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中国人民保险集团股份有限公司

THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

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

(Stock Code: 1339)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the “Board”) of The People’s Insurance Company (Group) of China Limited (the “Company”) announces the following audited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 together with the comparative figures for the previous year, which should be read in conjunction with the following management discussion and analysis:

FINANCIAL STATEMENTS AND MATERIAL NOTES

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

<i>(in RMB million)</i>	<i>Notes</i>	2016	2015
Gross written premiums	5	439,874	388,387
Less: Premiums ceded to reinsurers	5	(32,749)	(31,255)
Net written premiums	5	407,125	357,132
Change in unearned premium reserves	5	(10,255)	(7,821)
Net earned premiums		396,870	349,311
Reinsurance commission income		10,519	9,678
Investment income	6	33,075	44,336
Other income		2,859	2,686
TOTAL INCOME		443,323	406,011
Life insurance death and other benefits paid		113,583	93,319
Claims incurred		203,236	180,684
Changes in long-term life insurance contract liabilities		5,633	9,138
Policyholder dividends		3,538	4,149
Claims and policyholder's benefits:		325,990	287,290
Less: claims and policyholders' benefits ceded to reinsurers		(24,237)	(21,147)
Net claims and policyholders' benefits		301,753	266,143
Handling charges and commissions		53,664	35,963
Finance costs		4,333	4,603
Exchange gains		(688)	(632)
Other operating and administrative expenses		69,328	72,455
TOTAL BENEFITS, CLAIMS AND EXPENSES		428,390	378,532
Share of profits and losses of associates and joint ventures		10,386	6,491
PROFIT BEFORE TAX	7	25,319	33,970
Income tax expense	8	(4,638)	(6,305)
PROFIT FOR THE YEAR		20,681	27,665
Attributable to:			
Equity holders of the parent		14,245	19,542
Non-controlling interests		6,436	8,123
		20,681	27,665
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (in RMB)			
– Basic	9	0.34	0.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

(in RMB million)

	2016	2015 (Restated)
PROFIT FOR THE YEAR	<u>20,681</u>	<u>27,665</u>
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value (losses)/gains	(6,598)	18,797
– Reclassification of gains to profit or loss on disposals	(876)	(11,949)
– Impairment losses	1,162	165
Income tax effect		
– Fair value losses/(gains)	1,650	(4,700)
– Reclassification of gains to profit or loss on disposals	212	2,986
– Impairment losses	(289)	(38)
	<u>(4,739)</u>	<u>5,261</u>
Net losses on cash flow hedges	(5)	(13)
Income tax effect	1	3
	<u>(4)</u>	<u>(10)</u>
Share of other comprehensive income of associates and joint ventures	165	548
Exchange differences on translating foreign operations	73	62
	<u>165</u>	<u>548</u>
NET OTHER COMPREHENSIVE (EXPENSE)/INCOME MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	<u>(4,505)</u>	<u>5,861</u>
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	332	428
Income tax effect	(83)	(107)
	<u>249</u>	<u>321</u>
Actuarial gains/(losses) on pension benefit obligation	41	(272)
Share of other comprehensive expense of associates and joint ventures	(66)	–
	<u>(66)</u>	<u>–</u>
NET OTHER COMPREHENSIVE INCOME WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	<u>224</u>	<u>49</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF TAX	<u>(4,281)</u>	<u>5,910</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>16,400</u></u>	<u><u>33,575</u></u>
Attributable to:		
– Equity holders of the parent	11,102	23,867
– Non-controlling interests	5,298	9,708
	<u>16,400</u>	<u>33,575</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

<i>(in RMB million)</i>	<i>Notes</i>	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents		46,729	49,884
Derivative financial assets		3	8
Debt securities		240,531	232,147
Equity securities, mutual funds and trust schemes		150,550	125,275
Insurance receivables, net	<i>11</i>	34,339	21,558
Reinsurance assets		31,019	26,542
Term deposits		91,884	148,097
Restricted statutory deposits		9,911	9,914
Investments classified as loans and receivables		168,778	110,485
Investments in associates and joint ventures	<i>12</i>	85,834	53,308
Investment properties		10,695	10,358
Property and equipment		24,113	23,095
Intangible assets		1,197	1,005
Prepaid land premiums		3,825	3,941
Deferred tax assets		5,965	2,251
Other assets		26,776	25,600
		<hr/>	<hr/>
TOTAL ASSETS		932,149	843,468
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Securities sold under agreements to repurchase		33,066	28,231
Income tax payable		2,756	3,117
Due to banks and other financial institutions		–	980
Bonds payable		46,084	39,210
Insurance contract liabilities		538,513	507,686
Investment contract liabilities for policyholders		38,370	27,601
Policyholder dividends payable		7,064	8,114
Pension benefit obligation		2,800	2,990
Deferred tax liabilities		752	1,455
Other liabilities		91,750	66,889
		<hr/>	<hr/>
TOTAL LIABILITIES		761,155	686,273
		<hr/> <hr/>	<hr/> <hr/>

<i>(in RMB million)</i>	<i>Notes</i>	31 December 2016	31 December 2015
EQUITY			
Issued capital	<i>13</i>	42,424	42,424
Reserves		83,677	73,677
		<hr/>	<hr/>
Equity attributable to equity holders of the parent		126,101	116,101
Non-controlling interests		44,893	41,094
		<hr/>	<hr/>
TOTAL EQUITY		170,994	157,195
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		932,149	843,468
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(in RMB million)

	Attributable to equity holders of the parent															
	Share capital (note 13)	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Cash flow hedge	Share of other comprehensive income of associates and joint ventures	Foreign currency translation reserve	Surplus reserve fund*	Other reserves	Actuarial gains/(losses) on pension benefit obligation	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2016	42,424	19,925	5,840	5,770	1,300	2,232	(3)	594	(49)	1,101	(15,010)	(693)	52,670	116,101	41,094	157,195
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	14,245	14,245	6,436	20,681
Other comprehensive income/(expense)	-	-	(3,487)	-	-	185	(4)	67	55	-	-	41	-	(3,143)	(1,138)	(4,281)
Total comprehensive income	-	-	(3,487)	-	-	185	(4)	67	55	-	-	41	14,245	11,102	5,298	16,400
Appropriations to general risk reserve and surplus reserve fund	-	-	-	1,292	-	-	-	-	-	309	-	-	(1,601)	-	-	-
Appropriations to agriculture catastrophic loss reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(959)	(959)	(1,574)	(2,533)
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	12
Change in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(143)	-	-	(143)	63	(80)
Balance at 31 December 2016	42,424	19,925	2,353	7,062	1,300	2,417	(7)	661	6	1,410	(15,153)	(652)	64,355	126,101	44,893	170,994

	Attributable to equity holders of the parent															
	Share capital (note 13)	Share premium account	Available-for-sale investment revaluation reserve (Restated)	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Cash flow hedge	Share of other comprehensive income of associates and joint ventures (Restated)	Foreign currency translation reserve	Surplus reserve fund*	Other reserves	Actuarial losses on pension benefit obligation	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2015	42,424	19,925	1,951	4,011	497	1,966	5	191	(96)	802	(15,065)	-	35,970	92,581	32,996	125,577
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	19,542	19,542	8,123	27,665
Other comprehensive income/(expense)	-	-	3,889	-	-	266	(8)	403	47	-	-	(693)	421	4,325	1,585	5,910
Total comprehensive income	-	-	3,889	-	-	266	(8)	403	47	-	-	(693)	19,963	23,867	9,708	33,575
Appropriations to general risk reserve and surplus reserve fund	-	-	-	1,759	-	-	-	-	-	299	-	-	(2,058)	-	-	-
Appropriations to agriculture catastrophic loss reserve	-	-	-	-	803	-	-	-	-	-	-	-	(803)	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(402)	(402)	(1,345)	(1,747)
Change in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	55	-	-	55	(265)	(210)
Balance at 31 December 2015	42,424	19,925	5,840	5,770	1,300	2,232	(3)	594	(49)	1,101	(15,010)	(693)	52,670	116,101	41,094	157,195

* This reserve contains both statutory and discretionary surplus reserves.

The opening balances of available-for-sale investment revaluation reserve and share of other comprehensive income of associates and joint ventures are restated due to adoption of Amendment to IAS 1 as disclosed in note 3.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

(in RMB million)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		25,319	33,970
Adjustments for:			
Investment income	6	(33,075)	(44,336)
Exchange gains		(688)	(632)
Share of profits and losses of associates and joint ventures		(10,386)	(6,491)
Depreciation of property and equipment	7	1,969	2,131
Amortisation of intangible assets	7	169	147
Amortisation of prepaid land premiums	7	149	158
Disposal gains from investment properties, property and equipment, intangible assets and prepaid land premiums		(161)	(121)
Finance costs except for interests credited to policyholders		2,761	3,404
Impairment losses on receivables and other assets		408	703
Investment expenses		474	222
		<hr/>	<hr/>
Operating cash flows before working capital changes		(13,061)	(10,845)
		<hr/>	<hr/>
Increase in insurance receivables, net		(13,171)	(3,403)
Increase in investment contract liabilities for policyholders		10,769	2,081
Increase in insurance contract liabilities, net		26,350	28,361
Increase in other assets, net		(2,130)	(329)
Increase in other liabilities and accruals, net		22,999	11,224
		<hr/>	<hr/>
Cash generated from operations		31,756	27,089
Income tax paid		(7,925)	(6,648)
		<hr/>	<hr/>
Net cash from operating activities		<u>23,831</u>	<u>20,441</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interests received		28,356	27,811
Dividends received		6,865	6,195
Decrease in policy loans		522	1,258
Capital expenditures		(3,621)	(3,551)
Proceeds from disposals of investment properties, property and equipment, intangible assets and prepaid land premiums		302	389
Investments in associates and joint ventures		(22,914)	(11,539)
Purchases of investments		(395,820)	(278,465)
Proceeds from disposals of investments		297,775	252,495
Payments for investment expenses		(474)	(222)
Decrease in term deposits, net		56,326	16,531
		<hr/>	<hr/>
Net cash (used) in/generated from investing activities		<u>(32,683)</u>	<u>10,902</u>

<i>(in RMB million)</i>	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares by subsidiaries	12	–
Increase/(decrease) in securities sold under agreements to repurchase	4,835	(7,257)
Issue of bonds payable	15,000	–
Repayment of bonds payable	(8,000)	(8,500)
(Repayment)/proceeds to/from banks and other financial institutions	(980)	293
Interests paid	(2,887)	(3,704)
Dividends paid	(2,533)	(1,747)
	<hr/>	<hr/>
Net cash generated from/(used) in financing activities	5,447	(20,915)
	<hr/> <hr/>	<hr/> <hr/>
Net (decrease)/increase in cash and cash equivalents	(3,405)	10,428
Cash and cash equivalents at beginning of the year	49,884	39,307
Effects of exchange rate changes on cash and cash equivalents	250	149
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	46,729	49,884
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Cash on hand	1	1
Demand deposits and deposits with banks with original maturity of less than three months	39,803	34,022
Securities purchased under resale agreements with original maturity of less than three months	6,925	15,861
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	46,729	49,884
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NOTES:

1. CORPORATE INFORMATION

The Company was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at No. 69, Dongheyuan Street, Xuanwu District, Beijing 100052, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The ultimate controlling party of the Company is the Ministry of Finance of the PRC.

The Company is an investment holding company. During the year ended 31 December 2016, the Company's subsidiaries mainly provided integrated financial products and services and were engaged in property and casualty ("P&C") insurance, life and health insurance, asset management and other businesses.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board and the disclosures required by the Appendix 16 to Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, certain financial instruments and insurance contract liabilities. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. APPLICATIONS OF NEW AND REVISED IFRSs

The Group has adopted the following amendments to IFRSs for the first time effective for the current year's financial statements.

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

Amendments to IAS 1 – Disclosure Initiative

The Group has applied the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments to IAS 1 clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

In the past, share of items of other comprehensive income (“OCI”) arising from associates and joint ventures were grouped by nature into OCI of the Company and its subsidiaries.

Commencing from 1 January 2016, share of OCI from associates or joint ventures accounted for using the equity method, in aggregate, are separated into two items for OCI that:

- will not be reclassified subsequently to profit or loss; and
- will be reclassified subsequently to profit or loss when specific conditions are met.

As a result of these changes, certain items of OCI, which amounted to RMB548 million for the year ended 31 December 2015, in the consolidated statement of comprehensive income were singled out and reclassified to conform to these new requirements. A reserve with an opening balance of RMB594 million (1 January 2015: RMB191 million) attributable to the parent is also separately established as at 1 January 2016 to record the cumulative share of OCI arising from associates and joint ventures in the consolidated statement of changes in equity. The opening balance attributable to the parent of available-for-sale investment revaluation reserve exclude amounts arising from associates and joint ventures and was reduced by RMB594 million (1 January 2015: RMB191 million). The Group has applied these changes retrospectively.

Apart from this, none of the above amendments to IFRSs, have had a material impact on the financial position or performance of the Group for the year ended 31 December 2016.

4. OPERATING SEGMENT INFORMATION

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the management for deciding how to allocate resources and for assessing performance.

For management purposes, the Group is organised into business units based on their products and services and has the following operating and reportable segments:

- the non-life insurance segment offers a wide variety of insurance products to both personal and corporate customers including automobile insurance, agricultural, property and liabilities insurance;
- the life insurance segment offers a wide range of participating, endowments, annuity and universal life insurance products;
- the health insurance segment offers a wide range of health and medical insurance products;
- the asset management segment comprises asset management services;
- the headquarters segment provides management and support for the Group's business through its strategy, risk management, treasury, finance, legal and human resources functions;
- the "others" segment comprises other operating and insurance agent businesses of the Group.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on segment profit/(loss).

As the revenue, net profit, assets and liabilities of operations outside Mainland China constitutes less than 1% of the consolidated amounts in these financial statements, geographical segmental information is not presented.

Intersegment sales are transacted according to terms and conditions negotiated by the relevant parties within the Group.

During the reporting period, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

Segment revenue and results for the year ended 31 December 2016

<i>(in RMB million)</i>	Non-life insurance	Life insurance	Health insurance	Asset management	Head- quarters	Others	Eliminations	Total
Net earned premiums	270,783	105,162	20,925	-	-	-	-	396,870
Net reinsurance commission income	10,091	233	195	-	-	-	-	10,519
Investment income	15,280	15,720	1,782	452	4,017	121	(4,297)	33,075
Other income	1,579	621	93	1,316	3	229	(982)	2,859
TOTAL INCOME								
- SEGMENT REVENUE	297,733	121,736	22,995	1,768	4,020	350	(5,279)	443,323
- External income	297,570	121,498	22,982	1,202	(17)	88	-	443,323
- Intersegment income	163	238	13	566	4,037	262	(5,279)	-
Net claims and policyholders' benefits	172,087	109,187	20,479	-	-	-	-	301,753
Handling charges and commissions	46,578	6,900	666	-	-	-	(480)	53,664
Finance costs	1,208	1,752	456	2	887	28	-	4,333
Exchange gains	(415)	(174)	(2)	(1)	(96)	-	-	(688)
Other operating and administrative expenses	59,530	6,972	1,322	1,039	726	330	(591)	69,328
TOTAL BENEFITS, CLAIMS AND EXPENSES	278,988	124,637	22,921	1,040	1,517	358	(1,071)	428,390
Share of profits and losses of associates and joint ventures	6,176	3,348	-	5	908	-	(51)	10,386
PROFIT BEFORE TAX	24,921	447	74	733	3,411	(8)	(4,259)	25,319
Income tax (expense)/credit	(4,439)	5	(71)	(190)	41	(13)	29	(4,638)
PROFIT/(LOSS) FOR THE YEAR								
- SEGMENT RESULTS	20,482	452	3	543	3,452	(21)	(4,230)	20,681

Segment revenue and results for the year ended 31 December 2015

<i>(in RMB million)</i>	Non-life insurance	Life insurance	Health insurance	Asset management	Head- quarters	Others	Eliminations	Total
Net earned premiums	245,110	89,850	14,351	–	–	–	–	349,311
Net reinsurance commission income/(expense)	9,710	87	(119)	–	–	–	–	9,678
Investment income	20,302	21,046	2,070	640	3,731	(45)	(3,408)	44,336
Other income	1,465	327	101	1,139	18	347	(711)	2,686
TOTAL INCOME								
– SEGMENT REVENUE	276,587	111,310	16,403	1,779	3,749	302	(4,119)	406,011
– External income	276,480	111,207	16,397	1,391	388	148	–	406,011
– Intersegment income	107	103	6	388	3,361	154	(4,119)	–
Net claims and policyholders' benefits	153,819	97,996	14,328	–	–	–	–	266,143
Handling charges and commissions	31,541	4,307	448	–	–	–	(333)	35,963
Finance costs	1,638	1,612	407	8	907	31	–	4,603
Exchange gains	(331)	(183)	(6)	(1)	(111)	–	–	(632)
Other operating and administrative expenses	62,838	6,819	1,431	895	676	430	(634)	72,455
TOTAL BENEFITS, CLAIMS AND EXPENSES	249,505	110,551	16,608	902	1,472	461	(967)	378,532
Share of profits and losses of associates and joint ventures	3,141	2,701	–	(12)	968	–	(307)	6,491
PROFIT/(LOSS) BEFORE TAX	30,223	3,460	(205)	865	3,245	(159)	(3,459)	33,970
Income tax (expense)/credit	(6,340)	96	69	(230)	91	13	(4)	(6,305)
PROFIT/(LOSS) FOR THE YEAR								
– SEGMENT RESULTS	23,883	3,556	(136)	635	3,336	(146)	(3,463)	27,665

Segment assets and liabilities as at 31 December 2016 and 2015, and other segment information for the year ended 31 December 2016 and 2015

<i>(in RMB million)</i>	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
31 December 2016								
Segment assets	<u>480,354</u>	<u>375,499</u>	<u>45,224</u>	<u>9,531</u>	<u>108,320</u>	<u>6,586</u>	<u>(93,365)</u>	<u>932,149</u>
Segment liabilities	<u>357,480</u>	<u>342,629</u>	<u>39,548</u>	<u>1,800</u>	<u>20,190</u>	<u>2,656</u>	<u>(3,148)</u>	<u>761,155</u>
Other segment information:								
Capital expenditures	2,511	504	46	245	29	286	–	3,621
Depreciation and amortisation	1,823	158	50	31	58	113	54	2,287
Interest income	12,378	12,836	1,238	143	168	5	–	26,768
Impairment losses	<u>545</u>	<u>569</u>	<u>28</u>	<u>(13)</u>	<u>441</u>	<u>–</u>	<u>–</u>	<u>1,570</u>
31 December 2015								
Segment assets	<u>421,793</u>	<u>357,560</u>	<u>32,831</u>	<u>9,087</u>	<u>105,728</u>	<u>5,588</u>	<u>(89,119)</u>	<u>843,468</u>
Segment liabilities	<u>312,499</u>	<u>322,467</u>	<u>29,421</u>	<u>1,717</u>	<u>20,369</u>	<u>2,647</u>	<u>(2,847)</u>	<u>686,273</u>
Other segment information:								
Capital expenditures	2,319	495	71	322	46	298	–	3,551
Depreciation and amortisation	1,945	191	38	28	58	122	54	2,436
Interest income	12,458	13,419	1,227	99	277	6	–	27,486
Impairment losses	<u>727</u>	<u>17</u>	<u>1</u>	<u>63</u>	<u>129</u>	<u>–</u>	<u>(69)</u>	<u>868</u>

5. GROSS AND NET WRITTEN PREMIUMS

(in RMB million)

	2016	2015
(a) Gross written premiums		
Long-term life insurance premiums	117,764	96,508
Short-term health insurance premiums	10,804	10,062
Non-life insurance premiums	<u>311,306</u>	<u>281,817</u>
 Total	 <u><u>439,874</u></u>	 <u><u>388,387</u></u>
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums ceded to reinsurers	(711)	(465)
Short-term health insurance premiums ceded to reinsurers	(2,012)	(1,631)
Non-life insurance premiums ceded to reinsurers	<u>(30,026)</u>	<u>(29,159)</u>
 Total	 <u><u>(32,749)</u></u>	 <u><u>(31,255)</u></u>
 Net written premiums	 <u><u>407,125</u></u>	 <u><u>357,132</u></u>
(c) Change in unearned premium reserves		
Change in gross unearned premium reserves	(11,150)	(7,542)
Less: Change in reinsurer's share of unearned premium reserves	<u>895</u>	<u>(279)</u>
 Net	 <u><u>(10,255)</u></u>	 <u><u>(7,821)</u></u>

6. INVESTMENT INCOME

<i>(in RMB million)</i>	2016	2015
Dividend, interest and rental income (a)	32,253	32,410
Realised gains (b)	2,175	12,396
Fair value losses (c)	(191)	(305)
Impairment losses (d)	(1,162)	(165)
TOTAL	<u>33,075</u>	<u>44,336</u>

(a) Dividend, interest and rental income

<i>(in RMB million)</i>	2016	2015
Operating lease income from investment properties	<u>423</u>	<u>343</u>
Interest income		
Current and term deposits	7,306	9,539
Debt securities		
– Held-to-maturity	5,894	6,081
– Available-for-sale	5,554	4,940
– Held-for-trading	81	72
Derivative financial assets	118	29
Loans and receivables	7,815	6,825
SUBTOTAL	<u>26,768</u>	<u>27,486</u>
Dividend income		
Equity securities and mutual funds		
– Available-for-sale	4,418	4,113
– Held-for-trading	644	468
SUBTOTAL	<u>5,062</u>	<u>4,581</u>
TOTAL	<u>32,253</u>	<u>32,410</u>

(b) Realised gains

<i>(in RMB million)</i>	2016	2015
Debt securities		
– Available-for-sale	530	215
– Held-for-trading	24	40
Equity securities and mutual funds		
– Available-for-sale	317	11,734
– Held-for-trading	295	407
– Derivative financial instrument	1,009	–
TOTAL	<u>2,175</u>	<u>12,396</u>

(c) Fair value (losses)/gains

<i>(in RMB million)</i>	2016	2015
Debt securities		
– Held-for-trading	17	20
Equity securities and mutual funds		
– Held-for-trading	(432)	185
Investment properties	224	(510)
TOTAL	<u>(191)</u>	<u>(305)</u>

(d) Impairment losses

<i>(in RMB million)</i>	2016	2015
Debt securities		
– Available-for-sale	–	26
Equity securities and mutual funds		
– Available-for-sale	1,162	139
TOTAL	<u>1,162</u>	<u>165</u>

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging the following items:

<i>(in RMB million)</i>	2016	2015
Employee costs (a)	34,915	32,572
Depreciation of property and equipment	1,969	2,131
Impairment losses recognised on insurance receivables (<i>note 11</i>)	390	320
Impairment losses recognised on other assets	18	383
Minimum lease payments under operating leases in respect of land and buildings	896	904
Amortisation of intangible assets	169	147
Amortisation of prepaid land premium	149	158
Auditors' remuneration	30	28

(a) Employee costs

<i>(in RMB million)</i>	2016	2015
Employee costs (including directors' and supervisors' remuneration)		
– Salaries, allowances and performance related bonuses	31,842	29,525
– Pension scheme contributions	3,073	3,047
TOTAL	34,915	32,572

8. INCOME TAX EXPENSE

<i>(in RMB million)</i>	2016	2015
Current income tax		
– Charge for the year	7,525	8,771
– Adjustments in respect of current tax of previous periods	39	15
Deferred income tax	(2,926)	(2,481)
TOTAL	4,638	6,305

In accordance with the relevant PRC income tax rules and regulations, the Company and Company's subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% (2015: 25%) on their respective taxable income. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The People's Insurance Company of China (Hong Kong) Limited ("PICC Hong Kong"), a subsidiary incorporated in Hong Kong, was subject to a profits tax rate of 16.5% in 2016 (2015: 16.5%).

A reconciliation of the tax expense applicable to profit before tax using the CIT rate of 25% to the tax expense at the Group's effective tax rate is as follows:

<i>(in RMB million)</i>	2016	2015
Profit before tax	25,319	33,970
Tax at the statutory tax rate	6,330	8,492
Adjustments in respect of current tax of previous periods	39	15
Tax effect of share of profits and losses of associates	(2,597)	(1,623)
Income not subject to tax	(1,102)	(1,019)
Expenses not deductible for tax	941	208
Unrecognised deductible temporary differences and tax losses	1,030	233
Effects of different tax rates applied to subsidiaries	(3)	(1)
Tax charge for the year	4,638	6,305
Effective tax rate	18.3%	18.6%

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the years 2016 and 2015 is based on the profit attributable to equity holders of the parent and the number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to equity holders of the parent for the year <i>(in RMB million)</i>	14,245	19,542
Number of ordinary shares <i>(in million shares)</i>	42,424	42,424
Basic earnings per share <i>(in RMB)</i>	0.34	0.46

No diluted earnings per share has been presented for the years 2016 and 2015 as the Group had no potential ordinary shares in issue during the periods.

10. DIVIDENDS

<i>(in RMB million)</i>	2016	2015
Dividends recognised as distributions during the year:		
2015 Final, paid – RMB 2.26005 cent per share		
(2015: 2014 Final, paid – RMB 0.94671 cent per share)	<u>959</u>	<u>402</u>

As at 24 March 2017, final dividend in respect of the year ended 31 December 2016 of RMB3.37881 cent per share has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming general meeting.

11. INSURANCE RECEIVABLES, NET

<i>(in RMB million)</i>	31 December 2016	31 December 2015
Insurance receivables	37,557	24,427
Less: Impairment provision on insurance receivables	<u>(3,218)</u>	<u>(2,869)</u>
TOTAL	<u>34,339</u>	<u>21,558</u>

(a) The movements of provision for impairment of insurance receivables are as follows:

<i>(in RMB million)</i>	2016	2015
At 1 January	2,869	2,689
Impairment losses recognised (<i>note 7</i>)	390	320
Amount written off as uncollectible	<u>(41)</u>	<u>(140)</u>
At 31 December	<u>3,218</u>	<u>2,869</u>

- (b) An aged analysis of insurance receivable as at the end of the reporting period, based on the payment due date and net of provision, is as follows:

<i>(in RMB million)</i>	31 December 2016	31 December 2015
Not yet due and within 3 months	27,749	18,769
3 to 6 months	4,234	1,136
6 to 12 months	1,943	1,321
1 to 2 years	300	241
Over 2 years	113	91
	<hr/>	<hr/>
Total	<u>34,339</u>	<u>21,558</u>

The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch and Moody's) or above. Management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

- (a) The Group's investments in associates and joint ventures as at 31 December 2016 and 2015 are as follows:

<i>(in RMB million)</i>	31 December 2016	31 December 2015
Associates		
Cost of investment in associates	63,961	37,402
Share of post-acquisition profits and other comprehensive income	18,983	13,016
Subtotal	82,944	50,418
Joint ventures		
Cost of investment in joint ventures	2,890	2,890
Total	85,834	53,308
Fair value of shares listed in Mainland China	66,416	45,006

On 31 December 2016, except for Industrial Bank Co., Ltd. (“Industrial Bank”) and Hua Xia Bank Co., Ltd. (“Hua Xia Bank”) which were listed on the Main Board of The Shanghai Stock Exchange, Mainland China, all other associates that the Group holds interests in are unlisted companies.

- (b) Particulars of the principal associates are as follows:

Associates	Place of registration	Principal activities/ Place of operation	Percentage of ownership interest and voting rights held by the Group			
			31 December 2016		31 December 2015	
			Direct	Indirect	Direct	Indirect
Industrial Bank	Fujian	Banking, China	0.91%	13.15%	0.91%	13.15%
China Credit Trust Company Limited	Beijing	Trust business, China	32.92%	–	32.92%	–
Hua Xia Bank	Beijing	Banking, China	–	19.99%	–	–

The Group accounts for its interests in Industrial Bank as associates as it has representative in boards of directors in this entity.

The above table lists the associates of the Group which principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

13. SHARE CAPITAL

	31 December 2016	31 December 2015
Issued and fully paid ordinary shares of RMB 1 each (<i>in million shares</i>)		
Domestic shares	33,698	33,698
H shares	8,726	8,726
	<u>42,424</u>	<u>42,424</u>
Share capital (<i>in RMB million</i>)		
Domestic shares	33,698	33,698
H shares	8,726	8,726
	<u>42,424</u>	<u>42,424</u>

14. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2016	31 December 2015
ASSETS		
Cash and cash equivalents	5,984	7,323
Debt securities	323	519
Equity securities and mutual funds	7,648	7,248
Term deposits	135	124
Investments classified as loans and receivables	2,806	2,346
Investments in subsidiaries	82,318	81,318
Investments in associates	5,137	4,681
Investment properties	1,201	1,191
Property and equipment	158	184
Intangible assets	25	25
Prepaid land premiums	67	69
Other assets	2,080	711
	<hr/>	<hr/>
TOTAL ASSETS	107,882	105,739
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Securities sold under agreement to repurchase	–	60
Bonds payable	15,984	15,973
Pension benefit obligation	2,800	2,990
Other liabilities	1,406	1,346
	<hr/>	<hr/>
TOTAL LIABILITIES	20,190	20,369
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Share capital	42,424	42,424
Reserves	45,268	42,946
	<hr/>	<hr/>
TOTAL EQUITY	87,692	85,370
	<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES	107,882	105,739
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group divides its three principal business lines of P&C insurance, life and health insurance and asset management into four operating segments for reporting purposes: P&C insurance business constitutes the P&C insurance segment and includes PICC Property and Casualty Company Limited (“PICC P&C”) and The People’s Insurance Company of China (Hong Kong) Limited (“PICC Hong Kong”), in which the Company holds 68.98% and 75.0% equity interests, respectively; life and health insurance business constitutes two separate segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life Insurance Company Limited (“PICC Life”), in which the Company holds an 80.0% equity interest directly and indirectly, and the health insurance segment includes PICC Health Insurance Company Limited (“PICC Health”), in which the Company holds a 95.45% equity interest directly and indirectly; and the asset management business constitutes the asset management segment and primarily includes PICC Asset Management Company Limited (“PICC AMC”), PICC Investment Holding Co., Ltd (“PICC Investment Holding”), PICC Capital Investment Management Company Limited (“PICC Capital”), and PICC Asset Management (Hong Kong) Company Limited (“PICC AMHK”), in which the Company holds 100%. The Company also holds 100% equity interest in PICC Financial Services Company Limited (“PICC Financial Services”).

KEY OPERATING INDICATORS

(1) Key Operating Data

	<i>Unit: RMB in millions, except for percentages</i>		
	For the Year Ended 31 December		
	2016	2015	(% of change)
Original Premiums Income			
PICC P&C	310,453	281,010	10.5
PICC Life	105,115	89,608	17.3
PICC Health	23,020	16,031	43.6
Combined ratio of PICC P&C (%)	98.1	96.5	Increase of 1.6 pt
Value of one year’s new business of PICC Life ⁽¹⁾	4,131	2,698	53.1
Value of one year’s new business of PICC Health ⁽¹⁾	325	274	18.6
Total investment yield (%)	5.8	7.3	Decrease of 1.5 pt

Unit: RMB in millions, except for percentages

	As of 31 December 2016	As of 31 December 2015	(% of change)
Market share ⁽²⁾			
PICC P&C (%)	33.5	33.4	Increase of 0.1 pt
PICC Life (%)	4.8	5.6	Decrease of 0.8 pt
PICC Health (%)	1.1	1.0	Increase of 0.1 pt
Embedded Value of PICC Life ⁽³⁾	57,558	55,322	4.0
Embedded Value of PICC Health ⁽³⁾	7,118	4,097	73.7

	As of 31 December 2016	As of 31 December 2015 (Unaudited) ⁽⁴⁾	(% of change)
Comprehensive solvency margin ratio (%)			
PICC Group	284	295	Decrease of 11 pt
PICC P&C	287	284	Increase of 3 pt
PICC Life	177	216	Decrease of 40 pt
PICC Health	215	205	Increase of 10 pt
Core solvency margin ratio (%)			
PICC Group	220	235	Decrease of 15 pt
PICC P&C	232	245	Decrease of 13 pt
PICC Life	149	183	Decrease of 34 pt
PICC Health	200	175	Increase of 25 pt

⁽¹⁾ The value of one year's new business of PICC Life and PICC Health for the 12 months up to 31 December 2015 are re-calculated based on the assumption of investment return rate as of 31 December 2016 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health insurance" (Other assumptions remain the same as of 31 December 2015).

⁽²⁾ The market share was based on the statistics and measurement of the Original Premiums Income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the China Insurance Regulatory Commission (the "CIRC"), and the market share of PICC P&C represents its market share among all P&C insurance companies, and the market share of PICC Life and PICC Health represents their respective market share among all life and health insurance companies.

- (3) The embedded value of PICC Life and PICC Health as of 31 December 2015 are re-calculated based on the assumption of investment return rate as of 31 December 2016 and the “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health insurance” (Other assumptions remain the same as of 31 December 2015).
- (4) Comprehensive solvency margin ratios and core solvency margin ratios of the Group, PICC P&C, PICC Life and PICC Health as of 31 December 2015 are calculated in accordance with the regulatory requirements under “Solvency II” and are not audited.

In 2016, adhering to its key aspiration of “Maintaining stable growth, focusing on reform and innovation and emphasizing value creation” with firm confidence, the Group grasped opportunities and overcame difficulties to lay a solid foundation. The Group has shown a steady growth in its business and its structure continued to be optimised. In 2016, the market share of PICC P&C in the P&C insurance market was 33.5%, the market share of PICC Life in life and health insurance market was 4.8% and the market share of PICC Health in life and health insurance market was 1.1%. In terms of the total written premiums (the “TWPs”), in 2016, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB310,453 million, RMB116,556 million, RMB28,055 million and HKD125 million, respectively. The Group proactively pushed for a transformation towards being “customer-oriented”, and for a unification in the construction of the Group. The TWPs generated by cross-selling & synergy among the Group’s business lines grew by 21.5% to RMB31,791 million in 2016 from RMB26,175 million in 2015.

(2) Key Financial Indicators

Unit: RMB in millions, except for percentages

For the Year Ended 31 December

	2016	2015	(% of change)
Gross written premiums	439,874	388,387	13.3
P&C Insurance	311,306	281,817	10.5
Life Insurance	105,548	90,539	16.6
Health Insurance	23,020	16,031	43.6
Profit before tax	25,319	33,970	(25.5)
Net profit	20,681	27,665	(25.2)
Net profit attributable to			
equity holders of the Company	14,245	19,542	(27.1)
Earnings per share (RMB)	0.34	0.46	(27.1)
Weighted average return on equity (%)	11.8	18.7	Decrease of 6.9 pt

Unit: RMB in millions, except for percentages

	As of 31 December 2016	As of 31 December 2015	(% of change)
Total assets	932,149	843,468	10.5
Total liabilities	761,155	686,273	10.9
Total equity	170,994	157,195	8.8
Net assets per share (RMB)	2.97	2.74	8.6
Gearing ratio ⁽¹⁾ (%)	81.7	81.4	Increase of 0.3 pt

⁽¹⁾ The gearing ratio refers to the ratio of total liabilities to total assets.

The Group's capital base has been further strengthened, in which total equity grew by 8.8% to RMB170,994 million as of 31 December 2016 from RMB157,195 million as of 31 December 2015. The Group's gross written premiums ("GWPs") increased by 13.3% to RMB439,874 million in 2016 from RMB388,387 million in 2015. In the circumstances of capital market fluctuations and frequent natural disasters, the Group's net profit decreased by 25.2% to RMB20,681 million in 2016 from RMB27,665 million in 2015. Profit attributable to equity holders of the Company dropped by 27.1% to RMB14,245 million in 2016 from RMB19,542 million in 2015. Given the scale of decrease in profits, the weighted average return on equity of the Group decreased by 6.9 percentage points to 11.8% in 2016 from 18.7% in 2015.

The net assets per share of the Group increased by 8.6% to RMB2.97 as of 31 December 2016 from RMB2.74 as of 31 December 2015. The Group's earnings per share decreased by 27.1% to RMB0.34 in 2016 from RMB0.46 in 2015. The Group's gearing ratio increased by 0.3 percentage points to 81.7% as of 31 December 2016 from 81.4% as of 31 December 2015.

P&C INSURANCE BUSINESS

In 2016, the construction of modernisation of the country's governance system and governance capability was accelerated, the new economy such as internet+ and cloud computing developed prosperously, the economic structure was continuously improved, transformation of traditional production capacity and deepening of supply-side structural reform coexisted, and the P&C insurance segment of the Group faced the dual challenges of upgrading traditional insurance supply and innovating insurance demands. In 2016, the P&C insurance segment of the Group closely followed the annual target, overcame the great pressure from the downward trend of macro-economy and the continued bleakness of the capital market, confronted the challenge of severe market competition, effectively addressed the major test from deregulation of premium rate of commercial motor vehicle insurance and taxation system adjustment of "replacing business tax with value-added tax", and achieved a recovery of the market share for the first time since its shareholding reform and listing as well as a business growth rate exceeding that of the market; its profitability surpassed that of the market, the leading edge was extended continuously, and both the development and profitability of the segment presented a good momentum.

(1) Analysis by Product

The following table sets forth the GWPs by product from P&C insurance segment for the reporting periods indicated:

Unit: RMB in millions, except for percentages

For the Year Ended 31 December

	2016	2015	(% of change)
Motor vehicle insurance	225,877	204,271	10.6
Commercial property insurance	12,562	12,970	(3.1)
Liability insurance	13,840	11,605	19.3
Accidental injury and health insurance	23,433	18,561	26.2
Cargo insurance	2,999	3,230	(7.2)
Agricultural insurance	19,535	18,944	3.1
Other P&C insurance	13,060	12,236	6.7
Total	311,306	281,817	10.5

GWPs for the P&C insurance segment increased by 10.5% to RMB311,306 million in 2016 from RMB281,817 million in 2015. The overall steady growth was largely driven by the development in the motor vehicle insurance, agricultural insurance, accidental injury and health insurance, liability insurance and credit insurance.

GWPs for motor vehicle insurance increased by 10.6% to RMB225,877 million in 2016 from RMB204,271 million in 2015. In 2016, the P&C insurance segment continued to increase marketing efforts for motor vehicle insurance product packages, and its conservation and coverage ratio of motor vehicle insurance further increased. In 2016, the P&C insurance segment upgraded its model for cooperation with vehicle dealers to improve the efficiency of resource allocation, and strategically developed the market for medium-and high-end new vehicle. As the growth rate of new vehicles picked up, the number of insured vehicles and income from premium of new vehicles maintained strong growth. Moreover, the P&C insurance segment tapped into the existing business resources, focused on the policy renewal and regain of existing business, and vigorously drove a steady growth in the motor vehicle insurance business.

GWPs for commercial property insurance decreased by 3.1% to RMB12,562 million in 2016 from RMB12,970 million in 2015. In 2016, as a result of deep adjustment to economic structure, the demand for commercial property insurance was insufficient, and its Comprehensive commercial property insurance business and machinery breakdown insurance business both declined.

GWPs for liability insurance increased by 19.3% to RMB13,840 million in 2016 from RMB11,605 million in 2015. In 2016, the State Council and various government departments issued a number of policies and documents, providing strong policy support for the expansion of coverage and increase in penetration rate of liability insurance. In the P&C insurance segment, traditional insurance including employer, medical, public and product liability insurance maintained good momentum of development. In addition, the P&C insurance segment actively developed innovative products. The liability insurance of the first major technological equipment, property preservation during the course of proceeding, online shopping shipment fee loss and motor vehicle extended maintenance have become our new business growing point.

GWPs for accidental injury and health insurance increased by 26.2% to RMB23,433 million in 2016 from RMB18,561 million in 2015. In 2016, the P&C insurance segment seized the opportunities brought by the market to consolidate policy renewal business. It actively developed new market, strengthened the vertical integration and development, deeply explored customer resources, strengthened the sales skills at low level, and vigorously promoted new platform and application such as sales of mobile phones. Emerging business such as motor vehicle driver and passenger accident insurance grew fast, and traditional business such as school children insurance and construction accident insurance grew steadily, with critical illness insurance, supplementary medical insurance for urban workers and new rural co-operatives basic medical insurance contributing a large portion of increased premiums.

GWPs for cargo insurance decreased by 7.2% to RMB2,999 million in 2016 from RMB3,230 million in 2015. In 2016, China's economy entered a new normal state of development. With the in-depth adjustment to economic structure, weak import and export trading and decrease in railway transportation, the number and price of sources of cargo insurance decreased.

GWPs for agricultural insurance increased by 3.1% to RMB19,535 million in 2016 from RMB18,944 million in 2015. In 2016, with the full opening of agricultural insurance market, and the increasingly fierce market competition, and the growth of agricultural insurance among the P&C insurance segment slowed down. The growth of agricultural insurance business mainly came from animal breeding insurance business such as fattening pigs, reproductive sow and dairy cows.

GWPs attributable to other P&C insurance in the P&C insurance segment increased by 6.7% to RMB13,060 million in 2016 from RMB12,236 million in 2015. In 2016, personal credit insurance, loan guarantee insurance, performance guarantee insurance and product quality insurance among the P&C insurance segment recorded fast growth, leading to the rapid growth of credit insurance business.

(2) Analysis by Channel

The following table sets forth a breakdown of Original Premiums Income of PICC P&C by distribution channel for the reporting periods indicated, which can be further divided into insurance agents, direct sales and insurance brokerage. In 2016, PICC P&C analysed the trend for obtaining channel business, established clear channel positioning, deeply divided the channels, and improved channel presence to implement a differentiated channel business model and integrated channel strategy. It planned for internet strategic development, accelerated the transformation towards telemarketing and online sales and continuously optimized coordination between property, life and health insurance, which led to continuous growth in the business.

Unit: RMB in millions, except for percentages
For the Year Ended 31 December

	2016		2015	
	Amount	(% of total)	Amount	(% of total)
Insurance agents	206,904	66.7	162,617	57.9
Among which:				
Individual insurance agents	109,044	35.1	85,579	30.5
Ancillary insurance agents	56,681	18.3	52,749	18.8
Professional insurance agents	41,179	13.3	24,289	8.6
Direct sales	87,968	28.3	103,755	36.9
Insurance brokerage	15,581	5.0	14,638	5.2
Total	310,453	100.0	281,010	100.0

(3) Financial Analysis

The following table sets forth certain selected key financial data of the P&C insurance segment for the reporting periods indicated:

	<i>Unit: RMB in millions, except for percentages</i>		
	For the Year Ended 31 December		
	2016	2015	(% of change)
Net earned premiums	270,783	245,110	10.5
Investment income	15,280	20,302	(24.7)
Other income	1,579	1,465	7.8
Total income	297,733	276,587	7.6
Net claims and policyholders' benefits	172,087	153,819	11.9
Handling charges and commissions	46,578	31,541	47.7
Finance costs	1,208	1,638	(26.3)
Other operating and administrative expenses	59,530	62,838	(5.3)
Total benefits, claims and expenses	278,988	249,505	11.8
Profit before tax	24,921	30,223	(17.5)
Income tax expense	(4,439)	(6,340)	(30.0)
Net profit	20,482	23,883	(14.2)

Net earned premiums

Benefiting from the steady development in the businesses of motor vehicle insurance, agricultural insurance, accidental injury and health insurance, liability insurance and credit insurance, net earned premiums of the P&C insurance segment increased by 10.5% to RMB270,783 million in 2016 from RMB245,110 million in 2015.

Investment income

Investment income of the P&C insurance segment decreased by 24.7% to RMB15,280 million in 2016 from RMB20,302 million in 2015. This was primary due to the decline in equity market, capital market volatility and lower yield from new investment and reinvestment under the current low interest rate environment.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the P&C insurance segment increased by 11.9% to RMB172,087 million in 2016 from RMB153,819 million in 2015, of which the loss ratio of PICC P&C increased by 0.8 percentage points to 63.5% in 2016 from 62.7% in 2015. In 2016, as a result of natural disasters including Typhoon Meranti, tornado in Yancheng, Jiangsu Province and floods in various places, there were more cases with individual large claims for commercial property insurance and agricultural insurance for the P&C insurance segment, and the loss ratio increased.

Handling charges and commissions

Handling charges and commissions of the P&C insurance segment increased by 47.7% to RMB46,578 million in 2016 from RMB31,541 million in 2015. The increase in handling charges and commissions were mainly due to steady increase in business scale, increased investment in quality business and more intense market competition.

Finance costs

Finance costs of the P&C insurance segment decreased by 26.3% to RMB1,208 million in 2016 from RMB1,638 million in 2015. The decrease in finance costs was mainly due to the decrease in interest expenses relating to our subordinated debts and interest expenses of financial assets sold under agreements to repurchase.

Net profit

As a result of the foregoing reasons, the net profit of the P&C insurance segment decreased by 14.2% to RMB20,482 million in 2016 from RMB23,883 million in 2015.

LIFE AND HEALTH INSURANCE

(1) Life insurance

In 2016, the PRC life insurance industry continued the momentum of rapid growth and the premium income further increased. The Group's life insurance segment continued to implement the strategy of "Stabilizing growth, emphasizing value, strengthening the foundation" and follow the guidance of "Insurance provides protection first". Its regular premiums business recorded rapid growth, and valuable business as a percentage increased, demonstrating notable results for transformation and development. As of the end of 2016, the Group's life insurance segment recorded TWPs of RMB116,556 million; the TWPs of first-year regular premiums increased by 173.9% as compared to that for the previous year, and its percentage to first year TWPs increased.

1. *Analysis by Product*

Income from various products of the life insurance segment for the purpose of Original Premiums Income for the reporting periods is as follows:

Unit: RMB in millions, except for percentages
For the Year Ended 31 December

	2016		2015	
	Amount	% of total	Amount	% of total
Life insurance products				
Traditional life and health insurance	85,572	81.4	74,512	83.2
Participating life insurance	16,595	15.8	11,495	12.8
Universal life insurance	91	0.1	83	0.1
Accidental injury and short-term health insurance	2,857	2.7	3,519	3.9
Total	105,115	100.0	89,608	100.0

In terms of TWPs, in 2016, the TWPs of traditional life and health insurance, participating life insurance, universal life insurance, accidental injury and short-term health insurance amounted to RMB87,282 million, RMB17,725 million, RMB8,692 million and RMB2,857 million, respectively, of which traditional life and health insurance continued to maintain a good momentum and its TWP increased by 17.1% as compared to same period in 2015. This was primarily attributed to the growth in products with insurance protection and wealth management function.

2. Analysis by Channel

Income of the life insurance segment by distribution channel for the purpose of Original Premiums Income for the reporting periods, which can further be divided into bancassurance channel, individual insurance agent channel and group insurance sales channel is as follows:

Unit: RMB in millions, except for percentages

	For the Year Ended 31 December		
	2016	2015	(% of change)
Bancassurance	59,166	56,568	4.6
First-year business of long-term insurance	55,622	53,135	4.7
Single premiums	49,421	51,852	(4.7)
First-year regular premiums	6,201	1,282	383.7
Renewal business	3,413	3,264	4.6
Short-term insurance	132	169	(21.9)
Individual Insurance	35,559	24,524	45.0
First-year business of long-term insurance	25,226	18,323	37.7
Single premiums	15,555	13,731	13.3
First-year regular premiums	9,671	4,591	110.7
Renewal business	9,306	4,658	99.8
Short-term insurance	1,027	1,543	(33.4)
Group Insurance	10,389	8,517	22.0
First-year business of long-term insurance	8,683	6,649	30.6
Single premiums	8,454	6,647	27.2
First-year regular premiums	229	2	11,350.0
Renewal business	8	62	(87.1)
Short-term insurance	1,698	1,807	(6.0)
Total	105,115	89,608	17.3

In terms of TWPs, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB62,854 million, RMB40,121 million and RMB13,580 million respectively for 2016.

In the life insurance segment, the individual insurance channel focused on high-value regular premiums business, and the number of sales persons continued to record rapid growth. The sales capability of the sales team significantly improved, with first year TWPs of regular premiums business doubled and a significant increase in the percentage of medium-and high-value business. As of the end of 2016, the number of insurance agents for the life insurance segment was 189,261. The first-year TWPs per capita from sales agent amounted to RMB5,323 with number of new life insurance policies per capita of 1.49 per month. The bancassurance channel focused on value transformation. While its business scale remained steady, the TWPs of first-year regular premiums recorded significant increase. The group insurance channel focused on legal person and high-value business, and its business development capabilities continued to improve.

3. *Persistency Ratios of premiums*

The following table sets forth the 13-month and 25-month premium persistency ratios for individual life insurance customers of the life insurance segment for the reporting periods indicated:

Item	For the Year Ended 31 December	
	2016	2015
13-month premium persistency ratio ⁽¹⁾ (%)	91.3	88.9
25-month premium persistency ratio ⁽²⁾ (%)	85.3	84.3

⁽¹⁾ The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;

⁽²⁾ The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

4. Financial Analysis

The following table sets forth certain selected key financial data of the life insurance segment for the reporting periods indicated:

Unit: RMB in millions, except for percentages

For the Year Ended 31 December

	2016	2015	(% of change)
Net earned premiums	105,162	89,850	17.0
Investment income	15,720	21,046	(25.3)
Other income	621	327	89.9
Total income	121,736	111,310	9.4
Net claims and policyholders' benefits	109,187	97,996	11.4
Handling charges and commissions	6,900	4,307	60.2
Finance costs	1,752	1,612	8.7
Other operating and administrative expenses	6,972	6,819	2.2
Total benefits, claims and expenses	124,637	110,551	12.7
Profit before tax	447	3,460	(87.1)
Income tax expense	5	96	(94.8)
Net profit	452	3,556	(87.3)

Net earned premiums

Net earned premiums for the life insurance segment increased by 17.0% to RMB105,162 million in 2016 from RMB89,850 million in 2015, mainly due to clear development philosophy, favourable business transformation measures, key products which meet market and customers' needs and improving service quality.

Investment income

Investment income of the life insurance segment decreased by 25.3% to RMB15,720 million in 2016 from RMB21,046 million in 2015. This was primary due to the poor performance of the equity market, capital market volatility and lower yield from new investment and reinvestment under the current low interest rate environment.

Other income

Other income of the life insurance segment increased by 89.9% to RMB621 million in 2016 from RMB327 million in 2015. This was mainly attributable to the increase in income from policy initiation fees.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the life insurance segment increased by 11.4% to RMB109,187 million in 2016 from RMB97,996 million in 2015. This was mainly attributable to the increase in surrenders of policies.

Handling charges and commissions

Handling charges and commissions of the life insurance segment increased by 60.2% to RMB6,900 million in 2016 from RMB4,307 million in 2015, mainly due to the increase in first-year regular premiums income and optimization of the business structure.

Finance costs

Finance costs of the life insurance segment increased by 8.7% to RMB1,752 million in 2016 from RMB1,612 million in 2015, which was mainly due to the increase in interests credited to policyholders' deposits and investment amounts.

Net profit

As a result of the foregoing reasons, the net profit of the life insurance segment decreased by 87.3% to RMB452 million in 2016 from RMB3,556 million in 2015.

(2) Health Insurance

In 2016, under the guidance of “Speed up transformation and develop through innovation” and by strengthening value orientation and adhering to the operational strategy of “Profession with feature, transformation with effectiveness, turnaround with results”, the health insurance segment of the Group underwent massive reforms in cost management and control as well as performance management, fully strengthened the improvement in profitability, and successfully turned loss into profit. It vigorously promoted the co-development of the three major business segments, namely government commission insurance business, commercial health insurance business and health management insurance business. It adjusted and optimized product portfolio. Business with high embedded value grew rapidly. First year regular premium of individual insurance channel increased by 78.5% as compared to the previous year. The short-term insurance premiums of group channel increased by 32.8% as compared to the previous year. The value of one year’s new business increased by 18.6% as compared to the previous year. The embedded value increased by 73.7% as compared to the previous year, continuously enhancing value creation capabilities.

1. Analysis by Product

Income from various products of the health insurance segment for the purpose of Original Premiums Income for the reporting periods is as follows:

Unit: RMB in millions, except for percentages

For the Year Ended 31 December

Health insurance products	2016		2015	
	Amount	% of total	Amount	% of total
Illness insurance	544	2.4	357	2.2
Medical insurance	7,831	34.0	5,932	37.0
Disability losses insurance	85	0.4	86	0.5
Nursing care insurance	13,660	59.3	8,768	54.7
Accidental injury insurance	535	2.3	457	2.9
Participating endowment insurance	366	1.6	432	2.7
Total	23,020	100.0	16,031	100.0

In terms of TWPs, the TWPs of illness insurance, medical insurance, disability losses insurance, nursing care insurance, accidental injury insurance and participating endowment insurance in 2016 amounted to RMB544 million, RMB11,713 million, RMB85 million, RMB14,813 million, RMB535 million and RMB366 million, respectively.

2. Analysis by Channel

Income of the health insurance segment by distribution channel for the purpose of Original Premiums Income for the reporting periods, which can further be divided into bancassurance channel, individual insurance agent channel and group insurance sales channel is as follows:

Unit: RMB in millions, except for percentages

	For the Year Ended 31 December		
	2016	2015	(% of change)
Bancassurance	11,006	7,787	41.3
First-year business of long-term insurance	10,724	7,517	42.7
Single premiums	10,599	7,399	43.2
First-year regular premiums	125	118	5.9
Renewal business	276	265	4.2
Short-term insurance	6	5	20.0
Individual Insurance	3,220	1,769	82.0
First-year business of long-term insurance	2,662	1,398	90.4
Single premiums	2,265	1,175	92.8
First-year regular premiums	398	223	78.5
Renewal business	461	287	60.6
Short-term insurance	97	84	15.5
Group Insurance	8,794	6,475	35.8
First-year business of long-term insurance	218	18	1,111.1
Single premiums	217	17	1,176.5
First-year regular premiums	1	1	–
Renewal business	4	3	33.3
Short-term insurance	8,571	6,454	32.8
Total	23,020	16,031	43.6

In terms of TWPs, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB11,058 million, RMB3,414 million and RMB13,582 million respectively for 2016.

In the health insurance segment, individual insurance agent channel focused on developing its sales team to drive the development of regular premiums business. As of 31 December 2016, the number of sales agents for the health insurance segment was 27,389. The first year TWPs of new insurance policies for 2016 amounted to RMB2,818 per sales agent per month and the monthly new insurance policies were 0.68 per sales agent per month. The bancassurance channel actively seized business opportunities, continuously improved the professional skills, and actively conducted transformation of business structure, achieving satisfactory results for business development. The group insurance channel expanded in relation to government commission insurance business and its TWPs recorded rapid growth. Basic medical insurance processing business achieved a breakthrough, and the medical insurance funds under management reached RMB3,950 million. With regard to the commercial group insurance business, it continued to strengthen its innovation and further expand its business scale, which recorded a rapid growth in capacity per agent.

3. *Persistency Ratios of premiums*

The following table sets forth the 13-month and 25-month premium persistency ratios for individual life insurance customers of the health insurance segment for the reporting periods indicated:

Item	For the Year Ended 31 December	
	2016	2015
13-month premium persistency ratio ⁽¹⁾ (%)	81.2	77.9
25-month premium persistency ratio ⁽²⁾ (%)	72.7	76.1

- (1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual health insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;
- (2) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual health insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

4. Financial Analysis

The following table sets forth certain selected key financial data of the health insurance segment for the reporting periods indicated:

Unit: RMB in millions, except for percentages

For the Year Ended 31 December

	2016	2015	(% of change)
Net earned premiums	20,925	14,351	45.8
Investment income	1,782	2,070	(13.9)
Other income	93	101	(7.9)
Total income	22,995	16,403	40.2
Net claims and policyholders' benefits	20,479	14,328	42.9
Handling charges and commissions	666	448	48.7
Finance costs	456	407	12.0
Other operating and administrative expenses	1,322	1,431	(7.6)
Total benefits, claims and expenses	22,921	16,608	38.0
Profit before tax	74	(205)	–
Income tax expense	(71)	69	–
Net profit	3	(136)	–

Net earned premiums

Net earned premiums of the health insurance segment increased by 45.8% to RMB20,925 million in 2016 from RMB14,351 million in 2015, mainly due to the growth of government commission insurance business and long-term commercial insurance as a result of favourable policy and market environment.

Investment income

Investment income of the health insurance segment decreased by 13.9% to RMB1,782 million in 2016 from RMB2,070 million in 2015. This was primary due to the poor performance of the equity market, capital market volatility and lower yield from new investment and reinvestment under the current low interest rate environment.

Other income

Other income of the health insurance segment decreased by 7.9% to RMB93 million in 2016 from RMB101 million in 2015. This was mainly due to the decrease in income from relevant charges of universal products.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the health insurance segment increased by 42.9% to RMB20,479 million in 2016 from RMB14,328 million in 2015, mainly due to the rapid growth in business resulting in an increase in withdrawal of premium reserves.

Handling charges and commissions

Handling charges and commissions of the health insurance segment increased by 48.7% to RMB666 million in 2016 from RMB448 million in 2015. This was mainly attributable to the rapid growth in the long-term commercial insurance business.

Finance costs

Finance costs of the health insurance segment increased by 12.0% to RMB456 million in 2016 from RMB407 million in 2015, which was mainly due to the increase in cost relating to interests credited to policyholders' deposits and investment amounts.

Net profit

Mainly due to the factors mentioned above, the health insurance segment turned a loss of RMB136 million in 2015 to a net profit of RMB3 million in 2016.

Analysis of Original Premiums Income by Region

The following table sets forth the Original Premiums Income from the insurance business of the Group in the PRC by region for the reporting periods indicated:

Unit: RMB in millions

	For the Year Ended	
	31 December	
	2016	2015
Jiangsu Province	39,278	34,287
Guangdong Province	36,552	32,396
Zhejiang Province	30,219	27,225
Shandong Province	28,410	24,050
Hebei Province	25,285	23,468
Sichuan Province	24,791	22,170
Beijing City	23,507	19,147
Fujian Province	16,379	15,863
Liaoning Province	16,041	14,208
Hubei Province	16,024	13,527
Other regions	182,102	160,310
Total	438,589	386,649

ASSET MANAGEMENT BUSINESS

In 2016, the Group's asset management segment overcame certain adverse factors, such as significant high volatility in stock market, continuously low bond yield, and the frequent occurrence of credit risk events. It seized market opportunities to increase the development of strategic investment projects. On the basis of developing traditional equity and debt products, it actively promoted the innovations of financial products such as inclusive finance and agriculture and SME support, coordinated the development of major insurance business and expanded new channel for utilisation of insurance fund which helped maintain a stable investment return and effectively reduced investment risk. The equity and debt linked products of the asset management segment had a registered scale of RMB48,810 million, of which the registered equity products amounted to RMB36,000 million, ranking No. 1 in the industry. As of 31 December 2016, the scale of entrusted third-party and the issued insurance assets management products of the asset management segment amounted to RMB310,891 million.

The investment income of the asset management segment of the Group does not include the investment income generated by the investment assets managed by our asset management segment on behalf of the Group's insurance segments. The investment income generated by the investment assets managed by our asset management segment on behalf of our other segments have already been included in the investment income of the relevant segments.

The following table sets forth the income statement data of the asset management segment for the reporting periods indicated:

Unit: RMB in millions, except for percentages

For the Year Ended 31 December

	2016	2015	(% of change)
Investment income	452	640	(29.4)
Other income	1,316	1,139	15.5
Total income	1,768	1,779	(0.6)
Finance costs	2	8	(75.0)
Other operating and administrative expenses	1,039	895	16.1
Total expenses	1,040	902	15.3
Profit before tax	733	865	(15.3)
Income tax expense	(190)	(230)	(17.4)
Net profit	543	635	(14.5)

Investment income

Investment income from the asset management segment decreased by 29.4% to RMB452 million in 2016 from RMB640 million in 2015, mainly due to the decrease in gain on disposal of existing assets.

Other income

Other income of the asset management segment increased by 15.5% to RMB1,316 million in 2016 from RMB1,139 million in 2015. This was mainly attributable to the increase in income from disposal of assets and income from management fee of financial products.

Finance costs

Finance costs for the asset management segment decreased by 75.0% to RMB2 million in 2016 from RMB8 million in 2015, primarily due to the decrease in interest expenses of financial assets sold under agreements to repurchase.

Net profit

As a result of the foregoing reasons, the net profit of the asset management segment decreased by 14.5% to RMB543 million in 2016 from RMB635 million in 2015.

INVESTMENT PORTFOLIO AND INVESTMENT INCOME

(1) Investment portfolio

The following table sets forth certain information regarding the composition of the investment portfolio as of the dates indicated:

Unit: RMB in millions, except for percentages

Investment assets	As of 31 December 2016		As of 31 December 2015	
	Carrying amount	(% of total)	Carrying amount	(% of total)
Cash and cash equivalents	46,729	5.8	49,884	6.7
Fixed-income investments	345,149	42.7	393,503	53.0
Term deposits	91,884	11.4	148,097	19.9
Fixed-income securities	240,531	29.8	232,147	31.3
Government bonds	14,597	1.8	12,942	1.7
Financial bonds	96,906	12.0	107,578	14.5
Corporate bonds	129,028	16.0	111,627	15.0
Other fixed-income investments ⁽¹⁾	12,734	1.6	13,259	1.8
Equity and fund investments				
at fair value	132,866	16.4	109,663	14.8
Securities investment funds	94,028	11.6	77,755	10.5
Equity securities	38,838	4.8	31,908	4.3
Other investments	282,994	35.0	189,771	25.5
Subordinated debts and debt investment schemes	109,714	13.6	100,355	13.5
Investments in associates and joint ventures	85,834	10.6	53,308	7.2
Others ⁽²⁾	87,446	10.8	36,108	4.9
Total investment assets	807,738	100.0	742,821	100.0

⁽¹⁾ Primarily consist of restricted statutory deposits and policy loans.

⁽²⁾ Primarily consist of investment properties, derivative financial assets, equity investments stated at cost and asset management products.

(2) Investment income

The following table sets forth certain information relating to the investment income of the Group for the reporting periods indicated:

Unit: RMB in millions, except for percentages

Item	For the Year Ended 31 December	
	2016	2015
Cash and cash equivalents	581	539
Fixed-income investments	19,356	20,905
Interest income	18,785	20,656
Net realized gains/(losses)	554	255
Net unrealized gains/(losses)	17	20
Impairment	–	(26)
Equity and fund investments at fair value	5,089	16,768
Dividend income	5,062	4,581
Net realized gains/(losses)	1,621	12,141
Net unrealized gains/(losses)	(432)	185
Impairment	(1,162)	(139)
Other investment income/(loss)	18,435	12,615
Total investment income	43,461	50,827
Total investment yield ⁽¹⁾ (%)	5.8	7.3
Net investment yield ⁽²⁾ (%)	5.7	5.5

⁽¹⁾ Total investment yield = (total investment income – interest expenses on securities sold under agreements to repurchase)/(the average of total investment assets as of beginning and end of the period – the relevant liabilities of the securities sold under agreements to repurchase).

⁽²⁾ Net investment yield = (total investment income – net realized financial assets income – net unrealized financial assets income – impairment loss of financial assets – interest expenses on securities sold under agreements to repurchase)/(the average of total investment assets as of beginning and end of the period – the relevant liabilities of the securities sold under agreements to repurchase).

SPECIFIC ANALYSIS

(1) Liquidity Analysis

1. Liquidity Analysis

The liquidity of the Group was mainly derived from premiums, net investment income, cash from sales or maturity of investment assets and its own financing activities. The demand for liquidity primarily arose from insurance claims or benefits, surrenders, withdrawals or other forms of early termination of insurance policies, payment of dividends to shareholders and cash required for payment of various ordinary expenses.

Since the Group generally collects premiums before the payment of insurance claims or benefits, the cash flow from operating activities of the Group generally records a net inflow. At the same time, the Group maintained a certain proportion of assets with high liquidity to meet liquidity requirements. In addition, the Group could also obtain additional liquidity from the arrangements of securities sold under agreement to repurchase and other financing methods.

As a holding company, the Company's cash flows are mainly derived from the investment income arising from investment activities, the cash flow generated by financing activities and the dividends from its subsidiaries. The Company believes that it has sufficient liquidity to meet foreseeable liquidity requirements of the Group and the Company in the foreseeable future.

2. Statement of Cash Flows

Unit: RMB in millions, except for percentages

	For the Year Ended 31 December		
	2016	2015	(% of change)
Net cash flows from operating activities	23,831	20,441	16.6
Net cash flows from investing activities	(32,683)	10,902	–
Net cash flows from financing activities	5,447	(20,915)	–

(2) Solvency

The Group calculated and disclosed the actual capital, core capital, minimum capital, comprehensive solvency margin ratio and core solvency margin ratio in accordance with relevant CIRC requirements.

Unit: RMB in millions, except for percentages

	As of 31 December 2016	As of 31 December 2015 (Unaudited) ⁽¹⁾	(% of change)
PICC Group			
Actual capital	222,890	198,150	12.5
Core capital	172,358	157,883	9.2
Minimum capital	78,518	67,143	16.9
Comprehensive solvency margin ratio (%)	284	295	Decrease of 11 pt
Core solvency margin ratio (%)	220	235	Decrease of 15 pt
PICC P&C			
Actual capital	140,793	121,478	15.9
Core capital	113,864	104,783	8.7
Minimum capital	49,071	42,824	14.6
Comprehensive solvency margin ratio (%)	287	284	Increase of 3 pt
Core solvency margin ratio (%)	232	245	Decrease of 13 pt
PICC Life			
Actual capital	46,380	45,314	2.4
Core capital	39,257	38,365	2.3
Minimum capital	26,263	20,935	25.5
Comprehensive solvency margin ratio (%)	177	216	Decrease of 40 pt
Core solvency margin ratio (%)	149	183	Decrease of 34 pt
PICC Health			
Actual capital	6,695	4,551	47.1
Core capital	6,200	3,883	59.7
Minimum capital	3,107	2,220	40.0
Comprehensive solvency margin ratio (%)	215	205	Increase of 10 pt
Core solvency margin ratio (%)	200	175	Increase of 25 pt

(1) Comprehensive solvency margin ratios and core solvency margin ratios of the Group, PICC P&C, PICC Life and PICC Health as of 31 December 2015 are calculated in accordance with the regulatory requirements under “Solvency II” and are not audited.

As of 31 December 2016, the comprehensive solvency margin ratio of the Group was 284%, representing a decrease of 11 percentage points as compared to that as of 31 December 2015, and its core solvency margin ratio was 220%, representing a decrease of 15 percentage points as compared to that as of 31 December 2015.

As of 31 December 2016, the comprehensive solvency margin ratio of PICC P&C was 287%, representing an increase of 3 percentage points as compared to that as of 31 December 2015, and its core solvency margin ratio was 232%, representing a decrease of 13 percentage points as compared to that as of 31 December 2015; the comprehensive solvency margin ratio of PICC Life was 177%, representing a decrease of 40 percentage points as compared to that as of 31 December 2015, and its core solvency margin ratio was 149%, representing a decrease of 34 percentage points as compared to that as of 31 December 2015; the comprehensive solvency margin ratio of PICC Health was 215%, representing an increase of 10 percentage points as compared to that as of 31 December 2015, and its core solvency margin ratio was 200%, representing an increase of 25 percentage points as compared to that as of 31 December 2015.

Prospects

(1) Market Environment

In 2016, the PRC insurance market maintained a strong growth momentum, and the structural adjustment began to show positive results, effectively preventing risks and significantly enhanced the ability of insurance to improve the development of economy and people's livelihood. According to data published by the CIRC, the Original Premiums Income of the Chinese insurance industry in 2016 amounted to approximately RMB3.1 trillion, overtook Japan and ranked No. 2 in the world. It recorded an increase of 27.5% as compared to the same period last year, and the growth rate of the industry reached its highest since 2008. The Original Premiums Income of the P&C insurance companies and life and health insurance companies recorded increases of 10.0% and 36.8% respectively as compared to the same period last year. By the end of 2016, the total assets of the insurance industry in China amounted to approximately RMB15.1 trillion, representing an increase of 22.3% from the beginning of the year.

2017 will be an important year for the implementation of the "13th Five-Year" plan and a year of strengthened supply side structural reform. From the macro-economic perspective, the Party's Nineteenth National Congress will be held this year, and maintaining a stable political environment, macro-economy and social livelihood is the top priority for the entire Party and the nation. Under the guidance by the general tone of the central government of "making progress while maintaining stability", stable and neutral monetary policies and positive and effective fiscal policy will promote steady macro-economic development, and a series of policies relating to social security and people's livelihood will start to yield results. From the policy orientation perspective, the strengthening of the supply side structural reform will provide new room for the innovations and development of the insurance industry. For example, "insurance" was mentioned 29 times in the Main Objectives and Tasks for the Outline of the National 13th Five-Year Plan, which stipulated requirements for the acceleration of the re-insurance market, the improvement in agricultural insurance system, the expansion of two-way opening for the insurance industry, the making use of insurance's role in targeted poverty alleviation, and the acceleration of the establishment of the catastrophe insurance system. The opinions on promoting the reform and development in the production safety areas issued by the central government specify that "the government shall abolish the production safety risk deposit system, establish a sound production safety responsibility insurance system for mandatory implementation in eight high-risk industries including mining, and effectively make use of the function of insurance institutions of participation in risk assessment and management and accident prevention", which are beneficial for the market development of the high-risk industries. At the Central Rural Work Conference, it was announced that the government will focus on promoting agricultural supply side structural reform as the main theme of the rural and agricultural work, expressly require to accelerate rural financial innovations and further expand the coverage and depth of agricultural insurance services. As stated at the Central Economic Work Conference, significant progress shall be made in respect of the mixed ownership reform of state-owned enterprises in areas of the electric power, petroleum, railway, civil aviation, telecommunications and military industry to bring new investment opportunities for steady returns for the industry. From the prospective of industry development, in accordance with the central government's requirements for further strengthening the prevention of financial risks, the regulatory bodies will severely punish those

crossing red line for risks, guide insurance institution to adhere to the principle of “Insurance provides protection first” and strengthen value development.

(2) Key Tasks

2017 will be a key year for the Company to promote the implementation of its 13th five-year plan. The Company will strengthen the efforts in reform and innovations by continuing to maintain steady growth, optimize structure, create values and prevent risks. It will enhance the effect of consolidation, continue to promote customer-oriented transformation, build a leading service ability and firmly promote the implementation of the 13th five-year plan of the Group by making progress and improving quality while maintaining stability. The Company will continue to enhance its thinking in a broader context, give full play to the functions of insurance, and foster its long-term competitiveness in serving economic and social development. It will intensify the integration of the Group, strengthen the Group’s support, facilitate the sharing of resources, accelerate the development of a grassroots service platform, and continue to enhance the effect of consolidation. It will further promote innovations and development, establish a decision-making mechanism, talent mechanism and incentive mechanism that are conducive to innovation, and enhance the sustainable development of the Group. It will further promote development and transformation by expanding the development and room for value creation for the P&C insurance business, maintain firm determination and patience for the transformation of the life insurance business, and strengthen its development in key areas to ensure the sustainable development of the Group. It will strengthen internal control compliance and risk prevention, effectively prevent the accumulation of local risks in certain areas, the communication of internal risks and the contagion by external risks, and stick to the bottom line that no systematic risk shall occur. It will strengthen the development of execution power, improve various areas of reform including evaluation, report, monitoring and research of reform projects, enhance the survey feedback mechanism, establish an effective supervision and accountability mechanism, and firmly promote the implementation of key integration projects.

In 2017, the subsidiaries of the Company will continue to facilitate development and transformation in view of their own positioning and ensure the sustainable growth of the Group's value. PICC P&C will consolidate its existing advantages and build new advantages, strengthen the positive guidance of development goals, and seize the opportunities brought by the supply side structural reform to consolidate the leading position of its P&C business in the market. It will develop strong motor vehicle insurance business, accelerate the development of three areas of its motor vehicle insurance in respect of product innovation, pricing precision and claims management, strengthen the development of its own channels, and improve its value-added service system. It will strengthen its ability to serve in the broader context, carefully establish the platforms for insurance for agriculture, rural areas and farmers, social health insurance and poverty alleviation business, and explore the potential of its policy-supported business. It will develop an innovative "insurance + services" model and strengthen the capacity of its new business such as commercial non-motor vehicle insurance. PICC Life will coordinate the relationship among business development, structure optimization and value creation, and maintain its good development momentum. It will focus on protection against risks, adhere to the principle of "Insurance provides protection first", strengthen efforts into developing innovative products meeting the needs of customers and supplementing weak areas in the market. It will focus on regular premium business by effectively improving business development quality and embedded value and building a business structure which can survive the economic cycle and improve embedded value. It will focus on team building and continuously develop effective and high-performance employees, and improve the quality and capacity of its teams. It will focus on basic management, deepen the value-oriented assessment and appraisal system, and strengthen the support of front-line business by its headquarters. PICC Health will seize the policy opportunities brought by the implementation of the Outline of the Healthy China 2030 Program by focusing on improving economic performance first, pursuing innovative development, accelerating transformation, further enhancing its professional ability, strengthening value creation and continuing to improve profitability. It will further strengthen the promotion of its successful experience, and improve the development model of government commission business. It will accelerate the development of the health management platform, enhance interaction between various insurance business, speed up business structure adjustment and improve its sustainable development ability. The investment segment will stick to its innovative investment model to serve the implementation of national strategy and economic quality improvement and efficiency enhancement, and make full use of its role in supporting the overall profitability of the Group, development of insurance subsidiaries and industrial chain development. It will pay great attention to the coordination between investment management and production development in order to realize beneficial interaction between assets and liabilities. It will strive to seek the new investment opportunities brought by economic transformation and development, keep a close eye on the new areas of transformation and development including local government debt restructuring and conversion of debt into equity interest and mixed ownership reforms of state-owned enterprises, and seek stable returns through innovative models. It will attach strong importance to the coordination with other units of the Group, and leverage its professional advantage in investment management to facilitate the development of business chain such as elderly health and inclusive finance and the expansion of its overseas network.

EMBEDDED VALUE

1. Result Summary

This section summarizes Embedded Value of PICC Life and PICC Health as of 31 December 2016 and 31 December 2015, as well as Value of One Year's New Business with 10% as the risk discount rate (RMB in millions):

	PICC Life		PICC Health	
	2016	2015	2016	2015
Value of In-Force Business before CoC	21,949	16,546	1,755	1,131
Cost of Required Capital	(3,468)	(2,491)	(324)	(188)
Value of In-Force Business after CoC	18,481	14,055	1,430	943
Adjusted Net Worth	39,076	41,267	5,687	3,154
Embedded Value	57,558	55,322	7,118	4,097
Value of One Year's New Business before CoC	5,943	3,752	446	329
Cost of Required Capital	(1,812)	(1,054)	(121)	(55)
Value of One Year's New Business after CoC	4,131	2,698	325	274

Note: 1. Figures may not add up to total due to rounding.

2. The embedded value as of 31 December 2015 is recalculated based on the assumption of investment return rate as of 31 December 2016 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health insurance" (Other assumptions remain the same as of 31 December 2015).
3. The value of one year's new business up to 31 December 2015 is recalculated based on the assumption of investment return rate as of 31 December 2016 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health insurance" (Other assumptions remain the same as of 31 December 2015).

Value of One Year's New Business of PICC Life and PICC Health by distribution channel are summarized below (RMB in millions):

	PICC Life		PICC Health	
	2016	2015	2016	2015
Bancassurance Channel	134	252	13	34
Individual insurance agent Channel	3,403	2,164	284	191
Group insurance sales Channel	592	261	28	49
Reinsurance	2	22	–	–
Total	4,131	2,698	325	274

Note: 1. Figures may not add up to total due to rounding.

2. The value of one year's new business up 31 December 2015 is recalculated based on the assumption of investment return rate as of 31 December 2016 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health insurance" (Other assumptions remain the same as of 31 December 2015).

The results disclosed in this report are based on 100% shareholding of PICC Life and PICC health.

2. Key Assumptions

For the results as at 31 December 2016 disclosed above, the assumption on risk discount rate is 10% and the assumption on the rate of investment return is 5.25% p.a. used by PICC Life and PICC Health. Corporate income tax is currently levied at 25% on taxable profits. The assumptions on mortality rates, morbidity rates, lapse rates, expenses and commissions are based on the operational experience of PICC Life and PICC Health, as well as expectations of future experience and etc.

3. Sensitivity Tests

Sensitivity tests are based on a range of alternative assumptions. In each of the tests, only the assumption referred to is changed, while other assumptions remain unchanged. The changed assumption may affect both cash flow projection and reserve calculation. For the investment return assumption scenarios, the expected participating policyholder dividend will also change.

The results of sensitivity tests for PICC Life at 31 December 2016 are summarized below (RMB in millions):

Scenarios	Risk Discount Rate at 10% (Note)	
	Value of In-Force Business after CoC	Value of One Year's New Business after CoC
Base Scenario	18,481	4,131
Risk Discount Rate at 9.0%	20,453	5,139
Risk Discount Rate at 11.0%	16,802	3,269
Liability Discount Rate at 4.0%	20,060	3,332
Liability Discount Rate at 5.0%	17,644	4,774
Rate of investment return plus 50 bps	23,081	6,412
Rate of investment return less 50 bps	14,266	1,902
Expenses increased by 10%	18,180	3,448
Expenses reduced by 10%	18,784	4,814
Lapse rates increased by 10%	17,721	3,679
Lapse rates reduced by 10%	19,128	4,539
Mortality increased by 10%	18,227	4,038
Mortality reduced by 10%	18,734	4,225
Morbidity increased by 10%	18,385	4,066
Morbidity reduced by 10%	18,695	4,221
Short-term business claim ratio increased by 10%	18,434	4,031
Short-term business claim ratio reduced by 10%	18,529	4,231
Participating Ratio (80/20)	17,872	3,783

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

The results of sensitivity tests for PICC Health at 31 December 2016 are summarized below (RMB in millions):

Scenarios	Risk Discount Rate at 10% (Note)	
	Value of In-Force Business after CoC	Value of One Year's New Business after CoC
Base Scenario	1,430	325
Risk Discount Rate at 9.0%	1,588	379
Risk Discount Rate at 11.0%	1,292	277
Liability Discount Rate at 4.0%	1,225	349
Liability Discount Rate at 5.0%	1,667	296
Rate of investment return plus 50 bps	1,847	450
Rate of investment return less 50 bps	1,014	189
Expenses increased by 10%	1,368	277
Expenses reduced by 10%	1,502	373
Lapse rates increased by 10%	1,420	322
Lapse rates reduced by 10%	1,442	328
Mortality increased by 10%	1,427	322
Mortality reduced by 10%	1,437	328
Morbidity increased by 10%	1,402	314
Morbidity reduced by 10%	1,465	336
Short-term business claim ratio increased by 5%	1,027	152
Short-term business claim ratio reduced by 5%	1,871	498
Participating Ratio (80/20)	1,439	323

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

4. Movement Analysis

This section shows the analysis of Embedded Value movement of PICC Life and PICC Health from 31 December 2015 to 31 December 2016 based on 10% risk discount rate (RMB Million).

No	Description	Risk Discount Rate at 10.0% (Note)	
		PICC Life	PICC Health
1	Embedded Value as at 31 December 2015	53,028	4,473
2	Opening Embedded Value Adjustment	3,538	(49)
3	New Business Contribution	4,369	429
4	Expected Return	3,597	346
5	Investment Return Variance	(1,652)	(327)
6	Other Experience Variances	(1,691)	212
7	Assumption Modification	(1,747)	(407)
8	Capital Change and Market Value Adjustment	(1,336)	2,485
9	Others	(548)	(44)
10	Embedded Value as at 31 December 2016	57,558	7,118

Note: Figures may not add up to total due to rounding.

Explanations to above items 2 to 9:

2. Change in Embedded Value due to the recalculation of Embedded Value as at 31 December 2015 by adopting the “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance” published by the Chinese Association of Actuarial in November 2016;
3. The contribution of new business sold in 2016 to Embedded Value as at 31 December 2016;
4. The expected return in 2016 arising from In-Force Business and Adjusted Net Worth at 2015 year end;
5. Change in Embedded Value arising from variance in 2016 between the actual investment experience and the related investment assumption;
6. Change in Embedded Value arising from variances in 2016 between the actual experiences and assumption other than relating to investment;
7. The impact on Embedded Value due to the changes in assumptions during 2016;
8. The impact on Embedded Value due to dividends distributed to shareholders, capital changes and the changes in market value of held-to-maturity financial assets caused by interest rate fluctuations during 2016;
9. The impact on Embedded Value due to the changes in the projection factors of the minimum required capital for various risks from 2015 year end to 2016 year end.

CORPORATE GOVERNANCE

During the reporting period, the Company had complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, adopted recommended best practices under appropriate circumstances and continued to perfect its corporate governance structure. The general meeting, Board, Board of Supervisors and senior management independently performed their respective rights and obligations pursuant to the Articles of Association, which is in compliance with laws and regulatory requirements.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The annual general meeting of the Company will be held on 23 June 2017 (Friday) at PICC Building, No. 88 Xichang'an Street, Xicheng District, Beijing, the PRC. In order to determine the list of holders of H shares who are entitled to attend the annual general meeting of the Company, the H share register of members of the Company will be closed from 24 May 2017 (Wednesday) to 23 June 2017 (Friday), both days inclusive.

Holders of H shares who wish to attend the annual general meeting must deposit the share certificates together with the transfer documents at the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 23 May 2017 (Tuesday).

PURCHASE, DISPOSAL OR REDEMPTION OF LISTED SECURITIES

During the year of 2016, the Company and its subsidiaries did not purchase, dispose of or redeem any listed securities of the Company or its subsidiaries.

RECOMMENDATION OF FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Board has recommended a final dividend of RMB0.337881 per 10 shares (tax inclusive) for the year ended 31 December 2016, amounting to a total of approximately RMB1,433 million, subject to the approval of shareholders at the annual general meeting to be held on 23 June 2017 (Friday). If approved, the final dividend is expected to be paid on or around 22 August 2017 (Tuesday) to the holders of H shares whose names appear on the H share register of members of the Company on 5 July 2017 (Wednesday). For the purpose of determining the entitlement of the holders of H shares to the final dividend for 2016, the H share register of members of the Company will be closed from 30 June 2017 (Friday) to 5 July 2017 (Wednesday) (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to the final dividend for 2016, holders of H shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 29 June 2017 (Thursday).

The above proposal will be put forward to the annual general meeting for consideration and approval. The specific arrangements regarding dividend and its distribution (including arrangement of withholding and payment of income tax for shareholders) will be disclosed separately in the circular for the annual general meeting.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board has reviewed, in the presence of the external auditor of the Company, the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016, including the accounting principles and practices.

PUBLICATION OF THE ANNUAL REPORT

The 2016 Annual Report of the Company will be published on the website of the Company (www.picc.com) and the disclosure website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

On behalf of the Board
The People's Insurance Company (Group) of China Limited
Wu Yan
Chairman

Beijing, the PRC
24 March 2017

As at the date of this announcement, the executive director is Mr. Wu Yan, the non-executive directors are Mr. Yao Zhiqiang, Mr. Wang Qiao, Ms. Hua Rixin, Ms. Cheng Yuqin and Mr. Wang Zhibin, and the independent non-executive directors are Mr. Lau Hon Chuen, Mr. Xu Dingbo, Mr. Luk Kin Yu, Peter, Mr. Lin Yixiang and Mr. Chen Wuzhao.