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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 2021

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 2021 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		Change %
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	
Gross written premiums	346,657	344,881	0.5
Underwriting profit	3,204	4,880	-34.3
Total investment income ¹	21,661	17,457	24.1
Profit before income tax	23,654	21,126	12.0
Net profit	19,992	17,344	15.3
	As at 30 September 2021 <i>RMB million</i>	As at 31 December 2020 <i>RMB million</i>	Change %
Total assets	707,282	643,528	9.9
Total liabilities	511,356	456,140	12.1
Total equity	195,926	187,388	4.6

Note:

1. Total investment income=investment income + gains or losses on fair value changes + interest income from demand deposit + lease income - 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 2021, in the face of the complex domestic and international environment and the multiple challenges and impacts presented by the deepening comprehensive reform of motor vehicle insurance and intensifying market competition etc., the Company stayed close to “Excellent Insurance Strategy”, focusing on the six strategic areas of serving for rural revitalisation, smart transportation, health and elderly care, green environment, scientific and technological innovation and social governance. The Company deepened innovation and reform, upgraded insurance supply, promoted cost reduction and profitability enhancement, and guarded the bottom line of no systemic risk. In the first three quarters of 2021, the Company recorded gross written premiums of RMB346,657 million, representing an increase of 0.5% as compared to the corresponding period of last year; the loss ratio was 73.8%, representing an increase of 8.6 percentage points as compared to the corresponding period of last year; the expense ratio was 25.1%, representing a decrease of 8.1 percentage points as compared to the corresponding period of last year; the combined ratio was 98.9%, representing an increase of 0.5 percentage point as compared to the corresponding period of last year; and the underwriting profit amounted to RMB3,204 million, representing a decrease of 34.3% 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		Change %
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	
Gross written premiums	346,657	344,881	0.5
Net earned premiums	292,507	298,813	-2.1
Underwriting profit	3,204	4,880	-34.3
Loss ratio (%)	73.8	65.2	Increase by 8.6 percentage points
Expense ratio (%)	25.1	33.2	Decrease by 8.1 percentage points
Combined ratio (%)	98.9	98.4	Increase by 0.5 percentage point

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 periods:

	Nine months ended 30 September 2021		
	Gross written premiums RMB million	Underwriting profit/(loss) RMB million	Combined ratio %
Motor vehicle insurance	183,004	4,666	97.4
Financing credit and surety insurance business ¹	(378)	(53)	101.7
Policy-oriented insurance business ²	83,567	(412)	100.7
Commercial non-motor vehicle insurance business ³	80,464	(997)	102.0
Total	346,657	3,204	98.9

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 2021, comprehensive reform of motor vehicle insurance was deepened in the PRC property insurance market. As average premium income per motor vehicle decreased and insurance liabilities increased, the gross written premiums of motor vehicle insurance business of the Company decreased by RMB16,280 million (or -8.2%) as compared to the corresponding period of last year; the loss ratio was 70.9%, representing an increase of 14.3 percentage points as compared to the corresponding period of last year; the expense ratio was 26.5%, representing a decrease of 13.3 percentage points as compared to the corresponding period of last year; and the combined ratio was 97.4%, representing an increase of 1.0 percentage point as compared to the corresponding period of last year.

The Company promoted the “Six Strategic Services”, and further strengthened development of non-motor vehicle insurance businesses. The gross written premiums of commercial non-motor vehicle insurance businesses and policy-oriented businesses achieved RMB164,031 million, representing an increase of 15.5% as compared to the corresponding period of last year. In the face of the “7•20” torrential rain in Henan, the Company actively performed corporate social responsibility, fully cooperated with rescues and disaster reliefs, carried out claim services quickly and efficiently, successively completed such work as filing, loss assessment, loss verification, claim payment and estimation for reinsurance recovery etc. At the same time, the Company continuously cleared the risk of existing businesses and strictly controlled the quality of new businesses, thus the risks of the financing credit and surety insurance business were effectively resolved.

2. Insurance funds investment business

Investment Results

While maintaining a steady growth in the overall scale of the investment assets, the Company seized the market opportunities by timely adjusting its investment portfolio, realising gains in

mutual funds and stocks when appropriate. In the first three quarters of 2021, the Company achieved total investment income of RMB21,661 million, representing an increase of RMB4,204 million (or 24.1%) as compared to the corresponding period of last year, and the unannualised total investment yield was 4.2%, representing an increase of 0.5 percentage point as compared to the corresponding period of last year.

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		Change %
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	
Total investment income	21,661	17,457	24.1
Total investment yield ¹ (unannualised) (%)	4.2	3.7	Increase by 0.5 percentage point

Note:

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

(ii) Solvency Margin Ratio Indicators

	As at 30 September 2021 <i>RMB million</i>	As at 31 December 2020 <i>RMB million</i>	Change %
Actual capital	217,710	207,246	5.0
Core capital	189,475	179,290	5.7
Minimum capital required	70,511	71,757	-1.7
Comprehensive solvency margin ratio (%)	309	289	Increase by 20 percentage points
Core solvency margin ratio (%)	269	250	Increase by 19 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 2021 <i>RMB'000</i> <i>Unaudited</i>	As at 31 December 2020 <i>RMB'000</i> <i>Audited</i>
Cash and bank balances	10,439,501	14,469,506
Held for trading financial assets	16,233,382	14,781,064
Financial assets purchased under resale agreements	11,492,702	12,019,172
Premiums receivable	63,173,426	33,314,780
Receivables from reinsurers	19,846,326	16,231,162

Reinsurers' share of unearned premium reserves, receivable	16,720,466	12,992,935
Reinsurers' share of loss and loss adjustment expense reserves, receivable	22,674,653	19,487,273
Term deposits	73,534,532	70,896,347
Available-for-sale financial assets	243,663,852	215,579,845
Held-to-maturity investments	42,696,835	48,796,428
Investments classified as loans and receivables	62,574,922	68,284,989
Long term equity investments	57,939,053	56,215,061
Capital security fund	4,448,554	4,448,554
Investment properties	4,918,797	4,773,909
Fixed assets	19,568,994	20,320,944
Intangible assets	5,975,121	6,438,596
Deferred tax assets	8,782,523	5,088,778
Right-of-use assets	1,866,635	1,747,706
Other assets	20,732,208	17,641,137
TOTAL ASSETS	707,282,482	643,528,186
Financial assets sold under agreements to repurchase	35,607,504	29,028,184
Premiums received in advance	12,124,122	17,755,837
Commissions payable	9,791,413	7,235,855
Payables to reinsurers	30,332,138	21,817,949
Salaries and staff welfare payables	13,767,978	11,788,756
Tax payable	7,672,036	7,942,986
Claims payable	1,949,438	4,495,575
Policyholders' dividend payable	60,386	60,433
Policyholders' deposits	1,687,013	1,689,353
Unearned premium reserves	179,201,449	157,508,123
Loss and loss adjustment expense reserves	173,597,944	152,581,555
Premium reserves	3,841,622	2,593,255
Bonds payable	23,375,654	23,297,166
Lease liabilities	1,922,921	1,668,414
Other liabilities	16,424,260	16,676,656
TOTAL LIABILITIES	511,355,878	456,140,097
Issued capital	22,242,765	22,242,765
Share premium account	10,661,466	10,661,466
Other comprehensive income reserve	22,275,440	25,387,593
Surplus reserve	61,814,301	61,814,301
General risk reserve	17,537,516	17,537,516
Catastrophic loss reserve	1,150,160	1,150,160
Retained profits	60,244,956	48,594,288

TOTAL EQUITY	195,926,604	187,388,089
TOTAL LIABILITIES AND EQUITY	707,282,482	643,528,186

(ii) **Income Statement of the Company**

Items	Nine months ended 30 September	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Operating income	315,573,543	318,929,426
Net earned premiums	292,507,276	298,812,578
Gross written premiums	346,656,529	344,880,902
Included: Reinsurance premiums assumed	860,274	708,279
Less: Reinsurance premiums ceded	36,183,459	33,882,060
Change in unearned premium reserves	17,965,794	12,186,264
Investment income	21,748,742	19,380,723
Net gains/(losses) on fair value changes	192,066	(105,607)
Exchange losses, net	(102,532)	(249,657)
Other operating income	960,077	870,491
Net gains on disposal of assets	77,802	48,149
Other gains	190,112	172,749
Operating expenses	291,994,059	297,764,573
Gross claims paid	214,193,578	192,092,208
Less: Paid losses recoverable from reinsurers	17,340,987	15,784,922
Change in loss and loss adjustment expense reserves	21,016,389	18,899,681
Less: Reinsurers' share of loss and loss adjustment expense reserves	3,187,380	1,371,305
Change in premium reserves	1,248,367	1,066,601
Interest expenses credited to policyholders' deposits	-	5
Reinsurance expenses	237,613	216,349
Tax and other surcharges	1,152,153	1,248,264
Commission expenses	29,478,483	41,916,650
General and administrative expenses	51,250,446	64,320,400
Less: Reinsurers' share of general and administrative expenses	9,194,572	9,254,346
Other operating costs	2,162,069	1,799,946
Asset impairment losses	977,900	2,615,042
Operating profit	23,579,484	21,164,853
Add: Sundry income	171,098	92,611
Less: Sundry expenses	96,645	131,368
Profit before income tax	23,653,937	21,126,096

Less: Income tax expense	3,662,232	3,781,772
Net profit	19,991,705	17,344,324

(iii) **Statement of Cash Flows of the Company**

Items	Nine months ended 30 September	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums received	341,785,160	341,727,735
Others	50,052,565	48,821,297
Cash inflows from operating activities	391,837,725	390,549,032
Claims paid	216,504,326	192,655,859
Payment to and on behalf of staff	23,803,603	22,046,494
Commissions paid	28,723,117	41,404,016
Taxes and surcharges paid	23,193,765	24,658,128
Payment in relation to reinsurance business	8,904,585	7,045,159
Others	85,465,734	95,573,941
Cash outflows from operating activities	386,595,130	383,383,597
Net cash flows from operating activities	5,242,595	7,165,435
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	72,439,867	65,888,559
Investment income received	10,287,453	9,486,936
Proceeds from disposal of fixed assets, intangible assets and other long term assets	59,340	35,395
Others	4,123,211	7,546,366
Cash inflows from investing activities	86,909,871	82,957,256
Payment for purchases of investments	92,812,169	95,883,053
Payment for purchases of fixed assets, intangible assets and other long term assets	702,011	3,633,666
Cash outflows from investing activities	93,514,180	99,516,719
Net cash flows used in investing activities	(6,604,309)	(16,559,463)
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	6,212,201	12,149,230
Cash inflows from financing activities	6,212,201	20,149,230

Others	8,882,830	10,719,561
Cash outflows from financing activities	8,882,830	10,719,561
Net cash flows (used in)/from financing activities	(2,670,629)	9,429,669
Net foreign exchange differences	(60,499)	(66,726)
Net decrease in cash and cash equivalents	(4,092,842)	(31,085)

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
Luo Xi
Chairman

Beijing, the PRC, 28 October 2021

As at the date of this announcement, the Chairman of the Board is Mr. Luo Xi (Non-executive Director), the Executive Director is Mr. Jiang Caishi, Mr. Li Tao is a Non-executive Director, and the Independent Non-executive Directors are Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Chu Bende and Ms. Qu Xiaohui.