



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

Being a Heart-Warming Insurer for the People



Interim Report 2022

Company Profile

The Company is the first nation-wide insurance company in the PRC, established on 1 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 110th in the list of Fortune Global 500 (2022) published by the Fortune magazine.

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. The Company takes PICC Investment Holding in which the Company holds 100% equity interest as a professional management platform for real estate and pension investments. The Company takes PICC Capital in which the Company holds 100% equity interest as an insurance asset management company focused on alternative investments such as debt, equity, real estate investment and private equity funds investment of insurance. The Company operates the 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, directly and indirectly, holds 100% equity interest as an internet platform to serve the whole Group. The Company coordinates the construction of the information technology platform of the Group through PICC Technology in which the Company holds 100% equity interest to achieve technology empowerment, and has also made strategic layout in non-insurance financial fields such as banking and trust.

The Company’s core 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 rooted in cities and towns and spread over the country, as well as an extensive and solid customer base, and achieved 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 nationwide layout, 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 outstanding professional capability to establish featured health management service capability;

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.

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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
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 Insurance Asset Management Co., Ltd.
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 Technology	PICC Information Technology Co., Ltd.
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 SSE 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, in 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

Summary of Results and Operation Highlights

I. Summary of Results

	30 June 2022	31 December 2021	Unit: RMB million, except for percentages (% of change)
Total financial assets	1,497,860	1,376,857	8.8
Total liabilities	1,197,946	1,079,964	10.9
Total equity	299,914	296,893	1.0
Net assets per share (RMB) ⁽¹⁾	5.01	4.96	1.1

	January- June 2022	January- June 2021	Unit: RMB million, except for percentages (% of change)
Gross written premiums	382,624	344,131	11.2
Net profit	24,811	23,242	6.8
Net profit attributable to owners of the Company	17,850	16,855	5.9
Earnings per share (RMB) ⁽¹⁾	0.40	0.38	5.9
Weighted average return on equity (unannualised) (%)	8.0	8.1	Decrease of 0.1 pt

Note: (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.

II. Operation Highlights

1. *Rapid Growth in Business Scale and Steady Improvement in Operating Profits*

In the first half of 2022, the gross written premiums (the “GWPs”) amounted to RMB382,624 million, representing a year-on-year increase of 11.2%. Profit before tax amounted to RMB29,961 million, representing a year-on-year increase of 8.2%. Net profit amounted to RMB24,811 million, representing a year-on-year increase of 6.8%. Net profit attributable to owners of the Company amounted to RMB17,850 million, representing a year-on-year increase of 5.9%.

2. *More Balanced Development of P&C Insurance Business with Improving Profitability*

PICC P&C continued to optimise the business model, promote business integration development and achieve product innovation and upgrade. In the first half of 2022, the GWPs amounted to RMB277,408 million, representing a year-on-year increase of 9.8%. Among which, the GWPs of motor vehicle insurance amounted to RMB128,808 million, representing a year-on-year increase of 6.7%. The non-vehicle insurance business achieved the GWPs of RMB148,600 million, representing a year-on-year increase of 12.7%. The non-vehicle insurance business accounted for 53.6%, representing a year-on-year increase of 1.4 percentage points, realising a more balanced overall business structure.

PICC P&C focused on “quality improvement, costs reduction and efficiency enhancement”, adhered to the philosophy of efficiency-first and maintained steady business development. In the first half of 2022, the combined ratio was 96.0%, decreased by 1.2 percentage points as compared to the corresponding period of last year. Net profit amounted to RMB19,041 million, representing a year-on-year increase of 15.4%.

3. *Strengthening the Development Foundation of Life and Health Insurance Business with Continuous Improvement in Operation Quality and Efficiency*

As of 30 June 2022, the embedded value of the life and health insurance business grew steadily to RMB130,169 million, representing an increase of 2.0% as compared to the end of last year. As the business scale is expanding steadily, the original premiums income in the first half of 2022 was RMB102,425 million, representing a year-on-year increase of 14.2%.

Actively responding to the in-depth industry adjustment and transformation, PICC Life recorded an original premiums income of RMB72,042 million, representing a year-on-year increase of 12.3%, which outperformed major industry players. Business quality has improved, as evidenced by a year-on-year increase of 3.8 percentage points in the 13-month premium persistency ratio. The transformation of agent team has made headway with a year-on-year increase of 49% in the number of high-end sales elites. The operating results of PICC Health hit a record high, which achieved net profit of RMB742 million, representing a year-on-year increase of 186.5%. The original premiums income amounted to RMB30,383 million, representing a year-on-year increase of 18.8%. It ranked the top among professional health insurance companies in terms of premium scale.

Summary of Results and Operation Highlights

4. *Serving the People's Livelihood and Supporting the Real Economy*

The Group actively served the country's development and provided effective support and security for the real economy. Placing the utmost interests of the nation as the highest priority, the Group chaired the underwriting of major projects such as ChinaSat 6D satellite and CNOOC windpower and iconic "the Belt and Road" projects such as offshore windpower in Cà Mau, Vietnam by PowerChina. In terms of rural revitalisation, the Group carried out the pilot work of the full cost insurance and income insurance for the three main cereal crops in 13 provinces, which provided risk protection of RMB184.66 billion to 19.19 million rural households, and vigorously developed an innovative agricultural insurance, namely the "Rural Insurance", which is an insurance solution dedicated for rural areas and provided risk protection of RMB20.9 trillion to 99.95 million rural households. The Group also launched the small-amount life and health insurance products designated for rural areas and the "Preferential Insurance", an exclusive product for poverty alleviation, which provided 0.8786 million people with life and health insurance protection of RMB16,051 million, and issued debt investment schemes in support of the comprehensive improvement of environmental protection in towns. In terms of intelligent transportation, the Group aligned with new trends of transportation development such as new energy and intelligent network connection, accelerated vehicle insurance product innovation, and continued to improve vehicle insurance coverage. It invested in new infrastructures such as new energy vehicles and green transportation, and upgraded the "linkage between police and insurance". It covered 4 municipalities and 332 prefecture-level cities administrative regions, serving a total of nearly 5.30 million people. In terms of health care and endowment, the Group vigorously promoted products such as "Hui Min Bao" (惠民保) that served the health protection needs of people and have carried out a total of 158 commercial "Hui Min Bao" projects. Since inception, it has underwritten over 75 million people with risk protection of over RMB15 trillion. In actively serving the construction of the national multi-level medical security system, the Group has undertaken a total of 1,395 policy social security projects, covering 30 provinces (autonomous regions and municipalities) nationwide and serving 0.9 billion people. The Group actively developed inclusive insurance, among which the "Hao Yi Bao" (好醫保) series long-term insurance products achieved an original premiums income of RMB6,264 million. As among the first batch of companies piloting on exclusive commercial endowment insurance, PICC Life provided practitioners of the new industry and new business ecology and freelancers with sufficient endowment insurance coverage by developing the first exclusive product "Fu Shou Nian Nian" (福壽年年) in the industry. Since the product was launched, the accumulated premium scale has exceeded RMB300 million, and the accumulated number of insurance policies ranked first in the industry. It also cooperated with China KangYang under China Chengtong to implement the "Huairou Kang Yang" (懷柔康養) project. In terms of green environmental protection, the Group innovated the development of green insurance and actively explored carbon insurance pilot projects. The amount of environmental pollution liability insurance in the first half of the year recorded a year-on-year increase of 17.2%. By gradually expanding the proportion of green investment, practising the philosophy of responsible investment and tapping into new energy fields such as wind power, photovoltaics, hydrogen energy and energy storage, it provided strong financial support in areas of green industry development, pollution prevention and control, carbon neutrality and carbon peak. Besides, it paved a new path characterised by ecological poverty alleviation and clean energy construction for the poverty-stricken regions in Shangrao, Jiangxi by investing in the photovoltaic generation project in Shangrao, Jiangxi. In terms of technological innovation, the Group continued to improve the supply of technology insurance and strengthen financing support to meet a series of security needs. So far, it has signed the intellectual property insurance strategic cooperation agreements with 14 provinces. It also invested in semiconductor and other pivotal engineering fields. In terms of social governance, the Group improved the comprehensive insurance product system, which basically covered all areas across the nation. In terms of pandemic prevention and control, the Group innovated the development of "COVID-19 Vaccine Abnormal Reaction Insurance" and complementary service supply model. Since the commencement of business, it has underwritten a total of over 1.7 billion doses of COVID-19 vaccinations, accounting for 51% of the total vaccinations nationwide, covering 31 provinces (autonomous regions and municipalities) nationwide and the Xinjiang Production and Construction Corps. Also, it innovated the "COVID-19 Vaccine Quality and Safety Insurance". Since the commencement of business, it has underwritten a total of over 0.76 billion doses of COVID-19 vaccinations, providing risk protection of RMB314.7 billion.

5. *Living up to Our Founding Mission and Being a Heart-Warming Insurer for the People*

The Group had properly responded to emergencies such as the China Eastern plane crash, the Tibet Airlines accident, and the collapse of a self-constructed residential building in Changsha, as well as major natural disasters such as the earthquake in Ya'an and Aba, Sichuan, mudslides in Beiliu, Guangxi, Typhoon Chaba, and heavy rainfall in various regions. Based on the disaster level, the Group immediately activated emergency plans, established on-site claim expert teams to provide assistance in the front line, actively cooperated with local governments, helped local rescue and disaster relief work, opened green channel for claims, and quickly completed the payment of major disaster claims, thus acting as a social stabiliser to ensure the normal production and life of people. The Group actively promoted comprehensive security plans such as "Urban Insurance", "Insurance for Extreme Weather" and "Emergency Insurance", and implemented regional catastrophe insurance projects in 13 provinces (autonomous regions, municipalities and cities specifically designated in the state plan) to practically serve as "Being a Heart-Warming Insurer for the People".

As the official partner of the 2022 Beijing Winter Olympics and the only insurance company in China insuring the two Olympic Games, the Group integrated digital technology into the Winter Olympics scenario, and took multiple measures to provide insurance protection services. In terms of product research and development, insurance products were tailor-made for each group of the Winter Olympics, covering vehicle, property, liability and life and accident loss, to safeguard the normal operation of the Olympic venues, official events and the development of the ice and snow industry. In terms of customer services, the Group had organised exclusive service teams, set up exclusive help desks and provided round-the-clock bilingual services in both Chinese and English to ensure that Winter Olympic customers' needs were promptly handled. In terms of claims settlement, the Group relied on the Winter Olympics Insurance Service Command Center and carried out online intelligent claims settlement services through "Ten Clouds"¹ to meet the requirements for closed-loop management and provide full protection for the grand Winter Olympics, in an effort to convey the warmth of PICC brand through its services and demonstrate that "Meeting Your Demands and Warming Your Hearts" is reachable and perceivable.

¹ On-cloud command & dispatch, on-cloud voice command, on-cloud self-service claims settlement, on-cloud coordinated claims settlement, on-cloud housekeeping service, on-cloud full entrustment, on-cloud injury mediation, on-cloud humanistic care, on-cloud direct compensation service, on-cloud major case consultation.

6. Accelerating Science and Technology Construction and Supporting 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 innovation, accelerated digital transformation, strengthened science and technology empowerment of the insurance value chain, and supported the implementation of the “To be Prominent Strategy”. Firstly, it continued to optimise the governance system, with PICC Technology and PICC Financial Services complementing and effectively coordinating with each other, built a governance structure of “one council, one department and two companies”, and effectively improved the technology governance level and management and control capabilities of the Group. Secondly, it reinforced the infrastructural construction, solidly promoted the “multi-site and multi-centre” construction in Langfang, Foshan, Shanghai, etc., and built a unified, shared, efficient, safe, autonomous and controllable information system infrastructure and resource platform, and successfully completed the major security for the Beijing Winter Olympics. The network security management level was improved progressively. Thirdly, it standardised technological structure, accelerated the construction for consolidated development, technology, data and intelligence platforms of the Group, improved and upgraded the core business system of the principal business of insurance, strengthened the construction of shared systems of the Group, systematically promoted data governance, structural optimisation and application innovation, and created an independent and controllable, steady and secured technology ecosystem powered by top-notch technology. Fourthly, it continued to enhance technological empowerment by promoting the construction of major projects in various sectors and giving strong support to the reform and transformation of the major business companies based on the strategies of subsidiaries. Highlighting the “Heart-warming Projects 2.0”, it actively created a series of application systems that support business operations and enhance management capabilities, built an integrated interface and new media marketing account matrix for the Group, established a vehicle life services ecosystem, strengthened data monitoring application and risk management and control, and strongly supported the implementation of the “To be Prominent Strategy”.

Management Discussion and Analysis

2022 marks a historic year for China to embark on a new journey toward building a modern socialist country in an all-round way and achieving the second centenary goal, and also a crucial year for the Group to fully implement the “To be Prominent Strategy”. In the first half of the year, we remained committed to seeking progress while maintaining a stable performance, implemented the requirements of “rooting in the new development stage, rolling out the new development concept, devising the new development layout and promoting high-quality development”, promoted “Six Strategic Services”, conducted scientific research and development of strategic projects, innovated product technology, accelerated information technology construction, deepened system and mechanism reform, penetrated the general layout of risk prevention and control, practically carried out supervision and rectification, steadily promoted the Group’s “To be Prominent Strategy”, and effectively responded to the evolving pandemic, the “threefold pressure (namely, shrinking demand, impact on the supply side and lower growth expectation)” faced by the economy and other external uncertainties. These efforts yielded a reasonable growth in quantity and a steady enhancement in quality in terms of operating results. During the first half of the year, property insurance consolidated the development advantages of vehicle insurance and innovated the development of individual non-vehicle insurance business along with effective implementation of the requirements of “Six Strategic Services” in the corporate business and active undertaking of policy business, contributing to a growth in premiums which outperformed the market. In the face of downward market pressures, life insurance actively responded by improving the quality of agent team and its premiums growth outperformed other major industry players. Health insurance realised continuous improvement in operating quality and efficiency by actively optimising business model as well as health care products and health management services. Focusing on “serving strategies and major businesses”, the investment segment made active efforts to explore quality assets, premium projects and profitable transactions, optimised asset allocation for the Group’s investment, and effectively stabilised investment efficiency. The technology segment deepened the system reform by comprehensively promoting the project construction and made encouraging strides in technology empowerment.

I. BUSINESS OVERVIEW OF THE COMPANY

(I) Review of Our Industry

In the first half of 2022, the insurance industry in general maintained a steady yet progressive momentum, driven by its dogged pursuit of returning to the essence of protection, sustained efforts to improve the quality and efficiency of services for the real economy as well as relentless endeavour to prevent and resolve financial risks. In the first half of 2022, the original premiums income of the insurance industry was RMB2.85 trillion, representing a year-on-year increase of 5.1%. The policyholders’ benefits and claims were RMB0.78 trillion, representing a year-on-year increase of 3.1%, reflecting a stable improvement in safeguarding services for the real economy and people’s livelihood. In particular, P&C insurance rebounded, the pressure against comprehensive reform of vehicle insurance unleashed and the competitive order of the market improved. Non-vehicle insurance business delivered steady growth, backed by accelerated product innovation and optimised business structure. Faced with the pressure from industry transformation, life and health insurance actively responded by continuously promoting the revamp of business model, strengthening the professional transformation of sales team and increasing the supply of health care and endowment services, with the aim of better satisfying the people’s needs for a better life.

In the first half of 2022, regulating authorities introduced a series of new policies and measures to serve the economy and maintain stability, improve the quality and efficiency of financial services for the real economy, and improve the effectiveness of supervision. In terms of serving the real economy, regulating authorities clarified the key tasks of comprehensively promoting rural revitalisation, heightening the function and effectiveness of insurance in serving rural revitalisation, constantly improving the financial supply for small and micro-enterprises, and expanding the financial coverage for micro-entities such as new citizens, individual industrial and commercial proprietors. They encouraged insurance institutions to increase the risk protection level for manufacturing enterprises, improve technology insurance services, and extend the protection coverage of intellectual property rights, materials and equipment for scientific research and the quality of scientific research results. They also encouraged insurance institutions with sufficient capital reserve to engage in the project construction such as major highway infrastructures and new public transport infrastructures by leveraging their capability of risk protection. In terms of accelerating the digital transformation of the financial industry, regulating authorities encouraged financial institutions to play an active role in developing industrial digital finance, promote the digital transformation of personal financial services, establish a digital operation and service system,

Management Discussion and Analysis

strengthen the building of digital risk control capacity, increase data governance, enhance the support capability of technological structure, and increase the application, independence and controllability of new technologies. In terms of enhancing the foresight and effectiveness of supervision, regulating authorities strived to build a fair and transparent business environment characterised by stability, visibility and rule of law for the insurance industry in pursuit of high-quality development by comprehensively promoting the construction of legal system of the industry, optimising the functions of regulators, facilitating legislation in key areas, strengthening the management of non-life insurance reserve, regulating the off-site supervision process of insurance companies, reinforcing the supervision over investment in financial products with insurance funds and use of funds by insurance institutions on related party transactions, maintaining strict administrative punishment, imposing more stringent administrative penalties, raising the cost of violations of financial laws and regulations, innovating enforcement measures, and increasing enforcement efficiency.

(II) Principal Businesses

In the first half of 2022, despite complex and challenging economic situations at home and abroad, the Group was determined to carry out the new development concept and fulfilled its responsibilities as a central financial enterprise by giving full play to the protection function of insurance and taking part as an industry leader. Its efforts paid off with notable improvement in the ability to serve national strategies, market-leading growth in business development, optimised quality and efficiency, accelerated innovation in products and services, robust and effective risk prevention and control, steady promotion of “To be Prominent Strategy” as well as more advanced development adhering to the notion of politics, serving the people and professionalism.

As of 30 June 2022, the market share of PICC P&C in the P&C insurance market was 34.4%, the market share of PICC Life and PICC Health in the life and health insurance market was 5.0%. In terms of the total written premiums (the “TWPs”), in the first half of 2022, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB276,671 million, RMB76,894 million, RMB30,556 million and RMB135 million, respectively.

1. *P&C Insurance Segment: Steady yet Progressive Momentum with Enhanced Strength in General*

PICC P&C furthered its efforts to optimise business model and consolidated its established advantages while fostering the integrated development of businesses and stepping up product innovation. In the first half of 2022, it achieved the GWPs of RMB277,408 million, representing a year-on-year increase of 9.8%. Among which, the GWPs of motor vehicle insurance amounted to RMB128,808 million, representing a year-on-year increase of 6.7%. The non-vehicle insurance business achieved the GWPs of RMB148,600 million, representing a year-on-year increase of 12.7%. The non-vehicle insurance business accounted for 53.6%, representing a year-on-year increase of 1.4 percentage points, realising a more balanced overall business structure. Setting its sights on “quality improvement, costs reduction and efficiency enhancement”, PICC P&C upgraded the actuarial pricing model, enhanced underwriting risk selection, constantly strengthened the refined management for claims, aligned premiums with expenses, and improved the efficiency of resource utilisation. Consequently, it registered significant increase in underwriting results with stable operating development and achieved underwriting profits of RMB8,246 million, representing a year-on-year increase of 52.5%. The combined ratio was 96.0%, decreased by 1.2 percentage points as compared to the corresponding period of last year. Net profit amounted to RMB19,041 million, representing a year-on-year increase of 15.4%.

2. *Life and Health Insurance Segment: Steady Growth in Scale with Solid Operation Foundation*

PICC Life strengthened the construction of professional channels, constantly consolidated the operation foundation, and maintained stable business development. In the first half of 2022, the original premiums income amounted to RMB72,042 million, representing a year-on-year increase of 12.3% which outperformed other major industry players. The operating results of PICC Health hit a record high, which achieved net profit of RMB742 million, representing a year-on-year increase of 186.5%. PICC Health topped the list of professional health insurance companies in terms of premium scale. The TWPs for Internet insurance business was RMB9,255 million, representing a year-on-year increase of 23.3%.

3. *Investment Segment: Strengthening the Ability of Providing “Dual Service” and Maintaining Solid Performance*

The investment segment adhered to the philosophy of value investment, constantly enhanced its capabilities to “serve strategies and major businesses”, strengthened the building of professional capability, and built an investment portfolio that would realise long-term stable returns from a cross-cyclical perspective. In the first half of 2022, the Group achieved a total investment income of RMB32,428 million and an annualised total investment yield of 5.5%, remaining at the forefront of the industry. At the same time, the investment segment leveraged the advantages of core competency in multi-asset allocation, increased product innovation and accelerated the development of third-party management business. As of 30 June 2022, the scale of third-party assets management increased by 23.0% compared with the beginning of the year. In particular, the scale of portfolio assets management and third party specific accounts amounted to RMB218,108 million, representing an increase of 41.2% compared with the beginning of the year.

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

The technology segment took customer experience and the perception of grassroots level as the standard and actively improved the technology support capability. Firstly, we steadily pressed ahead with the optimisation and upgrade of the core systems by enhancing the development of application systems including intelligent risk control and health protection service platforms, conducting system reforms on targeted issues to secure a successful commencement of the “Heart-warming Projects 2.0” and continuously improving the technology support capability. Secondly, we integrated internal information, introduced industry risk data, labelled risk data, strengthened the risk controllability of the Company and continuously enhanced the intelligent level by conducting the research and application of cutting-edge technologies such as privacy-preserving computation, digital human and knowledge graph based on business scenarios. Thirdly, we empowered the online development and transformation of organisations of all levels by revamp of “PICC” APP, comprehensive e-commerce website, PICC e-Tong and other online integrated interface platforms as well as optimisation of user interface operation for individual (To C), group (To B) and employee (To E). In the first half of 2022, the “PICC” APP served over 34 million users, and the platform achieved a year-on-year increase of more than 80% in premiums. We also built an innovative new media marketing accounts matrix of “one main service channel and multiple specialised services”, established a vehicle life services ecosystem with rich scenarios, and enhanced the market development capabilities by applying new models of short videos, live streaming service, ecosystem value-added service and data empowerment. Fourthly, the effect of technology empowerment continued to feed through. The online platform tools fully supported the Company’s business operations and the full promotion of online services such as mobile billing, intelligent double recording, intelligent revisits, online claims and online preservation. In particular, it gave full play to the role of technological support and operational security amid the pandemic outbreak. The mobile billing rate maintained at more than 99%, property insurance online tool assisted in the investigation of more than 2.70 million cases, and life insurance online preservation rate reached 94%, achieving a continuous improvement in customer experience and making new strides in the digital transformation of the Group.

(III) 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, and PICC Capital, which are all wholly owned by the Company. The Company also holds 100.00% equity interest in PICC Pension and PICC Technology, and directly and indirectly holds 100.00% equity interest in PICC Reinsurance and PICC Financial Services.

Management Discussion and Analysis

Unit: RMB million

	For the six months ended 30 June		
	2022	2021	(% of change)
Original premiums income			
PICC P&C	276,671	251,825	9.9
PICC Life	72,042	64,134	12.3
PICC Health	30,383	25,570	18.8
Combined ratio of PICC P&C (%)	96.0	97.2	Decrease of 1.2 pts
Value of half year's new business of PICC Life	1,493	2,412	(38.1)
Value of half year's new business of PICC Health	854	711	20.1
Total investment yield (annualised) (%)	5.5	6.7	Decrease of 1.2 pts

Unit: RMB million

	30 June 2022	31 December 2021	(% of change)
Market share (%)			
PICC P&C	34.4	32.8	Increase of 1.6 pts
PICC Life	3.5	3.1	Increase of 0.4 pt
PICC Health	1.5	1.1	Increase of 0.4 pt
Embedded Value of PICC Life	109,568	111,431	(1.7)
Embedded Value of PICC Health	20,601	16,176	27.4

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 2022	31 December 2021	(Change)
Comprehensive solvency margin ratio (%)			
The Group	262	301	Not applicable
PICC P&C	236	284	Not applicable
PICC Life	233	249	Not applicable
PICC Health	219	190	Not applicable
Core solvency margin ratio (%)			
The Group	200	264	Not applicable
PICC P&C	208	266	Not applicable
PICC Life	145	221	Not applicable
PICC Health	110	151	Not applicable

Note: The solvency results on 30 June 2022 are calculated in accordance with the Solvency Regulatory Rules for Insurance Companies (II) and the relevant requirements under the notice issued by the CBIRC, and the solvency results on 31 December 2021 are calculated in accordance with the C-ROSS Phase I rules.

(IV) Key Financial Indicators

Unit: RMB million

	For the six months ended 30 June		
	2022	2021	(% of change)
Gross written premiums			
PICC P&C	277,408	252,626	9.8
PICC Life	72,042	64,134	12.3
PICC Health	30,383	25,570	18.8
Profit before tax	29,961	27,684	8.2
Net profit	24,811	23,242	6.8
Net profit attributable to owners of the Company	17,850	16,855	5.9
Earnings per share ⁽¹⁾ (RMB/share)	0.40	0.38	5.9
Weighted average return on equity (%)	8.0	8.1	Decrease of 0.1 pt

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

Unit: RMB million

	30 June 2022	31 December 2021	(% of change)
Total assets	1,497,860	1,376,857	8.8
Total liabilities	1,197,946	1,079,964	10.9
Total equity	299,914	296,893	1.0
Net assets per share ⁽¹⁾ (RMB)	5.01	4.96	1.1
Gearing ratio ⁽²⁾ (%)	80.0	78.4	Increase of 1.6 pts

(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.

(V) 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 2022	For the six months ended 30 June 2021	30 June 2022	31 December 2021
Under the China Accounting Standards for Business Enterprises	17,850	16,884	221,540	219,132
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance (Note 1)	8	(10)	234	226
Impact of above adjustment on deferred income tax	(2)	3	(59)	(57)
Reclassification of insurance contracts to investment contracts (Note 2)	(6)	(22)	(51)	(45)
Under the International Financial Reporting Standards	17,850	16,855	221,664	219,256

Explanation for major adjustments:

Management Discussion and Analysis

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 under 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

Under the guidance of the Group's "To be Prominent Strategy", PICC P&C extended the "Six Strategic Services", namely rural revitalisation, intelligent transportation, health care and endowment, green environmental protection, technological innovation and social governance, to expand and upgrade the supply of insurance. It further promoted system and mechanism reform. Taking organisational structure, performance appraisal and channel construction as the core, it focused on customers' needs and social value, integrated the enterprise operational value chain, implemented penetration management, and established a customer-integrated interface. It strengthened comprehensive risk management, promoted internal control transformation and upgrade, continuously consolidated operating foundation, and constructed a new pattern of transformation towards high-quality development. In the first half of 2022, PICC P&C achieved the GWPs of RMB277,408 million, representing a year-on-year growth of 9.8%; and the market share was 34.4%, maintaining the top position in the industry. Underwriting profits amounted to RMB8,246 million, representing a year-on-year increase of 52.5%. The combined ratio was 96.0%, decreased by 1.2 percentage points as compared to the corresponding period of last year. Net profit amounted to RMB19,041 million, representing a year-on-year increase of 15.4%.

(1) Underwriting

PICC P&C continued to optimise its operating model and promote business integration development. The original premiums income was RMB276,671 million, representing a year-on-year increase of 9.9%. The business growth was mainly derived from the business development of accidental injury and health insurance, motor vehicle insurance and agricultural insurance. PICC P&C focused on "quality improvement, costs reduction and efficiency enhancement", upgraded the actuarial pricing model, strengthened underwriting risk selection, continued to improve the level of refined claims management, implemented price-fee linkage, enhanced resource utilisation efficiency, and significantly improved underwriting performance. The claim ratio was 71.5%, representing a year-on-year decrease of 0.2 percentage point. The expense ratio was 24.5%, representing a year-on-year decrease of 1.0 percentage point. Underwriting profits amounted to RMB8,246 million, representing a year-on-year increase of 52.5%.

- Motor vehicle insurance

PICC P&C actively responded to the impact of the COVID-19 pandemic and the decline in production and sales of new vehicles, tapped into market potential, continuously improved service quality and segmented pricing capabilities, strengthened sales channel construction, and increased customer stickiness with stronger comprehensive strength. The renewal rate of vehicle insurance recorded a year-on-year increase of 1.7 percentage points, and the number of insured vehicles recorded a year-on-year increase of 4.7%. The GWPs of motor vehicle insurance amounted to RMB128,808 million, representing a year-on-year increase of 6.7%.

PICC P&C continued to optimise its business quality and structure, improved the accuracy of risk pricing, strengthened price-fee linkage and process management and control, enhanced the intelligence level in claims settlement, and intensified recovery efforts, effectively offsetting unfavourable factors such as working hours for spare parts and rising compensation standards for personal injuries. The claim ratio for motor vehicle insurance was 69.7%, representing a year-on-year decrease of 0.7 percentage point. PICC P&C improved channel resource allocation efficiency and continued to promote costs reduction and efficiency enhancement. The expense ratio of motor vehicle insurance was 25.7%, representing a year-on-year decrease of 0.6 percentage point. The combined ratio was 95.4%, decreased by 1.3 percentage points as compared to the corresponding period of last year. Underwriting profits amounted to RMB5,686 million, representing a year-on-year increase of 44.9%.

- Accidental injury and health insurance

PICC P&C focused on the “Healthy China” strategy, continued to consolidate its existing advantages in social medical insurance business, promoted the integrated development of policy business and commercial health insurance, actively developed the “Hui Min Bao” (惠民保) business, tapped into the potential needs of existing customers, and achieved significant growth in social medical insurance business, personal health insurance and driving accident insurance business. The GWPs of overall accidental injury and health insurance amounted to RMB68,882 million, representing a year-on-year increase of 14.7%.

PICC P&C strengthened risk prevention and control in high-claim business and vigorously expanded personal accident and health insurance business. The claim ratio of accidental injury and health insurance was 82.7%, representing a year-on-year decrease of 2.2 percentage points. The expense ratio was 18.1%, representing a year-on-year increase of 1.4 percentage points. The combined ratio was 100.8%, decreased by 0.8 percentage point as compared to the corresponding period of last year.

- Agricultural insurance

PICC P&C fully promoted rural revitalisation and agriculture and rural modernisation, implemented the full cost insurance and income insurance pilot scheme rolled out by the central government for the three main cereal crops, intensified product innovation, and enriched and optimised product supply. The GWPs of agricultural insurance amounted to RMB36,721 million, representing a year-on-year increase of 23.8%.

Affected by natural disasters such as storms and rainstorms, the agricultural insurance claim ratio was 77.5%, representing a year-on-year increase of 1.7 percentage points. PICC P&C continued to reduce operating costs. The expense ratio was 11.8%, representing a year-on-year decrease of 9.3 percentage points. The combined ratio was 89.3%, decreased by 7.6 percentage points as compared to the corresponding period of last year.

- Liability insurance

PICC P&C proactively adapted to changes in market demand, timely adjusted product marketing strategies, continued to promote the integrated development of liability insurance business, strengthened the selection of underwriting risks, optimised its business structure, and actively promoted business development in safety production, government assistance, and product liability. The GWPs of overall liability insurance amounted to RMB19,265 million, representing a year-on-year increase of 2.1%.

Management Discussion and Analysis

PICC P&C implemented differentiated dynamic expense management to optimise resource allocation efficiency. The expense ratio of liability insurance was 34.4%, representing a year-on-year decrease of 0.9 percentage point. As the claim standard of personal injury raises, the claim ratio of liability insurance was 71.0%, representing a year-on-year increase of 7.9 percentage points. The combined ratio was 105.4%, increased by 7.0 percentage points as compared to the corresponding period of last year.

- Credit insurance

Taking the opportunity of gradual recovery in global supply chain, PICC P&C actively served the real economy and intensified innovation in inclusive financial products. The GWPs of overall credit insurance amounted to RMB2,674 million, representing a year-on-year increase of 129.9%.

PICC P&C continued to strengthen cost control, and the total expenses basically remained stable. However, due to the formation rate of net premiums earned, the expense ratio of credit insurance recorded a year-on-year increase of 6.3 percentage points to 34.4%. PICC P&C continued to optimise the risk control model, focused on improving the quality of new businesses, strengthened process monitoring and recovery management, and promoted costs reduction and efficiency enhancement. The claim ratio of overall credit insurance was 29.0%, representing a year-on-year decrease of 32.5 percentage points. The combined ratio was 63.4%, decreased by 26.2 percentage points as compared to the corresponding period of last year. Underwriting profits amounted to RMB869 million, representing a year-on-year increase of 185.9%.

- Commercial property insurance

Making the most of the steady recovery of domestic economy and the unleashing of insurance demand, PICC P&C actively served commercial risk protection needs, and vigorously developed high-quality business. The GWPs of commercial property insurance amounted to RMB10,252 million, representing a year-on-year increase of 1.3%.

PICC P&C improved its underwriting risk selection capability, strengthened the construction of independent underwriter teams, and implemented the linkage between underwriting and claims, quality and expenses. The claim ratio of commercial property insurance was 55.4%, representing a year-on-year decrease of 2.1 percentage points. The expense ratio was 38.2%, representing a year-on-year decrease of 2.2 percentage points. The combined ratio was 93.6%, decreased by 4.3 percentage points as compared to the corresponding period of last year.

- Cargo insurance

PICC P&C actively seized the opportunities arising from the recovery and development of trade import and export and domestic logistics, increased efforts in exploring foreign trade hotspots (such as cross-border e-commerce), and maintained rapid development in import and export and Internet cargo insurance. The GWPs of overall cargo insurance was RMB2,580 million, representing a year-on-year increase of 2.0%.

PICC P&C insisted on an efficiency-oriented approach and strengthened cost control. The expense ratio of cargo insurance was 33.3%, representing a year-on-year decrease of 7.7 percentage points. Due to the increase in claim frequency, the claim ratio of cargo insurance was 58.1%, representing a year-on-year increase of 16.4 percentage points. The combined ratio was 91.4%, increased by 8.7 percentage points as compared to the corresponding period of last year.

- Other insurances

The GWPs of other insurances of PICC P&C amounted to RMB8,226 million, representing a year-on-year decrease of 13.2%, which was mainly due to the year-on-year decrease in the scale of special insurance and engineering insurance business.

Underwriting profits of other insurances of PICC P&C amounted to RMB638 million. Due to the impact of the China Eastern plane crash and other major claims, the claim ratio was 42.1%, representing a year-on-year increase of 0.6 percentage point. The combined ratio was 83.4%, increased by 3.7 percentage points as compared to the corresponding period of last year.

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

Unit: RMB million

	For the six months ended 30 June						
	Original premiums income	Gross written premiums	Amount of insurance	Net claims	Liability balance of reserve	Underwriting profits	Combined ratio (%)
Motor vehicle insurance	128,808	128,808	96,753,536	76,734	211,171	5,686	95.4
Accidental injury and health insurance	68,882	68,882	711,644,456	24,789	76,336	(303)	100.8
Agricultural insurance	36,721	36,721	1,264,876	9,097	36,765	1,580	89.3
Liability insurance	19,265	19,265	74,974,856	6,017	38,219	(653)	105.4
Credit insurance	2,674	2,674	739,092	785	8,581	869	63.4
Commercial property insurance	9,539	10,252	24,582,168	2,321	19,196	293	93.6
Cargo insurance	2,580	2,580	9,107,955	699	3,379	136	91.4
Other insurances	8,202	8,226	69,120,410	1,551	21,689	638	83.4
Total	276,671	277,408	988,187,349	121,993	415,336	8,246	96.0

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 period:

Unit: RMB million

	For the six months ended 30 June		
	2022	2021	(% of change)
Motor vehicle insurance	128,808	120,755	6.7
Accidental injury and health insurance	68,882	60,036	14.7
Agricultural insurance	36,721	29,565	24.2
Liability insurance	19,265	18,875	2.1
Credit insurance	2,674	1,163	129.9
Commercial property insurance	9,539	9,437	1.1
Cargo insurance	2,580	2,529	2.0
Other insurances	8,202	9,465	(13.3)
Total	276,671	251,825	9.9

② Analysis by Channel

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

Management Discussion and Analysis

Unit: RMB million

	For the six months ended 30 June				
	2022			2021	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Insurance agents channel	146,027	52.8	7.2	136,180	54.1
Among which: Individual insurance agents	82,468	29.8	11.9	73,683	29.3
Ancillary insurance agents	15,976	5.8	(14.6)	18,702	7.4
Professional insurance agents	47,583	17.2	8.6	43,795	17.4
Direct sales channel	107,107	38.7	11.5	96,046	38.1
Insurance brokerage channel	23,537	8.5	20.1	19,599	7.8
Total	276,671	100.0	9.9	251,825	100.0

In the first half of 2022, PICC P&C continued to strengthen the construction of its own channels and to enhance the comprehensive sales service capabilities of the direct sales team, accelerated the transformation to a comprehensive financial sales team, enhanced channel coordination and promoted the integration and development of its businesses. The original premiums income of direct sales channel recorded a year-on-year increase of 11.5%.

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 period:

Unit: RMB million

	For the six months ended 30 June		
	2022	2021	(% of change)
Guangdong Province	26,864	23,812	12.8
Jiangsu Province	26,706	23,985	11.3
Zhejiang Province	20,958	18,337	14.3
Shandong Province	18,281	16,427	11.3
Hebei Province	14,662	13,713	6.9
Hunan Province	13,385	12,044	11.1
Hubei Province	13,287	11,566	14.9
Sichuan Province	12,587	12,202	3.2
Anhui Province	12,156	10,433	16.5
Fujian Province	11,231	10,510	6.9
Other regions	106,554	98,796	7.9
Total	276,671	251,825	9.9

(2) Financial Analysis

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

Unit: RMB million

	For the six months ended 30 June		
	2022	2021	(% of change)
Net earned premiums	203,876	189,774	7.4
Investment income	9,845	11,208	(12.2)
Other income	697	846	(17.6)
Total income	221,351	208,599	6.1
Net claims and policyholders' benefits	145,767	136,031	7.2
Handling charges and commissions	18,557	19,434	(4.5)
Finance costs	526	953	(44.8)
Other operating and administrative expenses	38,872	36,323	7.0
Total benefits, claims and expenses	203,221	192,841	5.4
Profit before tax	22,516	19,716	14.2
Less: Income tax expense	3,475	3,219	8.0
Net profit	19,041	16,497	15.4

Net earned premiums

Net earned premiums of PICC P&C increased by 7.4% from RMB189,774 million in the first half of 2021 to RMB203,876 million for the same period in 2022, which was mainly attributable to the growth in original premiums income.

Investment income

Investment income of PICC P&C decreased by 12.2% from RMB11,208 million in the first half of 2021 to RMB9,845 million for the same period in 2022, mainly affected by the volatility in the capital market.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC P&C increased by 7.2% from RMB136,031 million in the first half of 2021 to RMB145,767 million for the same period in 2022. The claim ratio was 71.5%, representing a decrease of 0.2 percentage point over the same period last year, mainly attributable to the strengthening of underwriting risk selection and continuous improvement of the level of refined management on claim settlement.

Handling charges and commissions

In the first half of 2022, PICC P&C strengthened the construction of its own channels, and enhanced the direct controllability of direct sales. As a result, the handling charges rate decreased by 1.0 percentage point from 7.7% in the first half of 2021 to 6.7% for the same period in 2022, and the handling charges and commissions decreased by 4.5% from RMB19,434 million in the first half of 2021 to RMB18,557 million for the same period in 2022.

Finance costs

Finance costs of PICC P&C decreased by 44.8% from RMB953 million in the first half of 2021 to RMB526 million for the same period in 2022, which was mainly due to the decrease in interest expenses of capital supplementary bonds.

Management Discussion and Analysis

Income tax expense

Income tax expense of PICC P&C increased by 8.0% from RMB3,219 million in the first half of 2021 to RMB3,475 million for the same period in 2022, mainly due to the increase in profit.

Net profit

As a result of the foregoing reasons, the net profit of PICC P&C increased by 15.4% from RMB16,497 million in the first half of 2021 to RMB19,041 million for the same period in 2022.

2. *PICC Hong Kong*

As of 30 June 2022, PICC Hong Kong's total assets amounted to RMB4,767 million, and net assets amounted to RMB1,312 million. In the first half of 2022, the GWPs amounted to RMB1,280 million, representing a year-on-year increase of 30.1%. The combined ratio was 91.4%, representing a decrease of 2.0 percentage points over the same period last year.

PICC Reinsurance

In the first half of 2022, PICC Reinsurance continued to improve its market competitiveness, and the proportion of third-party market business recorded a steady year-on-year increase of 37.4%. Focusing on customers' needs, customer service capabilities in the domestic market have improved continuously, and the partnership with leading insurance companies has further consolidated. Another new breakthrough was made on the international business front that PICC Reinsurance has become the first Chinese-funded reinsurance company to obtain cross-border insurance business qualification in Chile. Life and health insurance business thrived and achieved dual growth in premiums and efficiency. The construction of professional and technical capabilities has achieved remarkable results with the development of the VCE cloud explosion model which breaks the barrier of technologies dominated by foreign invested companies. In the first half of 2022, the net profit of PICC Reinsurance increased by 7.0% year-on-year.

Life and Health Insurance

1. *PICC Life*

PICC Life remained steadfast in the Group's "To be Prominent Strategy", continuously consolidated its business foundation and strengthened the construction of professional channels, and adhered to a new sales management matrix with individual insurance as the main force, bancassurance as the booster, and group insurance and e-commerce as the two wings, contributing to the effective improvement in the comprehensive service capabilities and business scale of the Company. In the first half of 2022, the original premiums income recorded a year-on-year increase of 12.3%. The quality of "Comprehensive individual life insurance" agent has been improved, and the construction of high-end sales teams has achieved initial results. The product structure of bancassurance channel has been optimised, and the transformation of channel value was continuously promoted. The value of new business increased by RMB246 million year-on-year. The group insurance channel adjusted its business structure to improve the profitability of short-term insurance. Short-term insurance underwriting profit margin increased by 16 percentage points year-on-year. The e-commerce channel actively expanded the cooperation platform and continuously optimised its business structure. The business of ten years and above increased by 15.4% year-on-year. In general, all channels maintained positive momentum in development, laying a foundation for future earnings.

(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 period is as follows:

Unit: RMB million

	For the six months ended 30 June				
	2022			2021	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Life insurance	62,845	87.2	18.2	53,157	82.9
General life insurance	22,219	30.8	10.9	20,043	31.3
Participating life insurance	40,575	56.3	22.7	33,063	51.6
Universal life insurance	52	0.1	2.0	51	0.1
Health insurance	8,716	12.1	(15.2)	10,284	16.0
Accident insurance	481	0.7	(30.7)	694	1.1
Total	72,042	100.0	12.3	64,134	100.0

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

PICC Life analysed the development trend of life and health insurance market, predicted customers' needs, optimised product allocation and sales strategies, and achieved an original premiums income of RMB72,042 million, representing a year-on-year increase of 12.3%.

Upholding a customer-oriented approach, PICC Life provided insurance services based on the diversified demands of customers, including endowment, health care and medical needs, asset allocation and wealth inheritance, and achieved an original premiums income of life insurance of RMB62,845 million, representing a year-on-year increase of 18.2%.

As affected by a number of factors such as the development of policy-based inclusive health insurance business, PICC Life achieved an original premiums income of health insurance of RMB8,716 million, representing a year-on-year decrease of 15.2%.

PICC Life recorded a year-on-year decrease of 17.2% in the combined ratio of short-term accident insurance with notable improvement in efficiency as it strengthened the management and control of business risk and actively adjusted the business structure of short-term insurance. In the first half of the year, the original premiums income of accident insurance amounted to RMB481 million, representing a year-on-year decrease of 30.7%.

In terms of the TWPs, in the first half of 2022, the TWPs of general life insurance, participating life insurance and universal life insurance amounted to RMB22,219 million, RMB40,813 million and RMB4,665 million, respectively. The TWPs of health insurance and accident insurance amounted to RMB8,716 million and RMB481 million, respectively.

Management Discussion and Analysis

② Analysis by Channel

Income of PICC Life as categorised by channel for the purpose of original premiums income for the reporting period 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					
	2022			2021		
	Amount	(% of total)	(% of change)	Amount	(% of total)	
Bancassurance Channel	39,280	54.5	41.9	27,676	43.2	
First-year business of long-term insurance	26,327	36.5	69.1	15,567	24.3	
Single premiums	18,925	26.3	119.4	8,624	13.4	
First-year regular premiums	7,402	10.3	6.6	6,944	10.8	
Renewal business	12,930	17.9	7.0	12,080	18.8	
Short-term insurance	23	0.0	(20.7)	29	0.0	
Individual Insurance Channel	31,089	43.2	(9.1)	34,215	53.3	
First-year business of long-term insurance	10,151	14.1	(10.7)	11,370	17.7	
Single premiums	3,170	4.4	(14.4)	3,704	5.8	
First-year regular premiums	6,981	9.7	(8.9)	7,667	12.0	
Renewal business	20,678	28.7	(7.9)	22,445	35.0	
Short-term insurance	260	0.4	(35.0)	400	0.6	
Group Insurance Channel	1,673	2.3	(25.4)	2,243	3.5	
First-year business of long-term insurance	55	0.1	(89.0)	498	0.8	
Single premiums	8	0.0	(98.2)	441	0.7	
First-year regular premiums	47	0.1	(19.0)	58	0.1	
Renewal business	403	0.6	(21.4)	513	0.8	
Short-term insurance	1,215	1.7	(1.3)	1,231	1.9	
Total	72,042	100.0	12.3	64,134	100.0	

In the first half of 2022, PICC Life was determined to enhance the value of bancassurance channel and realised a significant increase in the channel value contribution. The original premiums income of bancassurance channel was RMB39,280 million, representing a year-on-year increase of 41.9%, and new business value reached RMB244 million, representing a year-on-year increase of RMB246 million.

In the first half of 2022, individual insurance channel of PICC Life focused on high-performance manpower, consolidated its fundamental management, and improved the product structure. The monthly average sales-in-force was 28,242 for the channel of “Comprehensive individual life insurance” and the original premiums income of individual insurance channel was RMB31,089 million, representing a year-on-year decrease of 9.1%.

PICC Life has terminated supplementary group medical products. The original premiums income of group insurance channel was RMB1,673 million, representing a year-on-year decrease of 25.4%.

In terms of the TWPs, in the first half of 2022, the TWPs from the bancassurance channel, individual insurance channel and group insurance channel amounted to RMB39,790 million, RMB35,190 million and RMB1,914 million, respectively. As of 30 June 2022, the number of sales agents for “Comprehensive individual life insurance” was 129,110. The regular premiums payment from new clients per capita per month of the “Comprehensive individual life insurance” channel amounted to RMB5,842.

③ Analysis by Region

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

Unit: RMB million

	For the six months ended 30 June		
	2022	2021	(% of change)
Zhejiang Province	7,292	7,128	2.3
Sichuan Province	7,114	5,991	18.7
Jiangsu Province	4,949	3,935	25.8
Hunan Province	3,773	3,434	9.9
Gansu Province	3,166	2,467	28.3
Henan Province	3,128	2,484	25.9
Hubei Province	3,013	2,553	18.0
Beijing City	2,656	2,353	12.9
Shandong Province	2,603	2,033	28.0
Guangdong Province	2,420	2,261	7.0
Other regions	31,928	29,495	8.2
Total	72,042	64,134	12.3

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 period:

Items	For the six months ended 30 June	
	2022	2021
13-month premium persistency ratio ⁽¹⁾ (%)	85.8	82.0
25-month premium persistency ratio ⁽²⁾ (%)	79.3	88.7

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

Management Discussion and Analysis

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:

Unit: RMB million

Insurance products	For the six months ended 30 June		Original premiums income
	Type of insurance	Sales channels	
PICC Life Xin An Endowment Insurance (Participating) (Type C)	Participating life insurance	Individual insurance channel/Bancassurance channel	18,172
PICC Life Ru Yi Bao Endowment Insurance (Participating)	Participating life insurance	Individual insurance channel/Bancassurance channel	14,676
PICC Life Wen Nuan Jin Sheng Annuity Insurance	General life insurance	Individual insurance channel	4,461
PICC Life Zhuo Yue Jin Sheng Endowment Insurance	General life insurance	Individual insurance channel	4,288
PICC Life Yue Xiang Sheng Huo Annuity Insurance	General life insurance	Individual insurance channel	3,777

(2) Financial Analysis

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

Unit: RMB million

	For the six months ended 30 June		
	2022	2021	(% of change)
Net earned premiums	71,202	63,146	12.8
Investment income	11,865	13,195	(10.1)
Other income	301	359	(16.2)
Total income	83,446	76,843	8.6
Net claims and policyholders' benefits	71,363	62,252	14.6
Handling charges and commissions	4,860	5,801	(16.2)
Finance costs	1,608	1,219	31.9
Other operating and administrative expenses	4,009	4,505	(11.0)
Total benefits, claims and expenses	81,793	73,783	10.9
Profit before tax	4,312	5,408	(20.3)
Less: Income tax expense	960	951	0.9
Net profit	3,352	4,457	(24.8)

Net earned premiums

Net earned premiums of PICC Life increased by 12.8% from RMB63,146 million in the first half of 2021 to RMB71,202 million for the same period in 2022.

Investment income

The investment income of PICC Life decreased by 10.1% from RMB13,195 million in the first half of 2021 to RMB11,865 million in the same period of 2022, mainly due to the volatility in the capital market.

Other income

Other income of PICC Life decreased by 16.2% from RMB359 million in the first half of 2021 to RMB301 million for the same period in 2022. This was primarily due to the year-on-year decrease in business synergy income.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Life increased by 14.6% from RMB62,252 million in the first half of 2021 to RMB71,363 million for the same period in 2022, mainly due to the year-on-year increase in maturity benefits as more insurance products for previous years expired during the current year.

Handling charges and commissions

Handling charges and commissions of PICC Life decreased by 16.2% from RMB5,801 million in the first half of 2021 to RMB4,860 million for the same period in 2022.

Finance costs

Finance costs of PICC Life increased by 31.9% from RMB1,219 million in the first half of 2021 to RMB1,608 million for the same period in 2022. It was mainly due to the interest settlement on investment funds and the increase in interest expenses relating to financial assets sold under agreements to repurchase.

Income tax expense

The income tax expense of PICC Life changed from RMB951 million in the first half of 2021 to RMB960 million for the same period in 2022, which remained basically stable.

Net profit

As a result of the foregoing reasons, the net profit of PICC Life decreased by 24.8% from RMB4,457 million in the first half of 2021 to RMB3,352 million for the same period in 2022.

2. PICC Health

In the first half of 2022, PICC Health stayed committed to serving the Group's "To be Prominent Strategy" while implementing the "Four New"² development ideas. The development has demonstrated a satisfactory trend of rapid growth in business scale, continuous improvement in operational quality and efficiency, and solid progress in risk prevention and control. The original premiums income of PICC Health was RMB30,383 million, representing a year-on-year increase of 18.8%. Net profit amounted to RMB742 million, representing a year-on-year increase of 186.5%. It achieved value of new business of RMB854 million, representing a year-on-year increase of 20.1%. The "Hao Yi Bao" (好医保) series long-term insurance products achieved an original premiums income of RMB6,264 million. PICC Health actively provided various health management services such as health examinations, drug services, oral and dental services, and realised a service income of RMB77.656 million, representing a year-on-year increase of 257.2%.

² Establishing new business philosophy, building new business structure, releasing new development momentum, and demonstrating new business style.

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 period is as follows:

Unit: RMB million

Health insurance products	For the six months ended 30 June			2021	
	2022				
	Amount	(% of total)	(% of change)	Amount	(% of total)
Medical insurance	16,900	55.6	7.6	15,708	61.4
Participating endowment insurance	8,550	28.1	29.0	6,629	25.9
Illness insurance	3,917	12.9	125.0	1,741	6.8
Nursing care insurance	693	2.3	(38.0)	1,118	4.4
Accidental injury insurance	287	0.9	(4.3)	300	1.2
Disability losses insurance	36	0.1	(51.4)	74	0.3
Total	30,383	100.0	18.8	25,570	100.0

In the first half of 2022, PICC Health strengthened the planning leadership, proactively promoted business development, continued to optimise the business structure, and realised an original premiums income of RMB30,383 million, representing a year-on-year increase of 18.8%. Of which, the premiums income of health insurance and accident insurance amounted to RMB21,833 million, representing a year-on-year increase of 15.3%, which outpaced the growth of the health insurance and accident insurance of all other industry peers by 12.4 percentage points.

PICC Health actively served the construction of multi-level medical security system and realised an original premiums income of medical insurance of RMB16,900 million, representing a year-on-year increase of 7.6%.

PICC Health proactively developed critical illness insurance business, and realised an original premiums income of illness insurance of RMB3,917 million, representing a year-on-year increase of 125.0%.

PICC Health continued to keep track of the expansion of the national long-term nursing care insurance pilot program, and actively carried out individual commercial nursing care insurance, yet it was affected by the progress of signing contracts for certain projects. The original premiums income of nursing care insurance amounted to RMB693 million, representing a year-on-year decrease of 38.0%.

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

In the first half of 2022, the TWPs of medical insurance, participating endowment insurance, illness insurance, nursing care insurance, accidental injury insurance and disability losses insurance amounted to RMB16,925 million, RMB8,550 million, RMB3,917 million, RMB841 million, RMB287 million and RMB36 million, respectively.

② Analysis by Channel

Income of PICC Health as categorised by channel for the purpose of original premiums income for the reporting period 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				
	2022			2021	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Bancassurance	7,625	25.1	34.1	5,685	22.2
First-year business of long-term insurance	7,150	23.5	36.6	5,234	20.5
Single premiums	6,767	22.3	35.2	5,004	19.6
First-year regular premiums	383	1.3	66.5	230	0.9
Renewal business	475	1.6	5.3	451	1.8
Short-term insurance	—	—	—	—	—
Individual Insurance	10,974	36.1	17.0	9,379	36.7
First-year business of long-term insurance	1,675	5.5	(42.3)	2,904	11.4
Single premiums	197	0.6	155.8	77	0.3
First-year regular premiums	1,478	4.9	(47.7)	2,827	11.1
Renewal business	6,943	22.9	14.0	6,092	23.8
Short-term insurance	2,356	7.8	515.1	383	1.5
Group Insurance	11,784	38.8	12.2	10,506	41.1
First-year business of long-term insurance	16	0.1	(88.4)	138	0.5
Single premiums	13	0.0	(84.3)	83	0.3
First-year regular premiums	3	0.0	(94.5)	55	0.2
Renewal business	73	0.2	247.6	21	0.1
Short-term insurance	11,695	38.5	13.0	10,347	40.5
Total	30,383	100.0	18.8	25,570	100.0

PICC Health continued to strengthen its cooperation with the bancassurance channel, vigorously developed regular premiums business from new clients, strengthened training to nurture high-performing teams, and acquired quality customers through targeted marketing. It also dug up network resources and promoted the rapid development of bancassurance business. The original premiums income of bancassurance channel was RMB7,625 million, representing a year-on-year increase of 34.1%.

In terms of individual insurance agent business, under the guidance of the Group's "To be Prominent Strategy", PICC Health adhered to the development path of cultivating elites, aimed at high-end market, focused on high-value business, and actively planned for channel innovation, transformation and development. In terms of Internet insurance business, PICC Health consolidated major business and deepened the cooperation with excellent platforms, continued to enrich the product system of Internet health insurance products, optimised and improved operation process, and further expanded the premium scale. The original premiums income of individual insurance channel was RMB10,974 million, representing a year-on-year increase of 17.0%.

Management Discussion and Analysis

In terms of commercial group insurance business, PICC Health took multiple measures to focus on the development of corporate customer business and social security integration business, improve service capabilities and explore the construction of joint medical offices for corporate and the business model of professional group development, and promoted the transformation of group insurance business towards high-quality development and transformation. In terms of social medical insurance business, PICC Health actively responded to the reform of national medical security system and the requirements of the “Healthy China” strategy. On the basis of continuous consolidation and improvement of traditional businesses, it vigorously developed urban customised commercial medical insurance, outpatient chronic and special disease business, long-term nursing care insurance and other innovative business, and promoted the sustainable and steady development of social security business. The original premiums income of group insurance channel was RMB11,784 million, representing a year-on-year increase of 12.2%.

In terms of the TWPs, in the first half of 2022, the TWPs from the bancassurance channel, individual insurance channel and group insurance channel amounted to RMB7,648 million, RMB11,110 million and RMB11,798 million, respectively.

③ Analysis by Region

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

Unit: RMB million

	For the six months ended 30 June		
	2022	2021	(% of change)
Guangdong Province	11,565	8,753	32.1
Henan Province	2,636	2,556	3.1
Jiangxi Province	1,997	1,818	9.8
Liaoning Province	1,585	1,454	9.0
Hubei Province	1,548	797	94.2
Yunnan Province	1,498	1,353	10.7
Anhui Province	1,198	808	48.3
Shanxi Province	1,086	1,098	(1.1)
Shandong Province	885	976	(9.3)
Tianjin City	872	699	24.7
Other regions	5,513	5,258	4.8
Total	30,383	25,570	18.8

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 period:

Items	For the six months ended 30 June	
	2022	2021
13-month premium persistency ratio ⁽¹⁾ (%)	86.1	77.9
25-month premium persistency ratio ⁽²⁾ (%)	76.8	84.1

- (1) The 13-month premium persistency ratio for a given year is the proportion of the actual TWP 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 the actual TWPs for the 25th month after the long-term regular premium individual health insurance policies newly issued in the previous 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:

Unit: RMB million

Insurance products	For the six months ended 30 June		
	Type of insurance	Sales channels	Original premiums income
Kang Li Ren Sheng Endowment Insurance (Participating)	Endowment insurance	Bancassurance channel/Individual insurance channel/Group insurance channel	8,448
Jian Kang Jin Fu You Xiang Bao Individual Medical Insurance (2018)	Medical insurance	Individual insurance channel	4,962
Group Critical Illness Medical Insurance for Urban and Rural Residents (Type A)	Medical insurance	Group insurance channel	4,694
He Xie Sheng Shi Large Amount Supplementary Group Medical Insurance for Urban Employees	Medical insurance	Group insurance channel	3,519
PICC Health e-Help Internet Critical Illness Insurance	Illness insurance	Individual insurance channel	1,499

(2) Financial Analysis

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

Unit: RMB million

	For the six months ended 30 June		
	2022	2021	(% of change)
Net earned premiums	21,599	18,865	14.5
Investment income	1,387	1,591	(12.8)
Other income	176	141	24.8
Total income	23,625	21,264	11.1
Net claims and policyholders' benefits	18,152	17,158	5.8
Handling charges and commissions	2,444	2,323	5.2
Finance costs	243	205	18.5
Other operating and administrative expenses	1,524	1,256	21.3
Total benefits, claims and expenses	22,362	20,942	6.8
Profit before tax	1,262	319	295.6
Less: Income tax expense	520	60	766.7
Net profit	742	259	186.5

Management Discussion and Analysis

Net earned premiums

Net earned premiums of PICC Health increased by 14.5% from RMB18,865 million in the first half of 2021 to RMB21,599 million for the same period in 2022, which was primarily due to the growth of insurance business scale.

Investment income

Investment income of PICC Health decreased by 12.8% from RMB1,591 million in the first half of 2021 to RMB1,387 million for the same period in 2022, mainly due to the volatility in the capital market.

Other income

Other income of PICC Health increased by 24.8% from RMB141 million in the first half of 2021 to RMB176 million for the same period in 2022.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Health increased by 5.8% from RMB17,158 million in the first half of 2021 to RMB18,152 million for the same period in 2022.

Handling charges and commissions

The handling charges and commissions of PICC Health increased by 5.2% from RMB2,323 million in the first half of 2021 to RMB2,444 million for the same period in 2022, mainly due to the business growth.

Finance costs

Finance costs of PICC Health increased by 18.5% from RMB205 million in the first half of 2021 to RMB243 million for the same period in 2022.

Net profit

As a result of the foregoing reasons, the net profit of PICC Health increased by 186.5% from RMB259 million in the first half of 2021 to RMB742 million for the same period in 2022

(II) Asset Management Business

In the first half of 2022, the asset management segment of the Group implemented the requirements of the Group's "To be Prominent Strategy", constantly enhanced its capabilities to "serve strategies and major businesses", and built an investment portfolio that would achieve long-term stable returns from a cross-cyclical perspective.

As of 30 June 2022, the scale of third-party assets under management of the Group amounted to RMB764,238 million, representing an increase of 23.0% compared with the beginning of the year. Among which, in terms of portfolio asset management products and third-party special accounts, the Group actively grasped the needs of banks for wealth management funds, and the scale of assets under management increased by 41.2% compared with the beginning of the year. The investment subsidiaries of the Group continued to strengthen their professional capacity building and enhance their ability in supporting national strategies and serving the real economy. In the first half of 2022, PICC AMC launched the "Empowerment Projects", ranging from political construction, human resources construction, investment and research construction to operational risk control system construction and technological capacity construction, in an effort to build excellent investment management capabilities in a comprehensive manner. PICC Capital was determined to serve the real economy, vigorously supported the national development strategies in major regions, continued to support investment projects in major areas such as strategic emerging industries, new energy, infrastructure, and transportation, and improved market-oriented asset management systems, standardised compliance systems and multi-level risk management systems.

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 certain selected key financial data of the asset management segment for the reporting period:

Unit: RMB million

	For the six months ended 30 June		
	2022	2021	(% of change)
Investment income	274	310	(11.6)
Other income	1,068	1,131	(5.6)
Total income	1,342	1,441	(6.9)
Finance costs	17	6	183.3
Other operating and administrative expenses	745	692	7.7
Total expenses	764	698	9.5
Profit before tax	586	749	(21.8)
Less: Income tax expense	130	170	(23.5)
Net profit	456	579	(21.2)

Investment income

Investment income of the asset management segment decreased by 11.6% from RMB310 million in the first half of 2021 to RMB274 million for the same period in 2022, mainly due to the volatility in the capital market.

Other income

Other income of the asset management segment decreased by 5.6% from RMB1,131 million in the first half of 2021 to RMB1,068 million for the same period in 2022.

Net profit

As a result of the foregoing reasons, the net profit of the asset management segment decreased by 21.2% from RMB579 million in the first half of 2021 to RMB456 million for the same period in 2022.

(III) Investment Portfolio and Investment Income

In the first half of 2022, in face of the complex and ever-changing internal and external environment, the Group adhered to the philosophy of long-term investment, value investment and prudent investment, maintained strategic determination, focused on the construction of core investment and research capabilities, and implemented the requirements of the central government's policy on stabilising the economy and the broader market. Meanwhile, it strengthened the research and judgement on market trends, made dynamic adjustments to asset allocation, actively guarded against possible extreme market shock, and maintained stable investment performance. In bond investment, the Group has well capitalised on the movement of market interest rate, stepped up efforts in swing trading, and effectively prevented credit risks. In equity investment, the Group seized the opportunity arising from the bottom out of the market, and actively explored structural opportunities in stable growth and high-prosperity sectors.

Management Discussion and Analysis

1. Investment Portfolio

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

Unit: RMB million

	As of 30 June 2022		As of 31 December 2021	
	Amount	(% of total)	Amount	(% of total)
Investment assets	1,230,807	100.0	1,196,920	100.0
Classified by investment object				
Cash and cash equivalents	34,314	2.8	33,276	2.8
Fixed-income investments	789,256	64.1	752,377	62.9
Term deposits	95,900	7.8	94,341	7.9
Treasury bonds	178,735	14.5	183,252	15.3
Financial bonds	156,119	12.7	135,335	11.3
Corporate bonds	176,465	14.3	169,032	14.1
Long-term debt investment schemes	73,968	6.0	69,738	5.8
Other fixed-income investments ⁽¹⁾	108,069	8.8	100,679	8.4
Fund and equity securities investments at fair value	204,678	16.6	212,939	17.8
Fund	121,538	9.9	115,276	9.6
Shares	60,446	4.9	62,843	5.3
Perpetual bond	22,694	1.8	34,820	2.9
Other investments	202,559	16.5	198,328	16.6
Investment in associates and joint ventures	138,859	11.3	135,570	11.3
Others ⁽²⁾	63,700	5.2	62,758	5.2
By the purpose for which it was held				
Financial assets at fair value through profit or loss for the period	49,297	4.0	57,459	4.8
Held-to-maturity investments	200,866	16.3	197,346	16.5
Available-for-sale financial assets	522,048	42.4	502,102	41.9
Long-term equity investments	138,859	11.3	135,570	11.3
Loans and others ⁽³⁾	319,737	26.0	304,443	25.4

Notes:

- (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.

(1) Classified by investment object

In terms of fixed income investment, under the generally low market interest rate and the insufficient supply of high-quality non-standard assets, the Group strengthened its research and judgement on interest rate trends, actively grasped the timing for bond allocation and trading, and intensified the search and investment on high-quality non-standard projects, thus effectively alleviating allocation pressure and improving investment returns. At the same time, it continued to optimise the credit structure of existing assets, and the credit premium was maintained at a relatively reasonable level.

As of 30 June 2022, the bond investment accounted for 41.5%. 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 99.5%. 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. It has deepened the need for credit risk management, established investment management and risk control mechanisms in line with market practices and investment needs for insurance funds, and strengthened the forward-looking and early warning, analysis and disposal of credit risk. In the first half of 2022, the Group continued to strengthen the normalisation of credit risk screening, strengthened post-investment management, five-level risk classification and follow-up rating, and took the internal rating alert list and the risk/concerned asset list ledger as a starting point to emphasise in-process risk monitoring, alert and disposal functions, so as to reduce the proportion of low- and medium-rated credit bonds orderly, and strictly control the incremental business risks while optimising the stock structure. In addition, the first and second lines of defense of the Company have improved the digital and intelligent level to credit risk management and intensified the empowerment and decision support of investment business through active utilisation of models/systems including artificial intelligence technology for monitoring public opinion and smart credit rating.

The overall credit risk of investment in non-standard financial product asset invested by the entrusted fund in the Group's system is controllable, assets with an external credit rating of AAA account for 99.13%. At present, the non-standard assets cover most of the provincial administrative regions with better credit ratings in the country. The industries cover transportation, energy, public utilities, construction and decoration, and commercial real estate. The investment in these industries played a positive role in serving the development of real economy and supporting the implementation of major national strategies. Apart from actively selecting core counterparties with reliable credit qualifications as financing entities/guarantors, the Group has effective credit enhancement measures in place, such as guarantees, repurchase, shortfall compensation and others, together with stringent terms regarding accelerated expiry/fund misappropriation protection, providing a sound guarantee for the repayment of the principal and investment income.

The Group insisted on the idea of “long-term and value investment” in terms of equity investment. For equity position control, the proportion of equity positions was controlled within a risk tolerance range in the first half of the year when the equity market plunged drastically and active efforts were also made to seize the buying opportunities arising from the bottom out of the market. For equity selection, the Group mainly captured the structural investment opportunities arising from “the valuation and mean reversion of traditional economic industries that are benefited from pro-growth policies” and “the rapid growth of green and low-carbon and other emerging strategic industries”.

(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 decreased by 0.8 percentage point as compared with those as at the end of last year. The proportion of held-to-maturity investments decreased by 0.2 percentage point as compared with those as at the end of last year. The proportion of available-for-sale financial assets increased by 0.5 percentage point 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 increased by 0.6 percentage point as compared with those as at the end of last year, mainly because the national pro-growth policies were actively implemented, and the increase of investment efforts in key areas such as infrastructure construction and dual carbon strategy.

Management Discussion and Analysis

2. Investment Income

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

Unit: RMB million

Items	For the six months ended 30 June	
	2022	2021
Cash and cash equivalents	218	438
Fixed-income investments	17,416	15,627
Interest income	15,941	15,734
Gains and losses from disposal of financial instruments	1,605	154
Gains and losses on fair value changes	(153)	106
Impairment	23	(367)
Fund and equity securities investments at fair value	7,195	12,554
Dividends and bonus income	4,866	2,821
Gains and losses from disposal of financial instruments	2,517	10,412
Gains and losses on fair value changes	266	(250)
Impairment	(454)	(429)
Other investments	7,599	6,743
Investment income from associates and joint ventures	7,163	6,428
Other gains and losses	436	315
Total investment income	32,428	35,362
Net investment income ⁽¹⁾	28,645	25,711
Total investment yield (annualised) ⁽²⁾ (%)	5.5	6.7
Net investment yield (annualised) ⁽³⁾ (%)	4.9	4.8

(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 decreased by 8.3% from RMB35,362 million in the first half of 2021 to RMB32,428 million for the same period in 2022. The net investment income increased by 11.4% from RMB25,711 million in the first half of 2021 to RMB28,645 million for the same period in 2022. The total investment yield (annualised) decreased by 1.2 percentage points from 6.7% in the first half of 2021 to 5.5% for the same period in 2022. The net investment yield (annualised) increased by 0.1 percentage point from 4.8% in the first half of 2021 to 4.9% for the same period in 2022.

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		
	2022	2021	(% of change)
Net cash flows from operating activities	49,705	48,355	2.8
Net cash flows used in investing activities	(24,948)	(14,057)	77.5
Net cash flows used in financing activities	(24,066)	(62,758)	(61.7)

The Group's net cash flows from operating activities changed from a net inflow of RMB48,355 million in the first half of 2021 to a net inflow of RMB49,705 million for the same period in 2022, mainly driven by the increase in cash inflows of premiums from the expansion in the scale of underwriting business.

The Group's net cash flows used in investing activities changed from a net outflow of RMB14,057 million in the first half of 2021 to a net outflow of RMB24,948 million for the same period in 2022, mainly due to the expansion in the scale of investment in order to seize investment opportunities in the capital market.

The Group's net cash flows used in financing activities changed from a net outflow of RMB62,758 million in the first half of 2021 to a net outflow of RMB24,066 million for the same period in 2022, mainly due to the year-on-year decrease in the net cash outflow for financial assets sold under agreements to repurchase.

Management Discussion and Analysis

(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

	As of 30 June 2022	As of 31 December 2021	(% of change)
The Group			
Actual capital	398,990	395,232	Not applicable
Core capital	303,745	345,816	Not applicable
Minimum capital	152,185	131,147	Not applicable
Comprehensive solvency margin ratio (%)	262	301	Not applicable
Core solvency margin ratio (%)	200	264	Not applicable
PICC P&C			
Actual capital	214,105	207,421	Not applicable
Core capital	188,742	194,361	Not applicable
Minimum capital	90,611	73,082	Not applicable
Comprehensive solvency margin ratio (%)	236	284	Not applicable
Core solvency margin ratio (%)	208	266	Not applicable
PICC Life			
Actual capital	104,484	113,741	Not applicable
Core capital	65,218	100,942	Not applicable
Minimum capital	44,916	45,593	Not applicable
Comprehensive solvency margin ratio (%)	233	249	Not applicable
Core solvency margin ratio (%)	145	221	Not applicable
PICC Health			
Actual capital	20,534	17,258	Not applicable
Core capital	10,267	13,691	Not applicable
Minimum capital	9,365	9,094	Not applicable
Comprehensive solvency margin ratio (%)	219	190	Not applicable
Core solvency margin ratio (%)	110	151	Not applicable

Note: The solvency results on 30 June 2022 are calculated in accordance with the Solvency Regulatory Rules for Insurance Companies (II) and the relevant requirements under the notice issued by the CBIRC, and the solvency results on 31 December 2021 are calculated in accordance with the C-ROSS Phase I rules.

As of 30 June 2022, the comprehensive solvency margin ratio of the Group was 262%, and its core solvency margin ratio was 200%, which were in compliance with the regulatory requirements with adequate level of solvency.

As of 30 June 2022, the comprehensive solvency margin ratio of PICC P&C was 236%, and its core solvency margin ratio was 208%; the comprehensive solvency margin ratio of PICC Life was 233%, and its core solvency margin ratio was 145%; the comprehensive solvency margin ratio of PICC Health was 219%, and its core solvency margin ratio was 110%.

IV. PROSPECTS AND RISK ANALYSIS

(I) Future Prospect

2022 marks the key year of further continuing the implementation of the “14th Five-Year Plan” to build a modern socialist country in an all-rounded way. In the first half of 2022, China has efficiently coordinated the prevention and control of the pandemic and economic and social development, withstanding the impact of unexpected factors and achieving stable economic growth, which has laid a good foundation for the stable development of the insurance industry and its inclusion into the new development landscape. Meanwhile, in the midst of intensifying geopolitical conflicts, rising risks of global stagflation, the resurgence of the pandemic, escalating market competition, and accelerated change of growth momentum, the insurance industry is experiencing pressure and challenges. The transformation of life insurance requires further acceleration, while the business structure of property insurance needs to be further optimised and the innovation of products and sales model of the industry should be further deepened.

In the second half of 2022, the Group will further strengthen the notion of politics, serving the people and professionalism of PICC, by continuing to promote the “Six Strategic Services”, upgrading insurance supply, enhancing the initiative, creativity and effectiveness when serving national strategies, so as to further improve the quality and efficiency of development, and unswervingly pursue high quality development.

Insurance segment will speed up the path to innovate product and service, upgrade old models and explore new businesses to optimise business structure along with quality and efficiency of development. **PICC P&C** will strategically develop new energy vehicle insurance, tap into new opportunities for individual customer business, advance the speed and efficiency of corporate customer business, continue to optimise the business structure, and strengthen its leading market position. **PICC Life** will adhere to a long-term approach to promote the construction of a high-end individual insurance sales elite team, focus on meeting the diverse needs of customers, optimise product supply, rebuild sales teams, innovate sales models, formulate distinct channel strategies, create service ecosystem, and establish a new service-driven marketing model. **PICC Health** will fully implement the “Health Project”, explore the blue ocean of businesses, consolidate the supporting role of the Internet business, enhance secondary development for long-term insurance customers, strategically promote workplace marketing based on the construction of joint medical centres, and strive to increase the income from health management business. **PICC Reinsurance** will increase its efforts in third-party market development, build stable business channels, and continue to consolidate its market position. **PICC Hong Kong** will strengthen capacity building, integrate into the development of the Greater Bay Area and explore the potential of domestic business.

The investment segment will intensify insurance investment to serve the real economy, grasp the policy direction in the new round of national infrastructure construction, optimise asset allocation and the investment structure in serving the strategies and major businesses, and improve the management level. **PICC AMC** will give full play to its strengths in fixed income investment, seize opportunities in the equity market, and actively develop third-party business to maintain steady investment income and improve operating results. **PICC Pension** will continue to strengthen the development of the second pillar of annuity business, strive to achieve breakthroughs in the third pillar of commercial endowment business, and further improve pension investment performance. **PICC Investment Holding** will accurately promote the implementation of strategic projects for healthy endowment, accelerate the contracting of aged-care service organisations, and promote the professional layout of real estate and properties. **PICC Capital** will focus on the development needs of the principal business of insurance and identify investment opportunities in emerging areas such as medical and health care and technology innovation, optimise investments in non-standard debt assets, and prudently make strategic equity investments.

The financial technology segment will strengthen technology empowerment in building its core competitiveness in technology. **PICC Technology** will coordinate the construction of the Group’s basic technology platform and enhance the support of technology for business model optimisation. **PICC Financial Services** will proactively build an Internet platform to serve the entire Group and provide effective support for the major business.

In the second half of 2022, the Group will abide by the work deployment at the beginning of the year, which centres on achieving high-quality development goals, intensifying and solidifying development quality as well as inspection and rectification and system construction, thus laying a more solid foundation for the “To be Prominent Strategy”.

Management Discussion and Analysis

(II) Major Potential Risks and Countermeasures

The first is the risk in macro environment. Since the beginning of the year, the “threefold pressure” faced by the Chinese economy has been further intensified by the Ukraine-Russia conflict and the evolving COVID-19 pandemic. Although the domestic economy has ended the first half of the year on a positive note with solid rebound, the economic development environment at home has become more complicated, severe and uncertain with increasing risks and challenges amid patchy economic recovery. As the changing macro-environment and related risks and challenges might have certain impact on the Company’s operation and management, business development and investment, the Company continues to pay high attention to its research on the global macroeconomic environment and internal and external economic situation, strengthens the analysis and judgement on the external environment and actively aligns with the central government’s policies and measures on stabilising the economy. Under the premise of prudent operation, the Company seizes development opportunities and continues to enhance its capability to serve the country and ability to respond to risks.

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 in domestic equity market and the downturn of bond market. 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 Company keeps a close eye on the economic situation and the changing capital markets at home and abroad. On the investment front, it strengthens its research capability on asset allocation and ability to serve the national strategies, and diversifies equity, debt and alternative investment. On the liability front, it speeds up the effort to improve the structure and cost of liability business, and secures a reasonable level of income by continuously facilitating the linkage of assets and liabilities. Besides, the Company maintains effective risk tracking and monitoring of investment assets through optimisation of its investment review mechanism. It also conducts risk classification and valuation of investment assets on a regular basis and carries out risk investigation on the use of funds, thereby allowing prompt notification of risk to safeguard its funds.

The third is the credit risk of investment. As the COVID-19 pandemic continues to be felt nationwide, domestic economy is facing new downward pressure with weakened credit fundamentals and increasing credit differentiation. Credit risk of the real estate industry is bubbling and the trend of raising new hidden debt by local governments remains unabated. Attaching great importance to credit risk prevention, the Company continues to improve the credit risk management framework system and credit rating system and mechanism for its investment business, continuously strengthens investment credit risk monitoring and early warning, further optimises the access and investment quota management of counterparty, improves the initiative of risk prevention and control, and continues to enhance the credit risk management and control capabilities for investment business.

The fourth is the risk in insurance business. In terms of property insurance, frequent catastrophic events in recent years and approaching flood season in the PRC in the second half of the year have added uncertainty to the business operation. In terms of life and health insurance, talent acquisition and business development of agents have become much more challenging due to the ever-evolving pandemic, sluggish growth in premiums of the industry and other factors. While continuing the steady implementation of the “Six Strategic Services”, the Company adopts a risk-based management approach to continuously strengthen the professional capacity building in risk pricing, risk management and control, underwriting and claim settlement, and loss mitigation and empowerment through active application of modern scientific and technological means. It continues to promote insurance innovation, actively serves the national strategies, and opens up new business and market growth points by the establishment of a comprehensive risk management service platform. It also strengthens risk monitoring and prevention in key areas and businesses, constantly improves the catastrophic event early warning and prevention mechanism, and develops risk warning and risk response in a timely manner. Various measures have been taken to minimise the volatility of its insurance business.

V. BORROWINGS

In addition to the capital supplementary bonds issued by the Group and the repurchase business disposed of in the investment business, the Group had bank borrowings of RMB577 million as of 30 June 2022. Details of the capital supplementary bonds are set out in Note 26 to the financial statements of this half-year report.

VI. NO MATERIAL CHANGES

Save as disclosed in this report, after the publication of the annual report 2021, 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.

In the first half of 2022, 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 constantly improved the corporate governance structure. The shareholders' general meeting, the Board of Directors, the Board of Supervisors and senior management independently performed their respective duties pursuant to the Articles of Association, and in compliance with laws and regulatory requirements.

During the reporting period, the Company convened one shareholders' general meeting, five meetings of the Board of Directors, and four 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 Related Party Transactions Control Committee and the Risk Management & Consumers' Rights and Interests Protection 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 three meetings, the Nomination and Remuneration Committee convened four meetings, the Strategy and Investment Committee convened four meetings, the Related Party Transactions Control Committee convened one meeting, and the Risk Management & Consumers' Rights and Interests Protection Committee convened four 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 two meetings, and the Financial and Internal Control Supervision Committee convened four meetings.

II. SHAREHOLDERS' GENERAL MEETING

During the reporting period, the Company convened one shareholders' general meeting.

No.	Session of the meeting	Date of the meeting	Location of the meeting
1	2021 Annual General Meeting	20 June 2022	PICC Building, No. 88 West Chang'an Avenue, Xicheng District, Beijing

Major issues for approval in shareholders' general meeting included: nine resolutions, including the resolution in relation to the report of the Board of Directors for the year 2021, the resolution in relation to the report of the Board of Supervisors for the year 2021, the resolution in relation to the final financial accounts for the year 2021, the resolution in relation to the profit distribution for the year 2021, the resolution in relation to the budget for fixed asset investment for the year 2022, the resolution in relation to the 2022 annual charity donation plan of the Group, the resolution in relation to the authorisation granted to the Board to deal with the liability insurances for Directors, Supervisors and senior management, the resolution in relation to the engagement of accounting firm for the year 2022 and the resolution in relation to the issuance of capital supplementary bonds of the Group Company. Besides, the shareholders' general meeting received and reviewed four resolutions in relation to the performance report of the Directors for the year 2021, the work report (and performance report) of the independent Directors for the year 2021, the report on the solvency-related condition of the Group for the year 2021 and report on related party transactions and the evaluation of internal transactions of the Group for the year 2021.

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the executive Directors of the Company are Mr. Luo Xi, Mr. Wang Tingke and Mr. Li Zhuyong; the non-executive Directors are Mr. Wang Qingjian, Mr. Miao Fusheng, Mr. Wang Shaoqun, Mr. Yu Qiang and Mr. Wang Zhibin; and the independent non-executive Directors are Mr. Shiu Sin Por, Mr. Ko Wing Man, Mr. Chen Wuzhao, Ms. Cui Li and Ms. Xu Lina.

During the reporting period, the Company did not appoint new Directors, Supervisors and senior management. Resigned Directors, Supervisors and senior management were as follows:

Name	Position(s)	Change and cause
Zhang Tao	Shareholder Representative Supervisor, Chairman of the Board of Supervisors	Resigned due to job changes
Lin Zhiyong	Business Director	Redesignation

On 15 July 2022, Ms. Zhang Yan tendered resignation as a Supervisor. On the same date, the Company held a meeting of employee representatives and elected Mr. He Zuwang to replace Ms. Zhang Yan as the employee representative Supervisor of the Company. The term of office of Mr. He Zuwang shall commence from the date of obtaining the approval of his qualification as a Supervisor by the CBIRC and end on the expiry of the term of the fourth session of the Board of Supervisors, and may be re-appointed if re-elected. Mr. He Zuwang's qualification as a Supervisor is subject to the approval of the CBIRC. Before Mr. He Zuwang's qualification as a Supervisor is approved, Ms. Zhang Yan will continue to perform the duties of a Supervisor.

IV. SHARE INCENTIVE SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY AND THEIR IMPACTS

During the reporting period, the Company did not implement any share incentive scheme, employee share ownership scheme or other employee incentive measures.

V. INTERIM DIVIDEND

The Company does not declare any interim dividend for the first half of 2022.

Environmental and Social Responsibilities

I. ENVIRONMENTAL INFORMATION

The Group is not a high pollution and high emissions enterprise. The main energy and resources consumed are water, electricity, gasoline, diesel fuel and natural gas. The main emissions are greenhouse gas and exhaust emissions caused by energy consumption, discharge of wastewater and solid waste from offices.

In the first half of 2022, PICC strictly complied with relevant laws and regulations on environmental protection and energy conservation, proactively implemented the concept of green office and low-carbon operation. It issued a proposal on green and low-carbon lifestyle to all staff and employees of the organisation to promote the green development concept and inspire them to live a low-carbon lifestyle. During the reporting period, the Company and its subsidiaries were not subject to administrative penalties due to environmental issues.

II. CONSOLIDATING THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND SERVING RURAL REVITALISATION

(I) Resolutely Implementing the Central Government's Policy Decisions with Better Planning and Arrangement

Paying great attention to the tasks on promoting paired-up assistance in poverty alleviation and rural revitalisation, the Group persevered with the practice of making plans and orchestrating deployment well in advance, and topped the priority of serving rural revitalisation in the “Six Strategic Services”. The Group convened the “Work Conference on Strengthening the Construction of Agricultural Insurance and Rural Power Grid and Steadily Providing Paired-up Assistance in Poverty Alleviation and Promoting Rural Revitalisation”, where we gained deep insights on the spirit of General Secretary Xi Jinping's important speech on rural revitalisation and relevant documents of the central government and determined the key tasks of consolidating the results of poverty alleviation and promoting rural revitalisation for the year, so as to open up a new stage of providing paired-up assistance in poverty alleviation and promoting rural revitalisation. Sharpening its focus and highlighting the key tasks, the Group formulated and issued the “Guiding Opinions on Sustainable and Extensive Services to Comprehensively Promote Rural Revitalisation” and the “Work Plan for Providing Paired-up Assistance in Poverty Alleviation and Promoting Rural Revitalisation in 2022” along with the “Task List of Providing Paired-up Assistance in Poverty Alleviation and Promoting Rural Revitalisation in 2022”, which clarified a total of 68 specific tasks in five major aspects. To ensure “effective implementation and concrete results” of the key tasks, the Group made good use of the five-tier promotion mechanism at group, subsidiary, provincial, municipal and county levels, together with the well-established “agriculture, rural areas, and farmers” grassroots service system.

Environmental and Social Responsibilities

(II) Refining Our Missions and Measures to Get Well-prepared for the Implementation of Poverty Alleviation

In terms of investing poverty alleviation funds, the Group arranged voluntary missions of making donation and attracting funds for poverty alleviation throughout the year based on the actual needs of four paired-up poverty-stricken counties to ensure consistent support for poverty alleviation. In the meantime, the Group further enhanced the effective use of poverty alleviation funds by formulating the “Guiding Opinions on Application of Funds for Paired-up Assistance in Poverty Alleviation of PICC Group”, which clarifies the scope of fund use for paired-up assistance in poverty alleviation and effectively guides the transition of poverty alleviation from “giving funds” to “boosting revenue generation”. In terms of consumption-driven poverty alleviation, the Group formulated an annual plan for poverty alleviation through consumption, actively engaged in the “New Year’s Campaign for Consumption-driven Poverty Alleviation” held by the National Development and Reform Commission and the “Campaign for Consumption-driven Poverty Alleviation in Chahar Right Wing Middle Banner” held by The Insurance Association of China, and optimised and upgraded the “PICC Consumption-driven Poverty Alleviation Platform”, through which the Group helped paired-up poverty-stricken regions convert product into industry, output into profit and network traffic into sales based on an e-commerce business model. In terms of cadres on temporary duty, the Group promptly dispatched cadres to serve as the deputy county mayors of two counties in Jiangxi province, namely Ji’an and Le’an, and completed the rotation of general secretary stationed at Nanjie village in Ji’an county, in order to secure a “seamless and sustainable” operation. Meanwhile, the Group constantly empowered cadres in implementing poverty alleviation that outstanding staff were selected as cadres dispatched by units under central government to serve as the deputy secretary of the county committee or deputy county mayor of Ji’an county in the former Central Soviet Area. In terms of poverty alleviation through training, the Group made deployment to increase training efforts and required all branches in the provinces, cities and counties where the paired-up poverty-stricken counties locate to adopt the mode of “focusing on offline practice and supplemented by online activities” to ensure concrete results of poverty alleviation through training.

(III) Promoting Industrial Upgrading and Comprehensively Serving the Rural Revitalisation

The Group captured the “prosperity of the industry” and prioritised industrial assistance by improving the self-development capability of rural areas and effectively facilitating the increase in income of farmers and the high-quality growth of agricultural development and counties’ economy. In protecting national food security, the Group implemented the requirement raised by General Secretary Xi that “China must be self-reliant in securing its own food supply”, continued to make progress in “raising protection standards, expanding business scope and increasing product variety” of agriculture insurance, and proactively launched the full cost insurance and income insurance for the three main cereal crops and “insurance + futures” lean hog futures quotes insurance to safeguard the supply of the three main cereal crops and important agricultural products and by-products and protect the income of farmers. In supporting the development of local distinctive industries, the Group integrated the distinctive advantageous industries of different regions and proactively launched low temperature and typhoon weather index insurance and price index insurance covering over 280 types of products such as meat, eggs, dairy products and poultry, tea, mushrooms, fruits and vegetables, and plants, drugs, cigarettes and flowers, in support of the building of a new development landscape of “One Village, One Product” and “One County, Multiple Products” for counties as well as the development of distinctive agricultural industries of regions which have shaken off poverty to consolidate the achievements of poverty alleviation. In moving the “Rural Insurance” to a higher level through the industrial chain and supply chain, the Group enhanced the product innovation of rural revitalisation and focused on the key links of industrial chain and supply chain, such as planting and breeding, agro-processing and distribution, village production, and leisure and tourism, to expand the product library by incorporating insurance products to fully meet diversified risk protection needs of rural areas.

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 2022, the assets under the management of PICC AMC were RMB9,799 million. During the reporting period, the provision made by PICC AMC for assets management fee income was RMB7.2780 million. 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 under the regulatory standards of the CBIRC mainly include related party transactions in relation to services, use of funds and insurance business. According to the requirements of the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions, the types of related party transactions between the holding subsidiaries of the Company (excluding financial institutions that have been regulated by the industry) and the related parties of the Company under the standards of the CBIRC mainly include related party transactions in relation to services, use of funds and insurance business.

During the reporting period, in order to further implement the regulatory requirements and constantly improve the management of related party transactions, the Company issued relevant notice, optimised the management rules and improved the risk management and control of the Company's related party transactions. The Company carried out the identification, consideration, disclosure and reporting work of related party transactions in accordance with laws and regulations, and actively cooperated with the CBIRC on the information entry and reporting requirements of the related party transaction monitoring system. 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	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
	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
		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 by the CSRC or subject to any administrative penalty by the CSRC due to suspected violations of laws and regulations, 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 laws 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 total 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 condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

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 2022.

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: 227,405; H Shares: 5,456

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	Shareholdings of the Top Ten Shareholders				Pledged or frozen shares		
	Increase/ decrease during the reporting period	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	Nature of shareholder
The MOF	–	26,906,570,608	60.84	–	–	–	The State
HKSCC Nominees Limited	-256,986	8,702,313,375	19.68	–	–	–	Foreign legal person
The SSF	-170,545,894	5,605,582,779	12.68	2,989,618,956	–	–	The State
Hong Kong Securities Clearing Company Limited	151,604,570	250,325,015	0.57	–	–	–	Foreign legal person
Guosen Securities Company Limited – Fangzheng Fubon China Securities Insurance Themed Index Securities Investment Fund	8,984,000	47,224,776	0.11	–	–	–	Others
China Construction Bank Corporation – Huaxia Xinghe Hybrid Securities Investment Fund	25,366,100	25,366,100	0.06	–	–	–	Others
Donghai Securities Co., Ltd.	21,290,400	21,290,400	0.05	–	–	–	Others
Beijing Hengzhaoweiye Investment Company Limited	–	20,607,653	0.05	–	–	–	Others
Agricultural Bank of China Limited – Jingshun Changcheng Shanghai-Shenzhen 300 Index Enhanced Securities Investment Fund	19,767,630	19,767,630	0.04	–	–	–	Others
Abu Dhabi Investment Authority	8,378,107	14,282,057	0.03	–	–	–	Foreign legal 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
The MOF	26,906,570,608	Renminbi-denominated ordinary shares	26,906,570,608
HKSCC Nominees Limited	8,702,313,375	Overseas listed foreign shares	8,702,313,375
The SSF	2,615,963,823	Renminbi-denominated ordinary shares	2,615,963,823
Hong Kong Securities Clearing Company Limited	250,325,015	Renminbi-denominated ordinary shares	250,325,015
Guosen Securities Company Limited – Fangzheng Fubon China Securities Insurance Themed Index Securities Investment Fund	47,224,776	Renminbi-denominated ordinary shares	47,224,776
China Construction Bank Corporation – Huaxia Xinghe Hybrid Securities Investment Fund	25,366,100	Renminbi-denominated ordinary shares	25,366,100
Donghai Securities Co., Ltd.	21,290,400	Renminbi-denominated ordinary shares	21,290,400
Beijing Hengzhaoweiye Investment Company Limited	20,607,653	Renminbi-denominated ordinary shares	20,607,653
Agricultural Bank of China Limited – Jingshun Changcheng Shanghai-Shenzhen 300 Index Enhanced Securities Investment Fund	19,767,630	Renminbi-denominated ordinary shares	19,767,630
Abu Dhabi Investment Authority	14,282,057	Renminbi-denominated ordinary shares	14,282,057
Details of Securities Account Designated for Share Repurchase of the Top Ten Shareholders	Not applicable		
Details of the Abovementioned Shareholders' Entrusting of Voting Rights, Entrusted Voting Rights, and Waiver of Voting Rights	Not applicable		
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		
Details of Preferred Shareholders with Restored Voting Rights and the Number of Shares Held by Them	Not applicable		

Notes:

1. In addition to the 5,605,582,779 A Shares of the Company held by the SSF, it also holds 524,279,000 H Shares as a beneficial owner and 441,000 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 shareholders 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, marked 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	Time available for listing and trading	Number of additional shares available for listing and trading	Selling restrictions
1	The SSF	2,989,618,956	26 September 2022	–	No less than 3 years from the date of transfer of the shares to the SSF’s account	
Details of the above shareholders who are connected to each other or acting in concert			Not applicable			

(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 2022, the following shareholders (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	5,605,582,779	Long position	15.79%	12.68%

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Percentage of total issued H Shares	Percentage of total issued shares
The SSF (Note 1)	Beneficial owner	524,720,000	Long position	6.01%	1.19%
BlackRock, Inc. (Note 2)	Interest of controlled corporation	471,473,900	Long position	5.40%	1.07%
		22,438,000	Short position	0.26%	0.05%

Notes:

1. The SSF, as the beneficial holder, holds 524,279,000 H Shares. In addition, the SSF holds 441,000 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 2022, the Company is not aware of any other shareholders 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, none of the Directors, Supervisors and senior management of the Company hold shares in the Company.

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 2022, 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 2022, 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 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 2022. This report is prepared and to be enclosed in the 2022 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 2022;
- Review the assumptions used in the valuation of embedded value and value of half year’s new business as at 30 June 2022;
- Review the various valuation results of the embedded value as at 30 June 2022, 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 breakdown of value of half year’s new business as at 30 June 2022 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 2022 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* issued 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 2022 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; and
- **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.

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.

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 2022 and 31 December 2021 (Unit: RMB Million)

	30/06/2022	31/12/2021
Risk Discount Rate	10.0%	10.0%
Adjusted Net Worth	72,765	74,859
Value of In-Force Business before CoC	47,975	46,506
Cost of Required Capital	(11,171)	(9,934)
Value of In-Force Business after CoC	36,804	36,572
Embedded Value	109,568	111,431

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 2022 and 30 June 2021 (Unit: RMB Million)

	30/06/2022	30/06/2021
Risk Discount Rate	10.0%	10.0%
Value of Half year's New Business before CoC	2,841	3,701
Cost of Required Capital	(1,349)	(1,289)
Value of Half year's New Business after CoC	1,493	2,412

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

2.2. Results by Distribution Channels

The results of the value of half year's new business by distribution channel as at 30 June 2022 and 30 June 2021 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 2022 and 30 June 2021 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate	10.0%			
Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Total
Value of Half year's New Business after CoC (2022)	244	1,212	37	1,493
Value of Half year's New Business after CoC (2021)	(2)	2,341	73	2,412

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

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 2022.

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.

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 2022 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	36,804	1,493
Risk Discount Rate at 9%	41,765	1,930
Risk Discount Rate at 11%	32,645	1,116
Rate of investment return increased by 50 bps	49,063	2,477
Rate of investment return decreased by 50 bps	24,821	521
Expenses increased by 10%	35,848	1,445
Expenses decreased by 10%	37,759	1,540
Lapse rate increased by 10%	36,584	1,452
Lapse rate decreased by 10%	37,036	1,535
Mortality increased by 10%	36,362	1,464
Mortality reduced by 10%	37,250	1,521
Morbidity increased by 10%	35,522	1,438
Morbidity reduced by 10%	38,103	1,548
Short-term business claim ratio increased by 10%	36,747	1,418
Short-term business claim ratio decreased by 10%	36,860	1,567
Participating Ratio (80/20)	35,473	1,458

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 2022. This report is prepared and to be enclosed in the 2022 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 2022;
- Review the assumptions used in the valuation of embedded value and value of half year's new business as at 30 June 2022;
- Review the various valuation results of the embedded value as at 30 June 2022, 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 breakdown of value of half year's new business as at 30 June 2022 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 2022 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* issued 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 2022 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 (“VINB”)**: 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.

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.

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 2022 and 31 December 2021 (Unit: RMB Million)

	30/6/2022	31/12/2021
Risk Discount Rate	10.0%	10.0%
Adjusted Net Worth	6,753	7,785
Value of In-Force Business before CoC	14,701	9,182
Cost of Required Capital	(853)	(791)
Value of In-Force Business after CoC	13,848	8,392
Embedded Value	20,601	16,176

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 2022 and 30 June 2021 (Unit: RMB Million)

	30/6/2022	30/6/2021
Risk Discount Rate	10.0%	10.0%
Value of Half year's New Business before CoC	1,129	1,017
Cost of Required Capital	(275)	(306)
Value of Half year's New Business after CoC	854	711

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

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 2022 and 30 June 2021 are summarized 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 2022 and 30 June 2021 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate	10.0%			
Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Total
Value of Half year's New Business after CoC (2022)	67	1,036	(249)	854
Value of Half year's New Business after CoC (2021)	148	579	(16)	711

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

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 2022.

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.

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 summarized 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 2022 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	13,848	854
Risk Discount Rate at 9%	14,645	944
Risk Discount Rate at 11%	13,147	772
Rate of investment return increased by 50 bps	14,959	984
Rate of investment return decreased by 50 bps	12,732	724
Expenses increased by 10%	13,849	785
Expenses decreased by 10%	13,835	923
Lapse rate increased by 10%	13,594	836
Lapse rate decreased by 10%	14,098	872
Mortality increased by 10%	13,842	852
Mortality reduced by 10%	13,841	856
Morbidity increased by 10%	14,138	826
Morbidity reduced by 10%	13,572	883
Short-term business claim ratio increased by 5%	13,629	463
Short-term business claim ratio decreased by 5%	14,067	1,245
Participating Ratio (80/20)	13,679	809

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 62 to 92, 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 2022 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 notes, comprising significant accounting policies and other explanatory information. 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, 26 August 2022

Condensed Consolidated Income Statement

For the six months ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Gross written premiums	4	382,624	344,131
Less: premiums ceded to reinsurers	4	(32,863)	(28,347)
Net written premiums	4	349,761	315,784
Change in unearned premium reserves		(48,793)	(40,796)
Net earned premiums		300,968	274,988
Reinsurance commission income		6,826	6,758
Investment income	5	25,265	28,934
Other income	6	1,797	1,979
TOTAL INCOME		334,856	312,659
Life insurance death and other benefits paid		47,003	22,055
Claims incurred		170,646	153,863
Changes in long-term life insurance contract liabilities		33,220	50,409
Policyholder dividends		3,013	2,396
Claims and policyholders' benefits	7	253,882	228,723
Less: claims and policyholders' benefits ceded to reinsurers	7	(15,905)	(11,313)
Net claims and policyholders' benefits	7	237,977	217,410
Handling charges and commissions		25,880	27,574
Finance costs	8	2,939	2,851
Exchange (gains)/losses		(626)	107
Other operating and administrative expenses	9	45,888	43,461
TOTAL BENEFITS, CLAIMS AND EXPENSES		312,058	291,403
Share of profits or losses of associates and joint ventures		7,163	6,428
PROFIT BEFORE TAX	10	29,961	27,684
Income tax expense	11	(5,150)	(4,442)
PROFIT FOR THE PERIOD		24,811	23,242
Attributable to:			
Owners of the Company		17,850	16,855
Non-controlling interests		6,961	6,387
		24,811	23,242
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic (in RMB Yuan)	13	0.40	0.38
– Diluted (in RMB Yuan)	13	0.40	0.38

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
PROFIT FOR THE PERIOD		24,811	23,242
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value (losses)/gains		(15,191)	6,118
– Reclassification of losses to profit on disposals		(4,403)	(10,026)
– Impairment losses	5(d)	454	429
Portion of fair value changes attributable to participating policyholders		2,652	(584)
Income tax effect		4,053	910
		(12,435)	(3,153)
Share of other comprehensive income of associates and joint ventures		10	366
Exchange differences arising on translating foreign operations		104	(23)
NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		(12,321)	(2,810)
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and equipment and right-of-use assets upon transfer to investment properties	21	297	323
Income tax effect		(70)	(10)
		227	313
Actuarial losses on pension benefit obligation		(18)	(78)
Share of other comprehensive income of associates and joint ventures		(34)	53
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		175	288
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(12,146)	(2,522)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		12,665	20,720
Attributable to:			
– Owners of the Company		8,910	14,772
– Non-controlling interests		3,755	5,948
		12,665	20,720

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	14	34,314	33,276
Debt securities	15	518,210	494,550
Equity securities, mutual funds and investment schemes	16	254,001	262,357
Insurance receivables, net	17	123,094	58,130
Reinsurance assets	18,27	50,351	40,263
Term deposits		95,900	94,341
Restricted statutory deposits		12,994	12,994
Investments classified as loans and receivables	19	156,002	144,603
Investments in associates and joint ventures	20	138,859	135,570
Investment properties	21	14,377	13,340
Property and equipment	22	32,120	33,357
Right-of-use assets	23	7,743	7,987
Intangible assets		3,019	3,471
Goodwill		198	198
Deferred tax assets		18,322	10,143
Other assets	24	38,356	32,277
TOTAL ASSETS		1,497,860	1,376,857
LIABILITIES			
Securities sold under agreements to repurchase		53,555	77,598
Payables to reinsurers	25	40,135	22,767
Income tax payable		6,124	1,083
Bonds payable	26	46,871	43,804
Lease liabilities		2,836	2,993
Insurance contract liabilities	27	889,658	773,098
Investment contract liabilities for policyholders	28	47,084	44,252
Policyholder dividends payable		6,238	5,480
Pension benefit obligation		2,817	2,872
Deferred tax liabilities		1,572	2,053
Other liabilities	29	101,056	103,964
TOTAL LIABILITIES		1,197,946	1,079,964
EQUITY			
Issued capital	30	44,224	44,224
Reserves		177,440	175,032
Equity attributable to owners of the Company		221,664	219,256
Non-controlling interests		78,250	77,637
TOTAL EQUITY		299,914	296,893
TOTAL EQUITY AND LIABILITIES		1,497,860	1,376,857

The condensed consolidated financial statements on pages 62 to 92 were approved and authorised for issue by the Board of Directors on 26 August 2022 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 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company														
	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 obligation	Retained profits	Non-controlling interests	Total
	**	**	**	**	**	**	**	**	**	**	**	**	**		
Balance at 1 January 2022	44,224	23,973	18,067	15,751	212	3,681	135	(1,536)	(147)	14,187	(15,153)	(1,383)	117,245	219,256	296,893
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	17,850	17,850	24,811
Other comprehensive income/(expense) for the period	-	-	(10,694)	-	-	147	(8)	1,540	93	-	-	(18)	-	(8,940)	(12,146)
Total comprehensive income/(expense) for the period	-	-	(10,694)	-	-	147	(8)	1,540	93	-	-	(18)	17,850	8,910	12,665
Appropriations to general risk reserve and surplus reserve	-	-	-	21	-	-	-	-	-	-	-	-	(21)	-	-
Dividends paid to shareholders (note 12)	-	-	-	-	-	-	-	-	-	-	-	-	(6,501)	(6,501)	(6,501)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,140)	(3,140)
Others	-	(1)	-	-	-	-	-	-	-	-	-	-	-	(1)	(3)
Balance at 30 June 2022 (Unaudited)	44,224	23,972	7,373	15,772	212	3,828	127	4	(54)	14,187	(15,153)	(1,401)	128,573	221,664	299,914

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB177,440 million in the condensed consolidated statement of financial position as at 30 June 2022 comprise these reserve accounts.

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company															
	Issued capital (note 30)	Share premium account	Available- for-sale financial asset	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	Total
			revaluation reserve													
	**	**	**	**	**	**	**	**	**	**	**	**	**	**		
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) for the period	-	-	(2,174)	-	-	222	307	(339)	(21)	-	-	(78)	-	(2,083)	(439)	(2,522)
Total comprehensive income/(expense) for the period	-	-	(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 .

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES		49,705	48,355
NET CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of investment properties, property and equipment, intangible assets and land use rights		(1,056)	(1,295)
Proceeds from disposals of investment properties, property and equipment, intangible assets and land use rights		109	478
Purchases of investments		(221,960)	(179,934)
Proceeds from disposal of interest in an associate		—	416
Proceeds from disposals of investments		175,702	148,356
Interests received		15,327	13,925
Dividends received		8,606	4,957
Increase in term deposits, net		(1,552)	(907)
Others		(124)	(53)
		(24,948)	(14,057)
NET CASH FLOWS USED IN FINANCING ACTIVITIES			
Decrease in securities sold under agreements to repurchase, net		(24,043)	(59,714)
Issue of bonds payable		3,000	—
Proceeds from bank borrowings		—	272
Cash received related to non-controlling interests of consolidated structured entities, net		256	—
Repayments of bank borrowings		(60)	(106)
Interests paid		(2,552)	(2,774)
Repayments of lease liabilities		(667)	(436)
		(24,066)	(62,758)
Net increase/(decrease) in cash and cash equivalents		691	(28,460)
Cash and cash equivalents at beginning of the period		33,276	78,209
Effects of exchange rate changes on cash and cash equivalents		347	(55)
Cash and cash equivalents at end of the period		34,314	49,694
Analysis of balances of cash and cash equivalents			
Securities purchased under resale agreements with original maturity of no more than three months	14	15,209	27,847
Deposits with banks with original maturity of no more than three months and money at call and short notice	14	19,105	21,847
Cash and cash equivalents at end of the period	14	34,314	49,694

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(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, the 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 2022, 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 2022 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2021.

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 2021.

(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 2021, except for the adoption of amended or improved standards and interpretations as of 1 January 2022 as described below.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 Cycle

The application of the amendments to IFRSs in the current interim period have 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 2022
(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 condensed consolidated financial information:

IFRS 17 and Amendments to IFRS17	Insurance Contracts ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associated or Joint Venture ²

1 Effective for annual periods beginning on or after 1 January 2023

2 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.

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

Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION (continued)

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 2022:

(Unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	204,265	71,202	21,599	–	–	3,904	(2)	300,968
Reinsurance commission income	6,960	78	463	–	–	75	(750)	6,826
Investment income	10,886	11,865	1,387	274	8,015	958	(8,120)	25,265
Other income	723	301	176	1,068	3	546	(1,020)	1,797
TOTAL INCOME								
– SEGMENT INCOME	222,834	83,446	23,625	1,342	8,018	5,483	(9,892)	334,856
– External income	224,351	83,309	23,573	824	420	2,379	–	334,856
– Inter-segment income	(1,517)	137	52	518	7,598	3,104	(9,892)	–
Net claims and policyholders' benefits	145,989	71,363	18,152	–	–	2,590	(117)	237,977
Handling charges and commissions	18,576	4,860	2,444	–	–	–	–	25,880
Finance costs	527	1,608	243	17	498	59	(13)	2,939
Exchange (gains)/losses	(505)	(47)	(1)	2	(42)	(28)	(5)	(626)
Other operating and administrative expenses	39,048	4,009	1,524	745	414	2,378	(2,230)	45,888
TOTAL BENEFITS, CLAIMS AND EXPENSES	203,635	81,793	22,362	764	870	4,999	(2,365)	312,058
Share of profits or losses of associates and joint ventures	4,386	2,659	(1)	8	594	2	(485)	7,163
PROFIT BEFORE TAX	23,585	4,312	1,262	586	7,742	486	(8,012)	29,961
Income tax (expense)/credit	(3,482)	(960)	(520)	(130)	15	(20)	(53)	(5,150)
PROFIT FOR THE PERIOD								
– SEGMENT RESULTS	20,103	3,352	742	456	7,757	466	(8,065)	24,811

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
TOTAL INCOME								
– 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 losses/(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
TOTAL BENEFITS, CLAIMS AND EXPENSES	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
PROFIT BEFORE TAX	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)
PROFIT FOR THE PERIOD								
– 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 2022
(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities as at 30 June 2022 and 31 December 2021, and other segment information for the six months ended 30 June 2022 and 2021 are as follows:

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
30 June 2022 (Unaudited)								
Segment assets	782,402	557,979	95,107	12,206	133,319	72,857	(156,010)	1,497,860
Segment liabilities	557,508	512,437	87,843	3,746	28,954	19,303	(11,845)	1,197,946
Six months ended 30 June 2022 (Unaudited)								
Other segment information:								
Capital expenditures	740	65	36	113	194	9	(97)	1,060
Depreciation and amortisation	1,842	387	150	89	98	55	(137)	2,484
Interest income	6,635	7,610	1,107	45	368	330	111	16,206
31 December 2021 (Audited)								
Segment assets	697,231	539,957	76,773	11,965	126,693	73,865	(149,627)	1,376,857
Segment liabilities	476,537	490,667	69,568	3,685	23,491	25,521	(9,505)	1,079,964
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

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2021: 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 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Gross written premiums		
Long-term life insurance premiums	87,200	77,472
Short-term health insurance premiums	15,717	12,334
Non-life insurance premiums	279,707	254,325
TOTAL	382,624	344,131
Premiums ceded to reinsurers		
Long-term life insurance premiums	(3,227)	(2,382)
Short-term health insurance premiums	(86)	(791)
Non-life insurance premiums	(29,550)	(25,174)
TOTAL	(32,863)	(28,347)
Net written premiums	349,761	315,784

Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

5. INVESTMENT INCOME

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Dividend, interest and rental income (a)	21,482	19,283
Realised gains (b)	4,122	10,566
Fair value gains/(losses) (c)	92	(119)
Impairment (losses)/reversal (d)	(431)	(796)
TOTAL	25,265	28,934

(a) Dividend, interest and rental income

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Dividend income		
Equity securities, mutual funds and investment schemes		
– Available-for-sale	4,835	2,654
– At fair value through profit or loss	181	167
Subtotal	5,016	2,821
Interest income		
Current and term deposits	2,337	2,355
Debt securities		
– Held-to-maturity	4,217	4,080
– Available-for-sale	5,048	4,333
– At fair value through profit or loss	534	512
Investments classified as loans and receivables	4,070	4,893
Subtotal	16,206	16,173
Operating lease income from investment properties	260	289
TOTAL	21,482	19,283

(b) Realised gains

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Debt securities		
– Available-for-sale	1,497	181
– At fair value through profit or loss	108	(27)
Subtotal	1,605	154
Equity securities, mutual funds and investment schemes		
– Available-for-sale	2,906	9,846
– At fair value through profit or loss	(389)	566
Subtotal	2,517	10,412
TOTAL	4,122	10,566

Notes to the Condensed Consolidated Financial Information (continued)

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5. INVESTMENT INCOME (continued)

(c) Fair value gains/(losses)

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Debt securities		
– At fair value through profit or loss	(153)	106
Equity securities, mutual funds and investment schemes		
– At fair value through profit or loss	266	(250)
Investment properties (note 21)	(21)	25
TOTAL	92	(119)

(d) Impairment (losses)/reversal

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Available-for-sale	(454)	(429)
Held-to-maturity	(112)	–
Investments classified as loans and receivables	135	(367)
TOTAL	(431)	(796)

6. OTHER INCOME

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Asset management fee	584	544
Government grants	206	305
Management fee charged to policyholders	143	115
Commission income arising from the collection of motor vehicles and vessels taxes	114	211
Disposal gains from investment properties, property and equipment, intangible assets and land use rights	80	58
Others	670	746
TOTAL	1,797	1,979

Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2022

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7. CLAIMS AND POLICYHOLDERS' BENEFITS

(Unaudited)	Six months ended 30 June 2022		
	Gross	Ceded	Net
Life insurance death and other benefits paid	47,003	987	46,016
Claims incurred	170,646	15,141	155,505
– Short-term health insurance	7,968	737	7,231
– Non-life insurance	162,678	14,404	148,274
Changes in long-term life insurance contract liabilities	33,220	(223)	33,443
Policyholder dividends	3,013	–	3,013
TOTAL	253,882	15,905	237,977

(Unaudited)	Six months ended 30 June 2021		
	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
TOTAL	228,723	11,313	217,410

8. FINANCE COSTS

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Interest expenses		
– Bonds payable	1,111	1,349
– Interest credited to policyholders (note 28)	994	729
– Securities sold under agreements to repurchase	631	556
– Interest on lease liabilities	44	52
– Pension benefit obligation unwound	40	46
– Others	119	119
TOTAL	2,939	2,851

Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2022
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9. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Employee costs (note)	24,905	23,520
Promotion expense	6,069	6,164
Technical service and consulting fee	2,487	1,443
Depreciation and amortisation	2,368	2,103
Contributions to China Insurance Security Fund (note)	2,090	1,894
Recognition of impairment losses (note 10)	1,244	822
Taxes and surcharges	1,069	993
Others	5,656	6,522
TOTAL	45,888	43,461

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 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. There are no forfeited contributions in the basic retirement insurance and unemployment insurance.

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 2021, 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 2021. 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.

10. PROFIT BEFORE TAX

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

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Employee costs (note)	29,151	25,167
Depreciation of property and equipment (note)	1,297	1,282
Recognition of impairment losses on insurance receivables (note 17)	963	627
Depreciation of right-of-use assets (note)	767	740
Amortisation of intangible assets (note)	502	369
Changes of impairment on other assets	281	195

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.

Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2022

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11. INCOME TAX EXPENSE

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Current tax	9,813	7,789
Adjustments in respect of prior years	14	(2)
Deferred tax	(4,677)	(3,345)
TOTAL	5,150	4,442

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% (2021: 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 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Dividends recognised as distribution during the period:		
Year 2020 Final-RMB12.00 cents per share	—	5,307
Year 2021 Final-RMB14.70 cents per share	6,501	—

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2022 and the six months ended 30 June 2021 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 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Profit attributable to owners of the Company for the period	17,850	16,855
Weighted average number of ordinary shares in issue (in million shares)	44,224	44,224
Basic earnings per share (in RMB Yuan)	0.40	0.38

Diluted earnings per share is the same as basic earnings per share for the six months ended 30 June 2022 and 2021 as the Group had no potential ordinary shares in issue during the periods.

Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2022
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14. CASH AND CASH EQUIVALENTS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Money at call and short notice	18,748	21,299
Deposits with banks with original maturity of no more than three months	357	487
Securities purchased under resale agreements with original maturity of no more than three months	15,209	11,490
TOTAL	34,314	33,276
Classification of cash and cash equivalents:		
Loans and receivables	34,314	33,276

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 2022 (Unaudited)	31 December 2021 (Audited)
Classification of debt securities		
At fair value through profit or loss, at fair value	29,831	39,614
Available-for-sale, at fair value	287,513	257,590
Held-to-maturity, at amortised cost	200,866	197,346
TOTAL	518,210	494,550

As at 30 June 2022, 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 2021: nil). The rest are trading assets, with no material restriction from realisation through trading.

16. EQUITY SECURITIES, MUTUAL FUNDS AND INVESTMENT SCHEMES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Investments, at fair value		
Mutual funds	121,538	115,276
Shares	60,446	62,843
Investment schemes and others	65,517	77,760
Trust schemes	6,407	6,385
Subtotal	253,908	262,264
Investments, at cost less impairment Shares (note)	93	93
TOTAL	254,001	262,357

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.

Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2022

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16. EQUITY SECURITIES, MUTUAL FUNDS AND INVESTMENT SCHEMES (continued)

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Classification by accounting categories		
At fair value through profit or loss, at fair value	19,466	17,845
Available-for-sale, at fair value	234,442	244,419
Available-for-sale, at cost less impairment	93	93
TOTAL	254,001	262,357

For the six months ended 30 June 2022, an impairment loss of RMB422 million was provided by the Group on equity securities, mutual funds and investment schemes (for the six months ended 30 June 2021: RMB398 million). As at 30 June 2022 financial assets at fair value through profit or loss included financial assets that were designated as such upon initial recognition amounting to RMB5,588 million (As at 31 December 2021: RMB4,766 million). The rest are trading assets, with no material limitation in realisation.

17. INSURANCE RECEIVABLES, NET

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Premiums receivable and agents' balances	104,224	45,186
Receivables from reinsurers	23,393	16,521
Subtotal	127,617	61,707
Less: impairment provision on		
– Premiums receivable and agents' balances	(4,327)	(3,415)
– Receivables from reinsurers	(196)	(162)
TOTAL	123,094	58,130

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

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
At the beginning of the period	3,577	3,503
Recognition of impairment losses (note 10)	963	627
Amount written off as uncollectible	(17)	–
At the end of the period	4,523	4,130

(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 2022 (Unaudited)	31 December 2021 (Audited)
Not yet due and up to 3 months	97,080	45,592
More than 3 months to 6 months	13,833	4,300
More than 6 months to 12 months	8,171	5,827
More than 1 year to 2 years	3,484	1,956
More than 2 years	526	455
TOTAL	123,094	58,130

Notes to the Condensed Consolidated Financial Information (continued)

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(Amounts in millions of Renminbi, unless otherwise stated)

17. INSURANCE RECEIVABLES, NET (continued)

(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: (continued)

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 2022 (Unaudited)	31 December 2021 (Audited)
Reinsurers' share of		
Unearned premium reserves	21,116	13,941
Claim reserves	24,044	20,908
Long-term life insurance reserves	5,191	5,414
TOTAL	50,351	40,263

19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Debt investment schemes	75,102	71,018
Trust schemes	67,618	60,194
Asset management products	14,649	14,893
Subtotal	157,369	146,105
Less: impairment provision	(1,367)	(1,502)
TOTAL	156,002	144,603

Notes to the Condensed Consolidated Financial Information (continued)

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20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in the associates and joint ventures as at 30 June 2022 and 31 December 2021 are as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Associates		
Cost of investment in associates	67,892	67,892
Share of post – acquisition profits, other comprehensive income and other equity movement, less dividend received or receivable	67,817	64,396
Subtotal	135,709	132,288
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	64	196
Subtotal	3,150	3,282
TOTAL	138,859	135,570

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, Hua Xia Bank and other associates and joint ventures.

As permitted by International Accounting Standard 28 “Investments in Associates and Joint Ventures”, for the six months ended 30 June 2022, the Group accounts for the share of profit of Industrial Bank, an associate of the Group, from 1 October 2021 to 31 March 2022, taking into account any significant events or transactions for the period from 1 April 2022 to 30 June 2022.

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

	1 January 2022 (Audited)	Acquisition	Disposals	Share of profit	Share of other comprehensive income	Share of other equity movement	Dividend received	Impairment	30 June 2022 (Unaudited)
Associates and joint ventures	135,570	–	–	7,163	(24)	–	(3,850)	–	138,859

21. INVESTMENT PROPERTIES

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Beginning of the period	13,340	13,246
Additions	82	9
Transfer from property and equipment	959	94
Transfer from right-of-use assets	18	17
Gains on revaluation of properties upon transfer from property and equipment	239	252
Gains on revaluation of properties upon transfer from right-of-use assets	58	71
Change in fair value of investment properties (note 5(c))	(21)	25
Transfer to property and equipment right-of-use assets	(289)	(525)
Disposals	(9)	(8)
End of the period	14,377	13,181

Notes to the Condensed Consolidated Financial Information (continued)

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21. INVESTMENT PROPERTIES (continued)

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 fair value of the investment properties usually determined by these approaches according to professional judgement.

22. PROPERTY AND EQUIPMENT

During current interim period, the Group acquired assets with a cost of RMB828 million (six months ended 30 June 2021: RMB764 million).

Assets with a net book value of RMB16 million were disposed of by the Group during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB331 million), resulting in a net disposal gain of RMB7 million (six months ended 30 June 2021: gain of RMB58 million).

During the six months ended 30 June 2022, construction in progress with an aggregate amount of RMB214 million (six months ended 30 June 2021: RMB206 million) was transferred to buildings.

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

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 1-10 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 RMB444 million of right-of-use asset (six months ended 30 June 2021: RMB993 million) and RMB441 million lease liability (six months ended 30 June 2021: RMB818 million) relating to these new or modified leases.

As at 30 June 2022, the carrying amounts of right-of-use assets included RMB4,948 million of prepaid land premiums (31 December 2021: RMB4,921 million).

Notes to the Condensed Consolidated Financial Information (continued)

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24. OTHER ASSETS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Interest receivables	11,464	10,397
Policy loans (a)	6,150	5,889
Deductible input value-added tax	4,546	3,827
Securities settlement receivables	3,884	1,295
Receivables from co-insurers for amounts paid on behalf	2,260	2,630
Refundable deposits	2,077	1,534
Loans and advances	915	965
Prepayments and deposits	770	665
Prepaid insurance underwriting commission	398	461
Commission receivables arising from collection of motor vehicles and vessels taxes	327	456
Others	7,897	6,209
TOTAL	40,688	34,328
Less: impairment provision on other assets	(2,332)	(2,051)
NET VALUE	38,356	32,277

(a) Policy loans are secured by cash values of the relevant insurance policies of PICC Life and PICC Health and carry interest rates at 5.20% – 5.50% per annum as at 30 June 2022 (31 December 2021: 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.

26. BONDS PAYABLE

As at 30 June 2022, bonds payable are capital supplementary bonds.

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Carrying amount repayable in		
– More than five years	46,871	43,804

Original 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 (2021: 3.59% – 5.05%) and 4.59% – 6.05% in the second five years (2021: 4.59% – 6.05%).

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27. INSURANCE CONTRACT LIABILITIES

	30 June 2022		
(Unaudited)	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contract reserves	451,290	5,191	446,099
Short-term health insurance contract reserves			
– Claim reserves	9,812	156	9,656
– Unearned premium reserves	8,563	88	8,475
Non-life insurance contract reserves			
– Claim reserves	200,295	23,888	176,407
– Unearned premium reserves	219,698	21,028	198,670
Total insurance contract liabilities	889,658	50,351	839,307

	31 December 2021		
(Audited)	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contract reserves	420,722	5,414	415,308
Short-term health insurance contract reserves			
– Claim reserves	7,433	146	7,287
– Unearned premium reserves	2,234	65	2,169
Non-life insurance contract reserves			
– Claim reserves	172,650	20,762	151,888
– Unearned premium reserves	170,059	13,876	156,183
Total insurance contract liabilities	773,098	40,263	732,835

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 RMB1,126 million for the six months ended 30 June 2022 (six months ended 30 June 2021: increased by RMB2,724 million) and the profit before tax for the six months ended 30 June 2022 was decreased by RMB1,126 million (six months ended 30 June 2021: decreased by RMB2,724 million).

Notes to the Condensed Consolidated Financial Information (continued)

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28. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Interest-bearing deposits	45,335	42,565
Non-interest-bearing deposits	1,749	1,687
TOTAL	47,084	44,252

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

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Beginning of the period	44,252	38,671
Deposits received after deducting fees	6,129	4,796
Deposits withdrawn	(4,291)	(2,879)
Interest credited to policyholders (note 8)	994	729
End of the period	47,084	41,317

29. OTHER LIABILITIES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Salaries and welfare payable	24,139	22,180
Premiums received in advance (a)	16,567	27,390
Dividend payable	9,641	—
Handling charges and commission payable	9,101	8,535
Claims payable	8,850	10,751
Value added tax and other taxes payable	7,638	7,720
Payables to non-controlling interests of consolidated structures entities	6,587	9,797
Premium payable (b)	5,059	4,161
Suppliers payable	2,867	2,520
Insurance security fund	1,408	1,024
Insurance deposit received	910	942
Bank borrowings	577	637
Interests payable	479	1,236
Others	7,233	7,071
TOTAL	101,056	103,964

(a) Premiums received in advance represent amounts collected from policies not yet effective as at the 30 June 2022 and 31 December 2021, 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.

Notes to the Condensed Consolidated Financial Information (continued)

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30. ISSUED CAPITAL

	30 June 2022 (Unaudited)	31 December 2021 (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
	44,224	44,224
Issued capital (in RMB million)		
A shares	35,498	35,498
H shares	8,726	8,726
	44,224	44,224

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 2021.

There have been no significant changes in the Group's risk management processes since 31 December 2021 or in any risk management policies.

Notes to the Condensed Consolidated Financial Information (continued)

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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 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Financial Assets				
Cash and cash equivalents	34,314	33,276	34,314	33,276
At fair value through profit or loss				
– Equity securities, mutual funds and investment schemes	19,466	17,845	19,466	17,845
– Debt securities	29,831	39,614	29,831	39,614
Available-for-sale				
– Equity securities, mutual funds and investment schemes	234,442	244,419	234,442	244,419
– Debt securities	287,513	257,590	287,513	257,590
Held-to-maturity investment				
– Debt securities	200,866	197,346	216,964	211,937
Loans and receivables				
– Insurance receivables, net	123,094	58,130	123,094	58,130
– Term deposits	95,900	94,341	95,900	94,341
– Restricted statutory deposits	12,994	12,994	12,994	12,994
– Investments classified as loans and receivables	156,002	144,603	162,789	150,022
– Other financial assets	31,909	25,823	31,909	25,823
Total financial assets	1,226,331	1,125,981	1,249,216	1,145,991
Financial Liabilities				
Other financial liabilities measured at amortised cost				
– Securities sold under agreements to repurchase	53,555	77,598	53,555	77,598
– Payables to reinsurers	40,135	22,767	40,135	22,767
– Bonds payable	46,871	43,804	47,291	44,549
– Policyholder dividends payable	6,238	5,480	6,238	5,480
– Other financial liabilities	52,463	51,550	52,463	51,550
Total financial liabilities	199,262	201,199	199,682	201,944

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 2022
(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)

(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		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2022 (Unaudited)	31 December 2021 (Audited)		
At fair value through profit or loss equity securities, mutual funds and investment schemes	8,722	8,543	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss equity securities, mutual funds and investment schemes	5,156	4,536	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	5,588	4,766	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	4,104	3,630	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	25,727	35,984	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.
Available-for-sale equity securities, mutual funds and investment schemes	116,430	96,555	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities, mutual funds and investment schemes	66,843	98,069	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.
Available-for-sale equity securities, mutual funds and investment schemes	25,180	23,508	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	25,989	26,287	Level 3	Fair value of the investments is based on the use of internal discounted cash flow valuation models.
Available-for-sale debt securities	19,776	18,520	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	267,737	239,070	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.

Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2022

(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)

(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 2022, the Group transferred certain debt securities with a carrying amount of RMB10,994 million (six months ended 30 June 2021: RMB10,117 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 RMB11,414 million (six months ended 30 June 2021: RMB9,573 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. The levels of fair value in the fair value hierarchy in respect of these fair values disclosed are as follows:

(Unaudited)	Fair value hierarchy at 30 June 2022			Total
	Level 1	Level 2	Level 3	
Financial assets				
Held-to-maturity financial assets	2,845	214,119	–	216,964
Financial liabilities				
Bonds payable	–	47,291	–	47,291

As at 30 June 2022, investments classified as loans and receivables the Group held belong to the Level 3 category mainly. 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 and the Group.

(c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Unlisted financial assets		
Beginning of the period	54,561	25,454
Unrealised (losses)/gains recognised in other comprehensive income	(1,294)	2,613
Transfer from Level 2 to Level 3	–	18,471
Additions	5,303	864
Losses recognised in profit or loss	24	(34)
Transfer from Level 3 to Level 2	–	(1)
Disposals	(1,837)	(499)
End of the period	56,757	46,868

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 2022
(Amounts in millions of Renminbi, unless otherwise stated)

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 2022 (Unaudited)	31 December 2021 (Audited)
Property and equipment commitments:		
Contracted, but not provided for	1,528	2,697

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 2022 and 30 June 2021, the Group had the following significant related party transactions:

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Transactions with associates		
Industrial Bank		
Gross written premiums	17	60
Investment income	375	506
Dividend	2,773	2,183
Claims and policyholders' benefits	92	250
Handling charges and commissions	38	34
Hua Xia Bank		
Gross written premiums	7	8
Dividends	866	—
Claims and policyholders' benefits	2	138
Other associates		
Gross written premiums	1	1
Investment income	23	36
Other income	1	5
Purchase of spare parts	203	260
Other operating and administrative expenses	9	38

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 2022

(Amounts in millions of Renminbi, unless otherwise stated)

34. RELATED PARTY DISCLOSURES (continued)

(c) Balances with related parties

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Receivables from associates		
Industrial Bank		
Cash and cash equivalents	2,055	3,701
Equity securities, mutual funds and investment schemes	694	825
Term deposits	13,600	22,600
Restricted statutory deposits	429	429
Other assets	111	36
Hua Xia Bank		
Cash and cash equivalents	10	29
Term deposits	10	10
Debt securities	—	639
Other associates		
Debt securities	2,354	1,652
Other assets	22	54
Payables to associates	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Other associates		
Other liabilities	14	22

(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 2022 and the six months ended 30 June 2021 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 2022
(Amounts in millions of Renminbi, unless otherwise stated)

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 has decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

As permitted by Amendments to IFRS 4, the Group elects not to apply uniform accounting policies when using the equity method for associates and joint ventures such as Industrial Bank and Hua Xia Bank.

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 2022 and 31 December 2021 and fair value changes for the six months ended 30 June 2022 and 2021:

	Fair value as at 30 June 2022 RMB million	Fair value as at 31 December 2021 RMB million
Held for trading financial assets (A)	43,709	52,700
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	5,588	4,759
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)	582,420	568,431
– Financial assets with contractual terms that do not meet SPPI terms (D)	319,381	295,630
Total	951,098	921,520

	Fair value changes for the six months ended 30 June 2022 RMB million	Fair value changes for the six months ended 30 June 2021 RMB million
Held for trading financial assets (A)	(153)	(144)
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	266	–
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)	2,228	1,942
– Financial assets with contractual terms that do not meet SPPI terms (D)	(16,204)	(3,609)
Total	(13,863)	(1,811)

Note: The table above includes only debt securities, equity securities and mutual funds 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.

Notes to the Condensed Consolidated Financial Information (continued)

For the six months ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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

(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 2022 (Note 1) RMB million	Carrying amount as at 31 December 2021 RMB million
AAA	449,713	427,517
AA+	71	208
AA	—	10
A—	—	16
A-1	—	268
A or below	—	30
Not rated*	111,185	120,904
Total	560,969	548,953

* Included in the not rated category, there is an aggregate carrying amount of RMB108,980 million (31 December 2021 RMB118,602 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 RMB2,205 million (31 December 2021: RMB2,302 million) without any credit rating do not have low credit risk.

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 2022 (Note 1) RMB million	Carrying amount as at 31 December 2021 RMB million
Aaa	77	63
Aa (include Aa1, Aa2 and Aa3)	235	228
A (include A1, A2 and A3)	2,179	2,072
Baa (include Baa1, Baa2 and Baa3)	606	580
Not rated	148	563
Total	3,245	3,506

	Carrying amount		Fair value	
	30 June 2022 RMB million	31 December 2021 RMB million	30 June 2022 RMB million	31 December 2021 RMB million
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above)) (Note 2)	2,424	3,397	1,868	2,755

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.

Corporate Information

Chinese name:	中國人民保險集團股份有限公司	Place for listing of A Shares:	Shanghai Stock Exchange
Abbreviation of Chinese name:	中國人保集團	Short form for A Share:	PICC
English name:	THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED	A Share stock code:	601319
Abbreviation of English name:	PICC Group	Place for listing of H Shares:	The Stock Exchange of Hong Kong Limited
Legal Representative:	Luo Xi	Short form for H Share:	PICC Group
Secretary to the Board:	Li Zhuyong	H Share stock code:	1339
Securities affairs representative:	Zeng Shangyou	AUDITORS	
Company secretary:	Ng Sau Mei	International Auditor:	PricewaterhouseCoopers
Shareholders' enquiries and place for half-year report collection:	the Office of the Board of Directors/Board of Supervisors of the Company	Domestic Auditor:	PricewaterhouseCoopers Zhong Tian LLP
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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



中国人民保险集团股份有限公司

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