

PICC P&C 2010 Annual Results

March 25, 2011



PICC

中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

Disclaimer

This document has been prepared by PICC Property and Casualty Company Limited (hereinafter as the “PICC P&C” or the “Company”) and has not undergone independent verification. In addition to statements of historical facts, this document may also contain certain forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, most of which go beyond the Company’s control. The Company does not guarantee the accuracy, neutrality or completeness of information contained herein. The Company also undertakes no obligation to update or revise any forward-looking statements contained in this document in the future.

Performance Highlights and Business Review

Financial Performance and 2011 Initiatives

1

Net profit of RMB5.21bn, a YoY increase of 192.3%; EPS of RMB0.468; ROE of 22.4%

2

Turnover of RMB154.31 bn, a YoY increase of RMB34.54 bn or 28.8%

3

Underwriting profit of RMB2.73 bn, with a combined ratio of 97.8%, YoY decreased by 4.4 ppt

4

Continued significant increase in net cash flow from operating activities to RMB34.15 bn, a YoY increase of 57.5%

5

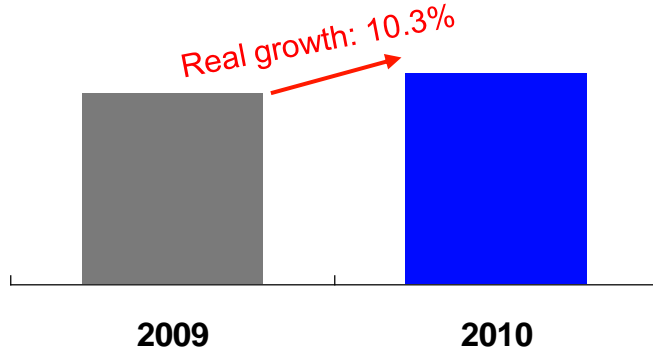
Total investment assets increased by 35.7% over the beginning; with investment income of RMB5.13 bn, a YoY increase of 11.4%;

6

Steady growth in asset size to RMB201.79 bn by 22.0% over the beginning

China's sustained and rapid economic development

China's GDP

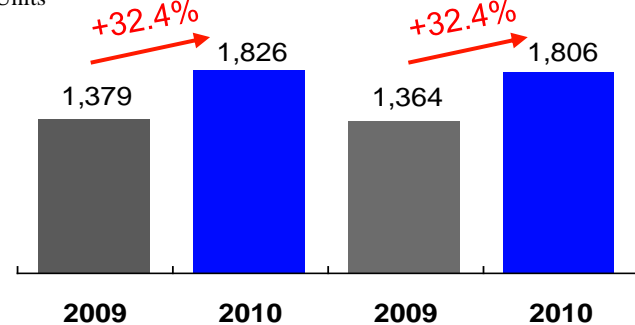


Source: National Bureau of Statistics

Continued strong growth in auto production and sales

Auto Production

10,000 Units



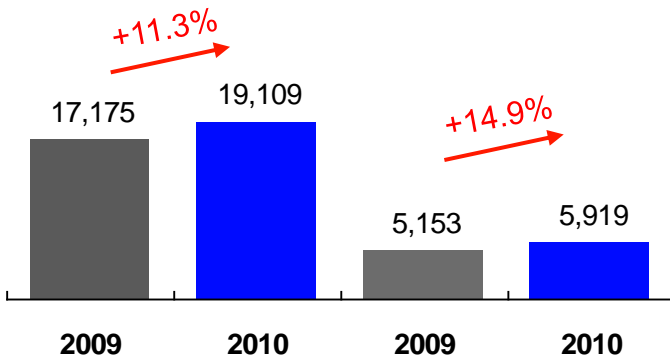
Source: China Association of Automotive Manufacturers

Steady growth in urban and rural incomes

RMB

Per capita disposable income of urban residents

Per capita net income of rural residents



Source: National Bureau of Statistics


Continued healthy trend of non-life insurance growth

Continued & increased regulatory efforts

Improved market discipline

Continued Growth – capture market opportunities with strengthened sales and service capabilities

1  Capture market opportunities to push for the implementation of targeted product strategy and regional marketing strategy

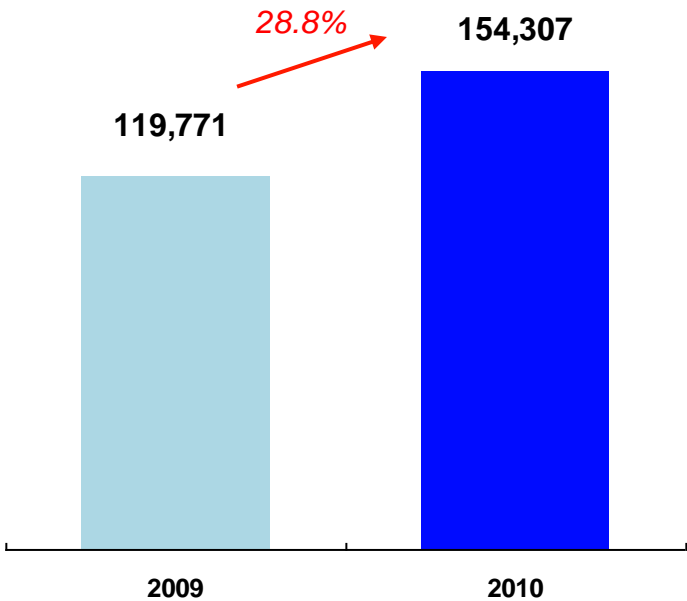
2  Continue to deepen the specialized management and operation of motor insurance to improve motor insurance sales channel and system

3  Strengthen sales channel development, consolidate traditional channels as well as accelerate the buildup of owned channels such as telemarketing, online marketing and cross-selling

4  Make underwriting achievements in large projects to continue to consolidate the leading position in non-life insurance market

Turnover in excess of RMB150 bn

RMB mm



Enhanced Profitability – enhanced profitability along key parts of the business value chain

5

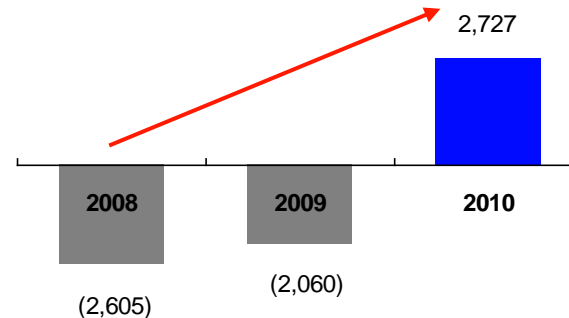
1 Promote selective underwriting to improve business quality

2 Strengthen management of sales, underwriting, claim settlement and back-office operations

3 Maintain prudent investment strategy to ensure satisfactory returns

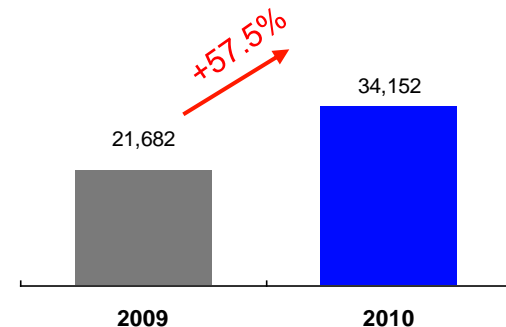
Highest underwriting profit since IPO in 2003

RMB mm



Net cash flows from operating activities continue to increase significantly

RMB mm



Risk Prevention – enhance risk management capability and mitigate operational risks

6

- Adopt advanced management tools, enhanced risk selection

- Improve risk management-oriented compliance system and internal control system



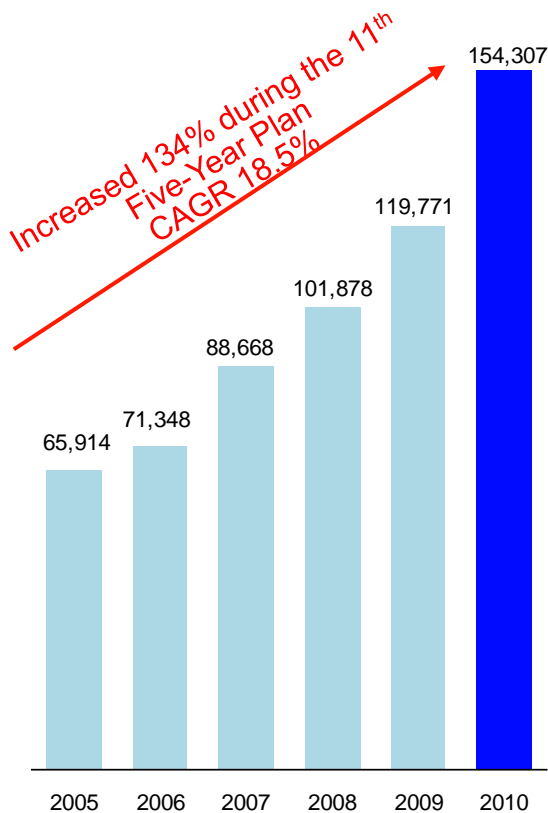
- Enhance work process standardization and optimize operational procedures

- Strengthen centralized operation and strengthen control of key risk points

Successful Transformation-solid foundation for sustained profitability

Profitable growth

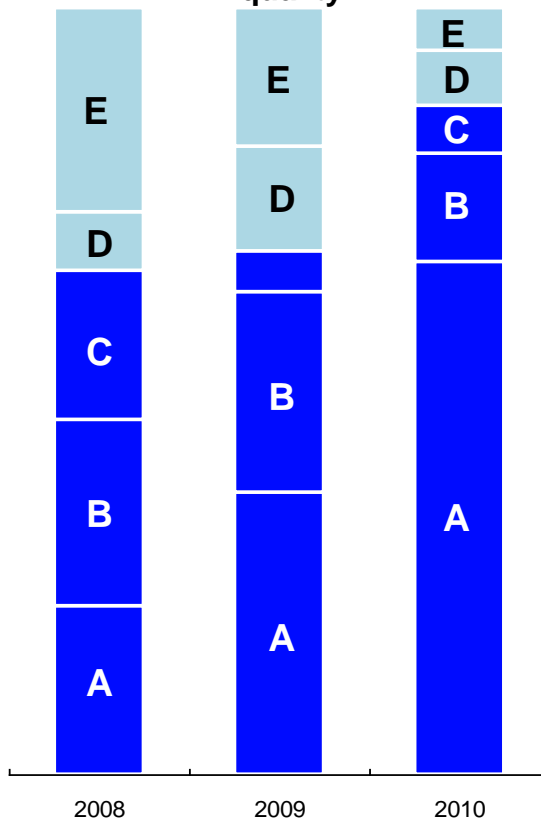
Revenue



RMB million

Improving business portfolio

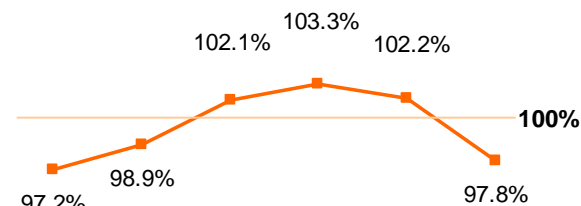
Auto insurance breakdown by quality



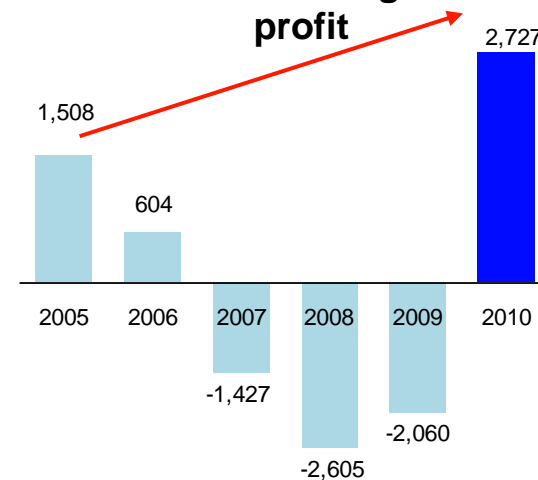
Note: A refers to the highest quality and E refers to the lowest quality

Remarkable operating results

All-in cost



Underwriting profit



RMB million

Successful Transformation-solid foundation for sustained profitability (Cont'd)

Effective centralized management

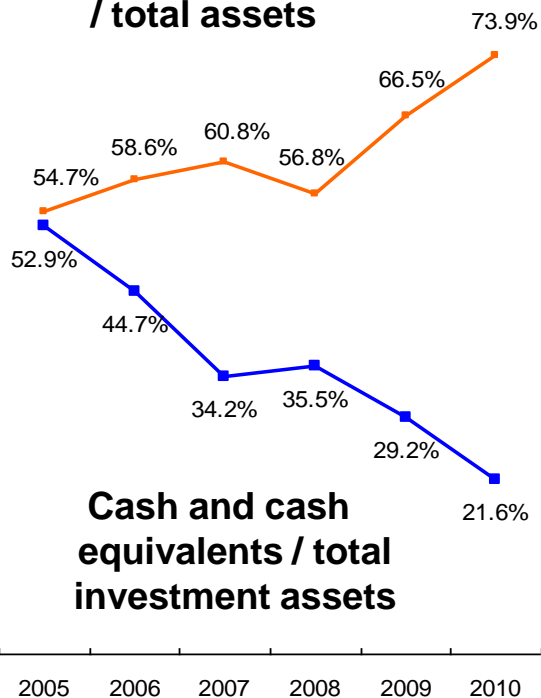
Prudent operations

Shareholder value creation

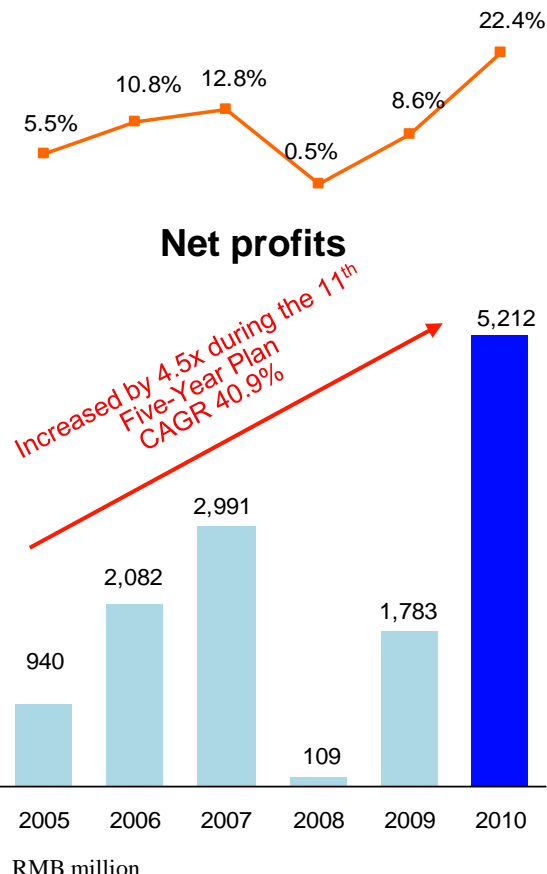
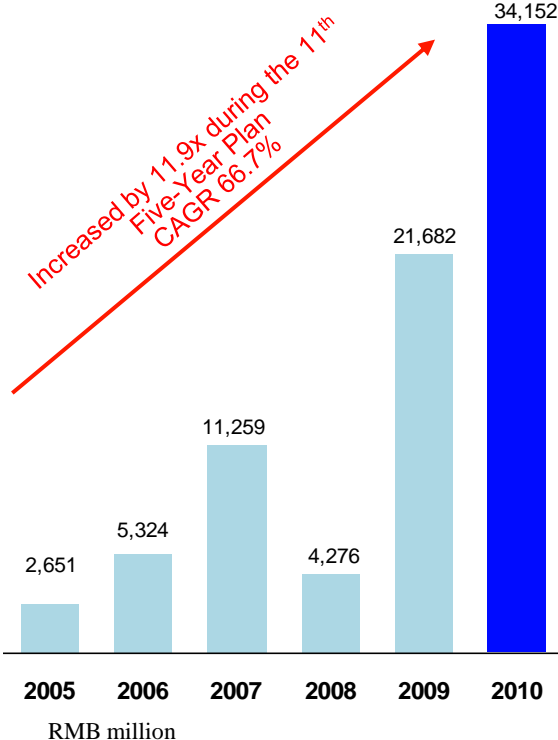
Net cash flow from operating activities

ROE

Investment assets / total assets



Cash and cash equivalents / total investment assets





A1 rating from Moody's – the highest financial strengths rating for China's domestic companies from the international rating agency, with Stable outlook



The Best Non-life Insurer in Asia



Top 10 Leading Enterprises in China for 2010



**Global Insurance
Partner of the
Shanghai Expo**

**Outstanding Contribution
to Shanghai Expo 2010**



**Insurance Partner of the
Guangzhou Asian Games**

**Outstanding
Contribution to
Preparation and
Operation of the
Asian Games**



China's non-life insurers will embrace new growth opportunities in the 12th Five-Year Plan Period

- The Chinese economy will continue stable and fast growth, creating a favorable environment for the growth of the non-life insurance sector
- Transformation of the mode of economic development, increasing domestic demand, consumption upgrade and continued urbanization will provide rare growth opportunities to China's non-life insurance sector
- The 12th Five-Year Plan makes the roles of insurers more critical to economic and social development

2011 China non-life insurance market outlook

Opportunities ...

- Industry regulation will continue to strengthen, the non-life insurance market will become increasingly standardized, and industry-wide profitability will improve
- Investment channels for insurers will further increase

Challenges ...

- Local market competition and competition for high-margin business will intensify
- Capital market volatility poses tougher challenge to investment

PICC P&C is fully confident that it can sustain and build on existing favorable trends in its performance, continue to improve the inherent quality of its business and create greater value for shareholders!

**Performance Highlights and
Business Review**

**Financial Performance and
2011 Initiatives**

Profitability Substantially Enhanced

12

| RMB MM | 2009 | 2010 | Change |
|---------------------|---------|---------|---------------|
| Turnover | 119,771 | 154,307 | 28.8% ↑ |
| Net premiums earned | 93,296 | 122,990 | 31.8% ↑ |
| Underwriting profit | (2,060) | 2,727 | <i>n.m.</i> ↑ |
| Investment income | 4,603 | 5,127 | 11.4% ↑ |
| Net profit | 1,783 | 5,212 | 192.3% ↑ |
| EPS (RMB) | 0.160 | 0.468 | 192.3% ↑ |
| ROE | 8.6% | 22.4% | 13.8ppt ↑ |

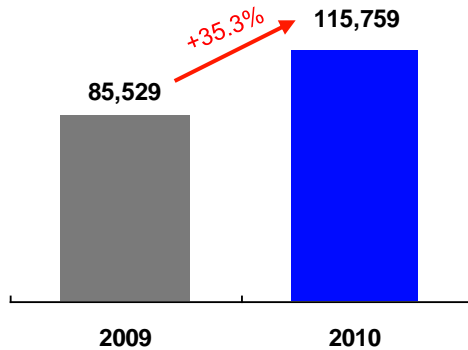
Steady Asset Growth and Significant Growth in Cash Flow

13

| RMB MM | Dec 31, 2009 | Dec 31, 2010 | Change |
|---|----------------|----------------|----------------|
| Total assets | 165,383 | 201,785 | 22.0% ↑ |
| Total investment assets | 109,940 | 149,171 | 35.7% ↑ |
| Net assets | 21,763 | 24,834 | 14.1% ↑ |
| Annual net cash flow from operations | 21,682 | 34,152 | 57.5% ↑ |

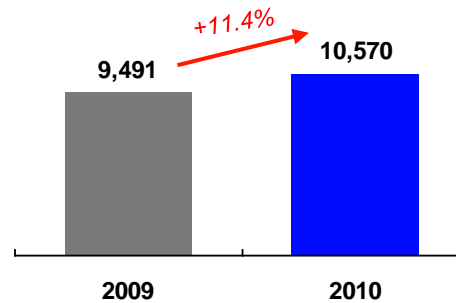
Motor

Turnover, RMB MM



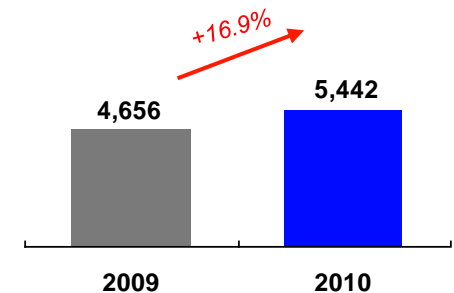
Commercial Property

Turnover, RMB MM



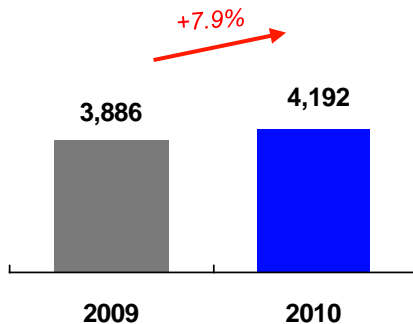
Liability

Turnover, RMB MM



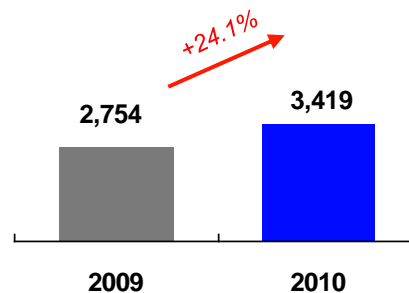
Accident & Health

Turnover, RMB MM



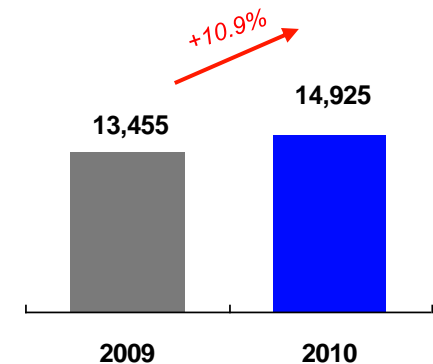
Cargo

Turnover, RMB MM



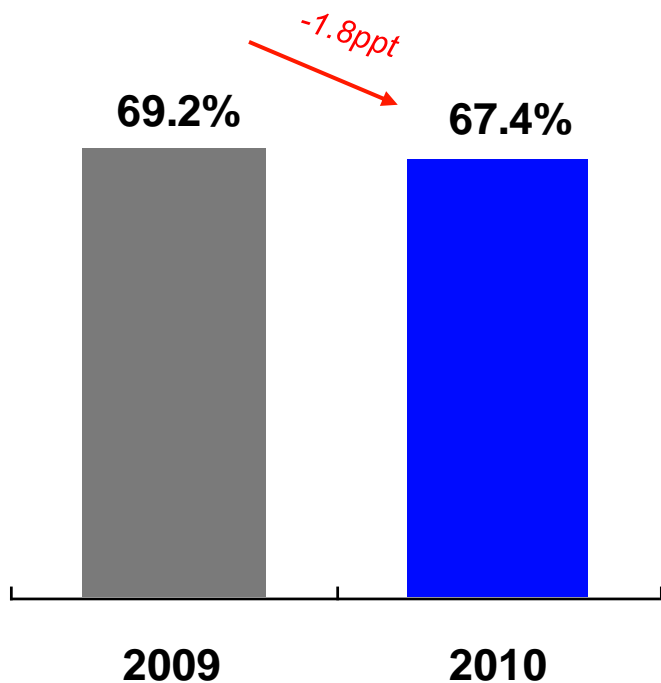
Others

Turnover, RMB MM

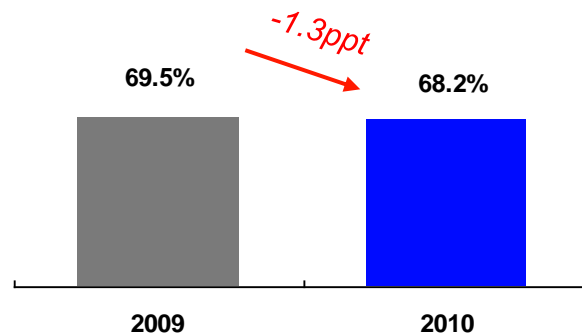


Strengthened Underwriting and Claims Management Resulting in Decreased Loss Ratio

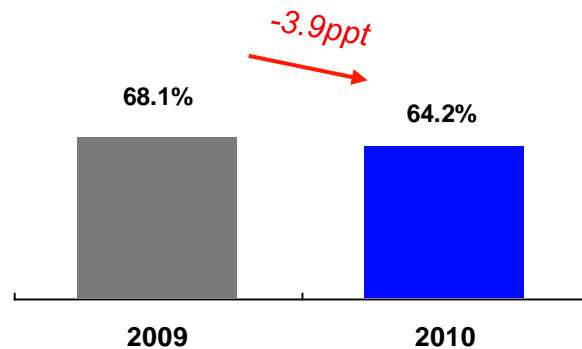
Loss Ratio



Motor Loss Ratio

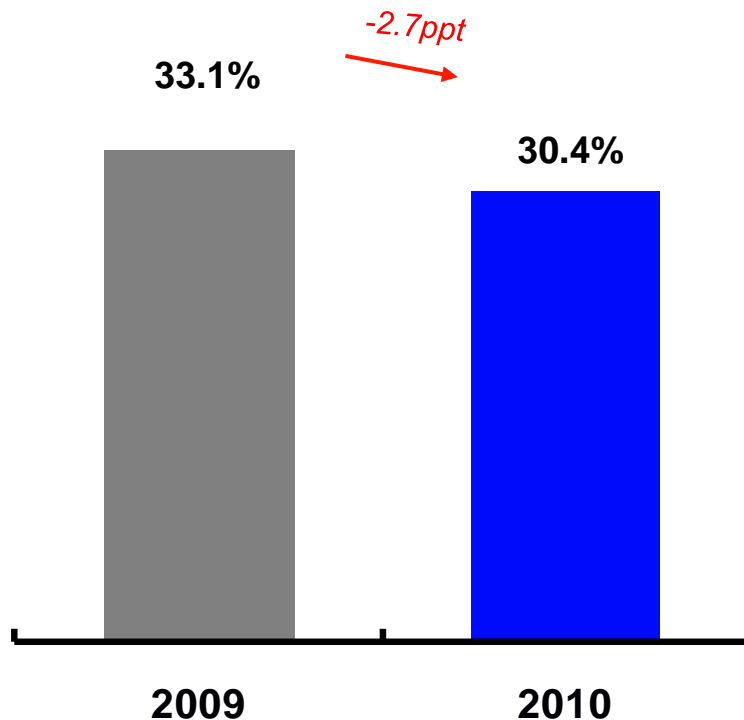


Non-motor Loss Ratio

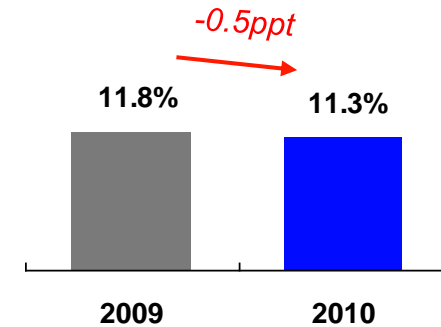


Strict Control Over Admin Expense, Higher Efficiency of Resource Allocation Resulting in Reduced Expense Ratio ¹⁶

Expense Ratio

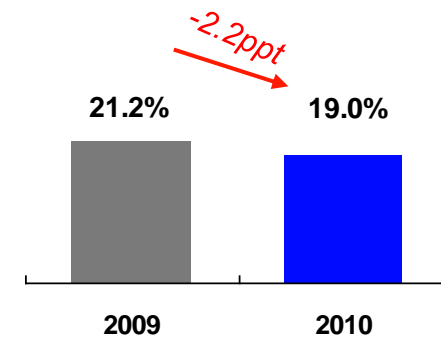


Administrative Expense Ratio



Administrative expense ratio = G&A expenses/Net premiums earned

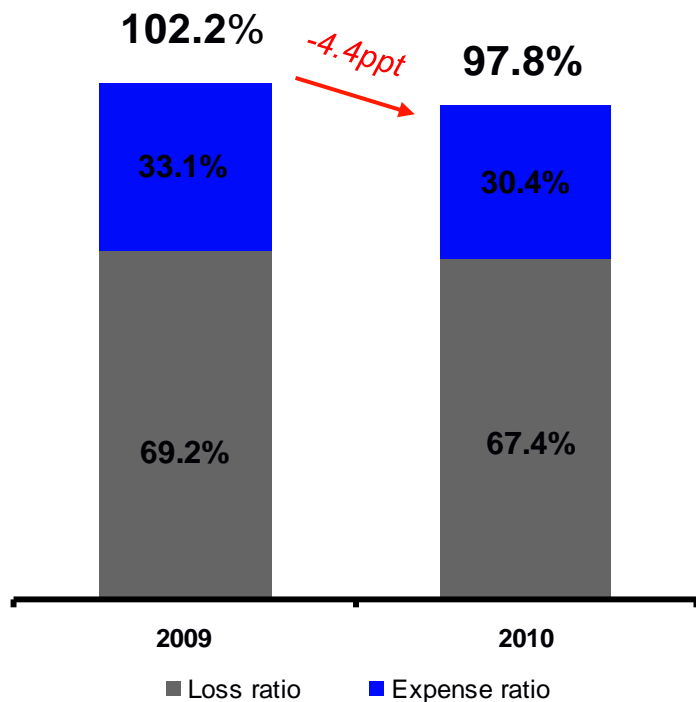
Underwriting Expense Ratio



Underwriting expense ratio=acquisition cost and other underwriting expenses/Net premiums earned

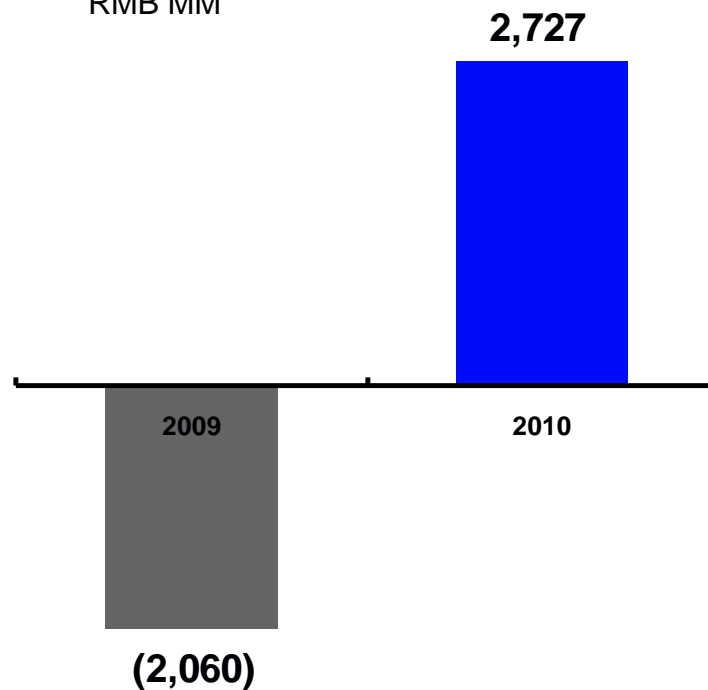
Significant Turnaround in Underwriting Profit 17

Combined Ratio



Underwriting Profit

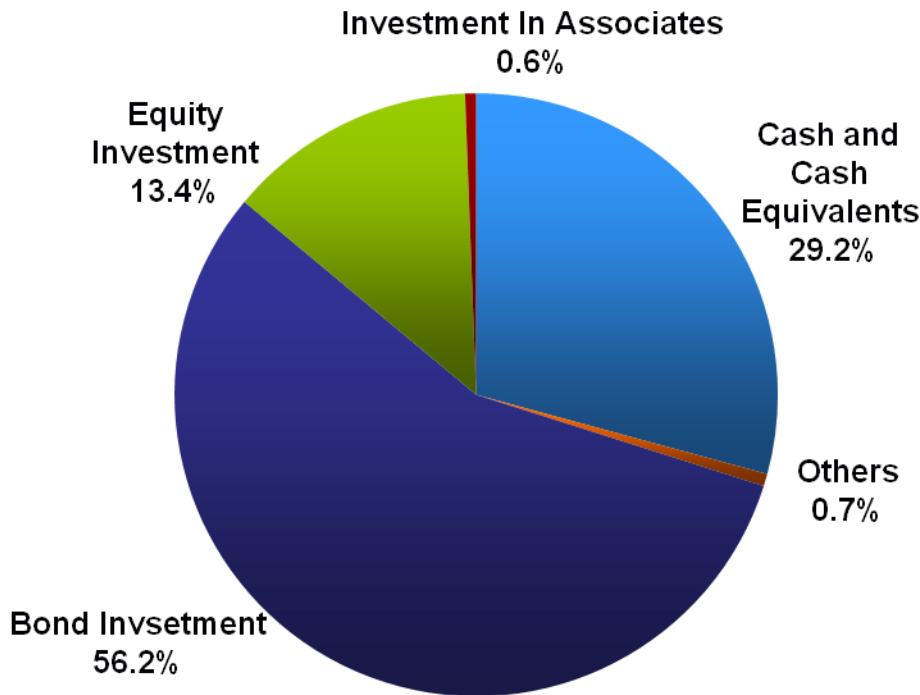
RMB MM



Further Optimized Investment Portfolio

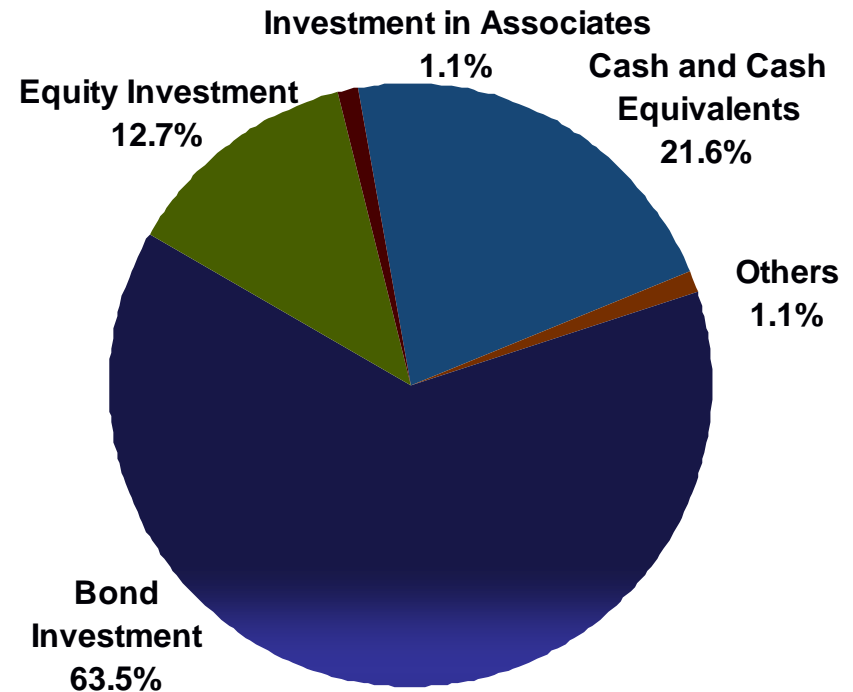
Dec 31, 2009

Investment Assets: RMB109.94 bn



Dec 31, 2010

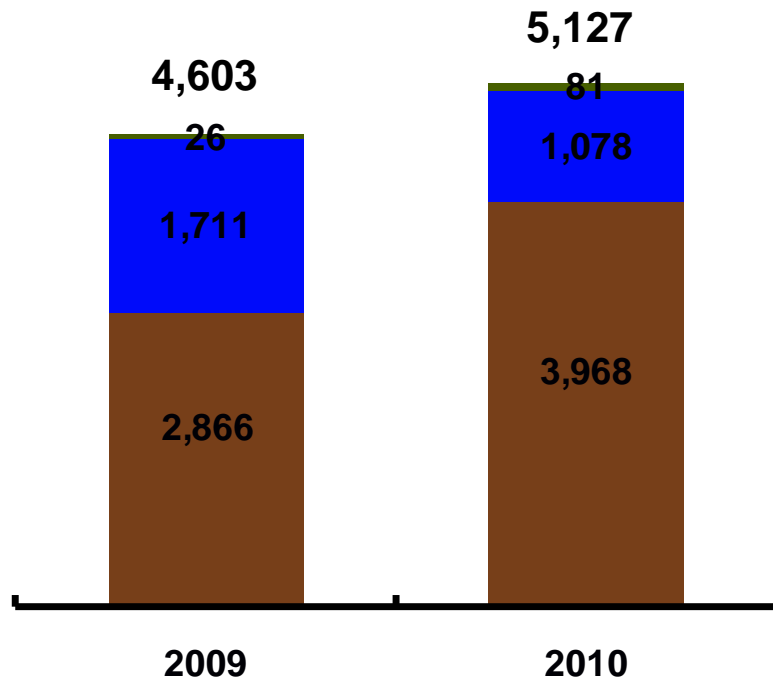
Investment Assets: RMB149.17 bn



Note: The sum may not be 100% due to the omit of mantissa

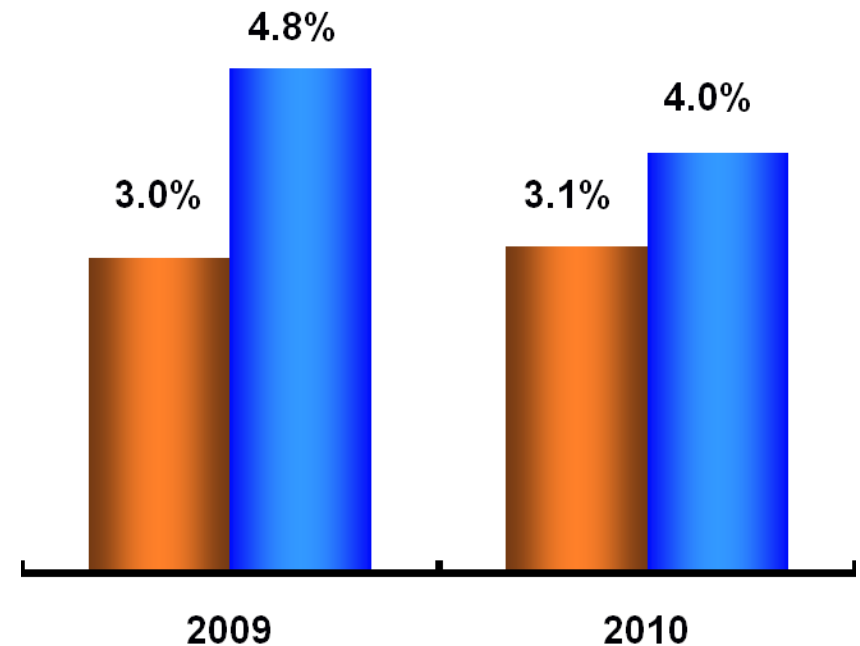
Investment Income Mix

RMB million



- Gains attributed to affiliates
- Realized and unrealized net investment gains
- Interest, dividend and rent income

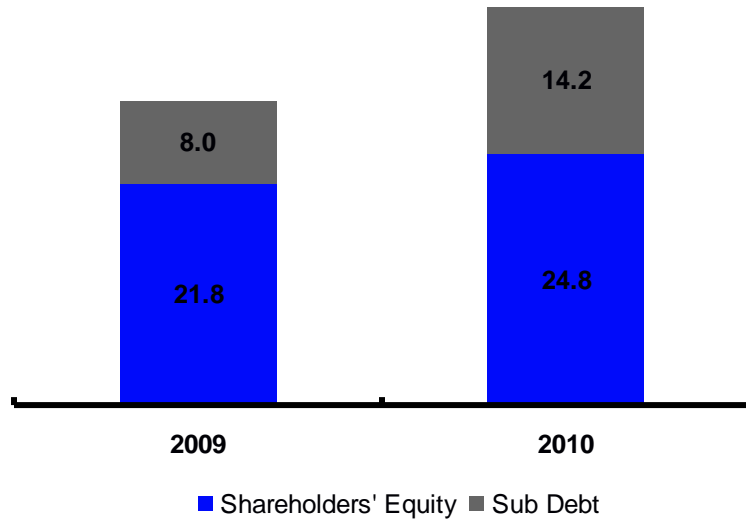
Return on Investment



- Interest, dividend and rental yield
- Gross investment yield

Shareholders' equity / Leverage Ratio

RMB Bn

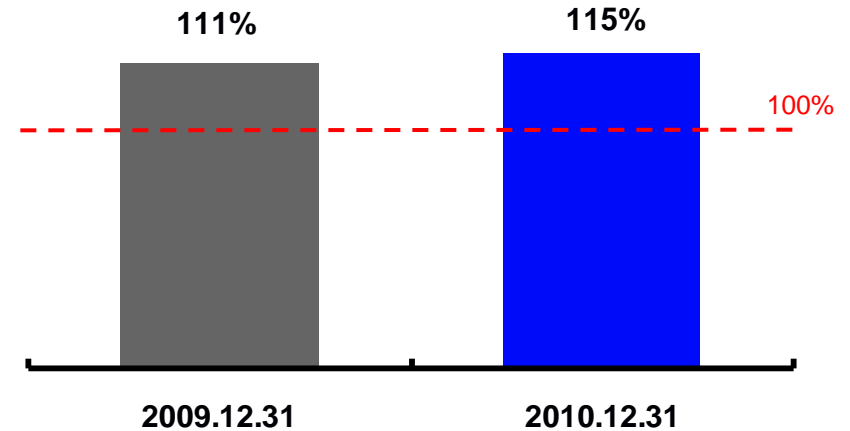


3.5X

3.5X

$$\text{Leverage ratio} = \frac{\text{Net premium written}}{\text{(shareholder's equity + sub-debt)}}$$

Solvency Margin Ratio



Strong Results from Combined Effectiveness of Various Strong Initiatives



1

Explore the market and enhance service capability to achieve rapid business growth

2

Promote physical IT centralization at a national level and enhance centralized management and control

3

Construct a vertical management system of claim settlement

4

Improve financial management and control by reforming financial management mode and establishing a financial shared service center

5

Improve business quality and profitability by enhancing pricing capability by leveraging our professional advantage

6

Stick to steady investment strategy, actively capture market opportunities and improve return on investment

7

Continued effort to improve internal control and compliance system and risk prevention system

The logo for PICC, consisting of the letters 'PICC' in a bold, red, sans-serif font.

中国人民财产保险股份有限公司

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Thank you!