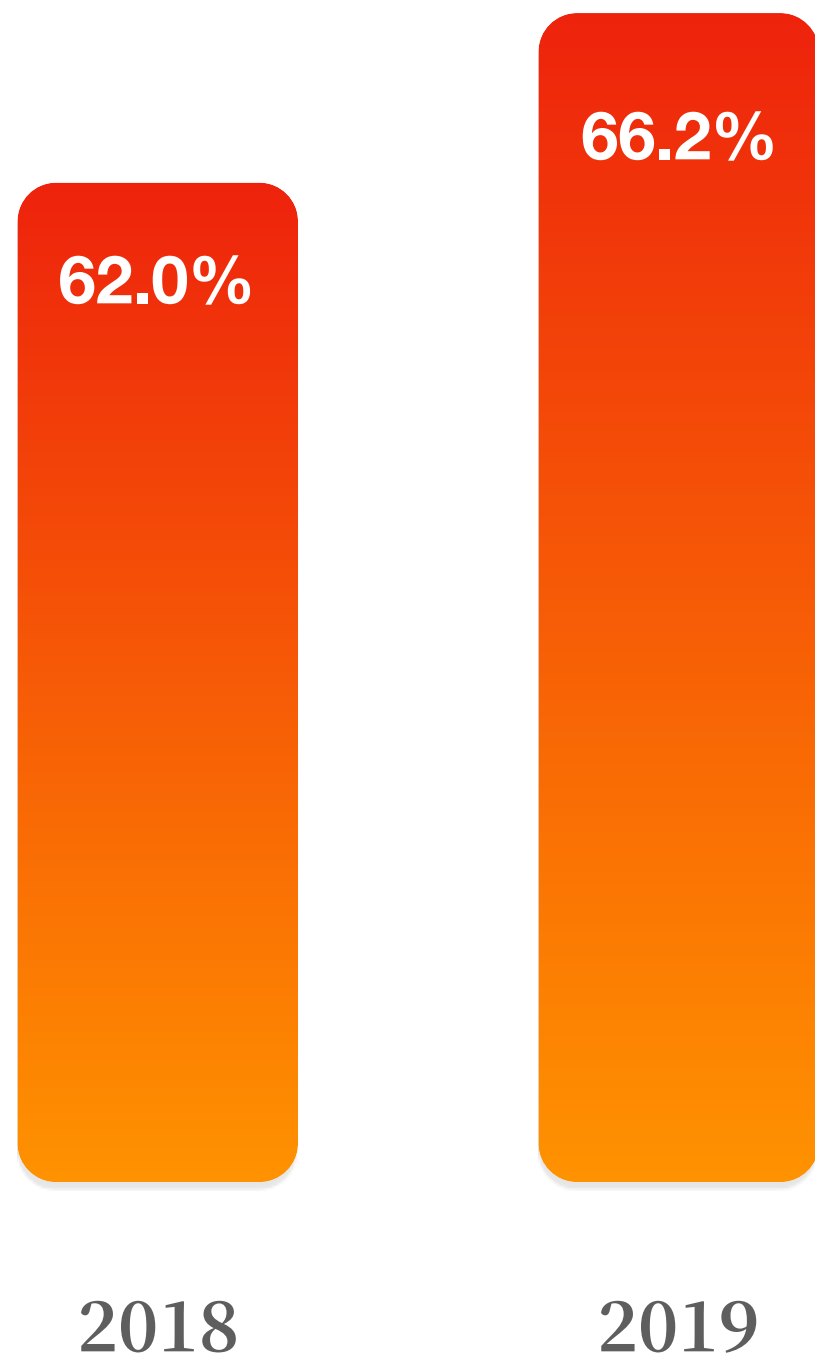
Non-Motor Insurance Premiums in 2019 by Product Line

GWP, RMB mn

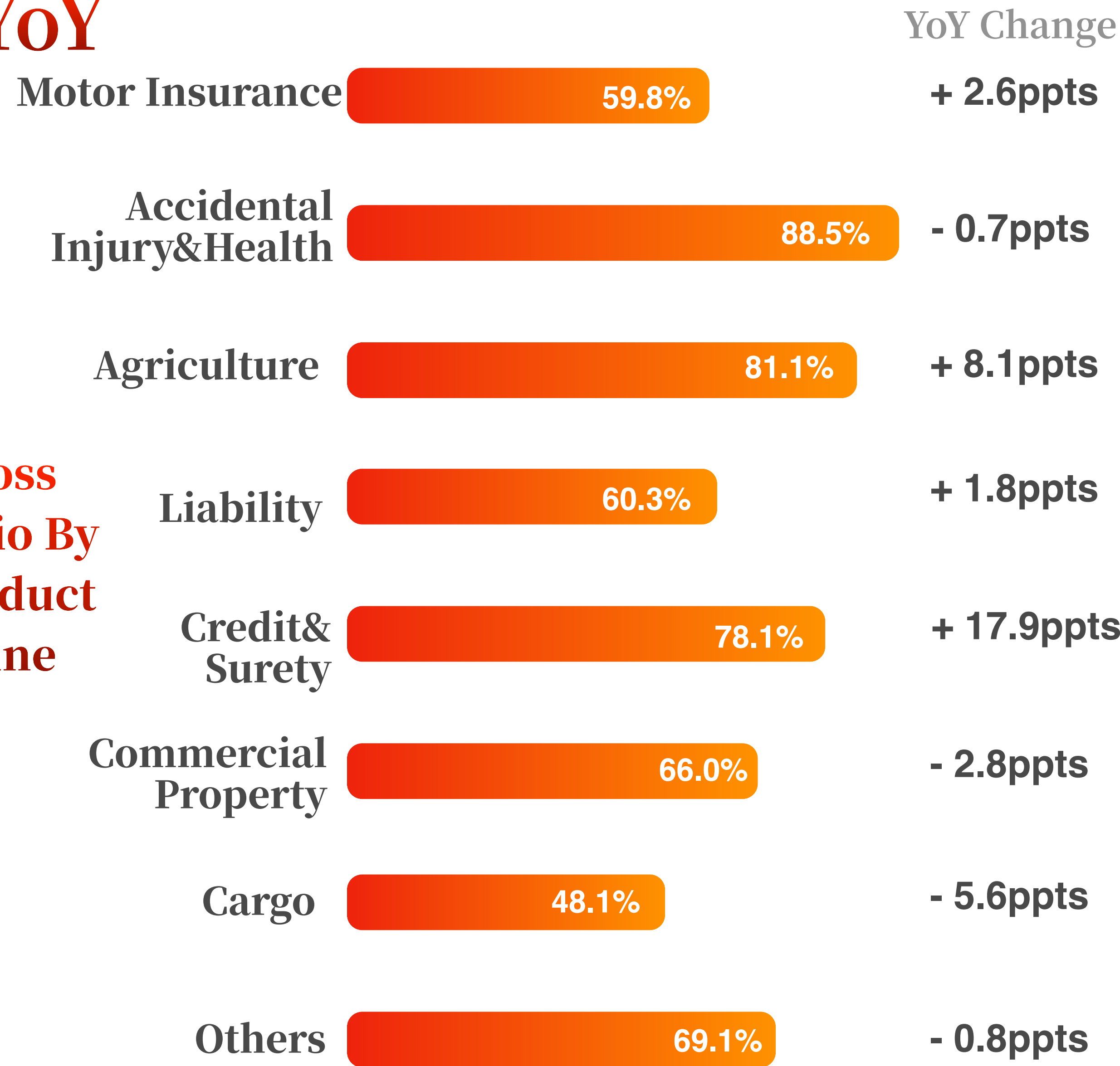


P&C: Loss Ratio Increased YoY

Loss Ratio +4.2ppts

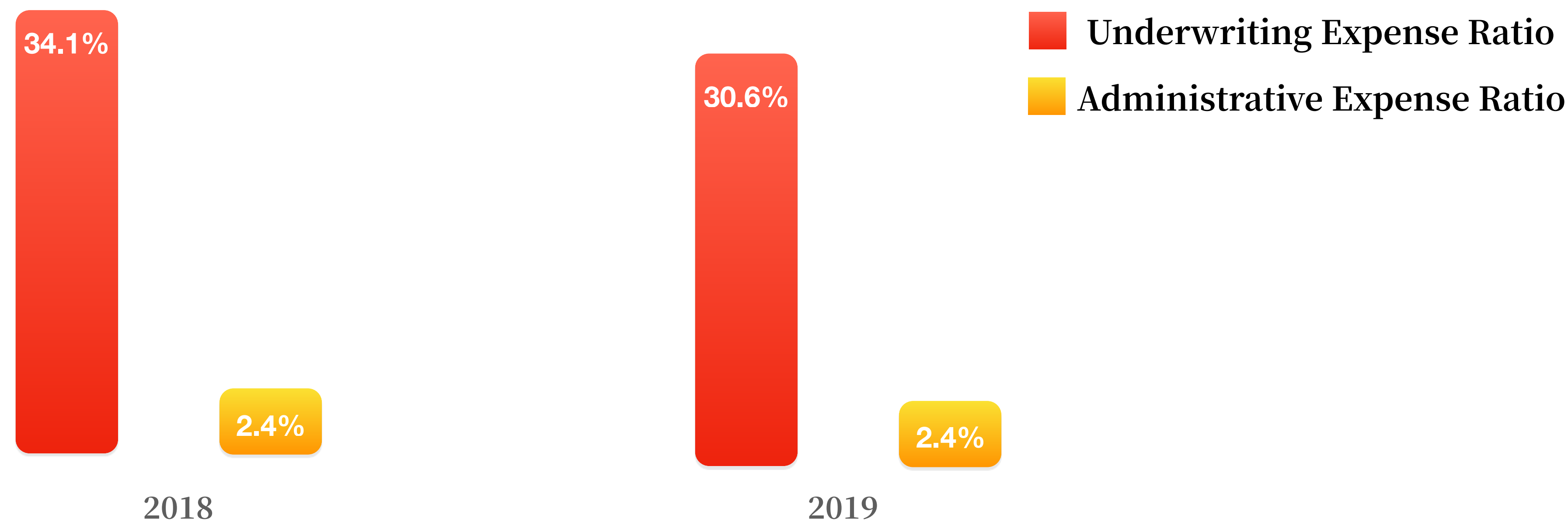


Loss Ratio By Product Line



P&C: Expense Ratio Decreased YoY

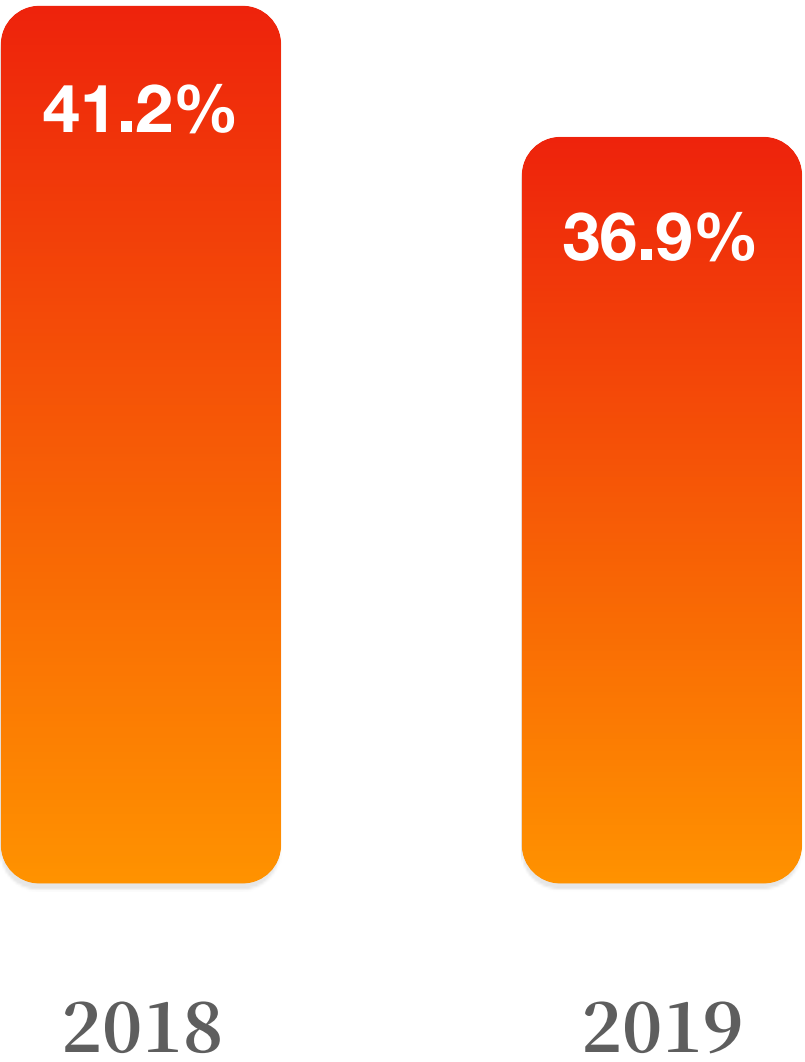
Comprehensive Expense Ratio 33% -3.5ppts



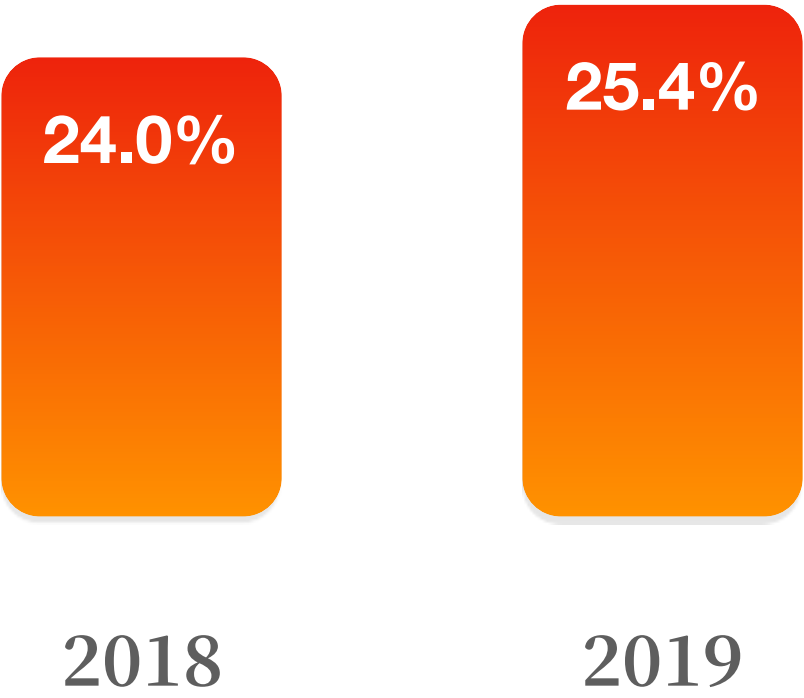
Note: Underwriting expense ratio = (Net policy acquisition cost + Other underwriting expenses) / Net earned premiums;
Administrative expense ratio = Administrative expenses / Net earned premiums; Figures are rounded off and may not add up.

Expense Ratios of Motor Insurance and Non-Motor Insurance

Motor Insurance - 4.3ppts



Non-Motor Insurance + 1.4ppts



P&C: Profitability of Motor Insurance Improved, Profitability of Non-Motor Insurance Declined, and Overall Combined Ratio Increased

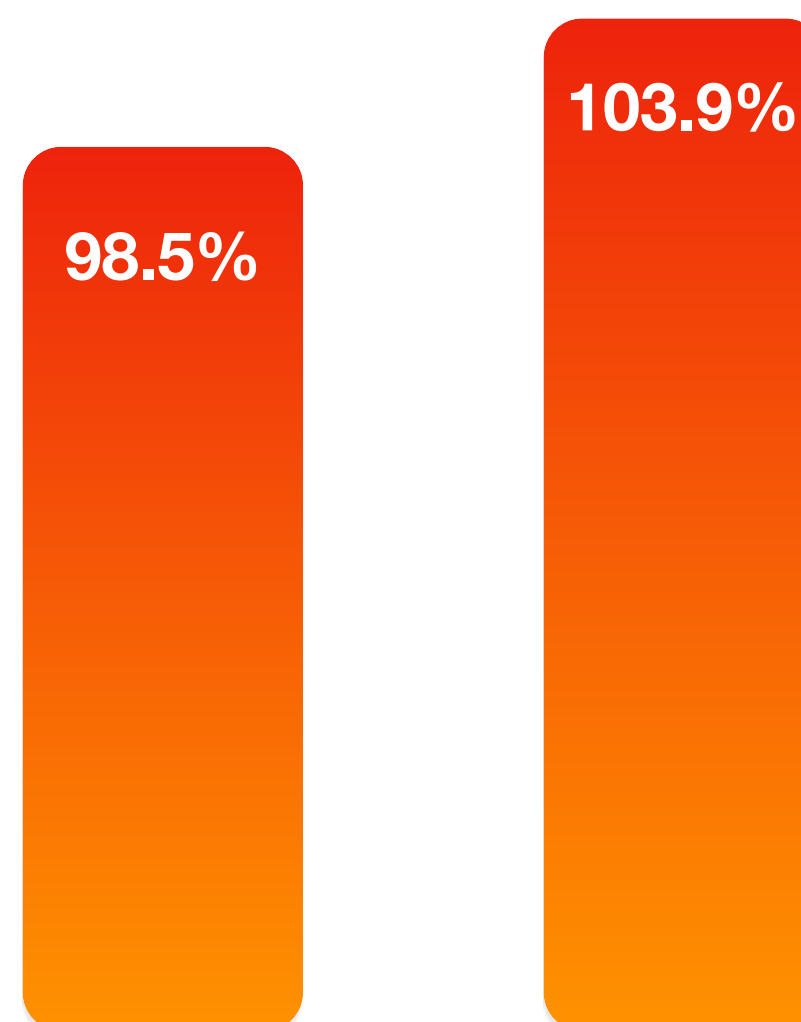
Motor Insurance - 1.7ppts



2018

2019

Non-Motor Insurance + 5.4ppts



2018

2019

Overall + 0.7ppts

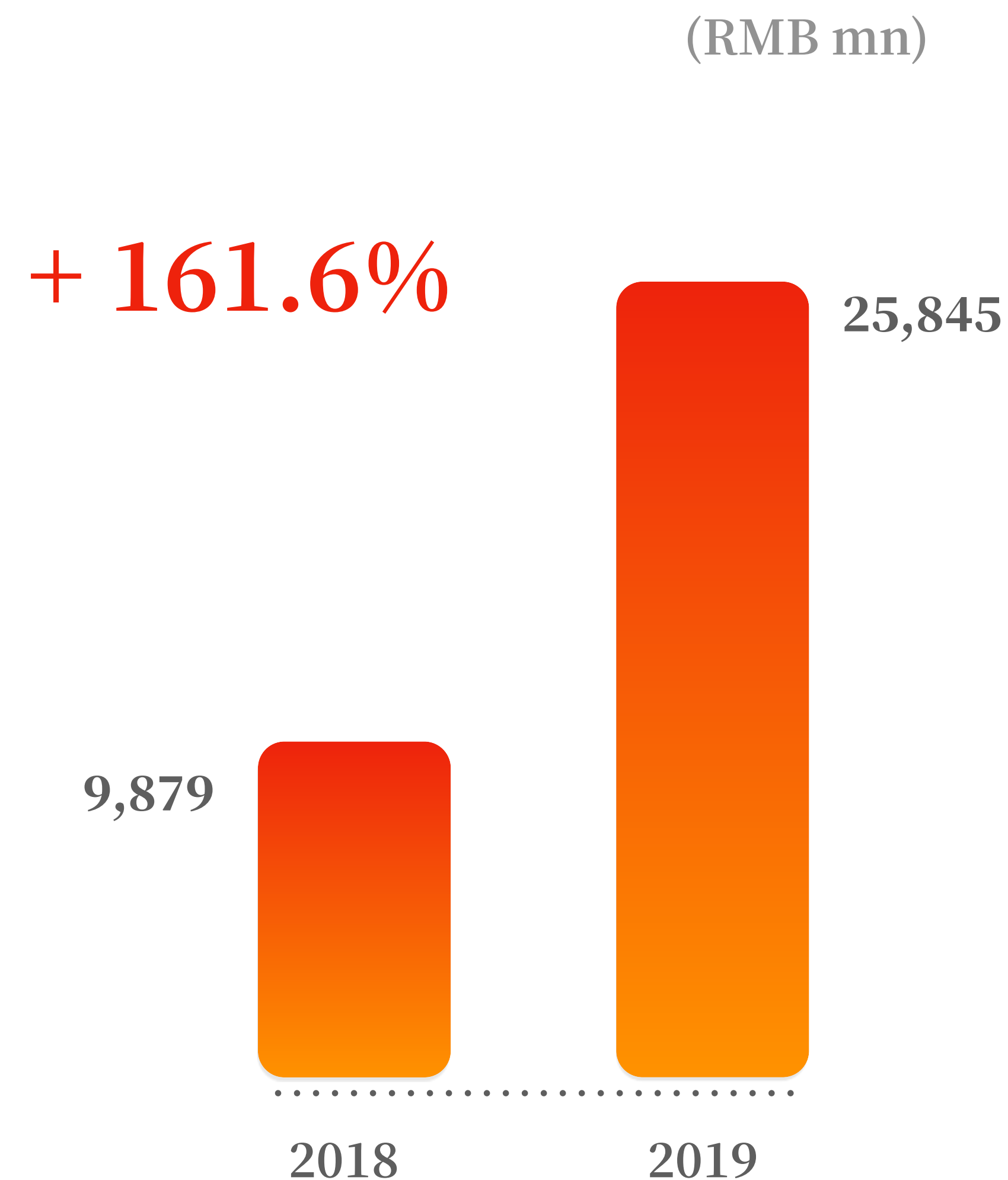


2018

2019

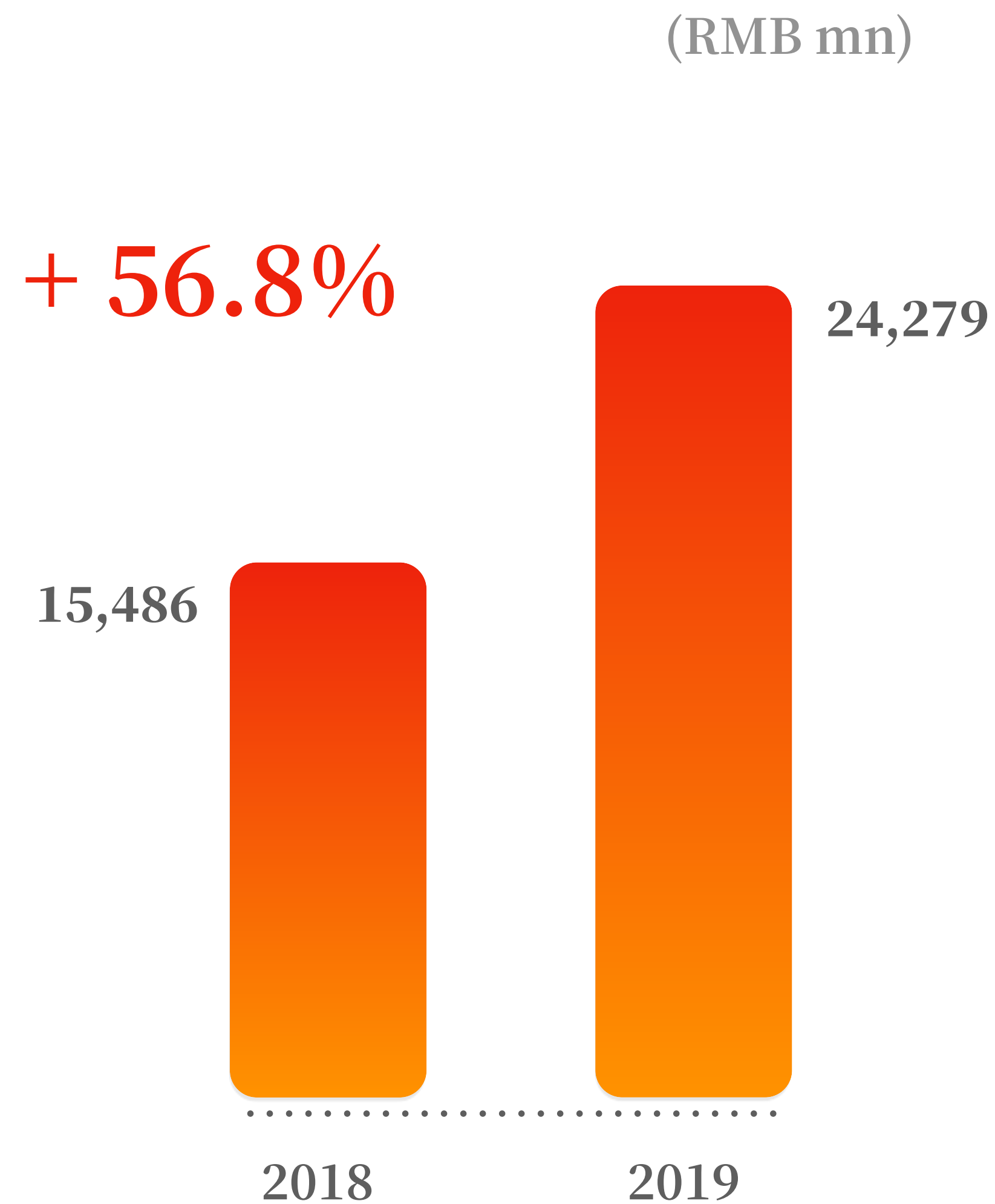
P&C: Financial Position
Solidified, Capital Position
Steadily Strengthened

Net Operating Cash
Flow Significantly
Improved



P&C: Net Profit Hit A Record High, with ROE Ranking Top among global peers

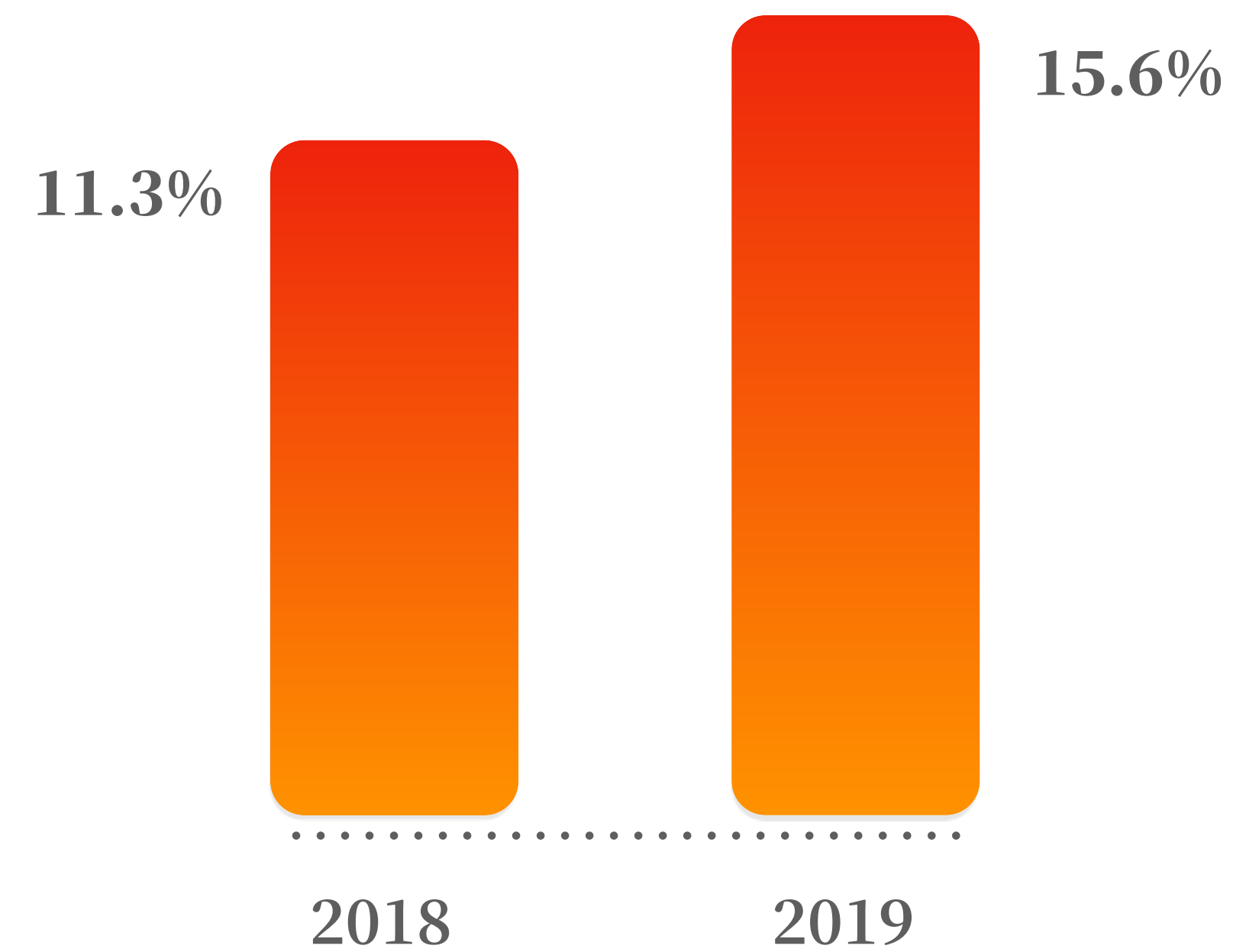
Net Profit



Earnings per share RMB1.09

ROE

+ 4.3ppts



Proposed Dividend per Share

+ 69.5%

0.272



2018

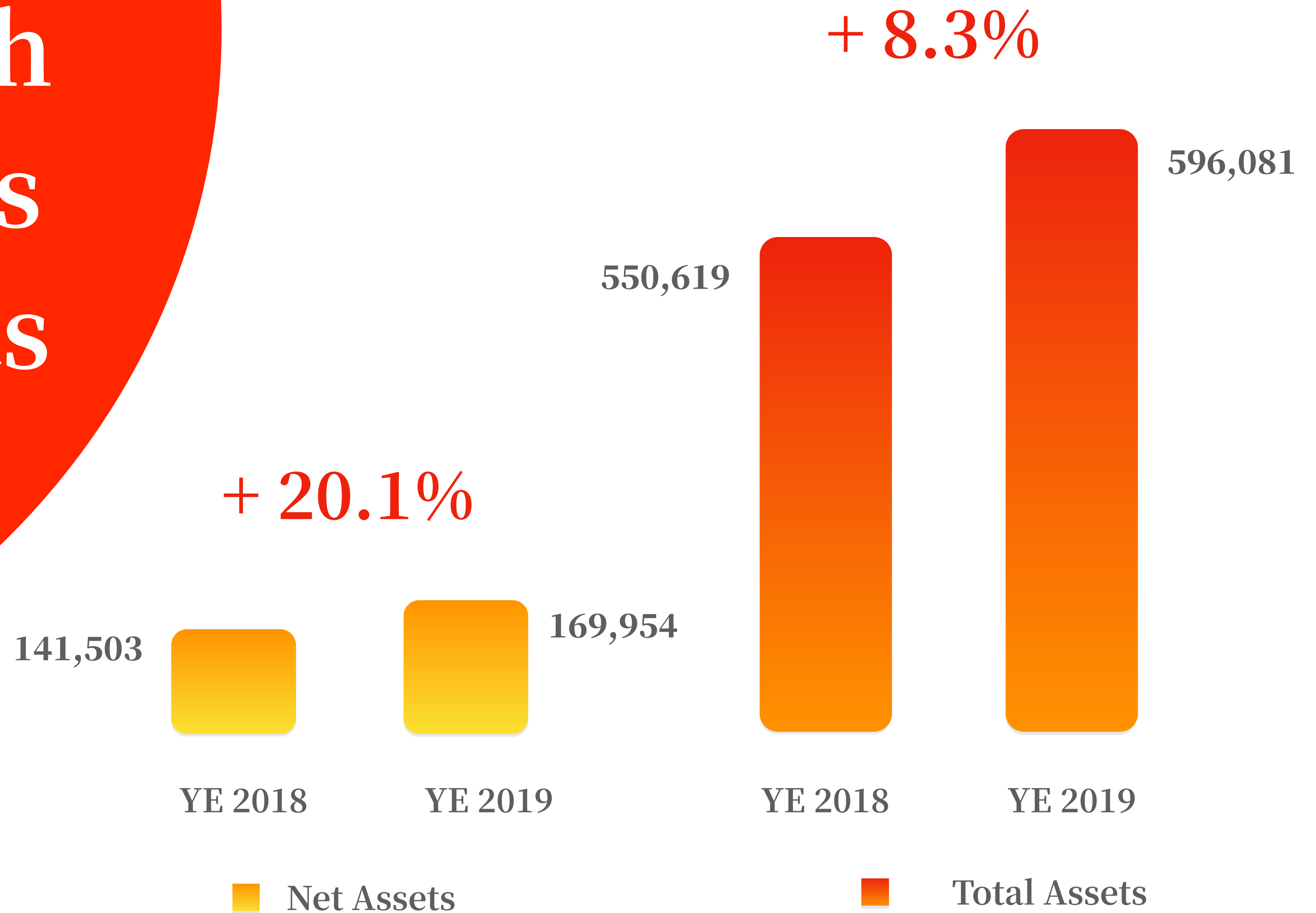
2019

0.461

(RMB per Share)

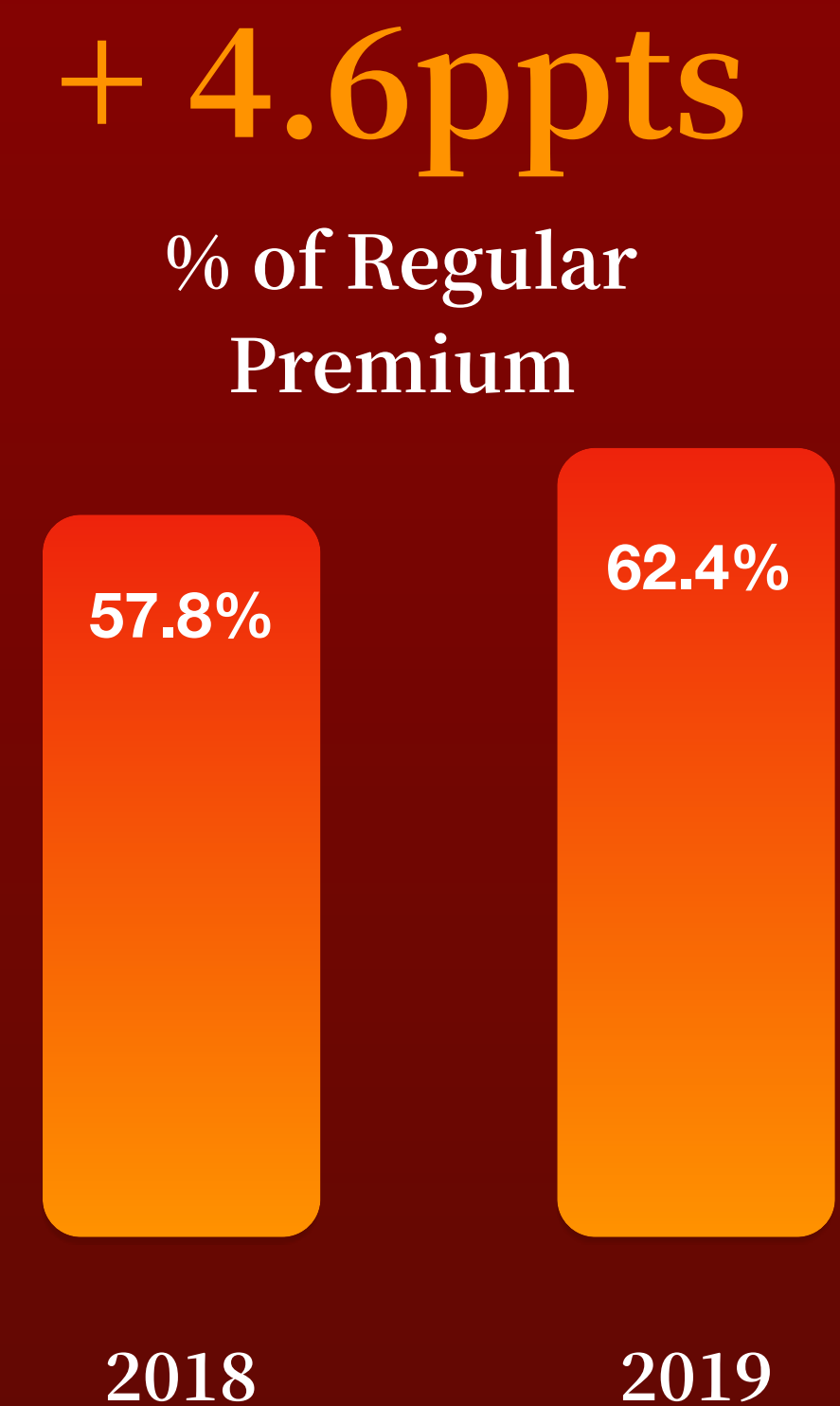
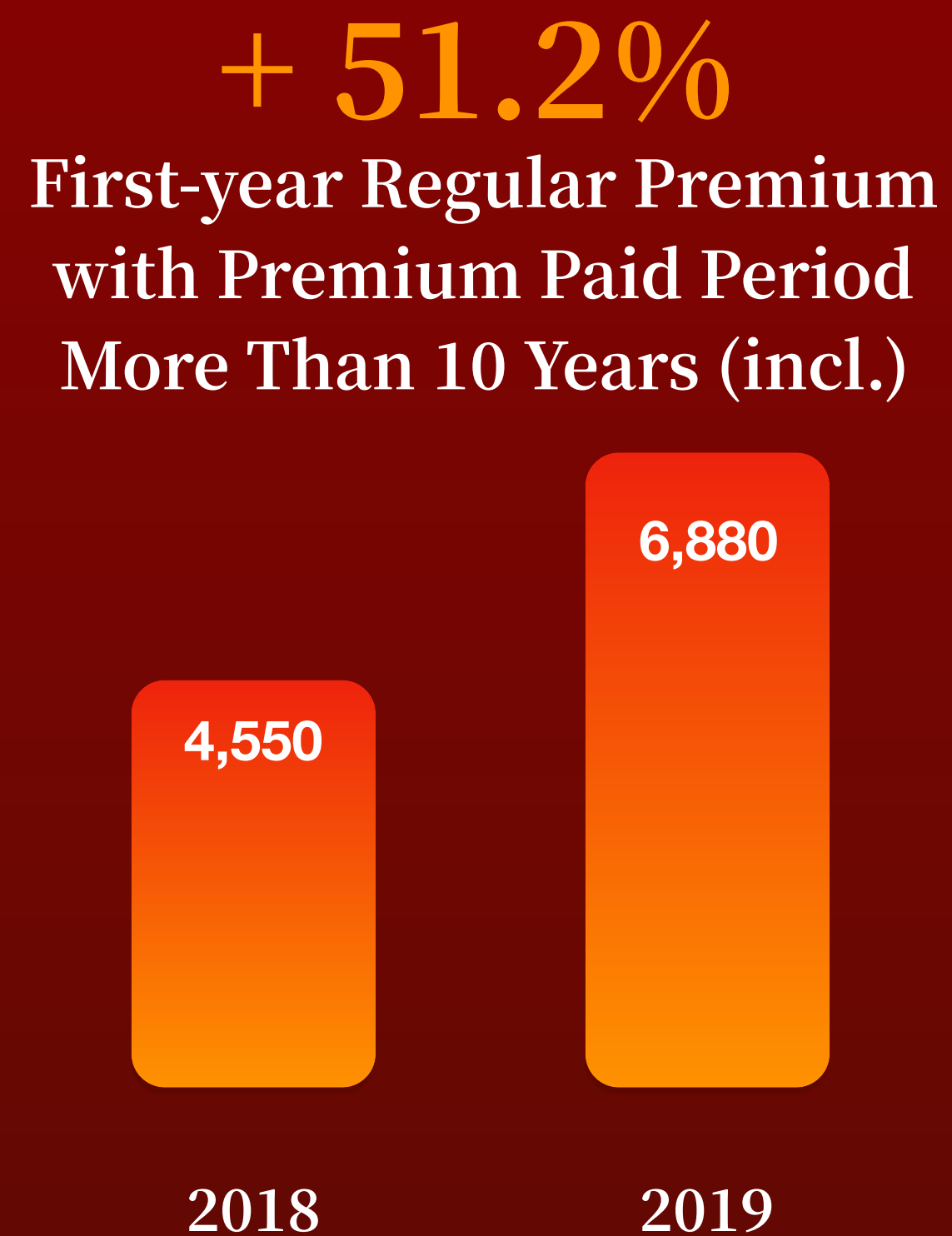
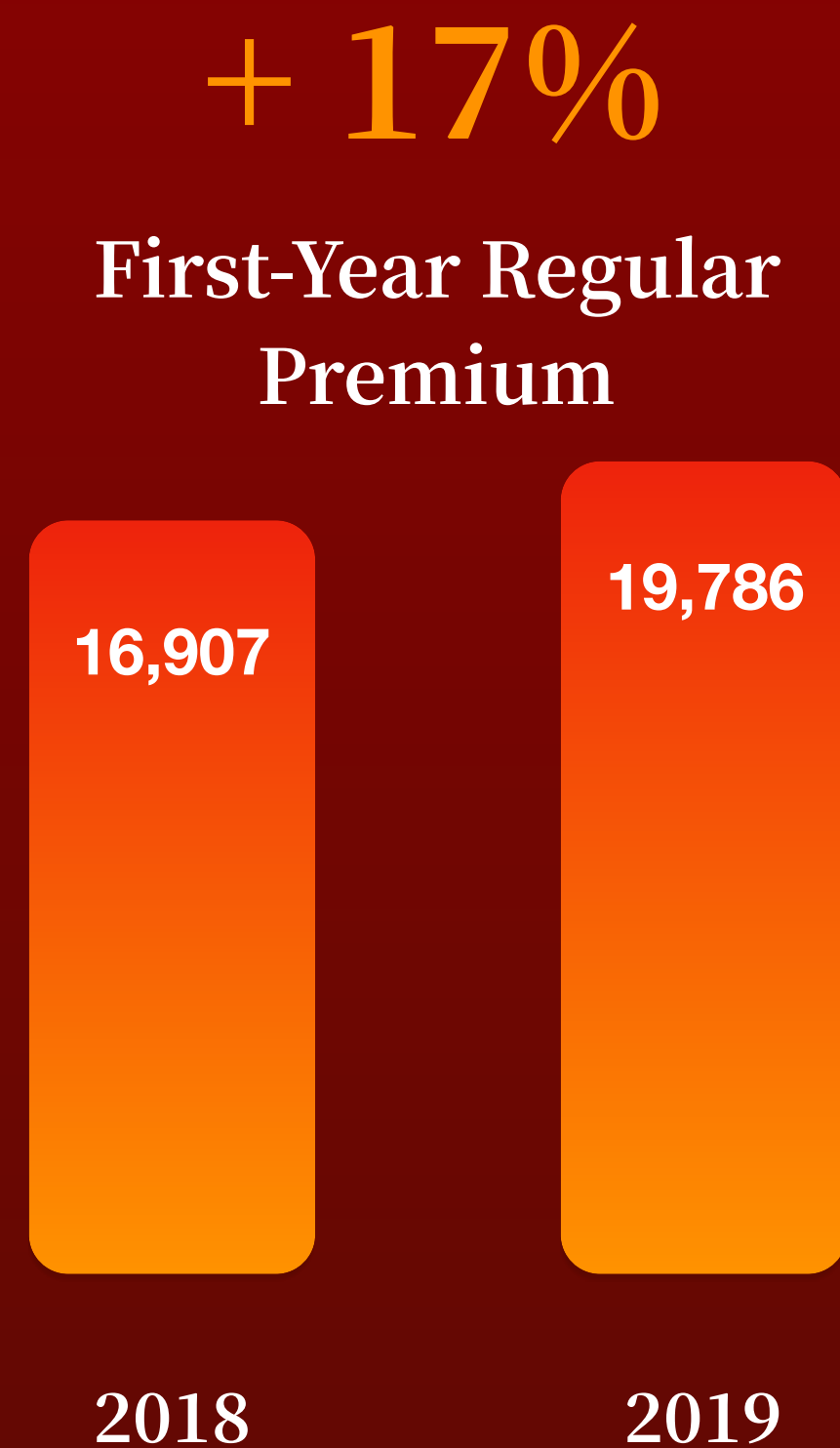
Steady Growth of Total Assets and Net Assets

(RMB mn)



Life: Regular Premiums Saw Rapid Growth, with Continued Structure Optimization

(TWP, RMB mn)

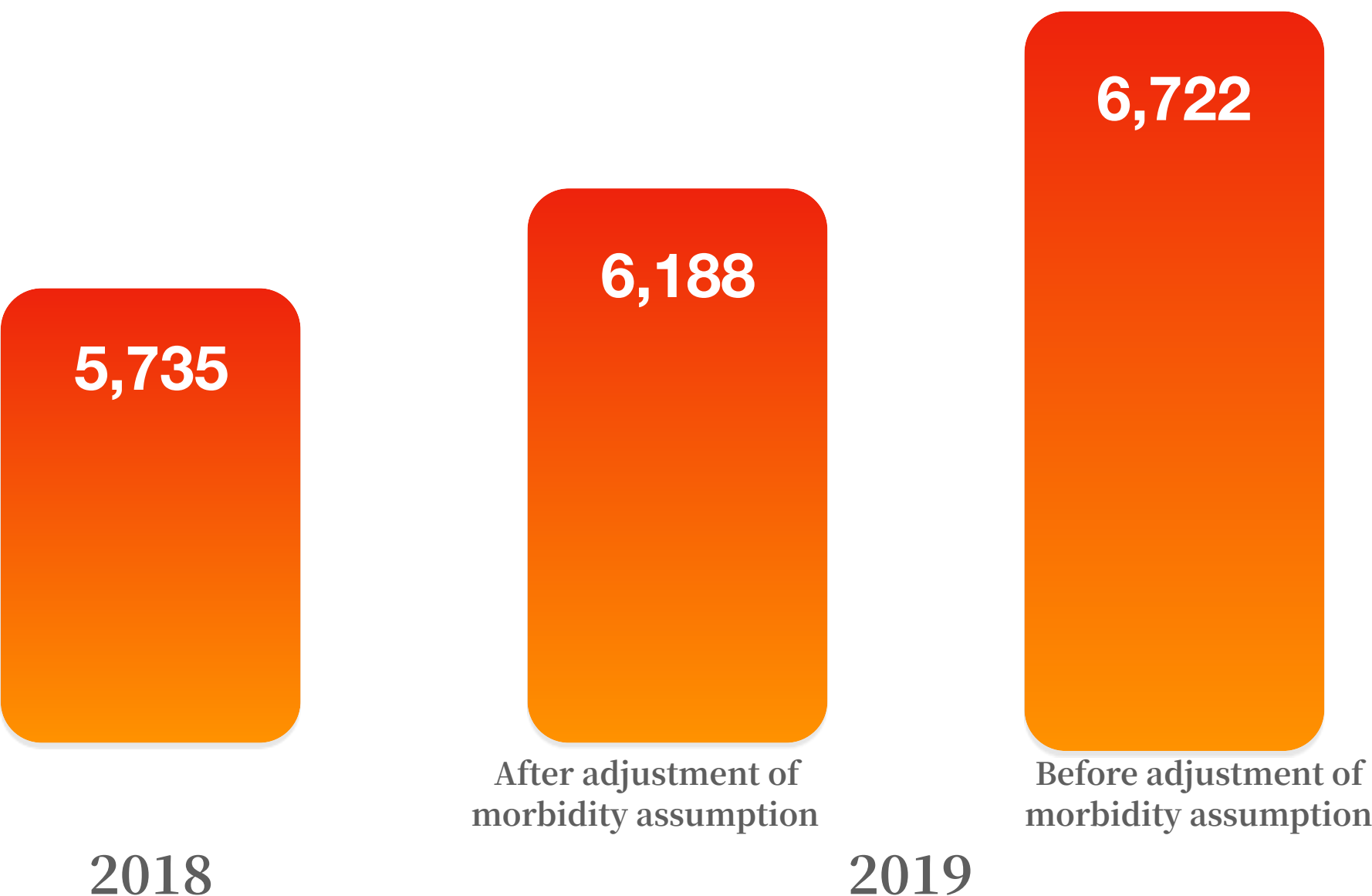


Life: Rapid Growth in New Business Value

(RMB mn)

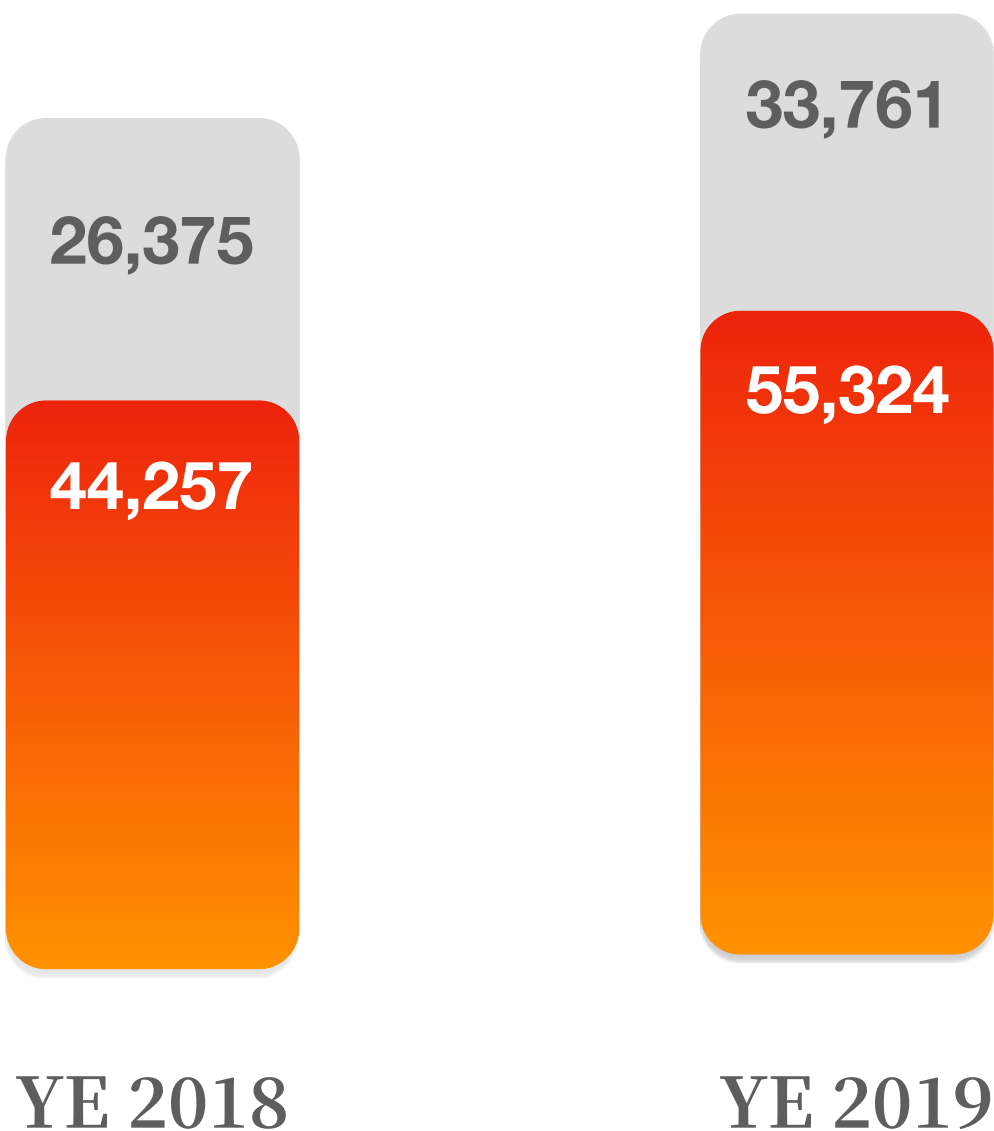
+ 17.2% (Before adjustment)
+ 7.9% (After adjustment)

NBV



Embedded Value + 26.1%

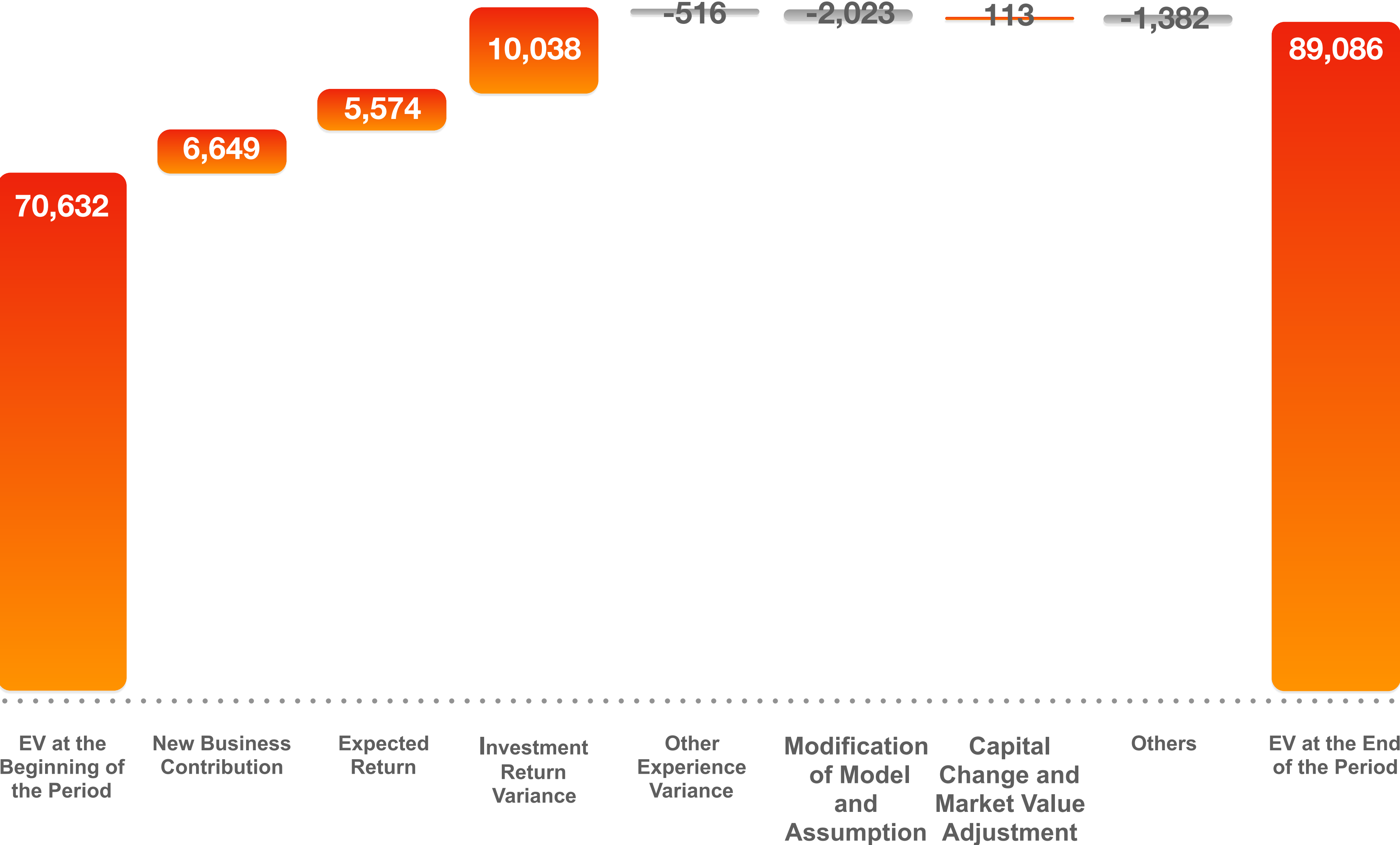
Value of in-force Business + 28.0%



Adjusted Net Asset
Value of in-force Business After Cost of Capital

Analysis of the Movement of Embedded Value (EV)

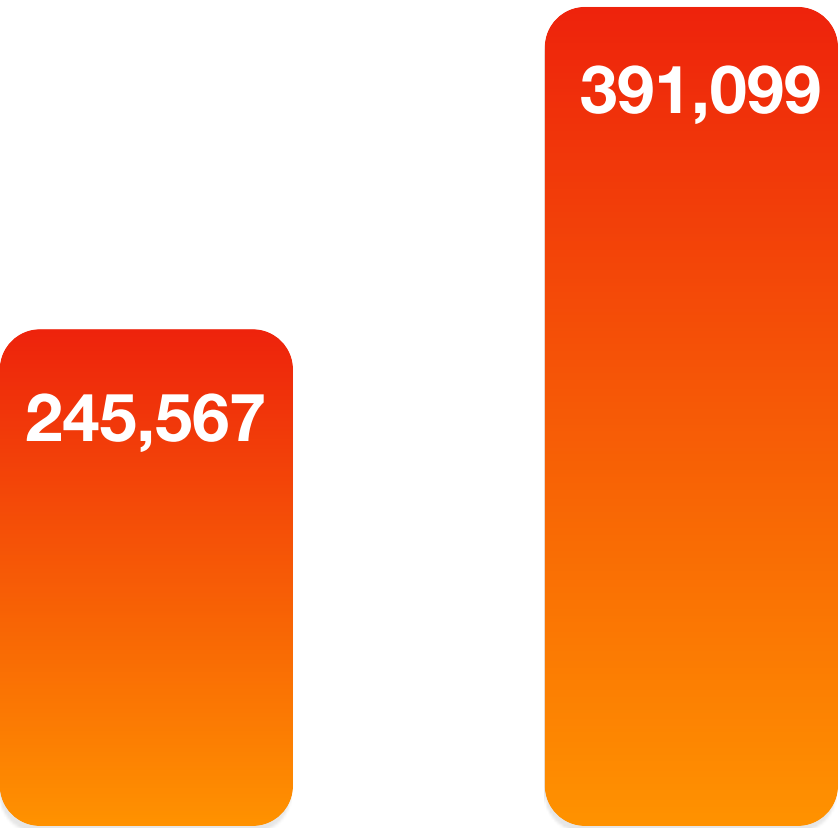
(RMB mn)



Life: Sales Force Continued to Grow

(Person)

391,099
Number of
Individual
Insurance Agents

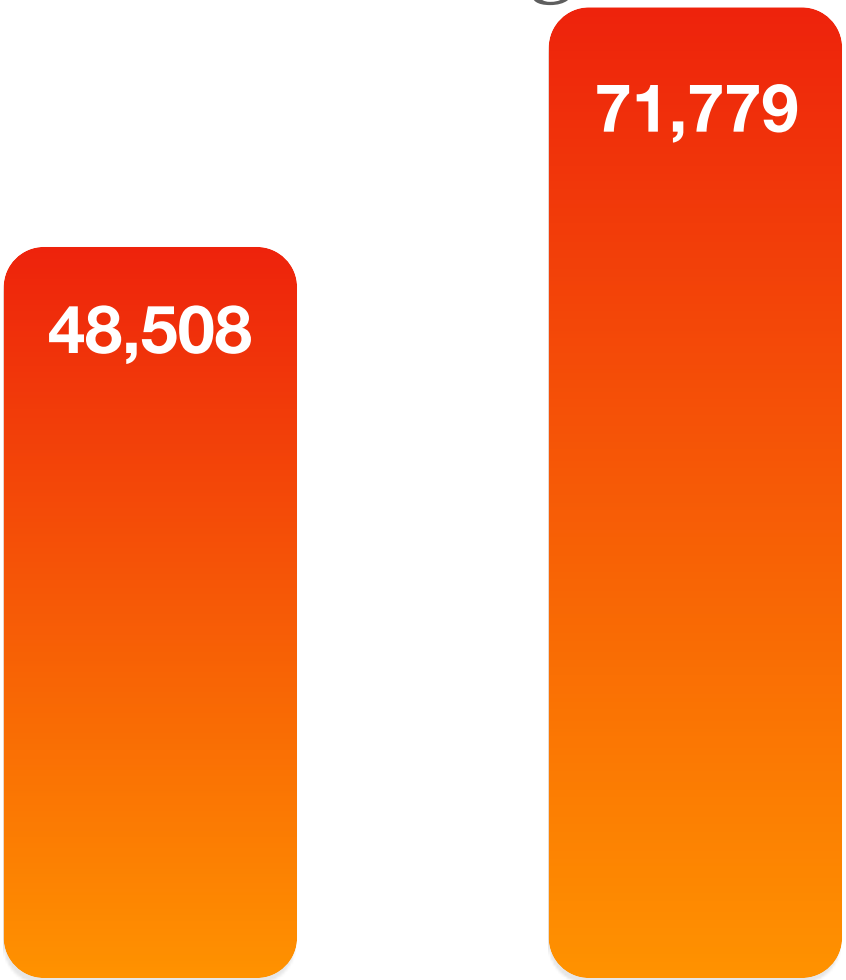


YE 2018

YE 2019

+ 48.0%

Average Monthly
Effective Agents

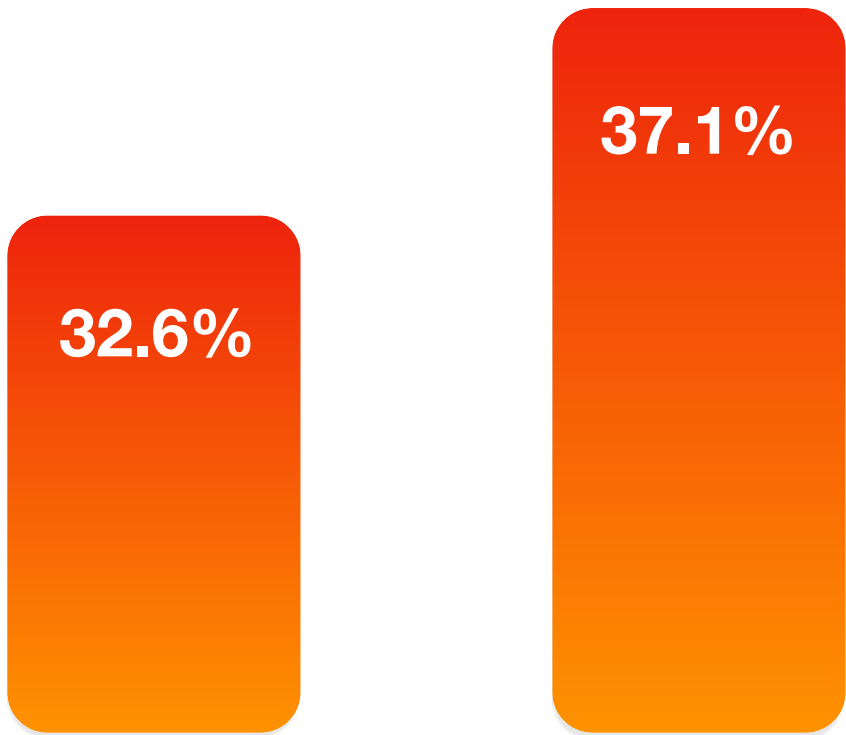


2018

2019

+4.5ppts

Monthly
Activity
Rate



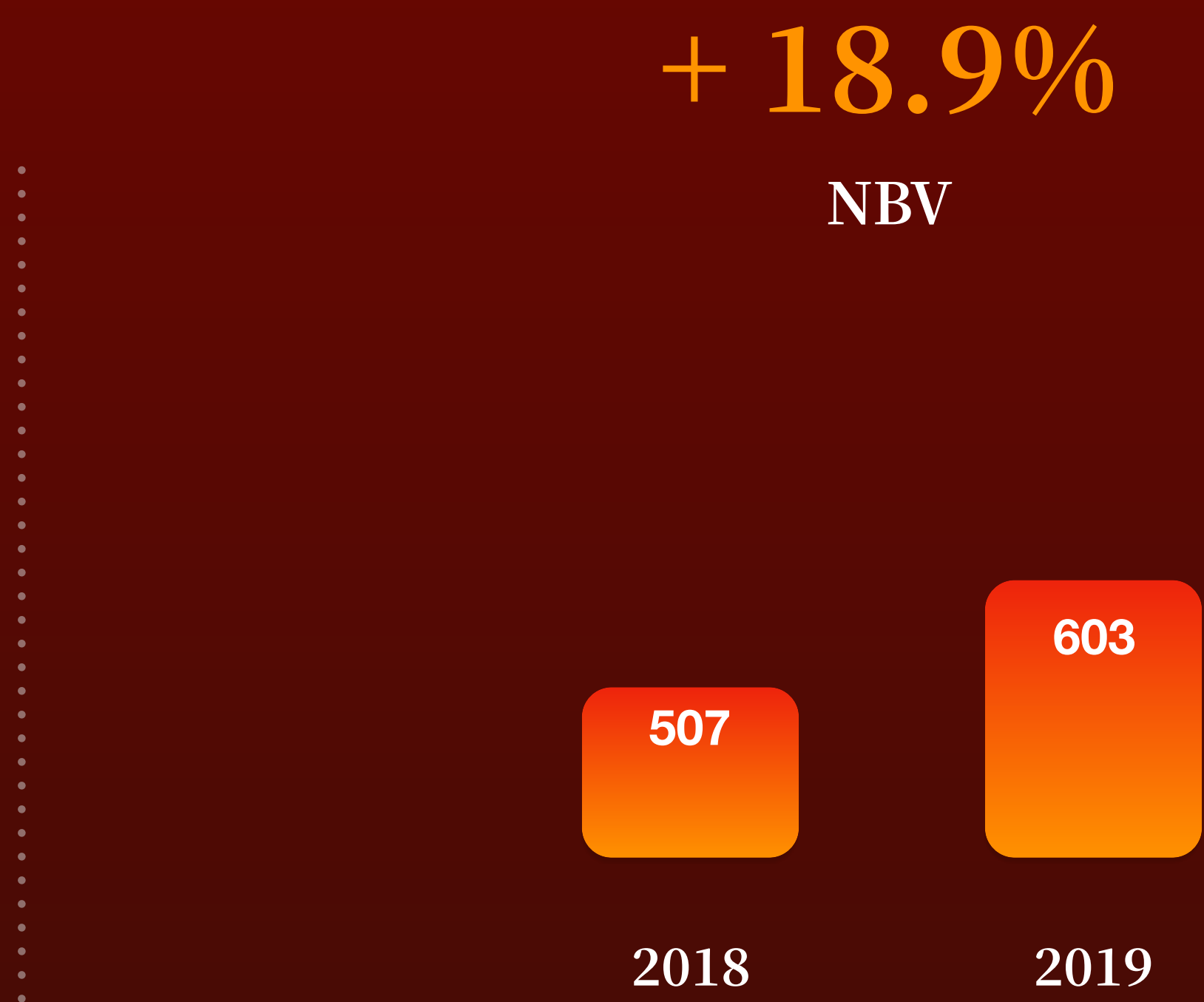
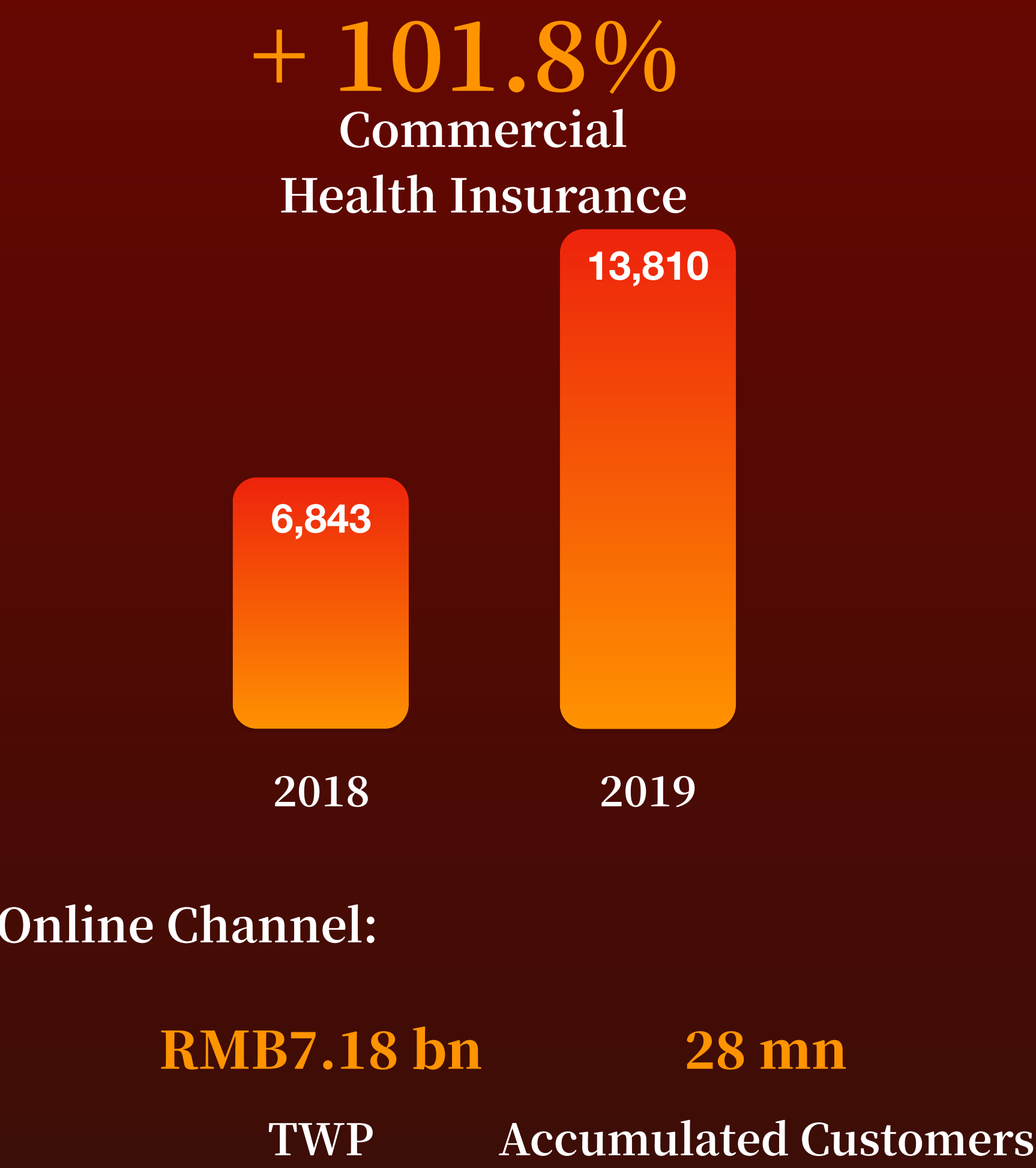
2018

2019

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

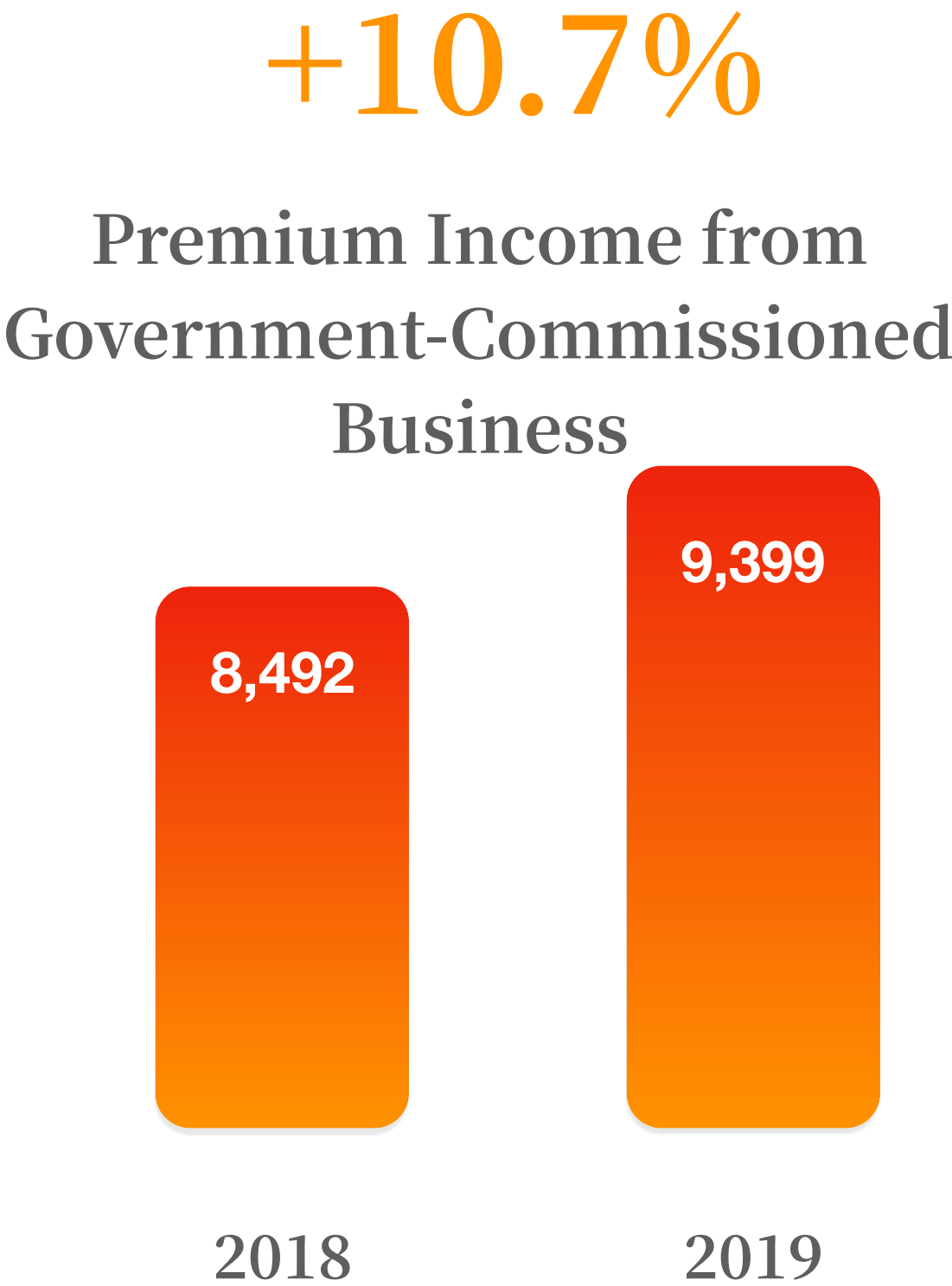
Health: Transformative Developments Showed New Headway

(TWP,RMB mn)



Health: Government-Commissioned Business and Health Management Continued to Grow Rapidly

(RMB mn)



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

~RMB1.7 tn

Total AUM

+ 9.2 %
Total Investment Assets

(RMB mn)

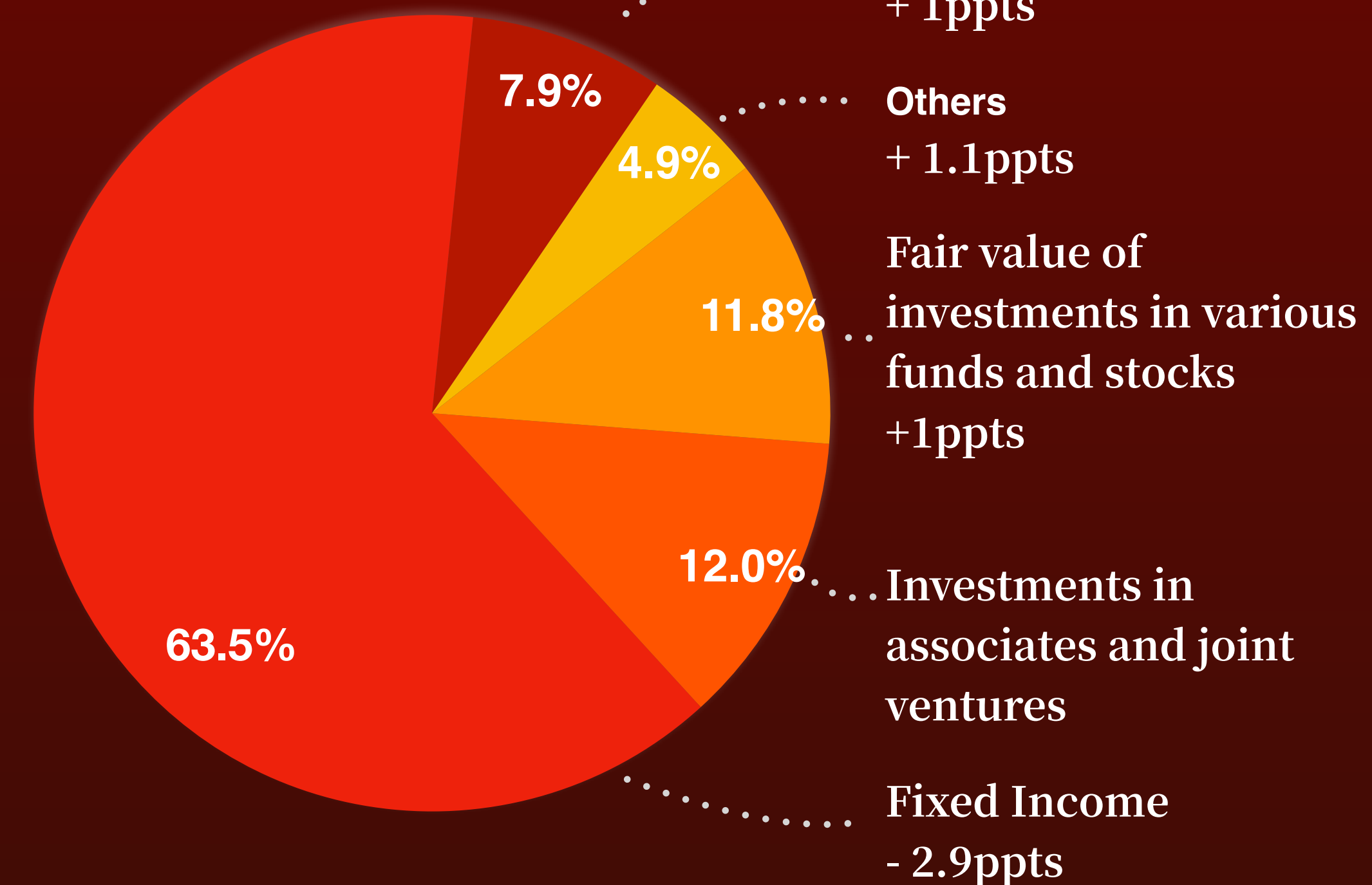
895,462

978,212

YE 2018

YE 2019

Investment Portfolio



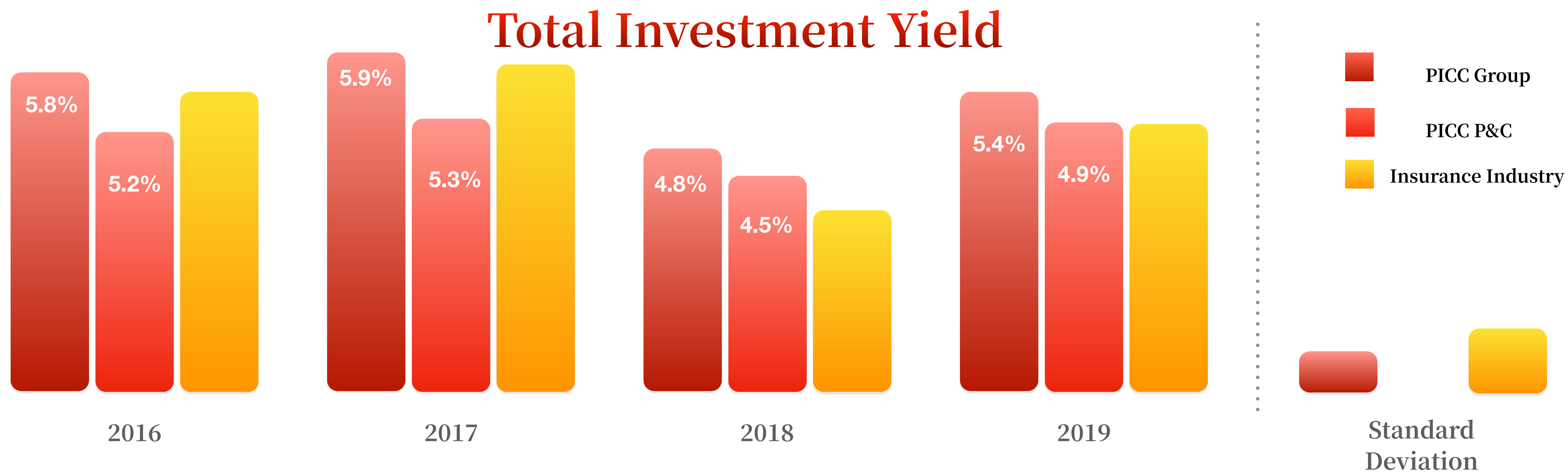
Note:

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.

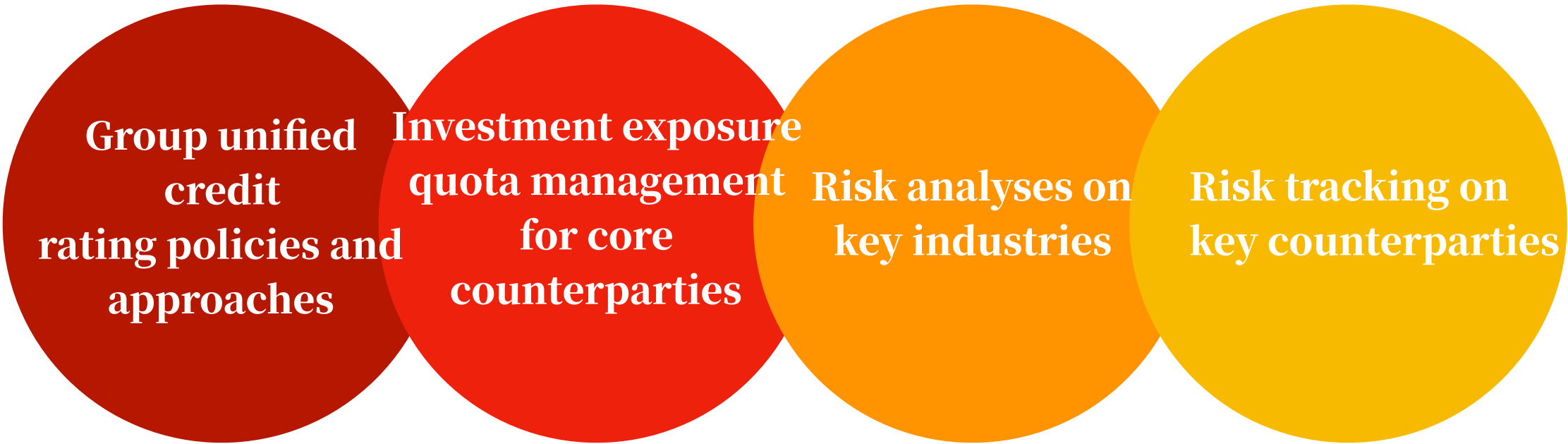
Asset Management: Volatility of Total Investment Yield Lower Than Industry Average



Note: Standard deviation used data since 2005.

Asset Management: Controlled Credit Risks on Investment Assets

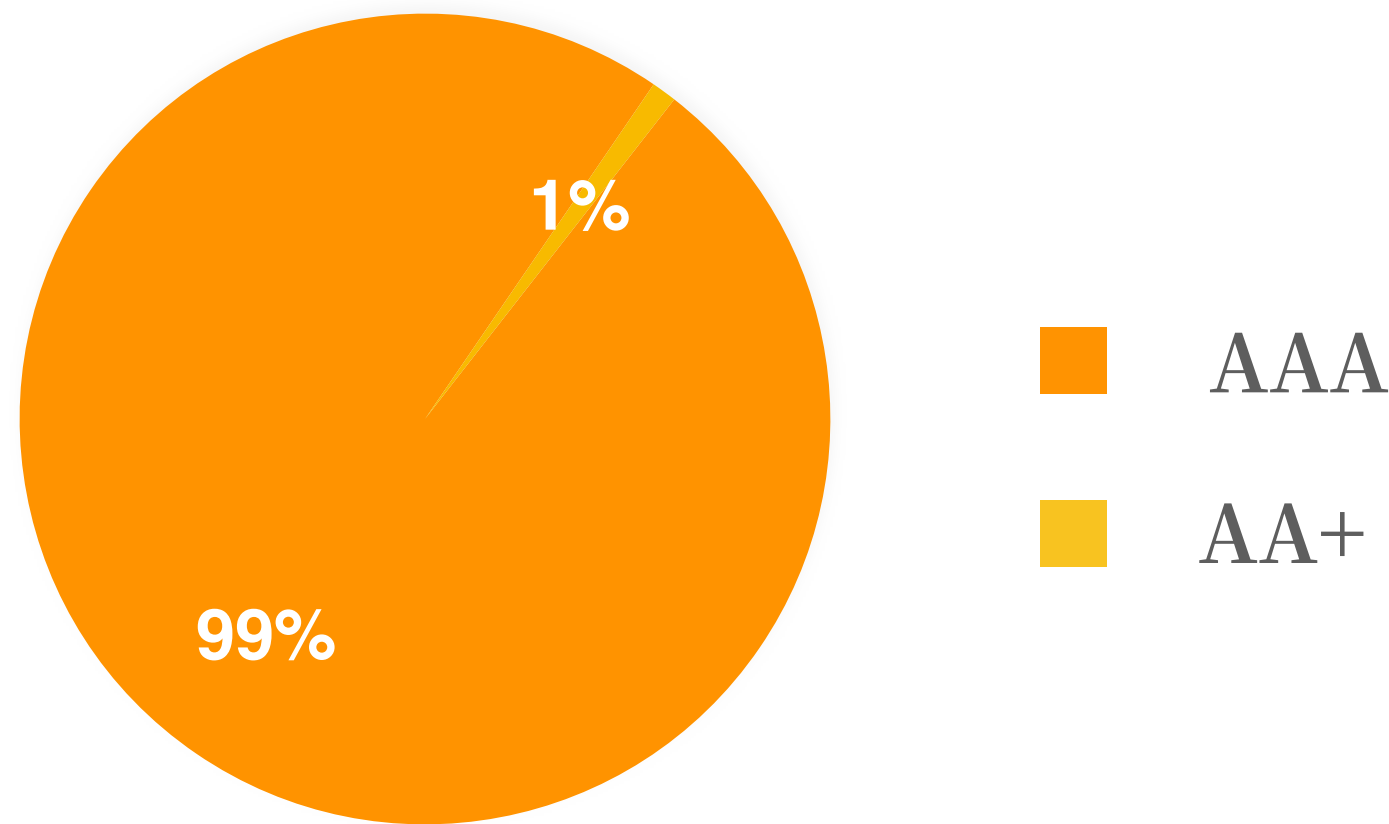
Preventative Measures on Credit Risk



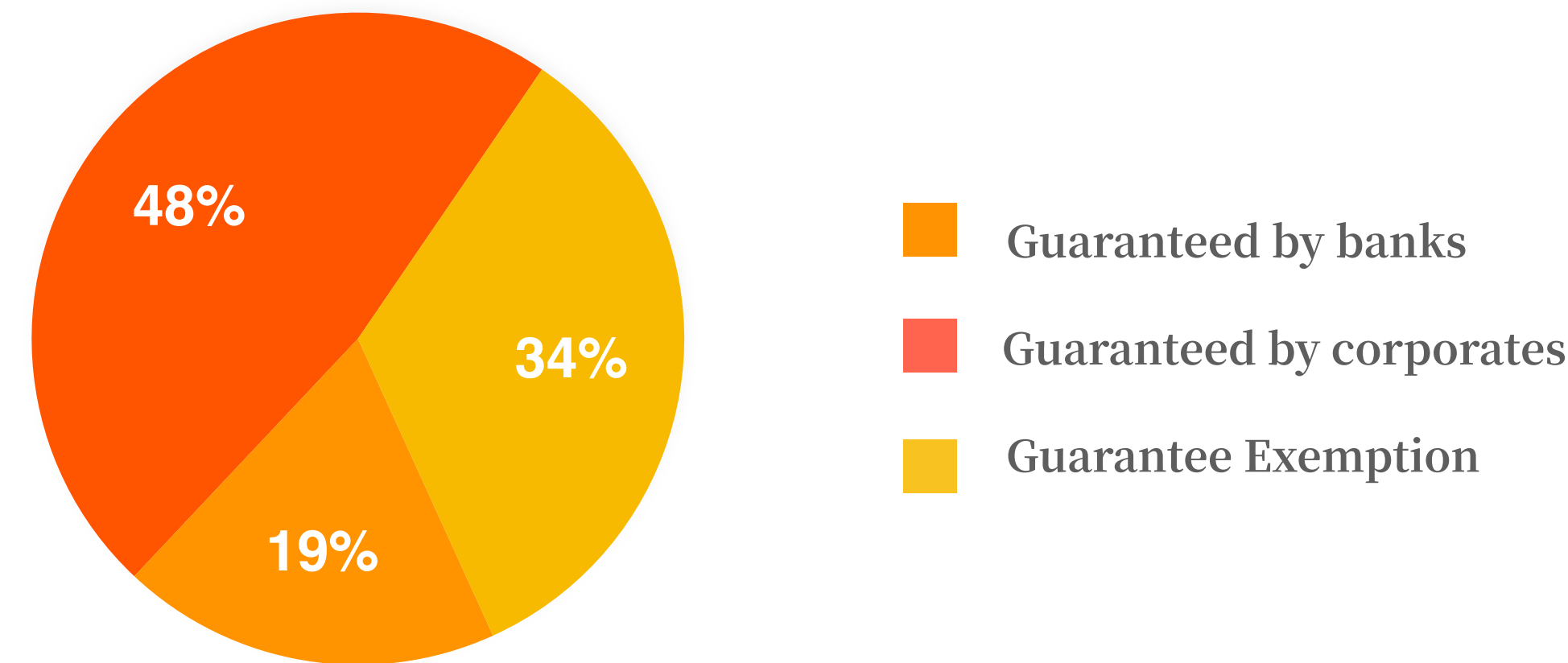
Debt Investment Schemes: Breakdown of Underlying Assets by Industry



Debt Investment Schemes: Credit Ratings



Debt Investment Schemes: Credit Enhancement



Emerging Segments: Fintech Innovation Segment

Transaction Value	YoY	Accumulated Users	YoY
RMB 35.64 bn	+ 69.8%	10.59 mn	+ 36.7%

Jia An Pei

Creating a motor service ecosystem

“Auto Part Direct Supply” covers 36 provinces and 362 cities branches, connecting over 3,000 suppliers and 28,000 auto repair factories, lowering claims costs of RMB790 mn for owners

Transaction volume leaped to #1 among accident vehicle auto part e-commerce platforms in China, setting a benchmark for the industry

Aibao Technology

InsurTech enabling sector

Powered by the concept of “Insurance + Technology + Service”, new progresses were made in terms of tech engine, traffic portal and scenario-based insurance

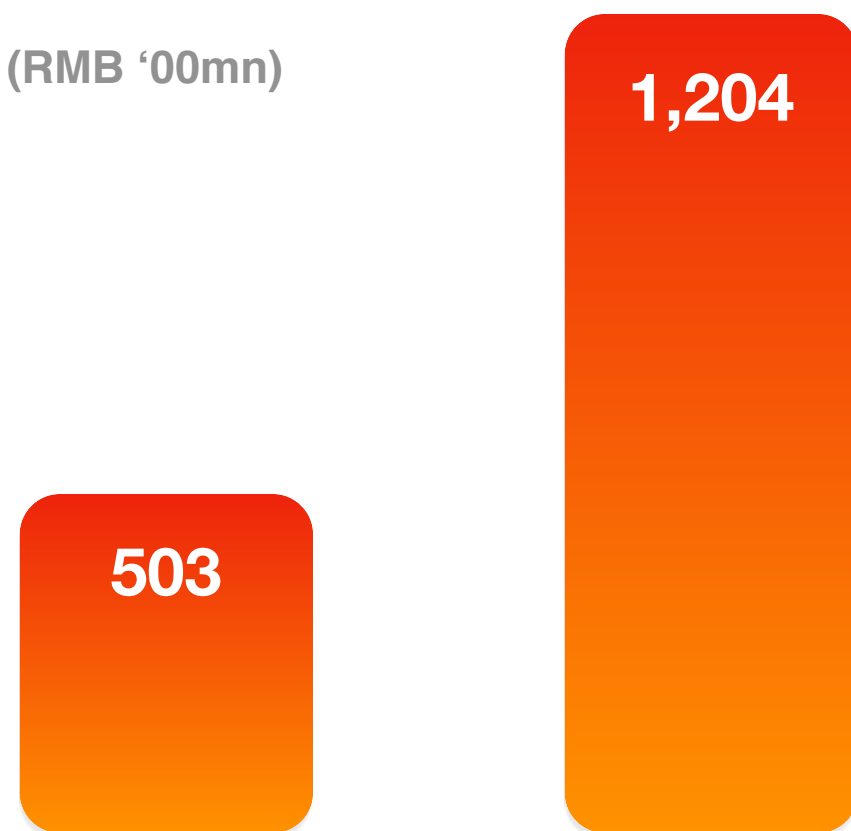
The intelligent claim settlement tool won 2019 Beijing Financial Innovation Award and ranked #5, the only award-winning project of the insurance industry

Emerging Segments: Enterprise Annuity & Occupational Annuity

+ 140%

Significant
Increase in AUM

(RMB '00mn)



YE 2018

YE 2019

+ 35.2%

AUM of Enterprise
Annuity



Rapid Development of
Occupational Annuity

- Won 24 bids out of 27 trusteeship tenders, achieving a win rate of 88.9%
- Achieved a 100% win rate in investment management projects

Emerging Segments: Reinsurance

Steady Increase in Premium Income

RMB5.76 bn

Reinsurance premium
income

17.7%

YoY

Ongoing Optimization of Business Structure

RMB990 mn

Third-party reinsurance
premium

Accounted for **17%**

Increasing Customer Number

**Third-party customer
coverage
in China ~66%**

Covering 34 countries/regions

Covering 25% of global top 500
insurance groups



Q & A



Appendix: The Differences between CAS and IFRS

	2019		RMB mn	
	Net profit attributable to equity holders of the Company		Equity attributable equity holders of the Company	
	2,019	2,018	As of Dec 31, 2019	As of Dec 31, 2018
Under the China Accounting Standards for Business Enterprises	22,401	13,450	183,133	152,468
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance	-608	-73	403	1,010
Impact of above adjustment on deferred income tax	150	17	-102	-251
Reclassification of insurance contracts to investment contracts	192	26	18	-174
Loss on deemed disposal of an associate	-	-508	-	-
Under the International Financial Reporting Standards	22,135	12,912	183,452	153,053

Appendix: Group Key Financials (CAS)

(RMB mn, unless otherwise noted)		2019	2018	Change (%)
Gross written premiums		555,271	498,611	11.4
Of which: PICC P&C		433,175	388,769	11.4
PICC Life		98,137	93,730	4.7
PICC Health		22,423	14,798	51.5
Total profit		29,780	27,868	6.9
Net profit attributable to equity holders		22,401	13,450	66.6
EPS (RMB)		0.51	0.32	60.3
Weighted average return on equity(%)		13.4	9.4	Up by 4.0ppts
Total investment yield (%)		5.4	4.9	Up by 0.5ppts
PICC P&C combined ratio (%)		98.9	98.5	Up by 0.4ppts
New business value of PICC Life		6,188	5,735	7.9
New business value of PICC Health		603	507	18.9
(RMB mn, unless otherwise noted)		As of Dec 31, 2019	As of Dec 31, 2018	Change (%)
Total assets		1,132,771	1,031,690	9.8
Total liabilities		885,932	826,264	7.2
Net assets attributable to equity holders		183,133	152,468	20.1
Book value per share (RMB)		4.14	3.45	20.1
Embedded value of PICC Life		89,086	70,632	26.1
Embedded value of PICC Health		11,432	8,689	31.6

Appendix: Group Key Financials (IFRS)

(RMB mn, unless otherwise noted)		2019	2018	Change (%)
Gross written premiums		555,251	498,608	11.4
Of which: PICC P&C		433,175	388,769	11.4
PICC Life		98,117	93,727	4.7
PICC Health		22,423	14,798	51.5
Net profit		31,281	18,715	67.1
Net profit attributable to equity holders		22,135	12,912	71.4
EPS (RMB)		0.50	0.30	65.0
Weighted average return on equity(%)		13.2	9.0	Up by 4.2ppts
Total investment yield (%)		5.4	4.8	Up by 0.6ppts
PICC P&C combined ratio (%)		99.2	98.5	Up by 0.7ppts
New business value of PICC Life		6,188	5,735	7.9
New business value of PICC Health		603	507	18.9
(RMB mn, unless otherwise noted)		As of Dec 31, 2019	As of Dec 31, 2018	Change (%)
Total assets		1,133,229	1,031,635	9.8
Total liabilities		885,929	825,334	7.3
Net assets attributable to equity holders		183,452	153,053	19.9
Book value per share (RMB)		4.15	3.46	19.9
Embedded value of PICC Life		89,086	70,632	26.1
Embedded value of PICC Health		11432	8,689	31.6