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中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2328)

UNAUDITED RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

This announcement is made by PICC Property and Casualty Company Limited (the “Company”) pursuant to the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Board of Directors of the Company announces the unaudited results for the nine months ended 30 September 2020 of the Company (exclusive of subsidiaries). The financial information included in this announcement was prepared in accordance with the PRC Accounting Standards for Business Enterprises and has not been audited.

I. Financial Summary

	Nine months ended 30 September		Increase/(Decrease) %
	2020 <i>RMB million</i>	2019 <i>RMB million</i>	
Gross written premiums	344,881	332,808	3.6
Underwriting profit	4,880	5,777	(15.5)
Total investment income ¹	17,457	16,558	5.4
Profit before income tax	21,126	21,361	(1.1)
Net profit	17,344	21,985	(21.1)
	As at 30 September 2020 <i>RMB million</i>	As at 31 December 2019 <i>RMB million</i>	Increase %
Total assets	662,322	595,247	11.3
Total liabilities	487,048	425,659	14.4
Total equity	175,274	169,588	3.4

Note:

- Total investment income=investment income + gains or losses on fair value changes + interest income from demand deposit + lease income from investment properties - impairment losses of investment assets

II. Quarterly Operation Analysis

(i) Operation Analysis of Principal Activities

1. Insurance business

1.1 Business overview

In the first three quarters of 2020, in face of a series of challenges brought by COVID-19, the comprehensive reform of motor vehicle insurance as well as the complicated and volatile domestic and international environments, the Company was committed to serving the national strategies, social governance and public health, adhered to the “customer-centric service principle”, speeded up the technology innovation and product innovation, reinforced the business synergies, and continuously upgraded insurance service. The Company focused on "cost reduction and profitability improvement", optimised business structure, and upheld the bottom line of non-occurrence of systematic risks. For the nine months ended 30 September 2020, the Company recorded gross written premiums of RMB344,881 million, representing an increase of 3.6% as compared to the corresponding period of last year; the underwriting profit amounted to RMB4,880 million, representing a decrease of 15.5% as compared to the corresponding period of last year; the loss ratio was 65.2%, representing a decrease of 1.2 percentage points as compared to the corresponding period of last year; the expense ratio was 33.2%, representing an increase of 1.7 percentage points as compared to the corresponding period of last year; and the combined ratio was 98.4%, representing an increase of 0.5 percentage points as compared to the corresponding period of last year.

The following table sets forth the key operating results and financial indicators of the insurance business of the Company for the relevant periods:

	Nine months ended 30 September		Increase/(Decrease) %
	2020 <i>RMB million</i>	2019 <i>RMB million</i>	
Gross written premiums	344,881	332,808	3.6
Net earned premiums	298,813	280,186	6.6
Underwriting profit	4,880	5,777	(15.5)
Loss ratio (%)	65.2	66.4	Decrease by 1.2 percentage points
Expense ratio (%)	33.2	31.5	Increase by 1.7 percentage points
Combined ratio (%)	98.4	97.9	Increase by 0.5 percentage points

1.2 Operating results by insurance segments

The following table sets forth the key operating results and financial indicators of motor vehicle insurance, financing credit and surety insurance business, policy-oriented insurance business and commercial non-motor vehicle insurance business of the Company for the relevant period:

	Nine months ended 30 September 2020		
	Gross written premiums RMB million	Underwriting profit/ (loss) RMB million	Combined ratio %
Motor vehicle insurance	199,284	6,995	96.4
Financing credit and surety insurance business ¹	3,529	(3,806)	139.8
Policy-oriented insurance business ²	74,463	140	99.7
Commercial non-motor vehicle insurance business ³	67,605	1,551	96.4
Total	344,881	4,880	98.4

Notes:

1. Financing credit and surety insurance business refers to the financing insurance business that falls into the category of credit and surety insurance business.
2. Policy-oriented insurance business consists of social security business of accidental injury and health insurance and government subsidised business of agriculture insurance.
3. Commercial non-motor vehicle insurance business consists of other insurance businesses except for motor vehicle insurance, financing credit and surety insurance and policy-oriented insurance.

In the first three quarters of 2020, the Company proactively coped with the influence of COVID-19, consistently reinforced management and control of its business risk, actively adjusted its business structure and gradually reduced its risk exposure. The business scale of financing credit and surety insurance decreased evidently as compared to the corresponding period of last year. Motor vehicle insurance, policy-oriented insurance and commercial non-motor vehicle insurance all recorded a steady growth in terms of gross written premiums.

The Company continuously strengthened the prevention of disasters and loss and improved resources allocation efficiency. However, due to the increasing social credit risk, the business delinquency rate increased, the financing credit and surety insurance recorded an underwriting loss of RMB3,806 million and a combined ratio of 139.8%.

2. Insurance funds investment business

Investment Results

While maintaining a steady growth in the overall size of the investment assets, the Company seized the market opportunities by timely adjusting its investment portfolio, reducing its holdings of mutual funds and shares when appropriate, and increasing the proportion of fixed income product investment. For the nine months ended 30 September 2020, the Company recorded total investment income of RMB17,457 million, representing an increase of RMB899 million (or 5.4%) as compared to the corresponding period of last year, and the annualised total investment yield was 4.9%, which maintained stable.

The following table sets forth the key operating results and financial indicators of the insurance funds investment business of the Company for the relevant periods:

	Nine months ended 30 September		Increase %
	2020 <i>RMB million</i>	2019 <i>RMB million</i>	
Total investment income	17,457	16,558	5.4
Total investment yield ¹ (annualised) (%)	4.9	4.9	-

Note:

1. Total investment yield= total investment income/average balance of total investment assets

(ii) Solvency Margin Ratio Indicators

	As at 30 September 2020 <i>RMB million</i>	As at 31 December 2019 <i>RMB million</i>	Increase %
Actual capital	196,964	181,721	8.4
Core capital	169,212	162,136	4.4
Minimum capital required	65,807	64,414	2.2
Comprehensive solvency margin ratio (%)	299	282	Increase by 17 percentage points
Core solvency margin ratio (%)	257	252	Increase by 5 percentage points

III. Financial Statements Prepared in accordance with the PRC Accounting Standards for Business Enterprises

(i) Statement of Financial Position of the Company

Items	As at 30 September 2020 <i>RMB'000</i> <i>Unaudited</i>	As at 31 December 2019 <i>RMB'000</i> <i>Audited</i>
Cash and bank balances	13,315,944	13,295,030
Held for trading financial assets	16,974,546	18,589,729
Financial assets purchased under resale agreements	6,805,120	18,815,698
Premiums receivable	59,901,514	36,221,762
Receivables from reinsurers	19,833,811	16,565,563
Reinsurers' share of unearned premium reserves, receivable	15,157,128	11,303,395
Reinsurers' share of loss and loss adjustment expense reserves, receivable	19,854,819	18,483,514
Term deposits	75,912,916	64,397,730
Available-for-sale financial assets	195,202,615	177,123,179

Held-to-maturity investments	50,500,364	45,087,556
Investments classified as loans and receivables	67,404,243	67,416,589
Long term equity investments	54,533,551	50,711,217
Capital security fund	4,448,554	4,448,554
Investment properties	4,595,093	4,766,901
Fixed assets	19,662,875	17,233,438
Intangible assets	5,970,527	6,293,510
Deferred tax assets	9,673,854	5,238,862
Right-of-use assets	1,779,895	2,342,170
Other assets	20,794,327	16,912,489
TOTAL ASSETS	662,321,696	595,246,886
Financial assets sold under agreements to repurchase	28,358,291	16,759,186
Premiums received in advance	12,794,853	21,267,840
Commissions payable	8,400,114	7,124,998
Payables to reinsurers	29,547,066	19,449,139
Salaries and staff welfare payables	9,923,360	10,155,020
Tax payable	10,938,319	8,203,453
Claims payable	2,387,453	3,202,939
Policyholders' dividend payable	60,456	60,512
Policyholders' deposits	1,825,462	1,701,128
Unearned premium reserves	173,197,812	157,157,814
Loss and loss adjustment expense reserves	164,444,524	145,544,843
Premium reserves	3,575,227	2,387,629
Bonds payable	23,268,222	15,198,219
Lease liabilities	1,888,976	2,198,200
Other liabilities	16,437,419	15,248,085
TOTAL LIABILITIES	487,047,554	425,659,005
Issued capital	22,242,765	22,242,765
Share premium account	10,661,466	10,661,466
Other comprehensive income reserve	17,037,532	18,441,681
Surplus reserve	59,703,480	59,703,480
General risk reserve	15,426,695	15,426,695
Agriculture catastrophic loss reserve	1,790,935	1,790,935
Retained profits	48,411,269	41,320,859
TOTAL EQUITY	175,274,142	169,587,881
TOTAL LIABILITIES AND EQUITY	662,321,696	595,246,886

(ii) Income Statement of the Company

Items	Nine months ended 30 September	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Operating income	318,929,426	298,604,282
Net earned premiums	298,812,578	280,185,604
Gross written premiums	344,880,902	332,807,862
Included: Reinsurance premiums assumed	708,279	1,053,091
Less: Reinsurance premiums ceded	33,882,060	28,539,891
Change in unearned premium reserves	12,186,264	24,082,367
Investment income	19,380,723	17,051,944
Losses on fair value changes	(105,607)	(31,540)
Exchange (losses)/gains	(249,657)	233,869
Other operating income	870,491	940,576
Gains on disposal of assets	48,149	46,267
Other gains	172,749	177,562
Operating expenses	297,764,573	277,236,618
Gross claims paid	192,092,208	182,466,580
Less: Paid losses recoverable from reinsurers	15,784,922	13,174,238
Change in loss and loss adjustment expense reserves	18,899,681	18,235,549
Less: Reinsurers' share of loss and loss adjustment expense reserves	1,371,305	2,462,971
Change in premium reserves	1,066,601	1,003,371
Interest expenses credited to policyholders' deposits	5	173
Reinsurance expenses	216,349	294,803
Tax and other surcharges	1,248,264	1,288,126
Commission expenses	41,916,650	41,936,199
General and administrative expenses	64,320,400	52,187,343
Less: Reinsurers' share of general and administrative expenses	9,254,346	8,032,419
Other operating costs	1,799,946	2,130,122
Asset impairment losses	2,615,042	1,363,980
Operating profit	21,164,853	21,367,664
Add: Sundry income	92,611	103,639
Less: Sundry expenses	131,368	110,120
Profit before income tax	21,126,096	21,361,183
Less: Income tax expense/(credit)	3,781,772	(623,830)
Net profit	17,344,324	21,985,013

(iii) Statement of Cash Flows of the Company

Items	Nine months ended 30 September	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums received	341,727,735	319,597,859
Others	48,821,297	44,626,339
Cash inflows from operating activities	390,549,032	364,224,198
Claims paid	192,655,859	182,456,237
Payment to and on behalf of staff	22,046,494	23,540,222
Commissions paid	41,404,016	40,464,776
Taxes and surcharges paid	24,658,128	22,456,907
Payment in relation to reinsurance business	7,045,159	5,946,338
Others	95,573,941	78,773,238
Cash outflows from operating activities	383,383,597	353,637,718
Net cash flows from operating activities	7,165,435	10,586,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	65,888,559	52,569,747
Investment income received	9,486,936	11,530,474
Proceeds from disposal of fixed assets, intangible assets and other long term assets	35,395	39,765
Others	7,546,366	3,913,313
Cash inflows from investing activities	82,957,256	68,053,299
Payment for purchases of investments	95,883,053	65,934,404
Payment for purchases of fixed assets, intangible assets and other long term assets	3,633,666	1,810,185
Cash outflows from investing activities	99,516,719	67,744,589
Net cash flows (used in)/from investing activities	(16,559,463)	308,710
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of capital supplementary bonds	8,000,000	-
Increase in financial assets sold under agreements to repurchase, net	12,149,230	-
Cash inflows from financing activities	20,149,230	-
Decrease in financial assets sold under agreements to repurchase, net	-	3,835,385
Others	10,719,561	6,177,635
Cash outflows from financing activities	10,719,561	10,013,020

Net cash flows from/(used in) financing activities	9,429,669	(10,013,020)
Net foreign exchange differences	(66,726)	18,215
Net (decrease)/increase in cash and cash equivalents	(31,085)	900,385

This announcement is prepared in both Chinese and English, and the Chinese version prevails.

By Order of the Board
PICC Property and Casualty Company Limited
Xie Yiqun
Vice Chairman, Executive Director and President

Beijing, the PRC, 28 October 2020

As at the date of this announcement, the Vice Chairman is Mr. Xie Yiqun (executive director), the non-executive director is Mr. Li Tao, Mr. Jiang Caishi and Ms. Xie Xiaoyu are executive directors, and the independent non-executive directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Ma Yusheng, Mr. Chu Bende and Ms. Qu Xiaohui.