

2021 Interim 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

Results Overview

Results Overview

Gross Written
Premiums(GWPs)

RMB344.13bn

+ 2.2%

Net Profit Attributable to
Equity Holders of the
Company

RMB16.86bn

+ 33.7%

Net Assets Attributable to
Equity Holders of the
Company

RMB212.00bn

+ 4.7%

Fortune 500 Ranking

No.90

Up 22 places from
last year

PICC P&C
Underwriting profit

RMB5.41bn

+ 1.3%

Life&Health
Embedded Value

RMB125.46bn

+ 7.0%

Total Investment Yield
(Annualized)

6.7%

+1.2ppts

Cash Dividends Totaling
RMB 1.37 per 10 Shares
in 2021

Dividend Yield Based on
Recent H-share Price
7.7%

Great Start of “To Be Prominent Strategy”

Focus on corporate strategy, improve management, strengthen supply-side capabilities and efficiency

Sector and
customer
service projects

Product and
service
development
projects

Channel and
network building
projects

Investment
and industry
development
projects

System and
platform
development
projects

42 strategic initiatives

Drive transformation and innovation in subsidiaries for faster and high-quality development

PICC P&C

Reshape organization
Expertise building
Standardized procedures
Emphasize on empowerment
and loss reduction
IT & digital transformation

PICC Life

“Comprehensive Individual
Agent” strategy
“Cornerstone Project”
Salesforce building
Accelerate product
development and system
upgrades
Upgrade business mode of life
insurance

PICC Health

Business model
transformation
Product company
+
Platform company
+
Tech company

Actively explore “6 strategic services”

Capture growth opportunities, develop business resources, fulfill social responsibility

1 Rural Revival

Total cost and income insurance
“Rural Revival Insurance”
Providing agriculture risk protection with insured amount of RMB 2tn

2 Smart Transportation

Traffic safety liability insurance
“Sync with policemen” serving 5mn cases
“Yuhang Model” in 3,000+ junior courts where ~110,000 personal injury cases were mediated, with RMB4.7bn of claims paid by mediation

3 Health and Elderly Care

“Health insurance + health management”
1,000+ partner hospitals, corporate infirmaries and chronic disease management centers
One of the first insurers to provide “special commercial pension insurance” on pilot basis, issued first policy
“Huiminbao” covers over 20mn clients

4 Environmental Protection

Promote the classic pollution liability insurance
Pioneer green industry insurance
First forest fire insurance policy

5 Tech Innovation

Insurance for “first-in-class” devices, materials and software applications
Expand coverage of tech and IP insurance
Provide risk protection totaling ~RMB270bn for tech companies

6 Social Governance

“Township insurance”, “community security insurance”
Develop governance liability insurance, provide insurance solutions for public risks in urban areas

Improve corporate governance through capacity enhancement



Strengthen governance capabilities at headquarter

Enhance control over subsidiaries

Improve governance in associates

Accelerating digitalization to empower front-line business

Underwriting

- Developed synergy-support platform “**e-PICC**” app, empowered online sales, underwrote premiums +33.3% YoY
- Built smart digital distribution platform with “**Smart telemarketing+smart speech analysis+accurate distribution**”, empowered telemarketing with the average success rate of underwriting up +40%

Loss Reduction

- Jia An Pei has empowered the core business by reducing losses and claim payments, with loss reduced +85.5%
- Integration of claim data of health insurance**, generated tag identification for personal health risk experience, with an estimated reduced payments of 40mn RMB

Claim

- Online claim ratio of auto insurance has reached 85.3%**
- Developed smart loss adjustment tool**, support small cases being solved online
- Developed “Yun Zhi Bao” App** for agricultural insurance to offer an improved experience of quick claim process

Service

- Upgrading of core business IT system**, supporting improved service in all process for better customer experience
- Launched and integrated intelligent service**, covering full life cycle services for car owners

Refresh corporate culture to drive transformation toward “New PICC”

- New corporate culture with 4 elements: “mission, vision, values, and ethos”
- New logo and VI scheme featuring the “Chinese Seal”
- Carrying out campaigns: “Offering warm service by PICC”

Recorded net profit with further structural improvement

(RMB bn)

+ 33.7%

Net profit attributable to equity holder of the Company



2020H1

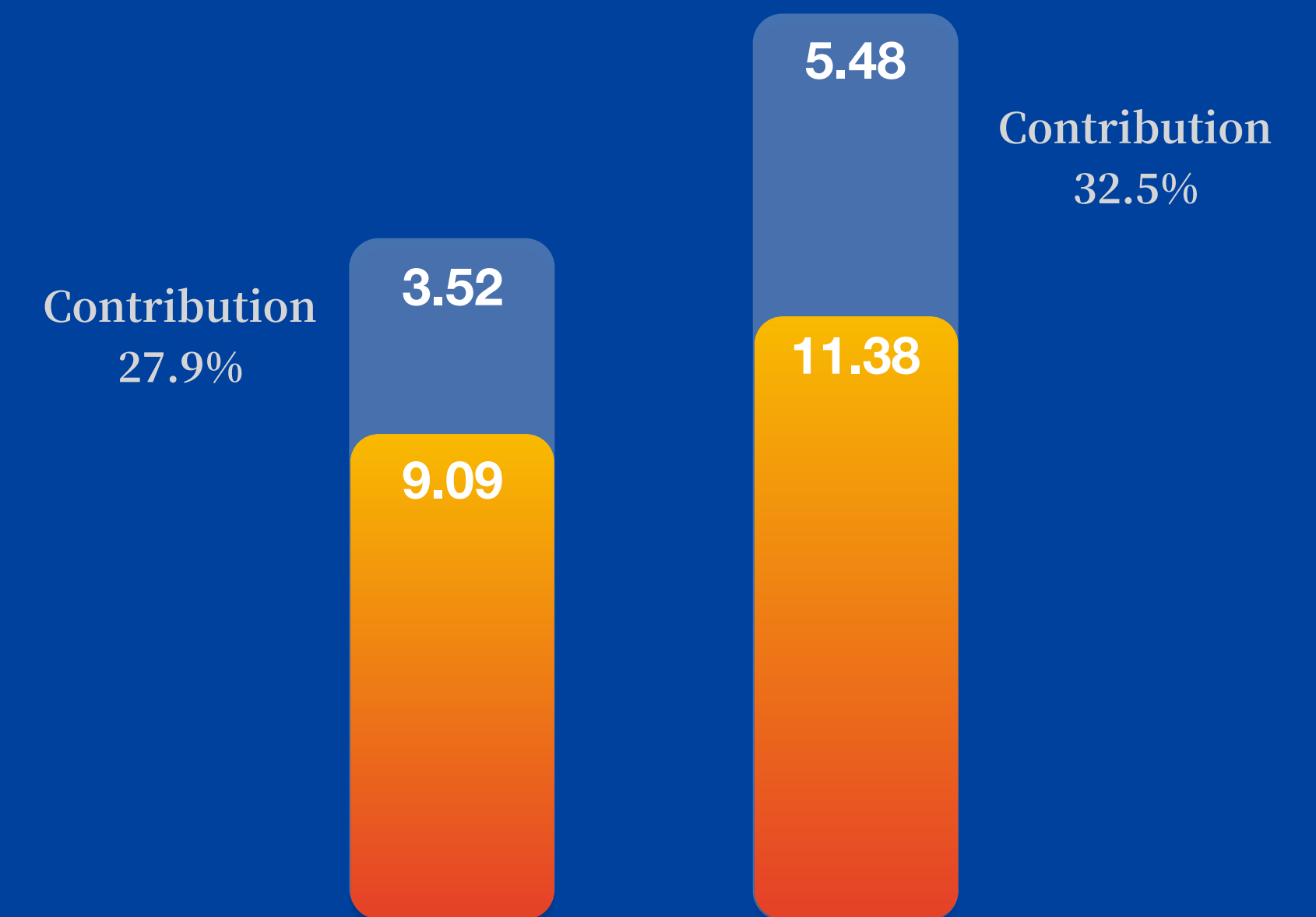


2021H1

■ Non-P&C ■ P&C

+ 55.7%

YoY growth in non-P&C net profit



2020H1

2021H1

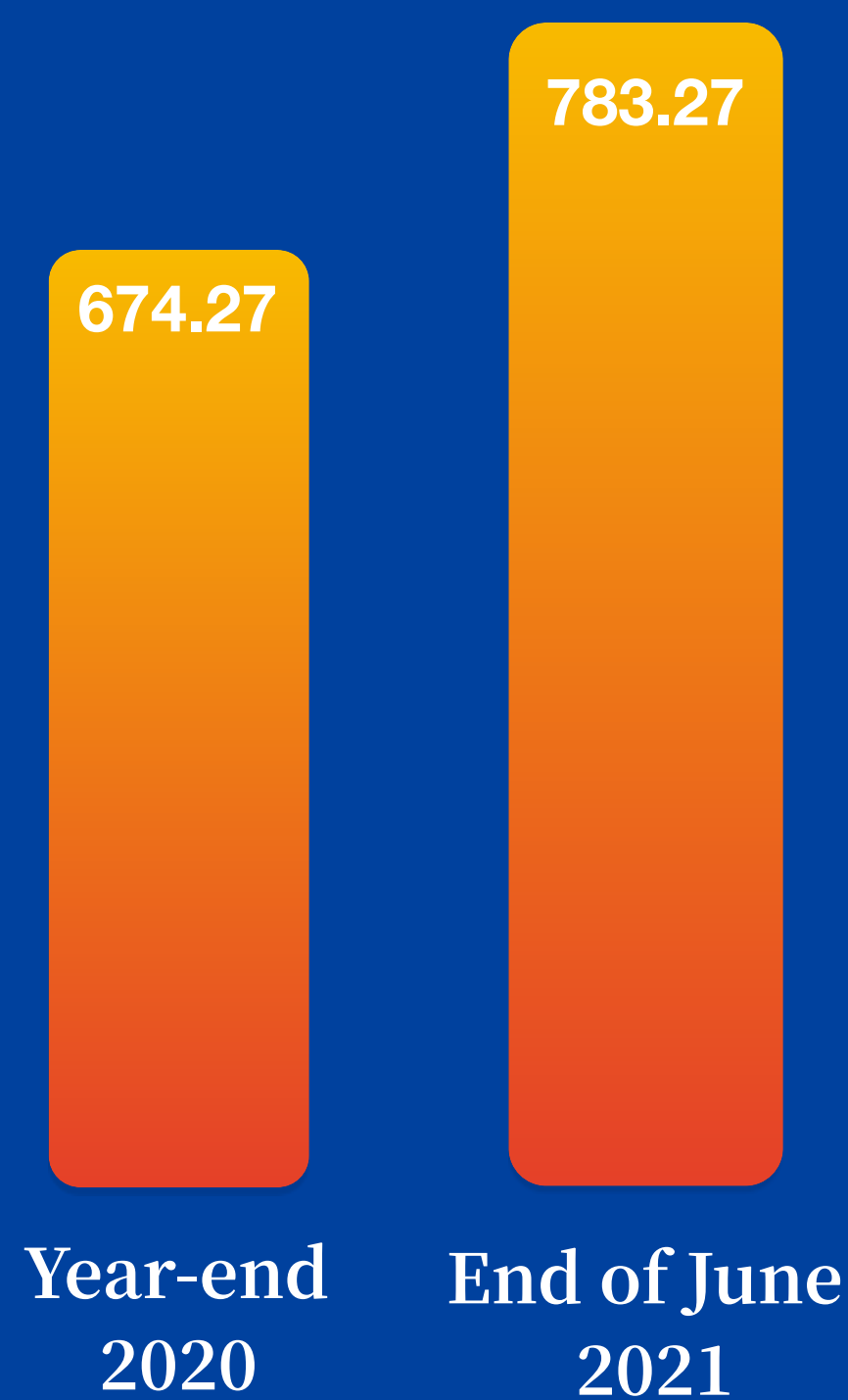
■ Non-P&C ■ P&C

Increment in reserves and cash inflow from operating activities reached a new high

(RMB bn)

+ 109bn

Insurance Liability Reserves



+ 28.72bn

Net cash inflow from operating activities

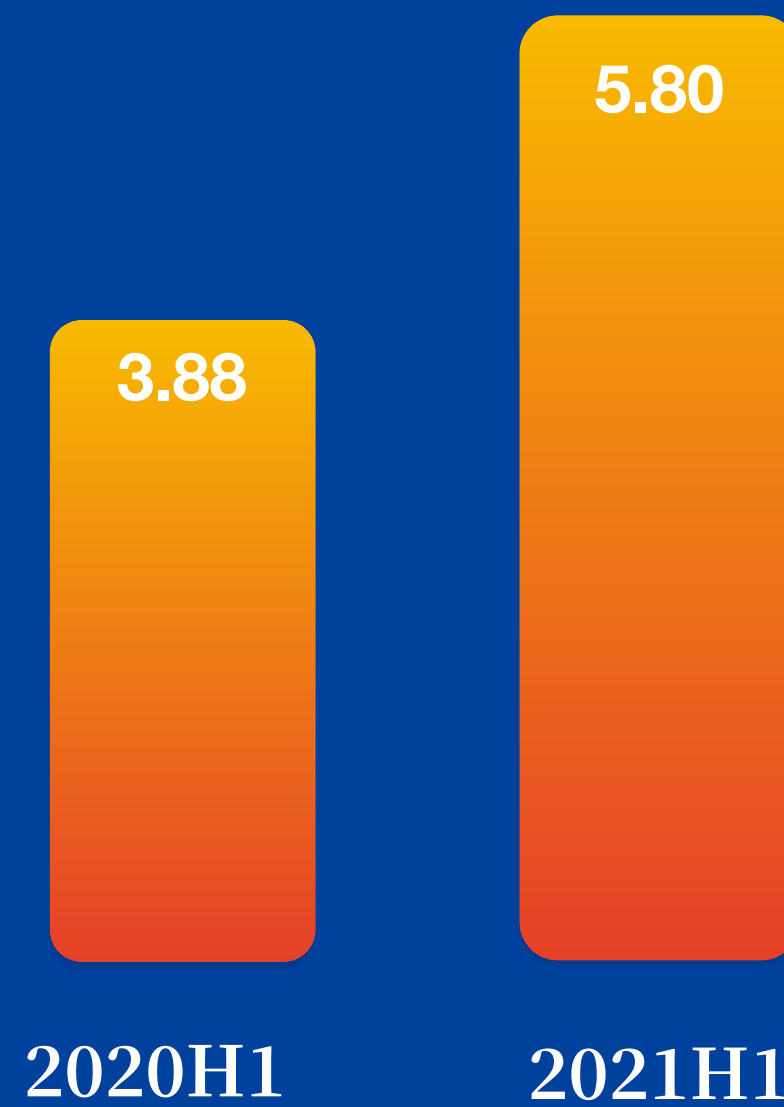


Strong synergies across segments

(RMB bn)

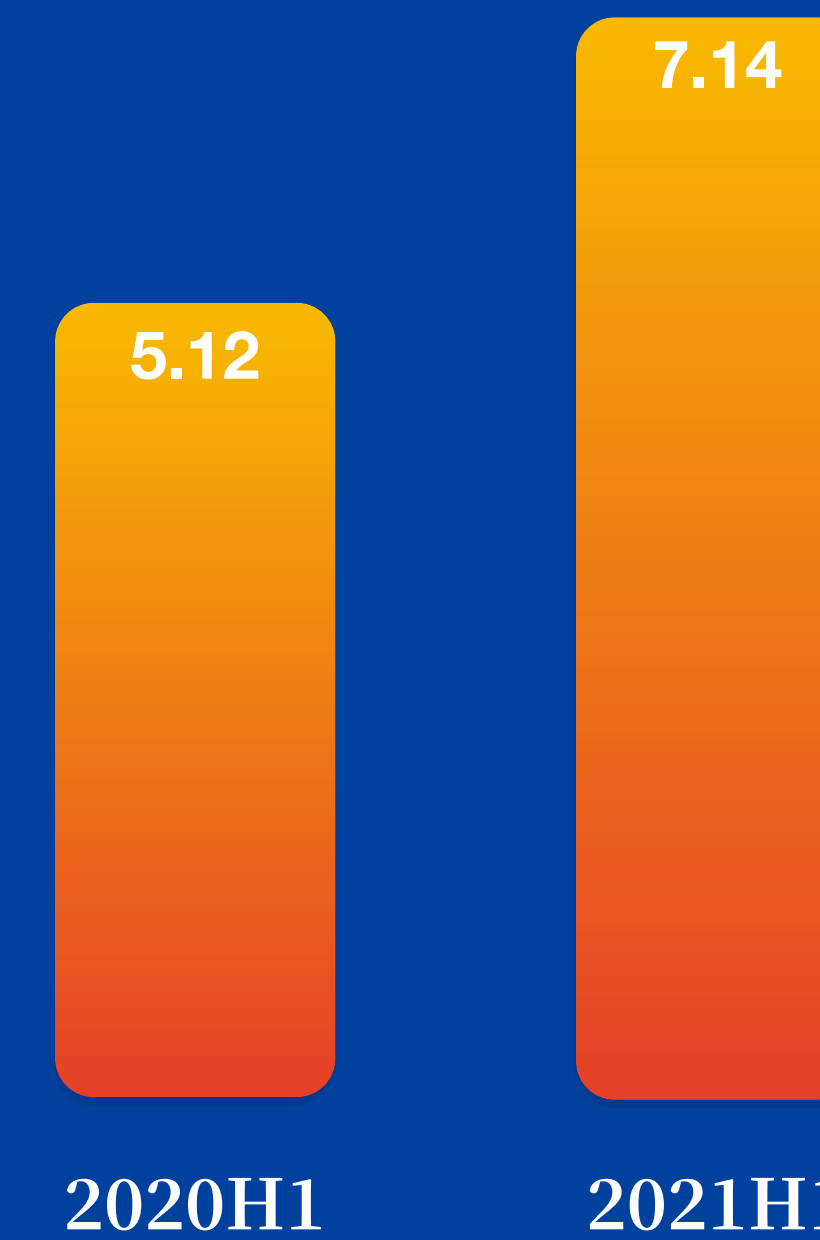
+ 49.7%

Premiums generated through synergies of
PICC P&C



+ 39.5%

Premiums generated through synergies of
PICC Lfie&PICC Health



Customers reached 270mn with increasing stickiness



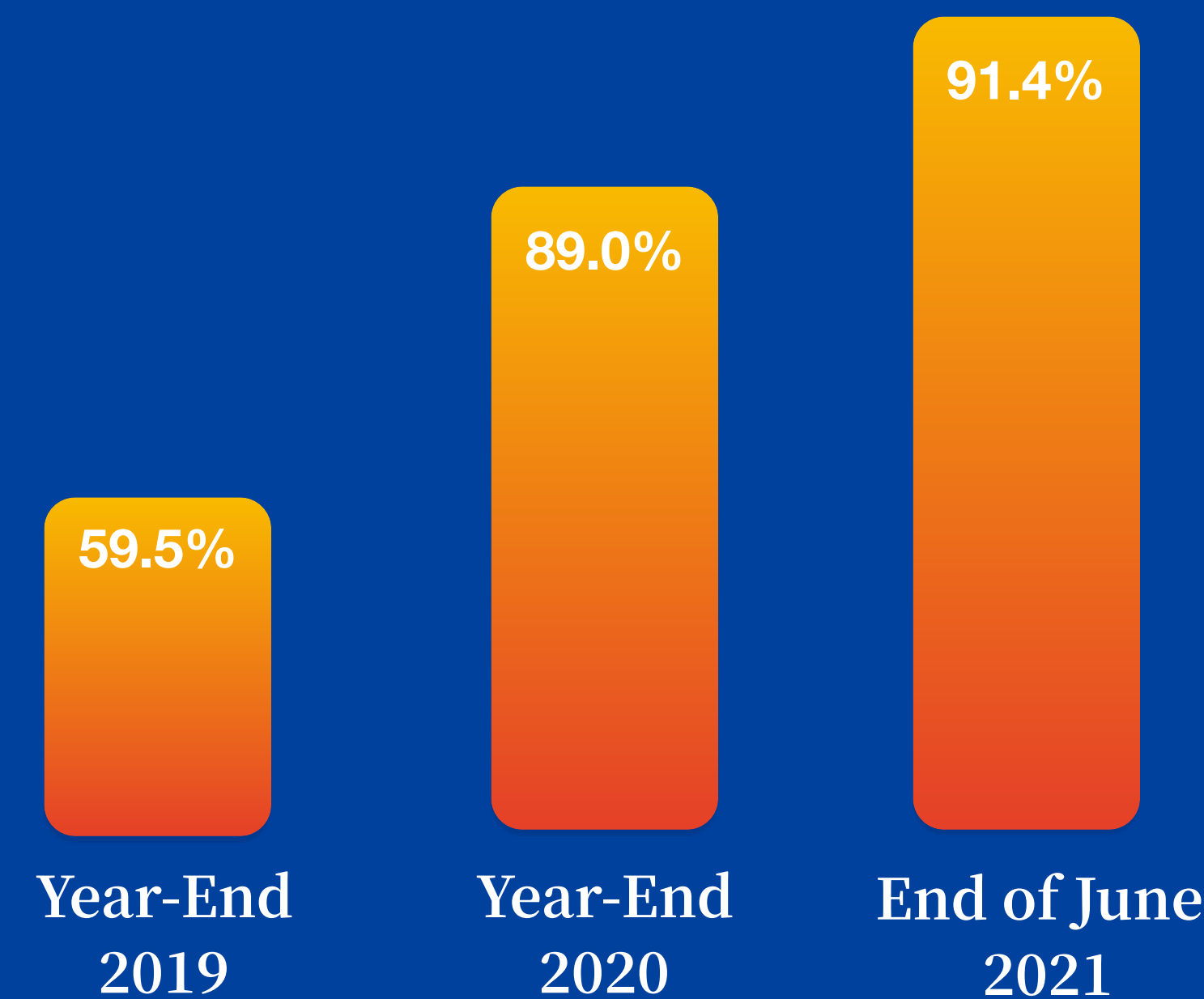
Individual customers **271.58** mn

Institutional clients **5.55** mn

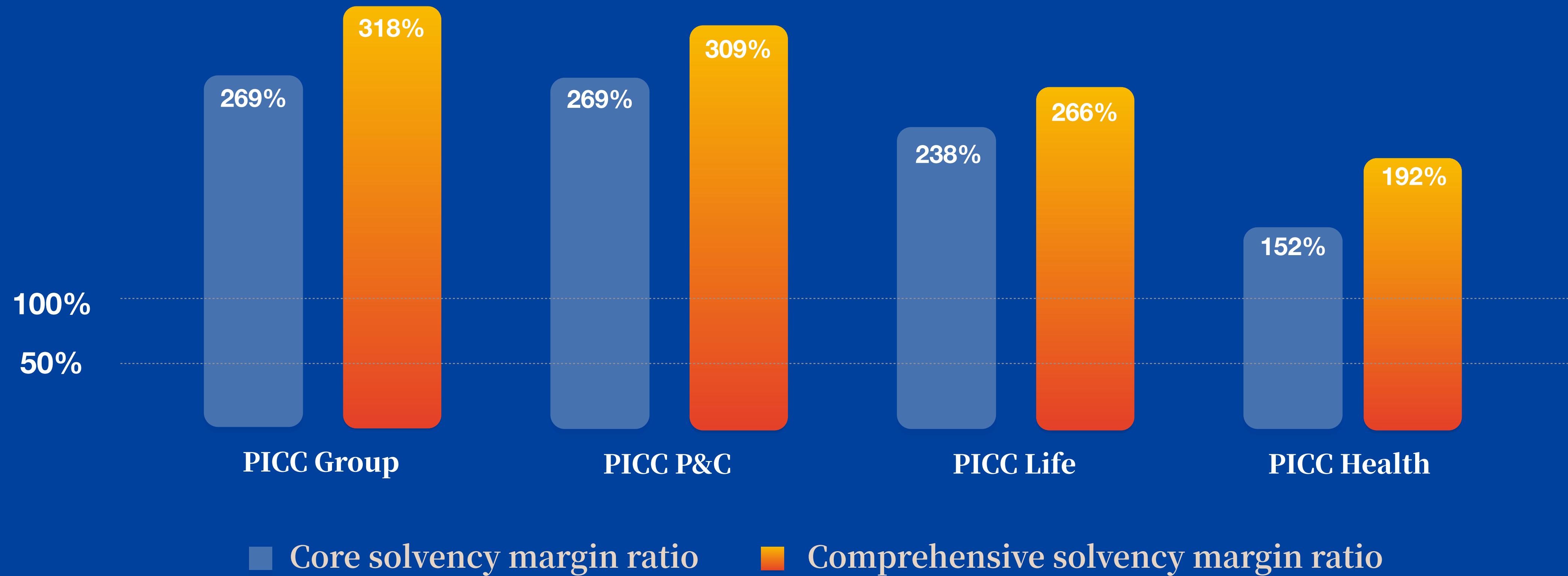
Continued growth



Online ratio among household vehicle owners



Solvency ratios higher than regulatory requirements



2021H2 Outlook

In the face of new market conditions and growth opportunities, PICC will maintain strong resolution and focus in implementing the “To be Prominent” strategy, sticking to 2021 financial targets, promoting the “Six strategic services”, driving key transformation initiatives, accelerating tech empowerment, strengthening governance, and putting the refreshed corporate culture into practice, in order to ensure our full-year goals are achieved and deliver satisfying results for our shareholders, while celebrating the 100th anniversary of CPC.

PICC P&C

- Focus on profitable growth
- More granular management of motor insurance
- Consolidate strengths in policy-related business
- Drive growth in non-motor commercial insurance
- Leading cost advantages via cost control

PICC Life

- Business growth and value enhancement
- Drive the “Cornerstone Project”
- Expand the salesforce with high productivity
- Enrich and optimize product portfolio
- Roll out Special commercial pension insurance pilot

PICC Health

- Promote expertise in health insurance
- Breakthroughs in health management accelerated
- Coordinated reforms in healthcare, health insurance and medicine policy
- Build a company of “product, platform and technology”

Investment Segment

- Improve investment management capabilities
- “Strategic-tactic asset allocation” framework
- Overarching guidelines for key industry development
- Execution of strategic investments

02

Segment Overview

P&C: Financial Highlights

Gross Written
Premiums

RMB 252.63bn

+ 2.6%

Underwriting Profit

RMB 5.41bn

+ 1.3%

Combined Ratio

97.2%

- 0.1ppts

Total Investment Income

RMB15.17bn

+ 37.8%

Net Profit

RMB 16.50bn

+ 25.2%

Net Assets

RMB 197.55bn

+ 4.0%

Note: "P&C" refers to PICC P&C, not including PICC HK, unless otherwise stated.

Combined ratio stable, underwriting profitability better than peers

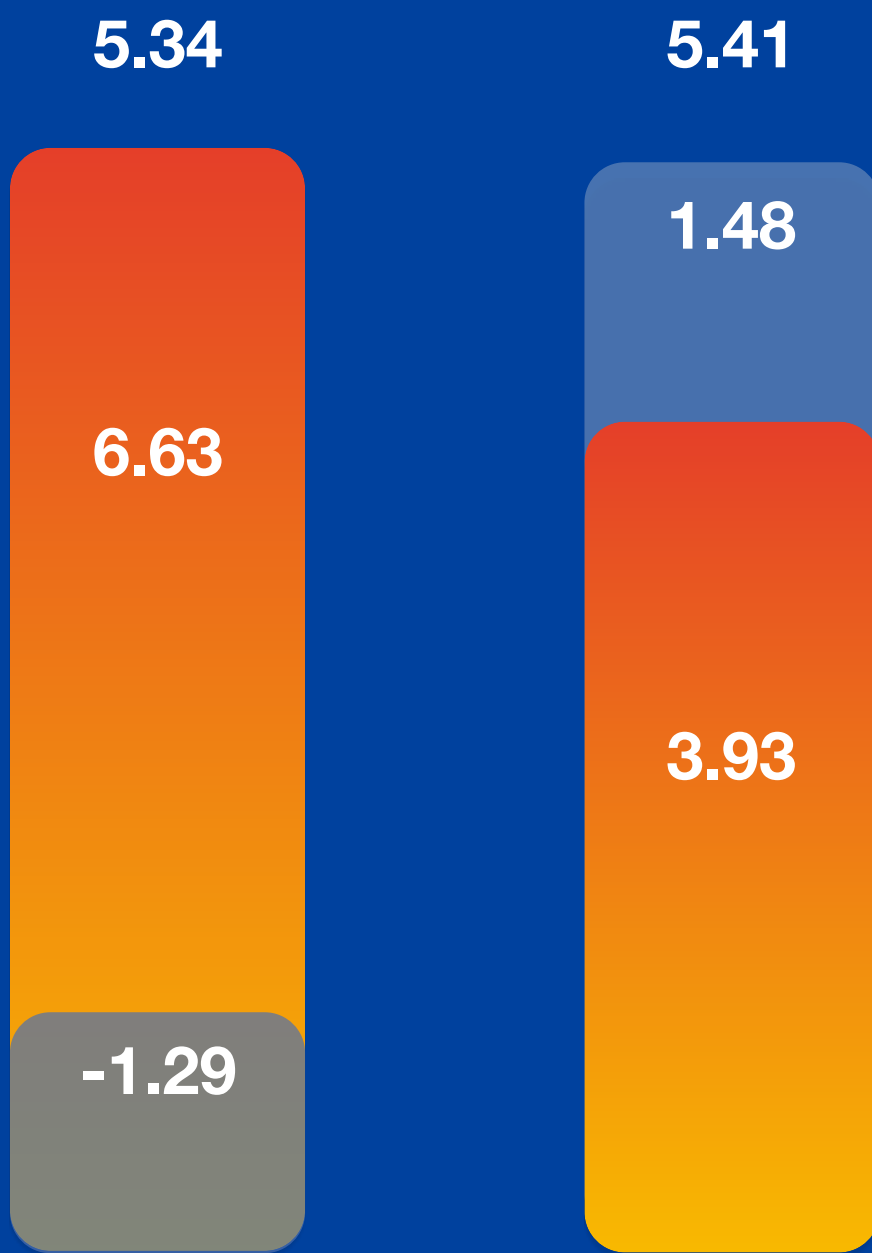
(RMB bn)

Combined ratio **- 0.1ppts**



2020H1 2021H1

Underwriting profit **+ 1.3%**



2020H1 2021H1

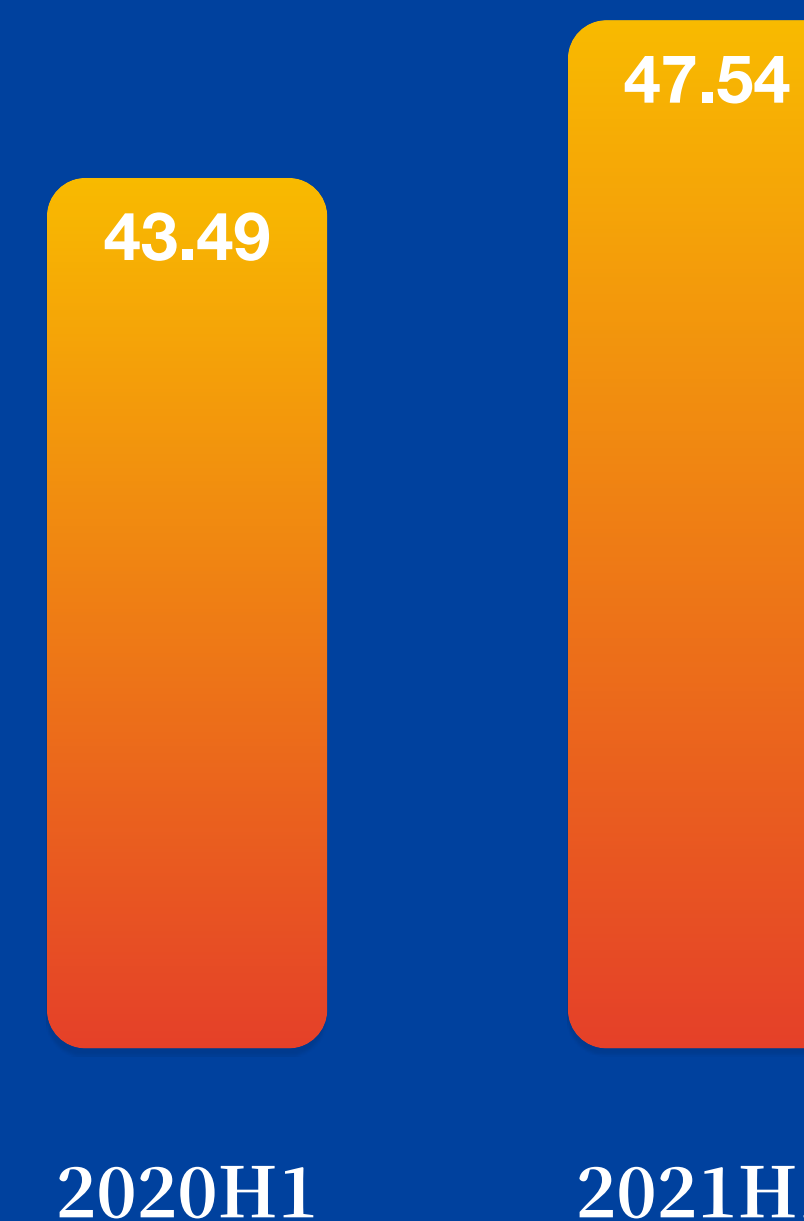
motor profit Non-motor profit

Actively comply with motor insurance reform with increase of No. of vehicles Insured

Motor insurance GWPs

RMB 120.76bn

+ 9.3%
No. of Vehicles Insured
(mn)



Continued structural improvement in motor insurance

Renewal rate of household vehicle

74.1%
+ 2.9ppts

No. of household vehicles insured

+ 12.9%

Household vehicles as % of total vehicles insured

80.6%
+1.3ppts

Market share in household motor insurance

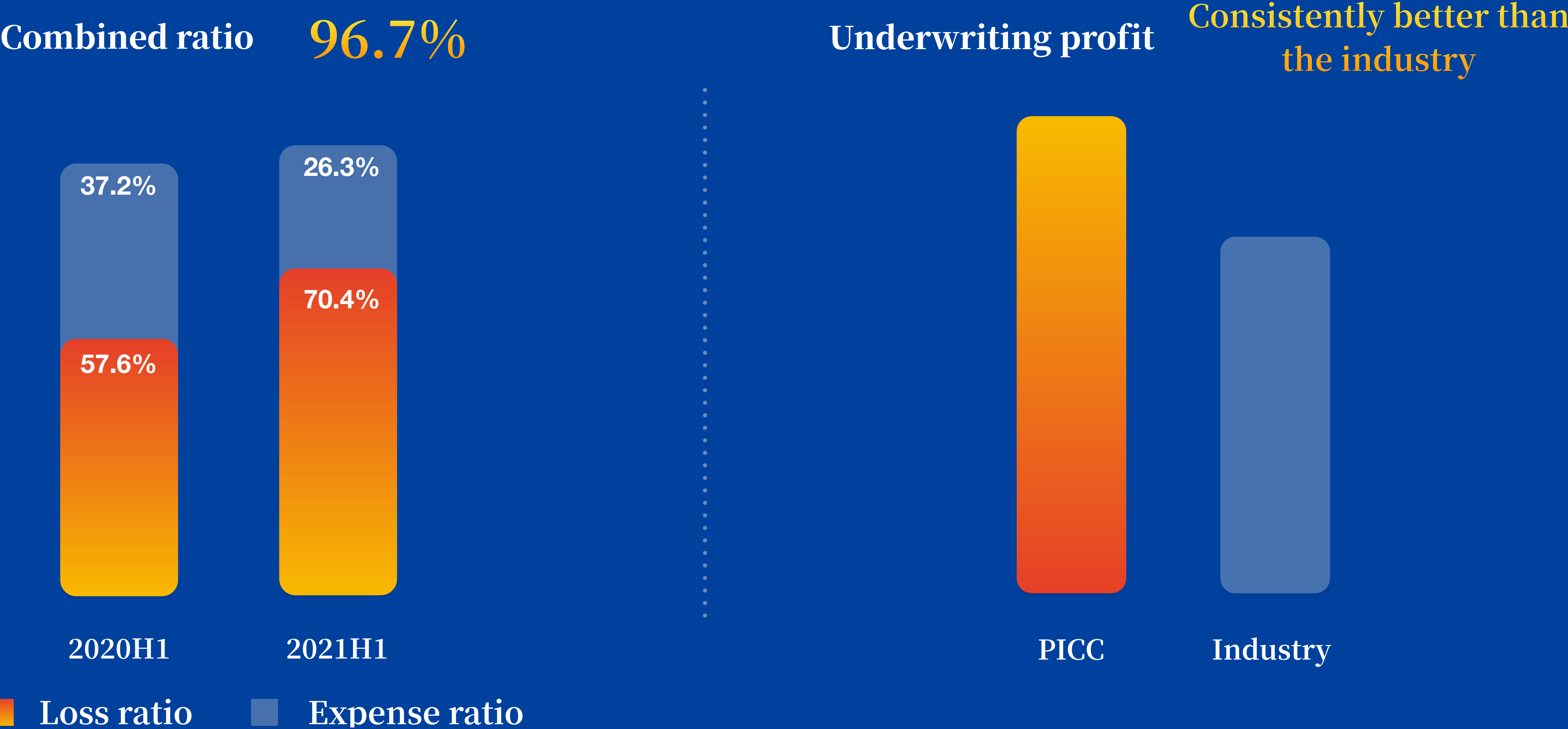
+ 1.2ppts

% of renewed commercial motor insurance customers with no claims

+ 0.8ppts

Motor insurance profitability outperformed the industry

(RMB bn)



Non-motor insurance achieved profitability via strengthened risk controls

	Gross written remiums	YoY
Overall non-motor	RMB131.87bn	+14.4%
Accident & health	RMB60.04bn	+20.8%
Agriculture	RMB29.67bn	+15.5%
Liability	RMB18.88bn	+18.5%

2020H1

-1.29

2021H1

1.48

Non-motor underwriting profit (RMB bn)

Agricultural insurance experienced fast growth and better profitability

- Stronger protection for agricultural insurance due to improved benefits, wider coverage and more products
- Enhanced service capabilities through product innovations
- Continued leadership in the agricultural insurance market

+ 15.5%

Gross written premiums

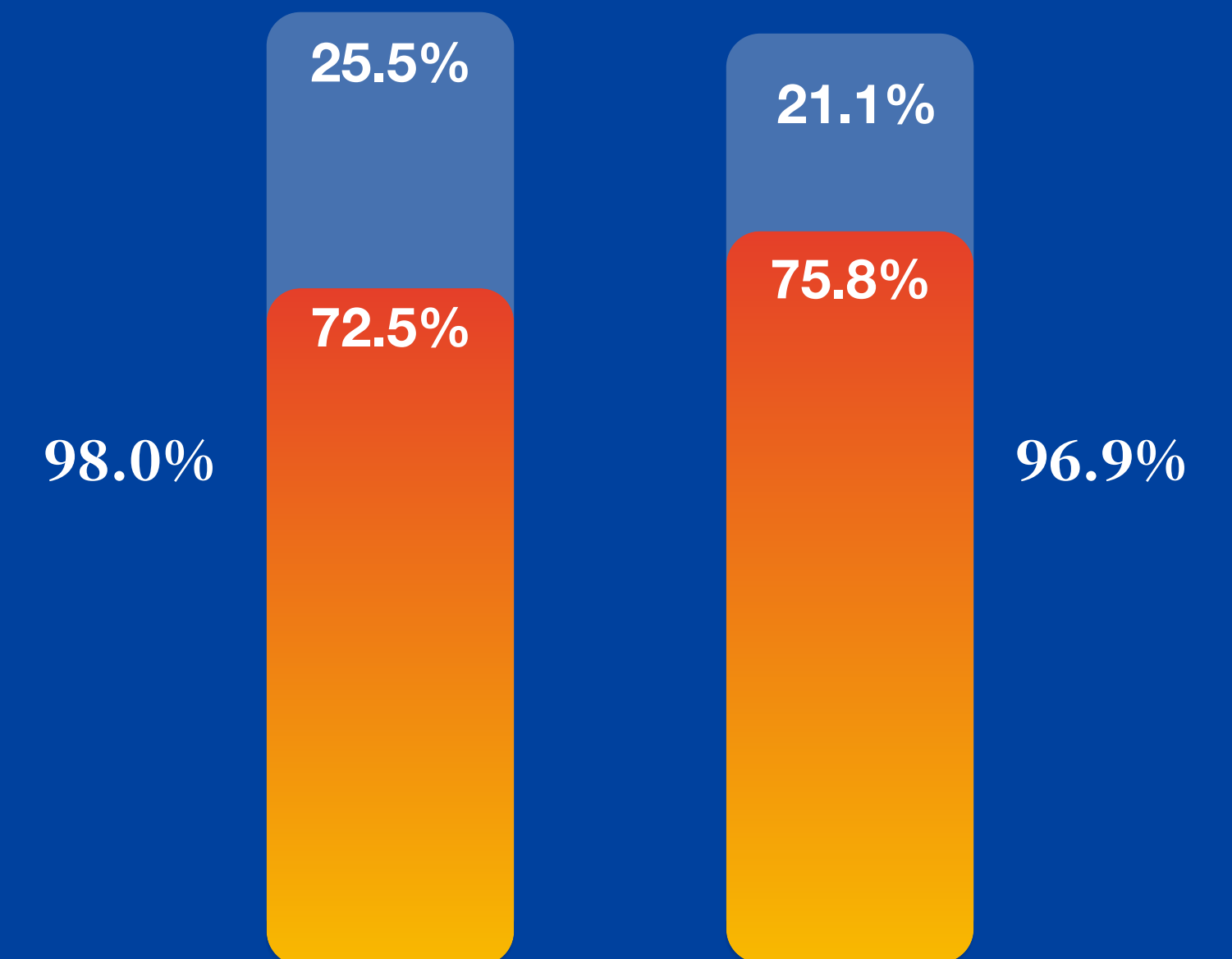


2020H1

2021H1

- 1.1ppts

Combined ratio



2020H1

2021H1

Loss ratio

Expense ratio

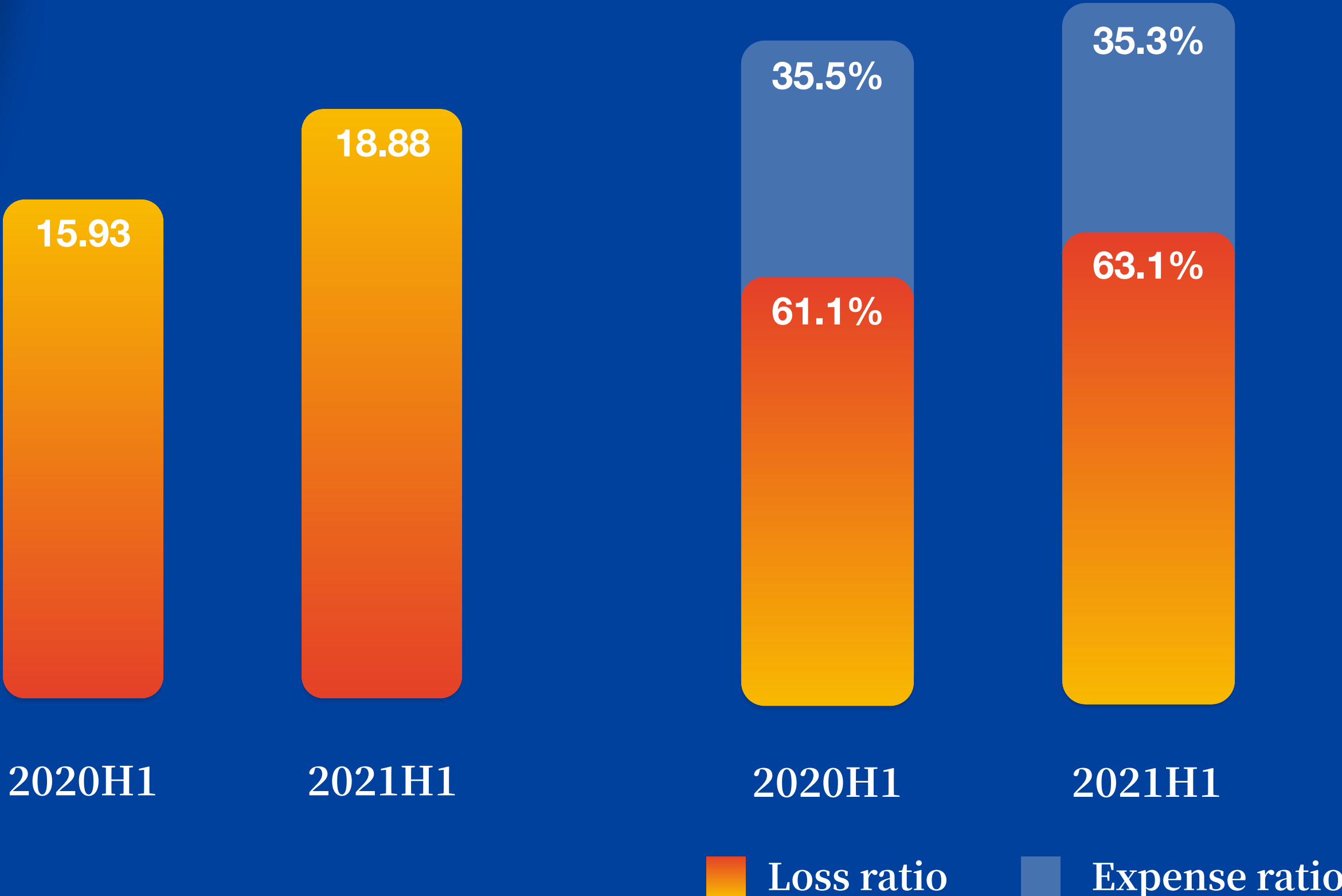
(RMB bn)

Liability insurance delivered strong social and economic benefits

- Capture market opportunities to drive key national strategy
- Create a new model of “insurance + risk controls + tech + services”

+ 18.5%
Gross written premiums

98.4%
Combined ratio



(RMB bn)

Credit & surety insurance continued to phase out financial risks

- Continued to phase out existing risks
- Strengthened recovery and collections after claim payments
- Strict control over quality of new businesses

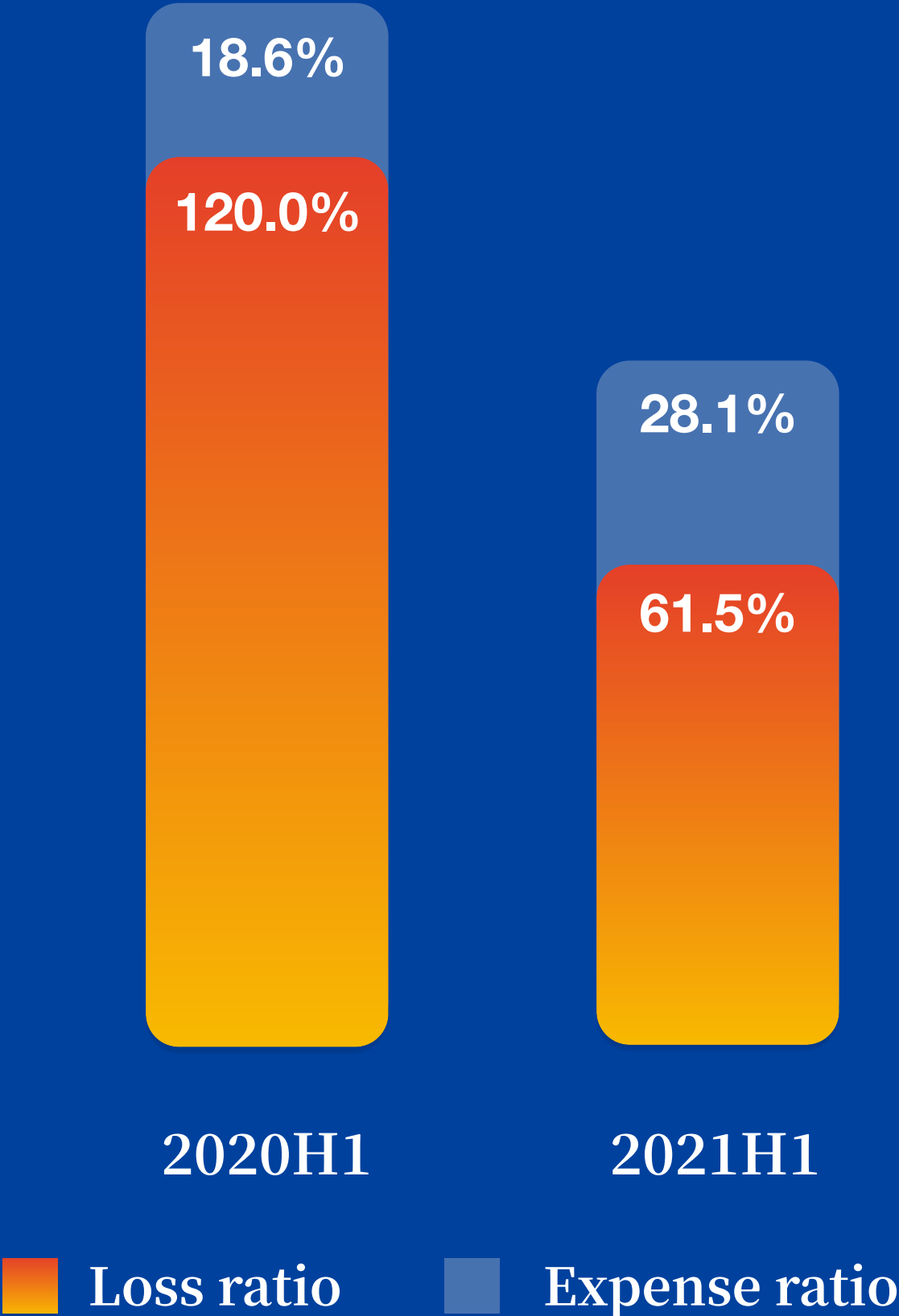
Gross written premiums
RMB1.16bn

Recovered amount after claim payments

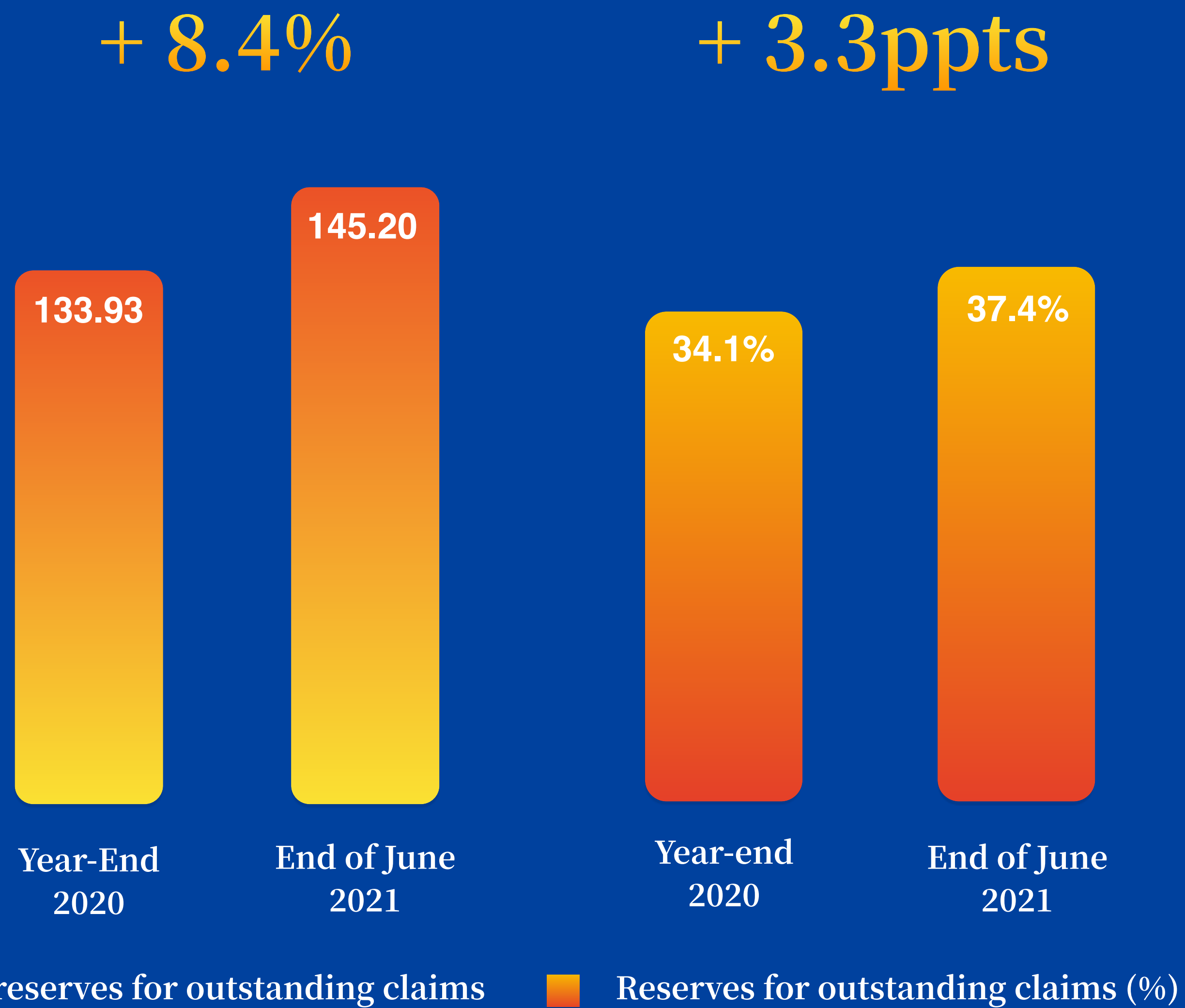
RMB1.3bn +79%

- 49.0ppts

Combined ratio



Sufficient LAE reserves for outstanding claims

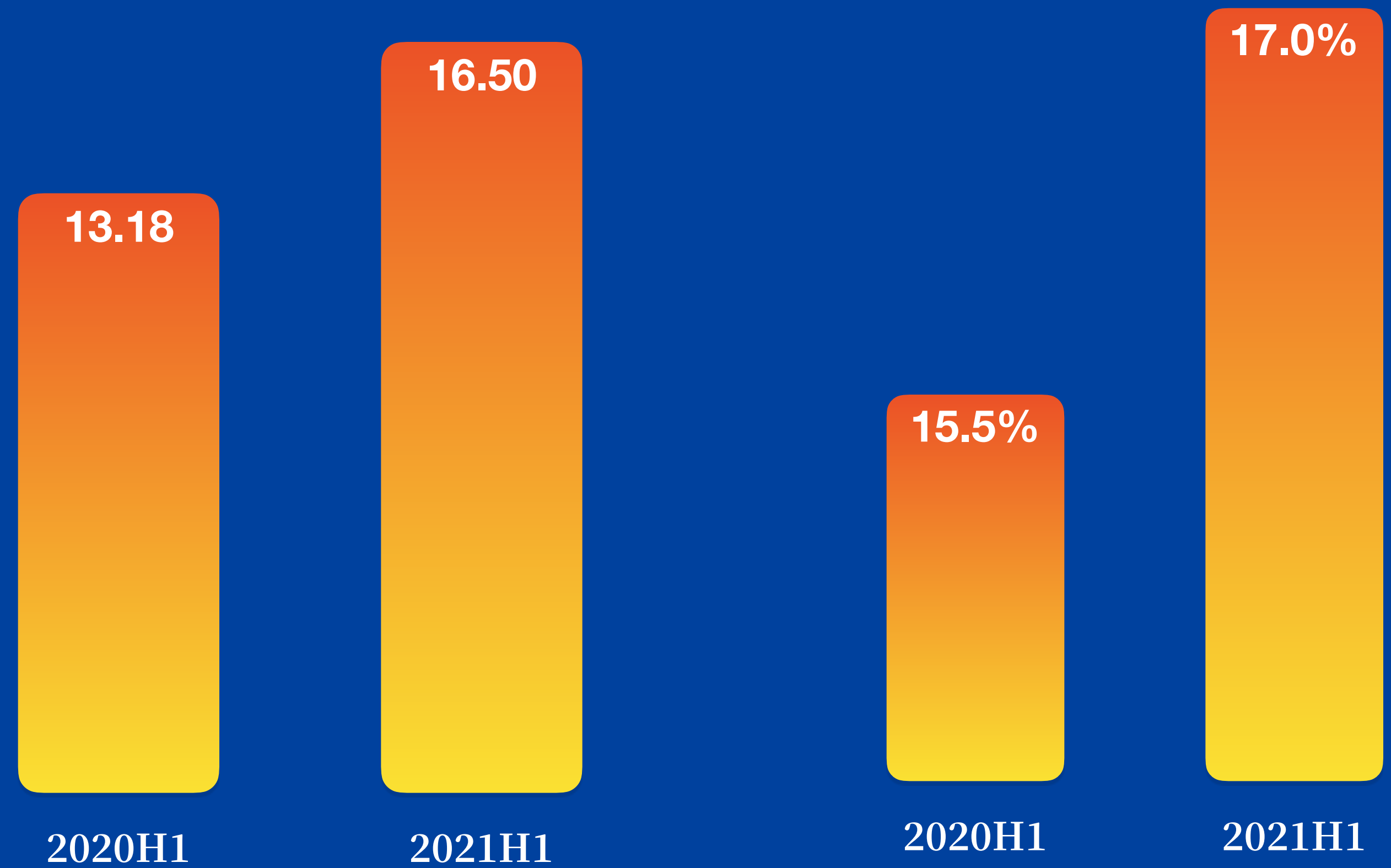


(RMB bn)

Fast growth in net profit

+ 25.2%
Net profit

+ 1.5ppts
Annualized ROE



(RMB bn)

Life Insurance: Positive Long-term Trends, Continued Growth in Profit

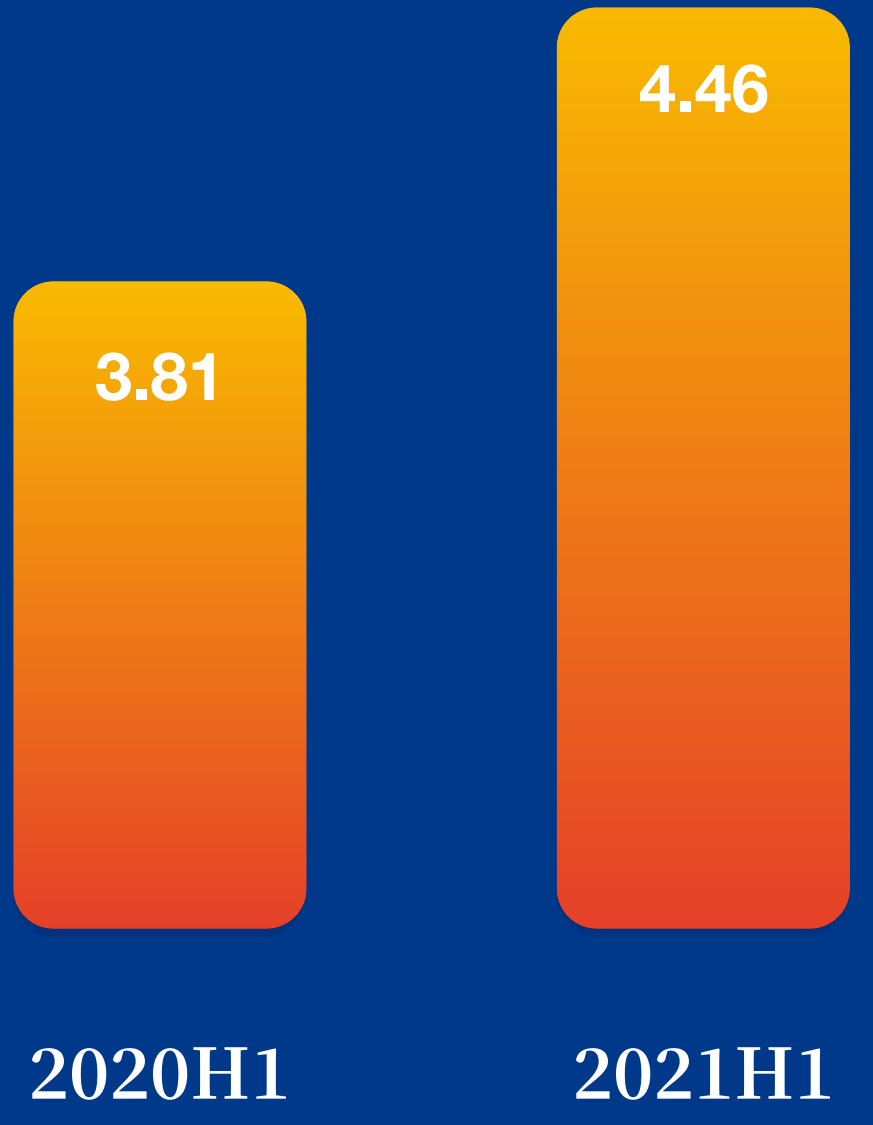
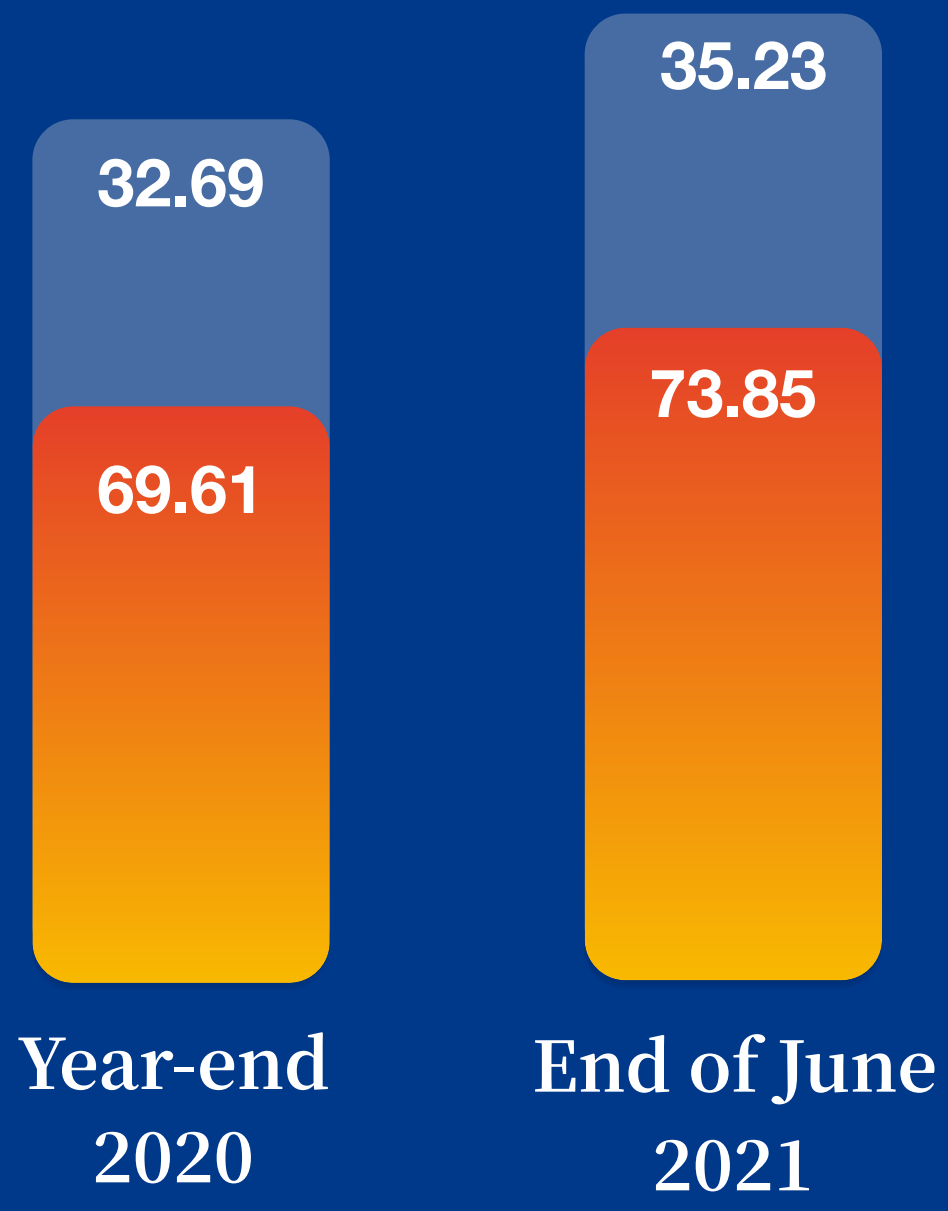
(RMB bn)

Embedded Value + 6.6%

Value of In-force Business + 7.7%

+ 17.1%

Net profit

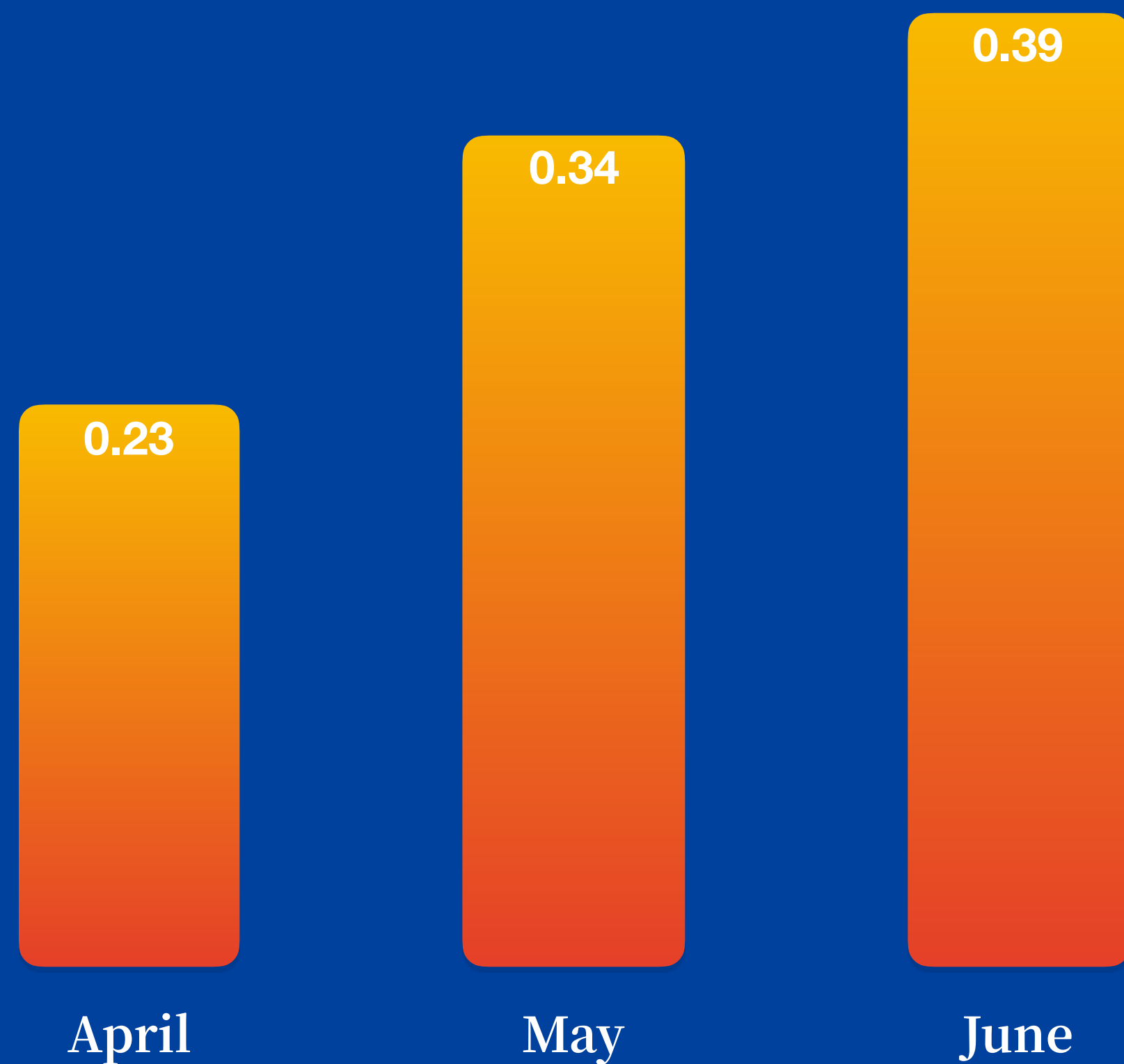


Adjusted net assets Value of in-force business after cost of capital

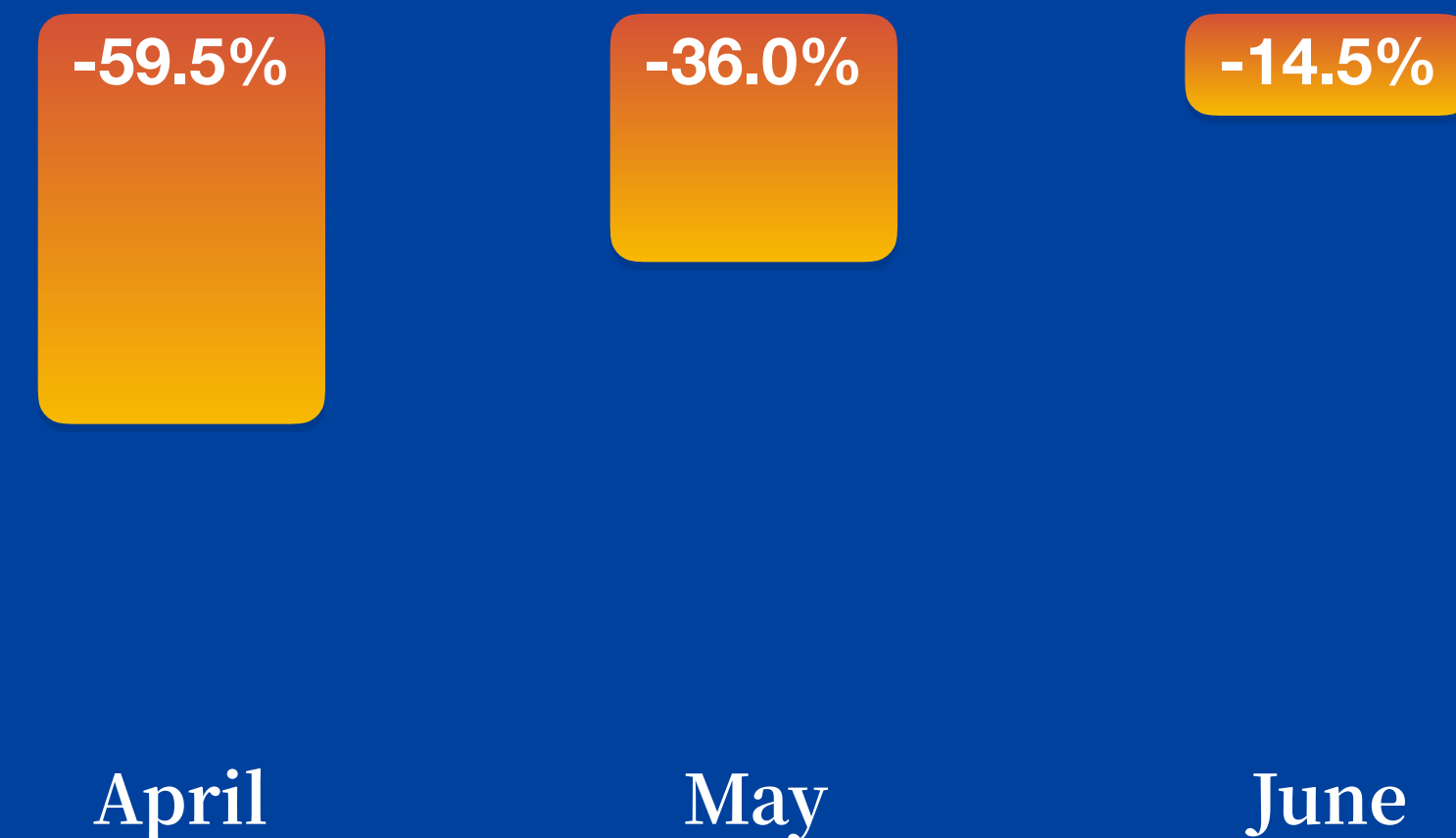
New journey toward service-driven growth

(RMB bn)

MoM growth of first-year regular premiums with premiums paid period more than 10 years (incl.) turned to positive



Narrowed YoY decline in first-year regular monthly premiums



Agents rebounded driven by focusing on expertise building

(# Agents)

“Cornerstone Project”

Monthly effective agents

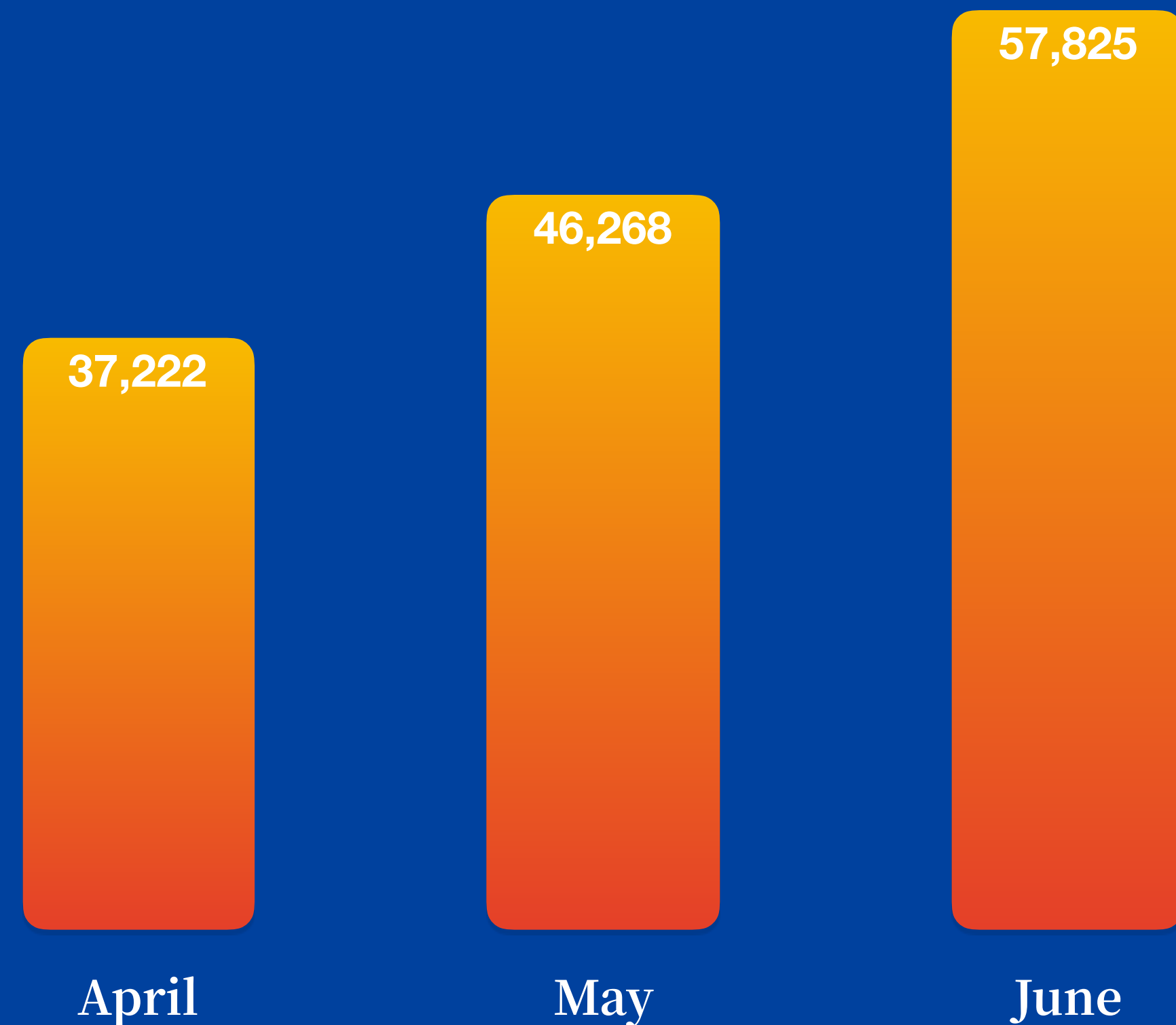
Team building 2.0

Weekly review

Performance appraisal

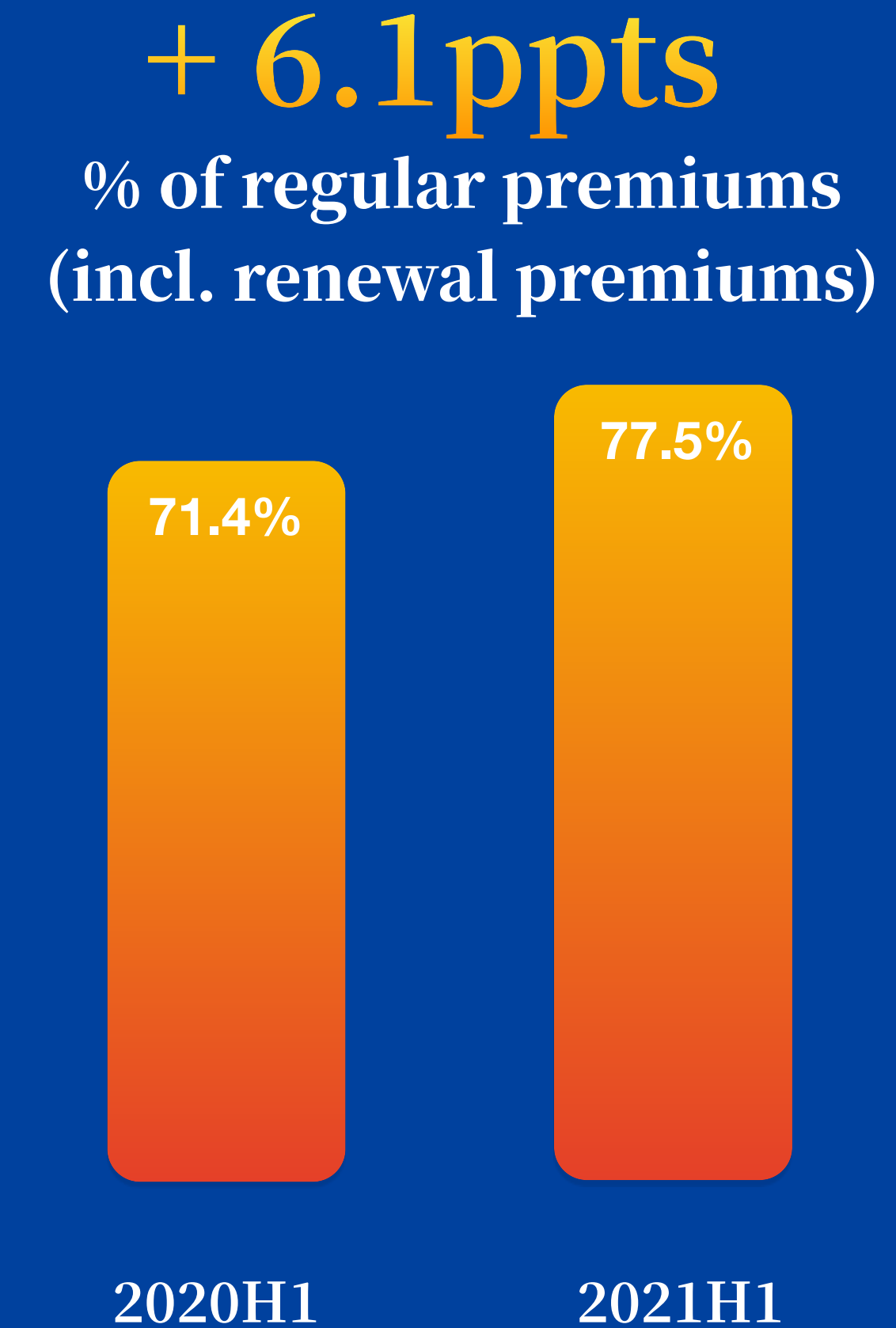
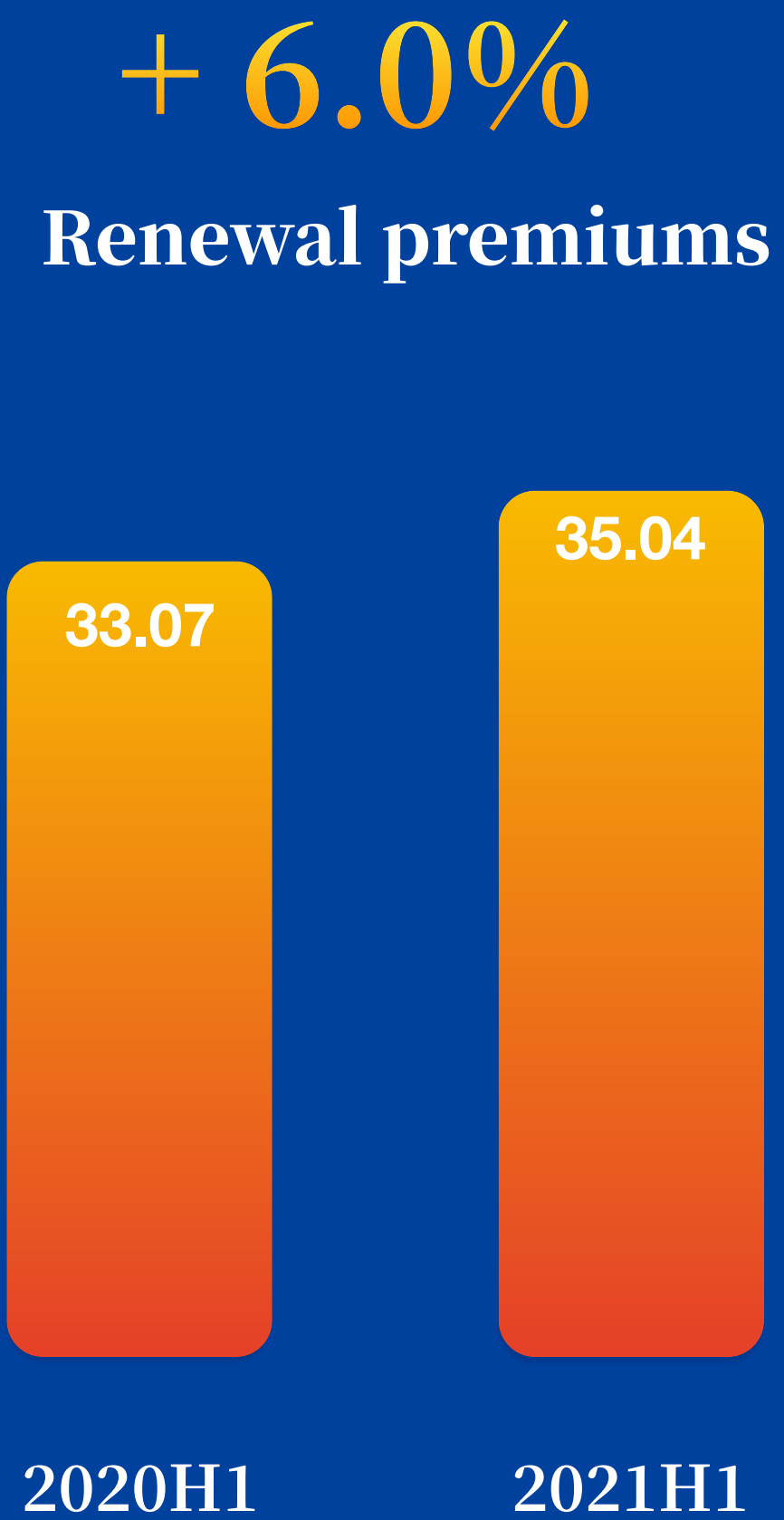
Training and Education

Worksite standardization Technology empowerment



Business structure improved by focusing on value-oriented strategy

(RMB bn)



Strong growth in cash inflow from operating activities

Breakthrough in commercial pension insurance

Strong growth

Cash inflows in
operating activities
2021H1

+RMB29.68bn

One of 1st batch
pilot insurers &
Underwrote 1st
policy of

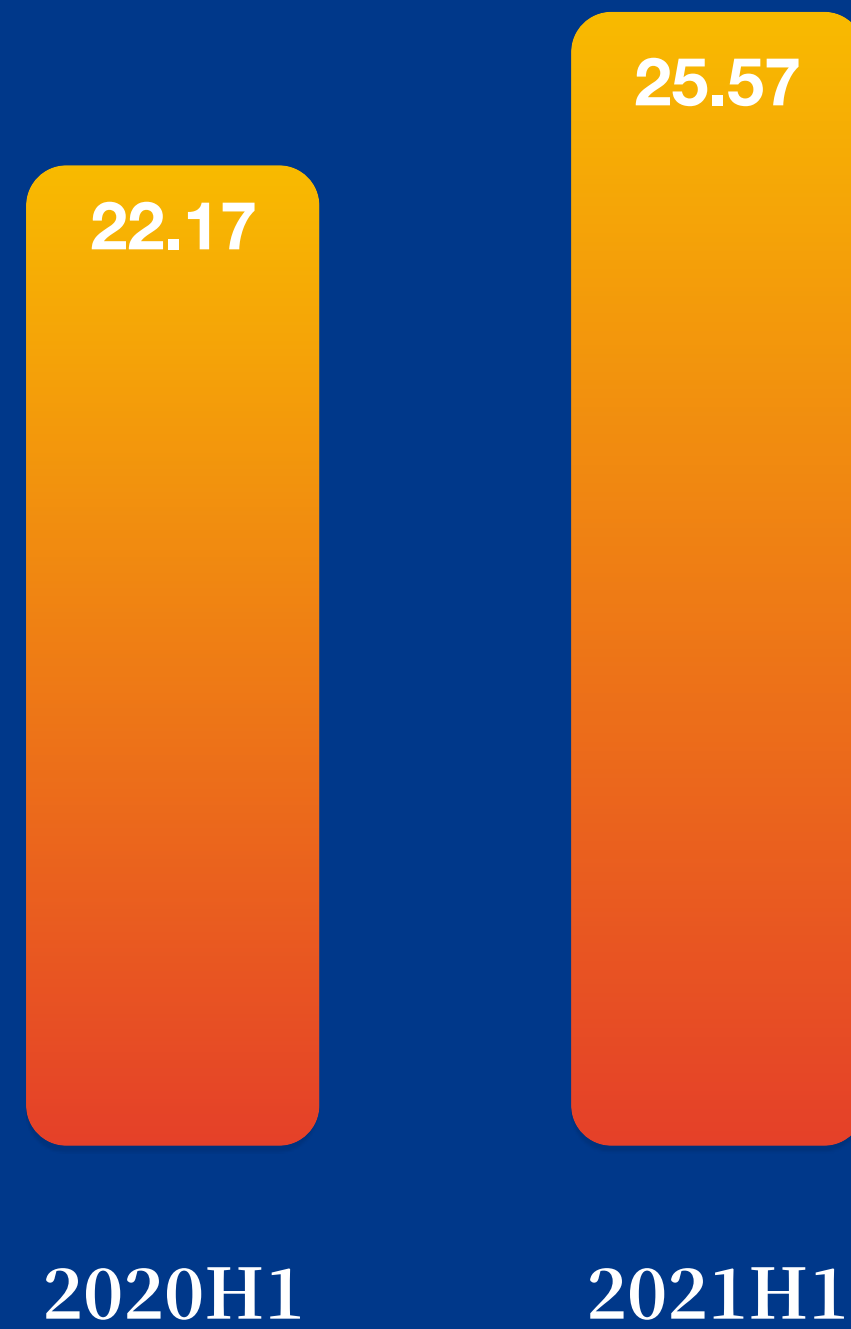
3rd pillar commercial
pension insurance

Health Insurance: Earnings reach record-high, Entering into new growth stage

(RMB bn)

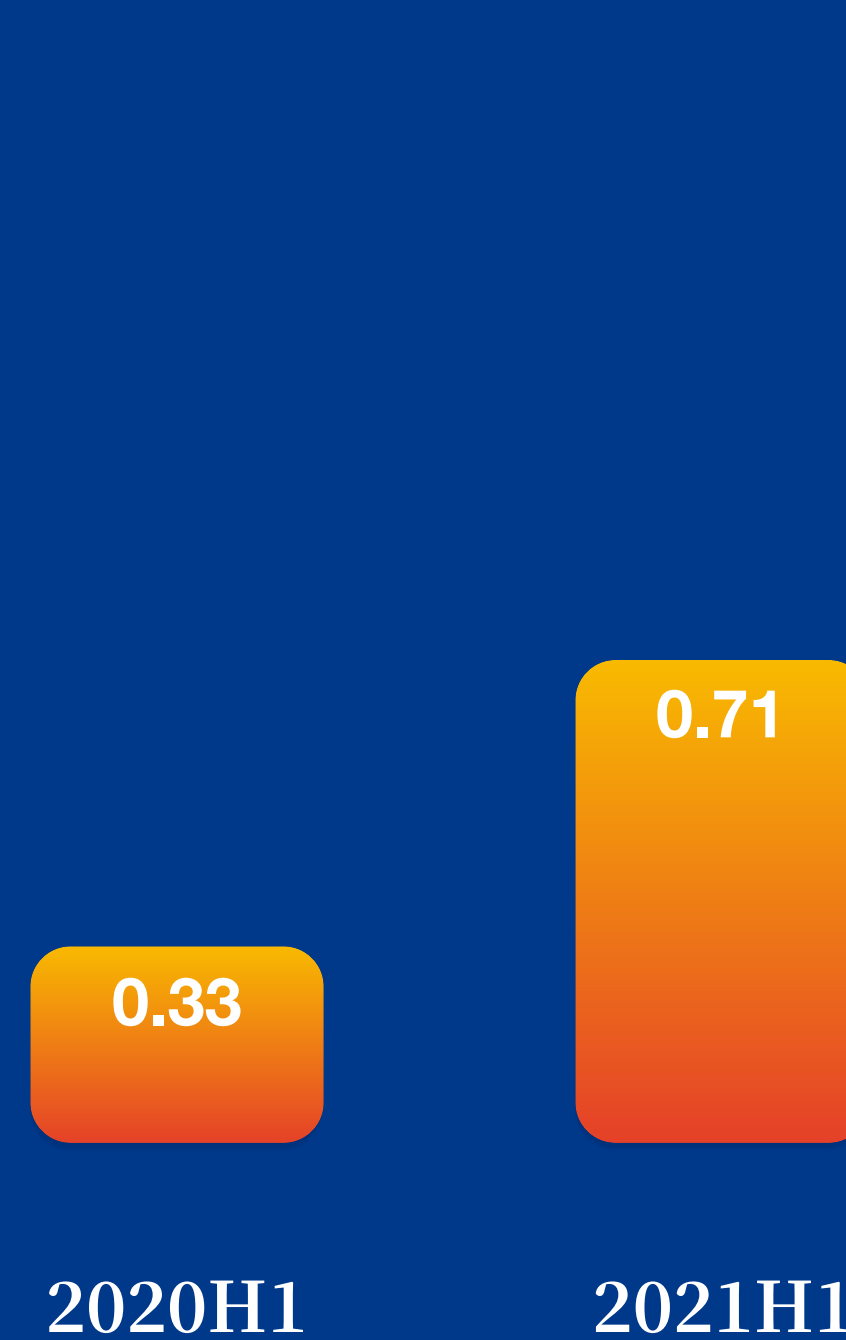
+ 15.3%

GWPs



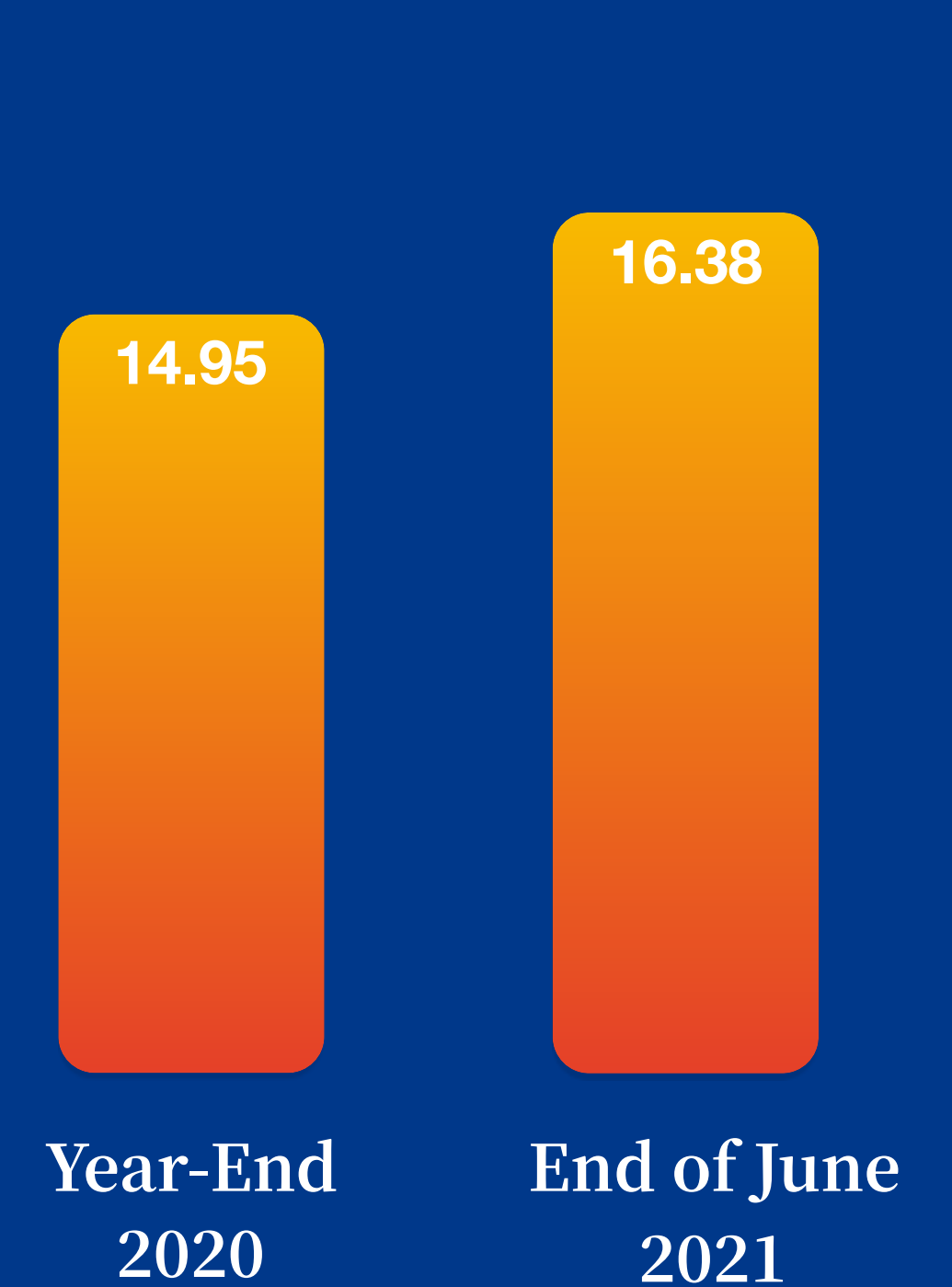
+ 116.1%

New Business Value



+ 9.6%

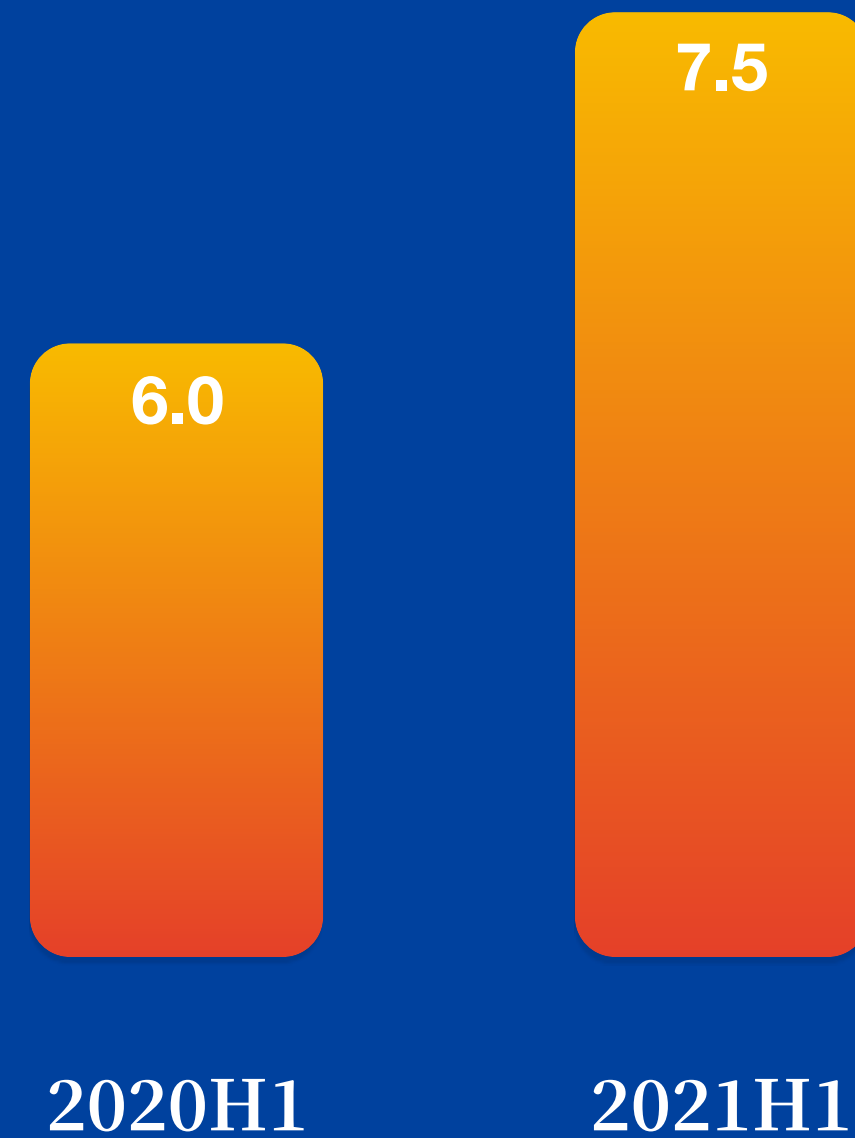
Embedded Value



Online sales ranked 1st among life insurers

(RMB bn)

Premiums of
online business **+ 25.0%**



New customers

3.93mn

Accumulative customers

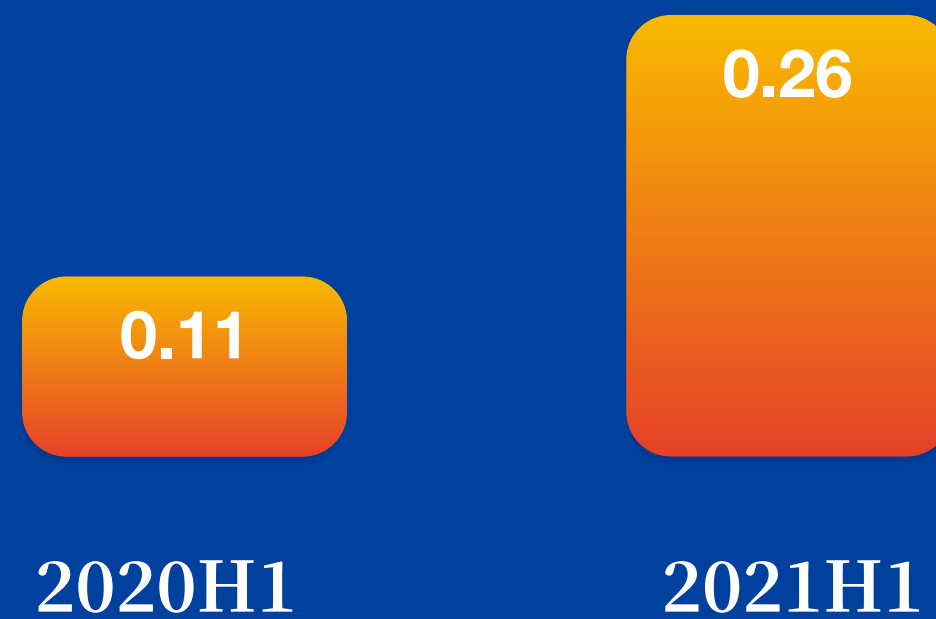
45.97mn

Significant improvement in operating results

(RMB bn)

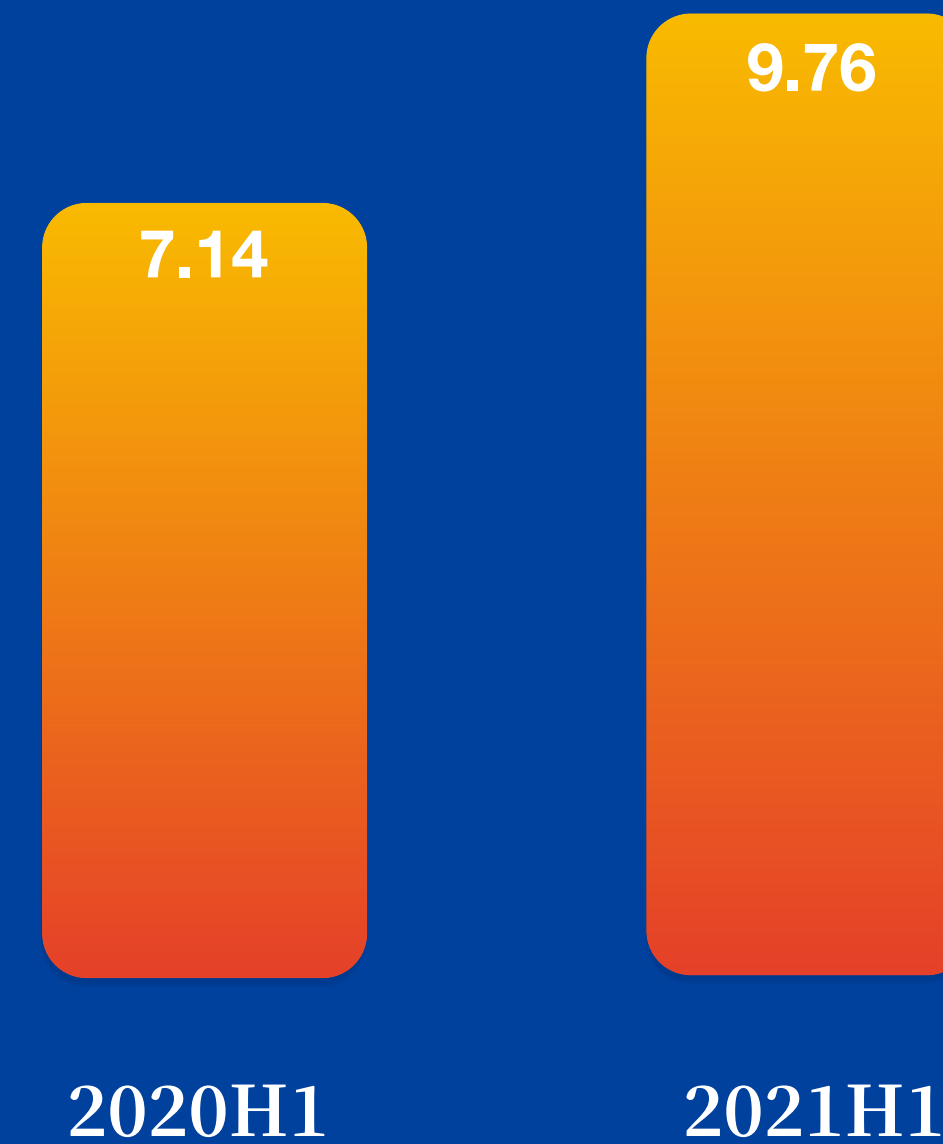
+ 139.8%

Net profit



+ RMB2.62bn

Cash inflow from operating activities

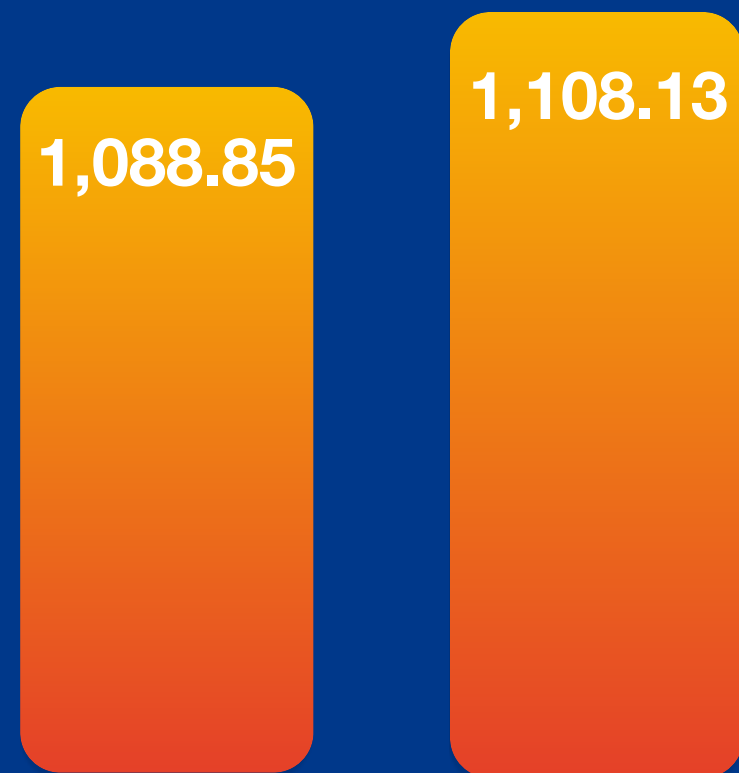


Asset Management: Stable growth of investment assets and prudent investment portfolio

(RMB bn)

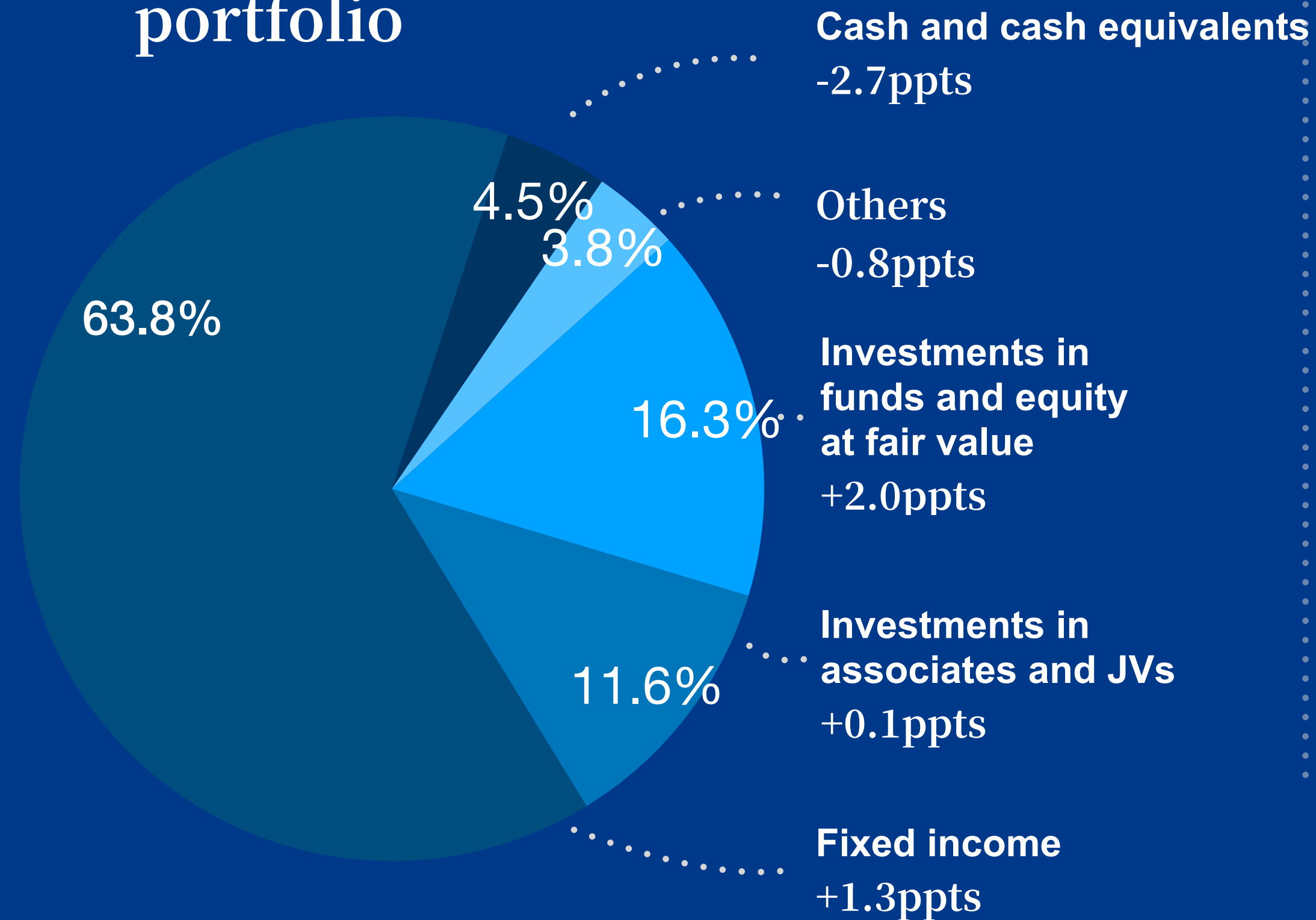
+ 1.8 %

Total investment assets



Year-end 2020 End of June 2021

Investment portfolio



+ 13.0 %

Third-party AUM
RMB 525.05bn

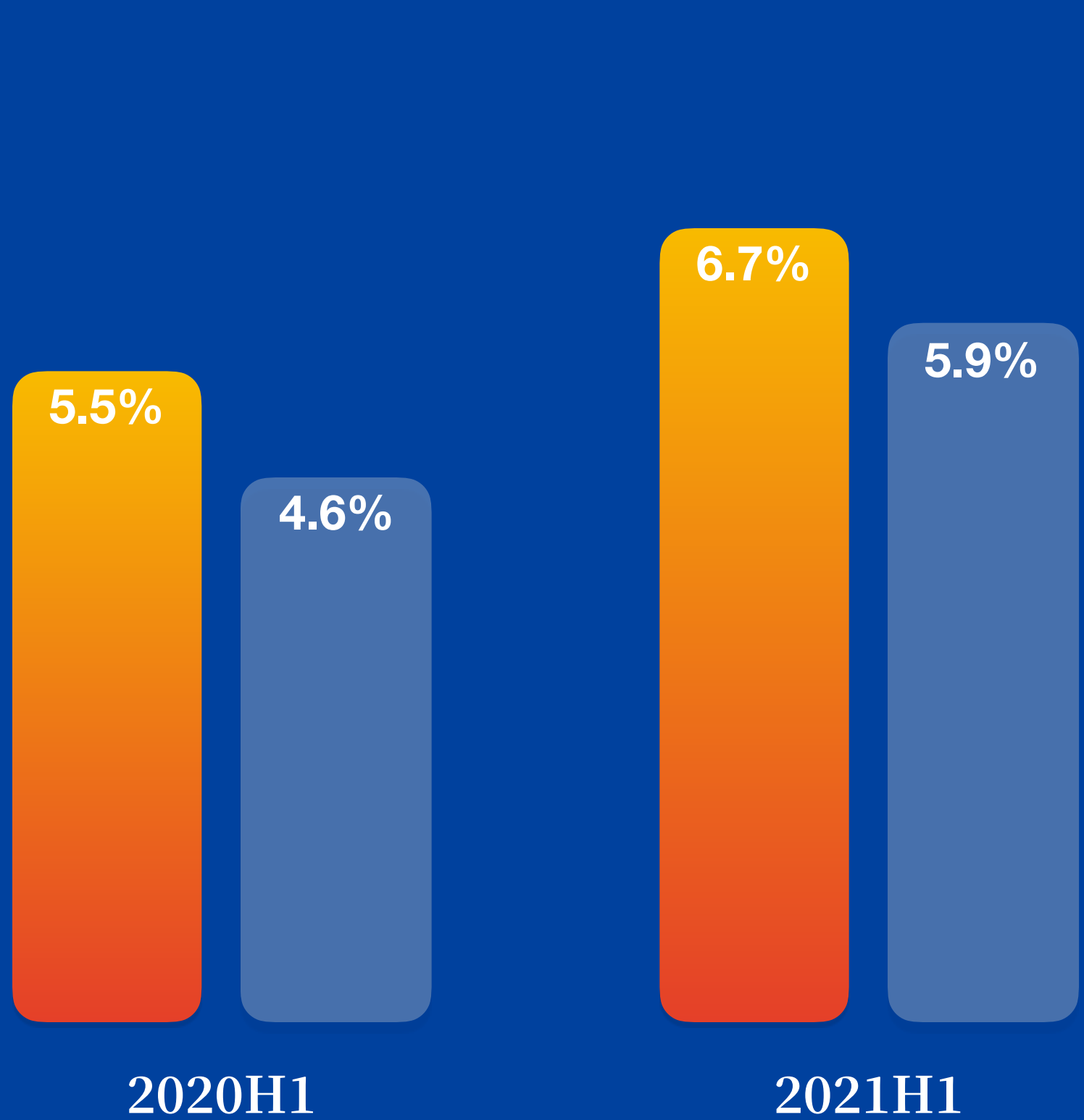
Note:

- 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.

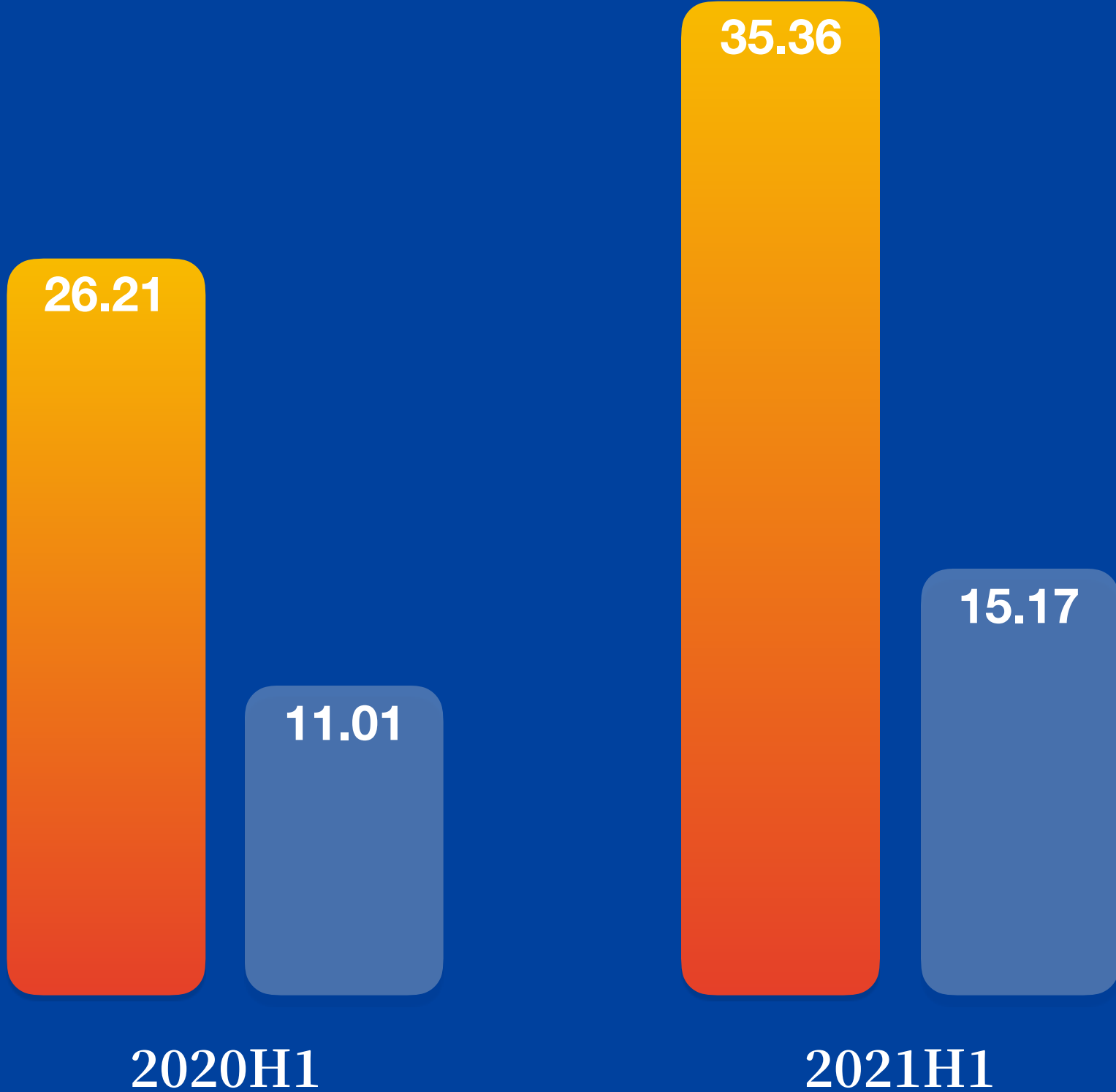
Fast-growing total investment yield

(RMB bn)

Annualized total investment yield



Total investment income



 PICC Group  PICC P&C

Manageable risks in investment assets

Bond Investments

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

Diversified exposure to sectors for credit bonds, with overall manageable credit risks

Alternative Investments

98.1% are AAA-rated by external institution

Active credit enhancement, including guarantees, repurchase, gross-up, mortgage/pledge, etc.

Equity Investments

Stick to “long-term value investment” strategy, maintain exposure to equities at manageable levels

PICC Financial Service: Business Model Getting Clear

Operating revenue

RMB0.83bn + 154.8%

Loss reduction realized
by “Jia An Pei”

RMB1.02bn + 85.5%

Premiums facilitated

RMB0.94bn + 205%

“Che Zhu Hui” platform

Accumulative 7mn

Customers

Renewal rate >85%

Reinsurance: Stronger Capabilities

RMB 3.52bn + 24.1%

PICC Re reinsurance premiums

RMB1.14bn

Third-party reinsurance
premiums

46.5%

YOY

Accounting for over 30%

RMB 57mn

Net profit

Effective cost control

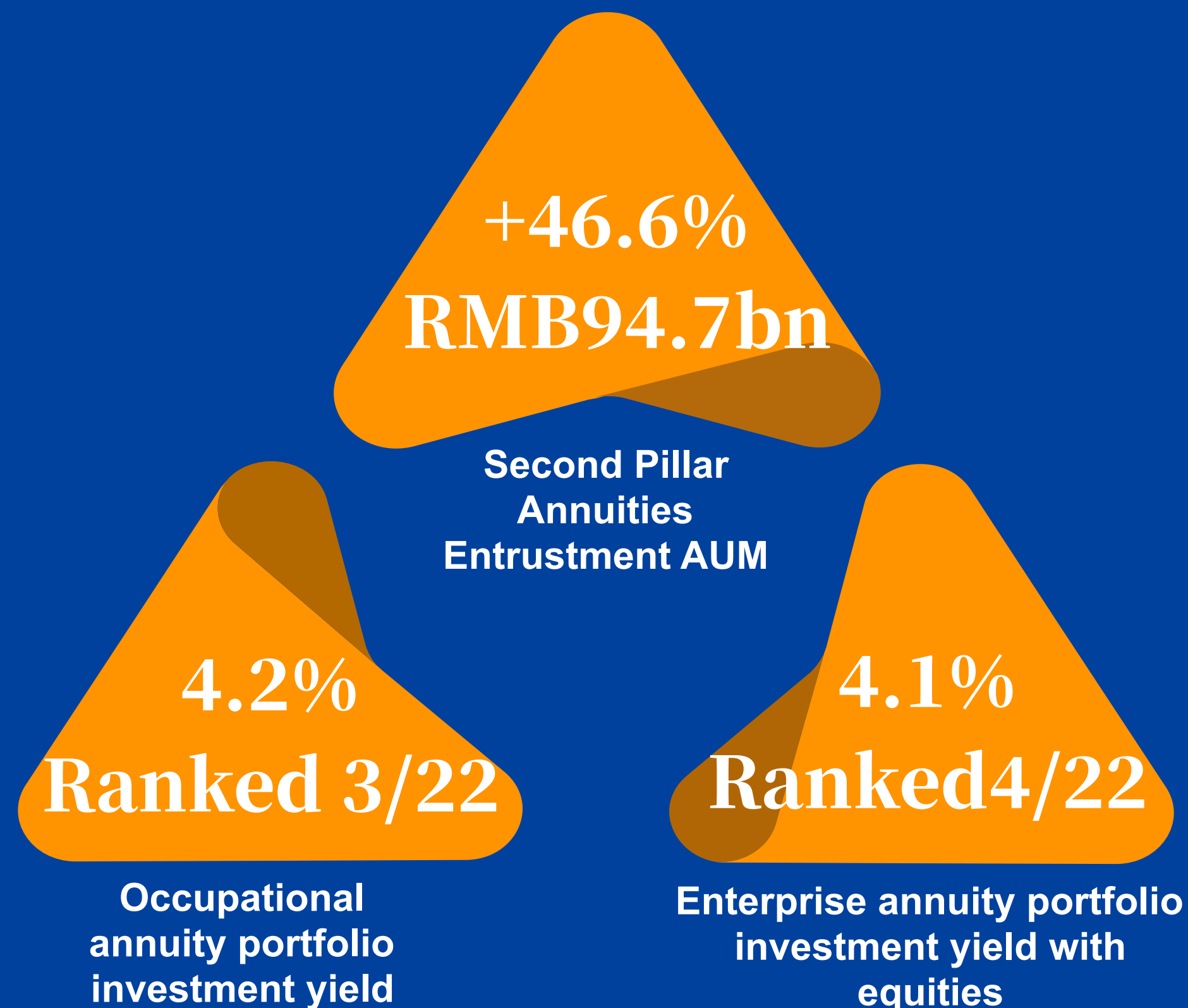
1.9%

Business & administration
expense ratio
among the lowest in the
industry

Pension: Perform good results in investment yield

RMB321.6bn + 29.1%

PICC Pension AUM



1 Prepare for full rollout of commercial pension insurance

2 Drive growth in second pillar annuities entrustment business

3 Strengthen pension fund investment management capabilities

Meeting your demands
and warming your hearts

Do it now and get it done

Q&A

Appendix: Differences between CAS and IFRS

(RMB mn)

Item	Net Profit Attributable to Equity Holder of the Company		Net Assets Attributable to Equity Holder of the Company	
	2021H1	2020H1	As of Jun 30, 2021	As of Dec 31, 2020
Under CAS	16,884	12,602	211,746	202,194
Items and adjustments under IFRS				
Catastrophe reserves of agricultural insurance	-10	33	413	424
Impact of such adjustments on deferred income tax	3	-8	-103	-106
Insurance contracts reclassified as investment contracts	-22	-21	-53	-32
Under IFRS	16,855	12,606	212,003	202,480

Appendix: Key Financials of PICC Group (CAS)

(RMB mn, unless otherwise noted)	2021H1	2020H1	Change (%)
Gross written premiums	344,129	336,841	2.2
Of which: PICC P&C	252,626	246,304	2.6
PICC Life	64,133	67,237	-4.6
PICC Health	25,570	22,173	15.3
Total profit	27,727	21,389	29.6
Net profit attributable to equity holders	16,884	12,602	34.0
EPS (RMB)	0.38	0.28	34.0
Weighted average return on equity	8.1	6.7	+1.4ppts
Total investment yield(annualized)	6.7	5.5	+1.2ppts
PICC P&C combined ratio (%)	97.2	97.3	-0.1ppts
New business value of PICC Life	2,412	3,224	-25.2
New business value of PICC Health	711	329	116.1
(RMB mn, unless otherwise noted)	As of Jun 30, 2021	As of Dec 31, 2020	Change (%)
Total assets	1,341,183	1,255,461	6.8
Total liabilities	1,055,114	982,325	7.4
Net assets attributable to equity holders	211,746	202,194	4.7
Book value per share (RMB)	4.79	4.57	4.7
Embedded value of PICC Life	109,078	102,297	6.6
Embedded value of PICC Health	16,381	14,947	9.6

Appendix: Key Financials of PICC Group (IFRS)

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Net profit	23,242	17,706	31.3
Net profit attributable to equity holders	16,855	12,606	33.7
EPS (RMB)	0.38	0.29	33.7
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Total assets	1,341,990	1,256,064	6.8
Total liabilities	1,055,539	982,508	7.4
Net assets attributable to equity holders	212,003	202,480	4.7
Book value per share (RMB)	4.79	4.58	4.7
Embedded value of PICC Life	109,078	102,297	6.6
Embedded value of PICC Health	16,381	14,947	9.6