

2020H1 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 CAS.



Overview

WANG Tingke

Vice Chairman and President, PICC Group



Amid the COVID-19 pandemics, the company were trying to contain the pandemics and developing business in 2020H1, while continuing to implement the “3411 Project” . We succeeded in preventing COVID-19 pandemics and achieved a steady and positive growth, optimized business structure, stable earnings and solid growth in total assets with the supports of our customers, investors and all endeavors made by our staffs. Our efforts to transform the business model constantly resulted in a performance of steady growth and development.



Results Overview

Gross Written Premiums (GWPs)	Pre-tax Profit	Net Profit Attributable to Equity Holders of the Company	Net profit after deduction of non-recurring P&L
RMB 336.84bn	RMB 21.39bn	RMB 12.6bn	RMB 12.55 bn
+ 4.3 %	+ 10.4%	- 18.8%	+ 2.9%
Net Assets Attributable to Equity Holders of the Company	Annualized Total Investment Yield	P&C Combined Ratio	Half-year New Business Value of PICC Life
RMB 192.24bn	5.5%	97.3%	RMB 4.08bn
+ 5.0%	+0.1ppts	-0.3ppts	+19.3%

Proposed interim cash dividend of RMB 0.36 per 10 shares

Implement the “3411 Project”

P&C business focused on “Top Ten Priorities”, upgraded auto insurance business model

Non-auto insurance accounted for 46.8%, +0.8ppts;
Household-owned vehicles +1.4ppts as % of auto insurance, with written policies +7.6%

The agriculture insurance network recorded commercial insurance premiums income of RMB 25.9bn, +10.9%, faster than overall growth

“Working in sync with the police” rollout across all municipalities; New business model helped reducing RMB 4.52bn of losses including “JiaAnPei” and technology-aided claim processing etc.

Direct marketing channels realized premiums of RMB 82.18bn, +15.8%; Comprehensive expense ratio 31.9%, -0.8ppts

Household-owned vehicles written online: 77.8%, +18.3ppts; Household-owned customers claims processed online: 91.3%, +24.6ppts; Household-owned vehicles renewal: 71.2%, +3.6ppts

Operating cash inflow RMB 15.2bn, +73.7%, the best in the last 5 years; LAE reserves ratio +1.6ppts YoY

Implement the “3411 Project”

Value transformation for life
insurance

Increased online distribution for
health insurance

Achieved breakthroughs in
emerging segments

Half-year NBV of PICC Life +19.3%,
Half-year NBV from agency channel +27.5%;
Embedded Value exceeded RMB 100bn, +13.3%

First year regular TWP of 10 years or more policies
+14.5% YoY, +3.1ppts as a percentage of first year premiums,
Regular premiums +9.4ppts as a percentage of GWPs

Net profit RMB 3.83bn, +23.6% YoY, a record high

Encourage customers to purchase insurance online,
with over 90% of new policies written through mobile
devices and more than 80% of insurance maintenance
conducted online

Driven by fast growth in online sales, PICC Health's
Half-year NBV +41.6%, with embedded
value +9.0%

Online business contributed premiums of
RMB 6bn and attracted 9.04mm of new clients,
amounted to the total of 35.11mm

Implement the “3411 Project”

Continue to integrate resources

Create synergies

Support business transformation
to high-quality development

Accelerate the development of a new IT architecture: 9 centers (customer, product and smart center etc.) substantially completed; new backbone network construction underway

The integrated “PICC APP” recorded 11.32mm installations, with 1.33mm MAU; e-commerce website attracted 41.68mm visits

The Cross selling platform “PICC e-Connection” generated premiums of RMB 31.94bn, +379%

TWPs of PICC P&C generated through synergies +30.1%;
First-year regular TWPs of PICC Life generated through synergies +14.7%

For PICC P&C, household-owned vehicles renewal rate reached 71.7% in core cities, higher than national average; Annual Premiums Equivalent (APE) of PICC Life rose 21.1ppts, faster than overall growth; Market share of online health insurance for PICC Health in life and health insurers was close to 1/3

GWPs of International insurance business was RMB 4.77bn; currently present in 122 countries and regions, including 88 countries along the Belt and Road

Implement the “3411 Project”

**Emphasize the bottom
line of avoiding risks, try
to diffuse existing risks**

**Uphold the bottom
line of avoiding
systemic risks by
advancing risk
compliance;
Re-visit the previous
malpractices to
rectify issues and
clean up simialr
behaviors, and
enhance
accountability for
misconduct**

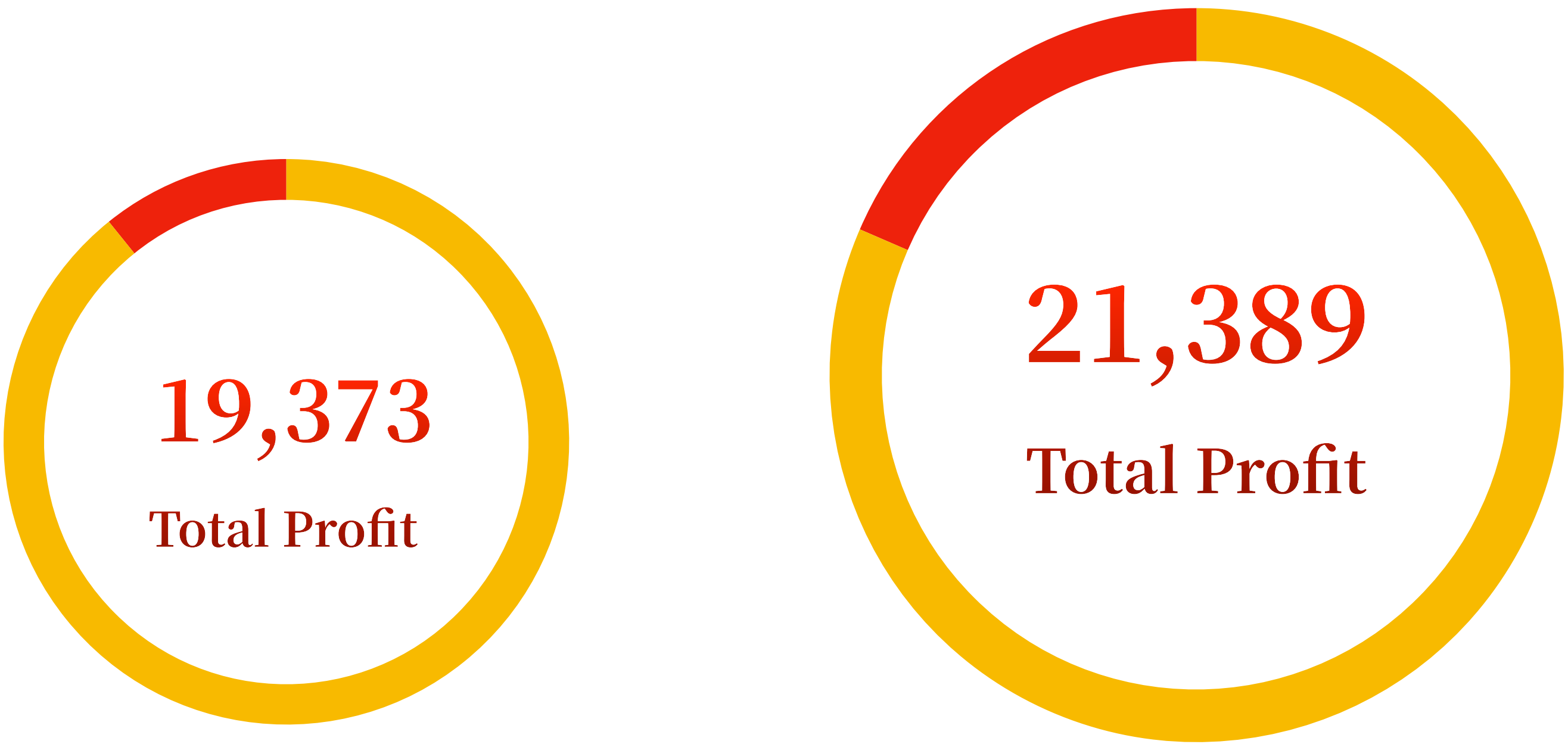
**Strengthen risk
controls of credit &
surety insurance and
gradually reduce
exposure;
Improve preparedness
for catastrophe and
losses by risk
reduction management;
Maintain robust
investment style, limit
risks and set aside
sufficient provisions
for investment risk**

**Optimize asset and
liability match,
prevent long-term
risk of pricing
interest;
Limit the size of
short and medium
term single
premiums products
(reduced by 46%)**

Further Improvement in Profit Structure

(RMB mm)

+ 10.4%



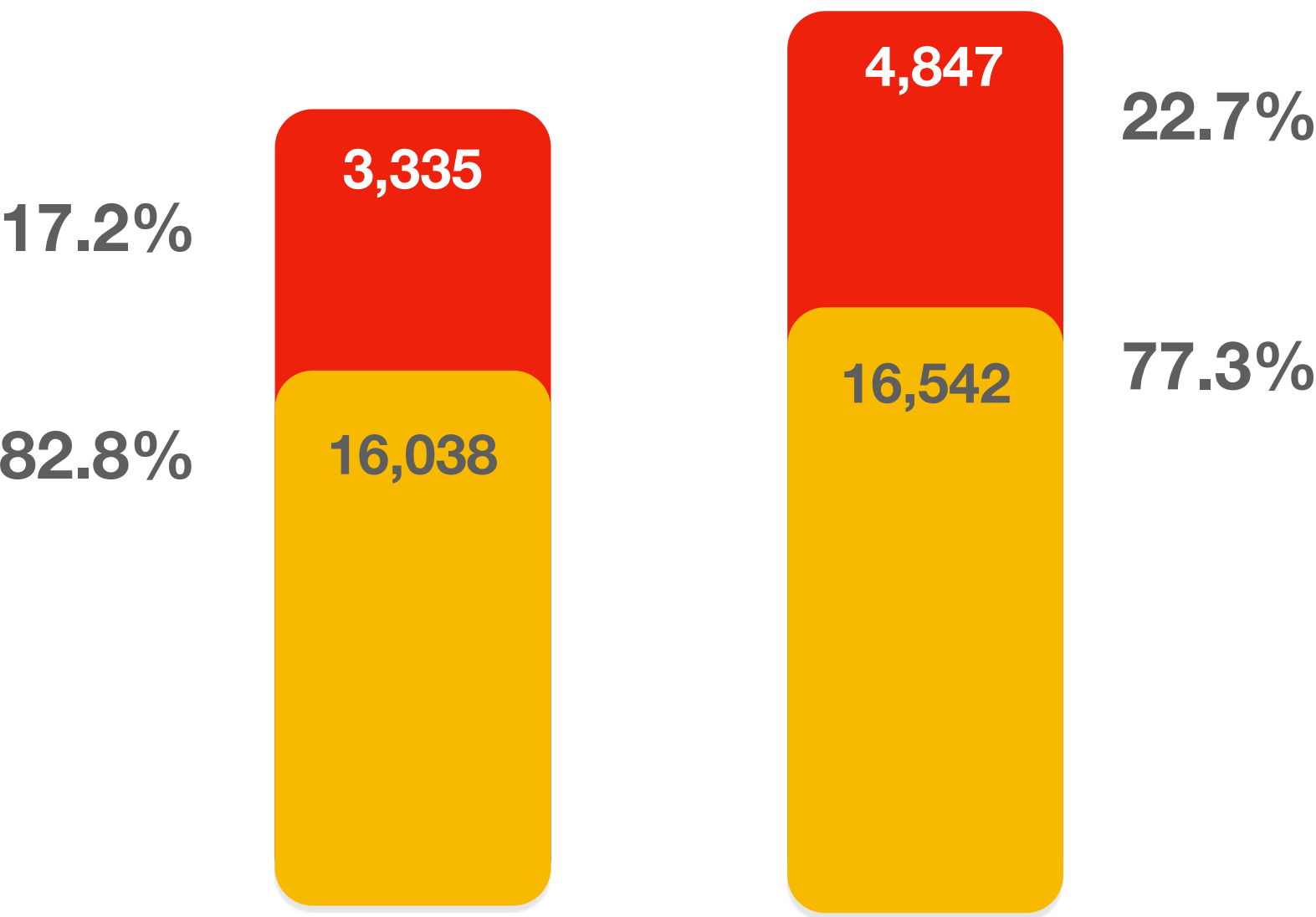
2019H1

2020H1

Others P&C

+ 5.5ppts

Profit from Non-P&C

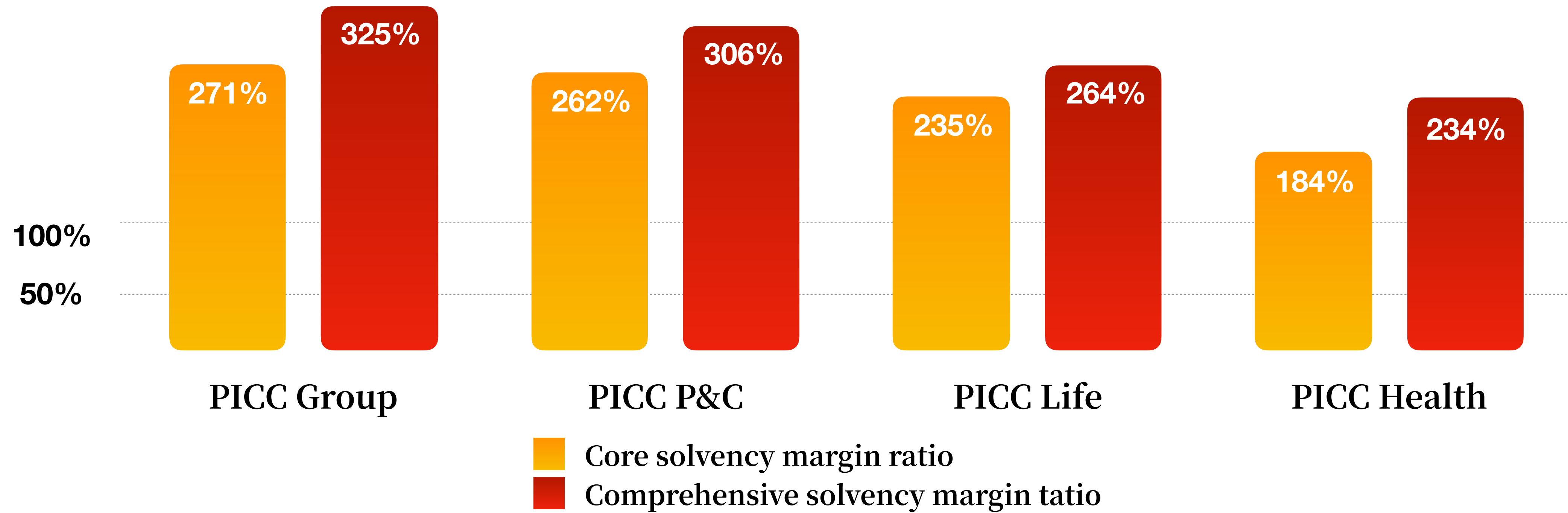


2019H1

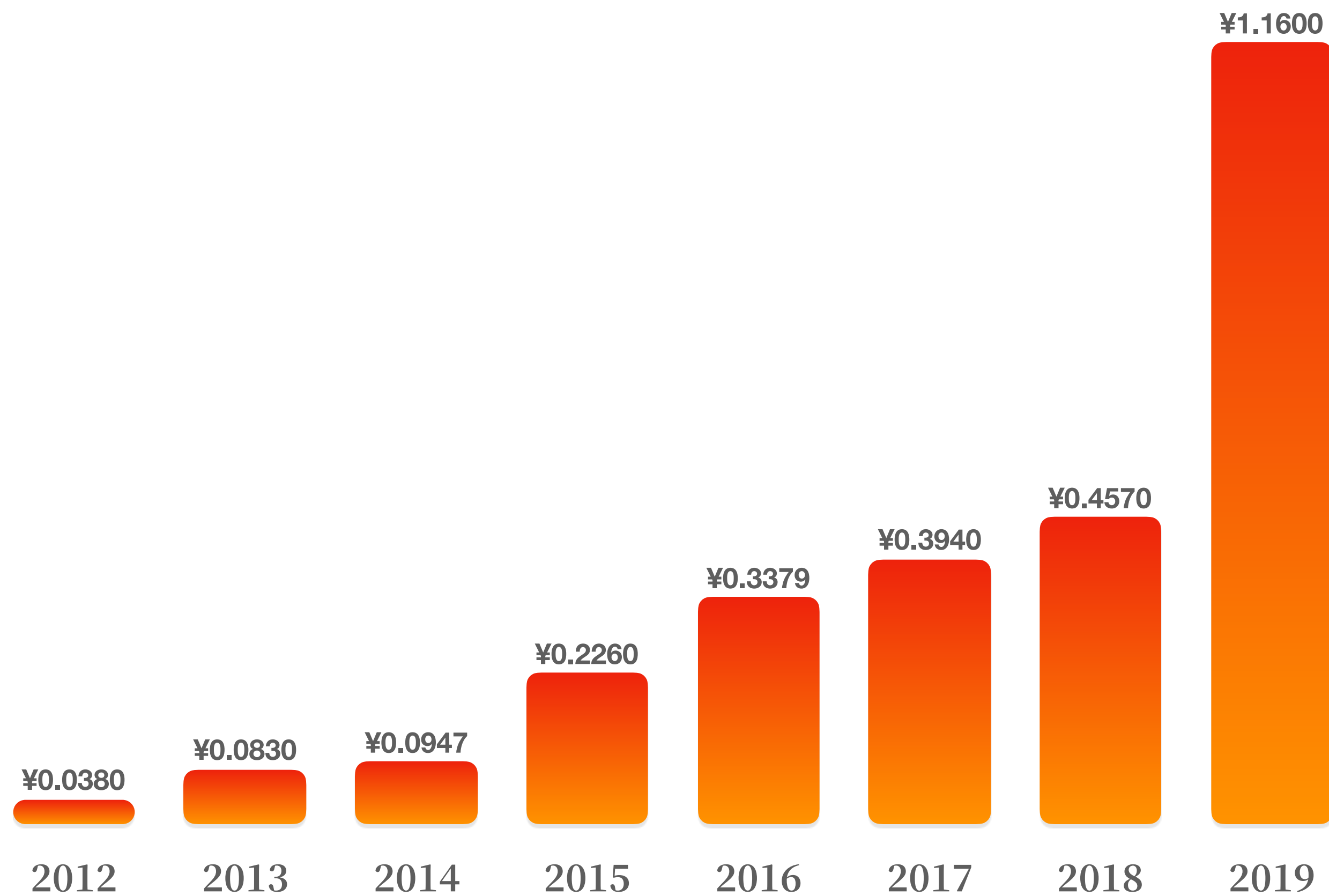
2020H1

Others P&C

Strong Solvency



First Interim Dividend



Annual cash dividend per 10 shares since HK IPO

Proposed 2020 interim
dividend per 10 shares

¥ 0.36

Responsibility as SOE in Financial Sector

Assist in pandemic
containment by
providing
insurance and
financial support

Drive business
reopening with
innovated
insurance products

Optimize
agricultural
insurance offerings
to help stabilize
agricultural
production

Contribute to the
fight against poverty
by supporting
people' s livelihood

Boost the real
economy growth
with more
investment from
insurance assets



The Company will continue to strive for progress while maintaining stability by advancing the “3411 Project” that aims to improve growth quality to a deeper extent. We will continuously propel business model transformation, insist on innovation driven method, optimizing business portfolio and mitigating risks with an attitude of solving challenges and creating new methods.



Business Model Transformation

Transform auto insurance business model; Transform distribution model; Transform the development model of asset and liability

Growth Driven by Innovation

Deepen digital innovation; Deepen customer-centric innovation; Deepen innovation in differentiated products

Cost Reduction Improvement

Enhance business quality at underwriting; Improve management at claim processing; Develop owned or controlled distributing channels

Risk Prevention and Mitigation

Strengthen corporate governance; Improve policies and procedures; Focus on prevention of key risks

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

P&C: Performance Highlights

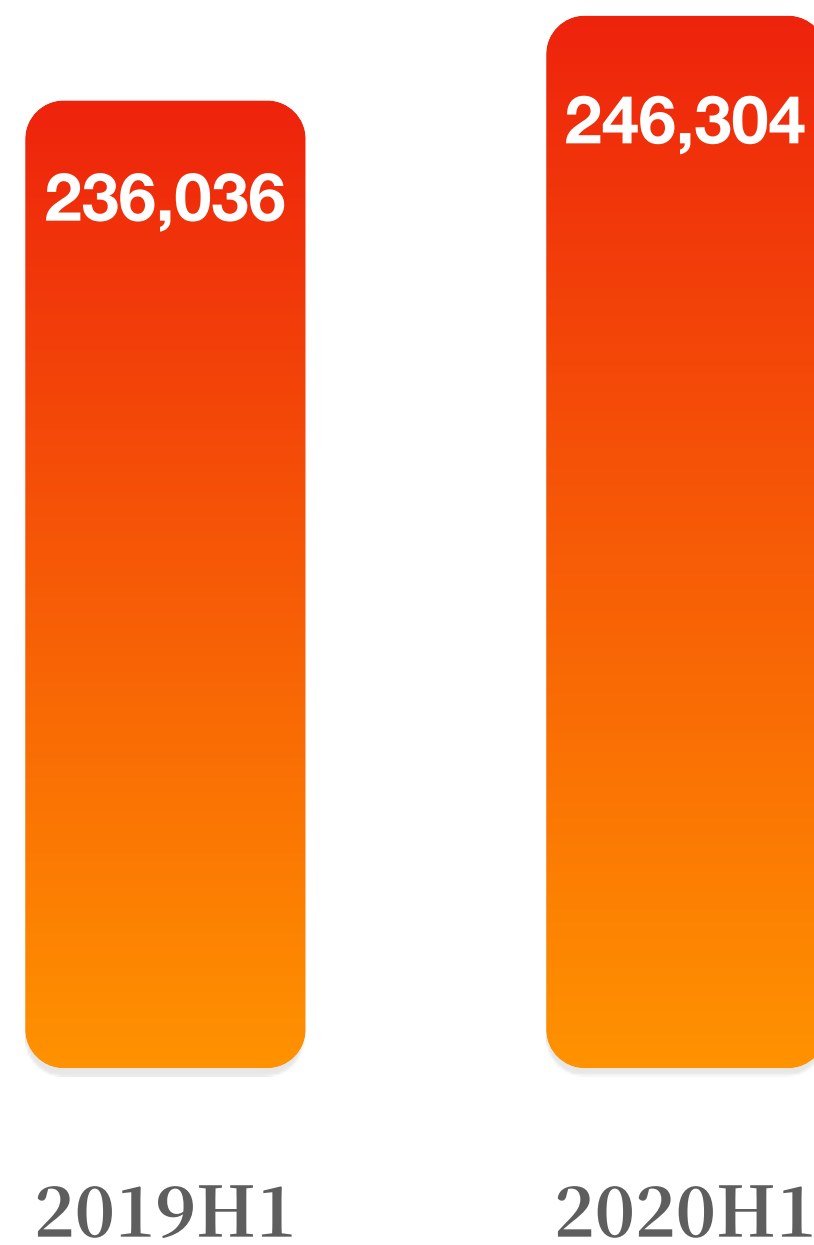
Market Share	Gross Written Premiums	Combined Ratio	Underwriting Profit
34.0%	RMB 246.30bn	97.3%	RMB 5.29bn
+ 0.8ppts	+ 4.4%	- 0.3ppts	+ 20.8%
Net Profit Attributed to Shareholders	ROE	Cash Inflow From Operating Activities	Comprehensive Solvency Margin Ratio
RMB 13.13bn	15.5%	RMB 15.16bn	306%
- 22.1%	Annualized	+ 73.7%	+ 24ppts

Note: "P&C" refers to P&C business in mainland China, excluding PICC HK, unless otherwise specified.

P&C: Steady Expansion with Market Leadership Maintained

Growing GWPs + 4.4%

(RMB mm)



Market Share

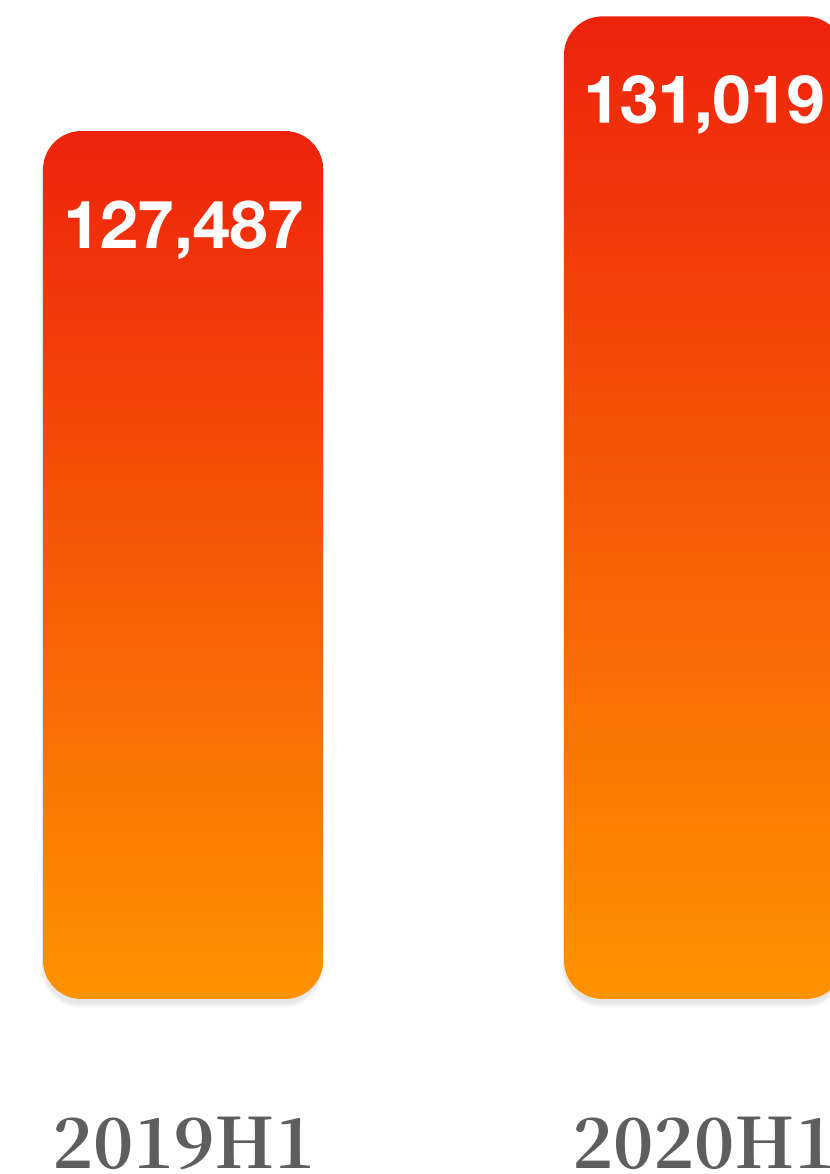
Maintained #1

34%

P&C: Steady Growth
in Motor Insurance
and Continued
Improvement in
Business Structure

Motor Insurance Premiums +2.8%

(RMB mm)



Improvement in Motor Insurance Structure

+3.6ppts

Renewal rate of
household-owned
vehicles

31.9%

Market share in
household-owned vehicle
insurance

+ 7.6%

of household-owned
vehicles underwritten

+ 1.4ppts

Premiums from
household-owned vehicles
as % of total

+ 1.7ppts

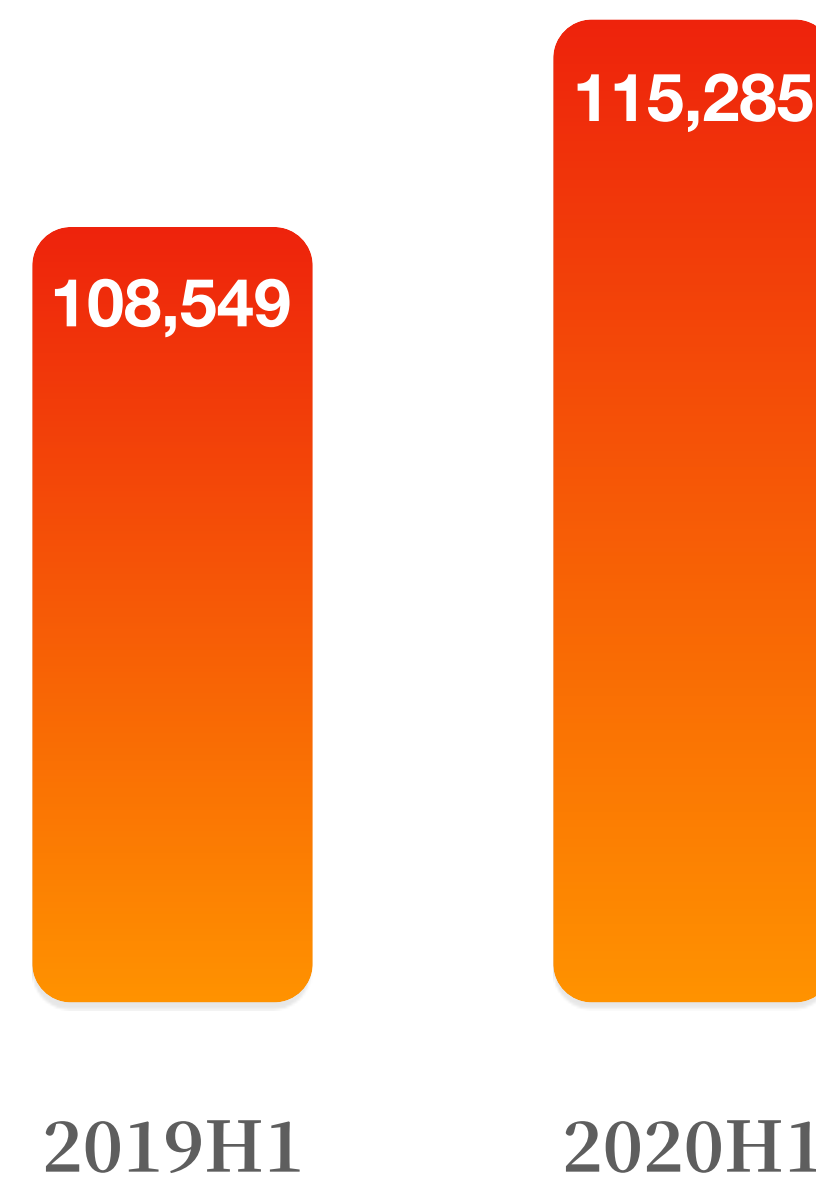
% of renewed commercial
motor insurance
customers with no claims

P&C: Steady Growth in Non-motor Insurance

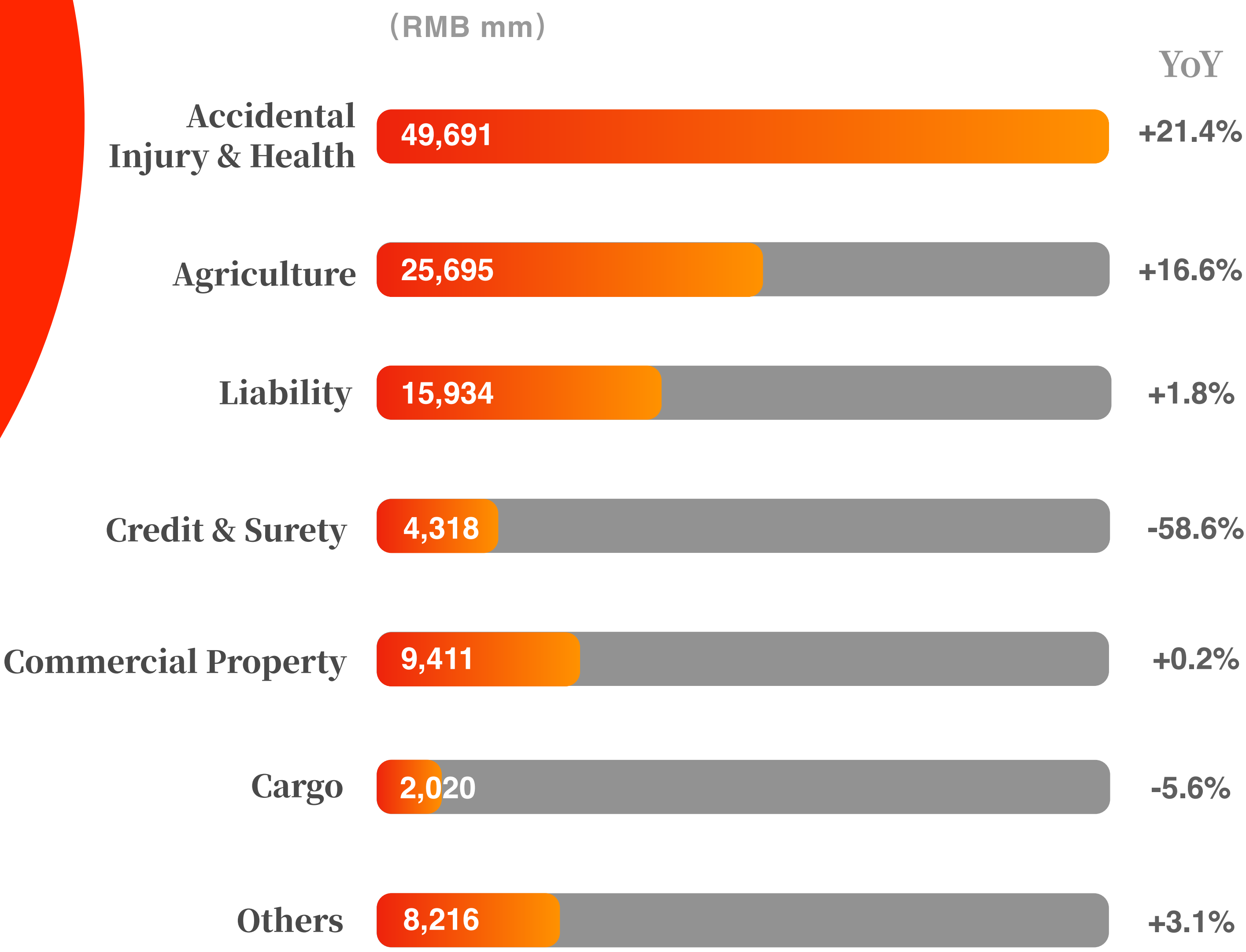
GWPs

(RMB mm)

+6.2%



2020H1 Non-motor Insurance GWPs by Product Line

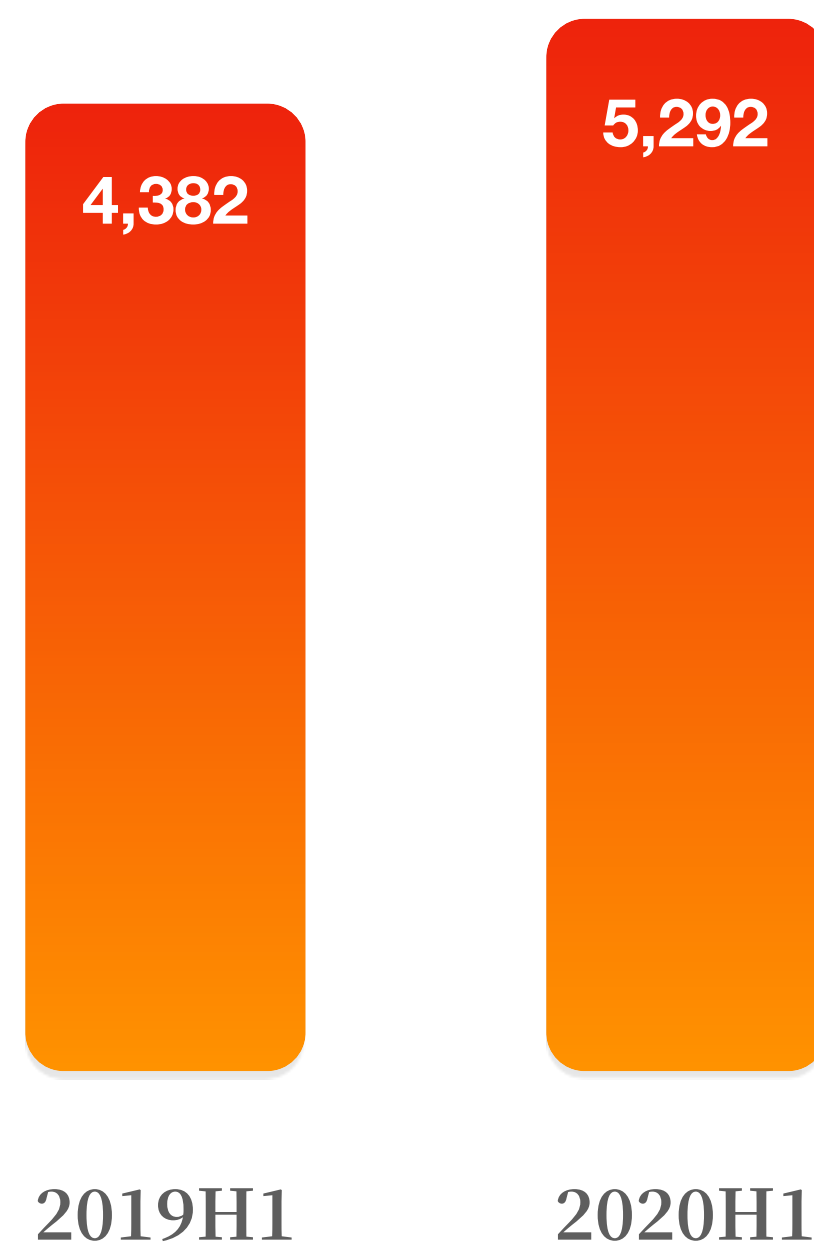


P&C: Strong Growth in Underwritten Profit, Higher than Industry Average

(RMB mm)

Underwritten Profit +20.8%

Combined Ratio -0.3ppts

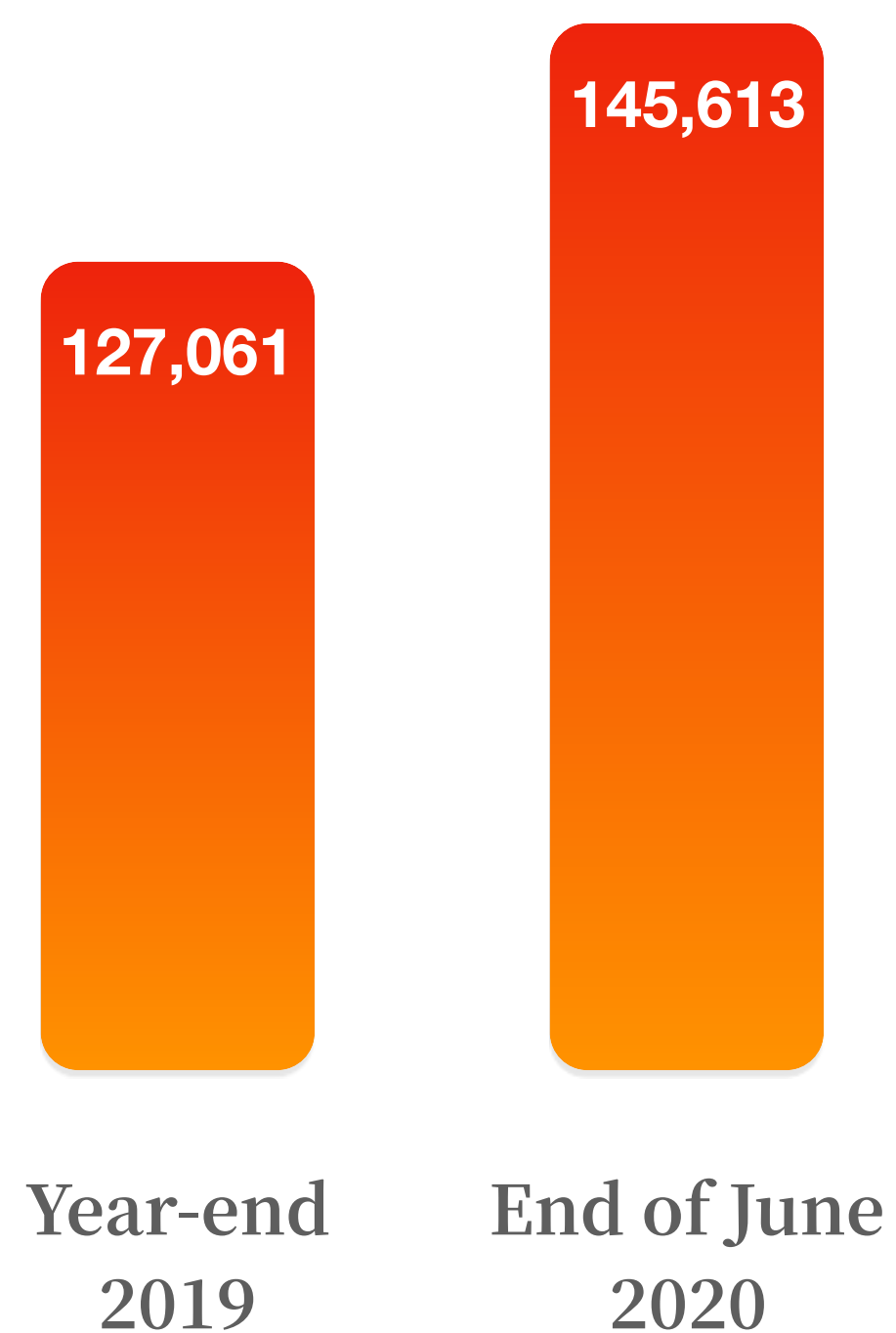


97.3%

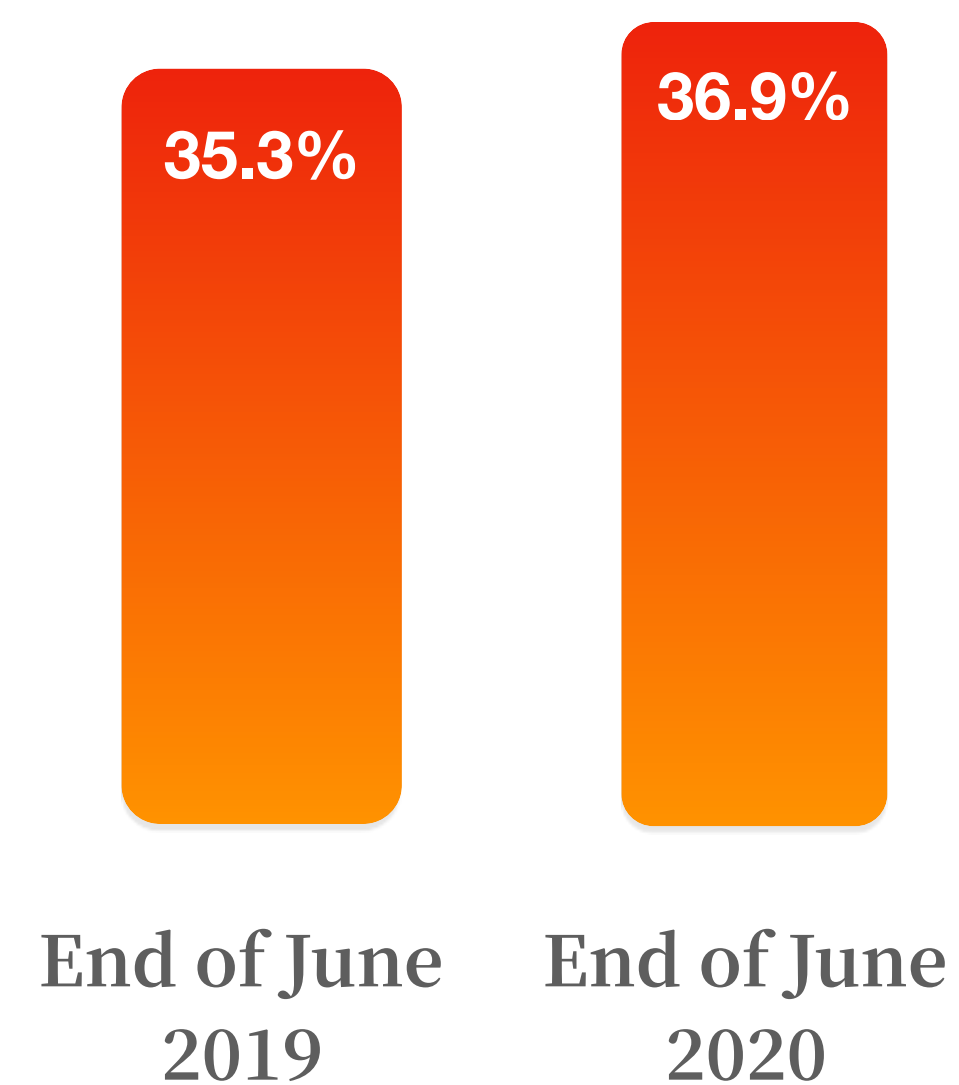
P&C: Sufficient LAE Reserves

(RMB mm)

LAE Reserves +14.6%



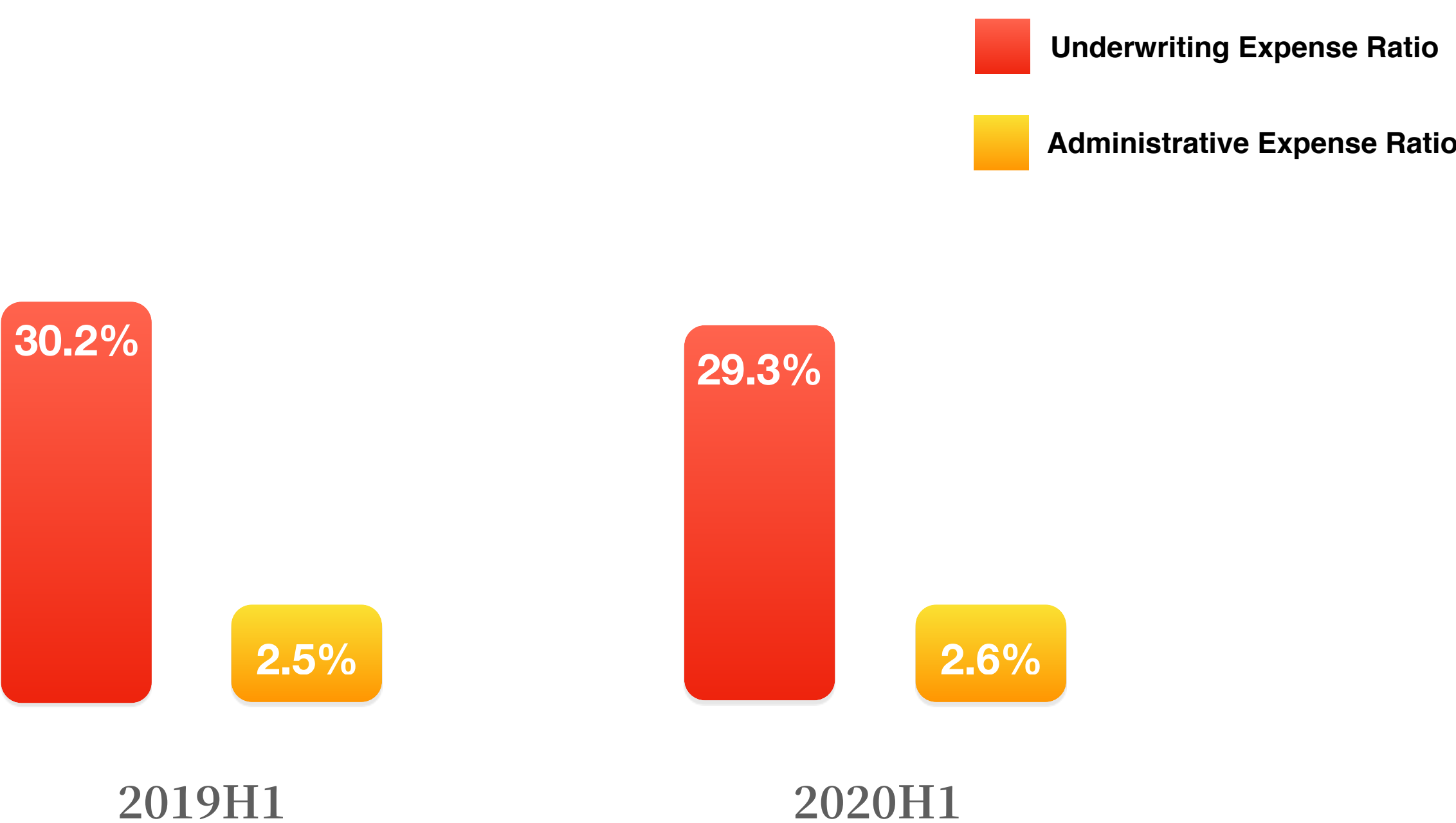
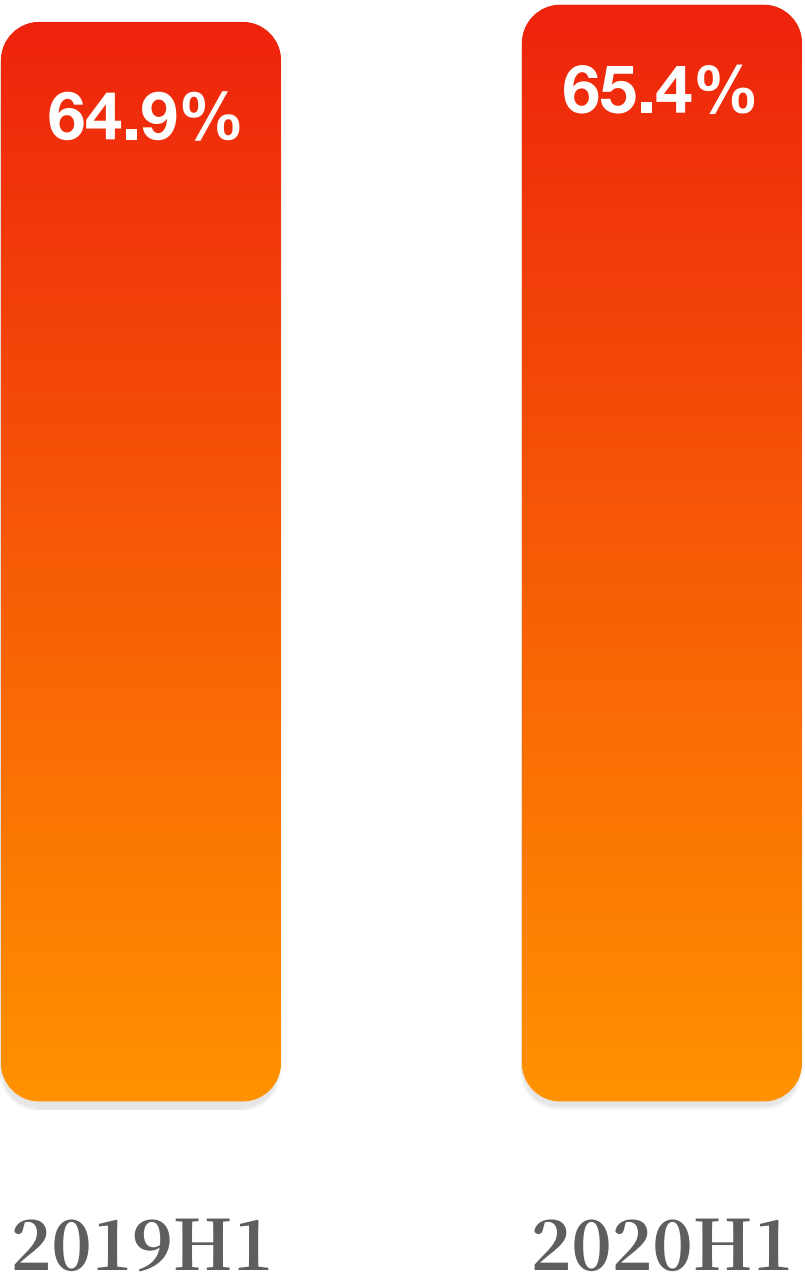
LAE Reserves Ratios +1.6ppts



Loss Ratio Increased and Expense Ratio Decreased

Loss Ratio +0.5ppts

Expense Ratio -0.8ppts

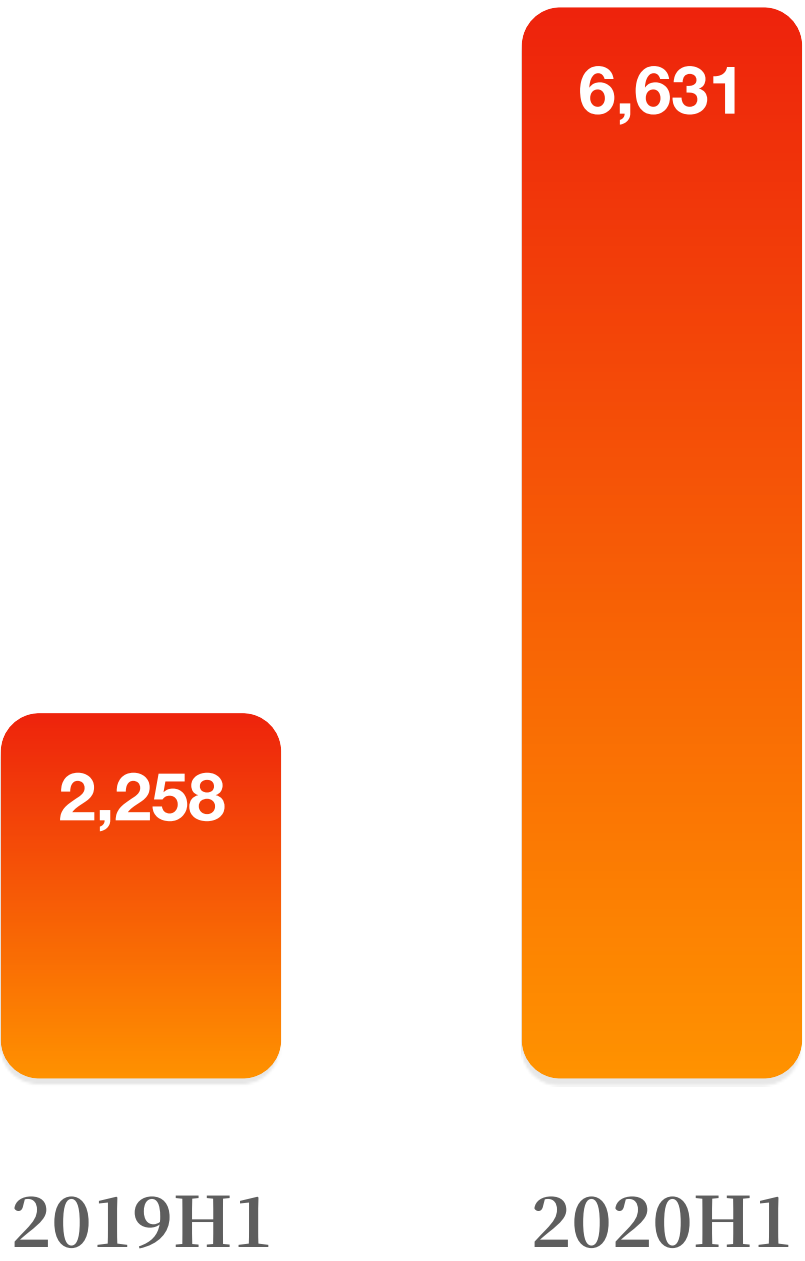


Note:
Underwriting expense ratio = (Net policy acquisition cost + Other underwriting expenses) / Net earned premiums;
Administrative expense ratio = Administrative expenses / Net earned premiums;
Figures are rounded off and may not add up.

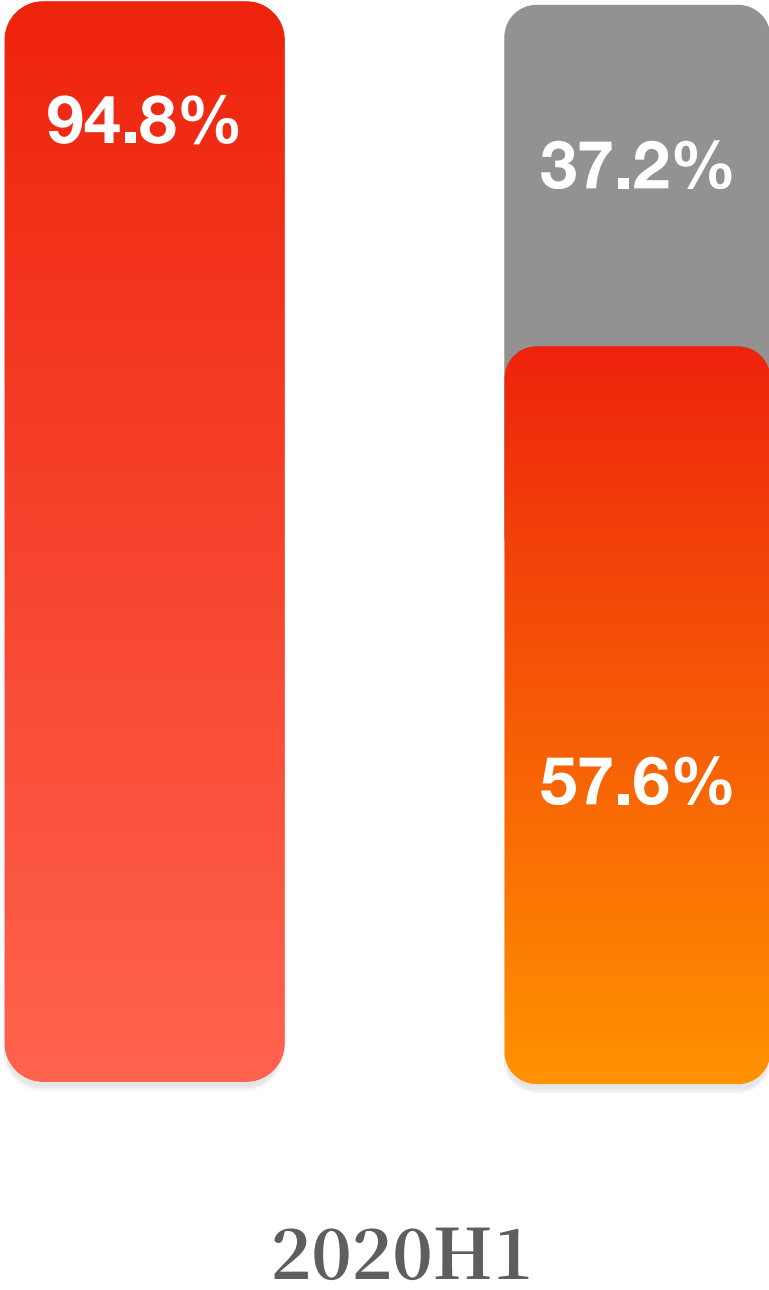
P&C: Significant Improvement in Motor Insurance Profitability

(RMB mm)

Underwriting Profit +4.37bn



Combined Ratio -3.3ppts

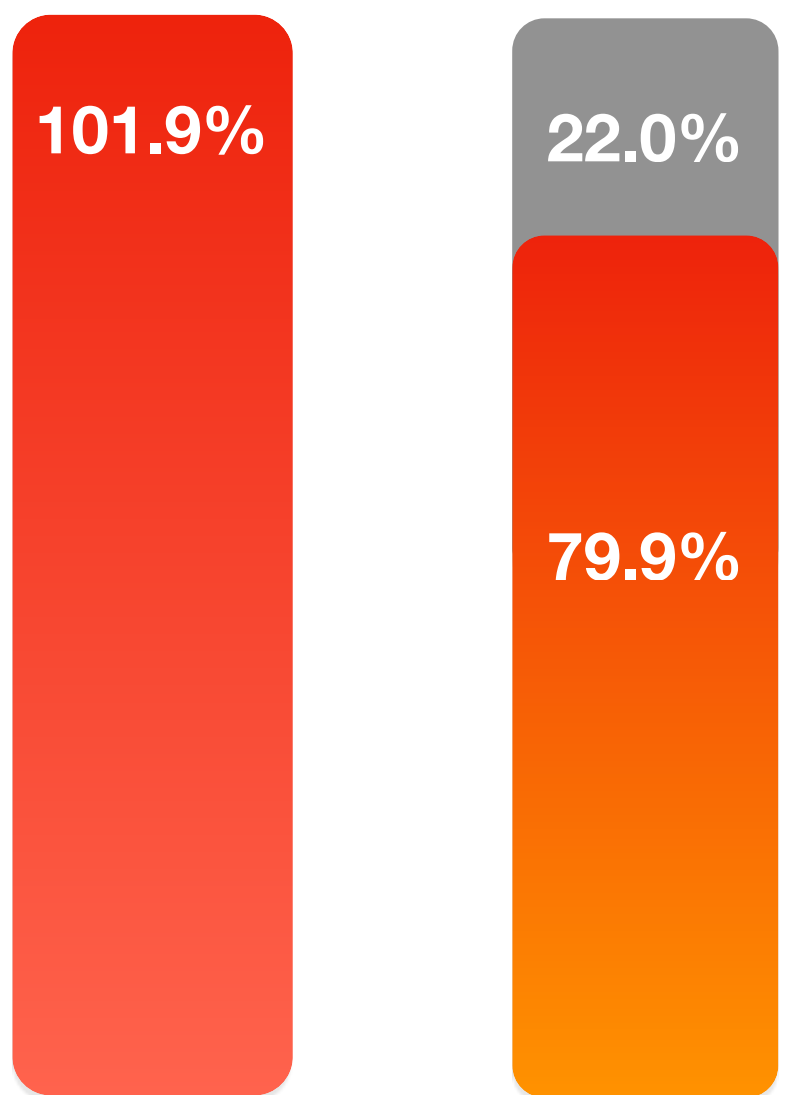


Expense Ratio +0.7ppts

Loss Ratio -4.0ppts

P&C: Non-Auto Insurance Combined Ratio Increased

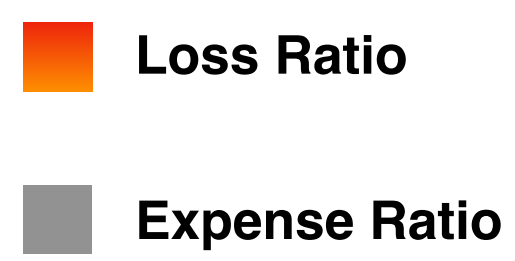
Combined Ratio +5.5ppts



2020H1

Expense Ratio -3.0ppts

Loss Ratio +8.5ppts



Combined Ratio by Product Line

Accidental Injury & Health



Combined Ratio 101.6%
YoY +0.1ppts

Agriculture



98.5% +3.7ppts

Liability



96.6% +0.9ppts

Credit & Surety



138.6% +40.6ppts

Commercial Property



86.8% +3.4ppts

Cargo



83.2% +2.5ppts

Others



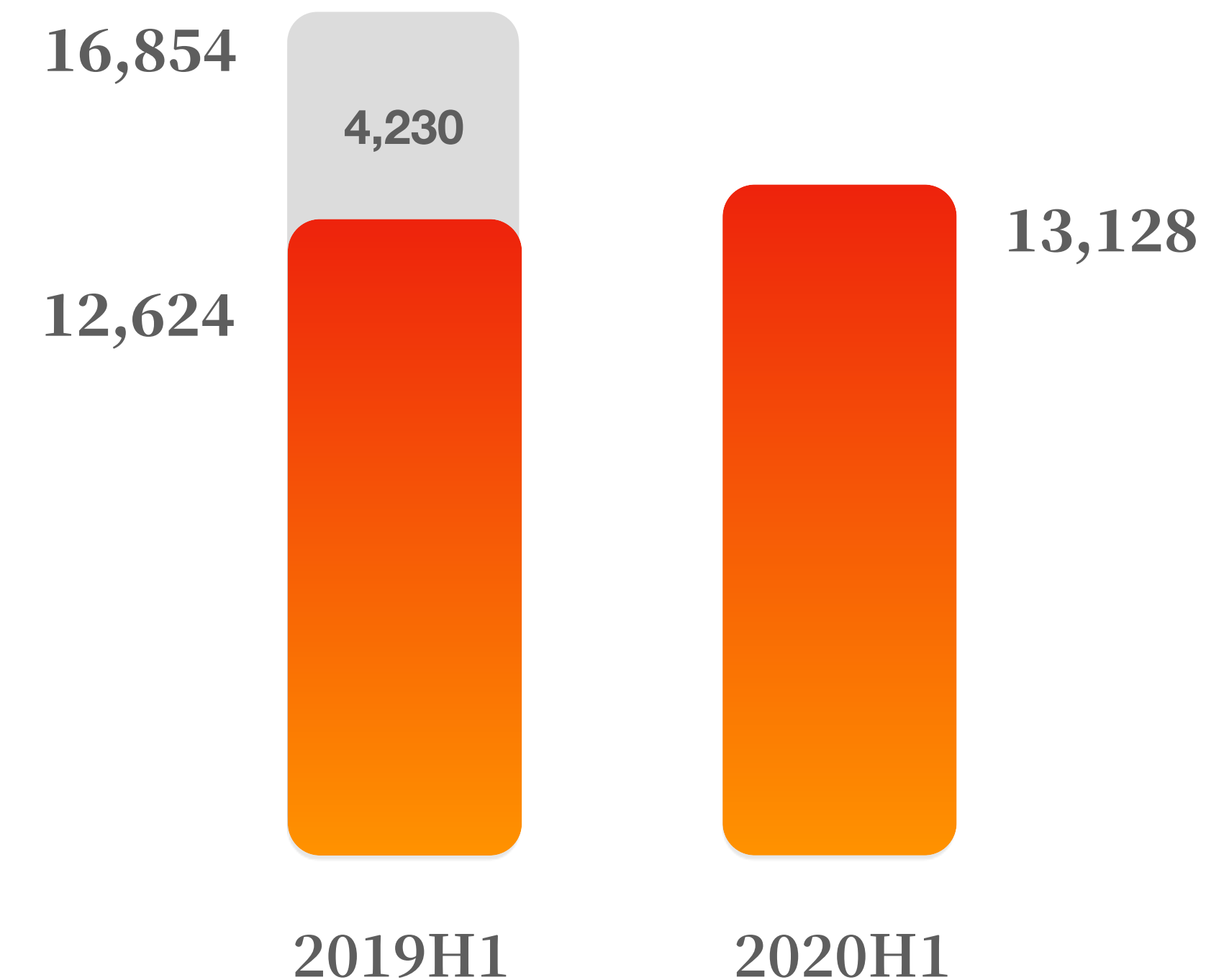
79.6% -10.3ppts

P&C: Steady Improvement of Profitability

Net Profit

(RMB mm)

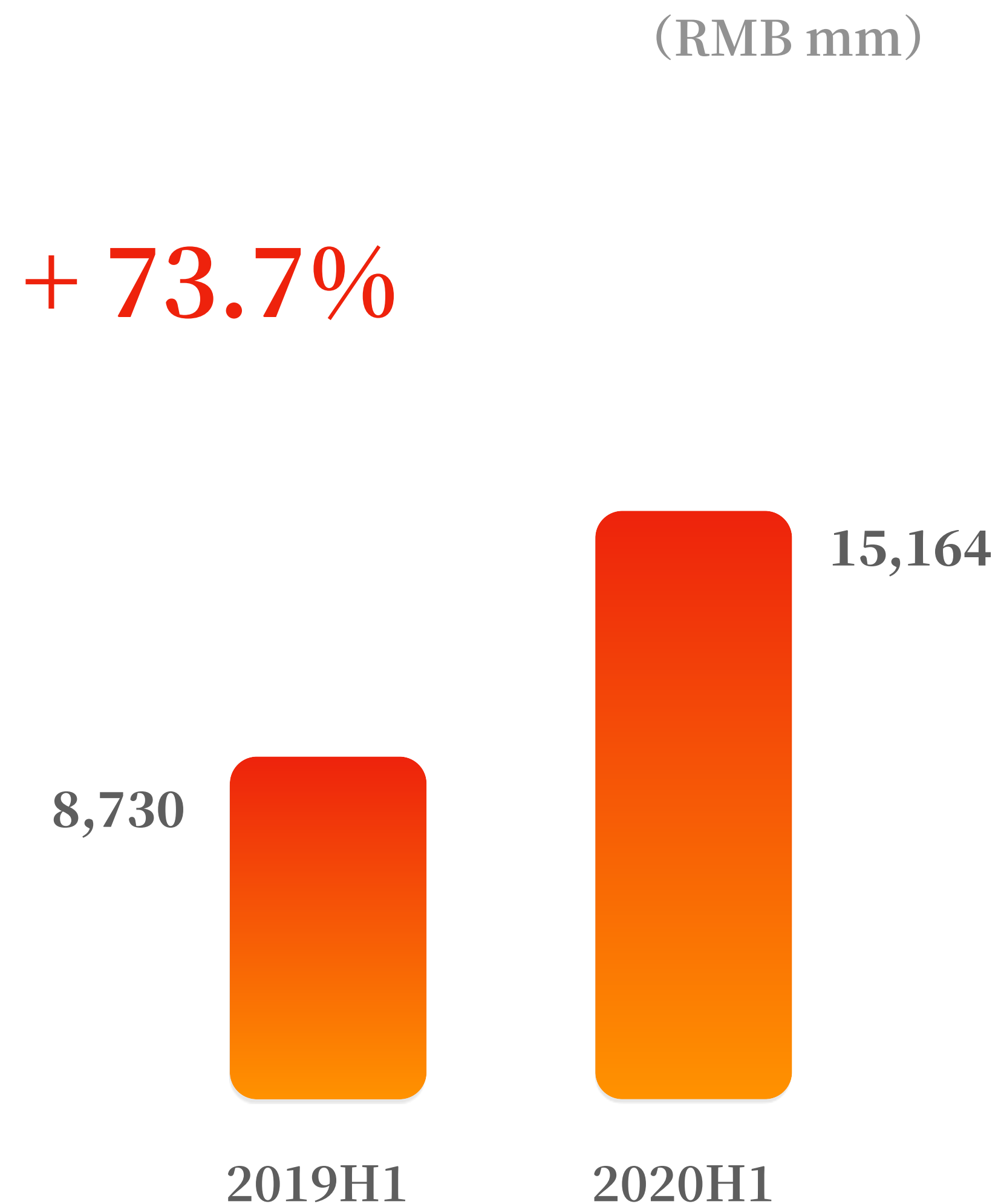
Excluding impact from changes
in tax rules on handling charges + 4.0%



■ Impact from changes in tax
rules on handling charges

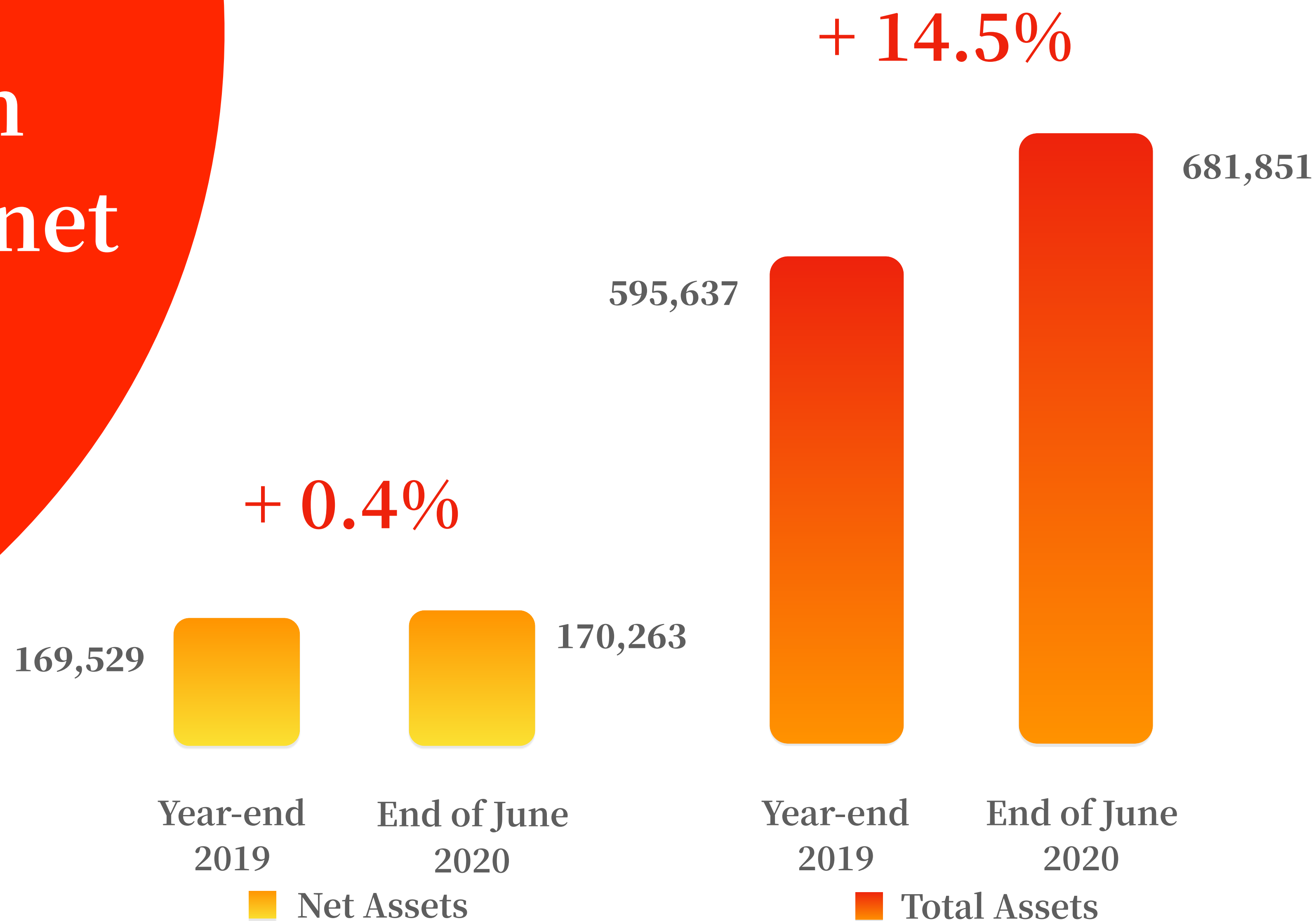
**P&C: Financial Operations
Consolidated; Overall Strength
Further Improved**

**Net cash flows from
operating activities
improved significantly**



Steady growth in total assets and net assets

(RMB mm)



Life: Fast Growth in Valuable Business

(TWPs,RMB mm)

+ 1.1%

First-Year Regular Premiums

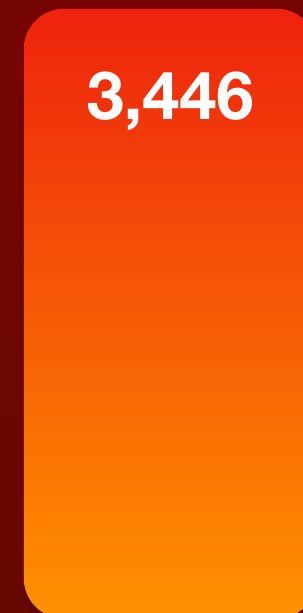


2019H1

2020H1

+ 14.5%

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



2019H1

2020H1

+ 17.8%

Annual Premium Equivalent(APE)



2019H1

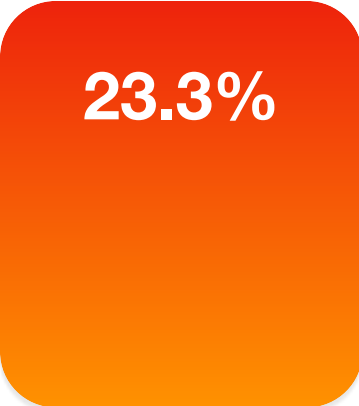
2020H1

Note: APE is a internal management KPI (different to APE of CBIRC). The index is applicable to all products in PICC Life and set on basis of expected NBV margin.

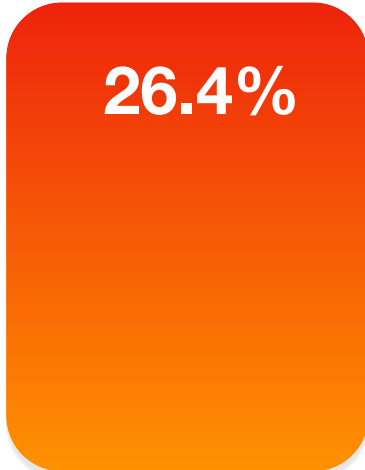
Life: Further Optimized Business Structure

+ 3.1ppts

Policies of 10 Years or More as % of First-Year Regular Premiums



2019H1



2020H1

+ 9.4ppts

Regular Premiums (incl. renewals) as % of Total



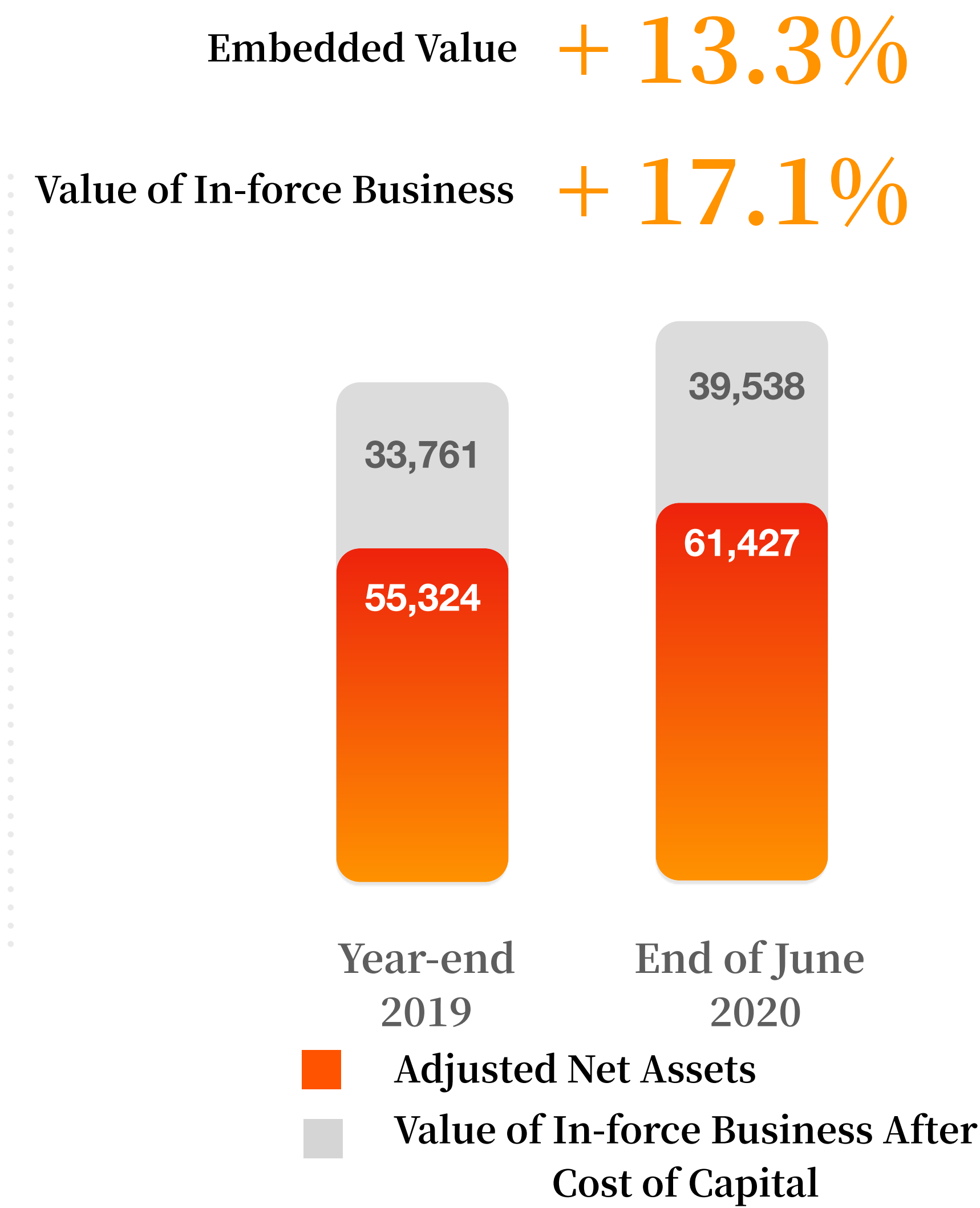
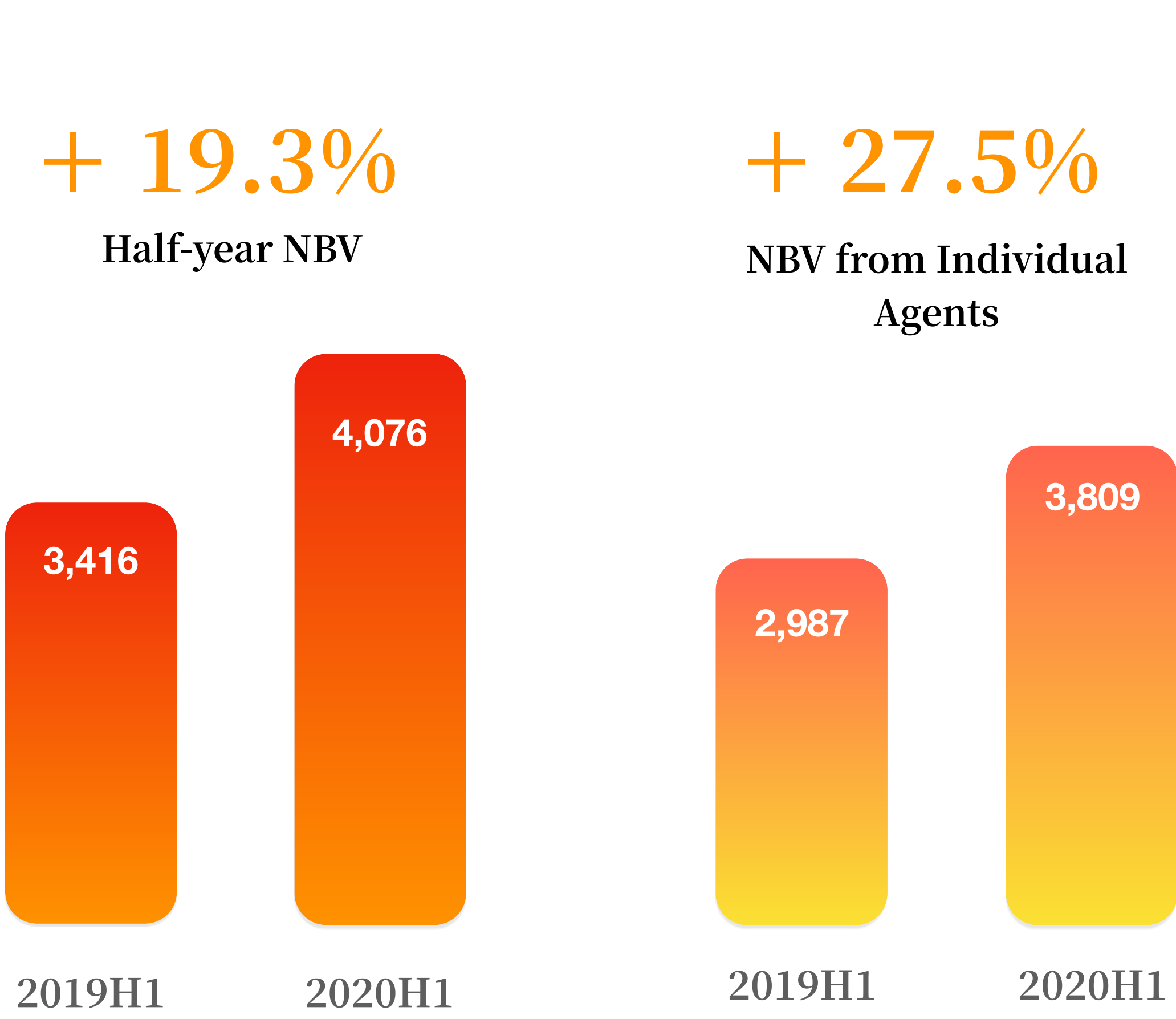
2019H1



2020H1

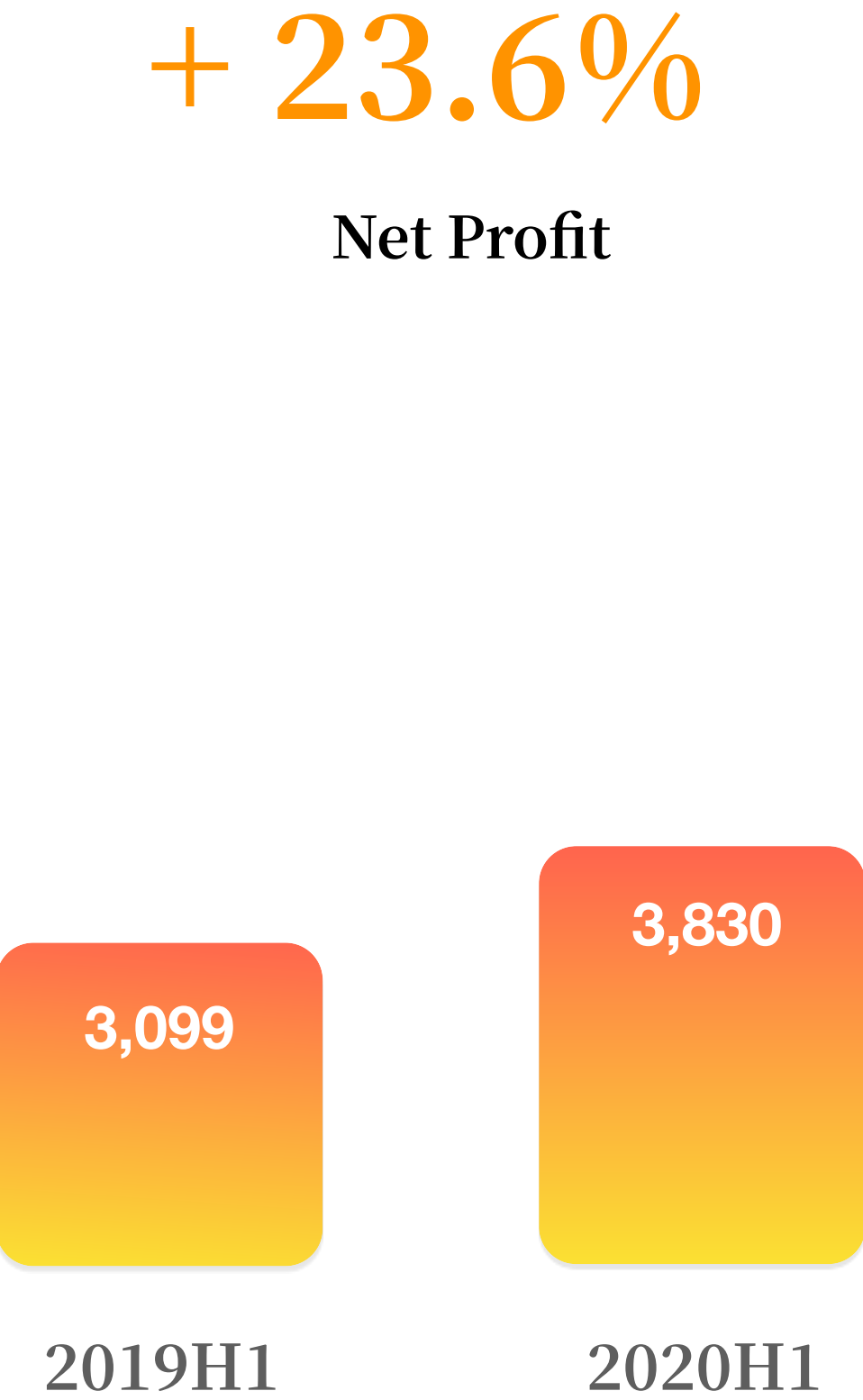
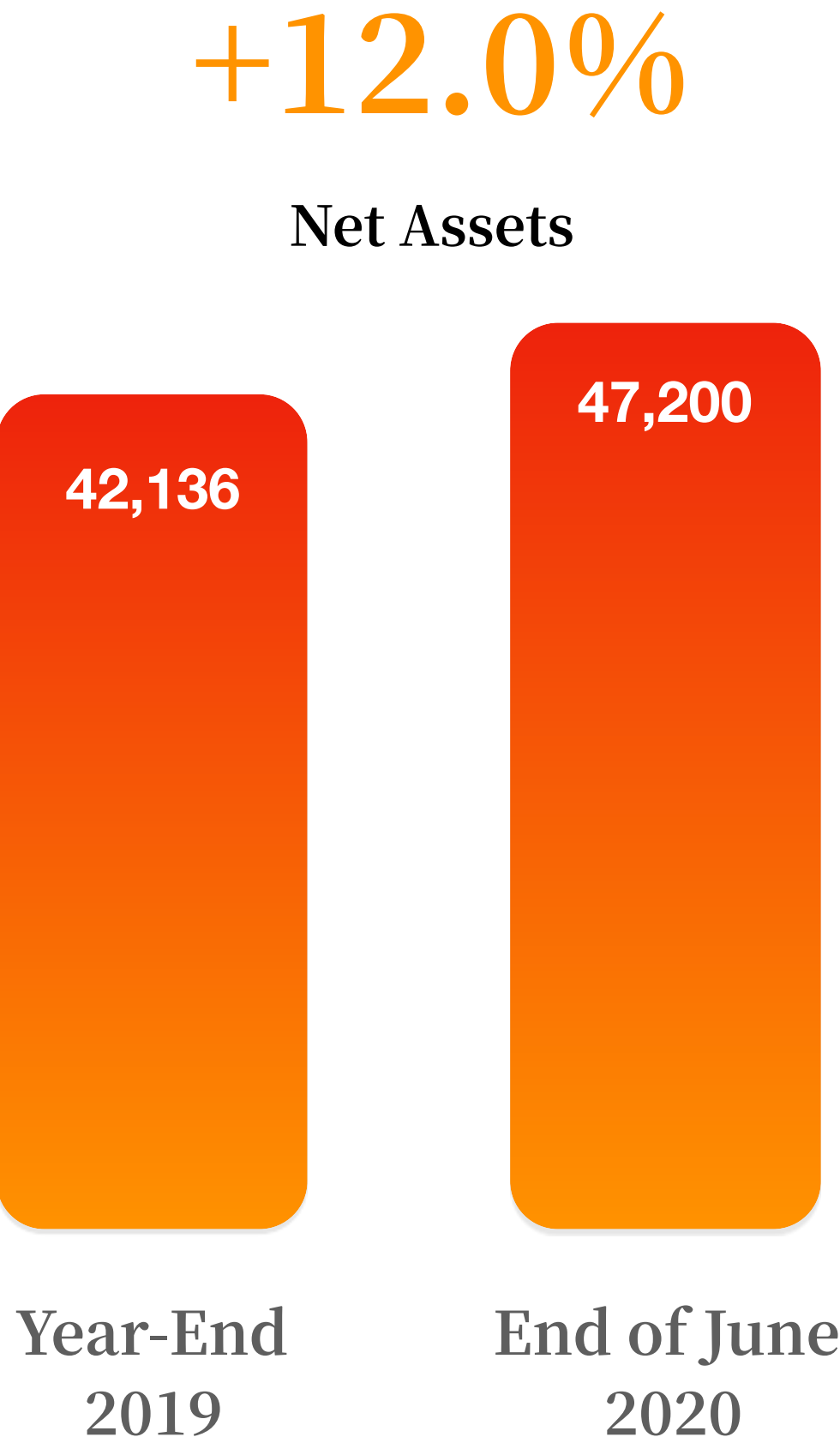
Life: Surge in NBV with EV Over RMB 100bn

(RMB mm)



Life: Fast Growth in Net Assets and Net Profit

(RMB mm)

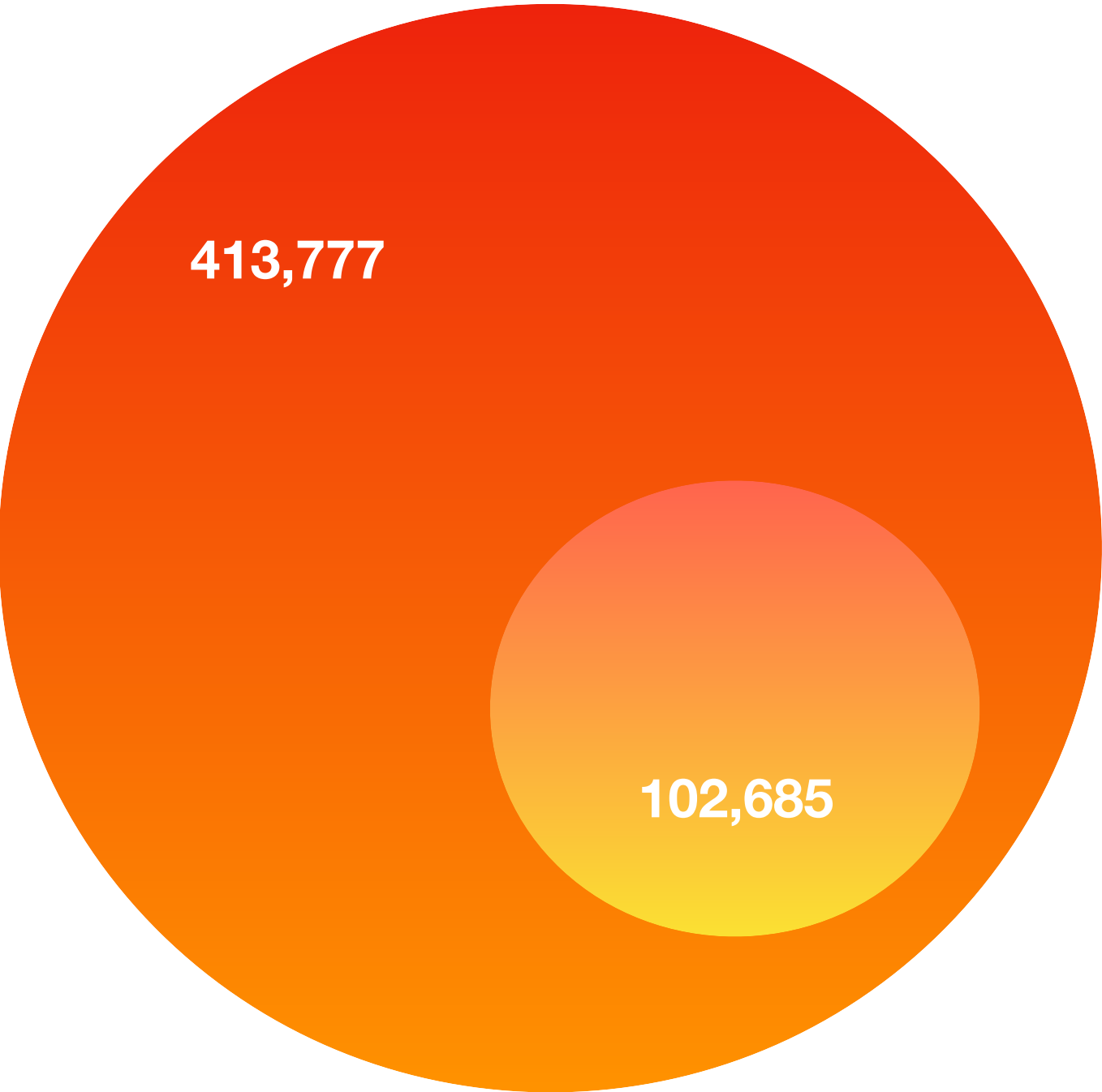


Life: Improve Sales Capabilities through Comprehensive Individual Insurance Strategy

Person

Traditional Agents Channels

Traditional Individual Agents

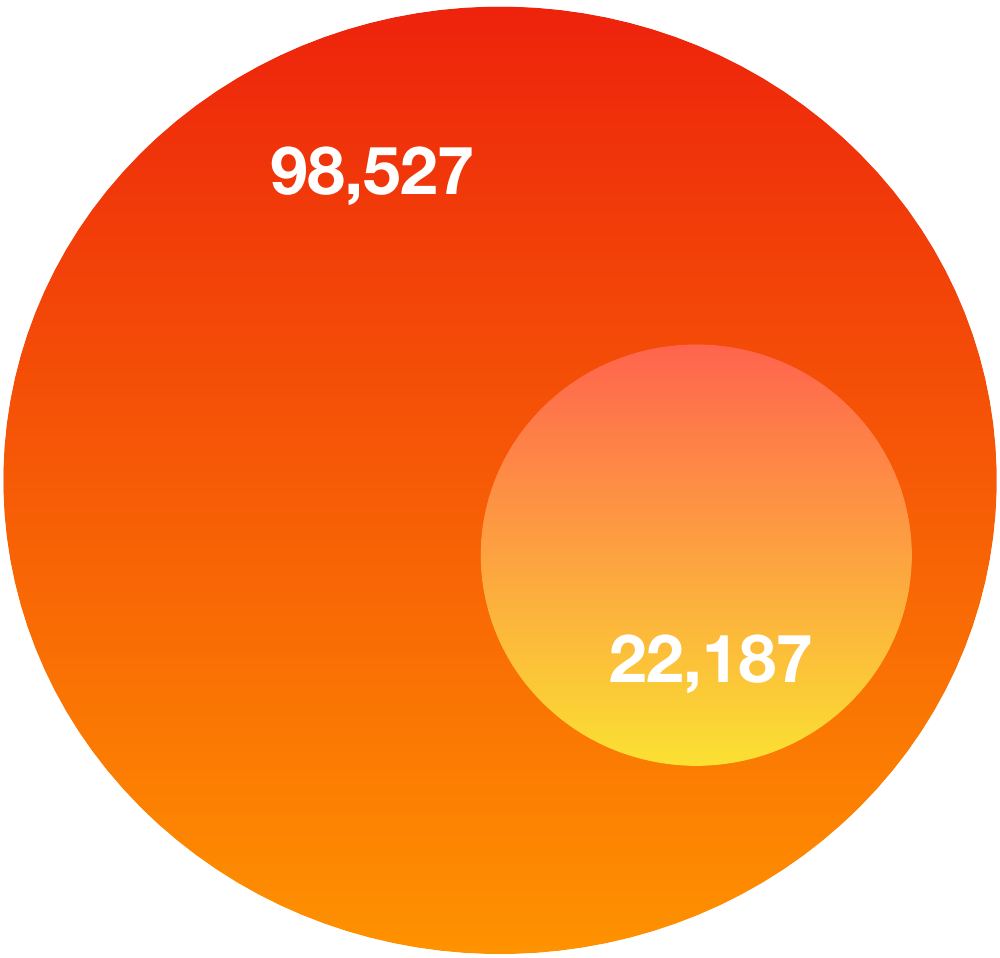


■ Sales force as of end of June 2020



Service Sales Channels

Business Development Agents for Bancassurance&Group Customers and Renewal Premiums Service&Distribution Agents etc.



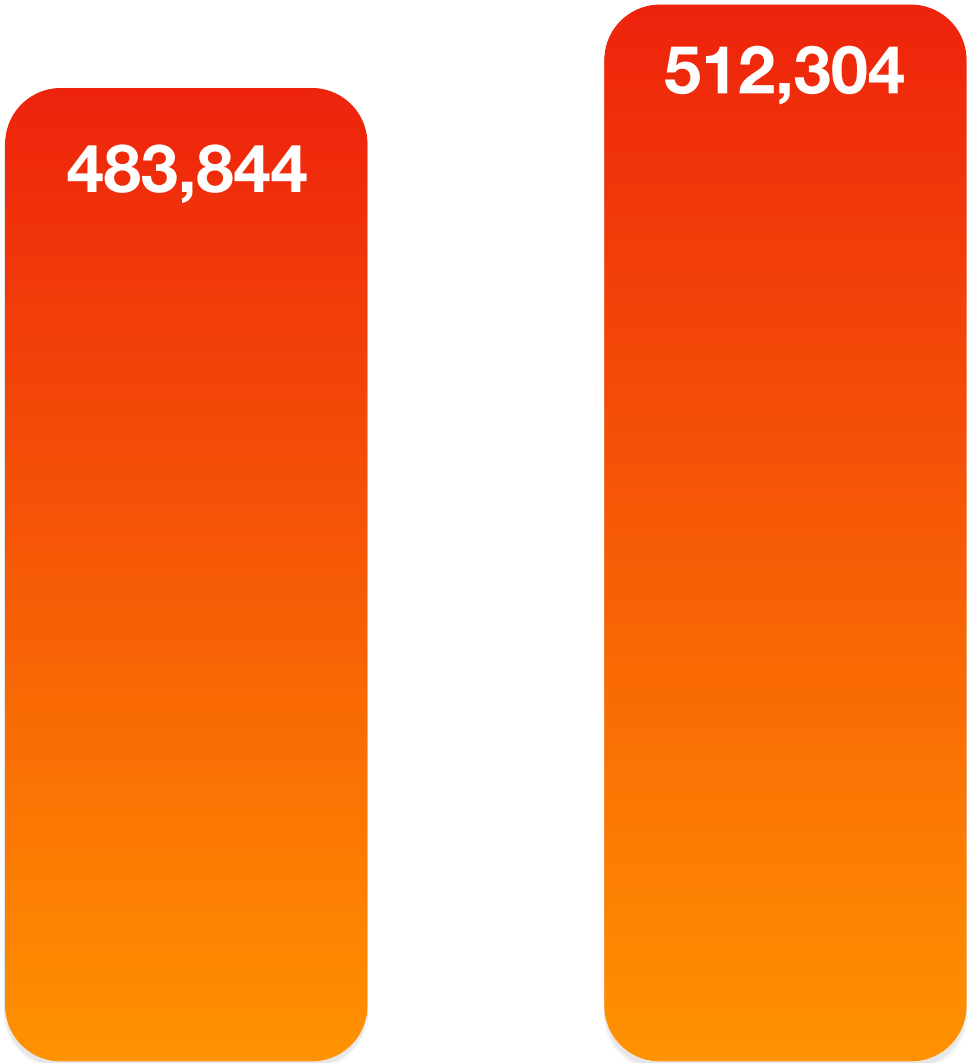
■ Monthly Effective Agents in 2020H1

Life: Scale and Quality of Sales Team Improved

Person

512,304

Number of Comprehensive Individual Insurance Agents



Year-End
2019

End of June
2020

+ 32.8%

Monthly Effective Agents



2019H1

2020H1

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

Life: Drive Specialization through “Cornerstone Plan”

Team Building 2.0

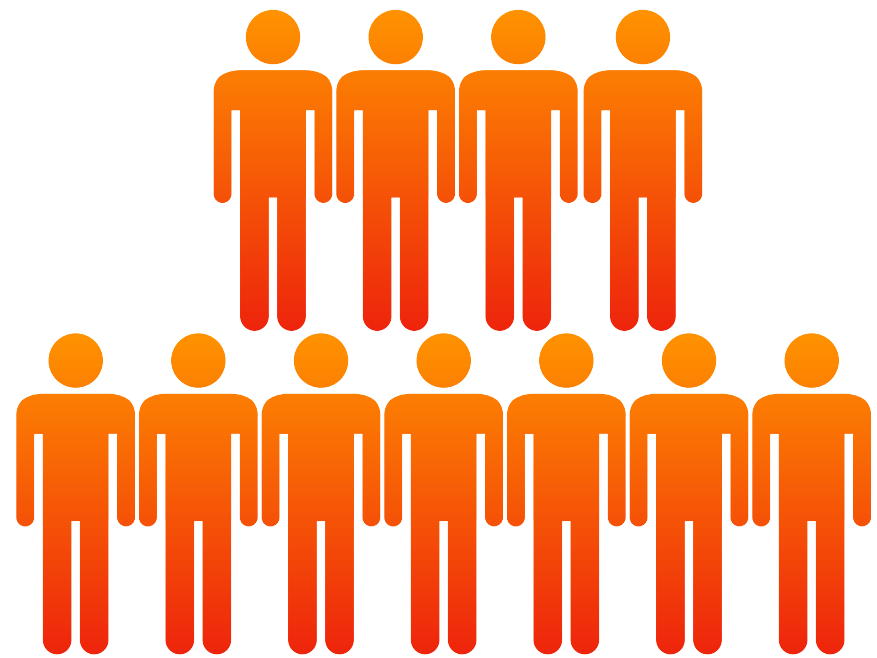
Weekly Review

Performance Appraisal

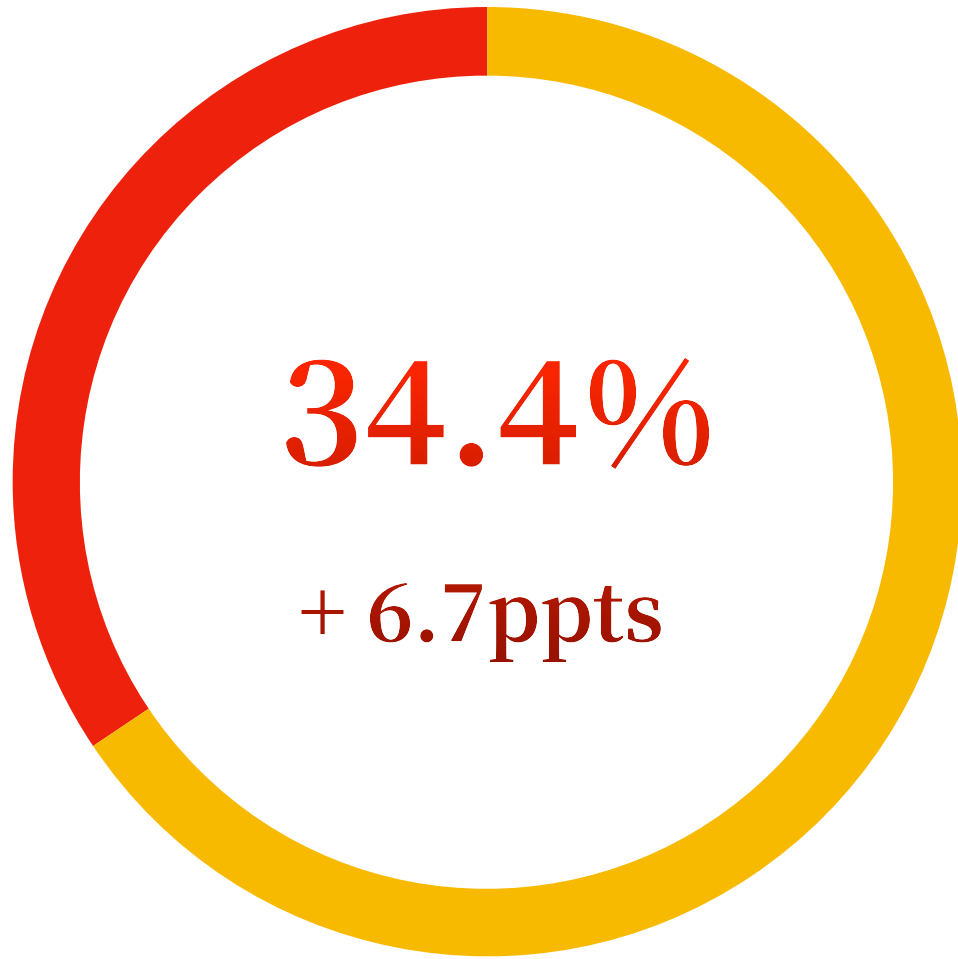
Training And Education

Worksite Standardization

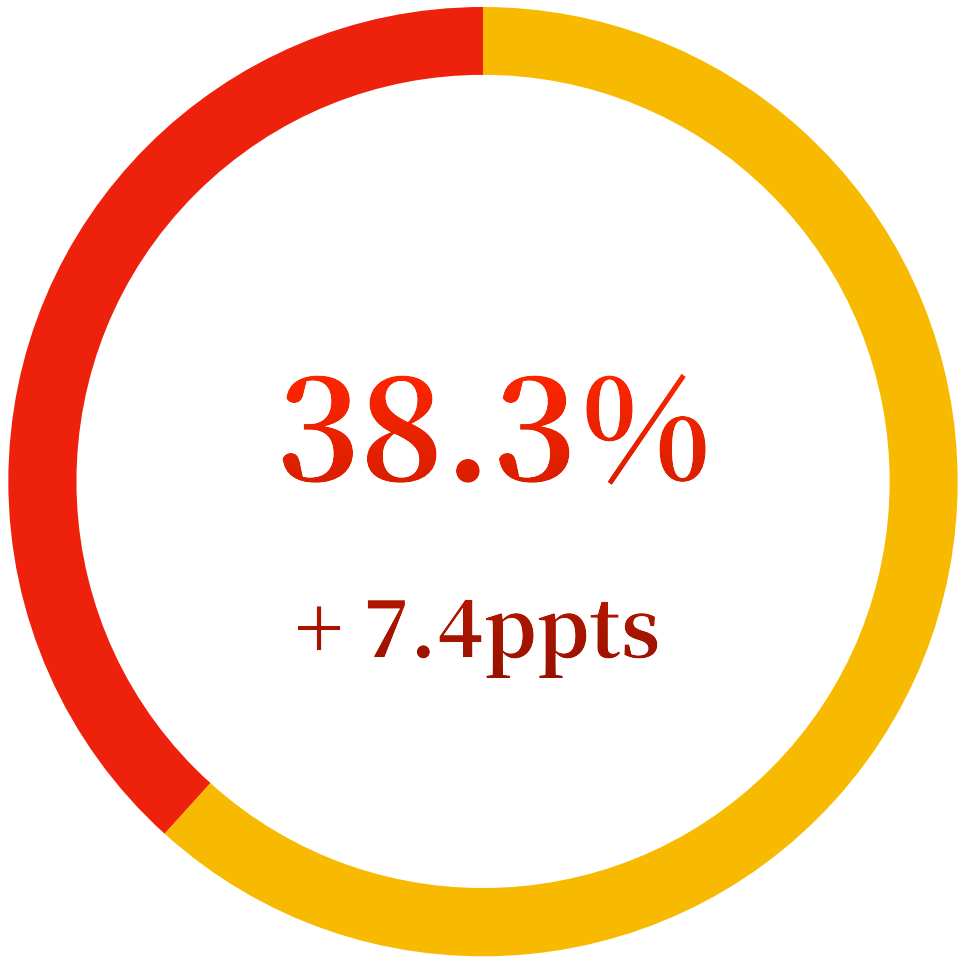
Technology Empowerment



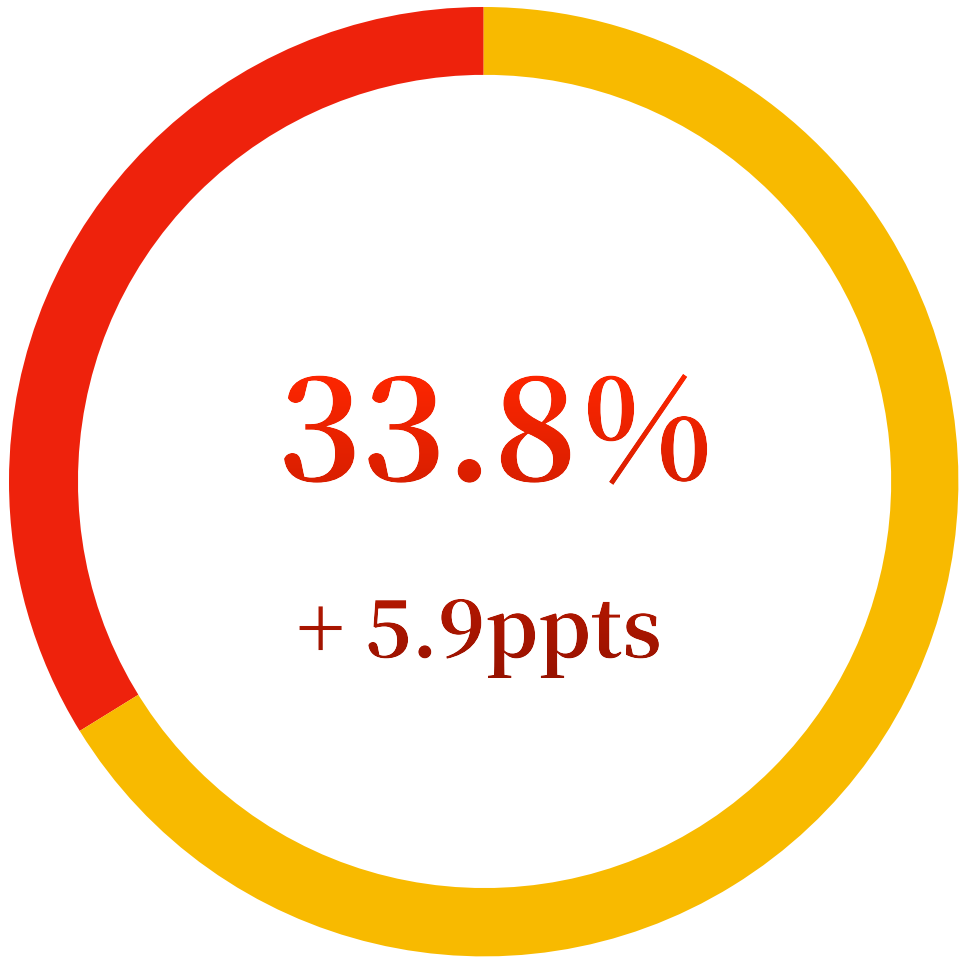
Life: Strong Progress in Core Cities



Contribution to Total APE



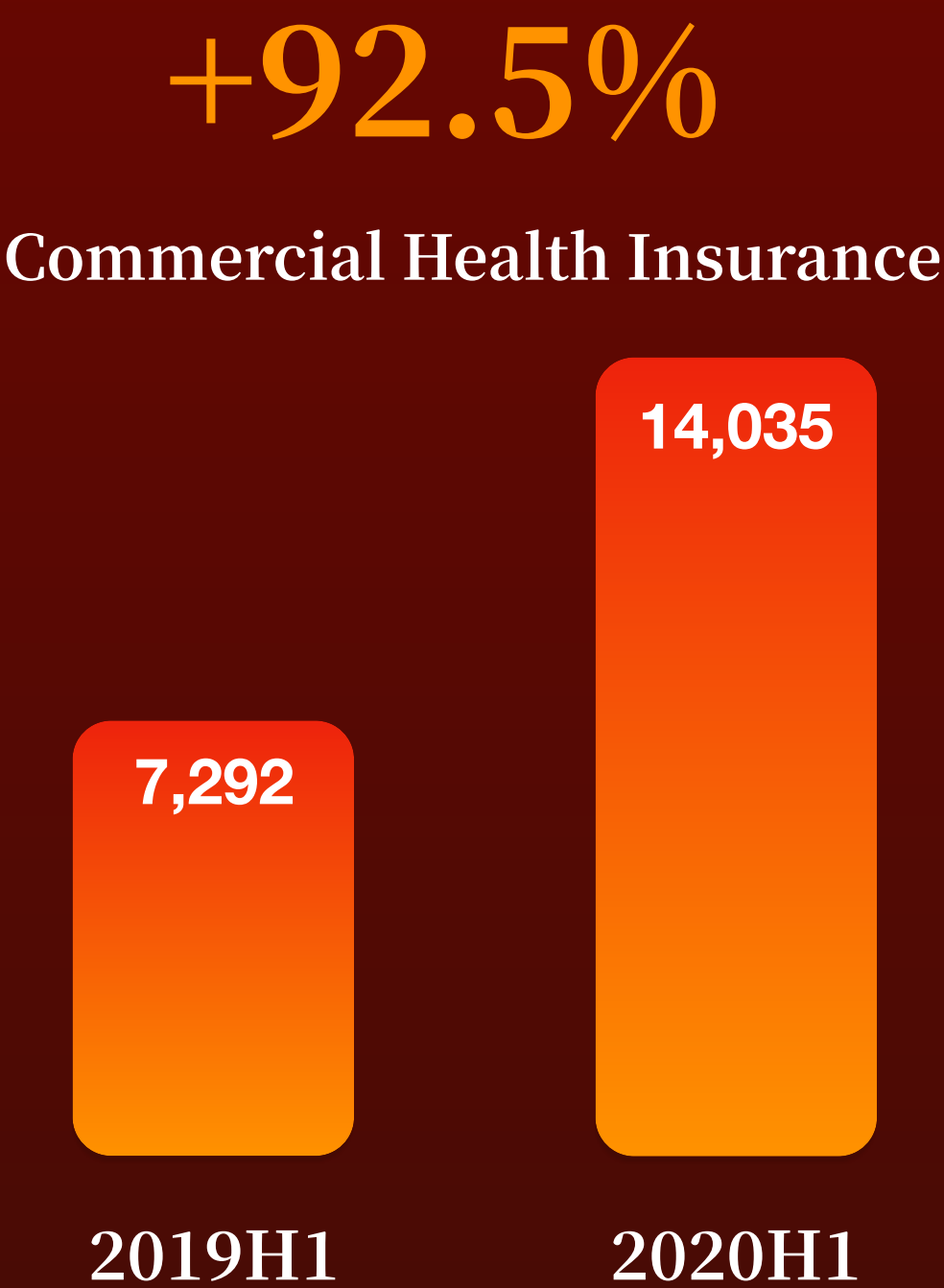
Contribution to First-Year Regular Premiums



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

Health: New Progress in Transformation

(TWPs,RMB mm)

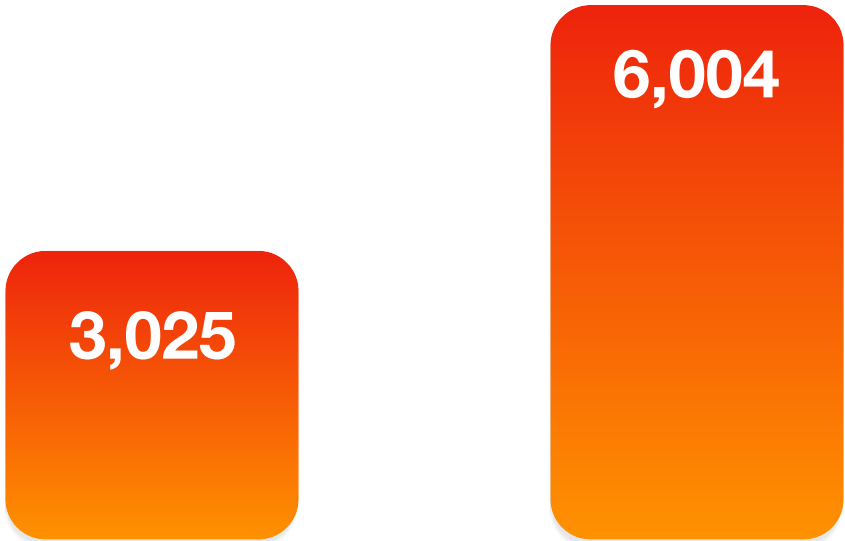


Health: Fast Growth in Emerging and Traditional Businesses

(RMB mm)

+98.5%

Total Written Premiums
from Online Sales



2019H1

2020H1

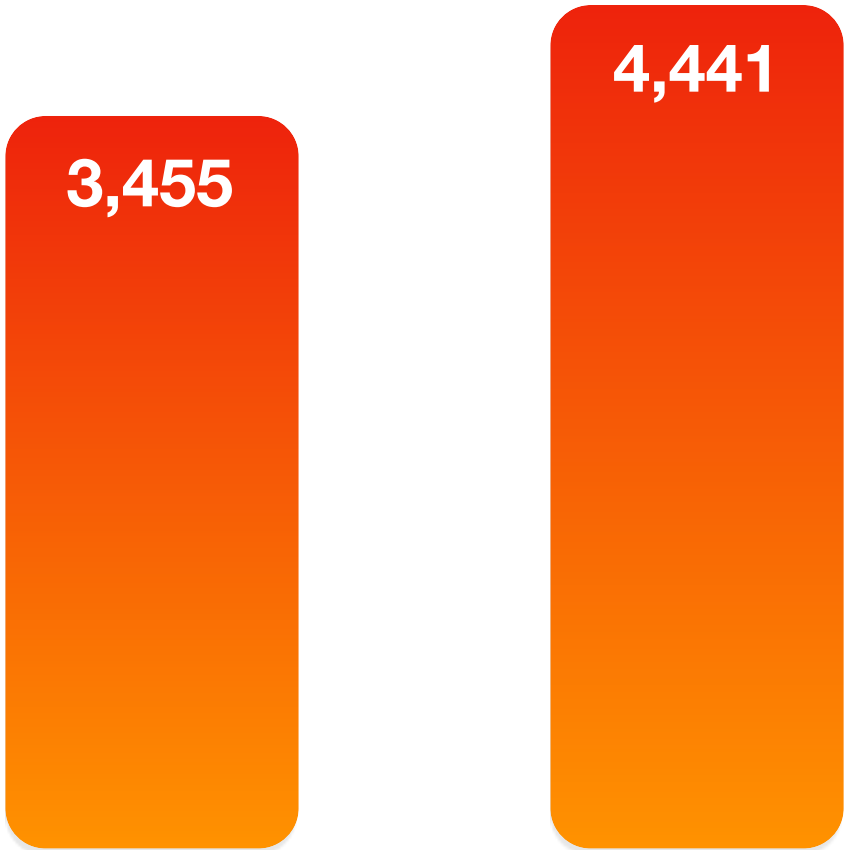
9.04 million 35.11 million

New customers

Accumulative
customers

+28.5%

First-year Regular
Premiums



2019H1

2020H1

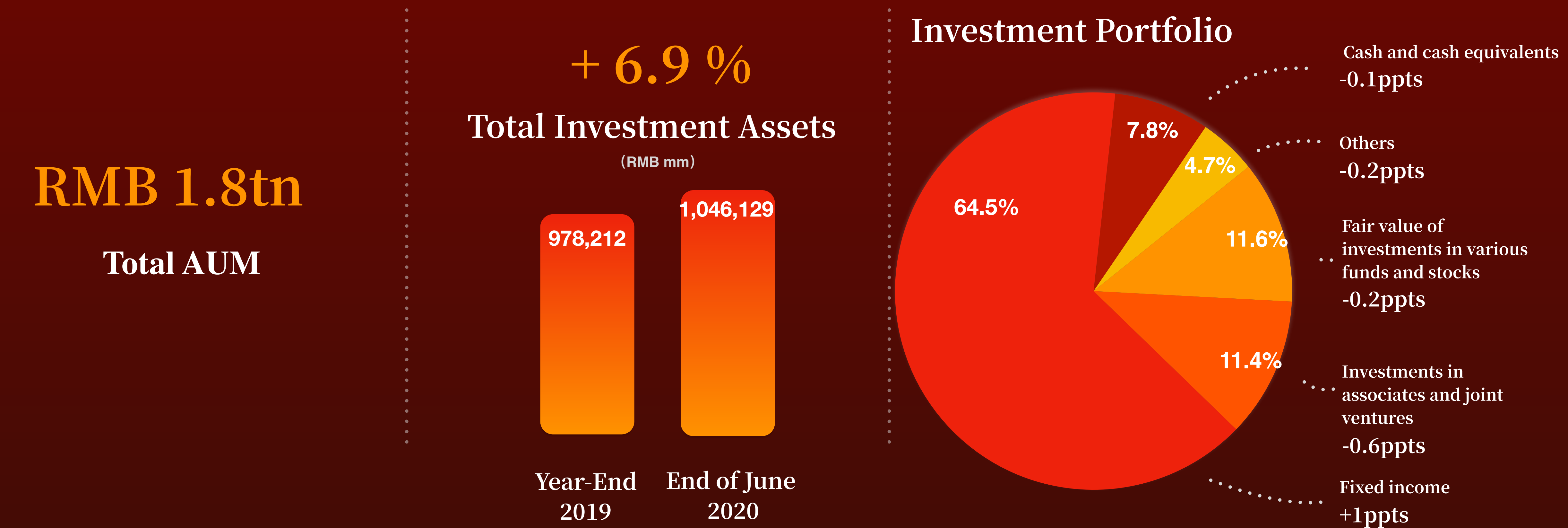
Health: Surge in Cash Flows from Operating Activities

+ 328%

RMB 7.14bn

Net cash inflow from
operating activities

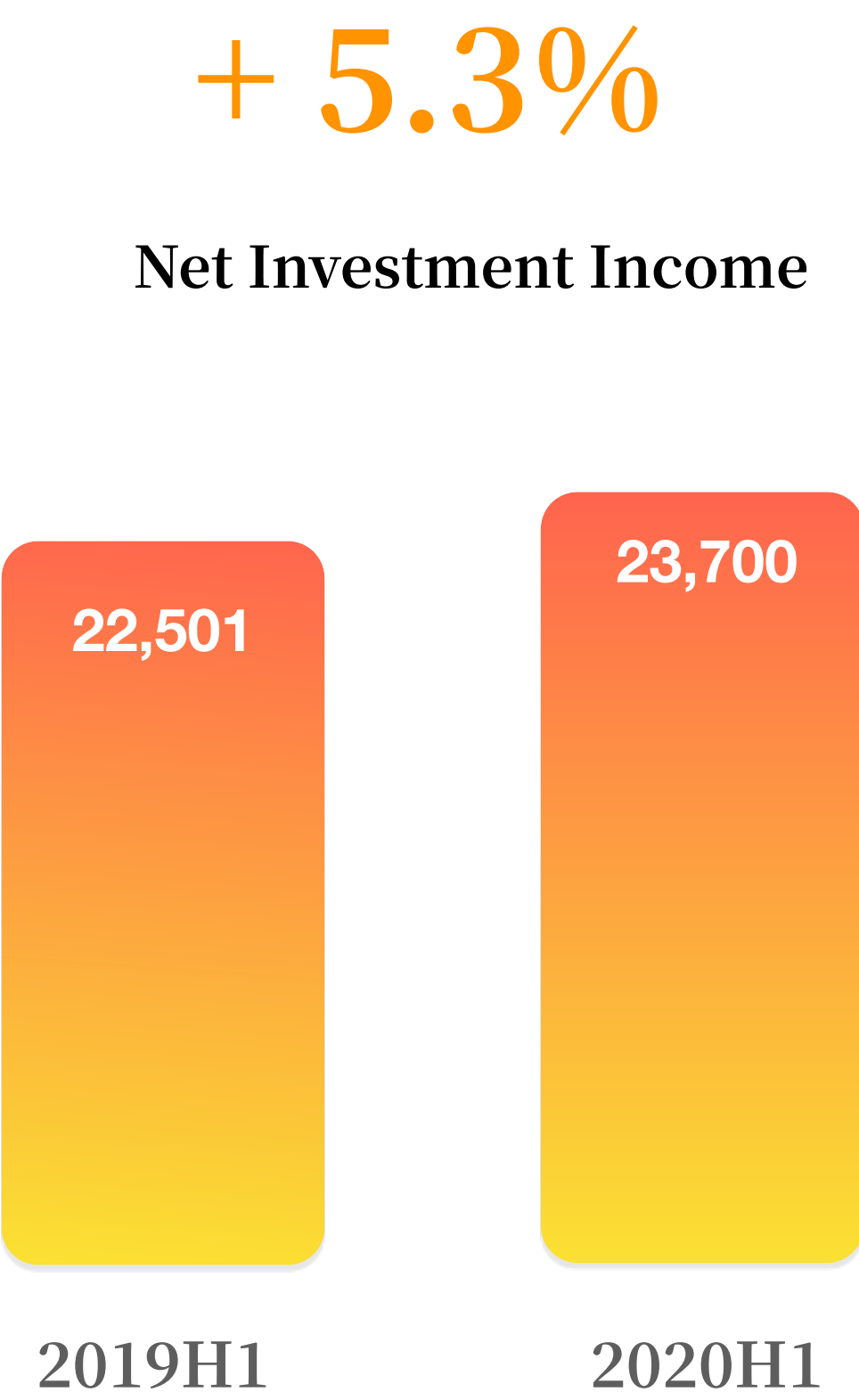
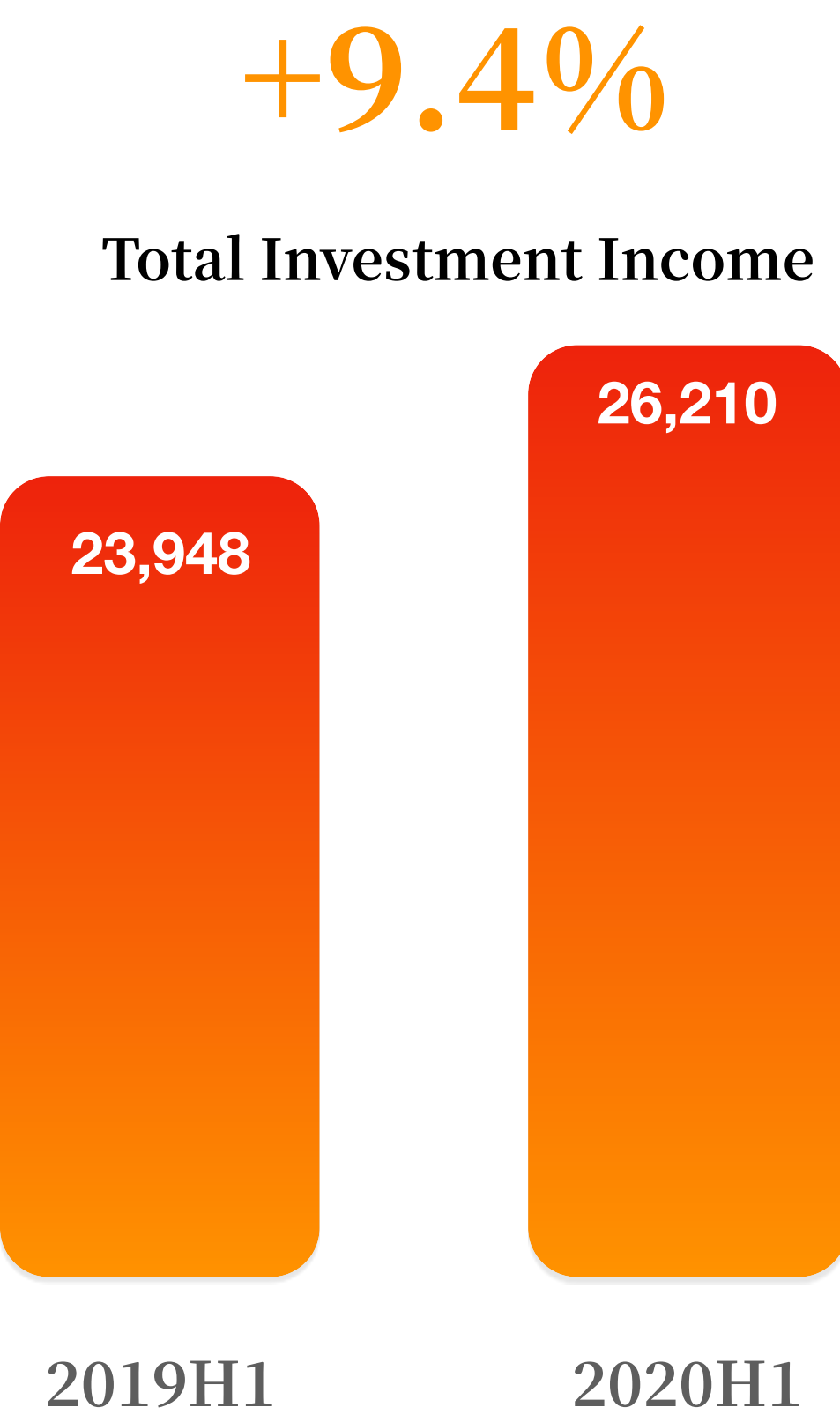
Asset Management: Stable Growth of Investment Assets with Prudent Investment Portfolio



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: Investment Income Up YoY

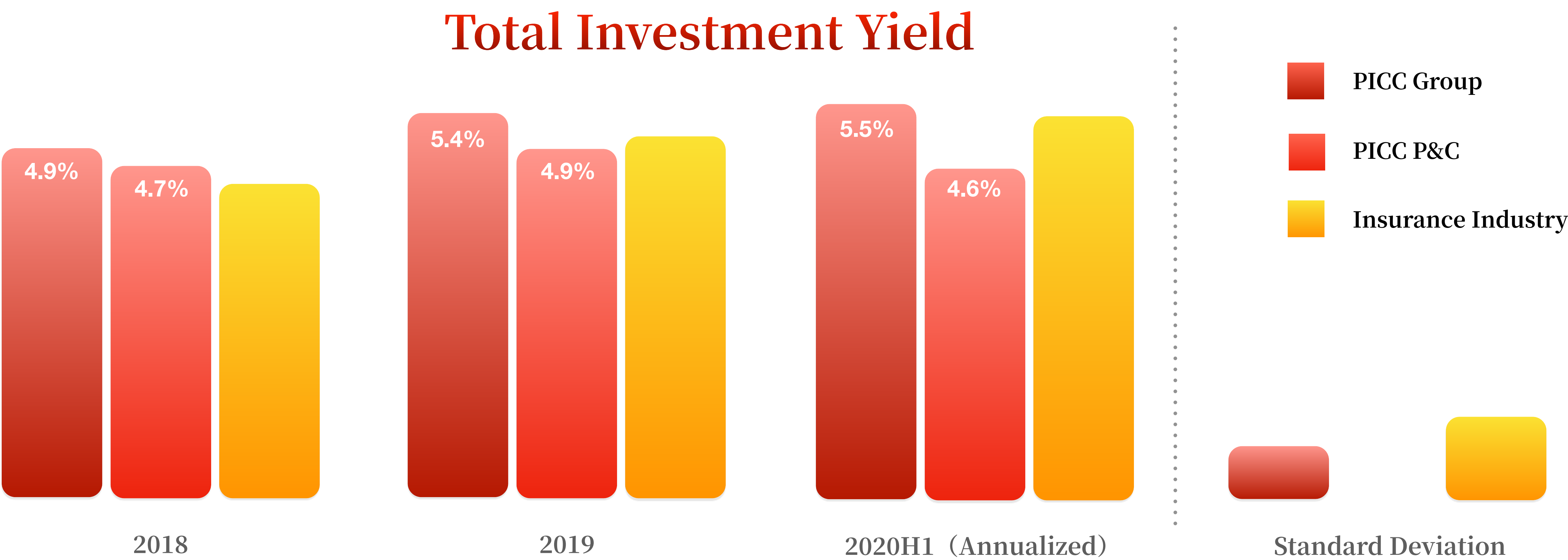
(RMB mm)



Note: Net investment income = total investment income – gains and losses from the disposal of investment assets – gains and losses on fair value changes of investment assets – impairment losses of investment assets

Asset Management: Total Investment Yield

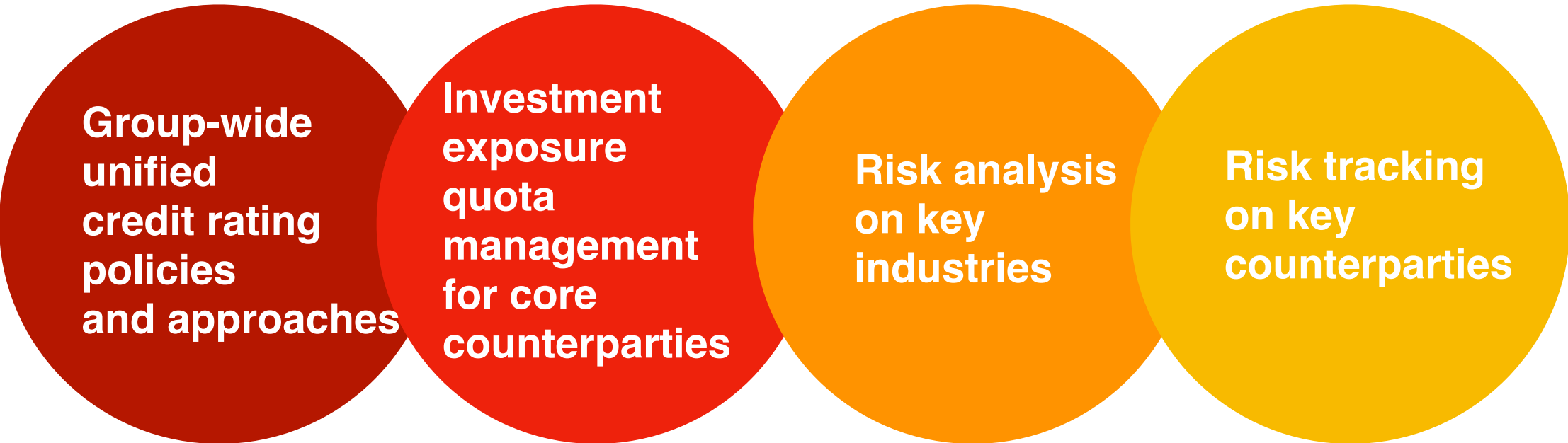
Outperform Industry



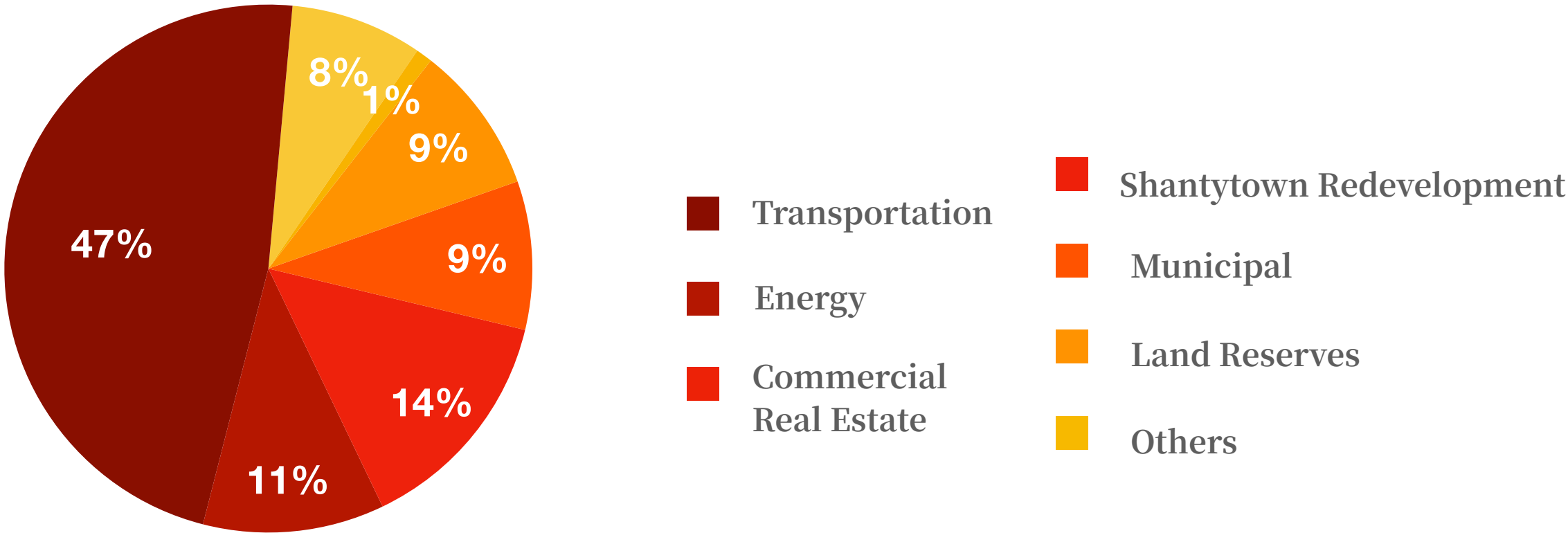
Note:Standard deviation used data since 2005.

Asset Management: Credit Risk at Manageable Levels

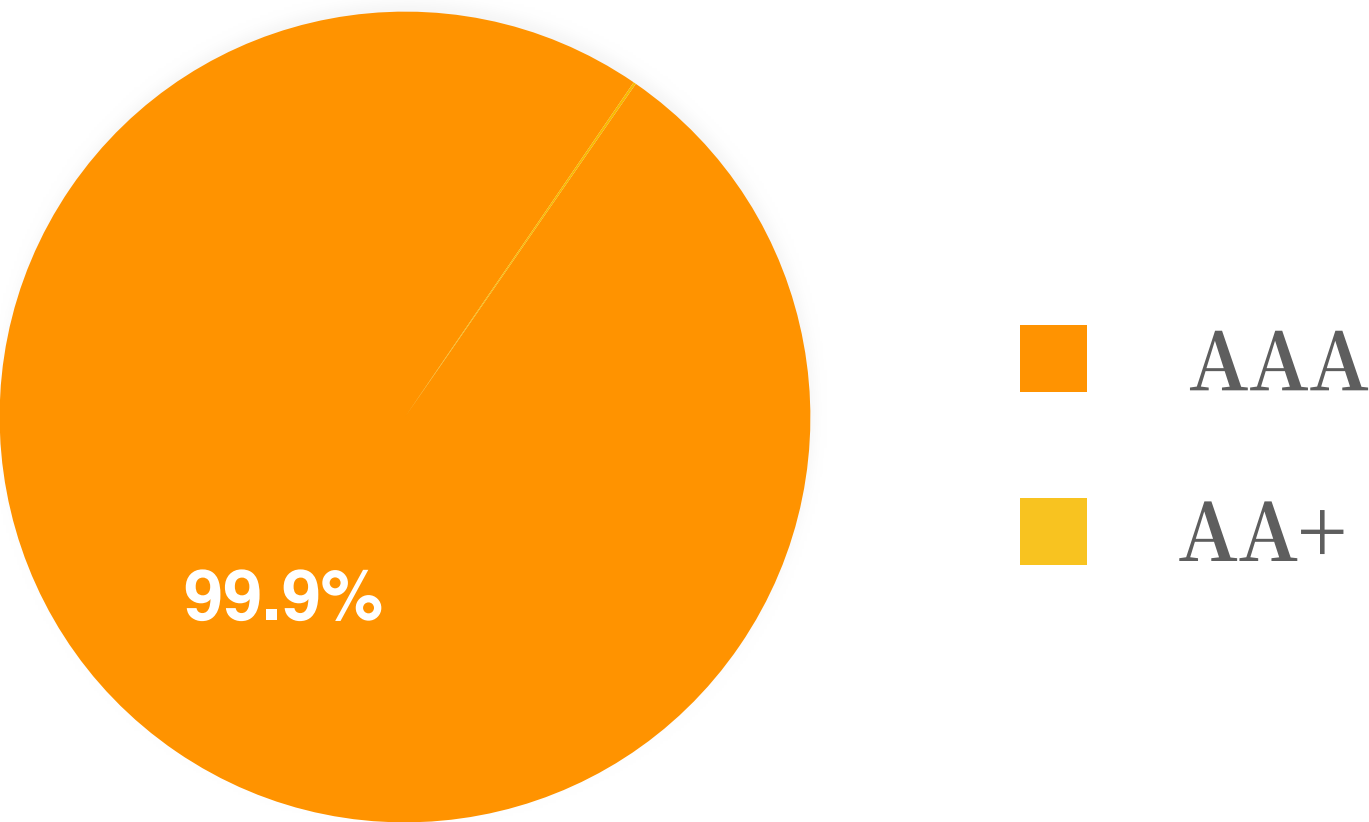
Prevention of Credit Risks



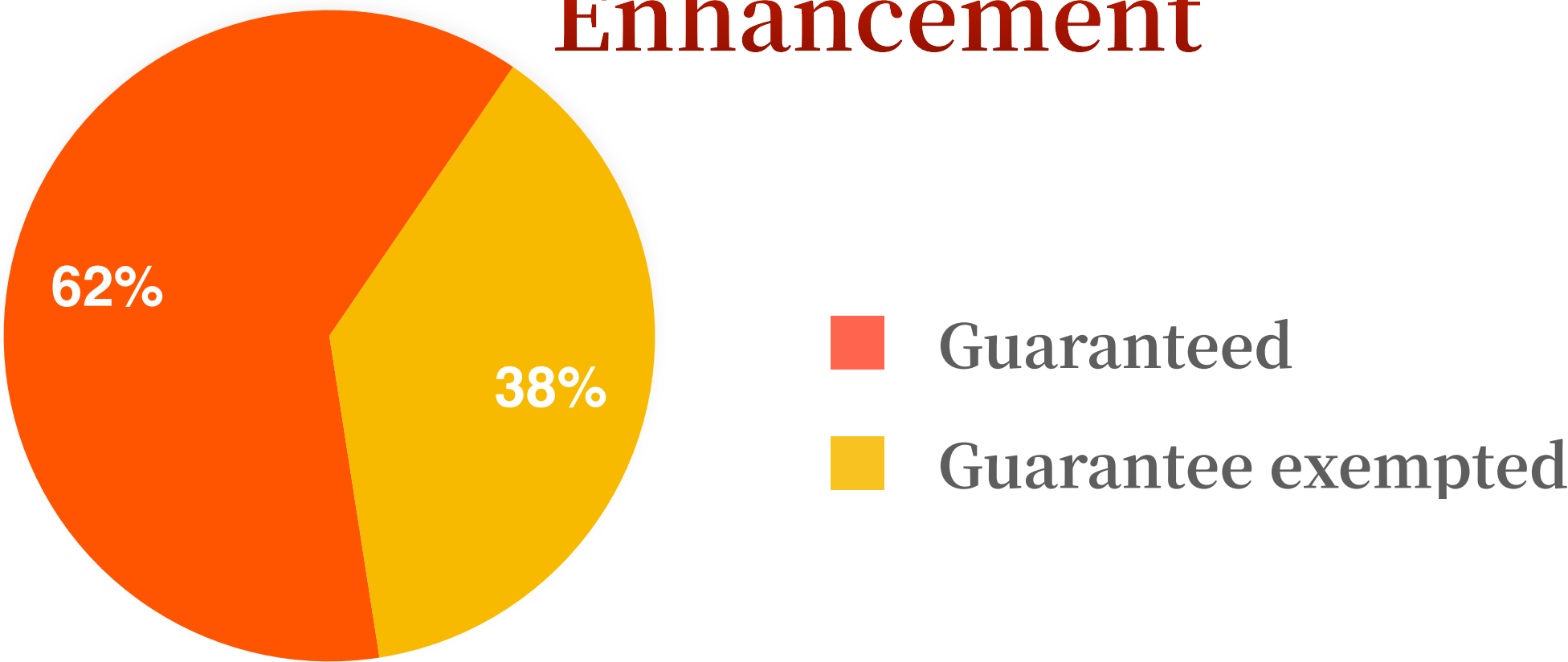
Debt Investment Schemes: Breakdown of Underlying Assets by Industry



Debt Investment Schemes: Credit Ratings



Debt Investment Schemes: Credit Enhancement



Emerging Segments: Fintech Innovation

Transaction Value

16.82bn

YoY

+ 47.8%

New Users

2.64mm

MAU Growth in Q2

+ 33.0%

Reduced Losses

RMB 0.55bn

YoY

+ 114.0%

Bangbang Auto Sales
& Services

Revenue +59%

Aibao Technology

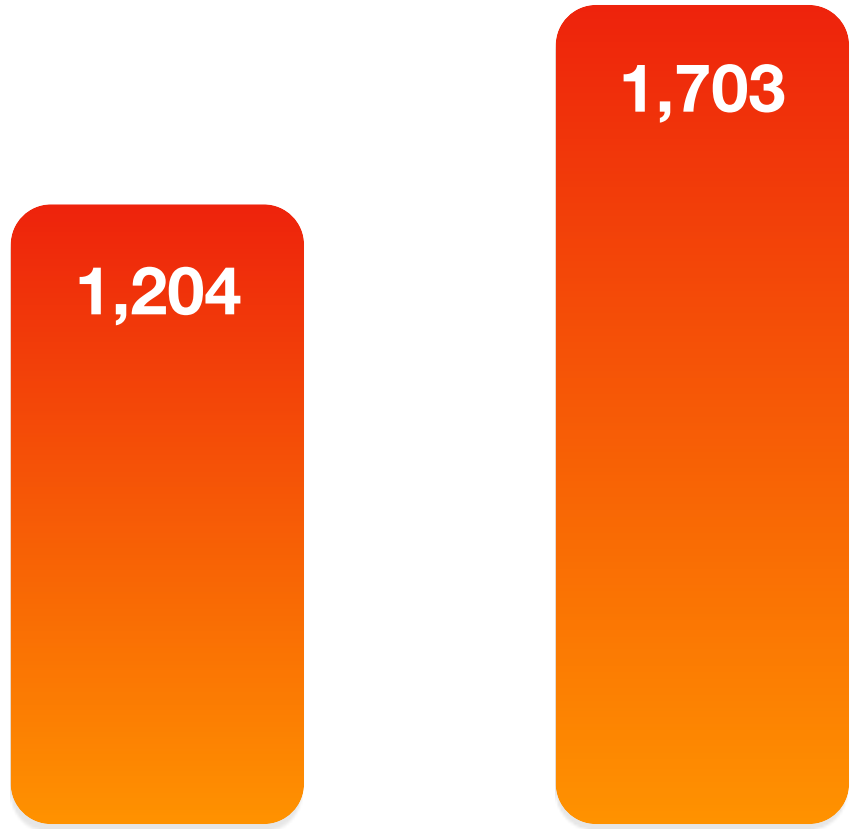
Revenue +30%

Emerging Segments: Enterprise Annuity and Occupational Annuity

(RMB 100mm)

+ 41.4%

AUM

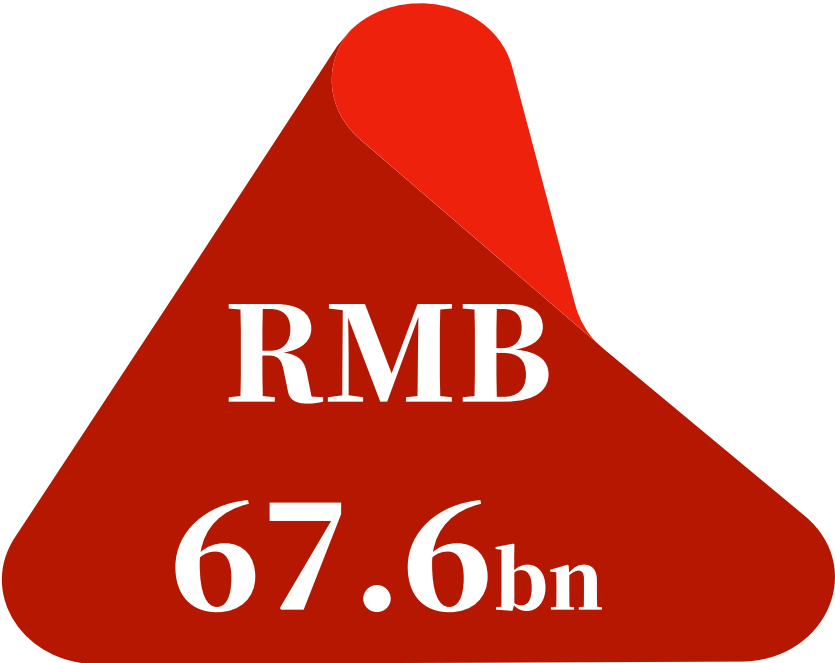


Year End
2019

End of June
2020

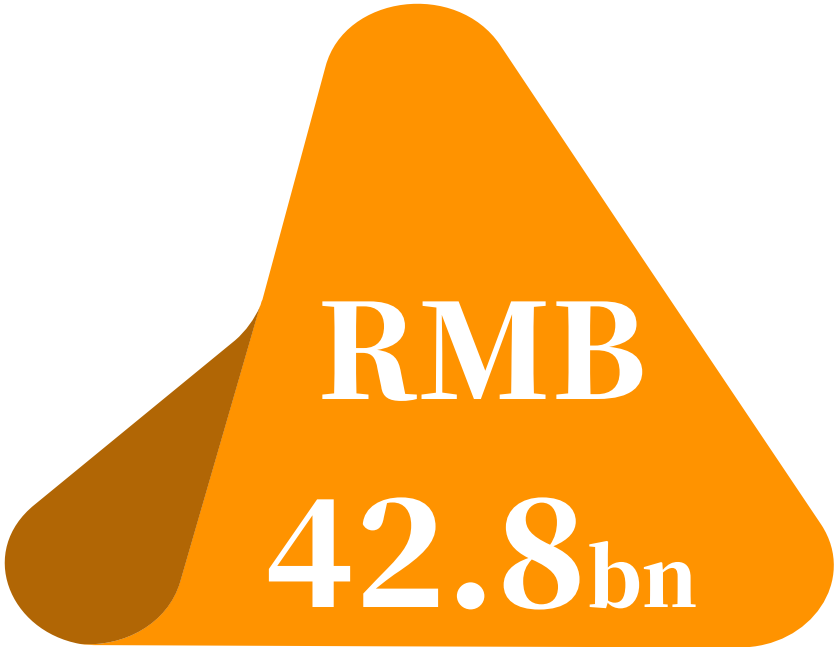
+ 80.7%

AUM of Occupational
Annuity



+ 16%

AUM of
Enterprise Annuity



Emerging Segments: Reinsurance

Premium Income

RMB 2.83bn

Reinsurance premium income

36.4%

Positive YoY growth in third
party reinsurance business

Business Structure

RMB 780mm

Third party reinsurance
premium income

Accounted for **27.5%**

+10.4ppts YoY

Market Layout

Cover **~66%** of domestic
clients

Presence in 36 countries
and regions, establish
business relationship
with 99 global or regional
clients

Actively prepare to establish
life reinsurance business

Appendix: The Differences between CAS and IFRS

RMB mm

项目	Net prot attributable to equity holders		Equity attributable equity holders of the Company	
	2020H1	2019H1	As of Jun 30, 2020	As of Jun 30, 2019
Under the Chinese Accounting Standards for Business Enterprises	12,602	15,517	192,244	183,133
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance	32	-29	435	403
Impact of above adjustment on deferred income tax	-8	7	-110	-102
Reclassification of insurance contracts to investment contracts	-21	-17	-2	18
Under the International Financial Reporting Standards	12,606	15,478	192,567	183,452

Appendix: Group Key Financials (CAS)

(RMB mm, unless otherwise noted)	2020H1	2019H1	Change (%)
Gross written premiums	336,841	322,874	4.3
Of which: PICC P&C	246,304	236,036	4.4
PICC Life	67,237	70,832	-5.1
PICC Health	22,173	15,215	45.7
Total profit	21,389	19,373	10.4
Net profit attributable to equity holders	12,602	15,517	-18.8
EPS (RMB)	0.28	0.35	-18.8
ROE(%)	6.7	9.6	Down by 2.9ppts
Total investment yield %(annualized)	5.5	5.4	Up by 0.1ppts
PICC P&C combined ratio (%)	97.3	97.6	Down by 0.3ppts
New business value of PICC Life	4,076	3,416	19.3
New business value of PICC Health	483	341	41.6
(RMB mm, unless otherwise noted)	As of Jun 30, 2020	As of Dec 31, 2019	Change (%)
Total assets	1,265,834	1,132,771	11.7
Total liabilities	1,007,204	885,932	13.7
Net assets attributable to equity holders	192,244	183,133	5.0
Book value per share (RMB)	4.35	4.14	5.0
Embedded value of PICC Life	100,966	89,086	13.3
Embedded value of PICC Health	12,464	11,432	9.0

Appendix: Group Key Financials (IFRS)

(RMB mm, unless otherwise noted)	2020H1	2019H1	Change (%)
Gross written premiums	336,841	322,875	4.3
Of which: PICC P&C	246,304	236,036	4.4
PICC Life	67,238	70,833	-5.1
PICC Health	22,173	15,215	45.7
Net profit	17,706	21,622	-18.1
Net profit attributable to equity holders	12,606	15,478	-18.6
EPS (RMB)	0.29	0.35	-18.6
ROE(%)	6.7	9.5	Down by 2.8ppts
Total investment yield %(annualized)	5.5	5.4	Up by 0.1ppts
PICC P&C combined ratio (%)	97.3	97.6	Down by 0.3ppts
New business value of PICC Life	4,076	3,416	19.3
New business value of PICC Health	483	341	41.6
(RMB mm, unless otherwise noted)	As of Jun 30, 2020	As of Dec 31, 2019	Change (%)
Total assets	1,266,621	1,133,229	11.8
Total liabilities	1,007,520	885,929	13.7
Net assets attributable to equity holders	192,567	183,452	5.0
Book value per share (RMB)	4.35	4.15	5.0
Embedded value of PICC Life	100,966	89,086	13.3
Embedded value of PICC Health	12,464	11,432	9.0