



中国人民保险集团股份有限公司

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

H Share Stock Code : 1339

# 人民有期盼 保险有温度

Interim Report 2021



# Company Profile

The Company is the first nation-wide insurance company in the PRC, established in October 1949, and has developed into a leading large-scale integrated insurance financial group in the PRC, which listed on the Hong Kong Stock Exchange (H share stock code: 1339) in December 2012 and the SSE (A share stock code: 601319) in November 2018. The Company ranked the 90th in the list of Fortune Global 500 (2021) published by the Fortune magazine, up by 22 places than last year.

The Company operates its property and casualty (“P&C”) insurance business in the PRC through PICC P&C (listed on the Hong Kong Stock Exchange, stock code: 2328) and in Hong Kong through PICC Hong Kong, in which the Company holds approximately 68.98% and 89.36% equity interests, respectively. The Company operates its life and health insurance businesses through PICC Life and PICC Health, in which the Company, directly and indirectly, holds 80.00% and approximately 95.45% equity interests, respectively. The Company centrally and professionally utilises and manages most of its insurance assets through PICC AMC, in which the Company holds 100% equity interest. The Company engages in corporate annuities and occupational annuities businesses through PICC Pension in which the Company holds 100% equity interest and carries out professional investment specialising in real estate investments through PICC Investment Holding, in which the Company holds 100% equity interest. The Company carries out alternative investments with debt and equity investments as main line in insurance assets and non-insurance assets within and outside the Group through PICC Capital in which the Company holds 100% equity interest. The Company operates professional reinsurance business within and outside the Group through PICC Reinsurance in which the Company, directly and indirectly, holds 100% equity interest. The Company takes PICC Financial Services in which the Company holds 100% equity interest as a professional platform for the layout of internet finance of the Group and has also made strategic layout in non-insurance financial businesses such as banking and trust.



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# Definitions

PICC Group, Company	The People's Insurance Company (Group) of China Limited or, where the context so requires, its predecessor
PICC, Group	The People's Insurance Company (Group) of China Limited and all of its subsidiaries
PICC P&C	PICC Property and Casualty Company Limited
PICC Life	PICC Life Insurance Company Limited
PICC AMC	PICC Asset Management Company Limited
China Credit Trust	China Credit Trust Company Limited
PICC Health	PICC Health Insurance Company Limited
PICC Pension	PICC Pension Company Limited
PICC Investment Holding	PICC Investment Holding Co., Ltd.
PICC Capital	PICC Capital Investment Management Company Limited
PICC Reinsurance	PICC Reinsurance Company Limited
PICC Hong Kong	The People's Insurance Company of China (Hong Kong), Limited
PICC Financial Services	PICC Financial Services Company Limited
PICC AMHK	PICC Asset Management (Hong Kong) Company Limited
State Council	State Council of the People's Republic of China
MOF	Ministry of Finance of the People's Republic of China
CSRC	China Securities Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission



SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SSF	National Council for Social Security Fund, PRC
Prospectus	the Prospectus of The People's Insurance Company (Group) of China Limited for Initial Public Offering of Shares (A Shares) issued by the Company on the websites of the Shanghai Stock Exchange and the Company on 5 November 2018
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Insurance Law	the Insurance Law of the People's Republic of China
SSE Listing Rules	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Articles of Association	the Articles of Association of The People's Insurance Company (Group) of China Limited issued by the Company on 26 February 2021
To be Prominent Strategy	the Company determined the "To be Prominent Strategy" in November 2020, which has a "1+7" strategic framework as the core, which the "1" refers to "1 strategic vision" that is "to build a world-class financial insurance group with excellent risk management capabilities"; and the "7" refers to "7 strategic initiatives", that are to always maintain the development concept of people's insurance, to fulfil the historical responsibility of contributing to the national strategy, to enhance the innovation-driven market advantage of property insurance, to create a service platform for comprehensive risk management, to improve the management system of market-oriented operation, to establish a foundation for digitally supported development, and to improve the governance capacity of modern state-owned enterprises
Six Strategic Services	to serve the rural revitalisation, intelligent transportation, health care and endowment, green environmental protection, technological innovation and social governance
China, PRC	the People's Republic of China, which, for the purposes of this report, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan of the PRC
RMB	Renminbi

# Principal Competitive Strengths and Performance Highlights

## I. The Company's principal competitive strengths include:

- We are the first nation-wide insurance company of the PRC, the pioneer and trailblazer of the PRC insurance industry, possessing a well-recognised brand with the longest history in the industry;
- We are an integrated insurance financial group on our core business and on the customer-oriented development strategy to achieve co-development of various business segments;
- We have diversified institutions and service network based in cities and towns spread over the country, as well as extensive and solid customer base, achieving the integration of policy insurance business and commercial insurance business;
- We have an internationally first-class and Asia's leading P&C insurance company with distinct advantages in scale, cost and service as well as outstanding profitability;
- We have a life insurance company with a layout throughout the country, steady growth, continuous profitability and sound operating platform as well as with great potentials in value creation and profitability;
- We have the first nation-wide professional health insurance company with professional capability to create a featured healthy endowment ecosystem;
- We have an industry-leading asset management platform characterised by steady investment and proven performance;
- We serve people's livelihood, safeguard the economy, fulfil social responsibilities, grasp policy opportunities and explore new business model with an overall plan;
- We have advanced applicable information technology to define a layout in financial technology area, and have outstanding ability and potential advantages in data mining, customer migration and value recreation;
- We have shareholders offering continuous and strong support, an experienced and insightful management team and a high-calibre professional staff team.

## Principal Competitive Strengths and Performance Highlights

### II. Financial Highlights

	30 June 2021	31 December 2020	Unit: millions, except for percentages (% of change)
Total assets	1,341,989	1,256,064	6.8
Total liabilities	1,055,539	982,508	7.4
Total equity	286,450	273,556	4.7
Net assets per share (RMB) <sup>(1)</sup>	4.79	4.58	4.7

	January – June 2021	January – June 2020	Unit: millions, except for percentages (% of change)
Gross written premiums	344,131	336,841	2.2
Net profit	23,242	17,706	31.3
Net profit attributable to owners of the Company	16,855	12,606	33.7
Earnings per share (RMB) <sup>(1)</sup>	0.38	0.29	33.7
Weighted average return on equity (unannualised) (%)	8.1	6.7	Increase of 1.4 pts

(1) As attributable to owners of the Company. The percentage increase or decrease of net assets per share and earnings per share is calculated based on the data before rounding off.

### III. Performance Highlights

#### 1. Significant Increase in Profits and Continuous Increase in Capital

In the first half of 2021, net profit amounted to RMB23,242 million, representing a year-on-year increase of 31.3%. Net profit attributable to owners of the Company amounted to RMB16,855 million, representing a year-on-year increase of 33.7%. The comprehensive solvency margin ratio was 318%, representing an increase of 13 percentage points as compared to that as of the end of 2020, demonstrating a much stronger capital.

#### 2. More Balanced Development of P&C Insurance with Steady and Positive Progress in Efficiency

PICC P&C continued to optimise the business model of vehicle insurance and made efforts to develop household-owned vehicle business. The vehicle renewal rate recorded a year-on-year increase of 2.1 percentage points and the number of insured recorded a year-on-year increase of 11.1%. The number of insured household-owned vehicle accounted for 80.6%, representing a year-on-year increase of 1.3 percentage points. The structure and quality of vehicle insurance business continued to improve. PICC P&C strategically developed non-vehicle insurance business, with an original premiums income of RMB131,070 million, representing a year-on-year increase of 14.4%. It accounted for 52.0%, representing a year-on-year increase of 5.3 percentage points, realising a more balanced overall business structure.

PICC P&C responded to the trend of comprehensive reform of vehicle insurance and maintained steady business development. The combined ratio was 97.2%, representing a year-on-year decrease of 0.1 percentage point. The underwriting profits amounted to RMB5,406 million, representing a year-on-year increase of 1.3%. The net profit amounted to RMB16,497 million, representing a year-on-year increase of 25.2%.

## Principal Competitive Strengths and Performance Highlights

### 3. Optimised Structure and Enhanced Profitability in Life and Health Insurance Business

The profitability of PICC Life increased significantly, achieving a consolidated net profit of RMB4,457 million, representing a year-on-year increase of 17.1%. Premiums of renewal business accumulated continuously and recorded a year-on-year increase of 6.0%. The proportion of regular payment (including renewal) business continued to increase and reached 77.5%.

The operating results of PICC Health hit a record high, which recorded a net profit of RMB259 million, representing a year-on-year increase of 139.8%. It achieved gross written premiums (the “GWPs”) of RMB25,570 million, representing a year-on-year increase of 15.3%, which ranked the top among professional health insurance companies. The innovated health insurance products have earned reputation among customers. The “Hao Yi Bao” (好醫保) series were upgraded and achieved premiums of RMB6,486 million, benefiting 45.97 million customers.

### 4. Serving the People’s Livelihood and Demonstrating the Role of PICC

The Group safeguarded national major deployments, exclusively underwrote the first national Mars exploration mission, and chaired the underwriting of the launch of Fengyun 4 Satellite No.2. The Group served the rural revitalisation, comprehensively participated in the pilot work of full cost and income insurance, vigorously developed innovative agricultural insurance business, and cooperated with local governments to provide exclusive poverty alleviation life and health insurance services such as “Preferential Insurance” to the unstable out-of-poverty population. It covered 19 provinces (autonomous regions and municipalities), serving nearly 1.1 million people, with a cumulative premiums amount of RMB37,386 million. The Group served the intelligent transportation and upgraded the “linkage between police and insurance”. It covered 332 prefecture-level cities in 31 provinces (autonomous regions and municipalities), serving a total of nearly 5 million people. The Group served the healthy endowment. It carried out the “Hui Min Bao” (惠民保) business in approximately 100 cities in the first half of 2021, actively served the construction of the national multi-level medical insurance system, and undertook a total of 1,413 policy social security projects. It covered 31 provinces (autonomous regions and municipalities), serving nearly 0.8 billion people. As one of the six pilot companies, PICC Life participated in pilots of exclusive commercial pension insurance products, where it issued the first exclusive commercial pension insurance policy in the industry and launched housing reverse mortgage endowment insurance business in 29 cities. The Group served green environmental protection, vigorously developed environmental pollution liability insurance, and innovated green industry-related insurance such as wind power, photovoltaic, energy-saving buildings and carbon trading. The Group served technological innovation, improved the technology insurance product system, vigorously developed the first set, first batch and first edition business, and actively expanded intellectual property insurance. It provided 1,194 enterprises with risk protection of RMB266.9 billion. It served social governance, actively promoted the “City Insurance” project, customised comprehensive services schemes such as “Urban Insurance” and “Social Security Insurance” to provide all-round solutions for social governance.



### **5. Fully Supporting Disaster Relief and Becoming the People's Insurance Company that is Suitable for All**

The Group prepaid an emergency compensation of RMB12 million for the serious traffic accident in Shenyang–Haikou Expressway. In face of serious emergencies such as the earthquake disaster in Yunnan and Qinghai, the gas explosion accident in Shiyan, Hubei, and the tornado disaster in Wuhan and Suzhou, the Group immediately initiated the emergency claim settlement mechanism, established rescue teams, actively communicated with the local governments, and assisted in various rescue and disaster relief work. It was available for paying claims at any moment, gave full play to stabilise the society, made every effort to safeguard normal production and life, and gave warmth with practical actions.

### **6. Continuous Improvement in Brand Value, Ranked among Top 100 of the Top 500 for the First Time**

As the trailblazer and pioneer of the PRC insurance industry, the Group had a history of more than 70 years. Ever since the implementation of the “To be Prominent Strategy”, the Group promoted “Six Strategic Services” to serve the national strategy and fulfil the responsibilities of centralised management financial enterprises. People's insurance is making unremitting efforts to establish an outstanding global insurance group. In the first half of 2021, we launched a new brand logo to create a brand image that can be experienced and perceived by our customers with the slogan of “Meeting Your Demands and Warming Your Hearts”. We were dedicated in becoming “the people's insurance company that is suitable for all” and improving our brand value continuously. In 2021, the Group was ranked 90th in the Fortune 500.

### **7. Accelerated Science and Technology Construction and Supported Strategic Implementation Effectively**

The Group accelerated the reform of the science and technology management system mechanism and the implementation of informationisation construction plans for “the 14th Five-Year Plan”. It continuously deepened science and technology construction, strengthened science and technology empowerment, and supported the implementation of the “To be Prominent Strategy”: firstly, it established the Group's research and development centres, data centres and sharing centres, attracted a group of scientific and technological professionals, initially formed an internal corporate operation mechanism, and gradually improved the scientific and technological governance structure. Secondly, it completed the construction and planning of the Group's consolidated data centre, accelerated the construction of the north centre, promoted the integration of diversified fundamental resources and the integration of operation and maintenance, and gradually built a multi-site, multi-centre, multi-availability/disaster preparation system. Thirdly, it built a consolidated development and technology platform for the Group, improved and upgraded the core business system of the core business of insurance, strongly supported the reform and transformation of the core business companies, and created an independent, controllable, stable and safe technology ecosystem with leading technology. Fourthly, it empowered the “heart-warming projects” with technology, actively created a series of application systems that support business operations and enhance management capabilities, and strongly supported the implementation of the “To be Prominent Strategy”.

# Management Discussion and Analysis



2021 marks the 100th anniversary of the founding of the Chinese Communist Party, which is also the first year of the implementation of the Group's "To be Prominent Strategy" and "the 14th Five-Year Plan". Based on the new development stage, and by implementing the new development philosophy, the Group incorporated its work in building a new development planning, meticulously designed strategic projects, defined "Six Strategic Services", continuously strengthened corporate governance, launched key transformation projects, deeply promoted science and technology empowerment, and revised the corporate culture of PICC, thus making a solid start to the strategy. In the first half of 2021, P&C Insurance proactively responded to the new trend of industry development, grasped development opportunities, proactively adjusted its business structure, maintained steady business growth, and gave full play to the Group's main force of development. Life and health insurance proactively responded to market changes, promoted its team structure optimisation and enhanced its value with the "Cornerstone Plan", gradually consolidated its operating foundation, maintained the development advantages of the internet health insurance, and continuously enhanced the professional service ability of health insurance. The investment segment focused on serving strategy and core business, strengthened the coordination with the core business, and achieved better efficiency of investment. The technology segment strengthened technology empowerment and supported cost reduction, efficiency improvement and innovative development.

## I. Business Overview of the Company

### (I) Principal Businesses

In the first half of 2021, we adhered to the guidance of the "To be Prominent Strategy", earnestly implemented various plans at the beginning of the year, and promoted the implementation of strategic projects and "Six Strategic Services". The premiums income increased in a good manner, the development quality improved steadily, the investment income increased rapidly, and the operating cash flow performance was satisfactory. The risk prevention and control capability was continuously strengthened, maintaining a steady and positive progress in development.

In terms of the total written premiums (the "TWPs"), for the six months ended 30 June 2021, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB251,825 million, RMB66,758 million, RMB25,748 million and RMB112 million, respectively.

### **1. P&C Insurance Segment: Businesses Improved Constantly with a Significant Growth in Profit**

In the first half of 2021, PICC P&C followed the trend of comprehensive reform of vehicle insurance, continuously optimised the business model of vehicle insurance and made efforts to develop household-owned vehicle business. The structure and quality of motor vehicle insurance business continued to be improved. While building a solid foundation for vehicle insurance development, PICC P&C strengthened and expanded its advantages in policy businesses and vigorously developed new room for development of commercial non-vehicle insurance. It achieved the GWPs of RMB252,626 million, representing a year-on-year increase of 2.6%; the market share was 34.3%, maintaining the top position in the industry; the net profit amounted to RMB16,497 million, representing a year-on-year increase of 25.2%.

### **2. Life and Health Insurance Segment: Rapid Growth in Profit with Solid Operation Foundation**

PICC Life strengthened the professional construction of channels, constantly consolidated the operation foundation, enhanced business quality, strictly controlled risks and made steady progress in reform and development, resulting in a constant increase in profitability with the net profit amounted to RMB4,457 million, representing a year-on-year increase of 17.1%. PICC Health concentrated on the two functions of “protecting from health risks and providing healthcare services” and accelerated transformation and upgrade. Its operating results hit a record high with the net profit amounted to RMB259 million, representing a year-on-year increase of 139.8%; the TWPs for internet insurance business was RMB7,504 million, representing a year-on-year increase of 25.0%.

### **3. Investment Segment: Standing Firm in Main Businesses for a Great Harvest**

The investment segment adhered to the idea of value investment, strengthened the research and development of integrated construction, built an investment portfolio that would achieve long-term stable returns from a cross-cyclical perspective, and constantly enhanced its capabilities to “serve main businesses and strategies”. In the first half of 2021, the Group achieved a total investment income of RMB35,362 million, representing a year-on-year increase of 34.9%; the annualised total investment yield amounted to 6.7%, representing a year-on-year increase of 1.2 percentage points. At the same time, the investment segment practised professional investment, leveraged its core competency in multi-asset allocation, increased product innovation and accelerated the development of third-party management business. As of 30 June 2021, the scale of third-party assets management increased by 13.0% compared with the beginning of the year, among which the scale of retirement annuity insurance and pension management of PICC Pension amounted to RMB321,606 million, representing an increase of 29.1% compared with the beginning of the year.

### **4. Technology Segment: Consolidating Foundation of Technology to Enhance Support Capability**

The technology segment took the perception of grassroots level and customer experience as the standard and actively improved the technology support capability. Firstly, we established a subsidiary engaging in property, life and health insurances, through which we steadily pressed ahead with the optimisation and upgrade of the core systems by enhancing the development of necessary application systems including “Yun Zhi Bao” (耘智保) APP for agricultural insurance, “Intelligent Workplace” (智慧職場) for life insurance, and the integrated system for research and development, and conducted various system reforms on targeted issues to secure a successful commencement of the “Heart-warming Project” and keep improving the technology support capability. Secondly, we supported the analysis and decision making by leaders and business units with optimised performance indicators of the Group by further integrating a wide range of operational data resources. At the same time, we also strengthened the risk controllability of the Company by risk data labelling through internal data integration and introduction of industry risk data. Thirdly, we empowered the online development and transformation of organisations of all levels by continuous revamp of “PICC” APP, comprehensive e-commerce website, PICC e-Tong and other online platforms as well as optimisation of user interface operation for individual (To C), group (To B) and employee (To E). We also enhanced market development capabilities by applying new models of live streaming service, ecosystem value-added service and data empowerment for customer. Fourthly, the effect of technology empowerment continued to feed through. As we comprehensively sped up the construction of online sales, underwriting, claims and services, the rate of online household-owned vehicle customers reached over 91.4%. We also improved customer experience in all aspects by the introduction of robots for intelligent double recording, revisits, quality control, outbound calls, damage assessment and AI pandemic investigation and other smart services. All these efforts transformed into new achievements in pursuing the digital transformation of the Group.

## Management Discussion and Analysis

### (II) Key Operating Data

The Group engages in three main businesses, namely P&C insurance business, life and health insurance business and asset management business. The Group's businesses are composed of four main operating segments: the P&C insurance business consists of P&C insurance segment of the Group and includes PICC P&C and PICC Hong Kong, in which the Company holds 68.98% and 89.36% equity interests, respectively; the life and health insurance business consists of two separate operating segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life, in which the Company holds 80.00% equity interest directly and indirectly, and the health insurance segment includes PICC Health, in which the Company holds 95.45% equity interest directly and indirectly; and the asset management business consists of asset management segment of the Group and primarily includes PICC AMC, PICC Investment Holding, PICC Capital, and PICC AMHK, which are all wholly owned by the Company. The Company also holds 100.00% equity interest in PICC Pension, directly and indirectly holds 100.00% equity interest in PICC Reinsurance and holds 100.00% equity interest in PICC Financial Services.

Unit: RMB million

	For the six months ended 30 June		
	2021	2020	(% of change)
Original premiums income			
PICC P&C	251,825	245,639	2.5
PICC Life	64,134	67,234	(4.6)
PICC Health	25,570	22,173	15.3
Combined ratio of PICC P&C (%)	97.2	97.3	Decrease of 0.1 pt
Value of half year's new business of PICC Life	2,412	3,224	(25.2)
Value of half year's new business of PICC Health	711	329	116.1
Total investment yield (%)	6.7	5.5	Increase of 1.2 pts

Note: The value of half year's new business for the 6 months up to 30 June 2020 of PICC Life and PICC Health is recalculated using assumptions as at the valuation date, i.e. 31 December 2020.

Unit: RMB million

	30 June	31 December	(% of change)
	2021	2020	
Market share (%)			
PICC P&C	34.3	31.8	Not applicable
PICC Life	3.2	3.0	Not applicable
PICC Health	1.3	1.0	Not applicable
Embedded Value of PICC Life	109,078	102,297	6.6
Embedded Value of PICC Health	16,381	14,947	9.6

Note: The market share was independently calculated based on the original premiums income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the CBIRC, 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 (starting from June 2021, the summarised data of P&C insurance companies and life and health insurance companies published by the CBIRC does not include certain institutions which are in the stage of risk disposal in the insurance industry).



	30 June 2021	31 December 2020	(% of change)
Comprehensive solvency margin ratio (%)			
PICC Group	318	305	Increase of 13 pts
PICC P&C	309	289	Increase of 20 pts
PICC Life	266	261	Increase of 5 pts
PICC Health	192	205	Decrease of 13 pts
Core solvency margin ratio (%)			
PICC Group	269	257	Increase of 12 pts
PICC P&C	269	250	Increase of 19 pts
PICC Life	238	233	Increase of 5 pts
PICC Health	152	162	Decrease of 10 pts

### (III) Key Financial Indicators

Unit: RMB million

	For the six months ended 30 June		
	2021	2020	(% of change)
Gross written premiums	344,131	336,841	2.2
PICC P&C	252,626	246,304	2.6
PICC Life	64,134	67,238	(4.6)
PICC Health	25,570	22,173	15.3
Profit before tax	27,684	21,410	29.3
Net profit	23,242	17,706	31.3
Net profit attributable to owners of the Company	16,855	12,606	33.7
Earnings per share <sup>(1)</sup> (RMB/share)	0.38	0.29	33.7
Weighted average return on equity (%) (unannualised)	8.1	6.7	Increase of 1.4 pts

(1) The percentage increase or decrease of earnings per share is calculated based on the data before rounding off.

Unit: RMB million

	30 June 2021	31 December 2020	(% of change)
Total assets	1,341,989	1,256,064	6.8
Total liabilities	1,055,539	982,508	7.4
Total equity	286,450	273,556	4.7
Net assets per share <sup>(1)</sup> (RMB)	4.79	4.58	4.7
Gearing ratio <sup>(2)</sup> (%)	78.7	78.2	Increase of 0.5 pt

(1) The percentage increase or decrease of net assets per share is calculated based on the data before rounding off.

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



## Management Discussion and Analysis

### (IV) Explanation for the Differences between Domestic and Overseas Accounting Standards

Unit: RMB million

	Net profit attributable to owners of the Company		Equity attributable to owners of the Company	
	For the six months ended 30 June 2021	For the six months ended 30 June 2020	30 June 2021	31 December 2020
Under the China Accounting Standards for Business Enterprises	16,884	12,602	211,746	202,194
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance (Note 1)	(10)	33	413	424
Impact of above adjustment on deferred income tax	3	(8)	(103)	(106)
Reclassification of insurance contracts to investment contracts (Note 2)	(22)	(21)	(53)	(32)
Under the International Financial Reporting Standards	16,855	12,606	212,003	202,480

Explanation for major adjustments:

1. According to the Cai Jin [2013] No.129 Document, PICC P&C made provision for catastrophic risk reserve of agricultural insurance based on a certain proportion of the retained premiums of agricultural insurance; however, the provision for catastrophic risk reserve is not accounted under the International Financial Reporting Standards. Hence, there is a difference in the reserve between the two reporting standards.
2. At the end of 2014, PICC Life reviewed the result of major insurance risks test for insurance policies and reclassified contracts relating to certain insurance types from insurance contracts to investment contracts. However, under the International Financial Reporting Standards, once a contract is classified as an insurance contract, such classification shall remain so until the contract expires. This has led to difference in the measurement of the liabilities relating to such contracts under the two reporting standards.

## II. PERFORMANCE ANALYSIS

### (I) Insurance Business

#### P&C Insurance Business

##### 1. PICC P&C

In face of complex environment at home and abroad along with the opportunities and challenges arising from the continuous deepening of comprehensive vehicle insurance reform and intensifying market competition, PICC P&C stayed committed to serving the Group's "To be Prominent Strategy" and focused on six major strategic areas, namely rural revitalisation, intelligent transportation, health care and endowment, green environmental protection, technological innovation and social governance. It innovated new insurance products and upgraded service models with new insurance logic of "underwriting + loss reduction + empowerment + claims" to keep improving business structure. It also made strides in improving quality, reducing costs and increasing efficiency as well as strengthening risk prevention, contributing to steady growth in business scale and steady and positive operating efficiency. In the first half of 2021, PICC P&C achieved GWPs of RMB252,626 million, representing a year-on-year growth of 2.6% and the market share was 34.3%, maintaining the top position in the industry; underwriting profits amounted to RMB5,406 million, representing a year-on-year increase of 1.3%; the combined ratio was 97.2%, representing a year-on-year decrease of 0.1 percentage point, staying at the top of the industry.

With its outstanding position in the industry and continuous growth of overall strength, Moody's Investor Service, Inc. continued to affirm the highest rating of A1 in Mainland China on PICC P&C's insurance financial strength.

## (1) Underwriting

PICC P&C proactively responded to the trend of comprehensive vehicle insurance reform by consolidating the development foundation of vehicle insurance, while opening up new development space for non-vehicle insurance business. Consequently, the original premiums income amounted to RMB251,825 million, representing a year-on-year increase of 2.5%; the underwriting profits amounted to RMB5,406 million, representing a year-on-year increase of 1.3%; and the combined ratio was 97.2%, representing a year-on-year decrease of 0.1 percentage point. Among all, the claim ratio was 71.7%, representing a year-on-year increase of 6.4 percentage points; the expense ratio was 25.5%, representing a year-on-year decrease of 6.5 percentage points.

- Motor vehicle insurance

While proactively responding to the trend of comprehensive vehicle insurance reform and strictly upholding the reformative principle of “increasing coverage, reducing premiums and improving quality”, PICC P&C kept optimising the vehicle insurance operation model, concentrated on “stabilise renewal business and optimise transferred-in business”, intensively developed the household vehicle business, strengthened the capability of direct sales team and vehicle insurance dealer team, and improved the efficiency of channels, contributing to a year-on-year increase of 2.1 percentage points in the renewal rate of vehicles and a year-on-year increase of 11.1% in the number of underwriting. Yet, given significant year-on-year decrease in average vehicle premiums following the decline in rate, the original premiums income of motor vehicle insurance amounted to RMB120,755 million, representing a year-on-year decrease of 7.8%.

Following the comprehensive vehicle insurance reform, the coverage of compulsory insurance for vehicle traffic accident liability and vehicle damage insurance were enlarged and value-added services were incorporated as the terms of insurance policy, thereby increasing the protection for customers. Apart from providing better services to customers, PICC P&C also enhanced pricing capability, continuously optimised business quality and business structure, and reduced costs and enhanced efficiency to ensure operational efficiency. The handling charges rate of motor vehicle insurance was 7.5%, representing a year-on-year decrease of 7.1 percentage points; the expense ratio was 26.3%, representing a year-on-year decrease of 10.9 percentage points. Yet, given a year-on-year decrease in average vehicle premiums and increase in claim payment liability, the claim ratio of motor vehicle insurance was 70.4%, representing a year-on-year increase of 12.8 percentage points; the combined ratio was 96.7%, representing a year-on-year increase of 1.9 percentage points.

- Accidental injury and health insurance

In terms of social medical insurance business, alongside the successful development of new projects for critical illness insurance and consolidation of advantages in other social medical insurance businesses, PICC P&C stepped up efforts in developing the “Hui Min Bao” (惠民保) business, captured the opportunity of participating in the second batch of pilots projects for long-term care insurance, and devoted great efforts in developing various other new government-sponsored health insurance businesses, contributing to a prominent growth in social medical insurance business. In terms of commercial accident and health insurance, PICC P&C actively responded to the demands for insurance, made efforts in developing efficient individual diversified business, advanced driving-related accident insurance and personal health insurance businesses, and promoted the high-quality and rapid development of accident and health insurance business. The original premiums income of accidental injury and health insurance amounted to RMB60,036 million, representing a year-on-year increase of 20.8%.

Reinforcing the application of information technology, PICC P&C implemented controls on total limits and project risks, and improved quality of review on claim application. The claim ratio of accidental injury and health insurance was 84.9%, representing a year-on-year decrease of 4.2 percentage points. Meanwhile, as driven by the rapid growth in individual diversified accident and health insurance business, the expense ratio was 16.7%, representing a year-on-year increase of 4.2 percentage points. The combined ratio remained flat year-on-year at 101.6%.

## Management Discussion and Analysis

- Agricultural insurance

PICC P&C closely concentrated on the national strategy of rural revitalisation, and consolidated the results of poverty alleviation. On the one hand, it pushed forward the standard upgrading and expansion of traditional business and continuously improved the coverage of agricultural insurance; on the other hand, it increased innovation in products with the launch of over a hundred of local speciality products such as Lingnan special fruit planting and fruit loss insurance, and expanded the coverage of full cost insurance and income insurance from original six pilot provinces to 13 main grain producing provinces. The original premiums income of agricultural insurance amounted to RMB29,565 million, representing a year-on-year increase of 15.8%.

Being undermined by rainstorms, hail, frost and other natural disasters, the agricultural insurance claim ratio was 75.8%, representing a year-on-year increase of 3.3 percentage points; the expense ratio was 21.1%, representing a year-on-year decrease of 4.4 percentage points; the combined ratio was 96.9%, representing a year-on-year decrease of 1.1 percentage points; the underwriting profits amounted to RMB357 million, representing a year-on-year increase of 75.9%.

- Liability insurance

PICC P&C fully leveraged its advantages in network and professions, actively captured market opportunities and fully supported major national strategies. As items such as production safety liability insurance and special equipment liability insurance kept on developing rapidly, original premiums income for liability insurance was RMB18,875 million, representing a year-on-year increase of 18.5%.

PICC P&C accelerated the construction of risk control service platform and optimised the allocation of expenses, with an expense ratio of liability insurance of 35.3%, representing a year-on-year decrease of 0.2 percentage point. As the claim standard of personal injury increases along with the average social income level, the cost of claim settlement involving personal injury insurance increased, resulting in a year-on-year increase of 2.0 percentage points in the overall claim ratio of liability insurance to 63.1%; the combined ratio was 98.4%, representing a year-on-year increase of 1.8 percentage points; underwriting profits amounted to RMB167 million, representing a year-on-year decrease of 49.2%.

- Credit insurance

As PICC P&C continued to enhance risk management and control and the scale of financing credit insurance business significantly reduced year-on-year, the original premiums income for the overall credit insurance was RMB1,163 million, representing a year-on-year decrease of 73.1%. However, the scale of non-financing credit insurance business with higher profitability increased significantly year-on-year.

PICC P&C actively adjusted business structure, continued the clearing of existing business risks, constantly strengthened the collection and process management and control, insisted on prioritising efficiency and strictly controlled the quality of new business, resulting in an effective risk mitigation of financing credit insurance business. In the first half of 2021, it achieved a collection income of RMB1,328 million and a claim ratio for the overall credit insurance of 61.5%, representing a year-on-year decrease of 58.5 percentage points; due to the decrease in business scale and the increase in expenses in risk management and control, the expense ratio was 28.1%, representing a year-on-year increase of 9.5 percentage points; the combined ratio was 89.6%, representing a year-on-year decrease of 49.0 percentage points. As the financing credit insurance business turned loss into profit and non-financing credit insurance business kept a relatively good underwriting profitability level, the overall credit insurance achieved underwriting profits of RMB304 million.

- Commercial property insurance

The constant and stable recovery of domestic economy gradually unleashed demand for insurance. PICC P&C actively captured market opportunities, supported the national strategies, engaged in public welfare projects, and improved customer services. The original premiums income of commercial property insurance amounted to RMB9,437 million, representing a year-on-year increase of 5.8%.

Being undermined by rainstorms and other disasters, the combined ratio of commercial property insurance was 97.9%, representing a year-on-year increase of 11.1 percentage points; underwriting profits amounted to RMB95 million, representing a year-on-year decrease of 84.4%.

- Cargo insurance

Actively capitalising on the market opportunities bred by economic recovery trends across the globe and post-pandemic stable economic recovery at home, PICC P&C devoted great efforts in developing businesses including domestic highway cargo insurance as well as import and export cargo insurance, while stepping up efforts in product innovation and market expansion of segments such as commodity trading and domestic consumption logistics to drive the rapid development of the cargo insurance business as a whole. Consequently, the original premiums income amounted to RMB2,529 million, representing a year-on-year increase of 25.2%.

In the first half of 2021, the combined ratio of cargo insurance was 82.7%, representing a year-on-year decrease of 0.5 percentage point; the underwriting profits amounted to RMB244 million, representing a year-on-year increase of 8.0%.

- Other insurances

PICC P&C actively adjusted the business structure and devoted great efforts in developing non-vehicle insurance business. The original premiums income of other insurances amounted to RMB9,465 million, representing a year-on-year increase of 15.3%. Except for a slight year-on-year decrease in the original premiums income of hull insurance, PICC P&C registered rapid growth in the original premiums income of special insurance, family property insurance and construction insurance. Of which, the original premiums income of special insurance amounted to RMB2,828 million, representing a year-on-year increase of 16.9%; the original premiums income of family property insurance amounted to RMB2,536 million, representing a year-on-year increase of 16.5%; the original premiums income of construction insurance amounted to RMB2,327 million, representing a year-on-year increase of 27.6%.

In addition to promoting the growth of business scale, PICC P&C strengthened risk management and control as well as technology empowerment at the same time, contributing to underwriting profits registered in special insurance, family property insurance, construction insurance and hull insurance. The aggregate underwriting profits amounted to RMB846 million, representing a year-on-year increase of 12.1%.

## Management Discussion and Analysis

The following table sets forth the business information on major insurances of PICC P&C for the reporting period indicated:

Unit: RMB million

For the six months ended 30 June 2021							
	Original premiums income	Gross written premiums	Amount of insurance	Net claims	Liability balance of reserve	Underwriting profits	Combined ratio (%)
Motor vehicle insurance	120,755	120,755	74,523,365	79,282	196,456	3,925	96.7
Accidental injury and health insurance	60,036	60,036	585,792,320	24,135	59,072	(532)	101.6
Agricultural insurance	29,565	29,673	2,084,535	7,936	29,257	357	96.9
Liability insurance	18,875	18,876	92,560,284	5,976	31,356	167	98.4
Credit insurance	1,163	1,163	824,400	2,422	10,718	304	89.6
Commercial property insurance	9,437	10,121	22,314,594	2,759	14,928	95	97.9
Cargo insurance	2,529	2,529	8,421,402	589	2,738	244	82.7
Other insurances	9,465	9,473	78,550,788	1,659	20,546	846	79.7
Total	251,825	252,626	865,071,688	124,758	365,071	5,406	97.2

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

### ① Analysis by Insurance Type

The following table sets forth the original premiums income by insurance types from PICC P&C for the reporting periods indicated:

Unit: RMB million

For the six months ended 30 June			
	2021	2020	(% of change)
Motor vehicle insurance	120,755	131,019	(7.8)
Accidental injury and health insurance	60,036	49,691	20.8
Agricultural insurance	29,565	25,528	15.8
Liability insurance	18,875	15,934	18.5
Credit insurance	1,163	4,318	(73.1)
Commercial property insurance	9,437	8,921	5.8
Cargo insurance	2,529	2,020	25.2
Other insurances	9,465	8,208	15.3
Total	251,825	245,639	2.5



## ② Analysis by Channel

The following table sets forth a breakdown of the original premiums income of PICC P&C by channel for the reporting periods indicated, which can be further divided into insurance agents, direct sales and insurance brokerage.

Unit: RMB million

	For the six months ended 30 June				
	2021			2020	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Insurance agents	136,180	54.1	(6.0)	144,858	59.0
Among which: Individual insurance agents	73,683	29.3	(4.1)	76,848	31.3
Ancillary insurance agents	18,702	7.4	(9.1)	20,569	8.4
Professional insurance agents	43,795	17.4	(7.7)	47,441	19.3
Direct sales	96,046	38.1	16.9	82,175	33.4
Insurance brokerage	19,599	7.8	5.3	18,606	7.6
Total	251,825	100.0	2.5	245,639	100.0

In the first half of 2021, PICC P&C continued to strengthen the construction of its own channels, improved the ability of direct sales and direct control, enhanced channel coordination and promoted the integration and development of its business. The original premiums income of direct sales increased by 16.9% from RMB82,175 million for the six months ended 30 June 2020 to RMB96,046 million for the same period in 2021. The original premiums income of insurance agents decreased by 6.0% from RMB144,858 million for the six months ended 30 June 2020 to RMB136,180 million for the same period in 2021.

## ③ Analysis by Region

The following table sets forth the original premiums income of PICC P&C in the top ten regions for the reporting periods indicated:

Unit: RMB million

	For the six months ended 30 June		
	2021	2020	(% of change)
Jiangsu Province	23,985	22,869	4.9
Guangdong Province	23,812	22,383	6.4
Zhejiang Province	18,337	17,272	6.2
Shandong Province	16,427	15,782	4.1
Hebei Province	13,713	15,146	(9.5)
Sichuan Province	12,202	11,641	4.8
Hunan Province	12,044	10,934	10.2
Hubei Province	11,566	10,903	6.1
Fujian Province	10,510	9,516	10.4
Anhui Province	10,433	10,209	2.2
Other regions	98,796	98,984	(0.2)
Total	251,825	245,639	2.5

## Management Discussion and Analysis

### (2) Financial Analysis

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

*Unit: RMB million*

	For the six months ended 30 June		
	2021	2020	(% of change)
Net earned premiums	<b>189,774</b>	194,484	(2.4)
Investment income	<b>11,208</b>	7,581	47.8
Other income	<b>846</b>	662	27.8
Total income	<b>208,599</b>	208,837	(0.1)
Net claims and policyholders' benefits	<b>136,031</b>	126,885	7.2
Handling charges and commissions	<b>19,434</b>	27,099	(28.3)
Finance costs	<b>953</b>	616	54.7
Other operating and administrative expenses	<b>36,323</b>	41,994	(13.5)
Total benefits, claims and expenses	<b>192,841</b>	196,445	(1.8)
Profit before tax	<b>19,716</b>	15,817	24.7
Less: Income tax expense	<b>3,219</b>	2,638	22.0
Net profit	<b>16,497</b>	13,179	25.2

#### *Net earned premiums*

Net earned premiums of PICC P&C decreased by 2.4% from RMB194,484 million for the six months ended 30 June 2020 to RMB189,774 million for the same period in 2021, which was mainly attributable to the scaling back of the businesses including motor vehicle insurance and credit insurance.

#### *Investment income*

Investment income of PICC P&C increased by 47.8% from RMB7,581 million for the six months ended 30 June 2020 to RMB11,208 million for the same period in 2021, which was primarily due to better utilisation of investment opportunities in the equity market.

#### *Net claims and policyholders' benefits*

Net claims and policyholders' benefits of PICC P&C increased by 7.2% from RMB126,885 million for the six months ended 30 June 2020 to RMB136,031 million for the same period in 2021. The claim ratio was 71.7%, representing an increase of 6.4 percentage points over the same period last year, mainly attributable to higher insurance liabilities following the comprehensive vehicle insurance reform as well as the increase in claims against disasters.

## *Handling charges and commissions*

In the first half of 2021, PICC P&C strictly implemented the requirements of the comprehensive vehicle insurance reform, remained committed to improving quality, reducing costs and increasing efficiency, strengthened the construction of its own channels, and enhanced the direct controllability of direct sales. As a result, the handling charges rate decreased by 3.3 percentage points from 11.0% for the six months ended 30 June 2020 to 7.7% for the same period in 2021, and the handling charges and commissions decreased by 28.3% from RMB27,099 million for the six months ended 30 June 2020 to RMB19,434 million for the same period in 2021.

## *Finance costs*

Finance costs of PICC P&C increased by 54.7% from RMB616 million for the six months ended 30 June 2020 to RMB953 million for the same period in 2021, mainly due to the increase in interest expenses relating to securities sold under agreements to repurchase and bonds payable.

## *Income tax expense*

Income tax expense of PICC P&C increased by 22.0% from RMB2,638 million for the six months ended 30 June 2020 to RMB3,219 million for the same period in 2021, mainly due to the increase in total profit.

## *Net profit*

As a result of the foregoing reasons, the net profit of PICC P&C increased by 25.2% from RMB13,179 million for the six months ended 30 June 2020 to RMB16,497 million for the same period in 2021.

## *2. PICC Hong Kong*

As of 30 June 2021, PICC Hong Kong's total assets amounted to RMB4,328 million, and net assets amounted to RMB1,448 million. For the six months ended 30 June 2021, the GWPs amounted to RMB984 million, the combined ratio was 93.4%, and the net profit amounted to RMB59 million.

## *PICC Reinsurance*

In the first half of 2021, PICC Reinsurance made strides in professional capacity building and enhanced its market competitiveness by offering value-added services to customers. The proportion of third party business increased continuously. In view of further improvement in the development layout of domestic market, PICC Reinsurance shifted its business strategy from "wide-coverage" to "dedication to perfection", with its business reach extended to head companies of P&C insurance. New strides have been made in the international layout with Moody's A3 rating and S&P's A- rating, making PICC Reinsurance the first Chinese funded insurance institution registered in Argentina. Also, professional and technical capabilities were continuously enhanced with the development of facultative pricing system for P&C insurance business to cover the deficiencies in the facultative pricing system of other Chinese funded industry players. In the first half of 2021, the net profit of PICC Reinsurance increased by 30.0% year-on-year.

## Management Discussion and Analysis

### Life and Health Insurance

#### 1. PICC Life

In the first half of 2021, PICC Life remained steadfast in the Group's "To be Prominent Strategy", actively implemented the "Six Strategic Services", carried out innovation and reform, sped up the implementation of key strategic projects, kept consolidating the foundation of compliance and risk control and management, and actively reduced single premiums business and adjusted business structure. The proportion of regular payment (including renewal) business continued to increase and reached 77.5%; net profit realised a notable growth of 17.1%. It maintained a stable market position with increasing brand influence and made steady progress in reform and development. In the first half of 2021, the original premiums income for general life insurance of PICC Life was RMB20,043 million, representing a year-on-year increase of 7.5%.

##### (1) Original premiums income

##### ① Analysis by Product

Income from various products of PICC Life for the purpose of original premiums income for the reporting periods is as follows:

Unit: RMB million

	For the six months ended 30 June				
	2021			2020	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Life insurance	53,157	82.9	(2.5)	54,501	81.1
General life insurance	20,043	31.3	7.5	18,641	27.7
Participating life insurance	33,063	51.6	(7.7)	35,807	53.3
Universal life insurance	51	0.1	(3.8)	53	0.1
Health insurance	10,284	16.0	(13.4)	11,869	17.7
Accident insurance	694	1.1	(19.7)	864	1.3
Total	64,134	100	(4.6)	67,234	100.0

PICC Life actively promoted the professional construction of channels, focused on the development of protection regular premiums insurance business, and improved the production capacity of excellent employees. Under the continuous compression of the scale of single premiums and termination of supplementary group medical products, the business structure was further optimised, achieving the original premiums income of RMB64,134 million, and the business remained basically stable.

PICC Life continued to optimise its business structure, and actively reduced the scale of short and medium-term business. The original premiums income of life insurance was RMB53,157 million, representing a year-on-year decrease of 2.5%.

As new critical illness products had yet to be fully accepted by the market following changes in relevant rules of critical illness insurance in the industry, PICC Life recorded an original premiums income of RMB10,284 million under the health insurance, representing a year-on-year decrease of 13.4%.

PICC Life kept strengthening the management and control of business risk, actively adjusted the sales structure of short-term insurance, and continuously improved the operating efficiency. The original premiums income of accident insurance amounted to RMB694 million, representing a year-on-year decrease of 19.7%.

In terms of TWPs, in the first half of 2021, the TWPs of general life insurance, participating life insurance and universal life insurance amounted to RMB20,043 million, RMB33,401 million and RMB2,334 million, respectively. TWPs of health insurance and accident insurance amounted to RMB10,287 million and RMB694 million, respectively.

## ② Analysis by Channel

Income of PICC Life as categorised by distribution channel for the purpose of original premiums income for the reporting periods is as follows, which can be further divided into bancassurance channel, individual insurance channel and group insurance channel.

Unit: RMB million

	For the six months ended 30 June				
	2021			2020	
	Amount	(% of total)	(% of change)	Amount	(% of total)
<b>Bancassurance</b>	<b>27,676</b>	<b>43.2</b>	<b>(2.2)</b>	28,310	42.1
First-year business of long-term insurance	15,567	24.3	(12.3)	17,748	26.4
Single premiums	8,624	13.4	(24.1)	11,364	16.9
First-year regular premiums	6,944	10.8	8.8	6,383	9.5
Renewal business	12,080	18.8	14.9	10,512	15.6
Short-term insurance	29	0.0	(42.0)	50	0.1
<b>Individual Insurance</b>	<b>34,215</b>	<b>53.3</b>	<b>(4.2)</b>	35,717	53.1
First-year business of long-term insurance	11,370	17.7	(14.5)	13,299	19.8
Single premiums	3,704	5.8	(23.6)	4,851	7.2
First-year regular premiums	7,667	12.0	(9.2)	8,448	12.6
Renewal business	22,445	35.0	2.1	21,975	32.7
Short-term insurance	400	0.6	(9.5)	442	0.7
<b>Group Insurance</b>	<b>2,243</b>	<b>3.5</b>	<b>(30.1)</b>	3,208	4.8
First-year business of long-term insurance	498	0.8	(60.3)	1,254	1.9
Single premiums	441	0.7	(61.1)	1,135	1.7
First-year regular premiums	58	0.1	(51.7)	120	0.2
Renewal business	513	0.8	(11.6)	580	0.9
Short-term insurance	1,231	1.9	(10.3)	1,373	2.0
<b>Total</b>	<b>64,134</b>	<b>100.0</b>	<b>(4.6)</b>	67,234	100.0



## Management Discussion and Analysis

PICC Life insisted on promoting the transformation of regular premium business of bancassurance channel, continued to reduce the scale of low-valued single premium business such as short and medium-term business, continuously optimised the business structure and ran business in a valuable scale. The original premiums income of bancassurance channel was RMB27,676 million, representing a year-on-year decrease of 2.2%.

PICC Life was determined to promote the strategy of “Comprehensive individual life insurance”, concentrated on building a professional operation system, accelerated the implementation of the “Cornerstone Plan”, promoted the professional operation model of “led by frontline, supervised by back office” for individual insurance in an orderly manner, and secured employees with longer years of service. The monthly average effective workforce was 60,985 for the channel of “Comprehensive individual life insurance” (individual insurance + marketing services) and the original premiums income of personal insurance was RMB34,215 million, representing a year-on-year decrease of 4.2%.

PICC Life has terminated supplementary group medical products. The original premiums income of group insurance channel was RMB2,243 million, representing a year-on-year decrease of 30.1%.

In terms of TWPs, in the first half of 2021, the TWPs from the bancassurance channel, individual insurance channel, and group insurance channel amounted to RMB28,174 million, RMB35,907 million and RMB2,677 million respectively. As of 30 June 2021, the number of sales agents for “Comprehensive individual life insurance” was 248,966. The first-year TWPs per capita per month amounted to RMB4,062.

### ③ Analysis by Region

The following table sets forth the original premiums income of PICC Life in the top ten regions for the reporting periods indicated:

*Unit: RMB million*

	For the six months ended 30 June		
	2021	2020	(% of change)
Zhejiang Province	7,128	8,140	(12.4)
Sichuan Province	5,991	5,253	14.0
Jiangsu Province	3,935	3,203	22.9
Hunan Province	3,434	3,759	(8.6)
Hubei Province	2,553	2,980	(14.3)
Henan Province	2,484	2,841	(12.6)
Gansu Province	2,467	2,065	19.5
Hebei Province	2,406	2,709	(11.2)
Beijing City	2,353	2,627	(10.4)
Guangdong Province	2,261	2,241	0.9
Other regions	29,122	31,417	(7.3)
Total	64,134	67,234	(4.6)

#### ④ Persistency Ratios of Premiums

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

Item	For the six months ended 30 June	
	2021	2020
13-month premium persistency ratio <sup>(1)</sup> (%)	82.0	91.3
25-month premium persistency ratio <sup>(2)</sup> (%)	88.7	90.5

(1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs for the 13th month after the long-term regular premium individual life insurance policies newly issued in the preceding year were issued and came into effect, and 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 for the 25th month after the long-term regular premium individual life insurance policies newly issued in the penultimate year were issued and came into effect, and the actual TWPs of such policies in the year of their issuance.

#### ⑤ Top Five Products

The following table sets forth the operating results of PICC Life's top five insurance products in terms of original premiums income for the reporting period indicated:

Unit: RMB million

Insurance products	Type of insurance	Sales channels	For the six months ended 30 June 2021
			Original premiums income
PICC Life Ru Yi Bao Endowment Insurance (Participating)	Participating life insurance	Individual insurance/Bancassurance	15,441
PICC Life Xin An Endowment Insurance (Participating) (Type C)	Participating life insurance	Individual insurance/Bancassurance	8,311
PICC Life Heartwarming Annuity Insurance	General life insurance	Individual insurance	4,775
PICC Life Le Xiang Sheng Huo Annuity Insurance	General life insurance	Individual insurance/Bancassurance	4,195
PICC Life Yue Xiang Sheng Huo Annuity Insurance	General life insurance	Individual insurance	3,858

## Management Discussion and Analysis

### (2) Financial Analysis

The following table sets forth certain selected key financial data of PICC Life for the reporting periods indicated:

*Unit: RMB million*

	For the six months ended 30 June		
	2021	2020	(% of change)
Net earned premiums	63,146	65,972	(4.3)
Investment income	13,195	10,210	29.2
Other income	359	387	(7.2)
Total income	76,843	76,786	0.1
Net claims and policyholders' benefits	62,252	61,167	1.8
Handling charges and commissions	5,801	7,827	(25.9)
Finance costs	1,219	1,316	(7.4)
Other operating and administrative expenses	4,505	4,582	(1.7)
Total benefits, claims and expenses	73,783	74,861	(1.4)
Profit before tax	5,408	3,847	40.6
Less: Income tax expense	951	42	2,164.3
Net profit	4,457	3,805	17.1

#### *Net earned premiums*

Net earned premiums of PICC Life decreased by 4.3% from RMB65,972 million for the six months ended 30 June 2020 to RMB63,146 million for the same period in 2021, which was primarily due to that PICC Life insisted on promoting the transformation of business, continued to reduce the scale of low-valued single premium business such as short and medium-term business, and continuously optimised the business structure.

#### *Investment income*

The investment income of PICC Life increased by 29.2% from RMB10,210 million for the six months ended 30 June 2020 to RMB13,195 million for the same period in 2021 which was primarily due to better utilisation of investment opportunities in the equity market.

#### *Other income*

Other income of PICC Life decreased by 7.2% from RMB387 million for the six months ended 30 June 2020 to RMB359 million for the same period in 2021. This was primarily due to the slight year-on-year decrease in business synergy income.

#### *Net claims and policyholders' benefits*

Net claims and policyholders' benefits of PICC Life increased by 1.8% from RMB61,167 million for the six months ended 30 June 2020 to RMB62,252 million for the same period in 2021. This was mainly due to the increase in insurance liability reserves.

### *Handling charges and commissions*

Handling charges and commissions of PICC Life decreased by 25.9% from RMB7,827 million for the six months ended 30 June 2020 to RMB5,801 million for the same period in 2021, mainly due to the impacts of the adjustments to the business structure and the decrease in TWPs.

### *Finance costs*

Finance costs of PICC Life decreased by 7.4% from RMB1,316 million for the six months ended 30 June 2020 to RMB1,219 million for the same period in 2021. The decrease was mainly due to the decrease in interest expenses relating to securities sold under agreements to repurchase.

### *Income tax expense*

The income tax expense of PICC Life changed from RMB42 million for the six months ended 30 June 2020 to RMB951 million for the same period in 2021, mainly due to the changes in deferred income tax assets resulting from the decrease in handling charges rate.

### *Net profit*

As a result of the foregoing reasons, the net profit of PICC Life increased by 17.1% from RMB3,805 million for the six months ended 30 June 2020 to RMB4,457 million for the same period in 2021.

## *2. PICC Health*

In the first half of 2021, PICC Health stayed committed to serving the Group's "To be Prominent Strategy", implemented "Six Strategic Services" requirements and concentrated on the three key words of "Progress, Breakthrough, and Reform", promoted business growth, strengthened corporation's characteristics, enhanced sales' quality and efficiency, contributing to a relatively rapid growth in business and notable increase in profitability. The original premiums income of PICC Health was RMB25,570 million, representing a year-on-year increase of 15.3%, achieving a net profit of RMB259 million, representing a year-on-year increase of 139.8%. The "Hao Yi Bao" (好医保) series products were upgraded and achieved premiums income of RMB6,486 million, benefiting 45.97 million customers.

## Management Discussion and Analysis

### (1) Original premiums income

#### ① Analysis by Product

Income from various products of PICC Health for the purpose of original premiums income for the reporting periods is as follows:

Unit: RMB million

Health insurance products	For the six months ended 30 June				
	2021			2020	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Medical insurance	15,708	61.4	11.3	14,116	63.7
Participating endowment insurance	6,629	25.9	24.9	5,306	23.9
Illness insurance	1,741	6.8	20.2	1,448	6.5
Nursing care insurance	1,118	4.4	20.1	931	4.2
Accidental injury insurance	300	1.2	(0.7)	302	1.4
Disability losses insurance	74	0.3	5.7	70	0.3
Total	25,570	100.0	15.3	22,173	100.0

In the first half of 2021, PICC Health proactively promoted business development, continued to optimise the business structure, and realised an original premiums income of RMB25,570 million, representing a year-on-year increase of 15.3%.

PICC Health actively served the construction of multi-level medical security system, deepened the cooperation with key platforms, and the business of inclusive internet medical insurance increased steadily, realising an original premiums income of medical insurance of RMB15,708 million, representing a year-on-year increase of 11.3%.

PICC Health proactively developed critical illness insurance products with outstanding protection attributes, and realised an original premiums income of illness insurance of RMB1,741 million, representing a year-on-year increase of 20.2%.

PICC Health seized the policy opportunity of the national long-term nursing care insurance pilot expansion, actively initiated new projects, and realised an original premiums income of nursing care insurance of RMB1,118 million, representing a year-on-year increase of 20.1%.

PICC Health increased the quality control of short-term accidental insurance business. The original premiums income of accidental injury insurance was basically the same as last year.

PICC Health steadily promoted the supplementary work injury business, resulting in a year-on-year increase of 5.7% in the original premiums income of disability losses insurance.

For the six months ended 30 June 2021, the TWPs of medical insurance, participating endowment insurance, illness insurance, nursing care insurance, accidental injury insurance and disability losses insurance amounted to RMB15,751 million, RMB6,629 million, RMB1,741 million, RMB1,253 million, RMB300 million and RMB74 million, respectively.



## ② Analysis by Channel

Income of PICC Health by distribution channels for the purpose of original premiums income for the reporting periods is as follows, which can further be divided into bancassurance channel, individual insurance channel and group insurance channel.

Unit: RMB million

	For the six months ended 30 June				
	2021			2020	
	Amount	(% of total)	(% of change)	Amount	(% of total)
<b>Bancassurance</b>	<b>5,685</b>	<b>22.2</b>	<b>26.7</b>	4,488	20.2
First-year business of long-term insurance	5,234	20.5	26.9	4,124	18.6
Single premiums	5,004	19.6	27.9	3,913	17.6
First-year regular premiums	230	0.9	9.0	211	1.0
Renewal business	451	1.8	26.3	357	1.6
Short-term insurance	—	—	(100.0)	7	—
<b>Individual Insurance</b>	<b>9,379</b>	<b>36.7</b>	<b>19.2</b>	7,865	35.5
First-year business of long-term insurance	2,904	11.4	(29.9)	4,141	18.7
Single premiums	77	0.3	120.0	35	0.2
First-year regular premiums	2,827	11.1	(31.1)	4,106	18.5
Renewal business	6,092	23.8	82.7	3,334	15.0
Short-term insurance	383	1.5	(1.8)	390	1.8
<b>Group Insurance</b>	<b>10,506</b>	<b>41.1</b>	<b>7.0</b>	9,820	44.3
First-year business of long-term insurance	138	0.5	885.7	14	0.1
Single premiums	83	0.3	1,560.0	5	—
First-year regular premiums	55	0.2	511.1	9	0.1
Renewal business	21	0.1	10.5	19	0.1
Short-term insurance	10,347	40.5	5.7	9,787	44.1
<b>Total</b>	<b>25,570</b>	<b>100.0</b>	<b>15.3</b>	22,173	100.0

PICC Health further strengthened its cooperation on the bank channel with the “four banks and one post”, dug up network resources, strengthened its team-building, and marketed excellent customers. It vigorously promoted the issuance of digital channels and promoted the rapid development of bancassurance channel business, realising an original premiums income of RMB5,685 million, representing a year-on-year increase of 26.7%.

In terms of individual insurance agent business, under the guidance of the Group’s “To be Prominent Strategy”, PICC Health put value at its core in serving the high-end markets, sped up the implementation of “Three Highs Strategies” (namely, high-end customers, high-tech products and high-level talents), advanced the improvement and development of agents, and steadily promoted the Company’s strategic deployment of “individual business premiumisation”. In terms of internet insurance business, PICC Health stepped up the business management efforts, and improved the technology content of business process and data application capability through deepening the cooperation with excellent internet platforms, thereby enhancing service quality and uplifting the core competitiveness of channels. For the six months ended 30 June 2021, the original premiums income of individual insurance channel was RMB9,379 million, representing a year-on-year increase of 19.2%.

## Management Discussion and Analysis

In terms of commercial group insurance business, PICC Health took multiple measures to promote transformation to high-quality development of group insurance business, including emphasising business expansion of corporate customers, promoting quality and efficiency enhancement of short-term insurance business and improvement of service capacity, and exploring new development path for individualisation of group customers. In terms of social insurance business, PICC Health kept consolidating the diversified development layout of business, made strides in new expansion projects of long-term nursing care insurance and outpatient chronic and special diseases business, and continuously improved the business expansion capacity. For the six months ended 30 June 2021, the original premiums income of group insurance channel was RMB10,506 million, representing a year-on-year increase of 7.0%.

In terms of TWPs, for the six months ended 30 June 2021, the TWPs from the bancassurance channel, individual insurance channel and group insurance channel amounted to RMB5,697 million, RMB9,525 million and RMB10,526 million, respectively. As of 30 June 2021, the number of individual insurance sales agents for PICC Health was 9,067. The first-year TWPs per capita from sales agent per month amounted to RMB2,979 and the average number of new insurance policies per capita was 1.11 per month, representing a year-on-year increase of 23.3%.

### ③ Analysis by Region

The following table sets forth the original premiums income of PICC Health in the top ten regions for the reporting periods indicated:

Unit: RMB million

	For the six months ended 30 June		
	2021	2020	(% of change)
Guangdong Province	8,753	8,557	2.3
Henan Province	2,556	2,333	9.6
Jiangxi Province	1,818	1,888	(3.7)
Liaoning Province	1,454	1,301	11.8
Yunnan Province	1,353	962	40.6
Hunan Province	1,220	79	1,444.3
Shanxi Province	1,098	686	60.1
Shandong Province	976	818	19.3
Anhui Province	808	791	2.1
Hubei Province	797	405	96.8
Other regions	4,737	4,353	8.8
Total	25,570	22,173	15.3

#### ④ Persistency Ratios of Premiums

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

Items	For the six months ended 30 June	
	2021	2020
13-month premium persistency ratio <sup>(1)</sup> (%)	77.9	86.7
25-month premium persistency ratio <sup>(2)</sup> (%)	84.1	81.1

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

#### ⑤ Top Five Products

The following table sets forth the operating results of PICC Health's top five insurance products in terms of original premiums income for the reporting period indicated:

Unit: RMB million

Insurance products	Type of insurance	Sales channels	For the six months ended 30 June 2021
			Original premiums income
Kang Li Ren Sheng endowment insurance (Participating)	Endowment insurance	Bancassurance/ Individual insurance	6,509
PICC Health You Xiang Bao individual medical insurance	Medical insurance	Individual insurance	5,424
Group critical illness medical insurance for urban and rural residents (Type A)	Medical insurance	Group insurance	3,888
He Xie Sheng Shi large amount supplementary group medical insurance for urban employees	Medical insurance	Group insurance	3,197
Social security supplementary group medical insurance for nursing care experts	Medical insurance	Group insurance	780

## Management Discussion and Analysis

### (2) Financial Analysis

The following table sets forth certain selected key financial data of PICC Health for the reporting periods indicated:

Unit: RMB million

	For the six months ended 30 June		
	2021	2020	(% of change)
Net earned premiums	18,865	16,317	15.6
Investment income	1,591	1,023	55.5
Other income	141	117	20.5
Total income	21,264	17,977	18.3
Net claims and policyholders' benefits	17,158	14,338	19.7
Handling charges and commissions	2,323	505	360.0
Finance costs	205	210	(2.4)
Other operating and administrative expenses	1,256	2,808	(55.3)
Total benefits, claims and expenses	20,942	17,860	17.3
Profit before tax	319	119	168.1
Less: Income tax expense	60	11	445.5
Net profit	259	108	139.8

#### Net earned premiums

Net earned premiums of PICC Health increased by 15.6% from RMB16,317 million for the six months ended 30 June 2020 to RMB18,865 million for the same period in 2021 which was primarily due to the growth of insurance business scale.

#### Investment income

The investment income of PICC Health increased by 55.5% from RMB1,023 million for the six months ended 30 June 2020 to RMB1,591 million for the same period in 2021 which was primarily due to better utilisation of structural investment opportunities in the equity market.

#### Other income

Other income of PICC Health increased by 20.5% from RMB117 million for the six months ended 30 June 2020 to RMB141 million for the same period in 2021. It was primarily due to the increase in income from government commissioned processing business.

#### Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Health increased by 19.7% from RMB14,338 million for the six months ended 30 June 2020 to RMB17,158 million for the same period in 2021.

#### Handling charges and commissions

The handling charges and commissions of PICC Health increased by 360.0% from RMB505 million for the six months ended 30 June 2020 to RMB2,323 million for the same period in 2021.

### Finance costs

Finance costs of PICC Health decreased by 2.4% from RMB210 million for the six months ended 30 June 2020 to RMB205 million for the same period in 2021, mainly due to the decrease of interest settlement cost of universal life insurance business.

### Net profit

As a result of the foregoing reasons, the net profit of PICC Health increased by 139.8% from RMB108 million for the six months ended 30 June 2020 to RMB259 million for the same period in 2021.

## (II) Asset Management Business

In the first half of 2021, while actively serving for the new development pattern of national “Dual Circulation”, the Group carried out the Group’s “To be Prominent Strategy” requirements, adhered to the idea of value investment, maintained investment strength, and built an investment portfolio that would achieve long-term stable returns from a cross-cyclical perspective. The balance of assets managed under the debt plan of the Group amounted to RMB134,535 million, ranking fourth in the industry.

As of 30 June 2021, the scale of third-party assets management of the Group amounted to RMB525,051 million, representing an increase of 13.0% compared to the beginning of the year. Among which, we actively grasped the development opportunities in annuity and pension businesses, with the scale of assets under management grew by 29.1% compared with the beginning of the year. The investment subsidiaries under the Group always highlight product innovation of asset management. In the first half of 2021, PICC AMC received the qualification for trading the first batch of treasury bond futures by an insurance institution; and PICC Capital developed its investment capacity in health care, technological innovation and other fields, and continuously enhanced the operational capability of private equity funds from the strategic perspective of the Group.

The investment income of the asset management segment of the Group does not include investment income generated by the investment assets managed by the asset management segment on behalf of various insurance segments of the Group. The investment income generated by the investment assets managed by the asset management segment on behalf of other segments of the Group has 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 million

	For the six months ended 30 June		
	2021	2020	(% of change)
Investment income	310	167	85.6
Other income	1,131	974	16.1
Total income	1,441	1,141	26.3
Finance costs	6	10	(40.0)
Other operating and administrative expenses	692	576	20.1
Total expenses	698	586	19.1
Profit before tax	749	558	34.2
Less: Income tax expense	170	132	28.8
Net profit	579	426	35.9

## Management Discussion and Analysis

### *Investment income*

Investment income of the asset management segment increased by 85.6% from RMB167 million for the six months ended 30 June 2020 to RMB310 million for the same period in 2021, mainly due to better grasp of market opportunities, growth of investment assets and the significant increase of investment income.

### *Other income*

Other income of the asset management segment increased by 16.1% from RMB974 million for the six months ended 30 June 2020 to RMB1,131 million for the same period in 2021, mainly due to the increase in management fee income.

### *Net profit*

As a result of the foregoing reasons, the net profit of the asset management segment increased by 35.9% from RMB426 million for the six months ended 30 June 2020 to RMB579 million for the same period in 2021.

### **(III) Investment Portfolio and Investment Income**

In the first half of 2021, considering the adverse impacts from low interest rate environment and highly volatile equity market, the Group strengthened market trend research, adjusted asset allocation dynamically, and established an asset allocation framework system characterised by effective coordination of strategies and tactics to effectively forestall investment risk and yield investment income as a main driver. In terms of bond investment, the asset management segment chose optimal allocation time, grasped investment opportunities, and never pursued high income at the expense of credit sinking. In terms of equity investment, it actively seized structural investment opportunities, strengthened the benchmarking of results and strategies, and achieved robust investment performance consequently.



## 1. Investment Portfolio

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

Unit: RMB million

	30 June 2021		31 December 2020	
	Amount	(% of total)	Amount	(% of total)
<b>Investment assets</b>	<b>1,108,126</b>	<b>100.0</b>	<b>1,088,851</b>	<b>100.0</b>
<b>Classified by investment object</b>				
Cash and cash equivalents	49,446	4.5	78,209	7.2
Fixed-income investments	706,795	63.8	680,142	62.5
Term deposits	89,923	8.1	89,016	8.2
Treasury bonds	153,150	13.8	123,476	11.3
Financial bonds	114,582	10.3	102,833	9.4
Corporate bonds	177,259	16.0	172,613	15.9
Long-term debt investment schemes	79,690	7.2	87,903	8.1
Other fixed-income investments <sup>(1)</sup>	92,191	8.3	104,301	9.6
Fund and equity securities investments at fair value	180,522	16.3	155,888	14.3
Fund	87,405	7.9	75,460	6.9
Shares	63,854	5.8	66,548	6.1
Perpetual bond	29,263	2.6	13,880	1.3
Other investments	171,363	15.5	174,612	16.0
Investment in associates and joint ventures	128,814	11.6	124,840	11.5
Others <sup>(2)</sup>	42,549	3.8	49,772	4.6
<b>By the purpose for which it was held</b>				
Financial assets at fair value through profit or loss for the period	48,906	4.4	33,433	3.1
Held-to-maturity investments	190,081	17.2	181,199	16.6
Available-for-sale financial assets	416,269	37.6	379,312	34.8
Long-term equity investments	128,814	11.6	124,840	11.5
Loans and others <sup>(3)</sup>	324,056	29.2	370,067	34.0

(1) Other fixed-income investments consist of Tier 2 capital instruments, wealth management products, restricted statutory deposits, policy loans, trust products and asset management products.

(2) Others consist of investment real estate, equity investment schemes, reinsurance arrangements classified as investment contracts, unlisted equity investments and derivative financial assets.

(3) Loans and others primarily consist of monetary capital, term deposits, financial assets purchased under resale agreements, policy loans, restricted statutory deposits, investments classified as loans and receivables, and investment real estate.

## Management Discussion and Analysis

### *(1) Classified by investment object*

In terms of fixed-income investments, the Group seized the periodic high of interest rates, vigorously allocated long-term local bonds, stabilised the position yield and account duration; meanwhile, we continued to optimise the credit structure of existing assets and strictly controlled the incremental credit varieties, and the credit premium was at a relatively reasonable level.

As of 30 June 2021, the bond investment accounted for 40.2%. The liabilities under corporate bonds and non-policy bank financial bonds or their issuers were rated at AA/A-1 and above, of which, those rated at AAA accounted for 99.2%. The industries associated with credit bond currently held by the Group are diversified, involving various fields such as bank, transportation, general and non-bank finance; the ability of entities to repay debt is generally strong and the credit risks are controllable as a whole. In the years of credit bond investment, the Group has always been paying close attention to the prevention and control of credit risks, strictly followed relevant regulatory requirements of the CBIRC, established investment management and risk control mechanisms in line with market practices and investment needs for insurance funds, and continued to optimise the same in practice. During the year, the Group has strengthened regular credit risks inspection as well as the tracking, evaluation, research and identification of the existing credit products. Meanwhile it improved relevant systems and operational procedures, and controlled the credit risk dynamically on a forward-looking basis; in addition, it improved the digital and intelligent level of credit risk management with big data and artificial intelligence technology actively.

The overall credit risk of the Group's investment in non-standard financial product asset is controllable, assets with an external credit rating of AAA account for 98.1%. At present, the non-standard assets cover most of the provincial administrative regions in the country. The industries cover transportation, municipal, energy, steel, expressway, construction and operation, commercial real estate, and shantytown renovation. These industries played a positive role in serving the development of real economy and supporting the implementation of major national strategies. The Group has effective credit enhancement measures in place, such as guarantees, repurchase, shortfall compensation, asset mortgages/pledges and others; it has no arrangement for products to secure credit enhancement and the qualification of entities to repay debt meets the relevant credit exemption condition of the CBIRC, which provides a sound guarantee for the repayment of the principal and investment income. Major counterparties of investment in wealth management products of commercial banks of the Group are large state-owned commercial banks or joint-stock commercial banks with strong financial strength and good credit qualifications.

The Group insisted on the "long-term and value investment" in terms of equity investment. The proportion of equity positions was controlled within a risk tolerance range with a focus on structural opportunities and phased opportunities. The Group actively optimised the position structure and grasped the opportunities brought by high-quality economic transformation.

### *(2) Classified by investment purpose*

From the perspective of investment purposes, the Group's investment assets are mainly distributed in available-for-sale financial assets, held-to-maturity investments, loans and others. The proportion of financial assets at fair value through profit or loss for the period increased by 1.3 percentage points as compared with those as at the end of last year. The held-to-maturity investments increased by 0.6 percentage point as compared with those as at the end of last year. Available-for-sale financial assets increased by 2.8 percentage points as compared with those as at the end of last year, mainly due to the increase in non-held-to-maturity bonds and equity allocation. The proportion of loans and others decreased by 4.8 percentage points as compared with those as at the end of last year, mainly because the access standard of credit rating for non-standard financial product asset was strictly controlled, and the maturity scale was larger than that of the new allocation scale.

## 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 million

Items	For the six months ended 30 June	
	2021	2020
Cash and cash equivalents	438	316
Fixed-income investments	15,627	15,342
Interest income	15,734	15,232
Gains and losses from disposal of financial instruments	154	315
Gains and losses on fair value changes	106	(94)
Impairment	(367)	(111)
Fund and equity securities investments at fair value	12,554	4,689
Dividends and bonus income	2,821	2,238
Gains and losses from disposal of financial instruments	10,412	4,385
Gains and losses on fair value changes	(250)	203
Impairment	(429)	(2,137)
Other investments	6,743	5,863
Investment income from associates and joint ventures	6,428	5,437
Other gains and losses	315	426
Total investment income	35,362	26,210
Net investment income <sup>(1)</sup>	25,711	23,700
Total investment yield (annualised) <sup>(2)</sup> (%)	6.7	5.5
Net investment yield (annualised) <sup>(3)</sup> (%)	4.8	4.9

(1) Net investment income = total investment income – gains and losses from the disposal of investment assets – gains and losses on fair value changes of investment assets – impairment losses of investment assets

(2) Total investment yield (annualised) = (total investment income – interest expenses on securities sold under agreements to repurchase)/(average total investment assets as of the beginning and end of the period – average amount of financial assets sold under agreement to repurchase as of the beginning and end of the period) × 2

(3) Net investment yield (annualised) = (net investment income – interest expenses on securities sold under agreements to repurchase)/(average total investment assets as of the beginning and end of the period – average amount of financial assets sold under agreement to repurchase as of the beginning and end of the period) × 2

The total investment income of the Group increased by 34.9% from RMB26,210 million for the six months ended 30 June 2020 to RMB35,362 million for the same period in 2021. The net investment income increased by 8.5% from RMB23,700 million for the six months ended 30 June 2020 to RMB25,711 million for the same period in 2021. The total investment yield increased by 1.2 percentage points from 5.5% for the six months ended 30 June 2020 to 6.7% for the same period in 2021. The net investment yield decreased by 0.1 percentage point from 4.9% for the six months ended 30 June 2020 to 4.8% for the same period in 2021.

### III. SPECIFIC ANALYSIS

#### (I) Liquidity Analysis

##### 1. Liquidity Analysis

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

The Group generally collects premiums before the payment of insurance claims or benefits. At the same time, the Group maintains a certain proportion of assets with high liquidity within its investment assets to respond to liquidity demand. In addition, the Group could also obtain additional liquidity from the arrangements of securities sold under agreements to repurchase, interbank borrowings and other financing activities.

As a holding company, the Company's cash flows are mainly derived from the investment income arising from investment activities and cash flows generated by financing activities. The Company believes that it has adequate liquidity to meet foreseeable liquidity needs of the Group and the Company.

##### 2. Statement of Cash Flows

The Group has established a cash flow monitoring mechanism, regularly conducted cash flow rolling analysis and forecasting, and actively took initiatives to develop management plans and contingencies to effectively prevent liquidity risks.

Unit: RMB million

	For the six months ended 30 June		
	2021	2020	(% of change)
Net cash flows from operating activities	48,355	19,631	146.3
Net cash flows from investing activities	(14,057)	(40,802)	(65.5)
Net cash flows from financing activities	(62,758)	26,094	—

The Group's net cash flows from operating activities changed from a net inflow of RMB19,631 million for the six months ended 30 June 2020 to a net inflow of RMB48,355 million for the same period in 2021, mainly due to the continuous optimisation of business structure and the year-on-year decrease in surrender cash outflow.

The Group's net cash flows from investing activities changed from a net outflow of RMB40,802 million for the six months ended 30 June 2020 to a net outflow of RMB14,057 million for the same period in 2021, mainly due to the year-on-year decrease in new investment.

The Group's net cash flows from financing activities changed from a net inflow of RMB26,094 million for the six months ended 30 June 2020 to a net outflow of RMB62,758 million for the same period in 2021, mainly due to the year-on-year increase of net cash paid for securities sold under agreements to repurchase.

**(II) 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 the relevant CBIRC requirements.

*Unit: RMB million*

	<b>30 June 2021</b>	31 December 2020	(% of change)
<b>PICC Group</b>			
Actual capital	<b>405,265</b>	392,076	3.4
Core capital	<b>342,661</b>	329,768	3.9
Minimum capital	<b>127,277</b>	128,432	(0.9)
Comprehensive solvency margin ratio (%)	<b>318</b>	305	Increase of 13 pts
Core solvency margin ratio (%)	<b>269</b>	257	Increase of 12 pts
<b>PICC P&amp;C</b>			
Actual capital	<b>216,170</b>	207,246	4.3
Core capital	<b>187,961</b>	179,290	4.8
Minimum capital	<b>70,005</b>	71,757	(2.4)
Comprehensive solvency margin ratio (%)	<b>309</b>	289	Increase of 20 pts
Core solvency margin ratio (%)	<b>269</b>	250	Increase of 19 pts
<b>PICC Life</b>			
Actual capital	<b>121,711</b>	120,119	1.3
Core capital	<b>108,862</b>	107,301	1.5
Minimum capital	<b>45,680</b>	45,990	(0.7)
Comprehensive solvency margin ratio (%)	<b>266</b>	261	Increase of 5 pts
Core solvency margin ratio (%)	<b>238</b>	233	Increase of 5 pts
<b>PICC Health</b>			
Actual capital	<b>16,990</b>	16,927	0.4
Core capital	<b>13,433</b>	13,379	0.4
Minimum capital	<b>8,844</b>	8,268	7.0
Comprehensive solvency margin ratio (%)	<b>192</b>	205	Decrease of 13 pts
Core solvency margin ratio (%)	<b>152</b>	162	Decrease of 10 pts

As of 30 June 2021, the comprehensive solvency margin ratio of the Group was 318%, representing an increase of 13 percentage points as compared to that as of the end of 2020, and its core solvency margin ratio was 269%, representing an increase of 12 percentage points as compared to the end of 2020. While the business scale was expanding, the total profit and net asset achieved faster growth, the core solvency margin ratio increased year-on-year, reflecting the fruitful transformation to high-quality development.

As of 30 June 2021, the comprehensive solvency margin ratio of PICC P&C was 309%, representing an increase of 20 percentage points as compared to the end of 2020, and its core solvency margin ratio was 269%, representing an increase of 19 percentage points as compared to the end of 2020; the comprehensive solvency margin ratio of PICC Life was 266%, representing an increase of 5 percentage points as compared to the end of 2020, and its core solvency margin ratio was 238%, representing an increase of 5 percentage points as compared to the end of 2020; the comprehensive solvency margin ratio of PICC Health was 192%, representing a decrease of 13 percentage points as compared to the end of 2020, and its core solvency margin ratio was 152%, representing a decrease of 10 percentage points as compared to the end of 2020.

### IV. EVENTS AFTER THE REPORTING PERIOD

#### (I) Issuance of Capital Supplementary Bonds

On 6 August 2021, PICC Reinsurance, a subsidiary of the Company, issued the capital supplementary bonds of RMB2 billion in the national inter-bank bond market. The term of the capital supplementary bonds issued is 10 years with a coupon rate of 3.60% per annum for the first five years. PICC Reinsurance has the right of redemption at the end of the fifth year. If PICC Reinsurance does not exercise the redemption right, the coupon rate of the capital supplementary bonds will be 4.60% per annum for the remaining five years.

#### (II) Impact Brought by Torrential Rain in Henan

On 20 July 2021, heavy rain hit many places in Henan, causing heavy casualties and property losses. Since the occurrence of the disaster, the Group has immediately implemented an emergency plan for major disasters, and all levels of the system worked together and made every effort to work on claims and rescue in major disasters. The Group will continue to pay close attention to the report of claims subsequent to the torrential rain in Henan, evaluate and actively respond to its impact on the financial position and operating results of the Group. As of the disclosure date of this report, the assessment is still in progress.

### V. PROSPECTS AND RISK ANALYSIS

#### (I) Prospects

2021 marks the start of the “14th Five-Year Plan” with the country embarking on a new journey of fully building a modern socialist country. Under the new development plan, both the national strategy and demand from citizens will bring great room for development to the insurance industry which is still in an important period of strategic opportunities. In the first half of 2021, China’s macroeconomic environment has recorded double-digit growth rates, creating favourable economic conditions for the development of the insurance industry. However, the industry was facing challenges in the midst of opportunities. Comprehensive reform of vehicle insurance has an objective impact on the growth of P&C insurance business. The traditional marketing mode of life and health insurance was challenged by the reality. With the increase in uncertainties lying in the domestic and foreign financial markets, insurance industry was at a historical juncture for reform, innovation, transformation and upgrade.

In the second half of 2021, the Group will stay determined and calm. By taking innovation and reform as the driving force, supply improvement as the main focus, and quality enhancement as the main theme, the Group will strive to implement the “To be Prominent Strategy” to ensure meeting goals and missions of the year and achieve success in the first year of launching the “To be Prominent Strategy”.



**The insurance segment** will effectively grasp the strategic opportunity of building a new development pattern, fully utilise our insurance resources, and adhere to its client-oriented principle. Focusing on “Six Strategic Services”, the Group will explore new businesses, cultivate new impetus to market growth, and strengthen its refined management to achieve enhancement in both the development quality and efficiency. Among which, **PICC P&C** will continue to move forward with efficient development and uphold its role of being the main force of strengthening the foundation for the “To be Prominent Strategy” constantly. It will strengthen the refined management for vehicle insurance, reinforce the advantages in policy insurance businesses including agricultural insurance and boost the development of commercial non-vehicle insurance business. Through overcoming the historical burden, encouraging fight against counterfeits and reduction of loss, it will focus on fixing defects in managing and controlling costs for underwriting, sales and claim settlement to realise its overall cost leadership. **PICC Life** will organise business development and enhance its value to deepen its construction of commercialised system and mechanism. It will explore advanced business model, continue to promote the “Cornerstone Plan”, steadily expand its high-quality team, enrich and optimise product supply, and step up in carrying out the pilot work of exclusive commercial endowment insurance. **PICC Health** will enhance its capacity in operating professional health insurance and accelerate breakthroughs in professional health insurance products and health management services. Through exploring an effective channel for connecting the three medical areas of medical treatment, medicine and medical insurance, it is committed to becoming a company which brings forth products and platforms with the empowerment of technology. **PICC Reinsurance** will increase support for innovation of primary insurance products and deepen collaboration among major businesses. **PICC Hong Kong** will strengthen its capacity construction and tap into the business from Chinese funded enterprises.

**The investment segment** will continue to optimise its investment management system and construct an effective connection between “strategic asset allocation-tactical asset allocation” for the assets allocation framework system. In addition, it will step up in promoting the top-level design of industrial layout investment, speed up the implementation of strategic investment project to give full play to the “dual service” of serving strategies and major businesses. **PICC AMC** will strengthen its investment and research capacity of the rights and interests in the secondary market, reinforce benchmarking for business performance, maintain its leading position in terms of investment yield, and give strong impetus to develop public fund or other third party businesses. China Credit Trust will speed up its business transformation and develop businesses comprising active management in a dynamic manner to help increasing the scale of assets under the management steadily. **PICC Pension** will focus on developing products, planning and system construction for areas including group pension and personal pension supporting by three pillars to enhance its ability of expanding the market. **PICC Investment Holding** will strengthen its management and service capability for real estate investments and actively promote the development of various endowment businesses. **PICC Capital** will step up its effort for fixed-income product innovation and deepen its interaction with the insurance segment.

**The technology segment** will build scientific and technological core competitiveness, accelerate the reform of technological system and mechanism and digitalised construction to strengthen technology innovation and empowerment for insurance. Meanwhile, by utilising new system and mechanism to optimise its business model, it will speed up its exploration in the area of online insurance service.

## Management Discussion and Analysis

### (II) Major Potential Risks and Countermeasures

The first is the risk in macro environment. Under an unstable and uncertain external environment affected by the COVID-19 pandemic, the recovery of global economy remains slow, and the economic growth rate may slow down in the second half of the year. The recovery of the domestic economy remains uneven, recording a low growth rate in the second half of the year after a relatively high one in the first half of the year. The rise in commodity prices has brought pressure on the production and operation of enterprises. As changes of macro environment could affect the operation and management, business development and investment of the Group to a certain extent, the Group attaches great importance to the research on global macroeconomic environment as well as internal and external economic situations. It will remain concerned about the possible impact brought about by the global pandemic on the Company, continuously enhance its awareness of opportunities and risks, and actively conduct risk assessments and risk responses.

The second is the risk in capital utilisation. The implementation of a comprehensive reduction in reserve requirement ratio by the central bank has brought about the continuous fluctuation of both the domestic equity market and the bond market which is in a downturn. Under a low interest rate environment, the allocation of assets and asset-liability matching become more difficult, and the pressure on reinvestment has increased, leading to an overall downward trend in long-term income. The Group closely monitors the economic situation and changes in the domestic and overseas capital markets, promotes the construction of a market-oriented investment management mechanism, strengthens the allocation of major assets and analysis of account assets, and enhances the management of asset-liability matching to maintain stable investment income. It also improves functions of the investment management information system and maintains effective risk tracking and monitoring of investment assets. The Group carries out special risk investigation on the use of insurance funds, thereby promptly gets notified of risks to safeguard its funds.

The third is the credit risk of investment. With the intensifying domestic debt risk and certain negative impacts caused by the COVID-19 pandemic on the real economy and credit fundamentals, partial credit risk may increase. Having a high regard for credit risk prevention, the Group continues to strengthen daily credit risk tracking, post-investment management and credit risk analysis to key industries, enhances the classification and management of investment assets, and optimises the access management of counterparty and the investment quota management of core counterparty to constantly improve the credit risk management and control capabilities of investment business.

The fourth is the risk in insurance business. Affected by factors including comprehensive reform of vehicle insurance and marketing challenges of life and health insurance, the growth of insurance premiums of the industry continues to be under pressure with decreased premium rates, and insurance claims and expenses face certain unstable factors. The Group steadily promotes the “Six Strategic Services”, taps into business resources and opens up new business and market growth point. It steadily promotes the implementation of strategic projects, speeds up the system construction, and strengthens front-line empowerment. It strengthens the awareness and means of refined management, builds scientific and technological core competitiveness, and further achieves cost reduction and efficiency improvement. It also strengthens risk identification and monitoring capability, reinforces the prevention and control of key risks, and develops risk warning and risk response in a timely manner.

### VI. BORROWINGS

Besides the capital supplementary bonds issued by the Group, the repurchase business disposed of in the investment business and bank borrowings of RMB758 million due within one year as at 30 June 2021, the Group had no other borrowings. Details of the capital supplementary bonds are set out in Note 26 to the condensed consolidated financial information.

### VII. NO MATERIAL CHANGES

Save as disclosed in this report, after the publication of the annual report 2020, there are no material changes affecting the Company's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules of the Stock Exchange.

## I. CORPORATE GOVERNANCE

The Company always abides by the relevant laws such as the Company Law and the Insurance Law, earnestly performs the relevant legal requirements issued by regulatory authorities and the Articles of Association, insists on keeping good corporate governance principles, and strives to enhance the corporate governance standard continuously to ensure the stable development of the Company and to enhance shareholders' value.

On 16 March 2021, Mr. Luk Kin Yu, Peter resigned as an Independent Non-executive Director, the member of the Audit Committee of the Board and the member of the Nomination and Remuneration Committee of the Board of the Company due to his age and health. Following the resignation of Mr. Luk Kin Yu, Peter, the Board of the Company comprised 13 members (including 4 Independent Non-executive Directors) and failed to meet the requirement of having at least one-third of the Board being Independent Non-executive Directors under the SSE and the Hong Kong Stock Exchange. On 15 June 2021, Mr. Xie Yiqun resigned as an Executive Director, the Vice President and the member of the Strategy and Investment Committee of the Board of the Company due to his age. As of 30 June 2021, the Board of the Company comprised 12 members (including 4 Independent Non-executive Directors) and met the requirement of having at least one-third of the Board being Independent Non-executive Directors under the SSE and the Hong Kong Stock Exchange.

Save as disclosed above, in the first half of 2021, the Company has complied with the relevant provisions of the SSE on corporate governance for listed companies and the Corporate Governance Code in Appendix 14 of the Listing Rules of the Stock Exchange, and the Company has a complete corporate governance structure. The shareholders' general meeting, the Board, the Board of Supervisors and senior management independently performed their respective duties pursuant to the Articles of Association, in compliance with laws and regulatory requirements.

During the reporting period, the Company convened two shareholders' general meetings, four meetings of the Board of Directors, and six meetings of the Board of Supervisors. In accordance with regulatory requirements, the announcements concerning the resolutions adopted at the above meetings were published on the website of the SSE, the website of the Hong Kong Stock Exchange and relevant information disclosure media.

There are five committees under the Board of Directors, namely the Audit Committee, the Nomination and Remuneration Committee, the Strategy and Investment Committee, the Risk Management & Consumers' Rights and Interests Protection Committee and the Related Party Transactions Control Committee. Each committee provides advice and suggestions to the Board of Directors with respect to the matters within their scopes of responsibilities. The duties and operation process of the committees are explicitly stipulated in the terms of reference of each committee. During the reporting period, the Audit Committee convened two meetings, the Nomination and Remuneration Committee convened four meetings, the Strategy and Investment Committee convened four meetings, the Risk Management & Consumers' Rights and Interests Protection Committee convened three meetings and the Related Party Transactions Control Committee convened two meetings.

The Board of Supervisors established the Duty Performance and Due Diligence Supervision Committee, and the Financial and Internal Control Supervision Committee. During the reporting period, the Duty Performance and Due Diligence Supervision Committee convened five meetings, and the Financial and Internal Control Supervision Committee convened three meetings.

## II. SHAREHOLDERS' GENERAL MEETING

On 10 March 2021, the Company convened the 2021 first extraordinary general meeting in Beijing. The meeting adopted a combined voting mode of on-site voting and online voting, which considered and approved the Resolution in relation to the Remuneration Settlement Scheme for the Company's Directors and Supervisors of the Group for the Year 2019.

On 18 June 2021, the Company convened the 2020 annual general meeting in Beijing. The meeting adopted a combined voting mode of on-site voting and online voting, which considered and approved 23 resolutions including the Resolution in relation to the Election of Mr. Luo Xi as an Executive Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Mr. Wang Tingke as an Executive Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Mr. Li Zhuyong as an Executive Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Mr. Wang Qingjian as a Non-executive Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Mr. Miao Fusheng as a Non-executive Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Mr. Wang Shaoqun as a Non-executive Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Mr. Yu Qiang as a Non-executive Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Mr. Wang Zhibin as a Non-executive Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Mr. Shiu Sin Por as an Independent Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Mr. Ko Wing Man as an Independent Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Ms. Xu Lina as an Independent Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Ms. Cui Li as an Independent Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Mr. Chen Wuzhao as an Independent Director of the Fourth Session of the Board of the Company, the Resolution in relation to the Election of Mr. Huang Liangbo as a Shareholder Representative Supervisor of the Fourth Session of Board of Supervisors of the Company, the Resolution in relation to the Election of Mr. Xu Yongxian as a Shareholder Representative Supervisor of the Fourth Session of Board of Supervisors of the Company, the Resolution in relation to the Election of Ms. Starry Lee Wai King as an Independent Supervisor of the Fourth Session of Board of Supervisors of the Company, the Resolution in relation to the Planning Outline of the "14th Five-Year Plan" Development Strategy of the Group, the Resolution in relation to the Report of the Board of Directors for the Year 2020, the Resolution in relation to the Report of the Board of Supervisors for the Year 2020, the Resolution in relation to the Final Financial Accounts for the Year 2020, the Resolution in relation to the Profit Distribution for the Year 2020, the Resolution in relation to the Budget of Fixed Asset Investment for the Year 2021, the Resolution in relation to the Work Report of the Independent Directors for the Year 2020 and the Appraisal of Performance, and received and reviewed three resolutions including the Performance Report of the Directors for the Year 2020, the Report on the Solvency-related Condition of the Group for the Year 2020 and the Report on Related Party Transactions and the Evaluation of Internal Transactions for the Year 2020.

Session of the meeting	Date of the meeting	Index for designated websites on which resolutions were published	Date of publication of resolution
2021 First Extraordinary General Meeting	10 March 2021	www.sse.com.cn www.hkexnews.hk www.picc.com	10 March 2021
2020 Annual General Meeting	18 June 2021	www.sse.com.cn www.hkexnews.hk www.picc.com	18 June 2021

### III. THE BOARD OF DIRECTORS

During the reporting period, the attendance records of the Directors of the Company attending the shareholders' general meetings, the meetings of the Board and the meetings of committees under the Board were as follows:

Directors	Shareholders' General Meeting		The Board		Attendance in person/attendance by proxy/scheduled attendance				
	Shareholders' General Meeting		The Board		Board Committees				
	Meeting	Attendance	The Board	Percentage of attendance in person	Audit Committee	Nomination and Remuneration Committee	Strategy and Investment Committee	Related Party Transactions Control Committee	Risk Management & Consumers' Rights and Interests Protection Committee
<b>Executive Directors</b>									
Luo Xi (Chairman)	1/2	50%	3/4	75%	–	–	4/0/4	–	–
Wang Tingke (Vice Chairman)	2/2	100%	4/4	100%	–	–	4/0/4	–	3/0/3
Li Zhuyong	2/2	100%	4/4	100%	–	–	–	1/1/2	–
<b>Non-executive Directors</b>									
Wang Qingjian	2/2	100%	4/4	100%	2/0/2	–	4/0/4	2/0/2	–
Miao Fusheng	2/2	100%	4/4	100%	–	4/0/4	–	–	3/0/3
Wang Shaoqun	2/2	100%	4/4	100%	–	–	–	–	3/0/3
Cheng Yuqin	2/2	100%	4/4	100%	–	–	4/0/4	–	–
Wang Zhibin	0/2	0	3/4	75%	–	–	–	–	3/0/3
<b>Independent Non-executive Directors</b>									
Shiu Sin Por	2/2	100%	4/4	100%	2/0/2	–	–	2/0/2	3/0/3
Ko Wing Man	1/2	50%	3/4	75%	–	4/0/4	–	–	3/0/3
Lin Yixiang	1/2	50%	4/4	100%	–	4/0/4	4/0/4	1/1/2	–
Chen Wuzhao	2/2	100%	4/4	100%	2/0/2	4/0/4	–	2/0/2	–
<b>Resigned Directors</b>									
Xie Yiqun	0/1	0	3/3	100%	–	–	3/0/3	–	–
Luk Kin Yu, Peter	0/1	0	0/1	0	0/0/0	1/0/1	–	–	–

## Corporate Governance

During the reporting period, the Board convened two shareholders' general meetings in which 24 resolutions were submitted for consideration and approval with three reports presented; convened four Board meetings in which 44 resolutions were considered and reviewed. The main tasks accomplished by the Board included:

- Convened two shareholders' general meetings;
- Considered and approved the resolutions on Planning Outline of the "14th Five-Year Plan" Development Strategy of the Group, the capital plan (2021-2023), the audit plan for the year 2021, the risk appetite statement for the year 2021, the final financial accounts for the year 2020 of the Company, the profit distribution plan and the revision of the Administrative Measures for Connected Transactions;
- Considered and approved the Company's annual report, annual results announcement, corporate social responsibility report, solvency report, internal control evaluation report and internal control audit report, risk evaluation report, compliance report, work report on the protection of consumers' rights and interests, corporate governance report, duty report and evaluation result of performance of duties of Independent Directors, assessment report on the implementation of planning, evaluation and audit report of internal control on the insurance capital use for the year 2020, and first quarterly report for the year 2021;
- Elected Chairman and Vice Chairman of the Board, nominated candidates for Directors, elected chairman and members of the Nomination and Remuneration Committee, chairman and members of the Audit Committee, members of the Strategy and Investment Committee, chairman and members of the Related Party Transactions Control Committee, and chairman and members of the Risk Management & Consumers' Rights and Interests Protection Committee of the Board;
- Appointed the Vice President, Responsible Compliance Officer, Chief Risk Officer and Securities Affairs Representative of the Company;
- Considered and approved the remuneration settlement schemes for the year 2020, and financial budget on total salary for the year 2021 of the Group;
- Considered and approved the resolutions on the recommendations of non-executive directors and chairman candidates of subsidiaries, and amendments to the articles of association, profit distribution and issuance of capital supplementary bonds of subsidiaries;
- Received performance reports of the Directors of the Company for the year 2020, reports on the related party transactions and the implementation of its management system and evaluation of the Group's internal transactions for the year 2020, and report on specific auditing results of related party transactions for the year 2020.



#### IV. THE BOARD OF SUPERVISORS

During the reporting period, the attendance records of the Company's Supervisors attending the meetings of the Board of Supervisors were as follows:

Name	Huang Liangbo	Jing Xin	Xu Yongxian	Zhang Yan	Wang Yadong
Attendance in person/scheduled attendance	6/6	6/6	6/6	5/5	5/5
Percentage of attendance in person	100%	100%	100%	100%	100%
Attendance by proxy/scheduled attendance	0/6	0/6	0/6	0/5	0/5
Percentage of attendance by proxy	0%	0%	0%	0%	0%

During the reporting period, the Board of Supervisors convened six meetings and considered and received 40 resolutions and reports. The main tasks accomplished by the Board of Supervisors included:

- Considered and approved 22 resolutions including the Resolution in relation to the Election of Ms. Zhang Yan as a Member of the Duty Performance and Due Diligence Supervision Committee of the Third Session of the Board of Supervisors of the Company, the Resolution in relation to the Election of Mr. Wang Yadong as a Member of the Financial and Internal Control Supervision Committee of the Third Session of the Board of Supervisors of the Company, the Resolution on the Report of Board of Supervisors for 2020, the Resolution on the Work Plan of Board of Supervisors for 2021, the Resolution on Evaluation Report for Performance of Duties of the Supervisors in 2020, the Resolution on Evaluation Report of the Board of Supervisors on Performance of Duties of the Board of Directors, the Management and its Members in 2020, the Resolution on Relevant Report of 2020 Final Financial Accounts, the Resolution on Profit Distribution in 2020, the Resolution on the A Shares and H Shares Periodic Report in 2020, the Resolution on 2020 Corporate Social Responsibility Report, the Resolution on the Internal Control Evaluation Report (and 2020 Corporate Governance Report: Part III "Evaluation of Internal Control") and Internal Control Audit Report for 2020, the Resolution on Internal Control Evaluation Report and Audit Related Report of Utilisation of Insurance Funds for 2020, the Resolution on Solvency Reports of the Group for 2020, the Resolution on Risk Evaluation Report for 2020, the Resolution on Work Report on the Protection of Consumers' Rights and Interests of the Group for the Year 2020, the Resolution on Supervision Report of the Board of Supervisors for the Year 2020, the Resolution on the First Quarterly Report of A Shares and H Shares in 2021, the Resolution on the Evaluation Report on the Implementation of Development Plan of the Group in 2020, the Resolution on Corporate Governance Report for 2020, the Resolution on Compliance Report for 2020, the Resolution on Exempting the Notice Period of the Twenty-seventh Meeting of the Third Session of the Board of Supervisors of the Company and the Resolution in relation to the Nomination of Candidates for Non-employee Representative Supervisor of the Fourth Session of the Board of Supervisors.
- Studied and received reports of 18 resolutions on corporate governance, operation, finance, internal control, risk and compliance.
- Convened one special meeting to communicate with auditors on matters of concern and put forward opinions and suggestions and gave feedback to the Board and management.

#### V. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, changes in the Directors, Supervisors and senior management of the Company were as follows:

### New Directors, Supervisors and senior management members appointed in the first half of 2021

Name	Position	Change and cause
Cai Zhiwei	Vice President	The appointment has been approved by the CBIRC in March 2021
Zhang Yan	Employee Representative Supervisor	The appointment has been approved by the CBIRC in January 2021
Wang Yadong	Employee Representative Supervisor	The appointment has been approved by the CBIRC in January 2021

### Directors, Supervisors and senior management members resigned in the first half of 2021

Name	Position	Change and cause
Xie Yiqun	Executive Director and Vice President	Retired due to age
Luk Kin Yu, Peter	Independent Non-executive Director	Retired due to age and health issue

On 7 July 2021, Mr. Huang Liangbo resigned as the Supervisor due to change of job assignments. Mr. Huang Liangbo was the chairman of the third session of the Board of Supervisors of the Company, whose term of office expired on 17 June 2021. Mr. Huang Liangbo was elected as the Supervisor of the fourth session of the Board of Supervisors at the Shareholders' General Meeting of the Company on 18 June 2021.

On 3 August 2021, Ms. Cheng Yuqin retired as a Non-executive Director of the Company and ceased to serve as her position as she had reached the statutory retirement age.

## VI. PROFIT DISTRIBUTION

### (I) Profit Distribution Plan for the First Half of 2021

In order to provide better return to our shareholders and share the development results of the Company with them, according to the profit distribution plan for the first half of 2021 approved by the Board on 20 August 2021, it is proposed to distribute a cash dividend of RMB0.17 per 10 shares (tax inclusive), amounting to a total of RMB752 million (tax inclusive), on the basis of 44,223,990,583 shares in the total share capital, representing approximately 4.5% of the net profit attributable to owners of the Company in the 2021 interim consolidated financial statements of the Company. The above profit distribution plan shall become effective upon the approval of the shareholders' general meeting. The specific arrangements regarding the declaration and distribution of interim dividend (including arrangement of withholding and payment of income tax for shareholders) and the time arrangement of the closure of register of members of H shares will be disclosed separately in the circular for the relevant shareholders' general meeting by the Company. If approved at the shareholders' general meeting, the interim dividend is expected to be paid around 9 December 2021.

Independent opinion issued by Independent Directors: The Company's profit distribution plan for the first half of 2021 has fully considered the solvency margin ratio, business development situation and demand, operating results and shareholders' return of the Company and its subsidiaries. The plan is in line with the interest of the Company and shareholders as a whole, especially the minority shareholders, and complies with relevant laws, regulations and the Articles of Association. It is legal and valid.

### (II) Implementation of Profit Distribution Plan for the Year 2020

According to the profit distribution plan of the Company for the year 2020 approved at the 2020 annual general meeting convened on 18 June 2021, it is proposed to distribute a cash dividend of RMB1.20 per 10 shares (tax inclusive) to all shareholders, amounting to a total of approximately RMB5,307 million (tax inclusive), on the basis of 44,223,990,583 shares in the total share capital, representing approximately 26.5% of the net profit attributable to owners of the Company in the 2020 consolidated financial statements of the Company. For details of the dividend payment arrangements for H Shares, please refer to the Circular of the 2020 Annual General Meeting dated 30 April 2021 and the announcement on Poll Results of the 2020 Annual General Meeting held on 18 June 2021 dated 18 June 2021 published by the Company on the website of the Hong Kong Stock Exchange. For details of the implementation of profit distribution of A Shares, please refer to the announcement on implementation of equity distribution of A Shares of The People's Insurance Company (Group) of China Limited for the Year 2020 dated 22 July 2021 published by the Company on the website of the SSE.

# Environmental and Social Responsibilities

## I. ENVIRONMENTAL INFORMATION

The Group is not a high pollution and high emissions enterprise. The main energy and resource consumption is water, electricity, gasoline, diesel and natural gas. The main emissions are greenhouse gas and waste gas emissions, discharge of wastewater and solid waste from offices. In the first half of 2021, PICC implemented the requirements of the national energy conservation and environmental protection policies, strictly followed the national and local laws and regulations concerning energy conservation, emission reduction, recycling of resources and other regulatory requirements, actively carried out the construction of energy conservation facilities and transformation of energy conservation, and strove to reduce energy consumption. During the reporting period, the Company and its principal subsidiaries were not subject to administrative penalties due to environmental issues.

## II. CONSOLIDATING THE RESULTS OF POVERTY ALLEVIATION AND SERVING RURAL REVITALISATION

### (I) Implementing Related Policies Requirements of the Central Government, to Effectively Link Poverty Alleviation with Rural Revitalisation

In order to thoroughly and consistently implement the spirit of General Secretary Xi Jinping's speech at the Central Rural Work Conference, actively implement the related policy requirements of the Central Rural Work Conference and No.1 Central Document, and continue to effectively link poverty alleviation with rural revitalisation, the Company formulated documents including "Guiding Opinions on Comprehensive Promotion of Rural Revitalisation through Insurance Services and Acceleration of Agricultural and Rural Modernisation", convened the 2021 work conference on consolidating the results of poverty alleviation and promoting rural revitalisation, during which it conveyed the spirit of the central government's documentation on designated poverty alleviation and summarised its efforts on poverty alleviation for recent years. It also formulated the Group's work tasks on promoting designated poverty alleviation and rural revitalisation in 2021, established work leading groups dedicated to the promotion of rural revitalisation in the headquarters of Company and certain subsidiaries, and built a sound protection mechanism for organisations.

### (II) Optimising Agricultural Insurance Product System to Safeguard Effective Supply of Important Agricultural Products

The Group capitalised on the policy opportunities to continuously improve the agricultural insurance product system by promoting the implementation of full cost insurance and income insurance for the three major grains and actively launching innovative products such as meteorological index, output yield/value insurance, price insurance, income insurance and insurance + futures. Currently, the Group owns over 3,800 agricultural insurance products in total and underwrites over 280 varieties, ranking the first in the industry. In the first half of 2021, the premiums income of agricultural insurance was RMB29,565 million, representing a year-on-year growth of 15.8%.

### (III) Strengthening the Construction of Rural Network Institutions and Constantly Increasing Capacity of Rural Network

Rural network is a crucial channel for the Group's consistent implementation of the policy of the Central Government in strengthening and benefiting agriculture, which is a strong support for the Group to serve the comprehensive promotion of rural revitalisation. As of the end of June 2021, the Group has established 6,843 five-level rural network institutions (teams) nationwide, with a coverage rate of 74% for outlets at villages and towns, realising the grassroots level service layout of "departments/stations at villages and towns, outlets in village community, stations/outlets with people".

## Environmental and Social Responsibilities

### **(IV) Implementing the Group's Strategic Projects by Promoting Insurance Solutions for Rural Revitalisation**

The Group has formulated the Comprehensive Insurance Service Plan for Rural Revitalisation, which comprises six comprehensive service plans designated for the possible insurance risk points in six scenarios, namely agricultural production, rural infrastructure construction, rural social livelihood, agricultural industry management, rural security management and rural financial credit. Under the plan, the Group builds an “Insurance Supermarket” which promotes rural vitalisation and benefits the people through product mixing to realise the philosophy of “mix your own package and enjoy full coverage under one insurance policy”.

### **(V) Consolidating and Extending the Results of Poverty Alleviation to Maintain Effective Designated Poverty Alleviation**

**Firstly**, the Group coordinated the implementation, rectification and optimisation of its designated poverty alleviation, and formulated the Group's Report on Implementation and Rectification of Designated Poverty Alleviation, which has been submitted to the People's Bank of China and the National Administration for Rural Revitalization. **Secondly**, the Group actively coordinated and organised fund donation, consumer poverty alleviation, training poverty alleviation and cadre rotation for the four designated counties stricken in poverty. The temporary cadres in four designated counties have completed the rotation of ten cadres in Huachuan, Liuba and Le'an. In terms of poverty alleviation training, over 2,000 grassroot level cadres and technical personnel have been trained so far. **Thirdly**, the Group implemented the strategic deployment of the Party Central Committee and the State Council in relation to the revitalisation and development of former revolutionary base areas in the new era and issued The Implementation Plan of the PICC Group on Partner Assistance to Ji'an County in Jiangxi Province, in support of the construction of the former Central Revolutionary Bases.

## I. MATERIAL LAWSUITS AND ARBITRATION

The Company had no material lawsuits or arbitration during the reporting period.

## II. RELATED PARTY TRANSACTIONS

### (I) Connected Transactions under the Regulatory Standards of the Hong Kong Stock Exchange

During the reporting period, the Company had not conducted any connected transactions or continuing connected transactions that are required to be reported, announced or obtain independent shareholders' approval in accordance with Chapter 14A "Connected Transactions" of the Listing Rules of the Stock Exchange.

### (II) Related Party Transactions under the Regulatory Standards of the SSE

In accordance with the SSE Listing Rules and other regulatory requirements, the SSF constitutes a related party of the Company under the regulatory rules of the SSE. Since 2017, the SSF has entrusted PICC AMC to manage part of its assets. As of 30 June 2021, the assets under the management of PICC AMC were RMB9,187 million. During the reporting period, the provision made by PICC AMC for assets management fee income was RMB6,498.9 thousand. The above mentioned transactions do not constitute major related party transactions and have not yet reached the disclosure standard of related party transactions.

### (III) Overall Situation of Related Party Transactions under the Regulatory Standards of the CBIRC

During the reporting period, the types of related party transactions of the Company mainly included: use of funds, transfer of rights, insurance business, services and others. According to the requirements of the Administrative Measures for Related Party Transactions of Insurance Companies, the types of related party transactions between the holding subsidiaries of the Company (excluding listed companies or financial institutions that have been regulated by the industry) and related parties of the Company under the standards of the CBIRC mainly included the use of funds, insurance business, lease of assets and services.

During the reporting period, the Company issued a new management system for related party transactions, and carried out the identification, review, disclosure and reporting work of related party transactions in accordance with laws and regulations. The pricing of related party transactions was in line with the fairness requirements.

## Significant Events

### III. COMMITMENTS OF THE COMPANY, SHAREHOLDERS, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OR OTHER RELATED PARTIES DURING OR CONTINUED IN THE REPORTING PERIOD

Background	Commitment	Commitment party	Commitment	Time and term of commitment	Performance term or no	Performed in time and strictly or not
Commitment in the report on changes in equity	Restriction on sale of A Shares	The SSF	The SSF, in respect of the shares transfer, shall fulfil the obligation of lock-up period of not less than 3 years from the date of transfer of the shares to its account.	Not less than 3 years from 26 September 2019	Yes	Yes
Commitments related to the initial public offering	Restriction on sale of A Shares	The MOF	Restrictions on the stock circulation and shareholders' voluntary lock-up commitment to the shares held by them in the Company's Prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
	Others	The MOF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		The SSF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company and related Directors and senior management	Measures for stabilising stock prices after listing in the Company's Prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
	Dividend	The Company	The dividend commitment in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
		Directors and senior management	Commitment to take remedial measures for the dilution impact on immediate return in the Company's Prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes
		Directors, Supervisors and senior management	Commitment in relation to the contents of the Prospectus in the Company's Prospectus.	Effective from 5 November 2018	Yes	Yes

### IV. NON-OPERATING CAPITAL ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES

During the reporting period, the controlling shareholders and other related parties of the Company did not occupy any non-operating capital of the Company.

### V. NON-COMPLIANCE GUARANTEE OF THE COMPANY

During the reporting period, the Company did not enter into any guarantee contracts in violation of laws, administrative regulations and the procedures for resolution of external guarantees as prescribed by the CSRC.



## **VI. PENALTIES AND RECTIFICATIONS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

During the reporting period, the Company was not involved in any investigation of suspected commission of offences. The Company's controlling shareholders, Directors, Supervisors and senior management were not subject to any legally enforceable measures due to suspected commission of offences. The Company and its controlling shareholders, Directors, Supervisors and senior management were not subject to any criminal penalty, involved in any investigation of violation of laws and regulations by the CSRC or subject to any material administrative penalty imposed by other competent authorities. The Company's controlling shareholders, Directors, Supervisors and senior management were not suspected of committing serious law or disciplinary offences or job-related crimes and being subject to detention measures by disciplinary inspection and supervision authorities and affecting the performance of their duties. The Company's Directors, Supervisors and senior management were not suspected of violating the laws and regulations and being subject to compulsory measures by other competent authorities and affecting the performance of their duties.

## **VII. EXPLANATION OF THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS**

During the reporting period, the Company and its controlling shareholders did not report any failure to perform the effective judgement of the court, or to pay outstanding debts with a large amount when due.

## **VIII. PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY**

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company or its subsidiaries during the reporting period.

## **IX. MATERIAL CONTRACTS**

During the reporting period, the Company neither acted as trustee, contractor or lessee of other companies' assets, nor entrusted, contracted or leased its assets to other companies, the profit or loss from which accounted for 10% or more of the Company's profits for the reporting period, nor were there any such matters occur or those that occurred in previous periods but subsisted during the reporting period, and there were no other material contracts.

## **X. EXTERNAL GUARANTEES AND MATERIAL GUARANTEES**

During the reporting period, the Company and its subsidiaries did not have external guarantees, and there were no guarantees provided by the Company and its subsidiaries to subsidiaries.

## **XI. COMPLIANCE WITH LAWS AND REGULATIONS**

The Company had complied with relevant laws and regulations which had significant impact on the businesses and operations of the Company in all material aspects during the reporting period.

## **XII. REVIEW OF INTERIM RESULTS**

The Audit Committee of the Board of the Company has, in the presence of the external auditor, reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

## **XIII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has formulated the guidelines on transactions of the Company's securities that are applicable to Directors, Supervisors and all employees. The terms of such guidelines are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules of the Stock Exchange. The Company enquired with all the Directors and Supervisors and they all confirmed that they had complied with the requirements under the Model Code and such guidelines during the first half of 2021.

# Movements in Ordinary Shares and Shareholders

## I. MOVEMENTS IN SHARE CAPITAL

During the reporting period, there was no change in the total number of shares and the share capital structure of the Company.

## II. SHAREHOLDERS

### (I) Total Number of Shareholders and Information on Shareholding of Shareholders

#### 1. Total Number of Shareholders

Total number of ordinary shareholders as at the end of the reporting period (Shareholder)

A Shares: 242,003; H Shares: 5,590

#### 2. Shareholdings of the Top Ten Shareholders and Top Ten Shareholders Not Subject to Selling Restrictions as at the End of the Reporting Period

Unit: Share

Name of shareholder	Increase/ decrease during the reporting period	Shareholdings of the Top Ten Shareholders			Pledged or frozen shares		Nature of shareholder
		Number of shares held as at the end of the reporting period	Proportion (%)	Number of shares held subject to selling restrictions	Status of the share	Number	
The MOF	–	26,906,570,608	60.84	26,906,570,608	–	–	The State
HKSCC Nominees Limited	-952,000	8,701,506,698	19.68	–	–	–	Foreign legal person
SSF	-81,924,800	6,313,368,327	14.28	2,989,618,956	–	–	The State
Hong Kong Securities Clearing Company Limited	13,336,309	64,939,317	0.15	–	–	–	Foreign legal person
Beijing Hengzhaoweiye Investment Company Limited	–	20,607,653	0.05	–	–	–	Domestic non- state-owned legal person
Agricultural Bank of China Limited – Jingshun Changcheng Shanghai- Shenzhen 300 Index Enhanced Securities Investment Fund	15,606,064	15,606,064	0.04	–	–	–	Others
Guosen Securities Company Limited – Fangzheng Fubon China Securities Insurance Themed Index Securities Investment Fund	12,413,891	12,413,891	0.03	–	–	–	Others
Li Shaofu	2,090,200	11,790,200	0.03	–	–	–	Domestic natural person
Zhang Bihai	7,404,018	10,395,609	0.02	–	–	–	Domestic natural person
Huo Wenliang	241,300	9,848,371	0.02	–	–	–	Domestic natural person

## Movements in Ordinary Shares and Shareholders

Unit: Share

### Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares	
		Class	Number
HKSCC Nominees Limited	8,701,506,698	H Shares	8,701,506,698
SSF	3,323,749,371	A shares	3,323,749,371
Hong Kong Securities Clearing Company Limited	64,939,317	A shares	64,939,317
Beijing Hengzhaoweiye Investment Company Limited	20,607,653	A shares	20,607,653
Agricultural Bank of China Limited – Jingshun Changcheng Shanghai-Shenzhen 300 Index Enhanced Securities Investment Fund	15,606,064	A shares	15,606,064
Guosen Securities Company Limited – Fangzheng Fubon China Securities Insurance Themed Index Securities Investment Fund	12,413,891	A shares	12,413,891
Li Shaofu	11,790,200	A shares	11,790,200
Zhang Bihai	10,395,609	A shares	10,395,609
Huo Wenliang	9,848,371	A shares	9,848,371
Li Mahao	8,911,600	A shares	8,911,600
Details of the above shareholders who are connected to each other or acting in concert	The Company is not aware of any connected relationship among the above shareholders or any parties acting in concert as defined by the Measures for the Administration of the Takeover of Listed Companies.		

#### Notes:

1. In addition to the 6,313,368,327 A Shares of the Company held by the SSF, it also holds 524,279,000 H Shares as a beneficial owner and 649,000 H Shares through overseas manager.
2. HKSCC Nominees Limited holds shares on behalf of securities firm customers in Hong Kong and other CCASS participants. Relevant regulations of the Hong Kong Stock Exchange do not require such persons to declare whether their shareholdings are pledged or frozen. Hence, HKSCC Nominees Limited is unable to calculate or provide the number of shares that are pledged or frozen.
3. The shares under Hong Kong Securities Clearing Company Limited are held by the shareholders of the Shanghai Stock Connect.

## Movements in Ordinary Shares and Shareholders

Unit: Share

Number of Shares Held by Top Ten Shareholders Subject to Selling Restrictions and Selling Restrictions					
No.	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions	Shares subject to selling restrictions available for listing and trading		Selling restrictions
			Time available for listing and trading	Number of additional shares available for listing and trading	
1	The MOF	26,906,570,608	16 November 2021	–	Within 36 months from the listing date of the Company's A Shares
2	The SSF	2,989,618,956	26 September 2022	–	No less than 3 years from the date of transfer of the shares to the MOF's account
Details of the above shareholders who are connected to each other or acting in concert		The Company is not aware of any connected relationship among the above shareholders or any parties acting in concert as defined by the Measures for the Administration of the Takeover of Listed Companies.			

## (II) CHANGES IN CONTROLLING SHAREHOLDER

During the reporting period, there was no change in the controlling shareholder of the Company.

### III. INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED BY SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As far as the Directors of the Company are aware, as at 30 June 2021, the following persons (other than the Directors, Supervisors and senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the Securities and Futures Ordinance, or is required to be recorded in the register to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

Name of shareholder	Capacity	Number of A Shares	Nature of interests	Percentage of total issued A Shares	Percentage of total issued shares
The MOF	Beneficial owner	26,906,570,608	Long position	75.80%	60.84%
The SSF	Beneficial owner	6,313,368,327	Long position	17.79%	14.28%

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Percentage of total issued H Shares	Percentage of total issued shares
The SSF ( <i>note 1</i> )	Beneficial owner	524,928,000	Long position	6.02%	1.19%
BlackRock, Inc. ( <i>note 2</i> )	Interest of controlled corporation	440,554,842 41,374,000	Long position Short position	5.05% 0.47%	1.00% 0.09%

Notes:

1. The SSF, as the beneficial owner, holds 524,279,000 H Shares. In addition, the SSF holds 649,000 H Shares via the overseas manager. Accordingly, the SSF is deemed to be interested in the aforementioned H Shares.
2. The Company's H Shares are held through certain controlled subsidiaries.

Save as disclosed above, as at 30 June 2021, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company, that is required to be recorded in the register to be kept under Section 336 of the Securities and Futures Ordinance.

### IV. CHANGES IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, there were no changes in shareholdings of the Directors, Supervisors and senior management of the Company. As at 30 June 2021, Mr. Wang Dajun, a resigned Supervisor, held 50,000 H shares of the Company. Save as disclosed above, no other Directors, Supervisors and senior management of the Company had any interests or short positions in any shares, underlying shares or securities of the Company or any of its associated corporations (as defined in the Securities and Futures Ordinance) which were required, pursuant to Section 352 of the Securities and Futures Ordinance of Hong Kong, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules of the Stock Exchange, to be notified to the Company and the Hong Kong Stock Exchange.

## Embedded Value

Our consolidated financial statements set forth in our interim report are prepared in accordance with the relevant accounting standards. These financial statements measure our results of operations for a specific time period. An alternative method of measuring the value and profitability of a life or health insurance company is the embedded value method. Embedded value is an estimate of the economic value of the life and health insurance businesses of an insurance company that is determined based on a particular set of assumptions and a valuation model-based forecast of future distributable profits, excluding any value attributable to any future new business. While, under the relevant accounting standards, there is a time lag between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits from existing policies as at the date of the embedded value calculation. Since life and health insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholder value.

Embedded value does not include the economic value of future new business. The value of half year's new business provides an indication of the value created for investors by new business activity based on the assumptions used and hence the potential of the business.

Ernst & Young (China) Advisory Limited, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as at 30 June 2021, and the value of half year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 6 months ended 30 June 2021, on a range of assumptions. Copies of consulting actuaries' review reports are included in our interim report. These reports do not constitute an audit opinion of the financial information used in the report.

The value of in-force business and the value of half year's new business in respect of new life and health insurance businesses have been calculated using a valuation model under a range of assumptions. Given the particular uncertainties associated with the future investment environment and future business operations, you should carefully consider the range of values arising from the sensitivity analysis, which reflect the impact of different assumptions on these values. Moreover, the values do not necessarily include the full range of potential outcomes.

The estimates of value of in-force business and the value of half year's new business necessarily make numerous assumptions with respect to industry performance, business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. As a result, actual future experience may vary from that assumed in the calculation, and these variations may be material. Calculated values will vary, possibly materially, as key assumptions are varied. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment of the PRC market, material uncertainty exists with respect to asset valuations, which may have material impact on the embedded value.



## INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC LIFE

Ernst & Young (China) Advisory Limited (“EY”, “we” or “our”) has been entrusted by PICC Life Insurance Company Limited (“PICC Life”, the “company”) to review its valuation of embedded value as at 30 June 2021. This report is prepared and to be enclosed in the 2021 interim report of the People’s Insurance Company (Group) of China Limited. It summarizes EY’s work scope, the valuation methodology of the embedded value, valuation results and assumptions on which the valuation depends.

### SCOPE OF WORK

Our scope of work covered:

- Review the valuation methodology for the embedded value and the value of half year’s new business as at 30 June 2021;
- Review the assumptions used in the valuation of embedded value and value of half year’s new business as at 30 June 2021;
- Review the various valuation results of the embedded value as at 30 June 2021, i.e. the embedded value, value of half year’s new business and the sensitivity tests results of value of in-force business and value of half year’s new business under alternative assumptions;
- Review the value of half year’s new business as at 30 June 2020 recalculated based on the assumptions as at 31 December 2020;
- Review the breakdown of value of half year’s new business as at 30 June 2021 and 30 June 2020 by distribution channels.

### BASIS OF OPINION, RELIANCE AND LIMITATION

We carried out our review in accordance with the *Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance* (“Valuation Guidance”) issued by the China Association of Actuaries (“CAA”) in November 2016.

In the process of performing review and preparing this report, we relied on the accuracy and completeness of audited and unaudited data and information provided by PICC Life without independent verification. Where possible, we have reviewed the reasonableness and consistency of the data based on our understanding of insurance industry and PICC Life. Our review opinion herein this report is based on the accuracy and completeness of the data and information provided by PICC Life.

The calculation of embedded value involves expectations and assumptions regarding future experience to a great extent in terms of business operating performance, investment performance, and other economic and financial assumptions, many of which are beyond the company’s control. Therefore, the actual results of operation in the future may deviate from the valuation results.

This report is addressed solely to PICC Life in accordance with the engagement letter signed by PICC Life and us. We have agreed that PICC Life provides the review opinion report to the People’s Insurance Company (Group) of China Limited to be disclosed in its 2021 interim report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Life for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

### REVIEW OPINION

Based on our review, we concluded that:

- The valuation methodology for embedded value adopted by PICC Life meets the requirements of the *Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance* issue by China Association of Actuaries in November 2016;
- The economic assumptions adopted by PICC Life have taken into account the current investment market conditions and the investment strategy of PICC Life;
- The operating assumptions adopted by PICC Life have taken into account the company's historical experience and the expectation of future performance; and
- The embedded value results are consistent with its methodology and assumptions used. The aggregate results are reasonable.

On behalf of Ernst & Young (China) Advisory Limited

**Zhenping Fu**  
FSA, FCAA

**Jia Zhang**  
FSA, FCAA

## 30 JUNE 2021 EMBEDDED VALUE REPORT OF PICC LIFE INSURANCE COMPANY LIMITED

### 1. DEFINITION AND METHODOLOGY

#### 1.1. Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value (“EV”)**: this is the sum of the adjusted net worth and value of in-force business as at the valuation date;
- **Adjusted Net Worth (“ANW”)**: this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;
- **Value of In-Force Business (“VIF”)**: this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;
- **Cost of Required Capital (“CoC”)**: this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;
- **Value of Half year’s New Business (“VHNB”)**: this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified half year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies. The value associated with top-up premium not expected from the in-force business is included in the value of half year’s new business; and
- **Expense Overrun**: the amount of actual expenses in excess of the assumed expenses.

#### 1.2. Methodology

China Association of Actuaries (“CAA”) issued “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance” in November 2016. PICC Life has determined the embedded value and the value of half year’s new business based on “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance”.

PICC Life has adopted the commonly used embedded value approach in the industry. Both value of in-force business and value of half year’s new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business calculated by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

## Embedded Value

### 2. RESULTS SUMMARY

In this section PICC Life has shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

#### 2.1. Overall Results

**Table 2.1.1 Embedded Value of PICC Life as at 30 June 2021 and 31 December 2020 (Unit: RMB Million)**

	30/06/2021	31/12/2020
<b>Risk Discount Rate</b>	<b>10.0%</b>	10.0%
Adjusted Net Worth	<b>73,853</b>	69,605
Value of In-Force Business before CoC	<b>47,268</b>	45,972
Cost of Required Capital	<b>(12,044)</b>	(13,279)
Value of In-Force Business after CoC	<b>35,225</b>	32,693
<b>Embedded Value</b>	<b>109,078</b>	102,297

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

**Table 2.1.2 Value of Half year's New Business of PICC Life for the 6 months up to 30 June 2021 and 30 June 2020 (Unit: RMB Million)**

	30/06/2021	30/06/2020
<b>Risk Discount Rate</b>	<b>10.0%</b>	10.0%
Value of Half year's New Business before CoC	<b>3,701</b>	5,012
Cost of Required Capital	<b>(1,289)</b>	(1,787)
<b>Value of Half year's New Business after CoC</b>	<b>2,412</b>	3,224

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

2. In the table above, the value of half year's new business for the 6 months up to 30 June 2020 is recalculated using assumptions as at 31 December 2020.

#### 2.2. Results by Distribution Channels

The results of the value of half year's new business by distribution channel as at 30 June 2021 and 30 June 2020 are summarised in the table below.

**Table 2.2.1 Value of Half year's New Business of PICC Life for the 6 months up to 30 June 2021 and 30 June 2020 by Distribution Channel (Unit: RMB Million)**

<b>Risk Discount Rate</b>	<b>10.0%</b>			
Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Total
<b>Value of Half year's New Business after CoC (2021)</b>	<b>(2)</b>	<b>2,341</b>	<b>73</b>	<b>2,412</b>
Value of Half year's New Business after CoC (2020)	(58)	3,175	108	3,224

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

2. In the table above, the value of half year's new business for the 6 months up to 30 June 2020 is recalculated using assumptions as at 31 December 2020.

The expense assumptions used by PICC Life represent the expected long-term expense level in the future in the calculation of the value of in-force business and value of half year's new business. As PICC Life is still enhancing fundamental developments and increasing strategic budgets, the expense breakeven is only able to be achieved in future years. The expense overrun is the expenses over breakeven level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of CAA. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

### 3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of half year's new business as at 30 June 2021.

#### 3.1. Risk Discount Rate

A 10% risk discount rate has been used to calculate the embedded value and value of half year's new business.

#### 3.2. Rate of Investment Return

A 5% p.a. investment return assumption has been used.

#### 3.3. Policy Dividend

The expected level of participating policy dividend is based on the participating policy of PICC Life. The impact on the value of in-force business and value of half year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

#### 3.4. Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Life's own experience and reasonable expectation on future, and the reinsurance rates obtained by PICC Life.

#### 3.5. Claim Ratio

The claim ratio assumptions are applied to the short-term health, short-term accident and long-term guaranteed renewable health business. The claim ratio assumptions are set based on PICC Life's own experience. They are in the range from 40% to 85% of gross premium depending on the lines of business.

#### 3.6. Lapse Rates

Lapse rate assumptions are based on PICC Life's own lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium persistency assumptions are also set for regular premium universal life business.

#### 3.7. Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Life. It is assumed that the future inflation rate is 2.5% p.a..

Commission assumptions are set based on overall commission level of PICC Life and vary by business lines.

## Embedded Value

### 3.8. Tax

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

## 4. SENSITIVITY TESTS

PICC Life has conducted sensitivity tests on the value of in-force business and value of half year's new business. In each of these tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarised in Table 4.1.

**Table 4.1 Value of In-Force Business and Value of Half year's New Business of PICC Life as at 30 June 2021 under Alternative Assumptions (Unit: RMB Million)**

Scenarios	Value of In-Force Business after CoC	Value of Half year's New Business after CoC
Base Scenario	35,225	2,412
Risk Discount Rate at 9%	40,076	2,937
Risk Discount Rate at 11%	31,159	1,965
Rate of investment return increased by 50 bps	46,594	3,570
Rate of investment return decreased by 50 bps	24,094	1,253
Expenses increased by 10%	34,129	2,300
Expenses decreased by 10%	36,320	2,525
Lapse rate increased by 10%	35,019	2,370
Lapse rate decreased by 10%	35,438	2,456
Mortality increased by 10%	34,751	2,376
Mortality reduced by 10%	35,704	2,449
Morbidity increased by 10%	33,867	2,268
Morbidity reduced by 10%	36,601	2,559
Short-term business claim ratio increased by 10%	35,141	2,335
Short-term business claim ratio decreased by 10%	35,308	2,490
Participating Ratio (80/20)	33,807	2,394

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



## INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC HEALTH

Ernst & Young (China) Advisory Limited (“EY”, “we” or “our”) has been entrusted by PICC Health Insurance Company Limited (“PICC Health”, the “company”) to review its valuation of embedded value as at 30 June 2021. This report is prepared and to be enclosed in the 2021 interim report of the People’s Insurance Company (Group) of China Limited. It summarises EY’s work scope, the valuation methodology of the embedded value, valuation results and assumptions on which the valuation depends.

### SCOPE OF WORK

Our scope of work covered:

- Review the valuation methodology for the embedded value and the value of half year’s new business as at 30 June 2021;
- Review the assumptions used in the valuation of embedded value and value of half year’s new business as at 30 June 2021;
- Review the various valuation results of the embedded value as at 30 June 2021, i.e. the embedded value, value of half year’s new business and the sensitivity tests results of value of in-force business and value of half year’s new business under alternative assumptions;
- Review the value of half year’s new business as at 30 June 2020 recalculated based on the assumptions as at 31 December 2020;
- Review the breakdown of value of half year’s new business as at 30 June 2021 and 30 June 2020 by distribution channels.

### BASIS OF OPINION, RELIANCE AND LIMITATION

We carried out our review in accordance with the *Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance* (“Valuation Guidance”) issued by the China Association of Actuaries (“CAA”) in November 2016.

In the process of performing review and preparing this report, we relied on the accuracy and completeness of audited and unaudited data and information provided by PICC Health without independent verification. Where possible, we have reviewed the reasonableness and consistency of the data based on our understanding of insurance industry and PICC Health. Our review opinion herein this report is based on the accuracy and completeness of the data and information provided by PICC Health.

The calculation of embedded value involves expectations and assumptions regarding future experience to a great extent in terms of business operating performance, investment performance, and other economic and financial assumptions, many of which are beyond the company’s control. Therefore, the actual results of operation in the future may deviate from the valuation results.

This report is addressed solely to PICC Health in accordance with the engagement letter signed by PICC Health and us. We have agreed that PICC Health provides the review opinion report to the People’s Insurance Company (Group) of China Limited to be disclosed in its 2021 interim report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Health for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

### REVIEW OPINION

Based on our review, we concluded that:

- The valuation methodology for embedded value adopted by PICC Health meets the requirements of the *Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance* issue by China Association of Actuaries in November 2016;
- The economic assumptions adopted by PICC Health have taken into account the current investment market conditions and the investment strategy of PICC Health;
- The operating assumptions adopted by PICC Health have taken into account the company's historical experience and the expectation of future performance; and
- The embedded value results are consistent with its methodology and assumptions used. The aggregate results are reasonable.

On behalf of Ernst & Young (China) Advisory Limited

**Zhenping Fu**  
FSA, FCAA

**Jia Zhang**  
FSA, FCAA

## 30 JUNE 2021 EMBEDDED VALUE REPORT OF PICC HEALTH INSURANCE COMPANY LIMITED

## 1. DEFINITION AND METHODOLOGY

## 1.1. Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value (“EV”)**: this is the sum of the adjusted net worth and value of in-force business as at the valuation date;
- **Adjusted Net Worth (“ANW”)**: this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;
- **Value of In-Force Business (“VIF”)**: this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;
- **Cost of Required Capital (“CoC”)**: this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;
- **Value of Half year’s New Business (“VHNB”)**: this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified half year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies; and
- **Expense Overrun**: the amount of actual expenses in excess of the assumed expenses.

## 1.2. Methodology

China Association of Actuaries (“CAA”) issued “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance” in November 2016. PICC Health has determined the embedded value and the value of half year’s new business based on “Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance”.

PICC Health has adopted the commonly used embedded value approach in the industry. Both value of in-force business and value of half year’s new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business calculated by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

## Embedded Value

### 2. RESULTS SUMMARY

In this section PICC Health has shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

#### 2.1. Overall Results

**Table 2.1.1 Embedded Value of PICC Health as at 30 June 2021 and 31 December 2020 (Unit: RMB Million)**

	30/06/2021	31/12/2020
<b>Risk Discount Rate</b>	<b>10.0%</b>	10.0%
Adjusted Net Worth	7,342	6,515
Value of In-Force Business before CoC	9,636	8,840
Cost of Required Capital	(597)	(407)
Value of In-Force Business after CoC	9,039	8,432
<b>Embedded Value</b>	<b>16,381</b>	14,947

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

**Table 2.1.2 Value of Half year's New Business of PICC Health for the 6 months up to 30 June 2021 and 30 June 2020 (Unit: RMB Million)**

	30/06/2021	30/06/2020
<b>Risk Discount Rate</b>	<b>10.0%</b>	10.0%
Value of Half year's New Business before CoC	1,017	988
Cost of Required Capital	(306)	(659)
<b>Value of Half year's New Business after CoC</b>	<b>711</b>	329

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

2. In the table above, the value of half year's new business for the 6 months up to 30 June 2020 is recalculated using assumptions as at 31 December 2020.

#### 2.2. Results by Distribution Channels

PICC Health split the value of half year's new business by distribution channel. The results of the value of half year's new business by distribution channel as at 30 June 2021 and 30 June 2020 are summarised in the table below.

**Table 2.2.1 Value of Half year's New Business of PICC Health for the 6 months up to 30 June 2021 and 30 June 2020 by Distribution Channel (Unit: RMB Million)**

<b>Risk Discount Rate</b>	<b>10.0%</b>			
		<b>Individual</b>		
<b>Distribution Channel</b>	<b>Bancassurance</b>	<b>insurance agent</b>	<b>Group sales</b>	<b>Total</b>
<b>Value of Half year's New Business after CoC (2021)</b>	<b>148</b>	<b>579</b>	<b>(16)</b>	<b>711</b>
Value of Half year's New Business after CoC (2020)	110	272	(53)	329

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

2. In the table above, the value of half year's new business for the 6 months up to 30 June 2020 is recalculated using assumptions as at 31 December 2020.

The expense assumptions used by PICC Health represent the expected long-term expense level in the future in the calculation of the value of in-force business and value of half year's new business. During the reporting period of year 2021, PICC Health has achieved the expected long-term expense level. Then expense overrun will no longer be calculated in accordance with the guidelines of CAA.

### 3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of half year's new business as at 30 June 2021.

#### 3.1. Risk Discount Rate

A 10% risk discount rate has been used to calculate the embedded value and value of half year's new business.

#### 3.2. Rate of Investment Return

A 5% p.a. investment return assumption has been used.

#### 3.3. Policy Dividend

The expected level of participating policy dividend is based on the participating policy of PICC Health, whereby 70% of surplus arising from participating business is paid to policyholder. The impact on the value of in-force business and value of half year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

#### 3.4. Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Health's own experience and the reinsurance rates obtained by PICC Health. Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Insurance Mortality Table (2010-2013)". Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2020)".

Based on recent experience analysis of critical illness, PICC Health includes the long-term deterioration trends in setting of the critical illness rate.

#### 3.5. Claim Ratio

The claim ratio assumptions are applied to the short-term health, short-term accident and long-term guaranteed renewable health business. The claim ratio assumptions are set based on PICC Health's own experience. They are in the range from 5% to 99% of gross premium depending on the lines of business.

#### 3.6. Lapse Rates

Lapse rate assumptions are based on PICC Health's own lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium persistency assumptions are also set for regular premium universal life business.

## Embedded Value

### 3.7. Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Health. It is assumed that the future inflation rate is 2.5% p.a..

Commission assumptions are set based on overall commission level of PICC Health and vary by business lines.

### 3.8. Tax

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

VAT for accident insurance and other applicable business is in compliance with the relevant tax regulation.

## 4. SENSITIVITY TESTS

PICC Health has conducted sensitivity tests on the value of in-force business and value of half year's new business. In each of these tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarised in Table 4.1.

**Table 4.1 Value of In-Force Business and Value of Half year's New Business of PICC Health as at 30 June 2021 under Alternative Assumptions (Unit: RMB Million)**

Scenarios	Value of In-Force Business after CoC	Value of Half year's New Business after CoC
Base Scenario	9,039	711
Risk Discount Rate at 9%	9,574	807
Risk Discount Rate at 11%	8,568	626
Rate of investment return increased by 50 bps	9,923	855
Rate of investment return decreased by 50 bps	8,151	567
Expenses increased by 10%	8,866	620
Expenses decreased by 10%	9,212	802
Lapse rate increased by 10%	9,108	713
Lapse rate decreased by 10%	8,964	707
Mortality increased by 10%	9,018	708
Mortality reduced by 10%	9,060	714
Morbidity increased by 10%	8,494	638
Morbidity reduced by 10%	9,587	785
Short-term business claim ratio increased by 5%	8,858	400
Short-term business claim ratio decreased by 5%	9,219	1,022
Participating Ratio (80/20)	8,936	673

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



# Report on Review of Interim Financial Information

**To the Board of Directors of The People's Insurance Company (Group) of China Limited**  
*(Incorporated in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 70 to 100, which comprises the condensed consolidated statement of financial position of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 20 August 2021

# Condensed Consolidated Income Statement

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Gross written premiums	4	344,131	336,841
Less: premiums ceded to reinsurers	4	(28,347)	(24,951)
Net written premiums	4	315,784	311,890
Change in unearned premium reserves		(40,796)	(32,369)
Net earned premiums		274,988	279,521
Reinsurance commission income		6,758	6,170
Investment income	5	28,934	20,774
Other income	6	1,979	1,464
<b>TOTAL INCOME</b>		<b>312,659</b>	<b>307,929</b>
Life insurance death and other benefits paid		22,055	48,200
Claims incurred		153,863	143,572
Changes in long-term life insurance contract liabilities		50,409	20,821
Policyholder dividends		2,396	2,198
Claims and policyholders' benefits	7	228,723	214,791
Less: claims and policyholders' benefits ceded to reinsurers	7	(11,313)	(10,882)
Net claims and policyholders' benefits	7	217,410	203,909
Handling charges and commissions		27,574	35,074
Finance costs	8	2,851	2,647
Exchange gains		107	(190)
Other operating and administrative expenses	9	43,461	50,515
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>		<b>291,403</b>	<b>291,955</b>
Share of profits or losses of associates and joint ventures		6,428	5,436
<b>PROFIT BEFORE TAX</b>	10	<b>27,684</b>	<b>21,410</b>
Income tax expense	11	(4,442)	(3,704)
<b>PROFIT FOR THE PERIOD</b>		<b>23,242</b>	<b>17,706</b>
Attributable to:			
Owners of the Company		16,855	12,606
Non-controlling interests		6,387	5,100
		<b>23,242</b>	<b>17,706</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
– Basic (in RMB Yuan)	13	0.38	0.29
– Diluted (in RMB Yuan)	13	0.38	0.29

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>		<b>23,242</b>	17,706
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains		<b>6,118</b>	5,865
– Reclassification of gains to profit on disposals		<b>(10,026)</b>	(4,614)
– Impairment losses	5	<b>429</b>	2,137
Portion of fair value changes attributable to participating policyholders		<b>(584)</b>	(401)
Income tax effect		<b>910</b>	(766)
		<b>(3,153)</b>	2,221
Share of other comprehensive income of associates and joint ventures		<b>366</b>	89
Exchange differences on translating foreign operations		<b>(23)</b>	30
<b>NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		<b>(2,810)</b>	2,340
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and right-of-use assets upon transfer to investment properties	21	<b>323</b>	134
Income tax effect		<b>(10)</b>	(34)
		<b>313</b>	100
Actuarial losses on pension benefit obligation		<b>(78)</b>	(80)
Share of other comprehensive income of associates and joint ventures		<b>53</b>	5
<b>NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>		<b>288</b>	25
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>(2,522)</b>	2,365
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>20,720</b>	20,071
Attributable to:			
– Owners of the Company		<b>14,772</b>	14,218
– Non-controlling interests		<b>5,948</b>	5,853
		<b>20,720</b>	20,071

# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	14	49,694	78,209
Debt securities	15	445,366	401,530
Equity securities, mutual funds and investment schemes	16	209,890	192,414
Insurance receivables, net	17	103,851	52,405
Reinsurance assets	18,27	40,829	35,178
Term deposits		89,923	89,016
Restricted statutory deposits		12,994	12,994
Investments classified as loans and receivables	19	152,875	171,307
Investments in associates and joint ventures	20	128,814	124,840
Investment properties	21	13,181	13,246
Property and equipment	22	33,090	34,028
Right-of-use assets	23	8,197	7,114
Intangible assets		2,793	3,105
Deferred tax assets		12,790	8,337
Other assets	24	37,702	32,341
<b>TOTAL ASSETS</b>		<b>1,341,989</b>	<b>1,256,064</b>
<b>LIABILITIES</b>			
Securities sold under agreements to repurchase		26,112	85,826
Payables to reinsurers	25	32,450	21,296
Income tax payable		3,828	373
Bonds payable	26	57,055	56,960
Lease liabilities		3,226	2,792
Insurance contract liabilities	27	783,269	674,272
Investment contract liabilities for policyholders	28	41,317	38,671
Policyholder dividends payable		5,707	4,225
Pension benefit obligation		2,839	2,833
Deferred tax liabilities		1,657	1,449
Other liabilities	29	98,079	93,811
<b>TOTAL LIABILITIES</b>		<b>1,055,539</b>	<b>982,508</b>
<b>EQUITY</b>			
Issued capital	30	44,224	44,224
Reserves		167,779	158,256
Equity attributable to owners of the Company		212,003	202,480
Non-controlling interests		74,447	71,076
<b>TOTAL EQUITY</b>		<b>286,450</b>	<b>273,556</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,341,989</b>	<b>1,256,064</b>

The condensed consolidated financial statements on pages 70 to 100 were approved and authorised for issue by the Board of Directors on 20 August 2021 and are signed on its behalf by:

**Luo Xi**  
DIRECTOR

**Wang Tingke**  
DIRECTOR

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company															Total
	Issued capital (note 30)	Share premium account **	Available- for-sale financial asset revaluation reserve **	General risk reserve **	Catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive income of associates and joint ventures **	Portion of fair value changes attributable to policyholders **	Foreign currency translation reserve **	Surplus reserve * **	Other reserves **	Actuarial losses on pension benefit obligation **	Retained profits **	Subtotal	Non- controlling interests	
Balance at 1 January 2021	44,224	23,973	17,507	13,771	793	3,209	(638)	(1,344)	(67)	13,319	(15,153)	(1,209)	104,095	202,480	71,076	273,556
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	16,855	16,855	6,387	23,242
Other comprehensive income/ (expense)	-	-	(2,174)	-	-	222	307	(339)	(21)	-	-	(78)	-	(2,083)	(439)	(2,522)
Total comprehensive income/ (expense)	-	-	(2,174)	-	-	222	307	(339)	(21)	-	-	(78)	16,855	14,772	5,948	20,720
Appropriations to general risk reserve and surplus reserve	-	-	-	19	-	-	-	-	-	-	-	-	(19)	-	-	-
Dividends paid to shareholders (note 12)	-	-	-	-	-	-	-	-	-	-	-	-	(5,307)	(5,307)	-	(5,307)
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,587)	(2,587)
Others	-	-	-	-	-	-	58	-	-	-	-	-	-	58	10	68
Balance at 30 June 2021 (Unaudited)	44,224	23,973	15,333	13,790	793	3,431	(273)	(1,683)	(88)	13,319	(15,153)	(1,287)	115,624	212,003	74,447	286,450

\* This reserve contains both statutory and discretionary surplus reserves.

\*\* Consolidated reserves of RMB167,779 million in the condensed consolidated statement of financial position as at 30 June 2021 comprise these reserve accounts.

	Attributable to owners of the Company															Total
	Issued capital	Share premium account **	Available- for-sale financial asset revaluation reserve **	General risk reserve **	Catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive income of associates and joint ventures **	Portion of fair value changes attributable to policyholders **	Foreign currency translation reserve **	Surplus reserve * **	Other reserves **	Actuarial losses on pension benefit obligation **	Retained profits **	Subtotal	Non- controlling interests	
Balance at 1 January 2020	44,224	23,973	9,650	11,884	1,235	3,015	217	-	14	12,551	(15,153)	(1,152)	92,994	183,452	63,848	247,300
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	12,606	12,606	5,100	17,706
Other comprehensive income/ (expense)	-	-	1,761	-	-	69	72	(233)	23	-	-	(80)	-	1,612	753	2,365
Total comprehensive income/ (expense)	-	-	1,761	-	-	69	72	(233)	23	-	-	(80)	12,606	14,218	5,853	20,071
Dividends paid to shareholders (note 12)	-	-	-	-	-	-	-	-	-	-	-	-	(5,130)	(5,130)	-	(5,130)
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,181)	(3,181)
Capital invested by non- controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	9
Others	-	-	-	-	-	-	27	-	-	-	-	-	-	27	5	32
Balance at 30 June 2020 (Unaudited)	44,224	23,973	11,411	11,884	1,235	3,084	316	(233)	37	12,551	(15,153)	(1,232)	100,470	192,567	66,534	259,101

\* This reserve contains both statutory and discretionary surplus reserves.

\*\* Consolidated reserves of RMB148,343 million in the condensed consolidated statement of financial position as at 30 June 2020 comprise these reserve accounts.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>48,355</b>	19,631
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Purchases of investment properties, property and equipment, intangible assets and land use rights		(1,295)	(3,222)
Proceeds from disposals of investment properties, property and equipment, intangible assets and land use rights		478	117
Purchases of investments		(179,934)	(176,635)
Proceeds from disposal of interest in an associate		416	594
Proceeds from disposals of investments		148,356	126,387
Interests received		13,925	14,624
Dividends received		4,957	2,854
Increase in term deposits, net		(907)	(5,417)
Others		(53)	(104)
		<b>(14,057)</b>	(40,802)
<b>NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES</b>			
(Decrease)/increase in securities sold under agreements to repurchase, net		(59,714)	20,486
Issue of bonds payable		—	8,000
Proceeds from bank borrowing		272	149
Repayments of bank borrowing		(106)	—
Interests paid		(2,774)	(2,060)
Repayments of lease liabilities		(436)	(490)
Proceeds from capital invested by non-controlling shareholders		—	9
		<b>(62,758)</b>	26,094
Net (decrease)/increase in cash and cash equivalents		<b>(28,460)</b>	4,923
Cash and cash equivalents at beginning of the period		<b>78,209</b>	76,984
Effects of exchange rate changes on cash and cash equivalents		<b>(55)</b>	47
Cash and cash equivalents at end of the period		<b>49,694</b>	81,954
Analysis of balances of cash and cash equivalents			
Securities purchased under resale agreements with original maturity of no more than three months	14	<b>27,847</b>	48,607
Deposits with banks with original maturity of no more than three months and money at call and short notice	14	<b>21,847</b>	33,347
Cash and cash equivalents at end of the period	14	<b>49,694</b>	81,954



# Notes to the Condensed Consolidated Financial Information

*For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)*

## 1. CORPORATE INFORMATION

The People's Insurance Company (Group) of China Limited (the "Company") was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at 1-13/F, No. 88, West Chang'an Street, Xicheng District, Beijing 100031, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established in October 1949 by the PRC government. The Company is listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. The controlling shareholder of the Company is the Ministry of Finance ("MOF") of the PRC.

The Company is an investment holding company. During the six months ended 30 June 2021, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

These condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest million except when otherwise indicated.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"), as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2020.

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

### (1) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of amended or improved standards and interpretations as of 1 January 2021 as described below.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16      Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 "Covid-19 – related rent concessions beyond 30 June 2021".

The application of the amendments to IFRSs in the current interim period had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the interim condensed consolidated financial information.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

### 2. BASIS OF PREPARATION (continued)

#### (2) New and revised standards not yet adopted

All IFRSs that remain in effect which are relevant to the Group have been applied except IFRS 9, as the Group qualifies for a temporary exemption from IFRS 9 which was illuminated in IFRS 4 Amendments.

The Group has not applied the following key new and revised IFRSs that have been issued but are not yet effective, in these consolidated financial statements:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract<sup>1</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before intended use<sup>1</sup></i>
Amendments to IFRSs	<i>Annual improvements to IFRS standards 2018-2020 Cycle<sup>1</sup></i>
IFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of accounting policies<sup>2</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associated or Joint Venture<sup>3</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

None of these IFRSs is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 and IFRS 17. The Group is currently assessing the impact of the implementation of the standards.

### 3. 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 principal activities of subsidiaries and has the following operating and reportable segments:

- The non-life insurance segment offers a wide variety of non-life insurance products mainly by PICC Property and Casualty Company Limited ("PICC P&C");
- The life insurance segment offers a wide range of life insurance products by PICC Life Insurance Company Limited ("PICC Life");
- The health insurance segment offers a wide range of health and medical insurance products by PICC Health Insurance Company Limited ("PICC Health");
- The asset management segment offers asset management services;
- The headquarters segment provides management and support for the Group's business through its strategy, risk management, finance, legal and human resources functions;
- The others segment comprises insurance agent business, reinsurance business and other operating business 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 the segment results.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)

### 3. OPERATING SEGMENT INFORMATION (continued)

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.

Inter-segment 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 six months ended 30 June 2021:

(Unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	190,147	63,146	18,865	–	–	2,779	51	274,988
Reinsurance commission income	6,734	143	667	–	–	98	(884)	6,758
Investment income	12,348	13,195	1,591	310	7,004	388	(5,902)	28,934
Other income	846	359	141	1,131	2	337	(837)	1,979
<b>TOTAL INCOME</b>								
– SEGMENT INCOME	210,075	76,843	21,264	1,441	7,006	3,602	(7,572)	312,659
– External income	211,273	76,947	21,268	1,004	653	1,514	–	312,659
– Inter-segment income	(1,198)	(104)	(4)	437	6,353	2,088	(7,572)	–
Net claims and policyholders' benefits	136,245	62,252	17,158	–	–	1,818	(63)	217,410
Handling charges and commissions	19,450	5,801	2,323	–	–	–	–	27,574
Finance costs	929	1,219	205	6	500	–	(8)	2,851
Exchange gains	97	6	–	–	7	16	(19)	107
Other operating and administrative expenses	36,444	4,505	1,256	692	381	1,645	(1,462)	43,461
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>								
	193,165	73,783	20,942	698	888	3,479	(1,552)	291,403
Share of profits or losses of associates and joint ventures	3,957	2,348	(3)	6	546	(7)	(419)	6,428
<b>PROFIT BEFORE TAX</b>	20,866	5,408	319	749	6,664	116	(6,434)	27,688
Income tax expense/(credit)	(3,228)	(951)	(60)	(170)	8	(38)	(3)	(4,442)
<b>PROFIT FOR THE PERIOD</b>								
– SEGMENT RESULTS	17,639	4,457	259	579	6,672	78	(6,442)	23,242

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

### 3. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results for the six months ended 30 June 2020:

(Unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	194,870	65,972	16,317	–	–	2,480	(118)	279,521
Reinsurance commission income	6,053	217	520	–	–	96	(716)	6,170
Investment income	8,360	10,210	1,023	167	7,943	285	(7,214)	20,774
Other income	663	387	117	974	–	152	(829)	1,464
<b>TOTAL INCOME</b>								
– SEGMENT INCOME	209,946	76,786	17,977	1,141	7,943	3,013	(8,877)	307,929
– External income	211,231	76,648	17,952	696	611	791	–	307,929
– Inter-segment income	(1,285)	138	25	445	7,332	2,222	(8,877)	–
Net claims and policyholders' benefits	127,094	61,167	14,338	–	–	1,742	(432)	203,909
Handling charges and commissions	27,117	7,827	505	–	–	–	(375)	35,074
Finance costs	616	1,316	210	10	503	1	(9)	2,647
Exchange losses	(141)	(31)	(1)	–	(7)	(10)	–	(190)
Other operating and administrative expenses	42,078	4,582	2,808	576	406	1,235	(1,170)	50,515
<b>TOTAL BENEFITS, CLAIMS AND EXPENSES</b>	196,764	74,861	17,860	586	902	2,968	(1,986)	291,955
Share of profits or losses of associates and joint ventures	3,424	1,922	2	3	437	(19)	(333)	5,436
<b>PROFIT BEFORE TAX</b>	16,606	3,847	119	558	7,478	26	(7,224)	21,410
Income tax expense	(2,670)	(42)	(11)	(132)	(762)	(26)	(61)	(3,704)
<b>PROFIT FOR THE PERIOD</b>								
– SEGMENT RESULTS	13,936	3,805	108	426	6,716	–	(7,285)	17,706

Segment assets and liabilities as at 30 June 2021 and 31 December 2020, and other segment information for the six months ended 30 June 2021 and 2020 are as follows:

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
30 June 2021 (Unaudited)								
Segment assets	726,346	487,850	72,529	12,553	129,358	21,982	(108,629)	1,341,989
Segment liabilities	517,693	436,041	65,737	3,578	27,877	13,314	(8,701)	1,055,539
Six months ended 30 June 2021 (Unaudited)								
Other segment information:								
Capital expenditures	1,055	129	64	19	25	3	–	1,295
Depreciation and amortisation	1,794	356	115	75	71	50	(167)	2,294
Interest income	7,348	7,293	894	53	348	250	(13)	16,173
31 December 2020 (Audited)								
Segment assets	655,997	494,320	59,015	12,305	122,821	18,850	(107,244)	1,256,064
Segment liabilities	456,436	445,306	52,302	3,418	22,654	10,202	(7,810)	982,508
Six months ended 30 June 2020 (Unaudited)								
Other segment information:								
Capital expenditures	3,134	129	44	203	13	80	(381)	3,222
Depreciation and amortisation	1,707	290	113	49	75	26	(100)	2,160
Interest income	7,050	7,025	711	73	361	251	78	15,549

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)

### 3. OPERATING SEGMENT INFORMATION (continued)

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2020: 0.85%, 5.91%, and 6.14%), respectively, in the Industrial Bank Co., Ltd. ("Industrial Bank"), an associate of the Group. These interests are accounted for as available-for-sale financial assets in headquarters and non-life segments, while accounted for as investment in associate in life segment. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the condensed consolidated financial statements are allocated to the respective segments according to their respective equity interest holding.

### 4. GROSS AND NET WRITTEN PREMIUMS

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Gross written premiums		
Long-term life insurance premiums	77,472	77,360
Short-term health insurance premiums	12,334	12,049
Non-life insurance premiums	254,325	247,432
<b>TOTAL</b>	<b>344,131</b>	<b>336,841</b>
Premiums ceded to reinsurers		
Long-term life insurance premiums	(2,382)	(2,424)
Short-term health insurance premiums	(791)	(60)
Non-life insurance premiums	(25,174)	(22,467)
<b>TOTAL</b>	<b>(28,347)</b>	<b>(24,951)</b>
<b>Net written premiums</b>	<b>315,784</b>	<b>311,890</b>

### 5. INVESTMENT INCOME

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Dividend, interest and rental income (a)	19,283	18,025
Realised gains (b)	10,566	4,939
Fair value (losses)/gains (c)	(119)	58
Impairment losses (d)	(796)	(2,248)
<b>TOTAL</b>	<b>28,934</b>	<b>20,774</b>

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

### 5. INVESTMENT INCOME (continued)

#### (a) Dividend, interest and rental income

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Dividend income		
Equity securities, mutual funds and investment schemes		
– Available-for-sale	2,654	2,160
– At fair value through profit or loss	167	78
Subtotal	2,821	2,238
Interest income		
Current and term deposits	2,355	2,284
Debt securities		
– Held-to-maturity	4,080	3,471
– Available-for-sale	4,333	3,919
– At fair value through profit or loss	512	376
Investments classified as loans and receivables	4,893	5,499
Subtotal	16,173	15,549
Operating lease income from investment properties	289	238
TOTAL	19,283	18,025

#### (b) Realised gains

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Debt securities		
– Available-for-sale	181	266
– At fair value through profit or loss	(27)	49
Subtotal	154	315
Equity securities, mutual funds and investment schemes		
– Available-for-sale	9,846	4,347
– At fair value through profit or loss	566	38
Subtotal	10,412	4,385
Disposal of an associate	–	239
TOTAL	10,566	4,939

#### (c) Fair value (losses)/gains

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Debt securities		
– At fair value through profit or loss	106	(94)
Equity securities, mutual funds and investment schemes		
– At fair value through profit or loss	(250)	203
Investment properties (note 21)	25	(51)
TOTAL	(119)	58



## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)

### 5. INVESTMENT INCOME (continued)

#### (d) Impairment losses

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Available-for-sale	(429)	(2,137)
Investments classified as loans and receivables	(367)	(111)
<b>TOTAL</b>	<b>(796)</b>	<b>(2,248)</b>

### 6. OTHER INCOME

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Asset management fee	544	482
Government grants	305	260
Commission income arising from the collection of motor vehicles and vessels taxes	211	185
Management fee charged to policyholders	115	112
Disposal gains from property and equipment (note 22)	58	32
Others	746	393
<b>TOTAL</b>	<b>1,979</b>	<b>1,464</b>

### 7. CLAIMS AND POLICYHOLDERS' BENEFITS

	Six months ended 30 June 2021		
(Unaudited)	Gross	Ceded	Net
Life insurance death and other benefits paid	22,055	668	21,387
Claims incurred	153,863	9,926	143,937
– Short-term health insurance	6,949	918	6,031
– Non-life insurance	146,914	9,008	137,906
Changes in long-term life insurance contract liabilities	50,409	719	49,690
Policyholder dividends	2,396	–	2,396
<b>TOTAL</b>	<b>228,723</b>	<b>11,313</b>	<b>217,410</b>

	Six months ended 30 June 2020		
(Unaudited)	Gross	Ceded	Net
Life insurance death and other benefits paid	48,200	241	47,959
Claims incurred	143,572	9,806	133,766
– Short-term health insurance	5,973	610	5,363
– Non-life insurance	137,599	9,196	128,403
Changes in long-term life insurance contract liabilities	20,821	835	19,986
Policyholder dividends	2,198	–	2,198
<b>TOTAL</b>	<b>214,791</b>	<b>10,882</b>	<b>203,909</b>

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

### 8. FINANCE COSTS

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Interest expenses		
Bonds payable	1,349	1,285
Interest credited to policyholders (note 28)	729	720
Securities sold under agreements to repurchase	556	446
Interest on lease liabilities	52	53
Pension benefit obligation unwound	46	48
Others	119	95
<b>TOTAL</b>	<b>2,851</b>	<b>2,647</b>

### 9. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Employee costs (note)	23,520	22,252
Promotion and entertainment expense	6,164	11,569
Technical service and consulting fee	1,443	4,177
Depreciation and amortisation	2,103	2,021
Contributions to China Insurance Security Fund (note)	1,894	1,848
Taxes and surcharges	993	1,074
Recognition of impairment losses (note 10)	822	583
Others	6,522	6,991
<b>TOTAL</b>	<b>43,461</b>	<b>50,515</b>

Note: The Group operates both defined contribution plans and defined benefits plans.

For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance. The Group has made annuity contributions in proportion to its employees' wages. Employees who leave the scheme prior to vesting fully in the annuity scheme shall return part of the interests (the "forfeited contributions"). The forfeited contributions can not be used by the Group to reduce the existing level of the annuity scheme contributions. The purpose of the forfeited contributions will be determined in due course.

For defined benefit retirement benefit plans, the Group offered pension and medical benefits for employees who retired on or prior to 31 July 2003. The Group employs a third-party actuary annually to conduct an actuarial assessment of the pension benefit scheme and issue a special actuarial report. At the end of 2020, Towers Watson was engaged to conduct an actuarial assessment of the pension benefit plan and issued the Actuarial Assessment Report for PICC Group as at 31 December 2020. The actuarial report was signed by Wu Haichuan, a North American actuary, a member of the American Association of Actuaries and a member of the China Association of Actuaries.

Insurance companies in China are required to make regular contributions to China Insurance Security Fund ("CISF") according to the types and premiums of products sold during the year. CISF was established to provide protection for policyholders in case when an insurance company in China goes into financial troubles.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)

### 10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging the following items:

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Employee costs (note)	25,167	25,841
Depreciation of property and equipment (note)	1,282	1,177
Depreciation of right-of-use assets (note)	740	708
Amortisation of intangible assets (note)	369	275
Recognition of impairment losses on insurance receivables (note 17)	627	606
Changes of impairment on other assets	195	(23)

Note: Certain employee costs, depreciation and amortisation are presented as claim handling expenses within claims incurred and are not included in other operating and administrative expenses.

### 11. INCOME TAX EXPENSE

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Current tax	7,789	9,878
Adjustments in respect of prior years	(2)	8
Deferred tax	(3,345)	(6,182)
TOTAL	4,442	3,704

Certain operations of the Company's subsidiary in the Western region are entitled to tax benefits, and their eligible taxable income is subject to an income tax rate of 15%. Except for the above-mentioned subsidiary, the Company and its subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% (2020: 25%) on their respective taxable income in accordance with the relevant PRC income tax rules and regulations. 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.

### 12. DIVIDENDS

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Dividends recognised as distribution during the period:		
Year 2019 Final-RMB11.60 cents per share	—	5,130
Year 2020 Final-RMB12.00 cents per share	5,307	—

As at 20 August 2021, an interim dividend in respect of the six months ended 30 June 2021 of RMB1.70 cents per share has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming general meeting.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)

### 13. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2021 and the six months ended 30 June 2020 is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the periods.

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Profit attributable to owners of the Company for the period	16,855	12,606
Weighted average number of ordinary shares in issue (in million shares)	44,224	44,224
Basic earnings per share (in RMB Yuan)	0.38	0.29

Diluted earnings per share is the same as basic earnings per share for the six months ended 30 June 2021 and 2020 as the Group had no potential ordinary shares in issue during the periods.

### 14. CASH AND CASH EQUIVALENTS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Money at call and short notice	21,406	22,500
Deposits with banks with original maturity of no more than three months	441	628
Securities purchased under resale agreements with original maturity of no more than three months	27,847	55,081
TOTAL	49,694	78,209
Classification of cash and cash equivalents:		
Loans and receivables	49,694	78,209

The Group entered into a number of resale agreements to purchase certain securities with commitments to sell in the future, and counterparties are required to pledge certain bonds as collaterals. The securities pledged are not recognised on the condensed consolidated statement of financial position.

### 15. DEBT SECURITIES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Classification of debt securities		
At fair value through profit or loss, at fair value	32,143	21,936
Available-for-sale, at fair value	223,142	198,395
Held-to-maturity, at amortised cost	190,081	181,199
TOTAL	445,366	401,530

As at 30 June 2021, no financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss (31 December 2020: RMB80 million). The rest are held for trading, with no material restriction from realisation through trading.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)

### 16. EQUITY SECURITIES, MUTUAL FUNDS AND INVESTMENT SCHEMES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Investments, at fair value		
Mutual funds	87,405	75,460
Shares	66,288	66,548
Trust schemes	6,105	6,100
Investment schemes and others	49,999	44,213
Subtotal	209,797	192,321
Investments, at cost less impairment		
Shares (note)	93	93
TOTAL	209,890	192,414

Note: The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Classification by accounting categories		
At fair value through profit or loss, at fair value	16,763	11,497
Available-for-sale, at fair value	193,034	180,824
Available-for-sale, at cost less impairment	93	93
TOTAL	209,890	192,414

For the six months ended 30 June 2021, an impairment loss of RMB398 million was provided by the Group on equity securities, mutual funds and investment schemes (for the six months ended 30 June 2020: RMB2,137 million). As at 30 June 2021 financial assets at fair value through profit or loss included financial assets that were designated as such upon initial recognition amounting to RMB6,447 million (As at 31 December 2020: RMB2,117 million). The rest are trading assets, with no material limitation in realisation.

### 17. INSURANCE RECEIVABLES, NET

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Premiums receivable and agents' balances	89,131	40,167
Receivables from reinsurers	18,850	15,741
Subtotal	107,981	55,908
Less: impairment provision on		
– Premiums receivable and agents' balances	(3,948)	(3,340)
– Receivables from reinsurers	(182)	(163)
TOTAL	103,851	52,405

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

### 17. INSURANCE RECEIVABLES, NET (continued)

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

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
At the beginning of the period	3,503	3,387
Recognition of impairment losses (note 10)	627	606
Amount written off as uncollectible	—	(9)
At the end of the period	4,130	3,984

(b) Analysis of insurance receivables as at the end of the reporting period, based on the payment past due date and net of provision, is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Not yet due and within 3 months	85,820	43,215
3 to 6 months	9,854	2,624
6 to 12 months	4,245	5,177
1 to 2 years	3,516	1,286
Over 2 years	416	103
TOTAL	103,851	52,405

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 allowances for impairment of reinsurance assets have been provided to reflect the expected losses arising from non-performance of the reinsurers.

### 18. REINSURANCE ASSETS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Reinsurers' share of		
Unearned premium reserves	18,104	12,523
Claim reserves	17,909	18,556
Long-term life insurance reserves	4,816	4,099
TOTAL	40,829	35,178



## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)

### 19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Long-term debt investment schemes	80,758	88,622
Trust schemes	61,187	71,816
Asset management products	12,230	11,802
Subtotal	154,175	172,240
Less: impairment provision	(1,300)	(933)
TOTAL	152,875	171,307

### 20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in the associates and joint ventures as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Associates		
Cost of investment in associates	67,890	68,346
Share of post – acquisition profits, other comprehensive income and other equity movement, less dividend received or receivable (note)	57,708	53,344
Subtotal	125,598	121,690
Joint ventures		
Cost of investment in joint ventures	3,086	3,086
Share of post – acquisition profits, other comprehensive income and other equity movement, less dividend received or receivable	130	64
Subtotal	3,216	3,150
TOTAL	128,814	124,840

Note: As permitted by Amendments to IFRS 4 Insurance Contracts, the Group elects not to apply uniform accounting policies when using the equity method for Industrial Bank and Hua Xia Bank.

As permitted by International Accounting Standard 28 “Investments in Associates and Joint Ventures”, for the six months ended 30 June 2021, the Group accounts for the share of profit of Industrial Bank, an associate of the Group, from 1 October 2020 to 31 March 2021, taking into account any significant events or transactions for the period from 1 April 2021 to 30 June 2021.

Movement of investments in associates and joint ventures is as follows:

	1 January 2021 (Audited)	Acquisition	Disposals	Share of profit	Share of other comprehensive income	Share of other equity movement	Dividend received	Impairment	30 June 2021 (Unaudited)
Associates and joint ventures	124,840	–	(456)	6,428	419	68	(2,485)	–	128,814

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

### 21. INVESTMENT PROPERTIES

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Beginning of the period	13,246	12,445
Additions	9	77
Transfer from property and equipment	94	45
Transfer from right-of-use assets	17	18
Gains on revaluation of properties upon transfer from property and equipment	252	86
Gains on revaluation of properties upon transfer from right-of-use assets	71	48
Change in fair value of investment properties (note 5(c))	25	(51)
Transfer to property and equipment and right-of-use assets	(525)	(407)
Disposals	(8)	(2)
End of the period	13,181	12,259

The Group's investment properties were revalued as at the end of the reporting period. Valuations were carried out by the following two approaches:

- (1) The income approach determines the fair value at the evaluation point by discounting the target properties' rental income derived from existing lease agreements and the potential rental income projected by reference to the current market rental status, at an appropriate capitalisation rate; or
- (2) The direct comparison approach assumes sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The independent valuers usually determine the fair value of the investment properties by one or both of these approaches according to their professional judgement.

### 22. PROPERTY AND EQUIPMENT

During current interim period, the Group acquired assets with a cost of RMB764 million (six months ended 30 June 2020: RMB3,080 million).

Assets with a net book value of RMB331 million were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB52 million), resulting in a net disposal gain of RMB58 million (six months ended 30 June 2020: gain of RMB32 million).

During the six months ended 30 June 2021, construction in progress with an aggregate amount of RMB206 million (six months ended 30 June 2020: RMB786 million) was transferred to buildings.

Information on transfer to/from investment properties is set out in note 21.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
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### 23. RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into some new lease agreements for the use of office building and vehicles for 1-12 years. No significant variable payments are required in these agreements. On the commencement date or effective date of modification of the respective leases, the Group recognised RMB993 million of right-of-use asset (six months ended 30 June 2020: RMB506 million) and RMB818 million lease liability (six months ended 30 June 2020: RMB481 million) relating to these new or modified leases.

As at 30 June 2021, the carrying amounts of right-of-use assets included RMB4,961 million of prepaid land premiums (31 December 2020: RMB4,172 million).

### 24. OTHER ASSETS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Interest receivables	11,809	10,235
Policy loans (a)	5,637	5,295
Deductible input value-added tax	3,945	4,511
Securities settlement receivables	3,731	971
Receivables from co-insurers for amounts paid on behalf	2,026	2,119
Refundable deposits	1,826	1,411
Prepayments for assets and expenses	1,551	726
Loans and advances	1,079	1,015
Commission receivables arising from collection of motor vehicles and vessels taxes	572	580
Prepaid insurance underwriting commission	409	407
Others	7,086	6,585
<b>TOTAL</b>	<b>39,671</b>	<b>33,855</b>
Less: impairment provision on other assets	(1,969)	(1,514)
<b>NET VALUE</b>	<b>37,702</b>	<b>32,341</b>

(a) Policy loans are secured by cash values of the relevant insurance policies and carry interest rates at 5.85%-6.35% per annum as at 30 June 2021 (31 December 2020: 5.22% -6.35%).

### 25. PAYABLES TO REINSURERS

The reinsurance payables are non-interest-bearing and are due within three months from the settlement dates or repayable on demand.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

### 26. BONDS PAYABLE

As at 30 June 2021, bonds payable are capital supplementary bonds.

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Carrying amount repayable in – More than five years	57,055	56,960

Contractual terms of these capital supplementary bonds are ten years. With proper notice to the counterparties, the Group has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The coupon rates of the Group's capital supplementary bonds are 3.59%-5.05% in the first five years (2020: 3.59%-5.05%) and 4.59%-6.05% in the second five years (2020: 4.59%-6.05%).

### 27. INSURANCE CONTRACT LIABILITIES

	30 June 2021		
(Unaudited)	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts	399,645	4,816	394,829
Short-term health insurance contracts			
– Claim reserves	7,946	141	7,805
– Unearned premium reserves	6,964	40	6,924
Non-life insurance contracts			
– Claim reserves	166,900	17,768	149,132
– Unearned premium reserves	201,814	18,064	183,749
Total insurance contract liabilities	783,269	40,829	742,439

  

	31 December 2020		
(Audited)	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts	348,652	4,099	344,553
Short-term health insurance contracts			
– Claim reserves	7,279	120	7,159
– Unearned premium reserves	2,502	60	2,442
Non-life insurance contracts			
– Claim reserves	155,942	18,436	137,506
– Unearned premium reserves	159,897	12,463	147,434
Total insurance contract liabilities	674,272	35,178	639,094

When measuring the insurance contract liabilities, the Group determines actuarial assumptions such as discount rates, mortality rates, morbidity rates, disability rates, lapse rates, expense assumptions and policy dividend assumptions based on information currently available as at the period end date.

As a result of such changes in assumptions, net long-term life and health insurance contract liabilities increased by RMB2,724 million for the six months ended 30 June 2021 (six months ended 30 June 2020: increased by RMB1,672 million) and the profit before tax for the six months ended 30 June 2021 was decreased by RMB2,724 million (six months ended 30 June 2020: decreased by RMB1,672 million).

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)

### 28. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Interest-bearing deposits	39,626	36,995
Non-interest-bearing deposits	1,691	1,676
<b>TOTAL</b>	<b>41,317</b>	<b>38,671</b>

The movements in investment contract liabilities for policyholders are as follows:

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Beginning of the period	38,671	40,030
Deposits received after deducting fees	4,796	3,986
Deposits withdrawn	(2,879)	(7,042)
Interest credited to policyholders (note 8)	729	720
<b>End of the period</b>	<b>41,317</b>	<b>37,694</b>

### 29. OTHER LIABILITIES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Salaries and welfare payable	21,459	18,838
Premiums received in advance (a)	15,464	24,048
Handling charges and commission payable	10,246	8,177
Claims payable	9,872	12,493
Payables to non-controlling interests of consolidated structures entities	8,222	1,160
Dividends payable	7,894	–
Value added tax and other taxes payable	7,208	8,209
Premium payable (b)	5,285	5,336
Payables for purchases	2,188	3,224
Insurance security fund	1,093	931
Insurance deposit received	1,061	1,335
Interests payable	705	1,305
Others	7,382	8,755
<b>TOTAL</b>	<b>98,079</b>	<b>93,811</b>

- (a) Premiums received in advance represent amounts collected from policies not yet effective as at the 30 June 2021 and 31 December 2020, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.
- (b) Premium payable mainly represents premium refundable to policyholders and premium funds received on behalf of co-insurers arising from co-insurance business.

### 30. ISSUED CAPITAL

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Issued and fully paid ordinary shares of RMB1 each (in million shares)		
A shares	35,498	35,498
H shares	8,726	8,726
	<b>44,224</b>	<b>44,224</b>
Issued capital (in RMB million)		
A shares	35,498	35,498
H shares	8,726	8,726
	<b>44,224</b>	<b>44,224</b>

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

### 31. RISK MANAGEMENT

The Group's activities are exposed to insurance risk and varieties of financial risks. The Group issues contracts that transfer insurance risk or financial risk or both. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are credit risk, liquidity risk and market risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

There have been no significant changes in the Group's risk management processes since 31 December 2020 or in any risk management policies.

### 32. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Determination of fair value and the fair value hierarchy

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, debt securities, equity securities, mutual funds and investment schemes, investments classified as loans and receivables, securities sold under agreement to repurchase and bonds payable and etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as insurance receivables, investment contract liabilities for policyholders and etc. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	Carrying amount		Fair value	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Financial Assets</b>				
Cash and cash equivalents	49,694	78,209	49,694	78,209
At fair value through profit or loss				
– Equity securities, mutual funds and investment schemes	16,763	11,497	16,763	11,497
– Debt securities	32,143	21,936	32,143	21,936
Available-for-sale				
– Equity securities, mutual funds and investment schemes	193,034	180,824	193,034	180,824
– Debt securities	223,142	198,395	223,142	198,395
Held-to-maturity investment				
– Debt securities	190,081	181,199	197,565	187,006
Loans and receivables				
– Insurance receivables, net	103,851	52,405	103,851	52,405
– Term deposits	89,923	89,016	89,923	89,016
– Restricted statutory deposits	12,994	12,994	12,994	12,994
– Investments classified as loans and receivables	152,875	171,307	161,816	181,812
– Other financial assets	32,028	26,468	32,028	26,468
<b>Total financial assets</b>	<b>1,096,528</b>	<b>1,024,250</b>	<b>1,112,953</b>	<b>1,040,562</b>
<b>Financial Liabilities</b>				
Other financial liabilities measured at amortised cost				
– Securities sold under agreements to repurchase	26,112	85,826	26,112	85,826
– Payables to reinsurers	32,450	21,296	32,450	21,296
– Bonds payable	57,055	56,960	57,310	58,711
– Investment contract liabilities for policyholders	41,317	38,671	41,317	38,671
– Policyholder dividends payable	5,707	4,225	5,707	4,225
– Other financial liabilities	53,924	42,703	53,924	42,703
<b>Total financial liabilities</b>	<b>216,565</b>	<b>249,681</b>	<b>216,820</b>	<b>251,432</b>



## Notes to the Condensed Consolidated Financial Information (continued)

*For the six months ended 30 June 2021  
(Amounts in millions of Renminbi, unless otherwise stated)*

### **32. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

#### **Determination of fair value and the fair value hierarchy (continued)**

This note provides information on how the Group determines the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 21 to the condensed consolidated financial statements.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

### 32. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### (a) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Items	Fair value 30 June 2021 (Unaudited)	31 December 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
At fair value through profit or loss equity securities, mutual funds and investment schemes	8,062	9,380	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss equity securities, mutual funds and investment schemes	7,516	–	Level 2	Quotes for the same or similar assets in inactive markets, or for the same or similar assets from third-party valuation service providers.
At fair value through profit or loss equity securities, mutual funds and investment schemes	1,185	2,117	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
At fair value through profit or loss debt securities	4,833	11,193	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	27,310	10,743	Level 2	Quotes for the same or similar assets from third-party valuation service providers, or using valuation techniques with observable market inputs and recent transaction prices.
Available-for-sale equity securities, mutual funds and investment schemes	84,984	126,871	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities, mutual funds and investment schemes	62,367	30,616	Level 2	Quotes for the same or similar assets from third-party valuation service providers, or using valuation techniques with observable market inputs and recent transaction prices.
Available-for-sale equity securities, mutual funds and investment schemes	39,577	19,592	Level 3	Valuation techniques with non-observable input value are used to determine fair value, such as comparable company method, net asset value method and recent financing price.
Available-for-sale equity securities, mutual funds and investment schemes	6,106	3,745	Level 3	Fair value of the investments is based on the use of internal discounted cash flow valuation models.
Available-for-sale debt securities	20,842	16,756	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	202,300	181,639	Level 2	Quotes for the same or similar assets from third-party valuation service providers, or using valuation techniques with observable market inputs and recent transaction prices.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
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### 32. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### (a) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

During the six months ended 30 June 2021, the Group transferred certain available-for-sale debt securities with a carrying amount of RMB10,117 million (six months ended 30 June 2020: RMB6,067 million) from Level 1 to Level 2 due to changes in availability of quoted prices in active markets. The Group transferred debt securities with a carrying amount of RMB9,573 million (six months ended 30 June 2020: RMB7,570 million) from Level 2 to Level 1 during the current interim period due to changes in availability of quoted prices in active markets.

#### (b) Fair value of financial assets and liabilities not carried at fair value

Some of the Group's financial assets and financial liabilities are not carried at fair value at the end of each reporting period but their fair values are disclosed in the table set out at the beginning of this note. Their fair value hierarchy are as follows:

(Unaudited)	Fair value hierarchy at 30 June 2021			Total
	Level 1	Level 2	Level 3	
Financial assets				
Held-to-maturity financial assets	1,238	196,327	–	197,565
Financial liabilities				
Bonds payable	–	57,310	–	57,310

As at 30 June 2021, the fair value of investments classified as loans and receivables the Group included in the Level 2 and Level 3 category. The fair values of the debt instruments reported as financial assets and financial liabilities and included in the Level 2 and Level 3 category above have been determined using discounted cash flows model, with most significant inputs being estimated cashflow and the discount rate that reflects the risk of counterparties obtained from China Bond Yield Curves published by China Central Depository & Clearing Co., Ltd.

#### (c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Unlisted financial assets		
Beginning of the period	25,454	23,584
Unrealised gains recognised in other comprehensive income	2,613	846
Transfer from Level 2 to Level 3	18,471	–
Additions	864	782
Losses recognised in profit or loss	(34)	(1,969)
Transfer from Level 3 to Level 2	(1)	(404)
Disposals	(499)	–
End of the period	46,868	22,839

The transfers into or out of Level 3 fair value measurements were because of the changes of inputs in fair value measurements.

As the fair values of all investment properties are categorised as Level 3, reconciliation of the fair value movements are presented in note 21 to these condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

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### 33. CONTINGENCIES AND COMMITMENTS

#### (a) Contingencies

Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. The Group took into account potential losses arising from these legal proceedings when measuring insurance contract liabilities.

#### (b) Capital commitments

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Property and equipment commitments:		
Contracted, but not provided for	2,907	1,469

### 34. RELATED PARTY DISCLOSURES

(a) The Company is a state-owned enterprise and its controlling shareholder is MOF.

(b) During the six months ended 30 June 2021 and 30 June 2020, the Group had the following significant related party transactions:

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Transactions with associates		
Industrial Bank		
Gross written premiums	60	12
Investment income	506	681
Dividend	2,183	—
Claims and policyholders' benefits	250	259
Handling charges and commissions	34	31
Hua Xia Bank		
Gross written premiums	8	121
Investment income	—	17
Claims and policyholders' benefits	138	323
Other associates		
Gross written premiums	1	17
Investment income	36	36
Other income	5	12
Claims and policyholders' benefits	—	12
Purchase of spare parts	260	201
Other operating and administrative expenses	38	24

Transactions with these associates were conducted on a basis with reference to prevailing rates with other third parties.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
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### 34. RELATED PARTY DISCLOSURES (continued)

#### (c) Balances with related parties

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Receivables from associates		
Industrial Bank		
Cash and cash equivalents	88	2,066
Debt securities	—	999
Equity securities, mutual funds and investment schemes	810	746
Term deposits	22,029	22,029
Restricted statutory deposits	1,022	1,022
Other assets	60	330
Hua Xia Bank		
Cash and cash equivalents	32	346
Perpetual debt	618	607
Term deposits	10	10
Other assets	1	16
Other associates		
Debt securities	2,316	2,340
Other assets	29	96
Payables to associates		
Other associates		
Other liabilities	7	10

#### (d) Key management personnel

Key management personnel include directors, supervisors and senior management team members.

No transactions have been entered with the key management personnel during the six months ended 30 June 2021 and the six months ended 30 June 2020 other than the emoluments paid to them (being the key management personnel compensation).

#### (e) Transactions with state-owned entities in the PRC

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly controlled, jointly controlled or significantly influenced by the government through its authorities, affiliates or other organisations (collectively the “government-related entities”).

Transactions with government-related entities include insurance policies sold, reinsurance purchased, deposits placed with banks, investments in debts or bonds and commissions paid to banks and postal offices for insurance policies distributed.

Management considers that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

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### 35. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

According to the Amendments to IFRS 4, the Group and the Company performed an assessment during the year ended 31 December 2016. The carrying amount of the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities and, as such, the Group concluded that its activities were predominantly connected with insurance as at 31 December 2015, and is eligible to apply the temporary exemption from IFRS 9. There had been no significant change in the activities of the Group and the Company since then that requires reassessment. The Group and the Company have decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

As permitted by the Amendments to IFRS 4, the Group elects not to apply uniform accounting policies when using the equity method for Industrial Bank and Hua Xia Bank. Except for Industrial Bank and Hua Xia Bank, the Group has applied uniform accounting policies in accounting for its subsidiaries, other associates and joint venture in these condensed consolidated financial statements.

The additional disclosures about the temporary exemption from IFRS 9 are as follows:

#### (i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) as at 30 June 2021 and 31 December 2020 and fair value changes for the six months ended 30 June 2021 and 2020:

	<b>Fair value as at 30 June 2021 RMB million</b>	<b>Fair value as at 31 December 2020 RMB million</b>
Held for trading financial assets (A)	<b>42,459</b>	31,236
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	<b>6,447</b>	2,197
Financial assets other than A and B		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”) (C)	<b>531,151</b>	418,147
– Financial assets with contractual terms that do not meet SPPI terms (D)	<b>244,499</b>	329,983
<b>Total</b>	<b>824,556</b>	781,563



## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021  
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### 35. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 (continued)

#### (i) Fair value of financial assets (continued)

	Fair value changes for the six months ended 30 June 2021 RMB million	Fair value changes for the six months ended 30 June 2020 RMB million
Held for trading financial assets (A)	(144)	149
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	—	27
Financial assets other than A and B		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”) (C)	1,942	2,528
– Financial assets with contractual terms that do not meet SPPI terms (D)	(3,609)	7,249
Total	(1,811)	9,953

Note: The table above includes only debt securities, equity securities, mutual funds and investment schemes and investments classified as loans and receivables. As all other financial assets (including cash, term deposits and other assets) held by the Group are financial assets that meet SPPI criterion but are not included in the table above, and for which their carrying amounts approximate fair value.

#### (ii) Credit risk exposure

For the financial assets that meet SPPI criterion (included in C above), the credit rating of financial assets are assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

#### Credit rating of financial assets that meet SPPI criterion (other than overseas bonds)

	Carrying amount as at 30 June 2021 (Note 1) RMB million	Carrying amount as at 31 December 2020 RMB million
AAA	408,012	267,478
AA+	488	2,043
AA	—	1,328
AA–	—	300
A+	—	100
A-1	398	200
Not rated*	106,125	132,351
Total	515,023	403,800

\* Included in the not rated category, there is an aggregate carrying amount of RMB104,245 million (31 December 2020 RMB131,357 million) of government bonds and certain financial bonds issued by policy banks, with low credit risks and the remaining financial assets with carrying amount of RMB1,880 million (31 December 2020: RMB994 million) without any credit rating do not have low credit risk.

## Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2021

(Amounts in millions of Renminbi, unless otherwise stated)

### 35. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 (continued)

#### (ii) Credit risk exposure (continued)

For the overseas bonds that meet SPPI criterion (included in C above), Moody's credit rating is used. The credit risk exposure is listed below:

#### Credit rating of overseas bonds that meet SPPI criterion

	Carrying amount as at 30 June 2021 (Note 1) RMB million	Carrying amount as at 31 December 2020 RMB million
Aaa	173	182
Aa (include Aa1, Aa2 and Aa3)	24	50
A (include A1, A2 and A3)	2,098	655
Baa (include Baa1, Baa2 and Baa3)	975	266
P-1	20	—
Not rated	76	80
Total	3,366	1,233

	Carrying amount		Fair value	
	30 June 2021 RMB million	31 December 2020 RMB million	30 June 2021 RMB million	31 December 2020 RMB million
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above)) (Note 2)	2,842	5,045	2,856	5,345

Note 1: For financial assets measured at amortised cost, carrying amount before adjusting for any impairment allowance is disclosed.

Note 2: Financial assets that do not have low credit risk refer to financial assets with either credit rating for those assets rated by qualified rating agencies in the PRC below AAA or Moody's credit rating below Baa3.

### 36. EVENTS AFTER THE REPORTING PERIOD

On 20 Aug 2021, the Board of Directors of the Company proposed an interim dividend of RMB1.70 cents per ordinary share for the six months ended 30 June 2021, amounting to a total of approximately RMB752 million. The above proposal is subject to approval by the shareholders at the forthcoming general meeting.

On 6 August 2021, PICC Reinsurance Company Limited ("PICC Reinsurance"), a subsidiary the Company, issued the capital supplementary bonds of RMB2,000 million in the national inter-bank bond market. The term of the capital supplementary bonds is 10 years with a coupon rate of 3.60% per annum for the first five years. PICC Reinsurance has the right of redemption at the end of the fifth year. If PICC Reinsurance does not exercise the redemption right, the coupon rate will be 4.60% per annum for the remaining five years.

On 20 July 2021, heavy rain hit many places in Henan, causing heavy casualties and property losses. Since the occurrence of the disaster, the Group has immediately implemented an emergency plan for major disasters, and all levels of system worked together and made every efforts to work on claims rescue in major disasters. The Group will continue to pay close attention to the report of claims subsequent to the torrential rain in Henan, evaluate and actively respond to its impacts on the financial position and operating results of the Group. As at the date on which this set of financial statements were approved and authorised for issue, the evaluation was still in progress.

## Corporate Information

Chinese name: 中國人民保險集團股份有限公司

Abbreviation of Chinese name: 中國人保集團

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

Abbreviation of English name: PICC Group

Legal Representative: Luo Xi

Secretary to the Board: Li Zhuyong

Securities affairs representative: Zeng Shangyou

Company secretary: Ng Sau Mei

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Registered office address: 1-13/F, No. 88 West Chang'an Avenue, Xi Cheng District, Beijing, the PRC

Postal code: 100031

Website: www.picc.com

Designated newspapers for the Company's announcement (A Shares): China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Designated website for the Company's A Share announcement: www.sse.com.cn

Place for listing of A Shares: Shanghai Stock Exchange

Short form for A Share: PICC

A Share stock code: 601319

Place for listing of H Shares: The Stock Exchange of Hong Kong Limited

Short form for H Share: PICC Group

H Share stock code: 01339

### AUDITORS

#### *International Auditor:*

PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor)

#### *Domestic Auditor:*

PricewaterhouseCoopers Zhong Tian LLP

#### *Consulting Actuary:*

Ernst & Young (China) Corporate Consulting Co., Ltd.

### LEGAL ADVISORS

#### *as to Hong Kong law:*

Clifford Chance

#### *as to PRC law:*

Fangda Partners

### H SHARE REGISTRAR

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183 Queen's Road East, Wanchai, Hong Kong

#### *Place for annual report collection:*

the Office of the Board of Directors/Board of Supervisors of the Company

#### *Designated website for the Company's H Share announcement:*

www.hkexnews.hk



**中国人民保险集团股份有限公司**

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